STATEMENT

Evaluation of the fair value of Sponda Plc's investment properties on 30 June 2017

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 "Catella") audited Sponda's internal property assessment process and calculation methods in autumn 2007 and 2015 and again in March 2017, when Sponda started to use a new cash flow model, and verified that these fulfil IFSR requirements and the commonly approved valuation criteria, and are carried out 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 better for the timing of cash flow and corresponds with the prevailing market practice.

On the date of valuation, 30 June 2017, Catella reviewed the property valuations of the investment properties located in Finland that had been 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 has inspected the data regarding assumptions about market rents and occupancy rates and enquired into the net yield requirements and their effect 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 and properties located in Russia are excluded from Catella's inspection, nor has Catella inspected the value of the unused building rights related to some of the properties in the portfolio.

A cursory inspection of some properties was carried out in December 2011, but for most properties Catella has not carried out any inspections during this valuation period nor on any earlier occasions. We have relied on 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 2017). The review of Sponda's internal property valuations and this statement has been conducted for Sponda Plc's financial reporting 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 authorised property valuers approved by the Central Chamber of Commerce. We are not aware of any conflicts of interest arising in the execution of this assignment.

A GENERAL ASSESSMENT OF THE ECONOMY

Sources:
- Statistics Finland
- Eurostat
- European Central Bank
- Ministry of Finance Economics Department, Economic Survey, Summer 2017
- Danske Bank, Economic trends and finance market, June 2017

As an overview of the economic climate, it can be stated that the global economic outlook has improved. Ministry of Finance forecasted in June that global GDP adjusted for purchasing power is growing by 3.4% in 2017, 3.6% in 2018 and 3.7% in 2019. Expectations of companies, investors and consumers for the economy have risen to a high level. Still last year, the seizure of power by populist movements in several countries was seen as a threat for economic development. However, political uncertainty flagged in Europe after presidential election in France and parliamentary election in the Netherlands. Based on the developments in recent years, political risks have not derailed economic growth. Finland has stepped aboard on the global rebound as well, and according to anticipatory indicators, economic activity will remain brisk.

In emerging Asia, the mid-term outlook for economic growth is still uncertain. The Chinese economy seems to be stabilising to a level that is lower than in previous years. China is one of the most significant players in the global economy and therefore its economic development has a wide effect on the situation of other emerging economies in Asia and in the Western countries as well. Economic growth in India was faster than in China in 2015 and 2016, but in the first quarter of 2017 the Chinese economy grew faster than that of India. Japan is still one of the biggest economies in the world, but the growth of GDP was only approximately one percent in 2016 and the same growth rate is expected to continue in 2017.

In the United States, the economic climate has already been developing favourably for a longer time since the financial crisis, and the GDP is already clearly more than ten percent higher than before the crisis. In the first quarter of 2017, the US economy grew 1.4 percent compared to the previous quarter and 2.1 percent compared to the same period year ago. Unemployment decreased to 4.3 percent in May, which is the lowest rate since 2001.

The outlook for US economic growth is rather favourable, although economic upturn has continued already for quite a long time. Salaries are increasing, which supports households, but on the other hand, it strains the profit development of companies. Indicators reflecting the economic outlook of the companies show that expectations for future development are positive. Investors' interpretation of president Trump's economic policy has still remained favourable.

Due to the improved economic climate, the Federal Reserve (FED) increased its target funds rate for the first time by 25 basis points, from 0–0.25 percent to 0.25–0.50 percent, in December 2015. Since then, three increases of the same increment have been made to the target funds rate, with the latest being in June 2017; the rate level is now 1.00–1.25 percent. Prior to these hikes, the FED had last increased the interest rate in 2006. More increases in interest rates during 2017 are awaited in the market.

In the euro zone, economic development has been clearly weaker than in the United States for several years since the financial crisis. The same GDP level that prevailed before the crisis was reached after seven years in 2015, while in the US it was reached in the third year after the crisis. The economic development in the euro zone has already been favourable for three years, although the growth rate has been weaker than desired. In the first quarter of 2017, economic growth in the euro zone was 1.9 percent compared to the same quarter last year.

It is expected that rebound in the euro zone economy will continue at a faster speed than anticipated. Global economic recovery will support the euro zone's exports, while domestic demand is being supported by strongly resuscitating monetary policy, ongoing easements of debt burden in several sectors and continuous improvement of the labour market.

The Finnish GDP increased by 1.9 percent in 2016 based on the revised figures of Statistics Finland. The GDP growth in the first quarter of 2017 was 1.2 percent compared to the previous quarter and 2.7 percent compared to the same period in the previous year. Finland's economic growth thus exceeds the average euro zone (1.7 percent) and Swedish (2.2 percent) growth levels. Exports and industrial investments have helped to support economic boom, which was started by domestic consumption and construction. Finland has finally stepped aboard the global rebound. However, in spite of the growth, the Finnish GDP was still almost 4 percent lower than before the financial crisis of 2008.

The strength of private consumption was a surprise in 2016. It increased 2 percent and was a crucial factor in economic growth. In the first quarter of 2017 reversal from economic apathy into positive sentiment increased consumer confidence and accelerated consumption; private consumption increased by 3.3 percent compared to the same period in the previous year. Low interest rates, moderate inflation and an improved employment situation have supported consumers' economy. The future growth outlook is weaker, because increasing inflation is crushing purchasing power. However, low interest rates will continue to support indebted consumers in the future as well.

The increase in investments centred on construction in 2016, but productive machine, equipment and logistics investment adopted a significant role in the first quarter of 2017. The growth rate of construction investments might slow down gradually, because construction volume has reached an exceptionally high level and the availability of skilled labour will also become weaker.

A long-awaited change for the upturn in exports took place in the first quarter of 2017. Exports volume increased 5.0 percent compared to the previous quarter and 8.8 percent compared to the same period in the previous year. The future exports outlook continues to be bright, as global economic growth continues, cost competitiveness improves and the Russian economy recovers.

As a whole, Finland's economic situation seems optimistic. Economic growth has clearly strengthened and the focus of the growth is moving towards exports and investments. Global competitiveness has improved and new orders are flowing to Finnish industry.

The trend of Finnish consumer confidence has improved since the end of 2015. In June 2017, the confidence indicator was at a level of +23.9, whereas the figure in May was

+24.1. The figures in May-June are the highest during the whole period of measurement of 1995–2017. A year ago in June, confidence was at a level of +14.9. The long-term average figure of indicator is +12.0.

The unemployment rate reached the peak of this cycle at 9.5 percent in summer 2015, but it has decreased since then. In May 2017, the unemployment rate was 10.7 percent. According to Statistics Finland, the number of unemployed people in May 2017 was 297,000, which was almost as many as one year ago. In May, the number of unemployed people tends to be higher than in the other months of the year because young people looking for summer jobs and finishing their studies enter the labour market at the same time, which temporarily raises the number of unemployed and the unemployment rate.

Domestic forecasters increased their outlook regarding the development of the Finnish economy in June. Some forecasters doubled their GDP growth projection for 2017 compared to the estimate given in March. They also forecasted that exports would increase faster than predicted earlier.

The forecasts given in June 2017 are presented in the following table.

FORECASTER - June 2017	**GDP 2017 => 2018**	**EXPORTS 2017 => 2018**	**INFLATION 2017 => 2018**	**UNEMPLOYMENT RATE 2017 => 2018**
Danske Bank	+2.8% => +1.5%	+7.0% => +3.0%	+0.9% => +1.0%	8.4% => 7.9%
Nordea	+3.0% => +2.0%	+2.5% => +2.6%	+1.1% => + 1.2%	8.5% => 8.3%
LähiTapiola Group	+2.6% => +1.6%	+5.5% => +3.5%	+1.2% => +1.3%	8.4% => 8.2%
Handelsbanken	+ 2.7% => + 1.5%	+6.0% => +4.0%	+1.0% => +1.3%	8.2% => 7.9%
Bank of Finland	+ 2.1% => + 1.7%	+3.9% => +3.4%	+0.8% => +1.0%	8.6% => 8.2%
Ministry of Finance	+ 2.4% => + 1.6%	+4.7% => +3.7%	+1.0% => +1.3%	8.5% => 8.1%

The letting market for commercial properties in particular has suffered from the weak economic climate during the past few years, but due to the improved economic outlook, companies once again have the courage to make decisions regarding their business premises and activity in the letting market has improved during the spring. In the investment market, prime properties have been desirable investment objects for several years, because the low interest rate level is favourable on property investments.

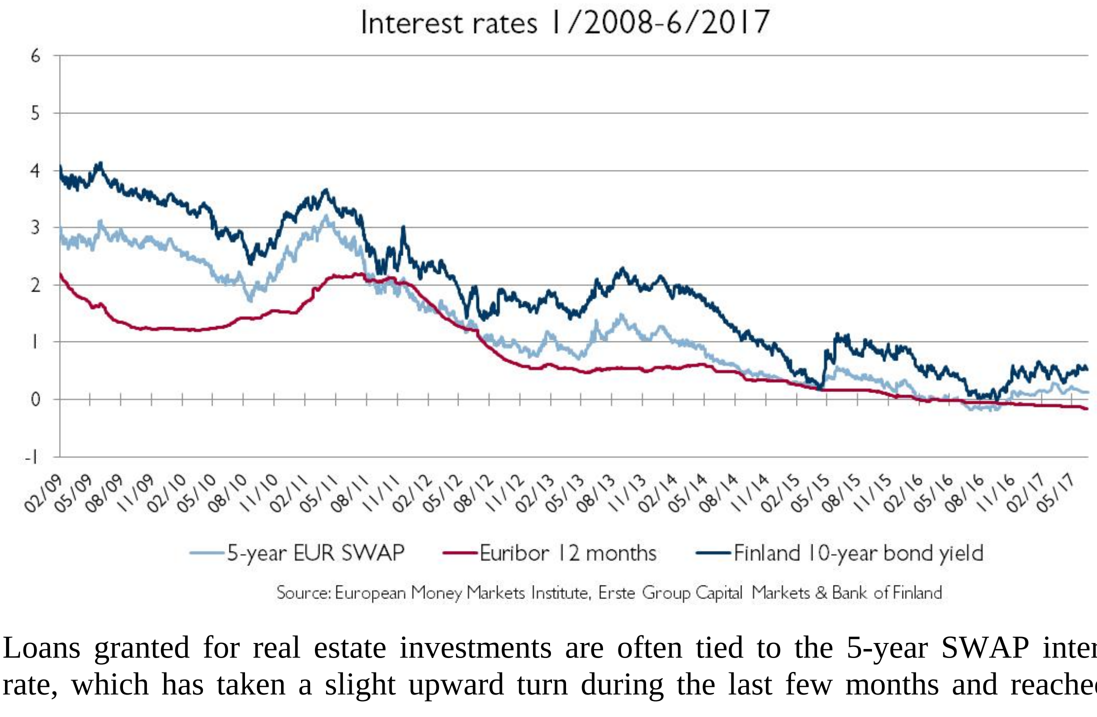
Positive sentiment in letting market has not yet decreased vacancy rates in the Helsinki Metropolitan Area, but despite this, office and retail construction is brisk. In 2015, only two new office projects were launched. An upward trend in office construction was seen in the beginning of 2016, with ten new projects having been started since then. This year, two new office projects have been launched. In June, approximately 155,000 m^2 of new office space was under construction in the HMA. New office construction projects will affect the office vacancy rate in such a way that a remarkable decrease is not yet on the horizon. Construction of retail premises in the HMA is also at a high level; in June, approximately 219,000 m^2 of new retail space was under construction, with the most noteworthy projects being the Tripla shopping centre in the Pasila district and the Redi shopping centre in the Kalasatama district. It is expected that the transaction volume of commercial properties in 2017 will reach at least the same level as previous year.

INTEREST LEVEL AND FINANCIAL MARKET

The European Central Bank (ECB) is continuing its measures to resuscitate the economy. At its meeting in March 2016, the ECB decreased the steering rate to zero from the previous 0.05 percent, which had been the level since the last decrease decision made in September 2014. Further, the deposit rate was decreased to -0.4 percent from the previous -0.3 percent. Nowadays, banks must pay the central bank if they want to make deposits. With the deposits subject to a charge, the ECB hopes that this will encourage banks to increase credit granting to firms, which, in turn, could spur economic growth and inflation. Interest rates are expected to remain at a low level for a rather long time. In addition to the decrease in interest rates, the ECB initiated a wide-ranging bond purchase program in March 2015, which was originally supposed to be continued until March 2017. At its meeting in December 2016, the ECD announced that the purchase program would continue also after this date, but the amount of purchase will decrease from €80 billion to €60 billion per month. The idea is to continue with this procedure until the end of 2017 and even longer, if needed, until ECB sees that inflation level has returned sustainably to the target level. Even if the monthly amount will decrease, the resuscitation is still exceptional. The ECB has also widened the range of bonds that will be qualified under the program, so that good-quality corporate bonds will also be accepted.

The development of market interest rates has followed the decline of the steering rate. At the end of 2011, the 12-month Euribor was still at a level of 1.95 percent (and a steering rate of 1.0 percent). From the first half of 2013, the 12-month Euribor remained above the 0.50 percent level until June 2014, but as a consequence of the reductions to the steering rate, the 12-month Euribor has now decreased below zero.

The chart below illustrates the development of the (12-month) Euribor between 2008 and 6/2017, the Finnish Government Bond (10 years) and the EUR SWAP (5 years).



Loans granted for real estate investments are often tied to the 5-year SWAP interest rate, which has taken a slight upward turn during the last few months and reached a positive level of +0.195% at the end of June, even though the 12-month Euribor is still below zero (-0.16%).

According to the **Finnish CREDI survey conducted by Catella in December 2016**, the trend of lightening property financing, ongoing for nearly four years, ended in the beginning of 2016. The respondents of Catella's CREDI survey estimate that real estate funding from banks has become tighter during the latter half of 2016. They also believed that funding would become moderately tighter in the next six months. The survey indicates that banks and real estate investors have differing views on real estate funding in Finland. Based on the responses of financial investors, funding has not become significantly tighter, whereas the banks see that funding has tightened considerably. We estimate that this is due to banks' increased caution. The difference is significant especially in the coming half-year-forecast. In the survey, the respondents estimated that property financing would tighten slightly in the near future, which is expected to be seen in growing margins and shrinking loan-to-value ratios. A positive development from the market point of view is the fact that access to funding was expected to improve in the next six months.

Catella is currently carrying out a new CREDI survey, but the results of that survey are not yet available.

In Sweden, Catella conducted a similar CREDI survey in June 2017, and the results show that the Main index decreased 4.7 points compared to the March figure, and was now 41.8. The drop in Main index was biggest since autumn 2015. In the Swedish survey, the index point 50 means that the situation has remained unchanged and figures over 50 indicate lightened availability of financing. The result indicates that terms of financing have tightened, which is caused in particular by weakened Credit Margins sub-indices. The Credit availability and Duration sub-indices remained unchanged while the Leverage sub-indices were slightly weakened.

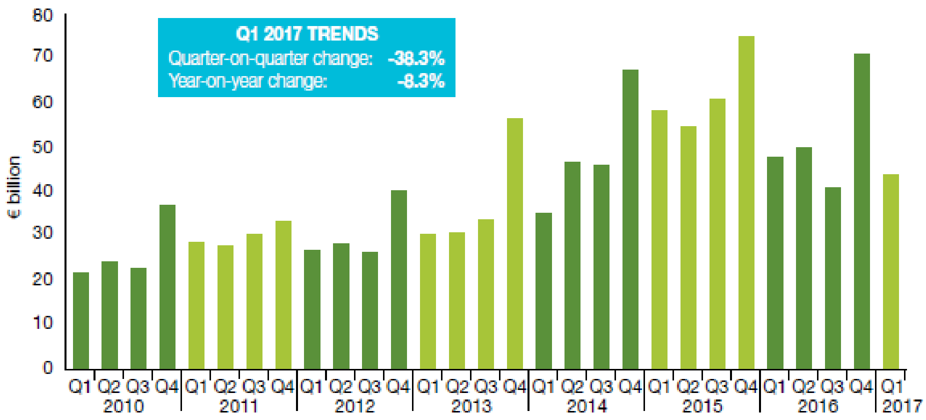
PROPERTY MARKET

European Property Market Climate

Source: Knight Frank

According to Knight Frank, European commercial property investment volume in the first quarter of 2017 was €44.2 billion, representing a 38.3% decrease compared with previous quarter and an 8.3% decrease compared with the corresponding quarter of 2016. However, contrasting trends were observed in the continent's largest markets. On a year-on-year basis, Q1 investment activity was down in France 33.2 percent and in the UK 22.1 percent, but in Germany volume increased by 27.3 percent year-on-year. Although the overall volume decreased in the UK, the office market in London brightened driven by overseas buyers from Hong Kong, China and Germany. It seems that Germany has consolidated its position as the most active investment market in Europe since UK investment activity quieted down due to uncertainty following last year's Brexit vote. In the first quarter, investment volume in Germany was boosted, among other things, by Blackstone's acquisition of the €3 billion OfficeFirst portfolio. A strong start to the year was also observed in Spain, where an improving economy and rental growth prospects fuelled international investor demand.

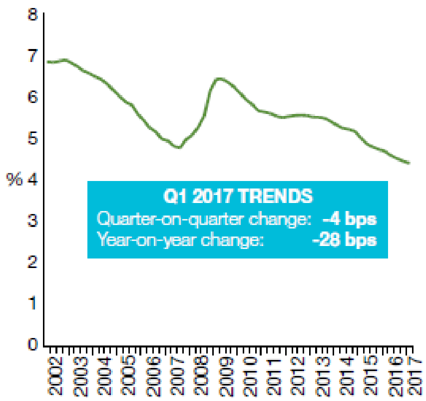
European commercial property investment volumes



Source: Real Capital Analytics / Knight Frank Research

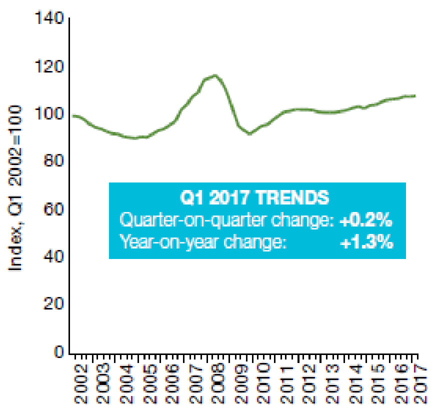
Regardless of the decrease in overall European investment volumes in Q1, investor demand for European real estate remains strong and continues to drive yield compression. The Knight Frank Weighted Average Prime Office Yield hardened by four basis points in Q1 compared with the previous quarter and 28 basis points compared with the same point in time during the previous year and was at a level of 4.47%, which is again the lowest rate of all time. The decrease in the average yield requirement level was driven by the yield compression in markets such as Budapest, Amsterdam, Prague and Stockholm.

European weighted average prime office yield



Source: Knight Frank Research

European prime office rental index



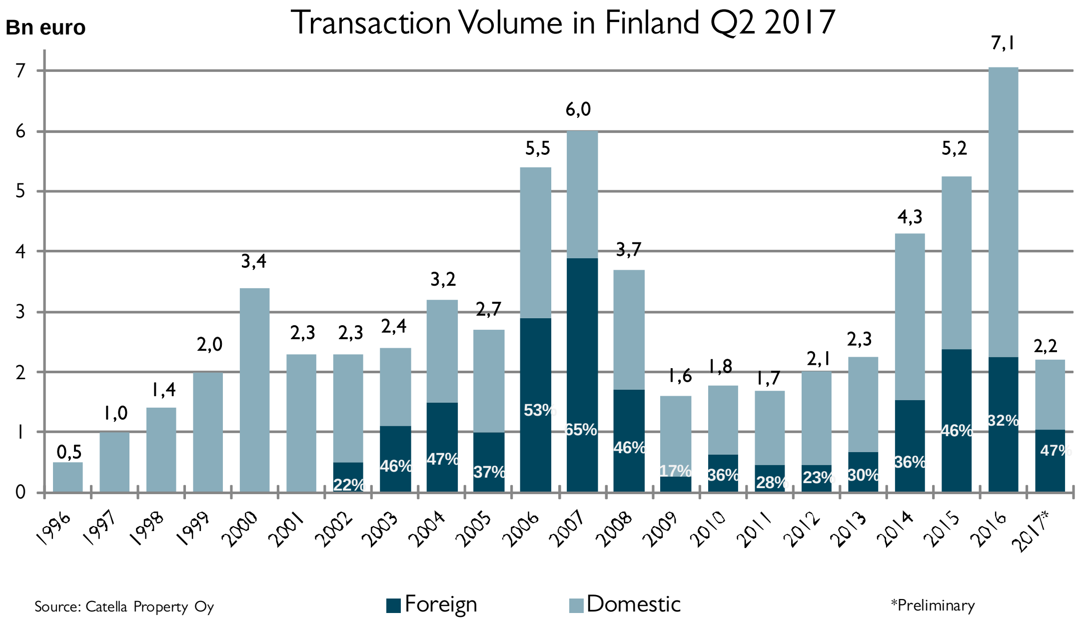
Source: Knight Frank Research

In the CBDs of European cities office rental growth was modest during the first quarter despite the positive development of occupancy rates in many cities, especially in Paris, Milan, Munich and Warsaw. The Knight Frank Prime Office Rental Index increased by just 0.2% from the previous quarter and 1.3% from the previous year. However, there is potential for rental growth over the rest of the year, as diminishing availability of prime space in European CBDs is creating increasingly landlord-favourable markets, especially in key cities in France, Germany, Ireland, Spain and Sweden.

The Finnish investment market

After the financial crisis of 2009–2013, the transaction volume of the commercial property market in Finland fluctuated between €1.6 and 2.3 billion. Transaction volume adopted a cautious upward trend in 2011, and in 2013, it reached the same level as in the first years of the 2000s. Activity in trade rose to a new level in 2014, when transaction volume increased to €4.3 billion. Transaction volume picked up further in 2015 and the full-year volume was €5.2 billion. In 2016, the transaction volume reached a new record level of €7.1 billion. The portion of residential portfolio transactions was approximately 38% of the total volume. The strong increase in transaction volume can be explained by active trade in the housing investment market and the increase in other large, over €100-million, portfolio transactions.

In the first half of 2017 commercial property transaction volume was €2.2 billion based on preliminary information and the portion of foreign investors was approximately 47%. The overall volume at this phase is clearly lower than in last year, because only few large portfolio transactions have been made so far. In the first half of 2017 only one transaction valued at over €100 million was executed; 50% of the Kamppi shopping centre was sold to TH Real Estate’s European Cities Fund. When the sale of Sponda to Blackstone, announced in June, is realised, it will increase the volume to more than €3 billion, and due to this and other pending transactions, the foreign buyers’ portion of the volume will increase to a new record level.



The above-mentioned transaction volume does not yet include a transaction through which Finnish properties worth approximately one billion euro will have a new owner due to the sale of the logistics company Logicor. In the beginning of June, Blackstone announced that they had agreed to sell their pan-European logistics company, Logicor, which manages logistics properties located in 17 European countries, to affiliates of China Investment Corporation for €12.25 billion. In Finland, Logicor owns 77 properties, which have a rentable area of approximately 1.1 million square metres. The deal will be closed most probably in the third quarter.

Retail properties were the largest asset category (approximately €860 million) when viewing the distribution of the transaction volume in the first half of 2017. Last year, investors' interest in retail properties was driven by grocery store tenants. In H1-2017, several transactions were made for shopping centres; in addition to the above-mentioned 50% sale of the Kamppi shopping centre located in the Helsinki CBD, transactions were made for the Skanssi shopping centre in Turku, the Veska shopping centre in Pirkkala (Tampere region) and the Fresco shopping centre in Vantaa, as well as the Entresse and Liila shopping centres in Espoo.

Office properties were the second-largest asset category (approximately €600 million). The supply of new construction projects on the market has been limited. In the beginning of the year an office property located in Vantaa close to the Aviapolis Ring Rail Line station was sold, and this was the only transaction concerning newly completed office property. During the first half of the year, opportunistic investors have also bought properties located outside the prime locations and/or properties with a weak rental situation. The price level of B-class office properties is clearly lower than that of prime properties. As a result, the price range of office property transactions executed lately in the Helsinki Metropolitan Area has been very wide. At their highest, the unit prices have been over €8,000 per m^2 in some transactions made by core investors in the Helsinki City centre's CBD area or in the Töölönlahti district, while opportunistic investors have bought office properties located in the Helsinki Metropolitan Area with a price level of around €1,000 per m^2. Office property prices are strongly polarised depending on the property's location and features, but it seems that buyers can be found for different types of properties as long as prices are at a right level.

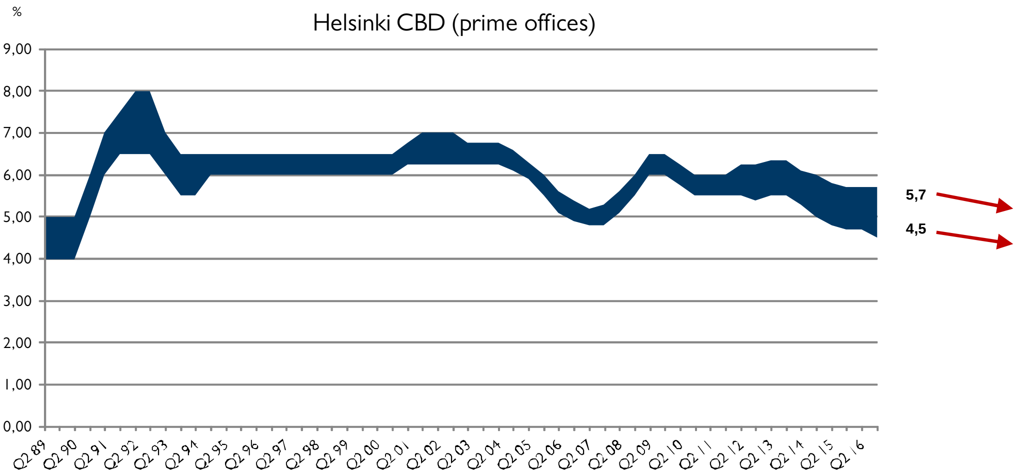
In the first half of the year the portion of residential portfolios of the transaction volume was significantly lower than in 2016, approximately €340 million, which is approximately 15% of the total volume. When trade is concentrated on retail and office properties, it also means that the portion of foreign investors of volume increases. A couple of new foreign investors have again entered the Finnish property market during the beginning of the year. There would be even more new foreign investors willing to make acquisitions if suitable objects could be found. Foreign investors are interested in large single properties and portfolios, which have a good rental situation and low technical risks.

Concerning domestic actors, property investment funds, as well as listed and non-listed property companies, have most actively increased their direct property portfolios during the past few years. In euros, the total property holdings of institutional investors have remained rather stable during the past few years, but their share of the total investment universe has slightly decreased.

Although transactions worth over €100 million are conspicuously absent, portfolio deals consisting of two or more properties constitute 65% of the transaction volume executed in the first half of the year. In euros, deals over €50 million accumulate approximately half of transaction volume in H1 2017.

Catella's opinion on the yield requirement regarding the Helsinki CBD prime office properties in December 2016 was in the range of 4.5–5.7%. In cases where properties are rented with long leases, the yield requirements were 0.1–0.5 percentage units lower than mentioned above. Due to the scarcity of prime investment opportunities and the strong demand for them, the yield requirements decreased further in the first half of 2017 and long leases have even further emphasised their weight as a factor having decreasing impact on yield requirements. Catella's opinion on the development of yield levels is based on closed deals, 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 Q4-2016** and the arrows show the development direction in the first half of 2017.



* Long agreements will decline yield levels by 0.1 – 0.5 %-units.
* New construction projects are excluded

Source: Catella Property Oy

A new office building will soon be completed in the Helsinki CBD at Kasarmikatu 21, which is an exceptional new construction project in a fully developed city centre area. According to published information, the premises have already been fully rented six months before the completion of the building and, at the moment, a buyer search is in process. When the transaction of this property is closed, the yield level will most probably reach a new record low.

Due to the difficulties in retail trade, the yield requirements of Helsinki CBD prime retail properties are slightly higher than the prime office yields. Catella's opinion on the yield requirement regarding the Helsinki CBD prime retail properties in last December was 0.2 percentage units higher than in office premises. In the first half of 2017, the yield gap between Helsinki CBD retail and office premises has remained unchanged, meaning that retail yields have decreased but are still slightly higher than office yields.

Investors are similarly interested in modern logistics properties as well as other property types, provided that the premises are rented with long lease agreements. Due to strong demand, the decline in yield requirements concerns logistics properties as well and prime logistics yields have decreased to a level of 6.70% and even lower if the property has a long lease agreement. The yield requirements of older industrial and warehouse properties are clearly at a higher level and the investment interest towards them is rather weak.

Letting Market

Over the past few years, the Finnish property market has deviated most from the rest of Europe when it comes to the letting market. Elsewhere in Europe, rents have increased and vacancy rates have decreased, while in Finland the development has been more or less the opposite.

Recently, a brightened economic situation has been seen in the form of increased activity in the office letting market in the Helsinki Metropolitan Area. In the Helsinki city centre, rental levels have also increased slightly and expectations regarding future development are positive. Companies once again have the courage to make decisions regarding their business premises. New lease agreements have been made actively, but demand is focused on rather small premises. The KTI Office Rent Index for Helsinki CBD increased by 2.1 percent during spring 2016 and 2017. The Helsinki CBD is the most attractive sub-market in the Helsinki Metropolitan Area office market.

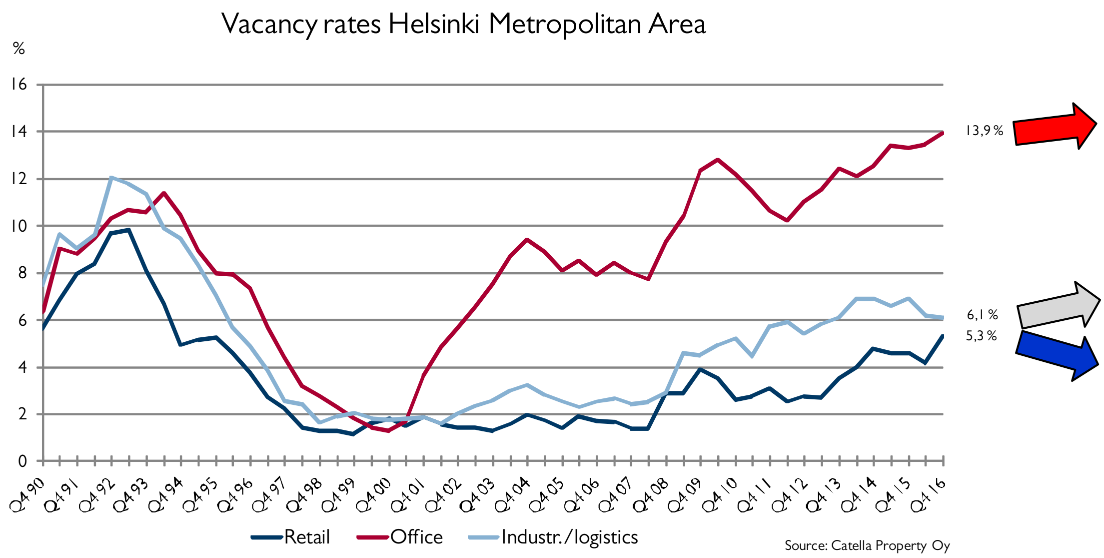
Despite the positive news mentioned above, the big picture of the office letting market in the Helsinki Metropolitan Area is still challenging. The amount of vacant office premises is still approximately 1.2 million sq.m. Tenants' position in negotiations is still strong and landlords are willing to provide several rent-free months or stepped rent increases. Additionally, it is typical in this type of market climate that the landlord takes care of the costs of alteration works made at the tenant's request, while in a better economic climate, 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.

As mentioned earlier, the unit price range of office premises is wide in the HMA, and the same goes for office rents as well. Tenants' requirements regarding the quality of premises have increased, particularly in the CBD area, and tenants are willing to a pay fairly high rent for modern, high-quality premises that are in good condition. As there is also plenty of older office space of modest quality in the CBD area, the office market has become polarised between good and poor premises, which also means that the range of rent levels is wide and office premises with more affordable rent levels can be found in rather good locations. Recently, the office vacancy rate in the city centre district around the CBD has been lower and the district's attraction can be explained by the lower rent level than in the CBD. When one moves slightly farther away from CBD, the office rent level can decrease by €5–10 per sq.m.

According to Statistics Finland, the value of the retail trade increased in May by 1.3 percent from May 2016. The corresponding increase for the amount of retail trade was 1.2 percent. In grocery store trade, sales increased by 1.4 percent and the amount by 1.2 percent compared to the same period last year. In recent years, the letting market for retail space has suffered from diminishing sales, which has caused pressure to decrease rents. The latest news regarding the sales figures taking an upward turn and the positive sentiment regarding general economic development have turned expectations in a positive direction regarding the rental development of retail premises in the Helsinki CBD. The development of shopping centre sales and visitor numbers has also been on the increase. According to the Finnish Council of Shopping Centres, the number of visitors to shopping centres increased in January-March by 4.1 percent compared to the same period last year. The corresponding increase in total shopping centre sales was 1.7

percent. Sales in January and February were at the same level as in 2016, but in March the growth was almost five percent compared to last year. The development diverged in the Helsinki Metropolitan Area and in the rest of Finland during the first quarter. In the HMA, total sales increased by 2.9 percent and the number of visitors by over seven percent. In the rest of Finland, the number of visitors and sales decreased slightly compared to the first quarter of last year.

The following chart describes the vacancy rates of different types of premises in the HMA based on Catella's survey at the **end of December 2016**. Catella is just now collecting data in order to update these figures for the vacancy situation through the end of June 2017 and the arrows on the right side of the chart show the direction of vacancy rate development based on preliminary information.



In the Helsinki Metropolitan Area, the office vacancy rate started to increase in the second half of 2012. The increase in vacant office space was approximately 330,000 m^2 by the end of December 2016. The amount of vacant retail space has also increased by 100,000 m^2 since summer 2012. The vacancy rate of retail premises was 5.3 percent in December 2016. The vacancy rate of industrial and warehouse premises has been quite stable: the amount of vacant space has increased since summer 2012 by 19,000 m^2 to reach a level of 6.1 percent in December 2016.

Based on Catella's preliminary information, the vacancy rate of office premises saw a further slight increase in the first half of 2017, and the vacancy rate of industrial and warehouse premises also increased. By contrast, the vacancy rate of retail premises slightly decreased.

RESULTS OF THE VALUATION

The date of valuation for Sponda's investment properties is 30 June 2017. Hereafter the key figures of this valuation date have been compared to the key figures of the valuation made on 31 December 2016, because Catella did not give a statement on Sponda's internal calculation of the fair value on 30 March 2017.

The weighted average net yield requirement in the cash flow calculations was 5.76% (31 December 2016: 5.80%) for the entire investment property portfolio. The initial yield for the investment property portfolio inspected by Catella was 5.49% (31 December 2016: 5.65%). The economic occupancy rate of Sponda's entire Finnish property portfolio was approximately 89.7% (31 December 2016: approximately 89.8%). Starting from summer 2010, Sponda has calculated the economic occupancy rate according to the instructions of the European Public Real Estate Association (EPRA), which means that, *inter alia*, signed lease agreements starting in the near future are taken into account when calculating the occupancy rate. Vacant properties that are considered to be under development are not taken into account when calculating the occupancy rate.

Changes in the Portfolio Structure in 2014

Since the beginning of 2014, Sponda has modified its 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, whereas previously the whole property belonged either to the office portfolio or to the shopping centre portfolio. Now, premises located in a single building can belong to two different portfolios. This also means that separate cash flow calculations are made for the building's retail and office premises. However, in the valuation, the property is treated as one entity in the sense that in the 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.

In total, the changes in the portfolio structure affected ten properties, of which three are located in Tampere and seven in the Helsinki city centre. The Forum block properties (six assets), which were acquired in the beginning on 2016, are also split between the shopping centre portfolio and the office property portfolio.

Office Property Portfolio

Approximately 92 percent of the value of Sponda's office property portfolio consists of properties located in the Helsinki Metropolitan Area, with the remaining 8 percent located in Tampere, Oulu, Hämeenlinna and Vaajakoski. The properties located in the Helsinki city centre and in Ruoholahti form approximately 71 percent of the value of the HMA properties, and their proportion of the entire Finnish Office and Retail Portfolio is approximately 65 percent.

One property located in Espoo, MREC Ankkuri (789 m^2), has been divested since Catella's previous inspection. No new acquisitions to the office property portfolio were carried out.

Based on Catella's review, the cash flow yield requirements in the office property portfolio were decreased in 31 cases, primarily by 5–20 basis points. The changes concerned mainly properties located in the Helsinki city centre and were primarily based on market factors and, in some cases, also on object-specific features. In other locations, the decrease in the cash flow yield requirements was mainly based on object-specific features (e.g., an improved rental situation). The yield requirements were increased in 21 cases, mostly by 10–20 basis points. The changes were based on object-specific features (e.g., a weakened rental situation) or changed local market situation. The fact that yield requirements decreased in some cases and increased in other cases reflects the polarisation between prime properties and B-class properties that has taken place in the market. In addition, the occupancy rate assumptions were updated in some cases. The weighted average net yield requirement in the cash flow calculations was 5.95% for the entire portfolio (31 December 2016: 5.96%). The initial yield for the portfolio inspected by Catella was approximately 5.82% (31 December 2016: 5.99%). The economic occupancy rate of office properties was approximately 89.0% (31 December 2016: approximately 89.2%).

Shopping Centre Property Portfolio

The amount of assets in the shopping centre portfolio increased at the beginning of 2014 due to the structural portfolio changes described above, and it now consists of 24 assets (previously 16 assets). However, Catella did not inspect one of these properties because it is an unfinished development property included in the City-Center complex. The latest acquisitions to the shopping centre property portfolio in H1-2016 were six properties (a total of 44,080 m^2) located in the Forum block. No actual acquisitions were carried out to the portfolio in the first half of 2017. The portfolio now has 31 assets.

Based on Catella's review, the cash flow yield requirements in the shopping centre property portfolio were decreased in 10 cases mainly by 5–10 basis points, with the decreases directed to properties located in the HMA. The yield requirements were increased in 4 cases by 10–25 basis points, with the increases directed to properties located in other parts of Finland. The changes in yield requirements were mainly based on the local market situation. The weighted average net yield requirement in the cash flow calculations for the shopping centre property portfolio inspected by Catella was 5.18% (31 December 2016: 5.25%). The initial yield for the portfolio was 4.87% (31 December 2016: 4.96%). The economic occupancy rate of the portfolio's shopping centres was 93.5 % (31 December 2016: 93.5%), which also includes rentable premises in the City-Center properties.

Logistics Property Portfolio

With the exception of one property, the properties in the logistics portfolio are located in the Helsinki Metropolitan Area. The size of the properties varies so that the smallest objects are 2,000–3,000 m^2 in size, but after the sale of the Vuosaari properties, there are only a few objects left over the size of 10,000 m^2, with the largest property being approximately 15,000 m^2 in size.

One property located in Helsinki, MREC Itälahdenkatu 20 (4,640 m^2), has been divested since Catella's previous inspection. In addition, MREC Karapellontie 4 C has been excluded from Catella's review, because it has been valued as an unbuilt site by another valuation company.

Based on Catella's review, the cash flow yield requirement in the logistic property portfolio was increased in one case by 30 basis points based on object-specific features. The occupancy rate assumptions and market rent assumptions remained mainly unchanged. The weighted average net yield requirement in the cash flow calculations was 9.17% (31 December 2016: 9.15%) for the entire logistics property portfolio. The initial yield for the logistics property portfolio inspected by Catella was 5.94% (31 December 2016: 7.01%) while the economic occupancy rate was 71.3% (31 December 2016: 74.0%).

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 portfolio as well as the logistics portfolio have unused building rights, but the value of the unused building rights has not been taken into account when calculating the aforementioned initial yields. The properties in the shopping centre portfolio do not have any unused building rights.

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

The transaction volume in 2016 increased to a new record level – however, the share of residential portfolios in the volume was significant. The scarcity of the prime properties for sale and the strong demand for these led to a decrease in the yield requirements in the first half of 2017, especially in the Helsinki city centre and other good office districts. Regarding Sponda's assets, the changes in the cash flow yield requirements were primarily caused by market factors and secondarily by object-specific changes or characteristics related to factors such as the location, technical condition, current rental situation and 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 realised operating costs from 2016, the budgeted operating costs for 2017 and the forecasted operating costs for 2017. From these three figures, the best estimation for the long term operating cost level was used in the valuation; in most properties, the operating costs increased. According to the information obtained from Sponda, the total effect of the revised operating costs on the fair value of the investment property portfolio on 30 June 2017 was approximately €-39 million. According to the information obtained from Sponda, the main reason for increased operating costs has been increase of real estate taxes. In connection with this inspection, Catella did not have detailed information available regarding other 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, 14 July 2017

Pertti Raitio Senior Valuer, MRICS M.Sc. (Tech.) Authorised Property Valuer approved by the Central Chamber of Commerce	Arja Lehtonen Director of Valuation & Consulting M.Sc. (Tech.) Authorised Property Valuer approved by the Central Chamber of Commerce