



KOY EXAMPLE

EXAMPLE ROAD 1, HELSINKI

VALUATION REPORT 13 MAY 2019

THE FULL SERVICE PROPERTY HOUSE

Subject

The undersigned company has received a mandate to appraise the current market value of [Subject] located in Punavuori, Helsinki. The property ID of the property is 1-2-3-4.

Assumptions and Special assumptions

Assumptions used in this valuation are that the city plan is strong.

Special assumptions: No special assumptions.

Market value

The market value of the subject on the date of valuation, 12 May 2019, is

72,000,000 €

(Seventy two million euros).

(6,000 € per lettable sqm)

The precision of the valuation is +/- 10 %.

Date of the valuation report, May 12, 2019

Newsec Valuation Oy



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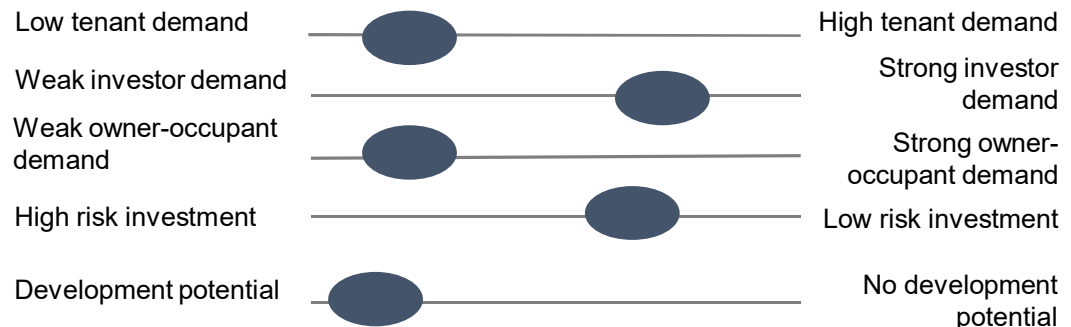
Market position

The subject is located in the secondary office area of Punavuori, which has experienced active residential development. Furthermore, the services of the area have greatly improved. The subject's maturity enables cash-flow during the re-planning process before the Subject can be re-developed for residential use.

Highest and best use

The property under valuation is currently in its highest and best use, which is defined as the most probable use that is legally possible, physically possible, financially feasible (and appropriately supportable) from the market, and which results in maximum profitability.

Subject's market positioning



Mandate

Purpose of valuation:	Internal decision-making
Client:	Company, contact person
Valuers:	Analyst xx (Authorised Property Valuer)
Inspection:	A general inspection was performed on 10.05.2019 by xx in cooperation with xx.

Basis for valuation

This valuation determines the unlevered market value of the subject. It does not take into consideration any mortgages or debt associated to the subject. The market value of the subject is tied to the date of valuation and may not be true at another time.

Valuation method

The market value of the property is appraised by using the income value method (cash-flow analysis) as well as the sales comparison method. Transaction costs and taxes are not considered in the valuation.

Compliance with valuation standards

The valuation has been conducted in accordance with the Finnish Valuation Standards, standards on good practice in real estate valuation from Finnish Central Chamber of Commerce and the International Valuation Standards (IVS).

Confidentiality

This valuation report is confidential to both the Valuer and the Client. The mandatary's liability does not extend to third parties. This valuation report should only be used for the aforementioned purposes.

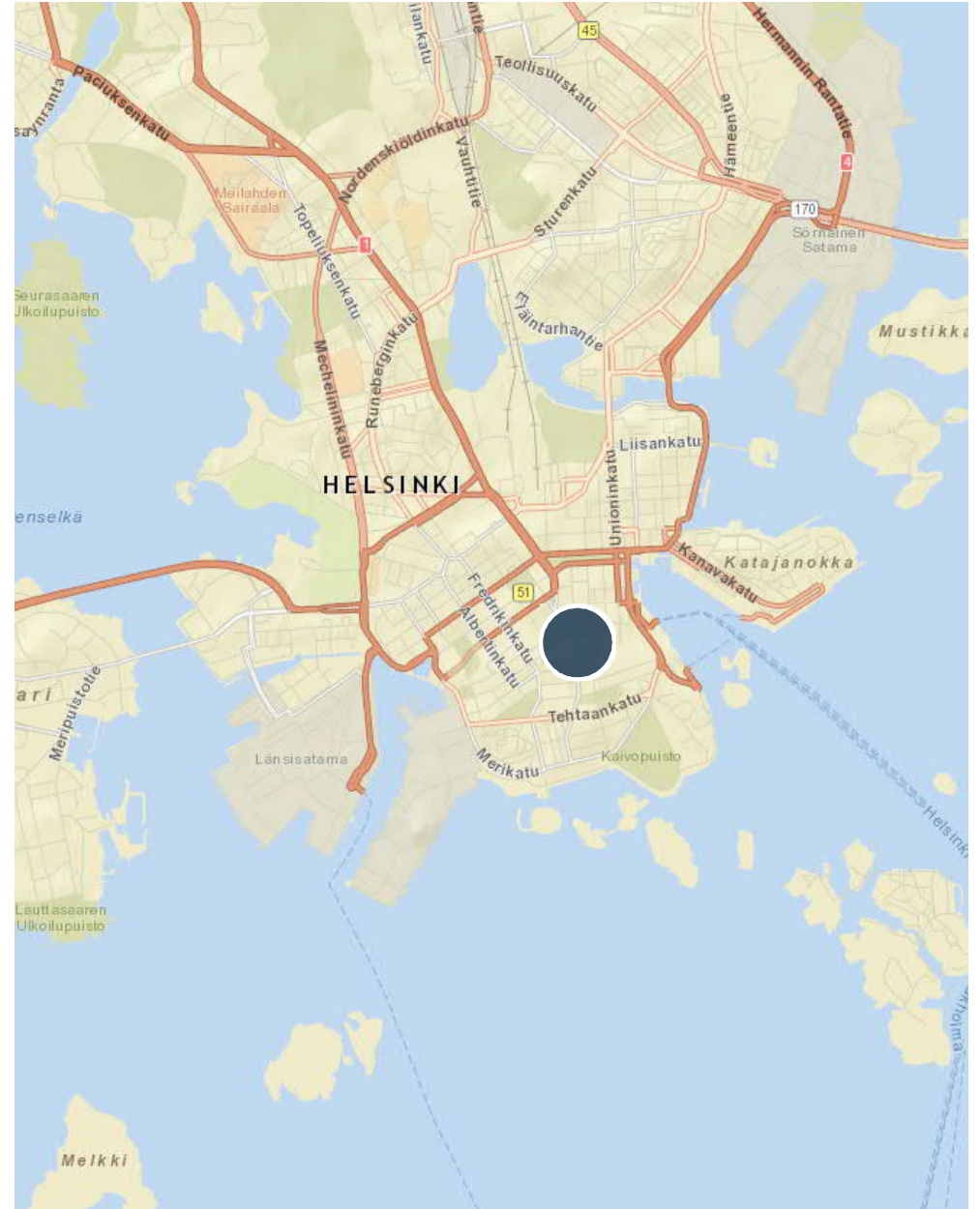
Publication

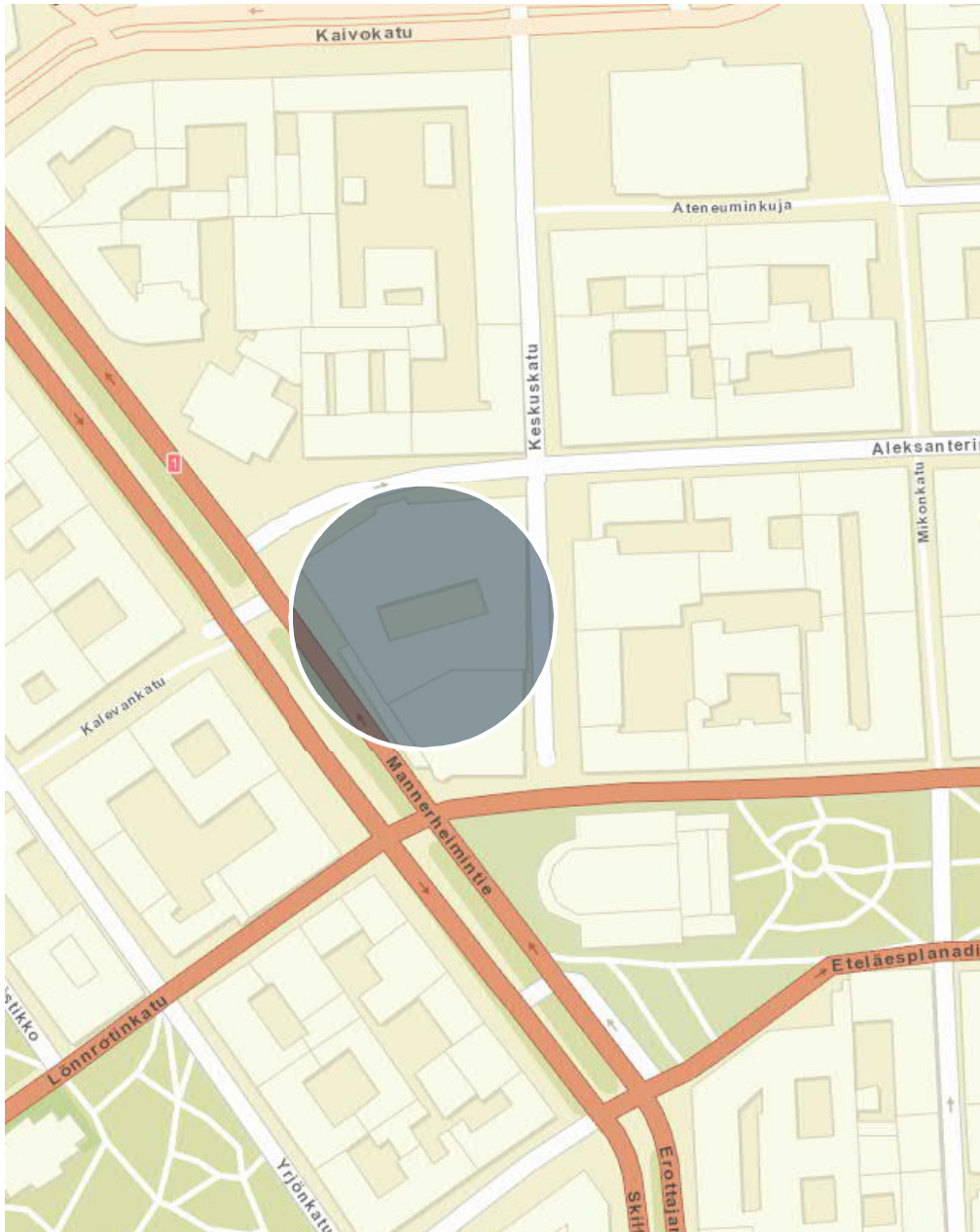
Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear. Information concerning the valuation may, however, be published for purposes consistent with the purpose of the valuation. In this case, the name of the mandatary, Newsec Valuation Oy, must be published.

This valuation has been performed in accordance with the following statements:

- All factual statements presented in the report are correct to the best of the Valuer's knowledge
- The analyses and conclusions are based on the reported assumptions and conditions
- The Valuer has no conflict of interest in the subject property
- The Valuer's fee is not contingent upon any aspect of the report
- The valuation was performed in accordance with an ethical code and performance standards
- The Valuer has satisfied professional education requirements
- The Valuer has experience in the location and category of the property being valued
- This valuation statement is carried out based upon information supplied to us by the Client and the market information received in the real estate business of Newsec Valuation Oy

The terminology and the valuation methods used in this valuation are presented in the appendices.





General information

Property ID:	1-2-3-4
Target property:	Koy Example
Address:	Example road 1, 00100 Helsinki
City district:	Punavuori
Plot area:	12,000 sqm
Owner:	MREC ### (Title 3.8.2003)

Location

The property is located in Punavuori 2,5 kilometers south of the city center.

The accessibility of the target property is good. There are mainly residential buildings locating in the neighborhood.

Building

Year of construction: 1990
 Year of renovation: No renovation has been conducted.
 Lettable area: 8,230 sqm
 Technical condition: Good
 Parking: 14 Outdoor spaces

Technical description of the building

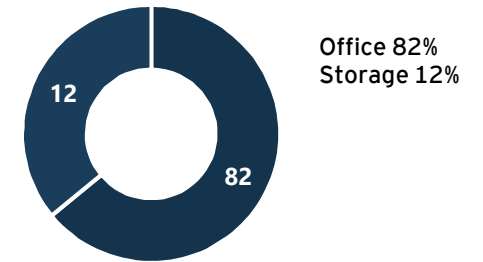
Building was constructed in 1990. There is concentrated air conditioning. Building is attached in the district heating system.

Premises and functionality

In the first floor there is lounge services and a restaurant. Second floor is mostly open-plan offices and third floor single office room.

Break-down by premise type

Premises type	Leasable Area (sqm)
Office	7 230
Storage	1 000
Total premises	8 230
Parking (pcs)	14



Photograph

Kuvan koko: 8,56 (Height) x 13,26 (Width)osition: Horizontal 15,45 Vertical 10,1



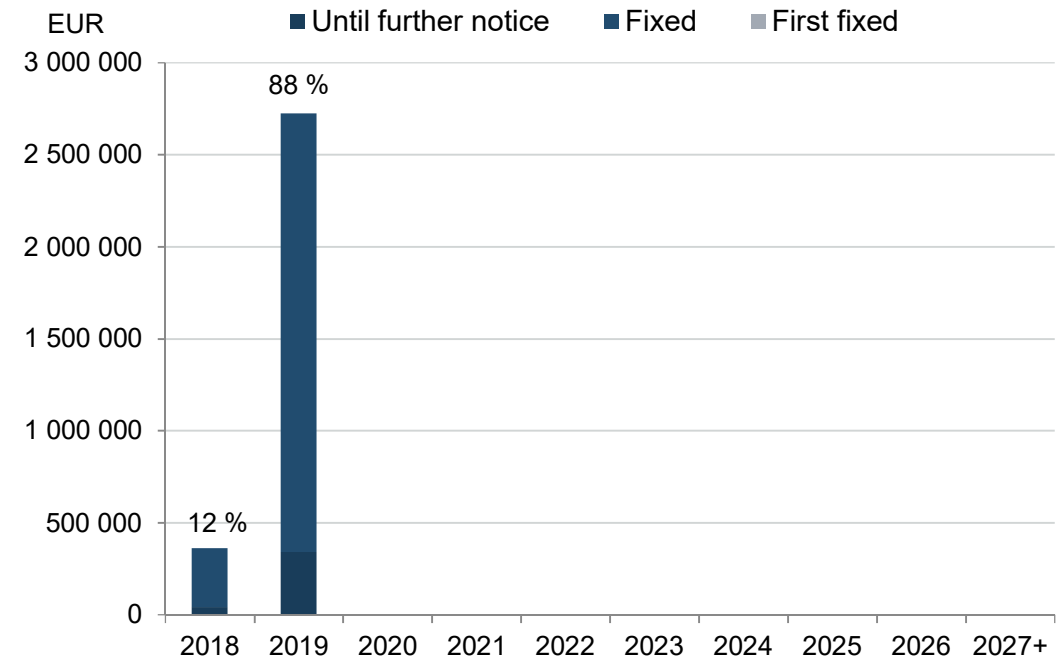
Rental income

The rents are assumed to be adjusted by the inflation. The changing of tenants is taken into consideration in the long term vacancy rate assumption.

The whole asset is leased to xx Oy until 3rd of October 2024. The lease maturity is slightly more than 5 years. The tenant has the right to extend the lease until 2033. The lease agreement is triple-net meaning, that all costs are on tenants liability. The landlord has no obligations or costs during the lease term.

The current vacancy rate is 3 %

Expiring rental income



Market rents and observations

The table below presents the gross rent observations collected from ###. / The table below presents the gross rents/triple net rents of current leases obtained from KTI Kiinteistöieto Ltd.

Property	Tenant Segment	Area, sqm	Start Date	Lease Type	Gross rent, €/sqm
Office, Helsinki CBD	ICT-Company	7,500	Q3 / 2014	Fixed Term	6,0
Car repair property	Heavy vehicle repairer	6,060	Q2 / 2013	Not available	9
Warehouse and retail	Warehouse and Logistic user	11,250	Q1 / 2011	UFN	7,8

- Market observation 1
- Market observation 2

Rental market

Demand for office space in Punavuori has dwindled and vacancy rates have decreased. With the increase of residential space, the demand for retail premises located on the ground floor of a residential building has increased. Wellness services in the area have increased in the form of gyms and hair salons.

Based on realised tenant contracts and our own market observations, new gross rent leases in Punavuori are from 6 000 to 8 000 euros.

Premises type	Passing rents EUR/sqm/mth	Market rents EUR/sqm/mth	Market rent (min-max) EUR/sqm/mth
Office	20,2	20,0	20,0
Storage	4,4	7,5	7,5
Residential	9,1	14,5	14,5
Other	11,7	12,1	0
Total premises	10,9	12,5	-
Parking (pcs)	-	-	-

Vacancy Rate

(Newsec's estimation of the vacancy rate for office space in Punavuori is 2 % to 3 %.

The vacancy rate used in the valuation is 2,5 %.

The tenant void period from the end of the first lease is estimated to be ## months.

Operating costs and capital reserve

Operating costs and capital reserve used in the cash-flow analysis are based on KTI's cost index from 2014 as well as market data obtained from Newsec's valuation, leasing and management functions. In addition, the valuation uses budgeted and realized operating- and capital reserve data acquired from the Client.

Comparable transactions

The table below presents the most comparable transactions. The transactions were obtained from the National Land Survey of Finland.

Property	Date	Area, sqm	Price		Yield, %
			€ '000	€/sqm	
Office, Eira	Q3 / 2018	2,500	13,505	5,402	5
HQ, Punavuori	Q2 / 2019	3,060	6,060	5,050	4,5
Retail , Helsinki Punavuori	Q1 / 2019	11,250	16,875	6,750	Approx.6

- The transaction price for the retail property in Punavuori was significantly lower than the average of the HMA. This reflects the demand in Punavuori.

Investment market

Investor demand in Punavuori focuses on residential buildings and residential re-development projects. We believe that retail space near the future subway station will interest investors. The demand for outdated office space is low if it possesses no residential re-development potential.

Construction companies and housing funds have been active in the market.

Yield

According to our interpretation the current yield for good condition office space in Punavuori is 4,5%

Based on Newsec's estimation weaker properties have a yield requirement of 6 % to 7 %.

Yield for cash-flow analysis

In our view the Subject is stronger of equal quality as the presented comparable market observations. Therefore, the yield used in the valuation is lower than common level in the submarket.

Considering the relative risk of the property we have estimated the yield to be 5,2 %. As an inflation assumption, 1% is used for the first year and after that 2%.

The market value of the property on the day of valuation, March 2018, is estimated to be	72 000 000
Market value EUR/sqm	955
Accuracy	+/- 10 %
Value range (EUR)	21 900 000 - 26 700 000

Yield and discount rate	
Yield	8,50 %
Discount rate	10,35 %

Terminal value	
Vacancy rate for Terminal Period	10,0 %
Net operating income, year 11	2 660 883
Cap rate for Terminal NOI	9,00 %
Terminal value, year 11	29 565 369
Present value of Terminal value	11 042 310

Key figures	Average during 10 years
Vacancy rate-%	13,6 %
Inflation-%	1,85 %
Market rent change-%	1,85 %
Expenses change-%	2,50 %

Appendices

Discounted cash-flow analysis
 Photographs from inspection
 Initial information
 Finnish economy
 Real estate market
 Terminology
 City plan and plan provision
 Cadastral certificate
 Certificated of title
 Certificate of mortgages and encumbrances
 House manager's certificates

Independence

The total fees from the Client, including the fee for this assignment, earned by Newsec Valuation Oy or other companies forming part of Newsec Advice-Group in Finland are less than 5.0% of Newsec Advice-Group revenues.

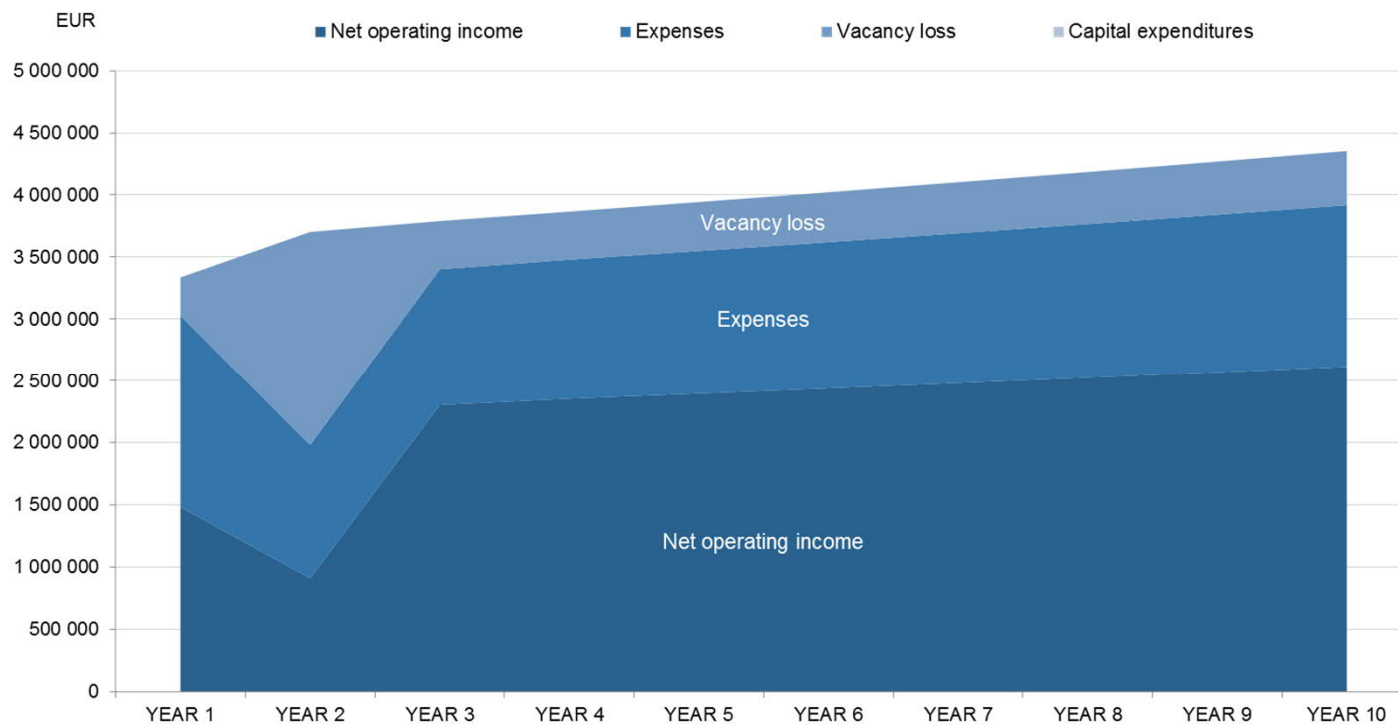
Map sources: Esri, DeLorme, NAVTEQ, TomTom Intermap, icement P Corp., GEBCO, USGS, FAO, NPS NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, METI, Swisstopo and GIS User Community.

Newsec Valuation Oy

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Esimerkkite 1

EUR	EUR/sqm/mth	Analysis date 31.3.2018	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TERMINAL PERIOD
			1.4.2018 31.3.2019	1.4.2019 31.3.2020	1.4.2020 31.3.2021	1.4.2021 31.3.2022	1.4.2022 31.3.2023	1.4.2023 31.3.2024	1.4.2024 31.3.2025	1.4.2025 31.3.2026	1.4.2026 31.3.2027	1.4.2027 31.3.2028	1.4.2028 31.3.2029
ESTIMATED RENTAL VALUE	12,11	3 697 521	3 697 521	3 734 496	3 790 514	3 866 324	3 943 650	4 022 523	4 102 974	4 185 033	4 268 734	4 354 109	4 441 191
Over (+) / under (-) rents	-	(448 235)	(361 018)	(31 986)	-	-	-	-	-	-	-	-	-
POTENTIAL RENTAL INCOME	10,64	3 249 286	3 336 503	3 702 511	3 790 514	3 866 324	3 943 650	4 022 523	4 102 974	4 185 033	4 268 734	4 354 109	4 441 191
Vacancy reduction: idle time, months	-	-	(300 027)	(1 553 729)	(10 649)	-	-	-	-	-	-	-	-
Vacancy reduction: from market rents	-	(164 826)	(8 241)	(166 494)	(377 986)	(386 632)	(394 365)	(402 252)	(410 297)	(418 503)	(426 873)	(435 411)	(444 119)
Vacancy reduction: rent-free periods	-	-	-	-	-	-	-	-	-	-	-	-	-
Vacancy reductions	-	(164 826)	(308 268)	(1 720 223)	(388 635)	(386 632)	(394 365)	(402 252)	(410 297)	(418 503)	(426 873)	(435 411)	(444 119)
Vacancy rate (%)	Calculated	5,1 %	9,2 %	46,5 %	10,3 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %
Credit losses	-	-	-	-	-	-	-	-	-	-	-	-	-
EFFECTIVE RENTAL INCOME	10,10	3 084 460	3 028 234	1 982 288	3 401 878	3 479 692	3 549 285	3 620 271	3 692 676	3 766 530	3 841 861	3 918 698	3 997 072
Operating expenses	(2,92)	(891 117)	(891 117)	(913 395)	(936 230)	(959 636)	(983 626)	(1 008 217)	(1 033 423)	(1 059 258)	(1 085 740)	(1 112 883)	(1 140 705)
Long-term repairs	(0,50)	(152 711)	(652 711)	(156 529)	(160 442)	(164 453)	(168 565)	(172 779)	(177 098)	(181 526)	(186 064)	(190 716)	(195 484)
Other costs	-	-	-	-	-	-	-	-	-	-	-	-	-
NET OPERATING INCOME	6,68	2 040 631	1 484 406	912 364	2 305 206	2 355 603	2 397 094	2 439 275	2 482 156	2 525 746	2 570 057	2 615 099	2 660 883
Tenant improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Capex investments	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH FLOW	6,68	2 040 631	1 484 406	912 364	2 305 206	2 355 603	2 397 094	2 439 275	2 482 156	2 525 746	2 570 057	2 615 099	2 660 883
Present value of Net Cash Flow	-	-	1 413 079	787 063	1 802 100	1 668 779	1 538 897	1 419 100	1 308 606	1 206 694	1 112 700	1 026 009	-

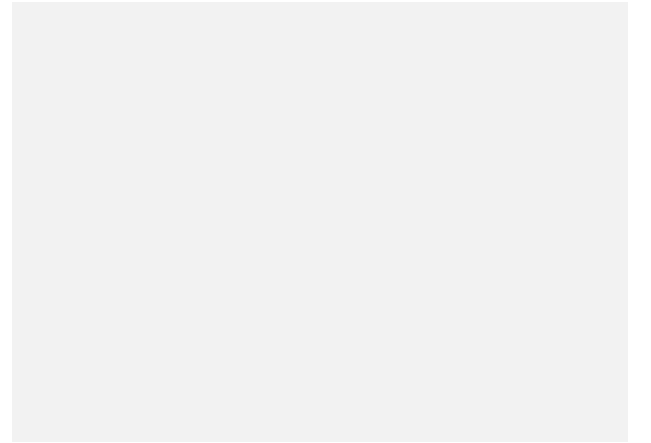
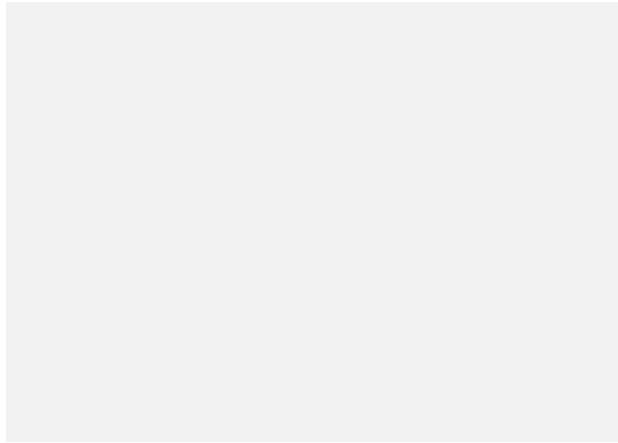
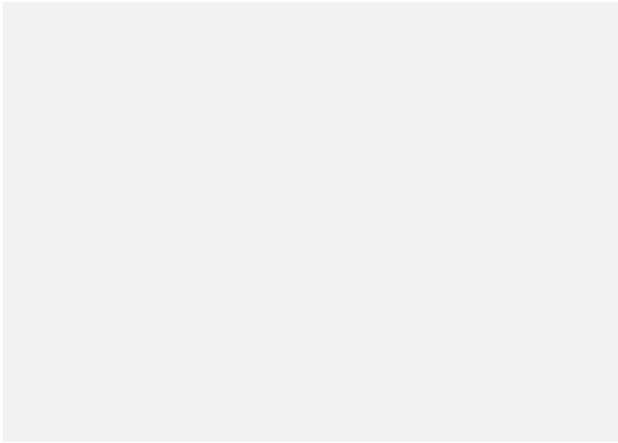
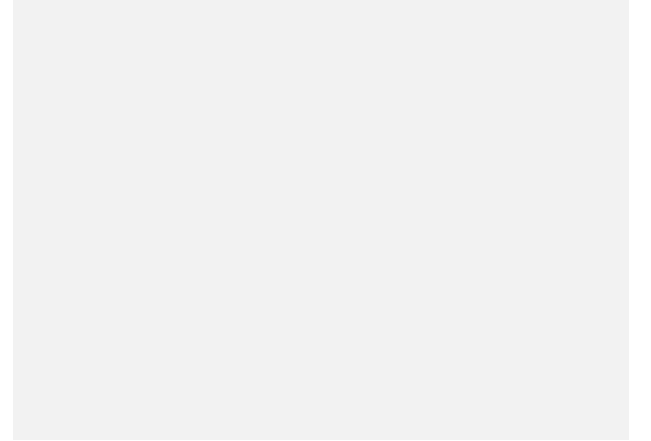
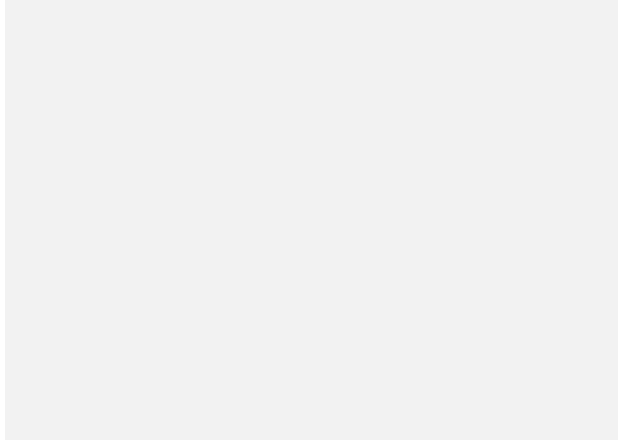
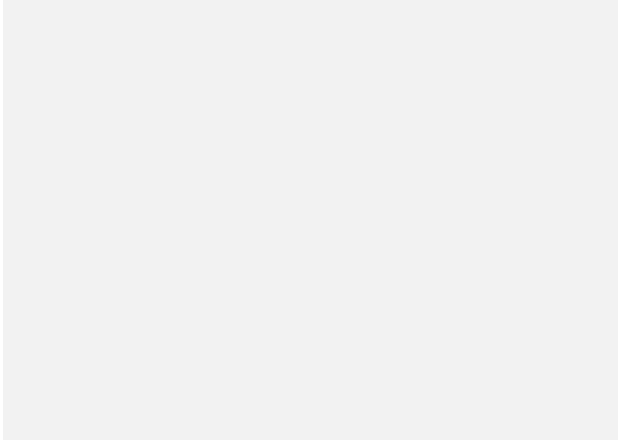


Yield vs Cap rate for Terminal NOI

		Yield						
		7,75 %	8,00 %	8,25 %	8,50 %	8,75 %	9,00 %	9,25 %
Cap Rate for Terminal NOI	8,25 %	26 600 000	26 200 000	25 800 000	25 300 000	24 900 000	24 500 000	24 100 000
	8,50 %	26 200 000	25 800 000	25 400 000	25 000 000	24 600 000	24 200 000	23 800 000
	8,75 %	25 900 000	25 500 000	25 000 000	24 600 000	24 200 000	23 900 000	23 500 000
	9,00 %	25 500 000	25 100 000	24 700 000	24 300 000	23 900 000	23 600 000	23 200 000
	9,25 %	25 200 000	24 800 000	24 400 000	24 000 000	23 600 000	23 300 000	22 900 000
	9,50 %	24 900 000	24 500 000	24 100 000	23 700 000	23 400 000	23 000 000	22 600 000
	9,75 %	24 600 000	24 200 000	23 900 000	23 500 000	23 100 000	22 700 000	22 400 000

Yield vs market rent level change-%

		Yield						
		7,75 %	8,00 %	8,25 %	8,50 %	8,75 %	9,00 %	9,25 %
Market Rent Change-%	+15,0 %	31 000 000	30 500 000	30 000 000	29 500 000	29 000 000	28 500 000	28 100 000
	+10,0 %	29 200 000	28 700 000	28 200 000	27 800 000	27 300 000	26 900 000	26 400 000
	+5,0 %	27 400 000	26 900 000	26 500 000	26 000 000	25 600 000	25 200 000	24 800 000
	0,0 %	25 500 000	25 100 000	24 700 000	24 300 000	23 900 000	23 600 000	23 200 000
	-5,0 %	23 700 000	23 400 000	23 000 000	22 600 000	22 200 000	21 900 000	21 500 000
	-10,0 %	21 900 000	21 600 000	21 200 000	20 900 000	20 600 000	20 200 000	19 900 000
	-15,0 %	20 100 000	19 800 000	19 500 000	19 200 000	18 900 000	18 600 000	18 300 000



List of requested and received initial information

We have carried out our work based upon information supplied to us by the Client and the market information received in the real estate business of Newsec. The initial information requested from the Client and the date of arrival are presented in the table below.

Initial information	Received
Lease contracts	15.4.2019
Vacant premises	13.4.2019
Operating costs of previous year and/or budget	
Renovation and maintenance plan	
Conducted repairs and renovations	
Floor area	
Floor plan and space distribution	
Rent free months, rent reductions and revenue based rents	
Termination options	
Agreed renovations in the lettable premises to be paid by the owner	
Summary of the subject (building year, significant building materials and building technology)	

Additionally Newsec Valuation Oy has acquired the following information:

Certificate of Cadastre
Certificate of Title and Mortgages and Encumbrances
Planning Information

The information is assumed correct in case they seem sensible and we have not verified them (for example areas have not been control measured). Several assumptions described in this report have been made concerning ownership, renting, condition and environmental aspects. If information or assumption that the value is based on is wrong, the value might turn out wrong. In this case the valuation should be performed again.

- The Finnish economy developed very well during 2017 and an upbeat atmosphere is expected to continue in following years.
 - According to Statistics Finland, GDP volume increased by 2.7% in 2017.
 - Annual change of GDP is expected to be 3.0% last year.
 - In 2019 and 2020, the GDP will increase by 1.5% and 1.3 % respectively according to the forecasts of the Ministry of Finance.
 - With the current economic structure, the GDP can be expected to grow only at a rate of approximately 1.0–1.5 per cent in the long term.

- Employment has increased, which supports the economy due to an increase in private spending. The unemployment rate in 2017 was 8.6% and it is expected to decline to 6.9% during 2019. Employment rate is currently 69.4% and is expected to increase above 72% in 2019 that was the Finnish government’s target. The improving employment rate has been surprisingly strong compared to the state of the economy. The rise in working hours exceeds the growth rate of GDP.

- Private consumption is expected to increase by 2.1 % in 2018 whereas in 2019 the growth of private consumption is expected to slow down to 1.6 %. The sustainability gap can grow to as much as 4% of GDP due to the fall in birth rates and the aging of the population.

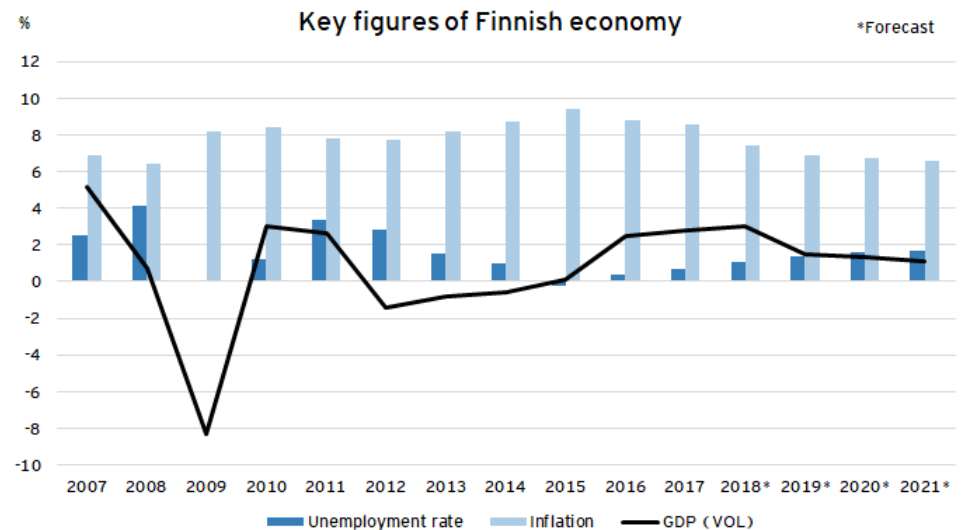
- Public economy had a deficit for the 9th year in a row and the budget for 2018 estimates a deficit of EUR 3.0 billion. Economic sustainability issues burden the Finnish economy for the seeable future even though macro economy has improved notably.

- Since GDP is growing strongly, public debt compared to GDP is expected to decline slightly during 2018-2019. Finnish public debt to GDP –ratio was 61.3% in the end of 2017. The debt to GDP is expected to decline under 60 % during 2018.

- Inflation has increased in Finland and Europe, but is still expected to remain at a low level. Actions taken by the European Central Bank (ECB) are expected to control deflation. The ECB will continue its massive quantitative easing program even their goal is to normalize the monetary policy.

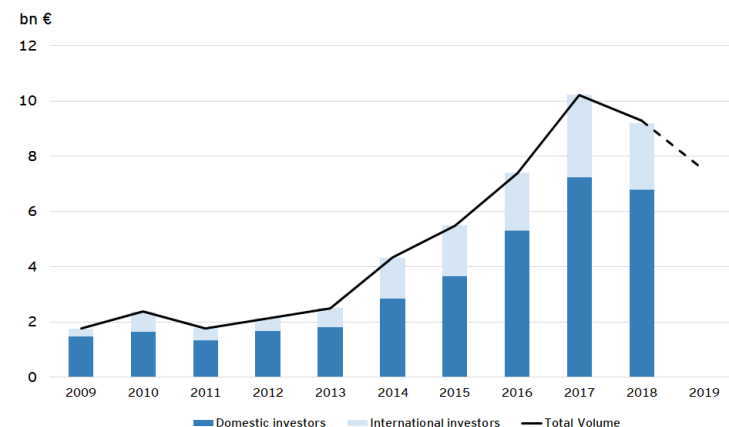
- The European Central Bank is well behind the FRS in its monetary policy measures. The ECB abandoned quantitative easing measures at the end of 2018, but according to its own estimates, the first rises in interest rates will not occur until autumn 2019.

- The cost of long-term fixed housing financing has gone up to approximately 5 per cent in the US, which has dragged down the housing market and construction. The Federal Reserve System can be expected to slow down the interest rate hikes, particularly if the global growth prospect continues to weaken. This will reflect to ECB actions too and in general to the monetary policy in Euro region.



Source: Statistics of Finland & Ministry of Finance

- The transaction volume in 2018 was EUR 9.3 billion euro.
 - International investors' share of total volume was ca. 66 %.
 - Office properties were the most traded property type, accounting for 39% of the total volume, followed by retail properties (24%) and residential portfolios (19%).
 - The total transaction volume is significantly dependent on the availability of financing, the development of interest rates as well as the amount of large portfolio arrangements. We expect that the transaction volume will be between EUR 8 billion in 2018.
 - The Finnish real estate market continues to be focused in the Helsinki Metropolitan Area (HMA; share was ca. 60 % of the total volume in 2018) but has spread to other parts of the country since autumn 2015. In smaller cities, retail properties and especially grocery premises as well as leased apartments have interested investors. For instance, retail properties have changed ownership in multiple large portfolio transactions.
 - The largest transactions was made when Kildare Nordic Acquisitions acquired all shares in listed Finnish property company Technopolis plc. The market value of the properties was ca. EUR 950 million.
 - During 2018 there were made many significant single office properties.
 - Two core office properties were sold in Töölönlahti (CBD Helsinki) in record price. Ilmarinen Mutual Pension Insurance Company sold Töölönlahdenkatu 3 (EUR 189 m & 15,800 sqm) to Deka Immobilien and Alvar Aallon katu 3 (EUR 116 & 11,845 sqm) to M&G European Property Fund managed by M&G Real Estate.
 - Union Investment Real Estate GmbH acquired Urban Environment House (EUR 165 m & 27 500 sqm) that will be completed in 2020 from City of Helsinki.
 - Strong migration, the size of the market as well as its overall dynamics maintain interest in all real estate types in the HMA. In a European context, yields in the Finnish real estate market are high with the overall risk being similar to other Eurozone countries. The only exception to this being the size of the overall investment market. At the Nordic level, the prime office yields are now second lowest in Helsinki CBD area.
- The HMA rental market is still experiencing a vast oversupply of office space. However, the vacancy is very location and property specific; in Helsinki CBD the vacancy rate is still expected to decline whereas the demand of old office stock in weaker submarkets will remain very low. In other cities, office markets function more efficiently.
 - Yields of prime Core-assets in Helsinki CBD are now under 3.5 %. In addition, in other prime submarkets such as Keilaniemi and Ruoholahti, the yield levels have decreased during the last year.
 - The investment demand for logistics and warehouse properties has remained strong partly because profits from logistics properties are relatively high in Finland. The high profits attract international investors in particular.
 - The rental apartment market has remained active due to the large amount of residential funds. Residential rent levels in the HMA, especially of small apartments, have begun to reach critical levels when compared to tenants' ability to pay. The rise in residential rents has, thus, begun to even out. In the future, the location, quality and size of the apartment will be the most significant factors. Large amounts of new residential apartments have been constructed or are currently under construction. This might have an impact on occupancy rates and rent levels.



Market value

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length

transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. (IVS)

Basis of value

The valuation is based on current rents, market rents, estimated long term vacancy rate, market yield and analysis of comparable transactions.

Income approach

The income approach provides an indication of value by converting future cash flows to a single current capital value. This approach considers the income that an asset will generate over its useful life and indicates value through a capitalisation process. Capitalisation involves the conversion of income into a capital sum through the application of an appropriate discount rate. The income stream may be derived under a contract or contracts, or be non-contractual, eg the anticipated profit generated from either the use of or holding of the asset.

Methods that fall under the income approach:

- income capitalisation, where an all-risks or overall capitalisation rate is applied to a representative single period income.
- discounted cash-flow where a discount rate is applied to a series of cash flows for future periods to discount them to a present value,
- various option pricing models.

The income approach can be applied to liabilities by considering the cash flows required to service a liability until it is discharged. (IVS)

The yield and discount rate used in the valuation are derived from actual property transactions and by experience, theoretically from the risk free interest rate and a risk premium.

Market approach

The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. Under this approach the first step is to consider the prices for transactions of identical or similar assets that have occurred recently in the market. If few recent transactions have occurred, it may also be appropriate to consider the prices of identical or similar assets that are listed or offered for sale provided the relevance of this information is clearly established and critically analyzed. It may be necessary to adjust the price information from other transactions to reflect any differences in the terms of the actual transaction and the basis of value and any assumptions to be adopted in the valuation being undertaken. There may also be differences in the legal, economic or physical characteristics of the assets in other transactions and the asset being valued. (IVS)

Cost approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.

This approach is based on the principle that the price that a buyer in the market would pay for the asset being valued would, unless undue time, inconvenience, risk or other factors are involved, be not more than the cost to purchase or construct an equivalent asset. Often the asset being valued will be less attractive than the alternative that could be purchased or constructed because of age or obsolescence. Where this is the case, adjustments may need to be made to the cost of the alternative asset depending on the required basis of value. (IVS)

Assumptions and Special assumptions

Assumptions are things that can be exempted as reasonable facts without any surveys or investigations. These assumptions are valid in the context of the mandate. The assumptions are accepted when they have been once indicated to the valuation or other advisory.

Special assumptions assume facts that vary from the reality on the date of the valuation or what a typical transaction market party wouldn't have done on the day of the valuation.

Assumptions and special assumptions must be reasonable and relevant to the valuation and consider the purpose of the valuation.

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