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SPANISH NATIONAL STOCK MARKET COMMISSION

Pursuant to the provisions in articles 17 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April, on market abuse, and 226 of the consolidated text of the Spanish Stock Market Act, approved by Royal Legislative Decree 4/2015 of 23 October and its concordant provisions, Árma Real Estate SOCIMI, S.A. (hereinafter, “Árma” or the “Company”) hereby notifies the following

INSIDE INFORMATION

Árma files the valuation report for the properties owned at 31st December 2019. As detailed in this report, the market value of the properties amounts in aggregate €221,650,000 (TWO HUNDRED AND TWENTY-ONE MILLION, SIX HUNDRED AND FIFTY THOUSAND EUROS).

The properties have been valued by CBRE Valuation Advisory, S.A. according to RICS (Royal Institution of Chartered Surveyors) valuation standards.

Please find attached the valuation report.

Madrid, 24th February 2020

Mr. Luis Alfonso López de Herrera-Oria
Chief Executive Officer
Árma Real Estate

VALUATION REPORT

PROPERTY PORTFOLIO – ÁRIMA REAL ESTATE

ARIMA REAL ESTATE S.A.

C/ Serrano 47

28001 Madrid

Date of Valuation: 31st December 2019

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This valuation report (the "Report") has been prepared by CBRE Valuation Advisory Services S.A. ("CBRE") exclusively for Árima Real Estate Socimi, S.A. (the "Client") in accordance with the terms of engagement entered into between CBRE and the client ("the Instruction"). The Report is confidential to the Client and any other Addressees named herein and the Client and the Addressees may not disclose the Report unless expressly permitted to do so under the Instruction.

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None of the information in this Report constitutes advice as to the merits of entering into any form of transaction. If you do not understand this information, we recommend you seek independent legal counsel.

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VALUATION REPORT

1.1 VALUATION REPORT



CBRE Valuation Advisory S.A.
Edificio Castellana 200
Pº de la Castellana, 202 8º
28046 Madrid
Switchboard +34 91 598 19 00
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Report Date	21 th January 2020																								
Addressee	ARIMA REAL ESTATE SOCIMI S.A. C/ Serrano 47 28001 Madrid Attn: Mr. Guillermo Fernández – Cuesta																								
The Property	Valuation of seven properties included in the ARIMA REAL ESTATE SOCIMI S.A. portfolio.																								
Property Description	The assets subject to valuation are located in Madrid city and San Agustín de Guadalix.																								
	<table border="1"> <thead> <tr> <th>CBRE Code</th> <th>Property Portfolio ARIMA</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Edificio María de Molina</td> <td>Madrid</td> </tr> <tr> <td>2</td> <td>Edificio Habana</td> <td>Madrid</td> </tr> <tr> <td>3</td> <td>Edificio Cristalia Play</td> <td>Madrid</td> </tr> <tr> <td>4</td> <td>Edificio América</td> <td>Madrid</td> </tr> <tr> <td>5</td> <td>San Agustín de Guadalix</td> <td>San Agustín de Guadalix</td> </tr> <tr> <td>6</td> <td>Ramírez de Arellano</td> <td>Madrid</td> </tr> <tr> <td>7</td> <td>Vía de los Poblados 7</td> <td>Madrid</td> </tr> </tbody> </table>	CBRE Code	Property Portfolio ARIMA	Location	1	Edificio María de Molina	Madrid	2	Edificio Habana	Madrid	3	Edificio Cristalia Play	Madrid	4	Edificio América	Madrid	5	San Agustín de Guadalix	San Agustín de Guadalix	6	Ramírez de Arellano	Madrid	7	Vía de los Poblados 7	Madrid
CBRE Code	Property Portfolio ARIMA	Location																							
1	Edificio María de Molina	Madrid																							
2	Edificio Habana	Madrid																							
3	Edificio Cristalia Play	Madrid																							
4	Edificio América	Madrid																							
5	San Agustín de Guadalix	San Agustín de Guadalix																							
6	Ramírez de Arellano	Madrid																							
7	Vía de los Poblados 7	Madrid																							
Ownership Purpose	Investment																								
Instruction	To value on the basis of Market Value the freehold interest in the properties as at the Valuation Date in accordance with our terms of engagement entered between CBRE and the Client dated 09 January 2019																								
Valuation Date	December 31 th , 2019																								
Capacity of Valuer	External.																								



Purpose

Internal Purposes.

Market Value

€221.650,000

(TWO HUNDRED AND TWENTY-ONE MILLION, SIX HUNDRED AND FIFTY THOUSAND EUROS)

exclusive of VAT.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Limitations

We have not made an internal inspection of the properties. For the purposes of the valuation we have assumed that the parts of the property that have not been inspected are in good condition relative to their age and that no significant refurbishment or renovation works are required.

We have not measured the property on site or from scale plans of the properties subject to valuation. We have therefore assumed that the areas provided by ARIMA are correct.

We have not carried out independent investigations in relation to the planning status of the properties subject to valuation.

Compliance with Valuation Standards

The valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards (“the Red Book”).

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Assumptions

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

As at valuation date there is no final or official budget corresponding to the refurbishment works of the assets, we have adopted the capex estimated by Árima Real Estate's technical team.

Market Conditions

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

Independence

The total fees, including the fee for this assignment, earned by CBRE Valuation Advisory S.A. (or other companies forming part of the same group of companies within Spain) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Spain revenues.

Conflicts of Interest

We confirm that there is no conflict of interest.

Reliance

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

CBRE Valuation Advisory, S.A. is aware that, being the valuation purpose, Corporate Transaction-Capital increase, this report (or part of it) will be included in the "Offering Memorandum" and "Prospectus" of the transaction, in line with the established by the "Comisión Nacional del Mercado de Valores" (CNMV).

Yours faithfully



Fernando Fuente
MRICS
Vice-president
RICS Registered Valuer
For and on behalf of
CBRE Valuation Advisory S.A.



Pablo Carnicero
MRICS
National Director
RICS Registered Valuer
For and on behalf of
CBRE Valuation Advisory S.A.



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1.2 SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

We have carried out our work based upon information supplied to us by the Client.

We have analysed the following documents in order to check that the data provided by the Client and adopted in the valuation is correct:

- Property plans and schedule of surfaces by floor and number of parking spaces.
- Service Charges.
- Tenancy situation of each asset.
- Provided Capex.

Revaluation Without Inspection

As instructed, we have not re-inspected all the properties for the purpose of this valuation. With regard to those properties which have not been subject to re-inspection, you have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of their location, since the last inspection. We have assumed this advice to be correct.

Areas

We have checked that the areas provided by the Client and adopted in the valuation are in line with the official documents: registry deeds and sale and purchase agreements.

For the asset of Fray Bernardino of Sahagún street, América and Via de los Poblados 7, have been adopted project surfaces that differ slightly from the surface of simple note and purchase deed.

Environmental Matters

We have not been provided with an environmental report.

We have not carried out any investigation into the past or present uses of the Property, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property. We are unable, therefore, to give any assurance that the Property is free from defect.

Town Planning For the valuation we have analysed the town planning documentation provided by the Client. It includes the licenses, and an inquiry made to the “Agencia de Actividades del Ayuntamiento de Madrid” regarding the commercial-office use of the Habana building.

Titles, Tenures and Lettings Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers’ likely perceptions of the financial status of tenants.

1.3 VALUATION ASSUMPTIONS

Capital Values

The valuation has been prepared on the basis of "Market Value" which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

The Property

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

(a) the Property is not contaminated and is not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Property which are regulated by environmental legislation are properly licensed by the appropriate authorities.

(c) the Property possesses current energy performance certificates as required under government directives.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Property is free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Property; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Property. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure,
Planning and Lettings**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Property possesses a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Property is not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

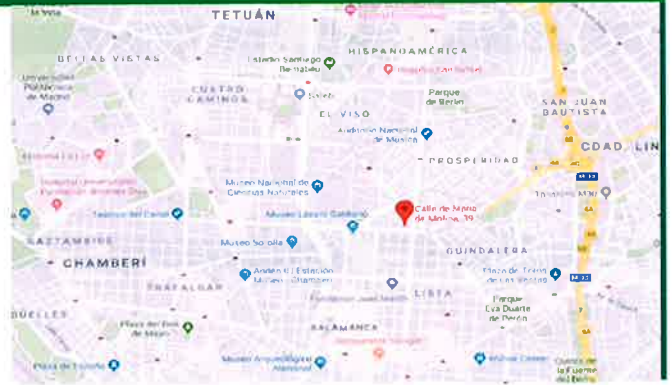
(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(i) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

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PROPERTY REPORT

Photography and location map



Summary

Reference	1	Valuation type	Update
Valuation date	31/12/2019	Inspection	Yes
Portfolio	Ánima Real Estate	Location	Main
Property	María de Molina	Typology	Exclusive building offices
Address	María de Molina 39	Construction year	1965
Zip/Postal	28006	Occupancy	Empty
City	Madrid	Occupancy rate	12%
Province	Madrid	Number of floors	4
Country	Spain	Number of parkings	24
Surface (sqm)	3994,86	Market Value	€ 30.000.000

Description

The property being valued corresponds to floors 5-A, 6-B, 9-A-B-C-D and 10-A of the building located at calle María de Molina 39. In addition to this property, 24 parking spaces must be considered (12 interior and 12 exterior). This property is currently empty with the exception of the 6-B floor which is rented, so it is intended to make a comprehensive reform of the free floors to reposition the building. The floors are made up of rectangular forms with windows around that give very good natural lighting and excellent views of Madrid as they are the top floors of the building.

Parameters overview description

Global qualification	Good	Connections	Subway and bus	Fire Protector	Sprinklers and Detectors
Location	Very Good	Security	CCTV, Vig y Alarma	Interior Divisions	Partitions
Market projection	Good	Ground floor	Office	Ceiling	False ceiling plaster
State of repair	Good	Upper floors	Office	Floors	Maquette
Qualities	Good	Basement	Parking	Heating	Diffusers
Facilities	Good	Parking	Allocated lots	Air conditioning	Cold and heat
Environment	Mixed	Elevators	Just people	Fuel	Electricity

Weaknesses

Peak hour traffic collapse.
Difficulty to park in the surroundings.
Currently has a high percentage of empty surface.

Strengths

Excellent visibility as it is a tower building.
Very good natural lighting as it is a free-standing building.
Good communications with public and private transport.
Good access through the A-2.

Surfaces

Gross Leasable Area (GLA) 3994,86 sqm

Threats

Completion of rehabilitations of prime buildings that will be in direct competition with the property.

Opportunities

Attractive property for an investor.
Investment market in growth, compression of yields and demand for prime buildings.
Rents with a forecast of upward growth.
Agreement of intentions to rent the empty surface.

Licences

First occupation and operation licence.

Valuation Methodology

We have used the discounted cash flow (DCF) method to reach at our fair value opinion. It would also be the method used by international investors as potential buyers. However, it should be noted that the results obtained using this method are always compared with recent market transactions in terms of price per square metre and initial returns. The method is based on a prediction of the likely net income to be generated by the property over a given period of time (10 years), considering a residual value of the property at the end of that period. The flows are discounted at an internal "target" rate of return (IRR) considered to be the rate corresponding to the property to generate its Present Value.

Comparable Rent Transactions

Location	Surface sqm	Rent €/annual	€/sqm/month	Type
Príncipe de Vergara 112	2.178,00	697.831 €	26,70	Transaction
María de Molina 37 bis	191,00	64.176 €	28,00	Transaction
María de Molina 191	500,00	168.000 €	28,00	Transaction
Pinar 7	245,00	97.020 €	33,00	Asking
María de Molina 54	10.967,00	3.290.100 €	25,00	Asking

Comparable Sale Transactions

Location	Surface sqm	Price €	Price €/sqm	Type
C/ Velázquez	3.700,00	30.000.000 €	8.108,11	Transaction
Claudio Coello 124	4.332,00	19.000.000 €	4.385,96	Transaction
Calle Fernando el Santo 15	3.254,00	30.000.000 €	9.219,42	Transaction
Colle Serrano 39	1.212,00	8.000.000 €	6.600,66	Transaction

Valuation parameters

Gross Rent	144.000 €
Net Rent	123.647 €
Market Rent	1.477.749 € *Market rent assumed after repositioning of the property.
Running Yield year 1	0,00%
Running Yield year 2	4,55%
Running Yield year 3	4,55%
Exit Yield	4,25%
IRR	6,50%
Rent Market on value	4,93%

Market Commentary

In the third quarter of 2019, the Madrid's office market take up exceeded 157,000 sqm, which means a cumulative figure from January to September of more than 530,000 sqm. This figure is 62% higher than the average of the past five years for that period and practically equals the take up registered in 2018. No large transactions were signed during this quarter, but we recorded five transactions between 5,000 and 7,000 sqm.

The overall unemployment rate continues its downward trend, standing at 8,7% at the end of the quarter, one point lower than in the same period last year. Since 2008, no rates below 9,0% were recorded. The supply of high quality buildings continues to decline, having fallen by 27% compared to the previous year. Focusing on the CBD, the existing supply in Grade A buildings is 42,000 sqm, compared to 79,000 sqm in 3Q2018 (-47%). These factors favor the rent increase, placing the prime rent in CBD at the end of the quarter at €35,50/sqm/month, which represents a year-on-year increase of 7,6%. Average incomes also continued rising in the market as a whole, currently standing at around €18,3/sqm/month.

Focusing on the reference area we can see that all the comps for rent are in streets very close to the property, with rents ranging from €25-28,00/sqm/month. It should be noted that in the area of the Barrio de Solomanca the unit rents are around €28/sqm/month, depending on the building, representativeness and state of conservation. The first rental comparable corresponds to an office building located in a street perpendicular to the property, which has little visibility due to a bridge that reduces it. This property has closed in 4Q2018 with rents of €26,70/sqm/month. The second comparable is an office building smaller than the property and located on the same street as our property. Such comparable asset corresponds to the closing of the rent of a small office module that has been rented during 1Q2019 at a rent of €28/sqm/month. The third comparable building corresponds to the ground floor of an office building located at the intersection of María de Molina and Paseo de la Castellana, which has a better location than the property but less visibility and natural lighting as it is not an exempt building. The fourth comparable corresponds to the offer of several floors of offices within a building located in a street perpendicular to the property but with little visibility. The last rental comparable corresponds to the bid of an office building located directly in front of the property, which corresponds to offices with little natural light as it is a building located between party walls with a poor façade - background relation.

In comparison with the property, it should be highlighted that the property has the highest floors of the building, allowing a very good visibility of the Madrid's Skyline and a very good natural lighting inside the building. Regarding the investment market, we can state that the first comparable asset corresponds to a building close to the property and with a surface similar to the one of the property being valued. The second comparable corresponds to an office building located in a street with less people traffic than María de Molina but it is a recently renovated building with good finishes. The third comparable corresponds to a classical style office building located in a more central area than the property and being a building with better work finishes than the property, being reflected in the unit value. The fourth comparable correspond to small office module located in the heart of the Barrio de Solomanca and with less natural light than the property.

Market Value (€)

30.000.000 €

Value €/sqm

7.510

Participation calculation

30.000.000 €

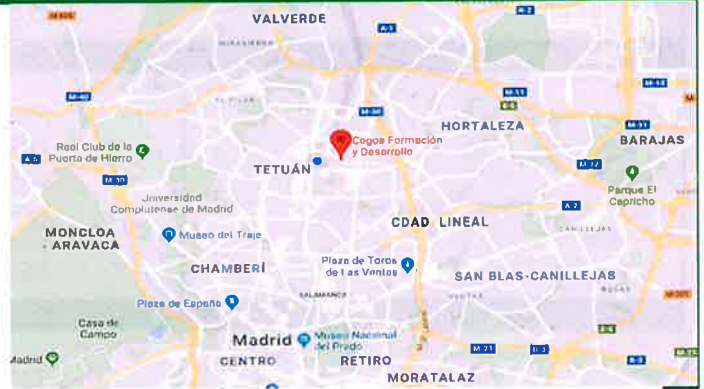
Comments

With respect to the market, there are a significant number of office comparables for the area. Thanks to the analysis carried out in the market, it can be appreciated that the rents are between €25-33/sqm/month. The comparables obtained are buildings of good quality and good finishes, in a similar area where the asset to be valued is located. In our case, the value concluded with the planned reform of the building would be around €30/sqm/month once the currently empty floors are reformed. Although it needs a reform, the building maintains a good structure and good characteristics such as large windows that allow the entry of light. Also included are 24 car parks (12 indoor and 12 outdoor), which with respect to the area in which they are located, there is a demand that would cover the supply of these.

Valuation parameters:

- CAPEX: €2,032,171.
- Community fee: 4€ / Leasable area.
- Letting fees: 5%.
- Acquisition costs: 3,32%.

Photography and location map



Summary

Reference	2	Valuation type	Update
Valuation date	31/12/2019	Inspection	Inside inspection Valuation 18Dec
Portfolio	Árma Real Estate	Location	Principal
Property	Edificio Cegos	Typology	Offices - Exclusive Building
Address	C/ Fray Bernardino de Sahagún, 24	Construction year	1974
Zip/Postal	28036	Occupancy	Empty
City	Madrid	Occupancy rate	0%
Province	Madrid	Number of floors	4
Country	Spain	Number of parkings	65
Surface sqm	4,295,43	Market Value	24,150.000 €

Description

Office building located in the Chamartín District, in the city of Madrid, belongs to the office area called "Centro Secundario" but very close to the "CBD", the prime office area in Madrid.

The building has 4,295 sqm built above ground (semi-basement, ground, first and second floors) and 1,963 sqm below ground (basements -1 and -2), with 43 indoor and 12 outdoor parking lots.

It is expected a renovation starting at the beginning of 2020 and 12 months of construction. Among other actions, the structure will be raised 1 cm to obtain a free height of 3.30 m (2.60 m from the false ceiling), access to the building will be modified, the distribution areas will be reformed, including the vertical communication cores and the parking garage will be reorganized, which will allow to obtain a total of 65 parking spaces.

Parameters overview description

Global qualification	Good	Connections	Subway, train and bus	Fire Protector	
Location	Good	Security	Alarm	Interior Divisions	Painted walls
Market projection	Good	Ground floor	Office	Ceiling	False ceiling plaster
State of repair	Medium	Upper floors	Office	Floors	Ceramic
Qualities	Medium	Basement	Office	Heating	Diffusers
Facilities	Medium	Parking	Allocated lots	Air conditioning	Cold and heat
Environment	Residential	Elevators	People and loads	Fuel	Gas

Weaknesses

Area with low presence of office buildings.

Strenghts

Building with good structure and distribution, which makes that after the renovation the resulting floors are very attractive for occupants.

Threats

Competition with other office areas
Lack of knowledge of the real estate market situation once the property is repositioned.

Opportunities

Property located in secondary center but very close to Paseo de la Castellana.
Possible corporate headquarters.
Potential increase in market rents in Madrid.
Potential increase in surface area and parking lots.

Surfaces

Gross leasable area (GLA)	4,295,43
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Licences

Opening license, installations and operations.

Valuation Methodology

We have used the discounted cash flow (DCF) method to arrive at our fair value opinion. It would also be the method used by international investors as potential buyers. However, it should be noted that the results obtained using this method are always compared with recent market transactions in terms of price per square metre and initial returns. The method is based on a prediction of the expected net income to be generated by the property over a given period of time (10 years), considering a residual value of the property at the end of that period. The flows are discounted at an internal "target" rate of return (IRR) considered to be the rate corresponding to the property to generate its Present Value. For the purposes of valuation, the property has been valued under the finished building hypothesis.

Comparable Rent Transactions

Location	Surface sqm	Rent €/anual	€/sqm/month	Type
Paseo de la Habana, 101	3,128,00	906.091 €	24,14	Transaction
José Lázaro Galdiano, 6	3,984,00	1,266.912 €	26,50	Transaction
ACN Norte	Confidential	Confidential	27,00	Transaction
Discovery Building, calle Esteban Calderón 3-5	1,976,50	616.668 €	26,00	Transaction
ACN Norte	Confidential	Confidential	31,00	Transaction
ACN Norte	Confidential	Confidential	28,00	Transaction

Comparable Sale Transactions

Location	Surface sqm	Price €	Price €/sqm	Type
Paseo de la Habana, 101	3,128,00	20.800,000 €	6649,62	Transaction
Cardenal Marcelo Spínola 42	8,875,00	51.000,000 €	5746,48	Transaction
Castellana 200	26.709,00	250.000,000 €	9360,14	Transaction
Pse. Habana 3	3.000,00	23.400,000 €	7800,00	Transaction

Valuation parameters

Gross Rent	0 €
Net Rent	0 €
Market Rent	1.606.655 € * Market rent assumed after repositioning of the property.
Running Yield year 1	n/a
Running Yield year 2	3,36%
Running Yield year 3	6,44%
IRR	7,50%
Rent Market on value	6,65%

Market Commentary

The reference sub-market (Secondary Center) has followed a positive trend during 2019.

Analyzing in detail the market of the area of reference, we have compiled some of the most recent rental transactions, which refer to buildings in which an investment has been made for their repositioning and subsequent renting, in addition to the last rents signed in the area closest to the asset (last two buyables of rent)

Comparable 1 refers to the former Philip Morris building, recently rented for €24.00/sqm/month (€26.80/sqm/month if we include the parking spaces). The building is completely renovated on the inside but the exterior aesthetics are less attractive compared to the building being valued.

The second comparable (known as Blue Building), as well as the valued building, is located in a street near Paseo de la Castellana but with less visibility; it was recently reformed with high qualities.

The third rental transaction refers to a building that, although close to the valued one, is already in a central business area, although it is similar in that it has been completely renovated and does not have immediate visibility from the Castellana.

The comparable four refers to another similar building by location, as it is close to the Castellana but not directly visible, totally reformed; in this one, offices have been rented at €26.00/sqm/month at the end of 2018.

Finally, we have also considered the rent offered for office space within Los Cubos building, an emblematic and entirely renovated asset which, although it is located off the M-30, is being marketed at high rents and is receiving a good feedback from the occupants.

These examples show us the upside rent gap after the repositioning, so we have assumed that the market rent today of the property considering it reformed is around €26.00/sqm/month for the office space. Taking into account the income growth expected for the next period, it will be around €29.00/sqm/month once the reform is completed.

The last rentals signed in an area close to the building (last two comparable rentals), confirm a positive trend in rent and support the forecasts for the near future.

With regard to investment, activity in the specific area has been led by the purchase of the former Philip Morris headquarters at 101 Paseo de La Habana (for 20.8 million euros) and the Clínica Universitaria de Navarra at 10 Lopez Pozas Street (whose price has not been disclosed but could be around €3,261/sqm as it is a building for private use); in addition to the purchase of Hispania's assets at Comandante Azcarraga Street. Within the Secondary Centre area, the sale of the Castellana 200 building, whose price includes the shopping centre as well as the offices, has stood out.

In the same Paseo de la Habana, but closer to the Castellana axis, the building entirely occupied by the law firm Gunni&Trentino was sold in April 2019 at a price of around €7.800/sqm.

Market value	Value €/sqm	Participation calculation (100%)
24.150.000 €	5622,75	24.150.000 €

Comments

For valuation purposes, we have taken into account that the tenant has left the building and that the building licence has been obtained. We have discounted the investment costs (capex) which, according to the information provided by our client, are estimated at €5,206,000, which represents €100/sqm/month in a reform planned for 12 months. From that reform another new tenant will enter to market rent.

The IRR of our calculations has been modulated by taking into account the risk of the fit-out works. The result of the valuation is in line with the comparable ones in the area. We consider that the property, after the proposed fit-out works, has potential in the market, since its location very close to the business centre of Castellana and the good visibility, will allow to reach the high level of rent for the area of reference and to attract the interest of the investment market.

Photography and location map



Summary

Reference	3	Valuation type	Update
Valuation date	31/12/2019	Inspection	Inside Building Valuation Dec18
Portfolio	Árma Real Estate	Location	Decentralized
Property	Cristalia Building	Typology	Offices - Exclusive Building
Address	Vía de los poblados 3	Construction year	2006
Zip/Postal	28033	Occupancy	Rented
City	Madrid	Occupancy rate	67%
Province	Madrid	Number of floors	7
Country	Spain	Number of parkings	192
Surface (sqm)	11,010,40 sqm	Market Value	41,500,000 €

Valuation Methodology

Office building located in the Cristalia Business Park with a surface area of 11,010,40 sqm and 192 parking spaces. The building is located in a mini-business park with excellent services and surrounded by 10 buildings and a hotel. 10 minutes from the airport and 15 minutes from the CBD, the property has good road communications. The building has good qualities such as a false ceiling and technical floor, and is in a good state of conservation.

Parameters overview description

Global qualification	Good	Connections	Subway and bus	Fire Protector	Sprinklers and Detectors
Location	Good	Security	CCTV, Vig and Alarm	Interior Divisions	Painted walls
Market projection	Good	Ground floor	Office	Ceiling	Metal false ceiling
State of repair	Good	Upper floors	Office	Floors	False floor
Qualities	Good	Basement	Parking	Heating	Diffusers
Facilities	Good	Parking	Allocated lots	Air conditioning	Cold and Heat
Environment	Mixed	Elevators	People/materials	Fuel	Electricity

Weaknesses

Peak hour traffic collapse.
Some distance from the subway station.
Limited level of services in the surrounding area.

Strengths

Good access through the M-40 and M-11 to the airport.
Façade to the M-40.

Threats

Occupation at 67%.
Difficulty absorbing available empty space.
High offer available in the area.

Opportunities

Potentially rising market rents in the medium to long term.
Building with potential revaluation.

Surfaces

Gross Leasable Area (GLA) 11,010,40 sqm

Licences

Licence first occupation and operation

Valuation Methodology

We used the discounted cash flow (DCF) method to arrive at our fair value opinion. It would also be the method used by international investors as potential buyers. However, it should be noted that the results obtained using this method are always compared with recent market transactions in terms of price per square metre and initial returns. The method is based on a prediction of the likely net rent to be generated by the property over a given period of time (10 years), considering a residual value of the property at the end of that period. The flows are discounted at an internal "target" rate of return (IRR) considered to be the rate corresponding to the property to generate its Present Value.

Comparable Rent Transactions

Location	Date	Surface sqm	Rent €/anual	€/sqm/month	Type
Ribera del Loira, 36-50	Q1 2019	3,378,00	630,335 €	15,55	Transaction
Vía de los Poblados, 1	Q1 2019	34,947,00	6,709,824 €	16,00	Transaction
Vía de los Poblados, 3	Q3 2019	4,395,00	791,100 €	15,00	Asking
Partenon Avenue, 4-6	Q3 2019	340,50	69,462 €	17,00	Transaction
Ribera del Loira 28	Q2 2019	2,866,00	567,468 €	16,50	Transaction
Vía de los Poblados, 3	Q4 2019	2,911,00	497,781 €	14,25	Transaction

Comparable Sale Transactions

Location	Date	Surface sqm	Price €	Price €/sqm	Type
Cristalia 2-3	Q4 2018	17,338,00	65,637,218 €	3,785,74	Transaction
Cristalia 5-6	Q4 2018	17,587,00	66,074,800 €	3,757,03	Transaction
Partenon Avenue, 4-6	Q1 2028	18,252,00	79,300,000 €	4,344,73	Transaction
Pórtico Building, Mahonia 2	Q3 2019	20,912,00	116,000,000 €	5,547,05	Transaction

Valuation parameters

Gross Rent	1,474,602 €
Net Rent	1,364,893 €
Market Rent	2,200,032 €
Running Yield year 1	3,05%
Running Yield year 2	4,95%
Running Yield year 3	5,00%
Exit Yield	5,00%
IRR	7,25%
Rent Market on value	5,30%

Market Commentary

The A-2 area is a well-consolidated business location which has been highly demanded in recent years. It hosts the headquarters of important companies such as Iberia, L'Oréal, AXA, Santander. The area, since the third quarter of 2019, has a surface stock of 2,469,425 m² of which 10,1% is available. There are currently 102,000 m² of office space under development or not yet begun. Regarding to construction matters in the office market, the high quality of construction materials is very significant: 24,35% are Grade A properties, 19,19% are Grade B+, 21,24% are Grade B and 3,21% are Grade C.

With respect to the specific sub-market, Campo de las Naciones, the surface stock is 606,000 m² distributed in 36 buildings with a vacancy rate of 8,9%. There is no future supply within the area, therefore, almost half of the properties are Grade A buildings (48,47% vs 19,08% Grade B+, 8,47% Grade B and 7,93% Grade C).

Until 3Q2019, the A-2 area take up was almost a third of the Madrid's one and the second highest after the CDB, with 157,000 m². During 1Q2019, almost half of the rented space (44%) corresponded to companies from the financial sector, followed by the manufacturing and energy sectors (41%).

With respect to the Campo de las Naciones, the absorption reached 8,250 sqm in 2Q2019. If we include the year-on-year data, this figure represents 46,580 square meters of leasing, a significantly high figure compared to the average of previous years (18,000 sqm), since almost 75% (34,947 sqm) corresponded to ING's lease in the Helios complex.

With regard to rental transactions in the Field of Nations during the first two quarters of 2019, there have been 7 transactions with an average rent of 15 euros/sqm/month and a maximum rent of 16,5 euros/sqm/month.

The office's prime yield on the A-2 area was 5,25%, however, considering recent transactions proves numbers below this figure, with a yield below 4,5%. Considering this, we have assumed an exit yield of 5,0%, in line with the property's conservation state.

Market Value (€)

41,500,000 €

Value €/sqm

3.706,0

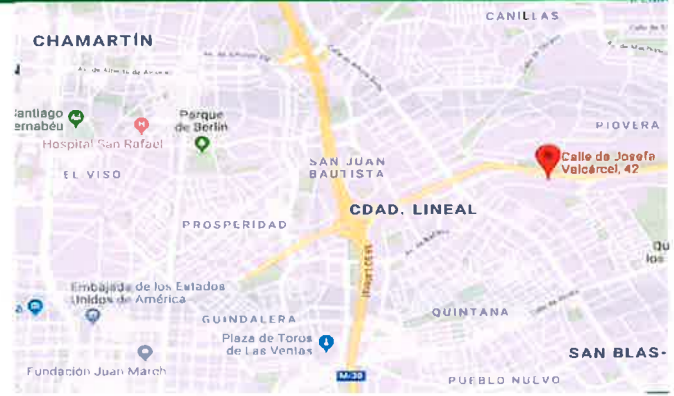
Participation calculation

41,500,000 €

Comments

Property located in good secondary location.
 Façade to the M-40.
 Unrecoverable expenses only in empty spaces.

Photography and location map



Summary

Reference	4	Valuation type	Update
Valuation date	31/12/2019	Inspection	Inside Building Valuation 18Dec
Portfolio	Árma Real Estate	Location	Decentralized
Property	Edificio Américo	Typology	Offices - Exclusive Building
Address	Joseta Valcárcel, 42 Madrid	Construction year	1994
Zip/Postal	28027	Occupancy	Rented
City	Madrid	Occupancy rate	73%
Province	Madrid	Number of floors	9
Country	Spain	Number of parkings	170
Surface sqm	9342 sqm	Market Value	29,000,000 €

Description

Exclusive office building located in the consolidated business area of the A-2 highway. The building consists of 9 floors of offices and 170 parking lots located in the basement. There is a recently completed renovation plan. There has been carried out recent partial fit-out works which were part of a full building reform plan. According to the project, the building will have flexible floors that can be divided into 2 main modules, with two independent access points each consisting of a staircase, lifts and toilets. It also includes the installation of individual counters and improved access halls and bathrooms. Finally, services such as shuttle bus, kindergarten or laundry and increasing the number of parking lots are being considered. With all this is intended to re-position the building in the market and achieve maximum occupancy. Currently the building has an occupancy rate of 73%.

Parameters overview description

Global qualification	Good	Connections	Subway and bus	Fire Protector	Sprinklers and Detectors
Location	Good	Security	CCTV, vig and alarm	Interior Divisions	Painted walls
Market projection	Good	Ground floor	Office	Ceiling	False ceiling plaster
State of repair	Good	Upper floors	Office	Floors	False floor
Qualities	Good	Basement	Parking	Heating	Diffusers
Facilities	Good	Parking	Allocated lots	Air conditioning	Cold and heat
Environment	Mixed	Elevators	People and loads	Fuel	Electricity

Weaknesses

Peak hour traffic collapse.
Some distance from the subway station.

Strengths

Shape of the building consisting of 2 bodies with different access points, which gives exclusivity.
Large open outdoor space.
Modern building.

Threats

The A-2 is characterized for being a zone with a lot of availability.

Opportunities

Potentially rising market rents in the medium to long term.
Repositioning of the building after the integral reform in phase of execution.

Surfaces	Licences
Gross leasable area (GLA)	n/a
9342 sqm	

Valuation Methodology

We have used the discounted cash flow (DCF) method to arrive at our fair value opinion. It would also be the method used by international investors as potential buyers. However, it should be noted that the results obtained using this method are always compared with recent market transactions in terms of price per square metre and initial returns. The method is based on a prediction of the expected net income to be generated by the property over a given period of time (10 years), considering a residual value of the property at the end of that period. The flows are discounted at an internal "target" rate of return (IRR) considered to be the rate corresponding to the property to generate its Present Value.

Comparable Rent Transactions

Location	Date	Surface sqm	Rent €/anual	€/sqm/month	Type
Josefa Valcarcel (Piyconsa)				16,00	Transaction
Ramírez de Arellano, 21	Q2 2018	6.759,00	1.297.728 €	16,00	Transaction
Zona A2 (confidencial)	Q2 2019	Confidencial	Confidencial	18,00	Offer
Nanclares de Oca 17 (A2 Plaza)	Q2 2019	4.100,00	688.800 €	14,00	Offer

Comparable Sale Transactions

Location	Date	Surface sqm	Price €	Price €/sqm	Type
Juan Ignacio Luca de Tena 17	Q1 2019	8.822,00	24.000.000 €	2720,47	Transaction
Josefa Valcarcel 40bis	Q4 2017	8.652,00	29.700.000 €	3432,73	Transaction
Sede Liberbank, Camino de la Fuente Mor	Q4 2018	13.500,00	45.300.000 €	3355,56	Transaction
Juan Ignacio Luca de Tena 14	Q3 2018	7.872,00	33.000.000 €	4192,07	Transaction

Valuation parameters

Gross Rent	1.139.100 €
Net Rent	1.066.199 €
Market Rent	2.115.688 € * Market rent assumed after repositioning of the property.
Running Yield year 1	0,00%
Running Yield year 2	0,00%
Running Yield year 3	5,45%
Exit Yield	4,75%
IRR	6,75%
Rent Market on value	7,30%

Market Commentary

The office market take up in both Madrid and Barcelona has been exceptionally high in 2019. In Madrid a take-up of 535,000 sqm by the end of 3Q2019 equals the figure of the whole 2018. In Madrid, demand continues to be diversified, although the financial sector has had an unusual strong presence in the last year due to operations carried out by ING, Banco Santander, CaixaBank, etc. Flexible space operators have been major players, representing 11% of the take-up in Madrid in the last year.

With regard to investment, up to the end of 3Q2019 it reached 2,765 million euros compared to 2,610 million euros for the whole of 2018, excluding corporate transactions (including them, the figure slightly exceeded 4,700 million euros in 2018). International investors concentrate 64% of the total invested so far this year in the office segment.

No recent transactions close to the property have been recorded, leaving the ones carried out by Blackstone with the purchase of Hispania and by Colonial with the purchase of assets from Axiare. In detail, the transactions have made interesting the building 4B, located in the Cristalia business complex, with a surface area of 10,928 sqm and transacted for 39,8 M (€3,642/sqm). Another closed transaction worth mentioning in the sub-market is the one of Loira Building, in the Ribera del Loira area, which price has not transcended but is similar to the price of the valued building. As an older transaction, we can mention the one of the Aegean Building, on Avenida de Partenón, bought by Colonial at a price of 79,3 M, higher than the price of the valued building considering that the location, as well as the visibility, quality of the building and communications are better. It is also worth mentioning the less-recent transaction of the Portico building, which was acquired for more than €5,500/sqm, at an initial net yield of 4,40%, given its location with good communications, visibility and proximity to IFEMA. Focusing on the reference sub-market (A-2), good results were recorded during the first part of the year.

Analyzing in detail the market of the reference area, we have compiled some of the most recent transactions (comparable 1 and 2). These refer to existing buildings, with good qualities but not recently reformed. For them the rents vary between 14,00 and €16,00/sqm/month. To have references of reformed buildings we have analyzed the current supply.

The comparable 3 refers to an office module in the A2 Plaza building, a new construction complex located in the area near the airport and the shopping centre but, with respect to the asset to be valued, it does not have visibility from the motorway. The rent offered is €14,00/sqm/month.

The last comparable refers to a building that will be inaugurated shortly on the A2, with high qualities, flexible floors and parking spaces but with a slightly reduced visibility from the A2 compared to the asset to be valued. It is estimated that it can be rented at €18,00/sqm/month.

Given the rent level in the area and the characteristics of the comparables detailed above, a unit rent for the offices under study is estimated at €17,50/sqm/month after repositioning, plus parking spaces at €100/spot for the interior and €75 euros/spot for the exterior.

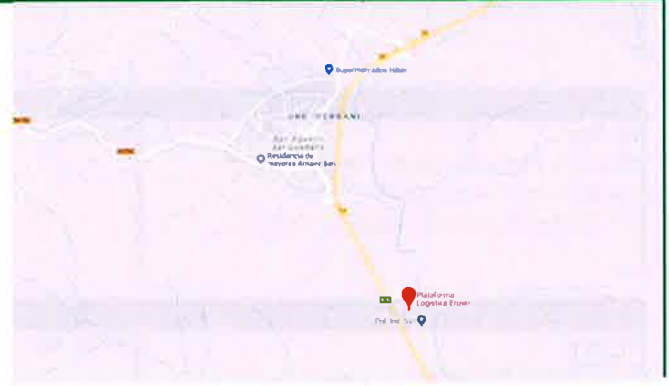
With regard to investment, the activity in the area has been led by the operations of Blackstone with the purchase of Hispania and Colonial with the purchase of assets from Axiare, in addition to the purchases of part of Tristán and Álima. In detail, it should be highlighted both transactions in Josefa Valcarcel and Juan Ignacio Luca de Tena, buildings close to the property, the last one referring to a new building that Axiare (before Colonial) already bought in 2017 for €3,400/sqm.

Market value	Value €/sqm	Participation calculation (100%)
29.000.000 €	3104,00	29.000.000 €

Comments

Modern building with a large open space. The asset will be repositioned after the refurbishment planned for the end of the year, which will give it an increase in potential unit rents.

Photography and location map



Summary

Reference	5	Valuation type	New
Valuation date	31/12/2019	Inspection	Yes
Portfolio	Árma Real Estate	Location	Decentralized
Property	Nave San Agustín de Guadalix	Typology	Industrial - Logistics
Address	Cancheras 9	Construction year	1965
Zip/Postal	28750	Occupancy	Rented
City	San Agustín de Guadalix	Occupancy rate	100%
Province	Madrid	Number of floors	2
Country	Spain	Number of parkings	n/a

Surface sqm	25693,94 sqm	Market Value	22,500,000 €
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Description

The property being valued corresponds to a refrigerated logistics warehouse, located in San Agustín de Guadalix, Madrid. The building has 25,693,94 sqm built above ground. The warehouse, located 30 kilometers from Madrid, has 29 loading docks and 1,220 sqm of office space. The access is the A-1 highway, exactly at kilometer 36. After the internal visit we can confirm that the interior state of the asset is perfect. Due to its location, it is located in an excellent location for distribution throughout Spain. Among its characteristics, to emphasize the great space for the trailers operations. It has a bus stop a few minutes from the warehouse that connects with the center of Madrid.

Parameters overview description

Global qualification	Very good	Connections	Bus	Fire Protector	Sprinklers and Detectors
Location	Good	Security	CCIV, vig and alarm	Interior Divisions	
Market projection	Good	Ground floor	Warehouse	Ceiling	Metal false ceiling
State of repair	Very good	Upper floors	Offices	Floors	
Qualities	Very good	Basement		Heating	
Facilities	Good	Parking	None	Air conditioning	Cold
Environment	Industrial	Elevators	None	Fuel	Electricity

Weaknesses

Small industrial park,
More developed logistic market towards the A-2.

Strengths

Excellent visibility as it is a warehouse with frontage to the A-1.
Good communications with public and private transport.
Good access through the A-1.
Current long-term contract.
Easiki refinancing.

Threats

Opportunities

Attractive property for an investor.
Growing investment market. Compression of yields and demand for warehouses in the San Agustín de Guadalix industrial park.

Surfaces

Gross leasable area (GLA) 25693,94 sqm

Licences

First Occupation and Operation license

Valuation Methodology

We have adapted a Rents-Hardcore Capitalization methodology to find the market value. This valuation method consists of the capitalization in perpetuity of the current or expected income that could be generated by the property under consideration, through a discount rate, which itself contemplates all the risks that may occur in the market.

Comparable Rent Transactions

Location	Surface sqm	Rent €/anual	€/sqm/month	Type
Salguerrilla, P.I. San Agustín de Guadalix	10,000,00	510,000 €	4,25	Transaction
La Lobera s/n, P.I San Agustín de Guadalix	16,000,00	768,000 €	4,00	Transaction
Ctra. Burgos km. 31, P.I San Agustín de Guadalix	7.360,00	384,192 €	4,35	Transaction

Comparable Sale Transactions

Location	Surface sqm	Price €	Price €/sqm	Type
P.I San Agustín de Guadalix	7,360,00	4,800,000 €	652,17	Transaction
P.I San Agustín de Guadalix	16,000,00	10,800,000 €	675,00	Transaction
P.I San Agustín de Guadalix	6,700,00	3,200,000 €	477,61	Transaction

Valuation parameters

Gross Rent	1,620,669 €
Net Rent	1,497,105 €
Market Rent	1,634,135 €
Running Yield year 1	5,45%
Running Yield year 2	5,50%
Running Yield year 3	6,70%
Exit Yield	6,50%
IRR	8,50%
Rent Market on value	7,26%

Market Commentary

The central area reached a take up of 272,000 sqm, exceeding by 48% the figure registered in the same period in 2018. Up to 3Q2019, 432,000 sqm have been recorded, with practically all of this figure being covered by the A-2 and A-4 axes. In addition, 51% of the hired surface area has depended on turnkey or build to suit projects.

The available supply increased with respect to the previous quarter, standing at 7.8% of the total stock, which represents 854,000 sqm in absolute terms.

There are currently 763,000 sqm under construction. 63% are projects at risk. Prime rent remained steady with respect to the previous quarter at €5.50/sqm/month. During this quarter, logistics investment in the Central Zone registered 481 M€.

Focusing on the market of the area where the property is located, we can state that there are several close comparables but none of them correspond to cold storage warehouses, so the rent and market value are lower than the one that the property under study should be. From this rent market study we can see that the rents are around 4 euros/sqm/month. The first comparable corresponds to a large warehouse, very close to the property, with visibility and access similar to our asset. The second comparable is an industrial asset but located in a second line of the A-1, which is accessed by a small street which reduces the visibility of our property. The third rental comparable corresponds to a much smaller building than the property but located much closer to the existing access with the A-1. Taking into account that the property is a cold storage warehouse with a recently financed tenant and with a long-term contract renewed in the last year, we consider it reasonable to establish a market rent of €5.3/sqm/month. Regarding the investment market, we can see that there are several industrial transactions in the same industrial park but none of them correspond to a cold storage building. Taking into account this study and characteristics we can conclude that the unit values corresponding to the transactions contributed are lower than the property's.

Market value

22,500,000 €

Value €/sqm

856,25

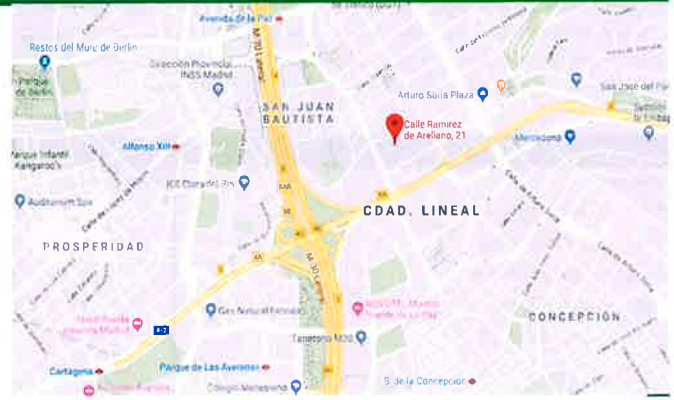
Participation calculation (100%)

22.500.000 €

Comments

Regarding to the market, there is an important number of samples of warehouses in the zone. Thanks to the analysis carried out, it can be appreciated that the rents are around €4/sqm/month. The comparables obtained are recent transactions of good quality, in the area of San Agustín de Guadalix, where the asset to be valued is located. In our case, the concluded unit rent is €5.30/sqm, in line with the comparables provided. We consider that the property, due to its great location and visibility, will allow us to reach the high level of income for the reference area and attract the interest of the investment market. Moreover, thanks to the long-term contract, it could be attractive for investors looking for a long-term and stable return.

Photography and location map



Summary

Reference	6	Valuation type	New
Valuation date	31/12/2019	Inspection	Yes
Portfolio	Árma Real Estate	Location	Main
Property	Ramirez de Arellano	Typology	Exclusive building offices
Address	C/ Ramirez de Arellano, 21	Construction year	2007
Zip/Postal	28043	Occupancy	Rented
City	Madrid	Occupancy rate	100%
Province	Madrid	Number of floors	7
Country	Spain	Number of parkings	110
Surface (sqm)	6759 sqm	Market Value	33.500.000 €

Description

It is an exclusive design office building located in the consolidated business area of the A-2 dual carriageway. The building consists of 7 floors of offices with 6,759 sqm and 110 parking spaces located on the ground floor. The project was carried out by the prestigious architect D. Rafael de la Hoz, highlighting its modern design of the entrance, with high glass ceilings and double height games, in its spacious and luminous rooms and in the large area of outdoor space as a courtyard that differentiates it from the rest of office buildings around it. The floors are well distributed, the building is in good condition and the materials are of high quality.

Parameters overview description

Global qualification	Excellent	Connections	Bus	Fire Protector	Sprinklers and Detectors
Location	Good	Security	CCTV and Alarm	Interior Divisions	Partitions
Market projection	Good	Ground floor	Office	Ceiling	False ceiling plaster
State of repair	Excellent	Upper floors	Office	Floors	False floor
Qualities	Excellent	Basement	Parking	Heating	Diffusers
Facilities	Good	Parking	Allocated lots	Air conditioning	Cold and heat
Environment	Residential	Elevators	Just people	Fuel	Electricity

Weaknesses

Future supply in development in the area.
No rent until September 2019.

Strengths

Good shape of facilities and offices.
Good layout, with flexible spaces and large open space.
Modern building, among the best in the area.
Recently signed contract.

Threats

Availability in other Madrid areas better communicated.

Opportunities

Positive trend in the office market.

Surfaces

Gross Leasable Area (GLA) 6759 sqm

Licences

Licence first occupation and operation

Valuation Methodology

We have used the discounted cash flow (DCF) method to reach at our fair value opinion. It would also be the method used by international investors as potential buyers. However, it should be noted that the results obtained using this method are always compared with recent market transactions in terms of price per square metre and initial returns. The method is based on a prediction of the likely net rent to be generated by the property over a given period of time (10 years), considering a residual value of the property at the end of that period. The flows are discounted at an internal "target" rate of return (IRR) considered to be the rate corresponding to the property to generate its Present Value.

Comparable Rent Transactions

Location	Surface sqm	Rent €/anual	€/sqm/month	Type
C/ Ramirez de Arellano	Confidential	Confidential	15,00	Transaction
C/ Ramirez de Arellano	Confidential	Confidential	15,50	Transaction
Josefa Valcárcel 3-5	205,00	36,900,00	15,00	Transaction
Josefa Valcárcel (Pryconso)	n/a	n/a	16,00	Transaction
Ramirez de Arellano 21	6.758,69	1.297.668,48	16,00	Transaction
Dulce de Chacón 55	6.500,00	1.326.000,00	17,00	Transaction
Manteras Avenue 20	1.412,00	254.160,00	15,00	Transaction

Comparable Sale Transactions

Location	Surface sqm	Price €	Price €/sqm	Type
Avenida del Partenón, 4-6	18.254,00	79.000.000 €	4.327,82	Transaction
Murano Building	7.574,60	33.000.000 €	4.356,67	Transaction
Cardenal Marcelo Spinola 42	8.875,00	51.000.000 €	5.746,48	Transaction
Isla de Manteras, Manteras Avenue 48	13.442,00	60.000.000 €	4.463,62	Asking

Valuation parameters

Gross Rent	1.456.068 €
Net Rent	1.448.697 €
Market Rent	1.566.594 €
Running Yield year 1	4,25%
Running Yield year 2	4,30%
Running Yield year 3	4,40%
Exit Yield	5,00%
IRR	6,70%
Rent Market on value	4,68%

Market Commentary

The A-2 sub-market registered positive results during the year, with almost 159,000 sqm rented and 77 transactions. The new Merrimock complex has started to be rented. New areas are expected to be brought on to the market in the near future, including the new A2 Plaza complex (24,065 sqm), which delivery is scheduled for the first quarter of 2020.

With respect to investment, an outstanding performance in the area has been the purchase of the building Juan Ignacio Luca de Tena 17 by Saint Croix, as well as the marketing of the Helios building, which according to the news' information it is intended to be sold at around 190 M € (a little below 5,000 €/sqm). It is also highlighted the Trajano REIT transaction which sold his Isla de Manteras Business Centre in Av/ Manteras 48 for 62,8 M € (around 4,700 €/sqm) to BNP Paribas the last august.

Regarding prime rent, it remains still, with the maximum signed rent being around €18,00/sqm/month.

Analyzing in detail the market of the area of reference, we have compiled some of the most recent transactions and which are related to existing buildings, with good qualities.

The first two comparables refer to transactions of the end of the year, in not very new buildings.

The comparable 3 refers to partly refurbished offices which, although they have visibility to the A-2, do not have a modern aesthetic like the valued building.

Comparables 4 and 5 refer to buildings with better qualities than the rest and have been rented at €16,00/sqm/month

Finally we have compared with offices rented in the area of Manteras (comparable 6 and 7) and we have detected rents up to €17,0/sqm/month in a building with good qualities but with poorer communications.

Considering that the valued building has superior characteristics to the buildings commercialized in the area and reported among the comparable ones, we have estimated a unitary rent for the offices of €17,00/sqm/month.

Market Value (€)

33.500.000 €

Value €/sqm

4.957,00

Participation calculation

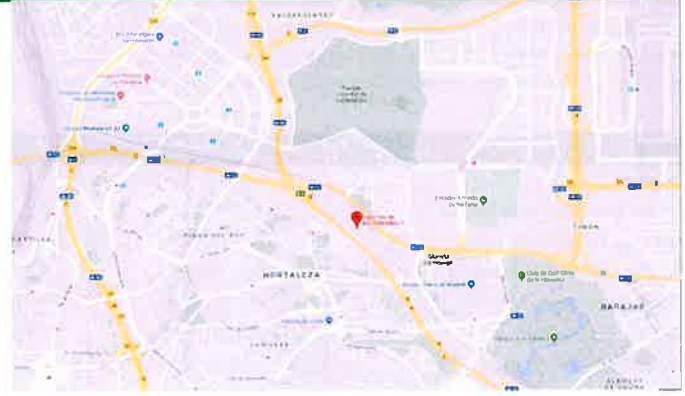
33.500.000 €

Comments

It is a modern building, well connected by private and public transport (bus).

The tenant occupies the entire building with a contract for 3 years and 11 months and two extensions. It is a "captive" tenant for the investment and installation made, although there is a penalty in the contract. The update to market rent will be made in 2022.

Photography and location map



Summary

Reference	7	Valuation type	Update
Valuation date	31/12/2019	Inspection	No
Portfolio	Árma Real Estate	Location	Decentralized
Property	Duro Felguera	Typology	Exclusive building offices
Address	Vía de los poblados 7	Construction year	1986
Zip/Postal	28033	Occupancy	Empty
City	Madrid	Occupancy rate	0%
Province	Madrid	Number of floors	5
Country	Madrid	Number of parkings	228
Surface (sqm)	13936,99 sqm	Market Value	41,000,000 €

Description

Office building located in Vía de los Poblados 7, next to the Cristóbal Colón Business Park and near the Campo de las Naciones, in the northeast of Madrid. It is an exempt building that allows the entrance of natural light through the 4 facades. It has large floors, approximately 2,800 sqm and a free height of 2,90 m with technical floor and false ceiling. The façade is currently being renovated.

Parameters overview description

Global qualification	Good	Connections	Bus and subway	Fire Protector	Sprinklers and Detectors
Location	Good	Security	CCTV, Surveillance and /	Interior Divisions	Painted walls
Market projection	Good	Ground floor	Office	Ceiling	False metallic ceiling
State of repair	Good	Upper floors	Office	Floors	False floor
Qualities	Good	Basement	Parking	Heating	Diffusers
Facilities	Good	Parking	Allocated lots	Air conditioning	Cold and heat
Environment	Mixed	Elevators	People and loads	Fuel	Electricity

Weaknesses

Rush-hour traffic jam.
Some distance from the subway station.
Limited level of services in the vicinity.

Strengths

Good accesses through the M-40 and M-11 to the airport.
Building under renovation with project by Lamela studio with excellent finishes planned.

Threats

Currently under renovation and empty.
High supply available in the area.

Opportunities

Potentially upside market rents in the medium to long term.
Building with potential revaluation once works are completed.

Surfaces

Gross Leasable Area (GLA) 13936,99 sqm

Licences

Licence first occupation and operation

Valuation Methodology

We have used the discounted cash flow (DCF) method to reach at our fair value opinion. It would also be the method used by international investors as potential buyers. However, it should be noted that the results obtained using this method are always compared with recent market transactions in terms of price per square metre and initial returns. The method is based on a prediction of the likely net rent to be generated by the property over a given period of time (10 years), considering a residual value of the property at the end of that period. The flows are discounted at an internal "target" rate of return (IRR) considered to be the rate corresponding to the property to generate its Present Value.

Comparable Rent Transactions

Location		Surface sqm	Rent €/anual	€/sqm/month	Type
Calle Ribera del Loira, 36-50	1Q2019	3,378,00	630,335 €	15,55	Transaction
Calle Vía de los Poblados, 1	1Q2019	34,947,00	6,709,824 €	16,00	Transaction
Calle Vía de los Poblados, 3	3Q2019	4,395,00	791.100 €	15,00	Asking
Avenida Partenón, 4-6	3Q2018	340,50	69,462 €	17,00	Transaction
Ribera del Loira 2B	2Q2019	2,866,00	567,468 €	16,50	Transaction
Calle Vía de los Poblados, 3	4Q2019	2,911,00	497,781 €	14,25	Transaction

Comparable Sale Transactions

Location		Surface sqm	Price €	Price €/sqm	Type
Cristalia 2-3	4Q2018	17,338,00	65,637,218 €	3,785,74	Transaction
Cristalia 5-6	4Q2018	17,587,00	66,074,800 €	3,757,03	Transacción
Avenida Partenón, 4-6	1Q2018	18,252,00	79,300,000 €	4,344,73	Transaction
Edificio Pórtico, calle Mahonia 2	3Q2018	20,912,00	116,000,000 €	5,547,05	Transaction

Valuation parameters

Gross Rent	0 €
Net Rent	0 €
Market Rent	2,550,266 €
Running Yield year 1	0,00%
Running Yield year 2	5,75%
Running Yield year 3	5,90%
Exit Yield	5,25%
IRR	7,25%
Rent Market on value	6,22%

Market Commentary

The A-2 area is a well-consolidated business location which has been highly demanded in recent years. It hosts the headquarters of important companies such as Iberia, L'Oréal, AXA, Santander... The area, since the third quarter of 2019, has a surface stock of 2,469,425 m² of which 10,1% is available. There are currently 102,000 m² of office space under development or not yet begun. Regarding to construction matters in the office market, the high quality of construction materials is very significant: 24.35% are Grade A properties, 19.19% are Grade B+, 21.24% are Grade B and 3.21% are Grade C.

With respect to the specific sub-market, Campo de las Naciones, the surface stock is 606,000 m² distributed in 36 buildings with a vacancy rate of 8.9%. There is no future supply within the area, therefore, almost half of the properties are Grade A buildings (48.47% vs 19.08% Grade B+, 8.47% Grade B and 7.93% Grade C).

Until 3Q2019, the A-2 area take up was almost a third of the Madrid's one and the second highest after the CDB, with 157,000 m². During 1Q2019, almost half of the rented space (44%) corresponded to companies from the financial sector, followed by the manufacturing and energy sectors (41%).

With respect to the Campo de las Naciones, the absorption reached 8,250 sqm in 2Q2019. If we include the year-on-year data, this figure represents 46,580 square meters of leasing, a significantly high figure compared to the average of previous years (18,000 sqm), since almost 75% (34,947 sqm) corresponded to ING's lease in the Helios complex.

With regard to rental transactions in the Field of Nations during the first two quarters of 2019, there have been 7 transactions with an average rent of 15 euros/sqm/month and a maximum rent of 16,5 euros/sqm/month.

The office's prime yield on the A-2 area was 5.25%, however, considering recent transactions proves numbers below this figure, with a yield below 4.5%. Considering this, we have assumed an exit yield of 5.0%, in line with the property's conservation state.

Market Value (€)

41.000.000 €

Value €/sqm

2,492,00

Participation calculation

41.000.000 €

Comments

Property located in a good secondary location. The project is currently being carried out as planned and designed by the Lamela studio, although some changes are intended to be made to the property in order to improve it.