



Quarterly comment

The rental revenue for East Capital Baltic Property Fund for the period July – December 2023 amounted to EUR 2.41m and increased by 3.0% compared to the period July – December 2022. The average rent across the portfolio at the quarter end in December 2023 was EUR 10.0/sqm/mo (including turnover rent from Tallinn Seaport hotel).

The vacancy level for the fund portfolio stands at 19% at the quarter end in December 2023. Vacancy level has increased due to changes in two properties as previously informed. In Tānassilma industrial complex long-term tenant, Makita, moved to its new building at the end of September and in Aiandi 13 office building one tenant terminated the agreement as their operations shrunk.

In October 2023, the Estonian team together with the country manager Martin Otsa and regional manager Anneli Mänd, signed a lease agreement with Swedbank AS, whose Jõhvi regional branch will be moved to Jõhvi Tsentraal Centre. This is the last stage of Jõhvi Tsentraal modernization and renovation project. The construction works on the premises have been started and the lease unit is expected to be commissioned in 3Q 2024, leading to all-time low vacancy level below 5%.

Kereke centre in Narva will also go through a partial upgrade as in December 2023 a new lease agreement was signed with a gym operator to open a 770 sqm gym on the ground floor of the centre. Together with the construction of the gym area, some improvements in the common areas will be made. Expected opening of the gym is September 2024.

Previous investments in the properties have been covered from fund operational cash flow. The current investments in both Jõhvi Tsentraal and Kereke Centre will be similarly covered from fund internally generated resources.

Monthly turnovers of the Tallinn Seaport hotel during July – December 2023 have been above 2022 turnovers and is only ca 9% below the pre-covid level in 2019. The hotel operator is paying the contractual rent and a semi-annual turnover rent component is added to the rent for 2HY 2023.

ELP Logistics lease agreement in Tānassilma industrial park is prolonged until the end of October 2024, after which they will relocate to a new built-to-suit office and industrial complex. There is a potential tenant for current ELP Logistics area from November 2024, lease proposal is submitted. Estonian property management team together with brokers are also working with leads to lease out the two buildings previously occupied by Makita in Tānassilma industrial complex and B building in Metal industrial complex. Metal B 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.

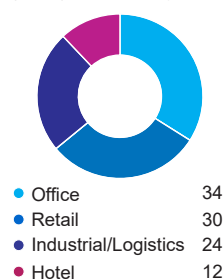
The Fund's Annual General Meeting was held in December 2023 where the management team presented the results of the 2022/23 financial year.



The Board of Directors of East Capital Baltic Property Fund

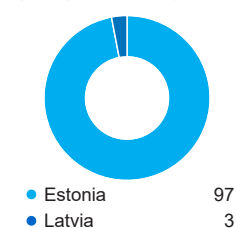
Sector Allocation

(% 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	11%
ELP Logistics	Logistics	Tānassilma 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%
Estonian Unemployment Insurance Fund	Public sector	Kereke centre	4%
Broadcom CA Estonia	Professional services	Aiandi 13 office	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			54%

Financial overview

The Net Asset Value of East Capital Baltic Property Investors AB was EUR 342.10 as of 31 December 2023, increasing by 1.52% during the quarter and by 3.01% year-to-date for the financial year 2023/2024.

The fund's rental income for the period July-December 2023 was EUR 2.41m. 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, Tānassilma industrial property and Zemitana office building due to higher vacancy. Rental income from the remaining Estonian properties increased due to rent indexations and increased occupancy.

The interest costs for the fund increased by ca 2.3 times y-o-y from EUR 344th to EUR 796th due to the increased Euribor rates. The fund's net profit concluded at EUR 0.9m.

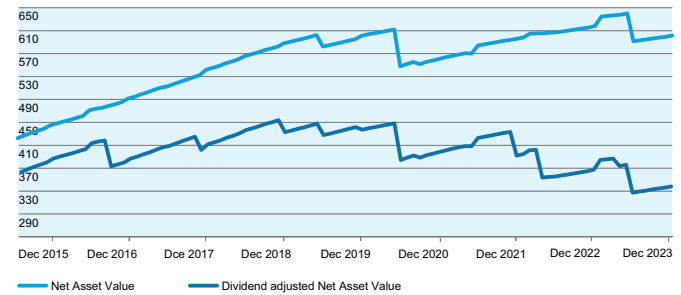
The fund's portfolio value stands at EUR 56.31m. The loan-to-value of the EPF Neli syndicate loan is 46% as of 31 December 2023, considering only Estonian properties as collaterals as per the loan agreement.

Net Asset Value 31 December 2023

East Capital Baltic Property Investors AB SE0011788439

NAV (EUR)	% 3 months	% YTD	% Since inception*
342.10	1.52	3.01	20.70

*including dividend payments



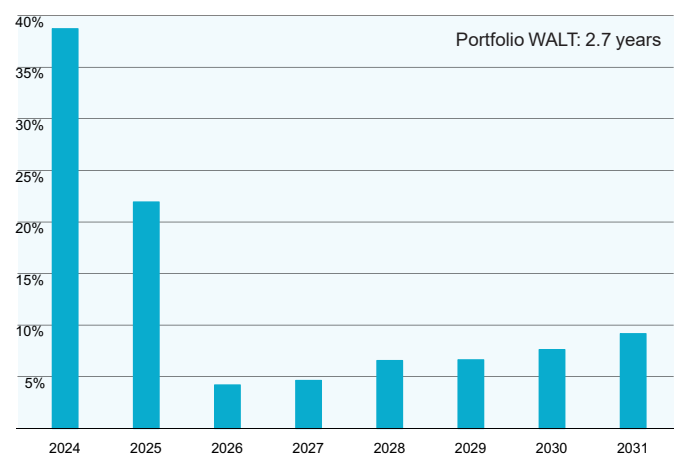
Fund Summary

	31 Dec 2023	31 Dec 2022
	EUR '000	EUR '000
Fair value of portfolio	57,188	57,414
Other assets	1,770	11,281
Liabilities	-26,132	-27,561
TOTAL NET ASSET VALUE	32,826	41,134

Net Asset Value East Capital Baltic Property

Investors AB	342.10	369.33
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Lease maturity



Financials

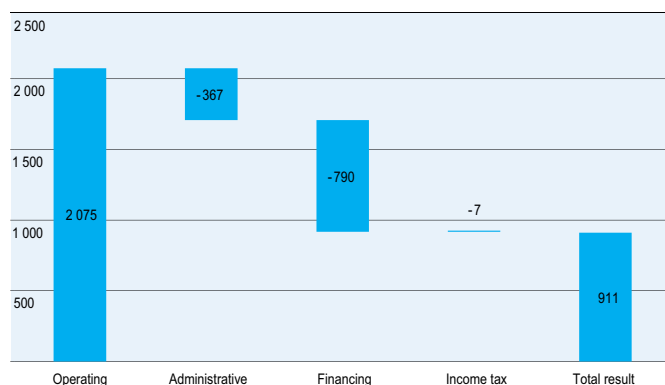
Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2023 - Dec 2023	Jul 2022 - Dec 2022
Revenue	2,405	2,335
Direct expenses	-330	-354
Gross profit	2,075	1,981
Administrative expenses	-367	-452
Operating profit/loss	1,708	1,529
Interest income	6	-
Interest expenses	-796	-344
Profit/loss before income tax	918	1,185
Income tax	-7	83
NET PROFIT FOR THE YEAR	911	1,268
Earnings per share - Ordinary shares	165,46	230,26

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

	Jul 2023 - Dec 2023	Jul 2022 - Dec 2022
Earnings per share - Ordinary shares	9,55	11,31

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



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

	31 Dec 2023	31 Dec 2022
ASSETS		
<i>Non-current assets</i>		
Investments properties	57,188	59,279
Other long-term assets	5	5
Equipment	-	4
Total non-current assets	57,193	59,288
<i>Current assets</i>		
Account receivables - trade	346	501
Other receivables	315	412
Accrued income and prepaid expenses	16	20
Cash and cash equivalents	1,088	8,474
Total current assets	1,765	9,407
TOTAL ASSETS	58,958	68,695

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	911	1,268
TOTAL EQUITY	32,826	41,134

Liabilities

<i>Non-current liabilities</i>		
Interest-bearing liabilities	23,870	22,994
Other liabilities	536	617
Total non-current liabilities	24,406	23,611

<i>Current liabilities</i>		
Interest-bearing liabilities	1,039	2,970
Accounts payable - trade	283	748
Other liabilities	42	7
Accrued expenses and deferred income	362	225
Total current liabilities	1,726	3,950
TOTAL EQUITY AND LIABILITIES	58,958	68,695

Contact

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Economic overview

In 3Q 2023 GDP (in real terms) of Estonia fell by 3.9% y-o-y (mainly due to dampening effect of transportation and storage, followed by the manufacturing and information and communication) and by 0.7% y-o-y in Latvia (driven by decrease in financial and insurance activities and transportation and storage). The GDP of Lithuania grew by 0.2% y-o-y in 3Q 2023, driven by increase in information and communication and construction.

Average annual inflation in December 2023 has declined below 2% target in Latvia and Lithuania, 0.9% and 1.6% accordingly according to estimates. In Estonia, according to estimate the inflation stood at 4.3% in December 2023.

In 3Q 2023 the average monthly gross earnings grew by 10.4% y-o-y in Estonia, 11.8% in Latvia and 12.2% in Lithuania. In December 2023, the highest registered unemployment rate of the country's working age population was recorded in Lithuania (9.1%) and Estonia (8.0%), the lowest in Latvia (5.7%).

Real estate market

Investment market

Investment activity in 2024 is expected to be similar to 2023, as market awaits better financing conditions that might encourage the activity. Yields in Estonia and Lithuania remained under upward pressure and expanded slightly in the office and retail segments in the second half of 2023, which, in turn, may finally impact the vector of changes in the volume of transactions towards smooth growth in 2024.

2023 remained expectedly calm in Estonia with total known investment volume amounting to ca EUR 155m, 2.2 times less compared to 2022 and the lowest result since 2011. Local and Baltic capital was responsible for majority of total invested volume (82%), while foreign (mostly Nordic) capital was behind 18% of invested volume. In December 2023, Pontos has signed an agreement on selling its holdings in the newly refurbished Viru Keskus SC. The 72% share will be bought by the 28% owner Kapitell together with Tristafan and a financial investor, making it the largest deal in the retail segment in Estonia so far, but the sales will not come into effect before approval from the Estonian Competitive Authority in 2024.

Total investment volume into cash flow properties in Latvia in 2023 slightly exceed the EUR 200m level, which is the second lowest result in the last 10 years. Most of the annual investment volume came from two deals closed in Q4. East Capital finalised the acquisition of the Rimi Baltic distribution centre for EUR 83m and Indexo Real Estate Fund acquired two retail properties (Gailezers in Riga and Rimi Hypermarket in Tukums) for EUR 25m. 2023 saw also less sales of brownfield and greenfield properties for future developments, acquisitions decreased by around 30%.

In 4Q 2023, Lithuanian investment market was more active compared to the previous quarter, especially in the industrial and office segments, but half of that recorded in 4Q 2022. The investment company Baltic Opportunity managed by Lords LB Asset Management and Technopolis Lietuva have agreed on the sale of the Technopolis Ozas business park consisting of 6 office buildings with a total GLA of 106,000 sqm. The deal is not yet officially closed and most likely will be counted in statistics of 1HY 2024. The marginal increase in yields recorded in the retail and office segments was insufficient to offset the prevailing investment slowdown.

Office segment

Development in Tallinn remains constantly active with total GLA reaching 106,885 sqm (12 projects) under construction in January 2024. Six new office projects with total GLA 25,600 sqm were added to the stock during 2023. New premises continue to show a markedly positive absorption ratio with almost two-thirds of total new supply expected in 2024 (ca 62,000 sqm) are pre-leased. Vacancy continued to increase, exceeding the 10% threshold in the Class B1 and 8% in the Class A segments, a trend expected to continue with more distress further anticipated for older Class B1/B2 office properties.

Total addition to the Riga office stock reached 73,000 sqm in 2023. Currently 99,000 sqm of leasable office space remains under construction, 64% of which is expected to be completed during 2024. Take-up activity surged by 40% y-o-y, exceeding 54,000 sqm. Asking rent rates in new developments continue to trend upward, while existing older stock owners are still hesitant to adjust their rates. 2023 showed that large-scale office projects require a coworking space, thus in Q4, Skanstes City opened SPARK, their own coworking space.

In 4Q 2023, new office supply in Vilnius amounted to ca 56,000 sqm, coming from several projects of different scale and quality, but particularly driven by two new landmark projects - Artery and FLOW. Total vacancy slightly increased in Class A and Class B properties, driven by the addition of a new stock, whereas the best projects are quite demanded by tenants. Demand in the last quarter of the year was restrained with a take-up volume not exceeding 30,000 sqm. Rent rates continue moderately growing, caused rather by the indexation mechanism than increased demand.

Retail segment

Development market in Tallinn region remains driven only by the activity in the grocery segment and should further see activity rather outside Tallinn city borders. Overall, 22 new grocery stores (30,875 sqm in total) opened in Estonia during 2023, of which 7 stores opened in Tallinn and its suburbs. 11 new grocery stores are expected to be opened in Tallinn and Tallinn region in 2024. Selver will become the second grocery anchor in the Rocca al Mare SC, a long-awaited milestone in the segment which is quite common in Finland. By end-2023, total vacancy in Tallinn shopping centres stood at 4.0% (vacancy w/o T1 amounts to 1.6%).

Grocery operators continue to acquire land plots in Riga, develop and open new stores, resulting in intensifying competition. In December, three new stores - Stokker, Ramirent and Fans - opened in SAGA SC, occupying former Hortes area. Overall, in 2023, shopping centre turnovers continued to trend upward, however, driven by inflation. No significant changes were observed in rent dynamics over 2023, however some tenants are now considering options to relocate from prime to secondary SCs to reduce rental payments. Demand for street retail remains low, activity persists only in specific streets of Quiet centre.

In 4Q 2023, the Vilnius retail market remained inactive in terms of new supply. The biggest project in the country's current pipeline is Depo DIY store in Kaunas with a total GLA of 21,700 sqm. The large-scale development of Akropolis Vingis in Vilnius is still in the phase of planning and alignment. Demand was quite stable, and the lack of a new supply has kept vacancy at a low level. Rent rates remained stable as there were no noticeable dynamics in supply and demand.



Industrial segment

The industrial segment remains active in Tallinn region with a total area of 181,400 sqm (34 projects) under construction in January 2024. New supply delivered to the market in 2023 remained high, almost reaching 122,000 sqm (20 projects), whereas 72% of the new supply come on the built-to-suit basis. Speculative development is expected to gain momentum in 2024 as several developers announced plans to start construction. The pace of stock-office projects development remains moderate with 29,200 sqm (7 projects) under construction but significant volume continually in pipeline. Vacancy rates are slightly growing, 3.3% for the total stock and 4.6% in the stock-office segment.

In 2023, Riga industrial stock increased by GLA 114,000 sqm with most of the volume coming from two built-to-suit projects developed by VGP. With East Capital acquisition of Rimi and VGP actively developing, industrial property owners top has changed: VGP moved to the second position (+4) and East Capital to the third (+12). The development market remains active with around GLA 107,000 sqm under construction. Demand for industrial premises in 2023 remained at the 2019-2020 level with more than 90,000 sqm of space leased in speculative properties. Rent rates remain constant with the average range 4.5-5 EUR/sqm and expected to remain on same level in 2024.

Although in Q4, the industrial stock in Vilnius didn't increase, there are some huge projects in the pipeline, incl. new Lidl, Maxima and Moki Veži logistic centres. All of them are being developed based on the built-to-own scheme and could be completed during 2024. Due to no new supply in 4Q 2024, the total vacancy rate slightly decreased. Although market activity increased by the end of the year, it didn't affect total take-up volume in the Vilnius region as tenants are looking for high-quality premises of limited supply.

Important notice

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