

# CAPITAL MARKETS DAY 2017

BARCELONA, 24 OCTOBER





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# LOGISTICS

WHY DO WE LIKE LOGISTICS?

STRATEGY

THE WAREHOUSES OF THE FUTURE

THE SPANISH MARKET

A LEADING LOGISTICS FOOTPRINT

THE TEAM

FUTURE GROWTH DRIVERS

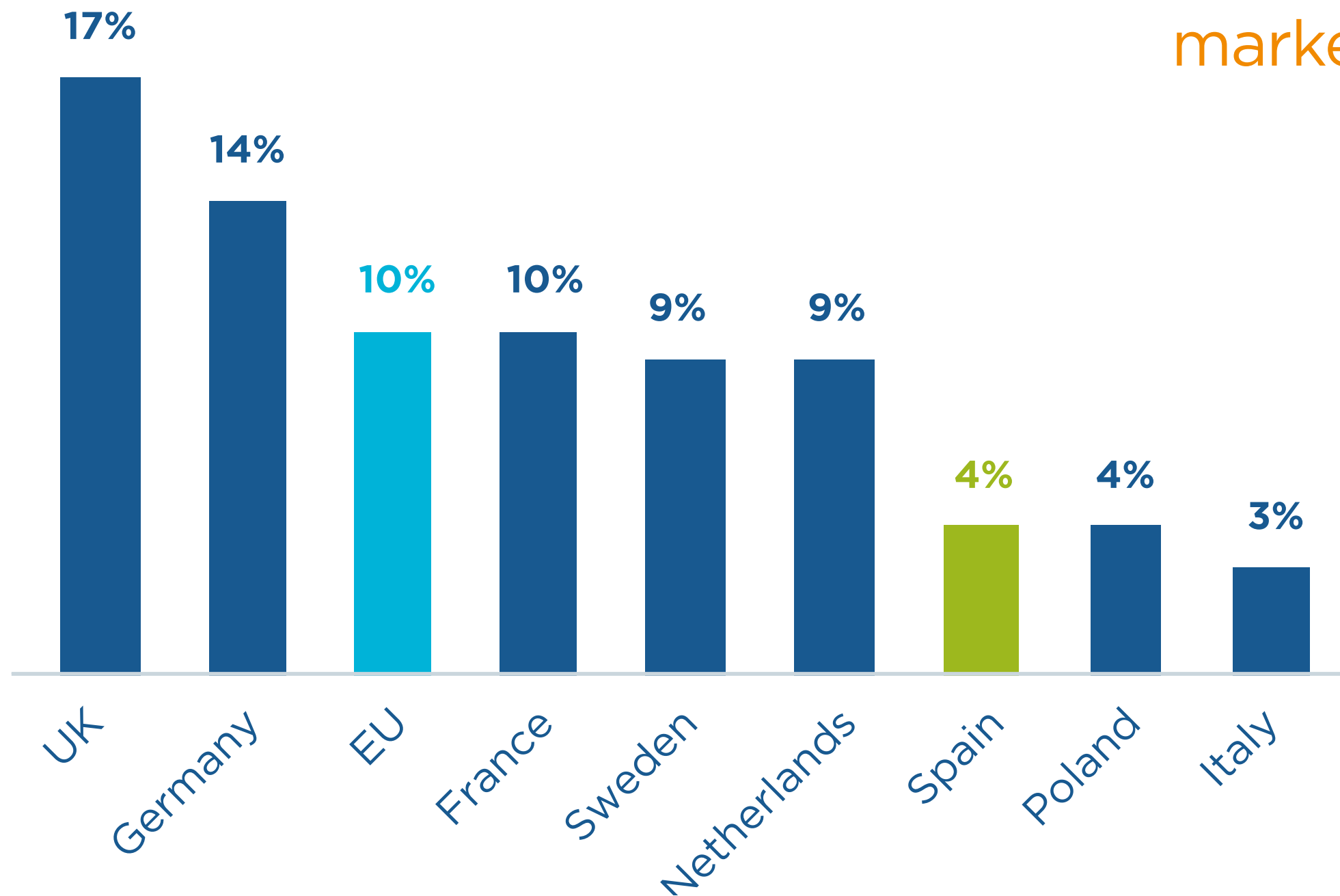




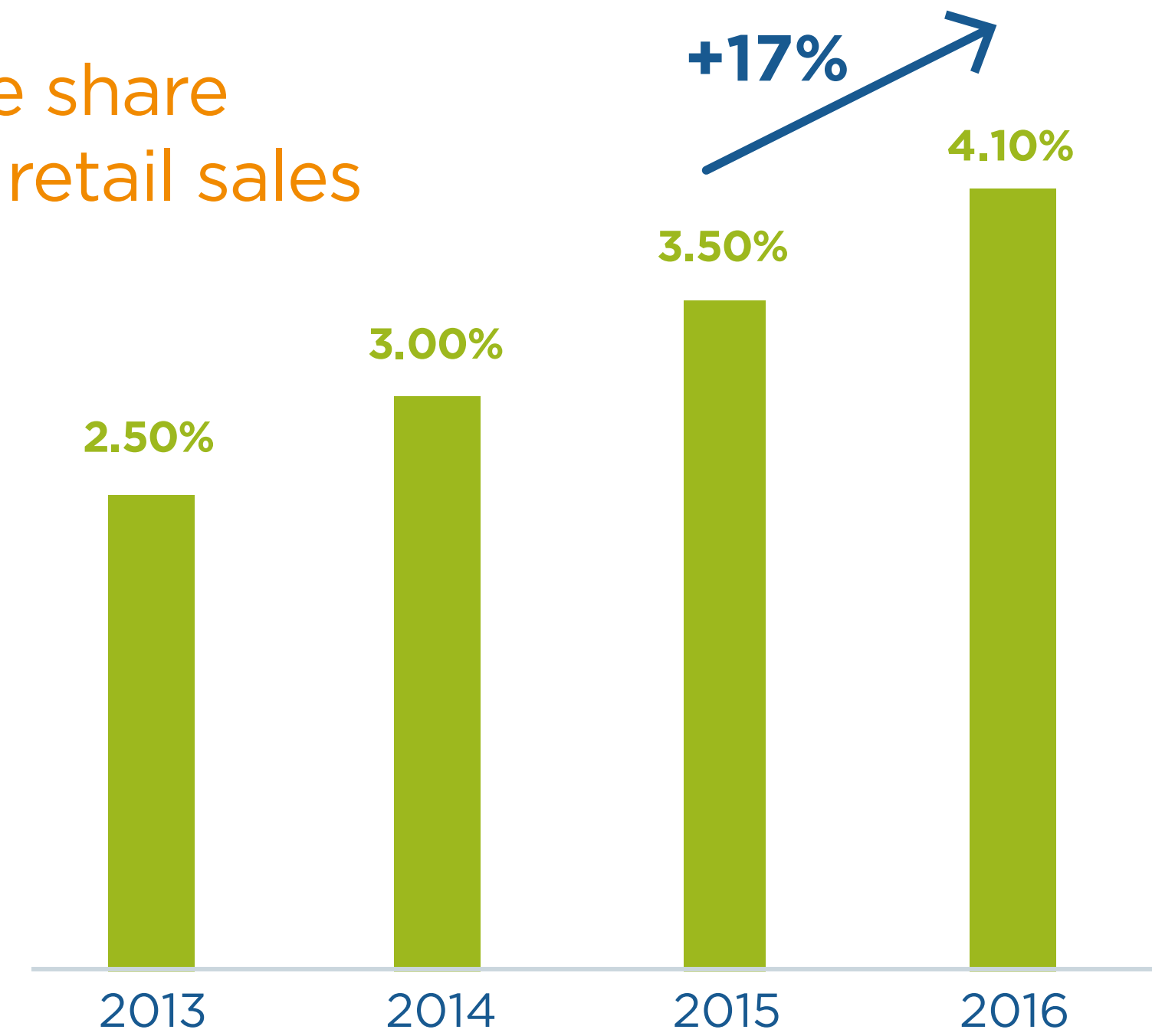
SPAIN HAS ONE OF THE **LOWEST ONLINE SHARES** OF TOTAL RETAIL SALES IN EUROPE

**BUT ONLINE RETAIL PENETRATION IS GROWING RAPIDLY**

% online retail share of home market 2016



% online share of total retail sales Spain



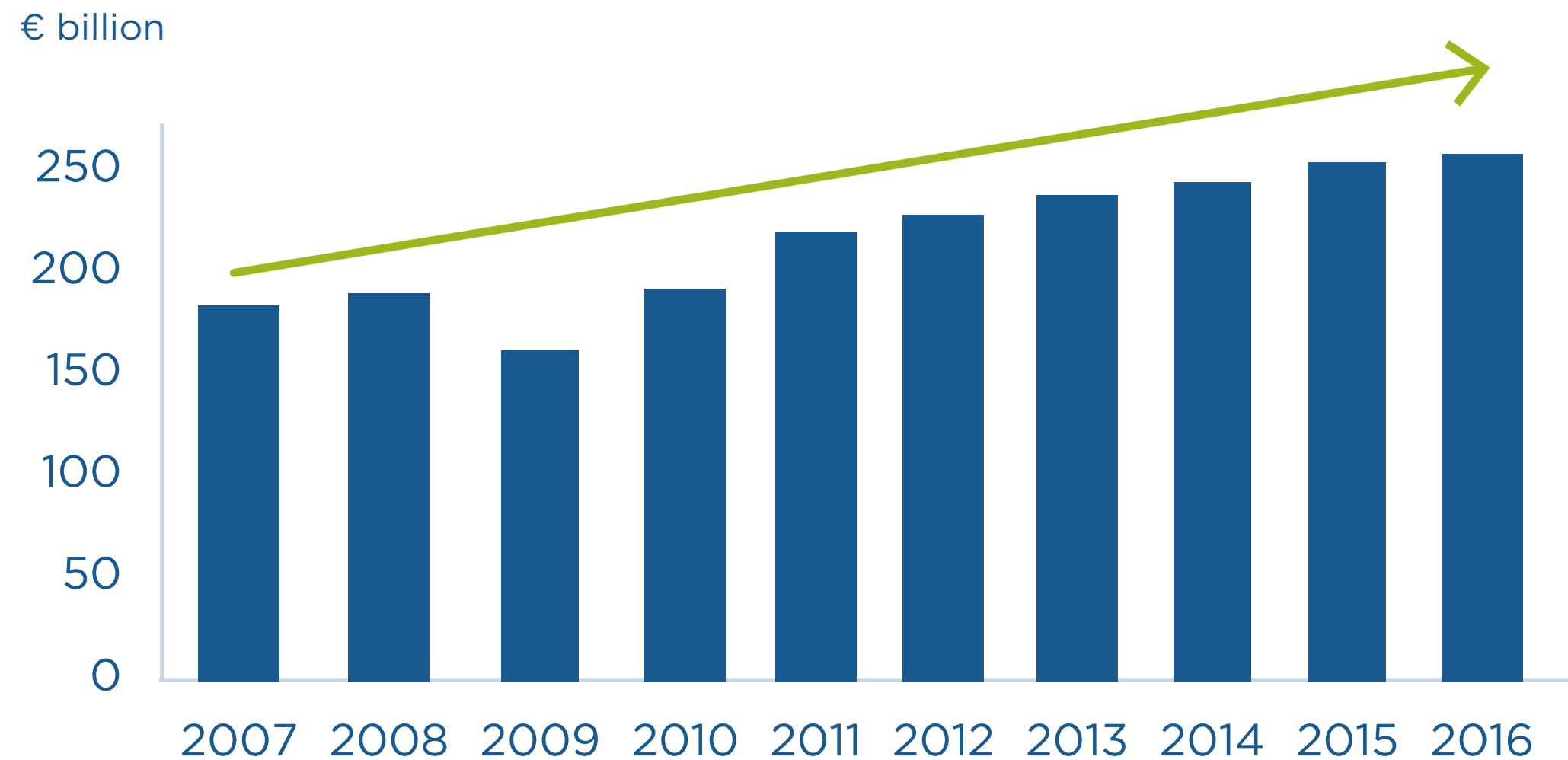


## Exports/imports

**SPANISH EXPORTS** (23.3% GDP) ARE AMONG THE STRONGEST IN THE EUROPEAN UNION (+4.4% IN 2016)

RECOVERY IN INTERNAL CONSUMPTION HAS INCREASED **SPANISH IMPORTS**, WHICH HAS STRENGTHENED DEMAND OF LOGISTICS SPACES

### Spanish exports (2007-2016)



Source: JLL, Ministerio de Economía

## Logistics outsourcing



of Spanish companies **outsource logistics** operations (90%+ in UK/US)



**of increase** in outsourcing among Spanish companies in the last 7 years





**1**  
National footprint to serve 100% of clients needs



**2**  
State-of-the-art facilities suitable for 3PLs and end-users



**3**  
Diversified product offering:  
Cross docking, large cube, cold storage and hazard materials

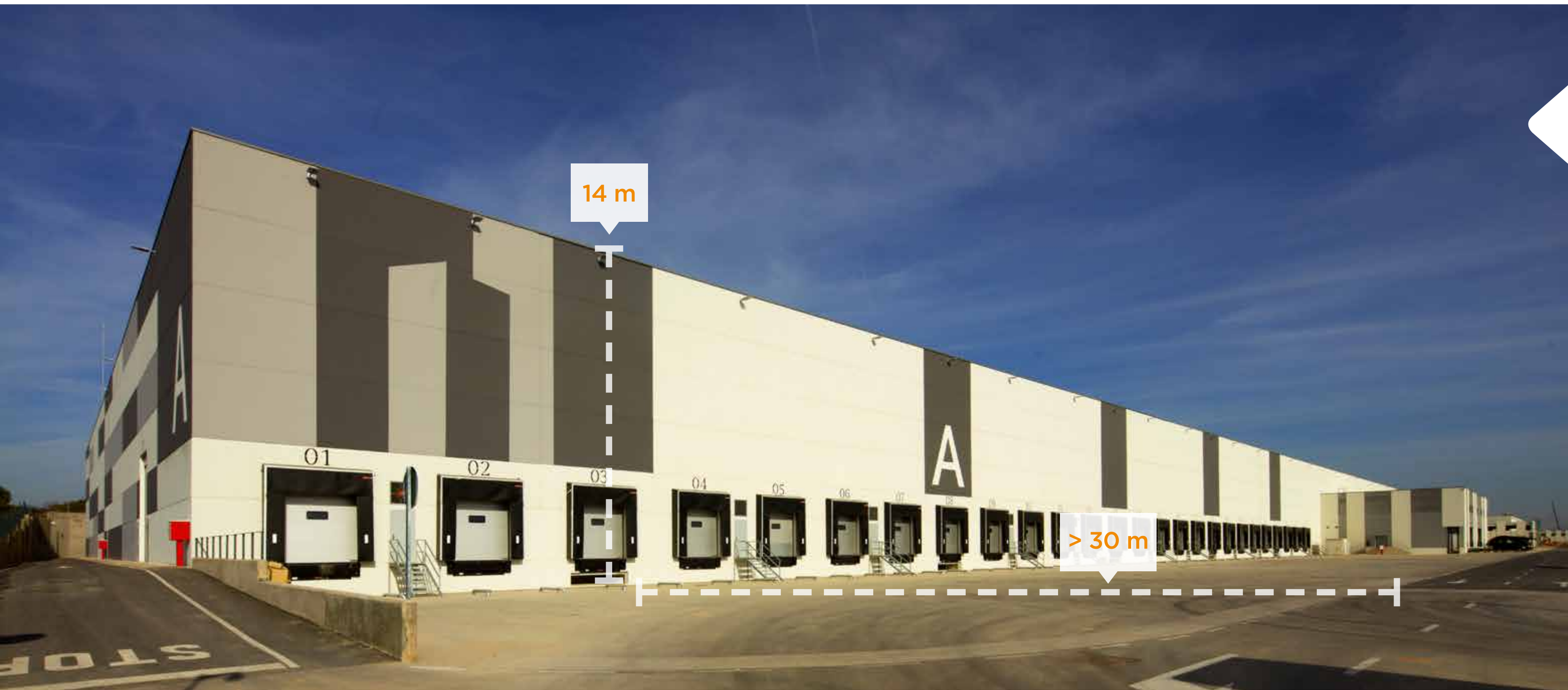


**4**  
Expand **last mile solutions** in the first isochrone of main cities





**1<sup>st</sup> generation Logistics**  
Clear height: < 8m  
Loading Docks: 1/3000 m<sup>2</sup>  
Truck yard depth: < 20 m



**State-of-the-art Logistics**  
Clear height: > 11 m  
Loading Docks: 1/800 m<sup>2</sup>  
Truck yard depth: > 30 m



# The warehouses of the future | New standards on logistics

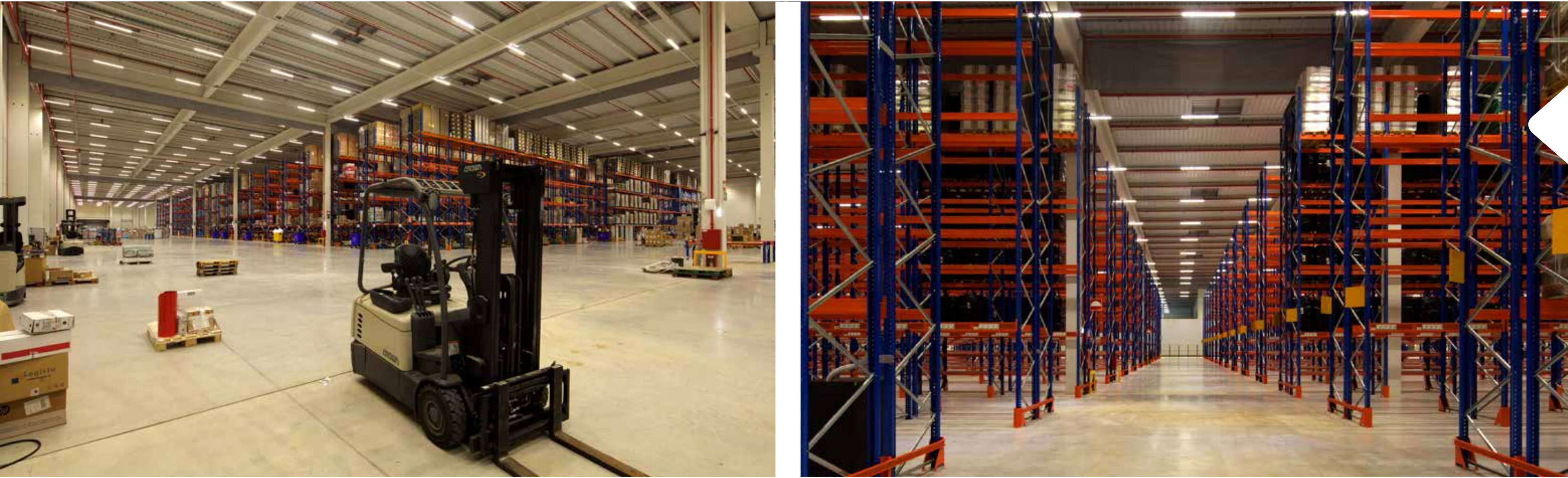


**1<sup>st</sup> generation Logistics**  
Loading Docks: 1/3000 sqm



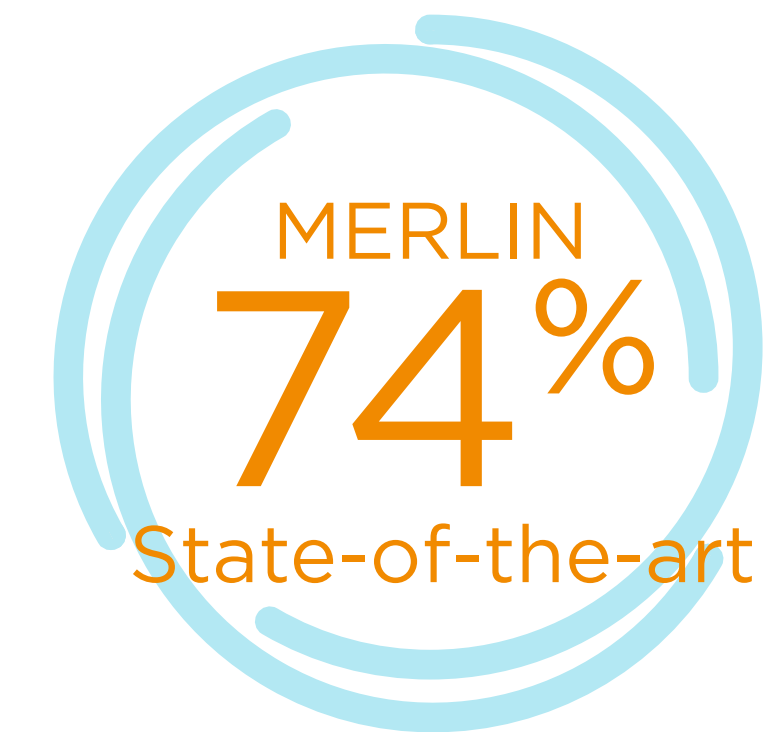
**State-of-the-art Logistics**  
Loading Docks: 1/800 sqm





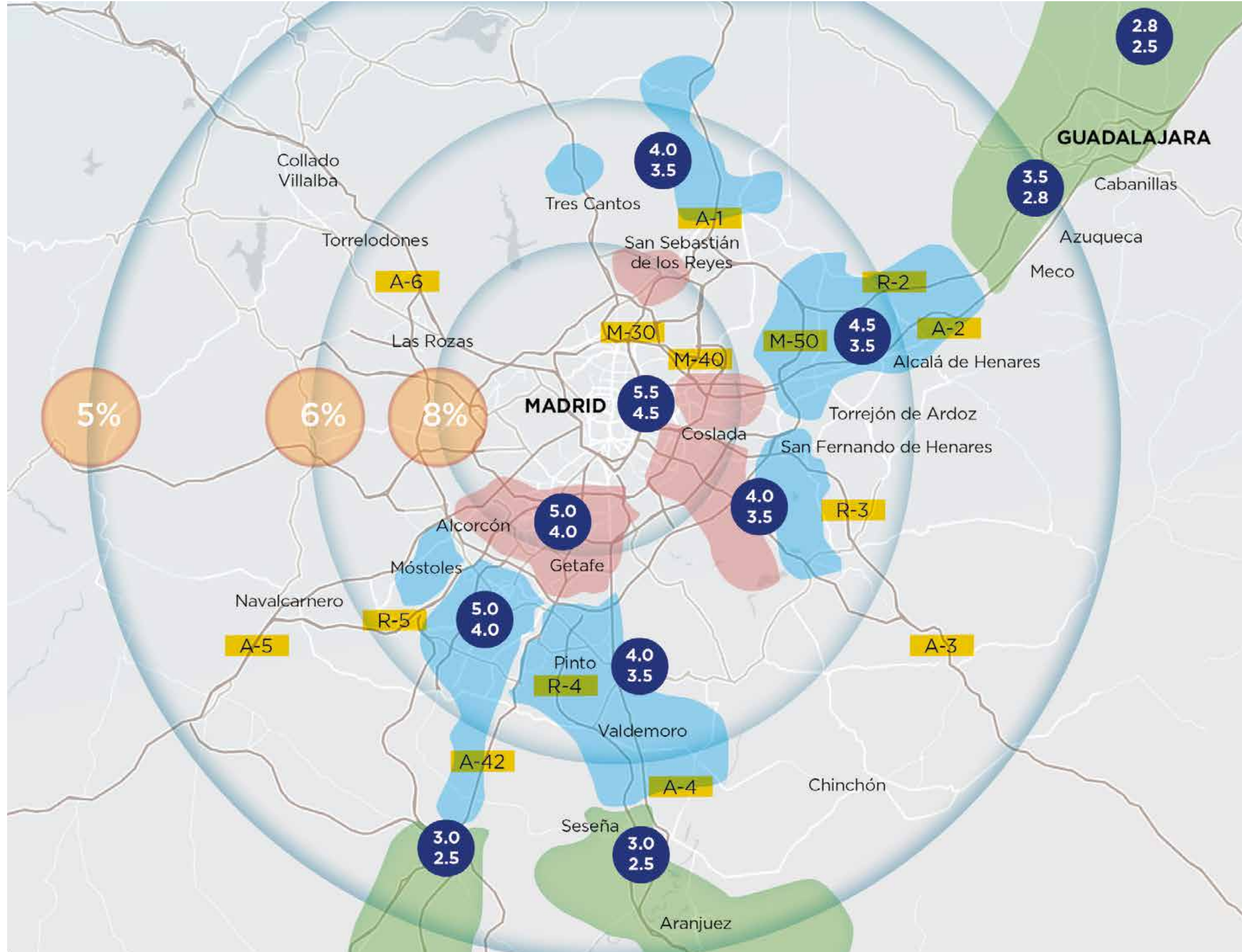
### State-of-the-art Logistics

- Slab without joints
- Skylights in 10% of the roof
- LED lighting
- Environmental solutions





# The Spanish market | Madrid



- Maximum and minimum rents (€/sqm/month)
- Availability

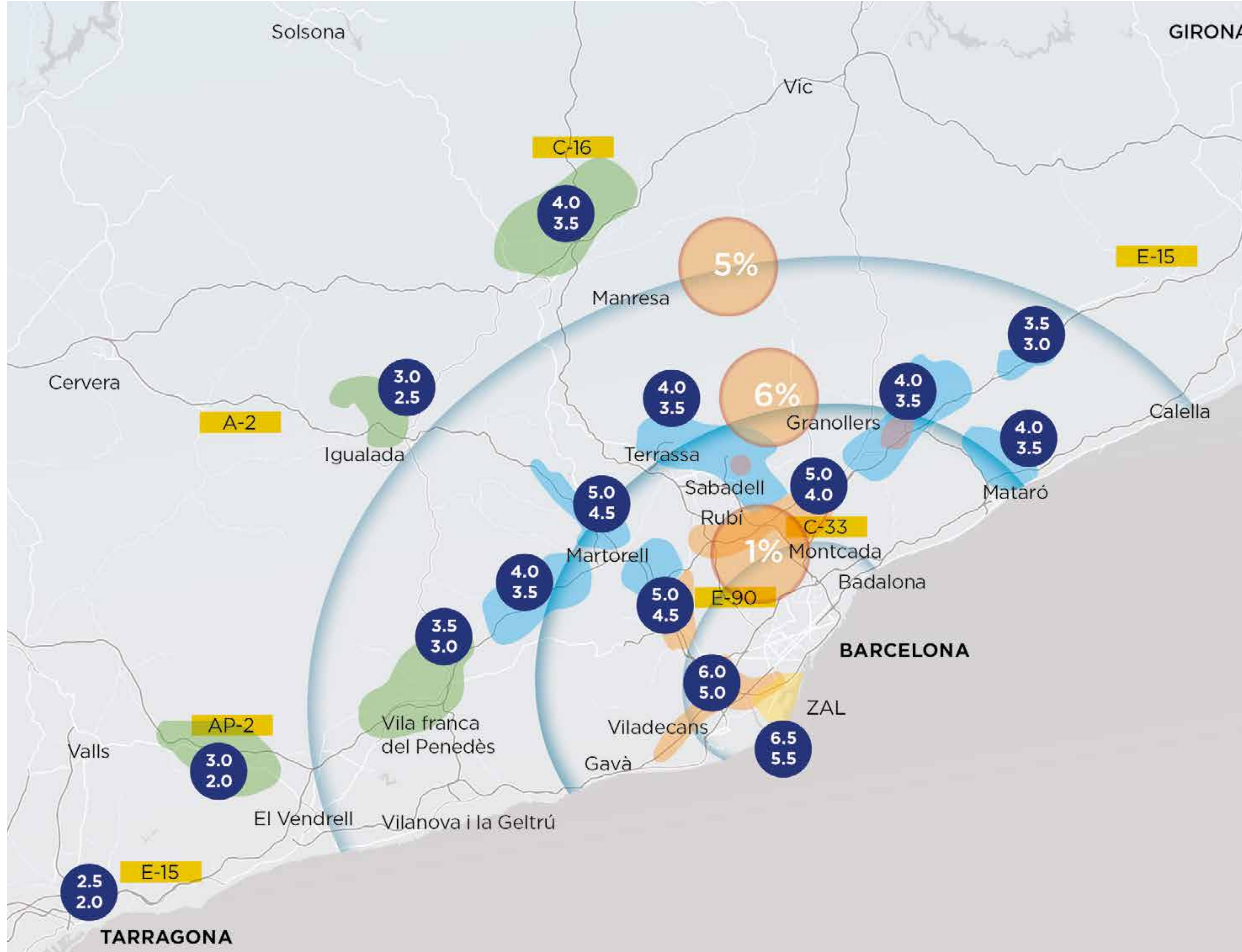
**Logistics hubs**

- Local
- Regional
- National

Source: BNP Paribas Real State



# The Spanish market | Barcelona



● Maximum and minimum rents (€/sqm/month)  
● Availability

**Logistics hubs**

- Local
- Regional
- National
- Production related
- Port

Source: BNP Paribas Real State



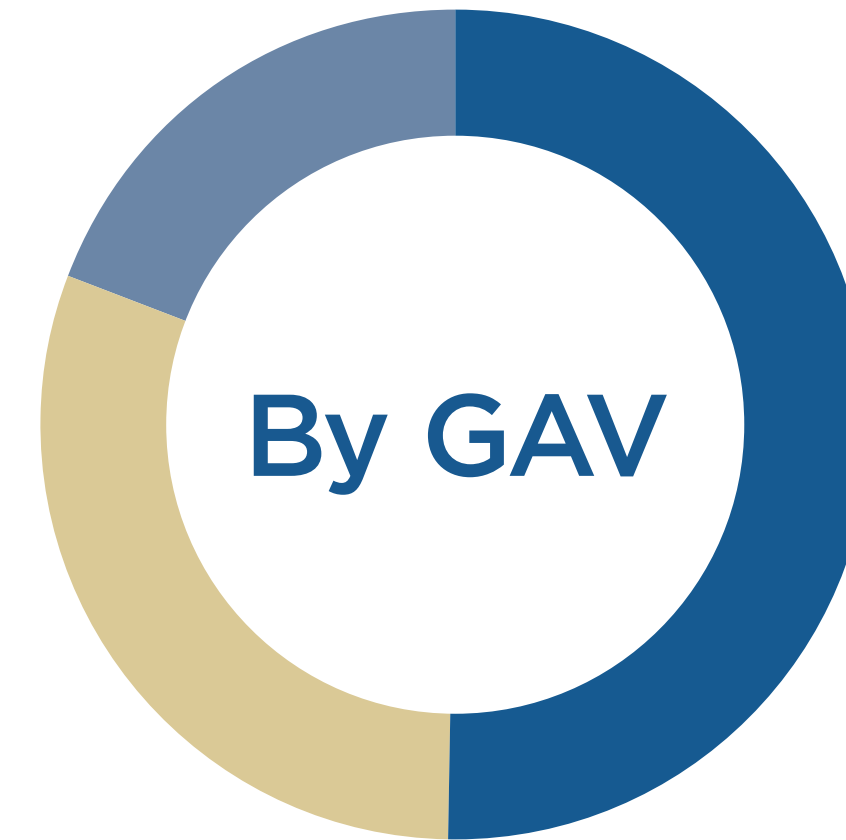


## Fast facts

	Existing		WIP <sup>(3)</sup>	
	Consolidated	ZAL Port <sup>(1)</sup>	Consolidated	ZAL Port <sup>(1)</sup>
# ASSETS	38	44	14	2
GLA	921k	468k	595k	35k
GRI (POST CANON) <sup>(2)</sup>	41.2	29.5	24.6	2.2
OCCUPANCY	99%	94%	30%	100%
GAV	590.3		294.3	
YOC	7.0%		8.4%	

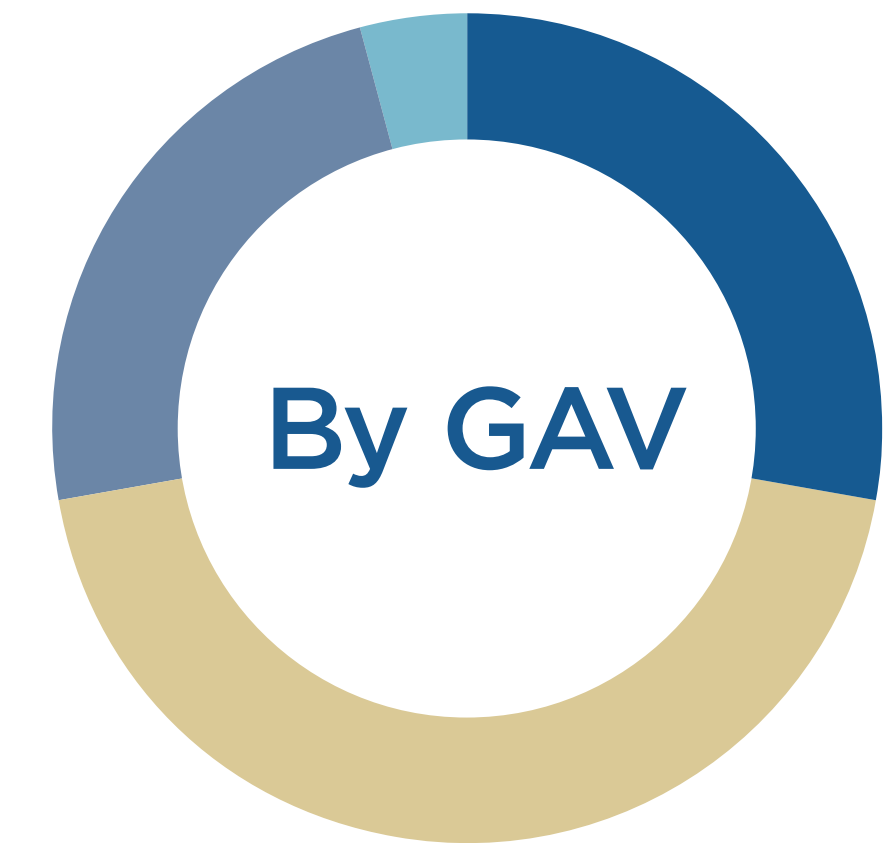
+ 2m sqm under management

## By tenant type



- 3PL multi-client **51%**
- 3PL mono-client **19%**
- End user **30%**

## By reach



- National **44%**
- Regional **28%**
- Ports **24%**
- Production related **4%**

<sup>(1)</sup> Figures reported for 100% of ZAL Port

<sup>(2)</sup> Annualized gross rental income calculated as passing gross rent as of June 30, multiplied by 12

<sup>(3)</sup> Total expected gross rents. GAV includes acquisition cost plus estimated Capex



# A leading logistics footprint |





A leading logistics footprint | Asset management LEED / BREEAM program



Obtained (sample)



Madrid - Meco II



Guadalajara - Cabanillas Park I A



Guadalajara - Alovera

BREEAM®



Guadalajara - Cabanillas I

BREEAM®



Madrid - Coslada

BREEAM®



Madrid - Meco

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BCN - Granada del Penedés

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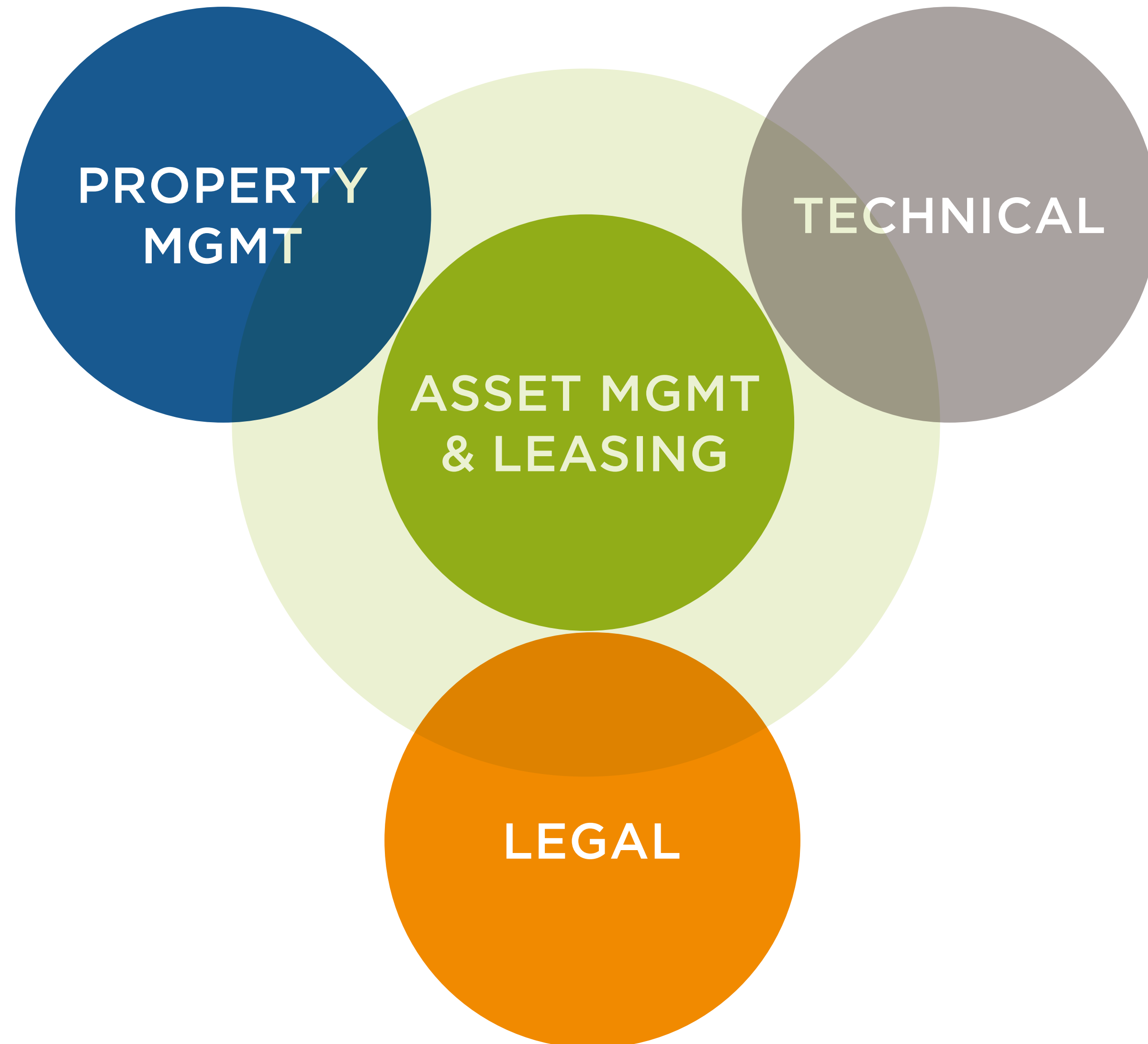
Madrid - Coslada Complex A

BREEAM®





360 ° TEAM WITH INTERNAL TECHNICAL CAPABILITIES FOR DEVELOPMENTS





WIP Update | High-return expansion program to increase footprint by 70%



595 k sqm

€ 237m  
Pending investments

€ 24.6m  
of additional anual rent

8.4%  
Yield on cost



# Future growth drivers | Madrid - Meco II



59,891 sqm GLA

Development delivered in 3Q 2017, fully let to



€ 29.4m Investment and 9.1% YoC





## Future growth drivers | Madrid - Gavilanes



**39,576 sqm GLA**  
divided in 6 modules

Turn key project with rental  
guarantee during 18 months  
to be delivered in **4Q 2017**

**€ 32.1m** investment and **8.4%** YoC



## Future growth drivers | Madrid - San Fernando I



11,165 sqm GLA

Cross-docking, turn key last mile facility with rental guarantee to be delivered in **1Q 2018**

€ 9.5m Investment and **7.8%** YoC



# Future growth drivers | Madrid - Pinto



70,000 sqm GLA  
divided in 3 modules  
fully let to



before final delivery in 2Q 2018

€ 26.0m investment and 9.8% YoC



# Future growth drivers | Guadalajara - Cabanillas Park I (Module F)



15,000 sqm GLA

Turn-key project to be delivered in 1Q 2019

€ 7.7m Investment and 7.6% YoC



## Future growth drivers | Guadalajara - Cabanillas Park II



210,678 sqm GLA  
divided in 6 modules  
(3 Phases of 70,000 sqm)

Turn key Project to be delivered in  
**2Q 2019, 2Q 2020** and **2Q 2021**

€ 107.4m investment and **7.8%** YoC



# Future growth drivers | Guadalajara - Azuqueca II



98,000 sqm GLA

Built to suit project in advanced negotiations

€ 47.4m Investment and 9.3% YoC





**MERLIN**  
PROPERTIES



51,000 sqm GLA

Turn key project to be delivered in  
2Q 2019

€ 29.8m Investment and 7.6% YoC



# Future growth drivers | Sevilla ZAL I



5,400 sqm GLA

Built to suit, cross-docking facility for **XPO Logistics** to be delivered in **1Q 2018**

€ 2.7m Investment on a concession land with an **11.3%** YoC



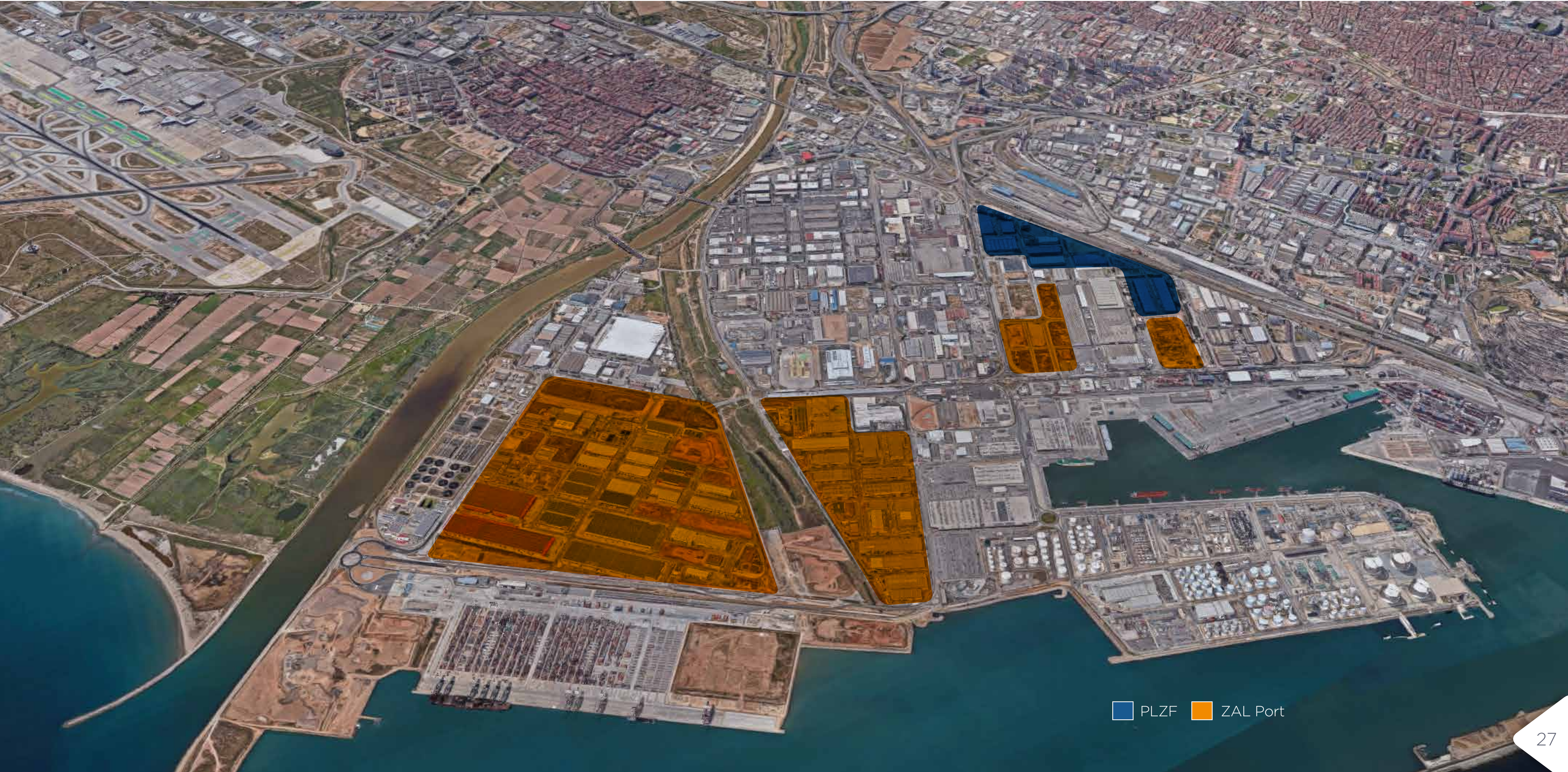


+200,000 sqm  
of potential GLA

Located in the prime zone  
of Portugal's main logistics axis







■ PLZF ■ ZAL Port





€ 41.9m  
of GRI  
(pre canon)

€ 29.5m  
of GRI  
(post canon)

96%  
Occupancy

+468k sqm  
GLA

+35k sqm  
GLA WIP



€ 8.9m  
of GRI  
(pre canon)

€ 7.5m  
of GRI  
(post canon)

99%  
Occupancy

133k sqm  
GLA





**MERLIN**

PROPERTIES

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testa 



RESIDENTIAL MARKET **OVERVIEW**

TRACK **RECORD**

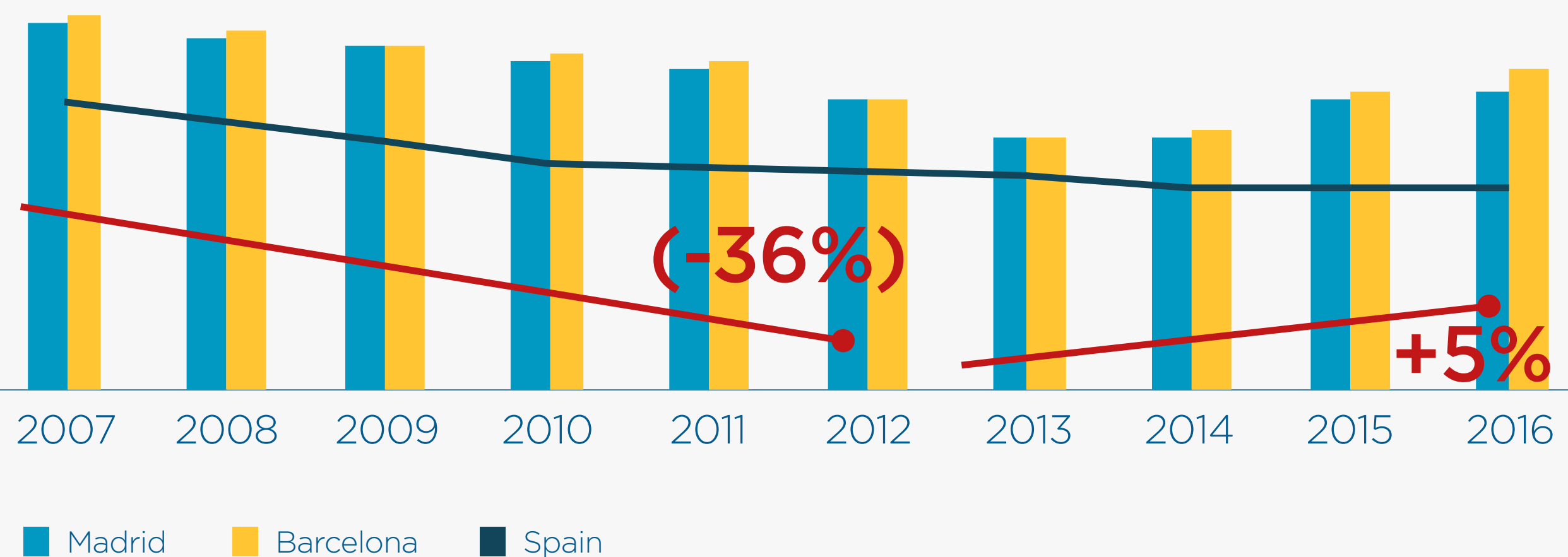
**TESTA** AT A GLANCE

**PORTFOLIO** OVERVIEW

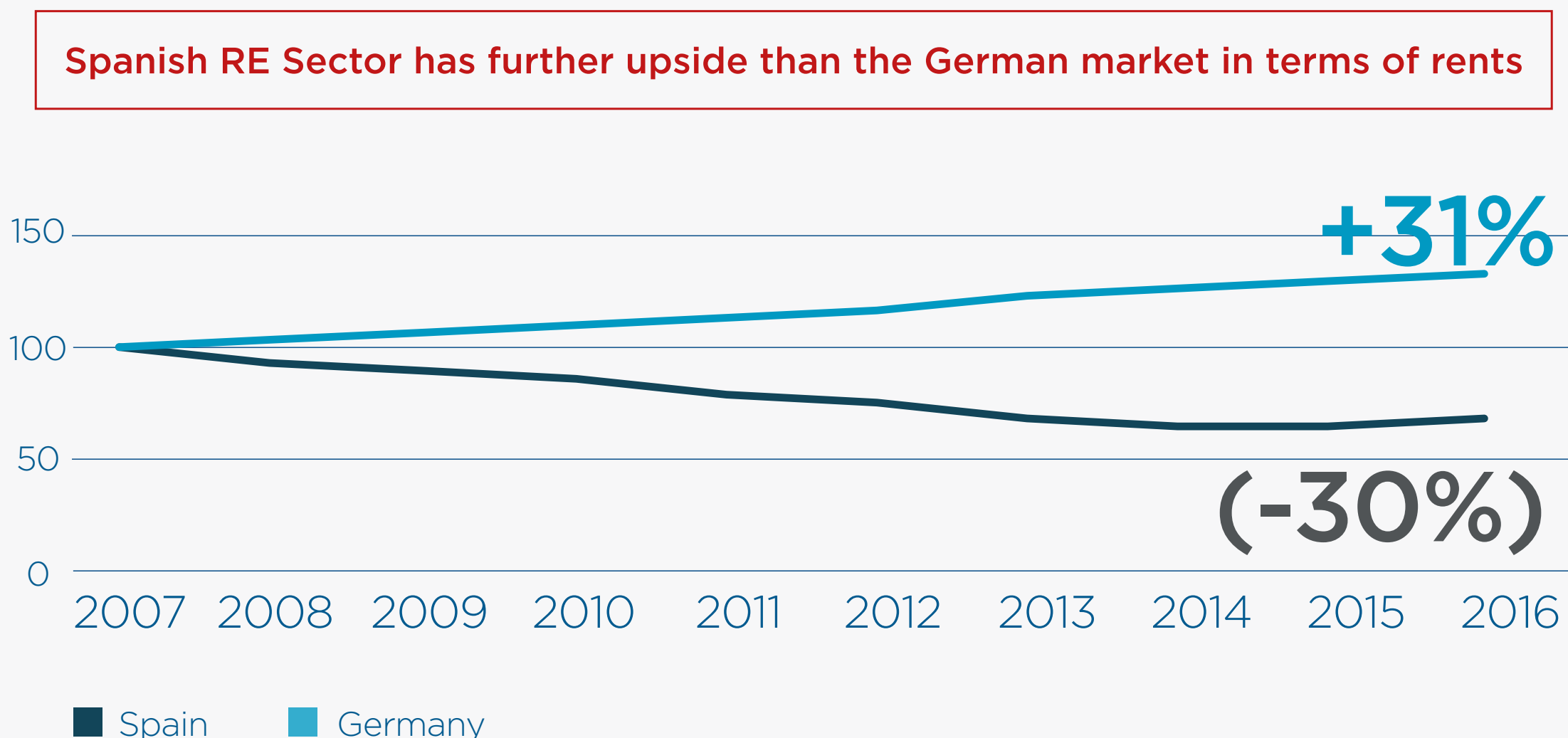


**Spanish real estate recovery** has been confirmed by the total capital invested in the sector<sup>1</sup> in 2015 (€13bn) and 2016 (€8,7bn). However, the Spanish residential market has not experienced its full potential and still has implicit upside in terms of: 1) Yield; 2) Capital Growth. Within the residential market, the **rental business is clearly increasing its market share.**

RENTAL RESIDENTIAL PRICES EVOLUTION IN SPAIN (€/SQM/M)<sup>2</sup>



EVOLUTION OF AVERAGE MONTHLY RENTAL PRICE (SPAIN VS GERMANY)<sup>3</sup>

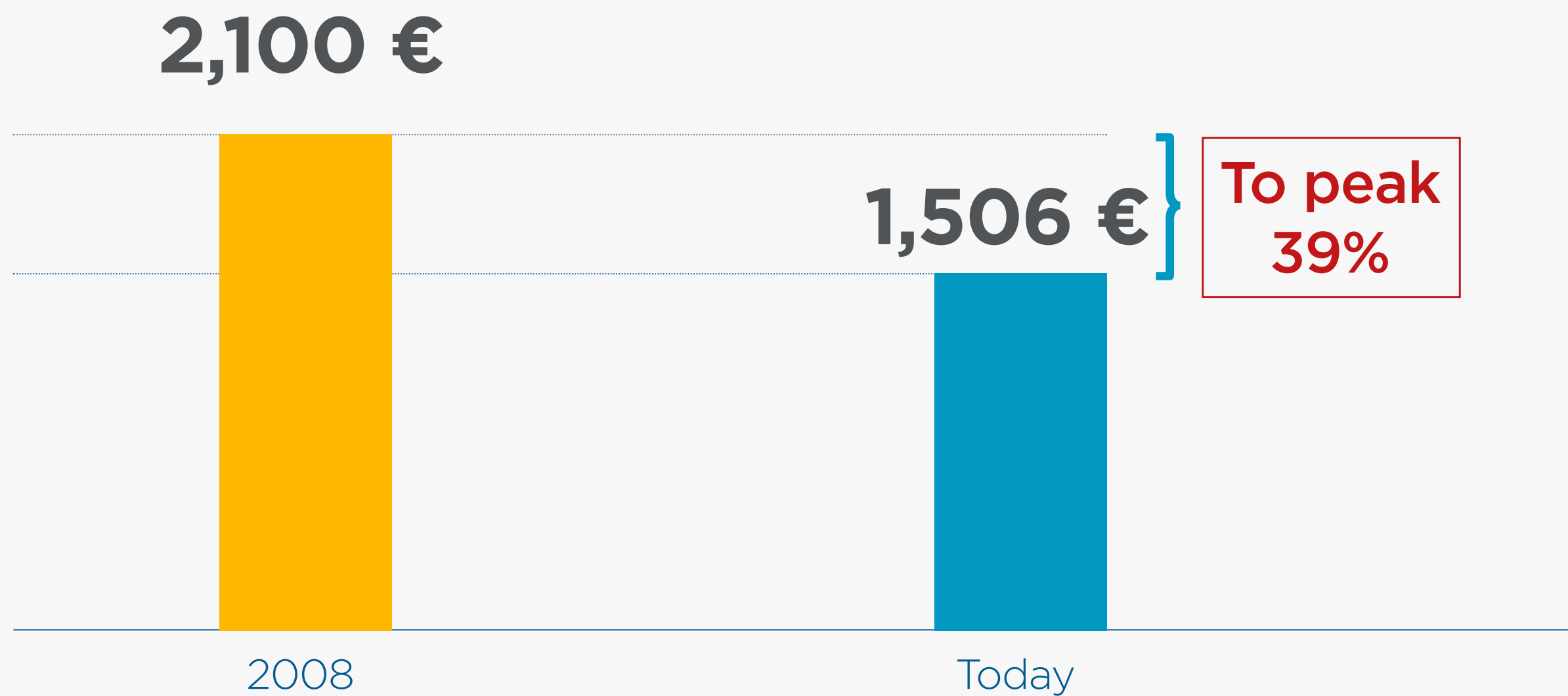


1) Source: Aguirre Newman and JLL  
 2) Source: Fotocasa  
 3) Source: Ministerio de Fomento

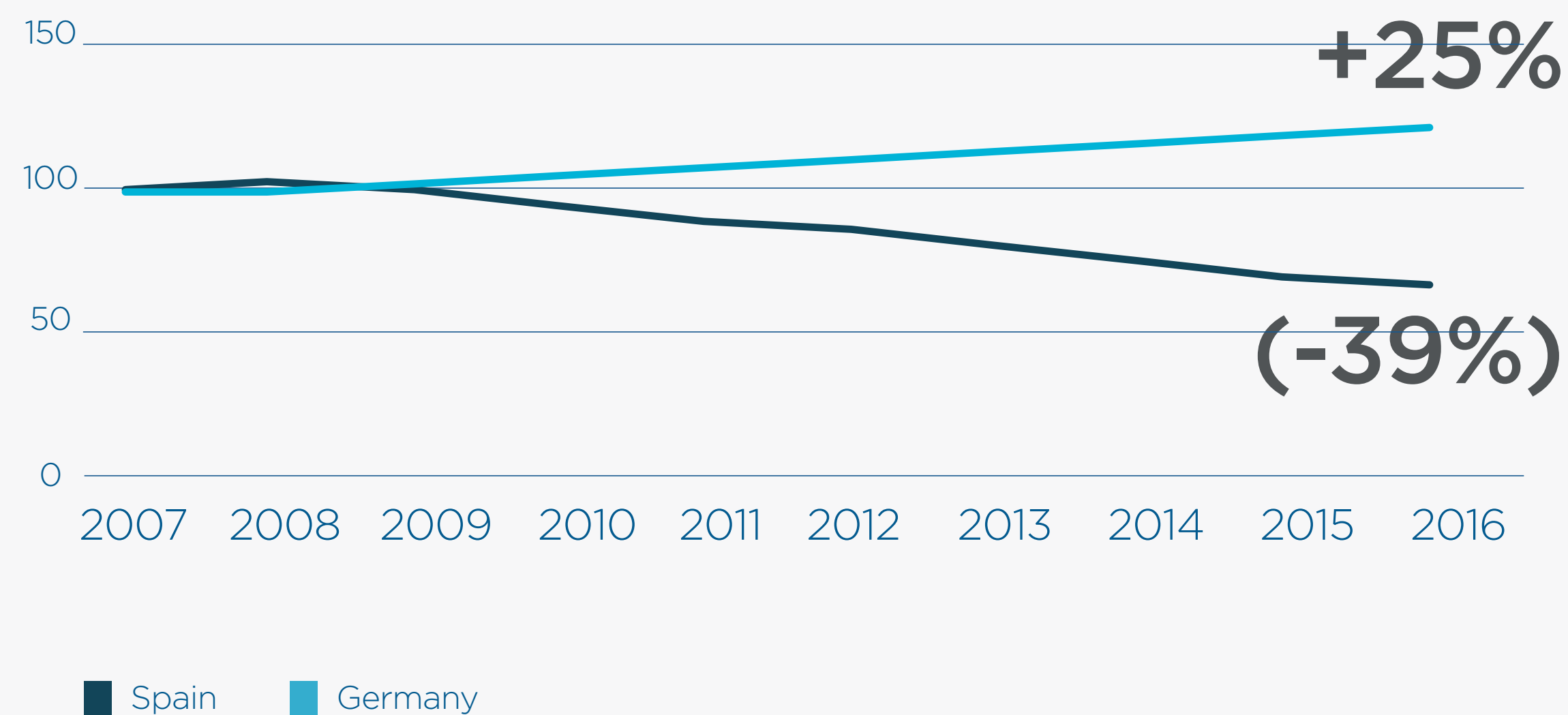


Spanish RE Sector **values** still very **far from peak**

VALUE OF RESIDENTIAL PROPERTY IN SPAIN (€/SQM)<sup>1</sup>



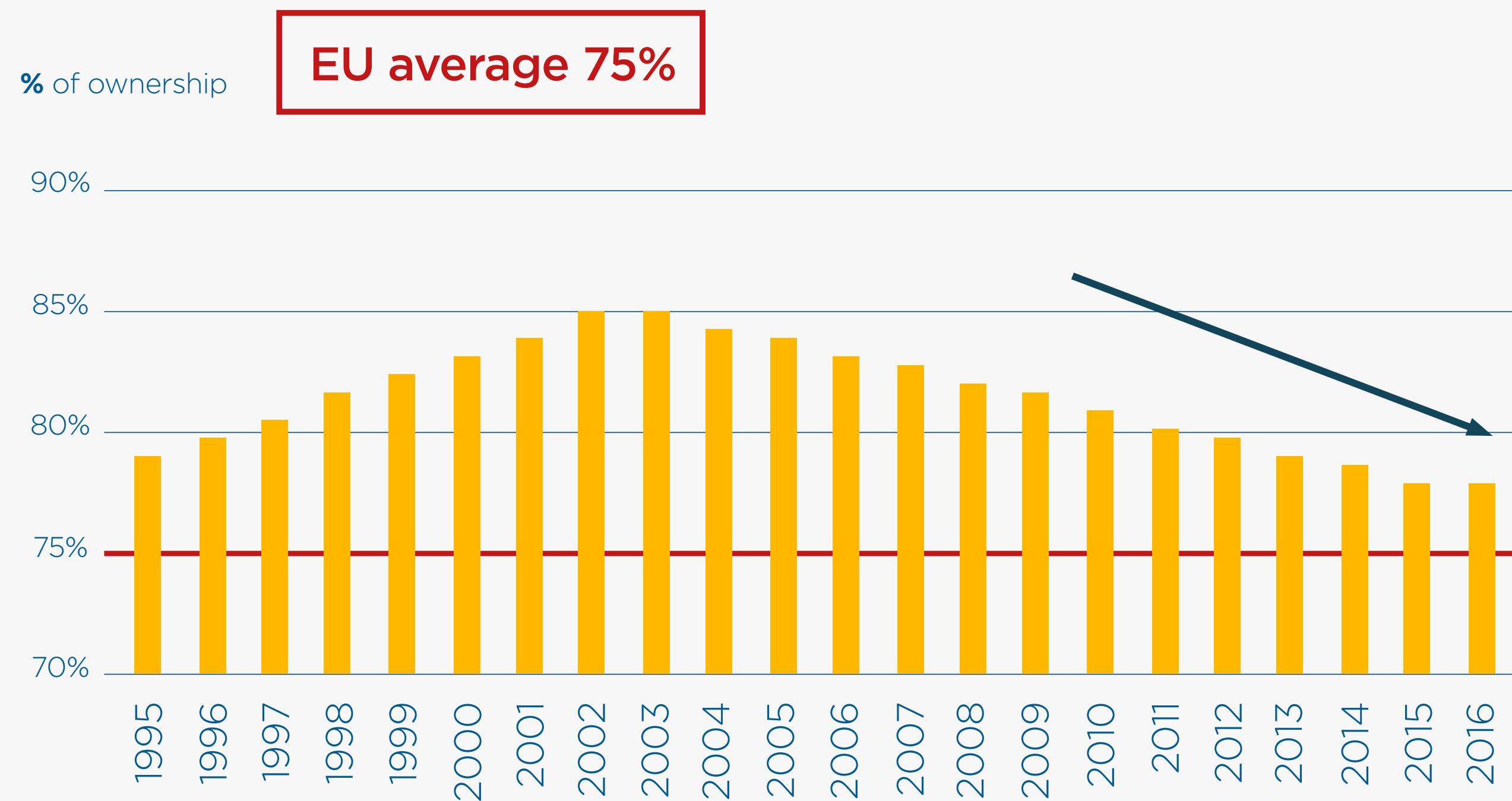
EVOLUTION OF AVERAGE RESIDENTIAL PROPERTY PRICES (SPAIN VS GERMANY)<sup>1</sup>



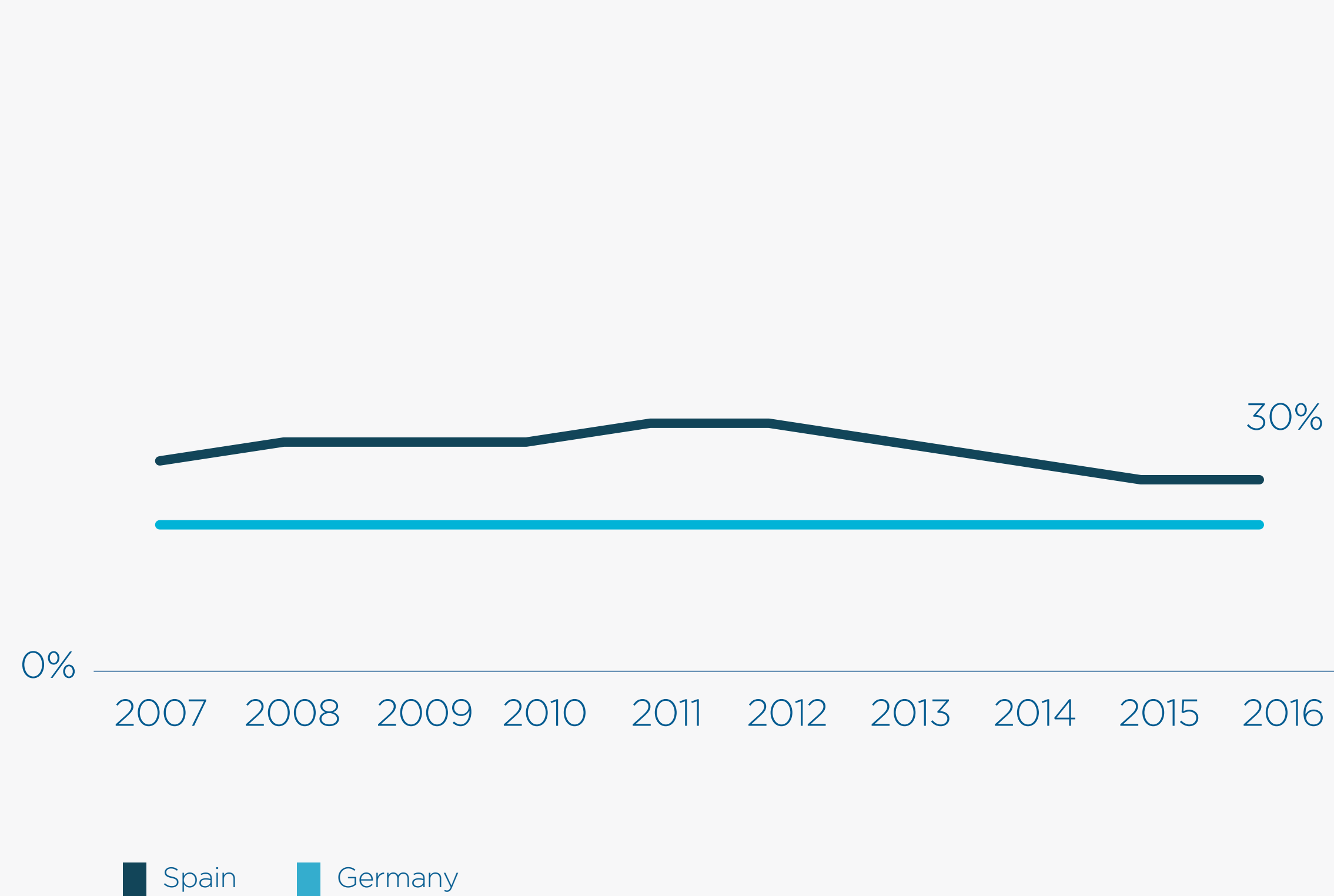
1) Source: Ministerio de Fomento



HOME OWNERSHIP RATES IN SPAIN<sup>1</sup>



RENTAL EXPENSE AS % OF HOUSEHOLD INCOME<sup>2</sup>



1) Source: Bank of Spain

2) Source: Eurostat



Within Europe, **only Germany counts with a large consolidated residential market** (c.60% of the residential properties being rented) and large listed residential REITs.



## SPAIN

- > **Fragmented market** with no residential reference player
- > **Small market in size** when compared to other geographies. Letting market is 22%
- > Investor appetite and **positive market fundamentals** for residential real estate listed products
- > Landlord and tenant law liberalized in 2013, in order to restore the **attractiveness of the private-sector rental market**
- > Not well professionalized

- > Testa Residencial
- > Private individuals
- > PE firms (e.g. Blackstone)
- > Banks
- > Certain corporates

## GERMANY

- > The most developed residential market in Europe
- > **Market undergoing consolidation**, after completion of IPO phase of private owned companies
- > **Demand for renting housing in metropolitan areas remains high** driven by population growth
- > **Low liquidity portfolios** represented by its high yields

- > Vonovia
- > Deutsche Wohnen
- > Leg Immobilien
- > Gran City Properties
- > TAG Immobilien





**Testa** is the result of the **acquisition and integration of a significant number of rented residential portfolios** owned by different RE Spanish companies created in the last decades. Testa portfolio is internally managed by an experienced and innovative team.



Foundation of most of the RE Spanish companies that led the Spanish market over the recent decades.

The beginning  
1990 - 2000

Merger of several existing RE groups in Spain creating Testa Inmuebles en Renta, which years later **span-off its rented residential business in Testa Residencial.**

Before the crisis  
2000 - 2012

Open-ended Spanish core funds managed by banks were the main owners of large rented residential portfolios in the country. **Several of those portfolios were contributed in 2016 by its shareholders to MVC Residencial.**

The creation of a national leader  
2015 - 2018

**Integration of MVC Residencial** (€ 700m) into Testa Residencial, complementing its existing residential portfolio. Creation of the current management team as a combination of Testa and MVC Residencial professionals.  
**September 2016.**

**Asset contribution of € 665m.** 60 buildings contributed by the Shareholders, after a selection process led by Testa's management.  
**March 2017.**

**Integration of Acciona RE rented residential assets in Testa Residencial,** positioning Testa as the largest Residential REIT in Spain and enhancing the quality of Testa's portfolio.  
**September 2017.**

**Analysis of new opportunities for Testa Residencial (On-going)**



Testa Residencial is the **largest Spanish** rented **residential REIT** with **total assets of € 2.2 bn** located in the best areas of the Spanish cities with the highest GDP per capita

<b>KPIs</b>	
# of units	<b>9,219</b>
# of buildings	<b>111</b>
GLA (sqm)	<b>870,000</b>
Occupancy %	<b>90%</b>
GRI	<b>€ 70 m</b>
GAV	<b>€ 2.2 bn</b>
GAV (€/sqm)	<b>€ 2,560/sqm</b>
GAV (unit)	<b>€ 242,000</b>
LTV (%)	<b>18%</b>
Target LTV (%)	<b>35%</b>

**5 | Conservative gearing**  
approach to capital structure with a 35% target LTV

**4 | Selective asset rotation** to enhance internal value creation



**1 | Pure player**  
Exclusively focused on rented residential assets in Spain

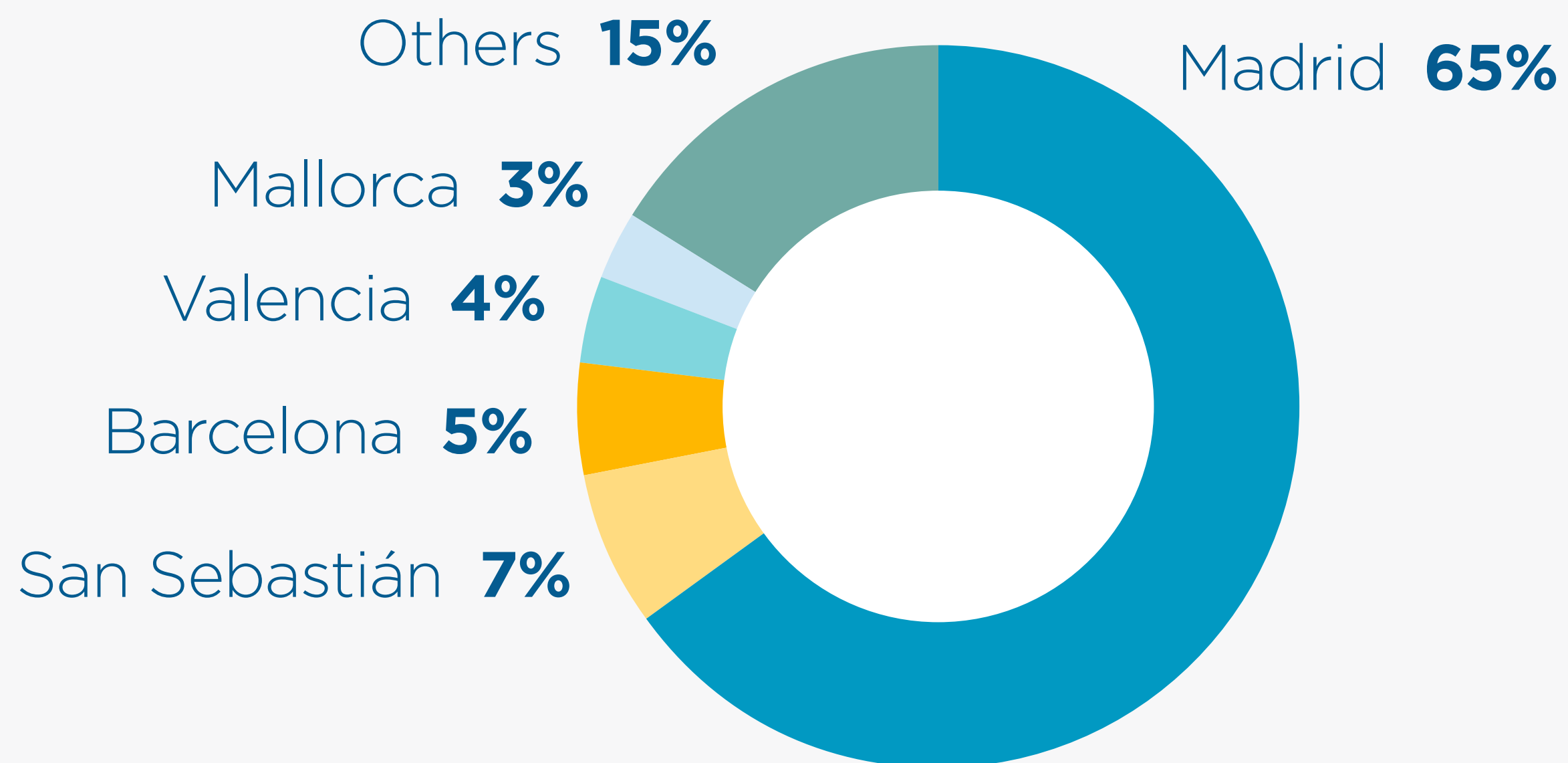
**2 | Best-in-class internal management team**  
(56 employees) focused on optimizing asset performance through active management

**3 | Strategic acquisitions**  
of new assets and/or portfolios, providing financial and operational synergies



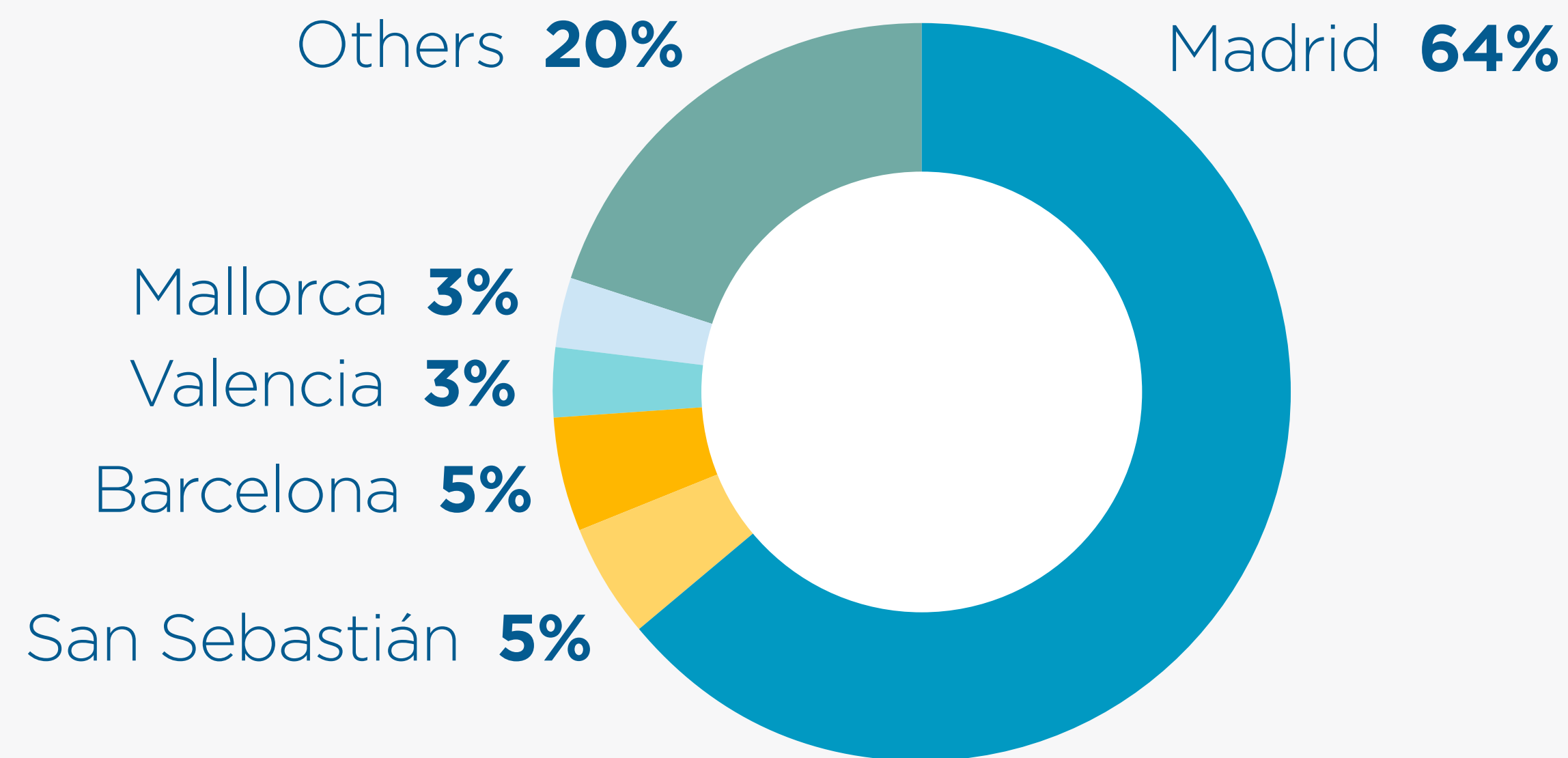
GAV BREAKDOWN PER LOCATION<sup>1</sup>

**85%** of the GAV is located in **Madrid, San Sebastián, Barcelona, Valencia and Palma de Mallorca**, showing the quality of the portfolio



GRI BREAKDOWN PER LOCATION<sup>2</sup>

In terms of rent, the same **5 cities** account for more than **80%** of the total revenues



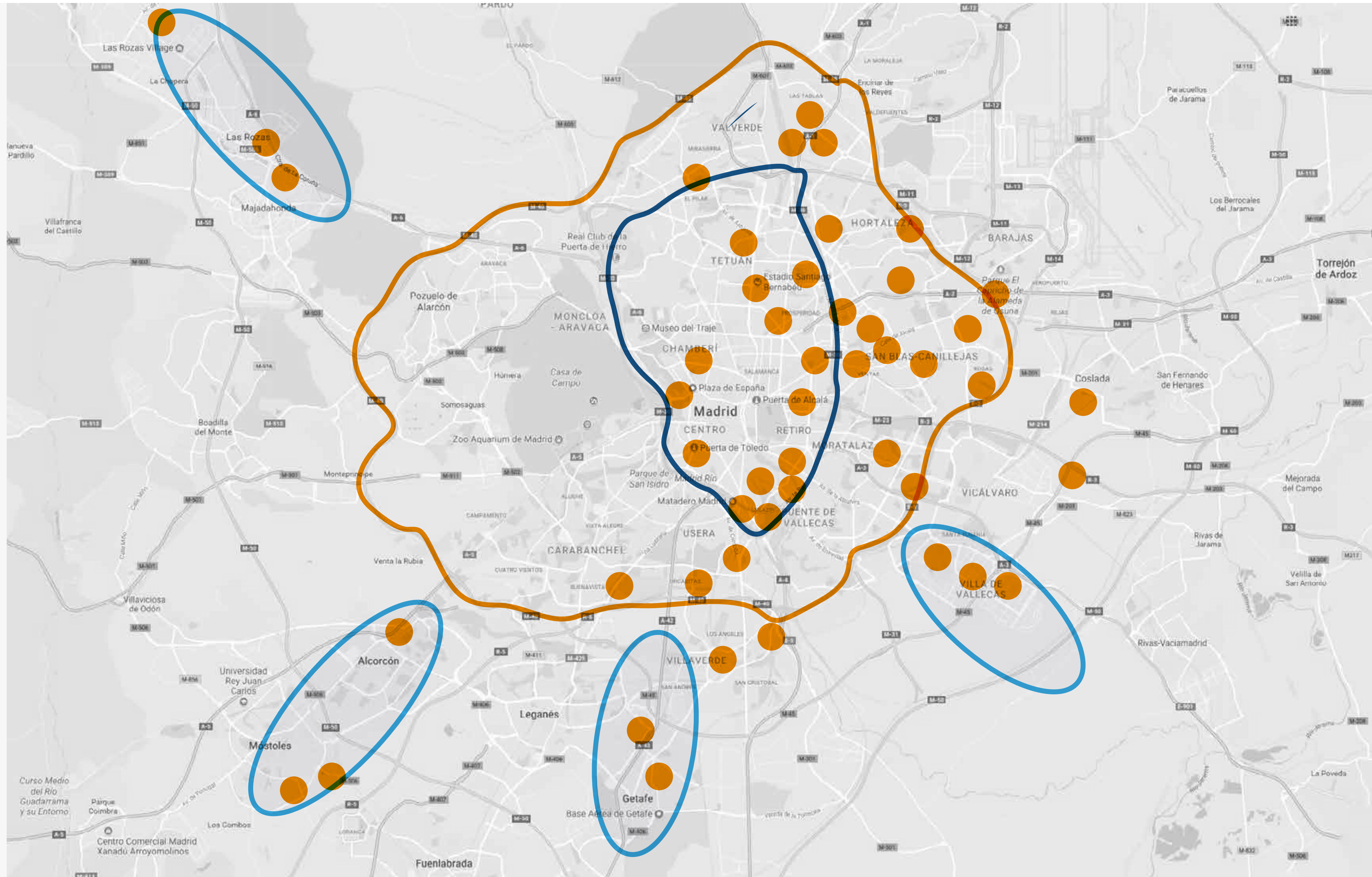
- **85%** of GAV Testa's Portfolio is composed by **free market rent** units (i.e. non-protected rent)
- Out of the remaining **15%**, **52%** in **Bentaberri** (prime location in **San Sebastián**) and **11%** in the city center of **Pamplona** (Navarra)
- **84.3%** of the total Portfolio is aged no more than 20 years old, which limits maintenance and capex requirements

<sup>1</sup> GAV as of 30/06/2017 plus: 1) ca. €400m of Acciona Real Estate; 2) ca. €45m Agreement for the acquisition of a residential portfolio located in Madrid.

<sup>2</sup> Annualized gross rents calculated as passing gross rent as of 31st October 2017, multiplied by 12.



# TESTA'S PORTFOLIO: OVER 65% OF THE TOTAL PORTFOLIO IS LOCATED IN MADRID







- Built and managed by Testa Residencial since 1997.
- Total GLA of 20,259 sqm, situated in a privilege location (Plaza Castilla – Castellana Norte).
  - 5 minutes from Chamartin station
  - 10 minutes from the airport (direct connection).
- Facilities/services: 24/7 concierge, 24 hours public parking annexed to the building and high street retail – mainly F&B- (both owned by Testa).
- Recent capex invested:
  - New LED lighting solutions
  - Furniture refurbishment implemented

# Units	<b>302</b>
Typologies	<b>1 &amp; 2 bedrooms</b>
Sqm / unit	<b>70</b>
GRI (€m)	<b>3.6</b>
Occupancy (%)	<b>89%</b>







- Formerly owned by BBVA (Anida), the Asset was contributed to MVC and subsequently integrated into Testa Residencial in September 2016.
- Total GLA of 38,872 sqm, situated in one of the most representative locations in Madrid (Cuzco).
- The asset is surrounded by some of the key locations in the city: Financial district (Azca), Castellana 200 shopping center, Santiago Bernabéu stadium, etc.
- Facilities: the Asset includes a commercial area of 4,266 sqm, with convenience retail.

# Units	<b>245</b>
Typologies	<b>1, 2 &amp; 3 bedrooms</b>
Sqm / unit	<b>158</b>
GRI (€m)	<b>2.8</b>
Occupancy (%)	<b>95%</b>

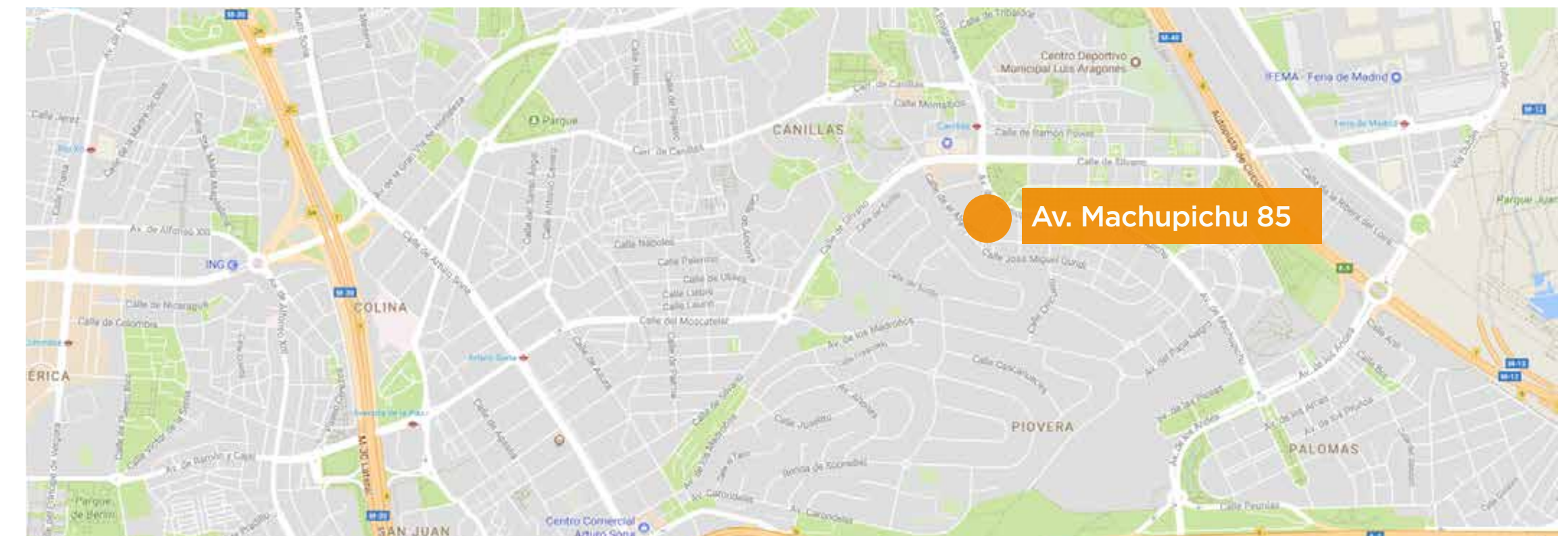






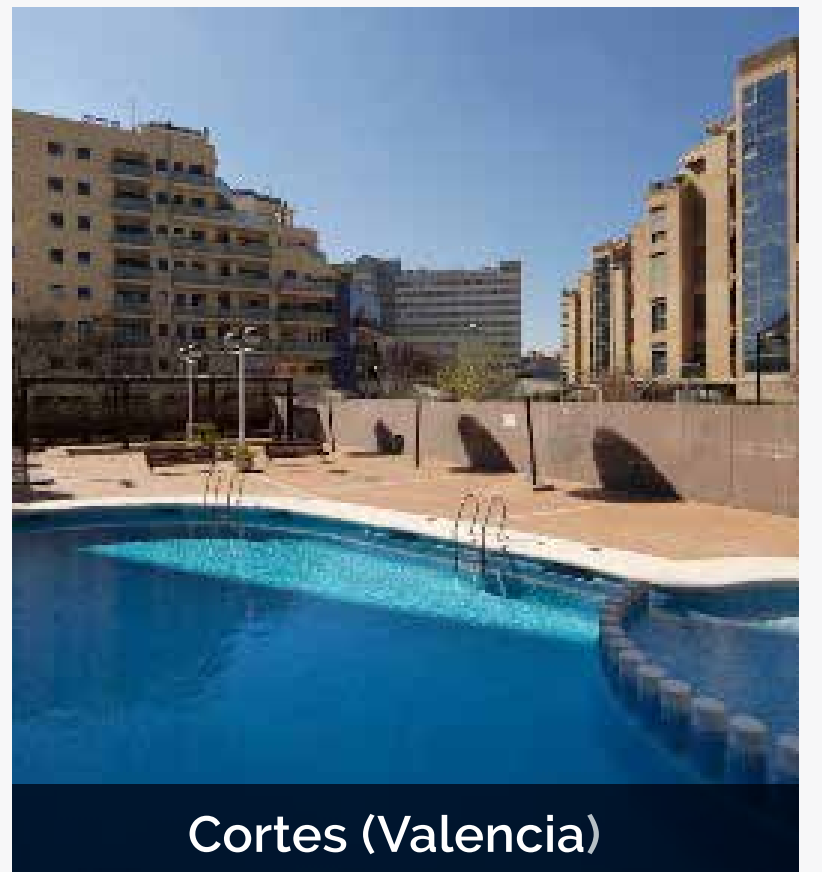
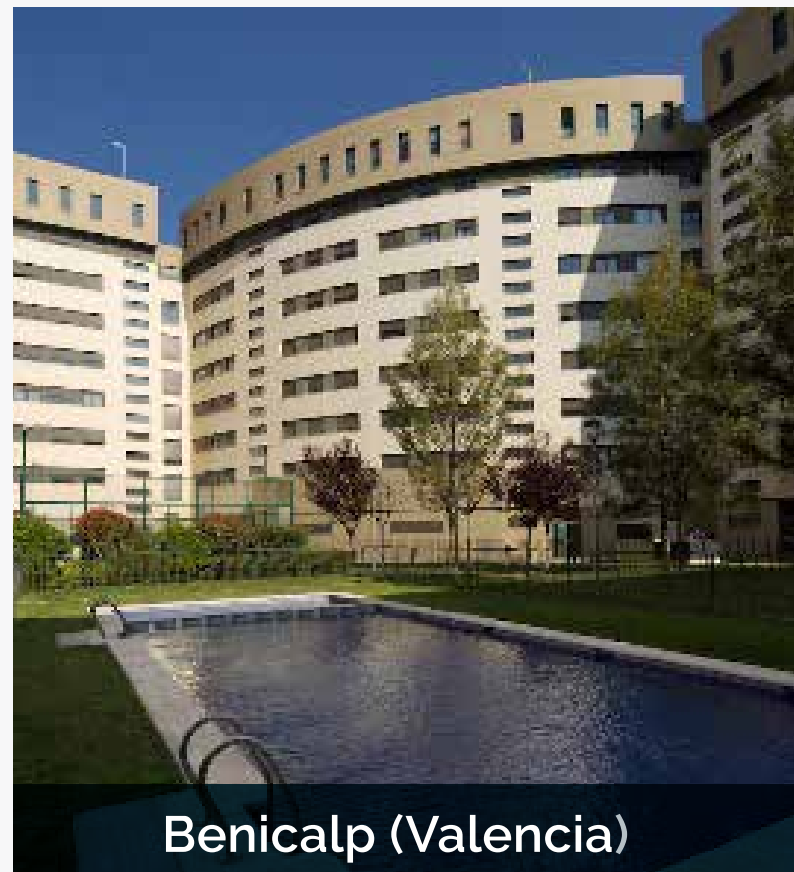
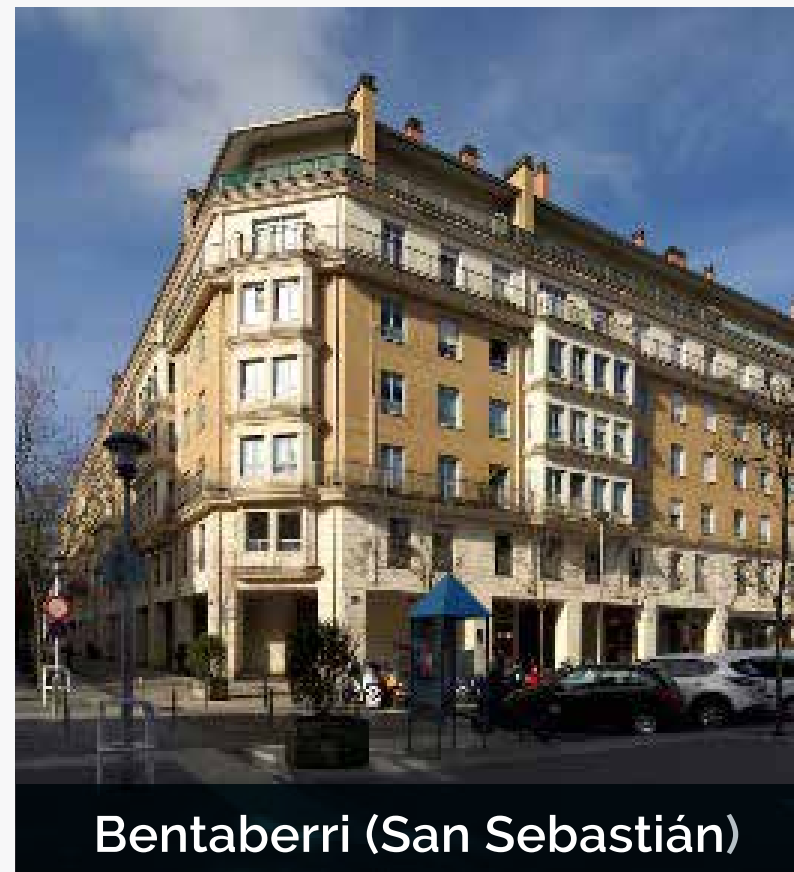
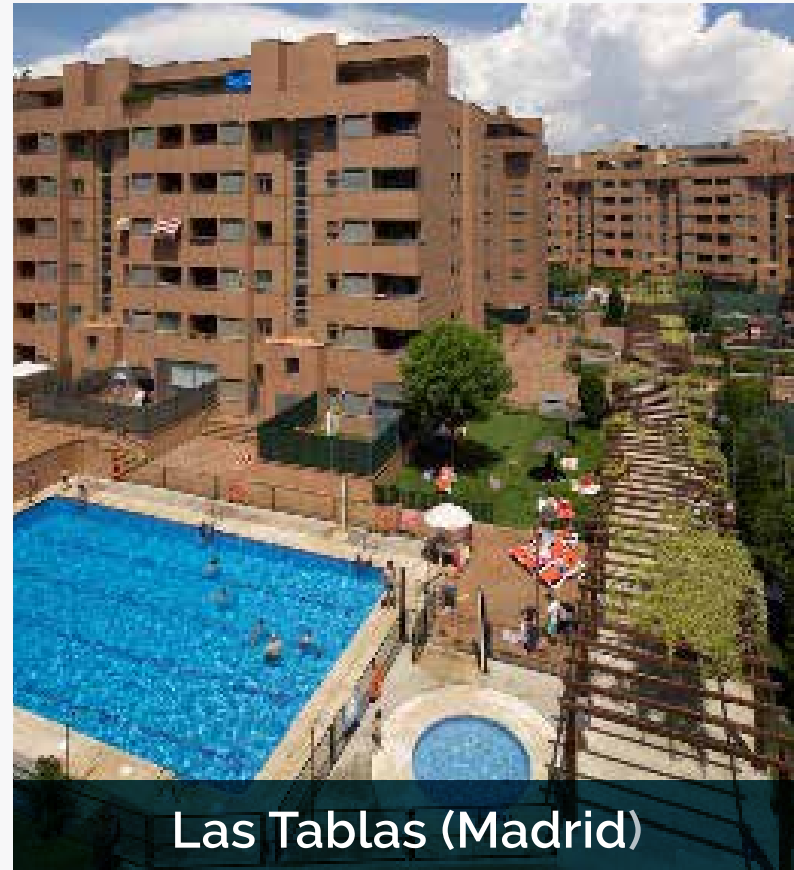
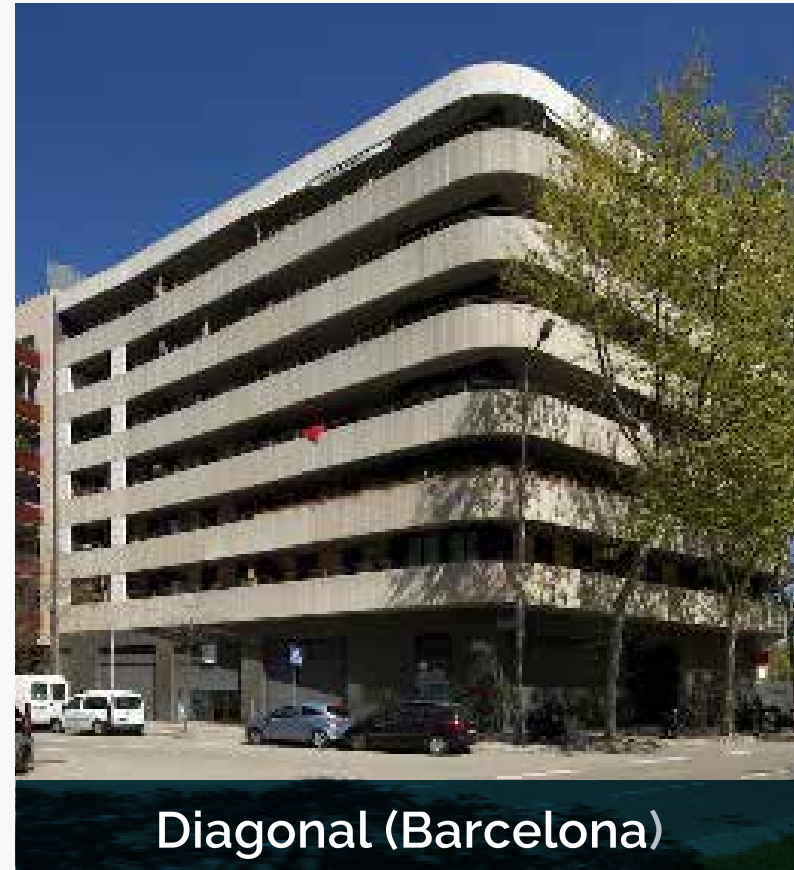
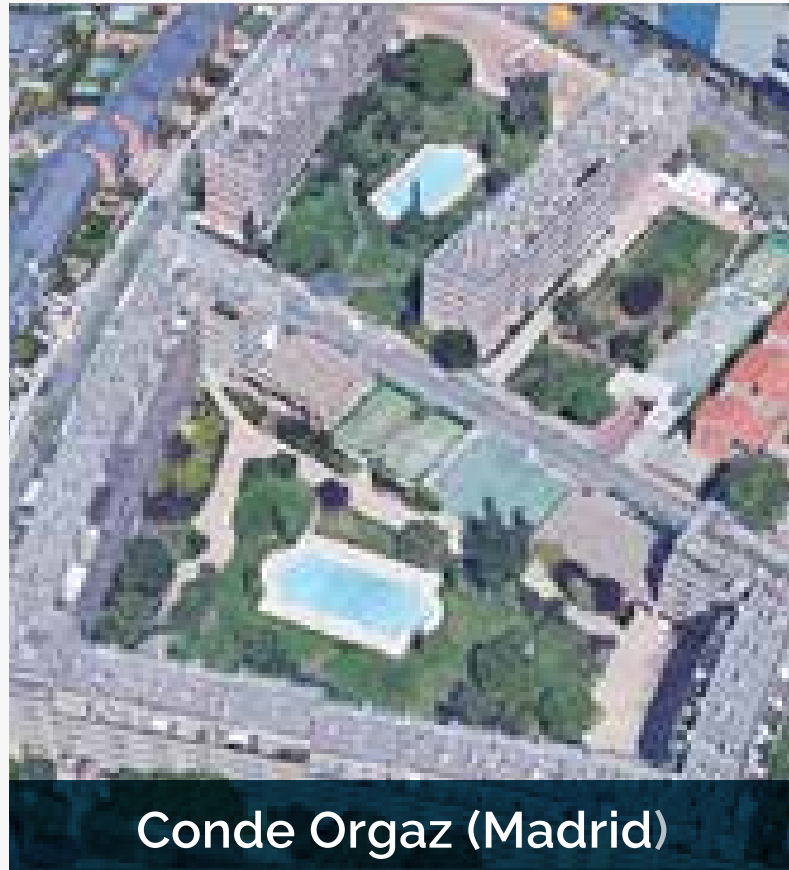
- Owned by Testa Residencial since the integration of Acciona Real Estate in September 2017.
- The portfolio offers a total GLA of 95,500 sqm and 1,756 parking units, located in one of the most exclusive residential neighborhoods in Madrid (Arturo Soria / Parque Conde Orgaz).
- Additionally, the complex has a total commercial area of 5,309 sqm, which offer a wide range of convenience services.
- Facilities: All the buildings are equipped with swimming pools, gyms, padel courts and multi-use rooms.

# Units	<b>1,114</b>
Typologies	<b>1, 2 &amp; 3 bedrooms</b>
Sqm / unit	<b>90</b>
GRI (€m)	<b>12.3</b>
Occupancy (%)	<b>96%</b>





■ **Key Assets:** Focused on the most economically prosperous regions in Spain





testa 