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Residential Market Survey
2011 vs. 2012 &
Review 2013, Outlook 2014
www.eraeurope.com

2014

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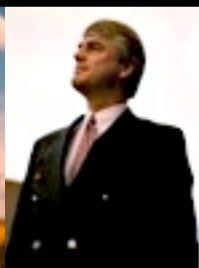
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RESIDENTIAL REAL ESTATE MARKET TRENDS

Interim Market Review: 2012 Results, 2013 Review & Outlook for 2014

Date of Publication: January 2014



The ERA Europe Market Trends Report offers a comprehensive review on the status of the residential real estate market across Europe by comparing 2011 to 2012 key residential real estate figures. Also included in some market reports are charts of the pre-crisis period up to today, insights into trends based on analysis of **2013** figures as available, and an outlook for the future 2014.

Within the report ERA Europe Master Franchise managers set forth country statistics (as available upon date of publishing) from reliable sources such as governmental statistical offices, bank and mortgage institutions, industry experts, and equally important, an analysis of trends based on information from their respective ERA network of brokers. Pure comparison of some figures, however, is very challenging given the wide variation in types of data tracked in each country. Though there are efforts underway to harmonize the collection of data on a EU level, it is far from being truly achieved. Therefore, the expertise of our country Managing Directors and their keen market insights help bring a first hand perspective and balance to each market review.

The ERA Europe network was founded in France in 1993 and today has grown to 14 European countries with approximately 1.100 agencies. ERA globally is present in 35 countries and was the first US residential real estate brand to develop internationally. This report includes 11 countries where ERA Real Estate is present. For more information on ERA Europe, visit www.eraeurope.com.

We believe that transparency is key to optimizing results for our clients; buyers and sellers of residential real estate. Now more than ever, market knowledge is essential when making a decision to move. When our customers are informed on as many aspects of a home purchase as possible, trust is enhanced and this we hope will lead to complete satisfaction on the 'ERA experience'. At ERA Europe it is our goal to promote professional practices, full transparency, and create enduring, fruitful relationships with our customers.

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A European Perspective on Residential Real Estate

Long & short term views... Residential real estate trends



ERA Europe management is in the field working on supporting our residential real estate customers everyday. It is our goal to address the needs of our valued clients and to bring greater knowledge, professionalism, and transparency to the market place. ERA Europe's management team has been operating in the European market for 20 years, and ERA Franchise Systems, Inc., globally for over 40 years. Within these reports ERA Europe Master Franchisors share their personal experience and inside knowledge of their markets.

FIVE YEARS LATER....

As 2013 comes to a close ERA Europe looks back; FIVE YEARS after the financial crisis

Recovery comes for some housing markets...weakened conditions persist in others, some markets experiencing surprisingly limited impact.

OVERVIEW

So where is the European housing market five years after the global financial crisis? After five uncertain years, destabilization, falling prices, wavering consumer confidence, mounting government debt, there were dramatic corrections and some markets that remained amazingly resilient; each adjusted to global influences, never before experienced.

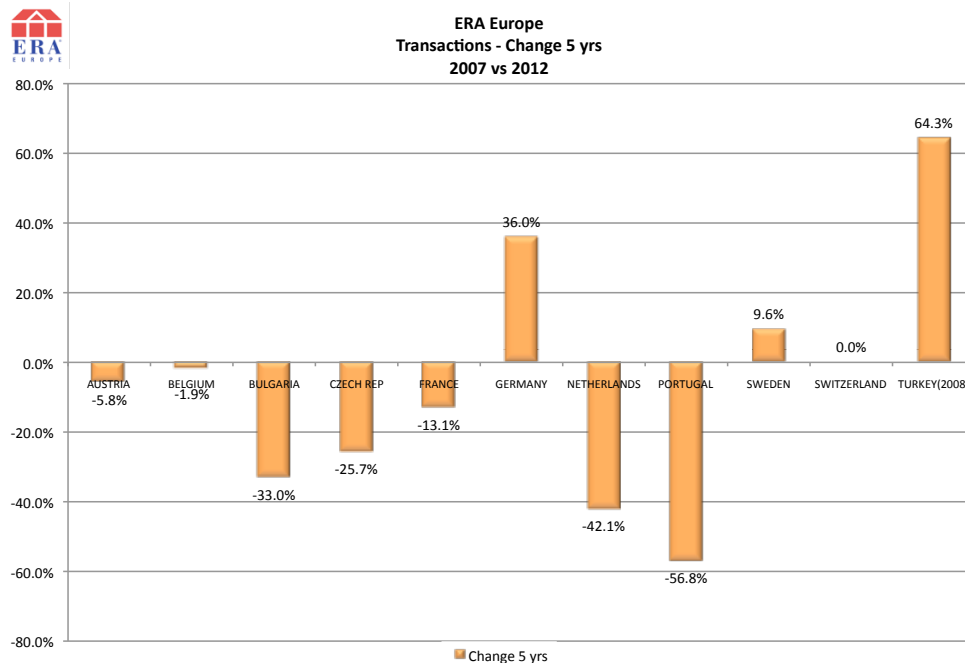
Five key socio-economic factors in this unique era influencing real estate transactions:

1. Consumer confidence: was severely shaken with the crisis of 2007. Today buyers have more of a matter of fact attitude, feel more assured about the future yet remain cautious. Repercussions of the crisis had immediate affect in some countries while others took years before experiencing consequences.
2. Government intervention: Since the global crisis there have been a wide-range of government actions taken in response each in relation to the depth of how country was affected; also internal politics played an important role on the scope and nature of new legislation. Actions were taken on both the European and National levels.
3. Lending Practices: Historically low lending rates have helped stabilize the market. Though requirements for obtaining a loan are more restrictive it has resulted in a healthy re-evaluation of lending guidelines and the valuation process.
4. New Build Permit Constraints: whereas pre-crisis home construction activity helped fuel the economic engine of many countries, the crisis effectively slowed the numbers of permits issued. This had an affect of tightening supply. Prices are being sustained thanks to reduced new development perspectives.
5. Unemployment: The uncertain climate contributed to lower employment levels throughout most European markets consequently destabilizing the housing market. This apprehension caused buyers to pause before purchasing. Unsure how far prices would drop; and what the future might hold as regards employment, transactions levels declined.

- The **euro area** (EA17) seasonally-adjusted unemployment rate was **12.2%** -October 2013.
- Compared with a year ago, the unemployment rate increased in eighteen Member States and fell in nine.
- Among the Member States, the lowest unemployment rates were recorded in **Austria** (4.9%), **Germany** (5.4%) and **Luxembourg** (5.6%), and the highest in **Greece** (27.0% in February 2013), **Spain** (26.8%) and **Portugal** (17.8%).

A dramatic depiction of the affects the global crisis has had during the past five years in many European markets can be viewed by making a comparison in the level of transactions over a five year period from the peak of the market in 2007 to today.

Of the markets surveyed, the Bulgaria, Netherlands, Portugal sustained the most devastating declines of 33,0%, 42,1% and 56,8% drop in transactions respectively over a five year period.



SUMMARY

As we transition into 2014 the residential market in Europe can be characterized as one of modest recovery with figures oscillating on a monthly basis yet expected to show a slight upward trend on the longer term. Within the markets studied in this report there remains however significant regional differences. The Southern market of Portugal is on slower path to recovery as is the Netherlands to the North.

Positive indicators include the ongoing low mortgage interest rates spurring overall y-o-y growth in mortgage loans being issued in the EU 27 in 2013, a trend expected to continue into 2014; though the weaker markets are dragging down this growth.

Prices and transactions are also showing distinct tendencies based on the stronger or stable markets of Austria, Belgium, Germany, Sweden, Switzerland and Turkey, versus the weaker slower growth markets of the Netherlands and Portugal. This divergence in the pace of the recovery has become more pronounced in recent times.

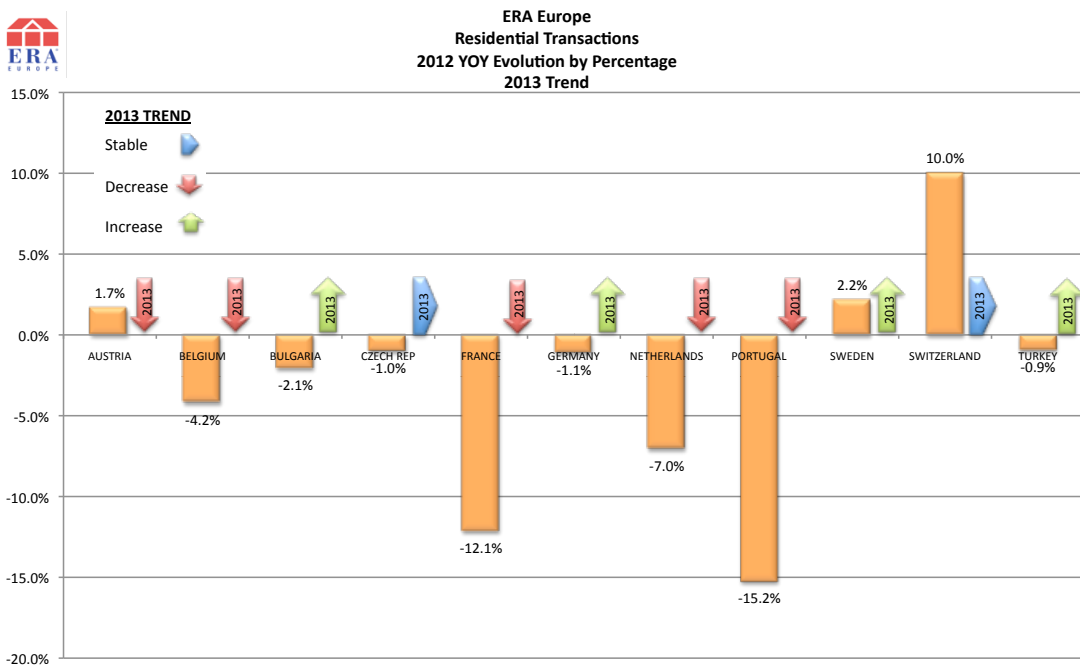
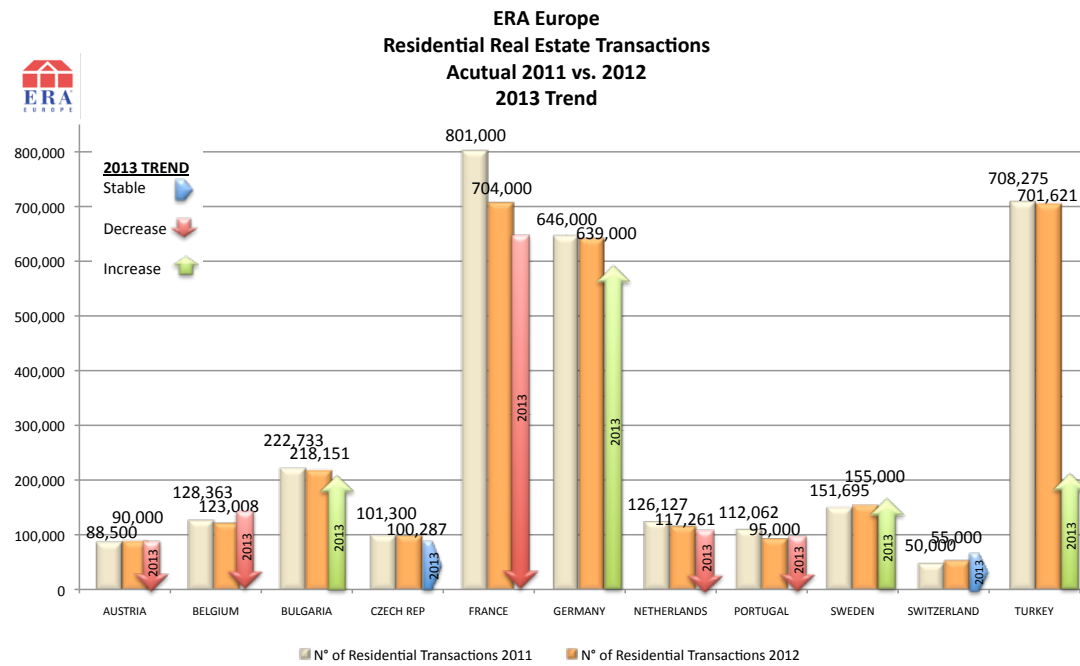
There is a clear sense when speaking with the country masters that the worst is finally behind, demand is returning as markets continue to stabilize.

TRANSACTIONS

The number of actual sales closed in each of the European markets within our study does not tell the whole picture of housing market, but it certainly does speak to the confidence of consumers in making what will be for many, their most important financial transaction.

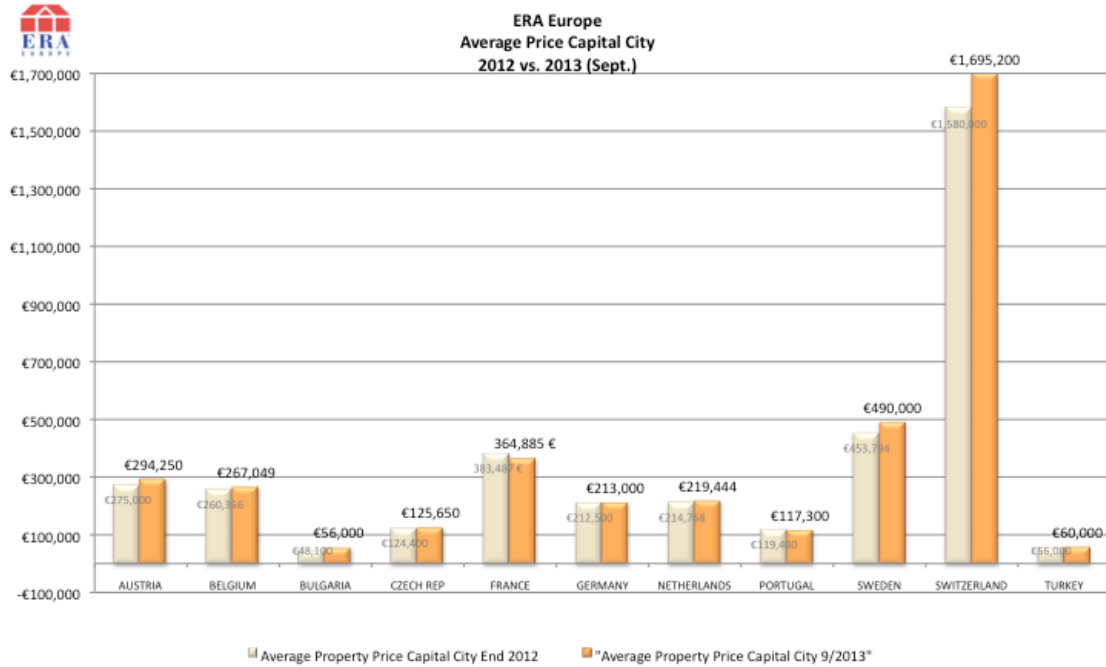
Of the 11 markets studied, five markets show a persistent softening tendency in 2013 particularly Belgium, France, the Netherlands, and Portugal. After a rebound in 2012 Austria has also slowed in the number in sales. On the upside Bulgaria is recovering, Germany, Sweden and Turkey expect to exceed prior year levels of transactions. The Czech Republic and Switzerland expect sustained activity.

The evolution in 2013 over 2012 results, which were largely in negative territory, are expected to be modest, with only a few markets continuing the upward trend in sales closed.

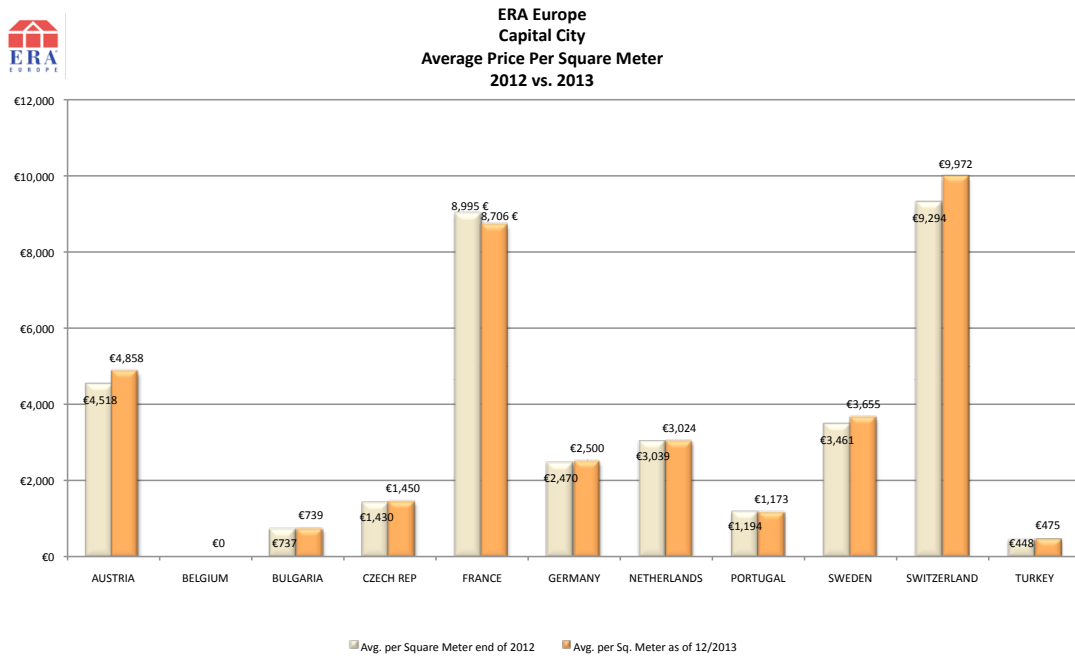


PRICES

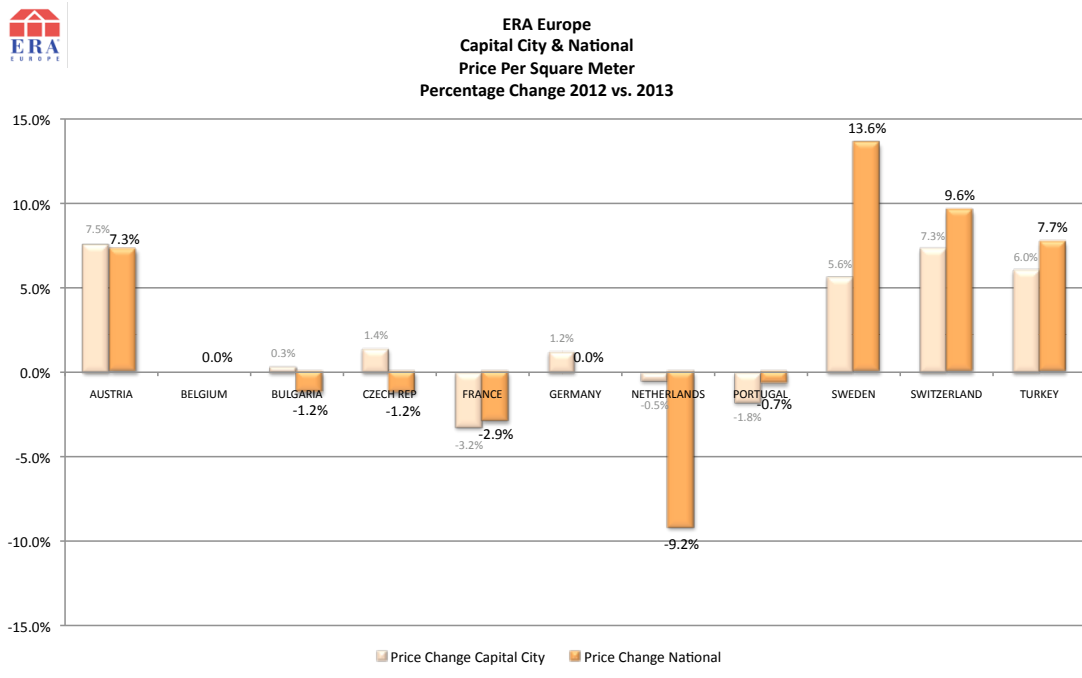
The most costly place to reside in Europe within our survey is Switzerland. Not all European countries are included in this survey but it is no surprise that Switzerland comes out on top. Paris and Stockholm also rank among the more pricey cities to call home, yet the quality of living in these cosmopolitan venues is among the finest in the world. Today's market in Europe presents innumerable opportunities to invest in quality housing in very chic and sought after settings.



Residential prices in European capital cities have sustained their price levels for the most part better, than in the rural areas. Price growth was greater and decreases were more moderate in the capital cities, with the exception of Sweden and Turkey, when compared to the rural areas. One can expect to pay upwards of 9.000€/M2 for a residence in Bern, and over 8.000/M2 in the finest Arrondissements in Paris.



Price developments during the year 2013 in this survey demonstrate on going weaknesses in the markets of the Netherlands and Portugal in particular; Bulgaria, the Czech Republic and France are experiencing modest declines and anticipate strengthening of market conditions as we move into 2013-2013. Austria, Belgium, Sweden Switzerland and Turkey all enjoyed strong single digit growth during the year 2013. Capital city prices generally exceeded price growth when compared to the rural sector.



MORTGAGE RATES

As a result of the global financial crisis the European Central Bank, and National Central banks lowered interbank lending rates to near zero, since then mortgage rates have declined dramatically. This move has helped maintain a certain level of sales momentum in the residential real estate market. Though criteria for securing loans also tightened significantly, mortgage rates 5 years later are easily at historic lows.

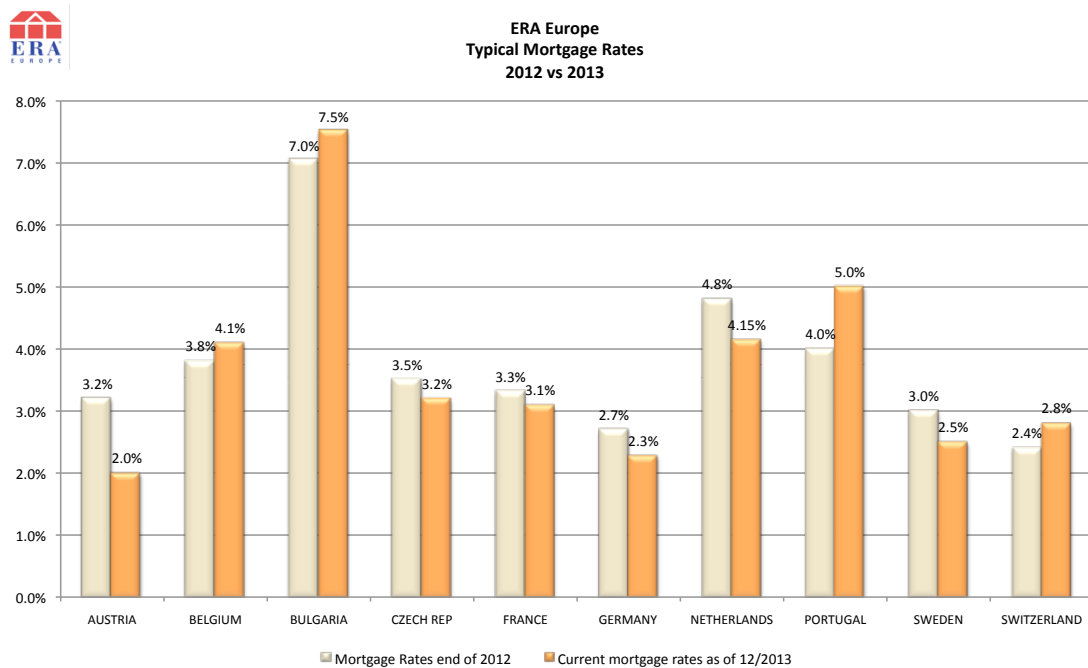
Each country offers loan options adapted to specific internal country dynamics and customs. Historically there are countries that favor ARM's (Adjustable Rate Mortgage) and others FRM's (Fixed Rate Mortgage). In Europe the number of ARM loans has been gradually decreasing; in 2012 ARM's represented about 38% of all loans down from nearly 50% at the end of 2010. Countries with a higher share of ARM's included Portugal (79,5%) and (63,1%)Sweden, the lowest shares are found in the Netherlands (20,5%), Germany (15,6%) and Belgium (14,4%) .

Overall, despite the highly attractive loan rates, lending remained relatively subdued in 2012, outstanding mortgage lending increasing by a modest +2,1% in 2012 for the EU27 markets. In 2013 this trend increased momentum signaling a return of confidence in the housing sector.

The more active lending markets include France, Belgium and Sweden; markets still in negative territory in terms of mortgage growth include Netherlands and Portugal. Keep in mind that markets still in negative growth for mortgages are equally those markets where home prices continue to drop. So there is an obvious correlation between these two dynamics.

Refer to the individual country reports to understand more fully the mortgage rate criteria for each market and the internal country dynamics.

2014: Mortgage rates continue to drop or remain stable in most markets; rates are at historic lows.

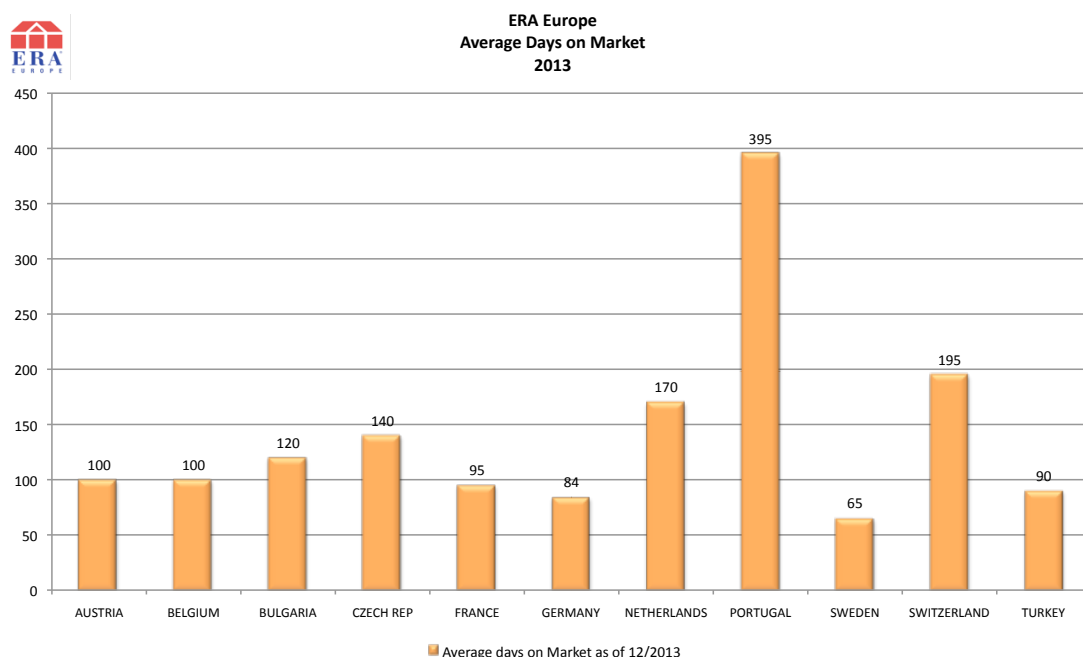


DAYS ON MARKET

The number of days a listings remains on the market is a sign of market health. The longer a property takes to sell the more stagnant the market. This is also signifying weak demand, or the misalignment of prices with market reality. The dynamics are directly linked to supply and demand, and desire versus reality.

Generally we have seen the days a listing remains on market ‘DOM’ decrease in our most recent analysis or stabilize in the countries of Austria, Belgium, France, Germany and Sweden; while listing times in the struggling economies of Portugal, Netherlands and emerging market of the Czech Republic, tend to stay on the market for more extended periods.

2014: Listing times stabilize in most markets while shortening in the Germanic countries of Austria, Germany, Switzerland and the emerging market of Turkey. Portugal and France foresee lengthening listing periods as prices continue to adjust to market conditions.



ERA Austria

Austria's stable economy benefits the housing sector resulting in slight price and transaction growth. Mortgage rates remain affordable and supply tight.



AUSTRIA	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Decrease	Increase	Increase	Decline	Seller	Decrease

The Austrian economy reached a low point in the first quarter of 2012 (Austrian Institute of Economic Research - Wifo); it has since been gradually improving and is expected to continue to strengthen during the year 2013. Growth is anticipated to be in the 0,8 to 1% range. In contrast, unemployment is projected to rise slightly and should end up within the 4,6 to 4,3% range; it will likely stay at this level despite the moderate recovery. Over the past ten years the population of Vienna, Austria's largest housing market, has increased by +10,6% putting it in 4th place among the EU's fastest growing cities. The 2012 GDP Per capita is at 32,900€ (Statistics Austria).

With this backdrop in mind, Austrians tend to prefer investing in housing, rather than consuming luxury goods or spending on expensive vacations or other diversions. As a result the real estate business remains healthy and resilient despite difficult economic times. Prices remain, more or less, stable, and in the more sought after areas price increases range between 4-6% and upwards. This includes areas such as the Vienna inner City and its high-end 1st and 13th district; Salzburg City and Innsbruck, Graz and Kärnten around the Lake-areas and of course Kitzbühel, Sankt Johann and Ellmau and the Tyrol mountain/touristic areas in general. It is estimated that over 70% of Vienna residential property is owned by institutional investors resulting in one of the highest percentages of renter households in the world; this also contributes to limited supply and higher prices in certain sectors of the city.

Real estate transactions for 2012 were stable when compared to 2011. In September 2012 a visible upwards trend was recorded and this was sustained through yearend. Looking forward we anticipate that residential transaction closings will remain at the same levels in 2013. Over the past few years transactions have fluctuated slightly between 88.000 to 89.000 annually. The peak period for Austria was in 2007 when over 95.000 transactions were recorded. In 2012 transactions increased slightly from 88,000 to 89,000 (WK0), still 6,7% off peak.

Maintaining market share for resale properties has become increasingly difficult for real estate brokers. Demand is high in some highly sought after areas, this is generating an increase in private sales (buyer to seller direct). Sales of new built homes however are rising and this phenomenon aids the broker to maintain sales revenues. According to WIFO residential construction will be the only sector with cumulative growth in the forecast period of 2012 to 2015. Therefore, new property developments and new built homes will stimulate the residential business and will continue to be a chief component of the broker portfolio.

Mortgage rates are at an all time low in Austria; loans currently range between 2,5 to 4,5% depending on Basel III criteria. Credit conditions however (also regulated by Basel III) are still very restrictive. Today a 20% down payment and a stable job is required to qualify for home-credit. Nevertheless, there is high liquidity in the market a factor that plays a significant role in the ability of homeowners and investors purchase. The mortgage market in Austria remains relatively small in comparison with many European markets at about 30% of GDP, and lower than Germany (38%), Ireland (50%), Spain (60%), and the Netherlands (65%).

In summary, year 2013 will finish on an optimistic note, driven by the gradual growth in the number of households and increasing homeownership, factors that will continue to spur a solid increase in real estate sales in the coming years. This upwards trend will continue into 2014, but perhaps a bit more modest pace than in 2013. Sales activity will continue to be driven by a healthy and stable economy, coupled with strong consumer confidence and affordable mortgages. No country within Europe can de-couple itself from external global pressures, yet Austria has performed remarkable well during the crises years.

AUSTRIA	
2011 N° of Residential Transactions	88,500
2012 N° of Residential Transactions	90,000
YOY Evolution	1.7%
2013 TRANSACTION Trend	DECREASE
2012 Avg. Property Price/Capital City	€275,000
2013 Avg. Property Price/Capital City	€294,250
2012 Avg. per Square Meter	€4,518
2013 Avg. per Sq. Meter	€4,858
2013 PRICE CAPITAL CITY Trend	INCREASE
2012 Avg. Property Price/Nationally	€178,329
2012 Avg. per Square Meter	€3,024
2013 Avg. per Sq. Meter	€3,244
2013 PRICE NATIONAL Trend	INCREASE
2011 Average Days on Market	95
2012 Average Days on Market	110
2013 Average days on Market	100
2013 DAYS ON MARKET Trend	DECREASE





BELGIUM	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Decrease	Increase	Increase	Increase	Buyer	Unchanged

Prices grew in 2013, however transactions declined as a result of stringent bank criteria on mortgages

The number of homes listed in 2012 increased, and the number of sales decreased. ERA brokers in Belgium affirm a 2,5% rise in homes listed for sale, and a drop of 6% in the number of transactions in comparison with the same period in 2011. This is primarily due to deterioration in financing conditions offered by banks. According to Iain Cook, Managing Director of ERA Belgium, “demand was constant during the year, however many sales did not close due to buyers inability to secure financing.”

Before the crisis hit in 2008, buyers were able to secure up to 120% of the property sales price; LTV's then dropped to 90% and in some cases, 100% financing could still be had. Today, one is fortunate to be able to secure even a 90% loan. In reality this means that for an average home purchase of a 200.000€ property, a 50.000€ down payment is required, compared to about 10.000-20.000€ just a few years ago. Also, the transaction time to close was easily achieved in one to two weeks, today the closing period is much longer and now easily extends to three to four weeks, due to all the financing requirements to be met and delays that can take place.

Banks are not looking solely at the couple's income levels but also the amount of cash on hand once their monthly mortgage is paid; an amount that should not be less than 1.000€ depending on the family situation. In the long term these new criteria are probably a good thing for the housing market.

In 2010 ERA Belgium sold 74% of houses listed in its inventory. This figure has progressively decreased and today stands at 62% in comparison with the previous year. This is primarily attributed to the fact that sellers are often too slow to adapt selling prices to market values. Today's market is a buyers market; it is they who determine the selling price. If a seller does not align their sales price to this new reality, the home will take far longer to sell and may not even sell at all.

Prices continue to rise for homes sold, cost of a mortgage declines

In Belgium, the price of a three bedroom home rose on average by 4% in 2012, rising from 220.000€ in 2011 to 227.500€ in 2012. In the Flemish sector prices rose on average by 3%: from 227.000€ in 2011 up to 234.500€ in 2012. When looking at all home sales, and home sizes on a national level, prices rose on average by 2%, rising from 228.000€ to 232.000€. In the Flemish region, prices grew by only 1%: or from 228.000€ to 232.000€ in 2012. In the Walloon territory prices declined by 2,5%: or from 180.500€ to 176.000€.

Prices remained flat for a 2 bedroom apartment, at about 175.000€, year-on-year.

Though sales prices increased, costs associated with a purchase declined. When looking at the period from 2007 to 2012, home prices increased by 11%, and for this same period, salaries also increased, by 10%. However when looking at the cost of mortgage financing, costs decline on average by 5%; or a drop for an average monthly loan from 1.423 to 1.354 per month for a loan with a LTV of 80%, and for a 20 year period. The premise that homes

are becoming more expensive to buy does not play out. In fact Belgians are buying more expensive homes, this inevitably pushes up the monthly cost, and this combined with the tightening mortgage restrictions does make buying a home today more of a challenge.

Listings remain on the market for longer periods, particularly in Brussels

In 2011, the listing period for a three-bedroom home was about three months, or more precisely 88 days. In 2012 the average days on market is about 87 days. In contrast, a two-bedroom apartment remained on the market for a longer period. In 2011 about 101 days was required to secure a buyer, but in 2012 that period extended to 113 days on average. In Brussels listing times were far longer; in 2012 homes remained on the market for 123 days in contrast to 81 days in 2011; and for apartments it took an average of 106 to find a buyer, compared to 79 days in 2011.

Listing price versus sales price gap closes

The difference between the initial listing price for sale and the final sales price in 2012 was slightly reduced. The price gap in 2011 was at 10% and in 2012 the gap shrunk to 8,5%. This is an indication that sellers have become more realistic about listing prices and are listening to advice particularly from their ERA brokers about home values. Homes sold within a thirty-day period have, on average, only a 3% gap between the list and sale price. Our statistics show that the gap widens for homes listed for longer periods; 10% for a home listed for 3-4 months, and up to a 13% gap for homes listed for over 6-months. The conclusion being that a fast sale occurs when the listed price approximates market value.

Year 2014

It is our opinion that prices for all property up to 250.000€ will continue to climb modestly; however homes in the 250.000 to 1 million Euro price range will drop slightly within the 5 to 10% range during the upcoming 12 to 24 months. Homes in the 1 Million Euro plus price range, if they sell at all, will encounter more serious falls probably in the 10 to 20% range.

BELGIUM	
2011 N° of Residential Transactions	128,363
2012 N° of Residential Transactions	123,008
YOY Evolution	-4.2%
2013 TRANSACTION Trend	DECREASE
2012 Avg. Property Price/Capital City	€260,126
2013 Avg. Property Price/Capital City	N/a
2012 Avg. per Square Meter	N/a
2013 Avg. per Sq. Meter	N/a
2013 PRICE CAPITAL CITY Trend	INCREASE
2012 Avg. Property Price/Nationally	€215,537
2012 Avg. per Square Meter	N/a
2013 Avg. per Sq. Meter	N/a
2013 PRICE NATIONAL Trend	INCREASE
2011 Average Days on Market	95
2012 Average Days on Market	90
2013 Average days on Market	100
2013 DAYS ON MARKET Trend	STABLE



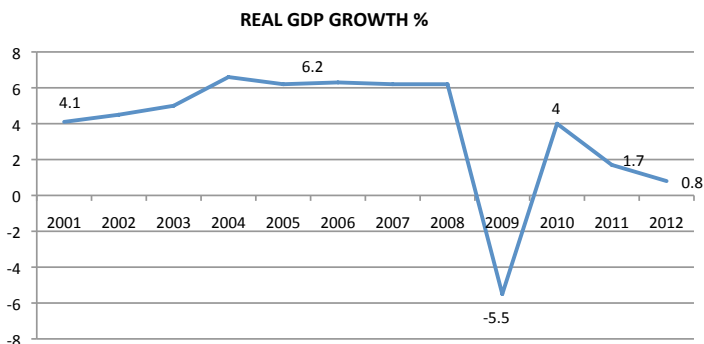


BULGARIA	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Increase	Increase	Decrease	Increase	Buyer	Unchanged

General economic outlook

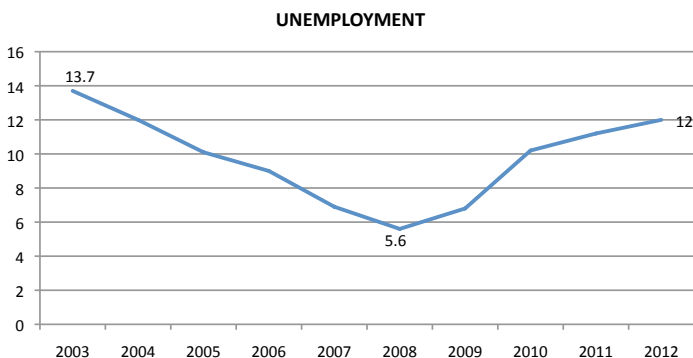
The real estate industry is influenced by a number of factors; for Bulgaria one of the most important is the ability to continue on its path of economic development. However, like many other European Union member countries affected by the 2009 economic turmoil, Bulgaria was too, engulfed by the crisis.

After a sharp decline in GDP growth in 2009, today Bulgaria has recovered with a modest GDP growth of 0,8% anticipated for 2012 and future growth through 2015 is expected to fall in the 2,5 to 4% range. This is a stabilizing factor adding to a gradual recovery of the economy that will generate sorely needed financial resources to meet the country's economic needs.



Source : International Monetary Fund (IMF) - World Economic Outlook April 2012

slowing pace in the rise of unemployment as sign of labor market stabilization.



meaning also a greater chance to obtain a loan for such property.

Why is this important when looking at residential markets? The answer lies in consumer confidence. It is an important reflection on a potential buyers ability and willingness eventually to invest.

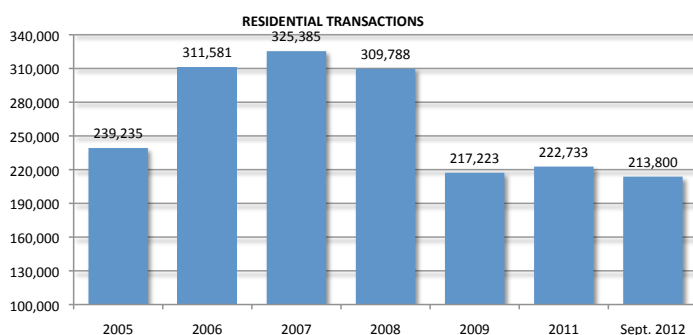
Unemployment is another determinate factor to market stability. As long as citizens lack sufficient income and/or (job) security, the real estate industry will suffer. Though unemployment rose in 2012, the rate was by a modest 1%, in contrast to previous years in which the rate of increase was much higher. We see this

Fluctuating interest rates have also had an impact on the market. During the past 24 months rates have gradually dropped, helping to offset other negative influences. This decline appears to be a confirmed trend for Bulgaria. Rates peaked in 2009 and have been modestly declining ever since.

Last, but not least - the location of the property is crucial to maximize a healthy price/value ratio. Properties situated in major cities remain quite attractive both to investors and banks,

Transactions

The Bulgarian National Registry Agency recently announced the number of property transactions in Bulgaria for the third quarter of 2012. According to the data, a total of 58.643 properties closed in Q3 2012 compared to 55.000 for the same period in 2011, a period that recorded the most important number of sales since the beginning of the crisis. This was also an increase compared to the previous quarter of 2012, by 8,8%.



Real estate transactions in Sofia increased by 6% compared to 2010, while the number of property deals in the regional cities rose by 7,3%.

This is the first rise in the volume of closings following the stagnation that occurred at the end of 2010. In 2011 we saw the first increases in the number of deals since the beginning of the 2009 crisis (increase in the number of sales in 2011 was 22% compared to 2010).

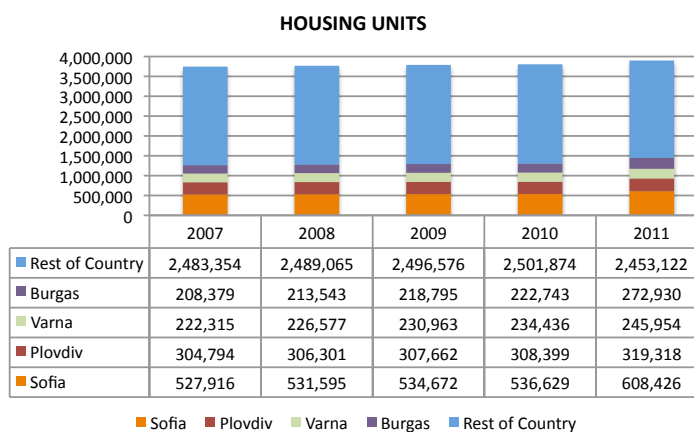
compared to 2010).

Growth in the number of new housing units has helped to expand the market and increase the number of transactions. The number of dwellings in Bulgaria has been steadily growing over the past 5 years (see next table).

Price

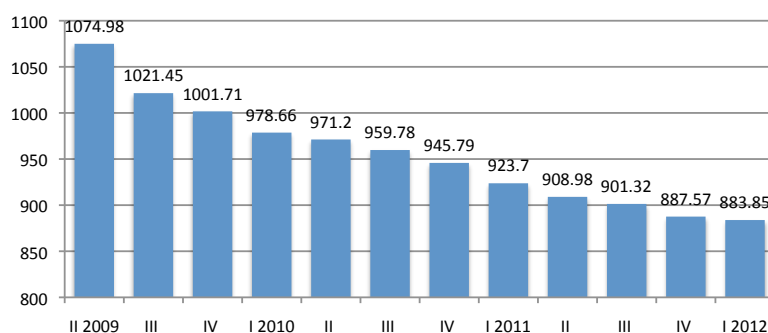
Housing prices declined in 2011 and the downward slump continued into 2012. Compared to the prior year, housing prices in 2011 dropped by 6,12%; and the pace quickened for the first three quarters in 2012 by 8,40%. The data from the Bulgarian National Statistics Institute revealed that the average price per square meter was 905,39 BGN in 2011 and 883,46 BGN in 2012. The largest decline was in the 4Q of 2011 a price level that remained stable into 2012.

Comparing the price per square meter today, to the peak of 2009, the average price has dropped by 17,8% over the past three years.



Source: http://www.nsi.bg/ORPDOCS/HFund_2.1.xls

Average Residential Property Market Price BGN/ M2 by Quarters



2013 Price Trends

We expect to see stabilization in residential prices and an increase in the number of transactions as demand improves throughout the year. Price growth however is expected to be modest due to a still ample supply of homes for sale in the market.

Mortgage market

To stem problems created by the financial crisis the banks have introduced stricter requirements for mortgage loans. At this stage Bulgarian banks have limited financing to both foreign and Bulgarian property buyers. However,

foreign citizens are seen as clients who fall into an even riskier group compared to Bulgarians. Bulgarian banks intend to protect themselves and the whole banking sector from future unfavorable conditions.

As the market stabilizes the mortgage market will gradually open to consumers and better conditions and opportunities will eventually become available. Now is the most opportune time to buy a home, as prices are very low, interest rates on mortgage loans continue to fall. In February 2012 the average interest rate for loans in Euros was 8,09 %, and for loans in BGN was 7,88 %. These are positive signals coming from financial institutions and the future may hold even further drop in mortgages interest rates. We expect the mortgage market in 2013 will be stronger than in 2012.

Outlook 2014

The most significant share of sales will come, again, from first-time home buyers, but many transactions will also be property owners seeking to improve both the quality and location of their home. The desire to buy a larger home in a better location to improve the standard of living and relocating to larger cities will incite homeowners to move. We expect this tendency to also increase the average loan size slightly in 2013.

An increase in the number of sales will influence the property market in a positive direction. This, in combination with increased foreign interest (mainly from Russian buyers), low interest rates on mortgages and modest positive economic growth, gives a reason for cautious optimism in the development of the property market in Bulgaria and recovery from the crisis.

Marketing over the internet with property pictures, posting of virtual tours and using the social networks to advertise listings has become essential for brokers to maintain a competitive edge. Prior to purchasing real estate, most consumers will visit the Internet to research a property and location. It is indisputable that the use of technology will continue to grow and influence the industry. These trends serve to create great efficiency and transparency for all parties to the process.

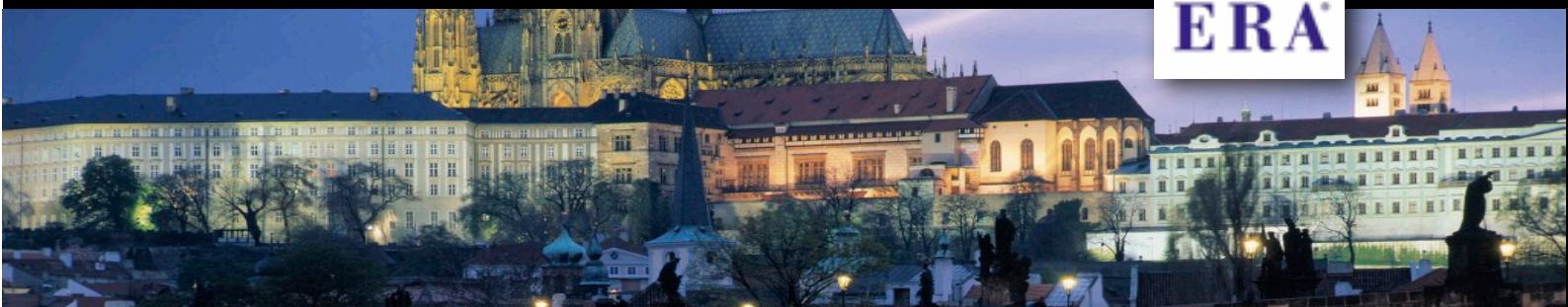
Market activity will be primarily in the residential segment, but there are possibilities for it to evolve into properties purchased for investment (rental / sales). These are the primary trends we expect will characterize the market in year 2013.

BULGARIA	
2011 N° of Residential Transactions	222,733
2012 N° of Residential Transactions	218,151
YOY Evolution	-2.1%
2013 TRANSACTION Trend	INCREASE
2012 Avg. Property Price/Capital City	€48,100
2013 Avg. Property Price/Capital City	€56,000
2012 Avg. per Square Meter	€737
2013 Avg. per Sq. Meter	€739
2013 PRICE CAPITAL CITY Trend	INCREASE
2012 Avg. Property Price/Nationally	€26,000
2012 Avg. per Square Meter	€447
2013 Avg. per Sq. Meter	€442
2013 PRICE NATIONAL Trend	DECREASE
2011 Average Days on Market	90-180
2012 Average Days on Market	120
2013 Average days on Market	120
2013 DAYS ON MARKET Trend	STABLE



ERA Czech Republic

Prices flat in 2013, transactions decline but are expected stabilize by year end.



CZECH REPUBLIC	N° of Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Decrease	Increase	Increase	Stable	Buyer	Stable

ECONOMIC ENVIRONMENT

In analysing the health of the Czech housing market one must consider the backdrop of its general economy. Though it has weathered the storm of the financial crises fairly well, GDP growth remains fairly weak, yet still in positive territory at +0.70 percent (June 2013). Sluggishness is attributed to fragile domestic demand, in particular the declining investment in construction, machinery and transport equipment. Construction output in the 3rd quarter of 2012 decreased YOY by 5,7% - Czech Statistical Office (CSO). Statistics reveal that the number of building permits in 3Q/2012 dropped by 9,2%, the number of newly constructed flats by 19,6% and construction of new housing declined by 18,6% (CSO). On a positive note, unemployment has gradually declined from 8,4% in 2012 to 7,4% today (August -2013 - Ministry of Labour and Social Affairs).

The Czech Republic remains one of the most stable and prosperous of the post-Communist states of Central and Eastern Europe.

TRANSACTIONS

Activity in the Czech real estate market in the first quarter of 2012 began to grow again for the first time since 2008. The *total* number of real estate transactions increased based on Land Registry statistics (CÚZK) by 10% YOY. The most important growth recorded was for land, which increased by 22%, and then commercial buildings with an increase of 7%. Land is still perceived as a suitable investment with low risk, and due to consistent and steady increase in prices in land values. Land represents one of the most stable segments of the real estate market. On the other hand, the housing market in 1Q/2012 declined at about 13% for apartments and by 26% for apartments under construction. Activity continued to slow in 3Q 2012, when another slight decrease in total volume of transactions was recorded.

The largest decrease was recorded in the apartment market, including apartments under construction. For the period from January to the end of September 2012, transactions for apartments fell by 18%, about the same decline was seen for apartments under construction. In contrast, increases were recorded for land transactions and the number of registered liens. During this period (Jan – Sept. 2012) land sales increased by 10%. A reason being that builders prefer to postpone construction and sell land they purchased to recuperate their investment (CTK).

During this period, those who could buy had already invested in a home, and the uncertain evolution of prices and uncertain economic future caused individuals to pause before choosing to move up or to new locations. In 2013, positive factors such as low interest rates and improved consumer confidence, will help stabilise the decline in housing sales; the number of transactions closed are expected to remain either flat or to decline only slightly.

The real estate agent market share for housing transactions is estimated to be around 52%. Given the lack of regulations in the Czech Republic in the real estate services sector, and the poor quality of services rendered by some real estate agents and brokers, negatively affects the perception of clients and complicates the work of professionals. Of the total volume of sellers (48%) who sell their property without a real estate agent, nearly half made this decision because they do not trust in the fairness and effectiveness of co-operation.

However, the ongoing expansion of real estate franchise networks offering high quality services and increased competition between naturally leads to an overall cultivation of the market and raises standards over time.

The current turbulence in the real estate market is causing the real estate community to slowly realize, that the only way for long-term success is to provide quality and honest services. Both private homeownership and the real estate brokerage business can still today, be considered as young. The beginnings of the real estate brokerage on a large scale began during the years 1996-2000. Therefore, we view the process of building a clients' trust as a natural process and the fact that market is gradually maturing and market share growing, and a positive trend.

PRICES

Following a decreased in housing prices in 2012 by 2% on average; prices are expected to remain relatively flat during 2013 and recent statistics have confirmed this expectation. Since the beginning of year 2010, apartment prices have fallen by a total of 5,1%. Average prices of newly constructed apartments in Prague are falling twice as fast as developers provide discount campaigns and reduce the cost of new projects. Prices for panel apartments are falling twice as fast, when compared to the prices of brick apartments.

Prices of family houses from beginning of 2012 until September, so far show an increase of 1,1%. Since the beginning of year 2010, the price of family houses increased in totally by 1,9%. The majority of interest and demand is for family houses priced below €120,000 (or under € 320,000 in Prague).

Land prices in the Czech Republic continued their long-term growth and registered this year an increase by 5,4%. Since the beginning of 2010, land prices increased by a total of 12,1%. (HB INDEX)

MORTGAGES

Mortgage rates remain at historic lows in 2013 a positive factor for the housing industry. A total of 53,047 mortgages were obtain in the year 2012 from January to September; an increase of 3,6% compared to the same period last year. This equates to a total volume of mortgage loans of 87.6 billion CZK and an increase of 3,2%.

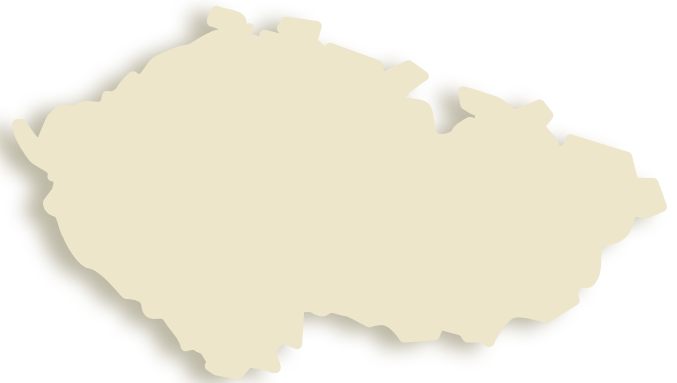
Fluctuating mortgage rates do not always have a direct relationship with activity in the real estate closings, because total volumes in the Czech Republic include a significant amount of refinancing and also mortgages for construction. Interest rates began their a downward trend in 2009 and have been on the decline ever since. The average rate thus far in 2012 was 3,5%. The record was broken in September, when the interest rates dropped to 3,36%. Again the most popular mortgages were a fixed rate mortgage for 5 years.

The decline in mortgage rates is supported by the lowering of in interest rates by the Czech National Bank to a record minimum 0,25%. To meet banking criteria a monthly mortgage payment for an average Czech household owning an average priced apartment, should be 3.91 times net annual income (Golem Finance). This index shows a steady increase since 2009, which is an indicator that homes remain affordable. The affordability of housing and the current low interest rates are a motivation for consumers to buy now.

OUTLOOK 2014

The Czech real estate market during the last few years has favored buyers thanks to a consistent decline in demand and an oversupply of housing stock. Reducing this gap, between offer and demand, will therefore be the main target for the year 2013. Attractively low mortgage rates coupled with flattening prices during the year 2013 should spur an increase in housing sales. The fear of decreasing property values is therefore eliminated giving assurance that now is the time to buy. Also with A potential higher property transfer tax increase envisioned in 2014, is a factor that could help spur sales during the final quarter of 2013. Conditions for buying a property are thus favorable in 2013 and on this basis an increase in demand is realistic.

CZECH REPUBLIC	
2011 N° of Residential Transactions	101,300
2012 N° of Residential Transactions	100,287
YOY Evolution	-1.0%
2013 TRANSACTION Trend	STABLE
2012 Avg. Property Price/Capital City	€124,400
2013 Avg. Property Price/Capital City	€126,650
2012 Avg. per Square Meter	€1,430
2013 Avg. per Sq. Meter	€1,450
2013 PRICE CAPITAL CITY Trend	INCREASE
2012 Avg. Property Price/Nationally	€70,077
2012 Avg. per Square Meter	€805
2013 Avg. per Sq. Meter	€795
2013 PRICE NATIONAL Trend	INCREASE
2011 Average Days on Market	120
2012 Average Days on Market	120
2013 Average days on Market	140
2013 DAYS ON MARKET Trend	STABLE





FRANCE	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Decrease	Decrease	Decrease	Decline (Historic lows)	Buyer	Increase

GENERAL

The housing market represents a significant portion of the French economy. Considering all the costs associated with real estate including rents, acquisitions, and construction, the real estate industry represents a total of about 20% of French GDP. The current economic climate can be described as delicate, with near zero GDP growth and unemployment (10.8%- Aug 2013) at an all time high. However business confidence is improving and at a 15 month high, and the market is showing signs of improvement.

Since 2001 it is estimated that there are about 32,877 million households of which 84% are principle residences 9,5% secondary residences and a vacancy rate of 6,5%. The French statistical office estimates total households could increase by as much as 15% by year 2020, due to the growth in general population and the diminishing size of an average household. This potential increased demand for new homes could represent need for an additional 320 to 370.000 new homes per year, for the next decade. This figure does not take into account homes requiring reconstruction or new homes needed after demolitions from urban development; or to house those currently without shelter. This estimate in demand is superior to the average annual new housing demand observed during the past 20 years. (Source: *SESP www.statistiques.equipement.gouv.fr*)

TRANSACTIONS

The resale market is by far the most significant portion of total transactions, representing 86% of all sales. The peak period of resales was achieved in 2011 when nearly 801.000 transactions closed. The situation changed rather dramatically in 2012, when resale transactions dropped to 704.000; in 2013 transactions are expected to decline further to about 668.000 (*FNAIM*) including both resale apartments and houses.

The annual volume of transactions continued to decline in 2013

The annual volume of transactions is estimated to decline by about 5,1% when all is tallied, (*FNAIM*), which will be the second lowest level of closings during the past seven years.

The contraction of sales was more pronounced in the Il-de-France region than in the provinces; and less so in Paris than in the suburbs.

Many buyers have remained hesitant to enter the market until they see further stabilizing of prices and have greater confidence in the general economy and direction it will take.

Evolution in Transactions (Thousands)

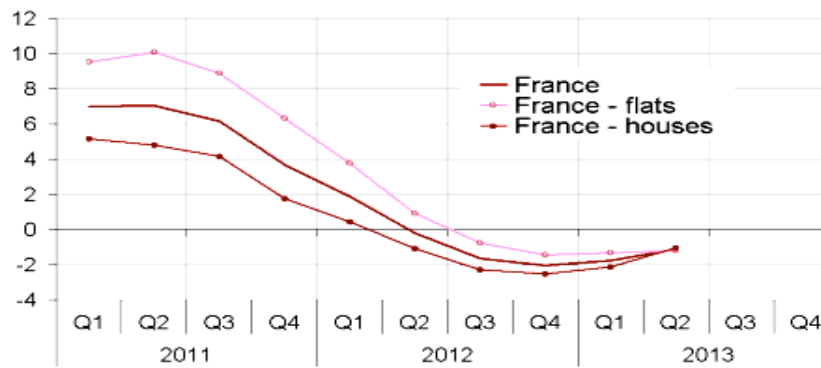


(Source: INSEE)

PRICES

Residential prices in France for both homes and apartments declined by -2,9% nationally, by -3,0% in the province and in the Ile-de-France region by -2,5%. Nationally the average price per square meter stands at 2.499€/M2, 3.329€/M2 for an apartment and 2.106€/M2 for a house (estimates FNAIM).

National Price change in one year in %



(Source: INSEE)

Apartment prices drop in all regions

Nationally apartment prices declined by -3,5%; -3,8% in the price and in the Ile-de-France region by -3,0%.

Prices of second-hand dwellings in Île-de-France– (Base year data 100 in Q1 2010)



(Source: INSEE)

Home prices decline modestly in all regions

Prices for a home dropped as well for France nationally, by -2,5%, in the province by -2,6% and in the Ile-de-France region by -1,8% (FNAIM).

MORTGAGES

After a rather dramatic decline in mortgage loans was experienced in 2012 (-26,4%) the mortgage market in 2013 has recovered somewhat. The trend flattened in Q1 2013, and in Q2 2013 the CSA (*Observatoire Cr dit Logement*) reports an increase of +14,3% over the previous year.

Mortgages in France continue to be offered at very attractive rates and are today at all time historic lows (since records in the 1950's!). Tendencies are not only toward lower rates, and fixed rate mortgages but also toward shorter loan terms. The average mortgage loan rate today stands at 2,95% for both resale and new homes (August 2013); fixed rate loans are by far the choice of French buyers, variable rate loans represent only 4,7% of all loans today. The average loan term in 2013 is 16.75 years (201 months) compared to the 2007 peak when loan terms averaged 19 years (228 months).

LOAN RATES	< 3.5	3.5 to 4	4 to 4.5	4.5 to 5	5 and more
Percent of all Loans	81.3%	15.4%	3.1%	0.2%	0.0%

LOAN TERM	< 15	15-20 Yrs	20-25 Yrs	25-30 Yrs	30 Yrs & more
Percent of all Loans	22%	32.50%	28.1	16.7	0.6

Important Developments in Lending

An important trend observed in recent months has been the effects in tightening of the solvability terms within the "Zero Rate Mortgage" loan designed for first time homebuyers, a change that has dramatically reduced the ability of this particular segment of homebuyer from entering the market. Another new factor impacting buyers' ability to afford a loan has been the drop in personal income of -8,4% by Q2 2013 in relation to the previous year. On the positive side there is much anticipation in new government incentives to spur home sales. A new law due to apply from September 1, 2013, is the Government's proposal that will affect capital gains realized from the sale of real estate, other than a taxpayer's main residence and rented property. The tax reductions allowed based on the holding period will be more progressive. Sellers will be granted total exemption from income tax on real estate capital gains after a 22-year holding period, instead of 30 years, as is the case currently. This new law is expected to boost residential sales. To amplify the effect of this structural reform, and to provide an immediate surge to the property market, an exceptional additional tax reduction of 25 percent will be accorded for sales realized between September 1, 2013, and August 31, 2014.

OUTLOOK 2014

While many uncertainties exist for home buyers in today's economic landscape, the French market has remained amazingly resilient; especially when considering the European perspective. Banks have properly responded by adapting lending terms and playing an active role in incentivizing buyers in this stagnant market. Government initiatives to spur activity have also been encouraging yet results from recent changes are yet to be realized. We expect the housing market to remain resilient and to commence a modest upward trend. As long as employment rates remain stable, and continue to flatten, as has been the trend, and consumer confidence continues to improve, the housing market will sustain itself and transition into a trend of gradual improvement in 2014.

FRANCE	
2011 N° of Residential Transactions	810,000
2012 N° of Residential Transactions	704,000
YOY Evolution	-12.1%
2013 TRANSACTION Trend	DECREASE
2012 Avg. Property Price/Capital City	€376,800
2013 Avg. Property Price/Capital City	364,885
2012 Avg. per Square Meter	€8,995
2013 Avg. per Sq. Meter	€8,706
2013 PRICE CAPITAL CITY Trend	DECREASE
2012 Avg. Property Price/Nationally	€221,665
2012 Avg. per Square Meter	€2,574
2013 Avg. per Sq. Meter	€2,499
2013 PRICE NATIONAL Trend	DECREASE
2011 Average Days on Market	109
2012 Average Days on Market	78
2013 Average days on Market	95
2013 DAYS ON MARKET Trend	INCREASE





GERMANY	N° Residential Transactions	Avg. Price Capital City	Avg. Price Nationally	Buyer or Seller Market	Average Days on Market
Trend 2013	Increase	Increase	Stable	Seller	Decrease

GENERAL ECONOMIC OUTLOOK

Germany continues to maintain one of most stable housing markets in Europe, and is similar to the markets of Switzerland and Austria. As reported in prior years, the German market effectively avoided pricing peaks and valleys in significant contrast to price fluctuations seen elsewhere in Europe during the 2001-2007 era. This is largely attributed to the nature of governmental support for rent controls, social housing and incentives for rental property offering a more balanced housing tenure. The current homeownership rate is 46%, though it has risen in recent times, from a rate fluctuating between 42-43% during the past 20 years, it still remains far below that of its European neighbors, and the EU average of 71%. It has the largest share of renters of all the EU countries, and is surpassed only by Switzerland, in Europe.

Though many Germans are able to afford to buy property, as prices are reasonable and interest rates turned historically low, the trend is stubbornly unchanged partly due to the highly affordable rental rates but also because of personal reasons, such as fear of losing a job or a divorce.

The German economy has slowed somewhat during the past 24 months, economic prospects for Germany remain favorable, and this will have a positive affect on the housing market. GDP is expected to remain relatively flat and grow by 0,3% and by 1,5% in 2014. Unemployment (June 2013) stood at 5,3% and has been steadily dropping over the past two years (5,6%-2011, 5,4%-2012); the unemployment rate is far below that of many European countries.

TRANSACTIONS

Sales transactions have been steadily increasing over the past years. 2013 transaction levels are expected to exceed those of 2012 where an estimated 709.000 properties sold. By far the majority of sales, 70%, occur in the German cities and larger metropolises.

PRICES

Though firm statistics are not yet available for 2013, an upward trend in residential prices is expected to continue through to year-end and rise within a 2 to 4% range. Home and condominium prices are highest in the medium to large cities located in Southern Germany new (2012: condominiums in Munich reached €4,500/M², the highest price in Germany, followed by Gauting (€4,200), Konstanz (€4,000), Garmisch-Partenkirchen (€3,900), Hamburg and Überlingen (€3,700), as well as Starnberg €3,600). Property prices for both houses and condominiums in other regions have remained relatively flat and are nearly the same as found in 2003. Averaging all property prices across Germany however prices are still quite affordable, the average price of housing in Germany is said to be only at €1,250/M².

Prices have been rising in part due to institutional and private investors seek safe and profitable investments amid the European sovereign debt crisis.

MORTGAGES

Mortgage rates began their decline in 2009 in tandem with the significant rate drops initiated by the ECB during the financial crisis. In 2013 German lending rates have descended to historically low levels, ranging from 2,5% - 3%. German banks continue very conservative practices and finance buyers with 20% equity to place toward a mortgage; the majority of these mortgages are closed at 10 year fixed rates because of the favorable conditions offered. A rise in interest rates is not anticipated in the near future. Therefore, German residential investment is expected to be boosted by these attractive financial conditions. Housing loan rates as of April 2013:

Interest Rate Fixation (IRF) up to 1 yr:	2.87%
IRF 1-5 yrs:	2.5%
IRF 5-10 yrs:	2.74%
IRF 10 yrs or more:	3.08%

OUTLOOK 2014

Given the stable and relatively positive perspectives for the German economy and the favorable conditions for lending, the housing market is expected to remain strong and continue to grow. We anticipate home prices to continue to rise due to strong demand and for the moment, limited housing supply (this due to a rather severe decline in new housing permits experienced over the past two years). Rentals, which comprise the more important share of the residential market will continue to see increases in rates in the 3 to 4% range due to healthy demand and an growing shortage of available housing. In the longer term, rents will ease as affordability wanes and new supplies of housing eventually come to market. The trend toward buying in the cities vs. urban areas will continue. For the short term (through year end 2013 mortgage rate increases are not anticipated to rise in any meaningful way.

GERMANY	
2011 N° of Residential Transactions	646,000
2012 N° of Residential Transactions	639,000
YOY Evolution	-11%
2013 TRANSACTION Trend	INCREASE
2012 Avg. Property Price/Capital City	€212,500
2013 Avg. Property Price/Capital City	€213,000
2012 Avg. per Square Meter	€2,470
2013 Avg. per Sq. Meter	€2,500
2013 PRICE CAPITAL CITY Trend	INCREASE
2012 Avg. Property Price/Nationally	€178,000
2012 Avg. per Square Meter	€1,483
2013 Avg. per Sq. Meter	€1,483
2013 PRICE NATIONAL Trend	STABLE
2011 Average Days on Market	175
2012 Average Days on Market	159
2013 Average days on Market	84
2013 DAYS ON MARKET Trend	DECREASE





Netherlands	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Decrease	Decrease	Decrease	Stable	Buyer	Stable

IS 2013 A TURNING POINT? The economic crisis has been a combination of factual events and the emotional response of the public. The press has not really given any hopeful signs by consistently emphasizing and enlarging extreme and desperate cases.

Consumer confidence is a powerful tool. It can swiftly build companies like Facebook or Apple by a massive collective embrace, but bring down the housing market to a standstill by a massive passivity.

Is recovery of the housing market the driving force or the consequence of returning consumer confidence? Or is it an interrelated process that either works positive, or negative, depending on our focal point?

2013 might well be a pivotal year. The Dutch have voted a new government, with a massive, equal support for both a centered-right wing as well as a centered-left wing party. The support for populist parties in recent years seems to have waned, and instead of extreme ideas a new sense of realism seems to have dawned upon the people.

The new government has created clarity on a couple of crucial issues that were cluttering chances of restoration of the market in the areas of financing and sales opportunities. Extended financing measures were taken to assist first-time buyers with a high career potential. Transfer tax has been lowered structurally from 6 to 2% for all homes. New mortgages will have to be repaid within 30 years. Financing has to be focused on repayment. Pension funds are considered as possible parties to step into the mortgage business instead of banks, which are considered by the public as not transparent, self-indulgent and unreliable.

If this regained sense of realism is true for the housing market, then we might be in for a positive change in confidence. Older listings (unsold homes that are on the market since 2008 and 2009) keep tainting the general statistics less and less. Increasingly homes are listed for sharp and realistic prices and, consequently, sold within 3 to 6 months. Older listings will have to lower their asking price drastically or disappear from the market altogether. Home prices will not have reached rock bottom. Another 6% decline in prices is expected for 2013. However, the total inventory of listings is expected to stabilize, which might be interpreted a sign of recovery.

In the Netherlands there is a National Mortgage Guarantee Fund (Nationale Hypotheek Garantie or www.nhgn.nl), which guarantees repayment of any remaining debt after a forced sale or repossession by the bank. In 2012 this fund was used in some 3500 cases, an increase of 70% compared to 2011. In most cases these sales were the consequence of a divorce or sudden unemployment and a quick sale was more important than the best sale.

NETHERLANDS	
2011 N° of Residential Transactions	126,127
2012 N° of Residential Transactions	117,261
YOY Evolution	-7.0%
2013 TRANSACTION Trend	DECLINE
2012 Avg. Property Price/Capital City	€214,768
2013 Avg. Property Price/Capital City	€219,444
2012 Avg. per Square Meter	€3,039
2013 Avg. per Sq. Meter	€3,024
2013 PRICE CAPITAL CITY Trend	STABLE
2012 Avg. Property Price/Nationally	€226,700
2012 Avg. per Square Meter	€3,022
2013 Avg. per Sq. Meter	€2,745
2013 PRICE NATIONAL Trend	DECLINE
2011 Average Days on Market	129
2012 Average Days on Market	171
2013 Average days on Market	170
2013 DAYS ON MARKET Trend	STABLE





PORTUGAL	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Decrease	Decrease	Decrease	Stable	Buyer	Increase

GENERAL ECONOMIC OUTLOOK

Following a severe residential market contraction in 2012, one of the worst years in decades for real estate, year 2013 is showing some signs of stabilising. Recent consumer confidence indicators (August 2013) reflected a growing sense of positive sentiments since the start of the year. The economy expanded by 1,1% in Q2 2013 over Q1 (the first increase since 2010); though the rate is still -2,1% for the past 12 months. Unemployment is among the highest in Europe (16,4%), yet the trend is improving as employment grew by 1,1% during Q2. Austerity measures also remain in place as the government strives to emerge from its Euro bailout program, by 2014. The Portuguese market therefore remains highly volatile and sensitive to shifts not only within the borders of Portugal but also within the Euro zone area.

It is within this fragile context that home-buyers and sellers must make decisions on a move, a new home, to decide whether to buy or rent, or place their home on the market.

TRANSACTIONS

The number of residential sales has been in severe contraction over the past three years as the crisis hit in full force. Total sales were 112,062 in 2011 (-26,2% from the previous year); in 2012 sales dropped further by about 15% to 95,000 and in 2013 the downward trend is expected to continue potentially in low double-digit figures. A number of converging factors have contributed to the plummeting sales, including tighter lending practices, oversupply of properties coupled with fall in demand; shrinking prices and general uncertainty about the future economic prospects, including job security.

PRICE TRENDS

Following the trend in transactions, housing prices in 2013 have also continued a downward correction. The total contraction in 2011, versus, 2010, was 3,1%. Prices continued to drop in 2012 falling in the range of 7 - 8%. For the full year to June 2013, the average property price in Portugal fell again but at a slower pace, by 2,4% in a 12 month period to arrive at an average of €1,014 per square meter nationally (*Statistics Portugal -INE*). The average price of a home dropped by 4,7% year on year, to €948/M2 and apartments fell by 2,2% to €1.051/M2.

In viewing tendencies in house prices one must also consider tendencies in the rental market. During this crisis period many potential home buyers shifted to renting, an alternative that was simpler, less costly and less binding. This dynamic is slowly shifting as rents have risen to high levels nearly compatible with the cost of buying a home; recent laws enacted by the government have also given landlords more rights, and tenants less protection. As home prices decline and rents peak, we expect that housing will once again take a more dominant role.

MORTGAGES

A significant problem for buyers in Portugal today is the reluctance of the banking sector to grant loans. Buyers are experiencing many difficulties in obtaining a mortgage; while banks are concerned with the increased risks of non-payment. Therefore, mortgage loans remain very difficult to obtain for the average buyer, only the most credit-worthy candidates have the possibility to secure a mortgage loan. Banks require the buyer to make a significant

down payment (20% minimum down-payment is needed) and they also must possess a first-rate employment history and salary. Currently banks are primarily financing their own foreclosed properties. An aspect that also places additional pressure on house prices.

Currently (May 2013) interest rates average 3,24% slightly lower than mortgage rates for same period one year ago, in 2012 (3,99%). However since 98% of loans in Portugal are variable rate mortgages (or one-year fixed rate mortgages), the market is highly sensitive to interest rate fluctuations.

OUTLOOK 2014

There are many factors that will ultimately weigh on the residential market. Much of the momentum (or lack thereof) will be driven by consumer sentiment and the ability of sellers to sell existing homes and buyers to secure financing to buy a resale or new home.

While unemployment dropped slightly in the last quarter, this is still a fragile and unpredictable element of the economy. Some analysts are predicting a rise to 18% before year end. This subdued labor market is expected to exert ongoing downward pressure on the housing market. Since much of the economy is also intrinsically tied to a macro economic reality, there remains a clear element of unpredictability for the general economy.

Nevertheless, a period of continued stabilization during the final quarter of the year, 2013 and a more positive outlook for 2014. Though the housing sector will remain under pressure; financial institutions will adapt to these changes and begin to offer greater incentives.

What to pay attention to:

- Euro-zone instability, negatively affecting the Portuguese consumer
- National instability, economic weakness, due to the debt crisis, and austerity measures
- Growing unemployment
- Higher cost of living
- Family income weakening due to austerity measures
- Restrictions on mortgage practices due to a risk of customer defaults
- Banks focusing primarily on financing only bank-owned foreclosures
- Ongoing refocus from buying to renting, pushed by IMF
- Downward adjustment of sales prices
- Housing market contraction due to general market uncertainties
- Government tax hikes implemented to raise additional revenues to enable the government to attain budget goals under the bailout from the European Union and International Monetary Fund. Potential of 4 billion euros (\$5.4 billion) of additional spending cuts in 2013-14 in the public sector.

These factors will potentially have a dampening affect on housing investment.

PORTUGAL	
2011 N° of Residential Transactions	112,062
2012 N° of Residential Transactions	95,000
YOY Evolution	-15.2%
2013 TRANSACTION Trend	DECLINE
2012 Avg. Property Price/Capital City	€119,400
2013 Avg. Property Price/Capital City	€117,300
2012 Avg. per Square Meter	€1,194
2013 Avg. per Sq. Meter	€1,173
2013 PRICE CAPITAL CITY Trend	DECLINE
2012 Avg. Property Price/Nationally	€102,100
2012 Avg. per Square Meter	€1,021
2013 Avg. per Sq. Meter	€1,014
2013 PRICE NATIONAL Trend	DECLINE
2011 Average Days on Market	365
2012 Average Days on Market	395
2013 Average days on Market	395
2013 DAYS ON MARKET Trend	INCREASE



ERA Sweden

A steady housing market reflects the general good health of the Swedish economy, prices stable and on the rise.



SWEDEN	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Increase	Increase	Increase	Stable	Seller	Stable

**DOM varies greatly depending on location i.e.: Stockholm vs. rural areas*

GENERAL

The Swedish home market has been buoyant for the past several years, in relative contrast to much of Europe. Following two years of robust economic performance, Swedish growth decelerated in 2012, dropping to 0,7% (from 3,7% in 2011 and 6,6% in 2010). Thus far unemployment stands at 7% and the economy is expected to grow modestly most estimates falling between 1,0 and 1,5%.

Given that home prices are now attaining pre-crisis levels there are concerns of a bubble forming in the housing market. Historically low interest rates coupled with extremely long amortization periods have fueled buying, and have opened the financial system to potential vulnerabilities. The Swedish government is trying to balance incentives to support the market while at the same time downsizing risks. For the moment the situation remains favorable for homebuyers in the Swedish market.

TRANSACTIONS

A total of about 155.000 flats and homes were sold in Sweden in 2012, an increase of 2,2% over the previous year. Most of the sales occur in the Greater Stockholm, Greater Gothenburg, Greater Malmö areas in 2012; this represented 79% of all sales volume (SCB - Statistics Sweden). By far the majority of sales are apartments. The trend moving through June 2013 is leaning toward an increase in transactions.

Housing stock:

- 4 550 779 dwellings (2012)
- 2 014 394 were dwellings in one- or two-dwelling buildings
- 2 536 385 were dwellings in multi-dwelling buildings.

PRICES

Real estate prices for one- or two-dwelling buildings increased by almost 2 percent during the second quarter 2013 compared to the previous quarter. Prices increased by nearly 3 percent on an annual basis during the last quarter compared to the same quarter last year. Increasing prices were reported in 14 out of 21 counties between the two most recent quarters, while decreasing prices were reported in 5 counties. The average real estate price for a one- or two-dwelling building during the second quarter 2013 was SEK 2.1 million. In the metropolitan areas the average price ranges from SEK 2.7 million in Greater Malmö to just under 3.9 million in Greater Stockholm. 31 percent of the total number of purchases made during the second quarter of 2013 was made in the three metropolitan areas.

MORTGAGES

Mortgage rates in 2012 varied between 3,2% to 5,5% depending on risk factors, and creditworthiness of the borrower. Since October 2010 new regulations concerning loan LTV's are now capped at 85%, however most loans issued in recent months have been LTV's around 70% (Diagram 1). The down payments are often funded from proceeds from the previous home sale. A new trend today that is causing some uneasiness in the market are repayment periods for new loans trending toward 140 years; very lengthy and unusual from a European perspective.

Diagram 1. Volume-weighted loan-to-value ratio of new loans

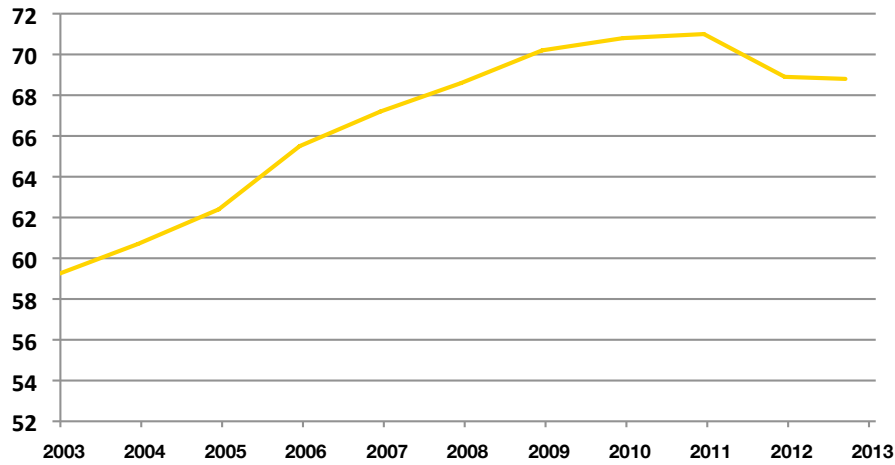
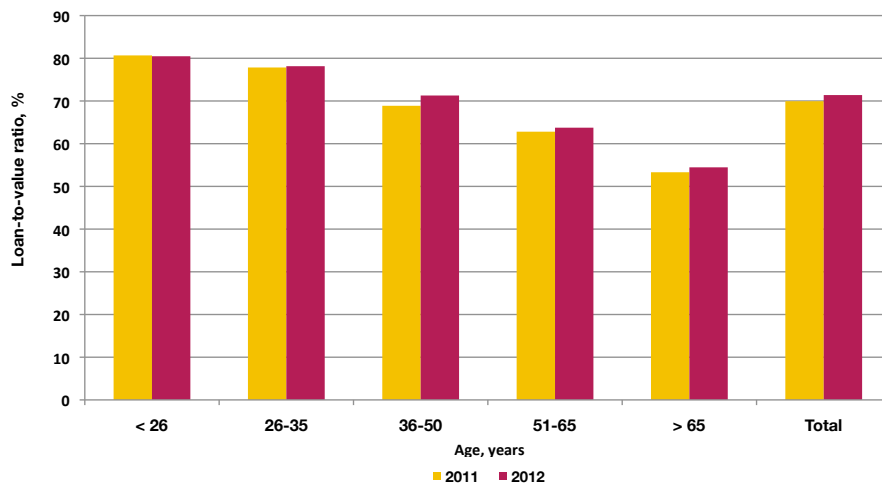


Diagram 2. Loan-to-value ratio per age group



The greatest share of borrowers is found in Stockholm, representing 28% of all mortgage loans yet 40% of total value loaned. The largest share of borrowers falls within the age group of 36 to 50 years, and represent 38% of all loans granted. The Swedish Central Bank is assessing whether new guidelines need to be implemented. The Central Bank is estimating a 5 to 5,5% increase in lending activity during 2013.

OUTLOOK 2014

The housing market is expected to continue on a modest upward trend through year end 2013. Lending perspectives remain encouraging and the economy is expected to continue on a path of relative stability; public sentiment is also by and large positive. However this outlook needs to be tempered with the longer term concerns of house prices rising too high with a correction potentially looming on the horizon; this coupled with possible changes in lending practices that may cause the housing market to slow as we enter into 2014.

SWEDEN	
2011 N° of Residential Transactions	151,695
2012 N° of Residential Transactions	155,000
YOY Evolution	2.2%
2013 TRANSACTION Trend	INCREASE
2012 Avg. Property Price/Capital City	€453,794
2013 Avg. Property Price/Capital City	€460,000
2012 Avg. per Square Meter	€3,461
2013 Avg. per Sq. Meter	€3,655
2013 PRICE CAPITAL CITY Trend	INCREASE
2012 Avg. Property Price/Nationally	€244,405
2012 Avg. per Square Meter	€1,902
2013 Avg. per Sq. Meter	€2,160
2013 PRICE NATIONAL Trend	INCREASE
2011 Average Days on Market	70
2012 Average Days on Market	85
2013 Average days on Market	65
2013 DAYS ON MARKET Trend	DECREASE



ERA Switzerland

Characteristic stable housing market, sideward price movements, crisis free & resilient



Switzerland	N° Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Stable	Increase	Increase	Decrease	Seller	Decrease

GENERAL

Real estate plays a significant role for the Swiss household.

Latest statistics from the bank of Switzerland show that 43,8% of household wealth is invested in real estate. A figure growing steadily year on year over the past decade (2002-2012) This phenomena is partly explained by the sustained and rising value of housing in Switzerland, in contrast to the capital losses on financial assets due to market prices and exchange rates, especially in recent times.

The housing market is further strengthened by an economy on a solid growth path, a trend expected to continue into the near future, possibly even gaining momentum as we transition into 2014. Current unemployment at 3,2% (2013) is one of the lowest in all Europe. Therefore, A resilient economy and employment market and a lack of performing investment alternatives, have helped boost house prices and the home market in general.

TRANSACTIONS

As in other Germanic markets (Germany, Austria) the Swiss market is divided into two major sub categories, the rental market and the owner occupied market (single family houses and apartments) the latter representing 40% of households in Switzerland. Sales of both houses and apartments have been on the upswing since 2008 and there is no indication this will change anytime soon. It is estimated that approximately 55.000 transactions are closed annually in this country of 8 million inhabitants. There is a risk at some point in the future; prices will reach a point of 'un-affordability'; though this is not anticipated to occur for several years to come.

PRICES

Mainstream Swiss house prices have risen by 30% since the start of 2007, outperforming all of the other main European markets and limited new supply and historically low interest rates have pushed prices higher. Switzerland saw the average price of owner-occupied apartments and single-family dwellings increase by 35 and 20 per cent respectively.

The overall price trend in the 2013 market for owner-occupied apartments continues to follow a positive trend, but the pace has moderated: Booming housing markets such as Geneva, Lausanne, Vevey and Saanen have recently recorded below-average price increases; also in parts of Central Switzerland, asking prices currently move sideways at high levels. In light of continuously strong building activity, growing supply is likely to put prices under pressure in 2013.

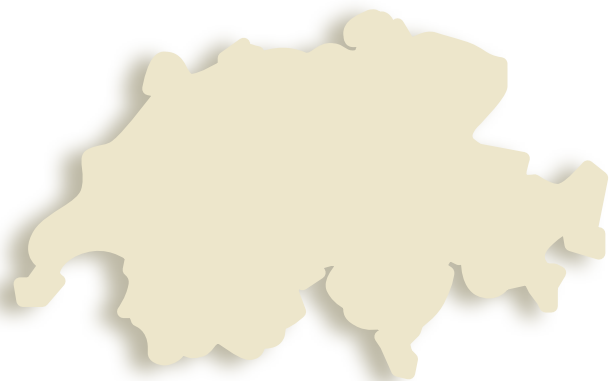
MORTGAGES

The financial cost in Switzerland of owning a property has never been so low. The 'absurdly' low rates have clearly spurred housing sales, and rates are expected to remain at low levels as long as uncertainty in the financial markets remains. In 2008 the average interest rate for a fixed-rate mortgage was at 3,8% compared to 2,25% today (2013). Though purchase prices have steadily increased the drop in interest rates, thus far more than compensated for the rise in prices (*Credit Suisse*).

OUTLOOK 2014

The Swiss housing market is expected to gain further momentum as we move into 2014. The economy is on a solid growth path and consumer confidence is strong. The population is growing due to inward migration; wages are growing, both these factors that are expected to spur growth in the housing sector. Prices will continue on a steady but modest upward path as demand is anticipated to remain healthy; this despite the increase of new housing coming into the market.

SWITZERLAND	
2011 N° of Residential Transactions	50,000
2012 N° of Residential Transactions	55,000
YOY Evolution	10%
2013 TRANSACTION Trend	STABLE
2012 Avg. Property Price/Capital City	€1,580,000
2013 Avg. Property Price/Capital City	€1,695,200
2012 Avg. per Square Meter	€9,294
2013 Avg. per Sq. Meter	€9,972
2013 PRICE CAPITAL CITY Trend	INCREASE
2012 Avg. Property Price/Nationally	€600,000
2012 Avg. per Square Meter	€605,000
2013 Avg. per Sq. Meter	€5,575
2013 PRICE NATIONAL Trend	INCREASE
2011 Average Days on Market	190
2012 Average Days on Market	195
2013 Average days on Market	195
2013 DAYS ON MARKET Trend	DECREASE





TURKEY	N° of Residential Transactions	Avg. Price/ Capital City	Avg. Price/ Nationally	Mortgage Rates	Buyer or Seller Market	Average Days on Market
Trend 2013	Increase	Increase	Increase	Decrease	Seller	Decrease

GENERAL

The Turkish economy remains healthy, far outperforming its European neighbors. Growth is anticipated at 4% in 2013 and by 4,5% in 2014, (Finance Minister Mehmet Simsek). GDP per capita has tripled in the last 10 years from 3.492 USD to 10.444 USD. GDP per capita surpassed 16 thousand USD (ppp). (Source: *TURKSTAT, World bank*)

- In August 2012, the seasonally adjusted unemployment rate was 9.2%. (Turkey Ministry of Economy, *Economic Outlook*, 2012)
- Seasonally adjusted unemployment rate in Euro Area was 11.7% and 10.7% in (EU27) in October 2012. In terms of unemployment ratio Turkey outperformed 14 EU countries according to current data. (Turkey Ministry of Economy, *Economic Outlook*, 2012). The Turkish Minister of Economics, Caglayan states “We aim to bring that rate down to 6 to 7% over the medium to long term.

What are the drivers of the residential market in Turkey today? They include a combination of some very basic factors, including population growth, inward migration to larger cities, rising disposable incomes and improvements in the delivery of affordable financing. New housing will play an important role as key city centers are replenishing housing stock. Finally the high percentage of young, about 40% of the population is under 28 years old, they are all potential homeowners. We anticipate that this upwardly mobile demographic will play an important role in the housing market in the years to come. Future demand for housing is anticipated to be in the range of 650,000 dwellings annually.

As the Turkish residential real estate market grows so does the need for greater transparency. Though some statistics are available on the market, the figures are far from being comprehensive and transparent; accuracy is difficult to confirm. “Expansion of industry-oriented data will help the players make correct and efficient decisions. (Dr. Can Fuat Gürlelel, *Main Indicators of Real Estate Sector in Turkey 2011*, GYODER).

The Turkish mortgage market is still quite underdeveloped. As the Turkish government further develops its housing finance system and more specifically securitization of the secondary market, sales will grow, and at the same time aid the ability of consumers to more easily finance a property.

Looking forward, another factor will affect the industry is housing supply. The Turkish housing ministry is predicting serious housing shortfalls in the next three years of about 100.000 units per annum. A number of government initiatives are being undertaken to loosen regulations to both streamline new developments and to spur foreign investment. The government is amending three important laws. 1) Termination of Reciprocity principle to ease foreign transactions 2) Amendment to the pre - forested areas (2B) law to eliminate disputes between owners/tenants and the government 3) Condominium ownership law modification enabling a 2/3s majority of condominium owners to decide whether to

demolish and reconstruct expected to unleash considerable housing demand given the 7.7m bad stock out of the total 19 million total housing stock in Turkey.

PRICES

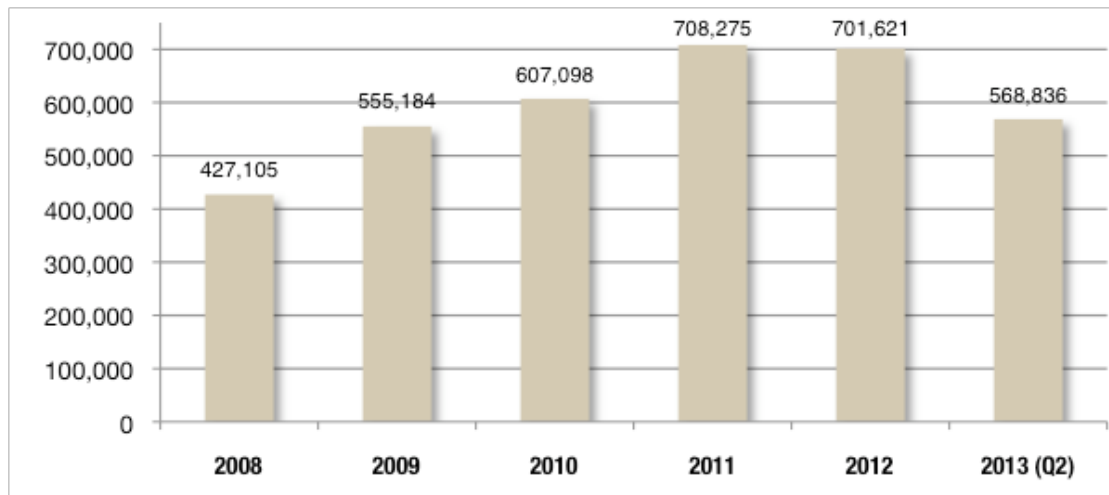
Prices have been consistently on the rise during the past three to four years for both the new home and resale market. As mentioned above the lack of housing supply coupled with strong demand and confidence in the economy has put upward pressure on home values.

- New home prices increased by 13,02% during the last 12 months during July 2012-July 2013.
- All home prices increased on average by 12,90% from July 2012 - July 2013. (Source TCMB)

TRANSACTIONS

The total number of home sales in 2012 was 701.621; compared to 708.275 transactions closed in 2011, a modest decline of 0,94 %. The year 2013 has seen a dramatic shift upward in the number of closings. The most recent available statistics (TSI) through Q2 alone show a total of 568.836 home sales, a significant increase over the same period in 2012 and representing nearly 80% of all sales transactions closed during 2012, and this covers just a six month period. The largest share of sales, 24% (2012) have occurred in the Istanbul region, also the most densely population metropolis in Turkey of nearly 15+ million inhabitants. Demand is expected to remain strong and transactions to continue an upward trend into 2014. The three largest cities in Turkey (Istanbul, Ankara, Isomer) account for +51% of all transactions closed.

Residential Home Sales Turkey



(Source: TurkStat)

MORTGAGES

As mentioned above the Turkish mortgage market is still under developed, nevertheless, it has experienced phenomenal growth in recent times as the industry matures and catches up to its European counterparts. A remarkable indication of how much growth remains in the market can be observed when comparing the Turkish residential debt to GDP ratio currently at 5,8% compared to the EU27 average of 51,7% (Source: EMF). House sales with mortgages currently represent a 44% share of all house sales in Turkey; approximately 56% of home financing comes from inherited funds or is self financed.

As the mortgage market matures and competition increases, mortgage rates have been steadily declining making homes more affordable for the common buyer. Rates today average around 9% for fixed rate for a loan with an average term of 5 to 10 years and generally a 75% LTV is requested. Loans can be taken in a number of different currencies. Though these mortgage rates are quite high by European standards the rate has fallen from upper double digit figures over the past 10 years. The trend in the mortgage market is as the mortgage rate declines, more mortgages are being sold and resulting in the price of both homes and transactions increasing.

OUTLOOK 2013 to 2014

Conditions in the Turkish housing market are expected to remain favorable throughout 2014. Factors influencing positive growth include growing competitiveness in the mortgage markets, declining mortgage rates, and the increase in general disposable income making a first home purchase within reach of its younger population, of which 40% are under the age of 25 years. The government's plans for urbanization and construction of well-needed housing developments to handle pent up demand will spur residential sales in the coming months and years. Estimates are that there is demand for 600,000 housing units a year from population growth, in addition to high migration to the cities from the countryside.

Regulations such as the '*Reprocity Act*' will also pave the way for the sale of real estate to foreigners which was previously prohibited for individuals. It is expected that properties in the higher end residential market out of reach for the average Turk homeowner will be the ones more likely to benefit. This landmark legislation passed in May of 2013 by the Turkish Parliament allows for foreigners from 129 countries to purchase property in Turkey, unconditionally, and another 52 countries requiring some clearance. It also provides a one-year residency permit for foreigners who buy real estate.

The Turkish economy also continues to grow, albeit at a slower pace (4,4%) than in the past and is expected to fall in the 4 to 4,5 percent range by year-end, far above the Euro Area GDP growth rate of 0,4% for the same period.

TURKEY	
2011 N° of Residential Transactions	708,275
2012 N° of Residential Transactions	701,621
YOY Evolution	-0.9%
2013 TRANSACTION Trend	UP
2012 Avg. Property Price/Capital City	€56,000
2013 Avg. Property Price/Capital City	€60,000
2012 Avg. per Square Meter	€448
2013 Avg. per Sq. Meter	€475
2013 PRICE CAPITAL CITY Trend	UP
2012 Avg. Property Price/Nationally	€66,500
2012 Avg. per Square Meter	€532
2013 Avg. per Sq. Meter	€573
2013 PRICE NATIONAL Trend	UP
2011 Average Days on Market	-
2012 Average Days on Market	-
2013 Average days on Market	90
2013 DAYS ON MARKET Trend	DOWN





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