

# **TECHNOPOLIS**

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## **Statement concerning the valuation of investment properties of Technopolis**

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**Date of value 31.12.2010**  
**18.1.2011**

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# Assignment

## Assignment

- Technopolis Oyj (Technopolis) and Realia Management Oy (Realia) reached an agreement of co-operation in November 2010 concerning the valuation of Technopolis investment properties.
- This statement was requested by Reijo Tauriainen from Technopolis.
- The purpose of this statement is to provide a second opinion of the internal valuation made by Technopolis for financial reporting purposes.
- According to the International Financial Reporting Standards (IFRS), the fair value of an investment property is to be valued for financial reporting.
  - IAS40 is the standard, which discusses the valuation of investment properties.
- Definition of fair value:
  - The amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction
- Second opinion is based on the internal valuation of Technopolis, site visits, Realia's market and valuation knowledge and experience.

## Structure of the Statement

- Assignment
- Summary of properties under valuation
- Basis and procedures
- Market value of the properties

## Summary of properties under valuation

Location	Properties (pcs)	Area (m <sup>2</sup> )
Oulu	48	194 297
	2 unbuilt sites*	19 763
HMA	9	74 682
	2 constructions	12 280
	2 unbuilt sites*	42 980
Lappeenranta	11	27 343
Jyväskylä	10	50 763
	1 unbuilt site*	6 230
Tampere	11	53 945
	4 constructions	17 727
Kuopio	13	56 791
	1 construction	11 833
Tallinn	7	70 000
	1 unbuilt site*	150 000
St. Petersburg	1 construction	24 100
	1 unbuilt site*	56 000
Total (completed)	109	527 820
Total (constructions)	8	65 940
Total (unbuilt sites)	6	218 973

\*) area of building right

# Basis and procedure

## Internal valuation of Technopolis

- The main valuation method is income method (10 year cash flow analysis)
- The degree of completion is taken into account in valuing the constructions.
- Sales comparable method is used in valuing unbuilt sites.
- Technopolis is responsible for the correctness of current rent roll, operational expense and repair expense information and applying them to their cash flow model.
- Market rent and vacancy rate are estimated by Technopolis
- The required yield is produced by two independent real estate consultants.

## Site visits

- Realia has made site visits in Jyväskylä, Tampere and Tallinn properties during 12/2010 – 1/2011.
- Properties in Oulu, Lappeenranta, Kuopio and HMA are familiar to Realia from previous assignments.
- Site visit in St. Petersburg will be made after it is completed.
- All properties will be visited during 2011.

## Realia's second opinion procedure

- Realia has checked the functionality of the cash flow model of Technopolis by comparing its outputs to Realia's own cash flow model outputs when using the same inputs.
- Realia has discovered that valuation process and model of Technopolis fulfill the requirements of IFRS, IVS and local regulation (hyvä kiinteistöarviointitapa)
- Realia has gone through the following parameters used in the calculation by Technopolis:
  - Required yield
  - Market rent
  - Vacancy rate
  - Operational expenses
  - Repair expenses
- Realia has presented comments to Technopolis regarding the calculations where departures from market evidence were found.
- Technopolis has changed their calculations or justified their opinion to be in accordance with market.
- Realia has discovered the calculations to be market derived and meet technical and methodological requirements.
- However two factors in the calculations caught Realia's attention (see the next page)

# Market value of the properties 31.12.2010

- Based on the previously mentioned we state that the valuations of each property are executed in accordance with requirements set by IFRS, IVS and local regulation (hyvä kiinteistöarviointitapa)
- The following two factors caught our attention:
  - Occupancy rates are high in all calculations. The reason for a higher occupancy rate than what market evidence would justify is that Technopolis has organised its sales using mainly its own staff, sales incentives for staff and benefit of wide range of services provided by Technopolis to their tenants. This has led to the assumption of long-term high occupancy rate.
  - Assumptions of market rents are high in several properties. The reason for this is consistent with high occupancy rate, which has led to high rents in current lease agreements. Based on this, an assumption for high long-term rental levels has been made.
  - Assumptions of high occupancy rate and high market rent continuing to perpetuity lead up to an optimistic residual value. However, the value is within the accuracy of the valuation (+/- 15 %)
- Valuations of each property produce adequate and right information of the properties and values at date of value, 31.12.2010.
- The total value of the properties is the sum of the values of each property.
- The geographical division of the values is on the next page.

- With consideration to the afore mentioned, the market value of the investment properties of Technopolis Oyj at date of value (31.12.2010) is ca.

**Seven hundred thirty million euro  
EUR 730,000,000**

- Market value of constructions is ca.  
**Fifty four million and one hundred thousand euro  
EUR 54,100,000**
- Almost all properties are producing cash flow and therefore income method is the most suitable valuation method
- Accuracy of the valuation is + / - 15%
- The date of value is 31.12.2010

Helsinki 18.1.2011

Realia Management Oy



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Authorized valuer (AKA)



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Authorized valuer (AKA)

# Geographical distribution of values (31.12.2010)

Location	Value m€	%
Oulu	236,4	32 %
HMA	161,6	22 %
Lappeenranta	29,4	4 %
Jyväskylä	70,4	10 %
Tampere	82,4	11 %
Kuopio	80,5	11 %
Tallinn	62,2	9 %
St. Petersburg	7,1	1 %
Total	730,0	100 %
Constructions	54,1	

