EAST CAPITAL
REAL ESTATE

Baltic Property Fund Quarterly Report
January — March 2024

Jewe shopping centre
Photo by Arvo Juhkov

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Quarterly comment

The rental revenue for East Capital Baltic Property Fund for the period July 2023 – March 2024 amounted to EUR 3.52m and increased by 3.2% compared to the period July 2022 – March 2023. The average rent across the portfolio at the quarter end in March 2024 was EUR 7.1/sqm/mo. The vacancy level for the fund portfolio stands at 18% at the quarter end in March 2024 and has been stable since 2023 year-end.

On April 12, the fund completed the sale of two smaller properties, Metal B production building in Maardu (part of the Metal complex) and the Jewe Furniture house in Jõhvi (part of the Jewe retail center complex). Metal B building was fully vacant after previous tenant's bankruptcy in August 2023 and sold to Keila Energiatootmise OÜ, with price close to current book value. The buyer was initially considering to rent, but decided to buy the building for their own use. Jewe Furniture house in Jõhvi was sold to a private individual with price slightly lower compared to book value from June 2023. The sale proceeds remaining after the bank loan repayments will initially remain on the fund accounts and to be used for upcoming necessary investments in the properties as well as for payments of fund fees. After the sale of two named properties the book value of remaining portfolio amounts to EUR 54.07m, reflecting in the Fund's balance sheet from April 2024.

Monthly turnovers of the Tallinn Seaport hotel during July 2023 – March 2024 increased by 5.5% compared to the period July 2022 – March 2023.

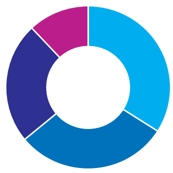
A part of the previous Makita buildings in Tänassilma warehouse/logistics property is temporarily rented by Evelekt until end of May 2024 (1,134 sqm out of total 5,048 sqm). Estonian property manager Indrek Tool is negotiating with two potential tenants to fill the premises on a long-term basis. ELP Logistics lease agreement in the same Tänassilma industrial park will mature at the end of October 2024, after which they will relocate to a new built-to-suit office and industrial complex. There are ongoing negotiations with a logistics company to rent current ELP Logistics premises from November 2024.

The construction works in two Eastern Estonia centres, Jõhvi Tsentraal in Jõhvi and Kerese Centre in Narva are going according to schedule or even slightly ahead of schedule. Opening of the new Gym! sports club in Kerese centre is expected in September 2024. Swedbank Jõhvi regional branch premises in Jõhvi Tsentraal are expected to be handed over to tenant in summer 2024.

The management team renegotiated EPF Neli loan terms with the financing banks and in March 2024 signed an annex to loan agreement providing six months loan amortization holiday for period March – August 2024. The cash buffer from loan amortization holiday will be used for financing the named investment works in Jõhvi Tsentraal and Kerese Centre.

Sector Allocation

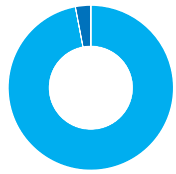
(% of gross property values)



Office	34
Retail	30
Industrial/Logistics	24
Hotel	12

Country Allocation

(% of gross property values)

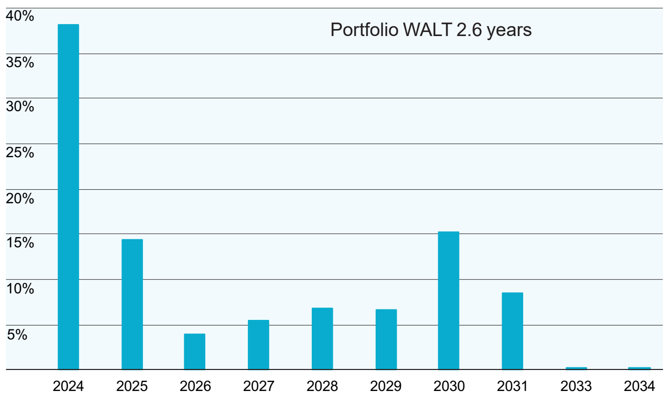


Estonia	97
Latvia	3

Top 10 tenants of the fund

Tenant	Sector	Property	Share of total rent
Maxima Eesti	Wholesale and retail trade	Aiandi 13 office / Jõhvi Tsentraal	11%
ELP Logistics	Logistics	Tänassilma industrial	9%
Tallinn Seaport Hotel	Accommodation	Seaport hotel	7%
Selver	Wholesale and retail trade	Jewe shopping centre	7%
Baltic Defence & Technology	Defence industry	Metal industrial	5%
Broadcom CA Estonia	Professional services	Aiandi 13 office	4%
Estonian Unemployment Insurance Fund	Public sector	Kerese centre	4%
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			**53%**

Lease maturity



EAST CAPITAL REAL ESTATE

Baltic Property Fund Quarterly Report
January — March 2024

Financial overview

The Net Asset Value of East Capital Baltic Property Investors AB was EUR 346.58 as of 31 March 2024, increasing by 1.31% during the quarter and by 4.36% year-to-date for the financial year 2023/2024.

The fund's rental income for the period July 2023 - March 2024 was EUR 3.52m. 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, Tänassilma industrial property and Zemitana office building due to higher vacancies. Rental income from the remaining Estonian properties increased due to rent indexations and increased occupancy.

The interest costs for the fund increased by ca 1.8 times y-o-y from EUR 664th to EUR 1,185th due to the increased Euribor rates. The fund's net profit concluded at EUR 1.35m.

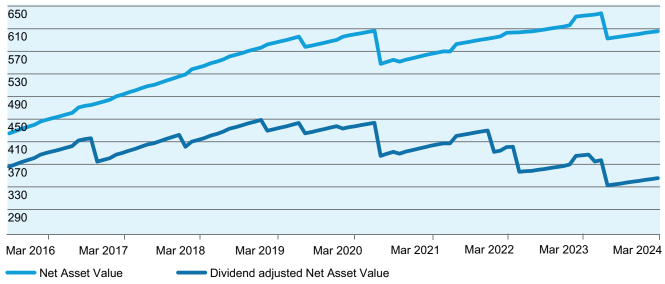
The fund´s portfolio value stands at EUR 56.31m as of 31 March 2024. The loan-to-value of the EPF Neli syndicate loan is 45%, considering only Estonian properties as collaterals as per the loan agreement.

Net Asset Value 31 March 2024

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months	% YTD	% Since inception*
346.58	1.31	4.36	21.60

*including dividend payments



Fund Summary

	31 Mar 2024	31Mar 2023
	EUR ‘000	EUR ‘000
Fair value of portfolio	57,375	60,114
Other assets	1,885	3,900
Liabilities	-25,991	-27,106
TOTAL NET ASSET VALUE	**33,269**	**36,908**
Net Asset Value East Capital Baltic Property Investors AB	346.58	387.11

EAST CAPITAL REAL ESTATE

Financials

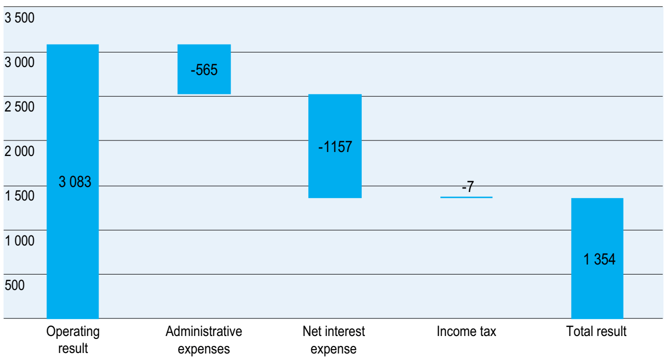
Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2023 - Mar 2024	Jul 2022 - Mar 2023
Revenue	3,521	3,413
Direct expenses	-438	-528
Gross profit	**3,083**	**2,885**
Administrative expenses	-565	-650
Operating profit/loss	**2,518**	**2,235**
Interest income	28	4
Interest expenses	-1,185	-664
Profit/loss before income tax	**1,361**	**1,575**
Income tax	-7	-492
NET PROFIT FOR THE YEAR	**1,354**	**1,083**
Earnings per share - Ordinary shares	236,86	196,59

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

	Jul 2023 - Mar 2024	Jul 2022 - Mar 2023
Earnings per share - Ordinary shares	28,28	5,20

Result contribution (YTD 2023/2024, EUR´000)



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

	31 Mar 2024	31 Mar 2023
ASSETS		
Non-current assets		
Investments properties	57,375	60,114
Other long-term assets	5	2
Equipment	-	4
Total non-current assets	**57,380**	**60,120**
Current assets		
Account receivables - trade	186	274
Other receivables	306	1,298
Accrued income and prepaid expenses	49	141
Cash and cash equivalents	1,339	2,181
Total current assets	**1,880**	**3,894**
TOTAL ASSETS	**59,260**	**64,014**
EQUITY AND LIABILITIES		
Equity		
Share capital	17	17
Other paid-in capital	38,217	24,787
Retained earnings	-6,319	11,021
Profit/loss for the period	1,354	1,083
TOTAL EQUITY	**33,269**	**36,908**
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	23,692	22,748
Other liabilities	537	622
Total non-current liabilities	**24,229**	**23,370**
Current liabilities		
Interest-bearing liabilities	1,039	2,957
Accounts payable - trade	550	395
Other liabilities	20	38
Accrued expenses and deferred income	153	346
Total current liabilities	**1,762**	**3,736**
TOTAL EQUITY AND LIABILITIES	**59,260**	**64,014**

Contact

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Economic overview

In 4Q 2023 GDP (in real terms) decreased in all Baltic countries in a y-o-y basis. The GDP of Estonia fell by 2.7% y-o-y (mainly due to dampening effect of energy sector, manufacturing, professional, scientific and technical activities, transportation and storage) and by 0.5% y-o-y in Latvia (driven transportation and storage and manufacturing). The GDP of Lithuania declined by 0.2% y-o-y, driven by manufacturing.

Average annual inflation in March 2024 is remaining under 2% target in Latvia and Lithuania, 1.0% and 0.4% accordingly according to estimates. In Estonia, according to estimate the inflation stood at 4.1% in March 2024.

In 4Q 2023 the average monthly gross earnings grew by 11.6% y-o-y in Latvia, 11.1% in Lithuania and 9.7% in Estonia. As of February 2024, the highest registered unemployment rate of the country's working age population was recorded in Estonia (7.7%) and Lithuania (7.4%), the lowest in Latvia (6.9%).

Real estate market

Investment market

Estonian investment market started the year with significant activity with total volume amounting to EUR 250m in 1Q 2024. 1Q 2024 saw the closure of three large-scale deals – after granting approval from the Estonian Competitive Authority, Kapitel became the majority shareholder of Viru Keskus (Pontos Group sold its 72% share). Mainor Ülemiste acquired 51% Technopolis Ülemiste shares and became the sole developer of Ülemiste City and simultaneously, the largest office owner in Tallinn. Additionally, East Capital Real Estate Fund IV acquired fully leased J13 logistics park (40,000 sqm) in Tänassilma for EUR 40m.

In 1Q 2024, investment volume in commercial real estate in Latvia slightly exceeded EUR 40m. There were few notable, however, small-scale transactions: Hili Properties sold a retail unit on Dzelzavas street anchored by Rimi & MyFitness to local investor; NPD Logistics Solutions warehouse was also acquired by local company for EUR 6 million and Royal Casino SPA & Resort Hotel on Terbatas street was acquired by foreign company for EUR 5.5m Large-scale deals faced challenges as buyer yields expectations continue exceeding sellers' ones. Prime yields remained stable facing limited market evidence.

Lithuanian investment market activity in 1Q 2024 remained considerably low. Lords LB completed the acquisition of the Technopolis Ozas office campus (106,000 sqm) after receiving approval from the Lithuanian Competition Authority. It was the largest commercial real estate transaction in all Baltic countries in 2023. The latest notable transaction in Q1 included the sale of the Ibis Style hotel building by Modus Group to Addere for reconstruction into a nursing home. Yields remained stable, causing the slowdown in activity as investors are still looking for more attractive alternatives.

Office segment

Development in the Tallinn office market remains constantly active with total GLA reaching 92,600 sqm (10 projects) under construction in March 2024. 1Q 2024 saw the completion of Roseni Maja and Maakri HUB, adding over 17,000 sqm of office space to CBD area. Vacancy continued to trend upwards (exceeding the 9% threshold in the Class A and 10.5% threshold in Class B1), driven by new supply as well as current and planned relocation of tenants to newer and/ or smaller and more affordable premises. Hidden vacancy started to reshape to physical one, thus negatively affecting occupancy rate in all type and class of buildings.

1Q 2024 in Riga started with three new commencements, Novira Plaza in city centre, Arcada in Purvciems district and one building in the Skanstes City project. 69,300 sqm of office leasable space remains under construction, of which almost half is set to be completed by year-end. Take-up activity remains in line with expectations, totalling almost to 10,000 sqm. Prospective tenants prioritize new, Class A buildings, but options within available projects are becoming limited. With new buildings entering the market, total vacancy trends upwards. As the office segment remains tenant-led, growth in the rental market remain slow and "good offers" tend to persist.

New office stock under development in Vilnius exceeds 115,000 sqm and 32,000 sqm is set to be completed in 2024. There is a notable rise in the number of tenants started to search for different lease options, signalling a potentially active year ahead in the lease market. Space optimization and better-quality remain the main demand drivers. Class B premises are meeting a growing vacancy. To remain competitive, owners and operators will likely need to invest in repair and refurbishment in near term to ensure relevance in the competitive landscape, maintain high occupancy levels as well as to enhance the overall appeal and functionality.

Retail segment

Development market in Tallinn region remains driven only by the activity in the grocery segment. In addition to Selver that will become the second grocery anchor in the Rocca al Mare SC, Lidl signed agreement to occupy ca 2,200 sqm of ground floor space and become the second grocery anchor in the T1 Centre. As a result, vacant stock in both shopping centres has remarkably decreased. Retailers indicate anticipated decrease in footfall and sales in the beginning of the year, significantly affecting ability of several tenants (e.g. retailers of furniture, home goods) to pay rent and thus, adding continual pressure on rental levels and forcing tenants to adjust and optimize / close non-profitable stores.

Riga shopping centres continue to struggle to reach pre-Covid footfall figures, while turnover growth still comes mostly from the inflation. The post-pandemic hybrid work options have led to a heightened demand for retail services in regions, therefore increasing interest from discount, fashion and sports brands. New openings expected in April include Douglas and Komforts store in SC Saga and IKEA branch store in Liepaja. Grocery operators, especially small local brands, continue to actively acquire land plots and properties, mostly also in the regions.

Retail developers in Vilnius are directing their attention towards convenience centres and small retail parks. The grocery operators have initiated a trend of downsizing their current shops. Meanwhile, fast fashion retailers are intensifying their expansion efforts, not only within major cities but also targeting secondary and smaller cities. Polish brand Half Price entered the market and made its debut at SC Vilnius Outlet at the end of March. Major shopping malls are experiencing almost zero vacancy rates. Conversely, older and outdated concept shopping centres are witnessing a slight increase in vacancies.

Industrial segment

The industrial segment remains active in Tallinn region with a total area of 170,680 sqm (31 projects) under construction in March 2024. 1Q 2024 saw the completion of 6 B-t-S projects with total GLA ca 36,800 sqm. Several larger tenants are looking for options due to planned expansion and/or relocation, although lease negotiations require lot of efforts and significantly longer period. The pace of stock-office projects development remains also notable with almost 36,000 sqm (10 projects) under construction. Vacancy rates continue to remain considerably low, although slightly growing to 3.5%.

Riga development market remains active with around 124,000 sqm under construction. Green Park (stage IV) and BTS Pet Baltija (stage I) by Piche were commissioned during 1Q 2024, increasing industrial stock in Riga region by 24,600 sqm. Demand for newly built industrial and warehouse premises remains high with new projects reaching high pre-lease figures. As a result, vacancy levels are low and continue to decrease. Rent rates in Riga remain stable, averaging EUR 4.5-5.5/sqm. Stock-office rent rates currently reach the level of Class B2 office premises rather than being closer to industrial rent levels.

Vilnius in 1Q 2024 saw a significant volume (exceeding 125,000 sqm)) of BTO project added to the market, predominantly driven by completion of two large-scale logistics centres developed by Maxima and Lidl. Vacancy rates are continuously very low, with a marginal decrease recoded during the quarter. Prime rents have remained stable, ranging from EUR 5.0-5.5/sqm. Stock-office market is also experiencing rapid developments, around 45,000 sqm is expected to be added in the market during 2024. Stock-office rent rates remain stable, ranging from EUR 9-12/sqm.