

# EfTEN Kinnisvarafond AS

Portfolio Valuation  
Condensed Report

**December 13, 2022**

Prepared by: Colliers International

- ❖ The market value of EfTEN Kinnisvarafond AS portfolio is 203,840,000 (two hundred three million eight hundred and forty thousand) Euros as of date of valuation November 30, 2022.
- ❖ The portfolio under valuation consists of 17 properties - 13 in Estonia, 3 in Latvia and 1 in Lithuania.
- ❖ Versus to the valuation performed on June 30, 2022, there were no new acquisitions.
- ❖ The total decrease in market value of the property portfolio resulting from the valuation compared to June 30, 2022, corresponds to 0.1%.

## BRIEF SUMMARY OF THE VALUATION RESULT

	Sector	Quantity	Market Value, €	Market Value, €/sqm	WA Initial Yield
<b>Estonia</b>	Mixed-use	13	153,180,000	1,108	7.10%
<b>Latvia</b>	Mixed-use	3	42,540,000	692	8.06%
<b>Lithuania</b>	Office	1	8,120,000	920	8.47%
<b>Total/ Average</b>	<b>Mixed-use</b>	<b>17</b>	<b>203,840,000</b>	<b>978</b>	<b>7.35%</b>

## BRIEF SUMMARY OF THE VALUATION RESULT

No	Property	Sector	Date of Valuation	Market Value, €	Market Value, €/sqm	Initial Yield
1	Rigas 48, Jelgava	Retail	30.11.2022	9,280,000	633	8.31%
2	Jūrkalnes 15/25, Riga	Warehouse	30.11.2022	24,290,000	511	8.63%
3	Lāčplēša 20A, Riga	Office	30.11.2022	8,970,000	1,399	6.27%
4	Menulio 11, Vilnius	Office	30.11.2022	8,120,000	920	8.47%
5	Lauteri 5, Tallinn	Office	30.11.2022	5,850,000	1,183	6.25%
6	Pärnu mnt 102, Tallinn	Office	30.11.2022	16,200,000	1,467	6.95%
7	Pärnu mnt 105, Tallinn	Office	30.11.2022	8,050,000	1,328	7.18%
8	Betooni tn 1a, Tallinn	Warehouse	30.11.2022	9,190,000	856	7.13%
9	Betooni tn 4, Tallinn	Warehouse	30.11.2022	6,840,000	942	7.59%
10	Betooni tn 6, Tallinn	Warehouse	30.11.2022	9,200,000	516	7.23%
11	Punane 73/ Kuuli 10, Tallinn	Warehouse	30.11.2022	11,450,000	753	7.10%

## BRIEF SUMMARY OF THE VALUATION RESULT

No	Property	Sector	Date of Inspection	Market Value, €	Market Value, €/sqm	Initial Yield
12	A. H. Tammsaare tee 116, Tallinn	Retail	30.11.2022	36,970,000	1,289	7.02%
13	Vabaduse väljak 2, Tallinn	Hotel	30.11.2022	10,020,000	2,052	3.92%
14	F. R. Kreutzwaldi tn 5a, Rakvere	Public	30.11.2022	7,360,000	1,141	9.16%
15	F. R. Kreutzwaldi tn 89 (DIY), Võru	Retail	30.11.2022	2,890,000	732	8.22%
16	A. H. Tammsaare tee 49 (DIY), Tallinn	Retail	30.11.2022	15,570,000	1,707	7.92%
17	Tallinna tn 41 (UKU), Viljandi	Retail	30.11.2022	13,590,000	1,129	7.50%
TOTAL AVERAGE				203,840,000	978	7.35%

- ❖ The Weighted Average Effective rent (EUR/sqm/month) – In Estonia around 8.0 EUR/sqm, in Latvia 7.5 EUR/sqm and in Lithuania 10.9 EUR/sqm.
- ❖ The average actual Vacancy rates are 1.1%, 1.8% and 0% in Estonia, Latvia and Lithuania accordingly.
- ❖ In response to the military invasion of Ukraine by the Russian Federation on 24<sup>th</sup> February 2022, the United States, the European Union, and other nations have announced a series of unprecedented sanctions on Russia and Belarus. While at this point the military conflict is isolated locally, economic activities with the concerned countries are hugely impaired, and it is considered that the global economic implications will be widely felt and will depend mostly on what happens to energy and other commodity prices. It is now clear that the energy prices have increased drastically, having a wide influence on entire Europe and further. At current stage, the crisis is regarded to have a short- to mid-term effect on the property market, subsequently within this valuation assignment alterations (compared to pre- or during-crisis) have been made only to those considerations and inputs that can be supported by up-to-date market evidence. Nevertheless, less certainty – and a higher degree of caution – should be attached to this valuation than would normally be the case. Given the unknown impact that the military conflict might have on the economies and real estate market in the longer term, it is recommended for the terminal user of this document to keep the valuation of this property under frequent review.

## BRIEF SUMMARY OF THE VALUATION RESULT

The slight decrease in the market value, is mainly caused by adjusted discount rates and increased costs.

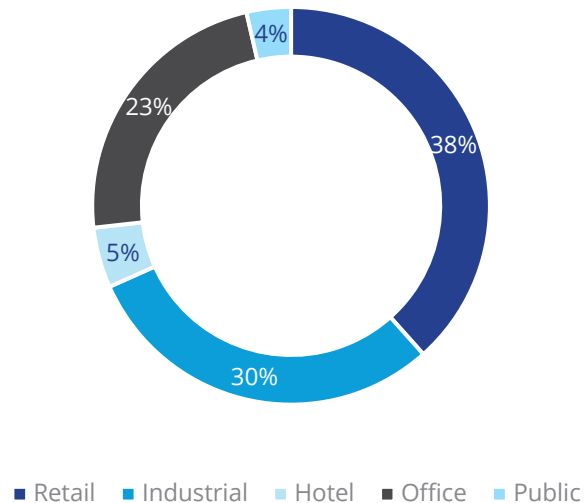
No	Property	Market Value, €	Change compared to June 2022	Comments
1	Rigas 48, Jelgava	9,280,000	1.6%	❖ (+) indexation; prolongation of agreement with New Yorker on existing terms; (-) higher DR.
2	Jūrkalnes 15/25, Riga	24,290,000	0.0%	❖ (+) indexation; (-) higher DR and higher Capex reserve assumptions.
3	Lāčplēša 20A, Riga	8,970,000	-3.2%	❖ (+) indexation; (-) higher budgeted Capex, higher operating costs, higher DR.
4	Menulio 11, Vilnius	8,120,000	1.9%	❖ (+) indexation; market rent rate increased (-) higher DR (8.80% vs 8.20%) and higher planned capital investments.
5	Lauteri 5, Tallinn	5,850,000	0.3%	❖ (+) vacancy decrease, (-) higher DR and higher cost assumptions.
6	Pärnu mnt 102, Tallinn	16,200,000	-0.2%	❖ (+) indexation, (+) vacancy decrease.
7	Pärnu mnt 105, Tallinn	8,050,000	1.1%	❖ (-) higher DR and higher cost assumptions.
8	Betooni tn 1a, Tallinn	9,190,000	0.9%	❖ (+) indexation.
9	Betooni tn 4, Tallinn	6,840,000	-0.4%	❖ (+) indexation; (-) higher DR and higher cost assumptions.

## BRIEF SUMMARY OF THE VALUATION RESULT

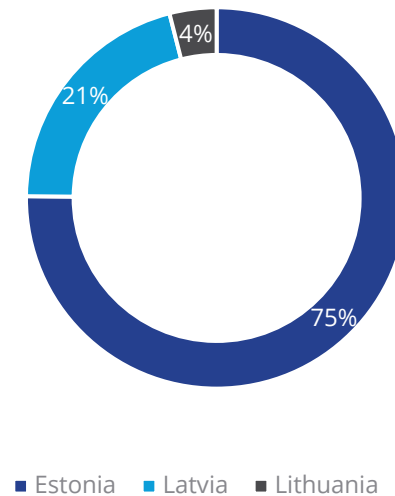
N o	Property	Market Value, €	Change compared to June 2022	Comments
10	Betooni tn 6, Tallinn	9,200,000	0.0%	❖ No change.
11	Punane 73/ Kuuli 10, Tallinn	11,450,000	-0.7%	❖ Increased costs.
12	A. H. Tammsaare tee 116, Tallinn	36,970,000	-1.1%	❖ (+) indexation; (-) higher DR and higher cost assumptions.
13	Vabaduse väljak 3, Tallinn	10,020,000	-0.7%	❖ Hotel market has grown in the summer, the Covid influences are over and war influences are not as bad as expected.
14	F. R. Kreutzwaldi tn 5a, Rakvere	7,360,000	1.3%	❖ Slightly changed rent assumptions. Since the indexation is 50% of the CPI, there is a large increase (10%) in the first period.
15	F. R. Kreutzwaldi tn 89 (DIY), Võru	2,890,000	1.9%	❖ No significant changes in MV. The economical environment has worsened but the rent contract of the property has been prolonged which influences the vacancy.
16	A. H. Tammsaare tee 49 (DIY), Tallinn	15,570,000	0.3%	❖ No significant changes in Market Value.
17	Tallinna tn 41 (UKU), Viljandi	13,590,000	0.1%	❖ (+) indexation; (-) higher DR and higher cost assumptions.

## BRIEF SUMMARY OF THE VALUATION RESULT

Portfolio market value by sectors



Portfolio market value division by regions



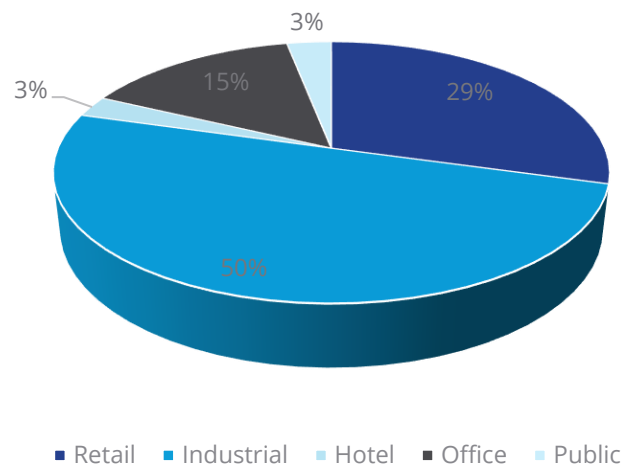
- ❖ **The largest share (38%) of the total market value** is the retail sector, which used to be one of the most liquid sectors, although the liquidity has decreased due to the COVID-19 and energy crises situation.
- ❖ **The largest share (75%) of the total market value** are composed of the properties located in Estonia, whereas properties with 64% of the total market value **are located in Tallinn**, which is the dominant region of Estonian property market, having also the highest liquidity on the market.



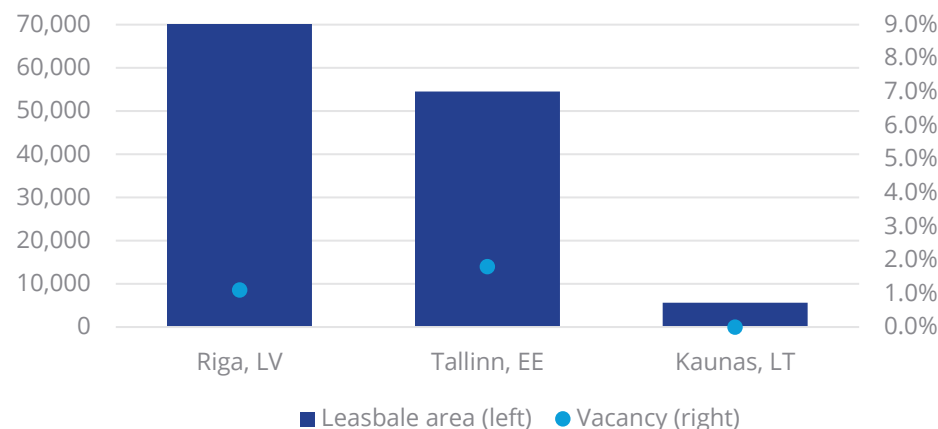
## BRIEF SUMMARY OF THE VALUATION RESULT

- ❖ The object of the valuation was the **portfolio of EfTEN Kinnisvarafond**, consisting of **17 properties**. There were no acquisitions or properties sold in the period.
- ❖ **13 objects** are located in Estonia (10 in Tallinn), 3 in Latvia (2 Riga, one in Jelgava) and 1 in Lithuania (Vilnius).
- ❖ The total **net building internal area** of the portfolio is **208,491 sqm** and total **leasable area 187,311 sqm**.
- ❖ The **dominant objects** of the portfolio are **Mustika Keskus in Tallinn** (15% of the total leasable area) and **Northern Technology Park in Riga** (24% of the total leasable area).

Portfolio leasable area by sectors



Portfolio leasable area and vacancy division by region





## INITIAL TASK AND MAIN PRINCIPLES

1

The **Client** of valuation is **EfTEN Kinnisvarafond AS** (hereinafter **EfTEN**) and the **executor Colliers International Advisors OÜ** (hereinafter **Colliers**) together with Colliers Latvia and Lithuania

2

The **objective** of the valuation was to determine the **market value of EfTEN Kinnisvarafond AS portfolio's relevant properties** (hereinafter **Object**) as of **November 30, 2022**

3

The valuation process was carried out according to the initial task on **November 30, 2022**

4

The valuation process was carried out by the **valuation experts (incl. experts with local or international certification) of Colliers' Estonia, Latvia and Lithuania**

5

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 Valuation Standards IVS 2021, RICS Valuation – Global Standards 2021 and European Valuation Standards EVS 2021** were taken into account

6

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

7

Colliers assures that it has the **essential experience, competence and market information** to determine adequately the market value of the Object

10

All inputs and the determined market value are **without VAT**

8

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

11

For end-year period, valuation was formalized in Valuation reports as of December 13, 2022.

9

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

## VALUATION METHODOLOGY

1

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

2

Income from existing lease agreements and the estimated market-based income from vacant premises were used to determine the Potential Gross Income (PGI)

3

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)

4

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 considered

5

The exit values were determined based on 6th year NOI and the estimated exit yields

6

The market values were determined by summing the discounted annual NOI's and exit values

7

Discount rates were determined based on weighted average cost of capital (WACC) and also by Gordon's growth model.

8

The exit yields were determined based on the valuers' experience and knowledge, considering the market information and the specific risks associated with the objects.

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