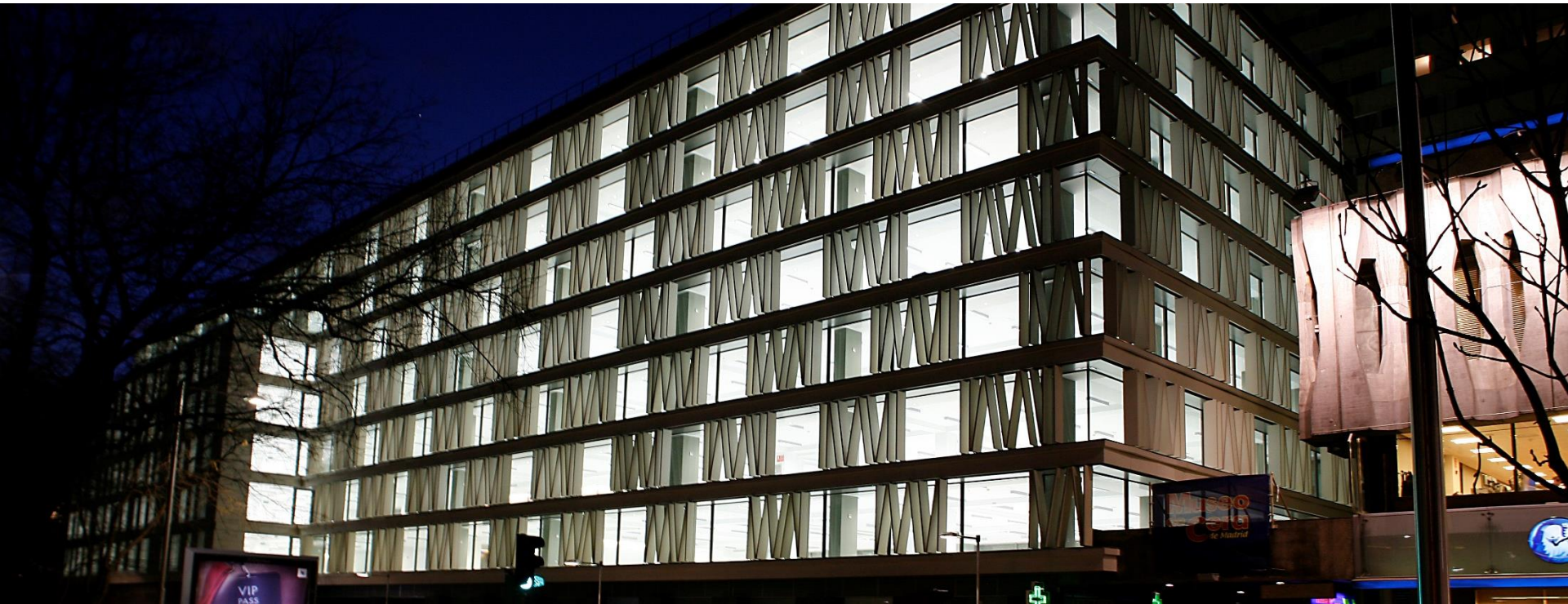




# Project Alpha II Presentation

February 2017



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PRESENTING MANAGEMENT TEAM

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**Pere Viñolas**  
Chief Executive Officer



**Carmina Ganyet**  
Corporate Managing Director



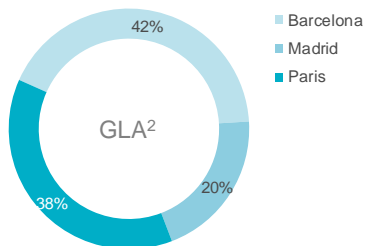
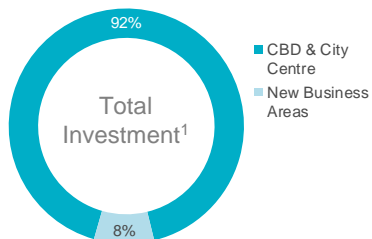
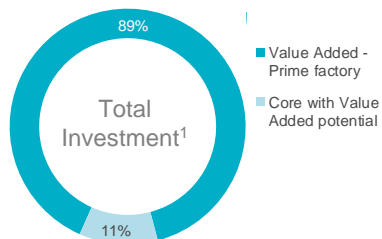
**Carlos Krohmer**  
Chief Corporate Development Officer

# Alpha II – 2017 starts with strong delivery on acquisitions

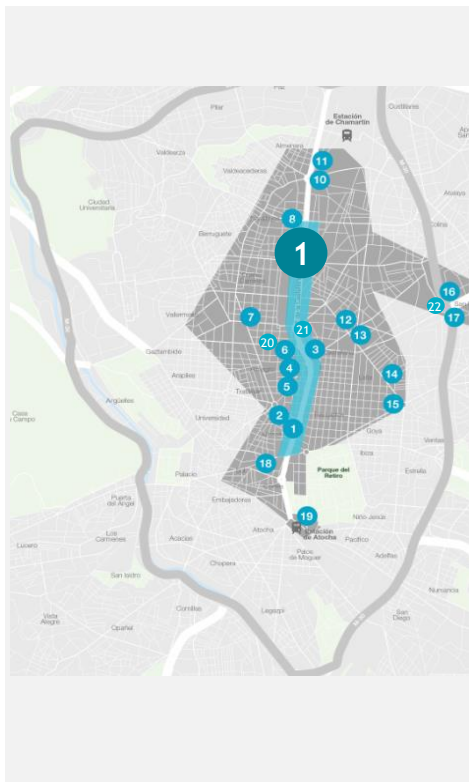
## Acquisitions for a total volume close to €400m

- > Acquisition of 3 prime office assets in Spain and 1 in Paris
- > High quality products with unique positioning
- > Attractive value added returns through Prime factory projects
- > Alpha II accelerates Colonial's growth plan maintaining investment discipline

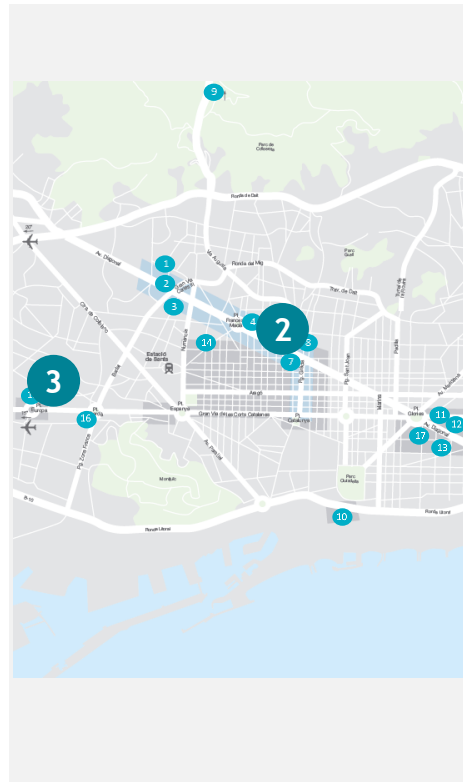
### BUSINESS MIX<sup>1</sup>



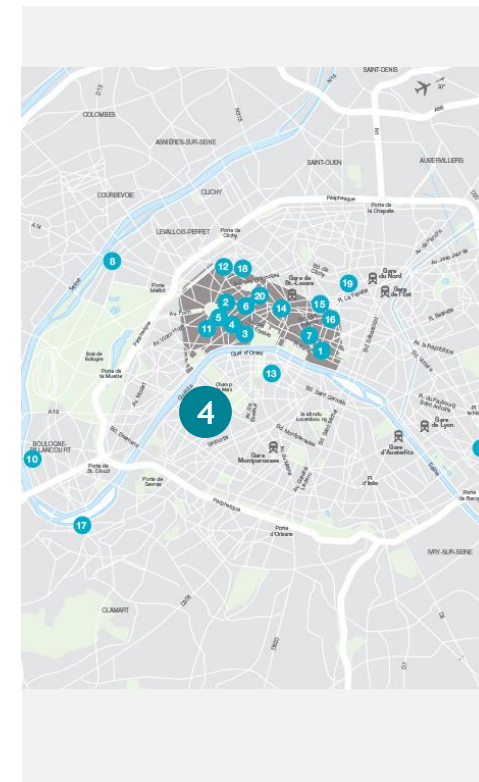
### MADRID



### BARCELONA



### PARIS



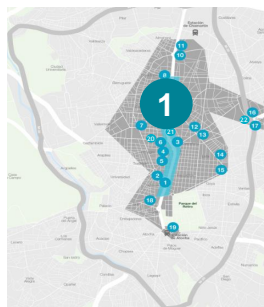
1 Acquisition price + total project capex  
2 GLA above ground

# Alpha II – 2017 starts with strong delivery on acquisitions

## Acquisitions for a total volume close to €400m

- > Acquisition of 3 prime office assets in Spain and 1 in Paris
- > High quality products with unique positioning
- > Attractive value added returns through Prime factory projects
- > Alpha II accelerates Colonial's growth plan maintaining investment discipline

MADRID



**1** Paseo de la Castellana, 163  
*Madrid Prime CBD*



**Value Added – Prime factory**  
GLA: 10,910 sq m

**Total Investment<sup>1</sup>: €51m**

**2** Travessera de Gracia, 47-49  
*Barcelona Prime CBD*



**Core with value added potential**  
GLA: 8,939 sq m

**Total Investment<sup>1</sup>: €41m**

BARCELONA



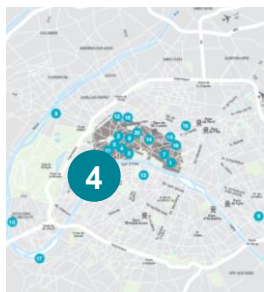
**3** Plaza Europa, 46-48  
*Barcelona Plaza Europa*



**Value Added – Prime factory**  
GLA: 14,000 sq m

**Total Investment<sup>1</sup>: €32m**

PARIS



**4** 112-122 Av. Emile Zola  
*Paris South Center*



**Value Added – Prime factory**  
GLA: 20,340 sq m

**Total Investment<sup>1</sup>: [€245m - €265m]**

<sup>1</sup> Acquisition price + total project capex

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PASEO DE LA CASTELLANA, 163

- Madrid Prime CBD -

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## Creating a prime site in Paseo de la Castellana, Madrid CBD

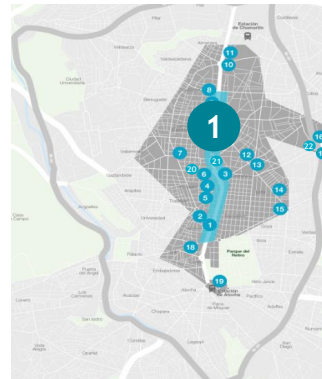
- > Asset located in Paseo de la Castellana 163, in the heart of Madrid's CBD
- > Unique prime positioning in the financial center of Madrid

### PASEO DE LA CASTELLANA, 163 – Madrid Prime CBD

### PRIME FACTORY PROJECT

#### Main asset characteristics

- > Prime site with 10,910 sq m of GLA with 900 sq m floor plants
- > Multitenant asset with flexible floor plants, efficient layout and high luminosity
- > Building with two entrances: Paseo de la Castellana and Capitán Haya
- > Location sought after by multinationals and service companies
- > Prime rents in Madrid around €29/sq m/month<sup>1</sup>
- > Undermanaged and outdated asset with significant Prime Factory potential
- > Real estate transformation project envisaging Breeam Very Good certificate



<sup>1</sup> Source: JLL Q4 2016 Market Data

Creating a prime site in Paseo de la Castellana, Madrid CBD

1 PASEO DE LA CASTELLANA, 163



- > Creation of a prime site at a total investment below €4,700/sq m
- > Unique prime positioning in the financial center of Madrid

PASEO DE LA CASTELLANA, 163 - Madrid CBD

PRIME FACTORY PROJECT

Sources of Value Creation

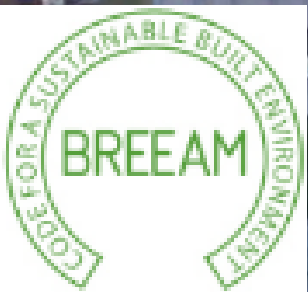
- > Attractive entry price of €3,774/sq m<sup>1</sup> for a prime site in Paseo de la Castellana
- > Fully let multitenant building, significantly under-rented (€14/sq m /month current passing rent)
- > Significant value creation through Prime Factory transformation
  - €940/sq m of capex ( €10.3m full project)
  - Progressive transformation across the coming years
  - Attractive rentroll to capture rental and value uplifts
  - Breeam Very Good certification envisaged
- > Creation of a prime site at a total investment below €4,700/sq m<sup>4</sup>
- > Attractive 10 year ungeared IRR with high running yield

The Transaction

Price <sup>2</sup>	€41m
Capex	€10m
Total Investment	€51m
GLA <sup>3</sup>	10,910 sq m
Parking	52 units
Capital value	€4,684/sq m

The Opportunity

Ungeared IRR	9%
Yield on Cost <sup>5</sup>	6%-7%



1 Acquisition price

4 Total investment including project capex

2 Excluding transfer costs

5 Final product post Capex

3 Surface above Ground



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TRAVESSERA DE GRACIA, 47-49

- Barcelona Prime CBD -

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## 02 Acquired assets - Travessera de Gràcia, 47-49

A landmark office building in the CBD of Barcelona

### 2 TRAVESSERA DE GRACIA, 47-49

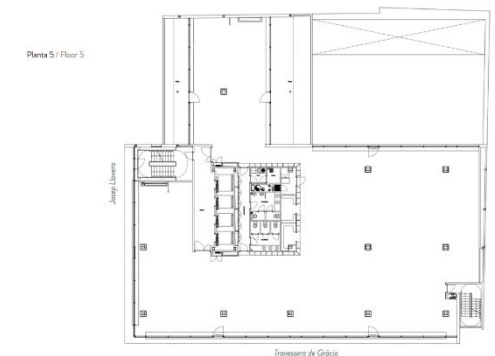
- > Acquisition of a 8,939 sq m office prime building in the heart of the CBD
- > Spanish Headquarters for a high quality tenant - Bertelsmann

#### TRAVESSERA DE GRÀCIA, 47-49 – Barcelona CBD **CORE WITH VALUE ADDED POTENTIAL**

##### Main asset characteristics

- > 8,939 sq m office prime building in the heart of the CBD
- > Building with open floors plants, above 1,000 sq m, and high levels of natural light, highly sought after and scarce in Barcelona CBD
- > Prime rents in CBD Barcelona around €21.5/sq m/month<sup>1</sup>
- > Unique footprint in terms of floor size in the Barcelona market
- > Sale & Lease contract, with a 5 years duration with a top tenant: The Bertelsmann Group (the company has been occupying the building for more than 20 years)

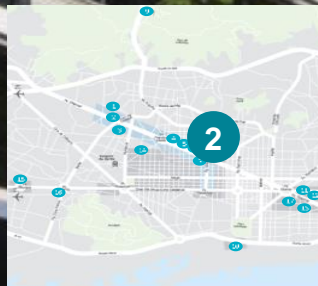
The Bertelsmann Group is a media, services and education company that operates in 50 countries, with 117,000 employees and generated revenues of €17.1 billion in 2015<sup>2</sup>



# BERTELSMANN

1 Source: JLL Q4 2016 Market Data

2 Source: Bertelsmann corporate webpage



## 02 Acquired assets - Travessera de Gràcia, 47-49

A landmark office building in the CBD of Barcelona

### 2 TRAVESSERA DE GRACIA, 47-49



- > Core prime site with attractive IRR
- > High quality tenant with strong covenants

#### TRAVESSERA DE GRÀCIA, 47-49 - Barcelona CBD

#### CORE WITH VALUE ADDED POTENTIAL

##### Sources of Value Creation

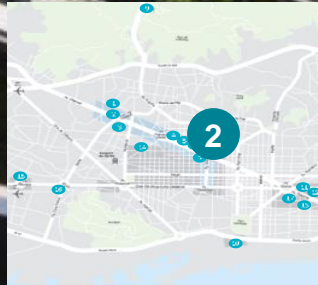
- > Acquisition of a prime site in the CBD of Barcelona at a price below €4,700/sq m
- > Consolidates Colonial's CBD position enhancing its negotiation power in the Barcelona market
- > Mid-term repositioning potential through dedicated asset management (last refurbishment in 1998)
- > Potential Bream Very Good certification
- > Core high quality investment with attractive ungeared IRR (>6%)
- > Gross initial yield around 4.5% with interesting reversion

##### The Transaction

Price <sup>1</sup>	€41m
GLA <sup>2</sup>	8,939 sq m
Parking	6 units
Capital value	€4,620/sq m

##### The Opportunity

Ungeared IRR	>6%
Initial Yield	4.5%
Potential Yield	5%-6%



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PLAZA EUROPA PROJECT

- Barcelona -

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### Creation of an unparalleled prime site in Plaza Europa

3

PLAZA EUROPA, 46-48

- > Prime factory Project of 14,000 sq m
- > Creation of a prime site in a growth market



#### PLAZA EUROPA 46-48 – New Business Area Barcelona

PRIME FACTORY

##### Main characteristics final product

- > Development project of an unique prime site through a joint venture with the company Inmo, Real Estate subsidiary of the Puig family
  - ✓ Family from Barcelona that is owner of a multinational leading luxury group – Puig – with presence in more than 20 countries with more than 30 brands<sup>1</sup>
  - ✓ Corporate Headquarters of the – Puig – single tenant of that asset, located in front of the new project
- > Creation of a 21 storey office tower of 14,000 sq m and 150 parking spaces
- > Open-plan column free floors with floor plates up to 800 sq m
- > Flexible floor and sizeable plants divisible in modules
- > The asset will be granted with the best energy certificates, Leed Gold certificate envisaged for final product
- > Easy access to metro station directly linked to city center and airport
- > Architect bid to be opened in the next weeks

<sup>1</sup> Source: Company webpage

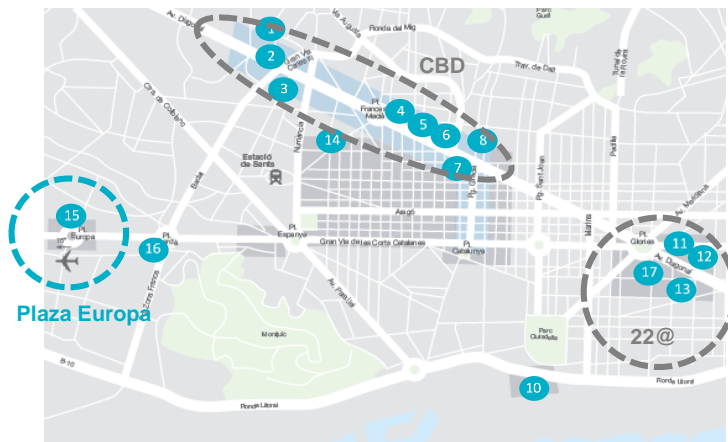
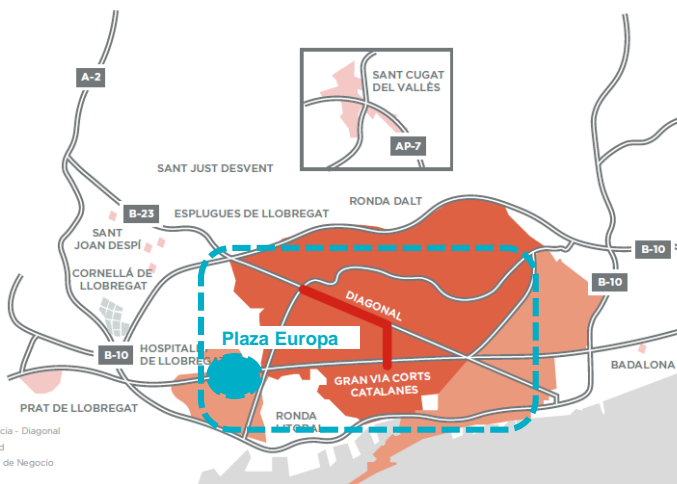
Plaza Europa area – An emerging new business area in Barcelona

3 PLAZA EUROPA, 46-48

- > Plaza Europa is an emerging new business area with attractive growth prospects in rent and value

Plaza Europa New Business Area – A growth market

- > New business area in Barcelona with an office stock of 150,000 sq m
- > After CBD and 22@ third largest market of Barcelona
- > Market with excellent communications to the airport and port and just 10 minutes away of the city center
- > Area with good combination of new residential, hotels and retail schemes
- > Located next to Barcelona’s trade fair premises, Gran Via 2 mall and IKEA
- > Home of local international companies such as Puig, Werfen, Agrolimen and other multinationals (i.e. KPMG, Olympus, Nissan, Ericsson...)
- > Current prime rents are in the mid tens with attractive growth potential



Attractive ungeared return through Prime Factory project

3

PLAZA EUROPA, 46-48

- > Creation of a prime site at a total investment below €2,300/sq m
- > Expected 10 Year ungeared IRR above 9%



PLAZA EUROPA 46-48 - Barcelona BD

PRIME FACTORY

Sources of Value Creation

- > Attractive entry price<sup>1</sup> of €2,257/sq m for an new prime office building in Plaza Europa
- > Significant footprint of Colonial in this area developing a prime office building
- > Lack of available Grade A spaces in Barcelona
- > Potential LEED gold certification
- > No new projects to be developed in this market due to lack of new land
- > Ungeared 10 year IRR above 9% with a yield on cost close to 8%

The Transaction

Total Investment <sup>1</sup>	€32m
GLA <sup>2</sup>	14,000 sq m
Parking	150 units
Capital value <sup>1</sup>	€2,257/sq m

The Opportunity

Ungeared IRR	>9%
Yield on Cost <sup>3</sup>	7-8%

<sup>1</sup> Total investment cost   <sup>2</sup> Surface above Ground   <sup>3</sup> Final product including full capex

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112-122 Avenue Émile Zola

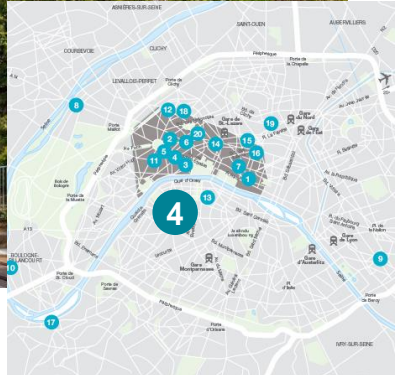
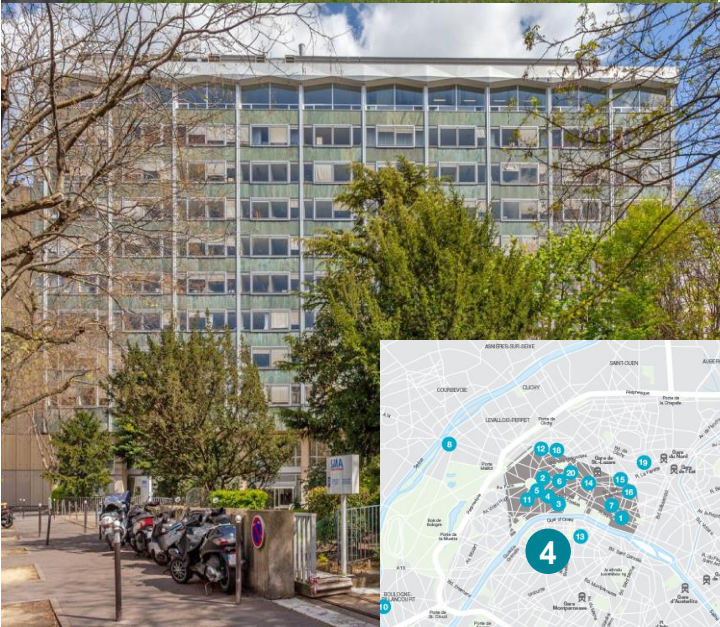
- Paris South Center -

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Creation of a new business center in the South Paris Center

4 112-122 AVENUE ÉMILE ZOLA



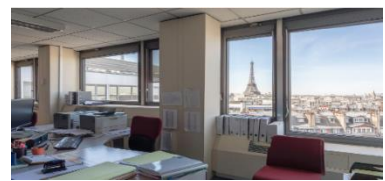
- > 20,340 sq m office Prime Factory project in a prime location
- > Asset with excellent Real Estate fundamentals

112-122 Avenue Émile Zola – Paris West

PRIME FACTORY

Main asset characteristics

- > Creation of a 20,340 sq m prime office complex, with 201 parking spaces in Paris South Center
- > Project built on a 6,300 sq m land plot in the center of Paris:
  - > Located in the left “Rive” of Paris, next to the Eiffel Tower
  - > Asset in the heart of Paris’s 15th arrondissement
  - > Surrounded by a mix of residential and commercial real estate and is well served by public transport.
- > Future project with excellent Real Estate fundamentals:
  - > 1,400 sq m floor plants with high luminosity and efficient functionality
  - > Double entrance optimizing the asset divisibility and flows
  - > Tree-filled garden surrounding the asset



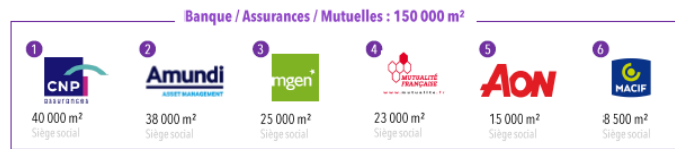
15th Arrondissement market – A growing market in the South Paris Center

4 112-122 AVENUE ÉMILE ZOLA



15th Arrondissement market – South Paris Center

- > South Paris sector is a market of 5.6m of sq m, the second Office market in Paris after Paris CBD
- > Vacancy in this market stands at 3.3%, one of the lowest in the total Paris Market
- > Solid take-up: average annual volume around 250,000 sq m in the last 6 years
- > Letting transactions of more than 5,000 sq m represent 50% of the total volume of the area
- > Prime rents at levels around €580/ sq m/year
- > Established market that attracts various multinationals from the Media, Finance, and Public sector



Creation of a new business center in the South Paris Center

4 112-122 AVENUE ÉMILE ZOLA



- > Attractive ungeared return through the creation of a prime site
- > Prime Factory Project in the South Paris Center

112-122 Avenue Émile Zola – Paris West

PRIME FACTORY

Sources of value creation

- > Superior value creation through full transformation of an obsolete building
- > Creation of a unique product capable to unlock maximum market rents in a growing rental cycle
- > Obtaining additional GLA under analysis
- > Acquisition price secured in January with full in Q4 2017
  - > Underwriting at current pricing with deferred cash payment
- > Project starts after tenant leaves – Q4 2017
- > Attractive ungeared 10 year IRR (>7%)

The Transaction

Price	€165m
Capex	[€80m - €100m] <sup>1</sup>
Total Investment	[€245m - €265m]
GLA <sup>2</sup>	20,340 sq m
Parking	201 units
Capital value	[€12,045-€13,028/sq m] <sup>1</sup>

The Opportunity

Ungeared IRR	>7%
Yield on Cost	>5%

<sup>1</sup> Capex amount subject to final project study

<sup>2</sup> Surface above Ground

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Transaction Summary & Conclusion

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Solid delivery on sourcing of attractive value add investments

**Proven delivery of value add acquisition**

- > Assets with significant real estate value creation potential
- > Prime sites with unique market positioning
- > Strong commitment to investment discipline

**SOURCING OF UNIQUE PRODUCTS LEVERAGE ON COLONIAL TRACK RECORD**

<p><b>1</b> Paseo de la Castellana, 163</p>	<ul style="list-style-type: none"> <li>&gt; Prime Factory opportunity sourced through an off market deal</li> <li>&gt; Optimization of pricing, leveraging on credit tax and SPV acquisition structure</li> </ul>
<p><b>2</b> Travessera de Gracia, 47-49</p>	<ul style="list-style-type: none"> <li>&gt; Colonial's reputation and track-record key for transaction closing</li> <li>&gt; Accelerated execution thanks to Colonial's strong credit profile</li> </ul>
<p><b>3</b> Plaza Europa, 46-48</p>	<ul style="list-style-type: none"> <li>&gt; Off market sourcing of a Prime Factory project</li> <li>&gt; Partnership with highly recognized family office leveraging on Colonial's reputation in the market</li> </ul>
<p><b>4</b> Emile Zola, 112-122</p>	<ul style="list-style-type: none"> <li>&gt; Prime Factory opportunity sourced in the Paris South Center</li> <li>&gt; Optimized structuring through deferred cash payment</li> </ul>

**ACQUISITIONS DETAILS**

Amounts in €m	Cash Upfront	Total Investment	
Castellana, 163	41	51	
Travessera, 47-49	41	41	
Plaza Europa, 46-48	50% / 50% JV with land contribution by partner	32	
112-122, Émile Zola	165	[245-265] <sup>1</sup>	
<b>Total Investment</b>	<b>247</b>	<b>[369-389]</b>	

**€247m Cash Upfront**

**€369m-€389m  
Total Investment Volume<sup>2</sup>**

<sup>1</sup> Capex amount subject to final project study  
<sup>2</sup> 100% Stake figures

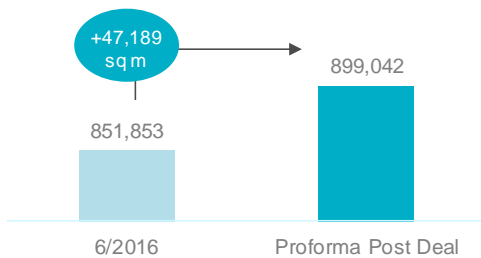
## 03 Transaction Summary

### Acceleration of Colonial's growth plan

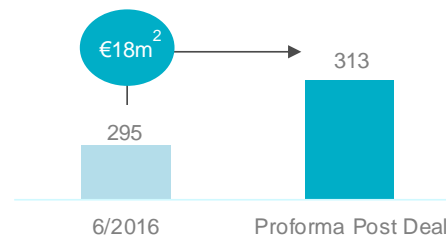
- > Significant growth in operating metrics
- > Significant increase in value-add exposure

#### Significant growth in operating metrics

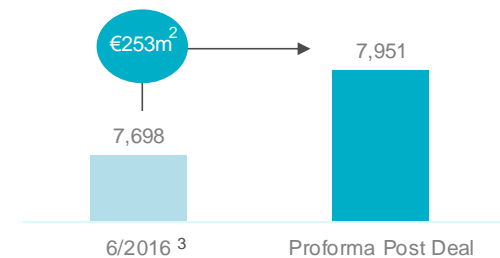
Total GLA – sq m (above ground)



Gross Rental Income<sup>1</sup> - €m

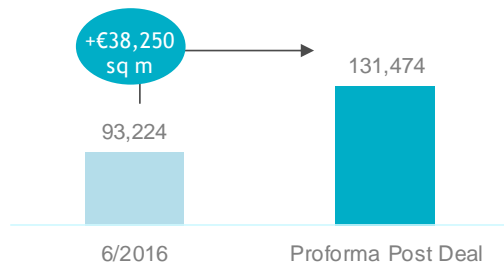


GAV - €m

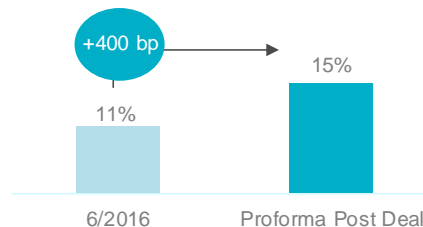


#### Increase of Value Add Exposure

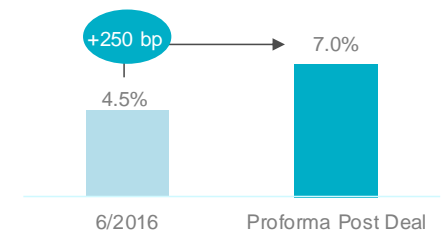
GLA projects & refurbishments - sq m



GLA – Share of Value Add



GAV - Share of Value Add



<sup>1</sup> Topped-up annualized GRI as of 6/2016 + potential GRI of acquisitions: a) Plaza Europa & Émile Zola Projects at current ERV ) current passing rents of Castellana 163 and Travessera de Gracia 47-49  
<sup>2</sup> Considering 50% of plaza Europa  
<sup>3</sup> GAV 6/2016 + Axiare Stake at 6/2016 NAV



### SOLID DELIVERY ON VALUE ADD ACQUISITIONS

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- > Starting 2017 with more than €360m<sup>1</sup> of acquisitions
- > Successful sourcing of investment opportunities leveraging on Colonial's goodwill
- > Acceleration of Colonial's growth strategy:
  - > Substantial increase of GLA (+47,000sq m), GRI (+€18m) and GAV (+€253m)
  - > Significant growth of value add exposure
  - > Solid capital structure with remaining fire power above €700m
- > Assets with substantial real estate value creation potential
- > Creation of prime sites with unique market positioning
- > Attractive entry prices at optimal market timing



**Highly attractive Ungeared Returns maintaining  
strong commitment to investment discipline**

Colonial



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