

MARKET VALUATION ASSESSMENT

Market Value Assessment of a portfolio of 77 economic entities (85 properties) located in the federal state Schleswig-Holstein, Germany.



The pictures were taken during the object inspections (13.12.2011 to 12.01.2012) for the last full Market Value Assessment.

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first draft

summary valuation			basics					units			area		rent					value		rates		multiplier/yield			
economic unit	city	street	year built	rent control	leasehold	residential	commercial	parking	useable area in sqm	vacancy %	current rent p.a	sust. rent p.a	abbriv.	current rent €/sqm UA residential	sustainable rent €/sqm UA residential	market value	market value €/sqm	discount rate	cap rate	gross multiplier current rent	gross multiplier sustainable rent	net initial yield current rent	net initial yield sustainable rent		
36107	24837	Schleswig	Koenigsberger Str. 14	1957			2	0	0	217,53	57,0%		5.520,00	14.450,01	161,8%	4,92	5,54	170.000	782	5,80%	5,30%	30,80	11,76	1,26%	6,41%
36116	24837	Schleswig	Memeler Str.4-4a	1960			8	0	0	494,00	-		30.109,68	30.121,85	0,0%	5,08	5,08	420.000	850	5,50%	5,00%	13,95	13,94	5,03%	5,03%
36142	24837	Schleswig	Klensbyer Str.2-4	1961			8	0	0	560,55	-		31.244,52	31.244,52	0,0%	4,64	4,64	430.000	767	5,50%	5,00%	13,76	13,76	4,98%	4,98%
36149	24837	Schleswig	Birkenweg 3-7	1961			14	0	0	829,75	-		52.692,96	52.681,28	0,0%	5,29	5,29	740.000	892	5,50%	5,00%	14,04	14,05	5,06%	5,05%
36173	24837	Schleswig	Lindenweg 20, 20a, 22	1962	x		27	0	0	1.170,27	-		68.081,88	69.297,48	1,8%	4,85	4,93	900.000	769	5,50%	5,00%	13,22	12,99	4,96%	5,10%
36196	24837	Schleswig	Am Brautsee 1-5	1964			18	0	0	1.247,02	6,1%		69.710,76	74.277,53	6,6%	4,96	4,96	1.050.000	842	5,50%	5,00%	15,06	14,14	4,55%	4,98%
36207	24837	Schleswig	Schubertplatz 5-7	1966			16	0	0	1.172,12	-		68.192,04	68.192,04	0,0%	4,85	4,85	970.000	828	5,40%	4,90%	14,22	14,22	4,93%	4,93%
36256	24837	Schleswig	Husumer Baum 5, 5a	1968			14	0	0	632,78	-		43.220,28	43.220,28	0,0%	5,69	5,69	610.000	964	5,50%	5,00%	14,11	14,11	5,02%	5,02%
36358	24837	Schleswig	Solterbeerenhof 26-28	1975	x		12	0	0	821,00	9,5%		46.308,12	51.174,49	10,5%	5,19	5,19	730.000	889	5,50%	5,00%	15,76	14,26	4,36%	5,01%
36360	24837	Schleswig	Altfeld 13, 19-25	1974	x	x	32	0	0	2.520,38	12,6%		129.102,12	147.449,65	14,2%	4,88	4,88	1.090.000	432	5,50%	5,00%	8,44	7,39	7,64%	9,24%
36371	24837	Schleswig	Altfeld 15-17	1982	x	x	18	0	18	972,07	-		63.693,24	64.117,66	0,7%	5,29	5,29	760.000	782	5,50%	5,00%	11,93	11,85	5,57%	5,59%
36378	24837	Schleswig	Am Lornsenpark 2-6, Kälberstr. 37-3	1984	x		38	7	0	3.164,15	6,5%		203.533,56	219.772,12	8,0%	5,37	5,37	3.110.000	983	5,80%	5,30%	15,28	14,15	4,79%	5,28%
36379	24837	Schleswig	Domweg 10-14	1983	x		21	0	0	1.270,36	5,0%		78.700,68	82.827,50	5,2%	5,44	5,43	1.200.000	945	5,50%	5,00%	15,25	14,49	4,62%	4,96%
36394	24837	Schleswig	Drei Kronen 1a	1990			0	1	2	241,14	-		9.075,24	9.075,24	0,0%	0,00	0,00	120.000	498	5,70%	5,20%	13,22	13,22	5,13%	5,13%
36900a	24837	Schleswig	Solterbeerenhof 2-12	1971			48	0	0	3.242,56	2,2%		186.962,16	191.457,91	2,4%	4,91	4,92	2.680.000	827	5,50%	5,00%	14,33	14,00	4,83%	5,00%
36900b	24837	Schleswig	Solterbeerenhof 5-17, 14-24	1971	x	x	120	0	54	8.064,63	4,1%		474.136,20	494.231,29	4,2%	4,91	4,91	6.930.000	859	5,50%	5,00%	14,62	14,02	4,72%	5,00%
36902	24837	Schleswig	Mozartstr.4-22, Schubertpl. 1-3	1962			114	0	0	5.144,90	3,7%		347.185,68	360.056,49	3,7%	5,84	5,83	4.930.000	958	5,70%	5,20%	14,20	13,69	4,96%	5,22%
36905	24837	Schleswig	Klaus-Groth-Str. 1, 1a-c, 3, 3a, 2, 2b	1960		x	72	0	0	3.117,37	7,6%		195.023,16	206.955,93	6,1%	5,64	5,53	2.340.000	751	5,50%	5,00%	12,00	11,31	5,54%	6,02%
37129	25746	Heide	Bürgermeister-Blaas-Str. 4-14	1951			30	0	0	1.481,95	2,4%		105.355,92	107.994,43	2,5%	6,07	6,07	1.570.000	1.059	5,50%	5,00%	14,90	14,54	4,87%	5,04%
37171	24837	Schleswig	Memeler Str.5, 5a	1960			10	0	0	689,91	12,0%		35.733,84	40.486,02	13,3%	4,91	4,89	560.000	812	5,50%	5,00%	15,67	13,83	4,22%	5,05%
37174	24837	Schleswig	Hornbrunnen 14a, 14b, Schulberg 2	1958			24	0	0	1.622,64	4,3%		91.427,64	95.568,36	4,5%	4,91	4,91	1.320.000	813	5,50%	5,00%	14,44	13,81	4,75%	5,06%
37190	23566	Lübeck	Arnimstr.82	1963		x	51	0	16	2.962,86	-		233.207,64	233.207,64	0,0%	6,35	6,35	3.510.000	1.185	4,40%	3,90%	15,05	15,05	4,91%	4,89%
37201	24837	Schleswig	Klensbyer Str. 19-29, 31-33	1960			40	0	0	2.485,54	4,9%		149.534,28	157.291,48	5,2%	5,27	5,27	2.070.000	833	5,50%	5,00%	13,84	13,16	5,05%	5,41%
37204	24837	Schleswig	Am Brautsee 25-31, Lindenweg 24-	1960			36	0	0	2.392,34	6,1%		134.491,92	143.540,40	6,7%	4,99	5,00	2.030.000	849	5,50%	5,00%	15,09	14,14	4,53%	4,97%
37209	25746	Heide	Gustav-Frenssen-Str. 10-16	1961			16	0	0	1.071,56	-		65.002,08	65.002,08	0,0%	5,06	5,06	930.000	868	5,50%	5,00%	14,31	14,31	4,94%	4,94%
37224	25746	Heide	Hermann-Loens-Str. 8-16	1962			20	0	11	1.603,79	4,8%		102.012,72	107.029,97	4,9%	5,32	5,33	1.580.000	985	5,50%	5,00%	15,49	14,76	4,66%	4,97%
37225	23556	Lübeck	Schoenboeckener Str. 74-74c	1963		x	32	0	0	2.256,44	-		157.470,72	157.470,72	0,0%	5,82	5,82	2.290.000	1.015	4,40%	3,90%	14,54	14,54	4,91%	4,87%
37229a	24837	Schleswig	Am Brautsee 28-30	1964			40	0	12	2.794,32	11,3%		150.800,04	170.024,58	12,7%	4,93	4,92	2.330.000	834	5,50%	5,00%	15,45	13,70	4,33%	5,14%
37229b	24837	Schleswig	Erlenweg 1-3	1957			12	0	0	1.198,33	-		64.053,96	64.053,96	0,0%	4,45	4,45	880.000	734	5,50%	5,00%	13,74	13,74	5,06%	5,06%
37233	25746	Heide	Gustav-Frenssen-Str. 13-19	1963			24	0	0	1.896,42	-		109.769,40	112.246,32	2,3%	4,82	4,93	1.600.000	844	5,50%	5,00%	14,58	14,25	4,83%	4,98%
37236	23564	Lübeck	Im Brandenbaumer Feld 10, 10a	1965		x	36	0	19	2.274,89	-		211.573,44	211.573,44	0,0%	7,41	7,41	3.320.000	1.459	4,60%	4,10%	15,69	15,69	4,98%	4,97%
37243	24837	Schleswig	Schubertplatz 2-6	1966			24	0	5	1.943,32	3,7%		107.749,20	111.887,01	3,8%	4,70	4,71	1.560.000	803	5,50%	5,00%	14,48	13,94	4,76%	5,02%
37246	23554	Lübeck	Eutiner Str. 42-48, 48a	1967			32	0	0	2.206,36	-		156.047,28	156.047,28	0,0%	5,89	5,89	2.540.000	1.151	5,00%	4,50%	16,28	16,28	4,59%	4,59%
37248	25746	Heide	Nordstrander Str. 15 -19	1965			18	0	8	1.494,21	-		87.233,28	89.589,36	2,7%	4,68	4,81	1.230.000	823	5,50%	5,00%	14,10	13,73	4,98%	5,17%
37253	24837	Schleswig	Mozartstr. 24	1966			45	0	30	3.592,44	12,1%		158.434,80	178.146,39	12,4%	3,85	3,84	2.240.000	624	5,50%	5,00%	14,14	12,57	4,27%	5,14%
37255	24837	Schleswig	Erlenweg 5	1967			48	0	0	3.706,56	6,9%		188.185,68	202.047,46	7,4%	4,54	4,54	2.770.000	747	5,50%	5,00%	14,72	13,71	4,51%	5,00%
37263	24837	Schleswig	Drei Kronen 1-7	1968		x	32	0	0	2.529,35	-		136.463,88	136.463,88	0,0%	4,50	4,50	1.630.000	644	5,50%	5,00%	11,94	11,94	5,51%	5,47%
37273	24837	Schleswig	Drei Kronen 9-11	1969		x	16	0	0	1.102,33	7,6%		57.041,64	61.642,01	8,1%	4,67	4,66	750.000	680	5,50%	5,00%	13,15	12,17	4,94%	5,52%
37281	24837	Schleswig	Drei Kronen 13-15, Altfeld 3-5	1971		x	32	0	0	2.246,94	2,4%		130.592,04	133.816,54	2,5%	4,96	4,96	1.640.000	730	5,50%	5,00%	12,56	12,26	5,37%	5,53%
37287	24837	Schleswig	Altfeld 7-11	1972	x	x	24	0	0	1.842,57	9,1%		101.030,76	111.207,14	10,1%	5,03	5,03	1.410.000	765	5,50%	5,00%	13,96	12,68	4,85%	5,54%
38053	24837	Schleswig	An der Schanze 12, Kattenhunder V	1936			14	0	0	867,10	-		54.283,08	54.262,72	0,0%	5,22	5,22	780.000	900	5,40%	4,90%	14,37	14,37	4,94%	4,93%
38056	24837	Schleswig	Schubyst.106-116, Julius-Petersen	1935	x		32	0	0	1.875,78	2,9%		108.202,56	111.435,93	3,0%	4,95	4,95	1.520.000	810	5,50%	5,00%	14,05	13,64	4,85%	5,06%

2. General

2.1 Valuer

Dirk Fischer-Appelt FRICS
 Partner
 in
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2.2 Client

K/S Danske Immobilien
 Jernbanegade 2, 1
 7900 Nykøbing Mors
 Denmark

2.3 Purpose of Valuation

This Market Value Assessment is prepared only for accounting purposes of the client.

2.4 Identification of the assets

Subject of this valuation are the properties of K/S Danske Immobilien listed in the given rent roll, dated 13th November 2019. The 77 economic entities (85 properties) are located in the federal state of Schleswig Holstein in Germany.

2.5 Basis of market value assessment

FA/KT Valuation Chartered Surveyors (further mentioned as FA/KT) has been instructed by K/S Danske Immobilien (further mentioned as K/S Danske) to carry out the valuation of the market value of the investment properties as listed in the expert contract dated 20th and 21th August 2019.

2.6 Valuation date

Date of valuation is the 31st December 2019.

2.7 Use of the portfolio properties

The portfolio properties are mainly residential properties and individual mixed-use properties.

2.8 Special note

The German real estate market is characterised by historically low interest rates and internal migration from rural areas to the conurbations. In addition to the sharp rise in purchase prices, these factors have also led to a significant increase in demand for rental apartments in the conurbations. The increased demand, together with the reduction in the stock of subsidised housing, has led to a sharp rise in residential rents.

Politicians have reacted to the increasing social distortions caused by the rise in rents by intervening in the possibility of rent increases and by tightening the regulations for rent increases. The new rents actually achieved in the cities are significantly higher than the official rent indexes that are used when rent increases are requested.

The rent brake gives municipalities the option of limiting rent increases for a limited period. In cities where the rent brake applies, new contract rents may only be a maximum of 10% above the local comparative rent, the rent index. In addition, the rent may be increased by a maximum of 15% in three years.

In the present valuation, we have based the customary market rents less on the locally customary rents paid and instead on the new contractual rents in the property and the local rent index in view of the stricter legal regulations on new letting and rent adjustment.

This leads to an adjustment in the valuation of some properties in Lübeck. The properties in question were released from the housing subsidy a few years ago, so there is a high potential for rent adjustments. However, the rent adjustments have turned out to be lower than we had forecast. In most cases, it was possible to compensate for the lower market rent by the lower yields, but in some cases devaluations were unavoidable due to the lower rent increase.

2.9 Date of site inspection

Schleswig	25 th and 26 th December 2019
Lübeck	27 th and 28 th December 2019
Lensahn	28 th December 2019
Heide	26 th December 2019
Tönning	26 th December 2019

2.10 Extent of investigation

Basis for the present desktop valuation are the up-dated information provided by the client, the data, details and impressions obtained during on-site inspection in December, the earlier desktop valuations as well as the general economic factors influencing the value on the real estate market at the time the valuations relates to (valuation date).

3. Nature and sources of the information relied upon

3.1 Information provided by the client:

- Calculation of the market value für Nykredit 2011/2012
- Market value indication für Nykredit 2014
- Market value indication für K/S Danske Immobilien 2016
- Market value indication für K/S Danske Immobilien, per 31th December 2017
- Market value indication für K/S Danske Immobilien, per 31th December 2018
- rent roll, dated 13th November 2019
- K/S Danske budget, modernitation and investment plan 2017, dated 18th January 2018
- K/S Danske budget, modernitation and investment plan 2018, dated 30th September 2018
- K/S Danske budget, modernitation and investment plan 2019, dated 5th December 2018

We assume that the property information provided to us by the client is correct and complete as at the date of valuation. We assume that any documents not provided by the client have no impact on the market value assessment.

3.2 Information provided by FA/KT Valuation:

- Market Reports regarding the Housing Market in Northern Germany
- Research Internet
- Statistical reports by the Statistical Office of Hamburg and Schleswig-Holstein
- BUWOG report for 1.Q 2018
- Vonovia index development by www.ariva.de
- Vonovia intermediate report 3. Q. 2019
- Deutsche Wohnen business report 2018
- TAG report 3.Q 2019
- Market reports by different brokers
- vdp property price index of 3.Q. 2019
- SWAP-Satz (EUR) 10 Jahre by finanzen.handelsblatt.com

4. Basis of the valuation

4.1 Valuation

The basis for the present market valuation assessment are the data provided by the client as well as the general economic factors influencing the value on the real estate market at the time the valuations relates to (valuation date). The valuation has been carried out according to the Valuation Practice Statements (VPS 2) Inspections and investigations (12) Revaluation without inspection of the Red Book.

4.2 Assumptions and special assumptions

No assumptions and special assumptions.

4.3 Restrictions

4.3.1 Copyright

The copyright to the expert opinion belongs to the surveyor without any limitations whatsoever. The client is exclusively entitled to make use of the expert opinion for the purposes agreed to in this contract. The expert opinion is exclusively intended for internal use by the client. The client is not entitled to make the expert opinion available to third parties in any form whatsoever, or to grant access to these documents. The client is not entitled to make alterations or amendments to the copyright-protected expert opinion.

4.3.2 Intended Utilization

This market value Assessment compiled by FA/KT Valuation Chartered Surveyors on principle is only intended for the use indicated in the order. The data may only be passed on to third parties if FA/KT Valuation Chartered Surveyors has given written permission to do so.

4.4 Confirmation

In general, valuation is carried out according to the principles of the International Valuation Standards (IVS) setting by the International Valuation Standards Committee and the Appraisal and Valuation Standards setting by the Royal Institution of Chartered Surveyors. The approach is determined by the practices of the real estate market and the circumstances of the individual case. The basis for this is a market-oriented income capitalisation approach to valuation.

The valuation takes into account the respective market situation in the real estate segment according to the general economic factors influencing value, the local supply and demand situation, the fungibility of the valuation object etc. as well as other characteristics and conditions of the valuation subject, but always under consideration of the assumptions made in the report.

4.5 Market Value

Our valuation has been carried out in accordance with the definition of Market Value relevant to international property valuations. The definition of Market Value is set by the International Valuation Standards Committee (International Valuation Standards IVS 2017) and adopted by the European Group of Valuers' Associations (European Valuation Standards, EVS 2016) as well as the Red Book of the Royal Institution of Chartered Surveyors (Appraisal and Valuation Standards 2017 edition). Therein the market value is defined as: "The estimated amount for which a property should exchange on the date of 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."

4.6 Valuation approach

As ordered, this assessment will determine the Market Value, using the Discounted-Cash-Flow procedure (DCF). We show the income less costs (cash-flow) for the first 10 years as per the key date of valuation, within the framework of calculations on the Discounted-Cash-Flow procedure. The cash flow of the last period is taken as basis for the division by the estimated cap rate. The cash-flows are discounted by the discount rate in arrear as per the key date of valuation and added. As a result of the DCF-method we will get the gross present value. After deduction of the transfer costs we will get to the net present value which corresponds to the Market Value.

4.7 Liability

FA/KT Valuation Chartered Surveyors accepts liability in cases of malintent and of gross negligence on the part of FA/KT Valuation Chartered Surveyors or one of its representatives or vicarious agents, in accordance with the statutory regulations. Otherwise FA/KT Valuation Chartered Surveyors accepts liability only in accordance with the Product Liability Act "Produkthaftungsgesetz", due to injury to life and/or limb or to health, or due to culpable violation of essential contractual obligations. Claims for compensation for violation of essential contractual obligations is, however, limited to contract-typical, foreseeable damage. Liability on the part of FA/KT Valuation Chartered Surveyors is also limited of cases of negligence with respect to contract-typical, foreseeable damage. The liability of FA/KT Valuation Chartered Surveyors for cases of damage caused by negligence on our part or on the part of our vicarious agents, as well as for fault-unrelated claims in connection with this valuation-report commission is limited to 10% of the determined market value, though no more than a maximum total of € 2,500,000 (2 million, five hundred thousand Euros), for the properties cited in this valuation-report commission. The related commissioning of several valuation reports is regarded here as a single valuation-report commission. A single damage case also applies with respect to unified damage arising from several cases of breach of obligations, if the matters in question have a legal or commercial connection. The liability for slight negligence is excluded. The single valuation report of each property is part of a portfolio of 48 properties of MCPF in the federal states of Schleswig Holstein, Lower Saxony and the Free and Hanseatic city of Hamburg in Germany. Therefore, the single valuation is related to the portfolio in joint liability.

4.8 Principles of Valuation

The revaluation of the real estate is carried out as desktop valuation based on information made available to the surveyor by the client. The client has confirmed that no material changes to the physical attributes of the property and the area in which it is situated have occurred.

The surveyor assumes that such information is complete and correct and that there are no unknown circumstances that exert an influence on the market value to be ascertained. In particular, the surveyor assumes that the figures indicated for lease area and for current rents, as shown on the rent rolls, are correct and that the methods employed for calculating the area correspond to those customarily employed for the type of real estate in question.

For purposes of the valuation it is presumed that the business on the premises to be evaluated, as on the valuation date specified by contract, will continue to exist, both in terms of type and extent, for the period of the remaining useful life of the building facilities, or that some comparable business will be available as the user.

Account is taken of rights, encumbrances and limitations only to the extent that these exert a recognizable influence on the value of the property to be surveyed and must therefore be given special consideration.

4.9 Conflict of Interest

We confirm that FA/KT Valuation Chartered Surveyors have acted as independent surveyors and that we have no conflict of interest in acting on behalf of MCPF in this matter. We confirm that FA/KT Valuation Chartered Surveyors has no other financial relationship, or have had, with the borrower, its directors or the property.

5. Location

5.1 Schleswig-Holstein

Schleswig-Holstein is the northernmost German federal state. It is located between the North Sea and the Baltic Sea. Kiel Canal, the busiest man-made waterway in the world connects these two seas. Schleswig-Holstein is bordered in the north by Denmark, and by Mecklenburg-Western Pomerania and the Baltic in the east. To the south there are Hamburg and Lower Saxony and to the west the North Sea.

Schleswig-Holstein lies on the base of Jutland Peninsula between the North Sea and the Baltic Sea. Strictly speaking, "Schleswig" refers to the German Southern Schleswig, whereas Northern Schleswig is in Denmark. The state of Schleswig-Holstein further consists of Holstein as well as Lauenburg, and the formerly independent city of Lübeck. German is the official language, Low German, Danish and North Frisian enjoy legal protection or state promotion. Schleswig-Holstein is divided into 11 administrative districts.

For the state of Schleswig-Holstein, a positive demographic development of around 0.4% until 2030 is expected.

Lübeck

The Hanseatic City of Lübeck is an independent city in the east of the state of Schleswig-Holstein. Kiel, the capital of Schleswig-Holstein, is located about 60 km (linear distance) to the northwest.

The city of Lübeck has about 217,198 inhabitants (as of 31.12.2018). This represents a population density of about 1,014 inhabitants per square km. In the latest demographic report of Schleswig-Holstein for a population increase of 4.0% until 2030 is anticipated for Lübeck.

The motorways A20 and A1 run within the boundaries of Lübeck. The A1 leads southwest to Hamburg.

The macro location is assessed as good due to its affiliation with the Hamburg Metropolitan Region and a good interregional connectivity.

Lensahn

Lensahn is a municipality in the district Ostholstein in the east of the state of Schleswig-Holstein. Kiel, the capital of Schleswig-Holstein, is located about 50 km (linear distance) to the west.

With about 4,932 inhabitants (as of 31.12.2018), the municipality of Lensahn has a population density of about 178 inhabitants per km². The latest demographic report of Schleswig-Holstein anticipates for the district of Ostholstein a population decrease of 4,1% until 2030.

The motorway A1 runs through Lensahn. The A1 leads southwest to Hamburg.

The macro location is assessed as average due to the distance to the Hamburg Metropolitan Region.

Heide

Heide is the district town of Dithmarschen in the west of the state of Schleswig-Holstein. Kiel, the capital of Schleswig-Holstein, is located about 70 km (linear distance) in an eastern direction.

The city of Heide has about 21,684 inhabitants (as of 31.12.2018) which represents a population density of about 678 inhabitants per km². The latest demographic report of Schleswig-Holstein anticipates for the district of Dithmarschen a population decrease of -5.7% until 2030.

The macro location is assessed as average due to its affiliation with the Hamburg Metropolitan Region.

Schleswig

Schleswig is the district town of the district of Schleswig-Flensburg in the north-east of the state of Schleswig-Holstein. Kiel, the capital of Schleswig-Holstein, is located about 30 km (linear distance) in northern direction.

The city of Schleswig has about 25,276 inhabitants (as of 31.12.2018). This represents a population density of 1,040 inhabitants per km². The latest demographic report of Schleswig-Holstein anticipates for the district of Schleswig-Flensburg a population decrease of -3.7 % until 2030.

The motorway A7 runs west to Schleswig and leads south to Hamburg.

The macro location is assessed as average due to the distance to the Hamburg Metropolitan Region and a good interregional connectivity.

Tönning

Tönning is a town in the district Nordfriesland in the west of the state of Schleswig-Holstein. The center of Kiel, the capital of Schleswig-Holstein, is located about 75 km (linear distance) in an eastern direction.

The city of Tönning has about 4,965 inhabitants (as of 31.12.2018) which represents a population density of about 112 inhabitants per km². The latest demographic report of Schleswig-Holstein anticipates for the district of Nordfriesland a population decrease of 2,1% until 2030.

The motorway A23 is located 15 km south to Tönning and leads to Hamburg in a southeastern direction.

The macro location is assessed as average due to the distance to the Hamburg Metropolitan Region.

6. Documentation for relevant registration

This market value Assessment is based on the documentation status of the aforementioned preliminary valuations.

first draft

7. Market

7.1 Residential market Germany

The current market situation is characterized by uncertainties regarding the withdrawal of the United Kingdom from the EU, the progress of European integration and international free trade. Germany is one of the structurally well-established economies of the European Monetary Union. For the years 2019 and 2020, the OECD predicts GDP growth rates in Germany of respectively 0.9% and 0.4%. Unemployment in Germany is at a low level by international comparison and in 2018 at around 5.2% was at its lowest level since reunification. The German economy grew by approx. 1.5% in 2018. Main driver of this development remains mainly domestic consumption, which among other things contributes to population and employment growth. Inflation rises to about 1.8%. However, productivity growth has slowed and investment activity is considered cautious. The aging population and internal migration, especially to urban centres, present high challenges.

The general interest rate environment has changed little compared to the previous year. The asset price or credit growth is predominantly classified as still harmless. However, housing prices in some of the largest cities with the highest population density have risen significantly faster than rents, with some observers warning of blistering.

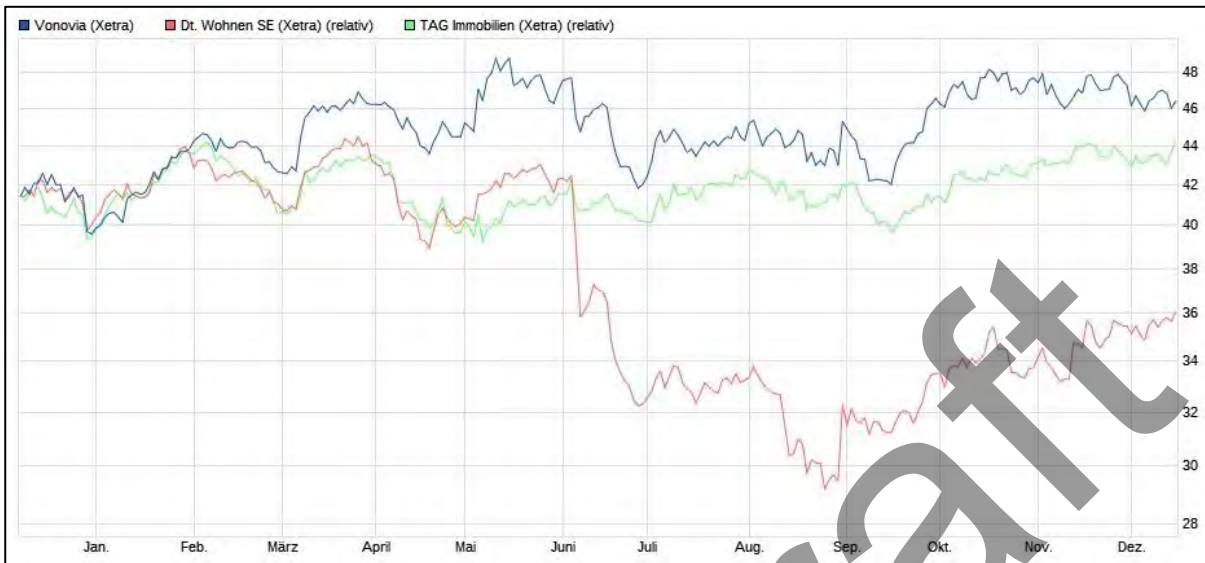
According to the vdp (Verband Deutscher Pfandbriefbanken) price index for real estate, residential property prices continued to rise. Compared to the fourth quarter of 2018, the capital value index rose by 3.2% (as of third quarter 2019). Multi-family houses are the dominant object type in metropolises and cities, which have experienced strong population growth in recent years. This leads to a still high demand for housing. As a result, new lease rentals continued to rise by 2.3%. The high demand for housing also makes apartment blocks attractive to investors, with the result that yields have continued to fall. The corresponding index fell by 0.86%. Yield compression over the past few years was fueled by high demand and a decrease in interest rates.

Since the last valuation in August 2019 the Swap-Rate 10 years (EUR) rose from -0.130 to 0,080 (as of 16.12.2019).



(Date: 16.12.2019)

As a result of the political discussions about capping rents on the Berlin housing market, the share prices of Vonovia, Deutsche Wohnen and TAG declined in June 2019. The share prices have been raising again since September.



(Date: 16.12.2019)

According to the annual report of Vonovia, one of the largest housing companies in Germany, their housing stock in the regional market of Kiel, which also includes the city of Lübeck and is comparable to the market of Schleswig-Holstein, consists of 23,372 units as of 30.09.2019. The report shows vacancies are recorded at 2.3 % and the average rent at 6.29 €/m². The regional market of Hamburg consists of 19,816 units as of 30.09.2019. The report shows vacancies are recorded at 1.8 % and the average rent at 7.11 €/m².

Buwog, a German-Austrian real estate company, records a net rent of 6.18 €/m², a vacancy rate of 3.5 %, a fair value of 1,360 €/m² living space and a gross rental yield of 5.3 % (multiplier 18.87) for their german market as of 31.07.2018. In comparison to the previous year (31.07.2017) a 4.3 % increase in rent is recorded and value grew by 14.6 %. The decline in yield compression is stated as 60 points. For suburban areas a Fair Value of 1,051 €/m² is determined with an average net rent of 5.23 €/m² and a multiplier of 17.2. For rural areas a Fair Value of 765 €/m² is determined with an average net rent of 4.62 €/m² and a multiplier of 14.5.

The Deutsche Wohnen SE records a net rent of 6.63 €/m² and a vacancy rate of 2.0% for their german market with 158,668 residential units in total (as of 31.12.2018). In comparison to the previous year a 3.4 % increase in rent is recorded. For their Kiel/Lübeck portfolio with 4,946 residential units a net rent of 5.94 €/m² and a vacancy rate of 2.4 % are determined.

As of 30.09.2019, the regional portfolio of the TAG Immobilien AG in the Hamburg region includes 7,070 residential units with an area of 434,718 m². The net rent is given as 5,73 €/m², the vacancy is 4,7 %. The Hamburg region extends via Bremen to Wilhelmshaven, north to Schleswig-Holstein and to the east via the coastal region of Mecklenburg-Vorpommern. The economic and cultural center of this region is the Hanseatic city of Hamburg.

Sociodemographic and development of housing demand

The comprehensive residential property market report 'Germany up to 2040 - long-term trends and their significance for the property market' compiled by the consultancy firm empirica AG establish that, up to 2040, the annual additional demand in the residential market will remain relatively stable, despite the declining population. In the future, only a few spatial planning regions, e.g. the Alpine foothills in Bavaria, Baden-Württemberg and the conurbation around Hamburg, can expect increases in residential demand of more than 15 %. In contrast, the demand in large areas of Eastern Germany will decline by up to 15%.

Overall, empirica estimates that, by 2040, an increase in demand from the current 17.1 million residential units to 19.6 million can be expected in the market. In the next ten years, the demand for apartment buildings will dominate initially. Up to 2040, the estimated annual requirement for apartments in apartment buildings is 45,000. In contrast, annual demand for individual and two-family houses is around 130,000 residential units, due to a shift in preference towards individual and

two-family houses. According to empirica, the demand for apartment buildings is already decreasing in 15 of the 97 spatial planning regions. Declining demand is particularly evident in Western Germany: in the Saarland, the Western Palatinate and the Eastern part of Oberfranken.

By 2040, the demand for apartment buildings will decline by more than 5% in more than half of the West German regions. In contrast, the demand for residential accommodation will increase in 15 of the 97 spatial planning regions. According to empirica, these include the Hamburg region, the Southern regions of Bavaria and Baden-Württemberg and the area around Cologne-Bonn.

Portfolio transactions

Continuing uncertainties in the financial markets and weakened global economic performance have caused a crisis of confidence for many investors, including banks and institutional investors. The returns on alternative investments have either fallen sharply or, under present market conditions, have a too high investment risk. The significantly increased sensitivity to risk was reflected in the collapse of the investment volumes flowing into commercial property in 2008 and 2009. Although it is now more than a decade since institutional investors established residential property as an asset class, residential portfolios have moved even more strongly into the focus of investors since the start of the financial crisis. Residential investments are viewed as a comparatively low-risk asset class because of their low volatility in values and secure, reliable cash flows. Under current restrictive lending conditions, banks are more likely to be prepared to finance a residential portfolio transaction. With its relatively secure and steady income flow, a residential portfolio presents a lower risk of credit default than the acquisition of commercial property using borrowed capital.

In the last few years, the German housing sector has emerged as a predominantly stable investment market. It therefore differs from countries such as the USA, the UK and Spain, where the housing sector was considered to be the cause of the persistent financial and economic crisis. A positive factor is that, in Germany, there was less speculative spin and no real estate bubble. One of the main reasons for this is the importance of low-risk fixed-rate mortgages and building society savings contracts in private real estate finance. Another one is the absence of a subprime market (a market in private mortgages mainly involving borrowers of doubtful creditworthiness).

However, if there are any real estate investments that have benefitted from the last crisis, in Germany it would have been investments in residential property. The residential property investment sector is regarded as having particularly high potential, not least because of its assumed high level of inflation proofing and comparatively constant rental income. In addition, there is currently a shortage of possibilities for alternative investments, due to difficult financing conditions with high risk surcharges, a shortage of supply or unattractive trends of return.

According to the latest NAI apollo report, the volume on the market for residential portfolio transactions in Germany totalled 13.9 bn € in the first three quarters 2019. This is a decline of 5.3% compared the very good result of the same period of the previous year (2018: 14.7 bn €).

Regarding the residential units, the first three quarters of the year reached a lower level than in the previous year at around 94,700 (2018: 108,500 residential units). The number of portfolio transactions is 282. As a result of the volume in the first three quarters of the year, market observers nevertheless assume that 2019 will be an above-average year as a result of the dynamic market events, especially in the last three months. As a whole, an approximation to the 18 bn € mark is forecasted by NAI apollo.

7.1.1 Residential market Schleswig-Holstein

According to Statistical Office of Hamburg and Schleswig-Holstein, the number of apartments in the state of Schleswig-Holstein within the period 2012-2018 raised from 1,424,535 to 1,441,826. This represents an increase of 1,2%. The existing 1,441,826 apartments in 2018 are distributed to 820,540 residential buildings.

A total of 12,025 apartments with a floor space of 1,159,200 m² were completed in Schleswig-Holstein in 2018. This corresponds to an increase in ready-to-move apartments by 0.4% and a 6.6% increase in new living space compared to the previous year.

In parallel with the increase in housing completions in 2018, the number of building permits in 2018 also increased by 4.8% year-on-year to 14.846 units.

8. Market Value

The Market Value for the subject property is derived from the income value, in accordance with standard property market practice in normal business transactions. The valuation was ascertained in line with value levels conformant with the property market on the date of valuation. For this reason, no specific adjustment for the property market situation needed to be made.

Based on the provided data, our opinion of the Market Value "As Is" of the freehold interest on the date of valuation mentioned in the property valuation reports, is assessed as

185,770,000 €

(in words: one hundred eighty-five million seven hundred seventy thousand Euros)

Hamburg, 10th January 2020

Dirk Fischer-Appelt FRICS
Partner

first draft

9. Glossary

CapEx

CapEx are investments for refurbishment, maintenance backlog and tenant improvements.

Gross Multiplier on Current Rent (GMoCR)

The Gross Multiplier on Current Rent (GMoCR) is comparable to the German "Maklerfaktor" and is calculated with market value divided by the current gross rental income.

Gross Rental Income (GRI)

The Gross Rental Income (GRI) is comparable to the German „Nettokaltmiete“ and is another name for the current rent.

Market Rent (MR)

The Market Rent (MR) reflects the long-term rent attainable for a property and accordingly the assessed market rent for new lettings and reletting. The market rent results from the research and the analysis of the current rent, recent lease agreements (last 2 years), market reports, actual offerings and the qualified table of rental.

Net Initial Yield (NIY)

The Net Initial Yield (NIY) is calculated with the net rental income divided by the sum of market value and transaction costs.

Net Operating Income (NOI)

The Net Operating Income (NOI) is based on the net rental income minus agent fees and tenant improvements (CapEx).

Net Rental Income (NRI)

The Net Rental Income is calculated from the gross rental income minus the operating costs.

Non-Recoverable Costs (non recs)

The Non-Recoverable Costs (non recs) are well-defined at the „Zweiten Berechnungsverordnung (II. BV)“ (second calculation regulation) as management costs (Verwaltungskosten), maintenance costs (Instandhaltungskosten), vacancy and collection loss (Mietausfallwagnis) and other operating costs (Betriebskosten). The non-recoverable costs are increased with the inflation rate per year.

Potential Gross Rental Income (PRI)

The Potential Gross Rental Income (PRI) is calculated as the sum of the rental income for rented area multiplied with the current rent per sq m and the vacant area multiplied with the market rent per sq m.

Transaction Costs (TC)

The Transaction Costs (TC) are defined in German as „Erwerbsnebenkosten“ and are the costs for land purchase tax, costs for legal and notary and costs for the broker.