



According to article 228 of the Legislative Royal Decree 4/2015 of October 23 approving the revised text of the Securities Market Act, Inmobiliaria Colonial, S.A. ("**Colonial**" or the "**Company**") hereby reports the following:

### **REGULATORY ANNOUNCEMENT ("HECHO RELEVANTE")**

Following the Regulatory Announcement published on the 15<sup>th</sup> of January 2018, with the registered number 260651, Colonial publishes the documentation to support the presentation to analysts and investors that will be held to inform about the agreements reached regarding new investments. The webcast will be held today thursday 18<sup>th</sup> of January 2018 at 6:30 PM (CET).

The information regarding the presentation is detailed below:

From Spain: +34 914142021 + Pin Code 92087306#

From the Netherlands: +31 107138194 + Pin Code 92087306#

From the UK: +44 2030432440 + Pin Code 92087306#

The presentation can be followed online through the following link:

<http://event.onlineseminarsolutions.com/r.htm?e=1584154&s=1&k=A460E9DEE4C8650153A5C0221CBFCD7A>

In addition, the presentation will be available on the website of the company.

Madrid, January 18<sup>th</sup>, 2018



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PRESENTING MANAGEMENT TEAM

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**Pere Viñolas**  
Chief Executive Officer



**Carmina Ganyet**  
Corporate Managing Director



**Carlos Krohmer**  
Chief Corporate Development Officer



## Alpha III

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- 01 Portfolio Overview
- 02 Acquired Assets
- 03 Transaction Summary
- 04 Update Parc Glories Barcelona
- 05 Conclusion

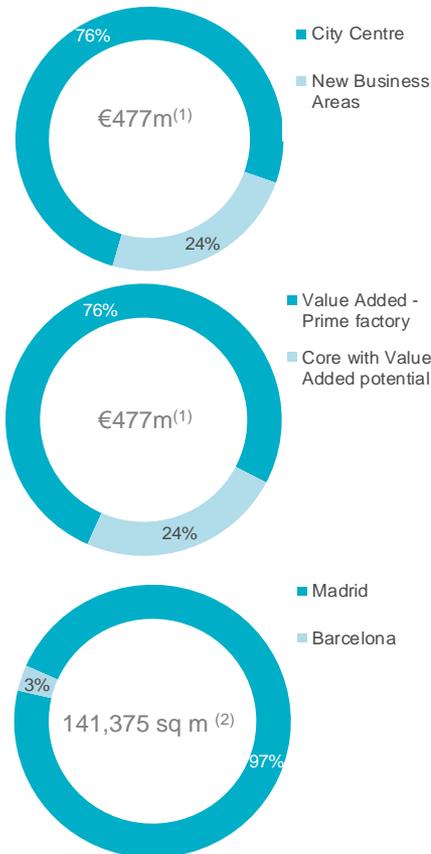


# Alpha III – 2018 starts with full delivery of annual acquisition target

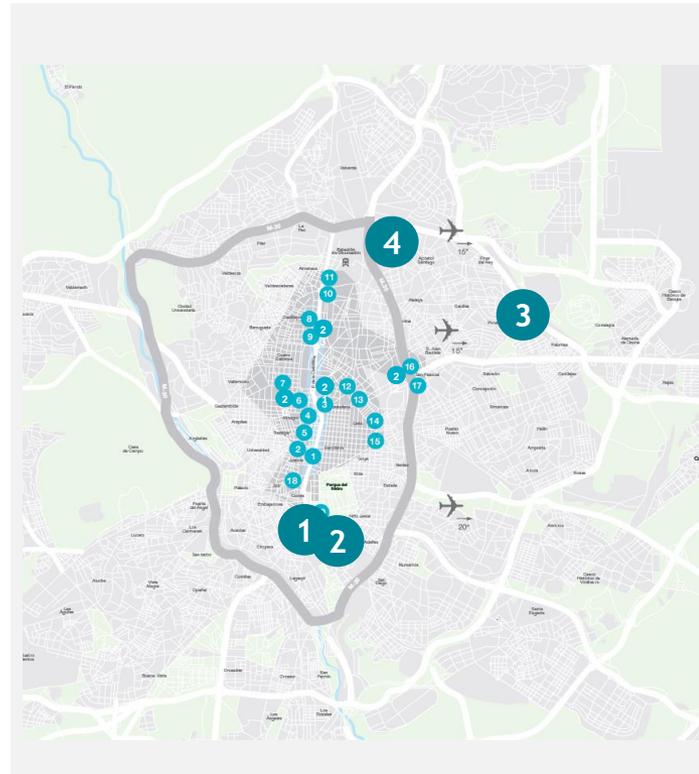
## Acquisitions for a total volume of €477m<sup>1</sup>

- > Acquisition of 4 assets in Madrid and 1 asset in Barcelona
- > Attractive value added returns through Prime factory projects
- > Off-market transactions enabling competitive entry prices with strong yields on cost

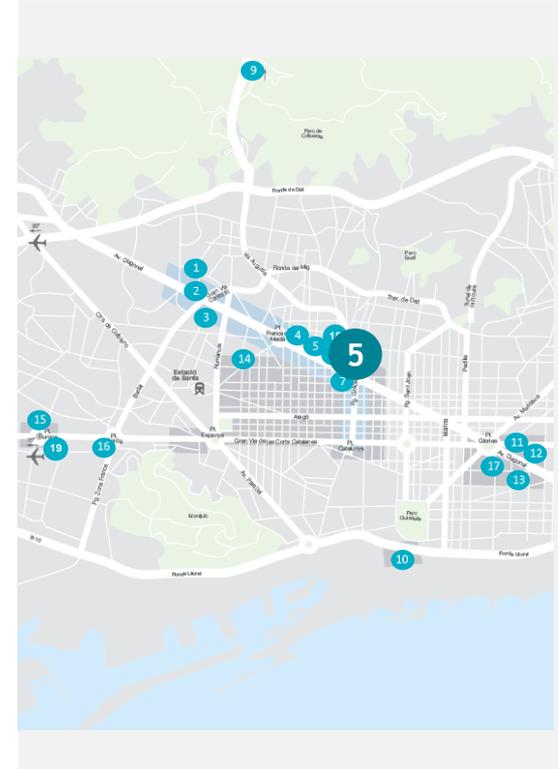
### BUSINESS MIX<sup>1</sup>



### MADRID



### BARCELONA



1 Acquisition price + total estimated project capex  
 2 GLA above ground

Alpha III – 2018 starts with full delivery of annual acquisition target

Acquisitions for a total volume of €477m<sup>1</sup>

- > 2 Prime Factory projects and 2 core office assets in Madrid
- > 1 prime asset in Barcelona with high potential for flexible office space
- > Attractive value added returns through Prime factory projects
- > Exposure to high growth markets – South of Madrid's CBD

MADRID – City Center



**1** Méndez Álvaro Campus  
Madrid - Inside M-30



**Value Added – Prime factory**  
GLA: 89,871 sq m

**Total Investment<sup>1</sup>:**  
€272m - €287m

**Yield on Cost<sup>2</sup>:**  
7%-8%

**2** Méndez Álvaro office Scheme  
Madrid - Inside M-30



**Value Added – Prime factory**  
GLA: 20,275 sq m

**Total Investment<sup>1</sup>:**  
€68m

**Yield on Cost<sup>2</sup>:**  
7%-8%

MADRID



**3** EGEO  
Madrid - Campo de las Naciones



**Core with value added potential**  
GLA: 18,254 sq m

**Total Investment<sup>1</sup>:**  
€79m

**Yield on Cost<sup>2</sup>:**  
5%

**4** Arturo Soria  
Madrid - New Business Area

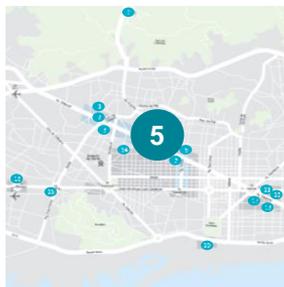


**Core with value added potential**  
GLA: 8,663 sq m

**Total Investment<sup>1</sup>:**  
€33m

**Yield on Cost<sup>2</sup>:**  
6%

BARCELONA



**5** Gala Placidia  
Barcelona CBD



**Value Added – Prime factory**  
GLA: 4,312 sq m

**Total Investment<sup>1</sup>:**  
€17m

**Yield on Cost<sup>2</sup>:**  
≥7%

<sup>1</sup> Acquisition price + total estimated project capex <sup>2</sup> Potential running yields on cost for the next years

## 02 Acquired Assets



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Prime Factory Projects in a market with strong growth

- South of Madrid's CBD -

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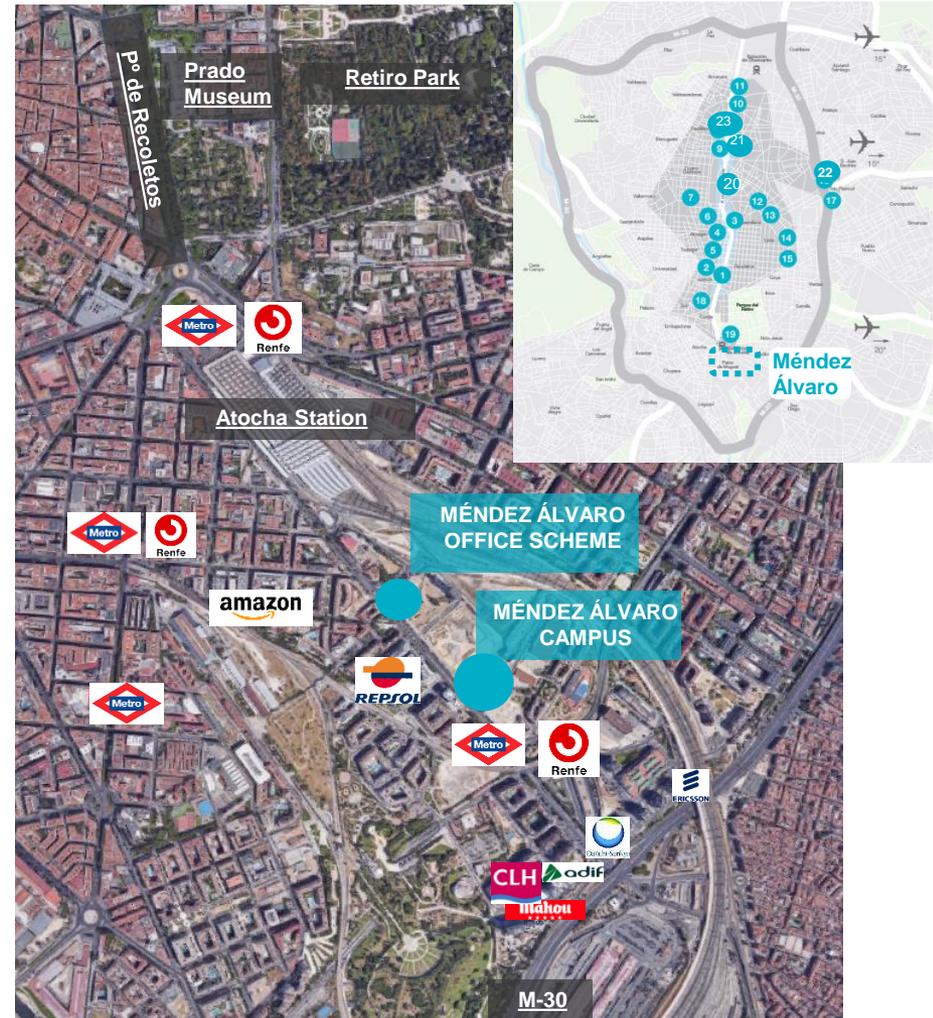
Market with high growth potential in the South of Madrid's CBD

- > Méndez Álvaro: high growth market in the South of Madrid's CBD
- > Only sizeable land plot inside M-30
- > Strong bet on the South of Madrid's CBD (Méndez Álvaro) with excellent private and public transport infrastructure;
  1. Walking distance from Atocha station (high speed train, bus station, subway)
  2. Close to Retiro Park and 15 minutes drive to plaza Colón (Prime CBD)
  3. Emerging market segment for international technology companies and flexible office space initiatives
  4. Strong presence of blue chip Headquarters:
 





  5. Area with sought after services and amenities (shopping centers, movie theaters, museums, ...)
  6. Emerging residential market, highly sought after in Madrid



Office market with strong fundamentals

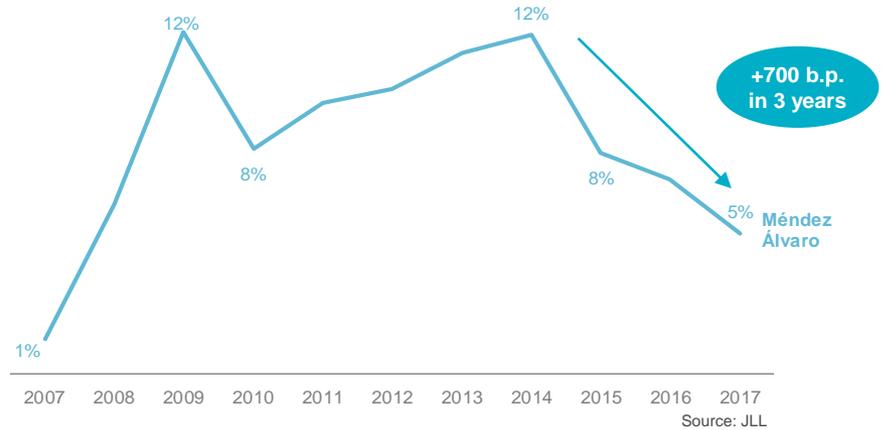
1. No availability of high quality technical buildings in the area
2. Vacancy rate below Madrid's CBD – around 5%
3. Limited future supply, Colonial's projects accelerate the consolidation of the office and residential market
4. Office market with strong growth potential:
  - > Market with strongest ERV growth in the last 18 months in Madrid
  - > Expected rental growth of +23% in the next 2-3 years
  - > 2021 expected ERV still 13% below last peak
5. Market with competitive current prices versus prices in North of Madrid

Office Main KPIs

Stock (sq m)	259.612
Take-up (sq m)	26.635
Vacancy Rate (%)	5%
Maximum Rent (€/sq m/month)	17,0

KPIs – Méndez Álvaro

Office Vacancy - %



Office Prime ERV - €/sq m/month

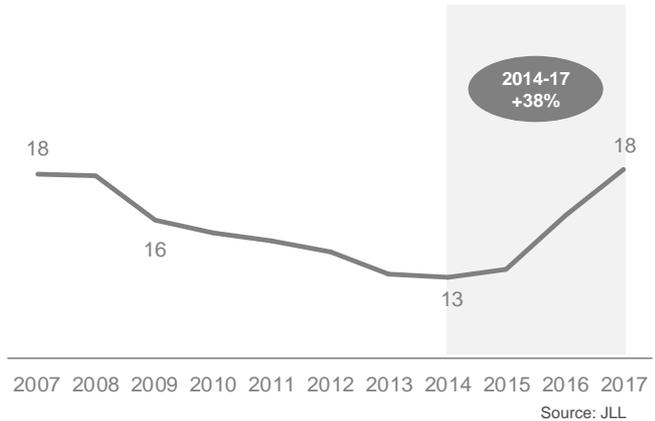


Residential Market with accelerating growth

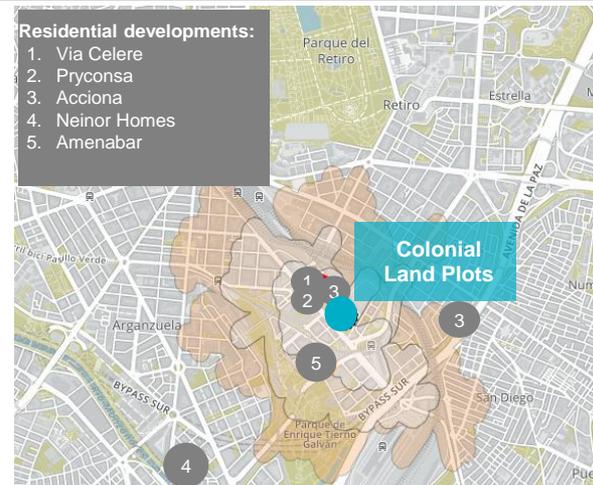
- > Highly dynamic residential market:
  1. Residential transactions exceeded 1,000 units in 2016
  2. +35% in transactions since 2014
  3. Solid increase of residential rents, +38% since 2014
  4. Renowned Spanish housing developers such as Via Celere, Acciona and Pryconsa are building new supply next to the land plot
- > Lack of new residential developments (only 18% of total transactions)
- > Market with solid fundamentals:
  1. Outstanding public transport connection, retail areas in the nearby, and schools in the vicinity are the key drivers for families deciding where to live
  2. Solid residential demand profile: families that already live in the area, and new demand looking for outstanding location
- > Solid recent growth in residential rents +38% since 2014. Further growth potential expected

KPIs – Méndez Álvaro

Residential Prime ERV - €/sq m/month



Residential developments in the nearby



Source: JLL

Development of a unique campus in the South of Madrid's CBD

Real Estate transformation through two developments projects in the south of Madrid's CBD

- I. Méndez Álvaro Campus – 90,000 sq m
- II. Méndez Álvaro office scheme – 20,000 sq m



I. MÉNDEZ ÁLVARO CAMPUS – Madrid City Center

PRIME FACTORY PROJECT

- > Creation of a prime landmark campus of 90,000 sq m and c. 900 parking units
- > Largest office project inside the city center of Madrid
- > Land plot with all permits & licenses in place that allows for high optionality:
  - A. Mixed-Use Campus - Combination of office with high-end residential
  - B. Creation of one of the largest office complexes in Madrid

II. MÉNDEZ ÁLVARO OFFICE SCHEME – Madrid City Center

PRIME FACTORY PROJECT

- > Development of an office building with 20,275 sq m and 270 parking spaces
- > Iconic 16 storey office building
- > To be delivered in the second half of 2020, (a year before Méndez Álvaro Campus)

MAIN REAL ESTATE CHARACTERISTICS OF BOTH DEVELOPMENTS

- > Wide floor plants with high luminosity and efficient functionality
- > Opportunity for large flexible office space schemes
- > Maximum efficiency certificates envisaged
- > Project designed with big green common areas and retail services for tenants
- > Configuration may allow outstanding free heights
- > Critical mass of the complex allows exceptional modularity for the asset

Development of a unique campus in the South of Madrid's CBD

Real Estate transformation through two developments projects in the south of Madrid's CBD

- I. Méndez Álvaro Campus – 90,000 sq m
- II. Méndez Álvaro office scheme – 20,000 sq m



MÉNDEZ ÁLVARO PROJECTS - Sources of Value Creation

- > Attractive entry price through off-market transaction using Colonial's tax credit i in structuring
- > Prime factory developments creating unique products
- > Madrid's market segment with strong rental growth
- > Final product cost below 3,500 sq m
- > Significant value creation leveraging on large size products
- > High ungeared IRRs and Yields on Cost

I- MÉNDEZ ÁLVARO CAMPUS

The Transaction	
Price <sup>1</sup>	€150m
Capex	€123m - €137m
Total Investment	€272m - €287m
GLA <sup>3</sup>	89,871 sq m
Parking	899 units
Capital value	€3,026 - €3,193/sq m

The Opportunity	
Ungeared IRR <sup>2</sup>	8%- 9%
Yield on Cost <sup>3</sup>	7%-8%

II. OFFICE SCHEME

The Transaction	
Price <sup>1</sup>	€36m
Capex	€32m
Total Investment	€68m
GLA <sup>3</sup>	20,275 sq m
Parking	270 units
Capital value	€3,375/sq m

The Opportunity	
Ungeared IRR <sup>2</sup>	8%- 9%
Yield on Cost <sup>3</sup>	7%-8%

1 Acquisition price excluding transfer cost  
 2 Potential running yields on cost for the next years

2 Ungeared 10 year IRR

02 Acquired Assets - Méndez Álvaro Campus  
Méndez Álvaro Campus



*Méndez Álvaro Campus – Initial Project draft under analysis*



*Mendez Álvaro Campus – Initial Project draft under analysis*

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Grade A assets with solid cash flow in good micro-locations

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## Campo de las Naciones market

### Strong footprint in the golden triangle of Campo de las Naciones

- > Madrid market segment with solid fundamentals
- > Solid grade A product with strong cash flow

### Highlights of Campo de las Naciones Area

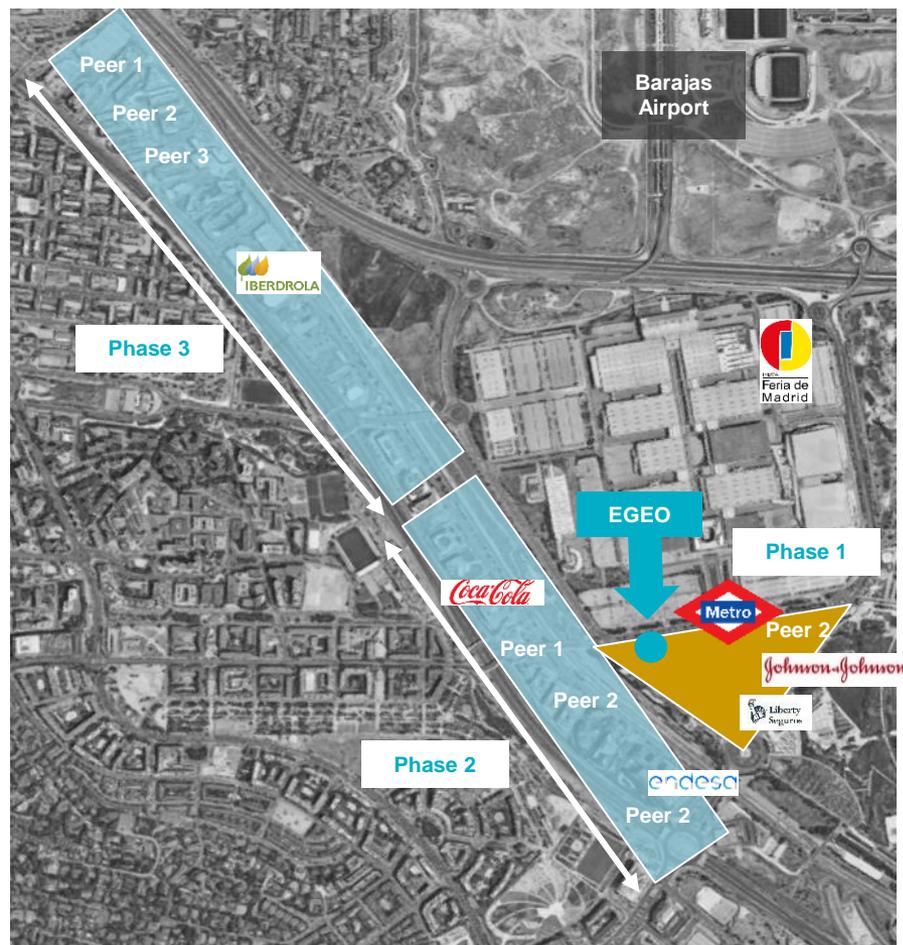
1. Campo de las Naciones has 3 submarket segments which have been developed successively (Phase 1, Phase 2, Phase 3)
2. Phase 1 is the most consolidated market segment and has an excellent public transport connection, in particular, the micro-location of EGEO is unique

3. Headquarters of multinationals are located in the area such as:



4. Campo de las Naciones Area is a business area with an office stock of c. 600,000 sq m
5. Solid vacancy profile, around 5%, significantly below Madrid market average
6. Current ERV's for prime buildings in the best locations around €18/sq m/month, 33% below last peak (€24/sq m/month)

### Campo de las Naciones Area



## Consolidated office building in excellent micro-location

### Strong footprint in the golden triangle of Campo de las Naciones

- > Strong real estate fundamentals attracting top tenants
- > Solid grade A product with strong cash flow



### EGEO – Campo de las Naciones

### CORE WITH VALUE ADDED POTENTIAL

#### One of the best products in the Area

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- > Egeo is located in the best area within the Campo de las Naciones (Phase 1) with excellent public transport connections
- > Unbeatable access to metro station (1 block away) being a barrier to entry for other assets in this market
- > Prime positioning in a micro-location with solid market fundamentals
- > Large office building with more than 18,000 sq m of GLA, distributed in six stories, and 350 parking spaces.
- > High quality building, with large and efficient floor plates of c. 3,000 sq m divisible up to eight modules, allow the possibility to accommodate multiple tenants.
- > Two independent distribution wings and an attractive central lobby topped by a skylight, which provides good light to the interior areas.

Strong value creation potential through asset management

**Strong footprint in the golden triangle of Campo de las Naciones**

- > Strong real estate fundamentals attracting top tenants
- > Solid grade A product with strong cash flow



**EGEO – Campo de las Naciones**

**CORE WITH VALUE ADDED POTENTIAL**

**Sources of Value Creation**

- > Stable cash flows generating more than €3.3m of Gross Rental Income
- > Potential yield on cost up to 5-6% in coming years underpinned by solid growth profile of market segment
- > Current ERVs significantly below potential rents: €17/sq m/month current rent vs €24/sq m/month last peak
- > Ungeared 10 year IRR above 6%

**EGEO - Main KPIs**

**The Transaction**

Price <sup>1</sup>	€79m
GLA	18,254 sq m
Parking	350 units
Capital value	€4,334/sq m

**The Opportunity**

Ungeared IRR	>6%
Yield on Cost <sup>2</sup>	5%

<sup>1</sup> Acquisition price excluding transfer cost

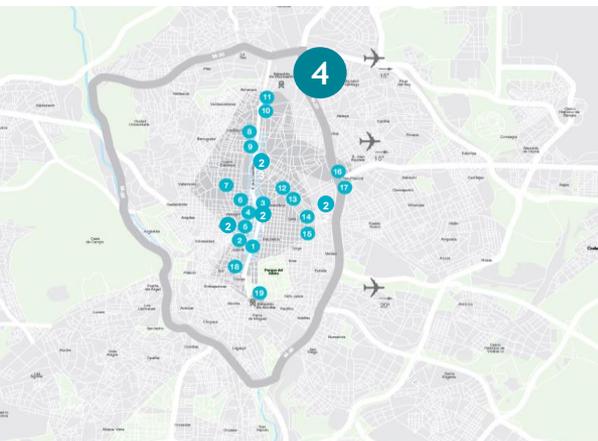
<sup>2</sup> Ungeared 10 year IRR

<sup>3</sup> Potential running yields on cost for the next years

## Strong micro-location in the north of Madrid

### Strong micro-location in the north of Madrid

- > Interesting granular market segment close to M-30 in the north of Madrid
- > Value creation potential through implementation of Colonial's Product Strategy



### ARTURO SORIA – Madrid City Center

### CORE WITH VALUE ADDED POTENTIAL

#### Good micro-location in the North of Madrid

1. Micro location sought after by multinationals and service companies
2. Excellent connections by public and private transport
3. Scarce office supply surrounded by consolidated residential
4. Close to M-30 with more competitive rental levels than Las Tablas

#### Good asset with solid performance

- > Four glass façade building with more than 8,600 sq m of GLA and 191 parking spaces
- > Efficient floor plate with size of more than >1,000 sq m
- > Asset with high occupancy levels through the cycles
- > Potential to enhance the value of the property by value-add initiatives
  - > Creation of new amenities and green areas
  - > Obtaining LEED/BREEAM energy certificates

## Strong micro-location in the north of Madrid

### Strong micro-location in the north of Madrid

- > Interesting granular market segment close to M-30 in the north of Madrid
- > Value creation potential through implementation of Colonial's Product Strategy



#### ARTURO SORIA - Madrid City Center

#### CORE WITH VALUE ADDED POTENTIAL

##### Sources of value creation

- > Near full occupancy multitenant building, occupied by AAA leading companies
- > Short term WALT (below 2 years) with positive reversion
- > Additional value creation through repositioning initiatives
  - > Energy certificates envisaged
  - > Attractive rent roll to capture rental and value uplifts
- > Attractive entry price of €3,311/sq m<sup>2</sup> for an office building in Madrid M30
- > Ungeared IRR in excess of 7% for a core asset with strong cash flow

##### ARTURO SORIA - Main KPIs

###### The Transaction

Price <sup>1</sup>	€32.5m
GLA	8,663 sq m
Parking	191 units
Capital value	€3,311/sq m

###### The Opportunity

Ungeared IRR <sup>2</sup>	>7%
Yield on Cost <sup>3</sup>	6%

<sup>1</sup> Acquisition price excluding transfer cost

<sup>2</sup> Ungeared 10 year IRR

<sup>3</sup> Potential running yields on cost for the next years

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Opportunistic CBD acquisition with flexible office space potential

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**Opportunistic CBD acquisition ideal for flexible office space in the heart of Barcelona**

- > Unique location in the heart of Barcelona
- > Enhanced return through proptech strategies

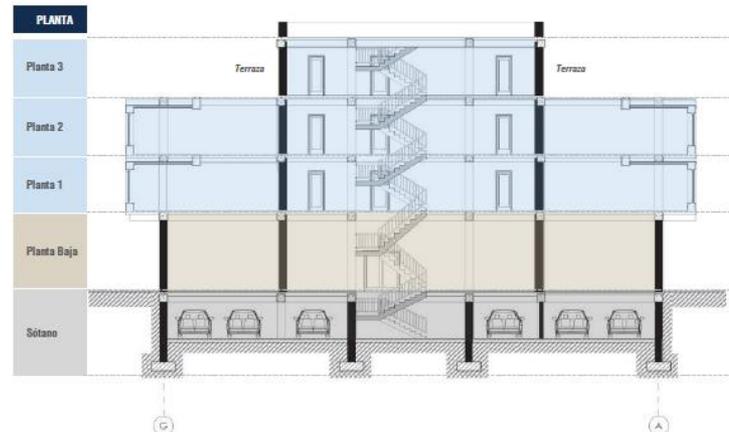


**GALA PLACIDIA – Barcelona CBD**

**VALUE ADD PROJECT**

**Main asset characteristics**

- > Opportunity to acquire an asset with 4,312 sq m Barcelona CBD
- > Large floors, with more than 1,600 sq m almost inexistent in the city entre
- > Floor size, terraces and retail spaces in ground floor offering multiple options for different layouts
- > Location with high concentration of co-working activities
- > Ideal asset to develop Colonial's co-working flagship store



**Opportunistic CBD acquisition ideal for flexible office space in the heart of Barcelona**

- > Unique location in the heart of Barcelona
- > Enhanced return through proptech strategies



**GALA PLACIDIA – Barcelona CBD**

**VALUE ADD PROJECT**

**Sources of Value Creation**

- > Acquisition in Barcelona CBD at an entry price below €4,000 /sq m
- > Capture value creation with prime Factory Project
- > Strong initial Yield on Cost based on a 100% pre-let to Utopic-US at market rents
- > Additional return potential through co-working initiatives
- > Attractive ungeared IRR above 8%

**GALA PLACIDIA - Main KPIs**

**The Transaction**

Price <sup>1</sup>	€13m
Capex	€4m
Total Investment	€17m
GLA	4,312 sq m
Parking	14 units
Capital value	€3,922/sq m

**The Opportunity**

Ungeared IRR <sup>2</sup>	≥8%
Yield on Cost <sup>3</sup>	≥7%

<sup>1</sup> Acquisition price excluding transfer cost

<sup>2</sup> Ungeared 10 year IRR

<sup>3</sup> Potential running yields on cost for the next years



## Solid delivery on organic investments through off-market transactions

### Proven delivery of value add acquisition through off-market deals

- > Assets with significant real estate value creation potential
- > Prime sites with unique market positioning
- > Strong commitment to investment discipline

### SOURCING OF UNIQUE PRODUCTS LEVERAGING ON COLONIAL'S TRACK RECORD

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1 Méndez Álvaro Campus

- > Prime Factory opportunity sourced through an off market deal
- > Highly complex transaction, signing with more than 10 different owners
- > Optimization of pricing, leveraging on tax credit and SPV acquisition structure

2 Méndez Álvaro 2

- > Prime Factory opportunity sourced through an off market deal
- > Identification of the opportunity 2 years ago
- > Colonial's reputation and track-record key for transaction closing

3 Arturo Soria

- > High quality building sourced through an off market deal with LAR Socimi
- > Colonial's reputation and track-record key for transaction closing

4 Egeo

- > High quality building sourced through an off market deal with LAR Socimi
- > Colonial's reputation and track-record key for transaction closing

5 Gala Placidia

- > Prime Factory opportunity sourced through an off market deal
- > Accelerated execution thanks to Colonial's strong credit profile

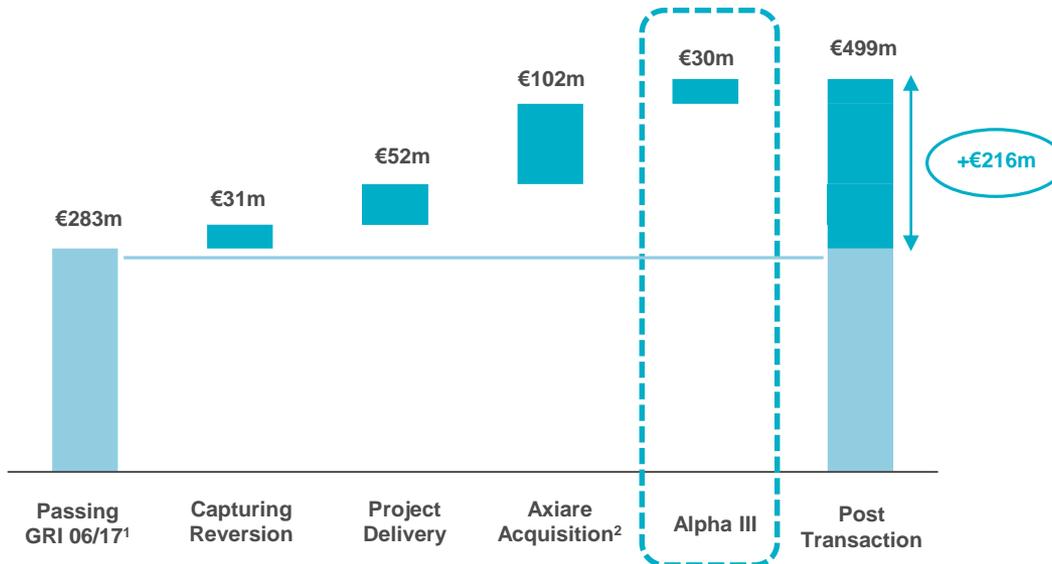
### 03 Transaction Summary

## Enhancing significantly the Group's growth profile

#### Attractive growth profile with high reversionary potential at optimal market timing

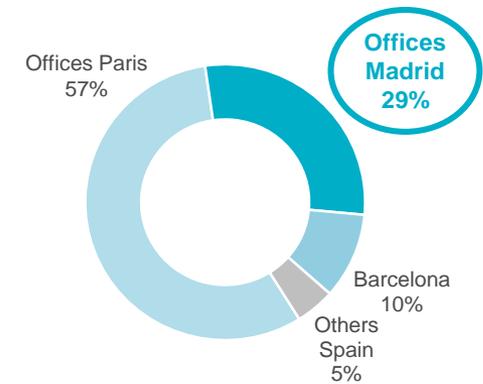
- > Reversion potential of Colonial increases up to €216m
- > Additional value-add exposure when rental growth is accelerating
- > Exposure to Madrid offices increases up to 30%

#### TOPPED-UP GRI as of 06/2017



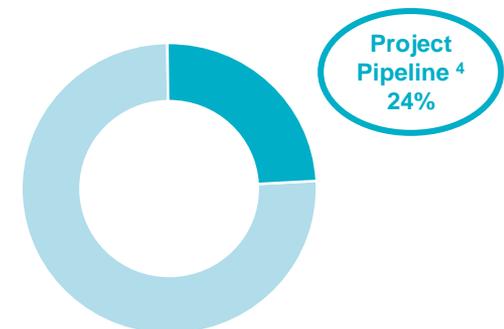
#### GAV PRO-FORMA

##### GAV as of 6/17 appraisals<sup>3</sup>



#### ATTRACTIVE VALUE ADD EXPOSURE

##### GLA Offices (sq m)



<sup>1</sup> Topped-Up passing GRI as of 6/2017 adjusted by IN/OUT

<sup>2</sup> According to Axiare public information June 2017, based on full acquisition

<sup>3</sup> Adjusted by IN/OUT disposal

<sup>4</sup> Without including Axiare's logistics & others portfolio

### 03 Transaction Summary

## Full commitment to strong credit profile

#### Fully financed transaction maintaining financial discipline

- > Financing secured through current credit lines and cash
- > No relevant impact on LTV
- > Credit profile remains strong

#### FUNDING DETAILS

Amounts in €m	Cash Upfront	Future Cash-Outs	Total Investment
Mendez Alvaro Campus	112	160 - 174 <sup>1</sup>	272 - 287
Mendez Alvaro Office Scheme	33	35 <sup>1</sup>	68
Egeo	77	2	79
Arturo Soria <sup>2</sup>	33 <sup>2</sup>	-	33
Gala Placidia	13	4	17
<b>Total Investment</b>	<b>269</b>	<b>201-215</b>	<b>469-484</b>

€269m Cash Upfront

€469m-€484m  
Total Investment Volume



Rating Standard & Poor's **BBB**



Rating Moody's **Baa2**

Credit Profile remains  
strong

<sup>1</sup> Includes deferred payment of land acquisition and future capex subject to final project study

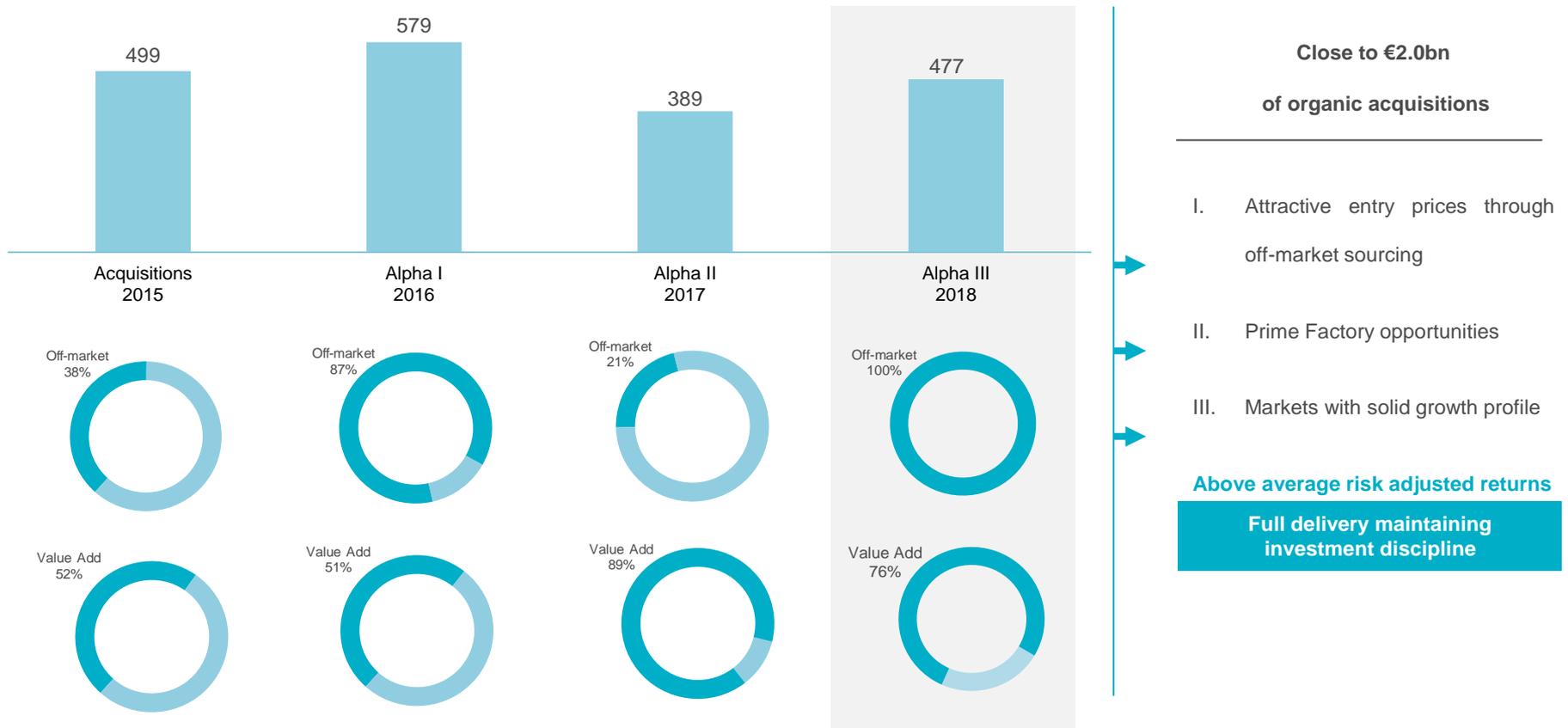
<sup>2</sup> Already paid in Q3 2017

Full delivery on disclosed acquisition targets

Close to €2.0bn of organic acquisitions in 4 years maintaining investment discipline

- > Mainly off market transactions
- > High value added components
- > City center locations with strong fundamentals

INVESTMENTS SINCE 2015 - €m

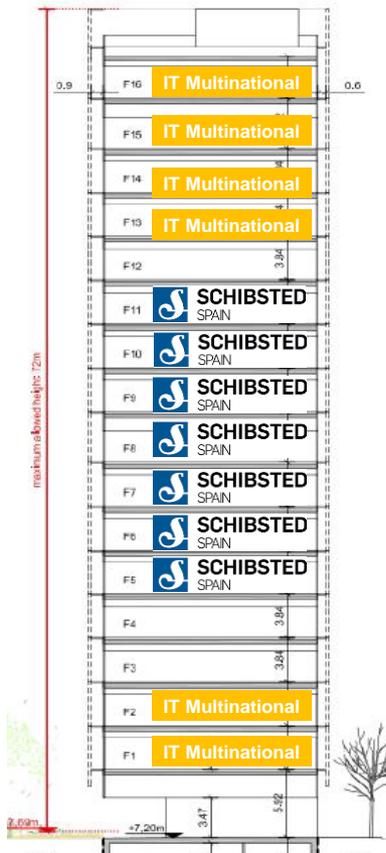




**Outstanding delivery on Parc Glories Project - Barcelona**

- > More than 80% of pre-letting several months ahead completion
- > Rents signed 30% above initial underwriting
- > Largest letting transaction in Barcelona since last peak

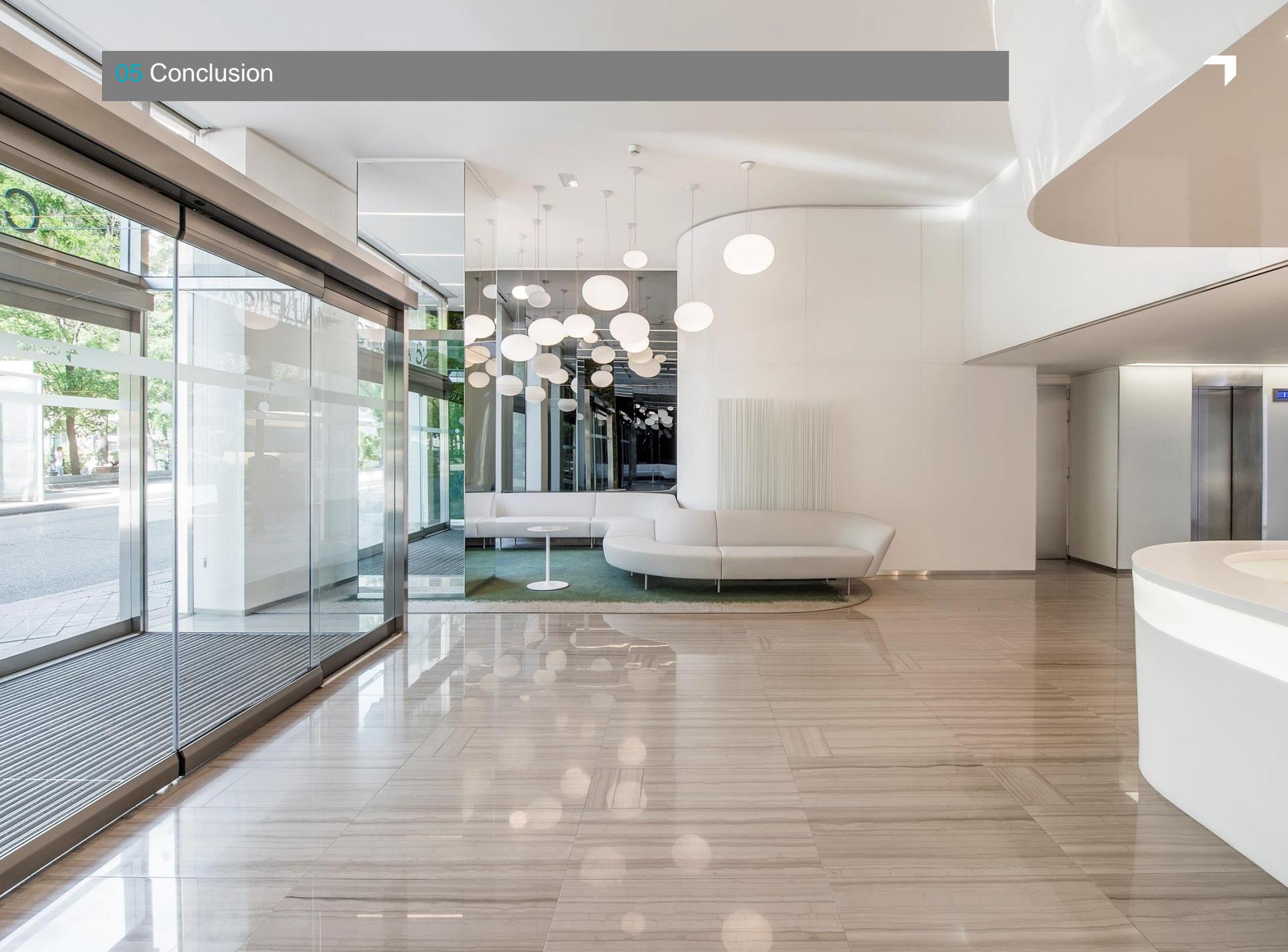
**ACQUISITIONS DETAILS**



**Outstanding delivery on Parc Glories - Barcelona**

- |         |  |   |
|---------|--|---|
| 1H 2016 | 1. Identification of Glories as the new high growth market in Barcelona            |   |
| Jun-16  | 2. Acquisition through an off-market transaction – capital value below 3,000 €/sqm |   |
| Jun-16  | 3. Start of construction day 2 after closing                                       |   |
| May-17  | 4. Pre-let of 9,338 sq m with Schibsted  | <b>Cumulative Pre-Let</b><br><b>38%</b> |
| Nov-17  | 5. Additional 1,348 sq m signed to Schibsted                                       | <b>44%</b>                              |
| Dec-17  | 6. New Pre-let of 8,837 sq m signed with an IT multinational                       | <b>80%</b>                              |

**Highest rents signed in 22@ Barcelona  
30% above initial underwriting**





## FULL DELIVERY OF 2018 ACQUISITION TARGET

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- > Starting 2018 with more than €477m<sup>1</sup> in acquisitions in Spain
- > All 5 investments acquired through off-market transactions enabling competitive entry prices with strong yields on cost
- > Alpha III highlights:
  1. €348m investment<sup>1</sup> in a growth market in the South of Madrid's CBD with two unique Prime Factory projects
  2. Acquisition of two grade-A buildings with strong cash flow and good excellent micro-locations in Madrid
  3. Opportunistic CBD acquisition ideal for flexible office space in the heart of Barcelona
- > Fully financed transactions with high reversion at optimal market timing
- > Colonial continues with its excellent delivery in Parc Glories Barcelona



**Alpha III enhances significantly Colonial's growth profile  
maintaining investment discipline**

<sup>1</sup> Acquisition price + total project capex

Colonial



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