

REDEFINE PROPERTIES LIMITED

# ACQUISITION

## OF ECHO PRIME PROPERTIES BV

1 MARCH 2016



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# AGENDA

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## Section 1 **TRANSACTION OVERVIEW**

Marc Wainer (Executive Chairman)

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## Section 2 **WHY ECHO PRIME PROPERTIES**

Marc Wainer (Executive Chairman)

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## Section 3 **PORTFOLIO REVIEW**

Marc Wainer (Executive Chairman)

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## Section 4 **WHY REDEFINE**

Przemek Krych & Maciej Dyjas (Griffin Real Estate)

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## Section 5 **CLOSING**

Marc Wainer (Executive Chairman)

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# Section 1

TRANSACTION OVERVIEW

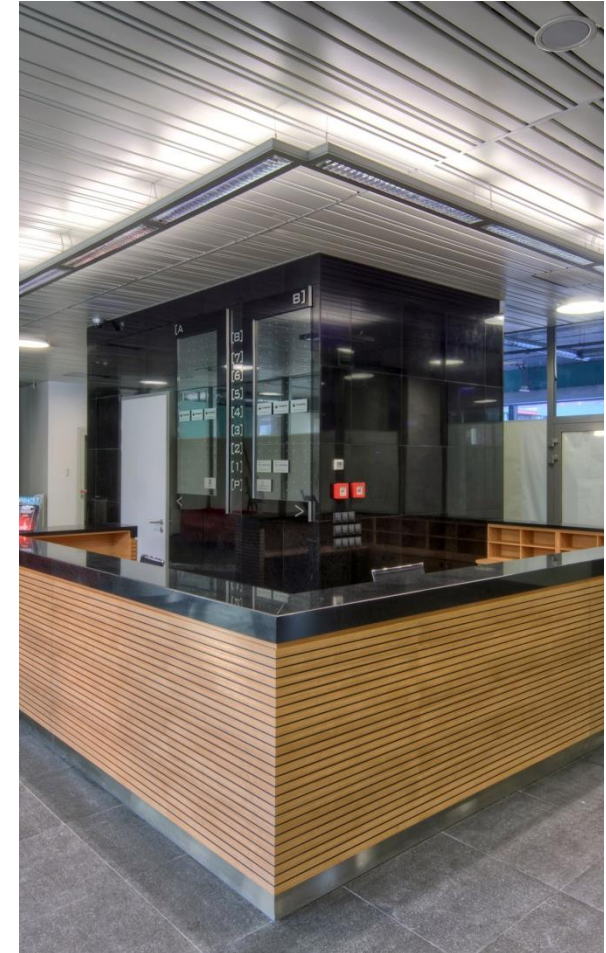
Marc Wainer



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# A MARKET MAKING €1.2 BILLION PROPERTY TRANSACTION

- Proud to announce the largest ever single transaction of income generating real estate assets in CEE
- Also the largest ever real estate investment transaction in Poland
- Redefine has acquired a significant interest in Echo Prime Properties from Echo Investments (Echo)
- Unique opportunity to enter the CEE's leading economy at scale
- Growth kickers include:
  - Extensions to existing properties of €60 million
  - Right of first offer (ROFO) on development pipeline of €500 million
- Transaction subject to:
  - Obtaining anti trust clearance
  - Completion of transferring property ownership to Echo Prime Properties
  - Receipt of necessary consents to the change in control



# STRONG FUNDAMENTALS UNDERPIN THE TRANSACTION

- Spread across Poland
- 10 Retail and 8 office properties with total GLA of 428 158 m<sup>2</sup>
- Retail 77%, by value, of total portfolio
- High quality and modern assets with solid property fundamentals valued at €1.2 billion
- Initial income yield 6.0%
- Return on equity 9.5%
- Portfolio to generate distributable income of €46 million (Redefine's share €23 million)
- No value attached to vacant space
- Average capital value of €2 948 / m<sup>2</sup> for retail and €2 319 / m<sup>2</sup> for offices
- Significantly advances Redefine's investment strategy
- Redefine's exposure to offshore assets expected to be approximately 25% of total property assets



# TRANSACTION MECHANICS

- An equity interest of 75% has been acquired in Echo Prime Properties
- It is intended that an immediate on-sale will reduce the holding to approximately 50%
- Total consideration consists of:

	100% (€ million)	75% (€ million)	50% (€ million)
Property portfolio	1,188		
Less third party debt	(713)		
Add estimated working capital	7		
<b>Purchase consideration</b>	<b>482</b>	<b>362</b>	<b>241</b>

- Redefine will initially fund its equity contribution by way of offshore bridge funding
- In due course this will be settled by the issue of a convertible bond, listed in Europe
- Extensions of €60 million (23 000 m<sup>2</sup> in GLA) to yield 8,5% (ungeared) - not in financial projections
- 25% participation in €500 million ROFO projects, will require initial equity of circa €21 million by Echo Prime Properties





# Section 2

WHY ECHO PRIME PROPERTIES  
Marc Wainer



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# POLAND | HIGHLY ATTRACTIVE MACROECONOMIC BACKDROP

## Key factors

### GDP growth

- One of the fastest growing economies Europe
  - 3.5% GDP growth in 2015
  - Growth forecast expected to continue at 2015 pace
- Driven by strong domestic and international demand, especially with regard to private consumption

### Consumer confidence

- Consumer confidence has reached pre-crisis highs
- Predominantly driven by continued increases in average household income
- Growth of private consumption expected to reach 4.0% in 2016E

### Labour market

- Unemployment at 25-year low and expected to continue falling over the upcoming years
- Driven by increased domestic and international investments into the region, providing for economic growth

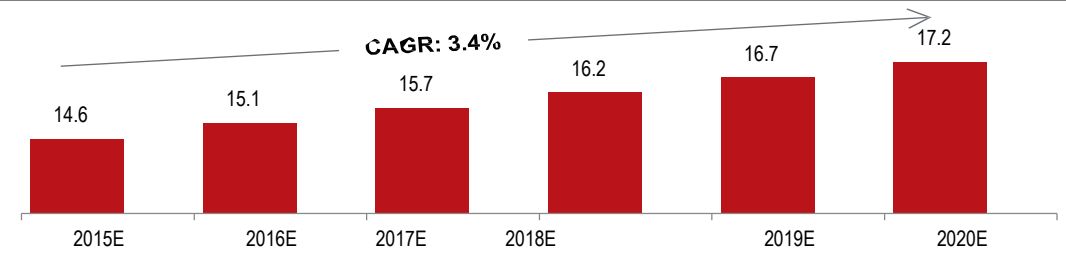
### International investments

- Record-levels of foreign investments into the region over the last years due to relative political stability
- Over €9bn international inflow in 2014 vs. €2.1bn in 2013
- Driven predominantly by investments from other EU members

## Key statistics

	2014A	2015E	2016F	2017F
Priv. Cons growth (% yoy)	2.5	3.0	4.0	3.9
GDP growth (% yoy)	3.3	3.5	3.5	3.5
Inflation (% yoy)	0.1	(0.7)	0.6	1.7
Unemployment (%)	9.0	7.5	7.0	6.5

### GDP per capita growth (US\$ '000)



### Evolution of consumer confidence



Source: European Commission; World Bank

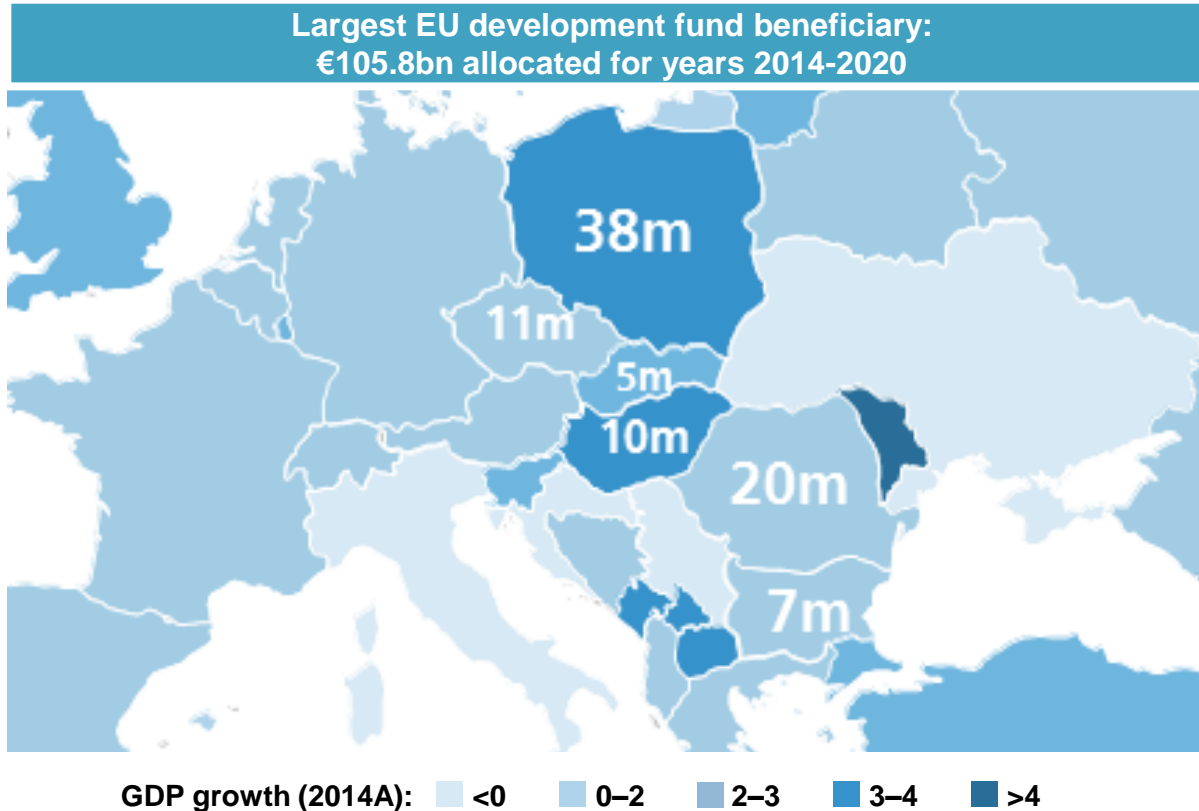


# WHY POLAND?

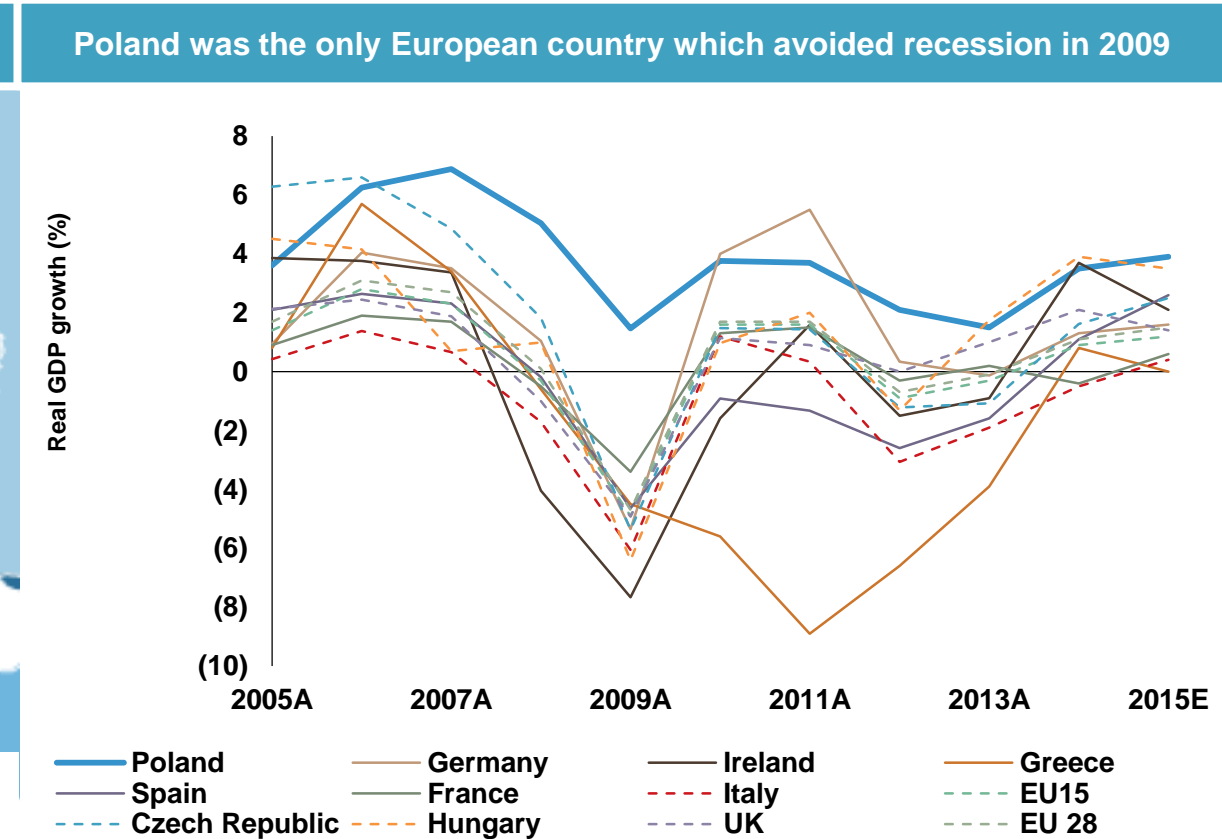
Attractive investment destination with a large stable and liquid real estate market

The largest country and market in the CEE region...

... and the highest growth in CEE underpinned by significant further wealth convergence potential to the EU



Source: EIU; note: the numbers indicate the size of country's population



Source: EIU

# WHY POLAND?

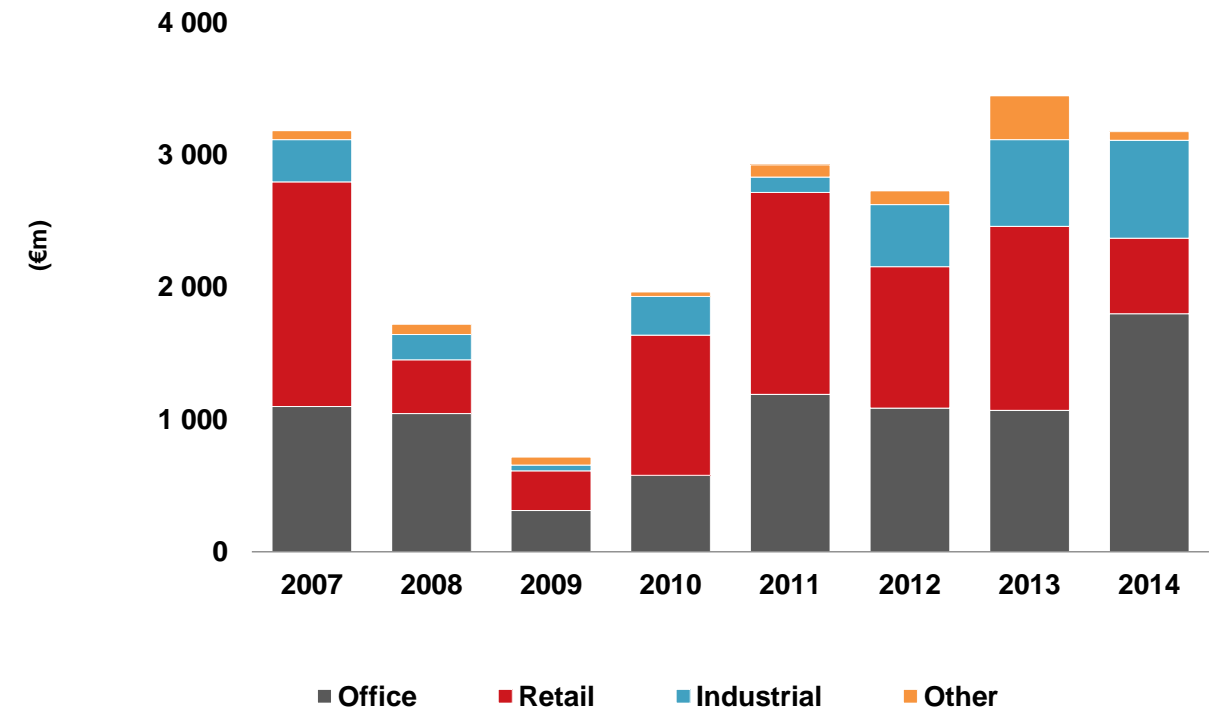
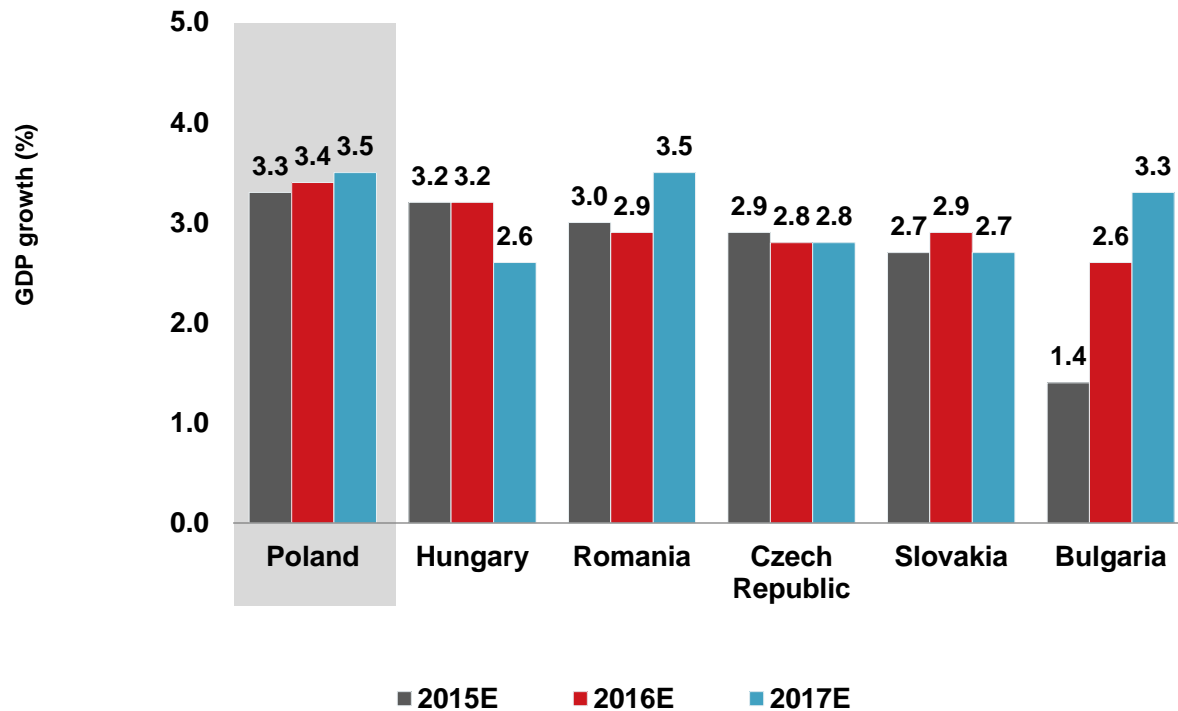
## A real estate growth market

...and the highest growth in CEE underpinned by significant further wealth convergence potential to the EU

Solid market liquidity in Poland



Real estate investment volumes in Poland (split by property type)



Source: EIU, UBS research

Source: JLL Research

# WHY POLAND?

Attractive investment destination with a large stable and liquid real estate market

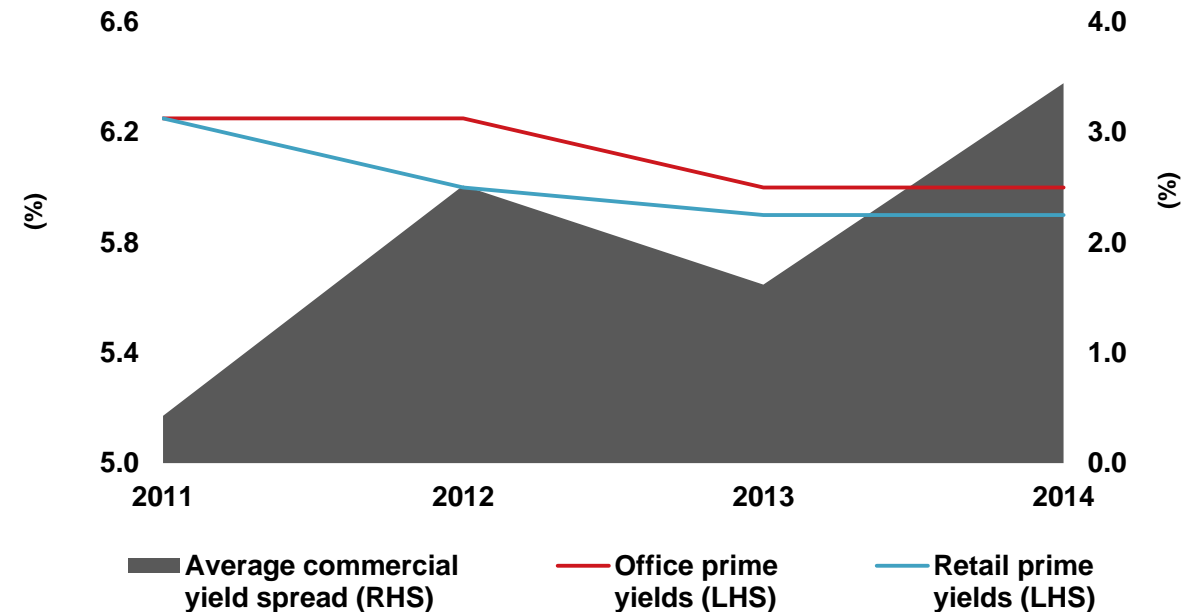
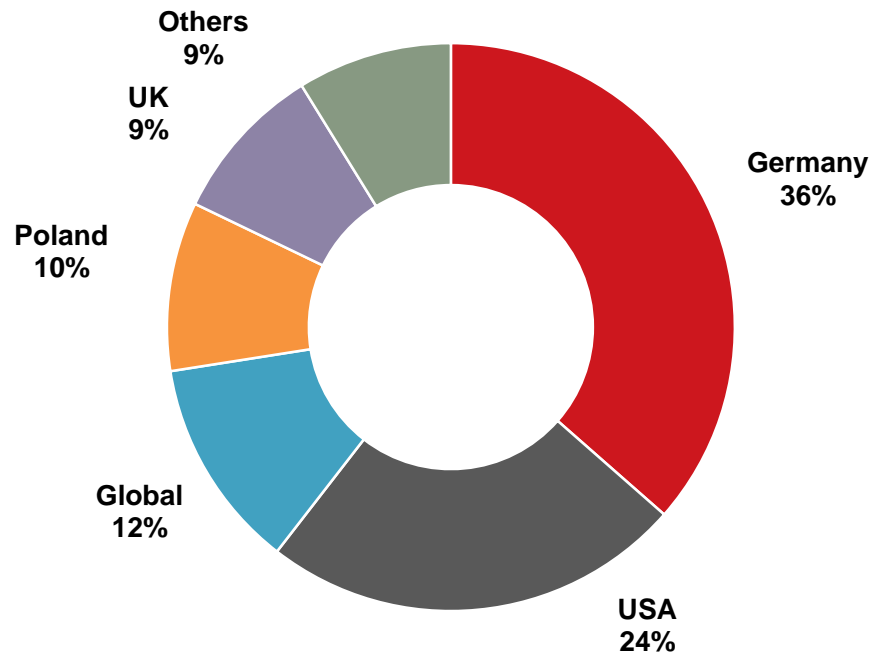
Liquid polish real estate sector in the focus of international investors

Solid market liquidity in Poland

Potential for Eurozone accession while commercial real estate values, loans and rents already mostly EUR-denominated

Poland now considered part of developed Europe but still offers attractive yield spread

2014 investment volumes by origin of investor



Source: JLL Research

Source: FactSet, CBRE

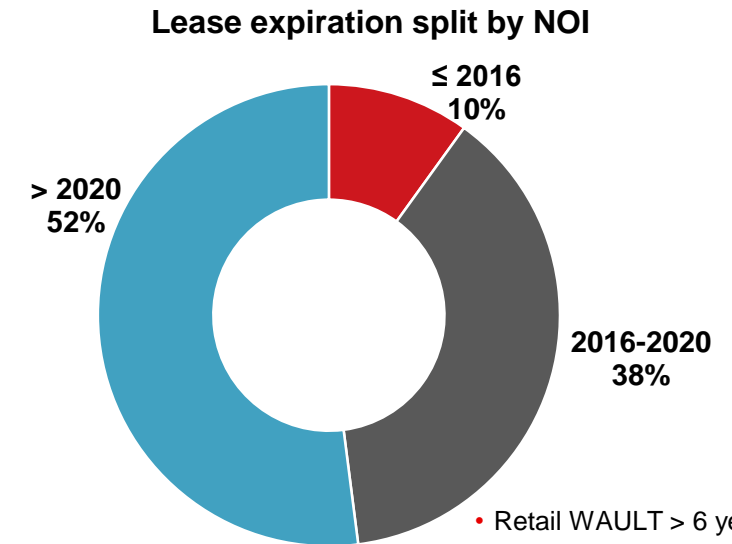
# WHY ECHO PRIME PROPERTIES?

## A unique opportunity

- Pure play Polish commercial real estate portfolio of yielding properties with large critical mass
- Attractive risk-return profile with secure yield supported by strong operating cash flow profile and no development risk
- Significant embedded growth potential providing further value upside
- Exclusive focus on Poland, the most dynamic CEE economy with highly attractive real estate market
- Scalable platform with enhanced potential through extensions and participation in ROFO on development pipeline
- Successful and experienced Management backed by highly reputable strategic investors

## Providing attractive returns and a highly visible stream of secured income





































- Attractive and secure yield profile with c. 6-7% fully let NOI yield
  - Net operating income: €75 million in year one
- Long lease expiration profile with portfolio weighted average unexpired lease term of > 5 years
- Portfolio financing with initial loan-to-value of c. 60%
  - Debt maturity: c. 7 years
  - Average cost of debt: <2% (lowest in Europe)
  - Amortisation of debt: <2%
- Around 93% of rental contracts are denominated in Euros and c. 94% have CPI indexation



# WHY ECHO PRIME PROPERTIES?

## Diversified asset base

- Blue chip global tenant base with strong turnover growth and no large single tenant exposure
  - Retail assets are let out to leading retailers with international brands representing 61% of tenant base by income
  - Office space leased to blue chip tenants
  - Top 10 tenants accounting for c. 27% (by NOI)

Top 5 office tenants	%	Top 5 retail tenants	%	Selected tenants						
	3%		6%							
	1 2%		5%							
	2%		5%							
	2%		5%							
	1%		2%							
<b>Total</b>	<b>10%</b>	<b>Total</b>	<b>17%</b>							

# OPPORTUNITIES TO GROW THE PLATFORM

**Additional growth and value upside backed by high quality developer (Echo)**

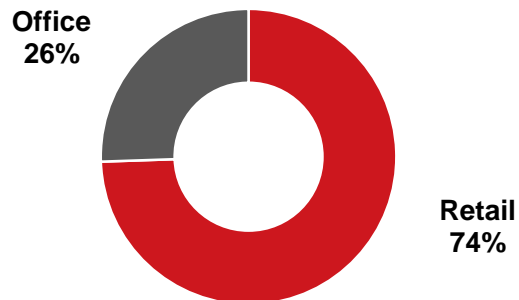
- ROFO on over €500 million properties currently being developed in advanced stage by Echo
  - Over 80% expected to be delivered within the next 2 years
  - All projects are already kicked-off and are in advanced development stage
- 11 projects in 7 locations with estimated NOI at completion of c. €36 million
  - Focus on leading Polish cities as Krakow, Wroclaw, Gdansk, Katowice, and Lodz
  - 24% of estimated NOI from retail and 76% from office in premium locations
- Access to further opportunities from Echo's development pipeline

# SCALE AND CRITICAL MASS PLATFORM

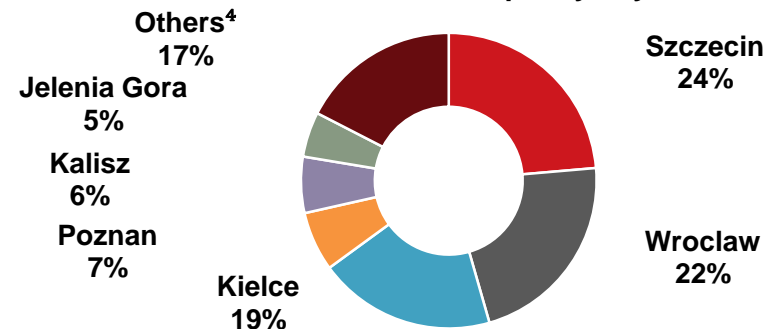
Unique opportunity to invest in the leading commercial real estate platform in Poland, comprised of only yielding assets

→ Focus on prime retail and prime office in leading Polish cities

Leased NOI split by type

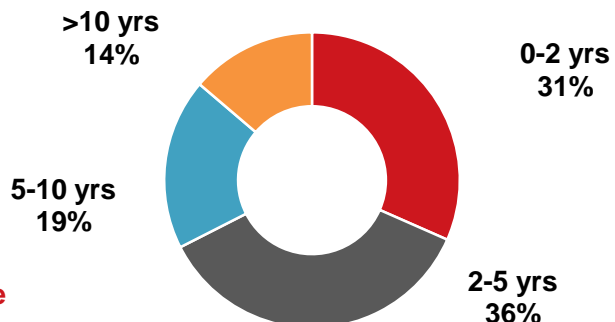


Leased NOI split by city



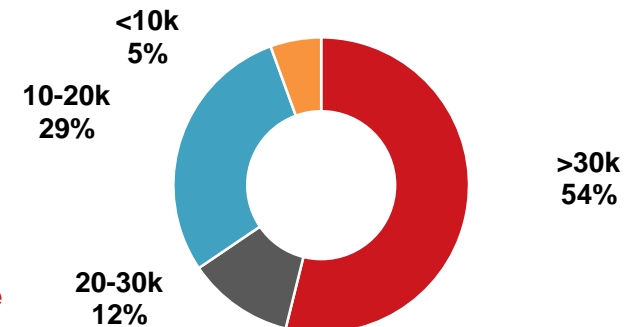
→ High quality properties with large share of modern and sizeable properties

Building age split by GLA



c. 5 years average building age

Yielding GLA by property size (m<sup>2</sup>)



c. 24 100m<sup>2</sup> average building size

Source: Echo Investment; respective company information

1. After extensions and lease-up completion; estimated NOI for planned GLA extensions and vacant space based on market level ERVs for similar types of assets in similar areas

2. Including planned extensions at Galaxy, Szczecin (of c. 15 000m<sup>2</sup> with completion in Q4 2017) and Outlet Park, Szczecin (phase II of c. 5 000m<sup>2</sup> with completion in Q4 2015 and phase III of c. 3 400m<sup>2</sup> with completion in Q1 2018)

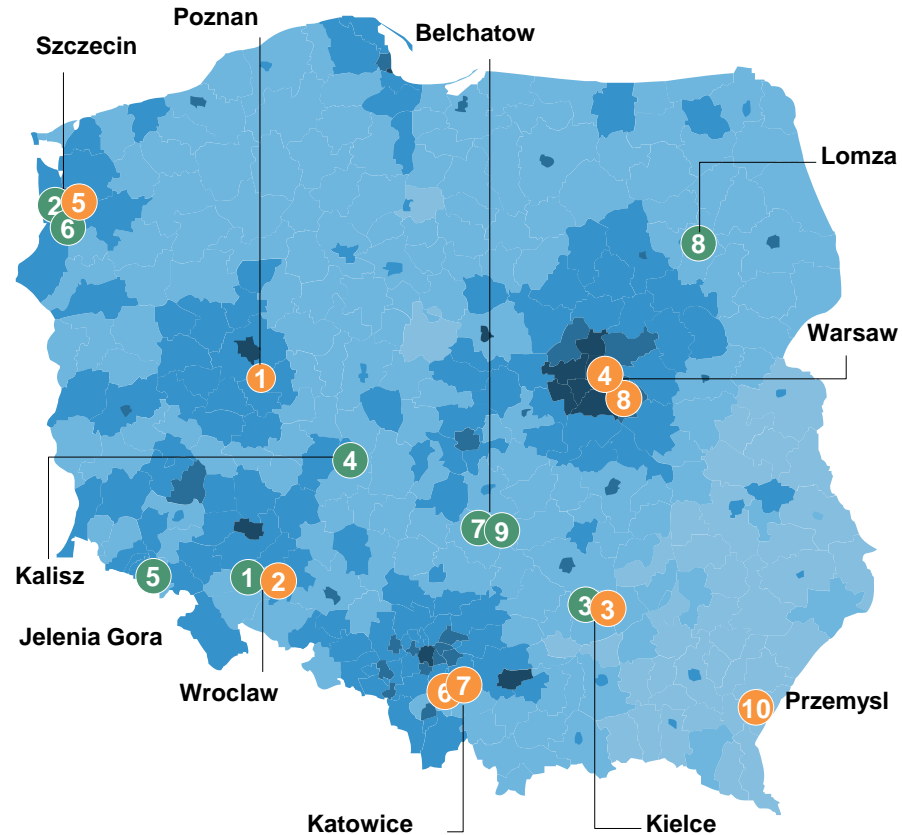
3. Right of first offer on over €500m worth of properties currently being developed by Echo with more than 80% of the projects expected to be delivered within the next 2 years

4. Others include Belchatow, Warsaw, Katowice, Lomza and Przemysl

# SCALE AND CRITICAL MASS PLATFORM

High quality and modern properties well-diversified across leading Polish cities characterised by strong purchasing power

## Properties located in prime locations in Poland

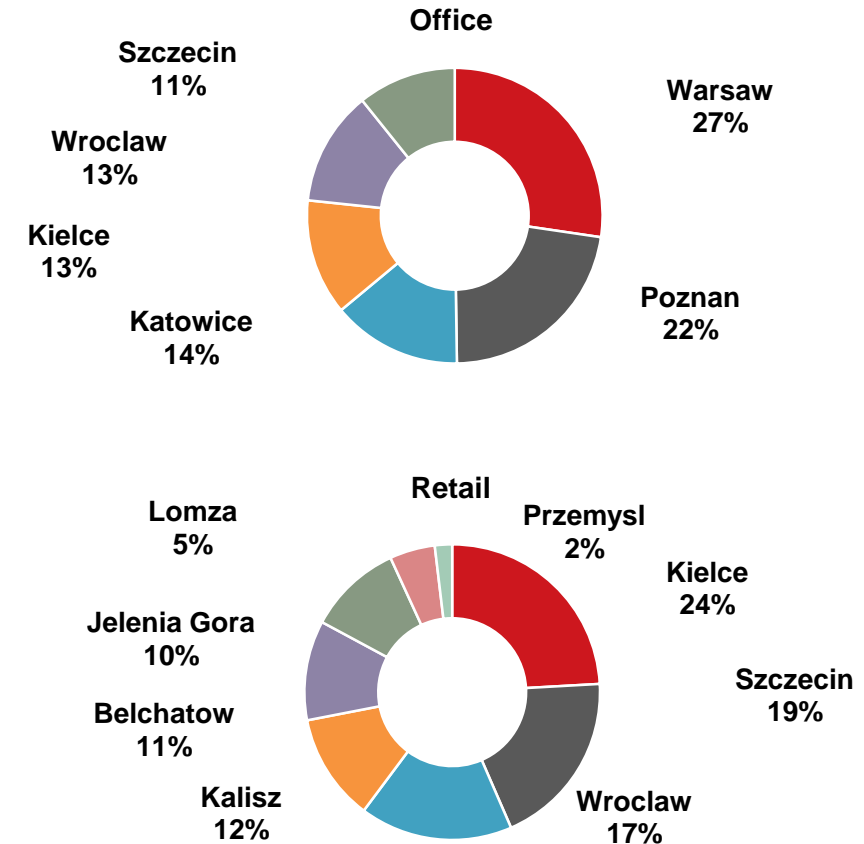


Purchasing power as % of national average

- ≤ 75%
- 75%—90%
- 90%—110%
- 110%—125%
- > 125%

Office Retail

## Yielding asset split (area split by city)<sup>1</sup>



Source: GfK Polonia 2014 Echo Investment

1. Based on current GLA excluding planned retail extensions, rent roll as per September 2015



# WHY ECHO PRIME PROPERTIES

## Strong portfolio and asset management expertise



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- Platform covering the entire real estate value chain
  - Founded in 1994, Echo Investment is a recognized market leader in the Polish commercial and residential property development and investment space
- Experienced portfolio and property manager, managing shopping centres and offices across Poland
- Team of 60 qualified specialists with long-term experience in the industry (management to be internalised)
- Echo's property management can offer access to the entire real estate value chain
- Echo's in-house development and asset management team has been recognized over the years with many awards including:
  - Best shopping centre of the year for Galeria Kielce in 2013 by Eurobuild Awards
  - Developer of the year in 2013 by CEE Retail Awards
  - Best performance on the Warsaw Stock Exchange – Developer in 2012, 2013 and 2014 by Eurobuild Awards



# WHY ECHO PRIME PROPERTIES

## Seasoned local partner with aligned interests



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- Backed by highly reputable international investors
  - International real estate investors with a strong track record
  - Oaktree has been a major investor in Poland for almost a decade
  - PIMCO (whose fund is a current shareholder of Echo) manages \$24billion assets
  - Griffin invested over €450million of equity in over 25 deals from 2010 to date and currently manages over €2billion of AUM
- Strong corporate governance and alignment of interests
  - Alignment of interest through 25% equity stake at risk retained by Echo
  - Strong corporate governance with majority of board members being independent





# Section

# 3

PORTFOLIO REVIEW  
Marc Wainer



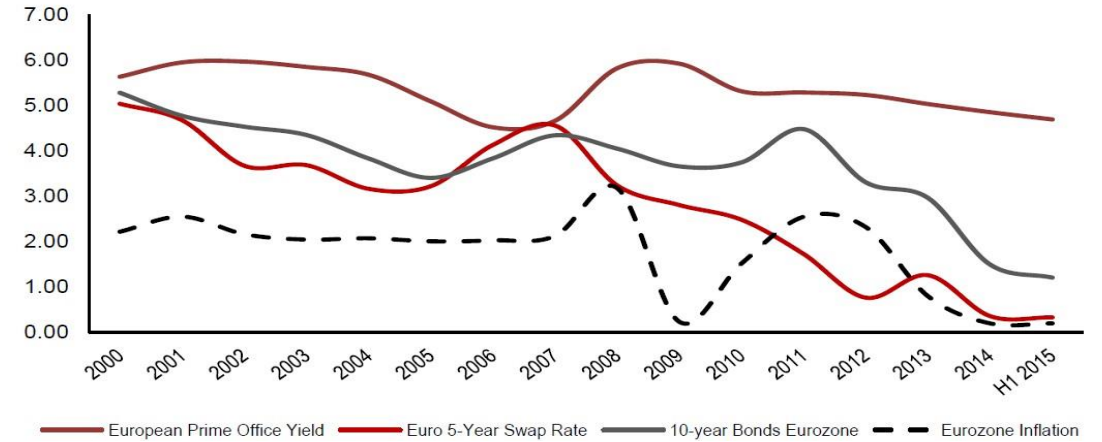
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# POLAND | REAL ESTATE MARKET

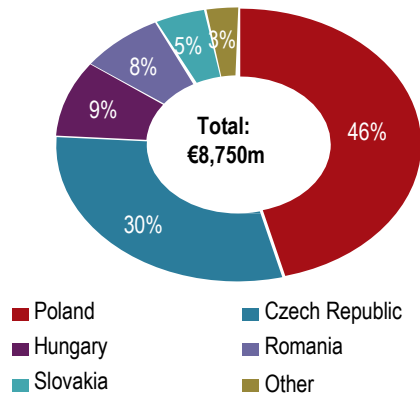
## Overview

- Increased interest in the Poland and the CEE region has provided increased liquidity
- As returns from core European markets continue to become increasingly tight, the CEE region will attract further capital and re-pricing
- Strong financing markets – The National Bank of Poland cut its main policy interest rate in October 2014 and in March 2015 by 100 basis points altogether, and the reference rate remains at a record low of 1.5%
- Public investment is set to accelerate in 2017, with projects co-financed with EU funds entering the implementation phase

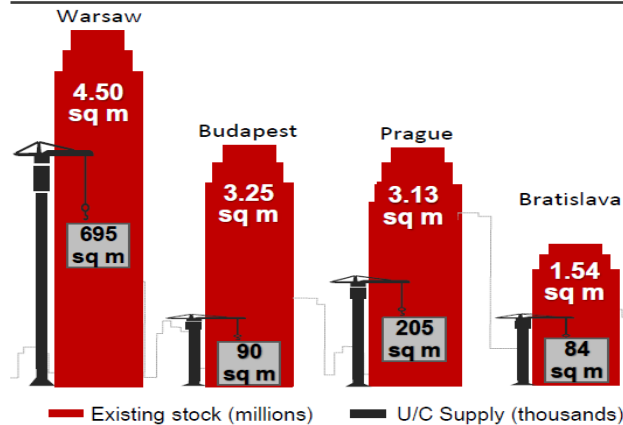
## Average European Prime Office Yield vs. Benchmarks (%)



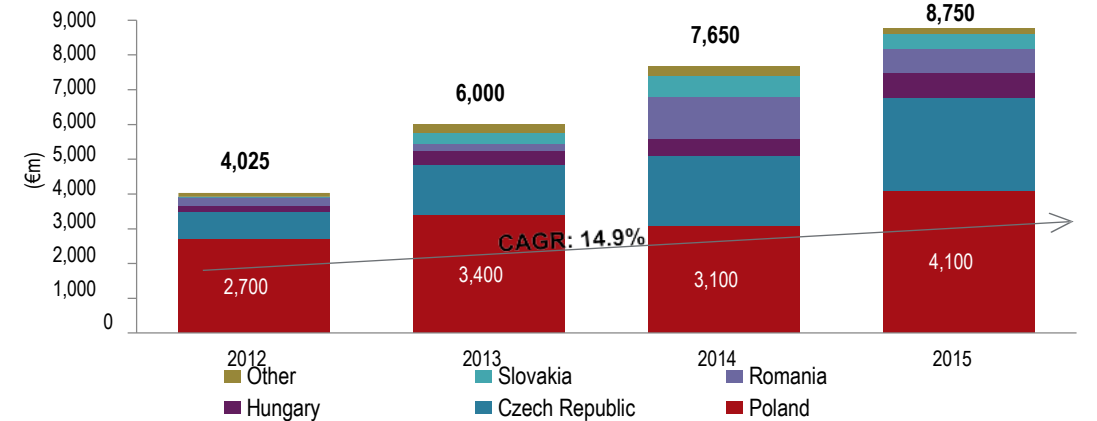
## 2015 Investment Volumes



## Office Stock and Upcoming Supply



## CEE Investment Volumes 2012-2015

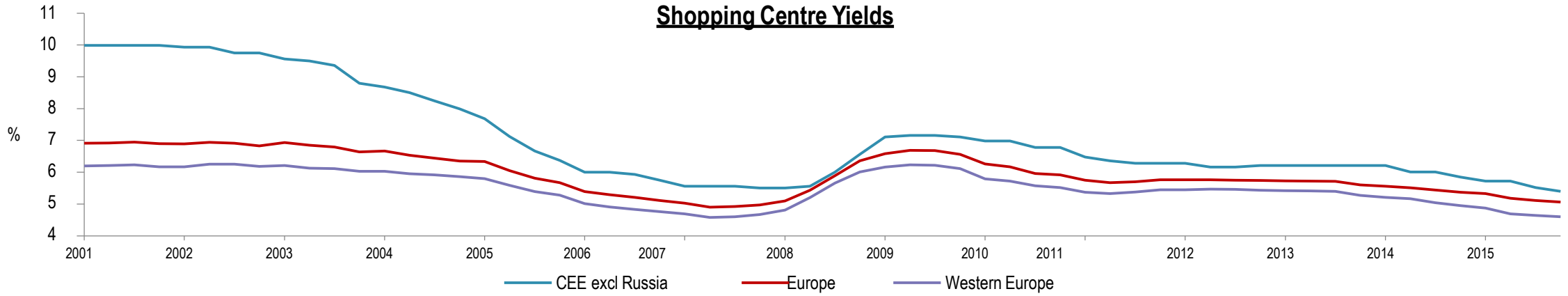


# PORTFOLIO OVERVIEW

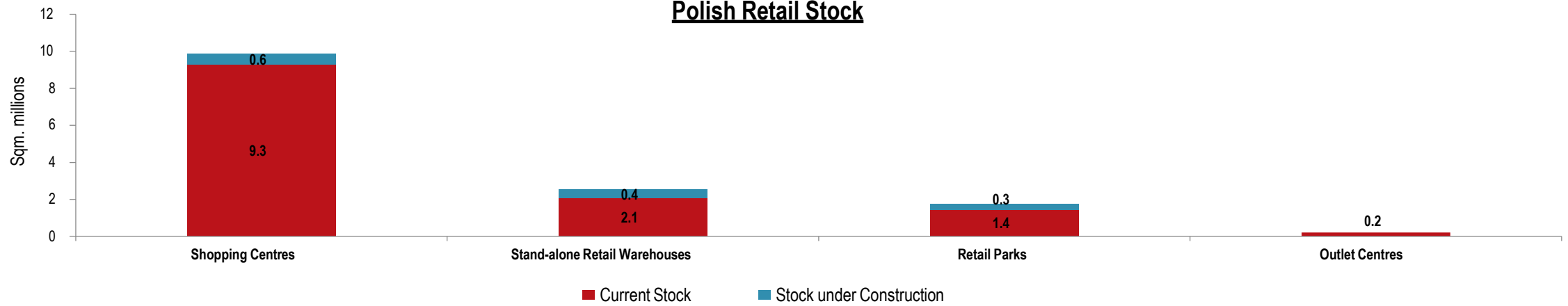
Property name	Location	Sector	GLA (m <sup>2</sup> )	Valuation (EUR' million)
Pasaz Grunwaldzki	Pl. Grunwaldzki 22, Wrocław	Retail	49 402	233
Galaxy	Al. Wyzwolenia 18-20, Szczecin	Retail	41 297	201
Galeria Echo Kielce	ul. Świętokrzyska 20, Kielce	Retail	77 400	206
Galeria Amber Kalisz	ul. Górnośląska 82, Kalisz	Retail	34 785	74
Galeria Veneda	ul. Zawadzka 38, Łomża	Retail	15 026	35
Outlet Park	u. Struga 42, Szczecin	Retail	22 232	60
Galeria Sudecka	ul. Jana Pawła II 51, Jelenia Góra	Retail	31 005	52
Galeria Olimpia	ul. Kolejowa 4, Bełchatów	Retail	21 757	39
Centrum Echo Bełchatow	ul. Kolejowa 4, Bełchatów	Retail	11 426	10
Centrum Echo Przemyśl	ul. 29 Listopada 4, Przemyśl	Retail	5 759	4
<b>Total Retail</b>			<b>310 089</b>	<b>914</b>
Malta Office Park	Baraniaka 88, Poznań	Office	27 973	64
Park Rozwoju	ul. Konstruktorska 10, Warsaw	Office	33 004	73
A4 Business Park	Francuska 42, Katowice	Office	18 028	37
West Gate	ul. Lotnicza 12, Wrocław	Office	14 714	40
Astra Kielce	Al. Solidarności 36, Kielce	Office	11 670	31
Oxygen	Malczewskiego 22, Szczecin	Office	12 680	29
<b>Total Office</b>			<b>118 069</b>	<b>274</b>
<b>TOTAL PORTFOLIO</b>			<b>428 158</b>	<b>1 188</b>

# POLAND | RETAIL REAL ESTATE MARKET

### Shopping Centre Yields



### Polish Retail Stock

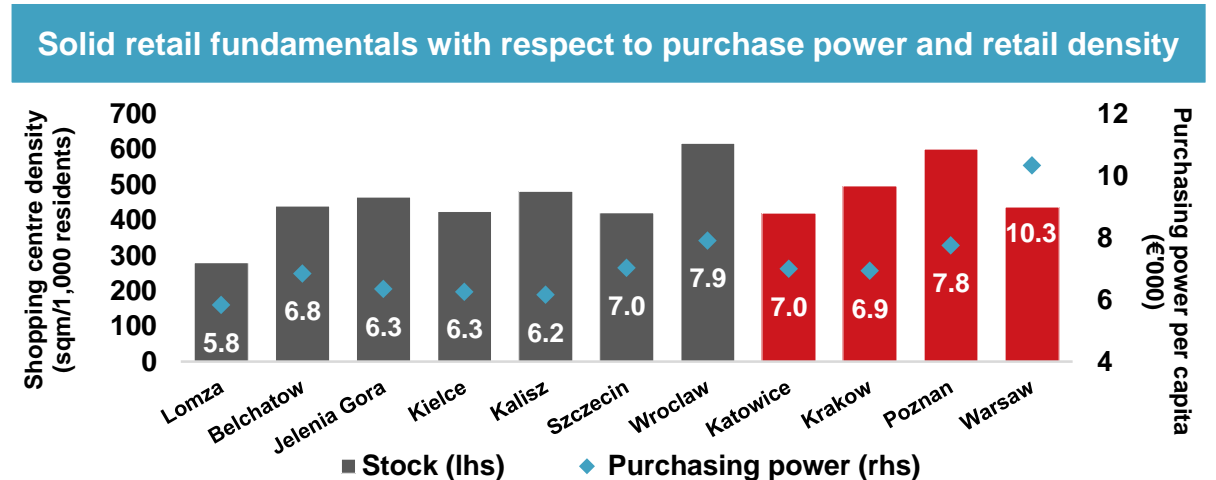
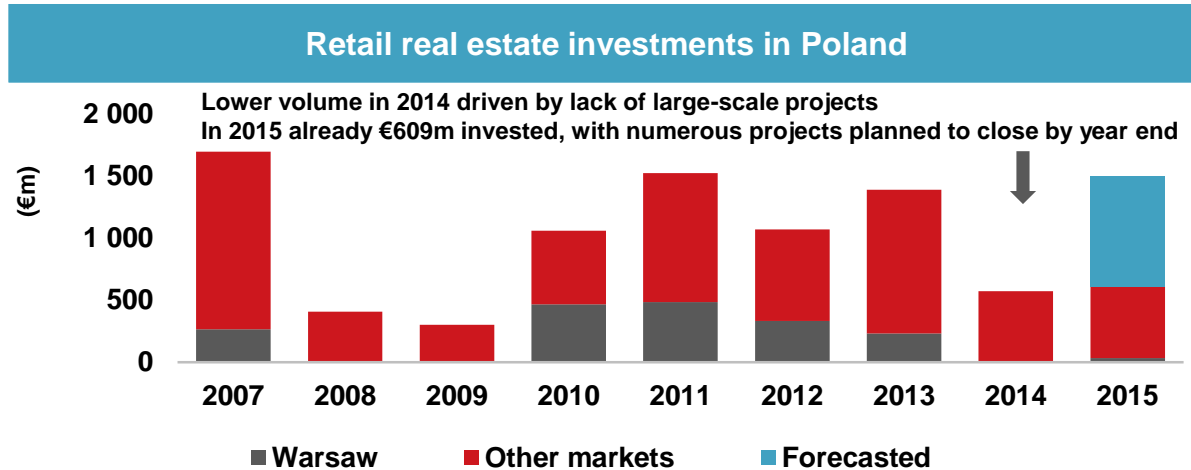


# RETAIL PORTFOLIO OVERVIEW

Although Warsaw is still by far the largest retail market in Poland, other cities are becoming increasingly more popular with investors looking for locations offering stable rents and high occupancy levels

## Overview

- Polish market noted increased activity among foreign retail centre operators & investors resulting from their search for new attractive markets
  - Similarly, the tenant base is becoming increasingly international
- By August 2015 the total retail stock reached 12.6 million m<sup>2</sup> including 8.9 million m<sup>2</sup> in shopping centres
- In 2014 332 000 m<sup>2</sup> of shopping centre space was delivered to the market with further 494 000 m<sup>2</sup> scheduled for 2015
- Although Warsaw still remains the largest retail market followed by other large agglomerations such as Tri-City, Poznan, Wroclaw, Krakow, Lodz, Katowice and Szczecin, smaller cities are gaining popularity among investors



Source: JLL as of August 2015

# RETAIL PORTFOLIO OVERVIEW

Top 3 retail properties represents 70% of retail portfolio by value

Property name	Retail GLA (m <sup>2</sup> )	Vacancy (%)	NOI Annualised (EUR.million)	WALT (years)	Indication of value (EUR.million)	Footfall (12month rolling)
Pazaz Grunwaldzki	49 402	2.3%	14	3.6	233	9 851 911
Galaxy	41 297	0.2%	13	8.6	201	10 720 954
Galeria Echo	77 400	7.1%	12	5.5	206	9 264 085



Source: JLL as of August 2015

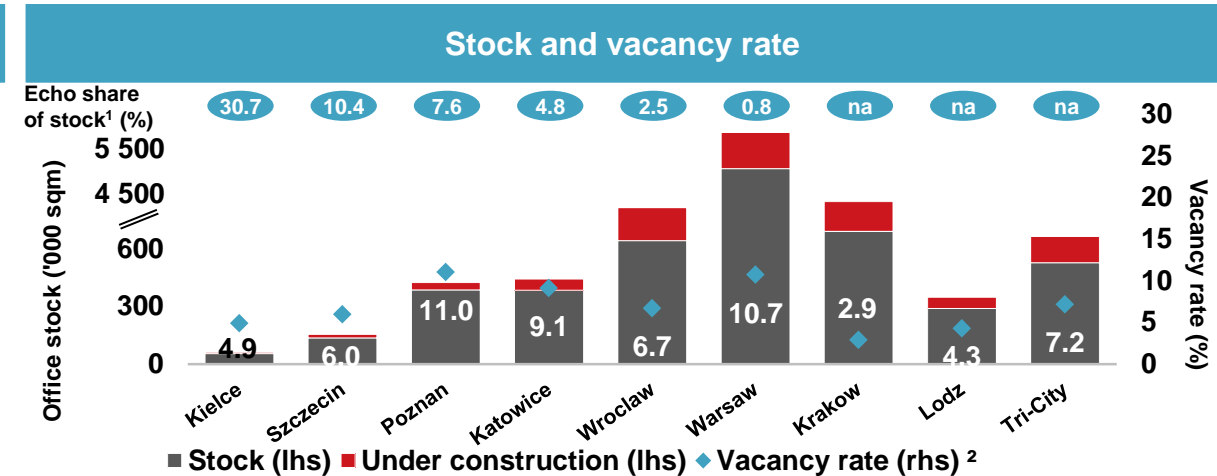
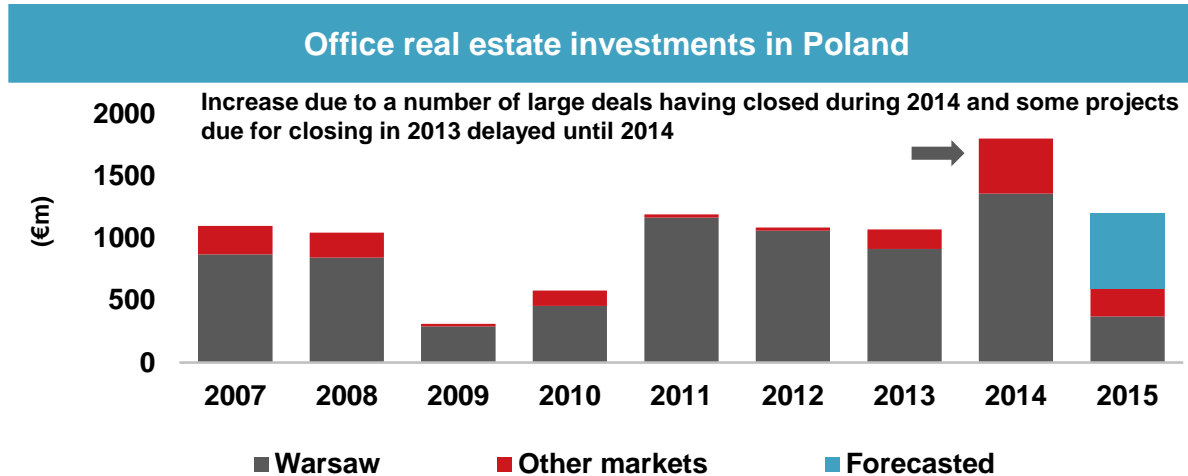


# OFFICE PORTFOLIO OVERVIEW

Polish office real estate market offers stable yields at attractive spreads and solid real estate market fundamentals

## Overview

- At the end of 2014 the total office stock (in nine major cities) has been estimated at 7.4 million m<sup>2</sup>
- During the first half of 2015 developers completed over 345 155 m<sup>2</sup> of office space – Warsaw is by far the largest office market in Poland and accounts for 43% of the new supply added in H1 2015
- However, regional business centres started expanding rapidly driven by growing demand for office space in smaller cities
- High levels of construction activity in Warsaw, Wroclaw and Krakow, however Katowice, Poznań, Gdansk, Łódź and Tri-City are more and more enquired by business process outsourcing/ shared service centres (BPO/ SSC) industry



Source: JLL as of August 2015

1. Based on current GLA of yielding portfolio

2. Adjusted vacancy; excluding small office buildings (GLA under 500m<sup>2</sup>) and major office blocks either recently completed or creating frictional / structural vacancy

# OFFICE PORTFOLIO OVERVIEW

Top 3 office properties represents 64% of office portfolio by value

Property name	Vacancy (%)	NOI Annualised (EUR.million)	WALT (years)	Indication of value (EUR.million)
Malta Office Park	6.0%	5	2.4	64
Park Rozwoju	43.1%	4	4.3	73
A4 Business Park	0.0%	3	5.5	37

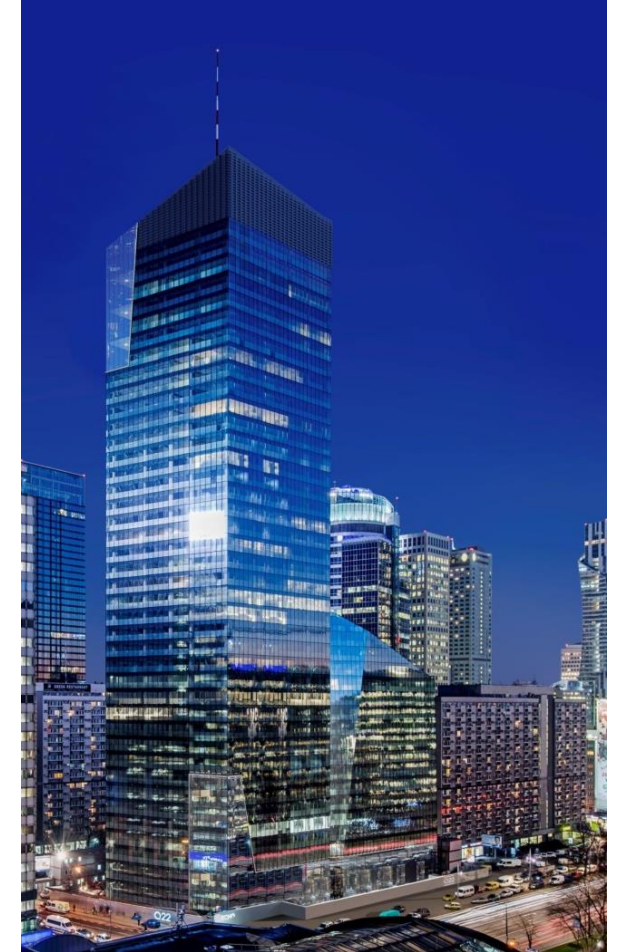


Source: JLL as of August 2015

# PARTNERING ECHO OFFERS SIGNIFICANT GROWTH OPPORTUNITIES

## Q22 building with key features

<b>155m</b>	Height without mast
<b>195m</b>	Height with mast
<b>53 000m<sup>2</sup></b>	GLA
<b>348</b>	Parking spaces
<b>1 950m<sup>2</sup></b>	Floor plate +2 to +13
<b>1 000m<sup>2</sup></b>	Floor plate +17 to+39





# Section 4

Why Redefine  
Przemek Krych & Maciej Dyjas (Griffin Real Estate)



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# Section

# 5

Closing and Thanks  
Marc Wainer



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