

Colonial



- Corporate Update -

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Chief Executive Officer



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01 Trading Trends

2019 started with a strong first quarter

- > High double digit growth in recurring EPS
- > Outstanding EPRA Like for Like growth of +4%
- > Double digit rental price increases

Profit & Loss - €m	1Q 2019	YoY Var
Gross Rental Income	€87m	+5%
Recurring Net Profit	€33m	+65%
Recurring EPS	€6.5Cts	+41%

Outstanding GRI like for like	1Q 2019	YoY Var
Group like-for-like³	€87m	+4%
Madrid like-for-like ³		+7%
Barcelona like-for-like ³		+3%
Paris like-for-like ³		+3%

Solid Fundamentals

EPRA Vacancy	4%
Volume of sq m signed	32,375
# transactions signed	25

Capturing Rental Price Increases

Double-digit release Spread¹	+14%
Barcelona	+23%
Madrid	+22%
Paris	+7%
Strong rental growth²	+11%
Barcelona	+21%
Madrid	+5%
Paris	+10%

(1) Rental prices signed vs previous rents

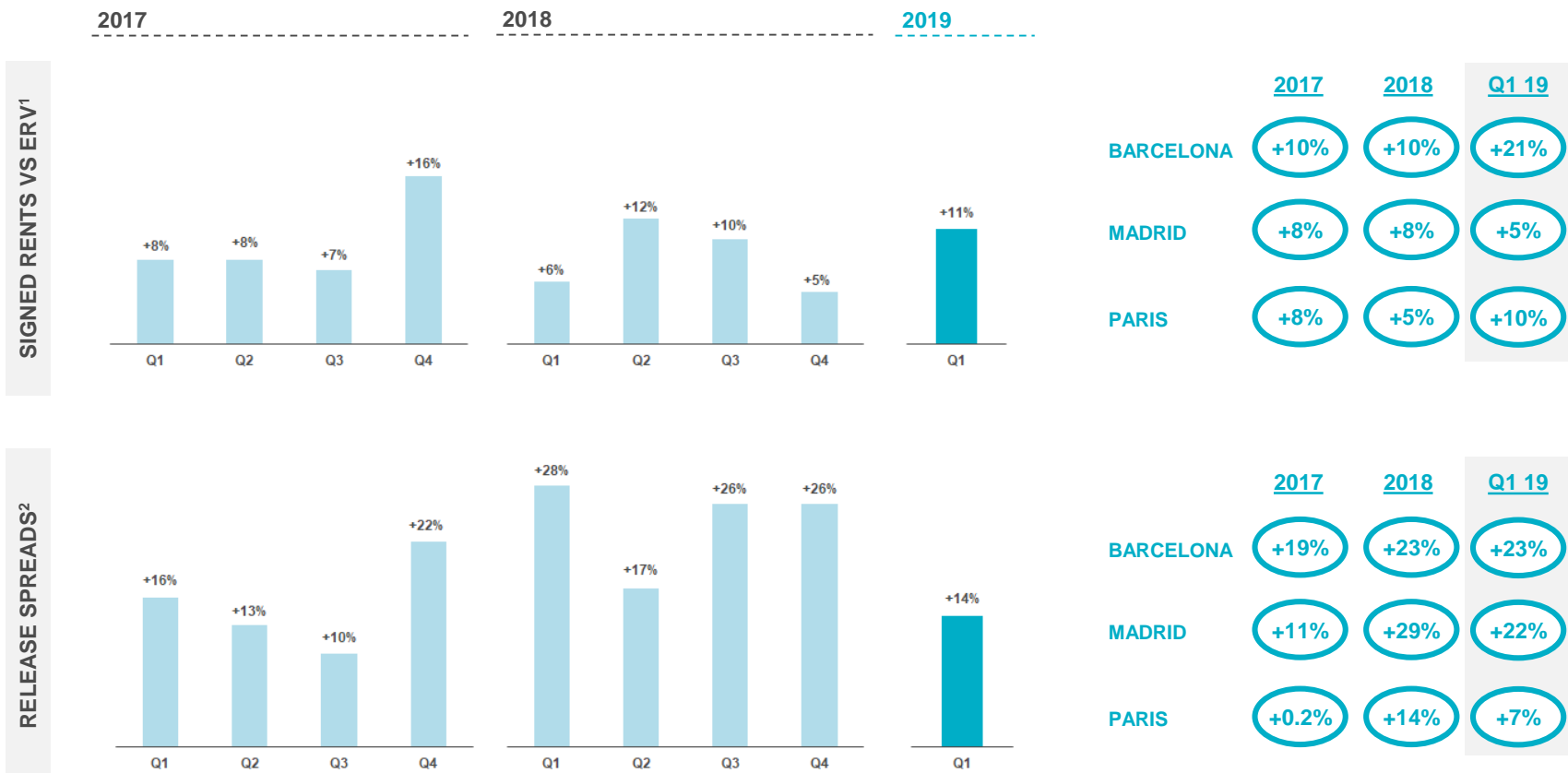
(2) Rental prices signed vs ERV 12/18

(3) EPRA like-for-like variance based on EPRA BPR methodology

Colonial with ongoing strong delivery of rental growth

- > Steady ERV growth in every single quarter
- > Every segment with strong delivery
- > High double digit release spreads

STRONG DELIVERY ON RENTAL PRICE INCREASES

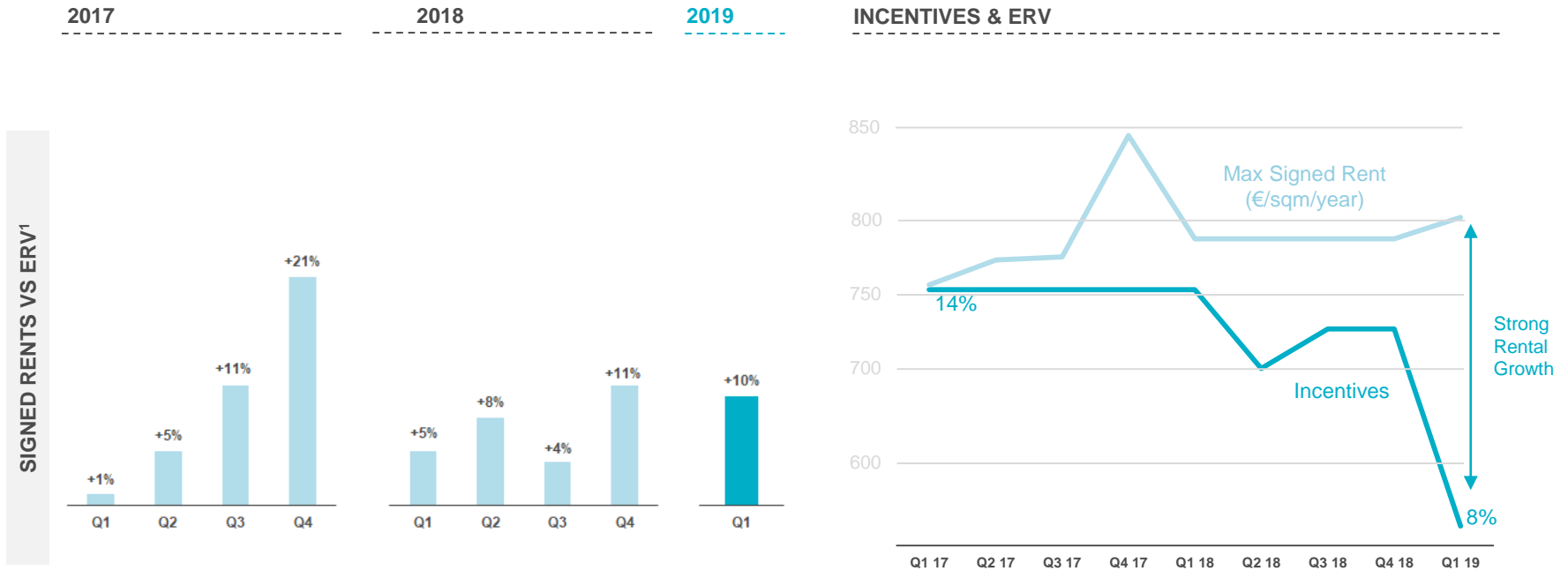


(1) Signed rents vs previous year ERV (new lettings & renewals)
 (2) Signed rents vs previous contracts (renewals)

Colonial with outstanding rental growth in Paris

- > Strong growth vs ERV in every quarter
- > Significant improvement on incentives
- > High cash flow growth: facial rents + decreased incentives

STRONG DELIVERY ON RENTAL PRICE INCREASES – PARIS



(1) Signed rents vs previous year ERV (new lettings & renewals)

MAIN ACTIONS

RENEWALS

Alfonso XII



Release Spread
+21%²

Diagonal 409



Release Spread
+33%²

Diagonal 197



Release Spread
+21%²

Plaza Europa 42-44



Release Spread
+111%²

NEW LETTINGS

Av. Bruselas 38



Rent vs ERV
+7%¹

Ribera de Loira 28



Rent vs ERV
Flat¹

Edouard VII



Rent vs ERV
+21%¹

Lopez de Hoyos 35



Rent vs ERV
+8%¹

Diagonal 525



Rent vs ERV
+12%¹

Hausman



Rent vs ERV
+13%¹

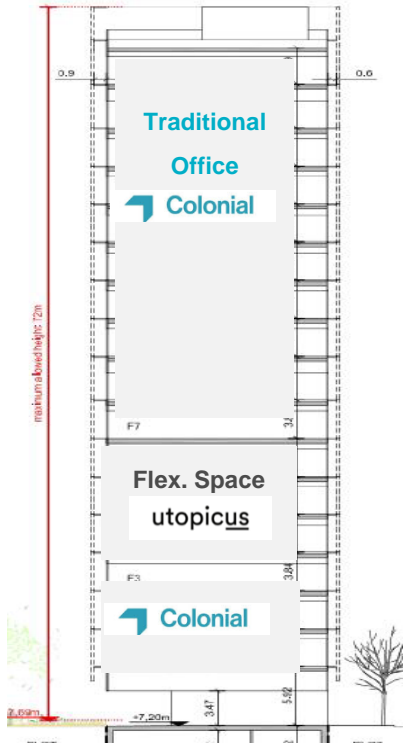
HIGH END CLIENTS



(1) Signed rents vs 12/18 ERV (new lettings & renewals)
 (2) Signed rents vs previous contracts (renewals)

Combination of traditional with flex accelerating letting up

CIUTAT DE GRANADA – BARCELONA 22@



Traditional Space



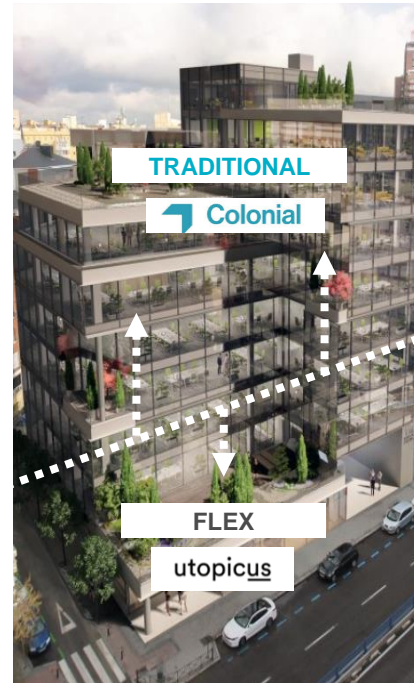
Flexible Space



Office	22,448 sq m	92%
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Flex Space	2,002 sq m	8%
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THE WINDOW – MADRID CBD



Traditional Space



Flexible Space



Office	7,515 sq m	66%
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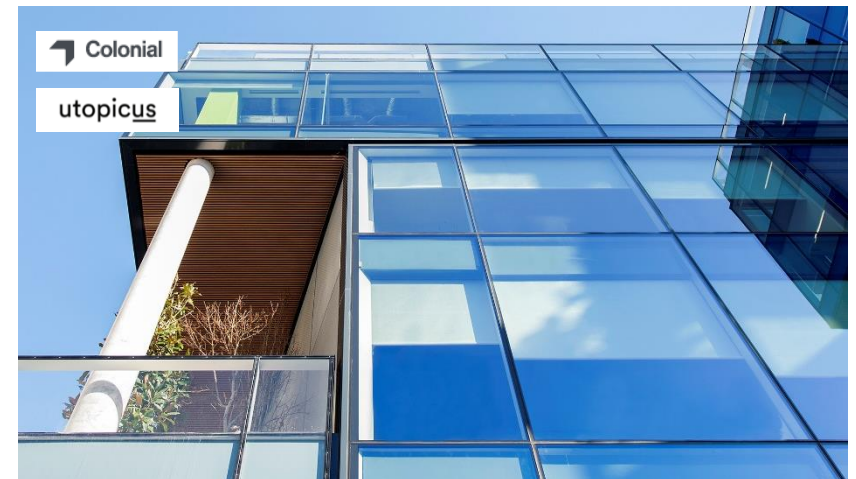
Flex Space	3,852 sq m	34%
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Combination of traditional with flex accelerating letting up

CIUTAT DE GRANADA – BARCELONA 22@



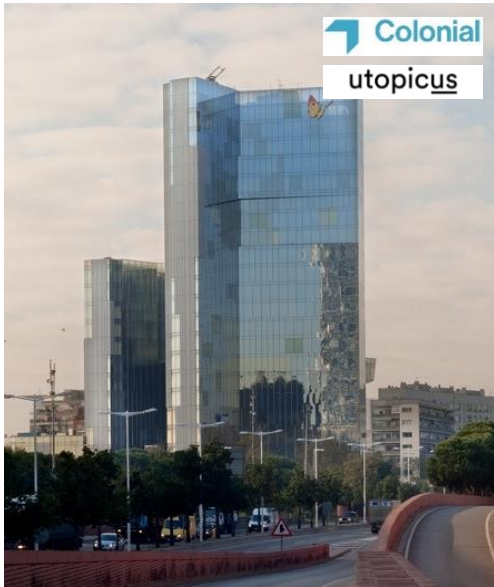
THE WINDOW – MADRID CBD





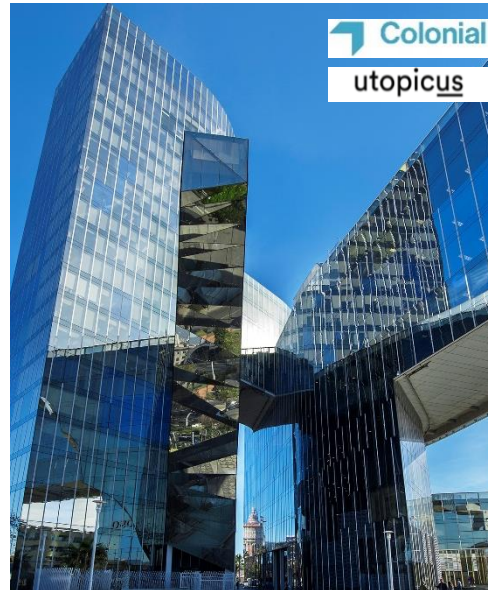
AGREEMENT WITH NATURGY

1 ACQUISITION 45% TMN



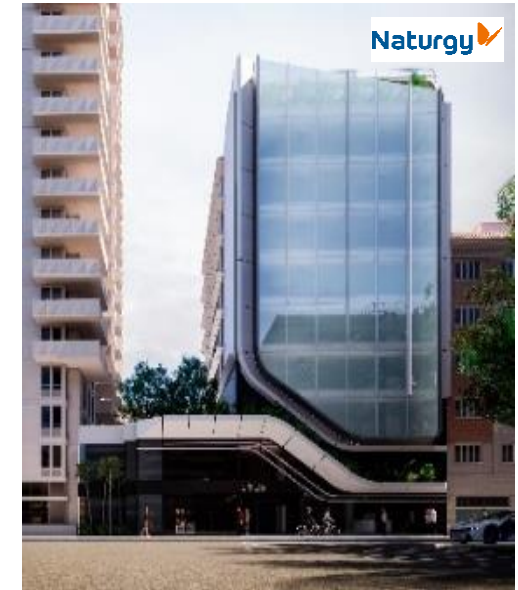
- > Acquisition of the remaining 45% stake to Naturgy
- > Off-market transaction at discount to NAV
- > Full ownership allows for real estate action plan

2 RENOVATION PROGRAM



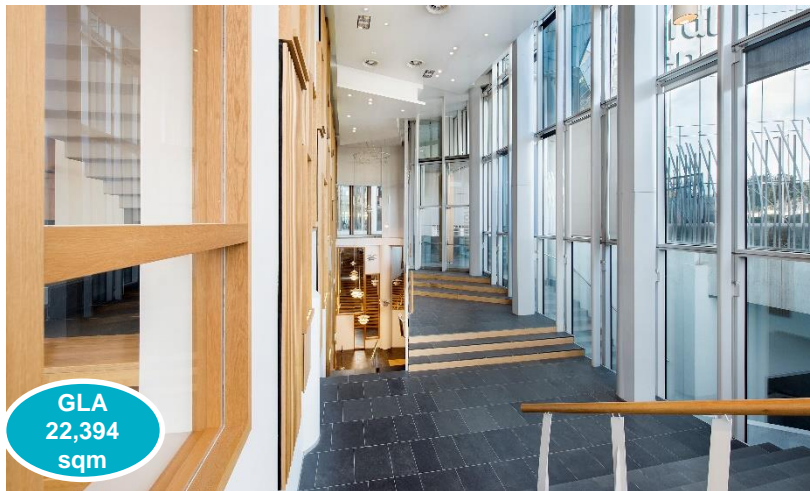
- > Early rotation of Naturgy contracts
- > Transformation to hybrid product Colonial-UtopicUs in 22@
- > Strong market interest at high end rents

3 PRELET DIAGONAL 525



- > Prime-Factory acquisition Alpha IV 18
- > Pre-let for new Naturgy HQ, less than a year after acquisition
- > Execution based on complementarities of prime portfolio

Acquisition of the remaining 45% stake of Torre Marenostrom €28.5m (implicit GAV of 4.508 €/sq m)¹



Sources of Value Creation

1. Acquisition of 45% stake at 13% discount to NAV 12/18
 - > 4% discount to 12/18 GAV
 - > Acquisition of the asset at a Capital Value €4,508/ sq m¹
 - > Recent transactions in the area at 6,000 €/sq m
2. Real Estate Value Creation
 - > Renovation programme - creation of a hybrid product
 - > Significant reversion potential through tenant rotation
 - > Increased liquidity of the asset through full ownership
3. Tax optimization through fiscal consolidation
 - > Additional 45% stake fully tax efficient
 - > Initial 55% stake with full saving of recurring taxes
 - > EPS & Cash Flow accretive transaction



Superior Value Creation through high quality asset

Ungearred IRR ²	7%-8%
Yield on Cost	>6%
Equity IRR	Double digit

(1) Implicit acquisition cost considering 100% of the asset (2) 10 year ungeared IRR

Value Creation - Torre Marenosturm, 22@ Barcelona

Acquisition of the remaining 45% stake of Torre Marenosturm for €28.5m (implicit GAV of 4.508 €/sq m)¹

Torre Marenosturm



CORE WITH VALUE ADDED POTENTIAL

22@ Barcelona – The technological hub of Southern Europe

- > Strong footprint with unique asset within the 22@ district in Barcelona
- > In front of the sea: area highly sought after by tech companies and flex operators

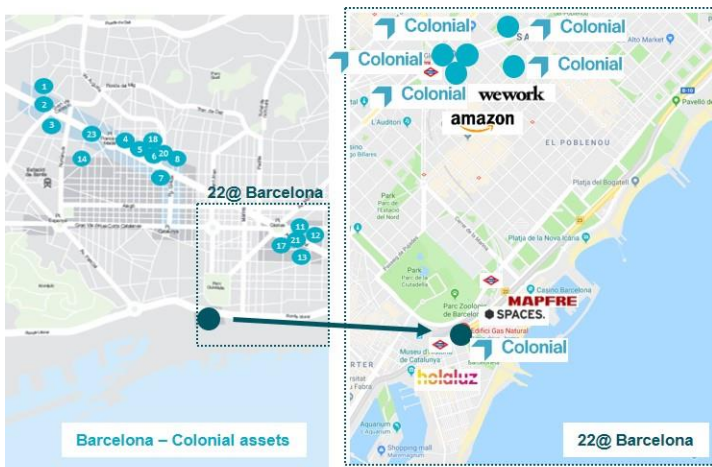


- > Asset with excellent communications (metro, bus and train)

Creation of a hybrid product

Combination of flex with traditional office

- > More than 3,000 s qm of co-working space through Utopicus (14% of tptal GLA)
- > 14.000 s qm of traditional office
- > Outstanding location for flex in front of the beach
- > Strong market interest



(1) Implicit acquisition cost considering 100% of the asset

Pre let agreement in favourable terms with Naturgy in Avinguda Diagonal 525



Sources of Value Creation

1. The asset will be a new reference in Diagonal
 - > Project licenses approved by City Council
 - > Maximum space and energy efficiency
2. Pre-let agreement with Naturgy in accretive terms
 - > 10 year contract starting in 1H 2020
 - > Rent at the highest level of the market
3. Project acceleration vs initial underwriting
 - > Current tenant leaves ahead of plan
 - > Full pre-let of the project
 - > Creation of unique product



Superior Value Creation through high quality asset

Ungearred IRR ⁽¹⁾	7%-8%
Yield on Cost	6%

(1) 10 year ungeared IRR





FUTURE VALUE CREATION

1 Leadership in Prime Offices

2 €1.3bn of project pipeline



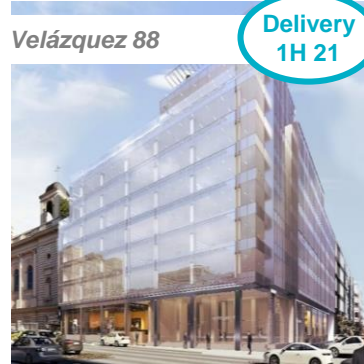





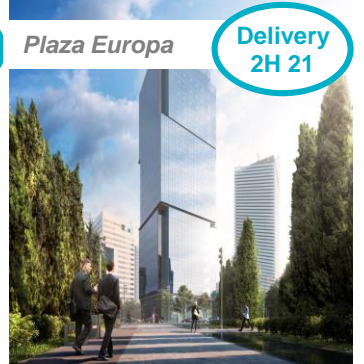

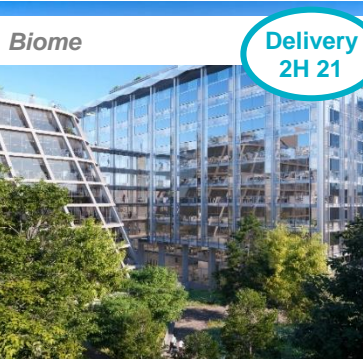

3 Capturing reversion in rents

4 Strong investment market

5 Disciplined capital allocation

03 Growth drivers

2 €1.3bn of CBD Project Pipeline with strong visibility

MADRID	 <p>Castellana 163</p> <p>Delivery 2020/21</p>	 <p>Miguel Ángel 23</p> <p>Delivery 2H 20</p>	 <p>Velázquez 88</p> <p>Delivery 1H 21</p>	 <p>Méndez Álvaro Campus</p> <p>Delivery 2H 21</p>	 <p>Sagasta 27</p> <p>Delivery > 2022</p>		
	BARCELONA	 <p>Pedralbes Centre</p> <p>Delivery 1H 19</p> <p>UNI QLO</p> <p>Prime Commercial</p> <p>Pre let</p>	 <p>Gala Placidia</p> <p>Delivery 1H 19</p> <p>utopicus</p> <p>Pre let</p>	 <p>Diagonal 525</p> <p>Delivery 1H 21</p> <p>Naturgy</p> <p>Pre let</p>	 <p>Plaza Europa</p> <p>Delivery 2H 21</p>		
		PARÍS	 <p>83 Marceau</p> <p>Delivery 1H 21</p>	 <p>Biome</p> <p>Delivery 2H 21</p>	 <p>Louvre St. Honoré</p> <p>Delivery 2023</p> <p>RICHEMONT</p> <p>Prime Commercial</p> <p>Pre let</p>		

03 Growth drivers

2 €1.3bn of CBD Project Pipeline with strong visibility

- > 4 out of 12 projects pre-let YTD
- > Enhanced visibility on cash flow and value creation
- > Important value creation to be captured

Project	City	% Group	Delivery	GLA (sqm)	Total Cost €m ¹	Total Cost €/ sqm ¹	Yield on Cost
1 Pedralbes Center	Barcelona CBD	100%	1H 19	6,917	38	5,502	6.3%
2 Gala Placidia / Utopic_us	Barcelona CBD	100%	1H 19	4,312	17	3,922	7.0%
3 Miguel Angel 23	Madrid CBD	100%	2H 20	8,036	64	7,999	5.8%
4 Castellana, 163	Madrid CBD	100%	2020 / 21	10,910	52	4,803	6.5%
5 Diagonal 525	Barcelona CBD	100%	1H 21	5,710	37	6,460	6.0%
6 Biome	Paris City Center	82%	2H 21	24,500	280	11,428	5.0%
7 83 Marceau	Paris CBD	82%	1H 21	9,300	147	15,801	5.0%
8 Velazquez Padilla 17	Madrid CBD	100%	1H 21	17,239	113	6,532	6.5%
9 Plaza Europa 34	Barcelona	50%	2H 21	14,306	32	2,257	7.0%
10 Mendez Alvaro Campus	Madrid CBD South	100%	2H 22	89,871	287 ²	3,188	7.5%
11 Sagasta 27	Madrid CBD	100%	2H 22	4,481	23	5,044	6.5%
12 Louvre SaintHonoré	Paris CBD	82%	2023	16,000	205	12,831	7.3%
TOTAL OFFICE PIPELINE				211,582	1,295	6,119	6.3%

¹ Total Cost Finished Product = Acquisition Cost/ Asset Value pre Project + future Capex

² Upper part of the range: €3,032/sq m - €3,188/sq m and €273m - €287m

4 of 12 projects pre-let



2 Diagonal-Pedralbes Centre

PEDRALBES PROJECT – BARCELONA



DELIVERY ON TRACK

Pedralbes transformation finalizing

- > Project to be finished in the next weeks
- > UNIQLO pre let secured
 - ✓ 17 year contract signed for flagship store
 - ✓ Rents at very attractive levels
- > Creation of new pedestrian street in front of the complex
- > Premise fully operational in Q4 2019

New positioning of Diagonal 609-15 office complex

- > Enhanced attractiveness of urban area
- > Creation of new office lobby through renovation program
- > Increased pricing power expected

Strong value uplift to be captured in the short term

2 Gala Placidia – Utopicus Flagship

GALA PLACIDIA PROJECT – BARCELONA



DELIVERY ON TRACK

4,000 sqm of Flexible Office at a key location

- > Project delivery ahead of target
- > UtopicUs opening in 7/2019
 - ✓ Floors of more than 1,600 sq m
 - ✓ Strong interest in the market
 - ✓ Flex Revenues at attractive level
- > Flexible product providing significant revenue premium to traditional office rents

Healthy mix of potential users



Strong value uplift to be captured in the short term

CASTELLANA 163 PROJECT - MADRID



PROJECT EXECUTION ON TRACK

Project calendar ahead of timing

- > Façade and lobby finished
- > YTD Floor by floor refurbishment on track
- > Increased tenant rotation advancing further GLA for refurbishment
- > Capex deployment starting earlier than expected

Creation of an attractive “hybrid” product

- > More than 10,900 sq m of prime product
- > 3,600 sq m of flexible office operated by UtopicUs
- > Strong market interest for pre-let transactions

Strong value uplift to be captured in the short & mid term

HAUSSMAN 106 – RENOVATION PROGRAM



DELIVERY ON TRACK

12,000 sq m Prime offices in the centre of Paris

- > April 2019: delivery of administrative notice (building permit)
- > December 2019: AG2R La Mondiale's negotiated leaving
- > January 2020: Start of refurbishment works
- > January 2021: Delivery

Pre-let secured as of 5/2019

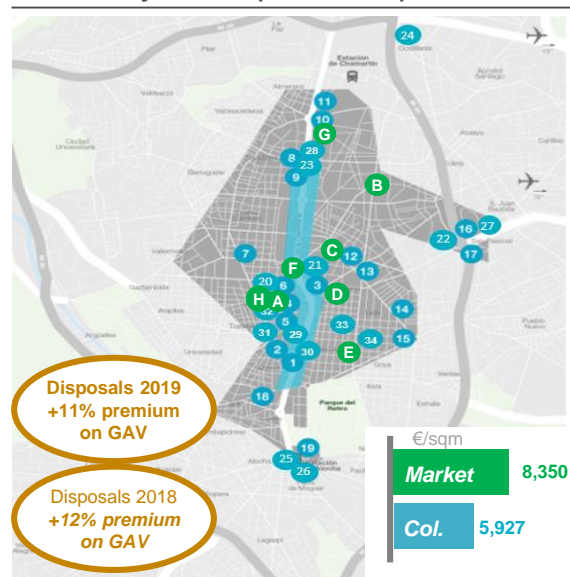
- > 12 year contract signed with WeWork
- > Rent well above 800 €/sqm/year (high end of the market)
- > Significant rental price increase: +13% vs 12/18 ERV

Strong value uplift to be captured in the short & mid term

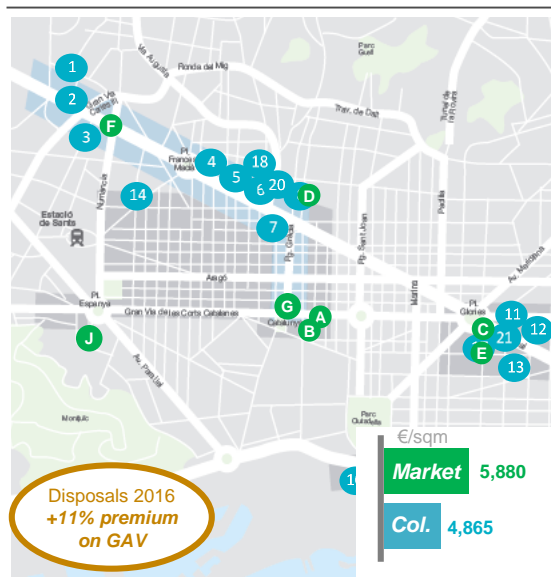
4 Colonial Scarcity Play well positioned in Strong Investment Market

- > Investor interest for prime product remains strong
- > Spreads vs reference rates for prime product at very attractive levels
- > Colonial's assets with prudent appraisal values

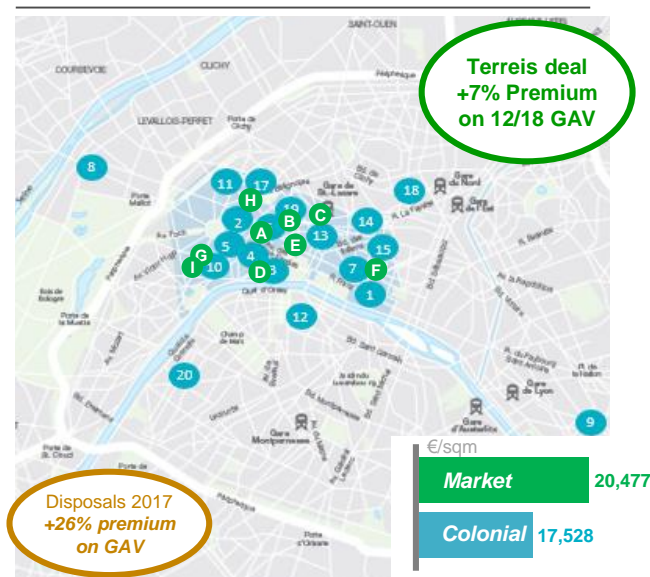
Madrid City Center (inside M30)



Barcelona City Center



Paris CBD



Latest investment transactions inside M30

	Price ⁽²⁾	Cap Value ⁽³⁾
A Fernando el Santo, 15	30	9,219
B Suero de Quiñones, 40-42 ⁽¹⁾	38	8,209
C Velázquez, 123 ⁽¹⁾	21	9,545
D Velázquez, 94	46	8,498
E Goya, 36	30	8,472
F Paseo de la Castellana, 19	44	7,500
G Paseo de la Castellana, 200	180	9,000
H Eloy Gonzalo, 27	40	6,354
CBD Transactions - Average	429	8,350
Colonial Average (12/18 appraisal)		5,927

Latest investment transactions in city center

	Price ⁽²⁾	Cap Value ⁽³⁾
A Carrer de Fontanella, 9	20	6,030
B Carrer de Fontanella, 6-8	65	8,414
C Carrer de Tanger, 66	90	5,294
D Avda. Diagonal, 595	30	5,254
E Ciutat de Granada, 121	20	4,545
F Avinguda Diagonal, 662	210	8,400
G Plaza de Cataluña, 9	10	5,765
H Àvila, 117	50	5,000
I Plaza Ernest Lluch, 5	147	5,820
J Passeig de la Zona Franca, 111	98	4,280
CBD Transactions - Average	739,5	5,880
Colonial Average (12/18 appraisal)		4,865

Latest investment transactions in Paris CBD

	Price ⁽²⁾	Cap Value ⁽³⁾
A Rue Pierre Charron, 64-66	187	23,111
B Rue La Boetie, 54-56	416	20,918
C Rue Du Trudaine ⁽¹⁾	150	20,548
D Rue Jean Goujon, 27	71	20,882
E Rue De Teheran, 7-7BIS	149	22,164
F Rue Du Louvre, 40	190	20,000
G Rue Lauriston, 94-96	120	20,690
H Avenue Hoche, 2	40	17,982
I Rue Lauriston, 46-48	45	18,000
CBD Transactions - Average	1366,56	20,477
Colonial Average (12/18 appraisal)		17,528

⁽¹⁾ Assets with significant Capex to be implemented

⁽²⁾ €m

⁽³⁾ €/sqm

Source: Savills-Aguirre Newman and public information

04 Conclusion & outlook

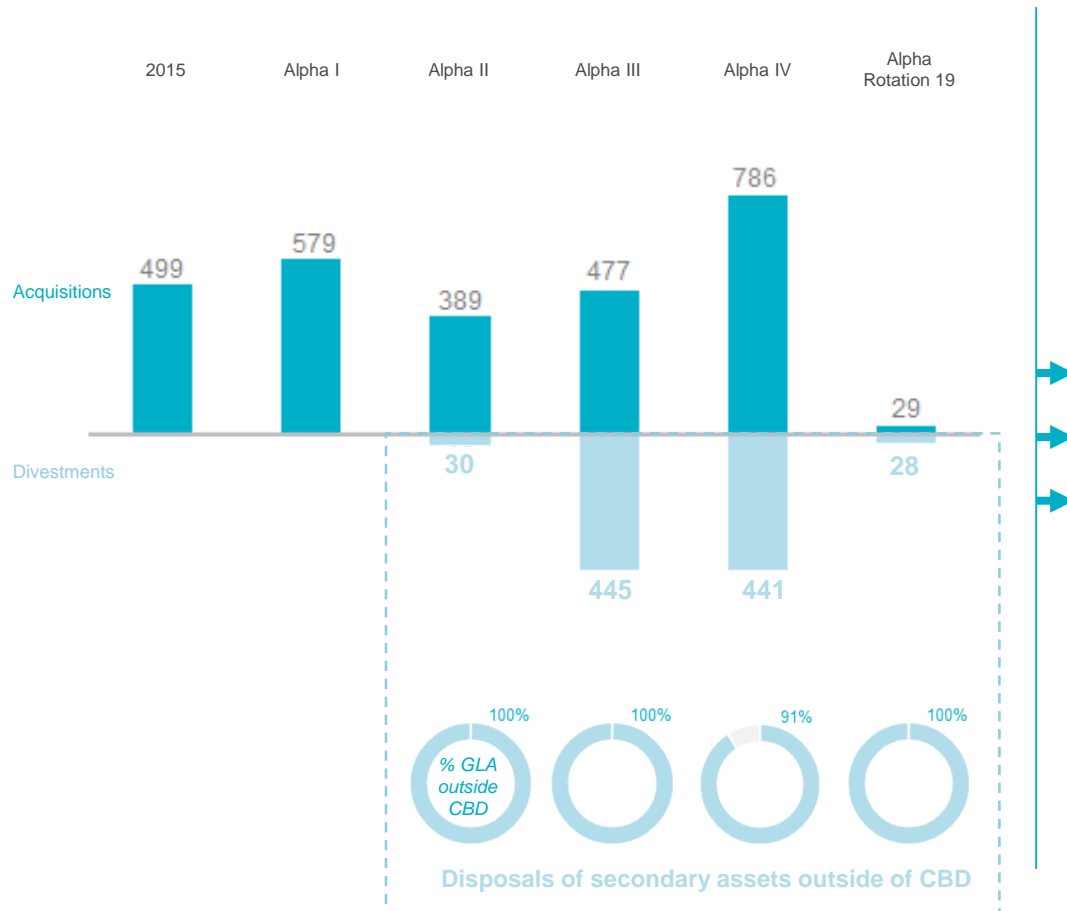


04 Conclusion & outlook

Discipline on Capital Allocation

- > Ongoing flight to quality through disciplined capital allocation
- > Disposal of secondary assets for €0.9bn in 2017 & 2018
- > Alpha Rotation 2019 enhancing focus & prime exposure

INVESTMENTS & DIPOSALS SINCE 2015 - €m



CAPITAL ALLOCATION PRINCIPLES

1. Prioritize value-added opportunities in prime
2. Enhance exposure to high quality offices
3. Maintain capital allocation discipline



European Property
Investment Awards
WINNER 2018



SOLID CBD EXPOSURE KEY FOR SUCCESS

- > Ongoing solid delivery on rental growth
- > Trading trends confirm strong momentum
- > Combination of Flex & Traditional office as accelerator
- > Successful pre let in good terms

CONFIDENT OUTLOOK FOR GROWTH

- > Project Pipeline on track
- > Renovation program in place
- > Office market fundamentals support rental growth
- > Strong investment markets – scarcity premium for prime

Q&A



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Don't miss our next events

- > **July 29: 1H 19 Results Presentation**
- > **Oct 15: Capital Markets Day - Madrid**

Colonial



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