Valuation Report on Office Building, Hungary

Szugló u. 9-15. Budapest 1145, Hungary

December 2011
Dear Sir,

**Valuation and Report on Office Building, located in Szugló u. 9-15. H-1145 Budapest, Hungary**

We have pleasure in reporting to you in accordance with our valuation engagement letter dated January 10, 2012 regarding the above property. We understand that the valuation is required for the financial reporting purposes and auditing purposes of CEE.

We inspected the property on 26th February 2012 and have carried out all the necessary enquiries with regard to rental and investment value, planning issues and investment considerations.

We have not been instructed to carry out a building survey or environmental risk assessment. We have been provided with floor areas by Heitman European Property Partners ("HEPP III") and have assumed that these have been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Code of Measuring Practice (7th Edition).

**Basis of Valuation**

Our Valuation has been prepared in accordance with the RICS Valuation Standards - Global (7th Edition). The basis of valuation is the Market Value of the property, as at the date of valuation, defined by the RICS as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The full interpretive commentary on this definition is attached at Appendix 3. The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports, which are attached in the Appendices 1 and 2.
Having regard to the contents of this Report, we are of the opinion that the Market Value of the Office Building located in Szugló u. 9-15. H-1145 Budapest, Hungary subject to the assumptions outlined in the following Report, as at 31st December 2011, was in the region of:

**MARKET VALUE OF THE PROPERTY**

€ 4,300,000

(Four Million Three Hundred Thousand Euros)

Market Value of the subject property as of 31st December 2011 was HUF 1,338,000,000 (One Billion Three Hundred and Thirty Eight Million Forints)

Market Value is understood as the value of the property estimated without regard to cost of sale or purchase, and without offset for any associated taxes. Therefore no allowances have been made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. The property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

Transaction costs typically comprise the following:

(a) Transfer tax (4% for commercial property up to value of approx. € 3.7 mil., 2% for properties with value above € 3.7 mil., with cap of € 750,000 (value of € 37 mil.) (paid by buyer), applicable in case of both asset and share deal, share deal defined as purchase of more than 75% of shares of Property SPV (more than 75% of the SPV value derived from real estate);

(b) Court registration fees: vary according to transaction price;

(c) Notarial fees vary according to transaction price;

(d) VAT at 25% on buildings and land; (as of 1st of January 2012 it is increased to 27%)

(e) Agent’s fees at 1-2% of purchase price plus VAT.

This Report on Sample Property, has been prepared for and only for Heitman European Property Partners (“HEPP III”) for the purposes of assisting Heitman European Property Partners (“HEPP III”) to value the property as at 30th November 2011 on the basis of Market Value and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of the whole or any part of the report or valuation for any other purpose or to any other person or entity to whom the report or valuation is shown or disclosed or into whose hands it may come, whether published with our consent or otherwise, except where expressly agreed by our prior written consent in writing.

Finally, and in accordance with our normal practice we confirm that this report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it is to appear.

Yours faithfully,
Valuation Report on Szugló u. 9-15., Hungary

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 Jaroslav Kopac MRICS  
 Head of Valuation Hungary  
 Jones Lang LaSalle Kft.

 János Tóth  
 Senior Valuer  
 Jones Lang LaSalle Kft.
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1 Executive Summary

Address

Szugló u. 9-15., 1145 Budapest, Hungary

Location

The subject facility is located in Pest in the XIVth. District, called Zugló. The District is traditionally middle-class residential area, on 18.1 km2, with a population of 120,000 people. The subject site is near to Hungária krt., between Thököly and Egressy streets. The facility is located by Szugló út, which is a quiet road in the Törökör area.

Description

The subject property lies on the plot number HRSZ: 32175/10 which extends to 3,283 m2. The office building previously belonged to Hungarian Post, as central office. The building was built in 1968, and in 2003 was totally refurbished in 2003. Access to the property can be gained either from Szugló út, or from Törökőri, and Kolumbusz útca.

Accommodation

The property provides the following accommodation:

<table>
<thead>
<tr>
<th>Accommodation</th>
<th>Share</th>
<th>Gross Rentable Area (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>62.8%</td>
<td>5,860</td>
</tr>
<tr>
<td>Other</td>
<td>21.4%</td>
<td>2,005</td>
</tr>
<tr>
<td>Parking, Storage -1</td>
<td>15.7%</td>
<td>1,467</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td><strong>9,332</strong></td>
</tr>
</tbody>
</table>

Source: CEE

We valued the office area only.
Tenure

We have been supplied with a copy of the extract from Cadastral Land Register of Title List N°32175/10 cadastral district no. 2. of Budapest, dated 24th January 2012 confirming the interest of Zugló Irodacentrum Kft. over the subject property. The document identifies the site as a single plot comprising a total area of 3,283 sq m.

Tenancy

At the date of valuation the property was 26.24% occupied and leased to 11 tenants. The weighted average unexpired lease term within the subject property is approximately 2.30 years.

The current rental income from the property is equal to € 142,622 per annum.

Gross Rental Income in Year 1 € 288,788

Estimated Market Rental Value € 432,882

Key DCF Assumptions

We have applied exit yield of 8.75%

Based on the property’s location, projected achievable rental income stream and its position in the market we have applied a discount rate of 9.75% showing a net initial yield of 6.70%, in the following years yields stay between 6.79% and 10.91%.

Valuation at 31th December 2011

Having regard to the contents of this Report, we are of the opinion that the Market Value of the Office Building in Szugló u. 9-15 H -1145 Budapest, Hungary subject to the assumptions outlined in the following Report, as at 31th December 2011, was in the region of:

MARKET VALUE OF SAMPLE PROPERTY €4,300,000

(Four Million Three Hundred Thousand Euros)
2 Location

2.1 Macro Location

The subject property is located in Budapest, the capital of Hungary, a landlocked country strategically situated in central Europe. The country has made strong progress over the last 10 years culminating in Hungary’s accession to the EU in May 2004. The country is bounded by Croatia and Serbia to the south, Austria and Slovenia to the west, Slovakia to the north, Ukraine to the north-east and Romania to the south-east.

The map below shows the location of Budapest in national context of Hungary.

Map 1: Location of Budapest in national context of Hungary

Hungary’s domestic market is the third-largest in Central Eastern Europe in US dollar terms (after Poland and the Czech Republic). Hungary is also one of the region’s most open economies, with significant sectors now tied closely to Western Europe via trade and foreign investment. Given its high exposure to EU markets, the strength of EU demand has a clear impact on the economy.

Foreign direct investment (FDI) has played a significant role in modernising production and redirecting trade from east to west, in large part thanks to an aggressive privatisation policy in the mid-1990s. The vast majority of the telecommunications, banking, utilities, manufacturing and television sectors are now in private hands, and the private sector accounts for about 80% of GDP, one of the highest shares in the region.

Hungary has rapidly become a service-focused economy, like its fellow EU states. Budapest is the administrative and business focus of Hungary with a population of approximately 1.7 million, and is one of the most attractive financial and commercial centres in the Central Eastern European region with a relatively low level of unemployment. Due to its proximity to Western Europe and enormous market and workforce potential driven by the full EU membership, it offers an attractive business environment with a full range of modern business services and well-trained professionals familiar with Western standards.
The major economic indicators for Budapest are as follows:

**Table 2: Budapest indicators**

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>Unemployment Rate</th>
<th>Economic Entities</th>
<th>Average Gross Monthly Salary (HUF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budapest</td>
<td>1,733,685</td>
<td>6.6%*</td>
<td>413,000</td>
<td>211,400</td>
</tr>
</tbody>
</table>

Source: Statistics Office of Hungary, Q3 2011

*Unemployment Rate of Central Hungary Region Q3 2011 based on the database of Hungarian Public Employment Service (ÁFSZ)

Budapest is in north-central Hungary, some 250km southeast of Vienna. The focal point is the Danube River, which bisects the city into two distinct parts: Buda and Pest. Sample Property is situated on the Buda side on Y Road, in the 11th administrative district of the City.

### 2.2 Micro Location

Zugló is situated on the Pest side of Budapest. It is bordered by the IVth District to the North, by the XVth from to North-East, by the XVIth to the East, by the VIIIth and the Xth to the South, by the XIIIth, VIIth and VII to the West. The middle sized district has an area of 18.15 m² and has a population of 120,148 residents. In spite to the relative closeness to the city centre the District is still commanding one of largest green area of the capital although in the last 15 years several 10 stores housing projects have been built such as Füredi út. The district used to be called as the „lung” of Pest as one of the largest park the Városliget is situated in Zugló. Major roads and notable squares of the district are Hungária krt., Dózsa György, Nagy Lajos krt., Thököly út, Bosnyák tér, Hősök tér, Örs Vezér tér.

Historical parts of the districts are Városrészek: Alsórákos, Herminamező, Istvánmező, Kiszugló, Nagyzugló, Rákosfalva, Törökör, Városliget. The site is near to the conjunction of Hungária krt. and Thököly út., which connects Keleti terminal with Bosnyák tér, the centre of the District. Along busy Hungária krt., there is a line going to Nyugati terminal. Via Hungária krt. and Thököly út as well, the subject property has efficient access to downtown and outer areas of Pest, and through Lágymányosi Bridge, there is a convenient connection to south Buda directions as well. The subject site is in a well-established predominantly residential with some institutions and some old industrial facility.

A location plan is attached in the Appendix 4 to this report.
3 Description

3.1 Site

Characteristics

The site extends: 3,283 m² and is irregular square in shape. The site consists of one plot: Hrsz: 32175/10. The site is flat; it is easy to parking around the building. There is a concrete covered surface car-parking along the east side of the building. There is a small fenced garden at the back of the building.

A site map is attached in Appendix 5 of this Report.

Access

The subject property is easily accessible both by public and private transportation. The facility is easy to access by car from all directions of the city from Thököly út, or Hungária krt., by public transportation, the easiest way to take metro line 1. up to Mexikói u. terminal, or to take tram no: 1 or buses: 7, or 173.

The subject property is bounded by streets from 3 borders: Szugló, Törökőr and Kolumbusz utca.

3.2 Services

We understand that the subject property has all the main services including: water, sewage, electricity, gas and telephone.

3.3 Property Description, Construction and Condition

The stand-alone building was built in 1968, and was refurbished entirely in 2003. The reinforced concrete structure building consists of a 10 storey main building with a wing building of 4 storeys. The building has an underground level of 1,467 m² for car-parking, storages and machinery. The entrance for the underground level is from Kolumbusz utca. The main building is 7,865 m² consisting of ground floor and 10 levels. The wing building is built together the main building and it has 4 levels. The rentable office area is 5,866 m² with a common area ratio of some 75%. The internal height is 3.4 m at the ground floor and 2.77 m at the office areas. The building has a massive structure of reinforced concrete with light plate covered flat roof structure. The partitioning is plaster board, the

CONSTRUCTION

The building has a massive structure of reinforced concrete with light plate covered flat roof structure.

External Facade

The outer walls are covered by insulated Dryvit color painting. The windows are openable.

Walls

In the halls of the central stairways walls are covered with emulsion paint whilst in the offices the walls are covered with a smooth render skim and painted with a neutral colour emulsion.

Partition walls are gyps mounting panels with a metal sub-construction, there are also glass partition walls to some of the offices.
The building is principally fitted out to a ‘B’ class standard and also it has THE building specification is as follows:

- **Machinery:**
  - 2 units of REHEMA gas-boilers in the underground level
  - hot ware is provided by central in-house boiler
  - the property has its own transformation station providing 1,000 Kw.
  - heating is provided by fan-coil system and radiators
  - cooling is provided by fan-coil system.
  - 4 OTIS elevator

- **Office fit out:**
  - Partly provided suspended ceiling
  - carpet floor covering
  - tapestry
  - fan coil heating/cooling

**Condition**

The property, where inspected, is presented to a satisfactory standard.

Photographs taken on the date of inspection are included within the Appendix 7 of this report.

**3.4 Soil Conditions and Contamination**

We understand that the subject building does not have any negative impact on the environment, humans or surrounding buildings. It has been built using materials that do not have any deleterious effect on the natural environment or human health.

Additionally we are not aware of the content of any environmental audit or other environmental investigation or report which may have been carried out on the property, and which may draw attention to the existence or possibility of any contamination. The property has been assessed on the basis of no actual or potential contamination and that the building is fit for its intended usage.
4 Legal

4.1 Tenure

We understand that company Zugló Irodacentrum Kft. holds the Right of Freehold over the subject property registered in Cadastral Land Register (Budapest 2. sz. Körzeti Földhivatal) as detailed in the table below.

Table 3: Plots of land schedule

<table>
<thead>
<tr>
<th>No.</th>
<th>Plot no.</th>
<th>Use</th>
<th>Area (sq m)</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>32175/10</td>
<td>Office Building</td>
<td>3,283</td>
<td>Zugló Irodacentrum Kft.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>3,283</td>
<td></td>
</tr>
</tbody>
</table>

Source: Extract from Cadastral Register, dated 24th January 2012

4.2 Title No.

We have been supplied with a copy of the extract from Cadastral Land Register of Title List N°32175/10 cadastral district of Budapest, dated 24th January 2012 confirming the interest of Zugló Irodacentrum Kft. over the subject property. These documents identify the site as a single plot of a total area of 3,283 sq m.

The cadastral extract records the following mortgages and rights as well:

- € 20,000,000 in favour of CIB Bank.
- HUF 2,000,000,000 in favour of CIB Bank.
- Purchase right in favour of CIB Bank up to February 25 2013.
- Sale with ownership right reserve in favour of Top Plot Kft.
- Mortgage rights in favour of the local Municipality in total of HUF 18.3 million
- Cable right for area of 26 sq m in favour of Elmű Kft.
- Execution rights in total of HUF 301,000,000.

We understand that none of these easements cause any defects on the subject property and have no impact on the ownership of the site.

For the purpose of this valuation we have assumed that all the loans were repaid and settled as of the date of valuation and all the rights of ways are fully transferable to any other successive owner and have no financial obligations.
4.3 Planning

The property lies in an area administered by the Municipality of District 14. We understand the area is regulated by the 19/2003. (VII.8.) Zoning Restriction of the Local Municipality, which is the local zoning plan. The subject property is situated in the L1-XIV. Building Restriction which has the following development parameters:

Table 5: Summary of Zoning Plan (L1-XIV)

<table>
<thead>
<tr>
<th>Smallest Land Parcel Allowed</th>
<th>Building Plot</th>
<th>Minimum Mandatory</th>
<th>Building</th>
<th>Maximum Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size (sq m)</td>
<td>Built in Ratio (%)</td>
<td>Floor Area ratio (sq m / sq m)</td>
<td>Built in Ratio Below Ground (%)</td>
<td>Green Surface Ratio (%)</td>
</tr>
<tr>
<td>-</td>
<td>80</td>
<td>5.0</td>
<td>100</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: 19/2003. (VII.218) Zoning Restriction of Local Municipality

4.4 Tenancy

We have been provided with the tenancy schedule dated December 2011 by CEE for the subject property and we understand that the subject building provides 5,860 sq m of total gross lettable area, and additional 1,467 sq m gross area in the basement for parking and storages. The property provides in-house, underground accommodation for 24 parking spaces, and 16 surface parking spaces currently there are 15 parking spaces let.

At the date of valuation the property was 26.24% occupied and leased to 8 office tenants and 3 antenna tenants. The weighted average unexpired lease term within the subject property is approximately 2.30 years.

The current rental income from the property is equal to € 142,622 per annum. The EMRV from vacant areas equals to € 285,450 per annum.

The Estimated Market Rental Value (“EMRV”) from the whole property is equal to € 432,882 per annum.

According to the provided information the rents are generally subject to the annual indexation. The lease agreements are indexed annually according to Eurozone CPI. The lease agreements of the non-office tenants are indexed according to the Hungarian CPI. The majority of the rents are denominated in EUR. The rents of the non-office tenants are denominated in HUF. The majority of rents are paid monthly.

The majority of the tenants signed the lease agreement for a definite time period. Two tenants signed the lease agreement for indefinite time period.

The rents do not include service charges which are paid separately.

The detailed tenancy schedule can be found in the Appendix 8 to this report.
Below we summarise the main provisions of a standard lease agreement for the subject Property:

**Landlord**
Zugló Irodacentrum Kft.

**Tenant**
Infopatika Kft.

**Lease Term**
The lease has been granted and accepted for a definite period of three years commencing on June, 2010.

**Option to Extend**
Provided that the tenant has not breached any of its material obligations under the Lease or applicable laws, the tenant may claim to extend the Lease under the terms agreed and to do so only one time and just for additional period of either five (5) or three (3) years upon its discretion commencing on the first date after the last date of the original Lease.

**Base/Current Rent**

<table>
<thead>
<tr>
<th>Use</th>
<th>Lettable Area (sq m)</th>
<th>Parking Places</th>
<th>Rent (EUR/sq m p.m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officel</td>
<td>183.02</td>
<td>6.88</td>
<td></td>
</tr>
</tbody>
</table>

**Indexation**
With effect from 1st January 2008 and each year thereafter. Harmonised Index of Consumer Prices of the European Union (Euro Zone), published by Eurostat.

**Service Charge**
4.00 Euro/ sq m/ month.

**Bank Guarantee & Guarantee Deposit**
Guarantee deposit guaranteeing financial obligations of the tenant under the lease in the amount of € 4,044

**Property Taxes**
The tenant shall pay all taxes, levies, administrative charges, fees and similar sums pertaining to its use and occupation of the leased premises, provided that the tenant shall not be obliged to bear the cost of levies, taxes, charges payable by the landlord on the rent received.

**Insurance**
The tenant undertakes to obtain and keep in force during the term of the lease at its own expense adequate civil liability insurance against third party claims arising from physical injury and property loss or damage in the leased premises and insurance against damage and loss of all property in the leased premises including all landlords moveable fixtures and lettings and adequate business interruption insurance.

**Termination**
The Lease may only be terminated by notice give under the conditions set out in the
Lease.

**Repairs**
The tenant undertakes at its own expense to maintain the leased premises in good order and to keep the car parking spaces in good order and free from rubbish. The tenant shall also be responsible for maintenance and repair of the interior of the leased premises, the fit out works, the tenant’s own works and all other additions, modifications or improvements made to the leased premises by the tenant.

**Alienation**
The tenant may not assign or sub-let the leased premises without the prior written consent of the landlord excluding exceptions stated in the lease.

**Alterations**
The tenant shall not carry out any alterations, modification or improvements to the leased premises without the prior written approval of the landlord.

**Delivery**
The tenant shall deliver possession of the leased premises to the landlord in such state of repair and condition, and complete with all such fixtures, fittings and other items as is consistent with the full performance by the tenant of all its obligations under the lease.

**Other restrictions**
Subject always to the landlord’s right to require the tenant to remove alterations at the end of the lease term in accordance with the conditions provided in the lease.

A detailed tenancy schedule can be found in the Appendix 8 to this report.
5 Market Commentary

5.1 Hungarian Economy Key Macro-Economic Indicators

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP (% change)</td>
<td>0.6</td>
<td>-6.5</td>
<td>1.1</td>
<td>1.5</td>
<td>-0.8</td>
<td>2.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Real Consumer Spending (% change)</td>
<td>-0.2</td>
<td>-5.7</td>
<td>-2.7</td>
<td>0.1</td>
<td>-2.7</td>
<td>3.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Real Imports of Goods and Services (% change)</td>
<td>5.5</td>
<td>-14.8</td>
<td>12.8</td>
<td>5.9</td>
<td>-2.8</td>
<td>2.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Real Exports of Goods and Services (% change)</td>
<td>5.7</td>
<td>-10.2</td>
<td>14.3</td>
<td>9.0</td>
<td>0.6</td>
<td>3.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Industrial Production Index (% change)</td>
<td>-0.1</td>
<td>-17.6</td>
<td>10.5</td>
<td>5.3</td>
<td>3.0</td>
<td>4.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Consumer Price Index (% change)</td>
<td>6.1</td>
<td>4.2</td>
<td>4.9</td>
<td>4.1</td>
<td>4.8</td>
<td>2.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Policy Interest Rate (%)</td>
<td>10.0</td>
<td>6.25</td>
<td>5.75</td>
<td>7.0</td>
<td>7.75</td>
<td>6.0</td>
<td>5.25</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>7.8</td>
<td>10.0</td>
<td>11.2</td>
<td>10.9</td>
<td>11.0</td>
<td>10.9</td>
<td>10.8</td>
</tr>
<tr>
<td>Current Account Balance (% of GDP)</td>
<td>-7.3</td>
<td>-0.1</td>
<td>1.1</td>
<td>1.4</td>
<td>1.5</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Exchange Rate (LCU/US$, end of period)</td>
<td>187.91</td>
<td>188.07</td>
<td>208.65</td>
<td>240.68</td>
<td>243.08</td>
<td>233.64</td>
<td>228.06</td>
</tr>
<tr>
<td>Exchange Rate (LCU/Euro, end of period)</td>
<td>261.53</td>
<td>270.92</td>
<td>278.79</td>
<td>312.93</td>
<td>320.85</td>
<td>320.10</td>
<td>321.57</td>
</tr>
</tbody>
</table>

Source: IHS Global Insight, January 2012; F=forecast

General overview

The open Hungarian economy is largely exposed to deteriorations in the economic and financial conditions in the Eurozone. This comes from its relatively high levels of public and external debt, financing ratios, sizeable stock of portfolio investment, Swiss franc-denominated mortgage debt and a mainly Western European-owned banking sector. Due to the high debt levels, weak growth prospects and uncertainty about the country's ability to meet fiscal goals, Moody's decided to lower Hungary's debt rating from investment grade to speculative in November. Default insurance costs of the country's sovereign debt rapidly surged to a record high and the government announced its outline for a new economic growth plan and acquire a financial safety net from the IMF based on a precautionary agreement. In the wake of the downgrade the Hungarian Monetary Council raised the key rate by 50 bps to 6.50% to defend the currency and limit capital flight, which was according to market expectations.

In December, the government recalculated the 2012 budget, as weaker growth forecasts and devaluing HUF put a HUF 320 billion dent in the budget. To reach the 2.5% of GDP deficit target with a GDP growth at 0.5% for 2012 and a weaker HUF, the government decided to use HUF 200 billion from the national protection reserves, HUF 120 billion from further contributions of citizens who remained in the private pension funds and another HUF 20 billion from higher excise tax on tobacco products.

The national development minister submitted his resignation to focus on talks with the IMF and the EU in the hope of reaching an agreement by mid January. Informal talks between the delegations broke down in mid December after the Parliament scheduled to debate a bill on the new Central Bank Act which aimed to give the central bank more rate-setters, a third deputy governor and require the board of directors to submit their agenda to the government. The bill was passed at the end of December and although several changes were applied to please the European Central Bank it made communication with the IMF bitter. The NBH hiked the base rate up to 7% at the end of December while the next rate setting meeting is scheduled for 24th January. A further increase of 50bps is expected in an attempt to strengthen the Forint until the government secures an IMF/EU safety net.

By mid-January both S&P and Fitch downgraded the country, reflecting on the problematic situation with the IMF, the EU and the deterioration in the country’s fiscal and external financing environment and growth outlook. Informal talks with the IMF continued and it became clear that the country can only obtain a stand-by-agreement instead of a precautionary one and only in case it shows a strong commitment to engage on all the
policy issues that are relevant to macroeconomic stability. The communication between Hungary and the IMF/EU is changing remarkably as the government finally started to show signs of its willingness to change the criticised laws. IMF representatives also commented on the discussions as being “useful” and due to the easing tensions, the HUF started to strengthen back.

Statistical figures

The global economic boom considerably lost impetus to date in 2011. Developed countries are forecast to increase their economic performance this year by 1.6% on average, while developing and emerging states by 6.4%. A more dynamic growth in case of developed national economies is prevented by adjustments needed because of problems on labour markets and fiscal disequilibria (high budget deficits and indebtedness). The growth of the economic performance of the United States was slowing down to date in the year. The GDP became 1.8% higher on average in the first three quarters of the year. In addition to expenditures on consumption exports contributed to the expansion of the northern America economy. In the region of Asia the gross domestic product of Japan was declining from the beginning of the year, the performance decreasing by 0.8% in January–September 2010. The economy of China grew by 9.4%in the first three quarters of the year, though the rate of increase was gradually losing momentum. Despite the slowdown the economy of the European Union (EU-27) increased by 1.8% on average in the 1st–3rd quarters of 2011 compared to the corresponding period of the previous year. The engine of growth remained Germany (3.4%), although the rate of its expansion fell significantly. In the euro zone a 1.8% growth was recorded in the first three quarters. Similarly to the majority of developed countries the economic growth of Hungary also lost impetus. The gross domestic product of Hungary increased by 1.4% in quarter 3 of 2011 and by 1.8% in the first three quarters of 2011 compared to the same period of the previous year. According to seasonally and calendar-adjusted data, used for international comparisons, the rate of increase was 1.7% compared to January–September 2010, which put Hungary in the middle of the ranking of Euro.

Although the external boom becoming less favourable was reflected by the external trade performance of Hungary, too, on the expenditure side external trade is still the only factor of growth for the Hungarian economy. In the first three quarters of 2011 the volume of exports and imports – along with a continuous deceleration measured within the period – rose by 10% and 7.7% respectively. In the first nine months a surplus of HUF 1754 billion was generated on external trade, which was equal to 8.6% of gross domestic product. In January–September the exports and imports at constant prices of external trade in goods, accounting for the majority of international trade, rose by 12% and 8.7% respectively. In the field of services exports and imports also expanded, by 4.4% and 1.7% respectively. Domestic demand did not start to recover: in the period of January–September a decrease of 1.0% occurred in domestic use as a consequence of the stagnation of actual final consumption and a significant fall of gross fixed capital formation. Actual final consumption, representing more than eight-tenths of domestic use, essentially stagnated on average in the first three quarters (-0.1%). Within this the actual final consumption of households hardly changed as well (+0.1%), while the volume of actual final consumption of government, accounting for about one-eighth of actual final consumption, decreased by 1.4%.

Household final consumption expenditure was essentially unchanged in the first nine months of 2011 (-0.1%) compared to the corresponding period of the previous year. In effect, final consumption expenditure was not affected by the payment of real returns by private pension funds in August. However, the volume of social transfers in kind – from the government and the non-profit institutions serving households – to households increased by 0.9%. The volume of gross fixed capital formation was 6.4% lower in the first nine months this year than one year before, and the decreasing trend was further strengthened by a fall of 8.6% in the 3rd quarter. All this considerably lowered the expansion of economic performance. According to investment statistics investments in the national economy, accounting for the overwhelming part of gross fixed capital formation, were down by 5.4% in quarter 3 and by 4.5% in the first nine months. In January–September construction investments were significantly (15%) lower than one year earlier, while investments in machinery and equipment rose (by 10%). The output of investments was lowered in the majority of industries. As dwelling constructions went on decreasing investments in real estate activities were 22% less than in the same period of the previous year. In case of transportation and storage a fall of 23% was recorded, since investments were completed in several transport branches. Out of industries having relatively large weight a considerable rise occurred only in
manufacturing (28%), within which volume increases were observed for the majority of branches as well. Primarily individual large investments showed substantial growths in a few industries of relatively low weight: in mining and quarrying (33%) and in human health and social work activities (44%). Additional rises were measured in scientific and technical activities (12%) and in agriculture (4.3%). The stock of inventories in the 3rd quarter increased by HUF 175 billion at current prices, however, the change of inventories had a negative impact on economic expansion for the first time after six consecutive quarters. In quarters 1–3 the level of inventories rose by HUF 250 billion. In January–September 2011 the performance of the Hungarian economy from production (output) side was influenced by the continuously decelerating industry as well as agriculture. The performance of agriculture rose by 27% over nine months, within which very significantly, too, by 29% in the 3rd quarter. The considerable volume increase in the branch was caused by improving yields. In January–September 2011 the gross value added by industry grew by 6.8%, mainly as a consequence of the expansion of manufacturing by 8.1%, thus contributing significantly to GDP growth. In quarter 3 the slowdown of the performance, lasting for a year, continued. The volume of industry rose by 3.5%, while that of manufacturing by 4.6%. The slowdown was due to the high base as well as the deceleration of external demand. The performance of export-oriented enterprises continues to be considered as the engine of industrial production. Among manufacturing branches production increased considerably in the manufacture of transport equipment, basic metals and fabricated metal products as well as machinery and equipment n.e.c. and in textile industry.

According to the latest available data broken down by branches, the volume of industrial production in October – along with deteriorating external conditions of recovery and the high base registered one year before – increased by 3.0% compared to the corresponding period last year. Exports were up by 1.0%, while domestic sales fell by 6.3%. In the first ten months of the year the volume of production was 5.8% higher than one year earlier, with an 8.1% expansion of sales on external markets and a 5.3% decrease of domestic sales. Among the sections of industry the volume of production in manufacturing in January–October grew by 6.2%, while the output of the energy sector diminished by 1.4%. The volume of production in mining, having small weight in production, was 13.2% higher than in the same period of the previous year.

The forint price level of external trade grew by 1.5% in exports and by 2.7% in imports in January–September, so the terms of trade deteriorated by 1.2%. Our national currency strengthened over a year by 2.4% against the major currencies in the first nine months of the year, within which revaluations of 1.4% and 7.9% were measured against the EUR and the USD respectively.

In the period of August–October 2011 and considering the 15–64 year-old population 36 thousand more people were working than one year earlier. The number of employed persons came to 3 million 828 thousand, which was 0.9% higher than in August–October 2010. The employment rate of 56.6% calculated for this age group was 0.6 percentage point higher than in the corresponding period of the previous year.

According to the latest staff number data of institutional labour statistics there were 2 million 693 thousand employees in the observed group of organizations in the national economy in the period of January–October 2011, 6 thousand (0.2%) less than one year before, which means a practically unchanged level. In the first four months within the period somewhat more people were working, while in the months of May–October slight decreases were observed in the staff number. In the different areas of the national economy trends of opposite direction continued to be recorded.

In the first ten months of the year average gross earnings – based on accounting records – were HUF 209 900, 4.6% higher in nominal terms than one year before. The monthly average amount of net earnings equalled HUF 139,200, which was 5.8% higher than in January–October 2010. Net earnings were HUF 142,200 at enterprises, HUF 133,200 in the public sector and HUF 124,600 in the non-profit sector. Relatively significant, 7.4% and 8.1% increases were recorded in earnings in the private and the non-profit sectors respectively, while a more modest, 1.3% rise was observed in the public sector.

The rate of increase of consumer prices – because of the substantial price rises of motor fuels as well as electricity, gas and other fuels – accelerated further, so prices increased by 4.3% in November compared to the same month of the previous year. The price rise in January–November was 3.9% on average.
The consolidated, cash-based deficit of the general government (without local governments) – according to preliminary data of the Ministry for National Economy – was HUF 1248 billion in the period of January–November 2011, HUF 57 billion less than in the same period of the previous year. The revenue of the general government amounted to over HUF 11.9 trillion, its expenditure to HUF 13.2 trillion, which was 3.5% and 2.7% more respectively than one year before. The purchase of a parcel of MOL shares increased expenditures by some HUF 500 billion, while the revenue from the Pension Reform and Debt Reduction Fund, received during the months of October and November and amounting in total to about HUF 420 billion, raised the level of revenues. Among the sub-systems the balance of the central government shows a deficit of HUF 1296 billion following a deterioration of HUF 14 billion. Improvement was recorded in case of social security funds: the deficit of HUF 30 billion was HUF 71 billion less than in the same period last year. A surplus of HUF 79 billion was measured for extra-budgetary funds, the same amount as in January–November 2010.

Source: KSH, 20 / 12 / 2011

5.2 Budapest Office Market Overview

Stock and Supply

At Q4 2011 the Budapest modern office stock consisted of 3,158,900 sq m modern Grade ‘A’ and ‘B’ office space. During the last 5 years the market saw a significant increase in the volume of supply as several new projects have been completed, but it is important to mention that due to the strict financing conditions and the uncertain market environment the volume of speculative developments show a significant fall compared to years such as 2008 and 2009.

In 2011, a total of 87,425 sq m new office space was completed, which is the lowest annual volume of the past 7 years. Only six new office buildings were completed, out of which one was an owner occupied development. The new buildings of K&H Bank; Millennium H (11,980 sq m) and Millennium K (38,900 sq m) were handed over in Pest Central South submarket while Laurus office building (14,016 sq m) and the office component of KÖKI Terminal (6,325 sq m) were added to the stock of the Pest Non Central submarket. All four buildings were completed in Q4 2011. Additionally two other developments were completed at the first half of 2011: Calasanz Downtown Offices in the CBD on 1,700 sq m and Officium, the office component of Akadémia Park development on 14,500 sq m in Buda North. The average vacancy of the buildings completed in 2011 was 15.7% at completion which clearly shows the trend that developers are not willing to start new constructions on a purely speculative basis anymore.

Map 1: Budapest Submarket Map
Table 1: Office Completions in 2011

<table>
<thead>
<tr>
<th>Building name</th>
<th>Size (sq m)</th>
<th>Date of completion</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDO</td>
<td>1,700</td>
<td>Q1 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Officium</td>
<td>14,500</td>
<td>Q2 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Millennium K</td>
<td>38,900</td>
<td>Q4 2011</td>
<td>Owner occupied</td>
</tr>
<tr>
<td>Millennium H</td>
<td>11,984</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Laurus</td>
<td>14,016</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>KöKi</td>
<td>6,325</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
</tbody>
</table>

Looking ahead there is a very limited pipeline, hence annual volume of new completions will reach a historic low in 2012. We expect only 35,500 sq m new office space to be handed over in three buildings, all of them being speculative projects. That said the completion of these projects might be postponed further to 2013 as they did not manage to secure any pre-leases so far making construction works and further financing problematic. At the moment we expect the following projects to be handed over: V 67 in Váci Corridor by Spanish developers on 2,200 sq m (H1 2012), Green House by Skanska on 17,800 sq m in H2 2012 and Váci Greens by Atenor on 15,500 sq m in H2 2012. Completion of the latest project is highly questionable as construction works have been pending since year end 2011.

There are three offices in the pipeline to be handed over between 2013 and 2014 amounting to 53,000 sq m: the third phase of Office Garden on nearly 18,500 sq m, the new KPMG headquarter on 20,500 sq m by Futureal, and the prestigious Eiffel Palace 14,000 sq m in the CBD which will serve as PWC’s new headquarter upon completion. Neither of these developments started yet.

Table 2: Future Supply 2012-2014

<table>
<thead>
<tr>
<th>Building name</th>
<th>Size (sq m)</th>
<th>Year</th>
<th>Quarter</th>
<th>Refurbishment or new development</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green House</td>
<td>17,800</td>
<td>2012</td>
<td>Q4</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>Váci Greens A</td>
<td>15,500</td>
<td>2012</td>
<td>Q4</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>V67</td>
<td>2,200</td>
<td>2012</td>
<td>Q2</td>
<td>new</td>
<td>speculative</td>
</tr>
<tr>
<td>Office Garden Phase III</td>
<td>18,513</td>
<td>2013</td>
<td>H2</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>Eiffel Palace</td>
<td>14,000</td>
<td>2014</td>
<td>Q1</td>
<td>New</td>
<td>64% prelet</td>
</tr>
<tr>
<td>K4</td>
<td>20,500</td>
<td>2014</td>
<td>Q1</td>
<td>New</td>
<td>50% prelet</td>
</tr>
</tbody>
</table>

Table 3: Office completions in 2011 by Submarkets

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Size (sq m)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>1,700</td>
<td>1.9%</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>50,880</td>
<td>58.2%</td>
</tr>
<tr>
<td>Pest Non-Central</td>
<td>20,340</td>
<td>23.3%</td>
</tr>
<tr>
<td>Buda North</td>
<td>14,500</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Research Q4 2011
Graph 1: Office Completion Levels and Future Supply

Source: Jones Lang LaSalle Q4 2011

**Demand / Take-up**

In 2010 total demand reached 306,650 sq m out of which 34.9% were lease renewals. Net take-up (including new leases, expansions and pre-leases) represented 58.8% of the total demand and 6.3% was owner occupied office occupancy. However the total demand slightly decreased compared to the previous year, the ratio of new lease transactions versus renewals remained stable. In 2009 total demand reached 373,150 sq m out of which renewals amounted to 121,620 sq m. apart of the large share of renewals there were several BTS transaction in 2009 as well which represented 78,700 sq m altogether.

Pre-lease activity within the market was low until 2008 (around 25,000 sq m per year) but in 2008 and 2009 the market saw more significant pre-lease activity with 82,572 sq m and 52,181 sq m respectively per year. This trend stopped in 2010 and pre-leases practically disappeared from the market as we registered only 7,468 sq m of pre-lease activity. In 2010 only GTC Metro has managed to secure 100% tenancy before its completion but this pre-lease agreement was signed in 2009.

The most significant office transaction was the move of Allianz Insurance into their new 17,202 sq m in owner occupied office at K3. The three largest speculative transactions were all lease renewals: Ericsson in Science Park (12,829 sq m), Sanoma in Szépvölgyi Office Park (8,500 sq m) and SAP in Graphisoft Park (8,500 sq m). A total of 483 leasing transactions were closed throughout the year with an average size of 635 sq m.

Involvement of tenant representation agencies gains increasing importance by large occupiers as many future office projects are offered for pre-lease and/or built-to-suit HQ. Tenants can now achieve favourable conditions and rents with the experience of a professional advisor.

According to market expectations demand strengthened in 2011 on 2010. Gross take-up reached 394,650 sq m which is a massive increase of 28.7% year on year. Net take up was also above the 2010 level. The volume of
new transactions, expansions, preleases and owner occupation reached 242,226 sq m which indicates an increase of 21.6% year on year, again a positive trend in terms of demand.

The composition of the annual demand shows that renewals represented a high share in 2011, similarly to 2010 and 2009. Lease renewals had a share of 38.6% almost the same ratio as new leases with 38.8%. Expansions represented 16.2% while preleases 5.8%. There was only one owner occupation accounting for a mere 0.6%. The largest transactions were new leases signed in Q4 2011, a company from the public leased 20,800 sq m in Spirál, while KFKI signed for 15,100 sq m in South Buda Business Park. Both buildings have been vacant for several quarters therefore these new leases play an important role in the quarterly net absorption. There were several large renewals as well: NSN extended its lease in CityGate on 13,000 sq m so did Raiffeisen on 11,900 sq m in Akadémia Center. Unlike 2010 two larger preleases were also signed in 2011. KPMG decided to move in 2014 into a new office at Váci Corridor, developed by Futureal on a total of 20,500 sq m. KPMG will occupy 8,500 sq m at first with a further expansion option on nearly 1,500 sq m. The other prelease transaction was also signed by PWC on 9,000 sq m in Eiffel Palace located in the CBD.

**Graph 2: Structure of Take-up in Budapest**

Having a closer look at the graph above, we can see that Budapest has been witnessing continuous growth in net take-up until 2008. As the economic crisis hit the market the ratio of renewals rose while the share of new transactions and expansions decreased. In 2011 renewals took 38.6% of the total demand while this ratio was 34.9% in 2010, 36% in 2009 and only 19% in 2008. Large corporations opted to renegotiate their current premises and renew their lease, in some cases even before the lease expiry to be able to lock-in rents considered by many to be at the lowest point of the cycle.

Although we expected that in 2011 we would record a lower share of renewals compared to 2010, there were still many companies who decide to extend their lease agreements at their current locations. That said net take up shows an increasing trend since 2009 even in case the growth is very limited.
Table 4: Major Deals 2011

<table>
<thead>
<tr>
<th>Sub-market</th>
<th>Building</th>
<th>Tenant</th>
<th>Size (sq m)</th>
<th>Type of deal</th>
<th>Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pest Central South</td>
<td>Millennium Tower I</td>
<td>Vodafone</td>
<td>10,500</td>
<td>renewal</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda North</td>
<td>Maross utca BC</td>
<td>Edukacio</td>
<td>3,750</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda Central</td>
<td>Margit Ház</td>
<td>Magyar Takarékszövetkezeti</td>
<td>3,670</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pest Non-Central</td>
<td>Laurus Offices</td>
<td>BDO Forte</td>
<td>3,600</td>
<td>prelease</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Millennium Tower III</td>
<td>MSD</td>
<td>2,500</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>K2</td>
<td>Sykes</td>
<td>2,230</td>
<td>renewal</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Citygate</td>
<td>NSN</td>
<td>13,000</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Akadémia Center</td>
<td>Raiffeisen</td>
<td>11,900</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>WECC</td>
<td>Unisys</td>
<td>4,100</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>IP West</td>
<td>BT</td>
<td>3,300</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Buda North</td>
<td>Officium</td>
<td>confidential</td>
<td>3,000</td>
<td>new</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Buda Central</td>
<td>Imperial Krisztina</td>
<td>confidential</td>
<td>12,000</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>confidential</td>
<td>confidential</td>
<td>9,000</td>
<td>prelease</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>K4</td>
<td>KPMG</td>
<td>8,500</td>
<td>prelease</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Studium</td>
<td>Nokia</td>
<td>6,500</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>PCN</td>
<td>Park Atrium</td>
<td>Deloitte</td>
<td>4,800</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Optima A</td>
<td>Zepter</td>
<td>3,345</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Arena Corner</td>
<td>Citibank</td>
<td>3,140</td>
<td>expansion</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Arena Corner</td>
<td>Citibank</td>
<td>3,000</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>IP West I</td>
<td>NXP</td>
<td>2,600</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Ybl Palota</td>
<td>Cameron Mckenna</td>
<td>2,500</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>First Site Offices</td>
<td>Plug and Work</td>
<td>2,400</td>
<td>new</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Spirál</td>
<td>confidential</td>
<td>2,000</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>South Buda BP</td>
<td>KFKI</td>
<td>15,136</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Spirál</td>
<td>confidential</td>
<td>8,000</td>
<td>renewal</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Pest Central North</td>
<td>Rumbach Center</td>
<td>confidential</td>
<td>4,860</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Bank Center</td>
<td>Citibank</td>
<td>3,485</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011

Out of the 596 transactions, which were signed in 2011, only 76 were signed for office space above 1,000 sq m totalling to 249,770 sq m (66.3% of the total demand). Many smaller scale deals were signed hence currently the average transaction size is around 663 sq m in Budapest, which shows an increase compared to previous years.

Table 5: Average deal sizes in Budapest from 2004 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Deal Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>600</td>
</tr>
<tr>
<td>2010</td>
<td>635</td>
</tr>
<tr>
<td>2009</td>
<td>788</td>
</tr>
<tr>
<td>2008</td>
<td>745</td>
</tr>
<tr>
<td>2007</td>
<td>701</td>
</tr>
<tr>
<td>2006</td>
<td>590</td>
</tr>
<tr>
<td>2005</td>
<td>638</td>
</tr>
<tr>
<td>2004</td>
<td>663</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011
Vacancy

During 2011 the vacancy rate fluctuated between 20-21% reaching its lowest level of 19.2% by year end. This was the result of the limited new supply with high prelease rations so as the strong net take up in Q4 2011. The shrinking availability might seem convincing, but it is important to mention that several larger office buildings will be vacated during H1 2012 after their former occupiers will relocate to their new headquarters. These buildings are mainly old and of less modern quality therefore their new usages is highly questionable.

The highest vacancy rate is registered in the Periphery (32.2%) while Buda North has the lowest vacancy rate (16.7%). The submarkets show significant difference in terms of vacancy. Buda Central (24.2%) and Pest North Central (21.5%) are the two most oversupplied submarkets in Budapest apart of Periphery.

The below chart presents the stock and vacancy of each submarkets.

Graph 3: Vacancy and Stock in the Submarkets as at Q4 2011

Rents

Office prime rents stood at €20/sq m/month at Q4 2011. This rental level can only be achieved in the best office buildings in the CBD. Rental bands of each submarkets show a wide range as the pricing depends on the location and the quality of the building as well as the public transportation access. Until the end of 2010 most landlords were forced to decrease their asking rents and offer generous incentives in order to attract tenants. This trend seems to be abating as we have experienced rental growth in some of the most popular and best located buildings. This however only concerns a very limited number of buildings at the moment but we expect rental stabilisation in the course of 2011 once the high oversupply starts to be absorbed. That said, rental stabilisation applies for mainly modern, A category buildings. Older, B category offices might face difficulties as
their tenants leave behind their old premises to move into newer, more effective buildings. This will automatically result in jumping availabilities which will have an impact on rental levels. Therefore we forecast a deepening rental gap between A and B category buildings.

The rental decline caused by the crisis showed different patterns in each submarket. Prime products in prime locations were able to maintain their asking rents relatively unchanged or experienced only a moderate fall. At the same time the projects located in Non-Central submarkets did have to offer significant discounts. The greatest rental decline was seen in the Periphery and the Buda South submarkets.

**Graph 4: Rental Bands in the Submarkets**

![Graph showing rental bands in submarkets](image)

Source: Jones Lang LaSalle Research, Q4 2011

In order to secure tenants in their buildings landlords are offering greater rental incentives. Beside the average incentives (standard 70-30% fit-out, rent free period) landlords are willing to pay further incentives, such as moving contributions or higher quality fit-out/greater fit out contribution. Projects outside the CBD and the most popular office locations are still under pressure of oversupply, therefore the highest level of extra incentives are available in these submarkets.

### 5.3 Investment Market Overview

While in 2010 the total transaction volumes in commercial real estate in Hungary for 2010 remained below € 300 million with less than € 200 million of institutional investment deals recorded for the full year by Jones Lang LaSalle, Investment activity picked up in 2011 with more than € 230 million transacted in Hungarian assets during the 4th quarter. The total volume of investment transactions for 2011 reached € 650 million.

The last weeks of 2011 were active with the closing of two major office portfolio transactions with Heitman, the Chicago based real estate investment manager as the buyer in both cases. The first transaction was the creation of a Joint Venture with TriGranit who sold a 74% interest in 4 office buildings located in the Millennium City Centre project (Tower I, II, II and the newly delivered Building H); the total consideration of the transaction amounted to € 151 million. The buildings located along the Danube, South of the city centre, are one of the most successful office schemes in the city and have attracted prime tenants such as Vodafone, KBC, Nestle, Morgan...
Stanley, Prologis and Lufthansa / Swiss. The second transaction was the disposal by the AVIVA Investors Central European Property Fund of Alkotás Point, anchored by Unicredit Bank and Bayer and Science Park anchored by Ericsson and Tata Consulting.

All major asset classes have traded during the year: The hotel segment was active with the transaction of 2 five-star hotels (Intercontinental, Four Seasons), the retail segment witnessed the disposal of a partial interest in Arkád Shopping Centre to ECE and the acquisition by Erste Real Estate of the Napfény Park in Szeged. The industrial asset class was represented by Aerozone and M1 Business Park as part of the Europolis portfolio, however, close to 60% of the total volume was transacted on office buildings with the Europolis, TriGranit and AVIVA assets representing the main transactions of the year.

Some transactions which were expected to close in 2011 have been delayed – cancelled due to difficulties with bank financing and this will remain a serious bottle neck in 2012 as a consequence of the general de-leveraging, the evolution of financial markets but also the specific situation of Hungary on a macro-economic and political front.

Further developments on the investment market are dependant upon the evolution of the financial markets in view of the sovereign debt crisis and downgrades in the Euro zone and on the capacity to raise debt finance.

Based on our assessment of the market and relative pricing with Poland and the Czech Republic, we keep our views on prime yields unchanged compared to Q3 2011 with a stable outlook.

The graph below shows transaction volumes in 2003 – 2011.

**Graph 1: Investment volumes in Hungary 2003-2011**

The tables below shows Budapest’s prime yield levels compared with other major European cities.

**Table 12: Indicative summary of prime retail investment yields in selected European cities**
The following table shows the main transaction in Hungary in 2011.

Table 13: Transactions in Hungary 2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>Property Name</th>
<th>Area (sq m)</th>
<th>City</th>
<th>Quarter, Year</th>
<th>Estimated NIY (%)</th>
<th>Vendor</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>City Gate (65%)</td>
<td>24,200</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Office</td>
<td>Infopark A (51%)</td>
<td>12,200</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.35%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Office</td>
<td>IP West I - V (65%)</td>
<td>31,000</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.00%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Industrial</td>
<td>Aerozone Budapest (51%)</td>
<td>65,000</td>
<td>Vecsés</td>
<td>Q1, 2011</td>
<td>8.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Industrial</td>
<td>M1 BP (51%)</td>
<td>69,000</td>
<td>Páty</td>
<td>Q1, 2011</td>
<td>9.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Retail</td>
<td>Árkád Shopping Centre (33%)</td>
<td>48,400</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>Conf.</td>
<td>Unibail Rodamco</td>
<td>ECE</td>
</tr>
<tr>
<td>Retail</td>
<td>Napfény Park</td>
<td>29,477</td>
<td>Szeged</td>
<td>Q1, 2011</td>
<td>7.80%*</td>
<td>Carion</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Retail</td>
<td>Tesco (solus)</td>
<td>6,804</td>
<td>Kőszeg</td>
<td>Q1, 2011</td>
<td>8.25%*</td>
<td>Private syndicate</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Retail</td>
<td>Tesco (solus)</td>
<td>5,116</td>
<td>Dabas</td>
<td>Q1, 2011</td>
<td>8.25%*</td>
<td>Private syndicate</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Hotel</td>
<td>InterContinental Hotel</td>
<td>398*</td>
<td>Budapest</td>
<td>Q2, 2011</td>
<td>n/a</td>
<td>Morgan Stanley (MSREF VI)</td>
<td>Toufic Aboukhater</td>
</tr>
<tr>
<td>Office</td>
<td>Focus Point</td>
<td>7,200</td>
<td>Budapest</td>
<td>Q2, 2011</td>
<td>n/a</td>
<td>ORCO (Endurance Fund)</td>
<td>Indotek</td>
</tr>
<tr>
<td>Office</td>
<td>Portfolio of 21 class B office buildings</td>
<td>45,000</td>
<td>Various</td>
<td>Q2, 2011</td>
<td>11.00%</td>
<td>Magyar Telekom</td>
<td>Associated Network</td>
</tr>
<tr>
<td>Retail</td>
<td>OBI</td>
<td>12,800</td>
<td>Various</td>
<td>Q3, 2011</td>
<td>8.25%</td>
<td>Endurance Fund</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Office</td>
<td>Raiffeisen Back Office</td>
<td>14,750</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>n/a</td>
<td>Raiffeisen Real Estate Fund</td>
<td>Private Investor</td>
</tr>
<tr>
<td>Hotel</td>
<td>Four Seasons</td>
<td>179*</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>n/a</td>
<td>Avestus Capital Partners</td>
<td>State Reserve Fund of Oman</td>
</tr>
<tr>
<td>Office</td>
<td>Millennium Towers I,II,III,H (74%)</td>
<td>70,000</td>
<td>Budapest</td>
<td>Q4, 2011</td>
<td>n/a</td>
<td>TriGránit</td>
<td>Heitman</td>
</tr>
<tr>
<td>Office</td>
<td>Alkotás Point, Science Park</td>
<td>53,000</td>
<td>Budapest</td>
<td>Q4, 2011</td>
<td>n/a</td>
<td>AVIVA</td>
<td>Heitman</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Capital Markets, Q4 2011 (* JLL estimation)

Capital Market Highlights

- Macro-economics declining with GDP growth expected at 0% in 2012
- Financial safety net is being discussed by IMF, Stand by agreement is likely to be provided
- Potential hike of personal income tax
- Market fundamentals still worse than for peer CEE capitals
- Lower, but remaining gap in pricing between vendors and buyers
- A yield discount of approximately 50-75 bps compared to Poland / Czech Republic
- Core institutional investors remain to be opportunity-driven for prime office and retail opportunities
- Industrial and hotel investments will happen only in exceptional cases
6. Valuation Commentary

6.1 Valuation Methodology

Market Value Definition (RICS Valuation Standards -Global, 7th Edition)

Market Value is defined by the Royal Institution of Chartered Surveyors (RICS) as the following:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Income Approach

The Income Approach is a method used to convert the anticipated economic benefits of property ownership into a value estimate through a capitalisation approach.

The two most common methods of converting net income into value are the discounted cash flow technique (DCF) wherein anticipated future income streams and a reversionary value are discounted to a present value estimate and the direct capitalisation technique, where an overall rate is extracted directly from pertinent market sales.

For the purposes of valuation of the office building, we have adopted the Income Approach, Discounted Cash flow technique, analysed over a 10-year period. The cash flow assumes a ten-year hold period with the exit value calculated on 11th year income. We have adopted a discount rate and terminal capitalisation rate for the subject property having regard to recent investment sales evidence known to us together with our general knowledge and opinion based on discussions with investors within the Central and Eastern European region. This opinion is also based on prevailing interest rates and relative yields on 10-year Government bonds.

In formulating our opinion we have also had regard to investment rates recorded by Jones Lang LaSalle in other major Eastern European countries.

6.2 General Valuation Assumptions

Our valuation was prepared in accordance with the information obtained from the Client and specifically on the basis of the following assumptions:

The subject property has clear and fully marketable title without any historical claims.

(a) That all necessary planning, building and other consents have been obtained.

(b) We have relied upon the information provided to us by CEE, as being complete and correct as to tenure, measurements and capacities of properties, planning consents and other relevant information.

(c) There are no Rights of Way, easements, and outgoings of an onerous nature or restrictions on use affecting the property, which may have a material effect on the value.

(d) The site is not subject to any form of environmental contamination.
The premises are constructed and used in accordance with all necessary building and planning permissions, and there are no disputes with neighbouring owners or occupiers or with the local municipal authorities.

The property complies with any fire and life security codes, environmental codes and any other regulatory requirements that may exist.

No structural surveys of the building have been undertaken. We are not therefore able to report that it is free of structural faults, rot, infestation or defects of any other nature, including inherent weaknesses due to the use of construction materials now suspect. No tests were carried out on any of the services.

6.3 Specific Cash Flow Assumptions

Estimating the Market Value of the subject property we have made allowances for the following:-

(a) Our calculations start from 1st January 2012;

(b) We have not carried out a building measurement survey. Our calculations are based on the tenancy schedule provided by CEE., dated December 2011, showing Gross Lettable Area of 5,860 sq m;

(c) The rents are subject to annual indexation according to CPI adopted at the level of 3.0% in Year 1 (except where no indexation is applicable);

(d) For the currently vacant space we have adopted 3-year lease contracts with rents at the EMRV levels;

(e) After expiry of the existing lease contracts we have adopted voids of 6 months and thereafter 5-year or 10-year lease agreements. We have adopted the Estimated Market Rental Values representing effective market rents;

(f) After expiry of the current lease agreements we have adopted the annual indexation according to the EUR-CPI applied on the anniversary of signing the lease agreement;

(g) As a result, the Base Rental Revenue has been estimated at €428,072 in the first year of our projection;

(h) Due to the fact that the office building in some places needs refurbishment, we have adopted a Capital Expenditure of €60.0/sq m;

(i) We have assumed an allowance of 10.0% with regard to leasing commissions for currently vacant space;

(j) Based on the property’s location, projected achievable rental income stream and expected position in the market we have applied the discount rate at the level of 9.75% and exit yield at 8.75%, showing an initial yield of 6.70% (NOI/PV), 9.82% in the second year and 9.77% in the third year.

(k) Our calculations have been attached in the Appendices to this report.

Market Value Conclusion

Having regard to the foregoing, we are of the opinion that the Market Value of the Office Building, as at 31st December 2011 was in the region of €4,300,000 (Four Million, Three Hundred Thousand Euros)

6.4 SWOT Analysis
In considering this property as investment opportunity, we would draw your attention to the following SWOT analysis.

### Table 10: SWOT Analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Easy access from city centre via busy Hungária krt.;</td>
<td>• Low occupancy level;</td>
</tr>
<tr>
<td>• Excellent vehicular access to major motorways.;</td>
<td></td>
</tr>
<tr>
<td>• Good public transportation including metro line 2.;</td>
<td></td>
</tr>
<tr>
<td>• Nearby Arena Plaza shopping centre.</td>
<td></td>
</tr>
<tr>
<td>• Low overall unemployment in Budapest region;</td>
<td>• Pressure on rental level due to existing and planned competition.</td>
</tr>
<tr>
<td>• Relatively small competition in XIV. district;</td>
<td></td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle, December 2011

### 6.5 Valuation Summary

Having regard to the foregoing, we are of the opinion that the Market Value of the Office Building, as at 31st December 2011 was in the region of:

**MARKET VALUE**

€4,300,000

*(Four Million Three Hundred Thousand Euros)*

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes. Therefore, no allowances have been made for any expenses of realise, or for taxation, which might arise in the event of a disposal. The property is considered as if free and clear of all mortgages or other charges which may be secured thereon.
7. List of Documents Used in Valuation Report

The following documents were used in the Valuation Report on Sample Property located in Budapest, Hungary:

- Extract form Land Register dated 24th January 2012;
- Site map;
- Tenancy schedule dated December 2011;
Appendix 1

General Principles Adopted in the Preparation of Report and Valuations
General Principles Adopted In The Preparation Of Valuations And Reports

These General Principles should be read in conjunction with the firm’s General Terms and Conditions of Business.

It is our objective to discuss and agree the terms of our instructions and the purpose and basis of the valuation, at the outset, to ensure that we fully understand and meet our client’s requirements. Following are the general principles upon which our Valuations and Reports are normally prepared; they apply unless we have agreed otherwise and specifically mentioned the variation in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries.

1. Valuation Standards:
All work is carried out in accordance with:

(a) The Practice Statements contained in the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors (Sixth Edition), by valuers who conform to the requirements thereof;
(b) The Approved European Property Valuation Standards of the European Group of Valuers Associations (TEGoVA).

The standard adopted is set out in our report.

2. Valuation Basis:
Our reports state the purpose of the valuation and unless otherwise noted, the basis of valuation is as defined in the appropriate valuation standard. The full definition of the basis which we have adopted is either set out in our report or appended to these General Principles.

3. Source of Information:
We accept as being complete and correct the information provided to us by the sources listed, as details of tenant, tenancies, tenant’s improvements, planning consents and other relevant matters, as summarised in our report.

4. Disposal Costs and Liabilities:
No allowances are made for any expenses of realisation, or for taxation which might arise in the event of disposal. All property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

5. Documentation:
We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

6. Tenants:
Although we reflect our general understanding of a tenant’s status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. Measurements:
We do not normally measure premises unless specifically requested and base our valuation on the information made available to us. Where measurement is undertaken this is carried out in accordance with either the relevant local codes or the Code of Measuring Practices issued by the Royal Institution of Chartered Surveyors except in the case of agricultural properties or where we specifically state that we have relied on another source.

8. Town Planning and Other Statutory Regulations:
Information on town planning is, wherever possible, obtained verbally from the local planning authority and, if confirmation is required, we recommend that verification be obtained from lawyers that:-

(a) the position is correctly stated in our report;
(b) the property is not adversely affected by any other discussions made or conditions prescribed by public authorities;
(c) that there are no outstanding statutory notices.
Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including enactments relating to fire regulations.

9. **Structural Surveys:**
Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair which we note during our inspection or costs of repair which are brought to our attention.

10. **Deleterious Materials:**
We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, wood wool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

11. **Site Conditions:**
We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these matters.

12. **Environmental Conditions:**
Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

13. **Value Added Tax**
Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

14. **Outstanding Debts:**
In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

15. **Confidentiality:**
Our Valuations and Reports are confidential to the party to whom they are addressed for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.
Appendix 2

General Terms and Conditions of Business
General Terms And Conditions Of Business

1. Introduction

These General Terms and Conditions of Business shall apply to all dealings between Jones Lang LaSalle and the Client and, for the avoidance of doubt, shall be treated as applying separately to each instruction given by the Client to Jones Lang LaSalle.

These General Terms and Conditions of Business apply where Jones Lang LaSalle provides services to a Client and there is no written agreement for the provision of these services or, if there is, to the extent that these General Terms and Conditions of Business do not conflict with the terms of that written agreement. Reference in these General Terms and Conditions to the agreement means the written or informal agreement that is subject to these General Terms and Conditions of Business.

2. Jones Lang LaSalle

Jones Lang LaSalle means Jones Lang LaSalle Kft., with its seat at Alkotas ut. 50, 1123 Budapest or the other member of the Jones Lang LaSalle group of companies that provides services or the relevant part of services.

3. Services

Jones Lang LaSalle is to provide all services to the specification and performance level stated in writing or, if none is stated, to the specification and performance level that it ordinarily provides. Jones Lang LaSalle has no responsibility for anything that is beyond the scope of the services so defined.

Jones Lang LaSalle performs all services through properly licensed agents.

4. Time

Jones Lang LaSalle is to use reasonable endeavors to comply with the Client’s timetable, but is not responsible for non-compliance unless the consequences of non-compliance have been agreed in writing. Even then, Jones Lang LaSalle is not liable for delay that is beyond its control.

5. E-mail and on-line services

The Client agrees that Jones Lang LaSalle may where appropriate use the available electronic communication and systems in providing services, making available to the Client any software required that is not generally available.

6. Duty of care to the Client

Jones Lang LaSalle owes to the Client a duty to act with reasonable skill and care in providing services, complying with the Client’s instructions where those instructions do not conflict with (a) these General Terms and Conditions of Business, (b) the agreement or (c) applicable law and professional rules, including the code of ethics.

Jones Lang LaSalle has no liability for the consequences of any failure by the Client or any agent of the Client promptly to provide information or other material that Jones Lang LaSalle reasonably requires, or where that information or material is inaccurate or incomplete.

7. Duty of care to third parties

Jones Lang LaSalle owes a duty of care to no one but its Client. No third party has any rights unless there is specific written agreement to the contrary.

8. Liability for third parties

Jones Lang LaSalle has no liability for products or services that it reasonably needs to obtain from others in order to provide services.
   (a) Jones Lang LaSalle may delegate to a third party the provision of any part of services, but if it does so:
   (b) without the Client’s approval, Jones Lang LaSalle is responsible for what that third party does;
   (c) with the Client’s approval or at the Client’s request, Jones Lang LaSalle is not responsible for what that third party does.
9. Liability to the Client

The liability of Jones Lang LaSalle to the Client for its own negligence causing death or personal injury is unlimited, but otherwise its liability is:

(a) limited to 2 (two) times the fixed fees amount agreed with Jones Lang LaSalle per occurrence or series of occurrences arising from one event,
(b) excluded to the extent that the Client is responsible, or someone on the Client’s behalf for whom Jones Lang LaSalle is not responsible under these General Terms and Conditions of Business,
(c) limited to direct and reasonably foreseeable loss or damage with no liability for indirect or consequential loss,
(d) (where Jones Lang LaSalle is but one of the parties liable) limited to the share of loss reasonably attributable to Jones Lang LaSalle on the assumption that all other parties pay the share of loss attributable to them (whether or not they do),
(e) not (so far as permitted by law) increased by any implied condition or warranty,
(f) in any case limited to a maximum of €1,000,000 (one million euro) in aggregate per annum.

Jones Lang LaSalle shall not be liable for any hidden defects in the real property sold, bought or leased, unless Jones Lang LaSalle was aware of these defect and did not inform the client hereof.

10. Insurance

Jones Lang LaSalle agrees to purchase and maintain appropriate insurance policies, in particular professional indemnity insurance, for an amount of not less than €1 million per occurrence or series of occurrences arising from one event.

11. Indemnity from the Client

The Client agrees to indemnify Jones Lang LaSalle against all liability (including without limitation all actions, claims, proceedings, loss, damages, costs and expenses) that relates in any way to the provision of services, except a liability that a court of competent jurisdiction decides (or Jones Lang LaSalle agrees) was caused by the fraud, willful default or negligence of Jones Lang LaSalle or of a delegate for whom Jones Lang LaSalle is responsible under the agreement.

12. Protection of employees

The Client agrees that (except for fraud or a criminal offence) no employee of the Jones Lang LaSalle group of companies has any personal liability to the Client, and that neither the Client nor anyone representing the Client will make a claim or bring proceedings against an employee personally.

13. Complaints resolution procedure

The Client agrees that it will not take any action or commence any proceedings against Jones Lang LaSalle before it has first referred its complaint to Jones Lang LaSalle in accordance with Jones Lang LaSalle’s complaints procedure, details of which are available upon request from the Compliance Officer, Jones Lang LaSalle Sp. z o.o., ul. Saski Crescent, ul. Królewka 16, 00-103 Warsaw.

14. Conflict of interest

If Jones Lang LaSalle becomes aware of a conflict of interest it is to advise the Client promptly and recommend an appropriate course of action.

15. Confidential information

Jones Lang LaSalle must keep confidential all information of commercial value to the Client of which it becomes aware solely as a result of providing services, but it may:

(a) use it to the extent reasonably required in providing services,
(b) disclose it if the Client agrees,
(c) disclose it if required to do so by law, regulation or other competent authority.

Jones Lang LaSalle will comply with personal data protection regulation.
16. Publicity

Neither Jones Lang LaSalle nor its Client may publicize or issue any specific information to the media about services or its subject matter without the consent of the other.

17. Intellectual property

Copyrights, patents, trademarks, design and other intellectual property rights in any material supplied by the Client, or in any material prepared by Jones Lang LaSalle exclusively for the Client, belong to the Client.

Such rights in any other material prepared by Jones Lang LaSalle in providing services belong to Jones Lang LaSalle, but the Client has a non-exclusive right to use it for the purposes for which it was prepared.

18. Remuneration

Where the fees and expenses payable for services are not specified in writing, Jones Lang LaSalle is entitled to:

(a) the fee specified by the relevant Regional Association of Real Property Intermediaries or other applicable professional body or, if none is specified, to a fair and reasonable fee by reference to time spent, and

(b) reimbursement of expenses properly incurred on the Client’s behalf.

Where services are not performed in full, Jones Lang LaSalle is entitled to a reasonable fee proportionate to services provided as estimated by Jones Lang LaSalle.

The Client must pay VAT at the rate then current on the date of issuance of a VAT invoice.

If an invoice is not paid in full within 30 (thirty) days from the date of issuance, Jones Lang LaSalle may charge interest on the balance due at a daily rate of 2% above the base rate of PKO BP S.A. for real estate loans.

19. Assignment

The Client may assign rights and obligations arising from the agreement, but must first get the written consent of Jones Lang LaSalle, which will not be unreasonably withheld.

20. Termination

The Client or Jones Lang LaSalle may terminate the agreement immediately by written notice to the other, if the other has not satisfactorily rectified a substantial or persistent breach of the agreement within the reasonable period specified in an earlier notice to rectify it.

Termination of the agreement does not affect any claims that arise before termination or the entitlement of Jones Lang LaSalle to its proper fees or to be reimbursed its expenses up to the date of termination.

On termination Jones Lang LaSalle must return to the Client or, if the Client so wishes, destroy all Client information that is to be kept confidential, but Jones Lang LaSalle may keep (and must continue to keep confidential) one copy of that information to comply with legal, regulatory or professional requirements.

21. Notices

A notice is valid if in writing addressed to the last known address of the addressee and is to be treated as served:

(a) when delivered, if delivered by hand during normal business hours (where business hours next commence – if delivered after),

(b) when actually received, if posted by recorded delivery,

(c) when actually received, if sent by ordinary mail, fax or electronic mail.

22. Governing Law

These General Terms and Conditions of Business and the terms of the instruction shall be governed and construed in accordance with the laws of Hungary. All disputes shall be finally settled by the court of arbitration of the Hungarian Chamber of Commerce in Budapest in accordance with the rules set forth for this court.
Appendix 3

Definition of Market Value
The Basis of Valuation

Our valuation is carried out on the basis of the property’s Market Value. This is defined in the RICS Red Book as:

‘The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion’

Interpretive Commentary, as published in International Valuation Standard 1 of the RICS Red Book:

3.2 The term property is used because the focus of these Standards is the valuation of property. Because these standards encompass financial reporting, the term asset may be substituted for general application of the definition. Each element of the definition has its own conceptual framework.

3.2.1. ‘The estimated amount…’

Refers to a price expressed in terms of money (normally in the local currency) payable for the asset in an arm’s-length market transaction. Market Value is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.

3.2.2. ‘…a property should exchange…’

Refers to the fact that the value of an asset is an estimated amount rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the Market Value definition should be completed on the date of valuation.

3.2.3. ‘…on the date of valuation…’

Requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

3.2.4. ‘…between a willing buyer…’

Refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than on an imaginary or hypothetical market, which cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present asset owner is included among those who constitute ‘the market’. A valuer must not make unrealistic assumptions about market conditions or assume a level of Market Value above that which is reasonably obtainable.

3.2.5. ‘…a willing seller…’

Is neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual asset owner are not a part of this consideration because the ‘willing seller’ is a hypothetical owner.

3.2.6. ‘…in an arm’s-length transaction…’

Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant), which may make the price level uncharacteristic of the market of inflated because of an element of Special Value. The Market Value transaction is presumed to be between unrelated parties each acting independently.

3.2.7. ‘…after proper marketing…’

Means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with
market conditions, but must be sufficient to allow the asset to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.

3.2.8. ‘…wherein the parties had each acted knowledgeably and prudently…’

Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price, which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

3.2.9. ‘…and without compulsion…’

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

3.3 Market Value is understood as the value of the asset estimated without regard to costs of sale or purchase, and without offset for any associated taxes.
Appendix 4
Location Map
Appendix 5
Site Map
<table>
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<tr>
<th>Nem hiteles tulajdoni láp</th>
<th>Nem hiteles tulajdoni láp</th>
<th>Nem hiteles tulajdoni láp</th>
</tr>
</thead>
</table>

Bizonjuk erővel nem rendelkezik
Front Façade of the building from Szugló u.

Entrance area
Rear section of the building

Central corridor – office area
Appendix 8
Calculations
### Szugló Office Building, Budapest, Hungary

**Exchange Rates at 31st December 2011**

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<tr>
<th>Currency Conversion</th>
<th>Rate</th>
</tr>
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<td>1 HUF = 0,00321 EUR</td>
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</tr>
<tr>
<td>1 EUR = 1,34850 USD</td>
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<tr>
<td>1 HUF = 0,00415 USD</td>
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<tr>
<td>1 USD = 0,74156 EUR</td>
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**Indexation Rates**

- EUR-CPI: 3,03%
- US-CPI: 3,53%
- Fixed: 0,00%
- HUF-CPI: 3,85%
- EMRV: 2,00%

**Valuation Details**

- **Valuation date**: 31/12/2011
- **Market Value in EURO**: € 4,300,000
- **Market Value in USD**: US$ 5,800,000
- **Initial Yield**: 6,70%
- **Exit Yield**: 8,75%
- **Discount Rate**: 9,75%
- **Yield on EMRV**: 9,81%
- **Cash flow calculation**: 10 year(s)
- **Vacant duration**: 6 months
- **Annual EMRV**: € 432,882
- **Total Lettable Area**: 5,863,67 m²
- **Vacant Area**: 4,325,000
- **Vacancy**: 73,76%
- **Value per sq m**: € 733
- **Value per sq m**: US$ 989

**Gross rental income per annum**: € 288,788
**Valuation currency**: EURO
**Cash Flow calculated**: monthly

**Net rental income per annum**: € 285,900
**Discount Rate**: 9,75%
**Exit Yield**: 8,75%
**Initial Yield**: 6,70%
**Yield on EMRV**: 9,81%
**Vacant duration**: 6 months
**Annual EMRV**: € 432,882
**Cash flow calculation**: 10 year(s)
**Value per sq m**: € 733

**Cash Flow calculated**:
- **Value per sq m**: US$ 989
- **Vacant duration**: 6 months
- **Annual EMRV**: € 432,882
- **Cash Flow calculated**: 10 year(s)
- **Total Lettable Area**: 5,863,67 m²
- **Vacant Area**: 4,325,000
- **Vacancy**: 73,76%

**Local Currency**: HUF
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<th>No.</th>
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<th>Category</th>
<th>Tenants</th>
<th>Term (Years)</th>
<th>Area</th>
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Discount rate 9,75%
Monthly discount 0,78%

Year

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Year

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Year

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<td>Monthly CAPEX + Fit-out + Letting (discounted)</td>
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Market Value 4,000,000
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<td>3.00%</td>
<td>2 888</td>
<td>12 957</td>
<td>12 898</td>
<td>8 980</td>
<td>12 636</td>
<td>13 021</td>
<td>13 465</td>
<td>13 836</td>
<td>14 113</td>
<td>14 395</td>
</tr>
</tbody>
</table>

| NET OPERATING INCOME | 285 900 | 418 935 | 417 042 | 289 719 | 406 559 | 421 006 | 435 370 | 447 362 | 456 309 | 465 436 |

| RUNNING YIELD (Before CAPEX) | 6.11% | 8.99% | 8.91% | 6.19% | 8.72% | 8.90% | 9.30% | 9.59% | 9.74% | 9.94% |

| RUNNING YIELD (After CAPEX) | 6.70% | 9.82% | 9.77% | 6.79% | 9.57% | 9.67% | 10.20% | 10.49% | 10.69% | 10.91% |

| DISCOUNT RATE | 9.75% |

| NPV NET INCOME PAID IN ADVANCE | B各个 | 210 917 | 366 088 | 331 767 | 212 888 | 295 857 | 253 540 | 238 730 | 223 183 | 207 635 | 192 177 |

| EXIT YIELD | 8.79% | 9.81% | 9.48% |

<p>| MARKET VALUE (after capex) | 4 300 000 | 6 733 / per sqm |</p>
<table>
<thead>
<tr>
<th>Properties</th>
<th>Tenant</th>
<th>Period</th>
<th>Office (m²)</th>
<th>Parking</th>
<th>Rent /month</th>
<th>Service</th>
<th>Services /m²</th>
<th>Caution</th>
<th>Contract Date</th>
<th>Floor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zugló</td>
<td>Infopatika Kft.</td>
<td>2010.06.30 - 2013.06.30</td>
<td>183.02</td>
<td>0</td>
<td>1 260 €</td>
<td>688 €</td>
<td>4,00 €</td>
<td>4 044,83 €</td>
<td>2010.04.21</td>
<td>1</td>
</tr>
<tr>
<td>Zugló</td>
<td>NETinfobank Kft.</td>
<td>2010.10.01 - 2013.09.30</td>
<td>97.92</td>
<td>0</td>
<td>723 €</td>
<td>392 €</td>
<td>4,00 €</td>
<td>2 526,00 €</td>
<td>2010.09.16</td>
<td>1</td>
</tr>
<tr>
<td>Zugló</td>
<td>Poli-Computer</td>
<td>2011.03.01 - 2016.03.01</td>
<td>239.65</td>
<td>5</td>
<td>1 513 €</td>
<td>890 €</td>
<td>3,70 €</td>
<td>6 009,00 €</td>
<td>2011.02.23</td>
<td>2</td>
</tr>
<tr>
<td>Zugló</td>
<td>IMG Solution Kft.</td>
<td>2011.09.26 - 2012.03.31</td>
<td>46.03</td>
<td>0</td>
<td>285 €</td>
<td>184 €</td>
<td>4,00 €</td>
<td>1 760,00 €</td>
<td>2011.09.22</td>
<td>4</td>
</tr>
<tr>
<td>Zugló</td>
<td>Winform</td>
<td>2010.09.20 - 2017.09.20</td>
<td>195.21</td>
<td>3</td>
<td>1 125 €</td>
<td>761 €</td>
<td>3,90 €</td>
<td>7 075,00 €</td>
<td>2010.09.09</td>
<td>4</td>
</tr>
<tr>
<td>Zugló</td>
<td>Maxaldo Kft.</td>
<td>2011.08.23 - 2014.09.01</td>
<td>140.15</td>
<td>2</td>
<td>1 214 €</td>
<td>533 €</td>
<td>3,80 €</td>
<td>5 729,00 €</td>
<td>2010.08.03</td>
<td>7</td>
</tr>
<tr>
<td>Zugló</td>
<td>TransOcean Shipping Ltd</td>
<td>2012.03.01 - 2014.02.28</td>
<td>63.33</td>
<td>0</td>
<td>506 €</td>
<td>153 €</td>
<td>2,50 €</td>
<td>1 718,00 €</td>
<td>7 negotiation</td>
<td></td>
</tr>
<tr>
<td>Zugló</td>
<td>Használtaútó Kft.</td>
<td>2011.05.01 - 2014.04.30</td>
<td>285.27</td>
<td>3</td>
<td>1 712 €</td>
<td>1 141 €</td>
<td>4,00 €</td>
<td>7 132,00 €</td>
<td>2011.03.11</td>
<td>8</td>
</tr>
<tr>
<td>Zugló</td>
<td>Amarone Kft.</td>
<td>2010.10.01 - 2015.09.30</td>
<td>285.09</td>
<td>1</td>
<td>2 032 €</td>
<td>1 020 €</td>
<td>3,40 €</td>
<td>8 000,00 €</td>
<td>2010.08.13</td>
<td>9</td>
</tr>
<tr>
<td>Zugló</td>
<td>Invitel Zrt.</td>
<td>indefinite</td>
<td>0</td>
<td>0</td>
<td>965 €</td>
<td>0 €</td>
<td>0</td>
<td>0 0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Zugló</td>
<td>Pannon GSM</td>
<td>indefinite</td>
<td>0</td>
<td>0</td>
<td>517 €</td>
<td>0 €</td>
<td>0</td>
<td>0 0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Zugló</td>
<td>Paiss Vilmos</td>
<td>2010.11.19</td>
<td>0</td>
<td>1</td>
<td>38 €</td>
<td>0 €</td>
<td>0,00 €</td>
<td>15 625,00 €</td>
<td>2010.11.19</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EURÓ</th>
<th>EURÓ</th>
<th>EURÓ</th>
<th>EURÓ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1254,73</td>
<td>1890 €</td>
<td>5761 €</td>
<td>37 423,00 €</td>
</tr>
<tr>
<td>25,0%</td>
<td>17 651 €</td>
<td>Gross</td>
<td></td>
</tr>
</tbody>
</table>
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Valuation Report on Office Building
Alkotmány u.3. H-1054 Budapest, Hungary

Prepared for
Central European Estates N. V.
December 2011
Dear Sir,

**REPORT AND VALUATION ON OFFICE BUILDING, ALKOTMÁNY U.3. H-1054 BUDAPEST, HUNGARY**

We have pleasure in reporting to you in accordance with the agreement dated January 10 2012 regarding the above property. We understand that the valuation is required for financial reporting purposes and that these financial statements are being prepared in accordance with International Financial Reporting Standards (IFRS).

We have inspected the property on 30th January 2012 in respect of valuation. We have assumed unchanged circumstances in terms of immediate neighbourhood and physical characteristics of the property if only CEE has provided opposing information that we have reflected in this report. We have carried out all the necessary enquiries with regard to rental values, investment yields, planning issues and investment considerations.

We have not been instructed to carry out a building survey or environmental risk assessment. We have been provided with floor areas, tenure and tenancy details by CEE and assumed they are complete and accurate.

We confirm that Jones Lang LaSalle provides the valuation services in the capacity as External Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards.

We are confident of the manner in which we are managing the potential conflict and that the best interests of the Client will continue to be carefully maintained. Additionally, we are not aware of any other potential conflict of interest that could prevent us from valuing this property on your behalf.

**Basis of Valuation**

Our Valuation has been prepared in accordance with the RICS Valuation Standards – Global (7th Edition). The basis of valuation is the Market Value of the property, as at the date of valuation, defined by the RICS as:

‘The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’
The full interpretive commentary on this definition is attached at Appendix 2.

The report is subject to, and should be read in conjunction with our General Principles Adopted in the Preparation of Valuations and Reports, which are attached in the Appendix 1.

Having regard to the foregoing, we are of the opinion that the Market Value of Office Building located at ALKOTMÁNY U.3. H-1054 BUDAPEST, as at 31st December 2011, was:

**MARKET VALUE**

€ 6,200,000

*(Six Million Two Hundred Thousand Euros)*

Market Value of the subject property as of 31st December 2011 was HUF 1,930,000,000 (One Billion Nine Hundred and Thirty Million Forints)

No allowance has been made for any expenses of realization or for taxation, which might arise in the event of a disposal. The property is considered as if free and clear of all mortgages or other charges, which may be secured thereon.

We have not made any deductions for purchaser’s or vendor’s legal or agents’ fees, associated within a purchase or sale, nor have we taken account of any capital gains or other taxes that either party might have to pay as a result of such a transaction.

Transaction costs generally comprise the following:

(a) Transfer tax (4% for commercial property up to value of approx. € 3.7 mil., 2% for properties with value above € 3.7 mil., with cap of € 750,000 (value of € 37 mil.) (paid by buyer), applicable in case of both asset and share deal, share deal defined as purchase of more than 75% of shares of Property SPV (more than 75% of the SPV value derived from real estate);

(b) Court registration fees: vary according to transaction price;

(c) Notarial fees vary according to transaction price;

(d) VAT at 25% on buildings and land; (as of 1st of January 2012 it is increased to 27%)

(e) Agent’s fees at 1-2% of purchase price plus VAT.

Finally, and in accordance with our normal practice we confirm that this report is confidential to the party to whom it is addressed and the party’s business partners for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it is to appear.
Executive Summary

Property Address
Alkotmány u.3. H-1054 Budapest

Basis of Valuation
Our Valuation has been prepared in accordance with the ‘RICS Valuation Standards – Global’ 7th Edition of the Royal Institution of Chartered Surveyors on the basis of Market Value defined in Appendix 2 of this report.

The valuations presented in this Report are subject to special assumptions outlined in section ‘Specific Valuation Assumptions’ below.

The Report is subject to, and should be read in conjunction with, the attached General Principles Adopted in the Preparation of Valuations and Reports, which are attached in Appendices.

Date of Valuation
31st December 2011

Tenure
We have been supplied with a copy of the extract from Cadastral Land Register of Title N°24889, cadastral district of no.2., dated 24th January 2012, confirming the interest of Y.O. Global Kft. over the subject property. These documents identify the site as a single plot of 768 sq m.

Category for Financial Reporting
IFRS

Location
The subject office building is located in Pest in the Vth. District, called Lipótváros. The District is the heart of the capital, traditionally a mixed institutional and residential area, on 2.59 km², with a population of 27,000 people. The subject property is next to Kossuth tér, by Alkotmány u., which connects Kossuth tér with Bajcsy-Zs. út. In the close vicinity of the property, there are significant historic buildings of different architectural styles: neo-gothic, eclectic, classical etc. around Kossuth square: Parliament, Industry art Museum, Ministry of Agriculture, which are listed buildings by the World Heritage. The Danube river and Szabadság tér is also within a walking distance. Within this area of Lipótváros there are many ministries, banks,
insurance companies. In the Alkotmány u. there are also many institutions, preliminary courts. Next to the subject building, there is the robust building of a College of Tourism. The subject property is in a well-established and high-prestige residential and institutional area. The buildings have 4-7 floors on average, and situated side-by-side in dense provision. The vicinity of the subject property belongs to national monument area.

Site

As confirmed by the land register the site extends to a total of 768 m². It is level, regular in shape and bordered by buildings. It is surrounded by streets of Alkotmány and Kozma F. u. from north and west. The building is bordered by other buildings with five floors and of similar style and origin from east and south. The subject property is in a block surrounded by: Alkotmány, Kozma F., Kálmán Imre u. and Honvéd u. The site is fully built-in. The property is opposite the building of Ministry of Agriculture. Access and egress is via Alkotmány and Kálmán Imre u.

Services

We understand that all mains services are available to the property including electricity, municipality heating, gas, telephone/internet lines, water and mains drainage.

Zoning

We understand the area is regulated by the 2004/29. Zoning Restriction the Local Municipality. Accordingly the land is situated in city zone with the following regulation parameters:

<table>
<thead>
<tr>
<th>Sign of Zoning</th>
<th>Smallest Allowed Size (sq m)</th>
<th>Maximum Allowed Size (sq m)</th>
<th>Built in Ratio (%)</th>
<th>Floor Area Ratio (%)</th>
<th>Green Surface Ratio (%)</th>
<th>Height of the Building (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VK-V</td>
<td>-</td>
<td>-</td>
<td>80</td>
<td>-</td>
<td>-</td>
<td>25</td>
</tr>
</tbody>
</table>

Explanations, notes:
Source: 2004/29. Zoning Restriction of Local Municipality

Description

The building was built at the turn of the XXth century. It was totally refurbished in 1993, and partially in 2004. It consists of the following:

The building consists of a 6 levels : cellar, ground floor, 3 levels and an attic level. The building has an underground level of 542 m² for a big-sized meeting-room of 81.2 m² for 30 persons and machinery. The footprint of the building is 575 m². The building has 3,150 m² useful area and 309 m² staircase area. The average ceiling height is 3.8 m on the ground floor and 3.3 m on other floors. The building has a central inner yard, which is covered by steel-structured glass roof. The building has a massive structure of thick brick walls (there is bauxite-concrete in some places). The street façade is nicely decorated with ornaments of mixed style. The pitched roof is covered by tiles. The double windows and doors are of wooden structures, in the attic level, there are skylights. The partitioning is plaster board, the vertical traffic is provided by a nicely designed staircases and 2 elevators. The office areas are arranged around the central yard. The
toilets and kitchenettes are situated at the ends of each floor. The common areas, the water blocks are covered by GRES, the office areas are covered by parquettes. The inner walls are painted and covered by wallpaper. Smoke-detectors are provided. The property has 6 car-parkings situated in the basement of the connected building, with entrance from Kálmán I. u. There is a CCTV video recording system installed. The main entrance is from Alkotmány u., there is a staircase equipment for disabled person access as well.

The natural light is acceptable throughout the whole building.

Accommodation

We have been supplied with the following areas and assumed that these have been prepared accurately:

Table 1: Accommodation

<table>
<thead>
<tr>
<th>Building</th>
<th>Accommodation</th>
<th>Gross Rentable Area (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alkotmány Office Building</td>
<td>Office</td>
<td>3,150</td>
</tr>
<tr>
<td></td>
<td>Staircase</td>
<td>309</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3,459</strong></td>
</tr>
</tbody>
</table>

Source: CEE

Environmental matters

We are not aware of the content of any environmental audit or other environmental investigation or report which may have been carried out on the property, and which may draw attention to the existence or possibility of any contamination.

The property has been assessed on the basis of no actual or potential contamination.

Local market commentary

The Central Business District (CBD) includes the Vth district of Budapest and Andrássy út from Deák tér to Oktogon, both traditional office territories. The CBD office stock includes many classical buildings, which have been refurbished over the past 5-10 years. The lack of vacant land parcels and the heritage protection status of the majority of the building limit the development possibilities. The prime office market has remained a relatively small and tightly constrained market. This has predominantly been caused by the difficulties of being able to carry out larger scale developments within the CBD area. Bank Center and Roosevelt 7/8 are larger prime category buildings which have been popular among clients in the past although they were priced with a premium. Law firms so as financial and energy companies preferred the prestigious submarket even though on top of the high rents, lack of available parking spaces is also problematic often. The lack of suitable sites within the CBD that can accommodate suitable developments has resulted in a number of much smaller developments such as Deak Palota, Palazzo Dorottya or First Site Offices or CDO (Calasanz Downtown Offices).

The total office stock of this submarket is 356,460 sq m out of which 75,730 sq m is owner occupied. Due to the difficulties of new developments the stock of this submarket didn’t grow as rapidly as in other submarkets. The vacancy rate of the submarket stood at 18.9% in Q3 2011. The rate showed steady but slow increase between 2009 and 2010 as several new
developments were handed over. As the office buildings in CBD are priced on a higher level than in other parts of the city vacated spaces needs longer time to be absorbed. Although this availability is still lower than the city average of 20.7% it is important to note that there is a significant amount of owner occupied space in the CBD. Taking into account only the speculative office stock the vacancy rate stands at 24.2% in the submarket which is just slightly below the city average of 24.9%

Prime office rent is achievable only in this submarket in a handful of buildings standing at EUR 20/ sq m/month. Average asking rent is between EUR 14-16/sq m/month in the submarket but there is a wide gap between asking rents depending on buildings. In the newly completed luxurious, prime offices such as Szabadság tér 14. asking rent stands between EUR 18-20/sq m/month but in older buildings it starts from EUR 14/sqm/month.

General Valuation Assumptions

Our valuation was prepared in accordance with the information obtained from the Client and specifically on the basis of the following assumptions:

a) The subject property has clear and fully marketable title without any historical claims;

b) That all necessary planning, building and other consents have been obtained;

c) We have relied upon the information mentioned in Section: ‘Source of Information’;

d) There are no Rights of Way, easements, and outgoings of an onerous nature or restrictions on use affecting the property, which may have a material effect on the value;

e) The site is not subject to any form of environmental contamination;

f) The property complies with any fire and life security codes, environmental codes and any other regulatory requirements that may exist.

g) The Market Value of the Property estimated by the Valuer is time-specific and is valid as of the Date of Valuation. The Valuer shall not be liable for any change in economic, legal or other factors which may arise after that date and affect the Market Value of the Property;

h) Forecasts and projections contained in the valuation must be read strictly in conjunction with the explanations, qualifications and assumptions set out in the text. Such forecasts and projections involve a significant element of subjective judgement and are designed to assist buyers in considering possible outcomes. They are not intended to give any assurance that any particular result or outcome will occur. The assumptions on which forecasts and projections are based are considered reasonable at the time of issue of the valuation, but no assurance is given that they are correct or exhaustive or that they will continue to be so in the future.
Tenancy

The building is totally occupied by a single tenant, which uses the whole building for its own purposes. The tenants is a Government organisation who rents the entire building for indefinite period. The rental contract was signed in May 2006. The current monthly rent is €52,083, which is €16.5/sq m/month. The per annum current rent is €625,000.

Specific Valuation
Assumptions

a) Our calculations start from 1st January 2012;
b) We have adopted voids of 6 months;
c) We assumed that the present single tenant –Government Treasury - will stay in the property for additional 5 years.
d) We have adopted the following rent based on contract presented below:

<table>
<thead>
<tr>
<th>Area Type</th>
<th>Actual rent (€ / sq m/ mnth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office &lt; 1,000</td>
<td>16.53</td>
</tr>
</tbody>
</table>

Source: Jones Lang Lasalle;
e) We have also adopted allowance in respect of other non-recoverable operating expenses at 1.00% of total income throughout our calculations;
f) ERV we applied: €12.5
g) We have assumed annual capex – € 63,000 in the first year of the calculation;
h) Based on the property’s location, projected achievable rental income stream and expected position in the market we have applied a discount rate of 9.00% and exit yield of 8.50%;
i) As a result the initial yield has been adopted at the level of 9.39% before Capex deduction and 9.55 after Capex deduction.

Based on the above mentioned assumptions we are of the opinion that Market Value of the Office Building at Alkotmány u. 3 H-1054 Budapest was € 6,200,000 as at 31st December 2011. Six Million Two Hundred Thousand Euros (In words)
Appendix 1

General Principles Adopted in the Preparation of Report and Valuations
General Principles Adopted In The Preparation Of Valuations And Reports

These General Principles should be read in conjunction with the firm’s General Terms and Conditions of Business.

It is our objective to discuss and agree the terms of our instructions and the purpose and basis of the valuation, at the outset, to ensure that we fully understand and meet our client’s requirements. Following are the general principles upon which our Valuations and Reports are normally prepared; they apply unless we have agreed otherwise and specifically mentioned the variation in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries.

1. Valuation Standards:
All work is carried out in accordance with:

(a) The Practice Statements contained in the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors (Sixth Edition), by valuers who conform to the requirements thereof;
(b) The Approved European Property Valuation Standards of the European Group of Valuers Associations (TEGoVA).

The standard adopted is set out in our report.

2. Valuation Basis:
Our reports state the purpose of the valuation and unless otherwise noted, the basis of valuation is as defined in the appropriate valuation standard. The full definition of the basis which we have adopted is either set out in our report or appended to these General Principles.

3. Source of Information:
We accept as being complete and correct the information provided to us by the sources listed, as details of tenant, tenancies, tenant's improvements, planning consents and other relevant matters, as summarised in our report.

4. Disposal Costs and Liabilities:
No allowances are made for any expenses of realisation, or for taxation which might arise in the event of disposal. All property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

5. Documentation:
We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

6. Tenants:
Although we reflect our general understanding of a tenant’s status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. Measurements:
We do not normally measure premises unless specifically requested and base our valuation on the information made available to us. Where measurement is undertaken this is carried out in accordance with either the relevant local codes or the Code of Measuring Practices issued by the Royal Institution of Chartered Surveyors except in the case of agricultural properties or where we specifically state that we have relied on another source.

8. Town Planning and Other Statutory Regulations:
Information on town planning is, wherever possible, obtained verbally from the local planning authority and, if confirmation is required, we recommend that verification be obtained from lawyers that:-

(a) the position is correctly stated in our report;
(b) the property is not adversely affected by any other discussions made or conditions prescribed by public authorities;
(c) that there are no outstanding statutory notices.
Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including enactments relating to fire regulations.

9. Structural Surveys:
Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair which we note during our inspection or costs of repair which are brought to our attention.

10. Deleterious Materials:
We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, wood wool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

11. Site Conditions:
We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these matters.

12. Environmental Conditions:
Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

13. Value Added Tax
Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

14. Outstanding Debts:
In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

15. Confidentiality:
Our Valuations and Reports are confidential to the party to whom they are addressed for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.
Appendix 2

General Terms and Conditions of Business
General Terms And Conditions Of Business

1. Introduction

These General Terms and Conditions of Business shall apply to all dealings between Jones Lang LaSalle and the Client and, for the avoidance of doubt, shall be treated as applying separately to each instruction given by the Client to Jones Lang LaSalle.

These General Terms and Conditions of Business apply where Jones Lang LaSalle provides services to a Client and there is no written agreement for the provision of these services or, if there is, to the extent that these General Terms and Conditions of Business do not conflict with the terms of that written agreement. Reference in these General Terms and Conditions to the agreement means the written or informal agreement that is subject to these General Terms and Conditions of Business.

2. Jones Lang LaSalle

Jones Lang LaSalle means Jones Lang LaSalle Kft., with its seat at Alkotas ut. 50, 1123 Budapest or the other member of the Jones Lang LaSalle group of companies that provides services or the relevant part of services.

3. Services

Jones Lang LaSalle is to provide all services to the specification and performance level stated in writing or, if none is stated, to the specification and performance level that it ordinarily provides. Jones Lang LaSalle has no responsibility for anything that is beyond the scope of the services so defined.

Jones Lang LaSalle performs all services through properly licensed agents.

4. Time

Jones Lang LaSalle is to use reasonable endeavors to comply with the Client’s timetable, but is not responsible for non-compliance unless the consequences of non-compliance have been agreed in writing. Even then, Jones Lang LaSalle is not liable for delay that is beyond its control.

5. E-mail and on-line services

The Client agrees that Jones Lang LaSalle may where appropriate use the available electronic communication and systems in providing services, making available to the Client any software required that is not generally available.

6. Duty of care to the Client

Jones Lang LaSalle owes to the Client a duty to act with reasonable skill and care in providing services, complying with the Client’s instructions where those instructions do not conflict with (a) these General Terms and Conditions of Business, (b) the agreement or (c) applicable law and professional rules, including the code of ethics.

Jones Lang LaSalle has no liability for the consequences of any failure by the Client or any agent of the Client promptly to provide information or other material that Jones Lang LaSalle reasonably requires, or where that information or material is inaccurate or incomplete.

7. Duty of care to third parties

Jones Lang LaSalle owes a duty of care to no one but its Client. No third party has any rights unless there is specific written agreement to the contrary.

8. Liability for third parties

Jones Lang LaSalle has no liability for products or services that it reasonably needs to obtain from others in order to provide services.

(a) Jones Lang LaSalle may delegate to a third party the provision of any part of services, but if it does so:

(b) without the Client’s approval, Jones Lang LaSalle is responsible for what that third party does;

(c) with the Client’s approval or at the Client’s request, Jones Lang LaSalle is not responsible for what that third party does.
9. Liability to the Client

The liability of Jones Lang LaSalle to the Client for its own negligence causing death or personal injury is unlimited, but otherwise its liability is:

(a) limited to 2 (two) times the fixed fees amount agreed with Jones Lang LaSalle per occurrence or series of occurrences arising from one event,
(b) excluded to the extent that the Client is responsible, or someone on the Client’s behalf for whom Jones Lang LaSalle is not responsible under these General Terms and Conditions of Business,
(c) limited to direct and reasonably foreseeable loss or damage with no liability for indirect or consequential loss,
(d) (where Jones Lang LaSalle is but one of the parties liable) limited to the share of loss reasonably attributable to Jones Lang LaSalle on the assumption that all other parties pay the share of loss attributable to them (whether or not they do),
(e) not (so far as permitted by law) increased by any implied condition or warranty,
(f) in any case limited to a maximum of € 1,000,000 (one million euro) in aggregate per annum.

Jones Lang LaSalle shall not be liable for any hidden defects in the real property sold, bought or leased, unless Jones Lang LaSalle was aware of these defect and did not inform the client hereof.

10. Insurance

Jones Lang LaSalle agrees to purchase and maintain appropriate insurance policies, in particular professional indemnity insurance, for an amount of not less than € 1 million per occurrence or series of occurrences arising from one event.

11. Indemnity from the Client

The Client agrees to indemnify Jones Lang LaSalle against all liability (including without limitation all actions, claims, proceedings, loss, damages, costs and expenses) that relates in any way to the provision of services, except a liability that a court of competent jurisdiction decides (or Jones Lang LaSalle agrees) was caused by the fraud, willful default or negligence of Jones Lang LaSalle or of a delegate for whom Jones Lang LaSalle is responsible under the agreement.

12. Protection of employees

The Client agrees that (except for fraud or a criminal offence) no employee of the Jones Lang LaSalle group of companies has any personal liability to the Client, and that neither the Client nor anyone representing the Client will make a claim or bring proceedings against an employee personally.

13. Complaints resolution procedure

The Client agrees that it will not take any action or commence any proceedings against Jones Lang LaSalle before it has first referred its complaint to Jones Lang LaSalle in accordance with Jones Lang LaSalle’s complaints procedure, details of which are available upon request from the Compliance Officer, Jones Lang LaSalle Sp. z o.o., ul. Saska Crescent, ul. Królewska 16, 00-103 Warsaw.

14. Conflict of interest

If Jones Lang LaSalle becomes aware of a conflict of interest it is to advise the Client promptly and recommend an appropriate course of action.

15. Confidential information

Jones Lang LaSalle must keep confidential all information of commercial value to the Client of which it becomes aware solely as a result of providing services, but it may:

(a) use it to the extent reasonably required in providing services,
(b) disclose it if the Client agrees,
(c) disclose it if required to do so by law, regulation or other competent authority.

Jones Lang LaSalle will comply with personal data protection regulation.

16. Publicity
Neither Jones Lang LaSalle nor its Client may publicize or issue any specific information to the media about services or its subject matter without the consent of the other.

17. Intellectual property

Copyrights, patents, trademarks, design and other intellectual property rights in any material supplied by the Client, or in any material prepared by Jones Lang LaSalle exclusively for the Client, belong to the Client.

Such rights in any other material prepared by Jones Lang LaSalle in providing services belong to Jones Lang LaSalle, but the Client has a non-exclusive right to use it for the purposes for which it was prepared.

18. Remuneration

Where the fees and expenses payable for services are not specified in writing, Jones Lang LaSalle is entitled to:

(a) the fee specified by the relevant Regional Association of Real Property Intermediaries or other applicable professional body or, if none is specified, to a fair and reasonable fee by reference to time spent, and

(b) reimbursement of expenses properly incurred on the Client’s behalf.

Where services are not performed in full, Jones Lang LaSalle is entitled to a reasonable fee proportionate to services provided as estimated by Jones Lang LaSalle.

The Client must pay VAT at the rate then current on the date of issuance of a VAT invoice.

If an invoice is not paid in full within 30 (thirty) days from the date of issuance, Jones Lang LaSalle may charge interest on the balance due at a daily rate of 2% above the base rate of PKO BP S.A. for real estate loans.

19. Assignment

The Client may assign rights and obligations arising from the agreement, but must first get the written consent of Jones Lang LaSalle, which will not be unreasonably withheld.

20. Termination

The Client or Jones Lang LaSalle may terminate the agreement immediately by written notice to the other, if the other has not satisfactorily rectified a substantial or persistent breach of the agreement within the reasonable period specified in an earlier notice to rectify it.

Termination of the agreement does not affect any claims that arise before termination or the entitlement of Jones Lang LaSalle to its proper fees or to be reimbursed its expenses up to the date of termination.

On termination Jones Lang LaSalle must return to the Client or, if the Client so wishes, destroy all Client information that is to be kept confidential, but Jones Lang LaSalle may keep (and must continue to keep confidential) one copy of that information to comply with legal, regulatory or professional requirements.

21. Notices

A notice is valid if in writing addressed to the last known address of the addressee and is to be treated as served:

(a) when delivered, if delivered by hand during normal business hours (where business hours next commence – if delivered after),

(b) when actually received, if posted by recorded delivery,

(c) when actually received, if sent by ordinary mail, fax or electronic mail.

22. Governing Law

These General Terms and Conditions of Business and the terms of the instruction shall be governed and construed in accordance with the laws of Hungary. All disputes shall be finally settled by the court of arbitration of the Hungarian Chamber of Commerce in Budapest in accordance with the rules set forth for this court.
Appendix 3

DEFINITION OF MARKET VALUE
The Basis of Valuation

Our valuation is carried out on the basis of the property's Market Value. This is defined in the RICS Red Book as:

’The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion’

Interpretive Commentary, as published in International Valuation Standard 1 of the RICS Red Book:

3.2 The term property is used because the focus of these Standards is the valuation of property. Because these standards encompass financial reporting, the term asset may be substituted for general application of the definition. Each element of the definition has its own conceptual framework.

3.2.1. ‘The estimated amount…’

Refers to a price expressed in terms of money (normally in the local currency) payable for the asset in an arm’s-length market transaction. Market Value is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.

3.2.2. ‘…a property should exchange…’

Refers to the fact that the value of an asset is an estimated amount rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the Market Value definition should be completed on the date of valuation.

3.2.3. ‘…on the date of valuation…’

Requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

3.2.4. ‘…between a willing buyer…’

Refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than on an imaginary or hypothetical market, which cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present asset owner is included among those who constitute ‘the market’. A valuer must not make unrealistic assumptions about market conditions or assume a level of Market Value above that which is reasonably obtainable.

3.2.5. ‘…a willing seller…’

Is neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual asset owner are not a part of this consideration because the ‘willing seller’ is a hypothetical owner.

3.2.6. ‘…in an arms-length transaction…’

Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant), which may make the price level uncharacteristic of the market of inflated because of an element of Special Value. The Market Value transaction is presumed to be between unrelated parties each acting independently.

3.2.7. ‘…after proper marketing…’
Means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with market conditions, but must be sufficient to allow the asset to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.

3.2.8. ‘…wherein the parties had each acted knowledgeably and prudently…’

Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price, which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

3.2.9. ‘…and without compulsion…’

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

3.3 Market Value is understood as the value of the asset estimated without regard to costs of sale or purchase, and without offset for any associated taxes.
Appendix 5

SITE PLAN
### Cash Flow Input Assumptions

**Alkotmány Office Building, Budapest, Hungary**

**Exchange Rates at 31st December 2011**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUF to EUR</td>
<td>0.00321</td>
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<tr>
<td>EUR to USD</td>
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<tr>
<td>HUF to USD</td>
<td>0.00415</td>
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<tr>
<td>USD to EUR</td>
<td>0.74156</td>
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<table>
<thead>
<tr>
<th>Indexation</th>
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<tr>
<td>EUR-CPI</td>
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<tr>
<td>US-CPI</td>
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<tr>
<td>Fixed</td>
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<tr>
<td>HUF-CPI</td>
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<tr>
<td>EMRV</td>
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<table>
<thead>
<tr>
<th>Gross rental income per annum</th>
<th>Market Value in</th>
<th>Valuation date</th>
<th>CF start date</th>
<th>Exit Yield</th>
<th>Discount Rate</th>
<th>Initial Yield</th>
<th>Yield on EMRV</th>
<th>Market Value in</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ 643 766</td>
<td>€ 6 200 000</td>
<td>31/12/2011</td>
<td>2012.01.01</td>
<td>8.5%</td>
<td>9.00%</td>
<td>10.32%</td>
<td>7.41%</td>
<td>US$ 868 119</td>
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<table>
<thead>
<tr>
<th>Net rental income per annum</th>
<th>European USD</th>
<th>Exit Yield</th>
<th>Discount Rate</th>
<th>Initial Yield</th>
<th>Yield on EMRV</th>
<th>Value per sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ 637 329</td>
<td>€ 6 373 290</td>
<td>8.5%</td>
<td>9.00%</td>
<td>10.32%</td>
<td>7.41%</td>
<td>1 968</td>
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</table>

<table>
<thead>
<tr>
<th>Annual EMRV</th>
<th>Vacant duration</th>
<th>Cash flow calculation</th>
<th>Valuation Currency</th>
<th>Cash Flow calculated</th>
<th>Value per sq m</th>
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<tbody>
<tr>
<td>€ 472 500</td>
<td>6 months</td>
<td>10 year(s)</td>
<td>EUR</td>
<td>monthly</td>
<td>US$ 2 654</td>
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<table>
<thead>
<tr>
<th>Total Lettable Area</th>
<th>Vacant Area</th>
<th>Vacancy</th>
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<tbody>
<tr>
<td>3 150,000</td>
<td>0,00</td>
<td>0,00%</td>
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**Local Currency**: HUF
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<th>3</th>
<th>4</th>
<th>5</th>
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<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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<tbody>
<tr>
<td>Annual CAPEX (nominal)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Fit-out (nominal)</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Letting fee</td>
<td>10,00%</td>
<td></td>
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<td></td>
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<tr>
<th>Year</th>
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<th>2</th>
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<th>5</th>
<th>6</th>
<th>7</th>
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<tbody>
<tr>
<td>Annual Letting Fee (nominal)</td>
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<td>0</td>
<td>0</td>
<td>47,250</td>
<td>0</td>
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<td>Monthly CAPEX + Fit-out + Letting (nominal)</td>
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<td>0</td>
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<td>3,938</td>
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<table>
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<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
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</thead>
<tbody>
<tr>
<td>Monthly CAPEX + Fit-out + Letting (nominal)</td>
<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
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<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
<td>5,250</td>
</tr>
<tr>
<td>Monthly CAPEX + Fit-out + Letting (discounted)</td>
<td>5,250</td>
<td>5,212</td>
<td>5,175</td>
<td>5,138</td>
<td>5,101</td>
<td>5,065</td>
<td>5,029</td>
<td>4,993</td>
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<td>4,921</td>
<td>4,886</td>
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<tr>
<td>Annual CAPEX + Fit-out + Letting (discounted)</td>
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<td>0</td>
<td>32,187</td>
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Discount rate 9,00%

Monthly discount 0,72%

Market Value 6,200,000
<table>
<thead>
<tr>
<th>YEAR</th>
<th>1 year</th>
<th>2 year</th>
<th>3 year</th>
<th>4 year</th>
<th>5 year</th>
<th>6 year</th>
<th>7 year</th>
<th>8 year</th>
<th>9 year</th>
<th>10 year</th>
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<tbody>
<tr>
<td>TOTAL INCOME</td>
<td>643 766</td>
<td>683 273</td>
<td>683 370</td>
<td>704 076</td>
<td>726 408</td>
<td>236 250</td>
<td>477 225</td>
<td>486 770</td>
<td>486 505</td>
<td>506 435</td>
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</table>

**EXPENSES % on income**

- **Management fees**: 0,00%
- **Vacancy rate**: 2,00%
- **Unpaid rent**: 0,00%
- **Other non-recoverable costs**: 1,00%
- **Marketing**: 0,00%
- **Property tax**: 0,00%

**TOTAL EXPENSES**: 3,00% 643 198 838 20 501 21 122 21 762 7 088 14 317 14 603 14 885 15 103

**NET OPERATING INCOME**

- 632 369 640 374 662 693 662 654 703 647 239 563 442 908 472 586 481 615 481 079

**RUNNING YIELD (Before CAPEX)**

- 10,17% 10,27% 10,58% 10,80% 11,23% 3,66% 7,38% 7,56% 7,68% 7,84%

**RUNNING YIELD (After CAPEX)**

- 10,32% 10,42% 10,74% 11,06% 11,40% 3,71% 7,50% 7,65% 7,80% 7,96%

**DISCOUNT RATE**: 9,00%

**NPV NET INCOME PAID IN ADVANCE**

- **monthly**
  - 632 369 557 357 538 461 507 187 459 203 140 028 269 361 248 330 220 363 201 461
  - 2 458 841

**EXIT YIELD**: 8,95%

**YIELD on EMRV**: 7,41%

**Average YIELD**: 8,86%

**CAPEX + Fit-out + Letting fees (nominal)**

- **Amount**: 60 000 0 0 0 0 47 250 0 0 0 0

**CAPEX + Fit-out + Letting fees (discounted)**

- **Amount**: 60 570 0 0 0 0 32 187 0 0 0 0

**MARKET VALUE (after capex)**

- 6 200 000 EURO 6 1968 / per sqm
Hungarian Economy

Key Macro-Economic Indicators 2008-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Real GDP (% change)</th>
<th>Real Consumer Spending (% change)</th>
<th>Real Imports of Goods and Services (% change)</th>
<th>Real Exports of Goods and Services (% change)</th>
<th>Industrial Production Index (% change)</th>
<th>Consumer Price Index (% change)</th>
<th>Policy Interest Rate (%)</th>
<th>Population (mil.)</th>
<th>Unemployment Rate (%)</th>
<th>Current Account Balance (% of GDP)</th>
<th>Exchange Rate (LCU/US$, end of period)</th>
<th>Exchange Rate (LCU/Euro, end of period)</th>
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<tr>
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<td>4.4</td>
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<td>5.25</td>
<td>9.92</td>
<td>10.8</td>
<td>1.5</td>
<td>228.06</td>
<td>321.57</td>
</tr>
</tbody>
</table>

Source: IHS Global Insight, January 2012; F=forecast

General overview

The open Hungarian economy is largely exposed to deteriorations in the economic and financial conditions in the Eurozone. This comes from its relatively high levels of public and external debt, financing ratios, sizeable stock of portfolio investment, Swiss franc-denominated mortgage debt and a mainly Western European-owned banking sector. Due to the high debt levels, weak growth prospects and uncertainty about the country's ability to meet fiscal goals, Moody’s decided to lower Hungary’s debt rating from investment grade to speculative in November. Default insurance costs of the country’s sovereign debt rapidly surged to a record high and the government announced its outline for a new economic growth plan and acquire a financial safety net from the IMF based on a precautionary agreement. In the wake of the downgrade the Hungarian Monetary Council raised the key rate by 50 bps to 6.50% to defend the currency and limit capital flight, which was according to market expectations.

In December, the government recalculated the 2012 budget, as weaker growth forecasts and devaluing HUF put a HUF 320 billion dent in the budget. To reach the 2.5% of GDP deficit target with a GDP growth at 0.5% for 2012 and a weaker HUF, the government decided to use HUF 200 billion from the national protection reserves, HUF 120 billion from further contributions of citizens who remained in the private pension funds and another HUF 20 billion from higher excise tax on tobacco products.

The national development minister submitted his resignation to focus on talks with the IMF and the EU in the hope of reaching an agreement by mid January. Informal talks between the delegations broke down in mid December after the Parliament scheduled to debate a bill on the new Central Bank Act which aimed to give the central bank more rate-setters, a third deputy governor and require the board of directors to submit their agenda to the government. The bill was passed at the end of December and although several changes were applied to please the European Central Bank it made communication with the IMF bitter. The NBH hiked the base rate up to 7% at the end of December while the next rate settling meeting is scheduled for 24th January. A further increase of 50bps is expected in an attempt to strengthen the Forint until the government secures an IMF/EU safety net.

By mid-January both S&P and Fitch downgraded the country, reflecting on the problematic situation with the IMF, the EU and the deterioration in the country’s fiscal and external financing environment and growth outlook. Informal talks with the IMF continued and it became clear that the country can only obtain a stand-by-agreement instead of a precautionary one and only in case it shows a strong commitment to engage on all the policy issues that are relevant to macroeconomic stability. The communication between Hungary and the IMF/ EU is changing remarkably as the government finally started to show signs of its willingness to change the criticised laws. IMF
representatives also commented on the discussions as being "useful" and due to the easing tensions, the HUF started to strengthen back.

**Statistical figures**

The global economic boom considerably lost impetus to date in 2011. Developed countries are forecast to increase their economic performance this year by 1.6% on average, while developing and emerging states by 6.4%. A more dynamic growth in case of developed national economies is prevented by adjustments needed because of problems on labour markets and fiscal disequilibria (high budget deficits and indebtedness). The growth of the economic performance of the United States was slowing down to date in the year. The GDP became 1.8% higher on average in the first three quarters of the year. In addition to expenditures on consumption exports contributed to the expansion of the northern America economy. In the region of Asia the gross domestic product of Japan was declining from the beginning of the year, the performance decreasing by 0.8% in January–September 2010. The economy of China grew by 9.4%in the first three quarters of the year, though the rate of increase was gradually losing momentum. Despite the slowdown the economy of the European Union (EU-27) increased by 1.8% on average in the 1st–3rd quarters of 2011 compared to the corresponding period of the previous year. The engine of growth remained Germany (3.4%), although the rate of its expansion fell significantly. In the euro zone a 1.8% growth was recorded in the first three quarters. Similarly to the majority of developed countries the economic growth of Hungary also lost impetus. The gross domestic product of Hungary increased by 1.4% in quarter 3 of 2011 and by 1.8% in the first three quarters of 2011 compared to the same period of the previous year. According to seasonally and calendar-adjusted data, used for international comparisons, the rate of increase was 1.7% compared to January–September 2010, which put Hungary in the middle of the ranking of Euro .

Although the external boom becoming less favourable was reflected by the external trade performance of Hungary, too, on the expenditure side external trade is still the only factor of growth for the Hungarian economy. In the first three quarters of 2011 the volume of exports and imports – along with a continuous deceleration measured within the period – rose by 10% and 7.7% respectively. In the first nine months a surplus of HUF 1754 billion was generated on external trade, which was equal to 8.6% of gross domestic product. In January–September the exports and imports at constant prices of external trade in goods, accounting for the majority of international trade, rose by 12% and 8.7% respectively. In the field of services exports and imports also expanded, by 4.4% and 1.7% respectively. Domestic demand did not start to recover: in the period of January–September a decrease of 1.0% occurred in domestic use as a consequence of the stagnation of actual final consumption and a significant fall of gross fixed capital formation. Actual final consumption, representing more than eight-tenths of domestic use, essentially stagnated on average in the first three quarters (- 0.1%). Within this the actual final consumption of households hardly changed as well (+0.1%), while the volume of actual final consumption of government, accounting for about one-eighth of actual final consumption, decreased by 1.4%.

Household final consumption expenditure was essentially unchanged in the first nine months of 2011 (-0.1%) compared to the corresponding period of the previous year. In effect, final consumption expenditure was not affected by the payment of real returns by private pension funds in August. However, the volume of social transfers in kind – from the government and the non-profit institutions serving households – to households increased by 0.9%. The volume of gross fixed capital formation was 6.4% lower in the first nine months this year than one year before, and the decreasing trend was further strengthened by a fall of 8.6% in the 3rd quarter. All this considerably lowered the expansion of economic performance. According to investment statistics investments in the national economy, accounting for the overwhelming part of gross fixed capital formation, were down by 5.4% in quarter 3 and by 4.5% in the first nine months. In January–September construction investments were significantly (15%) lower than one year earlier, while investments in machinery and equipment rose (by 10%). The output of investments was lowered in the majority of industries. As dwelling constructions went on decreasing investments in real estate activities were 22% less than in the same period of the previous year. In case of transportation and storage a fall of 23% was recorded, since investments were completed in several transport branches. Out of industries having relatively large weight a considerable rise occurred only in manufacturing (28%), within which volume increases were observed for the majority of branches as well. Primarily individual large investments showed substantial growths in a few industries of relatively low weight: in mining and quarrying (33%) and in human health and social work activities (44%). Additional rises were measured in scientific and technical activities (12%) and in agriculture (4.3%). The stock of inventories in the 3rd quarter increased by HUF 175 billion at current
prices, however, the change of inventories had a negative impact on economic expansion for the first time after six consecutive quarters. In quarters 1–3 the level of inventories rose by HUF 250 billion. In January–September 2011 the performance of the Hungarian economy from production (output) side was influenced by the continuously decelerating industry as well as agriculture. The performance of agriculture rose by 27% over nine months, within which very significantly, too, by 29% in the 3rd quarter. The considerable volume increase in the branch was caused by improving yields. In January–September 2011 the gross value added by industry grew by 6.8%, mainly as a consequence of the expansion of manufacturing by 8.1%, thus contributing significantly to GDP growth. In quarter 3 the slowdown of the performance, lasting for a year, continued. The volume of industry rose by 3.5%, while that of manufacturing by 4.6%. The slowdown was due to the high base as well as the deceleration of external demand. The performance of export-oriented enterprises continues to be considered as the engine of industrial production. Among manufacturing branches production increased considerably in the manufacture of transport equipment, basic metals and fabricated metal products as well as machinery and equipment n.e.c. and in textile industry.

According to the latest available data broken down by branches, the volume of industrial production in October – along with deteriorating external conditions of recovery and the high base registered one year before – increased by 3.0% compared to the corresponding period last year. Exports were up by 1.0%, while domestic sales fell by 6.3%. In the first ten months of the year the volume of production was 5.8% higher than one year earlier, with an 8.1% expansion of sales on external markets and a 5.3% decrease of domestic sales. Among the sections of industry the volume of production in manufacturing in January–October grew by 6.2%, while the output of the energy sector diminished by 1.4%. The volume of production in mining, having small weight in production, was 13.2% higher than in the same period of the previous year.

The forint price level of external trade grew by 1.5% in exports and by 2.7% in imports in January–September, so the terms of trade deteriorated by 1.2%. Our national currency strengthened over a year by 2.4% against the major currencies in the first nine months of the year, within which revaluations of 1.4% and 7.9% were measured against the EUR and the USD respectively.

In the period of August–October 2011 and considering the 15–64 year-old population 36 thousand more people were working than one year earlier. The number of employed persons came to 3 million 828 thousand, which was 0.9% higher than in August–October 2010. The employment rate of 56.6% calculated for this age group was 0.6 percentage point higher than in the corresponding period of the previous year.

According to the latest staff number data of institutional labour statistics there were 2 million 693 thousand employees in the observed group of organizations in the national economy in the period of January–October 2011, 6 thousand (0.2%) less than one year before, which means a practically unchanged level. In the first four months within the period somewhat more people were working, while in the months of May–October slight decreases were observed in the staff number. In the different areas of the national economy trends of opposite direction continued to be recorded.

In the first ten months of the year average gross earnings – based on accounting records – were HUF 209 900, 4.6% higher in nominal terms than one year before. The monthly average amount of net earnings equalled HUF 139,200, which was 5.8% higher than in January–October 2010. Net earnings were HUF 142,200 at enterprises, HUF 133,200 in the public sector and HUF 124,600 in the non-profit sector. Relatively significant, 7.4% and 8.1% increases were recorded in earnings in the private and the non-profit sectors respectively, while a more modest, 1.3% rise was observed in the public sector.

The rate of increase of consumer prices – because of the substantial price rises of motor fuels as well as electricity, gas and other fuels – accelerated further, so prices increased by 4.3% in November compared to the same month of the previous year. The price rise in January–November was 3.9% on average.

The consolidated, cash-based deficit of the general government (without local governments) – according to preliminary data of the Ministry for National Economy – was HUF 1248 billion in the period of January–November 2011, HUF 57 billion less than in the same period of the previous year. The revenue of the general government amounted to over HUF 11.9 trillion, its expenditure to HUF 13.2 trillion, which was 3.5% and 2.7% more
respectively than one year before. The purchase of a parcel of MOL shares increased expenditures by some HUF 500 billion, while the revenue from the Pension Reform and Debt Reduction Fund, received during the months of October and November and amounting in total to about HUF 420 billion, raised the level of revenues. Among the sub-systems the balance of the central government shows a deficit of HUF 1296 billion following a deterioration of HUF 14 billion. Improvement was recorded in case of social security funds: the deficit of HUF 30 billion was HUF 71 billion less than in the same period last year. A surplus of HUF 79 billion was measured for extra-budgetary funds, the same amount as in January–November 2010.

Source: KSH, 20 / 12 / 2011

Budapest Office Market Overview

1 Stock and Supply

At Q4 2011 the Budapest modern office stock consisted of 3,158,900 sq m modern Grade ‘A’ and ‘B’ office space. During the last 5 years the market saw a significant increase in the volume of supply as several new projects have been completed, but it is important to mention that due to the strictt financing conditions and the uncertain market environment the volume of speculative developments show a significant fall compared to years such as 2008 and 2009.

In 2011, a total of 87,425 sq m new office space was completed, which is the lowest annual volume of the past 7 years. Only six new office buildings were completed, out of which one was an owner occupied development. The new buildings of K&H Bank; Millennium H (11,980 sq m) and Millennium K (38,900 sq m) were handed over in Pest Central South submarket while Laurus office building (14,016 sq m) and the office component of KÖKI Terminál ( 6,325 sq m) were added to the stock of the Pest Non Central submarket. All four buildings were completed in Q4 2011. Additionally two other developments were completed at the first half of 2011: Calasanz Downtown Offices in the CBD on 1,700 sq m and Officium, the office component of Akadémia Park development on 14,500 sq m in Buda North. The average vacancy of the buildings completed in 2011 was 15.7% at completion which clearly shows the trend that developers are not willing to start new constructions on a purely speculative basis anymore.

Source: Jones Lang LaSalle 2011
### Table 1: Office Completions in 2011

<table>
<thead>
<tr>
<th>Building name</th>
<th>Size (sq m)</th>
<th>Date of completion</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDO</td>
<td>1,700</td>
<td>Q1 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Officium</td>
<td>14,500</td>
<td>Q2 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Millennium K</td>
<td>38,900</td>
<td>Q4 2011</td>
<td>Owner occupied</td>
</tr>
<tr>
<td>Millennium H</td>
<td>11,984</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Laurus</td>
<td>14,016</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>KÖKI</td>
<td>6,325</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011

Looking ahead there is a very limited pipeline, hence annual volume of new completions will reach a historic low in 2012. We expect only 35,500 sq m new office space to be handed over in three buildings, all of them being speculative projects. That said the completion of these project might be postponed further to 2013 as they did not manage to secure any pre-leases so far making construction works and further financing problematic. At the moment we expect the following projects to be handed over: V 67 in Váci Corridor by Spanish developers on 2,200 sq m (H1 2012), Green House by Skanska on 17,800 sq m in H2 2012 and Váci Greens by Atenor on 15,500 sq m in H2 2012. Completion of the latest project is highly questionable as construction works have been pending since year end 2011.

There are three offices in the pipeline to be handed over between 2013 and 2014 amounting to 53,000 sq m: the third phase of Office Garden on nearly 18,500 sq m, the new KPMG headquarter on 20,500 sq m by Futureal, and the prestigious Eiffel Palace 14,000 sq m in the CBD which will serve as PWC’s new headquarter upon completion. Neither of these developments started yet.

### Table 2: Future Supply 2012-2014

<table>
<thead>
<tr>
<th>Building name</th>
<th>Size (sq m)</th>
<th>Year</th>
<th>Quarter</th>
<th>Refurbishment or new development</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green House</td>
<td>17,800</td>
<td>2012</td>
<td>Q4</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>Váci Greens A</td>
<td>15,500</td>
<td>2012</td>
<td>Q4</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>V67</td>
<td>2,200</td>
<td>2012</td>
<td>Q2</td>
<td>new</td>
<td>speculative</td>
</tr>
<tr>
<td>Office Garden Phase III</td>
<td>18,513</td>
<td>2013</td>
<td>H2</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>Eiffel Palace</td>
<td>14,000</td>
<td>2014</td>
<td>Q1</td>
<td>New</td>
<td>64% prelet</td>
</tr>
<tr>
<td>K4</td>
<td>20,500</td>
<td>2014</td>
<td>Q1</td>
<td>New</td>
<td>50% prelet</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Research Q4 2011

### Table 3: Office completions in 2011 by Submarkets

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Size (sq m)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>1,700</td>
<td>1.9%</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>50,880</td>
<td>58.2%</td>
</tr>
<tr>
<td>Pest Non-Central</td>
<td>20,340</td>
<td>23.3%</td>
</tr>
<tr>
<td>Buda North</td>
<td>14,500</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011
**Demand / Take-up**

In 2010 total demand reached 306,650 sq m out of which 34.9% were lease renewals. Net take-up (including new leases, expansions and pre-leases) represented 58.8% of the total demand and 6.3% was owner occupied office occupancy. However the total demand slightly decreased compared to the previous year, the ratio of new lease transactions versus renewals remained stable. In 2009 total demand reached 373,150 sq m out of which renewals amounted to 121,620 sq m. Apart of the large share of renewals there were several BTS transactions in 2009 as well which represented 78,700 sq m altogether.

Pre-lease activity within the market was low until 2008 (around 25,000 sq m per year) but in 2008 and 2009 the market saw more significant pre-lease activity with 82,572 sq m and 52,181 sq m respectively per year. This trend stopped in 2010 and pre-leases practically disappeared from the market as we registered only 7,468 sq m of pre-lease activity. In 2010 only GTC Metro has managed to secure 100% tenancy before its completion but this pre-lease agreement was signed in 2009.

The most significant office transaction was the move of Allianz Insurance into their new 17,202 sq m in owner occupied office at K3. The three largest speculative transactions were all lease renewals: Ericsson in Science Park (12,829 sq m), Sanoma in Szépvölgyi Office Park (8,500 sq m) and SAP in Graphisoft Park (8,500 sq m). A total of 483 leasing transactions were closed throughout the year with an average size of 635 sq m.

Involvement of tenant representation agencies gains increasing importance by large occupiers as many future office projects are offered for pre-lease and/or built-to-suit HQ. Tenants can now achieve favourable conditions and rents with the experience of a professional advisor.

According to market expectations demand strengthened in 2011 on 2010. Gross take-up reached 394,650 sq m which is a massive increase of 28.7% year on year. Net take-up was also above the 2010 level. The volume of
new transactions, expansions, preleases and owner occupation reached 242,226 sq m which indicates an increase of 21.6% year on year, again a positive trend in terms of demand.

The composition of the annual demand shows that renewals represented a high share in 2011, similarly to 2010 and 2009. Lease renewals had a share of 38.6% almost the same ratio as new leases with 38.8%. Expansions represented 16.2% while preleases 5.8%. There was only one owner occupation accounting for a mere 0.6%. The largest transactions were new leases signed in Q4 2011, a company from the public leased 20,800 sq m in Spirál, while KFKI signed for 15,100 sq m in South Buda Business Park. Both buildings have been vacant for several quarters therefore these new leases play an important role in the quarterly net absorption. There were several large renewals as well: NSN extended its lease in CityGate on 13,000 sq m so did Raiffeisen on 11,900 sq m in Akadémia Center. Unlike 2010 two larger preleases were also signed in 2011. KPMG decided to move in 2014 into a new office at Váci Corridor, developed by Futureal on a total of 20,500 sq m. KPMG will occupy 8,500 sq m at first with a further expansion option on nearly 1,500 sq m. The other prelease transaction was also signed by PWC on 9,000 sq m in Eiffel Palace located in the CBD.

**Graph 2: Structure of Take-up in Budapest**

Having a closer look at the graph above, we can see that Budapest has been witnessing continuous growth in net take-up until 2008. As the economic crisis hit the market the ratio of renewals rose while the share of new transactions and expansions decreased. In 2011 renewals took 38.6% of the total demand while this ratio was 34.9% in 2010, 36% in 2009 and only 19% in 2008. Large corporations opted to renegotiate their current premises and renew their lease, in some cases even before the lease expiry to be able to lock-in rents considered by many to be at the lowest point of the cycle.

Although we expected that in 2011 we would record a lower share of renewals compared to 2010, there were still many companies who decide to extend their lease agreements at their current locations. That said net take up shows an increasing trend since 2009 even in case the growth is very limited.
Table 4: Major Deals 2011

<table>
<thead>
<tr>
<th>Sub-market</th>
<th>Building</th>
<th>Tenant</th>
<th>Size (sq m)</th>
<th>Type of deal</th>
<th>Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pest Central South</td>
<td>Millennium Tower I</td>
<td>Vodafone</td>
<td>10,500</td>
<td>renewal</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda North</td>
<td>Maross utca BC</td>
<td>Edukacio</td>
<td>3,750</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda Central</td>
<td>Margit Ház</td>
<td>Magyar Tak.szöv.Bank</td>
<td>3,670</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Non-Central</td>
<td>Laurus Offices</td>
<td>BDO Forte</td>
<td>3,600</td>
<td>prelease</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Millennium Tower III</td>
<td>MSD</td>
<td>2,500</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>K2</td>
<td>Sykes</td>
<td>2,230</td>
<td>renewal</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Citygate</td>
<td>NSN</td>
<td>13,000</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Akadémia Center</td>
<td>Raiffeisen</td>
<td>11,900</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>WECC</td>
<td>Unisys</td>
<td>4,100</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>IP West</td>
<td>BT</td>
<td>3,300</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Buda North</td>
<td>Officium</td>
<td>confidential</td>
<td>3,000</td>
<td>new</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Buda Central</td>
<td>Imperial Krisztina</td>
<td>confidential</td>
<td>12,000</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>confidential</td>
<td>confidential</td>
<td>9,000</td>
<td>prelease</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>K4</td>
<td>KPMG</td>
<td>8,500</td>
<td>prelease</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Studium</td>
<td>Nokia</td>
<td>6,500</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>PCN</td>
<td>Park Atrium</td>
<td>Deloitte</td>
<td>4,800</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Optima A</td>
<td>Zepter</td>
<td>3,345</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Arena Corner</td>
<td>Citibank</td>
<td>3,140</td>
<td>expansion</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Arena Corner</td>
<td>Citibank</td>
<td>3,000</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>IP West I</td>
<td>NXP</td>
<td>2,600</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Ybl Palota</td>
<td>Cameron Mckenna</td>
<td>2,500</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>First Site Offices</td>
<td>Plug and Work</td>
<td>2,400</td>
<td>new</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Spirál</td>
<td>confidential</td>
<td>2,000</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>South Buda BP</td>
<td>KFKI</td>
<td>15,136</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Spirál</td>
<td>confidential</td>
<td>8,000</td>
<td>renewal</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Pest Central North</td>
<td>Rumbach Center</td>
<td>confidential</td>
<td>4,880</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Bank Center</td>
<td>Citibank</td>
<td>3,485</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
</tbody>
</table>

*Source: Jones Lang LaSalle Q4 2011

Out of the 596 transactions, which were signed in 2011, only 76 were signed for office space above 1,000 sq m totalling to 249,770 sq m (66.3% of the total demand). Many smaller scale deals were signed hence currently the average transaction size is around 663 sq m in Budapest, which shows an increase compared to previous years.

Table 5: Average deal sizes in Budapest from 2004 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Deal Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>600</td>
</tr>
<tr>
<td>2010</td>
<td>635</td>
</tr>
<tr>
<td>2009</td>
<td>788</td>
</tr>
<tr>
<td>2008</td>
<td>745</td>
</tr>
<tr>
<td>2007</td>
<td>701</td>
</tr>
<tr>
<td>2006</td>
<td>590</td>
</tr>
<tr>
<td>2005</td>
<td>638</td>
</tr>
<tr>
<td>2004</td>
<td>663</td>
</tr>
</tbody>
</table>

*Source: Jones Lang LaSalle Q4 2011
Vacancy

During 2011 the vacancy rate fluctuated between 20-21% reaching its lowest level of 19.2% by year end. This was the result of the limited new supply with high prelease rations so as the strong net take up in Q4 2011. The shrinking availability might seem convincing, but it is important to mention that several larger office buildings will be vacated during H1 2012 after their former occupiers will relocate to their new headquarters. These buildings are mainly old and of less modern quality therefore their new usages is highly questionable.

The highest vacancy rate is registered in the Periphery (32.2%) while Buda North has the lowest vacancy rate (16.7%). The submarkets show significant difference in terms of vacancy. Buda Central (24.2%) and Pest North Central (21.5%) are the two most oversupplied submarkets in Budapest apart of Periphery.

The below chart presents the stock and vacancy of each submarkets.

Graph 3: Vacancy and Stock in the Submarkets as at Q4 2011

Rents

Office prime rents stood at €20/sq m/month at Q4 2011. This rental level can only be achieved in the best office buildings in the CBD. Rental bands of each submarkets show a wide range as the pricing depends on the location and the quality of the building as well as the public transportation access. Until the end of 2010 most landlords were forced to decrease their asking rents and offer generous incentives in order to attract tenants. This trend seems to be abating as we have experienced rental growth in some of the most popular and best located buildings. This however only concerns a very limited number of buildings at the moment but we expect rental stabilisation in the course of 2011 once the high oversupply starts to be absorbed. That said, rental stabilisation applies for mainly modern, A category buildings. Older, B category offices might face difficulties as their tenants leave behind their old premises to move into newer, more effective buildings. This will automatically result in jumping availabilities which will have an impact on rental levels. Therefore we forecast a deepening rental gap between A and B category buildings.

The rental decline caused by the crisis showed different patterns in each submarket. Prime products in prime locations were able to maintain their asking rents relatively unchanged or experienced only a moderate fall. At the same time the projects located in Non-Central submarkets did have to offer significant discounts. The greatest rental decline was seen in the Periphery and the Buda South submarkets.
In order to secure tenants in their buildings landlords are offering greater rental incentives. Beside the average incentives (standard 70-30% fit-out, rent free period) landlords are willing to pay further incentives, such as moving contributions or higher quality fit-out/greater fit out contribution. Projects outside the CBD and the most popular office locations are still under pressure of oversupply, therefore the highest level of extra incentives are available in these submarkets.

Investment Market Overview

While in 2010 the total transaction volumes in commercial real estate in Hungary for 2010 remained below € 300 million with less than € 200 million of institutional investment deals recorded for the full year by Jones Lang LaSalle, investment activity picked up in 2011 with more than € 230 million transacted in Hungarian assets during the 4th quarter. The total volume of investment transactions for 2011 reached € 650 million.

The last weeks of 2011 were active with the closing of two major office portfolio transactions with Heitman, the Chicago based real estate investment manager as the buyer in both cases. The first transaction was the creation of a Joint Venture with TriGranit who sold a 74% interest in 4 office buildings located in the Millennium City Centre project (Tower I, II, II and the newly delivered Building H); the total consideration of the transaction amounted to € 151 million. The buildings located along the Danube, South of the city centre, are one of the most successful office schemes in the city and have attracted prime tenants such as Vodafone, KBC, Nestle, Morgan Stanley, Prologis and Lufthansa / Swiss. The second transaction was the disposal by the AVIVA Investors Central European Property Fund of Alkotás Point, anchored by Unicredit Bank and Bayer and Science Park anchored by Ericsson and Tata Consulting.

All major asset classes have traded during the year: The hotel segment was active with the transaction of 2 five-star hotels (Intercontinental, Four Seasons), the retail segment witnessed the disposal of a partial interest in Arkád Shopping Centre to ECE and the acquisition by Erste Real Estate of the Napfény Park in Szeged. The industrial asset class was represented by Aerozone and M1 Business Park as part of the Europolis portfolio, however, close to 60% of the total volume was transacted on office buildings with the Europolis, TriGranit and AVIVA assets representing the main transactions of the year.
Some transactions which were expected to close in 2011 have been delayed – cancelled due to difficulties with bank financing and this will remain a serious bottle neck in 2012 as a consequence of the general de-leveraging, the evolution of financial markets but also the specific situation of Hungary on a macro-economic and political front.

Further developments on the investment market are dependant upon the evolution of the financial markets in view of the sovereign debt crisis and downgrades in the Euro zone and on the capacity to raise debt finance.

Based on our assessment of the market and relative pricing with Poland and the Czech Republic, we keep our views on prime yields unchanged compared to Q3 2011 with a stable outlook.

The graph below shows transaction volumes in 2003 – 2011.

**Graph 1: Investment volumes in Hungary 2003-2011**

![Graph showing investment volumes in Hungary 2003-2011](source: Jones Lang LaSalle, Q4 2011)

The following table shows the main transaction in Hungary in 2011.

**Table 14: Transactions in Hungary 2011**

<table>
<thead>
<tr>
<th>1</th>
<th>Sector</th>
<th>2 Property Name</th>
<th>3 Area (sq m)</th>
<th>4 City</th>
<th>6 Quarter, Year</th>
<th>7 Estimated NIY(%)</th>
<th>8 Vendor</th>
<th>9 Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>City Gate (65%)</td>
<td>24,200</td>
<td>Budapest</td>
<td>1, 2011</td>
<td>8.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>Infopark A (51%)</td>
<td>12,200</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.35%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>IP West I - V (65%)</td>
<td>31,000</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.00%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>Aerozone Budapest (51%)</td>
<td>65,000</td>
<td>Vecsés</td>
<td>Q1, 2011</td>
<td>8.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>M1 BP (51%)</td>
<td>69,000</td>
<td>Páty</td>
<td>Q1, 2011</td>
<td>.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Árkád Shopping Centre (33%)</td>
<td>48,400</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>.50%*</td>
<td>Unibail Rodamco</td>
<td>ECE</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Napfény Park</td>
<td>29,477</td>
<td>Szeged</td>
<td>Q1, 2011</td>
<td>7.80%*</td>
<td>Carion</td>
<td>Erste Real Estate</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Tesco (solus)</td>
<td>6,804</td>
<td>Kőszeg</td>
<td>Q1, 2011</td>
<td>8.25%*</td>
<td>Private syndicate</td>
<td>Erste Real Estate</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Tesco (solus)</td>
<td>5,116</td>
<td>Dabas</td>
<td>Q1, 2011</td>
<td>8.25%*</td>
<td>Private syndicate</td>
<td>Erste Real Estate</td>
<td></td>
</tr>
<tr>
<td>Hotel Type</td>
<td>Name</td>
<td>Size</td>
<td>Location</td>
<td>Quarter</td>
<td>Price</td>
<td>Investor</td>
<td>Source</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>------</td>
<td>------</td>
<td>----------</td>
<td>---------</td>
<td>-------</td>
<td>----------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>Hotel</td>
<td>InterContinental</td>
<td>398*</td>
<td>Budapest</td>
<td>Q2, 2011</td>
<td>n/a</td>
<td>Morgan Stanley (MSREF VI)</td>
<td>Indotek</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>Focus Point</td>
<td>7,200</td>
<td>Budapest</td>
<td>Q2, 2011</td>
<td>n/a</td>
<td>ORCO (Endurance Fund)</td>
<td>Associated Network</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>Portfolio of 21 class B office buildings</td>
<td>45,000</td>
<td>Various</td>
<td>Q2, 2011</td>
<td>11.00%</td>
<td>Magyar Telekom</td>
<td>Associated Network</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>OBI</td>
<td>12,800</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>8.25%</td>
<td>Endurance Fund</td>
<td>Erste Real Estate</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>Raiffeisen Back Office</td>
<td>14,750</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>n/a</td>
<td>Raiffeisen Real Estate Fund</td>
<td>Private Investor</td>
<td></td>
</tr>
<tr>
<td>Hotel</td>
<td>Four Seasons</td>
<td>179*</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>n/a</td>
<td>Avestus Capital Partners</td>
<td>State Reserve Fund of Oman</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>Millennium Towers I,II,III,H (74%)</td>
<td>70,000</td>
<td>Budapest</td>
<td>Q4, 2011</td>
<td>n/a</td>
<td>TriGránit</td>
<td>Heitman</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>Alkótas Point, Science Park</td>
<td>53,000</td>
<td>Budapest</td>
<td>Q4, 2011</td>
<td>n/a</td>
<td>AVIVA</td>
<td>Heitman</td>
<td></td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Capital Markets, Q4 2011 (* JLL estimation)

**Capital Market Highlights**

- Macro-economics declining with GDP growth expected at 0% in 2012
- Financial safety net is being discussed by IMF, Stand by agreement is likely to be provided
- Potential hike of personal income tax
- Market fundamentals still worse than for peer CEE capitals
- Lower, but remaining gap in pricing between vendors and buyers
- A yield discount of approximately 50-75 bps compared to Poland / Czech Republic
- Core institutional investors remain to be opportunity-driven for prime office and retail opportunities
- Industrial and hotel investments will happen only in exceptional cases
Valuation Report
on Office Building, Hungary

Andrásy u.40-42. Budapest 1061, Hungary

Prepared for
Central European Estates N. V.

December 2011
6th February 2012

Dear Sir,

VALUATION AND REPORT ON OFFICE BUILDING, LOCATED IN ANDRÁSSY U. 40-42. H-1061 BUDAPEST, HUNGARY

We have pleasure in reporting to you in accordance with our valuation engagement letter dated January 10 2012 regarding the above property. We understand that the valuation is required for the financial reporting purposes and auditing purposes of CEE.

We inspected the property on 26th January 2012 and have carried out all the necessary enquiries with regard to rental and investment value, planning issues and investment considerations.

We have not been instructed to carry out a building survey or environmental risk assessment. We have been provided with floor areas by CEE and have assumed that these have been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Code of Measuring Practice (7th Edition).

Basis of Valuation

Our Valuation has been prepared in accordance with the RICS Valuation Standards - Global (7th Edition). The basis of valuation is the Market Value of the property, as at the date of valuation, defined by the RICS as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The full interpretive commentary on this definition is attached at Appendix 3. The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports, which are attached in the Appendices 1 and 2.
Having regard to the contents of this Report, we are of the opinion that the Market Value of the Office Building located at Andrássy u. 40-42., H-1061 Budapest, Hungary subject to the assumptions outlined in the following Report, as at 31st December 2011, was in the region of:

**MARKET VALUE OF THE PROPERTY**

€ 5,000,000

*(Five Million Euros)*

Market Value of the subject property as of 31st December 2011 was HUF 1,555,000,000 *(One Billion Five Hundred and Fifty Five Million Forints)*

No allowance has been made for any expenses of realization or for taxation, which might arise in the event of a disposal. The property is considered as if free and clear of all mortgages or other charges, which may be secured thereon.

We have not made any deductions for purchaser's or vendor's legal or agents' fees, associated within a purchase or sale, nor have we taken account of any capital gains or other taxes that either party might have to pay as a result of such a transaction.

The property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

Transaction costs typically comprise the following:

(a) Transfer tax (4% for commercial property up to value of approx. € 3.7 mil., 2% for properties with value above € 3.7 mil., with cap of € 750,000 (value of € 37 mil.) (paid by buyer), applicable in case of both asset and share deal, share deal defined as purchase of more than 75% of shares of Property SPV (more than 75% of the SPV value derived from real estate);

(b) Court registration fees: vary according to transaction price;

(c) Notarial fees vary according to transaction price;

(d) VAT at 25% on buildings and land; (as of 1st of January 2012 it is increased to 27%)

(e) Agent's fees at 1-2% of purchase price plus VAT.

This Report on Property, has been prepared for and only for CEE N.V. for the purposes of assisting to value the property as at 31st December 2011 on the basis of Market Value and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of the whole or any part of the report or valuation for any other purpose or to any other person or entity to whom the report or valuation is shown or disclosed or into whose hands it may come, whether published with our consent or otherwise, except where expressly agreed by our prior consent in writing.

Finally, and in accordance with our normal practice we confirm that this report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it is to appear.

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Yours faithfully,

Jaroslav Kopac MRICS
Head of Valuation Hungary
Jones Lang LaSalle Kft.

János Tóth
Senior Valuer
Jones Lang LaSalle Kft.
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1 Executive Summary

Address
Andrássy u.40-42., 1061 Budapest, Hungary

Location
The subject facility is located in Pest in the VIth. District, called Terézváros. The District is traditionally middle-class residential area, on 2.3 km², with a population of 42,000 people. The subject site is by elegant Andrásy u., between Oktogon and the Opera. Andrásy út is 2.3 km Long Boulevard between Deák tér and Heroes’ Square. Together with Heroes’ Square, Andrásy út was elected to World Heritage in 2002. The property is also near to busy Teréz /Erzsébet krt. as well. The subject property has efficient access to downtown and outer areas of Pest as well, via the main arterial roads like: Andrásy út or Teréz/Erzsébet krt. The subject property is in a well-established and high-prestige residential and retail area. Major fashion brands like Gucci, Roberto Cavalli and Louis Vuitton are within a walking distance from the valued real-estate.

Description
The building was built in the years of 1870/1880, and in 2000 was totally refurbished. Access to the property can be gained either from Oktogon, or from Deák tér, along Andrásy út. The subject property is easily accessible both by public and private transportation. The sites are surrounded by buildings of similar neo-classical style. The subject property is in a block surrounded by: Andrásy, Nagymező, Mozsár u. and Jókai tér. The property is opposite the newly refurbished Divatcsarnok/Paris Big Dept. Store by Orco.

The building was built in the years of 1870’s and was refurbished entirely in 2000. The neo-classical style mansion was designed by Ybl Miklós. The building is a twin building, consists of a 5 storey above ground building with cellar and pitched roof. The building has an underground level of 492 m² for storages and machinery. The building is 492+2,854  m², altogether 3,346 m² consisting of ground floor, 3 levels and an attic level. On the street front of the ground floor, there are two retail units with additional
levels in the basement and on the first floor as well. The rentable retail area is 583 m², the average floor plan is between 549 - 589 m². The internal height of the offices is 3 - 3.2 m on average, as for the ground floor retail areas, the internal height is 4.1 m. The building has a massive structure of thick brick walls. The street façade is nicely decorated with ornaments of classical style. The pitched roof is covered by tiles. The partitioning is plaster board, the vertical traffic is provided by 2 nicely designed staircases and 1 elevator for 3 persons. The office areas are arranged by central corridors. The toilets and kitchenettes are situated at the ends of each floor. The common areas, the water blocks are covered by GRES, the office areas are covered by carpets. The inner walls are painted and covered by wallpaper. Smoke-detectors are provided.

The natural light is acceptable throughout the whole building.

**Accommodation**

The property provides the following accommodation:

**Table 1. Sample Property accommodation schedule**

<table>
<thead>
<tr>
<th>Accommodation</th>
<th>Share</th>
<th>Gross Rentable Area (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>74.8%</td>
<td>2,070</td>
</tr>
<tr>
<td>Retail</td>
<td>21.0%</td>
<td>583</td>
</tr>
<tr>
<td>Storage</td>
<td>4.0%</td>
<td>113</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td><strong>2,766</strong></td>
</tr>
</tbody>
</table>

Source: CEE

**Tenure**

We have been supplied with a copy of the extract from Cadastral Land Register of Title List N°29068 and 29069 cadastral district no. 2. of Budapest, dated 24th January 2012 confirming the interest of Andrássy-Viola Kft. over the subject property. The document identifies the sites comprising a total area of 854 sq m.

**Tenancy**

At the date of valuation the property was 40.0% occupied and leased to 2 tenants. The weighted average unexpired lease term within the subject property is approximately 6.21 years.

The current rental income from the property is equal to € 197,048 per annum.

**Gross Rental Income in Year 1**

€ 342,207

**Estimated Market Rental Value**

€ 475,425 p.a.

**Key DCF Assumptions**

We have applied exit yield of 8.5%

Based on the property’s location, projected achievable rental income stream and its position in the market we have applied a discount rate of 9.5% showing a net initial yield of 6.82%, in the following years yields stay
between 6.49% and 10.60%.

Valuation at 31st December 2011

Having regard to the contents of this Report, we are of the opinion that the Market Value of the Office Building in Budapest, Hungary subject to the assumptions outlined in the following Report, as at 31st December 2011, was in the region of:

MARKET VALUE OF PROPERTY
€5,000,000
(Five Million Euros)
2 Location

2.1 Macro Location

The subject property is located in Budapest, the capital of Hungary, a landlocked country strategically situated in central Europe. The country has made strong progress over the last 10 years culminating in Hungary’s accession to the EU in May 2004. The country is bounded by Croatia and Serbia to the south, Austria and Slovenia to the west, Slovakia to the north, Ukraine to the north-east and Romania to the south-east.

The map below shows the location of Budapest in national context of Hungary.

Map 1: Location of Budapest in national context of Hungary

Hungary’s domestic market is the third-largest in Central Eastern Europe in US dollar terms (after Poland and the Czech Republic). Hungary is also one of the region’s most open economies, with significant sectors now tied closely to Western Europe via trade and foreign investment. Given its high exposure to EU markets, the strength of EU demand has a clear impact on the economy.

Foreign direct investment (FDI) has played a significant role in modernising production and redirecting trade from east to west, in large part thanks to an aggressive privatisation policy in the mid-1990s. The vast majority of the telecommunications, banking, utilities, manufacturing and television sectors are now in private hands, and the private sector accounts for about 80% of GDP, one of the highest shares in the region.

Hungary has rapidly become a service-focused economy, like its fellow EU states. Budapest is the administrative and business focus of Hungary with a population of approximately 1.7 million, and is one of the most attractive financial and commercial centres in the Central Eastern European region with a relatively low level of unemployment. Due to its proximity to Western Europe and enormous market and workforce potential driven by the full EU membership, it offers an attractive business environment with a full range of modern business services and well-trained professionals familiar with Western standards.
The major economic indicators for Budapest are as follows:

### Table 2: Budapest indicators

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>Unemployment Rate</th>
<th>Economic Entities</th>
<th>Average Gross Monthly Salary (HUF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budapest</td>
<td>1 733 685</td>
<td>6.6%*</td>
<td>413,000</td>
<td>211,400</td>
</tr>
</tbody>
</table>

Source: Statistics Office of Hungary, Q3 2011

*Unemployment Rate of Central Hungary Region Q3 2011 based on the database of Hungarian Public Employment Service (ÁFSZ)

Budapest is in north-central Hungary, some 250km southeast of Vienna. The focal point is the Danube River, which bisects the city into two distinct parts: Buda and Pest. Sample Property is situated on the Buda side on Y Road, in the 11th administrative district of the City.

### 2.2 Micro Location

Offices along Andrássy út have a special feature of being nicely refurbished old palaces which were built at the end of the XIX. century in a classical / neorenessaince style of architect. The size of these palaces is between 1,500 – 8,000 sq m in general, offering high ceiling office accommodation in a historical environment. The offices are benefiting from the unique location of Andrássy út, which is a real boulevard of Budapest. The 2.3 km long boulevard became a member of World Heritage in 2002. The first underground line of the Continent built in 1896, has a line under the Andrássy út, enhancing the historic atmosphere of the area.

The following refurbished A class office accommodations are situated along Andrássy út, near to the subject palace, between Oktogon and Hero’s Square: Andrássy u. 100. Office was built in 1890 offers 6,000 sq m office space and 124 units of car-parking. The rental fee is between: EUR 12.0 – 12.5 / sq m/month. In the Andrássy u. 70. Office of 3,300 sq m office area with 14 units of car-parking, offices are available for EUR 13.70 / sq m/month. Andrássy Palace Office Building in Andrássy u. 62., was built in 1880, and was refurbished in 1989 offering 1,500 sq m office solution for EUR 10.0 – 16.0/ sq m/month without in-house parking.

A location plan is attached in the Appendix 4 to this report.
3 Description

3.1 Site

Characteristics

The subject sites are located in the 6th district. They are flat and regular rectangular shape and extends to 854 m². The site consists of two plots: plot n° 29068 and plot n° 29069.

The subject Property benefits from excellent visibility from Andrássy u.

A site map is attached in Appendix 5 of this Report.

Access

The subject property is easily accessible both by public and private transportation. The facility is easy to access by car from all directions of the city from Andrássy út, or Teréz/Erzsébet krt., by public transportation, the easiest way to take metro line 1. up to Oktogon or Opera terminal, or to take trolley-bus no: 70 or 78.

3.2 Services

We understand that the subject property has all the main services including: water, sewage, electricity, gas and telephone.

3.3 Property Description, Construction and Condition

The building was built in the years of 1870’s and was refurbished entirely in 2000. The neo-classical style mansion was designed by Ybl Miklós. The building is a twin building, consists of a 5 storey above ground building with cellar and pitched roof. The building has an underground level of 492 m² for storages and machinery. The building is 492+2,854 m², altogether 3,346 m² consisting of ground floor, 3 levels and an attic level. On the street front of the ground floor, there are two retail units with additional levels in the basement and on the first floor as well. The rentable retail area is 583 m², the average floor plan is between 549 - 589 m². The internal height of the offices is 3 - 3.2 m on average, as for the ground floor retail areas, the internal height is 4.1 m.

CONSTRUCTION

The building was built by the traditional construction materials of its age. The building is brick-built. The vertical traffic is provided by 2 nicely designed staircases and 1 elevator for 3 persons. The office areas are arranged by central corridors. The toilets and kitchenettes are situated at the ends of each floor. Smoke-detectors are provided.

External Façade

The street façade is nicely decorated with ornaments of classical style. The pitched roof is covered by tiles. The partitioning is plaster board, the vertical traffic is. The windows are openable and with traditional wood frames and equipped with insulation.
Walls

The building has a massive structure of thick brick walls. The partitioning is plasterboard. The inner walls are painted and covered by wallpaper.

Floors

The common areas, the water blocks are covered by GRES, the office areas are covered by carpets. The inner walls are painted and covered by wallpaper.

The building is principally fitted out to an ‘A’ class standard and also it has high quality, environment friendly building specification is as follows:

Office fit out:

- Partly provided suspended ceiling
- Carpet floor covering
- Wall paper
- Fan coil heating/cooling
- Computer connections

Condition

The property, where inspected, is presented to a satisfactory standard.

Photographs taken on the date of inspection are included within the Appendix 7 of this report.

3.4 Soil Conditions and Contamination

We understand that the subject building does not have any negative impact on the environment, humans or surrounding buildings. It has been built using materials that do not have any deleterious effect on the natural environment or human health.

Additionally we are not aware of the content of any environmental audit or other environmental investigation or report which may have been carried out on the property, and which may draw attention to the existence or possibility of any contamination. The property has been assessed on the basis of no actual or potential contamination and that the building is fit for its intended usage.
4 Legal

4.1 Tenure

We understand that company Andrássy-Viola Kft. holds the Right of Freehold over the subject property registered in Cadastral Land Register (Budapest 2. sz. Körzeti Földhivatal) as detailed in the table below.

Table 4: Plots of land schedule

<table>
<thead>
<tr>
<th>No.</th>
<th>Plot no.</th>
<th>Use</th>
<th>Area (sq m)</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29068</td>
<td>Office Building</td>
<td>422</td>
<td>Andrássy-Viola Kft.</td>
</tr>
<tr>
<td>2</td>
<td>29069</td>
<td>Office Building</td>
<td>432</td>
<td>Andrássy-Viola Kft.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>854</strong></td>
</tr>
</tbody>
</table>

Source: Extract from Cadastral Register, dated 24th January 2012

4.2 Title No.

We have been supplied with a copy of the extract from Cadastral Land Register of Title List N°29068 and N°29069 of cadastral district of no. 2. Budapest, dated 24th January 2012 confirming the interest of Andrássy-Viola Kft. over the subject property. These documents identify the sites have a total area of 854 sq m.

The cadastral extract records a mortgage in the amount of €10,500,000 in favour of CIB Bank, who established a buying option on the property up to January 10 2016 as well.

BC TP Kft. established a right of sale with ownership reserve on the subject as well.

For the purpose of this valuation we have assumed that all the loans were repaid and settled as of the date of valuation and all the rights of ways are fully transferable to any other successive owner and have no financial obligations.

4.3 Planning

The property lies in an area administered by the Municipality of District VI. We understand the area is regulated by the 321/2011. (III.23.) Zoning Restriction of the Metropolitan Municipality, which is the local zoning plan. The subject property is situated in the VK-VI-R. Building Restriction which has the following development parameters:
Table 5: Summary of Zoning Plan (VK-VI-R)

<table>
<thead>
<tr>
<th>Smallest Land Parcel Allowed</th>
<th>Building Plot</th>
<th>Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size (sq m)</td>
<td>Maximum Allowed</td>
<td>Minimum Mandatory</td>
</tr>
<tr>
<td>Built in Ratio (%)</td>
<td>Floor Area ratio (sq m / sq m)</td>
<td>Built in Ratio Below Ground (%)</td>
</tr>
<tr>
<td>800</td>
<td>80</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: 51/2005, (XI.23.) Zoning Restriction of Local Municipality

4.4 Tenancy

We have been provided with the tenancy schedule dated December 2011 by CEE for the subject property and we understand that the subject building provides 2,766 sq m of total gross lettable area, including 2,070 sq m of office space, 583 sq m of retail area, 113 sq m of storage area. The property does not provide in-house accommodation for parking.

At the date of valuation the property was 40.0% occupied and leased to 2 office tenants, who are leasing storages as well. The weighted average unexpired lease term within the subject property is approximately 6.21 years.

The current rental income from the property is equal to €197,232 per annum. The EMRV from vacant areas equals to €278,376 per annum.

The Estimated Market Rental Value (“EMRV”) from the whole property is equal to €475,425 per annum.

According to the provided information the rents are generally subject to the annual indexation. The lease agreements are indexed annually according to Eurozone CPI. The rents are denominated in EUR. The rents are paid monthly.

The tenants signed the lease agreement for a definite time period.

The rents do not include service charges which are paid separately.

The detailed tenancy schedule can be found in the Appendix 8 to this report.

Below we summarise the main provisions of a standard lease agreement for the subject Property:

**Landlord**  
Andrássy Viola Kft.

**Tenant**  
CIB Bank

**Lease Term**  
The lease has been granted and accepted for a definite period of 10 years commencing on March 29, 2010.
Option to Extend

Provided that the tenant has not breached any of its material obligations under the Lease or applicable laws, the tenant may claim to extend the Lease under the terms agreed and to do so only one time and just for additional period of either five (5) or three (3) years upon its discretion commencing on the first date after the last date of the original Lease.

Base/Current Rent

**Table 6: Current Rent**

<table>
<thead>
<tr>
<th>Use</th>
<th>Lettable Area (sq m)</th>
<th>Parking Places</th>
<th>Rent (EUR/sq m p.m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>995.25</td>
<td>40.00</td>
<td>40.00</td>
</tr>
<tr>
<td>Storage</td>
<td>113.57</td>
<td>3.00</td>
<td></td>
</tr>
</tbody>
</table>

Indexation

With effect from 1st January 2011 and each year thereafter. Harmonised Index of Consumer Prices of the European Union (Euro Zone), published by Eurostat.

Service Charge

4.00 Euro/ sq m/ month.

Bank Guarantee & Guarantee Deposit

Guarantee deposit guaranteeing financial obligations of the tenant under the lease in the amount of € 25,307

Property Taxes

The tenant shall pay all taxes, levies, administrative charges, fees and similar sums pertaining to its use and occupation of the leased premises, provided that the tenant shall not be obliged to bear the cost of levies, taxes, charges payable by the landlord on the rent received.

Insurance

The tenant undertakes to obtain and keep in force during the term of the lease at its own expense adequate civil liability insurance against third party claims arising from physical injury and property loss or damage in the leased premises and insurance against damage and loss of all property in the leased premises including all landlords moveable fixtures and lettings and adequate business interruption insurance.

Termination

The Lease may only be terminated by notice give under the conditions set out in the Lease.

Repairs

The tenant undertakes at its own expense to maintain the leased premises in good order and to keep the car parking spaces in good order and free from rubbish. The tenant shall also be responsible for maintenance and repair of the interior of the leased premises, the fit out works, the tenant’s own works and all other additions, modifications or improvements made to the leased premises by the tenant.

Alienation

The tenant may not assign or sub-let the leased premises without the prior written consent of the landlord excluding exceptions stated in the lease.

Alterations

The tenant shall not carry out any alterations, modification or improvements to the leased premises without the prior written approval of the landlord.
Delivery

The tenant shall deliver possession of the leased premises to the landlord in such state of repair and condition, and complete with all such fixtures, fittings and other items as is consistent with the full performance by the tenant of all its obligations under the lease.

Other restrictions

Subject always to the landlord’s right to require the tenant to remove alterations at the end of the lease term in accordance with the conditions provided in the lease.

A detailed tenancy schedule can be found in the Appendix 8 to this report.
5 Market Commentary

5.1 Hungarian Economy Key Macro-Economic Indicators

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP (% change)</td>
<td>0.6</td>
<td>-6.5</td>
<td>1.1</td>
<td>1.5</td>
<td>-0.8</td>
<td>2.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Real Consumer Spending (% change)</td>
<td>-0.2</td>
<td>-5.7</td>
<td>-2.7</td>
<td>0.1</td>
<td>-2.7</td>
<td>3.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Real Imports of Goods and Services (% change)</td>
<td>5.5</td>
<td>-14.8</td>
<td>12.8</td>
<td>5.9</td>
<td>-2.8</td>
<td>2.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Real Exports of Goods and Services (% change)</td>
<td>5.7</td>
<td>-10.2</td>
<td>14.3</td>
<td>9.0</td>
<td>0.6</td>
<td>3.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Industrial Production Index (% change)</td>
<td>-0.1</td>
<td>-17.6</td>
<td>10.5</td>
<td>5.3</td>
<td>3.0</td>
<td>4.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Consumer Price Index (% change)</td>
<td>6.1</td>
<td>4.2</td>
<td>4.9</td>
<td>4.1</td>
<td>4.8</td>
<td>2.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Policy Interest Rate (%)</td>
<td>10.0</td>
<td>6.25</td>
<td>5.75</td>
<td>7.0</td>
<td>7.75</td>
<td>6.0</td>
<td>5.25</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>7.8</td>
<td>10.0</td>
<td>11.2</td>
<td>10.9</td>
<td>11.0</td>
<td>10.9</td>
<td>10.8</td>
</tr>
<tr>
<td>Current Account Balance (% of GDP)</td>
<td>-7.3</td>
<td>-0.1</td>
<td>1.1</td>
<td>1.4</td>
<td>1.5</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Exchange Rate (LCU/US$, end of period)</td>
<td>187.91</td>
<td>188.07</td>
<td>208.65</td>
<td>240.68</td>
<td>243.08</td>
<td>233.64</td>
<td>228.06</td>
</tr>
<tr>
<td>Exchange Rate (LCU/Euro, end of period)</td>
<td>261.53</td>
<td>270.92</td>
<td>278.79</td>
<td>312.93</td>
<td>320.85</td>
<td>320.10</td>
<td>321.57</td>
</tr>
</tbody>
</table>

Source: IHS Global Insight, January 2012; F=forecast

General overview

The open Hungarian economy is largely exposed to deteriorations in the economic and financial conditions in the Eurozone. This comes from its relatively high levels of public and external debt, financing ratios, sizeable stock of portfolio investment, Swiss franc-denominated mortgage debt and a mainly Western European-owned banking sector. Due to the high debt levels, weak growth prospects and uncertainty about the country's ability to meet fiscal goals, Moody's decided to lower Hungary's debt rating from investment grade to speculative in November. Default insurance costs of the country's sovereign debt rapidly surged to a record high and the government announced its outline for a new economic growth plan and acquire a financial safety net from the IMF based on a precautionary agreement. In the wake of the downgrade the Hungarian Monetary Council raised the key rate by 50 bps to 6.50% to defend the currency and limit capital flight, which was according to market expectations.

In December, the government recalculated the 2012 budget, as weaker growth forecasts and devaluing HUF put a HUF 320 billion dent in the budget. To reach the 2.5% of GDP deficit target with a GDP growth at 0.5% for 2012 and a weaker HUF, the government decided to use HUF 200 billion from the national protection reserves, HUF 120 billion from further contributions of citizens who remained in the private pension funds and another HUF 20 billion from higher excise tax on tobacco products.

The national development minister submitted his resignation to focus on talks with the IMF and the EU in the hope of reaching an agreement by mid January. Informal talks between the delegations broke down in mid December after the Parliament scheduled to debate a bill on the new Central Bank Act which aimed to give the central bank more rate-setters, a third deputy governor and require the board of directors to submit their agenda to the government. The bill was passed at the end of December and although several changes were applied to please the European Central Bank it made communication with the IMF bitter. The NBH hiked the base rate up to 7% at the end of December while the next rate settling meeting is scheduled for 24th January. A further increase of 50bps is expected in an attempt to strengthen the Forint until the government secures an IMF/EU safety net.

By mid-January both S&P and Fitch downgraded the country, reflecting on the problematic situation with the IMF, the EU and the deterioration in the country's fiscal and external financing environment and growth outlook. Informal talks with the IMF continued and it became clear that the country can only obtain a stand-by-agreement instead of a precautionary one and only in case it shows a strong commitment to engage on all the
policy issues that are relevant to macroeconomic stability. The communication between Hungary and the IMF/ 
EU is changing remarkably as the government finally started to show signs of its willingness to change the 
criticised laws. IMF representatives also commented on the discussions as being "useful" and due to the 
easing tensions, the HUF started to strengthen back.

Statistical figures

The global economic boom considerably lost impetus to date in 2011. Developed countries are forecast to 
increase their economic performance this year by 1.6% on average, while developing and emerging states by 
6.4%. A more dynamic growth in case of developed national economies is prevented by adjustments needed 
because of problems on labour markets and fiscal disequilibria (high budget deficits and indebtedness). The 
growth of the economic performance of the United States was slowing down to date in the year. The GDP 
became 1.8% higher on average in the first three quarters of the year. In addition to expenditures on 
consumption exports contributed to the expansion of the northern America economy. In the region of Asia the 
gross domestic product of Japan was declining from the beginning of the year, the performance decreasing by 
0.8% in January–September 2010. The economy of China grew by 9.4%in the first three quarters of the year, 
though the rate of increase was gradually losing momentum. Despite the slowdown the economy of the 
European Union (EU-27) increased by 1.8% on average in the 1st–3rd quarters of 2011 compared to the 
corresponding period of the previous year. The engine of growth remained Germany (3.4%), although the rate of 
its expansion fell significantly. In the euro zone a 1.8% growth was recorded in the first three quarters. Similarly 
to the majority of developed countries the economic growth of Hungary also lost impetus. The gross domestic 
product of Hungary increased by 1.4% in quarter 3 of 2011 and by 1.8% in the first three quarters of 2011 
compared to the same period of the previous year. According to seasonally and calendar-adjusted data, used for 
international comparisons, the rate of increase was 1.7% compared to January–September 2010, which put 
Hungary in the middle of the ranking of Euro .

Although the external boom becoming less favourable was reflected by the external trade performance of 
Hungary, too, on the expenditure side external trade is still the only factor of growth for the Hungarian economy. 
In the first three quarters of 2011 the volume of exports and imports – along with a continuous deceleration 
measured within the period – rose by 10% and 7.7% respectively. In the first nine months a surplus of HUF 1754 
biilion was generated on external trade, which was equal to 8.6% of gross domestic product. In January– 
September the exports and imports at constant prices of external trade in goods, accounting for the majority of 
international trade, rose by 12% and 8.7% respectively. In the field of services exports and imports also 
expanded, by 4.4% and 1.7% respectively. Domestic demand did not start to recover: in the period of January– 
September a decrease of 1.0% occurred in domestic use as a consequence of the stagnation of actual final 
consumption and a significant fall of gross fixed capital formation. Actual final consumption, representing more 
than eight-tenths of domestic use, essentially stagnated on average in the first three quarters (-0.1%). Within 
this the actual final consumption of households hardly changed as well (+0.1%), while the volume of actual final 
consumption of government, accounting for about one-eighth of actual final consumption, decreased by 1.4%.

Household final consumption expenditure was essentially unchanged in the first nine months of 2011 (-0.1%) 
compared to the corresponding period of the previous year. In effect, final consumption expenditure was not 
affected by the payment of real returns by private pension funds in August. However, the volume of social 
transfers in kind – from the government and the non-profit institutions serving households – to households 
increased by 0.9%. The volume of gross fixed capital formation was 6.4% lower in the first nine months this year 
than one year before, and the decreasing trend was further strengthened by a fall of 8.6% in the 3rd quarter. All 
this considerably lowered the expansion of economic performance. According to investment statistics 
investments in the national economy, accounting for the overwhelming part of gross fixed capital formation, were 
down by 5.4% in quarter 3 and by 4.5% in the first nine months. In January–September construction investments 
were significantly (15%) lower than one year earlier, while investments in machinery and equipment rose (by 
10%). The output of investments was lowered in the majority of industries. As dwelling constructions went on 
decreasing investments in real estate activities were 22% less than in the same period of the previous year. In 
case of transportation and storage a fall of 23% was recorded, since investments were completed in several 
transport branches. Out of industries having relatively large weight a considerable rise occurred only in
manufacturing (28%), within which volume increases were observed for the majority of branches as well. Primarily individual large investments showed substantial growths in a few industries of relatively low weight: in mining and quarrying (33%) and in human health and social work activities (44%). Additional rises were measured in scientific and technical activities (12%) and in agriculture (4.3%). The stock of inventories in the 3rd quarter increased by HUF 175 billion at current prices, however, the change of inventories had a negative impact on economic expansion for the first time after six consecutive quarters. In quarters 1–3 the level of inventories rose by HUF 250 billion. In January–September 2011 the performance of the Hungarian economy from production (output) side was influenced by the continuously decelerating industry as well as agriculture. The performance of agriculture rose by 27% over nine months, within which very significantly, too, by 29% in the 3rd quarter. The considerable volume increase in the branch was caused by improving yields. In January–September 2011 the gross value added by industry grew by 6.8%, mainly as a consequence of the expansion of manufacturing by 8.1%, thus contributing significantly to GDP growth. In quarter 3 the slowdown of the performance, lasting for a year, continued. The volume of industry rose by 3.5%, while that of manufacturing by 4.6%. The slowdown was due to the high base as well as the deceleration of external demand. The performance of export-oriented enterprises continues to be considered as the engine of industrial production. Among manufacturing branches production increased considerably in the manufacture of transport equipment, basic metals and fabricated metal products as well as machinery and equipment n.e.c. and in textile industry.

According to the latest available data broken down by branches, the volume of industrial production in October – along with deteriorating external conditions of recovery and the high base registered one year before – increased by 3.0% compared to the corresponding period last year. Exports were up by 1.0%, while domestic sales fell by 6.3%. In the first ten months of the year the volume of production was 5.8% higher than one year earlier, with an 8.1% expansion of sales on external markets and a 5.3% decrease of domestic sales. Among the sections of industry the volume of production in manufacturing in January–October grew by 6.2%, while the output of the energy sector diminished by 1.4%. The volume of production in mining, having small weight in production, was 13.2% higher than in the same period of the previous year.

The forint price level of external trade grew by 1.5% in exports and by 2.7% in imports in January–September, so the terms of trade deteriorated by 1.2%. Our national currency strengthened over a year by 2.4% against the major currencies in the first nine months of the year, within which revaluations of 1.4% and 7.9% were measured against the EUR and the USD respectively.

In the period of August–October 2011 and considering the 15–64 year-old population 36 thousand more people were working than one year earlier. The number of employed persons came to 3 million 828 thousand, which was 0.9% higher than in August–October 2010. The employment rate of 56.6% calculated for this age group was 0.6 percentage point higher than in the corresponding period of the previous year.

According to the latest staff number data of institutional labour statistics there were 2 million 693 thousand employees in the observed group of organizations in the national economy in the period of January–October 2011, 6 thousand (0.2%) less than one year before, which means a practically unchanged level. In the first four months within the period somewhat more people were working, while in the months of May–October slight decreases were observed in the staff number. In the different areas of the national economy trends of opposite direction continued to be recorded.

In the first ten months of the year average gross earnings – based on accounting records – were HUF 209 900, 4.6% higher in nominal terms than one year before. The monthly average amount of net earnings equalled HUF 139,200, which was 5.8% higher than in January–October 2010. Net earnings were HUF 142,200 at enterprises, HUF 133,200 in the public sector and HUF 124,600 in the non-profit sector. Relatively significant, 7.4% and 8.1% increases were recorded in earnings in the private and the non-profit sectors respectively, while a more modest, 1.3% rise was observed in the public sector.

The rate of increase of consumer prices – because of the substantial price rises of motor fuels as well as electricity, gas and other fuels – accelerated further, so prices increased by 4.3% in November compared to the same month of the previous year. The price rise in January–November was 3.9% on average.
The consolidated, cash-based deficit of the general government (without local governments) – according to preliminary data of the Ministry for National Economy – was HUF 1248 billion in the period of January–November 2011, HUF 57 billion less than in the same period of the previous year. The revenue of the general government amounted to over HUF 11.9 trillion, its expenditure to HUF 13.2 trillion, which was 3.5% and 2.7% more respectively than one year before. The purchase of a parcel of MOL shares increased expenditures by some HUF 500 billion, while the revenue from the Pension Reform and Debt Reduction Fund, received during the months of October and November and amounting in total to about HUF 420 billion, raised the level of revenues. Among the sub-systems the balance of the central government shows a deficit of HUF 1296 billion following a deterioration of HUF 14 billion. Improvement was recorded in case of social security funds: the deficit of HUF 30 billion was HUF 71 billion less than in the same period last year. A surplus of HUF 79 billion was measured for extra-budgetary funds, the same amount as in January–November 2010.

Source: KSH, 20 / 12 / 2011

5.2 Budapest Office Market Overview

Stock and Supply

At Q4 2011 the Budapest modern office stock consisted of 3,158,900 sq m modern Grade ‘A’ and ‘B’ office space. During the last 5 years the market saw a significant increase in the volume of supply as several new projects have been completed, but it is important to mention that due to the strict financing conditions and the uncertain market environment the volume of speculative developments show a significant fall compared to years such as 2008 and 2009.

In 2011, a total of 87,425 sq m new office space was completed, which is the lowest annual volume of the past 7 years. Only six new office buildings were completed, out of which one was an owner occupied development. The new buildings of K&H Bank; Millennium H (11,980 sq m) and Millennium K (38,900 sq m) were handed over in Pest Central South submarket while Laurus office building (14,016 sq m) and the office component of KÖKI Terminal (6,325 sq m) were added to the stock of the Pest Non Central submarket. All four buildings were completed in Q4 2011. Additionally two other developments were completed at the first half of 2011: Calasanz Downtown Offices in the CBD on 1,700 sq m and Officium, the office component of Akadémia Park development on 14,500 sq m in Buda North. The average vacancy of the buildings completed in 2011 was 15.7% at completion which clearly shows the trend that developers are not willing to start new constructions on a purely speculative basis anymore.

Map 1: Budapest Submarket Map
Table 1: Office Completions in 2011

<table>
<thead>
<tr>
<th>Building name</th>
<th>Size (sq m)</th>
<th>Date of completion</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDO</td>
<td>1,700</td>
<td>Q1 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Officium</td>
<td>14,500</td>
<td>Q2 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Millennium K</td>
<td>38,900</td>
<td>Q4 2011</td>
<td>Owner occupied</td>
</tr>
<tr>
<td>Millennium H</td>
<td>11,984</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>Laurus</td>
<td>14,016</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
<tr>
<td>KÖKi</td>
<td>6,325</td>
<td>Q4 2011</td>
<td>speculative</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011

Looking ahead there is a very limited pipeline, hence annual volume of new completions will reach a historic low in 2012. We expect only 35,500 sq m new office space to be handed over in three buildings, all of them being speculative projects. That said the completion of these project might be postponed further to 2013 as they did not manage to secure any pre-leases so far making construction works and further financing problematic. At the moment we expect the following projects to be handed over: V 67 in Váci Corridor by Spanish developers on 2,200 sq m (H1 2012), Green House by Skanska on 17,800 sq m in H2 2012 and Váci Greens by Atenor on 15,500 sq m in H2 2012. Completion of the latest project is highly questionable as construction works have been pending since year end 2011.

There are three offices in the pipeline to be handed over between 2013 and 2014 amounting to 53,000 sq m: the third phase of Office Garden on nearly 18,500 sq m, the new KPMG headquarter on 20,500 sq m by Futureal, and the prestigious Eiffel Palace 14,000 sq m in the CBD which will serve as PWC’s new headquarter upon completion. Neither of these developments started yet.

Table 2: Future Supply 2012-2014

<table>
<thead>
<tr>
<th>Building name</th>
<th>Size (sq m)</th>
<th>Year</th>
<th>Quarter</th>
<th>Refurbishment or new development</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green House</td>
<td>17,800</td>
<td>2012</td>
<td>Q4</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>Váci Greens A</td>
<td>15,500</td>
<td>2012</td>
<td>Q4</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>V67</td>
<td>2,200</td>
<td>2012</td>
<td>Q2</td>
<td>new</td>
<td>speculative</td>
</tr>
<tr>
<td>Office Garden Phase III</td>
<td>18,513</td>
<td>2013</td>
<td>H2</td>
<td>New</td>
<td>speculative</td>
</tr>
<tr>
<td>Eiffel Palace</td>
<td>14,000</td>
<td>2014</td>
<td>Q1</td>
<td>New</td>
<td>64% prelet</td>
</tr>
<tr>
<td>K4</td>
<td>20,500</td>
<td>2014</td>
<td>Q1</td>
<td>New</td>
<td>50% prelet</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Research Q4 2011

Table 3: Office completions in 2011 by Submarkets

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Size (sq m)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>1,700</td>
<td>1.9%</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>50,880</td>
<td>58.2%</td>
</tr>
<tr>
<td>Pest Non-Central</td>
<td>20,340</td>
<td>23.3%</td>
</tr>
<tr>
<td>Buda North</td>
<td>14,500</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011
Demand / Take-up

In 2010 total demand reached 306,650 sq m out of which 34.9% were lease renewals. Net take-up (including new leases, expansions and pre-leases) represented 58.8% of the total demand and 6.3% was owner occupied office occupancy. However the total demand slightly decreased compared to the previous year, the ratio of new lease transactions versus renewals remained stable. In 2009 total demand reached 373,150 sq m out of which renewals amounted to 121,620 sq m. Apart of the large share of renewals there were several BTS transaction in 2009 as well which represented 78,700 sq m altogether.

Pre-lease activity within the market was low until 2008 (around 25,000 sq m per year) but in 2008 and 2009 the market saw more significant pre-lease activity with 82,572 sq m and 52,181 sq m respectively per year. This trend stopped in 2010 and pre-leases practically disappeared from the market as we registered only 7,468 sq m of pre-lease activity. In 2010 only GTC Metro has managed to secure 100% tenancy before its completion but this pre-lease agreement was signed in 2009.

The most significant office transaction was the move of Allianz Insurance into their new 17,202 sq m in owner occupied office at K3. The three largest speculative transactions were all lease renewals: Ericsson in Science Park (12,829 sq m), Sanoma in Szépvölgyi Office Park (8,500 sq m) and SAP in Graphisoft Park (8,500 sq m). A total of 483 leasing transactions were closed throughout the year with an average size of 635 sq m.

Involvement of tenant representation agencies gains increasing importance by large occupiers as many future office projects are offered for pre-lease and/or built-to-suit HQ. Tenants can now achieve favourable conditions and rents with the experience of a professional advisor.

According to market expectations demand strengthened in 2011 on 2010. Gross take-up reached 394,650 sq m which is a massive increase of 28.7% year on year. Net take up was also above the 2010 level. The volume of
new transactions, expansions, preleases and owner occupation reached 242,226 sq m which indicates an increase of 21.6% year on year, again a positive trend in terms of demand.

The composition of the annual demand shows that renewals represented a high share in 2011, similarly to 2010 and 2009. Lease renewals had a share of 38.6% almost the same ratio as new leases with 38.8%. Expansions represented 16.2% while preleases 5.8%. There was only one owner occupation accounting for a mere 0.6%.

The largest transactions were new leases signed in Q4 2011, a company from the public leased 20,800 sq m in Spirál, while KFKI signed for 15,100 sq m in South Buda Business Park. Both buildings have been vacant for several quarters therefore these new leases play an important role in the quarterly net absorption. There were several large renewals as well: NSN extended its lease in CityGate on 13,000 sq m so did Raiffeisen on 11,900 sq m in Akadémia Center. Unlike 2010 two larger preleases were also signed in 2011. KPMG decided to move in 2014 into a new office at Váci Corridor, developed by Futureal on a total of 20,500 sq m. KPMG will occupy 8,500 sq m at first with a further expansion option on nearly 1,500 sq m. The other prelease transaction was also signed by PWC on 9,000 sq m in Eiffel Palace located in the CBD.

Graph 2: Structure of Take-up in Budapest

Having a closer look at the graph above, we can see that Budapest has been witnessing continuous growth in net take-up until 2008. As the economic crisis hit the market the ratio of renewals rose while the share of new transactions and expansions decreased. In 2011 renewals took 38.6% of the total demand while this ratio was 34.9% in 2010, 36% in 2009 and only 19% in 2008. Large corporations opted to renegotiate their current premises and renew their lease, in some cases even before the lease expiry to be able to lock-in rents considered by many to be at the lowest point of the cycle.

Although we expected that in 2011 we would record a lower share of renewals compared to 2010, there were still many companies who decide to extend their lease agreements at their current locations. That said net take up shows an increasing trend since 2009 even in case the growth is very limited.
### Table 4: Major Deals 2011

<table>
<thead>
<tr>
<th>Sub-market</th>
<th>Building</th>
<th>Tenant</th>
<th>Size (sq m)</th>
<th>Type of deal</th>
<th>Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pest Central South</td>
<td>Millennium Tower I</td>
<td>Vodafone</td>
<td>10,500</td>
<td>renewal</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda North</td>
<td>Maross utca BC</td>
<td>Edukacio</td>
<td>3,750</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda Central</td>
<td>Margit Ház</td>
<td>Magyar Takarékszövetkezeti Bank</td>
<td>3,670</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Non-Central</td>
<td>Laurus Offices</td>
<td>BDO Forte</td>
<td>3,600</td>
<td>prelease</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Millennium Tower III</td>
<td>MSD</td>
<td>2,500</td>
<td>new</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>K2</td>
<td>Sykes</td>
<td>2,230</td>
<td>renewal</td>
<td>Q1 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Citygate</td>
<td>NSN</td>
<td>13,000</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Akadémia Center</td>
<td>Raiffeisen</td>
<td>11,900</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>WECC</td>
<td>Unisys</td>
<td>4,100</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>IP West</td>
<td>BT</td>
<td>3,300</td>
<td>renewal</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Buda North</td>
<td>Officium</td>
<td>confidential</td>
<td>3,000</td>
<td>new</td>
<td>Q2 2011</td>
</tr>
<tr>
<td>Buda Central</td>
<td>Imperial Krisztina</td>
<td>confidential</td>
<td>12,000</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>K4</td>
<td>KPMG</td>
<td>8,500</td>
<td>prelease</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Studium</td>
<td>Nokia</td>
<td>6,500</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>PCN</td>
<td>Park Atrium</td>
<td>Deloitte</td>
<td>4,800</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Optima A</td>
<td>Zepter</td>
<td>3,345</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Arena Corner</td>
<td>Citibank</td>
<td>3,140</td>
<td>expansion</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Pest Central South</td>
<td>Arena Corner</td>
<td>Citibank</td>
<td>3,000</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>IP West I</td>
<td>NXP</td>
<td>2,600</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Ybl Palota</td>
<td>Cameron Mckenna</td>
<td>2,500</td>
<td>renewal</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>First Site Offices</td>
<td>Plug and Work</td>
<td>2,400</td>
<td>new</td>
<td>Q3 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Spirál</td>
<td>confidential</td>
<td>2,000</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Buda South</td>
<td>South Buda BP</td>
<td>KFKI</td>
<td>15,136</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Váci Corridor</td>
<td>Spirál</td>
<td>confidential</td>
<td>8,000</td>
<td>renewal</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>Pest Central North</td>
<td>Rumbach Center</td>
<td>confidential</td>
<td>4,860</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
<tr>
<td>CBD</td>
<td>Bank Center</td>
<td>Citibank</td>
<td>3,485</td>
<td>new</td>
<td>Q4 2011</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011

Out of the 596 transactions, which were signed in 2011, only 76 were signed for office space above 1,000 sq m totalling to 249,770 sq m (66.3% of the total demand). Many smaller scale deals were signed hence currently the average transaction size is around 663 sq m in Budapest, which shows an increase compared to previous years.

### Table 5: Average deal sizes in Budapest from 2004 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Deal Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>600</td>
</tr>
<tr>
<td>2010</td>
<td>635</td>
</tr>
<tr>
<td>2009</td>
<td>788</td>
</tr>
<tr>
<td>2008</td>
<td>745</td>
</tr>
<tr>
<td>2007</td>
<td>701</td>
</tr>
<tr>
<td>2006</td>
<td>590</td>
</tr>
<tr>
<td>2005</td>
<td>638</td>
</tr>
<tr>
<td>2004</td>
<td>663</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Q4 2011
Vacancy

During 2011 the vacancy rate fluctuated between 20-21% reaching its lowest level of 19.2% by year end. This was the result of the limited new supply with high prelease rations so as the strong net take up in Q4 2011. The shrinking availability might seem convincing, but it is important to mention that several larger office buildings will be vacated during H1 2012 after their former occupiers will relocate to their new headquarters. These buildings are mainly old and of less modern quality therefore their new usages is highly questionable.

The highest vacancy rate is registered in the Periphery (32.2%) while Buda North has the lowest vacancy rate (16.7%). The submarkets show significant difference in terms of vacancy. Buda Central (24.2%) and Pest North Central (21.5%) are the two most oversupplied submarkets in Budapest apart of Periphery.

The below chart presents the stock and vacancy of each submarkets.

Graph 3: Vacancy and Stock in the Submarkets as at Q4 2011

Source: Jones Lang LaSalle Research, Q4 2011

Rents

Office prime rents stood at €20/sq m/month at Q4 2011. This rental level can only be achieved in the best office buildings in the CBD. Rental bands of each submarkets show a wide range as the pricing depends on the location and the quality of the building as well as the public transportation access. Until the end of 2010 most landlords were forced to decrease their asking rents and offer generous incentives in order to attract tenants. This trend seems to be abating as we have experienced rental growth in some of the most popular and best located buildings. This however only concerns a very limited number of buildings at the moment but we expect rental stabilisation in the course of 2011 once the high oversupply starts to be absorbed. That said, rental stabilisation applies for mainly modern, A category buildings. Older, B category offices might face difficulties as
their tenants leave behind their old premises to move into newer, more effective buildings. This will automatically result in jumping availabilities which will have an impact on rental levels. Therefore we forecast a deepening rental gap between A and B category buildings.

The rental decline caused by the crisis showed different patterns in each submarket. Prime products in prime locations were able to maintain their asking rents relatively unchanged or experienced only a moderate fall. At the same time the projects located in Non-Central submarkets did have to offer significant discounts. The greatest rental decline was seen in the Periphery and the Buda South submarkets.

**Graph 4: Rental Bands in the Submarkets**

[Graph showing rental bands in different submarkets]

In order to secure tenants in their buildings landlords are offering greater rental incentives. Beside the average incentives (standard 70-30% fit-out, rent free period) landlords are willing to pay further incentives, such as moving contributions or higher quality fit-out/greater fit out contribution. Projects outside the CBD and the most popular office locations are still under pressure of oversupply, therefore the highest level of extra incentives are available in these submarkets.

### 5.3 Investment Market Overview

While in 2010 the total transaction volumes in commercial real estate in Hungary for 2010 remained below €300 million with less than €200 million of institutional investment deals recorded for the full year by Jones Lang LaSalle, Investment activity picked up in 2011 with more than €230 million transacted in Hungarian assets during the 4th quarter. The total volume of investment transactions for 2011 reached €650 million.

The last weeks of 2011 were active with the closing of two major office portfolio transactions with Heitman, the Chicago based real estate investment manager as the buyer in both cases. The first transaction was the creation of a Joint Venture with TriGranit who sold a 74% interest in 4 office buildings located in the Millennium City Centre project (Tower I, II, II and the newly delivered Building H); the total consideration of the transaction amounted to €151 million. The buildings located along the Danube, South of the city centre, are one of the most successful office schemes in the city and have attracted prime tenants such as Vodafone, KBC, Nestle, Morgan
Stanley, Prologis and Lufthansa / Swiss. The second transaction was the disposal by the AVIVA Investors Central European Property Fund of Alkotás Point, anchored by Unicredit Bank and Bayer and Science Park anchored by Ericsson and Tata Consulting.

All major asset classes have traded during the year: The hotel segment was active with the transaction of 2 five-star hotels (Intercontinental, Four Seasons), the retail segment witnessed the disposal of a partial interest in Arkád Shopping Centre to ECE and the acquisition by Erste Real Estate of the Napfény Park in Szeged. The industrial asset class was represented by Aerozone and M1 Business Park as part of the Europolis portfolio, however, close to 60% of the total volume was transacted on office buildings with the Europolis, TriGranit and AVIVA assets representing the main transactions of the year.

Some transactions which were expected to close in 2011 have been delayed – cancelled due to difficulties with bank financing and this will remain a serious bottle neck in 2012 as a consequence of the general de-leveraging, the evolution of financial markets but also the specific situation of Hungary on a macro-economic and political front.

Further developments on the investment market are dependant upon the evolution of the financial markets in view of the sovereign debt crisis and downgrades in the Euro zone and on the capacity to raise debt finance.

Based on our assessment of the market and relative pricing with Poland and the Czech Republic, we keep our views on prime yields unchanged compared to Q3 2011 with a stable outlook.

The graph below shows transaction volumes in 2003 – 2011.

**Graph 1: Investment volumes in Hungary 2003-2011**

The tables below shows Budapest’s prime yield levels compared with other major European cities.

**Table 12: Indicative summary of prime retail investment yields in selected European cities**
The following table shows the main transaction in Hungary in 2011.

### Table 13: Transactions in Hungary 2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>Property Name</th>
<th>Area (sq m)</th>
<th>City</th>
<th>Quarter, Year</th>
<th>Estimated NIY(%)</th>
<th>Vendor</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>City Gate (65%)</td>
<td>24,200</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Office</td>
<td>Infopark A (51%)</td>
<td>12,200</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.35%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Office</td>
<td>IP West I - V (65%)</td>
<td>31,000</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>8.00%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Industrial</td>
<td>Aerozone Budapest (51%)</td>
<td>65,000</td>
<td>Vecsés</td>
<td>Q1, 2011</td>
<td>8.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Industrial</td>
<td>M1 BP (51%)</td>
<td>69,000</td>
<td>Páty</td>
<td>Q1, 2011</td>
<td>9.50%*</td>
<td>Oesterreichische Volksbanken</td>
<td>CA Immo</td>
</tr>
<tr>
<td>Retail</td>
<td>Árkád Shopping Centre (33%)</td>
<td>48,400</td>
<td>Budapest</td>
<td>Q1, 2011</td>
<td>Conf.</td>
<td>Unibail Rodamco</td>
<td>ECE</td>
</tr>
<tr>
<td>Retail</td>
<td>Napfény Park</td>
<td>29,477</td>
<td>Szeged</td>
<td>Q1, 2011</td>
<td>7.80%*</td>
<td>Carion</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Retail</td>
<td>Tesco (solus)</td>
<td>6,804</td>
<td>Köszeg</td>
<td>Q1, 2011</td>
<td>8.25%*</td>
<td>Private syndicate</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Retail</td>
<td>Tesco (solus)</td>
<td>5,116</td>
<td>Dabas</td>
<td>Q1, 2011</td>
<td>8.25%*</td>
<td>Private syndicate</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Hotel</td>
<td>InterContinental Hotel</td>
<td>398*</td>
<td>Budapest</td>
<td>Q2, 2011</td>
<td>n/a</td>
<td>Morgan Stanley (MSREF VI)</td>
<td>Toufic Aboukhater</td>
</tr>
<tr>
<td>Office</td>
<td>Focus Point</td>
<td>7,200</td>
<td>Budapest</td>
<td>Q2, 2011</td>
<td>n/a</td>
<td>ORCO (Endurance Fund)</td>
<td>Indotek</td>
</tr>
<tr>
<td>Office</td>
<td>Portfolio of 21 class B office buildings</td>
<td>45,000</td>
<td>Various</td>
<td>Q2, 2011</td>
<td>11.00%</td>
<td>Magyar Telekom</td>
<td>Associated Network</td>
</tr>
<tr>
<td>Retail</td>
<td>OBI</td>
<td>12,800</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>8.25%</td>
<td>Endurance Fund</td>
<td>Erste Real Estate</td>
</tr>
<tr>
<td>Office</td>
<td>Raiffeisen Back Office</td>
<td>14,750</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>n/a</td>
<td>Raiffeisen Real Estate Fund</td>
<td>Private Investor</td>
</tr>
<tr>
<td>Hotel</td>
<td>Four Seasons</td>
<td>179*</td>
<td>Budapest</td>
<td>Q3, 2011</td>
<td>n/a</td>
<td>Avestus Capital Partners</td>
<td>State Reserve Fund of Oman</td>
</tr>
<tr>
<td>Office</td>
<td>Millennium Towers I,II,III,H (74%)</td>
<td>70,000</td>
<td>Budapest</td>
<td>Q4, 2011</td>
<td>n/a</td>
<td>TriGránit</td>
<td>Heitman</td>
</tr>
<tr>
<td>Office</td>
<td>Alkotás Point, Science Park</td>
<td>53,000</td>
<td>Budapest</td>
<td>Q4, 2011</td>
<td>n/a</td>
<td>AVIVA</td>
<td>Heitman</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Capital Markets, Q4 2011 (*JLL estimation)

**Capital Market Highlights**

- Macro-economics declining with GDP growth expected at 0% in 2012
- Financial safety net is being discussed by IMF. Stand by agreement is likely to be provided
- Potential hike of personal income tax
- Market fundamentals still worse than for peer CEE capitals
- Lower, but remaining gap in pricing between vendors and buyers
- A yield discount of approximately 50-75 bps compared to Poland / Czech Republic
- Core institutional investors remain to be opportunity-driven for prime office and retail opportunities
- Industrial and hotel investments will happen only in exceptional cases
6. Valuation Commentary

6.1 Valuation Methodology

Market Value Definition (RICS Valuation Standards -Global, 7th Edition)

Market Value is defined by the Royal Institution of Chartered Surveyors (RICS) as the following:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Income Approach

The Income Approach is a method used to convert the anticipated economic benefits of property ownership into a value estimate through a capitalisation approach.

The two most common methods of converting net income into value are the discounted cash flow technique (DCF) wherein anticipated future income streams and a reversionary value are discounted to a present value estimate and the direct capitalisation technique, where an overall rate is extracted directly from pertinent market sales.

For the purposes of valuation of the subject property we have adopted the Income Approach, Discounted Cash flow technique, analysed over a 10-year period. The cash flow assumes a ten-year hold period with the exit value calculated on 11th year income. We have adopted a discount rate and terminal capitalisation rate for the subject property having regard to recent investment sales evidence known to us together with our general knowledge and opinion based on discussions with investors within the Central and Eastern European region. This opinion is also based on prevailing interest rates and relative yields on 10-year Government bonds.

In formulating our opinion we have also had regard to investment rates recorded by Jones Lang LaSalle in other major Eastern European countries.

6.2 General Valuation Assumptions

Our valuation was prepared in accordance with the information obtained from the Client and specifically on the basis of the following assumptions:

The subject property has clear and fully marketable title without any historical claims.

(a) That all necessary planning, building and other consents have been obtained.

(b) We have relied upon the information provided to us by CEE, as being complete and correct as to tenure, measurements and capacities of properties, planning consents and other relevant information.

(c) There are no Rights of Way, easements, and outgoings of an onerous nature or restrictions on use affecting the property, which may have a material effect on the value.

(d) The site is not subject to any form of environmental contamination.
The premises are constructed and used in accordance with all necessary building and planning permissions, and there are no disputes with neighbouring owners or occupiers or with the local municipal authorities.

The property complies with any fire and life security codes, environmental codes and any other regulatory requirements that may exist.

No structural surveys of the building have been undertaken. We are not therefore able to report that it is free of structural faults, rot, infestation or defects of any other nature, including inherent weaknesses due to the use of construction materials now suspect. No tests were carried out on any of the services.

6.3 Specific Cash Flow Assumptions

Estimating the Market Value of the subject property we have made allowances for the following:-

(a) Our calculations start from 1st January 2012;

(b) We have not carried out a building measurement survey. Our calculations are based on the tenancy schedule provided by CEE., dated December 2011, showing Gross Lettable Area of 2,766 sq m;

(c) The rents are subject to annual indexation according to CPI adopted at the level of 3.0% in Year 1 (except where no indexation is applicable);

(d) For the currently vacant space we have adopted 5-year lease contracts with rents at the EMRV levels.

(e) After expiry of the existing lease contracts we have adopted voids of 6 months and thereafter 5-year or 10-year lease agreements. We have adopted the Estimated Market Rental Values representing effective market rents. We used €14.0 /sq m /month EMR for the vacant area.

(f) After expiry of the current lease agreements we have adopted the annual indexation according to the EUR-CPI applied on the anniversary of signing the lease agreement;

(g) As a result, the Base Rental Revenue has been estimated at €475,425 in the first year of our projection;

(h) Due to the fact that the office building in some places needs refurbishment, we have adopted a Capital Expenditure of €60.0/sq m ;

(i) We have assumed an allowance of 10.0% with regard to leasing commissions for currently vacant space;

(j) Based on the property’s location, projected achievable rental income stream and expected position in the market we have applied the discount rate at the level of 9.5% and exit yield at 8.5%, showing an initial yield of 6.82% (NOI/PV), 9.69% in the second year and 9.99% in the third year.

Our calculations have been attached in the Appendices to this report.

Market Value Conclusion

Having regard to the foregoing, we are of the opinion that the Market Value of the Office Building, as at 31st December 2011 was in the region of €5,000,000 (Five Million Euros)

6.4 SWOT Analysis

In considering this property as investment opportunity, we would draw your attention to the following SWOT analysis.
Table 10: SWOT Analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Easy access from all directions;</td>
<td>• No in-house parking</td>
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<tr>
<td>• High prestige location;</td>
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<tr>
<td>• The prestige of Andrássy u. is on increase, due to the world leading fashion shops;</td>
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<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
<th>Threats</th>
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<tbody>
<tr>
<td>• Low overall unemployment in Budapest region;</td>
<td>• Pressure on rental level due to existing and planned competition.</td>
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<tr>
<td>• Relatively low number of competition in the close vicinity;</td>
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</table>

Source: Jones Lang LaSalle, December 2011

6.5 Valuation Summary

Having regard to the foregoing, we are of the opinion that the Market Value of the Office Building, as at 31st December 2011 was in the region of:

MARKET VALUE

€ 5,000,000

( Five Million Euros)

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes. Therefore, no allowances have been made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. The property is considered as if free and clear of all mortgages or other charges which may be secured thereon.
7. List of Documents Used in Valuation Report

The following documents were used in the Valuation Report on Sample Property located in Budapest, Hungary:

- Extract form Land Register dated 24th January 2012;
- Site map;
- Tenancy schedule dated December 2011;
Appendix 1

General Principles Adopted in the Preparation of Report and Valuations
General Principles Adopted In The Preparation Of Valuations And Reports

These General Principles should be read in conjunction with the firm’s General Terms and Conditions of Business.

It is our objective to discuss and agree the terms of our instructions and the purpose and basis of the valuation, at the outset, to ensure that we fully understand and meet our client’s requirements. Following are the general principles upon which our Valuations and Reports are normally prepared; they apply unless we have agreed otherwise and specifically mentioned the variation in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries.

1. Valuation Standards:
   All work is carried out in accordance with:

   (a) The Practice Statements contained in the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors (Sixth Edition), by valuers who conform to the requirements thereof;

   (b) The Approved European Property Valuation Standards of the European Group of Valuers Associations (TEGoVA).

   The standard adopted is set out in our report.

2. Valuation Basis:
   Our reports state the purpose of the valuation and unless otherwise noted, the basis of valuation is as defined in the appropriate valuation standard. The full definition of the basis which we have adopted is either set out in our report or appended to these General Principles.

3. Source of Information:
   We accept as being complete and correct the information provided to us by the sources listed, as details of tenant, tenancies, tenant's improvements, planning consents and other relevant matters, as summarised in our report.

4. Disposal Costs and Liabilities:
   No allowances are made for any expenses of realisation, or for taxation which might arise in the event of disposal. All property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

5. Documentation:
   We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

6. Tenants:
   Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. Measurements:
   We do not normally measure premises unless specifically requested and base our valuation on the information made available to us. Where measurement is undertaken this is carried out in accordance with either the relevant local codes or the Code of Measuring Practices issued by the Royal Institution of Chartered Surveyors except in the case of agricultural properties or where we specifically state that we have relied on another source.

8. Town Planning and Other Statutory Regulations:
   Information on town planning is, wherever possible, obtained verbally from the local planning authority and, if confirmation is required, we recommend that verification be obtained from lawyers that:-

   (a) the position is correctly stated in our report;

   (b) the property is not adversely affected by any other discussions made or conditions prescribed by public authorities;

   (c) that there are no outstanding statutory notices.
Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including enactments relating to fire regulations.

9. Structural Surveys:
Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair which we note during our inspection or costs of repair which are brought to our attention.

10. Deleterious Materials:
We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, wood wool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

11. Site Conditions:
We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these matters.

12. Environmental Conditions:
Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

13. Value Added Tax
Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

14. Outstanding Debts:
In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

15. Confidentiality:
Our Valuations and Reports are confidential to the party to whom they are addressed for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.
General Terms And Conditions Of Business

1. Introduction

These General Terms and Conditions of Business shall apply to all dealings between Jones Lang LaSalle and the Client and, for the avoidance of doubt, shall be treated as applying separately to each instruction given by the Client to Jones Lang LaSalle.

These General Terms and Conditions of Business apply where Jones Lang LaSalle provides services to a Client and there is no written agreement for the provision of these services or, if there is, to the extent that these General Terms and Conditions of Business do not conflict with the terms of that written agreement. Reference in these General Terms and Conditions to the agreement means the written or informal agreement that is subject to these General Terms and Conditions of Business.

2. Jones Lang LaSalle

Jones Lang LaSalle means Jones Lang LaSalle Kft., with its seat at Alkotás u. 50, 1123 Budapest or the other member of the Jones Lang LaSalle group of companies that provides services or the relevant part of services.

3. Services

Jones Lang LaSalle is to provide all services to the specification and performance level stated in writing or, if none is stated, to the specification and performance level that it ordinarily provides. Jones Lang LaSalle has no responsibility for anything that is beyond the scope of the services so defined.

Jones Lang LaSalle performs all services through properly licensed agents.

4. Time

Jones Lang LaSalle is to use reasonable endeavors to comply with the Client's timetable, but is not responsible for non-compliance unless the consequences of non-compliance have been agreed in writing. Even then, Jones Lang LaSalle is not liable for delay that is beyond its control.

5. E-mail and on-line services

The Client agrees that Jones Lang LaSalle may where appropriate use the available electronic communication and systems in providing services, making available to the Client any software required that is not generally available.

6. Duty of care to the Client

Jones Lang LaSalle owes to the Client a duty to act with reasonable skill and care in providing services, complying with the Client's instructions where those instructions do not conflict with (a) these General Terms and Conditions of Business, (b) the agreement or (c) applicable law and professional rules, including the code of ethics.

Jones Lang LaSalle has no liability for the consequences of any failure by the Client or any agent of the Client promptly to provide information or other material that Jones Lang LaSalle reasonably requires, or where that information or material is inaccurate or incomplete.

7. Duty of care to third parties

Jones Lang LaSalle owes a duty of care to no one but its Client. No third party has any rights unless there is specific written agreement to the contrary.

8. Liability for third parties

Jones Lang LaSalle has no liability for products or services that it reasonably needs to obtain from others in order to provide services.

(a) Jones Lang LaSalle may delegate to a third party the provision of any part of services, but if it does so:
(b) without the Client's approval, Jones Lang LaSalle is responsible for what that third party does;
(c) with the Client's approval or at the Client's request, Jones Lang LaSalle is not responsible for what that third party does.
9. **Liability to the Client**

The liability of Jones Lang LaSalle to the Client for its own negligence causing death or personal injury is unlimited, but otherwise its liability is:

(a) limited to 2 (two) times the fixed fees amount agreed with Jones Lang LaSalle per occurrence or series of occurrences arising from one event,

(b) excluded to the extent that the Client is responsible, or someone on the Client’s behalf for whom Jones Lang LaSalle is not responsible under these General Terms and Conditions of Business,

(c) limited to direct and reasonably foreseeable loss or damage with no liability for indirect or consequential loss,

(d) (where Jones Lang LaSalle is but one of the parties liable) limited to the share of loss reasonably attributable to Jones Lang LaSalle on the assumption that all other parties pay the share of loss attributable to them (whether or not they do),

(e) not (so far as permitted by law) increased by any implied condition or warranty,

(f) in any case limited to a maximum of € 1,000,000 (one million euro) in aggregate per annum.

Jones Lang LaSalle shall not be liable for any hidden defects in the real property sold, bought or leased, unless Jones Lang LaSalle was aware of these defect and did not inform the client hereof.

10. **Insurance**

Jones Lang LaSalle agrees to purchase and maintain appropriate insurance policies, in particular professional indemnity insurance, for an amount of not less than € 1 million per occurrence or series of occurrences arising from one event.

11. **Indemnity from the Client**

The Client agrees to indemnify Jones Lang LaSalle against all liability (including without limitation all actions, claims, proceedings, loss, damages, costs and expenses) that relates in any way to the provision of services, except a liability that a court of competent jurisdiction decides (or Jones Lang LaSalle agrees) was caused by the fraud, willful default or negligence of Jones Lang LaSalle or of a delegate for whom Jones Lang LaSalle is responsible under the agreement.

12. **Protection of employees**

The Client agrees that (except for fraud or a criminal offence) no employee of the Jones Lang LaSalle group of companies has any personal liability to the Client, and that neither the Client nor anyone representing the Client will make a claim or bring proceedings against an employee personally.

13. **Complaints resolution procedure**

The Client agrees that it will not take any action or commence any proceedings against Jones Lang LaSalle before it has first referred its complaint to Jones Lang LaSalle in accordance with Jones Lang LaSalle’s complaints procedure, details of which are available upon request from the Compliance Officer, Jones Lang LaSalle Sp. z o.o., ul. Saski Crescent, ul. Królewska 16, 00-103 Warsaw.

14. **Conflict of interest**

If Jones Lang LaSalle becomes aware of a conflict of interest it is to advise the Client promptly and recommend an appropriate course of action.

15. **Confidential information**

Jones Lang LaSalle must keep confidential all information of commercial value to the Client of which it becomes aware solely as a result of providing services, but it may:

(a) use it to the extent reasonably required in providing services,

(b) disclose it if the Client agrees,

(c) disclose it if required to do so by law, regulation or other competent authority.

Jones Lang LaSalle will comply with personal data protection regulation.
16. Publicity

Neither Jones Lang LaSalle nor its Client may publicize or issue any specific information to the media about services or its subject matter without the consent of the other.

17. Intellectual property

Copyrights, patents, trademarks, design and other intellectual property rights in any material supplied by the Client, or in any material prepared by Jones Lang LaSalle exclusively for the Client, belong to the Client.

Such rights in any other material prepared by Jones Lang LaSalle in providing services belong to Jones Lang LaSalle, but the Client has a non-exclusive right to use it for the purposes for which it was prepared.

18. Remuneration

Where the fees and expenses payable for services are not specified in writing, Jones Lang LaSalle is entitled to:

(a) the fee specified by the relevant Regional Association of Real Property Intermediaries or other applicable professional body or, if none is specified, to a fair and reasonable fee by reference to time spent, and

(b) reimbursement of expenses properly incurred on the Client’s behalf.

Where services are not performed in full, Jones Lang LaSalle is entitled to a reasonable fee proportionate to services provided as estimated by Jones Lang LaSalle.

The Client must pay VAT at the rate then current on the date of issuance of a VAT invoice.

If an invoice is not paid in full within 30 (thirty) days from the date of issuance, Jones Lang LaSalle may charge interest on the balance due at a daily rate of 2% above the base rate of PKO BP S.A. for real estate loans.

19. Assignment

The Client may assign rights and obligations arising from the agreement, but must first get the written consent of Jones Lang LaSalle, which will not be unreasonably withheld.

20. Termination

The Client or Jones Lang LaSalle may terminate the agreement immediately by written notice to the other, if the other has not satisfactorily rectified a substantial or persistent breach of the agreement within the reasonable period specified in an earlier notice to rectify it.

Termination of the agreement does not affect any claims that arise before termination or the entitlement of Jones Lang LaSalle to its proper fees or to be reimbursed its expenses up to the date of termination.

On termination Jones Lang LaSalle must return to the Client or, if the Client so wishes, destroy all Client information that is to be kept confidential, but Jones Lang LaSalle may keep (and must continue to keep confidential) one copy of that information to comply with legal, regulatory or professional requirements.

21. Notices

A notice is valid if in writing addressed to the last known address of the addressee and is to be treated as served:

(a) when delivered, if delivered by hand during normal business hours (where business hours next commence – if delivered after),

(b) when actually received, if posted by recorded delivery,

(c) when actually received, if sent by ordinary mail, fax or electronic mail.

22. Governing Law

These General Terms and Conditions of Business and the terms of the instruction shall be governed and construed in accordance with the laws of Hungary. All disputes shall be finally settled by the court of arbitration of the Hungarian Chamber of Commerce in Budapest in accordance with the rules set forth for this court.
Appendix 3
Definition of Market Value
The Basis of Valuation

Our valuation is carried out on the basis of the property’s Market Value. This is defined in the RICS Red Book as:

‘The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion’

Interpretive Commentary, as published in International Valuation Standard 1 of the RICS Red Book:

3.2 The term property is used because the focus of these Standards is the valuation of property. Because these standards encompass financial reporting, the term asset may be substituted for general application of the definition. Each element of the definition has its own conceptual framework.

3.2.1. ‘The estimated amount…’
Refers to a price expressed in terms of money (normally in the local currency) payable for the asset in an arm’s-length market transaction. Market Value is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.

3.2.2. ‘…a property should exchange…’
Refers to the fact that the value of an asset is an estimated amount rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the Market Value definition should be completed on the date of valuation.

3.2.3. ‘…on the date of valuation…’
Requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

3.2.4. ‘…between a willing buyer…’
Refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than on an imaginary or hypothetical market, which cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present asset owner is included among those who constitute ‘the market’. A valuer must not make unrealistic assumptions about market conditions or assume a level of Market Value above that which is reasonably obtainable.

3.2.5. ‘…a willing seller…’
Is neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual asset owner are not a part of this consideration because the ‘willing seller’ is a hypothetical owner.

3.2.6. ‘…in an arms-length transaction…’
Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant), which may make the price level uncharacteristic of the market of inflated because of an element of Special Value. The Market Value transaction is presumed to be between unrelated parties each acting independently.

3.2.7. ‘…after proper marketing…’
Means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with
market conditions, but must be sufficient to allow the asset to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.

3.2.8. ‘...wherein the parties had each acted knowledgeably and prudently...’

Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price, which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

3.2.9. ‘...and without compulsion...’

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

3.3 **Market Value** is understood as the value of the asset estimated without regard to costs of sale or purchase, and without offset for any associated taxes.
Appendix 4
Location Map
Appendix 5

Site Map
Appendix 6

Extracts from Land Register
<table>
<thead>
<tr>
<th>Nem hiteles tulajdonúlap</th>
<th>Néra hiteles tulajdonúlap</th>
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Appendix 7
Photographs
Front Façade of the building from Andrássy u.

Street front area
Street-front retail aria

Typical office-overlooking Andrássy u.
# Cash Flow Input Assumptions

## Andrássy Office Building, Budapest, Hungary

### Exchange Rates at 31st December 2011
according to the Hungarian National Bank

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<th>1 EUR</th>
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### Indexation

- **EUR-CPI**: 3,03%
- **US-CPI**: 3,53%
- **Fixed**: 0,00%
- **HUF-CPI**: 3,85%
- **EMRV**: 2,00%

### Valuation

- **Valuation date**: 31/12/2011
- **CF start date**: 2012.01.01
- **Exit Yield**: 8,50%
- **Discount Rate**: 9,50%
- **Initial Yield**: 6,82%
- **Yield on EMRV**: 9,28%

### Market Value

- **Market Value in EURO**: € 5 000 000
- **Market Value in USD**: US$ 6 700 000

### Cash Flow Calculation

- **Vacant duration**: 6 months
- **Cash flow calculation**: 10 year(s)
- **Valuation Currency**: EURO
- **Cash Flow calculated**: monthly

### Property Details

- **Total Lettable Area**: 2 765,82
- **Vacant Area**: 1 657,00
- **Vacancy**: 59,91%

### Local Currency

- **Local Currency**: HUF
### Table: Property Information

| No. | Area Status | Tenants | Type of Space | Utility | Mix | Min. Size | Leased | Parking | Parking in Lease | Area | Units | Category | Area Units | Type of Space | Unit Lease | Annual Income | Total Rent Income (Office+Parking) | Parking | EMRV in CF | EMRV in CF | Unit Level | Rate Currency | EMRV in CF | Unit Level | Rate Currency | EMRV in CF | Unit Level | Rate Currency |
|-----|-------------|---------|---------------|---------|-----|-----------|--------|---------|-----------------|------|-------|-----------|------------|---------------|------------|---------------|--------------------------------|---------|-------------|-------------|------------|---------------|-----------|-------------|---------------|-----------|-------------|--------------|          |              |
| 1   | Signed CIB Bank | Retail | 204,25         | 2010.03.29 | 2020.03.28 | 6      | 2020.09.28 | 7,7        | 10     | 40,00 | EUR          | 40,00 |             |             | 98 040 | jan            | 3,00%       | 40,00 | EUR-CPI        | 3,0% | 40,00 | EUR          | 40,00 |             |             | 0,00 | EUR -         | -          | 8 170,0 | 98 040,0 | 0,00%       | 98 040,0 | 0,00%       | 8 170,0 | 98 040,0 |
| 2   | Signed CIB Bank | Storage | 88,57          | 2010.03.29 | 2020.03.28 | 6      | 2020.09.28 | 7,7        | 10     | 3,00 | EUR          | 3,00 |             |             | 3 189 | 265,7         | 3,00%       | 3,00 | EUR-CPI        | 3,0% | 3,00 | EUR          | 3,00 |             |             | 0,00 | EUR -         | -          | 265,7 | 3 188,5 | 0,00%       | 3 188,5 | 0,00%       | 265,7 | 3 188,5 |
| 3   | Signed LM Neoprofessional Kft. | Office > 200 | 791,00         | 2011.12.07 | 2017.02.06 | 6      | 2017.08.06 | 4,6        | 5      | 10,00 | EUR          | 10,00 |             |             | 94 920 | 7 910,0        | 0,00%       | 10,00 | EUR-CPI        | 3,0% | 10,00 | EUR          | 10,00 |             |             | 0,00 | EUR -         | -          | 7 910,0 | 94 920,0 | 0,00%       | 94 920,0 | 0,00%       | 7 910,0 | 94 920,0 |
| 4   | Signed LM Neoprofessional Kft. | Storage | 25,00           | 2011.12.07 | 2017.02.06 | 6      | 2017.08.06 | 4,6        | 5      | 3,00 | EUR          | 3,00 |             |             | 900 | 75,0          | 0,00%       | 3,00 | EUR-CPI        | 3,0% | 3,00 | EUR          | 3,00 |             |             | 0,00 | EUR -         | -          | 75,0 | 900,0        | 0,00%       | 900,0 | 900,0        | 0,00%       | 900,0 | 900,0        |
| 5   | Vacant Office > 100 |                | 0              | 2012.07.01 | 2017.06.30 | 6      | 2017.12.30 | 5,0        | 5      | 14,00 | EUR          | 14,00 |             |             | 278 | 376,0         | 0,00%       | 14,00 | EUR-CPI        | 3,0% | 14,00 | EUR          | 14,00 |             |             | 0,00 | EUR -         | -          | 376,0 | 278,376,0   | 0,00%       | 278,376,0 | 278,376,0 | 278,376,0 |

### Discount rate
- **9.50%**

### Monthly discount
- **0.76%**

### Year 1

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<tr>
<th>Year</th>
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<td>Annual Fit-out (nominal)</td>
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<td>Letting fee</td>
<td>10.00%</td>
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### Year 1

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### Year 1

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<tbody>
<tr>
<td>Monthly CAPEX + Fit-out + Letting (nominal)</td>
<td>27 637</td>
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<tr>
<td>Monthly CAPEX + Fit-out + Letting (discounted)</td>
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<td>4 700</td>
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### Market Value
- **5 000 000**
Cash Flows calculated monthly. All figures shown are annuities.

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<tr>
<th>YEAR</th>
<th>1 year</th>
<th>2 year</th>
<th>3 year</th>
<th>4 year</th>
<th>5 year</th>
<th>6 year</th>
<th>7 year</th>
<th>8 year</th>
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<td>TOTAL INCOME</td>
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<td>511,010</td>
<td>526,483</td>
<td>542,446</td>
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<td>Expenses % on income</td>
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<td>434,606</td>
<td>495,948</td>
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<td>444,512</td>
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<td>RUNNING YIELD (Before CAPEX)</td>
<td>6,38%</td>
<td>9,06%</td>
<td>9,34%</td>
<td>9,62%</td>
<td>9,91%</td>
<td>6,07%</td>
<td>9,13%</td>
<td>9,33%</td>
<td>8,19%</td>
<td>9,13%</td>
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<td>RUNNING YIELD (After CAPEX)</td>
<td>6,82%</td>
<td>9,66%</td>
<td>9,99%</td>
<td>10,29%</td>
<td>10,60%</td>
<td>6,49%</td>
<td>9,76%</td>
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<td>NPV NET INCOME PAID IN ADVANCE</td>
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<td>EXIT YIELD</td>
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<td>YIELD on EMRV</td>
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<td>Average YIELD</td>
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<td>MARKET VALUE (after capex)</td>
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<td>€ 1,806 / per sqm</td>
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<td>Properties</td>
<td>Tenant</td>
<td>Period</td>
<td>Office (m²)</td>
<td>Storages</td>
<td>Rent /month</td>
<td>Service</td>
<td>Caution</td>
<td>Contract Date</td>
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<td>Andrássy</td>
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<td>8 436 €</td>
<td>4</td>
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