

# EfTEN Real Estate Fund III AS

Portfolio Valuation  
Condensed Report

**December 13, 2022**

Prepared by: Colliers International

- ❖ The market value of EfTEN Real Estate Fund III AS portfolio is 168,310,000 (one hundred sixty-eight million three hundred and ten thousand) Euros as of date of valuation November 30, 2022.
- ❖ The portfolio under valuation consists of 17 objects - 7 in Estonia, 3 in Latvia and 7 in Lithuania.
- ❖ Compared to the 2022 mid-year valuation, the number of evaluated objects has increased by one object in Estonia – Valkla Hooldekodu.
- ❖ The total growth in market value of the property portfolio resulting from the valuation compared to June 30, 2022, corresponds to 1.2% or approx. 2.05 million euros (if new acquisition is not considered, the value of 16 objects decreased by 0.01%, i.e., 20,000EUR).

## BRIEF SUMMARY OF THE VALUATION RESULT

	Sector	Quantity	Market Value, €	Market Value, €/sqm	WA Initial Yield
<b>Estonia</b>	Mixed-use	7	42,540,000	961	7.15%
<b>Latvia</b>	Mixed-use	3	24,480,000	747	8.04%
<b>Lithuania</b>	Mixed-use	7	101,290,000	952	7.23%
<b>Total/ Average</b>	<b>Mixed-use</b>	<b>17</b>	<b>168,310,000</b>	<b>917</b>	<b>7.33%</b>

# BRIEF SUMMARY OF THE VALUATION RESULT

No	Property	Sector	Date of Valuation	Market Value, €	Market Value, €/sqm	Initial Yield
1	Krustpils street 31, Riga (DSV)	Warehouse/ industrial	30.11.2022	8,830,000	726	8.32%
2	Tehnikas street 3, Lidosta (Air Balitc)	Office	30.11.2022	6,920,000	1,055	7.38%
3	Piepilsetas Logistics Centre	Warehouse/ industrial	30.11.2022	8,730,000	621	8.28%
4	Tilžēs 109, Šiauliai (SC Saules Miestas)	Retail	30.11.2022	36,280,000	884	7.73%
5	Verkiu street 25C, Vilnius (BC Ulonu)	Office	30.11.2022	9,320,000	1,379	6.47%
6	Stasyļu 21, Vilnius (LC DSV)	Warehouse/ industrial	30.11.2022	9,470,000	806	7.49%
7	Laisves 3, Vilnius (BC L3)	Office	30.11.2022	10,770,000	1,584	6.62%
8	Ukmerges 223, Vilnius (BC Evolution)	Office	30.11.2022	11,780,000	906	6.91%
9	J. Rutkausko 6, Vilnius (BC Rutkausko, ATEA)	Office	30.11.2022	13,010,000	1,872	6.74%
10	Ramygalos 194E, 190E, Panevėžys (Adax)	Warehouse/ industrial	30.11.2022	10,660,000	529	7.51%
11	Pärnu mnt 535, Jälgimäe	Warehouse/ industrial	30.11.2022	13,610,000	850	7.50%
12	Pärnu mnt 554	Retail	30.11.2022	7,810,000	2,143	6.25%
13	Seljaku 4b, 4a, 2a, Laagri	Retail	30.11.2022	3,720,000	1,072	7.49%
14	Tähesaju tee 5, Tallinn	Retail	30.11.2022	5,600,000	1,319	7.40%
15	Hunditubaka tee 12, Tallinn	Social	30.11.2022	6,320,000	1,056	5.41%
16	Paldiski mnt 105, Tallinn	Retail (car dealer)	30.11.2022	3,410,000	1,587	8.20%
17	Valklaranna rd 36, Valkla	Social	30.11.2022	2,070,000	223	11.12%
<b>TOTAL AVERAGE</b>				<b>168,310,000</b>	<b>917</b>	<b>7.33%</b>

- ❖ The average rent of rental premises considering Effective Gross Income is: in Estonia 6.6 EUR/sqm, in Latvia 8.3 EUR/sqm and in Lithuania 8.8 EUR/sqm.
- ❖ The average actual Vacancy rates were 0.0%, 0.1% and 0.9% in Estonia, Latvia and Lithuania accordingly.

# BRIEF SUMMARY OF THE VALUATION RESULT 1/2

The increase in the market value is mainly resulting from the changes in lease agreement indexations, adjusted discount rates and exit yields and changed vacancy.

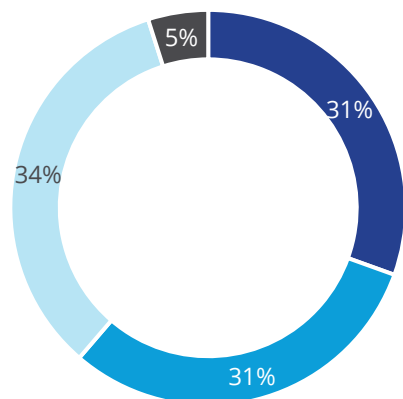
No	Property	Market Value, €		Comments
1	Krustpils street 31, Riga (DSV)	8,830,000	0.34%	❖ Market Value is similar to the last valuation.
2	Tehnikas street 3, Lidosta (Air Balitc)	6,920,000	0.44%	❖ Market Value is similar to the last valuation.
3	Piepilsetas Logistics Centre	8,730,000	-1.80%	❖ (+) indexation; (-) higher DR and higher Capex reserve assumptions
4	Tilžēs 109, Šiauliai (SC Saules Miestas)	36,280,000	2.54%	❖ Market value has increased due to higher rent.
5	Verkiu street 25C, Vilnius (BC Ulonu)	9,320,000	0.00%	❖ Market Value is the same as the last valuation.
6	Stasyļu 21, Vilnius (LC DSV)	9,470,000	-0.94%	❖ Market Value is similar to the last valuation.
7	Laisves 3, Vilnius (BC L3)	10,770,000	0.75%	❖ Market Value is similar to the last valuation.
8	Ukmerges 223, Vilnius (BC Evolution)	11,780,000	0.43%	❖ Market Value is similar to the last valuation.
9	J. Rutkausko 6, Vilnius (BC Rutkausko, ATEA)	13,010,000	0.46%	❖ Market Value is similar to the last valuation.
10	Ramygalos 194E, 190E, Panevėžys (Adax)	10,660,000	-0.47%	❖ Market Value is similar to the last valuation.
11	Pärnu mnt 535, Jälgimäe	13,610,000	-0.58%	❖ Market Value is similar to the last valuation.
12	Pärnu mnt 554, Tallinn	7,810,000	0.00%	❖ Market Value is the same as the last valuation.
13	Seljaku 4b, 4a, 2a, Laagri	3,720,000	-0.27%	❖ Market Value is similar to the last valuation.
14	Tähesaju tee 5, Tallinn	5,600,000	-12.64%	❖ Rent decreased by 10%, somewhat increased costs and DR.
15	Hunditubaka tee 12, Tallinn	6,320,000	0.00%	❖ Market Value is the same as the last valuation.
16	Paldiski mnt 105, Tallinn	3,410,000	0.89%	❖ Market Value is similar to the last valuation.
17	Valklaranna rd 36, Valkla	1,950,000	n/a	❖ New acquisition.

# BRIEF SUMMARY OF THE VALUATION RESULT 1/2

- ❖ 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

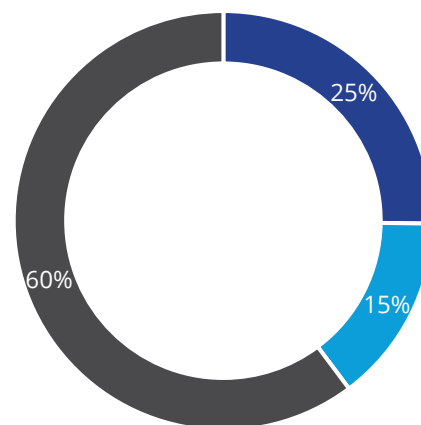
## BRIEF SUMMARY OF THE VALUATION RESULT

Portfolio market value by sectors



■ Industrial ■ Office ■ Retail ■ Social

Portfolio market value division by regions



■ Estonia ■ Latvia ■ Lithuania

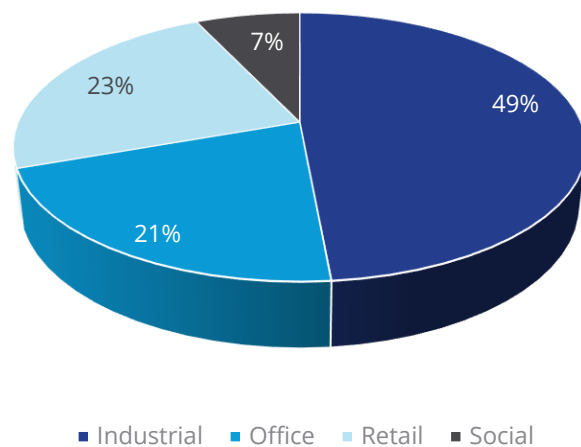
- ❖ The largest share (34%) of the total market value takes retail sector, which used to be one of the most liquid sectors, although the liquidity has decreased due to the COVID-19 and energy crises situation, which is followed by industrial and office sector (both 31%).
- ❖ The largest share (60%) of the total market value are forming the objects located in Lithuania



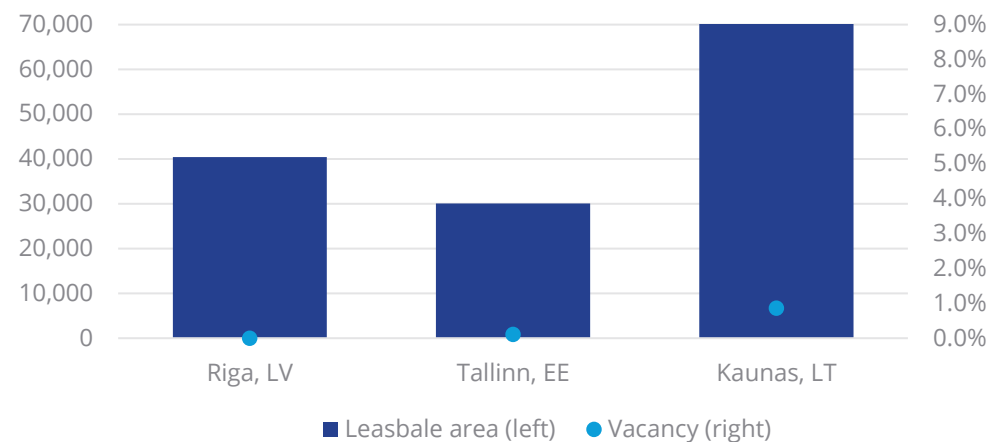
# BRIEF SUMMARY OF THE VALUATION RESULT

- ❖ The object of the valuation was the **EfTEN Real Estate Fund III AS portfolio**, consisting of **17 properties**.
- ❖ **7 objects** are located in **Estonia** (Tallinn, Saku and Saue parish, suburb areas of Tallinn and Valkla, Kuusalu Parish), **3 in Latvia** (Riga) and **7 in Lithuania** (5 in Vilnius, 1 in Panevėžys and 1 in Šiauliai).
- ❖ The total **closed net area** of the portfolio is **183.4 thousand sqm** and total **leasable area approx. 147.8 thousand sqm**.
- ❖ The **dominant objects** of the portfolio are shopping center **Saules Miestas in Šiauliai** (11% of the total leasable area and 18% of the total portfolio Market Value), **Adax in Panevėžys** (11% of the total leasable area and 5% of the total portfolio Market Value) and **DSV Logistic in Tallinn suburb area** (9% of the total leasable area and 7% of the total portfolio Market Value).

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 Real Estate Fund III 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 Real Estate Fund III AS portfolio's relevant properties** (hereinafter **Object**) as of **November 30, 2022**

3

The valuation process was carried out according to the initial task in **November 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
- 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
- 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
- 10 All inputs and the determined market value are **without VAT**
- 11 For end-year period, valuation was formalized in Valuation reports as of December 13, 2022

## 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 cognition, considering the market information and the specific risks associated with the objects

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