PLAZA CENTERS

Strictly Confidential
For Addressee Only

Plaza Centers Portfolio: Hungary, Poland, Czech Republic, Bulgaria, Latvia, Greece, Romania, and Serbia

Report and Valuation for

Plaza Centers

Valuation Date

31 December 2013

CUSHMAN & WAKEFIELD®

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A Valuation Report

To: **Plaza Centers**

Attention: **Mr Gabor Lattmann**

Portfolio: **Hungary, Poland, Czech Republic, Romania, Latvia, Greece, Bulgaria, and Serbia**

Report Date: **3 January 2014**

Valuation Date: **31 December 2013**

1 Instructions

Appointment

We are pleased to submit our valuation report, which has been prepared for financial reporting purposes. The properties and interests valued are detailed in Part B.

The valuation has been carried out in accordance with the instructions detailed in Part C of this report. The extent of our professional liability to you is also outlined within these instructions. Accordingly, to cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance through the Lloyds and company insurance market, so long as such insurance is available at commercially acceptable rates and terms but for at least the terms of the loan, with insurers of good standing and repute of not less than £10 million on an each and every claim basis.

INVESTOR IN PEOPLE

Cushman & Wakefield LLP is a limited liability partnership registered in England & Wales with registration number OC328588. The term partner is used to refer to a member of Cushman & Wakefield LLP or an employee or consultant with equivalent standing and qualifications. A list of members of the LLP is open to inspection at our registered office at 43/45 Portman Square, London, W1A 3BG. Regulated by the Royal Institution of Chartered Surveyors.

We confirm we have no conflicts of interest in our advising you on the value of the property. We also confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

2 Background to the Valuation

You have told us that valuation report is required for IFRS purposes. We confirm that our valuation is IFRS 13 (IAS 40) compliant. The valuation date is 31st December 2013.

3 Bases of Valuation

The valuation and report has been prepared in accordance with the RICS Valuation – Professional Standards (the "Red Book") by a valuer acting as an External Valuer, as defined within the Red Book.

Bases

The properties in Part B have been valued on the bases of Market Value.

Definitions

Our Principal Terms of Appointment as Valuers (within Part C) contain full definitions of the Red Book valuation bases.

4 Assumptions, Departures and Reservations

We have prepared our valuation on the basis of the assumptions within our instructions detailed in Part C of this report.

Plaza Centers have advised us of operating expenditure at various centres. We have relied on their data but have not verified this information through detailed due diligence.
We have not inspected leases and assume these are drawn up on standard institutional market terms. We have relied upon information supplied by you.

In respect of the Casa Radio property, we have not reviewed the current master plan for this scheme and recommend that careful consideration is given to best use. It should be

noted that the scheme is of a size that there will likely be additional costs in improving local infrastructure capacity, particularly the surrounding surface streets. We have made no allowance for any such 'planning gain' costs.

Given the property's history as well as the size of the land and the scale of the potential project, this site will no doubt have a certain degree of political sensitivity and this is increased given that the state is a stakeholder in the project; nonetheless, the state's part ownership puts the site in a unique position. Given the political uncertainty and the state's interest in the property, it is questionable whether the property could be sold in current circumstances; however, we have valued on the assumption that the interest held is the unencumbered effective freehold.

We have made no departures from the "Red Book".

Reservation

Typically a purchase of such a property would be facilitated through a loan. Access to finance depends upon various factors, many of which are not directly attributable to the property. At present the financial markets are uncertain and banks are generally retracting from offering new loans. It is uncertain whether a financial institution would generally offer terms for a new loan in the current market; however, we are aware of situations in Central European markets where existing lenders have provided finance to a new owner or where a fund has a particular relationship or connection with a borrower which enables them to raise finance. Whilst these situations are specific and cannot be guaranteed, it is appropriate to consider the possibility of obtaining finance in assessing market value. Our valuation assumes that finance can be secured by a buyer on non-onerous terms; however, it should be noted that if finance could not be raised by any party then this will significantly impact on bids, hence there will be a very significant impact on the value here reported.

5 Inspection

We inspected the properties internally and externally from May-July 2013. Individual inspection details are given in the individual property reports.

6 Sources of Information

In addition to information established by us, we have relied on the information obtained from you. We have not undertaken detailed investigations of statutory authorities, and have relied upon your information in this respect.

7 General Comment

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you or the borrower contemplate a sale, we strongly recommend that the property is given proper exposure to the market.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

Currency

The property has been valued in Euro. We have reflected any local realisation taxes.

8 Valuation

Our opinion of value of the interests in the properties detailed in Part B is the sum of:

Property	Market Value		
Arena Plaza Extension	€	7,800,000	Seven Million, Eight Hundred Thousand Euros
David House	€	3,950,000	Three Million, Nine Hundred and Fifty Thousand Euros
Torun Plaza	€	97,580,000	Ninety Seven Million, Five Hundred and Eighty Thousand Euros
Zgorzelec Plaza	€	17,125,000	Seventeen Million, One Hundred and Twenty Five Thousand Euros
Suwalki Plaza	€	43,525,000	Forty Three Million, Five Hundred and Twenty Five Thousand Euros
Lodz Residential	€	6,500,000	Six Million, Five Hundred Thousand Euros
Lodz Plaza	€	7,925,000	Seven Million, Nine Hundred and Twenty Five Thousand Euros
Leszno Plaza	€	1,719,000	One Million, Seven Hundred and Nineteen Thousand Euros
Kielce Plaza	€	5,350,000	Five Million, Three Hundred and Fifty Thousand Euros
Liberec Plaza	€	17,675,000	Seventeen Million, Six Hundred and Seventy Five Thousand Euros
Shumen Plaza	€	2,125,000	Two Million, One Hundred and Twenty Five Thousand Euros
Riga Plaza	€	87,725,000	Eighty Seven Million, Seven Hundred and Twenty Five Thousand Euros
Helios Plaza	€	15,300,000	Fifteen Million, Three Hundred Thousand Euros
Casa Radio	€	174,150,000	One Hundred and Seventy Four Million, One Hundred and Fifty Thousand Euros
Costanta Plaza	€	6,300,000	Six Million, Three Hundred Thousand Euros
Hunedoara Plaza	€	2,375,000	Two Million, Three Hundred and Seventy Five Thousand Euros
Iasi Plaza	€	11,550,000	Eleven Million, Five Hundred and Fifty Thousand Euros
Miercurea (Csiki Plaza)	€	5,625,000	Five Million, Six Hundred and Twenty Five Thousand Euros
Palazzo Ducale	€	1,800,000	One Million, Eight Hundred Thousand Euros
Slatina	€	1,650,000	One Million, Six Hundred and Fifty Thousand Euros
Targu Mures	€	6,175,000	Six Million, One Hundred and Seventy Five Thousand Euros
Timisoara	€	10,825,000	Ten Million, Eight Hundred and Twenty Five Thousand Euros
Belgrade Plaza	€	16,150,000	Sixteen Million, One Hundred and Fifty Thousand Euros
Kragujevac Plaza	€	41,775,000	Forty One Million, Seven Hundred and Seventy Five Thousand Euros
Visnjicka Plaza	€	19,025,000	Nineteen Million, Twenty Five Thousand Euros
Total	**€**	**611,699,000**	**Six Hundred and Eleven Million, Six Hundred and Ninety Nine Thousand Euros**

9 Confidentiality

Our valuation is confidential to you, for your sole use and for the specific purpose stated.

We will not accept responsibility to any third party in respect of its contents.

10 Disclosure and Publication

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

Signed for and on behalf of Cushman & Wakefield

Gergely Kollai
Valuer, Cushman & Wakefield
Budapest Office

Michael Edwards MRICS
Partner, RICS Registered Valuer,
Head of Valuation & Advisory
Central Europe

B Property Reports

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 December 2013

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ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
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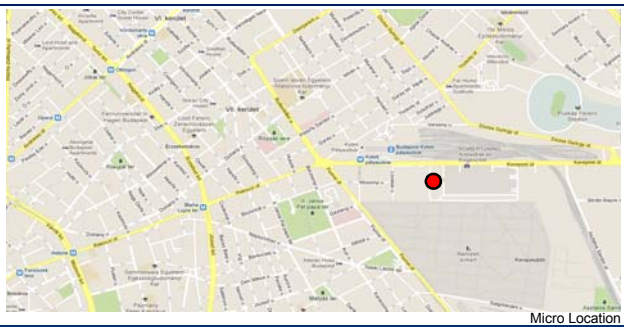
Macro Location



Micro Location

Areal View

Street View

LOCATION

The Property is located along Kerepesi út in Budapest, Hungary. The site is adjacent to an established shopping centre, Arena Plaza, which opened in 2007.
The site is two blocks away from Keleti railway station and Keleti metro stop. Ferihegy airport is located some 12.5 km to the south-east. Trolleybus no 80 and 80A; and bus lines no 908, 931, 956 and 990 have a stop in front of Arena Plaza.
Accessibility is generally good, although the two blocks are relatively far from the metro stop by foot.

LOCATION DETAILS

City Population	2 million
Local Land	Commercial
Distance to Centre	3 km
Distance to Highway	10 km (M0); 7 km (M1,M7)
Distance to National Road	On arterial city route
Public Transport	well developed
Plot area	21,788
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	21,788
Parking Places (closed)	n/a
Access	off Kerepesi út
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
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PROPERTY DATA

PLOT OF LAND

Site area, total	21,788
Surplus Land	0
Developed area (% total site)	0

INSPECTION

Inspection Type	External
Inspection Date	17/05/2013
Inspected by	Balazs Lados MRICS

PROPERTY DESCRIPTION

The subject property is a rectangular piece of flat development land adjacent to Arena Plaza shopping centre. It is accessible off Kerepesi út. We consider its highest and best use as multi-let Class A offices, although development would be unfeasible currently, due to the high market vacancy and generally low new demand on the Budapest office market.
The site has been cleared and fenced. We have made no specific queries of the statutory authorities, but understand and assume that all mains services are available on the site.
We have received a copy of a building permit and an extension of this building permit (which has expired on 21/5/2012) for an office scheme of approximately 40,000 sqm GLA. We have been advised that this building permit is currently being extended. In or valuation we have not valued this specific building, but valued an alternative and more general hypothetic scheme based on the relevant zoning regulations and our market experience.

LAND REGISTRY DETAILS

The plot is registered in the District VIII municipality under land registry no. 38829/6 with 122,857 sqm site area. The owner of the Freehold is Symmetry Arean Kft. There is a land usage right registered in favour of Kerepesi 5 Irodaépület Ingatlanfejlesztő kft in section II/24 in for 10,894 sqm (registered on 08/10/2007) and in section II/30 for a further 10,894 sqm (registered on 08/09/2008), which effectively works as a long term freehold.
This is a slightly unusual practice in Hungary, but we were advised by Plaza Centers that this way Kerepesi 5 kft has the benefit of over-building the densities allowed by the Zoning regulation, as Arena Plaza did not "use up" all the buildable area on their part of the plot.
There a few easements registered on the property securing right of access and maintenance to the utility companies, but these do not have a negative effect on the value of the property. Having checked the title documentation we believe and assume that the property is free of any issues in terms of tenure.

Land registry extract	38829/6	Obtained on	06/02/2012
Registered owner	Symmetry Arena Ingatlankezelő Kft		
Registered use	yard, exhibition centre, recreational centre, commercial centre, and restaurants		
Registered size	122,847 sqm (out of which Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft has a usage right on two times 10,894 sqm)		

Restrictions and encumbrances

High voltage line on the site.
Land usage right in favour of Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft on two times 10,894

Comments

We have not seen the land use agreement with Symmetry Arena Kft we therefore assume that construction on the site is possible and that the land use right is perpetual and transferrable.
We have been advised that the building permit is inthe process of being extended by the municipality.

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PLANNING ISSUES

According to our enquiries in May 2013 (which we assume to be correct as at the valuation date):

Zoning	IZ-VIII-1
Footprint ratio	35%
Floor area/plot ratio	2.4
Maximum height	30 m
Permit status	Building permit expired 21/5/2012

The subject Property is covered by a valid Master Plan. The plan allows the suggested office use, key parameters are as follows:

- minimum plot size:	2 ha	- maximum building height:	30 m
- minimum green area:	50%	- underground build ratio:	50%
- footprint ratio:	35%		

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

As per the expired building permit, the proposed scheme was a ground plus seven storey office building with 880 parking spaces arranged over two underground levels.
In our valuation we have considered a very generic alternative scheme based upon the sites zoning parameters and our market experience.

site area:	21,788 sqm
max GBA:	52,291.2 sqm
proposed scheme:	50,000 sqm
proposed GLA:	45,000 sqm
proposed car park:	900 underground spaces (1:50 parking space to GLA ratio)

8 proposed storeys with a total of 5,625 sqm footprint which calculates around 26% of the site area.

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SWOT-ANALYSIS

STRENGTHS

- Size and shape of the site
- Surrounding area continues to be developed

WEAKNESSES

- unusual legal status
- a short walk away from the metro on foot

OPPORTUNITIES

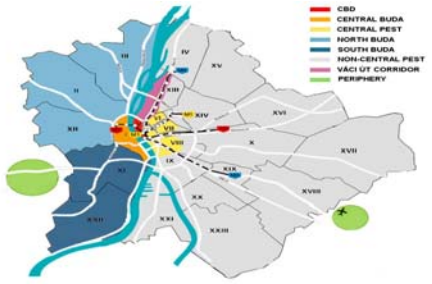
- New metro line may increase importance of the Keleti / Baross tér railway station hub

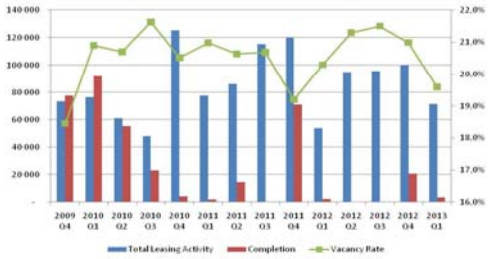
THREATS

- low market demand
- high market vacancy
- non-established office location

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The total Budapest office stock (including owner-occupied and speculative buildings) was 3,145,467sqm in the first quarter of 2013. Investment grade office stock in the Central Business District stands at 337,794sqm compared with 981,865sqm in the Central sub-market, 672,234sqm on Váci út corridor and 1,153,574sqm in Non Central and Peripheral areas. The subject property is located in the central pest submarket.
The total volume of demand reached 71,409sqm in Q1 2013, which is almost 34% higher than in the first quarter of 2012. Out of this volume renewals had a share of 24.6% (17,575sqm), which is the lowest ratio since Q3 2009. The volume of new leases and expansions also improved more than 45% year on year reaching 47,688sqm while one owner occupation transaction was of 6,146sqm. We registered 172 lease agreements in Q1 2013, with an average deal size of 415sqm. This size is in line with the Q1 2012 size but half the size recorded in the previous quarter - almost 80% of the transactions were signed for a volume of ≤ 500sqm.
Despite the high vacancy rate in Budapest, prime space is registering high level of occupancy and thus rents in the CBD submarket (at €21.00/sqm/month), in particular are expected to remain in stable. In some instances incentive packages are offered as landlords bid to attract and/or remain occupiers. In the Central locations, both sides of the city, prime headline rents are at €15.00/sqm/month. In the Non-central area headline rents are at €13.00/sqm/month and Peripheral areas headline rents are about €3 below the non-central rents. In most secondary and peripheral locations rents are still under pressure.





COMPETITION

The property is situated in a non-established office location, direct competition mainly consists of existing scenes along (the red metro line M2) Rákóczi/Kerepesti út (R70, Arena Corner) and within a 2-3 km radius along Hungária/Könyves Kálámán körút and Tram Line no 1 and 1A (Hermina Towers, M3 Business Center, Népliget Center, Stefánia Park and ParkWay Offices). Indirect competition includes the outer sections of Váci út (along the blue metro line M3), the South-Buda and South Pest office submarkets.
There are also a few pipeline development projects in the wider vicinity which have been stopped or postponed to a lack of financing. These include the Raiffesien site in very close proximity to the subject property, Galeria Office Building on Baross tér (which has been under redevelopment for the past 8 years), Hungária Center (a concrete skeleton, opposite Budapest Arena), Skanska's project on the Thököly/Hungária corner and K3's additional phases by Népliget.

COMPETING SCHEMES

Building / Address	*District*	*Headline Rent (psm / mth)*	*Total GLA*	*Comments*
R70 (A)	VII	12.00	19,000	73% occupancy
Aréna Corner (A)	VIII	13.00	30,000	75% occupancy
Parkway (A)	VIII	13.50	27,500	95% occupancy
Népliget Center (A)	IX	10.50	26,000	62.5% occupancy
Hermina Towers (B)	XIV	11.00	16,500	85% occupancy
M3 Business Cntr. (A)	XIV	10.00	14,000	50% occupancy
Stefánia Park (A)	XIV	13.00	5,400	90% occupancy

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

Office development is currently unfeasible at depressed rents and a tenant driven market. Anyone investing in the site would probably calculate with a certain holding period prior to construction until the market somewhat recovers.
In our calculations we assumed a three year holding period, a 12 month construction period, a recovered market for the lettings in the consecutive 12 months and for the sale in month 60 from valuation date.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed and average ERV for each category based on our market research and knowledge of office lease transactions and current trends.

Offices	€	12.50	/sqm /month
Underground Parking	€	75.00	/sqm /month
Offices	€	12.50	/sqm /month
Underground Parking	€	75.00	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

We calculated with a 3 year hold period, a 12 month construction period and a further 12 month letting period, so project sale is assumed to happen 5 years from the valuation date. We have compared office yields and sale prices with the existing stock in Budapest. Based on our market experience we estimate that prime yields will be around 7.0% for fully established scheme in a recovered market. We have applied a 150 basis point discount to reflect the speculative nature of the assumed scheme.

	Exit
Offices	8.50%
Underground Parking	8.50%
Offices	8.50%
Underground Parking	8.50%
5	0.00%
6	0.00%
7	0.00%
8	0.00%
9	0.00%
10	0.00%
11	0.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Office Building	€	750	/sqm
Underground Car Parking	€	200	/sqm
Contingencies		5%	
Letting Fees		12%	ERV
Sales Fees		1%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		25%	GDV

PROPERTY	Arena Plaza Extension
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SUMMARY RESIDUAL VALUATION

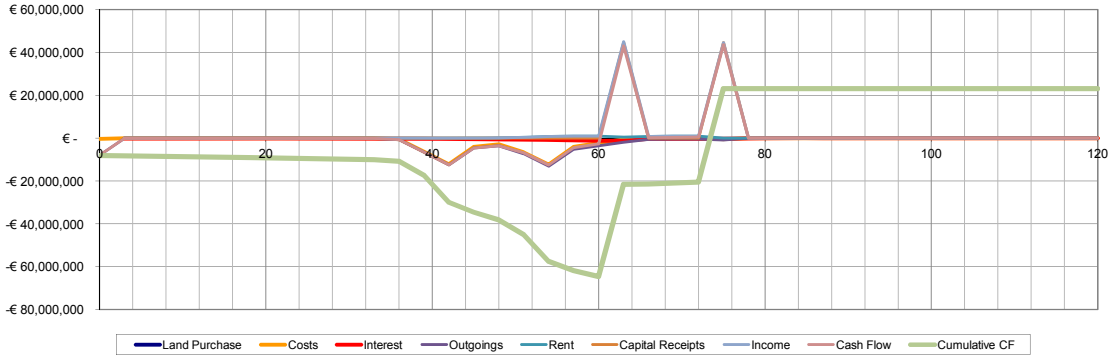
Capital Receipts			€	88,941,176		
Rent			€	5,953,500		
Income					€	**94,894,676**
Development Costs			-€	44,250,000		
Infrastructure			€	-		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	4,425,000		
Contingencies			-€	2,433,750		
Fixed Marketing Costs			€	-		
Sales Fees	1%	sales proceeds	-€	889,412		
Leasing Fees	**12%**	**annual rent**	-€	907,200		
Development Finance	8.00%		-€	6,614,901		
Developer's Profit @	25.00%	GDV	-€	22,235,294		
Acquisition Fees	4.00%		-€	505,351		
					-€	**82,260,908**
Residual value					**€**	**12,633,769**
Land Holding cost						0.618184
					€	**7,810,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 7,810,000								
Costs	-€ 312,400	€ -	€ -	-€ 580,781	-€ 25,554,375	-€ 25,427,194	-€ 898,306	-€ 444,706	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ 2,976,750	€ 47,447,338	€ 44,470,588	€ -
Interest	€ -	-€ 649,792	-€ 701,775	-€ 757,917	-€ 1,802,067	-€ 3,937,427	-€ 2,495,422	-€ 398,310	€ -
Cash Flow	-€ 8,122,400	-€ 649,792	-€ 701,775	-€ 1,338,699	-€ 27,356,442	-€ 26,387,870	€ 44,053,610	€ 43,627,573	€ -
Cumulative CF	-€ 8,122,400	-€ 8,772,192	-€ 9,473,967	-€ 10,812,666	-€ 38,169,108	-€ 64,556,978	-€ 20,503,368	€ 23,124,204	€ 23,124,204

As can be seen in the chart below, we assume development will commence at the fourth year. Based on the proposed scheme the property will be developed in two equal phases of 25,000 sqm Gross Built Area. Each phase will consist of 22,500 sqm net lettable office space with corresponding 450 underground car parking spaces at 1:50 space per GLA ratio. After a 12 month letting period the schemes are sold. The scheme starts to generate profit after the handover of the second phase in month 75. The main cost for the first year is the land acquisition. The first phase is developed in the fourth while the second phase is developed in the fifth year.

Cash Flow Profile



PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

We have compared the site to available commercial land in the wider vicinity. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €100-€200per buildable sqm range, which we consider to be realistic in the context of the available market information.
Sites in Budapest in more favourable locations have been traded at around €200 per buildable sqm, we therefore consider the subject property should be somewhere in the middle of this range.

No directly comparable transaction (office development land in the Central Pest submarket) has been concluded in the last two years, therefore residual approach provides the most reliable market value.

In summary, using the above assumptions and variables we have arrived at a residual amount of €360 per sqm, which calculates to €150 per buildable area and is according to our opinion a unit value of the site.

Gross value € -

Address	Details	Asking or sold?	Date	€/ build. Sqm	
Cornerstone site (Váci út 140-150)	Bought by HB Reavis early 2012 – to be developed into an office building with 24,000 GLA	transaction	H1 2012	€	220
Nordic Light Site (Váci út 96)	c. €10.5m paid in 2011 - to be developed into a 30,000sqm GLA of offices	transaction	2011	€	350
Green House site (Kassák u. 19-25)	c. €3.2m paid in 2010- to be developed into 18,000sqm GLA office building	transaction	2010	€	177

MARKET VALUE	€	7,810,000.00	say	€	7,800,000

PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

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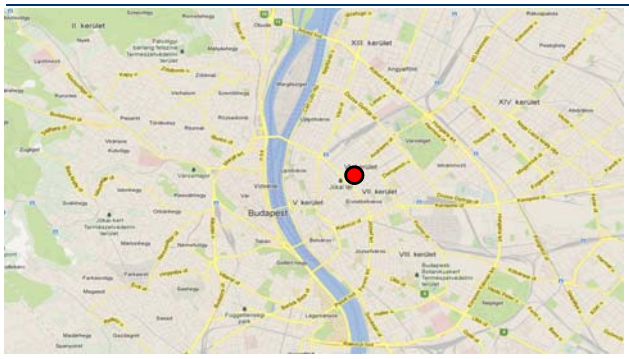
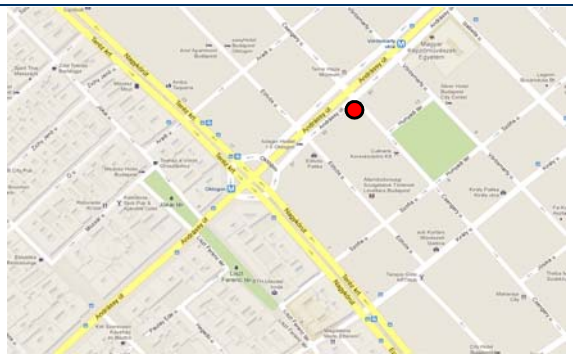


Macro Location



Micro Location

Front View

Internal View

LOCATION

The subject scheme is located on the prestigious Andrássy út in district VI of Budapest, two corners away from Oktogon and just opposite the House of Terror Museum. Surrounding land use primarily includes office, institutional (embassies, museums, schools) and residential uses.
The location is served well in terms of public transportation. The Millennium underground (M1) has its nearest stops at Vörösmarty utca and Oktogon. Bus no 105 stops at Oktogon, while trolleybus line no 73 and 76 run along the nearby Izabella utca. Nyugati railway station is some 500 metres to the north while Liszt Ferenc International Airport is located some 15km to the south-east.

LOCATION DETAILS

City Population	2,000,000
Local Land	Mixed, offices, institutional and residential
Distance to Centre	1 km
Distance to Highway	2.5 km
Distrance to National Road	0.5 km
Public Transport	Metro M1, Bus # 105
Plot area	796 sq m
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Refurbished, protected offices
Occupation	owner occupied
Historic monument	yes, facade & artwork protected
Gross lettable area	approx 2,200 sqm if single let
Parking Places	none
Access	street
Utilities	all
Legal issues	assumed to be problem free

PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction	1882
Modernisation Year	2001
Building Condition	good
Gross lettable area	2297.24
Parking places	0
Current rent p.a.	0
Vacancy rate (overall)	100%
Weighted remaining lease term	0
State of Repair	Good
Overall Condition	Good

TECHNICAL DETAILS

Building Type	Office
Construction	late 19th century
Facade	Neorenessaince, protected
Roof	Pitched
Windows	Various
Glazing	double
Heating	central heating
AC/ Ventilation	parapet fan coil
Cabling	walls/raised floor
Sanitary	Modern standard

PLOT OF LAND

Site area, total	796
Surplus Land	0
Developed area (% total site)	100%

INSPECTION

Inspection Type	Internal and external
Inspection Date	17/05/2013
Inspected by	Balazs Lados MRICS

PROPERTY DESCRIPTION

The subject property is a protected historic building currently refurbished to office use. The refurbishment works were carried out in 2001, it currently serves as the office headquarters of Plaza Centers. Many of the original features of the building have been preserved such as the facade, the inner courtyard, stukkos, woodwork, etc.

The building offers approximately 2,000 sqm of office space on 2,200 sqm of net internal area arranged over ground plus two stories and an attic level. Technical areas and building machinery are installed in the basement.

The building is maintained in good condition, although Plaza Centers only use the first and second floors as office space. The building is currently best suited for a single occupier, although multi-tenanted occupation is also possible with some investment in the specification.

Potential occupiers may include end users, such as embassies, international organizations or high profile advisory firms (McKinsey, Boston Consulting Group etc.).

ACCOMMODATION

We were provided with an area break-down of the property from the scaled floor plans. These areas are Net Internal Areas and reflect the area schedule of the building in single occupation. We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these floor areas. We assume that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	Sqm (NIA)
B	Technical Areas	95.06
G	Ground floor reception, Covered Atrium, Café and street level offices	607.37
1	First Floor office cellular office space	400.43
2	Offices, meeting rooms and common areas renovated and restored to a very high standard	484.45
3	Open space offices with raised floors and state of the art internal fit out (a bit dark at some plat	405.56
4 (Attic)	Attic level, primarily open space offices with a very good amount of natural light through sky ligl	399.43
Total		2392.30
Total Above Ground		2297.24

PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

LAND REGISTRY DETAILS

The property is situated in Budapest District VI Municipality.

According to the information provided by the Chief Architect's office, plot is zoned in the VK-VI-2 category, for city centre 'urban' use. The zoning allows uses such as residential, offices, public administration, hospitality, sports, recreational and underground parking. Key Parameters are as follows:

Land registry no.	29458	Obtained on	12/02/2012
Registered owner	Plaza House Ingatlanfejlesztő Kft		
Registered use	Office		
Registered size	796 sqm		

Restrictions and encumbrances

The facade and certain parts of the building (artwork, woodwork, stucco, etc) are protected and are listed as World Heritage.

Comments

The building seems to accord with its current zoning.
We were advised that it received a valid use permit and occupancy permit at the 2001 refurbishment.

PLANNING ISSUES

Zoning	VK-VI-2
Footprint ratio	80%
Maximum buildable area	3582
Maximum height	21
Permit status	assumed to be valid

- Minimum Plot area:	700 sqm
- Minimum Plot Width:	18 sqm
- Maximum Built Up Ratio:	80% (100%)
- Minimum Green Area:	10% (0%)
- Floor Area/Plot Ratio:	4.5 sqm/sqm
- Minimum Building Height:	16 m

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

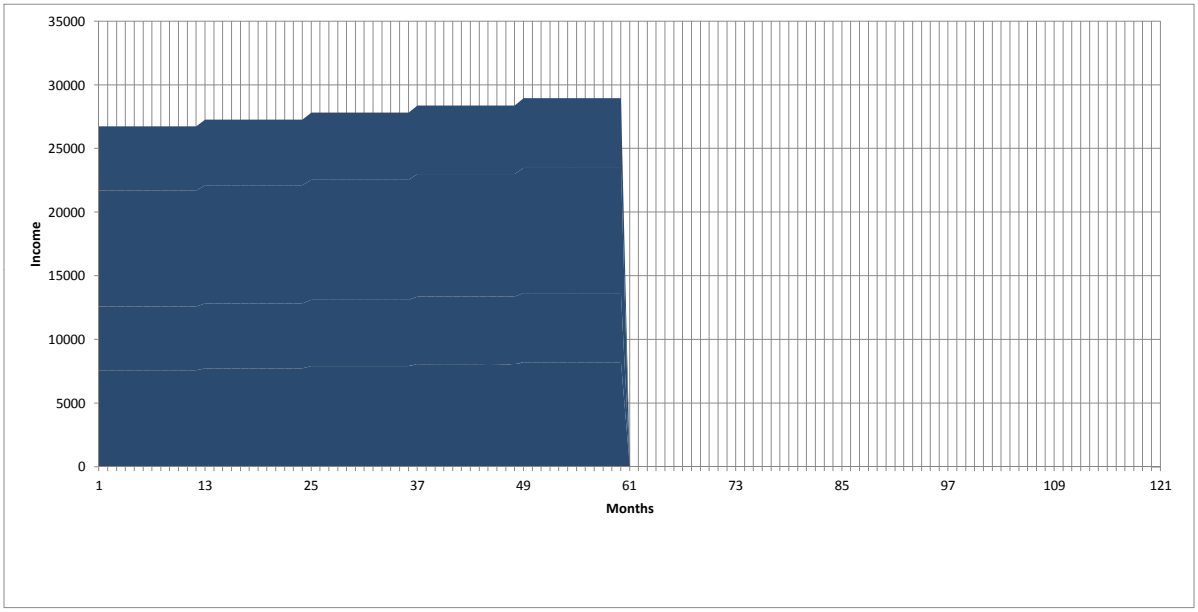
PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

TENANCIES

Number of Tenants		
Vacant space (m²)		
Lease Income (p.a.)	€	365,941
Other Income (p.a.)	€	-
Operating Expenses (p.a.)	-€	1,458,576
Service Charge (/sqm / month)	€	4.00
Lease inspected?		
Standard Lease Terms:		
Lease length		
User Clause		
Security		
External Repairs		
Internal Repairs		
Insurance		
Alienation		
Indexation		

The property is currently owner occupied by Plaza Centers and serves as their headquarter building.
In our calculations we valued the building in vacant possession at our estimation of Market Rent and the relevant Vacant Possession yield.
We are on the opinion that the market rent of the property is approximately €365,000 per annum.

Income Profile



The above show our assumption of the market rent of a 5 year single lease in the subject scheme with annual 2% growth (indexation).

PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

- good location
- good accessability
- unique architecture

WEAKNESSES

- no parking space
- very cellular layout
- big differences in terms of quality among floor

OPPORTUNITIES

- suitable as a headquarter building to a single occupier, or
- multi-let occupation with minor investment

THREATS

- competing schemes
- low currently achievable rental levels
- high market vacancy, low demand

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Andrássy út is a prestigious boulevard of Budapest and has two clearly differentiable sections.

The inner strip between Deák tér and Oktogon is the second most important high street destination in Budapest (after Váci utca) accommodating luxury brands on street level and office and/or residential functions on the upper floors. The outer strip is mostly characterized by owner occupiers, institutions, museums, embassies, galleries and luxury residential estates.

The subject scheme is located on the outer strip, only a couple of corners away from Oktogon a busy intersection of Andrássy and the 'Körút' ring road. The building could compete for potential high-end owner occupiers in case sold or could serve as a headquarter building to office occupiers.
Leasing evidence varies very much along Andrássy depending upon the specifications of the building and their distance to the centre and the major metro stops. Headline levels are offered from €10 to €15 with incentives depending upon the term of the lease and the amount of fit-out works required by the tenant.
There haven't been many sale transactions in the past 24 months. The late evidence is the sale of the OREX building

PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

COMPARABLES

LEASE COMPARABLES

Building (Class)	*Address*	*Headline Rent (psm/mth)*	*Incentives on a 5 year contract*	*Comment*
Andrássy Palace (A)	Andrássy 9	€ 12.50	3 monhts rent free, €50/sqm fit-out	ING refurb in 2006
Andrássy 11 (B)	Andrássy 11	€ 10.00	5 monhts rent free, €50-€100/sqm fit-out	IVG refurb in 1999
Krausz Palace (A)	Andrássy 12	€ 10.00	5 monhts rent free, €50-€100/sqm fit-out	IVG refurb in 2001
Wahrmann Palace (A+)	Andrássy 23	€ 15.00	2 monhts rent free, €50/sqm fit-out	McKinsey & Gucci refurb 2009
Andrássy 70 (A)	Andrássy 70	€ 12.50	5 monhts rent free, €50/sqm fit-out	ORCO refurb in 2004
Stock Exchange Bldg (A)	Andrássy 93	€ 10.00	6 monhts rent free, €50/sqm fit-out	Refurb in 2006
Andrássy 100 (A)	Andrássy 93	€ 12.00	5 monhts rent free, €100/sqm fit-out	Refurb in 1999, multi-let building
Russian Embassy (A)	Andrássy	€ 10.00	5 monhts rent free, €100/sqm fit-out	Refurb in 1999, surplus space
Andrássy 126 (B)	Andrássy	€ 10.00	5 monhts rent free, €50-100/sqm fit-out	Refurb in 2001, offices for SMEs

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Cap. Value/ sqm*	*Comment*
Millenáris	Q2 2010	5.00	na	€ 2,800	1,800 sqm Class A office building in Discrict II sold to the EU commission
Andrássy 64 (OREX)	Q3 2010	4.00	na	€ 1,800	2,200 sqm Class A office building sold to an owner occupier in vacant possession
Ady Center	Q4 2011	2.60	10.00%	€ 2,000	1,300 sqm Class B offices in Disctirct XII let on short term contracts
Király utca 16	Q4 2011	3.60	na	€ 564	6,400 sqm Class B office building sold to a developer for refurbishment
Milleium Towers	Q4 2011	110.00	7.85%	€ 1,600	70,000 sqm portfolio of Class A offices on long term good covenant contracts
Aviva Porfolio	Q4 2011	106.50	8.25%	€ 1,775	60,000 sqm portfolio of Class A offices on long term good covenant contracts
Infopark E	Q1 2013	35.00	8.25%	€ 2,050	17,000 sqm Class A office building sold with a 3 year rental guarantee

COMPETITION

The subject scheme is unique asset in a prestigious location. The amount of stock here is very limited and although a depressed market, the still may be demand for it primarily from high-end owner occupiers.
The 'outer strip' of Andrássy boulevard has been experiencing falling rental levels and higher incentives, due to their relatively remote location compared to the 'inner strip' and the lack of new demand on the Budapest market. The subject scheme is unique in terms of its quality among other buildings of the outer strip and it is only a couple of corners away from Oktogon, the busiest hub of District VI.

INVESTMENT CONSIDERATIONS

Overall the scheme is good quality office building, nicely refurbished and restored. The property is best suitable for single occupation, but could be converted to multi-let use as well with minor investment. There is clear difference in terms of quality and specifications among the individual floors with the second floor being the most valuable.
Potential occupiers could include embassies or high-end corporate occupiers.
The lack of in-house car parking provision could be a potential problem, but it could be solved in the nearby garages around Oktogon.

PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation,

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	1 January 2014

VALUATION DETAILS SUMMARY

Market Value	€	4,200,000.00
Gross annual income	€	366,000.00
Net Operating Income (Year one)	€	357,000.00
Day One annualised NOI	€	357,000.00
Estimated Rental Value	€	366,000.00
Initial Yield (Year one)		8.50%
Initial Yield (Annualised day one)		8.50%

VALUATION ASSUMPTIONS

RENTAL VALUE

Based upon comparable evidence we used a base rate of €12.5/sqm/month which we have weighted according to the specifications of the relevant floors.
We have priced the building as the market would for a single occupied building. For the Basement technical areas we did not calculate any rent. We used the base rate for the Ground, First and Third floors; 150% of the base rate for the restored and protected second floor;

Cat. 1	€	-	/sqm /month
Cat. 2	€	12.50	/sqm /month
Cat. 3	€	18.75	/sqm /month
Cat. 4	€	9.38	/sqm /month
Cat. 5	€	1.00	/sqm /month
Cat. 6	€	1.00	/sqm /month
Cat. 7	€	1.00	/sqm /month
Cat. 8	€	1.00	/sqm /month
Cat. 9	€	1.00	/sqm /month
Cat. 10	€	1.00	/sqm /month
Cat. 11	€	1.00	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

We estimate that that the building could be sold at a rate of approx 7.5% in case single let on a long term basis to a good covenant occupier. We have added an additional 100-150 bps to reflect vacancy risk to arrive at our rate applied in the traditional method and as exit rate.
For the discount rate we have added 200 bps to reflect

	Discount	Exit
Default	10.50%	8.50%
Vacant	10.50%	8.50%
Yield2	10.50%	8.50%
Yield3	10.50%	8.50%
Yield4	10.50%	8.50%
Yield5	10.50%	8.50%
Yield6	10.50%	8.50%
Yield7	10.50%	8.50%
Yield8	10.50%	8.50%

OTHER VARIABLES

We have used market rates for service charge, lease term and non-recoverable costs.

Service Charge Income	€	4.00	/sqm/ month
Service Charge Outgoings	€	4.00	/sqm/ month
Non recoverables		2.50%	ERV
Void on expiry		1.00	months
Lease Term		10.00	years
Rent Free Periods		0.00	months
Leasing Fees		0%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation			

PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

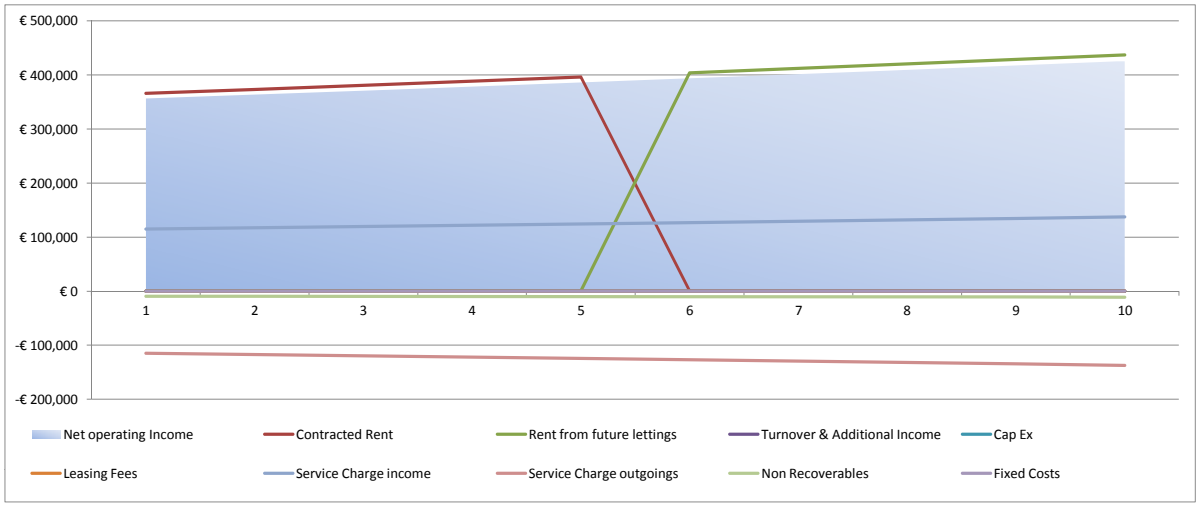
CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 365,941	€ 373,260	€ 380,725	€ 388,340	€ 396,106	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ -	€ -	€ -	€ -	€ 404,029	€ 412,109	€ 420,351	€ 428,758	€ 437,334
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ 114,830	€ 117,127	€ 119,470	€ 121,859	€ 124,296	€ 126,782	€ 129,318	€ 131,904	€ 134,542	€ 137,233
Service Charge outgoings	-€ 114,830	-€ 117,127	-€ 119,470	-€ 121,859	-€ 124,296	-€ 126,782	-€ 129,318	-€ 131,904	-€ 134,542	-€ 137,233
Non Recoverables	-€ 9,149	-€ 9,331	-€ 9,518	-€ 9,708	-€ 9,903	-€ 10,101	-€ 10,303	-€ 10,509	-€ 10,719	-€ 10,933
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**€ 356,793**	**€ 363,928**	**€ 371,207**	**€ 378,631**	**€ 386,204**	**€ 393,928**	**€ 401,806**	**€ 409,843**	**€ 418,039**	**€ 426,400**

Monthly income

The chart above

Annual Income



PROPERTY	David House
ADDRESS	1062 Budapest, Andrássy út 59, Hungary
VALUATION DATE	31 December 2013

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 331,168	€ 305,694	€ 282,179	€ 260,473	€ 240,437	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ -	€ -	€ -	€ -	€ 221,941	€ 204,869	€ 189,110	€ 174,563	€ 161,135
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ 103,919	€ 95,925	€ 88,546	€ 81,735	€ 75,448	€ 69,644	€ 64,287	€ 59,342	€ 54,777	€ 50,563
Service Charge outgoings	-€ 103,919	-€ 95,925	-€ 88,546	-€ 81,735	-€ 75,448	-€ 69,644	-€ 64,287	-€ 59,342	-€ 54,777	-€ 50,563
Non Recoverables	-€ 8,279	-€ 7,642	-€ 7,054	-€ 6,512	-€ 6,011	-€ 5,549	-€ 5,122	-€ 4,728	-€ 4,364	-€ 4,028
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 1,885,280
TOTAL	**€ 322,889**	**€ 298,052**	**€ 275,125**	**€ 253,961**	**€ 234,426**	**€ 216,393**	**€ 199,747**	**€ 184,382**	**€ 170,199**	**€ 2,042,387**

Based upon the above assumptions we have arrived at and answer of €4 million, which is in line with the comparable relatively small lot size transactions of high prestige vacant possession buildings in Budapest.

Lanchid Palota sold for c€2,000/sqm in Spetember 2013

Gross value			**€ 4,197,560**	
Legal Costs	**1.00%**			
Agent Fees	**1.00%**			
Transaction Costs	**4.00%**	**6.00%**	**€ 237,598**	
Market Value			**€ 3,959,962**	

MARKET VALUE say € 3,950,000

PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

Macro Location

Micro Location

Front View

Internal View

LOCATION

The property is located in North Central Poland, the city of Toruń with population of 205,000 inhabitants

The Property is located in the western part of Toruń, approximately 3 km from the centre, in the Bydgoskie Przedmieścia District, at 90 Władysława Broniewskiego Street.

The Property benefits from excellent transport links. The Property is about 3km distant from the centre of the city. The distance to the Main Railway Station in Toruń is approximately 5 km.

Władysława Broniewskiego Street, extended by the Bydgoska Route, is the main route leading through the city from east to west. This location provides great accessibility, exposure and appeal for a shopping centre.

Public transport in Toruń consists of 40 bus lines and 6 tram lines operated by the Municipal Transport Company.

Public transport in the vicinity of the Property is considered to be sufficient in the context of the current use of the Property. Tram lines no. 2, 3, 4, 5 stop opposite the Property. Bus line no. 18 stops directly next to the Property, numerous others (0, 15, 17, 26, 28, 34, 36, 40, 43) stop close by.

LOCATION DETAILS

City Population	205,000
Local Land	Mostly residential
Distance to Centre	3 km
Distance to Highway	10 km
Distance to National Road	50 m
Public Transport	Busses and trams
Plot area	49,137 sq m
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Purpose built, retail
Occupation	multi tenancy
Historic monument	No
Gross lettable area	40,456.89
Parking Places	1,137.00
Access	good
Utilities	full
Legal issues	not checked

PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction		2011
Modernisation Year		None
Building Condition		excellent
Gross lettable area		40,456.89
Parking places		1,137.00
Current rent p.a.	€	6,531,103.98
Vacancy rate (overall)		19.70%
Weighted remaining lease term		5.36
State of Repair		excellent
Overall Condition		excellent

TECHNICAL DETAILS

Building Type	Retail
Construction	Reinforced steel framework
Facade	steel and glass
Roof	Flat roof
Windows	Various
Glazing	aluminium
Heating	Public heating
AC/ Ventilation	Air conditioning system
Cabling	standard
Sanitary	Modern standard

PLOT OF LAND

Site area, total	62,800 sqm
Surplus Land	None
Developed area (% total site)	100%

INSPECTION

Inspection Type	Internal & External
Inspection Date	16 May 2013
Inspected by	Katarzyna Michnikowska

PROPERTY DESCRIPTION

Toruń Plaza is the largest shopping centre in Toruń. It was completed in 4Q 2011 and provides over 120 shop units on 2 storeys . The building is a modern shopping centre with 40 456.89 sq m of retail area.

The Property is of reinforced concrete framed building with steel and glass elevations.

Internally, floors are tiled, ceilings are either of exposed with various types of suspended lighting, or suspended with various types of lighting embedded.

The building has an efficient layout with anchor retail units located in the central and north part and of the centre. That, together with the supermarket's location at ground level in the north-eastern part of the scheme with a food court and leisure component above, evenly distributes footfall and enhances its circulation.

ACCOMMODATION

We were provided with a break-down of floor areas by the client. We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these floor areas. We assume that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	Sqm
Retail	Retail	40,456.89

PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

LAND REGISTRY DETAILS

The property is situated in **Toruń** Municipality.

According to the information provided by the Chief Architect's office, plot is zoned in the 40.01-UC/U1 category, for **large scale retail** use. This allows uses such as [list possible uses] on the site. The main criteria of the subject zoning are as follows:

Land registry extract		Obtained on	18 October 2012
Registered owner	Toruń Plaza Sp z o.o.		
Registered use			
Registered size	62,800 sqm		

Restrictions and encumbrances

Land easement regarding the transmission set in favour of Toruńska Energetyka Cergia S.A., including the right of access to stretch of land to redevelop, modernize and repair infrastructure.

Comments

Clear and marketable tenure structure

PLANNING ISSUES

Zoning	Large Scale Retail
Footprint ratio	NA (15% green area ratio)
Maximum buildable area	NA
Maximum height	30m
Permit status	Obtained Use Permit

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

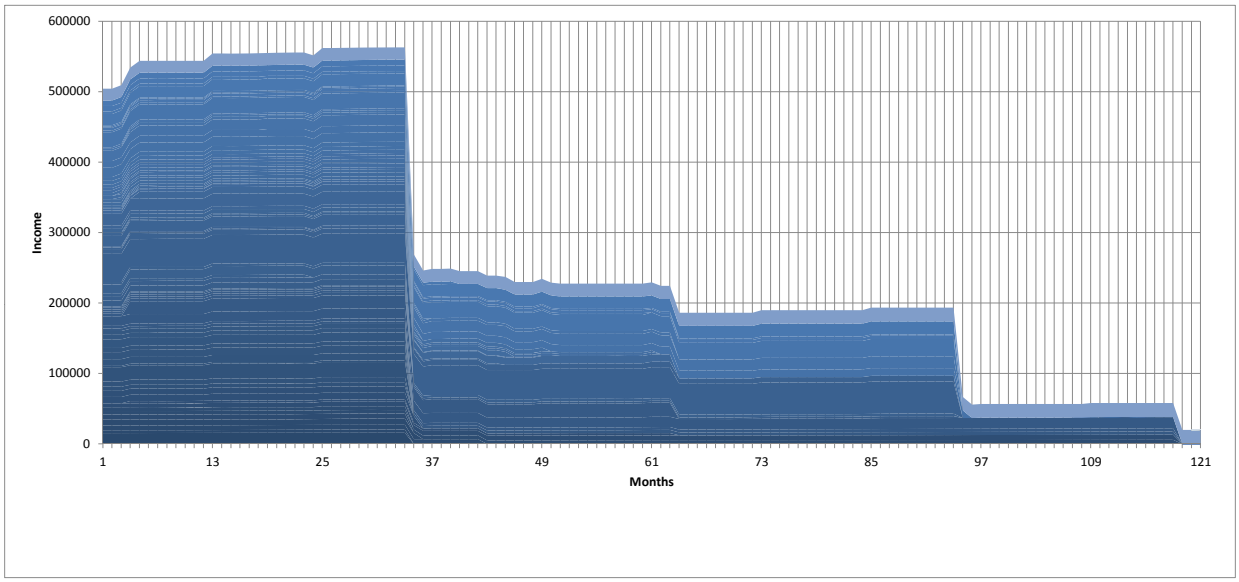
PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

TENANCIES

Number of Tenants		79
Vacant space (m²)		7953.68
Lease Income (p.a.)	€	6,531,103.98
Other Income (p.a.)	€	288,936.00
Operating Expenses (p.a.)	-€	1,437,386.31
Service Charge (/sqm / month)	€	-
Lease inspected?		Not inspected
Standard Lease Terms:		
Lease length		5 years
User Clause		Assumed market standard
Security		Cash deposit or bank guarantee
External Repairs		Not covered
Internal Repairs		Covered
Insurance		Covered
Alienation		Assumed market standard
Indexation		HICP

The Property is currently let to 79 tenants overall. According to a spreadsheet provided to us, the Property is almost 80% let. The Property currently generates a gross rental income of EUR 6 531 104 pa (including short-term leases and additional income) as at the valuation date. The average rent in the shopping centre equals EUR 15.83/sq m/month, which we consider to be in line with the market level for schemes of this size, profile and location

Income Profile



Most leases are secure until November 2016. Another wave of lease expiries will occur in November 2021. The weighted remaining lease term is 5.36 years.

PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

- Excellent Visibility
- Extensive parking
- Good public transportation
- Excellent condition

WEAKNESSES

- high vacancy
- most rental income is not secure beyond 2016

OPPORTUNITIES

- Recovery of the real estate investment market
- Growth in consumer spending

THREATS

- Possible growth in competition

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The total modern retail stock in Toruń amounts to approx. 180,000 sqm GLA, of which 110,000 sqm is within shopping centres (62%), 20,000 sqm retail warehouses (11%) and 50,000 sqm other retail schemes (27%). At the end of Q1 2013 the shopping centre saturation ratio in Toruń was at an average level and amounted to 564 sqm per 1,000 inhabitants. Development activity in large cities is currently low as markets are fairly saturated with modern retail space. However new retail projects are expected in Toruń, in the mid-term perspective (before 2015).

PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

COMPARABLES

LEASE COMPARABLES

Building / Address	*Date*	*Rent (psm / mth)*	*area*
Atrium Toruń	2013/04/22	€ 14.00	415 sqm
Atrium Toruń	2013/07/15	€ 33.00	24 sqm
Atrium Toruń	2013/08/01	€ 34.77	73 sqm
Atrium Toruń	2013/09/20	€ 30.00	103 sqm
Atrium Toruń	2013/09/20	€ 33.89	101 sqm
Plaza Torun	2013/12/31	€ 14.10	1283 sqm
Plaza Torun	2013/12/31	€ 10.00	1656 sqm

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	
Galeria Leszno	Q1 2013	50.00	8.50%	33,400 sq m GLA
Echo Radom	Q2 2013	23.75	8.50%	19,500 sq m GLA
Echo Tarnów	Q2 2013	22.96	8.50%	20,200 sq m GLA
Echo Piotrków	Q2 2013	20.38	8.50%	17,400 sq m GLA
Galeria Dominikańska	Q3 2013	151.70	6.10%	32,900 sq m GLA
Silesia City Center	Q3 2013	412.00	5.95%	85,547 sq m GLA
Charter Hall Portfolio	Q4 2013	174.50	9.75%	66,277 sq m GLA (Szczecin, Wrocław, Gliwice, Katowice, Kraków)
Wola Park	Q4 2013	180.00	6.00%	43,720 sq m GLA

The property is one of two third generation centres in Toruń, the other one being Galeria Copernicus (ul. Żółkiewskiego) which is expected to be extended bringing the total GLA of Copernicus to 50,000 sqm (most probably after 2015).

Another third generation project will be Solaris located at Szosa Chełminska. Solaris will be slightly smaller than the subject property at GLA of 35,000 sqm. However, this project is currently on hold.

INVESTMENT CONSIDERATIONS

Institutional grade investors may be interested in the asset type. Currently the market liquidity remains low in regional cities in Poland, we expect long marketing periods to be potentially necessary to secure bids in the region of the Market Value.

PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	31 December 2013

VALUATION DETAILS SUMMARY

Market Value	€	97,575,000.00
Gross annual income	€	6,820,000.00
Net Operating Income (Year one)	€	6,578,000.00
Day One annualised NOI	€	6,228,000.00
Estimated Rental Value	€	7,787,000.00
Initial Yield (Year one)		6.74%
Initial Yield (Annualised day one)		6.38%

VALUATION ASSUMPTIONS

RENTAL VALUE

We have adopted the following ERV's to reflect the local leasing market as well as the specific characteristics of the centre.

0-50	€	42.00	/sqm /month
50-100	€	34.00	/sqm /month
100-150	€	30.00	/sqm /month
150-200	€	21.00	/sqm /month
200-300	€	20.00	/sqm /month
300-500	€	17.00	/sqm /month
500+	€	14.00	/sqm /month
cinema	€	6.50	/sqm /month
leisure	€	7.00	/sqm /month
food	€	27.00	/sqm /month
supermarket	€	10.00	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

Yield chosen reflect the current state of the market and parameters of the Property

	Discount	Exit
Default	9.75%	8.25%
Vacant	10.25%	8.25%
Yield2	9.75%	8.25%
Yield3	9.75%	8.25%
Yield4	9.75%	8.25%
Yield5	9.75%	8.25%
Yield6	9.75%	8.25%
Yield7	9.75%	8.25%
Yield8	9.75%	8.25%

OTHER VARIABLES

We have assumed 12 months vacancy for the currently vacant units. Otherwise typical market assumptions were made

Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		1.5%	ERV
Void on expiry		1.00	months
Lease Term		5.00	years
Rent Free Periods		0.00	months
Leasing Fees		9%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation		1.90%	

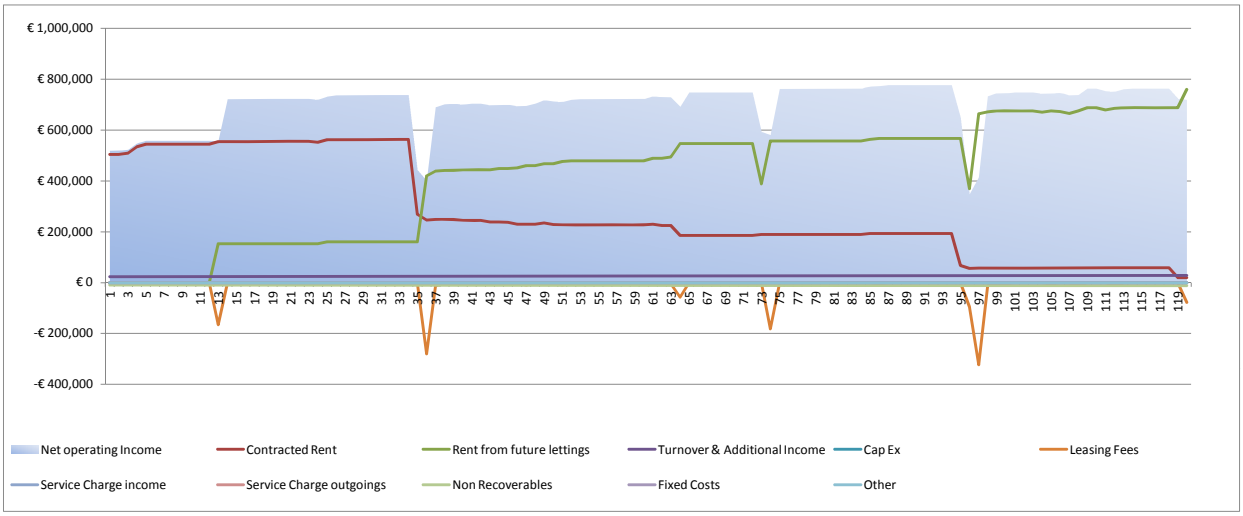
PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

CASH FLOW

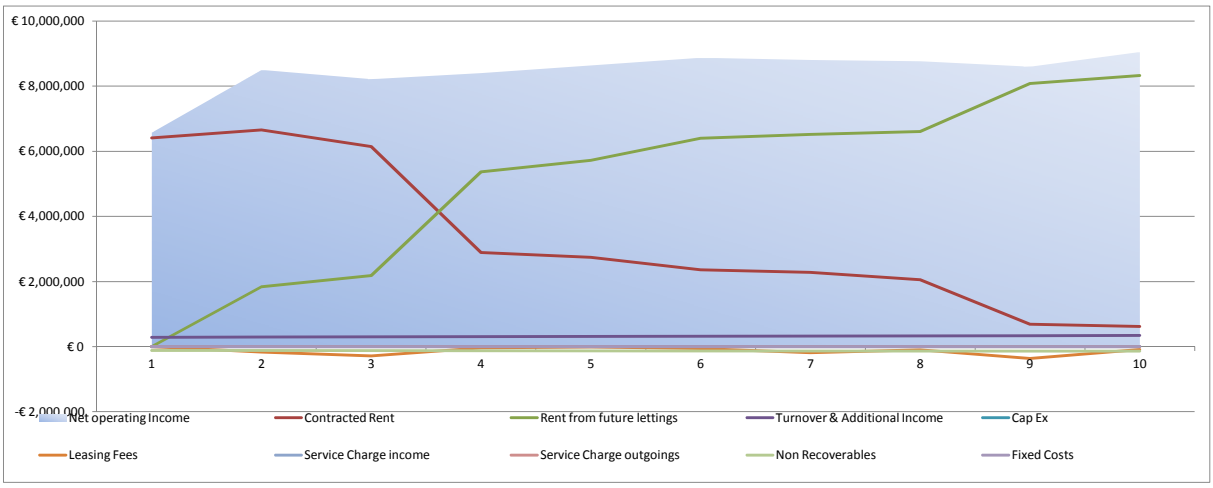
Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 6,408,063	€ 6,657,883	€ 6,144,457	€ 2,888,072	€ 2,742,492	€ 2,356,337	€ 2,279,439	€ 2,058,534	€ 684,627	€ 621,387
Rent from future lettings	€ -	€ 1,840,601	€ 2,185,608	€ 5,368,072	€ 5,724,023	€ 6,394,542	€ 6,516,959	€ 6,610,216	€ 8,075,356	€ 8,321,344
Turnover & Additional Income	€ 288,936	€ 294,426	€ 300,020	€ 305,720	€ 311,529	€ 317,448	€ 323,479	€ 329,626	€ 335,888	€ 342,270
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	-€ 165,654	-€ 284,864	-€ 34,330	-€ 11,136	-€ 63,460	-€ 182,001	-€ 99,496	-€ 360,075	-€ 90,004
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 118,584	-€ 120,837	-€ 123,133	-€ 125,473	-€ 127,857	-€ 130,286	-€ 132,762	-€ 135,284	-€ 137,854	-€ 140,474
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**€ 6,578,415**	**€ 8,506,419**	**€ 8,222,087**	**€ 8,402,061**	**€ 8,639,052**	**€ 8,874,581**	**€ 8,805,115**	**€ 8,763,595**	**€ 8,597,942**	**€ 9,054,524**

Monthly income



The property is rented broadly in line with the ERV level. We are forecasting growth in the ERV to be in line with the inflation rate which is estimated at 1.9% per year.

Annual Income



PROPERTY	TORUŃ PLAZA
ADDRESS	UL. BRONIEWSKIEGO 90, TORUŃ
VALUATION DATE	31 December 2013

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 5,838,782	€ 5,527,479	€ 4,648,040	€ 1,990,627	€ 1,722,355	€ 1,348,374	€ 1,188,492	€ 977,961	€ 296,356	€ 245,085
Rent from future lettings	€ -	€ 1,528,096	€ 1,653,326	€ 3,699,987	€ 3,594,833	€ 3,659,167	€ 3,397,921	€ 3,140,360	€ 3,495,594	€ 3,282,073
Turnover & Additional Income	€ 263,267	€ 244,437	€ 226,953	€ 210,720	€ 195,648	€ 181,654	€ 168,661	€ 156,597	€ 145,397	€ 134,997
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	-€ 137,529	-€ 215,488	-€ 23,663	-€ 6,993	-€ 36,314	-€ 94,895	-€ 47,268	-€ 155,866	-€ 35,499
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 108,050	-€ 100,321	-€ 93,146	-€ 86,483	-€ 80,297	-€ 74,554	-€ 69,221	-€ 64,270	-€ 59,673	-€ 55,405
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 45,963,581
TOTAL	**€ 5,994,000**	**€ 7,062,163**	**€ 6,219,686**	**€ 5,791,189**	**€ 5,425,546**	**€ 5,078,327**	**€ 4,590,958**	**€ 4,163,380**	**€ 3,721,806**	**€ 49,534,831**

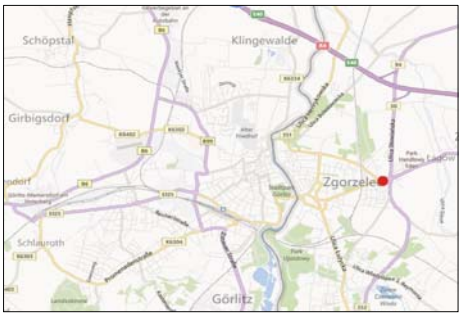
The property valuation outcome with exception of relatively low initial yield due to the relatively high vacancy is typical for the market.

Gross value			**€**	**97,581,886**
Legal Costs	**0.00%**			
Agent Fees	**0.00%**			
Transaction Costs	**0.00%**	**0.00%**		
Market Value			**€**	**97,581,886**

MARKET VALUE say € 97,580,000

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013



Macro Location

Micro Location

Front View

Internal View

LOCATION

The Property is located in Zgorzelec, at 52a Armii Krajowej Street. Zgorzelec is located in south-western Poland, in Lower Silesia Voivodeship, and has a population of nearly 32,000. The city borders with Goerlitz (located on the German side of the border) which is inhabited by nearly 55,000 citizens.
Zgorzelec is situated about 160 km west of Wrocław, and 260 km south-west of Poznań.
At the end of October 2013 the unemployment rate in Zgorzelec Poviat stood at 14.5%, more than in Lower Silesia Voivodship (12.8%) and Poland (13%).
According to GFK Polonia's survey, purchasing power in Zgorzelec in 2012 was approximately 27% higher than the country average and stood at EUR 7,298 annually per capita.
The Property is located in western part of Zgorzelec, within a predominantly commercial and residential development. The immediate neighbourhood of the Property comprises single family houses to the south, church to the west, Armii Krajowej Street to the north and Słowiańska Street to the east. Further east there are Castorama, Eden retail park and Leroy Merlin.
The Property's micro location provides convenient access to the city centre and other parts of the city.
The property has a vehicle access point directly from Armii Krajowej Street.
In the city, there is only one bus line No. MLK 50, which runs from German Gorlitz to the Carrefour market on the Polish side.

LOCATION DETAILS

City Population	32,000
Local Land	Mixed, residential and retail development
Distance to Centre	2 km
Distance to Highway	2 km
Distrance to National Road	0 km
Public Transport	N/A
Plot area	35,071
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Shopping Centre
Occupation	Multi-tenant
Historic monument	No
Gross lettable area	12,556.64
Parking Places	
Access	Direct from Armii Krajowej Street
Utilities	water, electricity
Legal issues	not checked

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction	2010
Modernisation Year	n/a
Building Condition	Good
Gross lettable area	12,556.64
Parking places	0.00
Current rent p.a.	€ 1,519,109
Vacancy rate (overall)	10.49%
Weighted remaining lease term	3.19
State of Repair	Good
Overall Condition	Good

TECHNICAL DETAILS

Building Type	Retail
Construction	Reinforced concrete
Facade	Mineral and painted finishing /Aluminium Panels
Roof	Flat roof
Windows	Various
Glazing	n/a
Heating	Gas
AC/ Ventilation	AC
Cabling	Yes
Sanitary	Modern standard

PLOT OF LAND

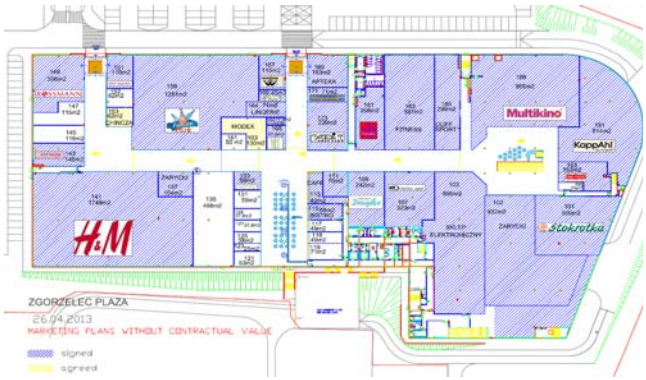
Site area, total	35,071
Surplus Land	n/a
Developed area (% total site)	48%

INSPECTION

Inspection Type	Internal/external
Inspection Date	20 May 2013
Inspected by	Jakub Budych

PROPERTY DESCRIPTION

The Property is a modern shopping centre opened in 2010 with a total area of 12,556.64 sq m.
The retail space is arranged on the ground floor and is anchored by H&M, Multikino and Media Expert.
The building is accesed via 2 entrances located along the northern facade. The access to the underground car park is in the north-eastern corner of the property.
The subject property benefits from the surface and internal underground parking located under eastern part of the building. The property is not fenced.



ACCOMMODATION

We were provided with a break-down of floor areas in the tenancy schedule. We are advised that the areas reflect add-on (an apportionment for common area usage), which is common in the local market. We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these floor areas. We assume that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	Sq m
0 - 50 sq m	Retail	221.38
51 - 100 sq m	Retail	630.55
101 - 150 sq m	Retail	834.29
151 - 200 sq m	Retail	314.89
201 - 300 sq m	Retail	990.28
301 - 500 sq m	Retail	1,127.90
> 501 sq m	Retail	4,430.95
Fitness	Retail	586.24
Foodcourt	Retail	322.91
Cinema	Retail	967.74
Leisure	Retail	1,281.76
Supermarket	Retail	751.30
Storage	Storage	96.45
	Total	**12,556.64**

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

LAND REGISTRY DETAILS

The property is situated in Zgorzelec Municipality.
According to the Land Register extract (copy dated 10 July 2012) we calculated the site area of the Property to be 36,516 sq m. It comprises plots no. 9/4, 9/5, 9/6, 9/29, 1/12, 9/1, 1/10 and 9/2 situated in zone 0013 in Zgorzelec entered in the Land and Building registers No. JG1Z/00026838/2, JG1Z/00044135/6, JG1Z/00045375/7, JG1Z/00048999/8. The subject plots are owned freehold by Zgorzelec Plaza Sp. z o.o.

Land registry extract	Not applicable	Obtained on	Not Applicable
Registered owner	Zgorzelec Plaza Sp. z o.o.		
Registered use			
Registered size	36,516 sq m		

Restrictions and encumbrances

L&MR JG1Z/00026838/2:
• A free of charge easement to use to the extent necessary to lay sewage line, water pipe and cable line in favour of Przedsiębiorstwo Wodociągów i Kanalizacji "Nysa" Sp. z o.o.
• Easement giving the right of way for the benefit of each owner of the plot no. 9/29.
• Claim for the establishment of contractual mortgage or cap mortgage to the amount of EUR 42,198,000 set in favour of Bank Zachodni WBK S.A as collateral for payment of the term loan.
• Claim for the establishment of contractual mortgage or cap mortgage discretion to the amount of PLN 31,500,000 set in favour of Bank Zachodni WBK S.A. as collateral for payment of the VAT loan.

L&MR JG1Z/00044135/6:
• An easement giving the right of way to the plot no. 9/2 for the benefit of each owner of the plot no. 9/1.

L&MR JG1Z/00045375/7:
•A free of charge easement until construction of pumping station on the plot 9/24 but no longer than 31st May 2008 set in favour of Przedsiębiorstwo Wodociągów i Kanalizacji "Nysa" Sp. z o.o.

L&MR JG1Z/00048999/8:
• Claim for the establishment of contractual mortgage or cap mortgage to the amount of EUR 42,198,000 set in favour of Bank Zachodni WBK S.A as collateral for payment of the term loan.
• Claim for the establishment of contractual mortgage or cap mortgage discretion to the amount of PLN 31,500,000 set in favour of Bank Zachodni WBK S.A. as collateral for payment of the VAT loan.
• A free of charge easement for unlimited period of time established for the benefit of Przedsiębiorstwo Wodociągów i Kanalizacji "Nysa" Sp. z oo. w Zgorzelcu.
• An easement giving the right on the plot no. 1/12 for the benefit of each owner of the plot no. 1/11.

There are 2 mortagages entered in the following Land and Building registers No. JG1Z/00026838/2, JG1Z/00044135/6, JG1Z/00045375/7, JG1Z/00048999/8.
Details are as follows:
• A contractual capped mortgage to the amount of EUR 42,198,000 set in favour of Bank Zachodni WBK S.A.

Comments

The property appears to hold good title with no onerous terms or conditions apparent and have valued the property on this assumption.

PLANNING ISSUES

Zoning	n/a
Footprint ratio	n/a
Maximum buildable area	n/a
Maximum height	n/a
Permit status	n/a

We have not made formal enquiries to the Local Planning Authority. However according to sources open for general access the subject Property is not subject to a valid Master Plan. According to the Outline Zoning Plan adopted by the Resolution No. 55/07 by the Zgorzelec City Council dated 17 September 2007, the subject property is located in U - zone, designated for commercial uses.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

TENANCIES

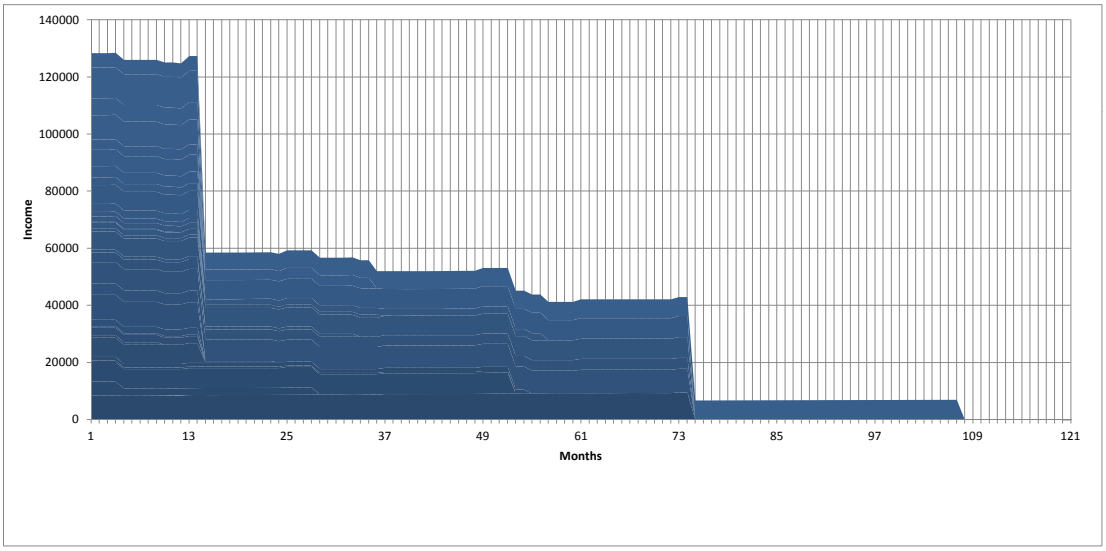
Number of Tenants		30
Vacant space (sq m)		
Lease Income (p.a.)		1,544,683
Other Income (p.a.)		21,600
Operating Expenses (p.a.)		-426,515
Service Charge (/sqm / month)	€	-
Lease inspected?		No
Standard Lease Terms:		
Lease length		6 years
User Clause		assumed market standard
Security		assumed market standard
External Repairs		assumed market standard
Internal Repairs		assumed market standard
Insurance		assumed market standard
Alienation		assumed market standard
Indexation		assumed market standard

The Property was let to 30 tenants as at the valuation date. According to rent-roll provided to us the property is 89.5% let with 1,316 sq m of vacant space.
Based on the information provided, we understand that following step rents are valid as at the valuation date (Zarycki, Modex, Yes, Domico). The tenant New Men Style pays only 10% turnover for the first 2 years of the lease. The tenant Chili Sense prolonged their lease for the next year at the turnover rent of 10%.

There are short-term tenants leasing stands, kiosks and spaces throughout the mall as well as additional income receivable from advertising boards and billboards, antennas, ATMs, vending machines, etc.

The additional income for the May 2013 equates to EUR 1,809.
The average lease term weighted by income is 3.19 years, which seems medium from an investor's perspective. The majority of current income (50%) is scheduled to expire in 2015, further 8% in 2016.

Income Profile



As at the valuation date, the property generates the net income amounting to nearly EUR 128,000 per month. The lease accouting for nearly 50% of the maxium rent will expire in February 2015, the rest will expire until 2020 year.

SWOT-ANALYSIS

STRENGTHS
- Good location in regional city
- Cinema as anchor tenant
- Good state of repair

WEAKNESSES
- Vacancy level at 10%
- Direct competition of Galeria Słowiańska
- Medium quality tenant mix
- Wide range of rents in selected categories

OPPORTUNITIES

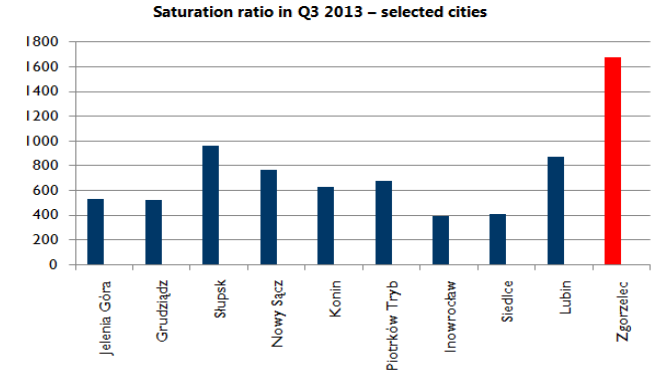
THREATS
- Leases accouting for 55% of passing rent will expire in 2015

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Stock & supply

The total modern retail stock in Zgorzelec amounts to approx. 75,000 sqm GLA, of which 55,000 sqm constitute shopping centres (73%). At the end of Q3 2013 the shopping centre saturation ratio in Zgorzelec was at a high level and amounted to 1,676 sqm per 1,000 inhabitants. New development activity in the city is low as the market is saturated with modern retail space.

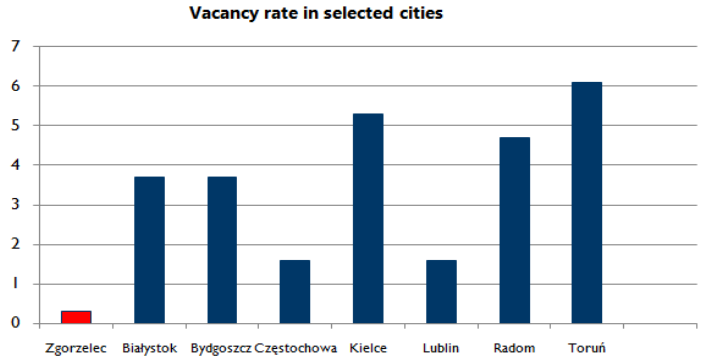


Source: C&W Valuation & Advisory services, December 2013

The development of modern retail schemes started in Zgorzelec after 2000, when Real at Słowiańska was completed. Galeria Słowiańska, totalling 27,000 sqm GLA, was constructed in the city between 2006 and 2008. The scheme is anchored by Carrefour hypermarket, LPP Group, Deichmann and CCC.
The largest offer of stores, service and catering units, as well as leisure facilities, can be found in Plaza Zgorzelec, which was completed in 2010. Plaza Zgorzelec offers 15,000 sqm GLA of stores, including Stokrotka supermarket, H&M, KappAhl, EMPiK, Multikino, a fitness club and Fantasy Park.
There are no new retail schemes at an advance stage of development in the city, except small extensions of existing retail schemes (e.g. Saller Park close to Real).

Demand & vacancy rates

The demand for modern retail space remains at an average level. Most retailers interested in the Zgorzelec market already operate in Galeria Słowiańska or Plaza, though new entrants are expected in the long term perspective. The vacancy rate is at at a low level (0.3%) compared with other cities. In the group of average size cities the highest vacancy rate has been recorded in Toruń (6.1%) and Kielce (5.3%). The lowest vacancy has been recorded in Lublin (1.6%) and Częstochowa (1.6%).



Source: C&W Valuation & Advisory services, December 2013

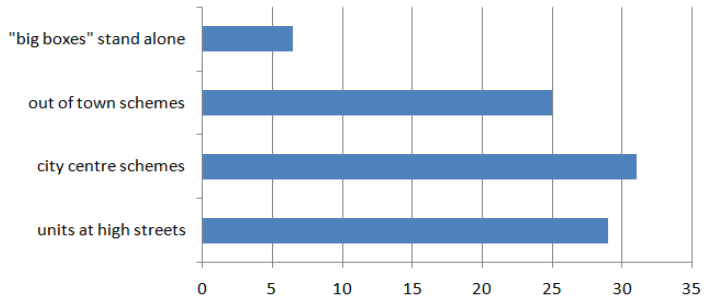
PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

Rental level

The prime rents in shopping centres in Zgorzelec have been recorded in Plaza (EUR 29-31/sqm/month). Rents in out of town centres achieved EUR 23-25/sqm/month. Large size units (over 5,000 sqm GLA) are priced at EUR 6.0-6.5/sqm/month and average size units (1,000-3,000 sqm GLA) at EUR 7.5-9.5/sqm/month. Due to the high competition on the market incentives are common, including participation in fit-out, rent free periods and rent based only on turnover.

The service charges in shopping centres are at EUR 1.5-2.5/sqm/month for large size tenants and EUR 5.5-7.5/sqm/month for others. Additionally, tenants are obliged to pay marketing fees at EUR 1-3/sqm/month, depending on the centre and size of the unit.

Rental level in Zgorzelec (EUR/sq m/month)



Source: C&W Valuation & Advisory, December 2013

COMPARABLES

LEASE COMPARABLES

Building / Address	*Date*	*Rent (psm / mth)*	*Type*
Zgorzelec Plaza	2013	EUR 5.0	> 501 sq m
Zgorzelec Plaza	2013	EUR 7.5	> 501 sq m
Zgorzelec Plaza	2013	EUR 4.0	301 - 500 sq m
Zgorzelec Plaza	2012	EUR 9.5	Foodcourt
Zgorzelec Plaza	2012	EUR 20.0	0-50 sq m
Zgorzelec Plaza	2012	EUR 6.5	51-100 sq m
Zgorzelec Plaza	2012	EUR 6.0	Cinema

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Comment*
Parkridge Portfolio	Q1 2012	90	n/d	Rybnik, Zielona Góra, Bydgoszcz, Piotrków Trybunalski
Galeria Tęcza	Q1 2012	37	8.5%	
Racibórz Retail Park	Q4 2012	5	8.5%-9%	
Galeria Twierdza -	Q4 2012	1	n/d	
Galeria Tarnovia - 70%	Q4 2012	28	n/d	
Galeria Leszno	Q1 2013	50	8.5%	
Echo Radom	Q1 2013	24	n/d	
Echo Tarnów	Q1 2013	23	n/d	
Echo Piotrków	Q1 2013	20	n/d	
Galeria Świdnicka	Q2 2013	25	n/d	
Retail Park	Q3 2013	2	n/d	Nowy Dwór Mazowiecki
Galeria Orkana	Q3 2013	15	n/d	
Charter Hall	Q4 2013	174	9.75%	Szecin, Wrocław, Gliwice, Kraków, Katowice

COMPETITION

Direct competition comprises Galeria Słowiańska shopping centre located some 400 m to the north-east of the subject property. Galeria Słowiańska opened in 2006 offers nearly 20,000 sq m of retail space and 720 out door parking spaces. The anochor tenants are Carrefour, LPP Group (Reserved., Cropp, Home&You, House, Mohito), Deichmann and CCC.

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

INVESTMENT CONSIDERATIONS

Activity on the Polish commercial investment market in the first half of 2013 continued to be robust. The volume of transactions made and closed hit EUR 1.09bn at the end of June 2013, up by around 16% compared with the same period last year. The office sector accounted for around 60% of the total investment volume as a result of a relatively strong supply of high-quality properties. Despite undiminished interest, the retail and warehouse sectors did not perform so well due to lengthy sale agreement procedures, and accounted for around 23% and 16% of the transaction volume, respectively.

In line with previous years, German and US investors commanded a nearly 50% market share. Polish investors came third with the record high market share at 17.6% and properties acquired for around EUR 192m. The stronger position of domestic investors is likely to increase stability of the Polish market and stimulate other market players to invest.

The outlook for Poland's commercial investment market remains healthy for the forthcoming months given the large number of deals signed in Q3 2013 and preliminary contracts totalling around EUR 1.2bn. The volume of commercial property investment will continue to grow on the back of the gradual economic revival in Poland reflected by rising private consumption and corporate investments, call-off of the fiscal policy tightening and increased stocking. In addition, strong demand and supply of new assets to come onto the market in the years 2014–2015 are expected to contribute to a high transaction volume on the Polish investment market in later years as well.

In the first half of 2013 the retail transaction volume settled at around EUR 247m, nearly half the deal volume in the same period last year. However, this underperformance did not result from weakening demand as demand for prime retail properties in particular continued to be very strong but from the lengthy negotiations and formalities related to signing final sale agreements. Transaction volume is expected to pick up in the second half of the year following many preliminary purchase agreements, including Silesia City Center in Katowice
for EUR 412m, the largest volume for a single property in Poland on record, five retail properties from Charter Hall's portfolio for EUR 174.5m and Galeria Dominikańska in Wrocław for EUR 151.7m.

The largest deal in the first half of 2013 was the sale of a 23% stake in Złote Tarasy by the Warsaw Municipality to the French fund Unibail-Rodamco, which became the sole owner of the property. The second largest transaction on the Polish retail market was the acquisition of the portfolio of three Echo shopping centres in Radom, Piotrków Trybunalski and Tarnów by the UK fund London & Cambridge Properties for EUR 67m, the first such substantial purchase by this investor since 2006.

Prime retail yields remain at 2012's level of around 6%. Due to a paucity of prime retail assets, most deals were made for smaller properties outside Poland's five largest cities. Yields for such properties are much higher, falling within the range of 7.5% and more than 10% with the average at around 8.5%.

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	31 December 2013

VALUATION DETAILS SUMMARY

Market Value	€	17,125,000.00
Gross annual income	€	1,566,000.00
Net Operating Income (Year one)	€	1,526,000.00
Day One annualised NOI	€	1,547,000.00
Estimated Rental Value	€	1,534,000.00
Initial Yield (Year one)		8.91%
Initial Yield (Annualised day one)		9.03%

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

VALUATION ASSUMPTIONS

RENTAL VALUE

Our estimate of Market Rent is derived from our knowledge of concluded rents in the retail sector, also with regard to recent transactions concluded on the subject property, in addition to our other enquiries to our in house retail agency team.

0 - 50 sq m	€	27.00	/sqm /month
51 - 100 sq m	€	20.00	/sqm /month
101 - 150 sq m	€	16.00	/sqm /month
151 - 200 sq m	€	14.00	/sqm /month
201 - 300 sq m	€	12.00	/sqm /month
301 - 500 sq m	€	11.00	/sqm /month
> 501 sq m	€	9.00	/sqm /month
Fitness	€	6.00	/sqm /month
Foodcourt	€	17.50	/sqm /month
Cinema	€	6.00	/sqm /month
Leisure	€	5.00	/sqm /month
Supermarket	€	7.50	/sqm /month
Storage	€	3.00	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

In analysing the market value of the subject investment, we liaised with our Capital Market team and have taken account of current investment market sentiment and comparable investment transactions closed in 2011 and 2012.

	Discount	Exit
Default	11.00%	9.00%
Vacant	11.00%	9.00%
Additional	11.00%	9.00%

OTHER VARIABLES

Even under a fully repairing and insuring lease, there are always non recoverable costs for the landlord. Therefore, we assumed non-recoverable costs including maintenance cost of vacant space to be at a level of 1.00% of market rent. We assumed leasing costs at a level of 12% of annual rental value of leased space.

Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		1%	ERV
Void on expiry		0.00	months
Lease Term		5.00	years
Rent Free Periods		0.00	months
Leasing Fees		12%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation		2%	

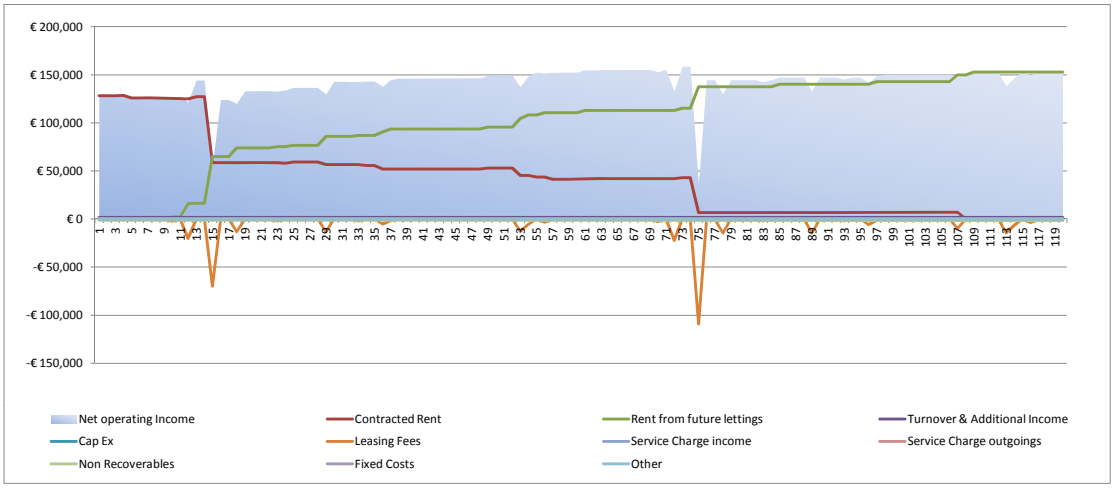
PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 1,519,109	€ 840,095	€ 684,163	€ 624,347	€ 555,765	€ 505,089	€ 152,432	€ 81,478	€ 76,182	€ -
Rent from future lettings	€ 23,255	€ 747,762	€ 1,002,262	€ 1,123,730	€ 1,256,812	€ 1,354,597	€ 1,604,373	€ 1,681,889	€ 1,729,133	€ 1,833,108
Turnover & Additional Income	€ 21,600	€ 21,600	€ 21,600	€ 21,600	€ 21,600	€ 21,600	€ 21,600	€ 21,600	€ 21,600	€ 21,600
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	-€ 23,048	-€ 84,816	-€ 20,214	-€ 1,528	-€ 21,820	-€ 25,447	-€ 125,710	-€ 22,318	-€ 11,484	-€ 24,091
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 15,339	-€ 15,645	-€ 15,958	-€ 16,277	-€ 16,603	-€ 16,935	-€ 17,274	-€ 17,619	-€ 17,972	-€ 18,331
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**€ 1,525,577**	**€ 1,508,996**	**€ 1,671,852**	**€ 1,751,871**	**€ 1,795,755**	**€ 1,838,904**	**€ 1,635,422**	**€ 1,745,029**	**€ 1,797,459**	**€ 1,812,286**

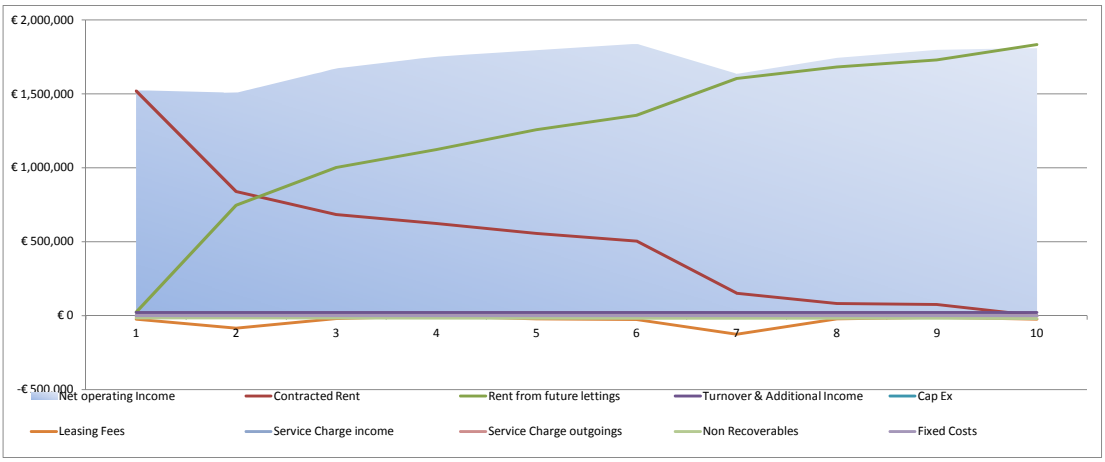
Monthly income



Most of contracted rent is secured untill February 2015. Another wave of lease expiry will occur in February 2020.
We have assumed a stable additional income in the valuation, in amount of EUR 1,800 pm according to the current additional income.
Due to the fact that the property was constructed in 2010 and represents very good state of repair, we have not assumed any capital expenditures.
We have assumed that the currently vacant space will be let within the period 12-18 months.
We have assumed leasing fee on the level of 12% of rental value.
Additionaly, the leasing costs appear in February 2015 and 2020, when most of contracted leases expire.
We have assumed Non Recoverable Costs on the level of 1% of rental value in the valuation.

PROPERTY	Zgorzelec Plaza
ADDRESS	Armii Krajowej 52a, Zgorzelec
VALUATION DATE	31 December 2013

Annual Income



DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 1,368,567	€ 681,840	€ 500,254	€ 411,276	€ 329,820	€ 270,041	€ 73,420	€ 35,355	€ 29,781	€ -
Rent from future lettings	€ 20,950	€ 606,901	€ 732,845	€ 740,236	€ 745,857	€ 724,223	€ 772,760	€ 729,816	€ 675,961	€ 645,592
Turnover & Additional Income	€ 19,459	€ 17,531	€ 15,794	€ 14,229	€ 12,819	€ 11,548	€ 10,404	€ 9,373	€ 8,444	€ 7,607
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	-€ 20,764	-€ 68,838	-€ 14,781	-€ 1,007	-€ 12,949	-€ 13,605	-€ 60,549	-€ 9,684	-€ 4,489	-€ 8,484
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 13,819	-€ 12,698	-€ 11,669	-€ 10,722	-€ 9,853	-€ 9,054	-€ 8,320	-€ 7,645	-€ 7,026	-€ 6,456
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 7,218,127
TOTAL	**€ 1,374,394**	**€ 1,224,735**	**€ 1,222,444**	**€ 1,154,012**	**€ 1,065,693**	**€ 983,153**	**€ 787,715**	**€ 757,214**	**€ 702,671**	**€ 7,856,386**

The market value of the Property is the sum of EUR 16,700,000 (EUR 1,333 per sq m).
According to market analysis, the estimated market value correspondences with the value of potential sale transaction.

Gross value			**€**	**17,128,417**
Legal Costs	**0.00%**			
Agent Fees	**0.00%**			
Transaction Costs	**0.00%**	**0.00%**	**€**	**-**
Market Value			**€**	**17,128,417**

MARKET VALUE say € 17,125,000

PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

Macro Location

Micro Location

Front View

Internal View

LOCATION

Suwałki is a county town located in the east-northern Poland in the Podlaskie Voivodeship in the proximity to the country's borders with Lithuania and Kaliningrad Oblast, 30 km and 60 km, respectively. Suwałki has the area of 65 sq km and the population of around 70,000. The city is intersected by one national road (no. 8) connecting south-western with north-eastern parts of the country. There are plans to develop express road S61 in the near future to relieve traffic congestion in the city, which is connected with the city's location in a heavy transit corridor. The planned road will be part of an international route "Via Baltica" connecting Warsaw with the capital of Estonia, Tallinn.

According to the Central Statistical Office, the unemployment rate in September 2013 was slightly lower than national average (13.0%) and amounted to 12.4%. According to GFK Polonia's survey purchasing power in Suwałki was 0.1% lower than the country average and stood at EUR 5,752 annually per capita.

The subject property is located on Dwernickiego Street in the central part of Suwałki, close to a junction of the city's major arterial routes. The property's direct surrounding consists mostly of single and multifamily residential units. The property is accessible from Dwernickiego Street.

LOCATION DETAILS

City Population	69,404
Local Land	Residential & commercial
Distance to Centre	0 km
Distance to Highway	280 km
Distrance to National Road	0.5 km
Public Transport	9 bus lines
Plot area	21,119 sq m
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Shopping Centre
Occupation	Multi-tenancy
Historic monument	Yes
Gross lettable area	19,441.40 sq m
Parking Places	388
Access	from Dwernickiego Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction	2010
Modernisation Year	n/a
Building Condition	good
Gross lettable area	19,441.40 sq m
Parking places	388
Current rent p.a.	€ 3,328,655
Vacancy rate (overall)	14.6%
Weighted remaining lease term	3.37 year
State of Repair	Good
Overall Condition	Good

TECHNICAL DETAILS

Building Type	Retail - Shopping Centre
Construction	Reinforced steel framework
Facade	Aluminum panels
Roof	Flat roof
Windows	Various
Glazing	yes
Heating	Gas central heating
AC/ Ventilation	Air conditioning system
Cabling	yes
Sanitary	Modern standard

PLOT OF LAND

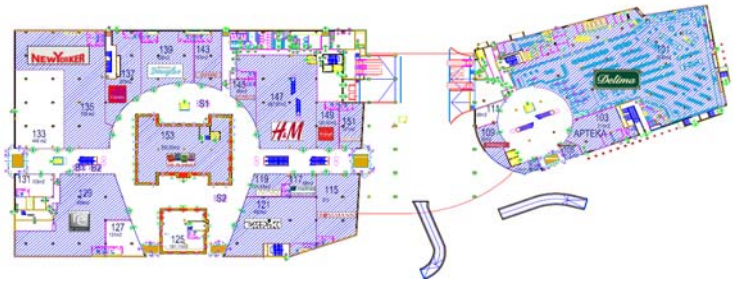
Site area, total	21,119 sq m
Surplus Land	no
Developed area (% total site)	n/a

INSPECTION

Inspection Type	Internal/external
Inspection Date	21 May 2013
Inspected by	Katarzyna Michnikowska

PROPERTY DESCRIPTION

The Property is a modern shopping centre opened in 2010 with a total leasable area of 19,441.40 sq m. It is a three-storey building with underground parking. The ground floor and the first floor mainly accommodate retail space with a food court on the first floor. The second floor is occupied by the entertainment tenants, Cinema and Fantasy Park.
The building is accessible via 4 entrances and benefits from 366 underground parking places and 22 surface places. The Property is not fenced.



ACCOMMODATION

We have obtained tenancy information from the Client. The rent roll is as at 30 September 2013 and explained by e-mail correspondence with the client in February 2014. We have relied on these areas and have not undertaken any measurements on site to verify their accuracy. A summary of the area schedule is as follows:

Description	Primary use	Sqm
Supermarket	Retail	2039.10
Cinema	Retail	1085.30
Leisure	Retail	1379.00
Food Court	Retail	435.70
0-50 sq m	Retail	237.50
51-100 sq m	Retail	953.00
101-150 sq m	Retail	698.80
151-200 sq m	Retail	355.00
201-300 sq m	Retail	967.50
301-500 sq m	Retail	2989.90
501 sq m +	Retail	8300.60

PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

LAND REGISTRY DETAILS

According to the copy of the Land Registry dated on 1 September 2010 provided by the Client, the subject land comprises 5 plots situated in precint no. 5 in Suwałki on Dwernickiego Street with a total area of 21,119 sq m. The land comprises the following plots: 10377/1, 10476/1, 10378/1, 10379/1 and 10380/1. The subject plots are owned by Suwałki Plaza Sp.zo.o.

Land registry extract	Applicable	Obtained on	2010/09/01
Registered owner	Suwałki Plaza Sp. z o. o.		
Registered use	Other undeveloped areas		
Registered size	21,119 sq m		

Restrictions and encumbrances

L&MR no. SU1S/00055838/6

a) Gratuitous land easment for benefit of each and every owner of the plot no. 24881 (L&MR no. SU1S/00006744) relating to the right to use and access the plots no. 10377/1, 10378/1, 10476/1 in the event of heating network failure.
b) Two prison buildings situated on plot no. 10378/1 are entered in the register of historical monuments.
c) Gratuitous, perpetual charge trasmision line easment for the benefit of PEC w Suwłakach Sp. z o.o. relating to heating network located in the ground on the plots no. 10378/1 and 10377/1.
d) Contractual capped mortgage security in the amount of EUR 18,000,000 held by ING Bank Hipoteczny S.A.
e) Contractual capped mortgage security in the amount of EUR 57,960,000 held by ING Bank Śląski S.A.
f) Contractual capped mortgage security in the amount of PLN 121,875,000 held by ING Bank Śląski S.A.
g) Contractual capped mortgage security in the amount of EUR 4,000,000 held by ING Bank Śląski S.A. Centrum Bankowości Korporacyjnej w Warszawie.

L&MR no. SU1S/00055838/6

a) Gratuitous, perpetual charge transmision line easment for the benefit of PEC w Suwłakach Sp. z o.o. relating to heating network located in the ground on the plots no. 10379/1 and 10380/1.
b) Contractual capped mortgage security in the amount of EUR 864,929 held by ING Bank Hipoteczny S.A.
c) Contractual capped mortgage security in the amount of EUR 6,435,971 held by ING Bank Śląski S.A.

Comments

The listed prison buildings have been preserved and form an integral part of the shopping gallery, featuring some retail units.
Transmission line easments relating to a heating network are very common rights in the city centres in Poland. As the specified easments do not limit the use of the Property, they have not impacted on the property value.
The property appears to hold good title with no onerous terms or conditions apparent and have valued the property on this assumption.

PLANNING ISSUES

Zoning	services
Footprint ratio	65%
Maximum buildable area	n/a
Maximum height	23.70 m
Permit status	valid occupancy permit

We have not made formal enquiries to the Local Planning Authority. However according to sources open for general access and information provided by the Client the subject Property is subject to a valid Master Plan approved 30 April 2010. The Property comes under jurisdiction of Suwałki Municipality in terms of zoning. According to that the subject Property is located within 1UC and 2UC zones where citywide services are allowed as well as retail over 2,000 sq m of sales area.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

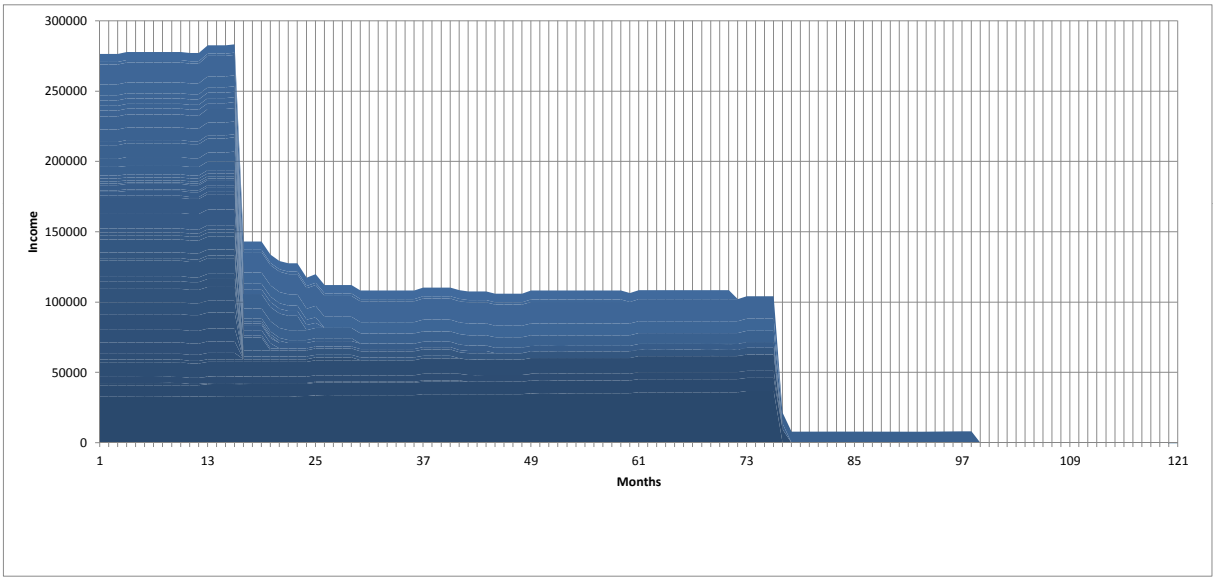
PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

TENANCIES

Number of Tenants		47
Vacant space (m²)		1,748.30
Lease Income (p.a.)	€	3,328,655.05
Other Income (p.a.)	€	-
Operating Expenses (p.a.)	€	22,624.58
Service Charge (/sqm / month)	€	-
Lease inspected?	no	
Standard Lease Terms:		
Lease length		5 years
User Clause		Assumed market standard
Security		Assumed market standard
External Repairs		Assumed market standard
Internal Repairs		Assumed market standard
Insurance		Assumed market standard
Alienation		Assumed market standard
Indexation		Assumed market standard

The Property was let to 47 tenants as at the valuation date. According to a spreadsheet provided to us the property is 91% let with 1,748.30 sq m of vacant space.
The property generates a gross rental income of EUR 3,228,655 p.a. (excluding additional income) as at the valuation date. The rents are euro-denominated.
Based on the information provided, we understand that step rents have been granted for 3 tenants.
There are short-term tenants leasing stands, kiosks and spaces throughout the mall as well as additional income receivable from advertising boards and billboards, ATMs, etc.
The additional income for the 2013 equates to EUR 7,400.
The average lease term weighted by income is 3.37 years, which seems relatively short from an investor's perspective. The majority of income (60%) is scheduled to expire in 2015.
We understand that the tenants pay service charges and all property costs are fully recoverable.

Income Profile



Most leases are secure until May 2015. Unless leases are extended, another wave of lease expiries will occur in April 2020. Weighted remaining lease term (by income) is 3.37 years.

SWOT-ANALYSIS

STRENGTHS

Central location in Suwałki, in the proximity of rail and bus stations.
Zoning suitable for retail use over 2,000 sq m of sales area.
Lack of direct competition in the city.
Relatively low level of market saturation.
Good tenant mix, with well known, strong tenants.

WEAKNESSES

Relatively high percentage of vacant area.
Small, secondary city.
Relatively low purchasing power index in the city.

OPPORTUNITIES

Potential increase of purchasing power in the city.
Low retail development activity in the city.

THREATS

The fear of prevailing economic slowdown.

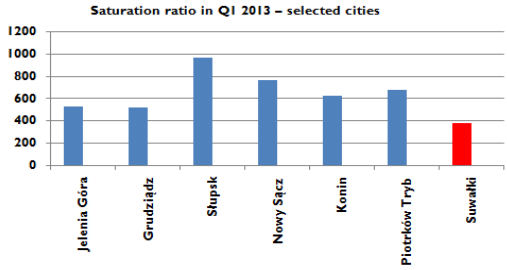
PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Stock & supply

The total modern retail stock in Suwałki stands at approx. 40,000 sqm GLA. Of this shopping centre account for 27,000 sqm (67.5%) followed by other retail schemes making up 13,000 sqm (32.5%). At the end of Q12013 the shopping centre saturation ratio in Suwałkii was at a fair level and amounted to 376 sqm per 1,000 inhabitants. New development activity in the city is low as the market is saturated with modern retail space.

Although supermarkets and food discounts have been present in the city since the late 90s, the first modern retail scheme in Suwałki was Plaza (19,000 sqm), which mainly introduced a new non food offer to the market in 2010. Currently, the scheme is anchored by Delima supermarket and supplemented by a number of service units. The fashion offer is represented by LPP, New Yorker, H&M and KappAhl and the leisure offer by Cinema Lumiere and Fantasy Park. In 2011 a Tesco store (7,500 sqm) was also completed in Suwałki on Kościuszki Street, but it offers only basic food and a non-food offer with a range of services. There is no new retail scheme at an advance stage of development in the city, as Carrefour stopped its project on AK Street (in the neighborhood of OBI).



Source: C&W Valuation & Advisory services, May 2013

Demand & vacancy rates

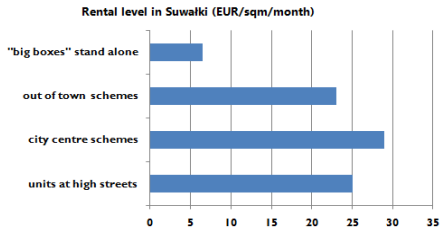
The demand for modern retail space remains at an average level. The food sector is dominated by supermarkets (Delima, Kaufland) and food discounts (Biedronka, Lidl) with the dominating presence of a Tesco hypermarket. Large non-food chains are represented by OBI DIY store. International and domestic fashion offers are mainly located in Plaza shopping centre. There are also local retailer's schemes in the city, including DH Alfa.

The vacancy rate is at a low level (0.1%) compared with other cities. In the group of average size cities the highest vacancy rate has been recorded in Toruń (6.1%) and Kielce (5.3%). The lowest vacancy has been recorded in Lublin (1.6%) and Częstochowa (1.6%).

Rental level

The prime rents in shopping centres in Suwałki have been recorded in Plaza (EUR 27-35/sqm/month). Rents in out of town centres achieved EUR 21-23/sqm/month. Large size units (over 5,000 sqm GLA) are priced at EUR 5.5-6.5/sqm/month and average size units (1,000-3,000 sqm GLA) at EUR 7.0-9.0/sqm/month. Due to the competition on the market incentives are common, including participation in fit-out, rent free periods and rent based only on turnover.

The service charges in shopping centres are at EUR 1.5-2.5/sqm/month for large size tenants and EUR 5.5-7.5/sqm/month for others. Additionally tenants are obliged to pay marketing fees at EUR 1-3/sqm/month, depending on the centre and size of the unit.



Source: C&W Valuation & Advisory, May 2013

PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

COMPARABLES

LEASE COMPARABLES

Building / Address	*Date*	*Rent (psm / mth)*	*Incentives*	*Comment*
Grudziądz	Sep-13	€ 7	none	1,798.00 sq m
Grudziądz	Sep-13	€ 25	none	79.45 sq
Piła	Sep-13	€ 40	none	34.00 sq
Świdnica	Sep-13	€ 32	none	37.84 sq
Piła	Jun-13	€ 28	none	92.00 sq
Piła	Apr-13	€ 37	none	37.00 sq
Piła	Apr-13	€ 18	none	321.00 sq m
Simianowice	Feb-13	€ 32	none	26.00 sq
Suwałki	Sep-12	€ 30	none	48.00 sq
Suwałki	Sep-12	€ 22	none	45.00 sq m
Suwałki	Jun-12	€ 23	none	30.00 sq
Suwałki	Apr-12	€ 15	rent free period	121.00 sq m
Suwałki	Mar-12	€ 16	none	349.00 sq m

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Comment*
Galeria Leszno	Q1 2013	50.00	8.50%	33,400 sq m GLA
Echo Radom	Q2 2013	23.75	8.50%	19,500 sq m GLA
Echo Tarnów	Q2 2013	22.96	8.50%	20,200 sq m GLA
Echo Piotrków	Q2 2013	20.38	8.50%	17,400 sq m GLA
Galeria Dominikańska	Q3 2013	151.70	6.10%	32,900 sq m GLA
Silesia City Center	Q3 2013	412.00	5.95%	85,547 sq m GLA
Charter Hall Portfolio	Q4 2013	174.50	9.75%	66,277 sq m GLA (Szczecin, Wrocław, Gliwice, Katowice, Kraków)
Wola Park	Q4 2013	180.00	6.00%	43,720 sq m GLA

COMPETITION

Plaza Suwałki is the first modern retail scheme in the city, which introduced a new non food offer to the market. Since 2010, when it was opened, no new modern shopping centre has been completed in the city, therefore Plaza has no direct competitors in Suwałki.

INVESTMENT CONSIDERATIONS

In the first half of 2013 the retail transaction volume settled at around EUR 247m, nearly half the deal volume in the same period last year. However, this underperformance did not result from weakening demand as demand for prime retail properties in particular continued to be very strong but from the lengthy negotiations and formalities related to signing final sale agreements. Transaction volume is expected to pick up in the second half of the year following many preliminary purchase agreements, including Silesia City Center in Katowice for EUR 412m, the largest volume for a single property in Poland on record, five retail properties from Charter Hall's portfolio for EUR 174.5m and Galeria Dominikańska in Wrocław for EUR 151.7m.

The largest deal in the first half of 2013 was the sale of a 23% stake in Złote Tarasy by the Warsaw Municipality to the French fund Unibail-Rodamco, which became the sole owner of the property. The second largest transaction on the Polish retail market was the acquisition of the portfolio of three Echo shopping centres in Radom, Piotrków Trybunalski and Tarnów by the UK fund London & Cambridge Properties for EUR 67m, the first such substantial purchase by this investor since 2006.

Prime retail yields remain at 2012's level of around 6%. Due to a paucity of prime retail assets, most deals were made for smaller properties outside Poland's five largest cities. Yields for such properties are much higher, falling within the range of 7.5% and more than 10% with the average at around 8.5%.

PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	31 December 2013

VALUATION DETAILS SUMMARY

Market Value	€	43,525,000.00
Gross annual income	€	3,329,000.00
Net Operating Income (Year one)	€	3,591,000.00
Day One annualised NOI	€	3,377,000.00
Estimated Rental Value	€	3,341,000.00
Initial Yield (Year one)		8.30%
Initial Yield (Annualised day one)		7.80%

VALUATION ASSUMPTIONS

RENTAL VALUE

Our estimate of Market Rent is derived from our knowledge of concluded rents in the retail sector, also with regard to recent transactions concluded on the subject property, in addition to our other enquiries to our in house retail agency team.

Supermarket	€	11.00	/sqm /month
Cinema	€	7.00	/sqm /month
Leisure	€	7.00	/sqm /month
Food Court	€	24.00	/sqm /month
0-50 sq m	€	32.00	/sqm /month
51-100 sq m	€	30.00	/sqm /month
101-150 sq m	€	26.00	/sqm /month
151-200 sq m	€	25.00	/sqm /month
201-300 sq m	€	23.00	/sqm /month
301-500 sq m	€	19.00	/sqm /month
501 sq m +	€	12.00	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

In analysing the market value of the subject investment, we liaised with our Capital Market team and have taken account of current investment market sentiment and comparable investment transactions closed in 2011 and 2012.

	Discount	Exit
Default	9.75%	8.25%
Vacant	10.25%	8.75%
Additional income	9.75%	8.25%

OTHER VARIABLES

Even under a fully repairing and insuring lease, there are always non recoverable costs for the landlord. Therefore, we assumed non-recoverable costs including maintenance cost of vacant space to be at level of 1.00% of market rent. We assumed leasing costs at a level of 12% of annual rental value of leased space.

Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		1%	ERV
Void on expiry		1.50	months
Lease Term		10.00	years
Rent Free Periods		0.00	months
Leasing Fees		8%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation		2%	

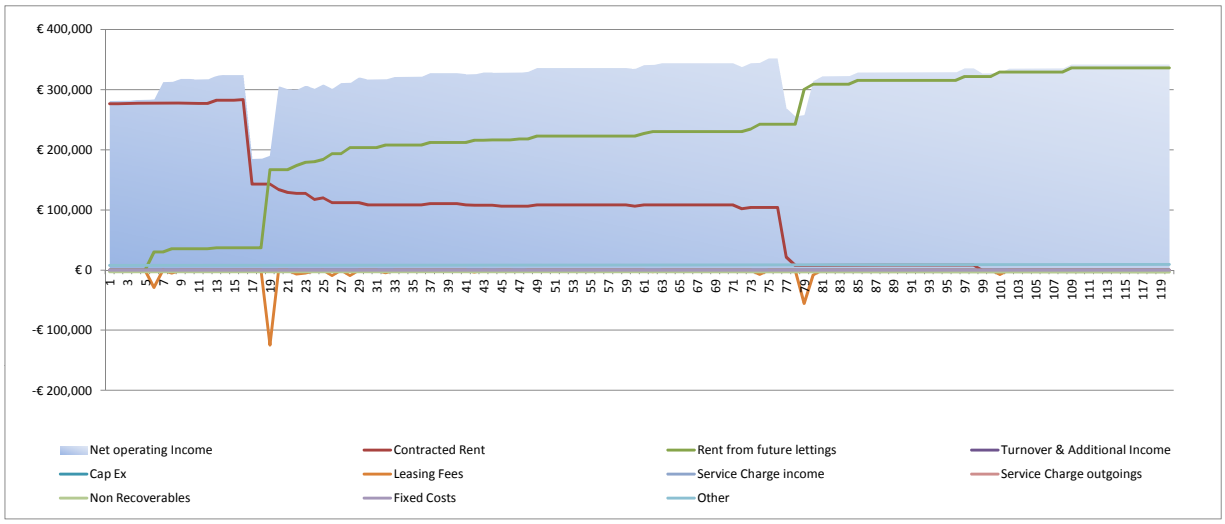
PROPERTY	SUWAŁKI PLAZA
ADDRESS	15 Dwernickiego Street, Suwałki, Poland
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 3,329,640	€ 2,196,996	€ 1,326,832	€ 1,298,061	€ 1,297,583	€ 1,297,067	€ 493,562	€ 96,214	€ 16,356	€ -
Rent from future lettings	€ 236,302	€ 1,256,927	€ 2,427,638	€ 2,580,356	€ 2,672,720	€ 2,758,793	€ 3,294,299	€ 3,785,419	€ 3,923,282	€ 4,033,446
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	-€ 33,819	-€ 138,671	-€ 23,270	-€ 5,727	€ -	-€ 2,847	-€ 71,536	€ -	-€ 7,459	€ -
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 33,750	-€ 34,425	-€ 35,114	-€ 35,816	-€ 36,532	-€ 37,263	-€ 38,008	-€ 38,768	-€ 39,544	-€ 40,334
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ 92,400	€ 94,248	€ 96,133	€ 98,056	€ 100,017	€ 102,017	€ 104,057	€ 106,139	€ 108,261	€ 110,427
TOTAL	**€ 3,590,773**	**€ 3,375,075**	**€ 3,792,220**	**€ 3,934,930**	**€ 4,033,788**	**€ 4,117,768**	**€ 3,782,374**	**€ 3,949,003**	**€ 4,000,897**	**€ 4,103,538**

Monthly income



A net operating income is relatively stable and remains at the level of around EUR 300,000 pm in indicated period of analysis.
Most of contracted rent is secured until May 2015. Another wave of lease expiries is expected to occur in April 2020.
We have assumed a stable additional income in the valuation, in the amount of EUR 7,400 pm.
As it is a relatively new shopping centre, opened in 2010, we have not assumed any capital expenditures.
We have assumed leasing fee on the level of 8% of rental value. Due to this charge, there are two main cost waves - in May 2015, when most of contracted leases expire and in April 2020, when the remaining part of contracted leases as well as re-lettings expire.
We have assumed Non Recoverable Costs on the level of 1% of rental value in the valuation.

PROPERTY	SUWAŁKI PLAZA
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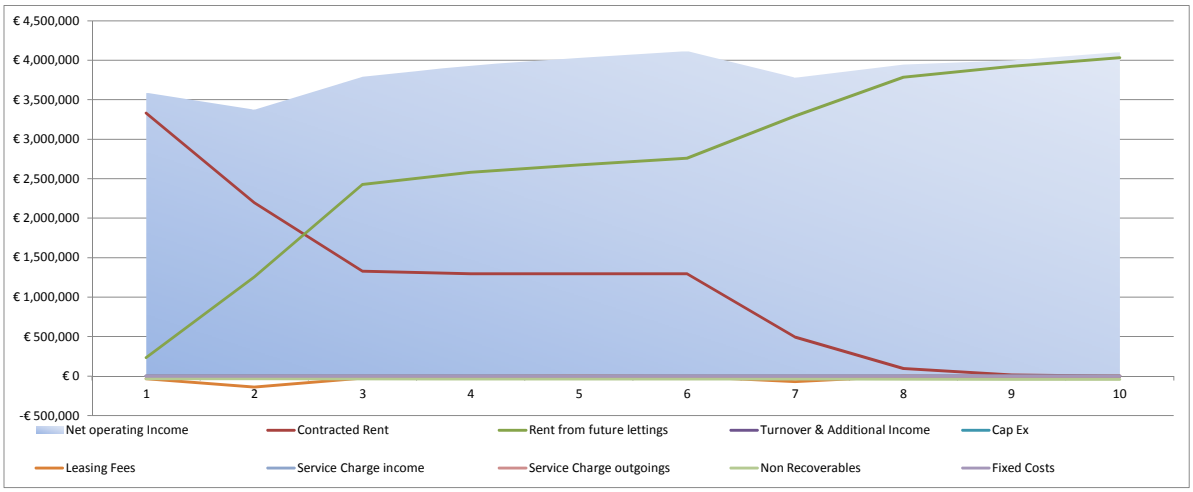
Annual Income



DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 3,033,841	€ 1,823,980	€ 1,003,697	€ 894,699	€ 814,916	€ 742,224	€ 257,342	€ 45,709	€ 7,080	€ -
Rent from future lettings	€ 215,310	€ 1,043,521	€ 1,836,413	€ 1,778,532	€ 1,678,537	€ 1,578,672	€ 1,717,636	€ 1,798,365	€ 1,698,278	€ 1,590,856
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	-€ 30,815	-€ 115,127	-€ 17,603	-€ 3,947	€ -	-€ 1,629	-€ 37,299	€ -	-€ 3,229	€ -
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 30,752	-€ 28,580	-€ 26,562	-€ 24,686	-€ 22,943	-€ 21,323	-€ 19,817	-€ 18,418	-€ 17,117	-€ 15,909
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ 84,191	€ 78,246	€ 72,721	€ 67,586	€ 62,813	€ 58,378	€ 54,255	€ 50,424	€ 46,863	€ 43,554
Exit										€ 19,783,468
TOTAL	**€ 3,271,775**	**€ 2,802,040**	**€ 2,868,666**	**€ 2,712,183**	**€ 2,533,322**	**€ 2,356,322**	**€ 1,972,117**	**€ 1,876,080**	**€ 1,731,875**	**€ 21,401,970**

The market value of the Property is the sum of EUR 42,650,000 (EUR 2,194 per sq m). According to the market analysis it corresponds with the value of potential sale transaction.

Gross value			**€**	**43,526,350**
Legal Costs	**0.00%**			
Agent Fees	**0.00%**			
Transaction Costs	**0.00%**	**0.00%**	**€**	**-**
Market Value			**€**	**43,526,350**

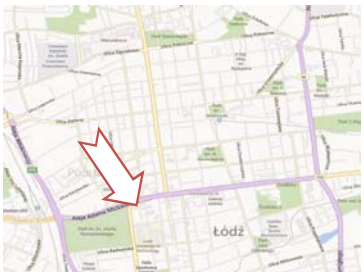
MARKET VALUE say € 43,525,000

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 December 2013

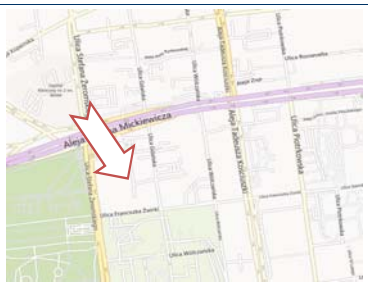
PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 December 2013

Poland

City of Łódź



Łódź City Centre


Micro Location

LOCATION

The Property is located in Łódź, occupying a city block bounded by ul. Zeromskiego, ul. Gdańska and ul. Żwirki.

With approximately 720,000 inhabitants, Łódź is a capital of Łódzkie Voivodship and the third-largest city in Poland. Together with surrounding areas, i.e. Pabianice, Zgierz and Ozorków, Łódź creates one of the largest urbanised areas in Poland – the Łódź Conurbation, with the total population of approximately 1.5 million people. Łódź is an administrative and business centre of the region and one of the main Polish cultural and science cities. It is considered as an attractive investment destination for industrial and service operations as well as the economic innovation process. However, the proximity of Warsaw (140 km), which is a powerful and economically the strongest centre in the country, makes the Łódź's economy gravitate towards the capital of Poland.

At the end of October 2013 the unemployment rate in Łódź stood at 12.2%, lower than national average of (13%). According to GFK Polonia's survey, purchasing power in Łódź in 2012 was approximately 14% higher than the country average and stood at EUR 6,572 annually per capita.

The property is located very close to the core city centre (around 800 meters) which is the intersection of ul. Piotrkowska and ul. Piłsudskiego. The property is situated directly on a major thoroughfare ul. Żeromskiego.

LOCATION DETAILS

City Population	720,000
Local Land	Residential & commercial
Distance to Centre	1 km
Distance to Highway	25 km
Distance to National Road	50 m
Public Transport	extensive
Plot area	33,137
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	33,137
Parking Places (closed)	none
Access	from all directions
Utilities	available, not checked
Legal issues	not checked

PROPERTY DATA

PLOT OF LAND

Site area, total	33,137
Surplus Land	-
Developed area (% total site)	0%

INSPECTION

Inspection Type	External
Inspection Date	17-May-13
Inspected by	Katarzyna Michnikowska

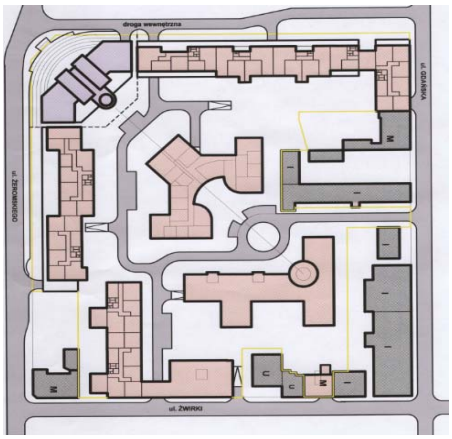
PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 December 2013

PROPERTY DESCRIPTION

The property consists of almost an entire city centre city block bounded by internal road from the north, ul. Gdańska from the east, ul. Żwirki from the south and ul. Żeromskiego a dual carriageway thoroughfare from the east.

The shape of the city block is roughly square, with the sides of approximately 200 meters in length.

Several plots occupying the boundaries of the city block are excluded from the subject Property, these are build up with several building.



LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Łódź Municipality. We have reviewed extracts from Land and Mortgage Registers (*KW*) only and did not checked the Land Register entries. The Property consists of seven plots entered in the following Land and Mortgage Registers: plots no: 50/20, 50/21, 50/22, 50/23, 50/26, 40/2, 40/8 registered under separate seven Land & Mortgage Registers.

Total area of the Property is 33,137 sqm of which 4,144 sqm is held freehold while the rest is held based on Perpetual Usufruct.

We have not checked title documentation but assume the property is an unencumbered effective freehold/RPU.

Land registry extract	Not Applicable
Registered owner	Owner: Gmina Łódź, Perpetual Usufructor: Włocławek Plaza Sp z o.o. otherwise freehold held be the above company
Registered use	None
Registered size	33,137 sqm

Restrictions and encumbrances

Clear Site
We have not checked title documentation but assume the property is an unencumbered effective freehold/RPU.

Comments

Clear and marketable title

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	Building Conditions (WZ) issued for mixed use - mostly residential high density development. No building permit.

The subject Property is not covered by a valid Master Plan. The area is a subject to a planning study *("Studium Uwarunkowań i Kierunków Zagospodarowania Przestrzennego Miasta Łodzi")* which is not applicable in issuing planning or building permit but rather acts as a blueprint for drawing up new zoning plans. According to this planning study the Property is located in a central cone UC2

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
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ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

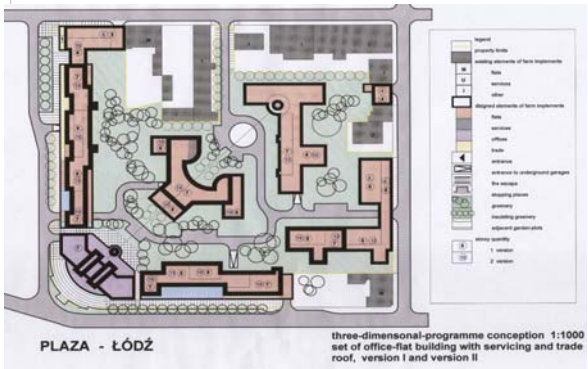
The client, based on the issued planning permit has drawn up a high density mostly residential development concept which we have been provided with major commercial parameters as to the amounts of sellable and rentable areas.

These values are as follows:

Residential sellable area: 122,600 sqm
Retail/Service sellable area: 3,200 sqm
Office rentable/sellable area 5,800 sqm
parking spaces 2,165

We have not been provided with gross building areas, also we have not been shown if the proposed project fulfils all statutory requirements for residential development. We note very high density of development which are assumed and could prove difficult to realise.

We assume at this valuation that planned parameters will be possible to realise and that a building permit will be obtainable.



SWOT-ANALYSIS

STRENGTHS

Shape of the site
City centre location

WEAKNESSES

Weak residential market
Noise from ul. Żeromskiego limits attractiveness of the property

OPPORTUNITIES

Site can be used for a range of commercial developments
as alternative to residential use

THREATS

Prospects for residential market remain weak in medium term

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Residential market in Łódź is relatively weak considering the size of the city. (Łódź is the third largest city in Poland) price of residential properties in Łódź have been declining since the end of 2003-2008 property boom. This boom has not fully developed in Łódź though and therefore the price decline in the city has not been as marked.

Average residential prices in Łodź are currently at PLN 3,470 per sqm gross of VAT this is a decline from PLN 4,150 level from first quarter of 2011.

In terms of office market (proposed development will have around 5% office component) the local market in Łódź is relatively small with around 280,000 sqm of modern space (around 7% of the size of Warsaw market). Vacancy rate stood at 12%. Effective rents in Łódź amount to around EUR 10-11 per sqm per month. Take up amounted to 27,300 sqm (around 5% of market volume in Warsaw)

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 December 2013

COMPETITION

Most residential development is located in outlying districts of Łódź, thre are several projects located in the city centre competing for the same residential market segment. These projects include the below mentioned schemes.

COMPETING DEVELOPMENT SCHEMES

Street	*name*	*gross price from*	gross price up to	developer
Tymienickiego	Osiedle centrum	4800 PLN	5600 PLN	JW. Construction
Jaracza	Leader House	7000 PLN	7000 PLN	Leader
Srebrna	Osiedle Srebrna	3900 PLN	4600 PLN	Maxbud

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The property is in core city centre location. The development project that has been shown to us came in two versions. We have adopted the lower density development as optimum version. The higher density version may not be optimum for the location due to low values of land which do not support increased development costs.

VALUATION ASSUMPTIONS

CAPITAL VALUES

We have adopted variables with the local market. Location of the property allows us to arrive at the top of the capital value range.

At phasing we have assumed that each annual stage will be sold at EUR 20 premium above previous stage.

Residential	€	1,150.00	/sqm NET
Service	€	1,400.00	/sqm NET
Office	€	1,550.00	/sqm NET
Parking	€	4,500.00	/space NET

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Hard construction Costs	€	720	/sqm
Contingencies		5%	
Letting Fees		12% ERV	
Sales Fees		1% ERV	
Fees		10% GDC	
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20% GDV	

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

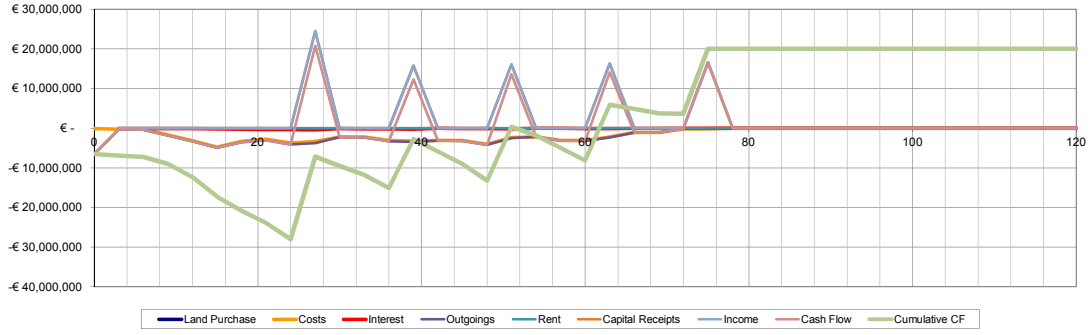
Capital Receipts			€	89,330,500		
Rent			€	-		
Income					€	**89,330,500**
Development Costs			-€	49,714,000		
Infrastructure			-€	994,280		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	5,070,828		
Contingencies			-€	2,788,955		
Fixed Marketing Costs			€	-		
Sales Fees	1%	sales proceeds	-€	893,305		
Leasing Fees	**12%**	**annual rent**	€	-		
Development Finance	6.00%		-€	2,569,657		
Developer's Profit @	20.00%	GDV	-€	17,866,100		
Acquisition Fees	1.00%		-€	93,400		
					-€	**79,990,526**
Residual value					**€**	**9,339,974**
Land Holding cost						0.694862715
					€	**6,490,000**

Cash Flow

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Land Purchase	-€ 6,490,000								
Costs	-€ 64,900	-€ 5,333,078	-€ 14,543,287	-€ 10,762,498	-€ 13,496,713	-€ 10,678,044	-€ 4,481,622	-€ 166,127	€ -
Income	€ -	€ -	€ -	€ 24,513,500	€ 15,795,800	€ 16,068,100	€ 16,340,400	€ 16,612,700	€ -
Interest	€ -	-€ 436,000	-€ 1,089,928	-€ 827,320	-€ 479,033	-€ 293,125	-€ 119,101	€ -	€ -
Cash Flow	-€ 6,554,900	-€ 5,769,078	-€ 15,633,215	€ 12,923,682	€ 1,820,054	€ 5,096,931	€ 11,739,678	€ 16,446,573	€ -
Cumulative CF	-€ 6,554,900	-€ 12,323,978	-€ 27,957,193	-€ 15,033,511	-€ 13,213,457	-€ 8,116,526	€ 3,623,152	€ 20,069,725	€ 20,069,725

We assumed a single phase development, in reality should a high density development be adopted it may be broken up into several phases.

Cash Flow Profile



PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

We have compared the site to available commercial land in secondary Polish cities. However we primarily ran a residual calculation to develop our findings.

No directly comparable transaction has been concluded in the last two years, therefore residual approach provides the most reliable market value.

In summary, using the above assumptions and variables we have arrived at a residual amount of €196 per sqm, which is according to our opinion a supportable value of the site.

Address	Details	Asking or sold?	Date	€/sqm
Dowborczyków 7	2211 sqm, core city centre	sold	31/05/2012	€ 154

MARKET VALUE	**€**	**6,490,000.00**	**say**	**€**	**6,500,000**

PROPERTY ADDRESS	Plaza Lodz
VALUATION DATE	31 December 2013

Poland

City of Łódź

Micro location

Photo -Rzgowska Street

LOCATION

The Property is located in Łódź, on Rzgowska Street, in the Górna District.
With approximately 720,000 inhabitants, Łódź is the capital of Łódzkie Voivodship and the third-largest city in Poland. Together with surrounding areas, i.e. Pabianice, Zgierz and Ozorków, Łódź creates one of the largest urbanised areas in Poland – the Łódź Conurbation, with the total population of approximately 1.5 million. Łódź is an administrative and business centre of the region and one of the main Polish cultural and science hubs. It is considered as an attractive investment destination for industrial and service operations as well as the economic innovation process. However, the proximity of Warsaw (140 km), which is a powerful and economically the strongest centre in the country, makes the Łódź's economy gravitate towards the capital of Poland.
At the end of October 2013 the unemployment rate in Łódź stood at 12.2%, lower than national average of (13%). According to GFK Polonia's survey, purchasing power in Łódź in 2012 was approximately 14% higher than the country average and stood at EUR 6,572 annually per capita.
The Property's micro location provides convenient access to the city centre and other parts of the city. The property is located approximately 5 km south of the centre of Łódź, on Rzgowska Street, which is one of the city's main dual carriageways. Accessibility is further enhanced by very good communication links, with several bus and tram stops located in close proximity to the subject property. The site is adjacent to railway track and PKP Chojny train station. The surroundings are dominated by residential areas, with both single and multifamily developments as well as commercial units.

LOCATION DETAILS

City Population	720,000
Local Land	Residential & commercial
Distance to Centre	5 km
Distance to Highway	25 km
Distance to National Road	At the national road 0 km
Public Transport	well developed
Plot area	61,718
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	yes
Site area	61,718
Parking Places (closed)	n/a
Access	form Rzgowska and Warneńczyka
Utilities	available, not checked
Legal issues	not checked

PROPERTY DATA

PLOT OF LAND

Site area, total	61,718
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	17-May-13
Inspected by	Katarzyna Michnikowska

PROPERTY ADDRESS	Plaza Lodz
VALUATION DATE	31 December 2013

PROPERTY DESCRIPTION

The Land comprises two plots situated in precinct G-28 in Łódź. Individual plots' details are as follows: 2 , 3/35, 3/36, 3/47, 3/46 with a total area of 61,718 sq m.
The site has an irregular oblong shape, is flat and fenced.
The site is developed with old industrial factory FAKORA. As a number of buildings and structure are listed as historical the proposed development is required to incorporate the protected elements in its design. A high voltage line running at the northern corner of the site limits the development in that part of the site.
The site is accessible from Rzgowska and Warneńczyka Streets.
We have made no specific enquiries to the statutory authorities but understand and assume that all mains services are available on the site.

LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Łódź Municipality. We have reviewed extracts from the Land and Mortgage Registers (KW) only and did not check the Land Register entries. The Property consists of five plots entered in the following Land and Mortgage Registers: plots numbered: 3/36, 3/47, 3/46 and 3/35 (previously plot number 3/34) -LD1M/00064455/4, plot no: 2 - LD1M/00083794/1.
The Client holds Perpetual Usufruct title to the land.

Site no	Area [m2]	KW Number	Owner	RPU holder
3/34 (currently 3/36, 3/47, 3/46, 3/35)	55,478	LD1M/00064455/4	Łódź Municipality	Włocławek Plaza Sp. z o.o.
2	6,239	LD1M/00083794/1	Włocławek Plaza Sp. z o.o.	

We have not checked title documentation but assume the property is an unencumbered effective freehold/RPU.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Owner: Gmina Łódź, Perpetual Usufructor: Włocławek Plaza Spółka z Ograniczoną Odpowiedzialnością		
Registered use	Assumed land		
Registered size			61,718.00

Restrictions and encumbrances

High voltage line on the site.
Historical buildings on the site.
We have not checked title documentation but assume the property is held on an unencumbered effective freehold/RPU basis.

Comments

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	Building Conditions (WZ) issued for retail development over 2000 sqm - proposed scheme. No building permit.

The subject Property is not covered by a valid Master Plan. The area is a subject to a planning study *("Studium Uwarunkowań i Kierunków Zagospodarowania Przestrzennego Miasta Łodzi")* which is not applicable in issuing planning or building permit but rather acts as a blueprint for drawing up new zoning plans. According to this planning study the Property is located in a zone where services and retail use is allowed (UC * with retail over 2,000 sq m use).

PROPERTY	
ADDRESS	Plaza Lodz
VALUATION DATE	31 December 2013

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The client is planning to develop a shopping center Łódź Plaza. The scheme comprises two storey shopping centre and four storey parking building. The building will be arranged around three core piazzas: entrance piazza, ellipse piazza and cinema piazza. The total GLA of the project is 34,944 sq m which includes: supermarket (2,603 sq m GLA), cinema (2,609 sq m GLA) as well as two storey retail gallery with a variety of different size retail units.

SWOT-ANALYSIS

STRENGTHS

- Decision on development conditions for SC obtained
- Good location in regional city
- Completed demolition works
- Good exposure from Rzgowska street
- Large size of the site

WEAKNESSES

- Limited alternative uses, due to location next to railway truck
- Historical building on the site

OPPORTUNITIES

- Lack of entertainment element in competing schemes (IKEA)
- Potential increase of purchasing power in the city

THREATS

- Saturated retail market
- Strong competition in retail sector in Łódź

PROPERTY	
ADDRESS	Plaza Lodz
VALUATION DATE	31 December 2013

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The total modern retail stock in Łódź amounts to approx. 700,000 sqm GLA. Of this shopping centres account for 480 000 sqm (68.5%), followed by retail warehouses, 140,000 sqm (20%), factory outlets,12,500 sqm (1.8%) and other retail schemes, 67,500 sqm (9.7%). At the end of 2012 the shopping centre saturation ratio in Łódź was at an average level and stood at 495 sqm per 1,000 inhabitants.
There is one new shopping centre in the city under construction – Sukcesja (Fabryka Biznesu), totalling 42 200 sqm GLA on Rembielińska Street, scheduled for delivery in Q4 2014.
The demand for modern retail space remains average; most of the domestic and international chains interested in Łódź already operate in more than one location.
Although the vacancy rate is at a relatively low level (1.9%) compared with other cities, demand for new space in Sukcesja is low.

The project's primary catchment covers all the southern side of the city and majority of the east side of the city. However there are existing retail schemes in that location including huge project IKEA Port Łódź.

COMPETITION

Manufaktura (109 500 sqm GLA) offers 320 shops, service and catering units, as well as an entertainment section. It is anchored by Real, Leroy Merlin, Alma, H&M, Van Graaf, C&A, Inditex, New Yorker, LPP, KappAhl, St. Olivier, Smyk, EMPiK, Intersport, Rossmann, RTV Euro AGD, Kakadu, Go Sport, Jysk, Cinema City Grakula, and Pure fitness, among others. **Port Łódź** (100 000 sqm GLA), anchored by IKEA, Leroy Merlin, Saturn, Piotr i Paweł, Inditex, LPP, H&M, C&A, KappAl, Cubus, Vogele, Carry, Smyk and EMPIK. **Galeria Łódzka** (45 000 sqm GLA) offers 180 shops, service and catering units . It is anchored by Tesco, EMPiK, Media Markt, P&C, H&M, New Look, Inditex, LPP, Smyk, Go Sport, Cubus, KappAhl, New Yorker and Carry. **M1** (38 100 sqm GLA) is dominated by Real hypermarket, Praktiker DIY and Media Markt electronic equipment store, and supplemented by nearly 80 other stores/service units. Pasaż Łódzki (36 700 sqm GLA), recently extended, offers nearly 100 stores including: Real, Decathlon, TK Maxx, H&M, Nike, Takko and Deichmann. **Tulipan** (32 800 sqm GLA). **Sukcesja** (42 200 sqm GLA) - under

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
Manufaktura	2011		GLA 109,500 sq m, existing shopping centre
Port Łódź	1998		GLA 100,000 sq m, existing shopping centre
M1	2000		GLA 38,100 sq m, existing shopping centre
Galeria Łódzka	1998		GLA 45,000 sq m, existing shopping centre
Tulipan	1999		GLA 32,800 sq m, existing shopping centre
Sukcesja			GLA 42,200 sq m, under construction

PROPERTY ADDRESS	Plaza Lodz
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a large shopping centre. Although we believe that the highest and best use of the land is not a shopping centre we based our valuation on this use due to the reason that the land had been invested to develop a shopping centre before the opening of Optimum Shopping Centre. We also assumed that the landlord will need to hold the land for two years before the zoning changes and then will start construction immediately.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

0-50	€	40.00	/sqm /month
51-100	€	35.00	/sqm /month
101-150	€	33.00	/sqm /month
151-200	€	30.00	/sqm /month
201-300	€	23.00	/sqm /month
301-500	€	19.00	/sqm /month
501-1000	€	11.00	/sqm /month
1000-1500	€	12.00	/sqm /month
1501-2000	€	9.00	/sqm /month
cinema	€	6.50	/sqm /month
Food court	€	28.00	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing shopping centres in Łódź. Based on our market experience prime yields will be around 8,0%. for fully established scheme. We have applied a discount to reflect the speculative nature of the assumed scheme.

	Exit
0-50	7.75%
51-100	7.75%
101-150	7.75%
151-200	7.75%
201-300	7.75%
301-500	7.75%
501-1000	7.75%
1000-1500	7.75%
1501-2000	7.75%
cinema	7.75%
Food court	7.75%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	1,100	/sqm
Contingencies		5%	
Letting Fees		15%	ERV
Sales Fees		0%	ERV
Fees		15%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY
ADDRESS Plaza Lodz
VALUATION DATE 31 December 2013

SUMMARY RESIDUAL VALUATION

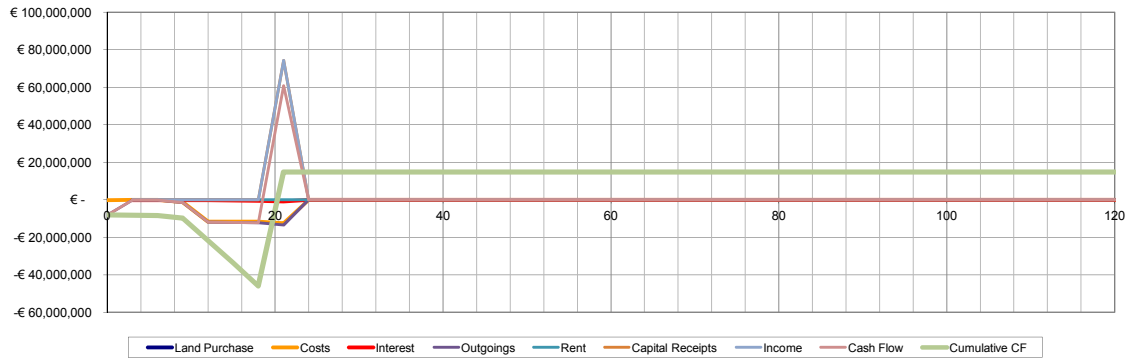
Capital Receipts			€	74,214,046		
Rent			€	-		
Income					€	**74,214,046**
Development Costs			-€	38,493,400		
Infrastructure			-€	1,154,802		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	5,947,230		
Contingencies			-€	2,279,772		
Fixed Marketing Costs			€	-		
Sales Fees	0%	sales proceeds	€	-		
Leasing Fees	**15%**	**annual rent**	-€	862,738		
Development Finance	7.75%		-€	1,430,797		
Developer's Profit @	20.00%	GDV	-€	14,842,809		
Acquisition Fees	2.00%		-€	180,441		
					-€	**65,191,990**
Residual value					**€**	**9,022,057**
Land Holding cost						0.877849
					€	**7,920,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 7,920,000								
Costs	-€ 158,400	-€ 12,905,490	-€ 35,832,452	€ -	€ -	€ -	€ -	€ -	€ -
Income	€ -	€ -	€ 74,214,046	€ -	€ -	€ -	€ -	€ -	€ -
Interest	€ -	-€ 649,601	-€ 1,908,471	€ -	€ -	€ -	€ -	€ -	€ -
Cash Flow	-€ 8,078,400	-€ 13,555,090	€ 36,473,123	€ -	€ -	€ -	€ -	€ -	€ -
Cumulative CF	-€ 8,078,400	-€ 21,633,490	€ 14,839,633	€ 14,839,633	€ 14,839,633	€ 14,839,633	€ 14,839,633	€ 14,839,633	€ 14,839,633

As can be seen in the chart below, we assume development will commence in at the second year Based on the current scheme the property will be developed in one phase .It is estimated that the development will be completed within 18 months. Following the opening the scheme will start generating profit.

Cash Flow Profile



PROPERTY
ADDRESS Plaza Lodz
VALUATION DATE 31 December 2013

SUMMARY & CONCLUSION

We have compared the site to other commercial lands in the city. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €100-150per sqm range, which we consider to be realistic in the context of the available market information.

No directly comparable transaction (retail development land in Łódź) has been concluded over the last year, therefore residual approach provides the most reliable market value.

In summary, using the above assumptions and variables we have arrived at a residual amount of €128 per sqm, which is imore or less in line with the limited comparable evidence.

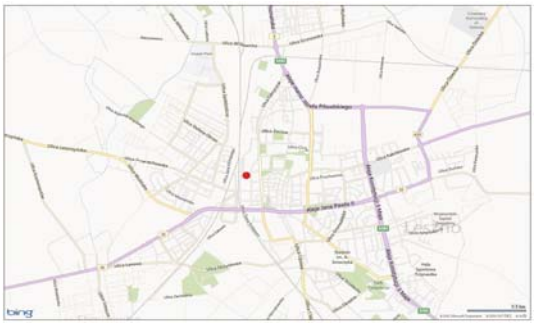
Address		Details	Asking or sold?	Date	€/sqm
Rokicińska, Łódź	8,184 sq m	retail over 2,000 sqm allowed	sold	Apr-12	€ 109

MARKET VALUE	**€**	**7,920,000.00**	**say**	**€**	**7,925,000**

PROPERTY	
ADDRESS	Leszno Plaza
VALUATION DATE	31 December 2013

PROPERTY ADDRESS	Leszno Plaza
VALUATION DATE	31 December 2013

Poland



City of Leszno

Photo

Micro Location

LOCATION

Leszno is located in western Poland in the Wielkopolskie voivodship between two large economic centres: Wrocław and Poznań. Leszno is a county town with a population of around 65,000 inhabitants. With an area of around 32 sq km Leszno is the seventh largest city in the voivodeship. The city is located at the junction of two national roads, no. 12 and no. 5 providing access to Poznań and Wrocław, as well as to the A4 and A2 motorways. Leszno benefits from a well developed railway network, with railway stations providing connections between Poznań-Wrocław and Łódź-Forst (Germany). According to the Central Statistical Office, the unemployment rate in March 2013 was significantly lower than the national average (13.0%) and amounted to 8.4%. According to GFK Polonia's survey purchasing power in Leszno was 1.4% higher than the country's average and stood at EUR 5,835 annually per capita.

The subject property is located on Przemysłowa Street in the central part of Leszno. The property's direct surrounding consists mostly of old and relatively low-rise residential developments with ground floor retail units. There is the main railway station to the west of the property. The property is currently accessible from Przemysłowa Street.

LOCATION DETAILS

City Population	64,722
Local Land	Residential & commercial
Distance to Centre	2.5 km
Distance to Highway	75 km
Distance to National Road	1 km
Public Transport	well developed
Plot area	17 993 sq m
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	No
Historic monument	Yes
Site area	17 993 sq m
Parking Places (closed)	no
Access	from Przemysłowa Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY ADDRESS	Leszno Plaza
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

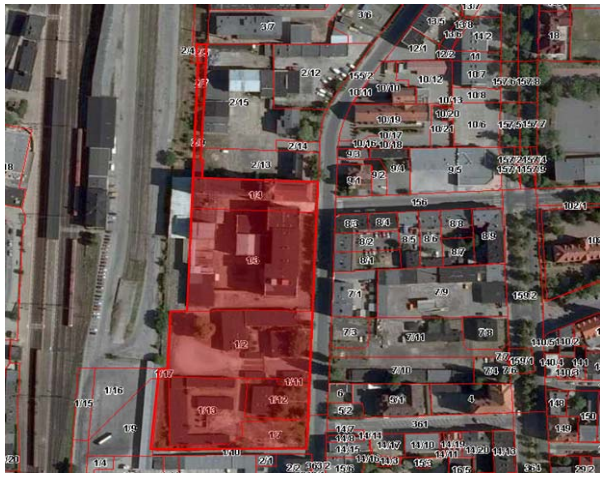
Site area, total	17 993 sq m
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	20 May 2013
Inspected by	Wojciech Kołodziej

PROPERTY DESCRIPTION

The Land comprises 10 plots on Przemysłowa Street in precint no. 2 in Leszno with a total area of 17,993 sq m. Individual plots' details are as follows: 1/2, 1/3, 1/4, 1/7, 1/11, 1/13, 2/5, 2/7, 2/9, 1/12. The site is of irregular shape close to a rectangle (see the picture), flat and fenced. The site is partially developed and this includes a listed steam mill complex. The remainder of the land is undeveloped after recent demolition works. The site is accessible from Przemysłowa Street. We have made no specific queries to the statutory authorities but understand and assume that all mains services are available on the site.



LAND REGISTRY DETAILS

According to the copy of the Land Registry dated on 16 July 2012 provided by the Client. The subject land comprises 10 plots situated in precint no. 2 in Leszno on Przemysłowa Street with a total area of 17,993 sq m. The land comprises the following plots: 1/2, 1/3, 1/4, 1/7, 1/11, 1/13, 2/5, 2/7, 2/9, 1/12. We have also examined entries in the Land and Mortgage Register (*Księga Wieczysta*) for the subject Property (PO1L/00037647 and PO1L/00025235/7) dated on 9 May 2013. According to that the Property is held on the basis of Perpetual Usufruct and Freehold interest in the building.

Land registry extract	Applicable	Obtained on	16 July 2012
Registered owner	State of Treasury/Leszno Plaza Sp. z o. o.		
Registered use	Assumed land		
Registered size	17 993 sq m		

Restrictions and encumbrances

Listed building consent is required for any works to the steam mill.
We have not checked title documentation but assume the property is an unencumbered RPU/freehold.

Comments

PROPERTY ADDRESS Leszno Plaza

VALUATION DATE 31 December 2013

PLANNING ISSUES

Zoning	valid
Footprint ratio	max. 70%
Maximum buildable area	n/a
Maximum height	40 m
Permit status	No building permit or pending application

We have not made formal enquiries to the Local Planning Authority. However according to the sources open for general access and information provided by the Client the subject Property is subject to a valid Master Plan approved on 5 April 2012. The Property comes under jurisdiction of the Leszno Municipality in terms of zoning. According to that the subject Property is located within 39UC, 40UC and 84KDx zones where services and retail use is allowed (UC - retail over 2,000 sq m of use).

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPERTY ADDRESS Leszno Plaza
VALUATION DATE 31 December 2013

SWOT-ANALYSIS

STRENGTHS

- Shape of the site
- Location in the proximity of main rail and bus stations
- Good location in the city centre
- Zoning suitable for retail use over 2,000 sq m of sales area

WEAKNESSES

- Historical buildings on the site
- Limited alternative uses, due to location and zoning

OPPORTUNITIES

- Potential increase of purchasing power in the city

THREATS

- Saturated retail market
- Competition on the retail market in Leszno

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Since the intended scheme is designed for service and retail use (retail of over 2,000 sqm sales area permitted) we present brief retail market analysis for Leszno.

The total modern retail stock in Leszno stands at approx. 65,000 sqm GLA. Of this, shopping centres account for 62,000 sqm (95%). At the end of Q3 2013 the shopping centre saturation ratio in Leszno was at a relatively high level and was 650 sqm per 1,000 inhabitants. New development activity in the city is low as the market is saturated with modern retail space. The demand for modern retail space remains at an average level. Most retailers interested in the Leszno market already operate in Galeria Leszno, though new entrants are expected in the long term perspective. The vacancy rate is at a relatively low level (3.5%) compared with other cities. There is one retail project at an advanced stage of development in Leszno – Galeria Goplana (the former Goplana factory). Galeria Goplana will offer 28,000 sqm GLA in 120 stores on five levels, as well as 760 parking places. The scheme is planned for completion in 2015 and is financed through EU funding.

Taking into consideration current market situation in the retail sector in Leszno, there is no market justification to build a new shopping centre in the city in the imminent future.

VALUATION

VALUATION METHODOLOGY

We have estimated Market Value of the land , using the Sales Comparison Approach.
According to the Sales Comparison Approach the Property being valued is compared with the sales prices (listings and offerings) of similar properties that have recently been transacted in the (open) market. Sales prices are analysed by applying appropriate units of comparison and are adjusted for differences with the subject on the basis of elements of comparison as e.g. location, effective date, size of plot, zoning, existing infrastructure etc.
Due to the use of the subject Property, we have analyzed not only the local market in Leszno, but also extended our search to the neighbouring region, including other locations in Poland with a similar retail market profile or population. We have based our analysis on the market transactions made during the most recent two years. A comprehensive database of transactions made within the analysed markets is presented in the table below.

No	Date	Location	Area	Price in total	Price (per sq m)	Zoning/ Comments
1	Jul 11	Leszno/Aleje Konstytucji 3 Maja	6.784	5,846,805	862	Service/retail
2	Dec 11	Leszno/Cypriana Kamila Norwida	4.841	1,830,000	378	Service/retail
3	Apr 12	Leszno/17 Stycznia	2.601	1,110,629	427	Service/retail
4	Aug 11	Kostrzyn/Warszawska	4.803	2,089,305	435	Service/retail
5	Dec 11	Lubań/Żabikowska	17.767	12,276,997	691	Service/retail
6	Feb 11	Ostrów Wielkopolski/Zębcowska	3.992	1,889,576	473	Service/retail
7	Apr 11	Ostrów Wielkopolski/Dworcowa	5.755	2,052,430	357	Service/retail
8	Oct 11	Kalisz/Długosza	1.975	459,188	233	Service/retail
9	Mar 13	Stęszew/Dąbrowskiego	4.268	2,501,048	586	Service/retail
10	Feb 13	Stęszew/Dąbrowskiego	5.190	1,598,520	308	Service/retail
11	Jun 13	Kalisz/Długa	5.100	2,100,000	412	Service/retail
12	Dec 12	Kalisz/Złota	3.456	1,100,000	318	Service/retail

VALUATION CONSIDERATIONS

The zoning of the land is precisely defined for retail and service developments (with retail above 2,000 sq m of sales area allowed). We have been provided with the initial concept of the shopping centre, however it does not include the assumed area of the listed buildings. The project assumes construction of parking spaces on the neighboring plot. According to the information from the Client an option of buying additional plot for a multilevel parking is being currently under consideration. However, this plot would be not a part of the Property being the subject of the valuation. Due to the lack of information necessary for the Residual Approach we estimated Market Value of the land using the Sales Comparison Approach.

PROPERTY	
ADDRESS	Leszno Plaza
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

We have compared the site to other commercial lands in the region as well as in other cities with similar potential and population. We estimate that the subject Property would transact at around PLN 400 per sq m, which we consider to be realistic in the context of the available market information. Conducting analysis and logical reasoning we are of the opinion that the main factors influencing the value of the Subject Property are:

- location in Leszno, mid-sized city;
- listed buildings on the site;
- valid Master Plan with designation for retail and service use (with sales area above 2,000 sq m allowed);
- good location in the city centre and very close proximity to the main bus and rail station;
- size of the Property;
- visibility;
- shape of the Property.

Taking into consideration all the factors mentioned above we are of the opinion that the Market Value of the perpetual usufruct/freehold interest in the land of 17,993 sq m based on comparable method is PLN 400 net per sq m, PLN 7,197,000 rounded in total, which is equivalent of EUR 1,719,000.

MARKET VALUE	**€**	**1,719,000**	**say**	**€**	**1,719,000**

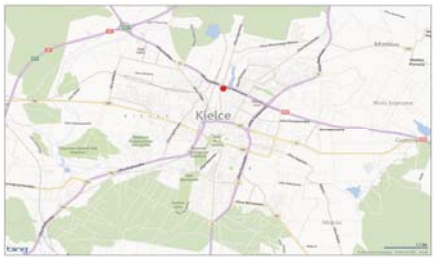
PROPERTY	
ADDRESS	Kielce Plaza
VALUATION DATE	31 December 2013

PROPERTY

ADDRESS Kielce Plaza

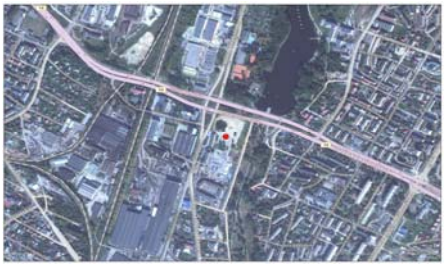
VALUATION DATE 31 December 2013

Poland



City of Kielce

Świętokrzyskie Voivodship



Micro Location

LOCATION

The Property is located in Kielce, at Zagnańska Street, in the Głęboczka District.

With approximately 202,000 inhabitants, Kielce is a capital of Świętokrzyskie Voivodship and the 17th largest city in Poland. The city is an administrative and business centre of the region and one of the most important cultural and science cities in southern Poland. It is considered as an attractive investment destination for industrial and business operations. It is also a seat to the 2nd biggest fairs in Poland - Targi Kielce.

The city benefits from its location in the proximity of the three biggest cities in Poland: Warsaw, Kraków and Łódź - all of them are located at a distance of up to 180 km from Kielce.

At the end of October 2013 the unemployment rate in Kielce stood at 10.8%, lower than in Świętokrzyskie Voivodship (15.8%) and Poland (13.0%). According to GFK Polonia's survey, purchasing power in Kielce in 2012 was approximately 7% higher than the country average and stood at EUR 6,159 annually per capita.

The Property's micro location provides convenient access to the city centre and other parts of the city. The property is located approximately 3 km north of the centre of Kielce, at the intersection of Jesionowa and Zagnańska Streets. The first one is part of the national road No. 74 , whilst the second one connects the city centre with the northern part of Kielce. Accessibility is further enhanced by very good communication links, with several bus stops located in close proximity to the subject property. There is also railway track and PKP Kielce Piaski train station located at the distance of 350 meters from the subject property. The surroundings are of mixed-use functions, including industrial, office, residential, retail and recreational areas.

LOCATION DETAILS

City Population	202,000
Local Land	Residential & commercial
Distance to Centre	about 3 km
Distance to Highway	125 km (A4 Kraków), 140 km (A1, A2 Stryków near Łódź)
Distance to National Road	Express road S7 - 4 km
Public Transport	well developed
Plot area	29,801
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	29,801
Parking Places (closed)	n/a
Access	form Zagańska and Jesionowa Streets
Utilities	available, not checked
Legal issues	not checked

PROPERTY	
ADDRESS	Kielce Plaza
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND	
Site area, total	29,801
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION	
Inspection Type	External
Inspection Date	20-May-13
Inspected by	Jarosław Koziarski

PROPERTY DESCRIPTION

The Land comprises of ten plots situated in precinct 0010 in Kielce. Individual plot details are as follows: 46/12, 46/21, 46/22, 46/23, 46/27, 46/29, 46/36, 46/38, 46/42, 46/50 with total area of 29,801 sq m.
The site has an irregular shape divided into two parts that are connected with narrow corridor, is flat and partly fenced.
The site is undeveloped with some parts temporarily used as parking lots and some others as storage areas. Substantial part of the site is a wasteland with a reservoir in the north-western part of the property.
Car access is result of compromise between the best access to the plot and requirements of neighbour roads. As Zagnańska and Jesionowa Street are going to be refurbished as higher category roads there is no possibility for direct access to plot. Therefore it is realised by parallel road Okrzei St. and newly designed Obwodowa St.
We have made no specific queries of the statutory authorities but understand and assume that all mains services are available on the site.

LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Kielce Municipality. We have reviewed extracts from Land and Mortgage Registers (KW) only and did not checked the Land Register entries. The Property consists of ten plots entered in the following Land and Mortgage Registeres: plots no: 46/21, 46/22, - KI1L/00095747/7, plots no: 46/12, 46/23, 46/27, 46/29, 46/38, 46/36, 46/42, 46/50 - KI1L/00075675/5.
The Client holds Perpetual Usufruct tite to the land.

Plot no	Area (sq m)	Land &Mortgage Register no (KW)	Owner	RPU holder of the land and owner of the building
46/21, 46/22	1 894	KI1L/00095747/7	State Treasury	Kielce Plaza Sp. z o.o.
46/12, 46/23, 46/27, 46/29, 46/38, 46/36, 46/42, 46/50	27 907	KI1L/00075675/5	State Treasury	Kielce Plaza Sp. z o.o.

We have not checked title documentation but assume the property is an unencumbered effective freehold/RPU.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Owner: State Treasury, Perpetual Usufructor: Kielce Plaza Spółka z Ograniczoną Odpowiedzialnością		
Registered use	Assumed land		
Registered size			29,801.00

Restrictions and encumbrances

Vehicular and pedestrian right-of-way easements over plots constituting the property.

Comments

PROPERTY	
ADDRESS	Kielce Plaza
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	No building Conditions (WZ) . No building permit.

The subject Property is not covered by a valid Master Plan. The Master Plan covering this area is being prepared and according to its project substantial part of the property is marked with symbol UC1 - retail use with sales area more than 2000 sqm) while small parts of it are marked as KDD (public roads) and UMW (services area with possible residential function). The area is a subject to a planning study ("Stadium Uwarunkowań i Kierunków Zagospodarowania Przestrzennego Miasta Kielce") which is not applicable in issuing planning or building permit but rather acts as a blueprint for drawing up new zoning plans. According to this planning study the Property is located in a zone where services and retail use is allowed with retail over 2,000 sq m use.

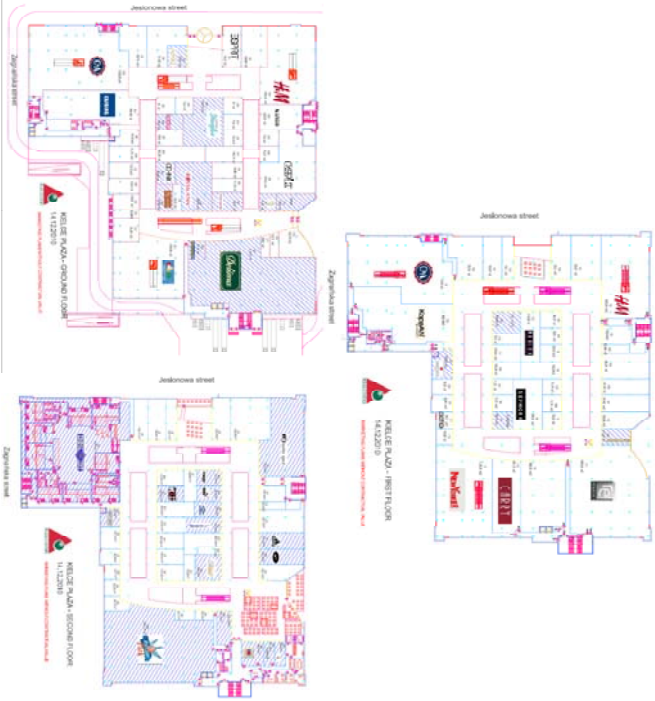
ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The client is planning to develop a shopping centre Kielce Plaza. The building was designed to make staying in it pleasant and to encourage frequent visits by offering many attractions. The space plan, which includes, in addition to shops, the following items, is an important factor for the attractiveness of a retail centre: a complex of 9 cinemas, restaurants with a food court, Fantasy Park including bowling alleys, a disco, playground for children, bar etc. Moreover, viewing terraces at which visitors can sit, have a meal or drink a cup of coffee have been located above the main entrances. The building is divided into two main parts, that is the mall and basement garage. The mall is situated at three ground-based levels. The basement garage has two levels with 828 parking places. The building will offer 33 600 sqm of GLA.



PROPERTY

ADDRESS Kielce Plaza

VALUATION DATE 31 December 2013

SWOT-ANALYSIS

STRENGTHS

Good location in regional city

Good exposure form Zagnańska and Jesionowa streets

WEAKNESSES

Shape of the land

There is no possibility for direct car access to the land from Jesionowa or Zagnańska streets

Saturated retail market

OPPORTUNITIES

Opportunities for potential new retail brands in Poland or retail parks

THREATS

Saturated retail market

Strong competition in retail sector in Kielce

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Stock & supply

The total modern retail stock in Kielce amounts to approx. 180,000 sqm GLA, of which 150,000 sqm constitute shopping centres (83.5%). At the end of Q1 2013 the shopping centre saturation ratio in Kielce was one of the highest in Poland and amounted to 757 sqm per 1,000 inhabitants due to the completions of two retail schemes on the market – the extension of Galeria Echo (40,000 sqm GLA) and the construction of Korona (34,000 sqm GLA).

The first shopping centre in Kielce was Centrum Radomska (37,000 sqm), developed by Metro AG, which brought a new retail offer to the market in 2000 (Real, Praktiker, Media Markt). The centre was extended in 2008 by a strip mall and is a very popular mass market retail destination.

In 2002 Echo Investment completed the first large scale fashion orientated retail scheme in Kielce – Galeria Echo. Extended significantly in 2011, Galeria Echo (65,880 sqm) is currently the largest retail scheme in the city. Galeria Echo offers over 300 shops, service and catering units, including Tesco hypermarket, RTV Euro AGD, Go Sport, Smyk, EMPiK, Voegele, Inditex, LPP, TK Maxx, H&M, C&A, New Yorker, KappAhl, Cubus, Answer, Pure Jatomi fitness, MK Bowling and Helios multiplex.

Korona shopping centre was completed in 2012 in the city centre of Kielce. It offers nearly 200 units of 34,000 sqm, including: Piotr i Paweł supermarket, Media Expert, Multikino, Pure fitness, H&M, Inditex, LPP, Royal, Carry, Massimo Dutti, Smyk, EMPiK and Intersport.

Although Kielce's retail market is evidently oversupplied a number of developers are looking for new investment opportunities, including Plaza Centres (Plaza Kielce) and Rank Progress (Miedziana Góra project). Most of these projects are at an early stage of development, without secured planning or financing. New supply is not expected in the city in the short term perspective.

Demand & vacancy rates

The demand for modern retail space remains at a low level. A number of the domestic and international chains found locations for their stores in Galeria Echo and Korona between 2011 and 2012. The main fashion anchors are already present in Kielce in more than one location. Small retail chains were very cautious and focused on facilities with competitive rents and incentive packages. They focused on established retail schemes offering high footfall and revenues. Demand comes mainly from retail chains offering mid-market commodities. Limited new entrants come mainly from the clothing, footwear and sports sectors and these players are taking small and medium-size premises; expansion usually spreads from the capital.

The vacancy rate (5.3%) in the city is a result of oversupply. A number of available units of different sizes can be found in Galeria Echo and Korona.

Rental level

The prime rents in shopping centres in Kielce have been recorded in Galeria Echo (EUR 35-37/sqm/month). Rents in other centres achieved EUR 25-29/sqm/month. Large size units (over 5,000 sqm GLA) are priced at EUR 6-7/sqm/month and average size units (1,000-3,000 sqm GLA) at EUR 7.5-10/sqm/month. Due to the high competition on the market incentives are common, including participation in fit-out, rent free periods and rent based only on turnover. The service charges in shopping centres are at EUR 1.5-2.5/sqm/month for large size tenants and EUR 5.5-7.5/sqm/month for others. Additionally, tenants are obliged to pay marketing fees at EUR 1-3/sqm/month, depending on the centre and size of the unit.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
Galeria Echo	2002 and 2011	-	GLA 40,000 sq m, existing shopping centre
Korona	2012	-	GLA 34,000 sq m, existing shopping centre
Centrum Radomska	2000 and 2008	-	GLA 37,000 sq m, existing shopping centre

PROPERTY	
ADDRESS	Kielce Plaza
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

According to the information provided by the Chief Architect's office, plots are currently not covered with a valid Master Plan (Miejscowy Plan Zagospodarowania Przestrzennego). The new plan is under preparation. The valid Planning Study (Stadium uwarunkowań i kierunków zagospodarowania przestrzennego) indicates that the area where the Property is located is designated for *large scale retail* (WOH-3). That why we apply residual method taking under consideration planned scheme.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

0-55	€	38.00	/sqm /month
56-100	€	33.00	/sqm /month
101-150	€	30.00	/sqm /month
151-200	€	25.00	/sqm /month
201-300	€	18.00	/sqm /month
301-500	€	15.00	/sqm /month
501-1000	€	10.00	/sqm /month
1000-1500	€	9.00	/sqm /month
>1501	€	8.00	/sqm /month
cinema	€	6.00	/sqm /month
Food court	€	25.00	/sqm /month
supermarket	€	10.00	/sqm /month
Fantasy Park	€	5.00	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing shopping centres. Based on our market experience prime yields will be around 6,0% for fully established scheme. We have applied a discount to reflect the speculative nature of the assumed scheme.

Year	Name	Location	Type	Size (sq m)	Price (mn EUR)	Purchaser	Yield (est.)
H1 2013	Zlote Tarasy (23% shares)	Warsaw	retail	66 200	95.9	Unibal Rodamco	n/a
H1 2013	Echo prtfolio	Radom, Tarnów, Piotrków Tryb.	retail	57 100	67.2	L&C Properties	8.7
H1 2013	Galeria Leszno	Leszno	retail	33 400	50	Blackstone	8.5
H2 2013	Silesia City Centre	Katowice	retail		412	Alianz	under 6%
H2 2013	Galeria Dominikańska	Wrocław	Retail		151.7	Atrium	6.1

Source: C&W Valuation & Advisory, December 2013

	Exit
0-55	8.00%
56-100	8.00%
101-150	8.00%
151-200	8.00%
201-300	8.00%
301-500	8.00%
501-1000	8.00%
1000-1500	8.00%
>1501	8.00%
cinema	8.00%
Food court	8.00%
supermarket	8.00%
Fantasy Park	8.00%

OTHER VARIABLES

PROPERTY
ADDRESS Kielce Plaza
VALUATION DATE 31 December 2013

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	1,250 /sqm	
Contingencies		3%	
Letting Fees		15% ERV	
Sales Fees		0% ERV	
Fees		12% GDC	
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20% GDV	

PROPERTY

ADDRESS Kielce Plaza

VALUATION DATE 31 December 2013

SUMMARY RESIDUAL VALUATION

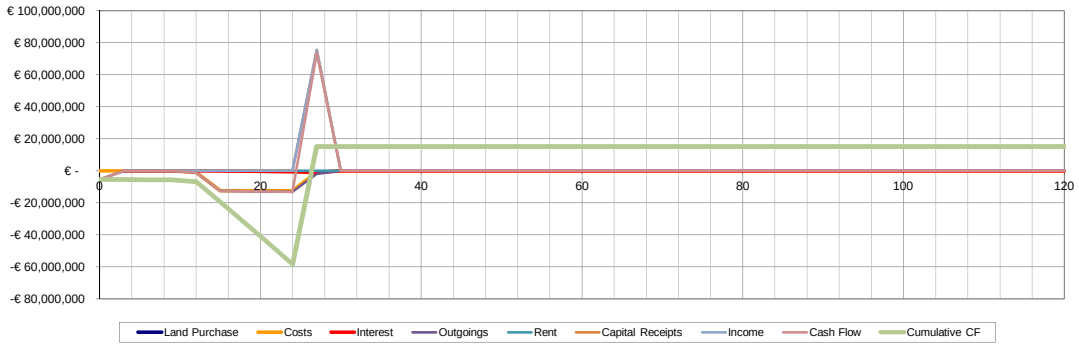
Capital Receipts			€	75,501,915		
Rent			€	-		
Income					€	**75,501,915**
Development Costs			-€	42,004,925		
Infrastructure			-€	2,100,246		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	5,292,621		
Contingencies			-€	1,481,934		
Fixed Marketing Costs			€	-		
Sales Fees	0%	sales proceeds	€	-		
Leasing Fees	**15%**	**annual rent**	-€	906,023		
Development Finance	7.00%		-€	2,256,087		
Developer's Profit @	20.00%	GDV	-€	15,100,383		
Acquisition Fees	2.00%		-€	124,700		
					-€	**69,266,919**
Residual value					**€**	**6,234,996**
Land Holding cost						0.85805986
					€	**5,350,000**

Cash Flow

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Land Purchase	-€ 5,350,000								
Costs	-€ 107,000	-€ 1,090,280	-€ 49,789,446	-€ 906,023	€ -	€ -	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ 75,501,915	€ -	€ -	€ -	€ -	€ -
Interest	€ -	-€ 381,990	-€ 1,773,601	-€ 997,793	€ -	€ -	€ -	€ -	€ -
Cash Flow	-€ 5,457,000	-€ 1,472,270	-€ 51,563,047	€ 73,598,099	€ -	€ -	€ -	€ -	€ -
Cumulative CF	-€ 5,457,000	-€ 6,929,270	-€ 58,492,316	€ 15,105,783	€ 15,105,783	€ 15,105,783	€ 15,105,783	€ 15,105,783	€ 15,105,783

As can be seen in the chart below, we assume development will commence in at the third year . Based on the current scheme the property will be developed in one phase. The scheme will be completed at the end of third year. At this point the scheme will start generating income. Following the opening , in the third year the scheme will start generating profit. The main cost for the first year is the land aquisition and the majority of the scheme will be developed in the second year.

Cash Flow Profile



PROPERTY	
ADDRESS	Kielce Plaza
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

We have compared the site to other commercial lands in the city. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €40-210 per sqm range, which we consider to be realistic in the context of the available market information.

No directly comparable transaction (retail, services development land with large area above 1 ha) has been concluded in the last year, therefore residual approach provides the most reliable market value.

In summary, using the above assumptions and variables we have arrived at a residual amount of €140per sqm, which is in line with the comparable sites set out below.

Gross value **€** **-**

Address	Details	Asking / sold	Date	€/sqm
Kielce, Warszawska	plot: 2,704 sqm, no Master Plan	sold	03.2010	€ 61
Kielce, Głęboczka 3	plot: 11,173 sqm, no Master Plan	sold	01.2011	€ 107
Kielce, Zagnańska	plot: 1,492 sqm, no Master Plan	sold	02.2011	€ 100
Kielce, Zagnańska	plot: 1,538 sqm, no Master Plan	sold	07.2012	€ 211
Kielce, Zagnańska	plot: 14,524 sqm, large retail scheme	sold	04.2010	€ 41
Kielce, Łódzka	plot: 18,967 sqm, no Master Plan	sold	12.2012	€ 62

MARKET VALUE	**€**	**5,350,000.00**	**say**	**€**	**5,350,000**

PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

Macro Location

Micro Location

Front View

Internal View

LOCATION

The Property is located within the regional city of Liberec, the 5th largest city in the Czech Republic. The city is located in the north of the country and has a population of 101,000 permanent inhabitants. Liberec is located 118 kilometres north from Prague.

The Property itself occupies a corner position at the junction of Palachova and 5. května Streets in the historical city centre of Liberec. The Property is in close proximity to nám. Dr. E. Beneše Square, one of the focal points in the city which also connects with Libereec high street (Pražská Street). From here the city's other main square , Soukené náměstí Square can be accessed.

The Property is easily accessible by car as well as by public transport. Access by car is from Palachova Street. Access by public transport is also good, with bus and tram stops in front of the Property on Palachova Street. The railway station in front of the Property is one of the main public transportation hubs in the city centre.

Whilst the location of the subject property is good, a specific characteristic of the Liberec market is the very high level of retail supply. In this respect we also mention the presence of Forum Liberec, a 46,000 sq m shopping centre situated less then 500 m from the subject property. Owing to this competing schemes more central position, this has proved the more successful centre to date.

LOCATION DETAILS

City Population	101,000
Local Land	Mixed, commercial & residential
Distance to Centre	0 km
Distance to Highway	2.0 km
Distance to National Road	0.5 km
Public Transport	Buses and trams
Plot area	7,745 sq m
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Shopping centre
Occupation	Multi tenancy
Historic monument	No
Gross lettable area	20,091.75
Parking Places	490
Access	Good
Utilities	In place
Legal issues	Not checked

PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction	2009
Modernisation Year	n/a
Building Condition	Good
Gross lettable area	20,091.75
Parking places	490
Current rent p.a.	€ 1,224,840
Vacancy rate (overall)	23%
Weighted remaining lease term	3.27
State of Repair	Good
Overall Condition	Good

TECHNICAL DETAILS

Building Type	Retail (major), office, residence
Construction	Reinforced steel framework
Facade	Glass and metal sheets
Roof	Flat roof
Windows	Various
Glazing	Double
Heating	Hot water exchanger
AC/ Ventilation	Air conditioning system
Cabling	None
Sanitary	Modern standard

PLOT OF LAND

Site area, total	7,745
Surplus Land	No
Developed area (% total site)	95.8

INSPECTION

Inspection Type	Full
Inspection Date	Desk top
Inspected by	n/a

PROPERTY DESCRIPTION

The subject Property is a modern, shopping centre with a small component of office and residential accommodation. The Property was completed in 2009. In total the Property offers approximately 20,092 sq m of lettable areas, arranged across four basements, ground and four upper floors.

The office element is located at the corner of the Property and has in total seven above ground floors. The office element offers approximately 1,084 sq m of lettable area. The basements are dedicated for car parking and house 490 car parking lots with some additional storage areas (ca 384 sq m). There is some retail areas on the 1st basement level.

The lower above ground levels are dedicated for retail. At present there are 78 retail units (some of the represented by more merged units) and 14 kiosks (incl. the carwash facility), forming the retail area of the Property. In total the retail area of the Property is 18,039 sq m (inclusive of ca 20 sq m terrace of cafeteria). The 3rd and 4th floors are residential (5 residential units totalling some 515 sq m).

The Property is accessible by four entrances. One from 5. května street, one through a passage onto the Beneš square and two from the Palachova street. Due to the sloping nature of the site, one of the entrances from Palachova is from the street at 1st basement level while the other is from the ground floor.

ACCOMMODATION

We have been provided with Property areas by the Property owner. We have relied on these areas and have not undertaken check measurements on site to verify their accuracy. We assume that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	Sqm
Retail	Retail (incl. kiosks and cafeteria terrace of ca 20 sq m)	18,039.26
Car wash	Car wash	70.00
Office	Office	1,083.97
Residential	Apartments	514.84
Storage	Storage	383.68
Total		**20,091.75**

PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

LAND REGISTRY DETAILS

The Property is registered on the Deed of Ownership No. 11326 in the cadastral area of Liberec. The freehold title is registered in the name of P4 Plaza s.r.o..The Property comprises 10 plots (47/7; 47/14; 47/15; 50/1; 50/7; 55/1; 55/3; 63; 74/7; 5783/3). Three of the plots (7,421 sq m) are registered as the built up area and courtyard. Building reg. No. 1404 is resisted and also forms part of the Property. According to the information provided by the Chief Architect's office, plots are zoned for mixed use with greenery. This allows uses such as commercial, administrative or residential on the site.

Land registry extract	Deed of Ownership No. 11326	Obtained	22. April 2013
Registered owner	P4 Plaza s.r.o.		
Registered use	Built up area and courtyard / other area		
Registered size	7,421 sq m / 324 sq m		

Restrictions and encumbrances

There are several easements related to the surrounding plots (rights of way and similar). Based on this, we have assumed the Property has free and unlimited access from public communications. There are several encumbrances on the Property, mainly related to infrastructure or public transportation. There is a mortgage on the Property in favour of MKB BANK Zártkoruen Mukodo Reszvenytársaság.

Comments

We note that the building is partly built on third party land (plot No. 58/1) registered on the Deed of Ownership No. 1599. According to the information provided to us, there is no easement registered on the subject Property Deed of Ownership No. 11326 permitting use this plot. For purpose of this valuation, we have assumed that this is only a registration mistake and that such an encumbrance on the plot No. 58/1 is registered on the Deed of Ownership No. 1599. We have not checked this but have assumed this for

PLANNING ISSUES

Zoning	Mixed use/greenery
Footprint ratio	95.80%
Maximum buildable area	n/a
Maximum height	n/a
Permit status	Occupancy permit

We note that according to the current zoning plan the Property partly stands on the area classified as greenery. Further to enquiries at the city architect's office we understand that there is a mistake in the zoning plan and that the newly proposed version is supposed to correct this state. For

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water). In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

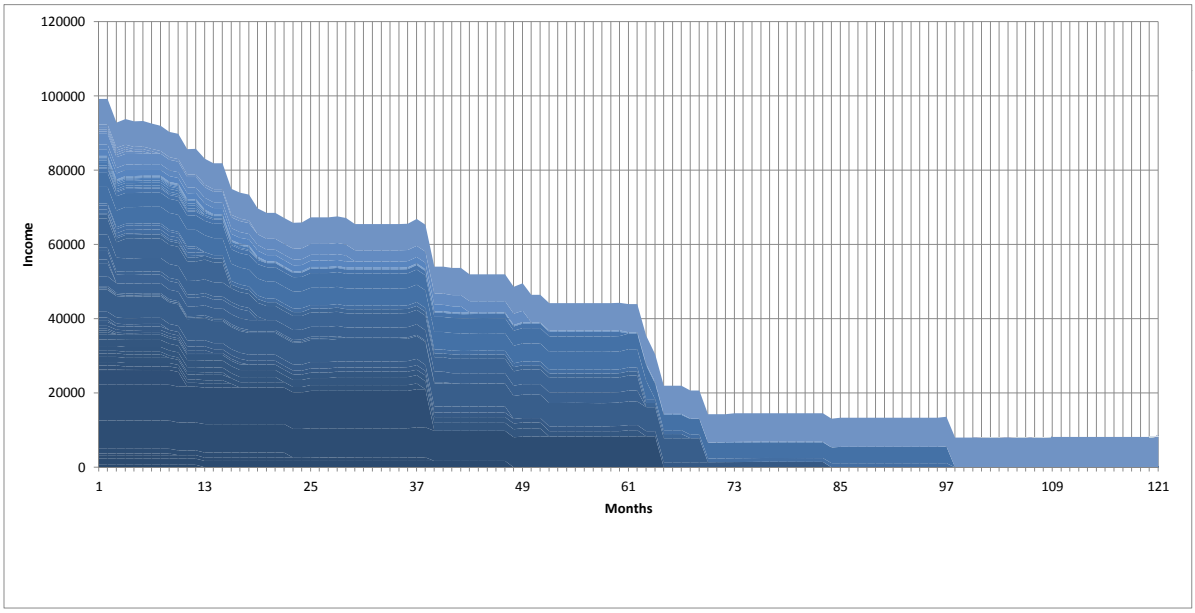
PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

TENANCIES

Number of Tenants		59
Vacant space (m²)		4592.5
Lease Income (p.a.)	€	1,224,840.07
Other Income (p.a.)	€	-
Operating Expenses (p.a.)	-€	1,406,351.51
Service Charge (/sqm / month)	€	-
Lease inspected?	no	

At present, the property is let to 59 tenants. The lease agreements are for various lease terms with the prevailing period of 5 years (in a number of cases with option to extend). The largest tenant of the property is Dinopark, which occupies approximately 4,254 sq m. The Dinopark concept has been considered as the alternative use for part of the property to reduce the considerable vacancy of the scheme. Despite the alternative use of part of the property areas, the property continues to suffer from considerable vacancy, at present reaching ca 23% of the lettable areas. The passing rent is € 1,230,342 (€ 6.03 sq m/month excluding the short term car parking to the currently let area). There are several tenants with turn-over rent only (e.g. Easy Rider, Sephora, Dinopark, KiK etc.). In these cases the passing income has been considered based on the tenants' performance in 2013.

Income Profile



As visible from the chart above the rental income secured by lease agreements currently in place reduces over the period of next ca 97 months. There is visible relatively steep curve of decrease of the income within the next ca 12 months. This partly relates to the tenats with indefinite lease term where for purpose of the valuationo the expiry has been assumed in 12 months from the valuation date. We note that some of the tenants have extension options, nevertheless these extension options have not been taken into consideration for purpose of the valuation.

The guaranteed income further reduces over the following ca 5 years. After the 70th month, there remain only long term lessee in place from those currently concluded (e.g. Dinopark, EMTEA,.The income beyond the 98th month as shown in the chart above, is represented by income secured from short term car parking. For the purpose of this valuation, we have calculated the passing rent as the average from the last four years. We have assumed this average income from car parking to be collected during future years. This income

PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS	WEAKNESSES
Location in the city centre	Significant competition in the city
Good visibility	High proportion of vacant areas
Good accessibility	Low parking ratio (ca 1:40 sq m)

OPPORTUNITIES	THREATS
Remodelling of the centre	Existing tenants to leave the property
Identification of alternative uses	Weakening of the market
	Weakening of the retailers demand

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Retail sales received a significant boost in November as they surged by 6.1% on the same period in 2012. The positive performance was broad based, with all retail categories recording growth. However, non-food sales were particularly encouraging, with growth in constant prices of 6.3% year-on-year, in contrast to the 1.1% rise for food, beverages and tobacco. A similar pattern was also evident over the course of the year, with retail sales in the January to November period rising by 1.1% for non-foods, but declining by 1.2% for food, beverages and tobacco products.

The retail market remained generally stable on the supply side, with limited new shopping centre space delivered in and outside of Prague. When comparing 2013 to the preceding year, it was relatively positive, but with 2014 expected to improve slightly as sentiment is largely optimistic. Several new brands are expected to enter the high street market. Prime locations remain very attractive, while secondary and developing pitches are slowly recovering. Prime rents were generally stable over the fourth quarter, but they did rise on an annual basis across all sub-sectors.

Investment market activity was largely subdued in the fourth quarter, with a number of transactions in the pipeline moving into the first quarter of 2014. Trading volumes for 2013 are estimated to have amounted to a total similar to the one recorded in 2012. Nevertheless, activity is expected to improve next quarter as some of the deals are eventually finalised. Prime yields in Q4 hardened by 25 basis points quarter-on-quarter and by 50 basis points year-on-year for both high streets and shopping centres.

Business and consumer sentiment is slowly recovering in the country and this bodes well for the sector going forward. Prime locations remain sought-after, but conditions elsewhere are also slowly improving. Following two years of contraction, the economy is expected to expand moderately this year according to Consensus Forecasts, and this should strengthen occupier and investors confidence. Nevertheless, while occupier demand will generally remain stable, the investment market in 2014 is likely to see higher liquidity compared with last year.

PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

COMPARABLES

LEASE COMPARABLES

Building / Address	*Date*	*Rent (psm / mth)*	*Incentives*	*Comment*

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Comment*
Rýnovka Jablonec	Q2 2013	23.5 mil.	8.95	
City Olomouc	Q4 2012	15 mil.	15.00	Forced auction
EuroCentre Hradec	Q2 2012	25 mil.	8.00 - 8.50	Transacted together with the adjacent Baumax DIY store
Forum Nova Karolina	Q4 2011	300 mil.*	7.00 - 7.50	*Portfolio transaction together with Forum Ústí nad Labem
Forum Usti nad Labem	Q4 2011	300 mil.*	7.00 - 7.50	*Portfolio transaction together with Forum Nová Karolina Ostrava
Olympia Mladá Boleslav	Q3 2011	96 mil.*	cca. 7.50	*Portfolio transaction together with Olympia Teplice
Olympia Teplice	Q3 2011	96 mil.*	cca. 7.50	*Portfolio transaction together with Olympia Mladá Boleslav
Forum Liberec	Q3 2011	57.5 mil.	7.25 - 7.40	

COMPETITION

The retail market in Liberec is the most densely developed in the Czech Republic. The coverage per 1,000 inhabitants is 1,474 sq m of retail area. The coverage in other similar size cities of the county ranges from ca 500 - 1,000 sq m per 1,000 inhabitants. The market in Liberec significantly exceeds the average. This situation indicates that not all of the shopping centres in the city perform well. It is the Liberec Plaza scheme, which most suffers from this situation as it has been delivered to the market as the last scheme in the city. The Property currently suffers from considerable vacancy. Other retail schemes in the city: Nisa Liberec (50,000 sq m); OC Delta (5,450 sq m); Forum Liberec (47,000 sq m); Gecko (10,000 sq m) and others.

INVESTMENT CONSIDERATIONS

Due to the overall retail market in Liberec the Property suffers from a considerable level of vacancy. We would consider the Property as the weakest retail scheme in the city. Due to the performance of the Property, it could be of interest to speculative investors or value-ad investors with clear and identified remodelling/redevelopment ideas. In such cases investors would expect significant discounts, related to the risks associated with the Property. We would expect the interest into the Property to be moderate.

PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation,

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	12 February 2014

VALUATION DETAILS SUMMARY

Market Value	€	17,925,000.00
Gross annual income	€	1,225,000.00
Net Operating Income (Year one)	€	1,029,000.00
Day One annualised NOI	€	934,000.00
Estimated Rental Value	€	1,903,000.00
Initial Yield (Year one)		5.74%
Initial Yield (Annualised day one)		5.21%

VALUATION ASSUMPTIONS

RENTAL VALUE

Due to the current performance of the property as well as due to the condition of the retail market in Liberec (oversaturation of the market, limited demand from retailers) we have adjusted the average ERV for the retail premises of the property at €9.00/ sq m/month (Cat.1). For the Kiosks we have applied the ERV of €40/sq m/month (Cat.5). For the offices we have considered the ERV of €8.00/sq m/month (Cat. 2). For the

Cat. 1	€	9.00	/sqm /month
Cat. 2	€	8.00	/sqm /month
Cat. 3	€	3.00	/sqm /month
Cat. 4	€	5.00	/sqm /month
Cat. 5	€	40.00	/sqm /month
Cat. 6	€	6,848.00	/sqm /month
Cat. 7	€	-	/sqm /month
Cat. 8	€	-	/sqm /month
Cat. 9	€	-	/sqm /month
Cat. 10	€	-	/sqm /month
Cat. 11	€	-	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

We have assembled the discount rate as the aggregate of the following: Risk free rate 1.5%; indexation growth 2%; risk premium for systematic and unsystematic risk 5.25% (relatively high due to the specific market in Liberec); obsolesce premium 2%.
We have considered the exit capitalisation rate at 8.75%. In this regard we have considered the fundamentals of

	Discount	Exit
Default	10.75%	8.75%
Vacant	10.75%	8.75%
Yield2	10.75%	8.75%
Yield3	10.75%	8.75%
Yield4	10.75%	8.75%
Yield5	10.75%	8.75%
Yield6	10.75%	8.75%
Yield7	10.75%	8.75%
Yield8	10.75%	8.75%

OTHER VARIABLES

We have considered the non-recoverable costs at the level of 10% of the annual ERV. This is due to the high vacancy at present and likely also in future and the leakage associated with it. We have considered the average expiry void as 6 months. We understand some of the units would get leased earlier while some later. For the office areas we have considered rent free period of 5 months (1 month for each year of the lease) as well as €60/sq m as fit out contribution.

Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		5%	ERV
Void on expiry		3.00	months
Lease Term		5.00	years
Rent Free Periods		0.00	months
Leasing Fees		10%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation			

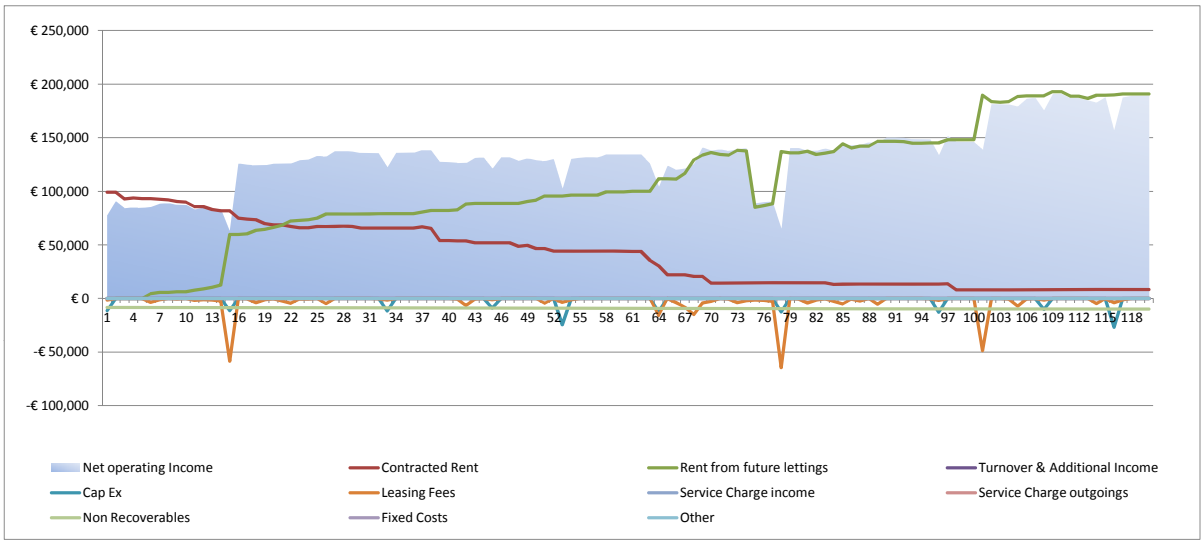
PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

CASH FLOW

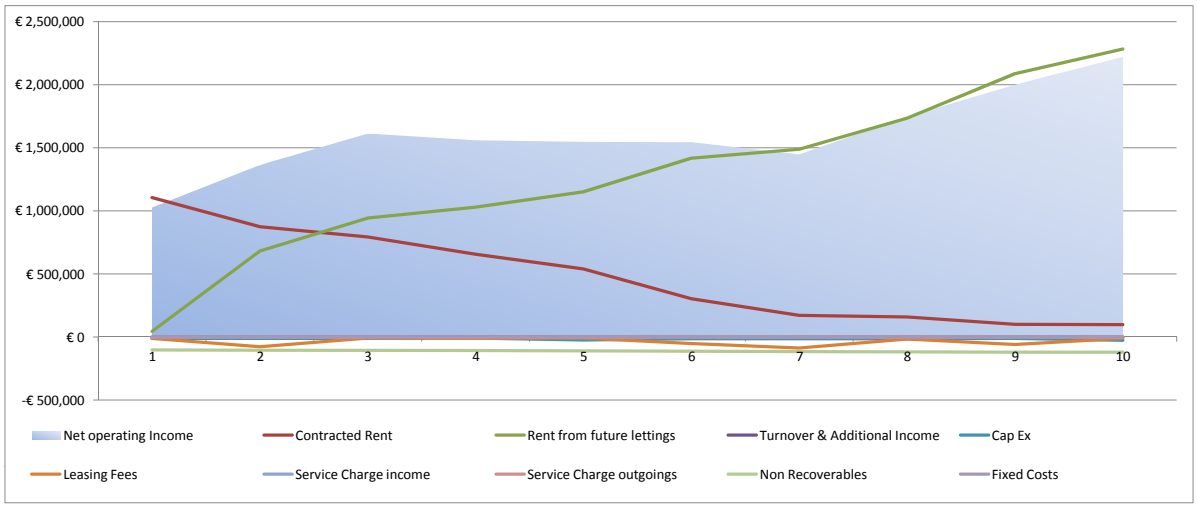
Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 1,107,447	€ 874,930	€ 795,227	€ 655,996	€ 540,222	€ 303,600	€ 173,171	€ 159,715	€ 101,835	€ 98,208
Rent from future lettings	€ 44,677	€ 682,967	€ 943,940	€ 1,030,923	€ 1,152,526	€ 1,418,091	€ 1,488,870	€ 1,735,375	€ 2,088,333	€ 2,283,468
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	-€ 11,282	-€ 11,507	-€ 11,738	-€ 9,157	-€ 24,424	-€ 12,456	-€ 12,705	-€ 12,959	-€ 10,110	-€ 26,966
Leasing Fees	-€ 10,590	-€ 77,202	-€ 6,892	-€ 9,284	-€ 9,241	-€ 50,438	-€ 86,148	-€ 15,850	-€ 59,120	-€ 10,202
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 101,184	-€ 103,208	-€ 105,272	-€ 107,377	-€ 109,525	-€ 111,716	-€ 113,950	-€ 116,229	-€ 118,553	-€ 120,924
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**€ 1,029,068**	**€ 1,365,979**	**€ 1,615,266**	**€ 1,561,100**	**€ 1,549,559**	**€ 1,547,081**	**€ 1,449,239**	**€ 1,750,052**	**€ 2,002,384**	**€ 2,223,583**

Monthly income



The chart above illustrates the financial performance of the scheme overt the selected period (10 years). For purposes of our valuation we have considered the current situation in Liberec as well as all the fundamentals of the subject property. We have taken into account the current vacancy. In this respect, we have applied average current void for all of the vacant units at 12 months from the valuation date. We note, that some of the vacant units could lease within a shorter timeframe, while some of the units could take longer to lease. Due to the to current performance of the property we note that there is likely to be a longer term period of vacancy. In this respect, we have assumed a permanent vacancy of 10%.

Annual Income



PROPERTY	LIBEREC PLAZA SHOPPING CENTRE
ADDRESS	Palachova 1404, Liberec, Czech Republic
VALUATION DATE	31 December 2013

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 999,952	€ 713,322	€ 585,410	€ 436,040	€ 324,230	€ 164,528	€ 84,736	€ 70,566	€ 40,626	€ 35,376
Rent from future lettings	€ 40,340	€ 556,816	€ 694,886	€ 685,254	€ 691,723	€ 768,496	€ 728,535	€ 766,732	€ 833,117	€ 822,541
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	-€ 10,187	-€ 9,382	-€ 8,641	-€ 6,087	-€ 14,659	-€ 6,750	-€ 6,217	-€ 5,726	-€ 4,033	-€ 9,713
Leasing Fees	-€ 9,562	-€ 62,942	-€ 5,073	-€ 6,171	-€ 5,546	-€ 27,333	-€ 42,154	-€ 7,003	-€ 23,585	-€ 3,675
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 91,363	-€ 84,144	-€ 77,496	-€ 71,374	-€ 65,735	-€ 60,541	-€ 55,758	-€ 51,353	-€ 47,296	-€ 43,559
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 8,816,854
TOTAL	**€ 929,181**	**€ 1,113,670**	**€ 1,189,085**	**€ 1,037,661**	**€ 930,014**	**€ 838,399**	**€ 709,143**	**€ 773,216**	**€ 798,829**	**€ 9,617,824**

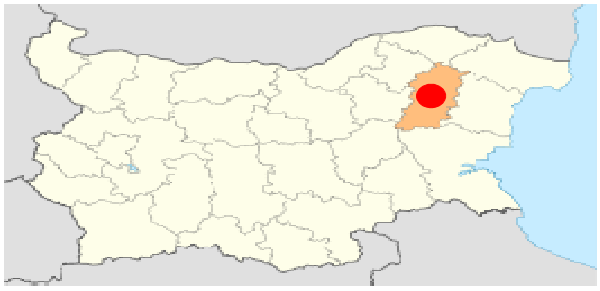
The fundamentals of the property such as location and design are, in isolation, considered to be reasonable for the market place. The property represents a good quality modern retail facility. However, owing to the fact that the Liberec retail market is the most over supplied in the country, the performance of the subject property has been well below the market standard. We recognise that the building does have some longer term potential but at the current time investors in the market place are unwilling to take a speculative position. On this basis we have valued the asset according to its current performance, which is currently weak and which in fact continues to pose some longer term income risk. We have adopted the perspective of an investor in the open market.

Gross value			**€ 17,937,022**	
Legal Costs	**0.50%**			
Agent Fees	**1.00%**			
Transaction Costs	**0.00%**	**1.50%**	**€ 265,079**	
Market Value				**€ 17,671,943**

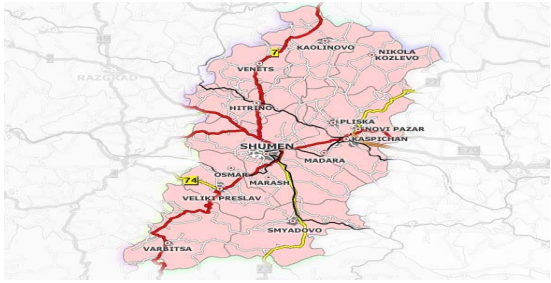
MARKET VALUE say € 17,675,000

PROPERTY	
ADDRESS	Shumen Plaza
VALUATION DATE	31 December 2013

PROPERTY ADDRESS	Shumen Plaza
VALUATION DATE	31 December 2013

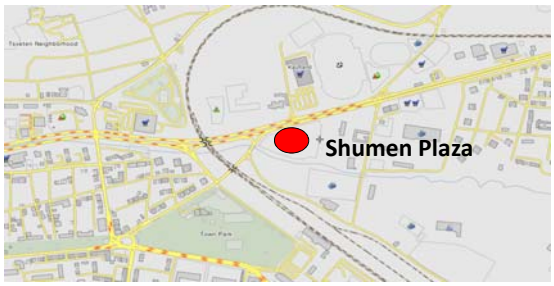


Bulgaria



City of Shumen

Shumen City Centre



Micro Location

LOCATION

The municipality encompasses a territory of 630 km². Currently, the eastern operating section of Hemus highway connects the main town with the port of Varna. Shumen Municipality includes 27 settlements among which the city of Shumen.

The city of Shumen lies 80 km west of Varna and in the eastern Balkans, which surround it on the west and north in the shape of a horse-shoe. From Shumen roads radiate northwards to the Danubian cities of Rousse and Silistra and to Dobruja, southwards to the passes of the Balkans, and eastwards to Varna and Balchik.

Simeon Veliki boulevard on which the properties are located is a major road artery in the city providing quick links to major districts in the settlement.

LOCATION DETAILS

City Population	100,086
Local Land Uses	Residential areas & production and industrial areas
Distance to Centre	500 meters
Distance to Highway	4 km
Distance to National Road	Located on main boulevard
Public Transport	very communicative location and developed public transport
Plot area	26 058 sqm
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	No occupation
Historic monument	No
Site area	
Parking Places (closed)	n/a
Access	Simeon Veliki Blvd., Industrialna/Stroitel Str. and Pliska Str.
Utilities	n/a
Legal issues	not checked

PROPERTY ADDRESS	Shumen Plaza
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

Site area, total	26,058
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	Inspected
Inspection Date	14 May 2013
Inspected by	Plamen Bachev

PROPERTY DESCRIPTION

The land referred to Shumen Plaza comprises 2 neighbouring regulated land plots located at 1 Simeon Veliki Blvd.as follows:
- N 83510.669.2, with area of 8961 sqm (by Cadastre and Registry Agency sketch)
- N 83510.669.410, with area of 17097 sqm (by Cadastre and Registry Agency sketch)

The total area of the plots amounts to 26058 sqm.

As of the valuation date the site is an undeveloped vacant plot.

The owner of the properties according to the provided sketches from the Cadastre Agency and notary deeds mentioned in the former documents is Shumen Plaza EOOD.

LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated at the end of the north-western part of the industrial zone of Shumen. The provided extract from the Cadastre Agency indicates that plot N 83510.669.410 is designated "for other public services object" and plot N 83510.669.2 is designated for a warehouse.
The plot has irregular shape and trees on it.
We have not checked title documentation but assume the property is an unencumbered effective freehold.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use	Assumed land		
Registered size	Not Applicable		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

Comments

There is a bus stop right next to the property on Simeon Veliki Blvd. as well as a subway for pedestrians.

PROPERTY ADDRESS Shumen Plaza

VALUATION DATE 31 December 2013

PLANNING ISSUES

Zoning	
Footprint ratio	
Maximum buildable area	
Maximum height	
Permit status	Construction permit N 343/3.9.2008. has expired.

There is a construction permit for a shopping center with a TBA of 59,925 sqm and built-up area of 11,290 sqm.

The construction permit for a shopping center expires after 3 years of its issuance provided construction works have not been started . Alternatively the permit will not be valid in case after 5 years the building under construction has not been completed at the stage of rough construction.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The client is planning to develop a shopping center. Shumen Plaza will be a three-storey commercial and entertainment center with 19,605 sqm GLA and 650 parking spaces. The shopping center will include supermarket, digital cinema, 70 retail shops, entertainment complex with bowling, billiards and games, food court, restaurants and cafes.

We comment that there is a low level of competition in the city of Shumen. This is mainly due to the low purchasing power and consumer spending of the local population. The only operating competitive scheme is the refurbished department store (RUM) which is currently City Center.

The latter prefer to visit the city of Varna (80 km) away where there are shopping centers offering international brands.

Taking into account the above we are of the opinion that the proposed retail scheme will not be successful. We advise that the location is suitable for a big box retailer.

PROPERTY ADDRESS	Shumen Plaza
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

- Communicative location on a main boulevard with easy access from 2 streets and plenty of public transport in immediate proximity
- Large development plot in close proximity to the city center

WEAKNESSES

- Expired validity of the construction permit
- Surrounding area is mainly industrial

OPPORTUNITIES

- Lack of shopping centers with entertainment

THREATS

- Reduced retail spending
- Low purchasing power of the local population

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The retail market in Shumen is mainly focused in the downtown on the pedestrian street Slavyanska where there are lots of cafes, famous retail brands, bank's offices, restaurants, etc.

The town hosts food retailers such as Billa (2 stores), Kaufland, Penny, Lidl, big box retailers for house hold appliances and electronics Technomarket and Technopolis, furniture shops and local retailer for construction materials.

The project's primary catchment covers Trakya quarter to the east of the project. Due to its strategic location the envisaged scheme's catchment area covers the whole city.

COMPETITION

The only operating competitive scheme is the refurbished department store (RUM) currently named City Center.
The project accommodates shops on ground floor and cafes, CBA (food hypermarket and shops on the second floor). The TBA of the project amounts to 2,500 sqm. The total number of covered and open-air parking places is 150.

Sports center Fabulis has a TBA of 4,800. The building accommodates bowling, bar, game zone fitness, SPA, shops and offices. There are not shopping schemes in the pipeline.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
City Center	2006		GLA 2000 sqm, existing shopping centre
Sports center Fabulis	2007		GLA 4000 sqm, existing sports centre

PROPERTY ADDRESS	Shumen Plaza
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

Shumen is not a prosperous city and we have reservations as to the viability of a scheme - certainly given the current market climate. That said, this is a sizeable city and the scale of the city may justify a basic scheme in the medium term. There is a building permit for a shopping centre. To value the property we have applied a residual DCF approach incorporating a four-year holding period.

VALUATION ASSUMPTIONS

RENTAL VALUE

We have applied an average ERV of €15/sqm/month to the centre.

1	€	15.00	/sqm /month

EXIT RATES APPLIED

We have applied a yield of 10% upon sale

	Exit
1	10.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	500	/sqm
Contingencies		5%	
Letting Fees		13%	ERV
Sales Fees		2%	ERV
Fees		12%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		25%	GDV

PROPERTY
ADDRESS Shumen Plaza
VALUATION DATE 31 December 2013

SUMMARY RESIDUAL VALUATION

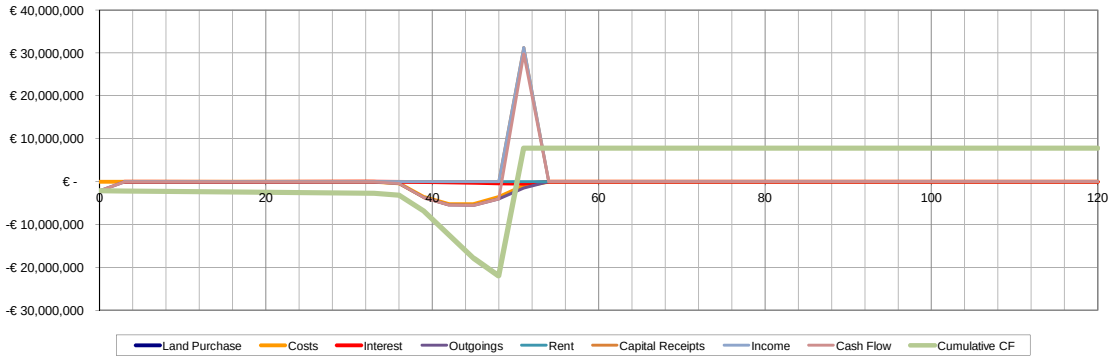
Capital Receipts			€	31,259,520		
Rent			€	-		
Income					**€**	**31,259,520**
Development Costs			-€	14,792,000		
Infrastructure			-€	739,600		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	1,863,792		
Contingencies			-€	869,770		
Fixed Marketing Costs			€	-		
Sales Fees	2%	sales proceeds	-€	625,190		
Leasing Fees	**13%**	**annual rent**	-€	390,744		
Development Finance	9.00%		-€	1,038,288		
Developer's Profit @	25.00%	GDV	-€	7,814,880		
Acquisition Fees	2.00%		-€	61,280		
					-€	**28,195,544**
Residual value					**€**	**3,063,976**
Land Holding cost						0.691911
					€	**2,120,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 2,120,000								
Costs	-€ 42,400	€ -	€ -	-€ 391,396	-€ 17,873,765	-€ 1,015,934	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ 31,259,520	€ -	€ -	€ -
Interest	€ -	-€ 194,616	-€ 212,131	-€ 231,223	-€ 878,888	-€ 477,910	€ -	€ -	€ -
Cash Flow	-€ 2,162,400	-€ 194,616	-€ 212,131	-€ 622,620	-€ 18,752,653	€ 29,765,676	€ -	€ -	€ -
Cumulative CF	-€ 2,162,400	-€ 2,357,016	-€ 2,569,147	-€ 3,191,767	-€ 21,944,420	€ 7,821,256	€ 7,821,256	€ 7,821,256	€ 7,821,256

After building in a holding period we assumed construction over 12 months and a simultaneous lease up and sale.

Cash Flow Profile



PROPERTY
ADDRESS Shumen Plaza
VALUATION DATE 31 December 2013

SUMMARY & CONCLUSION

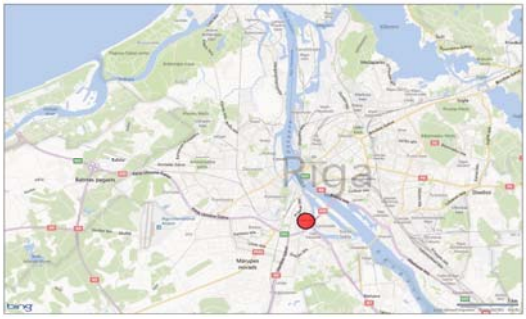
There are no recent land transactions in Shumen. Larger plots are available for close to €20/sqm but are typically further out of the city than the subject plot. There are very few buyers, if any, presently in the market and a buyer will likely need to self finance. We have been shown other sites available, but these are usually more expensive or are already built upon.

Our valuation equates to €81/sqm. Whilst more expensive than asking prices of other plots, this reflects the status of the scheme and the respective location.

Address	Details	Asking or sold?	Date	€/sqm
Shumen, Dobrudjanski quarter	Regulated land plot with with area of 21,000 sqm located at Rishki Prohod Str. Water mains and electricity are found next to the plot.	asking	current	€ 25.00
Shumen, Dobrudjanski quarter	Regulated land plot with area of 6,111 sqm located next to asphalt road in Dobrudjanski residential district. Available water and electricity on site.	asking	current	€ 37.00
Shumen, Rishki Prohod Str.	Regulated land plot with area of 10,000 sqm with face on road designated for industrial development. The plot is also suitable for showroom and hypermarket. Water and electricity next to the property.	asking	current	€ 25.00
Shumen, Trakia District	Regulated land plot with area of 8,000 sqm with face of 80 m on road designated for commercial development. The plot is found opposite a chemical plant	asking	current	€ 20.83
Shumen, Industrial zone	Regulated land plot with area of 32,000 sqm designated for industrial development. Water, electricity and gas are found in close proximity to the site	asking	current	€ 25.00
Shumen, close to main road artery, Trakia and Dobrudzha residential districts /close to Shumen Plaza project	site of 18,850sqm on 2 plots with 17 administrative and production buildings with a TBA of 5,200 sqm	asking	current	€ 75.00

MARKET VALUE € 2,120,000.00 say € 2,125,000

PROPERTY	RIGA PLAZA
ADDRESS	Mukusalas 71, Latvia, LV-1004
VALUATION DATE	31 December 2013



Macro Location

Micro Location

Front View

Internal View

LOCATION

Located some 3 km south of Riga City Centre, just next to the junction of the A7 motorway (Riga-Bauska-Lithuanian border), A10 (Ventspils-Riga, part of E-22 road from Holyhead, UK to Ishim, Russia) and A8 (Riga-Jelgava-Lithuanian border, part of E-77 road from Pskov, Russia to Budapest, Hungary) roads.
Riga Plaza is close to the residential districts of Tornakalns to the north-west and Ziepniekkalnsto the south. To the east lies Lucavsala, an island in the River Daugava. This green area is intended to be developed into leisure and sports destination for Riga's residents, with multiple playgrounds, jogging routes etc.
Riga Plaza is easily accessible from most parts of the capital, which has a population of ca. 700,000. The catchment population within 5 minutes drive is estimated at 50,000 with a further 10,000 inhabitants within 15 minutes drive.

LOCATION DETAILS

City Population	700,000
Local Land	Mixed, primarily RW & light industrial
Distance to Centre	3 km
Distance to Highway	
Distance to National Road	0.1 km
Public Transport	3 bus and 3 trolleybus lines
Plot area	80,310 sq m
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Retail
Legal issues	not checked
Historic monument	No
Gross lettable area	49,456
Parking Places	1,500
Access	good
Utilities	full infrastructure

PROPERTY DATA

BUILDING

Year of Construction		2009
Modernisation Year		-
Building Condition		good
Gross lettable area		51,254
Parking places		1,500
Current rent p.a.	€	5,923,173
Vacancy rate (overall)		3.50%
State of Repair		very good
Overall Condition		very good

TECHNICAL DETAILS

Building Type	Retail
Construction	Reinforced concrete framework
Facade	Cassette-type panels
Roof	Flat roof
Windows	Various
Glazing	n/a
Heating	Gas central heating
AC/ Ventilation	Air conditioning system
Cabling	None
Sanitary	Modern standard

PLOT OF LAND

Site area, total	80 310 sq m
Surplus Land	no
Developed area (% total site)	not provided

INSPECTION

Inspection Type	external and internal
Inspection Date	20/05/2013
Inspected by	Marzena Niemczyk, Izabela Mucha

PROPERTY	RIGA PLAZA
ADDRESS	Mukusalas 71, Latvia, LV-1004
VALUATION DATE	31 December 2013

PROPERTY DESCRIPTION

The subject property is a modern shopping centre completed in 2009. The Property is a two-storey building with 1,500 parking places located on the ground level and a multi-storey car park.
The building was constructed with a steel frame and was clad with sandwich panels and aluminium framed windows. Shafts are of reinforced concrete construction. Internal walls are of double plasterboard with some fire-proofed sections.
The building is L-shaped with the main entrance situated in the south-west corner. The shopping centre is served by three sets of escalators and a number of staircases and lifts. Retail units are situated in the central and eastern parts of the building while the north wing is occupied by a supermarket on the ground floor and food court, cinema and entertainment facilities on the first floor. The multi-storey car park is adjacent to the main building and is to the west.

ACCOMMODATION

We were provided with a break-down of floor areas from the on-site management. We are advised the areas reflect add-on (an apportionment for common area usage), which is common in the local market. We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these floor areas. We assume that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	Sqm
0-50	retail	704
1001-2000	retail	7,715
101-150	retail	1,813
151-200	retail	810
201-300	retail	4,843
301-500	retail	9,415
501-700	retail	3,653
51-100	retail	1,989
701-1000	retail	4,455
cinema	retail	4,800
food court	retail	413
hypermarket	retail	8,290
leisure	retail	2,321
storage	storage	34
	Total	51,254

LAND REGISTRY DETAILS

The property is situated in Riga, in Mukuselas zone, plots no. 165, 58, 148, 2041, 140, 150, 2050, 2042, 2051, 2009, 2058 of total area of 80,310 sq m.

Land registry extract	not provided	Obtained on	-
Registered owner	not provided		
Registered use	-		
Registered size	80 310 sq m		

Restrictions and encumbrances

Not verified

Comments

We assume the Property holds good title with no onerous terms or conditions apparent.

PLANNING ISSUES

Zoning	Not verified
Footprint ratio	Not verified
Maximum buildable area	Not verified
Maximum height	Not verified
Permit status	Not verified

We were not provided with any zoning information and therefore assume that current use accords with local regulations. The building project of the shopping centre was approved by decisions No. 1964 dated 2 September 2003 and No. 317 dated 5 May 2006.

PROPERTY	RIGA PLAZA
ADDRESS	Mukusalas 71, Latvia, LV-1004
VALUATION DATE	31 December 2013

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

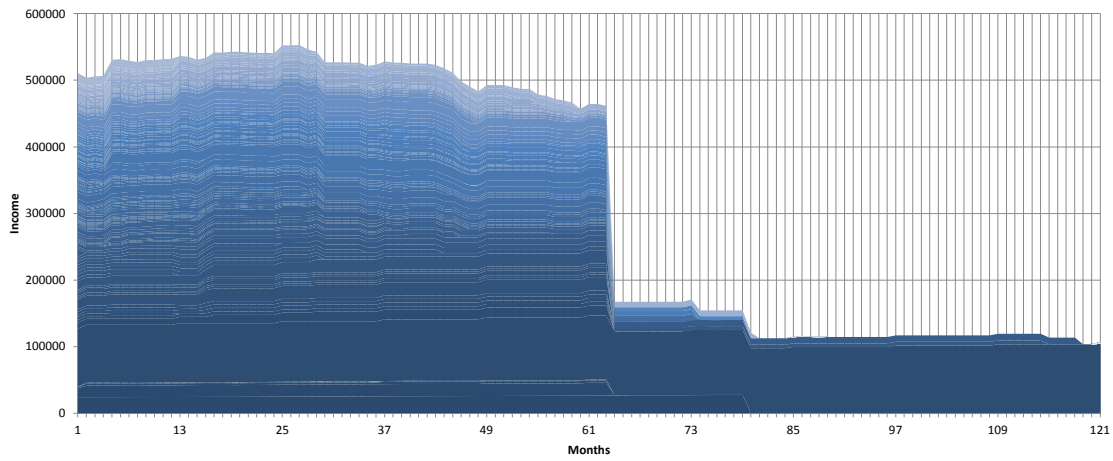
In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

TENANCIES

Number of Tenants		approx. 142
Vacant space (m²)		1797.4
Lease Income (p.a.)	€	6,142,863
Other Income (p.a.)	€	-
Operating Expenses (p.a.)	-€	2,987,279
Service Charge (/sqm / month)	€	-
Lease inspected?	No	
Standard Lease Terms:		
Lease length	5-10 years	
User Clause		assumed market standard
Security		assumed market standard
External Repairs		assumed market standard
Internal Repairs		assumed market standard
Insurance		assumed market standard
Alienation		assumed market standard
Indexation		assumed market standard

The Property was let to over 140 tenants as at the valuation date. According to rent-roll provided to us the property will be over 96% let by Q2 2014 with 1,797 sq m of vacant space.
There are short-term tenants leasing stands, kiosks and spaces throughout the mall with additional income equating to an average of around EUR 12,500 per month.
The scheme has been successful in reducing vacancy in the last six months, however concessions have been granted in the form of reduced rents in order to induce certain tenants to relocate, making way for a major new anchor tenant.
The longest agreement is signed with hypermarket Prisma, which expires in 2029.

Income Profile



Many leases that were due to expire in the first quarter of 2014 have been successfully prolonged, however this is thought to often have been at the expense of rent.

SWOT-ANALYSIS

STRENGTHS

- Modern shopping centre in capital city
- Good location
- Good state of repair
- Extensive parking provision
- Leisure component

WEAKNESSES

- Several tenants have been granted temporary rent reductions
- Greater proportion of tenants now paying rent on a turnover basis

OPPORTUNITIES

- Recovery on the Latvian retail market
- Recovery of the real estate investment activity in Latvia
- Opportunity for growth from joining Eurozone

THREATS

PROPERTY	RIGA PLAZA
ADDRESS	Mukusalas 71, Latvia, LV-1004
VALUATION DATE	31 December 2013

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Latvia's GDP growth rate reached 4.4% in the second quarter and was again the highest rate in the EU. Private consumption remained as the main driver of development for the second consecutive quarter, supported by the growing disposable income, wages and salaries. It is expected that private consumption will have remained the main engine of growth until the end of 2013 and into 2014.
The total modern shopping centre stock evolved during two waves of development activity from 1995 to 2003 and from2006 to 2009. At the beginning of 2013 the total modern shopping centre stock (above of ICSC established benchmark for shopping centre – GLA of 5.000 sq m, total of 46 units) in Latvia was estimated at ~500,000 sq m (GLA), of which 420,000 sq m (GLA) is located in the capital city, Riga.
The average stock per capita of ~225 sq m per 1,000 inhabitants indicates saturation in this segment; thus, development is expected mainly as extensions/refurbishments of existing schemes or in the other retail property formats, i.e. retail parks. Nevertheless, given the limited demand from the large format retailers and refusal by the local banks to finance larger franchise formats, the development of such retail parks is not expected to commence in the coming 3 to 5 years.
All openings in year 2013, including small shopping centre "A7", were super/hypermarket based – so far main drivers of new retail development were Swedish owned RIMI, Finnish owned PRISMA and Lithuanian MAXIMA (further development of this brand is under question after PR fiasco in the wake of hypermarket collapse in late November).
As of November 2013, vacancy rates in the best performing shopping centres were as follows: Spice and Alfa 0%, Origo 0.7%, Galerija Centres 2.3%, Mols 3.2%, Riga Plaza, the subject property, at 4%. The opening of H&M will significantly reduce the vacancy rate in Riga Plaza.

COMPARABLES

LEASE COMPARABLES from Riga Plaza signed in 2013

ERV Group	*No of leases*	*Average Rent (psm / mth)*	*Comment*
0-50	7	32.79	
51-100	8	23.84	
101-150	3	13.15	
151-200	1	18.00	
201-300	7	13.98	
301-500	3	9.71	
food court	4	45.00	

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Comment*
Sky & More	2012	not disclosed		

COMPETITION

Competing schemes in Riga: Spice (62,000 sq m GLA), Alfa (56,500 sq m GLA), Domina (42,000 sq m GLA), Mols (29,000 sq m GLA), Origo (27,000 sq m GLA), Galerija Centres (23,000 sq m GLA), Olimpia (18,500 sq m GLA), Galeria Riga (29,700 sq m GLA), Sky&More (12,000 sq m GLA).
Direct competition include: Domina, Olimia, Mols & Spice. The turnover per sq m in completion schemes vary from €700 - €1280 per sqm of GLA. Riga Plaza generates approx. €1,000 /sq m of GLA).

INVESTMENT CONSIDERATIONS

Investment opportunities for specialised real estate funds targeting the Baltic market are limited due to the lack of quality investment products in the Riga market.
Most active investors are local Baltic players, such as Lithuanian Lords LB, and Estonian Eften Capital and Capital Mill, and Scandinavian investors with a well-established local presence, such as Baltic Property Trust, East Capital and Nordic and Baltic Property Group. Norwegian private investors are led by former executives of different retail development related businesses.
Yield levels for prime retail properties are around 8.00 - 8.50%, and for secondary retail properties around 9.00% to above 12.00%. Prime retail properties that are below medium size by ICSC standards are usually defined by length of the unbreakable part of lease contract with blue-chip anchor tenant.

PROPERTY	RIGA PLAZA
ADDRESS	Mukusalas 71, Latvia, LV-1004
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	31 December 2013

VALUATION DETAILS SUMMARY

Market Value	€	87,725,000.00
Gross annual income	€	6,143,000.00
Net Operating Income (Year one)	€	6,227,000.00
Day One annualised NOI	€	5,923,000.00
Estimated Rental Value	€	6,584,000.00
Initial Yield (Year one)		7.22%
Initial Yield (Annualised day one)		6.87%

VALUATION ASSUMPTIONS

RENTAL VALUE

Our estimate of Market Rent is derived from our knowledge of concluded rents in the retail sector, also with regard to recent transactions concluded on the subject property.

0-50	€	40.00	/sqm /month
51-100	€	20.00	/sqm /month
101-150	€	18.00	/sqm /month
151-200	€	17.00	/sqm /month
201-300	€	16.00	/sqm /month
301-500	€	13.00	/sqm /month
501-700	€	13.00	/sqm /month
701-1000	€	5.00	/sqm /month
1001-2000	€	7.50	/sqm /month
cinema	€	5.00	/sqm /month
food court	€	35.00	/sqm /month
hypermarket	€	9.00	/sqm /month
leisure	€	6.50	/sqm /month
storage	€	10.00	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

In analysing the market value of the subject investment, we liaised with our Capital Market team and have taken account of current investment market sentiment in CE countries.

	Discount	Exit
Default	9.25%	8.00%

OTHER VARIABLES

We have made explicit assumptions as to non-recoverable costs including maintenance cost of vacant space to be at level of 3.00% of market rent. We assumed leasing costs at a level of 9% of annual rental value of leased space.

Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		3%	ERV
Void on expiry		1.00	months
Lease Term		5.00	years
Rent Free Periods		0.00	months
Leasing Fees		9%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation			

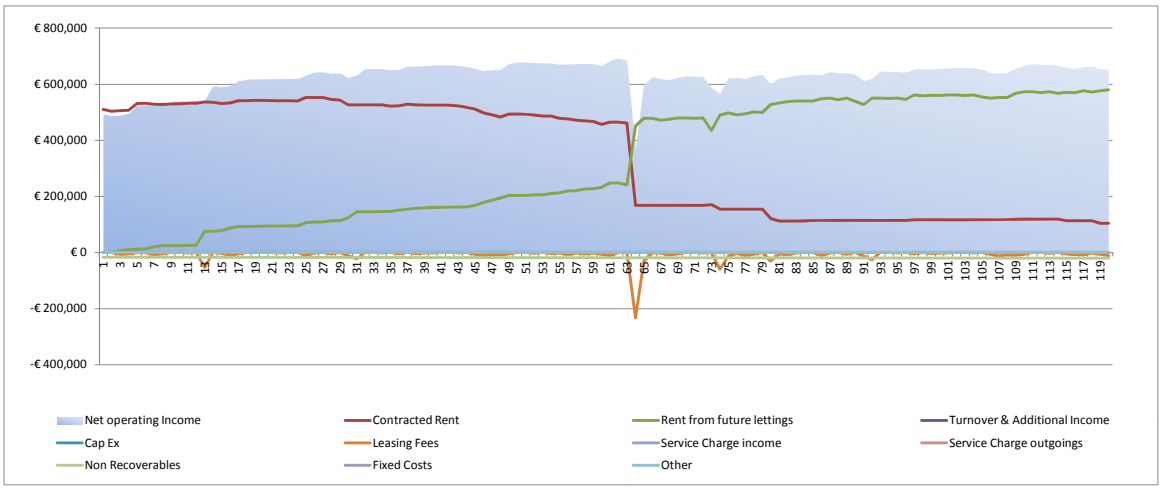
PROPERTY	RIGA PLAZA
ADDRESS	Mukusalas 71, Latvia, LV-1004
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

CASH FLOW

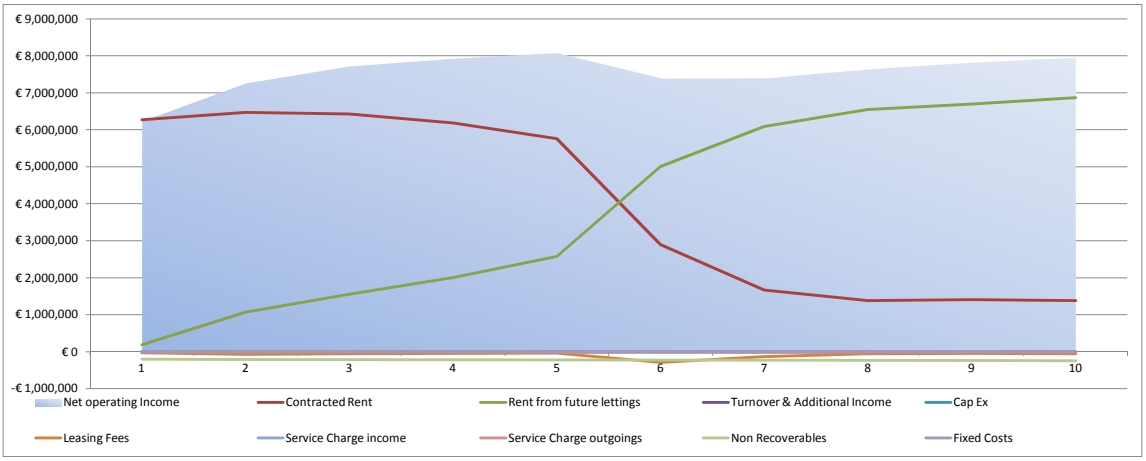
Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 6,272,119	€ 6,471,561	€ 6,426,810	€ 6,182,622	€ 5,764,350	€ 2,899,930	€ 1,669,872	€ 1,379,245	€ 1,406,830	€ 1,379,864
Rent from future lettings	€ 186,243	€ 1,069,987	€ 1,557,530	€ 2,005,310	€ 2,571,888	€ 5,011,587	€ 6,088,465	€ 6,549,701	€ 6,697,335	€ 6,872,681
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	-€ 27,881	-€ 74,723	-€ 58,165	-€ 43,052	-€ 37,377	-€ 292,943	-€ 136,825	-€ 58,939	-€ 43,455	-€ 59,326
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 203,633	-€ 207,706	-€ 211,860	-€ 216,097	-€ 220,419	-€ 224,828	-€ 229,324	-€ 233,911	-€ 238,589	-€ 243,361
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**€ 6,226,848**	**€ 7,259,119**	**€ 7,714,314**	**€ 7,928,783**	**€ 8,078,442**	**€ 7,393,746**	**€ 7,392,187**	**€ 7,636,096**	**€ 7,822,121**	**€ 7,949,858**

Monthly income



The property is rented above the ERV level. We are forecasting growth in the ERV to be in line with the inflation rate which is estimated at 2% per year.
We have assumed that the currently vacant space will be let within the period 12 months.

Annual Income



PROPERTY RIGA PLAZA
ADDRESS Mukusalas 71, Latvia, LV-1004
VALUATION DATE 31 December 2013

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 5,741,070	€ 5,422,083	€ 4,928,685	€ 4,339,972	€ 3,703,762	€ 1,705,528	€ 898,945	€ 679,626	€ 634,525	€ 569,668
Rent from future lettings	€ 170,474	€ 896,469	€ 1,194,462	€ 1,407,653	€ 1,652,513	€ 2,947,451	€ 3,277,613	€ 3,227,378	€ 3,020,710	€ 2,837,342
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	-€ 25,520	-€ 62,605	-€ 44,607	-€ 30,221	-€ 24,016	-€ 172,288	-€ 73,657	-€ 29,042	-€ 19,600	-€ 24,492
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 186,392	-€ 174,023	-€ 162,474	-€ 151,692	-€ 141,626	-€ 132,227	-€ 123,452	-€ 115,260	-€ 107,611	-€ 100,470
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 40,362,961
TOTAL	**€ 5,699,632**	**€ 6,081,925**	**€ 5,916,066**	**€ 5,565,712**	**€ 5,190,633**	**€ 4,348,464**	**€ 3,979,448**	**€ 3,762,702**	**€ 3,528,024**	**€ 43,645,009**

The Latvian market is not transparent with only a limited number of transactions during recent years. However, the level of turnover per sq m in Riga's shopping centres is similar to those recorded in regional cities in Poland and other CE countries. The yields assumed in the valuation correspond with those recorded in regional cities in Poland, what confirms the appropriate level of our estimation.

Gross value	**€**	**87,717,615**
Legal Costs		
Agent Fees		
Transaction Costs	**€**	**-**
Market Value		**€ 87,717,615**

MARKET VALUE say € 87,725,000

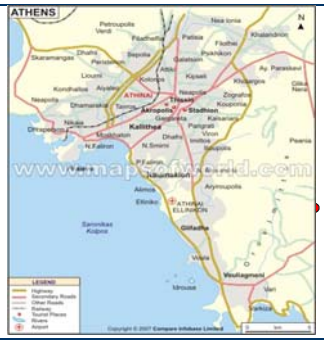
€ 1,712

PROPERTY	
ADDRESS	**Helios Plaza**
VALUATION DATE	31 December 2013

PROPERTY ADDRESS	**Helios Plaza**
VALUATION DATE	31 December 2013

Greece

Attica



City of Athens

Micro Location

LOCATION

The property is situated along 54 Piraeus Avenue, within Piraeus Municipality. Piraeus Avenue is a heavily travelled east-west arterial roadway that link the Athens city centre with Kifissou motorway and the southern suburbs of Palaio Faliro, Kalithea, Moschato and Piraeus. Kifissou Avenue passes vertically opposite the subject site, providing clear visibility from both Avenues. The immediate to the property area is characterised by light industrial uses, large retail units and scattered local interest shops. More specifically, Elais factory is situated within 300 meters from the property, Marinopoulos and Sklavenitis supermarkets, the brand new (and second store in the Attica region) Leroy Merlin DIY store, Jumbo toy store, Factory Outlet fashion and accessories store, theatres, petrol stations, car dealerships and service garages are some of the existing occupants of the immediate area to the property.

The land plot is situated close to the E75- National Highway Athens-Lamia and Athens Korinth (extension of Kifissou Avenue). The National Highway "Athinon – Lamias" (E75) lies along the Northwest part of Attiki connecting from the south the city of Patras, Korinthos, Piraeus to the city centre of Athens and to the north, Kifissia, Metamorfosi, Ag. Stefanos, Lamia, Thessaloniki etc. Recently completed infrastructure projects have improved traffic conditions of the National Highway "Athinon-Lamias". The National Highway "Athinon-Lamias" also links to the Attiki Odos, about 12 kilometres north of the site and is the main access point for the north Athens suburbs.

The prominent land uses, along the National Highway, are retail outlets, show rooms, older office buildings and some old industries. Away from the National Highway there are mainly low to medium income residential apartments, some industries and warehouses. Most of the heavy industry in the area has ceased operations and the majority of the remaining uses could be categorized as light industrial and storage. The subject site under assessment is located within the General Urban Plan designated for Piraeus Avenue, whilst according to the Government Gazette No. 1063/D/16-11-2004, the permitted uses are ex-industrial (towards regeneration) that commercial uses are permitted, in addition to restaurants, theatres, cinemas (no more than 2 screens), cultural and management uses.

Although there is no metro station in the immediate area, the property is accessed by Moschato suburban railway station, situated approx. 400 meters north-east to the site, as well as frequent bus lines running along Piraeus Avenue. In addition, note that there is another train station situated in Neo Faliro, whilst the closest metro station will be situated in Piraeus centre (along Iroon Polytechniou and Vas. Georgiou Streets) scheduled to operate in the following years. The 'Gefyra' bus station is situated right in front of the property and via the local bus service, the immediate area is connected with Omonia Square, the main city centre as well as Piraeus port, centre and suburbs.

LOCATION DETAILS

City Population	163,688 (Piraeus) 664,046
Local Land	Warehouses, retail boxes, petrol stations, theatres
Distance to Centre	4 km
Distance to Highway	0 km (adjacent Highway)
Distance to National Road	km
Public Transport	buses
Plot area	14,869.63sqm
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	plot with permit for shopping centre
Occupation	n/a
Historic monument	investigations of ancient ruins
Site area	36,014 sqm / 33,321sqm according to permit
Parking Places (closed)	800 underground spaces
Access	bus lines along Piraeus, private vehicles
Utilities	n/a
Legal issues	n/a

PROPERTY	
ADDRESS	**Helios Plaza**
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

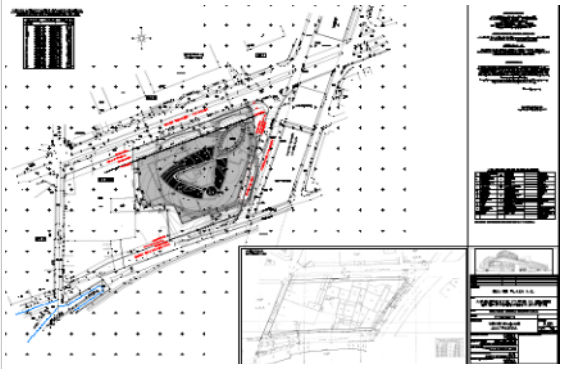
Site area, total	14869.63
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External, dive by
Inspection Date	09/12/2013
Inspected by	Lila Tsitsogiannopoulou, MSc, MRICS

PROPERTY DESCRIPTION

Based on the brief project description provided by Helios Plaza S.A., the land plot under assessment covers a total area of 14,869.63 m², with a fairly flat ground configuration. The area belongs to the urban town plan of Piraeus Municipality. It features a large frontage along Piraeus Avenue, whilst it is situated opposite Kifissos Avenue, a main commercial thoroughfare of the south-west suburbs. It has a polygonal shape and has excellent visibility both from Kifissos as well as from Piraeus Avenues, on both directions.
The proposed project concerns a shopping centre with a total gross construction area of 36,014 m²(or 33,321sqm as per the building permit) plus underground car parking of 33,249 m², situated along 54 Piraeus Avenue, within the Municipality of Piraeus, close to major thoroughfares such as Athinon Avenue, Kifissos, Thivon Streets, Thiseos and Syggrou Avenues, as well as the coastal Poseidonos Avenue. It is expected to be a pure retail shopping centre, with a Fantasy Park/Playground, occupied by well-known brands and large retail chains that have either local or international presence. The scheme will be constructed in one phase and will comprise a total GLA of 26,010 m² with 129 units. The centre will extend over three above ground levels and four basements. Levels 0, 1 and 2 will comprise retail uses as well as bar-restaurants and food corners on the top level, whilst levels -4, -3, -2 and -1 will provide approximately 800 car parking spaces. Note that Level -2 will also comprise some service retail units, a café, a supermarket and a fantasy land for children and youngsters. There will be a variety of uses, including fashion, shoes, accessories, electronics, home products, jewellery, cosmetics, lingerie, athletics and children's goods.



LAND REGISTRY DETAILS

According to no. 2561 (dated 6 July 2010) Land Registry of Piraeus, it refers to a deed no. 440 of the year 2000, drafted by Ms Lida Tsakiroglou, Notary Public, and states:
a) In the records kept by the Land Registry of Piraeus with regard to the societe anonyme under the name of 'Helios Plaza SA' (record no. 1297/53,54)
b) It seems that no deed has been registered with regard to transfer to any third party of the property mentioned and described in the above deed until last update (31/5/2010), except relevant deed no. 16715/04 of Aggeliki Koutsobeli, Notary Public.
c) In the records kept by the Land Registry of Piraeus, it seems that no lawsuit has been brought against the aforementioned company (until last update 31/5/2010) in relation to the property mentioned in the deed in question.

Land registry extract	Yes	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use	Assumed land		
Registered size	Not Applicable		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

Comments

PROPERTY	
ADDRESS	**Helios Plaza**
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	Retail-Leisure
Footprint ratio	
Maximum buildable area	
Maximum height	
Permit status	No. 285 dated 30 March 2010 (valid for 4 years)

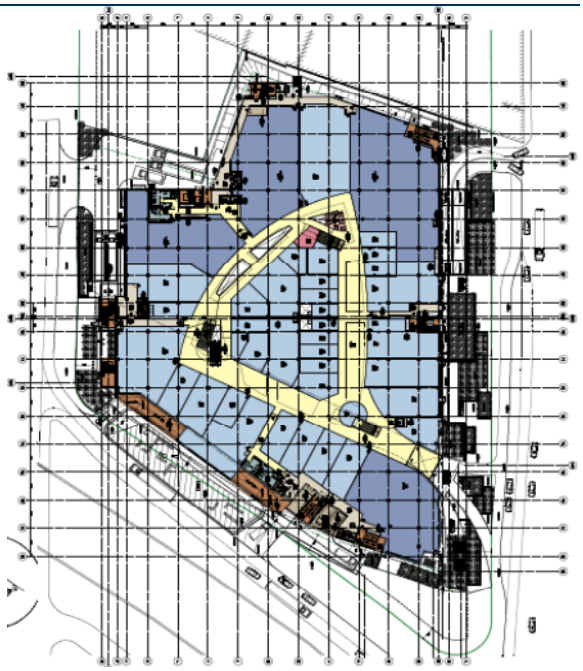
Maximum permitted site coverage: 70%
Building development coefficient: 2.60
Maximum permitted height: 21 meters

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water). We have only been provided with an Environmental Study 2010, stating no significant findings.

PROPOSED SCHEME

The proposed development will comprise four underground levels and three above ground levels. The property will be fully sheltered with a circular inner pathway forming a long and spacious corridor serving as circulation areas on each upper floor level (including ground floor). Along this pathway, voids (shafts) will be created in order to provide lighting and visibility to all levels. The centre will feature one single entrance, situated along Piraeus Avenue. It will initially form a lobby, which will lead to the main circulation corridor. The property will be constructed around a reinforced concrete frame and partly around wooden, metal, glaze and other materials structures (forming aesthetic facades). We have not been provided by any technical description, nor any property façade drawings, therefore, we are unable to comment on the architectural design. Except from the sales areas, the property will comprise approx. 800 car parking spaces at the four basement levels, with approx. 110 spaces per levels -1 and -2m whilst the remaining spaces will be split between the other two lower ground levels, -3 and -4. The centre will comprise several fashion anchors, some middle sized units as well as a supermarket and a children's park in the second basement level. There will be different categories of shopping, such as fashion, accessories, shoes, electrical goods, children's goods, socks and stockings, home products and food and beverages. Each unit will have an independent entrance and will be serviced by specifically designated alleys (service corridors), staircases and lifts. Regarding the underground levels, all wall partitions will be brick in filled and plastered and painted with emulsion paint. All exposed concrete surfaces shall remain unplastered and will be painted with cement base paint. Floor surfaces, except from the WCs, shall be laid with a 5cm thick screed, either ribbed or smooth. The proposed design comprises five escalators connecting the ground floor with the two upper levels, whilst two escalators service the second basement level with the first basement as well as the ground floor level. In addition, there are seven staircases, eleven lifts and six escape routes. The internal layout features retail units in a circular position and a central compound surrounded by the main circulation corridor. The first basement except from the car parking spaces, also comprises the mezzanine level of the fantasy park area, some technical spaces (auxiliary rooms), the management offices, two security rooms and electro-mechanical areas.



PROPERTY
ADDRESS **Helios Plaza**
VALUATION DATE 31 December 2013

SWOT-ANALYSIS

STRENGTHS

Size and shape of the site
Surrounding area continues to be developed

WEAKNESSES

Location under-developed with dated industrial character
Potential ancient ruins on ground soil
No metro station access

OPPORTUNITIES

No direct competition in location

Shopping centres affected less from current crisis
Some retail chains (such as H&M and Zara) are
continuing to expand their business

THREATS

Future competition (several shopping centres in greater area)

Although consumers' attitude has slightly changed and more
positive vibes are now evident, still income from sales
is at low levels.

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Athens is the first target for international retailers entering the Greek market. Prior to the recession there was lack of adequate retail space suitable for international retailers, which caused delays in retailers' expansion plans. The economic recession hit Greece hard and particularly the retail sector. Occupier activity has continued to slow, with very few retailers looking to expand. Numerous store closures have been reported and vacancy is increasing even in the most traditionally sought-after areas. However, there is still some demand from value and discount retailers, indeed, some international players have emphasized their commitment to Greece. Retailers negotiate more favourable terms as limited demand and high supply continues to place downward pressure on rents. From 1998 there has been intense interest, by both domestic and international concerns, to develop large-scale shopping centres and to include leisure activities such as dining and cinema complexes. However, due to problems with planning regulations, difficult and long lasting permit procedures, few centres have been developed to date and although there were more in the pipeline, they are currently either postponed or frozen, due to the current difficult conditions in the country and the changing tax regime. The first largest shopping centres with the most visitors were the Mediterranean Cosmos and The Mall of Athens, both developed by the same group (Lamda Development, member of the Latsis Group of companies). Others followed, such as Athens Heart, West Plaza, City Gate, Pantheon Plaza, Talos Plaza, Golden Hall, Metro Mall, River West and others in Athens, Thessaloniki and other major cities. During the past decade major international chains entered the Greek market such as IKEA, Carrefour, Praktiker, Makro, Media Markt and fashion giants such as ZARA, M&S and H&M. The opening of Mediterranean Cosmos followed by the Mall of Athens brought other new International Retailers to Greece such as Footlocker, Promod, Sfera, Yamamay, Gerry Weber, Koton and others. The consumers reacted positively to these new entrants. However, difficult times since the economic crisis in 2008 have pushed other retailers, such as FNAC and others, to close their activities and avoid the risk of uncertainty for the future of the country. Other major retailers that exited Greece are Costa Café, Guess, Aldi, Atlantic and Carrefour (ownership passed to the Greek franchisee Marinopoulos). Moreover, Coca Cola moved its operations and production abroad, Credit Agricole looks for a way out, Saturn closed all its stores and only Media Markt maintained in the market with a lower number of stores, Electroworld closed all physical stores and operates only through internet, Citibank closed a large number of stores, Marks & Spencer's also closed down a number of stores and many other retailers

The project's primary catchment covers mostly the south west section of Attica.

COMPETITION

No immediate competition from shopping centres in location is evident. Most close one is along Piraues Avenue, further north, Athens Heart centre. Second competing scheme is the Riverwest centre next to IKEA, along the Kifissos Avenue. There are a number of schemes in the pipeline, that may create strong competition, such as the MGPA project of more than 50,000sqm mall along Kifissos Avenue, as well as the Votanikos project of approx. 30000sqm shopping centre in neighbouring area. Another less competing scheme is the Village Shopping & More scheme in Rentis area, which is a 20,600sqm entertainment and leisure centre. Shop and Trade outlet shop moved from north part of Piraeus to the south part of the Street, next to Elais Factory and Factory Outlet. The greater area location is now preferred by Children's and Baby clothing, toys and furniture, home products, discount fashion and electrical goods.
Note that Athens Heart has reporting a continuously increasing vacancy, where more retailers vacated the scheme during summer and autumn 2013.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
Athens Heart	2008	9-25.00	GLA 20,000sqm, existing shopping centre
River West	2011	8-30.00	GLA 20,000sqm, existing shopping centre
Village S&M	1999	19.00	GLA 18,872sqm, existing shopping centre / leisure centre

PROPERTY ADDRESS	**Helios Plaza**
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

We assume that there will be no issues with the archaeological findings (ancient ruins on ground soil) that may stop construction.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Bags&Leather	€	60.13	/sqm /month
Childrens Fashion	€	35.56	/sqm /month
F&B	€	37.03	/sqm /month
Health & Beauty	€	47.91	/sqm /month
Household&gifts	€	65.00	/sqm /month
Jewelry&accessories	€	58.55	/sqm /month
Leisure	€	12.00	/sqm /month
Lingerie	€	50.81	/sqm /month
Mens fashion	€	59.17	/sqm /month
Mixed fashion	€	25.41	/sqm /month
Multimedia	€	33.19	/sqm /month

EXIT RATES APPLIED

We have based our estimation on speculations and market rumours, on shopping centres that are offered for sale (but on a confidential basis) and on interest they have attracted. Note that we have zero transactions of centres during the past 12 months.

	Exit
Bags&Leather	9.25%
Childrens Fashion	9.25%
F&B	9.25%
Health & Beauty	9.25%
Household&gifts	9.25%
Jewelry&accessories	9.25%
Leisure	9.25%
Lingerie	9.25%
Mens fashion	9.25%
Mixed fashion	9.25%
Multimedia	9.25%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	1,100	/sqm
Contingencies		3%	
Letting Fees		13%	ERV
Sales Fees		2%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		25%	GDV

PROPERTY
ADDRESS **Helios Plaza**
VALUATION DATE 31 December 2013

SUMMARY RESIDUAL VALUATION

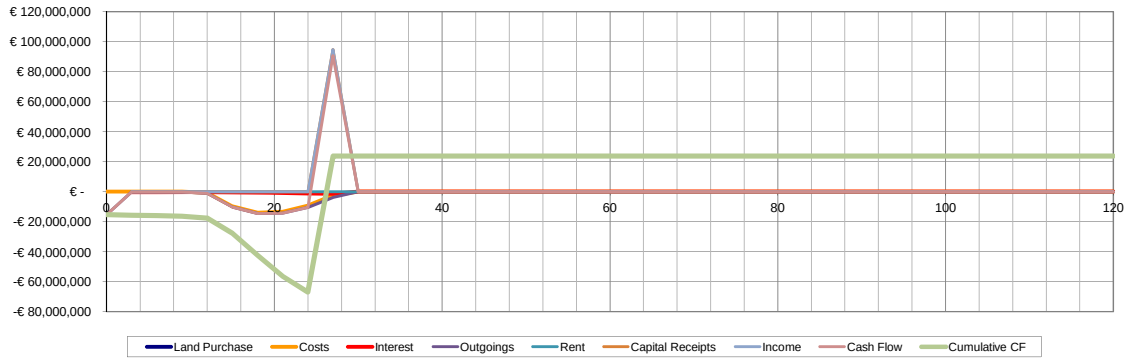
Capital Receipts			€	94,555,391		
Rent			€	-		
Income					**€**	**94,555,391**
Development Costs			-€	39,615,400		
Infrastructure			-€	1,980,770		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	4,159,617		
Contingencies			-€	1,372,674		
Fixed Marketing Costs			€	-		
Sales Fees	1.50%	sales proceeds	-€	1,418,331		
Leasing Fees	**13%**	**annual rent**	-€	1,093,297		
Development Finance	9.00%		-€	2,698,040		
Developer's Profit @	25.00%	GDV	-€	23,638,848		
Acquisition Fees	0.00%		€	-		
					-€	**75,976,976**
Residual value					**€**	**18,578,415**
Land Holding cost						0.823536
					€	**15,300,000**

Cash Flow

Year		0		1		2		3		4		5		6		7		8
Land Purchase	-€	15,300,000																
Costs	€	-	-€	856,881	-€	46,271,580	-€	2,511,628	€	-	€	-	€	-	€	-	€	-
Income	€	-	€	-	€	-	€	94,555,391	€	-	€	-	€	-	€	-	€	-
Interest	€	-	-€	1,377,000	-€	3,136,968	-€	1,457,884	€	-	€	-	€	-	€	-	€	-
Cash Flow	-€	15,300,000	-€	2,233,881	-€	49,408,547	€	90,585,879	€	-	€	-	€	-	€	-	€	-
Cumulative CF	-€	15,300,000	-€	17,533,881	-€	66,942,428	€	23,643,451	€	23,643,451	€	23,643,451	€	23,643,451	€	23,643,451	€	23,643,451

As can be seen in the chart below, we have assumed development will commence after 18 months. Development will be in a single phase, with a simultaneous completion and sale.

Cash Flow Profile



PROPERTY ADDRESS **Helios Plaza**

VALUATION DATE 31 December 2013

SUMMARY & CONCLUSION

to support our residual valuation we have simultaneously compared the site to available commercial land in the vicinity. We estimate that the subject plot would transact at €1450 / sqm, which we consider to be realistic in the context of the available market information.

In summary, our valuation is supported by the available evidence.

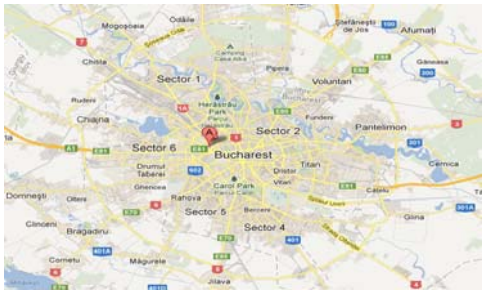
Address	Details	Asking or sold?	Date	€/sqm	
Side of Piraeus Avenue	plot of 5900sqm with a building coefficient 1.0	Asking	current	€	373
Close to Piraeus Avenue	plot of 4100sqm with a building coefficient 3.6	Asking	current	€	1,100
Piraeus Avenue	plot of 6100sqm with a building coefficient 2.6	Asking	current	€	985
Petrou Ralli Street	plot of 5000sqm with a building coefficient of 0.8	Asking	current	€	1,575
Petrou Ralli Street	plot of 2340sqm with a building coefficient of 0.8	Asking	current	€	1,300
Petrou Ralli Street	plot of 6500sqm with a building coefficient of 0.8	Asking	current	€	615

MARKET VALUE	**€**	**15,300,000.00**	**say**	**€**	**15,300,000**

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 December 2013

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 December 2013

Romania



City of Bucharest

Bucharest City Centre

Micro Location

LOCATION

The property is located in Bucharest, the capital city of Romania. Bucharest has approximately 1,900,000 inhabitants and is the administrative and business centre of the region.

The micro location provides a mix of old and new commercial and residential premises with blocks of flats, ground floor retail premises and restaurants as well as modern office buildings and industrial land sites.

This area is considered to be within the city's centre and the transport links are excellent. The site is bordered on each of its boundaries by roads with four lanes (2 in each direction) and in addition there is the metro station, Eroilor, within a few minutes' walk. Eroilor has two lines passing through it so it is somewhat of a junction within the metro system. A third metro line is under construction and expected to be completed in 3-5 years time.
As well as excellent road and metro transport links there is a huge number of bus lines that pass by the Eroilor Metro station just a few minutes' walk away from the subject property, while around 200 m north an upgraded tramline will soon be completed.

LOCATION DETAILS

City Population	1,900,000
Local Land	Residential & commercial
Distance to Centre	1 km
Distance to Highway	6 km
Distance to National Road	6 km
Public Transport	well developed
Plot area	101,947
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	101,947
Parking Places (closed)	n/a
Access	from Strada Plevnei, Stirbei Voda
Utilities	available, not checked
Legal issues	not checked

PROPERTY DATA

PLOT OF LAND

Site area, total	101,947
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External & Internal
Inspection Date	28 May 2013
Inspected by	Charlie Henry & Bogdan Blendea

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 December 2013

PROPERTY DESCRIPTION

The property comprises of two plots. One plot is 91,947 sqm and the other is 5,000 sqm to give a total of 101,947 sqm.

On the large plot of land is partially completed building, it is a well known building called Casa Radio (the exterior was complete and the interior is not complete)

The site is almost rectangular and generally flat. The land is surrounded by three major roads, each of which can potentially provide access to the site.
The land is possibly the largest developable site currently in Bucharest.

LAND REGISTRY DETAILS

We have been provided with the following land registry information:
Land registry excerpt no. 405513/12.09.2008
Cad No. 14399 - land plot located at 174-176 Stirbei Voda St - 5,000 sqm
Cad No. 14399/2 - building located at 174-176 Stirbei Voda St - 35,597 sqm
Cad No. 14399/3 - land plot located at 174-176 Stirbei Voda St - 91,947 sqm

Land registry no. 402378/10.09.2008
Ordinance no. 95 / 29,11,2006 gives the right of use in favour of the company SC Dambovita Center SRL for the unfinished building of 35,597 sq m built area and 114,947 sq m total built area and for the future buildings and construction except the public authority building for 49 years.

Certificate of Urbanism Nr 669/69/S/11414 issued on 14.06.2010
There is a land plot of 96,947 sq m with unfinished constructions with a footprint of 35,597 sq m. It is owned by the State who has leased the land for 49 years to the company SC Dambovita Center SRL.

Land registry extract	See above	Obtained on	12/09/2008
Registered owner	Romanian State		
Registered use	Land		
Registered size			101,947.00

Restrictions and encumbrances

We are verbally advised that the existing building is listed as a historical monument although we have not been provided with any documentation to confirm current status. We assume that the property may be developed in accordance with the scheme devised.

Comments

Building permit No. 999/105/S/32349 dated 14.10.2008
authorised the prolongation of the building permit 151/14.S/26.02.2008 .
The building permit is valid for 12 months and work duration is valid for 24 months.
Building permit No. 1212/132//S/26768 dated 23.12.2008
authorised the underground parking (2UG), built area (footprint) 4,902.74 sq m, total built area 9,749.58 sq m, net area 8,242.25 sq m, 153 parking spaces; the building permit is valid for 12 months and work duration is valid for 36 months.
Both of these building permits have expired. For the purposes of this valuation we assume that the permits have been reactivated

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	Valid
Footprint ratio	see above
Maximum height	see above
Permit status	Authorisation for construction granted but has expired

The PUZ permits the following:
Office buildings for government administration, a shopping centre with a panoramic wheel, underground parking, power station, high voltage station, office building GF+34, office building Gf+30, office building GF+26, parking, hotel and conference center.

PUZ Approval 2/3/12,11,2008
GF+34, POT 60%, CUT 4.2
Land area - 96,474 sq m
total built area 407,775.58 sq m

Underground (technical spaces and parking spaces) - 314,550.58 sq m
built area (footprint) - 54,817 sq m
CUT 4.2 POT 60 %
parking spaces - 4,500
green area - 33,765 sq m (35%)

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that can determine the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).

PROPOSED SCHEME

The original proposed scheme was to comprise a 600,000 sqm mixed use development with the following aspects to be constructed:

- 158,000 sqm shopping centre with an indoor leisure centre

- 11,000 sqm hypermarket and a Ferris wheel

- 140,000 sqm GBA of offices

- 50,000 sq m GBA hotel with conference centre (350 rooms)

- 10,000 sqm apartment hotel with 100 apartments

- 4,500 underground car parking spaces

SWOT-ANALYSIS

STRENGTHS

- Excellent location, close to the centre of the city
- Excellent transport links, visibility
- Large plot size

WEAKNESSES

- **Public private partnership, sensitive to government changes**
- Existing building was not designed to be a shopping centre
- Difficult to finance

OPPORTUNITIES

- Develop a landmark project
- High density residential area

THREATS

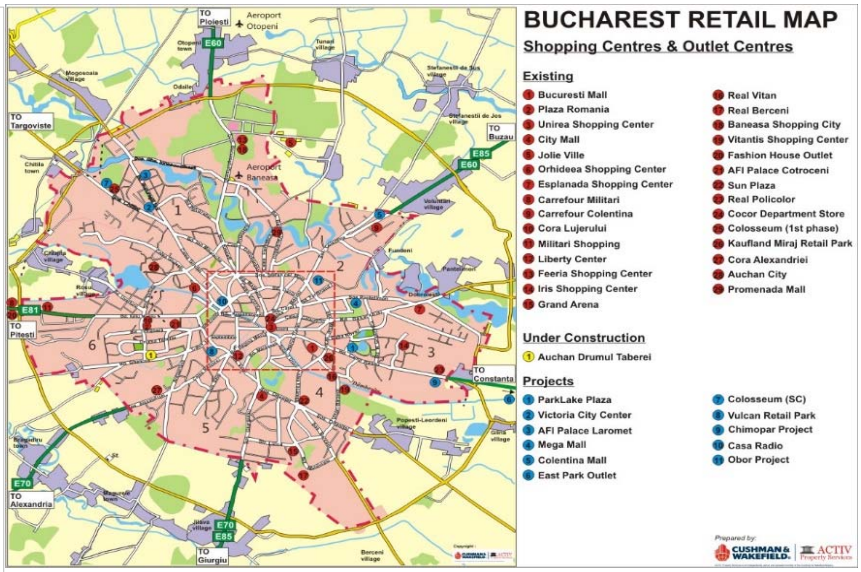
- AFI Cotroceni Shoping Centre
- Cost to develop the project
- Difficult to attract investors for such a large project
- Site may be politcally sensitive to changes in the national administration

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 December 2013

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Bucharest is by far the largest retail market in Romania, it is being estimated that 30% of the total retail turnover is registered here. The city has the highest purchasing power in Romania. Almost all the international retailers seeking representation in Romania consider entering the capital first.

The shopping centre market has seen an important development, the main projects delivered including AFI Palace Cotroceni, Baneasa Shopping City, Sun Plaza, Bucuresti Mall, Plaza Romania, Grand Arena, Liberty Center, Militari Shopping, Orhideea Shopping Center, Esplanada Shopping Center, City Mall, Feeria Shopping Center and Iris Shopping Center; the most recent opened was Promenada Mall.



The existing shopping centre density of 421 sq m GLA per 1,000 inhabitants continues to be lower than in other capitals of the CEE region, such as Prague, Bratislava and Warsaw, where the existing stock exceeds 600 sq m GLA/1,000 population.

A large number of projects have been put on-hold after the start of the crisis, but only a few are considered to have characteristics to be restarted in the following 2-3 years. Currently there is only one shopping centre under construction, Auchan Drumul Taberei (21,670 sq m GLA), due to be finalized in 2015.

COMPETITION

AFI Palace Cotroceni (79,000 sqm GLA)is established as being the dominant scheme in the western area. It is developed over ground floor and first floor and provides approx. 250 stores. The scheme benefits from a very good concept and layout, dominant size, excellent merchandise and tenant mix; it has a very strong leisure sector, including a 20-screen Cinema City, the first IMAX in Romania, bowling and billiard, kid's area, casino, carting, a large ice ring, laser tag, etc. The main anchors of the shopping centre include Real, C&A, Zara, H&M, Domo, Intersport, Marks & Spencer, Humanic, Deichmann, Benetton, Go Sport, Hondos, Smyk, Reserved, Flanco World, New Yorker, Koton, LC Wikiki, Takko, Diverta and New Look.

Sun Plaza (80,000 sqm GLA) is the latest shopping centre opened in Bucharest and currently is the largest shopping centre in Romania. It is the dominant shopping centre in the southern area, although it has not reached the expected number of visitors and sales. The scheme has very good characteristics, especially in terms of location, accessibility and supply of major anchors. The project is anchored by three large surface units, namely Cora hypermarket (23,000 sq m), bauMax DIY (10,000 sq m) and Mobexpert furniture (10,250 sq m). The leisure elements include a 15-screen Cinema City with 3,000 seats, food-court, fitness, bowling and billiard.

Baneasa Shopping City (63,500 sqm GLA) is one of the main shopping centres in Bucharest and part of the largest retail project in Romania with over 190,000 sq m GLA, including also Feeria Shopping Center, Metro, Bricostore, Mobexpert and the single IKEA store in Romania. The project is the dominant force in the northern area, providing the largest concentration of retail units on the same platform in Romania. The merchandise mix is largely fashion oriented, while for some other sectors the representation is limited. The tenant mix include a large number of international brands, the anchor units including Peek&Cloppenburg, Zara, Humanic, Koton, Oviesse, Marks&Spencer, Reserved, GAP, Debenhams, Diverta, H&M, Domo.

Promenada Mall (35,000 sqm GLA) is the most recent opened centre in October 2013 and is part of the larger Floreasca City project, which includes also 61,000 sq m of office space. The centre is structured on LGF, GF and 2 upper floors, accommodating 120 shops. The merchandise mix is largely fashion oriented. The tenant mix include a large number of international brands, among the anchor units being Billa, H&M, Zara, Massimo Dutti, Bershka, C&A, Peek&Cloppenburg, Intersport, Hervis, Flanco, Altex, Carturesti, Deichmann, Nobilis, Humanic.

COMPETING SCHEMES

Building / Address	*Date*	*Distance to subject*	*Comments*
Orhideea Shopping Center (Carrefour)	2003	1 km	GLA 25,100 sq m, existing shopping centre
AFI Palace Cotroceni	2009	2 km	GLA 79,000 sq m, existing shopping centre
Unirea Shopping Center	1976	2.5 km	GLA 44,000 sq m, existing shopping centre
Plaza Romania	2004	3 km	GLA 51,020 sq m, existing shopping centre
ParkLake Plaza	n/a	6 km	GLA 67,000 sq m, proposed shopping centre
Baneasa Shopping City	2008	8 km	GLA 63,500 sq m, existing shopping centre

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

We have been supplied with a scheme for a retail shopping centre, representing the first phase of a larger development. We have assumed later phases of residential and offices, each of 80,000sqm GBA.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Shopping Centre	€	29.00	/sqm /month
Offices I	€	17.00	/sqm /month
Residential	€	-	/sqm /month
Offices II	€	17.00	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

The investment market is currently at a low ebb and development will not take place with the expectation of achieving current levels; therefore we have based these upon a developer's expectation for a recovered market. We have applied a holding period.

For the residential element we have applied a capital value per square metre.

	Exit
Shopping Centre	7.00%
Offices I	8.00%
Residential	0.00%
Offices II	8.00%
5	0.00%
6	0.00%
7	0.00%
8	0.00%
9	0.00%
10	0.00%
11	0.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	1,400	/sqm
Offices	€	850	/sqm
Residential	€	600	/sqm
Offices	€	850	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		1%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

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SUMMARY RESIDUAL VALUATION

Capital Receipts			€	830,507,271		
Rent			€	66,319,886		
Income					**€**	**896,827,157**
Development Costs			-€	345,884,240		
Infrastructure			-€	17,294,212		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	36,317,845		
Contingencies			-€	19,974,815		
Fixed Marketing Costs			€	-		
Sales Fees	1%	sales proceeds	-€	8,305,073		
Leasing Fees	10%	annual rent	-€	5,305,591		
Development Finance	7.00%		-€	41,179,737		
Developer's Profit @	20.00%	GDV	-€	166,101,454		
Acquisition Fees	0.00%		€	-		
					-€	**640,362,967**
Residual value					**€**	**256,464,190**
Land Holding cost						0.679042
					€	**174,150,000**

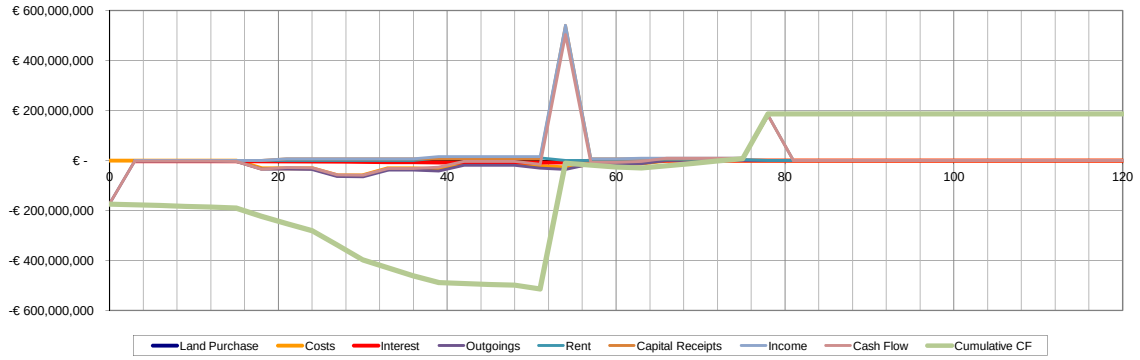
Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 174,150,000								
Costs	€ -	€ -	-€ 92,737,434	-€ 179,631,245	-€ 68,253,009	-€ 77,877,895	-€ 12,715,593	-€ 1,866,600	€ -
Income	€ -	€ -	€ 12,240,000	€ 24,480,000	€ 63,582,309	€ 567,942,848	€ 38,433,600	€ 190,148,400	€ -
Interest	€ -	-€ 12,190,500	-€ 14,529,340	-€ 24,680,930	-€ 33,025,321	-€ 17,761,090	-€ 1,522,234	-€ 40,869	€ -
Cash Flow	-€ 174,150,000	-€ 12,190,500	-€ 95,026,774	-€ 179,832,175	-€ 37,696,020	€ 472,303,863	€ 24,195,773	€ 188,240,931	€ -
Cumulative CF	-€ 174,150,000	-€ 186,340,500	-€ 281,367,274	-€ 461,199,448	-€ 498,895,469	-€ 26,591,605	-€ 2,395,833	€ 185,845,098	€ 185,845,098

We have made the following assumptions in our calculations based on the planning permissions granted:

It will take 1 year to renew the necessary expired building permits and there will be 4 elements to the whole project. In the first phase a shopping centre of 75,000 sqm will be constructed at the same time with another 68,000 sqm (net) of offices. The second phase will consist of 68,000 sqm of luxury residential accommodation and in the third phase there will be an additional 68,000 sqm of offices constructed.

Cash Flow Profile



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SUMMARY & CONCLUSION

We understand that the client has a 75% interest in a company which has entered into a public-private partnership agreement with the Romanian government to develop the Casa Radio (Dambovita) scheme in Bucharest, the largest development plot available in central Bucharest. The Romanian government will remain a 15% partner in the scheme, as well as another developer holding 10%. The Romanian state has granted a 49 year concession to develop and operate the land.

We have valued the property assuming freehold and that full title, permits and financing are assured.

We have not valued the part share interest and our estimation represents 100% of the scheme's ownership rights.

The scheme is extraordinarily large, in view of the sensitivities of the residual method an alternative approach is to value one phase and then compare the price per buildable area of latter phases. The shopping centre elements devalue to €574 per square metre; this is above the value of other elements, which devalue at between €345-514 per square metre of buildable area. The value is substantially higher than Skanska's purchase of land (below), which equated to €260/sqm GBA; however this reflects the unique location. It should be noted that it is unlikely that the property would transact in a single transaction at this lot size.

Address		Details	Asking or sold?	Date	€/sqm
Barbu Vacarescu (next to Nusco Tower)	15,000 sqm	Purchased by Skanska	sold	2012 Q4	€ 920
Calea Floreasca (B.Vacarescu office district)	1,000 sqm	Purchased by Taso Gkotsis from Willbrook	sold	2012 Q4	€ 1,000
Romana Square - land with old historical building		ASE University	sold	2012 Q4	€ 3,885

MARKET VALUE	**€**	**174,150,000.00**	**say**	**€**	**174,150,000**

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
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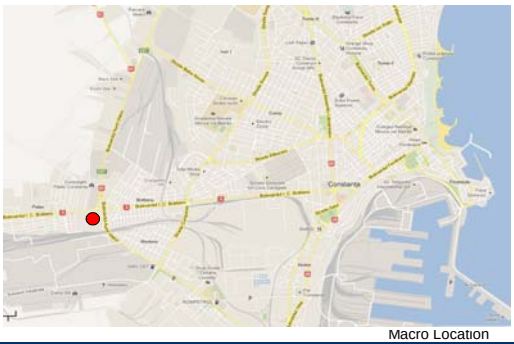
Macro Location

Micro Location

Front View

Internal View

LOCATION

Constanta is the largest city in south-eastern Romania, being the main administrative, economic and cultural city of the region. The city is located on the shore of the Black Sea, south of Siutghiol Lake, at approx. 266 km from Bucharest. Constanta is the 5th largest populated city of Romania, accounting in 2011 for 299,824 inhabitants.

The major part of Constanta County's economy is concentrated on the city, including tourism (Mamaia Resort), harbour and port activities, the petrol industry, etc.

Constanta has a good road infrastructure with a motorway recently being completed that links directly to the capital, Bucharest and a second ring road that will eventually run close to the border with Bulgaria. The secondary and tertiary roads are asphalted, only the new residential area developed around Baba Novac Street remaining to be surfaced.

The ring road surrounds the city on the western side, connecting the entry from Mangalia (south) with the entry from Bucharest (west), the entry from Ovidiu/Tulcea (north-west) and Mamaia (north). The ring road is refurbished and provides 2 lanes each way.

The subject property is located in the western periphery of Constanta, on I.C. Bratianu Boulevard, west of the city ring road / Aurel Vlaicu Blvd. The area is mixed, with mostly industrial/ warehouses and a poor residential area.

LOCATION DETAILS

City Population	299,824
Local Land Uses	Mixed, primarily industrial & poor residential area
Distance to Centre	3 km
Distance to Highway	3 km
Distance to National Road	0 km (fronts DN3)
Public Transport	local bus lines
Plot area	26,207*
Waterfront	No

**total site area from the land registry excerpts, including land for pumps and thermal station but excluding the access roads (Cad. 1554/26/2/1 and Cad. 1554/28/2); details in the table below, at Land Registry Details section*

PROPERTY DETAILS

Property Type/ Use	shopping centre / retail
Occupation	vacant
Historic monument	No
Gross lettable area	17,900.00
Parking Places	340.00
Access	from I.C. Bratianu Blvd.
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction	2001-2002
Modernisation Year	n/a
Building Condition	poor
Gross lettable area	17,900.00
Parking places	340
Current rent p.a.	n/a
Vacancy rate (overall)	100%
Weighted remaining lease term	n/a
State of Repair	poor
Overall Condition	poor

TECHNICAL DETAILS

Building Type	Retail
Construction	Reinforced concrete structure
Facade	sandwich panels
Roof	Flat roof
Windows	double glazing with aluminium frames
Glazing	n/a
Heating	Gas central heating
AC/ Ventilation	Air conditioning system
Cabling	None
Sanitary	Modern standard

PLOT OF LAND

Site area, total	24,248*
Surplus Land	n/a
Developed area (% total site)	46%

**total site area for the shopping centre (parking included), for which the build permit was obtained; land for thermal power station excluded; details in the table below, at Land Registry Details section*

INSPECTION

Inspection Type	External and Internal
Inspection Date	12-May-13
Inspected by	Razvan Gheorghe MRICS

PROPERTY DESCRIPTION

The subject property consists of land extending to approximately 26,000 sq m on which there is a vacant shopping centre and a large parking area of around 8,500 sq m. There are also two access roads to the east and south, totalling 2,774 sq m of land.
The shopping centre (former Galleria Mall) was opened in 2001-2002 and was anchored by Gima supermarket. It was operational for around a year before being closed due to poor performance. The centre was redeveloped using the structure of a former warehouse for prefabricated units.

In June 2008, Plaza Centers acquired the property with the intention of redeveloping and adapting the existing shopping centre to create approximately 18,000 sq m of GLA which will be suitable for one big anchor such as leading supermarket, and/or DIY store together with some smaller retail units.

The property has been vacant since the closure of Galeria Mall.

ACCOMMODATION

According to the information received from the client, the shopping centre has a total GLA of 17,900 sq m and a gross built area of 21,582 sq m, while the built area of the parking is 8,687.84 sq m.
We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these areas. We assume that these areas are accurate and calculated in accordance with normal market practice.

PROPERTY	Constanta Plaza
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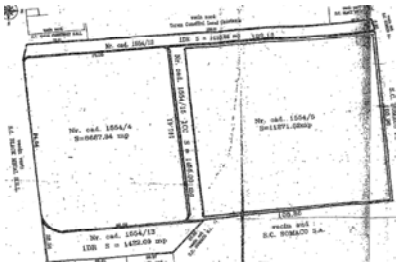
LAND REGISTRY DETAILS

The property includes several cadastral numbers and it is registered in the Land Registry of Constanta Municipality.
From the information provided to us, it is our understanding that there are:
- five cadastral numbers corresponding to the shopping centre, including the parking area (as shown in the table to the right: 1554/4, 1554/5, 1554/12, 1554/13 and 1554/15);
- two cadastral numbers related to the power station and adjacent land (1554/16 and 15424/2);



- two cadastral numbers corresponding to the access ways to the east and south (1554/26/2/1 and 1554/28/2);
- one cadastral number for which there is a right-of-way in favour of SC North Eastern Plaza SRL (1554/14).

Details are in the table below:

No.	Cad. No.	Site Area (from site plans)	Site Area (from land registry excerpts)	Land Registry No.	Description	Ownership
1	1554/4	8,687.84	8,663.00	8852	land and construction (big panels warehouse)	SC North Eastern Plaza SRL
2	1554/5	11,271.52	11,271.20	8851	land and building (commercial space Mall type)	SC North Eastern Plaza SRL
3	1554/12	1,410.08	2,760.00	11286	land and roads and concrete platforms	SC North Eastern Plaza SRL
4	1554/13	1,422.09				
5	1554/15	1,456.00	1,456.00	11180	land	SC North Eastern Plaza SRL
Total 1		**24,247.53**	**24,150.20**			
6	1554/16	715.00	715.00	14383	land and construction (thermal power station)	SC North Eastern Plaza SRL
7	15424/2	1,342.00	1,342.00	53367	intravilan land lot 2	SC North Eastern Plaza SRL
Total 2		**26,304.53**	**26,207.20**			
8	1554/26/2/1	228.00	228.00	110112	intravilan land - road	SC North Eastern Plaza SRL (B.10)
9	1554/28/2	2,546.00	2,546.00	43727	intravilan land - road	SC North Eastern Plaza SRL (B.10)
Total 3		**29,078.53**	**28,981.20**			
10	1554/14		2,045.93	11181		SC Romstal Imex SRL- right-of-way in favour of SC North Eastern Plaza SRL

Restrictions and encumbrances

According to the land registry excerpts received from the client, dated March 2008, there are no encumbrances over the subject property.
There is a right-of-way in favour of SC North Eastern Plaza SRL over the cadastral no. 1554/14 (2,045.93 sq m), owned by SC Romstal Imex SRL.

Comments

We could not identify from the information provided the exact location of three cadastral numbers, namely: 1554/16, 15424/2 and 1554/14. For the purpose of our valuation we have assumed the plot to be contiguous.

PLANNING ISSUES

We have been provided with the Urbanism Certificate No.4643 / 04.10.2000 and the Build Permit No. 3771 / 8.11.2000, for the land with a total area of 24,247.53 mp, issued for the existing warehouse improvement as a commercial center Mall type; improvement of the platform as a parking area.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

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TENANCIES

Number of Tenants		
Vacant space (m²)		
Lease Income (p.a.)	€	-
Other Income (p.a.)	€	-
Operating Expenses (p.a.)	€	-
Service Charge (/sqm / month)	€	-
Lease inspected?		
Standard Lease Terms:		
Lease length	Not applicable	
User Clause	Not applicable	
Security	Not applicable	
External Repairs	Not applicable	
Internal Repairs	Not applicable	
Insurance	Not applicable	
Alienation	Not applicable	
Indexation	Not applicable	

The property has been vacant and unused over the past 10 years.

PROPERTY	Constanta Plaza
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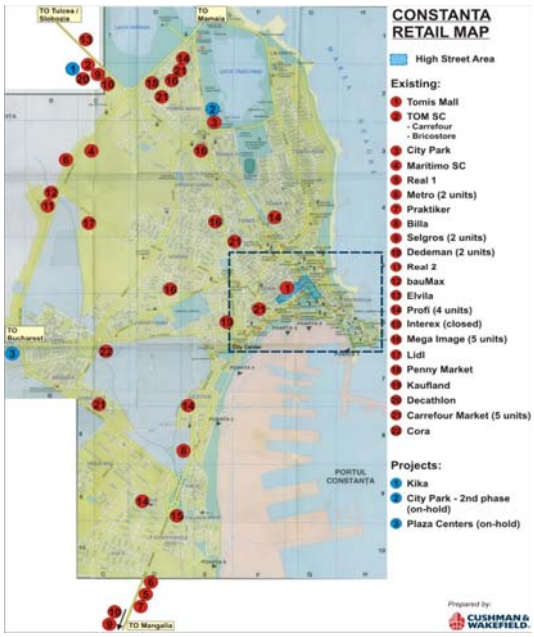
SWOT-ANALYSIS

STRENGTHS	WEAKNESSES
existing structure	located in a poor area
size of the site	a shopping centre in this area on the current structure of GF+1 may not prove feasible
large parking area	

OPPORTUNITIES	THREATS
redevelopment in order to accommodate a hypermarket, warehouse, production, wholesale centre	high competition on the retail market, especially on the hypermarket sector
	major tenants have already secured locations in the area

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Constanta has a well developed retail market with many international and national competitors represented in all the retail sectors. The market witnessed rapid development after 2006, being delivered several medium and large size schemes.
The city accounts for a modern shopping centre stock of 177,300 sq m GLA, corresponding to 625 sq m GLA/1,000 inhabitants that is the 4th highest shopping centre density in Romania. The main schemes are Maritimo (51,250 sq m GLA) and City Park (26,000 sq m GLA).
The retail warehousing sector is represented by stand-alone units (DIY, cash & carry, discounters, etc.) and units attached to shopping centres (Bricostore).
A significant number of international retailers have entered Constanta during the last 5-7 years through stand-alone developments and shopping centres. The city is targeted by all the international retailers active in Romania as a consequence of the market size and level of purchasing power.
Prime rental levels in Constanta for main anchors are placed in between €6-€14/ sq m/month, with lower rents achievable for secondary locations / properties.



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COMPARABLES

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Comment*
Vulcan Retail Park/ Bucharest	Q4 2013	15.0	n/a	NEPI bought 50% of the project for development
Severin Shopping Center/ Severin	Q3 2013	18.9	n/a	The property consists in Carrefour hypermarket plus shopping gallery and land of 2.3 ha for the extension; the purchaser is NEPI
Deva Shopping Center/ Deva	Q3 2013	45.0	n/a	The purchaser is NEPI
Mega Mall/ Bucharest	Q3 2013	20.00 (estimation)	n/a	NEPI bought 70% of the project for development
Polus Center / Constanta	Q1 2007	185.00	6.5%	The largest transaction of Euro 185 million was announced in Q1 2007, being represented by the forward-purchase of Maritimo SC (former Polus Centre) by Immofinanz from TriGranit. The developer's difficulties in fulfilling its agreements, along with the significant changes in market conditions, brought a new agreement that was signed in 2010. According to market information, Immofinanz increased in 2010 its shares in the project from 15% to 100% with the payment of 1 Euro and the take-over of the project's debts.
Praktiker / Craiova	Q1 2011	10.00	9.0%	site area: 21,860 sq m; GLA: 9,517 sq m

COMPETITION

The largest retail concentration is found in the north-western part of the city, along Aurel Vlaicu Boulevard (ring road) and Tomis Boulevard (exit to Ovidiu/Tulcea). This area has developed with hypermarket and galleries (Tom SC-Carrefour, Real), DIY (Bricostore, Baumax, Dedeman), cash & carry (Metro, Selgros), supermarkets and discounters (Penny Market, Profi etc.), medium size boxes (Decathlon, Elvila), while in 2011 there was opened the largest shopping centre in the region (Maritimo SC anchored by Auchan). Retailers have concentrated here in order to be in the vicinity of the highest populated area (Tomis Nord District) and Mamaia Resort.
City Park and Tom SC were both announced to be extended, but the plans have been delayed by the start of the crisis and the new openings during 2011-2013.

INVESTMENT CONSIDERATIONS

The local market witnessed a number of investment transactions with properties from the retail, hotel and office sector during 2006-2011 . Most of the deals involved transactions with hotels, including Rex Hotel, Ibis Hotel, Golden Tulip Fantasy Beach Hotel and Mamaia Hotel.
The subject property is a former shopping centre redeveloped from a warehouse. The shopping centre closed after about one year due to poor performance and it has been vacant since then.
The retail market in Constanta has developed greatly in recent years, especially in the north-western part of the city, along the same boulevard where the subject property is located. Most of the major retailers already have units opened here. The largest shopping centre in town, Maritimo SC (51,250 sq m), opened in 2011, is located approximately 3 km north of the subject property. Due to the fact that a lot of potential tenants were attracted to Maritimo, the extension of Tom Shopping Center (located just 1 km from Maritimo), is struggling to attract tenants and the project is currently on-hold.
We believe thus that the project as it is structured, on GF plus 1st floor, with a total lettable area of 17,900 sq m, may not be feasible. We have thus assumed another scheme for the property, considering the demolishing of the first floor and redeveloping the centre only on GF, with a total lettable area of approx. 11,200 sq m, to be used as retail. We considered also that an additional income could be obtained from part of the parking area (either from exhibitions, fairs, ice skating rink, out-door showroom etc.)

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	11 March 2014

VALUATION DETAILS SUMMARY

Market Value	€	6,300,000.00
Gross annual income	€	-
Net Operating Income (Year one)	-€	93,975.00
Day One annualised NOI	-€	93,975.00
Estimated Rental Value	€	1,880,000.00
Initial Yield (Year one)		-1.49%
Initial Yield (Annualised day one)		-1.49%

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an overall average ERV of €8.75 per sq m per month for the main building , based on our market research and knowledge of the recent lease transactions and current trends.

ERV	€	8.75	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

Prime yields for properties in Constanta City are estimated today at approx. 10.0-11.0%, having softened by 225-250 bps during the last 3-4 years. Due to the lack of transactions since the start of the crisis, these yields are just a broad estimation of the expectations that an average investor would have from a commercial property in Constanta.
We have applied a discount to reflect the speculative nature of the assumed scheme.

	Discount	Exit
Default	12.00%	12.00%
Vacant	12.00%	12.00%
Yield2	12.00%	12.00%
Yield3	12.00%	12.00%
Yield4	12.00%	12.00%
Yield5	12.00%	12.00%
Yield6	12.00%	12.00%
Yield7	12.00%	12.00%
Yield8	12.00%	12.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.
We have assumed redevelopment costs of €35 per sqm.

Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		5%	ERV
Void on expiry		9.00	months
Lease Term		10.00	years
Rent Free Periods		0.00	months
Leasing Fees		10%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation			

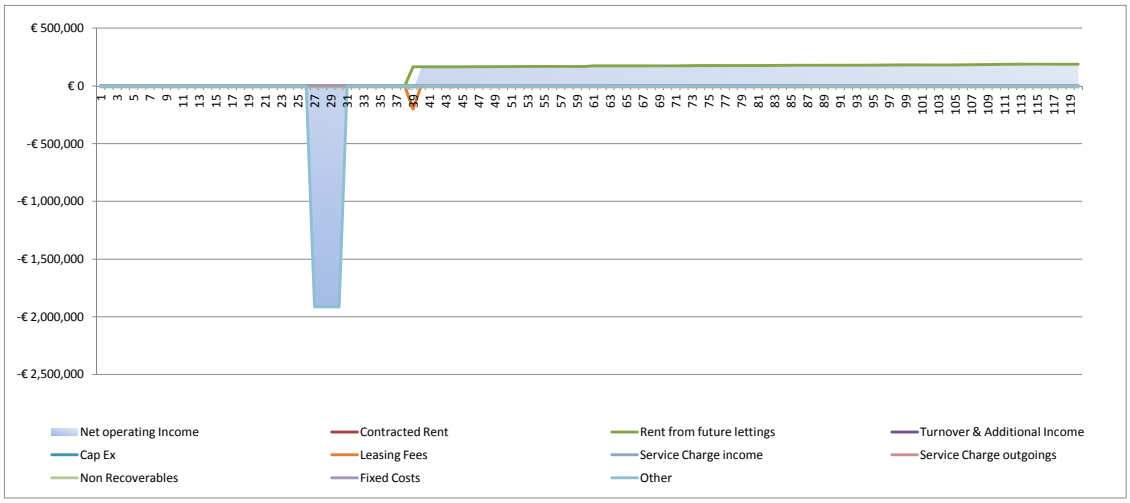
PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

CASH FLOW

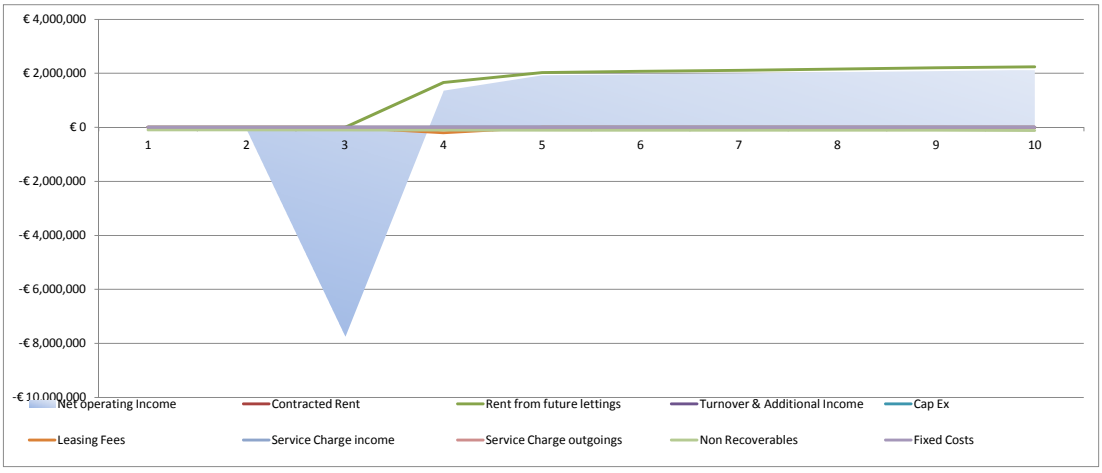
Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ -	€ -	€ 1,662,117	€ 2,034,431	€ 2,075,120	€ 2,116,622	€ 2,158,955	€ 2,202,134	€ 2,246,176
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	€ -	€ -	-€ 199,454	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 93,975	-€ 95,855	-€ 97,772	-€ 99,727	-€ 101,722	-€ 103,756	-€ 105,831	-€ 107,948	-€ 110,107	-€ 112,309
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	-€ 7,656,784	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**-€ 93,975**	**-€ 95,855**	**-€ 7,754,556**	**€ 1,362,936**	**€ 1,932,710**	**€ 1,971,364**	**€ 2,010,791**	**€ 2,051,007**	**€ 2,092,027**	**€ 2,133,868**

Monthly income



We have assumed a void period of 30 months before the scheme of 17,900 sq m GLA becomes income producing. We expect that non-recoverable costs to amount to 5% of the rental income.
We have assumed a standard lease over a period of 5 years with other 5 years to extend and a 9 months void on expiry. We followed the project and cost estimates supplied by the property owner.

Annual Income



PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 December 2013

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ -	€ -	€ 1,056,305	€ 1,154,391	€ 1,051,320	€ 957,452	€ 871,966	€ 794,112	€ 723,209
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	€ -	€ -	-€ 126,757	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 83,906	-€ 76,415	-€ 69,592	-€ 63,378	-€ 57,720	-€ 52,566	-€ 47,873	-€ 43,598	-€ 39,706	-€ 36,160
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	-€ 5,449,948	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 5,839,910
TOTAL	**-€ 83,906**	**-€ 76,415**	**-€ 5,519,540**	**€ 866,170**	**€ 1,096,671**	**€ 998,754**	**€ 909,580**	**€ 828,367**	**€ 754,406**	**€ 6,526,959**

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.
The overall value equates to €352/sqm based up[on the GLA. This compares favourably to build costs for a new facility.

Gross value	**€ 6,301,047**	
Market Value		**€ 6,301,047**

MARKET VALUE say € 6,300,000.00

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
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PROPERTY Vacant Land
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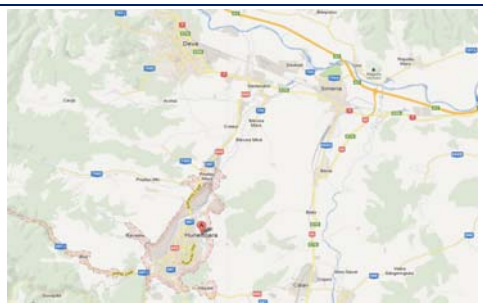
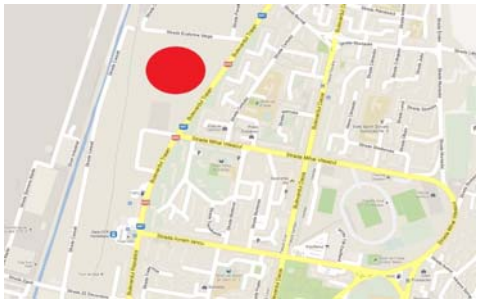
Romania


Hunedoara County

Subject Property


Micro Location

LOCATION

Hunedoara County is located in the western area of Romania, bordering Alba County to the east and north, Gorj County to the south, and with Caras-Severin, Timis and Arad counties to the west. It is the 9th largest county of Romania with an area of 7,063 sq km.
According to the official statistics-Hundedoara is the most populous city in Hunedoara County. The city has witnessed a massive economic downturn after the revolution in 1989 that has affected significantly the level of purchasing power and real-estate development. The local economy had been developed around the steel industry that employed 20,000 people prior to 1989. Whilst the steel plant was taken over by Arcelor Mittal in 2003, it has continued to reduce activity. The current number of workers is around 500-700 people. The city is placed on Cerna River, in the central area of Hunedoara County, only 18 km from the city of Deva. The connection with E68 towards Deva is provided through a dual carriageway that has been extended and refurbished over the last three years.
The subject property is a vacant plot of land in total size of 40,919 sq m. It is located in the median area of the city, close to the OMV gas station the railway station. It has direct access to Traian Boulevard, a two lane asphalted road on each way. Traian Boulevard is crossing the city from North to South avoiding the central area of the city, allowing a faster transit of the city both for heavy truck and for small cars.
The Western side of the land is bordered by a railway, the Northern side is bordered by a fuel storage complex while the Southern side is bordered by a bakery and another industrial facility. The Eastern side of Traian Boulevard is densely populated; there are many apartment blocks with ground floor and four upper floors each which were built during 1960 – 1980.

LOCATION DETAILS

City Population	60,525
Local Land	Residential & Industrial
Distance to Centre	1.5 km
Distance to Highway	18 km
Distance to National Road 7	11 km
Public Transport	Local minibuses
Plot area	40,919
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	40,919
Parking Places (closed)	n/a
Access	to Traian Boulevard
Utilities	available, not checked
Legal issues	not checked

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
VALUATION DATE 31 December 2013

PROPERTY DATA

PLOT OF LAND

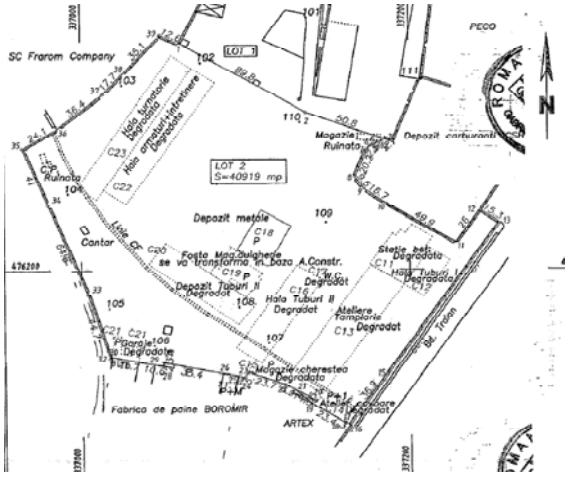
Site area, total	40,919
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	30-Nov-13
Inspected by	Bogdan Blendea

PROPERTY DESCRIPTION

The subject property comprises one land plot identified with cadastral number 2388 and extending to 40,919 sq m.
The site has an irregular shape, is flat and partially fenced.
The site is part of former steel factory. According to our understanding there were several industrial premises built as following: foundry hall, concrete station and storage hall for tubes, metal, timber and other buildings.
The site is accessible form Traian Boulevard.
We have made no specific queries to the statutory authorities but understand and assume that all mains services are available on the site.



LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Hunedoara, Hunedoara County .
According to the Land Registry Excerpt No 880N, enclose number 1476/05.02.2008, cadastral number 2388 the property consists in one land plot in size of 40,919 sq m and 13 buildings with a foot print in total size of 10,452 sq m. The owner of the property is SC North West Plaza SRL. There is no mention regarding any mortgage.
At the inspection date we didn't see any construction on the land. The land is overgrown with grass.
We have not checked title documentation but assume the property is an unencumbered effective freehold.

Land registry extract	No 880N	Obtained on	05.02.2008
Registered owner	Owner: SC North West Plaza SRL		
Registered use	Land and constructions; Assumed vacant;		
Registered size			40,919.00

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

Comments

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
VALUATION DATE 31 December 2013

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
Maximum height	n/a
Permit status	No building permit. We were not aware of any PUZ existence

The subject Property has a PUD granted in 2009, this is an approval to accept the scheme within the municipality's urban layout framework.
To advance further with the project it may be necessary to get a PUZ, a Certificate of Urbanism and a building permit.

ENVIRONMENTAL

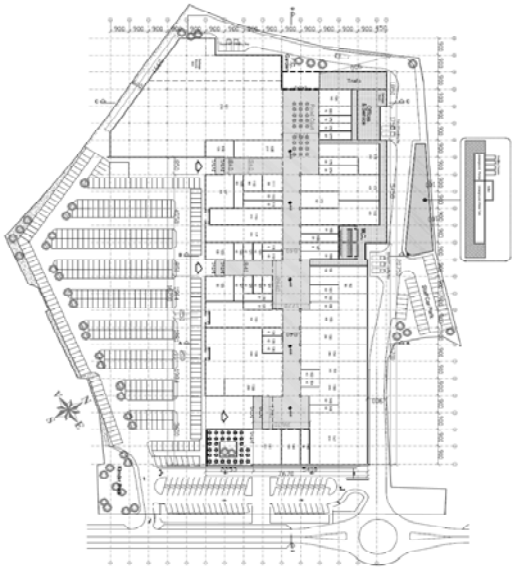
We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).

In view of the characteristics and history of the property parts of the land could be affected by pollution from the former steel factory.

PROPOSED SCHEME

The client is planning to develop a shopping center. The shopping center will have approximately GLA of 14,000 m2, 63 units and will include a supermarket, fashion retailers, food court, restaurants and over 600 car parking spaces. We were not provided with any PUZ for the area.

We comment that on the one hand there is no shopping centre in the city but on the other hand the purchase power of the area is very low and the economical situation of the area is not so good.



PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
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SWOT-ANALYSIS

STRENGTHS

Good access from the main road;
Good opening to the main road;
All the utilities in the area;
One compact plot of land; Vacant land;

WEAKNESSES

The land could be affected by pollution;
There is no valid PUZ or building permit;
The poor economical situation of the area;
The purchase power of the citizens is low;

OPPORTUNITIES

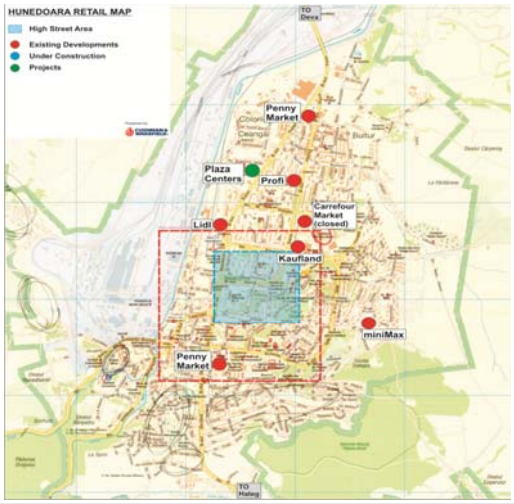
Lack of commercial centres in the area;

THREATS

Deva City which is only 15 kilometres away is attracting all the current investments from the area;
The highway junction point is 18 kilometres away while Deva junction point is only 1 kilometre away;

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

There are no shopping centres in Hunedoara, being the single city in Romania of over 50,000 inhabitants without shopping centre supply, either modernised and not modernised.
Israeli developer Plaza Centers has announced several years ago its intention to build a 13,000 sq m GLA shopping centre, the subject of this valuation. The construction of the scheme in Hunedoara has not started until now, not being available news about this project for more than 2 years.
The estimated rental level that can be achieved currently for shopping centre space in Hunedoara City is placed at €10-15 /sq m/month for shops of 100-200 sq m and €8-10 /sq m/month for units of 200-500 sq m. This is a broad estimation as the market does not include such type of facilities.
The retail warehousing sector includes only few stand-alone developments such as Kaufland, Lidl, Profi, Penny Market, etc., while the retail parks are not represented.



The project's primary catchment covers all the city area and all the other villages from the area.

COMPETITION

There is a very low representation of international and national retailers on the local market, the competition being developed mainly on the food sector.
The hypermarket sector includes a single unit opened in 2006 by Kaufland. The unit is placed in the central area of the city, at the junction between Dacia Boulevard and Avram Iancu Street. In front of the hypermarket there is a small shopping gallery with few shops, including Domo, BRD, InMedio, SensiBlu, Say and locals.
The supermarket sector includes only local retailers operating small units. In 2010 Carrefour Market decided to close its unit of 1,100 sq m placed at the junction of Dacia Boulevard with M.Viteazul Street, in close distance from Kaufland. This was the first modern retail box in Hunedoara, opened before 2006 by Artima Supermarket.
Food discount is the single sector that is well developed in Hunedoara City. It includes 5 units opened so far by international chains (Lidl, Profi, Penny Market). Penny Market operates two units on the local market, while the rest of competitors have each one unit. The average surface of the existing discounters vary between 850-1,100 sq m, and each was opened in the last 5 years.
The other sectors are largely represented by local retailers, with only few exceptions such as Leonardo (footwear), Lem's (furniture), InMedio (newspapers). The electrical goods sector includes Domo and Altex.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
N/A	N/A	N/A	No Shopping centre in Hunedoara

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
VALUATION DATE 31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of the value we have had to make certain assumptions for the input variables. We consider these assumptions appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a large shopping centre. The subject property is located in a good area of the city. Even so, due to economic problems of the area, the low purchase power of the citizens and the fact that Deva city is attracting the most important investments in the area we assumed that the highest and best use of the land is a retail unit, other services and residential development. We also assumed that the landlord will need to hold the land and allow for price recovery before starting the construction.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed the average ERV for the commercial area based on our market research and knowledge of the recent lease transactions and current trends.

Retail	€	7.75	/sqm /month
House	€	-	/sqm /month
Plot of Land	€	-	/sqm /month
4	€	-	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing shopping centres in the county. Current yield levels are not economic; we have allowed for mid-term yield expectations in our calculations.

	Exit
Retail	9.00%
House	0.00%
Plot of Land	0.00%
4	0.00%
5	0.00%
6	0.00%
7	0.00%
8	0.00%
9	0.00%
10	0.00%
11	0.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Retail Unit	€	300	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		13%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
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SUMMARY RESIDUAL VALUATION

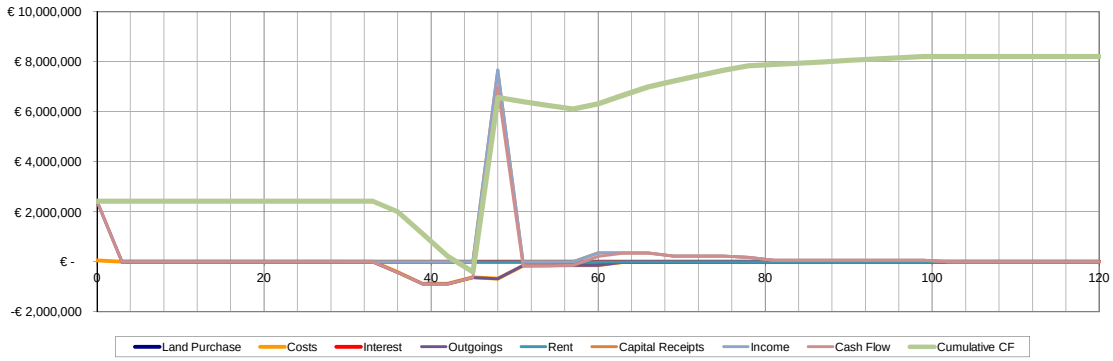
Capital Receipts			€	9,958,550		
Rent			€	-		
Income					€	**9,958,550**
Development Costs			-€	3,033,000		
Infrastructure			-€	303,300		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	417,038		
Contingencies			-€	187,667		
Fixed Marketing Costs			€	-		
Sales Fees	2%	sales proceeds	-€	149,378		
Leasing Fees	**10%**	**annual rent**	-€	68,927		
Development Finance	9.00%		-€	149,725		
Developer's Profit @	20.00%	GDV	-€	1,991,710		
Acquisition Fees	2.00%		-€	71,722		
					-€	**6,372,467**
Residual value					**€**	**3,586,083**
Land Holding cost						0.660888
					€	**2,370,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	€ 2,370,000								
Costs	€ 47,400	€ -	€ -	-€ 421,168	-€ 3,077,952	-€ 602,677	-€ 39,294	-€ 14,094	-€ 3,300
Income	€ -	€ -	€ -	€ -	€ 7,658,550	€ 350,000	€ 1,160,000	€ 515,000	€ 220,000
Interest	€ -	€ -	€ -	€ -	-€ 8,766	€ -	€ -	€ -	€ -
Cash Flow	€ 2,417,400	€ -	€ -	-€ 421,168	€ 4,571,832	-€ 252,677	€ 1,120,706	€ 500,906	€ 216,700
Cumulative CF	€ 2,417,400	€ 2,417,400	€ 2,417,400	€ 1,996,232	€ 6,568,065	€ 6,315,388	€ 7,436,094	€ 7,936,999	€ 8,153,699

As can be seen in the chart below, we assume development will commence in the future. Based on our assumption the property will be developed in three phases. The first phase will include a retail unit and some additional shops, car washing area and restaurants with a GLA of 7000 sq m. This phase will be finalised in fifteen months and following the opening it will start generating profit. Deducting the roads, parking area and the foot print of the buildings it still remains around 26000 sq m undeveloped land. We estimate that this part of the land, after the retail unit is functional, could be developed as residential. The second phase will start after the end of the first phase. It will consist in dividing the land in 65 plots with a total size of 400 sq m each and starting the construction of ten houses with a GBA of 150 sq m per house. At the end of these phases the houses will be marketed for sale. The third phase will consist in finalizing the infrastructure road for the remaining plots of land. All the fifty five plots of land will be offered for sale at an estimated price of €40 per sq m. The sealing period could achieve three years and a half.

Cash Flow Profile



PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
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SUMMARY & CONCLUSION

We have compared the site to available commercial land in secondary Romanian cities. We estimate that the subject plot would transact in the €40-60 per sq m range, which we consider to be realistic in the context of the available market information.
No directly comparable transaction (retail development land in the city centre of Hunedoara) has been recorded in recent years; therefore residual approach provides the most reliable market value. In summary, using the above assumptions and variables we have arrived at a residual amount of €58 per sq m, which is according to our opinion a supportable unit value of the site.

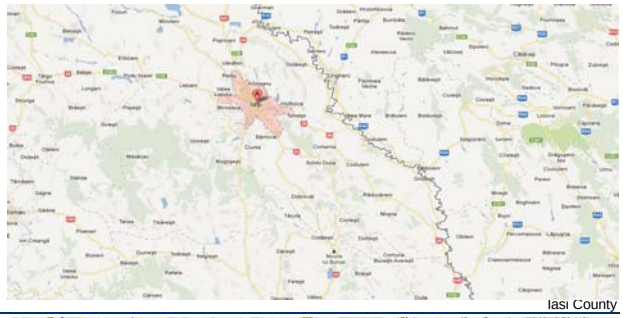
Address	Details	Asking or sold?	Date	€/sqm
Land plot in Iasi, next to Era Shopping Park	Land plot in Iasi, next to Era Shopping Park, size of 120000 sq m.	Sold	2013/Q1	€ 21
Land plot in Brasov, Tractorul Platform	Land plot in Brasov, Tractorul Platform, size of 1000000 sq m.	Sold	2012/Q2	€ 25
Bacau exit to Moinesti	Dedeman (DIY) bought 45,000 sq m	Sold	2013/Q1	€ 38
Constanta Navodari exit to Mamaia	60,000 sq m bought under bankruptcy procedure by Marina Regia	Sold	2013/Q3	€ 55
Land plot in Bistrita, south west side	Land plot in Bistrita, south west side, size of 19870 sq m.	Sold	2011/Q3	€ 80

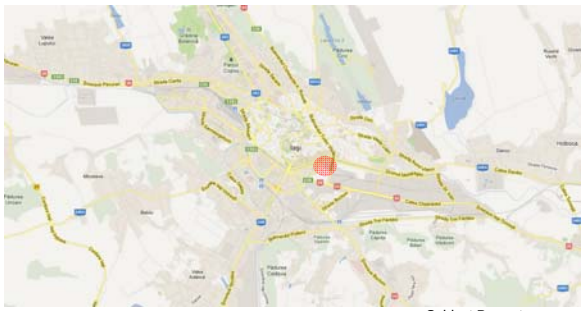
MARKET VALUE € 2,370,000.00 say € 2,375,000

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

Romania


Iasi County


Subject Property

Micro Location

LOCATION

Iasi County is located on the north-east area of Romania, and borders four other counties as well as the Republic of Moldova to the East. It is the 2nd most populous county in Romania having approximately 800,000 inhabitants. Iasi City is the capital of Iasi County and of the entire north-eastern part of Romania. The city is by far the largest economic, commercial and cultural centre in its region, situated only 20 km from the border with the Republic of Moldova and 144 km from Moldova's capital, Chisinau with over 650,000 inhabitants.

The main route traversing the county is the E583, a road that connects the European route E85 with the town of Targu Frumos, Iasi and the Republic of Moldova. There are developments of new roads planned, including a motorway and 3 ring roads/bypasses – for Iasi, Targu Frumos, Pascani. The only project currently under construction is the Iasi ring road, the south-western section having been completed. Furthermore, a planned modernisation of the DN24 – a national road connecting Iasi with Vaslui – will be undertaken in the near future. The areas' only airport is located in Iasi City. The airport handles both domestic and international flights.

LOCATION DETAILS

City Population	320,888
Land Uses	Residential & Commercial
Distance to Centre	1.0 km
Distance to Highway	n/a
Distance to National Road 7	At the national road 1.5 km
Public Transport	Trolley, Trams, Buses
Plot area	46,500
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	46,500
Parking Places (closed)	n/a
Access	Socola and Primaverii Boulevards
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

Site area, total	46,500
Surplus Land	-
Developed area (% total site)	n/a

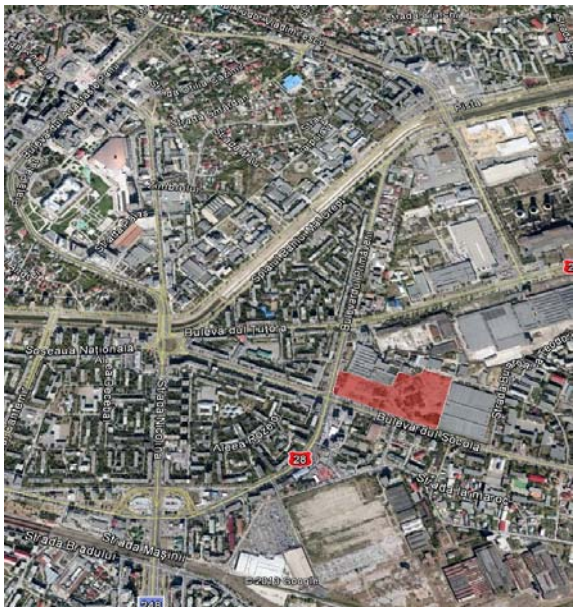
INSPECTION

Inspection Type	External
Inspection Date	18-May-13
Inspected by	Razvan Gheorghe MRICS

PROPERTY DESCRIPTION

The Land comprises a number of plots situated close to Iasi's centre. Individual plot details are as detailed in the table below. The site has an irregular oblong shape, is flat and fenced. The site is supposed to be under development on a former industrial textile factory. The site is accessible form Primaverii and Socola Boulevards. We have made no specific queries to the statutory authorities but we understand and assume that all main utilities are available on the site.

1. Cad 4373/1/1/1/1/27, plot 1/1/1/1/27(8193/1/1/1/27)- 1212.64 sq m, land book 65614 blds: C95/0;C95/1;C95/2
2. Cad 4373/1/1/1/1/13, plot 1/1/1/1/19(8193/1/1/1/19)- 3966.65 sq m, land book [illegible]
3. Cad 4373/1/1/1/1/18, plot 1/1/1/1/8(8193/1/1/1/18)- 1206.17 sq m, land book 65605 blds: C86/1/0;C86/1/1;C86/2/0;C86/2/1
4. Cad 4373/1/1/1/1/17, plot 1/1/1/1/8(8193/1/1/1/17)- 611.55 sq m, land book 65613 blds: C85/0;C85/1;C85/2
5. Cad 4373/1/1/1/1/16/1/1, plot -- 882.2 sq m, land book 65087 blds: C22-U1;C23;C26-U1;C28-U1
6. Cad 4373/1/1/1/1/16/2/1, plot -- 94.15 sq m, land book 65088 blds: CC
7. Cad 4373/1/1/1/1/15, plot 1/1/1/1/15(8193/1/1/1/15)- 12329.13 sq m, land book 65612 blds: C81/1/0;C81/1/1;C81/2/0;C81/2/1;C81/3/0;C81/3/1;C81/4/0;C81/4/1;C82;C83;C84
8. Cad 4373/1/1/1/1/14, plot 1/1/1/1/14(8193/1/1/1/14)- 1304.95 sq m, land book 60930 blds: C79/0;C79/1
9. Cad 4373/1/1/1/1/13, plot 1/1/1/1/13(8193/1/1/1/13)- 1823.83 sq m, land book 65610 blds: CC
10. Cad 4373/1/1/1/1/12, plot 1/1/1/1/12(8193/1/1/1/12)- 5854.02 sq m, land book 65609 blds: C80
11. Cad 4373/1/1/1/1/11/1, plot -- 2627.12 sq m, land book 65608 blds: C46;C47;C48;C49;C50-U1;C51;C52;C53;C54;C55;C56
12. Cad 4373/1/1/1/1/4, plot 1/1/1/1/4(8193/1/1/1/4)- 8895.44 sq m, land book 65607 blds: C88/1/0;C88/1/1;C88/2
13. Cad 4373/1/1/1/3, plot 1/1/1/12(8193/1/1/3)- 565.31 sq m, land book 65606 blds: C93/0;C93/1;C93/2;C94
14. Cad Lot 2 - 4373/1/1/1/1/1/2/1, plot -- 4299.9 sq m, land book 65091 blds: -
15. Cad 4373/1/1/1/1/20/2, plot -- 608 sq m, land book 68033 blds: C88/3/2
16. Cad 4373/1/1/1/1/22/2, plot -- 219 sq m, land book 68035 blds: C88/4/2-U1;C88/4/2-U2;C88/4/2-U3



* indicative only as it was not checked the exact boundaries

LAND REGISTRY DETAILS

According to the documents provided by the client, the property is situated at 2, Primaverii Street, Iasi, Iasi County. According to the Land Registry Excerpts, site plans and Change contract, we understand that the property comprises 16 plots extending to an aggregate area of 46,500.06 sq m divided into 51 separate cadastral registry entries with their initial buildings, as well as 3 other cadastral registry entries without buildings. The owner of the property is SC Green Plaza SRL. There is no mention regarding any mortgage, however we understand that there was a legal challenge against the ownership and this is recorded in the land registry. We have valued the land assuming freehold title.
At the inspection date most of the industrial buildings mentioned within the land book had been demolished in order to prepare the land for further development. We have not checked title documentation and permits for demolishing permission. We have not been provided with any recent land registry entries or cadastral documentation that reflects the actual current situation. We have not checked title documentation but we assume the property is an unencumbered effective freehold

Land registry extract	as specified in the section above (Property Description)	Obtained on	02-07.07.2008
Registered owner	Owner: Green Plaza SRL		
Registered use	Land and constructions; Assumed vacant;		
Registered size			46,500.06

Restrictions and encumbrances

We have not checked title documentation but we assume the property is an unencumbered effective freehold. The more relevant documents that were checked are summarised in the sections above (Property Description and Land Registry Details).

Comments

High street retail is concentrated in the very central area of Iasi, along Stefan cell Mare Boulevard, Independentei Boulevard., Unirii Square and Anastasie Panu Street. The subject site is located close to the city centre and it is thought that the highest and best use is for retail development; however the threat from the competition may affect the rents and feasibility of the project. A mixed use with office development as well as residential /leisure part could mitigate the risks associated with the current project.

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	Mixed: Retail/Office
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	Building Conditions - mixed use Retail/Office - proposed scheme. No

We understand that the initial urban planning permission was approved by the Urban Planning Committee of Iasi, for the site held by Green Plaza SRL at 2nd Primaverii Boulevard, Iasi at 7/7/2010. The local authorities permit the construction of a "multi-purpose development". Furthermore we are aware of the fact that the municipality of Iasi also issued the main approval ("Acord unic" in Romanian) no.165/10.09.2010 for developing a building of mixed uses, retail, underground parking and an office building.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence of contamination or dangerous substances.
In view of the characteristics and history of the property parts of the land could be affected by pollution from the areas' former uses in connection with the steel industry.

PROPOSED SCHEME

The current plans are for the development of a shopping centre, provisionally named 'Green Plaza' to include an adjoining office building. The shopping centre will comprise approximately 40,000 sq m with approximately 120 units and will include an anchor supermarket, a cinema, fashion retailers, a theme park, a food court and restaurants. The office building is planned to offer 18,000 sq m and there will also be approximately 1,700 car parking spaces.
Project status: Planning stage
Plaza Centres' share: 100%. We are not informed of any legal or environmental issues raised. The Implementation Zoning Plan of Parcels of the first phase is not allocated.
We comment that there is a high level of competition for retail however other uses, such as residential, may be a suitable alternative.

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
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SWOT-ANALYSIS

STRENGTHS

- Excellent location close to the city centre
- Large opening toward two of the main boulevards
- All the utilities on the site

WEAKNESSES

- Retail market oversupplied
- Local economy is underdeveloped
- Local purchasing power is low;
- Any development will require time prior to commencement

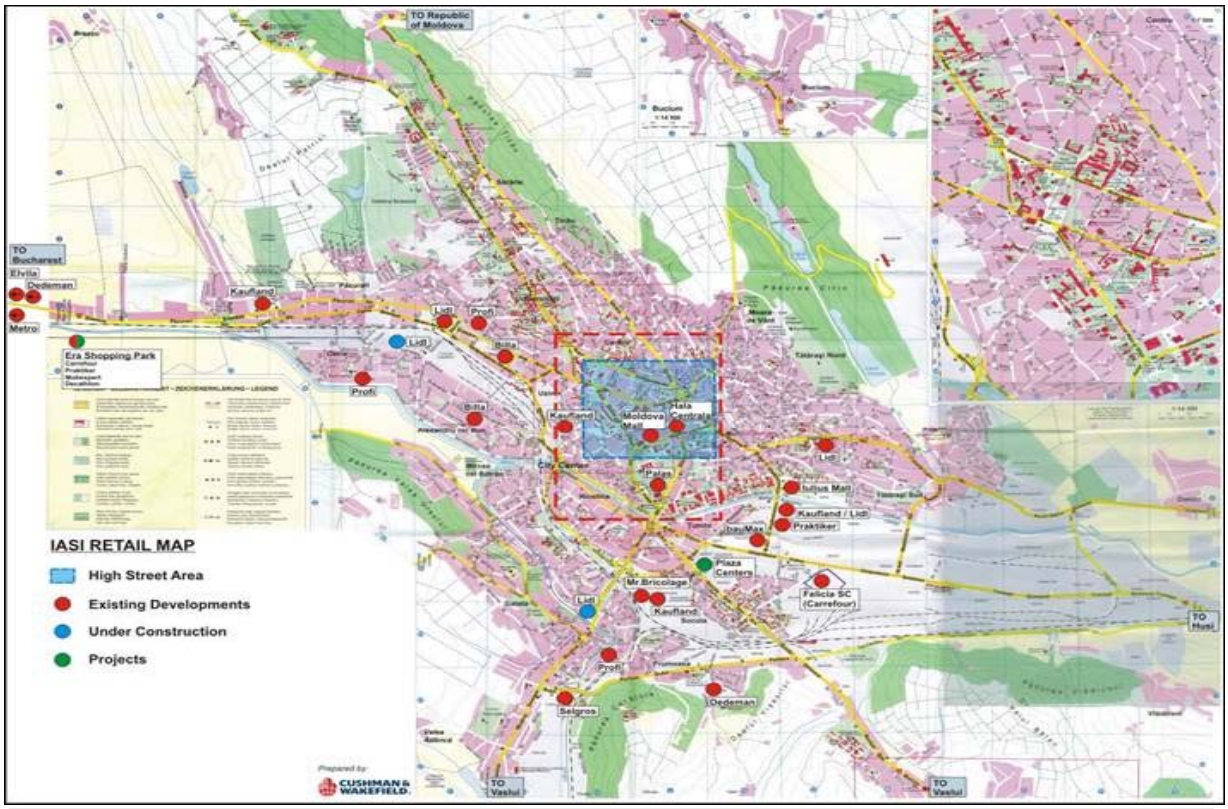
OPPORTUNITIES

- Iasi may develop as the capital of a new region which will require more office space and increase purchasing power;

THREATS

- Reducing rents as consequence of oversupply;

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY



The project's primary catchment covers all the city area and surrounding villages. All the main formats of modern retail are represented in Iasi City, the very first new schemes being opened from 2000-2001. The development program accelerated during 2007-2008, witnessing the completion of 5 hypermarkets, one cash & carry, 2 DIY and 2 shopping centres. Further new schemes were completed in 2009-2010, although the development pace was significantly affected by the effects of the economic crisis. The hypermarket sector is well developed and includes 5 units opened so far. Carrefour has two large-format units, being the food anchor of Felicia Shopping Centre and Era Shopping Park, while Kaufland operates 3 small-format units placed in the middle of the residential areas. The competition will increase with the announced opening of Auchan this year as part of Palas and the 4th unit of Kaufland as part of a retail park across Iulius Mall.

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

COMPETITION

The local shopping centre market is well developed, including a total modern stock of 141,300 sq m and a density of 487 sq m GLA / 1,000 inhabitants (10th highest in Romania).

There are 5 major shopping centres in Iasi, including Palas, Iulius Mall, Felicia Shopping Center, Era Shopping Park and Moldova Mall.

Palas is the dominant shopping centre in Iasi, completed in 2012 in the downtown area of the city, adjoining the Palace of Culture. The centre has 54,300 sq m GLA and is part of a mixed-use project developed by Romanian Iulius Group including also office, residential and accommodation functions. The tenant-mix includes a significant share of international fashion-oriented retailers such as Zara, H&M, C&A, New Yorker etc. The scheme is anchored by a 5,300 sq m Auchan City hypermarket. The leisure elements include food court, bowling, exterior garden and a 10-screen cinema to be opened by Village Cinema next year.

The second major scheme is Iulius Mall, developed by the same Iulius Group during 2000-2008. Iulius Mall was the second shopping mall opened in Romania, in 2000. Two extensions, in2005 and 2008, brought the leaseable area to 23,000 sqm. The scheme includes mainly small and medium shops, with a limited number of anchors, while the entertainment area includes kid's playground, 5-screen Cinema City, WorldClass fitness, billiard & games. The scheme is almost fully let and targets especially the nearby student population.

Felicia Shopping Center is a 26,500 sq m shopping centre opened in 2007 on a former industrial site. The scheme includes a 15,500 sq m Carrefour hypermarket and a 11,000 sq m shopping gallery, anchored by Intersport, Marks&Spencer, Takko, Deichmann, Leonardo and Media Galaxy. The scheme has an optimal operation, reaching a good level of footfall and sales.

Era Shopping Park is located on north-west side of Iasi, at the city exit to Tg.Frumos and E8.It is designed as a regional scheme, including both shopping centre and retail park sections. The existing functions include a 28,000 sq m GLA shopping centre anchored by Carrefour and warehousing boxes of Mobexpert, Praktiker and Decathlon. The further phases of development, including a 28,000 sq m extension of the shopping centre and 36,500 sq m of retail boxes, are currently put on-hold until an optimal pre-lease ratio will be secured.

No shopping centre scheme is currently under construction, both schemes announced years ago, namely Plaza Centers and the extension of Era Shopping Park, being put on-hold.

The prime shopping centre rents have experienced a decrease of 15-25% in the last 4 years. Today the rents are placed at approximately €12-17 sq m/month for units of 500-1,000 sq m and €5-14 /sq m/month for anchors of over 1,000 sq m. The medium spaces of 100-200 sq m have rents of €23-30 /sq m/month.

In regard to the office market, prime office rents decreased from €14-16 /sq m/month at their peak in 2008 to today's average level of €10-12 /sq m/month. For decentralized locations the rents are between €6-8 /sq m/month, corresponding to a 40-45% fall in the last 4 years.

SHOPPING CENTER COMPETING SCHEMES

Building / Address	*Date*	*Distance to subject*	*Comments*
Palas	2012	1 km	GLA 54,300 sq m, existing shopping centre
Iulius Mall	2000	1.2 km	GLA 23,000 sq m, existing shopping centre
Felicia Shopping Center (Carrefour)	2007	1.2 km	GLA 26,500 sq m, existing shopping centre
Era Shopping Park	2008	8 km	GLA 44,350 sq m, existing shopping centre & retail park

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted. Given current market conditions, it is uneconomic to develop at current rent and yield levels; a developer will not develop in these circumstances. Rather than apply the current uneconomic end use values, it is logical to assume that a buyer will build in a holding period to allow for the market to recover. We have applied variables that we consider reasonable assuming a "recovered" market.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property is for a large shopping centre with office buildings.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Anchor	€	8.50	/sqm /month
LSU	€	9.50	/sqm /month
MSU	€	16.00	/sqm /month
SU	€	28.00	/sqm /month
Offices	€	12.00	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing shopping centres in Iasi. Based on our market experience prime yields will be around 9-10 % for fully established scheme. We have applied a discount to reflect the speculative nature of the assumed scheme.

	Exit
Anchor	7.50%
LSU	7.50%
MSU	7.50%
SU	7.50%
Offices	8.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	700	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

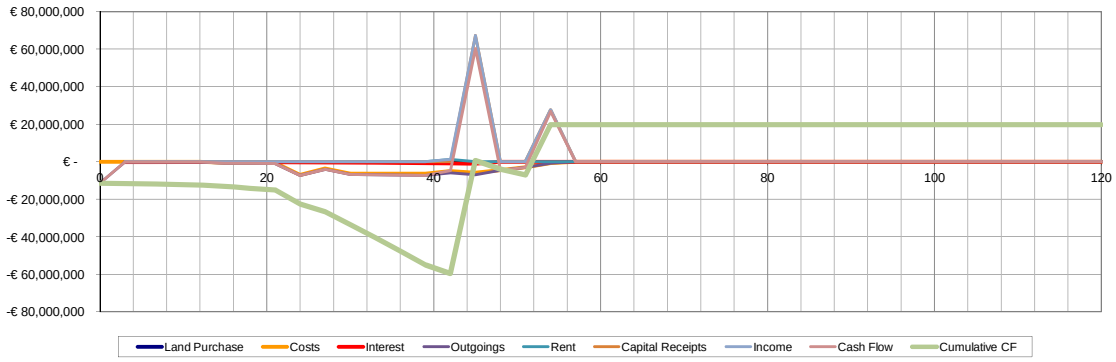
Capital Receipts			€	94,945,925		
Rent			€	1,260,824		
Income					€	**96,206,748**
Development Costs			-€	43,308,600		
Infrastructure			-€	4,330,860		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	4,763,946		
Contingencies			-€	2,620,170		
Fixed Marketing Costs			€	-		
Sales Fees	2%	sales proceeds	-€	1,898,918		
Leasing Fees	10%	annual rent	-€	725,945		
Development Finance	7.50%		-€	3,628,313		
Developer's Profit @	20.00%	GDV	-€	18,989,185		
Acquisition Fees	0.00%		€	-		
					-€	**80,265,938**
Residual value					€	**15,940,810**
Land Holding cost						0.723928
					€	**11,540,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 11,510,000								
Costs	€ -	€ -	-€ 9,147,122	-€ 22,898,524	-€ 21,803,139	-€ 3,799,656	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ 68,504,748	€ 27,702,000	€ -	€ -	€ -
Interest	€ -	-€ 863,250	-€ 1,002,820	-€ 2,248,271	-€ 2,960,607	-€ 199,845	€ -	€ -	€ -
Cash Flow	-€ 11,510,000	-€ 863,250	-€ 10,149,941	-€ 25,146,795	€ 43,741,002	€ 23,702,499	€ -	€ -	€ -
Cumulative CF	-€ 11,510,000	-€ 12,373,250	-€ 22,523,191	-€ 47,669,986	-€ 3,928,984	€ 19,773,515	€ 19,773,515	€ 19,773,515	€ 19,773,515

Development is uneconomic at present , therefore we have a ssumed a land holding period of three years before construction commences. Based on the current scheme the property will be developed in two phases. The first phase will include anchors (hypermarket, DIY/furniture) as well as small medium and large shops, food court, leisure, restaurants with a GLA of around 41,000 sq m. In the second phase there will be two office buildings of an aggregate of 18,000 sq m. of GLA area. The first phase will be completed within 18 months and the second within 12 months. Development of second phase will start after the first phase is completed and opened. At this point the scheme should have the optimal chance for generating income. Following the opening of second phase, the schemes will fully generate profit. The main cost for the first year is the land acquisition and the majority of the scheme will be developed in the third year.
The cash flow is shown below.

Cash Flow Profile



PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

We have compared the site to available commercial land in secondary Romanian cities. in order to support our valuation. We estimate that the subject plot would transact in the €230-270 per sq m range, which we consider to be realistic in the context of the available market information.
Sites in Iasi in good locations redeveloped from industrial because of the accessibility and visibility are marketed at up to €300 per sq m, however it is very difficult to find buyers in today's market
An adjoining plot on Primaverii Boulevard of 6,300 sq m land plus 4,300 sq m of buildings, is under a liquidation process and has been marketed since 2012 from 2.64 million Euros to 1.98 million Euros currently but no buyers have yet been found.
No directly comparable transaction (retail development land in the city centre of Iasi) has been recorded in recent years. In summary, using the above assumptions and variables we have arrived at a residual amount of €250 per sq m, which is according to our opinion a fair unit value of the site.

Address	Details	Asking or sold?	Date	€/sqm
Sibiu semi-central former Polsib site	29,117 sq m for retail park development	Sold	2013/Q4	€ 197
Bucharest - Glucoza Factory	Bought under bankruptcy procedure, office area	Sold	2013/Q1	€ 300
Land plot in Cluj, Ruttrans Platfrom (Calea Baciului)	Land plot in Cluj, Ruttrans Platfrom (Calea Baciului), size of 5000 sq m.	Sold	2010/Q4	€ 200
Land plot in Craiova, Electroputere	Land plot in Craiova, Electroputere, size of 120000 sq m.	Sold	2010/Q4	€ 250
Land plot in Bacau, Asco Factory	Land plot in Bacau, Asco Factory, size of 35000 sq m.	Sold	2010/Q4	€ 257

MARKET VALUE	**€**	**11,540,000.00**	**say**	**€**	**11,550,000**

PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 December 2013

PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 December 2013

Romania

Harghita County

Miercurea Ciuc City

Micro Location

LOCATION

The Property is located in Harghita County, Miercurea Ciuc City, Iancu de Hunedoara Street.
Harghita County is located in Central Romania, within Transilvania Region, neighbouring six other counties, namely Suceava in the north, Neamt in the north-east, Bacau in the east, Covasna and Brasov in the south and Mures in the west. The county spreads over an area of 6,639 sq km, making it the 2nd largest county in Central Romania, after Mures County.
The population of Harghita County amounted to 310,867 inhabitants, as from 2011, the 32nd largest county. The county registered a population density of 46.82 inhabitants per sq km, being 43.3% smaller than the national average of 90.1 inhabitants/ sq km and the 3rd lowest in Romania, before Tulcea and Caras-Severin.
The economy of the county is above average, with GDP per capita ranking 17th place in Romania last year. However, the county did not manage to attract many major investments after 1989, and just a few foreign direct investments.
Harghita County has 438 km of modernised national roads, 105 km of modernised county roads, and 209 km of railway. There are no airport facilities within the county, the closest airports being in Bacau and Targu Mures.
The main route traversing the county is DN 12 (part of E578) that connects Miercurea Ciuc and Gheogheni with Sf. Gheorghe in the south and Toplita in the north. E578 continues further up to Reghin and Bistrita.
There are a couple of road infrastructure projects planned, including the construction of bypass roads for Miercurea Ciuc, Ciceu and Siculeni, and the highway connecting Targu Mures with Ungheni, that will pass also through Harghita County, at Ditrau.
Miercurea Ciuc is the capital of Harghita County, and the most populous city within the county.

LOCATION DETAILS

City Population	38,966
Local Land	Residential & Industrial
Distance to Centre	1 km
Distance to Highway	n/a
Distance to National Road	At the national road 0 km
Public Transport	local public transport
Plot area	36,729
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	commercial centre - under construction
Occupation	under construction
Historic monument	No
Site area	36,729
Parking Places (closed)	n/a
Access	Inacu de Hunedoara St.
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

Site area, total	36,729
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	13-May-13
Inspected by	Bogdan Blendea

PROPERTY DESCRIPTION

According to the information provided, the subject property comprises two land plots of 2,864 sq m and 33,865 sq m with a total area of 36,729 sq m. On site there was an old industrial building which was refurbished according to the commercial centre plan and extended. The building work has stopped.
The site is fenced and has a regular shape, with a slight slope along the road.
Csiki Plaza was intended to be a traditional shopping centre. The centre would provide the local market with 14,000 sq m GLA of modern shopping centre space. The project included 525 parking spaces, located to the rear of the main building.

LAND REGISTRY DETAILS

We have been provided with the following documents:
- Land Registry Excerpt no. 19149 / 11.12.2008 - referring to the land plot of 2,864 sq m
- Land Registry Excerpt no. 19148 / 11.12.2008 - referring to the land plot of 33,865 sq m
(bouth land plots have a mortgage registered in favour of INVESTKREDIT BANK AG)
- Building Permit no. 134 / 08.05.2008 for a commercial centre (expired)
- Building Permit no. 92 / 08.04.2008 for a parking building (expired)
- Decision no. 9 / 2008 regarding the approval of the Urban Plan for the commercial centre
- plans

Land registry extract	no. 19149/11.12.2008 and no. 19148/11.12.2008	Obtained on	11,12,2008
Registered owner	North Gate Plaza SRL		
Registered use	Assumed land		
Registered size	in total 36729sq m		

Restrictions and encumbrances

According to the information provided there are no restriction and encumbrances. The owner had a building permit for a commercial centre and parking area.

Comments

According to the information provided there is a mortgage in favour of ÌNVESTKREDIT BANK AG for the amount of 19,900,000 Euro.

PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	commercial center
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	a building permit for a commercial center and parking area (expired)

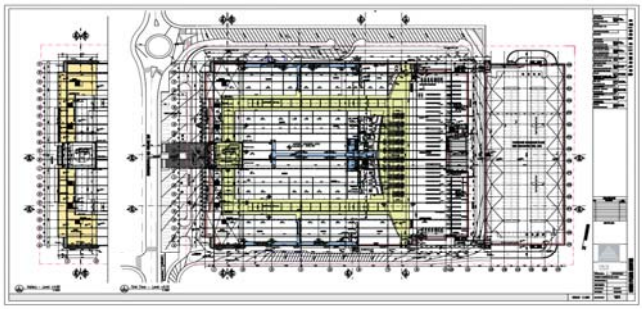
The subject Property is an old industrial facility located in the eastern outskirts of the city. There was a building permit issued in 2008 for a commercial centre and a park area. At the date of the inspection the building work had been suspended at a partially built stage. It seems there was an old building that was reconsolidated partially and integrated into the new plan. According to the documents provided the building permits expired and the building work is not finished.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that can determine the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).
In view of the characteristics and history of the property we cannot say if there are outstanding environmental or archaeological issues. We advise you to have these issues checked.

PROPOSED SCHEME

According to the information provided we understand that the owner is planning to develop a commercial centre called CSIKI PLAZA. The scheme comprises commercial centre and associated parking.
The centre was designed to provide 14,000 sqm GLA of modern shopping centre space. The project included around 525 surface parking spaces located to the rear of the property.



PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

- Good opening to the main road
- All the utilities in the area

WEAKNESSES

- Remote location compared to city centre
- The purchase power of the citizens is low
- The pedestrian access is difficult because of the slope in the area
- The area is sparsely populated

OPPORTUNITIES

- Lack of commercial centers in the area

THREATS

- The main road which connects the city with Bacau and Targu Mures already attracted Kaufland, Dedeman and Penny
- Expansion of the town towards the west

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The retail market in Miercurea Ciuc includes a limited international and national representation. Apart from the high street units, the representative retailers are part of several boxes developed during the recent years, and as part of Tulipan SC, the former department store of the city.

The food sector is currently the most developed, including 4 international operators, namely a small-form hypermarket unit operated by the German Kaufland and two discount units of Penny Market, Profi and Lidl.

Miercurea Ciuc has an underdeveloped shopping centre market, the only existing shopping centre being Tulipan, a small-size former state owned department store of the city, located in the downtown area.

In terms of shopping centre development there is one scheme in pipeline, namely Csiki Plaza, and another scheme in project phase, Cadran Commercial Centre.

COMPETITION

Miercurea Ciuc has an underdeveloped shopping centre market, the only existing shopping centre being Tulipan, a small-size former state owned department store of the city, located in the downtown area. The centre is structured on GF, mezzanine and 1st floor, and it is anchored by Profi, DM and Altex. Other occupiers include Richter (pharmacy), Jolidon (lingerie), Pietra (footwear), and other small local retailers, especially from the textile/ clothing sector.

Cadran Commercial Centre is a small centre of 7,500 sq m GLA developed by Red Management Capital in the western part of the city, near Kaufland. The centre is structured on GF+1 and will be anchored by a supermarket and an electrical goods store. In total there will be approx. 40 shops and around 500 parking spaces. The scheme is still in a project phase, a Dedeman DIY being also planned to be developed next to it.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (€psm / mth)*	*Comments*
Tulipan Shopping Center		10-20 up to 28 for shops,	Anchores: Profi, Altex, DM on GF, mezzanine and 1st floor
Cadran Commercial Centre in project		4-6 for anchors	A project phase 14,000 sq m on hold, Dedeman DIY possible to be developed next to it.

PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).
To form an opinion of value we have had to make certain assumptions for the input variables. We consider that these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.
You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a large shopping centre. We believe that the construction of a shopping centre may not be the best use for the land in the current market; however our valuation follows the original proposed scheme, which may be viable on a longer term. To allow for the market conditions to improve to a time when retail may be feasible we have also assumed that the landlord will need to hold the land for two years before starting construction.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Retail element	€	15.00	/sqm /month
Logistic element	€	4.50	/sqm /month

EXIT RATES APPLIED

We estimate the cap rates based on the most recent information and deals as well as discussing with agents involved in transactions.

	Exit
Retail element	9.00%
Logistic element	9.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market. We also considered the actual state of the building and the costs required for redevelopment.

Shopping Centre	€	300	/sqm
Logistic element	€	180	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		10%	GDC
Developer's Profit		20%	GDV

PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

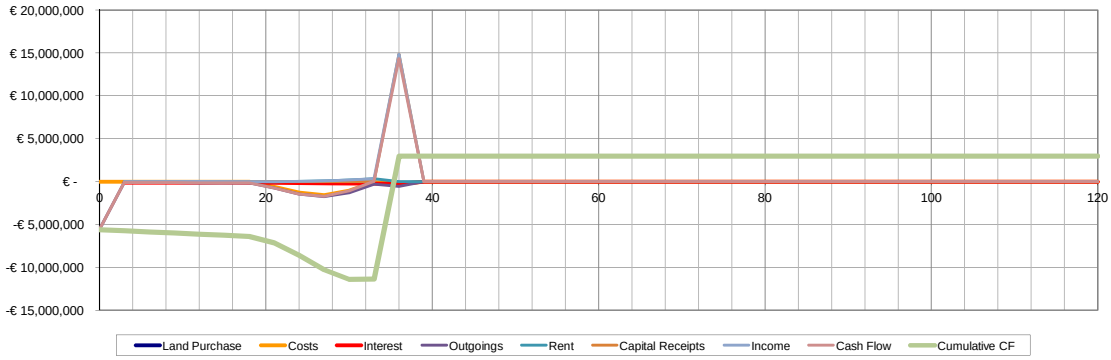
Capital Receipts			€	14,867,763		
Rent			€	591,313		
Income					**€**	**15,459,076**
Development Costs			-€	3,466,579		
Infrastructure			-€	346,658		
Fees			-€	386,324		
Contingencies			-€	212,478		
Sales Fees	2%	sales proceeds	-€	297,355		
Leasing Fees	10%	annual rent	-€	133,810		
Development Finance	9.00%		-€	318,717		
Developer's Profit @	20.00%	GDV	-€	2,973,553		
Acquisition Fees	0.00%		€	-		
					-€	**8,185,474**
Residual value					**€**	**7,273,603**
Land Holding cost						0.772657
					€	**5,620,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 5,620,000								
Costs	€ -	€ -	-€ 1,904,422	-€ 2,988,782	€ -	€ -	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ 15,459,076	€ -	€ -	€ -	€ -	€ -
Interest	€ -	-€ 505,800	-€ 564,429	-€ 906,551	€ -	€ -	€ -	€ -	€ -
Cash Flow	-€ 5,620,000	-€ 505,800	-€ 2,468,851	€ 11,563,743	€ -	€ -	€ -	€ -	€ -
Cumulative CF	-€ 5,620,000	-€ 6,125,800	-€ 8,594,651	€ 2,969,092	€ 2,969,092	€ 2,969,092	€ 2,969,092	€ 2,969,092	€ 2,969,092

As can be seen in the chart below, we assume development will commence after 18 months . Based on a scheme which mixes retail and logistic the property will be developed in phases with hypermarket, shops, food court, leisure as well as a phase of logistic. We see less interest for the city coming from other retailers than those already within the city. We assumed that the phases will be completed within one year when the scheme will start generating income. The main cost for the first year is the land aquisition and the majority of the scheme will be developed in the second and third year.

Cash Flow Profile



PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
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SUMMARY & CONCLUSION

We have compared the site to available commercial land in secondary cities of over 40,000 inhabitants. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact with the existent structures on the site. Development sites across Romania were sold for retail at around the €25-80 per sqm for more peripheric locations or/and small cities and around the €100-130 per sqm for more important cities whilst few very good location achieved more, up to €300-400 per sqm.
No directly comparable transaction has been concluded in the last two years, therefore residual approach provides the most reliable market value. In summary, using the above assumptions and variables we have arrived at a residual amount of €150 per sqm, which is according to our opinion a unit value of the site taking into account the partially developed structures on site.

Address	Details	Asking or sold?	Date	€/sqm
Land plot in Galati, Ring Road area	Land plot in Galati, Ring Road area, size of 32000 sq m.	Sold	2012/Q4	€ 130
Land plot in Constanta, Tom SC area	Land plot in Constanta, Tom SC area, size of 35000 sq m.	Sold	2011/Q4	€ 171
Sibiu semi-central former Polsib site	29,117 sq m for retail park development	Sold	2013/Q4	€ 197
Land plot in Cluj, Ruttrans Platfrom (Calea Baciului)	Land plot in Cluj, Ruttrans Platfrom (Calea Baciului), size of 5000 sq m.	Sold	2010/Q4	€ 200

MARKET VALUE	**€**	**5,620,000.00**	**say**	**€**	**5,625,000**

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
VALUATION DATE	31 December 2013

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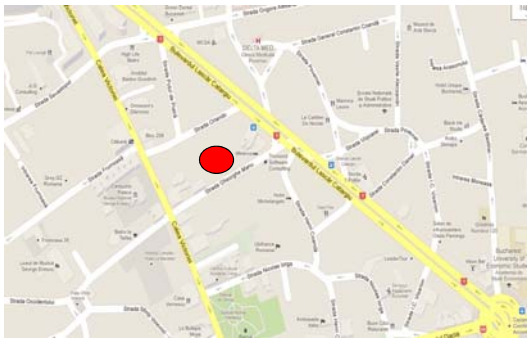
Macro Location



Micro Location

Front View

Internal View

LOCATION

The Property is located in Bucharest on 10 Gheorghe Manu Street, in the centre of the city between Piata Victoriei and Piata Romana.

Bucharest has approximately 1,900,000 inhabitants and is the capital city of Romania. It is the administrative and business hub of the region.

The immediate locality provides a mix of old and new residential and commercial buildings. There are a number of restaurants in the surrounding area and public transport links are within easy reach of the property.

Two metro stations are within a ten minute walk, and several bus stops are within a five minute walk from the property.

LOCATION DETAILS

City Population	1,900,000
Land Uses	Residential and Commerical
Distance to Centre	1 km
Distance to Highway	6 km
Distrance to National Road	6 km
Public Transport	Nearby
Plot area	449
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Residential occupied as offices
Occupation	Multi tenanted
Historic monument	Presumed no
Gross lettable area	406.06
Parking Places	5
Access	from Strada Gheorghe Manu
Utilities	yes
Legal issues	not checked

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction	1910
Modernisation Year	2006
Building Condition	Good
Gross lettable area	406.06
Parking places	5
Current rent p.a.	90.000
Vacancy rate (overall)	0
Weighted remaining lease term	30 months
State of Repair	Good
Overall Condition	Good

TECHNICAL DETAILS

Building Type	Residential
Construction	Concrete
Facade	Plastered and painted
Roof	Flat roof
Windows	Timber / PVC
Glazing	n/a
Heating	Gas central heating
AC/ Ventilation	Air conditioning units
Cabling	None
Sanitary	Modern standard

PLOT OF LAND

Site area, total	449
Surplus Land	0
Developed area (% total site)	90

INSPECTION

Inspection Type	Internal & External
Inspection Date	28/05/2013
Inspected by	Charlie Henry MRICS

PROPERTY DESCRIPTION

The property is a large villa originally constructed in 1910 and renovated in 2006. There is a basement, ground, first and second floor. The building has two entrances to Gheorghe Manu Street, one of the entrances providing access to a small basement and a raised ground floor where there are 5 large rooms that lead from a central room plus a kitchen and a toilet. The other entrance gives access to a larger basement area as well as the first and second floors which are laid out in the same way with a central room and then several other rooms that all connect to this central room. A kitchen and a toilet are also provided on each of the floors.

The building is square shaped and on the western side of the building there are off street parking spaces for two cars and on the eastern side is space for one car to park off the street. The building has been renovated on the inside to a high standard with a large amount of the original period features being kept and restored. The concrete floors are surfaced with wooden parquet tiles and chandeliers are hung from the centre of the ceiling in each of the rooms. Heating is provided by wall mounted radiators and electricity is provided by wall mounted sockets via perimeter trunking.

ACCOMMODATION

We have been provided with floor plans and leases by the Client and we have assumed that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	Sqm
Basement	Storage	133.25
Ground Floor	Office	221.50
First Floor	Office	283.39
Second Floor	Office	184.56
Total		**539.31**

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
VALUATION DATE	31 December 2013

LAND REGISTRY DETAILS

The property is situated in Bucharest, Sector 1 and we have been provided with the following land registry details:

Cadastral	Land	Usable Area	Description
253723-C1-U1	109		Ground Floor 221,5 with Basement 133,25
255400-C1-U1	156	185	
253723-C1-U2	149,67	302	Apartment of 301,65 with Garage (18,26 sqm), C2 locuinta 283,39 sqm. One third of 449 sqm land

Land registry extract	253723-C1-U1 / 255400-C1-U1 / 253723-C1-U1
Registered owner	SC Palazzo Ducale SRL
Registered use	Offices
Registered size	

Restrictions and encumbrances

We have not checked title documentation but we assume the property is an unencumbered effective freehold.

PLANNING ISSUES

Zoning	n/a
Footprint ratio	n/a
Maximum buildable area	n/a
Maximum height	n/a
Permit status	n/a

We have not carried out any investigations as to planning and assume the property is in optimal use and complies with all requirements

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
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TENANCIES

Number of Tenants		3
Vacant space (m²)		0
Lease Income (p.a.)	€	90,000
Other Income (p.a.)	€	-
Operating Expenses (p.a.)	€	-
Service Charge (/sqm / month)	€	-
Lease inspected?	yes	
Standard Lease Terms:		
Lease length		3
User Clause		Offices
Security		Cash guarantee
External Repairs		Landlord
Internal Repairs		Tenant
Insurance		Landlord
Alienation		Landlord
Indexation		CPI

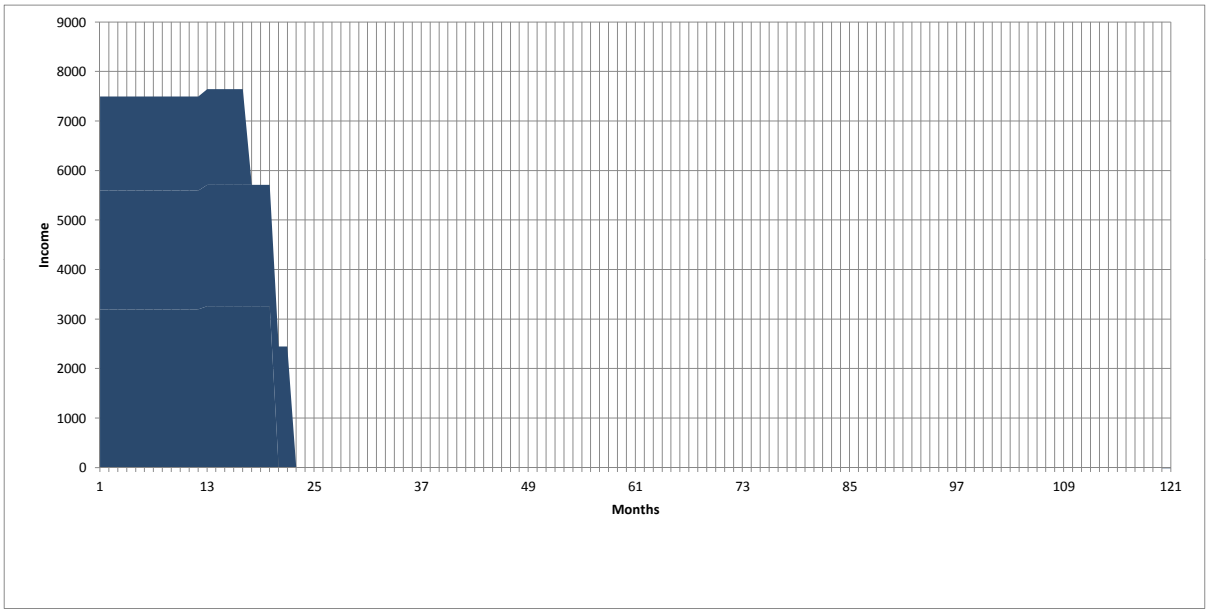
There are 2 tenants occupying by way of 3 leases. One tenant occupies the ground floor and the other tenant occupies the first and second floors and leases 5 car parking spaces. The first and second floors are separate leases. The leases are all for 3 years and have terms of at least 2 years unexpired. The first lease expires on 31/08/2015

Rents are denominated in Euros with a current passing rent of €90,000 per annum.

We understand that the tenants do not pay service charge but the utility consumption and the cost of property tax, insurance, etc. are all recoverable.

We are not aware of any specific non-recoverable costs but have assumed property tax in our calculations

Income Profile



The leases are for 3 years and they were signed within a short time period of each other. Therefore the income may drop off sharply if renegotiations or new leasing activities are unsuccessful.

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

- Excellent location
- Surrounding area continues to develop
- Excellent public transport links

WEAKNESSES

- Only 5 car parking spaces
- Inefficient as office space
- Surrounding streets can become congested

OPPORTUNITIES

- Demand for high quality office space in villas is still high
- The property can be converted back to its original use

THREATS

- Modern office accommodation nearby
- Requirements for office space in villas may decline

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Investment demand for historical villas is currently at a very low level, due to the fact that these properties require relatively large refurbishment costs and provide risky returns. Most of the developers are targeting properties that can be demolished and redeveloped into new multi-level buildings.

The residential market experienced another year of low activity and an absence of any sign of recovery. The residential demand is maintained low, while most of the sales were generated through the “First Home” and 5% VAT programmes. The downward trend of prices tempered within 2012-2013 to an average decrease of approximately 5% per year.

The low volume of sales also influenced significantly the higher end of the residential market, both for new and old properties. Prices have recorded large drops of more than 50% since 2008, but the demand is still at a very low level. Investors, most of them being domestic, have a very prudent attitude and are ready to extend their waiting period to see if further reduction of prices can occur.

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
VALUATION DATE	31 December 2013

COMPARABLES

LEASE COMPARABLES

Building / Address	*Date*	*Rent (psm / mth)*	*Incentives*	*Comment*
Romana Square	Dec. 2013	18.50	n/a	refurbished, 22 r., good location
Romana Square	Dec. 2013	15.50	n/a	refurbished, 16 r., good location
Calea Victoriei	Dec. 2013	11.50	n/a	refurbished, 25 r., good location
Victoriei Square	Dec. 2013	10.60	n/a	refurbished, 6 r., good location

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Price (€/sqm)*	*Comment*
Calea Victorei	Dec. 2013	1.30	3,400	380 sq m, gr. fl. and mansarde, in need finishings, better location
Romana-Victoriei	Dec. 2013	1.30	3,400	500 sq m useable, rennovated
Victoriei Square	Dec. 2013	1.60	2,666	Refurbished building, 530 sq m, good location
Dorobanti Capitale	Dec. 2013	1.35	2,045	17 rooms, in need of refurbishment

COMPETITION

The property is surrounded by a mix of old and new commercial buildings. At one end of Gheorghe Manu Street is a modern office building and also in the immediate vicinity are some residential blocks and other old villas that have not been refurbished.

The CBD area around Piata Victoriei is approximately 500 m north from the property. Here there are several large modern office buildings as well as a number of large old villas that have been converted for office use in this area.

INVESTMENT CONSIDERATIONS

The subject property has been renovated to a very high standard and provides large rooms suitable for offices. In comparison to modern office buildings the space is not as efficient in terms of fitting in people and workstations. However, that being said some tenants are not looking for modern office space and they prefer renovated space in old villas in which this property will meet their expectations.
From an investment stand point the pool of occupants is limited because it is a sub sector of the office occupational market. This restricts the options of cash flow from an investment perspective if one is looking for an office building in Bucharest. If there are investors that would like to purchase a refurbished historic villa this building will fit their requirements very well.

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.
The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements. To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialization, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	11 March 2014

VALUATION DETAILS SUMMARY

Market Value	€	1,800,000.00
Gross annual income	€	90,000.00
Net Operating Income (Year one)	€	90,000.00
Day One annualised NOI	€	90,000.00
Estimated Rental Value	€	96,000.00
Initial Yield (Year one)		4.98%
Initial Yield (Annualised day one)		4.98%

VALUATION ASSUMPTIONS

RENTAL VALUE

The leases have all been signed within the last 12 months and we consider that the market for such space has not changed considerably during this time. Therefore the ERV's used are the same as the lease contracts.

Cat. 1	€	13.00	/sqm /month
Cat. 2	€	10.00	/sqm /month
Cat. 3	€	10.00	/sqm /month
Cat. 4	€	3.00	/sqm /month
Cat. 5	€	-	/sqm /month
Cat. 6	€	-	/sqm /month
Cat. 7	€	-	/sqm /month
Cat. 8	€	-	/sqm /month
Cat. 9	€	-	/sqm /month
Cat. 10	€	-	/sqm /month
Cat. 11	€	-	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

The yield applied is based on the very specialised market of large old renovated villas in the centre of Bucharest where property values are not driven by the office investment market.

	Discount	Exit
Default	6.00%	5.50%
Vacant	6.00%	5.50%
Yield2	6.00%	5.50%
Yield3	6.00%	5.50%
Yield4	6.00%	5.50%
Yield5	6.00%	5.50%
Yield6	6.00%	5.50%
Yield7	6.00%	5.50%
Yield8	6.00%	5.50%

OTHER VARIABLES

The tenants pay their own utilities so no service charge is formally in place. We have assumed it will take 6 months to lease the space if the space becomes vacant.

Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		0%	ERV
Void on expiry		6.00	months
Lease Term		3.00	years
Rent Free Periods		0.00	months
Leasing Fees		10%	1 year's rent
Property Insurance	€	-	psm
Other fixed costs			
Inflation			

PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
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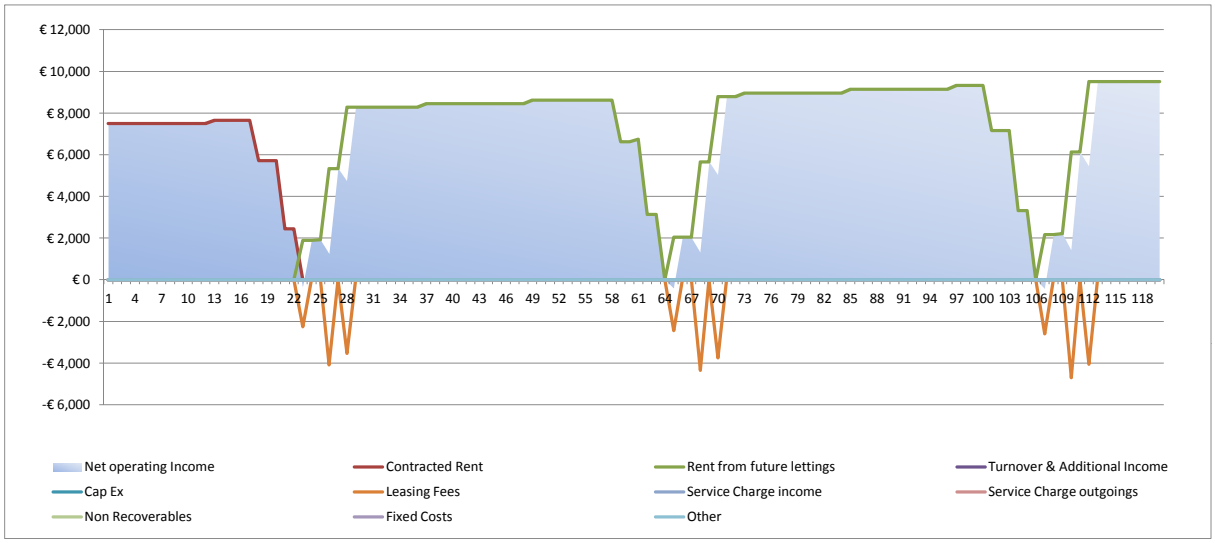
PROJECTED INCOME PROFILE

CASH FLOW

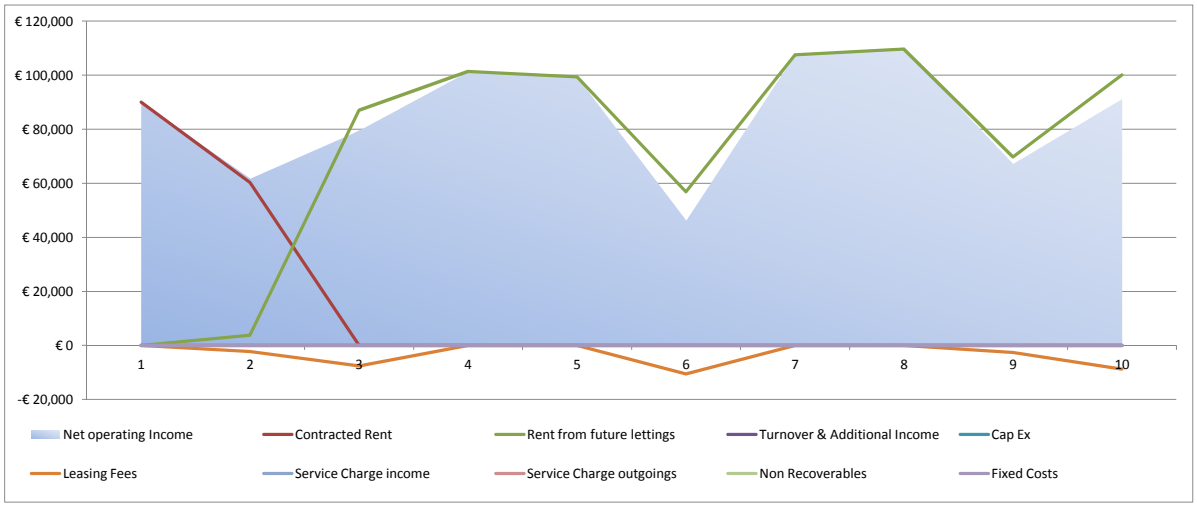
Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 90,000	€ 60,282	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ 3,765	€ 87,107	€ 101,351	€ 99,382	€ 56,798	€ 107,554	€ 109,705	€ 69,753	€ 100,058
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	-€ 2,259	-€ 7,632	€ -	€ -	-€ 10,545	€ -	€ -	-€ 2,595	-€ 8,767
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**€ 90,000**	**€ 61,788**	**€ 79,474**	**€ 101,351**	**€ 99,382**	**€ 46,253**	**€ 107,554**	**€ 109,705**	**€ 67,158**	**€ 91,291**

Monthly income



The income profile shows that the leases will expire after 3 years but in the case when negotiations for extending the leases are unsuccessful then a void period of 6 months can be expected to find a new tenant.

Annual Income



PROPERTY	Palazzo Ducale
ADDRESS	Strada Gheorghe Manu 10, Bucharest, Romania
VALUATION DATE	31 December 2013

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 84,906	€ 53,651	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ 3,351	€ 73,136	€ 80,279	€ 74,264	€ 40,040	€ 71,530	€ 68,830	€ 41,287	€ 55,872
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	-€ 2,011	-€ 6,408	€ -	€ -	-€ 7,433	€ -	€ -	-€ 1,536	-€ 4,895
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 1,181,970
TOTAL	**€ 84,906**	**€ 54,991**	**€ 66,728**	**€ 80,279**	**€ 74,264**	**€ 32,607**	**€ 71,530**	**€ 68,830**	**€ 39,751**	**€ 1,232,947**

The property's location in the very centre of the capital's cultural and entertainment districts as well as proximity to the financial and administrative areas means that this property will likely enjoy investor demand over the long term.

Due to the lack of transactions of similar properties with tenants in cases like this we have underpinned our valuation by using comparable with a sale per sqm basis. Using this methodology we concluded that the value per sqm of the subject property is around 3,000 euros per sq m. This is slightly higher than the average of the sale comparables due to the fact that this villa has been renovated to a particularly high standard and we consider it to be of higher quality.

Gross value			**€**	**1,806,833**
Legal Costs	**0.00%**			
Agent Fees	**0.00%**			
Transaction Costs	**0.00%**	**0.00%**	**€**	**-**
Market Value			**€**	**1,806,833**

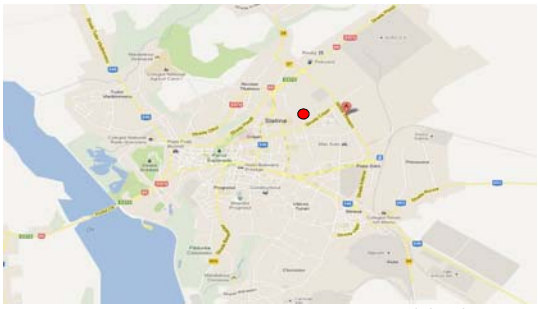
MARKET VALUE say € 1,800,000

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

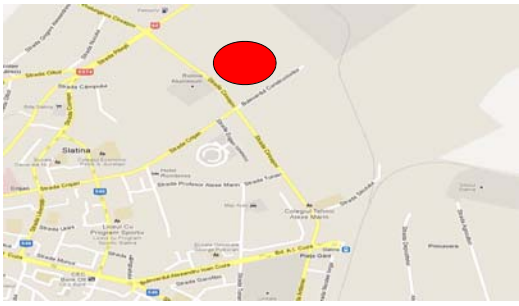
PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

Romania

City of Slatina



Slatina City Centre



Micro Location

LOCATION

The Property is located in Slatina which is in Olt County, a part of the south-western region of Romania (Oltenia Region), where it occupies an area of 5,498 km2. It neighbours with Dolj County in the west, Bulgaria in the south, Teleorman County in the east, Arges County in the north-east and Valcea County in the north-west.

Slatina has a population of 63,524 (2011 Census) and is the capital of Olt County.

The property is located approximately 2 km north east of the city centre towards the edge of the city in the direction of Pitesti. The access is via Cireasov Street and the surroundings are dominated by industrial and small commercial enterprises.

LOCATION DETAILS

City Population	63,254
Land Uses	Residential & commercial
Distance to Centre	2 km
Distance to Highway	0.5 km
Distance to National Road	0.5 km
Public Transport	average
Plot area	23,881
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	23,881
Parking Places (closed)	n/a
Access	from Cireasov Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

Site area, total	23,881
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	17-May-13
Inspected by	David Hunt

PROPERTY DESCRIPTION

The Land comprises of three plots with a total area of 23,881 sqm. The site is flat and has an irregularly shape.

The site was previously used for commercial purposes, it is accessible directly from Cireasov Street.

We have made no specific queries of the statutory authorities but we understand and assume that all main services are available on the site.

LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Slatina Municipality. We have reviewed extracts from the land registry but we have not verified the details. The Property consists of three plots entered in the Land Registry as follows:

Land Registry Nr.	Nr Cadastal	Description	Surface Area	Owner
17973	4756-565/2	Intravilan Land situated in tarla 22 parcela 7/1/2 address Str. Cireasov Nr.30A & Nr.100	3200	SC South Gate Plaza SRL
17478	822/5/1/41	Intravilan Land Address Str. Cireasov Nr.28	476	SC South Gate Plaza SRL
17121	3217/3844	Intravilan Land Address Str. Cireasov Nr.22-28	20204	SC South Gate Plaza SRL

Land registry extract	See land registry details above	Obtained on	Not Applicable
Registered owner	SC South Gate Plaza SRL		
Registered use	Assumed land		
Registered size	23,881.00		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold/RPU.

Comments

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
Maximum height	n/a
Permit status	PUD granted No PUZ No Building Permit

The subject Property has a PUD granted in 2008, this is an approval to accept the scheme within the municipality's urban layout framework.
To advance further on the project it will be necessary to obtain a PUZ, a Certificate of Urbanism and a building permit.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).
In view of the characteristics and history of the property it is possible that there may be some ground contamination resulting from the property's historic industrial use.

PROPOSED SCHEME

The owners plan to develop a project called Slatina Plaza, which will comprise the following:
- shopping and entertainment centre with approximately 17,000 sqm
- 80 retail units including supermarket, fashion retailers, a fantasy park, a food court and over 500 car parking spaces.

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

- Size of the site
- No competing modern shopping centres in the city

WEAKNESSES

- City is small
- Lack of consumer demand

OPPORTUNITIES

- To be the first modern shopping centre in Slatina
- Retail demand remains strong

THREATS

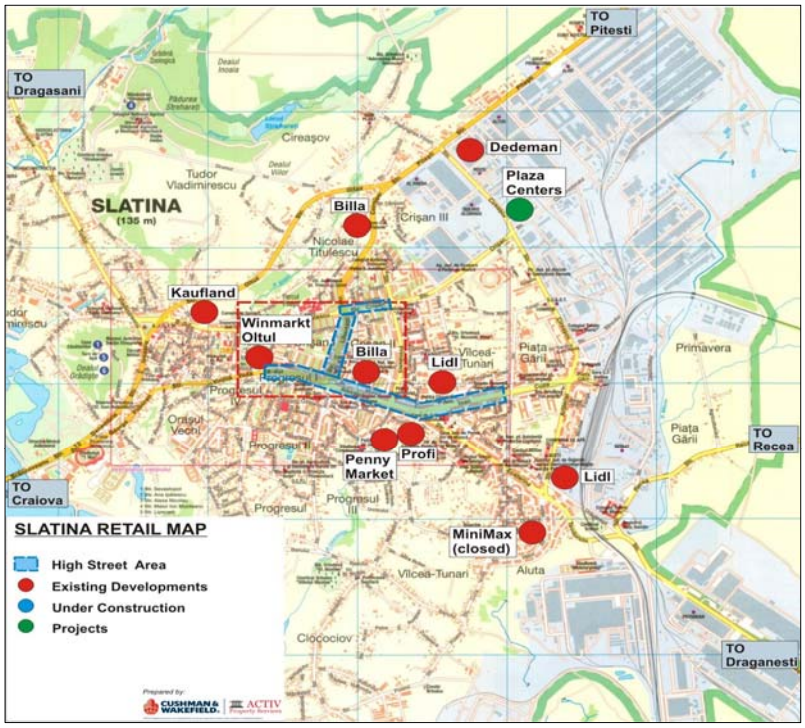
- Low purchasing power of the local inhabitants
- Improved road connections with Craiova may encourage shoppers away from Slatina

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Slatina's retail market is characterised by low competition in most of the retail sectors, only the food segment being well represented. There are few major non-food international or national retailers operating in Slatina, the competition being mainly represented by locals.

The majority of retailers entered the city in 2008, with the food sector currently having the best representation, including a hypermarket (Kaufland), supermarkets (2 units of Billa, Profi) and discounters (2 units of Lidl, Penny market).

Kaufland opened its unit in 2008 which include an electrical goods store (Domo) within the gallery. The latest major retailer to open in Slatina is Dedeman who opened a DIY unit in the first quarter of 2013.



COMPETITION

The shopping centre market in Slatina includes a single important scheme placed in the central area of the city. Winmarkt Oltul Slatina was built during the communist period and partially modernised in 2006. The building is structured on B+HB+GF+5, accounting approx. 6,500 sq m GLA. The tenant mix includes Altex, Domo, B&B Collection, House of Art and locals. Although it is the only shopping centre in the city, the vacancy rate reaches 30% and there are no international retailers.

The shopping centre rents achievable in Slatina are estimated at approx. €4-6 sq m/month for units of over 1,000 sq m and €10-13 /sq m/month for 100-200 sq m shops

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
Winmarkt Slatina	2006	24.00	GLA 6,500 sq m, existing shopping centre. Refurbished retail centre built during the communist times

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a shopping centre and we have based our valuation on this use due to the reason that the land had been invested to develop a shopping centre.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Retail project	€	17.00	/sqm /month
2	€	-	/sqm /month
3	€	-	/sqm /month
4	€	-	/sqm /month

EXIT RATES APPLIED

A scheme will not be developed with prevailent current yields. We have assumed a recovery in yields from current levels, counterbalenced by a holding period.
We have applied a discount to reflect the speculative nature of the assumed scheme.

	Exit
Retail project	8.50%
2	0.00%
3	0.00%
4	0.00%
5	0.00%
6	0.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	750	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		13%	GDC
Developer's Profit		20%	GDV

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

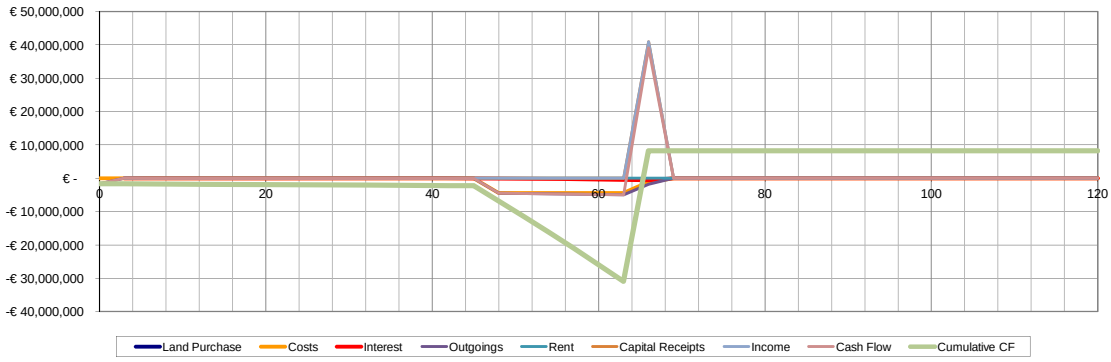
Capital Receipts			€	40,919,502		
Rent			€	-		
Income					€	**40,919,502**
Development Costs			-€	20,708,250		
Infrastructure			-€	2,070,825		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	2,847,384		
Contingencies			-€	1,281,323		
Fixed Marketing Costs			-€	30,000		
Sales Fees	2%	sales proceeds	-€	818,390		
Leasing Fees	10%	annual rent	-€	347,816		
Development Finance	8.50%		-€	2,010,731		
Developer's Profit @	20.00%	GDV	-€	8,183,900		
Acquisition Fees	2.00%		-€	51,390		
					-€	**38,350,010**
Residual value					€	**2,569,492**
Land Holding cost						0.638258
					€	**1,640,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 1,640,000								
Costs	-€ 32,800	€ -	€ -	-€ -	-€ 4,489,630	-€ 17,958,522	-€ 5,655,836	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ -	€ 40,919,502	€ -	€ -
Interest	€ -	-€ 142,188	-€ 154,274	-€ 167,387	-€ 181,615	-€ 1,141,371	-€ 1,171,134	€ -	€ -
Cash Flow	-€ 1,672,800	-€ 142,188	-€ 154,274	-€ 167,387	-€ 4,671,246	-€ 19,099,893	€ 34,092,532	€ -	€ -
Cumulative CF	-€ 1,672,800	-€ 1,814,988	-€ 1,969,262	-€ 2,136,649	-€ 6,807,895	-€ 25,907,788	€ 8,184,745	€ 8,184,745	€ 8,184,745

As can be seen in the chart below, we assume development will commence after 48 months. Based on the current scheme the property will be developed in one phase. This will comprise a shopping and entertainment centre with approximately 17,000 sq m with 80 units including supermarket, fashion retailers, a theme park, a food court and over 500 car parking spaces.
The phase will be completed at the end of the 18 months and at this point the scheme will start generating income. The main cost for the first year is the land acquisition and the majority of the scheme will be developed in the second year.

Cash Flow Profile



PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

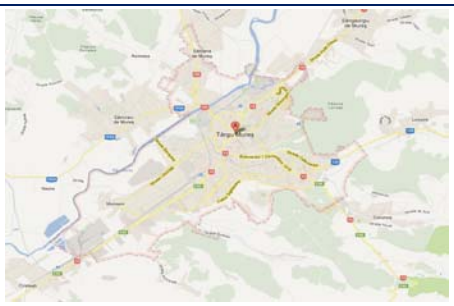
We checked recent transactions closed within the last two years across Romania in cities of similar sizes and locations as for the property subject, listed below.
In our opinion the local market is at this time unable to support any modern multi-let retail mall. Local purchasing power remains low and in terms of retail the biggest opportunities remain in the discount grocery market.; however, a scheme may be feasible in the future and our residual calculation would appear to be realistic in the context of transactions and available sites.

Address	Details	Asking or sold?	Date	€/sqm
Bacau exit to Moinesti	Dedeman (DIY) bought 45,000 sq m	Sold	2013/Q1	€ 38
Constanta Navodari exit to Mamaia	60,000 sq m bought under bankruptcy procedure by Marina Regia	Sold	2013/Q3	€ 55
Land plot in Bistrita, south west side	Land plot in Bistrita, south west side, size of 19870 sq m.	Sold	2011/Q3	€ 80
Land plot in Calarasi, Semi-central (between Catex and the stadium)	Land plot in Calarasi, Semi-central (between Catex and the stadium), size of 20000 sq m.	Sold	2011/Q1	€ 100
MARKET VALUE	**€ 1,640,000.00**	**say**	**€**	**1,650,000**

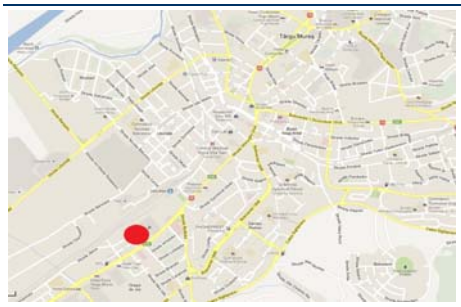
PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

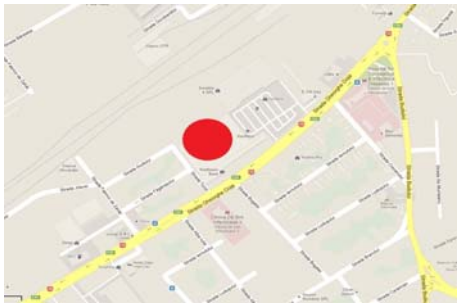
Romania



Hunedoara County



Subject Property



Micro Location

LOCATION

The property is located on Gheorghe Doja Street, Targu Mures, Mures County. Mures County is located in the central region of Romania and shares borders with Bistrita-Nasaud and Suceava counties to the north, Cluj and Alba counties to the west, Sibiu and Brasov counties to the south and Harghita County to the east. It is the 11th largest county of Romania with 6,714 km2. Targu Mures is the capital of Mures County and is where most of the area's administrative, economic and commercial are concentrated. It is the 3rd most important city in central Romania, after Brasov and Sibiu. The city sits on the Mures River and is traversed by European Route 60. Targu Mures is the 16th most populous city in Romania, with an official population of 144,590 inhabitants as at July 2009. The metropolitan area of Targu Mures is estimated to be home to 225,000 inhabitants.
The local economy includes a number of major companies with activity in the chemical industry, equipment and machines, furniture, textiles, food and beverage, automotive components, construction materials and others. The city has succeeded in attracting direct investment from international companies. The largest industrial complex is that of the nitrous producer Azomures, situated on the west side of the city, in an extension to the main industrial platform. Most of the production facilities in use are situated on the old industrial platforms of the city; however there are also more modern developments such as Mures Industrial Park. The number of people working in the industrial sector decreased by 45% after 1989, while other sectors have seen large increases: services (+50%), retail (+17%), education (+6%) and health (+31%). The unemployment rate in Targu Mures was calculated at 4.28% in 2007, 4.66% in 2008 and increased to 5.25% in 2009.
Gheorghe Doja Street (E60) is a major road that crosses the city from west to east. The property is 2 km west of Targu Mures' centre. The surrounding area is a mix of residential (houses and apartment blocks) and commercial (in the form of ground floor retail). The southern side of the land is bordered by Gheorghe Doja Street, the east side is bordered by Kaufland, and the northern side by a railway line while to the west is Turzii Street, an un-surfaced local road.

LOCATION DETAILS

City Population	134,290
Local Land	Residential & commercial
Distance to Centre	2 km
Distance to Highway	N/A
Distance to National Road	Adjacent
Public Transport	well developed
Plot area	31,578
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	31,578
Parking Places (closed)	n/a
Access	to Gheorghe Doja and Turzii Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

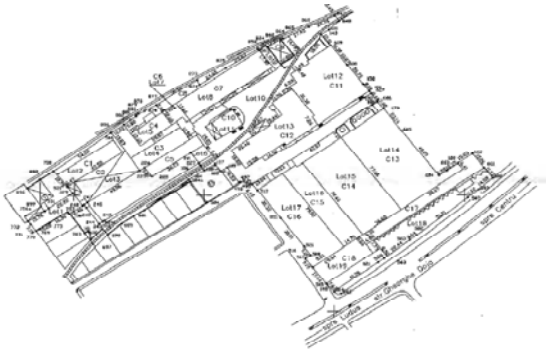
Site area, total	31,578
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	14-May-13
Inspected by	Bogdan Blendea

PROPERTY DESCRIPTION

The subject property consists of a single plot identified by the cadastral number 126146 and extending to a total area of 31,578 sq m. The land is flat and has an irregular shape. It is fenced and accessible both from Gheorghe Doja and Turzii Streets.
We have made no specific queries to the statutory authorities but we understand and assume that all main services are available on the site.



LAND REGISTRY DETAILS

According to Land Registry Excerpt No. 126146 with Enclose No. 57563/11.12.2009 the subject property comprises land extending to a total size of 31578 sq m along with several industrial buildings. The buildings were part of the former machinery factory, Imatex SA.
At the date of the inspection all the former buildings were demolished. The land was vacant.
According to the Land Registry the property is owned by SC Mountain Gate Plaza SRL with 1020 sq m specified as being leased to a third party. We are not aware of any other details regarding the lease contract or the location of the let plot.
We have not checked title documentation but assume the property is unencumbered with freehold tenure.

Land registry extract	No 126146	Obtained on	11.12.2009
Registered owner	Owner: Mountain Gate Plaza SRL		
Registered use	Land and Constructions; Assumed Vacant		
Registered size			31,578.00

Restrictions and encumbrances

We have not checked title documentation but assume the property is freehold and is free from any encumbrances or servitudes

Comments

PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
Maximum height	n/a
Permit status	PUZ granted No building permit

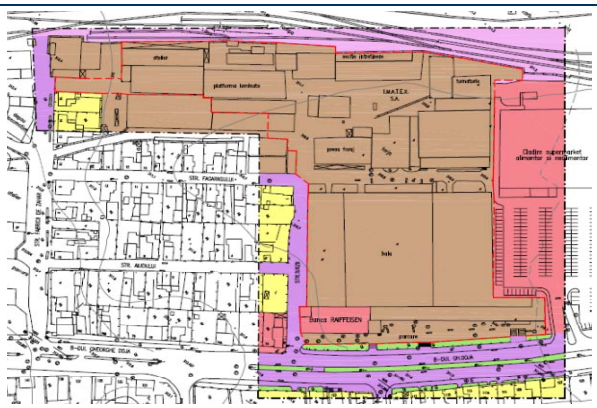
The subject Property has a PUZ (a master plan approved by local authorities) granted in 2010. No building permit was provided.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).
In view of the characteristics and history of the property parts of the land could be contaminated by pollution from the historic factory uses.

PROPOSED SCHEME

The owners were planning to develop a shopping centre with 31,730 sq m GLA including a theme park. Presently the land is vacant. We are not informed of any legal or environmental issues raised. We were not provided with any building permit. It was our understanding that the project is on hold.
We comment that the proposed scheme is quite large given current market circumstances. Imminent development is unlikley given current circumstances, therefore a holding period is required.



PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

Good access from the main road;
Good opening to the main road;
All the utilities in the area;
One compact plot of land; Vacant land;

WEAKNESSES

The land could be affected by pollution;
The northern side of the land is bordered by a railway;

OPPORTUNITIES

The market includes three modern schemes, namely European Retail Park, Mures Mall and Real, opened between 2006-2007 and now becoming dated. A modern scheme may be more attractive.

THREATS

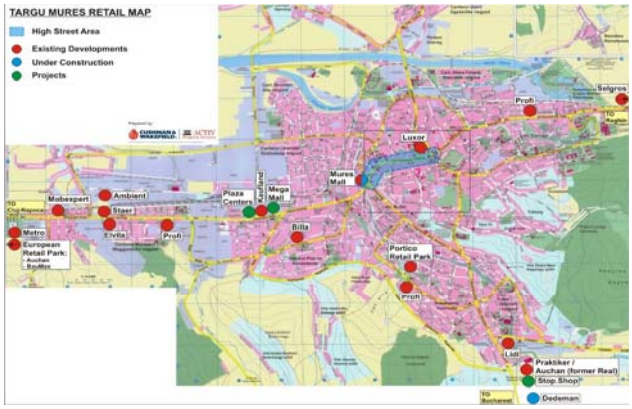
Mega Mall was also planned to be developed only 50 metres away from subject property. If development proceeds it may compete to attract tenants.

European Retail Park is the largest retail project in Targu Mures and is located 3.5 km west from the subject property.

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

International and national retailers have invested in the city renting in stand-alone retail boxes as well as shopping centre projects; however there is still a significant list of major retailers that are not represented and are likely to have interest in the local market. The market includes three modern schemes, namely European Retail Park, Mures Mall and Real, each opened in between 2006-2007. These schemes provide a total modern shopping space of 60,250 sq m GLA, and this corresponds to a density of 449 sq m GLA/1,000 inhabitants.

The project's primary catchment covers the western side of the city.



COMPETITION

European Retail Park is the largest retail project in the city with 48,200 sq m GLA, including a shopping centre building of 35,160 sq m GLA and retail boxes of Baumax and others with a total of 13,000 sq m GLA. The scheme is situated at the city exit to Cluj-Napoca, directly opposite Azomures platform. The shopping centre was developed over a single level and is anchored by Auchan, Altex, Takko, Hervis, Sprider, Leonardo, Deichmann and House of Art. Approximately 25% of the shopping gallery is vacant, and the number of visitors is rather low during weekdays. The general operation has improved, but the scheme has not reached yet the expected levels of sales and footfall.

Mures Mall was delivered in 2007 at the far end of Piata Trandafirilor, the city's high street. The scheme, developed by Matrix Investments, comprises a 10,000 sq m GLA and a number of approximately 50 shops. The building has a lower ground floor (Carrefour Supermarket, Altex), a ground floor and 3 upper levels, the topmost level being dedicated to leisure and refreshments (6-unit food-court, casino and bowling). The scheme is fashion-oriented but includes few anchors and thus the power to attract visitors is limited, despite the excellent location. In general the scheme has not performed as well as expectations and the construction of the second phase, planned to double the scheme's lettable area, is currently on-hold.

Real Shopping Centre is a grocery hypermarket with supporting retail opened in 2006 on the main road towards Bucharest, at the edge of the city's limits. The scheme has a total of 15,090 sq m GLA, including Real hypermarket (11,500 sq m) and a GF+1 gallery of 3,590 sq m GLA. The gallery is service oriented, the single apparel anchor being the footwear retailer Leonardo. The first floor includes Flanco World, a kid's area and ZooMania (pets).

Mega Mall and Plaza Centres' scheme are the two shopping centre projects. Mega Mall is also planned to be developed on Gh.Doja Street, on the opposite side of Kaufland. Both were planned to deliver 30,000 sq m GLA of shopping centre space distributed on several floors. It is likely that only one of these projects will be delivered as it is thought that the area and city cannot sustain the development of both over the short to medium.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
European Retail Park	2007	-	GLA 35,160 sq m, existing shopping centre
Mures Mall	2007	-	GLA 10,000 sq m, existing shopping centre
Real	2006	-	GLA 15,090 sq m, existing shopping centre
Mures Mall - phase 2	n/a	-	GLA 10,000 sq m, under construction - On hold
Mega Mall	n/a		GLA 30,000 sq m, Project - On hold

PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).
To form an opinion regarding the value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.
You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to permit the development of an income generating property. The proposed scheme for the subject property is for a large shopping centre. We also assumed that the landlord will need to hold the land for two years and then will start construction, by then the local market is expected to develop.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Retail	€	17.00	/sqm /month
2	€	-	/sqm /month
3	€	-	/sqm /month
4	€	-	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

A buyer of the site will do so in the expectation of an improvement in the market. The yields applied reflect an improvement in the market and we have built in a holding period to reflect this.

	Exit
Retail	8.50%
2	0.00%
3	0.00%
4	0.00%
5	0.00%
6	0.00%
7	0.00%
8	0.00%
9	0.00%
10	0.00%
11	0.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	750	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		13%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

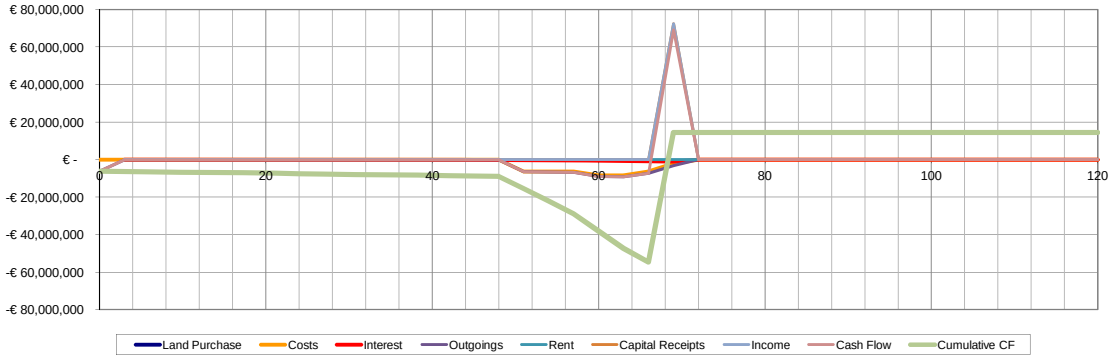
Capital Receipts			€	72,344,400		
Rent			€	-		
Income					**€**	**72,344,400**
Development Costs			-€	32,701,500		
Infrastructure			-€	3,270,150		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	4,496,456		
Contingencies			-€	2,023,405		
Fixed Marketing Costs			-€	123,000		
Sales Fees	2%	sales proceeds	-€	1,446,888		
Leasing Fees	**10%**	**annual rent**	-€	614,927		
Development Finance	8.50%		-€	3,121,069		
Developer's Profit @	20.00%	GDV	-€	14,468,880		
Acquisition Fees	2.00%		-€	197,610		
					-€	**62,463,886**
Residual value					**€**	**9,880,514**
Land Holding cost						0.625474
					€	**6,180,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 6,180,000								
Costs	-€ 123,600	€ -	-€ 123,000	€ -	€ -	-€ 27,619,483	-€ 16,933,844	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ -	€ 72,344,400	€ -	€ -
Interest	€ -	-€ 535,806	-€ 581,350	-€ 641,219	-€ 695,723	-€ 1,553,699	-€ 2,886,170	€ -	€ -
Cash Flow	-€ 6,303,600	-€ 535,806	-€ 704,350	-€ 641,219	-€ 695,723	-€ 29,173,182	€ 52,524,385	€ -	€ -
Cumulative CF	-€ 6,303,600	-€ 6,839,406	-€ 7,543,756	-€ 8,184,975	-€ 8,880,698	-€ 38,053,880	€ 14,470,506	€ 14,470,506	€ 14,470,506

As can be seen in the chart below, we have allowed for a holding . Based on our estimation the property will be developed in one phase. This will comprise a retail scheme with 31,730 sq m GLA including supermarket, fashion retailers, leisure, a food court and exterior car parking spaces.

Cash Flow Profile



PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

In our opinion the local market is unable to support a new modern multi-let retail mall at this time. Local purchasing power remains low and in terms of retail the biggest opportunities remain in the discount grocery market.
Care should be taken in positioning and phasing any future retail project .
In summary, using the above assumptions and variables we have arrived at a residual amount of €195 per sqm, which is according to our opinion a reasonable value of the site.

Address	Details	Asking or sold?	Date	€/sqm
Land plot in Constanta, Tom SC area	Land plot in Constanta, Tom SC area, size of 35000 sq m.	Sold	2011/Q4	€ 171
Sibiu semi-central former Polsib site	29,117 sq m for retail park development	Sold	2013/Q4	€ 197
Land plot in Cluj, Ruttrans Platfrom (Calea Baciului)	Land plot in Cluj, Ruttrans Platfrom (Calea Baciului), size of 5000	Sold	2010/Q4	€ 200
Land plot in Craiova, Electroputere	Land plot in Craiova, Electroputere, size of 120000 sq m.	Sold	2010/Q4	€ 250

MARKET VALUE	**€**	**6,180,000.00**	**say**	**€**	**6,175,000**

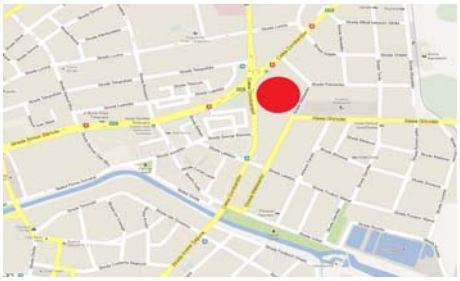
PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

Romania

Timisoara

Subject Property



Micro Location

LOCATION

Timis County is the 9th most populous county in Romania and the largest in the western region, with 678,068 inhabitants as from July 2009. The population slightly increased since the last Census Survey in 2002, when 677,926 inhabitants were registered. The population density is placed at 78 inhabitants/sq km, below the national level of 90.1 inhabitants/sq km.
The city of Timisoara is located in the Western part of Romania, close to the international border with Hungary (73 km away) and Serbia (43 km).
Timisoara is the 3rd most populous city in Romania, accounting in 2011 for an official number of 319,279 inhabitants. This corresponds to a 1.4% increase from the 2002 Census Survey when the population reached 317,660 inhabitants. Arad, the 14th largest populated city in Romania, with over 165,000 inhabitants, is located only 51 km from Timisoara. Timisoara-Arad area has one of the largest concentrations of urban population in Romania, accounting for over 500,000 inhabitants.
Timisoara area concentrates the largest part of the economic activities in Timis County, including most of the major companies and industrial activities. The city has developed in recent years mainly around the automotive and IT&C industries. More than 8,000 people in Timisoara were employed in the automotive industry in 2010, as part of the main companies present in the city, and around 8,000 people were employed within the major companies from the IT&C sector.
The subject property is located in the north-east area of the city on the main exit of the city, on the way to the international airport of Timisoara. The northern edge of the site is bordered by a service centre (auto service) while the north-west, north-east and south-east are bordered by the following streets: Calea Dorobantilor, Palmierilor and Matasarilor; respectively. According to the General Urban Plan the land is within a planning zone designated as ‘UTR 33 former shoes factory “Filty”’. The area is very densely populated; there are many apartment blocks and individual houses around the property.

LOCATION DETAILS

City Population	319,279
Local	Residential & Commercial
Distance to Centre	2.5 km
Distance to Highway	13 km
Distance to Ring Road	4.6 km
Public Transport	Local buses and trams
Plot area	31,861
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	31,861
Parking Places (closed)	n/a
Access	to Dorobantilor, Matasarilor and Palmierilor Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

Site area, total	31,861
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	29-May-13
Inspected by	Madalin Aresmeritoaie

PROPERTY DESCRIPTION

The subject property comprises six adjacent plots of land in total size of 31,861 sq m. The site has a hexagonal shape, is flat and fenced. The site is part of former shoes factory "Filty". The site benefits of good access from all directions. Both tram and bus stations are adjacent to the land site.
We have made no specific queries to the statutory authorities but we understand and assume that all main services are available on the site.

LAND REGISTRY DETAILS

We were not provided with the land registry excerpts. However we were informed that there are six entries in the land registry as follows: Land Registry Excerpt No 121382, Land Registry Excerpt No 121383, Land Registry Excerpt No 121384, Land Registry Excerpt No 121385, Land Registry Excerpt No 121386 and Land Registry Excerpt No 121387. The land has a total size of 31,861 sq m. The cadastral numbers of the six plots are below:

31.861 mp este înscris în **C.F. nr. 121382,** nr. cadastral 4496/2, 4431/2, 3826/3, 4497, 4498/1, 4496/1/3, 4496/1/1, 4496/1/2, 4499, 4500, 4501/1, 4495/1/1, 4495/2/1, 4495/3/1, 4495/4, 4495/5, 4495/6, 4495/7, 4495/8/1, 4495/9, 4495/10/1, 4495/11/1/I, **C.F. nr. 121383**, nr. cadastral 4496/2, 4431/2, 3826/3, 4497, 4498/1, 4496/1/3, 4496/1/1, 4496/1/2, 4499, 4500, 4501/1, 4495/1/1, 4495/2/1, 4495/3/1, 4495/4, 4495/5, 4495/6, 4495/7, 4495/8/1, 4495/9, 4495/10/1, 4495/11/1/II, **C.F. nr. 121384**, nr.

cadastral 4496/2, 4431/2, 3826/3, 4497, 4498/1, 4496/1/3, 4496/1/1, 4496/1/2, 4499, 4500, 4501/1, 4495/1/1, 4495/2/1, 4495/3/1, 4495/4, 4495/5, 4495/6, 4495/7, 4495/8/1, 4495/9, 4495/10/1, 4495/11/1/III; **C.F. nr. 121385**, nr. cadastral 4496/2, 4431/2, 3826/3, 4497, 4498/1, 4496/1/3, 4496/1/1, 4496/1/2, 4499, 4500, 4501/1, 4495/1/1, 4495/2/1, 4495/3/1, 4495/4, 4495/5, 4495/6, 4495/7, 4495/8/1, 4495/9, 4495/10/1, 4495/11/1/IV; **C.F. nr. 121386**, nr. cadastral 4496/2, 4431/2, 3826/3, 4497, 4498/1, 4496/1/3, 4496/1/1, 4496/1/2, 4499, 4500, 4501/1, 4495/1/1, 4495/2/1, 4495/3/1, 4495/4, 4495/5, 4495/6, 4495/7, 4495/9, 4495/8/1, 4495/10/1, 4495/11/1/V şi **C.F. nr. 121387**, nr. cadastral 4496/2, 4431/2, 3826/3, 4497, 4498/1, 4496/1/3, 4496/1/1, 4496/1/2, 4499, 4500, 4501/1, 4495/1/1, 4495/2/1, 4495/3/1, 4495/4, 4495/5, 4495/6, 4495/7, 4495/8/1, 4495/9, 4495/10/1, 4495/11/1/VI

Land registry extract	No 121382; No 121383, No 121384, No 121385, No 121386, No 121387	Obtained on	N/A
Registered owner	Owner: SC Elite Plaza SRL		
Registered use	N/a		
Registered size			31,861.00

Restrictions and encumbrances

We were not provided with any title documentation; we have not checked title documentation but assume the property is held freehold and free from any encumbrances.

Comments

PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	PUZ dated 2009 No building permit.

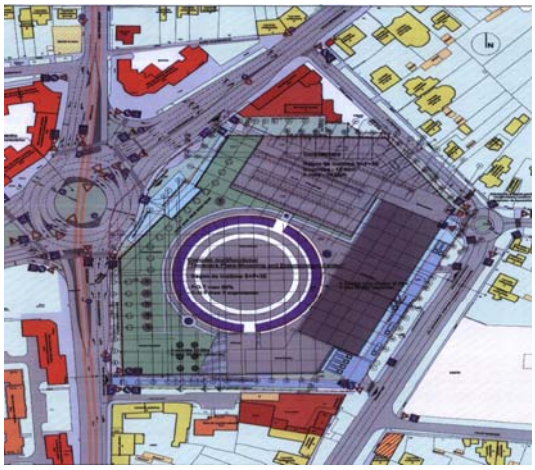
We have understood that the PUZ for Shopping Centre was granted in 2009. We are not aware of any building permits.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).
In view of the characteristics and history of the property parts of the land could be affected by pollution from the former shoes factory or any previous manufacturing/industrial use.

PROPOSED SCHEME

The current plans are for the development of a shopping centre with GLA of 36,000 sq m and parking spaces. Project status: Planning stage
Plaza Centres' share: 100%.
We are not informed of any legal or environmental issues raised. The Implementation Zoning Plan of Parcels of the first phase is not allocated.
We also consider that because of the location in the semi-peripheral area of the city and because of the existing competition a mix of offices, residential and a retail box may be a suitable alternative.



PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

Good access from all directions;

Opening to two main roads and to secondary roads;

All the utilities in the area; Vacant land;

Densley populated area

WEAKNESSES

The land could be contaminated from historic factory uses;

OPPORTUNITIES

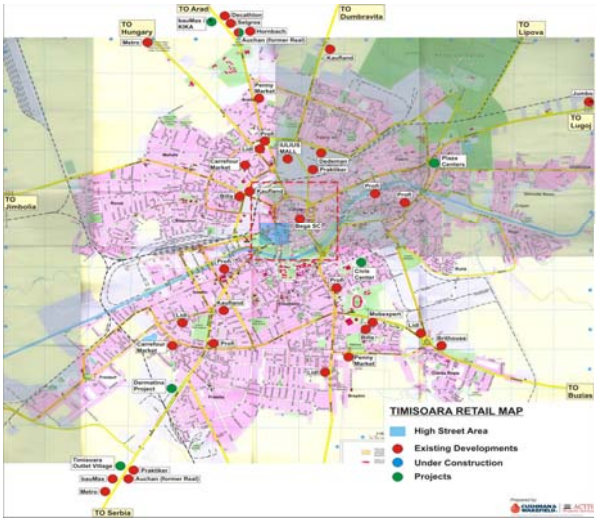
Lack of commercial centres in the east area of the city;

THREATS

Iulius Mall shopping centre is an already successful scheme that attracts customers from across the city. It may expand and further consolidate its position as the market leader.

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The majority of international and national retailers in Timisoara are concentrated within Iulius Mall, the dominant shopping centre of the city, which is located at the limit of the extended central area.
The other areas of the city have developed mainly with stand-alone food and DIY units, not including major retailers from the apparel and personal products sectors.
The largest existing retail cluster of over 50,000 sq m GLA is located south, along Calea Sagului, including Metro Cash&Carry, Auchan (former Real), bauMax and Praktiker.
The city includes today a modern shopping centre supply of 112,375 sq m GLA, represented by 5 schemes, namely Iulius Mall, two Auchan schemes and Bega Shopping Centre.
This volume corresponds to a shopping centre density of 352 sq m GLA per 1,000 inhabitants, being only the 15th largest in Romania.



The project's primary catchment covers all the eastern side of the city and the others small cities or villages from the area.

COMPETITION

The largest shopping centre is Iulius Mall, the dominant force on the local shopping centre market, representing the main fashion destination in the city. The scheme has a total GLA of 66,994 sq m and is located in the extended central area of the city, on a former industrial complex, where several other retail developments have also been built. There were two phases, with the first delivered in 2005, and the second in 2009. It is structured over LGF+GF+2+terrace, with parking spaces on the underground. The centre is anchored by an Auchan hypermarket and has around 310 shops.
Bega Shopping Centre is the former state owned department store of the city, located downtown. It has a total area of 7,600 sq m GLA, spread on LGF+GF+4. The centre was modernised in 2006 by the owner Bega Group. It is currently anchored by Carrefour Market, the tenant mix including also DM, Unicredit Tiriac, RBS, Yves Rocher, B&B Collection, Leonardo, House of Art, Jolidon, Bernardi etc.

PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
Iulius Mall	Phase 1: 2005 Phase 2: 2009	n/a	GLA 66,994 sq m, existing shopping centre
Bega Shopping Center	1973	n/a	GLA 7,600 sq m, existing shopping centre
Auchan Calea Aradului (former Real)	2006	n/a	GLA 19000 sq m, existing shopping centre
Auchan Calea Sagului (former Real)	2007	n/a	GLA 18800 sq m, existing shopping centre

PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a large shopping centre. We have followed the proposed scheme, however, it is believed that the highest and best use of the land is a mix of residential, offices and a retail box. We also assumed that the landlord will need to hold the land for two years and a half before starting the works.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for all the retail premises based on our market research and knowledge of the recent lease transactions and current trends.

Retail premises	€	18.00	/sqm /month
2	€	-	/sqm /month
3	€	-	/sqm /month
4	€	-	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing offices, retail units and residential from the area. Based on our market experience prime yields will be around 9,0% for offices and retail box. We have applied a discount to reflect the speculative nature of the assumed scheme.

	Exit
Retail premises	9.00%
2	0.00%
3	0.00%
4	0.00%
5	0.00%
6	0.00%
7	0.00%
8	0.00%
9	0.00%
10	0.00%
11	0.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Retail Unit	€	850	/sqm
Office Building	€	-	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		0%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

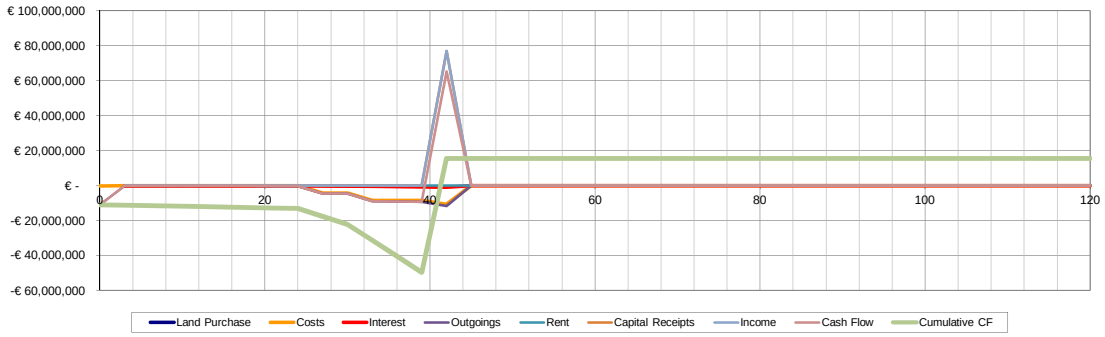
Capital Receipts			€	76,965,120		
Rent			€	-		
Income					**€**	**76,965,120**
Development Costs			-€	40,404,750		
Infrastructure			€	-		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			€	-		
Contingencies			-€	2,020,238		
Fixed Marketing Costs			€	-		
Sales Fees	2%	sales proceeds	-€	1,539,302		
Leasing Fees	**10%**	**annual rent**	-€	692,686		
Development Finance	9.00%		-€	1,989,271		
Developer's Profit @	20.00%	GDV	-€	15,393,024		
Acquisition Fees	2.00%		-€	292,664		
					-€	**62,331,935**
Residual value					**€**	**14,633,185**
Land Holding cost						0.739415
					€	**10,820,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 10,820,000								
Costs	-€ 216,400	€ -	€ -	-€ 25,454,993	-€ 19,201,983	€ -	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ 76,965,120	€ -	€ -	€ -	€ -
Interest	€ -	-€ 993,276	-€ 1,082,671	-€ 1,834,961	-€ 1,963,727	€ -	€ -	€ -	€ -
Cash Flow	-€ 11,036,400	-€ 993,276	-€ 1,082,671	-€ 27,289,954	€ 55,799,409	€ -	€ -	€ -	€ -
Cumulative CF	-€ 11,036,400	-€ 12,029,676	-€ 13,112,347	-€ 40,402,300	€ 15,397,109	€ 15,397,109	€ 15,397,109	€ 15,397,109	€ 15,397,109

As can be seen in the chart below, we assume that the development will commence after 27 months. Based on the current scheme the property will be developed in a single phase. The scheme will include a shopping centre with a GLA of approximately 36,000 sq m. The project will be developed in approximately one year and half. The project will be sold at the end of the construction works fully let.

Cash Flow Profile



PROPERTY	Vacant Land Site
ADDRESS	46-52, Calea Dorobantilor Street, Timisoara, Timis
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

We have compared the site to available commercial land in secondary Romanian cities. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €330-350 per sq m range, which we consider to be realistic in the context of the available market information.
Sites in Timisoara in good locations have redeveloped from industrial due to the accessibility and visibility that re marketed at a maximum price of €350 per sq m in semi-central area of the city, however is very difficult to finding buyers in actual market conditions.
No directly comparable transaction (retail development land in the city centre of Timisoara) has been recorded in recent years; therefore residual approach provides the most reliable market value. In summary, using the above assumptions and variables we have arrived at a residual amount of €340 per sq m, which is according to our opinion a unit value of the site.

Gross value € -

Address	Details	Asking or sold?	Date	€/sqm	
Land plot in Bacau, Asco Factory	Land plot in Bacau, Asco Factory, size of 35000 sq m.	Sold	2010/Q4	€	257
Land plot in Bucharest, Progresului Street (Vulcan site)	Land plot in Bucharest, Progresului Street (Vulcan site), size of 78330 sq m.	Sold	2012/Q1	€	294
Bucharest - Glucoza Factory	Bought under bankruptcy procedure, office area	Sold	2013/Q1	€	300
Bucharest, Alexandriei Road	Land plot in Bucharest, total size od 37800 sq m	Sold	2010/Q4	€	402

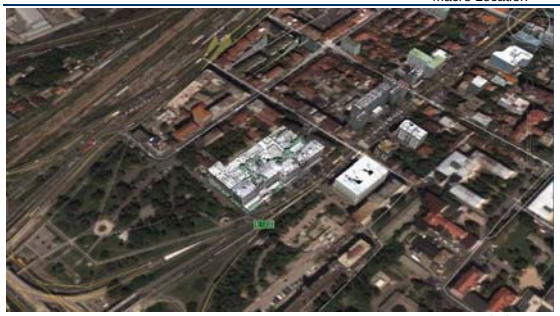
MARKET VALUE	**€**	**10,820,000.00**	**say**	**€**	**10,825,000**

PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

Macro Location

Micro Location



Areal View

Street View

LOCATION

The Property is along Knez Milosa, an arterial road crossing Belgrade Old Town from the south-west to the north-east. Accessibility of the site is excellent, it is the "gate" of Old Belgrade, strategically located by the Gazela Bridge and close to the intersection of E-75, E-70 and E-763 highways.

The Property's micro location provides convenient access to the city centre and other parts of the Old Town, while the bridges secures direct access to Novi Belgrade. The property is located approximately 2 km south of the city centre (Knez Mihailova). Accessibility is further enhanced by very good communication links, with several bus and tram stops located in close proximity to the subject property. The surroundings are dominated by residential and institutional land uses as well as commercial units.

LOCATION DETAILS

City Population	1.7 million
Local Land	Residential, institutional and commercial
Distance to Centre	2 km
Distance to Highway	100 m
Distance to National Road	on the national road 0 km
Public Transport	well developed
Plot area	9,106
Waterfront	no

PROPERTY DETAILS

Property Type/ Use	Development site
Occupation	Vacant
Historic monument	No
Site area	9,106
Parking Places (closed)	n/a
Access	Off Knez Milosa
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

Site area, total	9,106
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External and Internal
Inspection Date	20/05/2013
Inspected by	Balazs Lados MRICS

PROPERTY DESCRIPTION

The subject property consists of a 9,106 sqm commercial urban development site. The plot has a regular, rectangular shape and has an incline to the east.
The site is developed with old public administration building which has been bombed and needs to be demolished completely in order to commence new development. Currently the facade is covered with advertising mega molinos.
The site is accessible both from Knez Milosa and Sarajevska streets.
We have made no specific queries of the statutory authorities but understand and assume that all mains services are available on the site.

LAND REGISTRY DETAILS

According to the information provided by the client, the property is registered under 1415/1,2,3 and 4; 1417/1,2,3,4,5,6,7,8,9 and has a total site area of 9,106 sqm.
We have not checked the title documentation in detail, but assume the property is an unencumbered effective freehold.

Land registry extract		Obtained on	03/08/2010
Registered owner	na		
Registered use	Land		
Registered size	9,106.00		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold and is free of any issues that would negatively effect market value.

Comments

n/a

PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	n/a
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	n/a

We have received some initial option studies from Chapman Taylor and the less intensive concepts are running at a floor area plot ratio of 7.0. This ratio seems to fit the surrounding schemes density ratio's, but we are not aware that there would be a valid zoning regulation for the site. The option studies typically describe a mixed-use two tower scheme primarily consisting of a retail, hotel and office elements. We have roughly adopted the floor areas of the option study and constructed very generic scheme to guide our opinion.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

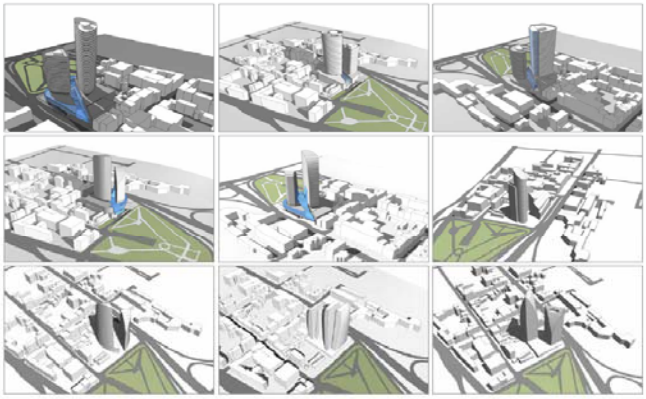
In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The proposed scheme includes the following elements constructed in a single phase.

10,000 sqm high end retail (6,500 sqm GLA)
25,000 sqm (192 room) 5* hotel
40,000 sqm offices (36,000 sqm GLA)
Some images of the option study are attached to the right.

In case some other mixed-use scheme would opens its 5* hotel first in the direct vicinity, we would revise the concept and increase the retail element to have a more retail focussed, classic ground plus two storey shopping centre scheme with offices on top.



PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

Excellent Location
Excellent Accessibility
Excellent Visibility

WEAKNESSES

Needs Rezoning
Needs Permitting

OPPORTUNITIES

Brand new landmark scheme

THREATS

Competing mixed-use scheme opening first in Old Belgrade

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Investment activity in Serbia during last couple of years has been very limited, with no recorded transaction within any type of retail sector. Many retail schemes are in the pipeline while the entire market is still in the early stage of the development cycle. Based on the expectations from local investors and developers, agents suggest yields in 2012 are as follows:

High Street – Knez Mihailova Street – 7% to 8%
Modern shopping centres (Shopping malls) – Usce and Delta shopping malls – 8.5% to 9%
Retail parks – 9.5% to 10.5%; Retail warehouse – 9.5% to 10.5%

We consider the above expectations to be on the optimistic side and comment that these are agent perceptions rather than concluded deals. The Serbian market is less established than other markets in the region and investment interest is below other markets.

Based upon such scant information, it is prudent to look further afield for evidence of deals done. We note the following:
* Mercator portfolio – Cushman & Wakefield are currently involved in the monetisation of a retail portfolio in Slovenia. Whilst limited in usefulness due to the specifics of the proposed transaction (15/20 year overriding lease, early stage of marketing), preliminary indications are that the market is prepared to pay 8-8.5% in yield terms.
* QLandia portfolio – a portfolio of retail warehouse malls and small shopping centres in Slovenia is currently being marketed by Probus and it is understood that offers close to 9% have been received for the best assets in the portfolio.
* Carpathian fund – a portfolio of strip malls in the Czech Republic and Hungary was recently sold by the financing bank, who had taken possession. The Hungarian assets were valued at 9.2% based upon current income – but there was significant vacancy.
* Plovdiv Retail Park– this retail warehouse park was sold to Europa Capital for around 11%. Whilst a 2011 deal, this is a useful comparable since the scheme was of c.25,000sqm built in two blocks facing across a car park - and had been operating for a limited period.
* Offers for long-leased standalone supermarkets backed by international covenants have reached double digit yields in non-prime locations in neighbouring countries

COMPETITION

There isn't an existing shopping centre in Old Belgrade to date, but we have listed the key pipeline developments below. Most of these are currently on hold, being lack of project financing.

COMPETING SCHEMES

Building / Address	*Date*	*GLA*	*Comments*
Delta City	2007	30,000	existing shopping centre
Usce	2009	46,000	existing shopping centre
Delta Planet	na	170,000	Mixed-use scheme including a 60k sqm shopping centre element, currently on hold
Ashtorm	na	45,000	Mixed-use scheme with 200 room hotel and 19,000 sqm shopping centre along Knez Mihajlova
BIP Skadarlija	na	90,000	Mixed-use retail, office and hotel
Ada Mall	2014	26,000	Shopping centre built by GTC in the Ada Ciganlija area in Cukarica municipality

*estimate

PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

In our valuation we have valued the proposed scheme based upon our key assumptions that are summarized below.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Shopping Centre	€	30.00	/sqm /month
Car Parking	€	75.00	/sqm /month
Hotel	€	-	/sqm /month
Offices	€	15.00	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

We have used our experience, recent transactions and bids of on-going transactions (as listed in the Market Commentary section above) to establish our opinion of exit cap rate and discount rate.

	Exit
Shopping Centre	8.50%
Car Parking	9.00%
Hotel	€200,000/room
Offices	9.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevailing norms in the market.

Shopping Centre	€	800	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		1%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

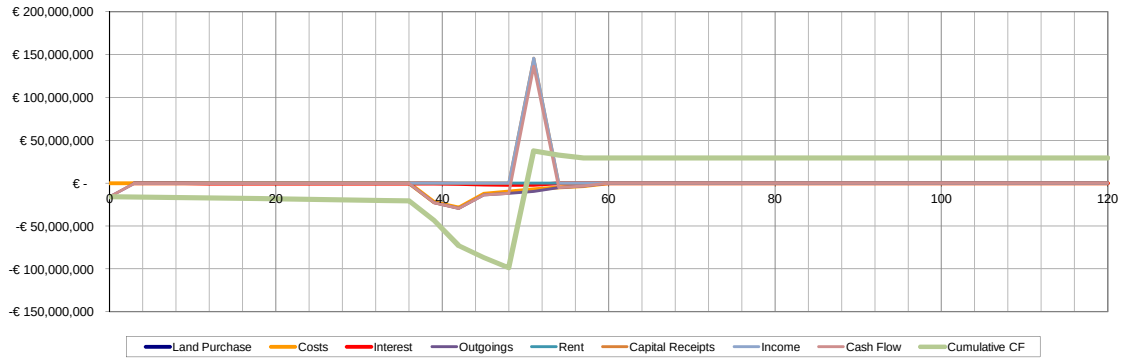
Capital Receipts			€	145,729,412		
Rent			€	-		
Income					**€**	**145,729,412**
Development Costs			-€	67,500,000		
Infrastructure			-€	3,375,000		
Demolitions			-€	4,000,000		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	7,487,500		
Contingencies			-€	4,118,125		
Fixed Marketing Costs			€	-		
Sales Fees	1%	sales proceeds	-€	1,457,294		
Leasing Fees	**10%**	**annual rent**	-€	952,200		
Development Finance	9.00%		-€	4,665,238		
Developer's Profit @	20.00%	GDV	-€	29,145,882		
Acquisition Fees	0.00%		€	-		
					-€	**122,701,239**
Residual value					**€**	**23,028,172**
Land Holding cost						0.700881
					€	**16,140,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 15,970,000								
Costs	€ -	€ -	€ -	€ -	-€ 73,040,625	-€ 15,849,494	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ 145,729,412	€ -	€ -	€ -
Interest	€ -	-€ 1,437,300	-€ 1,566,657	-€ 1,707,656	-€ 4,870,360	-€ 2,147,167	€ -	€ -	€ -
Cash Flow	-€ 15,970,000	-€ 1,437,300	-€ 1,566,657	-€ 1,707,656	-€ 77,910,985	€ 127,732,750	€ -	€ -	€ -
Cumulative CF	-€ 15,970,000	-€ 17,407,300	-€ 18,973,957	-€ 20,681,613	-€ 98,592,598	€ 29,140,152	€ 29,140,152	€ 29,140,152	€ 29,140,152

As can be seen in the chart below, we assume development will commence in at the fifth year . Based on the current scheme the property will be developed in a single phase. The scheme will start generating income in month 75. The main cost for the first year is the land acquisition and the majority of the scheme will be developed in the fifth year.

Cash Flow Profile



PROPERTY	Belgrade Plaza Development Site
ADDRESS	Knez Milosa 90-92, Belgrade, Serbia
VALUATION DATE	31 December 2013

SUMMARY & CONCLUSION

There is limited transactional data in Belgrade; however, we have primarily relied upon a residual calculation to develop our opinion of value. We estimate that the subject plot would transact in the €150-250 per buildable sqm range, which we consider to be realistic in the context of the available market information.
Cushman & Wakefield have been actively marketing the US embassy in Belgrade, which is close to the subject property; this is a redevelopment opportunity. Offers received have been below €450/sqm based upon current areas, although there are significant issues with zoning and registration. In terms of concluded deals, the Skadarlija site calculates at €1200 per sqm on the plot sqm /€240 per buildable sqm and the Delta Planet site at €410 per sqm on the plot and €117 per sqm per buildable area.

In summary, using the above assumptions and variables we have arrived at a residual amount of €215 per buildable sqm, which corresponds to the range of the above comparables and is according to our opinion a unit value of the site.

Address	Details	Asking or sold?	Date	€/sqm
Skadarlija	Mixed use 1.8 ha site	Sold	na	€ 1,200
Auto Komenda (Delta Planet)	Commercial 4.9 ha site	Sold	na	€ 410
Block 67a	Commercial/Resi 3.6 ha site	Sold	2011	€ 360
Block 43	Commercial 9,237 sqm	Sold	2010	€ 866
Block 26	Commercial 8 ha site	Asking	2011	€ 400
US Embassy	Embassy / development opportunity	Asking	2013	€ 1,375

MARKET VALUE	**€**	**16,140,000.00**	**say**	**€**	**16,150,000**

PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
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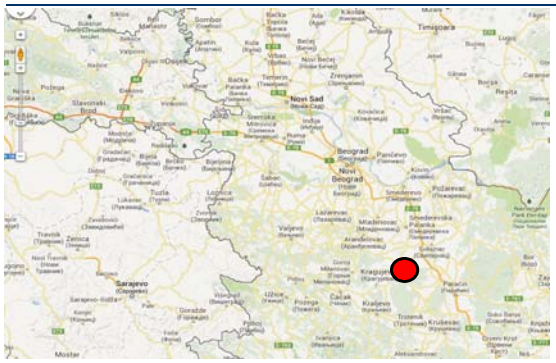
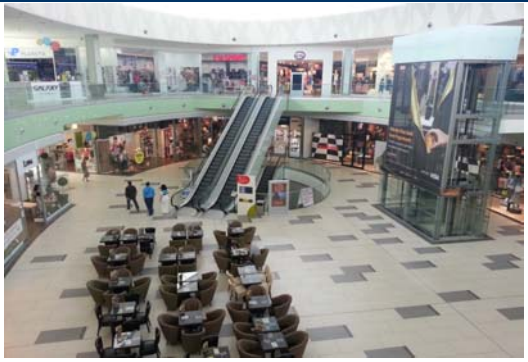

Macro Location

Micro Location

External View


Internal View

LOCATION

Kragujevac is located some 140 km south of Belgrade. It is the fourth largest city in Serbia, the main city of the Sumadija region and the administrative centre of Sumadija District. It is situated on the banks of the river Lepenica. According to official results of the 2011 census, the city has a population of 150,835 inhabitants, while administrative area has a population of 179,417.

The biggest industry, and the city's main employer was auto and weapons manufacturer Zastava which employed tens of thousands in the Socialist Era. Fiat has recently reopened the factory and assembles a range of cars in Kragejuvac and organizes its exports from here.

Kragujevac is also a university town. The University of Kragujevac consists of the Faculties of Medicine, Engineering, Law, Economics, Philology Arts, Natural Sciences and Mathematics.

LOCATION DETAILS

City Population	150,000
Local Land	Residential
Distance to Centre	1.5 km
Distance to Highway	20 km
Distrance to National Road	0.5 km
Public Transport	buses
Plot area	na
Waterfront	no

PROPERTY DETAILS

Property Type/ Use	Shopping Centre
Occupation	fully let
Historic monument	not checked
Gross lettable area	22,000.00
Parking Places	700.00
Access	good
Utilities	assumed all connected
Legal issues	not checked

PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

PROPERTY DATA

BUILDING

Year of Construction	2012
Modernisation Year	na
Building Condition	excellent
Gross lettable area	22000
Parking places	700
Current rent p.a.	€ 3,700,000
Vacancy rate (overall)	0%
Weighted remaining lease term	70 months
State of Repair	excellent
Overall Condition	excellent

TECHNICAL DETAILS

Building Type	Shopping Centre
Construction	Reinforced concrete frame
Facade	Plastered and painted
Roof	Flat roof
Windows	Various
Glazing	n/a
Heating	Gas central heating
AC/ Ventilation	Air conditioning system
Cabling	None
Sanitary	Modern standard

PLOT OF LAND

Site area, total	approx 30,000
Surplus Land	na
Developed area (% total site)	na

INSPECTION

Inspection Type	external and internal
Inspection Date	21/05/2013
Inspected by	Balázs Lados MRICS

PROPERTY DESCRIPTION

The subject property is a modern, purpose-built shopping centre with 22,000 sqm GLA completed in 2012.
The Property is a two-floor building with underground parking suitable for 700 cars.
There are approximately 100 shop units, a hypermarket, bowling and entertainment centre and a 6 hall cinema.
The property is of Class A standard specifications, well laid-out and the design ensures good natural light.

ACCOMMODATION

We were provided with a break-down of floor areas from the on-site management. We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these floor areas. We assume that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	Sqm
Shops	arranged over two floors	17131.30
Cinema	first floor	2212.60
Hypermarket	ground floor	2614.30

PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

LAND REGISTRY DETAILS

The property is situated in Kragejuvac Municipality.
We have not received any information regarding the tenure, but assume that the property is clear of any issues and provides unencumbered title.

Land registry extract	na	Obtained on	na
Registered owner	na		
Registered use	na		
Registered size	na		

Restrictions and encumbrances

We assume that the property is free of any unduly onerous covenants or obligations.

Comments

PLANNING ISSUES

Zoning	na
Footprint ratio	na
Maximum buildable area	na
Maximum height	na
Permit status	na

We have not received any information, but assume that the property corresponds to its current zoning as it has been operational for a year.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

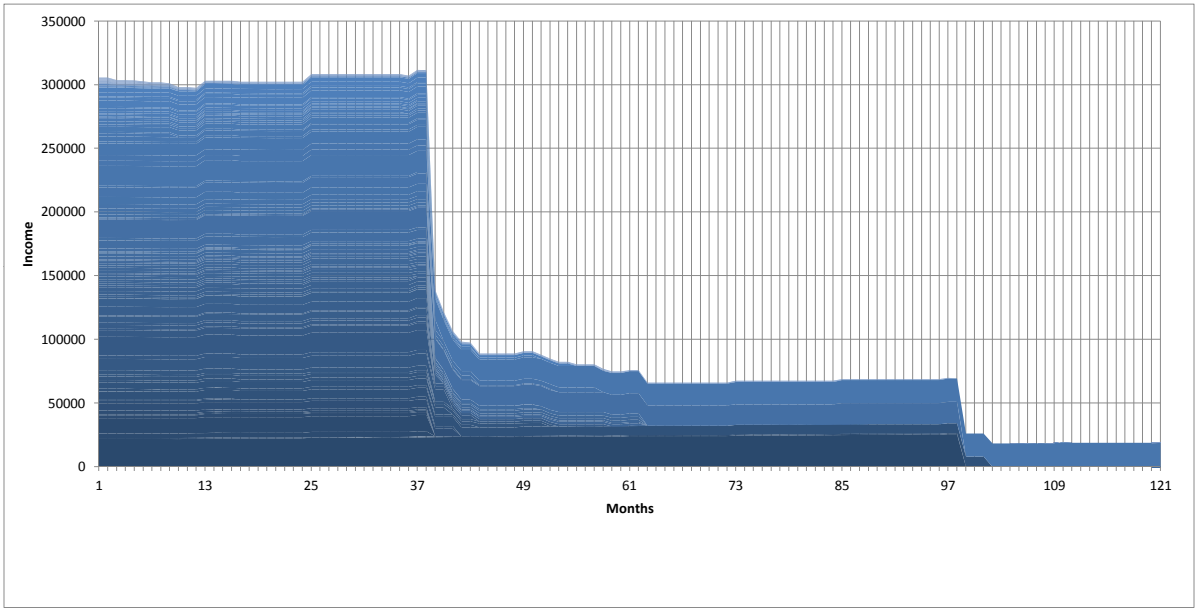
PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

TENANCIES

Number of Tenants		100
Vacant space (m²)		0
Lease Income (p.a.)		€ 3,673,158
Other Income (p.a.)		€ -
Operating Expenses (p.a.)		-€ 1,055,394
Service Charge (/sqm / month)		€ 6.00
Lease inspected?		not provided
Standard Lease Terms:		
Lease length	na	
User Clause	na	
Security	na	
External Repairs	na	
Internal Repairs	na	
Insurance	na	
Alienation	na	
Indexation	na	

The property opened in H1 2012 and is let to approximately 100 tenants. The typical lease terms is 5+5 year for the shops and 10+5 years for the anchors, the average unexpired term is 70 months. The rents are euro-denominated; the current passing rent is € 3.7 million per annum. The tenants pay service charge monthly and have an annual open book reconciliation. There is a non-recoverable cost element of €143,680 pa, which is approximately 3.5% of the current passing rent and calculates €0.54/sqm per month on the total GLA.

Income Profile



The majority of the leases are signed on a 5+5 year basis, hence there is a large drop in income when the initial terms expire around month 37. Long term income security is through anchor tenants such as Cineplex (cinema), Idea (supermarket) and C&A (fashion)

PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

Modern centre
Has completed first year of stabilisation
Full occupancy

WEAKNESSES

The centre is new and so has not stabilised

OPPORTUNITIES

H&M is looking to enter the scheme
other expanding retailers

THREATS

collection loss
entertainment centre tenant rent payment capability

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Investment activity in Serbia during last couple of years has been very limited, with no recorded transaction within any type of retail sector. Many retail schemes are in the pipeline while the entire market is still in the early stage of the development cycle. Based on the expectations from local investors and developers, agents suggest yields in 2012 are as follows:

High Street – Knez Mihailova Street – 7% to 8%
Modern shopping centres (Shopping malls) – Usce and Delta shopping malls – 8.5% to 9%
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We consider the above expectations to be on the optimistic side and comment that these are agent perceptions rather than concluded deals. The Serbian market is less established than other markets in the region and investment interest is below other markets.

Based upon such scant information, it is prudent to look further afield for evidence of deals done. We note the following:
* Mercator portfolio – Cushman & Wakefield aware involved in the attempted monetisation of a retail portfolio in Slovenia. Whilst limited in usefulness due to the specifics of the proposed transaction (15/20 year overriding lease, early stage of marketing), deals did not close in the expected 8-8.5% range.
* QLandia portfolio – a portfolio of retail warehouse malls and small shopping centres in Slovenia is currently being marketed by Probus and it is understood that offers close to 9% have been received for the best assets in the portfolio.
* Carpathian fund – a portfolio of strip malls in the Czech Republic and Hungary was recently sold by the financing bank, who had taken possession. The Hungarian assets were valued at 9.2% based upon current income – but there was significant vacancy.
* Plovdiv Retail Park– this retail warehouse park was sold to Europa Capital for around 11%. Whilst a 2011 deal, this is a useful comparable since the scheme was of c.25,000sqm built in two blocks facing across a car park - and had been operating for a limited period.
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PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

COMPARABLES

LEASE COMPARABLES

Building / Address	*Date*	*Rent (psm / mth)*	*Incentives*	*Comment*
We have primarily analysed rental information within the centre				

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Comment*
ARENA CENTAR	2010	na	8.50%	50% share ownership to Heitman from Trigranit
Mercator S&LB	2012	na	8.50%	did not close
Plovdiv Retail Park	2011	na	11.00%	Europa Capital
Allee, Budapest	2013	na	8.00%	abortive sale of 50% ownership, best bids came in in the region of 8%

COMPETITION

Delta Park Kragejuvac - 22,500 sqm GLA Retail Park consisting of 3 major big box units
- Tempo (9,200 sqm) hypermarket electronics retailer
- Neptun (3,300) sqm electronics retailer
- Jysk, Conforma, and Forma Ideal (7,000 sqm) home decor and DIY retailers

and a 3,300 GLA strip of shops with Deichmann and Takko, but the shops are 70% vacant

Metro is located on the northern end of town

INVESTMENT CONSIDERATIONS

Overall the property is a modern Class A investment grade asset with 100% occupancy and average rent of around €14/sqm per month and with 70 months unexpired term.
The property would tend to meet institutional investors requirements, although rents have not yet stabilized within the centre.

PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 December 2013
Report Date	31 December 2013

VALUATION DETAILS SUMMARY

Market Value	€	41,775,000.00
Gross annual income	€	3,673,000.00
Net Operating Income (Year one)	€	3,690,000.00
Day One annualised NOI	€	3,675,000.00
Estimated Rental Value	€	3,712,000.00
Initial Yield (Year one)		8.83%
Initial Yield (Annualised day one)		8.80%

VALUATION ASSUMPTIONS

RENTAL VALUE

This is a unique property. The best evidence of rents are the latest deals within the subject property. We have primarily analysed passing rents within the centre and used the following size bands to arrive at our opinion of ERV.

<50	€	25.00	/sqm /month
<100	€	21.50	/sqm /month
<200	€	18.50	/sqm /month
<400	€	17.50	/sqm /month
<800	€	12.50	/sqm /month
<2000	€	11.00	/sqm /month
Hyper	€	8.00	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

There are no deals in Serbia to compare but the 50% ownership of Arena Centar in Zagreb transacted at 8.5% in. Bids for a 50% share in Allee in Budapest were reputedly in the region of 8%. Serbia is seen as a riskier, non-EU market, so we would tend to add c.50-100bps premium to Budapest/Zagreb levels and an additional 50 bps for being in a secondary city. Our selection of discount rate reflects our 2% rental / HICP growth assumption.

	Discount	Exit
Default	11.00%	9.00%
Vacant	11.00%	9.00%
Yield2	11.00%	9.00%
Yield3	11.00%	9.00%
Yield4	11.00%	9.00%
Yield5	11.00%	9.00%
Yield6	11.00%	9.00%
Yield7	11.00%	9.00%
Yield8	11.00%	9.00%

OTHER VARIABLES

We have reflected most risks implicitly in the yield and discount rate profile. Inflation is expressly reflected.

Service Charge Income	€	6.00	/sqm/ month
Service Charge Outgoings	€	6.00	/sqm/ month
Non recoverables		0%	ERV
Void on expiry		0.00	months
Lease Term		10.00	years
Rent Free Periods		0.00	months
Leasing Fees		0%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs			
Inflation			

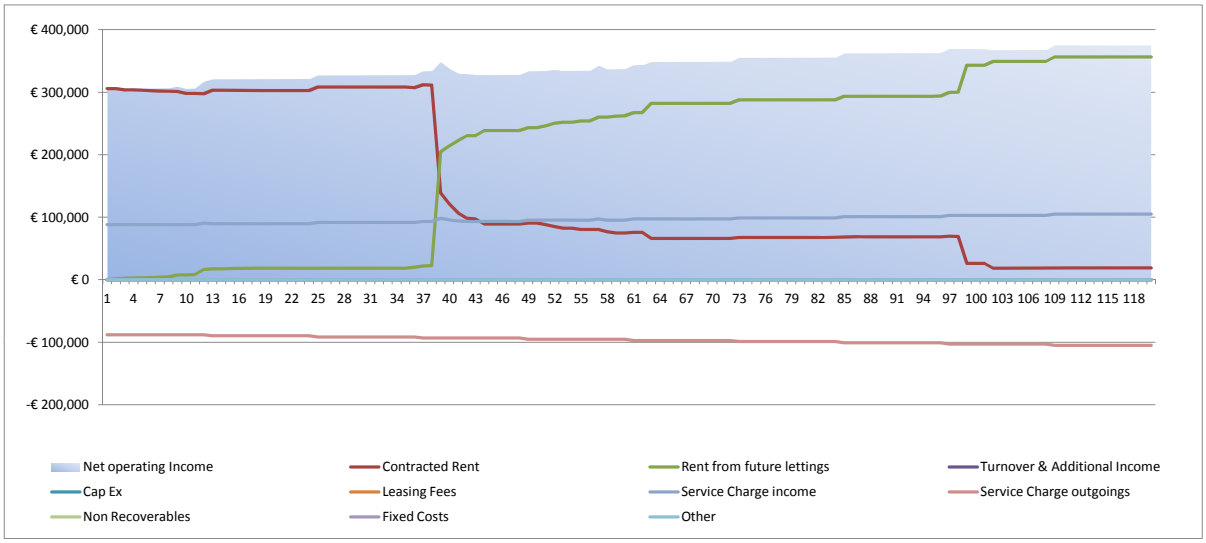
PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

PROJECTED INCOME PROFILE

CASH FLOW

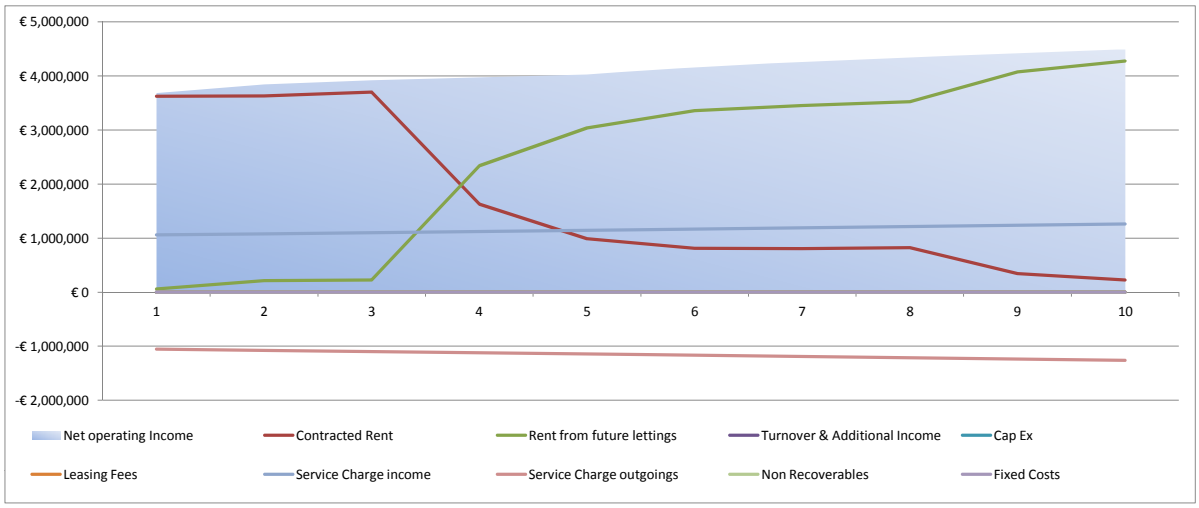
Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 3,623,407	€ 3,632,505	€ 3,701,370	€ 1,630,005	€ 987,049	€ 812,524	€ 809,064	€ 825,245	€ 345,786	€ 224,244
Rent from future lettings	€ 62,011	€ 216,742	€ 224,965	€ 2,339,415	€ 3,038,526	€ 3,356,698	€ 3,453,727	€ 3,523,146	€ 4,073,431	€ 4,274,331
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ 1,059,663	€ 1,077,016	€ 1,098,556	€ 1,127,892	€ 1,145,466	€ 1,165,399	€ 1,188,707	€ 1,212,481	€ 1,236,569	€ 1,261,293
Service Charge outgoings	-€ 1,055,394	-€ 1,076,502	-€ 1,098,032	-€ 1,119,992	-€ 1,142,392	-€ 1,165,240	-€ 1,188,545	-€ 1,212,316	-€ 1,236,562	-€ 1,261,293
Non Recoverables	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**€ 3,689,687**	**€ 3,849,761**	**€ 3,926,859**	**€ 3,977,320**	**€ 4,028,649**	**€ 4,169,381**	**€ 4,262,953**	**€ 4,348,557**	**€ 4,419,224**	**€ 4,498,575**

Monthly income



The majority of the leases expire in month 39, at which time the units are assumed to be re-leased at our assessment of ERV. We believe that the centre is roughly rack rented, any re-letting risk is implicitly reflected in the applied yields. This profile sees steady growth over the cash flow period.

Annual Income



PROPERTY	KRAGEJUVAC PLAZA
ADDRESS	Bulevar Kraljice Marije 56, Kragujevac 34000, Serbia
VALUATION DATE	31 December 2013

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ 3,264,330	€ 2,948,223	€ 2,706,410	€ 1,073,735	€ 585,766	€ 434,409	€ 389,693	€ 358,096	€ 135,176	€ 78,975
Rent from future lettings	€ 55,865	€ 175,913	€ 164,493	€ 1,541,045	€ 1,803,217	€ 1,794,628	€ 1,663,517	€ 1,528,786	€ 1,592,405	€ 1,505,353
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ 954,651	€ 874,130	€ 803,255	€ 742,978	€ 679,778	€ 623,070	€ 572,551	€ 526,128	€ 483,406	€ 444,208
Service Charge outgoings	-€ 950,805	-€ 873,713	-€ 802,871	-€ 737,774	-€ 677,954	-€ 622,985	-€ 572,473	-€ 526,056	-€ 483,403	-€ 444,208
Non Recoverables	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 17,955,723
TOTAL	**€ 3,324,042**	**€ 3,124,553**	**€ 2,871,286**	**€ 2,619,984**	**€ 2,390,807**	**€ 2,229,122**	**€ 2,053,287**	**€ 1,886,954**	**€ 1,727,584**	**€ 19,540,051**

Based upon the above assumptions we have arrived at a market value of €41,775,000 million, which calculates at €1,800 per square metre capital value .

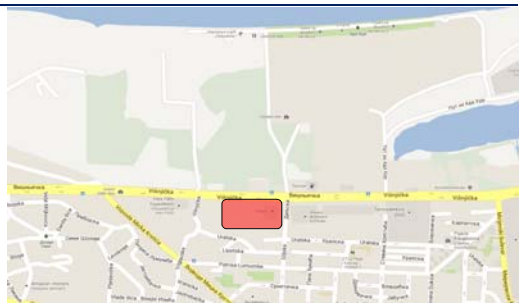
Gross value			**€**	**41,767,669**
Legal Costs	**0.00%**			
Agent Fees	**0.00%**			
Transaction Costs	**0.00%**	**0.00%**	**€**	**-**
Market Value			**€**	**41,767,669**

MARKET VALUE say € 41,775,000

PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
VALUATION DATE	31 December 2013

PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
VALUATION DATE	31 December 2013

Macro Location



Micro Location

Satellite View

Street View

LOCATION

The Property is located along Visnjicka in the northern part of Old Belgrade close to the bridge to Panchevo.
Accessibility of the site is good off E-70 and the bridge. The direct catchment has a population of 400,000 inhabitants while the indirect catchment reaches Panchevo and has some 700,000 inhabitants.
The Property's micro location provides convenient access to the city centre and other parts of the Old Town, while the bridges secure access to the northern satellite towns of Belgrade. The property is located approximately 2 km north-east of the city centre (Knez Mihailova). Accessibility is further enhanced by very good communication links, with several bus stops located in close proximity to the subject property. The surroundings are dominated by residential and old industrial land uses that are likely to be converted to residential on the long term.

LOCATION DETAILS

City Population	1.7 million
Local Land	Residential & Industrial
Distance to Centre	2 km
Distance to Highway	3 km
Distance to National Road	500 m
Public Transport	well developed
Plot area	31,076
Waterfront	yes, to the Danube

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	derelict industrial
Historic monument	No
Site area	31,076
Parking Places (closed)	n/a
Access	off Visnjicka
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

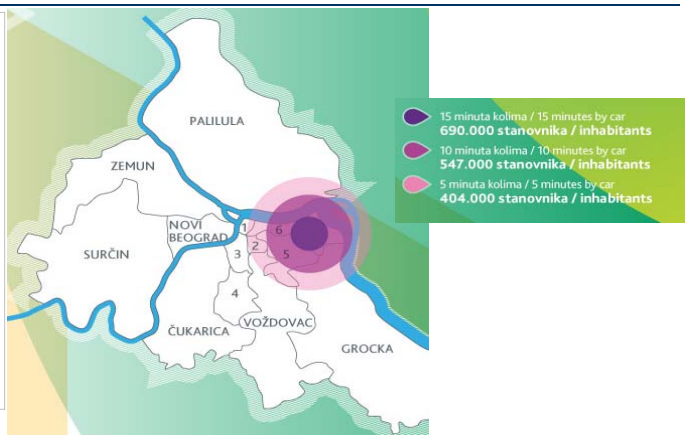
Site area, total	31,076
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External and Internal
Inspection Date	20-May-13
Inspected by	Balazs Lados MRICS

PROPERTY DESCRIPTION

The subject property consists of a 3 hectares of commercial urban development land on a derelict industrial site. The plot has a regular, rectangular shape and has an incline to the south.
The site is developed with old derelict industrial buildings that are let on short term contracts to local small and medium sized enterprises. The site used to be a sports equipment factory but went bankrupt years ago.
The site is accessible off Visnjicka street.
We have made no specific queries of the statutory authorities but understand and assume that all mains services are available on the site.
We were advised that Plaza Centers has building permit and demolition permit for the site and the only obstacle in developing the proposed scheme is the lack of bank financing.



LAND REGISTRY DETAILS

We were not provided and have not checked the title documentation in detail, but assume the property is an unencumbered effective freehold.

Land registry extract		Obtained on	n/a
Registered owner	n/a		
Registered use	Assumed land		
Registered size	31,076.36		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold and free of any issues that would negatively effect the market value of the property.

Comments

n/a

PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
VALUATION DATE	31 December 2013

PLANNING ISSUES

Zoning	n/a
Footprint ratio	n/a
Density ratio	Assumed 3.5
Maximum height	n/a
Permit status	building permit and demolition permit obtained

The proposed scheme has a total GLA of 100,000 sqm, while the subject site is 30,000 sqm, which suggests a floor area/plot ratio of around 3.5.
We have not been provided with any information as to the zoning of the site, but having been advised that the site has a building permit we assume that the proposed scheme corresponds with the relevant zoning regulations.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The proposed scheme includes the following elements constructed in a single phase.

45,000 sqm retail GLA
1,100 car parking spaces

An image of the proposed scheme is attached to the right.

PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
VALUATION DATE	31 December 2013

SWOT-ANALYSIS

STRENGTHS

- Size and shape of the site
- Strong Catchment
- No existing schemes in Old Belgrade

WEAKNESSES

- Visnijcka is a 'dead end' road

OPPORTUNITIES

- To be the first in Old Belgrade
- Destination Centre

THREATS

- Difficult to obtain financing in current market
- Depressed market environment

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Investment activity in Serbia during last couple of years has been very limited, with no recorded transaction within any type of retail sector. Many retail schemes are in the pipeline while the entire market is still in the early stage of the development cycle. Based on the expectations from local investors and developers, agents suggest yields are as follows:

High Street – Knez Mihailova Street – 7% to 8%
Modern shopping centres (Shopping malls) – Usce and Delta shopping malls – 8.5% to 9%
Retail parks – 9.5% to 10.5%; Retail warehouse – 9.5% to 10.5%

We consider the above expectations to be on the optimistic side and comment that these are agent perceptions rather than concluded deals. The Serbian market is less established than other markets in the region and investment interest is below other markets.

Based upon such scant information, it is prudent to look further afield for evidence of deals done. We note the following:
* Mercator portfolio – Cushman & Wakefield are currently involved in the monetisation of a retail portfolio in Slovenia. Whilst limited in usefulness due to the specifics of the proposed transaction (15/20 year overriding lease, early stage of marketing), preliminary indications are that the market is prepared to pay 8-8.5% in yield terms.
* QLandia portfolio – a portfolio of retail warehouse malls and small shopping centres in Slovenia is currently being marketed by Probus and it is understood that offers close to 9% have been received for the best assets in the portfolio.
* Carpathian fund – a portfolio of strip malls in the Czech Republic and Hungary was recently sold by the financing bank, who had taken possession. The Hungarian assets were valued at 9.2% based upon current income – but there was significant vacancy.
* Plovdiv Retail Park– this retail warehouse park was sold to Europa Capital for around 11%. Whilst a 2011 deal, this is a useful comparable since the scheme was of c.25,000sqm built in two blocks facing across a car park - and had been operating for a limited period.
* Offers for long-leased standalone supermarkets backed by international covenants have reached double digit yields in non-prime locations in neighbouring countries

COMPETITION

There isn't an existing shopping centre in Old Belgrade to date, but we have listed the key pipeline developments below. Most of these are currently on hold, being lack of project financing.

COMPETING SCHEMES

Building / Address	*Date*	*GLA*	*Comments*
Delta City	2007	30,000	existing shopping centre
Usce	2009	46,000	existing shopping centre
Delta Planet	n/a	170,000	Mixed-use scheme including a 60k sqm shopping centre element, currently on hold
Ashtorm	n/a	45,000	Mixed-use scheme with 200 room hotels and 19,000 sqm shopping centre along Knez Mihajlova
BIP Skadarlija	n/a	90,000	Mixed-use retail, office and hotel
Ada Mall	2014	26,000	Shopping centre built by GTC in the Ada Ciganlija area in Cukarica municipality

PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
VALUATION DATE	31 December 2013

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

In our valuation we have valued the proposed scheme based upon our key assumptions that are summarized below.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Shopping Centre	€	18.00	/sqm /month
Car Parking	€	-	/sqm /month
3	€	-	/sqm /month
4	€	-	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

We have used our experience, recent transactions and bids of on-going transactions (as listed in the Market Commentary section above) to establish our opinion of exit cap rate and discount rate.

	Exit
Shopping Centre	8.75%
Car Parking	8.75%
3	0.00%
4	0.00%
5	0.00%
6	0.00%
7	0.00%
8	0.00%
9	0.00%
10	0.00%
11	0.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevailing norms in the market.

Shopping Centre	€	600	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		1%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
VALUATION DATE	31 December 2013

SUMMARY RESIDUAL VALUATION

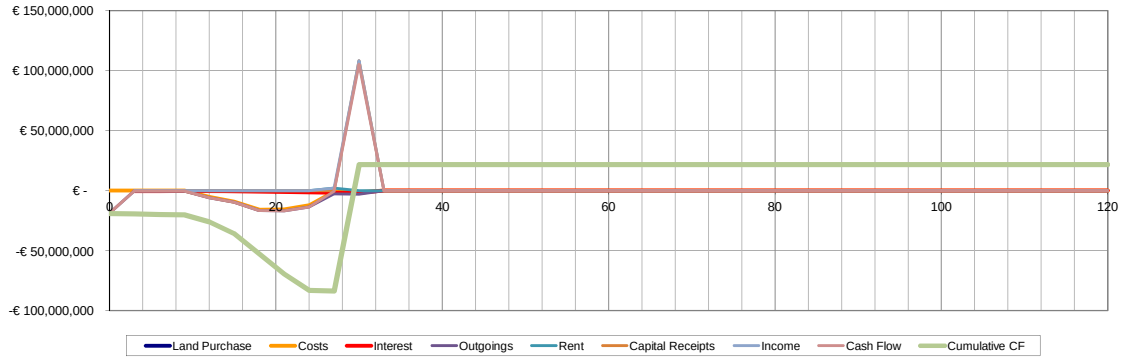
Capital Receipts			€	108,308,571		
Rent			€	2,013,863		
Income					**€**	**110,322,434**
Development Costs			-€	46,125,000		
Infrastructure			-€	2,306,250		
Demolitions			-€	2,000,000		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	5,043,125		
Contingencies			-€	2,773,719		
Fixed Marketing Costs			€	-		
Sales Fees	1%	sales proceeds	-€	1,083,086		
Leasing Fees	**10%**	**annual rent**	-€	947,700		
Development Finance	9.00%		-€	4,770,665		
Developer's Profit @	20.00%	GDV	-€	21,661,714		
Acquisition Fees	0.00%		€	-		
					-€	**86,711,259**
Residual value					**€**	**23,611,175**
Land Holding cost						0.805974
					€	**19,030,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 19,030,000								
Costs	€ -	-€ 5,353,031	-€ 52,895,063	-€ 2,030,786	€ -	€ -	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ 110,322,434	€ -	€ -	€ -	€ -	€ -
Interest	€ -	-€ 1,712,700	-€ 4,004,978	-€ 3,628,043	€ -	€ -	€ -	€ -	€ -
Cash Flow	-€ 19,030,000	-€ 7,065,731	-€ 56,900,041	€ 104,663,605	€ -	€ -	€ -	€ -	€ -
Cumulative CF	-€ 19,030,000	-€ 26,095,731	-€ 82,995,772	€ 21,667,833	€ 21,667,833	€ 21,667,833	€ 21,667,833	€ 21,667,833	€ 21,667,833

As can be seen in the chart below, we assume development will commence at year 2. Based on the current scheme the property will be developed in a single phase. The scheme will start generating income in month 25. The main cost for the first year is the land acquisition and the property is sold following lease-up and completion.

Cash Flow Profile



PROPERTY	Visnjicka Plaza Development Site
ADDRESS	Visnjicka 84, Beograd
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SUMMARY & CONCLUSION

We have compared the site to available evidence and transactional data in Belgrade. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €150-200 per buildable sqm range, which we consider to be realistic in the context of the available market information.
The best comparables are the Skadarlija site, which calculates €1200 per sqm on the plot sqm and €240 per buildable sqm; and the Delta Planet site which calculates €410 per sqm on the plot and €117 per sqm per buildable area.
In summary, using the above assumptions and variables we have arrived at a residual amount of €600 per sqm on the site area (€186.2 per buildable sqm), which corresponds to the range of the above comparables and is according to our opinion a unit value of the site.

Address	Details	Asking or sold?	Date	€/sqm
Skadarlija	Mixed use 1.8 Ha site	Sold	n/a	€ 1,200
Auto Komenda (Planet Shopping Mall)	Commercial 4.9 ha site	Sold	n/a	€ 410
Block 67a	Commercial/Resi 3.6 ha site	Sold	2011	€ 360
Block 43	Commercial 9,237 sqm	Sold	2010	€ 866
Block 26	Commercial 8 ha site	Asking	2011	€ 400

MARKET VALUE	**say**	**€**	**19,025,000**

Appendix 1 Economic and Retail Snapshots

MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD®

HUNGARY
A Cushman & Wakefield Research Publication

Q4 2013

GROWTH PICKS UP
The Hungarian economic recovery is gradually accelerating and after a 0.9% q/q in Q3, growth in 2013 is now estimated at 1.2%. Exports and fixed investment, particularly in the manufacturing sector, are the main drivers of growth, although government spending also expanded throughout 2013 after a prolonged period of austerity. Consumers remain fragile as indicated by volatile retail sales data, albeit prospects are improving.

BETTER PROSPECTS FOR CONSUMERS
Conditions for consumer spending have improved significantly. Relaxation of austerity, lower inflation (0.4% in December) and a fall in unemployment from the April peak of 11.8% to 9.8% in November bode particularly well for the future. Combined with low cost of credit and recent utility price cuts, this should lead to a marked rebound in spending in 2014. A large stock of Swiss franc-denominated housing loans inflated by currency effects will be the only drag on disposable incomes. Indeed, retail sales grew in y/y terms between July and October after sharp falls throughout 2012H2 and 2013H1. October saw a particularly strong gain in momentum, with a 2.5% y/y pick-up in total retail sales, including 1.2% growth in foodstuffs.

SUPPORTIVE POLICIES
Alongside utility price cuts, which are expected to bring inflation down significantly at the start of this year, other public policies are supporting growth. The MPC's easing cycle continues, with further 50bp worth of cuts expected at the start of this year after a cumulative 380bp since August 2012. Moreover, the Funding for Lending Scheme was expanded in August, thus improving access to credit. Finally, government infrastructure projects are boosting overall investment activity.

OUTLOOK
After recent surprisingly positive quarterly GDP figures, growth forecasts have been revised upwards, with the economy expected to accelerate to 1.2% in 2013 and 2.2% in 2014. Exports and investment are leading the way thanks to gradual improvements in external demand and a resulting return of confidence as well as favourable credit conditions. A series of publically-funded infrastructure projects additionally boosted investment and are expected to continue to drive demand in the near future. Signs of a recovery have also started to emerge in the consumer sector, as indicated by positive growth of retail sales between July and October. Favourable conditions are expected to ensure that consumer spending growth becomes more entrenched in the medium term.

MARKET OUTLOOK

GDP:	A pick-up in growth expected in 2014.
Inflation:	To increase gradually after dropping below 1% at the end of 2013.
Interest rate:	More cuts expected after a 15bp reduction in January.
Employment:	To improve throughout the year.

ECONOMIC SUMMARY

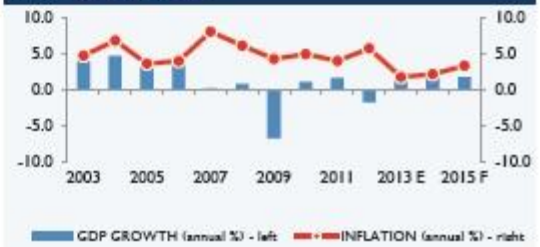
ECONOMIC INDICATORS*	2011	2012	2013F	2014F	2015F
GDP growth	1.6	-1.7	1.2	2.2	1.7
Consumer spending	0.4	-1.6	-0.2	1.3	1.4
Industrial production	5.7	-1.4	2.0	3.7	2.6
Investment	-5.9	-3.7	3.2	3.7	2.7
Unemployment rate (%)	11.0	10.9	10.4	10.3	10.3
Inflation	3.9	5.7	1.7	2.1	3.3
HUF/€ (average)	279.3	289.3	297.0	295.4	283.8
HUF/US$ (average)	201.0	225.1	223.7	226.9	227.4
Money market rate (%)	6.2	7.0	4.3	3.0	3.9
Interest rates 10-year (%)	7.6	7.9	5.9	5.4	6.2

NOTE: *annual % growth rate unless otherwise indicated. F estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	9.9 million (2013)
GDP	US$ 130.5 billion (2013)
Public sector balance	-3.0% of GDP (2013)
Public sector debt	81.6% of GDP (2013Q2)
Current account balance	2.7% of GDP (2013)
Parliament	Majority government (Fidesz and Christian Democratic People's Party)
President	János Áder
Prime Minister	Viktor Orbán
Election dates	6th April 2014 (Parliamentary and Municipal) 2017 (Presidential)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

MARKETBEAT
RETAIL SNAPSHOT

CUSHMAN & WAKEFIELD

HUNGARY
A Cushman & Wakefield Research Publication

Q4 2013

OVERVIEW

The retail market saw a slight improvement in the fourth quarter, with increased interest from international brands but also general expansions. Retail sales continued on their upward trajectory in November, a trend which has been largely evident in the second half of the year. Sales volumes rose by a seasonally adjusted 4.9% in November, up from the 2.5% recorded in October. Trading of both food and non-food products was encouraging as sales rose by 4.5% and 4.8% respectively, with automotive fuel sales also surging ahead by 5.0%.

OCCUPIER FOCUS

The high streets of Váci utca and Andrássy út were attracting slightly stronger interest in the fourth quarter, and this was reflected in a rise of 5.6% in rental values in the former location. Nevertheless, prime rents were generally stable towards the end of the year. In the retail warehouse sub-sector, occupiers are yet to record a pick-up in activity and improvement in market conditions has been slow.

Although retailers are still cautious with regard to expansions, a number of international brands have increased their presence over the past months. Expanding retailers include the likes of H&M, Deichmann, Inditex, Reserved and Michael Kors among others. Meanwhile, landlords of prime shopping centres have experienced some improvement in the market, but with secondary developments still suffering from higher vacancy levels, and a less optimistic outlook.

INVESTMENT FOCUS

Investment in the retail sector was almost non-existent, with only one asset being acquired, a retail warehouse unit in Győr for approximately €2 million. Activity remains constrained by finance restrictions, making it difficult to fund investment transactions, and by a lack of investment-grade assets on the market. Prime yields were unchanged across all sub-sectors, with the lowest value of 7.00% in Budapest, some way short of the 10-year low of 5.50%.

OUTLOOK

Looking ahead, economic activity is expected to accelerate this year, with a Consensus Forecast of 1.7%, higher than the estimated 0.8% in 2013. Whilst growth will be mainly driven by exports, consumer spending is also anticipated to improve. When combined with a forecast stable inflation rate and healthier consumer sentiment, the indicators bode well for the recovering retail market.

MARKET OUTLOOK

Prime Rents:	Prime values to hold firm.
Prime Yields:	Expected to remain stable despite financing restrictions.
Supply:	Very limited development activity and further delays are expected.
Demand:	Stable, interest focused on prime locations.

PRIME RETAIL RENTS – DECEMBER 2013

HIGH STREET SHOPS	€ SQM/MTH	€ SQM/YR	US$ SQFT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Budapest (Váci utca)	95	1,140	146	5.6	-4.6
Budapest (Andrássy út)	40	480	61	0.0	-10.6
RETAIL PARKS	**€ SQM/MTH**	**€ SQM/YR**	**US$ SQFT/YR**	**GROWTH % 1YR**	**GROWTH % 5YR CAGR**
Budapest	7.00	84	10.8	0.0	-5.9
Budaörs	7.00	84	10.8	0.0	-5.9

PRIME RETAIL YIELDS – DECEMBER 2013

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Budapest (Váci utca)	7.00	7.00	6.75	9.00	5.50
Budapest (Andrássy út)	7.25	7.25	7.00	11.00	6.00
RETAIL PARKS (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Budapest	8.50	8.25	8.00	9.50	6.25
Budaörs	8.50	8.25	8.00	9.50	6.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Hungary	7.25	7.25	7.00	8.00	5.00

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE

Source: Cushman & Wakefield

MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD

POLAND
A Cushman & Wakefield Research Publication

Q4 2013

EXPORT-IGNITED GROWTH

Growth within the Polish economy is becoming more broad-based as the strength of the export sector is spreading to the domestic economy. Indeed, there has been a gradual gain in momentum since the low point at the start of 2013 and 0.6% growth q/q (1.7% y/y) was recorded in Q3. Consumer spending picked up gently, while investment grew in annual terms for the first time in five quarters, having recovered from lagged knock-on effects of last year's weaknesses in foreign trade. Higher export orders and resulting improvements in business confidence as well as low interest rates are now driving private investment and thus job creation.

BRIGHTENING OUTLOOK FOR CONSUMERS

After a subdued 2013, private consumption is now improving thanks to a variety of factors. Unemployment fell from the February peak to 13.2% in November thanks in particular to the manufacturing sector and although expected to stay significantly above the pre-crisis level for some time, it should continue to fall. Amongst other favourable conditions are recent increases in government spending, which are anticipated to continue into 2014, as well as falling inflation, low debt levels and a high level of precautionary savings. The impact on the consumer has materialised already, with private consumption growing in both Q2 and Q3 and retail sales gaining momentum since the start of 2013. Car sales saw a particularly strong rebound of over 20% y/y in these two months – a clear sign of improved confidence.

IMPETUS FROM PUBLIC AND PRIVATE INVESTMENT

With external demand growing strongly, as reflected in a 5.5% y/y pick-up in exports in Q3, and domestic demand recovering gradually, fixed investment is expected to continue to recover from its recent soft patch. In addition, funds from the new EU budget for 2014-20 will allow the government to continue its significant infrastructure investment programme focused on rail, road and energy, thus further boosting business activity as well.

OUTLOOK

Favourable external conditions and improving confidence are expected to continue to have a positive knock-on effect on domestic demand, with loose monetary conditions likely to additionally boost activity. The resulting gradual improvement in the labour market and low inflation will lead to higher real wages and thus increased consumer spending. The construction sector, which reached a low point at the start of 2013 started to recover and should accelerate throughout 2014. Slower than expected growth in Poland's main trade partners in the EU is the main risk to the forecast.

MARKET OUTLOOK

GDP:	GDP to continue to pick up.
Inflation:	To remain low due to wide spare capacity and the impending appreciation of the zloty.
Interest rate:	Expected to stay on hold for a prolonged period of time.
Employment:	Further modest improvements this year.

ECONOMIC SUMMARY

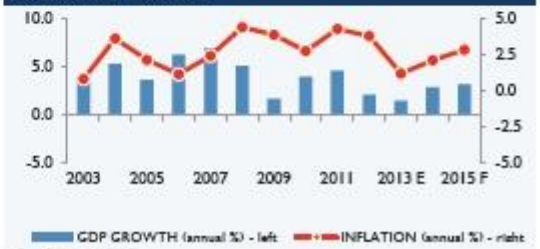
ECONOMIC INDICATORS*	2011	2012	2013E	2014F	2015F
GDP growth	4.5	2.0	1.4	2.8	3.1
Consumer spending	2.6	1.2	0.5	2.2	2.9
Industrial production	6.9	1.8	2.0	5.2	5.0
Investment	8.2	-1.9	-0.6	3.9	5.8
Unemployment rate (%)	12.4	12.8	13.6	13.5	13.2
Inflation	4.2	3.7	1.2	2.1	2.8
PLZ/€ (average)	4.12	4.19	4.20	4.08	3.93
PLZ/US$ (average)	2.96	3.26	3.16	3.13	3.15
Interest rates: 3-month (%)	4.3	4.7	2.8	2.7	3.7
Interest rates 10-year (%)	6.0	5.0	4.0	4.6	5.1

NOTE: *annual % growth rate unless otherwise indicated. E=estimate F=forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	38.6 million (2013)
GDP	US$ 516.6 billion (2013)
Public sector balance	-4.0% of GDP (2013)
Public sector debt	58.3% of GDP (2013Q2)
Current account balance	-1.5% of GDP (2013)
Parliament	Coalition of Civic Platform party and the smaller Polish People's Party
President	Bronislaw Komorowski
Prime Minister	Donald Tusk
Election dates	Mid-2015 (Presidential) Late 2015 (Parliamentary)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

MARKETBEAT
RETAIL SNAPSHOT

CUSHMAN & WAKEFIELD

POLAND
A Cushman & Wakefield Research Publication

Q4 2013

OVERVIEW
Polish economic growth is becoming more broad-based and GDP growth accelerated to1.7% year-on-year in Q3 after stagnation earlier in the year. Consumer confidence remains robust and retail sales figures have picked up considerably, to 5.8% in December 2013.

OCCUPIER FOCUS
Along with the improving economy, the occupier market is slowly gaining momentum. Occupier demand is robust as the large fashion retail chains continue to expand, although smaller retailers are still cautious. The retail market is growing at a slower rate compared to previous years, and the expansion is generally limited to the largest towns. Prime rents have remained static for the past 18 months but there are signs that uplifts are possible in selected locations over the coming months as foreign retailers are still keen to expand their network and open new stores in the country. The trend for refurbishments and extensions of existing projects remains a key factor in the growth of shopping centre space.

INVESTMENT FOCUS
The investment market continued its strong performance in the fourth quarter with €551 million worth of retail assets traded, accounting for 56% of total volumes. Over the entire year 2013, €1.4 billion of retail properties changed hands representing around 44% of all transactions. The largest deals in Q4 were the sale of the Wola Park shopping centre in Warsaw by AEW Central Europe to IKEA Centre Group Poland; and the purchase of the 39,400 sq.m Galeria Kazimierz shopping centre by Nellia, a unit of the Invesco Group for around €180 million. Prime yields remained largely unchanged over the quarter and have been stable now for 18 months.

OUTLOOK
Favourable external conditions and improving consumer confidence are expected to continue to have a positive effect on domestic demand, with loose monetary conditions likely to boost activity. The development pipeline is still healthy, especially for shopping centres and occupier demand will continue to be driven by large retail chains. Rental growth is dependent on the development of overall economic conditions in the country, with selected locations likely to see increases this year after 18 months of stagnant rents. Activity in the investment market is expected to remain at current levels or keep improving. This may lead to further yield compression for prime shopping centres in 2014 and beyond.

MARKET OUTLOOK

Prime Rents:	Improved economic conditions may lead to growth in prime values.
Prime Yields:	Growing number of deals to put downward pressure on yields.
Supply:	Healthy pipeline in the large regional cities.
Demand:	Occupier demand stable, majority of interest from large retail chains.

PRIME RETAIL RENTS – DECEMBER 2013

HIGH STREET SHOPS	€ SQM/MTH	€ SQM/YR	US$ SQFT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Warsaw	83.0	996	127.5	0.0	-0.5
Krakow	78.0	936	119.8	0.0	0.0
Katowice	56.0	672	86.0	0.0	-3.2
Poznan	55.0	660	84.5	0.0	-2.0
Lodz	26.0	312	39.9	0.0	-5.2
Wroclaw	41.0	492	63.0	0.0	-5.7

PRIME RETAIL YIELDS – DECEMBER 2013

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Warsaw	8.00	8.00	8.00	12.50	7.25
Krakow	8.25	8.25	8.25	13.00	7.75
Katowice	8.25	8.25	8.25	14.00	8.00
Poznan	8.25	8.25	8.25	13.00	8.00
Lodz	8.25	8.25	8.25	14.00	8.00
Wroclaw	8.25	8.25	8.25	14.00	8.00
STAND ALONE RETAIL WAREHOUSING UNITS (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Poland	8.00	8.00	8.00	13.00	6.25
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Poland	5.75	5.75	6.00	8.25	5.50

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RECENT PERFORMANCE

Source: Cushman & Wakefield

MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD

CZECH REPUBLIC
A Cushman & Wakefield Research Publication

Q4 2013

FRAGILE RECOVERY
Czech economic recovery is still fragile, as revealed by another contraction in Q3 following a rebound in Q2. Net exports were a drag due to imports growth outstripping exports. Government expenditure turned positive while the other elements of domestic demand lagged behind, with both consumption and fixed investment expected to contract in 2013 as a whole. Prospects are brightening as indicated by sharp increases in export orders and PMI at a 2.5-year high in November.

BETTER PROSPECTS FOR CONSUMERS
Consumer spending was lacklustre in 2013 as employment growth stalled and austerity continued. With less gloom over employment prospects and the ongoing easing of fiscal policy, consumers are likely to increase spending in 2014. Inflation is likely to put some breaks on this recovery as it should rise following the central bank's November foreign exchange intervention. Unemployment is also expected to remain a constraint as it is likely to fall only very gradually from the current historically high level. Nevertheless, sharp improvements in consumer confidence pushed retail sales up by as much as 7.8% y/y in November after modest growth beforehand. A rise in car sales is a particularly strong sign of strengthening confidence.

INVESTMENT SET TO IMPROVE
After being a drag on growth in 2013, fixed investment is now expected to pick up thanks to rising demand from abroad, which should pull the export-orientated Czech economy out of recession. Confidence has already recovered significantly and should be further boosted by the central bank's November foreign exchange intervention, which will additionally boost exports through weakening the koruna.

OUTLOOK
After a disappointing 2013, growth is expected to pick up strongly this year thanks to a less restrictive fiscal policy and rising demand for Czech exports. The recent foreign exchange intervention by the central bank is expected to give an additional boost to exports which are traditionally the main driver of growth. Strengthening consumer confidence bodes well for the retail sector, although spending will be limited by impending rises in inflation and high unemployment, which at 7.3% is still significantly above the pre-crisis level of around 5%. Slower than expected growth in the euro zone is the main risk to growth in this export-orientated economy.

MARKET OUTLOOK

GDP:	A marked pick-up expected this year.
Inflation:	To increase throughout 2013 due to the central bank's foreign exchange intervention.
Interest rate:	On hold.
Employment:	Some improvement expected.

ECONOMIC SUMMARY

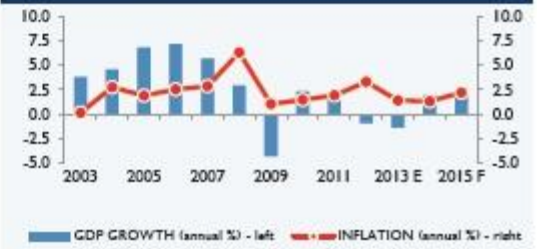
ECONOMIC INDICATORS*	2011	2012	2013F	2014F	2015F
GDP growth	1.8	-0.9	-1.4	1.9	2.6
Consumer spending	0.5	-2.1	-0.4	0.9	1.7
Industrial production	5.9	-0.9	0.2	4.3	4.7
Investment	0.4	-4.3	-5.1	1.2	3.3
Unemployment rate (%)	6.7	6.8	7.7	7.7	7.4
Inflation	1.9	3.3	1.4	1.3	2.2
Koruna/€ (average)	24.59	25.14	25.99	27.04	26.27
Koruna/US$ (average)	17.70	19.58	19.57	20.77	21.05
Interest rates: 3-month (%)	1.2	1.0	0.5	0.6	0.9
Interest rates 10-year (%)	3.7	2.8	2.1	2.6	2.9

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	10.5 million (2013)
GDP	US$ 196.8 billion (2013)
Public sector balance	-2.9% of GDP (2013)
Public sector debt	46.5% of GDP (2013Q2)
Current account balance	-1.8% of GDP (2013)
Parliament	Government to be formed by the centre-left CSSD
President	Milos Zeman
Prime Minister	Bohuslav Sobotka
Election dates	Oct 2014 (Senate), 2017 (Chamber of Deputies), 2018 (Presidential)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

MARKETBEAT
RETAIL SNAPSHOT

CUSHMAN & WAKEFIELD

CZECH REPUBLIC
A Cushman & Wakefield Research Publication

Q4 2013

OVERVIEW
Retail sales received a significant boost in November as they surged by 6.1% on the same period in 2012. The positive performance was broad based, with all retail categories recording growth. However, non-food sales were particularly encouraging, with growth in constant prices of 6.3% year-on-year, in contrast to the 1.1% rise for food, beverages and tobacco. A similar pattern was also evident over the course of the year, with retail sales in the January to November period rising by 1.1% for non-foods, but declining by 1.2% for food, beverages and tobacco products.

OCCUPIER FOCUS
On the supply side, the retail market was generally stable, with limited new shopping centre space delivered in and outside of the capital. When comparing 2013 to the preceding year, it was relatively positive, but with 2014 expected to improve slightly as sentiment has improved and is now largely optimistic. Several new brands are expected to enter the high street market. Indeed, prime locations remain very attractive, while secondary and developing pitches are also slowly recovering. Nevertheless, prime rents were largely unchanged over the fourth quarter, but they did rise on an annual basis across all sub-sectors.

INVESTMENT FOCUS
Investment market activity was largely subdued in the fourth quarter, with a number of transactions in the pipeline moving into 2014. Total trading volumes for 2013 are estimated have reached similar levels to 2012; nevertheless, activity is expected to improve in Q1 2014 as some of the delayed deals are eventually finalised. Prime yields for high streets and shopping centres in Q4 hardened by 25 basis points quarter-on-quarter and by 50 basis points year-on-year.

OUTLOOK
Looking ahead, business and consumer sentiment is slowly recovering and this bodes well for the sector. Prime locations remain sought-after, but conditions elsewhere are also slowly improving. Due to ongoing local development activity, several cities – Teplice and Olomouc among others– may have to contend with an oversupply of retail space. Following two years of contraction, the economy is expected to expand moderately this year according to Consensus Forecasts, and this should strengthen occupier and investors confidence. Nevertheless, while occupier demand will generally remain stable, the investment market in 2014 is likely to see higher liquidity compared with last year.

MARKET OUTLOOK

Prime Rents:	Prime rents to remain largely unchanged, but with potential rises in selected locations.	▶
Prime Yields:	Yields to remain stable across all segments.	▶
Supply:	Low development pipeline and limited supply.	◢
Demand:	Strong demand for prime space.; weaker elsewhere, albeit stabilising.	▶

PRIME RETAIL RENTS – DECEMBER 2013

HIGH STREET SHOPS	€ SQM/MTH	€ SQM/YR	US$ SQFT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Prague (Wenceslas Square / Na Příkopě)	185	2,220	284	5.7	0.5
Brno (Svobody Sq.)	70	840	108	0.0	-1.4
RETAIL PARKS	**€ SQM/MTH**	**€ SQM/YR**	**US$ SQFT/YR**	**GROWTH % 1YR**	**GROWTH % 5YR CAGR**
Prague	10.00	120	15.4	0.0	-1.4
Brno	8.25	99	12.7	0.0	-1.4

PRIME RETAIL YIELDS – DECEMBER 2013

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Prague (Wenceslas Square / Na Příkopě)	5.50	5.75	6.00	8.00	5.00
Brno (Svobody Sq.)	8.00	8.00	8.00	10.00	6.50
RETAIL PARKS (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Prague	8.00	8.00	8.00	9.75	6.15
Brno	8.25	8.75	8.75	11.50	6.40
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Czech Republic	5.50	5.75	6.00	8.00	5.00

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RECENT PERFORMANCE

Source: Cushman & Wakefield

MARKETBEAT
RETAIL SNAPSHOT

CUSHMAN & WAKEFIELD

BULGARIA
A Cushman & Wakefield Research Publication

Q4 2013

OVERVIEW
International retailers are making headway in the fashion and sport segment across the largest Bulgarian cities. Nevertheless, this was not enough to ease the pressure on rents as new supply came on the market in a relatively short period, especially in the capital.

OCCUPIER FOCUS
The most active retail segments over the quarter were the international value fashion and sports brands, with H&M, Decathlon and Sport Vision aiming to build a presence. Retailers continue to favour dominant shopping centres in the respective markets and locations which would strengthen their client base. H&M opened their first high street store in Vitosha Boulevard in Sofia, contributing to the revival of the main pedestrian area in the city centre, which benefits from recently improved public spaces, metro and better food and beverages provision. Faced with increased competition, the focus of established retailers has shifted from revenue growth to profitability, which in most cases translated into network optimisation and store relocations. Despite a strong pipeline, developers remain active as they compete to attract international brands. An extension to Burgas Plaza shopping centre with a strip mall component was announced in the third quarter, while the restart of a project in the centre of the coastal city, previously on hold, was also revealed. Construction work was underway on 139,500 sq.m in Sofia and Pleven at the end of the year, with no change from the previous three months.

INVESTMENT FOCUS
Development in Sofia has added some uncertainty to rental levels and performance of existing schemes, which is partly why investors are expected to remain in the sidelines in the coming quarters. However, less saturated locations and markets in the larger cities will still attract interest. Dominant shopping centre should emerge as the preferred choice once international investors return to Bulgaria. In the meantime, distressed opportunities are expected to come to the market as banks offload non-performing loans.

OUTLOOK
The relatively healthy demand for high street locations in the capital has aided rental levels which are stable, in contrast to shopping centre values which are under downward pressure. However, schemes which dominate their respective markets should benefit from higher turnovers in the medium run as consumption slowly improves.

MARKET OUTLOOK

Prime Rents:	Either static or falling in selected locations.	◢
Prime Yields:	Yield stabilisation.	▶
Supply:	Healthy pipeline with new projects announced.	◥
Demand:	Focused on prime locations.	▶

PRIME RETAIL RENTS – DECEMBER 2013

HIGH STREET SHOPS	€ SQM/MTH	€ SQM/YR	US$ SQFT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Sofia (Vitosha Boulevard)	40.0	480	61.4	0.0	-16.7

PRIME RETAIL YIELDS – DECEMBER 2013

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Sofia (Vitosha Boulevard)	9.25	9.25	9.00	13.00	6.00
SHOPPING CENTRES (FIGURES ARE NET, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**8 YEAR LOW**
Bulgaria	9.25	9.25	9.00	10.50	7.50

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RECENT PERFORMANCE

Source: Cushman & Wakefield

MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD

BULGARIA

A Cushman & Wakefield Research Publication

Q4 2013

MODEST PICK-UP

The economy accelerated in Q3, with 0.5% q/q growth after a broadly flat H1. Exports were the main driver of growth (3.5%), with government spending also positive (1.2%). The rest of domestic demand remained muted, with consumer spending contracting and investment growing only very marginally, albeit an improvement in both elements of the economy is still anticipated this year.

STRONGER CONSUMER

Despite contracting in Q3, the consumer sector is still expected to recover this year given favourable conditions, as indicated by strong retail sales (above 6% y/y between September and November). Wage increases on the back of falling unemployment continued to comfortably outstrip inflation, which had fallen to negative values thanks to lower energy and food prices. Indeed, consumer price index was negative between August and December. Households' purchasing power will be additionally boosted by an increase in the minimum wage at the start of this year as well as the fiscal stimulus included in the 2014 budget. Finally, rising confidence in the banking sector will encourage more lending to households. As a result, private consumption is expected to accelerate this year after a muted 2013.

MORE INVESTMENT

The government plans targeted fiscal stimulus programmes for this year aimed at education and healthcare, thus continuing its expansionary policy initiated in 2013. The budget deficit is still expected to be narrowed, however, as GDP growth accelerates. With regards to the private sector, solid export growth on the back of recovering demand from the euro zone will induce firms to increase investment. FDI rebounded significantly last year, thus also contributing to total fixed investment performance.

OUTLOOK

The export sector is expected to drive growth in the Bulgarian economy in 2014 on the back of the strong demand from the main euro zone economies such as Germany, Italy and France. Indeed, export volumes already exceeded the pre-crisis peak in Q3 and are expected to increase by around 7% in 2014. Foreign trade will have a positive knock-on effect on the domestic economy, encouraging firms to expand investment and hiring. The consumer sector will be additionally supported by the ongoing growth of wages and ultra low inflation, which is expected to return to positive territory but remain below income growth from mid-2014.

MARKET OUTLOOK

GDP:	A pick-up in 2014.
Inflation:	Deflationary pressures expected to fade in mid-2014.
Interest rate:	Stable.
Employment:	Further improvements expected.

ECONOMIC SUMMARY

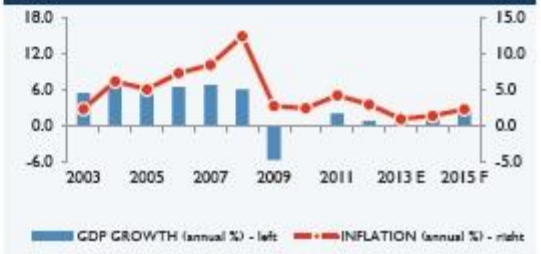
ECONOMIC INDICATORS*	2011	2012	2013F	2014F	2015F
GDP growth	2.0	0.8	0.6	1.6	2.5
Consumer spending	1.7	2.5	-0.3	1.5	2.3
Industrial production	5.8	-0.2	-0.1	2.3	3.3
Investment	-5.0	0.9	2.4	2.9	4.7
Unemployment rate (%)	9.6	11.1	11.3	10.9	10.0
Inflation	4.2	3.0	0.9	1.4	2.3
Lev/€ (average)	1.96	1.96	1.96	1.96	1.96
Lev/US$ (average)	1.41	1.52	1.47	1.50	1.57
Interest rates 3-month (%)	2.9	1.6	0.8	0.7	0.7
Interest rates 10-year (%)	5.4	4.5	3.5	3.6	3.8

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	7.3 million (2013)
GDP	US$ 54.0 billion (2013)
Public sector balance	-1.9% of GDP (2013)
Government debt	18.0% of GDP (2013Q2)
Current account balance	2.7% of GDP (2013)
Parliament	A minority coalition of the BSP and the MRF with the tacit support of Ataka
President	Rosen Plevneliev
Prime Minister	Plamen Oresharski
Election dates	October 2016 (Presidential) May 2017 (Parliamentary)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

MARKETBEAT
RETAIL SNAPSHOT

CUSHMAN & WAKEFIELD

GREECE
A Cushman & Wakefield Research Publication

Q4 2013

OVERVIEW
According to Greece's statistics agency, retail sales in October fell by 0.9% in constant prices year-on-year. Although growth was negative, it was the slowest decline for a single month since the downward retail sales trend began in Q1 2010. Indeed, the latest figures suggest good growth in automotive fuel (7.2%) and strong sales of clothing and footwear (16.9%). Conversely, however, supermarkets and department stores recorded falls of 3.6% and 5.8% respectively.

OCCUPIER FOCUS
International and a select number of national operators are taking advantage of subdued market conditions to acquire prime space with favourable terms, particularly in the prime streets of Athens and other key cities. The majority of occupiers are focusing on renegotiating their leases, but with landlord also keen to keep rental levels above a certain threshold. Tenant demand is being driven by cafes and food retailers, as well as a handful of national and international brands. As a result of changes in the Banking sector – where a number of mergers and acquisitions have taken place – the availability of space continues to increase, especially in secondary locations

INVESTMENT FOCUS
Banks and financial lending institutions maintain a close control on capital and are expected to do so until there are clear improvements in the economic environment. This has had obvious consequences on the low levels of investment transactions recorded in Greece. Nevertheless, Q4 2013 did record €50 million worth of retail assets traded, with the acquisition of four retail warehouse units by Eurobank Properties from Praktiker.

OUTLOOK
Looking ahead, there is continuous pressure from the so-called "Troika" (European Central Bank, International Monetary Fund and European Commission) towards the full liberalisation and free negotiation of lease term agreements regarding contract length. Economic activity is expected to contract again in 2014, but with the pace of the decline slower than in preceding years. The market, whilst challenging for some, can be an opportunity for others, with favourable terms and pricing for occupiers and investors alike.

MARKET OUTLOOK

Prime Rents:	Prime rents have now stabilised.	▶
Prime Yields:	Limited activity and static yields.	▶
Supply:	Secondary supply on the rise.	◀
Demand:	Although demand has steadied, it remains largely opportunistic.	▶

PRIME RETAIL RENTS – DECEMBER 2013

HIGH STREET SHOPS	€ SQM/MTH	€ SQM/YR	US$ SQFT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Athens (Kolonaki-Tsakalof)	90	1,080	138	-5.3	-16.4
Athens (Ermou)	165	1,980	253	-2.9	-11.3
Athens (Glyfada-Metaxa)	100	1,200	154	0.0	-12.9
Athens (Kifisia-Kolokotroni)	95	1,140	146	-9.5	-12.0
Athens (Piraeus-Sotiros)	50	600	77	-9.1	-16.1
Thessaloniki (Tsimiski)	105	1,260	161	0.0	-8.1

PRIME RETAIL YIELDS – DECEMBER 2013

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Athens (Kolonaki-Tsakalof)	8.20	8.20	8.50	8.50	5.50
Athens (Ermou)	7.80	7.80	8.10	8.10	5.00
Athens (Glyfada-Metaxa)*	8.20	8.20	8.60	8.60	5.50
Athens (Kifisia-Kolokotroni)*	8.20	8.20	8.60	8.60	5.50
Athens (Piraeus-Sotiros)*	8.20	8.20	8.60	8.60	6.00
Thessaloniki (Tsimiski)	8.20	8.20	8.60	8.60	5.75
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Greece	8.80	8.80	8.50	9.00	6.00

NOTE: * 8 year record

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE

Source: Cushman & Wakefield

MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD

GREECE

A Cushman & Wakefield Research Publication

Q4 2013

DECLINE EASES

Recessionary pressures in Greece continued to ease in 2013H2 and the economy is now expected to shrink marginally this year before returning to positive growth in 2015. Manufacturing output is now close to stabilising, with PMI for the sector close to the 50 expansion-contraction mark in November and December (49.2 and 49.6 respectively). Net exports were the only driver of growth last year.

EXPORT GROWTH SPREADS

As the export sector continues to pull the economy out of recession, domestic firms are beginning to expand their investment in order in response to rising export orders. Domestic demand overall is unlikely to gain much momentum until 2015, however.

PERSISTENT WEAKNESS OF THE CONSUMER SECTOR

Private consumption is expected to be the last part of the economy to recover, with a modest fall expected this year and marginal growth anticipated for 2015. Given the consumer sector's significant contribution to GDP, its decline will in large part offset the gain from robust net exports. High unemployment (27.8% in October), a large output gap and austerity will continue to weigh on wages. Meanwhile, ultra low inflation (-2.9% in November and -1.7% in December) will provide some relief to households' budgets and is expected to persist throughout 2014, before returning to positive territory in 2015. By that time the labour market is expected to start improving.

OUTLOOK

After another, albeit marginal, decline this year, the Greek economy is expected to enter a recovery phase in 2015. Improving external demand and rising competitiveness will continue to boost exports, which will gradually spread to the domestic economy and will lift investment. Fiscal and external imbalances have been reduced but remain at unsustainably high levels and so the deleveraging effort is expected to continue, supported by gradual improvements in economic performance but constrained somehow by ongoing deflationary pressures, which will inflate the debt and deficit to GDP ratios. Deflation will favour consumers, who will however remain the weakest element of the economy this year due to the depressed labour market and low confidence. Although unemployment is starting to level out, abundant spare capacity will keep wage growth in check. Slower than expected growth in the euro zone and a delay in implementing structural reforms due to political reasons are the main risks to the forecast.

MARKET OUTLOOK

GDP:	A modest contraction in 2014 and a recovery from 2015.	▲
Inflation:	Deflation expected until the end of 2014.	▲
Interest rate:	On hold.	▶
Employment:	No significant improvements this year, a pick-up in 2015.	▶

ECONOMIC SUMMARY

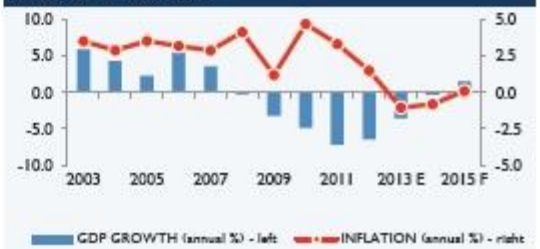
ECONOMIC INDICATORS*	2011	2012	2013F	2014F	2015F
GDP growth	-7.2	-6.4	-3.5	-0.3	1.5
Consumer spending	-7.7	-9.1	-6.5	-1.0	0.9
Industrial production	-7.8	-3.4	-3.8	0.7	1.9
Investment	-19.6	-19.4	-11.7	0.6	6.2
Unemployment rate (%)	17.7	24.3	27.4	28.0	27.6
Inflation	3.3	1.5	-1.0	-0.8	0.1
US$/€ (average)	1.39	1.28	1.33	1.30	1.25
US$/€ (end-period)	1.29	1.32	1.38	1.27	1.23
Interest rates: 3-month (%)	1.4	0.6	0.2	0.3	0.3
Interest rates 10-year (%)	19.0	24.3	10.2	7.7	7.5

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	11.1 million (2013)
GDP	US$ 242.7 billion (2013)
Public sector balance	-5.0% of GDP (2013)
Public sector debt	169.1% of GDP (2013Q2)
Current account balance	-0.1% of GDP (2013)
Parliament	New Democracy and PASOK
President	Karolos Papoulias
Prime Minister	Antonis Samaris
Election dates	2015 (Presidential) 2016 (Parliamentary)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD

ROMANIA
A Cushman & Wakefield Research Publication

Q4 2013

STRONG REBOUND
The Romanian economy continued to surprise on the upside, with 1.6% q/q expansion in Q3 following 0.8% in Q2. Exports remained the main driver of growth (up by 19.1% y/y) while a strong harvest provided additional support. Growth is expected to become increasingly broad-based as domestic demand benefits from the strong export sector.

IMPROVING PROSPECTS FOR CONSUMPTION
The consumer sector is recovering gradually, with moderate growth of 0.6% y/y recorded in Q3. Inflation has fallen sharply thanks to a good harvest, a VAT cut on bread and favourable base effects and is now expected to stay within the target of 1.5-3.5% throughout 2014. Lower prices combined with the improving labour market and income growth are expected to result in a more significant rise in household disposable incomes in due course. Falling inflation triggered additional interest rate cuts at the end of 2013, which should continue to bring the cost of credit down. Moreover, further expansion in public spending is likely to support the consumer further given the government's attempts to improve its use of the EU funds.

WORST OVER FOR INVESTMENT
After a subdued 2013, investment is expected to expand thanks to a rise in export orders. External demand should continue to strengthen, while falling cost of credit on the back of the 125bp cumulative interest rate cut since June will give businesses an incentive to borrow in order to expand capacity. Banks' reluctance to lend due to their ongoing deleveraging should be offset by policy support in a form of lower capital ratio requirements. An impending increase in publically-funded projects is anticipated to give an additional boost to business activity.

OUTLOOK
The economy is estimated to have grown by a robust 2.6% in 2013. This year should see a slight slowdown as export, which have provided the main impetus to the economy so far, will grow more slowly than imports on the back of the improving domestic demand. Indeed, growth is expected to become more broad-based, with the consumer responding to falling inflation and improving credit conditions and businesses expanding spending due to rising export orders. Slower than expected recovery in the euro zone and political tensions at home resulting from strained relations between the prime minister and the president are the main risks to growth. The current impasse between Mr Ponta and Mr Basescu caused by the new tax on fuel required as part of the bailout agreement led to the freezing of the IMF funds. The bailout programme is expected to resume early this year.

MARKET OUTLOOK

GDP:	Solid, albeit slower than in 2013, growth this year.
Inflation:	To rise gradually from the current ultra low level.
Interest rate:	Further monetary easing should not be ruled out given low inflation.
Employment:	Improving.

ECONOMIC SUMMARY

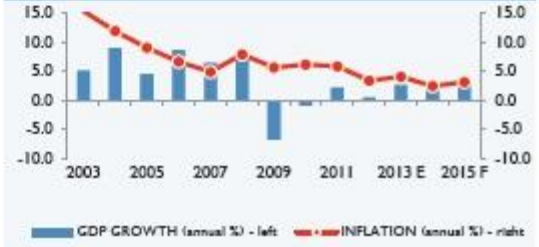
ECONOMIC INDICATORS*	2011	2012	2013F	2014F	2015F
GDP growth	2.2	0.4	2.6	2.5	3.1
Consumer spending	1.2	1.0	0.7	2.3	3.1
Industrial production	7.6	2.8	6.4	4.4	4.7
Investment	6.5	5.4	-2.6	4.0	5.3
Unemployment rate (%)	5.2	5.0	5.0	4.5	4.2
Inflation	5.8	3.3	4.0	2.4	3.1
RON/€ (average)	4.24	4.45	4.42	4.55	4.67
RON/US$ (average)	3.05	3.47	3.33	3.50	3.74
Interest rates 3-month (%)	5.8	5.3	4.2	3.6	4.4
Interest rates 10-year (%)	7.2	6.5	5.2	5.3	5.5

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	20.0 million (2013)
GDP	US$188.3 billion (2013)
Public sector balance	-2.6% of GDP (2013)
Public sector debt	38.6% of GDP (2013Q2)
Current account balance	-1.0% of GDP (2013)
Parliament	The Social Liberal Union government
President	Traian Basescu
Prime Minister	Victor Ponta
Election dates	Late 2014 (Presidential) December 2016 (Parliamentary)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

MARKETBEAT
RETAIL SNAPSHOT

CUSHMAN & WAKEFIELD

ROMANIA
A Cushman & Wakefield Research Publication

Q4 2013

OVERVIEW
There were no significant developments in the retail market in terms of turnover, with the much needed improvements yet to materialise. Retail sales witnessed a marginal decrease of 0.1% in the first 11 months of the year. Although non-foods over this period recorded a rise of 3.2%, food and augmentative fuel sales declined 0.6% and 4.0% respectively, offsetting the positive non-food performance.

OCCUPIER FOCUS
Expansions by international food chains continued in the fourth quarter and this trend is expected to be maintained over the course of 2014. The most notable openings recorded last year included expansions by Mega Image and Profi which opened 104 and 64 units respectively. However, other similar retailers also expanded, albeit at a more modest pace, with Lidl, Penny marke, Billa and Kaufland adding stores to their portfolio. In the fashion segment, Zara and H&M continued to enlarge their presence, although their expansion strategy will be somewhat restricted by the limited number of new schemes being opened this year. Two shopping centres were completed in the fourth quarter of 2013, namely: AFI Palace (29,000 sq.m of GLA) in Ploiesti and Galati Shopping City (27,000 sq.m) in Galati. Both are significant additions to the retail market as they are located inside the city and anchored by international brands. New shopping centre stock opened in 2013 totalled 139,000 sq.m of GLA, representing the lowest figure in eight years. There are a total of 144,000 sq.m of shopping centre GLA under construction, but only 4,170 sq.m are expected to be delivered in 2014.

INVESTMENT FOCUS
Activity in the investment market was brisk in Q4, with total trading volumes of €104.5 million, the highest figure since 2008. There were four deals finalised in the last three months of the year. These included two properties acquired by NEPI, City Park Constanta for €81 million and the 50% share of the Vulcan Retail Park project, and two high street units in the historical city centre of Bucharest which were purchased by Koton and a private Dutch investor. A total of €215.8 million worth of retail assets were traded in 2013, the highest annual figure since 2008 and an increase of 128% compared with 2012 trading volumes.

OUTLOOK
Consumer spending is expected to pick up this year, whilst inflation is likely to fall closer to the Central bank target. In the occupier market, Lipscani Street in the pedestrian heart of Bucharest is gaining momentum as a viable retail location and will attract further interest from a raft of retailers.

MARKET OUTLOOK

Prime Rents:	Stable in the short term.
Prime Yields:	Potentially hardening over the course of the year.
Supply:	Subdued development pipeline.
Demand:	Demand to remain steady, with retailers adopting a 'wait and see' approach.

PRIME RETAIL RENTS – DECEMBER 2013

HIGH STREET SHOPS	€ SQ.M/MTH	€ SQ.M/YR	US$ SQ.FT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Bucharest (Magheru Boulevard)	50.0	600	76.8	-9.1	-17.4
Bucharest (Calea Victoriei)	45.0	540	69.1	0.0	-19.1
Brasov	40.0	480	61.4	0.0	-6.2
Timisoara	35.0	420	53.8	0.0	-4.9
Constanta	20.0	240	30.7	0.0	-18.3
Cluj Napoca*	37.0	444	56.8	0.0	-13.2

PRIME RETAIL YIELDS – DECEMBER 2013

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Bucharest (Magheru Boulevard)	9.25	9.25	9.25	14.00	7.50
Bucharest (Calea Victoriei)	9.25	9.25	9.25	14.00	7.50
Brasov	9.50	9.50	9.75	14.00	8.00
Timisoara	9.75	9.75	10.00	14.00	8.00
Constanta	10.00	10.00	10.00	14.00	8.00
Cluj Napoca*	9.50	9.50	10.00	12.00	8.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**7 YEAR LOW**
Bucharest	8.50	8.50	8.50	9.00	6.25

NOTE: * 8 year record

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE

Source: Cushman & Wakefield

Appendix 2 Terms & Conditions

1. PRELIMINARY

1.1 These general terms and conditions (the "Terms and Conditions") shall apply to all forms of professional services, other than agency services (to which separate terms will apply), provided by Cushman & Wakefield LLP, a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC328588 and having its registered office at 43-45 Portman Square, London, W1A 3BG ("we", "us" or "the Firm") to the client to whom the instruction confirmation letter is sent ("you"). They shall apply separately to each service provided to you.

1.2 The Terms and Conditions are to be read in conjunction with the instruction confirmation letter (the "Letter") sent by us to you. In the event of any ambiguity or conflict between the Letter and these Terms and Conditions, the provisions in the Letter shall prevail. These Terms and Conditions and the Letter may only be varied in writing by agreement between the parties.

2. PERFORMANCE OF THE SERVICES

2.1 We undertake to use all reasonable skill and care in providing the services and advice described in the instruction given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing.

2.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

2.3 Where matters beyond the control of ourselves cause delay to the performance of the services we will notify the client as soon as we become aware of the situation. The client agrees that we will not be held responsible for such delay.

3. BASIS OF FEES

3.1 The basis of our fees for our Services is set out in the Letter.

3.2 When applicable, VAT shall be payable by you in addition to any fees or disbursements invoiced at the applicable rate.

3.3 You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly fee accounts. Payment is due within 30 days of the invoice date.

3.4 Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

3.5 If you do not dispute with us an invoice or any part thereof within 30 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.

3.6 If we are required by you to undertake additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees.

3.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.

3.8 In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you a draft valuation report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.

3.9 We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost. If you approve, either verbally or in writing, that the third party be instructed, we will instruct the party as agent on your behalf and request that all the third party's invoices be addressed to you care of us. If we are requested by you to advance payment of the third party invoices, you shall be obliged to reimburse the advance payment made and pay a handling charge.

Associated/Related Entities of the Client

3.10 Where we are instructed to provide Services to one of your subsidiaries or associate/related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associate/related or other entity does not meet its liabilities in relation to the Services.

4. INTEREST

4.1 You shall pay interest on the amount of any invoice for fees or other disbursements that remain unpaid for 30 days after the date of the invoice. Interest shall be payable at the statutory rate in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, from the date of the invoice until payment is made whether after or before judgement.

5. DISBURSEMENTS

5.1 You shall reimburse disbursements incurred in the provision of the Services quarterly in arrears from the date they were incurred. These include, for example, maps, plans, research, photography, copying of documents or plans, messenger delivery, costs of obtaining external information on companies, properties, demographic or other similar information, any reproduction, copying or other royalties incurred, additional bound copy reports, costs of external information/references obtained and key cutting, travel and subsistence expenses at their actual cost and car mileage at the standard AA scales.

6. INFORMATION RECEIVED FROM THE CLIENT

6.1 We will take all reasonable steps to ensure property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you are aware that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

7. CONFLICTS OF INTEREST

7.1 We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable. Should you have any queries on this, you should contact your client partner.

8. MANAGEMENT OF THE PROPERTY

8.1 We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility. You are aware that while a property is unoccupied, the property is likely to suffer from adverse weather conditions and frost damage may occur to water and heating systems and sanitary appliances. You are strongly recommended to take all necessary actions to protect the property from such risks and to ensure that adequate insurance cover is in force.

9. VALUATION BASES AND ASSUMPTIONS

Date of Valuation

9.1 Unless we have said otherwise within the Letter, the date of valuation will be the date of our report.

Basis of Valuation

9.2 Unless we have said otherwise within the Letter, the valuation will be prepared in accordance with the RICS Valuation Standards, 6th Edition as amended ("The Red Book") by valuers conforming to its requirements, acting as external valuer.

9.3 Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the Red Book. The basis of valuation that we will adopt for each property is specified in the Letter. The definitions are as follows:

(i) **Market Value**

PS 3.2 defines Market Value 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."

(ii) **Market Rent**

PS 3.3 defines Market Rent as "the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arms length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion."

(iii) **Existing Use Value**

UK PS 1.3 defines Existing Use Value 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 arms length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding

potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost."

9.4 When assessing either Existing Use Value or Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs (as required under FRS15), they will be stated separately.

Specialised Property

9.5 In the case of Specialised Properties (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Depreciated Replacement Cost ("DRC") as a method of estimating Market Value. The valuation using this method of a property in the private sector will include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the property is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from the DRC method to reflect the profitability/viability of the entity in occupation is a matter for the occupier.

Specialised Trading Property

9.6 Where appropriate, specialised trading properties (such as self storage properties, hotels and marinas) will be valued on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.

9.7 Where we are instructed to value an operational property with regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of turnover and net operating income likely to be achieved by a reasonably efficient operator.

9.8 Unless we have said otherwise within the Letter:

(i) the valuation will be made on the basis that each property will be sold as a whole including all fixtures, fittings, stock and goodwill;
(ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;
(iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;
(iv) we will exclude any consumable items and stock in trade; and
(v) we will assume that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

Valuation Assumptions

9.9 Unless otherwise advised by you in writing, we will provide the Services in relation to any property on the assumption that:-

(i) the property and any existing buildings are free from any defect whatsoever;
(ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;

(iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;

(iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;

(v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;

(vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);

(vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);

(viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;

(ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property; and

(x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship

(xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value

(xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits

(xiii) vacant possession can be given of all accommodation which is unlet or occupied by the borrower or its employees on service tenancies

(xiv) any mineral rights are excluded from the property.

Structure

9.10 We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

9.11 If we give the age of a building in our report, this will be an estimate and for guidance only.

Measurements

9.12 Where we are required to measure a property we will generally do so in accordance with Local Measuring Practice. However, you should specifically note that the floor areas contained in any report we may publish are approximate,.

9.13 We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied or from plans. They will not be physically checked on site.

9.14 The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.

Planning and Statutory Regulations

9.15 Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services on the information provided informally by the local municipality or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

9.16 We may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

Tenure and Tenancies

9.17 We will not inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it. Unless agreed we will not obtain information from The Land Registry.

9.18 You should confirm to us in writing if you require us to read leases and if so, provide all the relevant documentation within a reasonable time for consideration bearing in mind the date for receipt of our report. You should not rely upon our interpretation of the leases without first obtaining the advice of your lawyers.

9.19 We will take into account any information that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).

Covenant

9.20 Our valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.

Other

9.21 Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.

9.22 Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.

9.23 For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the date of valuation, and will have regard to any contractual liabilities.

9.24 We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.

9.25 Any valuation figures provided will be exclusive of VAT whether or not the building has been elected.

9.26 We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.

9.27 Unless we have said otherwise in the Letter, each property will be valued individually; in the case of a portfolio, we will assume that the properties would be marketed in an orderly way and not placed on the market at the same time.

9.28 We will value in the local currency. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate ("spot rate") on the date of valuation.

9.29 Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.

9.30 In instances where we are instructed to provide an indication of current reinstatement costs for insurance purposes, this will be given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a building surveyor or other person with sufficient current experience of replacement costs. The property will not be inspected by a building surveyor or qualified building cost estimator and the guide will be based on costs obtained from generic building cost tables. You should not rely on it as the basis for insurance cover.

10. REGULATED PURPOSE VALUATIONS

10.1 In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a "Regulated Purpose Valuation" by the RICS), the RICS requires us to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.

10.2 Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.

10.3 For all Regulated Purpose Valuations we are required by the RICS to state all of the following in our report:

(i) the length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;
(ii) the extent and duration of the relationship between you and us;
(iii) in relation to our preceding financial year the proportion of the total fees, if any, payable by you to our total fee income expressed as one of the following:

- less than 5%; or
- if more than 5%, an indication of the proportion within a range of 5 percentage points;

(iv) where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, we shall include a further statement to that effect in addition to (iii) above.

11. TERMINATION BY NOTICE

11.1 Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.

11.2 In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any agreed abort fee) (the "Termination Fees") plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

12. PROFESSIONAL LIABILITY

12.1 Subject at all times to the provisions in these Terms and Conditions and the Letter, we shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services in respect of:

12.1.1 any direct loss of profit;

12.1.2 any indirect, special or consequential loss whatsoever howsoever caused including without limitation (i) indirect loss of profit; (ii) loss of business; (iii) loss of goodwill; (iv) loss of use of money; (v) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.

12.2 Subject at all times to the provisions in these Terms and Conditions and the Letter, we shall not be liable to you in negligence for pure economic loss arising in connection with the performance or contemplated performance of the Services.

12.3 You acknowledge and agree that the exclusions contained in this clause 12 are reasonable in all the circumstances and that you have had the opportunity to take independent legal advice.

12.4 Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.

12.5 Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.

12.6 Subject to the provisions in these Terms and Conditions and the Contract, our total aggregate liability (including that of our partners and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding twenty times the fee paid for each instruction accepted.

12.7 We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

12.8 To cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance through the Lloyds and company insurance market, so long as such insurance is available at commercially acceptable rates and terms, with insurers of good standing and repute of not less than £10 million on an each and every claim basis.

12.9 Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the Services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue with your client partner who will be able to let you have proposals for a revised pricing structure to reflect the agreed level of our liability and/or professional indemnity cover.

12.10 Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:-

	First Extended Party	Second & Subsequent Extended Parties
For the first €1m of reported value	0.075%	0.025% per party
Thereafter	0.035%	0.015% per party

These fees are exclusive of VAT & expenses (including the cost of readdressing the report) and are subject to a minimum fee of €1,000. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

Where we consent to reliance on our report by another party or other parties, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it/they had been a party to the original letter of instruction between us. Where we consent to such reliance, you agree to furnish the addressee with a copy of any reliance letter issued by us and/or a copy of these terms and conditions.

12.11 Where you provide a copy of and/or permit another party or parties to rely upon our valuation report without obtaining our express written consent (in accordance with clause 12.10 above), you agree to indemnify us for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

12.12 Notwithstanding clause 12.10, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of an offering (either directly or indirectly) in any interest in the property or properties that we have valued to a party who has not agreed in writing to be bound by these Terms and Conditions with us, you agree to indemnify us for any liability whatsoever that we have to any party or parties which exceeds our aggregate cap on liability (referred to at clause 12.6) which arises from their use and/or reliance on the valuation report.

13. QUALITY OF SERVICE

13.1 All our valuation reports are signed by an Equity Partner of the Firm whose responsibility it is to ensure that all relevant quality control procedures have been complied with. In particular, for valuations of properties with an individual value of £20m or over, the valuer is required to present and explain his methodology to another member of the Valuation Advisory Team unconnected with the instruction and who is a Partner of the Firm.

13.2 While we seek to provide high quality Services, if a client has cause for complaint we have a standard complaints procedure, a copy of which is available on request. This is in accordance with requirements of the Royal Institution of Chartered Surveyors.

14. DATA PROTECTION

14.1 We (including any of our international partnerships, group companies and affiliated organisations) are a data controller of all personal data collected during the provision of the agency services. We shall use such personal data and information we obtain from other sources for providing the agency services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

14.2 To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

14.3 We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

15. MONEY LAUNDERING REGULATIONS

15.1 We may be required to verify certain particulars of our clients and may need to ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to proceed to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with such requirements.

16. FREEDOM OF INFORMATION

16.1 You shall notify us within five business days of receiving a request pursuant to any statutory notification requesting information which relates to the business arrangements between us and you and/or any information we have provided to you at any time. In recognition of the fact that we may be providing you with genuinely confidential or commercially sensitive information, you agree to consult us and seek our views on all such requests prior to making a decision on whether any information should be publicly disclosed.

17. ELECTRONIC COMMUNICATIONS

17.1 We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

18. CONFIDENTIALITY AND INTELLECTUAL PROPERTY

18.1 We owe our clients a duty of confidentiality. You agree, however, that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

18.2 Both parties agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, both parties shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

18.3 We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

18.4 We will not approve any mention of our Services unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our Services are subject. For the avoidance of doubt our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

18.5 We may make the approval of any mention of our Services, or re-address to third parties our Services, subject to the payment of an additional fee to cover additional work and professional liability.

18.6 All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely.

19. THIRD PARTIES RIGHTS AND ASSIGNMENT

19.1 No term of the Letter or these Terms and Conditions is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

19.2 Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

20. GENERAL

20.1 If any provision of the Terms and Conditions is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of the Terms and Conditions and the remainder of such provision shall continue in full force and effect.

20.2 Failure or delay by us in enforcing or partially enforcing any provision of these Terms and Conditions shall not be construed as a waiver of any of our rights under these Terms and Conditions.

20.3 The Letter and these Terms and Conditions shall be governed by and be construed in accordance with English law. Any dispute arising out or in connection with the Services shall be submitted to the exclusive jurisdiction of the Courts of England and Wales.

20.4 References to partners of Cushman & Wakefield LLP are used to refer to a member of Cushman & Wakefield LLP or an employee or consultant with equivalent standing and qualifications. A list of the members of Cushman & Wakefield LLP and of the non-members who are designated as partners is open to inspection at its registered office, 43-45 Portman Square, London, W1A 3BG.

Strictly Confidential

For Addressee Only

Valuation study of properties in Bangalore, Chennai and Kochi, India

Report for

Plaza Centers

Report Date

April 14 2014

CUSHMAN & WAKEFIELD®

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

Cushman & Wakefield (India) Pvt Ltd
4th Floor, Pine Valley, Embassy Golf Links
Business Park, Intermediate Ring Road,
Bangalore, India 560 071

To:	**Plaza Centers**
Assignment:	**Valuation of 3 properties in Bangalore, Chennai and Kochi**
Valuation Date:	**December 31, 2013**
Report Date:	**April 14, 2014**

A VALUATION REPORT

1 Instructions

Appointment

We are pleased to submit our report which has been prepared for the internal purposes of **Plaza Centers** (Hereinafter referred to as "CLIENT"). The properties and interests valued are detailed in Part E of this report.

The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Part E of this report. The extent of our professional liability to you is also outlined within these instructions.

2 Conflicts of Interest

We confirm that there are no conflicts of interest in our advising you on the value of the subject property under the assumed conditions as instructed.

3 Basis of Valuation

We understand from our discussion with client, that the basic intention of the exercise is to assess the value of the subject property in its current state (their condition on the date of the site visit). The valuation of the subject property is assessed on the basis of 'Discounted Cash Flow Method / "Land Sales Comparable Method" as applicable.

4 Assumptions, Departures and Reservations

We have prepared our report on the basis of the assumptions within our instructions (Caveats & Limitations) detailed in Part G of this report. The area details, status of ownership and property address has been provided to us by the client.

5 Inspection

The subject property was inspected internally and externally from ground level in May 2013. Individual site visit dates have been mentioned in the property report in the next section. No measurement survey has been carried out by C&WI. We have relied entirely on the site areas provided to us by the client. We have assumed that these are correct.

6 Sources of Information

Information on comparable properties for the purpose of this study has been gathered from local real estate brokers.

7 General Comment

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our valuation could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you or the borrower contemplate a sale, we strongly recommend that the property is given proper exposure to the market. You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

8 Confidentiality

The contents of this Report are intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents.

9 Disclosure and Publication

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

10 Valuation

Market Value

Market Value is defined as 'The estimated amount for which an asset or liability 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.' (VS 3.2 Red Book 7th Edition)

Market Value Assuming Vacant Possession

In our opinion, assuming vacant possession, the Market Value of the proposed freehold interest in the subject property is:

Property	12/31/2013 Market Value	
Varthur Bangalore	4,183,230,000	Indian Rupees Four Thousand One Hundred Eighty Three Million and Two Hundred Thirty Thousand Only
Chennai	2,405,460,000	Indian Rupees Two Thousand Four Hundred Five Million and Four Hundred Sixty Thousand Only
Kochi	459,000,000	Indian Rupees Four Hundred and Fifty Nine Million Only
Total	7,047,690,000	Indian Rupees Seven Thousand and Forty Seven Million and Six Hundred and Ninety Thousand Only

Signed for and on behalf of Cushman & Wakefield India Pvt. Ltd.

Somy Thomas, MRICS

Executive Director

Consulting and Valuation & Advisory

B PROPERTY REPORTS

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions

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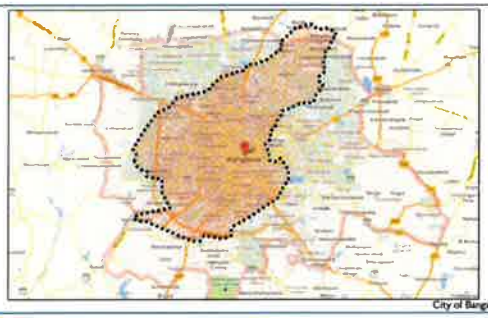
PROPERTY REPORT

PROPERTY
ADDRESS Varthur Park Bangalore
VALUATION DATE 31 December 2013

India


City of Bangalore

Micro Location

LOCATION

The subject property is located in Bangalore. Bangalore is the capital of State Karnataka and is located in the south east of the state. Greater Bangalore is spread over a total area of over 786 sq. km(conurbation area) with a population of around 9.5 Million (provisional 2011 census). The city, known as Silicon Valley of India, has emerged as a favourite IT / ITeS destination over the last 7-10 years. Home to companies like Microsoft, Yahoo, Wipro, Infosys, IBM, GE, Google, Accenture, TCS, etc. the city has been the front runner in attracting technology companies.

The real estate development has evolved from the centre of the city, with the core Business District (MG Road) located at the centre of the city. The development pattern of the city is undergoing a significant shift with development shifting from the central areas to the peripheral areas, mainly along the south-eastern corridor owing to the IT/ITES companies and the northern corridor due to the International Airport at Devanahalli. These corridors have witnessed large scale commercial as well as residential developments.

Eastern corridor comprising Whitefield, Outer Ring Road (Sarjapur – Marathahalli) and south eastern corridor comprising Hosur Road represents the largest clusters of IT/ITES companies in Bangalore. These peripheral areas have accounted for approximately 70% of the aggregate leasing in the city.

The western and north western corridors of Bangalore city have been concentrated with industries. The major industrial presence is represented by Peenya Industrial Area along Bangalore-Tumkur road (NH – 4). The south western corridor has been a trading and residential hub with industrial presence being mainly represented by the Bidadi Industrial Development Area along the Bangalore-Mysore state highway.

The subject property is located opposite Varthur Lake in Whitefield. Prestige Ozone and Forum Value Mall are located to the north of the subject property while Varthur Village is located to the south of the subject property. Whitefield is located in East Bangalore and has presence of companies in IT/ITeS and manufacturing. There are both campus style and non campus style commercial developments in the micro market. The micro market also houses a number of residential projects by a variety of developers. The residential development includes apartments, rowhouses, villas, villaments and plots among others. The micro market also has a good mix of retail and hospitality developments. Some of the prominent commercial developments in the micro market include Brigade Metropolis, Prestige Shantiniken, ITPB, Divyashree's Techno Park, RMZ Centennial and Beary's Global Research Triangle among others. Some of the prominent residential development in the micro market would include Prestige Shantiniketan,Adarsh Palm Meadows, Prestige Ozone, Brigade Metropolis, Habitat Crest, Sobha Habitech among others. The micro market is self sufficient in nature witnessing a good blend of residential, commercial, retail and hospitality development and quality support infrastructure.

LOCATION DETAILS

City Population	9,588,910
Local Land Uses	Residential and Commercial development
Distance to CBD - MG Road	18 km
Distance to Bangalore Railway Station	23 km
Distance to Bangalore International Airport	50 km
Public Transport	well developed
Plot area	163 acres
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	163 acres
Parking Places (closed)	n/a
Access	From Varthur Main Road
Utilities	not checked
Legal issues	not checked

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

PROPERTY REPORT

PROPERTY	
ADDRESS	Varthur Park Bangalore
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PROPERTY DATA

PLOT OF LAND

Site area, total	163 acres
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	21-May-13
Inspected by	Somy Thomas,Mayank Jain

PROPERTY DESCRIPTION

The subject property is located in Whitefield and spread over a land area of 163 acres with a saleable area of 310,508 sq.m. The subject property is currently at land stage and has been earmarked for residential development. The residential development in the subject property is proposed to have 702 villas , 242 row houses and 213 twin houses as provided to us by the Client. The SPV has 81%, 86% and 83.5% ownership in Row House,Villas and Twin House respectively.The subject property is irregular in shape. There is a presence of drain and vegetation within the premises of the subject property. The subject property can currently be accessed through Varthur Main Road which lies towards the west of the subject property. Varthur Lake also lies in the west of the subject property. Prestige Ozone, another prominent residential development in the micro market lies towards the north of the subject property. The subject property enjoys a good frontage.

LAND REGISTRY DETAILS

We have not checked title documentation but assume the property is an unencumbered effective freehold.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use			
Registered size	163 acres		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

We have relied entirely on the site areas / built up area and other property details including the master plan provided to us by the Client. We have assumed that these are correct.

We confirm that there are no conflicts of interest in our advising you on the value of the subject property under the assumed conditions as instructed.

C&WI has adopted valuation method based on its own expertise and knowledge and endeavours to develop forecasts on demand, supply and pricing on assumptions that would be considered relevant and reasonable at that point of time.

Based on information from the client we understand that the land parcel (subject property) has not been leased and is contiguous in nature and the same has been considered in the valuation.

Comments

Based on the discussion with the client, we have arrived at the market value for the SPV after accounting for the JD sharing to the lanlord. We understand that out of the 163 acres, 88 acres of land has 73% of JD sharing ratio to the SPV and the same has been accounted for in the vauation. The report has been prepared for audit of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) carried out for the year ended as on December 31, 2013. The valuation has been carried out in accordance with the definition of Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). As per RICS (VS 3.2 Redbook 7th Edition), Market Value is defined as 'The estimated amount for which an asset or liability 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.'

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PLANNING ISSUES

Zoning	Residentall Zone	As per the Bangalore Master Plan, the subject property lies in the residential zone.
Footprint ratio		
n/a		
Maximum height		
Permit status		

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The subject property is currently in land stage and has been earmarked for residential development. The residential development in the subject property is proposed to have 702 villas, 242 row houses and 213 twin houses. The total saleable area of the subject property comprising the aforementioned development mix would be approximately 310,508 sq.m.
At present the site is a vacant land area. There is a presence of a drain in the subject property. The subject property also has vegetation within the premises.

We are of an opinion that there is a high level of competition for residential development in the subject micro market, however due to thrust provided by the Commercial development and IT/ITES (Information Technology and In formation Technology Enabled Services) industry, there is a good demand for residential developments. The micro-market in Q3 and Q4 2013 have seen new residential launches at price higher than Q1 - Q2 2013.

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

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SWOT-ANALYSIS

STRENGTHS

The subject micro market has a good blend of commercial, residential and retail segments of real estate.

Established commercial micro-market of the city hence witnessing positive residential demand and price appreciation.

WEAKNESSES

Subject property has a presence of drain and vegetation within its premises which might have an impact in the time required to make the subject property developable in nature.

OPPORTUNITIES

Connectivity to the micro market is slated to improve after the completion of Peripheral Ring Road

The micro market would be accessible via metro rail after the completion of second phase of Metro Rail Line

THREATS

Increasing residential competition in the micro market

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Whitefield, located in East Bangalore has the presence of the Export Promotion Industrial Park Zone (Approximately 650 Acres) with the existence of companies in the field of IT, ITeS and manufacturing. The area houses over 400 companies, prominent amongst which are Oracle, SAP, TCS, Cap Gemini, GM, Nipuna, GE, HUL, Intel etc. The micro-market is a major commercial market in Bangalore and it accounts for 30% – 40% of city's commercial absorption. Some of the prominent commercial developments in the micro market are Brigade Metropolis, Prestige Shantiniken, ITPB, Divyashree's Techno Park, RMZ Centennial and Beary's Global Research Triangle among others.
The commercial development led to a series of residential, retail and hospitality developments. The residential development in the micro markets includes apartments, villas, villaments, rowhouses and plotted developments by both big and small developers like Brigade, Sobha, Prestige, Salarpuria, Chaithanya, Akme, Citilight, Kristal and Golden Nest among others. Some of the prominent residential development in the micro market would include Prestige Shantiniketan, Adarsh Palm Meadows, Prestige Ozone, Brigade Metropolis, Habitat Crest, Sobha Habitech among others. The residential activity in Whitefield is majorly concentrated around - Graphite India Road, Whitefield Main Road, Varthur Road and Varthur Whitefield Road and Hoskote Road. The micro-market has witnessed new project launches in the last 6 months at prices higher than the Q1 - Q2 2013 and has also witnessed price appreciation in the existing projects. The micro-market is self sufficient, with the presence of good social infrastructure of schools, colleges, malls, hotels and hospitals. Some of the prominent malls in the micro market are Forum Value Mall, Phoenix Market City and Inorbit Mall.

COMPETITION

The proposed residential development on the subject property comprises villas, row houses and twin houses. The subject micro market is witnessing increasing residential development owing to extensive commercial development. The increasing residential development in Whitefield catering to different income groups by offering budget to luxury segment development is likely to pose stiff competition to the proposed residential development in the subject micro market.
The projects used for the competition mapping of the proposed villas would include Prestige Ozone, Adarsh Palm Meadows, Skylark Greens, Prestige Lake Vista, Prestige White Meadows, Prestige Bougainvillea and Prestige Mayberry. These aforementioned projects lie within 1 - 4 km distance from the subject property. Some of the projects are already constructed while other are in different phases of constructions and accordingly been given premiums and discounts to account for the same. The other parameters on which the projects have been compared would include accessibility, location and neighbourhood profile, brand name and quality of finishes, size of the property and old or new construction among others. The premiums and discounts are based on our interaction with various stake holders in the industry and our past experience of undertaking valuations and not on any scientific methods.
The projects used for the competition mapping of the row houses include Chaitanya Oakville and UKN Esparanza. The projects are compared on parameters like accessibility, location and neighbourhood profile, size of the property, brand name and quality of finishes, and old or new construction among others and thereafter the price for row house is determined.
Currently, there are no comparables for twin houses in the subject micro market. However they would sell at a price higher than the row house but would be price lower than a villa. Bearing the same in mind, the price for a twin house has been calculated.

COMPETING SCHEMES

Building / Address	*Area in sq.m*	*Status of Construction*	*Capital Value (INR per sq.m)*
Prestige Ozone - Villas	390 - 418	Constructed	139,932
Adarsh Palm Meadows - Villas	185 - 326	Constructed	139,932
Skylark Greens - Villas	234 - 533	Constructed	86,112
Prestige Lake Vista Villas	258 - 288	Constructed	118,404
Prestige White Meadows - Villas	618 - 1121	Under Construction	129,168
Prestige Bougainvillea - Villas	343 - 459	Constructed	93,647
Prestige Mayberry - Villas	301 - 333	Under Construction	91,494
Chaitanya Oakville - Rowhouse	511 - 604	Constructed	95,455
UKN Esparanza - Rowhouse	400 - 483	Under Construction	60,817

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VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realization (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

Based on special request of the client, land sales comparable method has been additionally carried out for 54 acres of contiguous land which is owned by the client (as informed by them).

VALUATION CONSIDERATIONS

In order to assess the value of the subject property, we have used the Residual Value Approach. The subject property lies in residential zone and is also earmarked for residential development as provided by the Client. Various assumptions have been made in terms of the sale price, cost of construction and other cost, interest rate, developer's margin, construction & sale phasing and discount rate in order to arrive at the value of the subject property.

The site details, built up area details, FSI, development mix, number of units, size of the units, the joint development ratio and the base cost of construction has been provided to us by the client. The inputs on market related assumptions of sales price(obtained from marketing office of the projects and / or property websites), sales phasing, interest rate, discount rate and developer's margin has been based on market information. We have cross verified the market sales price with our Internal sales team and also based on our experience of doing valuation of properties in the micro-market for the last few years. We have not collected any documentary evidences of the sales price. Additionally we have cross verified details of FSI and cost of constructionand understand that it is in line with market practise.

Time frame for approvals - We also assumed the construction will commence on obtaining necessary approvals. The site clearance works for the vegetation present in the site and approvals are expected to be obtained within 12 months from the date of valuation.

Interest Rate - Based on our discussion with various nationalised and private banks like State Bank of India, State Bank of Hyderabad, Standard Chartered and developers like Embassy Group, DivyaSree Developer's etc, we understand that the current interest rate is approx 14% and the same has been assumed for valuation.

Discount rate - Since developer's margin has been accounted for which reflects the return for undertaking the development, the cash flows have been discounted for using the finance cost which is 14%.
Developer's profit - The developers profit is taken at 20% of the sales value based on market assumptions and our interactions with various stakeholders in the market. It reflects the return for the risks undertaken.

VALUATION ASSUMPTIONS

CAPITAL VALUE

We assumed average capital value for each category of the proposed residential development based on our market research and knowledge of the recent transactions and current trends.

Row House	INR	92,919.80	/sqm
Villas	INR	126,578.79	/sqm
Twin House	INR	102,965.19	/sqm

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.
The interest rate and discount rate applied for the subject property is 14% and the developer's margin has been assumed at 20%.
We have assumed an all inclusive sale rate of INR 126,579 per sq.m for villa, INR 92,920 per sq.m for rowhouse and INR 102,965 per sq. m for twin house. We have assumed an escalation of 5% in both sale rate as well as the cost of construction.

Row House	INR	31,533.67	/sqm
Villas	INR	38,208.03	/sqm
Twin House	INR	31,283.56	/sqm
Contingencies		2.73%	

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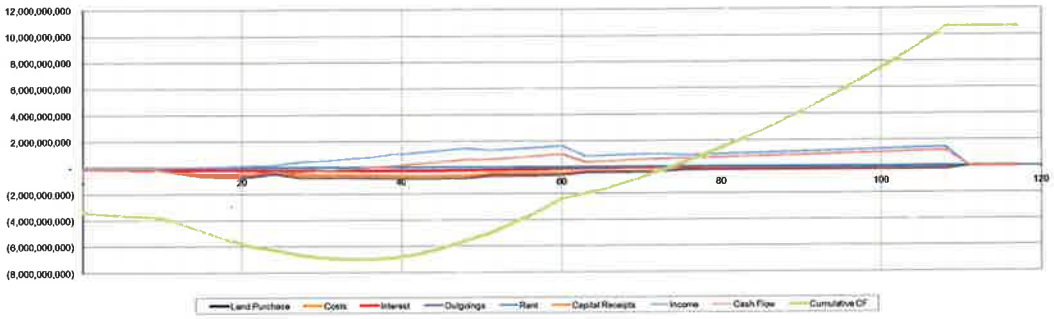
As can be observed from the chart below, we assume that the development will commence in 12 months. The development is likely to consist of villas, rowhouses and twin houses as provided by the Client. The project is estimated to be completed in 8 years, with the development phasing of rowhouse and twin house spread over 4 years and the villas development phasing speard over 8 years. All the asset classes would be launched simultaneously. 16% of the proposed development would be in the form of rowhouse, another 16% in the form of twin house and the rest 68% in the form of villas.

Cash Flow Profile



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SUMMARY & CONCLUSION

We have compared the site to other residential lands in the subject micro market. However, we primarily ran a residual method calculation to assess the value of the subject property. The capital values for the proposed residential development was arrived at after taking into consideration the capital values of the similar developments in the subject micro market and running a sales comparison calculation on the same. The cost and construction and sales phasing assumption have been assumed based on market research and trends and the same have been deployed in the current workings. Based on these assumptions, the total undiscounted cash flows for the project excluding developers profit is INR 17,706 Million.

In summary, using the above assumptions and variables we have arrived at the project value of SPV of INR 4183 Million (Disocunted).

PROJECT VALUE OF SPV	**INR 4,183,230,000**	**say**	**INR 4,183,230,000**

Signed for and on behalf of Cushman & Wakefield India Pvt. Ltd.

Somy Thomas, MRICS
Executive Director, India
Consulting and Valuation & Advisory

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

Bhawana Khetan
Area Manager, Karnataka & Andhra Pradesh
Valuation & Advisory

CASHFLOWS		All below nos are in INR	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
Month		**TOTAL**	-	3	6	9	12	15	18	21	24
INCOME		**30,957,878,086**									
Row House		3,786,836,629	-	-	-	-	-	8,086,705	24,458,599	41,131,873	58,111,458
Villas		22,839,104,452	-	-	-	-	-	8,805,644	26,633,062	44,788,653	63,277,788
Twin House		4,331,937,005	-	-	-	-	-	9,867,472	29,844,607	50,189,489	70,908,134
INCOME			-	-	-	-	-	26,766,815	80,936,269	136,110,015	192,297,380
OUTGOINGS		(19,443,404,550)									
Construction Cost											
Row House		(1,586,077,555)	-	-	-	-	-	(59,477,908)	(59,477,908)	(59,477,908)	(59,477,908)
Villas		(8,017,206,852)	-	-	-	-	-	(120,258,103)	(120,258,103)	(120,258,103)	(120,258,103)
Twin House		(1,576,070,788)	-	-	-	-	-	(63,042,832)	(63,042,832)	(63,042,832)	(63,042,832)
Infrastructure (%)	**10.00% of Construction Cost**	(1,117,935,520)	-	-	-	-	(279,483,880)	(279,483,880)	(279,483,880)	(279,483,880)	-
Contingencies	**2.73% of Construction Cost and Infrastructure Cost**	(335,380,656)	-	-	-	-	(7,622,288)	(14,243,529)	(14,243,529)	(14,243,529)	(6,621,241)
Sales Fees	**2% of Income**	(619,157,562)	-	-	-	-	-	(535,196)	(1,618,725)	(2,722,200)	(3,845,948)
Developer's Profit	**20% of Income**	(6,191,575,617)	-	-	-	-	-	(5,351,964)	(16,187,254)	(27,222,003)	(38,459,476)
PERIOD OUTGOINGS		(19,443,404,550)	-	-	-	-	(287,106,168)	(542,393,412)	(554,312,230)	(566,450,455)	(291,705,507)
Monthly CF			-	-	-	-	(287,106,168)	(515,626,596)	(473,375,962)	(430,340,439)	(99,408,127)
PV Basis		**Month**	-	-	3	6	9	12	15	18	21	24
		Cash Flow	-	-	-	-	-	(287,106,168)	(515,626,596)	(473,375,962)	(430,340,439)	(99,408,127)
Interest rate	14%		1.000	1.000	0.968	0.937	0.906	0.877	0.849	0.822	0.795	0.769
		4,183,228,655	-	-	-	-	-	(251,647,515)	(437,727,918)	(389,909,833)	(342,139,552)	(76,491,326)
Residual value		**4,183,230,000**										

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CASHFLOWS		All below nos are in INR	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Month		**TOTAL**	**27**	**30**	**33**	**36**	**39**	**42**	**45**	**48**	**51**	**54**	**57**	**60**
INCOME		**30,957,878,086**												
Row House		3,786,836,629	116,840,561	151,838,355	187,074,161	223,158,398	285,387,402	328,817,071	373,038,152	418,063,529	350,678,992	378,399,890	406,816,045	435,335,438
Villas		22,839,104,452	142,268,868	186,399,914	231,340,556	277,104,016	351,455,260	405,458,423	460,441,911	516,427,750	573,430,213	631,465,819	690,551,343	750,703,813
Twin House		4,331,937,005	155,210,742	202,815,328	251,494,955	300,963,918	351,336,727	402,628,116	454,853,045	508,026,703	354,923,041	375,351,605	396,137,302	417,285,820
INCOME			414,320,170	540,953,597	669,909,672	801,226,333	988,179,389	1,136,901,610	1,288,333,108	1,442,517,982	1,279,032,246	1,385,217,315	1,493,304,690	1,603,325,070
OUTGOINGS		(19,443,404,550)												
Construction Cost														
Row House		(1,586,077,555)	(118,955,817)	(118,955,817)	(118,955,817)	(118,955,817)	(138,781,786)	(138,781,786)	(138,781,786)	(138,781,786)	(79,303,878)	(79,303,878)	(79,303,878)	(79,303,878)
Villas		(8,017,206,852)	(280,602,240)	(280,602,240)	(280,602,240)	(280,602,240)	(320,688,274)	(320,688,274)	(320,688,274)	(320,688,274)	(320,688,274)	(320,688,274)	(320,688,274)	(320,688,274)
Twin House		(1,576,070,788)	(141,846,371)	(141,846,371)	(141,846,371)	(141,846,371)	(141,846,371)	(141,846,371)	(141,846,371)	(141,846,371)	(47,282,124)	(47,282,124)	(47,282,124)	(47,282,124)
Infrastructure (%)	**10.00% of Construction Cost**	(1,117,935,520)	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies	**2.73% of Construction Cost and Infrastructure Cost**	(335,380,656)	(14,765,575)	(14,765,575)	(14,765,575)	(14,765,575)	(16,399,539)	(16,399,539)	(16,399,539)	(16,399,539)	(12,198,389)	(12,198,389)	(12,198,389)	(12,198,389)
Sales Fees	**2% of Income**	(619,157,562)	(8,286,403)	(10,819,072)	(13,398,193)	(16,024,527)	(19,763,588)	(22,738,032)	(25,766,662)	(28,850,360)	(25,580,645)	(27,704,346)	(29,866,094)	(32,066,501)
Developer's Profit	**20% of Income**	(6,191,575,617)	(82,864,034)	(108,190,719)	(133,981,934)	(160,245,267)	(197,635,878)	(227,380,322)	(257,666,622)	(288,503,596)	(255,806,449)	(277,043,463)	(298,660,938)	(320,665,014)
PERIOD OUTGOINGS		(19,443,404,550)	(647,320,440)	(675,179,794)	(703,550,131)	(732,439,796)	(835,115,436)	(867,834,324)	(901,149,254)	(935,069,926)	(740,859,759)	(764,220,474)	(787,999,697)	(812,204,180)
Monthly CF			(233,000,270)	(134,226,197)	(33,640,459)	68,786,537	153,063,953	269,067,286	387,183,854	507,448,056	538,172,487	620,996,841	705,304,993	791,120,890
PV Basis		**Month**	**27**	**30**	**33**	**36**	**39**	**42**	**45**	**48**	**51**	**54**	**57**	**60**
		Cash Flow	(233,000,270)	(134,226,197)	(33,640,459)	68,786,537	153,063,953	269,067,286	387,183,854	507,448,056	538,172,487	620,996,841	705,304,993	791,120,890
Interest rate	14%		0.745	0.721	0.697	0.675	0.653	0.632	0.612	0.592	0.573	0.555	0.537	0.519
		4,183,228,655	(173,609,401)	(96,733,112)	(23,462,401)	46,429,953	99,964,350	170,095,928	236,877,628	300,449,886	308,372,564	344,363,854	378,911,357	410,883,450
Residual value		**4,183,230,000**												

Cushman & Wakefield India Pvt. Ltd.

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CASHFLOWS		All below nos are in INR	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020
Month		TOTAL	63	66	69	72	75	78	81	84
INCOME		**30,957,878,086**								
Row House		3,786,836,629	-	-	-	-	-	-	-	-
Villas		22,839,104,452	811,940,518	874,279,010	937,737,109	1,002,332,908	881,882,451	928,584,313	976,107,513	1,024,465,178
Twin House		4,331,937,005	-	-	-	-	-	-	-	-
INCOME			811,940,518	874,279,010	937,737,109	1,002,332,908	881,882,451	928,584,313	976,107,513	1,024,465,178
OUTGOINGS		(19,443,404,550)								
Construction Cost										
Row House		(1,586,077,555)	-	-	-	-	-	-	-	-
Villas		(8,017,206,852)	(320,688,274)	(320,688,274)	(320,688,274)	(320,688,274)	(213,792,183)	(213,792,183)	(213,792,183)	(213,792,183)
Twin House		(1,576,070,788)	-	-	-	-	-	-	-	-
Infrastructure (%)	**10.00% of Construction Cost**	(1,117,935,520)	-	-	-	-	-	-	-	-
Contingencies	**2.73% of Construction Cost and Infrastructure Cost**	(335,380,656)	(8,746,044)	(8,746,044)	(8,746,044)	(8,746,044)	(5,830,696)	(5,830,696)	(5,830,696)	(5,830,696)
Sales Fees	**2% of Income**	(619,157,562)	(16,238,810)	(17,485,580)	(18,754,742)	(20,046,658)	(17,637,649)	(18,571,686)	(19,522,150)	(20,489,304)
Developer's Profit	**20% of Income**	(6,191,575,617)	(162,388,104)	(174,855,802)	(187,547,422)	(200,466,582)	(176,376,490)	(185,716,863)	(195,221,503)	(204,893,036)
PERIOD OUTGOINGS		(19,443,404,550)	(508,061,232)	(521,775,700)	(535,736,482)	(549,947,558)	(413,637,018)	(423,911,427)	(434,366,531)	(445,005,218)
Monthly CF			303,879,286	352,503,310	402,000,627	452,385,350	468,245,433	504,672,885	541,740,982	579,459,960
PV Basis		**Month**	63	66	69	72	75	78	81	84
		Cash Flow	303,879,286	352,503,310	402,000,627	452,385,350	468,245,433	504,672,885	541,740,982	579,459,960
Interest rate	14%		0.503	0.486	0.471	0.456	0.441	0.427	0.413	0.400
		4,183,228,855	152,739,241	171,468,356	189,244,748	206,100,680	206,451,589	215,341,849	223,709,251	231,573,627
Residual value		**4,183,230,000**								

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

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CASHFLOWS		All below nos are in INR	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022
Month		TOTAL	87	90	93	96	99	102	105	108
INCOME		**30,957,878,086**								
Row House		3,786,836,629	-	-	-	-	-	-	-	-
Villas		22,839,104,452	1,073,670,631	1,123,737,398	1,174,679,208	1,226,510,000	1,279,243,819	1,332,895,327	1,387,478,801	1,443,009,138
Twin House		4,331,937,005	-	-	-	-	-	-	-	-
INCOME			1,073,670,631	1,123,737,398	1,174,679,208	1,226,510,000	1,279,243,819	1,332,895,327	1,387,478,801	1,443,009,138
OUTGOINGS		(19,443,404,550)								
Construction Cost										
Row House		(1,586,077,555)	-	-	-	-	-	-	-	-
Villas		(8,017,206,852)	(213,792,183)	(213,792,183)	(213,792,183)	(213,792,183)	(213,792,183)	(213,792,183)	(213,792,183)	(213,792,183)
Twin House		(1,576,070,788)	-	-	-	-	-	-	-	-
Infrastructure (%)	**10.00% of Construction Cost**	(1,117,935,520)	-	-	-	-	-	-	-	-
Contingencies	**2.73% of Construction Cost and Infrastructure Cost**	(335,380,656)	(5,830,696)	(5,830,696)	(5,830,696)	(5,830,696)	(5,830,696)	(5,830,696)	(5,830,696)	(5,830,696)
Sales Fees	**2% of Income**	(619,157,562)	(21,473,413)	(22,474,748)	(23,493,584)	(24,530,200)	(25,584,878)	(26,657,907)	(27,749,576)	(28,860,183)
Developer's Profit	**20% of Income**	(6,191,575,617)	(214,734,126)	(224,747,480)	(234,935,842)	(245,302,000)	(255,848,784)	(266,579,065)	(277,495,760)	(288,601,828)
PERIOD OUTGOINGS		(19,443,404,550)	(455,830,417)	(466,845,106)	(478,052,304)	(489,455,079)	(501,056,541)	(512,859,851)	(524,868,215)	(537,084,889)
Monthly CF			617,840,213	656,892,292	696,626,904	737,054,921	778,187,378	820,035,477	862,610,586	905,924,249
PV Basis		**Month**	87	90	93	96	99	102	105	108
		Cash Flow	617,840,213	656,892,292	696,626,904	737,054,921	778,187,378	820,035,477	862,610,586	905,924,249
Interest rate	14%		0.387	0.374	0.362	0.351	0.339	0.328	0.318	0.308
		4,183,228,855	238,954,935	245,871,208	252,340,699	258,381,277	264,009,356	269,241,130	274,092,615	278,578,002
Residual value		4,183,230,000								

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Villas Comparables	Constructed Less Than 1 km	Constructed Less than 2 km	Constructed Less Than 1 km	Construted Less than 2 km	Under Construction Less than 3 km	Constructed Less than 4 km	Under Construction Less than 4 km
Projects	Prestige Ozone	Adarsh Palm Meadows	Skylark Greens	Prestige Lake Vista	Prestige White Meadows	Prestige Bouganvilla	Prestige Mayberry
Accessibility	-5.0%	-5.0%	5.0%	-5.0%	-5.0%	0.0%	5.0%
Location and Neighbourhood Profile	-5.0%	-5.0%	-2.5%	-5.0%	-5.0%	-2.5%	-2.5%
Size	2.5%	-2.5%	-5.0%	0.0%	5.0%	2.5%	0.0%
Quote	-5.0%	-5.0%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%
Stage of construction	-5.0%	-5.0%	-5.0%	-5.0%	-2.5%	-5.0%	0.0%
Old / New	5.0%	5.0%	2.5%	2.5%	0.0%	2.5%	0.0%
Price Inclusive of Car Park & Clubhouse	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Brand / Quality of Finishes	-5.0%	-5.0%	10.0%	-5.0%	-5.0%	-5.0%	-5.0%
Total Premium / Discount	-17.5%	-22.5%	2.5%	-20.0%	-15.0%	-10.0%	-5.0%
Quoted Sale Price (INR per sq.ft.)	13000	13000	8000	11000	12000	8700	8500
Sale Price (INR per sq.ft.) post adjustment	10725	10075	8200	8800	10200	7830	8075
Sale Rate (INR per sq.ft.)		**9100**					

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Row Houses Comparables

Projects	Chaitanya Oakville	UKN Esparanza
Accessibility	-5.0%	0.0%
Location and Neighbourhood Profile	-5.0%	-2.5%
Size	10.0%	10.0%
Quote	-2.5%	-2.5%
Stage of construction	-5.0%	-5.0%
Old / New	2.5%	0.0%
Price Inclusive of Car Park & Clubhouse	0.0%	0.0%
Brand / Quality of Finishes	5.0%	5.0%
Total Premium / Discount	**0.0%**	**5.0%**
Quoted Sale Price (INR per sq.ft.)	8868	5650
Sale Price (INR per sq.ft.) post adjustment	8868	5932.5
Sale Rate (INR per sq.ft.)	**7400**	

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Component	(INR per sq.ft.)
As per Row Houses Comparables Sale Rate	7400
As per Villas Comparables Sale Rate	9100
Twin House Sale rate assumed based on average price of villas and row house	8200

Since there are no direct comparables for twin house in the micro market, average of row house and villas is taken.

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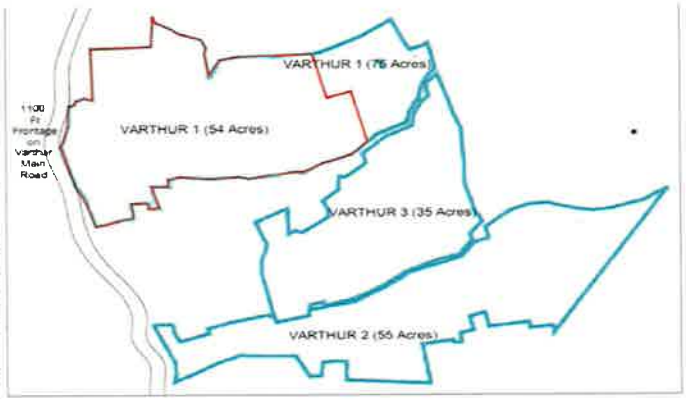
Particulars	Subject property	Comparable 1	Comparable 2	Comparable 3
Location	Opposite Varthur Lake	Behind Brigade Metropolis, Whitefield	HUL Property, Whitefield, Opposite Forum Value Mall	Whitefield, Near Hope Farm Junction
Land size (Acres)	54.00	28.3	9.3	7.0
Distance from the subject property		8 - 9 km	1-1.5 km	3 - 4 km
Land Use	Residential	Residential	Residential	Residential
Conversion	Converted	Converted	Converted	Converted
Abutting road width	40 feet Road	30 feet	80 feet	80-100 feet
Accessibility	SH 35	Internal Access Road	Whitefield Main Road	Channasandra Main Road
Frontage sq ft	Good	Average	Very Good	Very Good
Shape of the property	Regular	Regular	Regular	Regular
Tenure	Freehold	Freehold	Freehold	Freehold
Transacted/ Quote		Transacted - 2012	Transacted - Q2 2012	Quote - Q3 2013
Capital Rate INR Mn / acres		65	128	131
Premium/discount on account of				
Freehold/ Leasehold		0%	0%	0%
Frontage		10%	10%	10%
Accessibility		0%	-10%	-10%
FSI		0%	-20%	-20%
Location and Neighbourhood Profile		-10%	-10%	-5%
Size		-10%	-10%	-10%
Negotiation		0%	0%	-5%
Conversion		0%	0%	0%
Shape and Topography		0%	0%	0%
Time of Transaction		5%	5%	0%
Total		-5%	-35%	-40%
		62	83	78
Applicable Land Value INR Mn /acres	74.5			
Total land value INR Mn	4020			



Based on special request of the client, land sales comparable method has been carried out for 54 acres of contiguous land which is owned by the client (as informed by the client). Current market value of land is arrived by benchmarking the subject land parcel with comparable land parcels quoted or transacted in that subject location. The sale price of comparable properties similar to the subject property is analyzed and the sale prices adjusted to account for differences in the comparables to the subject property (like accessibility, frontage, location, neighborhood profile, FSI etc.) to determine the value of the subject land parcel. The premiums and discounts are based on our interaction with various stake holders in the industry and our past experience of undertaking valuations and not on any scientific methods.

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

Costing Assumptions

Row House

Saleable Area sqm	50,297.9		
Annual Esclation	5.00%	Cost per sq.ft	2,500
Quaterly Escalation	1.23%	Cost per sqm	26,910

	12/01/2013	30/1/2014	6/30/2014	9/30/2014	12/01/2014	30/1/2015	6/30/2015	9/30/2015	12/01/2015	30/1/2016	6/30/2016	9/30/2016	12/01/2016	30/1/2017	6/30/2017	9/30/2017	12/01/2017	30/1/2018	6/30/2018	9/30/2018	12/01/2018
Construction Cost/ sqm	26910	27,240	27,575	27,913	28,256	28,602	28,953	29,309	29,668	30,032	30,401	30,774	31,152	31,534	31,921	32,313	32,709	33,111	33,517	33,928	34,345
Construction phasing (%)	0.00%	0.00%	0.00%	0.00%	0.00%	3.75%	3.75%	3.75%	3.75%	7.50%	7.50%	7.50%	7.50%	8.75%	8.75%	8.75%	8.75%	5.00%	5.00%	5.00%	5.00%
Area Constructed sqm	0	0	0	0	0	1,886	1,886	1,886	1,886	3,772	3,772	3,772	3,772	4,401	4,401	4,401	4,401	2,515	2,515	2,515	2,515

Weighted Average cost/ sqm 31,534

Twin House

Saleable Area sqm	50380.2		
Annual Esclation	5.00%	Cost per sq.ft	2,500
Quaterly Escalation	1.23%	Cost per sqm	26,910

	12/01/2013	30/1/2014	6/30/2014	9/30/2014	12/01/2014	30/1/2015	6/30/2015	9/30/2015	12/01/2015	30/1/2016	6/30/2016	9/30/2016	12/01/2016	30/1/2017	6/30/2017	9/30/2017	12/01/2017	30/1/2018	6/30/2018	9/30/2018	12/01/2018
Construction Cost/ sqm	26,910	27240	27575	27913	28256	28602	28953	29309	29668	30032	30401	30774	31152	31534	31921	32313	32709	33111	33517	33928	34345
Construction phasing (%)	0.00%	0.00%	0.00%	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	3.00%	3.00%	3.00%	3.00%
Area Constructed sqm	0	0	0	0	0	2,015	2,015	2,015	2,015	4,534	4,534	4,534	4,534	4,534	4,534	4,534	4,534	1,511	1,511	1,511	1,511
Weighted Average cost/ sqm	31,284																				

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

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Costing Assumptions
Villas

Saleable Area sqm	209,830.4		
Annual Esclation	5.00%	Cost per sq.ft	2,750
Quaterly Escalation	1.23%	Cost per sqm	29,601

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	5/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Construction Cost/ sqm	29,601	29,964	30,332	30,704	31,081	31,462	31,849	32,239	32,635	33,036	33,441	33,851	34,267	34,687	35,113	35,544	35,980	36,422	36,869	37,321	37,779
Construction phasing (%)	0.00%	0.00%	0.00%	0.00%	0.00%	1.50%	1.50%	1.50%	1.50%	3.50%	3.50%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Area Constructed sqm	0	0	0	0	0	3,147	3,147	3,147	3,147	7,344	7,344	7,344	7,344	8,393	8,393	8,393	8,393	8,393	8,393	8,393	8,393
Weighted Average cost/ sqm	38,208																				

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

Costing Assumptions

Villas

Saleable Area sqm	209,830.4		
Annual Esclation	5.00%	Cost per sq.ft	2,750
Quaterly Escalation	1.23%	Cost per sqm	29,601

	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022
Construction Cost/ sqm	38,243	38,712	39,187	39,668	40,155	40,648	41,147	41,652	42,163	42,680	43,204	43,734	44,271	44,814	45,364	45,921
Construction phasing (%)	4.00%	4.00%	4.00%	4.00%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%
Area Constructed sqm	8,393	8,393	8,393	8,393	5,595	5,595	5,595	5,595	5,595	5,595	5,595	5,595	5,595	5,595	5,595	5,595
Weighted Average cost/ sqm	38,208															

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

Sales Scheduling

Row House

Saleable Area sqm	50,297.9	Sale price per sq.ft	7400
Annual Esclation	5%	Sale price per sqm	79653.6
Quaterly Escalation	1.23%		

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Sale price	79,654	80,631	81,621	82,622	83,636	84,663	85,702	86,753	87,818	88,896	89,987	91,091	92,209	93,341	94,486	95,646	96,819	98,008	99,210	100,428	101,660
Sale phasing (%)	0.00%	0.00%	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Sold	0	0	0	0	0	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144
Construction Linked Collection Schedule	0.00%	0.00%	0.00%	0.00%	0.00%	0.21%	0.65%	1.09%	1.53%	3.09%	4.00%	4.94%	5.89%	7.54%	8.68%	9.85%	11.04%	9.26%	9.99%	10.74%	11.50%
Average sale price	92,920																				

Twin House

Saleable Area sqm	50380.2	Sale price per sq.ft	8200
Annual Esclation	5%	Sale price per sqm	88264.8
Quaterly Escalation	1.23%		

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Sale price	88,265	89,348	90,445	91,554	92,678	93,815	94,967	96,132	97,312	98,506	99,715	100,939	102,178	103,431	104,701	105,986	107,286	108,603	109,936	111,285	112,651
Sale phasing (%)	0.00%	0.00%	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Sold	0	0	0	0	0	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149	3,149
Construction Linked Collection Schedule	0.00%	0.00%	0.00%	0.00%	0.00%	0.23%	0.69%	1.16%	1.64%	3.58%	4.68%	5.81%	6.95%	8.11%	9.29%	10.50%	11.73%	8.19%	8.66%	9.14%	9.63%
Average sale price	102,965																				

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Sales Scheduling
Villas

Saleable Area sqm	209830.4	Sale price per sq.ft	9100
Annual Esclation	5%	Sale price per sqm	97952.4
Quaterly Escalation	1.23%		

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Sale price	97,952	99,154	100,371	101,603	102,850	104,112	105,390	106,683	107,993	109,318	110,659	112,017	113,392	114,784	116,192	117,618	119,062	120,523	122,002	123,499	125,015
Sale phasing (%)	0.00%	0.00%	0.00%	0.00%	0.00%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%
Area Sold	0	0	0	0	0	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557
Construction Linked Collection Schedule	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.12%	0.20%	0.28%	0.62%	0.82%	1.01%	1.21%	1.54%	1.78%	2.02%	2.26%	2.51%	2.76%	3.02%	3.29%
Average sale price	126,579																				

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Sales Scheduling
Villas

Saleable Area sqm	209830.4	Sale price per sq.ft	9100
Annual Esclation	5%	Sale price per sqm	97952.4
Quaterly Escalation	1.23%		

	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022
Sale price	126,549	128,102	129,674	131,266	132,877	134,507	136,158	137,829	139,520	141,233	142,966	144,720	146,496	148,294	150,114	151,956
Sale phasing (%)	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%
Area Sold	6,557	6,557	6,557	6.557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557	6,557
Construction Linked Collection Schedule	3.56%	3.83%	4.11%	4.39%	3.86%	4.07%	4.27%	4.49%	4.70%	4.92%	5.14%	5.37%	5.60%	5.84%	6.08%	6.32%
Average sale price	126,579															

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PROPERTY REPORT

PROPERTY	Residential Project
ADDRESS	Thalambur and Siruseri Village
VALUATION DATE	31 December 2013

India

City of Chennai

Chennai City Centre

Micro Location

LOCATION

Chennai, the capital city of Tamil Nadu, is spread over a total area of 1,177 sq. km. (Metropolitan Area) with an estimated population of approximately 8.70 million in 2011 and a decadal growth of approximately 33%. The physical infrastructure of the city is fairly well developed with good road, rail, air and sea transport networks. Chennai's airport provides both domestic and international connectivity. Chennai Airport is located off GST Road (NH 45) and 16 km from the city center.

Chennai is the third largest commercial and industrial centre in India, and is known for its cultural heritage and temple architecture. The city, known as the 'automobile manufacturing hub' of India, is a preferred manufacturing destination with over 60% share of India's automobile exports. According to the survey by Cyber Media and Tholons, Chennai is one of the 6 cities from India and one in top 8 cities in the world, featuring in the emerging outsourcing destinations. Chennai serves as the manufacturing base of large multinationals like Ford Motors, Hyundai, Saint-Gobain, Nokia and Flextronics. It is also home to IT/ ITES majors like Infosys, Wipro, Polaris, Accenture, I-Flex, TCS, Cognizant, etc.

The subject property is a vacant land admeasuring approximately 84.3 acres. The subject property is located off Old Mahabalipuram Road (OMR) which is home to a number of IT and SEZ establishments. The access to the subject property is through a panchayat road. The shape and topography of the subject property is irregular.

OMR became to be known as the IT corridor since 2000 with the Government of Tamil Nadu promoting IT/ITES industry along the corridor. Till the year 2006, growth in OMR was predominantly driven by government establishments such as TIDCO, ELCOT and SIPCOT. Post 2006, the market saw entry of many major players such as Ascendas, RMZ, Prince Foundations.

LOCATION DETAILS

City Population	8,696,010
Local Land	Residential areas & IT Buildings
Distance to Centre (Nungambakkam)	31 km
Distance to Highway (OMR)	2 km
Distance to National Road (NH 45)	19 km
Public Transport	Road Transportation
Plot area	341,910 sqm
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	No
Historic monument	No
Site area	341,910 sqm
Parking Places (closed)	No
Access	Panchayat Road
Utilities	No
Legal issues	not checked

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PROPERTY REPORT

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PROPERTY DATA

PLOT OF LAND

Site area, total	341,910 sqm
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

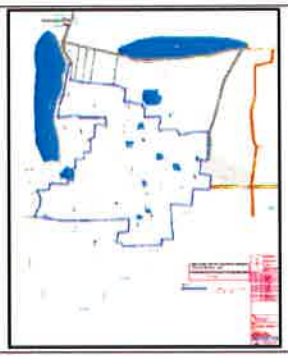
Inspection Type	External
Inspection Date	16th May 2013
Inspected by	M. Vinodh and Ram Balaraman

PROPERTY DESCRIPTION

The subject property is vacant land admeasuring 84.3 acres of land The subject property is located off OMR (also known as the IT corridor) and can be accessed through a Panchayat Road. The subject site is proposed to be a residential development comprising of plots and villas.

The shape of the subject property is irregular while the topography of the property is regular.

On the east the property abuts OMR, while on the west, south and north the property is surrounded by vacant land.



LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Thalambur and Siruseri Villages. We have not checked title documentation but assume the property is an unencumbered effective freehold.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use	Assumed land		
Registered size	Not Applicable		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

We have relied entirely on the site areas / built up area and other property details including the master plan provided to us by the Client. We have assumed that these are correct.

We confirm that there are no conflicts of interest in our advising you on the value of the subject property under the assumed conditions as instructed.

C&WI has adopted valuation method based on its own expertise and knowledge and endeavours to develop forecasts on demand, supply and pricing on assumptions that would be considered relevant and reasonable at that point of time.

Based on information from the client we understand that the land parcel (subject property) has not been leased and is contiguous in nature and the same has been considered in the valuation.

Comments

The report has been prepared for audit of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) carried out for the year ended as on December 31, 2013. The valuation has been carried out in accordance with the definition of Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). As per RICS (VS 3.2 Redbook 7th Edition), Market Value is defined as 'The estimated amount for which an asset or liability 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.'

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PLANNING ISSUES

Zoning	
Footprint ratio	
Maximum buildable area	
Maximum height	
Permit status	Not applied

Based on the information provided by the client the subject property is converted . All statutory approvals must be obtained before commencement of construction.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The client is planning to develop a residential project. The development is likely to consist of villas and plots with a total gross built up area of approximately 208,086 sqm. While 66% of the land area is likely to be developed as plots, 32% of the land area is expected to be developed as villas. The remaining 2% of the land area will be utilized for the development of club house.

At present, the site is a vacant land. We are not informed of any legal or environmental issues raised.

We are of an opinion that there is a high level of competition for residential, however due to thrust provided by the IT/ITES (Information Technology and In formation Technology Enabled Services) industry, there is substantial demand for residential developments.

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SWOT-ANALYSIS

STRENGTHS

Located off OMR (IT corridor) and in close proximity to major commercial establishments like SIPCOT IT Park

Well connected to other parts of the city through road network

Serene location which is conducive for villa developments

WEAKNESSES

Distance from the city might act as deterrent

Current status of the access road to the subject property

OPPORTUNITIES

Expansion of the IT/ITES companies resulting in increased IT workforce who in turn will drive the demand in the micro market

Improving physical and social infrastructure

THREATS

Competition from other upcoming residential developments by both reputed and local developers

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Old Mahabalipuram Road is one of the major arterial roads in Chennai connecting the city with Mahabalipuram. The road spans over a length of 45 Kms and is split into two phases. The subject micro-market's economy, population and infrastructure are growing at a rapid pace due to the high concentration of IT and business Parks and dedicated Special Economic Zones (SEZs). The corridor is also home to a number of BPO and IT/ITES companies. All major IT/ITES companies like Mahindra Satyam, Wipro, HCL Tech, Tata Consultancy Services, Accenture India, eBay, Infosys, are situated in the subject micro-market. IT SEZ developments such as Ramanujam IT SEZ, ETL Chennai One, ELCOT SEZ, ETA Technopark and SIPCOT IT Park are also located along the corridor. IT companies like Wipro, Infosys, TCS, HCL Tech, CTS and Mahindra Satyam have their own facilities in the micro-market.

As of Q3 2013, OMR had a total office stock of approximately 27.57 million sq.ft. OMR registered substantial supply of approximately 3.01 million sq.ft in first three quarters of 2013. OMR accounted for approximately 89% of the total supply in Chennai during the same time period. Total leasing in OMR was registered at 3.43 million sq.ft. in first three quarters of 2013 which is approximately 67% of the total leasing activity in Chennai. As a result of increasing demand, substantial absorption in the market was registered during this time period. OMR also houses a number of captive space developments. Around 6.5 million sq.ft. of captive space established by major players such as TCS, CTS, Infosys and Wipro can be seen along this corridor.

Spurred by the demand from IT/ITES workforce, the micro market also witnessed increasing demand for other real estate development - predominantly residential. Some of the major developers in the micro market include Casa Grande, DLF, Appaswamy Real Estates, Ramaniyam Developers, Jain Housing and Vaikund Estates . Factors such as proximity to workplace, prevailing infrastructure, proximity to ECR (entertainment corridor) etc continue to attract more buyers to the micro market.

The project's primary catchment covers workforce from SIPCOT IT SEZ and IT developments situated along OMR. Secondary catchment for the project would be investor market across Chennai.

COMPETITION

The subject site has good competition from various players in the micro market. At present, the micro market has a good supply of both completed and under construction residential units. Prominent local developers in the micro market include Isha Homes, Vijay Shanthi Builders, Shri Janani Homes, Casa Grande, Arihant Foundations etc.

The parameters on which the projects have been compared would include accessibility, location and neighbourhood profile, brand name and inrastructure, and size of the property among others as applicable. The premiums and discounts are based on our interaction with various stake holders in the industry and our past experience of undertaking valuations and not on any scientific methods.

However, the subject micro market does not have many developments offering plots and villas despite demand for such developments. The subject site being a proposed development consisting villas and plots is expected to cater to this demand.

COMPETING SCHEMES

Building / Address	*Date*	*Capital Value (INR/sm)*	*Comments*
Casa Grande Pavilion (Villas)	2016	60,525	168 units and spread over 18 acres
Groovy Woodz (Villas)	2015	66,712	96 units and spread over 5.5 acres
Pacifica Aurum (Villas)	2015	49,173	The project is a 110 acres township project with 406 villa units as a part of development. The development also includes residential apartments.
Wing Haven Gardens (Plots)	NA	30,128	500 plots in the size range of 140 sqm - 558 sqm spread across 55 acres.
Greenwood City (Plots)	NA	31,204	252 plots in the size range of 167 sqm - 482 sqm spread across 40 acres.
ASP Garden (Plots)	NA	27,976	27 plots in the size range of 140 sqm - 163 sqm spread across 2 acres.

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VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realization (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The proposed scheme for the subject property is residential project comprising Plots and Villas. We are of the opinion that this is the highest & best use of the land as there is considerable demand for villas and plots in the micro market. We also assumed the construction will commence on obtaining necessary approvals. The approvals are expected to be obtained within 9 months.

In order to assess the value of the subject property, we have used the Residual Value Approach. Various assumptions have been made in terms of the sale price, cost of construction and other cost, interest rate, developer's margin, construction & sale phasing and discount rate in order to arrive at the value of the subject property.

The site details, built up area details, FSI, development mix, number of units, size of the units, the joint development ratio and the base cost of construction has been provided to us by the client. The inputs on market related assumptions of sales price(obtained from marketing office of the projects and / or property websites), sales phasing, interest rate, discount rate and developer's margin has been based on market information. We have cross verified the the market sales price with our internal sales team and also based on our experience of doing valuation of properties in the micro-market for the last few years. We have not collected any documentary evidences of the sales price. Additionally we have cross verified details of FSI and cost of constructionand understand that it is in line with market practise.

Interest Rate - Based on our discussion with various nationalised and private banks like State Bank of India, State Bank of Hyderabad, Standard Chartered and developers like Embassy Group, DivyaSree Developer's etc, we understand that the current interest rate is approx 14% and the same has been assumed for valuation.
Discount rate - Since developer's margin has been accounted for which reflects the return for undertaking the development, the cash flows have been discounted for using the finance cost which is 14%.
Developer's profit - The developers profit is taken at 20% of the sales value based on market assumptions and our interactions with various stakeholders in the market. It reflects the return for the risks undertaken.

VALUATION ASSUMPTIONS

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

We have compared the project with developemnts like Casa Grande Pavillion, Groovy Woods and Pacifica Auram for villas and Wing Haven Garden, Greenwood City and ASP garden for plots to arrive at the sale price for by assigning some premium / discount on various attributes like location, accessibility, stage of construction, amenities provided etc.

We have assumed a base sale rate of INR 59,202 per sqm and INR 23,681 per sqm for villas and plots respectively. We have also assumed an escalation of 5% per annum for the sale price and cost of construction.

Plots	INR 1,615 /sqm
Villas	INR 27,572 /sqm
Contingencies	5%

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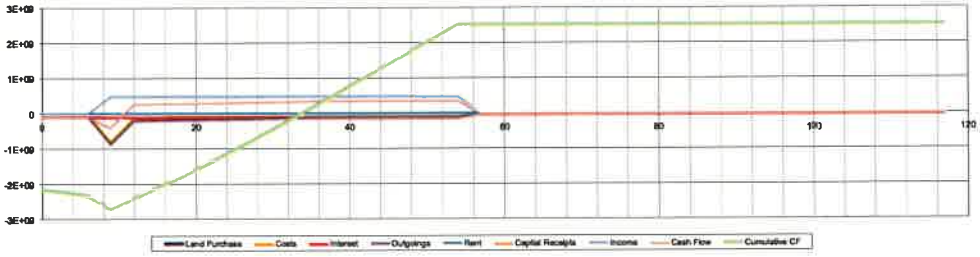
As can be seen in the chart below, we assume development will commence in 9 months. The development is likely to consist of villas and plots with a total gross built up area of 208,086 sqm. While 66% of the land area is likely to be developed as plots, 32% of the land area is expected to be developed as villas. The remaining 2% of the land area will be utilized for the development of club house. The project is estimated to be completed over the period of 4 years. Both the plots and villas will be launched simultaneously.

Cash Flow Profile



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PROPERTY REPORT

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SUMMARY & CONCLUSION

We have compared the site to other residential lands in the subject micro market. However, we primarily ran a residual method calculation to assess the value of the subject property. The capital values for the proposed development was arrived at after taking into consideration the capital values of the similar developments in the subject micro market and running a sales comparison calculation on the same. The cost and construction and sales phasing assumption have been assumed based on market research and trends and the same have been deployed in the current workings. Based on these assumptions, the total undiscounted cash flows for the project excluding developers profit is INR 5,537 Million.

In summary, using the above assumptions and variables we have arrived at the project value of SPV of INR 2,405 Million (Discounted).

MARKET VALUE	**INR**	**2,405,460,000**	**say**	**INR**	**2,405,460,000**

Signed for and on behalf of Cushman & Wakefield India Pvt. Ltd.

Sonny Thomas, MRICS
Executive Director, India
Consulting and Valuation & Advisory

Vinodh Mahadevan
Regional Manager, Tamil Nadu and Kerala
Valuation & Advisory

Cushman & Wakefield India Pvt Ltd Chennai

CASHFLOWS	All below nos. are INR		12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
MONTH		TOTAL	0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54
INCOME		8,514,884,980																			
Plots		3,769,935,288	-	-	-	214,680,006	217,317,647	219,984,620	222,684,322	225,417,157	228,183,529	230,983,851	233,818,539	236,688,014	239,592,705	242,533,043	245,509,465	248,522,415	251,572,341	254,659,695	257,784,939
Villas		4,577,789,692	-	-	-	16,292,946	49,278,741	82,871,749	117,081,908	151,919,304	187,394,182	223,516,941	260,298,139	297,748,499	335,878,904	374,700,405	414,224,223	454,461,748	495,424,545	537,134,357	579,573,102
Club House		167,160,000	-	-	-	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500	10,447,500
PERIOD INCOME			-	-	-	241,420,453	277,043,887	313,303,869	350,213,730	387,783,961	426,025,211	464,948,291	504,564,178	544,884,013	585,919,109	627,680,948	670,181,188	713,431,663	757,444,384	802,231,352	847,805,541
OUTGOINGS		(4,680,296,018)																			
Construction Cost																					
Plots		(251,329,019)	-	-	-	(14,312,200)	(14,487,843)	(14,665,641)	(14,845,621)	(15,027,810)	(15,212,235)	(15,398,923)	(15,587,903)	(15,779,201)	(15,972,847)	(16,168,870)	(16,367,298)	(16,568,161)	(16,771,489)	(16,977,312)	[illegible]
Villas		(1,839,290,502)	-	-	-	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	(114,955,656)	[illegible]
Club House		(100,000,000)	-	-	-	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	(6,250,000)	[illegible]
Planning fees & contributions	INR 19 per sq. ft. on plots builtup area	(14,717,809)	-	-	-	(14,717,809)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	INR 75 per sq. ft. on villas builtup area	(53,854,358)	-	-	-	(53,854,358)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	INR 75 per sq. ft. on club house builtup area	(3,750,000)	-	-	-	(3,750,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other costs	INR 100 per sq. ft. on total site area	(367,210,800)	-	-	-	(367,210,800)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prof Fees	2% of plots construction cost	(4,415,343)	-	-	-	(4,415,343)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2% of villas construction cost	(36,785,810)	-	-	-	(36,785,810)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2% of club house construction cost	(2,000,000)	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies	5.00% of all above cost	(133,867,882)	-	-	-	(20,912,599)	(6,784,675)	(6,793,565)	(6,802,564)	(6,811,673)	(6,820,895)	(6,830,229)	(6,839,678)	(6,849,243)	(6,858,925)	(6,868,726)	(6,878,648)	(6,888,691)	(6,898,857)	(6,909,148)	[illegible]
Sales Fees	2% of income	(170,297,700)	-	-	-	(4,828,469)	(5,540,878)	(6,266,077)	(7,004,275)	(7,755,679)	(8,520,504)	(9,298,966)	(10,091,284)	(10,897,680)	(11,718,382)	(12,553,619)	(13,403,624)	(14,268,633)	(15,148,888)	(16,044,631)	[illegible]
Developer's Profit	20% of income	(1,702,976,996)	-	-	-	(48,284,691)	(55,408,777)	(62,660,774)	(70,042,746)	(77,556,792)	(85,205,042)	(92,989,658)	(100,912,836)	(108,976,803)	(117,183,822)	(125,536,190)	(134,034,238)	(142,686,333)	(151,488,877)	(160,446,310)	[illegible]
PERIOD OUTGOINGS		(4,680,296,018)	-	-	-	(780,377,735)	(802,427,834)	(811,391,714)	(819,990,842)	(828,817,213)	(836,904,333)	(845,723,433)	(854,437,334)	(863,798,582)	(872,939,633)	(882,333,861)	(891,891,443)	(901,617,474)	(911,513,768)	(921,583,819)	(931,838,194)
Monthly CF			-	-	-	(460,854,282)	73,616,058	101,712,155	130,312,888	159,426,349	189,060,878	219,224,858	249,926,822	281,175,430	312,979,476	345,347,887	378,289,725	411,814,189	445,930,618	480,648,493	515,977,437
PV Basis		Months	-	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54
		Cash Flow	-	-	-	(460,854,282)	73,616,058	101,712,155	130,312,888	159,426,349	189,060,878	219,224,858	249,926,822	281,175,430	312,979,476	345,347,887	378,289,725	411,814,189	445,930,618	480,648,493	515,977,437
Interest rate	14%		1.000	0.968	0.937	0.906	0.877	0.849	0.822	0.795	0.769	0.745	0.721	0.697	0.675	0.653	0.632	0.612	0.592	0.573	0.555
		[illegible]	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Residual value		2405460000																			

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Villas

Comparable Method	Subject Property	Comparable 1	Premium(+)/ Discount(-)	Comparable 2	Premium(+)/ Discount(-)	Comparable 3	Premium(+)/ Discount(-)
Name of Development		Pavillion		Groovy Woods		Auram	
Developer		Casa Grande		Sri Janani Homes		Pacifica	
Plot Size (sq. ft.)		2,325		2.149-4,000		2,099-3,240	
Base Rate(INR/sq. ft.)		5,625		6,200		4,570	
Quote/Sale		T		T		T	
Parameters to arrive at premium(+)/discount(-)							
Location	Thalambur	Thalambur	0%	Thalambur	0%	Padur	10%
Neighbourhood Profile	Near Sipcot	Residential	10%	Residential	0%	Residential	5%
Approvals & Infrastrcucture inside the site	Not Available	Approval obtained	-5%	Approval obtained	-5%	Approval obtained	-5%
Total premium/discount			**5%**		**-5%**		**10%**
Approximate Capital value (on carpet area) (INR/ sq. ft.) for subject property			5,906		5,890		5,027
Average Capital value (INR/ sq. ft.)	5,600						

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Cushman & Wakefield India Pvt Ltd Chennai

Plots

Comparable Method	Subject Property	Comparable 1	Premium(+)/ Discount(-)	Comparable 2	Premium(+)/ Discount(-)	Comparable 3	Premium(+)/ Discount(-)
Name of Development		Wing Haven Gardens		Greenwood City		ASP Garden	
Developer		ETA Star		Arihant Foundations		Individual	
Plot Size (sq. ft.)		1,500-1,600		1,800-5,182		1,500-1,750	
Base Rate(INR/sq. ft.)		2,800		2,900		2,600	
Quote/Sale		T		T		T	
Parameters to arrive at premium(+)/discount(-)							
Accessibility and Location	Panchayat Road	Perumbakkam Kelambakkam Road	-5%	Panchayat Road	-5%	Panchayat Road	-5%
Neighbourhood Profile	Near Sipcot	Residential	5%	Near ETA Technopark	0%	Residential	5%
Land Area to be developed	84.3	55	-10%	40	-10%	2	-15%
Approvals	Not Available	Approved Layouts	-5%	Approved Layouts	-5%	Approved Layouts	-5%
Infrastructure within the site	Not Available	Developed Site	-5%	Developed Site	-5%	Developed Site	0%
Brand Name		Prominent Developer	0%	Prominent Developer	0%	Local Promoter	10%
Total premium/discount			**-20%**		**-25%**		**-10%**
Approximate Capital value (on carpet area) (INR/ sq. ft.) for subject property			2,240		2,175		2,340
Average Capital value (INR/ sq. ft.)	2,250						

M.V

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Particulars	Subject property	Comparable -1	Comparable-2	Comparable 3	Comparable 4
Location	Thalambur, Off OMR	Thalambur, Off OMR	Thalambur, Off OMR	Thalambur, Off OMR	Thalambur, Off OMR
Land size (Acres)	84.3	10.0	5.0	5.0	60.0
Distance from the subject property		1 - 2 km	1 - 2 km	1 - 2 km	1 - 2 km
Accessibility	Panchayat Road	Panchayat Road	Panchayat Road	Panchayat Road	Panchayat Road
Shape of the property	Irregular	Regular	Irregular	Irregular	Irregular
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Transacted/ Quote		Quoted May, 2013	Transacted Q3 2013	Transacted 2012	Quoted May, 2013
Capital Rate INR million/acre		50.0	48.0	45.0	40.0
Premium/discount on account of					
Freehold/ Leasehold		0%	0%	0%	0%
Frontage		0%	0%	0%	0%
Accessibility		-5%	-5%	-5%	-5%
FSI		0%	0%	0%	0%
Location and Neighbourhood Profile		0%	5%	5%	0%
Size		-10%	-20%	-20%	0%
Negotiation		-5%	0%	0%	-5%
Conversion		0%	0%	0%	0%
Shape and Topography		-5%	-5%	-5%	0%
Time of Transaction		0%	5%	10%	0%
Total		-25%	-20%	-15%	-10%
		37.50	38.40	38.25	36.00
Weightages		0%	0%	0%	0%
Applicable Land Value INR million/acre	37.54				
Total land value INR Mn	3,164				

Current market value of land is arrived by benchmarking the subject land parcel with comparable land parcels quoted or transacted in that subject location. The sale price of comparable properties similar to the subject property is analyzed and the sale prices adjusted to account for differences in the comparables to the subject property (like accessibility, neighborhood profile, size etc.) to determine the value of the subject land parcel. The premiums and discounts are based on our interaction with various stake holders in the industry and our past experience of undertaking valuations and not on any scientific methods.

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Sale Price for Villas

Saleable Area (sq m)	66709	Sale price per sq.ft	5,600
Annual Esclation	5%	Sale price per Sq M	60,278
Quaterly Esc	1.23%		

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Sale price	60,278	61,018	61,767	62,525	63,292	64,069	64,855	65,651	66,457	67,273	68,098	68,934	69,780	70,636	71,503	72,381	73,269	74,168	75,078
Sale phasing (%)	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Sold	0	0	0	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169
Construction Linked Collection Sch	0.00%	0.00%	0.00%	0.36%	1.08%	1.81%	2.56%	3.32%	4.09%	4.88%	5.69%	6.50%	7.34%	8.19%	9.05%	9.93%	10.82%	11.73%	12.66%
Average sale price (INR/Sq m)	68,623																		

Construction Cost for Villas

Saleable Area (sq m)	66,709	Cost per sq.ft	2,250
Annual Esclation	5%	Cost per sqm	24,219
Quaterly Esc	1.23%		

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Construction Cost	24,219	24,516	24,817	25,122	25,430	25,742	26,058	26,378	26,701	27,029	27,361	27,697	28,037	28,381	28,729	29,081	29,438	29,800	30,165
Construction phasing (%)	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Constructed	0	0	0	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169	4,169
Average cost (INR/sq m)	27,572																		

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Sale Price for Plots

Saleable Area (sq m)	136732	Sale price per sq.ft	2,250	10.764
Annual Escalation	5%	Sale price per sq m	24,219	
Quaterly Esc	1.23%			

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Sale price	24,219	24,516	24,817	25,122	25,430	25,742	26,058	26,378	26,701	27,029	27,361	27,697	28,037	28,381	28,729	29,081	29,438	29,800	30,165
Sale phasing (%)	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Sold	0	0	0	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546
Construction Linked Collection Schedule	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%

Construction Cost for Plots

Saleable Area (sq m)	136732	Cost per sq.ft	150
Annual Escalation	5%	Cost per sqm	1,615
Quaterly Esc	1.23%		

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Construction Cost	1,615	1,634	1,654	1,675	1,695	1,716	1,737	1,759	1,780	1,802	1,824	1,846	1,869	1,892	1,915	1,939	1,963	1,987	2,011
Construction phasing (%)	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Constructed	0	0	0	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546	8,546

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Sale Price for Club House

Saleable Area (sq m) 4645.1
Annual Escalation 0% Sale price per sq m 35,986
Quaterly Esc 0.00%

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Sale price	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986	35,986
Sale phasing (%)	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Sold	0	0	0	290	290	290	290	290	290	290	290	290	290	290	290	290	290	290	290
Construction Linked Collection Schedule																			
Average sale price (INR/Sq m)	35,986																		

Construction Cost for Club House

Saleable Area (sq m) 4645.1 Cost per sq.ft 2,000
Annual Escalation 0% Cost per sqm 21,528
Quaterly Esc 0.00%

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Construction Cost	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528	21,528
Construction phasing (%)	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Area Constructed	0	0	0	290	290	290	290	290	290	290	290	290	290	290	290	290	290	290	290
Average cost (INR/sq m)	21,528																		

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PROPERTY REPORT

PROPERTY	Kochi Island
ADDRESS	Mulavukadu, Kochi
VALUATION DATE	31 December 2013

India

City of Kochi

Chennai City Centre

Micro Location

LOCATION

Kochi is a major port city on the west coast of India by the Arabian Sea and is part of the district of Ernakulam of the state of Kerala. Kochi is often called by the name Ernakulam, which refers to the eastern part of the mainland Kochi. The civic body that governs the city is the Corporation of Cochin, which was constituted in the year 1967, and the statutory bodies that oversee its development are the Greater Cochin Development Authority (GCDA) and the Goshree Islands Development Authority (GIDA).

The city of Kochi is the most densely populated city in the state and is part of an extended metropolitan region, which is the largest urban agglomeration in Kerala. Kochi city is also a part of Greater Cochin region and is classified as a B-1 grade city by the Government of India, making it the highest graded city in the state. Kochi ranks first in the total number of international and domestic tourists in Kerala. Kochi has been ranked the sixth best tourist destination in India according to a survey conducted by the Nielsen Company on behalf of the Outlook Traveller magazine. Kochi was one of the 28 Indian cities found to be among the emerging 440 global cities that will contribute 50% of the world GDP by the year 2025, in a study done by McKinsey Global Institute.

The subject micro market enjoyes premium in terms of having a water front view. As waterfront houses are of good demand in Kochi, the subject micro market (especially marine drive) registers good demand thereby witnessing a number of developments by major developers (both local and regional).

LOCATION DETAILS

City Population	2,117,990
Local	Residential areas
Distance to Centre (Nungambakkam)	2 km
Distance to Highway (Goshree Road)	0.5 km
Distance to National Road (NH 47C)	1 km
Public Transport	Not Available (Only through backwaters)
Plot	119,948 sqm
Waterfront	Yes

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	No
Historic monument	No
Site area	119,948 sqm
Parking Places (closed)	No
Access	Waterways
Utilities	No
Legal issues	not checked

Cushman & Wakefield India Pvt Ltd * Chennai *

PROPERTY	Kochi Island
ADDRESS	Mulavukadu, Kochi
VALUATION DATE	31 December 2013

PROPERTY DATA

PLOT OF LAND

Site area, total	119,948 sqm
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	23rd May 2013
Inspected by	Vinodh Mahadevan

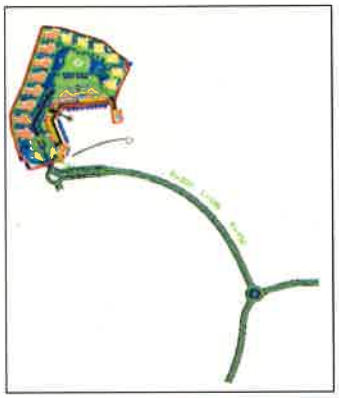
PROPERTY DESCRIPTION

The subject property is vacant land admeasuring 41 acres. The subject property is located on a backwater island called Mulavukadu, off Marine Drive. The current access to the subject property is through the backwaters of Arabian Sea. As informed by the client out of the 41 acres, 13 acres is owned by the client and for the remaining 28 acres, a SPV is formed with a 60% JD share for the client.

Based on the instructions from the client, valuation for 13 acres fof the owned property has been carried out.

The shape and topography of the subject property is irregular.

The subject property is surrounded by the backwaters on east, west, south and north.



LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated on a backwater island called Mulavukadu, off Marine Drive. We have not checked title documentation but assume the property is an unencumbered effective freehold.

Land registry extra	Not Applicable	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use	Assumed land		
Registered size	Not Applicable		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

We have relied entirely on the site areas / built up area and other property details including the master plan provided to us by the Client. We have assumed that these are correct.

We confirm that there are no conflicts of interest in our advising you on the value of the subject property under the assumed conditions as instructed.
C&WI has adopted valuation method based on its own expertise and knowledge and endeavours to develop forecasts on demand, supply and pricing on assumptions that would be considered relevant and reasonable at that point of time.

Cushman & Wakefield India Pvt Ltd * Chennai *

PROPERTY	Kochi Island
ADDRESS	Mulavukadu, Kochi
VALUATION DATE	31 December 2013

Comments

Based on the instructions from the client, we have valuied land admeasuring approximately 13 acres (owned by the client). The report has been prepared for audit of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) carried out for the year ended as on December 31, 2013. The valuation has been carried out in accordance with the definition of Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). As per RICS (VS 3.2 Redbook 7th Edition), Market Value is defined as 'The estimated amount for which an asset or liability 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.'

PLANNING ISSUES

Zoning		Based on the information provided by the client, the site at present has obtained clearence for construction of building.
Footprint ratio		
Maximum buildable area		
Maximum height		
Permit status	Not applied	Other statutory approvals must be obtained before commencement of construction.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The client is planning for a residential project.

Currently, the site is a vacant land. We are not informed of any legal or environmental issues raised. The site has obtained a single window clearance for construction. However, the other statutory approvals are yet to be obtained for the commencement of construction.
We are of an opinion that there is a high level of competition for residential development. However due to demand for waterfront apartments in the micro market, the micro market is expected to see demand for residential developments .

SWOT-ANALYSIS

STRENGTHS

The subject property is located in an Island and surrounded by the backwaters
Proximity to Central Business District (CBD) and Marine Drive

The location provides a serene environment which is conducive for villa developments

WEAKNESSES

Currently the site does not have access through land (Road/Railways).

The site is not connected through public transport.

Any development in the subject site can be marketed only upon establishing a road access.

OPPORTUNITIES

Limited residential developments within the backwater island

There is limited availability of island properties in Kochi which are conducive for villa developments.

THREATS

Competition from residential developments located in Marine Drive

Obtaining relavant approval from government for providing public transportation to the site.

Cushman & Wakefield India Pvt Ltd ★ Chennai ★

Cushman & Wakefield (India) Pvt. Ltd.

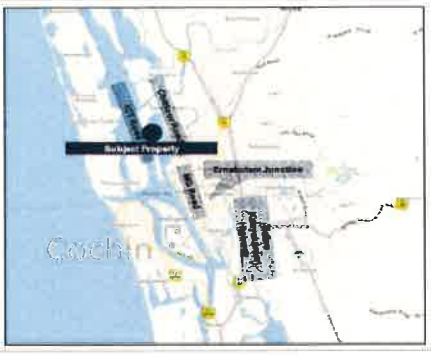
PROPERTY REPORT

PROPERTY	Kochi Island
ADDRESS	Mulavukadu, Kochi
VALUATION DATE	31 December 2013

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Mulavukad, also known locally as Bolghatty Island, is one of the islands that form part of the city of Kochi. The island also has a golf course and an International Marina. The Marina was the first of its kind in India and was set up by Kerala Industrial and Technical Consultancy Organisation (KITCO), for Kerala State Tourism Department (KTDC). The island is home to the Bolgatty Palace, located at the southern tip of the island. The Palace is a popular tourist attraction and a heritage hotel, managed by the KTDC.

Mulavukadu has seen limited development in terms of real estate, especially residential. However, the location enjoys a good water frontage and developments of such nature in Kochi are normally sold at a premium. The island is located off Marine Drive which is a high-end residential hub. Leading developers such as Puravankara, Prestige, DLF and Abad have a presence in Marine drive. The subject site is also located in close proximity to Central Business District (CBD).



The project's primary catchment covers home buyers working in close proximity to the CBD. Secondary catchment for the project would be Non Resident Indians investors across the globe.

COMPETITION

The subject site has good competition from various players along Marine Drive At present, the micro market has supply of both completed and under construction residential units. Prominent local , national and regional developers in the micro market include Puravankara, Prestige, TRIL and Abad.

However, the backwater island on which the subject property is located has not many residential developments despite demand for such developments. The subject site is proposed to consist of villas.

VALUATION

VALUATION METHODOLOGY

Based on special request of the client, valuation is conducted only for the 13 acres of the land which is owned by the client. Valuation is conducted using land sales comparable method based on special request from the client.

The sales comparison approach examines the price or price per unit area of similar properties being sold in the market place. The sales of properties similar to the subject property are analyzed and the sale prices adjusted to account for differences in the comparables to the subject to determine the value of the subject. This approach is generally considered the most reliable if adequate comparable sales exist.

VALUATION CONSIDERATIONS

We have compared the site to other similar land parcels in the micro market.
C&W has compared 3 land parcels in the vicinity of the subject property. The capital values of the comparable properties are quoted in the range of INR 30 million to INR 70 million. Premium and discounts are assinged to the subject property against the 3 comparables based on attributes like location, accessibility, size, water frontage, neighbourhood profile, negotiations, etc.

SUMMARY & CONCLUSION

We have compared the site (owned land parcel of 13 acres) to other land parcels in the micro market. Based on the land sale comparable method, we estimate that the subject plot would transact in the INR 33 million - INR 37 million per acre range, which we consider to be realistic in the context of the available market information.

Address	Details	Asking/ Sold	Date	INR Million /acre
Mulavukadu Island	60 acres	Asking	Q4 2013	INR 30
Island (appx 4 km from subject property)	28 acres	Asking	Q4 2013	INR 30
Island (appx 8 km from subject property)	5 acres	Asking	Q4 2013	INR 70
VALUE	**INR 459,000,000**	**say**		**INR 459,000,000**

Signed for and on behalf of Cushman & Wakefield India Pvt. Ltd.

Somy Thomas, MRICS
Executive Director, India
Consulting and Valuation & Advisory

Vinodh Mahadevan
Regional Manager, Tamil Nadu and Kerela
Valuation & Advisory

Cushman & Wakefield India Pvt. Ltd. Chennai

Particulars	Subject property	Comparable -1	Comparable-2	Comparable-3
Location	Kochi	Mulavukadu Island	Island (appx 4 km from subject property)	Mulavukadu
Land size (Acres)	13.0	60.0	28.0	5.0
Accessibility	Waterways	Waterways	Waterways	Panchayat Road
Shape of the property		Irregular	Irregular	Irregular
Tenure	Freehold	Freehold	Freehold	Freehold
Transacted/ Quote		Quoted May, 2013	Quoted May, 2013	Quoted May, 2013
Capital Rate INR million/acre		30.0	30.0	70.0
Premium/discount on account of				
Location		0%	5%	-15%
Water Frontage		10%	0%	5%
Accessibility		0%	5%	-20%
Neighbourhood Profile		0%	5%	0%
Size		10%	10%	-5%
Negotiation		-15%	-15%	-15%
Approvals/Conversion		5%	5%	5%
Total		10%	15%	-45%
		33.00	34.50	38.50
Weightages		0%	0%	0%
Applicable Land Value INR million/acre	35.33			
Total land value INR Mn	459			
TOTAL LAND VALUE (RANGE)	5%	LOW	HIGH	
INR / sq. ft.	:	34	37	

Cushman & Wakefield India Pvt Ltd Chennai

Appendix 1: Instructions (Caveats & Limitations)

1. The Valuation Report (hereafter referred to as "Report") will not be based on comprehensive market research of the overall market for all possible situations. Cushman & Wakefield India (hereafter referred to as "C&WI") will cover specific markets and situations, which will be highlighted in the Report. C&WI will not be carrying out comprehensive field research based analysis of the market and the industry given the limited nature of the scope of the assignment. In this connection, C&WI will rely solely on the information supplied to C&WI and update it by reworking the crucial assumptions underlying such information as well as incorporating published or otherwise available information.

2. In conducting this assignment, C&WI will carry out analysis and assessments of the level of interest envisaged for the property(ies) under consideration and the demand-supply for the hospitality / retail / land / commercial sector in general. C&WI will also obtain other available information and documents that are additionally considered relevant for carrying out the exercise. The opinions expressed in the Report will be subject to the limitations expressed below.

    a. C&WI has adopted valuation method based on its own expertise and knowledge and endeavours to develop forecasts on demand, supply and pricing on assumptions that would be considered relevant and reasonable at that point of time. All of these forecasts will be in the nature of likely or possible events/occurrences and the Report will not constitute a recommendation to **Plaza Centers** (hereafter referred to as, 'client') or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which forecasts have been generated and is not recommended as an input to a financial decision.

    b. It should be noted that C&WI's value assessments will be based upon the facts and evidence available at the date of assessment. It is therefore recommended that the value assessments be periodically reviewed.

    c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented at the stated effective date. C&WI assumes no responsibility for changes in such external conditions.

    d. In the absence of a detailed field survey of the market and industry (as and where applicable), C&WI will rely upon secondary sources of information for a macro-level analysis. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis.

    e. The services provided will be limited to assessment and will not constitute an audit, a due diligence, tax related services or an independent validation of the projections. Accordingly, C&WI will not express any opinion on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report will be prepared solely for the purpose stated, and should not be used for any other purpose.

    f. While the information included in the Report will be believed to be accurate and reliable, no representations or warranties, expressed or implied, as to the accuracy or completeness of such information is being made. C&WI will not undertake any obligation to update, correct or supplement any information contained in the Report.

    g. In the preparation of the Report, C&WI will rely on the following information:

i. Information provided to us by the Client and its affiliates and subsidiaries and third parties;

ii. Recent data on the industry segments and market projections;

iii. Other relevant information provided to us by the Client and its affiliates and subsidiaries at C&WI's request;

iv. Other relevant information available to C&WI; and

v. Other publicly available information and reports.

3. The Report will reflect matters as they currently exist. Changes may materially affect the information contained in the Report.

4. All assumptions made in order to determine the Valuation of the identified property(ies) will be based on information or opinions as current. In the course of the analysis, C&WI would be relying on information or opinions, both written and verbal, as current obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which would be accepted as accurate in bona-fide belief. No responsibility is assumed for technical information furnished by the third party organizations and this is bona-fidely believed to be reliable.

5. No investigation of the title of the assets will be been made and owners' claims to the assets will be assumed to be valid. No consideration will be given to liens or encumbrances, which may be against the assets. Therefore, no responsibility is assumed for matters of a legal nature.

6. C&WI's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum not exceeding the total fees paid for each instructions accepted. C&WI shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.

7. C&WI endeavours to provide services to the best of ability and in bona-fide good faith. The proposed services and/or work product of C&WI shall be only for the use of the Client. If the Client allows any third party to use or rely thereon the work product of C&WI, it shall be at the sole risk of the Client and there shall be no liability on C&WI (including its Directors, and employees) towards any third party claim for damages, economic loss or damage suffered arising out of or in connection with the services proposed to be rendered, direct or indirect due to whatsoever reasons and however the loss or damage is caused. The Client shall assist and cooperate with C&WI to defend any third party claim before any court of law or authorities, and indemnify C&WI of the cost of such proceedings.

8. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from C&WI for any purpose without prior written consent from C&WI and should take all reasonable precautions to protect such information from any sort of disclosure. The information or data, whether oral or in written form (including any negotiations, discussion, information or data) forwarded by C&WI to the Client may comprise confidential information and the Client undertakes to keep such information strictly confidential at all times unless prior written consent from C&WI has been obtained.

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

9. In the event of any party wants to disclose any information it shall take prior written consent of C&WI and shall make only such disclosures as allowed by the C&WI. However, the non-disclosure condition shall not apply to any information that is already in the public domain or required by any court of law or authorities under any law. In such an event the disclosing party shall intimate the other party before making such disclosure.

10. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

PLAZA CENTERS

Strictly Confidential
For Addressee Only

Plaza Centers Portfolio

Report and Valuation for

Plaza Centers

Valuation Date

31 July 2014

CUSHMAN & WAKEFIELD®

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Appendix 2 Retail and Economic Snapshots

Appendix 3 Terms & Conditions

Cushman & Wakefield
Deák Ferenc u. 15.
Budapest, 1052 Hungary
Tel (36) 1 268 1288
Fax (36) 1 268 1289
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A Valuation Report

To: **Plaza Centers**

Attention: **Mr Gabor Lattmann**

Portfolio: **Plaza Centers Development Portfolio**

Report Date: **15 August 2014**

Valuation Date: **31 July 2014**

1 Instructions

Appointment

We are pleased to submit our valuation report, which has been prepared for financial reporting purposes. The properties and interests valued are detailed in Part B.

The valuation has been carried out in accordance with the instructions detailed in Part C of this report. The extent of our professional liability to you is also outlined within these instructions. Accordingly, to cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance through the Lloyds and company insurance market, so long as such insurance is available at commercially acceptable rates and terms but for at least the terms of the loan, with insurers of good standing and repute of not less than £10 million on an each and every claim basis.

We confirm we have no conflicts of interest in our advising you on the value of the property. We also confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

INVESTOR IN PEOPLE

Cushman & Wakefield LLP is a limited liability partnership registered in England & Wales with registration number OC328588. The term partner is used to refer to a member of Cushman & Wakefield LLP or an employee or consultant with equivalent standing and qualifications. A list of members of the LLP is open to inspection at our registered office at 43/45 Portman Square, London, W1A 3BG. Regulated by the Royal Institution of Chartered Surveyors.

2 Background to the Valuation

You have told us that valuation report is required for IFRS purposes. We confirm that our valuation is IFRS 13 (IAS 40) compliant. The valuation date is 31 July 2014.

3 Bases of Valuation

The valuation and report has been prepared in accordance with the RICS Valuation – Professional Standards (the "Red Book") by a valuer acting as an External Valuer, as defined within the Red Book.

Bases

The properties in Part B have been valued on the bases of Market Value.

Definitions

Our Principal Terms of Appointment as Valuers (within Part C) contain full definitions of the Red Book valuation bases.

4 Assumptions, Departures and Reservations

We have prepared our valuation on the basis of the assumptions within our instructions detailed in Part C of this report.

Plaza Centers have advised us of operating expenditure at various centres. We have relied on their data but have not verified this information through detailed due diligence.
We have not inspected leases and assume these are drawn up on standard institutional market terms. We have relied upon information supplied by you.

In respect of the Casa Radio property, we have not reviewed the current master plan for this scheme and recommend that careful consideration is given to best use. It should be noted that the scheme is of a size that there will likely be additional costs in improving local infrastructure capacity, particularly the surrounding surface streets. We have made no allowance for any such 'planning gain' costs.

Given the property's history as well as the size of the land and the scale of the potential project, this site will no doubt have a certain degree of political sensitivity and this is increased given that the state is a stakeholder in the project; nonetheless, the state's part ownership puts the site in a unique position. Given the political uncertainty and the state's interest in the property, it is questionable whether the property could be sold in its current circumstances; however, we have valued on the assumption that the interest held is the unencumbered effective freehold.

The assets have been revalued without reinspection and undertaken from a "desk top" approach only. We have not made extensive third party enquiries as to the status of the assets and have relied on data supplied to us from Plaza Centers.

Since our last valuation we have made adjustments in the value reported.

In reporting the numbers herein, we have reflected the fact that Plaza Centers have attempted to sell the assets without success.

- In respect of the assets in Romania, there have been a number of transactions since our last valuation that lead us to adopt a more conservative opinion as to attainable pricing. This also impacts on our views elsewhere in the region
- In respect of Casa Radio, we understand that permitting matters have become more complex, which has led us to adopt a more negative view which we have reflected primarily through developer's return / profit
- In respect of Helios Plaza, we are led to understand that the existing shopping centre consent has been superceded by the current restrictions and there is little chance of extending the current permit beyond 2014.

We have made no departures from the "Red Book".

Reservation

Typically a purchase of such a property would be facilitated through a loan. Access to finance depends upon various factors, many of which are not directly attributable to the

property. It is uncertain whether a financial institution would generally offer terms for a new loan in the current market, particularly for development projects; however, we are aware of situations in Central European markets where existing lenders have provided finance to a new owner or where a fund has a particular relationship or connection with a borrower which enables them to raise finance. Whilst these situations are specific and cannot be guaranteed, it is appropriate to consider the possibility of obtaining finance in assessing market value. Our valuation assumes that finance can be secured by a buyer on non-onerous terms; however, it should be noted that if finance could not be raised by any party then this will significantly impact on bids, hence there will be a very significant impact on the value here reported.

5 Inspection

We inspected the properties internally and externally from May-July 2013. Individual inspection details are given in the individual property reports.

6 Sources of Information

In addition to information established by us, we have relied on the information obtained from you. We have not undertaken detailed investigations of statutory authorities, and have relied upon your information in this respect.

7 General Comment

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the property is given proper exposure to the market.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

Currency

The property has been valued in Euro. We have reflected any local realisation taxes.

8 Valuation

Our opinions of value of the interests in the properties detailed in Part B is:

Property	Market Value		
Arena Plaza Extension	€6 550 000	€6 550 000	six million, five hundred and fifty thousand euros
Lodz Residential	€5 400 000	€5 400 000	five million, four hundred thousand euros
Leszno Plaza	€1 500 000	€1 500 000	one million, five hundred thousand euros
Kielce Plaza	€3,975,000	€3,975,000	three million, nine hundred and seventy five thousand euros
Shumen Plaza	€1 620 000	€1 620 000	one million, six hundred and twenty thousand euros
Helios Plaza	€4 400 000	€4 400 000	four million, four hundred thousand euros
Casa Radio	€119 040 000	€119 040 000	one hundred nineteen million and forty thousand euros
Costanta Plaza	€5 000 000	€5 000 000	five million euros
Hunedoara Plaza	€1 610 000	€1 610 000	one million, six hundred and ten thousand euros
Iasi Plaza	€7 770 000	€7 770 000	seven million, seven hundred and seventy thousand euros
Miercurea (Csiki Plaza)	€3 370 000	€3 370 000	three million, three hundred and seventy thousand euros
Slatina	€1 080 000	€1 080 000	one million and eighty thousand euros
Targu Mures	€3 750 000	€3 750 000	three million, seven hundred and fifty thousand euros
Koregaon Plaza	2 604 175 000 INR	€ 32 724 177	thirty two million, seven hundred and twenty-four thousand, one hundred and seventy-seven euros
Total		**€193 814 177**	

9 Confidentiality

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

10 Disclosure and Publication

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

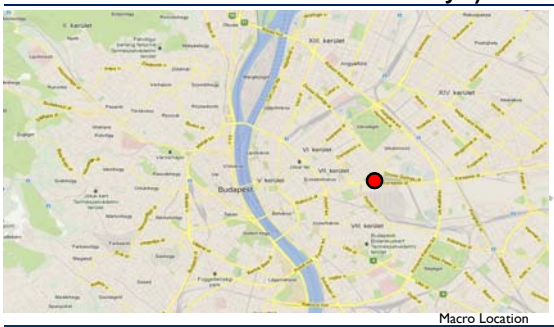
Signed for and on behalf of Cushman & Wakefield

Gergely Kollai
Valuer, Cushman & Wakefield
Budapest Office

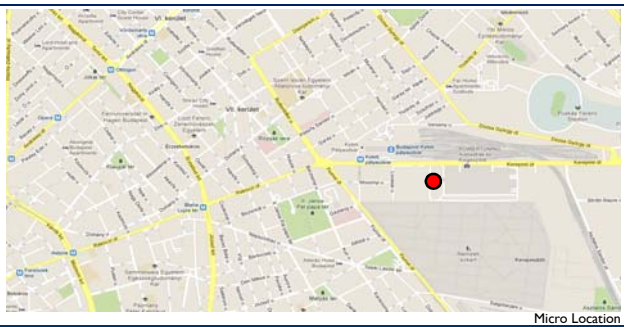
Michael Edwards MRICS
Partner, RICS Registered Valuer,
Head of Valuation & Advisory
Central Europe

B Property Reports

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 July 2014



Macro Location



Micro Location

Aerial View

Street View

LOCATION

The Property is located along Kerepesi út in Budapest, Hungary. The site is adjacent to an established shopping centre, Arena Plaza, which opened in 2007.
The site is two blocks away from Keleti railway station and Keleti metro stop. Ferihegy airport is located some 12.5 km to the south-east. Trolleybus no 80 and 80A; and bus lines no 908, 931, 956 and 990 have a stop in front of Arena Plaza.
Accessibility is generally good, although the two blocks are relatively far from the metro stop by foot.

LOCATION DETAILS

City Population	1,740,041 (urban over 2.5m)
Local Land	Commercial
Distance to Centre	3 km
Distance to Highway	10 km (M0); 7 km (M1,M7)
Distance to National Road	On arterial city route
Public Transport	well developed
Plot area	21 788
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	21 788
Parking Places (closed)	n/a
Access	off Kerepesi út
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 July 2014

PROPERTY DATA

PLOT OF LAND

Site area, total	21 788
Surplus Land	0
Developed area (% total site)	0

INSPECTION

Inspection Type	External
Inspection Date	2013.05.17
Inspected by	Balazs Lados MRICS

PROPERTY DESCRIPTION

The subject property is a rectangular piece of flat development land adjacent to Arena Plaza shopping centre. It is accessible off Kerepesi út.
We consider its highest and best use as multi-let Class A offices, although development would be unfeasible currently, due to the high market vacancy and generally low new demand on the Budapest office market.
The site has been cleared and fenced. We have made no specific queries of the statutory authorities, but understand and assume that all mains services are available on the site.
We have received a copy of a building permit and an extension of this building permit (which has expired on 21/5/2012) for an office scheme of approximately 40,000 sqm GLA. We have been advised that this building permit has expired. In or valuation we have not valued this specific scheme, but valued an alternative and more general hypothetic scheme based on the relevant zoning regulations and our market experience.

LAND REGISTRY DETAILS

The plot is registered in the District VIII municipality under land registry no. 38829/6 with 122,857 sqm site area. The owner of the Freehold is Symmetry Arean Kft. There is a land usage right registered in favour of Kerepesi 5 Irodaépület Ingatlanfejlesztő kft in section II/24 in for 10,894 sqm (registered on 08/10/2007) and in section II/30 for a further 10,894 sqm (registered on 08/09/2008), which effectively works as a long term freehold.
This is a slightly unusual practice in Hungary, but we were advised by Plaza Centers that this way Kerepesi 5 kft has the benefit of over-building the densities allowed by the Zoning regulation, as Arena Plaza did not "use up" all the buildable area on their part of the plot.
There a few easements registered on the property securing right of access and maintenance to the utility companies, but these do not have a negative effect on the value of the property. Having checked the title documentation we believe and assume that the property is free of any issues in terms of tenure.

Land registry extract	38829/6	Obtained on	2012.02.06
Registered owner	Symmetry Arena Ingatlankezelő Kft		
Registered use	yard, exhibition centre, recreational centre, commercial centre, and restaurants		
Registered size	122,847 sqm (out of which Kerepesi 5 Irodaépület Ingatlanfejelsztő Kft has a usage right on two times 10,894 sqm)		

Restrictions and encumbrances

High voltage line on the site.
Land usage right in favour of Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft on two times 10,894

Comments

We have not seen the land use agreement with Symmetry Arena Kft we therefore assume that construction on the site is possible and that the land use right is perpetual and transferrable.
We have been advised that the building permit is in the process of being extended by the municipality.

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 July 2014

PLANNING ISSUES

According to our enquiries in May 2013 (which we assume to be correct as at the valuation date):

Zoning	IZ-VIII-1
Footprint ratio	35%
Floor area/plot ratio	2,4
Maximum height	30 m
Permit status	Building permit expired 21/5/2012

The subject Property is covered by a valid Master Plan. The plan allows the suggested office use, key parameters are as follows:

- minimum plot size:	2 ha	- maximum building height:	30 m
- minimum green area:	50%	- underground build ratio:	50%
- footprint ratio:	35%		

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

As per the expired building permit, the proposed scheme was a ground plus seven storey office building with 880 parking spaces arranged over two underground levels.
In our valuation we have considered a very generic alternative scheme based upon the sites zoning parameters and our market experience.

site area:	21,788 sqm
max GBA:	52,291.2 sqm
proposed scheme:	50,000 sqm
proposed GLA:	45,000 sqm
proposed car park:	900 underground spaces (1:50 parking space to GLA ratio)

8 proposed storeys with a total of 5,625 sqm footprint which calculates around 26% of the site area.

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 July 2014

SWOT-ANALYSIS

STRENGTHS

- Size and shape of the site
- Surrounding area continues to be developed

WEAKNESSES

- unusual legal status
- a short walk away from the metro on foot

OPPORTUNITIES

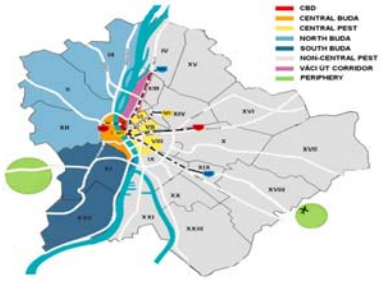
- New metro line may increase importance of the Keleti / Baross tér railway station hub

THREATS

- low market demand
- high market vacancy
- non-established office location

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Total stock of modern office accommodation in Budapest is 3,184,491 square metres (Q1 2014). There have been limited new developments on the market with the Váci Corner Offices by HB Reavis (20,200 sq m) handed over in Q2 2014 and Nordic Light by Skanska (19,600 sq m) planned to be handed over in 2015.
The latest completions include Eiffel Palace (14,500 sq m) on the edge of CBD in Q1 2014, the Atenor Vaci Greens (15,500 sq m) on the Váci Corridor in Q2 2013, and Green House (17,800 sq m) developed by Skanska, handed over in December 2012.
There are very few speculative schemes under construction, although new supply is planned in the Váci Corridor, Central Pest and Non Central Pest. It is doubtful that substantial new supply can be realised when rents and yields remain at current levels.
Gross take-up amounted to 397 195 square metres (2013), an increase of 13% YoY.
Requirements from the shared service centres (SSC's) segment are leading the way through expansions or re-locations, and subject to large buildings which can accommodate 10,000-20,000 sq m. Overall, new requirements and expansion led activity dominated the Q1 2014 and the share of lease renewals fell back to 35%, from the quarterly average of 46% in 2013, helped by a noticeable decrease in consolidation strategies.
Due to strong take-up the net absorption in 2013 was positive (62 264 sq m pa) and, vacancy declined to 18.4% down from 21%. Demand is expected to improve and will further erode some of the oversupply. However, for large occupiers there are only a handful of buildings which could accommodate them in 2014. This lack of large Grade A space should lead to a shortening of incentives as the year continues and a shift away from the market being overly tenant led.



COMPETITION

The property is situated in a non-established office location, direct competition mainly consists of existing scenes along (the red metro line M2) Rákóczi/Kerepesti út (R70, Arena Corner) and within a 2-3 km radius along Hungária/Könyves Kálámán körút and Tram Line no 1 and 1A (Hermina Towers, M3 Business Center, Népliget Center, Stefánia Park and ParkWay Offices). Indirect competition includes the outer sections of Váci út (along the blue metro line M3), the South-Buda and South Pest office submarkets.
There are also a few pipeline development projects in the wider vicinity which have been stopped or postponed to a lack of financing. These include the Raiffesien site in very close proximity to the subject property, Galeria Office Building on Baross tér (which has been under redevelopment for the past 8 years), Hungária Center (a concrete skeleton, opposite Budapest Arena), Skanska's project on the Thököly/Hungária corner and K3's additional phases by Népliget.

COMPETING SCHEMES

Building / Address	*District*	*Headline Rent (psm / mth)*	*Total GLA*	*Comments*
R70 (A)	VII	10,00	19 000	
Aréna Corner (A)	VIII	12,00	30 000	
Parkway (A)	VIII	13,50	27 500	
Népliget Center (A)	IX	10,50	26 000	
Hermina Towers (B)	XIV	10,00	16 500	
M3 Business Cntr. (A)	XIV	8,00	14 000	
Stefánia Park (A)	XIV	12,00	5 400	

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 July 2014

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

Office development is currently unfeasible at depressed rents and a tenant driven market. Anyone investing in the site would probably calculate with a certain holding period prior to construction until the market somewhat recovers.
In our calculations we assumed a three year holding period, a 12 month construction period, a recovered market for the lettings in the consecutive 12 months and for the sale in month 60 from valuation date.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed and average ERV for each category based on our market research and knowledge of office lease transactions and current trends.

Offices	€	12,25	/sqm /month
Underground Parking	€	75,00	/sqm /month
Offices	€	12,25	/sqm /month
Underground Parking	€	75,00	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

We calculated with a 3 year hold period, a 12 month construction period and a further 12 month letting period, so project sale is assumed to happen 5 years from the valuation date. We have compared office yields and sale prices with the existing stock in Budapest. Based on our market experience we estimate that prime yields will be around 7.0% for fully established scheme in a recovered market. We have applied a 150 basis point discount to reflect the speculative nature of the assumed scheme.

	Exit
Offices	8,50%
Underground Parking	8,50%
Offices	8,50%
Underground Parking	8,50%
5	0,00%
6	0,00%
7	0,00%
8	0,00%
9	0,00%
10	0,00%
11	0,00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Office Building	€	750	/sqm
Underground Car Parking	€	200	/sqm
Contingencies		5%	
Letting Fees		12%	ERV
Sales Fees		1%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		25%	GDV

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
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SUMMARY RESIDUAL VALUATION

Capital Receipts			€	87 352 941		
Rent			€	5 847 188		
Income					€	**93 200 129**
Development Costs			-€	44 250 000		
Infrastructure			€	-		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	4 425 000		
Contingencies			-€	2 433 750		
Fixed Marketing Costs			€	-		
Sales Fees	1%	sales proceeds	-€	873 529		
Leasing Fees	**12%**	**annual rent**	-€	891 000		
Development Finance	8,50%		-€	7 120 316		
Developer's Profit @	25,00%	GDV	-€	21 838 235		
Acquisition Fees	4,00%		-€	437 242		
					-€	**82 269 073**
Residual value					**€**	**10 931 055**
Land Holding cost						0,600125
					€	**6 560 000**

Cash Flow

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Land Purchase	-€ 6 560 000								
Costs	-€ 262 400	€ -	€ -	-€ 580 781	-€ 25 554 375	-€ 25 419 094	-€ 882 265	-€ 436 765	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ 2 923 594	€ 46 600 064	€ 43 676 471	€ -
Interest	€ -	-€ 579 904	-€ 629 196	-€ 682 677	-€ 1 784 707	-€ 4 053 125	-€ 2 586 889	-€ 413 154	€ -
Cash Flow	-€ 6 822 400	-€ 579 904	-€ 629 196	-€ 1 263 459	-€ 27 339 082	-€ 26 548 625	€ 43 130 910	€ 42 826 552	€ -
Cumulative CF	-€ 6 822 400	-€ 7 402 304	-€ 8 031 500	-€ 9 294 959	-€ 36 634 041	-€ 63 182 666	-€ 20 051 755	€ 22 774 796	€ 22 774 796

As can be seen in the chart below, we assume development will commence at the fourth year. Based on the proposed scheme the property will be developed in two equal phases of 25,000 sqm Gross Built Area. Each phase will consist of 22,500 sqm net lettable office space with corresponding 450 underground car parking spaces at 1:50 space per GLA ratio. After a 12 month letting period the schemes are sold. The scheme starts to generate profit after the handover of the second phase in month 75. The main cost for the first year is the land acquisition. The first phase is developed in the fourth while the second phase is developed in the fifth year.

Cash Flow Profile

PROPERTY	Arena Plaza Extension
ADDRESS	1148 Budapest, Kerepesi út 9, Hungary
VALUATION DATE	31 July 2014

SUMMARY & CONCLUSION

We have compared the site to available commercial land in the wider vicinity. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €100-€200per buildable sqm range, which we consider to be realistic in the context of the available market information.
Sites in Budapest in more favourable locations have been traded at around €200 per buildable sqm, we therefore consider the subject property should be somewhere in the middle of this range.

No directly comparable transaction (office development land in the Central Pest submarket) has been concluded in the last two years, therefore residual approach provides the most reliable market value.

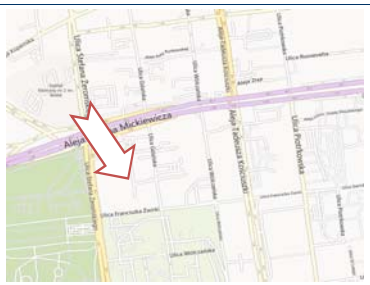
In summary, using the above assumptions and variables we have arrived at a residual amount of €360 per sqm, which calculates to €150 per buildable area and is according to our opinion a unit value of the site.

Address	Details	Asking or sold?	Date	€/ build. Sqm	
Cornerstone site (Váci út 140-150)	Bought by HB Reavis early 2012 – to be developed into an office building with 24,000 GLA	transaction	H1 2012	€	220
Nordic Light Site (Váci út 96)	c. €10.5m paid in 2011 - to be developed into a 30,000sqm GLA of offices	transaction	2011	€	350
Green House site (Kassák u. 19-25)	c. €3.2m paid in 2010- to be developed into 18,000sqm GLA office building	transaction	2010	€	177

MARKET VALUE	**€**	**6 560 000,00**	**say**	**€**	**6 550 000**

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 July 2014

City of Łódź



Micro Location

LOCATION

The Property is located in Łódź, occupying a city block bounded by ul. Zeromskiego, ul. Gdańska and ul. Żwirki.

With approximately 720,000 inhabitants, Łódź is a capital of Łódzkie Voivodship and the third-largest city in Poland. Together with surrounding areas, i.e. Pabianice, Zgierz and Ozorków, Łódź creates one of the largest urbanised areas in Poland – the Łódź Conurbation, with the total population of approximately 1.5 million people. Łódź is an administrative and business centre of the region and one of the main Polish cultural and science cities. It is considered as an attractive investment destination for industrial and service operations as well as the economic innovation process. However, the proximity of Warsaw (140 km), which is a powerful and economically the strongest centre in the country, makes the Łódź's economy gravitate towards the capital of Poland.

At the end of June 2014 the unemployment rate in Łódź stood at 11.9%,slightly lower than national average of (12%). According to GFK Polonia's survey, purchasing power in Łódź in 2013 was approximately 15% higher than the country average and stood at EUR 6,790 annually per capita.

The property is located very close to the core city centre (around 800 meters) which is the intersection of ul. Piotrkowska and ul. Piłsudskiego. The property is situated directly on a major thoroughfare ul. Żeromskiego.

LOCATION DETAILS

City Population	720 000
Local Land	Residential & commercial
Distance to Centre	1 km
Distance to Highway	25 km
Distance to National Road	50 m
Public Transport	extensive
Plot area	33 010
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	33 010
Parking Places (closed)	none
Access	from all directions
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 July 2014

PROPERTY DATA

PLOT OF LAND

Site area, total	33 010
Surplus Land	-
Developed area (% total site)	0%

INSPECTION

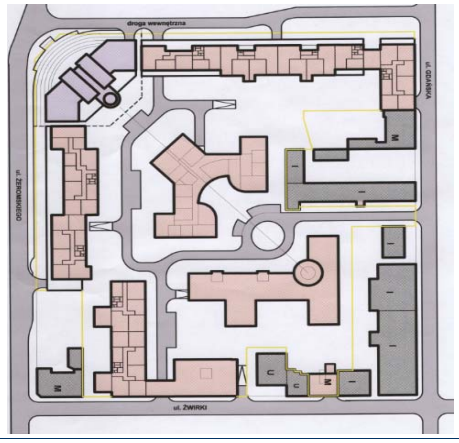
Inspection Type	External
Inspection Date	17.máj.13
Inspected by	Katarzyna Michnikowska

PROPERTY DESCRIPTION

The property consists of almost an entire city centre city block bounded by internal road from the north, ul. Gdańska from the east, ul. Żwirki from the south and ul. Żeromskiego a dual carriageway thoroughfare from the east.

The shape of the city block is roughly square, with the sides of approximately 200 meters in length.

Several plots occupying the boundaries of the city block are excluded from the subject Property, these are build up with several building.



LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Łódź Municipality. We have reviewed extracts from Land and Mortgage Registers (*KW*) only and did not checked the Land Register entries. The Property consists of seven plots entered in the following Land and Mortgage Registers: plots no: 50/20, 50/31, 50/33, 50/23, 50/26,50/30, 50/32, 42/1 and 40/2, registered under separate seven Land & Mortgage Registers.

Total area of the Property is 33,010 sqm of which 4,017sqm is held freehold while the rest is held based on Perpetual Usufruct.

We have not checked title documentation but assume the property is an unencumbered effective freehold/RPU.

Land registry extract	Not Applicable
Registered owner	Owner: Gmina Łódź, Perpetual Usufructor: Łódź Centrum Plaza Sp z o.o. otherwise freehold held be the above company
Registered use	None
Registered size	33,010 sqm

Restrictions and encumbrances

Clear Site
We have not checked title documentation but assume the property is an unencumbered effective freehold/RPU.

Comments

Clear and marketable title

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 July 2014

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	Building Conditions (WZ) issued for mixed use - mostly residential high density development. No building permit.

The subject Property is not covered by a valid Master Plan. The area is a subject to a planning study *("Studium Uwarunkowań i Kierunków Zagospodarowania Przestrzennego Miasta Łodzi")* which is not applicable in issuing planning or building permit but rather acts as a blueprint for drawing up new zoning plans. According to this planning study the Property is located in a central cone UC2

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

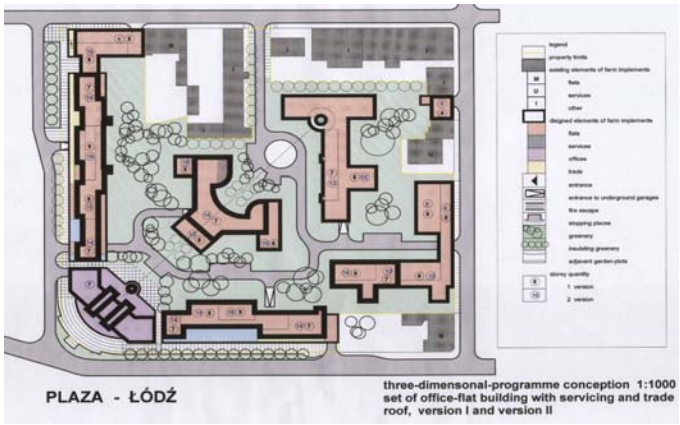
The client, based on the issued planning permit has drawn up a high density mostly residential development concept which we have been provided with major commercial parameters as to the amounts of sellable and rentable areas.

These values are as follows:

Residential sellable area: 122,600 sqm
Retail/Service sellable area: 3,200 sqm
Office rentable/sellable area 5,800 sqm
parking spaces 2,165

We have not been provided with gross building areas, also we have not been shown if the proposed project fulfils all statutory requirements for residential development. We note very high density of development which are assumed and could prove difficult to realise.

We assume at this valuation that planned parameters will be possible to realise and that a building permit will be obtainable.



PROPERTY Residential Development Land
ADDRESS ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE 31 July 2014

SWOT-ANALYSIS

STRENGTHS

Shape of the site
City centre location

WEAKNESSES

Weak residential market
Noise from ul. Żeromskiego limits attractivenes of the property

OPPORTUNITIES

Site can be used for a range of commercial developments
as alternative to residential use

THREATS

Prospects for residential market remain weak in medium term

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The following factors influence the rise in demand on the real estate market: the fastest rise in GDP in EU, a drop in the unemployment rate, a rise in the employment rate, the reduction of interest rates by NBP and a fall in WIBOR index. All those aspects result in the improvement of society's living conditions and a rise in people's affluence. This, in turn, is visible in increased financial possibilities of prospective buyers of residential real estate. On the basis of low debt rate in relation to GDP and a small number of flats per 1,000 residents, it can be assumed that the Polish residential market is not saturated yet and presents a high developmental potential. The number of flats sold on the Polish market is expected to rise in the nearest future as a consequence of beneficial market conditions. Owing to the falling offer of new flats, the prices of dwellings, both on offer and in sales, are forecast go up. Increased number of residential units launched for sale should start to be observed from the second half of 2015 when the market starts launching investments undertaken in or before quarter 1 of 2014. Residential market in Łódź is relatively weak considering the size of the city. (Łódź is the third largest city in Poland) price of residential properties in Łódź have been declining since the end of 2003-2008 property boom. This boom has not fully developed in Łódź though and therefore the price decline in the city has not been as marked. Average residential prices on the primary market in Łodź are currently (May 2014) at PLN 4 676 per sqm gross of VAT.
Total office stock of Łódź, a leading academic centre in Poland, stands at more than 297,500 sq m. Last year's completions included five buildings totalling 23,800 sq m, but only Skanska's phase II of the Green Horizon complex (14,000 sq m) came onto the market. DOMENA's phase II of the office complex at 35 Targowa Street (8,000 sq m) and building C of Centrum Biznesowe Synergia (2,500 sq m) are scheduled for delivery soon. Transaction volume stood in 2013 at 23,800 sq m, which was 3,500 sq m less than in 2012. Notable deals in 2013 included Infosys's another lease expansion of 4,150 sq m in Green Horizon, DHL's lease extension of 3,050 sq m in the building in Targowa Street, and Accenture's new lease of 1,700 sq m in University Business Park. At the end of 2013 Łodź's vacancy rate surged by 28% to 14.4%, equating to 43,000 sq m. Headline rents remained flat at EUR 12–14/sq m/month, with effective rents at EUR 10–11/sq m/month.

COMPETITION

Most residential development is located in outlying districts of Łódź, thre are several projects located in the city centre competing for the same residential market segment. These projects include the below mentioned schemes.

COMPETING DEVELOPMENT SCHEMES

Street	*name*	*gross price from*	gross price up to	developer	Average net price of available stock PLN	Average net price of available stock EUR
Jaracza	Leader House	5500 PLN	8500 PLN	Leader	6393	1522
Srebrna	Osiedle Srebrna	4100 PLN	4700 PLN	Maxbud	n/a	n/a
Narutowicza	Narutowicza Residence	4100 PLN		Tree Development	n/a	n/a
Tylna 4	Osiedle Centrum II (Katedralna)	4893 PLN	5614 PLN	JW. Construction	4834	1151
Miedziana 10	Miedziana 10	4 883 PLN	5000 PLN	Emerald Development Sp.	4634	1103
Narutowicza	Dom na Radiostacji	5800 PLN	6600 PLN	Paweł Giernat	5489	1307
Kilińskiego 121/123	Ilumino	3 892 PLN	5 891 PLN	Mota-Engil Real Estate	4630	1102

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 July 2014

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The property is in core city centre location. The development project that has been shown to us came in two versions. We have adopted the lower density development as optimum version. The higher density version may not be optimum for the location due to low values of land which do not support increased development costs.

VALUATION ASSUMPTIONS

CAPITAL VALUES

We have adopted variables with the local market. Location of the property allows us to arrive at the top of the capital value range.

At phasing we have assumed that each annual residential stage will be sold at EUR 10 premium above previous stage (in the first 3 phases).

Residential	€	1 150,00	/sqm NET
Service	€	1 400,00	/sqm NET
Office	€	1 550,00	/sqm NET
Parking	€	4 500,00	/space NET

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Hard construction Costs	€	720	/sqm
Contingencies		5%	
Letting Fees		12%	ERV
Sales Fees		1%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 July 2014

SUMMARY RESIDUAL VALUATION

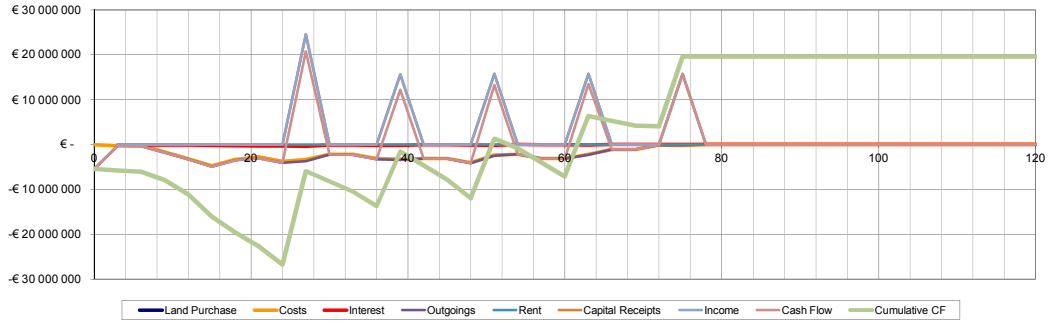
Capital Receipts			€	87 433 500		
Rent			€	-		
Income					€	**87 433 500**
Development Costs			-€	49 714 000		
Infrastructure			-€	994 280		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	5 070 828		
Contingencies			-€	2 788 955		
Fixed Marketing Costs			€	-		
Sales Fees	1%	sales proceeds	-€	874 335		
Leasing Fees	**12%**	**annual rent**	€	-		
Development Finance	6,00%		-€	2 650 609		
Developer's Profit @	20,00%	GDV	-€	17 486 700		
Acquisition Fees	1,00%		-€	77 760		
					-€	**79 657 468**
Residual value					**€**	**7 776 032**
Land Holding cost						0,694441588
					€	**5 400 000**

Cash Flow

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Land Purchase	-€ 5 400 000								
Costs	-€ 54 000	-€ 5 333 078	-€ 14 543 287	-€ 10 762 498	-€ 13 495 170	-€ 10 674 958	-€ 4 475 813	-€ 157 595	€ -
Income	€ -	€ -	€ -	€ 24 513 500	€ 15 641 500	€ 15 759 500	€ 15 759 500	€ 15 759 500	€ -
Interest	€ -	-€ 369 946	-€ 1 019 911	-€ 753 101	-€ 407 186	-€ 247 199	-€ 104 857	€ -	€ -
Cash Flow	-€ 5 454 000	-€ 5 703 024	-€ 15 563 198	€ 12 997 900	€ 1 739 144	€ 4 837 343	€ 11 178 831	€ 15 601 905	€ -
Cumulative CF	-€ 5 454 000	-€ 11 157 024	-€ 26 720 222	-€ 13 722 321	-€ 11 983 177	-€ 7 145 834	€ 4 032 997	€ 19 634 902	€ 19 634 902

We assumed development broken up into 6 phases.

Cash Flow Profile



PROPERTY	Residential Development Land
ADDRESS	ul. Gdańska/Żeromskiego/Żwirki, Łódź, Poland
VALUATION DATE	31 July 2014

SUMMARY & CONCLUSION

We have compared the site to available commercial land in secondary Polish cities. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €140-160 per sqm range, which we consider to be realistic in the context of the available market information.

No directly comparable transaction has been concluded in the last two years, therefore residual approach provides the most reliable market value.

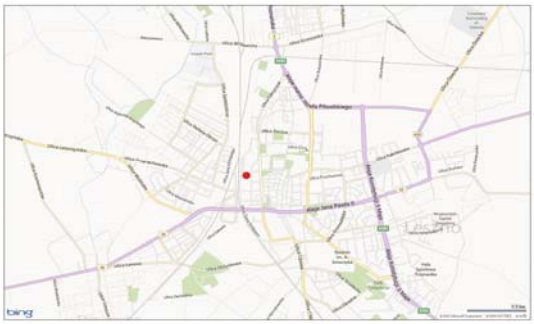
In summary, using the above assumptions and variables we have arrived at a residual amount of €163 per sqm, which is according to our opinion a unit value of the site.

Address	Details	Asking or sold?	Date		€/sqm
Dowborczyków 7	2211 sqm, core city centre	sold	2012.05.31	€	155
Obywatelska 110	9882 sqm	sold	2012.12.28	€	210
Pomorska 65	6212 sqm	sold	2012.11.12	€	192
Pogonowskiego	3429 sqm	asking	June 2014	€	201
Pomorska 75	5995 sqm	sold	2013.03.01	€	151

MARKET VALUE	**€**	**5 400 000,00**	**say**	**€**	**5 400 000**

PROPERTY ADDRESS Leszno Plaza
VALUATION DATE 31 July 2014

Poland



City of Leszno

Photo

Micro Location

LOCATION

Leszno is located in western Poland in the Wielkopolskie voivodship between two large economic centres: Wrocław and Poznań. Leszno is a county town with a population of around 65,000 inhabitants. With an area of around 32 sq km Leszno is the seventh largest city in the voivodeship. The city is located at the junction of two national roads, no. 12 and no. 5 providing access to Poznań and Wrocław, as well as to the A4 and A2 motorways. Leszno benefits from a well developed railway network, with railway stations providing connections between Poznań-Wrocław and Łódź-Forst (Germany). According to the Central Statistical Office, the unemployment rate in March 2013 was significantly lower than the national average (13.0%) and amounted to 8.4%. According to GFK Polonia's survey purchasing power in Leszno was 1.4% higher than the country's average and stood at EUR 5,835 annually per capita.

The subject property is located on Przemysłowa Street in the central part of Leszno. The property's direct surrounding consists mostly of old and relatively low-rise residential developments with ground floor retail units. There is the main railway station to the west of the property. The property is currently accessible from Przemysłowa Street.

LOCATION DETAILS

City Population	64,722
Local Land Uses	Residential & commercial
Distance to Centre	2.5 km
Distance to Highway	75 km
Distance to National Road	1 km
Public Transport	well developed
Plot area	17 993 sq m
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	No
Historic monument	Yes
Site area	17 993 sq m
Parking Places (closed)	no
Access	from Przemysłowa Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY

ADDRESS Leszno Plaza

VALUATION DATE 31 July 2014

PROPERTY DATA

PLOT OF LAND

Site area, total	17 993 sq m
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	20 May 2013
Inspected by	Wojciech Kołodziej

PROPERTY DESCRIPTION

The Land comprises 10 plots on Przemysłowa Street in precint no. 2 in Leszno with a total area of 17,993 sq m. Individual plots' details are as follows: 1/2, 1/3, 1/4, 1/7, 1/11, 1/13, 2/5, 2/7, 2/9, 1/12. The site is of irregular shape close to a rectangle (see the picture), flat and fenced. The site is partially developed and this includes a listed steam mill complex. The remainder of the land is undeveloped after recent demolition works. The site is accessible from Przemysłowa Street. We have made no specific queries to the statutory authorities but understand and assume that all mains services are available on the site.

LAND REGISTRY DETAILS

According to the copy of the Land Registry dated on 16 July 2012 provided by the Client. The subject land comprises 10 plots situated in precint no. 2 in Leszno on Przemysłowa Street with a total area of 17,993 sq m. The land comprises the following plots: 1/2, 1/3, 1/4, 1/7, 1/11, 1/13, 2/5, 2/7, 2/9, 1/12. We have also examined entries in the Land and Mortgage Register (*Księga Wieczysta*) for the subject Property (PO1L/00037647 and PO1L/00025235/7) dated on 9 May 2013. According to that the Property is held on the basis of Perpetual Usufruct and Freehold interest in the building.
We have not checked title documentation but assume the property is an unencumbered RPU/freehold.

Land registry extract	Applicable	Obtained on	16 July 2012
Registered owner	State of Treasury/Leszno Plaza Sp. z o. o.		
Registered use	Assumed land		
Registered size	17 993 sq m		

Restrictions and encumbrances

Listed building consent is required for any works to the steam mill.
We have not checked title documentation but assume the property is an unencumbered RPU/freehold.

Comments

PLANNING ISSUES

Zoning	valid
Footprint ratio	max. 70%
Maximum buildable area	n/a
Maximum height	40 m
Permit status	No building permit or pending application

We have not made formal enquiries to the Local Planning Authority. However according to the sources open for general access and information provided by the Client the subject Property is subject to a valid Master Plan approved on 5 April 2012. The Property comes under jurisdiction of the Leszno Municipality in terms of zoning. According to that the subject Property is located within 39UC, 40UC and 84KDx zones where services and retail use is allowed (UC - retail over 2,000 sq m of use).

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPERTY ADDRESS Leszno Plaza
VALUATION DATE 31 July 2014

SWOT-ANALYSIS

STRENGTHS

- Shape of the site
- Location in the proximity of main rail and bus stations
- Good location in the city centre
- Zoning suitable for retail use over 2,000 sq m of sales area

WEAKNESSES

- Historical buildings on the site
- Limited alternative uses, due to location and zoning

OPPORTUNITIES

- Potential increase of purchasing power in the city

THREATS

- Saturated retail market
- Competition on the retail market in Leszno

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Since the intended scheme is designed for service and retail use (retail of over 2,000 sq m sales area permitted) we present brief retail market analysis for Leszno.

The total modern retail stock in Leszno stands at approx. 65,000 sq m GLA. Of this, shopping centres account for 62,000 sqm (95%). At the end of Q3 2013 the shopping centre saturation ratio in Leszno was at a relatively high level and was 650 sqm per 1,000 inhabitants. New development activity in the city is low as the market is saturated with modern retail space. The demand for modern retail space remains at an average level. Most retailers interested in the Leszno market already operate in Galeria Leszno, though new entrants are expected in the long term perspective. The vacancy rate is at a relatively low level (3.5%) compared with other cities. There is one retail project at an advanced stage of development in Leszno – Galeria Goplana (the former Goplana factory). Galeria Goplana will offer 28,000 sqm GLA in 120 stores on five levels, as well as 760 parking places. The scheme is planned for completion in 2015 and is financed through EU funding.

Taking into consideration current market situation in the retail sector in Leszno, there is no market justification to build a new shopping centre in the city in the imminent future.

VALUATION

VALUATION METHODOLOGY

We have estimated Market Value of the land , using the Sales Comparison Approach.
According to the Sales Comparison Approach the Property being valued is compared with the sales prices (listings and offerings) of similar properties that have recently been transacted in the (open) market. Sales prices are analysed by applying appropriate units of comparison and are adjusted for differences with the subject on the basis of elements of comparison as e.g. location, effective date, size of plot, zoning, existing infrastructure etc.
Due to the use of the subject Property, we have analyzed not only the local market in Leszno, but also extended our search to the neighbouring region, including other locations in Poland with a similar retail market profile or population. We have based our analysis on the market transactions made during the most recent two years. A comprehensive database of transactions made within the analysed markets is presented in the table below.

No	Date	Location	Area	Price in total	Price (per sq m)	Zoning/ Comments
1	Jul 11	Leszno/Aleje Konstytucji 3 Maja	6,784	5,846,805	862	Service/retail
2	Dec 11	Leszno/Cypriana Kamila Norwida	4,841	1,830,000	378	Service/retail
3	Aug 11	Kostrzyn/Warszawska	4,803	2,089,305	435	Service/retail
4	Dec 11	Lubań/Żabikowska	17,767	12,276,997	691	Service/retail
5	Feb 11	Ostrów Wielkopolski/Zębcowska	3,992	1,889,576	473	Service/retail
6	Apr 11	Ostrów Wielkopolski/Dworcowa	5,755	2,052,430	357	Service/retail
7	Oct 11	Kalisz/Długosza	1,975	459,188	233	Service/retail
8	Apr 12	Leszno/17 Stycznia	2,601	1,110,629	427	Service/retail
9	Dec 12	Kalisz/Złota	3,456	1,100,000	318	Service/retail
10	Mar 12	Leszno	3,566	300,000	84	unknown
11	Oct 12	Leszno	6,740	620,528	92	unknown
12	Feb 13	Stęszew/Dąbrowskiego	5,190	1,598,520	308	Service/retail
13	Mar 13	Stęszew/Dąbrowskiego	4,268	2,501,048	586	Service/retail
14	Jun 13	Kalisz/Długa	5,100	2,100,000	412	Service/retail

Due to the fact that there are very few recent transactions we have also considered the offer prices of land available in Leszno, with particular regard given to suitably sized plots zoned for retail development. Our findings show that land prices range from PLN 200 to 320 per sq m, which, while lower than the subject represent land plots

situated in the city's periphery and as such would be expected to command prices lower than the subject property.

PROPERTY	
ADDRESS	Leszno Plaza
VALUATION DATE	31 July 2014

VALUATION CONSIDERATIONS

The zoning of the land is precisely defined for retail and service developments (with retail above 2,000 sq m of sales area allowed). We have been provided with the initial concept of the shopping centre, however it does not include the assumed area of the listed buildings. The project assumes construction of parking spaces on the neighboring plot. According to the information from the Client an option of buying additional plot for a multilevel parking is being currently under consideration. However, this plot would be not a part of the Property being the subject of the valuation. Due to the lack of information necessary for the Residual Approach we estimated Market Value of the land using the Sales Comparison Approach. We expect that athe time to dispose of this asset may be prolonged due to the large amount of existing stock in the city with subsequent effects on development land values.

SUMMARY & CONCLUSION

We have compared the site to other commercial lands in the region as well as in other cities with similar potential and population. We estimate that the subject Property would transact at around PLN 350 per sq m, which we consider to be realistic in the context of the available market information. Conducting analysis and logical reasoning we are of the opinion that the main factors influencing the value of the Subject Property are:

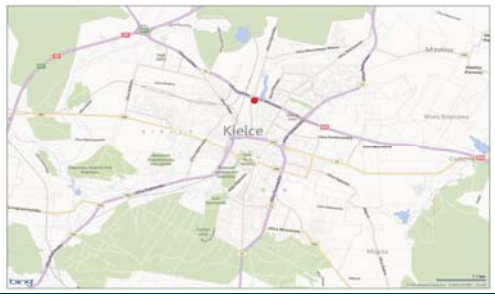
- location in Leszno, mid-sized city;
- listed buildings on the site;
- valid Master Plan with designation for retail and service use (with sales area above 2,000 sq m allowed);
- good location in the city centre and very close proximity to the main bus and rail station;
- size and shape of the Property;
- visibility;

Taking into consideration all the factors mentioned above we are of the opinion that the Market Value of the perpetual usufruct/freehold interest in the land of 17,993 sq m based on comparable method is PLN 350 net per sq m,. In total this amounts to PLN 6,298,000 rounded, which is equivalent to EUR 1,498,525, based on the exchange rate of EUR 1 = PLN 4.2025.

MARKET VALUE	**€**	**1,498,525**	**say**	**€**	**1,499,000**

PROPERTY ADDRESS Kielce Plaza
VALUATION DATE 31 July 2014

Poland



City of Kielce

Świętokrzyskie Voivodship

Micro Location

LOCATION

The Property is located in Kielce, at Zagnańska Street, in the Głęboczka District.
With approximately 202,000 inhabitants, Kielce is a capital of Świętokrzyskie Voivodship and the 17th largest city in Poland. The city is an administrative and business centre of the region and one of the most important cultural and science cities in southern Poland. It is considered as an attractive investment destination for industrial and business operations. It is also a seat to the 2nd biggest fairs in Poland - Targi Kielce. The city benefits from its location in the proximity of the three biggest cities in Poland: Warsaw, Kraków and Łódź - all of them are located at a distance of up to 180 km from Kielce.
At the end of June 2014 the unemployment rate in Kielce stood at 10.3%, lower than in Świętokrzyskie Voivodship (14.8%) and Poland (12.0%). According to GFK Polonia's survey, purchasing power in Kielce in 2013 was approximately 9,9% higher than the country average and stood at EUR 6,448 annually per capita.
The Property's micro location provides convenient access to the city centre and other parts of the city. The property is located approximately 3 km north of the centre of Kielce, at the intersection of Jesionowa and Zagnańska Streets. The first one is part of the national road No. 74 , whilst the second one connects the city centre with the northern part of Kielce. Accessibility is further enhanced by very good communication links, with several bus stops located in close proximity to the subject property. There is also railway track and PKP Kielce Piaski train station located at the distance of 350 meters from the subject property. The surroundings are of mixed-use functions, including industrial, office, residential, retail and recreational areas.

LOCATION DETAILS

City Population	202,000
Local Land Uses	Residential & commercial
Distance to Centre	about 3 km
Distance to Highway	125 km (A4 Kraków), 140 km (A1, A2 Stryków near Łódź)
Distance to National Road	Express road S7 - 4 km
Public Transport	well developed
Plot area	24,751
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	24,751
Parking Places (closed)	n/a
Access	form Zagańska and Jesionowa Streets
Utilities	available, not checked
Legal issues	not checked

PROPERTY ADDRESS Kielce Plaza
VALUATION DATE 31 July 2014

PROPERTY DATA

PLOT OF LAND

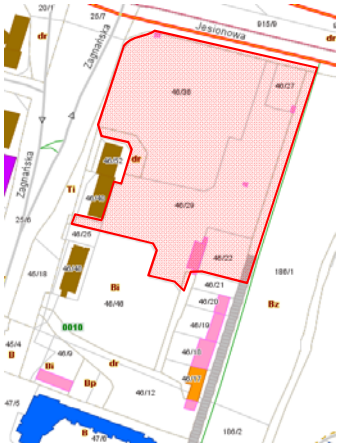
Site area, total	24,751
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	20-May-13
Inspected by	Jarosław Koziarski

PROPERTY DESCRIPTION

The Land comprises of ten plots situated in precinct 0010 in Kielce. Individual plot details are as follows: 46/22, 46/27, 46/29, 46/36, 46/38, 46/42 with total area of 24,751 sq m.
The site has an irregular shape, is flat and partly fenced.
The site is undeveloped with some parts temporarily used as parking lots and some others as storage areas. Substantial part of the site is a wasteland with a reservoir in the north-western part of the property.
Car access is result of compromise between the best access to the plot and requirements of neighbour roads. As Zagnańska and Jesionowa Street are going to be refurbished as higher category roads there is no possibility for direct access to plot. Therefore it is realised by parallel road Okrzei St. and newly designed Obwodowa St.
We have made no specific queries of the statutory authorities but understand and assume that all mains services are available on the site.



LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Kielce Municipality. We have reviewed extracts from Land and Mortgage Registers (KW) only (dated 6.08.2014) and did not checked the Land Register entries. The Property consists of ten plots entered in the folowing Land and Mortgare Registeres: plots no: 46/21, 46/22, - KI1L/00095747/7, plots no: 46/12, 46/23, 46/27, 46/29, 46/38, 46/36, 46/42, 46/50 - KI1L/00075675/5.
The Client holds Perpetual Usufruct title to the land.

Plot no	Area (sq m)	Land &Mortgage Register no (KW)	Owner	RPU holder of the land and owner of the building
46/21, 46/22	1 894	KI1L/00095747/7	State Treasury	Kielce Plaza Sp. z o.o.
46/12, 46/23, 46/27, 46/29, 46/38, 46/36, 46/42, 46/50	27 907	KI1L/00075675/5	State Treasury	Kielce Plaza Sp. z o.o.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Owner: State Treasury, Perpetual Usufructor: Kielce Plaza Spółka z Ograniczoną Odpowiedzialnością		
Registered use	Assumed land		
Registered size			24,751.00

Restrictions and encumbrances

Vehicular and pedestrian right-of-way easements over plots constituting the property.

Comments

PROPERTY Kielce Plaza
ADDRESS
VALUATION DATE 31 July 2014

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	No building Conditions (WZ) . No building permit.

The subject Property is not covered by a valid Master Plan. The Master Plan covering this area is being prepared and according to its project substantial part of the property is marked with symbol UC1 - retail use with sales area more than 2000 sqm) while small parts of it are marked as KDD (public roads) and UMW (services area with possible residential function). The area is a subject to a planning study ("Studium Uwarunkowań i Kierunków Zagospodarowania Przestrzennego Miasta Kielc") which is not applicable in issuing planning or building permit but rather acts as a blueprint for drawing up new zoning plans. According to this planning study the Property is located in a zone where services and retail use is allowed with retail over 2,000 sq m use.

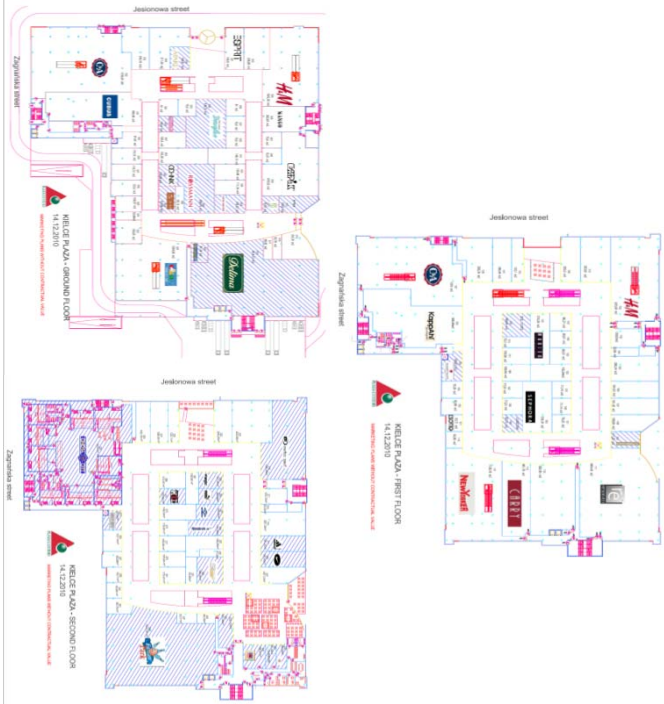
ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The client is planning to develop a shopping center Kielce Plaza. The building was designed to make staying in it pleasant and to encourage frequent visits by offering many attractions. The space plan, which includes, in addition to shops, the following items, is an important factor for the attractiveness of a retail centre: a complex of 9 cinemas, restaurants with a food court, Fantasy Park including bowling alleys, a disco, playground for children, bar etc. Moreover, viewing terraces at which visitors can sit, have a meal or drink a cup of coffee have been located above the main entrances. The building is divided into two main parts, that is the mall and basement garage. The mall is situated at three ground-based levels. The basement garage has two levels with 828 parking places. The building will offer 33 600 sqm of GLA.



PROPERTY Kielce Plaza
ADDRESS
VALUATION DATE 31 July 2014

SWOT-ANALYSIS

STRENGTHS
Good location in regional city
Good exposure form Zagnańska and Jesionowa streets

WEAKNESSES
Shape of the land
There is no possibility for direct car access to the land from Jesionowa or Zagnańska streets
Saturated retail market

OPPORTUNITIES
No. Market already saturated.

THREATS
Saturated retail market
Strong competition in retail sector in Kielce

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Stock & supply
The total modern retail stock in Kielce amounts to approx. 154,000 sqm GLA. At the end of Q2 2014 the shopping centre saturation ratio in Kielce was one of the highest in Poland and amounted to 768 sqm per 1,000 inhabitants due to the completions of two retail schemes on the market – the extension of Galeria Echo (40,000 sqm GLA) and the construction of Korona (34,000 sqm GLA).

The first shopping centre in Kielce was Centrum Radomska (37,000 sqm), developed by Metro AG, which brought a new retail offer to the market in 2000 (Real, Praktiker, Media Markt). The centre was extended in 2008 by a strip mall and is a very popular mass market retail destination.
In 2002 Echo Investment completed the first large scale fashion orientated retail scheme in Kielce – Galeria Echo. Extended significantly in 2011, Galeria Echo (65,880 sqm) is currently the largest retail scheme in the city. Galeria Echo offers over 300 shops, service and catering units, including Tesco hypermarket, RTV Euro AGD, Go Sport, Smyk, EMPiK, Voegele, Inditex, LPP, TK Maxx, H&M, C&A, New Yorker, KappAhl, Cubus, Answer, Pure Jatomi fitness, MK Bowling and Helios multiplex.
Korona shopping centre was completed in 2012 in the city centre of Kielce. It offers nearly 200 units of 34,000 sqm, including: Piotr i Paweł supermarket, Media Expert, Multikino, Pure fitness, H&M, Inditex, LPP, Royal, Carry, Massimo Dutti, Smyk, EMPiK and Intersport.
Although Kielce's retail market is evidently oversupplied a number of developers are looking for new investment opportunities, including Plaza Centres (Plaza Kielce) and Rank Progress (Miedziana Góra project). Most of these projects are at an early stage of development, without secured planning or financing. New supply is not expected in the city in the short term perspective.

Demand & vacancy rates
The demand for modern retail space remains at a low level. A number of the domestic and international chains found locations for their stores in Galeria Echo and Korona between 2011 and 2012. The main fashion anchors are already present in Kielce in more than one location. Small retail chains were very cautious and focused on facilities with competitive rents and incentive packages. They focused on established retail schemes offering high footfall and revenues. Demand comes mainly from retail chains offering mid-market commodities. Limited new entrants come mainly from the clothing, footwear and sports sectors and these players are taking small and medium-size premises; expansion usually spreads from the capital.
The vacancy rate (6.9%) in the city is a result of oversupply. A number of available units of different sizes can be found in Galeria Echo and Korona.

Rental level
The prime rents in shopping centres in Kielce have been recorded in Galeria Echo (EUR 33-35/sqm/month). Large size units (over 5,000 sqm GLA) are priced at EUR 6-7/sqm/month and average size units (1,000-3,000 sqm GLA) at EUR 7.5-10/sqm/month. Due to the high competition on the market incentives are common, including participation in fit-out, rent free periods and rent based only on turnover. The service charges in shopping centres are at EUR 1.5-2.5/sqm/month for large size tenants and EUR 5.5-7.5/sqm/month for others. Additionally, tenants are obliged to pay marketing fees at EUR 1-3/sqm/month, depending on the centre and size of the unit.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
Galeria Echo	2002 and 2011	-	GLA 40,000 sq m, existing shopping centre
Korona	2012	-	GLA 34,000 sq m, existing shopping centre
Centrum Radomska	2000 and 2008	-	GLA 37,000 sq m, existing shopping centre

PROPERTY ADDRESS Kielce Plaza
VALUATION DATE 31 July 2014

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

According to the information provided by the Chief Architect's office, plots are currently not covered with a valid Master Plan (Miejscowy Plan Zagospodarowania Przestrzennego). The new plan is under preparation. The valid Planning Study (Studium uwarunkowań i kierunków zagospodarowania przestrzennego) indicates that the area where the Property is located is designated for *large scale retail* (WOH-3). Thats why we apply residual metod taking under consideration planned scheme.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed average ERV for each category based on our market reasearch and knowledge of the recent lease transactions and current trends.

0-55	€	35.00	/sqm /month
56-100	€	30.00	/sqm /month
101-150	€	25.00	/sqm /month
151-200	€	23.00	/sqm /month
201-300	€	18.00	/sqm /month
301-500	€	15.00	/sqm /month
501-1000	€	10.00	/sqm /month
1000-1500	€	9.00	/sqm /month
>1501	€	8.00	/sqm /month
cinema	€	6.00	/sqm /month
Food court	€	25.00	/sqm /month
supermarket	€	10.00	/sqm /month
Fantasy Park	€	5.00	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing shopping centres. Based on our market experience prime yields will be around 6,0% for fully established scheme. We have applied a discount to reflect the speculative nature of the assumed scheme.

Year	Name	Location	Size (sqm)	Price (mln EUR)	Price/sqm	Yield
H1 2014	Nova Park (50% stake)	Gorzów Wlk.	32,400 (16,200)	37.0	2,284	8.00%
H1 2014	Poznań City Centre	Poznań	58,000	227.0	3,914	7.00%
H1 2014	Galeria Ostrowiec	Ostrowiec Św.	15,000	21.47	1,431	9.55%
H2 2013	Galeria Kazimierz	Kraków	39,400	180.38	4,578	6.15%
H2 2013	Wola Park	Warsaw	43,720	195.0	4,460	6.00%
H2 2013	Charter Hall portfolio	6 cities	66,277	174.5	2,633	9.75%
H2 2013	Galeria Orkana	Lublin	7,930	15.0	1,892	
H2 2013	Silesia City Center	Katowice	85,547	412.0	4,816	5.95%
H2 2013	Galeria Dominikańska	Wrocław	32,900	151.7	4,611	6.10%

	Exit
0-55	8.00%
56-100	8.00%
101-150	8.00%
151-200	8.00%
201-300	8.00%
301-500	8.00%
501-1000	8.00%
1000-1500	8.00%
>1501	8.00%
cinema	8.00%
Food court	8.00%
supermarket	8.00%
Fantasy Park	8.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevailent norms in the market.

Shopping Centre	€	1,200	/sqm
Contingencies		3%	
Letting Fees		15% ERV	
Sales Fees		0% ERV	
Fees		12% GDC	
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20% GDV	

PROPERTY
ADDRESS Kielce Plaza
VALUATION DATE 31 July 2014

SUMMARY RESIDUAL VALUATION

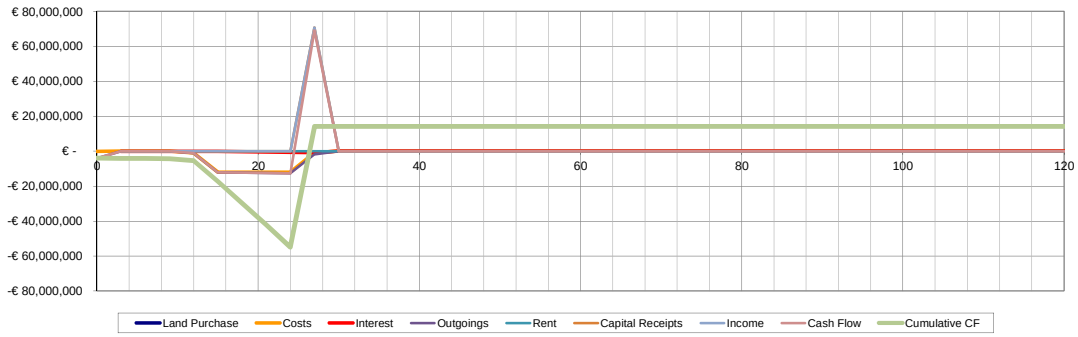
Capital Receipts			€	70,715,034		
Rent			€	-		
Income					€	**70,715,034**
Development Costs			-€	40,324,728		
Infrastructure			-€	2,016,236		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	5,080,916		
Contingencies			-€	1,422,656		
Fixed Marketing Costs			€	-		
Sales Fees	0%	sales proceeds	€	-		
Leasing Fees	**15%**	**annual rent**	-€	848,580		
Development Finance	7.00%		-€	2,165,844		
Developer's Profit @	20.00%	GDV	-€	14,143,007		
Acquisition Fees	2.00%		-€	92,413		
					-€	**66,094,381**
Residual value					**€**	**4,620,653**
Land Holding cost						0.859186
					€	**3,970,000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 3,970,000								
Costs	-€ 79,400	-€ 1,046,669	-€ 47,797,868	-€ 848,580	€ -	€ -	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ 70,715,034	€ -	€ -	€ -	€ -	€ -
Interest	€ -	-€ 283,458	-€ 1,613,577	-€ 934,653	€ -	€ -	€ -	€ -	€ -
Cash Flow	-€ 4,049,400	-€ 1,330,127	-€ 49,411,445	€ 68,931,800	€ -	€ -	€ -	€ -	€ -
Cumulative CF	-€ 4,049,400	-€ 5,379,527	-€ 54,790,971	€ 14,140,829	€ 14,140,829	€ 14,140,829	€ 14,140,829	€ 14,140,829	€ 14,140,829

As can be seen in the chart below, we assume development will commence in at the third year . Based on the current scheme the property will be developed in one phase. The scheme will be completed at the end of third year. At this point the scheme will start generating income. Following the opening , in the third year the scheme will start generating profit. The main cost for the first year is the land aquisition and the majority of the scheme will be developed in the second year.

Cash Flow Profile



PROPERTY
ADDRESS Kielce Plaza
VALUATION DATE 31 July 2014

SUMMARY & CONCLUSION

We have compared the site to other commercial lands in the city. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact in the €52-210 per sqm range, which we consider to be realistic in the context of the available market information.

No directly comparable transaction (retail, services development land with large area above 1 ha) has been concluded in the last year, therefore residual approach provides the most reliable market value.

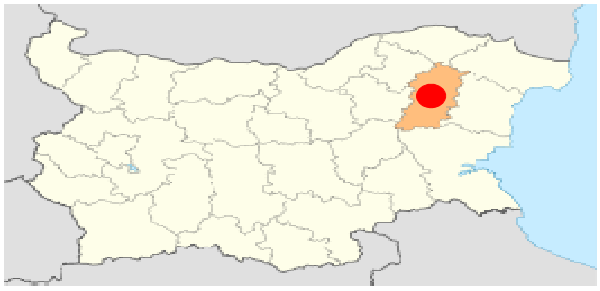
In summary, using the above assumptions and variables we have arrived at a residual amount of €175per sqm, which is in line with the comparable sites set out below.

Gross value € -

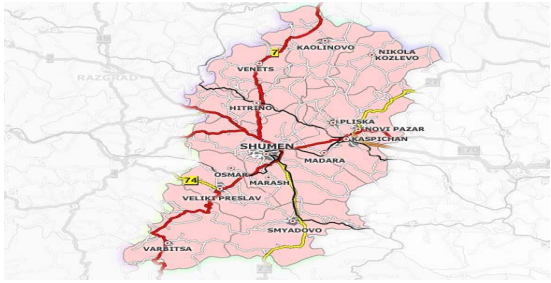
Address	Details	Asking / sold	Date	€/sqm
Kielce, Zagnańska	plot: 1,538 sqm, no Master Plan	sold	07.2012	€ 211
Kielce, Łódzka	plot: 18,967 sqm, no Master Plan	sold	12.2012	€ 62
Kielce, Zagnańska	plot: 3,135 sqm, Master Plan: KDD (public roads) and UMW (services area with possible residential function)	sold		€ 97
Kielce, Massalskiego/Kredowa	plot: 2,579 sqm, zonning: services with retail	sold	01.2012	€ 69
Kielce, Krakowska	plot: 1,401 sqm,no Master Plan, Planning Study: residential with services	sold	07.2013	€ 52
Kielce, Piotrkowska/Pelca	plot: 1,869 sqm, zonning: U1 (central services)	sold	12.2012	€ 392
Kielce, Szajnowicza/Iwanowa	plot: 4,044 sqm,	sold	04.2013	€ 148

MARKET VALUE € **3,970,000** **say** € **3,975,000**

PROPERTY ADDRESS	Shumen Plaza
VALUATION DATE	31 July 2014

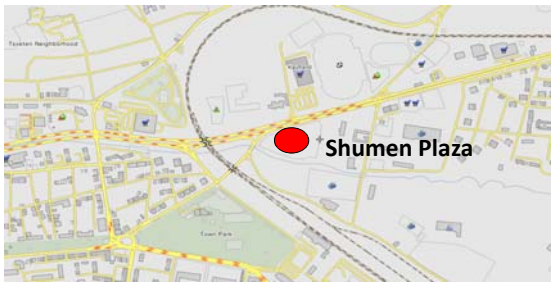


Bulgaria



City of Shumen

Shumen City Centre



Micro Location

LOCATION

The municipality encompasses a territory of 630 km². Currently, the eastern operating section of Hemus highway connects the main town with the port of Varna. Shumen Municipality includes 27 settlements among which the city of Shumen.

The city of Shumen lies 80 km west of Varna and in the eastern Balkans, which surround it on the west and north in the shape of a horse-shoe. From Shumen roads radiate northwards to the Danubian cities of Rousse and Silistra and to Dobruja, southwards to the passes of the Balkans, and eastwards to Varna and Balchik.

Simeon Veliki boulevard on which the properties are located is a major road artery in the city providing quick links to major districts in the settlement.

LOCATION DETAILS

City Population	100 086
Local Land Uses	Residential areas & production and industrial areas
Distance to Centre	500 meters
Distance to Highway	4 km
Distance to National Road	Located on main boulevard
Public Transport	very communicative location and developed public transport
Plot area	26 058 sqm
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	No occupation
Historic monument	No
Site area	
Parking Places (closed)	n/a
Access	Simeon Veliki Blvd., Industrialna/Stroitel Str. and Pliska Str.
Utilities	n/a
Legal issues	not checked

PROPERTY ADDRESS	Shumen Plaza
VALUATION DATE	31 July 2014

PROPERTY DATA

PLOT OF LAND

Site area, total	26 058
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	Inspected
Inspection Date	14 May 2013
Inspected by	Plamen Bachev

PROPERTY DESCRIPTION

The land referred to Shumen Plaza comprises 2 neighbouring regulated land plots located at 1 Simeon Veliki Blvd.as follows:
- N 83510.669.2, with area of 8961 sqm (by Cadaster and Registry Agency sketch)
- N 83510.669.410, with area of 17097 sqm (by Cadaster and Registry Agency sketch)

The total area of the plots amounts to 26058 sqm.

As of the valuation date the site is an undeveloped vacant plot.

The owner of the properties according to the provided sketches from the Cadaster Agency and notary deeds mentioned in the former documents is Shumen Plaza EOOD.

LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated at the end of the north-western part of the industrial zone of Shumen. The provided extract from the Cadaster Agency indicates that plot N 83510.669.410 is designated "for other public services object" and plot N 83510.669.2 is designated for a warehouse.
The plot has irregular shape and trees on it.
We have not checked title documentation but assume the property is an unencumbered effective freehold.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use	Assumed land		
Registered size	Not Applicable		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

Comments

There is a bus stop right next to the property on Simeon Veliki Blvd. as well as a subway for pedestrians.

PROPERTY ADDRESS Shumen Plaza

VALUATION DATE 31 July 2014

PLANNING ISSUES

Zoning	
Footprint ratio	
Maximum buildable area	
Maximum height	
Permit status	Construction permit N 343/3.9.2008. has expired.

There is a construction permit for a shopping center with a TBA of 59,925 sqm and built-up area of 11,290 sqm.

The construction permit for a shopping center expires after 3 years of its issuance provided construction works have not been started . Alternatively the permit will not be valid in case after 5 years the building under construction has not been completed at the stage of rough construction.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPOSED SCHEME

The client is planning to develop a shopping center. Shumen Plaza will be a three-storey commercial and entertainment center with 19,605 sqm GLA and 650 parking spaces. The shopping center will include supermarket, digital cinema, 70 retail shops, entertainment complex with bowling, billiards and games, food court, restaurants and cafes.

We comment that there is a low level of competition in the city of Shumen. This is mainly due to the low purchasing power and consumer spending of the local population. The only operating competitive scheme is the refurbished department store (RUM) which is currently City Center.

The latter prefer to visit the city of Varna (80 km) away where there are shopping centers offering international brands.

Taking into account the above we are of the opinion that the proposed retail scheme will not be successful. We advise that the location is suitable for a big box retailer.

PROPERTY ADDRESS Shumen Plaza
VALUATION DATE 31 July 2014

SWOT-ANALYSIS

STRENGTHS

- Communicative location on a main boulevard with easy access from 2 streets and plenty of public transport in immediate proximity
- Large development plot in close proximity to the city center

WEAKNESSES

- Expired validity of the construction permit
- Surrounding area is mainly industrial

OPPORTUNITIES

- Lack of shopping centers with entertainment

THREATS

- Reduced retail spending
- Low purchasing power of the local population

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The retail market in Shumen is mainly focused in the downtown on the pedestrian street Slavyanska where there are lots of cafes, famous retail brands, bank's offices, restaurants, etc.

The town hosts food retailers such as Billa (2 stores), Kaufland, Penny, Lidl, big box retailers for house hold appliances and electronics Technomarket and Technopolis, furniture shops and local retailer for construction materials.

The project's primary catchment covers Trakya quarter to the east of the project. Due to its strategic location the envisaged scheme's catchment area covers the whole city.

COMPETITION

The only operating competitive scheme is the refurbished department store (RUM) currently named City Center.
The project accommodates shops on ground floor and cafes, CBA (food hypermarket and shops on the second floor). The TBA of the project amounts to 2,500 sqm. The total number of covered and open-air parking places is 150.

Sports center Fabulis has a TBA of 4,800. The building accommodates bowling, bar, game zone fitness, SPA, shops and offices. There are not shopping schemes in the pipeline.

COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
City Center	2006		GLA 2000 sqm, existing shopping centre
Sports center Fabulis	2007		GLA 4000 sqm, existing sports centre

PROPERTY ADDRESS	Shumen Plaza
VALUATION DATE	31 July 2014

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

Shumen is not a prosperous city and we have reservations as to the viability of a scheme - certainly given the current market climate. That said, this is a sizeable city and the scale of the city may justify a basic scheme in the medium term. There is a building permit for a shopping centre. To value the property we have applied a residual DCF approach incorporating a four-year holding period.

VALUATION ASSUMPTIONS

RENTAL VALUE

We have applied an average ERV of €14.5/sqm/month to the centre.

1	€	14,50	/sqm /month

EXIT RATES APPLIED

We have applied a yield of 10% upon sale

	Exit
1	10,00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevailent norms in the market.

Shopping Centre	€	500	/sqm
Contingencies		5%	
Letting Fees		13% ERV	
Sales Fees		2% ERV	
Fees		12% GDC	
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		25% GDV	

PROPERTY
ADDRESS Shumen Plaza
VALUATION DATE 31 July 2014

SUMMARY RESIDUAL VALUATION

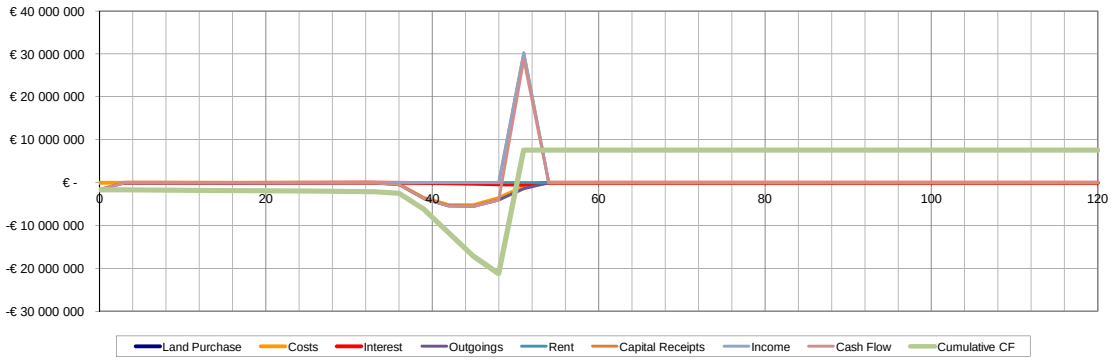
Capital Receipts			€	30 217 536		
Rent			€	-		
Income					€	**30 217 536**
Development Costs			-€	14 792 000		
Infrastructure			-€	739 600		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	1 863 792		
Contingencies			-€	869 770		
Fixed Marketing Costs			€	-		
Sales Fees	2%	sales proceeds	-€	604 351		
Leasing Fees	**13%**	**annual rent**	-€	377 719		
Development Finance	9,00%		-€	1 038 288		
Developer's Profit @	25,00%	GDV	-€	7 554 384		
Acquisition Fees	2,00%		-€	46 620		
					-€	**27 886 524**
Residual value					**€**	**2 331 012**
Land Holding cost						0,694977
					€	**1 620 000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 1 620 000								
Costs	-€ 32 400	€ -	€ -	-€ 391 396	-€ 17 873 765	-€ 982 070	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ 30 217 536	€ -	€ -	€ -
Interest	€ -	-€ 148 716	-€ 162 100	-€ 176 689	-€ 819 446	-€ 462 231	€ -	€ -	€ -
Cash Flow	-€ 1 652 400	-€ 148 716	-€ 162 100	-€ 568 086	-€ 18 693 211	€ 28 773 235	€ -	€ -	€ -
Cumulative CF	-€ 1 652 400	-€ 1 801 116	-€ 1 963 216	-€ 2 531 302	-€ 21 224 513	€ 7 548 721	€ 7 548 721	€ 7 548 721	€ 7 548 721

After bulding in a holding period we assumed construction over 12 months and a simultaneous lease up and sale.

Cash Flow Profile



PROPERTY
ADDRESS Shumen Plaza
VALUATION DATE 31 July 2014

SUMMARY & CONCLUSION

There are no recent land transactions in Shumen. Larger plots are available for close to €20-€30/sqm but are typically further out of the city than the subject plot. There are very few buyers, if any, presently in the market and a buyer will likely need to self finance. We have been shown other sites available, but these are usually more expensive or are already built upon.

Our valuation equates to €62/sqm. Whilst more expensive than asking prices of other plots, this reflects the status of the scheme and the respective location.

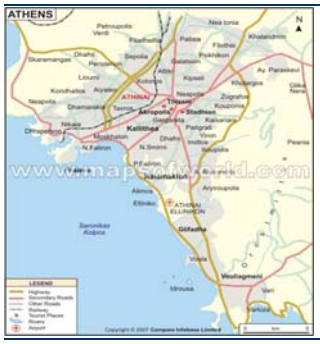
Address	Details	Asking or sold?	Date	€/sqm
Shumen, Trakia District	Regulated Land Plot with total area of 7 000 sqm. 60% maximum construction density, siutable for industrial development. Electricity, Water and Gas on site.	Asking	Current	€ 20,00
Shumen, Trakia District	Regulated Land Plot with total area of 8 000 sqm. 80 m direct frontage on an asphalt road, suitable for industrial (warehouse) development. Electricity and Water on site.	Asking	Current	€ 20,00
Shumen, Trakia District	Regulated Land Plot with total area of 5 500 sqm. Direct frontage on a main boulevard, suitable for mixed-use development. Electricity and Water on site.	Asking	Current	€ 30,00
Shumen, Trakia District	Regulated Land Plot with total area of 6 500 sqm., close to Vasil Levski High School. The property can be divided to smaller land plots. Electricity and Water on site.	Asking	Current	€ 27,00
Shumen, Trakia District	Land Plot with total area of 5 250 sqm. Direct frontage on 3 streets, designated for production facilities.	Asking	Current	€ 53,50
Shumen, Trakia District	Non-Regulated Land Plot with total area of 7 616 sqm. 60 m direct frontage on Simeon Veliki Blvd., siuitable for industrial or mixed-use development. Electricity and Water in close vicinity.	Asking	Current	€ 49,96
Shumen, Dobrudzha District	Regulated Land Plot with total area of 10 000 sqm. Direct frontage on an asphalt road. The property can be divided to smaller land plots.	Asking	Current	€ 30,00

MARKET VALUE € 1 620 000,00 say € 1 625 000

PROPERTY	**Helios Plaza**
ADDRESS	**54 Piraeus Avenue**
VALUATION DATE	31 July 2014

Greece

Attica



City of Athens

Micro Location

LOCATION

The property is situated along 54 Piraeus Avenue, within Piraeus Municipality. Piraeus Avenue is a a heavily travelled east-west arterial roadway that link the Athens city centre with Kifissou motorway and the southern suburbs of Palaio Faliro, Kalithea, Moschato and Piraeus. Kifissou Avenue passes vertically opposite the subject site, providing clear visibility from both Avenues. The immediate to the property area is characterised by light industrial uses, large retail units and scattered local interest shops. More specifically, Elais factory is situated within 300 meters from the property, Marinopoulos and Sklavenitis supermarkets, the brand new (and second store in the Attica region) Leroy Merlin DIY store, Jumbo toy store, Factory Outlet fashion and accessories store, Shop & Trade Outlet fashion and accessories store, theatres, petrol stations, car dealerships and service garages are some of the existing occupants of the immediate area to the property.
The land plot is situated close to the E75- National Highway Athens-Lamia and Athens Korinth (extension of Kifissou Avenue). The National Highway "Athinon – Lamias" (E75) lies along the Northwest part of Attiki connecting from the south the city of Patras, Korinthos, Piraeus to the city centre of Athens and to the north, Kifissia, Metamorfosi, Ag. Stefanos, Lamia, Thessaloniki etc. Recently completed infrastructure projects have improved traffic conditions of the National Highway "Athinon-Lamias". The National Highway "Athinon-Lamias" also links to the Attiki Odos, about 12 kilometres north of the site and is the main access point for the north Athens suburbs.
The prominent land uses, along the National Highway, are retail outlets, show rooms, older office buildings and some old industries. Away from the National Highway there are mainly low to medium income residential apartments, some industries and warehouses. Most of the heavy industry in the area has ceased operations and the majority of the remaining uses could be categorized as light industrial and storage. The subject site under assessment is located within the General Urban Plan designated for Piraeus Avenue, whilst according to the Government Gazette No. 1063/D/16-11-2004, the permitted uses are ex-industrial (towards regeneration) that commercial uses are permitted, in addition to restaurants, theatres, cinemas (no more than 2 screens), cultural and management uses.
Although there is no metro station in the immediate area, the property is accessed by Moschato suburban railway station, situated approx. 400 meters north-east to the site, as well as frequent bus lines running along Piraeus Avenue. In addition, note that there is another train station situated in Neo Faliro, whilst the closest metro station will be situated in Piraeus centre (along Iroon Polytechniou and Vas. Georgiou Streets) scheduled to operate in the following years. The 'Gefyra' bus station is situated right in front of the property and via the local bus service, the immediate area is connected with Omonia Square, the main city centre as well as Piraeus port, centre and suburbs.

LOCATION DETAILS

City Population	163,688 (Piraeus) 664,046 (Athens)
Local Land Uses	Warehouses, retail boxes, petrol stations, theatres (side streets with residential uses)
Distance to Centre	4 km
Distance to Highway	0 km (adjacent Highway)
Distance to National Road	0 km
Public Transport	buses
Plot area	14,869.63sqm
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	land plot with permit for shopping centre
Occupation	n/a
Historic monument	investigations of ancient ruins
Development area	38661,038
Parking Places (closed)	n/a
Access	bus lines along Piraeus, private vehicles
Utilities	n/a
Legal issues	n/a

PROPERTY	**Helios Plaza**
ADDRESS	**54 Piraeus Avenue**
VALUATION DATE	31 July 2014

PROPERTY DATA

PLOT OF LAND

Site area, total	14 869,63
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External, drive-by
Inspection Date	2014.08.08
Inspected by	Lila Tsitsogiannopoulou, MSc, MRICS

PROPERTY DESCRIPTION

Based on the brief project description provided by Helios Plaza S.A., the land plot under assessment covers a total area of 14,869.63 m², with a fairly flat ground configuration. The area belongs to the urban town plan of Piraeus Municipality. It features a large frontage along Piraeus Avenue, whilst it is situated opposite Kifissos Avenue, a main commercial thoroughfare of the south-west suburbs. It has a polygonal shape and has excellent visibility both from Kifissos as well as from Piraeus Avenues, on both directions. The initial proposed project concerned shopping centre with a total gross construction area of 33,321sqm as per the building permit)plus underground car parking of 33,249 m², situated along 54 Piraeus Avenue, within the Municipality of Piraeus, close to major thoroughfares such as Athinon Avenue, Kifissos, Thivon Streets, Thiseos and Syggrou Avenues, as well as the coastal Poseidonos Avenue.
Although highest and Best use in the plot is considered a shopping centre development we have applied the office use following the current urban planning status which does not allow for shopping center development. There is a building permit issued in the past (2000) which has been extended and is valid till today. A new presidential degree though has been issued in 2004 which does not allow the shopping center development. In case a new building permit will be issued nowadays, only an office development fulfills the highest and best use scenario.

LAND REGISTRY DETAILS

According to no. 2561 (dated 6 July 2010) Land Registry of Piraeus, it refers to a deed no. 440 of the year 2000, drafted by Ms Lida Tsakiroglou, Notary Public, and states:
a) In the records kept by the Land Registry of Piraeus with regard to the society anonym under the name of 'Helios Plaza SA' (record no. 1297/53,54)
b) It seems that no deed has been registered with regard to transfer to any third party of the property mentioned and described in the above deed until last update (31/5/2010), except relevant deed no. 16715/04 of Aggeliki Koutsobeli, Notary Public.
c) In the records kept by the Land Registry of Piraeus, it seems that no lawsuit has been brought against the aforementioned company (until last update 31/5/2010) in relation to the property mentioned in the deed in question.

Land registry extract	Yes	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use	Assumed land		
Registered size	Not Applicable		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.We would advice further study to be conducted on the market absorption dynamics for a development of such size, the viability of such a project and the likely scenario of developing the development into phases.

Comments

PROPERTY	**Helios Plaza**
ADDRESS	**54 Piraeus Avenue**
VALUATION DATE	31 July 2014

PLANNING ISSUES

Zoning	Retail-Leisure	Maximum permitted site coverage: 70% Building development coefficient: 2.60 Maximum permitted height: 21 meters
Footprint ratio		
Maximum buildable area		
Maximum height		
Permit status	No. 285 dated 30 March 2010 (valid for 4 years)	

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water). We have only been provided with an Environmental Study 2010, stating no significant findings.

PROPOSED SCHEME

Our opinion of highest and best use scenario is based on the office development,with potential use of ground floor as a retail/outlet store. However, retail use is quite risky in the immediate location, where strong competion is existent closeby (Factory Outlet, Shop& Trade outlet etc) and we concluded that offices are the best use at the moment. We have assumed the construction of 38,661.04sqm of above ground office space with 700 car parking spaces on the basement levels as well as storage and auxiliary space (total basement area is 25,000sqm). We also assumed 2.5% of the above ground space as main ground floor entrance and some common space of users such as lifts and staircases (not income producing areas). All auxiliary space and storage space are included in the rent/sale price of the above ground office space.

PROPERTY	**Helios Plaza**
ADDRESS	**54 Piraeus Avenue**
VALUATION DATE	31 July 2014

SWOT-ANALYSIS

STRENGTHS

Size and shape of the site
Surrounding area continues to be developed
Access by suburban railway
Large floor plate of potential building and large size plot
Potential upgrade of the greater area by Niarhos development (creation of conference centre, opera, library, athletic grounds etc)
Potential of phased development

WEAKNESSES

Location under-developed with dated industrial character
Potential ancient ruins on ground soil
Not an established office location
Large size listed properties on offer (& other large-size properties)

OPPORTUNITIES

No direct competition in location
Some new office developments in the pipeline in greater location
Close proximity to city centre

THREATS

Economic difficulties of the country still affect rentals and sale prices of real estate
Office users are still reluctant to expand and invest in property
Other office locations more preferred by occupiers
High availability of other established office locations

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

As an office location the general area offers the potential of a critical mass office development which cannot be identified easily in other more traditional office locations, offering metro/train access and easy accessibility from wider Attica area. Pireos street although as a location is critical, offering excellent access from the city centre, Pireaus and the National Road, it has not been developed as scheduled as an office location mainly due to the fact that major occupiers continue to target Kifisias Avenue and Attiki Odos as their preferred office destination. The State which is considered the occupier with the largest in size requirements traditionally found in the centre and western part of the city(Including Pireos street) not only seized pans for relocation of ministries and other authorities but also vacated several buildings in the greater area of Athens as a result of the financial crisis.
There are no new significant speculative developments either planned or under construction in general Athens at the moment linked to low demand while the majority of activity is driven by companies relocating and/or consolidating as they look to take

COMPETITION

Along Pireos street several preserved former mixed used buildings with industrial and office space are either vacant or partly occupied and are either on offer or might become available in the future ie Keranis, Elais(unilever ownership), Ion(Mondelez ownership) etc. Most of such buildings are listed and its development has several constraints. In some other vacant land plots the authorities have ancient findings a making their development complicated and lengthy procedure.
The Niarhos development and the plans for the revitalizing of Pireaus port is also expected to have a positive impact and upgrade the general area.

COMPETING SCHEMES

Building / Address	*Date/Pipeline*	*Rent (psm / mth)*	*Comments*
222 Piraeus Avenue	2013	€10,00	2,000sqm class A construction, leased partially as a call centre
Piraeus Avenue, opposite Praktiker	2014	€10,00	1,400sqm office building built in the '80s (asking price)
Piraeus Avenue, close to Praktiker	2014	€12,50	4,000sqm under construction offices are offered for rent hot shell
Piraeus Avenue, opposite Gazi	2014	€13,00	A planned office development of 5,000sqm is offered for rent hot shell

PROPERTY	**Helios Plaza**
ADDRESS	**54 Piraeus Avenue**
VALUATION DATE	31 July 2014

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.No directly comparable transaction of land plot has been concluded in the last two years, therefore residual approach provides the most reliable market value.

VALUATION CONSIDERATIONS

We assume that there will be no issues with the archaeological findings (ancient ruins on ground soil) that may stop construction. Moreover, we assume that the property will receive immediately a building permit, with no delays and no abnormal beaurocracy. Our valuation is also assuming a proper feasibility plan prior to the commencement of development and that there will be no other unforesean restrictions such as soil polution etc.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.Since it is unlikely that a developer will build at today's pricing expectations, we have built in a holding period and allowed for a developers future expectations of exit prices, rather than applying pricing as at today's levels

Offices	€	13,00	/sqm /month
Parking & storage	€	1,25	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month
0	€	-	/sqm /month

EXIT RATES APPLIED

We have have based our estimation on speculations and market rumours, on offices that are offered for sale (but on a confidential basis) and on interest they have attracted. Since it is unlikely that a developer will build at today's pricing expectations, we have built in a holding period and allowed for a developers future expectations of exit prices, rather than applying pricing as at today's levels

	Exit
Offices	8,00%
Parking & storage	8,00%
0	0,00%
0	0,00%
0	0,00%
0	0,00%
0	0,00%
0	0,00%
0	0,00%
0	0,00%
0	0,00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Offices	€	900	/sqm
Basements	€	500	/sqm
Contingencies		5,00%	
Letting Fees		8,00%	ERV
Sales Fees		1,00%	ERV
Soft costs (consultants, architects, permit)		6%	on hard costs
Opportunity cost		3%	
Transfer tax, legal and agent's fees (land plot)		11,25%	
Developer's Profit		20,00%	GDV

PROPERTY	**Helios Plaza**
ADDRESS	**54 Piraeus Avenue**
VALUATION DATE	31 July 2014

SUMMARY RESIDUAL VALUATION

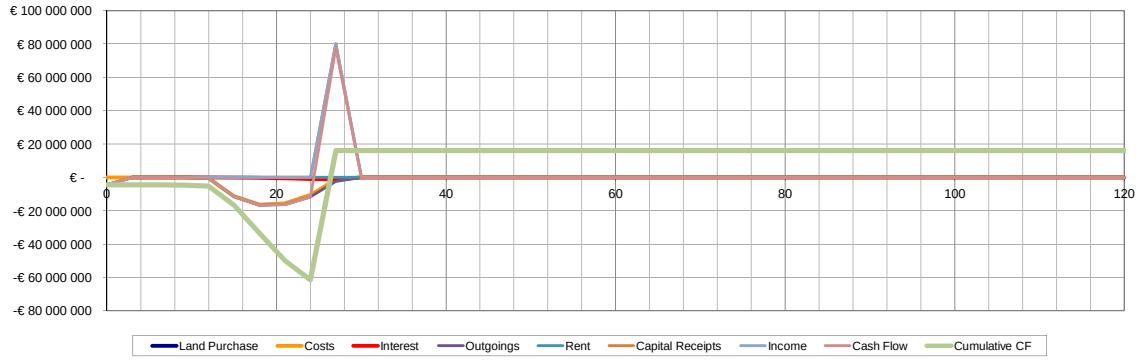
Capital Receipts			€	80 076 524		
Rent			€	-		
Income					**€**	**80 076 524**
Development Costs			-€	47 294 934		
Infrastructure			-€	2 364 747		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	2 482 984		
Contingencies			-€	2 607 133		
Fixed Marketing Costs			€	-		
Sales Fees	1,00%	sales proceeds	-€	800 765		
Leasing Fees	8%	annual rent	-€	512 490		
Development Finance	8,00%		-€	2 766 142		
Developer's Profit @	20,00%	GDV	-€	16 015 305		
Acquisition Fees	0,00%		€	-		
					-€	**74 844 500**
Residual value					**€**	**5 232 024**
Land Holding cost						0,840975
					€	**4 400 000**

Cash Flow

Year		**0**		**1**		**2**		**3**		**4**		**5**		**6**		**7**		**8**
Land Purchase	-€	4 400 000																
Costs	€	-	-€	521 427	-€	54 228 372	-€	1 313 255	€	-	€	-	€	-	€	-	€	-
Income	€	-	€	-	€	-	€	80 076 524	€	-	€	-	€	-	€	-	€	-
Interest	€	-	-€	352 000	-€	2 050 258	-€	1 195 744	€	-	€	-	€	-	€	-	€	-
Cash Flow	-€	4 400 000	-€	873 427	-€	56 278 630	€	77 567 525	€	-	€	-	€	-	€	-	€	-
Cumulative CF	-€	4 400 000	-€	5 273 427	-€	61 552 056	€	16 015 469	€	16 015 469	€	16 015 469	€	16 015 469	€	16 015 469	€	16 015 469

As can be seen in the chart below, we have assumed development will commence after 18 months. Development will be in a single phase, with a simultaneous completion and sale.

Cash Flow Profile



PROPERTY	**Helios Plaza**
ADDRESS	**54 Piraeus Avenue**
VALUATION DATE	31 July 2014

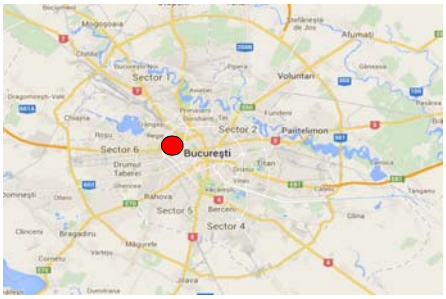
SUMMARY & CONCLUSION

To support our residual valuation we have simultaneously compared the site to available commercial land in the vicinity. We estimate that the subject plot would transact today, with no shopping centre permit and potential of development for such use (but with a highest and best use as office development), at close to € 300 / sqm, which we consider to be realistic in the context of the available market information. Note that there are no land plots in the immediate location that are compares with the subject property.

MARKET VALUE	**€**	**4 400 000,00**	**say**	**€**	**4 400 000**

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 July 2013

Romania; red area - Bucharest/Ilfov area



City of Bucharest

Micro Location

Subject Property

LOCATION

The subject property is located in the central area of Bucharest, the capital city of Romania, at 2 km from Universitatii Square and 2.3 km from Unirii Square. The property is provided with a corner location, at the junction of three major boulevards, Splaiul Independentei (Dambovita River), Stirbei Voda Street and Calea Plevnei, and across Eroilor metro station. The vicinities have a mixed use, including residential blocks, office buildings, the Municipality Hospital, green areas etc. The property is located in Bucharest, the capital city of Romania. Bucharest has approximately 1,880,000 inhabitants and is the administrative and business centre of the region. Bucharest accounts for the highest GDP per capita in Romania, placed in 2013 at €16,717, salaries over 30% higher the national average and the lowest unemployment rate. Bucharest is the largest university centre in Romania, with 139,262 students enrolled in 2012/2013.

The micro location provides a mix of old and new commercial and residential premises with blocks of flats, ground floor retail premises and restaurants as well as modern office buildings and industrial land sites.

This area is considered to be within the city's centre and the transport links are excellent. The site is bordered on each of its boundaries by roads with four lanes (2 in each direction) and in addition there is the metro station, Eroilor, within a few minutes' walk. Eroilor is a station that has two lines passing through it so it is somewhat of a junction within the metro system. A third metro line is under construction and expected to be completed in 3-5 years time. As well as excellent road and metro transport links there is a huge number of bus lines that pass by the Eroilor Metro station just a few minutes' walk away from the subject property, while around 200 m north an upgraded tramline will soon be completed.

City Population	1 880 000
Local Land Uses	Residential & commercial
Distance to Centre	1 km
Distance to Highway	6 km
Distance to National Road	6 km
Public Transport	well developed
Plot area	101 947
Waterfront	No

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	101 947
Parking Places (closed)	n/a
Access	from Strada Plevnei, Stirbei Voda
Utilities	available, not checked
Legal issues	not checked

PROPERTY DATA

PLOT OF LAND

Site area, total	101 947
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External & Internal
Inspection Date	28 May 2013
Inspected by	Charlie Henry & Bogdan Blendea

PROPERTY DESCRIPTION

The property comprises of two plots. One plot is 91,947 sqm and the other is 5,000 sqm to give a total of 101,947 sqm.

On the large plot of land there is a partially completed building; it is a well known building called Casa Radio (the exterior was complete and the interior is not complete).

The site is almost rectangular and generally flat. The land is surrounded by three major roads, each of which can potentially provide access to the site.

The land is possibly the largest developable site currently in Bucharest.

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 July 2013

LAND REGISTRY DETAILS

We have been provided with the following land registry information:

Land registry excerpt no. 405513/12.09.2008

Cad No. 14399 - land plot located at 174-176 Stirbei Voda St - 5,000 sqm
Cad No. 14399/2 - building located at 174-176 Stirbei Voda St - 35,597 sqm
Cad No. 14399/3 - land plot located at 174-176 Stirbei Voda St - 91,947 sqm

Land registry no. 402378/10.09.2008

Ordinance no. 95 / 29,11,2006 gives the right of use in favour of the company SC Dambovita Center SRL for the unfinished building of 35,597 sq m built area and 114,947 sq m total built area and for the future buildings and construction except the public authority building for 49 years.

Certificate of Urbanism Nr 669/69/S/11414 issued on 14.06.2010

There is a land plot of 96,947 sq m with unfinished constructions with a footprint of 35,597 sq m. It is owned by the State who

Land registry extract	See above	Obtained on	2008.09.12
Registered owner	Romanian State		
Registered use	Land		
Registered size			101 947,00

Restrictions and encumbrances

We are verbally advised that the existing building is listed as a historical monument although we have not been provided with any documentation to confirm current status. We assume that the property may be developed in accordance with the scheme

Comments

Building permit No. 999/105/S/32349 dated 14.10.2008

authorised the prolongation of the building permit 151/14.S/26.02.2008 .
The building permit is valid for 12 months and work duration is valid for 24 months.

Building permit No. 1212/132//S/26768 dated 23.12.2008

authorised the underground parking (2UG), built area (footprint) 4,902.74 sq m, total built area 9,749.58 sq m, net area 8,242.25 sq m, 153 parking spaces; the building permit is valid for 12 months and work duration is valid for 36 months.
Both of these building permits have expired. For the purposes of this valuation we assume that the permits have been

PLANNING ISSUES

Zoning	Valid
Footprint ratio	see above
Maximum height	see above
Permit status	Authorisation for construction granted but has expired

The PUZ permits the following:
Office buildings for government administration, a shopping centre with a panoramic wheel, underground parking, power station, high voltage station, office building GF+34, office building GF+30, office building GF+26, parking, hotel and conference center.
PUZ Approval 2/3/12,11,2008
GF+34, POT 60%, CUT 4.2
Land area - 96,474 sq m
total built area 407,775.58 sq m
Underground (technical spaces and parking spaces) - 314,550.58 sq m
built area (footprint) - 54,817 sq m
CUT 4.2 POT 60 %
parking spaces - 4,500
green area - 33,765 sq m (35%)

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that can determine the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).

PROPOSED SCHEME

The original proposed scheme was to comprise a 600,000 sqm mixed use development with the following elements:
- 158,000 sqm shopping centre with an indoor leisure centre
- 11,000 sqm hypermarket and a Ferris wheel
- 140,000 sqm GBA of offices
- 50,000 sq m GBA hotel with conference centre (350 rooms)
- 10,000 sqm apartment hotel with 100 apartments

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 July 2013

SWOT-ANALYSIS

STRENGTHS

Excellent location, close to the centre of the city

Excellent transport links, visibility

Large plot size

WEAKNESSES

Public private partnership, sensitive to government changes

Existing building was not designed to be a shopping centre

Difficult to finance

OPPORTUNITIES

Develop a landmark project

High density residential area

THREATS

AFI Cotroceni Shopping Centre

Cost to develop the project

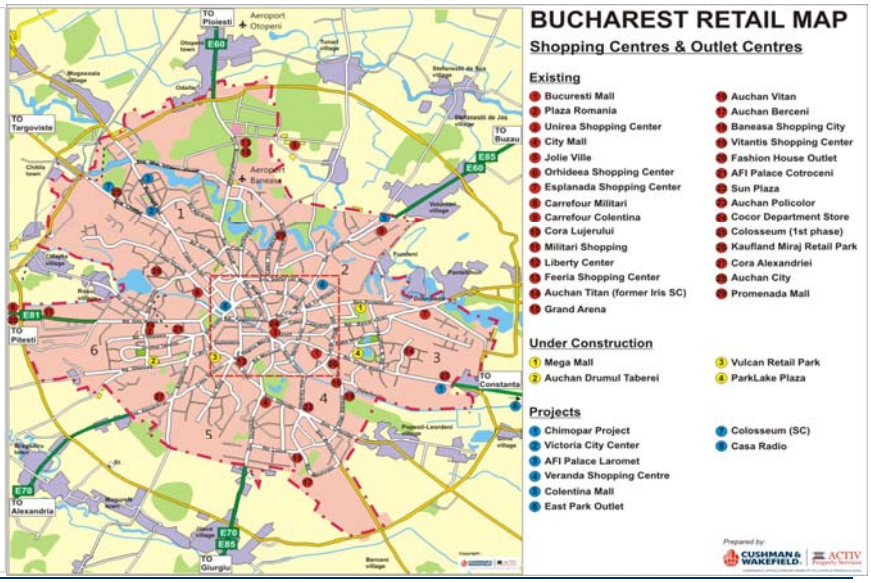
Difficult to attract investors for such a large project

Site may be politcally sensitive to changes in the national administration

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Bucharest is by far the largest retail market in Romania, it is being estimated that 30% of the total retail turnover is registered here. The city has the highest purchasing power in Romania.

Almost all the international retailers seeking representation in Romania consider entering the capital first. High street retail is concentrated in the city center, along Balcescu - Magheru Boulevard and Calea Victoriei, with the historical city centre spreading around Lipscani Street being the main free-time destination. The high street development remained limited and dominated by banks/services, while the major tenants have preferred the shopping centre stock to expand.



Shoping centre and retail warehousing sectors have witnessed an important development in the last 10 years, however there still important potential for new developments and expansion of the main chains.

Bucharest accounts for a modern shopping centre stock of 788,920 sq m GLA, corresponding to a density of 419 sq m GLA/1,000 inhabitants (14th highest in Romania).

This level remains lower than in other CEE capitals such as Warsaw (551 sq m as at end 2013), Prague (601) and Bratislava (1,097), while being similar with Budapest's ratio (420).

A stock of 164,670 sq m GLA is currently under construction, having delivery in 2015-2016. It includes two dominant schemes (Mega Mall, ParkLake Plaza), one convenience-type centre (Auchan Drumul Taberei) and the extension of another one (Carrefour Colentina). Mega Mall and ParkLake Plaza are both located in eastern Bucharest, each account for 70,000 sq m GLA and both have a similar concept with hypermarket anchor and significant fashion & leisure elements.

The current dominant shopping centres in Bucharest include AFI Palace Cotroceni (west), Baneasa Shopping City (north), Sun Plaza (south) and Unirea SC (central). Other major schemes are Bucuresti Mall, Promenada Mall and Plaza Romania.

COMPETITION

AFI Palace Cotroceni (81,000 sqm GLA) is established as the dominant force in the western area. It is developed over ground floor and first floor and provides approx. 250 stores. The scheme benefits from a very good concept and layout, dominant size, excellent merchandise and tenant mix; it has a very strong leisure sector, including a 20-screen Cinema City, the first and single IMAX in Romania, bowling and billiard, kid's area, casino, carting, a large ice ring, laser tag, etc. The main anchors of the shopping centre include Auchan, C&A, Zara, H&M, Domo, Intersport, Marks & Spencer, Humanic, Deichmann, Smyk, Reserved,

Sun Plaza (80,000 sqm GLA) is the dominant shopping centre in the southern area, although it has not reached the expected number of visitors and sales. The scheme has very good characteristics, especially in terms of location, accessibility and supply of major anchors. The project is anchored by Cora hypermarket (23,000 sq m), bauMax DIY (10,000 sq m), Zara, H&M, C&A, New Yorker etc. The 3rd major anchor, Mobexpert furniture (10,250 sq m), left the project in 2012 and the space has remained vacant since then. The leisure elements include a 15-screen Cinema City with 3,000 seats, food-court, fitness, bowling and

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 July 2013

Baneasa Shopping City (92,600 sqm GLA; incl. Feeria gallery) is the largest shopping centre in Romania, part of the largest retail scheme in Romania that exceeds 190,000 sq m GLA, including also Metro, Bricostore, Mobexpert and the single IKEA store in Romania. The project is the dominant force in the northern area and benefits from the richest catchment area in Romania. The merchandise mix includes all sectors, with significant fashion elements. The tenant mix include a large number of international brands, with Peek&Cloppenburg, Zara, H&M, Humanic, Koton, Marks&Spencer, Reserved etc., while Feeria gallery is anchored

Promenada Mall (35,000 sqm GLA) is the most recent opened centre in October 2013 and is part of the larger Floreasca City project, which includes also 61,000 sq m of office space. The centre is structured on LGF, GF and 2 upper floors, accommodating 120 shops. The merchandise mix is largely fashion oriented. The tenant mix include a large number of international brands, among the anchor units being Billa, H&M, Zara, Massimo Dutti, Bershka, C&A, Peek&Cloppenburg, Intersport, Hervis, Flanco, Altex, Carturesti, Deichmann, Nobilis, Humanic.

Unirea Shopping Center (44,000 sqm GLA) is the most centrally shopping centre, placed at Bucharest's ground zero (Unirii Square). The scheme benefits from excellent visibility and accesibility, with the highest pedestrian footfall in Bucharest passing in front. It is the former department store of the city, converted into a shopping centre. The scheme spreads along lower ground floor, ground floor and 4 upper floors. The scheme has secured several major anchors on ground floor level during the last years, including Zara, H&M, New Yorker, Bershka and Pull&Bear etc. The scheme includes sectors that do not benefit from modern characteristics, being avoided by major chains, however occupied by local retailers. The last floor is occupied by food court and bowling/billiard/games centre. The planned extension with a cinema, direct passage to metro etc. has been

COMPETING SCHEMES

Building / Address	*Date*	*Distance to subject*	*Comments*
Orhideea Shopping Center (Carrefour)	2003	1 km	GLA 25,100 sq m, existing shopping centre
AFI Palace Cotroceni	2009	2 km	GLA 79,000 sq m, existing shopping centre
Unirea Shopping Center	1976	2.5 km	GLA 44,000 sq m, existing shopping centre
Plaza Romania	2004	3 km	GLA 51,020 sq m, existing shopping centre
Sun Plaza	2010	7 km	GLA 80,000 sq m, existing shopping centre
ParkLake Plaza	n/a	6 km	GLA 67,000 sq m, proposed shopping centre
Baneasa Shopping City	2008	8 km	GLA 63,500 sq m, existing shopping centre

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).
To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.
You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

We have been supplied with a scheme for a retail shopping centre, representing the first phase of a larger development. We have made our own assumptions as to the remainder of the scheme and its phasing.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Shopping Centre	€	27,50	/sqm /month
Offices I	€	16,00	/sqm /month
Residential	€	1 700,00	/sqm
Offices II	€	16,00	/sqm /month

EXIT RATES APPLIED

The investment market is currently at a low ebb and development will not take place with the expectation of achieving current levels; therefore we have based these upon a developer's expectation for a recovered market. We have applied a holding period. For the residential element we have

	Exit
Shopping Centre	7,50%
Offices I	8,00%
Residential	-
Offices II	8,00%

PROPERTY	Casa Radio
ADDRESS	Stirbei Voda 174-176, Bucharest, Romania
VALUATION DATE	31 July 2013

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	1 300 /sqm
Offices	€	850 /sqm
Contingencies		5%
Letting Fees		10% ERV
Sales Fees		1% ERV
Fees		10% GDC
Residential	€	600 /sqm
Developer's Profit		20% GDV

SUMMARY RESIDUAL VALUATION

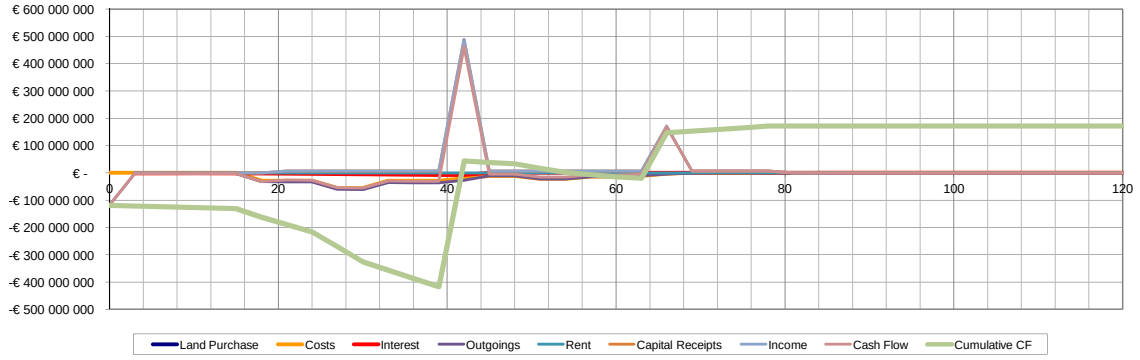
Capital Receipts			€	768 692 182		
Rent			€	-		
Income					€	**768 692 182**
Development Costs			-€	334 321 080		
Infrastructure			-€	16 716 054		
Fees			-€	35 103 713		
Contingencies			-€	19 307 042		
Sales Fees	1%	sales proceeds	-€	7 686 922		
Leasing Fees	10%	annual rent	-€	5 011 351		
Development Finance	8,00%		-€	23 656 183		
Developer's Profit @	20,00%	GDV	-€	153 738 436		
					-€	**595 540 783**
Residual value					€	**173 151 399**
Land Holding cost						0,687491
					€	**119 040 000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 119 040 000								
Costs	€ -	€ -	-€ 88 575 542	-€ 171 317 478	-€ 71 429 799	-€ 72 440 856	-€ 14 260 088	-€ 122 400	€ -
Income	€ -	€ -	€ 12 240 000	€ 24 480 000	€ 506 612 182	€ 24 480 000	€ 188 640 000	€ 12 240 000	€ -
Interest	€ -	-€ 9 523 200	-€ 11 896 821	-€ 22 730 530	-€ 15 612 308	-€ 132 799	-€ 681 194	€ -	€ -
Cash Flow	-€ 119 040 000	-€ 9 523 200	-€ 88 232 362	-€ 169 568 007	€ 419 570 075	-€ 48 093 655	€ 173 698 717	€ 12 117 600	€ -
Cumulative CF	-€ 119 040 000	-€ 128 563 200	-€ 216 795 562	-€ 386 363 569	€ 33 206 505	-€ 14 887 150	€ 158 811 568	€ 170 929 168	€ 170 929 168

We have made the following assumptions in our calculations based on the planning permissions granted:
We have allowed 1 year to renew the necessary expired building permits and there will be 4 elements to the whole project. In the first phase a shopping centre of 75,000 sqm will be constructed at the same time with another 68,000 sqm of offices. The second phase will consist of 68,000 sqm of luxury residential accommodation and in the third phase there will be an additional 68,000 sqm of offices constructed. We have made a sensitivity allowance to demonstrate the impact ofdelaying each phase; in general, the impact of delay is approximately €4.5m per six month deferral.

Cash Flow Profile



SUMMARY & CONCLUSION

We understand that the client (Plaza Center) has a 75% interest in a company which has entered into a public-private partnership agreement with the Romanian government to develop the Casa Radio (Dambovita) scheme in Bucharest, the largest development plot available in central Bucharest. The Romanian government will remain a 15% partner in the scheme, as well as another developer holding 10%. The Romanian state has granted a 49 year concession to develop and operate the land.
We have valued the property assumed freehold and considered that a proper title, permits and financing are assured.
We have not valued the part share interest and our estimation represents 100% of the scheme's ownership rights.

Address	Details	Asking or sold?	Date	€/sqm
Barbu Vacarescu (next to Nusco Tower)	15,000 sq m; Purchased by Skanska	sold	2012 Q4	€ 920
Calea Floreasca (B.Vacarescu office district)	1,500 sq m; Purchased by Taso Gkotsis from Willt	sold	2012 Q4	€ 1 000
Romana Square - land with old historical building	978 sq m; ASE University bought as distressed	sold	2012 Q4	€ 3 885
Barbu Vacarescu with Glinka	approx. 2,300 sq m; Residential & Retail - *estimative price	sold	2014 Q2	€ 870

MARKET VALUE € 119 040 000,00 say € 119 000 000

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 July 2014

Romania; red area - Constanta County

Constanta City

Micro Location

Subject Property

LOCATION

The subject property is located in Constanta City, the administrative and economic capital of Constanta County and the entire Dobrogea region. The property is placed in the western part of the city, on I.C. Bratianu Boulevard (entry from Bucharest), at close distance from the junction with Aurel Vlaicu Boulevard (ring road). The distance from the central area of the city is of approximately 4 km.

Constanta County is located in the south-eastern limit of Romania, having borders with the Black Sea (east), Tulcea and Braila counties (north), Bulgaria (south), Calarasi and Ialomita counties (west). It is the 5th largest populated county in Romania with 684,082 inhabitants (2011 Census).

Constanta City has an official population of 283,872 inhabitants, being the 5th most populated city in Romania. Including also unrecorded population and adjoining areas placed 15 km radius, the metropolitan population reached approximately 370,000 inhabitants.

The official statistics, provided only at county level, says that Constanta County had the 4th highest GDP per capita in 2013, placed at €7,899. The city concentrates an important part of the county's economy, including the main seaside harbour in Romania, concentrating the largest part of the maritime trade of Romania, important petrol industry activity, and one of the main tourism destinations in Romania with Mamaia Resort being under the city's administration. Constanta is the 5th university centre of Romania, with 23,871 students enrolled in 2012/2013.

LOCATION DETAILS

City Population	299,824
Local Land Uses	Mixed, primarily industrial & poor residential area
Distance to Centre	3 km
Distance to Highway	3 km
Distance to National Road	0 km (fronts DN3)
Public Transport	local bus lines
Plot area	26,207*
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	shopping centre / retail
Occupation	vacant
Historic monument	No
Gross lettable area	17,900.00
Parking Places	340.00
Access	from I.C. Bratianu Blvd.
Utilities	available, not checked
Legal issues	not checked

**total site area from the land registry excerpts, including land for pumps and thermal station but excluding the access roads (Cad. 1554/26/2/1 and Cad. 1554/28/2); details in the table below, at Land Registry Details section*

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 July 2014

PROPERTY DATA

BUILDING

Year of Construction	2001-2002
Modernisation Year	n/a
Building Condition	poor
Gross lettable area	17,900.00
Parking places	340
Current rent p.a.	n/a
Vacancy rate (overall)	100%
Weighted remaining lease term	n/a
State of Repair	poor
Overall Condition	poor

TECHNICAL DETAILS

Building Type	Retail
Construction	Reinforced concrete structure
Facade	sandwich panels
Roof	Flat roof
Windows	double glazing with aluminium frames
Glazing	n/a
Heating	Gas central heating
AC/ Ventilation	Air conditioning system
Cabling	None
Sanitary	Modern standard

PLOT OF LAND

Site area, total	24,248*
Surplus Land	n/a
Developed area (% total site)	46%

INSPECTION

Inspection Type	External and Internal
Inspection Date	12-May-13
Inspected by	Razvan Gheorghe MRICS

**total site area for the shopping centre (parking included), for which the build permit was obtained; land for thermal power station excluded; details in the table below, at Land Registry Details section*

PROPERTY DESCRIPTION

The subject property consists of land extending to approximately 26,000 sq m on which there is a vacant shopping centre and a large parking area of around 8,500 sq m. There are also two access roads to the east and south, totalling 2,774 sq m of land.

The shopping centre (former Galleria Mall) was opened in 2001-2002 and was anchored by Gima supermarket. It was operational for around a year before being closed due to poor performance. The centre was redeveloped using the structure of a former warehouse for prefabricated units.

In June 2008, Plaza Centers acquired the property with the intention of redeveloping and adapting the existing shopping centre to create approximately 18,000 sq m of GLA which will be suitable for one big anchor such as leading supermarket, and/or DIY store together with some smaller retail units.

ACCOMMODATION

According to the information received from the client, the shopping centre has a total GLA of 17,900 sq m and a gross built area of 21,582 sq m, while the built area of the parking is 8,687.84 sq m.

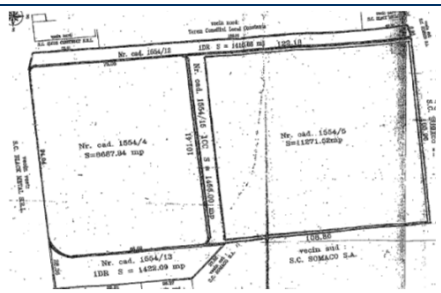
We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these areas. We assume that these areas are accurate and calculated in accordance with normal market practice.

LAND REGISTRY DETAILS

The property includes several cadastral numbers and it is registered in the Land Registry of Constanta Municipality.

From the information provided to us, it is our understanding that there are:

- five cadastral numbers corresponding to the shopping centre, including the parking area (as shown in the table to the right: 1554/4, 1554/5, 1554/12, 1554/13 and 1554/15);
- two cadastral numbers related to the power station and adjacent land (1554/16 and 15424/2);



- two cadastral numbers corresponding to the access ways to the east and south (1554/26/2/1 and 1554/28/2);
- one cadastral number for which there is a right-of-way in favour of SC North Eastern Plaza SRL (1554/14).

Details are in the table below:

PROPERTY Constanta Plaza
ADDRESS 131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE 31 July 2014

No.	Cad. No.	Site Area (from site plans)	Site Area (from land registry excerpts)	Land Registry No.	Description	Ownership
1	1554/4	8,687.84	8,663.00	8852	land and construction (big panels warehouse)	SC North Eastern Plaza SRL
2	1554/5	11,271.52	11,271.20	8851	land and building (commercial space Mall type)	SC North Eastern Plaza SRL
3	1554/12	1,410.08	2,760.00	11286	land and roads and concrete platforms	SC North Eastern Plaza SRL
4	1554/13	1,422.09				
5	1554/15	1,456.00	1,456.00	11180	land	SC North Eastern Plaza SRL
Total 1		**24,247.53**	**24,150.20**			
6	1554/16	715.00	715.00	14383	land and construction (thermal power station)	SC North Eastern Plaza SRL
7	15424/2	1,342.00	1,342.00	53367	intravilan land lot 2	SC North Eastern Plaza SRL
Total 2		**26,304.53**	**26,207.20**			
8	1554/26/2/1	228.00	228.00	110112	intravilan land - road	SC North Eastern Plaza SRL (B.10)
9	1554/28/2	2,546.00	2,546.00	43727	intravilan land - road	SC North Eastern Plaza SRL (B.10)
Total 3		**29,078.53**	**28,981.20**			
10	1554/14		2,045.93	11181		SC Romstal Imex SRL- right-of-way in favour of SC North Eastern Plaza SRL

Restrictions and encumbrances

According to the land registry excerpts received from the client, dated March 2008, there are no encumbrances over the subject property.
There is a right-of-way in favour of SC North Eastern Plaza SRL over the cadastral no. 1554/14 (2,045.93 sq m), owned by SC Romstal Imex SRL.

Comments

We could not identify from the information provided the exact location of three cadastral numbers, namely: 1554/16, 15424/2 and 1554/14. For the purpose of our valuation we have assumed the plot to be contiguous.

PLANNING ISSUES

We have been provided with the Urbanism Certificate No.4643 / 04.10.2000 and the Build Permit No. 3771 / 8.11.2000, for the land with a total area of 24,247.53 mp, issued for the existing warehouse improvement as a commercial center Mall type; improvement of the platform as a parking area.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).
In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

TENANCIES

Number of Tenants		
Vacant space (m²)		
Lease Income (p.a.)	€	-
Other Income (p.a.)	€	-
Operating Expenses (p.a.)	€	-
Service Charge (/sqm / month)	€	-
Lease inspected?		
Standard Lease Terms:		
Lease length	Not applicable	
User Clause	Not applicable	
Security	Not applicable	
External Repairs	Not applicable	
Internal Repairs	Not applicable	
Insurance	Not applicable	
Alienation	Not applicable	
Indexation	Not applicable	

The property has been vacant and unused for more than 10 years.

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 July 2014

SWOT-ANALYSIS

STRENGTHS
existing structure

size of the site

large parking area

WEAKNESSES
located in a poor area

OPPORTUNITIES
redevelopment in order to accommodate a hypermarket, warehouse, production, wholesale centre

THREATS
high competition on the retail market, especially on the hypermarket sector

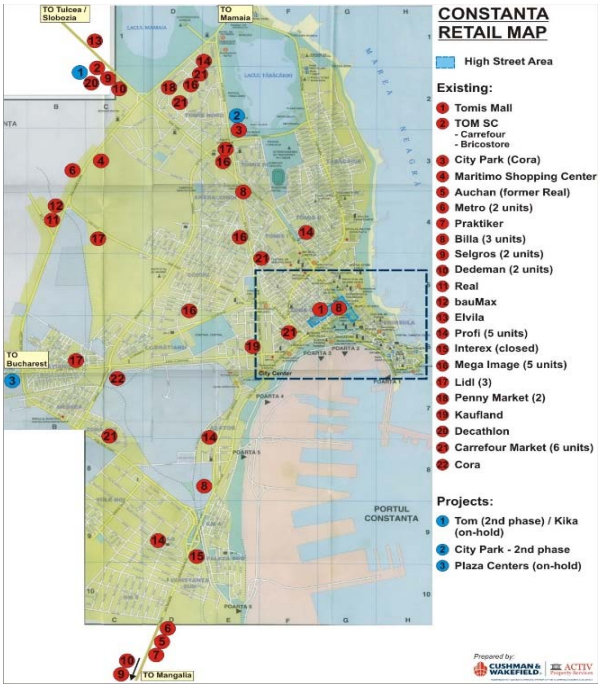
major tenants have already secured locations in the area

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Constanta has a well-developed retail market, including a good representation of international / national retailers from all the main sectors. The city benefits from one of the highest purchasing power in Romania that receives a boost every summer from the tourist's population.

The rapid market development started in 2006 and continued also after the start of crisis, with some major developments being delivered in 2011-2013. The city is targeted by all the international retailers active in Romania and includes a high number of anchors such as hypermarkets (Carrefour, Auchan – 2 units, Real, Cora – 2 units), cash 7 carry (Metro – 2 units, Selgros – 2 units), supermarkets and discounters (Billa – 3 iunits, Mega Image – 5 units, Carrefour Market – 6 units, Profi – 6 units, Lidl – 3 units, Penny Market – 2 units), DIY (Praktiker, Bricostore, Dedeman – 2 units, bauMax), furniture (Elvila, Casa Rusu).

The largest concentration is found north-west, along Aurel Vlaicu Boulevard - Tomis Boulevard. It includes the dominant Maritimo SC anchored by Auchan, hypermarket with galleries (Tom SC-Carrefour, Real), DIY's (Bricostore, Baumax, Dedeman), cash & carry (Metro, Selgros), supermarkets, boxes (Decathlon, Elvila).



COMPARABLES

SALES COMPARABLES

Building / Address	*Date*	*Price (€m)*	*Yield %*	*Comment*
City Park/ Constanta	Q4 2013	81.00	9-9.5%	NEPI purchased from Neocity Group; the deal included the future extension of the centre
Vulcan Retail Park/ Bucharest	Q4 2013	15.00	n/a	NEPI bought 50% of the project for development
Severin Shopping Center/ Severin	Q3 2013	18.90	n/a	The property consists in Carrefour hypermarket plus shopping gallery and land of 2.3 ha for the extension; the purchaser is NEPI
Deva Shopping Center/ Deva	Q3 2013	45.00	n/a	The purchaser is NEPI
Polus Center / Constanta	Q1 2007	185.00	6.5%	The largest transaction of Euro 185 million was announced in Q1 2007, being represented by the forward-purchase of Maritimo SC (former Polus Centre) by Immofinanz from TriGranit. The developer's difficulties in fulfilling its agreements, along with the significant changes in market conditions, brought a new agreement that was signed in 2010. According to market information, Immofinanz increased in 2010 its shares in the project from 15% to 100% with the payment of 1 Euro and the take-over of the project's debts.
Praktiker / Craiova	Q1 2011	10.00	9.0%	site area: 21,860 sq m; GLA: 9,517 sq m

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 July 2014

COMPETITION

The city accounts for the 4th highest shopping centre densities in Romania, placed at 636 sq m GLA / 1,000 inhabitants. The modern shopping centre stock accounts for 180,590 sq m GLA and includes two dominant schemes (Maritimo SC, City Park), four convenience-type hypermarket-anchored units (Tom Shopping Center, Auchan, Real, Cora) and the former department store of the city (Tomis Mall).
The retail warehousing sector is represented by stand-alone units (DIY, cash & carry, discounters, etc.) and units adjoining shopping centres (Bricostore, Decathlon).
Average rental levels for large units (>500 sq m) in Constanta are placed at approximately €6-16/sq m/month.

INVESTMENT CONSIDERATIONS

The subject property is a former shopping centre redeveloped from a warehouse. The shopping centre closed after about one year due to poor performance and it has been vacant since then.
The retail market in Constanta has developed greatly in recent years, especially in the north-western part of the city, along the same boulevard where the subject property is located. Most of the major retailers already have units opened here. The largest shopping centre in town, Maritimo SC (51,250 sq m), opened in 2011, is located approximately 3 km north of the subject property. Due to the fact that a lot of potential tenants were attracted to Maritimo, the extension of Tom Shopping Center (located just 1 km from Maritimo), is struggling to attract tenants and the project is currently on-hold.
We believe thus that the project as it is structured, on GF plus 1st floor, with a total lettable area of 17,900 sq m, may not be feasible. We have thus assumed another scheme for the property, considering the demolishing of the first floor and redeveloping the centre only on GF, with a total lettable area of approx. 11,200 sq m, to be used as retail. We considered also that an additional income could be obtained from part of the parking area (either from exhibitions, fairs, ice skating rink, out-door showroom etc.)

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialisation, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	31 July 2014
Report Date	30 June 2014

VALUATION DETAILS SUMMARY

Market Value	€	5,000,000.00
Gross annual income	€	-
Net Operating Income (Year one)	-€	73,032.00
Day One annualised NOI	-€	73,032.00
Estimated Rental Value	€	1,461,000.00
Initial Yield (Year one)		-1.46%
Initial Yield (Annualised day one)		-1.46%

PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 July 2014

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an overall average ERV of €6.80 per sq m per month for the main building , based on our market research and knowledge of the recent lease transactions and current trends.

ERV	€	6.80	/sqm /month

DISCOUNT AND EXIT RATES APPLIED

Prime yields for properties in Constanta City are estimated today at approx. 10.0-11.0%, having softened by 225-250 bps during the last 4 years. Due to the lack of transactions since the start of the crisis, these yields are just a broad estimation of the expectations that an average investor would have from a commercial property in Constanta.
We have applied a discount to reflect the speculative nature of the assumed scheme.

	Discount	Exit
Default	12.00%	12.00%
Vacant	12.00%	12.00%
Yield2	12.00%	12.00%
Yield3	12.00%	12.00%
Yield4	12.00%	12.00%
Yield5	12.00%	12.00%
Yield6	12.00%	12.00%
Yield7	12.00%	12.00%
Yield8	12.00%	12.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.
We have assumed redevelopment costs of 6.7€M (around €310 per sqm of GBA) at the end of initial void period (months 15, 16, 17 and 18)

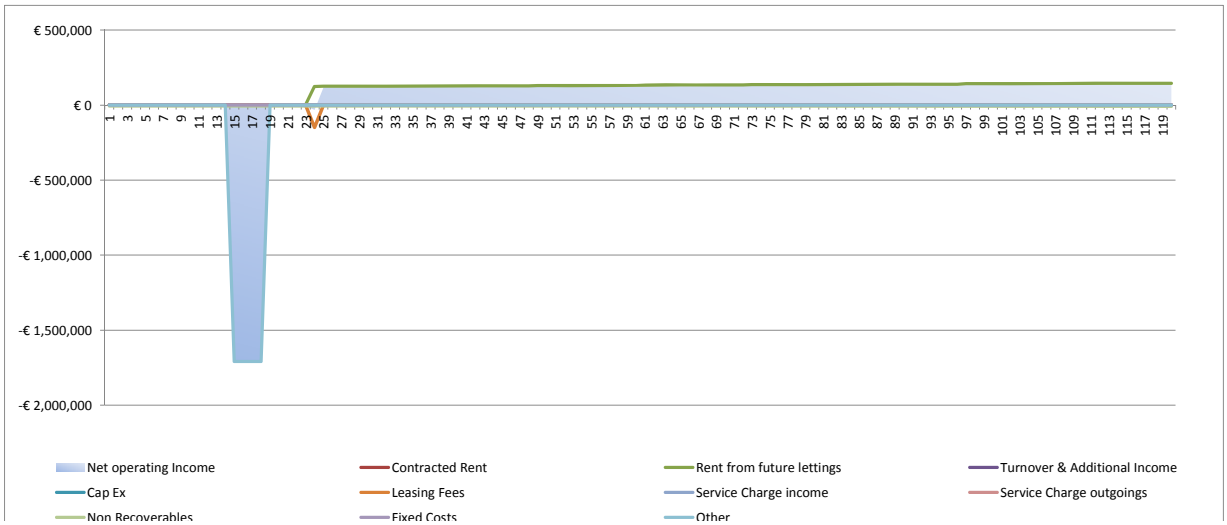
Service Charge Income	€	-	/sqm/ month
Service Charge Outgoings	€	-	/sqm/ month
Non recoverables		5%	ERV
Void on expiry		6.00	months
Lease Term		10.00	years
Rent Free Periods		0.00	months
Leasing Fees		10%	1 year's rent
Fit out costs	€	-	psm
Other fixed costs		6,700,000.00	(capex)
Inflation			

PROJECTED INCOME PROFILE

CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ 124,154	€ 1,519,650	€ 1,550,043	€ 1,581,044	€ 1,612,665	€ 1,644,918	€ 1,677,816	€ 1,711,373	€ 1,745,600
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	-€ 148,985	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 73,032	-€ 74,493	-€ 75,982	-€ 77,502	-€ 79,052	-€ 80,633	-€ 82,246	-€ 83,891	-€ 85,569	-€ 87,280
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	-€ 6,834,000	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
TOTAL	**-€ 73,032**	**-€ 6,933,324**	**€ 1,443,667**	**€ 1,472,541**	**€ 1,501,992**	**€ 1,532,031**	**€ 1,562,672**	**€ 1,593,925**	**€ 1,625,804**	**€ 1,658,320**

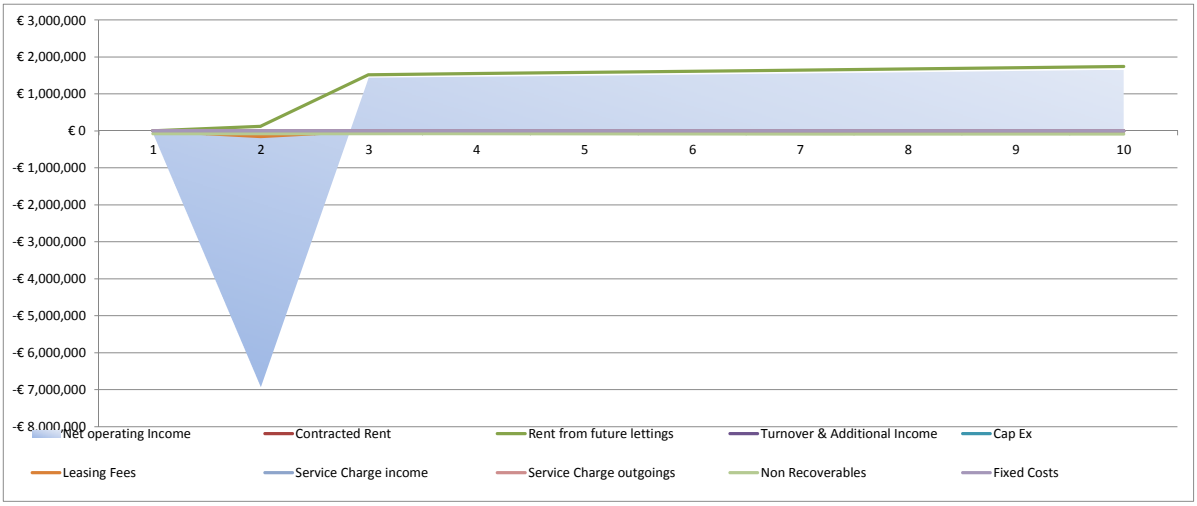
Monthly income



PROPERTY	Constanta Plaza
ADDRESS	131 I.C. Bratianu Blvd., Constanta, Romania
VALUATION DATE	31 July 2014

We have assumed a void period of 18 months before the scheme of 17,900 sq m GLA becomes income producing. We expect that non-recoverable costs to amount to 5% of the rental income.
We have assumed a standard lease over a period of 5 years with other 5 years to extend and a 6 months void on expiry. We followed the project and cost estimates supplied by the property owner.

Annual Income



DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Rent from future lettings	€ -	€ 98,975	€ 1,081,657	€ 985,080	€ 897,127	€ 817,026	€ 744,077	€ 677,642	€ 617,138	€ 562,036
Turnover & Additional Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cap Ex	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Leasing Fees	€ -	-€ 118,770	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Service Charge outgoings	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Non Recoverables	-€ 65,207	-€ 59,385	-€ 54,083	-€ 49,254	-€ 44,856	-€ 40,851	-€ 37,204	-€ 33,882	-€ 30,857	-€ 28,102
Fixed Costs	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other	€ -	-€ 5,448,023	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Exit										€ 4,538,445
TOTAL	**-€ 65,207**	**-€ 5,527,203**	**€ 1,027,574**	**€ 935,826**	**€ 852,270**	**€ 776,175**	**€ 706,873**	**€ 643,760**	**€ 586,281**	**€ 5,072,379**

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore agree if our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.
The overall value equates to €279/sqm based upon the GLA. This compares favourably to build costs for a new facility.

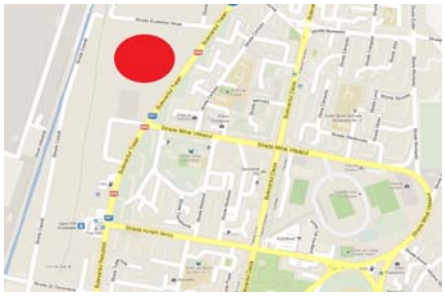
Gross value	**€**	**5,008,729**
Market Value	**€**	**5,008,729**

MARKET VALUE		**say**	**€ 5,000,000.00**
MARKET VALUE	**3 month sale period**	**say**	**€ 2,500,000.00**

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
VALUATION DATE 31 July 2014

Romania; red area - Hunedoara County

Hunedoara City


Micro Location

Subject Property

LOCATION

Hunedoara County is located in the western area of Romania, having borders with Alba, Gorj, Caras-Severin, Timis and Arad counties. Hunedoara is the 20th largest populated county in Romania with 418,565 inhabitants as at 2011 Census.
Hunedoara City is located on Cerna River, at 13km from E68 (Rhinbe-Danube Transport Corridor) and 18 km distance from the county capital Deva. It is the 34th largest populated city in Romania, with an official number of 68,852 inhabitants (2011), slightly above Deva (65,998 pop.). Hunedoara-Deva area accounts for a total of approx. 155,000 inhabitants, including both urban and rural population.
Hunedoara County had the 15th GDP/capita in Romania last year (€5,686), however the economic activity in Hunedoara City had been at a lowest level during the last period. The economic activity in Hunedoara City collapsed during the last 20 years, being affected by the steady reduction of activity of the steel platform. The local economy was developed around the steel industry that accounted for 20,000 employees before 1989. The platform was taken over by Arcelor Mittal in 2003, but reduced activity to below 500 workers.
The subject property is a vacant plot of land situated in Hunedoara, Hunedoara County. It is located in the median area of the city, close to the OMV gas station and the railway station. It has direct access to Traian Boulevard, a two lane asphalted road on each way. Traian Boulevard is crossing the city from North to South avoiding the central area of the city, allowing a faster transit of the city both for heavy truck and for small cars.
The Western side of the land is bordered by a railway, the Northern side is bordered by a fuel storage complex while the Southern side is bordered by a bakery and another industrial facility. The Eastern side of Traian Boulevard is densely populated; there are many apartment blocks with ground floor and four upper floors each which were built during 1960 – 1980.

LOCATION DETAILS

City Population	68 852
Local Land Uses	Residential & Industrial
Distance to Centre	1.5 km
Distance to Highway	18 km
Distance to National Road 7	11 km
Public Transport	Local minibuses
Plot area	40 919
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	40 919
Parking Places (closed)	n/a
Access	to Traian Boulevard
Utilities	available, not checked
Legal issues	not checked

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
VALUATION DATE 31 July 2014

PROPERTY DATA

PLOT OF LAND

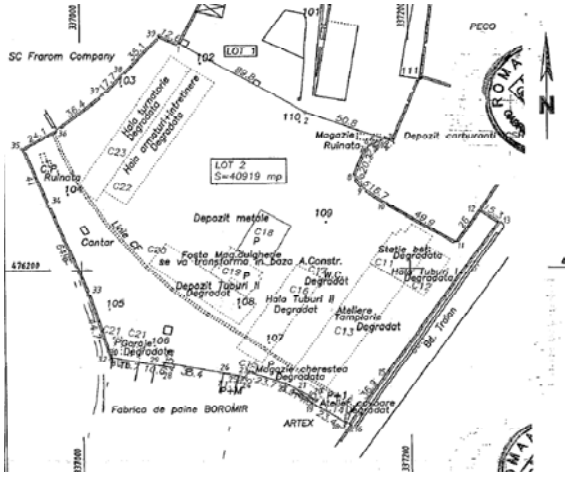
Site area, total	40 919
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	30.nov.13
Inspected by	Bogdan Blendea

PROPERTY DESCRIPTION

The subject property comprises one land plot identified with cadastral number 2388 and extending to 40,919 sq m.
The site has an irregular shape, is flat and partially fenced.
The site is part of a former steel factory. According to our understanding there were several industrial premises built as following: foundry hall, concrete station and storage hall for tubes, metal, timber and other buildings.
The site is accessible from Traian Boulevard.
We have made no specific queries to the statutory authorities but understand and assume that all mains services are available on the site.



LAND REGISTRY DETAILS

The property is situated in Hunedoara, Hunedoara County .
According to the Land Registry Excerpt enclose number 1476/05.02.2008, the property is registered in the Land Book No 880N, under the cadastral number 2388 and consists in one land plot in size of 40,919 sq m and 13 buildings with a foot print in total size of 10,452 sq m. The owner of the property is SC North West Plaza SRL. There is no mention regarding any mortgage.
At the inspection date we saw no construction on the land, the site being overgrown with grass.
We have not checked the title documentation and have assumed the property is an unencumbered effective freehold.

Land registry extract	No 880N	Obtained on	05.02.2008
Registered owner	Owner: SC North West Plaza SRL		
Registered use	Land and constructions; Assumed vacant;		
Registered size			40 919,00

Restrictions and encumbrances

We have not checked the title documentation and have assumed the property is an unencumbered effective freehold.

Comments

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
VALUATION DATE 31 July 2014

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
Maximum height	n/a
Permit status	No building permit. We were not aware of any PUZ existence

The Subject Property has a PUD (Detailed Urbanistic Plan) granted in 2009; this is an approval to accept the scheme within the municipality's urban layout framework. To advance further with the project it may be necessary to get a PUZ, a Certificate of Urbanism and a building permit.

ENVIRONMENTAL

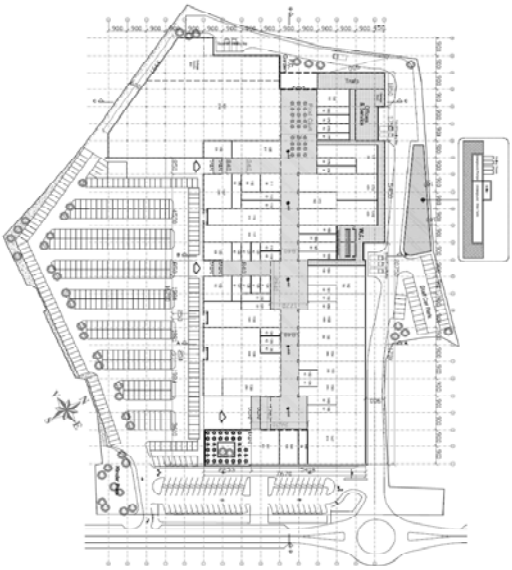
We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).

In view of the characteristics and history of the property parts of the land could be affected by pollution from the former steel factory.

PROPOSED SCHEME

The client is planning to develop a shopping center.
The scheme will have approximately 14,000 m2 GLA, 63 units and will include a supermarket, fashion retailers, food court, restaurants and over 600 car parking spaces.
We were not provided with any PUZ (Zoning Urban Plan) for the area.

We comment that on the one hand there is no shopping centre in the city but on the other hand the purchase power of the area is very low and the economical situation of the area is not so good.



PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
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SWOT-ANALYSIS

STRENGTHS

Good access from the main road;
Good opening to the main road;
All the utilities in the area;
One compact plot of land; Vacant land;

WEAKNESSES

The land could be affected by pollution;
There is no valid PUZ or building permit;
The poor economical situation of the area;
The purchase power of the citizens is low;

OPPORTUNITIES

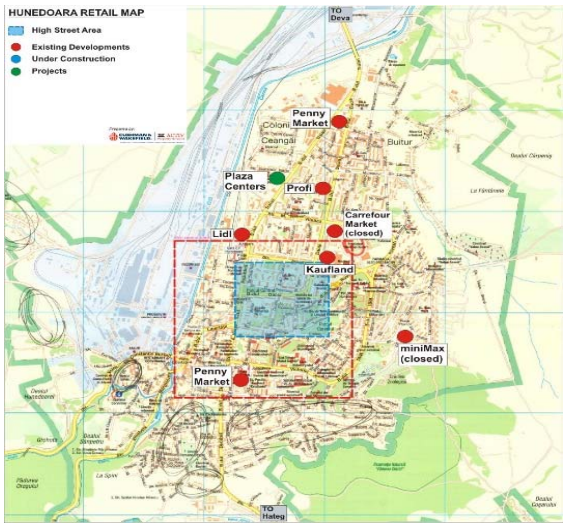
Lack of commercial centres in the area;

THREATS

Deva City which is only 15 kilometres away is attracting all the current investments from the area;
The highway junction point is 18 kilometres away while Deva junction point is only 1 kilometre away;

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Hunedoara has an underdeveloped retail market, including a low stock of modern supply and international retailers. The city has been avoided by developers due to the low purchasing power and decreasing economic activity. Most of the modern retail formats are missing, including shopping centres, retail parks, cash & carry, cinema, DIY, etc. The market has witnessed after 1989 only the development of a hypermarket and some supermarket/discount units, while most of the major retailers have preferred Deva that has been establish as the main shopping destination in Hunedoara County. Food sector is the most developed, including Kaufland, Profi, Lidl and Penny Market (2 units). Hunedoara does not include shopping centres, being the single city in Romania of over 50,000 inhabitants without any shopping centre supply, either modernised and not modernised.
Plaza Centers's plan to open a 14,000 sq m GLA shopping centre has been put on-hold after the start of the crisis and not been restated so far.
We estimate that the rental level that can be achieved for shopping centre space in Hunedoara City is placed today at €10-13 /sq m/month for shops of 100-200 sq m.



The project's primary catchment covers all the city area and all the other villages from the area.

COMPETITION

There is a very low representation of international and national retailers on the local market, the competition being developed mainly on the food sector.
The hypermarket sector includes a single unit opened in 2006 by Kaufland. The unit is placed in the central area of the city, at the junction between Dacia Boulevard and Avram Iancu Street. In front of the hypermarket there is a small shopping gallery with few shops, including Domo, BRD, InMedio, SensiBlu, Say and locals.
The supermarket sector includes only local retailers operating small units. In 2010 Carrefour Market decided to close its unit of 1,100 sq m placed at the junction of Dacia Boulevard with M.Viteazul Street, in close distance from Kaufland. This was the first modern retail box in Hunedoara, opened before 2006 by Artima Supermarket.
Food discount is the single sector that is well developed in Hunedoara City. It includes 5 units opened so far by international chains (Lidl, Profi, Penny Market). Penny Market operates two units on the local market, while the rest of competitors have each one unit. The average surface of the existing discounters vary between 850-1,100 sq m, and each was opened in the last 5 years.
The other sectors are largely represented by local retailers, with only few exceptions such as Leonardo (footwear), Lem's (furniture), InMedio (newspapers). The electrical goods sector includes Domo and Altex.

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
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COMPETING SCHEMES

Building / Address	*Date*	*Rent (psm / mth)*	*Comments*
N/A	N/A	N/A	No Shopping centre in Hunedoara

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of the value we have had to make certain assumptions for the input variables. We consider these assumptions appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a large shopping centre. The subject property is located in a good area of the city. Even so, due to economic problems of the area, the low purchase power of the citizens and the fact that Deva city is attracting the most important investments in the area we assumed that the highest and best use of the land is a retail unit, other services and residential development. We also assumed that the landlord will need to hold the land and allow for price recovery before starting the construction.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed the average ERV for the commercial area based on our market research and knowledge of the recent lease transactions and current trends.

Retail	€	7,25	/sqm /month
House	€	-	/sqm /month
Plot of Land	€	-	/sqm /month
4	€	-	/sqm /month
5	€	-	/sqm /month
6	€	-	/sqm /month
7	€	-	/sqm /month
8	€	-	/sqm /month
9	€	-	/sqm /month
10	€	-	/sqm /month
11	€	-	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing shopping centres in the county. Current yield levels are not economic; we have allowed for mid-term yield expectations in our calculations.

	Exit
Retail	10,00%
House	0,00%
Plot of Land	0,00%
4	0,00%
5	0,00%
6	0,00%
7	0,00%
8	0,00%
9	0,00%
10	0,00%
11	0,00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Retail	€	300	/sqm
House	€	375	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		13%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
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SUMMARY RESIDUAL VALUATION

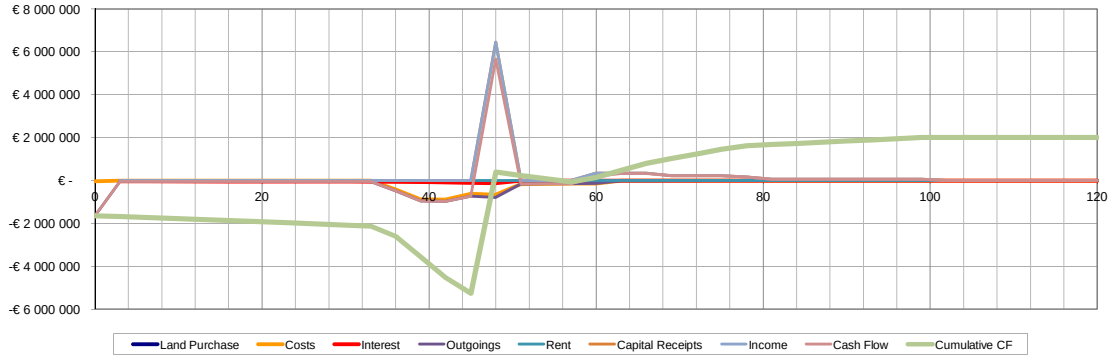
Capital Receipts			€	8 710 505		
Rent			€	-		
Income					€	**8 710 505**
Development Costs			-€	3 033 000		
Infrastructure			-€	303 300		
Demolitions			€	-		
Planning fees & contributions			€	-		
Other costs			€	-		
Fees			-€	417 038		
Contingencies			-€	187 667		
Fixed Marketing Costs			€	-		
Sales Fees	2%	sales proceeds	-€	130 658		
Leasing Fees	**10%**	**annual rent**	-€	64 480		
Development Finance	10,00%		-€	166 131		
Developer's Profit @	20,00%	GDV	-€	1 742 101		
Acquisition Fees	2,00%		-€	52 277		
					-€	**6 096 651**
Residual value					**€**	**2 613 854**
Land Holding cost						0,615949
					€	**1 610 000**

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 1 610 000								
Costs	-€ 32 200	€ -	€ -	-€ 421 168	-€ 3 055 346	-€ 602 564	-€ 38 957	-€ 13 982	-€ 3 300
Income	€ -	€ -	€ -	€ -	€ 6 448 005	€ 342 500	€ 1 137 500	€ 507 500	€ 220 000
Interest	€ -	-€ 164 220	-€ 180 642	-€ 198 706	-€ 384 707	-€ 1 499	€ -	€ -	€ -
Cash Flow	-€ 1 642 200	-€ 164 220	-€ 180 642	-€ 619 874	€ 3 007 951	-€ 261 563	€ 1 098 543	€ 493 518	€ 216 700
Cumulative CF	-€ 1 642 200	-€ 1 806 420	-€ 1 987 062	-€ 2 606 936	€ 401 015	€ 139 453	€ 1 237 996	€ 1 731 514	€ 1 948 214

As can be seen in the chart below, we assume development will commence in the future, allowing for recovery. Based on our assumption the property will be developed in three phases. The first phase will include a retail unit and some additional shops, car washing area and restaurants with a GLA of 7,000 sq m. This phase will be finalised in fifteen months and following the opening it will start generating profit. Deducting the roads, parking area and the foot print of the buildings it still remains around 26,000 sq m undeveloped land. We estimate that this part of the land, after the retail unit is functional, could be developed as residential. The second phase will start after the end of the first phase. It will consist in dividing the land in 65 plots with a total size of 400 sq m each and starting the construction of ten houses with a GBA of 150 sq m per house. At the end of these phase the houses will be marketed for sale. The third phase will consistof finalizing the road infrastructure for the remaining plots of land. All the fifty five plots of land will be sold at an estimated price of €50 per sq m. The sealing period could achieve three and a half years .

Cash Flow Profile



PROPERTY Vacant Land
ADDRESS 7, Traian Boulevard, Hunedoara
VALUATION DATE 31 July 2014

SUMMARY & CONCLUSION

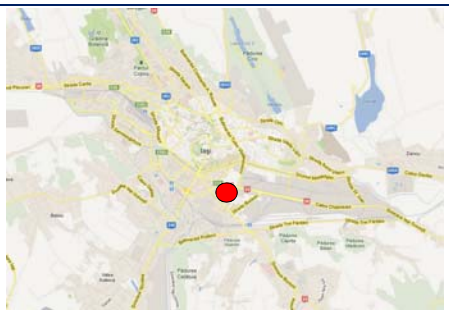
We have compared the site to available commercial land in secondary Romanian cities. We estimate that the subject plot would transact in the €30-50 per sq m range, which we consider to be realistic in the context of the available market information.
No directly comparable transaction (retail development land in the city centre of Hunedoara) has been recorded in recent years; therefore residual approach provides the most reliable market value. In summary, using the above assumptions and variables we have arrived at a residual amount of €39 per sq m, which is according to our opinion a supportable unit value of the site.

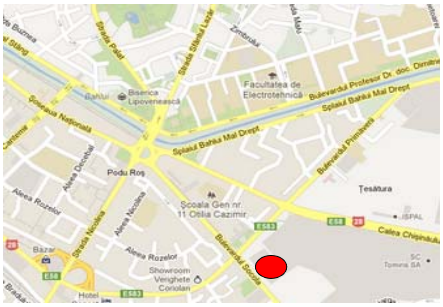
Address	Details	Asking or sold?	Date	€/sqm
Land plot in Iasi, next to Era Shopping Park	Land plot in Iasi, next to Era Shopping Park, size of 120000 sq m.	Sold	2013/Q1	€ 21
Land plot in Brasov, Tractorul Platform	Land plot in Brasov, Tractorul Platform, size of 1000000 sq m.	Sold	2012/Q2	€ 25
Bacau exit to Moinesti	Dedeman (DIY) bought 45,000 sq m	Sold	2013/Q1	€ 38
Constanta Navodari exit to Mamaia	60,000 sq m bought under bankruptcy procedure by Marina Regia	Sold	2013/Q3	€ 55

MARKET VALUE € 1 610 000,00 say € 1 610 000

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	30 June 2014

Romania; red area - Iasi County


Iasi City


Micro Location

Subject Property

LOCATION

The subject property is located in Iasi City, the administrative, economic, educational and cultural capital of Iasi County and of the entire north-eastern part of Romania (Moldova region). The site is placed at the limit of the central area, only 1 km distance from The Palace of Culture, at the junction of Socola Boulevard with Primaverii Boulevard. The site's vicinities include high densely populated districts of blocks of flats and the largest industrial area of the city.
Iasi County is located on the north-east area of Romania, being neighbour with four other counties and the Republic of Moldova to the East. It is the largest populated county in Romania, with 772,348 inhabitants (2011 Census).
Iasi City is placed only 20 km from the border with the Republic of Moldova and 144 km from Chisinau, Moldova's capital (over 650,000 pop.). It is the 4th largest populated city in Romania with an official population of 290,422 inhabitants. The metropolitan area reaches over 400,000 inhabitants when including also the student population, unrecorded population and rural population in 10-15 km radius.
The city concentrates much of the county's economy, but it succeeded to attract a limited volume of foreign investments in recent years. Iasi County's GDP/capita is only the 16th largest in Romania (5,388 €/cap. in 2013). Iasi is the 3rd largest university centre in Romania, accounting in 2012/2013 for 46,504 students.

LOCATION DETAILS

City Population	290 422
Land Uses	Residential & Commercial
Distance to Centre	1.0 km
Distance to Highway	n/a
Distance to National Road 7	At the national road 1.5 km
Public Transport	Trolley, Trams, Buses
Plot area	46 500
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	46 500
Parking Places (closed)	n/a
Access	Socola and Primaverii Boulevards
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	30 June 2014

PROPERTY DATA

PLOT OF LAND

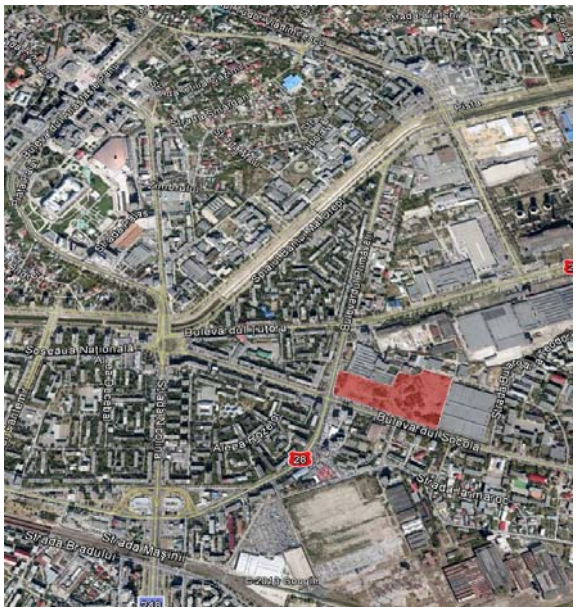
Site area, total	46 500
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	18.máj.13
Inspected by	Razvan Gheorghe MRICS

PROPERTY DESCRIPTION

The Land comprises a number of plots situated close to Iasi's centre. Individual plot details are as detailed in the table below.
The site has an irregular oblong shape, is flat and fenced.
The site is supposed to be under development on a former industrial textile factory. Access is available from Primaverii and Socola Boulevards.
We have made no specific queries to the statutory authorities but we understand and assume that all main utilities are available on the site.



1. Cad 4373/1/1/1/1/27, plot 1/1/1/1/27(8193/1/1/1/27)- 1212.64 sq m, land book 65614 blds: C95/0;C95/1;C95/2
2. Cad 4373/1/1/1/1/13, plot 1/1/1/1/19(8193/1/1/1/19)- 3966.65 sq m, land book
3. Cad 4373/1/1/1/1/18, plot 1/1/1/1/8(8193/1/1/1/18)- 1206.17 sq m, land book 65605 blds: C86/1/0;C86/1/1;C86/2/0;C86/2/1
4. Cad 4373/1/1/1/1/17, plot 1/1/1/1/8(8193/1/1/1/17)- 611.55 sq m, land book 65613 blds: C85/0;C85/1;C85/2
5. Cad 4373/1/1/1/1/16/1/1, plot -- 882.2 sq m, land book 65087 blds: C22-U1;C23;C26-U1;C28-U1
6. Cad 4373/1/1/1/1/16/2/1, plot -- 94.15 sq m, land book 65088 blds: CC
7. Cad 4373/1/1/1/1/15, plot 1/1/1/1/15(8193/1/1/1/15)- 12329.13 sq m, land book 65612 blds: C81/1/0;C81/1/1;C81/2/0;C81/2/1;C81/3/0;C81/3/1;
8. Cad 4373/1/1/1/1/14, plot 1/1/1/1/14(8193/1/1/1/14)- 1304.95 sq m, land book 60930 blds: C79/0;C79/1
9. Cad 4373/1/1/1/1/13, plot 1/1/1/1/13(8193/1/1/1/13)- 1823.83 sq m, land book 65610 blds: CC
10. Cad 4373/1/1/1/1/12, plot 1/1/1/1/12(8193/1/1/1/12)- 5854.02 sq m, land book 65609 blds: C80
11. Cad 4373/1/1/1/1/11/1, plot -- 2627.12 sq m, land book 65608 blds: C46;C47;C48;C49;C50-U1;C51;C52;C53;C54;C55;C56
12. Cad 4373/1/1/1/1/4, plot 1/1/1/1/4(8193/1/1/1/4)- 8895.44 sq m, land book 65607 blds: C88/1/0;C88/1/1;C88/2
13. Cad 4373/1/1/1/3, plot 1/1/1/1/12(8193/1/1/3)- 565.31 sq m, land book 65606 blds: C93/0;C93/1;C93/2;C94
14. Cad Lot 2 - 4373/1/1/1/1/1/2/1, plot -- 4299.9 sq m, land book 65091 blds: -
15. Cad 4373/1/1/1/1/20/2, plot -- 608 sq m, land book 68033 blds: C88/3/2
16. Cad 4373/1/1/1/1/22/2, plot -- 219 sq m, land book 68035 blds: C88/4/2-U1;C88/4/2-U2;C88/4/2-U3

* indicative only as it was not checked the exact boundaries

LAND REGISTRY DETAILS

According to the documents provided by the client, the property is situated at 2, Primaverii Street, Iasi, Iasi County.
According to the Land Registry Excerpts, site plans and Change contract, we understand that the property comprises 16 plots extending to an aggregate area of 46,500.06 sq m divided into 51 separate cadastral registry entries with their initial buildings, as well as 3 other cadastral registry entries without buildings. The owner of the property is SC Green Plaza SRL. There is no mention regarding any mortgage, however we understand that there was a legal challenge against the ownership and this is recorded in the land registry. We have valued the land assuming freehold title.
At the inspection date most of the industrial buildings mentioned within the land book had been demolished in order to prepare the land for further development.
We have not checked title documentation and permits for demolishing permission. We have not been provided with any recent land registry entries or cadastral documentation that reflects the actual current situation. We have assumed the property is an unencumbered effective freehold.

Land registry extract	as specified in the section above (Property Description)	Obtained on	02-07.07.2008
Registered owner	Green Plaza SRL		
Registered use	Land and constructions; Assumed vacant;		
Registered size			46 500,06

Restrictions and encumbrances

We have not checked title documentation but we assume the property is an unencumbered effective freehold.
The more relevant documents that were checked are summarised in the sections above (Property Description and Land Registry Details).

Comments

High street retail is concentrated in the very central area of Iasi, along Stefan cel Mare Boulevard, Independentei Boulevard, Unirii Square and Anastasie Panu Street. The subject site is located close to the city centre and it is thought that the highest and best use is for retail development; however the threat from the competition may affect the rents and feasibility of the project. A mixed use with office development as well as residential /leisure part could mitigate the risks associated with the current project.

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	30 June 2014

PLANNING ISSUES

Zoning	Mixed: Retail/Office
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	Building Conditions - mixed use Retail/Office - proposed scheme. No

We understand that the initial urban planning permission was approved by the Urban Planning Committee of Iasi, for the site held by Green Plaza SRL at 2nd Primaverii Boulevard, Iasi at 7/7/2010. The local authorities allow the construction of a "multi-purpose development". Furthermore we are aware of the fact that the municipality of Iasi also issued the main approval ("Acord unic" in Romanian) no. 165/10.09.2010 for developing a building of mixed uses, retail, underground parking and an office building.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence of contamination or dangerous substances.
In view of the characteristics and history of the property parts of the land could be affected by pollution from the areas' former uses in connection with the steel industry.

PROPOSED SCHEME

The current plans are for the development of a shopping centre, provisionally named 'Green Plaza' to include an adjoining office building. The shopping centre will comprise approximately 40,000 sq m with approximately 120 units and will include an anchor supermarket, a cinema, fashion retailers, a theme park, a food court and restaurants. The office building is planned to offer 18,000 sq m and there will also be approximately 1,700 car parking spaces.
Project status: Planning stage
Plaza Centres' share: 100%.
We are not informed of any legal or environmental issues raised. The Implementation Zoning Plan of Parcels of the first phase is not allocated.
We comment that there is a high level of competition for retail however other uses, such as residential, may be a suitable alternative.

SWOT-ANALYSIS

STRENGTHS

- Excellent location close to the city centre
- Large opening towards two of the main boulevards
- All the utilities on the site

WEAKNESSES

- Retail market oversupplied
- Local economy is underdeveloped
- Local purchasing power is low;
- Any development will require time prior to commencement

OPPORTUNITIES

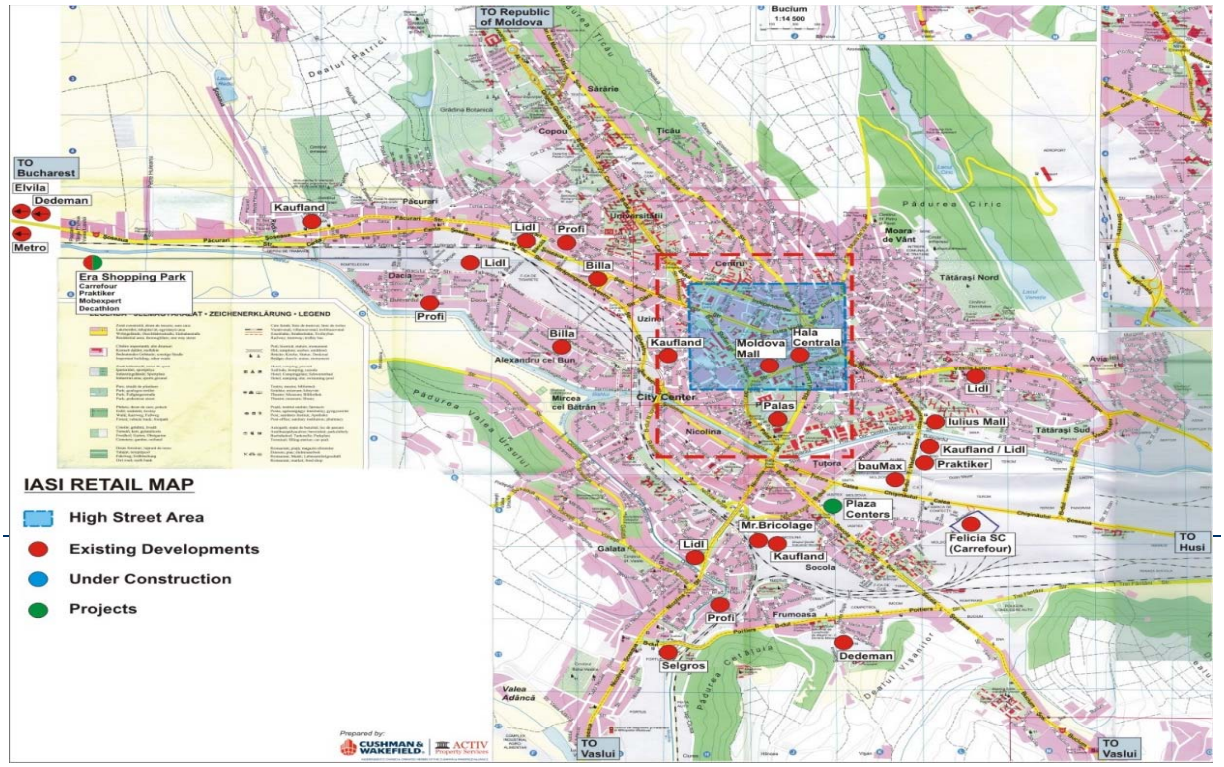
- Iasi may develop as the capital of a new region which will require more office space and increase purchasing power;

THREATS

- Reducing rents as consequence of oversupply;

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	30 June 2014

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY



Iasi has a well developed retail market that includes all the main modern retail formats and competition in all sectors. The very first modern schemes were opened in 2000-2001, but the development program accelerated especially in 2007-2008 when 5 hypermarkets and 2 shopping centres were delivered. Further new schemes were completed in 2009-2010, while the dominant downtown scheme was opened in 2012. The market includes today a high international representation and a large number of anchors (7 hypermarkets, 2 cash&carry units, 12 supermarkets and 6 discounters, 6 DIY units etc.).

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	30 June 2014

COMPETITION

The local shopping centre market is well developed, including a modern stock of 141,300 sq m GLA that corresponds to the 10th highest density in Romania (487 sq m GLA / 1,000 pop.).
There are 5 major shopping centres in Iasi, including Palas, Iulius Mall, Felicia Shopping Center, Era Shopping Park and Moldova Mall.
Palas is the dominant shopping centre in Iasi, completed in 2012 in the downtown area of the city. The 2-level scheme has 54,300 sq m GLA and is part of a mixed-use project developed by Iulius Group. The tenant-mix includes international anchors such as Auchan, Zara, H&M, C&A, New Yorker, Intersport, Humanic etc. The leisure elements include food court, bowling, exterior garden and a 10-screen cinema to be opened by Village Cinema.
Iulius Mall was the modern shopping mall opened in Moldova region. The scheme was opened by Iulius Group in 2000 and extended twice to a current area of 23,000 sq m GLA. It includes mainly small-medium shops and a significant leisure supply (kid's playground, 5-screen Cinema City, WorldClass fitness, billiard & games).
Felicia Shopping Center is a 26,500 sq m shopping centre opened in 2007 on the eastern industrial area. The scheme includes Carrefour (15,500 sq m) and a 11,000 sq m shopping gallery with anchors such as Intersport, Marks&Spencer, Takko, Deichmann, Media Galaxy. The scheme is the 3rd major shopping destination in Iasi.
Era Shopping Park is located north-west of Iasi, at the city exit to Targul Frumos. It is designed as a regional scheme, including both shopping centre and retail park sections. During 2008-2009 there were delivered a 28,000 sq m GLA shopping centre (Carrefour & gallery) and boxes of Praktiker, Mobexpert and Decathlon. The further phases, including a 28,000 sq m shopping centre extension and 36,500 sq m of retail boxes, have been put on-hold after 2009. The scheme has not been able to establish as a regional destination so far.
No shopping centre scheme is currently under construction, both projects, Plaza Centers and Era's extension, being put on-hold.
Prime shopping centre rents have experienced a 20-25% decrease after 2008, being placed today at approximately €20-27 sq m/month for medium space units of around 150 sq m.
In regard to the office market, the average rental levels have witnessed a stable evolution during the last 3 years, being placed today at approximately €10-12 /sq m/month for A-class central locations and €6-8 /sq m/month for decentralised B-class buildings.

SHOPPING CENTER COMPETING SCHEMES

Building / Address	*Date*	*Distance to subject*	*Comments*
Palas	2012	1 km	GLA 54,300 sq m, existing shopping centre
Iulius Mall	2000	1.2 km	GLA 23,000 sq m, existing shopping centre
Felicia Shopping Center (Carrefour)	2007	1.2 km	GLA 26,500 sq m, existing shopping centre
Era Shopping Park	2008	8 km	GLA 44,350 sq m, existing shopping centre & retail park

VALUATION

VALUATION METHODOLOGY

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).
To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted. Given current market conditions, it is uneconomic to develop at current rent and yield levels; a developer will not develop in these circumstances. Rather than apply the current uneconomic end use values, it is logical to assume that a buyer will build in a holding period to allow for the market to recover. We have applied variables that we consider reasonable assuming a "recovered" market.
You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	30 June 2014

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property is for a large shopping centre with office buildings.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Anchor	€	8,50	/sqm /month
LSU	€	9,50	/sqm /month
MSU	€	16,00	/sqm /month
SU	€	28,00	/sqm /month
Offices	€	12,00	/sqm /month

EXIT RATES APPLIED

We have compared retail units' yields and sale prices with the existing shopping centres in Iasi. Based on our market experience prime yields will be around 8-10 % for fully established scheme. We have applied a discount to reflect the speculative nature of the assumed scheme.

	Exit
Anchor	8,00%
LSU	8,00%
MSU	8,00%
SU	8,00%
Offices	8,50%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	700	/sqm
Offices	€	800	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		10%	GDC
Planning Fees & Contributions	€		-
Other	€		-
Developer's Profit		20%	GDV

SUMMARY RESIDUAL VALUATION

Capital Receipts			€	89 113 650	
Rent			€	1 260 824	
Income					€ 90 374 474
Development Costs			-€	43 308 600	
Infrastructure			-€	4 330 860	
Demolitions			€	-	
Planning fees & contributions			€	-	
Other costs			€	-	
Fees			-€	4 763 946	
Contingencies			-€	2 620 170	
Fixed Marketing Costs			€	-	
Sales Fees	2%	sales proceeds	-€	1 782 273	
Leasing Fees	10%	annual rent	-€	725 945	
Development Finance	8,00%		-€	4 036 583	
Developer's Profit @	20,00%	GDV	-€	17 822 730	
Acquisition Fees	0,00%		€	-	
					-€ 79 391 108
Residual value					**€ 10 983 365**
Land Holding cost					0,707433
					€ 7 770 000

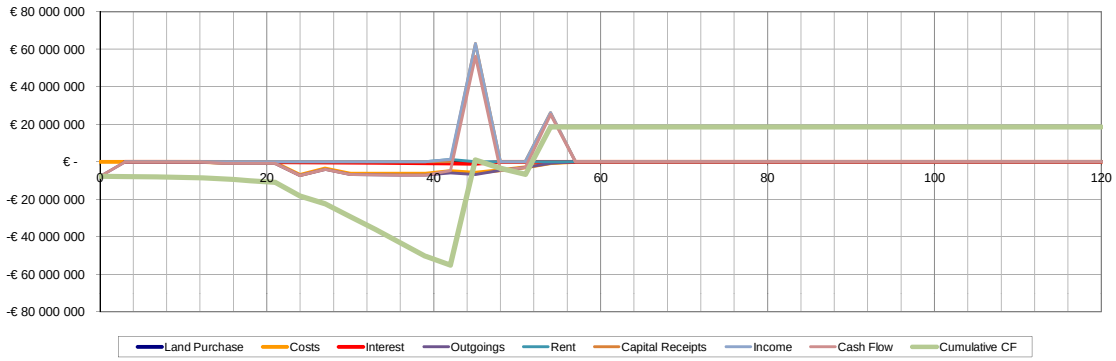
PROPERTY	Development Land
ADDRESS	2, Primaverii Street, Iasi
VALUATION DATE	30 June 2014

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 7 770 000								
Costs	€ -	€ -	-€ 9 147 122	-€ 22 898 524	-€ 21 719 084	-€ 3 767 065	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ 64 302 003	€ 26 072 471	€ -	€ -	€ -
Interest	€ -	-€ 621 600	-€ 751 064	-€ 2 058 836	-€ 2 893 076	-€ 198 301	€ -	€ -	€ -
Cash Flow	-€ 7 770 000	-€ 621 600	-€ 9 898 186	-€ 24 957 360	€ 39 689 844	€ 22 107 105	€ -	€ -	€ -
Cumulative CF	-€ 7 770 000	-€ 8 391 600	-€ 18 289 786	-€ 43 247 146	-€ 3 557 302	€ 18 549 803	€ 18 549 803	€ 18 549 803	€ 18 549 803

Development is uneconomic at present , therefore we have assumed a land holding period of three years before construction commences. Based on the current scheme the property will be developed in two phases. The first phase will include anchors (hypermarket, DIY/furniture) as well as small medium and large shops, food court, leisure, restaurants with a GLA of around 41,000 sq m. In the second phase there will be two office buildings of an aggregate of 18,000 sq m. of GLA area. The first phase will be completed within 18 months and the second within 12 months. Development of second phase will start after the first phase is completed and opened. At this point the scheme should have the optimal chance for generating income. Following the opening of second phase, the schemes will fully generate profit. The main cost for the first year is the land acquisition and the majority of the scheme will be developed in the third year.
The cash flow is shown below.

Cash Flow Profile



SUMMARY & CONCLUSION

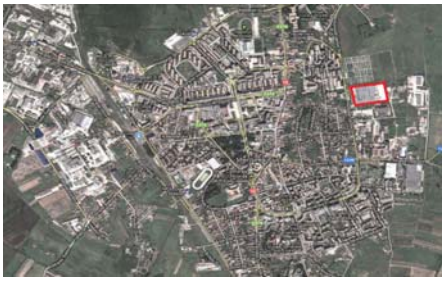
We have compared the site to available commercial land in secondary Romanian cities. in order to support our valuation. We estimate that the subject plot would transact in the €150-250 per sq m range, which we consider to be realistic in the context of the available market information.
Sites in Iasi in good locations redeveloped from industrial because of the accessibility and visibility are marketed at up to €300 per sq m, however it is very difficult to find buyers in today's market.
An adjoining plot on Primaverii Boulevard of 6,300 sq m land plus 4,300 sq m of buildings, is under a liquidation process and has been marketed since 2012 from 2.64 million Euros to 1.98 million Euros currently but no buyers have yet been found.
No directly comparable transaction (retail development land in the city centre of Iasi) has been recorded in recent years. In summary, using the above assumptions and variables we have arrived at a residual amount of €175 per sq m, which is according to our opinion a fair unit value of the site.

Address	Details	Asking or sold?	Date	€/sqm
Piatra Neamt	74000 sq m, West side of the city; suitable for commercial development	Sold	2014/Q3	€ 127
Galati	32000 sq m, ring road area	Sold	2012/Q4	€ 130
Sibiu semi-central former Polsib site	39800 sq m, Calea Sagului Street, suitable for commercial development	Sold	2014/Q2	€ 170
Sibiu semi-central former Polsib site	29,117 sq m for retail park development	Sold	2013/Q4	€ 197

MARKET VALUE	**€**	**7 770 000,00**	**say**	**€**	**7 770 000**

PROPERTY	Csiki Plaza
ADDRESS	26th, Iancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 July 2014

Romania; red area - Harghita County


Miercurea Ciuc City

Mico Location

Subject Property

LOCATION

The subject site is located in Miercurea Ciuc, the capital city of Harghita County. It is placed in the eastern part of the city, on Iancu de Hunedoara Street, at 700 meters from the city's ground zero (Libertatii Square). The vicinities include residential elements (blocks, houses) to the west, former industrial sites to the south and east and a cemetery to the north.
Harghita County is located in Central Romania, within Transilvania Region, neighbouring six other counties (Suceava, Neamt, Bacau, Covasna, Brasov, Mures). The county has a population of 310,867 inhabitants (2011 Census).
Miercurea Ciuc is placed 48 km from Odorheiu Secuiesc and 57 km from Gheorghieni, the county's 2nd and 3rd largest cities. Miercurea Ciuc has an official population of 38,966 inhabitants (2011), while the metropolitan area spreading 10-15km radius increase up to 60,000 inhabitants.
The city's economy includes few major investments, the main foreign presence being that of Heineken (beer factory). Other industries represented locally include construction, food & beverage and textile. Harghita County has the 21th GDP per capita in Romania, placed in 2013 at €4,915. Miercurea Ciuc is not an important university centre, with 733 students being enrolled in 2012/2013 as part of 2 faculties.

LOCATION DETAILS

City Population	38 966
Local Land Uses	Residential & Industrial
Distance to Centre	1 km
Distance to Highway	n/a
Distance to National Road	0 km
Public Transport	local public transport
Plot area	36 729
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	commercial centre - under construction
Occupation	under construction
Historic monument	No
Site area	36 729
Parking Places (closed)	n/a
Access	Iancu de Hunedoara St.
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Csiki Plaza
ADDRESS	26th, lancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 July 2014

PROPERTY DATA

PLOT OF LAND

Site area, total	36 729
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	13.máj.13
Inspected by	Bogdan Blendea

PROPERTY DESCRIPTION

According to the information provided, the subject property comprises two land plots of 2,864 sq m and 33,865 sq m with a total area of 36,729 sq m. On site there was an old industrial building which was refurbished according to the commercial centre plan and extended. The building works stopped.
The site is fenced and has a regular shape, with a slight slope along the road.
Csiki Plaza was intended to be a traditional shopping centre. The centre would provide the local market with 14,000 sq m GLA of modern shopping centre space. The project included 525 parking spaces, located to the rear of the main building.

LAND REGISTRY DETAILS

We have been provided with the following documents:
- Land Registry Excerpt no. 19149 / 11.12.2008 - referring to the land plot of 2,864 sq m
- Land Registry Excerpt no. 19148 / 11.12.2008 - referring to the land plot of 33,865 sq m
(bouth land plots have a mortgage registered in favour of INVESTKREDIT BANK AG)
- Building Permit no. 134 / 08.05.2008 for a commercial centre (expired)
- Building Permit no. 92 / 08.04.2008 for a parking building (expired)
- Decision no. 9 / 2008 regarding the approval of the Urban Plan for the commercial centre
- plans

Land registry extract	no. 19149/11.12.2008 and no. 19148/11.12.2008	Obtained on	11,12,2008
Registered owner	North Gate Plaza SRL		
Registered use	Assumed land		
Registered size	in total 36729sq m		

Restrictions and encumbrances

According to the information provided there are no restrictions and encumbrances. The owner had a building permit for a commercial centre and parking area.

Comments

According to the information provided there is a mortgage on the property in favour of ÌNVESTKREDIT BANK AG for the amount of 19,900,000 Euro.

PROPERTY	Csiki Plaza
ADDRESS	26th, lancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 July 2014

PLANNING ISSUES

Zoning	commercial center
Footprint ratio	n/a
n/a	
Maximum height	n/a
Permit status	a building permit for a commercial center and parking area (expired)

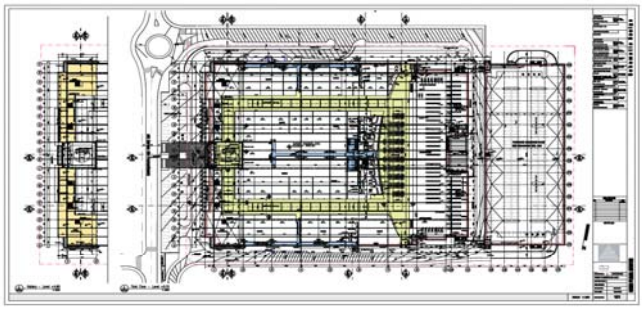
The subject Property is an old industrial facility located in the eastern outskirts of the city. There was a building permit issued in 2008 for a commercial centre and a park area. At the date of the inspection the building works had been suspended at a partially built stage. It seems there was an old building that was reconsolidated partially and integrated into the new plan. According to the documents provided the building permits have expired and the building works are not finished.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that can determine the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).
In view of the characteristics and history of the property we cannot say if there are outstanding environmental or archaeological issues. We advise you to have these issues checked.

PROPOSED SCHEME

According to the information provided we understand that the owner is planning to develop a commercial centre called CSIKI PLAZA. The scheme comprises a commercial centre and associated parking.
The centre was designed to provide 14,000 sqm GLA of modern shopping centre space. The project included around 525 outdoor parking spaces located to the rear of the property.



SWOT-ANALYSIS

STRENGTHS

- Good opening to the main road
- All the utilities in the area

WEAKNESSES

- Remote location compared to city centre
- The purchase power of the citizens is low
- The pedestrian access is difficult because of the slope in the area
- The area is sparsely populated

OPPORTUNITIES

- Lack of commercial centers in the area

THREATS

- The main road which connects the city with Bacau and Targu Mures already attracted Kaufland, Dedeman and Penny
- Expansion of the town towards the west

PROPERTY	Csiki Plaza
ADDRESS	26th, lancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 July 2014

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The local retail market includes a limited international and national representation. Apart from the high street units, the representative retailers are part of several boxes, developed during the recent years, and Tulipan Shopping Center, the former department store of the city.
The food sector is currently the most developed, including several main developments: one hypermarket (Kaufland), two supermarkets (Profi, Merkur) and two discounters (Penny Market, Lidl). DIY's market leader Dedeman opened last year a 7,500 sq m unit.

COMPETITION

Miercurea Ciuc has an underdeveloped shopping centre market, the only existing shopping centre being Tulipan, a small-size (<5,000 sq m) former state owned department store of the city, located in the downtown area. The centre is structured on GF, mezzanine and 1st floor, and it is anchored by Profi, DM and Altex.
Both projects announced years ago, namely Csiki Plaza (14,000 sq m GLA) and Cadran Commercial Centre (7,500 sq m GLA), have been put on-hold after the start of crisis and not been restarted so far.
Retail demand in Miercurea Ciuc is placed at a low level and restricts the potential for the market development. Rental levels are estimated to be at approximately €10-13 sq m/month for units of around 150 sq m.

COMPETING SCHEMES

Building / Address	*Date*	*Distrance to subject*	*Comments*
Tulipan Shopping Center	Before 1989	600 m	Anchors: Profi, Altex, DM

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).
To form an opinion of value we have had to make certain assumptions for the input variables. We consider that these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.
You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

PROPERTY	Csiki Plaza
ADDRESS	26th, lancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 July 2014

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a large shopping centre. We believe that the construction of a shopping centre is not viable in the current market; however our valuation follows the original proposed scheme, which may be viable on a longer term. To allow for the market conditions to improve to a time when retail may be feasible we have also assumed that the landlord will need to hold the land to enable market recovery.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Retail Element	€	10,00	/sqm /month
Industrial Element	€	4,00	/sqm /month

EXIT RATES APPLIED

We estimate the cap rates based on the most recent information and deals as well as discussing with agents involved in transactions.

	Exit
Retail Element	10,50%
Industrial Element	10,75%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market. We also considered the actual state of the building and the costs required for redevelopment.

Shopping Centre	€	300	/sqm
Logistic element	€	150	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		13%	GDC
Developer's Profit		20%	GDV

SUMMARY RESIDUAL VALUATION

Capital Receipts			€	15 434 360	
Rent			€	-	
Income					€ **15 434 360**
Development Costs			-€	4 855 500	
Infrastructure			-€	485 550	
Fees			-€	667 631	
Contingencies			-€	300 434	
Sales Fees	2%	sales proceeds	-€	308 687	
Leasing Fees	10%	annual rent	-€	163 145	
Development Finance	10,50%		-€	408 869	
Developer's Profit @	20,00%	GDV	-€	3 086 872	
Acquisition Fees	0,00%		€	-	
					-€ **10 276 689**
Residual value					€ **5 157 672**
Land Holding cost					0,653396
					€ **3 370 000**

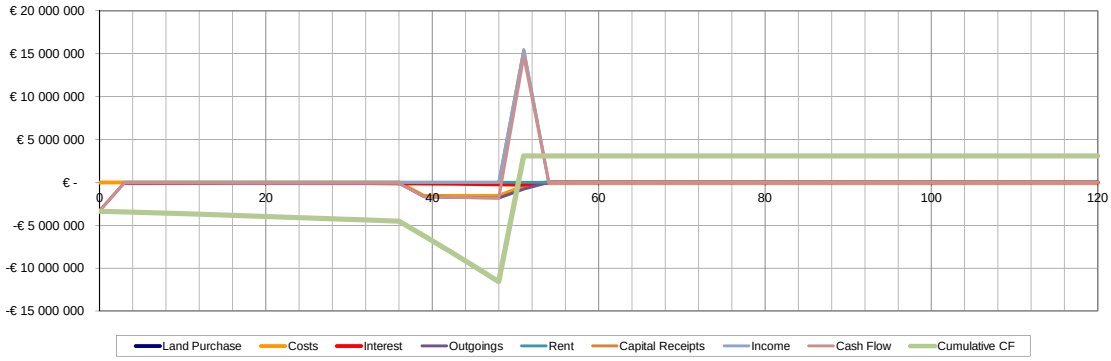
PROPERTY	Csiki Plaza
ADDRESS	26th, lancu de Hunedoara, Miercurea Ciuc
VALUATION DATE	31 July 2014

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 3 370 000								
Costs	€ -	€ -	€ -	€ -	-€ 6 309 115	-€ 471 832	€ -	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ 15 434 360	€ -	€ -	€ -
Interest	€ -	-€ 353 850	-€ 391 004	-€ 432 060	-€ 720 681	-€ 292 607	€ -	€ -	€ -
Cash Flow	-€ 3 370 000	-€ 353 850	-€ 391 004	-€ 432 060	-€ 7 029 796	€ 14 669 921	€ -	€ -	€ -
Cumulative CF	-€ 3 370 000	-€ 3 723 850	-€ 4 114 854	-€ 4 546 914	-€ 11 576 710	€ 3 093 211	€ 3 093 211	€ 3 093 211	€ 3 093 211

As can be seen in the chart below, we assume that the development will commence after 39 months. The property will be developed in two phases with hypermarket, shops, food court and leisure. We see less interest for the city coming from other retailers than those already within the city. We assumed that the phases will be completed within one year when the scheme will start generating income. The main cost for the first year is the land acquisition. We assumed that the scheme would be developed in two phases.

Cash Flow Profile



SUMMARY & CONCLUSION

We have compared the site to available commercial land in secondary cities of over 40,000 inhabitants. However we primarily ran a residual calculation to develop our findings. We estimate that the subject plot would transact with the existent structures on the site. Development sites across Romania were sold for retail at around the €25-80 per sqm for more peripheric locations or/and small cities and around the €80-120 per sqm for more important cities whilst few very good location achieved more, up to €300-400 per sqm.
No directly comparable transaction has been concluded in the last two years, therefore residual approach provides the most reliable market value. In summary, using the above assumptions and variables we have arrived at a residual amount of €92 per sqm, which is according to our opinion a unit value of the site taking into account the partially developed structures on site.

Address	Details		Asking or sold?	Date	€/sqm
Bistrita	Land plot located in south western area of the city, sq m	19870	Sold	2011/Q3	€ 80
Timisoara	Land plot located on Calea Sagului Street, 182000 sq m		Sold	2014/Q2	€ 88
Piatra Neamt	Land plot in Piatra Neamt, western side of the city, 74000 sq m		Sold	2014/Q3	€ 127
Land plot in Galati, Ring Road area	Land plot in Galati, Ring Road area, size of 32000 sq m.		Sold	2012/Q4	€ 130

MARKET VALUE	**€**	**3 370 000,00**	**say**	**€**	**3 370 000**
MARKET VALUE		**3 month sales priod**	**say**	**€**	**1 685 000**

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	30 June 2014

Romania; red area - Olt County

Slatina City

Micro Location

Subject Property

LOCATION

The subject property is located in Slatina, the administrative capital of Olt County, located in the south-western region of Romania (Oltenia). The property is placed in the north-eastern part of the city, as part of the industrial area placed at the city exit to Pitesti. The site is at 1.5 km from the central area, at the junction between Cireasov Street and Constructorilor Boulevard. The vicinities are mainly formed by industrial sites, while at 300 meters distance there was opened a Dedeman.
Olt County neightbours with Dolj, Teleorman, Arges and Valcea counties, while the southern border is with Bulgaria (Danube River). The county has a population of 436,00 inhabitants (2011 Census).
Slatina is placed on Olt River, at 50 km to Craiova and 71 km to Pitesti. It is the 31th largest city in Romania, with 70,293 inhabitants officially recorded at 2011 Census. The total metropolitan population, accounted in 15 km radius, reaches approximately 115,000 inhabitants.
Olt County has one of the lowest GDP per capita in Romania, placed in 2013 at €4,315. Slatina concentrates most of the main investments in the area. The city's economy is focused on the metallurgical industry, aluminium production and processing, with the main companies being Alro and Alprom. The city attracted some several major investments from the automotive industry: Pirelli (€550 million until 2017), Johnson Controls (€10 million) and Honsel International Technologies (€36 million).

LOCATION DETAILS

City Population	70 293
Local Land Uses	Residential & Commercial
Distance to Centre	2 km
Distance to Highway	0.5 km
Distance to National Road	0.5 km
Public Transport	average
Plot area	23 881
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	23 881
Parking Places (closed)	n/a
Access	from Cireasov Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	30 June 2014

PROPERTY DATA

PLOT OF LAND

Site area, total	23 881
Surplus Land	-
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	17.máj.13
Inspected by	David Hunt

PROPERTY DESCRIPTION

The Land comprises of three plots with a total area of 23,881 sq m.
The site is flat and has an irregularly shape.
The site was previously used for commercial purposes and it is accessible directly from Cireasov Street.
We have made no specific queries of the statutory authorities but we understand and assume that all main services are available on the site.

LAND REGISTRY DETAILS

According to the information provided by the client, the property is situated in Slatina Municipality. We have reviewed extracts from the land registry but we have not verified the details. The Property consists of three plots entered in the Land Registry as follows:

Land Registry Nr.	Nr Cadastal	Description	Surface Area	Owner
17973	4756-565/2	Intravilan Land situated in tarla 22 parcela 7/1/2 address Str. Cireasov Nr.30A & Nr.100	3200	SC South Gate Plaza SRL
17478	822/5/1/41	Intravilan Land Address Str. Cireasov Nr.28	476	SC South Gate Plaza SRL
17121	3217/3844	Intravilan Land Address Str. Cireasov Nr.22-28	20204	SC South Gate Plaza SRL

We have not checked title documentation but we assume the property is an unencumbered and effective freehold.

Land registry extract	See land registry details above	Obtained on	Not Applicable
Registered owner	SC South Gate Plaza SRL		
Registered use	Assumed land		
Registered size	23 881,00		

Restrictions and encumbrances

We have not checked the title documentation but assume the property is an unencumbered effective freehold.

Comments

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
Maximum height	n/a
Permit status	PUD granted No PUZ No Building Permit

The subject Property has a PUD granted in 2008, this is an approval to accept the scheme within the municipality's urban layout framework.
To advance further on the project it will be necessary to obtain a PUZ (Zoning Urban Planning), a Certificate of Urbanism and a building permit.

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	30 June 2014

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have we been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminated substances or any other land (including any ground water).
In view of the characteristics and history of the property it is possible that there may be some ground contamination resulting from the property's historic industrial use.

PROPOSED SCHEME

The owners plan to develop a project called Slatina Plaza, which will comprise the following:
- shopping and entertainment centre with approximately 17,000 sqm
- 80 retail units including supermarket, fashion retailers, a fantasy park, a food court and over 500 car parking spaces.

SWOT-ANALYSIS

STRENGTHS

- Size of the site
- No competing modern shopping centres in the city

WEAKNESSES

- City is small
- Lack of consumer demand

OPPORTUNITIES

- To be the first modern shopping centre in Slatina
- Retail demand remains strong

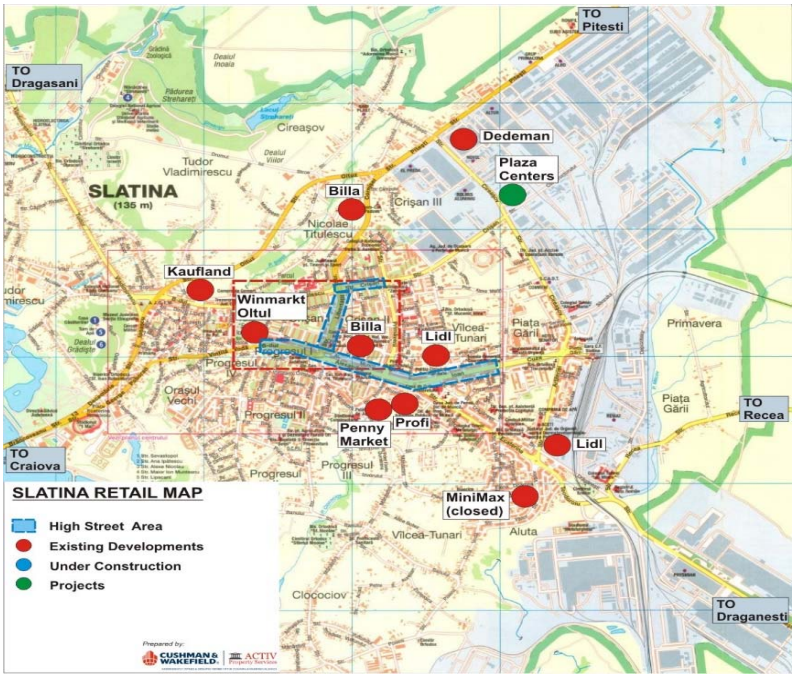
THREATS

- Low purchasing power of the local inhabitants
- Improved road connections with Craiova may encourage shoppers away from Slatina

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	30 June 2014

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Slatina retail market is characterised by a low competition in most of the retail sectors, only the food segment being well represented. There are few major non-food international or national retailers operating in Slatina, the competition being mainly represented by locals. The largest part of the major retailers entered the city in 2008, with food sector currently having the best coverage on the local market, including a hypermarket (Kaufland), supermarkets (2 units of Billa, Profi) and discounters (2 units of Lidl, Penny market).
Kaufland opened its unit in 2008 which includes an electrical goods store (Domo) within the gallery. The latest major retailer to open in Slatina is Dedeman who opened a DIY unit in the first quarter of 2013.



COMPETITION

The shopping centre market in Slatina includes a single important scheme placed in the central area of the city. Winmarkt Oltul Slatina was built during the communist period and partially modernised in 2006. The building is structured on B+HB+GF+5, accounting for approx. 6,500 sq m GLA. The tenant mix includes Altex, Domo, B&B Collection, House of Art and locals. Although it is the only shopping centre in the city, the vacancy rate is relatively high and there are no international retailers. The shopping centre rents achievable in Slatina are estimated at approx. €4-6 sq m/month for units of over 1,000 sq m and €10-14 /sq m/month for 100-200 sq m shops.

COMPETING SCHEMES

Building / Address	*Date*	*Distance to subject*	*Comments*
Winmarkt Slatina	2006	1.8 km	GLA 6,500 sq m, existing shopping centre. Refurbished retail centre built during the communist times

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	30 June 2014

VALUATION CONSIDERATIONS

The zoning of the land has to change to develop an income generating property. The proposed scheme for the subject property was for a shopping centre and we have based our valuation on this use due to the reason that the land had been invested to develop a shopping centre.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Retail project	€	14,00	/sqm /month
2	€	-	/sqm /month
3	€	-	/sqm /month
4	€	-	/sqm /month

EXIT RATES APPLIED

A scheme will not be developed with prevailent current yields. We have assumed a recovery in yields from current levels, counterbalanced by a holding period.
We have applied a discount to reflect the speculative nature of the assumed scheme.

	Exit
Retail project	9,50%
2	0,00%
3	0,00%
4	0,00%
5	0,00%
6	0,00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	550	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		13%	GDC
Developer's Profit		20%	GDV

SUMMARY RESIDUAL VALUATION

Capital Receipts			€	30 151 212	
Rent			€	-	
Income					**€ 30 151 212**
Development Costs			-€	15 186 050	
Infrastructure			-€	1 518 605	
Demolitions			€	-	
Planning fees & contributions			€	-	
Other costs			€	-	
Fees			-€	2 088 082	
Contingencies			-€	939 637	
Fixed Marketing Costs			-€	30 000	
Sales Fees	2%	sales proceeds	-€	603 024	
Leasing Fees	10%	annual rent	-€	286 437	
Development Finance	9,50%		-€	1 649 390	
Developer's Profit @	20,00%	GDV	-€	6 030 242	
Acquisition Fees	2,00%		-€	35 681	
					-€ 28 367 148
Residual value					**€ 1 784 064**
Land Holding cost					0,605359
					€ 1 080 000

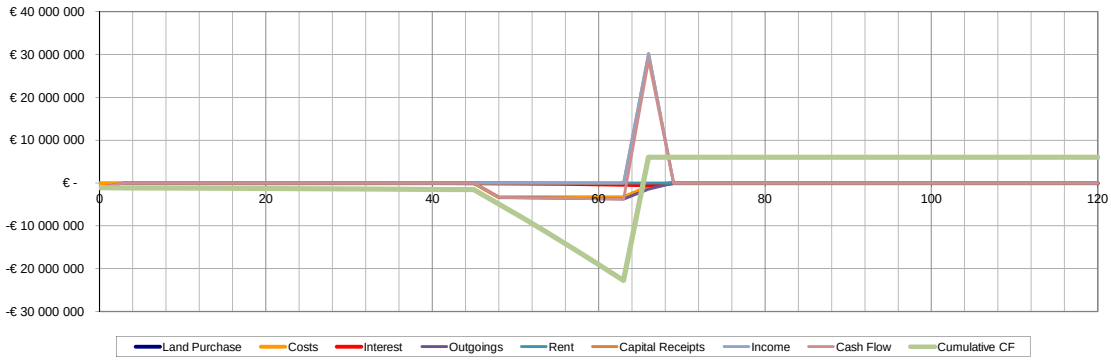
PROPERTY	Slatina
ADDRESS	Slatina, Str Cireasov, nr 22-28, 30A, 100
VALUATION DATE	30 June 2014

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 1 080 000								
Costs	-€ 21 600	€ -	€ -	-€ -	-€ 3 293 729	-€ 13 174 916	-€ 4 183 190	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ -	€ 30 151 212	€ -	€ -
Interest	€ -	-€ 104 652	-€ 114 594	-€ 125 480	-€ 137 401	-€ 923 842	-€ 956 507	€ -	€ -
Cash Flow	-€ 1 101 600	-€ 104 652	-€ 114 594	-€ 125 480	-€ 3 431 130	-€ 14 098 758	€ 25 011 515	€ -	€ -
Cumulative CF	-€ 1 101 600	-€ 1 206 252	-€ 1 320 846	-€ 1 446 326	-€ 4 877 456	-€ 18 976 214	€ 6 035 301	€ 6 035 301	€ 6 035 301

As can be seen in the chart below, we assume development will commence after 48 months. Based on the current scheme the property will be developed in one phase. This will comprise a shopping and entertainment centre with approximately 17,000 sq m with 80 units including supermarket, fashion retailers, a theme park, a food court and over 500 car parking spaces.
The phase will be completed at the end of the 18 months and at this point the scheme will start generating income. The main cost for the first year is the land acquisition and the majority of the scheme will be developed in the second year.

Cash Flow Profile



SUMMARY & CONCLUSION

We checked recent transactions closed within the last two years across Romania in cities of similar sizes and locations as for the property subject, listed below.
In our opinion the local market is at this time unable to support any modern multi-let retail mall. Local purchasing power remains low and in terms of retail the biggest opportunities remain in the discount grocery market; however, a scheme may be feasible in the future and our residual calculation would appear to be realistic in the context of transactions and available sites.

Address	Details	Asking or sold?	Date	€/sqm
Bacau exit to Moinesti	Dedeman (DIY) bought 45,000 sq m	Sold	2013/Q1	€ 38
Vatra Dornei	13508 sq m, 22 December Street, Kaufland bought	Sold	2014/Q1	€ 51
Constanta Navodari exit to Mamaia	60,000 sq m bought under bankruptcy procedure by Marina Regia	Sold	2013/Q3	€ 55

MARKET VALUE	**€**	**1 080 000,00**	**say**	**€**	**1 080 000**

PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 July 2014

Romania; red area - Mures County

Targu Mures City

Micro Location

Subject Property

LOCATION

The subject property is located in Targu Mures, the administrative and economic capital of Mures County, placed in central Romania. The site is located on Gheorghe Doja Street, the main boulevard that connects the city centre (1.5 km distance) to the exit to Alba Iulia / Cluj Napoca. The surrounding area is a mix of residential (houses and apartment blocks) and commercial (in the form of ground floor retail). The southern side of the land is bordered by Gheorghe Doja Street, the eastern side is bordered by Kaufland, and the northern side by a railway line while to the west is Turzii Street and residential elements.
Targu Mures, located on Mures River and E60, has an official population of 134,290 inhabitants (16th in Romania), while including also the surrounding areas 15 km radius the metropolitan population exceeds 200,000 inhabitants. The entire Mures County accounts for 550,846 inhabitants (12th in Romania). The local economy includes several major companies from chemical industry, equipments, furniture, textiles, food & beverage, automotive, construction materials etc. such as Azomures, Gedeon Richter, Sandoz, Mobex, Heineken, Friesland and Holcim. The official statistics provided only at county level shows that Mures County had the 17th highest GDP per capita in Romania in 2013 (€5,345). Targu Mures is the 12th university centre in Romania with 10,494 students enrolled in 2012/2013.

LOCATION DETAILS

City Population	134,290
Local Land Uses	Residential & commercial
Distance to Centre	2 km
Distance to Highway	N/A
Distance to National Road	Adjacent
Public Transport	well developed
Plot area	31,578
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Land
Occupation	Vacant
Historic monument	No
Site area	31,578
Parking Places (closed)	n/a
Access	to Gheorghe Doja and Turzii Street
Utilities	available, not checked
Legal issues	not checked

PROPERTY DATA

PLOT OF LAND

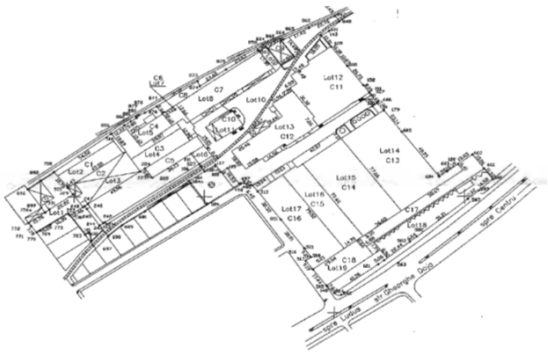
Site area, total	31,578
Surplus Land	
Developed area (% total site)	n/a

INSPECTION

Inspection Type	External
Inspection Date	14-May-13
Inspected by	Bogdan Blendea

PROPERTY DESCRIPTION

According with the last information provided by the client we understand that the land (in total size of 31,578 sq m) was divided in 2013 in two plots, as following: Cadastral number 133247 in size of 30,232 sq m and Cadastral number 133248 in size of 1,346 sq m.
The land is flat and has an irregular shape. It is fenced and accessible both from Gheorghe Doja and Turzii Streets.
On the land with cadastral no. 133248 there is a small office building with a foot print area of 907 sq m (according to measurements) and a GBA of 3,438 sq m.
The PUZ for future retail development was issued for the total area of 31,578 sq m and we have assumed for the purpose of our valuation that the building will be demolished when the retail scheme will be built.
We have made no specific queries to the statutory authorities but we understand and assume that all main services are available on the site.



PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
VALUATION DATE	31 July 2014

LAND REGISTRY DETAILS

The subject property consists in two adjacent land plots registered in the Land Registry Excerpt No. 133247 and Land Registry Excerpt No. 133248.
According to Land Registry Excerpt No. 133247 the subject property comprises in land extending to a total size of 30,232 sq m along with one building (high-voltage-transformer) with foot print of 365 sq m).
According to Land Registry Excerpt No. 133248 the subject property comprises in land extending to a total size of 1,346 sq m and one office building (GF+2F)
According to the Land Registry the property is owned by SC Mountain Gate Plaza SRL with 720 sq m specified as being leased to a third party.
We have not checked title documentation but assume the property is unencumbered with freehold tenure.

Land registry extract	No 133247 and No 133248 - not provided	Obtained on	11.12.2009
Registered owner	Owner: Mountain Gate Plaza SRL		
Registered use	Land and Constructions; Assumed Vacant		
Registered size			31,578.00

Restrictions and encumbrances

We have not checked title documentation but assume the property is freehold and is free from any encumbrances or servitutes

PLANNING ISSUES

Zoning	not valid
Footprint ratio	n/a
Maximum height	n/a
Permit status	PUZ granted No building permit

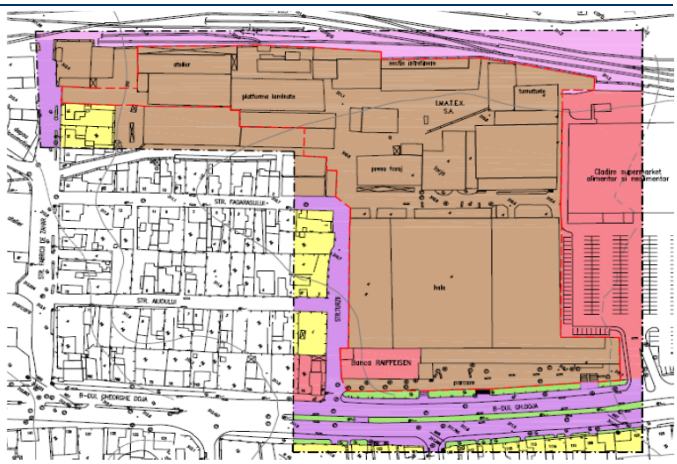
The subject Property has a PUZ (a master plan approved by local authorities) granted in 2010, issued for the entire site area of 31,578 sq m. No building permit was provided.

ENVIRONMENTAL

We have not carried out any investigations or tests, nor have been supplied with any information from the client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).
In view of the characteristics and history of the property parts of the land could be contaminated by pollution from the historic factory uses.

PROPOSED SCHEME

The owners were planning to develop a shopping centre with 31,730 sq m GLA including a theme park. We were not informed of any legal or environmental issues raised. We were not provided with any building permit. It is our understanding that the project is on hold.
We comment that the proposed scheme is quite large given current market circumstances. Imminent development is unlikely given current circumstances, therefore a holding period is required.
However we have assumed that **a smaller retail scheme would be suitable for the current market condition**.
We have assumed a development on a single level and a POT of 60%, which gives a total building area of 18,947 sq m. If the development of the commercial area would start we have assumed that the existing office building would be demolished.



SWOT-ANALYSIS

STRENGTHS

Good access from the main road;
Good opening to the main road;
All the utilities in the area;
One compact plot of land; Vacant land;

WEAKNESSES

The land could be affected by pollution;
The northern side of the land is bordered by a railway;

OPPORTUNITIES

The market includes three modern schemes, namely European Retail Park, Mures Mall and Auchan, opened between 2006-2007 and now becoming dated. A modern scheme may be more attractive.

THREATS

Mega Mall was also planned to be developed only 50 metres away from subject property. If development proceeds it may compete to attract tenants. European Retail Park is the largest retail project in Targu Mures and is located 3.5 km west from the subject property.

PROPERTY	Vacant Land
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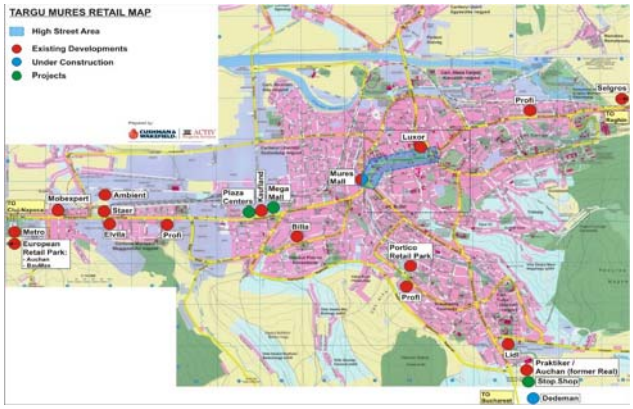
REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

The local market is characterised by an average level of development, including most of the modern retail formats. An average number of international and national anchors are represented in Targu Mures, as part of the shopping centre stock and stand-alone warehouses. Largest formats include hypermarkets (Auchan – 2 units, Kaufland – 2 units), cash & carry (Metro, Selgros), supermarket & discounters (Billa, Carrefour Market – 2 units, Profi – 4 units, Lidl – 2 units, Penny Market), DIY (Praktiker, bauMax, Dedeman, Ambient).



COMPETITION

Targu Mures includes a shopping centre modern stock of 60,250 sq m GLA, corresponding to the 13th highest density in Romania (449 sq m GLA / 1,000 inhabitants). It consists of 3 schemes: European Retail Park, Mures Mall and Auchan (former Real).

European Retail Park is the regional retail scheme in Mures County, with 49,517 sq m GLA of modern retail opened in 2007. The scheme includes a shopping centre building of 35,160 sq m GLA and 14,360 sq m of boxes (bauMax, Proges). The park is situated at the city exit to Cluj-Napoca, opposite to Azomures platform. The shopping centre is developed on a single level and is anchored by Auchan, H&M, New Yorker, Takko, Altex, Hervis etc. The scheme's performance has improved in the last years, both in terms of tenant mix, footfall and sales, becoming the dominant shopping destination in the area.

Mures Mall was also delivered in 2007, being located in the city centre, at the limit of the downtown high street Trandafirilor Square. The scheme has 10,000 sq m GLA and 50 shops, spread along lower ground floor (Carrefour Market, Altex), ground floor and 3 upper levels. The last floor is dedicated to leisure (6-unit food-court, casino and bowling). The scheme is fashion-oriented but includes few anchors and thus the power to attract visitors is limited, despite the excellent location. In general the scheme has not performed as well as expectations and the construction of the second phase, planned to double the scheme's lettable area, is currently on-hold.

Auchan Shopping Centre is a convenience-type scheme with hypermarket and gallery in front. The scheme opened in 2006 at the city exit to Bucharest. It has 15,090 sq m GLA, including Auchan (former Real) hypermarket and a GF+1 gallery of 3,590 sq m GLA. The gallery is service oriented.

Two shopping centre projects were announced before 2008 in Targu Mures, namely Plaza Centers and Mega Mall. Both are located on Gheorghe Doja Street, at the right and respectively left side of Kaufland unit, and both were planned to deliver 30,000 sq m GLA. They were put on-hold after the start of crisis and no information in regards to their restart has been releases since then.

COMPETING SCHEMES

Building / Address	*Date*	*Distance to subject*	*Comments*
European Retail Park	2007	3.2 km	GLA 35,160 sq m, existing shopping centre
Mures Mall	2007	1.4 km	GLA 10,000 sq m, existing shopping centre
Auchan	2006	3.2 km	GLA 15,090 sq m, existing shopping centre

VALUATION

VALUATION METHODOLOGY

It is impractical to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion regarding the value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore be convinced that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

PROPERTY	Vacant Land
ADDRESS	64-68, Gheorghe Doja Street, Targu Mures, Mures County
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VALUATION CONSIDERATIONS

The zoning of the land has to change to permit the development of an income generating property. The proposed scheme for the subject property is for a large shopping centre. We also assumed that the landlord will need to hold the land for four years and then will start construction, by then the local market is expected to develop.

VALUATION ASSUMPTIONS

RENTAL VALUE

We assumed an average ERV for each category based on our market research and knowledge of the recent lease transactions and current trends.

Retail	€	9.75	/sqm /month

EXIT RATES APPLIED

A buyer of the site will do so in the expectation of an improvement in the market. The yields applied reflect an improvement in the market and we have built in a holding period to reflect this.

	Exit
Retail	9.00%

OTHER VARIABLES

We have derived costs from our market knowledge and applied other soft and hard cost elements according to prevalent norms in the market.

Shopping Centre	€	450	/sqm
Contingencies		5%	
Letting Fees		10%	ERV
Sales Fees		2%	ERV
Fees		10%	GDC
Developer's Profit		20%	GDV

SUMMARY RESIDUAL VALUATION

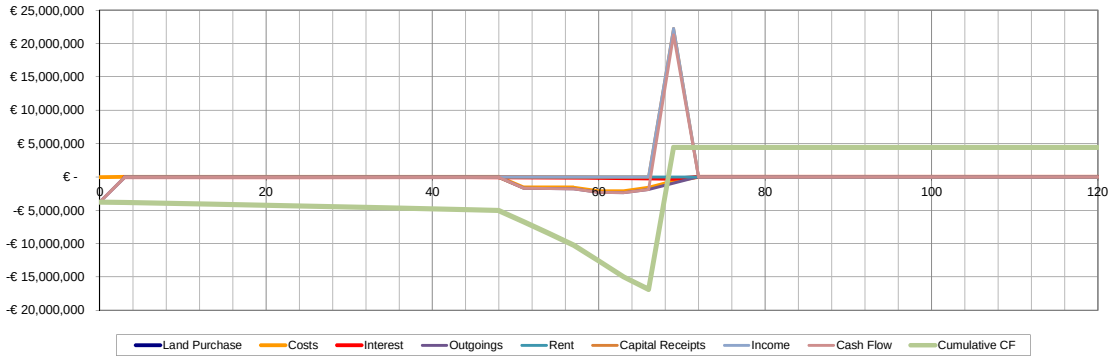
Capital Receipts			€	22,229,333	
Income					€ 22,229,333
Development Costs			-€	8,526,060	
Infrastructure			-€	852,606	
Fees			-€	937,867	
Contingencies			-€	515,827	
Fixed Marketing Costs			-€	40,000	
Sales Fees	2%	sales proceeds	-€	444,587	
Leasing Fees	**10%**	**annual rent**	-€	200,064	
Development Finance	7.00%		-€	657,285	
Developer's Profit @	20.00%	GDV	-€	4,445,867	
Acquisition Fees	1.50%		-€	82,894	
					-€ 16,703,056
Residual value					**€ 5,526,277**
Land Holding cost					0.678576
					€ 3,750,000

Cash Flow

Year	0	1	2	3	4	5	6	7	8
Land Purchase	-€ 3,750,000								
Costs	-€ 56,250	€ -	-€ 40,000	€ -	€ -	-€ 7,041,033	-€ 4,435,976	€ -	€ -
Income	€ -	€ -	€ -	€ -	€ -	€ -	€ 22,229,333	€ -	€ -
Interest	€ -	-€ 266,438	-€ 285,088	-€ 307,844	-€ 329,393	-€ 520,656	-€ 757,964	€ -	€ -
Cash Flow	-€ 3,806,250	-€ 266,438	-€ 325,088	-€ 307,844	-€ 329,393	-€ 7,561,689	€ 17,035,392	€ -	€ -
Cumulative CF	-€ 3,806,250	-€ 4,072,688	-€ 4,397,776	-€ 4,705,620	-€ 5,035,013	-€ 12,596,703	€ 4,438,690	€ 4,438,690	€ 4,438,690

As can be seen in the chart below, we have allowed for a holding . Based on our estimation the property will be developed in one phase. This will comprise a retail scheme with 18,947sq m GLA including supermarket, fashion retailers, leisure, a food court and exterior car parking spaces.

Cash Flow Profile



PROPERTY	Vacant Land
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SUMMARY & CONCLUSION

In our opinion the local market is unable to support a new modern multi-let retail mall at this time. Local purchasing power remains low and in terms of retail the biggest opportunities remain in the discount grocery market.
Care should be taken in positioning and phasing any future retail project .
In summary, using the above assumptions and variables we have arrived at a residual amount of €119 per sqm, which is according to our opinion a reasonable value of the site.

Address	Details	Asking or sold?	Date	€/sqm
Calarasi, semi-central area	Semi-central (between Catex and the stadium), land plot in size of 20,000 sq m	Sold	2011/Q4	€ 100
Piatra Neamt, western side of the city	74,000 sq m suitable for commercial development	Sold	2014/Q3	€ 127
Ploiesti	19,479 sq m, small part of Upetrom platfrom	Sold	2012	€ 140
Galati	121,142 sq m, George Cosbuc no 251	Sold	Q4/2012	€ 155
MARKET VALUE	**€ 3,750,000.00**	**say**		**€ 3,750,000**

PROPERTY	KOREGAON PARK PLAZA
ADDRESS	North Main Road, Koregaon Park Extension, Pune, MH
VALUATION DATE	30 July 2014

Pune City

Micro Location - Koregaon Park

Mall View

Internal View

LOCATION

The Subject Property, Koregaon Park Plaza, is located approximately 8 kms from Pune city center and is approximately 6 kms from Pune Railway Station. It is located on the North Main Road at Koregaon Park Extension. Koregaon Park, an established residential development is located to its West and Mundhwa is located on to its East.

Pune is the second largest city in the state of Maharashtra after Mumbai. As per 2011 Census, Pune urban agglomeration has a population of approximately 5.04 million. The Pune city has presence of prominent educational institutes such as University of Pune, Symbiosis University, Bharati Vidyapeeth University, D Y Patil Institutes etc. Pune city has two municipal corporations, namely Pune Municipal Corporation (PMC) and Pimpri - Chinchwad Municipal Corporation (PCMC). Pune city is an important industrial and automobile hub of the country. Over the last decade, it has emerged as one of the favourite destination for Information Technology (IT) in the country leading to commercial, residential and retail real estate growth.

Pune city has good rail, road and air connectivity. National Highways such as NH-4, NH-9, NH-50 and NH-60 connects Pune city to various major cities in India. Pune railways division is part of central railway zone of Indian Railways. Pune junction serves as a major junction to trains connecting all major states in the country. It connects Jammu, Delhi in north, Gujarat, Rajasthan in west and Andhra Pradesh, Tamil Nadu in south. Pune airport is located in the north eastern part of Pune city. Lohegaon Air Base of Indian Air Force and Airports Authority of India jointly operates the Pune airport. Both international flights as well as domestic flights operate through the same airport.

Koregaon Park is located in the eastern corridor of Pune. It is one of the prime residential locations in Pune. This micro market is a preferred residential destination inhabitated by High Net worth Individuals (HNIs) and Non Resident Indians (NRIs) . Lately, Koregaon Park, which was once considered a residential location is getting transformed to an upcoming commercial location. Since 2009, there has been lot of commercial/IT developments in Koregaon Park and Kalyani Nagar such as Kumar Cerebrum, Onyx, etc. This area also houses hospitality segment developments such as Westin Hotel, Hyatt Regency, O Hotel, Oakwood Premier Suites, Le Royce, Sun-N-Sand Hotels, The Park Central, etc. Koregaon Park also houses the Osho Ashram, which is spread across a land expanse of 32 acres and attracts lot of international tourists.

Development of retail Malls in Pune is picking up parallel with existing or potential office and residential segment real estate developments. Recent years have witnessed an upsurge in development of retail malls in the eastern corridor. Retail malls like Phoenix Market City, Inorbit Mall, Koregaon Park Plaza, Amanora Mall have brought a sudden upsurge in the supply of retail malls in East Pune. Catchment profile is considered to be the main reason behind retail development in this area. Foot Falls are expected to increase with the increased commercial activity in the region.

LOCATION DETAILS

Urban Agglomeration (As per 2011 Census)	5 049 968
Local Land	Mixed, Retail & Commercial
Distance to Centre	8 kms
Distance to State Highway	12 kms
Distance to Express Highway	37 kms
Public Transport	By Road
Plot area	24,000 sq. mt.
Waterfront	No

PROPERTY DETAILS

Property Type/ Use	Mixed Use, Retail & Commercial
Occupation	Multi - Tenancy
Historic monument	No
Gross Chargeable area	40,992 sq. mt.
Parking Places	1 862
Access	Good
Utilities	N/A
Legal issues	N/A

PROPERTY	KOREGAON PARK PLAZA
ADDRESS	North Main Road, Koregaon Park Extension, Pune, MH
VALUATION DATE	30 July 2014

PROPERTY DATA

BUILDING

Year of Construction	02.márc.12
Modernization Year	N/A
Building Condition	Very Good
Gross Chargeable area	40,992 sqm
Parking places	1 862
Vacancy rate (overall)	53%
Weighted remaining lease term	N/A
State of Repair	N/A
Overall Condition	Good

TECHNICAL DETAILS

Building Type	N/A
Construction	N/A
Facade	N/A
Roof	N/A
Windows	N/A
Glazing	N/A
Heating	N/A
AC/ Ventilation	N/A
Cabling	N/A
Sanitary	N/A

PLOT OF LAND

Site area, total	24,000 sq. mt.
Surplus Land	N/A
Developed area (% total site)	

INSPECTION

Inspection Type	Internally/ Externally
Inspection Date	30.júl.14
Inspected by	Ms. Nidhi Bengali

PROPERTY DESCRIPTION

The Subject Property is a mixed used mall comprising of retail as well as commercial development provision. The mall became operational in March 2012. It is a G+2 level structure with 3 levels of basement parking. Part of level 1 of basement is presently occupied by a hypermarket brand - Auchan. The mall includes parking space for 933 four wheeler vehicles and 929 two wheeler vehicles.

The mall presently houses around 68 tenants. These tenants belong to various segments such as food & beverage, entertainment, fashion & apparel, multiplex, footwear, etc.
The accommodation in the mall comprises -
Basement Level 1(part), 2 & 3 - Parking
Basement Level 1 (part) - Part - Auchan (Hypermarket); Part - Parking, Auto Express,
Ground Floor - Hidedesign, AND, MAC, Tommy Hilfiger, Van Heusen, Louis Philippe, Natio, Sisley, UCB-Adults, Allen Solly, Forrest Essentials, Kazo, Zarmina International, L'Occitane en Provence, Swarovski, Nike, Levis, Clarks, The Collective, Next, Clinique, US Polo, KNG, FCUK, Senorita, Calvin Klein, Parcos, Forever New, UCB Kids, ALT, Delsey, Bagline, Aqua Spa, Colorbar, Lamy, Lucera, Maharaja Jewellers
First Floor - Global Desi, All, Maayaa, Planet Sports, Ethnicity, Peter England, Jashn, V Dot, Ivory Tag, HTC
Second Floor - Sunder Carpets, Foresight Opticals, Archies/Hallmark, Flight Shop, Crossword, PVR (Multiplex), Food Court includes - Tikka Town, Subway, KFC, Dominos, Red Bar, Hang On, Ice cream magic, Juiceavich, Sai Pool Table, Joie De Vie
Fit out work is going on for some of the shops such as Tanaria and as informed by the Client that the same are expected to be operational by August of this year. The mall premises are well maintained and are kept in a good condition. From a visual inspection it has been observed that there are no major defects.

ACCOMMODATION

We were provided with leased areas from the Client. We have relied on these areas and have not undertaken check measurements on site to verify the accuracy of these floor areas. We assume that these areas are accurate and calculated in accordance with normal market practice. A summary is shown below.

Description	Primary use	sq. mt.
Leased Area - Ground floor (including Basement 1)	Part of level 1 Basement of the mall is leased to hypermarket - Auchan (3,711 sqm). Remaining area comprises car parking. Ground Floor is leased predominantly to fashion apparel, fashion accessories and jewellery segment. Fit out work is going on for a shop, which is expected to be operational by end of the month of this year.	17 331
Leased Area - First floor	First floor is leased to tenants from fashion accessories, bags & leather accessories, sports, health and wellness and jewellery segment.	10 847
Leased Area - Second floor	Second floor predominantly houses multiplex and food court. Apart from these there are some vanilla shops which are also present on the floor.	7 022
Unleased Area	The vacancy is spread over different levels of mall. However, we have not received floorwise vacancy for the Subject Property.	21 567

PROPERTY	KOREGAON PARK PLAZA
ADDRESS	North Main Road, Koregaon Park Extension, Pune, MH
VALUATION DATE	30 July 2014

LAND REGISTRY DETAILS

We have not checked title documentation but assume the property is an unencumbered effective freehold.

Land registry extract	Not Applicable	Obtained on	Not Applicable
Registered owner	Not Applicable		
Registered use			
Registered size	Not Applicable		

Restrictions and encumbrances

We have not checked title documentation but assume the property is an unencumbered effective freehold.

Comments

Based on the physical inspection of the Subject Property , we understand that the Subject Property is completed and operational.

PLANNING ISSUES

Zoning	
Footprint ratio	
Maximum buildable area	
Maximum height	
Permit status	

ENVIRONMENTAL

We have not carried out any investigations or tests or been supplied with any information from CLIENT or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental or archaeological issues.

PROPERTY	KOREGAON PARK PLAZA
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TENANCIES

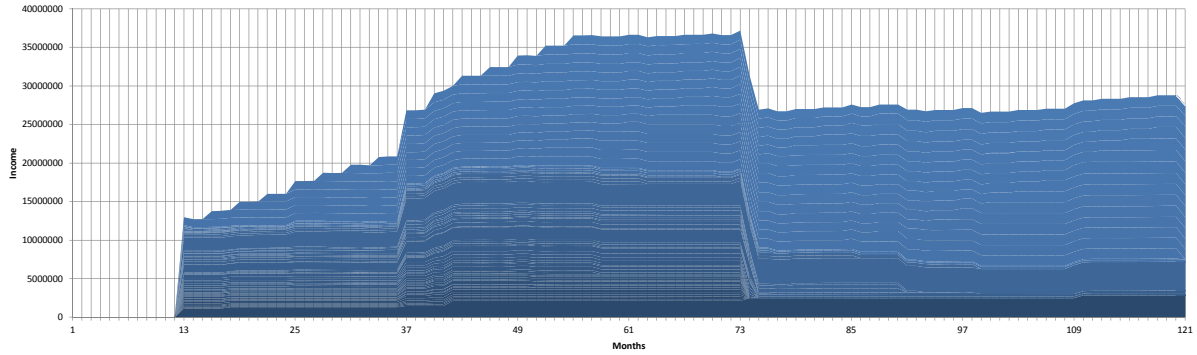
Number of Tenants		68
Vacant space (m²)		21 566,85
Lease Income (p.a.)		391 427 459,72
Other Income (p.a.)		40 650 267,00
Operating Expenses (p.a.)		-
Service Charge (/sqm / month)		
Lease inspected?	Yes	
Standard Lease Terms:		
Lease length		
User Clause		
Security		
External Repairs		
Internal Repairs		
Insurance		
Alienation		
Indexation		

The Subject Property is leased to both international and national brands such as Auchan, PVR, Clarks, French Collection, UCB, Crossword, Kazo, The Collective, Guess, Accesorize, Mac, Global Desi, Tommy Hilfiger, Lavie, OVS, Croma and many others. Currently, 47% of the mall is leased and has a good mix of tenants from various retail segments such as Mixed Fashion, Womans Fashion, Jewellery, Children's Fashion, Food and Restaurant, Bags and Leathers.

The leased area of the mall comprises 48% of anchor tenants, 21% of mini-anchor and 31% of vanilla tenants. Anchor tenants have lease period of more than 20 years with average lock in period of 3 years. Similarly, mini anchors and vanilla tenants have an average lease period of approximately 9 years with lock in period of approximately 3 years. All the tenants will have rent escalation of 15% at the end of every 3 years.

Tenants in the mall are on arrangement of minimum guarantee or revenue share whichever is higher. Revenue share percentage varies across tenant and ranges from 3.6% (in case of Hypermarket) to 16% (in case of fashion apparels) in the Subject Property. Though the lease agreement with the tenants is based on minimum guarantee or Revenue Share whichever, is higher, presently all tenants have got waiver for 12 months on rentals. There have been some lease cancellations in the recent past due to which mall vacancy has increased. Considering this situation, we have assumed only minimum guarantee as rentals for the purpose of valuation.

Income Profile



We understand based on the information provided by the Client that the average lease term for most tenants is 9 years approximately except anchor tenants whose lease period is around 20 years. The average lock in period for anchor tenants is 3 to 6 years and 1 years to 3 years for mini anchor and vanilla tenants. Thus, as depicted in the above graph most leases expire in the 10th year and hit market rent.

PROPERTY	KOREGAON PARK PLAZA
ADDRESS	North Main Road, Koregaon Park Extension, Pune, MH
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SWOT-ANALYSIS

STRENGTHS

Close proximity to Koregaon Park and Kalyani Nagar which comprise residential, commercial and hospitality developments can facilitate higher footfalls.

Population in catchment areas comprise high income group

Good tenant mix in the mall and major portion of leased area occupied by Anchors

WEAKNESSES

Frequent Traffic Congestion and bottlenecks

Presence of strong competition from High street retail present in Koregaon Park

OPPORTUNITIES

Upcoming high end residential and commercial development in Koregaon Park, Kalyani Nagar would increase footfalls in future

THREATS

Competition from other malls such as Phoenix, Inorbit, Seasons and Amanora located in proximity

REAL ESTATE MARKET FOR THE SUBJECT PROPERTY

Pune's growth in recent times has largely been defined and catalyzed by the city's phenomenal transition as a business destination. This had resulted in movement of skilled workforce, particularly from the IT and ITES sector, from various parts of the country to the city. This has been the prime driver for the growth of real estate across various micro markets in the city. The micro markets of Aundh, Baner, Hinjewadi in western corridor and Kharadi, Hadapsar in eastern corridor are experiencing major residential construction activity. Koregaon Park, Bund Garden Road, Model Colony, Prabhat Road are perceived to be premium residential pockets of the city and command high capital values because of location and scarcity of land.

Retail sector in Pune was initially confined to few unorganized micro markets. IT/ITES sector has caused the city to grow at a phenomenal pace. This has resulted in movement of skilled workforce from across various parts of the country to the city. The rapid urbanization and high disposable income with the individuals led to an increase in demand for organized retail in the city. As a result of this, Pune city witnessed an increase in supply of organized retail space 2011 onwards.

The year 2007 witnessed more than double increase in supply of mall space as compared to Year 2006. In 2011, Pune witnessed a surge in supply of mall space. In 2011, malls such as Phoenix Market City, Amanora, Inorbit, Kumar Pacific, Gcorp Pulse, and Abhiruchi became operational. The estimated increase in supply in 2011 was approximately 3.57 Million sq.ft. of organized retail space. Presently, malls are mainly concentrated in the eastern corridor, especially Viman Nagar, Koregaon Park-Kalyani Nagar, Hadapsar and Camp belt. In Q1 2012, Koregaon Park Plaza became operational. Mall clusters on Nagar Road and in Koregaon Park have resulted due to development - residential/ commercial catchment area of Koregaon Park, Kalyani Nagar, Viman Nagar and Nagar Road.

Catchment profile decides the size of the mall, the brands within, the positioning of the mall, mall styling/theme and therefore the investment into the mall and finally the footfalls. Mall rentals appreciated in 2012 coupled with decrease in vacancy levels. Seasons Malls in Hadapsar has become operational in Q3 2013. Mall vacancy in Pune stood at nearly 26.5% at the end of the Q4 2013 and further reduced to 25% in Q2 2014. New supply of approximately 0.35 million sq. ft. was witnessed in Pimpri in Q1 2014 only.

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COMPARABLES

LEASE COMPARABLES

Building / Address	*Date*	*Rent (INR psm / month) on Carpet Area*	*Comment*
Ground Floor - Phoenix Market City	July-14	1 615	We have considered the quoted rental (on carpet area) of Phoenix Market City (GLA - 1.11 lac sqm) and Amanora Town Center (GLA - 0.92 lac sqm) for analysis of lease rentals for the vacant area in the mall.
Ground Floor - Amanora Town Center	July-14	1 346	
First Floor - Phoenix Market City	July-14	1 292	We have considered the quoted rental (on carpet area) of Phoenix Market City (GLA - 1.11 lac sqm) and Amanora Town Center (GLA - 0.92 lac sqm) for analysis of lease rentals for the vacant area in the mall.
First Floor - Amanora Town Center	July-14	1 076	
Second Floor - Phoenix Market City	July-14	1 076	We have considered the quoted rental (on carpet area) of Phoenix Market City (GLA - 1.11 lac sqm) and in Inorbit mall (GLA - 0.51 lac sqm) of July 2011 for analysis of lease rentals for the vacant area in the mall.
Second Floor - Inorbit Mall	2 011	646	

COMPETITION

The catchment areas of the Subject Property have presence of large retail malls such as Phoenix Market City, Inorbit mall , Amanora Town Centre, Seasons mall etc and mid size mall such as Pulse Mall. Koregaon Park, Kalyani Nagar, Viman Nagar, Hadapsar and Nagar Road are the major residential, commercial as well as prominent hospitality localities provide good catchment for retail malls. The competing malls constitute organized retail stock of 2.54 lac sqm in the catchment area. These malls got operational in the past 20 to 24 months.

The competing malls Phoenix and Inorbit are operational since 2011 and comprise a good tenant mix with tenants of different retail segments such as fashion & apparel, entertainment, food & beverage, luxury products, etc. Currently, the malls are presently fully operational and more than 90% leased. Key tenants in these malls include Spar, Lifestyle, Shoppers Stop, Max, Cinemax, PVR, Globus, Timezone, Esbeda, Marks & Spencer, Etnicity, Star Bazaar, Westside, Adidas, Zara, etc. These malls enjoy a high footfall as both are located along Nagar Road and have good accessibility with frontage on main road.

INVESTMENT CONSIDERATIONS

Presently the mall is 47% leased. The mall comprises a good mix of anchor, mini-anchor and vanilla tenants. Large portion of the total leased area is presently occupied by anchors.

Though the lease agreement with the tenants is based on minimum guarantee or Revenue Share whichever, is higher, presently all tenants have got waiver of rental for 12 months. There have been cancellations of leases as well in the recent past. Thus, the mall vacancy has increased. Considering the same, we have assumed only minimum guarantee as rentals for the purpose of valuation. The average lease term for most tenants is 9 years approximately except anchor tenants whose lease period is around 9 to 20 years. The average lock in period for anchor tenants is 3 to 6 years and 1 year to 3 years for mini anchor and vanilla tenants. This indicates possibility of stable cash flows to the mall in future.

PROPERTY	KOREGAON PARK PLAZA
ADDRESS	North Main Road, Koregaon Park Extension, Pune, MH
VALUATION DATE	30 July 2014

VALUATION

VALUATION METHODOLOGY

In valuing the property, we have applied a Discounted Cash Flow (DCF) Approach.

The basis of DCF valuation is that the value of the property investment will be equal to the Gross Present Value (GPV) of the projected rental income flow, at the market's required rate of return (discount rate). It allows for explicit assumptions (market expectations) on future rental growth, holding period, depreciation, refurbishment, redevelopment, cost of management and transfer, taxation and financing arrangements.

To run a DCF, one would normally construct a cash flow applying current contracted income for its duration, then replacing the cash flow thereafter with the projected sustainable income (in the case of rents usually calculated at estimated rental value) whilst allowing for expected costs such as bad debts, income voids, commercialization, letting fees, fit out costs, incentives and the like.

DATE OF ASSESSMENT

Valuation Date	30 July 2014
Report Date	2 September 2014

VALUATION DETAILS SUMMARY

Market Value	2 630 225 000
Gross annual income	
Net Operating Income (Year one)	0
Day One annualized NOI	
Estimated Rental Value	
Initial Yield (Year one)	
Initial Yield (Annualized day one)	

VALUATION ASSUMPTIONS

RENTAL VALUE

We have assumed a average rental of INR 65 per sq.ft. / month for the unleased area of the mall. We have considered a blended rental of ground floor, first floor as well as second floor for evaluating the average rental for vacant space of the subject property as it has vacancy spread across the respective floors.

We have evaluated quoted / transacted rentals of malls such as Phoenix Market City, Inorbit Mall and Amanora Town Center as comparables. These malls are located in close proximity of the Subject Property and are thus considered for the purpose of evaluation of mall rentals.

We have adjusted the rentals for accessibility, frontage, location, quality of building and quote to arrive at achievable rentals for each floor and have taken an average of floorwise adjusted rentals to arrive at a blended rate.

Cat. 1	699,66 /sqm /month

DISCOUNT AND EXIT RATES APPLIED

We have assumed a exit rate of 11% for the Subject Property. We have benchmarked capitalization rates of commercial as well as retail assets in the market to analyze the capitalization rate for subject property. As there are no too many retail transactions, we have looked at other transactions also in the market for our assessment. We understand that transactions for commercial and retail generally take at a capitalization rate of 10% to 12%. Thus, we have considered 11% capitalization rate for the purpose of our assessment.
The Subject Property is a completed operational mall. We have assumed a discount rate of 16% for the Subject Property based on the capitalization rate (11%) plus growth rate in market rentals (5%). Being operational asset it has a lower risk exposure as compared to an under-construction or Greenfield asset. Based on the market benchmarks for completed commercial and retail assets, we are of the opinion that

	Discount	Exit
Default	16,00%	11,00%

OTHER VARIABLES

Leasing fees or brokerage is assumed as 1 month's rent as per market norms. We have not considered any rent free period or fit-out costs for the purpose of the assessment. The market rentals that we have taken for our assumptions are for unfurnished rentals quoted / transacted in the market.

We have assumed a year on year inflation of 5% for market rentals. In case of contracted rentals we have taken a 15% escalation over a period of 3 years based on the information provided by the Client.

Service Charges (known as Common Area Maintenance charges) are recovered at cost in case of the subject property. Thus, we have not considered the same for the valuation.

Lease Term	9,00 years
Rent Free Periods	0,00 months
Leasing Fees	8% 1 month's rent
Inflation (market rent)	5% annual
Inflation (contracted rent)	15% every 3 years

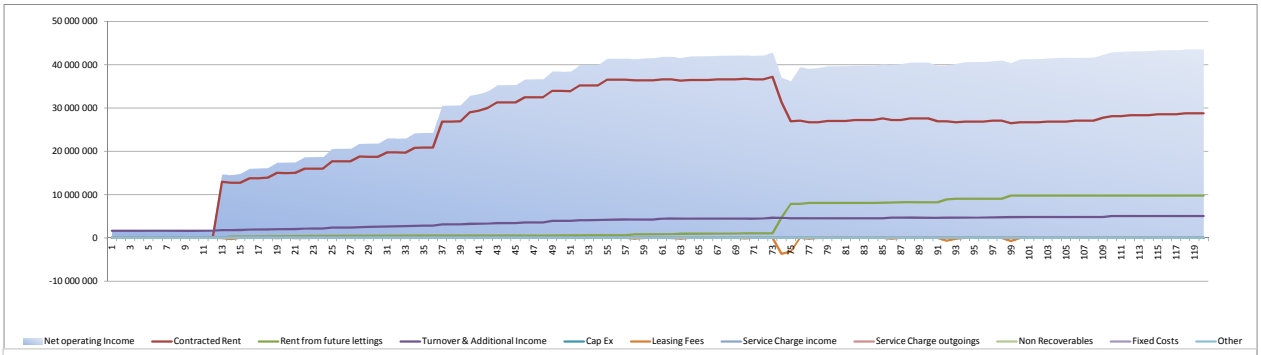
PROPERTY KOREGAON PARK PLAZA
ADDRESS North Main Road, Koregaon Park Extension, Pune, MH
VALUATION DATE 30 July 2014

PROJECTED INCOME PROFILE

CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	0	173 017 013	231 187 551	360 545 814	426 718 924	439 085 719	338 969 834	326 330 023	322 764 156	341 128 392
Rent from future lettings	-	4 396 073	6 350 865	6 802 526	7 882 060	11 568 517	86 243 017	102 773 235	115 863 631	117 282 389
Turnover & Additional Income	-	23 693 952	31 557 458	40 313 860	49 727 385	53 700 783	54 439 923	56 006 034	57 967 936	60 286 712
Cap Ex	-	-	-	-	-	-	-	-	-	-
Leasing Fees	-	(489 038)	(77 839)	-	(232 691)	(271 446)	(7 019 101)	(974 037)	(709 379)	-
Service Charge income	-	-	-	-	-	-	-	-	-	-
Service Charge outgoings	-	-	-	-	-	-	-	-	-	-
Non Recoverables	-	-	-	-	-	-	-	-	-	-
Fixed Costs	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL	**0**	**200 618 000**	**269 018 036**	**407 662 200**	**484 095 678**	**504 083 572**	**472 633 674**	**484 135 254**	**495 886 345**	**518 697 493**

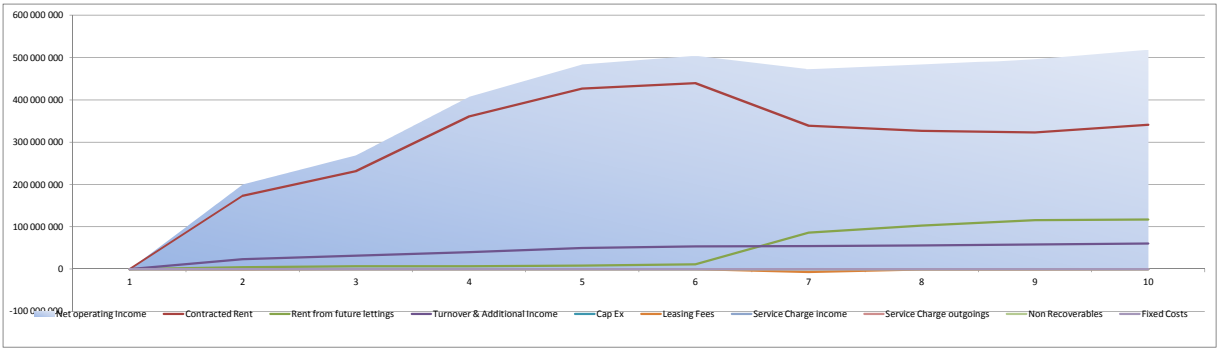
Monthly income



The above graph shows the monthly income from the Subject Property. The mall is 47% leased. The escalation as per contracted rentals is 15% after every three years. Lease tenure for most leases is 9 years or more except a few in case of anchor tenants the lease tenure is more than 20 years. We have assumed the market rentals to increase at the growth rate of 5% per annum in case of most of the tenants. We have considered an average fixed rental of INR 65 per sq.ft. per month for the vacant spaces. For the purpose of analysis, we have considered a 2% vacancy.

Presently all tenants are given waiver for rentals till July 2015 as well as the mall has witnessed cancellation of leases over the past few months. Thus, we have considered a phased increase in the mall revenue. This is explained below -
Year 2 & 3 - 80% of Minimum Guarantee .
Year 4 - 100% of Minimum Guarantee.
However, we have not considered revenue share for the purpose of analysis. Thus, a gradual increase in mall rental can be seen in the above chart which is arrived at based on existing tenant analysis and market benchmarking.

Annual Income



PROPERTY KOREGAON PARK PLAZA
ADDRESS North Main Road, Koregaon Park Extension, Pune, MH
VALUATION DATE 30 July 2014

DISCOUNTED CASH FLOW

Column1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Contracted Rent	0	128 579 825	148 112 079	199 126 243	203 166 434	180 219 332	119 937 537	99 538 964	84 871 797	77 328 213
Rent from future lettings	-	3 266 998	4 068 731	3 756 975	3 752 751	4 748 208	30 515 326	31 348 453	30 466 687	26 585 994
Turnover & Additional Income	-	17 608 466	20 217 528	22 264 986	23 675 855	22 041 070	19 262 452	17 083 266	15 242 842	13 666 009
Cap Ex	-	-	-	-	-	-	-	-	-	-
Leasing Fees	-	-3 406 687	-2 804 536	-2 493 449	-1 803 539	-111 413	-2 483 565	-297 106	-186 533	0
Service Charge income	-	-	-	-	-	-	-	-	-	-
Service Charge outgoings	-	-	-	-	-	-	-	-	-	-
Non Recoverables	-	-	-	-	-	-	-	-	-	-
Fixed Costs	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Exit										1 093 359 340
TOTAL	**0**	**146 048 603**	**169 593 801**	**222 654 755**	**228 791 502**	**206 897 198**	**167 231 751**	**147 673 577**	**130 394 792**	**1 210 939 557**

The Subject Property is located in a good micro-market and has competition from some large malls in the catchment areas, within a radius of 2 to 5 kilometers. The existing stock of competing malls is estimated to be 2.54 lac sqm in the catchment areas. These include Phoenix Market City, Inorbit mall, Seasons mall and Amanora Town Center. These malls got operational over a span of 20 to 24 months and have a good tenant mix.

We are of the opinion, considering the competition in the market as well as the existing status of the Subject Property, that the mall would mature over a period of four to five years to achieve stabilization. Thus, the valuation of the Subject Property is done considering some adjustments to rentals in the initial years to arrive at a gradual increase in mall income over the period of stabilization.

Gross value			**2 630 225 534**	
Legal Costs				
Agent Fees				
Transaction Costs	**1,00%**	**1,00%**	**26 041 837**	
Market				**2 604 183 697**
Value				

MARKET VALUE **say** **2 604 175 000**

For Cushman & Wakefield India (Pvt). Ltd.

Cyrus Bilimoria, MRICS
Associate Director, Valuation & Advisory, West India

Rushit Shroff
Manager, Valuation & Advisory, West India

Nidhi Bengali
Associate, Valuation & Advisory, West India

Appendix 2 Retail and Economic Snapshots

MARKETBEAT
RETAIL SNAPSHOT

HUNGARY
A Cushman & Wakefield Research Publication

Q2 2014

OVERVIEW
The upward retail sales trajectory observed at the start of the year was maintained in the second quarter. Sales grew by a seasonally adjusted 4.0% in April and by 2.6% in May on an annual basis. The retail sector now appears to be firmly on the road to recovery, underlined by the increased interest of international retailers not yet present in the Hungarian market.

OCCUPIER FOCUS
Occupier demand was generally healthy in Q2 and this resulted in an improving tenant mix within the best performing shopping centres and high street destinations. There are currently several new retailers considering entering the market, including both mass-market and luxury operators. In terms of supply, there are still some prime units available in the best performing schemes and high streets, presenting good opportunities for operators looking to establish a presence. Prime rental values were largely unchanged in the second quarter, but with the premier shopping centre and retail warehouse locations recording a good uplift on the previous three months.

INVESTMENT FOCUS
Investment market activity increased significantly in the second quarter with just over double the trading volumes recorded in Q1. The bulk of this total was attributed to one transaction, namely the 50% acquisition of a stake in Allee (47,000 sq.m) shopping centre in Budapest by ING. Elsewhere, Sziget Center – a retail warehouse park situated close to the airport in Tökol – was purchased by Futureal, a Hungarian investor, from Pramerica for €10 million. Prime yields were static over the quarter.

OUTLOOK
The outlook for the retail market is positive, likely to be buoyed by a combination of improving economic fundamentals. Specifically, real wage growth accelerated again in May, the unemployment rate fell in the March to May period, whilst the central bank reduced its base rate for the 23rd consecutive month to a record low of 2.30% in June. When considered together with the deflationary pressures which continue to provide competitive prices for consumers, the factors above are expected to support activity in the retail market.

MARKET OUTLOOK

Prime Rents:	Stable, but with upward pressure for selected prime locations.	▶
Prime Yields:	To stay unchanged.	▶
Supply:	Subdued development pipeline, but some availability in prime locations.	▶
Demand:	Better occupier demand filtering through.	◀

PRIME RETAIL RENTS – JUNE 2014

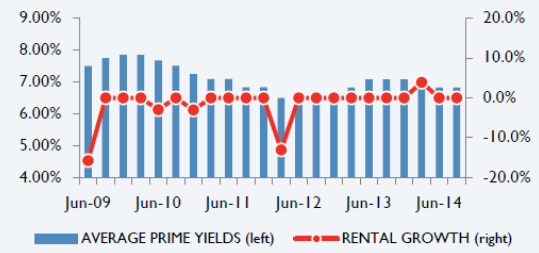
HIGH STREET SHOPS	€ SQ.M/MTH	€ SQ.M/YR	US$ SQ.FT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Budapest (Váci utca)	95	1,140	145	5.6	-1.0
Budapest (Andrássy út)	40	480	61	0.0	-7.8
RETAIL PARKS	**€ SQ.M/MTH**	**€ SQ.M/YR**	**US$ SQ.FT/YR**	**GROWTH % 1YR**	**GROWTH % 5YR CAGR**
Budapest	7.50	90	11.4	7.1	-3.6
Budaörs	7.00	84	10.7	0.0	-4.9

PRIME RETAIL YIELDS – JUNE 2014

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Budapest (Váci utca)	6.75	6.75	7.00	9.00	5.50
Budapest (Andrássy út)	7.00	7.00	7.25	11.00	6.00
RETAIL PARKS (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Budapest	8.50	8.50	8.25	8.50	6.25
Budaörs	8.50	8.50	8.25	8.50	6.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Hungary	7.25	7.25	7.25	7.50	5.00

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



Source: Cushman & Wakefield

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MARKETBEAT
RETAIL SNAPSHOT

POLAND
A Cushman & Wakefield Research Publication

Q2 2014

OVERVIEW
The Polish economy grew by the fastest pace in two years in Q1 as GDP expanded by a seasonally 3.5% year-on-year. A stronger labour market and robust consumer spending boosted the retail sector in Q2, with sales growing by 8.4% in April and by 3.8% in May.

OCCUPIER FOCUS
New retail supply is in line with expectations and the market remains largely tenant friendly in terms of leasing. A typical vacancy rate of 15%-20% is currently the standard on the opening day of a new retail scheme. The lowest rates in mature schemes are found in Warsaw and Łodź at below 2%, followed by 4%-5% in other large cities such as Kraków, Poznań and Wrocław, whilst smaller regional cities can reach up to 10%. There were no significant changes in Q2 2014 with regard to occupier demand.

Modern retail provision increased by 79,000 sq.m of GLA in Q2 2014, with less than half of the new supply delivered to the market in Q1. New shopping centre supply represented 64% of the total new retail space. There were three new shopping centres openings in Q2, namely: Galeria Bursztynowa (27,000 sq.m) in Ostrołeka, Pogodne Centrum (7,700 sq.m) in Oleśnica and Marcredo(16,700 sq.m) in Kutno. 20% of completions consisted of new retail parks developed primarily by Retail Concept, with Karuzela retail parks opening in Turek, Żory and Lubliniec. Approximately 16% of the new retail space consisted of extensions to existing shopping centres, with the highlight the enlargement of Gemini shopping centre in Bielsko-Biała by 12,500 sq.m

INVESTMENT FOCUS
Investment activity slowed significantly in the second quarter, with a meagre €74 million worth of retail assets traded, in stark contrast to the €295 million recorded in Q1. Unlike a number of other European countries, investor interest in the country is focused more on secondary retail warehouse and shopping centre schemes. Nevertheless, prime retail warehouse yields did harden in Q2 by 25 basis points.

OUTLOOK
Looking ahead, prime rental and yields values are not expected to see any notable adjustments. On the other hand, the increased interest is secondary market is likely to narrow the gap between prime and secondary assets pricing.

MARKET OUTLOOK

Prime Rents:	Limited new supply reflected in stable rental trends.
Prime Yields:	No changes anticipated in the prime segment.
Supply:	Q3 is likely to see less new space than in Q2 added to the market.
Demand:	Stable demand, in line with recent trends.

PRIME RETAIL RENTS – JUNE 2014

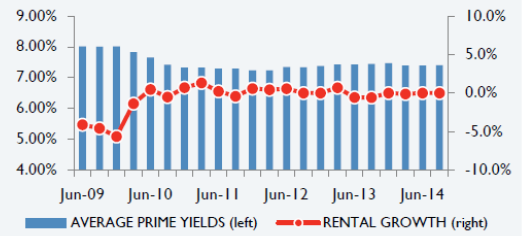
HIGH STREET SHOPS	€ SQ.M/MTH	€ SQ.M/YR	US$ SQ.FT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Warsaw	85.0	1,020	129.7	2.4	0.2
Krakow	76.0	912	116.0	-2.6	-0.3
Katowice	55.0	660	84.0	-1.8	-3.3
Poznan	55.0	660	84.0	0.0	-1.1
Lodz	26.0	312	39.7	0.0	-2.8
Wroclaw	40.0	480	61.1	-2.4	-5.1

PRIME RETAIL YIELDS – JUNE 2014

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Warsaw	8.00	8.00	8.00	11.50	7.25
Krakow	8.00	8.00	8.25	12.50	7.75
Katowice	8.25	8.25	8.25	13.50	8.00
Poznan	8.25	8.25	8.25	12.50	8.00
Lodz	8.25	8.25	8.25	13.50	8.00
Wroclaw	8.25	8.25	8.25	13.50	8.00
STAND ALONE RETAIL WAREHOUSING UNITS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Poland	7.75	8.00	8.00	11.00	6.25
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Poland	5.75	5.75	6.00	7.75	5.50

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



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MARKETBEAT
RETAIL SNAPSHOT

BULGARIA
A Cushman & Wakefield Research Publication

Q2 2014

OVERVIEW
Although certain parts of the market remain distressed, especially outside the largest cities, occupier and investor demand for well located and managed products improved over the last two quarters. Important developments in Q2 included the opening of Panorama Mall and the purchase of City Center Sofia – the first modern shopping centre opened in Bulgaria (2006).

OCCUPIER FOCUS
The completion of Panorama Mall (80% occupancy) highlighted the appetite of retailers for relatively young markets where modern retail saturation is low. International retailers are the main drivers of demand, with the food, value to mid-range fashion, sports, and fast food segments the most active. Ahead of the summer season, occupier improvements were seen in Varna and Burgas, yet the focus of expansion remains on well performing schemes. However, shopping centres with high vacancy and low footfall are struggling to attract interest. Stronger demand has also been evident in third tier cities, with transactions recorded in markets where shopping centre availability is good.

The pipeline for 2014 contracted as a result of the Panorama Mall opening and the postponement of the Plaza West to H1 2015. At the moment, circa 95,000 sq.m of shopping centre GLA in two schemes, with relatively healthy pre leasing, are expected to open by the end of 2014 in Sofia.

INVESTMENT FOCUS
The acquisition of City Center Sofia in June marked the return of international investors to the market, with the deal implying further investment in the restructuring of the 22,000 sq.m shopping centres, which has suffered from increased competition in the 2010 to 2013 period. Indeed, investors are also looking at other distressed assets, but consensus on pricing has yet to be reached with lenders.

OUTLOOK
As the pipeline dwindles, the reposition of development projects and the restructuring – or redevelopment – of non-performing malls are expected to become a more significant source of future supply. In addition, there are also a number of projects currently on hold which may under certain conditions come back to the pipeline. Distressed sales remain an opportunity for investors but pricing has yet to adjust. When lenders can no longer afford to extend or restructure loans they prefer to take control of the assets. This is expected to open a niche for professional asset and property managers.

MARKET OUTLOOK

Prime Rents:	May be affected by openings in Sofia. Turnover figures will be a decisive factor.	◢
Prime Yields:	Yields to remain static.	▶
Supply:	New supply falling, but availability remains high, especially outside Sofia	◢
Demand:	Demand is up but retailers remain very selective due to the slow recovery of consumer spending and the high competition in some markets.	◥

PRIME RETAIL RENTS – JUNE 2014

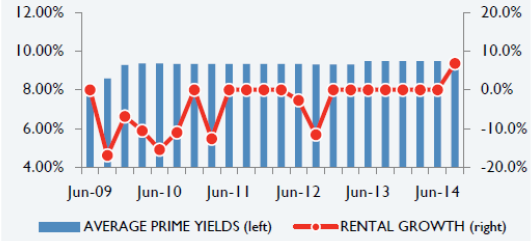
HIGH STREET SHOPS	€ SQ.M/MTH	€ SQ.M/YR	US$ SQ.FT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Sofia (Vitosha Boulevard)	44.0	528	67.2	10.0	-11.3

PRIME RETAIL YIELDS – JUNE 2014

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Sofia (Vitosha Boulevard)	9.25	9.25	9.25	12.50	6.00
SHOPPING CENTRES (FIGURES ARE NET, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**9 YEAR LOW**
Bulgaria	9.25	9.25	9.25	10.50	7.50

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



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MARKETBEAT
RETAIL SNAPSHOT

GREECE
A Cushman & Wakefield Research Publication

Q2 2014

OVERVIEW
Economic activity in Greece is expected to shrink slightly this year before returning to growth in 2015. While recessionary pressures are easing, consumer spending is expected to slowly gain momentum, with growth not anticipated to materialize until next year. Nevertheless, deflation is providing some relief to households' budgets and it is set to continue throughout 2014. Meanwhile, retail sales volumes recorded a significant upturn in April as they grew by 7.3% year-on-year, buoyed by double-digit increases in clothing and footwear, as well as books, stationary and other goods.

OCCUPIER FOCUS
Occupier demand for smaller units, particularly for bars, coffee and bakery shops was increasing in Q2. The same was, however, not the case for larger units where interest was subdued and rental levels were declining as a result.

A considerable number of units previously occupied by banks have now been leased to retail tenants, especially in central locations. Changes to the banking sector have also increased supply in secondary pitches. Although the availability of smaller units was falling in the main retail locations, the opposite was true in secondary areas. Meanwhile, the availability of larger units has risen as a result of occupier demand easing, with suitable operators for such units already having a presence in these areas.

INVESTMENT FOCUS
Despite a slow improvement in economic conditions and market sentiment, retail investment activity in the country was moribund, with a meagre €8 million worth of assets traded in the second quarter. The tight grip of banks and financial lending institutions on capital is expected to be maintained until there are clear and sustainable improvements in the economic environment. Nevertheless, whilst activity was generally was subdued, prime yields adjusted markedly over the quarter across all retail sub-sectors.

OUTLOOK
The Greek property market is beginning to show signs of a revival amidst better sentiment. Although high unemployment, fragile business confidence, austerity, weak wage growth and consumer spending will continue to weigh negatively in the short term, the outlook is generally more upbeat.

MARKET OUTLOOK

Prime Rents:	Set to remain static, with slight downward pressure for larger units.	▸
Prime Yields:	Yields to harden.	◢
Supply:	Stable, but increasing in secondary pitches.	▸
Demand:	Steadier demand, with better interest for smaller retail units.	▸

PRIME RETAIL RENTS – JUNE 2014

HIGH STREET SHOPS	€ SQ.M/MTH	€ SQ.M/YR	US$ SQ.FT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Athens (Kolonaki-Tsakalof)	90	1,080	137	0.0	-12.9
Athens (Ermou)	165	1,980	252	0.0	-8.7
Athens (Glyfada-Metaxa)	100	1,200	153	0.0	-10.1
Athens (Kifisia-Kolokotroni)	95	1,140	145	-5.0	-11.0
Athens (Piraeus-Sotiros)	50	600	76	0.0	-12.9
Thessaloniki (Tsimiski)	105	1,260	160	0.0	-8.1

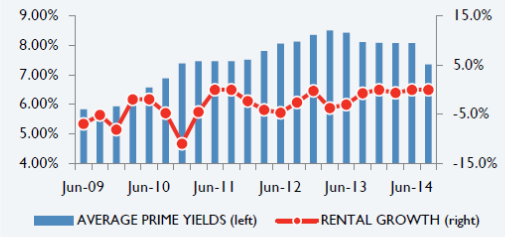
PRIME RETAIL YIELDS – JUNE 2014

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Athens (Kolonaki-Tsakalof)	7.80	8.20	8.20	8.50	5.50
Athens (Ermou)	7.00	7.80	7.80	8.10	5.00
Athens (Glyfada-Metaxa)*	7.50	8.20	8.20	8.60	5.50
Athens (Kifisia-Kolokotroni)*	7.50	8.20	8.20	8.60	5.50
Athens (Piraeus-Sotiros)*	7.50	8.20	8.20	8.60	6.00
Thessaloniki (Tsimiski)	7.00	8.20	8.20	8.60	5.75
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**10 YEAR LOW**
Greece	8.30	8.80	8.80	9.00	6.00

NOTE: * 9 year record

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



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MARKETBEAT
RETAIL SNAPSHOT

ROMANIA
A Cushman & Wakefield Research Publication

Q2 2014

OVERVIEW
The Romanian retail market appears to have recovered from the economic crisis and weak sales figures seen last year. Retail sales grew by 7.8% in the first five months of 2014, with the positive development instilling some optimism into market and potentially translating into an improvement in market fundamentals and a new period of sustained growth.

OCCUPIER FOCUS
Occupier demand in Q2 was for the most part stable. Interest was focused primarily on large cities but with a greater willingness by operators to consider viable expansion opportunities. On the supply side, there were no new retail schemes delivered in Q2 2014 and no new projects broke ground. Indeed, this year's new shopping centre supply will represent a 12-year low, with only 4,170 sq.m of GLA delivered in the first half of the year and 30,000 sq.m under construction and set to be completed in H2. There are, however, four schemes under construction and due to be added to the market in 2015 and 2016, consisting of approximately 210,000 sq.m of GLA. Three of these projects are located in Bucharest and one in Brasov. What is more, several new projects and extensions have the potential to begin construction in the following months, potentially adding a further 230,000 sq.m of GLA.

INVESTMENT FOCUS
Investment activity increased in the second quarter, albeit it remained relatively subdued, with approximately €30 million worth of retail assets traded. This total included the acquisition of the former PIC hypermarket (9,860 sq.m) in Pitesti purchased by Romanian investors, the 24,400 sq.m Auchan scheme in Pitesti bought by the French retailer and the 32,700 sq.m Vitantis Shopping Center taken over by distressed specialist Revetas Capital.

OUTLOOK
Looking ahead, food operators are expected to continue expanding into new formats – such as Carrefour Contact in rural areas and modular Profi supermarkets – whilst also adding online channels. Demand is generally expected to improve in the second half of the year, driven mainly by international anchors with available capital, but with an increasing number of medium-sized chains also considering expansion.

MARKET OUTLOOK

Prime Rents:	Static in the short term.	▶
Prime Yields:	Set to remain stable.	▶
Supply:	Limited new supply to be delivered this year, but anticipated to improve in 2015.	▶
Demand:	Gradual recovery in occupier demand.	◀

PRIME RETAIL RENTS – JUNE 2014

HIGH STREET SHOPS	€ SQ.M/MTH	€ SQ.M/YR	US$ SQ.FT/YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Bucharest (Magheru Boulevard)	50.0	600	76.3	0.0	-9.0
Bucharest (Calea Victoriei)	45.0	540	68.7	0.0	-8.5
Brasov	40.0	480	61.1	0.0	2.7
Timisoara	35.0	420	53.4	0.0	0.0
Constanta	20.0	240	30.5	0.0	-12.9
Cluj Napoca*	37.0	444	56.5	0.0	-5.8

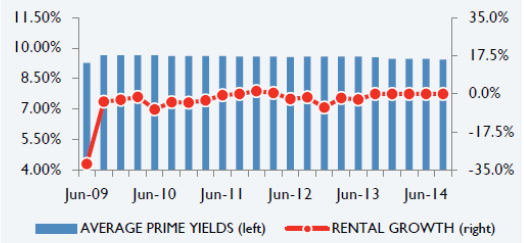
PRIME RETAIL YIELDS – JUNE 2014

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT QUARTER	LAST QUARTER	LAST YEAR	HIGH	10 YEAR LOW
Bucharest (Magheru Boulevard)	9.25	9.25	9.25	14.00	7.50
Bucharest (Calea Victoriei)	9.25	9.25	9.25	14.00	7.50
Brasov	9.50	9.50	9.75	14.00	8.00
Timisoara	9.50	9.75	10.00	14.00	8.00
Constanta	10.00	10.00	10.00	14.00	8.00
Cluj Napoca*	9.50	9.50	9.75	12.00	8.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	**CURRENT QUARTER**	**LAST QUARTER**	**LAST YEAR**	**HIGH**	**8 YEAR LOW**
Bucharest	8.50	8.50	8.50	9.00	6.25

NOTE: * 8 year record

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



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MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD®

HUNGARY
A Cushman & Wakefield Research Publication

Q2 2014

RECOVERY GATHERS PACE

The Hungarian economy grew by a solid 1.1% on the quarter in Q1. The year-on-year rate equalled 3.2%, marking the fastest recovery since 2006. Domestic demand has gained further momentum, with investment rising particularly sharply, by 11.5% and 12.6% y/y in Q4 and Q1 respectively. In addition, the government continued to stimulate the economy through its fiscal policy while private consumption grew modestly. Meanwhile, net exports remained neutral as exports growth has been matched by a rise in imports. Growth is expected to moderate somehow in the remainder of the year but to remain above trend.

STRENGTHENING DOMESTIC DEMAND

Domestic demand continues to improve this year after a subdued 2013. Investment has been a bright spot in the economy recently, driven by improving credit conditions on the back of the Funding for Lending scheme and ongoing interest rate cuts. Public infrastructure projects, most of which are EU-funded, also boosted activity. Indeed, industrial production strengthened further after a robust Q1, growing by approximately 10% y/y in March, April and May. The consumer sector is capitalising on favourable conditions, namely a fall in unemployment (8% in May compared to 10.3% a year earlier, albeit mostly due to the government's public work scheme), negative inflation (-0.3% in June followed by -0.1% in May) and loose monetary conditions and is set to accelerate in the remainder of 2014 and in 2015. Spending appetite was confirmed by solid retail sales (6.1% in March, followed by 4% in April and 2.4% in May).

OUTLOOK

A raft of positive data has led to upward revisions to Hungary's GDP forecasts, with 2.7% growth now expected for 2014, driven by domestic demand and fixed investment in particular. A similar picture is anticipated for 2015, with further improvements in the consumer sector likely. Nevertheless, the economy remains below the pre-recession peak and a full recovery to the 2008 level is not expected until 2015. Risks are skewed to the downside given muted growth in some of Hungary's main eurozone trading partners and the potential for a reversal in investor confidence and financial markets' sentiment towards Hungary on the grounds of anti-business policymaking.

MARKET OUTLOOK

GDP:	A significant acceleration in growth expected in 2014.	▲
Inflation:	Negative for most of 2014, expected to pick up in 2015.	◢
Interest rate:	More easing expected given ultra low inflation following the June cut to 2.3%.	◢
Employment:	Stable after recent dramatic improvements with downward risks.	▶

ECONOMIC SUMMARY

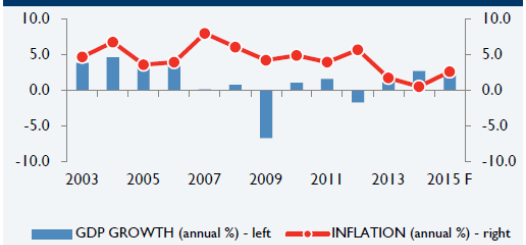
ECONOMIC INDICATORS*	2011	2012	2013	2014F	2015F
GDP growth	1.6	-1.7	1.2	2.7	2.3
Consumer spending	0.4	-1.6	0.3	1.7	1.7
Industrial production	5.7	-1.4	1.3	6.8	5.4
Investment	-5.9	-3.7	5.8	5.0	2.3
Unemployment rate (%)	11.0	10.9	10.3	8.3	7.8
Inflation	3.9	5.7	1.7	0.5	2.6
HUF/€ (average)	279.27	289.34	297.01	306.39	299.29
HUF/US$ (average)	201.05	225.10	223.70	226.09	229.34
Money market rate (%)	6.2	7.0	4.3	2.5	2.8
Interest rates 10-year (%)	7.6	7.9	5.9	5.0	5.0

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	9.9 million (2013)
GDP	US$ 130.8 billion (2013)
Public sector balance	-2.2% of GDP (2013)
Public sector debt	79.2% of GDP (2013)
Current account balance	3.0% of GDP (2013)
Parliament	Majority government (Fidesz and Christian Democratic People's Party)
President	János Áder
Prime Minister	Viktor Orbán
Election dates	October 2014 (Municipality) 2017 (Presidential) 2018 (Parliamentary and Municipal)

ECONOMIC ACTIVITY



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MARKETBEAT
ECONOMIC SNAPSHOT

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POLAND

A Cushman & Wakefield Research Publication

Q2 2014

THE ECONOMY PICKS UP PACE

Growth within the Polish economy surprised on the upside and accelerated to 1.1% q/q in Q1, driven mainly by a surge in investment. Meanwhile, the consumer sector was subdued, albeit is now on course for a rebound as a result of ongoing improvements in the labour market, a sharp pick-up in earnings and ultra low inflation. Business surveys have been positive, with the exception of industrial production, and so continued solid investment growth is expected for the remainder of 2014.

DOMESTIC DEMAND AT THE FORE

The domestic picture is increasingly buoyant, with the consumer sector benefitting from low inflation (just 0.2% in May following 0.3% in April) and unemployment continuing to trend down (12.5% in May compared to the peak of 14% in January of this year). As a result, real wages have picked up, with 1.6% y/y growth recorded in Q1 and a recovery in retail sales now on the cards. Improvements in the labour sector have come from an increase in firms' capacity as a result of a rise in domestic and external demand and a return of confidence. In addition, the business sector is now likely to reap the benefits of low interest rates for longer than previously expected as weak inflationary pressures are likely to prevent the MPC from hiking interest rates before 2015. Public spending should also support the economy as the government takes advantage of the fiscal space created by part-nationalising the pension system.

OUTLOOK

Positive data for Q1 prompted most forecasters to upgrade their predictions for the Polish economy and 3.2% growth is now expected for 2014 according to Consensus Forecasts, followed by 3.6% in 2015. Domestic demand is expected to be the main engine of growth this year after a soft patch in 2013, while the boost to exports from rising external demand will be somehow tempered by the strengthening Zloty and lower demand from Russia and Ukraine (joint recipients of 8% of Polish exports) following the events in Eastern Ukraine. The risk to Polish exports from deflation in the eurozone has eased recently after the union's return to positive growth and a cut to its base interest rate created inflationary pressures.

MARKET OUTLOOK

GDP:	GDP growth to continue to strengthen.
Inflation:	Muted.
Interest rate:	Policy 'pause' until early 2015; tightening expected thereafter.
Employment:	Further improvements expected.

ECONOMIC SUMMARY

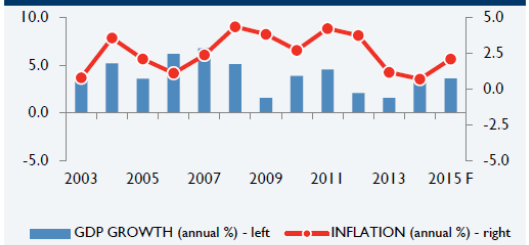
ECONOMIC INDICATORS*	2011	2012	2013	2014F	2015F
GDP growth	4.5	2.1	1.6	3.2	3.6
Consumer spending	2.7	1.1	0.8	2.7	3.1
Industrial production	7.1	1.4	2.4	5.2	6.7
Investment	8.2	-1.6	0.1	4.3	5.8
Unemployment rate (%)	12.4	12.8	13.5	12.5	12.0
Inflation	4.2	3.7	1.2	0.7	2.1
PLZ/€ (average)	4.12	4.19	4.20	4.15	4.07
PLZ/US$ (average)	2.96	3.26	3.16	3.05	3.07
Interest rates: 3-month (%)	4.3	4.7	2.8	2.6	3.4
Interest rates 10-year (%)	6.0	5.0	4.0	3.9	4.6

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	38.5 million (2013)
GDP	US$ 517.8 billion (2013)
Public sector balance	-4.3% of GDP (2013)
Public sector debt	57% of GDP (2013)
Current account balance	-1.3% of GDP (2013)
Parliament	Coalition of Civic Platform party and the smaller Polish People's Party
President	Bronislaw Komorowski
Prime Minister	Donald Tusk
Election dates	Mid-2015 (Presidential) Late 2015 (Parliamentary)

ECONOMIC ACTIVITY



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MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD®

BULGARIA

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Q2 2014

PICK-UP IN MOMENTUM

The Bulgarian economy grew by 0.2% q/q in Q1 – on a par with Q4 2013 performance but still below the long-term average. Private consumption was the main driver of growth as it expanded by 1.4% q/q, followed by fixed investment which grew by 0.8%. A number of risks to growth emerged over the last couple of months, with political tensions resulting in an early election in October and trouble in the banking sector particularly significant.

STRONGER DOMESTIC DEMAND

Domestic demand is emerging as the main engine of growth after an export-dominated 2013, with consumers benefiting from falling unemployment, rising wages and deflation and investment growing on the back of the 2013 revival in exports and the consequent narrowing of spare capacity. Real wage increases and rising confidence led to robust retail sales growth in Q1 (7.3% in February and 9.3% in March). This was however followed by a sharp slowdown in Q2 – a result of lower confidence, base effects due to a minimum wage hike in Q1 and ongoing deflation, with June marking the 11th consecutive month of negative CPI (-1.9%), thus encouraging consumers to adopt a wait and see approach to spending. The consumer sector is nevertheless expected to rebound strongly this year after a weak 2013, boosted in particular by ongoing falls in the unemployment rate. Encouraging signs also emerged in the housing market, with two consecutive quarters of house price growth in Q1 and Q2 2014.

BANKING FRAGILITY

Recent runs on two Bulgarian banks – KTB and First Investment Bank – and a subsequent seizure of control over the former by the government raised concerns about the country's financial stability. The quick reaction from the government as well as the EU's €1.7bn credit line helped contain the crisis, but confidence is likely to remain affected in the short term.

OUTLOOK

The economy is anticipated to grow by 1.6% this year and 2.4% in 2015, driven predominantly by domestic demand. Exports are expected to grow at a reasonable pace on the back of growing demand from Germany in particular but will be outpaced by imports on the back of growing domestic consumption. Downside risks to growth stem from political uncertainty, with the October election raising questions over the policy stance of the prospective cabinet and recent signs of banking instability eroding confidence, thus potentially affecting business investment. The consumer sector may on the other hand surprise on the upside as it enjoys highly favourable conditions.

MARKET OUTLOOK

GDP:	Rebound in 2014 and further acceleration in 2015.
Inflation:	Return to positive inflation not until H1 2015.
Interest rate:	Stable.
Employment:	Further improvements.

ECONOMIC SUMMARY

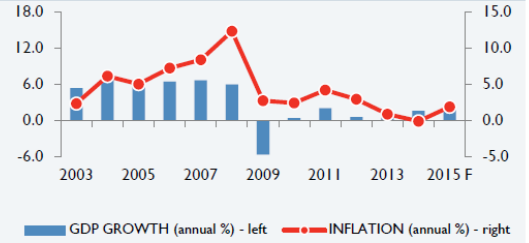
ECONOMIC INDICATORS*	2011	2012	2013	2014F	2015F
GDP growth	2.0	0.6	0.7	1.6	2.4
Consumer spending	1.5	4.3	-2.7	1.8	2.4
Industrial production	6.0	-0.2	0.2	2.8	3.6
Investment	-5.1	1.5	2.1	3.2	4.8
Unemployment rate (%)	9.6	11.1	11.3	12.4	11.5
Inflation	4.2	3.0	0.9	-0.1	1.9
Lev/€ (average)	1.96	1.96	1.96	1.96	1.96
Lev/US$ (average)	1.41	1.47	1.47	1.44	1.48
Interest rates 3-month (%)	2.9	1.6	0.8	0.6	0.7
Interest rates 10-year (%)	5.4	4.5	3.5	3.6	3.8

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	7.3 million (2013)
GDP	US$ 53.0 billion (2013)
Public sector balance	-1.5% of GDP (2013)
Government debt	18.9% of GDP (2013)
Current account balance	1.9% of GDP (2013)
Parliament	A minority coalition of the BSP and the MRF with the tacit support of Ataka
President	Rosen Plevneliev
Prime Minister	Plamen Oresharski
Election dates	October 2016 (Presidential) October 2014 (Parliamentary)

ECONOMIC ACTIVITY



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MARKETBEAT
ECONOMIC SNAPSHOT

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GREECE

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Q2 2014

DECLINE EASES

The decline within the Greek economy continues to ease, with a 0.9% y/y drop in output recorded in Q1. Deceleration in the pace of contraction in domestic demand was coupled with a positive contribution from net exports, which grew by 0.8% y/y. Indeed, exports are emerging as a major driver of growth with a 5% expansion forecast for 2014. Moreover, the economy is running a primary budget account surplus and a positive current account balance thanks to easing deflation and a softer GDP decline. Nevertheless, the short term outlook is uncertain, with manufacturing PMI balancing on the edge of the 50 expansion-contraction, with a 49.4 reading in June.

EXPORTS DRIVE THE ECONOMY

Net exports are anticipated to continue to single-handedly drive GDP growth this year on the back of improving external competitiveness and import compression. Booming tourism is also expected to give a significant boost to the economy.

CONSUMERS REMAIN WEAK

Consumers remain the economy's weakest link due to falling disposable incomes as structural reforms in the product and labour markets, high (albeit falling) unemployment and abundant spare capacity in production continue to exert downward pressure on wage growth (-3.1% in Q1). Depressed confidence and ongoing government austerity are expected to additionally constrain consumer spending. Nevertheless, mildly positive growth is expected this year as inflation is set to remain negative before returning to positive territory in 2015. By that time the labour market is anticipated to start improving more markedly.

OUTLOOK

The economy is expected to record marginally positive growth in 2014 as subdued domestic demand will be offset by robust exports. A return to stronger, more broad-based growth is anticipated for 2015 when rising export orders on the back of higher external demand and improving competitiveness of Greek producers eventually feed into private investment activity. Private and government consumption is anticipated to lag behind the rest of the economy in the medium term as austerity and a real wage decline continue. A period of deflation, although not unwelcome as it reflects the internal devaluation leading towards greater competitiveness, would pose a risk to fiscal targets if it is prolonged. A fiscal slippage is therefore the main risk to growth.

MARKET OUTLOOK

GDP:	Marginal growth in 2014 and a rebound in 2015.
Inflation:	Deflation expected until the end of 2014, return to positive inflation in 2015.
Interest rate:	On hold.
Employment:	Further very gradual falls in unemployment, albeit from a very high level.

ECONOMIC SUMMARY

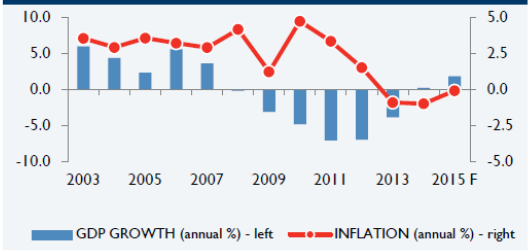
ECONOMIC INDICATORS*	2011	2012	2013	2014F	2015F
GDP growth	-7.1	-7.0	-3.9	0.2	1.8
Consumer spending	-7.6	-9.3	-5.9	-1.2	0.8
Industrial production	-7.8	-3.4	-3.6	0.7	1.9
Investment	-19.6	-19.4	-12.7	-1.8	3.4
Unemployment rate (%)	17.9	24.5	27.5	26.6	26.0
Inflation	3.3	1.5	-0.9	-1.0	-0.1
US$/€ (average)	1.39	1.28	1.33	1.30	1.25
US$/€ (end-period)	1.29	1.32	1.38	1.27	1.23
Interest rates: 3-month (%)	1.4	0.6	0.2	0.2	0.1
Interest rates 10-year (%)	19.0	24.3	10.2	6.3	5.5

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	11.0 million (2013)
GDP	US$ 242.0 billion (2013)
Public sector balance	-12.7% of GDP (2013)
Public sector debt	175.1% of GDP (2013)
Current account balance	0.6% of GDP (2013)
Parliament	New Democracy and PASOK
President	Karolos Papoulias
Prime Minister	Antonis Samaris
Election dates	2015 (Presidential) 2016 (Parliamentary)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

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MARKETBEAT
ECONOMIC SNAPSHOT

CUSHMAN & WAKEFIELD®

ROMANIA

A Cushman & Wakefield Research Publication

Q2 2014

MORE GOOD NEWS

The Romanian economy once again surprised on the upside with 3.9% y/y growth in Q1 following 5.4% in Q4 2013. The recovery has become more broad-based as the initial rebound in exports and robust agricultural and industrial production have spread to consumer spending, which grew by a solid 6.6% y/y – comfortably the fastest rate since 2007. Investment faltered, although a gradual recovery is now underway on the back of higher domestic consumer spending. Exports continue to benefit from rising demand from the eurozone, although their net effect on growth is likely to be neutral this year as faster domestic demand sucks in more imports.

IMPROVING PROSPECTS FOR CONSUMPTION

Conditions for consumer spending continue to improve. Subdued inflation (0.9% in May followed by 0.7% in June) on the back of a good harvest and an appreciating currency has given the main impetus to the consumers. Inflation is now expected to increase on the back of an acceleration in GDP growth, although households' disposable incomes should still grow on the back of rising credit provision and falling unemployment. Moreover, fiscal policy is likely to be relaxed after an austere 2013 when the government attempted to comply with requirements set out in the IMF standby loan agreement. The planned 5% payroll tax cut will be particularly significant for households' budgets.

OUTLOOK

Forecasts for the Romanian economy have been revised upwards following recent positive high frequency data and 3% GDP growth is now anticipated for 2014, followed by 3.3% in 2015. Private consumption is expected to be the main driver of growth in 2014, while investment should rebound strongly in 2015 on the back of growing momentum in both domestic and external demand. Nevertheless, net exports are anticipated to slow as a pick-up in imports on the back of an improving domestic economy will offset export growth. A more severe crisis in Ukraine is the main risk to growth in Romania as it could defer foreign capital inflows and dampen the country's exports to Russia given the depreciation of the rouble. A reversal in the recovery in the EU (a recipient of 70% of Romanian exports) and a rise in domestic political tensions are also moderate threats to growth. Provided that these risks are avoided, Romania's solid economic fundamentals should ensure robust growth in the medium term.

MARKET OUTLOOK

GDP:	Growth in 2014 to remain solid but slower than in 2013 and to accelerate in 2015.	▲
Inflation:	To pick up throughout the remainder of the year and stabilise in mid-2015.	◥
Interest rate:	No more cuts expected as inflation is rising.	▶
Employment:	Significant improvements ahead.	▲

ECONOMIC SUMMARY

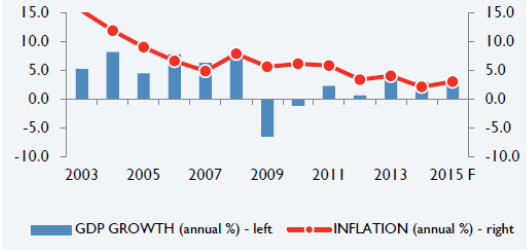
ECONOMIC INDICATORS*	2011	2012	2013	2014F	2015F
GDP growth	2.2	0.6	3.3	3.0	3.3
Consumer spending	1.5	1.4	1.2	2.6	3.3
Industrial production	7.6	2.5	7.6	6.8	5.3
Investment	6.8	4.1	-4.1	2.7	5.6
Unemployment rate (%)	5.2	5.0	5.2	5.3	4.5
Inflation	5.8	3.3	4.0	2.1	3.0
RON/€ (average)	4.24	4.42	4.42	4.51	4.67
RON/US$ (average)	3.05	3.47	3.33	3.42	3.53
Interest rates 3-month (%)	5.8	5.3	4.2	3.2	4.1
Interest rates 10-year (%)	7.2	6.5	5.2	5.0	5.5

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

ECONOMIC & POLITICAL BREAKDOWN

Population	20.0 million (2013)
GDP	US$188.5 billion (2013)
Public sector balance	-2.3% of GDP (2013)
Public sector debt	38.4% of GDP (2013)
Current account balance	-1.0% of GDP (2013)
Parliament	The Social Liberal Union government
President	Traian Basescu
Prime Minister	Victor Ponta
Election dates	Late 2014 (Presidential) December 2016 (Parliamentary)

ECONOMIC ACTIVITY



Source: Cushman & Wakefield

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Appendix 3 Terms & Conditions

1. PRELIMINARY

1.1 These general terms and conditions (the "Terms and Conditions") shall apply to all forms of professional services, other than agency services (to which separate terms will apply), provided by Cushman & Wakefield LLP, a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC328588 and having its registered office at 43-45 Portman Square, London, W1A 3BG ("we", "us" or "the Firm") to the client to whom the instruction confirmation letter is sent ("you"). They shall apply separately to each service provided to you.

1.2 The Terms and Conditions are to be read in conjunction with the instruction confirmation letter (the "Letter") sent by us to you. In the event of any ambiguity or conflict between the Letter and these Terms and Conditions, the provisions in the Letter shall prevail. These Terms and Conditions and the Letter may only be varied in writing by agreement between the parties.

2. PERFORMANCE OF THE SERVICES

2.1 We undertake to use all reasonable skill and care in providing the services and advice described in the instruction given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing.

2.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

2.3 Where matters beyond the control of ourselves cause delay to the performance of the services we will notify the client as soon as we become aware of the situation. The client agrees that we will not be held responsible for such delay.

3. BASIS OF FEES

3.1 The basis of our fees for our Services is set out in the Letter.

3.2 When applicable, VAT shall be payable by you in addition to any fees or disbursements invoiced at the applicable rate.

3.3 You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly fee accounts. Payment is due within 30 days of the invoice date.

3.4 Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

3.5 If you do not dispute with us an invoice or any part thereof within 30 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.

3.6 If we are required by you to undertake additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees.

3.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.

3.8 In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you a draft valuation report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.

3.9 We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost. If you approve, either verbally or in writing, that the third party be instructed, we will instruct the party as agent on your behalf and request that all the third party's invoices be addressed to you care of us. If we are requested by you to advance payment of the third party invoices, you shall be obliged to reimburse the advance payment made and pay a handling charge.

Associated/Related Entities of the Client

3.10 Where we are instructed to provide Services to one of your subsidiaries or associate/related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associate/related or other entity does not meet its liabilities in relation to the Services.

4. INTEREST

4.1 You shall pay interest on the amount of any invoice for fees or other disbursements that remain unpaid for 30 days after the date of the invoice. Interest shall be payable at the statutory rate in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, from the date of the invoice until payment is made whether after or before judgement.

5. DISBURSEMENTS

5.1 You shall reimburse disbursements incurred in the provision of the Services quarterly in arrears from the date they were incurred. These include, for example, maps, plans, research, photography, copying of documents or plans, messenger delivery, costs of obtaining external information on companies, properties, demographic or other similar information, any reproduction, copying or other royalties incurred, additional bound copy reports, costs of external information/references obtained and key cutting, travel and subsistence expenses at their actual cost and car mileage at the standard AA scales.

6. INFORMATION RECEIVED FROM THE CLIENT

6.1 We will take all reasonable steps to ensure property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you are aware that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of

purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

7. CONFLICTS OF INTEREST

7.1 We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable. Should you have any queries on this, you should contact your client partner.

8. MANAGEMENT OF THE PROPERTY

8.1 We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility. You are aware that while a property is unoccupied, the property is likely to suffer from adverse weather conditions and frost damage may occur to water and heating systems and sanitary appliances. You are strongly recommended to take all necessary actions to protect the property from such risks and to ensure that adequate insurance cover is in force.

9. VALUATION BASES AND ASSUMPTIONS

Date of Valuation

9.1 Unless we have said otherwise within the Letter, the date of valuation will be the date of our report.

Basis of Valuation

9.2 Unless we have said otherwise within the Letter, the valuation will be prepared in accordance with the RICS Valuation Standards, 6th Edition as amended ("The Red Book") by valuers conforming to its requirements, acting as external valuer.

9.3 Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the Red Book. The basis of valuation that we will adopt for each property is specified in the Letter. The definitions are as follows:

(i) **Market Value**

PS 3.2 defines Market Value 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."

(ii) **Market Rent**

PS 3.3 defines Market Rent as "the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease

terms in an arms length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion."

(iii) **Existing Use Value**

UK PS 1.3 defines Existing Use Value 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 arms length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost."

9.4 When assessing either Existing Use Value or Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs (as required under FRS15), they will be stated separately.

Specialised Property

9.5 In the case of Specialised Properties (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Depreciated Replacement Cost ("DRC") as a method of estimating Market Value. The valuation using this method of a property in the private sector will include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the property is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from the DRC method to reflect the profitability/viability of the entity in occupation is a matter for the occupier.

Specialised Trading Property

9.6 Where appropriate, specialised trading properties (such as self storage properties, hotels and marinas) will be valued on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.

9.7 Where we are instructed to value an operational property with regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of turnover and net operating income likely to be achieved by a reasonably efficient operator.

9.8 Unless we have said otherwise within the Letter:

(i) the valuation will be made on the basis that each property will be sold as a whole including all fixtures, fittings, stock and goodwill;
(ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;
(iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;
(iv) we will exclude any consumable items and stock in trade; and
(v) we will assume that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

Valuation Assumptions

9.9 Unless otherwise advised by you in writing, we will provide the Services in relation to any property on the assumption that:-

(i) the property and any existing buildings are free from any defect whatsoever;
(ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;
(iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;
(iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;
(v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;
(vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);
(vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);
(viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;
(ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property; and
(x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship
(xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value
(xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits
(xiii) vacant possession can be given of all accommodation which is unlet or occupied by the borrower or its employees on service tenancies
(xiv) any mineral rights are excluded from the property.

Structure

9.10 We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

9.11 If we give the age of a building in our report, this will be an estimate and for guidance only.

Measurements

9.12 Where we are required to measure a property we will generally do so in accordance with Local Measuring Practice. However, you should specifically note that the floor areas contained in any report we may publish are approximate,.

9.13 We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied or from plans. They will not be physically checked on site.

9.14 The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.

Planning and Statutory Regulations

9.15 Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services on the information provided informally by the local municipality or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

9.16 We may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

Tenure and Tenancies

9.17 We will not inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it. Unless agreed we will not obtain information from The Land Registry.

9.18 You should confirm to us in writing if you require us to read leases and if so, provide all the relevant documentation within a reasonable time for consideration bearing in mind the date for receipt of our report. You should not rely upon our interpretation of the leases without first obtaining the advice of your lawyers.

9.19 We will take into account any information that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).

Covenant

9.20 Our valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.

Other

9.21 Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.

9.22 Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.

9.23 For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the date of valuation, and will have regard to any contractual liabilities.

9.24 We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.

9.25 Any valuation figures provided will be exclusive of VAT whether or not the building has been elected.

9.26 We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.

9.27 Unless we have said otherwise in the Letter, each property will be valued individually; in the case of a portfolio, we will assume that the properties would be marketed in an orderly way and not placed on the market at the same time.

9.28 We will value in the local currency. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate ("spot rate") on the date of valuation.

9.29 Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.

9.30 In instances where we are instructed to provide an indication of current reinstatement costs for insurance purposes, this will be given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a building surveyor or other person with sufficient current experience of replacement costs. The property will not be inspected by a building surveyor or qualified building cost estimator and the guide will be based on costs obtained from generic building cost tables. You should not rely on it as the basis for insurance cover.

10. REGULATED PURPOSE VALUATIONS

10.1 In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a "Regulated Purpose Valuation" by the RICS), the RICS requires us to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.

10.2 Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.

10.3 For all Regulated Purpose Valuations we are required by the RICS to state all of the following in our report:

(i) the length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;
(ii) the extent and duration of the relationship between you and us;
(iii) in relation to our preceding financial year the proportion of the total fees, if any, payable by you to our total fee income expressed as one of the following:

- less than 5%; or
- if more than 5%, an indication of the proportion within a range of 5 percentage points;

(iv) where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, we shall include a further statement to that effect in addition to (iii) above.

11. TERMINATION BY NOTICE

11.1 Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.

11.2 In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any agreed abort fee) (the "Termination Fees") plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

12. PROFESSIONAL LIABILITY

12.1 Subject at all times to the provisions in these Terms and Conditions and the Letter, we shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services in respect of:

12.1.1 any direct loss of profit;

12.1.2 any indirect, special or consequential loss whatsoever howsoever caused including without limitation (i) indirect loss of profit; (ii) loss of business; (iii) loss of goodwill; (iv) loss of use of money; (v) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.

12.2 Subject at all times to the provisions in these Terms and Conditions and the Letter, we shall not be liable to you in negligence for pure economic loss arising in connection with the performance or contemplated performance of the Services.

12.3 You acknowledge and agree that the exclusions contained in this clause 12 are reasonable in all the circumstances and that you have had the opportunity to take independent legal advice.

12.4 Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.

12.5 Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such

third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.

12.6 Subject to the provisions in these Terms and Conditions and the Contract, our total aggregate liability (including that of our partners and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding twenty times the fee paid for each instruction accepted.

12.7 We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

12.8 To cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance through the Lloyds and company insurance market, so long as such insurance is available at commercially acceptable rates and terms, with insurers of good standing and repute of not less than £10 million on an each and every claim basis.

12.9 Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the Services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue with your client partner who will be able to let you have proposals for a revised pricing structure to reflect the agreed level of our liability and/or professional indemnity cover.

12.10 Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:-

	First Extended Party	Second & Subsequent Extended Parties
For the first €1m of reported value	0.075%	0.025% per party
Thereafter	0.035%	0.015% per party

These fees are exclusive of VAT & expenses (including the cost of readdressing the report) and are subject to a minimum fee of €1,000. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

Where we consent to reliance on our report by another party or other parties, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it/they had been a party to the original letter of instruction between us. Where we consent to such reliance, you agree to furnish the addressee with a copy of any reliance letter issued by us and/or a copy of these terms and conditions.

12.11 Where you provide a copy of and/or permit another party or parties to rely upon our valuation report without obtaining our express written consent (in accordance with clause 12.10 above), you agree to indemnify us for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

12.12 Notwithstanding clause 12.10, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of an offering (either directly or indirectly) in any interest in the property or properties that we have valued to a party who has not agreed in writing to be bound by these Terms and Conditions with us, you agree to indemnify us for any liability whatsoever that we have to any party or parties which exceeds our aggregate cap on liability (referred to at clause 12.6) which arises from their use and/or reliance on the valuation report.

13. QUALITY OF SERVICE

13.1 All our valuation reports are signed by an Equity Partner of the Firm whose responsibility it is to ensure that all relevant quality control procedures have been complied with. In particular, for valuations of properties with an individual value of £20m or over, the valuer is required to present and explain his methodology to another member of the Valuation Advisory Team unconnected with the instruction and who is a Partner of the Firm.

13.2 While we seek to provide high quality Services, if a client has cause for complaint we have a standard complaints procedure, a copy of which is available on request. This is in accordance with requirements of the Royal Institution of Chartered Surveyors.

14. DATA PROTECTION

14.1 We (including any of our international partnerships, group companies and affiliated organisations) are a data controller of all personal data collected during the provision of the agency services. We shall use such personal data and information we obtain from other sources for providing the agency services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

14.2 To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

14.3 We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

15. MONEY LAUNDERING REGULATIONS

15.1 We may be required to verify certain particulars of our clients and may need to ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to proceed to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with such requirements.

16. FREEDOM OF INFORMATION

16.1 You shall notify us within five business days of receiving a request pursuant to any statutory notification requesting information which relates to the business arrangements between us and you and/or any information we have provided to you at any time. In recognition of the fact that we may be providing you with genuinely confidential or commercially sensitive information, you agree to consult us and seek our views on all such requests prior to making a decision on whether any information should be publicly disclosed.

17. ELECTRONIC COMMUNICATIONS

17.1 We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

18. CONFIDENTIALITY AND INTELLECTUAL PROPERTY

18.1 We owe our clients a duty of confidentiality. You agree, however, that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

18.2 Both parties agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, both parties shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

18.3 We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

18.4 We will not approve any mention of our Services unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our Services are subject. For the avoidance of doubt our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

18.5 We may make the approval of any mention of our Services, or re-address to third parties our Services, subject to the payment of an additional fee to cover additional work and professional liability.

18.6 All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely.

19. THIRD PARTIES RIGHTS AND ASSIGNMENT

19.1 No term of the Letter or these Terms and Conditions is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

19.2 Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

20. GENERAL

20.1 If any provision of the Terms and Conditions is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of the Terms and Conditions and the remainder of such provision shall continue in full force and effect.

20.2 Failure or delay by us in enforcing or partially enforcing any provision of these Terms and Conditions shall not be construed as a waiver of any of our rights under these Terms and Conditions.

20.3 The Letter and these Terms and Conditions shall be governed by and be construed in accordance with English law. Any dispute arising out or in connection with the Services shall be submitted to the exclusive jurisdiction of the Courts of England and Wales.

20.4 References to partners of Cushman & Wakefield LLP are used to refer to a member of Cushman & Wakefield LLP or an employee or consultant with equivalent standing and qualifications. A list of the members of Cushman & Wakefield LLP and of the non-members who are designated as partners is open to inspection at its registered office, 43-45 Portman Square, London, W1A 3BG.