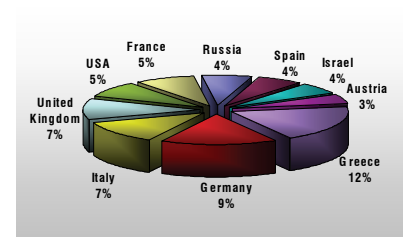


Sofia is considered to be one of the five fastest-growing real estate markets in the world and one of the most competitive in terms of business costs. The city is being transformed, with strong efforts being made in improving the travel infrastructure and promoting tourism.

Main Feeder Markets



Source: National Statistical Institute of Bulgaria

Sofia is a business destination predominantly: the amount of transient leisure is relatively small. Meeting and conference demand is quite low and is confined to a few local or regional events. The main source markets for Sofia are Romania, Turkey and Greece.

Hotel Transactions

Hotel projects are starting to be considered as attractive investments, their viability stemming from increasing international travel, the low cost of labour, low taxation and an adequate number of reasonably skilled personnel. The prevalent trend is for hotels to be developed as part of large-scale mixed-use retail or business schemes, as this further enhances the operating and value potential of the property, and helps complement and support the main commercial uses. The evidence of hotel transactions is scarce, as most hotels entering the market are new developments, as opposed to 'buyouts'. Yields in Sofia are quite high, as are return on investment percentages.

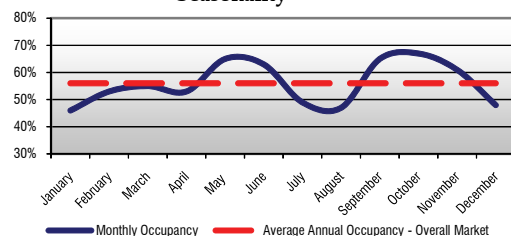


HVS

Market Snapshot Sofia, Bulgaria

August 2009

Seasonality



Despite being the capital, Sofia does not have the largest number of rooms in Bulgaria and the city still lags behind other European capitals in terms of both the quality of product and the number of adequate rooms. The presence of international brands is still limited and those that are present are mostly franchises.

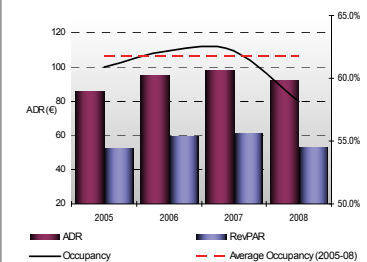
The supply of hotels in Sofia has more than doubled in the past six years, from 41 in 2002 to 92 in 2008. The aggregate hotel room count increased from around 4,400 to 7,100 between 2002 and 2008.

Future Room Supply

Approximately 1,000 rooms are expected to open in Sofia over the next four to five years. Much of the development activity is expected to be around the airport and the main railway station. International hotel operators are currently in negotiations on at least four of these projects, but it is unlikely that all of these hotels will secure an international management company.

Yearly occupancy at hotels in Sofia remained fairly stable, at more than 55%, between 2005 and 2008. This stability was due in part to a steady increase in the supply of hotel rooms. Marketwide average rate has grown steadily, on account primarily of strong economic growth and business activity, and the entry of more branded hotels; this has helped raise average rates.

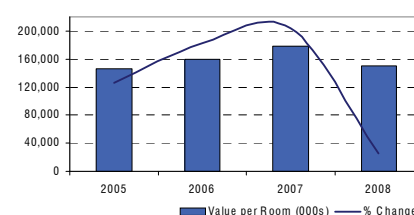
Upscale Hotel Performance



Branded upscale hotels have outperformed the market in terms of both occupancy and average rate. Occupancy between 2005 and 2008 was consistently about five percentage points higher than the rest of the market.

Quality hotels enjoyed a modest (2%) compound annual growth in average rate from 2005 to 2008.

Value per Room



Source: HVS Hotel Valuation Index

According to our 2008 Hotel Valuation Index, hotel values per room in Sofia were in the bottom six in our index, with a decline in value of 16%, to €150,000 a room, owing to the current economic turmoil and a resulting drop in RevPAR of 13%.

However, when the world economy returns to normality, the Bulgarian economy is expected to continue its growth trend. Sofia is considered to be one of the markets with the greatest potential in Europe, given the lack of quality hotel rooms and the fact that, in terms of gross hourly earnings, Sofia remains the most competitive EU capital; this consideration is only expected to encourage business activity in the city.