



Research
Department

July
2014



Real Estate Market Trends

SOUTHEASTERN EUROPE



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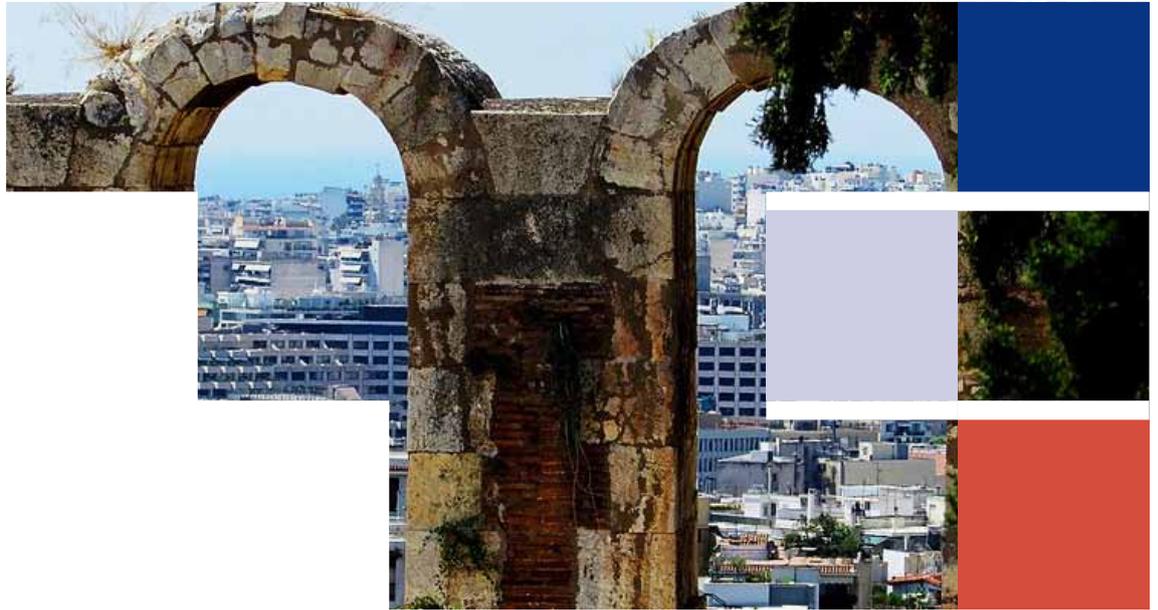
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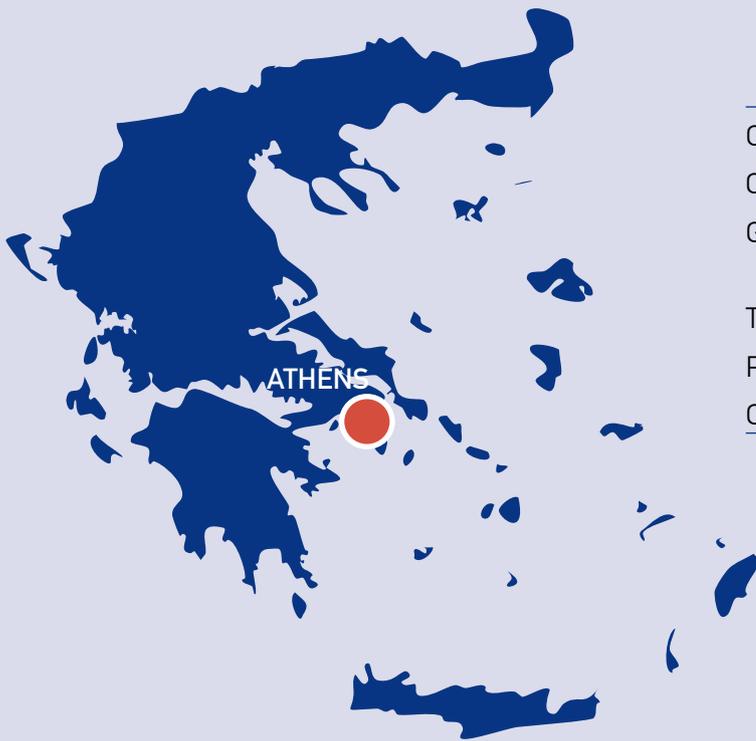
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Greece



Republic of Greece

Capital	Athens
Official language	Greek
Government	Unitary Parliamentary Republic
Total Area	131,990 km²
Population (2011 census)	10,787,690
Currency	Euro (EUR)



ECONOMY

ACCORDING TO THE DATA RELEASED from the Hellenic Statistical Authority the recession of Greek economy continued to follow a downward, albeit significantly weaker, trend in the first quarter of 2014 and was formed at -0.9%, which is the fifth consecutive negative reading after 2010 when the Economic Adjustment Program has been applied. The Consumer Price Index was reported negative formulating a deflation of 0.9% in 2013, for the first time in five decades, while the most recent data indicate a modest increase of the deflation at 1.1% in June and with an expected deflationary trend for the whole year (CPI around -0.6%). As for the Unemployment Rate, according to the most recent report of April it stood at 27.3%. Finally, the Economic Climate Index is reported improved and has climbed to 103.7 in June compared to 93.1 in the previous year.

MARKET TRENDS

Q2 2014

Real Estate Market Trends

July 2014

Residential Market	Prices	Demand	Supply	Yields
Prime Location	→	↗	→	
Medium Low	→	↘	→	
Second/Holiday Home	→	→	→	
Commercial Market				
Retail	→	→	→	↘
Offices	→	↘	→	→
Logistics	→	→	→	→

Source: Eurobank Property Services S.A.

- Residential market:** In the residential area the prices have remained in the same low levels for the second consecutive quarter of 2014 with a trend of stabilization. However, for premium residential properties (good location, sea view, large land plot, contemporary construction etc) the prices in total have not yet been corrected in the degree expected and estimated by the market. The main trend is the focused interest of potential investors for high-quality residential properties in prime locations (Vouliagmeni, Voula, Glyfada, Kolonaki, Psychiko, Filothei, Kefalari, Ekali). Specifically, the Northern suburbs offer a great deal of opportunities in investing in premium residential property compared to the Southern part of Athens where the number of favorable offers is rather limited. Regarding the medium/low residential units a contraction in demand is quite noticeable due

Greece - Key Macroeconomic Indicators

	2010	2011	2012	2013	2014
Real GDP (yoy%)	-4.9	-7.1	-6.4	-3.9	-0.9 (Q1 2014)
CPI (yoy%)	4.7	3.3	1.5	-0.9	-1.1 (06/14)
Unemployment Rate (%)	14.8	21.0	26.4	27.3	27.3 (04/14)
Economic Climate Index	75.1	72.8	80.0	93.1	103.7 (06/14)
Gross Public Debt (% GDP)	148.3	170.3	156.9	175.2	177.2e

Source: Eurobank Research & Forecasting Division & EL STAT.

to a very weak interest of potential buyers in combination with a significant intention of willing owners to dispose their property which results in a stock accumulation. As for the second/holiday market, this has showed a stability in demand along with a significant correction in pricing due to the fact that the supply of such units is still on an upward trend. In addition, a noticeable interest from foreign investors is evidenced without, however, the expected results in actual transaction activity.

- Retail market:** High street retail shows a considerable mobility in specific locations of Kifisia, Glyfada, Ermou, Chalandri and Piraeus from the beginning of 2014, which has led to a slight decrease of yields. This is not the case for the secondary submarkets where the demand ranges in almost zero levels. The main characteristics of the retail market are the targeted interest of the retailers in smaller spaces (between 50-80 sqm) as well as in the food sector that is set to expand. Yields for prime locations range around 7.00-7.75%, while for secondary markets they exceed 8.5%.
- Office market:** In the office market sector the large-scale transaction activity evidenced during the first three months of the year has not continued to be the case for the second quarter of 2014 which led to a decrease in demand for office units. The demand is primarily focused on Grade A recently renovated office buildings with a total floor area of 600sqm combined with low operational expenses while for spaces in need of restoration and with smaller footprints of 200-300sqm/floor the vacant rate is high. Concerning the locations that attract the interest of the majority of the potential office users, these are the main avenues of Athens, such as Kifisias Av., Sygrou Av, Vas. Sofias Av. and around the Constitution Square, while limited to zero interest from big players is recorded along Mesogeion Av. Yields for Grade A offices in prime locations range between 7.75-8.25%, while for non-Grade A offices in secondary pitches they climb over 8.75%.
- Logistics market:** The logistics market is characterized by a stabilization trend in supply and demand with the latter concentrating, mainly, to moderate logistics spaces with specific characteristics (sufficient height, high-quality construction, available office spaces, ramps etc). No significant investment activity was noticed mainly due to liquidity problems of potential investors. This kept the rents on a stable low level as in the previous quarter. Yields in prime markets are estimated around 10.0%, while for secondary markets they climb over 11.0%.



Romania



Romania

Capital	Bucharest
Official language	Romanian
Government	Semi-presidential Republic
Total Area	238,391 km²
Population (2011 census)	20,121,641
Currency	Romanian leu (RON)



ECONOMY

A **SMALL SLOWDOWN** in real GDP growth to 2.7% is expected this year (Eurobank Global Markets Research) due to unfavorable base effects stemming from the strong performances in agriculture and exports last year. This however, may be partially offset by potential spending increases in the run-up to the November 2014 presidential election. Domestic demand is anticipated to gradually pick up pace thanks to considerable monetary policy accommodation in recent months and enhanced absorption of EU funds. Recovering consumer confidence and higher disposable incomes as a result of rising wages and pensions are also likely to support private consumption. Consumer Price Index rose by 0.7% in 2013, it is estimated to follow a downward trend and decline by 1.7% throughout 2014. Unemployment rate is estimated to remain in the same levels of 7.2% in 2014, while Gross Public Debt has been reported almost stable through 2012-2013 but is expected to increase up to 39.9% during 2014.

MARKET TRENDS

Q2 2014

Real Estate Market Trends

July 2014

Residential Market	Rental prices	Demand	Supply	Yields
Prime Location	→	→	→	
Medium Low	→	→	↗	
Second/Holiday Home	↗	↗	→	
Commercial Market				
Retail	→	↗	↗	→
Offices	→	↗	↗	→
Logistics	→	→	↗	→

Source: Eurobank Property Services S.A.

- Residential Market:** Prices in the residential market have been kept on a stable trend for the premium and the medium/low properties with no expectations of significant differentiation in the following period. Demand of prime properties is on a slightly decreasing trend since the effect from the recently evidenced macro-economic stabilization has not yet been incorporated into the market in terms of an actual expression of interest from potential buyers. A handful of frozen projects in the incipient stages of construction are currently entering into the completion phase, such as

Romania - Key Macroeconomic Indicators

	2010	2011	2012	2013	2014f
Real GDP (yoy%)	-1.6	2.5	0.6	3.5	2.7
CPI (annual average)	6.1	5.8	3.3	4.0	2.3
Unemployment Rate (%)	7.3	7.4	7.0	7.3	7.2
Gross Public Debt (%GDP)	31.2	33.0	38.0	38.3	39.9
Policy Rate	5.25	5.25	5.25	4.00	3.50

Source: Eurobank Research & Forecasting Division

Cortina Baneasa and Silver Mountain Brasov developments. However, there are no announcements of new projects into the pipeline in the area of residential developments.

The established sentiment of the residential market is that potential buyers are mainly price-oriented with a heightened interest in older units with noticeable lower sale prices. On the other hand, the supply of new residential units appears significantly reinforced by the recent completion and delivery on the market of new premium units in Bucharest and in other main cities in the countryside, such as Arad, Brasov or Sibiu. The points of reference within the recent large-scale deals in land development in Bucharest remains the project of Cosmopolis with a volume of 1,700 units and Militari Residence Project which includes 4,000 units. In addition, new projects launched keep emerging on the market, such as Gran Via Timisoara and Adora Urban Bragadiru projects.

Regarding second/holiday properties due to the enhanced interest reported over the summer period, rental prices picked up the pace after the stability reported in the previous quarter. However in comparison with the pricing levels of the corresponding period of last year minor changes are noticeable. During the summer period the demand for holiday property is at its peak, especially in the seaside resorts, with most of the units rented for July and August, traditionally a vacation period. Furthermore, there have been quite a few projects in the area of seaside resorts' developments either in the completion or the planning phase. These projects are expected to result long-term in a conservative growth of the holiday residential properties' supply and consequently affect the general climate of the market foreseeable in the following 2-3 years.

- Retail Market:** Rental prices continue to follow a stabilization trend across the retail sector for the second quarter in succession since the majority of new rental contracts refer to relocation, good example being the case of Hervis relocated from Liberty Centre to Vulcan Value Centre. Furthermore, some new tenants have expressed a serious interest in entering the local market with Debenhams being the most significant. On the other hand, some do-it-yourself operators prefer to exit the market, such as in the cases of Baumax selling the business to Leroy Merlin and Obi to Jumbo, the Greek toy giant. In the area of new large-scale developments it is worth noting the completion of Vulcan Value Centre, the

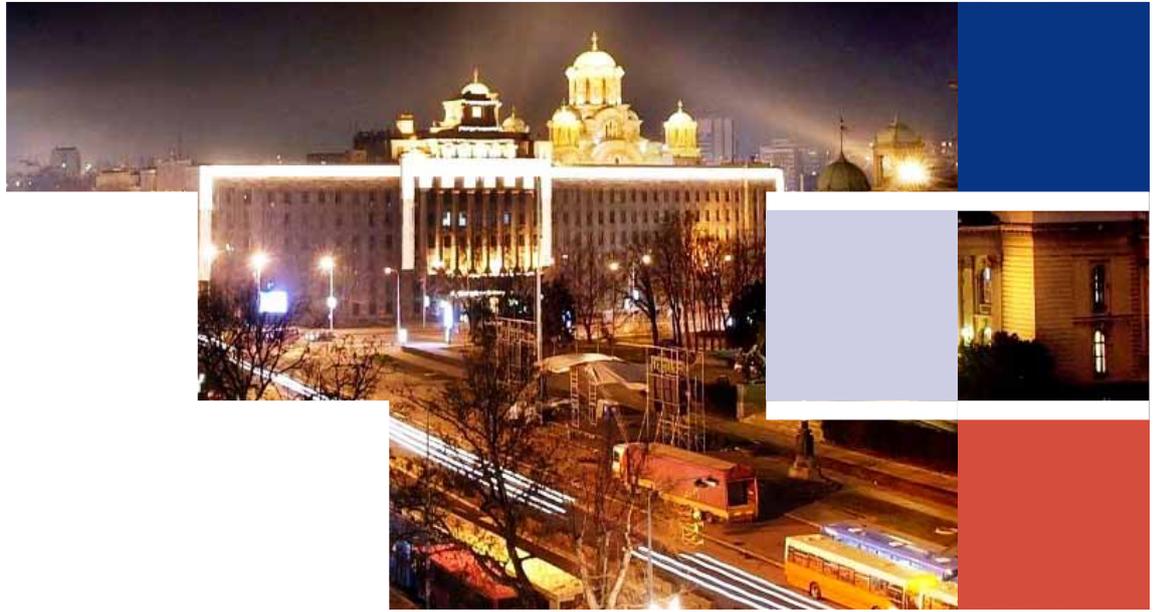
newest shopping mall located in the centre-westwards part of Bucharest, with its opening scheduled in autumn. One of the key components of the retail market is the food sector which keeps aggressively expanding and adding in the existing supply of retail spaces. Yields remained in the same levels as in the first quarter of 2014 and range between 8.25-10.5% in shopping centers, while for street retail markets they are formed at 8.5% in prime locations and 12.0% in secondary markets.

- **Office market:** The office market is on a recovery track with demand on the rise. The majority of new deals referred to relocations with only a handful of new users entering the market and therefore the vacancy rate is not affected on a large scale. The reported increase in demand for such spaces is in balance with the increase in supply of the vacant office units and this has resulted in a subsequent stabilization of the monthly rents, following the same trend applied in the first quarter of 2014. Besides the IT and Telecom tenants relocating in the north part of the city, the newly delivered, Floreasca Park is also attracting new tenants, such as Kellogg's and Allianz. North has been proved attractive for clients in other lines of business, with the new bank Idea occupying spaces in Hermes

BC. The successful outcome regarding the lease of large office surfaces has led the developers of Green Court and Hermes BC to launch new projects respectively. Meanwhile, there were a few projects such as Green Gate Unirii development and the reconversion of the Metropolis Centre hotel to an office complex that have been delivered to the market. Yields remained stable and stand between 8.25-10.50%.

- **Logistics market:** The main trend of the logistics market remained the clear intention of the landlords, who suffer from high vacancy rates, to attract users by decreasing the rents in combination with the potential users' demand of such spaces in order to lower the necessary individual operational expenses. Therefore, rental prices and demand for logistics centers were kept on a stable trend with only a few variations in the past months. There were some individual deals, such in the cases of the companies of Rhenus and Ursus which proceeded in the lease of more than 10,000 sqm of each. As for logistics centers' supply this is still mostly driven by built-to-suit schemes. However, there were a few new spaces developed in key strategic hubs along the countryside, which added to the relative supply. Yields range between 10.50-12.50%.





Serbia

Republic of Serbia



Capital	Belgrade
Official language	Serbian
Government	Parliamentary Republic
Total Area	88,361km²
Population (2010e)	9,024,164
Currency	Serbian dinar (RSD)



ECONOMY

DATA SURROUNDING THE ECONOMY SUGGEST

that real GDP growth climbed to 2.5% in the previous year, while full year growth performance is estimated to slow down to 1.0% in 2014. Concerning the Consumer Price Index, even though it has followed a stabilization trend the former two years, it is expected to significantly decline to 3.5% in 2014. The unemployment rate has been reported reduced to 20.1% in 2013. However, according to the available data it is anticipated to slightly increase to 21.2% the current year. Gross Public Debt continues to follow the upward trend of the previous years and is expected to form at 66.9% of GDP for 2014 in a whole.

Serbia - Key Macroeconomic Indicators

	2010	2011	2012	2013	2014f
Real GDP (yoy%)	1.0	1.6	-1.5	2.5	1.0
CPI (annual average)	6.2	11.2	7.8	7.8	3.5
Unemployment Rate (%)	19.2	23.0	23.1	20.1	21.2
Gross Public Debt (%GDP)	44.5	48.7	59.3	62.5	66.9
Policy Rate	11.75	11.25	11.25	9.50	8.50

Source: Eurobank Research & Forecasting Division

MARKET TRENDS

Q2 2014

Real Estate Market Trends

July 2014

Residential Market	Rent prices	Demand	Supply	Yields
Prime Location	→	→	→	
Medium Low	→	→	→	
Second/Holiday Home	→	→	→	
Commercial Market				
Retail	→	→	↗	→
Offices	↗	↗	↗	→
Logistics	↗	↗	↗	→

Source: ERB Property Services d.o.o. Belgrade

- Residential market:** In prime locations the prices were kept on a stable trend since demand and supply showed no significant differentiation compared to the first quarter of the year. Regarding the medium-low residential market its main characteristic remained the further decline of prices and demand while the supply levels remained stable. Finally, as for the second/holiday properties, rental prices declined further due to a noticeable lower demand, while supply followed the stabilization trend for a second quarter in succession.
- Retail market:** In prime retail locations rental prices have not reported any major fluctuations and are in line with the previous quarter. Furthermore, the demand for retail units remained, also, stable in contradiction with the supply which continued to follow an upward trend resulted from the evidenced increase of the vacancy rates. Regarding yields, they remained in the same levels as in the first quarter of 2014.
- Office market:** In the area of developments in the office market no new projects have been launched apart from the office building being under construction by GTC. Rental prices as well as demand have slightly increased, while yields have marginally dropped.



- Logistics Market:** In the field of logistics centers monthly rents as well as demand and supply have followed the upward trend evidenced in the previous quarter, while yields reported a minor drop in their average features.



Bulgaria



Republic of Bulgaria

Capital	Sofia
Official language	Bulgarian
Government	Parliamentary Democracy
Total Area	110,993.6 km ²
Population (2009e)	7,576,751
Currency	Lev (BGN)



ECONOMY

ECONOMIC ACTIVITY IN BULGARIA picked up pace in 2014, with real GDP growth formulated at 0.9% and an expected modest acceleration of real GDP growth to 1.8% in 2014 (Eurobank Global Markets Research) on the back of recovering private consumption. Domestic inflation pressures have remained subdued in recent months, with a deflation trend having emerged since August 2013 and an estimated deflation of 0.2% for the current year in aggregate. As a result of a higher budget deficit, general government debt is expected to increase further this year, but still remain among lowest ratios in the EU.

MARKET TRENDS

Q2 2014

Real Estate Market Trends

Residential Market	July 2014			
	Rent prices	Demand	Supply	Yields
Prime Location	→	→	→	
Medium Low	→	→	→	
Second/Holiday Home	→	→	→	
Commercial Market				
Retail	→	→	→	→
Offices	→	→	→	→
Logistics	→	→	→	→

Source: Property Services Sofia AD

- **Residential markets:** In prime locations prices were reported slightly increased due to the fact that there has been a heightened interest by a few companies to occupy apartments instead of typical office units where the operational costs are significantly higher. As for the medium/low property market and holiday properties no noteworthy rental growth was reported through the last quarter.

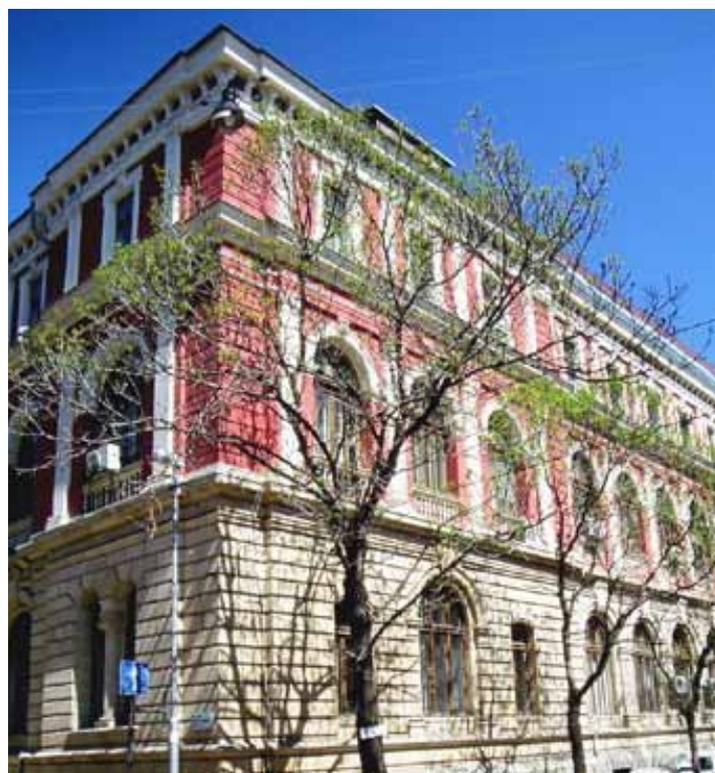
The residential market is mainly characterized by a stable demand for premium properties as well as for small and middle-sized apartments (large 1BR and small 2BR apartments). Concerning the supply it is expected to rise in the upcoming months followed by an increase in the number of new construction permits issued in the first half of 2014.

- **Retail market:** A further drop of rental prices is observed due to increasing supply. Specifically, three shopping centers are close to completion in Sofia. Demand for retail space is stable, but in view of the rising supply, rents are expected to fall. The supply of retail space rose by 17.500 sqm (a 2.4% increase) in April 2014 and is expected to rise further by 122.000 sqm (a 16% growth) with the forthcoming completion of several shopping centers in

Bulgaria - Key Macroeconomic Indicators

	2010	2011	2012	2013	2014f
Real GDP (yoy%)	0.4	1.8	0.6	0.9	1.8
CPI (annual average)	2.4	4.2	3.0	0.9	-0.2
Unemployment Rate (%)	9.2	11.3	12.3	13.0	12.8
Gross Public Debt (% GDP)	16.7	17.0	18.4	18.9	23.1
Policy Rate	N/A	N/A	N/A	N/A	N/A

Source: Eurobank Research & Forecasting Division



Sofia. Retail prime yields in Sofia stand around 9.00 - 9.25% and are highly dependent on the type of property and its individual performance.

- **Office market:** Office rents in aggregate are stable with a positive outlook for growth. In particular, in Sofia rental prices stand at approximately 12.00 €/sqm/month. More precisely, new leases in CBD for Grade A offices are agreed in the range of 10.00 to 14.00 €/sqm/month, while for non-CBD office locations rents are lower and range between 8.00 - 10.00 €/sqm/month. Office space demand in Sofia is rising fueled mostly by the IT sector and foreign investors outsourcing activities to Bulgaria. Regarding the demand for office spaces outside Sofia, it has been observed limited and volatile, while supply of office units has remained unchanged. Prime office yields have slightly dropped and stand at around 9.50%, although there has been an actual deal on the market closed at around 9.00%.
- **Logistics market:** The level of rental prices has been reported stable. Logistics space supply is mostly driven by built-to-suit schemes in contradiction to speculative developments, which are mostly unattractive to investors. Yields have remained stable, since the first quarter of 2014, and are considered to be around 11.50%-11.75%.



Ukraine



Ukraine

Capital	Kiev
Official language	Ukrainian
Government	Unitary semi-presidential Republic
Total Area	603,628 km ²
Population (2010e)	45,888,000
Currency	Hryvnia (UAH)



ECONOMY

THE MOST RECENT DATA for 2014 indicate that the Gross Domestic Product (GDP) in Ukraine contracted 2.30% in the second quarter of 2014 over the previous quarter and stands at -1.1% on an annual basis. Regarding the Consumer Price Index, this was significantly increased climbing up to 5.1% in April and formulating a national inflation.

Ukraine - Key Macroeconomic Indicators

	2010	2011	2012	2013	2014f
Real GDP (yoy%)	4.1	5.2	0.2	0.1	-1.1 (Q1 2014)
CPI (annual average)	9.4	8.0	0.6	0.1	5.1 (04/14)
Policy Rate	N/A	7.75	7.5	7.5	N/A

Source: Eurobank Research & Forecasting Division

MARKET TRENDS

Q2 2014

Real Estate Market Trends

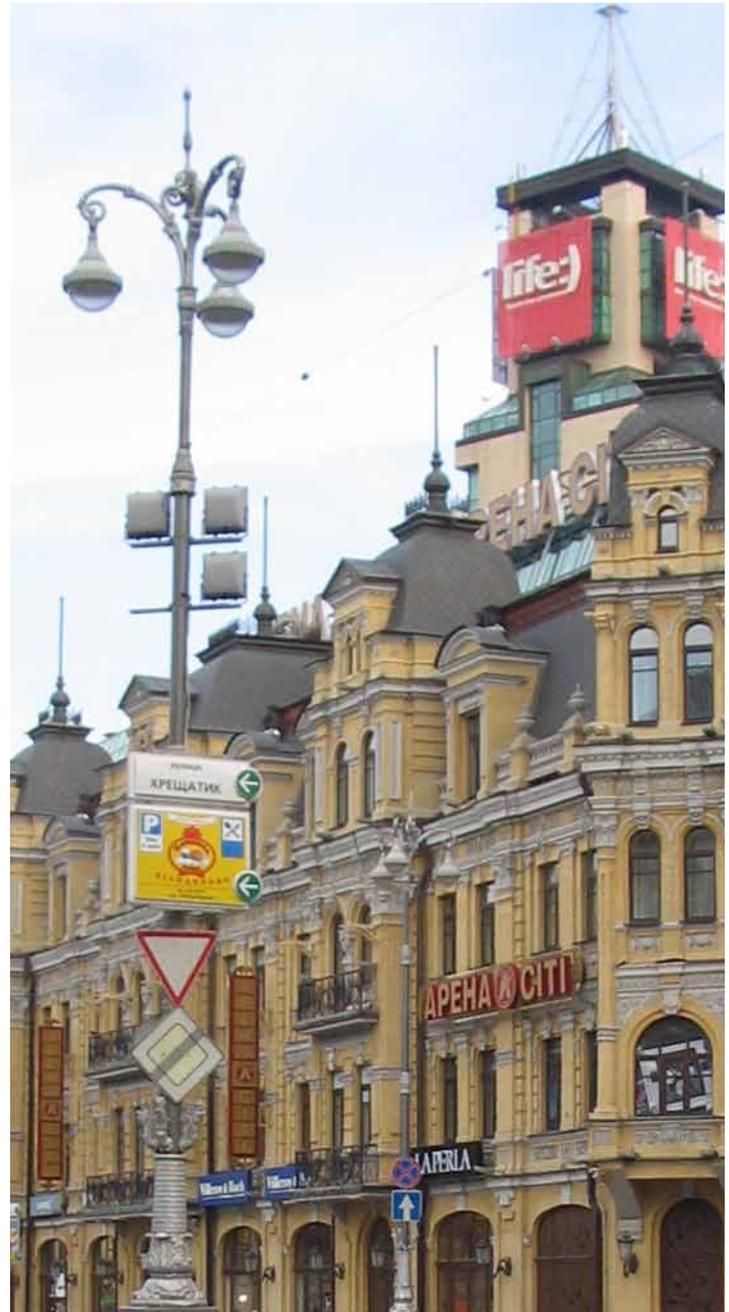
July 2014

Residential Market	Rent prices	Demand	Supply	Yields
Prime Location	↘	↘	↘	
Medium Low	↘	↘	↘	
Second/Holiday Home	↘	↘	↘	
Commercial Market				
Retail	↘	↘	↘	↘
Offices	↘	↘	↘	↘
Logistics	↘	↘	↘	↘

Source: Property Services Ukraine LLC

Based on the volatile situation in Eastern part of Ukraine combined with the difficult economic and political circumstances, the demand of all types of real estate is frozen. According to experts the beginning of stabilization is not expected earlier than next year in view of the end of the turmoil with Russia. Estimated net prime yields increased in aggregate by approximately 1%.

- **Residential market:** The current crisis in the residential market closely follows the same trends evidenced during the 2008 crisis and brought a significant reduction in the number of transactions, reaching the lowest levels in the apartments' sector. In addition, the prices (in dollars) of the residential properties have dropped up to 20-25% in total during the first half of the year.
- **Retail market:** The trend started in the beginning of 2014 referring to significant reductions of rental prices for Grade A offices in Kyiv due to reported low demand, is now established and is expected to apply further during the second half of the year. Yields have increased and range between 12-13.5%.
- **Office market:** In the office market sector there were projects launched in the first half of 2014 in Kyiv, involving a total area of 91.400 sqm of office units which corresponds to 74% of Grade A offices. This is the highest observed quarterly figure since 2011. Concerning yields, they followed an upward trend and stand at 12-14%.
- **Logistics market:** The logistics market has also come under increasing pressure reflecting the recent national economic downturn. Therefore, it is



mainly characterized by a declining path in rental prices, as well as demand and supply of logistics centers. In addition, average yields were reported increased and range between 13-16%.


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