

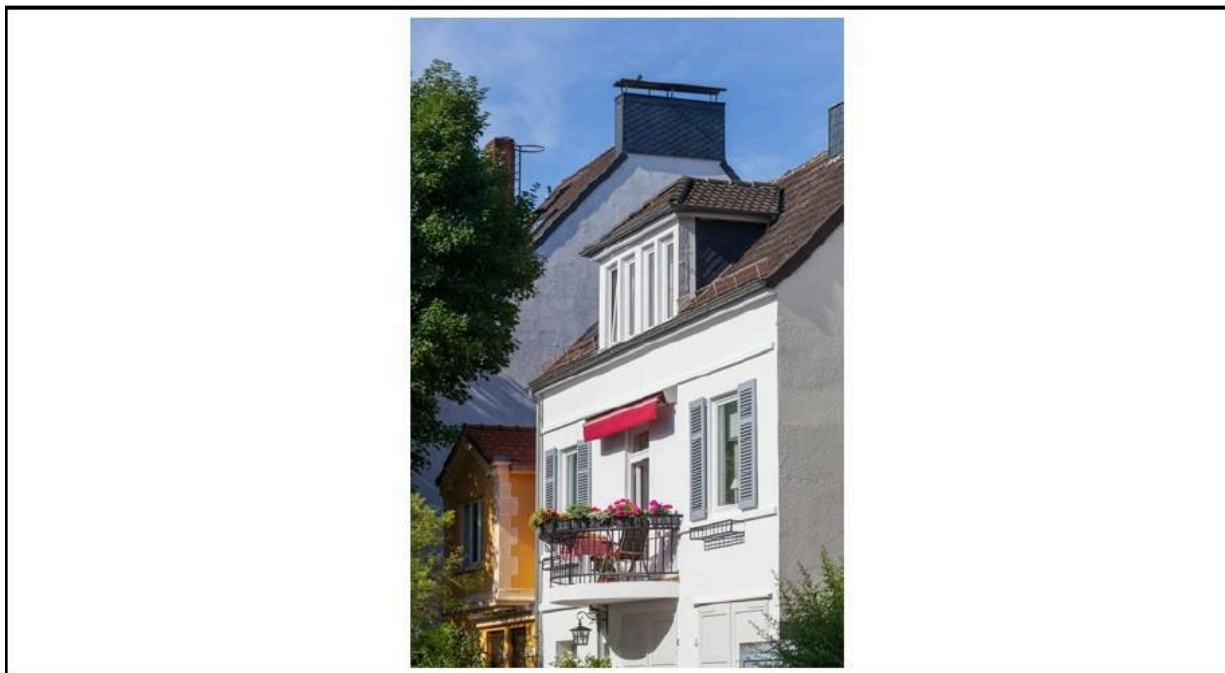


Sample Market Value Report

Summary

Address:	Sample Street XX in ZIP Sample City
Property Type:	Condominium with underground parking space
Residential Units:	1
Living Space:	approx. 46 m ²
Property Inspection Date:	30.08.2021
Valuation Date:	30.08.2021
Quality Assessment Date:	30.08.2021

Scope of the tour:



Market Value

220.000€



Client

John Doe
Sample Street XX
ZIP Sample City

Order dated: 25.08.2021

Contractor

HEID Immobilien GmbH
Ziegelstraße 25
64690 Walldorf

Contact Person:
Jane Doe

Processing Period: 25.08.2021 to 12.09.2021

Assignment

Determination of the market value according to §194 BauGB (German Building Code) for inter vivos transfer within the family.

Note:

Due to the COVID-19 pandemic prevailing in 2020, the federal and state governments decided on extensive measures to contain it, with significant restrictions in personal, public, and economic everyday life. The data used for the valuation is based on evaluations prior to the outbreak of the pandemic. The overall economic effects on the real estate market in general as well as the individual effects on the sub-market of the valuation object in particular cannot be conclusively assessed in the short, medium and long term. The determined values are therefore subject to uncertainties. It is recommended to continue to monitor market development and to review the values at a later date if necessary.



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2 Overview

Preliminary Remarks

Client:	John Doe Sample Street XX ZIP Sample City
Owner:	Mr. Sample Person Sample Street XX ZIP Sample City
Property type:	Condominium with underground parking space
Location:	Sample Street XX in ZIP Sample City
Land registry & cadastral cata:	District Court Sample City Sample District, Sheet --XX and - -XX Cadastre Sample City District, Parcel 8375/1
Valuation object:	This concerns a co-ownership share. The share amounts to 286 / 10,000 and 20/10,000, thus 306 / 10,000 of the total property.
Notes on co-ownership share:	The co-ownership shares are linked to the special ownership designated in the partition plan as No. 7 apartment on 2nd floor and basement. As well as special ownership of underground parking space TG1.
Purpose of valuation:	Inter vivos transfer within the family
Valuation date:	05.09.2021
Order date:	25.08.2021
Completion date:	12.09.2021
Date of site visit:	30.08.2021
Participants at site inspection:	John Doe (Client) Jane Doe (Expert)
Documents, inquiries and information used:	Land registry extracts Floor plans Prperty exposé Rental agreement Protocols etc.



Special features:	The inspection refers to the visible building parts. Hidden defects cannot be excluded but are not known. Soil contamination, legacy pollution, construction defects and deficiencies (hazardous building materials, structural safety, noise and thermal protection, etc.) are only considered insofar as they are visible or the owner or their representative has provided information thereon. Related investigations can only be carried out by specialized institutes; they would exceed the scope of a market value appraisal.
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Summary of Results

Valuation object:	Condominium with underground parking space Sample Street XX in ZIP Sample City
Co-ownership Share:	306 / 10000
Land area:	1,969.00 m ²
Living space (total):	46.32 m ²
Valuation date:	10.08.2021
Value of land/building land per m ² :	480.00 €/m ²
Total land value:	26,893.15 €
Income value:	219,706.36 €
Value of living space per m ² :	4,749.57 €/m ²
Annual net cold market rent (total)	6,600.00 € (11.87 €/m ²)
Share of annual net rent excluding utilities (residential)	6,000.00 € (10.79 €/m ²)
Market Value	220,000 €



3 Description of the Valuation Object

Location

Regional Location

Federal State:	Sample Federal State
District:	Sample District
Municipality:	Sample City
Population:	approx. XX,XXX

Location description

Location

The municipality Sample City, consisting only of the village of this name, is located in Sample District, a southeastern partial landscape of the Upper Rhine Plain, at the foot of the Sample Region. In the north of the cadastral area, the Sample Name flows; through the town itself runs the Sample City.

From the southeast, the Sample District opens from the Sample Region into the flat valley plain, which opens in a wide angle towards the west to the small massif of Sample Region, which interrupts the Sample Region before the Sample Name. In the direction of the northeast, one reaches Sample Location. Following the path north, one soon reaches the westernmost foothills of the Sample Location and via Sample Name Valley to Sample City.

The plain offers a view of Sample Location, and on clear days, to the approximately XX km distant Sample Location on the French Sample Region Plain.

In the north of the municipality is Sample Location, a geologically interesting elevation of the foothill zone in the plain from Sample Location A and Sample Location B. Further elevations belonging to Sample Location are Sample Location A and Sample Location B.

In the municipal area lay the villages Sample Name A and Sample Name B, which merged into Sample City. Immediately west of today's cadastral boundary was the village Sample Name C.

Neighboring Municipalities

The following municipalities border Sample City (clockwise from west): Sample Location A, Sample Location B, Sample Location C and Sample Location D in District Sample District; Sample Location E, Sample Location F and Sample Location G in District Sample District.



Interregional transport connections/distances, location:	<i>Sample City A: 70 km</i> <i>Sample City B: 80 km</i>
Nearest towns/cities:	<i>Sample City C: 10 km</i> <i>Sample City D: 8 km</i>
State capital:	<i>Sample City E: 180 km</i>
Highways:	B XXX approx. XX km A X approx. XX km
Highway access:	Bus stop with good frequency within XXX m
Public regional transport and infrastructure:	Airport- Euroairport approx. XX km
Nearest airports:	Due to the good transport connection (B XXX etc.) and the location in the wider catchment area of Sample City / Sample City B, as well as the good climate and landscape, this location is very popular both in the commercial sector and as a residential location.

Local Location

Local position:	City center location Residential area
Available infrastructure:	Public transport Connection to long-distance traffic Road Daily supply facilities Medical care Kindergarten Schools
Public transport:	Bus and train
Distances:	To city center: X.X km To shops: XXX m To train station: XX km The area has adequate sports and leisure facilities, medical care, administration, churches, and shopping opportunities for the population.



General local traffic situation:	good
Assessment of residential and commercial location:	good
Type of use / development on street and nearby:	Multi-family houses Residential-commercial buildings Quiet trade Other
Age of buildings in the immediate vicinity:	older buildings
Building density in the vicinity:	open buildings dispersed development
Predominant building height:	predominantly two to multi-story
Emissions:	low typical for location
Topographic plot position:	level
Plot layout:	good configuration rectangular plot shape
Plot orientation:	east
Street Access, access path:	direct
Notes on local oosition:	The location is well suited for residential purposes and well developed due to the edge location and proximity to B XXX.



4. Selection of Valuation Methods

The objective of every market value determination according to § 194 BauGB is a market-appropriate price, the market value / market price. This is determined by the price that could be achieved at the time to which the valuation refers, in ordinary business transactions, according to the legal circumstances and actual properties, other characteristics and location of the property or other object of valuation, without regard to unusual or personal circumstances.

To determine a value as close to market as possible, i.e., one that approximates a realistic selling price, the valuation methods appropriate for the property being valued must be selected. In most cases, these are the comparison value method, the income value method, and the cost approach method. According to § 8 para. 1 of ImmoWertV, if multiple methods can be applied, this increases the reliability of the result. The methods are to be selected and justified according to the type of valuation object, taking into account the customs prevailing in ordinary business transactions and the circumstances of the individual case. Special property-specific characteristics such as economic obsolescence, above-average maintenance condition, construction defects or damages, as well as returns that deviate significantly from market-achievable returns can, insofar as this corresponds to ordinary business transactions, be taken into account through market-appropriate additions or deductions or in another suitable manner. Future developments such as foreseeable alternative uses (§ 4 para. 3 no. 1) are to be considered if they can be expected with sufficient certainty based on concrete facts.

Which methods to select is primarily based on two questions:

1. Which methods are capable of replicating the price formation mechanisms for this object?
2. For which methods are the necessary data from the real estate market available?

Comparable Value Method

If there is a sufficient number of actual sales prices (usually an average price per square meter for a specific type of property) for comparable properties, a comparable value method (§ 15 ImmoWertV) can be used for each type of property. The comparable properties must be sufficiently comparable to the property being valued. Complete comparability is impossible due to the individual nature of real estate. If suitable purchase prices and comparison factors are available for the property to be valued, the comparative value method is used to support the result. Changes in general value ratios on the real estate market or deviations in individual property characteristics are generally taken into account on the basis of index series or conversion coefficients.

Earning Value Method

The income approach (Sections 17–20 ImmoWertV) is primarily used to value developed properties that are typically used to generate returns (rental income, increase in value, tax depreciation) rather than for owner-occupancy. This applies if the property being valued can be considered an investment property. The income approach is a price comparison based on the use of the property interest rate derived from many comparative purchase prices, in which the factors introduced into this valuation model (e.g., rents, remaining useful life, and special features) primarily determine the value and value differences.



Asset Value Method

The asset value method (Sections 21–23 ImmoWertV) is used primarily to value properties that are not normally used to generate returns, but rather for owner-occupancy independent of returns. The asset value is composed of the land value and the asset value of the buildings.

The Asset Value Method is also used to support results for investment properties, provided that

- the data required for market-compliant real value assessments (normal construction costs, land values, real value factors) are available for the property to be valued
- another method is used to support the results
- an economically acting market participant considers the costs (property acquisition, construction costs) and benefits (rent savings, tax depreciation, building design tailored to own needs) that would arise as an alternative to renting or determining the purchase price based on the income from the realization of a comparable project.

A real value assessment (i.e., a purchase price comparison based on a comparison of intrinsic values) is therefore also appropriate for income-generating properties. This is because sustainable income/returns can only be guaranteed if the property is of good quality.

4 Valuation Method

The condominium is a classic yield object. Therefore, the valuation is oriented towards the income value.

5 Land Value Determination

Price formation for land in ordinary business transactions is primarily oriented towards information about prices per square meter for undeveloped land (e.g., through comparison sales, published standard land values, and also statistical evaluations of newspaper ads and broker offerings) that have become known to all market participants. The land value is therefore (also in methods for valuing developed properties, separately from the value of buildings and outdoor facilities) generally to be determined on the basis of comparison prices § 15 of ImmoWertV as it would result if the property were undeveloped. If no suitable comparison prices are available but suitable standard land values exist, these can be used instead of or in addition to land value determination (in the comparison method § 15 para. 1 sentences 3 and 4 ImmoWertV). Standard land values are suitable if they are appropriately structured according to:

- local conditions,
- location,
- and development status



as well as:

- the type and extent of building use,
- the development situation,
- the status of contributions and levies, and
- the prevailing property layout

and are derived with the necessary care from purchase prices for comparable undeveloped properties.

Standard land values are communicated as 'zonal' or 'punctual' land values. The zonal standard land value is an average location value of land for a majority of properties that are combined into a standard land value zone for which essentially the same use and value conditions exist (§ 196 BauGB). Punctual standard land values (also called location-typical standard land values) generally apply to a location precisely described in the map (usually plot-specific) with the fictitious property characteristics described for the standard land value. The expert committees are obliged to derive and publish standard land values from realized purchase prices (§ 193 para. 3 BauGB). Standard land values are related to the square meter of plot area (dimension: €/m² plot area).

Deviations of the property to be valued from the comparison property or from the standard land value property in value-influencing characteristics (such as development status, special location, type and degree of building use, soil quality, plot configuration) or deviations of the valuation date from the purchase date of the comparison properties or from the reference date from which the standard land value was derived generally cause corresponding deviations of the land value from the comparison purchase price or the standard land value.

Property and Cadastral Data

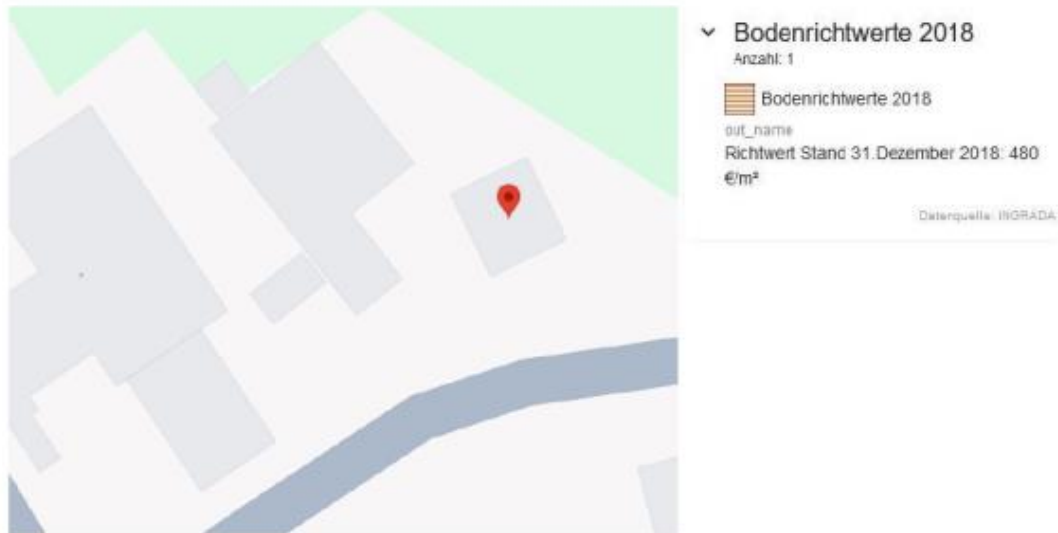
Land Registry	Sheet	Marking	Field Parcel	Size
DC XX – Sample City	--17	Sample City	83--/1	1,959 m ²
Sum of all parcels:				1,959 m²

Standard Land Value with Definition of Reference Property

The standard land value published by the Expert Committee for the location of the valuation property is **480,- € / m²** as of reference date **31.12.2018** and is defined in relation to the valuation property as follows.

Definition	Reference Property	Valuation Property
Reference date	31.12.2018	30.08.2021
Standard land value:	480.00€ / m ²	
Type of use	Residential	Residential





Adjustment of standard land value

Land value per m ² as of reference date 31.12.2018	480.00€
Land value per m²	= 480.00€

Value of Interest-Bearing Land Share

Appropriate property size for development	1,959 m ²
Appropriate land price per m ²	x 480.00€
Value of interest-bearing land without deductions	= 940,320.00€

Land Value Summary

Summary

Value of interest-bearing land without deductions	940,320.00€
Value reduction / encumbrances on the land	-0.00 €
Value of interest-bearing land	=940,320.00€
Value of other land shares	+0.00 €
Land Value (total)	940,320.00€
Proportionate land value according to co-ownership shares (306 / 10000)	28,773.79 €

6 Description of Valuation Object

Regional Location

Federal state:	Sample Federal State
Administrative district:	Sample City
District:	Sample District
Elevation:	XXX m above sea level
Location description:	<p>The municipality Sample City, consisting only of the village of this name, is located in the southeastern partial landscape of the Upper Rhine Plain, at the foot of the Sample Region. In the north of the cadastral area, the Sample Name flows; through the town itself runs the Sample City.</p> <p>Other flowing waters in the municipal area are Sample Name A in the east, the Sample Name in the north, and the Sample Location in the south.</p> <p>From the southeast, the Sample Name opens from the Sample Region into the flat valley plain, which opens in a wide angle towards the west to the small massif of Sample Location, which interrupts the Rhine Plain before the Sample Name. In the direction of the northeast, one reaches Sample Location. Following the path north, one soon reaches the westernmost foothills of Sample Location and via Sample Name Valley to Sample City.</p> <p>The plain offers a view of Sample Location, and on clear days, to the approximately XX km distant Sample Location on the French side of the Upper Rhine Plain.</p>

Development

Type of road:	Residential street
Traffic density:	Residential area Typical for location
Road construction:	Through road at main front Sidewalks on both sides
Road surface:	Bitumen
Parking spaces nearby:	Sufficiently available



Connections to utilities and sewage disposal:	Electricity Water Gas Sewer connection Telephone connection Cable television Communication media
Boundary conditions and common rights under neighbor law:	Clear boundary demarcation
General notes:	In this valuation, a location-typical building ground situation is considered insofar as it has flowed into the comparison purchase prices or standard land values. Beyond this, in-depth investigations and inquiries were not commissioned.
Comments on development:	The development is complete and established in accordance with location standards.

Local Location

Local position:	Town edge Residential area
Available infrastructure:	Public transportation Connection to long-distance traffic Road Train station
Public transport:	Bus Train
General local traffic situation:	good
Assessment of residential and commercial location:	good
Type of use / development on street and nearby:	Residential buildings Quiet trade



7 Legal Circumstances (Value-Influencing Rights and Encumbrances)

Notes on Conducted Investigations

Information on the private-law and public-law situation was, unless otherwise stated or not obtained orally by the expert on site in each case, obtained verbally. It is recommended to obtain written confirmations from the respective responsible authority regarding these statements before any asset-related disposition concerning the valuation object.

Private-Law Situation

Legally secured encumbrances and restrictions:	The expert has access to an extract from the land register dated 16.02.2007.
Value-influencing encumbrances in section II of land registry:	According to this, there are no value-influencing entries in Section II of the land registry: The registered rights of way and garden use rights do not restrict the use of the condominium and are therefore value-neutral.
Notes on section III of land registry:	Debt relationships that may be recorded in Section III of the land registry are not considered in this appraisal.
Other unregistered rights and encumbrances:	According to the client's information, no other unregistered encumbrances exist.

Development Status, Contribution and Tax Situation

Development status:	Land ready for construction
Development:	Development plan Sample Name III, legally binding since 27.07.1997



Building Regulations

Preliminary Remarks:

The valuation was carried out as commissioned on the basis of:

- the site inspection
- the submitted plans
- the realized project
- submitted documents.

The existence of a building permit and any conformity of the executed project with

- the submitted construction drawings
- the building permit
- the building regulations

was not examined as commissioned.

In this valuation, the material legality of the building structures and uses is therefore assumed.

8 Description of Buildings and Outdoor Facilities

Preliminary Remarks

The basis for the valuation is the surveys conducted during the site inspection as well as the available documents and descriptions.

A detailed description of the apartment and building is waived, and reference is made to the photos in the appendix. The client is familiar with the object, and for the intended purpose, the client's side waives this.

The buildings and outdoor facilities are described only to the extent necessary for deriving the data in the valuation. Here, the obvious and prevailing designs and finishes are described. In individual areas, deviations may occur that are then not value-relevant. Information about non-visible building components is based on information from available documents, notes during the site visit, or assumptions based on the typical designs in the year of construction. The functionality of individual building components and systems as well as technical equipment/installations (heating, electrical, water, etc.) was not tested. Functionality is assumed in the appraisal.



Outdoor Facilities, Garages and Other Outbuildings

Type of existing outdoor facilities:	Paved parking area/s Fencing / Fence system Garden and plantings in front of the house Paved courtyard Supply and disposal systems from house connection to public network Road connections
Type and design of driveway, access road:	The parcel is directly accessible from public traffic space. Access is secured.
Type and design of sidewalk:	Asphalt
Quality and general assessment of outdoor facilities:	average functional
Notes:	The outdoor facilities are established and completed. The connections correspond to a standard typical for the location and are contemporary.

9 General Description of Residential Building

Building

The apartment could be fully inspected.

It is in a well-maintained and cared-for condition. It has been rented since 01.07.2021 for a fixed term of 1 year for 500 Euro/month net cold rent.

The underground parking space is rented to another tenant for 50 Euro/month.

The lease agreement was not submitted; the information was provided verbally during the site visit; the underground parking could not be inspected.

Building type:	Multi-family house
Year of construction:	2005
Number of full floors:	3 (Basement - Ground Floor - Upper Floor - Attic)



Building type:	Condominium in multi-family house
Type of use:	Rented
Number of residential units:	11
Residential share:	100 %
Number of commercial units:	none
Basement:	fully basement
Attic extension:	Attic converted for residential purposes

Building Construction, Facade, Ceilings, Walls and Roof

Facade appearance and design:	plastered painted
Type of construction	Solid construction
Type and design of foundations:	Raft foundation
Material of foundation:	Masonry

Masonry and Walls

Type of exterior walls:	Single-shell construction
Material of exterior walls:	Masonry
Exterior wall cladding:	Plaster
Interior load-bearing walls:	Plastered masonry

Ceilings

Basement floor:	Concrete floor
Basement ceiling:	Reinforced concrete ceiling
Floor ceilings:	Reinforced concrete ceiling

Stairs

Existing Stairs:	Floor staircase/s Basement staircase/s inside
Stair Construction and Surface:	Concrete (solid) Stoneware



Building Systems	
Central Heating	
Type and design of heating:	Gas central heating
Other Building Systems	
Heat distribution:	Radiators with thermostats
Domestic hot water:	Decentralized via instantaneous water heater
Ventilation system:	None
Fireplace:	None
Supply and disposal lines:	From year of construction
Wastewater:	From year of construction Sewer inspection not performed
Heating pipes:	From year of construction
Electrical installation:	Adequate for current use
Telecommunications:	Simple intercom and information technology systems

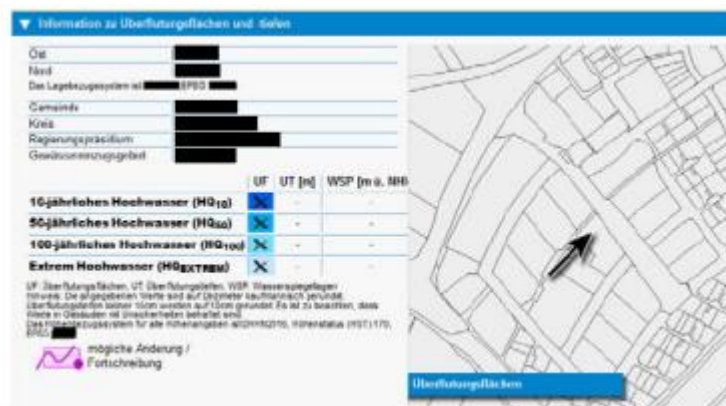
General Assessment of Building	
Overall condition:	The structural condition is good
RepairNeeds:	no need
Modernization needs:	None necessary from value-relevance perspective
Lighting, sun exposure:	good
Economic value reductions:	None

Garages and Parking Spaces	
Number of parking spaces:	Underground car park No. 1 (according to partition plan)

Construction Defects and Deficiencies	
General classification of damages and defects;	No value-relevant damages / defects recognizable



Public-Law Situation	
Building Encumbrances and Monument Protection	
Entries in building encumbrance register:	The building encumbrance register was not inspected as commissioned.
Monument protection:	The building is not listed in the monument list of the City of Denzlingen, which is plausible based on the year of construction and the documents.
Nature conservation:	The valuation object is not located in a nature conservation area.
Water protection:	<p>The flood risk was checked. The valuation object is classified in Risk Class (RC): 1.</p> <p>According to this, each building can be assigned to one of a total of four risk classes:</p> <p>RC 1: According to current data, not affected by flooding from larger bodies of water,</p> <p>RC 2: Statistically less than once in 100 years a flood ('HQ100'), and which can also be flooded in an 'extreme flood' (HQ extreme),</p> <p>RC 3: Statistically once in 10 to 100 years a flood, as well as</p> <p>RC 4: Statistically once in 10 years a flood ('HQ10').</p>



Contaminated Sites:	During the site inspection, no indications (current or historical use) were visually apparent that would justify suspicion of contaminated sites. Conducting technical investigations of the land regarding contaminated sites is outside the usual scope of a property valuation. The expert was therefore not commissioned to conduct or have conducted soil investigations as part of the appraisal. In the context of the valuation, taking into account the above-mentioned information, an uncontaminated condition of the property is assumed.
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10 General Description of Valuation Object

Construction typical of the year in good finish quality. Well-maintained condition of the apartment and the entire building including outdoor facilities.

Elevator from basement to ground floor

Intercom system without video

Floor coverings in the apartment: tiles and parquet.

PVC mullion windows with insulating glazing and manual roller shutters

Bathtub

Wall-hung WC with concealed cistern

11 Basis for Calculation / Valuation

Remaining Useful Life and Year of Construction (fictitious)

The remaining useful life is primarily set as the difference between 'usual total useful life' minus actual age at the valuation date. It results from the building condition, floor plan design, and the associated future usability and rentability. It is decisively dependent on the technical and economic condition of the object, secondarily also on the age of the building or building parts. To determine the remaining useful life (and possibly fictitious year of construction), particularly taking into account significant modernization measures that have been carried out or are to be carried out in the near future, the model of the Asset Value Directive 2012, Appendix 4 is applied. To determine the resulting remaining useful life, the measures are first classified into a point matrix, from which the modernization points result.



Building Data	
Building type according to NHK 2010:	Multi-family house
Actual year of construction:	2005
Usual economic total useful life:	70

Determination of total useful life of main building by finish quality

Total useful life according to NHK 2010: 60 to 80 years

Building Group	Share	Level	Level	Level	Level	Level	Quality Points
		1	2	3	4	5	
Exterior walls	23%			100%			12 of 23
Roof	15%			100%			8 of 15
Windows and exterior doors	11%			100%			6 of 11
Interior walls and doors	11%			100%			6 of 11
Ceiling construction and stairs	11%			100%			6 of 11
Floors	5%			100%			2 of 5
Sanitary facilities	9%			100%			4 of 9
Heating	9%			100%			4 of 9
Other technical equipment	6%			100%			3 of 6
Total quality points (*)							51 of 100
Total useful life calculated							70
(TUL min + (TUL max - TIUL min) x Quality Points / 100)							
60 + (80-60) X 51/ 100 = 70							

(*) Quality points result from the finish level and the share of the respective building group in the building. The evaluation levels are weighted, the lowest with 0%, the highest with 100%, the other levels lie in between. The quality points are the product of level weighting and share.

Evaluation of Modernization Measures and Calculation of Modified Remaining Useful Life of Main Building

Modernization Measures	none	little	medium	full	Points	Points given
					max.	
▶ Roof renovation including improved thermal insulation	•				(4)	
▶ Modernization of windows and exterior doors	•				(2)	
▶ Modernization of utility systems (electricity, gas, water, sewer)	•				(2)	
▶ Modernization of heating system	•				(2)	
▶ Thermal insulation of exterior walls	•				(4)	
▶ Modernization of bathrooms	•				(2)	



▶ Modernization of interior, e.g. ceilings, floors, stairs	•				(2)	
▶ Significant improvements to floor plan design	•				(2)	
Total					(20)	0.00

Modified remaining useful life with a total useful life of 70 years, building age 16 years and 0.00 evaluation points:

Degree of modernization (= 70 years)

Age of building RUL	Years RUL < 1 Point	Years RUL 4 Points	Years RUL 8 Points	Years RUL 13 Points	Years RUL 18 Points	Resulting RUL (*)
15	• 55 •	55	55	57	60	55
20	• 50 •	50	51	54	58	50
RUL according to table for a GND of 70 years and a building age of 16 years:						54

Remaining useful life calculated from this	54
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(*) The modified remaining useful life is calculated by interpolation in the marked area of the table, taking into account the modernization points assigned and the building age of 16 years.

Remaining useful life according to the real value guideline	54 Years
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Since the underground parking space is integrated into the same building, the RUL is also applied to this in the same way.

Living / Usable Area Calculation

The calculations of living and usable areas were taken from the available construction drawings and documents. Spot checks on site as well as a plausibility check were carried out. No significant deviations were found. The area calculation is based on the standards developed by case law, particularly for rental value determinations, for the value-dependent allocation of floor areas to living areas. The calculation may therefore deviate slightly from the regulations (DIN 277, II BV, WoFIV); it is therefore only suitable as a basis for this valuation.

Living Area

Designation	Dimensions	Area (m ²)
Apartment 7		46.32
Total Area		46.32

The usable area of the underground parking space is irrelevant for the valuation as it is rented on a flat-rate basis.



12 Income Value Determination

Income Value Model of the Valuation Ordinance (§§ 17 – 20 ImmoWertV)

The determination of the income value is based on market-achievable annual income (rents and leases) from the property. The sum of all income is referred to as gross income. However, the net income is decisive for the value of the property. The net income is calculated as gross income minus the operating costs that the owner must spend for the management and maintenance of the property. The income value method is based on the consideration that the net income remaining to the property owner from the property represents the interest on the property value (or the purchase price paid for it). For this reason, the income value is determined as an annuity present value through the capitalization of net income.

It should be noted that the net income for a developed property represents both the interest on the land and the building structures (buildings) and other facilities (e.g., plantings) present on the property. The land is generally considered permanent and imperishable. In contrast, the economic remaining useful life of building and other structures is limited.

For this reason, the land value is determined separately from the value of buildings and other structures, generally using the comparison value method (§§ 10 - 12 ImmoWertV) as it would result if the property were undeveloped. The net income portion attributable to land is determined as an appropriate interest amount on the land value by multiplying the land value by the capitalization rate (perpetual annuity rate of the land value).

The net income portion attributable to the building and other structures results as the difference between the net income from the property minus the net income from land.

The income value of the building and other structures is determined by capitalizing (time annuity present value calculation) the net income of the building and other structures using the capitalization rate and the remaining useful life. The preliminary income value then consists of the sum of land value and building and other structures.

Any existing property characteristics (e.g., value-influencing circumstances) that were not considered in determining the preliminary income value are appropriately taken into account when deriving the income value from the preliminary income value.

Postcode, Town	ZIP Sample
Streer, house number	Sample Street XX
Population	XX.XX
Property value information	480.00 €/m ²
Source	The property value information is based on data from the Expert Committee for Property Values in Sample Town as of Condominium



Comments	Reference date: 31 December 2018. This is not original land value information. The property value is determined on the basis of a zonal value. The type of building use is residential building land. The development status according to § 5 ImmoWertV "Baureifes Land" (land ready for development) applies, and the contribution status according to BauGB (German Building Code) and KAG (Local Tax Act) is free of development contributions. The accuracy level of the information is based on a house number-specific address specification/validation and a clear zonal value.
Location assessment (residential)	Above average
Location in relation to the district	
Comparative rents for residential properties	
Suggested value (range)	9.68 (7.94 – 11.68) €/m ²
Comments	To determine the comparative rents, 163 comparable residential properties from the region (postcode district XXXXX) were evaluated. The values are based on the period from April 2018 to March 2021.
Comparative rents für parking spaces (indoor)	
Proposed value (range)	48.09 (37.41 – 61.81) €/parking space
Source	on-geo comparative price database
Comments	1,066 properties within a radius of 7 km were examined for sufficient correspondence with the valuation property (data The 20 most suitable properties were selected for the comparative value assessment. The average distance to the valuation property is less than 0.5 km. The standard property characteristics of location, land value and parking space type were taken into account. The individual comparative prices were adjusted to the value ratios as of March 2021.
Comparative prices for housing	
Suggested value (confidence interval)	€3,448 (€2,961 – €5,015)/m ²
Comments	A total of 1,283 comparable properties within a radius of 6.5 km were searched for sufficient similarity to the valuation property (data status: March 2021). From these, the 20 most suitable properties were selected for the comparative value assessment. The average distance to the valuation property is 0.8 km. The standard property characteristics of location, land value, living space, year of construction, condition and fittings were taken into account. The individual comparative prices were adjusted to the value ratios on the valuation date.
Property interest rate	
Min.	1.25%
Max.	2.25%
Source	The property interest rates are based on data from the expert committee for property values in a model federal state –



model district – several locations as of 1 January 2020.
These are not original property interest rates.

Note

The property interest rates are determined on the basis of data from the expert committee. The following parameters were taken into account in the determination: Property type: freehold flat. The appropriate value is based on the location assessment.

Income Value Calculation: Apartment

Income from Residential Use	
Total living area	46.32 m ²
Gross income per year according to itemization (corresponds to an average market net cold rent of 10.79 € per m ² monthly)	= 6,000.00 €
Less operating costs per year	– 853.28 €
Net income from residential use per year	5,146.72 €

Income from Garages and Parking Spaces	
Average market garage / parking rent	50.00 €
Number of garages / parking spaces	1
Gross income according to itemization	= 600.00 €
Less garage operating costs per year	–1 31.03 €
Net income from garages and parking per year	=4 68.97 €

Calculation of Income Value from Net Income		
Proportionate interest-bearing land value	23,078.98 €	
Capitalization rate	1.50 %	
Total net income (Residential: 5,146.72; Garages/Parking: 468.97)		5,615.69 €
Share of interest-bearing land value in net income $23,078.98 € \times 1.50 \% = 431.61 €$		– 431.61 €
Building income		= 5,184.08 €
Multiplier per ImmoWertV at 54 years remaining useful life and 1.50% capitalization rate		× 36.8305
(Building income value = Building income × Multiplier)		= 190,932.57 €
Preliminary income value multi-family house		190,932.57 €



Summary

Income value multi-family house	+ 190,932.57 €
Land value	+ 28,773.79 €
Income value of all buildings inclusive land value	= 219,706.36 €

Gross income / Rent

When determining the income ratio, the standard annual gross income achievable on the market should be used as a basis. The gross income comprises all income that can be achieved from the property under normal market conditions with proper management and permissible use (Section 18 (2) ImmoWertV). The basis for the gross income is the net cold rent that can be achieved on the property at market rates. This corresponds to the total annual rent excluding all additional rental costs that can be passed on to the tenant in addition to the basic rent. The valuation is not based on actual income, but on market income. This is derived on the basis of comparable rents for properties used in a manner comparable to the property being valued from the rent collection, enquiries, analyses by experts and the rent index of the municipality as a medium-term average value. When applying the income approach on the basis of periodically varying income, the gross income is mainly derived from the contractual agreements.

Valuation of the rental situation

Rental Unit	Usable or living space	Market standard net cold rent		
		per m2	per month	per year
Residential Apartment 7	46,32 m2	10,79 €	500,00 €	6.000,00 €
Total / Gross income Residential			500.00 €	6,000.00 €
Underground Garages/parking spaces Garage/parking space 1			50.00 €	600.00 €
Total/gross profit Garages/parking spaces			50.00 €	600.00 €
Total/Gross profit			550.00 €	6,500 €

The property was rented as of the valuation date since 1 June 2021.

The rental agreement is for one year at 500 € per month. This corresponds to a sustainable and market-standard achievable rent in Sample City.

A typical price range for flats of around 50 m² with an average standard of fittings of 7.80€/m² to 12.20€/m² of living space was available online and on relevant portals.

The underground parking space was also rented for 50€/month on the reporting date. This rental income can also be classified as a market rent in Sample City.



In accordance with the above, the following average rents for the building result for further calculation:

Living space	10.79 € per m ²
Garages	50.00 € per unit

Management Costs

The management costs to be borne regularly and sustainably by the landlord (Section 19ImWertV) are determined on the basis of market analyses and the valuation literature for comparable properties listed in the appendix. The operating costs include depreciation, operating costs, maintenance costs, administrative costs and the risk of loss of rent. Depreciation is taken into account by including it in the present value factor for the capitalisation of the share of the net income attributable to the building and other facilities. To determine the net income, only the management costs that are not covered by apportionments or other cost allocations are deducted from the gross income.

Management Costs

The following costs were applied to the residential portion	
• Administrative costs	334.00 €/unit per year
• Maintenance costs for living space	8.62 €/m ² of living space per year
• Rent default risk: 2.00% of gross annual income	120.00 €
Total	853.28 €

The following costs were applied for underground parking spaces:	
• Administrative costs	36.43 €/unit per year
• Garage maintenance costs	82.60 €/unit per year
• Rental loss risk: 2.00% of gross annual income	12.00 €
Total	131.03 €

Property interest rate

The property interest rate (capitalisation rate, Section 193 (5) sentence 2 number 1 of the Building Code) is the interest rate at which the market value of properties is on average interest-bearing in line with market conditions, without taking into account any increase in value. It is derived on the basis of suitable purchase prices and the corresponding net income from properties that are comparable to the property being valued in terms of use and development, in accordance with the principles of the income approach (cf. Sections 17 - 20 ImmoWertV). It is hardly comparable with usual capital market interest rates and serves mainly as an essential parameter in property valuation in order to determine market-conform market values using the income approach.

The property interest rate was applied as shown in the income value calculation. The approach is based on data from the IVD real estate association and the evaluations of the Sample City A and Sample City B expert committees. The property interest rate applied is considered plausible in view of the research data mentioned and the location and property characteristics (condominium with underground parking space).



13 Value Derivation

If multiple valuation methods have been used, the value is to be derived according to § 8 of the Valuation Ordinance (ImmoWertV) from the results of these methods with consideration of their validity.

The following values were determined:

Income Value:	(4,743.23 € per m ²)	219,706.36 €
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Taking into account the market conditions in Sample City, as well as the calculated values, the market value of the valuation object "Condominium Sample Street XX in ZIP Sample City as of the valuation date 30.08.2021 is expertly estimated at

220,000 €

The above appraisal was prepared by the expert based on thorough inspection of the object and careful examination of the circumstances to the best of their knowledge and belief. The undersigned has no personal interest in the result of the appraisal.

The expert certifies by their signature that there are no grounds for rejection that would preclude someone as a witness or expert or that would prevent full credibility being attached to their statements.

No guarantee or liability is assumed for information or approaches provided by the client or third parties. The appraisal was prepared exclusively for the client and the stated purpose. Any distribution is not permitted and may obligate compensation for damages and releases the expert from liability.

Freedom from defects, formal and material legality of the development and use, and freedom from damage as well as no further value-relevant circumstances are assumed.

No guarantee or liability is assumed for information or approaches provided by the client or third parties. The market estimate was prepared exclusively for the owner. Distribution is not permitted and may obligate compensation for damages.

Sample City, 12.09.2021

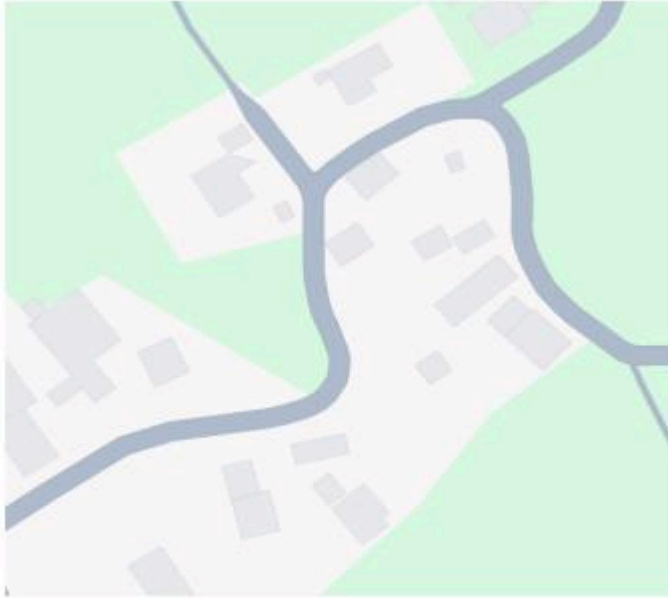
Jane Doe – Publicly Appointed and Sworn Expert

Signature + Stamp



14 Appendices:

Site Plan:



Photos from Site Inspection:



