

VALUATION REPORT

Prime Business Centre

48-50 Zhylyanska Street, Kyiv, Ukraine

Prepared for: NEW UKRAINE PE HOLDING LIMITED

Report date: 7 February 2020

Valuation date: 31 December 2019

Expandia LLC, part of the CBRE Affiliate Network, independently prepares client valuations and related advice and is solely responsible for the contents of this report

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Respectfully Yours,



Sergiy Sergiyenko
General Director
Expandia LLC

TABLE OF CONTENTS

1 EXECUTIVE SUMMARY	4
2 VALUATION REPORT	7
3 PROPERTY DETAILS	13
5 MARKET OVERVIEW	20
6 VALUATION METHODOLOGY	30
APPENDIX A - CALCULATIONS	32
APPENDIX B - TITLE DOCUMENTS	36
APPENDIX C – FLOOR PLANS	39
APPENDIX C - CERTIFICATES	42

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1

EXECUTIVE SUMMARY

1 EXECUTIVE SUMMARY

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Confirmed:



Sergiy Sergiyenko
General Director
Expandia LLC

Attn:
Mr. Georgious Chr. Kyrrou
Director
NEW UKRAINE PE HOLDING LIMITED

Dear Sir,

This executive summary has been prepared at the request of NEW UKRAINE PE HOLDING LIMITED and represents an integral part of the valuation report dated 7 February 2020 on determining the market value of the subject property – Prime Business Centre of total 9,139.6 sq m on the land plot of 0.1452 ha located at 48-50 Zhylyanska Street, Kyiv, Ukraine.

The Valuation was carried out according to valuation services agreement No. V061118\1, between NEW UKRAINE PE HOLDING LIMITED and CBRE Ukraine (Expandia LLC) dated 06 November 2018.

Based on our analysis, it is our opinion that the **market value** of the subject property, effective **December 31, 2019**, subject to underlying Assumptions and Conditions set out herein is:

\$16,800,000
Sixteen Million Eight Hundred Thousand US Dollars exclusive VAT.

The indicated value is based on an exposure time of 12-18 months.

This executive summary represents integral part of the valuation report, which in its turn describes the method and approach to value in support of the conclusion and contains the relevant data gathered in our investigation of Client's data and the current market conditions. The market value of the property was calculated under the Income Approach. The valuation has been carried out according to RICS Valuation – Global Standards (2017). This valuation report has been prepared for audit and financial reporting under IFRS.

We confirm the independence of this valuation. We have had no regard to any legal proceedings and the value represented herein is totally impartial. If you have any questions, we would be pleased to discuss the valuation further.



Stanislav Ivanov MRICS, REV
Director
Valuation and Advisory Services



Nataliya Ivancho MRICS
RICS Registered Valuer
Associate Director
Valuation and Advisory Services



Inna Lozinska MRICS
Senior Valuer
Valuation and Advisory Services

Date to Date Comparison

VALUATION METRICS	CURRENT VALUATION (31/12/2019)	PREVIOUS VALUATION (31/12/2018)	CHANGE
Methodology	Capitalisation	Capitalisation	
Market Value	\$16,800,000	\$15,400,000	+9.1%
Gross Income	\$1,875,473	\$1,797,280	+4.3%
NOI	\$1,996,489	\$1,791,686	+11.4%
Weighted average rental rate per sq m/month	\$16.84	\$16	+5.3%
Capitalisation Rate	11.75%	11% and 12%	-

The market value of the Property has increased by +9.1% since our last valuation. The value change is caused by the increase of incomes generated by the property (NOI) by 11.4%.

The year 2019 was generally stable demonstrating moderate increase of rental values on the background of strengthening of the occupier demand. In the H2 2019 investment activity started to increase following the uncertainty in H1 2019 due to the presidential and parliament elections.

2

VALUATION REPORT

2 VALUATION REPORT

Report Date	7 February 2020
Addressee	NEW UKRAINE PE HOLDING LIMITED
The Property	Prime Business Centre of total 9,139.6 sq m on the land plot of 0.1452 ha located at 48-50 Zhylyanska Street, Kyiv, Ukraine
Instruction	To value on the basis of Market Value the freehold interest in the building of the Property as at the Valuation Date in accordance with valuation services agreement No. V061118\1, between NEW UKRAINE PE HOLDING LIMITED and CBRE Ukraine (Expandia LLC) dated 06 November 2018.
Valuation Date	31 December 2019
Capacity of Valuer	External
Purpose	Audit and financial reporting under IFRS
Market Value	\$16,800,000 (Sixteen Million Eight Hundred Thousand US Dollars) exclusive VAT.
	The valuation has been prepared on the basis of "Market Value" which is defined as: "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". Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using analysis of the property's performance.
Compliance with Valuation Standards	The valuation has been carried out according to RICS Valuation – Global Standards (2017). 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. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the

working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Normative Legal Documents

The valuation of subject property was undertaken considering the following national normative legal documents:

- National standard of valuation #1 "General principles of property and property rights valuation" (NS 1) approved by Decree of the Cabinet of Ministers #1440 dated September 10, 2003.
- National standard of valuation #2 "Valuation of real estate" (NS 2) approved by Decree of the Cabinet of Ministers #1442 dated October 28, 2004.
- Law of Ukraine "On valuation of property, property rights and professional valuation services in Ukraine".
- Other legislative acts of Ukraine, normative documents and references.

Special Assumptions

No

Assumptions

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None

Market Conditions

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the property had been properly marketed and that exchange of contracts took place on this date.

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

Disclosure

CBRE Ukraine had been performing the continuous valuations of the Client's real estate portfolio, including the Subject Property, during 2009-2013 and 2017-2020.

Reliance

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

We have been supplied with the documents from the Client for the Property, which included:

- Title deed for the building
- Extract from the land registry for the land plot
- BTI passport for the building
- Profit and Loss data for 2019 and budget for 2020
- Rent Roll budget for 2019 and 2020.
- CAPEX budgeted for 2020.

We have not provided independent verification of the information contained within the documents nor have we verified that it is complete and accurate. Where supplied with legal documents relating to the property we have had regard to them in undertaking our valuations which reflect our understanding of such information. However, we will not take responsibility for the legal interpretation of these documents. We reserve the right to amend our opinions of value should any legal information be provided which contains a material variation from the assumptions we have adopted in our valuations.

The Property

Our report contains a brief summary of the property details on which our valuation has been based.

Inspection

We inspected the Property both externally and internally on 16 January 2020.

Areas

We have not measured the Property but have relied upon the floor areas provided to us as by the Client.

Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Property and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigation into the past or present uses of the Property, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property. We are unable, therefore, to give any assurance that the Property is free from defect.

Titles, Tenures and Lettings

Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

VALUATION ASSUMPTIONS

Highest and Best Use

The market value of an asset reflects the concept of its highest and best use. In accordance with IVS - 2017, framework section, "the highest and the best use is the use of an asset that maximizes its potential and that is possible, legally permissible and financially feasible.

In other words, the purpose of the HBU analysis is to determine the functional use which will bring the maximum value to the subject property.

Taking into account the size, location, condition of the property and other relevant factors as well as initial data and assumptions, which were provided by the Client and have influence on the subject property, we came to the conclusion that office would be the highest and best use of the property.

Taxes and Purchaser's costs

No allowances have been made for any expenses of realization nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

**Environmental
Matters**

In the absence of any information to the contrary, we have assumed that:

(a) the Property is not contaminated and is not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Property which are regulated by environmental legislation are properly licensed by the appropriate authorities.

**Title, Tenure,
Planning and Lettings**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that the Property possesses a good and marketable title free from any onerous or hampering restrictions or conditions.

LEGAL NOTICE

This valuation report has been prepared by Expandia LLC (CBRE Ukraine) exclusively for NEW UKRAINE PE HOLDING LIMITED in accordance with the terms of the service agreement dated 06.11.2018. The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE Ukraine has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE Ukraine has expressly agreed in writing. Where CBRE Ukraine has expressly agreed that a person other than the Client can rely upon the report then CBRE Ukraine shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the fee under the valuation service agreement.

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

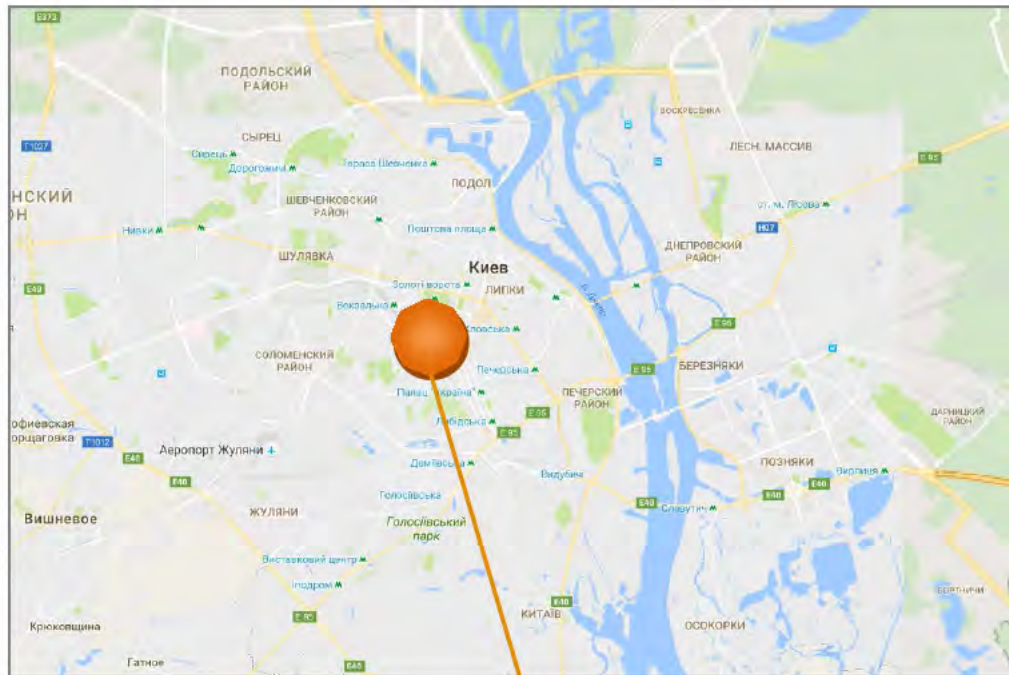
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PROPERTY DETAILS

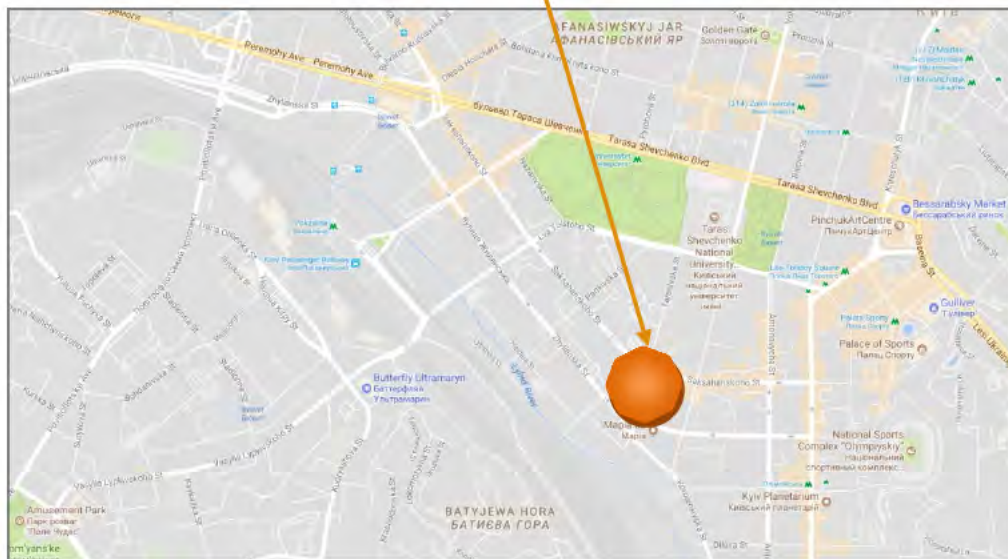
3 PROPERTY DETAILS

Location

Location of the subject property on the map



Source: Google map



Source: Google map

The subject property is located in the central part of Kyiv, at 48-50 Zhylyanska Street. Zhylyanska Street is one of an arterial road of Kyiv proving 5 lanes of traffic running in one direction – from Peremogy Avenue towards Velyka Vasylykivska Street. Traffic in the opposite direction is provided along the parallel Saksaganskogo Street. The property enjoys frontage to Zhylyanska Street. The

subject location accommodated office buildings, residential buildings, smaller shops and kiosks. The property is located in 1.7 km away from the central railway station.

Among the nearest office towers are Fahrenheit and Eurasia. The nearest amenities and eateries include Gran-Pri fitness club, Sam's Steak House, Three forks, Musafir restaurants and some others.

Residential development in the subject location comprises multiple stories apartment blocks being old buildings and those of modern construction.

Accessibility

The subject property is approximately 850 m away from Olympiyska metro station. A number of route buses as well as trolley buses 14 and 3 circulate along Zhylyanska Street in the vicinity of the site towards, Palats Sportu and Olimpiyska metro stations.

Private car access is organised from Zhylyanska Street.

Site Description

As per the information provided, the subject land plot extends to 0.1452 ha. It is close to rectangular shape. The land plot shape as per the cadastral map is shown below.

Land plot plan



Source: Land ownership certificate

Technical Description

The subject property comprises operating office building.

Main properties parameters are provided in the table below:

GENERAL INFORMATION	
1. Full address	48-50 Zhylyanska Street, Kyiv, Ukraine
2. Date of construction/reconstruction	2008
3. Management company	Owner
ADJACENT TERRITORY	
1. Area of the land plot, sq m	1,452
2. Parking (ground/underground)	-
3. Number of parking lots	4

BUILDING	
1. Total area, sq m	9,139.6
2. Area of the above-ground part, sq m	8,267.9
3. Number of entrances	6
4. Type of foundation	Piled, reinforced concrete
5. Type of building (brick, and so on)	Monolithic frame
6. Basement (area and type of use)	technical premises, parking
7. Ceiling height, m	3.5 m in office part
8. Floor bearing capacity, kg/ sq m	N/A
TELECOMMUNICATIONS	
1. Number of telephone lines	2
2. Other communications	Internet
ELECTRICITY	
1. Category of electricity supply	2
2. Availability of diesel generator	no
3. Capacity	1 - 55 kWt, 2- 737,17 kWt
FIRE SAFETY	
1. Availability of air-backing system	Yes
2. Availability of smoke removal system	Yes
3. Availability of sprinkler system	Yes (only in parking)
4. Smoke detectors	Yes
5. System of voice notification	Yes
6. System of gas fire fighting	Yes
VENTILATION	
1. Availability of ventilation and conditioning working year round	yes
2. Temperature within the premises, C	21-25
LIFTS	
1. Number of passenger lifts, loading capacity	2 Otis elevators for 1,000 kg/ 13 persons each
2. Number of cargo lifts, loading capacity	1 service elevator for 1,000 kg /13 persons
WATER SUPPLY	
Water heating (municipal, local – indicate equipment)	Municipal

Schedule of Accommodation

The building has 9 above ground floors accommodating offices and a semi-basement floor accommodating 4 parking places and utility rooms. The main entrance is from Zhylyanska Street. The building structure and leasable areas are shown below.

Parametre	Area, sq m	Units
Total GBA (BTA passport)	9,139.6	-
Aboveground part (BTA passport)	8,267.9	-
Underground parking (BTA passport)	871.7	4
GLA offices (based on the rent roll)	8,735.99	

Major tenants

Tenant	Space Occupied	Remaining	End of contract	Rental Income,	% of Rental
F					
F					
F					
F					
F					
F					
F					
F					
F					
F					
Total	8,487	3.9	-	\$142,960	100.0%

* - As of January 2020 budgeted income, adjusted for structural vacancy

Condition

We have had limited access inside the office premises to the vacant premises only. We have inspected technical premises, common areas and parking. Accessed premises have been in a good condition of typical office fitout with signs of physical deterioration. For the valuation purposes we assume that all office premises of the subject property are in a good condition.

No special structural survey has been conducted, nor did we inspect any parts of the structure or the site, which were covered, unexposed or inaccessible. We are unable, therefore, to give any assurance that the Property is free from defect. Our valuation has been prepared on the basic and critical assumption that this property is free of physical or structural defects or soil contamination, which would adversely affect its value. For greater certainty a detailed building survey should be undertaken.

Tenure

We have been provided with copies of the title documents of building and the land plot. Tenure details are provided as follows.

Document	Extract from the state registry of real estate
Property number	443102880000
Date	27.09.2017
Owner	Property management solutions UAN LLC
Property	Office building totaling 9,139.6 sq m, located at 48-50A Zhylyanska Street, Kyiv, Ukraine.

Document	Extract from the state registry of real estate
Date of extract	27.09.2017
Owner	Property management solutions UAN LLC
Property	Land plot of 0.1452 ha, cadastral number 8000000000:72:147:0030, located at 48-50a Zhylyanska Street, Kyiv, Ukraine, zoned for residential and commercial development

Copies of the tenure documents are attached as Appendix B of this report.

Pictures of the Property

Building facade



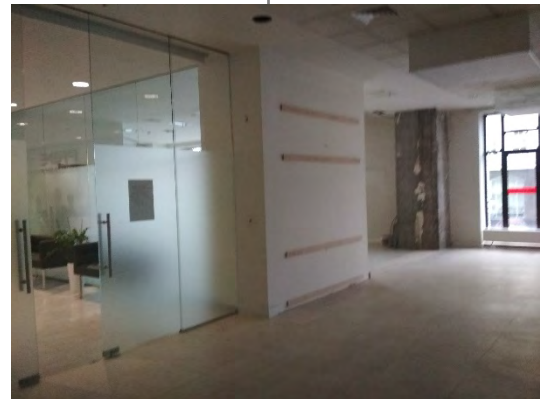
Reception



Reception



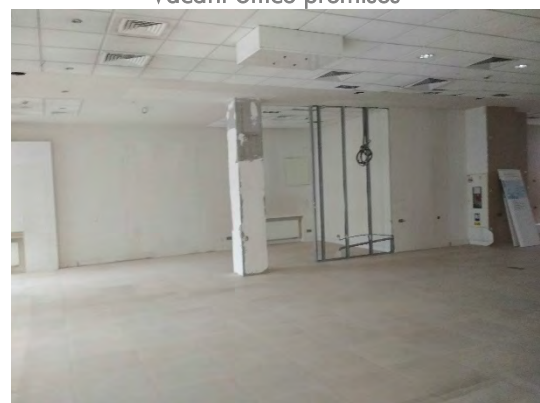
Office premises



Vacant office premises



Vacant office premises



SWOT- analysis of the property

Strengths	Weaknesses
• The property is located in the central part of the city • Frontage to Zhlyanska Street • Proximity to metro station • Generally good quality of premises and technical equipment • The area has controlled access • Availability of amenities in the area to serve office staff • Freehold for the land plot	• Strong competition within the office segment • Lack of parking areas
Opportunities	Threats
• Expected growth in rental rates for offices	• Risk of future competition form newly developed business centers

4

MARKET OVERVIEW

4 MARKET OVERVIEW

Ukrainian Economy Overview

Outlook

According to the National Bank of Ukraine (the NBU), the real GDP growth in Q3 2019 was projected at the level of 2.5%. It should be noted that in Q2 2019 the actual real GDP growth was estimated at +4.6% y-o-y according to Ukraine Statistics Office. Thus, the actual growth of national economy exceeded the expectations by 2% (the projected figure was +2.6%). The increase in the real GDP was caused by the rise in the household consumption +1.1% in Q2 2019 driven by the strengthening of the national currency (+3.8% QTD) as well as the improvements in the financial sector. The real GDP growth in the financial sector amounted to +13.6% y-o-y. In Q3 2019, CPI reached 9.0% as of the end of August 2019 (the latest available data) according to the Ukraine Statistics Office. The inflation remained stable compared to the previous quarter, although the NBU forecasted the inflation slowdown to 6.3% till the end of the year. As of the end of Q2 2019, the unemployment rate decreased to 8.4% (-0.4pp YTD). The retail turnover increased +11% y-o-y as of August 2019 (the latest available data) according to the Ukraine Statistics Office. The positive dynamics in the retail turnover and household consumption was the result of the national currency strengthening reflecting the consequent decrease of the key policy rate of the NBU from 18% at the beginning of the year to 16.5% in September 2019. Additionally, the real wages grew +9.7% within January-July 2019 y-o-y contributing to the increase in retail turnover.

It is expected that the national economy of Ukraine will continue to grow +2.5%-3.0% till the end of the year. In particular, according to the Global Economic Prospects of the World Bank, the real GDP in Ukraine will increase +2.9% in 2019, +3.4% in 2020, and +3.8% in 2021. IMF forecasts the real GDP growth in Ukraine +2.7% in 2019, +3.0% in 2020, and +3.1% in 2021. The monetary policy of the NBU (inflation targeting) will ultimately increase the aggregate demand, therefore, the household consumption growth will support the rise in the GDP and a slowdown of the inflation. As a result, the retail turnover will drift upwards. Unemployment is forecast to be at the level of 8.7% at the end of 2019 (Source: National Bank of Ukraine). In Q3 2019, the Indicator of Economic Expectations calculated by the Ukraine Statistics Office reached 111.5 (+9pp YTD and +5.1pp y-o-y) reflecting the positive changes in the Ukrainian economy. Particularly, the Construction Confidence Indicator improved to -14.4% (+2.5pp YTD and +4.2pp y-o-y), although it was still negative. Nevertheless, it is anticipated that the business expectations in construction will improve further due to the cheaper loan financing, which will become available for economic agents after the implementation of major economic reforms and the lower interest rates supported by the NBU. The key policy rate is going to be decreased to 16% till the end of 2019, 9.5% in the Q4 2020, and 8% in 2021.

Investment

In Q2 2019, the volume of investment deals decreased by 29% q-o-q and amounted to USD 56 mln. Number of transactions in the Q2 2019 decreased by 33% q-o-q (4 transactions in Q2 2019 versus 6 transactions in the Q1 2019). Average volume of transaction in the Q2 2019 was USD14 mln (+ 6% q-o-q). At the same time, average size of the transactions in terms of area sold was about 16 300 sqm in the Q2 2019, whereas it was about 67 800 sqm in the previous quarter due to the sell of Respublika shopping mall in the Q1 2019 (298,000 sqm). The most significant transactions in the Q2 2019

included sell of Arena City and Incom BC. Yields remained stable from the beginning of the year. Prime yields for office and retail stood at 11.75% and for prime warehouses at 13.00%. The major factors which had an impact on investment sentiment in the Q2 2019 were political risks due to the President elections as well as lack of new supply in the real estate market which could have potentially been the attractive investments. Currently, the potential investors wait for the results of work of new government and new Parliament (Parliament elections in July 2019). At the same time, the first steps undertaken by new President were considered as positive signals for investors.

Regarding the overall trend in the investment market, there was a peak in investment transactions in 2018 (in particular, due to the sell of bank collateral properties). We expect that the investment volume in 2019 will not rise further as there is few good investment opportunities in real estate due to the lack of new construction projects delivered. Besides, there is a significant gap between asking price and the price which investors are willing to pay for the existing investment properties. Based on the results of new government and macroeconomic stability, the investment market will continue growing in 2020-2021 as new construction projects will be available on the market.

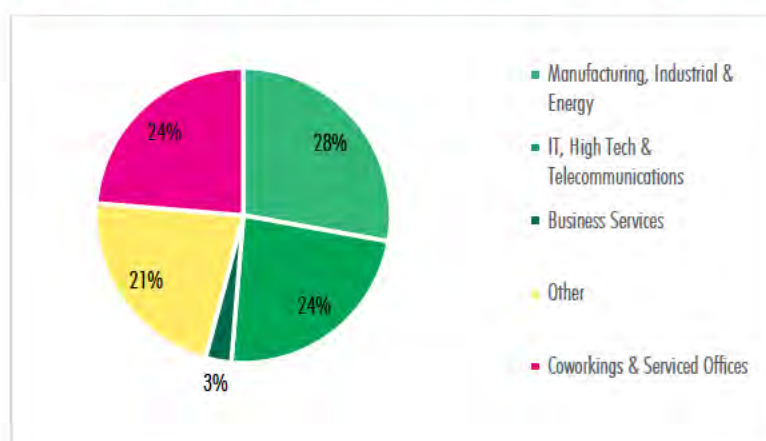
Office Property Market

Demand

As of H12019, take-up in Kyiv office market was decreasing after a strong demand in 2017-2018, which, at the time, was a result of companies relocating on the back of positive business outlook and moderately growing economy. In H12019, demand posted a 6.5% slowdown resulting in a take-up of 65,800 sqm (-19% y-o-y), while total leasing activity, which includes the amount of renewals, amounted to 105,200 sqm (+4.2% y-o-y). As a result, take-up in H12019 decreased, as number of new entries and expansions has noticeably contracted. The market reached its peak in total leasing activity in H22017, when take-up amounted to 95,000 sqm. Since H22017, the take-up volume has been decreasing. The most part of remaining vacant stock was leased in 2017-2018, producing scarcity of high quality office on the market. Despite the demand remained strong in H12019, lack of high quality properties affected the amount of take-up.

To mark a change in market dynamics, Manufacturing & Energy companies took the largest share of take-up in H12019 28% (+27pp YTD). IT, High Tech & Telecommunication companies, however, still represented the highest number of transactions due to the fact that the average unit size for the segment was smaller. Overall, the trend of growing space requirements from IT, High Tech & Telecommunications companies decreased substantially in H12019, with the share of total space leased reaching ca. 24% (-16pp YTD) in the total take-up. As a result of the significant growth of coworking companies in H12019, Business Services segment was divided into Coworkings & Serviced Offices and Business Services segment represented by all other companies in the industry (lawyers, auditors, consultants, etc.) In H12019, Coworkings & Serviced Offices accounted for 24%, whereas Business Services represented only 3% of take-up (-19pp YTD), followed by other industries, including Healthcare & Pharmaceuticals, Mass Media & Advertising, Transport & Logistics, Wholesale & Retail, Banking & Finance and other sectors that made up the remaining 22%.

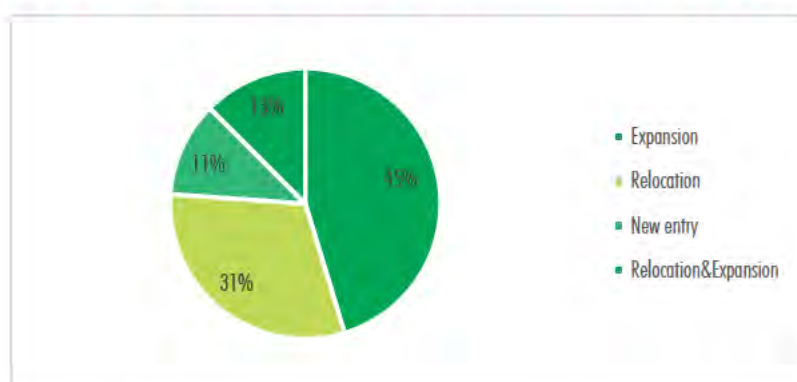
Figure: Total Take-Up Structure by Industry, H12019 (% share)



Source: CBRE Ukraine

The expansions in H12019 took the largest share in the total take-up structure representing 45% of total take-up. The share of new entries rose to 12%, correlating with an improved business sentiment. Relocations accounted for 17% in H12019, which can serve as evidence of depletion of value-added opportunities in a growing market. Relocation & Expansions represented 26% of take-up.

Figure: Total Take-Up Structure by Motivation, H12019 (% share)



Source: CBRE Ukraine

Table: Key Office Lease Transactions in H12019

OCCUPIER	INDUSTRY	PROPERTY	ADDRESS	TRANSACTION TYPE	GLA SQ M
██████████	██████████	██████████	██████████	██████████	██████████
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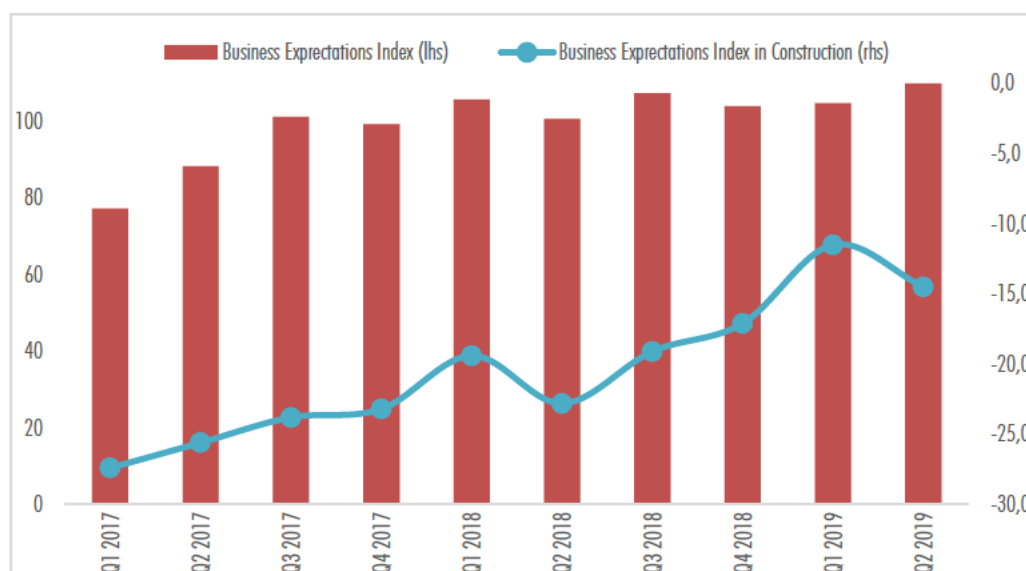
OCCUPIER	INDUSTRY	PROPERTY	ADDRESS	TRANSACTION TYPE	GLA SQ M

Source: CBRE Ukraine

Supply

General business expectations as well as business expectations in the construction sector posted positive dynamics over the 2017-2019 period. In H12019 business expectations index increased by 6.6 pp YTD to 110.7%. Looking at the business expectations index in construction, it improved to -14.5% (+2.6 pp YTD) in H12019, albeit the sentiment remained broadly negative and the index decreased slightly in Q22019 (-3 pp q-o-q).

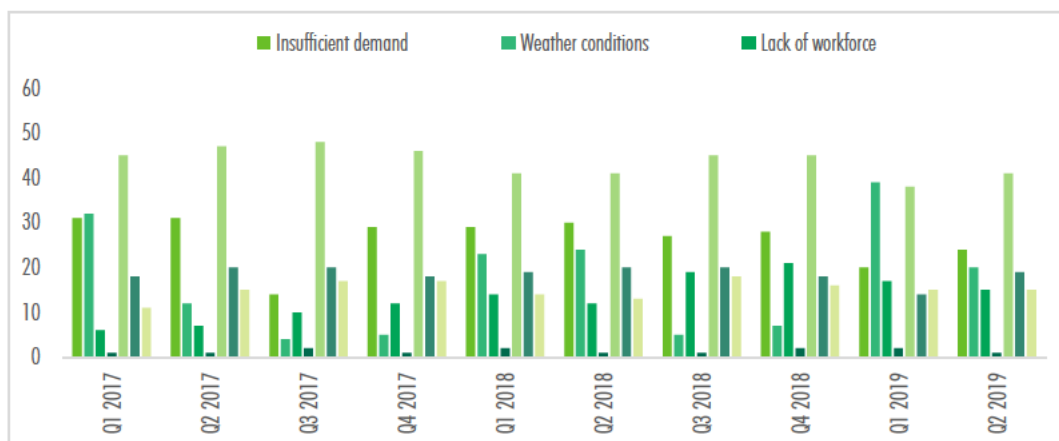
Figure: Kyiv Business Expectations and Business Expectations in Construction Over the Next 12 Months



Source: Ukraine State Statistics Committee

According to Ukraine State Statistics Committee, the major factors negatively impacting business expectations in construction were financial constraints (44% of surveyed companies), insufficient demand (26% of surveyed companies), and weather conditions (18% of surveyed companies). Furthermore, the share of construction companies that considered financial constraints as the major factor restraining construction, slightly decreased (-4% YTD), as well as the number of those who considered demand insufficient also slightly decreased (-4% YTD). Surprisingly enough, the major negative factor that significantly added to negative construction sentiment was adverse weather conditions (+20% YTD). The share of construction companies, which responded that "no restraints" affected their business remained broadly the same at 15% (-1% YTD).

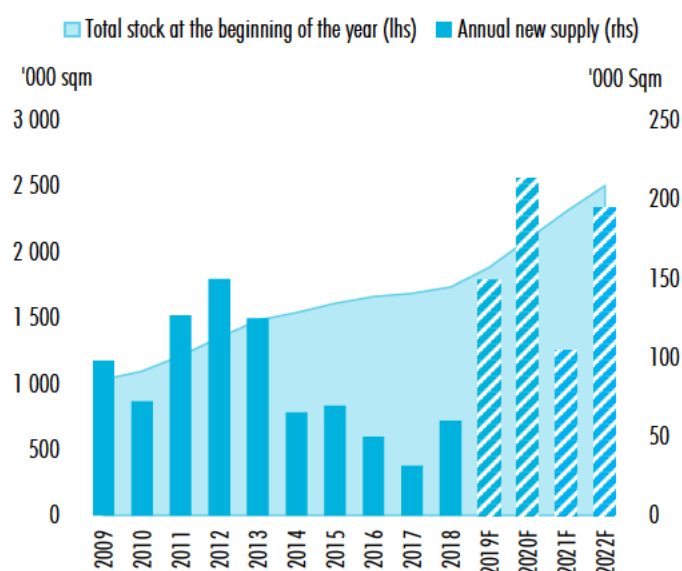
Figure: Business expectations in construction by factors of influence, 2017-2019



Source: Ukraine State Statistics Committee

New supply of H12019 amounted to meager 30,600 sqm, with total competitive stock remaining largely unchanged at 1.76 mio sqm (+1.7% YTD), taking into account that some properties became owner-occupied (64,400 sqm over 2007-H12019). Among new additions to the stock were only small size properties in Palo Alto (5,000 sqm) at 10 Starokyivska St., Zitadelle BC (3,800 sqm) at 3 Tsytadelna St., Amarcord BC (6,700 sqm) at 30 Holosiivskyi Ave., Unit.City (B10) (10,400 sqm) on 3, Dorohozhytska St., and two office schemes of 2,200 sqm at 14A Lypkivskoho St. and 2,500 sqm at 28 Dniprovska Naberezhna). Although new supply in H12018 was scarce (only 2,200 sqm were delivered), it rose substantially to 57,800 sqm in H22018 totaling 60,000 sqm of new completions as of the end of the year. Overall, new supply was insufficient to meet a healthy demand alongside decreasing vacancy and growing rental rates over the last 18 months in terms of the whole market.

Figure: Kyiv Annual Development Completions and Total Completions Stock ('000 sqm)



Source: CBRE Ukraine

Lhs – left hand side

Rhs – right hand side

E- Estimate, F-Forecast

Looking at projects in the pipeline, 12 office projects are set for completion in H22019 with a total area of ca. 118,400 sqm. Some projects are expected for delivery at the end of Q32019 including Avenue 53 on 53 Peremohy Ave. (18,500 sqm) where 12,000 sqm has been pre-leased by a potential tenant, the Office Scheme on 22-24 Hoholivska St. (9,000 sqm), which is fully pre-leased by a Manufacturing, Industrial & Energy company, and Office Scheme on 10, Myhailivska St. (3,500 sqm). The total new supply projected for 2020 amounts to ca. 213,200 sqm and the additional ca. 300,000 sqm are planned for completion in 2021-2022, which, if delivered, will slow down general rental growth and should keep the market at a healthy state of supply-demand equilibrium. However, the amount of new supply, which will be actually delivered on the market, might be lower, taking into account that the average percentage of actual completions in the new supply planned for the particular period was below 50% during last two years.

Table: Office Pipeline for 2019-2023

NAME	CLASS (QUALITY & ADDRESS LOCATION)	GLA SQM	STATUS
H22019			
Avenue 53 (Phase I)	AC	53 Peremohy Ave.	18,500 U/C
New Wave	BC	98 Stepana Bandery Ave.	15,000 U/C
BC Saha	AA	1B P. Sahaidachnoho St.	9,000 U/C
Office Scheme (Merx Group)	BA	22-24 Hoholivska St.	9,000 Reconstruction
Forum Amurska Phase I	BC	6 Amurska St.	12,000 U/C
Office scheme	BC	10-14 Dniprovskia Naberezhna St.	3,500 U/C
Azor	BC	8 M.Maksymovycha St.	5,400 Reconstruction
Office scheme	BA	10 Myhailivska St.	3,400 U/C
Sigma BC	BC	6 Vatslava Havela Blvd.	18,600 U/C
Office scheme	AC	7A Parkovo-Syretska St.	9,000 U/C
Kooperator BC	AA	53/80 Saksahanskoho St.	9,900 Reconstruction
UNIT.City (B11)	AB	3 Dorohozhytska St.	5,100 U/C
2020			
UNIT.City (B14)	AB	3 Dorohozhytska St.	8,900 U/C
UNIT.City (B15)	AB	3 Dorohozhytska St.	7,700 U/C
UNIT.City (B16)	AB	3 Dorohozhytska St.	9,100 U/C
UNIT.City (B17)	AB	3 Dorohozhytska St.	12,400 U/C
K\MOST BC	AB	5A Zoolohichna St.	5,500 U/C
Office scheme Phase I	AA	4-6 Korolenkivska St.	20,000 U/C
Retroville	BC	47 Pravdy Ave.	11,100 U/C
Office scheme	AA	12 Myhailivska St.	8,600 U/C
Office scheme (former Voronin factory)	BA	3 Korolenkivska St.	19,500 Reconstruction
Office scheme	AB	Dehtiarivska St./Zoolohichna ST., 21G	11,000 U/C
Arsenal Plaza	BA	8 Moskovska St.	50,000 Reconstruction
Office scheme (former Arsenal plant block)	BA	8B Moskovska St.	11,700 Project

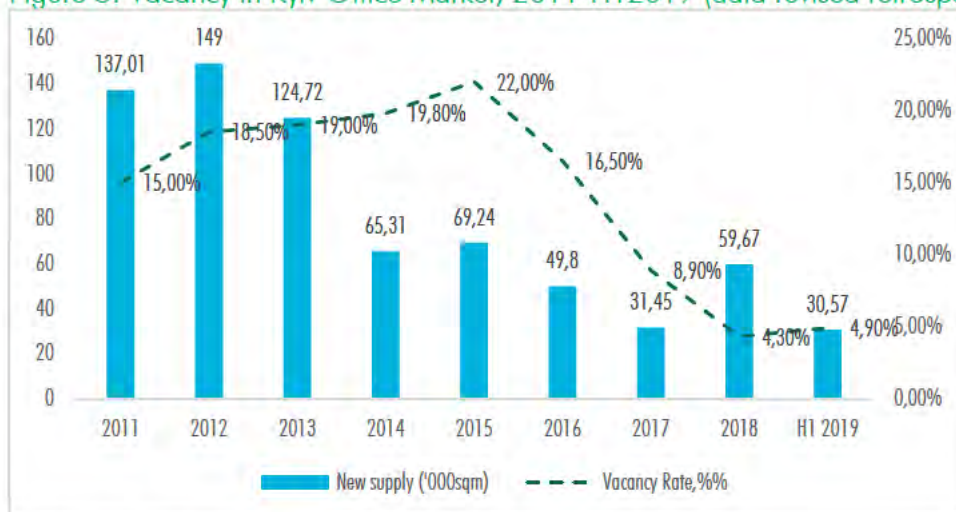
NAME	CLASS (QUALITY & ADDRESS LOCATION)		GLA SQM	STATUS
Arsenal K 14	BA	8 Moskovska St.	7,900	Project
Zoranyi	BA	31/33 Moskovska St.	7,800	Reconstruction
BC Lukyanivskiy	BB	2/10 Yu.Illienka St.	22,000	U/C
2021				
UNIT.City (B0)	AB	3 Dorohozhytska St.	7,600	U/C
UNIT.City (B18)	AB	3 Dorohozhytska St.	18,900	U/C
The Magnett BC Phase I	AB	139 Velyka Vasylkivska St.	33,000	U/C
Office scheme Phase II	AA	4-6 Korolenkivska St.	40,000	U/C
Office scheme	BA	36 Volodymyrivska St.	5,200	Reconstruction
2022				
UNIT.City (B1)	AB	3 Dorohozhytska St.	12,000	U/C
UNIT.City (B2)	AB	3 Dorohozhytska St.	7,800	U/C
UNIT.City (B3)	AB	3 Dorohozhytska St.	9,600	U/C
The Magnett BC Phase II	AB	139 Velyka Vasylkivska St.	10,000	U/C
Office Scheme	BA	24 Zhylyanska St.	25,000	Project
SkyTowers	AB	13 Peremohy Ave.	130,000	Project

Source: CBRE Ukraine

Vacancy and Rents

As of H1 2019, CBRE Ukraine recalculated vacancies retrospectively based on a new methodology. Starting from H1 2019, vacancy in office market is calculated based on an 80% sample of office centers in Kyiv, which is constantly updated and accounts for new competitive deliveries. Prior methodology, which allowed for more weight being given to a qualitative opinion, has thus been replaced with a more scientific approach appropriate for a more developed market which Kyiv is gradually becoming.

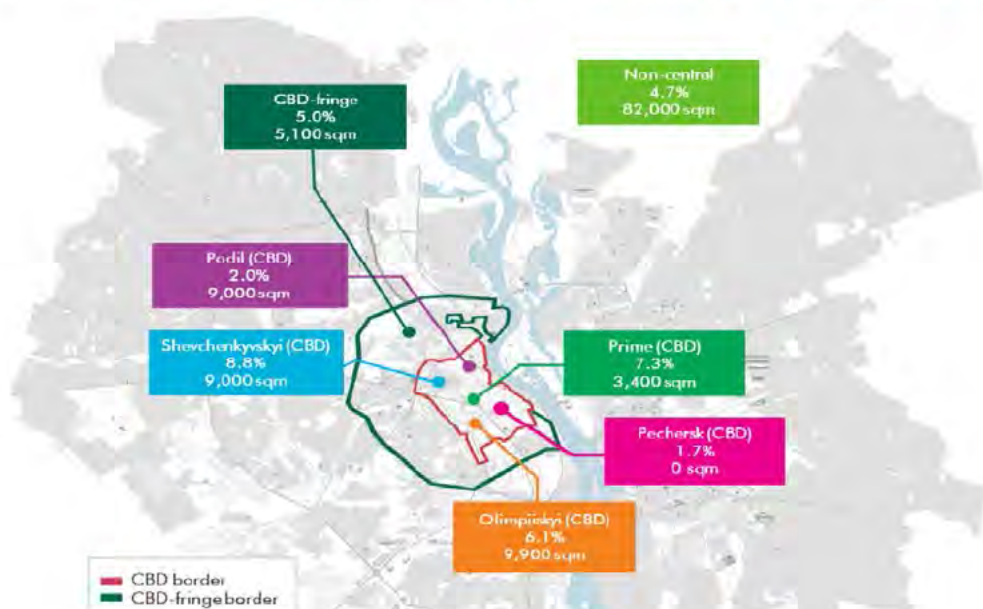
Figure 5: Vacancy in Kyiv Office Market, 2011-H1 2019 (data revised retrospectively)



Source: CBRE Ukraine

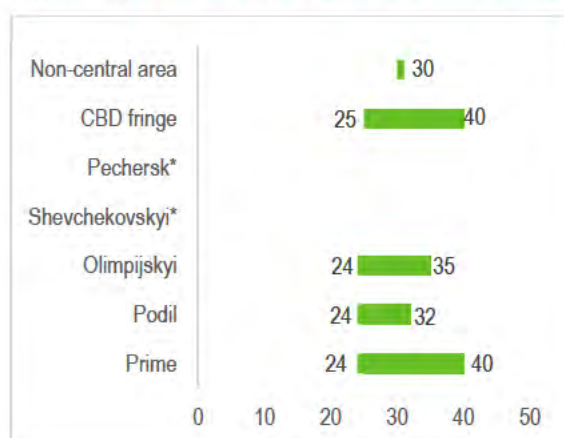
According to the new methodology, in H12019 the average vacancy increased slightly from 4.3% to 4.9% (+0.6 pp YTD) as a result of out-migration of smaller companies from more to less professional properties due to a higher rental growth in higher grade properties. The vacancy reported under prior methodology accounted for 9.8% as of the end of 2018, whereas the vacancy recalculated under new approach accounted for 4.9%. Delivery of several small office schemes in H12019 did not significantly contribute to the growth of average market vacancy, as majority of new space was pre-leased. Despite rental appreciation demand for A-class properties across two CBD submarkets remained strong. The average vacancy for A class premises was slightly higher at 5.1% compared with vacancy for B class offices at 5% as of H12019. The lowest vacancy was registered in Pechersk 1.7% (+1.3 pp YTD), and Podil 2.0% (+0.6 pp YTD), whereas the highest vacancy was in Prime submarket 7.3% (+1.9 pp YTD) and Shevchenkyvskiy (8.8%) (-1.2 pp YTD) submarkets.

Vacancy Rate (%) and Projected New Supply for H22019 (sqm) on the Map of Kyiv Office Submarkets



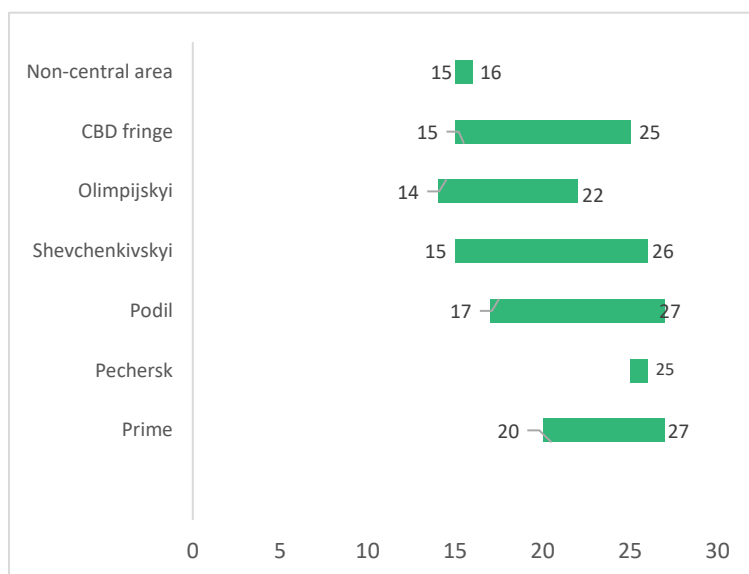
Source: CBRE Ukraine

Figure: Kyiv A-class Asking Base Rental Range¹ by Submarket of H1 2019 (USD/sqm/month)



Range includes office space for lease in different fit-out conditions; *No vacant premises as of research date

Source: CBRE Ukraine

Figure: Kyiv B-class Asking Base Rental Range¹ by Submarket of H1 2019 (USD/sqm/month)

Source: CBRE Ukraine

Effective rents for A-class properties remained stable at \$25/sqm/month. The lower bound of the asking rental range of A-class and B-class properties grew by +41% YTD (\$17/sqm/month in H22018) and +17% YTD (\$12/sqm/month in H12018) respectively. As such, asking rents for class A properties stood in the \$24-\$40/sqm/month range, with B class properties averaging \$14-\$27/sqm/month. Significant gap between the lower and the upper bounds of the ranges is determined by characteristics of the leased unit, with fit-out condition and location of the property being the determining factors for noticeably higher rates.

Outlook

In the second half of 2019 the demand from occupiers is expected to continue to grow due to a strengthening business sentiment and continued expansion of mainly IT, High Tech & Telecommunications sector. Supply-wise, the long-awaited new deliveries of ca. 119,400 sqm are expected to enter the market by the end of 2019. Despite these new additions to supply, prime rents are likely to post a modest increase by the end of 2019 in the face of low vacancy, new supply being of predominantly A/B location and quality, as well as existence of a substantial volume of delayed demand due to an extended period of near no new supply.

Given the fact that both of this year's elections have not produced a shake-up to the economy, with the Ukrainian currency demonstrating unexpected strength, we forecast the delivery of most of the projects currently under construction in a timely manner. The investment volume in 2019 is likely to remain subdued, with only few high quality investment opportunities available for sale at the moment and investors unlikely to commit funds until early 2020. At the same time, the gap in asking and actual prices paid by investors remains significant. Building on the trend of stable economic environment, investment market is expected to grow over the 2020-2021, as new construction projects become available and new players enter the market – both on investment and development side. The average vacancy is likely to see moderate growth in H22019, attributed to new deliveries. As such, the indicator can potentially trend upwards to the level of 6%-7% by the end of 2019, which will not produce any noticeable effect on broad market trends.

5

VALUATION METHODOLOGY

5 VALUATION METHODOLOGY

According to the generally accepted valuation practice there are three main approaches to valuing real property.

- Cost Approach
- Market Approach
- Income Approach

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

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

The Cost Approach is usually applicable in case of valuing specialized properties which typically are not traded in the open market. It is not used by market participants for valuing properties such as ones under consideration and has not been used for valuation purposes in this particular case, mainly because of its inability to assess certain important characteristics such as location, surroundings, property concept, etc.

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

Considering the subject property we have adopted the **income approach** to value the subject property. When applying Income Approach, direct capitalisation method the next steps should be followed in order to determine the value of property:

- Define potential income from rent
- Define total operating expenses of the property
- Share of operating expenses recovered by tenants
- Other incomes
- Define net operating income
- Adopt appropriate capitalization rate to the net stabilized income.

A

CALCULATIONS

APPENDIX A - CALCULATIONS

Income Approach

Income approach is based on the assumption that value of the property is a function of incomes that the property can generate.

Incomes

The market practice of rental agreements foresees the following types of payments of a tenant:

- **Base rental payment**, calculated as a rents per sq m multiplied by occupied space. In its turn occupied space is a space physically taken by a tenant plus appropriate area uplift. The latter is calculated as a share to occupied space in the office centre. Rental rates are mainly negotiated as triple net, meaning net of VAT, utility and service payments.
- **Reimbursement of operating expenses** is normally monthly payments, payable per sq m of occupied space plus allocated common areas.
- **Reimbursement of utility expenses.**

The above practice may not be adopted in such cases as:

- Rent of non-professional schemes,
- Management is done by non-professional company,
- In case of operating expenses charged on a higher level compared to the market average,
- If operating expenses are included to the base rent and in fact are not reimbursed by the tenants.

Our valuation assumes that potential investor will act in accordance with the typical market practice for professional schemes.

Areas and Vacancy

According to the rent roll provided by the Client, the principal income generating area (GLA) as of December 2019 comprises 8,852.78 sq m. As at the valuation date, the vacancy was 365.53 sq m or 4.1%.

PARAMETER	FIGURE
GLA, sqm	8,852.78
Vacancy, sqm	365.53
Vacancy, %	4.1%
Occupied area, sqm	8,487.25

Rental Income

We have studied the rent roll provided to us budgeted for 2020. We considered that budgeted rental income of January 2020 is likely to represent sustainable market rental level. In addition there will be a 4 month reduced rent in 2020, which have been further accounted to. Details of the income are summarized in the table below.

We assume the structural vacancy to be at the current level of 4.1%.

Capitalisation Rate

Considering that current income from the property predominantly represents the market level as well as the fact that yields for prime office schemes have reduced by -0.25 pp. over H2 2019, we have applied a 11.75% yield for the property.

Calculation of the property value is shown in the table below.

PROPERTY VALUE ESTIMATION	FIGURE
Annual rental and other incomes	\$1,875,473
██████████	\$121,015
Total income from newly rented space	\$0
NOI	\$1,996,489
Capitalisation rate	11.75%
Capitalised value	\$16,991,394
Reduced rent 4 months ██████████	98,549
Total losses	\$98,549
CAPEX for 2020	\$87,158
Property value (rounded)	\$16,800,000

In conclusion, market value of the property based on the income approach is, rounded, \$16,800,000.

B

TITLE DOCUMENTS

APPENDIX B - TITLE DOCUMENTS

Extract from the land registry

ВНІСНІ

(внесено в реєстр нерухомого майна державним органом)

Індексний номер витягу: 98689535

Дата, час формування: 27.09.2017 19:37:05

Витяг сформовано: Приватний нотаріус Морозова С.В., Київський міський нотаріальний округ, м.Київ

Підстава формування витягу: заява з реєстраційним номером: 24393330, дата і час реєстрації заяви: 27.09.2017 19:15:45, заявник: Фощан Олександр Миколайович (уповноважена особа)

Актуальна інформація про об'єкт нерухомого майна

Реєстраційний номер об'єкта нерухомого майна: 1315530080361

Об'єкт нерухомого майна: земельна ділянка

Кадастровий номер: 8000000000;72:147:0030

Опис об'єкта: Площа (га): 0.1452, Дата державної реєстрації земельної ділянки: 07.06.2012, орган, що здійснив державну реєстрацію земельної ділянки: Головне управління земельних ресурсів виконавчого органу Київради (КМДА), Реєстраційні номери об'єктів нерухомого майна, розташованих на земельній ділянці: 443102880000, 443102880000, 443102880000

Цільове призначення: Промисловості, комерційного використання і громадського призначення

Адреса: м.Київ, вулиця Жилинська, земельна ділянка 48,50а

Актуальна інформація про право власності

Номер запису про право власності: 22568424

Дата запису про право власності: 27.09.2017 19:15:45

Державний реєстратор: приватний нотаріус Морозова Світлана Володимирівна, Київський міський нотаріальний округ, м.Київ

Підстава виникнення права власності: договір купівлі-продажу, нерухомого майна № 2, серія та номер: 5282.5283, виданий 27.09.2017, видавник: Морозова С.В., приватний нотаріус Київського міського нотаріального округу; Акт приймання-передачі Об'єктів нерухомого майна за Договором купівлі-продажу нерухомого майна № 2 від 27.09.2017 року, серія та номер: б/н, виданий 27.09.2017, видавник: ПАТ "БТА БАНК", ТОВ "ПРОПЕРТІ МЕНЕДЖМЕНТ СОЛІШІНС ІУ"

Підстава внесення запису: Рішення про державну реєстрацію прав та їх обтяжень, індивідуальний номер: 37305327 від 27.09.2017 19:33:35, приватний нотаріус Морозова Світлана Володимирівна, Київський міський нотаріальний округ, м.Київ

Форма власності: приватна

Розмір частки: 1/1

КВАРТАЛ

Extract from the real estate ownership registry

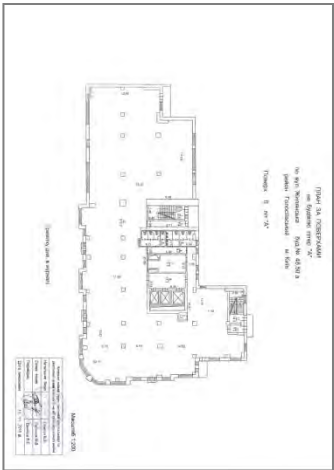
ВИТЯГ	
з Державного реєстру речових прав на нерухоме майно про реєстрацію права власності	
Індексний номер витягу:	98688618
Дата, час формування:	27.09.2017 19:08:45
Витяг сформовано:	Приватний нотаріус Морозова С.В., Київський міський нотаріальний округ, м.Київ
Підстава формування витягу:	заява з реєстраційним номером: 24393211, дата і час реєстрації заяви: 27.09.2017 18:59:33, заявник: Фошан Олександр Миколайович (уповноважена особа)
Актуальна інформація про об'єкт нерухомого майна	
Реєстраційний номер об'єкта нерухомого майна:	443102880000
Об'єкт нерухомого майна:	адміністративна будівля (літ. А), об'єкт житлової нерухомості: Ні
Опис об'єкта:	Загальна площа (кв.м): 9139,6
Адреса:	м.Київ, вулиця Жилинська, будинок 48,50а
Земельні ділянки місця розташування:	Кадастровий номер: 8000000000:72:147:0030, цільове призначення: реконструкція житлового та нежитлового будинків з подальшою експлуатацією та обслуговуванням житлових та адміністративно-офісних приміщень
Актуальна інформація про право власності	
Номер запису про право власності: 22558258	
Дата, час державної реєстрації:	27.09.2017 18:59:33
Державний реєстратор:	приватний нотаріус Морозова Світлана Володимирівна, Київський міський нотаріальний округ, м.Київ
Підстава виникнення права власності:	договір купівлі-продажу, нерухомого майна № 2, серія та номер: 5282,5283, виданий 27.09.2017, видавник: Морозова С.В., приватний нотаріус Київського міського нотаріального округу; Акт приймання-передачі Об'єктів нерухомого майна за Договором купівлі-продажу нерухомого майна № 2 від 27.09.2017 року, серія та номер: б/н, виданий 27.09.2017, видавник: ПАТ "БТА БАНК", ТОВ "ПРОПЕРТІ МЕНЕДЖМЕНТ СОЛЮШІНС ТУ"
Підстава внесення запису:	Рішення про державну реєстрацію прав та їх обтяжень, індексний номер: 37305144 від 27.09.2017 19:04:22, приватний нотаріус Морозова Світлана Володимирівна, Київський міський нотаріальний округ, м.Київ
Форма власності:	приватна
Розмір частки:	1/1



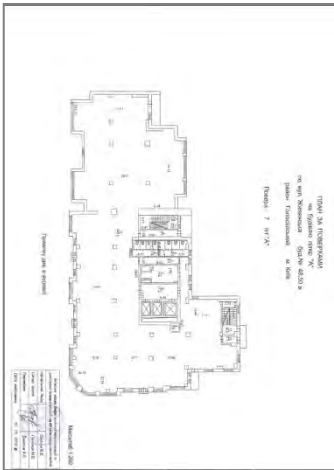


FLOOR PLANS

Level 6



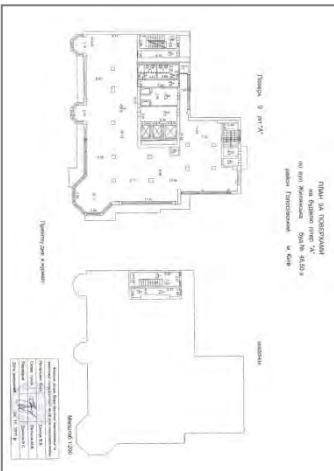
Level 7



Level 8



Level 9



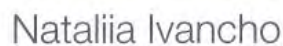
D

CERTIFICATES

APPENDIX C - CERTIFICATES

This certificate issued by Ukraine's State Property Fund in accordance with Ukrainian legislation confirms that CBRE Ukraine is eligible to perform valuation of real property.

 ФОНД ДЕРЖАВНОГО МАЙНА УКРАЇНИ СЕРТИФІКАТ № 432118 суб'єкта оціночної діяльності Дата видачі "25" травня 2018 р.	
Виданий	ТОВАРИСТВУ З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «ЕКСПАНДІА» (найменування юридичної особи або прізвище, ім'я та по батькові фізичної особи – підприємця)
Реквізити суб'єкта господарювання	03150, м. Київ, вул. Велика Васильківська, буд. 100 (місцезнаходження/ місце проживання) 35415496 код за ЄДРПОУ (реєстраційний номер облікової картки платника податків або серія та номер паспорта для фізичних осіб, які через свої релігійні переконання відмовляються від прийняття реєстраційного номера облікової картки платника податків та офіційно повідомили про це відповідний контролюючий орган і мають відмітку у паспорті)
Напрями оцінки майна, щодо яких дозволена практична оціночна діяльність	1. Оцінка об'єктів у матеріальній формі. 2. Оцінка цілісних майнових комплексів, паїв, цінних паперів, майнових прав та нематеріальних активів, у тому числі прав на об'єкти інтелектуальної власності. (зазначається необхідне)
Спеціалізації в межах напрямів оцінки	1.1. Оцінка нерухомих речей (нерухомого майна, нерухомості), у тому числі земельних ділянок, та майнових прав на них. 1.2. Оцінка машин і обладнання. 1.3. Оцінка колісних транспортних засобів. 1.4. Оцінка літальних апаратів. 1.5. Оцінка судноплавних засобів. 1.7. Оцінка рухомих речей, крім таких, що віднесені до машин, обладнання, колісних транспортних засобів, літальних апаратів, судноплавних засобів, та тих, що становлять культурну цінність. 2.1. Оцінка цілісних майнових комплексів, паїв, цінних паперів, майнових прав та нематеріальних активів (крім прав на об'єкти інтелектуальної власності). 2.2. Оцінка прав на об'єкти інтелектуальної власності. (зазначається необхідне)
Строк дії з "25" травня 2018 р. до "25" травня 2021 р. В. о. Голови Фонду В. Трубаров	



4 November 2015

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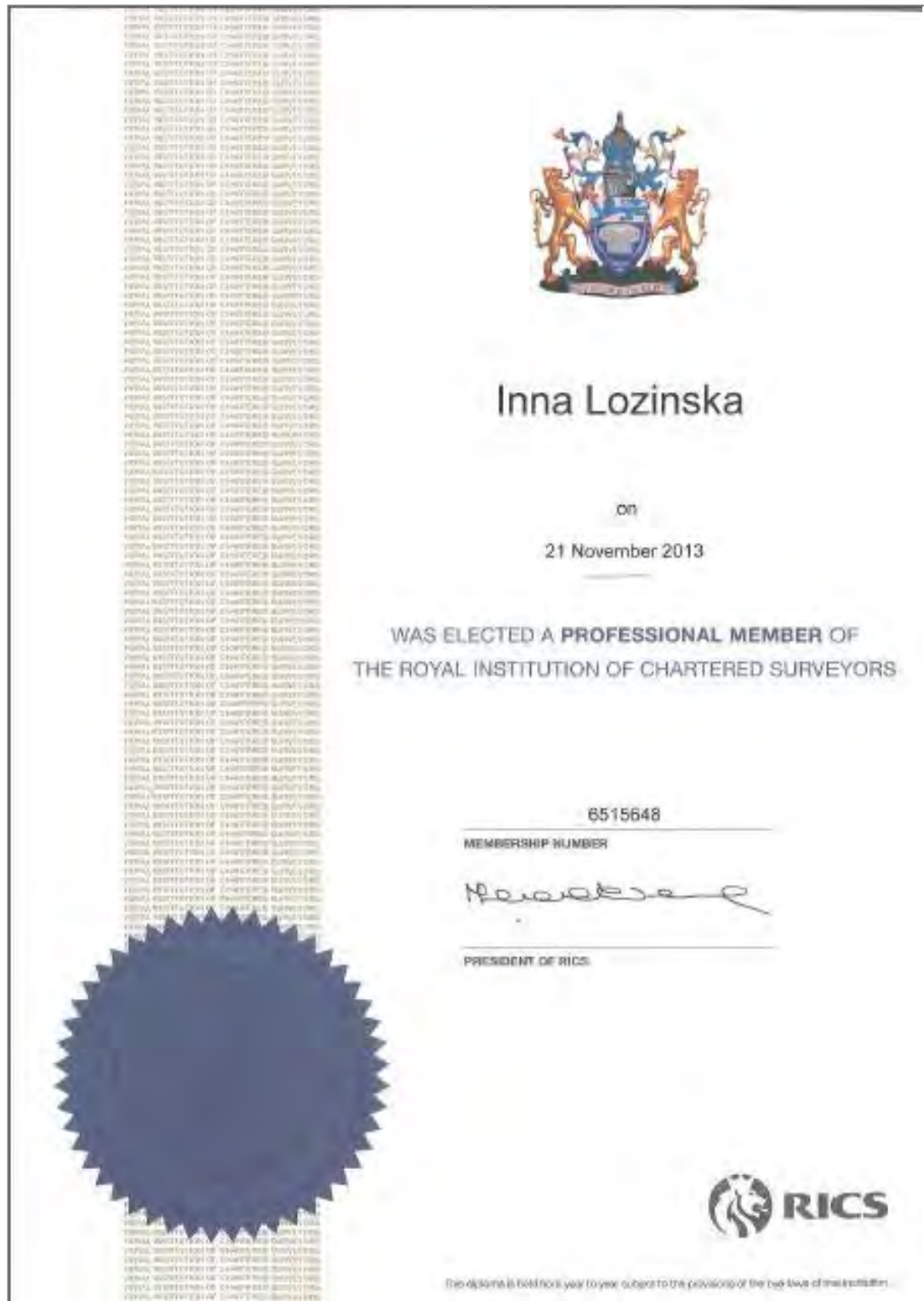
MEMBERSHIP NUMBER

PRESIDENT OF RICS



This diploma is held from year to year subject to the provisions of the bye-laws of the institution





These certificates issued by Ukraine's State Property Fund in accordance with Ukrainian legislation confirm that Mr. Stanislav Ivanov, Ms. Nataliya Ivancho and Ms. Inna Lozinska are qualified for the purposes of valuation of real property.

