



Property Valuation Report

Address: Agora Business Centre, Triq il-Wied tal-Imsida, Msida

Date of Inspection: 8th August 2023

Date: 31st December 2023

Ref: CVL-569

1.0. Engagement information

I, the undersigned, was engaged by Mr. James Zammit for and on behalf of J. Zammit Estates Ltd bearing company registration number C52422, to produce a valuation report for the property at the above-mentioned address for the inclusion thereof within the prospectus to be published in connection with a Bond issue.

The undersigned is unaware, at this time, of any conflict of interest pertinent to this valuation report in terms of RICS guidelines and/or TEGOVA code of conduct, and further declares that this report and related work can be done impartially.

This report has been prepared in accordance with Chapter 7 of the Capital Markets Rules issued by the Malta Financial Services Authority.

This property is an office building having three floors, an intermediate floor, and a receded floor. This property was built in 2020 and completed in 2022.

This report will estimate the open market value for the property in its complete state.

2.0. Sources of information

Information referred to in this report has been gathered from the following sources as referred to specifically in relevant sections:

- Planning Authority permit application submissions with reference PA/02307/19.
- Estate agency website listings, such as Remax, Frank Salt, and Alliance, to gather information on similar properties that have a similar size and condition; that are located in the same locality; and have similar surroundings.
- Property price index rates from NSO.

3.0. General description of property

This property is an office building with its frontage on Triq il-Wied tal-Imsida, Msida. The ground floor is an office for a Financial Institution with the side entrance housing a branded cafeteria, the first floor is a car park, the intermediate is an office space, with the remaining space on upper floors used as office space. The gross floor areas and net usable areas, per level, are listed below.

Level	Gross Floor Area (m ²)	Net Usable Area (m ²)
0	1070.11	886
1	1084.31	833
1+	480.70	405
2	928.46	839
3	887.62	756
3 (Net External)		53
Total	4,451.20	3,772

A site plan marking the property, permit information, and the local plans are attached in Appendix B.

4.0. Interior layout description

All floors are open plan layouts with the structural column grid defining the columns, and bathrooms and kitchenette at the back of the spaces. The car park at first floor is accessed via a ramp in the side curtilage. Two common stairwells and lifts provide the vertical circulation. The receded floor has a terrace overlooking Triq Il-Wied tal-Imsida.

Floor plan layouts in Appendix B.

5.0. Exterior description

The façade of this property has been finished in aluminium cladding and curtain glazing on the majority of the façade. Most of this façade is made up of fixed glazed components with some top hung openable windows.

6.0. Interior & condition of finishes

Floors of this property are finished in gres tiles and walls and ceilings are plastered and painted white. Some ceilings are in a painted gypsum soffit with concealed light fittings.

All finished appeared to be in a good condition from this visual inspection.

7.0. Services

This property is serviced with water and electricity mains supply, drainage connection, air-conditioning and mechanical ventilation plus air filtering systems throughout.

8.0. Structural considerations

No structural defects were noted from a visual inspection.

9.0. Planning situation (PA)

This property lies within an area designated as a commercial area on the Msida policy map. This area allows for general commercial uses of any scale.

This property was built through permit PA/02307/19 (Expiry Date: 27/05/2025) - *Proposed alterations and extension to existing showroom approved by PA/001594/17. Proposal includes change of use from offices (Class 4A) to ancillary parking at first floor, construction of an intermediate level for Class 4A offices, construction of Class 4A offices at third floor and construction of recessed floor..*

Planning application PA/06854/23 was submitted on 19 June 2023 with the following proposals description: *Proposed alterations and extension to include additional floor (Class 4A offices) to complex approved by PA2307/19 (Class 4A offices and Class 4B showroom).*

No planning contraventions or enforcements were noted on site from a visual inspection and online checks of the Planning Authority portal.

10.0. Main Terms of Tenants Leases or sub-leases

Leases on this property mainly commenced in the second quarter of 2022 with other leases commencing in the third quarter of this year. All leases are for a period of 10 years. The penthouse level is still available for lease.

Part of the ground floor is leased at commercial rates and on an arm's length basis to an entity falling within the Zammit Holdings Group.

The 10 years are composed of 5 years *di fermo* and 5 years *di rispetto*. During the *di fermo* period, the tenant cannot terminate the lease. Sixty days prior to the expiry of the *di fermo* period, the tenant needs to deliver notice if it wishes to terminate the lease. If such notice is not provided, then the *di rispetto* period is automatically applied. During the *di rispetto* period, the tenant has the right to terminate the lease at the end of each anniversary of the *di rispetto* commencement date.

The tenants are responsible for ordinary repairs and maintenance. Tenants are unable to sub-let without the landlord's approval.

Net annual rent of this property is currently €376,950. Lease agreements have inbuilt annual rent increases of 3%.

11.0. Registered mortgages and privileges and other charges, real rights thereon, emphyteutical concessions, easements and other burdens

The property is subject to the following hypothecs:

H/5489/2018	General Hypothec on all the property of J Zammit Estates (principal debtor) together with a Special Hypothec and Special Privilege for €1,800,000 in favour of MeDirect Bank (Malta) plc in warranty of the loan of €1,800,000 granted to acquire the property by virtue of the deed in the records of Notary Mario Bugeja dated 7 th March 2018.
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H/1998/2020 H/4376/2022 (conservation of privilege)	General Hypothec on all the property of J Zammit Estates (principal debtor) together with a Special Hypothec and Special Privilege for €1,550,000 in favour of MeDirect Bank (Malta) plc in warranty of the loan of €1,550,000 granted to further construct and finish the property by virtue of the deed in the records of Notary Mario Bugeja dated 24 th January 2020.
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12.0. Open Market value

The market value is defined as;

'The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

This valuation was done based on the comparative method and the income method. The comparative method was used for properties of this kind to obtain a rate per square metre of similar commercial properties. Comparable market rental values were also used and were capitalised using a 5% yield to achieve the open market value, thereby using the income method. The average rate obtained from the study allows for rental costs to be included and is being assumed as the net potential rental income.

The current yield is 4.1%. However, based on the current demand for commercial properties, which is currently subdued when compared to the previous 10 years, and may remain so for the foreseeable future, and based on likely changes to Malta's tax system, brought about by changes in international taxation policies, a higher yield of 5% is being used in the capitalisation calculation and is considered reasonable.

The comparison is based on other commercial properties in the area. The previously high demand for office space in general has subsided three years ago but this particular property is already nearly fully tenanted with a net annual rent of €376,950 (excluding the third floor).

From this comparative assessment, the average market value per square metre for similar properties varies between €1,700 to €5,000. The average was found to be €3,270. Using an average rental rate for this area of €147.50 per square metre per annum and capitalising this at 5% gives us a rate of €2,950 per square metre. The latter value was applied to the usable areas and the car spaces were given a value of €38,000 each. The airspace potential is being accounted for based on the contractor's method of valuation whereby the cost of construction and finishing is being taken as €1,200 per square metre. This is being deducted from the value rate per square metre for the airspace that is being assumed at €1,400 to cater for 16% profit margin.

Based on the above calculations and taking into account all factors affecting the value of the property, including size, location and finishes, the open market value is estimated at €10,400,000 (Ten Million and Four Hundred Thousand Euro).

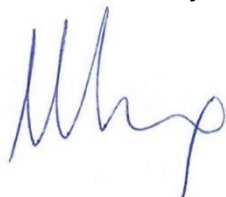
13.0. Declarations by the undersigned valuer

- The underlying valuer is an independent professional, and this valuation exercise is free of any interests from anyone including the employer and his/her directors.
- There are no further matters known to the valuer that are relevant for the purpose of this valuation.
- This valuation follows standards and general guidelines issued by the Royal Institute of Chartered Surveyors (RICS) and the IVS (international valuation standards), and is in accordance with the local KTP Valuation Standards (2012), which are aligned with the TEGoVA European Valuation Standards.

The property is being valued in its entirety and is freehold as reported by the client. The tenure or the title of ownership has not been investigated as this was not within the scope of this valuation, given that such checks are being carried out by the Legal and Financial specialists handling the bond issue. Such investigations do not fall within the competence of the undersigned and any considerations regarding title have been reported to the undersigned by the client. Any comments regarding title are being made in order to make the client aware of any potential issues that could affect the value or the marketability of the property. The undersigned accepts no liability in this regard.

- For the purposes of this valuation, based on a general visual inspection and checks of existing permits, there are no material contraventions that can have a significant bearing on the value of the property. Minor deviations from the permit are excluded based on the assumption that these can easily be rectified and at a minimal cost.

Yours sincerely,



Mark Arrigo

B.E. & A. (Hons), M.Sc.(Surrey), Perit.

We have carried out a cursory building structural survey; we have not inspected those parts of the property that are covered, unexposed or inaccessible and such parts have been assumed to be in a good repair and condition. We cannot express any opinion about the condition of the uninspected parts and this report must not be interpreted as if it validates the integrity of the structure or fabric of the building.

Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the valuer's written approval of the form and context in which it may appear.

This report is confidential to you and your professional advisers and is for the sole purpose stated above. We can accept no liability if it is relied upon by anyone else, whether for the stated purpose or any other.

Appendix A

Photos



Photo 1 – Façade



Photo 2 - Interior view



Photo 3 – Interior view



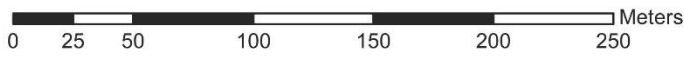
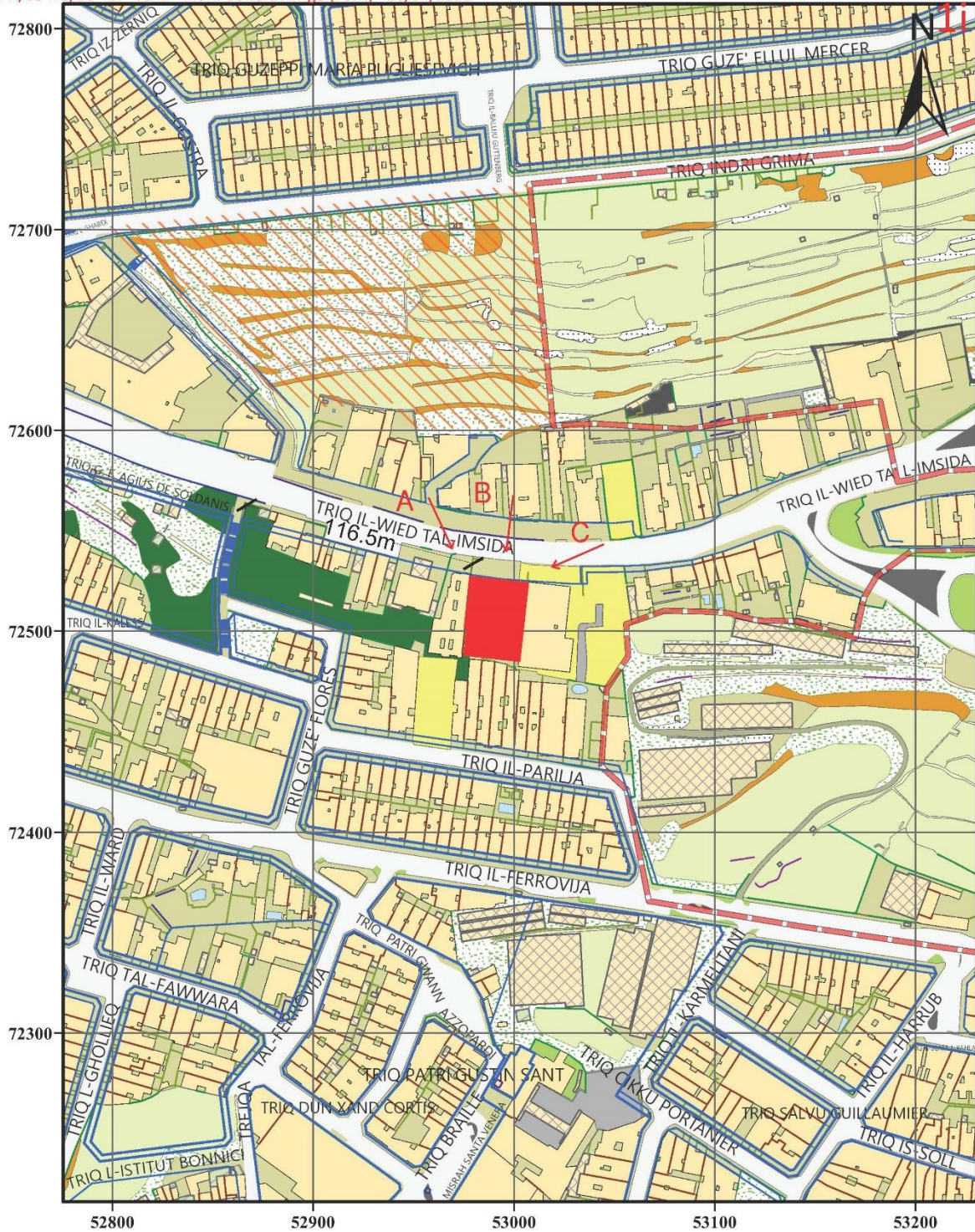
Photo 4 – Interior view

Appendix B

Site Location

Local plans

Permit Information



1:2,500 Date Printed: 20/11/2020

Public Geoserver

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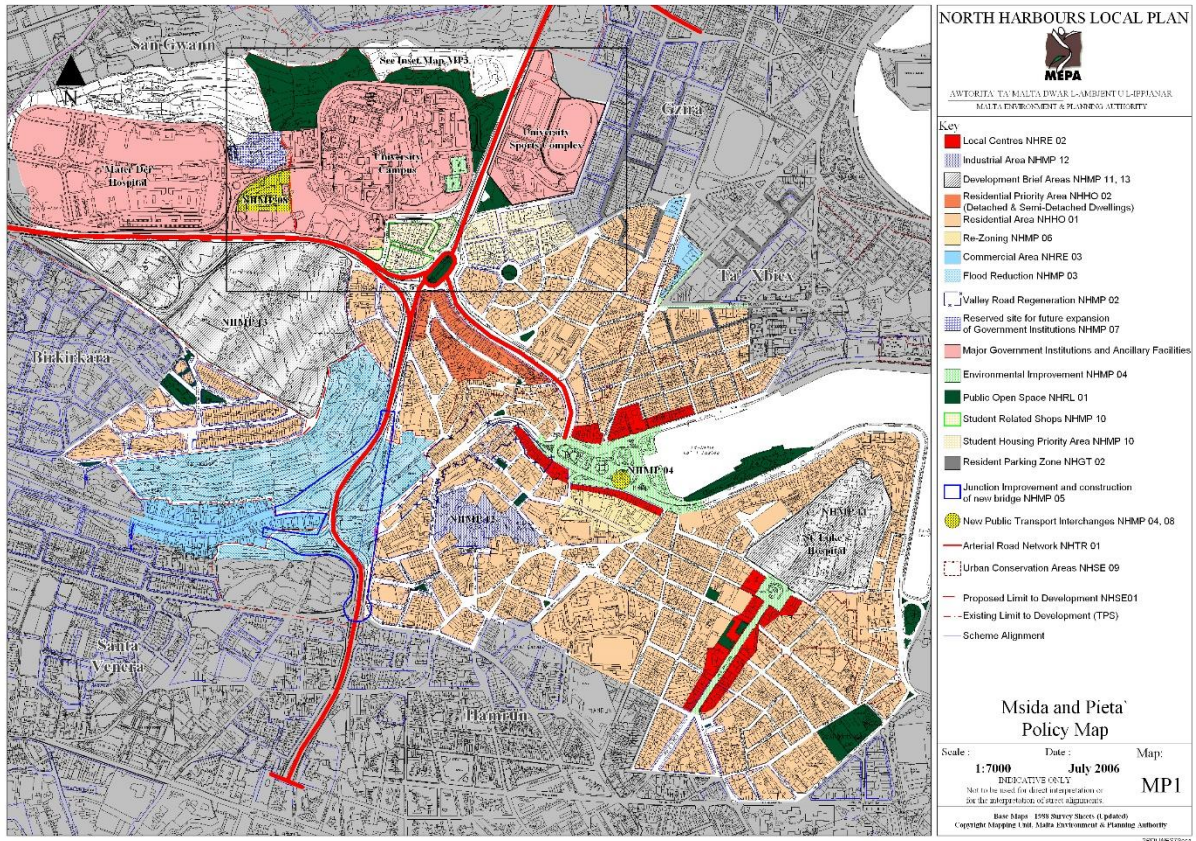


PLANNING AUTHORITY

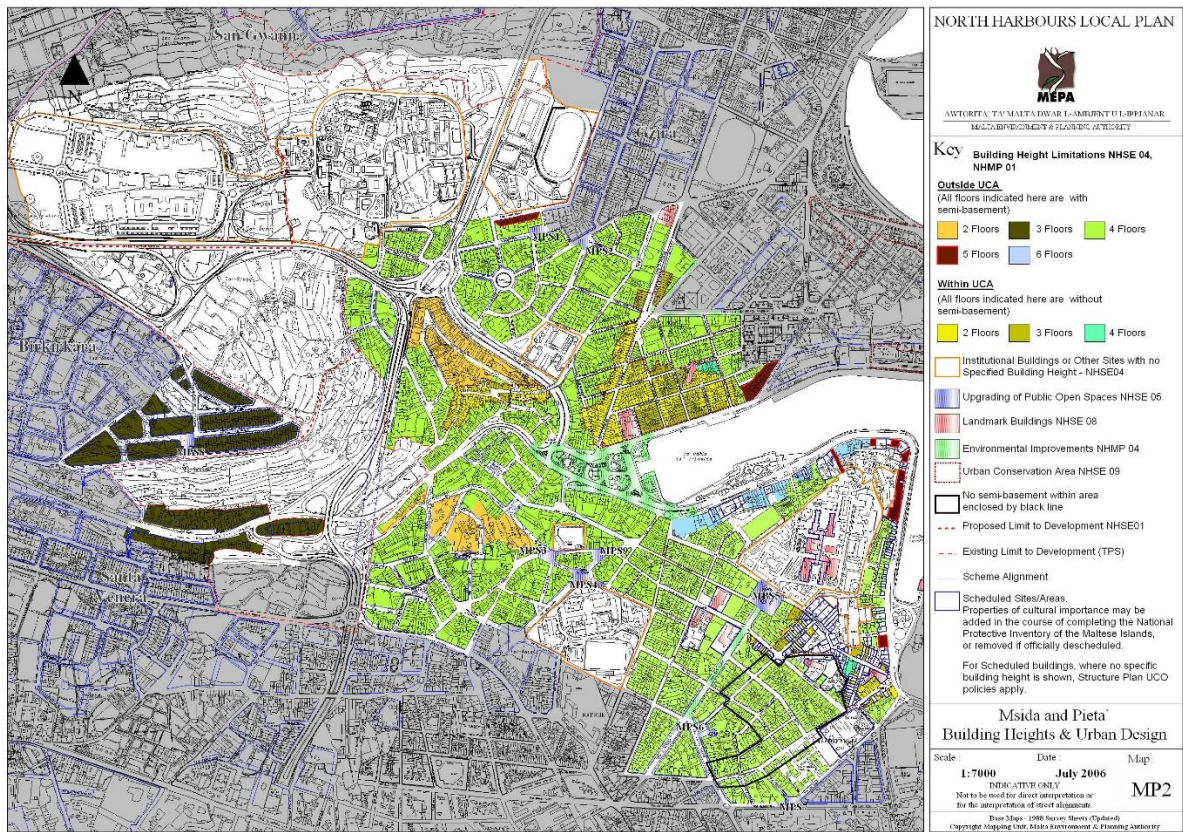
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Page 1 of 1 Not to be used for interpretation or scaling of scheme alignments.

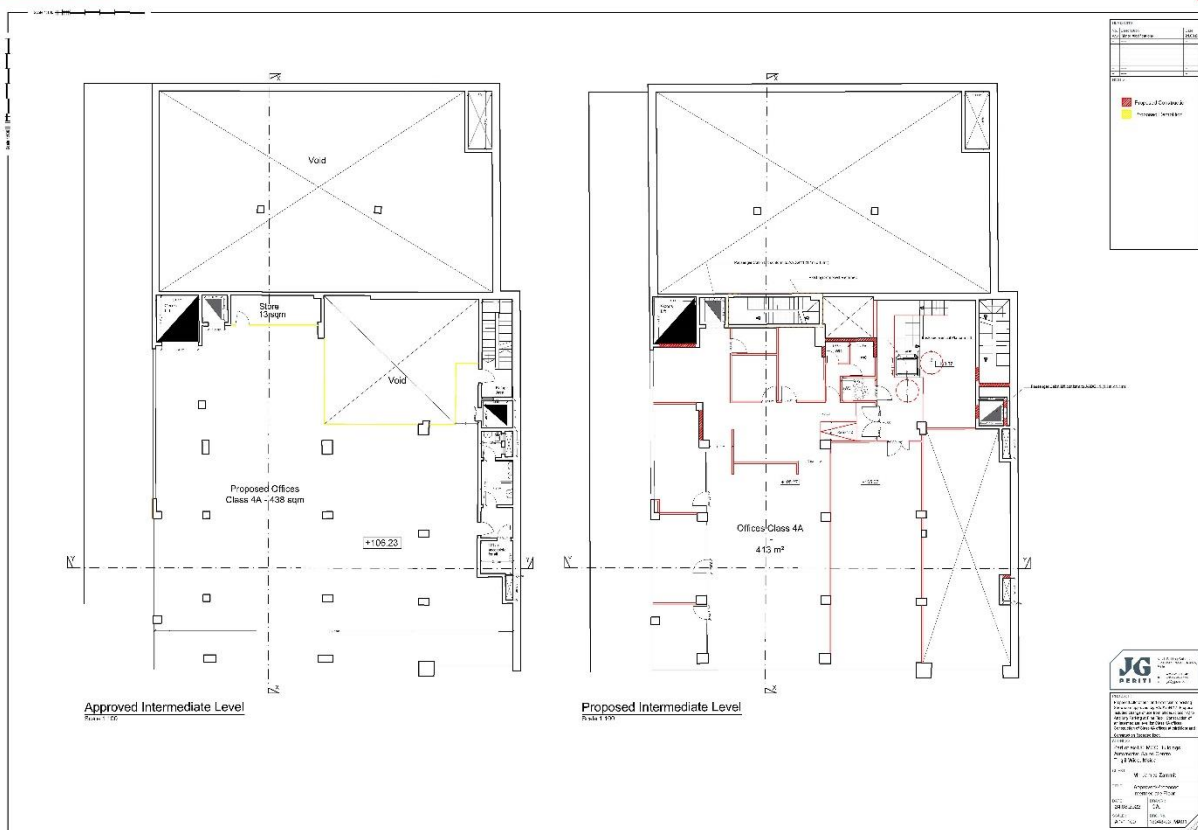
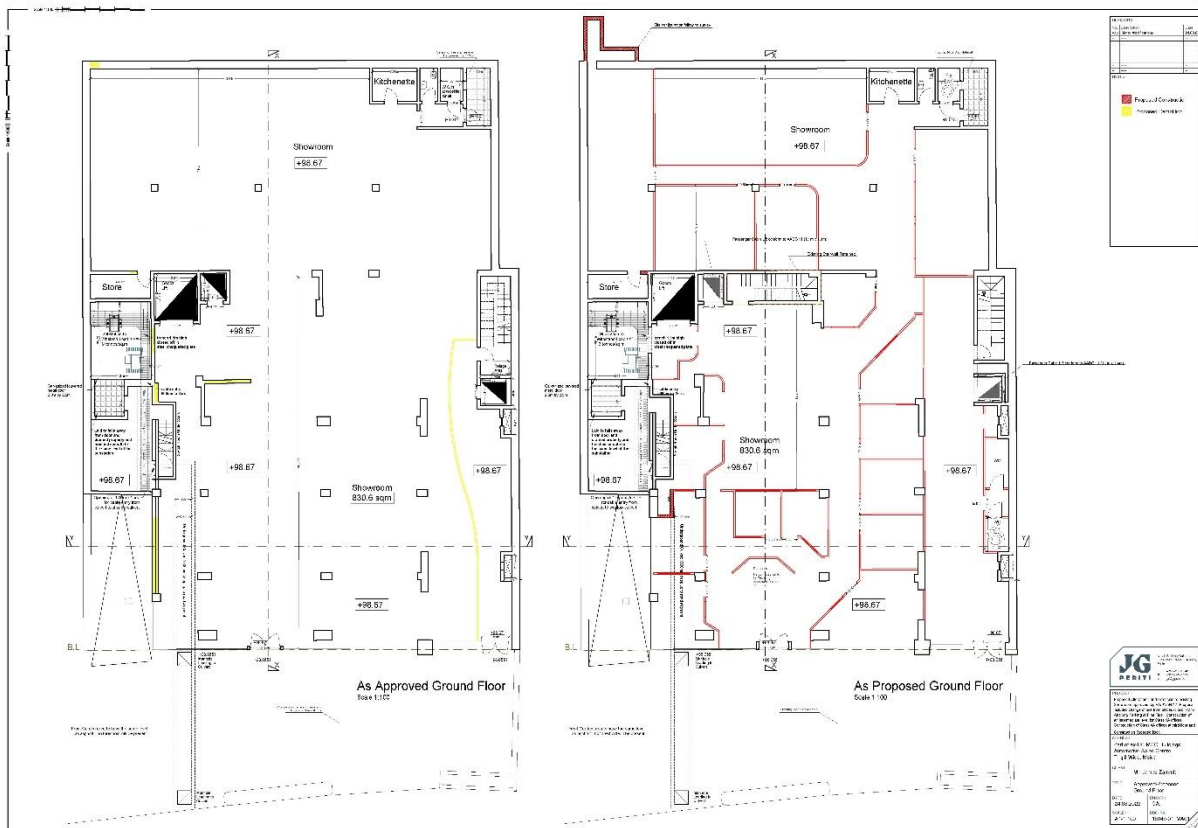
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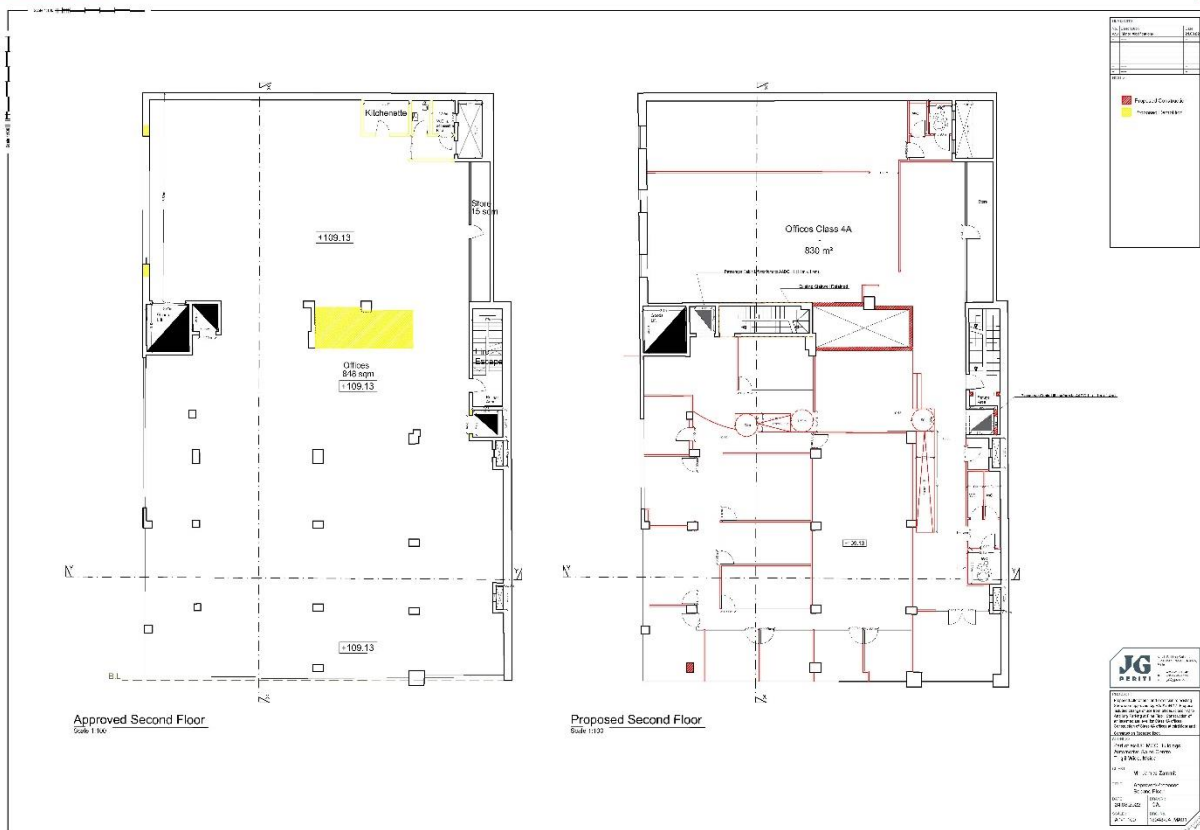
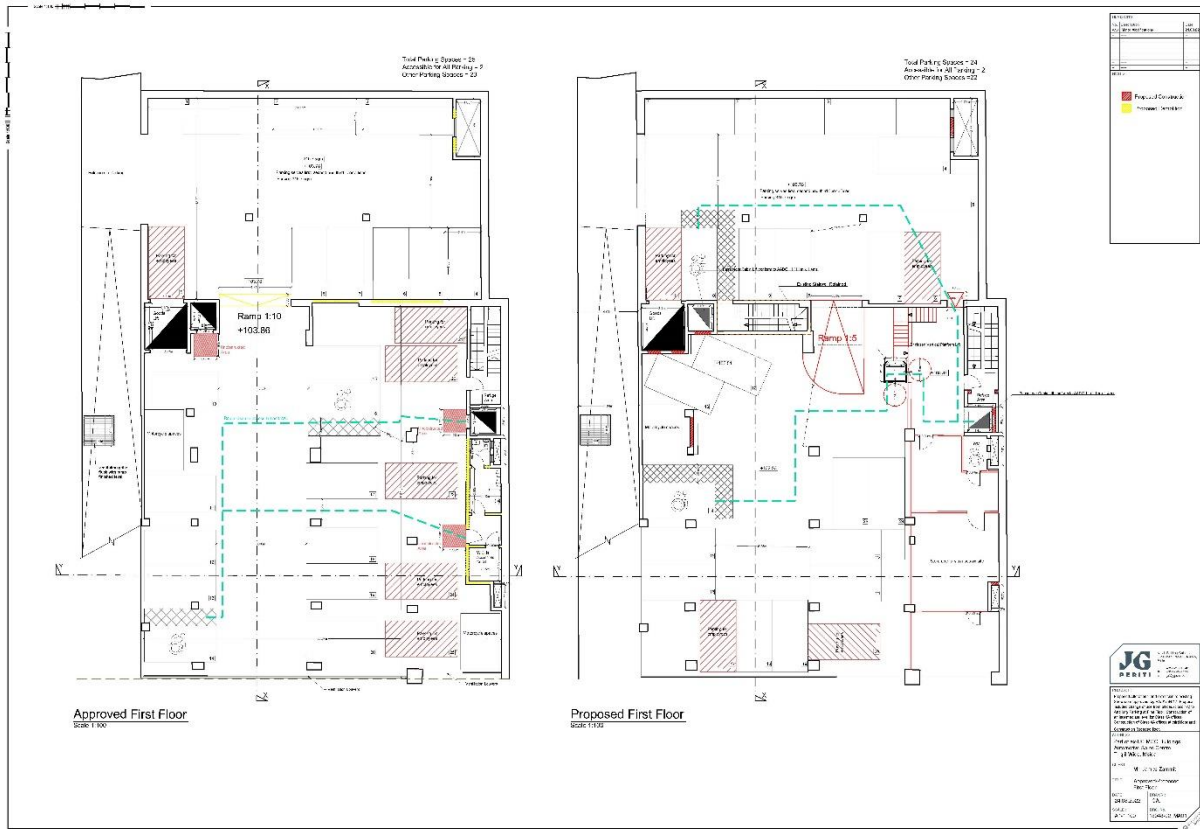


Msida Area policy map



Msida building height map







Appendix C

Calculations

Table 1: Value Calculation						
		Area	Area Factor	Resulting Area	Resulting market value rate	Market Value
First floor Parking	Car Spaces	19	1	19	€ 38,000.00	€ 722,000.00
	External	0	0.35	0	€ 38,000.00	€ -
Ground	Internal	886	1	886	€ 2,950.00	€ 2,613,700.00
	External	0	1	0	€ 2,950.00	€ -
Intermediate	Internal	405	1	405	€ 2,950.00	€ 1,194,750.00
	External	0	0.01	0	€ 2,950.00	€ -
First	Internal	89	1	89	€ 2,950.00	€ 262,550.00
	External	0.00	0.7	0	€ 2,950.00	€ -
Second	Internal	839	1	839	€ 2,950.00	€ 2,475,050.00
	External	0.00	0.7	0	€ 2,950.00	€ -
Third floor	Internal	756	1	756	€ 2,950.00	€ 2,230,200.00
	External	53.00	0.7	37.1	€ 2,950.00	€ 109,445.00
Fourth floor	Internal	622	1	622	€ 1,400.00	€ 870,800.00
Airspace Value	External	0.00	0.35	0	€ 1,400.00	€ -
						€ 10,478,495.00

Table 2: Comparative study			
Sale			
Description	Area	Sale price	Rate/m ²
1	330	€ 675,000.00	€ 2,045.45
2	287	€ 1,500,000.00	€ 5,226.48
3	275	€ 1,350,000.00	€ 4,909.09
4	455	€ 1,900,000.00	€ 4,175.82
5	350	€ 1,050,000.00	€ 3,000.00
6	540	€ 990,000.00	€ 1,833.33
7	500	€ 850,000.00	€ 1,700.00
			€ 3,270.03

Table 3: Capitalisation Calculation			
Rent	Area	Yield	Value
€ 147.50	1	5%	€ 2,950.00