

European Convergence Property Company

"ECPC" or the "Company"

The Board of ECPC is pleased to announce that it has successfully completed the first acquisition in its investment program. The acquired property, known as PGV Tower, is located in central Bucharest and was acquired for €24.0 million. It is expected that the property will generate a projected running yield of over 10% after all expenses and taxes on ECPC's net equity contribution. The property was acquired from a leading Romanian property developer.

PGV Tower, completed in 2003, consists of two adjoining towers, one of six floors and a second of fourteen floors. PGV Tower is the head office of Postbank, the EFG Eurobank owned Romanian banking group. Postbank and other EFG related companies account for 86% of the revenue and 93% of the 9,989 sqm of net lettable area. The manager believes that rent levels being paid by all tenants are at market levels. ECPC intends to borrow approximately 70% of the total purchase price.



PGV Tower, Bucharest

ECPC investment outlook

Notwithstanding the above acquisition announcement, the Company's investment program is currently approximately three to five months behind the planned timetable.

In Romania and Bulgaria, this delay is principally due to three factors:

1. Lower transaction volume of buildings in the targeted countries.
2. Sellers seeking terms that create excess risk burdens for potential buyers.
3. Yield expectations have increased amongst potential sellers.

European Convergence Property Company

The expectations for lower yields/higher prices is potentially the most limiting of these factors to ECPC's investment program. However, lending spreads for property investment at Romania's leading banks have also dropped and therefore the investment yield premium over borrowing rates remains exciting. Lower transaction volumes and adverse transaction term expectations are partially related. In what is perceived as a seller's market, current owners are seeking to eliminate post-completion liabilities. This has led to fewer transactions completing. The Company is not willing to complete acquisitions on what may be reasonable economic terms if standard legal protections are not in place.

Within Romania and Bulgaria, the manager currently has eight pipeline investments at varying stages of negotiation that have a combined value in excess of €210 million. In addition, the pipeline includes a further seven projects that are not at sufficient development stages to warrant active negotiation but could reach such a stage in the near future. While not all pipeline projects will reach investment completion, the manager is happy with the depth of opportunities available to the Company.

Over the past six to nine months, Turkey has seen a rapid yield compression in an environment of rising interest rates. During this time, the Turkish market has gone from the highest yielding target market to the lowest yielding target market. As the market is primarily a US Dollar based market and US Dollar interest rates have increased, medium term investment return expectations have declined. As Turkey has the longest expected time to EU entry of the three target markets, and is therefore furthest from long-term yield convergence, the manager is not currently involved in any investment negotiations in that country. However, the manager continues to monitor prices actively and should an opportunity arise, will seek to make additions to the portfolio.

In summary, despite the investment program being three to five months behind the planned timetable, the manager believes a sufficient number of opportunities exist in the pipeline to expect full resource deployment. The Company is currently focusing on Romania and Bulgaria and is seeing a number of very exciting transaction opportunities. Funding conditions are constantly improving and this should lead to favourable capital structures for subsequent acquisitions.

Enquiries:

European Convergence Property Company plc Anderson Whamond	+44 (0)1624 640200
Charlemagne Capital Christopher Fitzwilliam Lay/Varda Lotan	+44 (0)20 7518 2100
Panmure Gordon & Co Hugh Morgan/Stuart Gledhill	+44 (0)20 7459 3600

Website: www.europeanconvergence.com
