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Immobilienbewertung und Analyse

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VALUATION REPORT

Office building – „Germania Arkaden“
Willy-Brandt-Ufer 10, Zur Helling 1 / D- 24143 Kiel

/Purpose of valuation:
Financing purposes

/Prepared for:
Germania Arkaden GmbH
Skt. Knuds Torv 3,3
DK-8000 Aarhus C

/Date of valuation:
31.12.2021



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Preamble

Client:	Germania Arkaden GmbH Skt. Knuds Torv 3,3 DK-8000 Aarhus C
Advisor:	Dipl. Betriebswirt Steffen Schroeder Immobilienfachverständiger Margeritenweg 9 21360 Vögelsen
Content of the order:	Estimation of the current market value – desktop update of former report
Purpose of the valuation:	Financing purposes
Valuation standard:	The valuation is made in compliance with the regulations of the RICS Valuation Book “Red Book” of the Royal Institution of Chartered Surveyors and ends with the market value of the property.
Date of evaluation:	31 December 2021
Date of inspection:	06 January 2022
Inspected areas:	Outside and entrance
Provided information:	▲ Rent roll from November 2021 ▲ Land register ▲ Floor plan ▲ Cadastral map



1 Executive Summary

BASIC INFORMATION		
Property:	Address:	Willy-Brandt-Ufer 10, Zur Helling 1 D- 24143 Kiel
	Municipality distr.:	Kiel
	Federal state	Schleswig-Holstein
Owner:	Germania Arkaden GmbH	
Date of inspection:	06.01.2022	
Inspected units:	outside	

PROPERTY	
Use class:	office building
Year of construction:	2010
Year of reconstruction:	none
Year of refurbishment:	none
Site area:	1,311 sq. m.
Surrounding area use:	east side of harbour bassin, office buildings, event center, undeveloped areas

	Units	areas	Vacant units	Vacant areas	%
Residential:	0	0	0	0	0%
Office:	17	5,418	0	0	0%
Retail:	0	0	0	0	0%
Storage:	0	0	0	0	0%
Parking lots:	0	0	0	0	0%
Garages:	76	0	4	0	0%
Others: Gastronomy / Hotel	0	0	0	0	0%
Others: medical practice	5	1,375	0	0	0%
Others:	0	0	0	0	0%
Total	98	6,794	4	0	0%

Building materials:	
Roof:	concrete construction, roofing film
Windows:	aluminium/ wood framed insulating double glazing
Facades:	exposed brickwork, glass walls , insulated
Basement:	full basement, massive construction, underground garage
Staircases:	concrete construction
Installations:	mostly good modern standard
Type of construction:	massive construction, ferroconcrete frame, preconstructed parts

AUTHORITIES	
Building law:	development plan, building land commercial use
Environmental/contamination issues:	none
Taxes:	currently free (assumed)
Preservation order:	no
Encumbrances land register:	4 easements; car parking right on neighbouring plot; preemption right for the city of Kiel
Encumbrances public obligations:	yes, concerning distance space and mutual parking garage rights



STATE OF MAINTENANCE							
(1) Very good condition - (4) Medium condition - (7) Very poor condition, in need of immediate repair							
	1	2	3	4	5	6	7
State of maintenance roof:		X					
State of maintenance windows:		X					
State of maintenance facade:		X					
State of maintenance basement		X					
State of maintenance staircases		X					
State of maintenance technical installations:		X					
State of maintenance other relevant issues:		X					
Overall state of maintenance:		X					
Backlog:	no damages assumed						

ADDITIONAL ASSESSMENT							
	1	2	3	4	5	6	7
Location quality Residential:			X				
Location quality Commercial:		X					
Rent ability residential units:							
Rent ability commercial units:		X					
Sale ability:		X					
Eligibility for collateral in the short run:		X					
Eligibility for collateral in the long run:	X						
Alternative use:				X			
Type of alternative use:	Hotel, Micro Apartments						
Method for the valuation:	Discounted cash flow						

SPECIAL CONDITIONS	
Special conditions in the rental contracts:	n/a
Special conditions in the purchase contract:	n/a

OTHER INFORMATION	
Are there any interest between the tenants and the owner:	no
Is the rent in the rental contracts specified for each category of use:	yes
Rental contracts including VAT	yes, except medical practice and insurance
Other/additional relevant information:	2 apartmenthouse complexes under construction, east and north of the property; Underground parking currently closed, parking on other area, without influence

VALUE	
Date of purchase:	n/a
Sales price within the last 2 years:	n/a
Cap. Rate (terminal value in 10 years):	4.90%
Discount rate:	2.75%
Market value:	25,000,000
Value per square meter useable area:	3,680 €/sq. m.



2 Property key figures and cash flow analysis

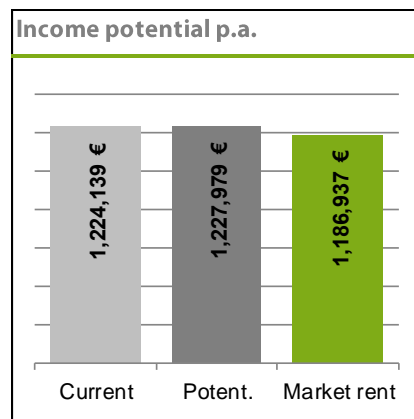
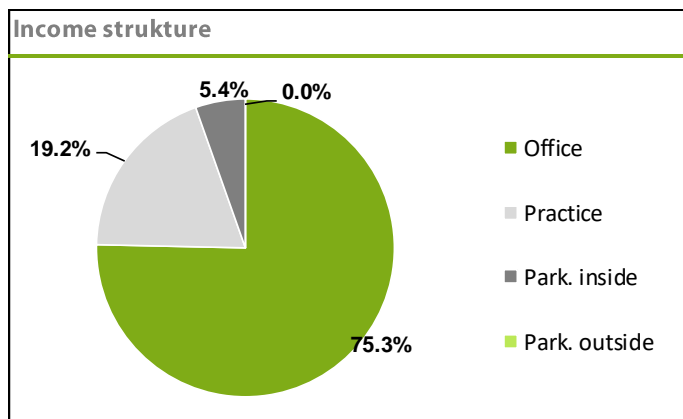
2.1 Income situation

Use	Units			Area in sq. m.			vacant	Rent €/sq.m.	Rent p.m.	Rental share
	total	occ.	vacant	total	occ.	vacant				
Residential										
Office	17	17		5,418	5,418			14.18	76,859.67 €	75.3%
Practice	5	5		1,375	1,375			14.27	19,625.95 €	19.2%
Retail										
Gastro										
Storage										
Accommodation										
Other										
Special										
Total commercial	22	22		6,794	6,794			14.20	96,485.62 €	94.6%

Park. outside										
Park. inside	76	72	4				5.3%	76.75	5,525.97 €	5.4%
Total parking	76	72	4				5.3%	76.75	5,525.97 €	5.4%

Total	98	94	4	6,794	6,794				102,011.59 €	
Income per year										1,224,139.08 €
WALT commercial income weighted average lease term										2.1 Years

Main tenant					
health insurance		Area	4,535 sq. m.	p.m.	64,683.93 €
Lease term	1.7 Years	Share	66.7%	Share	63.4%





2.2 Rent roll

No	Tenant	Status	Use	Unit	Area sq. m.	Lease end	Income per month	Rent €/ sq. m.	Market rent	ERV p. m.	VAT
1	health insurance	occ.	Office	1	214.1	30.09.2023	2,911.22 €	13.60 €	13.50 €	2,889.81 €	no
2	health insurance	occ.	Office	1	174.0	30.09.2023	2,486.50 €	14.29 €	13.50 €	2,349.27 €	no
3	health insurance	occ.	Office	1	160.4	30.09.2023	2,291.18 €	14.29 €	13.50 €	2,164.73 €	no
4	health insurance	occ.	Office	1	161.9	30.09.2023	2,312.76 €	14.29 €	13.50 €	2,185.11 €	no
5	association of tax consulta	occ.	Office	1	54.9	31.12.2024	809.63 €	14.74 €	13.50 €	741.69 €	yes
6	academy	occ.	Office	1	158.3	31.12.2024	1,993.21 €	12.60 €	13.50 €	2,136.38 €	yes
7	office	occ.	Office	1	173.9	31.12.2025	2,347.92 €	13.50 €	13.50 €	2,347.92 €	yes
8	office	occ.	Office	1	158.7	31.12.2021	2,103.98 €	13.26 €	13.50 €	2,142.18 €	yes
9	office	occ.	Office	1	161.9	31.12.2023	2,185.52 €	13.50 €	13.50 €	2,185.52 €	yes
10	health insurance	occ.	Office	1	987.7	30.09.2023	14,123.45 €	14.30 €	13.50 €	13,334.22 €	no
11	health insurance	occ.	Office	1	987.7	30.09.2023	14,123.45 €	14.30 €	13.50 €	13,334.22 €	no
12	health insurance	occ.	Office	1	987.7	30.09.2023	14,123.46 €	14.30 €	13.75 €	13,581.15 €	no
13	medical practice	occ.	Practice	1	334.2	31.07.2023	4,813.67 €	14.40 €	13.75 €	4,595.25 €	no
14	medical practice	occ.	Practice	1	196.4	31.07.2023	2,828.28 €	14.40 €	13.75 €	2,699.95 €	no
15	medical practice	occ.	Practice	1	94.5	31.10.2022	1,109.72 €	11.75 €	13.75 €	1,299.10 €	no
16	medical practice	occ.	Practice	1	361.6	30.09.2023	4,785.28 €	13.23 €	13.75 €	4,972.41 €	no
17	medical practice	occ.	Practice	1	388.7	30.06.2026	6,089.00 €	15.66 €	13.75 €	5,344.76 €	no
18	health insurance	occ.	Office	1	183.0	30.09.2023	2,614.68 €	14.29 €	13.75 €	2,516.11 €	no
19	health insurance	occ.	Office	1	316.3	30.09.2023	4,520.05 €	14.29 €	13.75 €	4,349.26 €	no
20	health insurance	occ.	Office	1	186.0	30.09.2023	2,660.09 €	14.30 €	13.75 €	2,557.78 €	no
21	health insurance	occ.	Office	1	176.0	30.09.2023	2,517.09 €	14.30 €	14.50 €	2,552.29 €	no
22	office	occ.	Office	1	176.0	31.10.2023	2,735.48 €	15.54 €	14.50 €	2,552.29 €	no
23	Underground parking occ	occ.	Park. inside	72		31.12.2025	5,525.97 €	76.75 €	80.00 €	5,760.00 €	yes
24	Underground parking vac	vac.	Park. inside	4					80.00 €	320.00 €	
25											
26											
27											
28											
29											
30											
31											
32											
33											
Total							102,011.59 €			98,911.39 €	
Total per year							1,224,139.08 €				

Tenant comment:

Mostly economic stable and solvent companies. Good creditworthiness assumed.

According to the administrator all tenants without any rent arrears.

The underground parking is further not useable, due to construction work on the neighbouring plot. But the tenants use another plot and the municipality is pay for the losses. No influence on the cash flow is assumed.



2.3 Cash Flow Calculation

CASH FLOW CALCULATION	1	2	3	4	5	6	7	8	9	10
INCOME										
Office	922,316 €	897,657 €	897,657 €	900,137 €	903,416 €	903,416 €	903,416 €	903,416 €	905,060 €	905,060 €
Practice	237,784 €	238,077 €	238,077 €	238,077 €	233,082 €	233,082 €	233,082 €	233,082 €	233,082 €	233,082 €
Park. inside	70,152 €	70,152 €	70,152 €	70,152 €	77,437 €	77,437 €	77,437 €	77,437 €	77,687 €	77,687 €
Park. outside										
Vacancy loss	-12,129 €	-98,539 €	-6,655 €	-9,029 €	-42,835 €					
Gross Rental Income (GRI)	1,218,122 €	1,107,346 €	1,199,231 €	1,199,337 €	1,171,100 €	1,213,934 €	1,213,934 €	1,213,934 €	1,215,829 €	1,215,829 €
EXPENSES										
Non recoverable cost										
Management	-27,002 €	-26,572 €	-26,688 €	-26,919 €	-27,140 €	-27,481 €	-27,925 €	-28,495 €	-29,258 €	-30,189 €
Running maintenance	-54,351 €	-55,166 €	-55,994 €	-56,834 €	-57,686 €	-58,551 €	-59,430 €	-60,321 €	-61,226 €	-62,144 €
Vacancy cost non rec.	-1,175 €	-10,607 €	-729 €	-959 €	-2,856 €					
Other non rec. costs										
Total non rec. costs	-82,528 €	-92,344 €	-83,410 €	-84,712 €	-87,682 €	-86,032 €	-87,354 €	-88,817 €	-90,484 €	-92,333 €
Net Rental Income	1,135,594 €	1,015,002 €	1,115,820 €	1,114,625 €	1,083,418 €	1,127,902 €	1,126,580 €	1,125,118 €	1,125,345 €	1,123,496 €
Letting cost	-12,530 €	-281,562 €	-7,771 €	-10,007 €	-47,666 €					
Tenant improvements	-25,316 €	-560,300 €	-16,189 €	-21,319 €	-56,263 €					
Capital expenditures										
Net Operating Income (NOI)	1,097,748 €	173,139 €	1,091,860 €	1,083,298 €	979,489 €	1,127,902 €	1,126,580 €	1,125,118 €	1,125,345 €	1,123,496 €
Terminal Value										24,812,832 €
Total Cash Flow	1,097,748 €	173,139 €	1,091,860 €	1,083,298 €	979,489 €	1,127,902 €	1,126,580 €	1,125,118 €	1,125,345 €	25,936,328 €
Discounted Cash Flow	1,068,368 €	163,996 €	1,006,518 €	971,898 €	855,245 €	958,474 €	931,728 €	905,614 €	881,555 €	19,773,802 €
Running yield (on total invest)	4.0%	0.6%	4.0%	3.9%	3.6%	4.1%	4.1%	4.1%	4.1%	4.1%

MARKET VALUE

Discount rate	2.75%
Sum discountes cash flow	27,517,199 €
Other influences	
Gross present value	27,517,199 €
Transaction costs	10.00%
Net present value	25,015,635 €

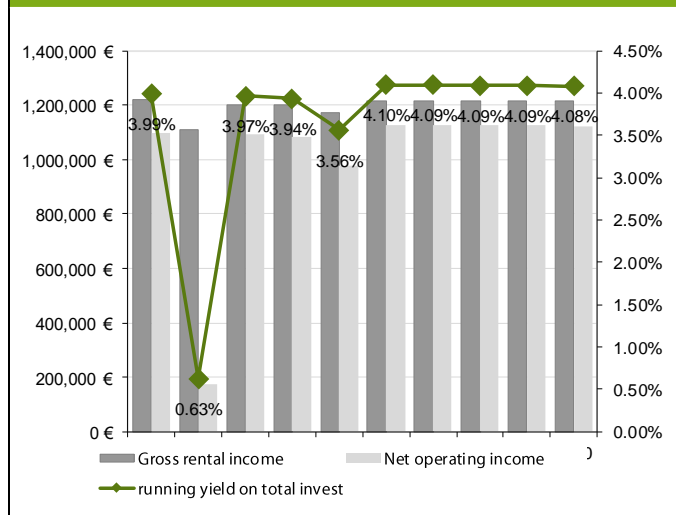
TERMINAL VALUE

Capitalization rate	4.90%
Multiplier	20.41 -fold
GRI in year 11	1,215,829 €
Terminal Value	24,812,832 €

VALUATION ASSUMPTIONS

EXPENSES		
Management resi/com p.a.	280.00 €/unit	2.00%
Management parking	50.00 €/unit	
Running maintenance (€/m ² /p.a.)		8.00
Others		
Vacancy costs (€/m ² /month)		1.50
TRANSACTION COSTS		
Transfer tax		6.50%
Broker fee		2.50%
Legal / notary		1.00%
In total		10.00%
MARKET DEVELOPMENT		
Consumer price index (inflation)		1.50%
Market rent development residential		2.00%
Market rent development commercial		1.50%
LEASE MANAGEMENT		
Tenat improvement	€/sq. m.	100.00
Letting costs (monthly rent)		3.00
Void period, tenant change (month)		3.00
Lease up period, vacancy (month)		2.00
Residential tenant fluctuation (rental area p.a.)		10.00%
Discount rate		2.75%
Capitalization rate		4.90%

CASH FLOW OVERVIEW





2.4 Valuation assumptions

Market rent:

Office/ Practice:

Market rents for office space in Kiel:

- ▲ Simple/ standard locations 5.50 to 7.00 €/sq. m.
- ▲ Medium/ average locations 7.00 to 9.00 €/sq. m.
- ▲ Good location 9.00 to 11.00 €/sq. m.
- ▲ Best location/ new building 13.00 to 16.00 €/sq. m.

Rental offers for office space in the surroundings:

- ▲ Radius 1 km, > 200 sq.m. 5.49 to 16,52 €/sq. m.

The current agreed rent level in the property is between 11.75 and 15.66 €/sq. m. The higher rents consider that the tenant does not pay any VAT, like the medical practice. Latest contracts from 2020 were agreed at 13.50 €/sq. m.

But based on the good location and a good marketable building quality we estimate a sustainable rent in the upper range of the market, at between 12.00 and 14.50 €/sq. m.

There is basically no change in the market rent estimation.

Parking spaces:

The market rents for parking garage lots range between 80 and 120 €/unit. The rented parking lots vary from €75 to €95.

Due to the high demand in the city quarter a rent level of €80 is estimated as sustainable.

Comments on the lease terms/
conditions:

- ▲ The tenant pays all recoverable costs based on the law and is responsible for small repairs
- ▲ The medical practice does not pay any VAT

Vacancy:

One unit is temporarily vacant. But normally lettable.

Non-recoverable cost:

Running maintenance costs:

Typically cost between 8.00 and 12.00 €/sq. m. are known from the market. For this modernized but basically old building the level of maintenance is estimated in the medium range.

Management costs:

For a multi-tenant office building management cost between 1 and 3% of the income is common.

Tenant fluctuation (tenant change):

- Fluctuation per year (residential): 5% average
- Temporary vacancy / re-letting: 3 months
- Tenant improvements: 100.00 €/sq. m.

Capital expenditures:

none

Discount rate:

The estimated yield is based on a market analysis and a comparison with comparable transactions.

Cap rate (terminal value):

After termination we estimate a normally managed multi-tenant office building, which is let on market level.

Other circumstances:

None – included in the yield

Purchaser's cost:

An asset deal is assumed. Cost for broker, legal and transfer tax



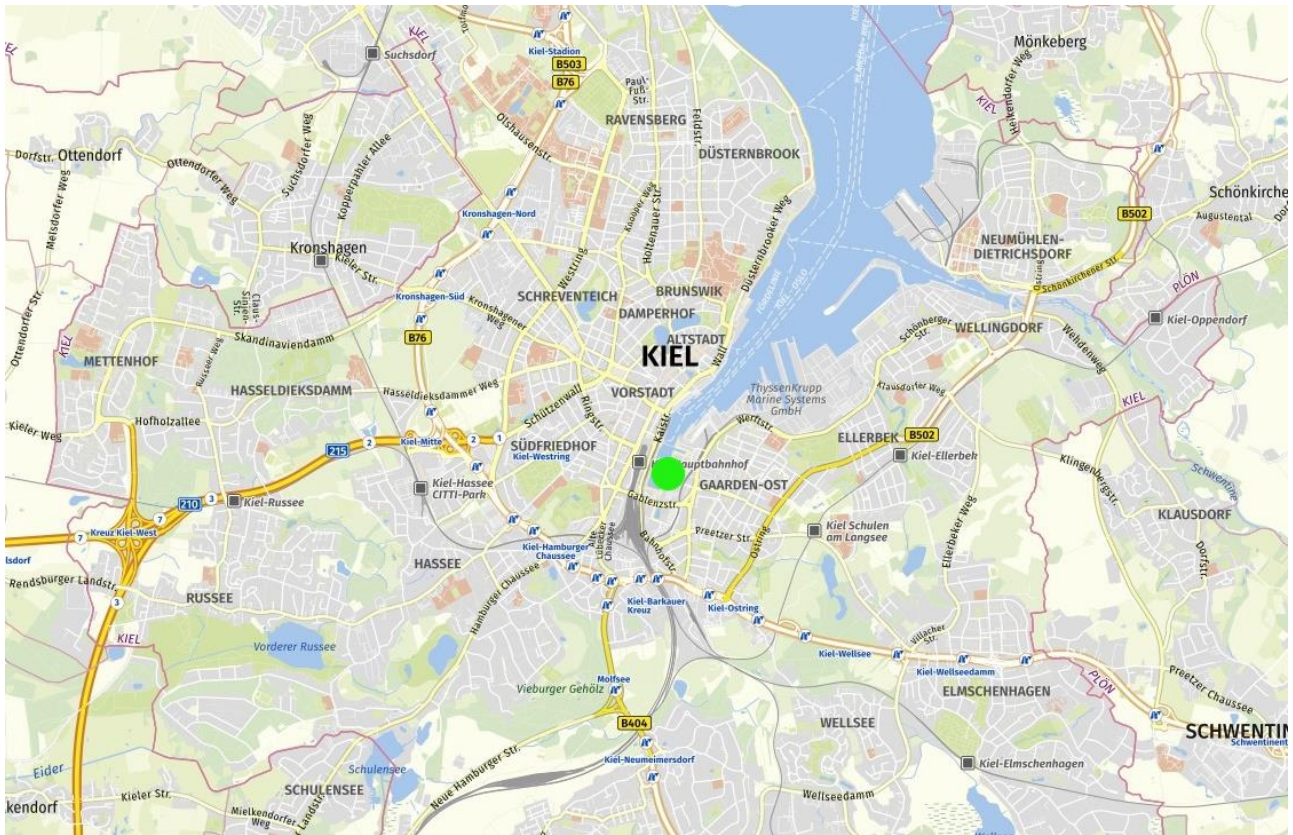
must be deducted from the capital value.

Saleability:	A modern office property in a sustainable location on the waterfront. Still one of the best quality office buildings in the city, branded as "Germania Arkaden" office center. Based on the big volume and a stable secured income we estimate an overall good saleability.
Lettability:	Good
Alternative use:	Hotel or apartment house
Comments on the sales price:	n/a



3 Location

3.1 Macro-location



Macro location map, © mapz.com

City:

Kiel (capital of the federal state)

Socio-demographic facts:

Inhabitants: Approx. 247.548 (+2.5% in 5 years)
 Unemployment rate: city 7.0%/ Germany 5.1%
 Purchase power index: 89.3 (German average = 100)

Key facts:

Kiel, as a harbour city at the Baltic sea, is an intersection of the ferry and goods traffic to Scandinavia and the eastern European countries since the 1960ies. The capital of the federal state is situated near the Kiel Canal (Nord-Ostsee-Kanal), which is one of the most frequented waterways of the world. Kiel is the cultural and economic centre of the northern part of Schleswig-Holstein. A university with 34,000 students, a comprehensive retail landscape as well as the adjacent Baltic Sea provide a high quality of life and leisure. Kiel is worldwide known for the “Kieler Woche”, Germany’s sailing event with more than 3 million visitors each year.

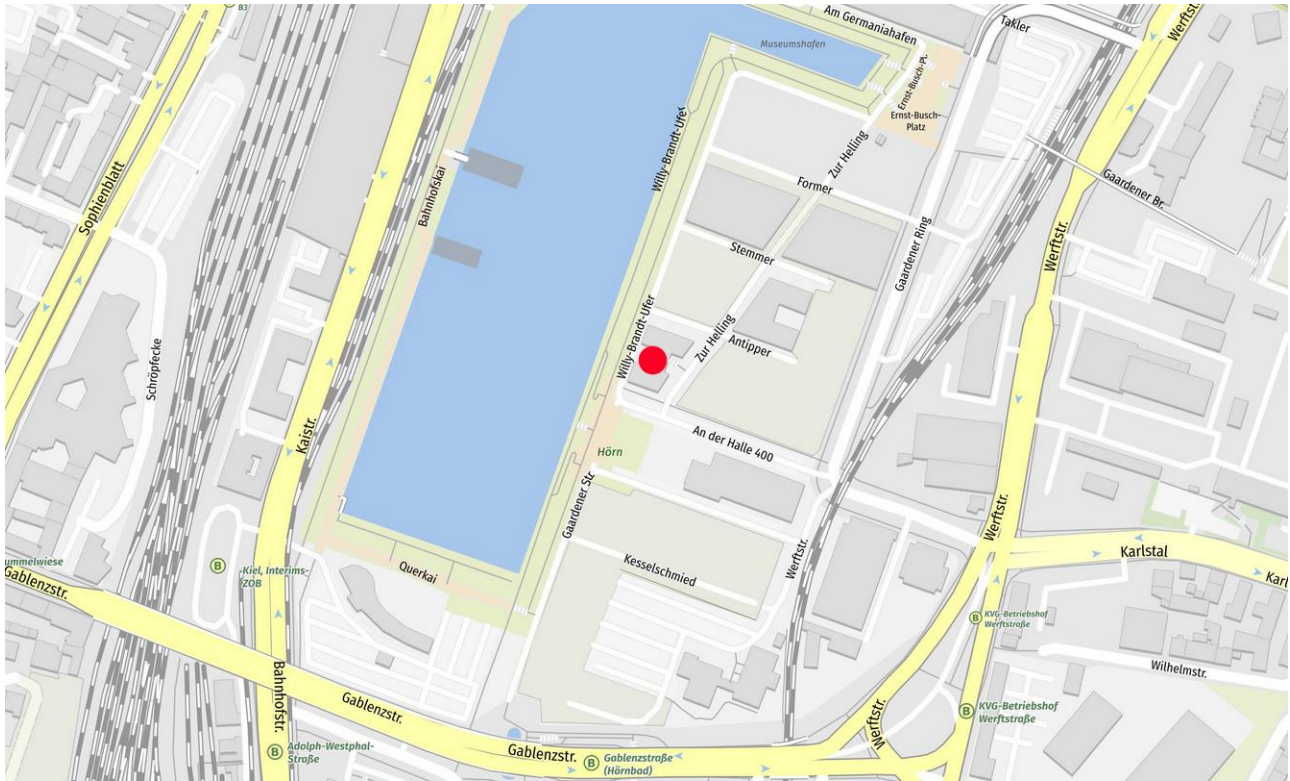
Economic trends:

Kiel’s economic structure is widely diversified and the city is more and more developing into a high-tech industry and a tourist location with an increasing portion of the service sector. But the local economy is still in a restructuring process from a harbour and ship industry to the service business, driven by young people and students as well as the increasing number of inhabitants. Currently, the economy is recovering after the Corona pandemic. The index of the economic climate of Schleswig-Holstein in the 3rd quarter 2021 is at 116.4 and for the second time in a row it is above



the long-term average of 111.2 points. The economy in Schleswig-Holstein has rapidly stabilized again since the crisis-related slump in 2020.

3.2 Macro-location



Micro location map, © mapz.com

Inner city location:

City center, harbour front

Surrounding:

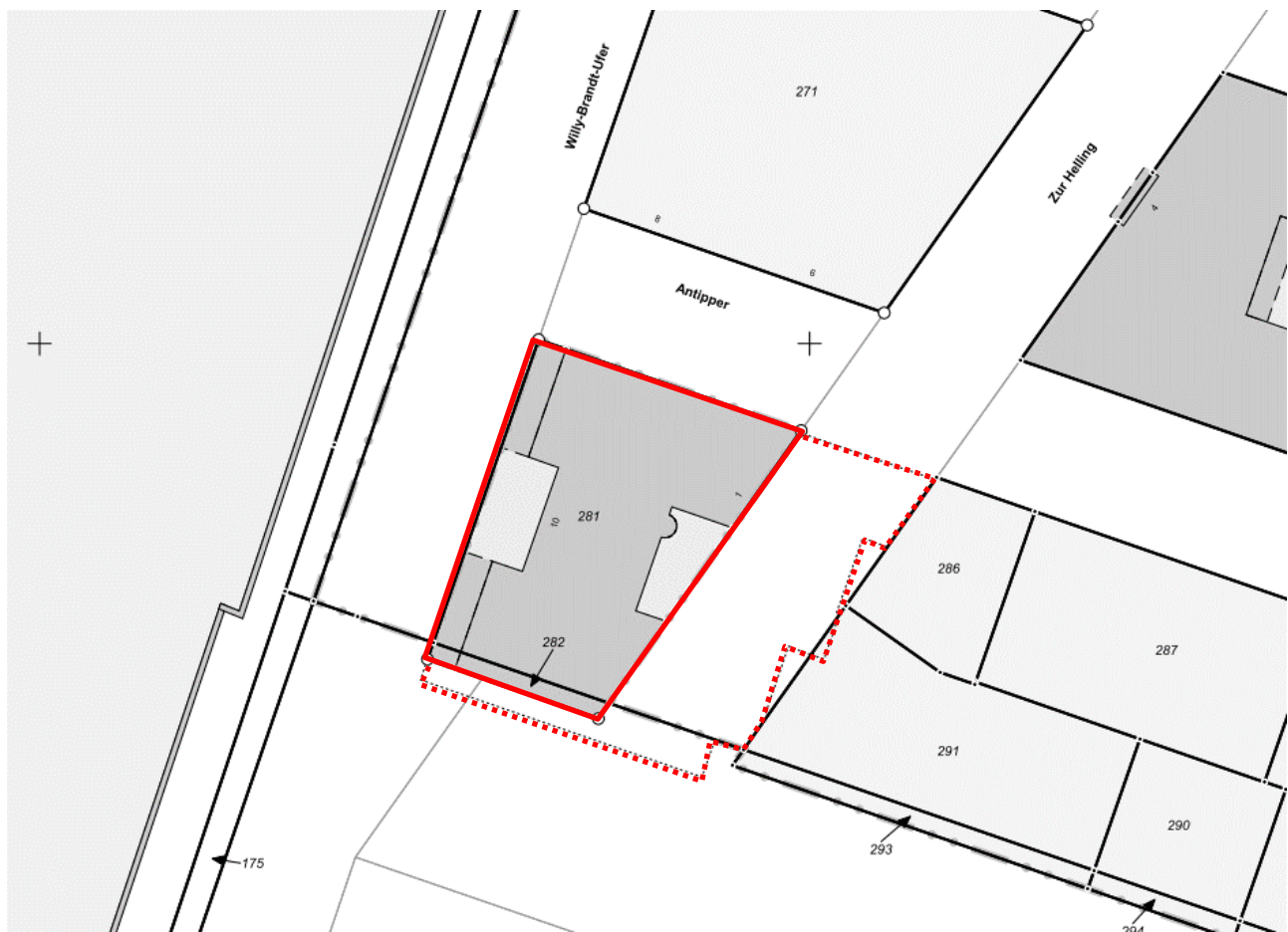
The property is directly located on the east waterfront of the harbour, a representative location in the east part of Kiel's city center. The surrounding area is almost completely under construction. Over 450 apartments will be built on the land to the north and east over the next few years, along with complementary office and commercial space. 200m north the new headquarter of the SH Investment Bank has been finished last year. Overall, the quarter will change over the next few years to become an urban district in which residential use will predominate as well as an improved supply of restaurants and cultural highlights.

Urban environment:

QUALITY OF	simple	very good
Car accessibility		
Public transport		
Local shopping		
Parking situation		
Visibility / representation		
School / Kindergarden		
Green area / public park		
Immission situation		
Surrounding conditions		
Residential location		
Commercial location		



4 Plot, cadastral map



cadastral map without measure; dotted: basement layout

Outside characteristics:

- ▲ Small plot completely covered by the building; basement with underground parking bigger than ground floor
- ▲ Suitable for the current construction

Development:

- ▲ Directly accessible from two public streets
- ▲ All necessary development facilities are existent
- ▲ Underground parking entrance from eastern neighboring plot



5 Legal situation

Cadastral information:

Register	Sheet	District	Section	Parcel	sq. m.
Kiel	71897	Kiel-M	14	281	1.255
				282	56
Total					1.311

Owner of the plot:

Germania Arkaden GmbH
Skt. Knuds Torv 3,3
DK-8000 Aarhus C

Land register:

Rights:

- ▲ Parking right and underground garage right on the neighbouring plot

Encumbrances:

- ▲ Pre-emption right for all sales in favour of the city of Kiel
- ▲ Parking and underground garage right in favour of the eastern neighbour (mutual right)
- ▲ Development area notice for the city of Kiel from 1989 (not important anymore)

Register of public obligations:

- ▲ Proof of parking space in favour of the property on the neighboring plot
- ▲ Right of way for the neighbor

Register of contaminated sites:

Registered as former industrial area, but cleaned in course of new construction

Listing of ancient monuments (preservation order): No

Status of taxes and contributions

Currently free of taxes and contributions (assumed)

Building law:

Zoning plan: SO – special zone harbour area
Development plan: No 841
MK – Mixed use
Ground cover ratio 1.0
Building height 22.5m
Right to build: Right to build based on §30 BauGB
German building law

Planning permission:

The building permit from 21 May 2008 is available. The material legality of the existing building development can be assumed.



6 Description of the building

Property type:	Office property																																																													
Year of ...:	Construction:	2010																																																												
	Modernization:	none																																																												
	Refurbishment:	running maintenance																																																												
Construction:	Type of construction:	steel concrete frame construction																																																												
	Interior walls:	massive, light weight construction																																																												
	Floor slabs:	reinforced concrete																																																												
	Facade:	brick stone, clinker, insulated wall																																																												
	Windows:	wood/aluminium framed insulating glazing																																																												
	Roof:	concrete construction, flat roof																																																												
	Staircase:	reinforced concrete with artificial stone																																																												
	Balconies:	none																																																												
Installations:	Heating:	long distance heating																																																												
	Air condition:	decentralized, owned by the tenant																																																												
	Warm water:	electric boilers																																																												
	Electrical:	average modern quality, cable ducts																																																												
	Lift:	two passenger elevators																																																												
	Others:	exhaust system, underground parking																																																												
Fitting quality:	Office:	very good																																																												
Other special fittings:	▲ none																																																													
Condition of the building:	The property is in good as new condition and well maintained. Temporary water damage in the vacant apartment, which is under construction for a short time.																																																													
Latest modernization/ maintenance:	No																																																													
Building structure:	Storeys:	10																																																												
	Basement:	technical rooms, storage, underground parking – gross floor space larger than the plot, layout under the street																																																												
	Ground floor:	entrance hall, office units																																																												
	Upper floors:	office units																																																												
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7 SWOT-Analysis

STRENGTHS

- ▲ Prime office location in Kiel, directly at the harbour front, with water view
- ▲ Good car accessibility and parking possibilities
- ▲ Relatively new and modern building in very good condition
- ▲ Completely occupied
- ▲ Well demanded property volume above €20m
- ▲ Sufficient number of parking lots

WEAKNESSES

- ▲ In the next years a lot of construction work will be expected on the neighbouring plots - possibly entailing emission disadvantages for the tenants
- ▲ Less dynamic rent development on the office market
- ▲ WALT below 2 years
- ▲ Contract with the main tenant with a remaining lease term of 1.7 years
- ▲ At the moment there is no entrance to the underground parking due to construction work

OPPORTUNITIES

- ▲ Good demand for modern office space in the city center and around the harbour front
- ▲ Low office vacancy in modern buildings in Kiel
- ▲ Developments in the surroundings are increasing the location quality towards a mixed use structure with more urban life – in a few years it will be a completely new city quarter

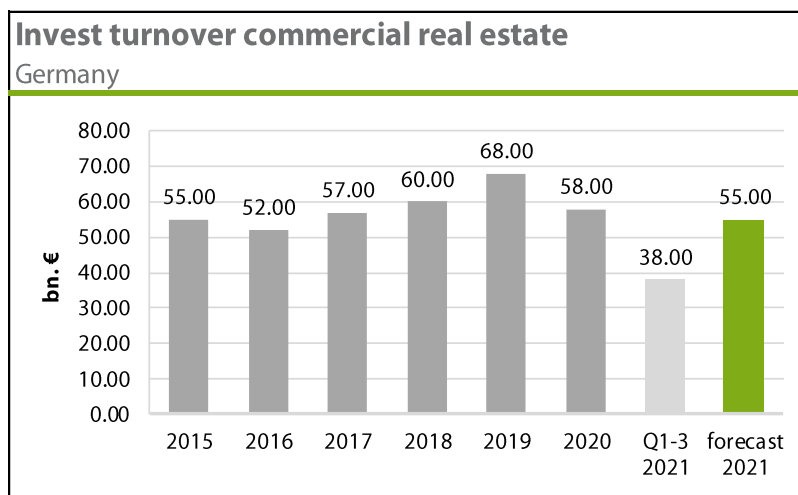
THREATS

- ▲ Almost 70% of the income derives from only one tenant (TKK)
- ▲ Market rent level slightly below the west waterside of the harbour
- ▲ Contract of the main tenant slightly overrented, rent level not obtainable from alternative tenants
- ▲ The new buildings on the neighbouring property limit the visibility and illumination of the property.
- ▲ *The economic consequences of the Corona crisis are still impacting the real estate market, especially in the hotel, gastronomy and non-food retail sector.*



8 Market Situation

German investment market:



Main market trends:

- ▲ The pandemic continues to influence the markets in the first half of 2021, but a recovery is clearly visible in the 3rd quarter.
- ▲ Investors are reacting with a change in investment focus; risk-free investments (core asset class) are in even greater demand than before and properties with letting risks such as non-food retail or offices in B-locations have seen a decline in demand.
- ▲ Berlin leads from January to September 2021 with a transaction volume of around €6.8 billion, followed by Frankfurt (around €4.5 billion) and Munich (around €4.0 billion) - Hamburg is in fourth place with around €2.1 billion.
- ▲ Office properties will continue to be the asset class with the highest volume in H1 2021 (approx. 50%).
- ▲ The lack of core products increases the transaction share of forward deals and project developments
- ▲ Prime yields remain at historically low levels, below 3% for top properties in metropolitan areas. For this year, however, the level is likely to stagnate in most of the regions.
- ▲ Due to missing alternative investment opportunities with a similar risk-return profile, demand for commercial real estate is likely to remain very high in the future.
- ▲ Kiel is a small investment location, the commercial real estate investment turnover in the last 5 years was approx. €130 million.

Kiel investment market:

Prime gross yield office property: 4,7%

Prime gross yield retail property: 5.3%

The market situation for retail real estate continues to be dampened, especially for non-food-retail.

Comparables:

#	year	type	location	YOC	usable area	purchase price	multiplier	price €/m ²
1	2020	office building	Kronshagener Weg	1994	22,453	54,750,000 €	19.98	2,438
2	2020	Mixed use	Holtenuer Str	1905/2020	1,225	4,240,000 €	20.56	3,461
3	2020	office/ comm.	Elisabethstr.	1966	840	1,465,000 €	15.70	1,744
4	2021	office/ comm.	Holstenstr.	1966	1,717	3,200,000 €	15.50	1,864
5	2021	office/ comm.	Holstenstr.	1957	3,300	10,000,000 €	25.60	3,030
						14,731,000 €	19.47	2,508 €



9 Valuation Result

Result of the calculation:

MARKET VALUE	25,000,000 €
Gross initial yield (on current GRI)	4.87%
Net initial yield (on current NRI)	4.54%
Gross initial yield (on potential GRI)	4.91%
Net initial yield (on potential NRI)	4.43%
Gross multiplier (on current income)	20.42
Gross multiplier (on potential/ stabilized income)	20.36
€ per sq. m. rental space	3,680 €

Conclusion:

The property is a multi-tenant office building in prime location, in very good condition and with a flexible structure. It is a long term sustainable office location with a stable but not dynamic rent development.

It can still be estimated as a core investment property.

Eligibility for collateral:

In the long term: very good

In the short term: good

Market value:

Based on our calculations and in accordance with Red Book we estimate the market value of the property Willy-Brandt-Ufer 10, D-24143 Kiel on the date December 31, 2021 at

25,000,000.00 €

in words: twenty five million Euros

Hamburg, 14/01/22

Steffen Schroeder
Immobiliensachverständiger

No conflict of interest

We confirm that we have no conflict of interest, either with the Borrower or with the properties in question. We also confirm that the valuer does not benefit (other than from receipt of the valuation fee) from this valuation instruction.

Copyright

The Client assures that all valuations, reports, plans, drafts, renderings, tables and calculations will only be used for those purposes specified in the contract and will not be published without the prior consent of the valuer in each individual case. The Client will only pass on the results of Advisor's work to third parties, even if directly connected with the Client, with the explicit prior written consent of the Advisor.

Indemnity insurance

The valuer assures that the amount of their professional indemnity insurance is limited to €2.5 million on a per case basis.



10 Appendix

10.1 Photo documentation



Rear view



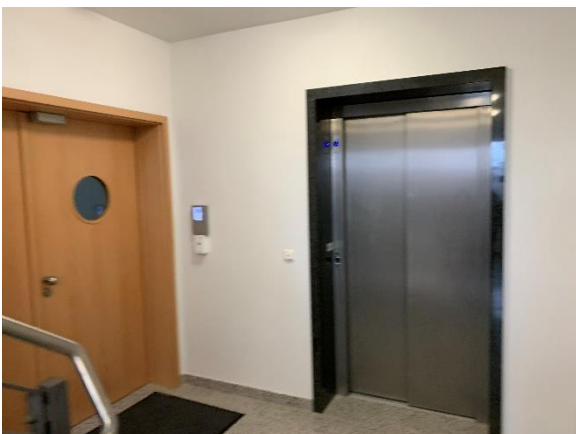
Entrance east



Entrance hall



Entrance west



Hallway, lift



Staircase



Office quality



Office quality



Office quality



Office quality



Office quality



Office quality



Office quality



Water damage



Underground parking



Parking garage, air condition owned by the client



District heating



Electric installation



Roof example



Eastern neighbouring plot, parking entrance closed



South façade



West façade



East façade



Neighbouring plot in the north, unchanged



West facade



North facade



Entrance west



Façade details



Surrounding Willy-Brandt-Ufer direction south

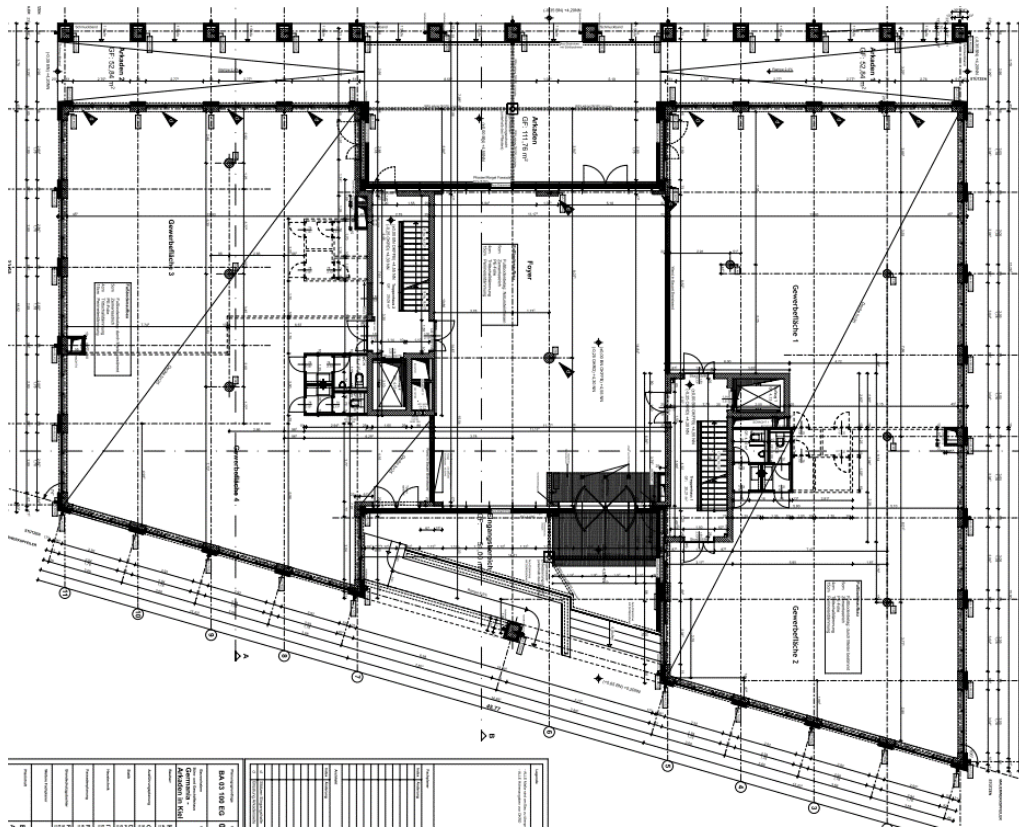


Surrounding Willy-Brandt-Ufer direction north

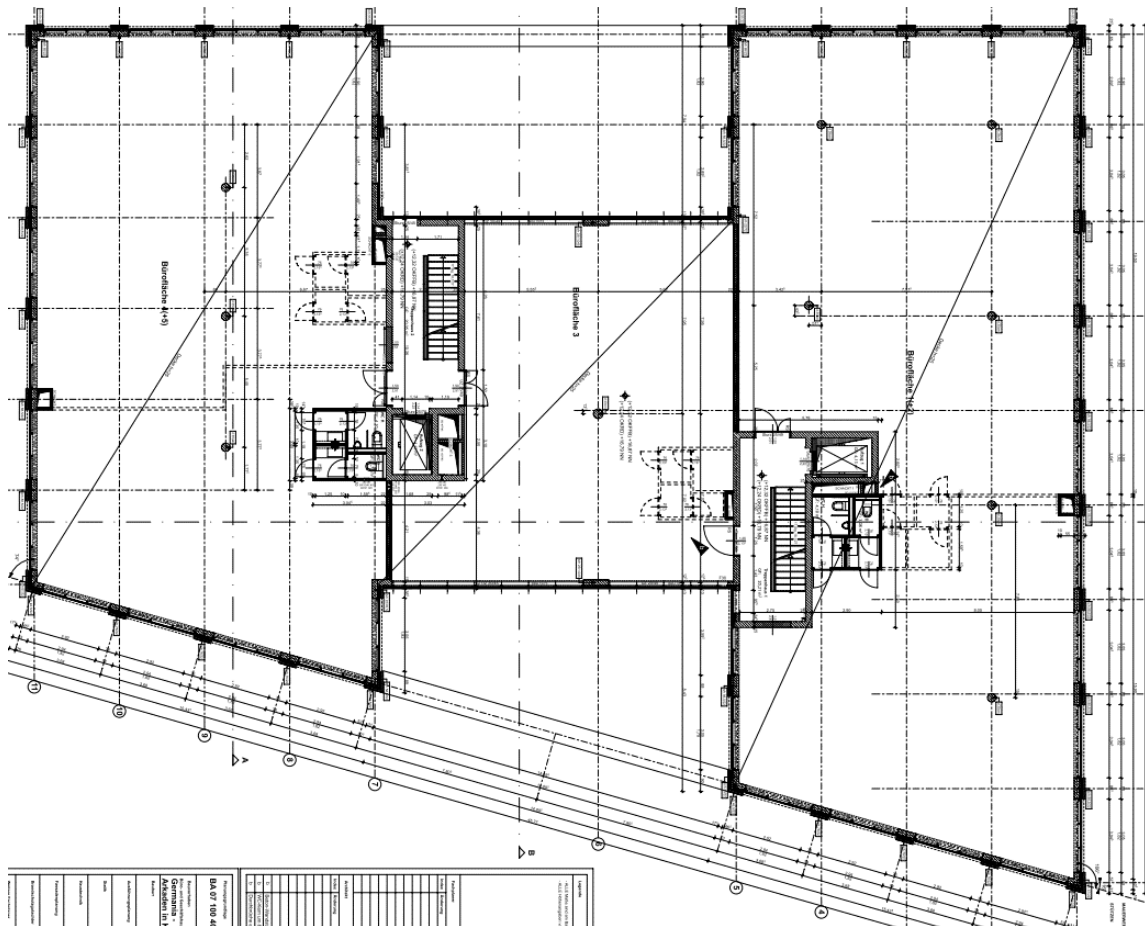


10.2 Appendix

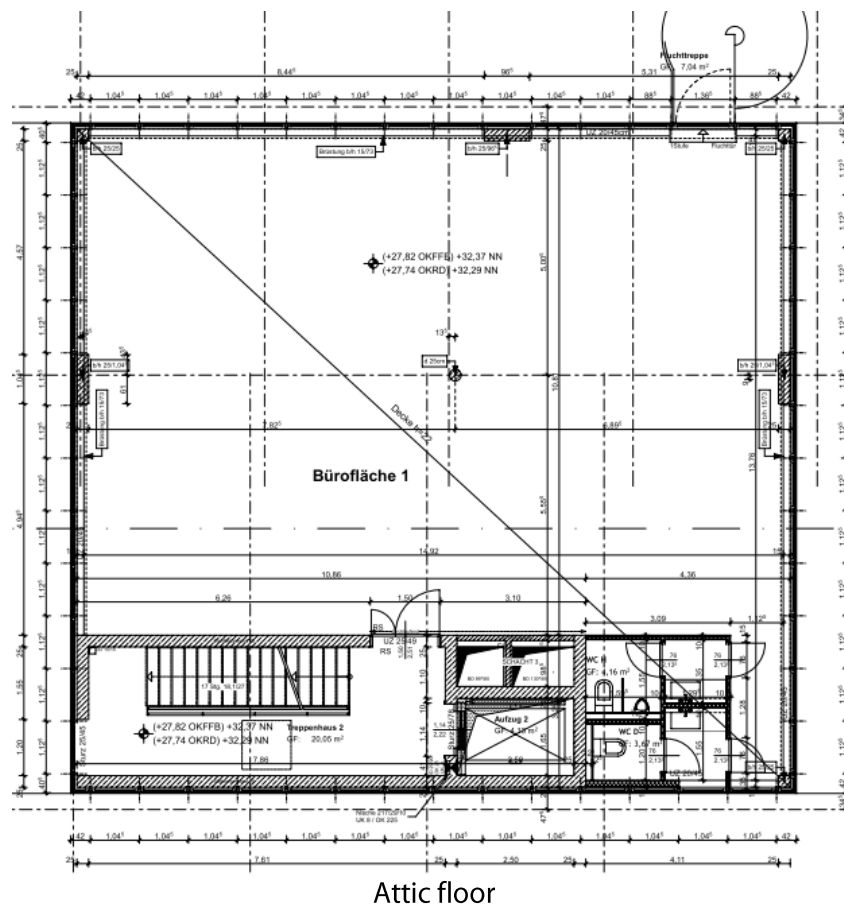
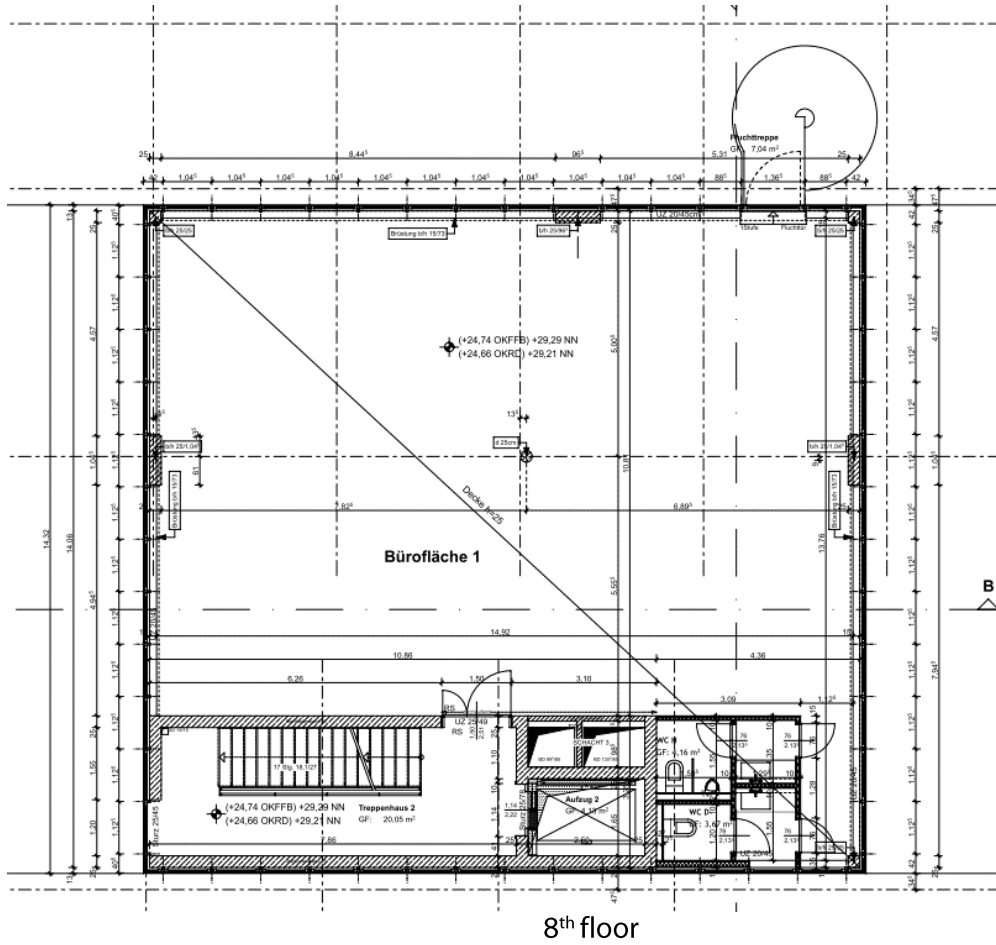
Floor Plans



Ground floor



typical floor plan 1st to 7th floor





10.3 Appendix

General Principals

Methods and Standards

Valuation standard: The valuation is prepared in accordance with the standards of the Appraisal and Valuation Manual, published by RICS, London and the German valuation law (Immobilienwertermittlungsverordnung, ImmoWertV). It ends with the market value of the property.
The market value definition of the ImmoWertV is comparable to the Red Book definition of the Royal Institution of Chartered Surveyors (RICS).
The Market Value is "the estimated amount for which a property should exchange on the date of a valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Source of information

Basic sources: Our report is based on the information provided by the client, owner, official sources and own databases and research. We do not accept any liability for either the accuracy or completeness of this information. We are neither obliged to confirm the completeness and correctness of the information provided nor to examine any original documentation for the same purpose.

Data from public registers and authorities: The influence on the value caused by other rights and encumbrances not recorded in public registers was only taken into consideration in as far as it could be determined from the information supplied by the owner, from the rental contracts presented and upon viewing during the inspection.
Inasmuch not defined in detail, information from public registers and authorities are based on verbal information. It is recommended in case of property disposition to verify all information from public registers and authorities by written confirmation.

Description of the buildings

Restriction: The building and external fixtures are only described in as far as is necessary for the derivation of data for the valuation. To this effect the apparent and prevailing constructions and fittings are described. Deviations can occur in individual sectors but these do not have any impact on the valuation. Details of non-visible structures are based on statements in the available documentation, remarks during the inspection or assumptions based on the type of construction usual in the year the building was erected.
The description and assessment of this report are based on the inspected areas as well as the information from the owner.

Measures and usable space: The mentioned usable space of the buildings is based on available rent rolls, floor plans or other information from the owner and was roughly checked by the valuer.
Therefore, the rental areas serve only as a basis for the evaluation and are non-transferable to other legal transactions.

Function of technical fittings: The examination of the functionality of individual components and systems as well as the technical fittings and installations (heating, electrical system, water etc.) is not included in the instructions. The valuation report assumes normal efficiency.

Structural damage and deferred maintenance: Any defects or deficiencies in the construction were assumed to that extend as they were non-destructive i.e. obviously discernible.
The effects of existing structural damage, where applicable, on the market value are incorporated insofar as they are considered by market participants at pricing and necessary for the realization of sustainable rental income.

Contamination/hazardous materials: The examination of the property for dangerous materials and the use of harmful materials is not part of this survey and must be mentioned separately when calculating the value amount.

Existing building development: The planning permission is mostly not included in the available documentation. The material legality of the existing building development is assumed.



Definition of used valuation terms

Rental income:	<p>The basis for the calculation of the gross rental income is the locally applicable net rent achievable in the long-term from the site. This corresponds to the annual total rent excluding all running costs that may be divided for payment among the tenants. It is derived on the basis of comparable rents for sites used for similar purposes to those of the site in question</p> <p>We assume a sustainable rental income based mostly on the current condition of the building. So the tenant has to improve the space themselves.</p>
Non-recoverable cost:	<p>The non-recoverable costs include property-related cost which cannot apportion to the tenants. Basically these costs include administrative costs and expenses for running maintenance as well as cost of tenant fluctuation and other non-recoverable cost.</p>
Running maintenance costs:	<p>The owner (landlord) has usually to undertake maintenance and repair of the building. This mainly involves the exterior shell, supporting components, building technology, building services and exterior features. The implemented amounts depend on the age and quality of the building and the type of property and are quoted as average values.</p>
Management costs:	<p>The management costs include the administration of tenants, contract management and building supervision etc. and are for the account of the landlord.</p>
Tenant fluctuation (vacancy):	<p>This position includes the risk of vacancy terms and marketing costs for reletting of the space and is calculated as a quota of the yearly income (in case of residential use).</p>
Capital expenditures (CapEx):	<p>CapEx are cost, which are needed to achieve the estimated rental income (e.g. tenant improvements) or eliminate damages to retain the sustainable usability of the property (deferred maintenance). The costs are considered relating to the likely term they will be necessary. These estimated costs are no liable cost quotation and only useable for this value calculation.</p>
Deferred maintenance:	<p>Includes all cost for repair or refurbishment measures of any damages and defects that are needed to achieve the sustainable rent level.</p> <p>The cost are an overall estimation per valuation part, usually expressed in €/sq. m. and are only used for the valuation process. It is definitely not comparable with a technical due diligence.</p>
Discount Rate (income capitalization):	<p>The Discounted Cash Flow method is based on the capitalisation of the presumable future net rental income of the property without financing cost and tax. In our calculation a forecast period of 10 years will be considered with the estimated most likely annual income. After this period a theoretical resale will be assumed.</p> <p>The chosen capitalisation rate takes into account the current property condition and expectations of the investment market as well as the particular characteristics of the property such as letting situation, location and building quality. The used valuation model is based on a dynamic yield. Inflation and income growth are included in the estimated cash flow.</p> <p>It is specific for this type of property and defined and determined on the basis of the valuer's own experience from comparable transactions as well as market reports and similar public sources.</p>
Capitalization rate (resale):	<p>To calculate the resale after 10 years an all risk yield is used based on the assumed property and market condition at that time.</p>