

Colonial



Colonial – Investor Day
OFFICE MARKET SPAIN

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Paris 17/10/16



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MIND THE  GAP (S)

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Spain Office Market



Spain economic overview



GDP Q2 16

3.2%



Growth Forecast 2016*

3.3%



Unemployment Rate Q2 16

20%

Employment Q2 16

2.9%



CPI (Aug 2016)

-0.1%

(accumulated until Aug 2016)

-0.5%

Source: INE / CIS / *forecasts Focus Economics October 2016

Madrid Office Market



Stock
13 mill sq

Only 12% new/updated
14% IN M-30
11% OUT

Average closing rent (Q1 – Q3 16) Excl Office Build.
15,15 € /sq m/month

7% IN M-30
13% OUT

Vacancy Rate
10.4%

Take-Up
2015 588,000 sam - Q1-Q3 2016 370,000

+ 2% interannual
Still -30% since peak of market

Madrid CBD Market



Prime CBD Stock

1,2 mill sq

Only 39% new/updated
Accounting for 64% of total New IN-M-30

CBD Achivable rent

27,5 €/sq m/month

Prime CBD

Vacancy Rate 7%

Current Supply: 118.700 sq m

Take-Up

2015 130,000 sq m

Q1-Q3 2016 71,300 sq m

+ 6% interannual

Still -35% since peak of market

50% in new/updated, which represents
c. 58% of total new IN M-30

Barcelona Office Market



Stock
5,8 mill sq

Average closing rent (Q1 – Q3 16) Excl Office Build.
12,70 €/sq m/month

CBD Achivable rent
21 € / sq m / month

CBD + 5% interannual
Still -23% since peak of market

Vacancy Rate
10%

Take-Up
2015 400,000 sq m
Q1-Q3 2016 179,000

+8% interannual
Still -26% since peak of market

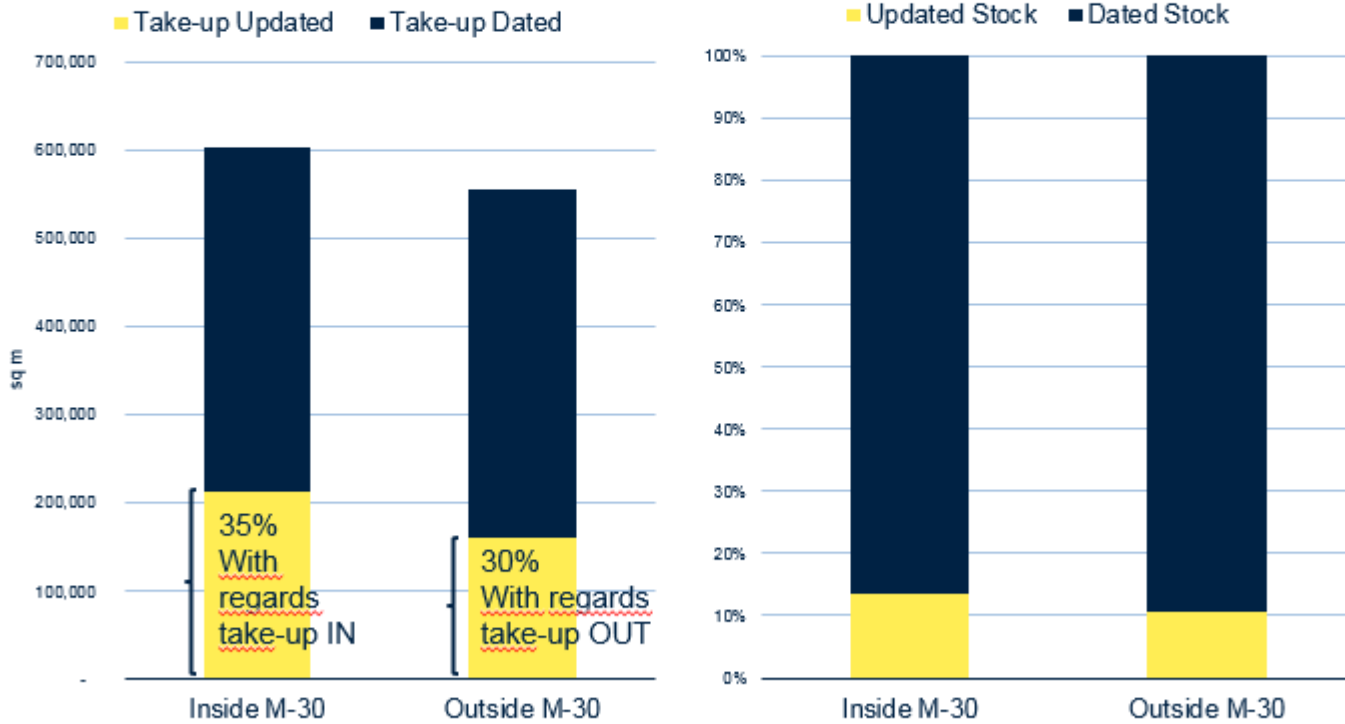


Which gaps?

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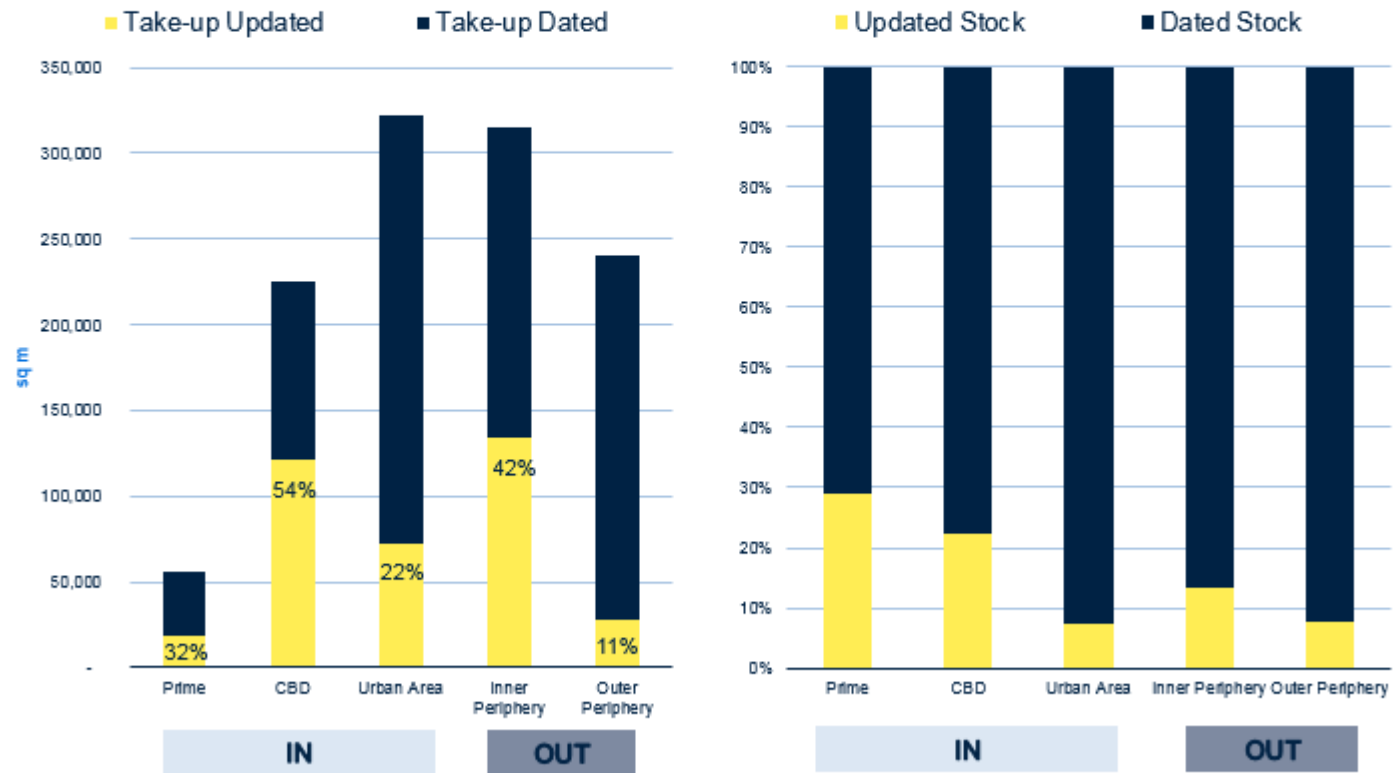


Activity in Updated Buildings – 2014 – 2016 (until Sept)

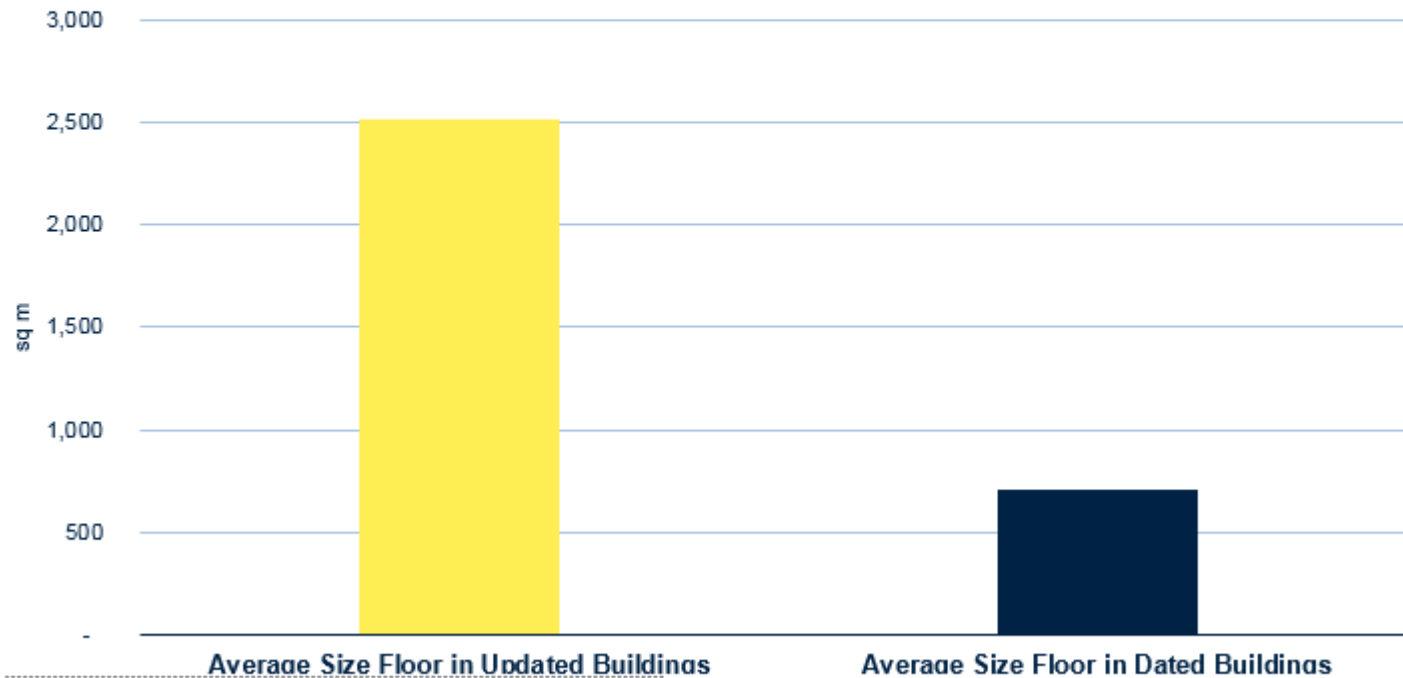




Activity in Updated Buildings – 2014 – 2016 (until Q3)



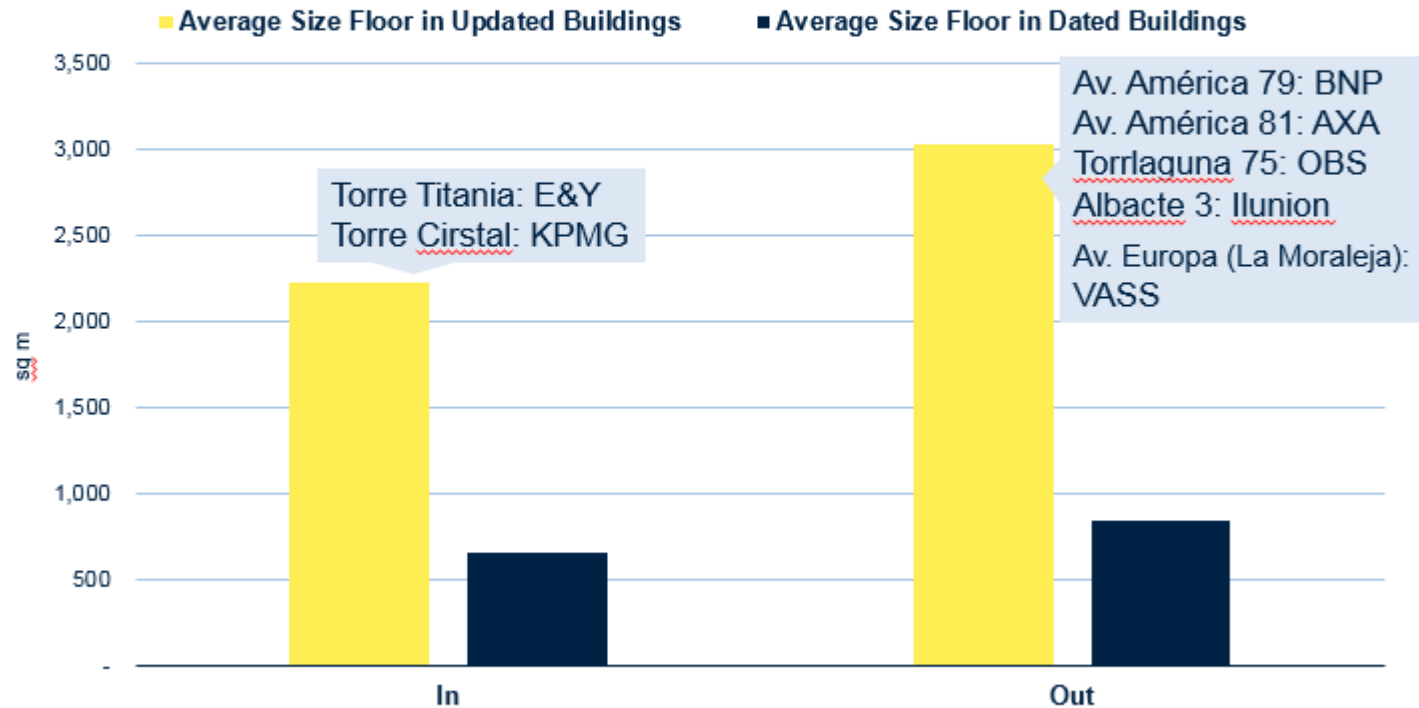
Take-up by floor area – 2014 – 2016 (until Q3)



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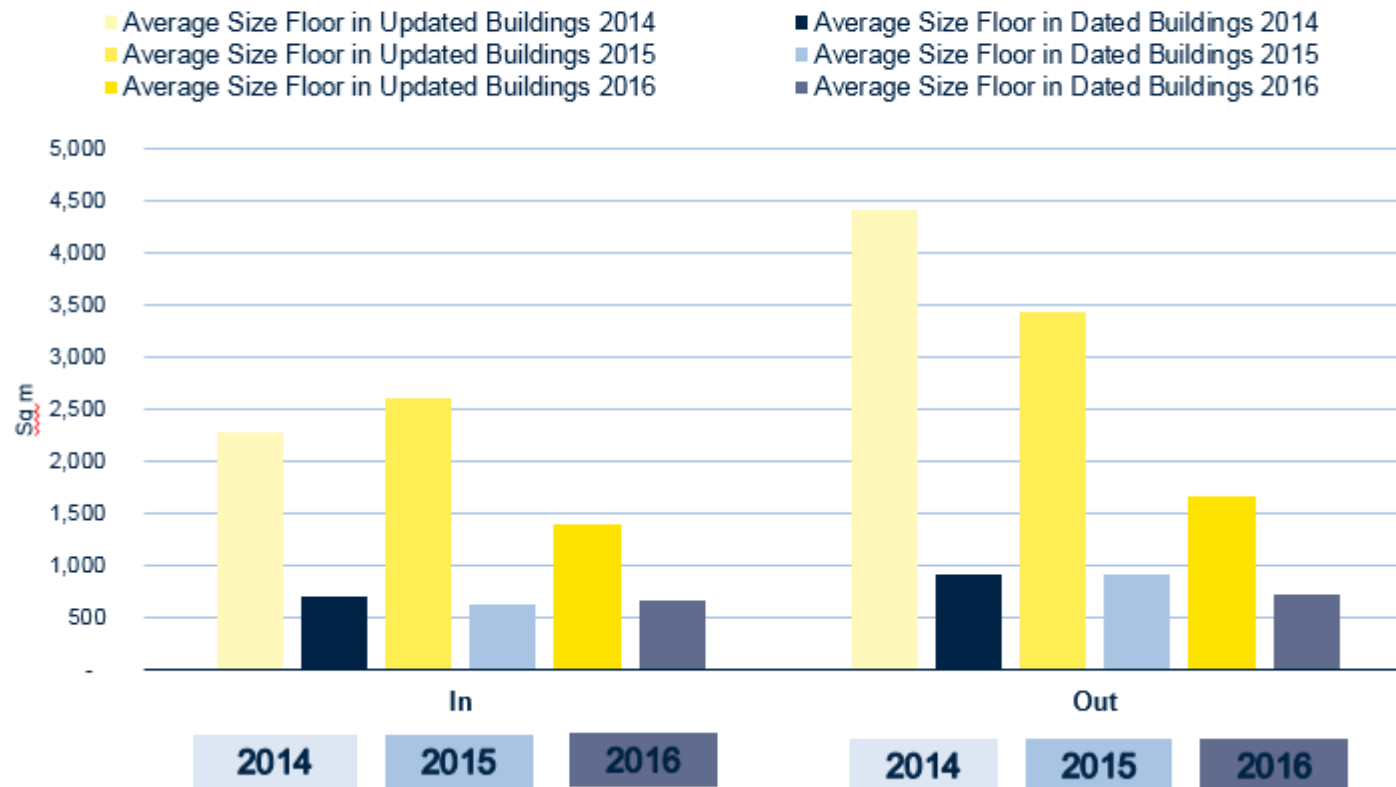


Take-up by floor area – 2014 – 2016 (until Q3)



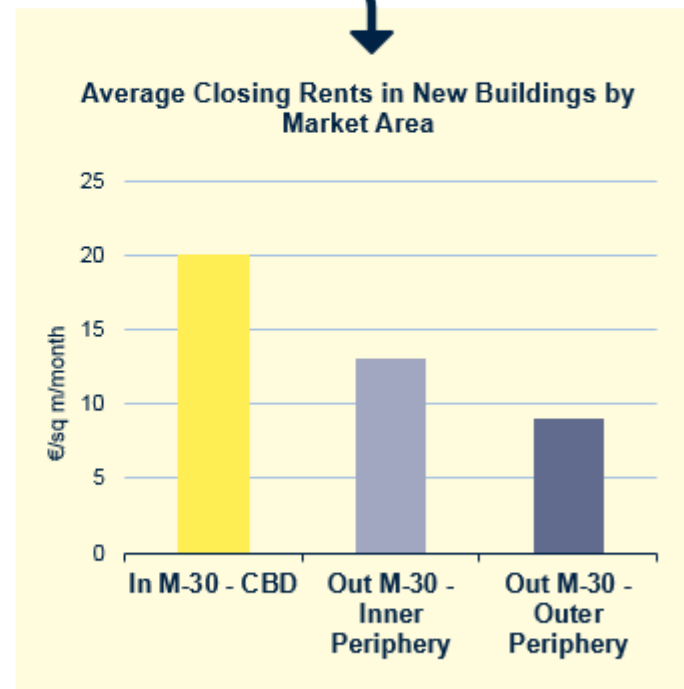
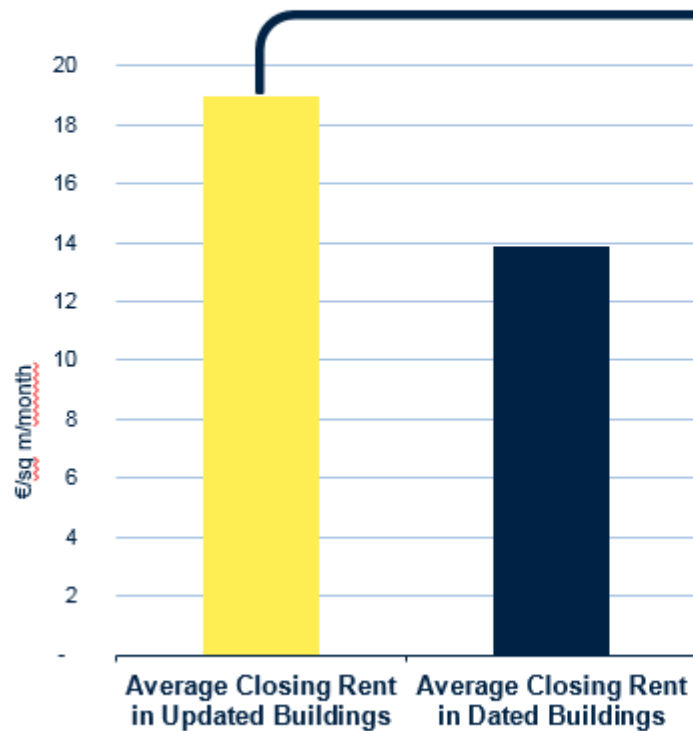
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Take-up by floor area – 2014 – 2016 (until Q3)



Source: Savills

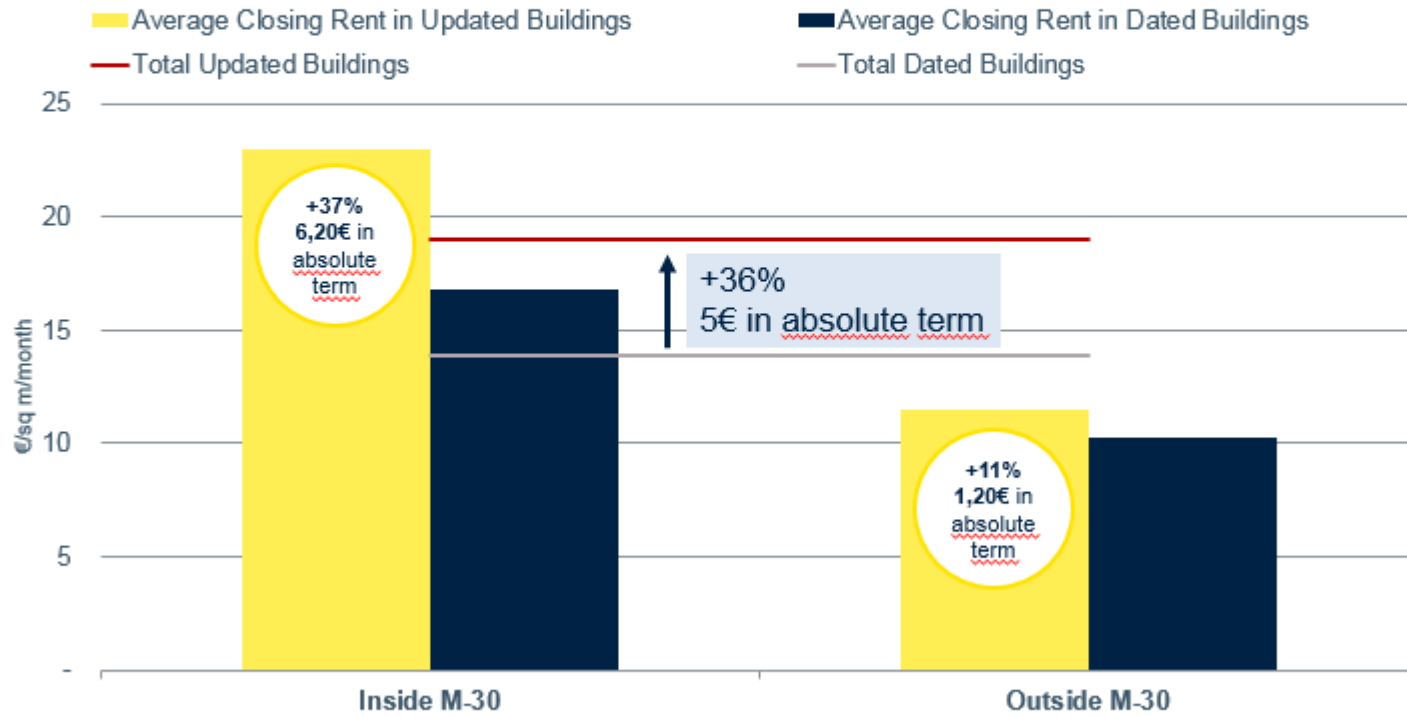
Rents



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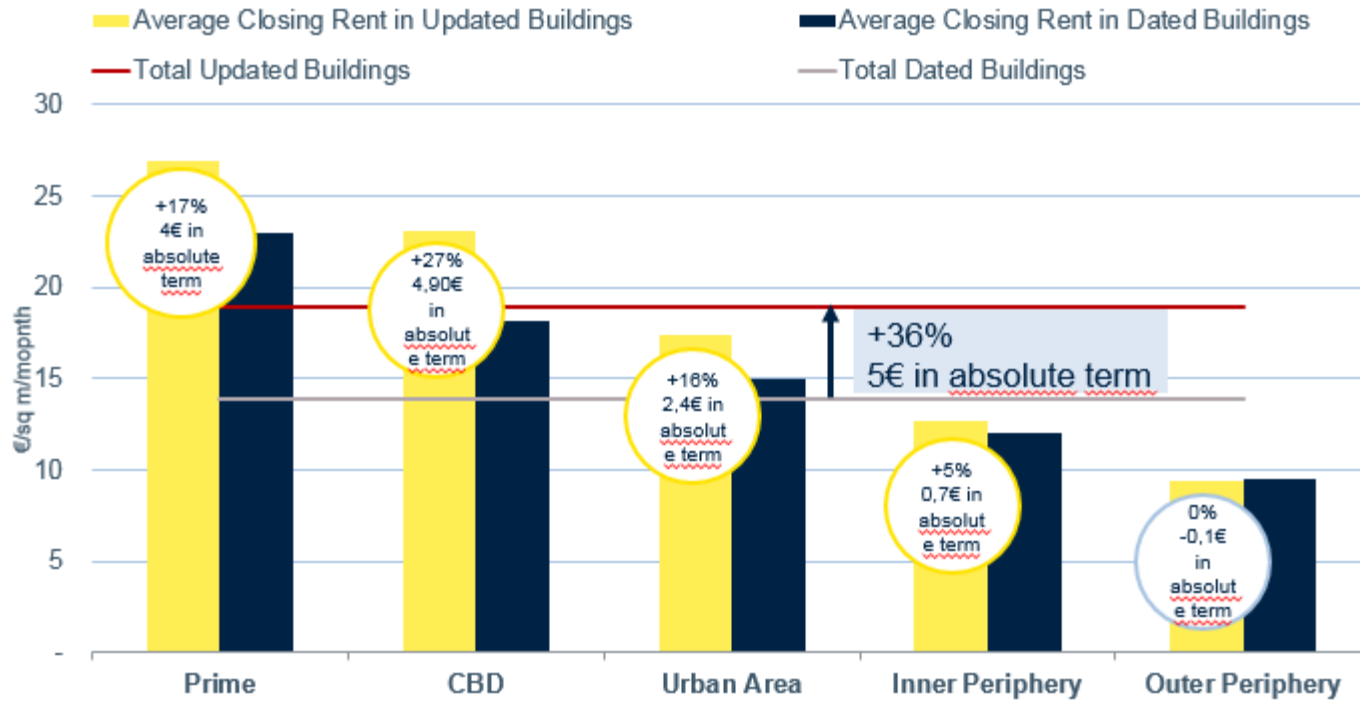
Rents



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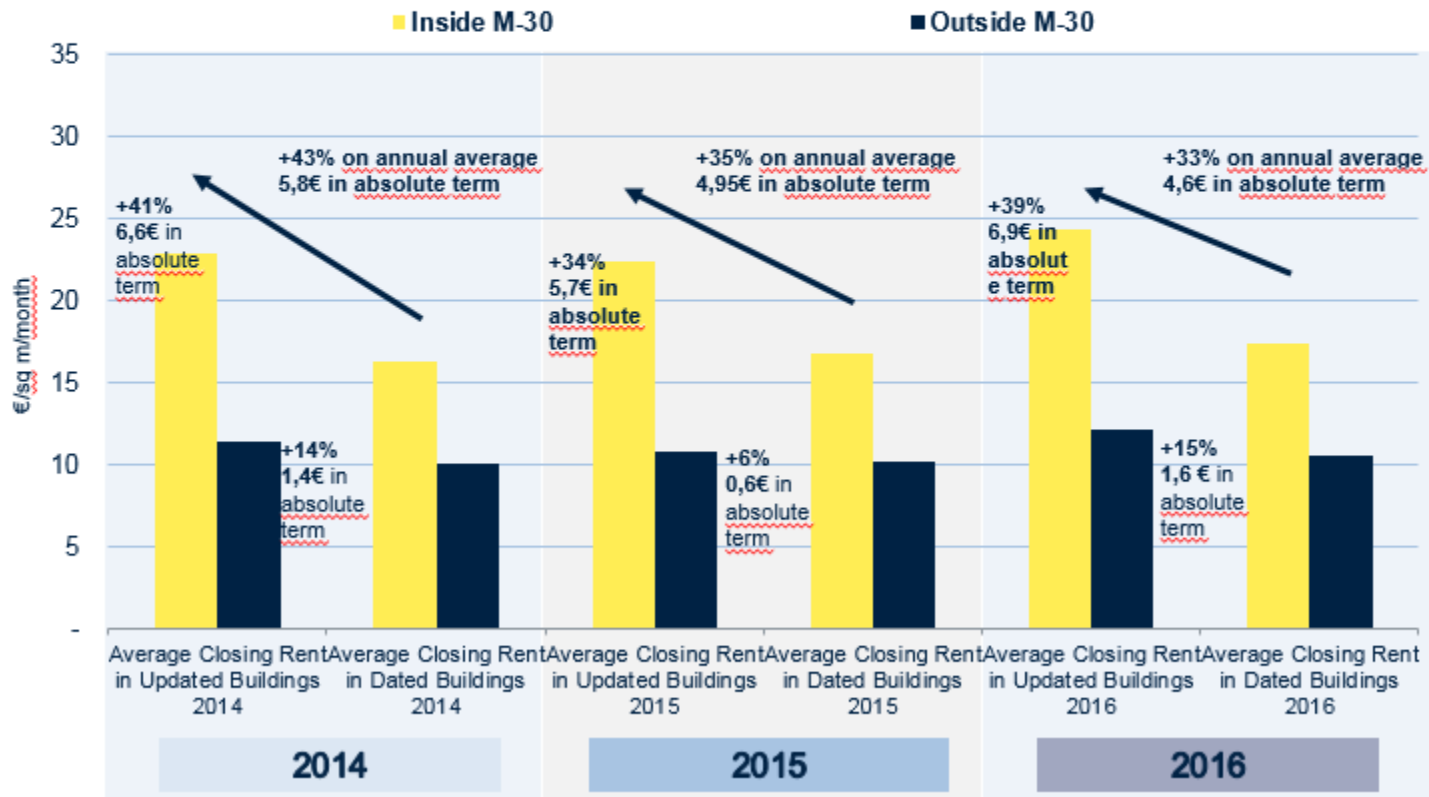


Rents

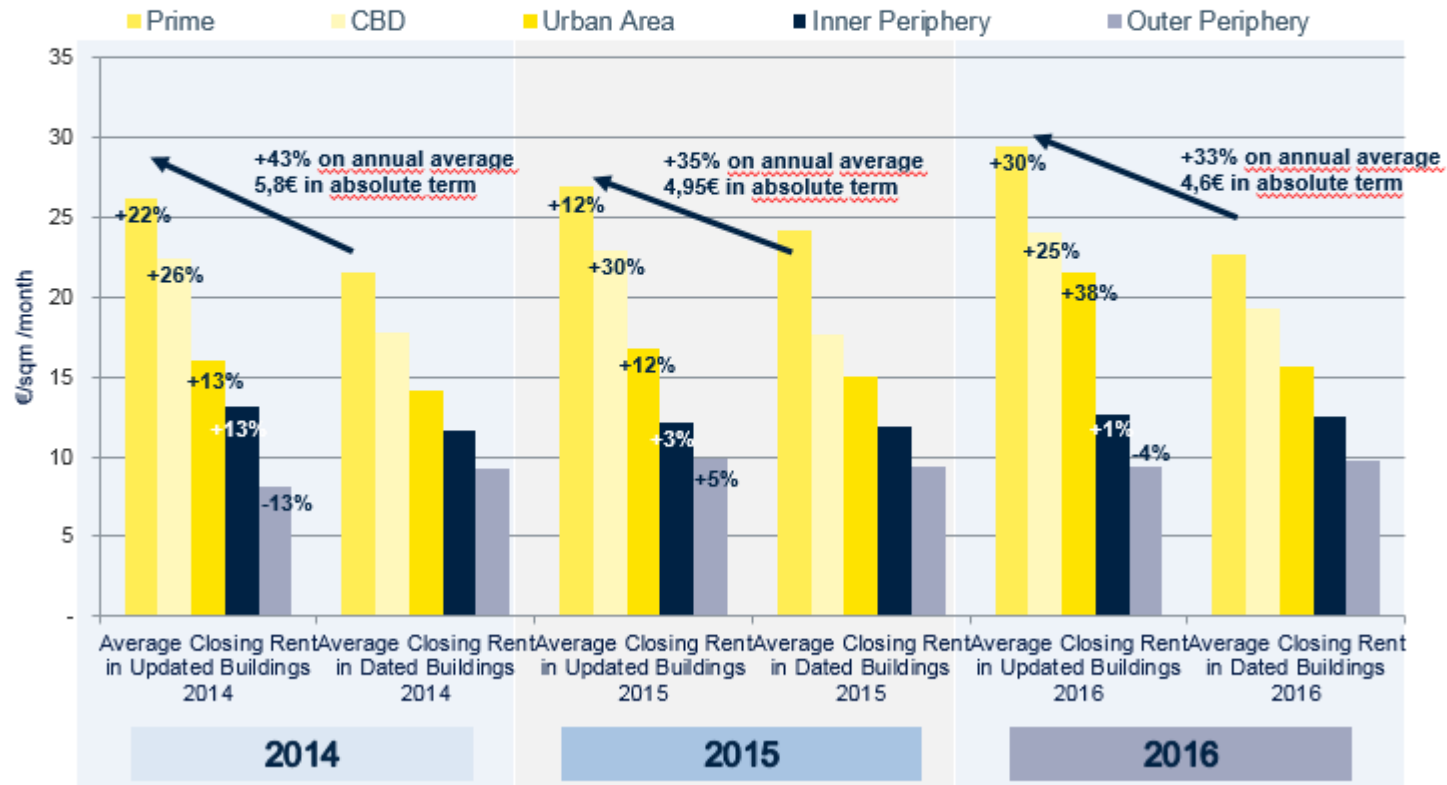


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Rents



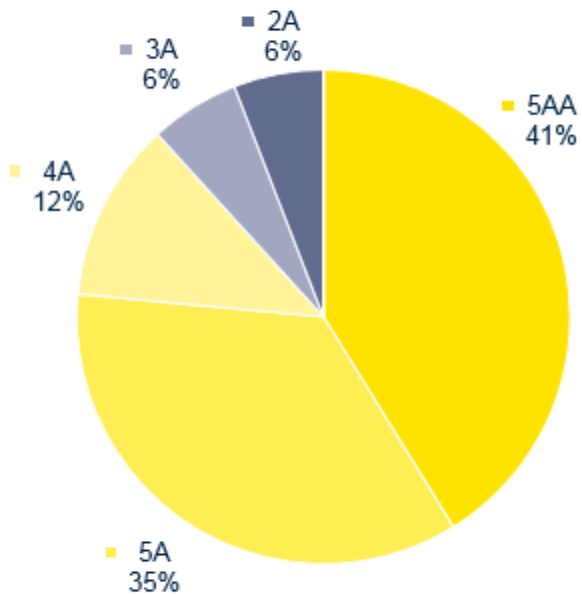
Rents



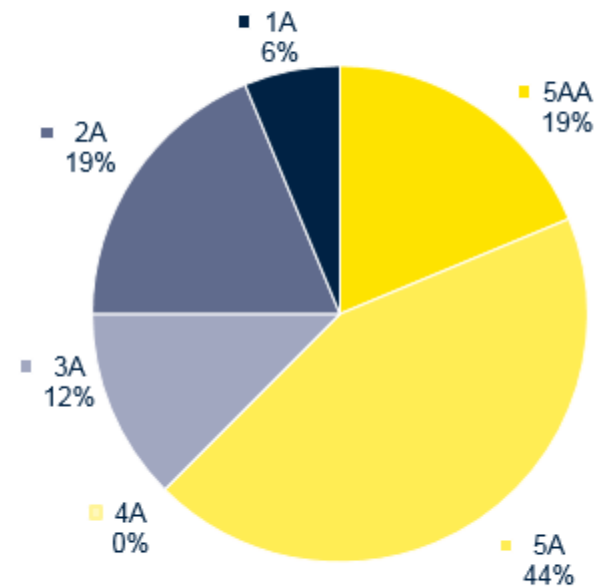
Tenants' quality



Tenants in Updated Buildings – Financial Strength



Tenants in Dated Buildings – Financial Strength



Source: Dun & Bradstreet – D&B Rating



TAKING VALUE OUT OF GAPS

Insert source:



DATED

Lower rents
Lower floor area take up
Lower quality of tenants
Higher managing costs

UPDATED

Higher rents
Higher floor area take up
Higher quality of tenants
Lower managing costs

Insert source:



IN

Rents +37% above the rest of the market

Gap: 6,20€

SAME CONSTRUCTION AND REFURBISHMENT COSTS IN&OUT

Rents + 11% above the rest of the market

Gap: 1,20 €

OUT

Insert source:



UPDATED & IN

Higher rents

Better tenants

Lower management cost



Yield value compression

Higher NOI



**VALUE
CREATION**

Insert source:



THANK YOU

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