

# Valuation Report of a retail DIY store

(PRAKTIKER)

at 22 Karterou Str., Municipal Unit of Nea  
Alikarnassos, Municipality of Heraklion, Region of  
Crete, Greece

**February 2015**

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**TO:**

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Attention of Mrs. Natalia Strafti

06 February 2015

Dear Sirs,

**VALUATION REPORT OF A RETAIL DIY STORE (PRAKTIKER) AT 22 KARTEROU STR.,  
MUNICIPAL UNIT OF NEA ALIKARNASSOS, MUNICIPALITY OF HERAKLION, REGION OF CRETE,  
GREECE**

Further to your instructions, we inspected the subject property for valuation purposes and we report to you as follows:

**1.0 INSTRUCTIONS**

- 1.1 Our instructions to value the subject property are contained in correspondence with you dated 23 January 2015.
- 1.2 The subject property was inspected on 24-01-15 by Mania Kegeroglou, MRICS (1181417), MSc Real Estate Management.
- 1.3 Our Valuation has been carried out in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS) as they are presented in the RICS Valuation Standards which are effective from January 2014.
- 1.4 In accordance with our instructions we have provided our opinion on the Market Value (MV) of the subject property. The valuation has been carried out by Mania Kegeroglou, MRICS, a valuer qualified for the purpose as described in the RICS Professional – Valuation Standards (January 2014).

- 1.5 We confirm that we are not aware of any conflict of interest preventing us from providing you with an independent Valuation of the property. We understand that the purpose of the valuation is to set the Market Value (as defined in Appendix 1) of the property for acquisition purposes. The basis of our valuation is Market Value (MV) as described in Appendix 2 and is a reproduction of the MV definition taken from the RICS Professional – Valuation Standards.
- 1.6 According to our instructions, the critical date of the subject valuation is set to be the 01-03-15. Therefore, for our valuation we assume that the state of repair and general condition of the property on the aforementioned date is as it was found under our in-situ investigation which was carried out on the 24-1-2015.
- 1.7 In order to carry out our Valuation we have been provided with documentation relating to this property, which we have assumed to be correct. We do not accept responsibility for any errors or omissions in information and documentation provided to us.

## **2.0 LOCATION**

- 2.1 The subject property is located inside of the approved Town Plan of the Municipality of Nea Alikarnassos and borders to the east with the facilities of the School of Infantry Reserve Officers (known by its initials, S.E.A.P.) and west with property of the Heraklion Municipality (cemetery). The property has frontage towards Karterou Str. and lies at a short distance off the Old Heraklion - Agios Nikolaos National Road and approximately 170 m. from the Crete northern road. Its distance from the 'Nikos Kazantzakis' international airport is approximately 1.5 km.
- 2.2 The property is within the urban fabric of Nea Alikarnassos and is characterised by dwellings, storages, and gas stations. Nea Alikarnassos is located east of Heraklion and is the historic seat of the town of. This coastal area includes the neighbourhoods of Agios Ioannis, Karteros, Prassa and Kallithea. Within the boundaries of Nea Alikarnassos are the International Airport of Heraklion, the prisons, the Reserve Officers School of Infantry, the Industrial Area of Heraklion and sports facilities.
- 2.3 The subject property is near the Karteros area (c. 7 km) a seafront area with a famous beach that attracts many visitors during the summer months. Karteros is located adjacent to the Old National Road and has many tourist facilities.

2.4 Nea Alikarnassos is connected with Heraklion via urban bus lines. Road connections include the Old Heraklion - Agios Nikolaos National Road and the Northern Road Axis of Crete (BOAK) through junctions and vertical connections. In particular, the property is facilitated by the New Heraklion – Agios Nikolaos National Road, which offers easy accessibility through two junctions. The junction east of the property (2 km) provides access to and from the city of Heraklion and Lasithi Regional Unit, while the junction to the west connects the property with BOAK and the town of Rethymno.

2.5 A map of the area where the subject property is located is attached as appendix to this report.

### **3.0 DESCRIPTION**

3.1 According to the technical descriptions of the property provided and further to our inspection, we understand that the subject property is mainly arranged on ground floor level (sale and storage areas) with only the office area is on the 1<sup>st</sup> floor, while parking and storage areas are at the basement. Praktiker Hellas has acquired the land plot with contract number 12047/22-07-04 of Heraklion notary public Stilianis Arhontaki. The building is custom-built and is a modern structure with all the amenities and specifications that are suitable for its operation.

3.2 The land plot has a surface of 10,965.36 sqm (according to the provided Site Topographic Plan) and occupies the entire Urban Block no.117, which is defined by Karterou, Mousson and two roads without name. According to the Site Topographic Plan and the title deed the plot surface is 10,978.95 sqm. For valuation purposes we take into account the surface mentioned in the title deed; in addition this difference is very small and considered immaterial.

3.3 The subject property is used as a DIY store let to PRAKTIKER.

3.4 The building is partly constructed with reinforced concrete and partly with steel grid with double metal panels with insulation. Internal walls, where required, are made of brickwork. The main entrance area has tiles and the central staircase has steps finished with marble. The sales area, offices and locker room floors are covered with ceramic tiles. The parking and the M&E areas at the basement has flooring of industrial type. The floors and walls of the WCs are finished with ceramic tiles.

3.5 The office space on the 1<sup>st</sup> floor is accessed through two staircases that provide connection to the basement as well. The sales area is ventilated and air-conditioned and the window openings have aluminum frames with double glazing. The main entrance has automatic sliding doors, while there are

fire shutters in various areas of the property. Lighting is provided with fluorescent lights at the offices and sales areas.

- 3.6 The open areas of the plot are landscaped and paved with cement or tarmac. The basement parking area is accessed through a ramp located at the side of the building.
- 3.7 The M&E equipment includes a HVAC system, motion sensors and CCTV, while an integrated fire protection system is installed. This includes smoke detectors, fire stations and portable fire extinguishers. There are two elevators, one for persons and one for merchandise.
- 3.8 The basement includes M&E equipment areas and 81 parking spaces. There are also 85 open parking spaces.
- 3.9 Photographs of several parts of the property taken during the course of our inspection are attached as appendix to this report.

#### 4.0 ACCOMMODATION

- 4.1 According to the provided information the property has the following built areas:

Level	Use	Surface (sqm)	Sub-total surfaces
Basement	M&E area	548.29	5,955.80
	Water tank	252.04	
	Storages	2,213.70	
	Staircases	73.87	
	Parking areas	2,867.90	
Ground Floor	Sales area	5,037.16	5,946.71
	Storages	583.81	
	Staircases	325.74	
1st floor	Offices	291.84	651.69
	Storages	359.85	
Flat roof area	Auxiliary	30.45	30.45
TOTAL			12,584.65

## **5.0 PUBLIC UTILITY SERVICES**

5.1 The property is served by mains water, electricity and main drainage.

## **6.0 STATE OF REPAIR**

6.1 We were not instructed to carry out a structural survey. We are therefore unable to warrant that the property is free from any defect or risk in this respect. For the purposes of our Valuation, we can comment that the property is in a very good state of repair. We have also assumed that any future Building Inspection Report will not reveal any defects and we can accept that the structure in general performs adequately and has not given any particular cause of concern. We have also assumed that all M&E equipment are in full service and are adequate for the operation needs of the subject property

## **7.0 ENVIRONMENTAL ISSUES**

7.1 We were not instructed to undertake detailed investigations or tests of the sites, nor have we carried out any environmental audit or study of the sites. We are therefore unable to warrant that the property is free from any defect or risk in this respect.

7.2 We have not investigated whether the site is, or has been in the past, contaminated. We are therefore unable to warrant that the property is free from any defect or risk in this respect.

7.3 Our report is therefore based on the assumption that the property is not contaminated, and that any specialist investigation would not disclose the presence of any adverse conditions on the site or within the building.

7.4 In the event that any future contamination is discovered in relation to the property, we reserve the right to amend this valuation accordingly.

## **8.0 TENURE**

8.1 The subject property is held under freehold possession by PRAKTIKER HELLAS S.A. We understand that the property will be transferred through a sale and leaseback transaction to GRIVALIA PROPERTIES REIC and as a result Praktiker will remain as tenant.

8.2 The two parties have agreed some basic Heads of Terms. In order to carry out our valuation we have relied to the subject Heads of Terms which have been provided by GRIVALIA PROPERTIES REIC:

- Rent basis: turnover related with minimum base rent i.e. 5% of net sales with starting base rent €807,500 p.a.

Basic lease terms

- Lease duration: 15 years unbreakable
- Indexation: when CPI increases 10% vs previous indexation, equal to 50% of cumulative CPI increase (usual Praktiker indexation term) – see more analysis on par. 8.3 and 8.4
- Repairs & maintenance: fully covered by tenant, including wear & tear.
- Insurance: tenant covers cost for insurance against risks of earthquake, storm, fire, pipes bursting and income loss.

8.3 The rent review pattern is one of the important aspects affecting the results of the subject valuation. If the inflation rate of the cost of living will be increased, according to the index published by the Bank of Greece or any other lawful institution (Index Base '09 = 100), from the lease start for at least 10% of the index which was recorded on the lease start date, then the current passing rent is upwards reviewed to 50% of the recorded index change. Similar rent reviews are repeated whenever the index changes by 10% of the index which was recorded on the date of the last rent review. According to a document provided to us, rental payment indexations are calculated by setting the 30th May 2006 as the base date (i.e. 100%). As inflation rises annually and current prices exceed 110% (e.g. 112%) then the rent should be raised by the half of this increase, thus  $(112\% - 100\%) / 2 = 6\%$ , and continues accordingly without being necessary than the rent review will occur every May or on a set chronological basis.

8.4 In order to calculate the rent review escalation we have taken into account the information provided by the Hellenic Statistical Authority (EL.STAT.) as regards CPI from 2007 until today (index base '09: 100,00). More specifically and according to the agreed rent review pattern we have used the monthly CPI indices as shown on the EL.STAT. matrix below:



Month	2007		2008		2009		2010		2011		2012		2013		2014	
	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change
1	93,343	2,7%	96,980	3,9%	98,683	1,8%	101,028	2,4%	106,283	5,2%	108,748	2,3%	108,973	0,2%	107,371	-1,5%
2	92,157	2,7%	96,245	4,4%	97,782	1,6%	100,491	2,8%	104,900	4,4%	107,101	2,1%	107,175	0,1%	105,943	-1,1%
3	94,276	2,6%	98,457	4,4%	99,732	1,3%	103,654	3,9%	108,319	4,5%	110,133	1,7%	109,904	-0,2%	108,423	-1,3%
4	94,873	2,5%	99,081	4,4%	100,033	1,0%	104,874	4,8%	108,994	3,9%	111,069	1,9%	110,408	-0,6%	108,920	-1,3%
5	95,107	2,6%	99,776	4,9%	100,270	0,5%	105,712	5,4%	109,189	3,3%	110,708	1,4%	110,213	-0,4%	108,053	-2,0%
6	95,011	2,6%	99,677	4,9%	100,202	0,5%	105,434	5,2%	108,954	3,3%	110,374	1,3%	109,950	-0,4%	108,749	-1,1%
7	94,297	2,5%	98,903	4,9%	99,465	0,6%	104,929	5,5%	107,445	2,4%	108,883	1,3%	108,132	-0,7%	107,396	-0,7%
8	93,601	2,5%	97,973	4,7%	98,733	0,8%	104,200	5,5%	105,939	1,7%	107,784	1,7%	106,406	-1,3%	106,091	-0,3%
9	95,465	2,9%	99,889	4,6%	100,602	0,7%	106,206	5,6%	109,450	3,1%	110,440	0,9%	109,203	-1,1%	108,285	-0,8%
10	96,156	3,1%	99,891	3,9%	101,109	1,2%	106,375	5,2%	109,564	3,0%	111,344	1,6%	109,129	-2,0%	107,300	-1,7%
11	96,845	3,9%	99,623	2,9%	101,612	2,0%	106,609	4,9%	109,732	2,9%	110,800	1,0%	107,639	-2,9%	106,297	-1,2%
12	97,247	3,9%	99,159	2,0%	101,778	2,6%	107,044	5,2%	109,629	2,4%	110,510	0,8%	108,621	-1,7%	105,789	-2,6%
Average	94,865	2,9%	98,804	4,2%	100,000	1,2%	104,713	4,7%	108,200	3,3%	109,824	1,5%	108,813	-0,9%	107,385	-1,3%

8.5 For the years of the lease duration, we have made a forecast as regards the evolution of the CPI change (on an average yearly basis), as shown in the following Table:

Year	CPI change %
2015	2,00%
2016	2,00%
2017	2,00%
2018	2,00%
2019	2,00%
2020	2,00%
2021	2,00%
2022	2,00%
2023	2,00%
2024	2,00%
2025	2,00%
2026	2,00%

8.6 Based on the lease indexation which we assume it will be described in the lease agreement and by taking into consideration the above mentioned CPI change forecasts as well as the monthly CPI index until June '09 (shown in previous table), the rental payment escalations have been calculated and are shown in the following Tables:

Date		New Base	Threshold	Rent Multiplier	Heraklion
From	To				
01 Jun 2015	31 May 2020	114,666	126,132	1,053116	€ 67.292
01 Jun 2020	31 May 2025	126,600	139,260	1,052040	€ 70.794
01 Jun 2025	31 May 2030	139,777	153,755	1,052040	€ 74.478
01 Jun 2030	#ΔY	154,325	169,758	1,052040	€ 78.354

Expiry Date	28-Feb-30	Heraklion	
Date		Rental Payment	
From	To	Monthly	Annually
01 Apr 2010	31 May 2015	€ 67.292	€ 807.504
01 Jun 2015	31 May 2020	€ 67.292	€ 807.504
01 Jun 2020	31 May 2025	€ 70.794	€ 849.527
01 Jun 2025	28 Feb 2030	€ 74.478	€ 893.737

*Note: According to the lease indexation described in the lease agreement, it is not necessary that the rent review will occur on a set chronological basis but when the CPI index changes by 10% of the index which was recorded on the date of the last rent review.*

8.7 For the purposes of our valuation we have been provided with the “legal statement from the land registry of Heraklion, Crete” which has been compiled by the lawyer Nicolaos Kouvidis, in the 21-07-2014 and also the legal due diligence reports by the lawyer Haralambos Anastaselos in the 22-7-2014 and Anna H. Mathioudaki in the 2-04-2014 respectively. Particularly, according to the legal statement by the lawyer Nicolaos Kouvidis, there are some legal claims “which are not related to the under investigation property and do not burden it legally”. From the above we assume that the property is free of any defects, blockages or legal encumbrances that may have an adverse effect on its value and we assume that it has clear and marketable titles.

## 9.0 PLANNING

9.1 The subject property is built in a land plot of 10,965.36 sqm that occupies the entire no.117 Urban Block, which is defined by Karterou, Str., Mousson Str. and two anonymous roads. According to the Site Topographic Plan and the title deed the plot surface is 10,978.95 sqm. For valuation purposes we take into account the surface mentioned in the title deed; in addition this difference is very small and considered immaterial.

9.2 From a planning perspective the property lies within the approved town plan of the city of Heraklion, and its plot of land is buildable and developable. The land uses are “urban centre, central functions of the city, local neighbourhood centre” and the plot of land is not included within a protected zone. More particularly, the planning regulations are described in the GGI 405/D/2001, which has been modified in GGI 1270/D/2005 and are the following:

- Minimum plot size: 4 00 sqm, frontage 20 m.
- Coverage ratio: 70%
- Building Coefficient 1.2

- Max building height 9 m.
- Parking spaces: art. 2, par. 3 of P.D. 350/96 (GGI 311A/96), 1 space per 40 sqm of built area

9.3 According to the provided information (Planning Status report, dated 08-03-14, issued by Architect Evangelos Antzoletakis) the maximum buildable areas are 13,174.75 sqm (10,978.95 x 1.2) and the maximum plot coverage is 7,685.27 sqm (10,978.95 x 70%). The built areas that are included in the Building Coefficient are 9,376.17 sqm.

9.4 Based on the above we understand that there is unexploited development potential in the property. Its value is calculated with the assumption of the development of a new building adjacent to the existing one that will occupy part of the open parking space. The remaining coverage is 1,315.72 sqm.

9.5 We note that we were not provided with the Building Permit and the attached technical drawings. All the information regarding the technical characteristics of the building are extracted from the Planning Status report, dated 08-03-14, issued by Architect Evangelos Antzoletakis.

9.6 For the purposes of our valuation, we have assumed that there are no illegal constructions in the property and that all the existing structures fully comply with the building and fire regulations.

## 10.0 VALUATION METHODOLOGY

10.1 Depending on the nature and the individual characteristics of the subject property a single or, if necessary, a combination of more than one methods is chosen. There are five basic methods amongst which we chose the most appropriate ones. These methods are the following:

- i. The Comparative Method
- ii. The Investment Method
- iii. The Residual Method
- iv. The Profit's Method
- v. The Depreciated Replacement Cost Method

10.2 Each one of the methods is briefly explained as follows:

- i. **Comparative Method:** According to this method the valuer estimates the Market Value of the subject property by comparing the factors that mostly affect it. Such factors can be the potential income stream a property can generate possible restrictions on the use, locational

factors, size, quality of construction etc. With this method Capital or Rental Values of comparable properties (with similar characteristics) are processed in order to approach the subject property's Market Value. Important role in the application of this method has the valuer's experience in finding the suitable comparables and adjusting the available data to derive the final result. The rationale behind this method is that no prudent investor would pay more to acquire a property that has similar characteristics with another one.

- ii. **Investment Method:** The rationale behind this method is to derive a property's Market Value by calculating the annual income this property can generate and capitalise it by using an appropriate factor, the so called yield. The yield is usually taken from market data (recent transactions of similar properties), but has to be carefully adjusted to suit the particular property, as it reflects all the characteristics of the subject property and its choice is of high importance, because it highly affects the final result. The valuer's experience in adjusting the available data plays the most important role in this stage. We note that the annual income stream estimates a "fair maintainable level of trade" of the business ran within the subject property.
- iii. The **Residual Valuation Method** is mainly applied for estimating the Market Value of land plots available for development or of properties that need extended works to become exploitable again (redevelopment properties). The rationale behind the use of this method is that the market value is the sum of values of all the components of the property (land, structures, landworks, improvements etc.). The first stage is to estimate the value of the best possible complete development on the plot (highest and best use). From this value we deduct the cost of development including all sorts of possible costs like construction, agent fees, cost of capital, expected profit etc. The result of this deduction is called the residual value of the land. We express this value in present value terms by discounting it with the appropriate discount factor. This value equals with the Market Value. In order to find the market value of the complete development market data is used, while the figures concerning the costs are provided by developers and financial institutes. This method is used to estimate the land value of plots that have very little comparables and assumes a development of the best possible and profitable use.
- iv. **The Profit's Method:** According to this method both rental and capital values tend to be directly influenced by the potential for profit and in these circumstances a valuation having regard to the profits achieved is more likely to produce a realistic valuation than any application of comparison methods. The method is widely used by special valuers and

involves adjusting the net profit in order to find the “divisible balance”, part of which is allocated to rent which is then capitalized in the usual way where a capital valuation is required. Where possible the valuer uses figures derived from recent accounts which will enable him to measure the sums involved in achieving the annual turnover and the level of expenses incurred before gross and net profit figures are struck. The total value of the business is obtained by capitalising the net profit of the business “lock stock and barrel”.

- v. **Depreciated Replacement Cost (DRC):** For the application of this method the Market Value of the land plot is initially calculated and then the cost of constructing exactly the same buildings, as they stand on the date of valuation. Afterwards and depending on the physical and constructional deterioration of the structures, a depreciation rate per annum is applied. If necessary additional obsolescence rates can be applied in order to reflect the functional, economic or operational obsolescence of the premises. In order to derive the subject property's Market Value the two values are simply added. The rationale behind this method is that no prudent investor would pay for a property more money than he would spend in order to build a modern equivalent property again. The method is mostly suitable to evaluate specialised properties with no active market (specialised industrial buildings, hospitals, sport facilities etc.).

## 11.0 VALUATION APPROACH

For the assessment of the PRAKTIKER store, we have applied a combination of two methods, and more specifically the Comparative Method and the Investment Method (weight 20% - 80% respectively).

### Comparative Method

According to this method, the value of the property is estimated by selecting an appropriately adjusted price per unit (€/sq.m.) on the built areas of the property. The price is being estimated after the adjustment of the comparables that have been collected in the area. Due to the industrial character of the area, we were not able to find sale comparables for properties of similar size and nature to that of Praktiker, but we were able to find mainly for industrial, warehousing and commercial/light industrial properties. Through our research, we were able to identify the following data:

s/n	Description	Surface (sqm)	Asking price (€)	Analysis (€/sqm)
1	Industrial warehouse near Kallithea, 600 sqm GF and 600 sqm 1st floor	800.00	350,000	438
2	Kallithea, industrial steel structure, 1,200 sqm Ground Floor and 1,200 sqm 1st floor	1,600.00	550,000	344
3	Heraklion Industrial Zone, industrial building of 750 sqm and 100 sqm offices	750.00	550,000	733
4	Kallithea, in a plot of 3,031sqm, commercial building of 1,695 sqm, GF 605 sqm, B 605 sqm with ramp, 1st 485 sqm, air-conditioned, elevator	766.67	720,000	939
5	Industrial Zone, 450 sqm building in a 950 sqm plot. Built in 1995.	450.00	650,000	1,444
6	Heraklion Industrial Zone, 663sqm industrial space in a 5,000 sqm plot. There is a Building Permit for the addition of 454 sqm.	663.00	1,200,000	1,810
7	Light-industrial building of 2,100 sqm in a 2,800 sqm plot at the Industrial Zone	1,266.67	1,300,000	1,026
8	Finikia Industrial Area, industrial building with office space, 3,062 sqm in total, built in 2003	3,062.00	1,500,000	490

We understand that asking prices for industrial/warehousing properties in the area range between €340/sqm and €1,800/sqm. Price at or above €1,000/sqm refer to modern industrial structures that could easily be used for many uses even for retail warehousing. We are taking into consideration that Praktiker's property is a modern retail box (conversion of an industrial building) developed in a very good location and in an area where plots of land for new and similar developments are scarce.

Based on the above analysis and for the purposes of our valuation, we have applied €1,200/sqm for the ground floor sales areas, €850/sqm for the offices, €600/sqm for the storages and €200/sqm for the basement parking spaces.

Our calculation is the following:

#### COMPARATIVE METHOD

Level	Use	Surface (sqm)	Price (€/sqm)	Value (€)
Basement	M&E area	548.29	0	0
Basement	Water tank	252.04	0	0
Basement	Storages	2,213.70	400	885,480
Basement	Staircases	73.87	0	0
Basement	Parking areas	2,867.90	200	573,580
Ground Floor	Sales area	5,037.16	1,200	6,044,592
Ground Floor	Storages	583.81	600	350,286
Ground Floor	Staircases	325.74	0	0
1st floor	Offices	291.84	850	248,064
1st floor	Storages	359.85	600	215,910
Flat roof area	Auxiliary	30.45	0	0
		12,584.65		8,317,912

#### Investment Method

We apply the Discounted Cash Flows (DCF) method, according to which the rental income received by the lessor until the end of the lease period (Current Rents) are being discounted into present values based on an appropriate discount rate (Target Rate of Return – TRR). The TRR is the sum of the risk free rates (e.g. UK/German bonds) and a risk premium that a rational investor would seek for similar investments. Then, we calculate the Estimated Rental Value (ERV) that this property could achieve in the open market. The ERV is based on comparable data of other properties that are on the market and which are appropriately adjusted based on their features. To ERV is then capitalised with an appropriate capitalisation rate (All Risks Yield – ARY), having taken into consideration all the risks involved in such an investment. The relationship between the TRR and ARY is given by the following formula:

$$\text{TRR} = \text{ARY} + \text{G}, \text{ where G = growth of property prices in the long-term}$$

In order to estimate the ERV, we conducted a market research in order to collect comparables in the wider area of the property. Given the lack of identical properties (retail big boxes) in the broader area of Nea Alikarnassos, we acknowledge that the comparables found are related with industrial/warehousing assets; however they would offer a better insight into the local market's dynamics and supply/demand levels. The identified comparables are presented in the following table:

s/n	Description	Surface (sqm)	Asking rent (€/month)	Analysis (€/sqm/month)
1	Agioi Theodoroi, wholesale property comprising GF sales area of 6,323 sqm and GF storage area of 3,024 sqm	7,331	45,031	6.14
2	Retail unit at Heraklio including 1,000 sqm of GF space and 350 sqm basement storage	1,117	13,050	11.69
3	Nea alikarnassos, Mafsolou Str., retail unit of 2,000 sqm and 1,000 sqm basement plus open parking area	2,333	18,000	7.71
4	Giofiro, retail unit of 1,400 sqm with 30 open parking spaces, a/c and elevator	1,400	6,000	4.29
5	Industrial warehouse near Kallithea, 600 sqm GF and 600 sqm 1st floor	800	1,200	1.50
6	Nea Alikarnassos, commercial building of 3,000 sqm in a 5,000 sqm plot with 20 open parking spaces	3,000.00	10,000	3.33
7	123 Knossou Avenue, commercial building including 1,774 sqm GF and 1,023 sqm basement	2,115.00	14,464	6.84
8	Industrial Zone, warehouse of 2,400 sqm	2,400.00	7,200	3.00

From the comparables we understand that rental levels for warehousing/industrial assets of medium to large size range between €3/sqm/month and €7.7/sqm/month with the higher figures referring to large retail properties.

For the purposes of our valuation and specifically for the ERV calculation and given the fact that the subject property is a large scale DIY retail box in a very good and marketable location with direct access to the National Road, we have applied a rental figure for the sale areas that is above the higher rental levels identified through our survey in the area. As a result we have applied €9/sqm/month for the ground floor sales area, €6/sqm/month for the offices, €4/sqm/month for the storages and €2/sqm/month for the basement parking area. This rental level is in line with rents that are payable for retail warehousing facilities in other towns of similar size in Greece. In addition, based on the current market conditions and the fact that supply of similar space near Heraklion is limited due to planning restrictions, we are of the opinion that this rental level is reasonable.



The calculations of the ERV are presented in the table below (the rental rates are presented on an annual basis):

Areas	per m <sup>2</sup>	m <sup>2</sup>	% of ERV	+/-% adjust	Rent pa
M&E area	€0.00	548	100.00 %	0.00	€0
Water tank	€0.00	252	100.00 %	0.00	€0
Storages	€48.00	2,214	100.00 %	0.00	€106,258
Staircases	€0.00	74	100.00 %	0.00	€0
Parking areas	€24.00	2,868	100.00 %	0.00	€68,830
Zone A	€108.00	5,037	100.00 %	0.00	€544,013
Storages	€48.00	584	100.00 %	0.00	€28,023
Staircases	€0.00	326	100.00 %	0.00	€0
Offices	€72.00	292	100.00 %	0.00	€21,012
Storages	€48.00	360	100.00 %	0.00	€17,273
Auxiliary	€0.00	30	100.00 %	0.00	€0
		12,585			€785,409
*Rental Value using UnRounded ERV					€785,409

In order to proceed with our DCF calculations, we apply a capitalisation rate (ARY) of 8.75% and a discount rate (TRR) of 11%. We have also assumed that the lease will start on 01-03-15. The valuation results are presented as appendix of this report.

## **Valuation Results**

The total value of the subject property is calculated by applying the appropriate weight per method as seen below:

Method		Rem. B.C.	Result	Weight	Weighted
Comparative	€ 8,317,912	€ 0	€ 8,317,912	20%	€ 1,663,582
Investment	€ 8,782,748	€ 0	€ 8,782,748	80%	€ 7,026,198
DRC	€ 150,368		€ 150,368	0%	€ 0
				100%	€ 8,689,781

We are of the opinion that the Market Value of the subject property (i.e. the plot and the building premises) as at 01-03-15 is € 8,689,781 which is rounded € 8,690,000 at (eight million six hundred and ninety thousand Euros).

## **Valuation of the Remaining Development Potential**

For the calculation of the value of the remaining development potential we use a Combination of the comparative and the residual methods (40-60% respectively). The remaining development potential (RDP) amounts to 3,798.58sqm, as it was calculated in the section "Planning". This developable area

corresponds to a new two-storey building (ground floor, mezzanine and first floor) with the following floor areas, ground floor 1,315.71 sqm, mezzanine 1,315.71 sqm, first floor 1,167.15 sqm. Based on the surface of the remaining development potential and the Site Coverage Ratio (70%) we calculate the land plot surface to **1,879.60 sqm** ( $1,315.71 \text{ sqm} / 70\%$ ).

Due to the unavailability of developable plots of land in the area, which would support land uses of urban centre, we were unable to find sales comparables of plots of similar size and features to that of Praktiker's. As a result, for the calculation of the land value we have used the residual method. In the context of applying the residual method, as a best use scenario for this plot of land we have considered to be the development of a commercial building which will constitute an extension of the existing one, sharing the same use. More particularly, we assume that it will be feasible to develop a new two-storey building (ground floor and first floor) with an underground parking space.

In order to calculate the development value of the new construction, we have used the same comparable data which have analysed in previous paragraphs. Hence, we apply a rate of €1,200/sqm to the ground floor, €850/sqm to the mezzanine and first floor. As regards construction costs, we have set a rate of €700/sqm for each level.

We have also made a number of assumptions as seen below:

- Agency fee: 1%
- Contingencies: 3%
- Engineers' fee: 6%
- Construction duration: 8 months
- Interest Rate: 7.5%
- Developer's profit: 12%
- Pre-construction period: 2 months

The value of the RDP is estimated at €179,352 and the detailed valuation results are attached in the Appendix of the subject report.

Finally, we have proceeded with the application of a value reduction of 20% to the derived RDP value, in order to account for the difficulty of materialising the development of the extension. This difficulty results from the reluctance of the buyers in taking advantage of the remaining development potential and in proceeding with the materialisation of the extension as a consequence of the bad current economic situation. The final value of the RPD is shown on the following table:

Rem. Dev. value	€ 179.352
Reduction 20%	€ 143.482
Rounded	€ 143.000

## 12.0 VALUATION

- 12.1 We are of the opinion that the Fair Value of the subject property (i.e. land plot and building), as at 01-03-15, amounts to €8,689,781, which is rounded to €8,690,000 (eight million six hundred ninety thousand Euros).
- 12.2 The value of the remaining development potential amounts to € 143,000, which is rounded to **€140,000** (one hundred forty thousand Euros).
- 12.3 Therefore, the fair value of the existing property and of the RDP, as at **01-03-15**, amounts to € 8,833,000, which is rounded to **€8,830,000** (eight million eight hundred thirty thousand Euros).

## 13.0 DISCLAIMER

- 13.1 In accordance with our standard practice we would state that this valuation is for the use only of the party to whom it is addressed 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 this valuation nor any reference thereto may be included in any document, circular or statement without our written approval of the form and the context in which it will appear.

Yours sincerely,

For and on behalf of  
**Savills Hellas Ltd.**

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**Dimitris Manoussakis, MRICS,**

**Registered Valuer**

BSc Architecture, MSc Econ LSE, Member TCG (54176), MRICS  
(1152810), Registered Valuer in the Registry of the Ministry of  
Economics (No. 57)

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**Mania Kegeroglou MRICS**

BA International Business Administration, MSc in Real Estate  
Management, MRICS(1181417)

## List Of Appendices

1. RICS Definition of Market Value
2. Basis of Valuation
3. RICS Professional - Valuation Standards, VPGA 9
4. Location Map(s)
5. Photographs
6. RDP Calculations (Remaining Development Potential)
7. Investment Method Calculations

## Appendix 1

### RICS Definition of Market Value

#### **VPS 4 (1.2) – Bases of Value, Assumption and Special Assumptions** **IVS Framework, paragraph 29**

Valuations based on Market Value (MV) shall adopt the definition, and the conceptual framework, settled by the International Valuation Standards Committee (IVSC).

**Definition:**

*“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

## Appendix 2

### Basis of Valuation

1. The property (or properties) have been valued on the basis of open market value in accordance with the definition contained within the Statements of Asset Valuation Practice and Guidance Notes prepared by The Royal Institution of Chartered Surveyors, which is as follows:
  - a) a willing seller;
  - b) that prior to the valuation there has been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
  - c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
  - d) that no account is taken of any additional bid by a purchaser with a special interest.

We have not made any allowance for the vendor's cost of sale, nor for any tax liability that might arise upon disposal of the property at our estimate of value.

2. No allowance has been made for legal fees or any other costs or expenses, which would be incurred on the sale of the property.
3. Whilst we have had regard to the general effects of taxation on market value, we have not taken into account any liability for tax, which may arise on a disposal, whether actual or notional, and neither have we made any deduction for Capital Gains Tax, Value Added Tax or any other tax.
4. We have disregarded the existence of any mortgage, debenture or other charge to which the property may be subject.
5. We have not made any formal searches or enquiries in respect of the property and are therefore unable to accept any responsibility in this connection. We have, however, made informal enquiries of the local planning authority in whose area the property is situated as to whether or not it is affected by planning proposals. We have not received a written reply and, accordingly, have had to rely upon information obtained verbally.

6. We have assumed except where stated that all consents, licences and permissions including, inter alia, fire certificates, enabling the property to be put to the uses ascertained at the date of our inspection have been obtained and that there are no outstanding works or conditions required by lessors of statutory, local or other competent authorities.
7. We have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the report, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.
8. We have assumed that none of the following or other deleterious materials were used in the construction or subsequent alteration of the building:
  - High alumina cement concrete
  - Blue and brown asbestos
  - Calcium chloride as a drying agent
  - Wood wool slabs as permanent shuttering
9. Unless stated otherwise within the report, our valuation has been based upon the assumption that the rent is to be assessed upon the premises as existing at the date of our inspection.
10. We have assumed that all rents and other payments payable by virtue of the leases have been paid to date. If there are rent or other arrears, we recommend that we should be informed in order that we may consider whether our valuations should be revised.
11. If a solicitor's report on title has been provided to us, our valuation will have regard to the matters therein. In the event that a report on title is to be prepared, we recommend that a copy is provided to us in order that we may consider whether any of the matters therein have an affect upon our valuation of value.

### Appendix 3

## **RICS Professional - Valuation Standards, Valuation Practice Guidance - Application (VPGA) 9**

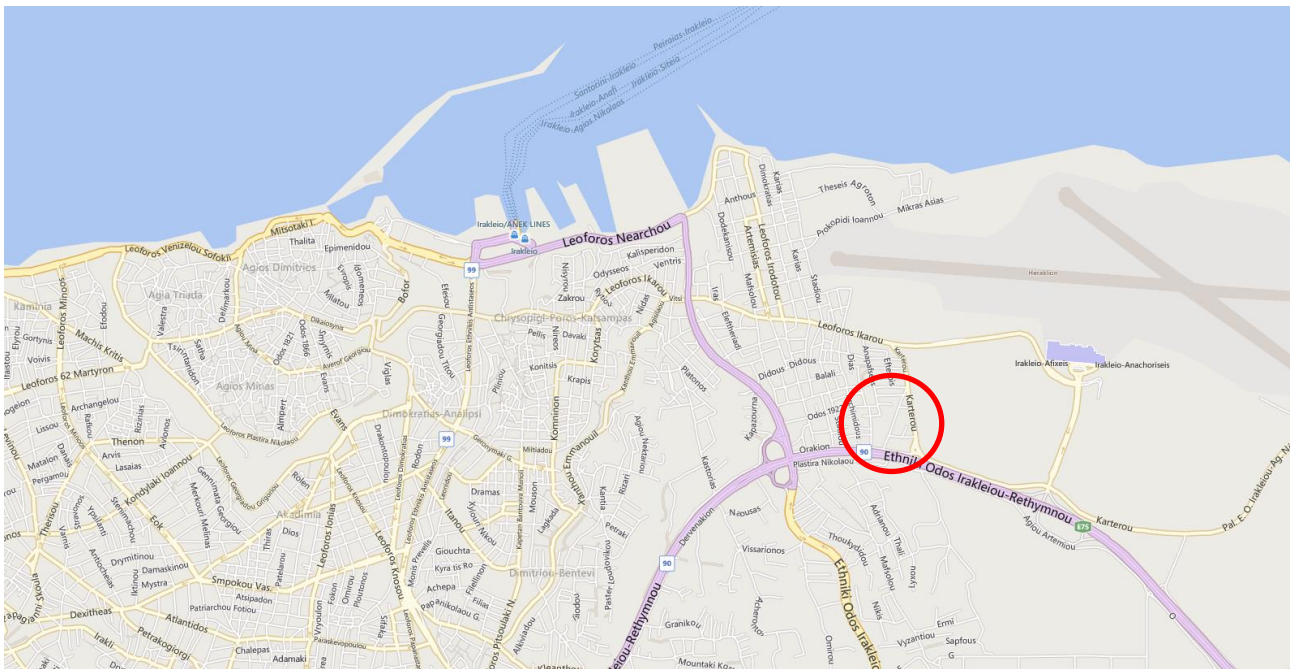
### **RICS Professional - Valuation Standards, VPGA 9**

#### **Valuation in markets susceptible to change: certainty and uncertainty**

- 1.1 *The purpose of this Valuation Practice Guidance – Application (VPGA) is to encourage best practice in the reporting of valuations, with specific reference to conveying a clear picture to users concerning the degree of certainty and risk attached to them.*
- 1.2 *All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or special assumptions (see VPS 4 paragraph 2, Assumptions, and VPS 4 paragraph 3, Special Assumptions). A valuation is not a fact, it is an opinion. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty – that is, the probability that the valuer's opinion of market value would exactly coincide with the price achieved were there an actual sale at the valuation date. Ensuring user understanding and confidence in valuations requires transparency in the valuation approach and adequate explanation of all factors that materially impact the valuation.*
- 1.3 *For some purposes it is often helpful, if not essential, to the understanding of the valuation to include supporting evidence, an explanation of the approach and the market context. Such commentary, context and explanation may not be required in all cases. However, valuers should view the provision of such supporting advice as a means to provide the user with increased confidence in the valuation.*
- 1.4 *Valuers should not treat a statement expressing less confidence in a valuation than usual as an admission of weakness. Indeed, if a failure to draw attention to material uncertainty gave a client the impression that greater weight could be attached to the opinion than is warranted, the report would be misleading and in breach of VS 3, Valuation reports.*



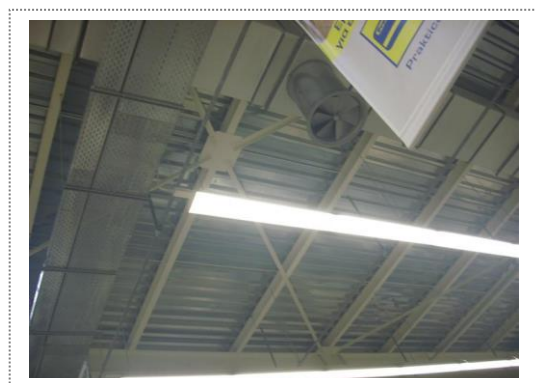
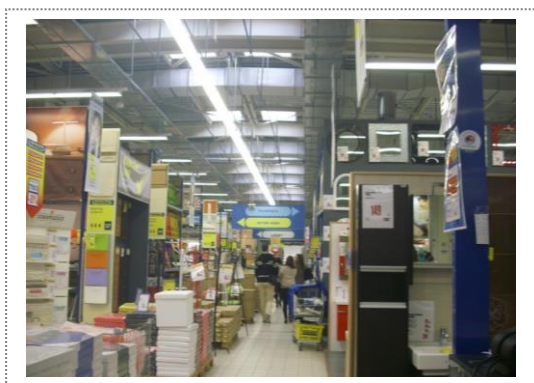
## Appendix 4 Locations Map(s)

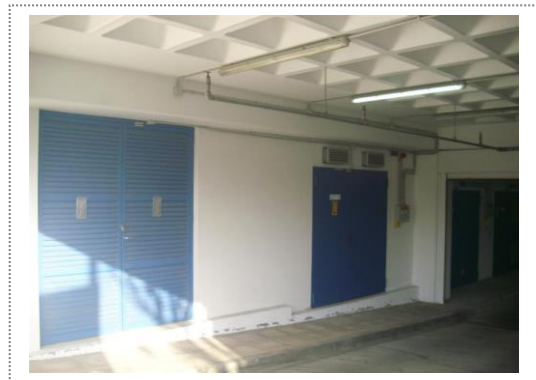
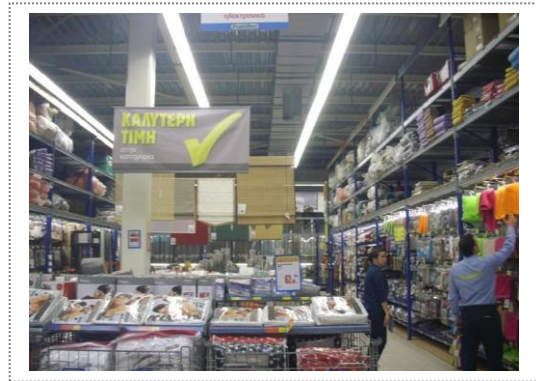
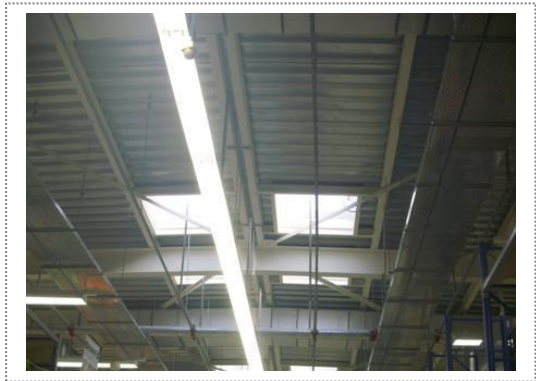






## Appendix 5 Photographs







## Appendix 6

### RDP Calculations (Remaining Development Potential)

#### A. GROSS VALUE OF SCHEME

##### A1. Gross Development Value

Level	Surface	Rent	Initial Yield	Cap Value/m <sup>2</sup>	Total	
Ground Floor (retail)	1,315.72 sqm			€ 1,200/sqm	€ 1,578,858	
Mezzanine (retail)	1,315.72 sqm			€ 850/sqm	€ 1,118,358	
First Floor (retail)	1,167.15 sqm			€ 850/sqm	€ 992,078	€ 3,689,293

##### A2. Marketing, Letting & Sales Fees

	Lump Sum	%		
Marketing over Capital Value			€ 0	
Letting Fees over Income			€ 0	
Selling Fees over Capital Value		1.00%	€ 36,528	(€ 36,528)

#### B. NET VALUE OF SCHEME

€ 3,652,766

#### C. COSTS OF SCHEME

##### C1. Building Costs

Level	Surface	Net:Gross Ratio	Building Cost per m <sup>2</sup>	Total	
Ground Floor (retail)	1,315.72 sqm		€ 700/sqm	€ 921,001	
Mezzanine (retail)	1,315.72 sqm		€ 700/sqm	€ 921,001	
First Floor (retail)	1,167.15 sqm		€ 700/sqm	€ 817,005	(€ 2,659,006)

##### C2. Ancillary Costs

Access roads, landscaping, services etc	€ 0	€ 0
Other	€ 0	€ 0

##### C3. Contingencies

3.00%	€ 79,770	(€ 79,770)
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##### C4. Professional Fees

	Lump Sum	%		
Architect		6.00%	€ 164,327	
Quantity Surveyor			€ 0	
Structural Engineer			€ 0	
M&E Engineer			€ 0	
Project Manager			€ 0	
Other			€ 0	(€ 164,327)

##### C5. Short Term Finance

On total costs for 1/2 building period	6 months	7.50% p.a. nominal 7.71% p.a. effective	Interest charged 4 times p.a.	(€ 113,046)
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Assuming	0 months	of void period after completion	€ 0
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#### D. RETURN FOR RISK AND PROFIT

Over Capital Value	12.00%	€ 438,332	(€ 438,332)
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#### E. TOTAL EXPECTED COSTS

(€ 3,454,481)

#### F. CALCULATION OF SITE VALUE

Void period prior to the beginning of works	3 months			
The future value of the site in	15 months	is calculated at		€ 198,285
The Present Value of the site for	15 months	@	7.50% is	€ 181,146
Less Acquisition costs @	Notary	0.50%		
	Legal Agents	0.50%		
	Total Costs	1.00%		(€ 1,794)

#### G. VALUE OF THE SITE

€ 179,352

Appendix 6

Investment Method Calculations

**REPORT****Portfolio Valuation**

Savills Hellas Ltd

Valuation Date

01 March 2015

**Portfolio**

Name GRIVALIA - Praktiker Heraklion  
 Owner A

File/Ref No.

Managed By

Contact No.

**Portfolio Valuation**

Gross Valuation		<u>€8,782,748</u>
Capital Costs		€0
Net Value Before Fees		<u>€8,782,748</u>
Less Acquisition costs		€0
Net Valuation		€8,782,748
	Say	<u>€8,780,000</u>
Equivalent Yield		9.3724%
True Equivalent Yield		9.9547%
Initial Yield (Deemed Rent)		9.1942%
Reversion Yield		8.9426%

**Running Yields**

Date	Gross Rent	Net Rent	Annual	Quarterly
01-Mar-2015	€807,504	€807,504	9.1942 %	9.7478 %
01-Jun-2020	€849,528	€849,528	9.6727 %	10.2870 %
01-Jun-2025	€893,736	€893,736	10.1760 %	10.8577 %
01-Mar-2030	€785,409	€785,409	8.9426 %	9.4657 %

Yields based on €8,782,748



**REPORT****Portfolio Valuation****Savills Hellas Ltd**

**Valuation Date** 01 March 2015

**Address** Praktiker Heraklion, Heraklion

File/Ref No  
Region Crete  
Sector Retail

Description / Notes **Assumptions**

Valuation Tables Annually in Arrears

**Valuation**

Gross Valuation	€8,782,748
Capital Costs	€0
Net Value Before Fees	€8,782,748

Less Stamp Duty	@0.00% of Net Value	€0
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Net Valuation	€8,782,748
Say	€8,780,000

Equivalent Yield	9.3724%	True Equivalent Yield	9.9547%
Initial Yield (Deemed)	9.1942%	Initial Yield (Contracted)	9.1942%
Reversion Yield	8.9426%		

Total Contracted Rent	€807,504	Total Current Rent	€807,504
Total Rental Value	€785,409	No. Tenants	1
Capital value per m²	€697.68		

**Running Yields**

Date	Gross Rent	Net Rent	Annual	Quarterly
01-Mar-2015	€807,504	€807,504	9.1942 %	9.7478 %
01-Jun-2020	€849,528	€849,528	9.6727 %	10.2870 %
01-Jun-2025	€893,736	€893,736	10.1760 %	10.8577 %
01-Mar-2030	€785,409	€785,409	8.9426 %	9.4657 %

Yields based on €8,782,748

Valuation Date

01 March 2015

Praktiker Heraklion, HeraklionFreehold TenureTenant - Praktker Heraklion*(Praktiker Heraklion, Heraklion)*

## Description

Status Occupied and Let  
 Lease 15 years from 01-Mar-2015  
 Expiring 28-Feb-2030  
 Rent Reviews every 0 years Upward only  
 Parent Tenure Freehold  
 Current Rent €807,504  
 Rental Value €785,409 from Areas (Unrounded)  
 Valuation Method Short Cut DCF (8.750 % , 11.000 % )  
 Implied Growth Rate 0.000 %

NotesAreas

Areas	per m <sup>2</sup>	m <sup>2</sup>	% of ERV	+/- % adjust	Rent pa
M&E area	€0.00	548	100.00 %	0.00	€0
Water tank	€0.00	252	100.00 %	0.00	€0
Storages	€48.00	2,214	100.00 %	0.00	€106,258
Staircases	€0.00	74	100.00 %	0.00	€0
Parking areas	€24.00	2,868	100.00 %	0.00	€68,830
Zone A	€108.00	5,037	100.00 %	0.00	€544,013
Storages	€48.00	584	100.00 %	0.00	€28,023
Staircases	€0.00	326	100.00 %	0.00	€0
Offices	€72.00	292	100.00 %	0.00	€21,012
Storages	€48.00	360	100.00 %	0.00	€17,273
Auxiliary	€0.00	30	100.00 %	0.00	€0
		12,585			€785,409

\*Rental Value using UnRounded ERV

€785,409

Lease History

Date	Years	Months	Days	Event	Rent Paid
01-Mar-2015	5	3	0	Review	€807,504
01-Jun-2020	5	0	0	Indexed	€849,528
01-Jun-2025	4	9	0	Indexed	€893,736
01-Mar-2030	0	0	0	Reversion	€785,409

Component Valuation

01-Mar-2015					
Gross rent (Current over-rented)			€807,504		
Rental Value			€785,409		
Valuation rent			€807,504		
YP 5 Yrs 3 Mths			@ 11.00%	3.8348 yp	
					<u>€3,096,643</u>
01-Jun-2020					
Gross rent			(Indexed)	€849,528	
Valuation rent				€849,528	
YP 5 Yrs 0 Mths			@ 11.00%	3.6959 yp	
PV 5 Yrs 3 Mths @ 11.00%				x 0.5782	
				2.1369 yp	
					<u>€1,815,315</u>
01-Jun-2025					
Gross rent			(Indexed)	€893,736	
Valuation rent				€893,736	
YP 4 Yrs 9 Mths			@ 11.00%	3.5533 yp	
PV 10 Yrs 3 Mths @ 11.00%				x 0.3431	
				1.2192 yp	
					<u>€1,089,630</u>

**Valuation Date**

01 March 2015

01-Mar-2030

Gross rent

(Reversion)

€785,409

Valuation rent

€1,164,337

YP perp

@ 8.75%

11.4286 yp

PV 15 Yrs @ 11.00%

x 0.2090

2.3886 yp

€2,781,160**Gross Value****€8,782,748**