

Valuation Overview

NEPI ROCKCASTLE PORTFOLIO

Slovakia, Croatia, Bulgaria, Serbia, Hungary and Czech Republic

Prepared for:

NEPI Rockcastle Plc

6th February 2020

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NEPI Rockcastle plc
2nd Floor, 30 Athol Street, Douglas
Isle of Man
IM1 1JB

(hereinafter as “the Client”)

Dear Sir/Madam,

RE: Overview of valuation reports provided by Jones Lang LaSalle, s.r.o. (JLL SK), Jones Lang LaSalle Kft (JLL HU) and JONES LANG LASALLE, s.r.o. (JLL CZ) in relation to the NEPI Rockcastle properties located in Slovakia, Croatia, Bulgaria, Serbia, Hungary and Czech Republic

In accordance with our valuation agreements from 13th June 2019, we were pleased to undertake valuations of real estate properties owned NEPI Rockcastle and its special purpose vehicles in the group as at 31st December 2019 (the “date of valuation”). The portfolio consists of 17 income producing properties and 9 lands held for future developments and extensions in 6 countries.

All properties have been subject to inspections in accordance with our instructions in June 2019 or January 2020.

We confirm that Jones Lang LaSalle provides the valuation services in the capacity as External Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards. We confirm that we have the appropriate knowledge, skills and understanding to undertake a valuation of these types of properties and in these particular locations.

Miroslav Skodacek MRICS together with Barbora Dermekova MRICS have signed valuation reports on properties located in Slovakia.

Jaroslav Kopac MRICS has signed valuation reports on properties located in Hungary, Serbia, Croatia and Bulgaria.

Jan Zibura MRICS has signed valuation reports on properties located in Czech Republic.

Our Valuations have been prepared in accordance with the RICS Valuation – Global Standards (incorporating the International Valuation Standards) – June 2017. The basis of valuation is the Market Value of the property, as at the date of valuation. Our opinion of the Market Value of each of the properties has been primarily derived using comparable recent market transactions on an arm’s length terms.

The Market Value is defined by the RICS as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

This valuation overview has been prepared for the Client for financial reporting purposes.

We confirm that in the preceding financial year JLL SK, JLL CZ and JLL HU has received less than 5% of its total fee income from NEPI Rockcastle plc or group companies.

Each Property’s Market Value is understood as the value of the property estimated without regard to cost of sale or purchase, and without offset for any associated taxes. Therefore no allowances have been made for any expenses of realization, or for taxation, which might arise in the event of a disposal. The property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

We have been provided by the Client with copies of documents related to the property and have relied upon these documents as being true and complete copies of the originals and we have not made further enquiries in this regard. We have assumed there are no other material documents that would affect our valuations that have not been supplied to us. We have not been instructed to carry out any building survey or environmental risk assessment.

The Client has provided us with tenancy schedules but we have not been provided with lease agreements. We have assumed that provided areas have been prepared in accordance with Royal Institution of Chartered Surveyors (RICS) Property measurement (2nd Edition, May 2018). As instructed, we have relied on these areas and have not verified them during the inspections.

Valuation methodology:

For the purposes of the valuation of NEPI Rockcastle income producing properties we have applied the income approach which is a method used to convert the anticipated economic benefits of property ownership into a value estimate through a capitalisation approach.

Income approach:

In our valuations we have adopted the Income Approach - Discounted Cash flow technique, analysed over a 10-year period. The cash flow assumes a ten-year hold period with the exit value calculated on 11th year income. We have adopted a discount rate and terminal capitalisation rate for the subject property having regard to recent investment sales evidence known to us together with our general knowledge and opinion based on discussions with investors within the Central and Eastern European region. This opinion is also based on prevailing interest rates and relative yields on 10-year Government bonds. In formulating our opinion, we have also had regard to investment rates recorded by Jones Lang LaSalle in other major Eastern European.

Commonly used yield type in Central & Eastern Europe is the Gross Initial Yield (GIY) which, similar to the West European countries (e.g. UK, Germany or France) Net Initial Yield (NIY), divides net operating income by the market value of the property or the purchase price BUT excl. purchaser’s transaction costs.

As there is no established practice in any of the CEE markets in terms of purchasers' costs level and the majority of available information about market yields refers to GIY, in our valuations we usually apply GIY resulting in the market value net of purchaser's costs.

Estimated Market Rental Value:

Our opinion on the estimated market rent has been derived through a combination of our retail agency team's opinions and analysis of recent lettings in the subject property and rents achieved in comparable properties and in comparable locations. We have also taken into consideration rental levels achieved by individual tenants.

For the purpose of the valuation of NEPI Rockcastle properties held for future developments and extensions we have used comparable or residual method.

Residual approach:

We have adopted the standard approach for the valuation of developments - the Residual Method of Valuation in accordance with the Practice Statements as set out in the RICS Valuation Standards. The residual value or site value as it is also known is the surplus after total costs including construction, fees, contingency, finance costs and developer's profit are deducted from an estimate of the gross development value (GDV) upon completion. This surplus or residual value represents the amount that a purchaser would be willing to pay for the site.

Comparable Method:

A Direct Sales Comparison approach is a valuation method used to estimate the Market Value of the Development land by comparing recent sales of similar properties in the surrounding or competing area to the subject property. Inherent in this approach is the principle of substitution, which holds that where similar properties, goods or services are available within a given locality a rational purchaser will be attracted to the one with the lowest price.

Full explanation and details of applied assumptions made in our valuations and details of all sources of information are contained within our Valuation Reports.

Having regard to the foregoing, we are of the opinion that the aggregate of the Market Values of Properties owned by NEPI Rockcastle and its special purpose vehicles in the group valued by Jones Lang LaSalle, as at 31st December 2019, subject to the Assumptions and comments in our Reports were as follows:

Country	Market Value (€) as at 31 st December 2019
Bulgaria	512,380,000
Croatia	275,600,000
Czech Republic	182,900,000
Hungary	283,600,000
Serbia	200,860,000
Slovakia	553,570,000
TOTAL	2,008,910,000

This valuation overview should be read in conjunction with the remainder of Valuation Reports and must not be relied upon in isolation.

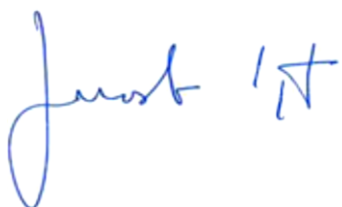
This Valuation Overview is provided for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its content. The basis of valuation may not be appropriate for other purposes and should not be so used without prior consultation with us. Neither the whole nor any part of this Valuation Overview nor any reference there to may be included in any published document, circular or statement, nor published in any way without our written approval of the form and context in which it may appear.

This overview is subject to the General Principles and Jones Lang LaSalle's General Terms and Conditions of Business, which are part of the each Valuation Report.

Yours faithfully,



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Miroslav Skodacek MRICS
Senior Valuer
JLL Slovakia



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Jaroslav Kopac MRICS
Head of Valuation
JLL Hungary



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Jan Zibura MRICS
Head of Valuation
JLL Czech Republic