

Griffin Real Estate Sp. z o.o.
6 Szucha Ave.
00-582 Warsaw, Poland

For the attention of Mrs Barbara Sikora

30 September 2016

Dear Sirs,

Valuation of development site, 51 Emilii Plater St., Warsaw, Poland.

Thank you for your instructions dated 29 September 2016 requesting a valuation of the above property to assist you in your further considerations.

The letter below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

1 Valuation

Valuation considerations

- 1.1 ● The subject property comprises a developed site designated for an office/hotel development located in Emilii Plater St., in the core centre of Warsaw, within the Central Business District;
 - The site benefits from very good transportation accessibility, excellent visibility and prime location;
 - The building permit has not been granted yet however the property benefits from the outline planning permission;
 - The demolition permission for the existing building has been issued on 26 June 2015;
 - A pre-lease agreement is signed for hotel;
 - No pre-leases signed for office area;
 - Large supply of vacant office space in Central Business District of Warsaw.

Methodology

- 1.2 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.
- 1.3 We have used the residual method of valuation to estimate the Market Value of the subject property.

We have also used investment method to estimate the Market Value upon completion.

Investment method

- 1.4 In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.

Residual method

- 1.5 The residual method used in the valuation of the property estimates the value of the property upon the completion of construction with the aid of the investment approach incorporating a development budget with the developer's profit. The development budget includes the total construction costs with internal finishes, professional fees, financing costs and the developer's profit.

Valuation bases

Market Value

- 1.6 Market Value is defined within RICS Valuation – Professional Standards as:

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Rent

- 1.7 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation – Professional Standards as:

"The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market Value Upon Completion

- 1.8 We have been instructed to provide our opinion of the Market Value as if the proposed scheme has been completed at the valuation date. RICS Valuation – Professional Standards refer to a valuation on this basis as being the Market Value on the special assumption that "a building or other proposed development has been

completed in accordance with a defined plan and specification". This is colloquially known as the Market Value Upon Completion.

Market Value Upon Completion is defined by Knight Frank Sp. z o.o. as the aggregate Market Value(s) for the proposed scheme at the property, on the special assumption that the proposed scheme has obtained all necessary permissions and been fully completed.

The aggregate Market Value represents the total Market Value(s) of the saleable interest(s) within the proposed scheme. Please note that the MVUC may not reflect the Market Value of the whole scheme if sold as a single lot.

Valuation date

Valuation date 1.9 Valuation date is 30 September 2016.

Market Value upon completion

Assumptions 1.10 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business and within this report.

Areas 1.11 The assumptions concerning usable areas have been based on the preliminary architectural concept which we understand that is in line with outline planning permission.

For the purpose of our valuation the following rentable areas have been adopted:

Table 1: Schedule of areas of the proposed development

Type of area	Area sq m
Office area	26,881.02
Hotel area	17,350.52*
Total rentable area	44,231.54
Underground parking lots	150

*including technical area on the hotel levels

Standard of finish 1.12 The revenue from letting the scheme can be realised once it is completed and meet the standards of the comparable schemes, thus some construction and fit out works should be performed.

Based on the information provided by the Client we have assumed that the office area will be offered in A-class standard and hotel area will be offered in four-stars standard.

Tenancies 1.13 Based on the information gained from the Client, we understand that the only pre-lease agreement for hotel is signed.

For the purpose of the valuation we have assumed the office area upon completion will be 90% let for 5 year lease terms with 8-month rent free period and the remaining space will be leased after 6 and 12-month letting void.

We have also assumed a 6-month void period for 10% of office rentable areas on renewal.

Market Rent 1.14 In order to arrive at the Market Rent of the subject property we have reviewed recently signed lease agreements in similar office and hotel buildings in Warsaw. These included modern office/hotel buildings recently leased to domestic and international tenants on long term leases. A rental range has been arrived at based on the above analysis. The market rent analysis was undertaken, taking into account supply and demand of comparable office/hotel buildings, existing as well as potential competition, location within the city, unit size and specifications.

In our opinion the annual estimated Market Rent of the subject property is EUR 11,479,953 based on the following:

Table 2: The annual Market Rent

Type	Rentable area sq m/spaces	Headline MR (EUR/sq m)
Office	26,881.02	23.5
Hotel	17,350.52	17.0
Underground parking lots	150	200.0

Source: Knight Frank

Discount 1.15 The rental figures are based on a headline basis with the benefit of 8-month rent free incentive for an office area and a car park.

Term 1.16 In arriving at our opinion of Market Rent, we have assumed lease terms of 5 years for office area and 20 years for hotel.

Operating costs 1.17 In accordance with the current market practice our valuation assumes that all property operating expense including insurance, property taxes and the ground rent fee will be covered by tenants via service charges and reconciled on annual basis.

For the purpose of this valuation we have assumed the maintenance costs of vacant space during void periods at EUR 5 per sq m per month.

Fit-out and refit-out costs	1.18	For the purpose of our valuation, we have assumed a re-fit out costs amounting to EUR 150 per sq m for lease renewal for 90% of rentable office area and fit-out costs EUR 300 per sq m for new leases (10% of rentable office area).
Reserve allowance	1.19	<p>We have adopted a reserve allowance of net operating income for the property costs which will not be recovered under the service charges:</p> <ul style="list-style-type: none"> • 0.5% of annual income in 4 and 5 years after completion; • 1.5% of annual income starting from 6th year. <p>The above rates include all possible non-recoverable costs such as possible increase overdue payments and unexpected repairs not covered by service charges.</p>
Commercialization costs	1.20	<p>For the purposes of subject valuation, we have assumed that during 12 months 10% of the office area will be in the process of commercialization.</p> <p>Costs of maintenance of the vacant space and loss of income in the total amount of EUR 1,323,408 was deducted from the Market Value upon completion.</p>
Core yield	1.21	<p>In order to arrive at the relevant capitalisation rate we have considered comparable investment transactions in the office sector in the Poland.</p> <p>In addition we have made suitable adjustments to reflect location of the property and type of the scheme.</p> <p>Based on our review of these expectations and having regard to the above factors, we have derived the core yield at the level of 5% for office area and 6% for hotel.</p>
Market Value upon completion	1.22	<p>We are of the opinion that the Market Value of the property upon completion as at the valuation date is:</p> <p>EUR 198,941,445 ≈ EUR 198,940,000</p> <p>(One Hundred Ninety Eight Million Nine Hundred and Forty Thousand Euros)</p>
Calculation	1.23	We attach a copy of our valuation calculation at Appendix.
Yields	1.24	<p>In case of the subject property, the income generated in the first day of prognosis amounts to EUR 3,539,508 and the Initial Yield is at the level of 1.78% reflecting proportion of the Contracted Rent generated in the first day of prognosis to the Market Value of the property. This yield is low due to some vacancy and rent free period in case of office area at the beginning of prognosis.</p> <p>Market Rent in the subject property amounts to EUR 11,479,953 per annum and the Reversionary Yield amounts to 5.77% calculated as relation between Market Rent and Market Value.</p>

Our research shows that office yields in the comparable transactions varied in the range of 5.35 – 6.8%.

We have presented below the brief description of the comparable transactions which took place in Warsaw within last two years:

- Prime Corporate Center (Q2 2016), price EUR 91 mln, EUR 4,333 per sq m, yield 5.35%;
- Metropolitan (Q4 2014), price EUR 187 mln, EUR 4,921 per sq m, yield 6.25%;
- Plac Unii (Q4 2014), price EUR 226 mln, EUR 3,924 per sq m, yield 6.5%;
- Rondo 1 (Q1 2014), price EUR 300 mln, EUR 4,545 per sq m, yield 6.8%.

In addition there are a few ongoing transactions which may be comparable to the subject property. The yields of the above mentioned transactions are on the level of 5.25 – 5.3%.

No.	Property	Price [EUR million]	Expected yield %
1.	S+B Gruppe (Kró.LEW.ska)	~38	~5.25-5.30%
2.	Q22	~300	~5.25%
3.	Atrium 2	~90	~5.3%
4.	Prime Golub GetHouse	~90	~5.3%

Development budget

- 1.25 The development budget comprises all types of costs that could be incurred during the project implementation (total development costs). The enclosed costs have been prepared on the basis of real development expenses of comparable office/hotel properties in Warsaw.

Construction costs

- 1.26 The construction costs of EUR 1,850 per sq m of rentable area comprise the building costs including a building shell and core. This item also represents the costs of required infrastructure, utilities provision to the site, external connections and demolition costs. In addition, a fit-out cost of EUR 300 per sq m for office and hotel area and an equipment costs EUR 9,000 per room for hotel has been assumed.

- Construction contingency** 1.27 Construction contingency is required to cover the costs of unforeseen changes in the building programme, for example, caused by the need to replace certain building materials during the construction process. Lack of this item in the budget can suspend the entire development process until additional source of finance is identified.
- Contingency costs are usually estimated at 3 – 10% of the construction costs depending on the scale, type and risk of development. For the purpose of the subject budgetary calculations a contingency of 10% of the construction costs has been assumed.
- Professional services** 1.28 **Architectural and Engineering:** This item represents the costs associated with preparing a detailed architectural design and technical documentation of the project such as:
- Architectural concept and site layout plan;
 - Architect's supervision;
 - Buildings' foundations;
 - Detailed design and engineering work;
 - Space planning/fit-out design.
- The total Architectural and Engineering cost is assumed at 5% of the construction costs and contingency.
- Technical inspection:** A technical specialist is required to monitor the expenditure, work progress and the quality of workmanship.
- The technical inspection cost is assumed at 2% of the construction costs and contingency.
- Project manager:** This item line covers the costs of employing a construction manager who will be responsible for preparing and supervising all building works. During construction the project manager closely liaises with the general contractor. A construction manager's fee is usually a percentage of construction cost or a lump-sum contract. In this case we have assumed the fee of 2% of the construction costs and contingency.
- Other specialists** 1.29 **Promotion and Marketing:** This item covers the costs of marketing materials such as brochures, posters and advertisements in the local and international press.
- Taking into account the scale of the project we have assumed promotion and marketing costs at 1.50% of the development budget.

Agency fee: This item represents an agency fee paid to the agent for securing pre-lease and lease agreements with tenants. The fee usually equates to 25% of annual rent depending on the agreement with the property agent.

Legal and Accounting: This item primarily covers the legal fees of law firm or firms, which specialise in such aspects of the development process. The role of the legal advisers is to eliminate the company's and the investors' risk as far as possible. For the purpose of this valuation we have assumed the costs at EUR 170,000.

Finance costs	1.30	<p>Finance fee: This item covers different bank fees once the loan agreement is signed. Banks usually require special fees for arranging project finance such as an arrangement fee, commitment fee etc. We understand that these fees vary from bank to bank, and are subject to negotiations. We have assumed a finance fee of 1% of the debt.</p> <p>Interest reserve: The revenue from letting the buildings can only be realised once the buildings are completed, thus the total project loan interest is cumulated during the construction period. It is assumed that the repayment of the loan will commence just after the completion of the buildings. We have assumed an interest reserve of 5% of the debt.</p> <p>Insurance: The insurance should cover possible damages during the construction stage covered by all-risk insurance policy. It usually amounts to 0.1% of the construction costs and contingency.</p>
Other costs	1.31	<p>This item covers the administrative charges due to the project realisation such as notary fees, ground rent, property taxes etc. For the purpose of this valuation we have assumed the costs at EUR 306,000.</p> <p>In addition we have assumed fit-out incentives for the office area at the level of EUR 150 per sq m.</p>
Total development costs	1.32	We have assumed the total development costs at the level of EUR 133,668,789.
Developer's profit	1.33	We have assumed the developer's profit at the level of 25% of the total development costs.
Calculation	1.34	We attach a copy of our valuation calculation at Appendix.
Exchange rate	1.35	For the purpose of our report we have adopted an average EUR/PLN exchange rate of EUR 1 = PLN 4.04 based on the analysis of historical exchange rates announced by the National Bank of Poland covering the last 10 years.

Market Value

Market Value 1.36 We are of the opinion that the Market Value of the property, estimated on the basis of residual approach, at the valuation date, is:

EUR 32,474,270 ≈ EUR 32,470,000

(Thirty Two Million Four Hundred and Seventy Thousand Euros)

	EUR
Market Value upon completion	198,941,445
(-) Total development cost	133,668,789
(-) Developer's profit	32,798,385
Market value	32,474,270
Say	32,470,000

Signature




Grzegorz Chmielak, MRICS, Hyp Zert
RICS Registered Valuer
Polish Licensed Valuer No. 3064
Partner, Head of Valuation Department
Knight Frank Sp. z o.o.
For and on behalf of Knight Frank Sp. z o.o.



Justyna Ochnik-Kalinowska
Polish Licensed Valuer No. 4096
Associate Director
Valuation Department
Knight Frank Sp. z o.o.
For and on behalf of Knight Frank

Appendix - Calculations

REPORT**Summary Valuation****Knight Frank Sp. z o.o. (Poland)**

Report Date 30 wrzesień 2016
Valuation Date 30 wrzesień 2016

Property

Address Office/Hotel Building 2016,51,E. Plater,Warsaw
File/Ref No

Gross Valuation € 205 126 615
Capital Costs -€6 185 169
Net Value Before Fees € 198 941 445

Less Stamp Duty @0,00% of Net Value € 0
 Acquisition Agents Fee @1,00% of Net Value € 0
 Acquisition Legal Fee @0,50% of Net Value € 0

Fees include non recoverable VAT @ 17,50 %

Net Valuation € 198 941 445
 Say € 198 940 000

Equivalent Yield 5,2728% **True Equivalent Yield** 5,4443%
Initial Yield (Deemed) 1,6469% **Initial Yield (Contracted)** 1,6469%
Reversion Yield 5,5126%

Total Contracted Rent € 3 539 508 **Total Current Rent** € 3 539 508
Total Rental Value € 11 479 953 **No. Tenants** 7
Capital value per m² € 4 497,70

Running Yields

Date	Gross Rent	Net Rent	Annual	Quarterly
30-wrz-2016	€ 3 539 508	€ 3 378 222	1,6469 %	1,6640 %
30-mar-2017	€ 3 539 508	€ 3 458 865	1,6862 %	1,7041 %
30-maj-2017	€ 10 685 911	€ 10 605 268	5,1701 %	5,3416 %
30-wrz-2017	€ 10 685 911	€ 10 685 911	5,2094 %	5,3836 %
30-lis-2017	€ 11 084 133	€ 11 084 133	5,4036 %	5,5911 %
30-maj-2018	€ 11 479 955	€ 11 479 955	5,5965 %	5,7979 %
30-wrz-2019	€ 11 479 955	€ 11 422 555	5,5685 %	5,7679 %
30-wrz-2021	€ 4 333 552	€ 4 161 353	2,0287 %	2,0547 %
30-mar-2022	€ 3 935 330	€ 3 682 488	1,7952 %	1,8156 %
30-maj-2022	€ 11 081 733	€ 10 828 891	5,2791 %	5,4580 %
30-wrz-2022	€ 10 685 911	€ 10 433 069	5,0862 %	5,2520 %
30-mar-2023	€ 10 685 911	€ 10 513 712	5,1255 %	5,2940 %
30-maj-2023	€ 11 084 133	€ 10 911 934	5,3196 %	5,5013 %
30-lis-2023	€ 11 479 955	€ 11 307 756	5,5126 %	5,7079 %
30-wrz-2036	€ 11 479 953	€ 11 307 754	5,5126 %	5,7079 %

Yields based on € 205 126 615

Report Date 30 wrzesień 2016
 Valuation Date 30 wrzesień 2016

Tenants

Tenant name	File/Ref	Next Review	Earliest Term	Cap.Group	Method	Yield 1	Yield 2	Contracted Rent	Current Rent	ERV	Gross Value
Freehold											
Office - 90%		NA	29-wrz-2021	Office	Hardcore	5,000%		€ 0	€ 0	€ 6 822 403	€ 127 001 287
Office - 5%		NA	29-mar-2022	Office	Hardcore	5,000%		€ 0	€ 0	€ 379 022	€ 6 679 547
Office - 5%		NA	29-wrz-2022	Office	Hardcore	5,000%		€ 0	€ 0	€ 379 022	€ 6 477 481
Parking - 90%		NA	29-wrz-2021	Office	Hardcore	5,000%		€ 0	€ 0	€ 324 000	€ 6 031 367
Parking - 5%		NA	29-mar-2022	Office	Hardcore	5,000%		€ 0	€ 0	€ 19 200	€ 341 838
Parking - 5%		NA	29-wrz-2022	Office	Hardcore	5,000%		€ 0	€ 0	€ 16 800	€ 291 802
Hotel		NA	29-wrz-2036	Hotel	Hardcore	6,000%		€ 3 539 508	€ 3 539 508	€ 3 539 506	€ 58 303 293
Total								€ 3 539 508	€ 3 539 508	€ 11 479 953	€ 205 126 615

VALUATION DATE
30 September 2016

DEVELOPMENT COSTS

EUR

Removal costs			
	2 475 248		
Construction costs			
	EUR	Sq m	EUR/sq m
Construction costs	81 828 349	44 231,54	1 850,00
Hotel fit-out costs	4 058 289	13 527,63	300,00
Hotel equipment	4 545 000	505,00	9 000,00
Office Fit-out costs	8 064 306	26 881,02	300,00
Total	98 495 944		
Contingency			
Construction contingency	9 849 594	10,00% of total building costs	
Total	9 849 594		
Professional services			
Project manager	2 166 911	2,00% of total building costs and contingency	
Technical inspection	2 166 911	2,00% of total building costs and contingency	
Architectural & Engineering	5 417 277	5,00% of total building costs and contingency	
Total	9 751 098		
Other specialists			
Promotion & Marketing	1 938 821	1,50% of development budget	
Agency fee	1 985 112	25,00% of annual rent	
Legal & Accounting	170 000	5000 EUR per month	
Total	4 093 933		
Finance costs			
Finance fee	759 412	1,00% of debt	
Interest reserve	3 797 062	5,00%	
Insurance	108 346	0,10% of total building costs and contingency	
Total	4 664 819		
Other costs			
Fit-out incentives - office	4 032 153	150 EUR per sq m	
Administrative charges	306 000	9000 EUR per month	
Total	4 338 153		34 months
Total costs			
	133 668 789		
DEVELOPER'S PROFIT	32 798 385	25% on costs	
TOTAL DEVELOPMENT BUDGET			
Total development budget			
Total development costs	133 668 789		
Developer's profit	32 798 385		
Total development budget	166 467 175		
COSTS TO BE COVERED	133 668 789		
MARKET VALUE			
Market Value			
Market Value upon completion	198 941 445		
Developer's profit	32 798 385		
Costs to be covered	133 668 789		
Market Value	32 474 270		
Say	32 470 000		

Prepared by Knight Frank Sp. z o.o.