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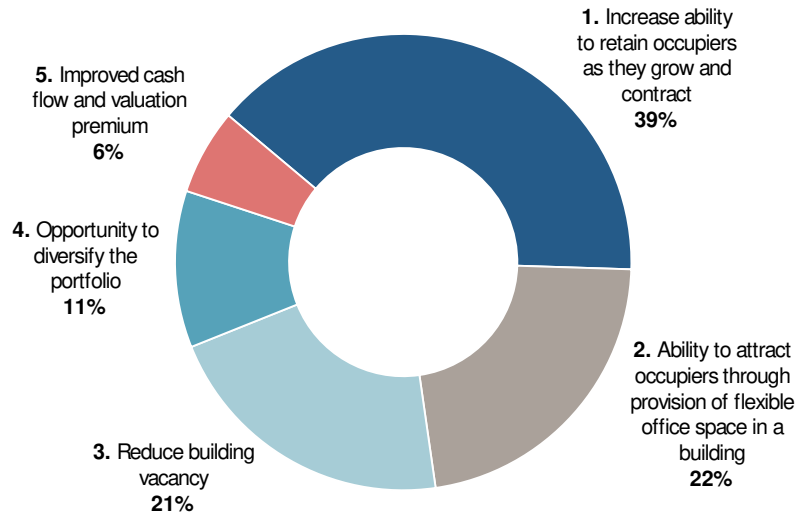
Equity Research
European Real Estate & REITs
Flexible Offices: the disrupter

6th September 2018

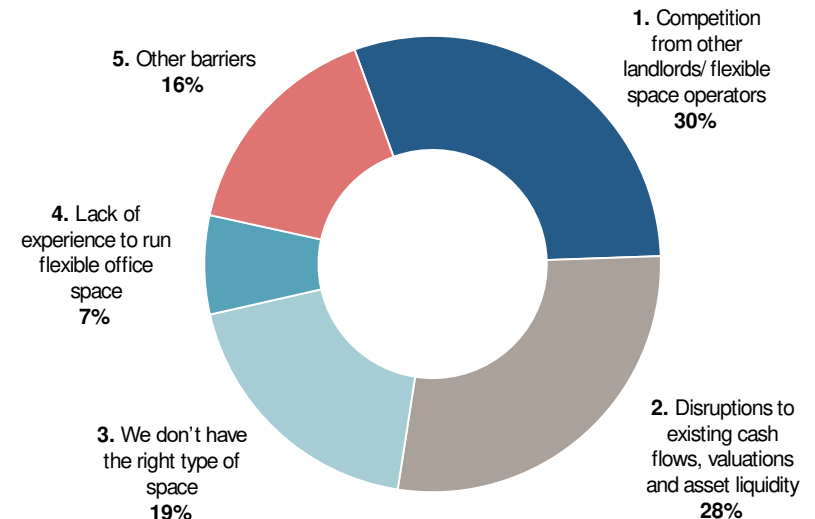
Flex – the office sector disruptor

- ❓ **Short-term office commitments:** often mirroring maturity of business/sector, including:
- 1. Serviced Offices:** private, fully-fitted out offices on flexible terms (dominates the UK market)
 - 2. Co-working:** shared working environment that encourages networking/collaboration
 - 3. Managed Offices:** leased and fitted out by a third party operator to an occupier's specification. Typically larger for longer (rapid UK growth)

Perceived Landlord Benefits



Perceived Landlord Barriers



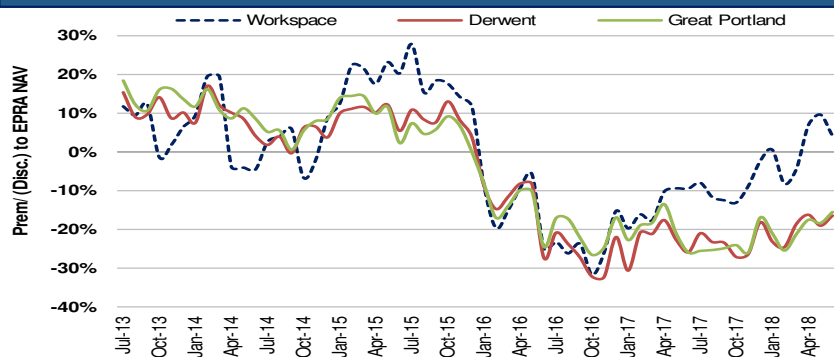
Market impact

- ❑ **Not a new concept, but growing in cities globally:** over the past decade the global flexible office market has been growing at an average 13% p.a., tripling in size since 2006. 41% of respondents to CBRE's EMEA Occupier Survey said they will be using flexible office space over the next three years (vs. 24% currently).
- ❑ **UK and US markets are most mature:** Growth in desk numbers has been stronger in EMEA (excl. UK) and APAC at c.20% p.a. compared to c.10% in the UK and US since 2006. EMEA has a similar number of centres as the UK (c.5,300).
- ❑ **London is the largest market globally:** 18% of central-London take-up was by flex providers last year (8% in 2016, 3% in 1999). Flexible offices may provide a solution to the length and relative inflexibility of conventional UK leases and a 22% increase in the number of small and micro UK businesses since the recession is fuelling demand.
- ❑ **Risks/issues:** Shorter lease terms seen as more risky in downturns, although cost rationalisation and flexibility requirements can stimulate demand in downturns. IWG's mis-match of long lease liabilities and short occupier commitments caused issues in the dot.com downturn. Workspace's share price relatively underperformed during the 2007-09 downturn. Real estate appraisals typically use higher yields than for longer-leases.

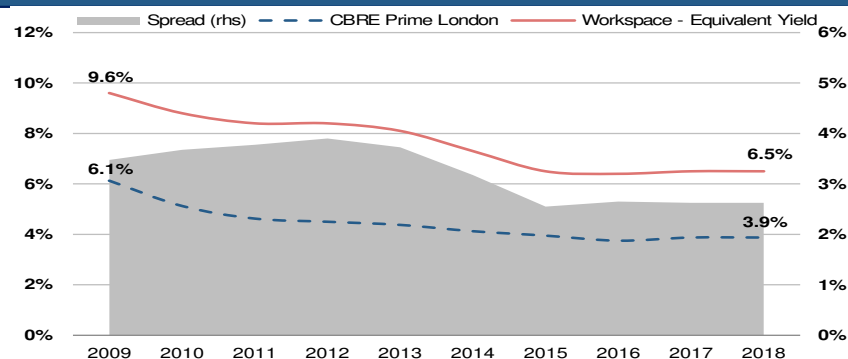
The operators

- ? **Surprisingly fragmented:** Over half of the UK's centres are independent and the top 10 operate only 14% of centres. London has 660 flex office providers.
 - **Private equity:** The Office Group (Blackstone) and Uncommon (Carlyle) + recent p/e takeover offers for IWG and Technopolis
 - **IWG:** London-listed and the world's largest flex office provider via brands including Regus, Spaces, No.18, Openoffice, Basepoint and Signature
 - **WeWork:** Rapid global expansion since 2010. London's second largest occupier
 - **Servcorp:** Listed in Sydney and operates in 54 cities globally.
 - **Workspace:** is a pure-play flex office REIT that owns its own properties and is focused 100% on London. Premium share rating since early 2017

Workspace share price premium/discount to EPRA NAV



Workspace yield premium vs. traditional offices



The response from traditional landlords / REITs

❓ CBRE identify three opportunities for traditional landlords:

- 1. Traditional lease model:** lease existing space to flexible office providers on market terms. Lower risk but no upside from additional revenues. Favoured by REITs across Europe, including London (3% of **LandSec's** London portfolio, 5% of **Derwent London**), Paris (**Gecina**), Zurich (**PSP**), Dublin (**Hibernia** and **Green REIT**).
- 2. Platform model:** set up/acquire a platform and engage directly with potential occupiers, e.g. **British Land** (London) through Storey, **Befimmo** (Benelux) with Silversquare, **NSI** (Netherlands) with HNK and **Merlin Properties** (Spain) with Loom and Twisttt.
- 3. Profit/Revenue share:** lease structure with a base rent plus turnover linked income. Both the landlord and flexible office provider share operational risk and upside.

❓ 77% of UK office landlords were considering offering some form of flexible office provision, according to a recent survey by CBRE. 38% of those surveyed were considering launching their own brand whilst 30% would prefer to let space to a third party provider and 19% would be happy to work in partnership with an operator.

Questions?

1. How sustainable is the growth in flexible workspace in your markets?
2. Has the growth in serviced office take up delayed vacancy and flattered occupational demand?
3. Does more efficient desk usage mean we will need lower aggregate office stock in major cities in the future?
4. Is it better to develop your own operations or have operators as tenants on traditional long-leases?
5. Does the higher rent paid for flex indicate an ability on the part of office tenants to pay higher rents for traditional office space, i.e. a lack of affordability constraint?

Companies Mentioned (Price as of 28-Aug-2018)

Befimmo (BEFB.BR, €49.95)
British Land (BLND.L, 637.2p)
Brookfield Asset Management (BAM.N, \$43.83)
Dewent London (DLN.L, 3040.0p)
Gecina (GFCP.PA, €148.1)
Great Portland Estates (GPOR.L, 724.0p)
Green REIT PLC (GN1.I, €1.52)
Hibernia REIT PLC (HBRN.I, €1.51)
IWG (IWG.L, 239.2p)
Landsec (LAND.L, 925.5p)
Merlin Properties (MRL.MC, €12.05)
Nieuwe Steen Investments (NSTEc.AS, €34.7)
PSP Swiss Property AG (PSPN.S, SF96.15)
Servcorp (SRV.AX, A\$4.14)
Technopolis (TPS1V.HE, €4.655)
Workspace Group (WKP.L, 1070.0p)

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Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-fixed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.



EPRA CONFERENCE

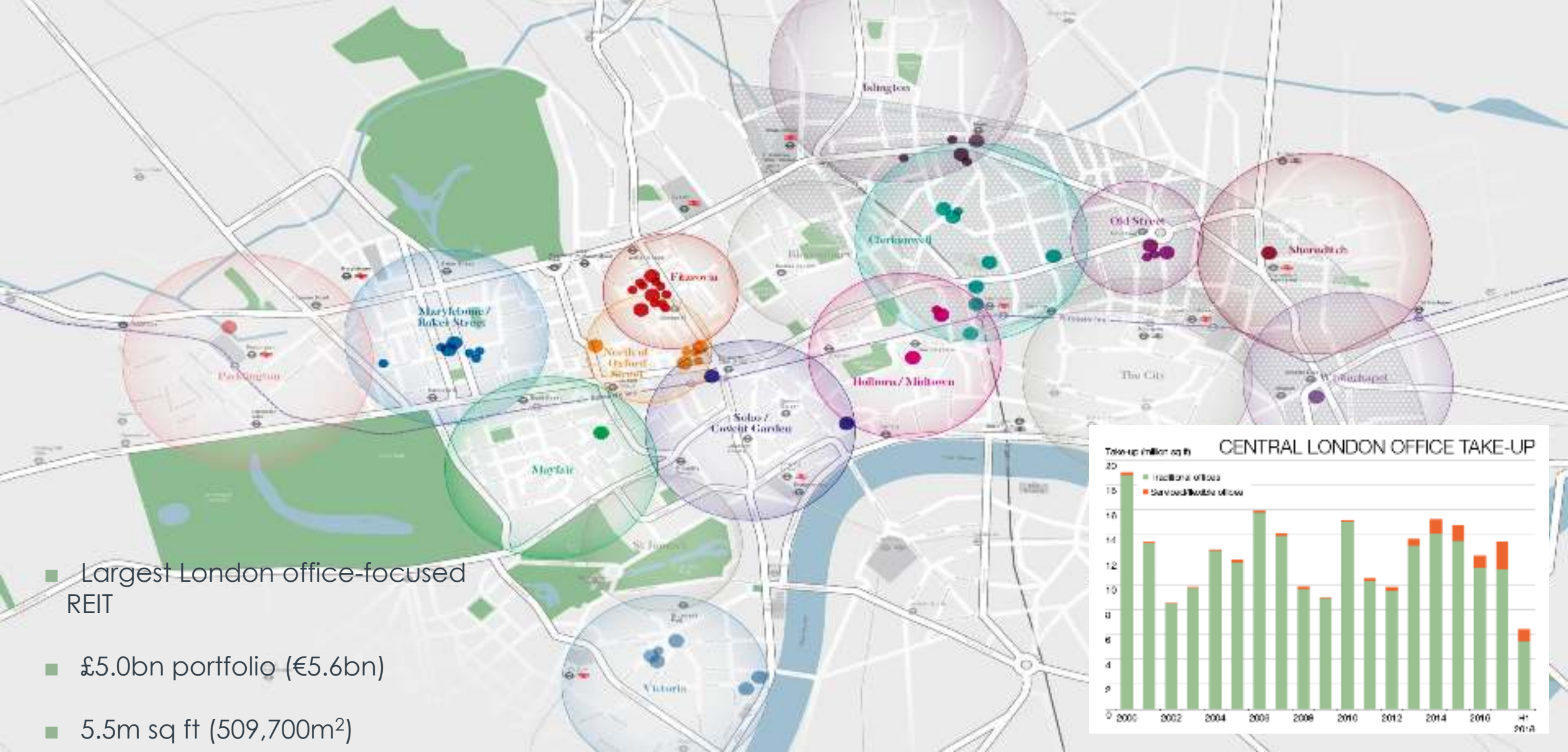
6 SEPTEMBER 2018

FLEXI SPACES

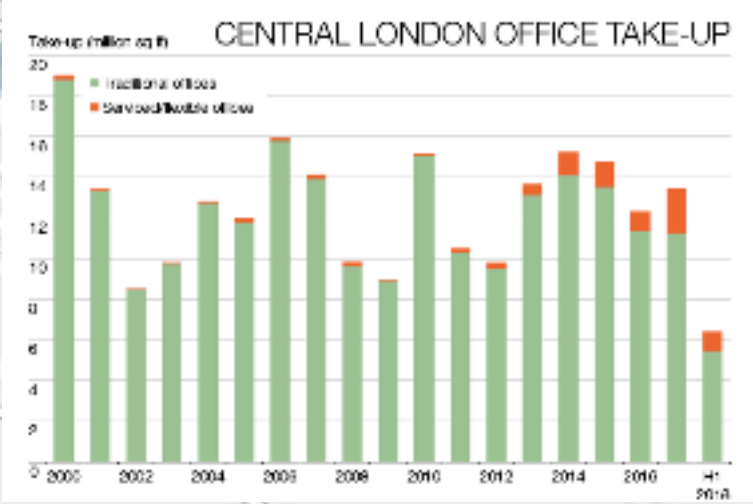
EMILY PRIDEAUX

HEAD OF LEASING

DERWENT LONDON



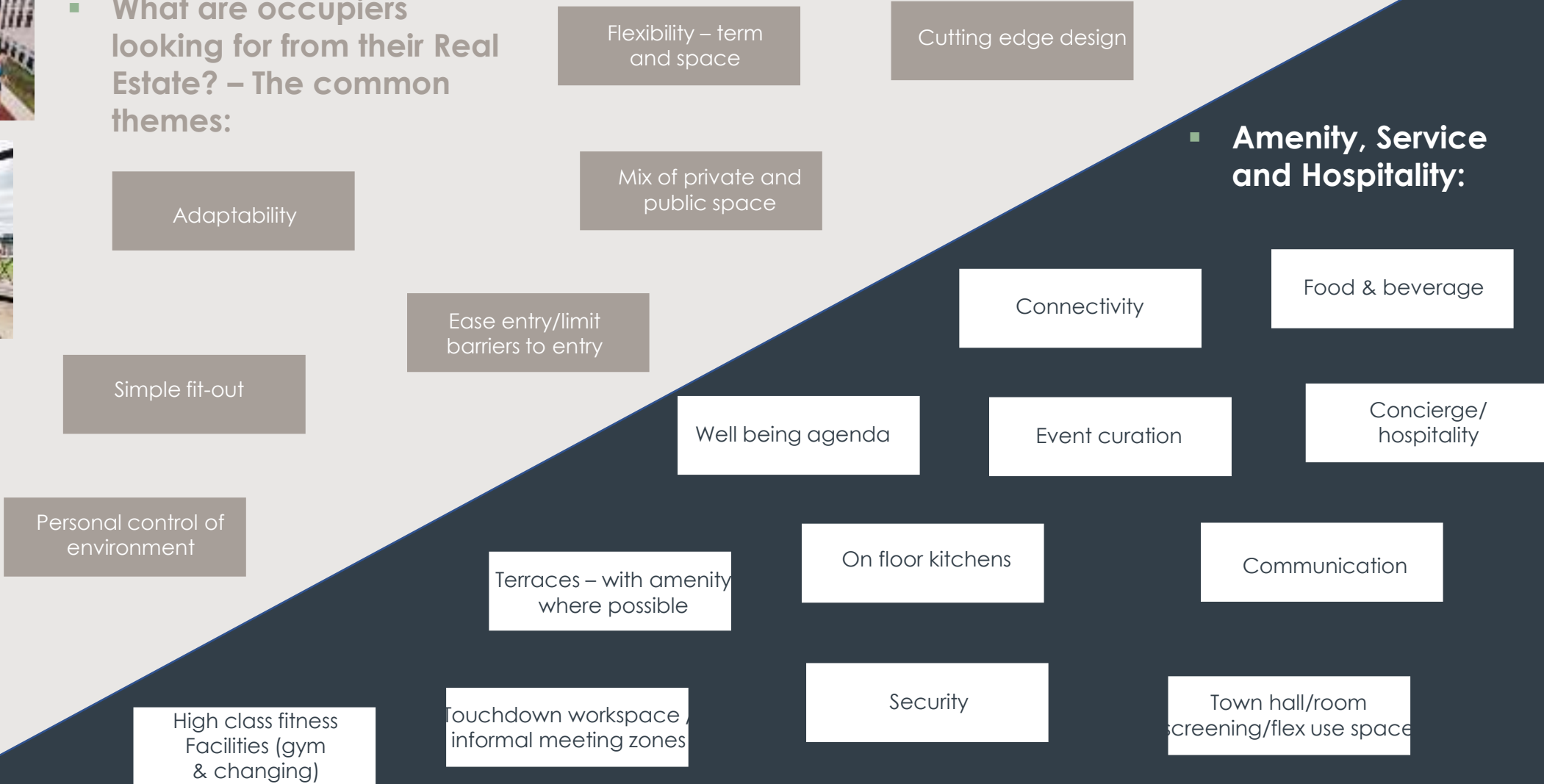
- Largest London office-focused REIT
- £5.0bn portfolio (€5.6bn)
- 5.5m sq ft (509,700m²)



DELIVERING THE RIGHT PRODUCT... RESPONDING TO MARKET SENTIMENT & OCCUPIER TRENDS



What are occupiers looking for from their Real Estate? – The common themes:



VARIED LEASE STRUCTURES



5-20 years



5-10 years



12-20 years



2-10 years



5-15 years+



12 years

*Commercial space

DERWENT LONDON'S APPROACH TO 'FLEXI' SPACES



- Flexible office users occupy c. 6% of the portfolio

- The Office Group / A multi-let strategy

3 campuses:

- White Collar Factory EC1 – 41,300 sq ft

- 2 Stephen Street W1 – 34,200 sq ft

- Angel Square EC1 – 40,700 sq ft

- IWG let on traditional leases

- Short-term lettings prior to redevelopment

- Fully fitted flexible spaces on smaller units

“Understanding our fundamental business model whilst responding to occupier demand, in creating design led high quality office buildings giving due consideration to service, amenity and flexibility in our delivery, ensuring we remain ahead in our market place.”

Befimmo



Silversquare @Befimmo The coworking partnership

EPRA Conference Panel – September 6th 2018

www.befimmo.be



▣ **Save the date**
for Befimmo's
Investor Day 2018
Nov. 28th 2018

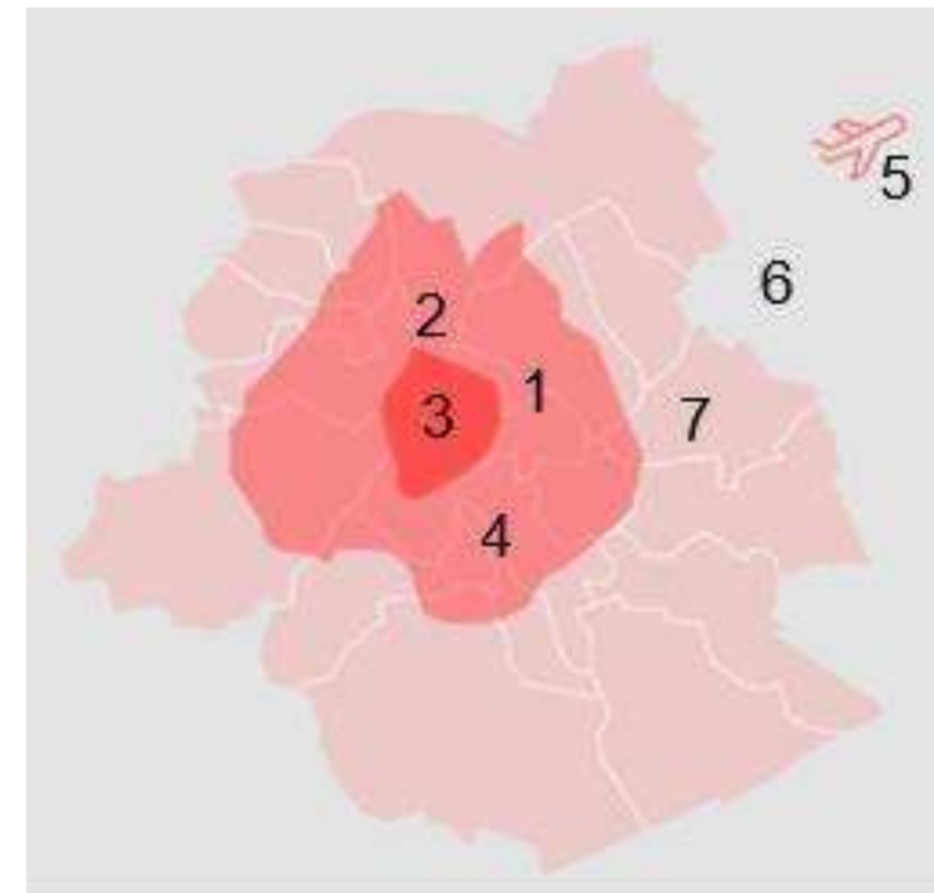
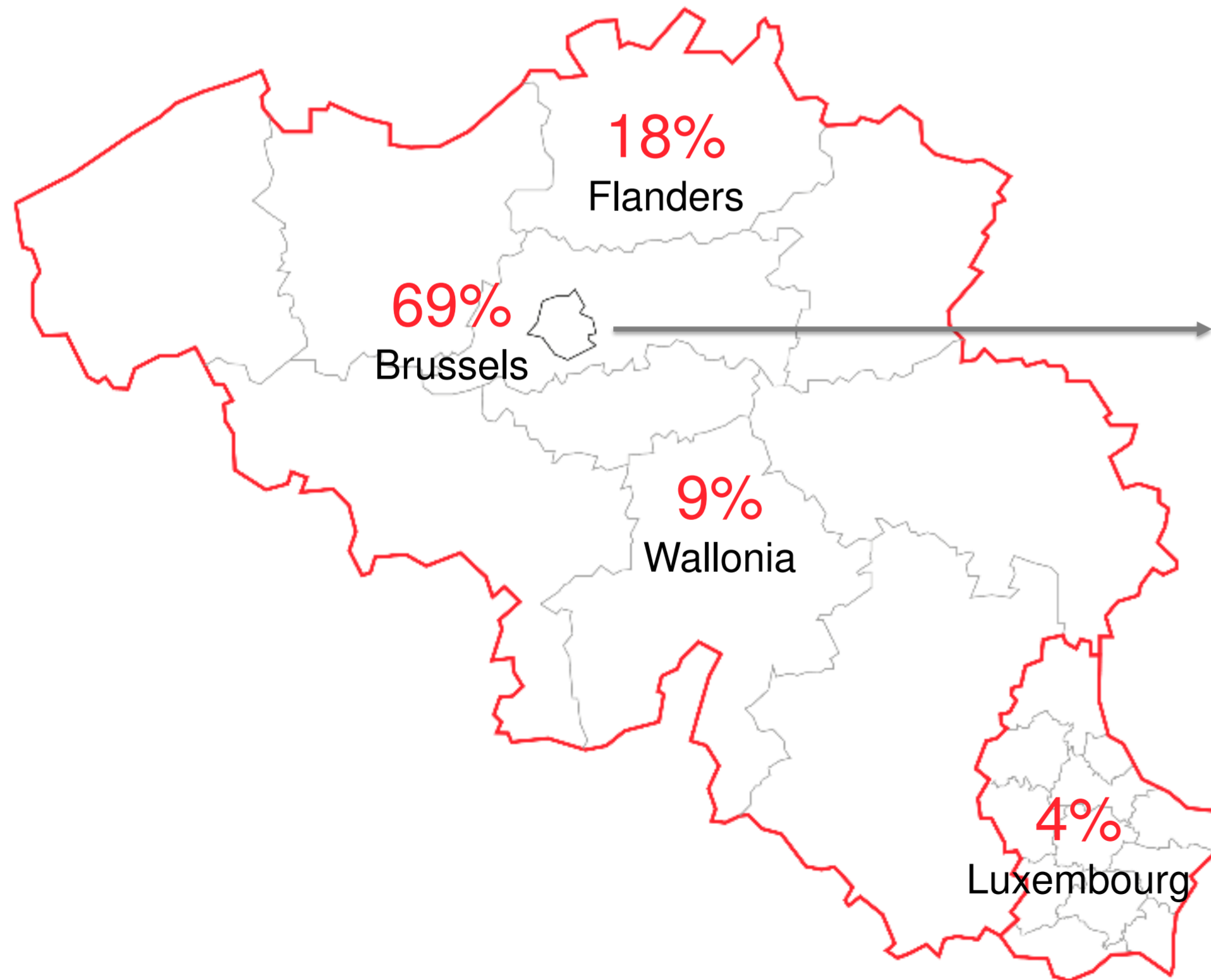




Befimmo strategy

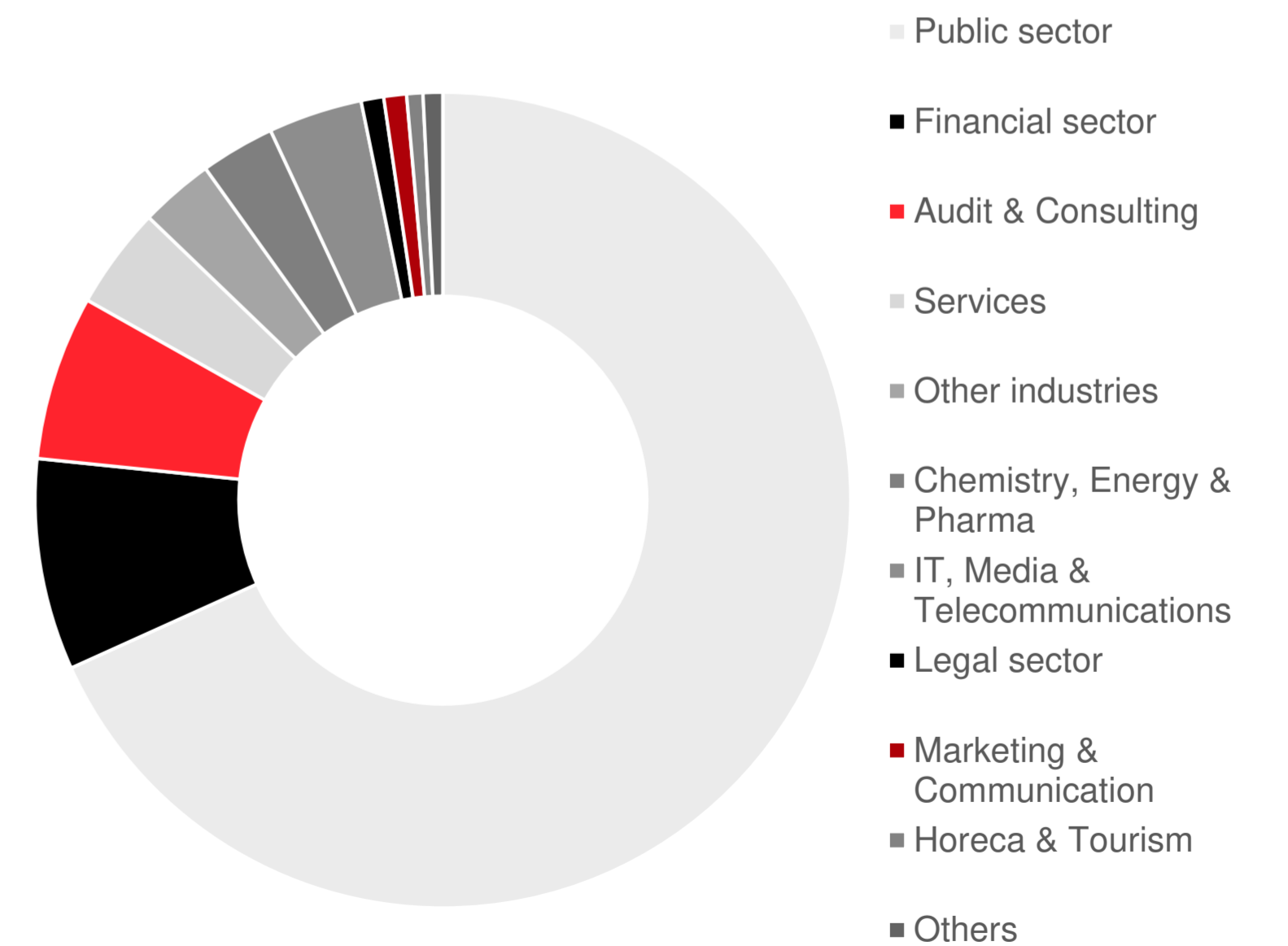
City centre locations and well-diversified quality tenants

69% in Brussels of which 55% in CBD



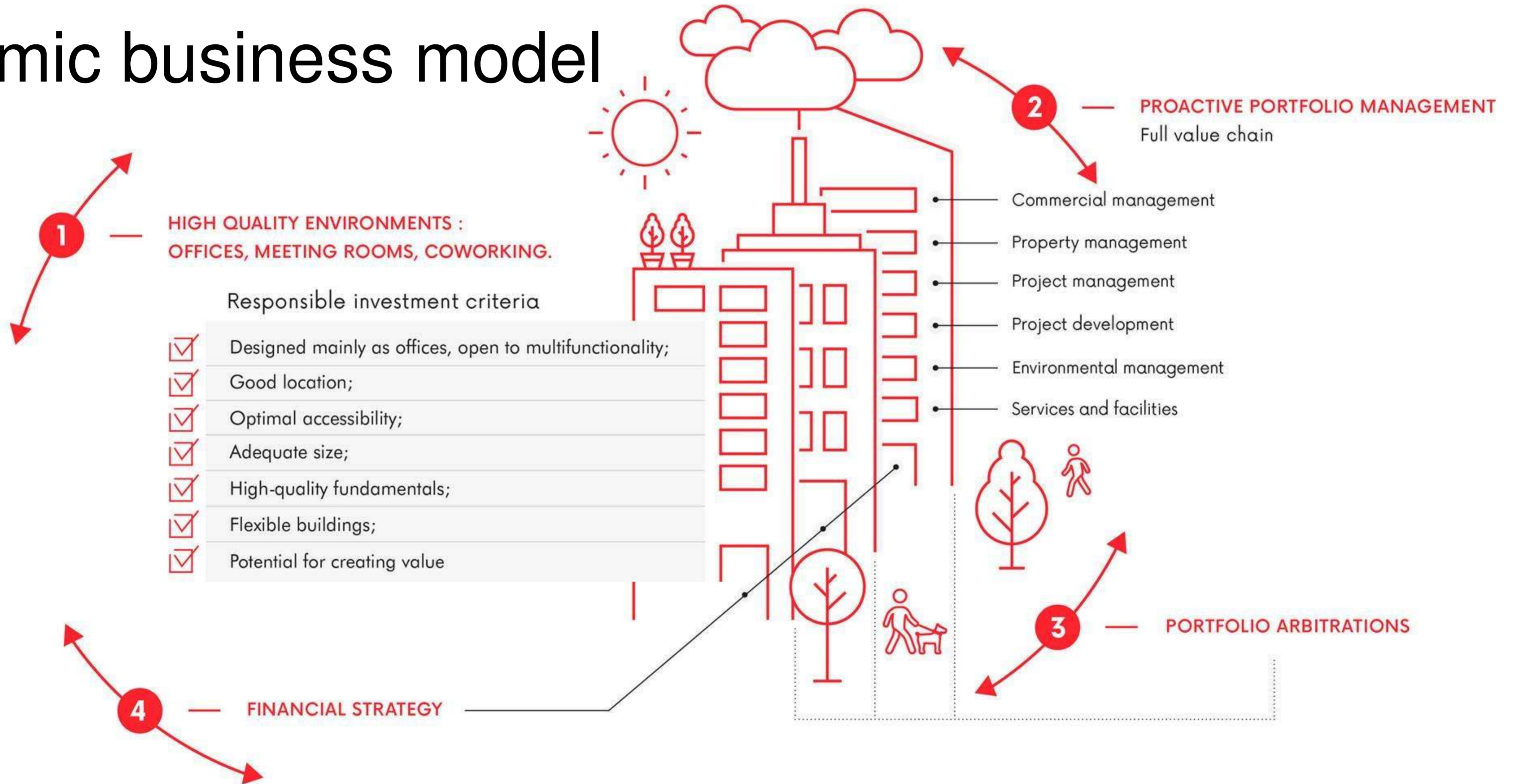
1.	Leopold district	22%
2.	North area	16%
3.	Centre	13%
4.	Louise district	4%
5.	Airport	6%
6.	Periphery	4%
7.	Decentralized	3%

Tenants by sector



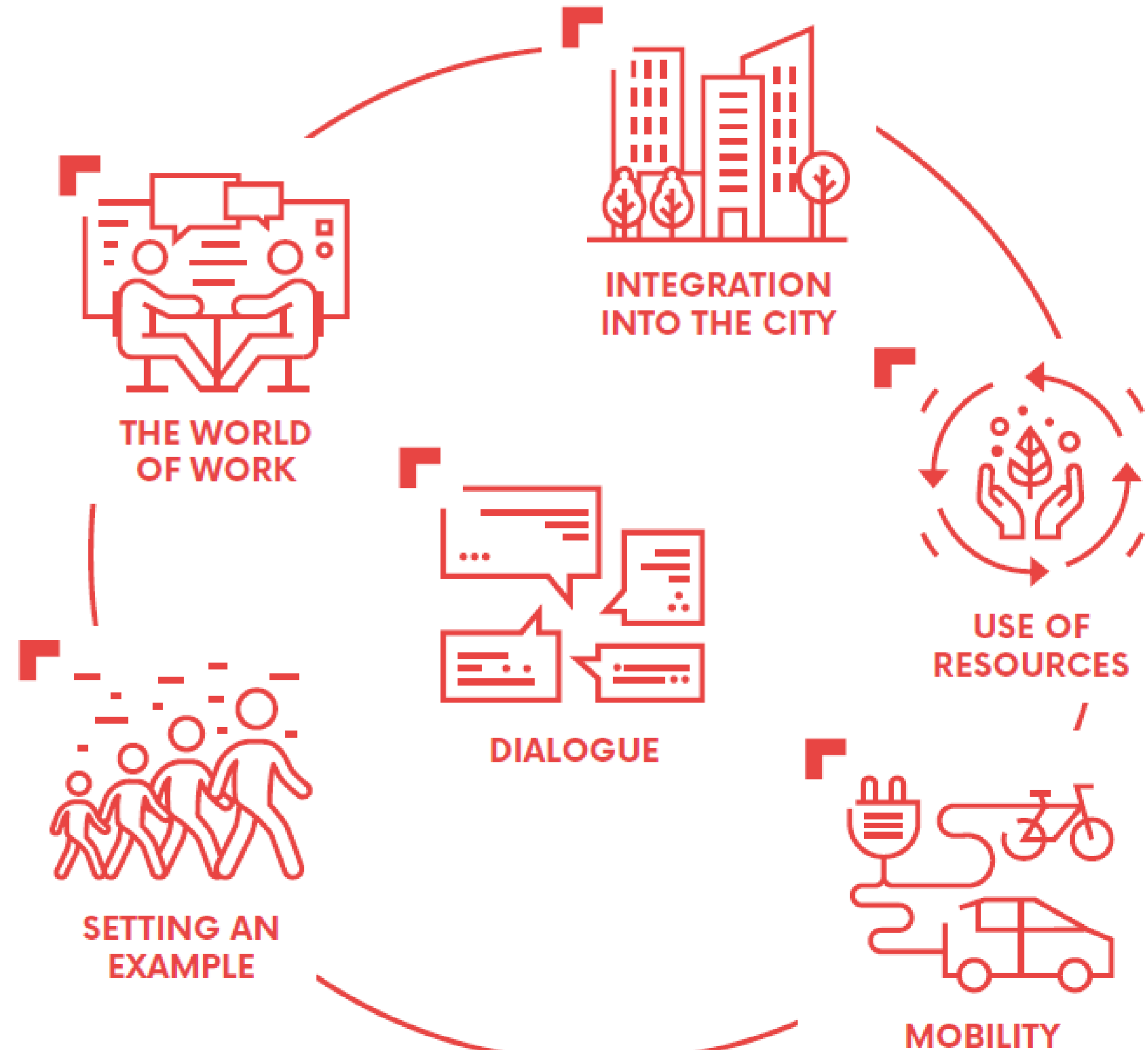
Figures based on the fair value of the investment properties as at 30 June 2018.

Dynamic business model





Strategic axes





Silversquare @Befimmo | Triomphe



Silversquare @Befimmo

The new work environment

Rooftop
Vegetable garden
(Activity based) offices, learning
centre
Coworking & meeting centre
Restaurant
Bar
Showers & lockers
Bike parking
eCar parking



- Flexibility
(time & space)
- Mobility
- Networking



Silversquare @Befimmo

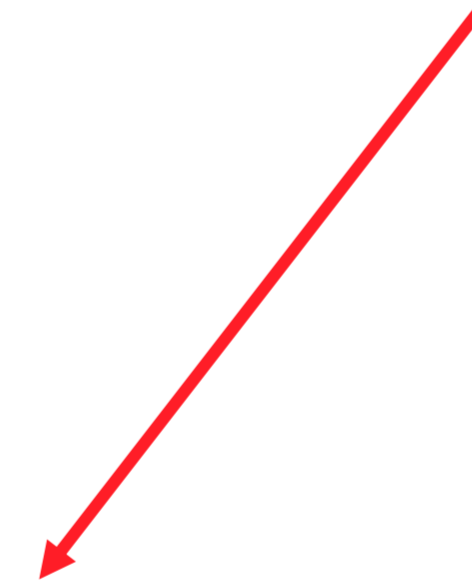
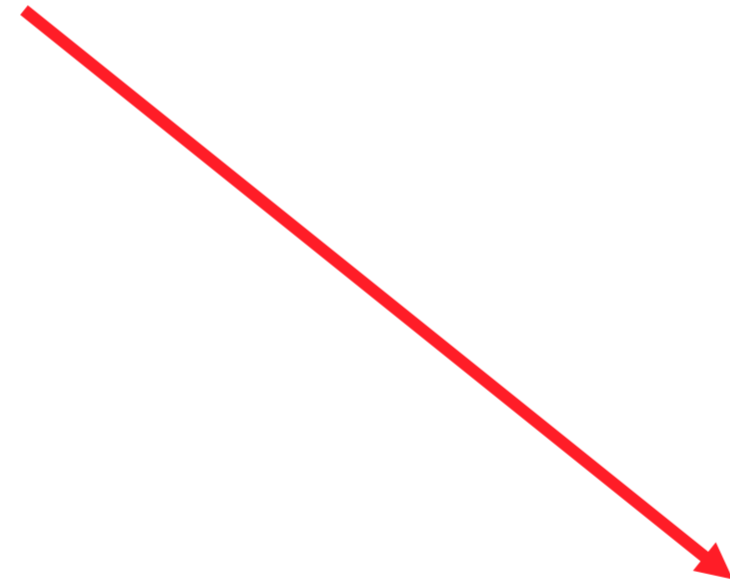


Befimmo

Expertise & assets

SILVER SQUARE

Expertise & community



VISION CONVERGENCE
SAME VALUES
ONE AMBITION

SILVER SQUARE
AT Befimmo





Befimmo

Chaussée de Wavre 1945, 1160 Brussels

For more information:

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Tel.: +32 (0)2 679 38 13

www.befimmo.be



The logo for HNK, featuring the letters 'HNK' in a large, white, sans-serif font above the text 'HET NIEUWE KANTOOR' in a smaller, white, sans-serif font, all contained within a black square.

HNK
HET NIEUWE KANTOOR

HNK – NSI's flex office concept

September 2018

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1. Introduction

2. Key figures

3. Growing HNK



Split % (sqm)		
Min	Avg	Max
27%	85%	96%
2%	10%	70%
1%	5%	16% ¹

Conventional⁺

Managed offices

Flex spots/ co work space

Club space: central reception, meeting rooms and café



Conventional⁺ floors



Managed offices



Flex work spots



Club HNK - Networking events



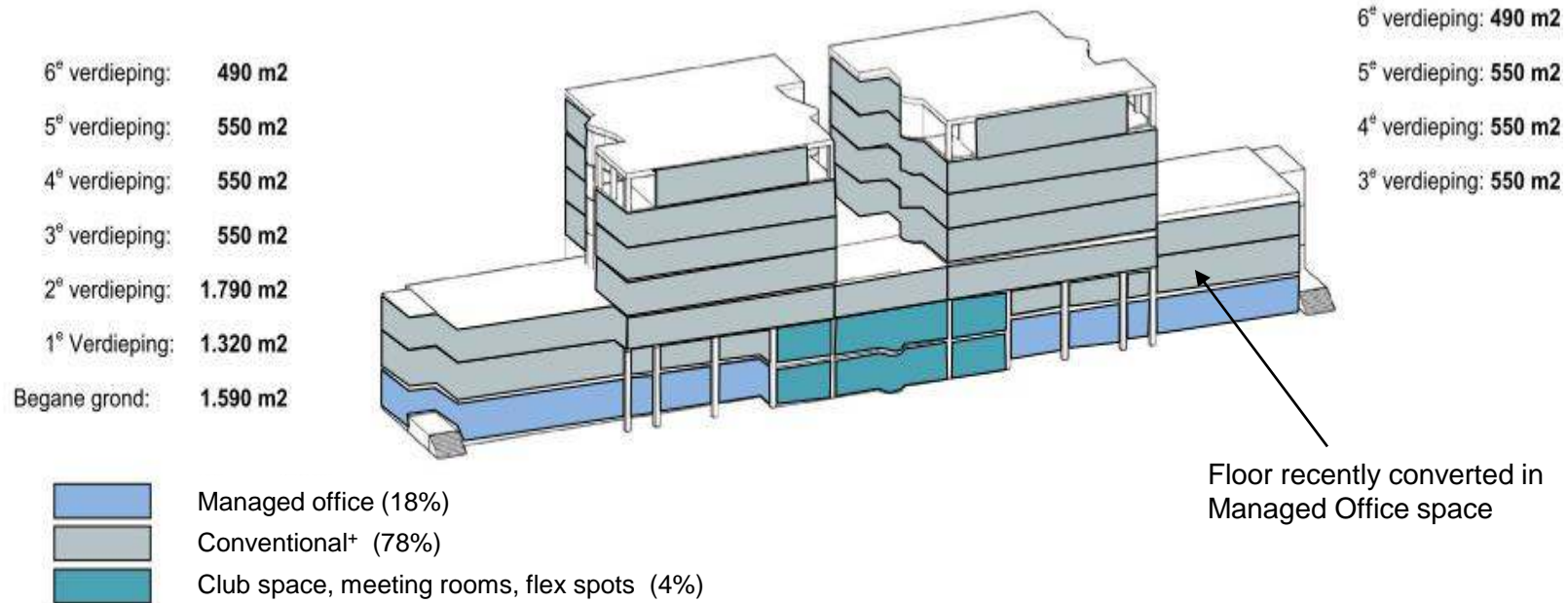
Meeting rooms



Cafés



Parking



Rent levels

Space	Rent (€ psm)
ERV Conventional	200
ERV Conventional*	235
ERV Managed Office	450

Different types of space

Conventional+



Managed office



Café



Meeting room



Flex work spots HNK Rotterdam Scheepsvaartkwartier



Club space HNK Ede



Flex work spots HNK The Hague



Club space HNK Utrecht West



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€202m

GAV

14

Assets

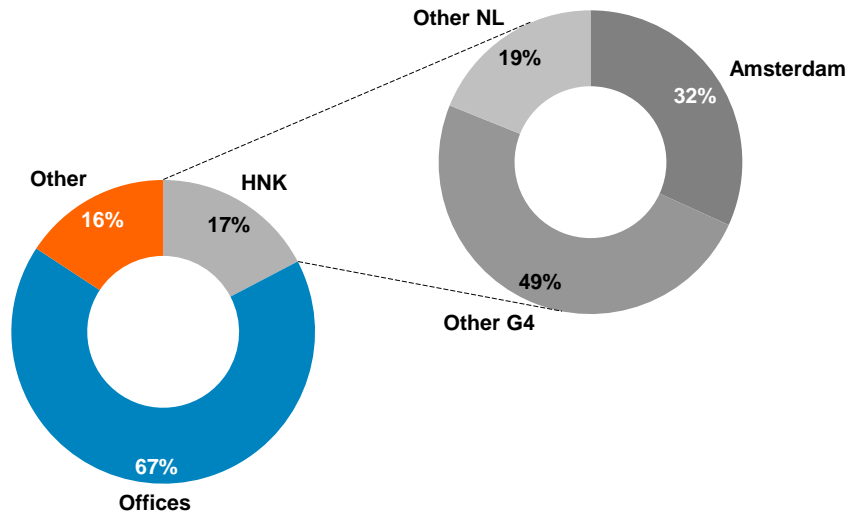
127k

Area (sqm)

3.1 yrs

WAULT

Sector split NSI Portfolio and subsector split HNK (%GAV)



1,588

Value psm

€15m

Contracted rent

€180

Average rent psm

71.8%

Occupancy

€22m

ERV

3.6%

EPRA NIY

EPRA Earnings H1 2018 actual (€ '000)

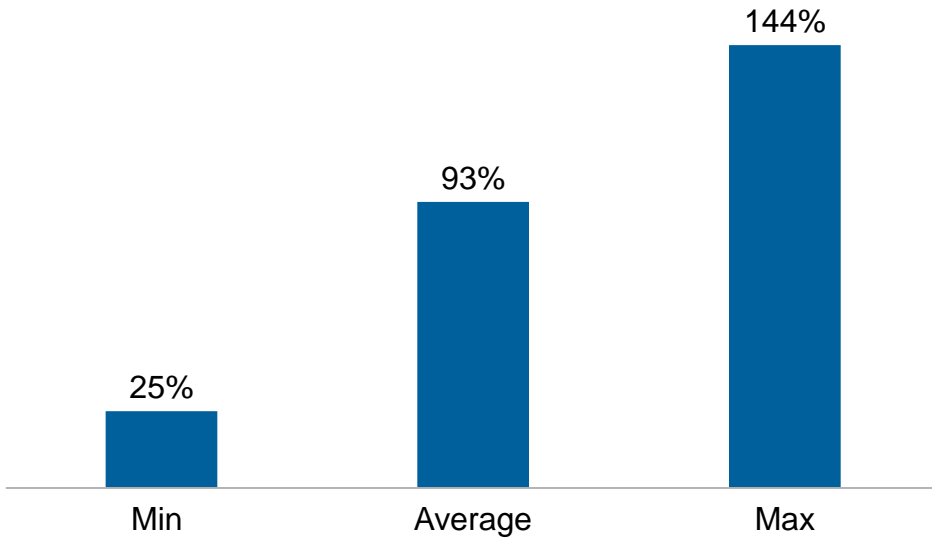
	TOTAL	Continuing operations		HNK
		Offices	Other	
Gross rental income	42,372	27,292	7,718	7,363
Service costs not recharged	-1,046	-440	-208	-398
Operating costs	-8,040	-3,536	-1,574	-2,931
Net rental income	33,286	23,316	5,936	4,035
Administrative costs	-4,023	0	-4,023	0
Earnings before interest and taxes	29,263	0	-4,023	0
Net financing result	-7,315	3	-7,319	1
Direct investment result before tax	21,948	23,319	-5,406	4,035
Corporate income tax	-51		-49	-2
EPRA earnings	21,897	23,319	-5,455	4,034

Split gross rental income HNK

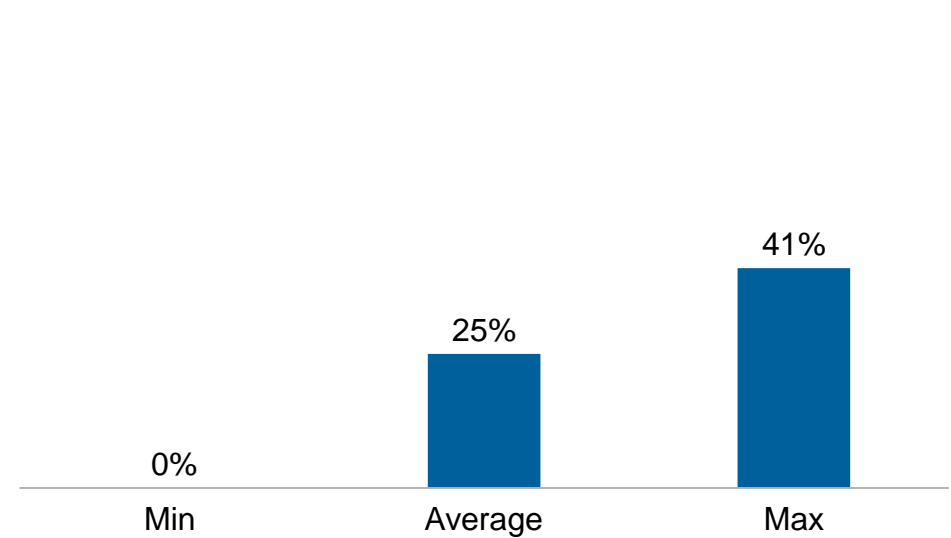
Lease type	Gross rental income (€m)	% of total GRI
Conventional ⁺	5.1	70%
Managed Offices	1.2	16%
Memberships	0.1	1%
Meeting rooms	0.4	5%
Other Income	0.4	5%
Retail (in plinth)	0.2	3%
Total	7.4	100%

HNK rent vs ERV comparison

Managed offices rent above ERV (%)



Conventional+ rent above ERV (%)



- The additional rental income should cover higher operational costs, depreciation of fit-out and a return on HNK conversion capex

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HNK three pillars of growth: From defensive to offensive

Internal growth



External growth



Increase turnover current locations

New openings from existing assets

New openings from acquisitions

GRI

- Increase occupancy and rents
- Transform conventional+ space in managed offices

- Transform existing NSI assets

- Find new assets for HNK

NRI

- Lower non-recoverable service charges as occupancy increases
- Lower Opex from cost control

- Grow platform and spread costs over more sqm

- Grow platform and spread costs over more sqm

Low capital intensive strategy

Moderate capital intensive strategy

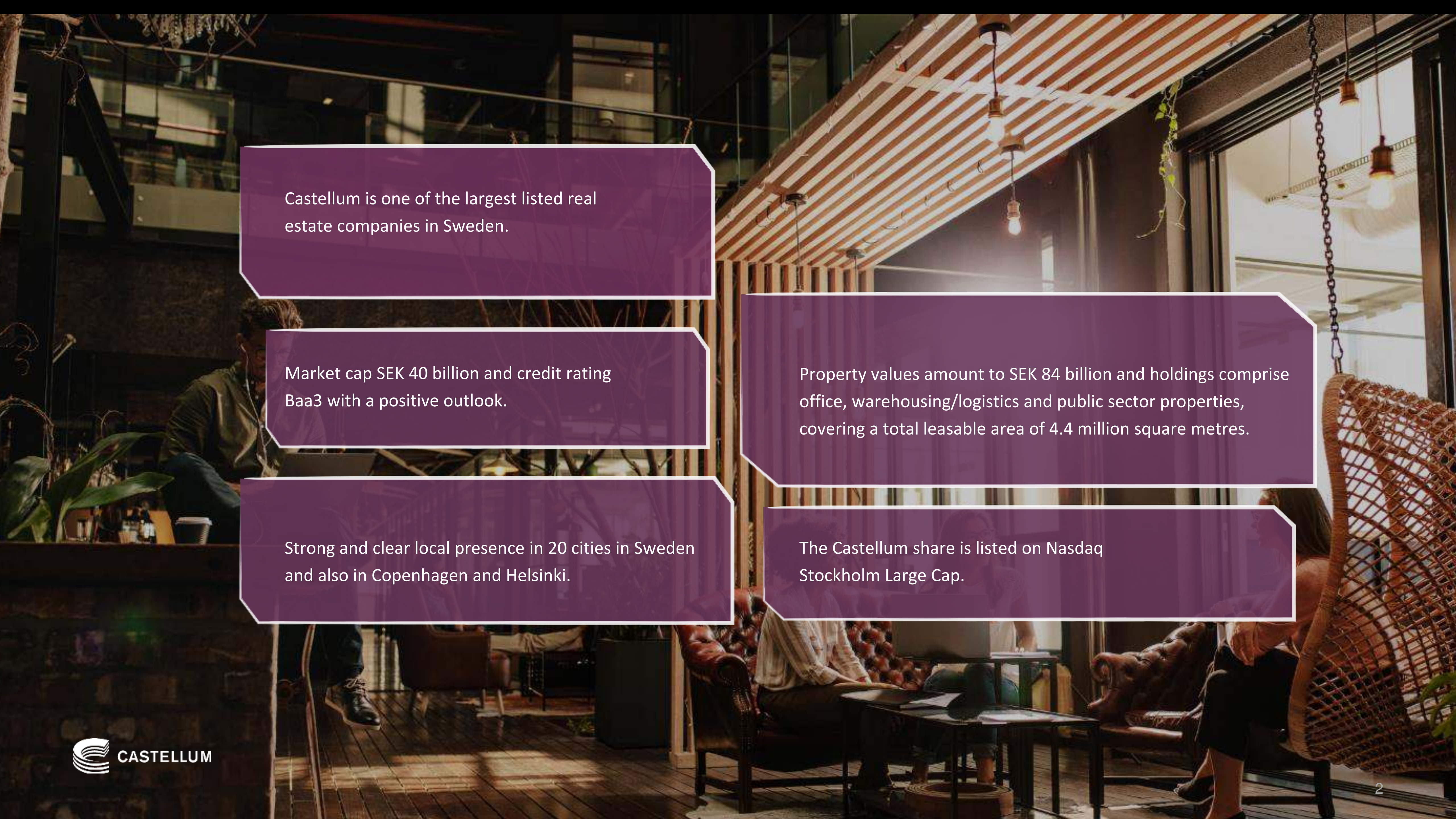
Capital intensive strategy



CASTELLUM

From square meters to people
Mattias Nyström, CDO

September 2018



Castellum is one of the largest listed real estate companies in Sweden.

Market cap SEK 40 billion and credit rating Baa3 with a positive outlook.

Strong and clear local presence in 20 cities in Sweden and also in Copenhagen and Helsinki.

Property values amount to SEK 84 billion and holdings comprise office, warehousing/logistics and public sector properties, covering a total leasable area of 4.4 million square metres.

The Castellum share is listed on Nasdaq Stockholm Large Cap.

TRANSFORMATION



From square meters to people



IN A NUTSHELL



The nordic opportunity



 coworking

Wikipedia-sök

[Artiklar](#) [Multimedia](#) [Allt](#) [Avancerad](#) [Kategorisökning](#)

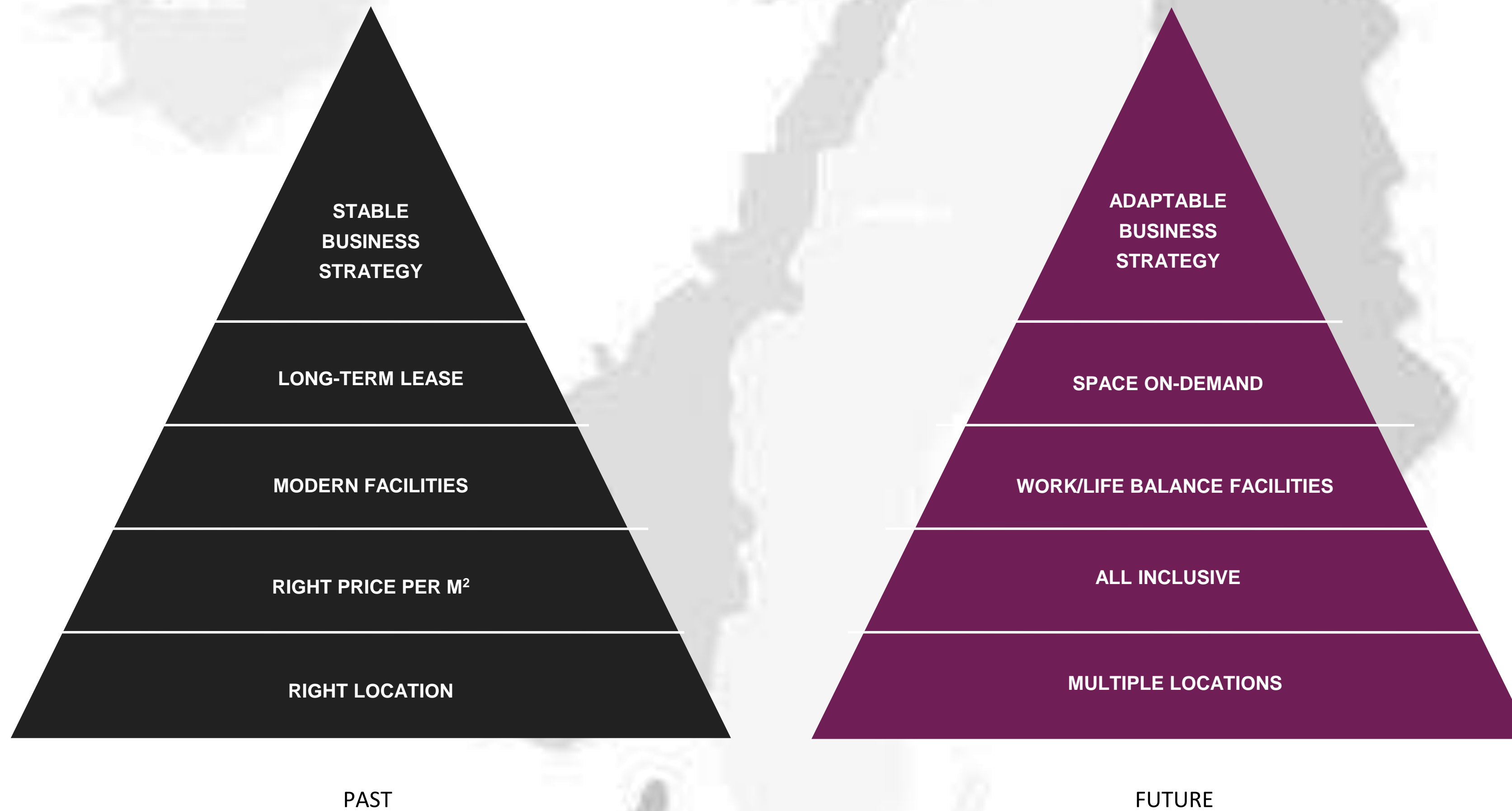
Menade du: **cooking**

Skapa sidan "**Coworking**" på svenskspråkiga Wikipedia!

1-2%

vs. 20-30% in London and the US

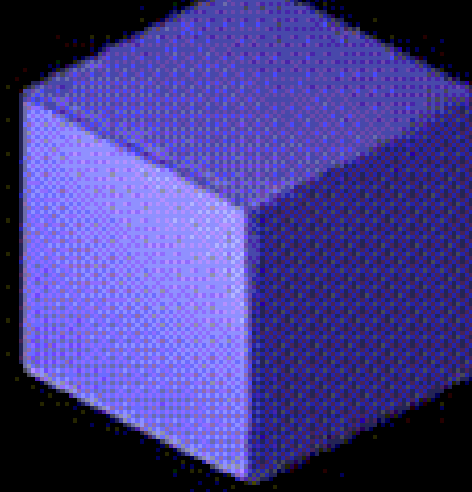
THE TENANT NEEDS ARE THE SAME IN
THE NORDICS AS IN THE REST OF EUROPE



The Castellum opportunity
(The unfair advantage)

We have:

Our own buildings with 6000 customers
250.000 people
Reach across the nordics



The concept

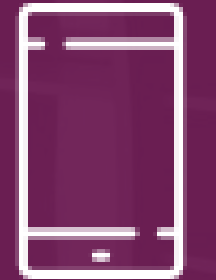
We are:

A platform for growth

PEOPLE
Our focus



TECHNOLOGY
Our proprietary technology & design



PLACES
Our primary asset and source of value



We sell:

Come grow with us

PROFESSIONAL GROWTH

- Inspiring community programs & curated events
- Members' collaboration tools
- Peoples mentors' program
- Tech, mobility and front desk support

How do you want to grow?

PERSONAL GROWTH

- Wellness and mindfulness programs
- Informal networking and unexpected encounters
- Personalized life services
- Cultural events

BUSINESS GROWTH

- Flexible workspaces and scalable facilities
- Attractive environment for recruitment
- All-inclusive productivity basics
- Access new talent networks
- Superior service levels

THE VALUE OF
ONE (1)
SQUARE METER

The shift: Leveraging value

THE VALUE OF
ONE (1)
SQUARE METER

INCREASED DENSITY

ADDED VALUE SERVICES

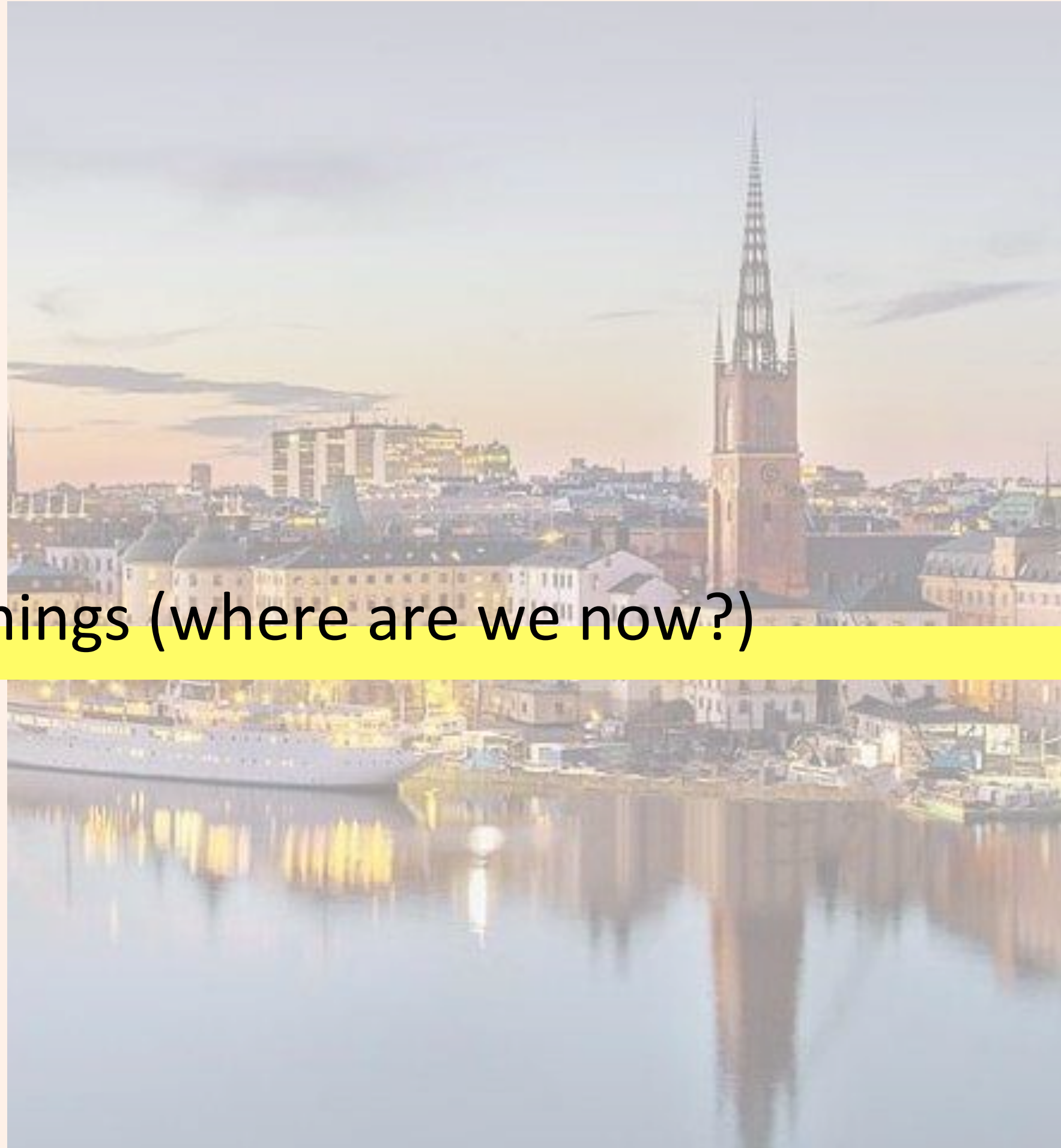
VALUE BEYOND COWORKING

A positive virus that will infect our entire portfolio and future of Castellum

Why we win

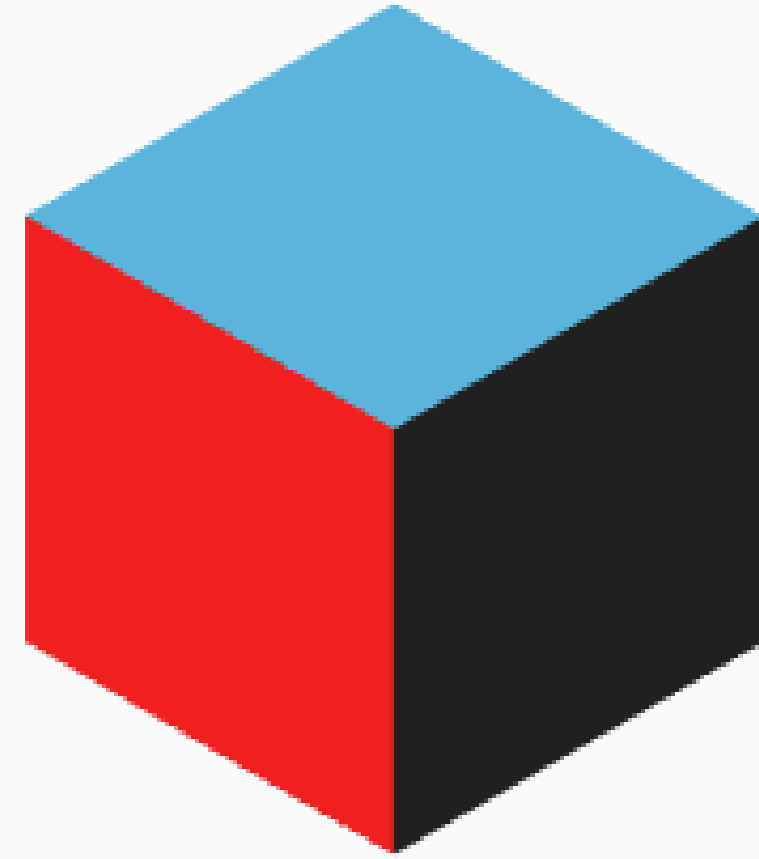
- Increased density = higher value per sqm
- People and collaboration first
- Understanding and delivering work/live balance for our members
- Understanding the local community - it is in our DNA
- Hit the ground running - 250.000 people in 20 growth cities
- Concept developed by and with the target audience for the target audience

Timings (where are we now?)



BETA PHASE





A platform for growth

Turning Castellum into a service company

IN SUMMARY, WE WILL

Start our own offering in a market with a huge demand

Increase the the density in our own buildings with higher earnings as a result.

Use our coworking offering as a spear head to develop our entire portfolio