TRADING UPDATE FIRST QUARTER 2017

axiare PATRIMONIO

Axiare Patrimonio announces its trading and business update for the three months ended 31 March 2017. Highlights for the period include:

SOLID FINANCIAL PERFORMANCE AS THE IPO STRATEGY IS EXECUTED

- Gross rental income for the 3-month period of EUR 13.4 million, up +36% YoY and +12% QoQ. On a like-for-like basis, gross rental income was up +4.9% YoY. Annualised GRI at Mar'17 was EUR 61 million
- NRI margin improved by 262 bps YoY to 88.6%, driven by increased occupancy levels and operational improvements
- Recurring EBITDA of EUR 10.0 million, up +41% year-on-year and +12% sequentially
- Recurring EPRA earnings and FFO of EUR 6.9 million or EUR 10 cents per share
- Underlying net profit of EUR 6.9 million, up +23% YoY. Reported net profit of EUR 13.1 million and EPS of EUR 18 cents

ROBUST FINANCIAL POSITION TO FUND FURTHER GROWTH

- Share capital increase through an accelerated book-building offer successfully completed on 8 March 2017, to continue the disciplined investment strategy the management team has proved since the company's inception. Newly-issued shares represented 9.99% of the share capital prior liquidity event, and the total funds raised amounted to EUR 93.4 million. The new shares' offer price was set at EUR 13 per share, with a nominal value of EUR 10 per share and an issue premium of EUR 3 per share
- Additional EUR 119 million raised through financial debt in the quarter, taking advantage of the low interest rate environment
- Gross LTV of 44%. All-in cost of 1.9%[1] with an average maturity of seven years

«We remain very active with acquisitions, proving our ability to seize the opportunities we see in the market to generate outstanding returns»

SIGNIFICANT INVESTMENT ACTIVITY, COMMITTED TO OUR STRATEGY

- Four high-quality office buildings in Madrid and Barcelona acquired in the quarter totalling EUR 157.9 million, providing substantial upside potential through active leasing management, refurbishments and redevelopment
- Progressing across a solid high-quality pipeline, all in line with our investment strategy
- Overall, a well-balanced EUR 1.5bn portfolio built since IPO, comprising a stable mix of income producing assets with substantial upside potential through active asset management

RECORD QUARTER IN OFFICE LEASING, WITH POSITIVE TRENDS BOTH IN AND OUTSIDE CBD

- Record quarter in terms of new office lettings with 4,485 sqm signed, both inside and outside CBD. 82% of all new office leases signed with embedded rental step-ups for the next three years, with a market rent review afterwards
- 26,165 sqm of new leases signed in logistics, bringing the logistics portfolio occupancy to 97%
- 23,456 sqm of office space renegotiated, securing annualised rents of ca. EUR 4.5 million
- Occupancy rate increased to 92.6% at quarter-end, up 1,516 bps on a 12-months like-for-like basis, with increases across all sectors
- Since period-end, 63,000 sqm of offices and logistics signed and 14,000 sqm under offer, all of them above valuers' December 2016 ERV

REDEVELOPMENT SCHEMES CAPTURING TENANT DEMAND AND ACHIEVING INCREASED RENTAL LEVELS; GOOD PROGRESS ON THE 2017 SCHEMES

- Four of the five major 2016 refurbishment schemes (44,993 sqm) let. Substantial increased rental levels achieved as the limited supply of quality, well-located space is causing increased competition amongst potential tenants
- Three major 2017 repositioning schemes (92,571 sqm) and an extension (9,200 sqm) progressing on schedule, with 51,015 sqm pre-let since period-end
- Good progress on the project analysis phase of the two other major 2017 repositioning schemes (30,095 sqm) in Madrid offices

1) Weighted average; all-in costs include spread, up-front costs and a 42% of drawn debt hedged

"I am pleased to report a quarter of strong activity delivering solid results. We continue to execute the strategy set out in our IPO. We remain very active with acquisitions, proving our ability to seize the opportunities we see in the market to generate outstanding returns.

The leasing market continues to strengthen. We are seeing increased competition amongst potential tenants for the limited supply of well-located, high quality office space, both inside and outside CBD. Also, existing tenants are starting to expand their leased space in our properties. The recently refurbished schemes we have brought to market are all leased, and we have achieved rental increases in all of them. Tenant demand for newly available product is increasingly robust, and we have a strong redevelopment pipeline for this year from which we expect similar or even better results going forward.

Axiare is in great shape: less than three years since its creation, we have built a well-balanced portfolio of 1.5 billion euros, comprising stable, income-producing assets and those with significant upside potential; our financial strength gives us the capacity to exploit market inefficiencies; portfolio occupancy levels are increasing fulfilling reversionary potential; our exceptional redevelopment pipeline is set to outperform the market; and, we have a first class team ready to capitalise on all these opportunities."

Luis López de Herrera-Oria
Chief Executive Officer

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OUR FINANCIAL RESULTS

1.1. CONSOLIDATED PROFIT & LOSS ACCOUNT (IFRS)

Q1 2017 Analytical Income Statement (IFRS)

EUR m. unless specified	Q1 2017	Q1 2016	YoY Change
Recurring Gross Rental Income (GRI)	**13.427**	**9.895**	**35.7%**
Non-reimbursable property operating expenses	(1.526)	(1.384)	10.3%
Recurring Net Rental Income (NRI)	**11.901**	**8.512**	**39.8%**
Overheads	(1.877)	(1.397)	34.3%
o/w wages, salaries and similar remuneration	(1.123)	(1.007)	11.5%
o/w other selling and administrative expenses	(0.754)	(0.390)	93.4%
Underlying operating income (EBITDA)	**10.024**	**7.115**	**40.9%**
Amortization & Provisions	(0.015)	(0.019)	(19.4%)
EBIT	**10.009**	**7.095**	**41.1%**
Net financial charges	(3.078)	(1.440)	113.7%
Tax	-	-	-
Underlying net profit	**6.931**	**5.655**	**22.5%**
Change in fair value of assets	6.831	-	-
Other income and expenses	(0.686)	(0.541)	26.9%
Reported net profit	**13.075**	**5.114**	**155.7%**
Recurring EPS (EUR)	0.10	0.08	20.8%
Reported EPS (EUR)	0.18	0.07	152.0%
Average no. of shares outstanding	72,155,316	71,136,818	1.4%

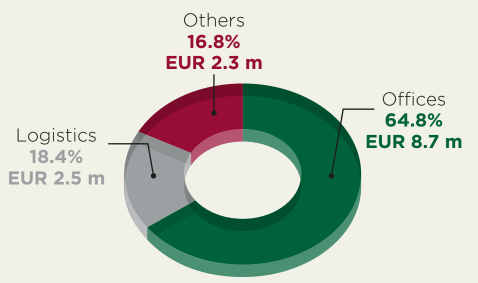
Profit and loss and earnings per share

Total recorded group gross rental income, excluding income related to the portfolio operating expenses chargeable to tenants, was EUR 13.4 million, up +35.7% over the same period the prior year. Acquisitions made in the quarter had not contributed for the full 3-month period. On a like-for-like basis, excluding acquisitions and comparing the same investment properties included in the portfolio in Q1 2016, gross rental income was up +4.9% YoY.

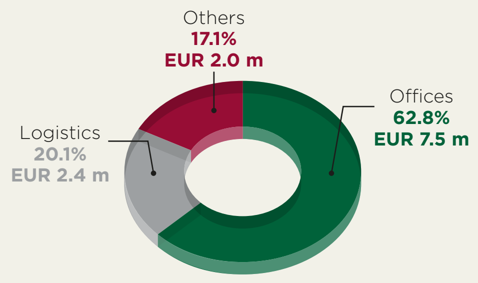
The annualised GRI as of March 2017 was EUR 60.6 million[1], up +50.8% YoY.

1) Topped-up passing rental income, adjusted for the expiration of rent free periods as per EPRA BPR

GRI by business segment



NRI by business segment



NRI margin improved by 262 bps YoY to an average of 88.6% in the quarter, primarily driven by operational improvements and increased occupation. Net rental income, after deducting portfolio operational expenses not chargeable to tenants, was EUR 11.9 million. This represents an increase of +39.8% YoY owed to higher rental income and improved NRI margins.

Total overheads for the period were EUR 1.9 million, up +34.3% YoY. The increase was primarily attributable to the impact of the tax on economic activities (the first 2-year of activity exemption no longer applies) as well as to the increase of third-party related services and changes in headcount as the number of assets grew compared to the same period the previous year. Total annualized running costs represent 0.9% of the share capital and premium at the end of period, below the company's limit on annual overheads (1% of the share capital and premium for the period).

Underlying operating income (EBITDA) reached EUR 10.0 million, up +40.9% YoY. The increase in gross rental income and the improved margins helped boost the underlying operating income. Net financial expenses for the period amounted to EUR 3.1 million, compared to EUR 1.4 million in the same period the previous year. Gross interest paid on debt facilities was EUR 3.1 million which was marginally offset by interest income. The company continue levering its balance sheet to fund further growth, taking advantage of the attractive low interest rate environment. Overall, Axiare's total debt raised at period-end amounted to EUR 680.4 million.

For the 3-month period underlying net profit was EUR 6.9 million, up +22.5% YoY. Underlying net profit per share was EUR 10 cents.

Changes in fair value of the group assets generated an attributable profit of EUR 6.8 million. The portfolio has not been revalued in the quarter. Nevertheless, two of the assets acquired in Q1 2017 were under binding agreement[2] at year-end 2016, and therefore valued by the external independent appraiser[3] at that time. The amount corresponding to such valuation surplus is thus recognised in Q1 2017.

Other income and expenses includes among others, one-off delinquency from a former tenant in Avenida de Bruselas and a charge for last years' tax on economic activities. Overall, the Group consolidated net profit for the 3-month period ended 31 March 2017 reached EUR 13.1 million, up +155.7% YoY, and EPS of EUR 18 cents.

Funds from Operations and EPRA Earnings

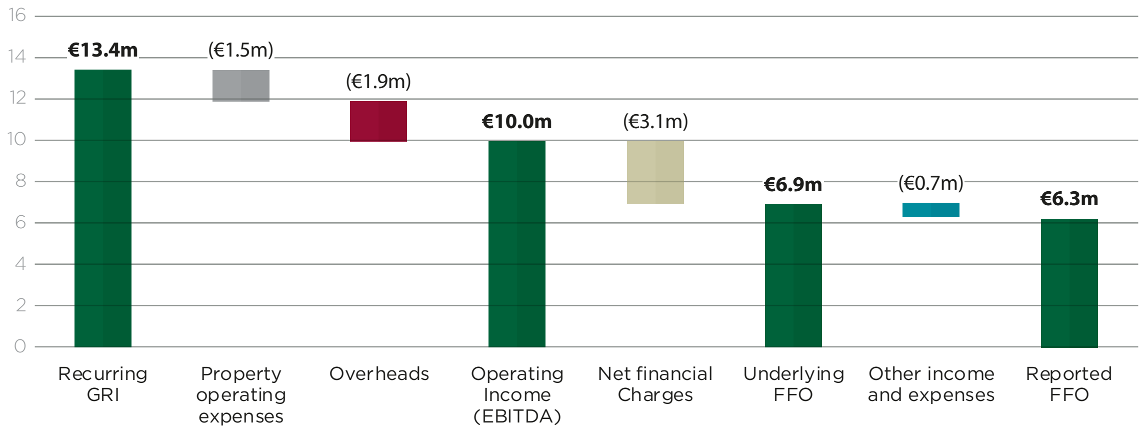
Adjusted for non-recurring income and expenses items, EPRA Earnings for the 3-month period were EUR 6.9 million and EUR 10 cents per share. The Group's funds from operations (FFO) for the 3-month period were EUR 6.3 million and EUR 9 cents per share. Adjusted for non-recurring income and expenses items, FFO were EUR 6.9 million and EUR 10 cents per share.

EPRA Earnings and Earnings Per Share

EUR m. unless specified	Q1 2017
Earnings per IFRS income statement	**13.075**
Adjustments to calculate EPRA Earnings, exclude:	
(i) Changes in value of investments properties	(6.831)
EPRA Earnings	**6.244**
EPRA Earnings per Share (EPS) (EUR)	**0.09**
Company specific adjustments:	
(a) Company specific adjustment	0.686
Adjusted EPRA Earnings	**6.930**
Adjusted EPRA EPS (EUR)	**0.10**
Avg. number of shares outstanding, basic	72,155,316

2) PSA Somport and Miguel Angel
3) CBRE Valuation Advisory

Funds from Operations



1.2. CONSOLIDATED BALANCE SHEET

Assets

	EUR m.	
Non-current assets	31/03/2017	31/12/2016
Property plant and equipment	0.603	0.475
Intangible assets	0.581	0.235
Investment property	1,471.997	1,310.867
Other non-current	-	-
Long-term investments	14.169	12.455
Deferred tax asset	7.457	7.457
	1,494.807	**1,331.489**
Current assets		
Trade and other receivables	16.818	17.885
Short-term investments	0.079	0.039
Other assets	2.944	0.999
Cash and cash equivalents	230.783	145.421
	250.624	**164.344**
TOTAL ASSETS	**1,745.431**	**1,495.833**

Equity and Liabilities

	EUR m.	
Equity	31/03/2017	31/12/2016
Share capital	790.625	718.750
Share premium	57.431	35.869
Retained earnings	219.367	207.808
Treasury shares	(20.916)	(18.678)
	1,046.507	**943.749**
Liabilities		
Non-current liabilities		
Financial debt	606.321	516.852
Financial derivatives	8.296	9.483
Other non-current liabilities	10.627	9.188
	625.244	**535.523**
Current liabilities		
Financial debt	54.580	2.888
Trade and other payables	17.416	12.970
Other liabilities	1.684	0.703
	73.680	**16.561**
TOTAL LIABILITIES	**698.924**	**552.084**
TOTAL EQUITY AND LIABILITIES	**1,745.431**	**1,495.833**

The value of Axiare Patrimonio's portfolio on the balance sheet at 31 March 2017 amounted to EUR 1,472 million[4]. This value is based on the external independent valuation carried out by CBRE Valuation Advisory at 31 December 2016, the acquisitions carried out in the quarter and capital expenditures. The portfolio has not been revalued this quarter.

4) At 31 March 2017, the difference between investment properties on the balance sheet and the portfolio gross asset value corresponds to: the fair value of San Fernando (logistics asset in Madrid 1st ring), which on the balance sheet corresponds only to the amount disbursed as advanced payments at 31 March 2017 of EUR 17.4 million; transaction costs for assets acquired in Q1; advanced payments for future transactions, capital expenditures and one pending payment of Miguel Angel Building which was made in April

On 8 March 2017 Axiare Patrimonio successfully completed a capital raise through an accelerated bookbuilt offer (ABO), in order to continue the disciplined investment strategy that the management team has proven since the company's inception. With this ABO, Axiare raised EUR 93.4 million through the issuance of 7,187,498 new shares with a nominal value of EUR 10 each and a share premium of EUR 3 each. New shares represented 9.99% of the total outstanding shares before the capital increase. The capital raise was fully subscribed within a few hours, generating strong interest between both, existing shareholders and new investors.

Financing

During the quarter Axiare Patrimonio had signed 5 bilateral financial agreements for a total notional amount of EUR 119.1 million, all with very flexible conditions and no penalty cost in case of early termination:

- **February 2017,** Axiare signed two bilateral financial agreements with Santander for a notional amount of EUR 34.2 million, to finance Sagasta 31-33 (EUR 26.4 million) and to add an additional tranche to the Velázquez property (EUR 7.8 million)
- **February 2017,** Axiare signed a bridge loan financial agreement with CaixaBank for a notional amount of EUR 51.4 million
- **March 2017,** Axiare signed a bilateral financial agreement with Liberbank for a notional amount of EUR 19.0 million to finance Juan Ignacio Luca de Tena 7
- **March 2017,** Axiare signed a bilateral financial agreement with BMN for a notional amount of EUR 14.5 million to finance Sant Cugat

In addition, upon completion of the Cedro acquisition on 1 February 2017, Axiare undertook the mortgage loan already in place on the underlying property (EUR 23.4 million notional).

Debt with credit institutions amounted to EUR 660.9 million on the balance sheet at amortised cost. At 31 March 2017, Axiare's interest bearing debt stands at EUR 670.7 million. Since inception, the company has signed bilateral financial agreements for a notional amount of EUR 680.4 million, of which 8.5 million remain undrawn and EUR 1.2 million were repaid.

Cash and cash equivalents at 31 March 2017 amounted to EUR 230.8 million bringing the company's net debt to EUR 439.9 million.

Gross loan-to-value (LTV) stood at 44% at 31 March 2017.

EUR m. unless specified	31/03/2017	31/12/2016
GAV[5]	1,508.800	1,343.000
Gross debt	670.679	528.294
Cash	230.783	145.421
Net debt	439.896	382.873
Gross LTV (%)	44%	39%
Net LTV (%)	29%	29%
All-in cost[6] (%)	1.9%	2.0%
Weighted average maturity	7 years	7 years

5) Based on the external independent valuation carried out by CBRE at 31 December 2016, and the net acquisition price for the assets acquired in Q1 2017 not included in the December valuation
6) All-in cost of debt includes up-front cost, spreads and hedge. Cost of debt to increase to 2.2% in 2019 when all interest rate forward swaps start. At 31 March 2017, 42% of the interest bearing debt is hedged. This percentage will gradually increase to 80% in the next two years

1.3. CONSOLIDATED CASH FLOW

EUR m. unless specified	3-month period until 31 March 2017	3-month period until 31 March 2016
Profit before taxes	**13.075**	**5.114**
Change in fair value investment properties	(6.831)	-
Depreciation	0.015	0.019
Financial result	3.078	1.441
Changes in working capital	2.292	(1.528)
Other non-cash income and expenses	0.395	0.222
Cash flows from operating activities	**12.024**	**5.268**
Acquisition of property, plant and equipment	(0.143)	-
Acquisition of investment properties	(130.880)	(20.614)
Acquisition of intagible assets	(0.346)	-
Cash flows from investment activities	**(131.369)**	**(20.614)**
Funds raised	209.404	14.747
Interest payments	(3.095)	(1.409)
Dividends paid	-	-
Acquisition of treasury shares	(2.190)	(5.347)
Other debts	0.589	-
Cash flows from financing activities	**204.707**	**7.991**
Net change in cash and cash equivalents	**85.362**	**(7.355)**

Cash flow from operating activities

Cash flow from operating activities generated a cash in-flow of EUR 12.0 million, driven primarily by the underlying operating income (EBITDA) amounting EUR 10.0 million and changes in working capital.

Cash flow from investment activities

Cash flow from investment activities for the 3-month period generated a cash outflow of EUR 131.4 million, mainly driven by the acquisition of investment properties. During the period Axiare disbursed the amount of EUR 123.0 million on the 4 assets acquired.

During the quarter, Axiare has invested EUR 5.1 million in capital expenditures. The chart below shows the capital expenditure breakdown as of 31 March 2017:

CAPEX

EUR m.	Q1 2017	Q1 2016
Offices	4.366	0.605
Logistics	0.576	0.152
Other	0.138	0.039
Total	**5.080**	**0.796**

Capex in the quarter represented 0.34% of the portfolio GAV at 31 March 2017. By asset category, capex invested in offices in the 3-month period amounted to EUR 4.4 million (86% of total), driven primarily by investments in Don Ramon de la Cruz, JILT 14 and Avenida de Bruselas. In Logistics, capex amounted to EUR 0.6 million (11% of total).

Cash flow from financing activities

Cash flow from financing activities generated a cash inflow of EUR 204.7 million. Funding from bank loans and the accelerated book built offer accounted for a positive cash flow of EUR 209.4 million. These cash inflows were partially offset by interest payments of EUR 3.1 million and the acquisition of treasury shares linked to the company's management incentive plan and liquidity contract amounting to EUR 2.2 million.

Overall the company ended the period with a positive net change in cash and cash equivalents of EUR 85.4 million. At 31 March 2017 Axiare Patrimonio had cash and cash equivalents amounting to EUR 230.8 million.

2 OUR BUSINESS

2.1. OUR PORTFOLIO

Axiare's Portfolio at 31 March 2017 comprises 41 properties with a total GLA of 775 thousand sqm. Total volume invested stands at EUR 1,226 million, with a gross asset value (GAV) of EUR 1,509 million[1].

In line with the company's strategy set out at the IPO, the portfolio breakdown stands at 75% offices (of which ca. 50% in CBD locations), 16% logistics platforms and 9% other commercial assets, mainly retail warehouses.

Portfolio breakdown at 31 March 2017[2]

Investment properties[3]

EUR m. unless specified	GLA (sqm)	Acq Price	Acq Cost	GAV	Annualised GRI	Annualised GRI "Topped-up"	Annualised NRI	Gross yield	Gross yield "Topped up"	EPRA NIY	EPRA NIY "Topped-up"
Offices	**220,260**	**795.747**	**812.154**	**944.070**	**36.320**	**39.470**	**31.968**	**4.6%**	**5.0%**	**3.3%**	**3.7%**
Madrid	192,908	723.247	736.658	857.570	31.820	34.748	27.681	4.4%	4.8%	3.2%	3.5%
CBD	56,498	355.497	361.951	415.600	12.030	12.375	9.520	3.4%	3.5%	2.3%	2.3%
BD	136,411	367.750	374.707	441.970	19.790	22.373	18.161	5.4%	6.1%	4.0%	4.6%
Barcelona	27,351	72.500	75.496	86.500	4.500	4.722	4.287	6.2%	6.5%	4.9%	5.1%
Logistics	**332,930**	**120.270**	**123.685**	**173.400**	**10.781**	**11.881**	**10.456**	**9.0%**	**9.9%**	**5.9%**	**6.6%**
Madrid	222,185	92.850	95.408	127.400	7.450	8.550	7.276	8.0%	9.2%	5.6%	6.5%
Barcelona	68,279	18.000	18.620	29.500	2.036	2.036	1.976	11.3%	11.3%	6.6%	6.6%
Other	42,466	9.420	9.658	16.500	1.294	1.294	1.204	13.7%	13.7%	7.2%	7.2%
Others	**78,937**	**110.500**	**114.845**	**139.200**	**9.130**	**9.214**	**8.310**	**8.3%**	**8.3%**	**5.9%**	**5.9%**
Total investment properties	**632,126**	**1,026.517**	**1,050.684**	**1,256.670**	**56.230**	**60.565**	**50.734**	**5.5%**	**5.9%**	**4.0%**	**4.3%**

Redevelopments

EUR m. unless specified	GLA (sqm)	Acq Price	Acq Cost	GAV
Offices	**69,140**	**156.840**	**160.120**	**194.930**
Madrid	69,140	156.840	160.120	194.930
CBD	9,339	32.725	33.633	44.000
BD	59,801	124.115	126.487	150.930
Logistics	**73,464**	**43.000**	**43.530**	**57.200**
Total redevelopments	**142,604**	**199.840**	**203.650**	**252.130**

Total Portfolio	**774,730**	**1,226.357**	**1,254.334**	**1,508.800**

1) Based on the external independent appraisal carried out by CBRE Valuation Advisory at 31 December 2016, and on the net acquisition price for the assets acquired in Q1 2017 not included in the December valuation
2) Investment properties comprise rented or under commercialization properties, excluding currently undergoing redevelopments. Redevelopments in the quarter include Jl Luca de Tena 14, Don Ramón de la Cruz, Av. de Bruselas, Puerto de Somport, Ribera del Loira and Jl Luca de Tena 6 in Offices; San Fernando in Logistics
3) Includes 100% of Miguel Angel 23 building. At 31 March 2017, 1,050 sqm and 6 car parking spaces were still under binding agreement which was subsequently fully closed on 10 April 2017. Rental income related to this last agreement is therefore not included on the portfolio breakdown at 31 March 2017

Our disciplined investment approach has allowed us to acquire high-quality assets at an average 11% discount to replacement cost across our entire portfolio.

	Exposure	Acq Price €/sqm	Avg Replacement cost €/sqm	Discount to replacement cost
Offices	75%	3,381	3,585	(6%)
Logistics	16%	402	555	(28%)
Other	9%	1,413	1,846	(23%)
Total	**100%**	**1,621**	**1,818**	**(11%)**

2.2. INVESTMENT MANAGEMENT

Axiare has started 2017 with significant investment activity, carrying out four acquisitions in the quarter. We have acquired EUR 157.9 million of office properties (EUR 162.6 million including transaction costs) across Madrid and Barcelona, demonstrating our continued ability to acquire at competitive pricing and increasing our footprint in already well-established sub-markets.

We continue to carry out highly disciplined acquisitions, committed to the investment strategy laid out when we launched in 2014, investing in commercial real estate (primarily offices and logistics) in Madrid and Barcelona, and providing value creation via active and professional asset management.

In total, we have added 46,354 sqm of office space, increasing our exposure in Madrid and Barcelona by 12%. New acquisitions currently generate total annual rent of ca. EUR 9.7 million, and provide significant reversionary potential through active leasing management, refurbishments and redevelopments. We continue to build a well-balanced portfolio of assets, with a stable mix of income-producing assets and substantial repositioning opportunities.

OFFICES

PSA Somport

Acquired in January, the asset is located in Madrid's Las Tablas office area, the extension of Paseo de la Castellana, with direct access from the A-1 motorway, and less than five minutes by car from the M-30 orbital motorway. Axiare Patrimonio considers the Las Tablas area to be a key market due to its strategic location, and expects the area to see significant leasing activity and rental growth. As well as an established, young and well served residential area, Las Tablas is already home to major multinational HQs, including those of BBVA and Telefonica.

The free-standing property, located on Calle Puerto de Somport 8, has a GLA of 9,280 sqm and 370 car parking spaces. The asset was acquired off-market for EUR 41.5 million, representing a capital value of 4,471 €/sqm[4]. It is 100% let to PSA Peugeot Citroën and provides long term secured rental income. With this transaction, Axiare has ensured a continued rental stream from a top-tier tenant, boasting a very high NIY locked in until 2026.

4) Includes 2,245 sqm of high street retail

Cedro Building

Acquired in January, and located in Madrid's Arroyo de la Vega office area, with direct access to the A-1 motorway, and less than five minutes by car to the M-30 orbital motorway. Axiare Patrimonio considers this area to be a strategic office market and expects the area to see significant recovery. Surrounding tenants include leading international companies such as BP, Samsung, Kia Motors, Galp and Cisco.

The free-standing office building has a GLA of 17,138 sqm and 381 car parking spaces. The asset has a current occupation of ca. 90% and acts as the headquarters of the international consultancy firm Capgemini in Spain.

The asset was acquired off-market for EUR 43.5 million, representing a capital value of 2,554 €/sqm, 13% below replacement cost[5].

Miguel Ángel 23

Prime asset acquired from various owners at various stages between January and February[6]. The building is located in the heart of Madrid's CBD, in the Chamberí district, less than 50m from Paseo de la Castellana, and near the headquarters of major financial institutions, including UBS, Goldman Sachs and CaixaBank, as well as leading international law firms, including Linklaters, Dentons and Cuatrecasas Gonçalves Pereira.

The building, which has a GLA of 8,036 sqm and 99 underground parking spaces, is currently 94% occupied by multiple tenants. It features floor plates of approximately 1,050 sqm and a large ground floor retail unit. It is highly visible from Paseo de la Castellana, given its prominent corner position.

The asset was acquired in four complex off-market transactions for a total of EUR 53.4 million, representing a capital value of 5,921 €/sqm[7], -34% below recent comparable transactions. It represents another example of Axiare's ability to unlock complicated, multi-ownership situations, and convert them into large institutional lots with significant potential.

5) Source: CBRE Valuation Advisory
6) At 31 March 2017, 1,050 sqm and 6 car parking spaces were still under binding agreement, which was subsequently fully closed on 10 April 2017
7) Adjusted for 97 parking spaces, which are valued at 60,000 €/space. The property also includes 834 sqm of high street retail GLA

Sant Cugat

Acquired in March, the property is located in Sant Cugat del Vallés, Barcelona, a strategic office submarket which benefits from excellent access via the C-16 and AP-7 highways and is located 5 minutes' walk from Sant Joan Station. The area boasts institutional landlords such as Mapfre, Axa, Catalana Occidente, Banco Sabadell and Merlin Properties. Sant Cugat has become highly sought-after by tenants over the past 12 months and currently boasts one of the highest occupancy rates in Barcelona.

The building has a GLA of 12,000 sqm and over 400 parking spaces. The property features 2,500 sqm floor plates, as well as an auditorium with capacity to hold up to 200 people. The asset will provide annual rents of EUR 1.25 million for the next two years, with significant reversionary potential.

The asset was acquired off-market for EUR 19.5 million, representing a capital value of 1,625 €/sqm, 27% below its replacement cost[8].

2.3. LEASING ACTIVITY

Leasing activity remained intense, with over 30 thousand sqm of new leases signed in offices and logistics in the quarter. The leasing market continues to strengthen; the limited supply of quality, well-located office stock is causing increased competition amongst potential tenants, a trend we expect to continue to gather pace. In addition, various sectors such as government bodies, have reactivated demand requirements, having been absent from the market in recent years. Furthermore, existing tenants are starting to increase the leased space in our properties as the Spanish economy continues its positive trend.

Axiare is well positioned to capture a significant share of the demand and will be able to outperform the market in the coming quarters as our new best-in class repositioning schemes come to the market.

Our strategy to have the best asset in every sub-market in which we operate is already generating high returns and we expect this positive trend to continue in the short and medium term:

- Our most recent success is **Ramirez de Arellano,** which has been leased upon works completion, increasing occupancy from 34% to 91% (key highlights on case study below)
- Our 2016 redevelopment projects are either already leased or with very positive outlook for the coming months: since quarter-end, we have fully leased **Manuel de Falla** (6,244 sqm) to a single tenant, and have leased or signed HoT on **Don Ramón de la Cruz** (9,339 sqm) with two tenants to fully occupy the space; all above valuers' estimated rental values
- 42,000 sqm pre-let in our turnkey logistics redevelopment project in **San Fernando de Henares**

We start to see the positive results of our asset repositioning program and remain very positive looking forward, both in terms of current schemes and future redevelopment pipeline. We have strong visibility on the completed or near-completion schemes.

8) Source: CBRE Valuation Advisory

The main **highlights** for the quarter include:

- Record quarter in terms of new office lettings with 4,485 sqm signed, both in- and outside CBD, generating additional annual rent of EUR 0.9 million
- 82% of all new office leases signed with embedded rental step-ups for the next 3 years, with a market rent review afterwards
- 26,165 sqm of new leases signed in logistics, bringing the logistics portfolio occupancy to 97%
- 23,456 sqm of office space renegotiated, securing annualised rents of ca. EUR 4.5 million
- Occupancy rate increased to 92.6% at quarter-end, up 1,516 bps on a 12-months like-for-like basis, with increases across all sectors
- Since period-end, 63,000 sqm of offices and logistics signed and 14,000 sqm under offer, all above valuers' December 2016 ERV

OFFICES

Axiare reports another record quarter in terms of office leasing activity, confirming the positive trend in the office occupier market both in CBD and well established sub-markets outside the CBD.

During the three-month period, 27,941 sqm have been signed, of which 4,485 sqm corresponds to new contracts and 23,456 sqm to renegotiations of existing contracts.

All new office lettings have been signed on a triple net basis, 82% with embedded rental step-ups for the next three years and open market rent review on the third year. In total, we have secured an annualised rental income of EUR 5.4 million, of which EUR 0.9 million corresponds to the new leases signed.

Key to the positive trend in leasing activity is our active asset management. During the quarter, Axiare signed a lease agreement to let Ramirez de Arellano, the most recently repositioned asset. Immediately after works were completed, the existing tenant has taken additional space and a new tenant signed an agreement taking ca. 50% of the asset's GLA. Occupancy has therefore increased from 34% to 91% within just a month upon works completion.

Success Story Ramirez de Arellano

91% occupancy achieved immediately following asset repositioning. Existing tenant has taken additional space, new tenant has taken 49% of total GLA.

Asset:	Ramirez de Arellano 15
Location:	A-2 / M-30
Leasing:	3,379 sqm new leases (49% of total GLA)
Asset occupation at acquisition:	34%
Asset occupation upon works completion:	91%, with the remainder in negotiations

Furthermore, Axiare's three other recently refurbished office properties are attracting significant demand amongst major national and international tenants. Such is the positive outlook across the portfolio that Axiare has already fully let the recently repositioned office building Manuel de Falla (6,244 sqm) and expects to fully lease Don Ramón de la Cruz (9,339 sqm) in the second quarter.

Manuel de Falla was successfully delivered at year-end 2016. This repositioned asset became highly sought after amongst major international and national tenants. Upon works completion Head of Terms were agreed, and the contract subsequently signed with a single tenant, set to fully occupy the building in Q2 2017. The new lease contract will provide long-term secured income to the Company. This is another example of Axiare's "Creating core products" strategy, proving Axiare's ability to identify the market opportunity, reposition the property into the best-quality and most efficient in its submarket, and to successfully lease it entirely to a single tenant within just a few months.

In addition, existing CBD and outside-CBD tenants are starting to take additional space as the Spanish economy continues its positive trend. During the quarter, three major tenants have taken on average ca. 14% of additional space.

Finally, one major tenant exit and three other smaller ones occurred in the quarter totalling 12,658 sqm. Our former tenant BNP Paribas moved from Ribera del Loira to a bigger building due to increased space requirements. Axiare anticipated the tenant exit and has been working on a light refurbishment project over the past few months, which will include improvements to common areas and the building entrance and reception. The property will be back in the market and ready for commercialization in approximately 6 months.

The current average occupancy across Axiare Patrimonio´s office investment properties is 83.9%, up 375 bps on a 12 month like-for-like basis.

LOGISTICS AND OTHER

It has also been a busy quarter in terms of new logistics contracts, with two new leases signed in Camarma and Cabanillas, totalling 26,165 sqm. This has increased the logistics portfolio occupancy to 97% and added EUR 1.1 million of additional annualised rental income.

As with the office portfolio, existing tenants within our logistics portfolio are also increasing the leased space in our properties. In Q4 2016 one of our tenants increased occupation by 13% in Rivas, and in Q1 2017 another existing tenant almost doubled its size in Cabanillas. Neither renegotiations nor tenant exits occurred during the period.

The current average occupancy across Axiare Patrimonio´s logistics investment properties is 97.1%, up 2,308 bps on a 12 month like-for-like basis.

Since the period-end, leasing activity across Axiare's logistics portfolio has remained intense, including:

- 41,815 sqm pre-let in our turn-key redevelopment project in San Fernando de Henares. Delivery of completed works expected in H1 2018
- 9,200 sqm signed in Dos Hermanas. In 2016, Axiare reached an agreement with the existing tenant to extend the logistics warehouse with an additional 9,200 sqm due to further space requirement. Prior to the commencement of the works, a lease agreement has been signed for the additional space, expected to be delivered by year-end
- 9,612 sqm currently in negotiations, which would bring logistics investment properties portfolio to 100% occupancy

During the quarter no new contracts, renegotiations or tenant exits have taken place in Axiare Patrimonio's others portfolio.

Overall leasing activity helped increase occupancy across Axiare Patrimonio's investment properties to 92.6% at quarter-end. This represents an increase of 1,516 bps on a 12-month like-for-like basis.

Occupancy

Investment properties[9]	Q1 2017	Q4 2016[10]	QoQ change	Q1 2017	Q1 2016[10]	12 months LfL change
Offices	**83.9%**	**81.5%**	**247 bps**	**80.6%**	**76.8%**	**375 bps**
Madrid	81.7%	79.6%	206 bps	78.1%	73.9%	423 bps
CBD	76.4%	83.8%	(818) bps	68.0%	62.6%	595 bps
BD	83.8%	78.0%	586 bps	80.1%	76.1%	399 bps
Barcelona	100.0%	100.0%	0 bps	100.0%	100.0%	0 bps
Logistics	**97.1%**	**89.3%**	**786 bps**	**96.8%**	**73.8%**	**2,308 bps**
Madrid	95.7%	83.9%	1,178 bps	95.0%	80.6%	1,449 bps
Barcelona	100.0%	100.0%	0 bps	100.0%	38.1%	6,188 bps
Other	100.0%	100.0%	0 bps	100.0%	100.0%	0 bps
Others	**97.3%**	**97.5%**	**(13) bps**	**96.7%**	**95.3%**	**139 bps**
Total	**92.6%**	**88.1%**	**443 bps**	**92.5%**	**77.3%**	**1,516 bps**

9) Investment properties comprise rented or under commercialization properties, excluding those currently undergoing redevelopments. Redevelopments in the quarter include Jl Luca de Tena 14, Don Ramón de la Cruz, Av de Bruselas, Puerto de Somport, Ribera del Loira and Jl Luca de Tena 6 in Offices; San Fernando in Logistics
10) Ribera del Loira and Juan Ignacio Luca de Tena 6 refurbishment works started in Q1 2017, and are therefore part of the redevelopment properties at quarter-end. For comparative reasons, Ribera del Loira and Juan Ignacio Luca de Tena 6 have been excluded from the Q4 2016 and Q1 2016 figures shown on the occupancy table

2.4. REDEVELOPMENT MANAGEMENT

During the quarter Axiare continued to make progress on the redevelopment pipeline. The schemes completed in 2016 and those near completion, are successfully leasing, achieving rental growth inside and outside the CBD. The 2017 schemes are on track and running on schedule.

Two **near completion** schemes are soon to be delivered and showing very strong traction amongst potential tenants:

- Don Ramón de la Cruz works are due to finish in Q2 2017. At present, Axiare has already signed a leased contract with one tenant and Head of Terms with another. The building will be fully occupied following works completion
- JILT 14 works are due to complete at the end of Q2 2017. This building is generating good traction amongst national and international tenants. We expect synergies from the inauguration of Banco Popular's new global HQ, located directly opposite the building

Good progress across the three **in progress** schemes – Avenida de Bruselas, Juan Ignacio Luca de Tena 6 and San Fernando. Works on all of them started at the beginning of 2017, and the schedules remain on track. Worth noting is the 41,815 sqm pre-let in our turn-key redevelopment project in San Fernando de Henares (60% of total space), due to be delivered in H1 2018.

In addition, two **new** redevelopment schemes started this quarter:

- Dos Hermanas 9,200 sqm warehouse extension. Works started in March 2017 and are due to be completed by year-end
- Ribera del Loira refurbishment project began at the start of 2017, and includes improvements to common areas and the building entrance and reception. The property will be back in the market and ready for commercialization around year-end

APPENDIX
PORTFOLIO IN DETAIL

EUR m. unless specified

Nº	ASSET	Acquisition Date	GLA (sqm)	Parking spaces (units)	Net Acquisition Price	Gross Acquisition Price	Market Value	Capital Structure		
								Equity	Debt[1]	LTV
1	F. Delgado	28.jul.14	17,273	394	28.750	29.274	47.470	29.470	18.000	38%
2	F. Santo	24.sep.14	3,254	42	16.500	16.810	27.500	15.500	12.000	44%
3	Av Vega	24.sep.14	22,578	447	52.000	52.926	71.000	42.686	28.314	40%
4	M. Falla	-	6,244	41	31.000	31.431	44.500	20.500	24.000	54%
5	Diagonal	4.dec.14	15,351	251	53.000	54.433	67.000	38.142	28.859	43%
6	Rib. Loira	4.dec.14	12,822	370	47.000	48.128	49.300	25.200	24.100	49%
7	Cristalia 2&3	4.dec.14	17,338	418	53.000	54.272	60.550	31.692	28.859	48%
8	Tucuman	30.mar.15	6,327	170	23.500	23.906	25.400	12.474	12.926	51%
9	Luca de Tena 14	30.mar.15	7,872	185	17.000	17.303	20.830	9.980	10.850	52%
10	Cristalia 5&6	22.may.15	17,587	381	49.000	50.199	61.100	33.600	27.500	45%
11	Velazquez	15.jun.15	16,816	155	88.840	90.646	110.000	57.876	52.124	47%
12	R.Arellano	21.jul.15	6,832	112	16.500	16.837	23.000	14.500	8.500	37%
13	Av Bruselas	23.sep.15	14,547	364	27.500	28.082	38.000	23.600	14.400	38%
14	Alcalá	23.sep.15	6,260	185	12.000	12.254	14.250	7.550	6.700	47%
15	Luca de Tena 6	23.sep.15	4,560	190	9.500	9.701	10.600	6.100	4.500	42%
16	D.Ramón Cruz	8.oct.15	9,339	93	32.725	33.633	44.000	23.000	21.000	48%
17	P. Somport	23.dec.15	20,000	300	23.115	23.273	32.200	32.200	-	0%
18	J Valcarcel 24	26.jan.16	5,652	90	13.000	13.235	14.500	7.500	7.000	48%
19	Sagasta 33	17.nov.16	7,054	93	41.800	42.676	46.000	19.600	26.400	57%
20	Almagro 9	02.dec.16	15,094	201	124.000	124.977	130.000	54.300	75.700	58%
21	Luca de Tena 7	23.dec.16	10,147	260	35.000	35.630	36.000	17.000	19.000	53%
22	Puerto de Somport 8	20.jan.17	9,280	370	41.500	42.301	45.200	45.200	-	0%
23	Cedro	31.jan.17	17,138	381	43.500	43.874	43.500	20.081	23.419	54%
24	Miguel Angel	31.jan.17	8,036	96.5	53.357	55.411	57.600	57.600	-	0%
25	Sant Cugat	16.mar.17	12,000	408	19.500	21.063	19.500	5.000	14.500	74%
OFFICES			**289,399**	**5,997**	**952.587**	**972.274**	**1,139.000**	**650.350**	**488.650**	**43%**
26	Cabanillas	29.jul.14	37,879	-	16.681	17.214	23.300	13.662	9.638	41%
27	Miralcampo	30.jul.14	35,781	-	14.485	14.849	20.100	10.957	9.143	45%
28	Dos Hermanas	30.jul.14	42,466	-	9.420	9.658	16.500	11.371	5.129	31%
29	Rivas	24.sep.14	35,248	-	17.000	17.316	24.500	15.244	9.257	38%
30	Valls	9.oct.14	26,026	-	4.500	4.591	9.500	4.546	4.954	52%
31	Guadalix	9.oct.14	14,945	-	4.500	4.603	8.000	3.651	4.349	54%
32	Camarma	9.oct.14	70,296	-	26.000	26.595	35.000	15.119	19.881	57%
33	Constantí	30.jul.15	42,253	-	13.500	14.029	20.000	8.985	11.015	55%
34	San Fernando	15.jun.16	73,464	-	43.000	43.530	57.200	57.200	-	0%
35	Alcalá de Henares	25.nov.16	8,972	-	5.634	5.859	6.000	2.737	3.263	54%
36	Azuqueca	25.nov.16	19,064	-	8.550	8.972	10.500	5.722	4.778	46%
LOGISTICS			**406,394**	**-**	**163.270**	**167.215**	**230.600**	**149.192**	**81.408**	**35%**
37	Planetocio	24.sep.14	19,222	797	14.000	14.473	17.500	17.500	-	0%
38	Bauhaus	4.dec.14	12,413	352	27.000	27.729	34.400	19.699	14.702	43%
39	Hotel	24.abr.15	10,447	212	10.500	12.195	15.500	8.500	7.000	45%
40	Las Mercedes	23.sep.15	21,111	540	39.000	39.825	50.200	25.700	24.500	49%
41	Víapark	15.apr.16	15,744	1,500	20.000	20.623	21.600	10.100	11.500	53%
OTHER			**78,937**	**3,401**	**110.500**	**114.845**	**139.200**	**81.499**	**57.702**	**41%**
TOTAL PORTFOLIO			**774,730**	**9,398**	**1,226.357**	**1,254.334**	**1,508.800**	**881.041**	**627.759**	**42%**

1) Debt value corresponds only to mortgage loans

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