



Quarterly comment

The rental revenue for East Capital Baltic Property Fund for the period July – September 2023 amounted to EUR 1.18m and increased by 7.3% compared to the period July – September 2022. The average rent across the portfolio at the quarter end in September 2022 was EUR 7.1/sqm/mo. The vacancy level for the fund portfolio stands at 11.6% at the quarter end in September 2023.

The Jõhvi Tsentraal upgrade is nearing completion. The extensive renovation and modernization project included almost the whole building as well as the parking and outdoor areas. The central square in front of the centre is now asphalted with recreational areas and greenery to be added. For the past months, the Estonian team together with the country manager Martin Otsa and regional manager Anneli Mänd, have been negotiating a lease covering almost all the remaining vacancy on the third-floor office area. The lease agreement was signed in October 2023 and the premises will be prepared for the tenant throughout the winter as the last stage in the building renovation project. The new lease leads to all-time low vacancy level below 5%.

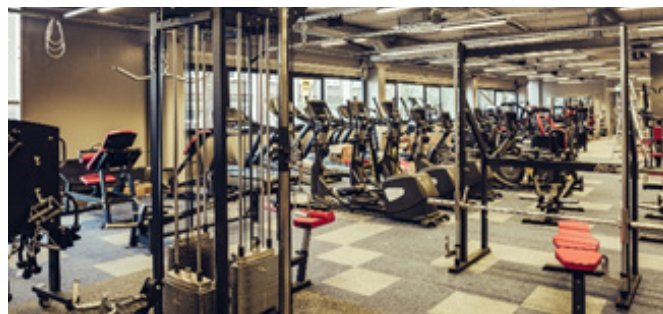
Tallinn Seaport Hotel occupancy rate and turnover continue to improve. In the period July – September 2023 the total hotel turnover was ca 11% higher compared to the same period in 2022 and the turnover is now only 6.5% below the pre-Covid levels in 2019.

Makita, our long-term tenant in Tännassilma industrial complex, now completed the construction of its own built-to-suit office and warehouse complex and therefore moved out of Tännassilma complex at the end of September. The property management team together with brokers are working on leads to lease out the two buildings previously occupied by Makita with totally ca 5,000 sqm of leasable area.

In Metal industrial property, located on the other side of Tallinn near the Narva highway, one of our tenants, a concrete producing company Four Side Element filed for bankruptcy in August 2023. The company thus vacated the B building in the complex with total ca 2,500 sqm of leasable area. The building is attractive to industrial tenants due to its ample ceiling height as well as industrial lifting mechanisms and there are already some interested companies for the premises.

Aiandi 13 is a B class office complex in Tallinn that offers attractive rents and is currently in the process of renewing its BREEAM sustainability certificate. The property previously included ca 6% vacancy which the property management team was working to lease out. In September 2023 we additionally had to agree on a lease termination with one of the tenants covering 6% of the lease area as their operations had shrunk with no further need for an office. At the same time, a long-term tenant covering 9% of the leased office area notified of lease termination from April 2024 as it wishes to relocate to offer more amenities to its employees. Estonian asset manager Indrek Tool together with investment manager Martin Otsa are actively working with tenant substitution and negotiating with potential new tenant(s).

The Fund's Annual General Meeting will take place in 4Q 2023 where the management team will present the results of the 2022/23 financial year.

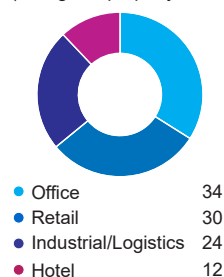


24/7 Fitness gym in Jõhi Tsentraal

Photo by Arvo Juhkov

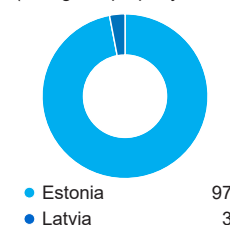
Sector Allocation

(% of gross property values)



Country Allocation

(% of gross property values)



Top 10 tenants of the fund

Tenant	Sector	Property	Share of total rent
Maxima Eesti	Wholesale and retail trade	Aiandi 13 office / Jõhvi Tsentraal	10%
ELP Logistics	Logistics	Tännassilma industrial	8%
Tallinn Seaport Hotel	Accommodation	Seaport hotel	7%
Selver	Wholesale and retail trade	Jewe shopping centre	6%
Baltic Defence & Technology	Defence industry	Metal industrial	4%
Estonian Unemployment Insurance Fund	Public sector	Kerese centre	3%
Broadcom CA Estonia	Professional services	Aiandi 13 office	3%
Paulig Estonia	Food industry	Aiandi 13 office	3%
LPP Estonia	Wholesale and retail trade	Jõhvi Tsentraal	2%
Jysk Linnen'n Furniture	Wholesale and retail trade	Jõhvi Tsentraal	2%
Total			49%

Financial overview

The Net Asset Value of East Capital Baltic Property Investors AB was EUR 336.97 as of 30 September 2023, increasing by 1.46% during the quarter, from EUR 332 on 30 June 2023.

The fund's rental income for the period July-September 2023 was EUR 1.2m. The rental income y-o-y increased the most in Jõhvi Tsentraal as renovation is now mostly completed and new leases are in force. Rental income y-o-y decreased in Metal industrial property and Zemitana office building due to higher vacancy. Rental income from the remaining Estonian properties remained flat or increased slightly due to rent indexations.

The interest costs for the fund increased by ca 2.4 times from EUR 204th to EUR 170th due to the increased Euribor rates. The fund's net profit concluded at EUR 0.4m.

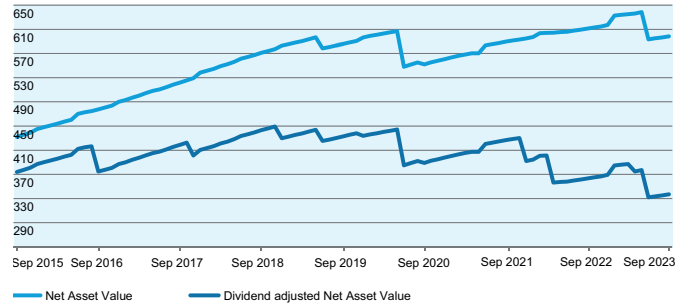
The fund's portfolio value stands at EUR 56.31m. The loan-to-value of the EPF Neli syndicate loan is 46% as of 30 September 2023, considering only Estonian properties as collaterals as per the loan agreement.

Net Asset Value 30 September 2023

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months	% YTD	% Since inception*
336.97	1.46	1.46	19.68

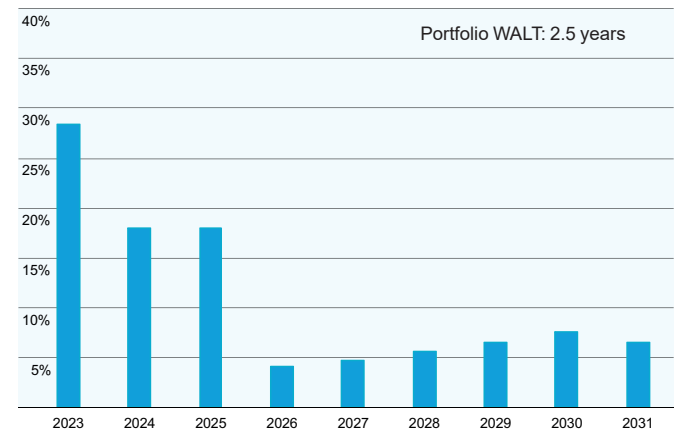
*including dividend payments



Fund Summary

	30 Sep 2023 EUR '000	30 Sep 2022 EUR '000
Fair value of portfolio	56,883	58,017
Other assets	1,996	10,616
Liabilities	-26,536	-28,171
TOTAL NET ASSET VALUE	32,343	40,462
Net Asset Value East Capital Baltic Property Investors AB	336.97	363.31

Lease maturity



Financials

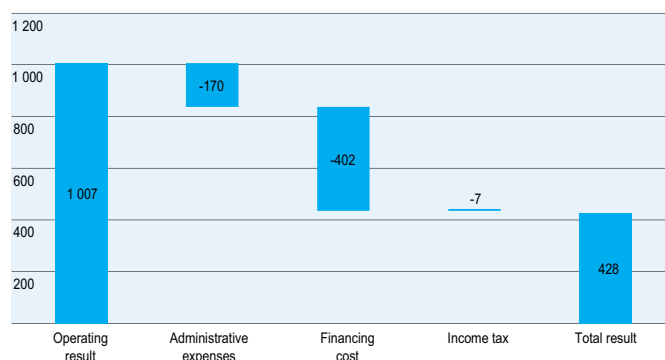
Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2023 - Sep 2023	Jul 2022 - Sep 2022
Revenue	1,178	1,098
Direct expenses	-171	-200
Gross profit	1,007	898
Administrative expenses	-170	-215
Operating profit/loss	837	683
Interest expenses	-402	-170
Profit/loss before income tax	435	513
Income tax	-7	83
NET PROFIT FOR THE YEAR	428	596
Earnings per share - Ordinary shares	77,80	108,05

Statement of Comprehensive Income of East Capital Baltic Property Investors AB (publ), unaudited for the period in EUR'000

	Jul 2023 - Sep 2023	Jul 2022 - Sep 2022
Earnings per share - Ordinary shares	4,41	5,29

Result contribution (Q3 2023, EUR'000)



Statement of Financial Position of East Capital Baltic Property Fund AB, unaudited in EUR'000

	30 Sep 2023	30 Sep 2022
ASSETS		
<i>Non-current assets</i>		
Investments properties	56,883	58,017
Other long-term assets	5	5
Equipment	-	5
Total non-current assets	56,888	58,027
<i>Current assets</i>		
Assets held for sale	195	341
Other receivables	328	336
Accrued income and prepaid expenses	29	27
Cash and cash equivalents	1,439	9,902
Total current assets	1,991	10,606
TOTAL ASSETS	58,879	68,633

EQUITY AND LIABILITIES

Equity		
Share capital	17	17
Other paid-in capital	38,217	28,828
Retained earnings	-6,319	11,021
Profit/loss for the period	428	596
TOTAL EQUITY	32,343	40,462

Liabilities

<i>Non-current liabilities</i>		
Interest-bearing liabilities	24,137	23,241
Other liabilities	616	617
Total non-current liabilities	24,753	23,858

<i>Current liabilities</i>		
Interest-bearing liabilities	1,039	2,982
Accounts payable - trade	311	605
Other liabilities	16	367
Accrued expenses and deferred income	417	359
Total current liabilities	1,783	4,313
TOTAL EQUITY AND LIABILITIES	58,879	68,633

Contact

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Economic overview

In 2Q 2023 GDP (in real terms) of Estonia fell by 2.9% y-o-y (mainly due to dampening effect of transportation and storage, followed by the energy sector and construction) and by 1.1% y-o-y in Latvia (driven by decrease of manufacturing and transportation and storage). The GDP of Lithuania grew by 1.1% y-o-y in 2Q 2023, driven by increase in information and communication and accommodation and food service sector.

Average annual inflation in August 2023 has declined to a single digit numbers- 4.3% in Estonia, 5.6% in Latvia and 6.4% in Lithuania. Inflation is expected to continue falling.

In 2Q 2023 the average monthly gross earnings grew by 12.4% y-o-y in Estonia, 12.0% in Latvia and 12.3% in Lithuania. In August 2023, the highest registered unemployment rate of the country's working age population was recorded in Lithuania (8.4%) and Estonia (7.4%), the lowest in Latvia (5.5%).

Real estate market



Investment market

3Q 2023 continued to remain expectedly calm in Estonia with total YTD investment volume reaching ca EUR 105m, 2.5 times less than a year ago. 3Q 2023 saw several new owner-occupation deals with retail properties in Tallinn region and production facilities across Estonia. Thus, Rimi acquired the Veski Market, a neighbourhood shopping centre in Laargi to become both the owner and grocery anchor, while the Paepargi Maxima supermarket in Lasnamäe was acquired by Maxima. Yields continued to expand towards 6.5% threshold in the office segment, above 7% in the industrial segment and 7.5% in the retail (SC) segment, still experiencing a lack of market evidence.

In 3Q 2023, investment activity in Latvia remained low with around EUR 100 million in total invested in 2023. No notable transactions were recorded in Q3, and investment volume came from small-scale rental residential and retail transactions with investment value up to EUR 5m. This is the third consecutive quarter with no prime industrial, retail or office deals, resulting in lack of evidence on yield levels. Development market saw increased activity from notable market participants –Sirin, industrial developer, acquired a land plot in Dreilini, Eften acquired a rental apartment building for redevelopment, Linstow continued to expand its portfolio in Central Station area.

Lihtuanian investment volume reached EUR 27m in 3Q 2023, mainly by smaller transactions in the range of EUR 1-6m. Average transaction size across the market was EUR 1.4m in 3Q 2023. Capitalica Asset Management has established a new 4th commercial real estate investment fund and completed the first acquisition for the fund - office building with total GLA 4,230 sqm located in the central part of Vilnius, Naujamiestis. Yields remained largely stable, although an upward pressure on prime yields persists.

Office segment

Development in Tallinn office market remains still active with total GLA reaching 106,000 sqm under construction in September 2023. New-built premises

continue to show a positive absorption ratio with around two-thirds of total new supply in 2023-2024 being covered with (pre)leases. In July 2023, Swedbank announced moving its headquarters from the current premises to a new 28-story building in the Arter Quarter in 2025. Although construction prices have somewhat stabilized and even decreased, asking rent rates for planned new developments / premises under construction in Tallinn continue to trend upward, varying largely from 17-24 EUR/sqm across the city.

In Riga, 129,400 sqm of leasable office area remained under construction in September 2023. Around 43% of the projects under construction are planned to be commissioned by the end of 2023. Take-up activity was exceptional and in the first 9 months of 2023, exceeding last year's total take-up volume by 11% with professional services being the leading occupier segment. Companies that are planning to relocate in 2024-2025 might face a shortage of Class A vacant premises in the future. Nevertheless, with new buildings added to the stock, total vacancy has reached 17.6%. Rents are trending upward.

Vilnius office market saw announcements of several new office projects, including the Lvovo 38 project with an impressive leasable area of 20,000 sqm. Total take-up in Q3 remained consistent with previous quarters, surpassing the 15,000 sqm threshold. The primary drivers for new leases were business expansions and relocations, often motivated by the search for more advantageous or cost-effective office spaces. It is noteworthy that demand was predominantly focused on small office space. During the quarter, the overall vacancy rate experienced a slight upward movement, growing to 7%. Rental levels remained largely stable.

Retail segment

August 2023 saw the opening of the first in Estonia classical retail park - Kurna Retail Park, developed by VPH. Spanning an impressive 20,000 sqm, fully leased retail park now houses first Decathlon store in Estonia. Although sales and footfall in Tallinn shopping centre continued to grow by ca 5% on average, inflation continued to hamper retailers profitability. Shopping centres continue to suffer from the hidden vacancy, as landlords indicate that they would be rather happy to replace some of their existing tenants. Despite tense competition, grocery chains continue to open (Selver, Rimi) and develop (Rimi, Grossi, Meie, Keila Tarbijate Ühistu) new stores in Tallinn metro area.

In 3Q 2023, grocery chains in Latvia such as LIDL, Elvi, TOP and RIMI continued to be active, developing and opening new stores. Lunch-service caterers have difficulties in maintaining turnover at a sustainable level, so to expand, they sign either turnover rent agreements or leases at considerably below market rates. Increasing construction costs significantly affect the potential of new projects, as a result, no new notable developments have been started. Demand for street retail remains low and vacancy has increased even further due to a closure of gambling premises in Riga historical centre.

Zara, a worldwide known clothing company, closed its store on Gedimino avenue in Vilnius. After vacating premises that Zara occupied for over ten years, the retail vacancy rate in the main street of Vilnius has significantly increased. New shopping centre is being developed in Kalnenai district, Vilnius. Overall, vacancy remains stable. There are some premises that are being occupied quite quickly, but most of vacant stock have to wait a longer period of time to get new tenants.

Industrial segment

The industrial segment remains active in Tallinn region with a total area of 183,3600 sqm (33 projects) under construction in September 2023. Developments are largely driven by B-t-S projects, above 5,000sqm each. New supply delivered to the market in 9m 2023 reached ca 87,000 sqm or 4.8% of current stock. Due to a very limited and pricy land options, developers are considering acquisition of land plots without a detail plan. Stock office projects development pace has eased with total volume under construction reaching only 28,140 sqm (7 projects) in September. Despite subdued demand, vacancy continues to remain low.

Riga industrial development market remained active with almost 90,000 sqm under construction in 3Q 2023. Development activity was driven by two developers, Piche and Sirin Development. Stock Office segment is showing signs of gaining momentum with two active projects currently under construction. Demand for industrial space continues to demonstrate stability, particularly in the segment of premises with an area of up to 1,500 sqm. Compared to previous quarters, leasing activity in Q3 2023 reached its highest volume for the year.

Vilnius industrial market saw a modest addition to the stock with the completion of the second stage of J55, providing an additional 13,500 sqm of industrial space in 3Q 2023. While rent rates remained relatively stable, there is an observable shift toward a tenant-favourable market. Moderate demand and downward pressure on rent rates have become evident, indicating a trend that is likely to persist. Vacancy has increased and is showing a slight upward trend. There is a growing interest in acquiring new land plots for custom industrial developments.

Important notice

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