Bucharest Romania
Sector 1 Development Report
September 2006

This report is produced by FRD Center Romania – www.frdcenter.ro - a privately owned market entry consulting firm based in Romania.

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Introduction

Geographical and historical location

Bucharest is the capital of Romania. According to the 2002 census, Bucharest has a population of 1,921,751 inhabitants in the city proper. There are approximately 2.3 million inhabitants in the greater metropolitan area. Economically, the city is by far the most prosperous in Romania and is one of the main industrial centres and transportation hubs of the region.

The city is administratively known as the Municipality of Bucharest (Municipiul Bucureşti), and has the same administrative level as a county, being further subdivided into six sectors.

The six sectors are numbered from one to six and are disposed radially so that each one has under its administration an area of the city center. They are numbered clockwise and are further divided into districts without any form of administration (*cartiere*).

With a total surface of 67.5 square km and a population of about 238,217 inhabitants, Sector 1 is located in the North-west area of Bucharest. Some districts in Sector 1 are Baneasa, Pipera, Floreasca, Herastrau.

Sector 1 is the wealthiest sector in Bucharest. It consists mainly of residential districts, large boulevards which get connected in generous squares, high office towers with important tenants, shopping galleries, exclusive restaurants, parks and lakes.

According to Sector 1 City Hall, in August 2006 there are 101,517 households covering the largest surface in the North area of Bucharest and the Vlasiei plain in Ilfov county, to metropolitan localities such as Otopeni, Snagov, Mogosoaia, Buftea, Chitila.

Neighbours of Sector 1:

- North: Otopeni commune, Odaile village, Tunari forest - 5.6 km. The north delimitation is: the Odaile Road and the Urziceni railway line;
- East: Sector 2 of Bucharest;
- South-east: Sector 3 of Bucharest from Piata Universitatii to Calea Victoriei, 0.5 km;
- South: Sector 5 of Bucharest, from Calea Victoriei - Bulevardul Regina Elisabeta – Dambovita river, to Mircea Vulcanescu street, 2.2 km;

- South-west, from Calea Plevnei - Soseaua Giulesti to the railway station Chiajna (Rudeni), with sector 6 of Bucharest, 8.5 km;
- North-west: Chitila and Mogosoaia communes in Ilfov county, from the railway station Chiajna to Odaile village, 7.8 km.

Geographic environment of Sector 1:

Rivers and lakes:

Sector 1 is crossed from west to east by the Colentina river, on a length of 14.3 km. The Colentina river has a width of 7 - 15 m and a depth of 1 - 3 m. The river speed is of 3 m/s. On the inferior course of the Colentina river, in the sector centre, there is a network of lakes as follows:

Straulesti Lake has the surface of 33 ha, the volume of 700,000 m^3, the debit of 2.5 m/s, the length of 2.3 km, the width of 100 - 300 m and the depth of 1 - 5 m;

Grivita Lake has the surface of 53 ha, the volume of 1,000,000 m^3 , the debit of 2.5 m/s, the length of 3.8 km, the width of 50 - 500 m and the depth of 1 - 4 m;

Baneasa Lake has the surface of 40 ha, the volume of 600,000 m^3, the debit of 2.5 m/s, the length of 3 km, the width of 50 - 400 m and the depth of 1 - 3 m;

Herastrau Lake has the surface of 77 ha, the volume of 2,300,000 m^3, the debit of 2.5 m/s, the length of 2.8 km, the width of 50 – 1,000 m and the depth of 1 - 5 m;

Floreasca Lake has the surface of 70 ha, the volume of 1,600,000 m^3 , the debit of 2.5 m/s, the length of 3 km, the width of 100 - 800 m and the depth of 1 - 5 m;

Cismigiu Lake has the surface of 29,500 m^2, the length of 1.3 km, the width of 50 m and the depth of 1 - 2 m.

Forests in Sector 1 are: Baneasa Forest and Tunari Forest. The total surface of the forests is of 31.5 km^2.

Parks:

Bazilescu Park - Bd. Bucurestii Noi, has a surface of 125,400 m^2;
Sf. Maria Park - Street Karol Knappe, has a surface of 19,350 m^2;
Copilului Park - Street Siret, has a surface of 975 m^2;
Tineretului Park and Stadium - Bd. Marasti, has a surface of 1,350 m^2;
Herastrau Park - Sos. Kiseleff, has a surface of 1,295,000 m^2;
Cismigiu Park – Bd. Regina Elisabeta, has a surface of 139,000 m^2;
Kiseleff Park - Sos. Kiseleff , has a surface of 31,690 m^2;
Bordei Park - Bd. Aviatorilor, has a surface of 12,260 m^2;
Garii de Nord Park - Garii de Nord Square, has a surface of 18,940 m^2;
The total surface of the parks is of 1,649 km^2.

Infrastructure and Utilities in Sector 1

Roads and railroads:

Bucharest is the hub of Romania's national railway network, run by the Romanian Railroad National Company. The main railway station in Romania is Gara de Nord, or North Station, which provides connections to all major cities in Romania as well as international destinations. Gara de Nord is situated in Sector 1 and it is linked by metro, buses, trolley buses and tram lines to the rest of the town.

Bucharest is also a major intersection of Romania's national road network. It is the origin of most of the country's national roads and expressways, which link the city to all of Romania's major cities as well as to neighbouring countries. Sector 1 is crossed by the main road which leads into National Road number 1 (DN1), passing through Baneasa village, Otopeni village and reaching Ploiesti (60 kms from Bucharest). This road is already part of an European network and is undergoing enlargement to three lanes per way. It will be part of the Bucharest – Bors expressway after Brasov – Bors expressway is finalised. The Autostrada Transilvania Project is a four-lane, 415-kilometer highway, stretching northwest from Brasov in central Romania to Oradea on the country's border with Hungary. The motorway will connect the cities of Brasov, Fagaras, Sighisoara, Targu Mures, Cluj Napoca, and Oradea, skirting the Carpathian Mountains on a high plateau, some 1,000-meters above sea level. This 2.2 billion construction project will be completed by 2012.

During the period May - June 2006, the Sector 1 City Hall finalised the rehabilitation and modernisation of the road infrastructure on 21 streets in Sector 1. Also, at the present, there are in progress the works to lay new road surface on other 78 streets. The investment program of the Sector 1 City Hall for the period May 2006 - May 2007 includes the rehabilitation and modernisation of the road infrastructure on 300 streets, sidewalks and alleys located between the blocks.

Regarding the modernisation of Vatra Noua and Straulesti areas, there is a program developed by the Sector 1 City Hall and the Bucharest City Hall, with World Bank financing. The works will start during the next period of time, after the finalising of the procedures related to the designing, authorisation and international tender. The program includes the water supply, the sewerage and the modernisation of road system in these areas.

According to the Sector 1 Mayor’s officials, this is one of the most important investment programs developed in the Sector 1 in the last years. During this year, the majority of the funds available at the local budget were used for the works to enlarge, repair and upgrade the road infrastructure and to provide the sewerage and the water supply. The City Hall target is that until the end of 2007 to reduce significantly the number of streets without asphalt, water supply and sewerage.

During 2006 there were finalised the works of repair and modernisation of Aurel Vlaicu Farmers Market, the total investment reaching the amount of 700,000 RON, the funds being obtained from the local budget. Also, there are in progress the works to build a new hall located in Matache Farmers Market, works that will be finalised until the end of 2006. The total investment is of 1 million Euro, the funds being obtained through a credit from a commercial bank. During the next period of time there will start the procedure to lease the Mures Farmers Market, market which was modernised last year. This lease procedure is necessary for the local administration to recover a part of the amount invested in the modernisation, these funds being subsequently allocated to modernise other farmers markets in the sector.

The metro system

Underground public transport in Sector 1 is covered by Metrorex – the metro company.

According to Metrorex, in Sector 1 there are 4 metro lines and 12 metro stations, with major traffic in stations like Victoriei 1 and 2, Gara de Nord, Pipera, Piata Romana. The total length of the metro lines in the Sector 1 is of 8 km double line. The intervals between trains in the rush hours (7 a.m. - 9 a.m. and 4 p.m. - 7 p.m.) are between 5 and 12 minutes. The intervals during the rest of the day are between 7 and 15 minutes.

The average daily traffic in the Station Victoriei 1 and 2 (a main transit station in Sector 1) is of about 30,000 passengers.

Starting with 1998, Metrorex has an investment program related to the modernising of metro lines with co-financing from the European Investment Bank. During the period 2005 - 2006 there were finalised the following works:

- Modernising the radio system on all the metro networks
- Modernising the equipment for fire detection on all the metro networks
- Modernising the traffic safety system (interlocking) on the Metro Line 2
- The pedestrians access Dinicu Golescu (Gara de Nord Station in Sector 1)

The works planned for the period 2007 - 2010 in Sector 1 include:

- Extending the existing lines and modernising the stations
- Modernising the equipment in order to introduce modern trains on the Metro Lines 1, 2 and 3
- The Metro Line 5 (stage 1: Drumul Taberei - Universitate)
- Electric power Fider 1 and Fider 2 and also electric power at 20 kW
- Acquisition of 20 metro electric trains
- Interlocking of the Metro Lines 1 and 3
- Modernising the lighting system
- Modernising the ventilation equipment
- Facilities for the access of disabled people in the metro network (i.e. elevators)

The surface public transport system

Surface public transport in Sector 1 is covered by RATB – the Autonomous Regie of Bucharest Surface Public Transport.

In Sector 1, the surface public transport system includes:

- 11 lines of trams with the length of 23 km both ways
- 16 lines of trolley buses with the length of 12 km both ways
- 40 lines of buses with the length of 73 km both ways

The works planned by RATB for the period 2007 - 2010 in Sector 1 include:

- Modernising and extending the tram lines
- Extending the trolley bus lines

The water supply system

In Sector 1, Apa Nova performed works for the rehabilitation of the public networks of water and sewerage on 4 streets during 2005 and plans the rehabilitation on other 7 streets during 2006 - 2007. Also, Apa Nova plans the extending of the public water network on 19 streets during the period 2006 - 2010.

As a result of an agreement signed at the end of July 2006, the International Bank for Reconstruction and Development will lend to Romania 106.2 million Euro for the financing of the development of the water supply and sewerage. Of this amount, about 45 million Euro are for the investments in the extension of the water and sewerage networks and for the modernising of the road system in the suburbs of Sector 1. Also, from the local budget there will be allocated over 20 million Euro for the same project.

According to Apa Nova, the investment works will start during the autumn of 2006 and until the beginning of 2008, when the works will be finalised, the areas with houses in the districts Odai, Chitila, Vatra Noua, Straulesti and Baneasa will have running water and sewerage.

Through this project and other investments financed for the local budget, the people who live in the peripheral areas of the Sector 1 will have water and sewerage, according to the Sector 1 City Hall representatives.

Parking space

The Bucharest City Hall started projects related to underground parking spaces, with public-private financing, which will have a decisive role in decongesting the traffic on the main avenues.

The first underground parking spaces in Sector 1 will be located in Presei Libere Square, Charles de Gaulle Square, Universitatii Square, Domenii Square, Street Edgar Quinet and Blvd. Magheru.

The underground parking in Universitatii Square will be built in the near future and requires a total investment of 12,491,580 Euro. There will be parking lots for 300 cars and 25 motorcycles, on three stories, on a total surface of 10,500 sqm.

According to the City Hall plans, the works at the parking in Domenii Square will be finalised in two years, require an investment of 11,145,981 Euro and will provide parking lots for 188 cars.

The biggest underground parking spaces in Bucharest will be built in Presei Libere Square and Charles de Gaulle Square, both located in Sector 1. In Charles de Gaulle Square there will be built parking lots for 831 cars on a surface of 56,970 sqm with investments of about 60 million Euro, in a period of 36 months. In Presei Libere Square, with an investment of 45,409,095 Euro there will be built 1,633 parking lots, on a surface of 59,940 sqm, with three stories, in a period of 30 months.

With an investment of 32,916,805 Euro an underground parking space in the Edgar Quinet Street in Sector 1 will be built on three stories, with 380 parking lots for cars and 25 for motorcycles. The works will be finalised within the next 36 months. The overcrowded traffic on Magheru Blvd. and the lack of parking lots will not be a problem anymore, according to the City Hall representatives, when the underground parking near Eva department store will be inaugurated. Here, with about 30 million Euro, in two years, 450 parking lots will be built, on three stories, on a surface of 12,900 sqm.

In Domenii Square in Sector 1, an underground parking space for 188 cars will be built in the next 24 months.

The Economy and Business in Sector 1:

Bucharest is the most economically-developed and industrialised city in Romania, generating around 21% of the country's GDP and about one-quarter of its industrial production, while only accounting for 9% of the country's population.

The city's strong economic growth has revitalised infrastructure and led to the development of many shopping malls, modern residential towers and high-rise office buildings. Some of the most important office towers recently built in Sector 1 are: Alpha Bank Center and Charles de Gaulle Plazza in Charles de Gaulle Square, Europa House and America House in Victoriei Square, Baneasa Business Center close to the Free Press Square.

Bucharest's economy is mainly centred on industry and services, with services particularly growing in importance in the last ten years. The city serves as the headquarters of 186,000 firms, including nearly all large Romanian companies.

Sector 1 serves as headquarter for numerous services companies like banks (i.e. BRD Societe Generale), telecomunications (i.e. Vodafone) and office support (i.e. Xerox). In particular areas like Nicolae Caramfil Str. have been recently turned into office areas with numerous office buildings having been constructed in the latest 5 years.

An important source for growth since 2000 has been the city's property and construction boom, which has resulted in a significant growth in the construction sector.

Bucharest is also Romania's largest centre for information technology and communications and is home to several local software companies which operate internationally. Sector 1 is notorious for its IT & C specific which has a long tradition with large electronics industrial platforms like Pipera and Baneasa since the 1970s. Some important software companies with headquarters in Sector 1 are Softwin, Siveco, S&T.

Also, furniture production is well represented in Sector 1 and Pipera Road used to be the hub of furniture show-rooms in Bucharest. Important furniture companies like Mobexpert continue the tradition.

Romexpo, the main exhibitions center in Romania, is located in Sector 1. Boasting 421,700 sqm of gross overal size of fairground and 55,000 sqm of gross indoor space (halls), Romexpo is an annual host of nearly 40 international trade fairs.

Hospitality in Sector 1:

Hotels and restaurants are well represented in Sector 1 with international names like Sofitel, Crown Plaza and Howard Johnson. Business tourism is a key factor in the revenue of Sector 1 since many business people visiting Bucharest prefer 4 and 5 star hotels in the vicinity of the office centers in Victoriei Square and Romana Square.

Restaurants in Sector 1 offer international cuisine as well as traditional Romanian and specific countries one, such as Thai, Lebanese, Italian, Japanese. Given that Sector 1 is the sector with largest number of high end residents, the hospitality sector reflects this in the offer in regards to restaurants, catering services, cafes etc.

Areas like Herastrau Park, Dorobantilor Square, Amzei Square have witnessed an important increase in HoReCa. High end villa residential districts like Dorobanti, Kisselef and Aviatorilor attract many gourmet customers in renowned restaurants such as Casa Doina, Noblesse, Uptown. Also, middle class customers can enjoy lovely food and atmosphere in the same area in restaurants like Basilicum, Esperanto, Casa Ardeleneasca.

Pubs, wine bars and cafes are quite popular and increasing in number due to customer demand. Areas like Amzei Square and Dorobantilor Square have become centres for after-hours meetings, both for pleasure and business.

Shopping and Entertainment in Sector 1:

The two main boulevards that cross Sector 1, namely Magheru Blvd and Calea Victoriei are renowned shopping streets with landmark department stores (i.e. Eva Department Store), local designer show-rooms (i.e. Nemtoi Gallery) and designer stores (i.e. Escada). Another important shopping street is Calea Dorobantilor which boasts designer boutiques, home decoration galleries, car show rooms (i.e. Maseratti) and shopping centers (i.e. Mario Plaza).

Further north, Jolie Ville Galleria is a luxury shopping centre covering an area of 12,000 m². Opened in 2004, it is located in Băneasa, near the Aurel Vlaicu International Airport.

In the Dorobantilor Square, a modern but picturesque farmers market operates, while the Amzei Farmers Market in Amzei Square attracts shoppers and tourists alike.

Supermarkets in Sector 1 include Nic Supermarket, Mega Image and cash & carry brands like Selgros and Metro further north, in Baneasa area.

In regards to entertainment, Sector 1 boasts numerous theatre halls – National Theatre, Nottara Theatre, Bulandra Theatre, Odeon Theatre etc. as well as cinema halls, open air performance centers in Herastrau and Cismigiu Parks etc. Several independent theatre companies have their main halls on Calea Victoriei, attracting numerous public.

Live music performances take place in the National Operetta Theatre, music clubs, rock bars, jazz venues – most of them being located in the old center of Bucharest.

Residential and Housing situation in Sector 1:

Current districts:

Băneasa is a district (Romanian: cartier) in the north side of Bucharest, near the lake with the same name (0.45 km²). Like all north-side districts of Bucharest, it is relatively sparsely-populated, with large areas of parkland. In the 2000s, the area has become increasingly upmarket, due to the construction of various luxury apartment developments. It is also home to many villas constructed before the 1930s that were refurbished in the 1990s and 2000s. Băneasa is linked by bus to the Bucharest city centre. There is currently a proposal to construct an extension of the Bucharest Metro to serve this district and its increasing population.

Pipera is a district situated in the north of Bucharest, Romania. Until 1995, it was an ordinary village. After that, here started an "el dorado" of land transactions. Plots of land that were 1 USD/m² reached in 2005 the amount of 250 USD/m². In this time, more than 1400 houses were built here, transforming Pipera in one of the most expensive residential areas. The district is served by Pipera metro station, the northern terminus of Bucharest Metro Line 2.

Future districts:

Following the trend of all the main cities, Bucharest has developed extensively and continues to extend its north area. Far away from the industrial areas, closer to roads to the tourist places (Valea Prahovei, etc.), with infrastructure, the north area is the most attracting residential area. In order to face the existing demand, the developers design projects taking into account the quality and the price, in an environment characterised by the price increase of the construction materials, of the manual labour and especially of the lands.

Even if there will be new projects in the next two years, the market records continuous price increases. At the end of this year there are estimated new price increases on the residential segment. The price being, after the location, one of the main factors in the buying decision, the developers try to offer products with reasonable prices and high quality.

The target segment of the new residential areas has become in the past two years the middle class, having access to higher incomes or mortgages credits and accounting for 75 percent of the market. Next come small investors, with 15 percent. Members of the luxury class, holding around seven percent of the market, is interested in un-finished houses, for making the choice of the indoor design themselves. The last category is that of embassies and companies.

In the Sector 1 north area, the best prices are at the **Phoenix** luxury residential area, which offers 50 apartments at only 900 Euro/built sqm. Due to the exceptional price and the analysing of the market demand, Regatta Company, the exclusive Phoenix agent, sold in a record period of time 60% of the residential area.

Located in the area Straulesti-Sisesti, near Doi Cocosi, the complex made up of four blocks with the structure P+4 (3 blocks) and P+3 (one block) is in an advanced construction stage and will be finalised in March 2007. The blocks have common basement, with 1-2 parking lots and underground storage space for each apartment. The buildings offer 37 apartments with 3 rooms and 13 apartments with 4 rooms. The surface of the apartments with 3 rooms is of 91-106 sqm and the surface of the apartments with 4 rooms is of 118-126 sqm.

This complex will have a green area, exclusively for pedestrians, with alleys and playgrounds for children. The complex will also have guard service.

The National Agency for Dwellings will restart in the near period the construction works at the houses with mortgage credit of the district **"Henri Coanda"** located in the Voluntari area. The first houses will be finalised in 2007. The project was announced by the Ministry of Transport, Constructions and Tourism in 2003, but the works were delayed and temporary suspended due to the requests of assert and the lack of funds for infrastructure.

On a surface of about 100 ha, the **"Henri Coanda"** district is split in two areas, in the administration of the City Halls of the Sector 1 in Bucharest and of the Voluntari city, Ilfov county. 45.9 ha are owned by the Sector 1 and 53.3 ha by the Voluntari city. On these lands, there will be built 1,127 individual houses with mortgage credit and also 226 one-room and 558 apartments with two rooms to be rented for young people. For the moment, the efforts of the National Agency for Dwellings are focused on the finalising of the houses with mortgage credit and the infrastructure. Also, there will be laid out roads and will be built some social spaces (school, kindergarten, police station, stores etc. for the district inhabitants). The urbanism plan for the land located in the Sector 1 stipulates the building of 520 houses.

Also in Sector 1 there will be built a **social dwellings district** in the Odai area, which will include 450 apartments. During this year there will be obtained the authorisations necessary to start the works and will be finalised the Area City Planning Program within the Bucharest City Hall. The works to build this district will start during 2007 and until the end of the next year 150 apartments will be finalised. The main beneficiaries of these apartments will be the persons evicted from the nationalised houses, based of the Law 10/2001 and severe social cases.

In the next two years, 18 residential projects will be developed in Bucharest, with about 3,345 apartments and villas.

The residential parks represent a special offer on the residential market. The buildings have a well-defined architectural model, with a specific strategy of sales and internal administration ensured by a specialised guard company, maintenance of the common spaces and gardens and even baby-sitting services. The areas with maximum concentration for residential parks are Sos. Bucuresti – Ploiesti -Erou Iancu Nicolae - Sos. Pipera – Tunari. In these areas over 10 projects are developing at the present.

The market of residential spaces on the luxury and medium-superior segments, for sale, was also during this year very dynamic, due to the fact that the demand was higher than the offer. The examples of main projects developed this year are: Washington Residence, located near Calea Dorobantilor, with 11 blocks and 93 apartments, the project Grand Residence with 37 apartments, located in Baneasa area, 62 North Park Residence, in Herastrau area or the villa project Ibiza Club, in Pipera area. The biggest demand is recorded for buildings located in the centre or north area of Bucharest.

MY RESIDENCE
* Location: near Herastrau park
* Description: building with 5 floors, 113 apartments and the land surface of 4,000 sqm
* Dwelling details: one-room of 44 sqm, apartments with 2 – 4 rooms with the surfaces of 70 - 168 sqm
* Finalising period: March 2007
* Prices: 1,350 – 1,600 Euro/sqm

BANEASA
* Location: the area between Baneasa Airport, DN 1, Aleea Privighetorilor and Iancu Nicolae
* Description: over 3,000 dwellings (apartments, houses)
* Dwelling details: in the stage I, there will be built 12 villas with 227 apartments, with 1 - 3 bedrooms and surfaces of 95 - 324 sqm
* Finalising period: the end of 2006 (exclusively for the 227 apartments)
* Prices: 181,500 – 955,000 Euro without VAT

The biggest residential area under development is **Baneasa Residence**, bordering Sector 1 to the north. This residential park will cover 221 ha and will count some 3,000 individual villas, numerous apartment buildings and row houses. Average price per sqm in an apartment in Baneasa Residence is 1,785 EUR, including parking space.

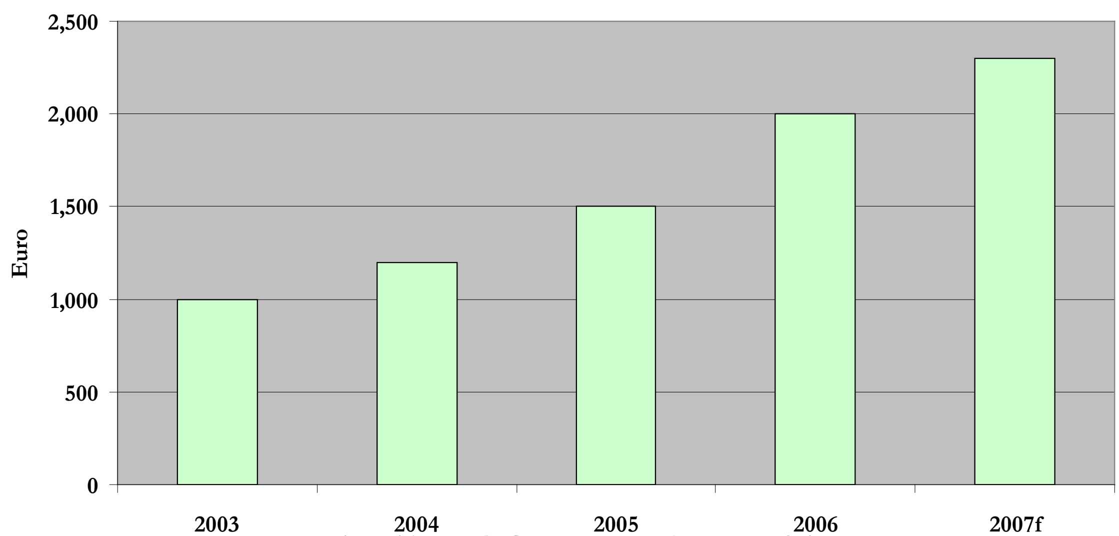
The residential area is perfectly integrated in the Baneasa project (which also includes a business park and a retail area), as well as within the northern part of the town, as it respects the old, local tradition of Bucharest to incorporate housing in green areas. The Baneasa residential area offers 14 types of apartments, divided into 4 categories: 1 bedroom apartments, 2 bedroom apartments, 3 bedroom apartments and penthouses. Row houses offer the benefit of private and semi-private areas that protect the residents from the urban hustle and bustle The villas are located on plots of land of 700-1200 m2 (belonging to the villas' owners) and have generous individual courtyards and spaces.

The evolution of the average purchase prices per sqm for the new constructions (built after 1989) in the **Dorobanti – Floreasca** area in Sector 1 is presented below.

Area	2003 (Euro/sqm)	2004 (Euro/sqm)	2005 (Euro/sqm)	2006 (Euro/sqm)	2007 forecast (Euro/sqm)
Dorobanti - Floreasca	1,000	1,200	1,500	2,000	2,300

Source: Regatta

Evolution of the average price per sqm in Dorobanti - Floreasca area

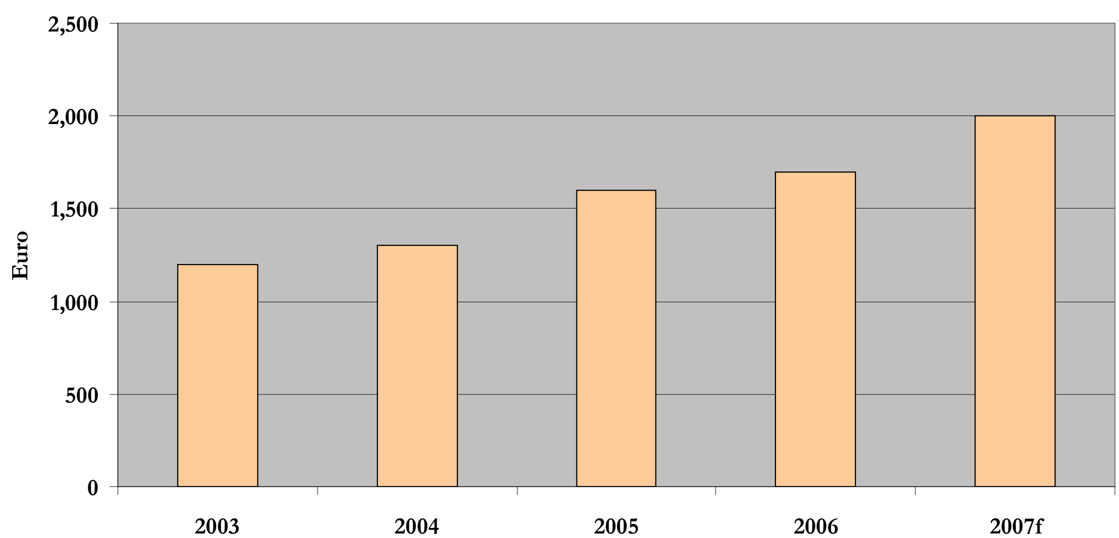


Source: Regatta

The evolution of the average purchase prices per sqm for the new constructions (built after 1989) in the **Herastrau - Nordului** area in Sector 1 is presented below.

Area	2003 (Euro/sqm)	2004 (Euro/sqm)	2005 (Euro/sqm)	2006 (Euro/sqm)	2007 forecast (Euro/sqm)
Herastrau Nordului	1,200	1,300	1,600	1,700	2,000

Evolution of the average price per sqm in Herastrau Nordului area



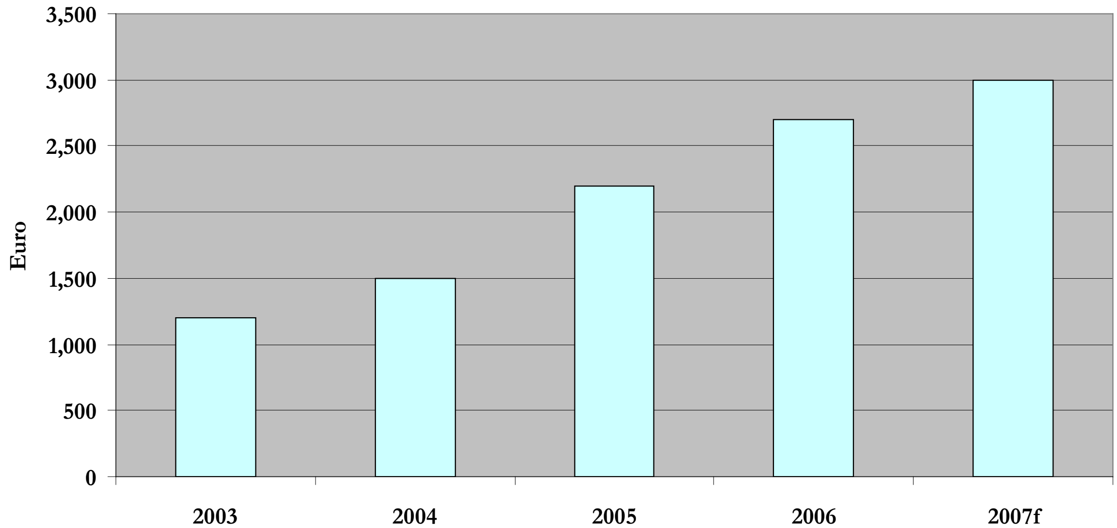
Source: Regatta

Source: Regatta

The evolution of the average purchase prices per sqm for the new constructions (built after 1989) in the **Primaverii** area in Sector 1 is presented below.

Area	2003 (Euro/sqm)	2004 (Euro/sqm)	2005 (Euro/sqm)	2006 (Euro/sqm)	2007 forecast (Euro/sqm)
Primaverii	1,200	1,500	2,200	2,700	3,000

Evolution of the average price per sqm in Primaverii area



Source: Regatta

Source: Regatta

Rental of residential space situation in Sector 1:

Even if the biggest renting transactions in the north area of Bucharest were of 5,000 - 10,000 Euro per month, the players on the real estate market consider these isolated cases. The majority of the renting transactions of apartments in areas such as Dorobanti, Soseaua Nordului or Primaverii were at prices of about 3,000 Euro per month or even at lower prices. These rents could decrease in the next years when the new residential projects, which are in the process of construction, will be finalised.

Examples of rent prices/month of one of the main players on the Romanian real estate market are presented below.

Real estate company	**Rent price in Euro /month**	**Surface**	**Location**
DTZ Echinox	10,000	apartment of 440 sqm	Herastrau Park
Regatta	8,000	apartment of 400 sqm	Dorobanti district
Eurisko	7,000	villa of 450 sqm	Herastrau Park
Euroest	4,500	apartment of 380 sqm	Herastrau Park

Source: DTZ Echinox, Regatta, Eurisko, Euroest

The evolution of the average sold prices at the apartments with tree rooms in the Sector 1 is presented below.

Area	**March 2004 (Euro)**	**March 2005 (Euro)**	**March 2006 (Euro)**	**June 2006 (Euro)**	**Surface (sqm)**	**Construction year**
1 Mai	48,000	65,000	84,000	84,500	80	1984
Aviatiei	48,000	93,000	110,000	92,000	80	1990
Dorobanti	45,000	100,000	100,000	105,000	70	1985
Victoriei	87,000	120,000	135,000	150,000	85	1990

Source: Anuntul Telefonic

Office space in Sector 1:

According to a recent report published by CBRE Romania, Bucharest office space supply has surpassed the 1 million sq m level as result of the significant number of completions during the first half of 2006. The total stock has increased with 207,000 sq m, of which around 36% is Class-A premises.

The supply added in the first six months of 2006 was approximately 41% higher compared to the total amount of offices delivered last year (146,000 sq m). The most active submarket has been the northern area, mostly in Sector 1, where around 85,000 sq m of office space has been delivered. New office buildings will continue to be developed in this area due to limited supply of land suitable for office developments in central areas and clear preference of tenants to the north (proximity of desirable residential districts, good connections with the airport, city centre and main exits toward the rest of the country).

Over the last six months, a total of 36 new office buildings have been delivered, among the most significant being: America House, Bucharest Corporate Center, Construdava Business Center and Buzesti Office Building, totaling around 67,000 sq m. The above mentioned developments represent 44% of the newly built stock (151,000 sq m). Buildings with an average gross area between 1,000 sq m and 6,000 sq m represent 40% of the new completions.

The total modern stock has risen to approximately 1,100,000 sq m, 38% being located in the northern area of Bucharest, including in Sector 1. Class B offices still dominate the supply, accounting for approximately 643,000 sq m as a consequence of the increasing number of office developments located in decentralized areas of Bucharest. Central locations accommodate the largest proportion of Class-A office buildings (approximately 200,000 sq m of a total of 362,000 sq m), represented by developments of over 10,000 sq m.

Charles de Gaulle Plaza is the biggest office building on the domestic market and has been acquired by Accession Fund for more than 80 million Euro in the biggest transaction ever conducted on the Romanian real estate market. The main tenant of the building is the mobile telephony operator, Vodafone Romania. Avrig 35 is the developer of Charles de Gaulle Plaza.

The Dutch financial Group ING entered the local market with its real estate division, which develops together with the construction company ACMS an office building project, **S. Park,** located in the north area of Bucharest, near Presei Libere Square. The project is estimated by sources on the real estate market to about 30 - 35 million Euro. The project has a built surface of 50,000 sqm and is promoted by the real estate agencies Eurisko and DTZ Echinox. ING Bank rented 9,700 sqm in this building.

The **America House** office building is currently one of the most important projects on the local real estate market and have a market value of over 70 - 80 million Euro, given the annual yields of 8% - 9% in Euro on the real estate market at the moment. The sale of America House, which is to take place this year, according to the estimates by the real estate agents, could, under the circumstances, be the biggest transaction on the local real estate market so far. This calculation is based on the current net yearly income derived from the rental of office spaces, standing at about 6. 5 million Euro, according to officials of the developer Globe Trade Centre (GTC) Romania. America House is the second project developed by GTC Romania, the company that handled the construction and sale of the Europe House office building in the capital for 25 million Euro in 2003. The mobile telephony operator Cosmote rented in America House a surface of about 3,500 sqm, the 5th and the 6th floors of the building. Other companies that rented surfaces in America House are Deloitte & Touche (3,200 sqm), Japan Embassy (1,200 sqm), EFG Eurobank Finance (700 sqm), S&T, Ericsson, Schlumberger, Cisco and Mastercard. The exclusive agent of America House is the real estate company Colliers. According to sources on the real estate market, the monthly average rent for a office space in this building is of 16 - 18 Euro per sqm and the average period of time for a contract is about 5 years. The office building America House has office spaces with a rent surface of 22,000 sqm and a commercial gallery of 5,000 sqm.

Bucharest Corporate Center is an office building, A class, with 13 floors. Petrom rented a surface of 8,000 sqm in this building. Also, the insurance company Generali rented a surface of 3,500 sqm, on 5 floors and Wolf Theiss a surface of 1,400 sqm. The building is owned by the Austrian investment fund Immofinanz, following a transaction of about 26.5 million Euro.

Construdava is an office building, A class, where the monthly average rent is of 17 – 20 Euro per sqm and the average period of time for a contract is of about 5 years. The building has about 7, 000 sqm and its developer is Impact company. The British fund for real estate investments, European Property Convergence Company, administrated by Charlemagne Company, bought this year Construdava building, following a transaction of about 19 million Euro. Metro Group Information Technology Romania, the IT Division of the German Group Metro, rented a space of 3,300 sqm in Construdava, according to DTZ Echinox, the real estate agency that intermediates the transaction.

Iride Business Park is an office building that was conceived through the joint initiative of BPD Property Development from Vittorio Veneto and the European Bank for Reconstruction and Development during 1998. In 1999 the project was co-sponsored by BPD and the Romanian Post Privatisation Fund, with additional equity from the EBRD and Finest of Italy. EBRD also provided the financing of the project together with Raiffeisen Bank of Austria. In 2005, the US industrial giant General Electric signed a pre-lease for around 4,000 sqm of office space in Iride Business Park, according to the real estate company CB Richard Ellis. The monthly cost of an office space in this location is 12 - 14 Euro per sqm. General Electric has chosen this particular office development in northern area of Bucharest for its technological solutions and business services centre. Also, Accenture rented a surface of 2,000 sqm in this building.

Avitech Office Building is a B class office building. In a transaction mediated by CB Richard Ellis Romania, the retailer in the communication field Germanos leased 1,500 sqm, on two floors, for its headquarters, in this building. According to the players on the real estate market, the monthly average rent for an office space in this building is of 13 - 16 Euro per sqm and the average period of time for a contract is of about 5 years.

Rental and investment prices of office space in Sector 1:

According to a CBRE Romania report, the average rental level has not witnessed significant changes in the last six months. Rents for class-A offices have maintained a stable level, and

now are at Euro 18.50-19.00/sq m/month, although some transactions have been closed at Euro 20-21/sq m/month. For the last 18 months the achieved rents for class-B offices have remained relatively stable at Euro 12.00-15.00/sq m/month. The relative constant rental level for both office sectors achieved in H1 2006 is explained by the small number of leasehold acquisitions for existing properties (55% of the total take-up) and by the relative high percentage of pre-leases which benefit of substantial discounts.
The average sale prices for vacant office buildings have increased by 15-20% during H1 2006 and are currently ranging between Euro 1,400-1,700/sq m (calculated on gross area), depending on location. On the investment market the prices have remained at Euro 2,000-2,200 per sq m while prime office yields decreased to around 7-8% showing the scarcity of suitable investment products. The sale prices have been also influenced by the limited supply of land suitable for Class-A office developments, as the prices for available plots located in central and northern areas, especially those situated in sector 1, have reached up to Euro 2,500-3,000/sq m for some specific locations.

Office space previsions for 2007 – 2008:

According to CBRE Romania, around 150,000 sq m is due to be completed by end of 2006, of which approximately 38% is Class-A offices, mostly located in Sector 1. Of the total proposed office supply for H2 2006, approximately 47% is already pre-leased (66,000 sq m). In 2007, a further 409,000 sq m is scheduled to be delivered, of which 81% is represented by Class-A premises.

As a consequence of the rapid development of supply, the gap between supply and demand will be lessened in the next 12 months and the Bucharest office market is expected to be balanced in Q4 2007-Q1 2008. In the event that all proposed supply for 2007 will be delivered, a slight decrease of rental levels for Class-A offices, to around Euro 18/sq m/month and a relative stability of sale prices for investment products is expected.

Most of the new office buildings are planned to be developed in the same central-north and northern decentralized areas of the city due to higher supply of land suitable for office park developments. These areas will remain the most sought after locations for multinational companies which are looking to set up extensive offices or call/back operation centers. Since this type of tenants generally need gradual expansion space, the office-park type of development offers the best solution for their requirements. Small and medium companies currently located in converted residential buildings and obsolete offices will drive up the demand for centrally located Class-B offices.

Commercial space in Sector 1:

According to a recent report published by CBRE Romania, Bucharest retail market has experienced a general upward trend in terms of modern completions and rental levels. In the first half of 2006, the modern retail supply has increased with approximately 55,000 sq m reaching a total of around 579,000 sq m. Modern retail centers represent around 60% of the total retail stock.

Most of new developments delivered in the last six months represent the first phase of Baneasa Commercial, the first retail park in Bucharest, situated on the northern border of Sector 1 and initiated by Baneasa Investments. The initial phase of the project (Feeria Shopping Center) comprises Carrefour (including a shopping gallery), Bricostore & Mobexpert outlets and will be completed in Q1 2007 with the opening of an Ikea outlet. The last phase of the project will consists of a 65,000 sq m shopping mall (Baneasa Shopping City) and will be delivered in 2008.

Apart from larger retail projects, small developments having less than 5,000 sq m have continued to be completed over the last six months in highly populated districts. The supply of shopping galleries has slightly increased due to completion of large office buildings or hotels offering retail areas on the lower levels. Retail galleries within America House, Bucharest Corporate Center and Novotel Hotel (Victoriei Business Plaza) have added around 8,000 sq m of modern retail spaces in Sector 1.

Due to the scarcity of available high street units, many villas located in the city centre and the residential northern part of Sector 1 have been converted in restaurants, coffee shops and pubs.

Industrial space in Sector 1:

Sector 1 consists mainly of residential districts and office buildings in the main squares like Victoriei Square, Charles de Gaulle Square etc. Industrial space in sector 1 is mainly located in the extreme north, on the outskirts of the sector in the vicinity of Baneasa, Pipera etc.

According to information provided by CBRE Bucharest, the industrial real estate segment is still an emerging market with limited modern schemes, most of them developed on a built-to-suit basis. The current industrial stock is estimated at roughly 520,000 sq m, of which total modern industrial stock is approximately 270,000 sq m.

In Sector 1, the majority of the completed and ongoing projects are concentrated in the industrial clusters located in northern (along the Ring Road) outskirts of the city.
Among the most active developers on the industrial market are Cefin Real Estate, Grontmij/Rynart, Mega Company, Parkridge, Phoenix Real Estate, Portland Trust, Prologis, Liebrecht & Wood.

In Northern areas of Bucharest, on the outskirts of Sector 1, rental levels range from EUR 4.5/sq m/month to EUR 6/sq m/month or even higher.

Demand remains strong, particularly for logistics premises, and will result in a noticeable shortage of supply of new industrial premises in the near future. A further reduction of available industrial facilities is anticipated by 2008 due to increasing demand of existing occupiers on the back of the rapid development of logistics and retail markets.
The completion of future proposed infrastructure projects (i.e. the second Ring Road, Bucharest-Brasov Highway and Henri Coanda Airport expansion) will strongly influence the local industrial market in the vicinity of Sector1 as a result of additional land that will be made available for developments and improvements of access and utilities networks.

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