A low-angle, upward-looking photograph of several modern skyscrapers against a bright blue sky with scattered white clouds. The buildings are made of glass and steel, with their lines converging towards the top of the frame. A large, abstract blue graphic element, consisting of several overlapping, curved shapes, is positioned in the foreground, partially obscuring the bottom of the buildings.

# EfTEN Real Estate Fund III AS portfolio valuation condensed report

July 05, 2019

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Accelerating success.

# BRIEF SUMMARY OF THE VALUATION RESULT



- ❖ The **market value** of **EfTEN Real Estate Fund III AS portfolio** is 105,683,000 (one hundred five million six hundred and eighty-three thousand) Euros as of date of valuation June 30, **2019**. Market value excludes of development project - „Hortes Tähesaju“ in Tallinn, Estonia.
- ❖ The portfolio under valuation consists of 10 objects - 4 in Estonia, 1 in Latvia and 5 in Lithuania.
- ❖ Versus to the valuation performed in December 2018 there was new acquisition in Estonia (ABC Motors). Additionally, the construction works of development project – „Hortes Tähesaju in Tallinn have been continuing.
- ❖ The total property portfolio market value growth due to the valuation, compared to December 31, 2018, corresponds 1.4% or approx. 1.460 thousand euros.

	Sector	Quantity	Market Value, €	Market Value, €/sqm	WA Initial Yield
Estonia	Mixed-use	4	26,080,000	1,032	7.51%
Latvia	Logistics	1	8,703,000	715	7.53%
Lithuania	Mixed-use	5	70,900,000	893	7.11%
Total / Average		10	105,683,000	905	7.25%

# BRIEF SUMMARY OF THE VALUATION RESULT



No	Property	Sector	Market Value, €	Date of inspection	Market Value, €/sqm	Initial Yield
1	Pärnu Rd. 535, Saku parish, Estonia	Logistics	12,880,000	10.01.2019	804	7.62%
2	Seljaku Str. 4b, 4a, 2a, Laagri, Estonia	Retail	3,450,000	28.12.2018	994	7.54%
3	Pärnu Rd 554, Tallinn, Estonia	Retail	6,630,000	28.12.2018	1,819	7.26%
4	Paldiski Rd. 105, Tallinn	Retail	3,120,000	-	1,452	7.59%
5	Krustpils 31, Riga, Latvia	Logistics	8,703,000	04.12.2018	715	7.53%
6	Tilžės 109, Šiauliai, Lithuania	Retail	32,630,000	28.12.2018	801	7.54%
7	Verkiu 25C, Vilnius, Lithuania	Office	9,220,000	18.12.2018	1,365	7.04%
8	Stasyļu 21, Vilnius, Lithuania	Logistics	8,770,000	23.01.2019	746	7.74%
9	Laisves 3, Vilnius, Lithuania	Office	10,080,000	30.01.2019	1,483	7.36%
10	Ukmerges 223, Vilnius	Office	10,200,000	25.01.2019	766	5.02%
<b>TOTAL / AVERAGE</b>			<b>105,683,000</b>		<b>905</b>	<b>7.25%</b>

- ❖ The Weighted Average Effective rent (EUR/sqm/month) – In Estonia around 6.9 EUR/sqm, in Latvia 5.0 EUR/sqm and in Lithuania 9.9 EUR/sqm.
- ❖ The average actual Vacancy rates are 0,2%, 0.0% and 6.0% in Estonia, Latvia and Lithuania accordingly.

# BRIEF SUMMARY OF THE VALUATION RESULT



The increase in the market value, not considering new acquisition is mainly resulting from the **changes in lease agreement indexations**.

No	Property	Market Value, €	Main Reason of changes
1	Tilžės 109, Šiauliai, Lithuania	32,630,000	<ul style="list-style-type: none"><li>Market value has been increased by 3.13%. The increase is mostly caused by new Lease Agreements signed with new Tenants and indexation.</li></ul>
2	Verkiu 25C, Vilnius, Lithuania	9,220,000	<ul style="list-style-type: none"><li>Market value is unchanged</li></ul>
3	Stasyļu 21, Vilnius, Lithuania	8,770,000	<ul style="list-style-type: none"><li>Market value has been increased by 0.46%. The increase is mostly caused by rent indexation in accordance to lease conditions.</li></ul>
4	Laisvės 3, Vilnius, Lithuania	10,080,000	<ul style="list-style-type: none"><li>Market value has been increased by 1.1%. The increase is mostly caused by rent indexation in accordance to lease conditions.</li></ul>
5	Ukmergės 223, Vilnius	10,200,000	<ul style="list-style-type: none"><li>Vacancy increased from 10% to 39%. Anchor tenant (Telia group) vacated premises (ca 2,650 sqm) in 2019 April. Some of new Lease Agreements were already signed as of June 2019.</li></ul>

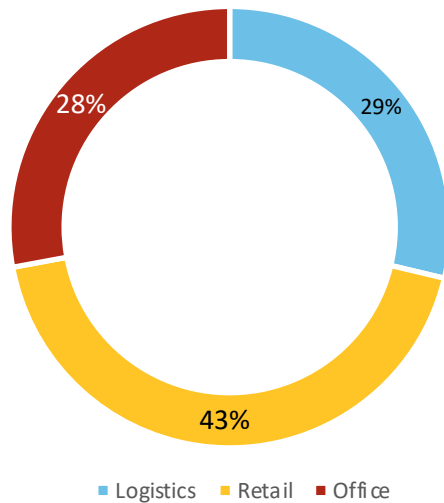
# BRIEF SUMMARY OF THE VALUATION RESULT



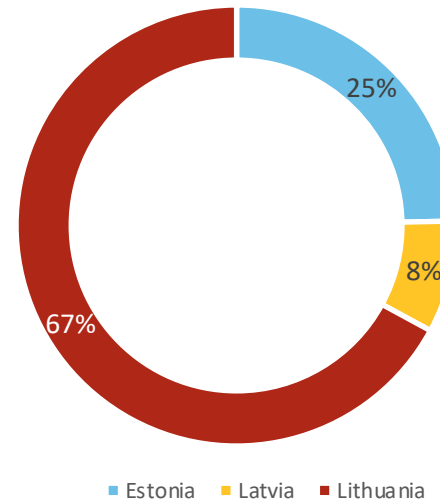
No	Property	Market Value, €	Main Reason of changes
6	Krustpils 31, Riga, Latvia	8,703,000	<ul style="list-style-type: none"><li>• Market value is unchanged (slight increase by 0.5%)</li></ul>
7	Pärnu Rd. 535, Saku parish, Estonia	12,880,000	<ul style="list-style-type: none"><li>• Market value is mostly unchanged (slight increased 0.23% caused by Lease indexation has positive effect on master lease rental value)</li></ul>
8	Seljaku Str. 4b, 4a, 2a, Laagri, Estonia	3,450,000	<ul style="list-style-type: none"><li>• Market value is mostly unchanged (slight increased 0.58% caused by Lease indexation has positive effect on master lease rental value)</li></ul>
9	Pärnu Rd 554, Tallinn, Estonia	6,630,000	<ul style="list-style-type: none"><li>• Market value is mostly unchanged</li></ul>
10	Paldiski mnt 105, Tallinn	3,120,000	<ul style="list-style-type: none"><li>• New acquisition</li></ul>

# BRIEF SUMMARY OF THE VALUATION RESULT

Portfolio market value division by sectors



Portfolio market value division by regions

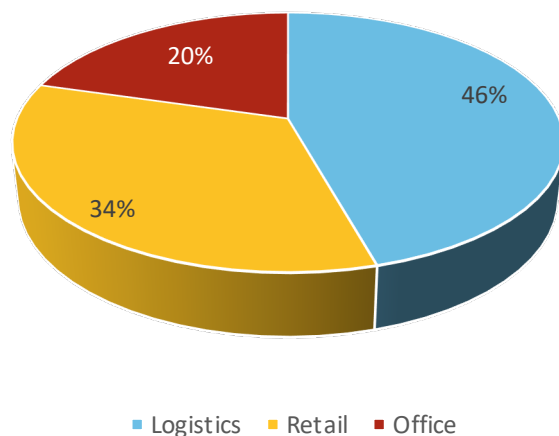


- ❖ The largest share (43%) of the total market value are taking the objects of retail sector, which can be considered also the most liquid sector in current market situation.
- ❖ The largest share (67%) of the total market value are forming the objects located in Lithuania.

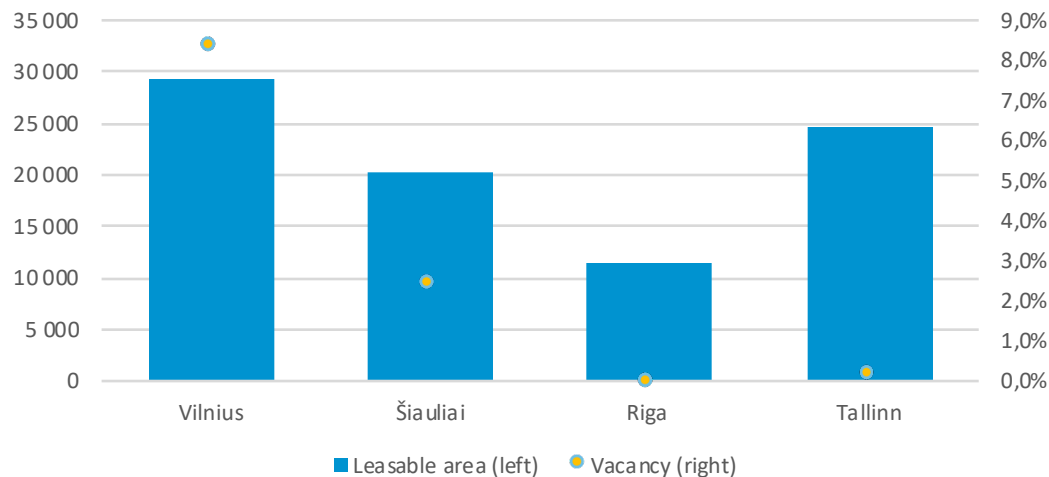
# BRIEF DESCRIPTION OF THE PORTFOLIO

- ❖ The object of the valuation was the EfTEN Real Estate Fund III AS portfolio, consisting of 10 properties.
- ❖ 4 objects are located in Estonia (Tallinn, Saku and Saue parish, suburb areas of Tallinn), 1 in Latvia (Riga) and 5 in Lithuania (4 in Vilnius and 1 in Šiauliai).
- ❖ The total closed net area of the portfolio is 116.8 thousand sqm and total leasable area approx. 86 thousand sqm.
- ❖ The dominant objects of the portfolio are shopping center Saules Miestas in Šiauliai (24% of the total leasable area and 31% of the total portfolio Market Value) and **DSV Logistic in Tallinn suburb area** (19% of the total leasable area and 12% of the total portfolio Market Value).

Portfolio leasable area by sectors



Portfolio leasable area and vacancy division by regions



# INITIAL TASK AND MAIN PRINCIPLES



- ❖ The **client** of valuation is EfTEN Real Estate Fund III AS (hereinafter EfTEN) and the **executor Colliers International Advisors OÜ** (hereinafter Colliers) together with Colliers Latvia and Lithuania.
- ❖ The **objective** of the valuation was to determine the market value of EfTEN Real Estate Fund III AS portfolio's relevant properties (hereinafter Object) as of June 30, 2019.
- ❖ The valuation process was carried out according to the initial task in June 2019.
- ❖ The valuation process was carried out by the valuation experts (incl. experts with local or international certification) of Colliers' Estonia, Latvia and Lithuania.
- ❖ In determining the market value the main principles (incl. the unambiguous definition of market value) of Estonian standards EVS 875, Latvian standards LVS 401:2013, Lithuanian regulations and international standards IVS 2017 and RICS Valuation – Global Standards 2017 were taken into account.
- ❖ Colliers assures that it has performed the valuation process as an independent external valuer, without any direct or indirect interests related to the valued Object.



# INITIAL TASK AND MAIN PRINCIPLES



- ❖ Colliers assures that it has the **essential experience, competence and market information** to determine adequately the market value of the Object.
- ❖ The valuation was based on the **aggregated data of the Object** presented by EfTEN – incl. aggregated lease data, area data of the Object (incl. gross area and leasable area), cost information, done and planned investments and other relevant data that can influence the market value.
- ❖ Colliers did not perform any measuring, constructional examinations, surveys of possible hidden defects or threats (e.g. pollution) of the Object. Nor did Colliers perform legal or economic in-depth analysis of the lease agreements.
- ❖ All inputs and the determined market value are without VAT.
- ❖ For mid-year period, valuation was not formalized in a Valuation reports but actualized previous reports: No 15/E/19 (as of February 01, 2019); Latvia: No. 2322/VD/18-07 (as of January 14, 2019), Lithuania: Nos. VD/385-1/18, VD/385-3/18, VD/385-4/18, VD/385-5/18, VD/385-7/18 (as of January 31, 2019).

- ❖ Discounted Cash Flow (DCF) Method was used to determine the market value of the Object. The cash flow period of 5+1 years was applied.
- ❖ Income from existing lease agreements and the estimated market based income from vacant premises were used to determine the Potential Gross Income (PGI).
- ❖ Vacancy loss from the real vacancy and from the estimated vacancy arising from ending agreements (i.e. higher than real vacancy) was deducted from the PGI to determine the Effective Gross Income (EGI).
- ❖ The owner's costs (incl. the estimated capex) of the Object were deducted from EGI to determine the Net Operating Income (NOI). Costs presented by EfTEN and in addition estimated market based costs were taken into account.
- ❖ The exit values were determined on the basis of 6th year NOI and the estimated exit yields.
- ❖ The market values were determined by summing the discounted annual NOI's and exit values.
- ❖ Discount rates were determined on the basis of weighted average cost of capital (WACC).
- ❖ The exit yields were determined based on the valuers' experience and cognition, taking into account the market information and the specific risks associated with the objects.

# COMPILERS AND VERIFIERS OF THE VALUATION



## COMPILERS:

A handwritten signature in blue ink, appearing to be "A. Sibul".

### **Aleksander Sibul**

MRICS, Head of Valuation  
Certified valuer (cert. No. 116137)  
Colliers Estonia

A handwritten signature in blue ink, appearing to be "J. Ozols".

### **Jānis Ozols**

MRICS,  
Acting director | Head of Valuation  
Certified valuer (cert. No. 98)  
Colliers Latvia

A handwritten signature in blue ink, appearing to be "A. Kalev".

### **Aleksej Kalev**

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