

# Valuation Report



**Residential Portfolio  
Victoria Park & Hembla**

**Opinion of Market Value**

**as at  
31 December 2020**

**on behalf of  
Vonovia SE**

**prepared by  
Savills Sweden AB**

*Date of Report: 27 January 2021*

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## A. Summary Overview

### Type of Report

This Valuation report has been conducted for the determination of Market Value carried out by Savills Sweden AB (“Savills”) in collaboration with Malmöbryggan Fastighetsekonomi AB (“Malmöbryggan”). The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (“Red Book”) and the International Standards for the Valuation of Real Estate for Investment Purposes (“International Valuation Standards”).

The report has been carried out for a purpose of a bond issue by Vonovia SE.

Subject of this Valuation Report is the residential real estate portfolio of Victoria Park and Hembla consisting of 341 valuation objects as at Date of Valuation.

### Date of Valuation

31 December 2020

### Subject Portfolio

According to the information provided by Hembla and Victoria Park the subject portfolio comprises 341 valuation objects of which the major is residentially dominated subject properties.

#### Portfolio Overview by Company

	No. Valuation objects	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Rent SEK/sqm p.a.
Hembla	195	1 688 246	5,1%	1 278	1 272
Victoria Park	146	1 324 605	4,5%	1 262	1 265
<b>Total</b>	<b>341</b>	<b>3 012 851</b>	<b>4,8%</b>	<b>1 271</b>	<b>1 269</b>

#### Portfolio Overview by Property type

Main use	Type code	No. Valuation objects	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Rent SEK/sqm p.a.
Rental building - with residential and commercial units	321	250	2 627 126	4,6%	1 273	1 271
Rental building - principally residential units	320	50	328 500	3,0%	1 262	1 269
Residential building - single family homes	220, 230 etc.	8	30 127	4,1%	1 184	1 192
Rental building - principally commercial units	325	9	15 156	26,5%	1 190	1 142
Special unit - healthcare building	823	5	11 524	73,7%	989	1 072
Other	-	19	418	-	-	-
<b>Total</b>		<b>341</b>	<b>3 012 851</b>	<b>4,8%</b>	<b>1 271</b>	<b>1 269</b>

## Tenure

In total, 291 valuation objects are held on the Swedish equivalent of freehold title. The other 50 properties are held on the Swedish equivalent to leasehold.

## Summary of Valuation Results

Upon the assumption that there are no onerous restrictions or unusual costs of which we have no knowledge and based on the provided information, specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Market Value of the freehold interests and the leasehold of the subject properties of the Subject Portfolio, rounded at asset level, as of 31 December 2020 is:

## Market Value

**SEK 62 396 714 000**

(Sixty-two billion three hundred and ninety-six million and seven hundred and fourteen thousand Swedish krona)

Our opinion of Market Value is equivalent to:

Market Value per sqm	20 710 SEK
Gross Multiplier on Current Rent	17.21 fold
Gross Multiplier on Market Rent	16.32 fold
Net Initial Yield (NIY) on Current Rent	3.57%
Net Initial Yield (NIY) on Market Rent	3.88%

\*Initial yields before investment and TI:s

In addition to this value we are of the opinion that the Market Value of the unused building rights as at 31 December 2020 is SEK 1 009 453 000, (One billion and nine million and four hundred and fifty-three thousand Swedish krona).

## Breakdown of Market Value by Company

Portfolio Overview by Company										
Valuation objects	No.	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Value kSEK	Market Value	Market Value per sqm SEK per sqm	Gross Multiplier on Current Rent fold	Gross Multiplier on Market Rent fold	Net Initial Yield
						(Share of Total)				
Hembla	195	1 688 246	5,1%	1 278 35 327 959	56,6%	20 926	17,37	16,45	3,44%	
Victoria Park	146	1 324 605	4,5%	1 262 27 068 755	43,4%	20 435	16,99	16,16	3,74%	
<b>Total</b>	<b>341</b>	<b>3 012 851</b>	<b>4,8%</b>	<b>1 271 62 396 714</b>		<b>20 710</b>	<b>17,21</b>	<b>16,32</b>	<b>3,57%</b>	

## Breakdown of Market Value by Property Type

Portfolio Overview by Property type											
Main use	Type code	No. Valuation objects	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Value kSEK	Market Value	Market Value per sqm SEK per sqm	Gross Multiplier on Current Rent fold	Gross Multiplier on Market Rent fold	Net Initial Yield
							(Share of Total)				
Rental building - with residential and commercial units	321	250	2 627 126	4,6%	1 273 55 175 370	88,4%	21 002	17,39	16,53	3,53%	
Rental building - principally residential units	320	50	328 500	3,0%	1 262 6 340 430	10,2%	19 301	15,77	15,22	3,91%	
Residential building - single family homes	220, 230 etc.	8	30 127	4,1%	1 184 555 250	0,9%	18 430	16,22	15,46	3,94%	
Rental building - principally commercial units	325	9	15 156	26,5%	1 190 164 579	0,3%	10 859	12,68	9,51	5,22%	
Special unit - healthcare building	823	5	11 524	73,7%	989 132 480	0,2%	11 496	48,07	10,72	1,31%	
Other	-	19	418	0%	4 566 28 605	0,0%	68 434	14,99	14,55	5,73%	
<b>Total</b>		<b>341</b>	<b>3 012 851</b>	<b>4,8%</b>	<b>1 271 62 396 714</b>		<b>20 710</b>	<b>17,21</b>	<b>16,32</b>	<b>3,57%</b>	

## Breakdown of Market Value by Municipality

Portfolio Overview by Municipality										
Municipality	No. Valuation objects	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Value kSEK	Market Value	Market Value per sqm SEK per sqm	Gross Multiplier on Current Rent fold	Gross Multiplier on Market Rent fold	Net Initial Yield
						(Share of Total)				
Haninge	12	333 181	2,8%	1 369 8 323 000	13,3%	24 980	18,98	18,38	3,40%	
Eskilstuna	69	385 687	6,0%	1 255 8 038 720	12,9%	20 843	17,63	16,45	3,61%	
Stockholm	25	288 063	2,9%	1 275 6 554 990	10,5%	22 755	18,66	18,05	3,02%	
Södertälje	26	248 001	2,3%	1 398 6 313 640	10,1%	25 458	18,85	18,30	3,31%	
Norrköping	13	173 772	7,8%	1 247 3 470 200	5,6%	19 970	17,26	15,81	3,57%	
Malmö	8	153 161	2,3%	1 308 3 032 900	4,9%	19 802	15,60	15,11	3,97%	
Linköping	2	126 065	6,3%	1 319 2 876 000	4,6%	22 814	18,75	17,41	3,52%	
Göteborg	3	129 024	1,7%	1 195 2 257 000	3,6%	17 493	14,95	15,03	4,16%	
Botkyrka	1	96 041	2,0%	1 160 2 120 000	3,4%	22 074	19,45	18,96	2,77%	
Huddinge	9	92 288	3,6%	1 239 1 937 000	3,1%	20 989	17,36	16,65	3,19%	
Karlskrona	18	98 934	5,3%	1 263 1 679 940	2,7%	16 980	14,29	13,40	4,46%	
Uppsala	5	75 468	5,5%	1 366 1 651 200	2,6%	21 879	17,02	15,92	3,64%	
Växjö	2	72 871	5,1%	1 178 1 225 000	2,0%	16 811	14,89	13,99	4,07%	
Sigtuna	2	58 181	3,9%	1 303 1 180 000	1,9%	20 282	16,45	15,87	3,76%	
Borås	3	61 950	3,5%	1 260 1 153 000	1,8%	18 612	15,32	14,65	3,93%	
Katrineholm	17	61 324	11,0%	1 251 1 052 560	1,7%	17 164	15,43	13,73	4,17%	
Västerås	4	54 226	4,1%	1 150 1 013 000	1,6%	18 681	16,79	16,25	3,38%	
Kristianstad	19	38 958	1,3%	1 409 992 090	1,6%	25 466	18,28	18,08	3,86%	
Upplands Bro	3	43 685	4,2%	1 293 941 680	1,5%	21 556	17,26	16,48	3,41%	
Örebro	3	48 042	2,1%	1 129 877 000	1,4%	18 255	16,50	15,97	3,66%	
Nyköping	4	48 983	8,3%	1 186 848 900	1,4%	17 331	15,80	14,38	3,87%	
Tranås	27	69 956	11,1%	1 067 761 449	1,2%	10 885	11,63	10,50	5,07%	
Sollentuna	1	34 066	3,5%	1 412 731 000	1,2%	21 458	15,88	15,26	3,80%	
Strängnäs	6	35 485	7,3%	1 316 711 600	1,1%	20 054	17,09	15,94	3,76%	
Markaryd	34	57 285	8,4%	1 033 611 605	1,0%	10 677	11,31	10,24	4,85%	
Arboga	8	47 975	8,3%	1 039 570 840	0,9%	11 899	12,35	11,26	4,27%	
Nynäshamn	6	22 667	27,6%	1 343 487 700	0,8%	21 516	22,21	16,19	2,80%	
Köping	7	35 060	13,6%	1 177 459 900	0,7%	13 118	13,11	11,38	4,44%	
Möndal	1	13 586	1,3%	1 254 340 000	0,5%	25 026	20,18	19,72	3,22%	
Trelleborg	3	8 868	11,5%	1 311 184 800	0,3%	20 839	18,09	15,80	3,59%	
<b>Total</b>	<b>341</b>	<b>3 012 851</b>	<b>4,8%</b>	<b>1 271 62 396 714</b>		<b>20 710</b>	<b>17,21</b>	<b>16,32</b>	<b>3,57%</b>	



## Breakdown of Market Value by Tenure

Portfolio Overview by Tenure											
Valuation objects	No.	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Value kSEK	Market Value		Gross		Net Initial Yield	
						(Share of Market Value Total)	Market Value per sqm SEK per sqm	Multiplier on Current Rent fold	Multiplier on Market Rent fold		
Freehold	291	2 534 399	5,2%	1 272	52 054 124	83,4%	20 539	17,09	16,16	3,64%	
Leasehold	50	478 452	3,0%	1 266	10 342 590	16,6%	21 617	17,79	17,17	3,21%	
Total	341	3 012 851	4,8%	1 271	62 396 714		20 710	17,21	16,32	3,57%	

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## **B. Instructions and Sources of Information**

### **I. Scope of Instruction**

#### **Preamble**

Savills Sweden AB (“Savills”), in collaboration with Malmöbryggan Fastighetsekonomi AB (“Malmöbryggan”), has been instructed by Vonovia SE, through Victoria Park AB and Hembla AB, to perform valuations on Victoria Park AB’s and Hembla AB’s property portfolio. The instruction letters were signed 2020-03-31.

Savills hereby confirms that as at the date of this Valuation Report there is no existing or potential conflict of interest in relation to the properties to be valued as at the Valuation Date or Report Date.

#### **Instruction**

Savills carried out a determination of Market Value of the respective freehold interests of the properties in the subject portfolio (as defined below). For the purposes of this Valuation Report references to a “subject property” or “subject properties” shall mean a reference to any property or properties within the Victoria Park and Hembla portfolio.

The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (“Red Book”) and the International Standards for the Valuation of Real Estate for Investment Purposes (“International Valuation Standards”).

The Market Value is consistent with the “Fair Value” in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

Please note that Savills has already carried-out previous valuations of parts of the subject portfolio on a quarterly basis for Victoria Park and Hembla since 2015, with the exception of the first and third quarter 2020.

#### **Subject Portfolio**

The subject portfolio comprises 341 valuation objects, mainly residential properties, that are located throughout Sweden.

#### **Scope of Work Carried Out**

- In the assessment of the Market Value of the Subject Portfolio, inter alia, the following procedures were carried out:
- Analysis and interpretation of the portfolio information provided by the Instructing Party, e.g. tenancy and property schedules and other data materials relevant to the valuation,
- Site inspections of all subject properties in the years 2018, 2019 and 2020 in the course of the previous update valuations of Victoria Park and Hembla.
- Analysis of market, location and situation for each of the subject properties,

- Determination of Market Value at property level.

## Instructing Party

Vonovia SE through Hembla AB and Victoria Park AB.  
(Hereinafter referred to as „Instructing Party“)

## Addressees

The Valuation Report is addressed to and only for the use of Vonovia SE.

## Valuer

Savills Sweden AB  
Regeringsgatan 48  
111 56 Stockholm  
Sweden  
(Hereinafter referred to as „Savills“)

## Purpose of Valuation

This Valuation Report is for a purpose of a bond issue by Vonovia SE.

We acknowledge that our Valuation Report will be used by the Company as one of many sources for the determination of the Fair Value of its properties as part of the prospectus that relates to a bond issue by Vonovia SE.

The Valuation Report complies with the legal requirements, in particular the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (Prospectus Regulation) in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (Delegated Regulation (EU) 2019/980) and the paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.”

## Liability

This Condensed Report by Savills Sweden AB and Malmöbryggan Fastighetsekonomi AB is on a non-reliance basis.

The Company and any third party by receiving this Condensed Report acknowledge that the delivery of this Condensed Report does not establish a contractual relationship between Savills Sweden AB and Malmöbryggan Fastighetsekonomi AB on the one hand and the Company, any of its affiliates or third parties (in German: kein Vertrag zu Gunsten Dritter) on other hand and that the inclusion of the Condensed Report, to the extent permitted under relevant laws and regulations, shall not form the basis of any liability of Savills Sweden AB and Malmöbryggan Fastighetsekonomi AB vis-à-vis the Company, any of its affiliates or third



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parties on other hand. Under the terms entered into between Savills Sweden AB, Malmöbryggan Fastighetsekonomi AB and the Company, any liability, if any, of Savills Sweden AB and Malmöbryggan Fastighetsekonomi AB with respect to the valuation undertaken by Savills Sweden AB and Malmöbryggan Fastighetsekonomi AB, a legal representative or vicarious agent is limited to intent and gross negligence, provided that this limitation of liability in case of intent and gross negligence shall not apply if and to the extent that product liability claims exist, if a defect has been fraudulently concealed, if a guarantee has been assumed and/or if life, limb or health have been injured.

Moreover, under the terms agreed, Savills Sweden AB's and Malmöbryggan Fastighetsekonomi AB's liability, if any, towards the Company and any third party in total has been limited to a maximum amount of SEK 990,000 (Nine Hundred and Ninety Thousand Swedish Krona). Also, any liability for material contractual obligations shall be limited to the compensation of the foreseeable, typically occurring damage. In this case, however, Savills Sweden AB's and Malmöbryggan Fastighetsekonomi AB's liability shall be limited to a maximum amount of SEK 990,000 (Nine Hundred and Ninety Thousand Swedish Krona) in total to the Company, any of its affiliates and third parties.

## **Date of Valuation**

31 December 2020

## **Report Date**

The report date is 27 January 2021.

## **Currency**

The relevant currency for this valuation is SEK.

## **Interest Valued / Tenure**

In total, 291 properties are held on the Swedish equivalent of freehold title. The other 50 properties are held on leasehold title.

## **Publication / Disclosure**

In accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed and to respective auditor(s) only, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

## **Nature and Source of Information relied on**

The valuation has been substantially and mainly based upon the information supplied to us by Hembla and Victoria Park. Please refer to Section II "Sources of Information

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and Inspection" for a more detailed list of the information Savills has relied upon for the purposes of preparing this Valuation Report.

## **Definition of Market Value**

Our valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book").

We have been instructed to value the subject properties on the basis of Market Value in accordance with RICS Global Valuation Standards 2020 (the "Red Book") which is defined as follows:

*"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."*

The "Market Value" is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as follows:

*"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date:"*

The assessment of Market Value has been carried out by Savills in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards) and the Valuation Standards of the Royal Institution of Chartered Surveyors (Red Book).

For the avoidance of doubt, a valuation complying with the "Red Book" requirements is compliant with the International Valuation Standards (IVS).

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

## **Assignment of Rights**

The Addressees of this Valuation Report are not entitled to assign their rights under or in respect of the Framework Agreement and this Valuation Report – either whole or in parts – to any third parties.

## **Declaration of Independence & Status of Valuer**

Savills hereby confirms to the best of its knowledge and belief that it has prepared this Valuation Report in its capacity as external valuer (as defined in the "Red Book") and independent expert.

We further confirm that Savills is not aware of any actual or potential conflict of interest that might have influenced its independent status.



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The total fees, earned by Savills from Vonovia SE (or other companies forming part of the same group of companies), is less than 5% of the total Swedish revenues earned by Savills in the financial year 2020.

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## II. Sources of Information and Inspection

### Information Sources

For the purpose of this Valuation Report we have mainly relied on the following information, provided to us by Hembla and Victoria Park:

- Rent roll regarding October 2020 as at November 2020
- Updated lists of investments as at November 2020
- Updated file regarding ongoing and upcoming apartment renovations as at November 2020
- Information regarding general rent increases for 2021 for apartments on municipality level.
- Planning figures and information of plan status of unused building rights as of November 2020.
- Previous valuations' and data for Hembla and Victoria Park as at 30 September 2019, 30 June 2019, 31 March 2019, 30 June 2020 etc.
- Information regarding unused building rights with specific information such as estimation of extent of the building right, status for detail development plan, planned type of tenure, expected land development costs.

We have also included following sources into our valuation:

- Savills Research
- Datscha
- SCB (Statistics Sweden)
- The Property Data Register (Lantmäteriet)

Individual questions and inconsistencies within the data could be clarified with Hembla and Victoria Park via email and by phone.

More precise control as to the correctness of the particulars that have been submitted, other than a reasonability check, has not been performed.

### Inspection

In accordance with the general guidelines in Sweden regarding inspections all properties are inspected every third year.

All conclusions made by Savills with regard to the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

In the event that only partial internal inspections were possible, it will be assumed that the parts that were inspected are typical of the remainder.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection, nor were the services or other installations tested.

All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

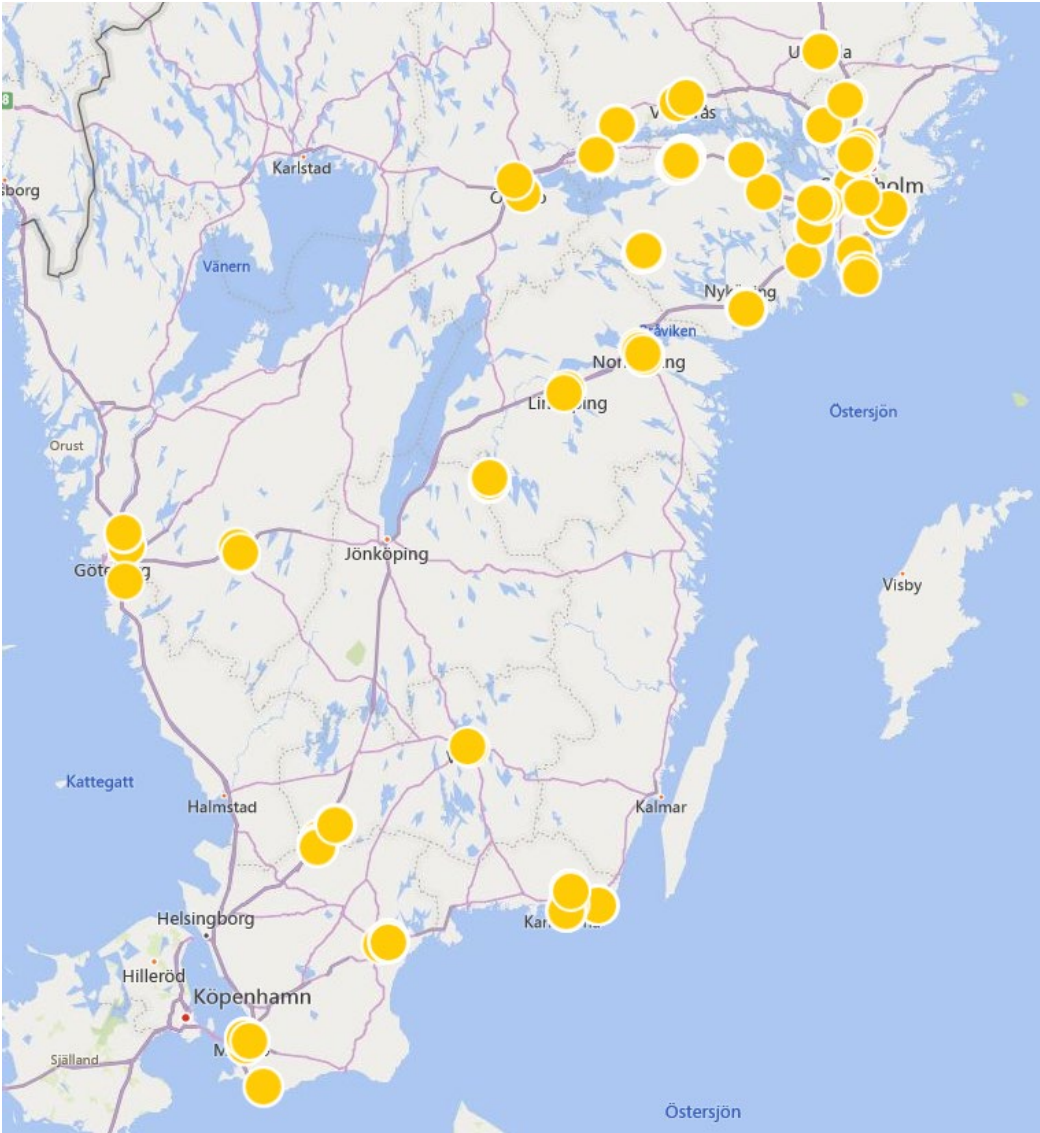
During 2020 Savills inspected 116 valuation objects corresponding to about 34 % of the total portfolio. A breakdown of inspection years are shown in the table below.

<b>Portfolio Overview by Company</b>				
<b>Year of inspection</b>	<b>No. Valuation objects</b>	<b>No. Valuation objects (Share of Total)</b>	<b>Market Value kSEK</b>	<b>Market Value (Share of Total)</b>
2018	106	31,1%	15 386 585	24,7%
2019	119	34,9%	19 239 229	30,8%
2020	116	34,0%	27 770 900	44,5%
<b>Total</b>	<b>341</b>	<b>100,0%</b>	<b>62 396 714</b>	<b>100,0%</b>

### C. Portfolio Overview

#### Short Portfolio Profile

Subject to this Report are 341 valuation objects. Thereof mainly residential properties with ca. 38,000 apartments which are located all over southern Sweden. The largest property clusters are in Greater Stockholm area, Eskilstuna municipality and the very southern part of Sweden – the province Skåne. According to the provided rent roll the lettable area amounts to ca. 3,012,851 sqm with a Current Rent of 1,271 SEK/sqm p.a. as at valuation date 31 December 2020.



#### Tenure

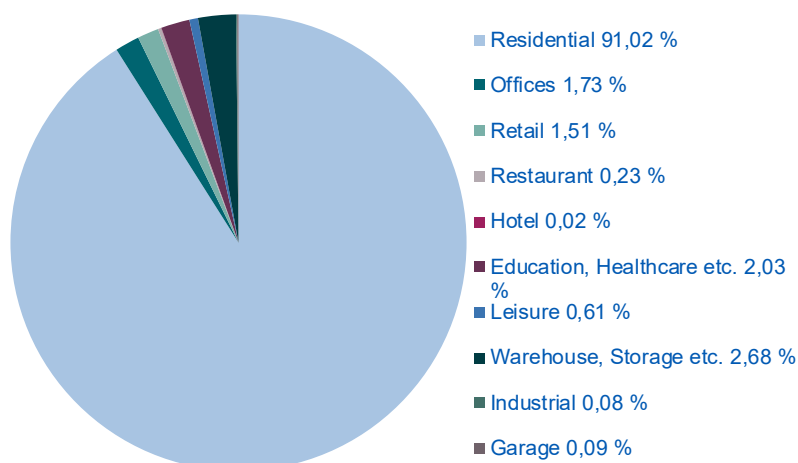
In total, 291 properties are held on the Swedish equivalent of freehold title. The other 50 properties are held on leasehold title.

## Portfolio Composition

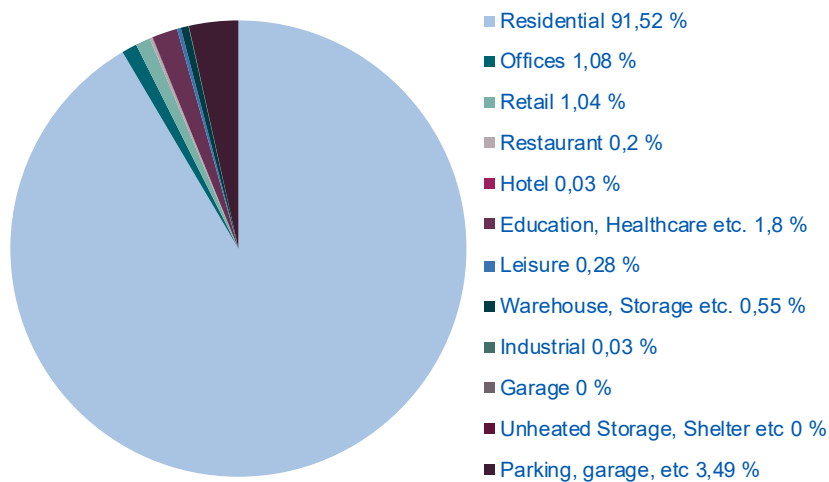
The portfolio is comprised of the following types of space and units:

Type of Area	Lettable Area	Vacant Area		Current Rent	
	(sqm/no)	(sqm/no)	(%)	('000 SEK)	(SEK/sqm, no)
Residential	2 742 431	83 037	3,0	3 319 062	1 248
Offices	52 040	14 263	27,4	39 021	1 033
Retail	45 391	9 217	20,3	37 687	1 042
Restaurant	6 931	460	6,6	7 278	1 125
Hotel	713	0	0,0	964	1 351
Education, Healthcare etc.	61 133	9 966	16,3	65 152	1 273
Leisure	18 374	2 736	14,9	10 005	640
Warehouse, Storage etc.	80 624	37 592	46,6	19 900	462
Industrial	2 417	46	1,9	1 042	440
Garage	2 796	1 796	64,2	107	107
Unheated Storage, Shelter etc	0	0	0,0	0	0
Parking, garage, etc*	21 351	2 983	14,0	126 414	6 882
<b>Sum</b>	<b>3 012 851</b>	<b>159 113</b>	<b>5,3</b>	<b>3 626 631</b>	<b>1 271</b>

Distribution of lettable area per use



Distribution of current rental income (excl. discounts) per use



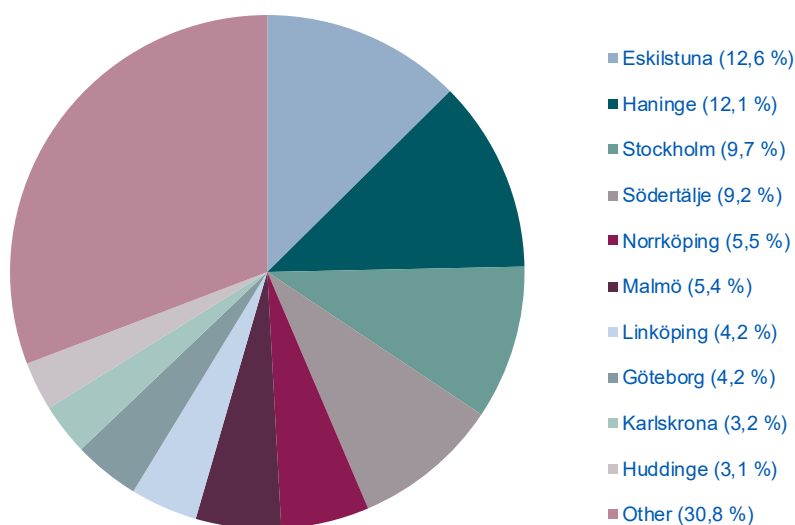
## Location Analysis

The total gross rental income is diversified over many different municipalities of the portfolio. The largest cluster is Eskilstuna with ca. 12.6 % of the total gross rental income followed by three municipalities in the greater Stockholm area.

### Top 10 municipalities by current rental income

#	Municipality	Lettable area sqm	Current rental income kSEK	Current vacancy
1	Eskilstuna	385 687	456 010	6,0%
2	Haninge	333 181	438 485	2,8%
3	Stockholm	288 063	351 335	2,9%
4	Södertälje	248 001	334 964	2,3%
5	Norrköping	173 772	201 011	7,8%
6	Malmö	153 161	194 355	2,3%
7	Linköping	126 065	153 370	6,3%
8	Göteborg	129 024	150 929	1,7%
9	Karlskrona	98 934	117 535	5,3%
10	Huddinge	92 288	111 554	3,6%
> 10	Other	984 676	1 117 081	6,4%

### Top 10 municipalities by current rental income





Seen to the current vacancy rate it is largest in Nynäshamn followed by Köping.

#### Top 10 municipalities by current vacancy rate

#	Municipality	Lettable area	Current rental income	Current vacancy
		sqm	kSEK	%
1	Nynäshamn	22 667	21 961	27,6
2	Köping	35 060	35 073	13,6
3	Trelleborg	8 868	10 218	11,5
4	Tranås	69 956	65 478	11,1
5	Katrineholm	61 324	68 211	11,0
6	Markaryd	57 285	54 078	8,4
7	Nyköping	48 983	53 743	8,3
8	Arboga	47 975	46 240	8,3
9	Norrköping	173 772	201 011	7,8
10	Strängnäs	35 485	41 631	7,3
> 10	Other	2 451 478	3 028 987	3,7

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## **D. Valuation Considerations**

In this chapter we comment on our individual considerations in order to arrive at our Opinion of Market Value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our Opinion of Value is based on, and subject to, the General Valuation Assumptions as described in section E.I of this Report together with the specific assumptions as stated in this report (including without limitation this section D).

In case of any discrepancies the specific assumptions as described in the following will prevail over the General Assumptions. If any of the aforementioned assumptions (General Assumptions or specific assumptions or other) are subsequently found to be incorrect or invalid, our Opinion of Value may need to be reconsidered.

### **I. Method of Valuation**

#### **General Valuation Procedure**

The valuation has been carried out on a single property basis. Each property has been valued individually.

#### **Valuation Model**

For the 341 long-term income-generating valuation objects, we have used a Discounted Cash Flow (DCF) model.

For more details about the DCF model and the underlying definitions of the key parameters, please refer to Chapter F “General Valuation Assumptions and Applied Definitions” of this Valuation Report.

#### **Valuation of unused building rights**

For more details about the valuation procedure of the unused building, please refer to Chapter F “General Valuation Assumptions and Applied Definitions” of this Valuation Report.

## **II. Portfolio Considerations**

### **1. Constituents of the Subject Properties**

Fixtures in the subject properties, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the subject properties and have, therefore, been reflected in our determination of Market Value. Tenant’s fixtures and fittings that would normally be the property of the tenant have not been reflected in our valuation.

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## 2. Legal Aspects

### Land Register

Savills has been provided, in relation to previous valuations, with land register lists in excel for all subject properties regarding tax assessment values and ground lease terms. In addition to this land register PDF files had been excerpted from Swedish Property Data Register when doing valuation reports for Swedish banks. We assume that the information contained in these excel files are correct.

### Public Encumbrances

The analysis of excerpted files from the Swedish Property Data Register files did not show any value effecting encumbrances. For the remaining, we assume that further public encumbrances have no impact on value.

### Soil Contamination

In conjunction with providing valuation reports to Swedish banks we have contacted local authorities regarding possible soil contaminations. The provided information did not show any value effecting contaminations. For the remaining, we assume that there are no value effecting contaminations.

## 3. Technical Aspects

We have been provided with information regarding planned capex and investments measures by the Instructing Party for the years 2021 until 2023.

In total the Capex, investments and apartment renovations amount to ca. SEK 825 million for the whole subject portfolio over the next three years.

Please note that Savills has not been instructed to perform any technical due diligence and does not possess the necessary detailed technical information.

## 4. Tenancy Aspects

### Rent Roll Information

Our valuation is based on the rent roll for October 2020 of the subject properties received by the Instructing Party as at beginning of November 2020.

A full verification of the provided tenancy schedule and the available lease agreements was not part of the scope of this Instruction. Savills therefore relied on the content of the tenancy schedule provided and assumed that the provided document reflects the status quo of all tenancies as at the Date of Valuation 31 December 2021 to a true and comprehensive extent. Please note that Savills cannot verify the accuracy or the completeness of the information of subject tenancies provided to Savills.

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## **Overdue rent payments**

Savills has not checked the status of contractually agreed rent payments as at the Date of Valuation. Provided that Savills had no information to the contrary, we have assumed that there are no overdue rent payments.

## **Lettable Area**

In our valuation approach we have generally assumed that the provided information regarding lettable area is correct.

Please note that it may turn out in a formal measurement that the assumed size or split of lettable areas differs from the correct lettable areas per type of use. In this case our assumptions and valuation results have to be reconsidered and may have to be adjusted.

## **5. Environmental Aspects**

In conjunction with providing valuation reports to Swedish banks we have contacted local authorities regarding possible environmental hazards. The provided information did not show any value effecting contaminations in general. For those properties with known problems we have added Capex costs, provided by the Instructing Party.

Please note that Savills has not been instructed to perform any environmental due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes without verification the accuracy and completeness of the provided information to Savills in this context. Should it subsequently turn out that additional contamination exists at the properties this may have a detrimental effect on the value reported.

## **III. Basic Cash Flow Considerations**

### **Consideration of Rent-Setting for residential apartments in Sweden**

Rents for residential apartments in Sweden are normally determined through negotiations between landlords and tenant representatives. There is no role in these proceedings for public parties, such as the central government and the municipalities. The negotiation system is supplemented by national consumer protection for private tenants.

Collective negotiations are normally conducted once a year on the initiative of the landlord. Negotiations often take place in the autumn, with rents usually being increased on 1 January of the following year.

Negotiations generally have two points on the agenda: the utility value of the apartments and changes to the cost of building and managing the property. The utility value is to be assessed objectively on the basis of how tenants generally value various characteristics such as type of apartment, location, environment, quality of property management, etc., and without regard to the landlord's costs. Part of the negotiation therefore relates to assessing the various utility values of the apartments and valuing these in monetary terms. In between negotiations the parties often work on both surveying the apartments'

utility values (e.g. through documentation and by means of a points system) and ascertaining the values attributed by tenants (e.g. by means of questionnaires). Negotiations generally results in rent levels being adapted to the utility value when necessary, although this will be affected gradually where substantial rent adjustments are involved. As regards the cost of managing, the negotiations involve assessing cost increases within the sector. It is extremely rare for landlords to receive the full rent increase requested, but the agreement is usually some form of compromise.

There is a utility value system that exists alongside the negotiation system. The Regional Rent Tribunal conducts a utility value review to establish what is meant by a 'reasonable amount'. This means that they find out what rent is being charged for other apartments with a similar utility value; i.e. with approximately the same location, standard, equipment, etc. ('comparative apartments'). The limit for a reasonable rent is expressed as the highest rental level that other tenants pay for similar apartments, which may be exceeded by approximately five percent.

## Market rents

Market rents indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the properties, being subject to market conditions that are either current or are expected in the short term. They are based on our experience in the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or a closest comparable use, where applicable and available. Applied market rents range as follows in the subject properties:

Type of Area	Current Rent		Market Rent	
	('000 SEK)	(SEK/sqm, no)	('000 SEK)	(SEK/sqm, no)
Residential	3 319 062	1 248	3 454 080	1 259
Offices	39 021	1 033	50 776	976
Retail	37 687	1 042	44 813	987
Restaurant	7 278	1 125	7 946	1 146
Hotel	964	1 351	964	1 351
Education, Healthcare etc.	65 152	1 273	73 408	1 201
Leisure	10 005	640	12 773	695
Warehouse, Storage etc.	19 900	462	34 929	433
Industrial	1 042	440	1 057	437
Garage	107	107	753	269
Unheated Storage, Shelter etc	0	0	0	0
Parking, garage, etc*	126 414	6 882	141 327	6 619
<b>Sum</b>	<b>3 626 631</b>	<b>1 271</b>	<b>3 822 825</b>	<b>1 269</b>

The current rents only summarize premises that are leased at the time of the valuation, while the market rents summarize all lettable area. For residential apartments there is, due to Swedish law, no actual market rents. The differences in current and market rent for the residential units is mainly because of ongoing apartment renovations which is, naturally, vacant at the date of the valuation.

### Operating and maintenance costs

On the Swedish property market costs are usually divided into operating costs and maintenance costs. The operating costs can further be divided into tariff-based costs (heating, water and sewage, electricity, and garbage disposal), property management costs and costs for insurance and administration. The maintenance costs can further be divided into repairs/ongoing maintenance and periodic/planned maintenance.

Tariff-based costs can generally be allocated to the responsibility of tenants in commercial leases whereas there are much stricter regulations for residential leases. Residential tenants may be charged for the actual use of heating, water and electricity in return of a lower base rent. The costs are then paid as an addition to the actual rent.

For the purpose of valuing the subject properties, we received actual and budgeted costs in conjunction with previous valuations. Property costs varies greatly depending on the age, type, condition, location etc. of the property. For the valuations we have assessed a total cost for each property with the historical costs as basis. In addition to this we consider costs for similar properties and statistics such as REPAB. The average assessed costs per area type is shown below.

Type of Area	Estimated Op.- & Maint. Costs	
	('000 SEK)	(SEK/sqm, no)
Residential	1 295 390	472
Offices	19 841	381
Retail	17 547	387
Restaurant	2 897	418
Hotel	214	300
Education, Healthcare etc.	21 027	344
Leisure	5 509	300
Warehouse, Storage etc.	16 810	209
Industrial	560	232
Garage	293	105
Unheated Storage, Shelter etc	0	0
Parking, garage, etc*	14 349	672
<b>Sum</b>	<b>1 394 437</b>	<b>463</b>

### Vacancies

For every property and every type of area for each property we assess a market vacancy rate/risk. The estimated market vacancy varies widely depending on the type of premises and the location of the property.

For vacant premises, a period for which the premises achieve market vacancy is assessed. This period varies between 6 and 36 months depending on the local type and the condition of the premises.

We have not assumed any structural vacancies in the valuations. Instead, premises that are considered very difficult to lease have been allocated a very low market rent.

In Sweden, there is a general housing shortage and in Statistics Sweden's latest survey, the vacancy for immediate rent in Sweden was 0.6%. In 2019, just over 14 400 dwellings

were under repair or conversion and this was the most common reason for an unlet dwelling. The distribution of the number of vacant dwellings varies from one region to another. Among dwellings available for rent, 72 percent are located in municipalities with fewer than 75 000 inhabitants. The corresponding figure in metropolitan areas (Greater Stockholm, Greater Gothenburg and Greater Malmö) is 14 percent.

With this in mind, the long-term vacancy rate for residential premises varies between different municipalities in the valuation from 0.15 to 5 % with an average of circa 0.9 %. For the portfolio as a whole the average long-term vacancy risk is assessed to 1.5 %.

## **Costs of Apartment Refurbishment**

The client is constantly renovating a large number of apartments around Sweden, since this is the biggest prospect to get raised rents and approach a theoretical market rent. As a basis for the valuations, we have received information on ongoing and planned renovations for the coming months at an apartment level.

Victoria Park provides information regarding current rent, rent after renovation and costs for the renovation. Hembla's data only contain information regarding the current rent level, after which we have assumed an average cost per renovation of SEK 400 thousand and adopted a new rent level with the norm rent applicable to newly built apartments in the municipality as basis.

According to the data for Hembla there are 76 known upcoming or ongoing apartment renovations that will be done for renting during January to May. These are spread on 48 different valuation objects.

According to the data for Victoria Park there are 72 known upcoming or ongoing apartment renovations that will be done for renting during January, February and March. These are spread on 28 different valuation objects and the average renovation cost sums to circa SEK 330,000 per apartment.

The costs for the upcoming renovations are put as investment during 2021 in the DCF-calculations.

## **Applied Growth and Inflation Assumptions**

We have commonly applied inflation parameters in accordance with the latest report and the long-term goal for Sweden's central bank – the Riksbank. The rental and costs growth are assumed to follow the inflation. Therefore our DCF calculations have a growth of 1 % during 2021 and 2.0 % for the coming years in accordance with the long-term goal.

Furthermore, regarding rental growth, we have assumed that current and market rents grow according to actual indexation terms or according to the assumed inflation rates.

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## Rates in DCF Calculations

We applied the following range of rates for the individual assets:

Internal yields and rates			
	Minimum	Maximum	Average *
Discount rate	4,60%	11,70%	5,33%
Exit Capitalisation Rate	2,94%	9,75%	3,66%

\* Weighted by DCF Value

Please note that Discount Rates and Exit Cap Rates are related to the underlying cash-flow assumptions made for each property. To back-up our valuation results, we have considered comparable transactions and/or market databases.



## E. Valuation Results

### I. Opinion of Market Value

We are of the opinion that the Market Value of the subject properties as at 31 December 2020 is:

**SEK 62 396 714 000**

(Sixty-two billion three hundred and ninety-six million and seven hundred and fourteen thousand Swedish krona)

Our opinion of Market Value is equivalent to:

Market Value per sqm	20 710 SEK
Gross Multiplier on Current Rent	17.21 fold
Gross Multiplier on Market Rent	16.32 fold
Net Initial Yield (NIY) on Current Rent	3.57%
Net Initial Yield (NIY) on Market Rent	3.88%

\*Initial yields before investment and TIs

In addition to this value we are of the opinion that the Market Value of the unused building rights as at 31 December 2020 is SEK 1 009 453 000, (One billion and nine million and four hundred and fifty-three thousand Swedish krona).

### II. Comment on all Valuations Results

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Savills has been informed by Hembla and Victoria Park that there have not been material changes to the building stock of the subject portfolio between the date of valuation 31 December 2020 and the date of this Valuation Report.

For and on behalf of  
Savills Sweden AB



Lars Rickardson, Director  
By Samhällsbyggarna authorized  
Valuer



Karin Zakariasson, MRICS,  
Director, Head of Valuation  
By Samhällsbyggarna authorized  
Valuer

For and on behalf of  
Malmöbryggan Fastighetsekonomi AB



Peter Samuelsson  
By Samhällsbyggarna authorized  
Valuer

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## **F. General Valuation Assumptions and Applied Definitions**

In the following chapter, we comment on the applied method in arriving at our opinion of value as defined in the scope of this Instruction.

### **I. General Valuation Assumptions**

In the absence of any information to the contrary in the Valuation Report (in particular in section D containing specific valuation assumptions and considerations), this valuation has been carried out on the basis of the following assumptions (the “General Assumptions”). If any of these assumptions are subsequently found to be incorrect or invalid, the valuation result(s) in our Valuation Report may need to be reconsidered.

#### **1. Information**

The Instructing Party (and any third parties acting on request of the Instructing Party) has provided Savills with complete, correct and current information and documents as requested by Savills or which are reasonably relevant to Savills in carrying out the agreed Services (in particular the preparation of the Valuation). The Instructing Party did not retain any material facts which may impact the valuation of the real estate (ground) and buildings valued in our Valuation (collectively the “Properties”, each a “Property”). Unless otherwise stated in the Valuation, Savills has not verified the information submitted (in particular, but not limited to, where it is stated in the Valuation Report that Savills has “assumed” or “relied” on information). Savills has not requested any information from public authorities, registers or courts.

#### **2. Title**

Unless otherwise stated in the Valuation Report, we have valued the 341 valuation objects and the unused building rights.

It is assumed that the freehold interest is not subject to any restrictions and encumbrances contained in the land register and that no claims or obligations are present in this regard.

Further, the Valuation of Savills does not consider any mortgages or land charges contained in of the land register.

#### **3. Buildings**

The buildings are structurally sound. There are no structural (latent or other) material defects (including rot) which may have influence on the valuation.

In the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering or comparable materials. There are no dangers to health of occupants or tenants resulting from the actual condition of the buildings (for example resulting from contamination with asbestos or mold). Savills has not carried out any investigations concerning these matters.

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## 4. Land

Savills assumes that the site is appropriate and has load bearing capacity suitable for the realized or anticipated form of development, that no abnormal ground conditions exist and no additional or unusual expenditure on, for example, foundations or drainage systems are required. The ground does not contain any archaeological remains. There are no underground mineral or other workings, noxious substances or any other matters that may cause additional costs or delay.

## 5. Services

The Properties are connected, or capable of being connected, without undue expense, to the public services of electricity, water, telecommunications, sewerage and district heat, where available.

## 6. Contamination of Land and Buildings

Unless otherwise stated in this Valuation Report, the properties (land and buildings) are not contaminated, and each Property is not and never has been subject to any contaminating or potentially contaminating uses, nor is it likely to become contaminated in the foreseeable future.

Savills has not carried out any investigations with respect to potentially existing environmental contaminations or in order to identify any such contamination.

## 7. Legal Matters

The buildings were erected in accordance with construction permits, and every building complies with all statutory or local authority requirements. All necessary consents and authorizations for the use of the Properties and the processes carried out at the Properties (in particular to be issued by public authorities, neighbours or other third parties) are in existence, will continue to subsist and are not subject to any onerous conditions.

It is assumed that there are no unusual restrictions with respect to the occupation of the Properties or the level of rent.

## 8. Lease Agreements; Other Agreements

The tenants are creditworthy and capable of meeting their obligations. There are no arrears of rent or breaches of covenants. It is assumed by Savills that lease agreements and any other agreements provided to Savills are valid, meet the legal requirements of the written form, and no facts do exist which would entitle a party to terminate or cancel such agreements prior to expiry of the agreed term, e.g. by early termination, rescission or likewise.

## 9. Taxes, Public Contributions, Development Charges

Unless otherwise stated in this Valuation Report, all public taxes, charges and contributions levied by public authorities with respect to the site development, have

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entirely been levied and paid as at the Date of Valuation. In particular it is assumed that no public infrastructure contributions or similar contributions will be levied in the future.

## **10. Public Encumbrances; Monumental Protection and likewise**

The Properties are not subject to any public encumbrances which may give reason for a reduction of the valuation.

None of the Properties to be valued is subject to monumental protection.

It is assumed that none of the Properties is adversely affected, nor is it likely to become adversely affected, by any highway, town planning or other schemes or proposals.

Savills did not undertake any investigations (for example local searches, enquiries or review of any statutory notices) in order to identify matters adversely affecting the present or future value of the Properties.

## **11. Subsidies**

Unless otherwise stated in this Valuation Report, all valuations are given without consideration of subsidies or grants, received or potentially receivable, and any obligations or limitations in this coherence which could influence the value of the Properties.

## **12. Statements by Officials**

Oral statements by public officials, particularly involving factual information, cannot be regarded as legally binding. Savills assumes such oral statements to be correct; however, Savills is unable to accept any liability for the application of any such statements or information in the Valuation Report.

## **13. Insurance**

The Properties are covered by a valid adequate and appropriate insurance policy as regards the sum assured and the types of potential loss covered.

## **14. Fixtures and Fittings**

Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present/future occupiers.

## **15. Valuation of Portfolios (Aggregation)**

Unless otherwise stated in the Valuation Report, each Property – even if it is part of a portfolio – has been valued individually.

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## 16. Insolvency

Savills does not take account of any possible effect that the appointment of either an insolvency administrator or an administrative receiver or a compulsory auction might have on the perception of the properties in the market and their subsequent valuation, or the ability to realize the value of the properties in either of these scenarios

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## II. Rents, Income and Vacancy

### 1. Current Rent

#### Definition

In our valuations, the current rental income (or current rent) is defined as the rent passing as at the Date of Valuation. The current rent is excluding VAT.

#### Method of Determination

If not stated otherwise in the report, we have considered the current rent for each lettable unit as stated in the rent roll provided by the Instructing Party.

Since the rent roll is prior to the valuation date, there may be minor differences in the actual rent and vacancy rates when comparing a more recent rent roll and our valuation.

Among other reasons, this is the result of leases which expire between these dates. In the event that a lease end of lettable area is prior to the valuation date, we consider this as vacant in our valuation as of the valuation date (even if these are rented according to the rent roll).

In accordance with the Instruction, Savills did not carry out a full due diligence.

### 2. Market Rent

#### Definition

Our opinion of Market Rent is equivalent to the Market Rent as defined in the RICS Valuation – Global Standards 2020 (the “**Red Book**”) published by the Royal Institution of Chartered Surveyors. The definition is in line with the IVS 104 paragraph 40.1.

“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The market rent is excluding VAT.

#### Method of Determination

We research comparable rents by taking into consideration key aspects such as property location, condition and the fit-out standard of rental units as well as common marketing incentives by the landlords (e.g. tenant improvements or rent free periods). With our in-house database, we analyze comparable leases and currently available offers of space to rent. Furthermore, we analyze all leases which were recently closed in the subject asset(s) (“recent lease agreements”).

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### 3. Net Operating Income (NOI)

#### Definition

The net operating income (NOI) is defined as the passing rent after deducting all non-recoverable costs. It is the net cash-flow generated by a property at a point in time or in a time period.

#### Method of Determination

Generally, the following periodical non-recoverable costs will be deducted from the passing rent:

- Operating Costs
- Maintenance Costs
- Property tax
- Ground Rents (if applicable)

Furthermore, the following event related non-recoverable costs will be deducted from the passing rent within the cash-flow term:

- Costs for Tenant Improvements
- Costs for Investments
- Capex for Deferred Maintenance (if applicable)

### 4. Vacancy Rates

In this report, two following different vacancy rates are displayed:

- The area vacancy rate is defined by vacant space (in sqm) divided by the total lettable space (in sqm).
- The economical vacancy rate is expressed as a percentage being the estimated rental value (in SEK) of vacant space divided by the estimated rental value ERV of the whole property.



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## III. Values and Results

### 1. Market Value

#### Definition

Our Valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (the “**Red Book**”). We have been instructed to value the properties within the Subject Portfolio on the basis of Market Value. The definition is in line with the IVS 104 paragraph 30.1.

*“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.”*

The Market Value is consistent with the “Fair Value” in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

#### Method of Calculation: Discounted Cash Flow (DCF)

For the valuation of long-term income-based properties, we have applied a DCF approach.

The DCF method is a two-stage financial mathematical model to determine the cash value of the future yield of the properties, which is viewed as its present value. In this coherence, a detailed forecast computation of the revenue and expenditures for a “holding period” of usually 5 years is compiled.

Accordingly, our DCF model involves a period-by-period estimation of gross income, i.e. rental income, and of any expenditure which shall not be recovered by third parties. Any estimation for the aforementioned will explicitly be taking into account a range of variables. For example, the estimation of income is substantially and mainly based on the existing contractual agreements as well as market development forecasts. Expenditures, on the other hand, may occur regularly in each period, i.e. costs of management, ongoing maintenance and non-recoverable service charges.

However, one-off costs for anticipated renovations as well as investments will also be deducted but considering a specified scheduled time of expenditure in the future.

As a result, the net operating income (NOI) will be calculated for each period, reflecting the anticipated development of the properties over the applied time period. Secondly, the hypothetical sales price at the assumed time of exit will be calculated. Generally, the sales price will be based upon the NOI at market level of the future year after the holding period. Hence, the NOI at market level will be capitalized with the exit capitalization rate in perpetuity in order to derive the Gross Exit Value. However, if fixed leases expire after the holding period, the Gross Exit Value will be adjusted by the capital value of a (potential) over-/ under-rented situation. Please note that in our model those capital value adjustments will be displayed as adjustments to the NOI (calculated in perpetuity).

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Finally, both main results of the two-step calculation, i.e. the sum of all NOI and the hypothetical purchase price - will be discounted at the discount rate effective at the Date of Valuation. The result of this step is the DCF Value as at that date.

The applied rates are normally set by comparing money market rates (i.e. interest rate for risk-minimized investments) and allowing for the relative disadvantages of real estate ownership. These are generally considered as adjustments to the base rate due to the risks revolving from the specific type of property, due to the risks of illiquidity (marketing periods, costs of transaction etc.) and due to the potential of additional costs of portfolio management.

These risks are evaluated according to the following categories for each property, e.g. by conducting a structured property rating:

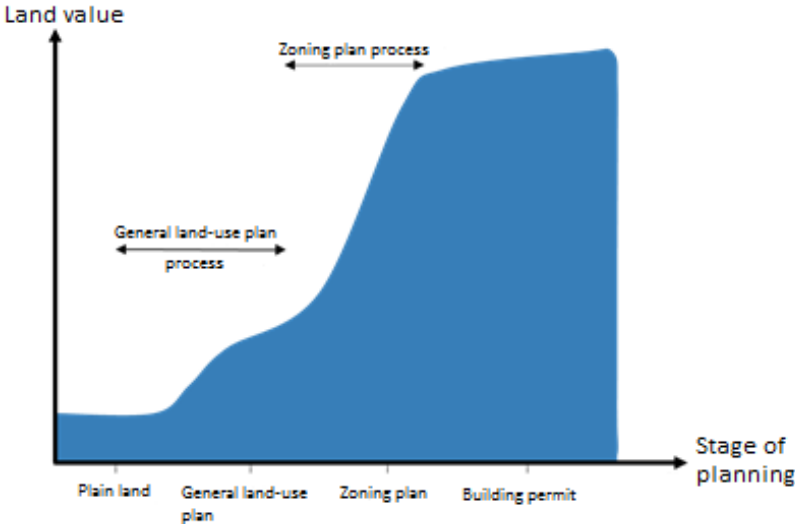
- Quality of the macro location (i.e. image, socio-demographics, economy, etc.)
- Quality of the micro location (i.e. local image, local supplier market adequacy for the specific property use, infrastructure, etc.)
- Quality of the building (i.e. age and condition of building, concept of areas/architecture, fit-out, alternative usability, energy management, plot characteristics, etc.)
- Quality of cash flow (i.e. letting concept, length of lease terms, agreements on ancillary costs, covenant of the tenant, current vacancy, ability for re-letting)

The exit capitalization rate is the reciprocal of the multiplier on potential rent less non-recoverable costs at the end of the cash flow period and is mainly derived from the quality of the location (including the land value) and the building quality.

**2. Valuation of unused building rights**

The value of a property can be derived from its future cash-flows. There are however some special considerations when valuing premises that are yet to be constructed. Firstly, the future cash-flow from new premises, in form of rent or transaction price, must be enough to make up for invested capital and some reasonable yield in order for the construction of the premises to be justified. The value of the land depends on how much new lettable area that might be constructed and one how far the planning process has progressed.

If no municipal (or county) plan exists there is little to no expected additional value to the land. If there is a general plan for land use and an interest from the municipality to develop the land further, a future expected value might be added to the original value of the land. When the process of a new zoning plan is initiated the future expected value of the land often increases rapidly. When a building permit is obtained the value of the building rights has reached its maximum value.



Building rights might be thought of as the options of the property market and are often bought for a price that may be assessed today but under the special condition that a zoning plan will be in place when the buyer is to occupy the premises. When assessing the price, one takes into account the extra risk that comes from the planning process, the risk that comes from market volatility, and the uncertainty regarding the timeframe of the project.

At the early stages of the planning process the added risk is great, but it diminishes the closer to a finished zoning plan the municipality comes. Thus the expected value rises.

Valuation appraisal regarding undeveloped properties (including contaminated and value add properties) are performed as assessments of the value of new development, with cost regarding decontamination and development considered. The assessments are based on the current conditions regarding city planning and observed price levels in transactions of undeveloped properties/building rights.

For the valuations Hembla and Victoria Park has supplied information regarding possible and existing building rights on their properties. The information includes the

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size of the building right, named property, type of building planned, type of tenure and status for the detailed development plan.

To assess the value of the building rights we have mainly used comparable transactions from Savills database of land sales. As support for the assumed values we have also performed residual calculation comprising the value of the project as when completed, from which the costs of development are subtracted. Such calculations are sensitive to the ingoing parameters of rent, operating and maintenance costs, and development costs, and the precision can thus vary considerably depending on how exact such information is. The information used is derived from analysis of market conditions and actual data from comparable transactions and projects. Assigned valuation parameters in the residual calculation are based on analyses of the below factors

- The property's market position and market conditions
- Development costs of comparable properties
- Marketable rental conditions
- Operating and maintenance costs for similar properties
- Assessed marketable yield level

Building rights values derived from a residual calculation lend support in the valuation appraisal made from the analyses of land allocations and transactions that are deemed comparable. This results in a final appraisal of the building rights value.

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## IV. Yields and Multipliers

### 1. Gross Multipliers

A gross multiplier expresses the ratio of the market value to the rental income of a property. In our report, we state two different kinds of gross multipliers:

- Gross Multiplier on Current Rent = Market Value / Current Rent
- Gross Multiplier on Market Rent = Market Value / Market Rent

Please note that the Gross Multiplier on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases, we suggest also to consider multipliers and yields on market rents.

### 2. Net Initial Yields

A Net Initial Yield expresses the ratio of the Net Operating Income (Rental income as of Date of Valuation reduced by operating and maintenance costs, vacancy losses and further non recoverable costs) to the DCF Value.

In our report, we state two different kinds of Net Initial Yields:

- Net Initial Yield on Current Rent = Net Operating Income derived from Current Rent / Market Value
- Net Yield on Market Rent = Net Operating Income derived from Market Rent / Market Value

Please note that the Net Initial Yield on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases we suggest also to consider multipliers and yields on market rent.