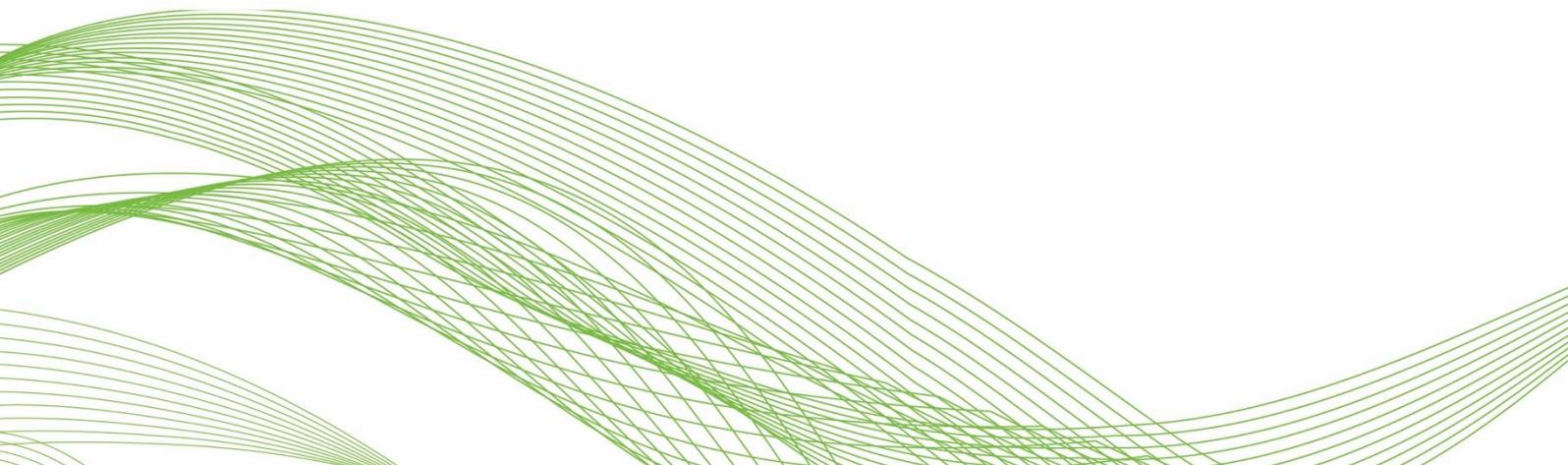




Valuation Advice on Yields and Market Rents

CITYCON OYJ
30 SEPTEMBER 2018





CONTENTS

Instructions.....2

Scope of Work and Assumptions.....2

Market Overview.....3

INSTRUCTIONS

Our instruction from Citycon Oyj was to provide Citycon with our opinion on yields and market rents for their investment portfolio as at 30 September 2018, to be used in their internal valuations. The purpose of the internal valuations is financial reporting and performance measurement. The internal valuations include all investment properties except the redevelopment projects and any new acquisitions which are valued externally. On 30 March 2018, we have conducted the development valuations of Lippulaiva in Espoo, Finland and Mölndal in Gothenburg, Sweden. No new acquisitions were valued by us this quarter.

SCOPE OF WORK AND ASSUMPTIONS

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein 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 our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

This valuation advice is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject properties. Other valuers may reach different conclusions regarding yields and market rents of the subject properties. This valuation advice is for the sole purpose of providing the instructing party our independent and professional opinion on the portfolio's properties' yields and market rents on the valuation date, to assist Citycon with their internal valuations of the properties.

We confirm that we have had no previous material involvement with any of the properties prior to the 30 June 2017 valuation for Citycon and there is no conflict of interest.

We have carried out our work based upon information supplied to us by Citycon, which we have assumed to be correct and comprehensive.

We have inspected all the properties internally in between May 2017 and March 2018.

MARKET OVERVIEW

FINLAND

Retail Occupancy Market

Retail sales were up by 2.1% year on year in July 2018, with grocery store sales being up by 4.1% and department store sales down by 0.2%, using workday adjusted figures. The preliminary figures for August indicate similar figures; a 2.6% increase in retail sales and 3.5% in grocery store sales.

A new entrant to the Helsinki shopping centre market, Redi in Kalasatama, opened in September 2018 with a ca. 85% occupancy rate. This 64,000 m² centre will have around 200 shops once fully leased. New occupants to the Finnish market include Cinamon cinema, Maya Maya, Conte Elegant, Villa Sofia Living, Skyr bar and WeFood. Redi also has various entertainment options in addition to shops and restaurants to help draw in people.

Shopping centre rents have generally remained quite stable in better quality centres, while in secondary centres and in those suffering from strong competition, rents continue to experience downward pressure.

Retail Investment Market

The third quarter was relatively quiet both in terms of retail sales and the commercial property market in general. Retail sales volume was ca. EUR 148 million, which is below the Q1 and Q2 level.

There were no larger shopping centre sales reported in Q3. Two adjoining retail convenience centres in Muurame, near Jyväskylä, were sold in separate transactions to the Evli Vuokratuotto fund and Trevian Suomi Kiinteistöt I fund for undisclosed amounts. Trevian's same fund also purchased Torikulma, a small retail and commercial centre in Jyväskylä's CBD. The price was also not disclosed. The other larger retail sales were retail park or big box portfolio sales.

Shopping centre yields are considered to have remained stable in Q3, with the prime yield in the Helsinki Metropolitan Area being ca. 4.5%.

Comment on Citycon portfolio

Market rents in Citycon's assets have generally remained quite stable since Q2. Minor adjustments have been made both up and down in light of recent leasing activity. Upwards adjustments relate to the stronger assets in the portfolio and downward adjustments to either weaker assets or assets adversely affected by the competition situation.

Yields have generally remained stable, minor adjustments up have been made for 5 centres, most of which are located outside the HMA. Vacancy had increased in all of these properties.

NORWAY

Retail Occupancy Market

Generally Norwegian shopping centre rents have remained stable over the last twelve months. Retail sales growth increased by 3.3% year-on-year, as of August 2018, whereas the sales value index increased by 1.1%, according to Statistics Norway. Inflation has increased substantially over the past quarter and stands at 3.4% in August, while core inflation stands at 1.9% (Statistics Norway, 2018), closing in on the central bank's target rate of 2.0%.

The shopping centre turnover index continues to perform and increased by 2.7% in August, however, adjusted for expansions the growth amounted to a more modest 2.0% (Kvarud Analyse, 2018). The growth was led by strong performance in the F&B segment as well as furnishings and household equipment, while clothing and footwear underperformed. Both year-to-date turnover growth and 12-month turnover growth as of August stand at 1.6%, below the current inflation rate. However, smaller shopping centres with a total turnover below NOK 250 million are outperforming the market with a year-to-date growth of 11.2% (Kvarud Analyse, 2018).

Shopping centre footfall fell by 0.3% in August, however the average basket size increased by 3.0% to NOK 347 per visit (Kvarud Analyse, 2018). Year-to-date figures show a footfall decrease of 0.4%, however an increase in the average basket size of 1.8%.

Retail Investment Market

The investment market is on track for another strong year with a total volume in the vicinity of NOK 60 billion as of Q3. National retail sector transactions amounted to some 23% of the total transaction volume in 2018 year to date, up from 19% in 2017. The most recent retail transactions in Q3 2018 include the sale of Gullgruven Senter in Bergen, which was sold by Scala Retail Property to an Arctic Securities syndicate. The prime shopping centre yield in Q3 is estimated at 4.25%, unchanged from Q2 2018.

Comment on Citycon portfolio

Market rents have remained stable across the portfolio with minor adjustments in line with recent leasing activity. Yields have all remained stable since Q2.

SWEDEN

Retail Occupancy Market

The Swedish retail sector is growing, but the growth has been modest during the start of 2018. The sector is forecast to grow by 2.5 percent in 2018, with the growth being mainly from e-commerce.

The retail rental market has seen a slight decrease during the beginning of 2018. Larger retailers have seen a decrease in turnover and smaller tenants are struggling with keeping the volumes up. A problem with the existing situation in the retail market is that the rental levels and store sales do not correlate. When sales decrease, the rental levels still increase. Property owners are rarely willing to decrease rents since it might affect the property value.

Hugo Boss is opening a pop-up store in Åhlens City in Stockholm in October. The store is the largest of its kind in the whole of Scandinavia. The brand will open its first store in Gothenburg later this autumn. H&M has established new concepts in the market this year, such as Arket and Afound. Arket opened up its first store in Sweden in June 2018, located in Stockholm and will later this year open up a new store in Gothenburg.

H&M launched the multi-brand discount store Afound earlier this year. The main market place is online but so far two stores has opened up in Sweden, located in Stockholm and Malmö. The opening of a store in Gothenburg will be later this year/beginning 2019. Gothenburg will also get its first & Other Stories store in 2019. The concept currently has stores in both Stockholm and Malmö.

Recently it was announced that IKEA is searching for approx. 5,000 sq m space in the central parts of Stockholm for a new concept. The concept for the new store is not yet official but a store of that size will be one of the largest centrally located stores in Stockholm.

Citycon's Mölndal Galleria shopping centre development opened on 27 September, providing 24,000 sq m of new retail, restaurant and service space to the Greater Gothenburg area. Its anchor tenants are Ica Kvantum, Systembolaget, H&M and Nordic Wellness.

Retail Investment Market

In Q3 2018 the transaction volume ended up at approx. MSEK 2,250 which is a decrease from Q2 but in line with the volume in 2017. Retail represented 11 % of the total volume.

No shopping centre sales took place in Q3. Sales in Q2 include the sale of Kvarnen, centrally located in Uppsala, for approx. 136 MSEK (SEK 25,000 per sq m). Ekholmen in Linköping was acquired at a price of 312 MSEK (SEK 25,709 per sq m). Citycon acquired a 50 percent share of Mölndal Galleria from NCC for 584 MSEK. The price was approx. SEK 44,500 per sq m.

In less good locations, shopping centres are often struggling, which is showing in the transaction prices, with prices between SEK 5,000 and SEK 7,000 per sq m achieved so far in 2018.

The prime shopping centre yield is currently 4.25%, unchanged from the last quarter. The gap between prime and secondary properties is getting greater. Prime properties are still attractive, whilst many of the more secondary units are struggling.

Comment on Citycon portfolio

Yields have remained unchanged for all the properties except for Stenungsund where the yield level has seen a slight increase. There has been limited interest from investors for secondary provincial retail. Market rents have mainly remained stable and only small adjustments have been made. Generally, the market rent level is in line with the last quarter.

DENMARK

Retail Occupancy Market

According to Statistics Denmark, retail sales in June 2018 were 0.1% higher than in May 2018 when corrected for price trends, normal seasonal fluctuations and the effect of trading days. June is up 2.85% compared to June 2017. Danish consumer confidence is on the rise, which is reflected in the retail sales.

Prime net shopping centre rents have been rather stable since Q3 2015 and currently stand at DKK 5,500 per sq m pa. Shopping centre rents in Albertslund are currently at some DKK 1,550 per sq m pa. In Køge, shopping centre rents are ca. DKK 1,600 per sq m pa.

Looking forward, there are shopping centre project developments in the pipeline in the Copenhagen area. Firstly, Tårnby Torv will be completed in mid-2022, with a total of 30,000 sq m including some 9,400 sq m of retail. The total budget is DKK 600 million. Gadelandet Butikcenter is expected to be completed the same year, with a total retail area of 25,000 sq m. The expected development costs are predicted at ca. DKK 500 million. In addition, Fisketorvet will expand by 15,000 sq m and refurbish a large part of the existing centre. The development will bring more retail, office and hotel area to the lot. The expected budget is DKK 400 million, and completion is assumed by the end of 2020.

We expect vacancy rates to remain unchanged in the best performing centres. Demand and rental levels are also expected to hold at levels previously achieved.

Retail Investment Market

Herning Centre in the Jutland peninsula, with 80 retail units, was acquired in Q3 2018 by Danske Shoppingcentre P/S (owned by ATP ejendomme & Danica Ejendomme). The transaction value is not disclosed, but the book value had an applied yield of 5.6%. Overall, the retail property transaction volume was DKK 1,640 million in Q2 2018. Q3 transaction volume is not yet available.

The prime shopping centre yield stands at 4.00% as of Q3 2018 and good secondary yield stands at 5.50%. The trend for both yields is weak.

Comment on Citycon portfolio

Both the market rent level and yield for Albertslund and Straedet in Køge have remained stable since Q2 2018.

ESTONIA

Retail Occupancy Market

In July, retail trade turnover increased by 2% year on year at constant prices, amounting to EUR 624.1 million. Turnover increased the most in pharmacies and stores selling cosmetics, (13% y-o-y), followed by stores selling via mail order or internet at 11% year on year. The turnover of grocery stores was flat compared to the previous year.

In Tallinn, prime shopping centre rents in Q3 2018 have remained stable on a quarterly basis.

New shopping centers, T1 Mall of Tallinn and Porto Franco are expected to be completed in Q4 2018 and 2020 respectively. Furthermore, the expansion of Ülemiste Centre by ca. 13 000 sq m of retail space plus a cinema is expected to finish in Q3 2019. The first addition, T1 will include 55,000 sq m of retail and entertainment area including a cinema, family entertainment and restaurants and cafes. It will also feature a roof top ferris wheel as an attraction.

Retail Investment Market

The prime shopping centre yield during Q3 2018 in Estonia remains unchanged at 6.5% on account of sustained investor activity in the market. Investment transactions reached ca. EUR 121 million in Estonia during H1 2018, 23% of which was retail. No notable shopping centre transactions were reported in the Baltics in Q3. Sales in Q2 include the sale of Klaipeda BIG in Klaipeda, Lithuania for EUR 24.9 million, for an undisclosed yield, Ozas in Vilnius, Lithuania for EUR 124.6 million, for an initial yield of ca. 7.1%, and the sale of Galleria Riga in Latvia for an undisclosed amount.

Comment on Citycon portfolio

Market rent levels have remained stable in both Rocca al Mare and Kristiine. The impact of the T1 opening on the rental level of existing assets is still unknown. Yield have also been kept at the same level as in Q2, in the absence of new comparable evidence indicating otherwise.

In Helsinki, Oslo and Stockholm 4 October 2018



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