VITALIS® CONSULTING
PROJECT & COST MANAGEMENT in Construction

NEWS
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ZONE 313 OFFICE BUILDING – A NEW COLLABORATION FOR VITALIS CONSULTING

Vitalis office portfolio will be enriched with a new project consisting in the construction of a 10,000 sq. m office building, located at 313 – 315 Barbu Vacarescu Street, 2nd District. Ideally situated in the north of Bucharest, having a perfect accessibility and excellent connection to public transportation, "Zone 313" is the new asset of GD TOTAL SERVICE. This is the first collaboration between Vitalis Consulting and the developer, GD TOTAL SERVICE SRL, as well as between Vitalis and CEC Bank, the financing institution of the project.

The project refers to the extension of an existing operational building with a new structure, defined as 4 basements, ground floor and 8 floors. Pedestrian and car access in the area will be possible both through the access road and from the main boulevard as well. The building will have a total of 89 underground and above ground parking lots, on three basement levels. Octagon Romania was chosen to execute construction works, as General Contractor.

"Zone 313" is focused on innovation and efficient use of resources, while offering an attractive environment that will enhance the wellbeing of future tenants. All the effort towards a sustainable building and environment protection will be rewarded at the end of works with an

International BREEAM Certification – Excellent rating. The project's webpage – www.zone313.ro - will offer all the details about the new location, its benefits and improvements.

Within this project, Vitalis provides Site Inspection Services and Health and Safety Coordination Services as well as Project Monitoring services for the Lender. As Lender's Representative, Vitalis reports all the relevant aspects related to the construction works, considering both cost and scheduling. "Zone 313" is scheduled to be delivered in the first quarter of 2019.

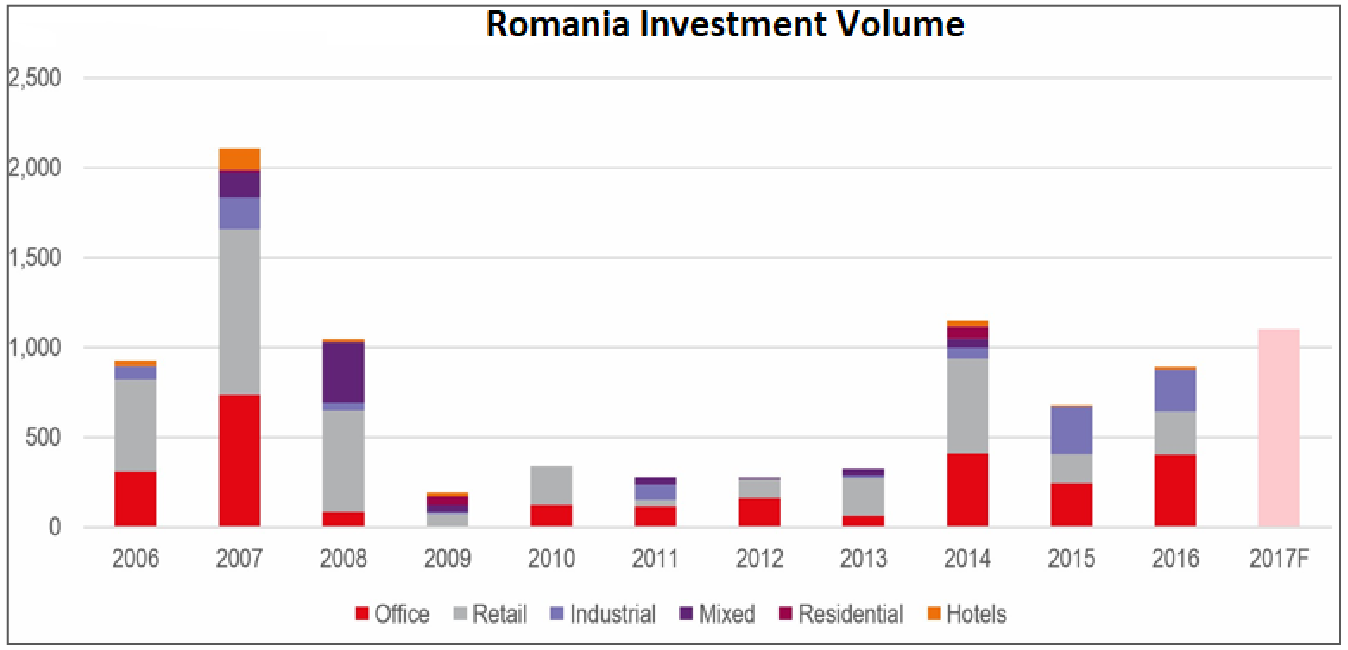
The northern area of Bucharest has become one of the most developed business areas of the capital, taking into consideration the large number of office buildings that were erected in the last few years. We are proud to be among the services providers for some of the largest and modern office buildings located in this area.

Florin Popa

Inside this issue:

THE H1 2017 PROPERTY INVESTMENT VOLUME FOR ROMANIA - 44% HIGHER THAN THE SAME PERIOD LAST YEAR

The H1 2017 property investment volume for Romania is estimated at €485 million, a value almost 44% higher than the one registered in the same period in 2016 (€337 million). The number of transactions increased, with the average deal size standing at approximately €25.5 million. Bucharest accounted for just over 25% of the total investment volume, less than in the same period in 2016, showing that liquidity in secondary cities has significantly improved. Market volumes were dominated by retail transactions (70%), while industrial, office and hotels accounted for over 13%, 11% and 6% respectively. The macro-economic forecast for Romania is positive. The country was the EU's top



performer in the first quarter of 2017 (with GDP growth estimated at 5.7%) and is expected to hold this position throughout the rest of the year. Availability of quality product is increasing and there is still significant yield spread between Romania and Poland or the Czech Republic. On the financing side, terms and conditions have improved significantly over the past year getting closer to what can be expected in the core CEE markets. Consequently, sentiment is strong, with transactions of approximately €660 million in different stages of negotiation and expected to close before the end of the year. Prime office yields are at 7.5%, prime retail yields at 7.25%, while prime industrial yields are at 8.5%. Yields for office and retail are at the same level as 12 months ago, while industrial yields have compressed by 50 bps over the year. There is soft downward pressure on yields and in 2017 we might witness further compression in case prime assets will transact.

(Source: www.jll.ro)

LOGISTICS AND INDUSTRIAL MARKET SETS NEW RECORDS IN H1 2017

A record level of over 300,000 sq. m of logistics and industrial space was leased in the first semester of 2017, according to data from real estate specialists. By comparison, throughout 2016, leasing activity amounted approximately 500,000 sq. m, a record level at that time. Out of the total leasing activity, the net take-up represented approximately 80 percent (400,000 sq. m).

In the first half of 2017, the market continued to be dynamic, with lease transactions totaling close to 350,000 sq. m, net take-up representing 75 percent. The most active tenants continued to be companies active in e-commerce and retailers (about 35 percent), followed by logistics and distribution (33 percent). Overall, the stock of industrial & logistics space reached 2.65 million sq. m, at the end of H1 2017. The most developed market in the country remains Bucharest, accounting for approximately 45 percent of the total stock. Outside Bucharest, Timisoara has a share of approximately 12 percent of the total existing stock, followed by Ploiesti, with 10 percent, and the area around Cluj-Napoca area, with 8 percent.

Throughout 2016, more than 370,000 sq. m of industrial & logistics space were completed across the country. This represents the highest level of new supply recorded so far according to researchers.

For the entire 2017, the level of new supply is forecasted to be higher by 25 percent when compared to 2016, given that more than 450,000 sq. m of industrial and logistics space are scheduled for completion. In H1 2017, approximately 80,000 sq. m were delivered. Some 56 percent of this year's stock will be delivered in Bucharest and 14 percent in Timisoara, followed by Pitesti – 9 percent, Cluj – 5 percent, and Ploiesti and Sibiu, each with a 2 percent share.

Vacancy rate for industrial & logistics spaces in Romania reached 4 percent, at the end of H1 2017. In Bucharest, the vacancy rate dropped to 3 percent, with approximately 31,000 sq. m available. Prime headline rents for A-class units range between EUR 3.75 – 4.25 / sq. m / month while net effective rents are around EUR 3.45 – 3.9 / sq. m / month, depending on city, area and technical specifications.

(Source: www.business-review.eu)

ROMANIAN RETAIL MARKET TRENDS SUPPLY, DEMAND AND FORECAST

Developments in the retail sector have become more nuanced than in previous years. The first six months of the year saw the delivery of approximately 30,000 sq. m of modern shopping centers, with another 150,000 sq. m to follow by the end of the year. Developers of traditional shopping centers will focus on cities with 100,000- 200,000 residents such as Ramnicu Valcea or Sibiu, while retail parks will be the primary focus for smaller cities. During this period, retail schemes in the main cities of Romania such as Bucharest, Cluj Napoca, Timisoara or Iasi will focus primarily on extending the existing space and focus increasingly more on entertainment options. This focus on entertainment will be particularly important in order to maintain the positive evolution of footfall, even as consumers shop online increasingly more. Cinema schemes and food courts have been the main focus thus far, but we expect an increasing demand for retailers providing family-oriented entertainment. The Romanian economy is taking some important steps towards rebalancing. Export oriented services have become the second most important driver of growth, after a sustained annual growth rate above 10% during the past five years.

Retail developments are set to gravitate around two trends: retail parks in small cities and a focus on extending existing spaces in the large cities. The primary aim of the former will be to increase the coverage of modern retail schemes, with a strong focus on budget oriented brands. The latter trend is aimed directly towards catering the needs of knowledge workers. In this case, we expect a renewed interest for retail and entertainment schemes in the newly built office areas. The market will subsequently focus towards bringing new brands to Romania, with a strong focus on the upper-middle income segment.

(Source: www.colliers.com)

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