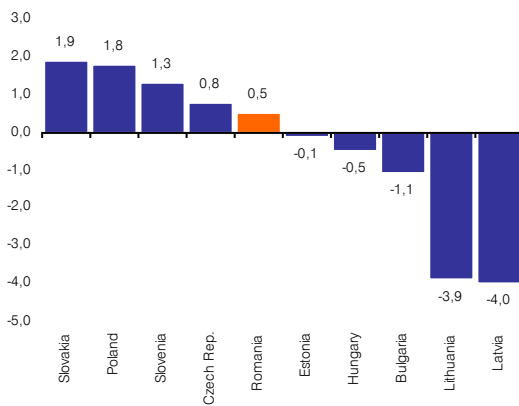


REAS research shows that the situation in the residential market over the year 2009 has not improved. The continuing economical crisis resulted in a limited number of newly launched projects.



European Commission's GDP Growth Forecast 2010



Source: European Commission

Market environment

The critical macroeconomic trends in 2009 have confirmed that the performance of the Romanian economy has deteriorated. The key factors, both countrywide and locally for Bucharest, include:

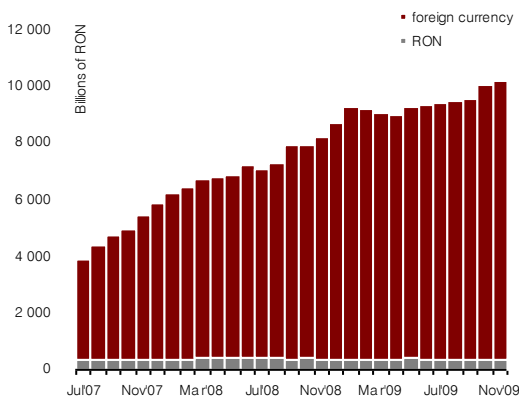
- decrease of GDP;
- decelerated increase of salaries and lowered purchase power;
- increase of mortgage interest rates.

Bucharest's demography can be perceived as a fundamental factor of positive influence on the development of the primary residential market in the long-term perspective. However, its current impact seems to be hampered by the general economic situation. Amongst the demographic factors, it is the population age structure and the net positive migration that are currently the most important for the local demand.

Mild improvement of the local economy in 2010 shall not bring any significant changes in the market. The standstill resulted from a lower residential lending volume - reduced number of mortgage loans granted combined with severely restricted financing of developers by banks and resultant increased interest rates - will not turn into immediate increase. It may take up to a year until the new offer will enter the market and finally meet the local buyers requirements and purchasing power possibilities. Thus, it seems to be a good time for starting concept works on new projects.

The only scheme supporting the housing market demand will likely be the "Prima Casa" program. However, the program's influence on the Bucharest primary residential market will be rather limited, until the limits are adjusted to the local market's pricing conditions.

Volume of Individual Mortgages Outstanding in Ilfov County and Bucharest, July 2007 – November 2009



Source: National Bank of Romania

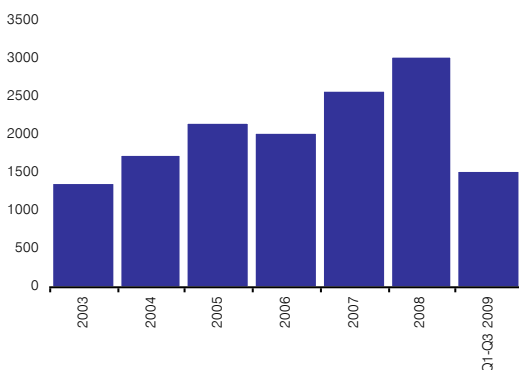
Picture of the residential market

REAS research has shown that the situation in the residential market over the year 2009 has not improved. The continuing economic crisis resulted in a limited number of newly launched projects on the market and an increased stock of completed and unsold units

As per initial local Statistical Office data, the construction of 1,520 units was completed in Bucharest between January and September 2009 (this is 16% more than in Q1-Q3, 2008). As at the end of Q3 2009, developers still declared their readiness to deliver a record-breaking number of more than 3,000 units in Bucharest in 2009.

Compared to last year's situation, market conditions have been slowly stabilizing from a developers point of view. A good signal is the clearly reduced number of available stock of unsold apartments, though the price reductions have not resulted in a satisfactory pick up in sales as expected by developers. Financing still remains a key factor impacting on market dynamics; however, this element does not bode well for development prospects. The market is foremost supported by a certain group of cash buyers, who still constitute a large part of the demand.

Dwellings completed in Bucharest between 2003-Q3 2009



Source: National Statistical Institute



The composition of new supply in the Bucharest residential market changed over the past year. Approximately 15% of all projects covered by the Q3-2008 analysis was put on-hold or cancelled. In the same time nearly half of all projects have completed their construction phase, which resulted in an increased number of apartments ready for occupancy. In the same period only few new projects started.

Scarcity of equity and support through bank financing allows to predict a standstill in the new supply by developers.

Taking into consideration a certain share of projects withheld and the very limited number of newly launched projects, the existing offer of the Bucharest primary residential market decreased visibly over the past 12 months.

Such market dynamics indicate a possibility of a renewed supply/demand gap once the current stock of available units will have decreased slowly through gradual market absorption. On the other hand, those units which are currently completed or close to completion may be better adapted to standards and pricing appropriate for today's purchasing power and demand potential of local buyers.

Prices

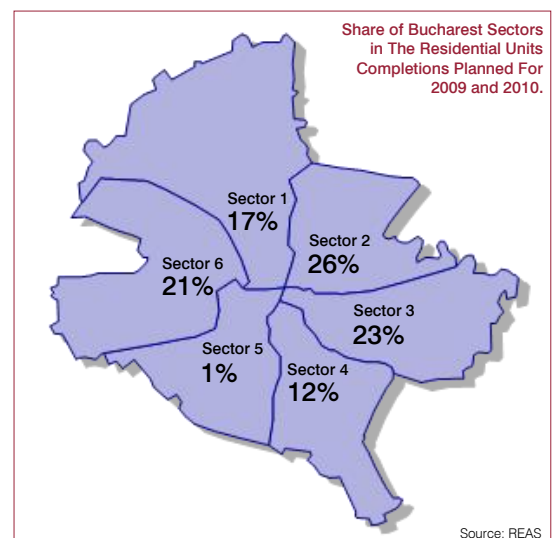
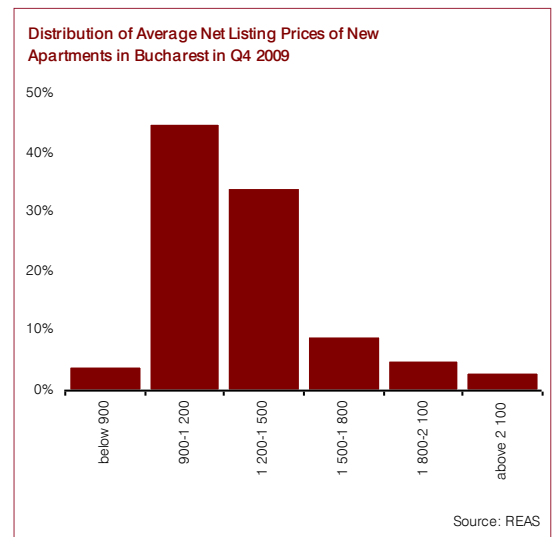
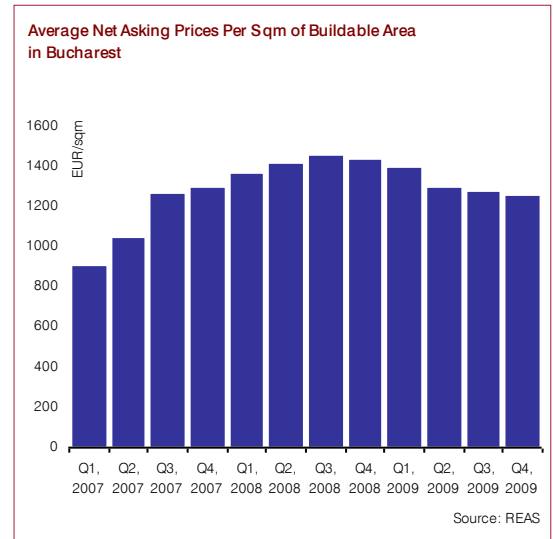
After the spectacular price growth in 2007 and the stabilization in 2008, the year 2009 saw a visible price correction downward. Presently, the average asking price level of residential space in Bucharest is approximately at net EUR 1,260 per sqm of built area, being on average 15% less, compared to the Q3 2008. The level of price correction in real prices does not seem extremely high, as seen in EUR prices in that period of time. The appreciation of this currency versus RON can be estimated at 18.5% (30 Oct 2009 / 30 Oct 2008). As prices are quoted in EUR, the price correction was partially consumed by the currency exchange rate. The prices of currently listed new dwellings range typically between EUR 900 and EUR 1,200 per sqm, with approximately 60% of the entire offer below the market average.

Market prospects

Limited accessibility of mortgage loans will be keeping the sales rather low; however, 2010 should bring a slight improvement both with regards to the number of new loans and the number of units sold.

Although the number of offered units has decreased, the number of completed units remaining unsold has grown. This phenomenon may continue in 2010.

Assuming that the economic slowdown will last for about two years in Romania, an improvement on the demand side might be expected in early 2011.



Selected REAS' Clients

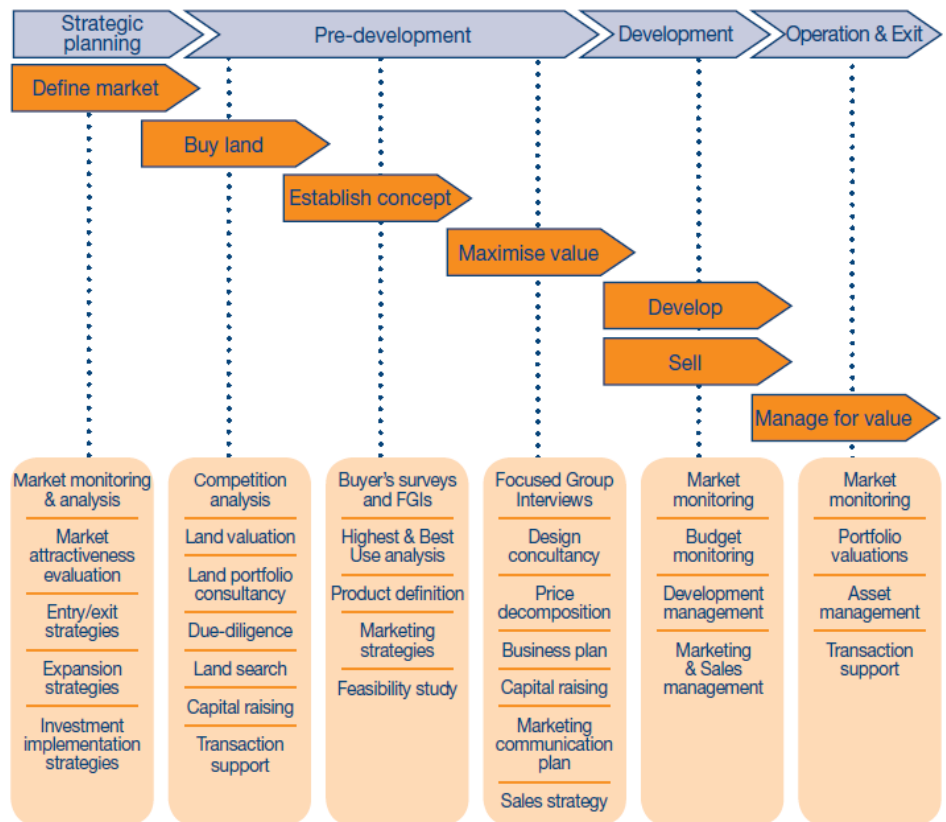


About REAS

REAS is an expert advisor in the planning and development of housing projects in Central Europe. REAS consultants are the leading specialists in market research, urban and housing development, design, development management, project financing, marketing and sale of residential projects. REAS partners, as advisors to the World Bank and the Government of Poland, have played an active role in the Polish housing sector reforms. Since 1997, REAS has been advising developers, investment funds, banks, local governments and other institutions in their operations in the residential market. Independence and objectivity, combined with extensive knowledge and long-term experience, allow REAS to support its clients at every stage of a housing project.

REAS is strategic partner of Jones Lang LaSalle, the global leader in providing advisory services in the commercial real estate market. This co-operation allows both companies to offer their clients a full range of services for all sectors in the real estate market.

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