Investor Day

October 2016

www.larespana.com
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Non-Retail Strategy
An opportunistic approach

Investor Day
Jorge Pérez de Leza
Grupo Lar Head of Non Retail

October 2016
Non Retail Assets: 24% of LRE’s GAV

<table>
<thead>
<tr>
<th></th>
<th>Non-Retail Assets</th>
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<tbody>
<tr>
<td></td>
<td>Offices</td>
</tr>
<tr>
<td>Number of Assets</td>
<td>5</td>
</tr>
<tr>
<td>GLA (sqm)</td>
<td>50,460</td>
</tr>
<tr>
<td>Avg. Occupancy (%)</td>
<td>90.10%</td>
</tr>
<tr>
<td>GAV (€ Mn)</td>
<td>160</td>
</tr>
<tr>
<td>GAV (€ / sqm)</td>
<td>3,167</td>
</tr>
<tr>
<td>Passing Rent (€ Mn)</td>
<td>7</td>
</tr>
<tr>
<td>EPRA NIY (%)</td>
<td>3.4%</td>
</tr>
<tr>
<td>EPRA Topped-up NIY (%)</td>
<td>4.4%</td>
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</tbody>
</table>
Madrid Office Market

Notable take up with slow ramp up in rents

Vacancy rates by zone

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>17%</td>
<td>16%</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
<td>15%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Centre</td>
<td>14%</td>
<td>13%</td>
<td>15%</td>
<td>14%</td>
<td>13%</td>
<td>12%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Decentralised</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Outskirts</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>13%</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Average rents by zone

H1 2016 take up 220,900 sqm, + 7.5% vs H1 2015
- Take up mainly coming from organic growth
- 7 consecutive quarters with >100 transactions signed
- Transaction average size of 950 sqm
- Vacancy goes down to 14.9% vs. 16.1% a year ago
- Refurbishments + new developments will add around 200,000 sqm of good space, with 50% in CBD
- Average rent has increased 13% in annual terms, staying flat on the CBD. Top rent stable at 29 €/sqm
- Yield compression continues with some transactions below 4%

Key Figures

<table>
<thead>
<tr>
<th></th>
<th>CBD</th>
<th>Centre</th>
<th>Decentr.</th>
<th>Outskirts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock (m²)</td>
<td>2,158,500</td>
<td>4,414,100</td>
<td>4,292,100</td>
<td>4,067,300</td>
<td>14,932,000</td>
</tr>
<tr>
<td>Vacancy (m²)</td>
<td>173,000</td>
<td>275,600</td>
<td>622,400</td>
<td>699,500</td>
<td>1,770,400</td>
</tr>
<tr>
<td>Vacancy rate (%)</td>
<td>8.0%</td>
<td>6.2%</td>
<td>14.5%</td>
<td>17.2%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Take-up Q2 2016 (m²)*</td>
<td>19,700</td>
<td>29,700</td>
<td>42,800</td>
<td>19,200</td>
<td>111,400</td>
</tr>
<tr>
<td>Year to date take-up (m²)*</td>
<td>38,900</td>
<td>52,700</td>
<td>77,100</td>
<td>52,200</td>
<td>220,900</td>
</tr>
<tr>
<td>Prime rent Q2 (€/m²/year)</td>
<td>348.0</td>
<td>288.0</td>
<td>239.4</td>
<td>252.0</td>
<td>-</td>
</tr>
<tr>
<td>Avg. rent Q2 (€/m²/year)</td>
<td>249.2</td>
<td>196.7</td>
<td>159.9</td>
<td>128.7</td>
<td>183.1</td>
</tr>
<tr>
<td>New deliveries (m²)**</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deliveries in the Pipeline 2016 (m²)**</td>
<td>11,600</td>
<td>5,200</td>
<td>36,500</td>
<td>0</td>
<td>53,300</td>
</tr>
<tr>
<td>Deliveries in the Pipeline 2017 (m²)**</td>
<td>82,900</td>
<td>22,200</td>
<td>48,600</td>
<td>12,100</td>
<td>165,800</td>
</tr>
</tbody>
</table>

Source: BNP Real Estate
Good performance continues in 2016

- H1 2016 take up 186,000 sqm, + 34% vs H1 2015 (which was record year)
  - A2 axis (where Alovera is) concentrates 75% of the take up
  - Most demand concentrated on the third ring
- Vacancy goes down to 9%, or 620,000 sqm, but only around 65,000 sqm of good quality stock
- Average and top rents steady at 3.5 €/sqm and 5.5 €/sqm, but forecast shows upwards trend
- Yield compression continues: 7.0%→6.5%

Source: BNP Real Estate
Opportunistic approach to non retail assets

**Core locations**
- Focus on liquid markets
- Luxury residential in Madrid
- Offices in Madrid and Barcelona
- Logistics in main markets (Madrid, Valencia) as a good complement to retail

**Focus on value add assets**
- Off market acquisitions
- Management as a key element to generate value, leveraging on Grupo Lar’s platform
- “Assets that few players could find and turnaround”

**Development**
- Development with a moderate weight as a source of return
- Always on selective locations with a leading proposition

**Asset Rotation**
- Selective asset rotation
- Based on generated return, strategic importance (and the absence of economies of scale)

**Approach**
- Opportunistically target offices and logistic assets
- Assets to be rotated respecting SOCIMI status to fund further growth in retail and shareholder remuneration
Focus on value add assets

- Lagasca 99 was an off market opportunity with a very difficult closing process
- Eloy Gonzalo was a one-off opportunity to purchase in the center at 2,000 €/sqm
- Torre Spinola was the result of a bilateral negotiation with insolvency administrator of Reyal-Urbs

Core locations

- Lagasca 99 located in the Salamanca district, best residential area in Madrid
- Offices in Madrid (Egeo, Arturo Soria, Torre Spinola, Eloy Gonzalo) and Barcelona only, within the inner ring-roads influence

Development

- Residential development in Madrid (Lagasca 99) with targeted return above 20% IRR

Asset Rotation

- Lagasca 99 will be fully sold and delivered in Q1 2018
- Office and logistics assets to be divested when rebuy analysis shows it’s time to sell
**Case Example 1: Lagasca 99**

**Unique development opportunity**

**Asset Characteristics**

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Total GLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>26,203 Sqm</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Construction Period</th>
<th>Acquisition Price*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 - 2018</td>
<td>EUR 50 Mn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>€/m2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagasca 99, Juan Bravo 3, Madrid</td>
<td>3,807 €/sqm</td>
</tr>
</tbody>
</table>

**Asset Profile**

- Location in Salamanca district, most exclusive area in Madrid
- Stand-alone building, providing excellent natural light and ventilation options for all units
- 20,885 sqm above ground in LGSC99, 42 residential units, new underground parking
- Unique common areas unseen in the Spanish market: indoor and outdoor pools, spa, gym, meeting rooms
- The property will be the most exclusive residential development in Madrid since 2006

**Opportunistic Approach**

- Off market transaction pursued by many players that failed to close due to the complexity and multi party negotiations involved (Santander bank, creditors, shareholders, parking owners)
- Purchased at a highly attractive price, as market started to recover
- Development from scratch, leveraging on manager’s development expertise to modify initial product offering to meet premium market needs

(*) Corresponds to 50% of the JV with Pimco
Case Example 1: Lagasca 99

Progress to Date

42% sold off market
- Commercial success of “off market” commercialization, committing more than 42% of the product and with an impact on the sales over the initial estimate (10,000 € / sqm)
- Full marketing campaign launched in October

Construction works ongoing
- Construction launched Q1 2016
- Foundation completed and structure to the street level. The construction works have been proceeding smoothly and on schedule

Significant Revaluation of assets
- Significant revaluation (14%-16%) since acquisition of the plot of land, due to improvement in residential market and product scarcity

“Lagasca 99 is one of the reference projects in Europe and the most important residential project in Madrid”

Colliers International
Case Example 2: Torre Spínola

Works completed on time and on cost

- Works completed
- BREEAM certification
- The best office building in a consolidated office area
- Great visibility from M-30 ring, the most travelled highway in Madrid
- Stunning city views
- Commercialization started (CBRE & Aguirre Newman co-exclusive,
  Main real estate agents in Spain, focused on corporate headquarters demand
  Confirmation of the technical expertise of the manager

<table>
<thead>
<tr>
<th>GLA</th>
<th>Acquisition price</th>
<th>Redevelopment Capex</th>
<th>Total cost per sqm.</th>
<th>Expected yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,875 sqm.</td>
<td>EUR 19.0 Mn</td>
<td>EUR 9.6 Mn</td>
<td>EUR 3,222/sqm</td>
<td>&gt; 7.5%</td>
</tr>
</tbody>
</table>
Case Example 3: Logistic Assets
Attractive NIYs at Acq. With 100% occupancy

### Alovera I, II, III & IV

- **Acquisition Date**: 07/08/2014 – 26/05/2015
- **Location**: Guadalajara
- **GLA**: 142,629 sqm
- **Price per sqm**: €386 /sqm
- **No. Tenants**: One tenant per warehouse
- **Acquisition Price**: EUR 55.01 Mn
- **Initial Occupancy**: 100%
- **Net Initial Yield on Cost**: 8.3% - 10.2%
- **Monthly Rent (€/sqm)**: €2.6 - €4.2

### Almussafes

- **Acquisition Date**: 26/05/2015
- **Location**: Valencia
- **GLA**: 19,211 sqm
- **Price per sqm**: €435 /sqm
- **No. Tenants**: Single tenant
- **Acquisition Price**: EUR 8.35 Mn
- **Initial Occupancy**: 100%
- **Net Initial Yield on Cost**: 8.1%
- **Monthly Rent (€/sqm)**: €3.2