

Colonial

INVESTOR DAY

BCN

20
10
2015

BUSINESS CASES SPAIN

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Colonial



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ESTEBANEZ CALDERON, 3-5

Best in class project based on Colonial's Real Estate track record



1. Colonial identifies an asset (10,458 sqm) under refurbishment for residential use, currently without progress

2. Colonial contacts directly the owners: international private equity funds

3. Colonial proposes a share deal (acquisition of the SPV that owns the asset)

✓ Clear benefit for seller (tax optimization)

✓ Win-win situation that permits to negotiate an attractive acquisition price



Share Deal
Price
2,870 €/sqm



Comparable
Asset Deal Price
3,200 €/sqm

4. Transaction subject to maintain office license as the only use

- Auction with main Spanish architects
 - ✓ Unusual market practice with highly renowned architects
 - ✓ Attractiveness for architects to participate in auction process:
 1. Unique location and project opportunities
 2. Strong reputation and track record of Colonial in domestic market
 3. International exposure and visibility of the Colonial group

- Final project assigned to Estudio Lamela
 - ✓ Highly international renowned architect
 - ✓ Architect of the new Madrid Airport

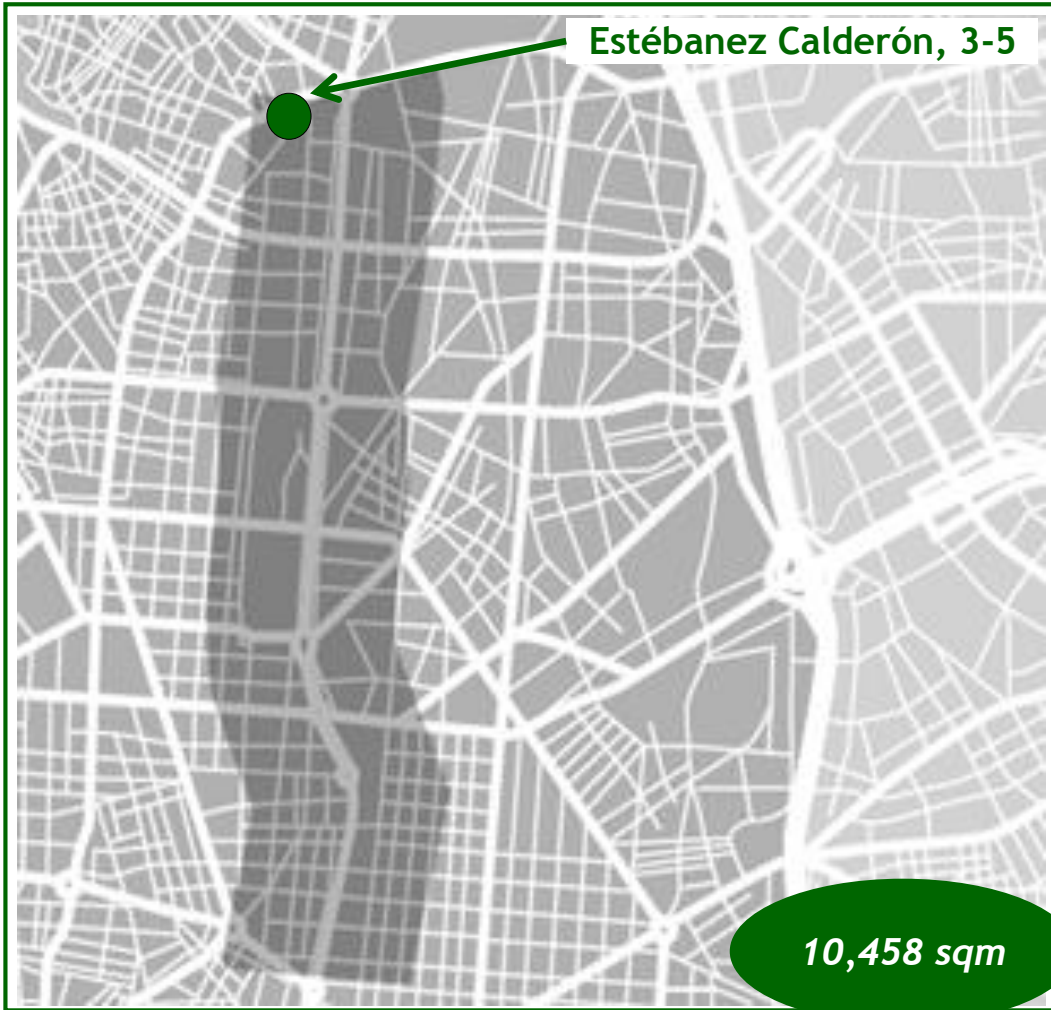
ESTUDIO LAMELA
ARQUITECTOS



BUSINESS CASE SPAIN - ESTÉBANEZ CALDERÓN, 3-5

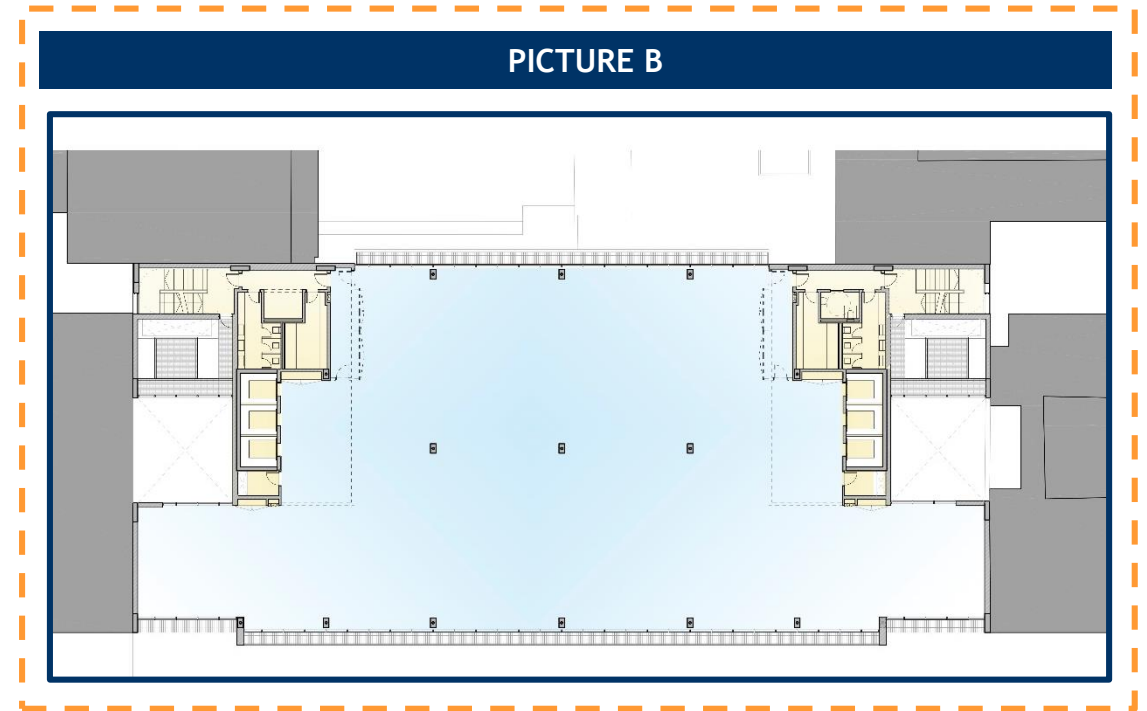
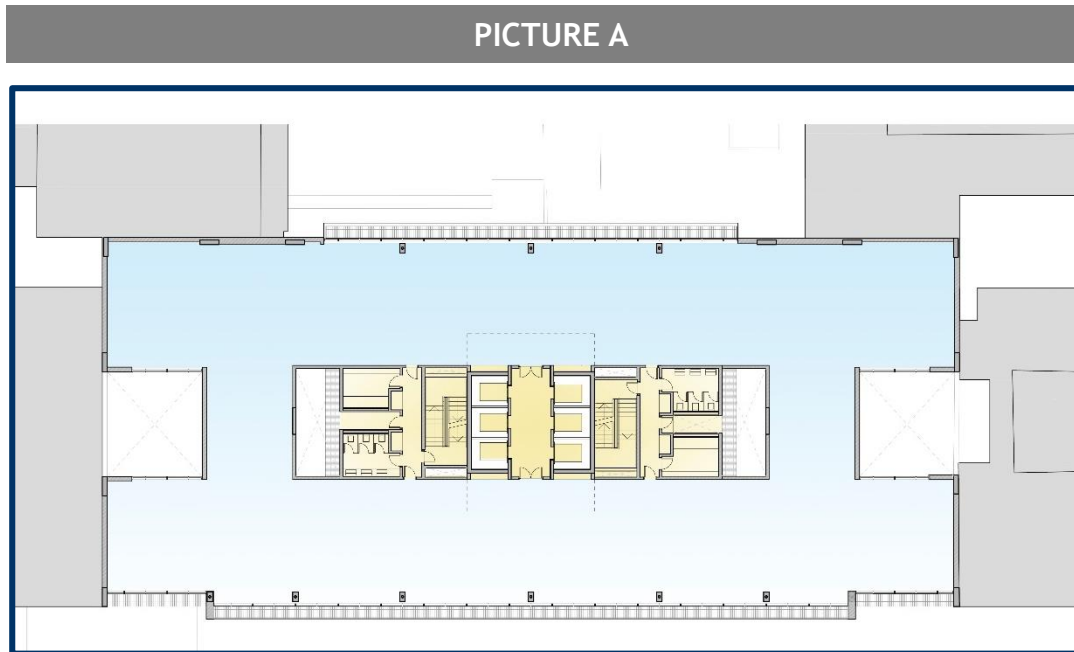
A Unique Project - Unique Prime Factory Approach

UNIQUE PRIME FACTORY APPROACH



-
- Colonial identifies the optimum product features taking into account:
 - 1) Location and market requirements
 - 2) Competitive environment
 - 3) Technical aspects (R&D)
-
- “In house” analysis and definition of the main project parameters
-
- An optimization of the product involves demolishing the asset totally, and building a brand new premise
-

- Common market practice would suggest a design as in picture A
- However, Colonial decides to go for an innovative approach (see picture B)



BUSINESS CASE SPAIN - ESTÉBANEZ CALDERÓN, 3-5

A Unique Project - Unique Prime Factory Approach

BEFORE



AFTER COMPLETION





-
- Creation of absolutely flexible floor plants
 - ✓ Key to adapt to current and future demand
 - ✓ Possibility to combine headquarters with multitenant
-
- Leed Gold Building
-
- Maximum efficiency of lettable space
-
- Optimal ratio of person per sq m
-

- Very attractive acquisition price through creative off market purchase - tax shield as competitive advantage
- Creation of an absolutely unique product in Madrid CBD
- High quality premises with attractive capex 1.200 €/m²
- Double digit IRR, without including recovery impact of rental cycle
- Colonial best position to capture high quality demand and rental cycle

Prime CBD Madrid	
Price	€30.0m
Capex	€13.2m
Total investment	€43.2m
Total invest. Capital Value	4,130€/sqm
Surface	10,458 sq m
Parking units	110 units
Expected release date	2017

PASSEIG DELS TIL·LERS, 2-6

abertis



A huge challenge in the middle of the crisis

- Asset that was headquarters of Arbora & Ausonia, subsidiary of a Spanish Multinational Group
- Procter & Gamble acquires the company and decides to move all the people to the Madrid P&G headquarters
- P&G wants to resign the contract and in advance of expiry date
- Huge threat for cash flow and value of this asset in the middle of the crisis

Colonial takes action

- Strong negotiation capabilities of Colonial enables the Group to obtain upfront a cash indemnity for the remaining rents
- Asset Management team analyses optimal product features taking into account location and uniqueness of the opportunity
- Asset Management team immediately to screen potential high quality demand

BEFORE



AFTER COMPLETION



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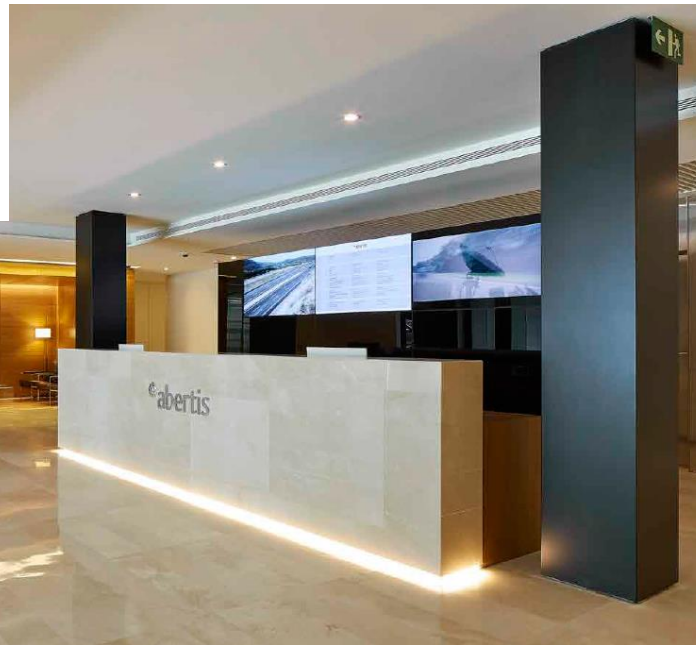


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- Achievement of pre-let agreement with Abertis
(leading global infrastructures company)
-
- Pre-let agreement thanks to:
 - ✓ Colonial's track record and reputation in domestic market
 - ✓ High confidence in real estate management
-



BUSINESS CASE SPAIN - PASSEIG DELS TIL·LERS, 2-6

Passeig dels Til·lers - Unique Prime Factory Investment



BUSINESS CASE SPAIN - PASSEIG DELS TIL·LERS, 2-6

Passeig dels Til·lers - Unique Prime Factory Investment



- Creation of a unique product in CBD
 - ✓ Flexible efficient spaces
 - ✓ Leed Silver
- Proven attraction of high Quality demand moving to the city centre
- 100% pre-let with Abertis before starting the project:
 - ✓ 10 year contract
 - ✓ ERV at top level of the market
- Significant uplift in rental prices



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