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REAL ESTATE MARKET IN BULGARIA

FEBRUARY 2011

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Industry Overview

In 2010 the Bulgarian real estate market continued to be under the pressure of the global economic downturn but showed first signs of recovery.

The residential market went down on an annual basis in terms of issued building permits, completed residential buildings and price levels.

However, the number of residential property deals started to grow with real estate agencies reporting a twofold growth in January 2011.

The number of building permits for the construction of residential buildings went down by 23.9% on the year in 2010. An annual drop of 43% was registered in the number of completed residential buildings in 2010. In the four major cities – Sofia, Plovdiv, Varna and Burgas the prices of homes fell by between 10% and 19%.

The total office area in Sofia grew by 28% year-on-year in 2010 with the fourth quarter of the year registering a record-high delivery of office space, according to real estate agencies data. The oversupply of office area raised vacancy levels and pushed down rents.

In 2010 retail space supply in Bulgaria grew almost five times compared to 2009 as large shopping centres opened doors in all major Bulgarian cities. The vacancy levels stood at between 5.0% in Sofia to 24% in the other largest cities with rent levels going down in all locations.

Modern industrial space in the Sofia area reached 538,551 sq m and more than 115,000 sq m were under construction at end-2010. Demand for logistics space was driven mainly by distributors of Fast Moving Consumer Goods (FMCG) and pharmaceutical companies.

The combined land portfolio of Bulgarian real estate investment trusts (REIT) stood at 87,200 ha with almost all of them reporting a net profit in 2010.

In 2011 the Bulgarian real estate market will continue to recover as market representatives expect transactions across almost all of its segments to increase, driven by the

MAJOR DEVELOPMENTS

Regulations

In January 2008 amendments to the Investment Promotion Act came into force. The act settles the terms on the promotion of investments in Bulgaria. Article 12 of Chapter 3 in the act regulates the promotion of initial investments for the acquisition of fixed assets. The provisions of the act extend to economic activities of the industrial sector and the sector of services.

On July 27, 2007 the latest amendments to the Territorial

expected improvement of the country's macroeconomic and microeconomic indicators.

Economy Overview

Bulgaria's gross domestic product climbed 2.1% on the year to EUR 36.081 bln in 2010, according to preliminary estimates of the National Statistical Institute (NSI).

According to a NSI survey among managers from the construction, retail trade and services sectors, the overall business climate indicator in February 2011 increased by 2.7 percentage points compared to a month earlier.

MAIN ECONOMIC INDICATORS - BULGARIA

	2010	2009	2008	2007	2006	2005
Nominal GDP (EUR bln)	36.081*	35.043*	35.430	30.772	26.476	23.255
Real GDP, y/y (%)	2.1**	-4.9	6.3	6.5	6.4	6.4
Inflation (CPI), y/y, average, (%)	2.4	2.8	12.3	8.4	7.3	5.0
Unemployment rate	11.2	6.8	5.6	6.9	9.0	10.1
FDI (EUR bln)	1.359	3.282	6.686	9.052	6.222	3.152
FDI/GDP (%)	3.8	9.4	18.9	29.4	23.5	13.6

*Preliminary data; **preliminary data for Q4 2010

Source: National Statistical Institute; Bulgarian National Bank

History & Geography

10 LARGEST BULGARIAN CITIES IN 2009

City	Population	% of the national total
Sofia	1,249,798	16.52
Plovdiv	348,465	4.61
Varna	329,173	4.35
Burgas	206,343	2.73
Ruse	175,210	2.32
Stara Zagora	164,472	2.17
Pleven	138,095	1.83
Sliven	128,249	1.70
Pazardzhik	121,366	1.60
Shumen	101,597	1.34

*Preliminary data; National Statistical Institute

Structure Act came into force. Between 2004 and 2006 the Bulgarian Government made the following changes to the legal framework:

The Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA) was established in 2004 as a successor of the Bulgarian Trade Promotion Agency (BTPA) and the Agency for Small and Medium-sized Enterprises (ASME).

The new Public Procurement Act and its Rules and Regulations came into effect on October 1, 2004. The latest amendments to the act, aimed at improving public procurement pro-

cedures and ensuring increased competition, went into force on July 1, 2006.

The Public Procurement Agency and its Arbitration Court were established on October 1, 2004 to improve the implementation of the Public Procurement Act. In January 2005 the tax rate on corporate income was reduced to 15% and then to 10% in 2007.

In November 2005 the Council of Ministers approved a national strategy in public procurement and concessions aimed at improving the legal framework and bringing it in line with the EU's Acquis Communautaire.

The Law on Small and Medium-size Enterprises was last amended in July 2006. The amendments and supplements cover the definitions of small and medium-sized enterprises

and regulate the role of the Ministry of Economy and Energy and BSMEPA in implementing the National Strategy for Promoting Small and Medium-size Enterprises. Under the amendments, the Parliament can only ratify bilateral agreements with non-EU states after a two-thirds majority vote, before allowing their citizens to buy land.

Citizens from the EU or other states with bilateral arrangements with Bulgaria, and who live permanently in Bulgaria or are self-employed in the country, can buy land from January 1, 2007. On November 2, 2006 the parliament decided Major Developments that EU citizens and EU-based companies will be allowed to buy agricultural land from 2014 and buy a second home from 2012.

In 2010 foreign citizens could only own land in Bulgaria through a locally registered company.

LEADING COMPANIES

REITS INCLUDED IN THE BGREIT INDEX OF THE BULGARIAN STOCK EXCHANGE (AS OF DEC 20, 2010)

BSE Code	Company	Assets (BGN mln)		Total Revenue (BGN mln)		Net Profit/Loss (BGN mln)	
		2010	Y/Y change	2010	Y/Y change	2010	2009
6A6	Advance Terrafund REIT - Sofia	159.4	0.65%	9.461	30.48%	4.175	-3.225
6F3	FairPlay Properties REIT - Sofia	126.4	-5.10%	27.107	-9.40%	0.114	1.633
5BU	Bulgarian Real Estate Fund REIT - Sofia	96.8	-4.55%	10.414	0.51%	0.795	-4.421
4EC	ELARG Agricultural Land Opportunity Fund REIT - Sofia	85.9	-4.04%	10.406	145.66%	1.312	-3.108
4IC	Intercapital Property Development REIT - Sofia	65.4	-5.44%	4.936	-72.13%	-6.171	9.151
6AG	Agro Finance REIT - Sofia	53.2	2.77%	3.280	50.94%	1.028	0.111
5H4	Balkan and Sea Properties REIT - Varna	45.8	48.52%	0.277	-75.44%	-0.003	0.374

Source: Bulgarian Stock Exchange - Sofia

TOP 15 BULGARIAN REITS BY NET SALES REVENUE IN 2009

Rank	Stock symbol	Company	BGN mln	
			Net Sales Revenue	Assets
1	5H4	FairPlay Properties REIT - Sofia	29.919	133.1
2	4H8	Health and Wellness REIT-Sofia	14.790	121.7
3	5BU	Bulgarian Real Estate Fund REIT - Sofia	11.039	103.7
4	6F3	Intercapital Property Development REIT - Sofia	9.912	61.0
5	6A6	Advance Terrafund REIT - Sofia	7.251	158.4
6	6A7	Agricultural Land Fund Mel Invest REIT - Sofia	6.444	35.5
7	4PY	Prime Property BG REIT - Sofia	4.717	55.0
8	4EC	Elana Agricultural Land Fund REIT - Sofia	4.236	92.3
9	6S6	Sopharma Imoti REIT - Sofia	3.206	41.4
10	6ER	ERG Capital-2 REIT - Sofia	2.648	15.8
11	5ER	ERG Capital-3 REIT - Sofia	2.310	58.3
12	6SR	Agro Finance REIT - Sofia	2.173	5.17
13	5BD	Bulland Investments REIT - Sofia	1.213	17.5
14	6BMA	BenchMark Fund Estates REIT-Sofia	1.211	74.3
15	5AX	Aktiv Properties REIT-Plovdiv	0.873	28.3

Source: Dnevnik.bg

EMPLOYMENT

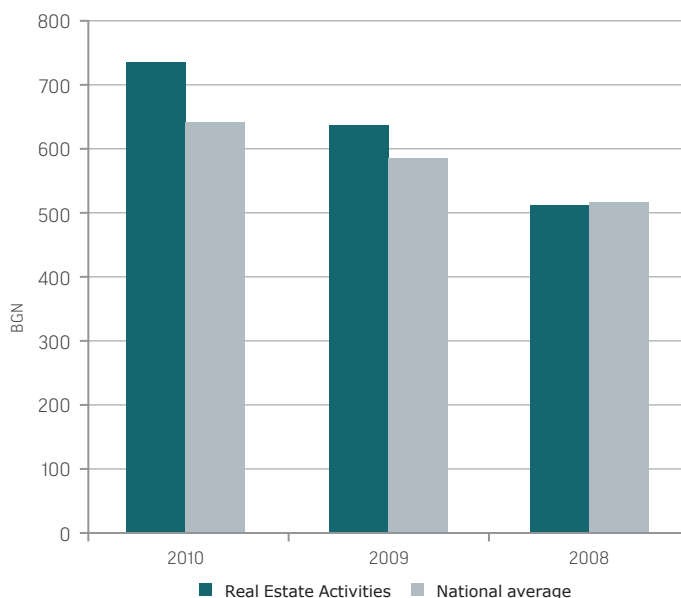
AVERAGE NUMBER OF EMPLOYEES UNDER LABOUR CONTRACT

	2010*	2009*	2008*
Real Estate Activities	18,663	18,446	18,667
National total	2,197,722	2,370,262	2,475,983
% Share of national total	0.85	0.78	0.75

*Preliminary data

Source: National Statistical Institute

AVERAGE MONTHLY SALARY OF EMPLOYEES UNDER LABOUR CONTRACT*



*Preliminary data

Source: National Statistical Institute

SUPPLY

ISSUED BUILDING PERMITS

	2010		2009		2008		2007	
	Number	Built-up area (sq m)	Number	Built-up area (sq m)	Number	Built-up area (sq m)	Number	Built-up area (sq m)
Residential buildings	4,891	1,688,891	6,428	2,719,908	10,157	6,619,688	11,171	7,943,732
Administrative buildings	215	150,652	305	305,850	412	511,701	448	353,329
Other	4,360	2,181,463	4,569	2,735,744	5,680	4,271,517	6,605	5,418,617
Total	9,466	4,021,006	11,302	5,761,502	16,249	11,402,906	18,224	13,715,678

*Preliminary data; National Statistical Institute

Residential Real Estate

In 2010 a total of 4,891 building permits for the construction of residential buildings were issued in Bulgaria, down by 23.9% in comparison to 2009, according to the National Statistical Institute (NSI). In terms of total built-up area, the annual drop was 37.1%, reflecting a greater demand for one- and two-bed flats.

In 2010 the construction of a total of 2,615 residential buildings was started, NSI data showed. This number was much lower than the number of issued building permits for residential buildings due to the fact that many construction entrepreneurs failed to provide the necessary funding and decided to put on hold or sell their projects.

After a steady growth in the period 2004-2009 the number of completed residential buildings slumped by 43.3% on the year in 2010.

The highest annual drop among the largest Bulgarian cities was registered in Ruse, where the number of completed residential buildings more than halved to 34 in 2010.

In 2010 the total useful area of the newly completed homes stood at 1.194 million sq m, down by 25.9%, compared to 2009 and reaching the level in 2006.

STARTED CONSTRUCTION OF RESIDENTIAL BUILDINGS IN MAJOR BULGARIAN CITIES IN 2010

City	Number of buildings	Number of homes	Total built-up area (sq m)
Sofia city	316	977	176,440
Plovdiv	252	392	76,724
Varna	246	940	109,399
Burgas	352	1,695	200,943
Ruse	49	320	25,573
Stara Zagora	142	405	51,654
Total in Bulgaria	2,615	8,009	1,001,789

Source: National Statistical Institute

NUMBER OF COMPLETED RESIDENTIAL BUILDINGS

District	2010	2009	2008	2007	2006	2005	2004
Sofia city	164	181	261	291	199	235	186
Plovdiv	131	236	270	197	112	109	100
Varna	458	629	622	538	458	333	262
Burgas	406	506	530	535	447	383	283
Ruse	34	74	72	52	56	28	27
Stara Zagora	68	102	34	32	24	37	72
Pleven	57	52	56	47	36	22	23
Total in Bulgaria	1,686	2,975	2,926	2,697	2,074	1,843	1,500

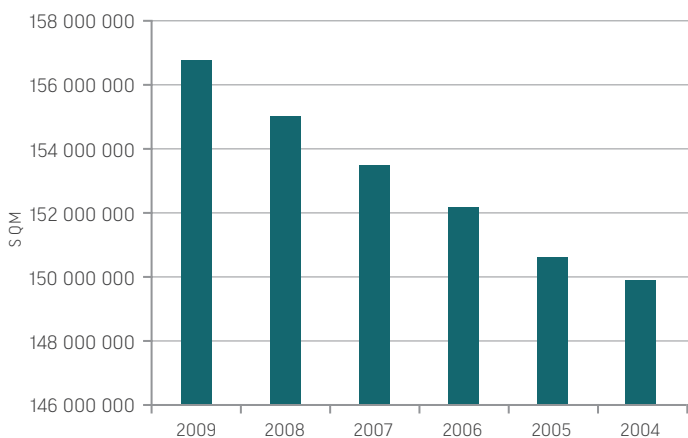
Source: National Statistical Institute

NUMBER OF COMPLETED HOMES AND USEFUL FLOOR AREA (SQ M)

District	2010		2009		2008		2007	
	Number	sq m	Number	sq m	Number	sq m	Number	sq m
Sofia city	2,007	133,541	3,169	210,160	3,725	253,791	3,431	239,507
Plovdiv	791	52,706	1,389	103,978	1,532	123,849	1,529	117,985
Varna	3,473	282,631	4,389	354,873	4,298	378,316	3,471	317,908
Burgas	4,004	271,307	5,326	342,123	5,305	374,087	5,158	400,859
Ruse	542	39,070	699	52,934	791	57,148	524	38,136
Stara Zagora	278	24,213	404	34,509	142	12,661	107	10,381
Pleven	329	22,169	377	26,444	458	33,748	295	20,651
Total in Bulgaria	15,805	1,194,286	22,058	1,612,332	20,924	1,635,299	18,864	1,521,047

Source: National Statistical Institute

USEFUL FLOOR SPACE OF HOMES IN BULGARIA



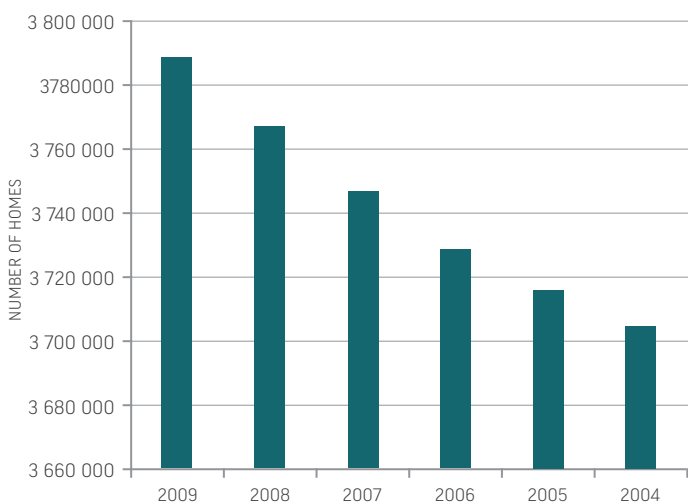
Source: National Statistical Institute

MAJOR RESIDENTIAL PROJECTS COMPLETED IN SOFIA IN 2010

Project	Location	Residential area (sq m)
Complex Tsarigradski III	Tsarigradsko Shose Blvd.	95,000
Metro City	Aleksandar Malinov Blvd.	38,000
Galaxy Trade Center	Geo Milev district	28,000
Prime Buildings - Studentski Grad	Studentski Grad district	26,000
Cite Jarden Complex	Simeonovsko Shose Blvd.	25,000
Administrative and residential complex Hadzhi Dimitar	Hadzhi Dimitar district	11,000
Casa Grande Vitosha	Krastova Vada district	10,000

Source: Elta Consult AD; Foros EOOD

HOUSING STOCK IN BULGARIA



Source: National Statistical Institute

Office Real Estate

In 2010 the total office area in the capital Sofia grew by 28% on the year to 1,314,000 sq m and another 175,000 sq m of office space are projected to be completed by end 2011, according to Bulgarian real estate consultant Forton. The total stock of office premises was almost evenly distributed among Class A and Class B property with Class A offices accounting for 45% of the total office stock. The last quarter of 2010 registered a record-high delivery of office space of 126,200 sq m, while in the whole 2009 a total of 110,700 sq m of offices were completed, Forton data showed. The fourth quarter of 2010 also marked the opening of three of the major office buildings in Sofia – Megapark with an office area of 59,600 sq m, Serdika Center Offices (35,000 sq m) and Polygraphia Office Center - 19,150 sq m.

Despite the growing oversupply of office space in Sofia, office projects with a total built-up area of more than 650,000

sq m were under construction as of end-2010. More than 30% of these developments are expected to be completed in the first several months of 2011. The major office centres under construction are Business Town Sofia with projected office space of 53,346 sq m, Capital Fort Business Complex (44,362 sq m) and Millenium Center (35,000 sq m).

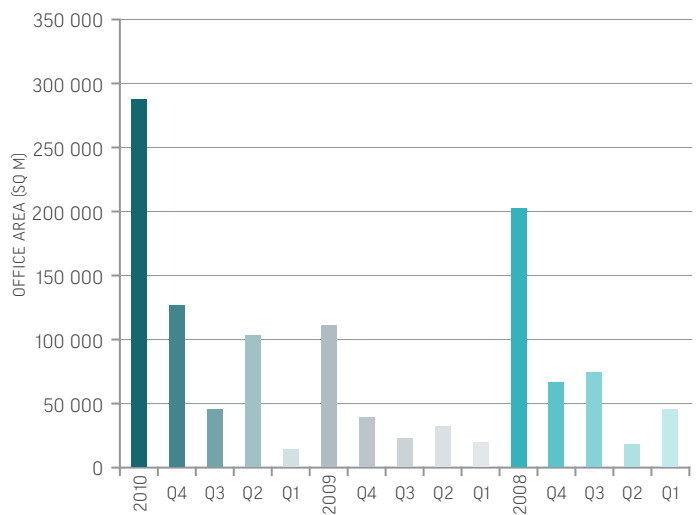
In Q4 2010 the bulk of the office space in Sofia was located on the main streets and boulevards - 39% of the total office stock and in the suburbs - 38% of the total, according to Forton. The central business district accounted for 18% of the total office stock and 8.0% was in other city locations.

According to real estate consultancy MBL EOOD, projects with more than 168,800 sq m of office space were put on hold or cancelled in 2010.

In Varna, on the northeastern Black Sea coast, the total office stock exceeded 200,000 sq m in 2010, according to real estate consultancy GVA Sollers Solutions. Similar to Sofia, most of the office space was located on the main streets and boulevards (42% of the total) and in the suburbs (37% of the total), while the central business area accounted for 21% of the total office stock. The major office projects completed in 2010 were the business and retail centre Varna Towers, featuring 23,000 sq m of offices and Central Point Business Center, which delivered 5,200 sq m of offices.

Office developments with an area of more than 51,000 sq m were under construction in Varna at end-2010. All of the projects are located in the broad centre of the city with Nikulitsel Business Center being the largest one with a planned total built-up area of 19,000 sq m.

NEWLY-DELIVERED OFFICE SPACE IN SOFIA



Source: Forton International

LARGEST OFFICE PROJECTS COMPLETED IN SOFIA IN 2010

Project	Location	Office area (sq m)	Completed in
Megapark	Tsarigradsko Shose Blvd.	59,600	Q4 2010
Serdika Center Offices	Sitnyakovo Blvd.	35,000	Q4 2010
Polygraphia Office Center	Tsarigradsko Shose Blvd.	19,150	Q4 2010
Adora Business Center	Malinova Dolina district	18,160	Q4 2010
Metro City	Aleksandar Malinov Blvd.	16,429	Q2 2010
Sofia City Business Center	Tsaritsa Yoanna Blvd.	12,360	Q3 2010
Twins Center	Studentski Grad district	9,720	Q2 2010

Source: GVA Sollers Solutions; Forton International

LARGEST PLANNED OFFICE DEVELOPMENTS IN BULGARIA

Project	City	Location	Office area (sq m)	Expected Completion
Business Town Sofia (Vassilev Business City)	Sofia	Kamenodelska Str.	53,346	2012
Capital Fort Business Complex		Tsarigradsko Shose Blvd.	44,362	2013
Millenium Center		Vitosha Blvd. and Bulgaria Blvd.	35,000	2012
Bulgaria Air Tower		Near Airport Sofia	33,000	N/A
City Tower		Macedonia Sq.	31,843	2012
Sofia One Business Park		Slatina district	26,000	Q4 2011
Sopharma Towers		Dragan Tsankov Blvd.	24,440	Q2 2011
Brussels Center		Near Airport Sofia	24,000	2011
Ellipse Tower Business Center		Tsarigradsko Shose Blvd.	18,763	Q4 2011
Sofia Airport Center		Near Airport Sofia	17,000	Q1 2011
Vertigo Office Centre		Bulgaria Blvd.	17,000	Q2 2011
Stela Park Office Complex		Tsarigradsko Shose Blvd.	16,940	2011
Litex Tower		Dragan Tsankov Blvd.	14,000	Q1 2011
Stara Zagora Business Park		Stara Zagora	Nikola Petkov Blvd.	57,000
Bulmarket Business Center	Ruse	5.0 km from Danube Bridge	21,781	N/A
Markovo Tepe Mall	Plovdiv	Ruski Blvd.	20,000	N/A
Victoria Gardens		Iztochen Blvd.	19,838	N/A
Nikulitsel Business Center	Varna	Nikulitsel Str.	19,000	2011

Source: Forton International; MBL; GVA Sollers Solutions

Retail Real Estate

In 2010 retail space supply in Bulgaria grew almost five times compared to 2009.

A record supply of 346,300 sq m of shopping centre gross leasable area (GLA) was delivered to the market in 2010, compared to 211,200 sq m for the entire period 2006-2009.

In 2010 retail space stock in shopping malls was 557,500 sq m and there was more than 95,000 sq m of leasable area in large retail parks, thus increasing the total stock to 653,000 sq m, Forton data showed.

The construction of two major shopping centres is expected to be completed in Bulgaria in 2011. The Markovo Tepe Mall with a GLA of 17,500 sq m in Plovdiv, southern Bulgaria and Danube Mall with GLA of 15,000 sq m in Ruse, on the Danube.

Sofia's retail developments pipeline includes large projects such as the South Ring Mall, which features the first Bulgarian store of Swedish furniture retailer IKEA and the Paradise Center with a GLA of 75,000 sq m.

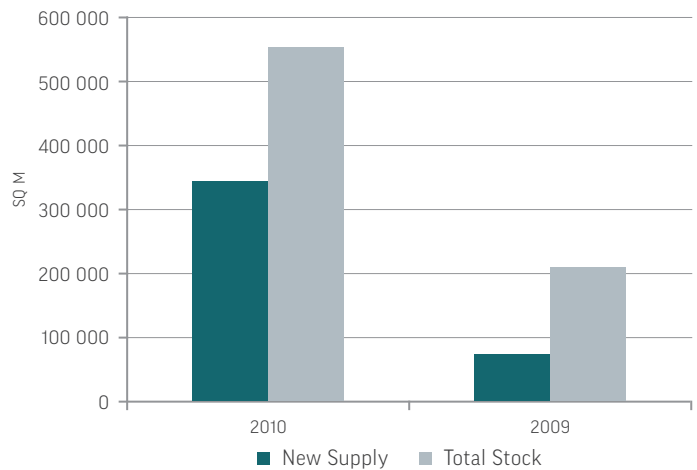
Many projects for shopping centres remained to be on hold or cancelled in 2010 because of lack of financing, low purchasing power of the population and the severe competition in the segment, according to market experts.

The average retail area per 1,000 capita was 73 sq m in Bulgaria in 2010 and is expected to reach 78 sq m by end-2011, Forton estimations showed. This figure is still far behind the European average of 200 sq m per 1,000 residents with Bulgaria's purchasing power being among the lowest in the European Union.

The year 2010 saw the further expansion of the retail chains with discount retailers being the most active on the market. German discount supermarket chain Lidl entered Bulgaria by opening 14 stores in 11 locations across the country in November 2010. The chain added another four supermarkets in February 2011, raising its store count in the country to 24.

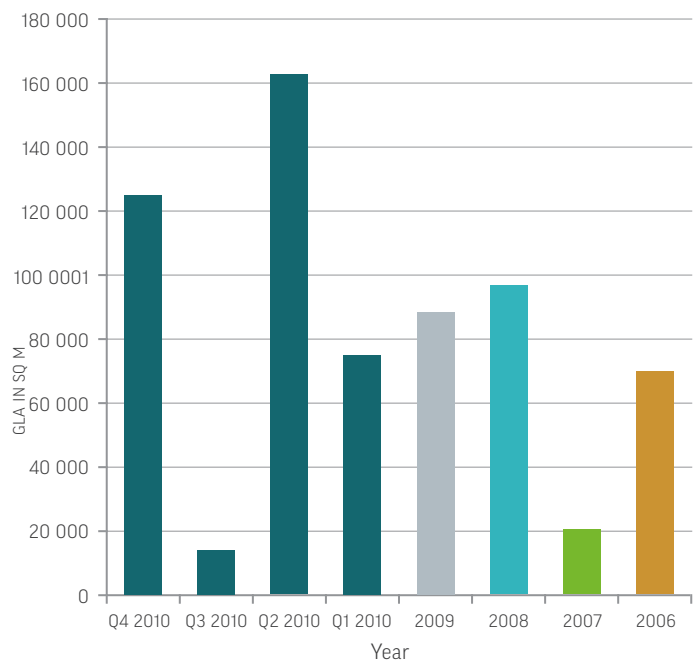
The other most active retail chains in terms of new openings in 2010 were Billa with 15 stores, Penny Market - 17 stores and Kaufland with five stores.

NEW SUPPLY AND TOTAL STOCK OF SHOPPING CENTRES IN BULGARIA



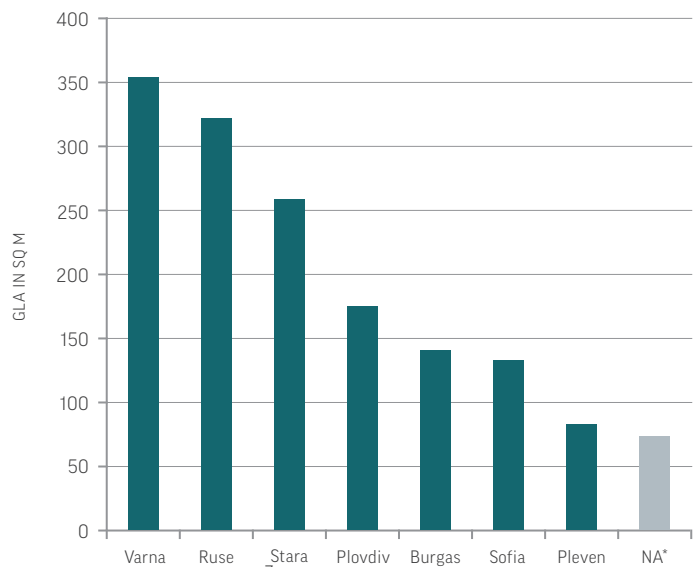
Source: Forton International

SHOPPING MALLS AND RETAIL PARKS DELIVERED TO THE MARKET



Source: Forton International

GLA OF SHOPPING CENTRES PER 1,000 RESIDENTS



*NA - National average

Source: Forton International

LARGEST EXISTING SHOPPING CENTRES IN MAJOR BULGARIAN CITIES AS OF END-2010

City	Shopping Centre	GLA (sq m)	Completed in
Sofia	The Mall	66,000	Q2 2010
	Serdika Center Mall	51,000	Q1 2010
	City Center Sofia	22,000	2006
	Mall of Sofia	21,500	2006
	Sofia Outlet Center	15,000	Q1 2010
	Sky City	10,400	2006
Plovdiv	Galeria Plovdiv	45,000	Q2 2010
	Mall Plovdiv	22,000	2009
Varna	Grand Mall	52,000	Q2 2010
	Mall Varna	33,000	2008
	Varna Towers	30,000	Q4 2010
	Pfohe Mall	15,500	2007
Burgas	Burgas Plaza	30,800	2009
Ruse	Mall Rousse	35,500	Q4 2010
	Mega Mall Ruse	17,800	Q4 2010
Stara Zagora	Galleria Stara Zagora	27,000	Q4 2010
	Park Mall Stara Zagora	20,000	2008
Pleven	Central Mall Pleven	11,000	2009
Veliko Tarnovo	Central Mall Veliko Tarnovo	16,000	2006
Gabrovo	Mall Gabrovo	9,000	Q1 2010
	Terra Center	9,000	2009

Source: Forton International

LARGEST PLANNED SHOPPING CENTRES IN MAJOR BULGARIAN CITIES AS OF END-2010

City	Project	GLA (sq m)	Status
Sofia	Paradise Center	75,000	Under construction
	South Ring Mall	72,000	Design phase
	New Century Shopping Mall	45,000	Design phase
	Evropa Center	79,000	Design phase/On hold
	Bulgaria Mall	33,000	On hold
	Mega Mall	24,000	On hold
	DV South Mall	20,000	On hold
Varna	Galleria Varna	36,000	Under construction
Plovdiv	Markovo Tepe Mall	17,500	Under construction
	Trimontuim Center	51,000	Design phase/On hold
Burgas	Galleria Burgas	36,500	Under construction
	Strand Burgas	30,500	Design phase
	Sun City Center	29,000	On hold
Stara Zagora	City Mall Stara Zagora	20,900	On hold
Pleven	Mall Pleven	20,000	Under construction
Ruse	Grand Plaza	37,500	Design phase
	Danube Mall	15,000	On hold
Haskovo	Strand Haskovo	45,000	Cancelled

Source: Forton International

Industrial Real Estate

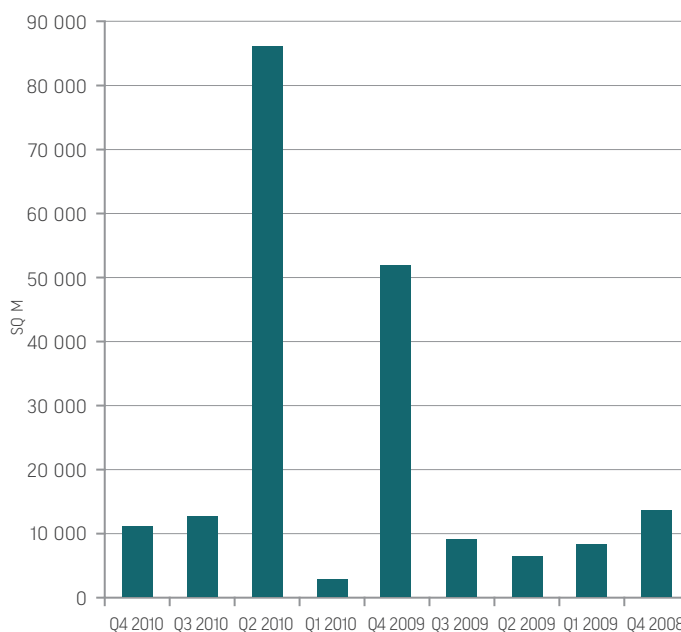
Modern industrial space in the Sofia area increased by 27% to 538,551 sq m in 2010.

The major completed projects were Building No.15, part of Trade Center Evropa, with a total built-up area (TBA) of 6,000 sq m, Dessy-T industrial building in Vrazhdebna district with TBA of 3,417 sq m and Interlogistica logistics building with TBA of 1,700 sq m.

As of end 2010 the total built-up area of the industrial and logistics projects under construction in Sofia was estimated at 115,587 sq m. The largest projects are the 20,000 sq m Sopharma Factory Complex on Ilientsi Blvd. and production and administrative complex Centillion with a TBA of 7,405 sq m, located on Ilia Beshkov Str., Druzhba district.

Colliers described the industrial and logistics market in the second quarter of 2010 as growing at a slower pace in comparison with the previous period. The available stock in the segment increased by 3.0% on the year to 3,000,000 sq m. Developers in Sofia delivered 36,900 sq m to the market in the first half of 2010, while the second most developed industrial market Plovdiv increased by only 2.0% year-on-year. Colliers observed that the demand for new industrial property in Plovdiv is weak due to the availability of old industrial spaces that meet customers' needs. The situation on the industrial markets in coastal Varna and Burgas resembles the condition of the previous two markets, with industrial spaces in Varna increasing by 17,000 sq m, and supply of new 22,000 sq m of industrial proeprty in Burgas. Burgas, however, remained an attractive logistics location, hosting the distribution centre of Carrefour and Plus logistics facilities.

NEW SUPPLY OF PRIME INDUSTRIAL SPACE IN SOFIA REGION



Source: Forton International

LARGEST LOGISTICS PROJECTS IN BULGARIA

Project	City	Location	Logistics built-up area (sq m)	Status/Year Expected
Industrial Park Sofia	Sofia	Bozhurishte district	420,000	Planned
Industrial Park Elin Pelin	Sofia	Elin Pelin town	400,000	Planned
Sofia East Ring Logistic Park	Sofia	Novi Han village, near Trakya motorway	118,700	Planned
Industrial Park Sofia – East	Sofia	Novi Han village	117,527	On hold
Trade Logistics Complex	Gorna Oryahovitsa	Eastern Industrial Zone	30,000	2011
Simid bread-making factory	Sofia	Lyulin 2 district	26,264	Under construction
Logistics and business complex Novoclass	Sofia	Gorublyane district	25,200	2012
Warehouse and logistics park	Veliko Tarnovo	Western Industrial Zone	25,000	2011
Ruse Logistics Park - first building	Ruse	Near Danube Bridge I	13,850	2010
Maria Kom administrative and warehouse complex	Sofia	Vrabnitsa 1 district	13,143	Under construction
Logistics Park Varna – building 6	Varna	Western Industrial Zone	10,000	2010

Source: Forton International; Elta Consult

Land Market

The combined land portfolio of Bulgarian real estate investment trusts (REIT) reached 87,200 ha in December 2010.

The combined land portfolio of the leading two companies - Advance Terrafund and ELARG Agricultural Land Opportunity Fund accounted for 71.3% of the total. The REITs have bought the land at prices ranging between BGN 2,000 per ha and BGN 3,000 per ha and sold land at BGN 5,000 per ha to BGN 6,000 per ha.

Almost all of the REITs, which invest in land reported net profits in 2010. According to the Bulgarian Association of Agricultural Land Owners (BAALO), one of the main problems, which impede the development of the land market, is the illegal use of the land. More than 800,000 ha of land, which accounts for 25% of the total arable land in Bulgaria is processed without the knowledge or permission of its owners, BAALO announced. The members of the Association estimate that more than 15% or 30,000 ha of their total land portfolio are illegally processed.

LAND PORTFOLIO OF LISTED BULGARIAN REITS IN 2010

BSE code	Company	Land portfolio (hectares)	Y/Y change
6A6	Advance Terrafund REIT - Sofia	33,627	6.18%
4EC	ELARG Agricultural Land Opportunity Fund REIT - Sofia	28,482	-2.80%
6AG	Agro Finance REIT - Sofia	13,068	3.36%
6A7	Agricultural Land Opportunity Fund Mel Invest REIT - Sofia	7,629	-16.98%
5BU	Bulgarian Real Estate Fund REIT - Sofia	2,330	-26.67%
5BD	Bulland Investments REIT - Sofia	2,032	-5.46%

Source: Bulgarian Stock Exchange - Sofia

NET PROFIT/LOSS OF LISTED BULGARIAN REITS INVESTING IN LAND

Company	Net Profit/Loss (BGN mln)		Gross dividend for 2009 (BGN per share)
	2010	2009	
Advance Terrafund REIT - Sofia	4.175	-3.225	0.0374
ELARG Agricultural Land Opportunity Fund REIT - Sofia	1.312	-3.108	N/A
Agro Finance REIT - Sofia	1.028	0.111	0.0100
Bulgarian Real Estate Fund REIT - Sofia	0.795	-4.421	0.0392
Bulland Investments REIT - Sofia	0.729	0.361	0.0300
Agricultural Land Opportunity Fund Mel Invest REIT - Sofia	-0.803	1.991	0.0026

Source: Bulgarian Stock Exchange - Sofia

DEMAND

In 2010 Bulgaria's property market saw a nearly twofold decline in real estate sales compared with the record-high number of deals registered in 2007, according to data of the National Statistical Institute (NSI) and the Registry Agency.

On average, real estate prices dropped by 10% on the year in 2010

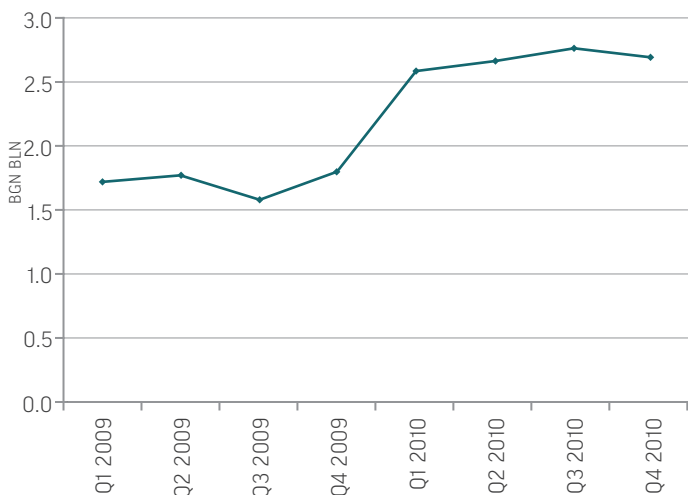
During the period, property prices were 33% lower than their peak in 2008 and fewer building permits were issued. According to local real estate brokers, the trend is likely to persist throughout the first half of 2011.

In 2010 the number of property deals made in the country, including sales of land, residential real estate and buildings shrank nearly two times in comparison to the period from 2005 to 2009, with deals in Sofia, Varna and Burgas dropping between 5.0% and 9.0% against 2009, data of the Registry Agency showed.

The average price of real estate in 2010 stood at BGN 964 (EUR 492.8) per sq m, with Bulgaria's capital Sofia emerging as the most expensive city with BGN 1,569 per sq m. The lowest property prices were registered in Kyustendil, south-western Bulgaria - BGN 567 per sq m.

On average, real estate prices dropped by 10% on the year in 2010 with experts' predictions that prices would stabilise in the middle of 2010, producing a gradual rise in sales.

LOANS TO REAL ESTATE COMPANIES IN BULGARIA (BGN BLN)



Source: Bulgarian National Bank

Residential Real Estate

The number of flat deals in Sofia doubled in January 2011, compared to the same month in 2010, according to local real estate agency Bulgarian Properties.

One-bed flats worth up to EUR 50,000 saw the highest demand, followed by two-bed flats priced between EUR 75,000 and EUR 80,000 and luxury flats of up to EUR 300,000.

In 2010 the number of residential property deals in Bulgaria increased by 10% on the year, compared to a 40% drop in 2009. In terms of value, however, the market contracted by some 11% year-on-year in 2010 mostly due to the purchase of less expensive properties.

In 2010 Bulgarians and Russians were the most active buyers of residential properties, the company's data showed. They are mainly interested in flats in Sofia at prices between EUR 35,000 and EUR 90,000, flats in other big cities at prices ranging to EUR 40,000 from EUR 25,000 and vacation flats on the Black Sea coast or in ski resort Bansko, at prices between EUR 20,000 and EUR 40,000.

The average mortgage credit amount increased by 2.8% year-on-year and reached EUR 35,650 in January 2011, according to Bulgarian credit consultant company CreditCentre. For the whole 2010 the average mortgage credit amount was EUR

33,740, or by 7.0% less than in 2009. In 2008 the average mortgage credit amount was EUR 36,260 and in 2007 it stood at EUR 38,600.

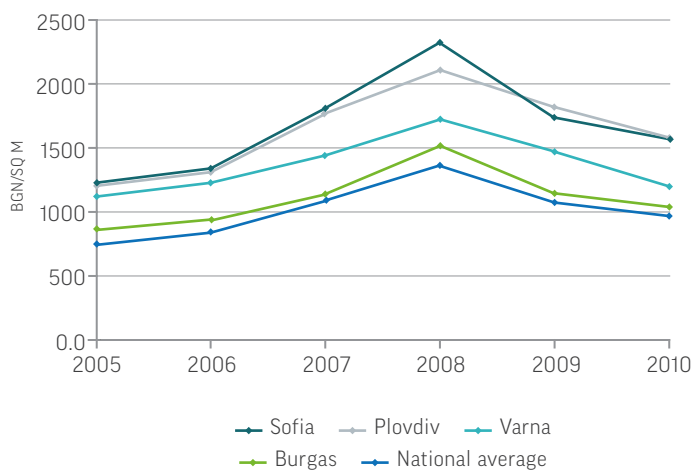
The average credit amount among the largest cities was the highest in Sofia standing at EUR 42,167 and the lowest - in Plovdiv at EUR 23,350. Credits for the housing purchase accounted for 95.2% of the overall mortgage credits extended in January 2011. The bulk of the extended mortgage loans, or 96% of the total, were in EUR.

Colliers registered a fall in the average asking prices of residential property in the first part of 2010. Real estates in prime neighbourhoods retained their attractiveness and the annual drop in their value was insignificant 3.0%.

At the same time, rental levels on prime locations in Sofia continued their downward movement, which resulted in an average 7.0% decrease in annual terms.

The local partner of CB Richard Ellis reported that in the first six months of 2010 the interest was drawn to smaller residential units because of their lower price. In Sofia, buyers usually preferred two-bedroom property at prices of EUR 50,000 and EUR 90,000 for three-bedroom flats.

AVERAGE MARKET PRICES OF HOMES IN MAJOR BULGARIAN CITIES (BGN/SQ M)



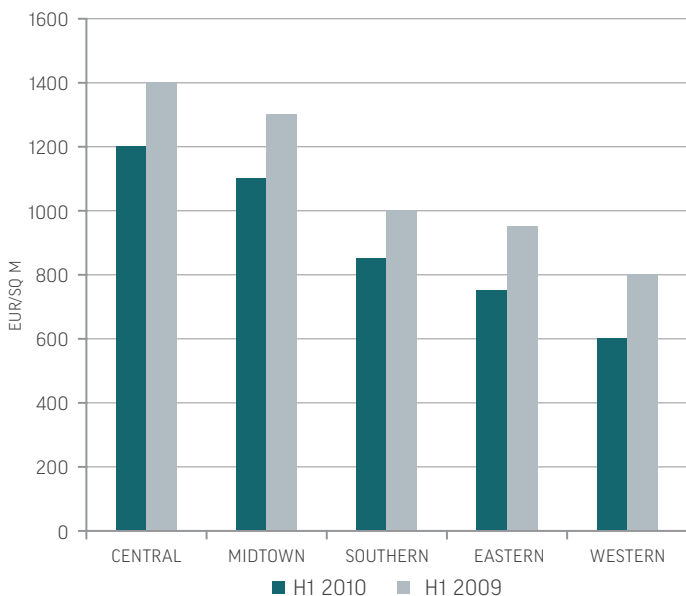
Source: National Statistical Institute

PRICES OF RESIDENTIAL BUILDINGS IN SOME MAJOR SOUTHEASTERN EUROPEAN CITIES IN 2009

City	EUR/sq m
Belgrade, Serbia	2,000 - 2,800
Bucharest, Romania	1,500 - 2,300
Istanbul, Turkey	1,400 - 1,800
Sofia, Bulgaria	850 - 2,000

Source: InvestBulgaria Agency

AVERAGE RESIDENTIAL PRICES IN SELECTED LOCATIONS* IN SOFIA



*Midtown locations include Iztok, Ivan Vazov and Lozenets districts;

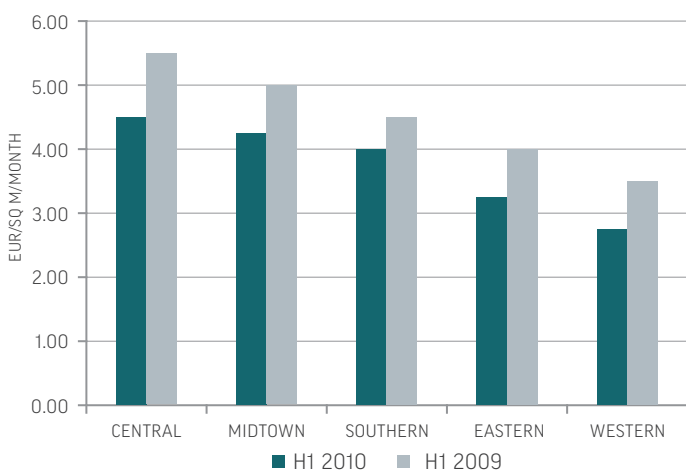
Southern districts include Boyana, Dragalevtsi, Manastirski Livadi, Bakston, Borovo and Vitosha districts;

Eastern districts include Mladost, Druzhba, Darvenitsa and Studentski Grad districts;

Western districts include Lyulin, Obelya, Nadezhda, Krasna Polyana and Zapaden Park districts.

Source: Elta Consult

AVERAGE RENTS IN SELECTED LOCATIONS IN SOFIA



Source: Elta Consult

Office Real Estate

In the period 2007-2010 the office vacancy rate in Sofia was steadily increasing, reaching 29% at end-2010 and is expected to grow to 32% in 2011, according to market representatives.

Take-up of Sofia's Class A and Class B office space stood at 105,000 sq m in 2010, up by nearly 50% compared with 2009, but still below the 150,000 sq m seen in previous years.

In the city's broad centre the vacant office area totalled 66,000 sq m in the second half of 2010, up from 29,000 sq m in the first half of the year. Unoccupied office space in the Sofia's suburban areas reached 242,000 sq m at the end of 2010.

In 2010 the demand was driven mainly by outsourcing and pharmaceutical companies. Tenants preferred office premises of between 500 sq m and 1,500 sq m, with few deals for offices of up to 4,000 sq m.

Following the trend in previous years, in 2010 Class A offices were occupied mainly by large, international companies, while Class B offices attracted smaller local companies.

In 2010 the annual drop in prime office rents in Sofia slowed down to 9.3% from 20.6% in 2009, according to data of the real estate agencies. The monthly prime office rents in the capital stood at EUR 12.3 per sq m in 2010, in Varna - EUR 6.4 per sq m, down 18.7% on the year, in Burgas and Plovdiv at EUR 5.0 per sq m, down 23% year-on-year.

In Sofia the oversupply of prime office space pushed down rents in the subprime office segment and monthly rents for Class B offices fell by 18.6% on the year in 2010. In 2009 the segment experienced even sharper year-on-year drop of 33%.

The total office take-up for Sofia in the first half of 2010 stood at 50,300 sq m, while the overall vacancy rate in the capital was 21% of the total existing stock. According to CB Richard Ellis, the office market in Sofia was driven by the demand for small to mid-sized premises - between 300 and 500 sq m, with deals for larger spaces up to 2,000 sq m representing a small number of the transactions in the second quarter of 2010.

Logically, the record-high supply of new office spaces in the second quarter of 2010 brought the prime office rents down by 3.7% on a quarterly basis to EUR 13 per sq m per month.

SELECTED LEASE TRANSACTIONS IN SOFIA IN 2010

Tenant	Building	Office space (sq m)	Period
Blizoo	Twins Center	3,500	Q2 2010
Ernst & Young	Polygraphia Office Center	2,500	Q4 2010
Strabag	Megapark	2,300	Q3 2010
Pfizer	European Trade Center (ETC)	1,800	Q4 2010
GfK	Polygraphia Office Center	1,600	Q3 2010
LiveNews	Megapark	1,250	Q4 2010
Alcatel-Lucent	ETC	1,150	Q2 2010
Renault Nissan	Iztok Tower	1,100	Q4 2010
Delta Stock	Megapark	860	Q2 2010
ITCE	Megapark	560	Q3 2010

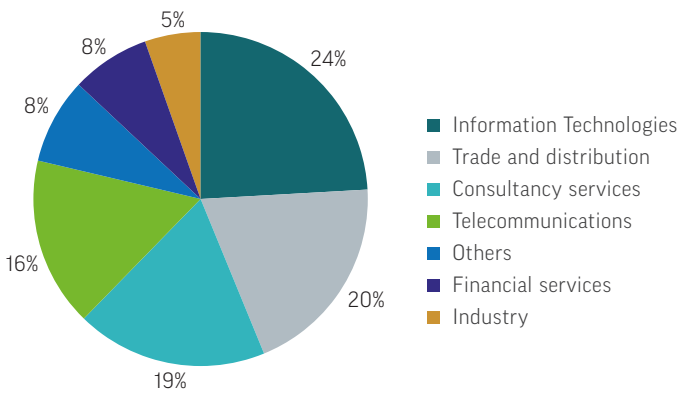
Source: MBL

PRIME OFFICE RENTS AND YIELDS IN SOME SEE CAPITALS AS OF Q2 2010

Country	Capital city	Prime rents (EUR/sq m/year)	Prime Yield (%)
Bulgaria	Sofia	228	9.00
Croatia	Zagreb	192	8.50
Romania	Bucharest	252	9.50
Serbia	Belgrade	180	9.50

Source: King Sturge

DISTRIBUTION OF TENANTS BY BUSINESS SECTORS IN SOFIA IN 2010



Source: GVA Sollers Solutions

Retail Real Estate

In order to attract tenants the shopping centres continued to make substantial discounts in the asking rents and offer additional benefits such as rent-free periods.

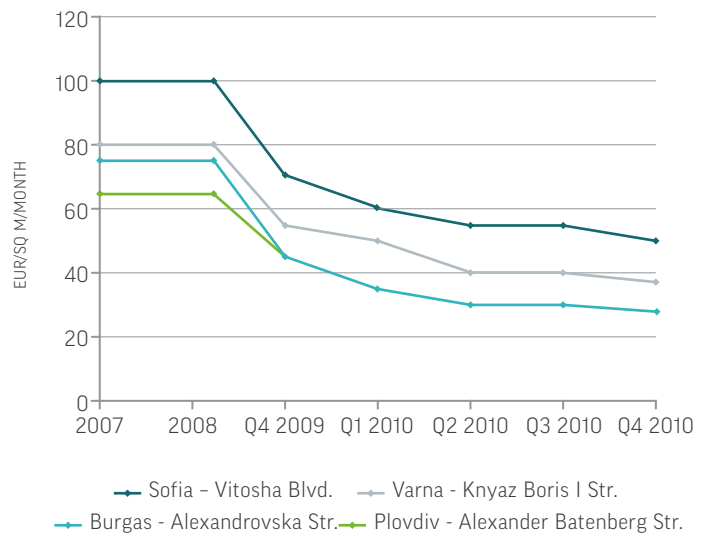
In the high street segment rent levels also continued their downturn, reaching EUR 50 per sq m a month in 2010, compared to EUR 70 per sq m a month at end-2009. In the other major Bulgarian cities, the rents fell by an average of 44% on annual basis.

Rent levels in shopping centres in Sofia went down by 30% on the year in 2010. In 2010 the vacancy rate in the capital's shopping centres was estimated at 5.0%, while the average rate in other major cities reached 24%. Ruse was the city to report the highest annual increase in vacancy rates as its two shopping malls opened doors with less than 40% occupancy.

Forton International reported that the rent levels in both shopping centres and high streets kept their downward movement in the second quarter in 2010. Many projects faced difficulties in their leasing schemes, which further pushed down rental levels of retail property. In an attempt to achieve higher occupancy rates, some developers delayed their projects and rescheduled their completion for 2011-2012.

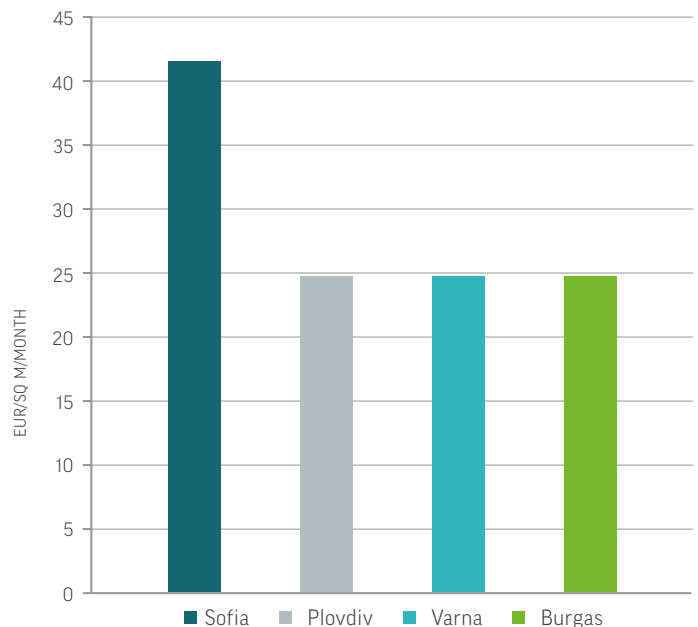
Prime locations in the capital enjoyed higher occupancy rates, while the shopping centres and high streets in secondary towns struggled with the lack of tenants. Generally, the rent levels on high streets in the country collapsed over last several quarters recording an annual drop of nearly 50% against the figures in the second quarter of 2009.

HIGH STREET RENTS IN MAJOR BULGARIAN CITIES



Source: Forton International

PRIME RENTAL RATES IN SHOPPING CENTRES AND MALLS IN MAJOR BULGARIAN CITIES IN H2 2010 (EUR/SQ M/MONTH)



Source: Colliers International

PRIME HIGH STREET RENTS IN SOME SEE CAPITALS (EUR/SQ M/YEAR)

Country	Capital city	Location	2007	2008	2009	2010	Forecast trend
Bulgaria	Sofia	Vitosha Blvd.	1,450	1,200	1,050	960	Down
Croatia	Zagreb	Ilica Str.	1,440	1,440	1,320	960	Down
Romania	Bucharest	Bulevardul Magheru	1,450	1,680	1,080	960	Stable
Serbia	Belgrade	Knez Mihailova Str.	960	1,440	1,320	1,080	Down

Source: King Sturge

PRIME HIGH STREET YIELDS IN SOME SEE CAPITALS (%)

Country	Capital city	2007	2008	2009	2010	Forecast trend
Bulgaria	Sofia	N/A	7.00	8.00	9.00	Stable/Down
Croatia	Zagreb	6.50	6.50	8.00	8.00	Stable
Romania	Bucharest	6.50	6.50	11.00	11.00	Stable
Serbia	Belgrade	7.00	6.50	10.00	7.25	Stable/Down

Source: King Sturge

INDUSTRIAL REAL ESTATE

According to local real estate agencies, demand for industrial spaces remained weak as the companies chose to keep their market positions rather than make expansion plans.

Distributors of FMCG and pharmaceutical companies were identified as main drivers of demand. In the final quarter of 2010 the vacancy rate stood at 5.42% or 110,780 sq m, compared to 5.13% in the third quarter of the year and 3.60% at end-2009.

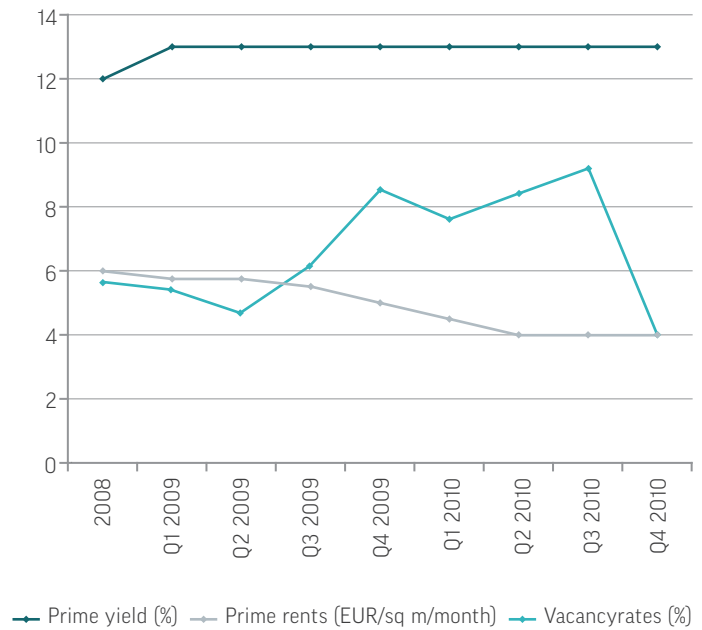
In Q4 2010 rent level for prime logistics space stood at EUR 4.0 per sq m (service charge not included), down 20% compared to the last quarter of 2009. The most preferred locations for logistic developments in Sofia and the surrounding areas are the airport zone, the Bozhurishte district, Sofia's Ring Road and the areas along Trakiya and Hemus motorways. The towns of Elin Pelin and Kostinbrod were also attractive alternatives due to their relative proximity to the capital and lower rental levels.

INVESTMENTS

The Foreign Direct Investments (FDI) in Bulgaria slumped by 58.6% on the year to EUR 1.359 bln in 2010, according to preliminary data of the Bulgarian National Bank. The FDI in the real estate sector collapsed by 83.1% year-on-year to EUR 115 mln in 2010.

In 2009 the FDI in Bulgaria halved on the year to EUR 3.282 bln, of which EUR 680 mln was received by the real estate, a 65.8% year-on-year drop.

PRIME INDUSTRIAL RENTS, YIELDS AND VACANCY RATES IN SOFIA REGION



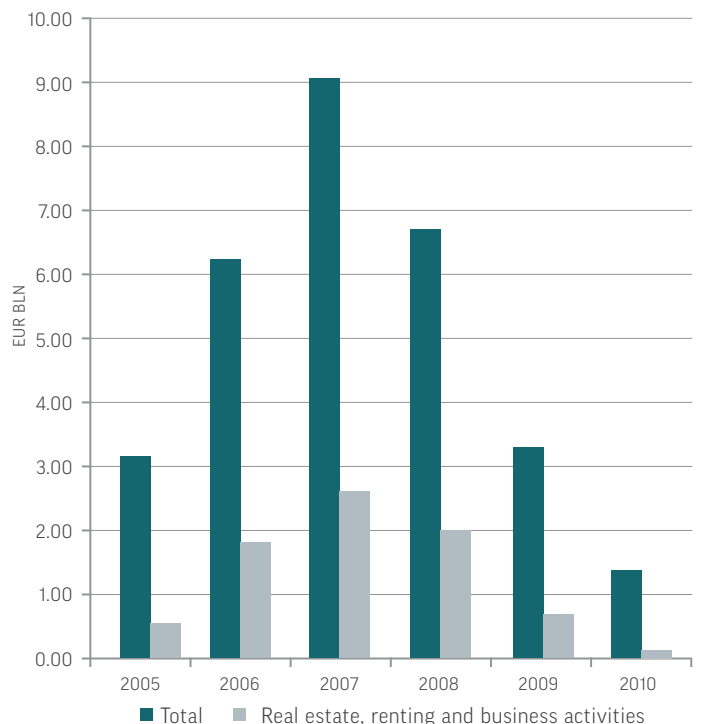
Source: Forton International

BASIC INDUSTRIAL MARKET INDICATORS AS OF Q3 2010

Indicator	Greater Sofia	Rest of Bulgaria
Stock (sq m)	1,035,000	1,384,500
Owner occupied space (% of stock)	49.6	92.5
Pipeline by 2011 (sq m)	235,000	450,000
Speculative Developments (% of pipeline)	65	50
Vacancy rate (% of lettable space)	15.2	18 - 20
Prime rent (EUR/sq m/month)	4.0	2.75

Source: Elta Consult

FOREIGN DIRECT INVESTMENTS IN BULGARIA (EUR BLN)



Source: Bulgarian National Bank

ACQUISITION COSTS OF NON-CURRENT ASSETS



Source: National Statistical Institute

Companies

Bulgarian real estate developers have put on hold or cancelled projects worth a total of BGN 16.5 bln (EUR 8.4 bln) as of end-2009.

In 2009 alone, the value of investments in unfinished construction projects grew by BGN 2.0 bln, announced the Bulgarian Construction Chamber (BCC). Official data for 2010 was not available, but the trend was expected to continue.

In September 2010 Bulgarian real estate investment trust (REIT) ERG Capital- 3, majority-owned by the Bulgarian-American Enterprise Fund (BAEF), signed a EUR 11 mln preliminary agreement for the sale of a real estate project in Stara Zagora, southern Bulgaria.

In August 2010 Bulgarian REITs ERG Capital-1 and ERG Capital-2, also majority-owned by BAEF, announced that they had signed contracts for the sale of their real estate portfolios in Bulgaria for a combined EUR 27 mln to Greek private equity and venture capital management firm Bluehouse Capital.

RESIDENTIAL REAL ESTATE

Bulgarian luxury property management company Cleves bought a EUR 10 mln office and flat building in Sofia in September 2010. The building, featuring 4,759 sq m of flats and offices, is part of a residential complex built by Bulgarian developer Este Properties that comprises of 34 apartments and 540 sq m of Class A offices.

In September 2010 Bulgarian REIT InterCapital Property Development announced plans to expand its Marina Cape holiday flat complex on the Bulgarian Black Sea coast and to sell a real estate project in local ski resort Borovets.

The company is considering selling the Grand Borovets project, which is under construction, after failing to raise the capital needed for its completion. InterCapital Property Development raised just BGN 3.6 mln in its capital hike held in August 2010 after setting an initial target of up to BGN 57.9 mln.

The company has also started negotiations for the expansion of its Marina Cape holiday complex, in coastal Aheloy, south-eastern Bulgaria through acquisition of land plots adjacent to the existing property. The complex, opened in 2007, has a built-up area of 65,000 sq m, comprising 762 flats.

Bulgarian real estate developer Arteks Engineering plans to invest EUR 100 mln in a mixed-use complex in the capital Sofia by 2014. The Bellagio complex will have a total built-up area of 180,000 sq m and will include a residential building, retail areas and two office buildings.

Bulgarian real estate developer Winslow Group rekindled in May 2010 works on its paused residential complex project Winslow Gardens in Sofia. The company obtained a BGN 38 mln credit line from Raiffeisenbank. The first ready flats are expected by the end of summer 2011.

The complex, comprising 450 flats ranging between 50 sq m and 150 sq m, was initially due for completion in 2010. The deadline for the first phase has now been moved to spring of 2011.

Retail Real Estate

Bulgarian consumer electronics retailer Aladin plans to open a BGN 80 mln shopping centre in Pleven, northern Bulgaria in March 2011. Mall Pleven has a total built-up area of more than 47,000 sq m, including a gross leasable area of 17,500 sq m.

The occupancy rate of Mall Pleven exceeds 60% as the biggest tenant is French retailer Carrefour.

Newcomer on the Bulgarian market My Cinemas, part of the Indian cinema managing company Fame, will operate the four movie theatres in the mall.

In February 2011 British real estate fund management company Europa Capital, member of the US-based Rockefeller Group, bought a retail park in Plovdiv, southern Bulgaria, from Landmark Property Management for EUR 20 mln. Retail Park Plovdiv, which has an area of 25,000 sq m, is Europa Capital's 23 first asset in the country and will be managed by Bulgarian asset and facility management company Alfa Property Management.

In November 2010 Austrian Raiffeisenbank acquired UK-based Miller Developments thus gaining full control of Mall Varna, a big-box shopping centre in coastal Varna, northeastern Bulgaria. Miller Developments bought the shopping centre from Bulgarian diversified company Interservice Uzunovi in 2008.

The deal for Miller Developments has been carried out through a debt-forequity swap, as Mall Varna's income was insufficient to cover its obligations.

In September 2010 Russian company Bulfeld launched the construction of a shopping centre in Sofia worth EUR 100 mln. The Paradise Center mall, with a built-up area of 175,000 sq m and a gross leasable area of 75,000 sq m, is expected to open doors in Q3 2012.

The shopping centre will comprise an underground parking for 1,850 vehicles, a cinema theatre, a small amphitheatre, rest zones on the roof and various other attractions.

Polish developer Globe Trade Centre (GTC) announced it had earmarked EUR 350 mln for Bulgarian investments. GTC works on three shopping malls in Bulgaria and purchased land plots in the capital city of Sofia and in the Danubian town of Ruse.

Greek-based private equity real estate group Assos Capital Limited opened in April 2010 the EUR 200 mln shopping centre The Mall in Sofia.

New Century Holdings obtained a construction permit for the first phase construction of a shopping centre in the Lyulin district. The shopping centre will feature a hypermarket spreading on 15,000 sq m, a retail area of 107,000 sq m and a 28,000 sq m parking lot.

The furniture giant IKEA started construction works of its first hypermarket in Bulgaria, along the south-eastern part of Sofia's ring road. The store will occupy a retail area of some 30,000 sq m and the opening is scheduled for the second half of 2011.

Office Real Estate

In December 2010 Bulgarian REIT BenchMark Fund Estates announced plans to dispose of its projects in Sofia - two business centres located on Tsarigradsko Shose and Rakovski boulevard. The REIT expects to sign a deal on the Rakovski building in the first three months of 2011.

Earlier in 2010, BenchMark Fund Estates put on hold its holiday village project in the ski resort of Borovets and a residential project in Kyustendil, southwestern Bulgaria.

In December 2010 Bulgarian investments and property man-

agement company Alfa Developments decided to put on sale office buildings and adjacent land spanning a total 31,721 sq m, as well as undeveloped sites in urban industrial areas outside the capital Sofia with a total area of 293,602 sq m. As of December 2010 the company owned eight buildings in the capital, including Alfa Business Centre and Sofia Business Centre. The remaining properties - Landmark Centre, Porsche Centre, Bulgaria Centre, East Tower and Opera Building are part of the assets of its unit Landmark.

Alfa Developments plans to sell part of the real estates to Cypriot firm Stockford.

The portfolio of the Bulgarian company also features industrial properties, including the Krivina industrial zone near Sofia with an area of 93,531 sq m, a plot of 75,000 sq m in the vicinity of Pernik, western Bulgaria, an 814,310 sq m site near Devnya, northeastern Bulgaria and the Danube Industrial Park, near Silistra, on the Danube, with an area of 354,000 sq m.

Austrian leasing company Immorent launched a EUR 13 mln office building project in Sofia in June 2010. The 10-storey office building will have a total built up area of 10,340 sq m and 72 parking spaces. It is expected to be completed by the end-2011.

Real estate investment trust Sopharma Properties will spend EUR 50 mln into its Sopharma Business Towers in Sofia, announced the company in May 2010. The project, to be completed by 2011, will feature over 24,000 sq m of offices, a parking lot, shops, eateries, a bowling room, a fitness centre, a beauty parlour, a notary and a dentist's.

Industrial Real Estate

UK-based commercial property development company Bulgarian Property Developments PLC acquired in August 2010 the remaining 50% stake in Varna Logistics AD, an operator of Varna Logistics Park, from FairPlay International AD.

Lidl completed its logistics centre with a total built-up area of 36,000 sq m in the vicinity of Ravno Pole village, 10 km away of the capital. The project features office and retail area of 6,000 sq m and 4,000 sq m, respectively. In June 2010 food retail chain Billa broke ground for its new logistics centre, located in Elin Pelin. The chain invested BGN 23 mln in the facility, which will accommodate 11,100 palette places and 51 freight ramps on an area of 16 600 sq m.

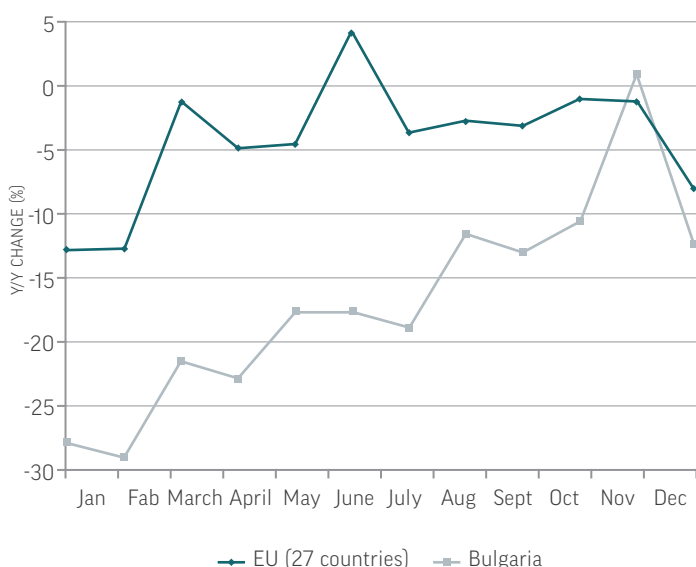
ASSOCIATED INDUSTRIES AND FACTORS

Bulgaria's construction sector registered an average annual drop of 16.9% on the year in 2010, according to Eurostat data. The average decrease of the construction output in the EU-27 countries was 4.3%.

For the fourteenth month in a row, in October 2010 Bulgaria ranked in the top five of EU countries with the sharpest drop

in construction output, showed Eurostat data. The country was among the EU's five worst performers every month since September 2009. It recorded the sharpest collapse in December 2009, reporting a 33.3% fall in annual terms.

CONSTRUCTION OUTPUT IN BULGARIA AND EUROPEAN UNION IN 2010



Source: Eurostat

The rising number of tourists to Bulgaria brought about an additional interest in holiday real estate and therefore in construction on the Black Sea coast and in mountain resorts.

In 2010 the number of tourist arrivals stood at 2,084,300, up 7.0% on the year, with 67.2% of the visitors coming from EU member countries. The revenue from international tourism of the accommodation establishments in 2010 reached EUR 238.1 mln, which was a 10.1% year-on-year increase.

Tourists from Germany, Romania, Russia, the UK and Greece accounted for 50.7% of the overall number of tourists visiting Bulgaria in 2010.

In 2010 the World Travel and Tourism Council (WTTC) ranked the Bulgarian travel and tourism sector 65th in terms of absolute size worldwide and 47th by relative contribution to the national economy. According to a survey conducted by WTTC, the number of tourist overnights is expected to grow by 6.2% in 2011 and by 2.7% yearly in real terms by 2021. WTTC forecast the sector to generate BGN 9.2 bln and contribute 4.5% of the GDP in 2011. WTTC experts projected that the travel and tourism sector would employ 424,000 people in 2011, accounting for 13.7% of the country's total employment. By 2018 the number of employed in the industry is estimated at 286,000 or 9.6% of the total. Tourism is expected to generate 14.5% of total exports in 2011.

FORECASTS

MACROECONOMIC FORECAST - BULGARIA

Indicator	2011	2012
GDP (EUR bln)	38.1	40.6
GDP per capita (EUR)	5,070	5,434
GDP (constant prices; y/y, %)	2.8	3.5
CPI (average, y/y, %)	3.2	3.3

FOREIGN TOURIST ARRIVALS IN BULGARIA

Country	2010	Y/Y change
Germany	306,687	2.1%
Romania	261,118	7.1%
Russian Fed.	199,046	11.7%
United Kingdom	149,030	2.2%
Greece	140,804	13.7%
Israel	103,671	6.4%
Poland	84,953	36.6%
France	69,446	-18.0%
Italy	48,686	-7.5%
Turkey	48,129	17.2%
Ukraine	36,974	48.7%
Czech Rep.	36,856	5.5%
Netherlands	34,613	-5.3%
Belgium	33,374	-3.6%
Norway	31,834	2.1%
Denmark	31,803	3.4%
Austria	31,117	6.9%
USA	30,182	12.8%
Macedonia	29,528	27.7%
Spain	27,096	-5.2%
Sweden	26,005	-15.4%
Finland	25,301	-4.4%
Hungary	25,232	20.5%
Serbia	22,725	45.7%
Slovakia	17,372	11.2%
Japan	13,381	34.5%
Ireland	11,427	-26.6%
Switzerland	11,074	-4.4%
Slovenia	9,790	-16.8%
Portugal	7,985	15.0%
Cyprus	6,511	-20.7%
Estonia	5,027	-3.5%
Lithuania	4,082	-16.8%
Latvia	3,707	-16.4%
Luxembourg	1,980	-32.5%
Malta	1,560	-63.1%
Total	2,084,300	7.0%

Source: National Statistical Institute

Indicator	2011	2012
Monthly wage, nominal (EUR)	333	349
Unemployment rate (%)	8.7	8.2
Net FDI (EUR bln)	2.0	1.9

Source: Bank Austria

Transactions across almost all segments of Bulgaria's real estate market will increase in 2011, driven by the expected improvement of the country's macroeconomic and microeconomic indicators.

Market experts forecast new players to enter the market in 2011, bringing additional investments in the sector and will define its development in the medium term.

According to a Colliers survey carried out among more than 5,000 local companies in the second half of 2010, a total of 53% of the respondents see the general outlook for business in Bulgaria in 2011 as positive compared to 2010, while only 21% were optimistic in the first half of 2010.

Residential Real Estate

Demand on the residential market in Sofia is expected to increase in 2011 as the city continues to receive migrants from other parts of the country.

Market representatives expect stable prices and a rise in the number of deals on the Bulgarian residential property market in 2011. Experts also forecasts that from end-2011 to mid-2012 residential prices will rise between 2.0% and 5.0%.

The expected recovery of the residential market will boost the investments in the segment and residential properties with a total built-up area of between 2,000 sq m to 3,000 sq m could be delivered to the market in the second half of 2011.

Retail Real Estate

The high street segment in Bulgaria's largest cities is expected to make a come-back and discount retailers will continue to be active in 2011. The large international players will stick to their expansion plans, while the local and smaller operators will be more cautious, focusing on optimizing costs. Demand will be fuelled mainly by convenience stores, low-end fashion retailers and non-food hypermarkets.

Several projects in Bulgaria's major cities are expected to add more than 184,000 sq m of retail space in 2011, according to local real estate companies. In the first half of 2011 the

vacancy rate in Sofia is expected to remain at 5.0%, while in the other major cities it will range from 10% to 30%.

Office Real Estate

Attracting tenants will remain the most difficult challenge in 2011 and will determine the opening dates of the projects in the pipeline with office vacancy rates seen at 32%. The growing vacancy rates will push rents further down. The transactions on the Sofia office market are expected to increase in 2011 because of the high number of expiring lease contracts, according to real estate agencies.

In Sofia, office projects with a total area of 150,000 sq m are scheduled for completion in the first half of 2011.

Industrial Real Estate

Market experts see no major boost for the development of the logistics market in the first half of 2011.

The major projects to be completed in the first quarter of 2011 include the logistics and distribution centre of Belgian food products distributor Univeg. The centre, located in Musachevo village, near Sofia, will deliver 8,000 sq m of industrial space to the market.

The other major projects are the A6 building of Logistics Park Varna with a total built-up area of 10,000 sq m and Logistics Park Ruse, spreading on a 53,676 sq m plot near Ruse, on the Danube.

Land Market

The Bulgarian farmland prices are set to rise as they are still the lowest in the EU. The expected annual growth is between 10% and 15% for 2011 and the sector will benefit from a strong investors' interest despite the consequences of the global financial and economic crisis, according to BAALO. The price growth will be fuelled by the European farming subsidies and the growing interest from investors from Asia and the Middle East.

EVENTS

Name	Date	Venue	Organiser
Stroiko	23 -29 March 2011 19 - 25 October 2011 21 - 27 March 2012 17 - 23 October 2012 27 March - 2 April 2013 16 - 22 October 2013 26 March - 1 April 2014 15 - 21 October 2014	Sofia, National Palace of Culture	Stroiko 2000
Balkan Property Exhibition (BalPEX)	12 - 19 May 2011	Sofia, The Mall	BalPEX
8th Bulgarian Real Estate Salon in Moscow	11 - 12 March 2011	Russia, Moscow, Tishinka Trade Center	AI Group, Virtus Company, Bulgaria's Centre of Industry in Moscow
6th Bulgarian Real Estate Salon in Saint Petersburg	1 - 2 April 2011	Russia, Saint Petersburg, Lenexpo Exhibition Complex	

INDUSTRY REFERENCES

Institutions and Associations

National Statistical Institute	www.nsi.bg
Bulgarian National Bank	www.bnb.bg
Registry Agency	www.registryagency.bg
Bulgarian Association of Agricultural Land Owners	www.baszz.net
Bulgarian Land and Property Owners Association	www.bullpoa.org

On-line Information Sources

SeeNews	www.seenews.com
ADP News Southeast Europe	www.adpnews.info
Capital weekly	www.capital.bg
Dnevnik daily	www.dnevnik.bg
Stroitelstvo Gradat Online	http://sg.stroitelstvo.info
Index Imoti	www.indeximoti.bg

Real Estate Agencies and Consultants

Bulgarian Properties	www.bulgarianproperties.com
Colliers International	www.colliers.bg
Elta Consult	www.eltaconsult.com
Foros	www.foros.bg
Forton International	www.forton.bg
GVA Sollers Solutions	www.gvasollers.com
King Sturge	www.kingsturge.bg
MBL	www.mbl.bg

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