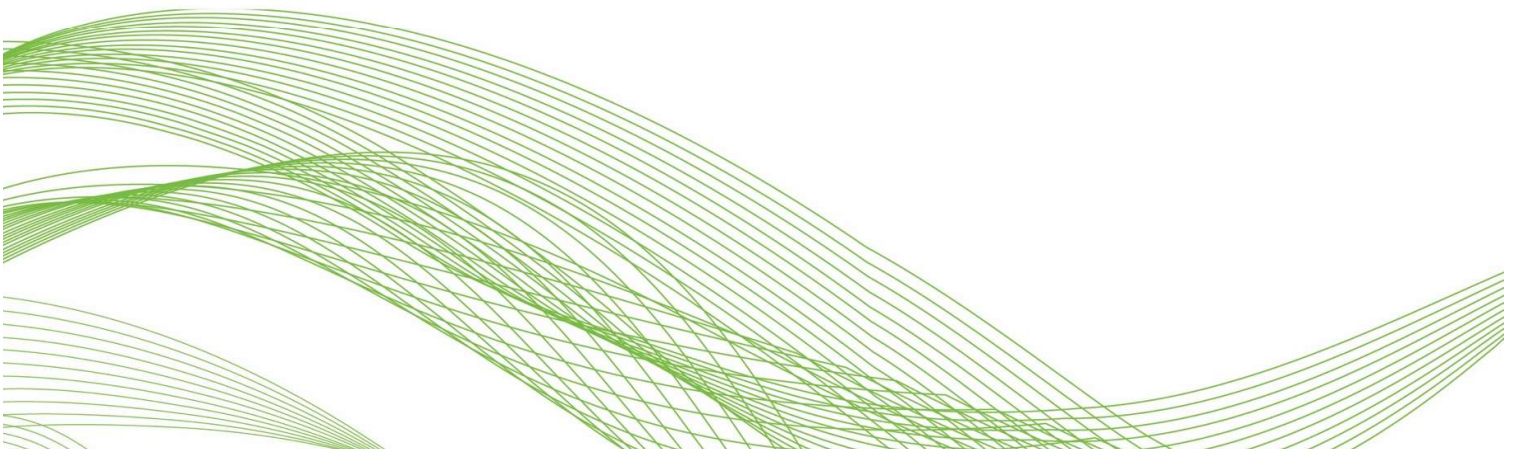


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Market commentary & Opinion of yield movement

CITYCON OYJ
30 SEPTEMBER 2021



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INSTRUCTIONS

Our instruction from Citycon Oyj was to provide Citycon with support for their investment portfolio as at 30 September 2021, 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 August 2021.

MARKET OVERVIEW

DENMARK

Retail Occupancy Market

The Danish government reacted swiftly to encounter the economic impact caused by the outbreak of Covid-19 in the Spring last year, and there is no doubt that the retail sector has faced an unprecedented disruption of commerce. Concurrently with the launch of the vaccine program in Denmark, restrictions have gradually been lifted and the Danish economy is now fully reopened. Additionally, consumer confidence is on the rise. According to Statistics Denmark, the consumer confidence indicator increased to 4.4 in the beginning of August 2021, thus following the positive trend from May.

According to Statistics Denmark, retail sales increased by 33% from end of January 2021 to end of June 2021 when corrected for price trends, seasonal fluctuations, and the effect of trading days. The product group Supermarkets has kept relatively stable during the first half of 2021, the product group Shoe and Leather Goods etc increased by 872%. The positive development in retail sales indicate that the gradual lifting of restrictions pertained to the retail sector in the first half of 2021 has had a positive effect on retail sales. When comparing June 2021 sales with end of Q1 2020, where the first lockdown measures were enforced, total retail sales has increased with 18%.

Retail sales via internet have performed particular well in the last couple of years as more retail sale has shifted online. This trend has been further amplified during Covid-19, why all categories of retail sale via internet have increased considerably since March 2020. Zooming in on the latest available data from end of April 2021 reveals that the category, Watches and Jewellery, with an increase in sales of 148% compared to Q4 2020 and 16% compared to last month. The positive development in this category can largely be attributed to more job security and decreasing prizes for gold and silver. Additionally, the category DIY centres and tool stores have performed well recently, with increase in sales equal to 289% from end of January 2021 to end of June 2021, but has decreased by 8% compared to previous month.

Prime net shopping centre rents remained unchanged in Q2 2021 at DKK 5,250 per sq m p.a. Looking forward, the pent-up demand caused by the long lockdown of the retail sector, the positive trend in consumer confidence and the reopening of the last part of the retail sector in April 2021, are all expected to increase sales in the coming months. Covid-19 is still expected to be the ultimate trigger for already dwindling retailers and F&B to close their business, 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 DKK5.9bn in 2020, an increase equal to 106% compared to 2019. In H1 2021, retail investments were DKK 2B, an increase of 6% compared to H2 2020. The retail investment volume in Q2 consists mostly of retail boxes, but also one transaction of a nation-wide supermarket portfolio of 4 properties at a reported price equal to DKK 58,5m.

The general shopping centre yield has been revised slightly upwards in September 2021 at 5.10% for prime shopping centres and at 7.10% for good secondary shopping centres. The trend for both yields is softening, as

vacancy is increasing.

Comment on Citycon portfolio

Albertslund is an established shopping centre with a stable track record, while Straedet is a newly developed centre with more uncertainties, characteristic of new centres. Expected rental levels are stable, while economic incentives are expected to increase. Alignment with current investor sentiment in regard to yields is expected. We are of the opinion that there has been no significant movement in (market) yields this quarter.

ESTONIA

According to Statistics Estonia, in the 2nd quarter of 2021, the gross domestic product (GDP) grew by 4.3% compared to the 2nd quarter of 2020, and the GDP at current prices was 7.2 billion euros. In the fourth quarter of 2020, household consumption decreased by 1.3%. The expenditure on furnishings, food and communication continued to increase, while less was spent on leisure, clothing and transport. Foreign trade fared well despite the restrictions on international travel. The low level of travel services still limited the export and import of services, but trade in goods reached a historically high level. Both the import and export of goods were boosted by trade in electronic equipment and chemical products – by 14.4% and 8.7%, respectively. The timber industry also helped to increase exports, while imports were driven by importing various machinery and equipment.

Retail Occupancy Market

According to Statistics Estonia, in July 2021, the turnover of retail trade was 779 million euros. Compared to July 2020, turnover increased by 10% at constant prices. The turnover increased year on year by 14%. The turnover of stores selling manufactured goods grew in all economic activities. The biggest increase of 29% was recorded in stores selling via mail order or the internet, followed by a 15% increase in the turnover of stores selling second-hand goods and non-store retail sales (stalls, markets, direct sale), and a 13% increase in stores selling household goods and appliances, hardware and building materials. In July compared to June, the turnover of retail trade enterprises decreased by 1%. It also reduced by 1% according to the seasonally and working-day adjusted data.

In Tallinn, shopping centre rents have remained unchanged for Q3. The prime rent is 45 EUR/sq m.

With the Porto Franco opening delayed, it is expected not to see any new developments introduced this year.

With over 57% of the Estonian population vaccinated, the restrictions were lifted in May, and people are returning to shopping centres. As published by Statistics Estonia, in the first seven months of 2021 retail turnover increased by 11% compared to the same period a year ago. We already see decreasing vacancies in leading shopping centres. We anticipate seeing this trend continue for most of the shopping centres.

At the end of Q2 of 2021, T1 Mall of Tallinn parent company was declared bankrupt. Since then, it has been put up to auction several times, with the starting price of EUR 85 million. Since no realistic bids were announced for the second auction, the starting price has been lowered to EUR 65 million. A 25% discount attracted four potential bidders. The vacancy in the shopping mall is high, and almost all of the tenants who have stayed are likely to leave. Nonetheless, the mall has remained open to all customers.

Retail Investment Market

Compared to the previous quarter, shopping centre prime yield in Estonia for the sizeable regional multi-tenancy traditional formats has not moved by evidence. To our knowledge, several such shopping centres are available off-market for bids. Still, no transaction has come to the closure mainly because the potential buyers are cautious regarding the short-term future of the physical retail to adjust. Therefore, the landlords are not ready to sell the asset with a discount on the one hand. On the other hand, potential investors are not prepared to pay a price

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that considers all possible short and medium-term risks in retail real estate. In combination, the situation suggests slightly decreasing sentiment into the shopping centre segment with a slightly increasing yield perspective for the prime and high likelihood of markedly increasing for the secondary assets in particular. Currently, the exceptional SC yield is estimated at 7.0%. That being said, for some schemes that are in severe difficulty or even in bankruptcy, investors can expect a 60-70% discount from the average market prices.

Comment on Citycon portfolio

The Covid-19 restrictions have been lifted, and people can visit malls since May. Restaurants can service in-house dining, although clients must provide a negative test or a vaccination certificate. From the 26th of August, the face masks are mandatory again to enter indoors.

Pelm – a dumplings restaurant was opened in Kristiine SC, at the end of July. By new entries to the shopping centres, we see an improving sentiment in retail overall. On the other hand, a long-term vacancy of c.a. 6% is observed in Rocca al Mare, meaning that retail itself has been changing for the last 5-7 years and older schemes are required to undergo refurbishments by improving a fit-out in common space of the shopping centre as well as adjust the floor layouts and a tenant mix to remain competitive.

We are of the opinion that there has been no significant movement in (market) yields this quarter.

NORWAY

Retail Occupancy Market

After cutting the key policy rate to zero for the first time ever early during the pandemic, Norges Bank hiked the KPR again in September 2021 in a widely predicted and communicated move. The central bank guides that it will follow up with another hike in December, and three further hikes in 2022, bringing the KPR to 1.25% by year end 2022.

After contracting 3.1 percent in 2020, CBRE predicts that Norway's mainland GDP will expand aggressively in the latter half of 2021, driving mainland GDP growth up to 3.9 percent this year. The NOK has already strengthened significantly on the back of higher oil & gas prices. The NOK is forecasted by Nordea Markets to generally remain relatively stable against EUR over the medium, while weakening a little against USD and GBP. The significant NOK appreciation that has already occurred should contribute to more favourable trading conditions for importers from the end of the year and into 2022, i.e. a majority of retailers.

Across Norway lockdowns have now been fully reversed, with all shops and F&B outlets having reopened again, and essentially all pandemic-related restrictions lifted. Per the end of September, no sectors are left in negative territory in terms of YTD sales growth at Norwegian shopping centres. Overall shopping centre sales are now up 2.3 percent YTD, according to Kvarud Analyse.

Average basket size is NOK 378 per September 2021, while the YTD average basket size is NOK 399, up 6.7 percent compared to the same period last year.

Retail Investment Market

Retail transactions amounted to NOK 3.2 billion in Q3 2021, up 11 percent YoY, amounting to 13 percent of the total transaction volume for the quarter. Q3 was characterised by few large transactions – with only Karl Johans gate 14 being close to NOK 1 bn (sold by the private property company AVA Eiendom to the fund Malling & Co Eiendomsfond).

The prime shopping centre yield per the end of Q3 2021 is estimated at 4.90 percent, unchanged both YoY and QoQ, but up 40 bps vs pre-COVID. Due to the increasingly fierce competition from ecommerce and with interest rates on the rise again, we do not expect prime yield to revert to pre-COVID levels despite the ongoing economic recovery. We do however see room for yield levels to edge downwards somewhat over the next two years. It is worth noting that investors have become more selective within the retail space since the onset of the pandemic, and that it primarily is the good and prime assets that are seeing solid investment demand, with the exception of good value-add projects.

We have registered only one shopping centre transaction in Q3 2021, the 10,500 sqm Torghjørnet in Hamar, which was sold by Schage Eiendom and Utstillingsplassen Eiendom to Hamjern Eiendom for an undisclosed sum.

Comment on Citycon portfolio

All Covid-19 restrictions have been lifted and also all non-essential stores are open for some time now. Despite the Covid situation most of the centres have performed well. Expected rental values are expected to remain relatively stable. Investment activity is back again and alignment with current investor sentiment in regard to yields is to be expected. We are of the opinion that there has been no significant movement in (market) yields this quarter.

In Copenhagen, Denmark, Oslo, Norway and Riga, Latvia – 14th October 2021



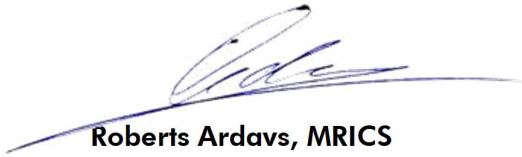
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