

# STATEMENT

Evaluation of the fair value of Sponda Plc's  
investment properties on 30 June 2014



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## EVALUATION OF THE FAIR VALUE OF SPONDA PLC'S INVESTMENT PROPERTIES

Sponda Plc (hereinafter referred to as "Sponda" or "the Company") conducts its own quarterly internal calculation of the fair value of the investment property portfolio of the Company by using a 10-year cash flow model as the valuation method. Catella Property Oy (hereinafter referred to "Catella") audited Sponda's internal property assessment process and calculation methods in autumn 2007 and verified that these fulfil IFSR requirements, the commonly approved valuation criteria, and are made according to International Valuation Standards (IVS).

Starting from Q4-2012 Sponda adopted the mid-period convention for discounting cash flow instead of the previously used end-of-year method. This change accounts for the timing of cash flow better and corresponds with the prevailing market practice.

On the date of valuation, 30 June 2014, Catella reviewed the property valuations of the investment properties located in Finland carried out internally by Sponda. The valuations have been prepared on the basis of **Fair Value** for financial reporting, which is defined in IVS 300, par. G1 based on IFRS 13 as follows: "*Fair Value is 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.*" IVS 300 par. G2 states that **Fair Value** under IFRSs is generally consistent with **Market Value**.

Catella inspected the data regarding assumptions of market rents and occupancy rates and enquired into the net yield requirements and their affect on the fair value of the properties. In addition to the cash flow method, Catella has used the sales comparison approach as a verifying method when analysing the fair value of the properties.

Development properties, trading properties, properties located in Russia, and real estate funds are excluded from Catella's inspection, neither has Catella inspected the value of the unused building right related to some of the properties in the portfolio.

In a few properties a cursory inspection was carried out in December 2011, but in most properties Catella has not carried out any inspections during this valuation period nor on any earlier occasions. We have relied upon the data of rentable areas, tenancy schedules and operating expenses as provided to us by Sponda in table format; the actual lease agreements have not been inspected.

Catella has reviewed the internal valuation of Sponda's investment property portfolio in accordance with the requirements of the RICS Valuation Standards (January 2014) and the International Valuation Standards (IVS 2013). The review of Sponda's internal property valuations and this statement is conducted for a financial statement for Sponda Plc and it may not be used for any other purpose without the prior written consent of Catella Property Oy. We confirm that Catella's valuers have conducted the review of Sponda's internal property valuations as independent, external and authorized property valuers approved by the Central Chamber of Commerce. We are not aware of any conflicts of interest arising in carrying out this assignment.



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## GENERAL ABOUT ECONOMIC SITUATION

- Sources:**
- Statistics Finland
  - Danske Bank, Economic trends and finance market, June 2014
  - Ministry of Finance Economics Department, Economic Bulletin, 1 / 2014, 18 June 2014
  - Confederation of Finnish Industries EK, Confidence indicators, June 2014

**As an overview of the economic situation** it can be stated that the world's economic news has been mainly positive for about one year. The United States has been the promoter of world economic growth for a long time, although, the economic growth was clearly negative in the first quarter, but the outlook for the end of the year is fairly positive. Positive signs can also be observed in the euro zone, but the euro crisis cannot be considered to be over, because the growth is still frail and unsteady. In Finland GDP has shrunk further and it seems that 2014 will be the third consecutive recession year. The Ukraine crisis is the biggest threat for the recovery of the world economy and the economic sanctions imposed on Russia due to the Ukraine situation will also affect Finland's exports.

**In emerging Asia** economic growth has been rather stable the last two years; the problems in emerging economies have not turned into debt crises. In the short run there is a significant risk that the emerging economies, which suffer from a current account deficit, will drift into crises. When the global economy reaches a steady growth rate, there is not any special reason to doubt why the exports of the emerging economies would not recover while the demand increases in industrial countries. The growth potential in Asia is still clearly higher than in the West due to a better population structure and the possibility to copy advanced technology and the best practices from the West.

**In the United States** economic growth was 1.9 percent in 2013, but due to a cold winter and cautious construction activities, the growth in the first quarter of 2014 collapsed to - 2.9 percent compared to the previous quarter. This was the weakest quarter in the US economy in five years, but the end of 2014 seems more promising. The Federal Reserve (FED) forecasted in June that the US economy will grow 2.1 – 2.3 percent in 2014. Also unemployment has decreased with record speed and in May it was approx. 6.3 percent. The household debt burden has lightened to a sustainable level and asset values have developed favourably. Good employment development and growth in earnings will increase disposable incomes. These factors will support the American consumer, who is still the most important player in the world economy. The consensus between the main political parties regarding the state budget will most probably guarantee the budget frame for the States for the next two years and partially substitute the automatic cuts in 2014-2015 with slightly bigger cuts in the coming years.

**In the euro zone** GDP shifted toward a slight growth in the summer of 2013 after a decline of six consecutive quarters. The growth in the first quarter of 2014 was 0.9 percent compared to the previous year. A common impression regarding 2014 is that the economic situation is recovering in Europe. However, growth will be slower than before the crisis, unemployment is still at a record high level and the public debt burden is continuously growing. It is expected that the economic recovery will be supported by the gradually increasing demand outside the euro zone, which will promote exports. The strengthening euro's exchange rate has become a temporary obstacle to the further

recovery of exports, but it is expected the euro's exchange rate will weaken towards the end of the year, because the relatively strengthening fiscal policy and the stronger growth in the US should gradually strengthen the dollar against the euro. Also domestic consumer demand and investments are slowly recovering after two weak years.

**Finnish GDP** seemed to cease decreasing in the second quarter of 2013, but GDP decreased anyway 1.4 percent when viewing the whole year 2013. In the first quarter of 2014 GDP decreased 0.4 percent compared to the previous quarter and 0.6 percent compared to the same period of the previous year. The weakened economic situation in Russia and the weak exchange rate of the rouble have delayed the recovery of the Finnish economy. It is not expected that the economical situation will turn toward a slightly more favourable direction until 2015.

According to a confidence indicator survey published on 27 June 2014 by the Confederation of Finnish Industries (EK), in all fields of business confidence is clearly below the long-term average. Consumer confidence has recently roller-coasted being consistently below the long-term average. In June 2014 the confidence indicator was 8.7. The long-term average is 12.1. In May 2014 the unemployment rate was 10.7 %, while it was 10.8 % the previous May. According to Statistics Finland there were approx. 296,000 unemployed people in May which is slightly less than the previous May. In spring the unemployment rate is typically higher than the average rate of the year.

In spite of the facts that the euro zone's economy has grown weakly and it is expected the world economy will continue its slow acceleration, the outlook of domestic forecasters regarding the development of the Finnish economy this year is more cautious compared to last December. The expected economic growth in 2015 is also weaker than in previous forecasts. The inflation forecast is below 2 percent in 2014 – 2015, which indicates that the development of index-linked rents will be moderate in the coming few years.

Forecasts given in June 2014 are in the following table.

FORECASTER - December 2013	GDP 2014 => 2015	EXPORT 2014 => 2015	INFLATION 2014 => 2015	UNEMPLOYMENT RATE 2014 => 2015
Danske Bank	- 0,2 % => + 1,5 %	+1,0 % => +4,0%	1,0 % => 1,2 %	8,5 % => 8,4 %
Nordea	- 0,5 % => + 1,0 %	+0,6 % => +4,4 %	1,3 % => 1,5 %	8,5 % => 8,3 %
LähiTapiola	- 0,3 % => + 1,0 %	+0,5 % => +3,0 %	1,2 % => 1,7 %	8,5 % => 8,0 %
Bank of Finland	+ 0,0 % => + 1,4 %	+2,1 % => +4,8 %	1,0 % => 1,5 %	8,6 % => 8,3 %
Ministry of Finance	+ 0,2 % => + 1,4 %	-0,5 % => +4,6 %	1,3 % => 1,7 %	8,5 % => 8,4 %

The general economic situation is reflected in the property market usually so that companies' needs for office, industrial and warehouse premises decrease when exports and the general economic situation are declining. As a consequence of increasing unemployment and tax increases, the amount of spending money in households is decreasing, which is reflected in the turnover, solvency and need for business premises of companies that are the end users of retail premises.

Real estate markets are typically post cyclical; a delayed reaction will be reflected on the real estate market after a change in the general economic situation. The weakening economic situation has led to lay-offs in companies and all investments are considered critically. The affects of this development can also be seen in the Helsinki Metropolitan

Area office market: the office occupancy rate started to decrease in autumn 2012, the bearish development continued in 2013 and any change for the better cannot be seen in the first half of 2014. The net-demand for office premises will remain at a low level in the near future. Only three new office development projects were launched in 2013 and only two have been launched in 2014 for the time being. However, the Finnish commercial property market has perked up, if measured by the recent transaction volume, although the fundamental aspects of the economy have remained weak.

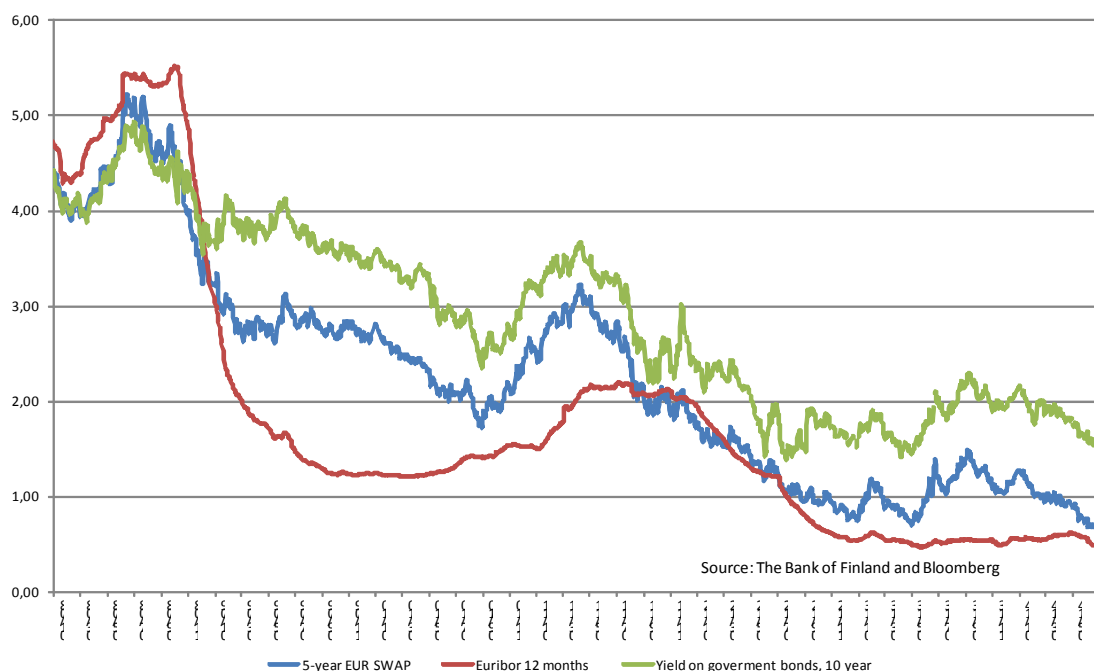
## INTEREST LEVEL AND FINANCIAL MARKET

The European Central Bank (ECB) decreased the steering rate again in June to 0.15 percent and for the first time the ECB introduced a negative deposit rate of – 0.1 percent, which means that the banks have to pay the central bank if they want to make deposits. When the deposits are subject to a charge, the ECB hopes that it will encourage the banks to increase credit granting to firms, which could spur economic growth. It is expected that the interest rates will remain at a low level for a rather long time. In addition to the decrease in interest rates, the ECB will start a financing operation with a view to simplify commercial banks' credit granting to firms. If the ECB, according its goal, gets more liquid money on the market by using a negative deposit rate, more money might be steered to real estate investments as well.

The development of market interest rates has normally followed the decline of the steering rate, but the latest decrease to 0.15 percent did not have any significant effect on market interest rates. At the end of 2011 the 12-month Euribor was at a level of 1.95 % (steering rate at 1.0 %). Since the first half of 2013 the 12-month Euribor has remained over the 0.50 % level and at the end of June 2014 it was at the 0.49 % level.

The chart below describes the development of the Euribor (12-month) 2008 – 2014, Finnish Government bond (10-year) and EUR SWAP (5-year).

**Interest rates 1/2008 - 6/2014**



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Loans given for real estate investments are often tied to the 5-year SWAP interest rate, which has clearly decreased from the end of last year. The competition between banks in the loan market has increased in the last year and the availability of loans has become easier. Also loan terms are slightly more affordable than before due to lower margins; LTV-ratios have remained somewhat stable or increased slightly.

The quality of the pledged property, the reliability of the customer and the long-term relationship with the bank are emphasized in loan negotiations and banks inspect the properties pledged as security for the loan carefully. Financial negotiations often take a rather long time. The number of banks offering financing for property investments has recently increased while some foreign banks have reactivated their financing operations in the Finnish commercial property market. The total interest rate level is low and offers the possibility for gearing property investments. When the availability of financing is becoming easier, the bottleneck, which has restricted the activity in the property market, is now fading away.

In 2013 some transactions have been executed, where the banks have pressed for a sale or funds under liquidation have divested their holdings. However, it is desired to solve problems in a well-managed, case-by-case manner and it is not expected that forced sales would play a significant role in the market. Lenders have reached different solutions based on their own situation or that of the financed property. Recently, international banks rearranged their balance sheets also by selling loans secured by Finland-based properties. Lenders have also taken other measures, such as repossessing properties, taking over decision-making from the owners and transferring property management to new parties.

## **PROPERTY MARKET**

### **European Property Market Situation**

**Sources:** Savills, CBRE, DTZ

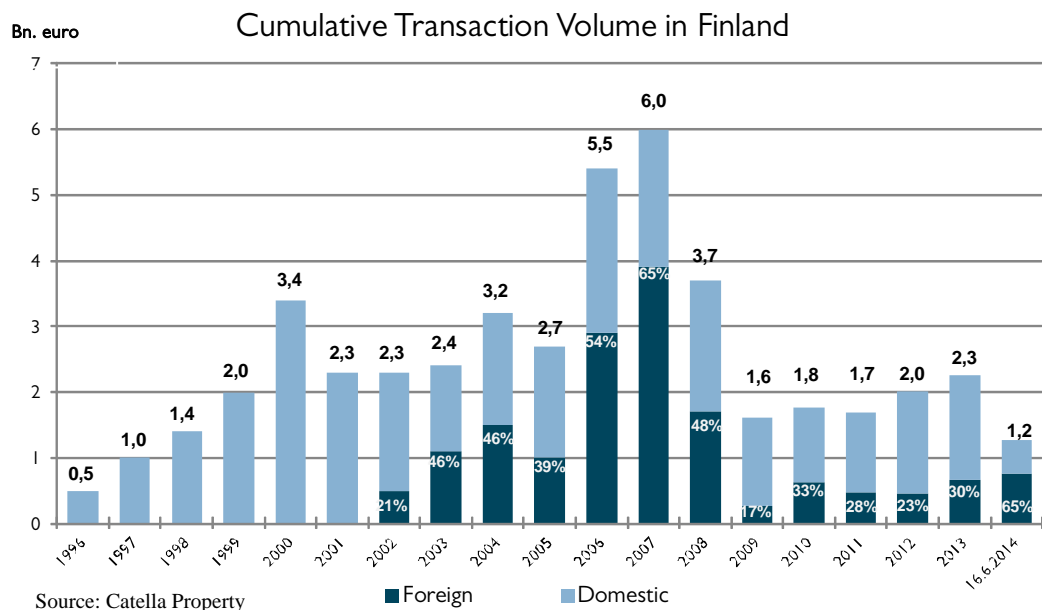
The European commercial property market perked up significantly in 2013 and the transaction volume increased to the level of €141 billion, which is 22 % more than in the previous year and the highest level since the beginning of the crisis in 2007. The strongest recovery was seen in the two biggest markets, the UK and Germany. In Germany the transaction volume increased by 20 % and in the UK by no less than 57 % compared to the previous year. In the UK 2013 was one of the most active years in the last 20 years, only in 2006 was the transaction volume higher than in 2013. Also in many other European sub-markets the increased activity in the property market was seen as a higher transaction volume, but the top three countries, the UK, Germany and France account for 77 % of the European volume. However, also opposite development in the volume occurred e.g. in France (-8 %), Sweden (-17 %) and Norway (-23 %), but this does not indicate the lack of demand, but more like lack of supply especially in Sweden and France. Cross-border investors played an important role in the recovery of the European investment market. The global cross-border money to the European property market comes from the US, Asia and the Middle East. The funds which use this money in their investments are seeking large properties or portfolios, which have a value of at least €200 million.

By asset type, offices accounted for the largest portion (47 %) of the European transaction volume and the second largest asset type was retail with 26 %. However, the industrial sector recorded the most pronounced rise with 27 % compared to the previous year due to a couple of large portfolio deals.

The investment demand for Europe's core markets' prime properties continues to be high and prime yields of these assets have reached almost the same level that was last achieved pre-crisis in 2007. Because of this investors are looking for higher returns at value-added or opportunistic investment opportunities in the core markets or with prime assets in secondary markets. When the lending restrictions are softening, financing is more easily available also for secondary markets and assets. Based on the above mentioned development, it is expected that more diverse group of investors are interested in secondary markets and non-core assets in the future. The brightened situation in the property market in Europe casts faith on a positive development in Finland as well, while Finland has usually followed the European trend with a lag.

### Finnish Investment market

After the financial crisis in 2009 – 2013 the transaction volume of the commercial property market in Finland has fluctuated between EUR 1.6 and 2.3 billion. The annual transaction volume has increased slightly since 2011 and in 2013 the same level as at the beginning of the 2000's was reached.



By 16 June 2014, the transaction volume was at a level of € 1.2 billion and some transactions have been made after this at the end of June. In addition some transactions have been announced published, but they will be executed later this year; e.g. Sponda Plc, Varma Mutual Pension Insurance Company and Property Funds managed by Sponda have signed a letter of intent for the sale of properties to a new logistics and industrial property investment company, Certuum Oy. Another large transaction announced at the end of June involved a portfolio of 800 apartments, which was bought by OP-Vuokratuotto fund from Probus Holding. The ownership of this portfolio will be transferred in the third quarter.

The portion of the traditional commercial property types of the transaction volume is larger than in the previous year. The amount of residential portfolios was 7 % (€85 million) and the amount of so called “care properties” was 12 % (€142 million). In 2013 the amount of residential and care properties of the transaction volume was approx. 31 % i.e. €700 million. In recent years the industrial and warehouse property market has been rather quiet, but this spring big arrangements have been made in this segment, when e.g. a new logistics and industrial property investment company Certuum Oy announced that it will buy properties, worth a total value of €920 million. In addition Pohjola Kiinteistösijoitus Oy has established a new property fund (Suomi Toimitilakiinteistö Ky), which invests in industrial and logistic properties and in June the fund bought a property portfolio, worth a total value of €100 million.

The share of foreign investors of the transaction volume was significant in the first half of 2014, approx 65 percent. The major transactions made by foreign investors in the first half of 2014 were the Sanoma House office property located in the Töölönlahti area close to the city center, bought by German real estate fund Deka Immobilien for €176 million and a retail portfolio of 68 grocery stores bought by Trophi Fastighets Ab, which is managed by Swedish property investor Redito. The seller was Sveafastigheter Fund III and the price was €124 million. Earlier in the spring the same fund managed by Redito bought seven grocery stores and one DIY store from HOK-Elanto. Trevian Care I Ky sold a care property portfolio to Swedish investor Hemsö Fastighets AB. The portfolio consists of 15 care properties and the total value of the transaction was approx. €100 million. Both Redito and Hemsö are using Swedish AP3 pension fund’s assets in their investments.

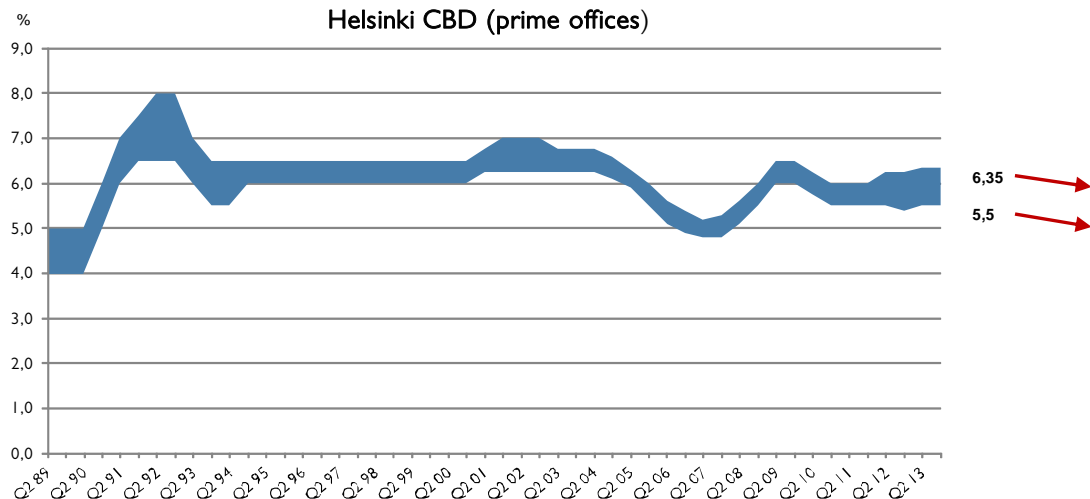
The Finnish property market interests foreign investors again. In many other European countries the yields have declined to levels so low that the return obtained from the Finnish property investments is at an attractive level. In addition, major international investors can take out a loan with more beneficial terms than previously, which means that gearing is functioning well again. Foreign investors are interested in large single properties and also portfolios, which have a good rental situation and low technical risks. However, cross-border investors are focusing their interest mainly on the Helsinki Metropolitan Area.

The brisk transaction activity has continued in the first half of 2014 and there is a good chance that the transaction volume for the whole year will grow to a clearly higher level than in previous years. Some transactions with a high capital value have been executed on the market in the first half of 2014, but the number of transactions was rather low. The selling of smaller single properties is still challenging, unless the object at stake is a prime property. There are several portfolios for sale on the market right now consisting of assets, which cannot be rated as prime properties.

Catella’s opinion on the yield requirement regarding the Helsinki CBD prime-office properties in December 2013 is in the range of 5.5 – 6.35 %. The market information based on executed transactions is still slim, but it seems that the yield requirement in the Helsinki CBD has slightly decreased compared to last December. Catella’s opinion on the development of yield levels is based on closed deals, the outlook of the general economic situation, observations of quotes and discussions with investors.



The following chart describes the development of the yields of prime-office properties in the Helsinki CBD **until Q4-2013** and the arrows show the development direction in the first half of 2014.



\* Long agreements will lay down yield levels by 0,1 – 0,3 %-units.

Source: Catella Property Oy

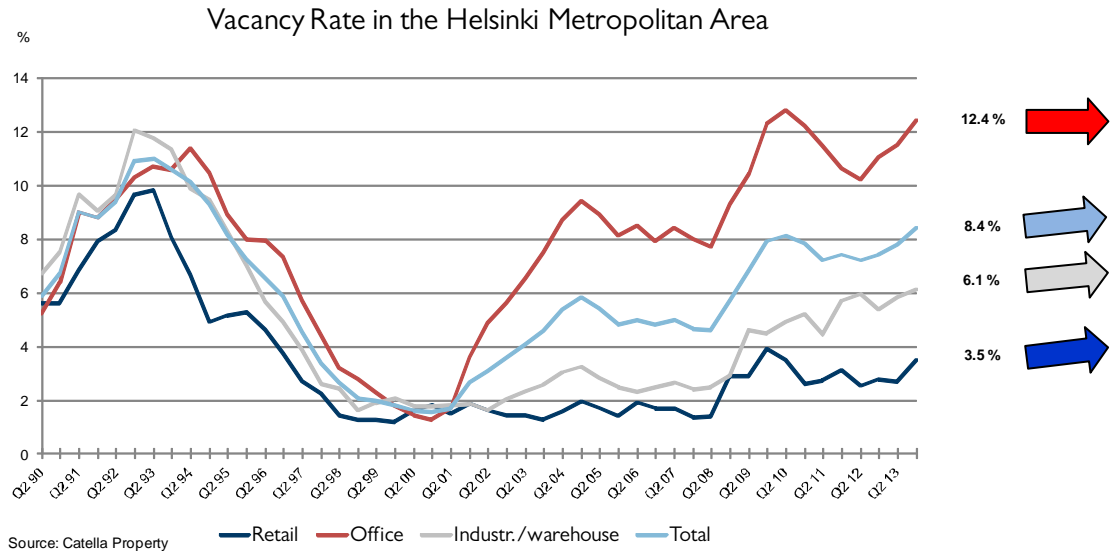
Due to the difficulties in retail trade, the gap between yields in office and retail premises has narrowed meaning that the prime yield of Helsinki CBD retail properties is at the same level as the prime-office yield.

### Letting Market

Generally speaking it can be said that the office letting market in the Helsinki Metropolitan Area is challenging and in a difficult economic situation a fight for tenants is challenging. Landlords are willing to give several rent free months or stepped rent increases, which means that the starting rent can be quite low. In addition it is typical in this type of market situation that the landlord takes care of the costs of alteration work made at the tenant’s request, while in a better economical situation these costs would be paid for by the tenant. Due to the aforementioned factors the effective rent is often lower than the nominal rent shown in the rent rolls. In the office districts outside the Helsinki CBD the rents have adjusted to lower levels already earlier and in spring any remarkable decrease in rental levels did not occur in good office districts. However, in such office districts, where the vacancy rate is high, the rents are still decreasing due to tenants’ strong negotiation position.

An exception to the general situation can be found in the Helsinki CBD, where the letting market is functioning rather well. Tenants’ requirements regarding the quality of the premises especially in the CBD area have increased and they are willing to pay fairly high rent for modern, high-quality premises, which are in good condition. As there is also plenty of older office space of modest quality in the CBD area, the office market has polarized toward good and poor premises, which also means that the rent level range is wide.

The following chart describes the vacancy rates of different premises types in the HMA based on Catella's survey at the **end of December 2013**. Catella is just now collecting data in order to update these figures for the vacancy situation through the end of June 2014 and the arrows on the right side of the chart show the predicted direction of the vacancy rate development.



In the Helsinki Metropolitan Area the office vacancy rate started to increase in summer 2012. The increase of vacant office space was approx. 197,000 sqm by the end of 2013. Based on Catella's preliminary information, the vacancy rate of office premises stayed more or less unchanged in the first half of 2014, meaning that the amount of vacant space is still over one million square meters. Also the amount of vacant retail space increased by 32,000 sqm in the second half of 2013; the vacancy rate of retail premises was 3.5 % in December 2013. Based on the preliminary information, the amount of vacant retail space has continued to increase in the first half of 2014. The vacancy rate of industrial and warehouse premises increased also last autumn by 25,000 sqm reaching a level of 6.1 % and this spring the amount of vacant space continued to increase slightly.

Completion of the new office developments together with the weak economical situation will most likely further increase the office vacancy rate in the near future. In the long run, the reduction of new construction projects may intercept the increase of the vacancy rate.

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## THE RESULTS OF THE VALUATION

The date of valuation for Sponda's investment properties is 30 June 2014. Hereafter the key figures of this valuation date have been compared with the key figures of the valuation made on 31 December 2013 because Catella did not give a statement on Sponda's internal calculation of the fair value on 31 March 2014.

The weighted average net yield requirement in the cash flow calculations was 6.37 % (31 December 2013: 6.51 %) for the entire investment property portfolio. The initial yield for the investment property portfolio inspected by Catella was 5.56 % (31 December 2013: 5.98 %). The economic occupancy rate of Sponda's whole Finnish property portfolio was approx. 85.4 % and this includes the 12 logistic properties, which will be sold to Certeum Oy (30 June 2013: approx. 87.2 %). Starting from summer 2010 Sponda has counted the economic occupancy rate according to the instructions of the European Public Real Estate Association (EPRA), which means that e.g. signed lease agreements starting in the near future are taken into account when calculating the occupancy rate. Such vacant properties which are considered to be under development are not taken into account when calculating the occupancy rate.

### Changes in the Portfolio Structure

Sponda has modified the portfolio structure so that in certain properties located in the city centre of Helsinki and Tampere the retail premises are now part of the Shopping Centre portfolio and the office premises are part of the Office portfolio while earlier the whole property belonged either to Office and Retail portfolio or to Shopping Centre portfolio. Now, the premises located in a single building can belong to two different portfolios. This also means that separate cash flow calculations are made of the building's retail and office premises. However, in the valuation the property is treated as one entity in the sense that in cash flow calculations the office part and the retail part have the same yield requirement and it is assumed that in a potential transaction situation the object of sale would be the whole property. Therefore, the new portfolio structure did not have any effect on the yield requirements. However, due to the changes, the key figures of the portfolios are not comparable with the situation in December 2013.

In total, the changes in the portfolio structure affect ten properties, of which three are located in Tampere and seven in the Helsinki city centre.

### Office Property Portfolio

Approx. 93 % of the value of Sponda's office property portfolio consists of properties located in the Helsinki Metropolitan Area and the remaining 7 % of the properties are located in Tampere, Turku and Oulu. The properties located in the Helsinki city centre and in Ruoholahti form approx. 71 % of the value of the HMA properties and their proportion of the entire Finnish office and retail portfolio is approx. 66 %. The proportion of the value of the properties located in the Helsinki Metropolitan Area has slightly increased compared to the previous inspection due to the changes in the portfolio structure and divestments of the properties located in Turku.

The following assets were divested from the office property portfolio after Catella's previous inspection:

- Turku High Tech Centre Oy (4,150 m<sup>2</sup>)
- Oy J. Österblad Ab (508 m<sup>2</sup>)
- Kiinteistö Oy Nekalanpuisto (retail premises and parking places 485 m<sup>2</sup>)
- Puotinharjun Puhos Oy (retail premises 65,5 m<sup>2</sup>)

Based on Catella's review, the cash flow yield requirements in the office property portfolio were decreased in 20 cases by mainly 5 - 10 basis points. The changes concerned mainly properties located in the Helsinki city centre where the market situation has improved. In other locations the decrease of the cash flow yield requirements was based on object-specific features (e.g. improved rental situation). The yield requirements were increased in 12 cases by mainly 10 - 20 basis points. The changes concerned mainly properties located in Espoo and Vantaa where the market situation has weakened. In other locations the decrease of the cash flow yield requirements was based on object-specific features (e.g. improved rental situation). In the other properties the yield requirement remained unchanged. In addition, the occupancy rate assumptions were updated in some cases. The weighted average net yield requirement in the cash flow calculations was 6.39 % for the entire portfolio (31 December 2013: 6.48 %). The initial yield for the portfolio inspected by Catella was approx. 6.03 % (31 December 2013: 6.46 %). The economic occupancy rate of office properties was approx. 87.9 % (31 December 2013: approx. 90.1 %).

### **Shopping Centre Property Portfolio**

The amount of assets in the shopping centre portfolio has increased due to the structural changes described above and now it consists of 24 assets (earlier 16 assets), but Catella did not inspect one of these properties, because it is an unfinished development property included in the City-Center complex. No actual acquisitions or divestments were carried out from the portfolio in the first half of 2014.

Based on Catella's review the cash flow yield requirements in the shopping centre property portfolio were decreased in five cases by 5 - 20 basis points. These were properties located in the Helsinki city centre and in these same properties there are premises, which belong to the office portfolio. The cash flow yield requirements were increased in two cases by 10 - 20 basis points due to object-specific features. The weighted average net yield requirement in the cash flow calculations for the shopping centre property portfolio inspected by Catella was 5.75 % (31 December 2013: 5.63 %). The initial yield for the portfolio was 4.87 % (31 December 2013: 4.75 %). The economic occupancy rate of the portfolio's shopping centres was 90.4 % (31 December 2013: 89.0 %), which also includes rentable premises in the City-Center properties.

### **Logistics Property Portfolio**

The properties of the logistics portfolio are located in the Helsinki Metropolitan Area except for one property. The size of the properties varies significantly; the smallest objects are 2,000 - 3,000 m<sup>2</sup> in size while the largest property is 64,500 m<sup>2</sup> in size.

No acquisitions or divestments were carried out from the portfolio in the first half of 2014. Sponda has signed a letter of intent for the sale of the 12 logistics properties mentioned below and these properties were not included in Catella's inspection:



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• Malmin Kankirauta Koy, Kankiraudantie 6, Helsinki	6,604 m <sup>2</sup>
• Ruosilantie 14 Koy, Ruosilantie 14, Helsinki	16,802 m <sup>2</sup>
• Ruosilantie 16 Koy, Ruosilantie 16, Helsinki	40,729 m <sup>2</sup>
• Ruosilantie 18 Koy, Ruosilantie 18, Helsinki	7,835 m <sup>2</sup>
• Espoon Juvanpuisto Koy, Juvan Teollisuuskatu 23, Espoo	14,172 m <sup>2</sup>
• Olarintörmä Koy, Olarinluoma 14, Espoo	8,441 m <sup>2</sup>
• Kuninkaankaari Koy, Heidehofintie 2, Vantaa	17,949 m <sup>2</sup>
• Kuninkaankruunu Koy, Heidehofintie 4, Vantaa	10,902 m <sup>2</sup>
• Vantaan Honkatalo Koy, Vanha Porvoontie 229, Vantaa	60,165m <sup>2</sup>
• Vantaan Vanha Porvoontie 231 Koy, Vanha Porvoontie 231, Vantaa	35,968 m <sup>2</sup>
• Tonttipaino Koy, Toinen savu 8, Vantaa	5,974 m <sup>2</sup>
• Vantaan Kuussillantie 27 Koy, Kuussillantie 27, Vantaa	4,947 m <sup>2</sup>

The buyer of the abovementioned properties will be a new logistics and industrial property investment company Certum Oy and Sponda will become a minority shareholder in this new company.

The cash flow net yield requirements in the logistics property portfolio were increased in 4 cases based on object-specific features mainly by 10 - 50 basis points. In the other properties the yield requirement remained unchanged. The occupancy rate assumptions in some cash flow calculation were adjusted based on object-specific features to correspond the actual rental situation and market rent assumptions remained mainly unchanged. The weighted average net yield requirement in the cash flow calculations was 8.31 % (31 December 2013: 8.15 %) for the entire logistics property portfolio. The initial yield for the logistics property portfolio inspected by Catella was 3.93 % (31 December 2013: 6.19 %) while the economic occupancy rate was 71.9 % (31 December 2013: 75.7 %). The above mentioned occupancy rate includes also the 12 properties, which will be sold to Certum Oy.

The occupancy rate of the properties at Vuosaari Harbour is still rather low, which has a lowering effect on the whole portfolio's occupancy rate and initial yield. Excluding the properties in Vuosaari the portfolio's economic occupancy rate is approx. 73.6 % (31 December 2013: 78.9 %) and initial yield 4.19 % (31 December 2013: 6.95 %).

## Summary

In our opinion, the yield requirements and market rent assumptions used in Sponda's valuation calculations correspond to the actual market yields and rents on the date of valuation.

Some properties in the office and retail portfolio as well as the logistics portfolio have unused building right, but the values of the unused building right are not taken into account when calculating the aforementioned initial yields. The properties of the shopping centre portfolio do not have any unused building right.

The economic occupancy rates of Sponda's investment properties correspond to the average figures on the market regarding the office property portfolio. The economic occupancy rate of the logistics property portfolio and the shopping centre property portfolio is lower than the average rate on the market. The low occupancy rate of the

logistics property portfolio is partly caused by the high vacancy of the properties at Vuosaari Harbour. Even if excluding the properties in Vuosaari, the occupancy rate of the logistics portfolio is lower than the average rate of logistic properties in the Helsinki Metropolitan Area and the occupancy rate of the portfolio is at a similar level as it was last summer. The development project of the City Center and its neighbourhood is reducing the occupancy rate of the shopping centre portfolio.

The brisk transaction activity in the first half of 2014 and the deals, which are already agreed to be closed in the second half, seem to raise the transaction volume for the whole year higher than in previous years. The scarcity of the prime-properties for sale and the demand for them has decreased the yield requirements in the Helsinki city centre. On the other hand, there is pressure for increasing yield requirements in the less attractive office districts. These factors have affected the cash flow yield requirements. Party, the changes in the cash flow yield requirements were caused by object-specific changes or characteristics related to factors such as the location, technical condition, current rental situation and the future rentability of the premises.

Sponda has revised the operating costs of the properties in connection with this valuation and according to the obtained information Sponda has updated the operating costs of each property based on the realized operating costs from 2013, the budgeted operating costs for 2014 and the forecasted operating costs for 2014. From these three figures the best estimation for the long term operating cost level was used in the valuation; in some properties the operating costs decreased while in some they increased. According to the information obtained from Sponda, the total affect of the revised operating costs on the fair value of the investment property portfolio on 30 June 2014 was approx. EUR – 4.25 million. In connection with this inspection, Catella did not have detailed information available regarding the factors that caused the change in the operating cost level, nor could Catella have any influence on the operating cost levels used in the calculation.

Catella Property Oy

Helsinki, 16 July 2014

Handwritten signature of Pertti Raitio in blue ink.

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