



SIBIU

Real-Estate Overview



CBRE RESEARCH

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Sibiu, a small place for big dreams

Sibiu is one of the Romanian's largest city and capital of Sibiu County, located in the heart of the country. The total surface of the county is 543,200 ha, the equivalent of 2.3% of the total Romanian territory. According to the National Institute of Statistics Sibiu has 147,245 inhabitants, that means 35% of the county population;

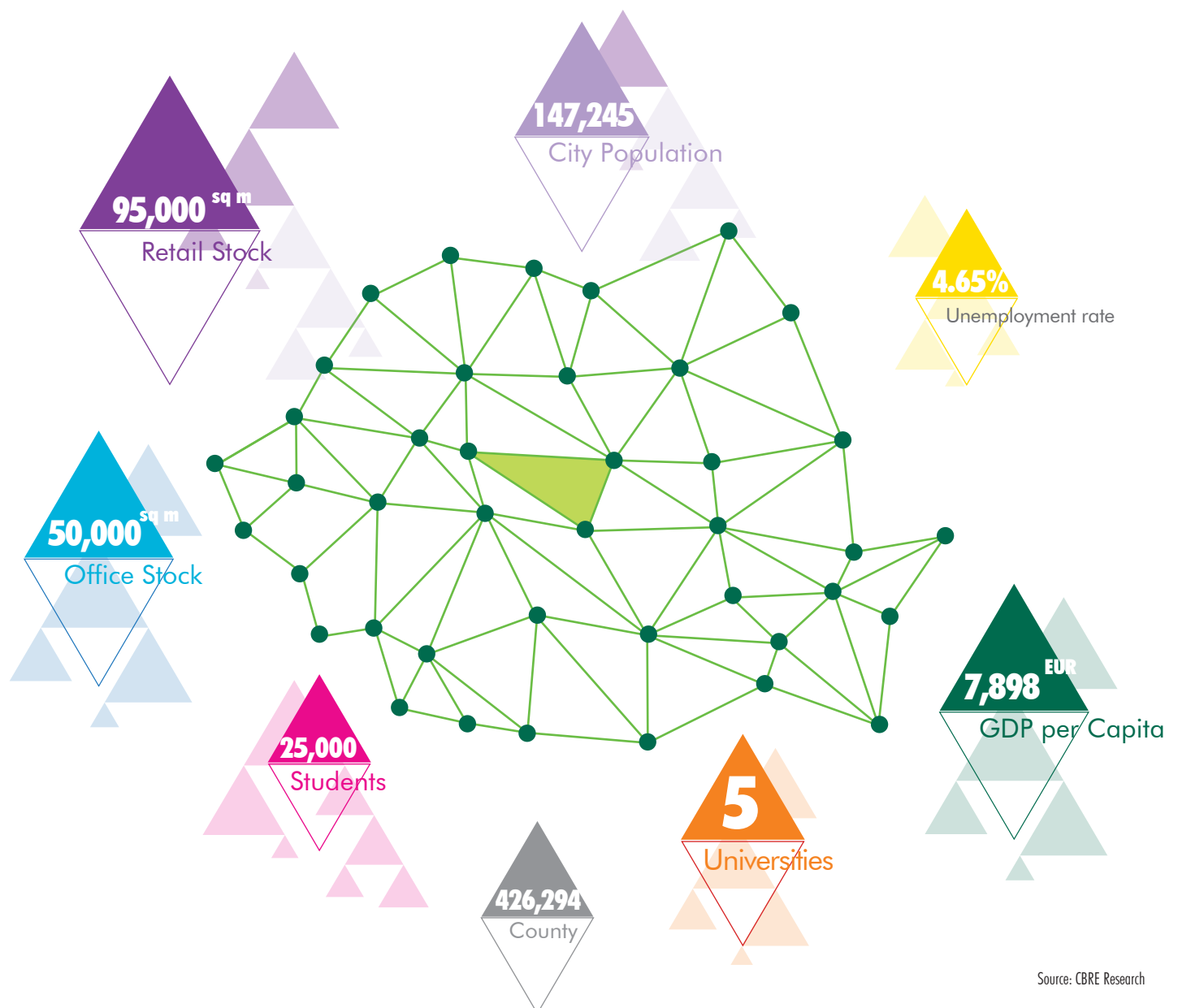
In 2007, the city was designated the European Capital of Culture, an event that made it more popular to foreign investors.

The city of Sibiu is part of the IV Pan European corridor that connects the Black Sea with the border of Hungary.

The city has a good road connection with Bucharest and Timisoara, both towns are at 280 km distance from Sibiu (cc. four hours' drive).

Sibiu can be easily reached by air, the city is served by International Airport Sibiu, which is located at 6 km from city center. The airport has direct flights to Vienna, Munich, Stuttgart, London, Dortmund but no direct flights to Bucharest. 216,000 of passengers pass through Sibiu annually.

FIGURE 1: SIBIU HIGHLIGHTS



Source: CBRE Research

Sibiu Office



OFFICE STOCK

The Sibiu Office Market has a relatively new history of around 5 years, with substantial development happening between 2011 - 2015.

The modern office stock is estimated at 50,000 sq m of class A and B, which is equivalent to almost 2.1% of the Bucharest office stock – with 22% of Bucharest's population.

In terms of development, in Sibiu there are 2 office buildings with a gross rentable area bigger than 12,000 sq m, while the majority of the office buildings have a rentable area which varies between 1,000 – 5,000 sq m.

Sibiu Business Centre is an impressive two towers office building with a total GLA of 14,500 sq m office space. The project was EU co-financed, it was delivered in 2011 and is 97% leased.

For the next period there are under construction and announced projects of over 20,000 sq m in the semi-central and periphery areas, all developed by local entrepreneurs/local private investors, speculatively.

DEMAND AND VACANCY RATE

The demand for office space in Sibiu is generated especially by financial-banking sector, BPO (Business Process Offshoring), SSC (Shared Services Center) and automotive companies. Some of the most renowned companies present in Sibiu are: Arvato, Conectys, Stefanini IT Solutions, Sykes Enterprises, BearingPoint, Continental, Marquardt, Visma, CGS – Computer Generated Solutions. Such tenants are looking for A and B class office schemes with a very good IT infrastructure.

The overall vacancy rate for class A and B in Sibiu stands at around 13%, whereas the vacancy rate for class A office buildings is estimated at 5%, compared with the vacancy rate for class B office buildings which is estimated at 21%. Due to a relatively large amount of office space under construction in the periphery area, it is predicted that the vacancy rate will remain on a growth path during the next period.

COMMERCIAL TERMS

Asking rents in A-class modern office buildings remain stable at 9 – 12 EUR/sq m/month and for B-class between 6 - 8 EUR/sq m/month.

Service Charges - Include water, electricity, security, heating, air-conditioning, service, cleaning of common areas, taxes, insurance and all other maintenance and operational costs of the building and common areas. Service charges are more often quoted in EUR net plus applicable VAT. A typical service charge in an A-class building in Sibiu varies from EUR 2.5 up to 3.5 /sq m/ month.

Parking Places – the rent for a parking space is around EUR 25 – 50 per month. Parking spaces are allocated according to a pre-defined parking ratio. Depending on the location, the ratio varies from 1 space per 70 – 100 sq m of leased office space.

Common Ratio - calculated as a percentage of the space added to the net rentable area. This include lift lobbies, ground floor lobby, corridors, toilets available for all tenants and guests, etc. Market standards for the add-on factor in Sibiu are in the range of 10 - 13%.

Security Deposit – The equivalent of 3 - 6 months' rent or a letter of bank guarantee.

Top of motivational factors for employees:

1. Private healthcare;
2. Lunch coupons;
3. Sport card;
4. Transport offered by the employer;
5. Reimbursement for studies or trainings;



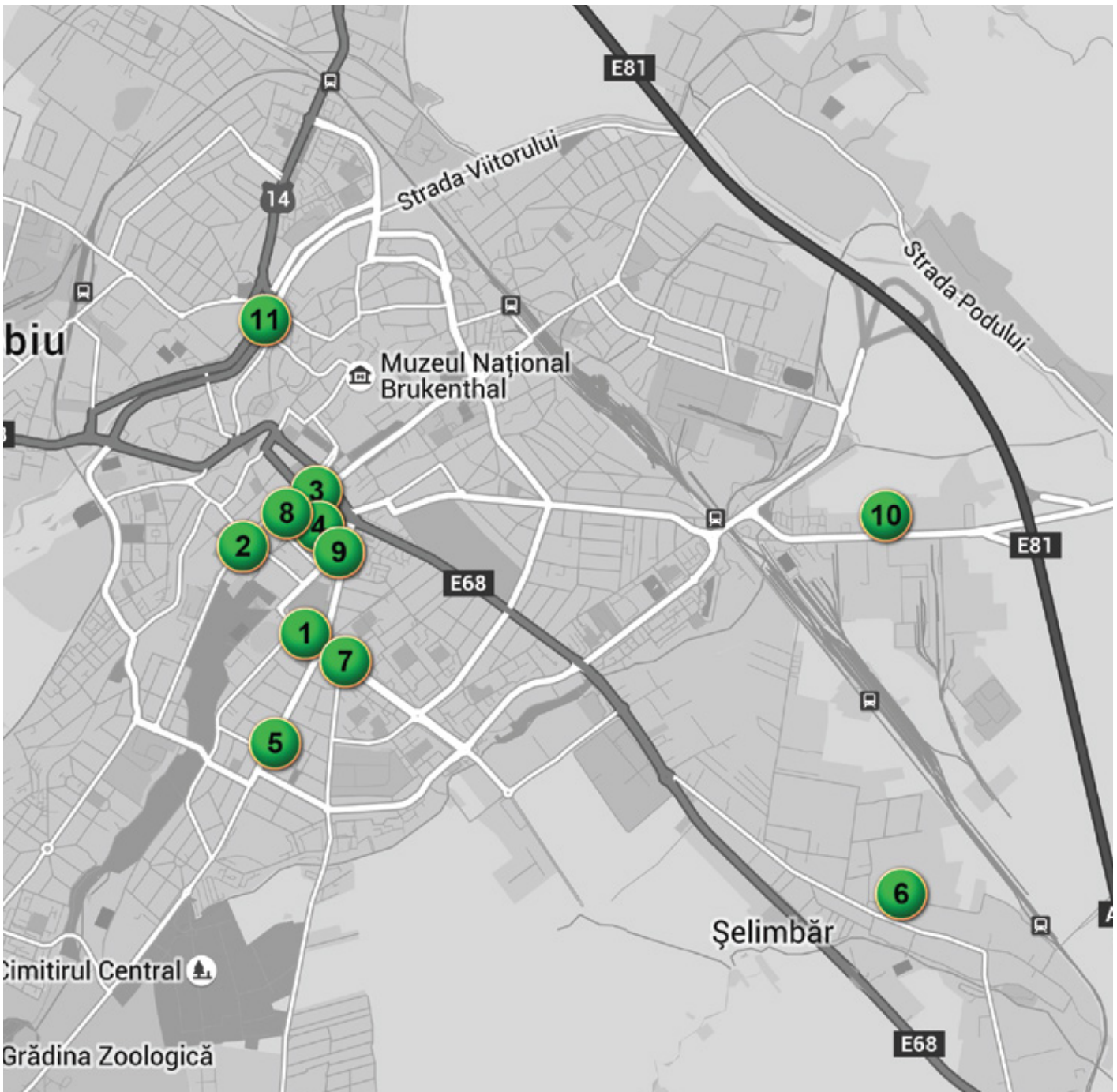
Photo source: Centrul de afaceri Sibiu

FIGURE 2: LOCAL REAL ESTATE INDICATORS

1	Modern Office Stock (sq m)	50,000 sq m
2	Vacancy Rate Class A & B	13%
3	Headline rent – Class A	9 – 12 EUR/sq m/month
4	Headline rent – Class B	6 – 8 EUR/sq m/month
5	Service charge	2.5 – 3.5 EUR/sq m/month
6	Parking rent	25 – 50 EUR/cps/month

Source: CBRE Research

FIGURE 3: EXAMPLE OF EXISTING OFFICE BUILDINGS IN SIBIU



- | | | |
|-------------------------------------|--|--------------------------|
| 1 Sibiu Business Centre | 5 Calea Dumbravii Office Building | 9 Royal Business Center |
| 2 Victoriei Office Building | 6 Calea Sibiului Office Building | 10 Hidrosib Complex |
| 3 BCR Tower | 7 Mihai Viteazul Office Building | 11 Cibin Office Building |
| 4 Dr. Stefan Stanca Office Building | 8 Avocat Ilie Macelaru Office Building | |

Source: CBRE Research

LABOUR MARKET

Sibiu is one of the main cities in Romania in which the IT&C sector is flourishing.

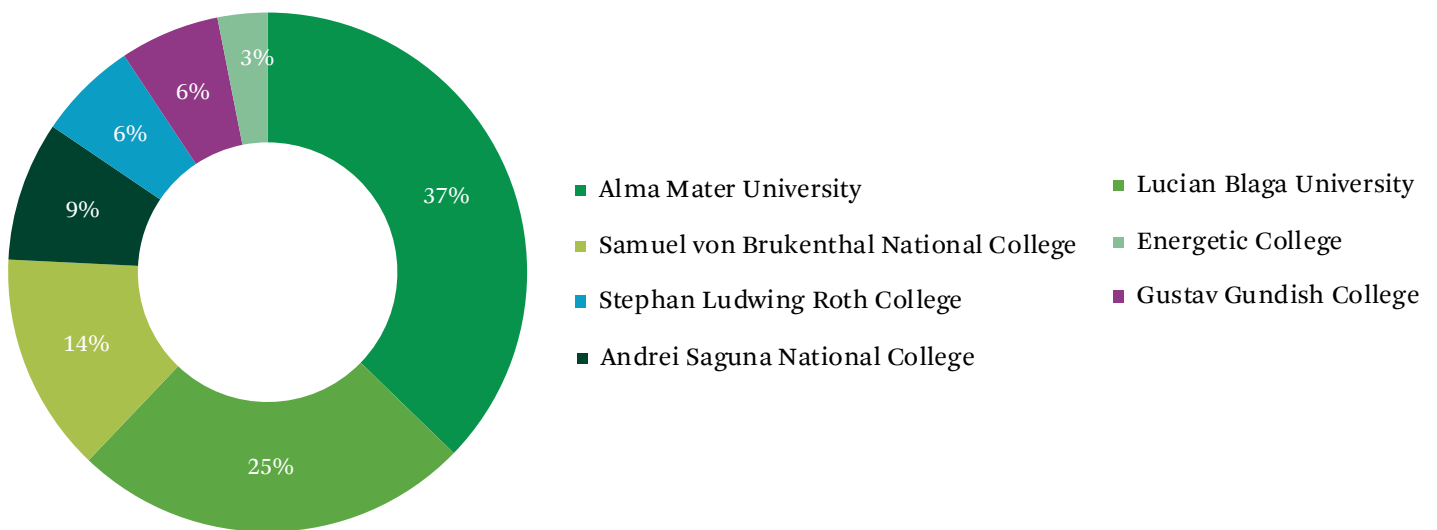
Today almost 1,900 employees are working in Sibiu in IT&C. The number of people employed in this sector is expected to increase in the next period, as new companies are looking to enter this market or

existing ones are expanding their operations.

Over 25,000 students are yearly enrolled in post-secondary education in all 5 big universities. IT&C domain attracted annually 550 graduates, out of a total of 1,200 technical graduates.

The availability of German skills is higher than national average, which attracts employers looking for this skill. Total estimated volume of German speakers within the metropolitan area is around 3,000. Approximately 800 persons are trained in German language in 7 different institutions in Sibiu every year.

FIGURE 4: PERCENTAGE OF ANNUAL GERMAN SPEAKERS BY INSTITUTION



Source: Manpower

Increasing demand of human capital for all specializations makes companies aim to attract employees even from surrounding areas of Sibiu. They offer relocation and salary packages in order to attract employees from as far as more than 60 km away from Sibiu.

FIGURE 5: NET MONTHLY SALARY (EUR) IN SIBIU BY DOMAINS OF ACTIVITY

Industry	Entry Level	Mid level	Top level
IT&C	350 – 450	750 – 1,000	>1,500
Professional Sector	300 – 400	550 – 800	>1,000
BPO	250 – 350	450 – 500	>900
Financial	250 – 350	400 – 450	>1,100
Medical & Pharma	300 – 350	400 -550	>1,000
Consumer Goods	225 – 350	400 – 450	>500
Public Sector	225 – 300	350 – 400	>500

Source: Manpower

METHODOLOGY & DEFINITIONS

Prime Rent - represents the top open-market tier of rent that could be expected for a unit of standard size (commensurate with demand in each location), of the highest quality and specification and in the best location in a market at the survey date. The Prime Rent should reflect the level at which relevant transactions are being completed in the market at the time, but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on an expert opinion of market conditions.

Vacancy Rate - represents the percentage ratio of total vacant space to stock.

Total Stock – represents the total completed space (occupied and vacant) in the private and public sector at the survey date. Includes owner occupied space.

Business Process Outsourcing (BPO) – a specialized organization that provides specific business functions (or processes), usually non-production ones to third parties.

Shared Service Centre (SSC) – a separated part of an enterprise that provides a service to an organization or group where that service had previously been found in more than

one part of the organization or group. The funding and resourcing of the service is shared and the providing department effectively becomes an internal service provider.

Knowledge Process Outsourcing (KPO) – a form of outsourcing, in which knowledge-related and information-related work is carried out by workers in a different company or by a subsidiary of the same organization, which may be in the same country or in an offshore location to save cost. This typically involves high-value work carried out by highly skilled staff.

“For the past few years, Sibiu has been recognized for its pool of skilled, talented workers, especially in manufacturing, where a breadth of experience and expertise is available both at the blue-collar and white collar levels. It has therefore been, and continues to be, an attractor for production companies, boosted also by its central location in Romania, which increases the competition for talent and the flexibility needed to attract and retain it.”

*Emil Minciu, Director of Operations,
Manpower Romania (a ManpowerGroup brand)*



Sibiu Industrial



INDUSTRIAL STOCK

Its strategic location, the adequate air, road and rail infrastructure concluded in investment opportunities for many companies. They found here qualified human resource in the industrial field, local and state incentives packages along with good local real estate conditions.

Sibiu county has a well-established industrial cluster more than 100 foreign manufacturing companies are based in the newly created industrial parks and industrial areas. Amongst those companies we find: Continental Automotive Systems, Marquardt, Siemens, Harting Romania. Many of the greenfield developments are owner occupied their investment being partly sustained by the local authorities which created premises for industrial parks. In Sibiu county there are three existing state owned industrial parks and another two private owned. The most important state owned industrial parks and

industrial areas: Western Sibiu Industrial Park and Sura Mica Industrial Park positioned in the Western part of Sibiu.

Lately foreign industrial developers were not present in Sibiu market, the recent land acquisition done by WDP and CTP near Sibiu confirms the late high interest coming from production companies.

As many other counties in Romania, Sibiu county benefited from an old industrial tradition which made it a preferred option amongst many other.

The industrial area Sibiu - Sura Mica benefits from a newly created road infrastructure one of the reasons why big names of the European industry like: Continental Automotive Systems, Marquardt Schaltsysteme, Khunke Production, Brandl E, Takata, SNR bearings are here, hiring over 6,300 employees. Apart from them, there are other companies like: Gühring OHG, Bramac, Phoenix Mechano Switzerland, RUD Kettenfabrik Rieger & Dietz, Polisano

Pharmaceuticals, MEWA, TAS, Siemens, Delphi, Grainer, Poliflex Krupp - Bilstein, Tondach, Winerberger, Compa (factory in Sibiu with old traditions in mechanical engineering). To the mentioned businesses we can add those related to the automotive industry, building materials, industrial robots, moulds, plastics and pharmaceuticals.

Another area that may be subjected to a process of investment is Medias city, where there is the Romania's gas resource largest coordinating centre, coming along with the other related industries branches.

Here we could also find several Auto Components manufacturing companies amongst them Kromberg & Schubert or Automecanica.



FIGURE 6: MAJOR INDUSTRIAL TRANSACTIONS-SIBIU

No	Quarter	Company	GLA (sq m)	Transaction Type	Industrial Park	Grade
1	3	Antolin (CML Innovative Technologies)	12,406	Parc Industrial Vest Sibiu	Owner occupied	A
2	3	Swoboda Hartmann Sibiu Phase 2	2,970	N/A	Owner occupied	A
3	2	Continental Automotive Systems, Sibiu Phase 2	8,000	Parc Industrial Vest Sibiu	Owner occupied	A
4	3	Siemens Sycatec	7,500	WDP Park Sibiu	Pre-lease	A
5	3	Tursib	20,000	Parc Industrial Vest Sibiu	Owner occupied	A

Source: CBRE Research

Cisnădie, which has over 100 years traditions within light industrial manufacturing could be considered a viable option by production companies. Textile companies such as Somarest, Transeuro Textile, Ragu are based here.

The county is crossed by the highway component of European Corridor 4 beginning at Nuremberg - Vienna - Budapest Nădlac - Arad-Deva - Sebes - Sibiu. The motorway is currently in progress and will be completed on certain sections shortly.

The current infrastructure is complemented by upgraded roads that allow quick connection with Medias and other cities as Agnita, Dumbrăveni, and favours rapid transportation of goods and passengers also investments in transport infrastructure which has as purpose to become a fast and efficient with the other towns of the county Avrig, Cisnădie, Talmăciu.

As already mentioned, the main asset of this county is that it can

provide products which are more competitive in all sectors and a highly qualified human resource. This is being regarded as a crucial factor in the decision making process as it can help generate a risk investment assumption.

The county has a modern airport with adequate infrastructure development activity for cargo type transports (buildings and infrastructure which are operating for this purpose), a large enough runway which enables the landing of large aircrafts and climatic conditions which provide over 300 operating days per year without fog. The airport connects major cities throughout Europe and the operators are established companies in the field.

LABOUR MARKET

Sibiu has a highly qualified human resources, especially in the industrial field. The county engineers offer quality work while labour costs are low, compared to wages in Western Europe.

The economic potential of the county is supported by an educational system that provides a highly skilled workforce in the existing pre-university colleges and professional schools, which are very well adapted to the needs of the labour market, not only in cities like Sibiu, but also in Saliste, Cisnădie, Agnita, Medias and Dumbrăveni.

The local higher education system consists in Lucian Blaga University, an institution with European recognition that provides a wide range of specializations in accordance with the requirements of companies active in the local market and has developed a partnership with them, the Romanian - German University, Alma Mater University and the Land Forces Academy "Nicolae Balcescu".

FIGURE 7: MAJOR INDUSTRIAL TRANSACTIONS SIBIU

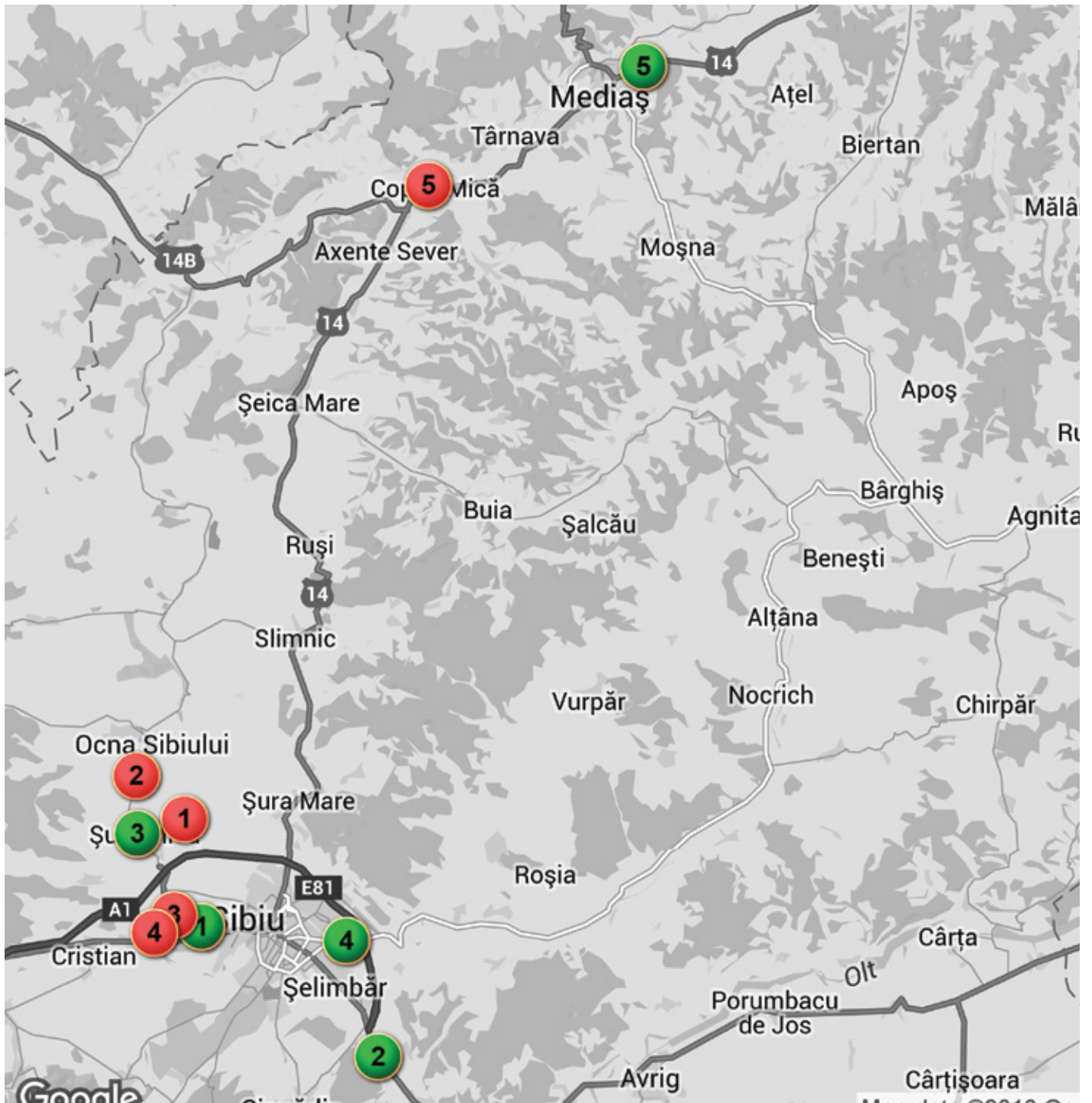
Clients	Surface (sq m)	Clients	Surface (sq m)	Clients	Surface (sq m)
Plant Manager	3,500-4,000	Production engineer	750-1,500	Shift leader	575-650
Production manager	2,000-2,500	Quality engineer	750-1,500	Skilled operator	275-400
Logistics Manager	1,500-2,000	Maintenance engineer	700-1,100	Unskilled operator	195-225

Source: Manpower

“Sibiu is not only a tourist destination, it’s also an economic location and a cultural city. With the new shopping center, we are trying to make the retail offer complete for Sibiu. Through its dynamic architecture and its multifunctional nature, the shopping center will provide a modern, effervescent facet to the downtown of Sibiu, comprising under one roof the entire range of shops, services and leisure facilities required by a modern downtown mall.”

*Daniel Tanasoiu General Manager,
Primavera Development*

FIGURE 8: MAJOR INDUSTRIAL PARKS IN SIBIU



- | | |
|---|--|
| ● Existing Industrial Parks | ● Planned/Under Construction Industrial Parks |
| 1 Sibiu West Industrial Park | 1 Loq IQ Sibiu |
| 2 Selimbar Industrial Park | 2 Ocna Sibiului Industrial Park |
| 3 Sura Mica Industrial Park | 3 WDP Park Sibiu |
| 4 Zacaria Industrial Park | 4 CTP Park Sibiu |
| 5 Automecanica Industrial Park | 5 Copsa Mica Industrial Park |

Source: CBRE Research

COMMERCIAL TERMS AND MARKET PRACTICE

ASKING RENTS

- Class A 4.5-5 EUR/sq m/month
- Class B 2.5-3 EUR/sq m/month
- Class C&D 0.5-1.5 EUR/sq m/month

LEASE TERM

- 3 years in existing buildings
- 7-10 years for built-to-suit (BTS) projects

HEADLINE RENT

- Paid monthly in advance; quoted in EUR, paid in RON
- Annual indexation linked to CPI indices (usually HICP Index)

EFFECTIVE RENT

- Average rent accounted over entire lease period, including financial incentives provided to tenant by

landlord (e.g. rent free periods, fit-out contribution)

SERVICE CHARGES

- Class A 0.8 EUR/sq m/month
- For class B buildings the service charge is usually covered by the rent
- Paid monthly in advance; generally quoted in EUR, paid in RON
- Based on 'open book principle', reconciled annually

SCOPE OF SERVICES INCLUDED IN SERVICE CHARGES

- Security of park - common areas; Property taxes; Property insurance (excl. tenant internal area); Property management; Maintenance and repairs; Landscaping / site cleaning; Snow removal; On-site personnel

LEASE SECURITY

- Bank guarantee (common) or deposit (rare), equal to 3 - 6 months'

rent + service charges + VAT

- Parent company guarantee (especially in the case of new companies)

INSURANCE

- Liability insurance, insurance for own installations and owned equipment - covered by tenant
- Building insurance and landlord liability insurance included in service charges - covered by tenant

REPAIRS

- Internal - covered by tenant
- Structural and common areas - covered by tenant (part of the service charge)

TENANT INCENTIVES

- Rent-free periods
- Partial fit-out according to tenant's specification and the required adaptation works

METHODOLOGY & DEFINITIONS

Prime headline rent (in Euro per sq m) represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand in each location, of highest quality and specification and in the best location in a market at the survey date. For the purposes of this report, a unit of standard size is assumed to be around 2,000 sq m GLA.

Vacancy Rate - (in sq m) represents the total net lettable (or rentable) floor space in existing properties, which is physically vacant and being actively marketed at the survey date. Prime headline rent (in Euro per sq m) represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand in each location, of highest quality and specification and

in the best location in a market at the survey date. For the purposes of this report, a unit of standard size is assumed to be around 2,000 sq m GLA. Effective rent – an average rent over the whole lease period which includes tenant's incentives.

Build-to-suit (BTS) – a non-standard warehouse or industrial scheme designed according to specific tenant's requirements regarding size, location and building standards. The design is based on the client's technology process. The projects are usually dedicated for one tenant, newly built or after general refurbishments. BTS projects are more and more popular, especially for production companies. Clients preferring BTS investments over constructing their own buildings, limit the risk by choosing an experienced developer, shorten the time necessary for the development

process and reduce the development cost by using the developer's resources. Lease agreements are more advantageous than the construction of a company's own facilities, mainly because such projects do not require the involvement of their own capital and provide flexibility for future extension or relocation.



Sibiu Retail



RETAIL MARKET

The local retail sector is benefiting from the fact that Sibiu is a major touristic destination in Romania mainly due to its Saxon heritage and also to the fact that it was the European Capital of Culture back in 2007. Initially the modern retail was until the recent years represented mainly by big box units located throughout the city (Lidl, Kaufland, Penny Market, Metro).

HIGH-STREET

A larger part of the on street retail stock is located at the ground floor of old historical buildings located mainly in the city center (alongside the Nicolae Balcescu Street and within the main old square). Other important arteries in terms of on street retailing are Mihai Viteazu Street, Vasile Milea Boulevard and Alba Iulia Road.

SHOPPING CENTERS

The local market includes two various types of shopping centers: from one opened before 1990 and refurbished in mid-2000's - Dumbrava, located in the city center, to a hypermarket-led scheme - Sibiu Shopping City (2006), located in the Southern part of the city, alongside the main entrance from Brasov and Ramnicu Valcea. The occupancy rate is high (over 97%) within Sibiu Shopping City. The rents are in range with the levels registered for similar cities in size and potential.

DEMAND

Among the most important retailers present in Sibiu we can name: H&M, C&A, Decathlon, Zara, NewYorker, Orsay, Takko, dm, CCC, Deichmann, Humanic, Douglas, Yves Rocher, Altex, Flanco. Food retailing is well represented: Billa, Lidl, Penny

Market, Kaufland, Carrefour, Auchan, Metro. DIY sector: Dedeman, Leroy Merlin, Hornbach, Ambient, Bricomat.

OUTLOOK

Due to its size, location and road connections Sibiu has the potential to attract new retails and investors. During the booming years at least three other centers were announced in the city (Festivall Mall, Tiago Mall, Sibiu City Center). Two of them were abandoned following the downfall registered after 2008, while another one (Festival Mall) seems to be revitalized in the past months.

Looking ahead, a rise in private consumption nation-wide, will lead to an increase in purchasing power for both the inhabitants of Sibiu County and the numerous tourists visiting the area. This might allow for space for development of a new retail scheme in Sibiu.



"Shopping City Sibiu remains the dominant retail property in the prosperous county of Sibiu. With a GLA of 80,000 sq m, Shopping City Sibiu is the 3rd largest retail park in Romania in terms of size and tenant mix, holding two hypermarkets - Auchan and Carrefour, as well as Mobexpert, Leroy Merlin and Altex, Flanco, Decathlon, H&M, C&A as anchor stores. The park features a shopping centre which presents a well arranged blend of strong international retailers and local outlets".

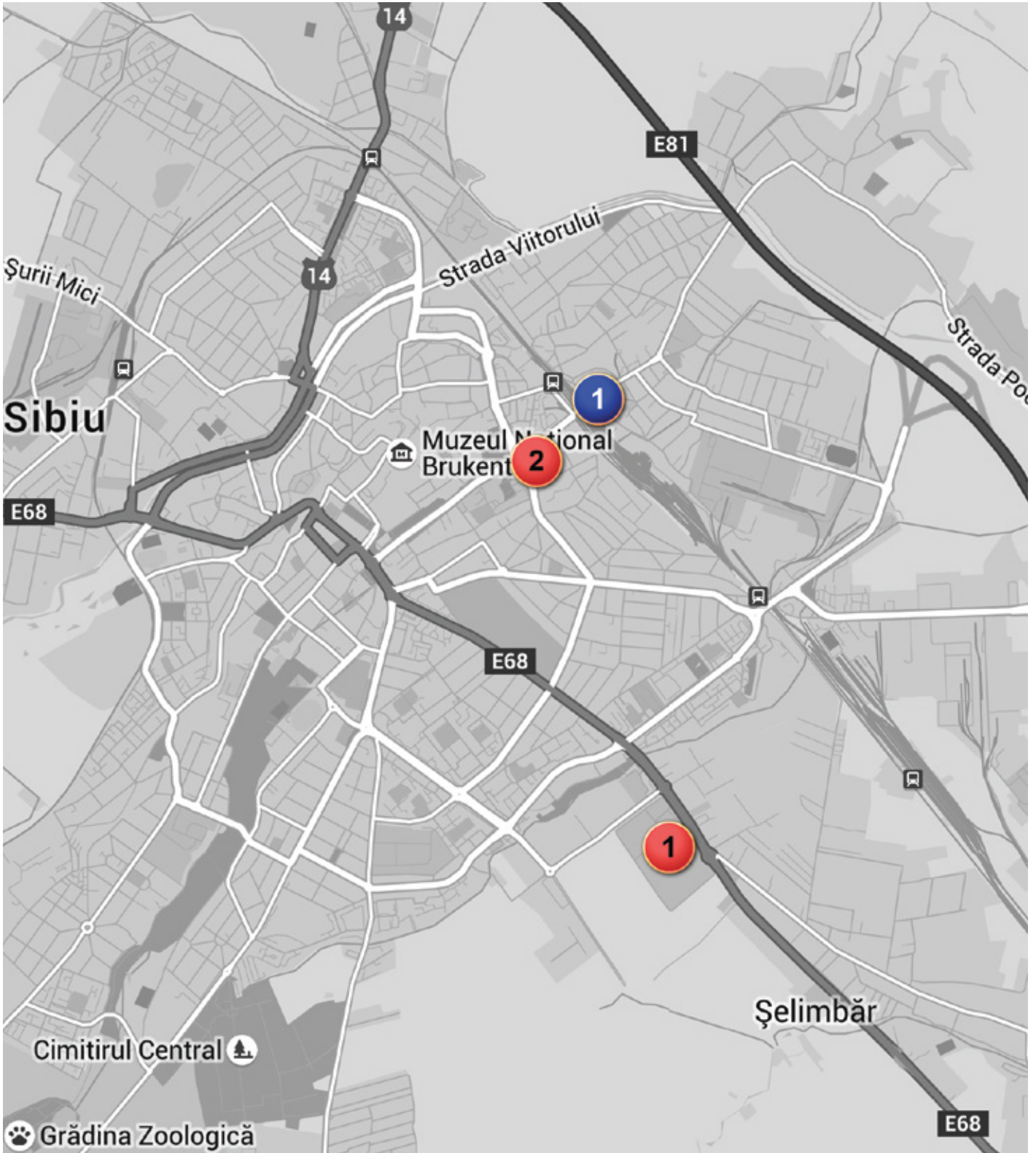
Argo Real Estate Opportunities Fund (AREOF)

FIGURE 9: SHOPPING CENTERS SIBIU

Scheme	GLA (sq m)	Type	Owner
Shopping City Sibiu	80,000	Shopping Center	ARGO Real Estate Opportunities Fund
Dumbrava	4,000	Shopping Center	Cometex SA Sibiu

Source: CBRE Research

FIGURE 10: EXISTING RETAIL SCHEMES IN SIBIU



- ① Shopping City Sibiu
- ② Dumbrava
- ① Festival Mall

Source: CBRE Research

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