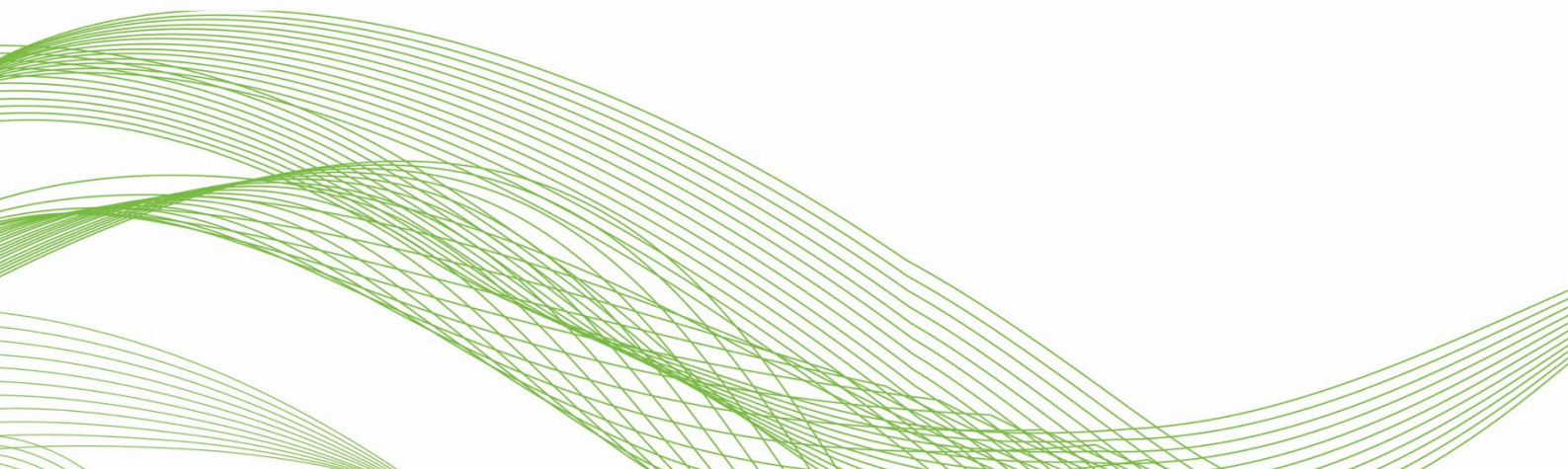


CBRE

Market commentary & Opinion of yield movement

CITYCON OYJ
30 SEPTEMBER 2022





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INSTRUCTIONS

Our instruction from Citycon Oyj was to provide Citycon with support for their investment portfolio as at 30 September 2022, to be used in their internal valuations. The purpose of the internal valuations is financial reporting and performance measurement. The internal valuations include all investment properties excluding any redevelopment projects and any new acquisitions which are valued externally.

SCOPE OF WORK AND ASSUMPTIONS

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

This advice is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject properties. Other valuers may reach different conclusions regarding yields of the subject properties. This valuation advice is for the sole purpose of providing the instructing party our independent and professional opinion on the movement of market yields on the valuation date, to assist Citycon with their internal valuations of the properties.

We confirm that we have had no previous material involvement with any of the properties prior to the 30 June 2017 valuation for Citycon and there is no conflict of interest.

We have carried out our work based upon information supplied to us by Citycon, which we have assumed to be correct and comprehensive.

We have inspected all the properties internally in between May 2017 and July 2022.

MARKET OVERVIEW

DENMARK

Retail Occupancy Market

Life has returned to normality and the retail sector has fully reopened following the pandemic. In a normal environment, one would expect this to impact the consumer expectations positively, but the war in Ukraine has had larger economic consequences all over Europe. The war has caused inflation levels to reach historical highs as well as exacerbating post-pandemic supply chain disruptions. As of May 2022, the consumer confidence indicator was -32,1, which is the lowest level ever since Denmark Statistics started recording in 1974. With the increase in energy prices, and a lot of Danish households dependent on gas to fuel their car, the general Dane has less money to spend on luxury goods in the foreseeable future.

According to Statistics Denmark, retail sales decreased by 3% in July 2022 from the end of May 2022 when corrected for price trends, seasonal fluctuations, and the effect of trading days. Since May retail turnover in supermarkets has increased by 2%. In March, retail turnover of shoes and other leather goods saw a significant increase of 37%. From the first month of 2022, turnover in this retail sector has dropped by 14%. As an effect of the society reopening, sales for home office supplies has dropped by 33% the last months.

One sector that has had a continuous downwards trend is the turnover of groceries and other home goods over the internet. Since May, this retail sector has further decreased turnover by 4%. Which may also come as a consequence of the population now opting for physical retail.

The sector that has performed the best between May and July is retail sales of books, newspapers and stationery, which has seen an increase of 21% in the period.

Prime net shopping centre rents remained unchanged in Q3 2022 at DKK 5,250 per sq m p.a. Looking forward, the pent-up demand caused by the long lockdown of the retail sector, and a higher level of job security could serve as a positive indicator for the expected increase in the retail sector. However, the current situation in Ukraine will pose a threat to the inflation level and the consumer confidence will affect retail sales in an uncertain amount of time going forward why higher vacancy on the medium/longer term is expected.

Retail Investment Market

The end of Q4 2018 showed a change in investor sentiment. The shopping centres are experiencing challenges regarding e-commerce and in addition, as a result of weaker investment demand and confidence, market players have been withdrawing their sales from the market due to difficulties in achieving expected pricing. Additionally, the disruption caused by regional periodic lockdowns and prolonged social distancing measures in most of 2020, has further accentuated the already existing pressure on brick-and-mortar retail caused by the rapid growth of e-commerce.

Total retail investments were reported at DKK 2.58bn in Q2 2022, an increase equal to 221% compared to Q2 2021. In One of the largest transactions this year included both shopping centres and supermarkets.

The general shopping centre yield has been revised upwards in September 2022 at 5.15% for prime shopping centres and at 7.20% for good secondary shopping centres. The trend for both yields is further and larger softening, as vacancy is increasing, interest rates are rising and investor being more cautious.

Comment on Citycon portfolio

Albertslund is an established shopping centre with a stable track record, while Straedet is a relatively newly developed centre with more uncertainties, characteristic of newer centres. Expected rental levels are stable, while

economic incentives are expected to increase. Alignment with current investor sentiment in regard to yields is expected.

ESTONIA

The Estonian Bank forecasts that the economic growth for 2022 will be -0.5% compared to 2021. The most significant factor here is the highest inflation in the euro area. According to the central bank, the CPI this year will be around 19% and is expected to fall significantly over the next two years: 7% in 2023 and 2% in 2024. The main reason behind such high inflation is the high energy costs. The impact of rapid price increases on economic growth will be more pronounced in the second half of this year and will lead to a decline in the Estonian economy. The first half of this year turned out to be better than expected for the Estonian economy, despite the high prices, consumption increased strongly thanks to the savings put to use, but in the future, the savings no longer provide the same level of support. Thus, a decrease in consumption is expected in the near future. With the European Central Bank raising interest rates, inflation will start lowering, and the economy is expected to bounce back, with the growth being 1% in 2023 and 3.5% in 2024. However, due to the geopolitical instability, there is more significant uncertainty than usual around the outlook.

Despite the economic recession, the labour market is still in a good place. Wage growth will remain strong this year and next, despite the fact that the labor market is cooling somewhat, because there is still a shortage of workers, and both the minimum wage and prices are rising. As a result, unemployment is expected to remain around 6.5% and 8.6% next year.

Due to the great openness of the Estonian economy, the performance of the exporting sector is important. The impact of sanctions on trade and production increases, which inhibits economic activity. There is a risk that while aid packages are being developed across Europe to deal with the energy crisis, local companies will be left in a competitive disadvantage compared to foreign ones.

Fiscal policy plays an important role in reducing price pressure. Temporarily alleviating the impact of the energy crisis and solving it in the long term will require additional government spending, as well as war refugees and increasing the country's defense preparedness. However, the budget is in a deep deficit even without these extraordinary expenditures, and this despite the very rapid growth of tax revenues. If the same course continues, the budget deficit will worsen in the following years and in turn will further stimulate price growth. Estonia's core inflation, which does not take energy and food prices into account, has exceeded 10% year-on-year in recent months. According to Statistics Estonia, the overall CPI increased by 0.3% in September 2022 compared to August 2022 and 23.7% compared to September 2021.

Retail Occupancy Market

According to Statistics Estonia, in August 2022, the turnover of retail trade enterprises was EUR 954 million. Compared to last year's period, turnover increased by 3% at constant prices. The most significant increase was recorded in enterprises engaged in the retail sale of automotive fuel, where the turnover grew by 15% Y-o-Y. The stores selling manufactured goods turnover increased by 2% compared with August 2021. The most considerable increase was recorded in stores selling second-hand goods and in the non-store retail sales (stalls, markets, direct sales), where turnover grew by 13%. Turnover increased by 6% in other specialised stores selling predominantly computers and their accessories, books, sports equipment, games, toys, etc., by 4% in stores selling via mail order or the internet, by 4% in other non-specialised stores selling predominantly manufactured goods (i.e. department stores), and by 2% in pharmacies and stores selling cosmetics. Turnover decreased by 10% in stores selling textiles, clothing and footwear and by 2% in stores selling household goods and appliances, hardware and building materials.

In Tallinn, no new shopping centres were opened in Q3 2022, but at the end of the summer, the highly

anticipated 28,000 sqm IKEA was opened near Tallinn, and a new 18,600 sqm retail park next to it will be opened in 2023. As for other pipeline projects, Astri Grupp announced that the renovation of Keskturg will be finished by 2025.

Furthermore, shopping centres continue the diversification of their tenant mix. For example, in the second half of 2022, the MyFitness sports club is opening its doors in Kristiine Center, and Viru Keskus opened a new 1,500 sqm Food Hall concept, with 15 restaurants in their centre, the first one of a kind in Estonia and Ilusfäär, a beauty, health and wellness centre.

Even though the sales and footfall of shopping centres in Estonia have improved, the high inflation, declining purchasing power, and rapidly growing utility costs are affecting the retailers' profitability; therefore, there could be cases where Landlords could have trouble collecting rent, and with the retailers being careful opening new businesses we could see a rise in vacancies.

The advancement of online retail is going to continue. In the same time a global survey conducted by CBRE results paint a more resilient picture for physical retail. Occupiers have expansion plans on the agenda as they see real value in physical retail, something that can't be replicated through online-only channels. According to Statista, 2022 will be the first year globally with e-commerce turnover lower than the previous year. However, if there are no further shocks, 2023 income for online retailers will be higher again, and the new wave of growth will continue.

Retail Investment Market

Demand for commercial and retail real estate continues, although there were no remarkable transactions in Tallinn in 2022 Q3. In Tallinn, shopping centre rents have stayed stable throughout the year; however, due to the current economic situation, especially the growing interest rates, there is upward pressure on the rents, and we expect them to rise in 2023.

Compared to the previous quarter, shopping centre prime yield in Estonia for the sizeable regional multi-tenancy traditional formats has not moved by evidence. However, despite that, increasing borrowing and energy costs have weakened the general market sentiment; therefore the market expects more flexibility regarding pricing expectations and other conditions. With that, the prime shopping centre yield has risen by 0.25 pp and is currently estimated at c.a. 7.25%, compared to 7.50% in Latvia and 7.25% in Lithuania.

We are already seeing that higher interest rates are starting to suppress investment activity, with the total investment volume in Q3 2022 being lower than in Q3 2021 and buyers becoming more cautious and even postponing decision-making until next year.

Comment on Citycon portfolio

During 2022, sales and footfall have increased consistently in both shopping centers, expected rental level are stable. In Kristiine, the vacancy is decreasing, the tenant mix is improving, and the recent renovation works are proven to be effective. In addition to the Myfitness sports club, a contract has also been signed with a family doctor's office and a kitchen supply store Apelsin which opened its doors in Q3 2022. Vacancy in Rocca al Mare SC is around 6.9%, mainly since Debenhams agreement termination but it has been constantly growing since 2019. Negotiations are underway with Reserved to increase the leased area. Some more premises have been refurbished, such as HM, I.L.U and Lindex. Alignment with current investor sentiment in regard to yields is expected.

NORWAY

Retail Occupancy Market

The Norwegian central bank initiated two double-hikes in Q3, as the Key Policy Rate (KPR) was increased to the current level of 2.25 percent. The central bank's latest forecast indicated KPR reaching a top of 3.0 percent by next summer. The 5-year NOK swap rate has continued upwards over the summer, reaching levels around 4 percent.

Soaring inflation and interest rates keep putting pressure on private consumption. As the effects of reopened services are wearing out, growth in private consumption is expected to be negative in 2023. CBRE is currently forecasting a 2022 GDP growth of 2.0 percent, while mainland GDP is expected to expand by 2.9 percent. CPI inflation rose to 6.9 percent in September but would have been at 9.9 percent without the household electricity bill scheme from the Norwegian government. Our CPI expectations have been revised upwards since our Q2 report, averaging 6.4 percent for 2022 and 5.6 percent in 2023.

The NOK is forecasted by Nordea Markets to be relatively stable against GBP, but moderately depreciate against USD and EUR in the short term (0-3 months). NOK is forecasted to appreciate against USD and GBP in the medium term (6-12 months)

As of September 2022, the only sector with negative YoY sales growth in Norwegian shopping centres is grocery stores. Overall shopping centre sales are up 6.1 percent YoY from January to September, according to Kvarud Analyse. However, the sales numbers have been decreasing in the last months and the turnover growth was negative in all parts of the country in Q3.

Average basket size was NOK 368 for September 2022, while the 2022 average basket size for the year is NOK 381, NOK 16 less than last year. Although visiting numbers January-September were up 11.9 percent from 2021, they are 0.9 percent down from the same period in 2019.

Retail Investment Market

The retail investment market started the year strong, but like the rest of the CRE investment market, activity has gradually decreased through the year. Retail transactions amounted to 10.5 percent of the total transaction volume in Q3, and 19.6 percent of the total transaction volume in the first three quarters of 2022. At NOK 1.3 billion, retail transactions have decreased by 60 percent YoY in Q3.

The prime shopping centre yield in Q3 2022 has increased to 5.20 percent, up 40 bps QoQ. The yield for secondary shopping centres in has increased to 6.00 percent, up 15 bps QoQ. Due to the increasingly fierce competition from ecommerce and with interest rates on the rise, we expect yields to continue upwards in the short to medium term, especially for prime assets.

We have registered two shopping centre transactions in Q3 2022. The 9,000 sqm Aksdal Senter in Haugesund was sold by seven local investors, including Tysvær Kommune, to a Fearnley syndicate for an undisclosed fee. The 4,500 sqm Lande Senter in Sarpsborg was sold by Fagerstrand Eiendom to Fredriksberg Eiendom for an undisclosed fee.

Comment on Citycon portfolio

Market rents have predominantly remained relatively stable across the portfolio with minor adjustments in line with recent sales performance and leasing activity. Alignment with current investor sentiment in regard to yields is expected.

General outlook

Capital markets are very sensitive to the overall economy and usually the first one to reflect the market conditions. Tightened financial conditions are visible in the increased cost of capital, impact on LTV's and lenders' assessment of risk related to different property types. As a result, decreasing investment volumes and a general softening in pricing across all sectors has been observed.

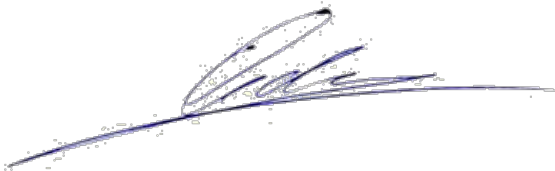
Against the economic backdrop, retail is not immune. With bond rates moving up and other alternative asset classes becoming cheaper, increased borrowing costs and further potential rate rises from the ECB, it is expected that property yields including retail will continue to move out.

In Copenhagen, Denmark and Riga, Latvia – 3rd November 2022



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