



Real Estate

Investor Day

www.larespana.com

October 2016

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Non-Retail Strategy

An opportunistic approach



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Non Retail Assets Portfolio overview

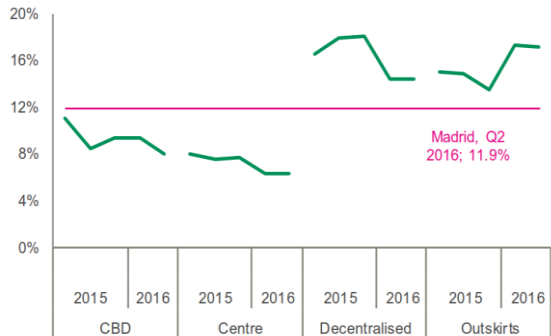
**Non Retail Assets:
24% of LRE's GAV**

	Non-Retail Assets		
	Offices	Logistics	Residential
Number of Assets	5	5	1
GLA (sqm)	50,460	161,838	9,453
Avg. Occupancy (%)	90.10%	100%	n.a.
GAV (€ Mn)	160	72	58
GAV (€ / sqm)	3,167	447	6,168
Passing Rent (€ Mn)	7	6	n.a.
EPRA NIY (%)	3.4%	7.2%	n.a.
EPRA Topped-up NIY (%)	4.4%	7.4%	n.a.

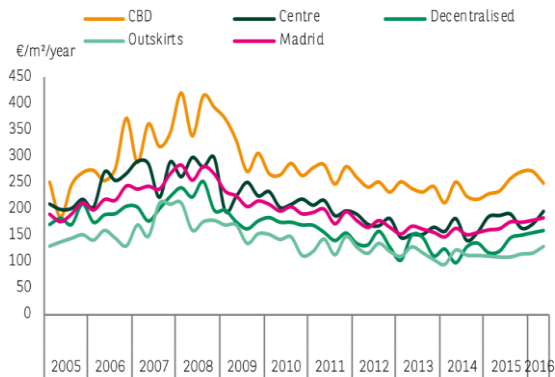
Madrid Office Market

Notable take up with slow ramp up in rents

Vacancy rates by zone



Average rents by zone



Key Figures

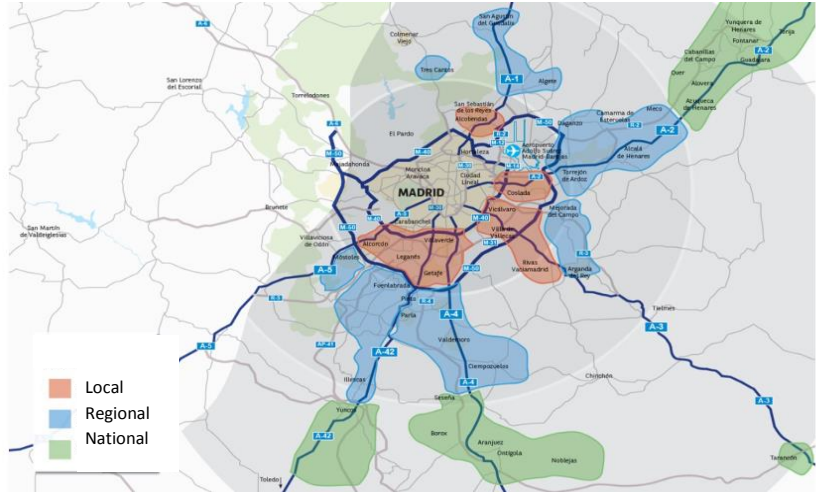
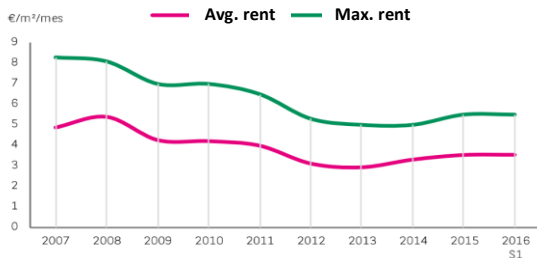
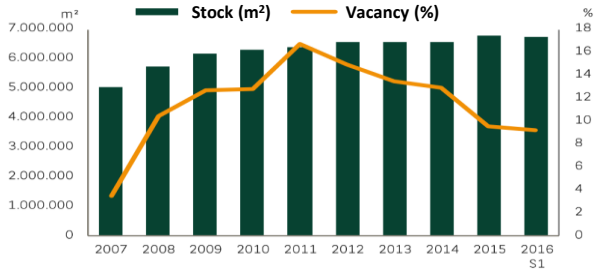
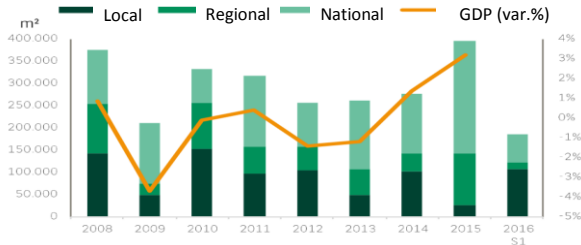
	CBD	Centre	Decentr.	Outskirts	Total
Stock (m ²)	2,158,500	4,414,100	4,292,100	4,067,300	14,932,000
Vacancy (m ²)	173,000	275,600	622,400	699,500	1,770,400
Vacancy rate (%)	8.0%	6.2%	14.5%	17.2%	11.9%
Take-up Q2 2016 (m ²)*	↑ 19,700	↑ 29,700	↑ 42,800	↓ 19,200	↑ 111,400
Year to date take-up (m ²)*	38,900	52,700	77,100	52,200	220,900
Prime rent Q2 (€/m ² /year)	348.0	288.0	239.4	252.0	-
Avg. rent Q2 (€/m ² /year)	↓ 249.2	↑ 195.7	↑ 158.9	↑ 128.7	↑ 183.1
New deliveries (m ² **)	0	0	0	0	0
Deliveries in the Pipeline 2016 (m ² **)	11,600	5,200	36,500	0	53,300
Deliveries in the Pipeline 2017 (m ² **)	82,900	22,200	48,600	12,100	165,800

- 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%

Madrid Logistics Market

Good performance continues in 2016

Take Up Volume



- 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%

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"

APPROACH

- Opportunistically target offices and logistic assets
- Assets to be rotated respecting SOCIMI status to fund further growth in retail and shareholder remuneration



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)

Examples

How does this strategy relate to LRE's N-RA



Core locations

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



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-Urbis

OPPORTUNISTIC APPROACH TO NON-RETAIL ASSETS



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

Asset Type Residential	Total GLA 26,203 Sqm
Construction Period 2016 - 2018	Acquisition Price* EUR 50 Mn
Location Lagasca 99, Juan Bravo 3, Madrid	€/m2 3,807 €/sqm

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

LAGASCA99



(*) 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 Q12016
- 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

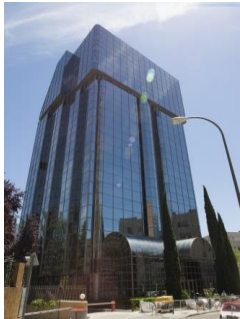
Commercialization started (CBRE & Aguirre Newman co-exclusive,

Main real estate agents in Spain, focused on corporate headquarters demand

Confirmation of the technical expertise of the manager



GLA	Acquisition price	Redevelopment Capex	Total cost per sqm.	Expected yield
8,875 sqm.	EUR 19.0 Mn	EUR 9.6 Mn	EUR 3,222/sqm	> 7.5%



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	Acquisition Price EUR 55.01 Mn
Location Guadalajara	Price per sqm €386 /sqm
GLA 142,629 sqm	No. Tenants One tenant per warehouse

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	Acquisition Price EUR 8.35 Mn
Location Valencia	Price per sqm €435 /sqm
GLA 19,211 sqm	No. Tenants Single tenant

Initial Occupancy
100%

Net Initial Yield on Cost
8.1%

Monthly Rent (€/sqm)
€3.2



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