

# LITTLE EUROPE

A Vision for George Enescu 25



<http://ovo.eu/LittleEurope>

A Capstone Project by Teodor N Cataniciu, MS Real Estate Development  
Columbia University in the City of New York, May 2020



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# EXECUTIVE SUMMARY

Little Europe is a mixed-use development vision for the site at George Enescu 25. The project draws inspiration from the rich history and culture of Europe in all regards of life: from cuisine to wellness, from architecture to popular culture, from history to our common future. Little Europe is a reflection of the vibrant way of life that Europeans enjoy across the continent, and an attempt to tell a story through the built environment about our shared values and the future of Europe.

We imagine a modern food hall and retail ground floor with office and luxury residential components integrated into a development of 5300 gross square meters. The core urban location of the site, next to the cultural, business, government, and entertainment icons of Europe's fifth-largest capital, represents an excellent opportunity to build a statement of optimism and hope in the post-pandemic global economy rebuild.

Our vision is focused on fostering community building through thoughtful design, a meaningful use of technology, and materials inspired by nature integrated into a sustainable building. We have imagined Little Europe as a space that promotes well-being and enables the serendipity of human interaction through unique amenities and unmatched outdoor areas.

## PROJECT SUMMARY

Total Square Meters	5321
Construction Period (months)	20
Lease-Up Period (months)	16
Hold Period (months)	120
Total Time from Start to Sell (months)	156
Exit Cap Rate	6%

## RETURN PROJECTIONS - PROJECT

IRR (Unlevered)	18.26%
Net Profits (Levered)	€ 13,967,916.13
Equity Multiple (Levered)	4.24X
Cash on Cash (Levered)	324%
Return on Cost at Stabilization (Unlevered)	8.13%

## SOURCES

Equity by GP	€ 642,845.57
Equity by LP	€ 3,902,250.00
Loan Amount	€ 4,227,290.47
<hr/>	
Total	€ 8,772,386.04

## USES

Land Value	€ 3,902,250.00
Development Cost	€ 4,637,730.75
Operating Reserve	€ 232,405.29
<hr/>	
Total	€ 8,772,386.04

## RETURN PROJECTIONS - LIMITED PARTNER

Levered IRR	37%
Levered EM	3.99X
Net Profits (Levered)	€ 11,602,083.61
Cash on Cash	299%



# THE SITE AT GEORGE ENESCU 25

## THE SITE

The lot is 1,419 square meters (SM) and located at George Enescu 25 in the Central District of Romania's capital. It features a street frontage of 37 meters on the George Enescu Street with great visibility from the adjacent Magheru Boulevard. Although located in a historical district none of the existing structures at the site are marked as historical or protected under such laws. The zoning, specific to neighborhoods of historical importance, does pose a set of restrictions to be discussed further in this document.

## EXISTING CONDITIONS

Historically the uses at this location have been retail and food & beverage. Currently, the situation is similar with several shops operating at ground level and a restaurant occupying the open yard and existing buildings. There are three existing structures on the site of sizes 450 SM, 120 SM, and 150 SM, respectively. These structures, although fully utilized at the moment, are to be demolished to clear the site for the new development.



The site is zoned under the Protected Area Zone No. 28 "Amzei Square" which delineates the historical Amzei neighborhood. It encourages mixed-uses with retail or F&B at ground floors and residential in the rest of the buildings. Office and other commercial uses are also allowed. In turn, the site is versatile offering a large array of options for development based on zoning.

The ordinance indicates the architectural value of the area is high, thus the degree of protection of the urban fabric is of maximum importance. Currently, the building parameters for new developments are set to a FAR of 2.5, with a maximum footprint of 65% of the lot area. The maximum height is 19 meters with a setback required on the last floor. Newbuildings must be built in line with adjacent structures on the site frontage to maintain a continuous streetscape. Further restrictions are in place for historical buildings, however, none of the structures on the site fall under those rules.

# UPZONING THE SITE

## VARIANCE REQUEST

Unlike New York City, where a developer could pursue a rezoning through ULURP or join one of the incentive programs the city offers in exchange for FAR, Bucharest offers a far narrower array of options for obtaining better building parameters. The developer can request a one-time PUZ (Zonal Urban Plan) that, if approved, extends the current parameters by 20%. Based on conversations with architects and city planning officials we believe such a request is likely to be approved for the site, given its immediate surroundings and other comparable projects in the neighborhood. The resulting building parameters can be reviewed on the adjacent table.

Overall, the zoning offers plenty of options in terms of uses, yet it is rather restrictive in terms of development parameters. A high-rise is thus not possible given the current zoning plan, and it is unlikely that over the short or medium-term the area would be significantly upzoned given its historical importance. It is thus recommended that the PUZ route is undertaken and the resulting building would follow a FAR of 3.0, a height of 25 meters (Ground Floor + 5 Floors + 6th & 7th floors with setback) and a usable building size of approx. 4300 SM. A total of 90 underground parking spots will also be required under zoning, thus together with other spaces not added towards FAR, the total buildable area is approx. 5300SM.

PARAMETERS	HEIGHT	MAX. USABLE SQUARE METERS	TOTAL BUILDING SIZE (25% OVER NET USABLE)
Current Zoning (FAR 2.5)	Ground Floor + 4 Floors + 5th floor w/ setback (19 meters)	3548 SM	4435 SM
After Rezoning (FAR 3.0)	Ground Floor + 5 Floors + 6th & 7th floors w/ setback (25 meters)	4257 SM	5321 SM

# UPZONING PRECEDENTS

George Enescu 11



George Enescu 17



Mendeleev 5



Based on the zoning analysis and the local context we believe a total of 4,257 usable square meters, for a total buildable area of 5321 square meters, can be built following this structure: 2 Underground Levels + Ground Floor + 7 Floors (last 2 with setback) at a total height of approx. 25 meters. The structure would be similar to the adjacent Eastern lot (known as the UGIR Building) and smaller than the residential building across the street (locally known as the Eva Building). Similar new developments, under the same zoning area and in close proximity, were authorized to be built under comparable parameters after a PUZ documentation - George Enescu 11, George Enescu 17, Mendeleev 5, pictured on this page.

# NEIGHBORHOOD CONSIDERATIONS

Framed by its two main Boulevards inspired by Paris' Champs-Élysées, Magheru and Victoriei, Bucharest's Central District is an area rich in history and the core of Romania's capital. It is an intellectual and cultural destination with The National Art Gallery housed in the former Royal Palace, the Atheneum, the National Theatre, and the two best-ranked universities in the nation within a five-minute walk from the site. Indeed the location features some of the city's most luxurious hotels, such as the InterContinental, Hilton Athenee Palace, and the Radisson. Numerous government buildings and the City Hall are based nearby, as well as the Cismigiu Gardens, the largest park in the central area. All types of public transport are readily available within a short walk, including the Romana Subway Station; the subway system serves over half a million passengers every day. In turn, retail and commercial spaces in the area support the highest rents in the country, at about €50 SM/month.\*



\*According to [Cushman & Wakefield](#) (page 38), a top 30 location in the European Union and top 50 world-wide.

# DEMOGRAPHICS OF BUCHAREST

The National Institute of Statistics does not share neighborhood-specific demographics but the city-wide data can provide some useful insights and a grounding for educated guesses in the vicinity of the site. These data points must be understood in relative terms to the rest of the country as well as by comparison to similar investment destinations in Central Eastern Europe (CEE). From the high-level city perspective, Bucharest is the most affluent and well-educated part of the country, factors that are also reflected in the amount of SMEs as well as large multinational companies located in the city. Moreover, the purchasing power of the average earner in the capital is higher than those average earners in cities like Berlin, Madrid, or Rome. However, the high percentage of home-ownership certainly represents a special market dynamic that has to be accounted for. Moreover, investment opportunities in the Central District must also be formulated taking into account the high concentration of tourists and business travelers who live, shop, eat, and do business in the area. As we shall see further in the research by looking at comparables, a number of corporations are now starting to relocate from the traditional office locations, like the Pipera District on the outskirts of the city, to more central locations well-connected by public transit and in close proximity to retail, restaurants, and entertainment.



POPULATION (METRO AREA):  
**2,412,530 PEOPLE**  
(5TH LARGEST EU CAPITAL)



DENSITY: **8,260 PEOPLE**  
PER SQUARE KILOMETER  
(3RD MOST DENSE EU CAPITAL)



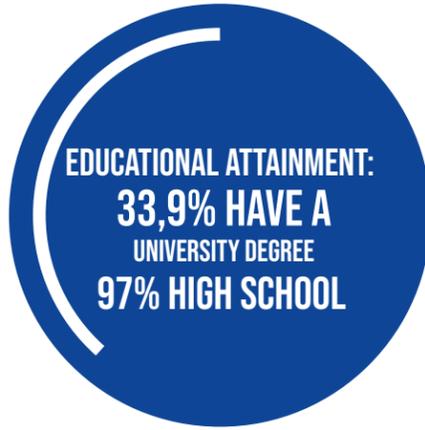
AGE: **41 YEARS**  
AVERAGE AGE, 25% OF THE  
POPULATION UNDER 24



AVERAGE SALARY (GROSS, 2019):  
**1,332 EURO PER MONTH**  
(EQUIVALENT TO 3,600 PPS AT PURCHASE POWER  
PARITY IN THE EU OR 140% OF EU AVERAGE GDP)



HOME OWNERSHIP:  
**96,1% OF ROMANIANS**  
OWN THEIR HOME,  
LARGEST % IN THE EU



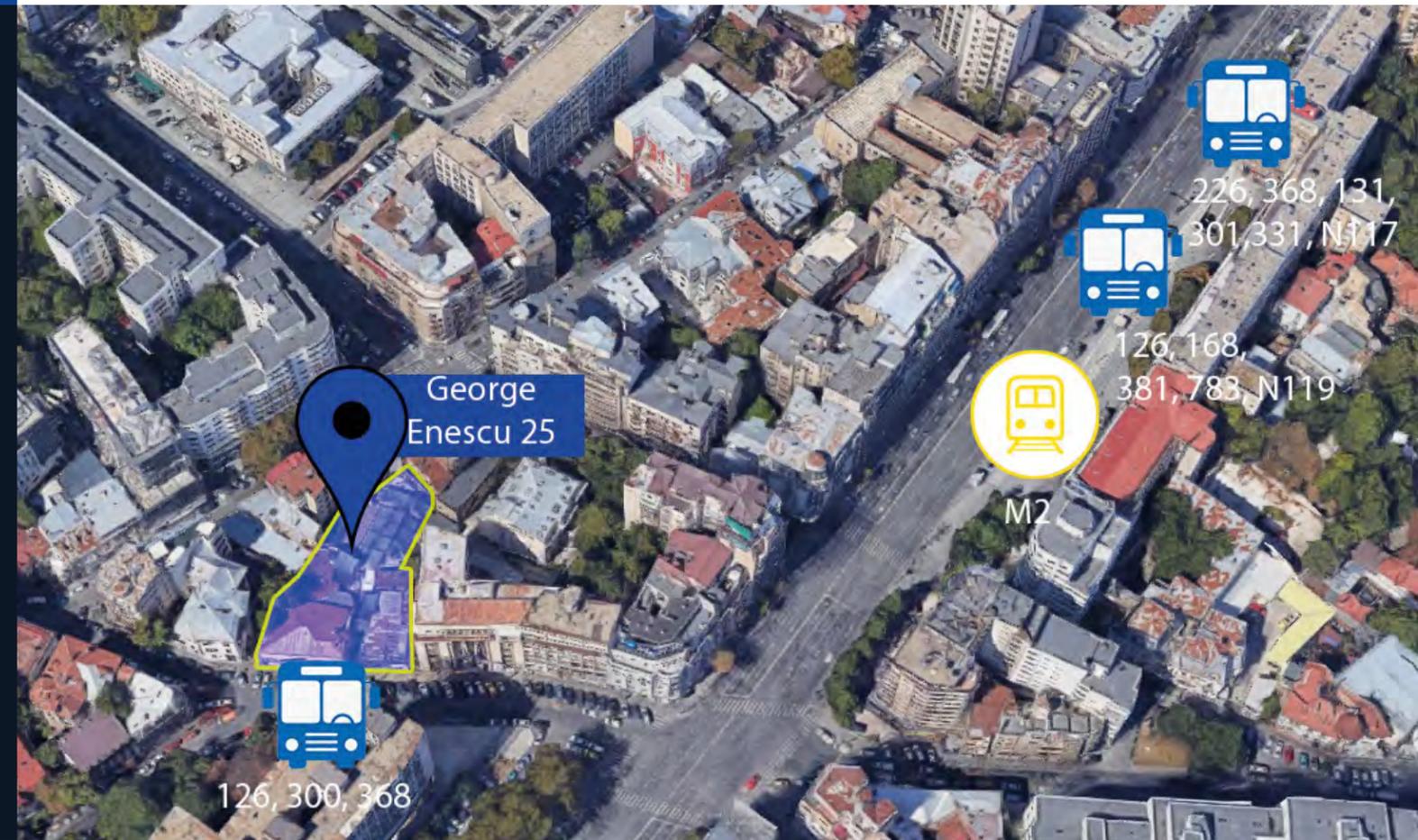
EDUCATIONAL ATTAINMENT:  
**33,9% HAVE A**  
UNIVERSITY DEGREE  
**97% HIGH SCHOOL**



NUMBER OF UNIVERSITY  
STUDENTS:  
**132,419 ENROLLED IN**  
30 UNIVERSITIES (2020)

# TRANSIT ACCESSIBILITY

The site has excellent access to all major transportation types and routes given its position at the core of the city. The M2 subway line, connecting the city from south to north, is a 3 minute walk away (200 meters), the “Nicolae Golescu” bus stop is right in front of the site connecting to three bus lines (two westbound, one NW bound). Furthermore, a number of 9 other buses, virtually to all directions, are easily reachable within a 4 minute walk. The site benefits from world-class connections to public transportation, an asset both for working commuters from all over the Metro area, as well as business travelers and tourists who seek a central location offering seamless mobility.



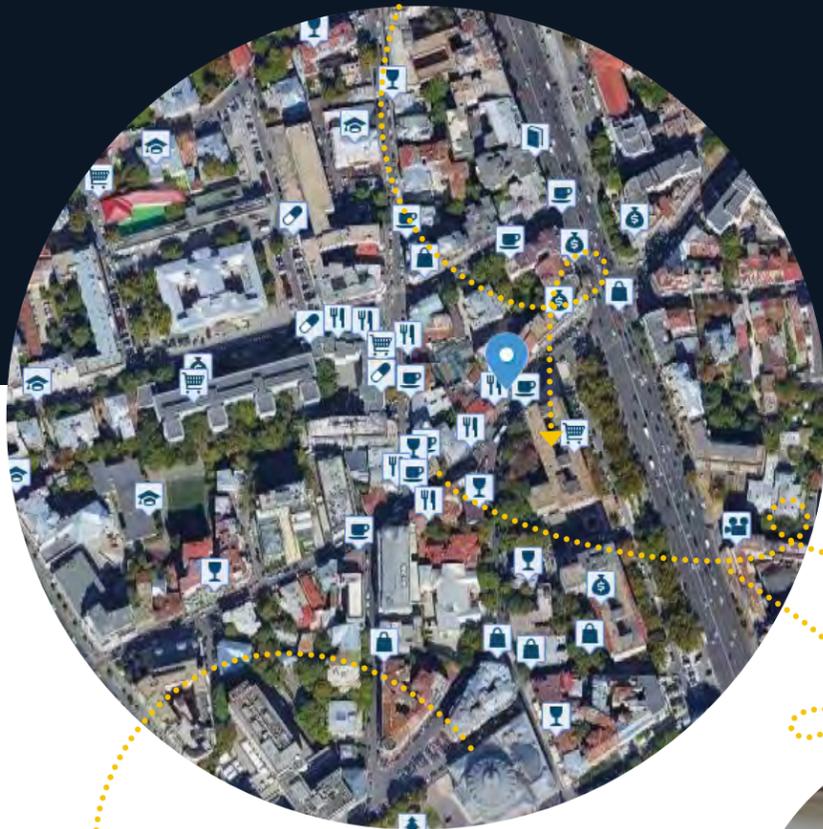
# SURROUNDING USES (I/II)

The high mixed-use density characteristic of the urban core of European cities translates into a surrounding area rich in amenities and character. A stroll on the streets surrounding the site reveals both cultural and historical sites, as well as numerous culinary, grocery, and educational points of interest. On the practical side, there are multiple pharmacies, grocery stores, and banks located within a short walk. Four highly-ranked high-schools ("Sfantul Sava", "Virgil Madgearu", "George Calinescu", "Goethe College"), three K8 schools ("Tudor Arghezi", PS No.5, "Scoala Centrala"), the private Cambridge School, and three kindergartens are also located within walking distance. Moreover, the Bucharest University of Economic Sciences and the University of Bucharest, together counting over 55,000 students, have their main campuses accessible either by a 10 minute walk or a 5 minute bike ride.



# SURROUNDING USES (II/II)

**LARGE SUPERMARKET  
WITHIN A 1 MINUTE WALK**



**DOZENS OF RESTAURANTS,  
STREET-SIDE CAFES, AND BARS  
LOCATED WITHIN A 3 MINUTE WALK**



**3 NATIONAL MUSEUMS, A CONCERT  
HALL AND THE ATHENEUM**



The site is ideally placed near cultural destinations such as Romania's National Art Gallery housed in the former Royal Palace as well as the Atheneum, the home of the "George Enescu" Philharmonic and of the eponymous annual international music festival. Overall, the location provides an excellent walkability potential for errands, entertainment, and education which may be attractive both to families seeking urban living and businesses relocating to the urban core.

Despite its core location, the site is only a 20 minute drive away from the Otopeni International Airport, the country's main transport hub. Larger retail hotspots, such as the Unirea Shopping Center and Promenada Mall, are a 10 and 15 minutes drive away, respectively. The city's best regarded park, King Michael, can be reached in 15 minutes by car or 10 minutes by subway, and the Cismigiu Gardens are within walking distance. Finally, the Old City, a destination renowned for its nightlife and location of over a hundred restaurants, bars, and nightclubs, is a short subway ride away or a brisk 10 minute walk. Overall, the site connects easily to other strategic points in the city both via public transit, car, and alternative transport.

# BIG PICTURE PLAN

The objective is to leverage the versatility of the site by creating a modern food hall and street-level retail at the ground floor, four office floors, and three residential floors at the top. The rear side of the building features a series of large outdoor spaces that will enhance the urban experience of the tenants with a touch of nature.

The mixed-use vision is completed by an urban garden on the roof for the residents, as well as a compact green area at the rear side of the site called The Forum - an open to all green space at the heart of Bucharest that also serves as an outdoor event space that opens the building to the wider community.



# MAKING LITTLE EUROPE

The project draws inspiration from the rich history and culture of Europe in all regards of life: from cuisine to wellness, from architecture to popular culture, from history to our common future. Little Europe is a reflection of the vibrant way of life that the people of Europe enjoy across the continent, and an attempt to tell a story through the built environment about our shared values and the future of Europe.

The design vision is centered around a seamless mix of uses in a modern built environment that honors the strong historical social fabric of the area. To complement its ultracentral location, the development will feature an abundance of green space and opportunities for human connection, serving as social infrastructure for the neighborhood. The ground floor with its food hall aims to draw in people from across the city to experience the diversity of European cuisine and culture, the residential component features a generous outdoor green space, while the office component is open and modern, ready for business at the heart of the city. With 5 meters of ceiling height the ground level benefits from an abundance of natural light and creates an inviting and inclusive streetscape for retail, food and drinks, or just a moment of relaxation in a peaceful setting.

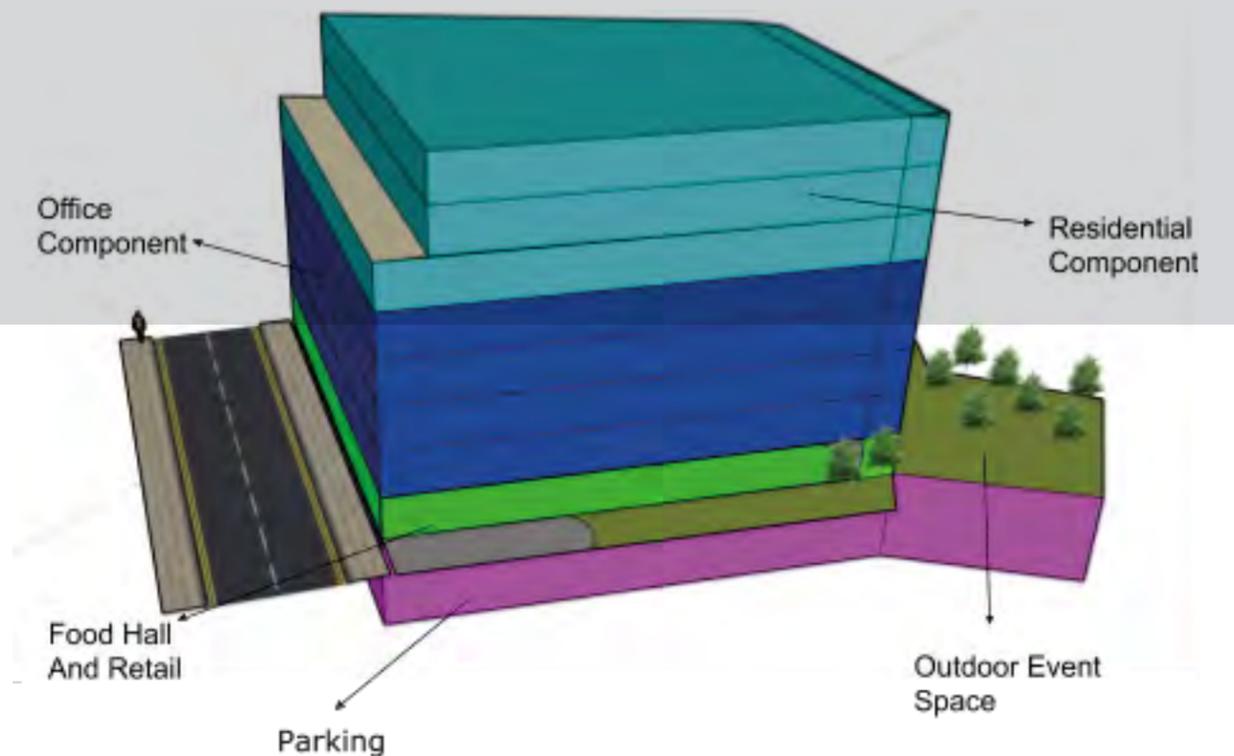


# BUILDING ENVELOPE

USES	SQUARE METERS	%
Food Hall	640	12.03%
Retail + Public Lobby	160	3.01%
Office	2281	42.86%
Condo	1176	22.11%
Underground Parking*	800	15.03%
Outdoor Event Space**	619	11.63%
Terraces Office/Residential*	264.3	4.97%
<b>Totals/Average</b>	<b>5321</b>	<b>100.00%</b>

\*Not counted towards FAR

\*Not counted towards FAR or Total

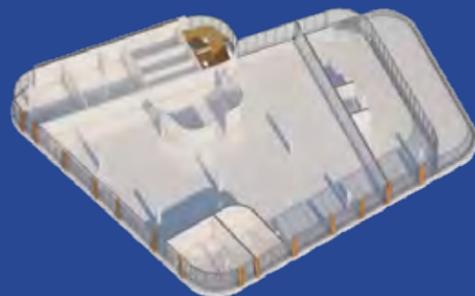


# BUILDING PROGRAMMING

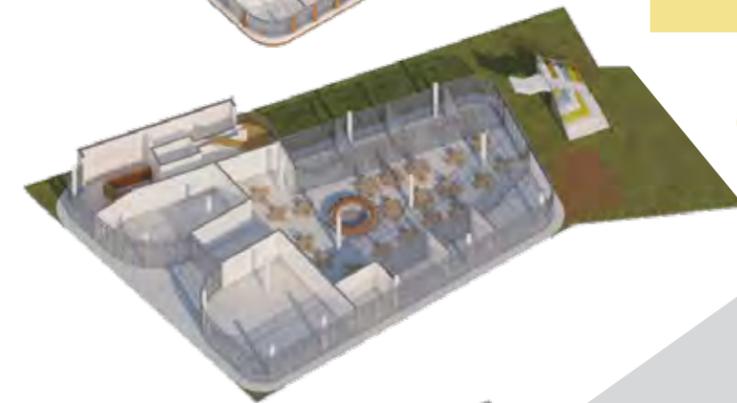
GREEN ROOF



RESIDENTIAL (CONDO) COMPONENT



OFFICE COMPONENT



LOBBY, RETAIL, FOOD HALL AND OUTDOOR GREEN SPACE



UNDERGROUND PARKING



# PROGRAMMING: FOOD HALL AND RETAIL GROUND FLOOR

The “Little Europe” food hall on the ground floor serves as a dynamic social space for tenants and people from across the neighborhood to meet and enjoy a diverse selection of food & drinks in a setting promoting social interaction and new connections. Designed with northern European coziness (Hygge) in mind the food hall opens to an outdoor green area called The Forum - a green place to unwind and relax in the heart of the city. The Forum also serves as an event space connected to the conversations and urban life of the local community. Complemented by a thoughtful street-side choice of retail and the landscaped urban green space open to the community, Little Europe is inclusive and welcoming to a large number of current area residents, tenants, tourists, and business travelers.

THOUGHTFUL RETAIL



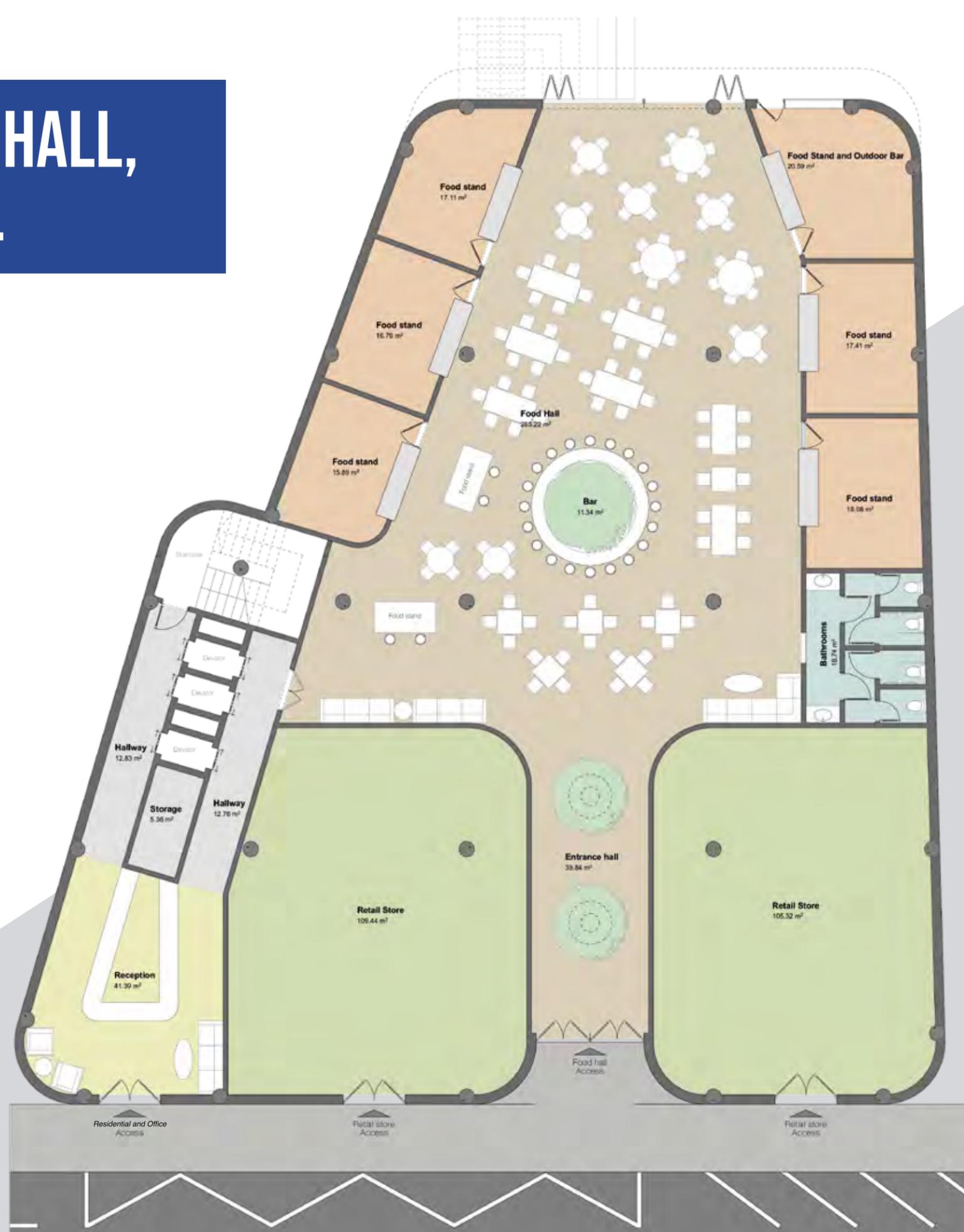
COZY FOOD HALL



THE FORUM



# FLOOR PLAN FOOD HALL, LOBBY AND RETAIL



# THE FORUM AT LITTLE EUROPE

“

*An adequately contextual building might thus be defined as one which embodies some of the most desirable values and the highest ambitions of its era and place - a building which serves as a repository for a workable ideal.*

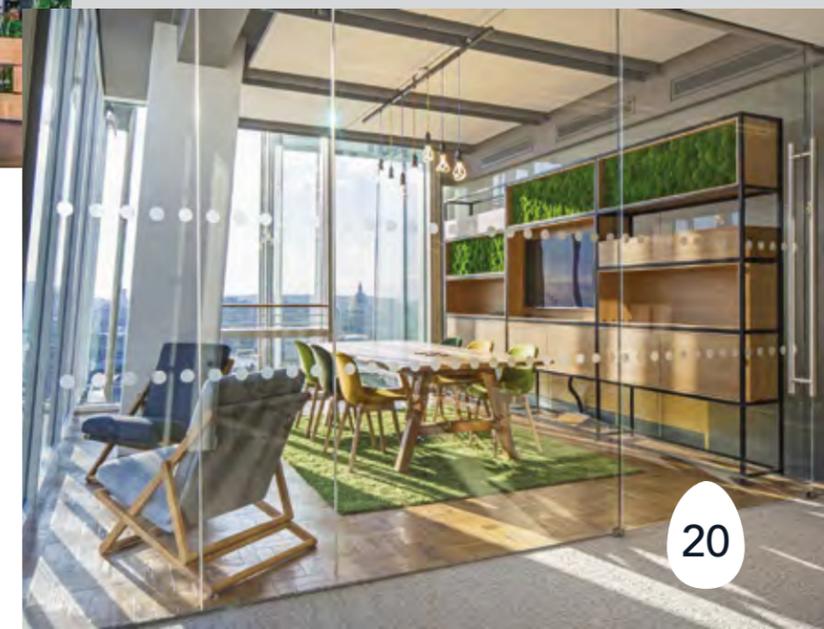
*The Architecture of Happiness, Alain de Botton*

”



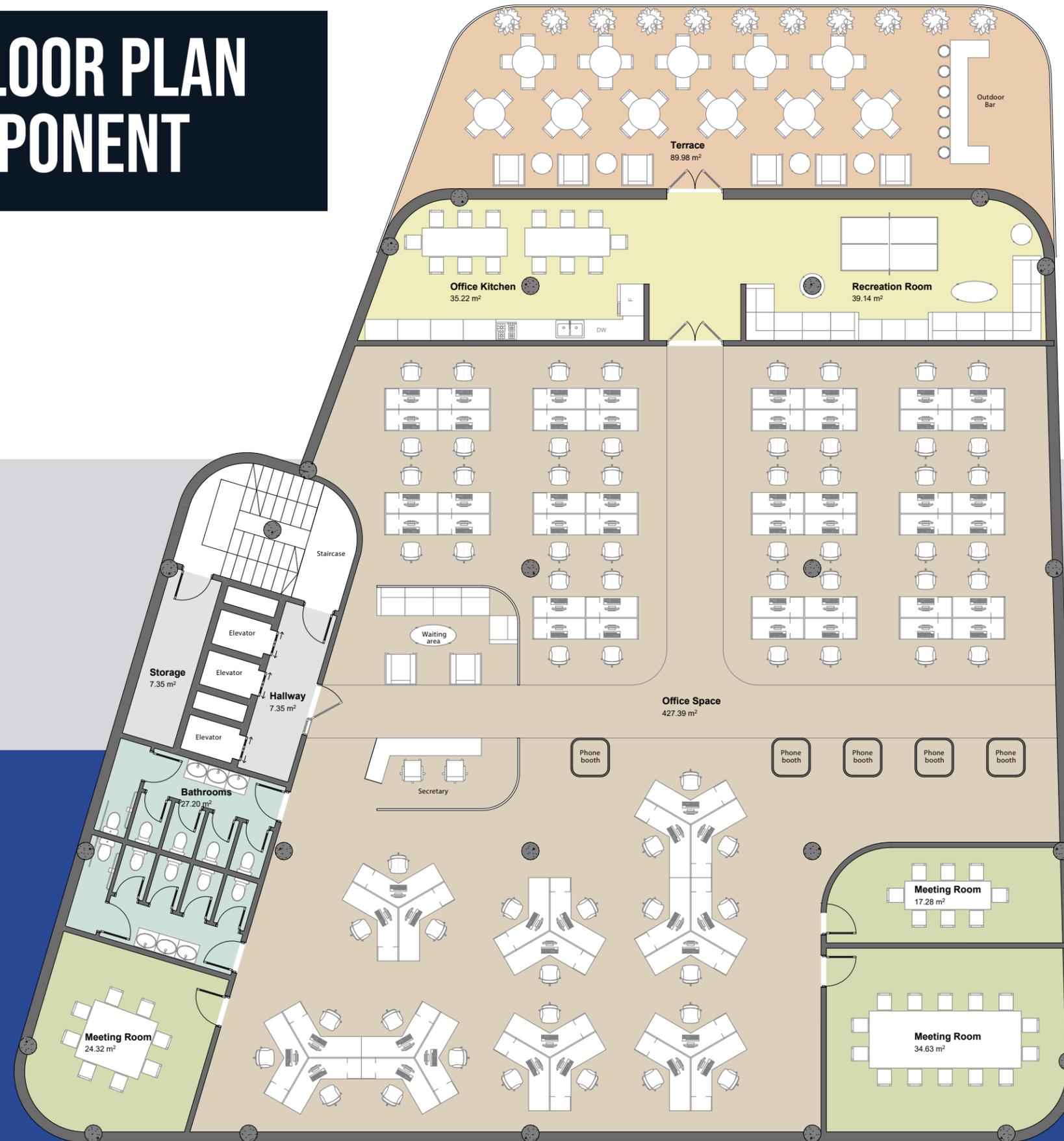
# PROGRAMMING: OFFICE COMPONENT

The approx. 2200 square meters of office space will be marketed towards mid-size technology companies, financial institutions, law offices, and prospectively other commercial uses related to healthcare or learning. Generally, as a business philosophy, we are aiming to work with established companies that seek to “prolong your life” - nutritionists, private doctor offices and medical centers (think eye surgery and non-invasive interventions), high-end yoga/sports, or with “learning” - executive education, language learning, private school programs. We believe people will seek to access these three big-picture areas (tech, learning, health + wellness) more and more in the future and are unlikely to face digital disruption risks, like retail or even conventional office. Thus we will position ourselves to indirectly capture this growth through our tenants. A coworking space can be placed on the first floor of the building; it would benefit from generous outdoor space, the proximity to the Food Hall and the Forum as unique amenities that build upon the excellent existing fundamentals of the location and world-class public transit access.



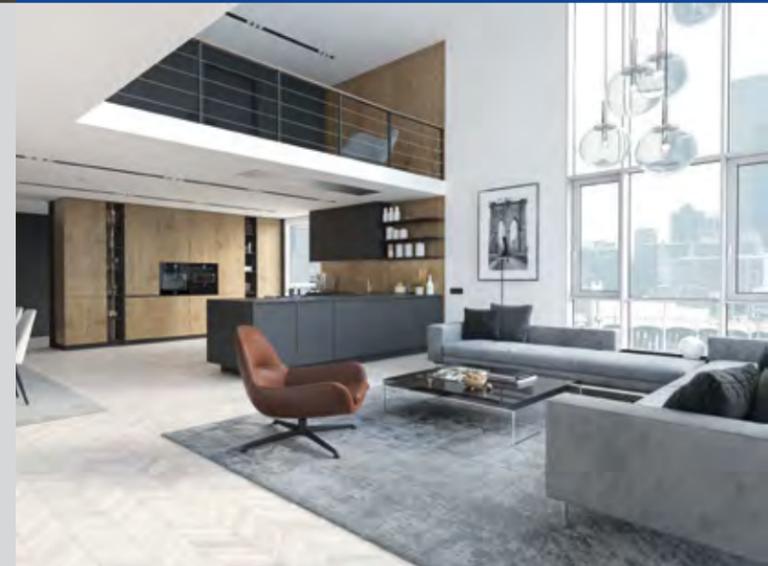
\*Images for illustration of design vision, not actual renders of Little Europe.

# EXAMPLE FLOOR PLAN OFFICE COMPONENT



# PROGRAMMING: RESIDENTIAL (CONDO) COMPONENT

Little Europe is a 24 hours building with a residential (condo) component completing the mixed-use vision behind the project. Located on the top three floors of the project, the apartments feature unrivaled amounts of outdoor space and green areas. The residential component challenges what we believe is a false dichotomy: that urban living means giving away the connection to nature, having outdoor space, or peace and quiet. The 10 apartments at Little Europe redefine urban living with a modern Scandinavian design, thoughtfully crafted materials, and ample private outdoor areas. The four duplex apartments with double-height ceilings on the top floors represent the pinnacle of high-end urban living, while the thoughtfully designed units on the fifth-floor bring to balance elegance with comfort. Finally, the green roof of Little Europe is a shared amenity offering a calm spot in the middle of the city exclusively to the residential tenants of the building.

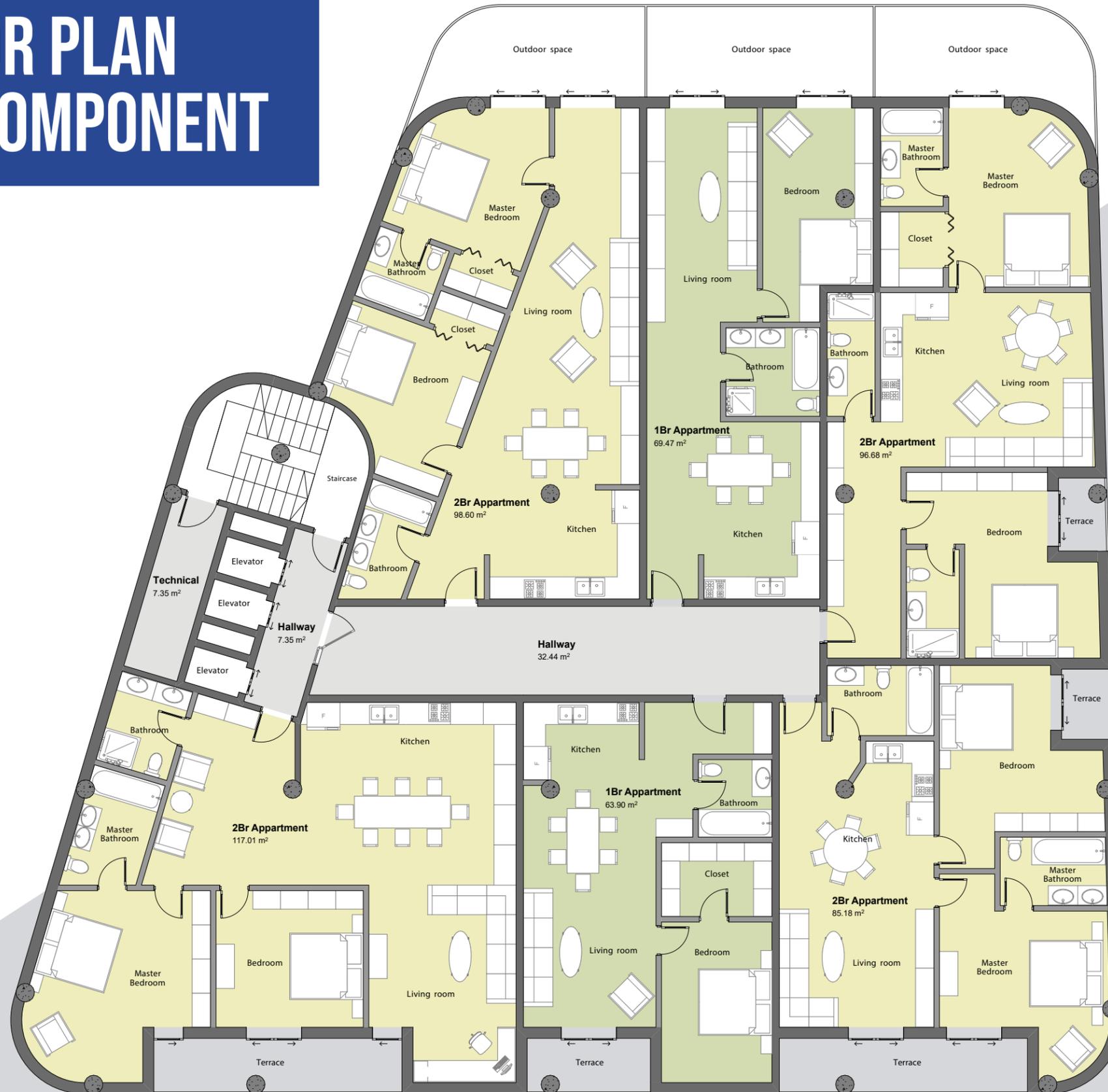


The target clients are local high net worth individuals and foreign investors seeking to purchase a luxury apartment for personal use. Given the limited availability of these units we can afford to screen and select offers from those individuals who value the community element and values of the development.



\*Top two images for illustration of the design vision, not actual renders of Little Europe.

# EXAMPLE FLOOR PLAN RESIDENTIAL COMPONENT



# TECHNOLOGY AND SUSTAINABILITY

## LEED PLATINUM

We are committed to be good stewards of the environment and uphold the highest environmental protection standards so that Little Europe is good for the community and the planet. From energy efficiency, materials certified for sustainability throughout the production chain, to an advanced digital building operating system, the project is designed to meet the stringent requirements of a LEED Platinum certification.



## TECHNOLOGY THAT CONNECTS

Technology is seamlessly woven to create a better build environment. From efficient direct dispatch elevators, to sensors measuring the health of core building systems, to digital platforms for tenants to manage and make the most out of their space. Both residential and office tenants have access to a mobile app where tenants can receive real-time notifications about packages or guests awaiting, sign up for activities such as rooftop yoga and mindfulness sessions or organize their own community events, and easily communicate with neighbors and office colleagues. Furthermore, all spaces come pre-wired and ready to be integrated with the smart home or office technology of choice of the residents.



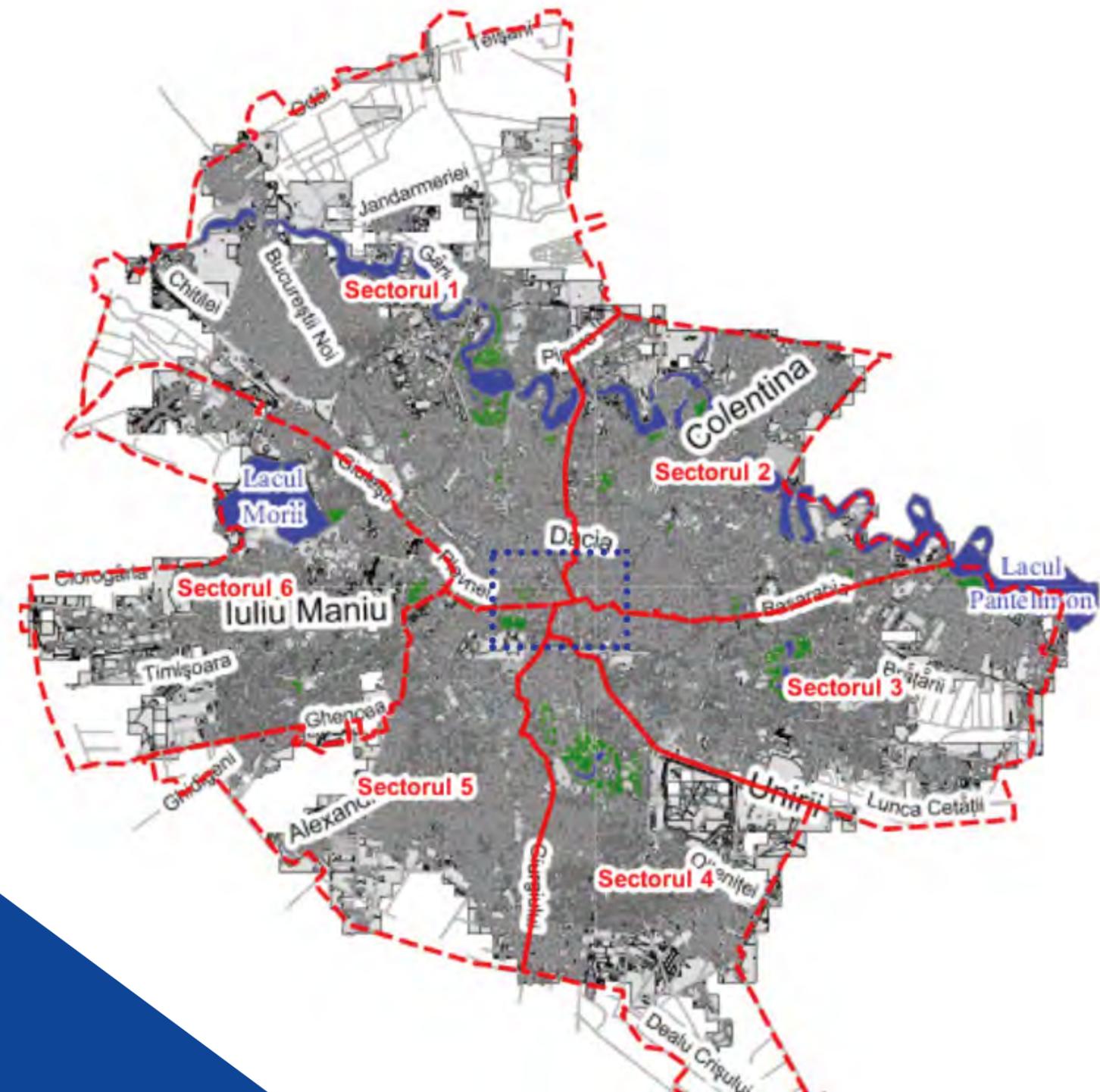
\*Spaceti Data-Driven Building Concept.

# MARKET ANALYSIS: AN INTRODUCTION

While the aftermath of the COVID-19 pandemic is unknown at the publishing date of this paper, it can reasonably be expected its economic impacts will be severe. Rather than attempt to guesswork the extent, we will review the market conditions before the global crisis, with the understanding that all business decisions related to this project must be made as more data becomes available in the months to come.

Bucharest is divided into 6 districts, the most prestigious and valuable residential area is District #1 covering the northern part of the capital and the central area, where the largest parks, shopping centers, and exclusive properties are located. Throughout city history, the elite of the nation has resided in the northern part of Bucharest. Each district can be considered and analyzed as a sub-market, some districts can be further divided into areas of interest for investments - for our site, the Central District and the Romana Square areas are submarkets of the 1st District.

The city center of Bucharest is sought after for retail (banks, shops, restaurants), hotels, and an increasing number of offices.



Bucharest's Districts and the Central Sub-Market

# MARKET ANALYSIS: RETAIL AND FOOD HALL

## RESTAURANTS

The Old City (a 10 minute walk) has the highest density of pubs, bars, and nightclubs. However, the culinary scene is even richer in close proximity to the site with restaurants ranging from fine-dining provided by Star-Chefs like Joseph Hadad to cozy and affordable venues. Over 50 restaurants with 4+ stars on Google Reviews can be found within a 5 minute walk. The fundamentals for restaurants are strong as the area benefits from the same customers that support the highest retail rents of the city, great public transit accessibility and foot traffic, and the most important cultural and entertainment destinations in the country. The Romana-Victoriei area represents the prime culinary destination by density and diversity of venues. We consider that a novel concept like the Little Europe food hall that emphasizes the experiential and social dimensions of dining would be well-positioned to succeed.

## RETAIL

According to a 2018 Cushman & Wakefield report the Victoriei/Romana area commends the highest retail rents in the country at €50/month/square meter. Premium brands such as Gucci, BOSS, or Armani, together with other premium brands for jewelry, interior design, and art are in close proximity to the site. Despite the rapid rise of shopping malls in the capital, these premium brands have shown to be resilient in holding their position on the iconic shopping boulevards of the central district. Just like with restaurants, fundamentals remain strong for this leading retail destination and we intend to leverage these dynamics on the street-side of Little Europe.

We target premium brands such as Rituals, Apple, Amazon Store, or Lululemon. One retail space could be ideal as a Starbucks location.



# MARKET ANALYSIS: RESIDENTIAL (CONDO)

## COMPARABLE RESIDENTIAL PROJECTS

In 2018, property prices reached pre-2008 levels for the first time and growth is slowing down but maintaining an upward trend. Some analysts predict a drastic price fall, since prices in Bucharest have grown faster than the EU average for the past four years. Rental developments are still rare, and the common go-to-market formula for local developers looking to capitalize on the upward market in the residential space is selling condos in multi-family developments. We believe demand for premium product in an unmatched urban setting will be strong in the post-pandemic economic rebuild, as investors seek to capitalize on opportunities with strong fundamentals.

### CELERITAS RESIDENTIAL (BUILT 2015)

- 35 UNITS (STUDIO TO 3 ROOMS)
- SIZE: 37,90 SM TO 196,80 SM
- AVERAGE SELL PRICE: €3425



### H VICTORIEI 139 (BUILT 2018)

- 33 APARTMENTS (STUDIO TO 5 ROOMS)
- SIZE: 53 SM TO 120 SM
- AVERAGE SELL PRICE: €4032



### ALECU RUSSO 10 (BUILT 2019)

- 24 APARTMENTS (2 TO 4 ROOMS)
- SIZE: 64 SM TO 222 SM
- AVERAGE SELL PRICE: €2852



# MARKET ANALYSIS: OFFICE

COMPARABLE RESIDENTIAL PROJECTS

The modern office stock in Bucharest amounts to 3.3 mln. SM, with another 400,000 SM in the pipeline to be finalized in the next two years. Over 50% of the office stock is Class A, and the prime rent in the city is €18.75, a slight increase from the previous year. A total of 110,000 SM were transacted in the first 3 months of 2019, with 45% of this activity in the Central area and CBD. The vacancy rate continued to decrease to 9.9%, but showing much lower figures for Class A office product (6% in CBD). The office component at Little Europe should be immediately absorbed by the market, where dynamics shift in favor of ultracentral modern locations, in close proximity to transit, entertainment, and food & beverage venues. We are confident that despite economic turmoil the prime areas will continue to drive long-term growth, maintain occupancy and leading rental rates.

## MAGHERU ONE (RENOVATED 2011)

- TOTAL OFFICE SIZE: 2.734 SM
- RENTAL RATE:  
16-19 €/M2/MONTH



## ROMANA OFFICES (BUILT 2010)

- TOTAL OFFICE SIZE: 2.460 SM
- RENTAL RATE:  
15-18 €/M2/MONTH



## MENDELEEV 5 (BUILT 2020)

- TOTAL OFFICE SIZE: 2.950 SM
- RENTAL RATE:  
17.5-20.5 €/M2/MONTH



# FINANCIAL ANALYSIS: LAND AND DEVELOPMENT BUDGET

## LAND AS EQUITY

We are proposing to the Limited Partner to contribute the land at a fair market value towards the development in exchange for an equal equity stake. The difference between the construction loan and the development budget will be covered by the GP in exchange for a parri passu split until a preferred return hurdle is reached, followed by more favourable splits towards the GP at multiple hurdles.

## DEVELOPMENT BUDGET

Our assumptions for development costs include an index to reflect the costs of the two underground parking levels. Despite this, we believe our figures are conservative, that is, provide enough room to complete the project as planned even under difficult conditions.

HARD COST	%	SOFT COST	%
Building Structure	30%	Design & Engineering	55%
Windows and Façade	15%	Marketing	12%
Stairs & Elevators	15%	Permits & Licenses	10%
HVAC	10%	Real Estate Taxes	10%
Electrical	7%	Owner's Insurance	7%
Plumbing	7%	Legal & Accounting	5%
Labor	7%	MISC	1%
Doors & Hardware	3%	<b>Total</b>	<b>100%</b>
Floor & Tiles	4%		
Lansdcaping	1%		
MISC	1%		
<b>Total</b>	<b>100%</b>		

ADDRESS	GEORGE ENESCU 25
Lot Area (square meters)	1419
Estimated Value (per SM)	€ 2,750.00
Estimated Total Value	€ 3,902,250.00

### PRE-CONSTRUCTION COSTS

Demolition of Existing Structures	€ 50,000.00
Razoning	€ 40,000.00
Design & Engineering	€ 150,000.00
Misc (Surveys, Consultants)	€ 50,000.00

### CONSTRUCTION COSTS

COMPONENT	PSM / %	TOTAL
Residential (Condo)	€ 1,200.00	€ 1,411,757.14
Commercial - Retail	€ 825.00	€ 132,000.00
Commercial - Food Hall	€ 1,000.00	€ 640,000.00
Office	€ 880.00	€ 2,006,871.43
Landscaped Outdoor	€ 150.00	€ 92,850.00
<b>TOTAL HARD COSTS</b>	<b>92%</b>	<b>€ 4,283,478.57</b>
Plus Marketing Budget	2%	€ 64,252.18
Soft Costs	8%	€ 354,252.18
<b>TOTAL CONSTRUCTION COSTS*</b>	<b>€ 871.55</b>	<b>€ 4,637,730.75</b>

\*Underground parking cost reflected in the building costs of all other components. Land contribution accounted for separately.

# HIGHEST & BEST USE ANALYSIS

	OFFICE	RENTAL	HOTEL	CONDO
Square Meters/Floor	665	665	665	665
Efficiency Ratio	100%	75%	65%	75%
Average Unit Size		75	40	110
Total RSF / Total Unit	665	6	10	4
Building Cost per SM	€ 880.00	€ 1,080.00	€ 2,400.00	€ 1,200.00
<b>TOTAL COSTS</b>	<b>€ 585,337.50</b>	<b>€ 718,368.75</b>	<b>€ 1,596,375.00</b>	<b>€ 798,187.50</b>
Rent / SM / Unit / ADR	€ 18.00	€ 1,500.00	€ 100.00	€ 500,000.00
Vacancy	10%	10%	30%	0%
Revenue	€ 129,306.38	€ 97,200.00	€ 255,500.00	€ 2,000,000.00
NOI Margin	65%	60%	55%	70%
<b>INCOME</b>	<b>€ 84,049.14</b>	<b>€ 58,320.00</b>	<b>€ 140,525.00</b>	<b>€ 1,400,000.00</b>
Square Meters/Floor	6.50%	6.75%	7.50%	
Efficiency Ratio	€ 1,293,063.75	€ 864,000.00	€ 1,873,666.67	€ 1,400,000.00
<b>TOTAL COSTS</b>	<b>€ 707,726.25</b>	<b>€ 145,631.25</b>	<b>€ 277,291.67</b>	<b>€ 601,812.50</b>

**CONCLUSION:** The risk-adjusted potential value figures indicate that the office and condo components are the most likely to maximize value. After the site analysis previously performed, we believe that a mixed-use between office and condos - as well as the commercial component on the ground floor, will foster synergies and drive up the overall value of the asset.

# DEVELOPMENT PRO FORMA

## SUMMARY

Little Europe is projected to return 18% at an unlevered project level and 38% for the Limited Partner, both figures reflect superior returns when compared to expected industry performance for opportunistic investments.

## CONSTRUCTION ASSUMPTIONS

- The duration for construction is 20 months, prior to this, a one year period is planned for rezoning; though a limited capital commitment is required and no interest bearing draws are made.
- A stabilization period of 16 months post-construction both for the leasable component as well as for the condo component represents, given the attributes of the project, a conservative timeframe.
- An average construction cost (hard and soft costs integrated) of €871.51 is above industry average and leaves room for contingencies.
- After stabilization, we project a 10-year holding period. We believe this core asset will drive value over the long-term for its shareholders.

### UNLEVERED PROJECT RETURN



### LEVERED PROJECT RETURN



# PRO FORMA ASSUMPTIONS

The financing is structured with a conventional construction loan at a Loan to Cost of 50% and an annual interest of 5.5% for a period of 3 years - covering the physical development and stabilization periods. The condo component is projected to be absorbed within this same stabilization timeframe, the permanent loan is thus based on the cash flows from the leasing components. We expect to lock financing for a 10-year term, corresponding with the desired hold period, amortized over 25 years at a Loan to Value of 55% and 5% interest rate.

## FINANCIAL AND LEASING ASSUMPTIONS

- **Inflation** is predicted to grow by 3% per annum, the same figure is used to increase the base for operating expenses and base rents.

- We underwrote a 9% **vacancy** for leasable areas, a conservative figure given the location and product type; nevertheless, we believe this stands to show the healthy financial assumptions behind the development.

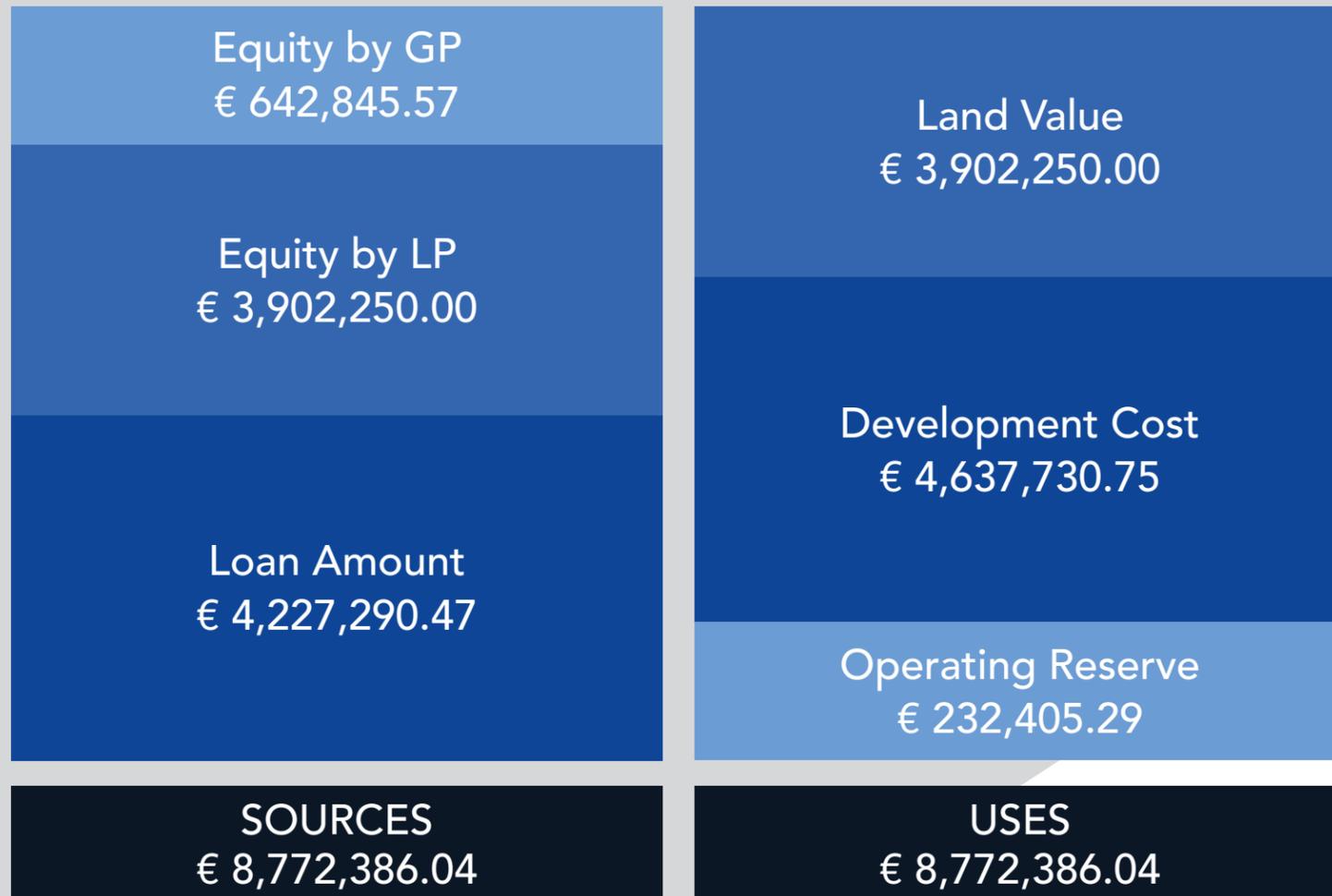
- The 6% **reversionary cap rate** highlights the dynamic attributes and strong fundamentals of Little Europe; even during downturns, we are confident investors will be interested in a trophy asset and value it at the assumed cap rate. Depending on timing, the project could benefit from a further rate compression.

- The **condo sales price** per SM, as well as the base rent in the office, retail, and food hall, were underwritten slightly below current prime rates despite our confidence the project will be able to match prime rates for the CBD at the time of completion.

- The **absorption schedule** for condos - one apartment sold every 1.5 months in the stabilization period, is deemed safe, especially given the fact that pre-sales during conceptual development and construction effectively will extend the selling timeframe. Accordingly, we assumed longer than market average timeframes for the leasable components.

USES	SQUARE METERS	%	Base Rent/Price (PSM)	OPEX (PSM)
Food Hall	640	12.03%	€ 30.00	€ 9.00
Retail + Public Lobby	160	3.01%	€ 45.00	€ 6.75
Office	2281	42.86%	€ 18.00	€ 7.20
Residential (Condo)	1176	22.11%	€ 3,250.00	
Underground Parking*	800	15.03%	€ 14.63	€ 2.19
Outdoor Event Space**	619	11.63%	€ 1.86	€ 1.86
Terraces Office/Residential*	264.3	4.97%	€ 18.00	€ 7.20
<b>TOTALS/AVERAGE</b>	<b>5321</b>	<b>100.00%</b>	<b>€ 25.72</b>	<b>€ 6.87</b>

# CAPITAL STRUCTURE AND LP INVESTMENT OPPORTUNITY



## RETURN PROJECTIONS - LIMITED PARTNER



Initially, 50% of the project cost will be sourced as debt, while the remaining funds represent the Limited Partner's land contribution and the General Partner's own funds. The Sources & Uses reflect the initial capital stack, once the construction loan is extinguished by the permanent loan the leverage will increase to 55% and the partners are expected to benefit from the capital appreciation of the completed property.

## EQUITY TERMS

**CONTRIBUTIONS:** The GP contributes 10% of the required equity while the remaining 90% is brought by the LP through the land contribution (LP's contribution is strictly from land value).

**DISTRIBUTIONS:** Positive levered cash flows will be distributed pari passu until all the contributed funds have been returned and an IRR of 20% has been achieved. Following this, all returns up to a 26% IRR are split 15% to the GP and 85% to the LP. Above this hurdle, all remaining cash flow is distributed 18% to the GP and 82% to the LP.

# SENSITIVITY ANALYSIS

## SUMMARY

In order to establish the financial sustainability of the project under less than optimal conditions, the impact of changes in a number of variables has been sensitized to establish the impact on the Unlevered and Levered Internal Rate of Return, as well as Unlevered Net Present Value. Overall, the project is well positioned to remain profitable under strong negative forces such as market downturns that may affect credit and rental rates, higher levels of vacancy, or significantly higher construction costs.

Levered IRR						
Interest Rate Construction Loan						
		4.50%	5.00%	5.5%	6.00%	6.50%
Vacancy Rate	3%	42.99%	42.66%	42.34%	42.01%	41.69%
	6%	41.04%	40.72%	40.39%	40.07%	39.75%
	9%	38.80%	38.48%	38.16%	37.84%	37.53%
	12%	36.64%	36.33%	36.02%	35.71%	35.40%
	15%	34.50%	34.19%	33.88%	33.58%	33.27%

Debt Yield						
		7.00%	7.50%	8.0%	8.50%	9.00%
Permanent Loan LTV	45%	34.73%	34.73%	34.73%	34.73%	34.73%
	50%	36.40%	36.40%	36.40%	36.40%	36.40%
	55%	38.16%	38.16%	38.16%	38.16%	38.16%
	60%	39.99%	39.99%	39.99%	39.99%	39.99%
	65%	41.89%	41.89%	41.89%	41.89%	41.89%

Interest Rate Permanent Loan						
		3.00%	4.00%	5.0%	6.00%	7.00%
Exit Cap Rate	4.0%	49.51%	48.77%	46.63%	43.54%	40.93%
	5.0%	44.87%	44.13%	43.34%	42.02%	39.21%
	6.0%	39.57%	38.89%	38.16%	37.38%	36.54%
	7.0%	35.64%	35.01%	34.33%	33.60%	32.83%
	8.0%	32.61%	32.01%	31.38%	30.71%	29.99%

Unlevered IRR						
Condo Sales Price (PSM)						
		€ 2,750.00	€ 3,000.00	€ 3,250.00	€ 3,500.00	€ 3,750.00
Office Base Rate	€ 16.00	15.41%	15.97%	16.55%	17.15%	17.77%
	€ 17.00	15.95%	16.52%	17.10%	17.71%	18.33%
	€ 18.00	16.54%	17.11%	17.70%	18.31%	18.93%
	€ 19.00	17.18%	17.75%	18.34%	18.95%	19.58%
	€ 20.00	17.75%	18.32%	18.91%	19.52%	20.15%

Office Service Charge						
		€ 1.00	€ 2.00	€ 3.00	€ 4.00	€ 5.00
Vacancy Rate	5%	17.66%	18.17%	18.66%	19.14%	19.62%
	7%	17.21%	17.72%	18.21%	18.70%	19.11%
	9%	16.75%	17.20%	17.70%	18.25%	18.72%
	11%	16.23%	16.74%	17.30%	17.78%	18.25%
	13%	15.75%	16.26%	16.82%	17.30%	17.72%

Office Component Cost						
		€ 780.00	€ 830.00	€ 880.00	€ 930.00	€ 980.00
Condo Component Cost	€ 1,100.00	18.65%	18.33%	18.02%	17.71%	17.41%
	€ 1,150.00	18.48%	18.17%	17.86%	17.55%	17.26%
	€ 1,200.00	18.32%	18.01%	17.70%	17.40%	17.11%
	€ 1,250.00	18.16%	17.85%	17.54%	17.25%	16.96%
	€ 1,300.00	18.00%	17.69%	17.39%	17.10%	16.81%

Unlevered NPV						
Condo Sales Price (PSM)						
		€ 2,750.00	€ 3,000.00	€ 3,250.00	€ 3,500.00	€ 3,750.00
Condo Cost (PSM)	€ 1,000.00	€ 5,911,117.92	€ 6,169,189.27	€ 6,427,260.61	€ 6,685,331.95	€ 6,943,403.30
	€ 1,100.00	€ 5,790,053.95	€ 6,048,125.29	€ 6,306,196.64	€ 6,564,267.98	€ 6,822,339.32
	€ 1,200.00	€ 5,668,989.97	€ 5,927,061.32	€ 6,185,132.66	€ 6,443,204.01	€ 6,701,275.35
	€ 1,300.00	€ 5,547,926.00	€ 5,805,997.34	€ 6,064,068.69	€ 6,322,140.03	€ 6,580,211.38
	€ 1,400.00	€ 5,426,862.03	€ 5,684,933.37	€ 5,943,004.71	€ 6,201,076.06	€ 6,459,147.40

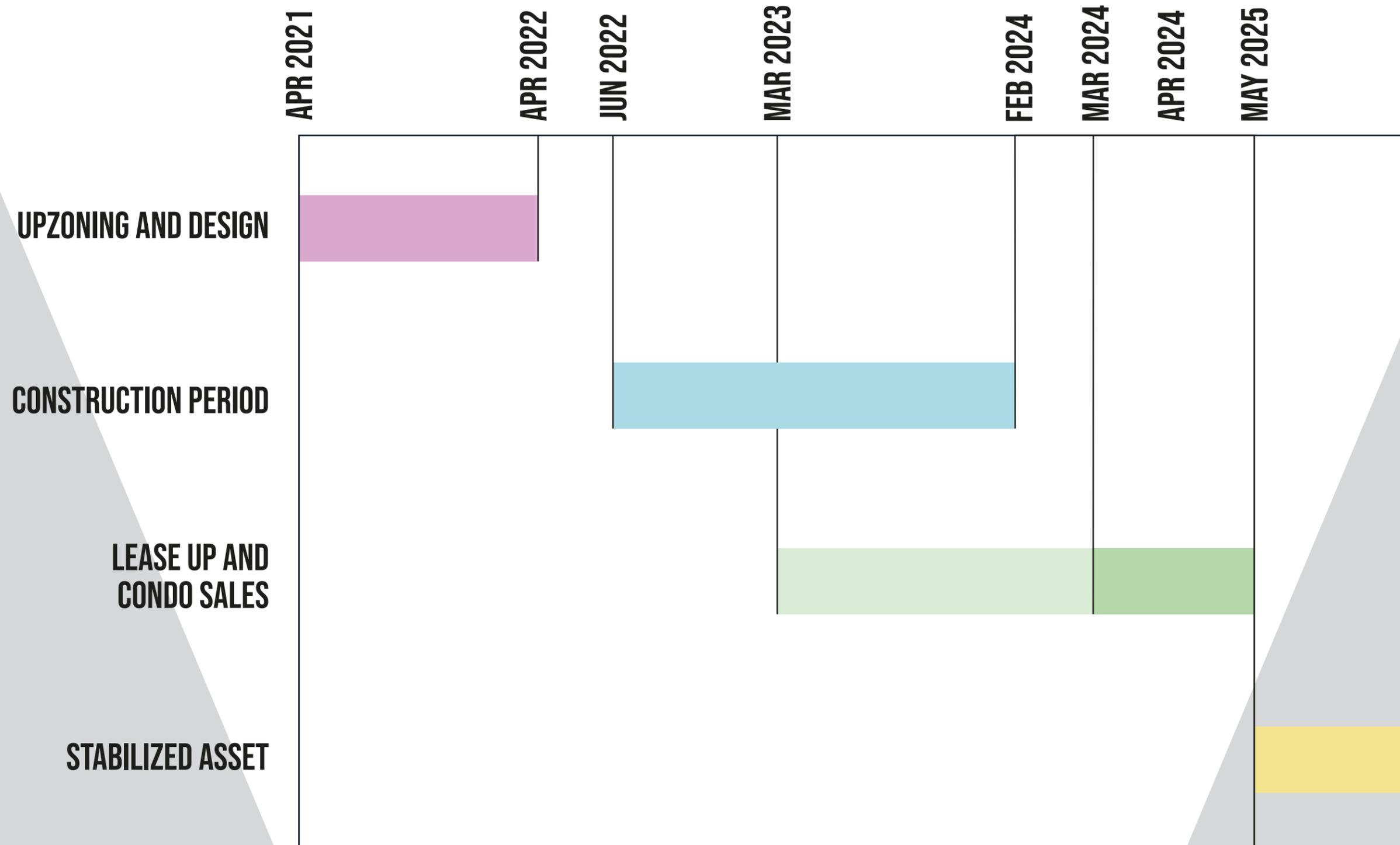
  

Office Base Rent (PSM)						
		€ 16.00	€ 17.00	€ 18.00	€ 19.00	€ 20.00
Office Cost (PSM)	€ 780.00	€ 5,562,972.37	€ 5,965,334.21	€ 6,419,811.03	€ 6,936,587.52	€ 7,393,471.61
	€ 830.00	€ 5,445,633.18	€ 5,847,995.02	€ 6,302,471.84	€ 6,819,248.34	€ 7,276,132.43
	€ 880.00	€ 5,328,294.00	€ 5,730,655.84	€ 6,185,132.66	€ 6,701,909.16	€ 7,158,793.25
	€ 930.00	€ 5,210,954.82	€ 5,613,316.66	€ 6,067,793.48	€ 6,584,569.97	€ 7,041,454.06
	€ 980.00	€ 5,093,615.63	€ 5,495,977.47	€ 5,950,454.30	€ 6,467,230.79	€ 6,924,114.88

Inflation Growth						
		1%	2%	3%	4%	5%
Management Fee Cost	3%	€ 4,949,925.70	€ 5,692,677.67	€ 6,547,749.94	€ 7,472,698.04	€ 8,547,735.01
	4%	€ 4,745,553.66	€ 5,523,938.85	€ 6,366,268.82	€ 7,277,438.95	€ 8,262,677.11
	5%	€ 4,589,011.24	€ 5,355,581.31	€ 6,185,132.66	€ 7,082,487.18	€ 8,125,385.34
	6%	€ 4,432,070.78	€ 5,187,326.97	€ 6,004,112.23	€ 6,887,662.99	€ 7,914,652.64
	7%	€ 4,275,992.29	€ 5,018,990.79	€ 5,823,045.56	€ 6,692,831.48	€ 7,633,340.98

# LITTLE EUROPE: PROJECT TIMELINE



\*A number of leases and condo sales are expected to be initiated prior to the construction being fully completed.

# MARKETING STRATEGY

## BUILDING A TEAM

We plan to tell the story of Little Europe with help from a marketing agency and reach prospective corporate and retail tenants, condo buyers, and an operator ready to manage the food hall. Furthermore, the project will be represented by a leading broker with a strong track record in Bucharest's ultracentral area. A budget of approximately €65.000 is in place to support upfront fees, design costs, and digital infrastructure required, with additional funds prepared to support sales in the condo component. We seek to have a strong digital presence through social media, listing websites, and our own pages, to support the efforts of outreach in our own networks.

**CBRE**

**CUSHMAN & WAKEFIELD** | Echinox

## BUILDING A PLACE

We look further than stabilizing the asset and believe it is equally important that the ideas and values that form the foundation of Little Europe reach the wider community. For example, The Forum, our outdoor green event space, will serve as a platform for local NGOs to organize events that promote European values and spark conversations about the past, present and future of our city. We are confident that the best marketing strategy is to focus on the experience of our guests and tenants, and create a place where people enjoy coming back.



# STRENGTHS, RISKS AND MITIGANTS

## STRENGTHS

We believe the fundamentals at play with Little Europe and its development on forward-looking principles and values serve as a robust foundation for a development that will be valuable for its investors and the city at large.

- **Prime location at the heart of Bucharest:** with world-class amenities within walking distance, unmatched access to public transit, in a neighborhood of strong social and historic fabric make Little Europe a trophy asset on the Romanian market, and make it broadly attractive in a European context.

- **Mixed Use Synergies:** The careful programmatic mix enhances each component resulting in a building where the whole is greater than the individual parts. A destination for local residents and tourists and business travellers alike, providing thoughtfully designed high-end offices and apartments, Little Europe will become a home to innovations and innovators that shape our world.

- **Resilient in face of change:** Underwritten with conservative assumptions, the compact size of the development favours a swift absorption into the market. Together with a measured amount of leverage, the project can withstand adverse market conditions with a relatively benign impact on the overall financial health.

## RISKS AND MITIGANTS

- **Condo attractiveness in urban core:** There is a risk high net worth individuals will prefer premium developments in the northern parts of the capital away from the hustle of city center. However, market comps show precedents of successful high-end condo developments in the area. Furthermore, the unmatched outdoor spaces and local amenities will prove especially valuable to premium customers. This is part of a larger trend involving the decreasing appeal of suburbs and increasing importance of walkability and a car-free lifestyle.

- **Food hall success on the Romanian market:** There's only one precedent of a food hall in the country - the Carnivale Food Market also in Bucharest. There is a risk the relative novelty of the concept may mean it will not be easily adopted or liked when compared to conventional dining. We believe the local dynamics (high foot traffic, great public transit, tourist hotspot and destination for business travellers) favour the success of the Little Europe food hall. Furthermore, the conceptual emphasis on experiential, social experiences is likely to be well received by the market.

- **Office floor plates are too small for certain companies:** there is a risk that the approx. 600 SM (+ outdoor terraces) office floor plates will not be attractive to multinational technology and financial institutions who seek larger layouts. We believe Little Europe is the ideal headquarter for a single large company seeking an iconic building in the urban core, or it can accommodate multiple medium-sized institutions looking for a satellite office in an equally attractive spot.

- **Upzoning request outcome:** there is a risk the upzoning "PUZ" request is denied or would offer lower parameters than similar developments in the area which underwent the same process given local bureaucracy and changing political interests. We strongly believe Little Europe will positively contribute to the urban and social fabric of the city. With our upzoning proposal we are requesting a standard increase in FAR with multiple similar precedents, that ultimately leads to a meaningful and sustainable development of the urban core.

# SUPPLEMENTARY MATERIALS

## UNLEVERED 10 YEAR PRO FORMA

Unlevered DCF												
Years	Construction	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Date	2022-2024	December 31, 2024	December 31, 2025	December 31, 2026	December 31, 2027	December 31, 2028	December 31, 2029	December 31, 2030	December 31, 2031	December 31, 2032	December 31, 2033	
Status	Development Budget Spending	Lease Up + Condo Sales		Stabilized Asset								
Inflation Coefficient		1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	
<b>Potential Gross Income</b>												
Office Component												
Rent		€ 492,595.71	€ 507,373.59	€ 522,594.79	€ 538,272.84	€ 554,420.82	€ 571,053.44	€ 588,185.04	€ 605,830.60	€ 624,005.51	€ 642,725.68	
Reimbursements		€ 98,519.14	€ 101,474.72	€ 104,518.98	€ 107,654.53	€ 110,884.16	€ 114,210.89	€ 117,637.01	€ 121,166.12	€ 124,801.10	€ 128,545.14	
Service Charge		€ 82,099.29	€ 84,562.26	€ 87,099.13	€ 89,712.11	€ 92,403.47	€ 95,175.57	€ 98,030.84	€ 100,971.77	€ 104,000.92	€ 107,120.95	
Office PGI		€ 673,214.14	€ 693,410.57	€ 714,212.88	€ 735,639.27	€ 757,708.45	€ 780,439.70	€ 803,852.89	€ 827,968.48	€ 852,807.53	€ 878,391.76	
Food Hall Component												
Rent		€ 230,400.00	€ 237,312.00	€ 244,431.36	€ 251,764.30	€ 259,317.23	€ 267,096.75	€ 275,109.65	€ 283,362.94	€ 291,863.83	€ 300,619.74	
Reimbursements		€ 34,560.00	€ 35,596.80	€ 36,684.70	€ 37,764.85	€ 38,897.58	€ 40,064.51	€ 41,268.45	€ 42,504.44	€ 43,779.57	€ 45,092.96	
Food Hall PGI		€ 264,960.00	€ 272,908.80	€ 281,096.06	€ 289,528.95	€ 298,214.81	€ 307,161.26	€ 316,376.10	€ 325,867.38	€ 335,643.40	€ 345,712.70	
Retail Component												
Rent		€ 88,400.00	€ 88,992.00	€ 91,661.78	€ 94,411.61	€ 97,243.98	€ 100,161.28	€ 103,166.12	€ 106,261.10	€ 109,448.94	€ 112,732.40	
Reimbursements		€ 6,480.00	€ 6,480.00	€ 6,480.00	€ 6,480.00	€ 6,480.00	€ 6,480.00	€ 6,480.00	€ 6,480.00	€ 6,480.00	€ 6,480.00	
Retail PGI		€ 92,880.00	€ 95,472.00	€ 98,141.78	€ 100,891.61	€ 103,723.98	€ 106,641.28	€ 109,646.12	€ 112,741.10	€ 115,928.94	€ 119,212.40	
Parking Component												
Parking PGI		€ 140,400.00	€ 144,612.00	€ 148,950.36	€ 153,418.67	€ 158,021.44	€ 162,762.08	€ 167,644.94	€ 172,674.29	€ 177,854.52	€ 183,190.16	
Outdoor Event Space												
Event Space PGI		€ 13,816.08	€ 14,230.58	€ 14,657.48	€ 15,097.20	€ 15,550.12	€ 16,016.82	€ 16,497.12	€ 16,992.04	€ 17,501.80	€ 18,026.85	
<b>Potential Gross Income Total</b>		€ 1,185,270.22	€ 1,220,633.93	€ 1,257,058.55	€ 1,294,575.90	€ 1,333,218.78	€ 1,373,020.94	€ 1,414,017.17	€ 1,456,243.29	€ 1,499,736.19	€ 1,544,533.67	
Less Vacancy		€ 355,581.07	€ 195,301.43	€ 113,135.27	€ 116,511.83	€ 119,989.69	€ 123,571.88	€ 127,261.55	€ 131,061.90	€ 134,978.26	€ 139,008.05	
Less Free Rent		€ 33,680.71	€ 34,670.53	€ 35,710.64	€ 36,781.98	€ 37,885.42	€ 39,021.99	€ 40,192.64	€ 41,398.42	€ 42,640.38	€ 43,919.59	
<b>Effective Gross Income Rental</b>		€ 796,028.45	€ 990,661.97	€ 1,108,212.63	€ 1,141,282.11	€ 1,175,343.67	€ 1,210,427.07	€ 1,246,562.98	€ 1,283,782.97	€ 1,322,119.55	€ 1,361,606.24	
Condo Component												
Sales Timeline		€ 0.75	€ 0.25	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
Sales Proceeds		€ 2,867,631.70	€ 955,877.23	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
Sales Commission		€ 114,705.27	€ 38,235.09	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
Net Condo Sales Proceeds		€ 2,752,926.43	€ 917,642.14	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
<b>Effective Gross Income Project</b>		€ 3,548,954.88	€ 1,908,304.12	€ 1,108,212.63	€ 1,141,282.11	€ 1,175,343.67	€ 1,210,427.07	€ 1,246,562.98	€ 1,283,782.97	€ 1,322,119.55	€ 1,361,606.24	
Less Operating Expenses												
OPEX Office		€ 184,723.39	€ 190,265.09	€ 195,973.05	€ 201,852.24	€ 207,907.81	€ 214,145.04	€ 220,569.39	€ 227,186.47	€ 234,002.07	€ 241,022.13	
OPEX Food Hall		€ 89,120.00	€ 71,193.80	€ 73,329.41	€ 75,529.29	€ 77,795.17	€ 80,129.02	€ 82,532.89	€ 85,008.88	€ 87,559.15	€ 90,185.92	
OPEX Retail		€ 12,960.00	€ 13,348.80	€ 13,749.26	€ 14,161.74	€ 14,588.59	€ 15,024.19	€ 15,474.92	€ 15,939.17	€ 16,417.34	€ 16,909.88	
OPEX Parking		€ 21,080.00	€ 21,691.80	€ 22,342.55	€ 23,012.83	€ 23,703.22	€ 24,414.31	€ 25,146.74	€ 25,901.14	€ 26,678.18	€ 27,478.52	
OPEX Outdoor Event Space		€ 13,793.80	€ 14,207.61	€ 14,633.84	€ 15,072.85	€ 15,525.04	€ 15,990.79	€ 16,470.51	€ 16,964.63	€ 17,473.57	€ 17,997.78	
Non Reimbursable Expenses		€ 39,801.42	€ 49,533.10	€ 55,410.63	€ 57,064.11	€ 58,767.18	€ 60,521.35	€ 62,328.15	€ 64,189.15	€ 66,105.98	€ 68,080.31	
Total OPEX		€ 341,458.61	€ 380,240.00	€ 375,438.74	€ 386,693.06	€ 398,285.01	€ 410,224.71	€ 422,522.61	€ 435,189.44	€ 448,236.28	€ 461,674.52	
<b>Operating NOI</b>		€ 3,207,496.27	€ 1,548,064.11	€ 732,773.89	€ 754,589.05	€ 777,058.66	€ 800,202.36	€ 824,040.37	€ 848,593.53	€ 873,883.27	€ 899,931.71	
Less Capital Expenditure												
Capital Improvements		€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
CAPEX Reserve		€ 45,456.98	€ 63,042.20	€ 36,638.69	€ 31,441.21	€ 38,852.93	€ 33,341.77	€ 34,335.02	€ 42,429.68	€ 36,411.80	€ 37,497.15	
Tenant Improvement		€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
Broker Commissions		€ 30,643.77	€ 31,555.30	€ 32,494.19	€ 33,461.24	€ 34,457.30	€ 35,483.24	€ 36,539.98	€ 37,628.38	€ 38,749.48	€ 39,904.17	
CAPEX Reserve Beginning Balance		€ 81,472.70	€ 318,467.67	€ 602,821.94	€ 603,657.68	€ 605,271.15	€ 612,062.16	€ 606,318.41	€ 601,021.26	€ 600,955.91	€ 601,760.58	
Additional Reserve		€ 45,456.98	€ 63,042.20	€ 36,638.69	€ 31,441.21	€ 38,852.93	€ 33,341.77	€ 34,335.02	€ 42,429.68	€ 36,411.80	€ 37,497.15	
Capital Improvements		€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
Tenant Improvements		€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	
Broker Commissions		€ 30,643.77	€ 31,555.30	€ 32,494.19	€ 33,461.24	€ 34,457.30	€ 35,483.24	€ 36,539.98	€ 37,628.38	€ 38,749.48	€ 39,904.17	
CAPEX Reserve Ending Balance		€ 96,285.92	€ 349,954.57	€ 606,966.45	€ 601,637.65	€ 609,666.79	€ 609,920.68	€ 604,113.47	€ 605,822.58	€ 598,618.26	€ 599,353.55	
<b>Property NOI</b>		€ 3,162,039.28	€ 1,485,021.92	€ 696,135.20	€ 723,147.84	€ 738,205.73	€ 766,860.60	€ 789,705.36	€ 806,163.85	€ 837,471.47	€ 862,434.58	
Asset Reversion/Sale Proceeds		€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 14,673,725.42	
Less Selling Costs		€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 588,949.02	
Net Sales Proceeds		€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 14,084,776.41	
<b>Before Tax Cash Flow</b>		€ (8,772,386.04)	€ 3,162,039.28	€ 1,485,021.92	€ 696,135.20	€ 723,147.84	€ 738,205.73	€ 766,860.60	€ 789,705.36	€ 806,163.85	€ 837,471.47	€ 14,949,210.97

# LEVERED 10 YEAR PRO FORMA

Years	Construction	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10					
Date	2022-2024	December 31, 2024	December 31, 2025	December 31, 2026	December 31, 2027	December 31, 2028	December 31, 2029	December 31, 2030	December 31, 2031	December 31, 2032	December 31, 2033					
Status	Development Budget Spending	Lease Up + Condo Sales		Stabilized Asset												
<b>Levered DCF</b>																
Debt Service (Construction Loan)	€	232,500.98	€	232,500.98	€	-	€	-	€	-	€	-	€	-	€	-
Permanent Loan Proceeds	€	-	€	-	€	6,381,239.30	€	-	€	-	€	-	€	-	€	-
Debt Service (Permanent Loan)	€	-	€	-	€	447,649.07	€	447,649.07	€	447,649.07	€	447,649.07	€	447,649.07	€	447,649.07
Origination Fee	€	-	€	-	€	63,812.39	€	-	€	-	€	-	€	-	€	-
Repayment of Mortgage	€	-	€	-	€	4,227,290.47	€	-	€	-	€	-	€	-	€	4,717,297.69
<b>Leveraged Cash Flow</b>	€	<b>(4,312,690.28)</b>	€	<b>2,929,538.31</b>	€	<b>1,252,520.94</b>	€	<b>2,338,622.56</b>	€	<b>275,498.76</b>	€	<b>290,556.65</b>	€	<b>319,211.52</b>	€	<b>342,056.29</b>
			€	<b>1,252,520.94</b>	€	<b>2,338,622.56</b>	€	<b>275,498.76</b>	€	<b>290,556.65</b>	€	<b>319,211.52</b>	€	<b>342,056.29</b>	€	<b>358,514.78</b>
			€	<b>389,822.40</b>	€	<b>9,784,264.21</b>										

# WATERFALL DISTRIBUTION

Cash Flows	Period										
	Construction	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capital Calls	€ (4,312,690.28)	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cash Available for Distributions	€ -	€ 2,929,538.31	€ 1,252,520.94	€ 2,338,622.58	€ 275,498.78	€ 290,556.65	€ 319,211.52	€ 342,056.29	€ 358,514.78	€ 389,822.40	€ 9,784,264.21
<b>Net Cash Flow</b>	<b>€ (4,312,690.28)</b>	<b>€ 2,929,538.31</b>	<b>€ 1,252,520.94</b>	<b>€ 2,338,622.58</b>	<b>€ 275,498.78</b>	<b>€ 290,556.65</b>	<b>€ 319,211.52</b>	<b>€ 342,056.29</b>	<b>€ 358,514.78</b>	<b>€ 389,822.40</b>	<b>€ 9,784,264.21</b>
IRR	38%	TRUE									
<b>Return of Capital</b>											
Beginning of Period Balance	€ -	€ 4,312,690.28	€ 1,383,151.97	€ 130,631.03	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Capital Calls	€ 4,312,690.28	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Subtotal</b>	<b>€ 4,312,690.28</b>	<b>€ 4,312,690.28</b>	<b>€ 1,383,151.97</b>	<b>€ 130,631.03</b>	<b>€ -</b>						
Distributions	€ -	€ 2,929,538.31	€ 1,252,520.94	€ 130,631.03	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>End of Period Balance</b>	<b>€ 4,312,690.28</b>	<b>€ 1,383,151.97</b>	<b>€ 130,631.03</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>
Cash Remaining for Next Waterfall Tier	€ -	€ -	€ -	€ 2,207,991.52	€ 275,498.78	€ 290,556.65	€ 319,211.52	€ 342,056.29	€ 358,514.78	€ 389,822.40	€ 9,784,264.21
<b>Tier 1 Preferred Return</b>											
Capital Called and Outstanding, BOP	€ -	€ 4,312,690.28	€ 1,383,151.97	€ 130,631.03	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Preferred Return Hurdle	20%										
Amount Due Beginning of Period	€ -	€ -	€ 882,538.08	€ 1,311,676.08	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Preferred Accrual on Accrued Balance	€ -	€ -	€ 172,507.61	€ 282,335.21	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Preferred Accrual on Capital Outstanding	€ -	€ 882,538.08	€ 278,630.39	€ 26,126.21	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Preferred Return Due, Subtotal</b>	<b>€ -</b>	<b>€ 882,538.08</b>	<b>€ 1,311,676.08</b>	<b>€ 1,600,137.48</b>	<b>€ -</b>						
Tier 1 Preferred Return Distributions	€ -	€ -	€ -	€ 1,600,137.48	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>End of Period Balance</b>	<b>€ -</b>	<b>€ 882,538.08</b>	<b>€ 1,311,676.08</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>
<b>Cross Check</b>											
Cash Flow Through Return Hurdle	€ (4,312,690.28)	€ 2,929,538.31	€ 1,252,520.94	€ 1,730,788.51	€ -	€ -	€ -	€ -	€ -	€ -	€ -
IRR	20%	TRUE									
Tier 1 Preferred Return Distributions											
General Partner	10%	€ -	€ -	€ 160,013.75	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Limited Partner	90%	€ -	€ -	€ 1,440,123.73	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Subtotal</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 1,600,137.48</b>	<b>€ -</b>						
Cash Remaining for Next Waterfall Tier	€ -	€ -	€ -	€ 607,854.04	€ 275,498.78	€ 290,556.65	€ 319,211.52	€ 342,056.29	€ 358,514.78	€ 389,822.40	€ 9,784,264.21
<b>Tier 2 15% GP / 85% LP</b>											
Capital Called and Outstanding, BOP	€ -	€ 4,312,690.28	€ 1,383,151.97	€ 1,730,788.51	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Preferred Return Hurdle	26%										
Amount Due Beginning of Period	€ -	€ -	€ 1,121,299.47	€ 1,772,456.85	€ 2,075,441.40	€ -	€ -	€ -	€ -	€ -	€ -
Preferred Accrual on Accrued Balance	€ -	€ -	€ 291,537.88	€ 480,838.78	€ 539,614.78	€ -	€ -	€ -	€ -	€ -	€ -
Preferred Accrual on Capital Outstanding	€ -	€ 1,121,299.47	€ 359,619.51	€ 449,999.81	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Return Due, Subtotal</b>	<b>€ -</b>	<b>€ 1,121,299.47</b>	<b>€ 1,772,456.85</b>	<b>€ 2,683,295.44</b>	<b>€ 71,525.34</b>	<b>€ -</b>					
Tier 2 Target Distribution	€ -	€ -	€ -	€ 607,854.04	€ 71,525.34	€ -	€ -	€ -	€ -	€ -	€ -
<b>End of Period Balance</b>	<b>€ -</b>	<b>€ 1,121,299.47</b>	<b>€ 1,772,456.85</b>	<b>€ 2,075,441.40</b>	<b>€ -</b>						
<b>Cross Check</b>											
Cash Flow Through Return Hurdle	€ (4,312,690.28)	€ 2,929,538.31	€ 1,252,520.94	€ 2,338,622.58	€ 71,525.34	€ -	€ -	€ -	€ -	€ -	€ -
IRR	26.0%	TRUE									
Tier 2 Return Distributions											
General Partner	15%	€ -	€ -	€ 91,178.11	€ 10,728.80	€ -	€ -	€ -	€ -	€ -	€ -
Limited Partner	85%	€ -	€ -	€ 516,675.94	€ 60,796.54	€ -	€ -	€ -	€ -	€ -	€ -
<b>Subtotal</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 607,854.04</b>	<b>€ 71,525.34</b>	<b>€ -</b>					
Cash Remaining for Next Waterfall Tier	€ -	€ -	€ -	€ -	€ 203,973.42	€ 290,556.65	€ 319,211.52	€ 342,056.29	€ 358,514.78	€ 389,822.40	€ 9,784,264.21

# WATERFALL DISTRIBUTION

Tier 3		18% GP / 82% LP																					
Tier 3 Remaining Distribution																							
General Partner	18%	€	-	€	-	€	-	€	-	€	38,715.22	€	52,300.20	€	57,458.07	€	61,570.13	€	64,532.68	€	70,168.03	€	1,781,167.58
Limited Partner	82%	€	-	€	-	€	-	€	-	€	167,258.21	€	238,258.48	€	261,753.45	€	280,486.15	€	293,982.12	€	319,654.37	€	8,023,098.65
Subtotal		€	-	€	-	€	-	€	-	€	203,973.42	€	290,558.65	€	319,211.52	€	342,058.29	€	358,514.78	€	389,822.40	€	9,784,284.21
Cash Remaining for Next Waterfall Tier		€	-	€	-	€	-	€	-	€	-	€	-	€	-	€	-	€	-	€	-	€	-
GP Cash Flow		€	(431,269.03)	€	292,953.83	€	125,252.09	€	264,254.96	€	47,444.02	€	52,300.20	€	57,458.07	€	61,570.13	€	64,532.68	€	70,168.03	€	1,781,167.58
LP Cash Flow		€	(3,881,421.25)	€	2,636,584.48	€	1,127,268.85	€	2,074,367.60	€	228,054.75	€	238,258.48	€	261,753.45	€	280,486.15	€	293,982.12	€	319,654.37	€	8,023,098.65
Total Cash Flow		€	(4,312,690.28)	€	2,929,538.31	€	1,252,520.94	€	2,338,622.56	€	275,498.78	€	290,558.65	€	319,211.52	€	342,058.29	€	358,514.78	€	389,822.40	€	9,784,284.21
GP IRR			44%																				
GP Equity Multiple			6.49X																				
GP Profit		€	2,385,832.52																				
LP IRR			37%																				
LP Equity Multiple			3.99X																				
LP Profit		€	11,602,063.61																				
Project IRR			38%																				
Project Equity Multiple			4.24X																				
Project Profit		€	13,987,916.13																				

## LOAN CALCULATOR AND BALANCE

Loan Amount	€ 6,381,239.30
Interest Rate (Annual)	5%
Interest Rate (Monthly)	0.42%
Years	25
NPER	300
Origination Fee	1%

### Max Loan Calculator

<b>LTV</b>	
NOI	€ 696,135.20
Value	€ 11,602,253.27
LTV	55%
Loan Amount	€ 6,381,239.30
<b>Debt Yield</b>	
NOI	€ 696,135.20
Debt Yield	8%
Loan Amount	€ 8,701,689.95
<b>DSCR</b>	
NOI	€ 696,135.20
Interest	5%
Interest - Monthly	0.42%
Amortization	25
Amort Months	300
NOI - Monthly	€ 58,011.27
DSCR	1.20
Max Payment	€ 48,342.72
Loan Amount	€ 8,269,508.29
<b>Sized Loan</b>	<b>€ 6,381,239.30</b>

### Loan Balance at Sale

Loan Amort Term	25
Term in Months	300
Remaining Term	180
Interest Monthly	0.42%
Payment Monthly	€ 37,304.09
<b>Loan Balance at Sale</b>	<b>€ 4,717,297.69</b>

# ASSUMPTIONS I

## Assumptions

### The Site

Project Name	Little Europe
Proposal Date	4/3/2020
Market	Bucharest
Address	George Enescu 25
Lot Area (square meters)	1419
Estimated Value (per SM)	€ 2,750.00
Estimated Total Value	€ 3,902,250.00

Proposed Floor Plates	Count	Square Meters
Ground Floor	1	800
Full Floors	5	570
Setback Floors	2	303
<b>Average</b>		<b>532</b>

### Pre-Construction Costs

Demolition of Existing Structures	€	50,000.00
Rezoning	€	40,000.00
Design & Engineering	€	150,000.00
Misc (Surveys, Consultants)	€	50,000.00

### Zoning

Zoning Area	No. 28 "Amzei" Historical Area
FAR*	3.0
Max Height (meters)	24
Proposed # of Floors (incl. ground floor)	8
Total ZFA	4257
Gross Area	5321
Net Area	4257

\*All figures after rezoning

### Building Programming

Uses	Square Meters	%	Base Rent/Price (PSM)	OPEX (PSM)
Food Hall	640	12.03%	€ 30.00	€ 9.00 <sup>1</sup>
Retail + Public Lobby	160	3.01%	€ 45.00	€ 6.75 <sup>1</sup>
Office	2281	42.86%	€ 18.00	€ 7.20 <sup>1</sup>
Residential (Condo)	1176	22.11%	€ 3,250.00	
Underground Parking*	800	15.03%	€ 14.63	€ 2.19 <sup>3</sup>
Outdoor Event Space**:	619	11.63%	€ 1.86	€ 1.86
Terraces Office/Residential*:	264.3	4.97%	€ 18.00	€ 7.20
<b>Totals/Average</b>	<b>5321</b>	<b>100.00%</b>	<b>€ 25.72</b>	<b>€ 6.87</b>

\*Not counted towards FAR

\*\*Not counted towards FAR or Total

1: Modified Gross Lease  
 2: + Service Charge 3.00 per SM  
 3: 90 Spots Priced at 130 Euro per Month

## ASSUMPTIONS II

### Construction Costs

Component	PSM / %	Total
Residential (Condo)	€ 1,200.00	€ 1,411,757.14
Commercial - Retail	€ 825.00	€ 132,000.00
Commercial - Food Hall	€ 1,000.00	€ 640,000.00
Office	€ 880.00	€ 2,006,871.43
Landscaped Outdoor	€ 150.00	€ 92,850.00
<b>Total Hard Costs</b>	<b>92%</b>	<b>€ 4,283,478.57</b>
Plus Marketing Budget	2%	€ 64,252.18
Soft Costs	8%	€ 354,252.18
<b>Total Construction Costs*</b>	<b>€ 871.55</b>	<b>€ 4,637,730.75</b>

\*Underground parking cost reflected in the building costs of all other components. Land contribution accounted for separately.

### Construction Loan

LTC	50%
Interest Rate	5.50%
Origination Fee	1%
Term (Years)	3

### Permanent Loan

LTV	55%
Interest Rate	5%
Origination Fee	1%
Debt Yield	8%
DSCR	1.20
Term (Years)	25

### Other Assumptions

Inflation Growth Rate	3%	Land Value	€ 3,902,250.00
CAPEX Reserve (% of NOI)	10%	Construction Period (months)	20
Maximum CAPEX Reserve Amount	€ 50,000	Stabilization Period (months)	16
OPEX Growth (%)	3%	Average Occupancy During Lease Up	70%
Exit Cap Rate	6%	Condo Sales Period (Months)	16
Exit Year	10	Total Construction and Stabilization (months)	36
Sales Costs	4%	OPEX Recovery (where applicable)	50%
Overall Vacancy	9%	Contribution from GP (vs LP %)	10%
Management Fee (% of EGI Rental)	5%	Free Rent % of Lease	5%
Broker Comissions	4%	Discount Rate	7.50%

# GRAPHICS SENSITIVITY ANALYSIS

