

Country-Specific Legislation and Practice

Country Chapter



Romania

Introduction

One of the guiding principles of TEGoVA is to promote consistency of standard definitions of value and approaches to valuation trans-Europe. The publication of European Valuation Standards (EVS) provides the state, investors, the financial industry, valuers and their clients with a common benchmark which can be consistently applied, irrespective of the location of a real estate asset.

Whereas harmonisation of valuation standards enable recognised bases of valuation to be reported, the preparation and publication of a valuation must also respect client need, national legislation and custom. Customary differences, particularly in respect of valuation methodology, may result from the requirements of statute or regulation.

This Country Chapter illustrates differences that currently exist across Europe. The Country Chapters are not intended to provide definitive advice. The text that follows has been provided by TEGoVA Member Associations (TMAs) to outline country-specific legislation and practice.

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Romania

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National Association of Romanian Valuers

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1. Introduction

The real estate market in its aggregate/ macroeconomic context

Romania is an Eastern European country with a population of 22.6 million and an area of about 238,391 sq km. It is a NATO member and has joined the European Union under Accession Agreement on January 1, 2007. The capital is Bucharest, a city with an official population of ca 2 million.

Unfortunately Romania does not offer anymore a stable and economic climate for investors due to numerous changes of the National Fiscal Code and is not, thus, a safe place for foreigners to buy real estate properties. Real estate prices are expected to continue their decreasing trend, as a result of the in-depth crisis that our country is facing nowadays.

1.1. Overview Romania

The global economic situation was reflected in the macro-economic indicators of Romania starting with Q4 2008. In 2009, the negative growth registered was of 7.1% as compared to a positive growth in 2008 of 7.1%. Whilst the initial predictions at the beginning of the year were for a small positive growth in 2010, the recent development, both in terms of the European sovereign debt crisis and the austerity measures introduced by the Romanian Government lead to forecast of a negative growth of -0.9% (source: Unicredit).

The results of the worldwide economic situation for Romania are: the negative growth of the gross internal product, the increase level of borrowing from international institutions, which is done at a more and more expensive level, the decrease in direct foreign investments volume, as well as the increase of the exchange rate volatility of the national currency (in just one week, late June 2010, before the change of VAT from 19 to 24%, the Romanian currency depreciated by as much as 3%, from 4.22 to 4.36, the highest level ever achieved in Romania).

Key Economic Indicators

Indicator & Year

	NCP*	UNI*	NCP	UNI	NCP	UNI	NCP	UNI	NCP	UNI
	2007		2008		2009		2010*		2011*	
GDP growth (% real change pa)	6.0	6.2	7.1	7.1	-7.7	-7.1	0.5	-0.9	2.4	2.5
Unemployment Rate	4.0	4.3	4.4	4.0	7.6	6.3	6.2	8.5	5.7	7.0
Current-account balance (% out of GDP)	-13.5	-13.5	-12.3	-12.3	-4.6	-4.4	-5.1	-5.6	-5.3	-6.8
CPI, average (y-o-y, %)	4.8	4.8	7.85	7.9	5.6	5.6	3.7	4.7	3.2	4.1
CPI, end of year (y-o-y, %)	6.6		6.3		4.5		3.5		3.2	
Exchange rate (annual average RON/EUR)	3.34	3.34	3.68	3.68	4.25	4.24	4.25	4.19	4.20	4.15
Private consumption (y-o-y, %)	9.8	9.8	8.0	8.4	-10.8	-9.2	1.2	-1.0	1.7	4.0
CIF Imports (y-o-y EUR, %)	26.0		9.8		-36.5		3.1		5.8	
FOB Exports (y-o-y EUR, %)	14.3		13.8		-22.4		1.3		4.6	

Source: NCP - National Committee of Prognosis fall prognosis 2009

UNI – Unicredit Group CEE Quarterly Q3 2010

GDP

The Gross Domestic Product for Romania in 2009 registered a cumulative drop of 7.1% as compared with the same period of 2008. Even though most countries within the European Union registered a slight increase or stagnation in terms of GDP growth in Q4 2009 and a consolidation of that growth in the first months of 2010, in Romania this was not the case. The GDP in Q1 2010 dropped by 2.6% as compared to Q1 2009 and as compared to Q4 2009 the drop has been of 0.3%.

Even though the predictions at the beginning of the year were that GDP will register a positive growth in 2010, it seems that this will not be the case. The optimist scenario is the

GDP will have a flat growth, while Unicredit has revised its forecast from +0.4% to a negative 0.9% (see above). IMF has not offered a new forecast in regards to the changes introduced to the fiscal code, but various economic discussions suggest that IMF will not change the forecast from +0.5%.

Foreign investments

During 2009 the volume of direct foreign investments in Romania was 50% lower than for the same period of last year, reaching a level of EUR 4.89 billion. The prediction from the National Bank of Romania is that in 2010 the foreign investments will be of around EUR 5 billion. In 2008 the volume of direct foreign investments (ISD) outran EUR 9.5 billion for 2008, while for 2007 it was of EUR 7.1 billion (source: National Bank of Romania).

For 2008, out of the total sum of foreign investments 41.3% were directed towards industry, 20.5% towards financial activities and insurances, 12.6% towards construction and real-estate development, 12.4% towards trade. In terms of territorial placement of direct foreign investments 62.7% were directed towards Bucharest – Ilfov region, 8.3% towards the center region, 7.3% towards South- East, 7% towards South and 5.4% for West region.

Inflation

The National Bank of Romania targeted an end of year inflation rate of 3.5% for 2009, while the actual achieved inflation rate was 4.7% for end of year 2009. It is the third year in a row when the inflation target, as set by NBR is not achieved. For 2010 the targeted inflation rate is of 3.5% for end of year. In light of the recent development on the market (the increase of VAT by 5% starting with 1st of July) and the depreciation of the Romanian currency against the EUR by around 3% in just one week (reaching a historic peak of 4.3688 RON/EUR on 30th of June) the annual inflation will most probably surpass the figure of 4.5%. The National Bank of Romania and the IMF suggested at the beginning of July 2010 that the inflation rate will be of 7.9% for 2010. The annual inflation rate decreased at the end of 2008 at 6.3%, from 6.6% in December 2007, under the inflation target established by the National Bank of

Romania.

Monetary Policy Rate

At the start of 2008, the monetary policy rate was 7.5%, and then the National Bank of Romania began to intervene in order to increase it, up to 8.5%. Starting with end 2009, there has been a steady policy of decrease – reaching 7.5% at the beginning of the year, to reach now a level of 6.25% (source: National Bank of Romania).

Stock Exchange

The stock exchange was one of the most affected markets in Romania in 2008. This is a trend which has continued in the first half of 2009. The Romanian stock exchange has been affected by the international money markets. Also emerging markets have been affected by greater negative publicity which became apparent during 2009 and caused investors to reconsider their attitudes to risk in the emerging economies.

1.2. Overview Bucharest

Bucharest is the capital city of Romania and the largest city with a total area of 226 square kilometers and lies on the banks of Dambovitza River.

Located in South-East Romania, Bucharest City is very close to borders with Bulgaria (South) – 68 km and Moldavia (East) – 115 km; the distances to the other borders of the country are as follows: Ukraine (North) – 484 km, Serbia, Montenegro (South - West) – around 530 km, and Hungary (West) – 596 km.

Bucharest is the centre of the Romanian economy and industrial output, accounting for approximately 15% of the country's GDP and about one-quarter of its industrial production, although it is only inhabited by 9% of the nation's population. Additionally, almost one third of national taxes is paid by Bucharest's citizens and companies.

Bucharest's economy is mainly centred on industry and services, with services growing particularly one in the last ten years. Over 186,000 firms, including nearly all large Romanian

companies have their headquarters located in Bucharest

The city's property and construction boom has been an important source for growth since 2000. Bucharest is also Romania's largest centre for information technology and communications and is home to several software companies operating offshore delivery centers. Romania's largest stock exchange, the Bucharest Stock Exchange, which was merged in December 2005 with the Bucharest-based electronic stock exchange Rasdaq also plays a major role in the city's economy.

Administrative Data

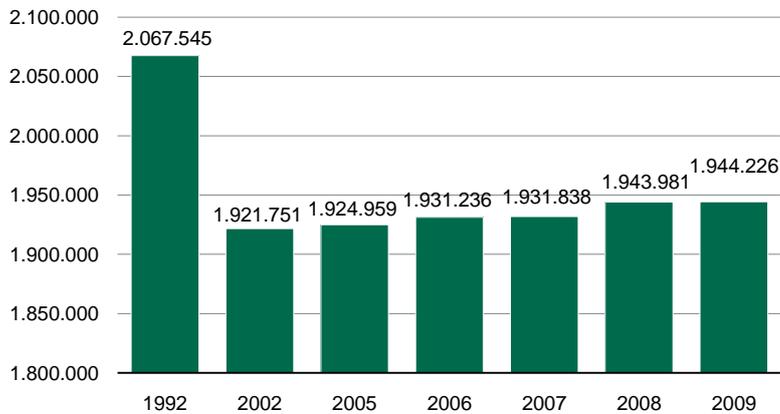
Bucharest City has 6 administrative sectors, each of them with one mayor, subordinated to the Bucharest general mayor; Zonal Urban Plan (PUZ) is approved for sectors 2, 3, and 6, while Bucharest General Urban Plan (PUG) is applied for the other sectors.

Demographic Data

Bucharest is the capital and political, economic and cultural centre of the country, with a population of 1,944,226 according to July 2009 official estimates. The population in Bucharest grew significantly between the post war years and 1992, primarily due to the migration from rural to urban areas. In the period 1948 - 2008 the population of Bucharest almost doubled from 1,03 million to 1,94 million people.

The number of people living in Bucharest is expected to grow in the coming years, despite the general decreasing trend registered over the past 10 years across the country. This increase in population could be due to a number of factors that include: the city gathers almost half of the foreign investments in Romania, the average net salary is the highest thus attracts skilled labour force from across the country, not taking into account the foreigners that are employed by the multinational corporations with branches in Bucharest.

Population Dynamics Bucharest 1992 - 2009



Source: National Institute of Statistics 2009

Income

The monthly net medium income in Q1 2010 in Bucharest was of RON 1,970 (approx. EUR 479) as compared to the national average of RON 1,448 (approx. EUR 352). In 2009 the monthly income in RON was higher than the figure for 2008 – RON 1,883, but calculated in EUR it dropped by 10%, due to the depreciation of the national currency compared to European currency – EUR 444. The monthly net medium income in Q1 2010 for Romania was of RON 1,448 (EUR 352).

It is widely believed that wages in Romania and also in Bucharest are higher than the official figures as people supplement their incomes with black market activities or just don't declare their full earnings. A recent declaration made by officials from the EU Observer suggests that the black market earnings are somewhere between 36 – 39% of the official earnings. Taking this into consideration the monthly net income for a person in Bucharest could be of over EUR 665.

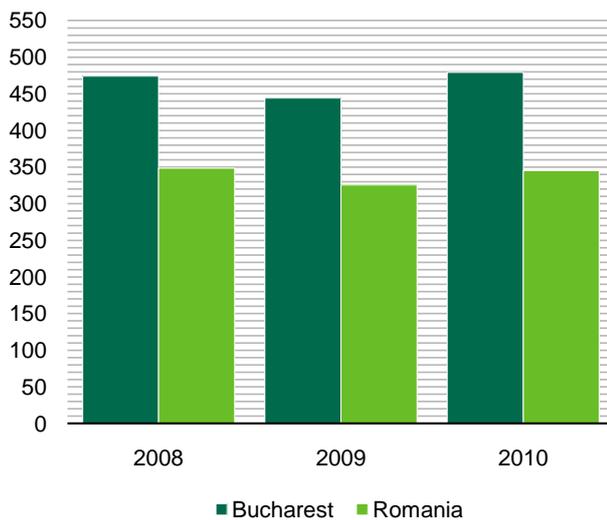
The exchange rate used for 2009 is EUR / RON 1=4.23.

The exchange rate used for Q1 2010 is EUR / RON 1=4.11



Source: Bucharest Regional Statistics Office, 2010

Wages Bucharest / Romania / Brasov 2008 - Q1 2010 EUR



Source: Bucharest Regional Statistics Office, 2010

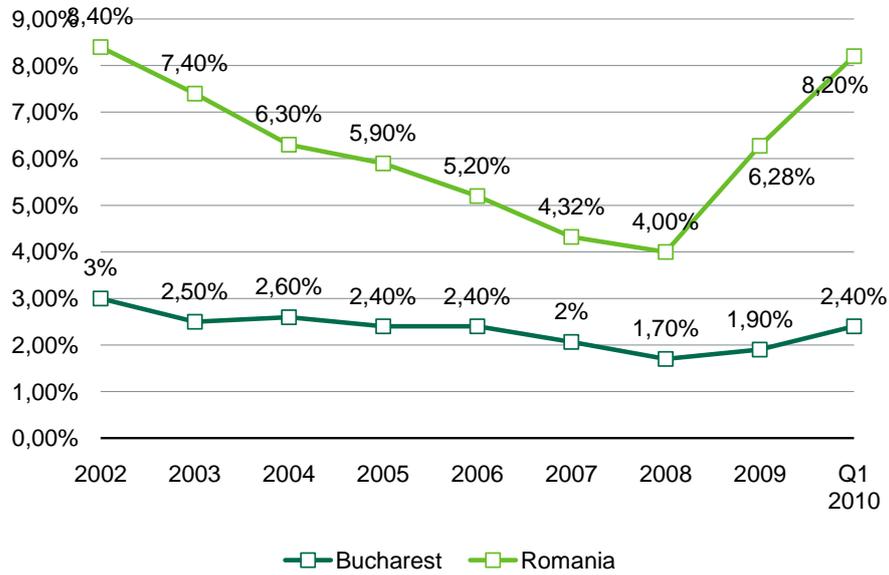
Employment

In Bucharest the total occupied population was of almost 940,000 persons. Approx. two thirds of the workforce is employed in the services sector (64%), compared to the 58% nationwide. This proportion is expected to slightly increase as the services sector develops particularly the retail and the banking domains. On the other hand, the industry and construction sector represents 30% of the total number of employees in Bucharest. The agriculture and other services account for 6% of the total (data for 2008).

According to the National Institute of Statistics and Economic Studies the unemployment rate in Bucharest (related to the total active population) was of 2.4% in Q1 2010, which is a significantly lower level than the national average of 8.2%.

The registered unemployment rate in Bucharest (and also for overall Romania) is one of the lowest in the European Union. The euro area seasonally-adjusted unemployment rate was 10.0% in May 2010, unchanged compared with April. It was 9.4% in May 2009. The EU unemployment rate was 9.6% in May 2010, unchanged compared with April. It was 8.9% in May 2009. Among the Member States, the lowest unemployment rates were recorded in Austria (4.0%) and in the Netherlands (4.3%), and the highest rates in Latvia (20.0% in the first quarter of 2010), Spain (19.9%) and Estonia (19.0% in the first quarter of 2010).

Evolution unemployment rate 2002 - 2010



Source: National Statistics Office, 2010

2. Real estate ownership

2.1. Different forms and types of ownership

Under Romanian law, every person with legal capacity – including the state, natural persons, legal entities, and business organizations without legal personality – has the right to own real estate. Romanian law regulates various different forms of real estate ownership – depending on whether the real estate is owned by one legal person, by more than one legal person, or by the state.

The "**right of ownership**" entitles the owner to full powers including the following right – to possess, to use and to dispose of the property.

"**Co-ownership**" can be either:

- joint co-ownership (ownership of property by two or more persons holding undivided shares); or
- common co-ownership (ownership of property by two or more persons in ascertained shares) which, in turn, can be ordinary co-ownership or forced co-ownership (eg forced co-ownership over the common parts of a building).

In Romania, the **timeshare** "is a relatively new way of addressing the holidays. Although the area is governed since 2004 by the Law no. 282/2004 on the protection of purchasers in respect of certain aspects of contracts like the right to use the limited duration of real estate, information about the concept of "timeshare" are still few. Timeshare is a way to buy accommodation for the holiday, which gives tourists the right to occupy an apartment, a villa or any other type of

accommodation during one or more weeks per year. The housing is usually a complex with facilities for leisure (free time) in a way more fun (pool, swimming pool, sauna, land for sports practice, etc.).

Rights of the State and of local authorities

The State and local authorities have a public property title to assets in their "public domain" and a private property title to assets in their "private domain". The "public domain" consists of assets defined as such by the Constitution and by Act No. 213/1998 on the legal regime of public property, as well as of other assets declared by law as being of public use or interest. The "private domain" consists of all other assets owned by the State or by local authorities.

As regards the differences in the legal regime, according to Act no. 213/1998, property held under the public domain is inalienable, cannot be seized and ownership cannot be acquired by adverse possession. However, it can be administered by a third party, handed over under a concession or leased. Property in the private domain of the State or local public authorities is subject to the general legal regime, unless otherwise provided for by a specific law.

2.2. Easements, charges, liens and mortgages

The following rights of use (servitudes) exist in Romania:

- **superficies right.** The beneficiary of a superficies right has a right of ownership over a building and a right of use over the land on which the building is located. A superficies right can be created only through a deed authenticated by a notary public

and can be transferred together with the ownership of the building (as opposed to the ownership of the site).

- **right of usufruct.** A right of usufruct is a right for a person to hold and use a certain asset and to benefit from its products. The beneficiary of the right of usufruct cannot sell or otherwise dispose of the relevant asset.
- **right of use.** A right of use is the right for a person to hold and use a certain asset and to take its produce, but only for household needs.
- **right of habitation.** A right of habitation has the same characteristics as a right of use but applies where the property is a dwelling.

Easement (servitude) is a special right of the owner of a real estate (dominant property) to use the real estate of another owner (servient property) for the need of his/her real estate. The owners of dominant and serving properties must be different persons, and it must always relate to two different properties. A real servitude is registered to the favor of the respective owner of the dominant property and charged to the respective owner of the serving property, and is always connected to the real estate, whoever its owner may be. The real servitude can be established by a legal transaction (contract, testament), by a court decision (inheritance, probate procedure,

in the procedure of division of the co-ownership), by national authority (expropriation procedure) or directly by law (adverse possession and inheritance). When acquired by a legal transaction, the contract must be in writing, and the signatures must be notarized, because only in this way can the entry of the servitude be registered in the land register.

The **concession right** is a right for a person, granted following a public tender procedure, to use part of the private or public property of the Romanian state or its administrative bodies for a limited period of time (ie a maximum of 49 years with the possibility of an extension for a further period equal to half of the initial duration).

According to Act no. 213/1998, concessions can be granted by public auction over real property which is public property. The public auction procedure is governed by Government Emergency Ordinance no. 54/2006 on the legal regime of concessions agreements regarding public property assets. In case a concession is granted over land for construction purposes, the beneficiary acquires ownership of buildings and the right to use the land.

Liens and Mortgages. Perfection of mortgages is achieved through registration in the Property Registry Book. Mortgages for which registration has been requested on the same date have equal rankings. Enforcement of a mortgage contract is carried out pursuant to the general legal procedure under which the creditor must go before the competent courts and obtain an enforceable order. However, the Banking Act no. 58/1998, as amended, provides for an exception in case of bank credit agreements, as well as any pledges related thereto, which are enforceable per se.

Real property privileges. Romanian law establishes certain cases in which a creditor, due to the nature of its claim, is preferred to other creditors, including secured creditors. Such special rights of creditors are called liens ("privilege").

Liens operate by law and give certain categories of creditors priority. According to the Romanian Civil Code, liens are classified as:

- general, to cover either all the movable and immovable property of the debtor or only his personal chattels, or
- special, to cover either certain personal property or certain real property of the debtor.

In principle, special liens take priority over general ones, with the exception of the lien related to legal expenses incurred during court procedures.

The most important types of liens on real property, from a commercial point of view, are the lien of the unpaid seller of real property or the financier thereof and the lien of the architect,

contractor and construction workers. The lien of the unpaid seller of real property or the financier thereof. This lien secures the payment of the purchase price or any balance thereof. In case of multiple sales of the same immovable, the first unpaid seller takes priority over the second, who in his turn is preferred to the third one and so on.

The financier of an acquisition of real property enjoys the same privilege, provided that the purpose of the financing and the right of the financier to be subrogated in the rights of the seller are expressly mentioned in the notarized credit agreement. Furthermore, the seller's receipt must confirm that the price was paid out of the financed amount.

Under Romanian law, the holder of a real property privilege governed by the Romanian Civil Code ranks ahead of other creditors, including other mortgagors.

2.3. Protection of ownership, proof of ownership and registration

A critical issue regarding real estate investments is the manner in which the rights related to real estates (the ownership right, the right of use, the mortgage etc.) become opposable to third parties. To this end, Romania has implemented the cadastre, as a unitary and mandatory system of technical, economic and legal record of all estates all over the national territory. The cadastre system record is based on information regarding the plot, the construction and the owner. Law no. 7/1996 on the cadastre and real estate publicity sets forth the manner in which the legal operations regarding real estates are published. The National Agency for Cadastre and Real Estate Publicity, set up at national level, is a public institution with legal personality.

The real estate publicity based on the general cadastre record system is purported to record in the land book the legal acts and facts related to the estates in the same administrative territory. The land book provides for: a description of estates, aspects regarding the background of ownership as well as aspects regarding the background of the ownership right components separation.

The ownership right shall be entered in the Property Registry Book on the basis of the document through which it has been constituted or validly transmitted. The registrations shall be opposable to third parties on the date the request has been filed and will automatically be filed by the Public Notaries as their lawful obligation (as a general rule). Upon authentication of deeds creating, modifying or terminating real property rights, the notary shall obtain an excerpt from the Property Registry Book. Therefore, the purchaser of real property acting in good faith cannot claim that it was unaware of any interest which was previously registered and shall be required to respect such interest.

There are 3 types of entries with the Property Registry Book:

- the definitive registration of ownership rights (intabulare);
- temporary registration of the ownership rights under the condition of ulterior motivation;
- noting, having as object the registration of the personal rights and legal facts referring to the state and capacity of the persons, actions and legal ways of attack related to the properties in the Land Registry.

The **Romanian Property Registry Book** contains a title, indicating its number and the name of the respective area of the property, and 3 other parts:

Part One, which contains:

- The order and cadastre number of the property
- the area, destination, and construction (if applicable);
- the plan of the property and limitations, description, coordinate inventory of the area.

Part Two, which contains:

- name of the owner;

- document or other legal proof of ownership;
- transfer records of the property;
- legal bindings constituted for the property;
- legal procedures, personal rights etc. as well as actions related to the property;
- any modifications, corrections or comments in the title, part One or Two of the Land Registry

Part Three, which contains:

- limitations imposed on the property (including mortgage and related privileges);
- legal procedures, personal rights etc.
- liens upon the property;
- any modifications, corrections or comments in regards to the data registered in this part.

In the case where a certain registration made in the Land Registry does not correspond with the real legal situation, a rectification or modification request can be made. This request can be made by any “interested” person if the certain irregularities have been found through a definitive and irrevocable Judge’s decision.

Superficy rights, usufruct and the right of use, easements, mortgages, liens, lease agreements for more than 3 years, pre-emption rights, options, as well as other limitations or interdictions pertaining to disposal or numbering of real property can be registered with the Property Registry Book. Romanian law does not provide for a limited list of such interests that may be registered with the Property Registry Book.

Ownership right and other real property rights obtained by succession, accession (in Romanian “accesiune”), forced sale and acquisitive prescription (usucapio), as well as real property rights obtained on the basis of a law, by expropriation or pursuant to a decision of a court of law are opposable to third parties without having to be registered with the

Property Registry Book. However, such rights must be registered in case the holder intends to alienate them.

Relevant legislation and regulatory requirements

The main regulations regarding the real estate market are the following:

- The Romanian Constitution;
- Civil Code;
- Land law no. 18/1991, as further amended and supplemented („Law no.18/1991”);
- Law no. 50/1991 on construction works authorization and certain measures for dwellings, as further amended and supplemented („Law no. 50/1991”);
- Law no. 10/1995 on quality in constructions, as further amended („Law no.10/1995”);
- Law no. 112/1995 on the legal regime of dwellings transferred within the State property, as further amended („Law no. 112/1995”);
- Law no. 7/1996 on cadastral works and real estate publicity system further amended and supplemented („Law no. 7/1996”);
- Law no. 1/2000 on the re-instatement of the property right over agricultural and forestry lands, claimed under Law no. 18/1991 and Law no. 169/1997, as amended and supplemented to date („Law no. 1/2000”);
- Law no. 10/2001 on the legal regime of real estate abusively taken over between March 6, 1945 and December 22, 1989 as further amended and supplemented (“Law no. 10/2001”);
- Law no. 350/2001 on territorial planning and zoning („Law no. 350/2001”);

- Law no. nr. 247/2005 regarding reform in the real estate and justice field and other additional measures (“Law no. 247/2005”);
- The fiscal code (“Fiscal Code”);
- Law no. 312/2005 regarding the acquiring of ownership right over real estate by foreign citizens, stateless persons and foreign legal entities (“Law no. 312.2005”).

3. Purchase and sale of real estate

3.1. The sales agreement

Any deed pursuant to which a transfer of ownership over real property takes place must be executed in writing, in notarised form under pain of nullity. Deeds concluded inter vivos for the establishment of rights in rem over land (e.g. superficies rights) must also be executed in notarised form. Deeds concerning construction may however be concluded as private deeds. Deeds pursuant to which rights in rem are established, transferred or extinguished must be registered with the local bureau of the Office for Cadastral Works and Real Property Publicity in order to become binding against third parties.

3.2. Restrictions on sale and acquisitions

3.2.1. Agricultural real estate

There are more and more foreigners interested in purchasing real estate properties in Romania. The question is whether at this time they are able to buy land (or at least other real estate properties such as apartments) directly as in other EU legislations.

Law No. 312/2005 stipulates the conditions in which European Union citizens (as well as non-EU foreign citizens), are able to purchase Romanian land.

This is article 4 of the above-mentioned Law translates: “The citizen of a member state

without legal residency in Romania, the stateless non-resident having residency in an European Union country and the non-resident foreign legal entity (company) incorporated per the stipulations of the EU legislations, are able to gain ownership on land for secondary residences, respectively secondary headquarters, in a term of 5 years after Romania has joined the European Union”.

The Law differentiates depending on the type of land. For example the persons or legal entities mentioned above can only gain ownership of Romanian forests, agricultural land after 7 years from the date Romania has joined the EU (1st of January 2007). (This last stipulation is not applied to foreign farmers who are able to prove their statute as farmers in their home countries).

Although the Constitution forbids foreigners to buy land in Romania many people from abroad have purchased large parcels of land here through Romanian based companies. The main difficulty is to find the appropriate real estate property and to have the guarantee that the ownership of that parcel is beyond doubt. Since during communism most of real estate properties belonged to the State, the problem is far more complicated than it seems.

3.2.2. Restrictions regarding acquisition of real estate by foreigners

As of Romania’s accession to the European Union, 1st January 2007, citizens of the European Union Member States residing in Romania or legal persons incorporated in accordance with the laws of European Union Member States having established a secondary office in Romania are authorised to acquire land in Romania on the same terms as Romanian nationals.

Individuals who are not Romanian residents and legal persons who have not established a secondary office in Romania will be allowed to acquire land in Romania for residences or secondary offices only after 31st December 2011.

There is a seven year transition period for the acquisition of land used for agricultural and forestry purposes by residents of the European Union. This period will expire on 31st December 2013.

Foreign individuals or legal persons incorporated in accordance with the law of a non European Union state are authorised to acquire land in Romania under the conditions established by the international treaties to which Romania is party and subject to reciprocity; however they cannot acquire ownership of Romanian land in more favorable conditions than citizens of the European Union. Foreign individuals, regardless of their citizenship, are authorised to acquire land in Romania by intestate inheritance.

Buying an apartment in Romania automatically implies buying the adjacent part (a percentage) of the land on which the building stands upon. As a result even if theoretically foreign European Union citizens would be able to acquire apartments directly, practically it is not yet possible without a Romanian company or without having at least legal residency in the country (this is a more recent interpretation of the Law).

3.3. Further important preconditions for buying real estate

3.3.1. Capacity to act and entitlement of the seller

For purposes of the sale of real estate, the seller must be the person identified as owner in the Property Registry Book. The capacity to act and entitlement of the seller must be examined in order to establish whether he/she is actually capable of legally executing the transaction.

A physical person becomes legally competent at the age of 18 and can make legal transactions independently. People with limited legal competence are only those adults, whose legal capacity to act have been partially taken away by a court order after their coming of age. Persons with no legal competence are minors (i.e. younger than 18) as well as adults whose legal competency was taken away by a court order (e.g. because of a mental disorder); However, a minor older than 16 becomes legally competent by marriage or by becoming a parent.

If the seller is a company, the sales agreement must be signed by the director or other authorized person. Accordingly, it is very important to check whether the person(s) signing

for the company are actually authorized to do so and may legally bind the company. For a Romanian company, this may be verified by obtaining an up-to-date extract from the commercial register.

3.3.2. Provisions for protecting the environment, nature and the cultural heritage

In certain real estate purchase transactions, the regulations protecting the environment and nature must also be taken into account. These acquisitions are equally complicated for nationals and foreigners.

Environmental protection rules are of special importance when purchasing industrial sites. It is recommended that a report be prepared by an environmental protection expert on the purchasing of an industrial estate to reflect its state at the time of delivery, since the liability for pollution of the environment – until proven otherwise – rests universally with the owner and holder of the real estate in which the activity is or was carried out. Nature reserves are safeguarded by many restrictions. In a nature reserve, practically any activity, including especially the changing of the nature or use of the area, cutting down or planting of trees, etc., is subject to a license from the environmental protection authorities. Cultural heritage sites, including areas of archeological interest, archeological finds and sites, the protective zones around them, historic monuments and relics, historic sites, and cultural assets also enjoy protection. The outcome of the process of listing a property in accordance with the regulations under law must be entered in the Property Register.

Considerable legal restrictions apply to listed sites and buildings. The costs of maintaining historic monuments must be borne by their owners.

3.3.4. Access to relevant records and documents

The Property Registry Book is public and documents the existence and legal status of real estate. Property registers and their transcripts enjoy public trust and have the power of

evidence of public documents. Any person can research any part of the Land Registry with the exception of evidence related to national security. The persons requesting information will be able to obtain excerpts or certified copies of Land Registries without any the need of motivating their request.

Property registers are open to the public. The persons requesting information will be able to obtain excerpts or certified copies of Property Registry Book (“Extras de Carte Funciara pentru Informare”) without any the need of motivating their request. For an extract from a property register, the average waiting time is about 3 days and costs 20 Lei (4.5 Eur); however, with a special tax of urgency of 100 Lei (23.5 Eur) it is available the next day.

There is another type of property register excerpts – for authentication – which it is used for selling the real estate (“Extras de Carte Funciara pentru autentificare”) that can be required only by the public notary and is used in the selling process. Its cost is 40 Lei (9 Eur) and is paid by the seller.

3.4. Key points that a seller should consider

In Romania, a real estate can be sold only if it has Cadastre and it is registered in the Property Registry Book.

It is essential for the seller to know that the payment is guaranteed. All payments should be made through the bank to have a legal evidence.

Real estate broker commission is usually paid both by the seller and the buyer (depending on negotiations) and is normally between 2 and 3% of the negotiated sale price.

3.5. The execution of a real estate purchase transaction

The classic purchase transaction is executed in the following steps: the seller and the buyer – having found each other through a real estate broker or by direct advertisement – agree on the key parameters of the purchase, after which they contact a public notary who helps

them to agree on the details and verifies the real estate documents (Property Registry Excerpt for information, Cadastre, Ownership title). The parties sign a pre-sale agreement and the buyer pays the seller an advance (2-5,000 Eur depending on their agreement and the property value). The selling contract will be signed in 30 days or a few months, depending on the methods of payment (cash, mortgage – that usually takes 2-3 months until it is approved).

At the agreed date, the notary drafts the sales agreement to reflect the understanding between the parties, after he required a Property Registry Excerpt for authentication. The parties sign the agreement in the presence of the notary and bank officer (if the buyer contracted a mortgage). In the case of companies or other organizations, the notary procures, prior to signature, a certificate issued by the competent court of registry or any other document to certify that the organization exists, and verifies the right of the person executing the agreement to represent the organization.

The buyer generally pays the seller a certain amount of money when they sign the contract and the difference will be paid by the bank in a couple of days, after the change of the property title is registered in the Property Registry Book and the notary provides a new excerpt to the bank.

The full purchase price can also be paid at a later date as specified, if the parties agree, but the ownership title is transferred when the contract is signed.

3.6. Powers of attorney

The real estate sales agreement can also be signed by an authorized person. The signature of the seller and authorized person must be authenticated by a notary public. The signature of the buyer and authorized person must only be authenticated if the agreement imposes some liabilities on the buyer.

A power of attorney that has been issued abroad must be legalized. The land register office

will also permit the entry of private and public documents if they are authenticated in the way prescribed by international treaties or laws. If a document originates from a state which is a co-signatory of the relevant Hague convention, legalization with an Apostille is sufficient. The same rules also apply if Romanian documents are to be used abroad.

3.7. Financing

The most frequent way of financing is a **mortgage loan** obtained from a local bank. However, this kind of financing is generally only available to Romanian residents, and it is very difficult for foreigners to obtain local mortgage financing unless they have permanent residence or employment in Romania.

The **social program “First Dwelling”** was approved by the Government through HG no 17/17 June 2009, with the purpose of facilitating access to purchasing a dwelling through mortgage loans, with a maximum period of 30 years. The beneficiaries of this program can buy a completed dwelling, one under construction or one which is to be built in the following 18 months from the date of receiving the guarantee promise. The state guarantees the purchase of a dwelling within the limit of € 60,000 for those who fulfill the following eligibility conditions: they did not own a property when the program become functional, they make a down payment of 5% of the dwelling’s purchase price, they agree not to sell the dwelling in the first five years after the date of acquiring it and they agree with a rank I mortgage in the favor of state for the purchased dwelling.

The most general possibility to obtain a loan to finance the purchase of real estate is to take out a mortgage loan, which is available to enterprises at commercial interest rates (14 - 15% for loans in Lei – national currency). The collateral is the real estate – which must be free of litigation, claims and encumbrances and must cover the size of the loan. Banks generally make loans of no more than 60 to 65 % of the market value of the real estate for commercial properties and 80 to 85 % for residential properties.

The financial leasing of real estate is a relatively new form of financing in Romania. In such

cases the lessor does not rate the creditworthiness of the lessee. However, the title to the real estate is only transferred to the lessee when the lease contract has come to an end. Leasing companies generally require an insurance coverage for the potential destruction of the real estate. Financing periods are 1 to maximum 10 years, and interest rates are around 8 – 9 %, depending on the lending market.

3.8. Purchase through a company

A legal entity, Romanian or foreign, can also be a real estate owner. However, the same restrictions apply to foreign companies as to foreign individuals; therefore it is generally not advisable to use a foreign company for the purchase of real estate in Romania. It is usually much better to transact the acquisition through a Romanian company which may, however, be fully owned and controlled by foreign persons.

4. New construction, rebuilding and renovation

4.1 Zoning law and construction permits

Prior to the obtaining of the building permit, the land on which the erection of a building is intended must be taken out from the agricultural circuit (if the case). The procedure depends on the location (intra muros or extra muros) and on the area of the land. For land located extra muros a tax of 0.3- 0.4 Eur/sqm (depending on the quality of the agricultural land) must be paid. This tax is not due if the land is located intra muros.

Under Romanian law, the buildings that are to be erected must comply with the provisions of the urbanism plans (i.e. General Urban Plan, Zonal Urban Plan and/or Detailed Urbanism Plan).

Any construction of civil, industrial, agricultural or of any other kind can be built only after obtaining a building permit issued according to the procedure set forth by Act no. 50/1991 and the Construction Norms.

A person interested in constructing a building must, first of all, obtain an Urban Certificate. This certificate will inform the petitioner with regards to the legal, economical and technical regime of the land and will provide for the urban planning requirements that must be met with regards to the construction of a building, as well as for the list of all necessary legal notices and approvals for the issuance of the building permit.

In order to obtain a building permit, one must submit a complex documentation to the proper authority (the city hall territorially competent for the location of the real property or the local council), including especially: the title over the plot of land authorising the petitioner to erect the building, the project for authorising the construction works to be performed, the urbanism certificate and the necessary legal notices and approvals, according to the urbanism certificate and the proof of payment of the authorisation tax. The

authorisation tax of a building permit is 1% of the investment value for companies and 0.5% of the investment value for natural persons, including related utilities. After performing all construction works, when the final hand-over minute has to be issued, the holder of the building permit must request the competent authority to regularise the authorisation tax in accordance with the final value of the investment, by declaring the actual value of the construction works.

4.2 Completion of construction and formalities

The construction permit provides, on the one hand, for its validity period, and on the other hand, the duration within which the construction works must be performed.

The works to be performed on the basis of the building permit must start within maximum 12 months from the date of issuance of the building permit. The permit expires and a new building permit must be obtained, in case the works have not been started within the 12 month period or are not fully finalised within the time period mentioned in the building permit.

As an exception to this rule, should the holder of the building permit justify the non-compliance with the above-mentioned time schedules, it is entitled to request the issuing authority, at least 15 days prior to expiration of the permit's term, the extension of such term. The extension of the permit's term can be granted only one time and for a period not exceeding 12 months.

Upon completion of the construction works, the ownership right over the building must be registered with the Property Registry Book in order to render it opposable to third parties. In order to obtain such registration, the applicant must submit the building permit, the reception minutes upon completion of work, the cadastral documentation for the building as well as a certificate issued by the city hall attesting that the building has been erected in compliance with the provisions of the building permit.

5. Rental and tenancy

5.1 Rental and lease agreements

There are no specific regulations governing residential and commercial leases in Romania. The general provisions of the Romanian Civil Code apply. Lease agreements may be executed as a private deed, made in writing. There are no special formal requirements that affect the validity of the deed.

A lease agreement may be executed for a definite or indefinite period of time. An indefinite lease is a lease concluded for an undetermined period of time. It is distinct from a perpetual lease. A perpetual lease is generally considered to be a hereditary lease, which is a lease granted in favour of a person and its descendants (in Romanian “emfiteuză”). Perpetual leases are forbidden by law. Leases concluded for an indefinite period of time may be terminated by either party at any time, subject to prior notification. If the parties have not determined the notification period, it shall be determined according to local customs.

The early termination of leases concluded for a definite period of time is allowed only when provided in the lease agreement. The tenant has no statutory right of renewal pursuant to the Romanian Civil Code.

However, if after the expiry of the term of the lease, the tenant continues to use the leased premises with the consent of the landlord, a new lease agreement is deemed to have been concluded, pursuant to the same terms as the former one, but for an indefinite period of time.

Romanian law does not grant tenants pre-emption rights over commercial premises and does not provide for any rent caps for commercial leases. The parties are free to agree the rent of the leased premises. Rent may be adjusted only in accordance with contractual provisions. Romanian law does not provide for any rent indexation provisions for

commercial leases.

Lease related expenses (i.e. the usual repair and maintenance works) are, as a general rule, borne by the tenant. Capital repairs and those due to the normal use of the leased space are usually borne by the landlord. If the tenant has carried out improvements, the landlord is entitled, at the end of the lease, to require the tenant to restore the premises to their original condition, at the tenant's expense. If not required to restore the premises to their original condition, the tenant is entitled to compensation for the improvements.

The landlord who rents out an apartment is responsible for maintaining the real estate, for keeping the central equipment operational and in good repair at all times, and for repairing any faults that may occur in the common areas and equipment. Unless otherwise agreed by the parties, the tenant is obliged to maintain, renew, supplement, or replace the wall and floor coverings, doors, windows, and equipment in the apartment.

The landlord may terminate the contract in the following cases:

- if the tenant fails to pay the rent by the specified due date;
- if the tenant fails to fulfill any of his commitments under the contract or any major obligation under law;
- if the tenant or the persons living with him/her behave in a socially impermissible manner, create disorder, or exhibit intolerable behavior over the landlord or the other tenants;
- if the tenant or the persons living with him damage or use the apartment or the common rooms or areas improperly;
- if the landlord offers the tenant an appropriate substitute apartment that is ready for occupancy.

In order to be enforceable against third parties (i.e. the new owner of the real property), lease agreements with a term exceeding three years must be registered in the Property Registry Book.

If a lease agreement exceeding three years is not registered in the Property Registry Book but was executed as a notarised deed or has acquired a certain date (i.e. by way of registration of the lease agreement with the Trade Registry), it shall be enforceable against the new owner of a property as follows:

- if, as of the date of transfer of ownership, the term remaining under the lease exceeds three years, the lease agreement shall be enforceable for a three year term starting with the date of transfer of ownership;
- if, as of the date of transfer of ownership, the term remaining under the lease does not exceed three years, it shall be enforceable against the new owner until the expiry of the lease.

If a lease agreement with a term exceeding three years is not registered in the Property Registry Book, is not authenticated and has not acquired a certain date, it shall not be enforceable against a new owner.

The tenant may sublease the commercial space subject to subleases not being prohibited in the lease.

5.2 Regulations on protection of tenants and rent control

There are no special regulations on the legal protection of tenants. However, they are entitled to enter the lease agreement in the land register.

6. Taxes and charges

6.1 One-time taxes and charges on purchase

6.1. 1. Real estate transfer taxes

Income obtained by **natural persons** following the transfer of ownership or other real property rights (in Romanian “dezmembraminte ale dreptului de proprietate”) over real property, pursuant to deeds concluded inter vivos, shall be subject to a revenue tax at a rate varying according to the period of time during which the taxpayer held the ownership of the real property and according to the value of the real property, as follows:

Tax on transfer of ownership, excluding inheritance, is calculated in the following manner:

a) for constructions of any kind and land gained in a term of up to 3 years:

- 3% for amounts up to 200,000 Lei (ca 47,000 Eur);

- 6,000 Lei (1,400 Eur) + 2% of the amount exceeding 200,000 Lei, for amounts over 200,000 Lei.

b) for constructions of any kind and land gained in a term of over 3 years:

- 2% for amounts up to 200,000 Lei;

- 4,000 Lei (950 Eur) + 1% of the amount exceeding 200,000 Lei, for amounts over 200,000 Lei.

Levies detailed above are not owed for certain types of donations, inheritance etc.

So, this revenue tax is paid by the seller – natural person, following the revenue the transfer of ownership or other real property rights.

In case of **enterprises**, this tax is 16% of the company’s revenue. This rate applies to the companies owned by non- resident private person or companies as well.

6.1.2 Sales tax (value added tax)

The Value Added Tax for Real Estate is charged on the purchase of new built properties in Romania but is included in the price charged by the developer/ agent. In the case of old properties (second hand properties), the VAT obligation depends on the VAT status of the seller.

However the respective stipulations of the Romanian Fiscal Code have been changed through OUG 200/2008, which has now been in effect since December 4th 2008.

This Government Order stipulates that a 5% VAT is to be applied for homes and the plots of land on which these stand, as a social measure. The following are considered homes delivered as a social measure:

- Delivery of buildings, including the plot of land on which these stand upon, destined to be used as Elder Homes;
- Delivery of buildings, including the plot of land on which these stand upon, destined to be used as Children Homes and Rehabilitation Centers for handicapped minors;
- Delivery of buildings with a maximum area of 120 sqm, including annexes, of a total value of 380,000 Lei (this includes the value of the adjacent land), purchased by any unmarried person or family. The new VAT is applied only to homes which can be immediately lived in built on a piece of land of no more than 250 sqm per home. Any unmarried person or family can only purchase a single home with the new VAT, in the following manner:
 - a) in the case of unmarried persons, not to have detained or currently detain any other home purchased with the 5% VAT;
 - b) in the case of families, the husband and wife not to have or currently detain, together or separately, any property purchased with the 5% VAT;

c) delivery of buildings, including adjacent land, to City Halls with the scope of renting these buildings to persons or families with special financial situations.

There is also one important conclusion to be taken after analyzing the new Government Order, and that is that Romanian companies cannot purchase real estate benefiting from the reduced VAT. This is firstly because this is described a “social measure” and secondly the subjects of this Order are limited to “unmarried persons or families”.

VAT was not applied for Real Estate purchases of old built dwellings in Romania, but there are other taxes that a buyer has to pay, such as notary fees, legal fees, broker’s comission and a tax for ownership title registartion at Property Registry Book.

6.1.3 Real estate registration and notary charges

Real property transactions usually involve the following costs that are paid by the buyer:

- **Notary fees**

The authentication of deeds relating to the transfer or creation of real rights is subject to notary fees. Notaries may freely fix their fees. Usually this fee is 1% of the property value. For the dwellings purchased through “First Dwelling” social program, this fee is around 0.7% of the property value.

- **Legal fees**

Usually this fee is 0.5% of the property value.

- **Broker’s comission**

Usually this fee is 2% of the property value.

- **Property Registry Book**

Real property acquisitions must be registered with the competent Property Registry Book, maintained by the local Property Registry Book Bureau, in order to bind third parties. In case the seller is a company, the registration of real property's acquisition in the Real Property Book is subject to taxation at a rate of 0.15% of the value detailed in the sell-purchase contract when the buyer is a natural person or a rate of 0.5% of the real property's value in case the buyer is a legal person.

6.2 Annually recurring taxes and charges

Any person owning a **building** located in Romania owes an annual tax to the State. This tax is to be paid to the local budget of the respective county, town or municipality where the building is located.

For physical persons the tax is calculated by applying a quota of 0.1% to the taxed value of the building.

The taxed value depends on the year of the building's construction, location, property type and structure. In case several buildings are held, an increase from 15% to 100% is applicable depending on the number of buildings; (ii) for legal entities, the quota may range between 0.25% to 1.5% of the building's accounting value. The building tax is calculated based on the tax return form and is payable quarterly in 2 installments, until 31 March, respectively 30 September.

In the case of companies, the tax on buildings is calculated by applying a quota of 0.25% to 1.50% to the established value of the building. Each exact levy is established by the Local Council in these limits.

The building tax is payable either on the useful floor space of the real estate calculated in square meters or on the adjusted market value of the real estate.

Any person owning Romanian **land** owes an annual levy to the State, with certain exceptions. This levy is owed to the local budget of the county, town or municipality. When

the land is situated in Bucharest, the taxes are to be paid to the local budget of the city's sector.

The levies on land are not owed for the land beneath a building.

The land tax is established taking into consideration the number of square meters, the rating of the respective location of the land and its category per the decision of the Local Council.

In the case of non-agricultural land, registered as "land with construction", the tax is established per hectare. As an example, the most expensive rate is 7,404 Lei/hectare.

Levies are to be paid annually in 2 equal rates, until the 31st of March and 30th of September. If the amount does not exceed 50 Lei, then the levy is to be paid fully until March 31st.

The land tax is also payable on the area of land in square meters or the adjusted market value of the land.

6.2.1 Income tax

Revenue earned by companies (Romanian seller), including revenue from the conveyance of title to real property and that earned under lease agreements, is subject to corporate income tax at the rate of 16%.

Revenue earned by companies (foreign seller) from the sale of constructions located in Romania, as well as from the lease of real property located in Romania, is subject to corporate income tax at the rate of 16% (standard rate for corporate income tax), except if more favourable provisions of a tax treaty are applicable.

According to most of the tax treaties signed by Romania, capital gains from real property (gains pursuant to the sale of real property or shares in a real property company) are subject to taxation in the country where the real property is located.

6.2.2 Net wealth tax

There is no net wealth tax in Romania.

6.3 Capital gains tax

The conclusion from the rules described in sections 7.1.1 and 7.2.2 is that whenever real estate is sold, the seller must pay income tax and the buyer must pay notary fees, legal fees, broker's commission, registration fee in the Property Registry Book. No tax is levied on the increased value of real estate as such – unless the real estate is sold.

6.4 Inheritance and donation tax

Non-residents are subject to Inheritance and Donations Tax on assets located in Romania. The income arisen from property transfer is tax exempt in the case the property is obtained through inheritance and donation between relatives and affinity up to, including 3rd degree relative relations, respectively between spouses; Otherwise Inheritance and Donation tax varies between 1% and 3% of the inherited value.

6.5 Other taxes and charges

There are no other taxes or charges in connection with the sale or utilization of real estate – except for maintenance-related costs.

6.6 Incorrect (lower) statement of sale price on the sales agreement

The practice of stating a lower sales price than the actual price paid is illegal and not recommended, but it is sometimes used in order to lower the VAT when purchasing a new property.

7. Immigration law and tax residence

7.1 Entry, residence and settlement of foreigners

Foreigners may cross the Hungarian border, enter, and stay in the country if they possess a valid passport and visa. Residence visas can be issued for official purposes (to delegations, media representatives, and members of international organizations), for work and self-employment, study, or medical treatment, or for purposes of visits and family unification. The visa application must be submitted in person to the Hungarian mission in the country of permanent or usual residence.

If the visa is for income-generating activities – i.e. for gainful activities that are not subject to a work permit – this information must be provided in the application. If the gainful activity is subject to a work permit, a work visa must be applied for. In order to be issued with a work visa, the applicant must have a valid work permit.

7.2 Tax residence

Fiscal Code defines the following categories of tax subjects:

- resident individuals;
- non-resident individuals conducting independent activities through a permanent establishment in Romania;
- non-resident individuals carrying out dependent activities in Romania, when one of the following conditions is met:
 - the non-resident is present in Romania for more than 183 days during any period of 12 consecutive months ending in the respective calendar year;
 - the salary incomes are paid by or on behalf of an employer that is a resident;

- the salary incomes are a deductible expense of a permanent establishment in Romania.

According to the Fiscal Code, non-residents obtaining income from Romania are required to pay tax on income, capital gains and inheritance. The incomes subject to taxation are those resulting from activities performed in Romania or from operations carried out with Romanian legal entities, or with other entities authorized to operate in Romania, as well as with Romanian individuals authorized to carry out, in their own name, income-generating activities, regardless of whether the amounts are collected in Romania or abroad. In Romania, the following taxation quotas are applicable, depending on the income categories they relate to:

- 20 % for the income resulting from gambling activities;
- 16 % for any other incomes (i.e. interests, dividends, royalties, commissions, management services, etc.).

The tax year in Romania coincides with the calendar year. Personal income tax returns must be submitted by May 15th. Where no rental income is being generated from the property, no income tax is due.

There is no restriction placed on foreigners when purchasing apartments in Romania but the Romanian Constitution presently restricts the right of ownership of Romanian land by non-residents. Land and property must be bought through a Romanian company.

The income from rental and the selling of land and buildings falls under the Individual Income Tax regime in Romania. There are two possibilities of determining net income arisen from property rental:

- 25% expense deduction: Flat rate expense method with no allowable deductions for expenses;

- Itemized expense deduction (real system taxation): Each rental activity related expense can be deducted against the gross income. If the itemized expense deduction tax accountancy method is chosen, the taxpayer may carry forward losses into following five tax years;

Once a taxation method is chosen, the taxpayer has to respect it for at least 2 consecutive tax years.

In order to receive income in Romania, non-residents should be registered with the Romanian tax authorities and to have a tax identification number (Cod de identificare fiscala).

This is a tax identification number used in all interaction with government agencies and public administration in Romania by a non resident private person. It is a unique identity code devised from an individuals name, date, place of birth and other personal details. It is similar to the National Insurance number (NI) in the UK or the Social Security Number (SSN) in the US. The number is unique and consists of 13 alphanumeric digits. The tax identification number is issued on petition by the Romanian Ministry of Public Finance.

7.3 International taxation for residents of Romania

When the taxpayer is a resident of a country with which Romania has concluded a double tax treaty, the provisions of such treaty shall prevail. For the application of the provision of a double tax treaty, the non-resident is required to submit a certificate of fiscal residence to the payer of the income.

If resident in Ireland or the UK, you are obliged to declare your Romanian income in your annual resident tax return. There is a Double Tax Treaty agreement between Romania, Ireland and the UK so relief for certain Romanian taxes will be given against Irish/ UK taxes payable on your Romanian property.

APPENDIX - Real estate market in Romania

Structure of the real estate market and its participants

The real estate market can be structured into: market for residential properties, market for commercial properties (including offices, retail and industrial segment) and other markets (including properties with a specific purpose, i.e. hotels, schools, hospitals, public institutions etc). Among these, it is usual to analyze only the hotels market within the real estate context. The real estate market participants include the following: buyers, sellers, renters, lessors, lessees, mortgagors, mortgagees, developers, constructors, managers, owners, investors and brokers.

1. MARKET FOR RESIDENTIAL PROPERTY

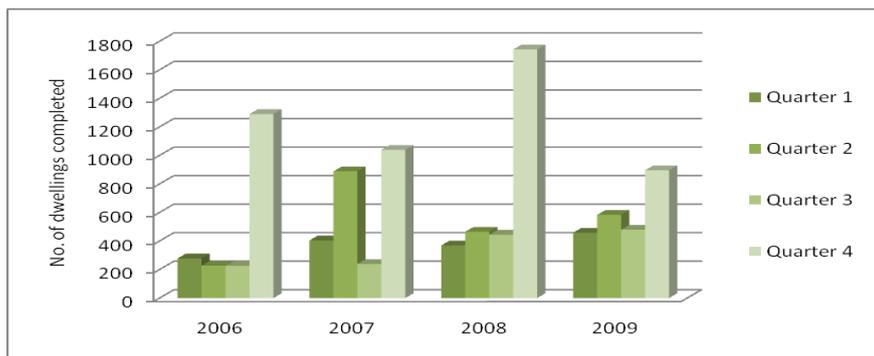
SALES

Supply and demand

The Bucharest residential market continued to remain slow in the first half of 2010, as effective demand dramatically decreased (due to contraction of the volume of liquidity on the market and restricted access to loans), together with decreases to sales prices and the number of completed transactions for new built dwellings. Potential buyers refused to purchase residential units in the initial phases of construction, instead showing interest in dwellings “at the red stage” (without finishing) or fully finished.

According to the official data published by the Romanian National Statistics Institute, 2,416 new units were added to Bucharest stock of dwellings in 2009 (included in residential compounds, but also privately built), with 605 more units than in the same period of 2008. Many dwellings finalized in 2009 were part of large-scale compounds, which should have been completed 1-2 years ago and they were already in an advanced state of construction.

Dwellings completed in Bucharest, by quarter, between 2006-2009



Source: Romanian National Statistics Institute

According to official data, the number of completed dwellings, at the national level, was 61,101, with 3,313 units more than the previous year. 49.6% of these buildings were finalized in urban areas, compared with 47.6% finalized in 2009.

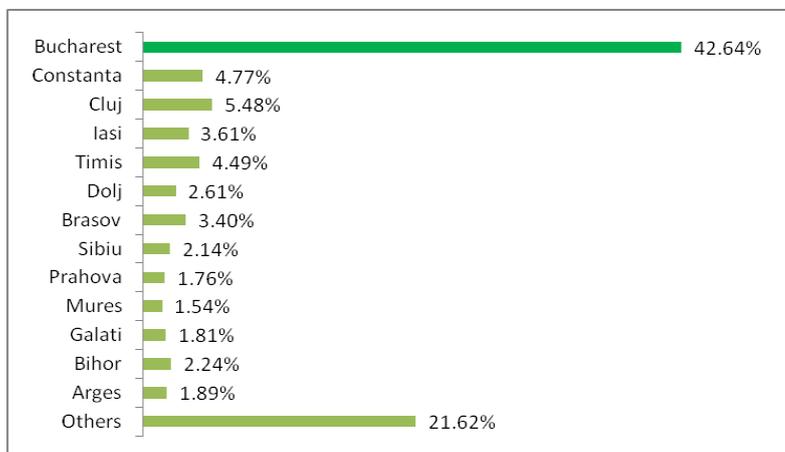
The same official source declared that, in Bucharest, in the first three months of 2010, 117 construction authorizations for residential buildings were issued, a decrease of 47% compared to the same period of 2009. At the national level 11,307 construction authorizations were issued between January-April 2010, a decrease of 22.8% compared to the similar period of 2009.

MORTGAGE MARKET

According to the latest statistics from the BNR (Romanian National Bank), the level of mortgage loans for the entire country increased to 25.2 billion RON in April 2010, the equivalent of € 6.1 billion. In spite of these statistics, mortgage loan growth in Romania has been slowed by costs of credit and also by financing conditions. In April 2010, Bucharest

registered the biggest percentage of the total of approved mortgage loans in Romania with 42.64%. Even if the BNR tries to encourage the population to borrow money in the national currency, most approved mortgage loans continued to be in foreign currencies: 93% for Romania and 97% for Bucharest.

Total mortgages for population, by district, April 2010



Source: Romanian National Statistics Institute

PRICE LEVEL

In the first half of 2010, sale prices for new residential units continued their downward trend, although the declines moderated, with decreases varying between 5%-10% compared with the second half of 2009. Sale prices are now subject to more thorough negotiations than during the boom period (2003-2008), which is an advantage for buyers with cash.

The Romanian residential market is characterised by a high number of real estate owners (over 80% of population), unlike many other countries in the EU or CEE. This situation is unlikely to change meaning that when the crisis of the residential market passes, supply of high quality dwellings will be insufficient for the potential demand.

In the near future, we estimate that sale prices for new residential units will continue to decrease, due to demand with less and less liquidity.

Offers, €/ built sq m + VAT 19%

	2008	2009	H1, 2010
Aviatorilor – Kiseleff	3,500 – 4,500	3,000 – 4,000	2,500 - 3,800
Primaverii	3,500 – 4,500	2,000 – 3,500	2,000 – 3,400
Herastrau	2,800 – 4,500	2,000 – 3,000	1,600 – 2,800
Dorobanti	3,200 – 4,000	1,500 – 2,500	1,500 - 2,300
Center	2,000 – 3,000	1,500 – 2,500	1,200 - 2,300
Floreasca	3,000 – 3,500	1,500 – 2,000	1,000 - 1,800
Sisesti - Straulesti	1,800 – 2,800	1,000 – 1,300	800 - 1,100
Baneasa - Pipera	1,600 – 2,800	900 – 1,300	800 - 1,300
Corbeanca	900 – 1,400	800 – 1,000	800 - 900
Otopeni	1,100 – 1,500	700 – 1,000	700 - 900

Source: CB Richard Ellis

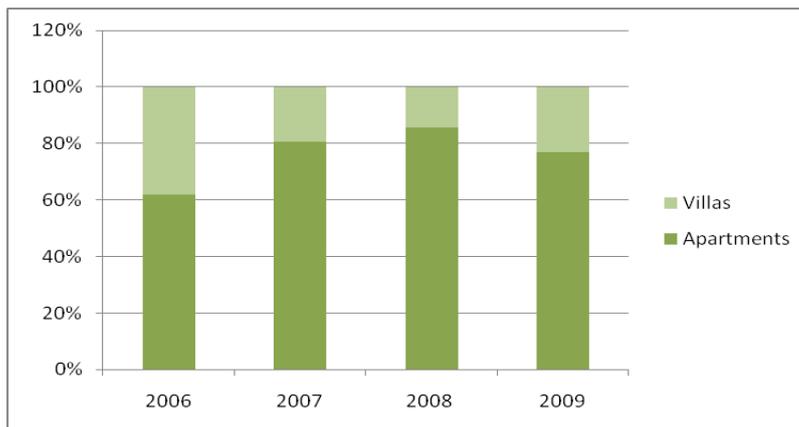
LEASING

Offer and demand

In the first half of 2010, the residential to let market continued the trend from the previous year, including lower demand, an increase in supply (due to completion of new residential compounds), a fall in rents and fewer closed transactions.

In the past few years, apartments were the driver of the rental market, a tendency even more obvious in 2010, when apartments represented 77% of the total rented units compared to villas' 23%. Demand for villas is still very high, but the number of offers is limited; besides, in recent years, mostly apartment compounds have been built, a fact that has led potential tenants to turn their attention to those available units.

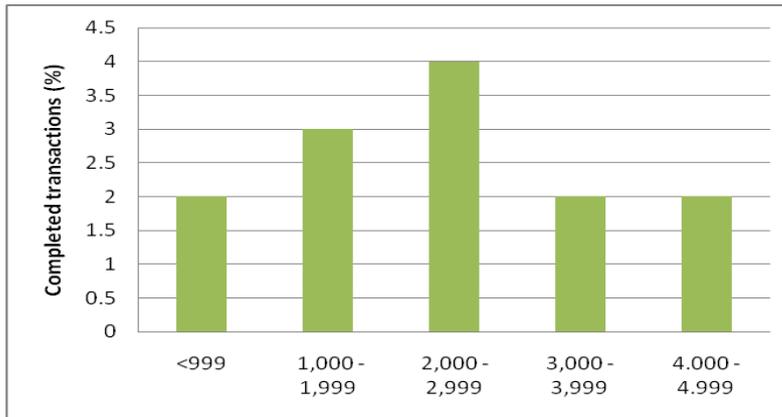
Demand, by the type of residential spaces



Source: CB Richard Ellis

The most requested properties for rent in the first half of 2010 continued to be the two bedroom apartments, which represented approximately 31% of the total number of rented properties, compared to previous years (before the credit crunch) when 3 bedroom apartments were the most rented type. The most likely explanation for this change is lower budgets offered to expats by multinationals and embassies to rent a work dwelling.

Rents level for completed transactions, H1 2010



Source: CB Richard Ellis

The residential areas Herastrau, Dorobanti, Aviatorilor –Kiseleff and Primaverii are still at the top of the most wanted locations for the luxury class, and are also supported by the high quality of the available offers on the market in these areas.

New areas of interest like Stefan cel Mare, Tei, Straulesti have been developed because many apartment compounds and single developments of apartment buildings for middle and middle-high segment were completed. Lower budgets provided to expats for rentals of work dwellings also supported demand for space in these areas, with some expats being forced to renegotiate rents or to move to a smaller dwelling or to semi-central areas.

We continue to record a shortage in supply for classic villas in the city for which there remains potential demand (Downtown and Cotroceni area). In the absence of offers for city villas, some tenants have turned their attention to the Baneasa-Pipera area, where there is a diverse offer of new villas, with much more generous net areas, but as the distance to the centre of the city is too great and because of poor accessibility and consistent traffic jams, demand for this location significantly decreased.

Over the years, residential to let market has maintained the same characteristics, in particular the same areas of primary interest (center and north), the same categories of clients (multinationals and embassies), the same requests concerning high quality finishing, extra facilities and 1-2 number of parking places.

Demand from corporations has continued its downward trend from last year, which is a consequence of cost cutting measures in regards to corporate activities in Romania, caused by the international economic and financial crisis.

Offers that benefit from a very good location and high quality finishing have been quickly rented, as their number was limited. An offer can typically be on the market for a minimum of two weeks but up to six months, in situations where the quoted rent does not correspond to market levels.

When a leasing contract is closed, the renter has to pay a guarantee deposit, meaning rent for three months in advance and one month as guarantee, an amount which will be returned at the expiry date of the contract. In 2010, leasing contracts were closed mostly for 2 years. In the near future, we believe that this period will decrease, due to the global economical slowdown.

RENT LEVEL

In 2010, rents decreased by a percentage of between 5–10% for the exclusive offer segment (penthouse, classic villas in the city), supported by the fact that these offers are limited in number and location. Meanwhile, rents for apartments with 1-3 bedrooms have registered a more significant reduction of 10-20%, because of the abundance of this kind of offer. Rents differ depending on location, number of bedrooms, finishing and offered facilities, whether the apartment is furnished or not, the number of parking places, the renting period, the down payment amount, as well as the proximity to parks, green spaces, kindergartens, schools, commercial and leisure spaces.

Rent level for 2 bedroom – apartments (€/ month)

Location	2008	2009	2010, H1
Primaverii	2,200 – 3,000	1,400 – 1,600	1,300 – 1,500

Herastrau	2,000 – 2,800	1,300 – 1,700	1,200 – 1,600
Aviatorilor	2,300 – 3,000	1,400 – 1,600	1,300 – 1,500
Dorobanti	2,300 – 3,000	1,500 – 2,000	1,500 – 1,800
Kiseleff	2,200 – 2,700	1,600 – 2,000	1,500 – 1,800
Floreasca	2,000 – 2,500	800 – 1,000	700 - 900
Center	1,300 – 1,800	1,000 – 1,200	900 – 1,100
Domenii	1,600 – 2,000	1,000 – 1,300	800 – 1,000
Baneasa - Pipera	1,800 – 2,000	1,000 – 1,300	800 – 1,000

Source: CB Richard Ellis

Approximately 70% of existing properties on the luxury renting markets in 2010 have been rented for values of up to 3,000 €/ month, compared to second half of last year when 75% of the offers were rented for the same values.

Compared to previous years, we noticed an increase of the negotiation range between the requested and the actual rent transacted for certain type of properties, for which there was an exaggerated level of rents.

Going forward, we expect further downward movement to rents, until supply and demand are better balanced.

2. MARKET FOR COMMERCIAL PROPERTIES

BUCHAREST OFFICE MARKET

Increase of Take-up and Total Leasing Activity (TLA)

During the second quarter of 2010, total take-up registered a level of 49,650 sq m, which represents a small increase (8%) compared to take-up for Q1 2010 – 45,700 sq m, but an increase by more 145% compared to the same period of last year. Total leasing activity (which includes take-up and renewal transactions and transactions in non-competitive stock) was of 62,950 sq m – an increase by more than 22% compared to Q1 2010.

New Completions

The quarter brought the delivery of 77,300 sq m of new office space – out of which half is represented by class A office buildings. In general developers are looking to offer within all office buildings, regardless of location, technical and construction facilities worthy of class A classification. This comes as a consequence from the tenants desire for very efficient office spaces, efficiency translated into lower costs with service charges. With these new completions, the total stock of modern office space in Bucharest reached 1,891,000 sq m, out of which around 17,9% is vacant.

Prime Rent & Prime Yield

This is the third quarter in which prime rent & prime yield remain at stable levels: EUR 19.5 / sq m / month, respectively 9.5%. Prime rent is invariably linked to the demand for top, class A office spaces, demand which has certainly increased in the past months, compared to H1 2009. Another factor which might affect prime rent is the vacancy rate for top locations, which during this quarter has remained stable or slightly increased (less than 1% increase). In terms of prime yield, considering the overall evolution at a CEE region level, we might expect a compression of the yield by 25 bps, by the end of the year. Certainly, the lack of comparables in terms of office transactions makes the forecast of prime yield very volatile.

Key indicators Office Market – Bucharest Q2 2010

Office Indicator	Q2 2010
Modern office stock	1,891,000 sq m
New office supply in Q2 2010	77,300 sq m
Forecast Completions Q3 – Q4 2010	191,000 sq m
Take-up in Q2 2010	49,650 sq m
Vacancy rate (end Q2 2010)	17.9%
Prime rent (end Q2 2010)	19.5 €/ sq m/ month
Prime yield (end Q2 2010)	9.5%

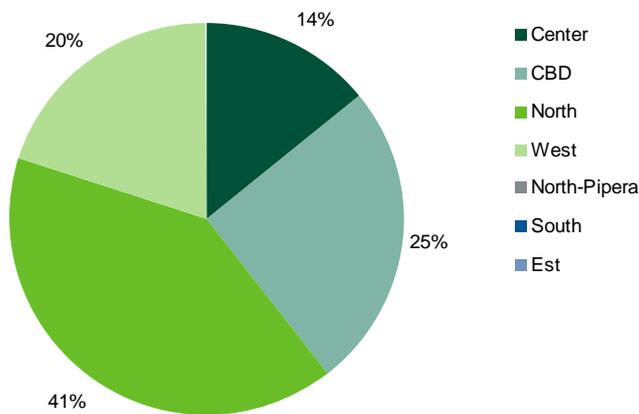
Source: CBRE

NEW SUPPLY

The level of new supply to the market, of 77,300 sq m, is comparable to the one registered during the last quarter, but a decrease by 42% compared to Q2 2009. Among the buildings delivered this quarter: LakeView, Sevastopol 9 (leased completely to Sanador), Victory Business Center, EKA Business Center IV, Filipescu OB.

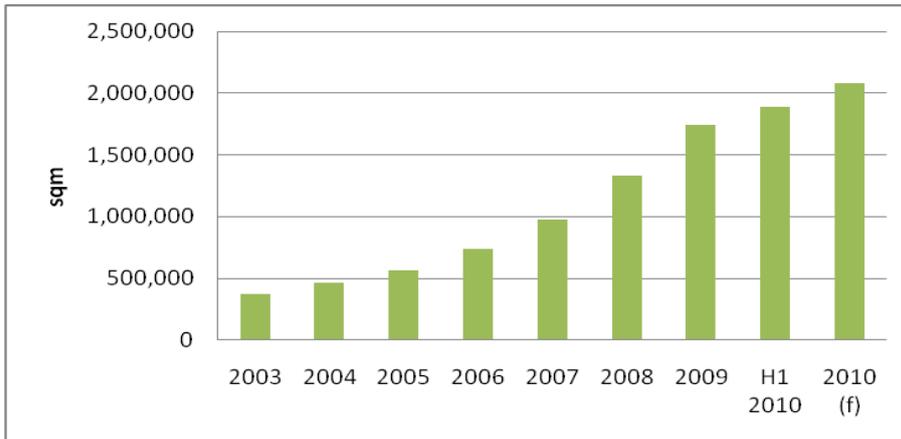
The market was dominated by the deliveries in the North area (41% of total new completions), followed by CBD (25%) and West area (20%). It certainly seems that North Area, with all its advantages (close connection to airports, good infrastructure, available large plots of land, satisfactory level of public transport) is becoming a close competitor to the Central-North area for the title of Central Business District (CBD).

Office new supply in Q2 2010, by area (%)



Source: CB Richard Ellis

Evolution of office stock, 2003 – 2010



Source: CBRE

DEMAND

The level of demand registered in Q2 2010 (49,650 sq m) – higher than both the previous quarter and compared to Q2 of last year - is one of the most encouraging signs. Indeed, almost a third of demand comes from a pre-construction lease from Unicredit, who wants to consolidate its headquarters in one built-to-suit building in the North area. In total pre-leases for this quarter accounted for almost 35% of total take-up, the highest level of pre-leases since Q1 2009.

The average transaction for competitive stock was of 1,200 sq m, coming from as much as 41 transactions (41% more than in Q1 2010). There were another 10 transactions (with a total figure of 13,300 sq m) to be included in the TLA numbers – these transactions include, renegotiations & renewals and leases in non-competitive stock.

Major transactions Q2 2010 (selection)

Tenant	Office Building	Surface sq m
Unicredit	To be delivered	15,000 (pre-lease)

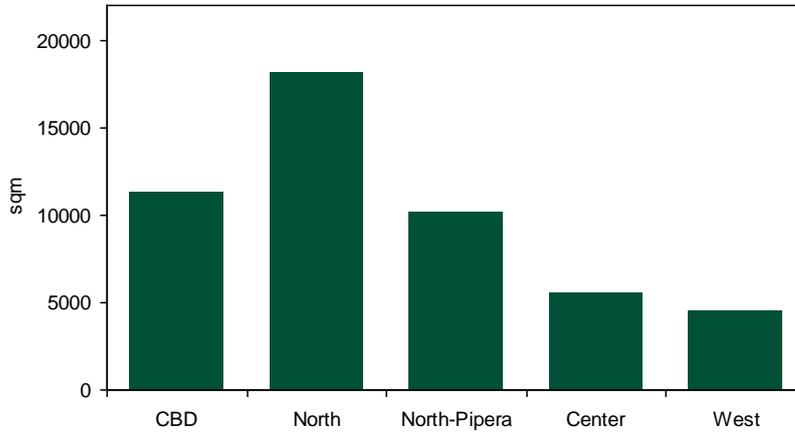
Embassy	City Gate		550 (lease)
Lidl	Pipera Tower	Business	2,850 (lease)
Porr	Pipera Tower	Business	950 (lease)
Avon	Euro Tower		1,200 (lease)
Piraeus Bank	Romanitza Center		1,330 (lease)
Lina & Guia	Victoria Center		350 (sub-lease)
Medlife	Porumbaru OB		1,200 (lease – TLA)

Source: CB Richard Ellis

More than 58% of the transactions concluded (take-up level) were for class A office buildings and almost a third of them were relocations from competitive and non-competitive stock. Still the majority of transactions are considered new demand – tenants which expanded their quarters or which entered the market for the first time.

Not surprisingly, taking into account the recent development and the level of new supply, the North area dominated the transaction in competitive stock (almost 36% of take-up being completed here). CBD accounted for more than 23% of transactions, North-Pipera with 20%, while the Center area registered 11% of transactions and West area only 10%.

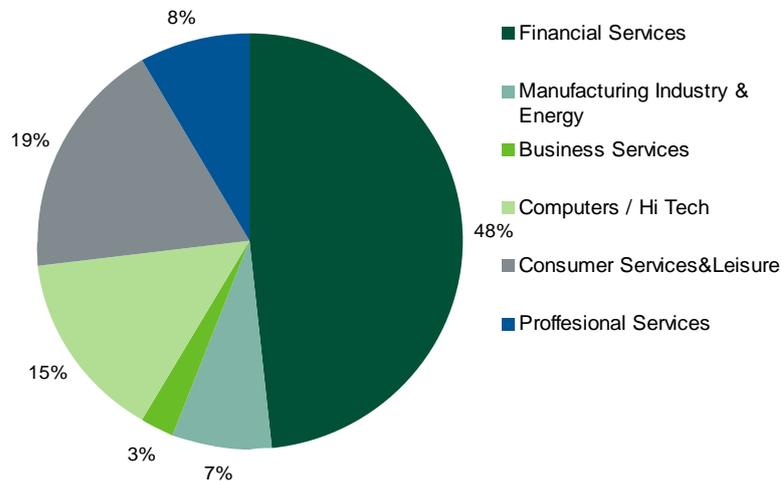
Take-up by area, Q2 2010



Source: CB Richard Ellis

The highest contribution to take-up in Q2 2010 - almost half of transactions - came from companies in the Financial Services, followed by Consumer Services & Leisure (19%), Computers / Hi Tech (15%) and Professional Services (8%). Tenants active in the second quarter of 2010 were predominantly international (almost 80%), after a first quarter when tenants were in equal parts national and international.

Office take-up in Q2 2010, by business sector



Source: CB Richard Ellis

VACANCY RATE

The higher delivery of new office space, compared to take-up, has led to an increase in vacancy rate to 17.9%. It should be noted that the vacancy rate is significantly lower in central locations like CBD (13.5%), North area (11.2%) and Center (16%), while in secondary locations like the Pipera, West and East regions, vacancy rates are higher, above 25%. If we exclude the North-Pipera region (the area where more than a quarter of the modern office stock is located) from the calculation, the vacancy rate for Bucharest would be around 15%.

RENTS

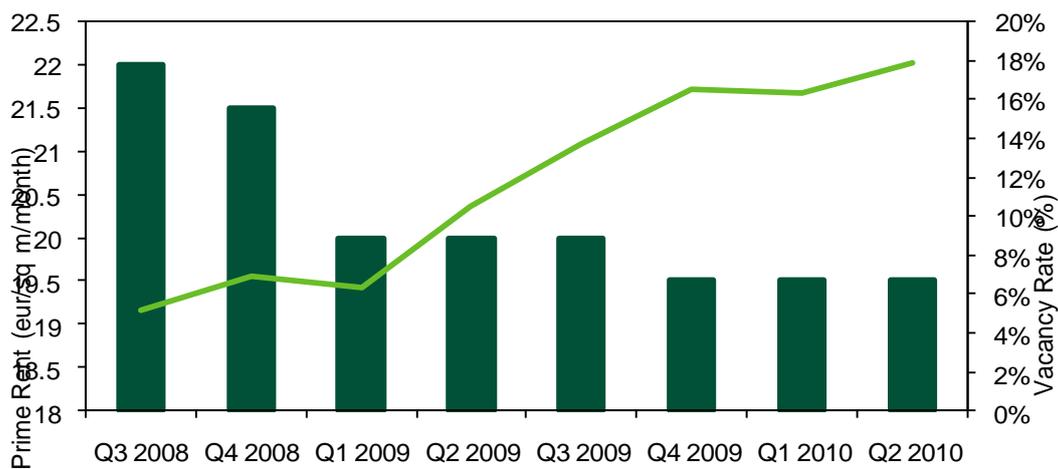
This is the third consecutive quarter when both prime rent & prime yield are stabilized at the following levels: EUR 19.5 / sq m / month, 9.5% respectively. For Class A office buildings in CBD, rental levels range from between 17.5 – 20 €/ sq m / month, while for class B the space is rented for 14.5 – 17 €/ sq m / month. As in other markets, secondary and fringe locations generate little interest from tenants, as they have excellent options within central locations,

which were previously too expensive, but now are more affordable. Thus, rents for non-central, periphery locations have reached levels like EUR 10 – 14,5 / sq m.

Net effective rents are generally at lower levels, considering the level of incentives, and especially the number of rent free months awarded (which varies between 2 – 6 months, depending on the duration of lease).

Service charges have remained at the same level since H1 2009: 3.5 – 4 €/ sq m/ month. For prime office buildings the service charge can be up to 5 € / sq m / month. Increasingly, tenants are demanding that the service charge is capped at a certain level, rather than an open-book system.

Evolution of prime rent & vacancy rate, Q1 2008 – Q2 2010



Source: CBRE

FORECAST

For the second half of 2010 we expect to see delivery of 191,000 sq m, out of which 72,500 sqm are in Pipera area (38%). This figure takes into consideration only the buildings which are currently under construction or they have over 50% chances of being delivered on time.

With this new stock, we expect the vacancy rate to rise even further in the next period and to provide tenants with more leverage in negotiations with landlords and increasing level of incentives landlords are willing to offer to prospective tenants. These incentives range from rent-free periods, fit-out contributions, discounted or free parking or allowance for move, a revision of the service charge taxes and a capped rate for the service charge for a certain period of time.

RETAIL MARKET

The year 2007 was poorer compared to 2006 with respect to the number of new openings, with several remarkable exceptions - the extension of Bucuresti Mall, the extension of City Mall and the opening of the first IKEA unit from Romania within Baneasa Project. All major hypermarkets and supermarkets that have entered the Romanian market are present in Bucharest. The on-street retail market of has not faced major alterations, considering that the offer is well below the level of demand, especially when for the prime locations such as: Victoriei Avenue, Romana Square and Magheru Boulevard. Therefore, the occupancy rate is of 100% both for these on-street arteries and for the operational shopping centers.

Currently, there are 11 hypermarkets present in Bucharest (5 Carrefour units, 2 Cora units, 2 Kaufland units, one Auchan unit and one Real unit), but there is still room for new developments, considering the fact that there are several areas from Bucharest that haven't been covered yet (especially the Southern area).

The supermarket sector is more developed, the biggest players being: Mega Image (23 units), Angst (22 units), La Fourmi (14 units) and Ethos (13 units). Other names operating in Bucharest are Vel Pitar, G'market, Penny, Profi and Primavara. The cash&carry sector is represented by 7 units in Bucharest (out of which 4 Metro units and 3 Selgros units). The shopping mall stock in Bucharest is extremely low compared to other capital cities of neighboring countries that have similar population. Therefore, Budapest and Warsaw have over 20 modern malls each, but in Bucharest there are only 3 such developments. Currently, the on-street retail market in Bucharest registers a high demand from banks, pharmacies,

casinos and show-rooms (auto, mobile phones and interior decorations). There are still very few on street premises within downtown area that have right commercial traffic and surfaces required by the tenants. The demand for on-street premises will still continue to be at a very high level during the following period, the surfaces required for such on-street premises, the easiest to be rented, but also the hardest to find, being between 80 and 100 sq m within central and secondary areas.

The rents for the on-street premises from downtown will continue to increase, but at a slower pace than the one recorded during the preceding years.

Location	Rent level 2007 (€/ sq m/ month)
Downtown	
Magheru Boulevard	80-150
I.C. Bratianu Bouevard	50-100
Victoriei Avenue	50-100
Dorobantilor Avenue	50-100

Source: CB Richard Ellis

INDUSTRIAL MARKET

In 2008 the logistic market in Bucharest registered a high level of demand, due to the increased activity of occupiers and the relocation to class A, modern warehouses within the city.

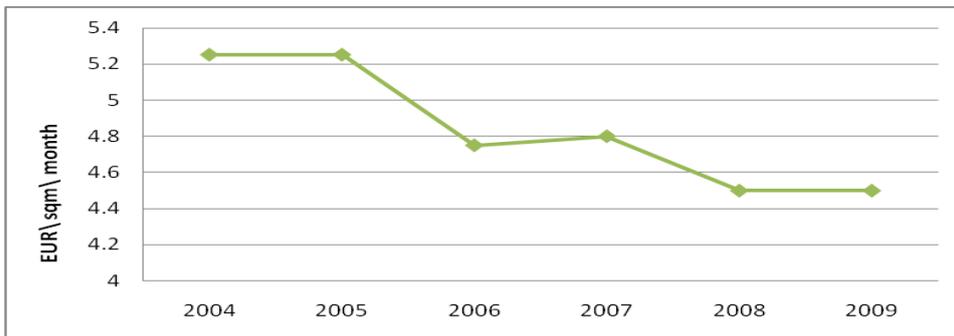
The modern stock in Bucharest stands now at around 720,000 sq m, most being located in the western part of Bucharest, along A1 Highway and north-western part of the city, due to the existing infrastructure, completed with additional modern facilities, most on a built-to-suit basis. A total amount of € 112 million was invested in Romanian industrial market in 2008 with a total number of approximately 280,000 sqm delivered spaces.

As a trend for 2008, the demand for industrial facilities came mainly from logistics operators, distribution and production companies and it is likely projected to continue over the following years. About 220,000 sq m were leased and sold to end-users from all over the country. They usually require spaces of approximately 10,000 sq m, but the demand for smaller units is increasing, distribution or production companies ranging between 1,000 sq m and 2,000 sq m. The high percentage of pre-lease contracts is still redounded upon 2008 with a vacancy rate in Bucharest of 5.5 %.

A problem that the occupiers must stand up to is the industrial old space, which does not meet their requirements, limiting the total take-up. But as a conclusion, the interest is directed towards A1 highway, with over 116,000 sqm leased in 2008 and the ring road area and also towards other cities like Timisoara, Brasov and Constanta, with a total lease of 45,000 sq m.

During 2008 rent and price levels were relatively stable with an average of 4.0 € – 5.0 €/ sq m/ month for new industrial schemes (even if the demand was very high). There is also another category regarding the cold storage facilities, with monthly rates between 8.0 € – 12 €/ sq m/ month. The rent level for industrial offices ranges between 8.0 € – 12.0 €/ sq m/ month. Because of the actual investment volume level, the market forced prime yields down to 8.5% in Bucharest and rather higher in other cities as Timisoara and Ploiesti. The rent level for service charges was between 0.7 EUR – 0.9 € / sq m/ month.

Rent level for modern industrial space, 2004 - 2009



Source: CB Richard Ellis

3. OTHER REAL ESTATE MARKETS – HOTELS MARKET

Primarily a business tourism destination, the Bucharest hotel market was affected by the economic downturn mainly by the short length of typical stays and budget cuts by businesses for hotel accommodation. Despite this negative trend in business tourism, in Q4 2009 the Bucharest hotel market's occupancy rate and average daily rate (ADR) posted slow recoveries due to an increase in international leisure tourism.

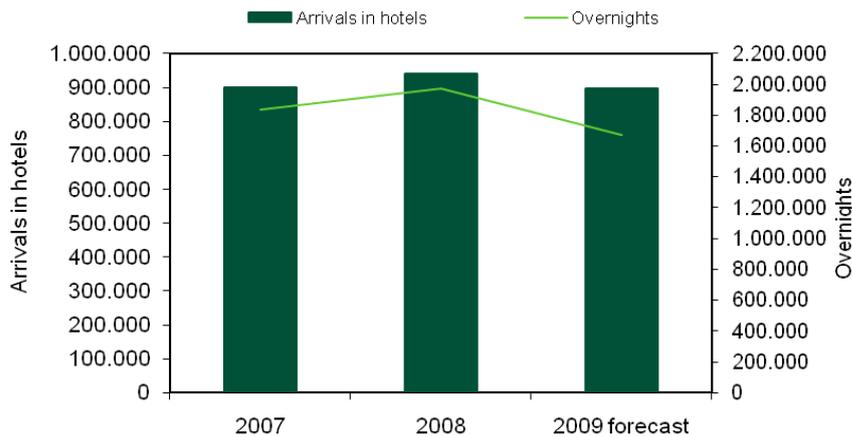
Based on official statistics, we estimate an increase of 5% of tourist arrivals in Q4 2009 as compared to Q4 2008. For the full year, CB Richard Ellis – Eurisko estimates:

- tourist arrivals in Bucharest decreased by 5% in 2009 compared with 2008 and were at the same level compared with 2007;
- overnights in hotels decreased by 15% in 2009 compared with 2008 and 9% compared with 2007.

Notwithstanding this small decrease in tourist arrivals in 2009, the hotel market was severely affected in terms of operational efficiency. Strong competition between hotels was carried out through lower room rates and special packages to attract more "heads in beds", drive-up occupancy and improve bottom line profits.

Important market factors such as new hotel supply from 2008, the lack of capital to invest and the presidential elections led to a “wait and see” attitude of demand for hotel accommodation.

Bucharest Trend: Tourist Arrivals and Overnights in Hotels 2007 - 2009



Source: CB Richard Ellis

Hotel performance overview

Bucharest hotel demand suffered a contraction of 5% in 2009 as compared with 2008 that created pressure on room rates and occupancy. A positive factor that encouraged visits by foreign leisure tourists was the depreciation of Romanian currency by 13%, as the Romanian Leu moved from 4.23 Lei per 1 Euro by year-end 2009 from 3.68 Lei per 1 Euro at year-end 2008.

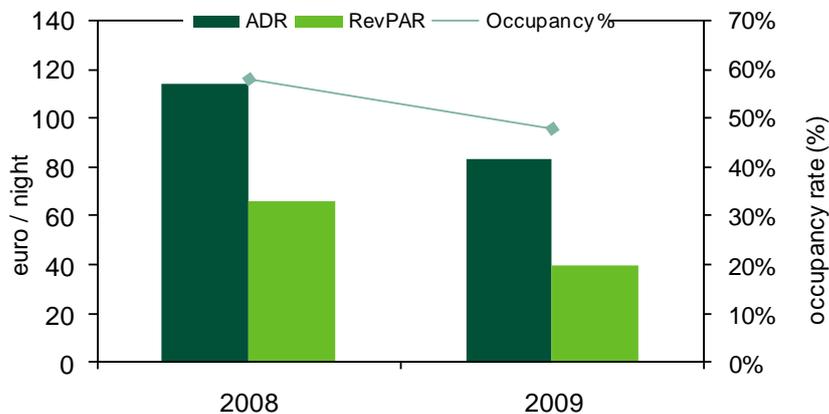
Around 5% of total rooms in the Bucharest hotel market were put on conservation for H2 2009 and almost 65% of new hotel project openings were postponed for delivery in H2 2009.

The economic uncertainty from the business environment translated into cuts to MICE and travel expenses. As a result, the average length of stay fell from an average of 1.6 nights in H1 2008 to 1.2 nights in H1 2009.

The average daily rate (ADR) measured in EUR decreased by 27% compared with 2008 while the occupancy rate dropped by 16% compared with 2008. As a consequence, RevPAR fell by 38% in 2009 as compared with 2008.

In local currency, ADR expressed in “lei” decreased by only 11% in 2009 compared with 2008 due to the depreciation of the Romanian currency against the Euro. It is important to stress that if the Romanian Leu appreciates against the euro, the recovery of Bucharest hotel market will likely be postponed.

Bucharest Trend – ADR, Occupancy Rate and RevPAR in 2009



Hotel Development

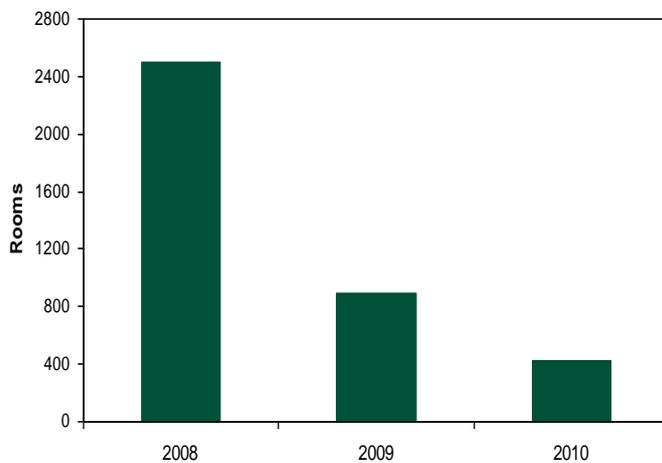
Economic turmoil in 2009 created difficulties in financing ongoing development projects and has caused delays of at least 12 months in delivery of future supply. Based on the information available, we estimate further delays, with projects being completed in 2011 - 2012.

However, the signing of a management agreement with Courtyard by Marriott for a 187 room hotel that will be delivered in 2011 has been officially announced.

New supply in 2009 was mainly of the 4* ranking category (Starlight Suiten – 78 suites, Capital Plaza – 100 rooms, Phoenicia Express – 180 rooms, Phoenicia Aparthotel – 55 suites) and one luxury 5* boutique hotel (Grand Hotel Continental – 59 rooms).

Hotel capacity will continue to grow in 2010 at a slower pace than in 2009 and we expect around 50% decrease in the supply of new rooms.

Hotel Development Pipeline 2008 – 2010, Bucharest



Source: CB Richard Ellis

4. BUCHAREST LAND MARKET

The specific real estate market is defined as the market for lands, the market with a geographical area which can be defined as the real estate area located in the Northern area of Bucharest.

In analyzing this market, we have investigated aspects related to the possible planning developments of the area and of the sub area, its population, its trends over the last years, the specific demand and the competitive supply for the type of property.

The effervescence of the real estate market which will continue over the next years is very well reflected in the recent evolution of the lands market. Romania's accession to the

European Union was preceded by significant increases in the prices of lands, by the entrance of new important developers on the market and thus by the acquisition of some large surfaces for the purpose of real estate developments, and less for speculative purposes.

Overview

Bucharest land market has started to fall in 2008, together with the other segments of the local real estate market. Since then, it has continuously gone down, being the most affected market, beside the residential.

The supply has increased due to the high number of former industrial sites available for sale and because many private investors had financial difficulties and tried to sell. On the other hand, effective demand and sale prices have dramatically contracted. Though the land plots available on the market are still very attractive, the potential investors are postponing the purchasing for several reasons: the decrease of the volume of liquidity on the market, restricted access to loans, as well as the psychological pressure now affecting the market according to which the prices of lands will keep on decreasing).

Supply

Between 2006 and 2007 (the boom period for land market), approximately 15 new real estate developments have been announced on former industrial locations, with more than 120 ha of land.

Real estate projects announced on the market or with construction works commenced, on former industrial sites:

- Laromet (Bucurestii Noi) – Africa Israel company will develop a project for 3,000 apartments and a shopping centre on 15.5 ha;
- Grivita Industrial Company (Clabucet Street) – Bluerose Ro Corporation (50% owned by Rosebud Medical) planned to build a mixed project (residential, offices and retail) on a 6.1 ha plot;

- Helitube (Colentina) – BelRom announced the construction of two office towers (12 levels) and a retail park with 100,000 sqm on 9 ha of land;
- Frigocom (Drumul Taberei) – 1,400 apartments to be built by the Spanish developers Gran Via on a 3.1 ha plot of land;
- Tricodava (Drumul Taberei) – Gran Via shall build a residential complex with 2,100 apartments on the 5.4 ha;
- Spartac Sports Club (Titan) – Caelum Developments announced the project Parklake Plaza consisting of a shopping mall with 110,000 sqm and 2 towers with 600 apartments.

Over 40 old factories are located inside the Capital. All of them must be relocated at the outskirts by 2013, according to the UE regulations. These former industrial sites totalize between 1,500 and 2,200 ha, meaning between 7% and 10% from the entire area of Bucharest. Some of them have already been purchased by real estate developers, others are still for sale and a part of them are ruins.

The interest for this type of sites will continue to be very high, but their sale price exceeds the available volume of liquidities available on the market, due to their large areas. Moreover, most of them have legal problems that takes time to be solved and the ground is likely to be contaminated and a developer has to allocate a certain budget for the solving the environmental problem.

Former Industrial sites available for sale

Former industrial site	Location	Land area	Asking price (EUR)
Policolor	Theodor Palady	14 ha	35 mil.

Aversa	Obor	10 ha	50 mil.
Plevna	Grozavesti	8 ha	N/A
Faur	Pantelimon	9 ha	N/A
Baneasa	Aerogarii		N/A
Anticorosiv	Theodor Pallady	6 ha	12 mil.
Vulcan	13 Septembrie	3.6 ha	64.8 mil
Titan Mar	Trafic Greu	6 ha	N/A
Kandia	Viilor	3 ha	N/A

Demand

In 2006-2007, the major part of the demand was represented by the transactions closed for development purposes, in the disfavour of speculative transactions, given the price increase. In certain situations, this led to alarming the developers, potential buyers, in respect of investment profitability. In spite of high prices, in this period there were registered numerous transactions on the land market, with at least 7 transactions exceeding EUR 20 million. The main destination of demanded land was the development of residential projects.

In 2008-2009, there were few transactions closed, due to the high discrepancy between sellers' and buyers' expectations regarding the sale prices.

Transactions with lands, 2007-2009

Location	Area (ha)	Buyer	Transact. Value (mil. EUR)	Land destination	Year
Straulesti	11.1	Raiffeisen Evolution	90	Residential and commercial	2007
Bucurestii Noi (Laromet, former industrial site)	15.5	Africa Israel	77.5	Residential and retail	2007
Clabucet Str. (Grivita Industrial Company, former industrial site)	6.1	Bluerose Ro Corporation	72	Residential, offices and retail	2007
Pierre de Coubertaine (Electroaparataj, former industrial site)	7	Real4You	60	Retail	2007
Colentina (Helitube, former industrial site)	9	BelRom	60	Retail and offices	2007
Liviu Rebreanu – Titan (former Spartac sports club)	8.3	Caelum Development	53	Residential and retail	2007
Drumul Taberei (Tricodava, former	5.4	Grand Via	42	Residential	2007

Location	Area (ha)	Buyer	Transact. Value (mil. EUR)	Land destination	Year
industrial site)					
Drumul Taberei (Frigocom, former industrial site)	3.1	Gran Via	17.5	Residential	2007
Tudor Vladimirescu Blvd. (INOX, former industrial site)	1.7	Africa Israel	17	Residential and offices	2007
Obor Square (former industrial site)	3.2	Atlas Estates Limited	14.4	Residential and retail	2007
Mogosoiaia	5.3	Lewis Charles	13	Residential	2007
Pipera	3.36	Ablon Group	9.5	Residential and offices	2007
Jilava	9.7	Sparkassen Immobilien	7.4	Retail	2007
Bucurestii Noi	1	Lamda Development	4.7	Residential	2007
Tartasesti	200,000	FADESA	8,000,000	residential	2008

Location	Area (ha)	Buyer	Transact. Value (mil. EUR)	Land destination	Year
Timisoara Bd. - Valea Cascadelor	85,000	Selgros, Dedeman	39,950,00 0	retail	2008
Splaiul Independentei	2,000	SEMA	2,600,000	offices	2008
Doina Str – Progresului	11,200	LIDL	3,200,000	retail	2009
Calea Floreasca (near Bordei Park)	4,000	N/A	2,000,000	residential	2009

Source: CB Richard Ellis, 2010

Thus, even if the Centre and the North shall continue to represent a very high interest on the real estate market, in order to cope with the high prices and to assure the absorption of the final product (residential units, etc.), investors had to discover the other cardinal points as well.

The East and the West are the following preferred areas, the advantage being represented first of all by the existence of the former industrial platforms and, second of all, by the two highways (especially for industrial developments - Bucharest-Pitesti Highway, for the western area and Bucharest-Constanta highway, for the eastern area).

The South generated interest in the past few years especially for low middle class residential developments destined, the low price for land (compared to the other areas) being the main attraction element. For the same reason, as well as because of the high occupancy rate for

the industrial spaces located in the North area (over 85%), we have attended to an increasing number of new industrial developments located in the South area of the city, mainly in the Ring Road's surrounding areas. This turned out to be the most suitable solution for the industrial developers, as well as for the companies looking to relocate their activities outside the city borders.

The relocation of factories from Bucharest does not impact only the land supply by the introduction in the real estate circuit of generous areas within the city, but also the demand of land for relocation of industrial/ production activity.

For this purpose, the developers preferred areas where land prices are still low and availability of large land surfaces: the North-West area starting with Chitila, Sabareni, Buftea to Tartasesti, as well as the East or the South area, lands with access to Soarelui Highway or to the Ring Road.

Price Level

The land market in Bucharest continued to register a decreasing price trend since 2008. The prices fallen vary between 20-50% for lands that benefit from a good location, good urban indicators, access to utilities and public means of transportation, and up to 70-80% for lands located at the outskirts, in undeveloped areas.

Average Land Prices in North area, 2005 - 2009

LOCATION	SALE PRICE (EUR/ sqm)				
	2005	2006	2007	2008	2009
Sisesti	60 - 150	150 - 250	500 - 800	800 -1,200	400 -700

LOCATION	SALE PRICE (EUR/ sqm)				
	2005	2006	2007	2008	2009
Baneasa	500 - 800	1000 - 1500	1,200 -1,600	1,000-1,500	500-1,200
Bucurestii Noi	250 - 350	400 - 700	700 -1,500	400 - 1,200	300 - 800
Damaroaia (Straulesti)	100 -350	200 - 700	800 -1,200	400 - 900	200 - 700
Pajura (Expozitiei)	500-1,000	800-1,500	1,200 -2,000	1,000 - 2,000	- 800- 1,500
Domenii	800 - 1100	1300 - 1700	1,800 -2,500	1,500 - 3,000	1,000- 1,500

Source: CB Richard Ellis, 2010

Forecast

The prices for lands will continue their decreasing trend, the most affected being the lands in outskirts area of the city.

Potential developers will focus on plots of land that benefit of a central location, utilities and public means of transport (preferable the underground). Distressed assets will be the most sought-after type of properties.

5. ROMANIA PROPERTY INVESTMENT MARKET

Overview

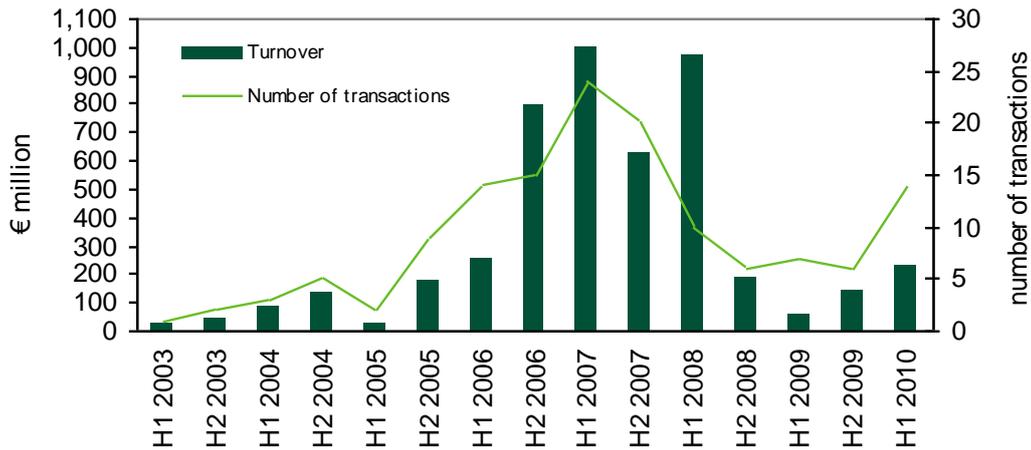
After 2009, when Romania registered the biggest contraction of the property investment volume since 2005, with € 203 million in transaction, the first half of 2010 brought the revival of this segment. As such, the investment turnover in H1 2010 was higher than the entire volume for 2009 - € 226.6 million and 300% higher than the volume accounted in H1 2009.

The purchasers for this first half came, in rather equal terms, from UK (22.9%) and Austria (24.2%), followed by Hungary (15.6%) and Romania (14.7%). Taking into account the higher level of commitment coming from Romania we can see a follow-up of a trend which started in early 2009 – the higher level of activity from local investors. This comes after consecutive years (2007&2008) when no Romanian investor purchased any real-estate product.

The retail segment remains supreme – 87% of the transaction volume and 64% of the transactions (by number) were for either shopping centres or retail warehouses. Retail has been a dominant investment segment starting with 2006; since then, year after year, retail registered from 43.6% of turnover (2007) to 71.5% in 2009. What is remarkable for the turnover profile of H1 2010 and 2009 is a return to the profile from 2004-2006 when transactions were concentrated in 2 – 3 segments (retail, office and industrial), while in 2007-2008 there was an increase of diversification of investment volumes (with residential, mixed-use, hotels coming into the market).

The investment market in H1 2010 was dominated by medium size transactions, with an average of transaction of € 16.2 million, with a total of 14 transactions. Considering this, the first half of 2010 seems identical to the investment layout of 2009, when the average transaction was of € 16.9 coming from 13 transactions.

Investments Turnover in Romania and Number of Transactions



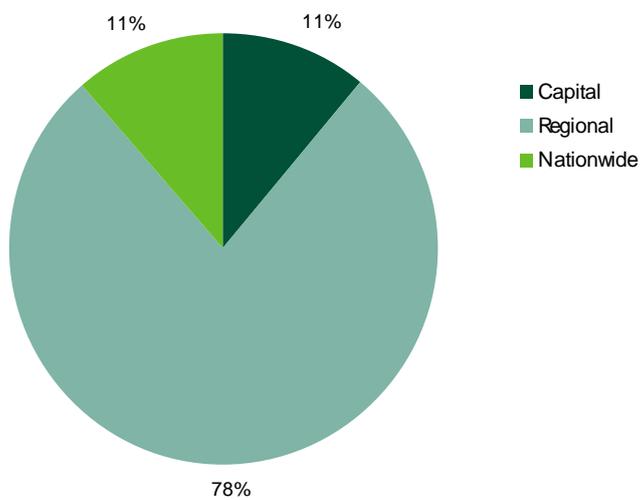
Source: CBRE

Prime yields are in general stable, at a constant level from Q4 2009, with the retail segment registering some downward movement.

Half of the deals registered in this quarter came from co-developing partners, with one party buying the other party's shares in the scheme. This is one of the multiple reasons why retail dominated the investment market – a lot of existing & pipeline retail schemes are joint ventures of two & three developers / investors.

Romania's investment profile by location in H1 2010 is similar with that for 2009 – thus only 11% of turnover was for products in Bucharest (in 2009 the figure was 14%), with the rest of transactions concluded at a regional or nationwide level. These figures are complete opposite to the investment profile of 2005 when 87% of turnover was for products in Bucharest and the rest at a regional level. These figures, combined with the supremacy of the retail segment in terms of investments, shows how much the retail market, especially shopping centres, has grown.

Investments Turnover in H1 2010, by Location (%)



Source: CBRE

Retail Market

The retail market dominates quite strongly the investment market in Romania for almost 5 years. In H1 2010 the retail segment accounted for € 196,9 million, based on the following major transactions: Auchan and Bricostore in Pitesti, an asset owned by Avrig 35 and sold to NEPI, which is one of the most active investors in Romania, with 28% of the total investment volume over the past 12 months.

Half of the shares for Atrium Centre Arad were bought by Arcadom, the construction company part of Trigranit Corporation for a cumulated value of € 35.5 million. Following a

forward purchase agreement from 2008, Immoeast bought, from Trigranit, Polus Centre Constanta for € 40 million (the sum represents only the debt, no other payment was made).

The market also registered a novelty: one distressed shopping centre, Tiago Mall Oradea, which was never opened, was sold at a public auction (during the second round), as the construction company is facing the insolvency process.

Approximately 43% of the transaction volume is for under development schemes, the rest for operating centres.

Office Market

Unlike in the CEE region, where offices dominated the investment turnover in H1 2010, only one transaction for an office product was closed in Romania in H1 2010 (a partial share acquisition for the City Gate scheme in Bucharest).

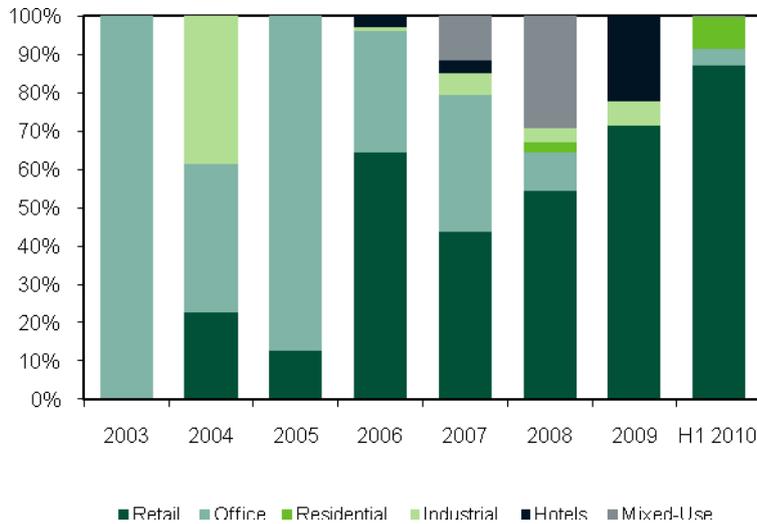
Still, part of a larger cross border deal, the Europolis assets in Romania were bought by CA Immo, which include two important office assets: Europe House and Riverplace (plus other assets: Europolis Industrial Park and two developing sites. This entire transaction will be included in the Q1 2011 investment volume, based on the time of the first payment transfer, to be made by CA IMMO.

Residential Market

Following a very slow 2009 in terms of residential investment, in H1 2010 we registered 3 institutional residential transactions with a volume of € 19.4 million, one of the highest volume ever recorded. Particular about this market is that all vendors are local, while the vast majority of purchasers are foreign.

No transaction was recorded for other real-estate segments, like industrial (with the exception of Europolis portfolio), hotels or mixed use.

Investment turnover share 2003 – 2010, by sub-segment (%)



Source: CBRE

Prime Yield

In first half of 2010 yields remained at rather constant levels with those from late 2009. One exception was registered in the retail segment, where prime yields dropped by 25 bps for shopping centres and 100 bps for retail high street. At a different rate and rhythm, Romania follows the regional CEE activity, where some markets saw the compression of prime yields for shopping centres since the first quarter of 2010, with the office market to follow in Q2. The austerity measures introduced by the Romanian government, coupled with the European sovereign debt crisis, may influence the evolution of prime yields for the next quarters and put pressure towards the appreciation of yields.

Prime Yields 2008 - 2010

	H1 2008	H2 2008	H1 2009	H2 2009	H1 2010

Offices	7.5%	8.5%	9.5%	9.5%	9.5%
Retail	–				
Shopping Centres	6.5%	8.0%	9.0%	9.5%	9.25%
Retail – High Street	7.5%	8.5%	12.0%	12.0%	11.0%
Industrial	8.0%	8.5%	10.0%	10.5%	10.5%

Source: CBRE