

# VALUATION REPORT

AFI Palace Cotroceni  
4 Vasile Milea Blvd., Sector 6  
Bucharest, Romania

*COTROCENI PARK SA*

**Date of Valuation: 30<sup>th</sup> September 2016**

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The contents of this Report may only be relied upon by:

- (i) Addressees of the Report; or
- (ii) Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 12. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

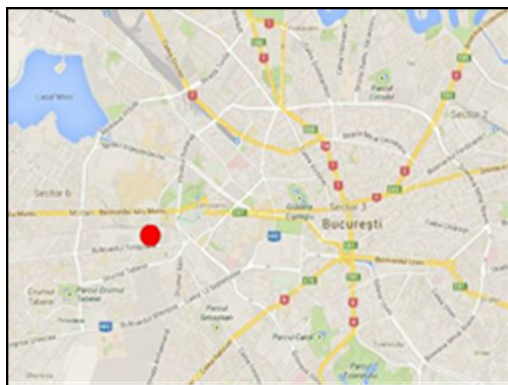
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# 1

## EXECUTIVE SUMMARY

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## EXECUTIVE SUMMARY



### The Property

**Address:** 4 Vasile Milea Blvd, District 6  
Bucharest, Romania

**Main Use:** regional shopping and entertainment centre

According to the information and documents provided by AFI Europe Romania the Property has a Gross Lettable Area (GLA) of 80,514 sq m (without the announced extension) and 2,500 parking lots, both underground and within a multi-level parking deck.

### Tenure

We understand that the property is held freehold by S.C. COTROCENI PARK S.A.

### Tenancies and Covenant Strengths

The total GLA of the shopping centre is 80,514 sq m (without the announced extension), of which 1,300 sq m office space. The Property is currently 98.68% let.

AFI Palace Cotroceni is the largest shopping mall in Romania, and one of the largest shopping malls in the CEE/SEE Regions. The tenants are international and national brands and the mall has excellent entertainment facilities: 20 screen cinemas, IMAX screen, ice skating rink, bowling alley, 2 casinos, roller coaster, playground for children, Lasermaxx arena and a children's electric train.

The scheme is anchored by:

- Auchan Hypermarket - they are occupying an area of 12,788 sq m (approx.

15.8% of total GLA). The rebranding of real in Auchan within AFI Palace Cotroceni was completed in April 2014, after Auchan Group bought 20 Real hypermarkets in Romania in September 2013.

- Cinema City, with 20 screens occupies 6,530 sq m and an IMAX screen that occupies 841 sq m. This is the second largest tenant of the shopping center in terms of leased GLA - approx. 8.11% of total GLA.
- C&A - the well-renowned fashion retailer is positioned itself on the main entrance of the shopping mall on two levels, occupying a total area of 3,284 sq m. C&A is the third largest tenant as unit size.
- Inditex Brands – the brands Zara, Zara Home, Bershka, Pull&Bear, Stradivarius, Oysho and Massimo Dutti occupy 4,733 sq m located on the ground floor and on the first floor.
- H&M - the worldwide fashion giant that has entered the local market in 2011 and it opened on the 25<sup>th</sup> March 2011 their first shop in Romania, in AFI Palace Cotroceni, a 1,938 sq m unit on two levels close to the entrance from Timisoara Boulevard. H&M extended the leased area by 840 sq m as of 15<sup>th</sup> November 2013.
- Pure Health&Fitness - the Polish based club fitness network is occupying in AFI Palace Cotroceni 1,818 sq m on the first floor.
- Flanco - the home appliances has 1,395 sq m on the first floor of AFI Palace Cotroceni.
- Koton - are leasing 1,115 sq m on the GF of the shopping center (approx. 1.38% of total GLA).
- Intersport - the important sports fashion and equipment retailer occupies a unit of 1,032 sq m, located on the ground floor.
- LPP - The Polish group is represented by Reserved (recently extended), Mohito, Cropp Town and Sinsay brands, totalling 2,710 sq m. These are among the most successful brands on the local market especially addressed to the young generation.
- Maxbet - the local market leader on the casino sector is occupying 1,160 sq m at the 1<sup>st</sup> floor, close to IMAX.
- AFI Aventurier - this is the newest attraction within a shopping mall that stretches on 1,042 sq m and consists of adventure parks climbing area.

The key reversionary point is 2019 when 31.46% of contracted income is due to expire. Overall the tenancies represent relatively good covenant strength and security of income. The weighted average unexpired lease term is 2.91 years.

## Gross Income

€ 33,305,508 (€ 413.66 per sq m)

per annum

## Net Income

€ 33,075,684 (€ 410.80 per sq m)

per annum

## Gross Market Rent

€ 35,039,818 (€ 435.20 per sq m)

per annum

## Fair Value

**€467,240,000 (FOUR HUNDRED AND SIXTY SEVEN MILLION, TWO HUNDRED AND FOURTY THOUSAND EUROS), exclusive of VAT.**

## Yield Profile

Initial Yield 7.08%

Reversionary Yield 7.50%

Equivalent Yield 7.40%

## SWOT Analysis

### Strengths

- AFI Palace Cotroceni is the dominant retail scheme in Romania in terms of size, anchors, footfall and merchandise mix. The current GBA (before extension) is 216,310 sq m out of which the GLA is 80,514 sq m (without the announced extension).
- The shopping centre has excellent visibility at the junction of Timisoara and Vasile Milea boulevards. Timisoara Boulevard is one of the most important routes (alongside Iuliu Maniu Boulevard) that connect the city centre to the Militari and Drumul Taberei districts and also to the A1 highway.
- Tram line no. 1 - one of the most important public means of transportation in Bucharest that covers the, inner ring road' has a station in front of the scheme at

the junction of Vasile Milea and Timisoara boulevards.

- The site has a wide frontage to both boulevards, of approx. 225 meters on Vasile Milea Boulevard and approx. 235 sq m meters on Timisoara Boulevard.
- The property is well served by public transport: tram lines no. 8, 25 and 47 on Timisoara Boulevard, bus lines no. 137 and 138 on Timisoara Boulevard, no. 105 and 635 on Vasile Milea Boulevard and trolley bus lines no. 71 and 93 on Vasile Milea Boulevard. Politehnica metro station is located at 5 minute walk from the shopping mall on Iuliu Maniu Boulevard.
- The tenant mix includes important names on the Romanian market, such as Auchan, Inditex brands, H&M, C&A, Reserved, Intersport, Flanco and Cinema City, (the anchors), while other international names are CCC, Ecco, Koton, Karen Millen, Pizza Hut, Gant, KFC, McDonald's, Clark's, Tommy Hilfiger or Vodafone.
- The Property benefits from a generous parking area approximately 2,500 parking lots, both underground, above ground or within a multi-level parking deck. There is flexibility to build more parking on the upper-levels of the exterior parking deck and on the roof of the mall.
- The total turnover of the tenants for January - June 2016 of approx. €m 111 is with 12% higher than the level registered in the same period of 2015 and with 16% higher than the same period of 2014.
- The property benefits from income producing leased areas on the parking deck due to entertainment and leisure facilities (Lasermass, plus temporary exhibitions).
- The Basarab Bridge that was inaugurated in mid-June 2011 represents a tremendous opportunity for the scheme in terms of increased number of visitors since it connects the Northern and Eastern areas of the city to the Western area through Victoriei Square.
- During the first six months of 2016 the average monthly footfall for the mall was of 1,471,078 visitors, and this represents an average of daily visitors of 48,496 (so far, the figure for 2016 is approx. 6% higher than for the same period of 2015).

### **Weaknesses**

- During the peak hours the traffic is congested, which puts a strain on the ease of access; it is directly related to the fact that during those hourly intervals the traffic is mainly generated by the residents of Drumul Taberei and Militari neighbourhoods.
- The immediate vicinity is comprised of former industrial facilities alongside Timisoara Boulevard in the West, a class B office building (a conversion from a textile factory) alongside Vasile Milea Boulevard in the North and a military base just across Vasile Milea Boulevard, but the new office park developed by AFI has

mitigated this risk.

- Extensive walking distances to various stores, which may create difficult circulation for foot traffic.
- The Western area of the city is one of the most crowded areas in terms of modern retail projects, with hypermarket-lead schemes such as: Militari Retail Park, Carrefour Orhideea, Militari Shopping and cora Lujerului while the only shopping center located nearby is Plaza Romania (at least 8,000 sq m is currently being converted into office space). Other schemes located at 10 minute drive time from AFI Palace Cotroceni are Liberty Center and Vulcan Value Center.

### Opportunities

- Parking payment system was implemented and this increased mall's revenues.
- Development of AFI Park consisting of 5 Class A office buildings with more than 70,000 sq m GLA brings at the mall approx. 7,000 employees with above national average salary.
- The catchment area of the scheme includes the entire population of the Western area of Bucharest and also attracts residents from neighbouring sectors and cities due to its dominant position, food, fashion and entertainment anchors.
- The new metro station Orizont is located less than 300 m away from the shopping center and currently is under construction. This is part of the metro line M5 Drumul Taberei - Pantelimon and the construction works for Drumul Taberei - Eroilor are estimated to be completed by the of the end of the first semester of 2017.
- Bucharest is the biggest city in Romania with over 2,500,000 inhabitants including the neighbouring localities and concentrates the largest amount of foreign investments whilst also registering the highest average net income per person in the country.

### Threats

- Mega Mall and ParkLake are the biggest threats to the AFI Palace Cotroceni scheme. Mega Mall was completed in May 2015, while ParkLake is operational since the 1<sup>st</sup> of September 2016.
- Sun Plaza, with its 81,700 sq m GLA, located in Berceni area, anchored by cora, C&A, Flanco, Cinema City and H&M is attracting the majority of the population from the Southern part of the city. However this is not a direct competitor to AFI Palace Cotroceni in terms of layout and general "feel".
- Baneasa Shopping City is performing strongly although the catchment is different.



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# 2

## VALUATION REPORT

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# VALUATION REPORT

<b>Report Date</b>	8 <sup>th</sup> November 2016
<b>Addressee</b>	SC COTROCENI PARK SA
<b>The Property</b>	AFI Palace Cotroceni
<b>Property Description</b>	Regional shopping and entertainment centre
<b>Ownership Purpose</b>	Investment
<b>Instruction</b>	To value on the basis of Market Value the interest in the property, as at the Valuation Date, in accordance with our Terms of Engagement dated 21 <sup>st</sup> September 2016.
<b>Valuation Date</b>	30 <sup>th</sup> September 2016
<b>Capacity of Valuer</b>	External
<b>Purpose</b>	Account purposes
<b>Fair Value</b>	<b>€467,240,000 (FOUR HUNDRED AND SIXTY SEVEN MILLION, TWO HUNDRED AND FOURTY THOUSAND EUROS), exclusive of VAT.</b>  Our opinion of Fair Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.
<b>Compliance with Valuation Standards</b>	The valuation has been prepared in accordance with the RICS Valuation – Professional Standards (January 2014) ("the Red Book"). The valuation is also prepared in compliance with IAS 40 (International Accounting Standard 40 Investment Property). In addition, the valuation is also prepared in compliance with IFRS 13 (International Financial Reporting Standards 13 – fair value measurement).  The property details on which each valuation is based are set out in this report.  We confirm that we have sufficient current local and

national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

### **Assumptions**

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

### **Variation from Standard Assumptions**

None.

### **Market Conditions**

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. It is not clear to what extent other EU markets will be affected by this decision and we will be monitoring the markets closely. We recommend that the valuation(s) is kept under regular review.

**Verification**

We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of the information contained within our report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

**Valuer**

A valuer who is qualified for the purposes of valuation has valued the properties. The valuer has the equivalent local qualification which is in accordance with the RICS Valuation – Professional Standards (January 2014) (“the Red Book”). Clare Sheils MRICS from CBRE, Czech Republic has overseen the valuation process.

**Independence**

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total European revenues.

**Disclosure**

The principal signatory of this report has continuously been the signatory of valuations for the same addressee and valuation purpose as this report since 2014.

CBRE Real Estate Consultancy has carried out Valuation, Agency and Professional services on behalf of the addressee for between 5 and 9 years.

CBRE Real Estate Consultancy has continuously been carrying out valuation instructions for the addressee of this report since 2011. The Market Value as at

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<b>Conflicts of Interest</b>	30th September 2015 was €433,990,000. The capitalisation method was used.
<b>Reliance</b>	We confirm that we have had no previous material involvement with the property, and that copies of our conflict of interest checks have been retained within the working papers.
<b>Publication</b>	This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.
<b>Currency</b>	Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.
<b>Liability Notice</b>	Our valuation is provided in Euros. As agreed with the Company, we have applied an exchange rate of the Romanian National Bank of the respective country as at the 30 September 2016, which is as follows: 4.4514 RON/EUR ( <a href="http://www.bnr.ro">www.bnr.ro</a> )
	This valuation report (the " <b>Report</b> ") has been prepared by CBRE Real Estate Consultancy SRL (" <b>CBRE</b> ") exclusively for AFI Europe (the " <b>Client</b> ") in accordance with the Terms of Engagement dated 21 <sup>st</sup> September 2016 ("the <b>Instruction</b> "). The Report is confidential. It must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing.
	Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party

relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the lower of:

- (i) 25% of the value of the property to which the relates on the date of the Instruction;  
or
- (ii) 15,000,000 Euro; and

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

Yours faithfully



Ovidiu Ion, MRICS

**Director**

**Head of Valuation Romania**

For and on behalf of

CBRE

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*Project Reference: AFI Palace Cotroceni/ 2016*

## SCHEDULE OF FAIR VALUES

### Properties Held for Investment

Address	Freehold	Leasehold	Fair Value TOTAL
4 Vasile Milea Blvd., Sector 6, Bucharest, Romania	€467,240,000		€467,240,000
<b>TOTAL</b>	<b>€467,240,000</b>		<b>€467,240,000</b>

## SCOPE OF WORK & SOURCES OF INFORMATION

<b>Sources of Information</b>	We have carried out our work based upon information supplied to us by AFI Europe, which we have assumed to be correct and comprehensive.
<b>The Property</b>	Our report contains a brief summary of the property details on which our valuation has been based.
<b>Inspection</b>	The property was inspected on 11 <sup>th</sup> August 2016, by Cornelia Dragomir and Ovidiu Ion.
<b>Areas</b>	We have not measured the property but have relied on the areas provided to us by AFI Europe.
<b>Environmental Matters</b>	We have not carried out any investigation into the past or present uses of the Property, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.
<b>Repair and Condition</b>	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property. We are unable, therefore, to give any assurance that the Property is free from defect.
<b>Town Planning</b>	We have not made any Planning enquiries except for reviewing the planning documentation provided by AFI Europe. We cannot, therefore, accept responsibility for material omissions in the information supplied to us.
<b>Titles, Tenures and Lettings</b>	Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other

documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

## VALUATION ASSUMPTIONS

### Capital Values

The value of each of the properties has been assessed in accordance with the relevant parts of RICS Valuation – Professional Standards (January 2014). In particular, we have assessed the Fair Value of the properties in accordance with VS3.5 item 2. Under these provisions, the term "Fair Value" means:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

### The Property

Where appropriate we have regarded the shop units of retail and entertainment area from the parking deck as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our

valuations.

All measurements, areas and ages quoted in our report are approximate.

**Environmental Matters** In the absence of any information to the contrary, we have assumed that:

(a) the Property is not contaminated and is not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Property which are regulated by environmental legislation are properly licensed by the appropriate authorities.

**Repair and Condition** In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Property is free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Property; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Property. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure, Planning and Lettings**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Property possesses a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Property is not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

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# 3

## PROPERTY REPORT

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## PROPERTY DETAILS

### Location

#### Macro-location

The property is located in the Centre - Western area of Bucharest, approximately 5 km from the city centre. Administratively, the site is included in the 6th district of Bucharest. This sector is the second largest, with an area of 38 sq km and the third most crowded, after districts 2 and 3, with 9,764 inhabitants/ sq km (compared to average density for Bucharest City - 8,170 inhabitants/ sq km).

The total population living in the 6th district of Bucharest is 369,649. AFI Palace Cotroceni is located between Militari and Drumul Taberei which are ones of the largest and highest-density neighbourhoods in Bucharest. Moreover, being located close to Bucharest City Center and benefiting from the opening of Basarab new bridge, the catchment area of the shopping center could be greatly expanded outside the district.

We have not made a catchment area study, but we have relied upon the information provided to us by AFI Europe. According to this, the catchment area gathers over 550,000 residents living within 10 minute drive time. This includes some central and luxurious residential districts such as Cotroceni registering on average a high income.

#### Micro-location

The subject property is located on the corner, at the junction between Timisoara and Vasile Milea boulevards, having the postal address at 4 Vasile Milea Blvd.

Surrounding developments within the micro-location have a mixed use character with high rise multifamily residential buildings on one side of Timisoara Boulevard, as well as retail space (located mainly at ground floor of the apartment buildings) and light industrial buildings.

An important commercial component of the micro-location is represented by office development, namely AFI Park, near the subject property.

AFI Park 1 was completed in September 2012, AFI Park 2 was completed in April 2014, while AFI Park 3 was delivered in December 2014. Since Q1 2016 AFI Park

4&5 are also available on the market, alongside Timisoara Blvd. The entire office development is accounting for 70,000 sq m GLA.

There are two other existing office developments in the micro-location, both of them on Vasile Milea Blvd: Cotroceni Business Centre (a refurbished class C office building on APACA site, the clothes producer) and Global Business Centre (a class B office building owned by Immofinanz and leased by IBM).

A medium size shopping mall, Plaza Romania, is situated approximately 1.5 km West of the subject site, at the junction of Timisoara Blvd. with Brasov Str. As well as a cora hypermarket is situated at the rear of the Plaza Romania shopping mall.

Other users in the area include a University (Polytechnics) situated further North on Vasile Milea Boulevard, a Botanical Garden, as well as smaller traders and light industrial properties.

The site is well served by public transportation, both underground and above ground.

In front of the scheme on Vasile Milea Blvd. there is a stop for tram lines no. 1, 11 and 35. On the other side, in front of Timisoara Blvd. there is a stop for tram lines no. 8, 25 and 47, for trolley lines no. 69, 90 and 93 and for bus lines no. 126, 168, 268 and 368.

The nearest underground station (Politehnica) is at the junction of Vasile Milea Blvd with Iuliu Maniu Blvd (approx. 350 metres distance which can be done in 7 minutes by foot).

The new metro station Orizont is located less than 300 m away from the shopping center. This is part of the metro line M5 Drumul Taberei - Pantelimon which is currently under construction (the construction works for Drumul Taberei - Eroilor are estimated to be completed in the first half of 2017).

A location map is attached in Appendix A.

## Site characteristics

### Site size

From the documentation provided by AFI Europe, we understand that the site consists in 10 plots of land with total size of 103,468 sq m.

As part of this valuation, we were provided with cadastral documentation dated

January 10, August 29 and October 10, 2014 and with purchase agreement dated July 21, 2014. The documents confirm that the Site has a total land area of 103,468 sq m. The largest plot has size of 93,615 sq m and it is developed with a UG+GF+2F shopping centre having Footprint Area of 76,381 sq m and Total Built Area of 216,310.5 sq m.

Around the buildings there are pedestrian alleys, traffic circulations for underground parking, and other aesthetical objects.

The neighbours of the site are as follows:

- To the North - a large industrial site and Fruntas Gh. Mihail Street;
- To the East - Vasile Milea Blvd., AFI Park 1 (completed), AFI Park 2 (completed) and AFI Park 3 (completed);
- To the South - Timisoara Blvd. and office project AFI Park 4&5 (completed);
- To the West - a public high-school and IMS Park Development property (the site of the former UMEB factory).

### **Site shape**

The total site has irregular shape, with a frontage of approx. 225 meters on Vasile Milea Boulevard and approx. 235 sq m meters on Timisoara Boulevard.

### **Utilities**

The analysed property is connected to all the public utilities available in the area, i.e. electricity, water, gas, sewers, telephone and internet lines.

### **Topography**

Topography is a very important site characteristic because it can affect the physical design of the site as well as the design and construction of the building.

The analysed site is fairly level which was an advantage for the overall architecture of the scheme.

## **Description**

### **Building Area**

AFI Palace Cotroceni is a regional shopping and entertainment centre, with high-class tenants, completed in October 2009.

The shopping centre comprises a total of approximately 216,310 sq m total built area which includes car parking facilities for over 2,500 cars. The Footprint Area of the building is 76,381 sq m, including the multi-storey parking of 12,437 sq m.

The Gross Leasable Area is 80,514 sq m (without the announced extension), arranged over two floors with retail use predominating on the ground floor while the first floor is utilised for the food, cinema and leisure elements of the scheme, as well as additional retail.

The shopping centre is triangular in shape with the main anchor stores located at the corners. The inner area of the triangle is dedicated to a large family leisure and entertainment area.

The ground floor gallery is divided into three malls catering to different tastes and age groups: the Champs Elysees mall, the Oxford Street Mall and the Via Condotti mall.

The layout and design of the project creates a strong competitive advantage with naturally lit space and large circulation areas.

### **Building entrances**

The project has two main entrances: one from Vasile Milea Boulevard opposite to the underground station and bus station (Galaxy Gate), and the other from the crossroads of Timisoara and Vasile Milea boulevards opposite the exits from the tram (Lighthouse Gate). Additional entrances are available from the parking areas.

Entrances are available (on Champs Elysees) with access from AFI Park 1 and AFI Park 2.

The shopping mall provides adequate space for delivery vehicles. Anchor tenants receive deliveries in large trucks. For instance, the food anchor (Auchan hypermarket) has a separate delivery space from the rest of the retailers.

### **Customer parking**

AFI Palace Cotroceni benefits now from 2,500 parking spaces distributed within the underground parking, with access from Vasile Milea Boulevard and from Timisoara Boulevard (level -1) and within the multi-story above-ground parking, with access from Timisoara Boulevard (levels 0, 1, 2 and 3).

Starting with 2012 there is a free VIP parking for the members of AFI VIP Club. This is a secure and specially arranged parking (restricted by a barrier) and it is located on 0 level, with entrance from Timisoara Blvd.

A parking payment system was already implemented and it is activated as of May 2014. This had double effect: it improved parking situation for mall's shoppers and

it increased mall's revenues.

### **Structure**

According to the cadastral extracts we have been provided with, there is one large building erected on the site with the following physical characteristics (the areas mentioned below are before H&M extension):

- Gross Built Area – 216,310 sq m
- Footprint Area – 76,381 sq m

The building is of concrete frame construction. The underground level is used for parking and technical spaces, having a free height of 3 meters. The above ground levels are also constructed of reinforced concrete panels. The roof is of reinforced concrete panels or prefabricated metallic or steel sandwich panels.

The building has the following configuration: selling areas, offices and technical spaces and warehouse, as well as circulation space. The interior finishing includes: PVC framed windows (on the offices areas), painted partitioned walls and suspended ceilings with fluorescent lights; the bathrooms have ceramic tiled floors and walls. The specification is typical of a shopping and entertaining mall, consisting of suspended ceilings with fan cooling services and fluorescent lights. The walls are concrete and plastered and painted with the tenants' fit out attached accordingly. The floors are of concrete with either a polished tile or plaster. The retail units have light plaster board partitions with full height windows. The corridors are equipped with skylights and smoke exhaust systems.

A distinctive feature is the 4,300 sq m glass dome covering the entertainment centre and food-court, one of the largest of this type in Eastern Europe.

### **Interior Building Characteristics**

The circulation of the shopping mall has triangular shape, with several atriums dividing the shopping area.

There are large atriums at the two main pedestrian entries, with a height exceeding 20 meters, with is very attractive for customers and marks the scheme as a place of space and fluid circulation.

The ground floor is divided into three malls catering to different tastes and age groups. The Champs Elysee mall offers designer brands and high fashion, home wares and family commodities are found on the Oxford Street Mall and the Via Condotti mall caters for younger shoppers. The food court is located within the

interior of this triangular shape, in a large piazza, with a one-of-a-kind glass cupola, allowing natural light to flood the space.

At the first floor, right above Auchan hypermarket unit, there is another large piazza, currently divided into different entertainment activities for children.

Within the scheme there are many elevators and escalators that transport the customers from the parking area to the shopping mall, but also elevators for the delivery of goods.

The stores benefit from large windows, made of glass. For the majority of the spaces, there is a correct proportion between frontage and depth of the spaces. The storefronts are visible and there are no major visual obstructions. There is one exception to this – the large piazza at the first floor, occupied by several kiosks, makes the visibility of the stores located there rather poor.

Each retail establishment must maintain a sales floor area, a storage area, merchandise receiving areas and an administrative area.

As many of the retailers located in AFI Cotroceni Palace view these stores as prime locations, in some instances the flag-ship stores are rather big, above the average, in comparison with other stores in Bucharest.

## Services and Amenities

We assume that all necessary connections to the utilities such as gas, electricity, water, sewage and telephone have been carried out.

## Accommodation

We have been provided with copies of Floor Plans and we have been provided with gross leasable areas detailed within the Tenancy Schedule. We have not measured the property, but as instructed, we have relied upon floor areas provided to us by AFI Europe.

A summary of the gross built areas and gross leasable areas are set out below:

### Floor Areas – Gross Built Area

FLOOR	GROSS BUILT AREA (SQM)	USE
Underground level -2	8,270	Technical area, storage space, garbage area, delivery and service space
Underground level -1	46,651	Parking, technical area, ALA
Ground Floor	75,625	Parking, Shopping Mall, shops, hypermarket, technical area
Mezzanine	15,820	Parking, offices, hypermarket, technical area
First Floor	56,183	Parking, Mall, shops, cinemas
Parking	13,761	Parking
<b>TOTAL</b>	<b>216,310</b>	

Source: AFI Europe

### Gross Lettable Area\*

USE	GLA (SQ M)
Retail	77,176
Office	1,309
Storage	2,029
<b>TOTAL</b>	<b>80,514</b>

Source: AFI Europe

\*after extension

## State of Repair

CBRE have not undertaken a structural survey, nor tested the services. We have not been supplied with a survey report prepared by any other firm. We have undertaken only a limited inspection for valuation purposes. We have assumed, in the absence of any information to the contrary that the building is free from material defect.

### Construction Documentation

We have received copy of the building permits no. 57 and no. 58, both dated 18 February 2016.

According to the above mentioned building permits, pursuant to the application submitted by S.C. COTROCENI PARK S.A, the Bucharest Municipality District 6 Mayor's Office authorized the construction works for an extension of the shopping mall in the existing parking and for an additional parking level.

### General Condition

We anticipate that the subject property will have an economic life of up to ca. 40

years from delivery date, provided a consistent and high level of preventative maintenance and redecoration is maintained.

During our inspection we did not notice nor were alerted to any material or technical defects.

## Environmental Considerations

We have not been provided with copies of any environmental reports or certificates from the Owners of the Property. We have therefore assumed that there are no environmental issues affecting the Property, or if so, that contamination is minor in nature and will not materially affect the continued use of the Property.

We have not conducted any environmental analysis of the Property and therefore we recommend that any third parties who have an interest in the Site make all necessary investigations to ensure this is the case.

## Town Planning

According to the Zoning Urban Plan (PUZ) of District 6, Bucharest, approved by HCGMB (Decision of Bucharest City General Council) no. 213/ 29 September 2006, the property's sites are zoned for "M3": mixed sub-area with buildings of continuous or discontinuous height regime and maximum height of GF+4F.

This sub-area allows uses among others of office, retail, hotels, restaurants, entertainment, parking uses etc.

The urban indicators available for M3 sub-area are as follows:

- maximum land occupancy (coverage-area ratio, POT): 60%, with the possibility of covering the rest of the land to 75% with buildings having maximum 2 levels (8m) for retail activities, halls spectacle, parking etc
- land utilization coefficient (floor-area ratio, CUT): 2.5
- maximum buildings height: 45m.

We have not made any further verbal enquiries to the planning department and have assumed that the current use of the Site does not contravene any town planning regulations. We were provided with documents by the current owner and have assumed these to be complete and correct.

The building permit confirms that the Building have the relevant permissions for its current use. We have noted that there have been no known changes to the building which would affect the validity of the permit.

According to information provided to us, we understand that the building possesses all necessary approvals and planning permits. In the event we are informed to the contrary we would like to have the opportunity to review our opinion of value.

### **Planning Restrictions**

We are not aware of any additional restrictions applied to the Property and are not aware of any issues which would materially and adversely impact upon the value of the Property.

From the documentation we viewed and from our inspection, there is nothing that has come to our attention, which in our opinion, would give rise to any contravention of statutory requirements. However, we cannot be certain that we have seen all documentation or physical acts or processes that could give rise to any contravention; therefore we reserve the right to amend our valuation accordingly if anything further comes to light.

In summary, we are not aware of any planning issues which would adversely impact the value of the property.

### **VAT**

All rents and capital values stated in this report are exclusive of VAT.

## LEGAL CONSIDERATIONS

### Tenure

We have been provided with copies of the land register excerpts, dated 28<sup>th</sup> January 2016. The documents show that the Property falls within the cadastral territory of District 6, Bucharest City at the registered address no. 4 Vasile Milea Blvd.

We understand that the property is held freehold.

From documentation provided to us we understand that the subject property (site consisting in 10 plots of land with total size of 103,468 sq m) is owned on the equivalent of freehold by S.C. COTROCENI PARK S.A.

LAND BOOK REGISTRY EXCERPT NO.	DATE OF LAND REGISTER EXCERPT	LAND BOOK NO.	ADDRESS	CADASTRAL NO.	AREA (SQ M)	OBLIGATIONS/ COMMENTS
47190	September 09, 2015	227668	4 Vasile Milea Blvd.	227668	93,371	Mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA, mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA and leasing rights in favour of mall's tenants
47601	September 10, 2015	216785	4 Vasile Milea Blvd.	216785	159	Mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA, mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA and right of use in favour of SC ENEL Distributie Muntenia SA
47600	September 10, 2015	216786	4 Vasile Milea Blvd.	216786	277	Mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA, mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA
47599	September 10, 2015	215192	4 Vasile Milea Blvd.	215192	888	Mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA, mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA, right of use in favour of SC ENEL Distributie Muntenia SA and easement in favour of SC IMS Park Development SA
47598	September 10, 2015	215193	4 Vasile Milea Blvd.	215193	480	Mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA, mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA and right of use in favour of SC ENEL Distributie Muntenia SA
47607	September 10, 2015	215190	4 Vasile Milea Blvd.	215190	4,298	Mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA, mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA and easement in favour of the plots with the following cadastral numbers: 1766/10/1, 1766/10/4, 1766/20/1, 1766/10/2, 1766/21, 1766/17/1/2, 1766/18, 1766/19/1, 1766/24/1, 1766/24/2
47606	September 10, 2015	215191	4 Vasile Milea Blvd.	215191	1,274	Mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA, mortgage in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA and right of use in favour of SC ENEL Distributie Muntenia SA
47605	September 10, 2015	213344	4 Vasile Milea Blvd.	213344	160	-
47604	September 10, 2015	213346	4 Vasile Milea Blvd.	213346	1,441	-
47603	September 10, 2015	210868	4 Vasile Milea Blvd.	210868	1,120	Right of use in favour of SC FDEE Electrica Muntenia
<b>TOTAL LAND</b>					<b>103,468</b>	

Source: CBRE based on land book excerpts provided by AFI Europe

According to the documents, on the plot with area of 93,371 sq m there is erected a

building with Total Footprint Area of 76,381 sq m and Total Built Area is 217,890 sq m. The legal situation of the site and of the corresponding building is presented in the table below:

ADDRESS	LAND BOOK REGISTRY EXCERPT NO.	CADASTRAL NO.	LAND AREA (sq m)	FOOTPRINT AREA (sq m)	USE
4 Vasile Milea Blvd., District 6, Bucharest	47190/09.09.2015	227668-C1	93,371	76,381	Shopping Center

Source: *land book excerpts provided by AFI Europe*

According to the land book excerpts dated 28<sup>th</sup> January 2016 for the plots with cadastral numbers: 227668, 216785, 216786, 215192, 215193, 215190 and 215191 there is a Mortgage Contract in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Raiffeisen Bank SA no. 617/18.07.2014 and the Mortgage Contract in favour of Deutsche Pfandbriefbank AG, Erste Group Bank AG and Raiffeisen Bank SA no. 618/18.07.2014.

According to the land book excerpts we have received for current valuation, for the plots with cadastral numbers 216785, 215192, 215193 and 219191 there is registered right of use in favour of SC ENEL Distributie Muntenia SA. The right of use in favour of SC FDEE Electrica Muntenia is registered in favour of plot with cadastral number 210868.

According to the land book registry excerpt no. 47599/ 10<sup>th</sup> September 2015 we have been provided with, the plot of land with cadastral no. 215192 and land area of 888 sq m has an easement in favour of IMS Park Development. This is a very narrow plot, it starts on the western border of the Property and it goes towards south, on Timisoara Blvd, and it separates Cotroceni Park property to its neighbour IMS property.

According to the land book excerpt no. 4485/ 28<sup>th</sup> January 2016 we have been provided with, the plot of land with cadastral no. 215190 and land area of 4,298 sq m has an easement in favour of the plots with cadastral numbers 1766/10/1, 1766/10/4, 1766/20/1, 1766/10/2, 1766/21, 1766/17/1/2, 1766/18, 1766/19/1, 1766/24/1, 1766/24/2.

We have assumed there are no other liens or covenants connected to the freehold interest of the subject property. However, we have not undertaken further investigations and we, therefore, recommend that any third parties who have legal interest in the property make all necessary investigations to ensure this is the case.

We have attached copies of the Land Register Extracts in Appendix D.

## Tenancies

AFI Palace Cotroceni is the largest shopping mall in Romania, and one of the largest shopping malls in the CEE/SEE Regions. The tenants are international and national brands and the mall offers excellent entertainment facilities: 20 screen cinema, IMAX screen, ice skating rink, bowling alley, 2 casinos, roller coaster, playground for children, Lasermaxx arena and a children's electric train.

The total GLA of the shopping center is 80,514 sq m (without the announced extension), of which 1,300 sq m office space.

The Property is currently 98.68% let.

The tenancies range from national and international occupiers. The biggest tenant in terms of rented area and income is Auchan who occupies 12,788 sq m, representing 15.88% of the GLA.

### Key 5 tenants in terms of GLA

Tenant	Area (sq m)	%
Auchan	12,788	15.88%
Cinema City	6,530	8.11%
C&A	3,284	4.08%
H&M	2,778	3.45%
Pure Health& Fitness	1,818	2.26%

The key reversionary point is 2019 when 31.46% of the contracted income is due to expire due to the usual five year tenancy template for retail in Romania currently.

Overall the tenancies represent relatively good covenant strength and security of income. The weighted average unexpired lease term is 2.91 years.

### Current Rent

The total rental income of the mall is presented below:

### Total Rental Income

Valuation Date	30 <sup>th</sup> September 2016
Gross Current Rent	€33,305,508
Net Current Rent	€33,075,684

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Estimated Rental Value	€35,039,818
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*Source: CBRE based on data provided by AFI Europe*

### **Rent Reviews /Indexation**

We understand that the contractual rent will be indexed annually with the Monetary Union Consumer Price Index (MUICP) as communicated by the Eurostat for the previous year. The first review of rent was carried out in November 2010.

### **Service Charges**

The tenant is responsible for the repair and maintenance of the leased unit. The tenant shall pay for all costs related to the day-to-day maintenance and operation of the Property (for Common Area and Common Parts), including, but not limited to:

- Utilities within Common Area
- Public taxes, including property taxes for buildings and land of Shopping Centre
- Insurance costs for Shopping Centre
- Management fees
- Security services
- Fire prevention and firefighting equipment
- Cleaning services

Maintenance, repair and check-up of machinery, installations, air condition & heating, of parking sites, traffic roads, green areas

The replacement allowances which are related to the replacement of building elements that have a shorter life term are included in the service charge and paid by tenants.

These allowances vary each year according to the maintenance and replacement schedule approved by technical team.

Considering the above, the type of rent paid by the tenants is a triple-net rent, indicating that the tenant pays for property taxes, insurances, maintenance and repairs.

According to our knowledge on the local market, the service charge paid by each

tenant is in line with market practice.

### Non Recoverable Costs

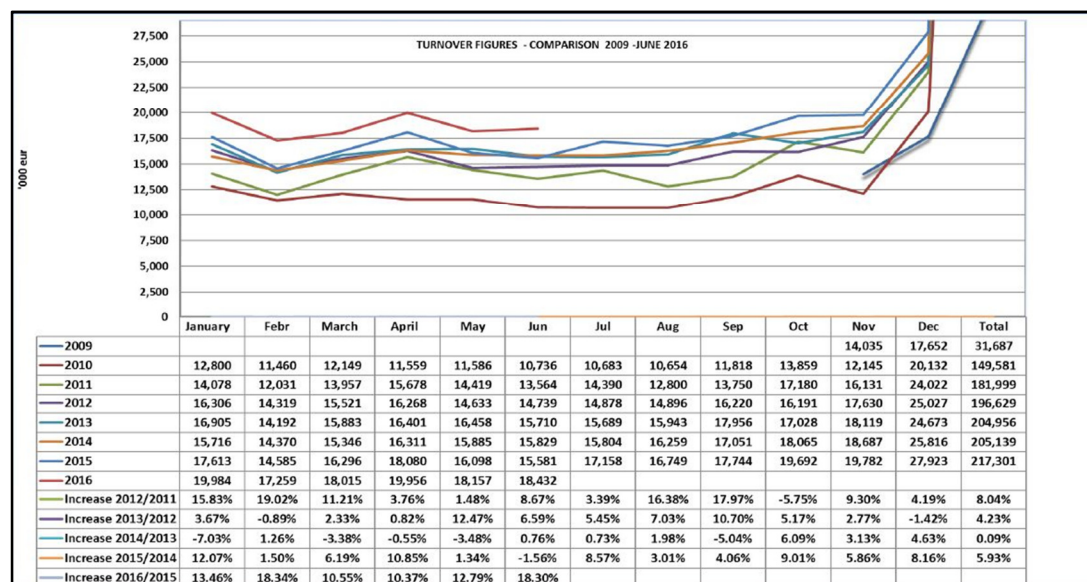
The payment of the service charges is calculated on the basis of an open book with an annual reconciliation: if the total amount due for the service charges is lower/higher than what has been invoiced for the respective year there will be rectified on an annual basis.

We have posted void costs of €12 on all vacant space.

### Turnover Figures

We have been provided with the total turnover of the tenants for November 2009 – June 2016.

#### Monthly turnover figures, November 2009 – June 2016 (EUR)



Source: AFI EUROPE

We have been provided by AFI Europe with the turnover rent collected and estimated for 2016 and we have included EUR 1.5 million turnover rent in our valuation.

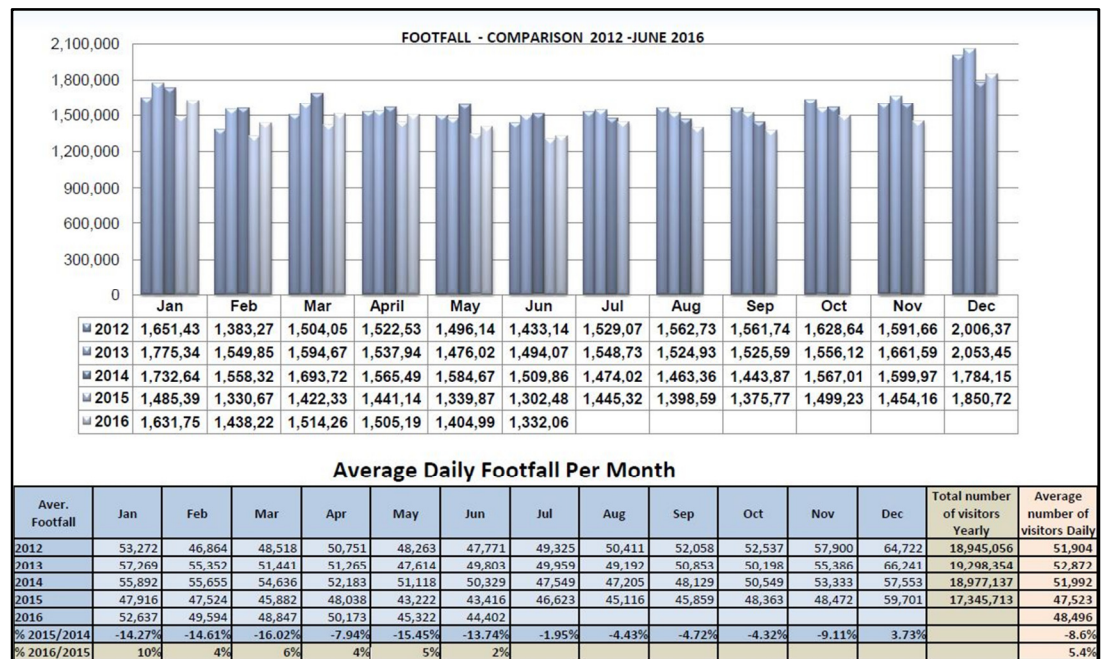
### Footfall

We were provided with the footfall for AFI Palace Cotroceni for January 2012 - June 2016 period.

During the first six months of 2016 the average monthly footfall for the mall was of 1,471,078 visitors and this represent an average of daily visitors of 48,496 (so far, the figure for 2016 is approx. 6% higher than for the same period of 2015).

The minimum level during the first semester of 2016 was registered in June (1,332,060 - a daily average of 44,402 visitors) and the highest traffic was registered in January (1,631,750 - 52,637 visitors per day).

**Footfall January 2012 - June 2016**



Source: AFI EUROPE

### Extension Costs

Shopping mall expansion of approx. 6,500 sqm GLA is currently under construction.

The new construction part of the expansion includes a 5,000 sqm store currently under negotiations. Construction works are in the South-West part of the mall, façades in the main shopping mall corridor and the south parts of the deck parking levels.

The expansion will include not only construction but also: demolition works in the deck parking area and construction of an additional parking deck on top of the existing one.

The estimated total cost of the extension is EUR 8,559,213 and the remaining construction costs as of the valuation date are estimated at EUR 6,796,133.

Completion of the extension will be in two phases, phase one in April 2017 and phase two in September 2017.

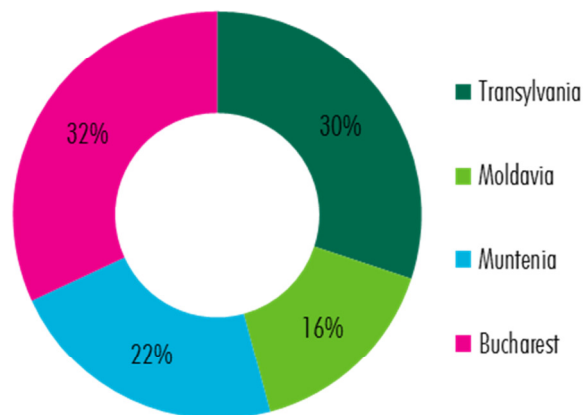
# MARKET COMMENTARY

## Retail Market Commentary

### Stock and Pipeline

The modern retail stock in Romania is of over 3.28 million sq m at the end of first semester of 2016, with Bucharest and Transylvania accounting for over 60%. The amount includes shopping centers, retail parks and the only operational outlet center.

Modern stock per historical regions and Bucharest H1 2016



Source: CBRE Research

Several openings recorded in H1 2016, but most are extensions of existing schemes - City Park Mall Constanta, Coresi Shopping Brasov, Shopping City Timisoara. A new scheme, a redevelopment was opened this half-year, Mercur Craiova.

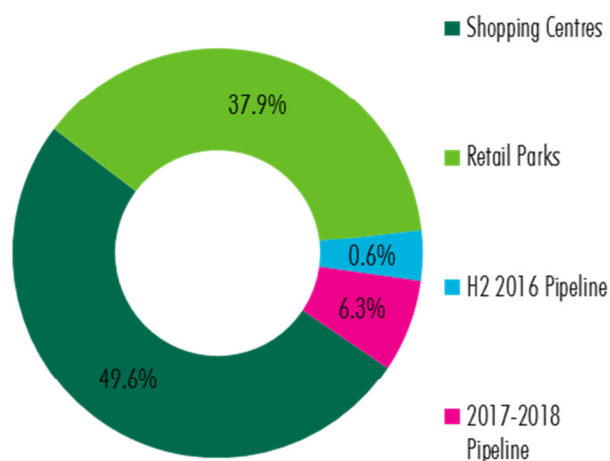
Given the number of the under construction schemes it is expected that by the end of 2016 the stock will reach 3.4 million sq m and approx. 3.7 million sq m by the end of 2018. The pipeline is sustained by major cities like Bucharest, Brasov, and especially Timisoara, with tertiary cities like Piatra Neamt or Satu Mare to register new modern retail investments in the near future.

NEPI is the main player on the market with 60% of the completions from 2015 and 50% of the pipeline for 2016. The company continues to consolidate its no. 1 position on the local market.



## Modern stock per retail format as of H1 2016, including pipeline

2016 - 2017



Source: CBRE Research

Major cities in Romania like Brasov, Constanta, Craiova and Timisoara have registered shopping center openings (including redevelopments or extensions), while Bucharest has two schemes under construction.

### Major retail schemes opened in H1 2016

Tenant	Surface	Owner / Developer
Shopping City Timisoara (phase II)	40,500	NEPI
Mercur Craiova (redevelopment)	20,000	SIF Oltenia
City Park Constanta (extension)	19,500	NEPI
Coresi Shopping City (phase II)	13,500	Immochan

Source: CBRE Research, companies

### Turnover performance

According to the financial sheet of each company for the year 2015, it is evident that many of the major retailers have experienced a rise in turnover in 2015. On average fashion retailers have a turnover increase of over 12%, while for the analyzed retailers (Table 2) the average is even higher, of close to 16%. For F&B sector, performance was stellar, with major international chains registering increases of over 20% y-o-y.

Our analysis suggests that even if the turnover of new stores opened in 2015 is

excluded, the overall increase is double digit, of over 10%, which is one of the best within the region. Considering that rise in private consumption in 2016 is considered as the no. 1 driver of GDP growth, our expectations are that for 2016 performance to be equally better, if not more.

Retailer turnover growth is prevalent throughout the region, especially in Romania, and what is most important, compared to Western Europe, is that most of this growth happens in brick & mortar stores, rather than online. E-commerce is on the rise, considering improving infrastructure and logistic capabilities, but the interest from shoppers for physical stores remains high.

This also needs to be assessed within a context where most significant developments are third generation shopping centers, which offer a variety of solutions for spending the leisure time (cinema, food & beverage area, al fresco dining, other entertainment options), in addition to traditional retail area.

#### Main brands and their increase turnover (2015 vs 2014)

Brand	Turnover Increase YoY (2015 vs 2014)
Zara	23%
Bershka	19%
Stradivarius	19%
Pull&Bear	14%
Massimo Dutti	9,5%
Oysho	17%
Zara Home	11%
H&M	26%
P&C	6%
C&A	14%
McDonalds	18%
KFC	26%

Source: CBRE Research

Schemes like Veranda Shop&Stay, Platinia (Cluj Napoca), Shopping City Piatra Neamt are planned to be opened at the end of 2016, while Parklake (Bucharest) was opened on 1<sup>st</sup> of September 2016.

### Major retail schemes to be completed in H2 2016

Tenant	Surface (Sq M)	Owner / Developer
Veranda Shop&Stay Bucharest	30,000	Prodplast Imobiliare
Parklake Bucharest	70,000	Sonae Sierra & Caelum Development
Platinia Cluj	13,000	Florisal-Dusal
Shopping City Piatra Neamt	27,900	NEPI
InterCora Tulcea	5,100	InterCora

Source: CBRE Research, companies

Primary shopping centers will continue to strengthen their position on the market given their size, tenant & merchandise mix and catchment area. Among the differentiating factors between the shopping centers are: sufficient parking lots, new and varied entertainment&leisure facilities, free Wi-Fi, a general appealing shopping environment.

## Occupational Market for Retail Sector

The retail situation in Bucharest is as follows:

- 14 modern shopping centres
- Over 650,000 sq m GLA of shopping centre space (as at Q2 2016)
- 1shopping center under construction (Veranda Shop & Stay )

### Shopping Center Overview

#### Baneasa Shopping City

- The only other centre apart from AFI Palace Cotroceni which dominates the Bucharest retail market recording the highest traffic and sales
- Size: 119,000 sq m / 54,000 sq m (with / without retail park)
- Delivered: 2008
- Owner and Developer: Baneasa Developments
- Comprises a retail park and large shopping gallery

- All major anchor tenants are present along with a number of retailers which are new entrants to the market, including the only IKEA store in the country
- Located in the Northern periphery of the city on the main route into Bucharest from the international airport
- The only modern shopping centre in the vicinity situated at the centre of a 220 ha commercial and residential development
- However, public transport is limited and is served only by buses
- The very strong performance of the centre is as a result of its dominant presence, large catchment and high quality niche tenant mix

### Sun Plaza

- Size: 81,700 sq m
- Delivered: 2010
- Owner/ Developer: S-Immo / S-Immo and EMCT
- One of the biggest modern shopping centre in Bucharest in terms of GLA
- Located in a densely populated suburb South of the city centre with a large catchment area
- Benefits from excellent public transport, served by buses, trams and the metro (Piata Sudului station)
- All major tenants are present - however, over 50% of the centre is occupied by only 5 anchor tenants, offering less in terms of tenant mix and diversity when compared with AFI Palace and Baneasa Shopping City
- The scheme is performing under the level of AFI and Baneasa

### Plaza Romania

- Located in the west of Bucharest, one metro station (1.5 km) from AFI Palace
- Size: 38,000 sq m (plus approx. 11,000 sq m converted into office space)
- Delivered: 2004 / refurbished 2016
- Owner and Developer: Anchor Group
- Access mainly via tramway while the Lujerului metro station is at 10 minutes walk
- Medium quality tenant mix, comprising Altex, Sephora, Mega Image, Debenhams, Zara, H&M, LC Waikiki, Marks&Spencer, Koton, World Class Academy, Movieplex etc.
- The scheme still has a significant number of empty premises especially at the 1<sup>st</sup> and 2<sup>nd</sup> floors
- Recently re-launched with a new concept

### Mega Mall

- Size: 75,000 sq m
- Delivery: Q2 2015
- Owner and Developer: NEPI
- A major shopping and entertainment centre in Eastern Bucharest comprising 300 retail units: Cinema City, 4DX cinema, Carrefour, Peek&Cloppenburg, Reserved, Cropp, Zara, Pull&Bear, Bershka, Stradivarius, C&A, CCC, Ecco, Douglas, H&M, Hervis, MAC etc.
- Excellent location in the most populated residential area of Bucharest and adjacent with the National Arena - the largest football stadium in Romania. Thus, the catchment area is consistent.

- Public transport is very good, served by buses and trams
- Although overlapping with the catchment area of ParkLake, Mega Mall will attract its primary consumers from the North-Eastern Bucharest which has a very low shopping centre density

### **ParkLake**

- Size: 70,000 sq m
- Delivery: Q3 2016
- Owner and Developer: Caelum Development / Sonae Sierra
- Excellent location in the highly populated Eastern suburb of Bucharest, Titan with a consistent catchment area
- Public transport is also excellent, served by buses, trams and the metro (Titan)
- Although a small overlap with the catchment area of Sun Plaza, ParkLake will face the main competition from Mega Mall due to the fact that this scheme is already operational starting with the first semester of 2015.
- Major anchor tenants: Carrefour, Cinema City, Flanco, H&M, Inditex Group (Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti, Zara Home), Forever 21, Douglas, Hervis.

### **Other Shopping Centers**

#### **Unirea Shopping Centre**

- Size: 40,000 sq m
- Delivered: 2000 (refurbished)
- Owner / Developer: Unirea Shopping Center / Nova Trade
- Located in the heart of the city outside Unirea metro station and records a high level of footfall
- Not completed to a new generation standard, however was formerly the largest department store in communist Romania and has undergone a large extension and renovation since its opening
- An excellent central location, high quality tenant mix (Inditex brands, H&M, Douglas, KFC, McDonald's, Koton etc.) and high level of footfall makes it a solid secondary competing scheme
- Due to its dated layout over 5 floors, certain areas of the centre experience virtually no footfall and as a result these areas have a high level of vacancy
- Original department store opened in 1976

#### **Promenada**

- Opened in Q4 2013

- Size: 40,000 sq m
- Delivery: Q4 2013
- Owner / Developer: NEPI / Raiffeisen Evolution
- Located in the north-center of Bucharest at Barbu Vacarescu – the new CBD of the city
- 140 shops hosting strong anchors: Inditex brands, H&M, Altex, Billa, C&A, dm, Douglas, Hervis, Intersport, Humanic, Lego, MAC, Next, Peek&Cloppenburg, Sephora etc.
- Although it is in the close proximity and easy access from surrounding business centres, the footfall during the week is a little above 20,000 visitors per day.

### **Bucuresti Mall**

- Size: 47,000 (increased from 36,000 sq m)
- Delivered: 1999 / refurbished 2016
- Owner and Developer: Anchor Group
- First modern shopping center in Bucharest
- Located in the South-East of the city with a good catchment area
- The first shopping centre opened in Romania in 1999 and ever since it managed to consolidate its own loyal customers located mainly within the primary catchment area
- Medium quality tenant mix, comprising Mega Image, Diverta, Intersport, H&M, Zara, LC Waikiki, Starbucks, Tommy Hilfiger, Marks&Spencer, Collective, Game World, Hollywood Multiplex etc.
- Particularly vulnerable to ParkLake and Mega Mall
- Recently re-launched with a new concept

### **Planned Schemes**

A couple of substantial projects, which might have affected the expenditure power within the catchment area for AFI Palace Cotroceni have been cancelled (Esplanada Unirii by TriGranit) or have been delayed for an unknown period of time (Dambovita Centre by Plaza Centres).

### **East / South-East**

#### **Veranda Shop & Stay**

- Size: 27,500 sq m
- Delivery: Q3 2016
- Owner / Developer: Prodplast Imobiliare
- Located in the Eastern part of the city in the vicinity of the biggest traditional

grocery market in the Capital

- The hypermarket anchor is secured - Carrefour - while other major tenants are H&M, Altex, Tati (the first store in Romania)
- The road infrastructure in the area will be extended in order to accommodate the future car and pedestrian traffic

## North-West

### Victoria City

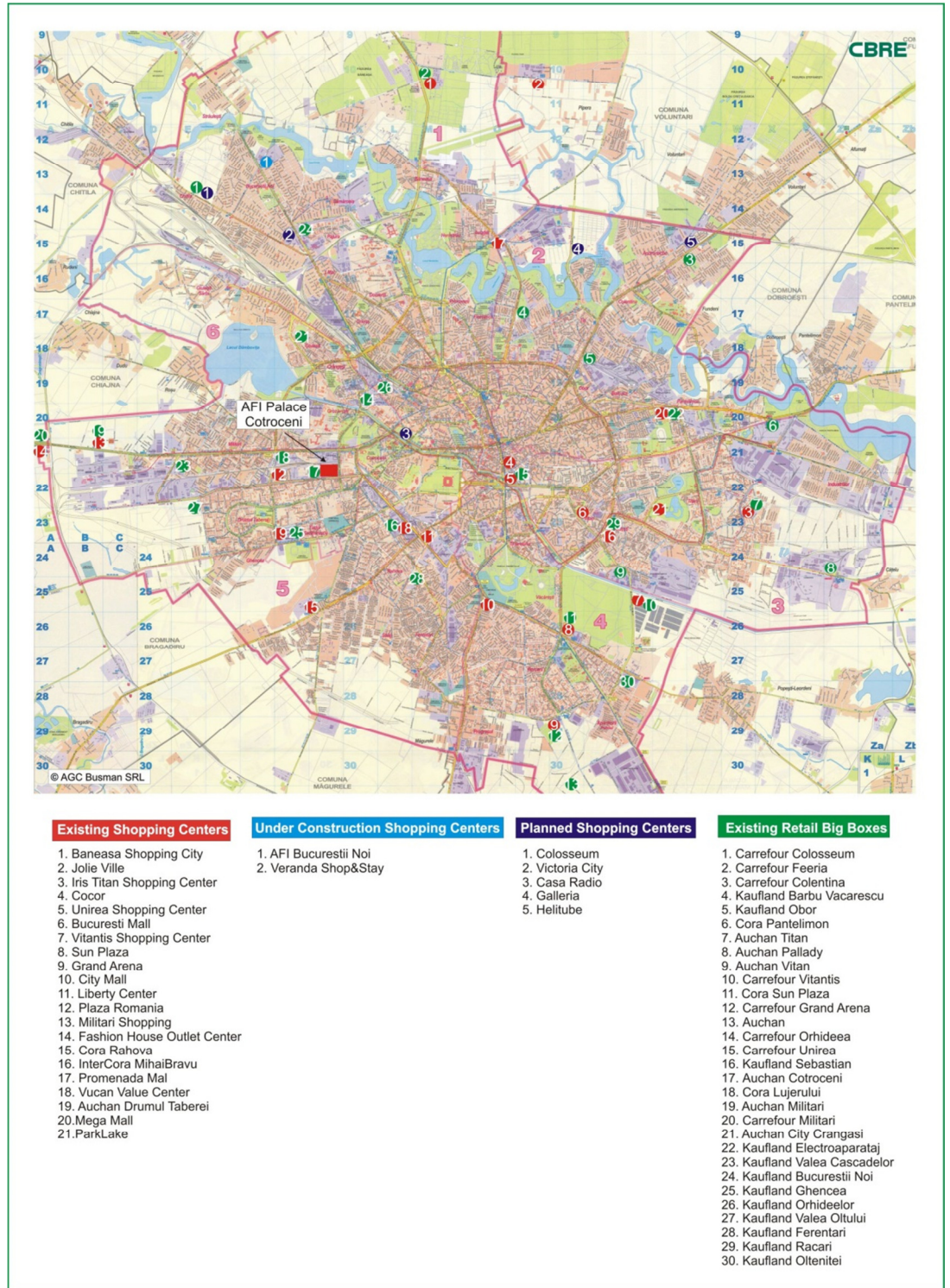
- Size: 32,000 sq m
- Delivery: Unknown
- Owner and Developer: CD Capital Partners / Benevo
- Located in the North-West of the city with excellent accessibility from public transport
- There are currently ongoing negotiations with a joint venture partner.
- The leasing process is in standby

### Colosseum

- Size: 54,000 sq m
- Delivery: First phase - 2011; Remaining phases - Unknown
- Owner and Developer: Local developer
- Currently the first part of the first phase comprising a Carrefour and Leroy Merlin has been completed. The remainder of the centre is at the pre-development stage.

**Note:** *Victoria City and Colosseum are all located in close proximity to one another. Currently, it is unknown when Victoria City and Colosseum will be delivered.*

Retail map Bucharest

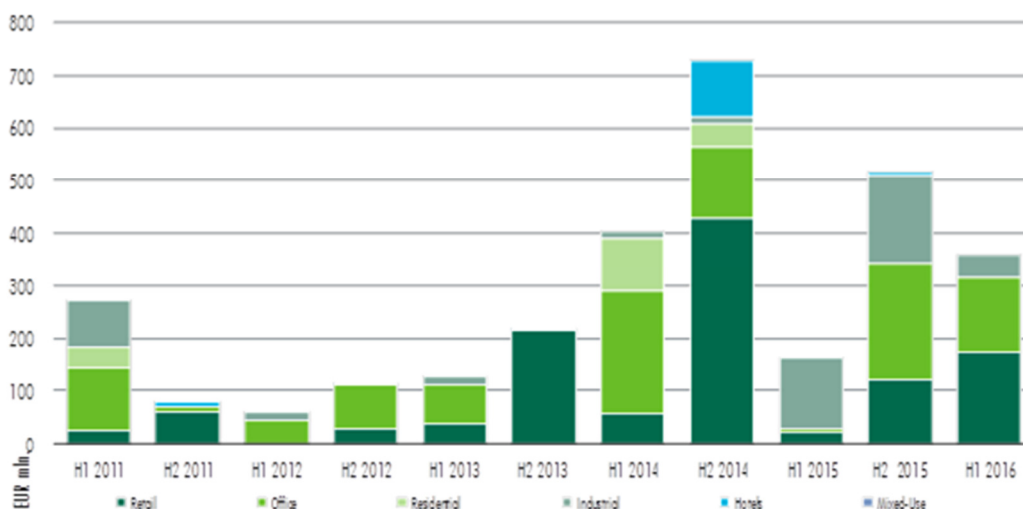


Source: CBRE

## Investment Market Commentary

The investment volume in Romania in H1 2016 increased by 107% compared to H2 2015, totalling EUR 359 million.

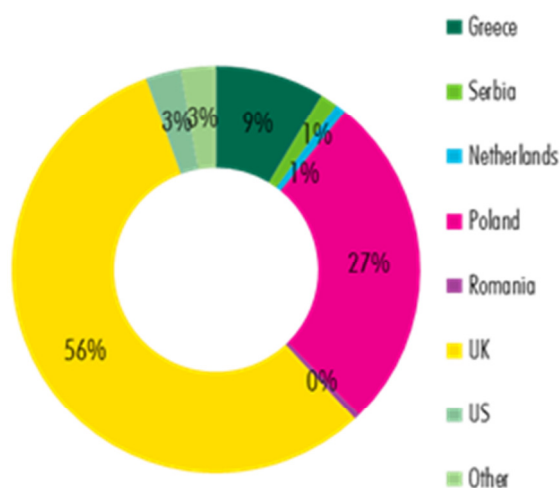
Investment volume per sector H1 2011 - H1 2016



Source: CBRE Research

Foreign investors continued to dominate with groups already present increasing their RO holdings (GTC, NEPI) joined by new entrants (Partners Group, Adamamerica).

Investment volume by country of origin in H1 2016



Source: CBRE Research

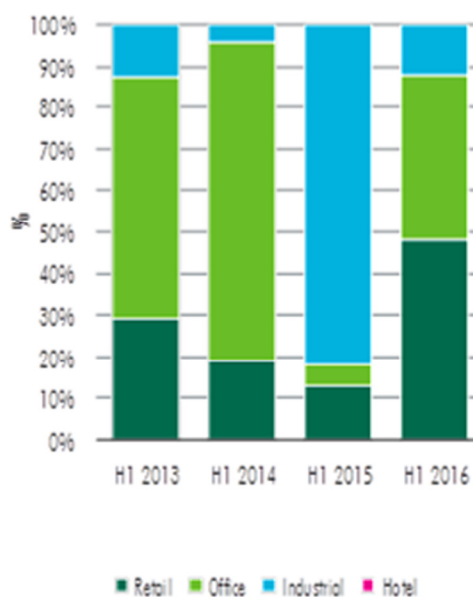
During the first half of 2016 the highest volumes were registered for the retail sector with a figure of over EUR 170m, followed by office (EUR 143m) and industrial sectors (EUR 43m).

Retail transactions continue to evidence an upward pricing trend as increased demand and improving finance drive yield compression.

Industrial transactions were noticeably muted compared with 2015 due to a paucity of available product, while investor appetite for the sector remains high due to strong occupational fundamentals.

Office transactions evidenced a variety of asset profiles, mainly smaller lot-sizes in Bucharest.

### Investment volume per sector in H1 2013 - H1 2016



Source: CBRE Research

### Yields

Prime yields have compressed during the past 12 months from 8% to 7.25% for shopping centers, from 7.75% to 7.5% for offices and from 9.5% to 8.75% for industrial. Significantly improved finance terms in combination with an increased yield delta to locations further west indicate potential for further compression.

Still, the spread in yields between Romania and other more mature CEE markets

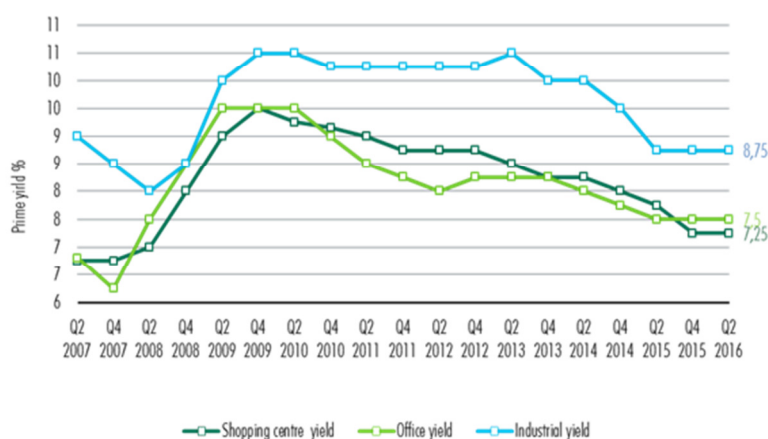
most notably Poland and the Czech Republic remains significant. The prime yield for shopping centers in Bucharest is 7.25% as of Q3 2015, while for the province is at 8.15 % expected to decrease at 8% in Q3 2016.

### CEE capitals prime yields Q2 2016

	Retail SC	Office	Industrial
Bucharest	7.25%	7.50%	8.75%
Budapest	6.75%	6.75%	8.5%
Bratislava	6%	6.9%	7.75%
Prague	5.25%	5.50%	6.5%
Warsaw	5.50%	5.50%	6%

Source: CBRE Research

### Bucharest prime yields Q2 2007 - Q2 2016



Source: CBRE Research

## Outlook

Several sizable on-going transactions entail that 2016 has the potential to exceed 2015 volumes while the pipeline of anticipated disposal processes indicates a continued rise in investment volumes over the coming 18 months.

An increase in potential market entrants is being registered across asset classes; however, its relevance will ultimately be measured by process participation. While wider-market movements indicate increasing value in Romanian real estate, potential investors will first be cautious to satisfy themselves of property fundamentals and of real estate advisory partners.

## Yield evidence

There have been many transactions concluded in the past 36 months in Bucharest and throughout the country all of them totalling over EUR 1.4 billion (approx. EUR 750 million for retail properties and approx. EUR 650 million for office properties).

The largest retail transaction recorded in Romania was the selling of 12 Auchan hypermarkets and their attached shopping galleries bought by Auchan from local investor for EUR 280 million.

Some of transactions were subject to distressed assets: Moldova Mall (sold in February 2014 for EUR 10 million to a local investor), Vitantis Shopping Center (sold in May 2014 for EUR 20 million to Revetas Capital Advisors LLP) and Galleria Buzau (bought in March 2015 for EUR 1 million by a local investor).

In Bucharest the biggest single transaction was represented by Promenada (located in the Northern part of the city) acquired in October 2014 by New Europe Property Investments from Raiffeisen Evolution for EUR 148 million.

In 2015 several small transactions were recorded: Tiriac Imobiliare became the only shareholder of Civis Center Brasov and Timisoara for EUR 5 million each after the exit of Riofisa; Carrefour Property Division bought the Carrefour Militari shopping gallery from Pradera; Praktiker Craiova was subject to a investment transaction for EUR 8 million, Secure Property Development & Investment being the new owner.

Auchan Shopping Center - consisting of a 17,000 sq m sales area Auchan hypermarket its shopping gallery and the shopping mall - was bought by New Europe Property Investments at the end of August 2015 from DEGI for EUR 86 million.

During H1 2016 two major transactions were recorded: Shopping City Sibiu and Mega Mall Bucharest, totalling over EUR 170 million.

NEPI is the biggest player on the local retail investment market (for both Bucharest and the province).

Here is an overview of the most recent transactions registered in Romania:

## Retail transactions 2014 - 2016

DATE	CITY	SCHEME	SIZE (SQ M)	PRICE (EUR )
Q1 2014	Iasi	Moldova Mall	9,000	10,000,000
Q2 2014	Bucharest	Vitantis Shopping Center	34,000	20,000,000
Q3 2014	Buzau	Aurora	18,000	18,000,000
Q3 2014	Bucharest, Timisoara, Satu Mare, Oradea, Baia Mare, Cluj, Pitesti, Ploiesti, Constanta, Galati	12 Auchan hypermarkets + shopping galleries	200,000	280,000,000
Q4 2014	Bucharest	Promenada	40,000	148,000,000
Q1 2015	Bucharest	Carrefour Military shopping galley	12,000	4,000,000
Q1 2015	Buzau	Galleria	14,000	1,000,000
Q2 2015	Craiova	Praktiker	9,000	8,000,000
Q3 2015	Bucharest	Auchan Titan Shopping Center	45,000	86,000,000
Q2 2016	Sibiu	Shopping City Sibiu	79,000	100,000,000
Q2 2016	Bucharest	Mega Mall*	75,000	72,000,000

Source: CBRE

\*Estimation. The sale of 30% of the shares acquired by NEPI from Real4You.

The current prime yield for shopping centres in Bucharest is 7.5%, following 7.75% registered in Q2 2015, decreased from 8% in Q1 2015, and 8.15% for the province.

## Opinion of Valuation Yields

In our valuation we applied the following yields:

Tenant/Space Type	Yield
Let	7.50%
Vacant	8.50%
Anchors	7.00%
Kiosk	8.50%
Hypermarket	7.00%
Leisure	7.50%
Signage	8.50%
Additional Income - Turnover rent	7.50%
Additional Income - Advertising	7.75%
Additional Income - Parking & Electricity	8.25%
Office	8.50%
Terraces	8.50%

We are of the opinion that likely purchasers would require a return of 7.25% – 7.50% at the current time in order to secure such a product.

## VALUATION CONSIDERATIONS

### Income Summary and Analysis of Passing Rent

We have had regard to the current income stream and passing rents at the subject Property. Our main comments and assumptions are below:

- The total GLA of the shopping centre is 80,514 sq m (without the announced extension), of which 1,300 sq m office space.
- The Property is currently 98.68% let and generates a gross annual income of €33,305,508 at the valuation date.
- The tenant mix includes important names on the Romanian market, such as Auchan, Inditex brands, H&M, C&A, Reserved, Intersport, Flanco and Cinema City, (the anchors), while other international names are CCC, Ecco, Koton, Karen Millen, Pizza Hut, Gant, KFC, McDonald's, Clark's, Tommy Hilfiger or Vodafone.
- The key reversionary point is 2019 when 31.46% of contracted income is due to expire.
- Overall the tenancies represent relatively good covenant strength and security of income.
- The weighted average unexpired lease term is 2.91 years.
- The Property benefits from a generous parking area approximately 2,500 parking lots, both underground, above ground or within a multi-level parking deck. There is flexibility to build more parking on the upper-levels of the exterior parking deck and on the roof of the mall.
- The total turnover of the tenants for January - June 2016 of approx. €m 111 is with 12% higher than the level registered in the same period of 2015 and with 16% higher than the same period of 2014.
- The property benefits from income producing leased areas on the parking deck due to entertainment and leisure facilities (Lasermass, plus temporary exhibitions).
- During the first six months of 2016 the average monthly footfall for the mall was of 1,471,078 visitors, and this represents an average of daily visitors of 48,496 (so far, the figure for 2016 is approx. 6% higher than for the same period of 2015).
- The Basarab Bridge that was inaugurated in mid-June 2011 represents a tremendous opportunity for the scheme in terms of increased number of visitors since it connects the Northern and Eastern areas of the city to the Western area through Victoriei Square.

## Tenant Covenant Strength

Detailed financial investigations of the tenants are outside the scope of this report.

We believe that the property investment market would view the tenant companies as providing strong security.

## Void Periods and Re-Lettability

The tenant mix is generally very well balanced and well-composed, with tenants from all major sectors represented and with class A anchor tenants.

We have applied 9 month current void for current vacant storage space and kiosks from first floor, 6 month current void for vacant shops from first floor and kiosks from ground floor, and 3 month current void for all ground floor shops.

In Bucharest there are waiting lists for only two Shopping Centres – AFI Palace Cotroceni and Baneasa Shopping City. Although Mega Mall is a new product it is not established as a shopping venue yet. There is also a difference when talking about catchment areas between the main Shopping Centres in Bucharest. Our assumption is that the current situation (low void periods) will continue in the next years.

We would expect any future shop tenants to be contracted on a minimum of 3 year lease term.

## Valuation Methodology

### Fair Value

We have valued the property on an open market basis, in line with the RICS standards. We performed a traditional hardcore appraisal of the current income and the continued income over time. We examined the income stream within the property and took account of the current investment and leasing market in the region, when examining the assumptions for sale and leasing.

### Valuation Assumptions

- We have reviewed the passing rents and ERVs with our agency team and believe that the centre is largely rack rented. The latest rents achieved confirm this;
- We have applied 9 month current void for current vacant storage space and kiosks from first floor, 6 month current void for vacant shops from first floor and kiosks from ground floor, and 3 month current void for all ground floor shops.

- We would expect any future shop tenants to be contracted on a minimum of 3 year lease term;
- We have assumed that the property is held in an SPV and therefore that no Stamp Duty or transfer tax would be payable on sale;
- We have applied total capital expenditures related to the property extension, based upon the schedule that AFI has provided to us:

### Capex Schedule

COST NAME	TOTAL AMOUNT (€)
CAPEX Q4 2016	2,580,388
CAPEX Q1 2017	2,481,000
CAPEX Q2 2017	1,284,454
CAPEX Q3 2017	450,291
<b>TOTAL</b>	<b>6,796,133</b>

Source: AFI Europe

- We have applied vacant service charge of €12/sq m on all voids;
- Standard Lease agreements are in place which we are all on broadly standard commercial terms;
- We have applied the following core yields:

Tenant/Space Type	Yield
Let	7.50%
Vacant	8.50%
Anchors	7.00%
Kiosk	8.50%
Hypermarket	7.00%
Leisure	7.50%
Signage	8.50%
Additional Income - Turnover rent	7.50%
Additional Income - Advertising	7.75%
Additional Income - Parking & Electricity	8.25%
Office	8.50%
Terraces	8.50%

Source: CBRE

- We applied a yield taking into account the importance of current income to the project as a whole, and in light of transactions in Romania and also in the region.

## OPINION OF VALUE

### Fair Value

We are of the opinion that the Fair Value of the freehold interest in **AFI Palace Cotroceni** as at 30<sup>th</sup> September 2016 is:

**€467,240,000 (FOUR HUNDRED AND SIXTY SEVEN MILLION, TWO HUNDRED AND FOURTY THOUSAND EUROS), exclusive of VAT.**

Our opinion of Market Value reflects the following yield profile:

### Yield Profile

Initial Yield	7.08%
Reversionary Yield	7.50%
Equivalent Yield	7.40%

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# 4

## APPENDICES

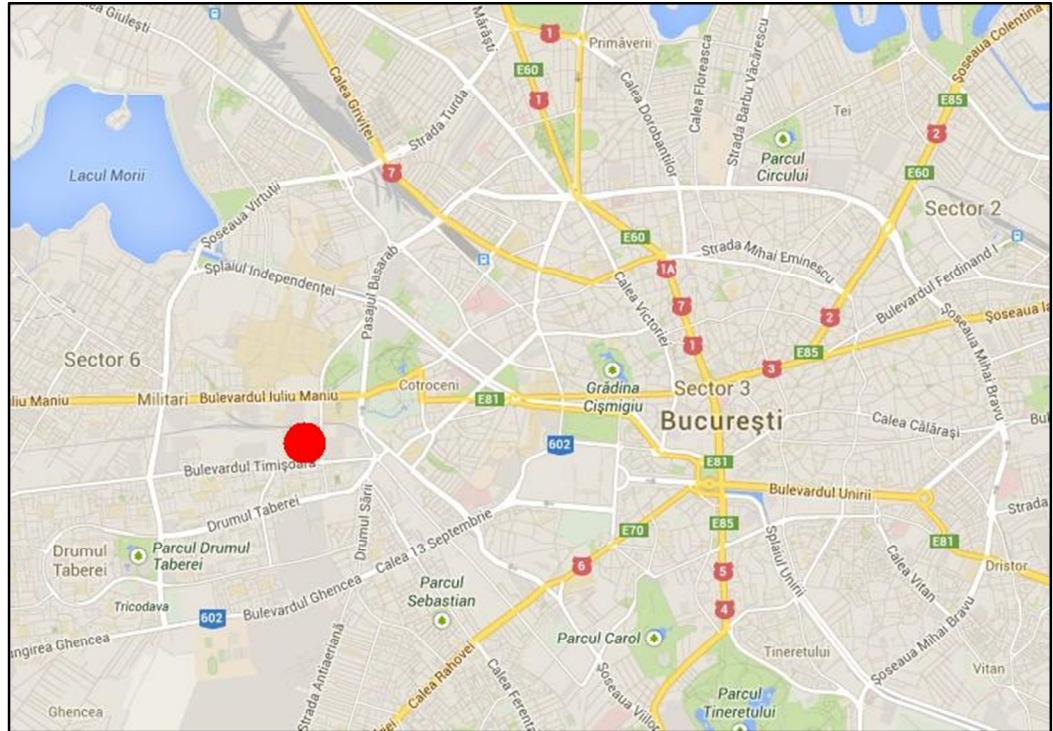
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**A**

**LOCATION PLANS**

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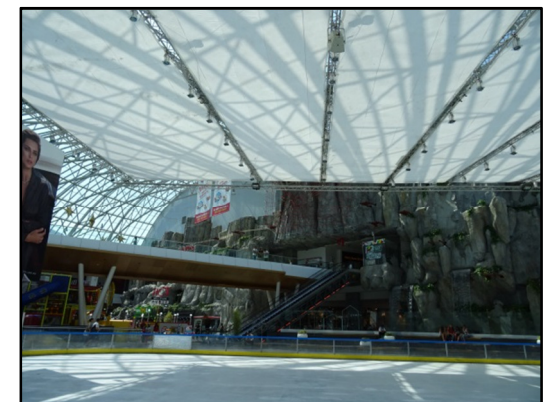
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**B**

**PHOTOGRAPHS**

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PHOTOGRAPHS



PHOTOGRAPHS

