

02/2017

OFFICE RECONVERSION

BY

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HEAD OF DEVELOPMENT

Cofinimmo
together in real estate

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* 1.1 ABOUT COFINIMMO

IN A NUTSHELL

Leading Belgian listed REIT exposed to **healthcare real estate** (45 %) and **offices** (38 %)



1st listed **healthcare property** investor, with pan-European combined presence in Belgium, France, the Netherlands and Germany



Office property investor only in Belgium



Total **portfolio** with a fair value of **3.4 billion EUR**



Average weighted **residual lease term** of the current leases: **10.2 years**



REIT status in Belgium (SIR/GVV), France (SIIC) and the Netherlands (FBI)



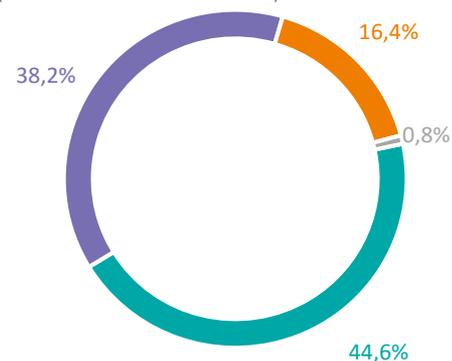
Internal real estate **management platform** > 130 employees



Total **market capitalisation:** **2.3 billion EUR**

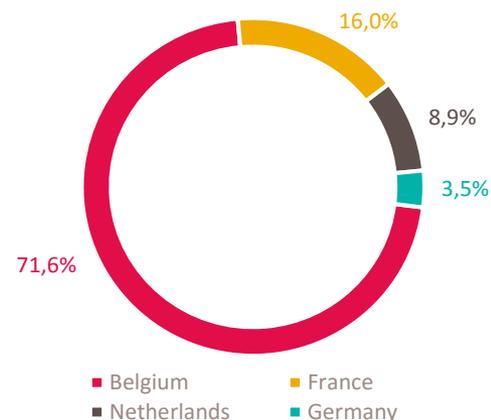


Portfolio breakdown by segment
(31.12.2016 - in fair value)



- Healthcare real estate
- Offices
- Property of distribution networks
- Others

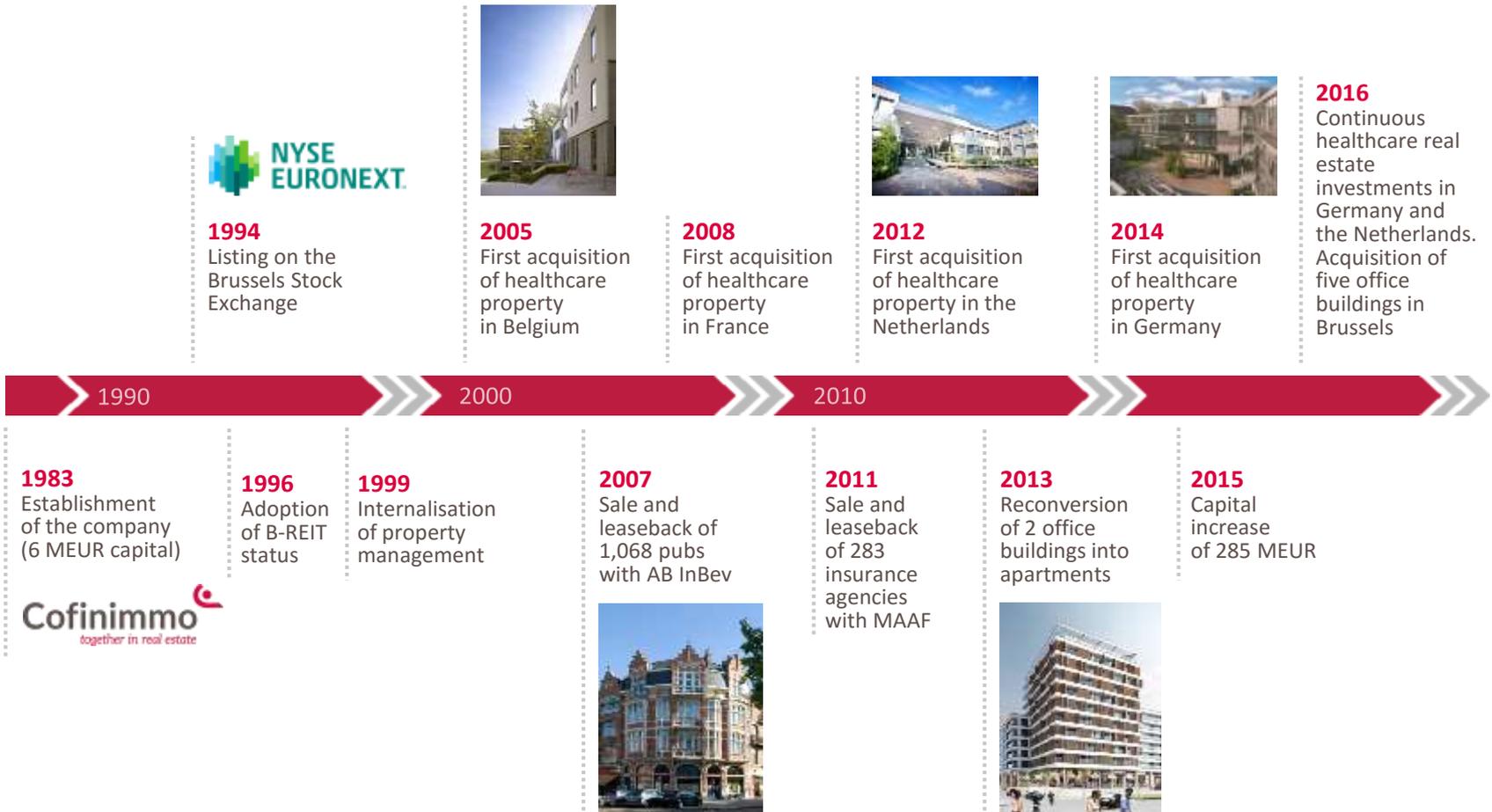
Portfolio breakdown by country
(31.12.2016 - in fair value)



- Belgium
- France
- Netherlands
- Germany

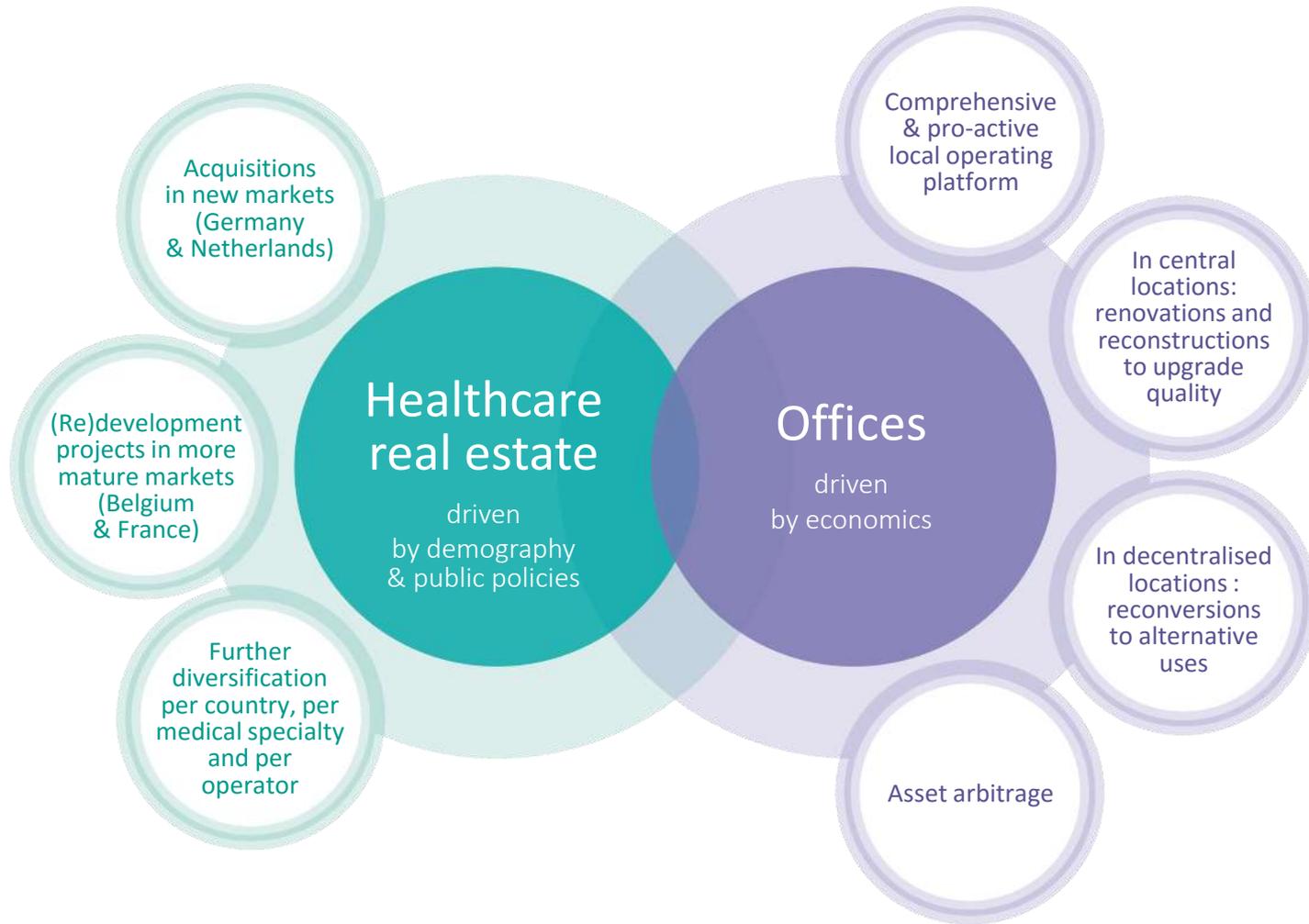
* 1.2 ABOUT COFINIMMO

TIMELINE



* 1.3 ABOUT COFINIMMO

TWO COMPLEMENTARY CORE SEGMENTS



* 2.1 CASE STUDY - WOLUWE 34

SITUATION IN 2011

Area

Area (above ground)	6.680 m ²
Area (underground)	3.230 m ²
Parking	128 units

History

Construction date: 1974
 Never undergone an important renovation
 Purchased by Cofinimmo in 1996

Tenancy Schedule

75% let with breaks in 2012
 4 tenants
 ERV 130€/m²

Floor	Area	Tenant	Next Break
0	990 m ²	Carlsson Wagonlit	31/12/2012
+1	900 m ²	ECS	14/03/2012
+2	900 m ²	Carlsson Wagonlit	31/12/2012
+3	900 m ²	Carlsson Wagonlit	31/12/2012
+4	900 m ²	Right Management	31/03/2012
+5	900 m ²	VACANT	-
+6	900 m ²	VACANT	-
+7	290 m ²	PostEurope	31/12/2012



* 2.2 CASE STUDY - WOLUWE 34

CONSIDERED OPTIONS

Office redevelopment

- Multi tenant
- Single tenant

Sale

Healthcare redevelopment

- Nursing home
- Redevelopment of existing structure
- Reconstruction

Residential redevelopment

- With partner
- Without partner
 - By demolishing & reconstructing
 - Within existing structure





OFFICES

* 2.3 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

STRENGTHS

- Flexible & functional building
- Good location
- Administrative zoning

CHALLENGES

- Important investments
- Risk on rent
- Risk on vacancy

2 possibilities

Single Tenant

Can we find a single tenant	Not likely, but possible
If so, what is his timing?	Not certain that demand will match our project calendar
What is he willing to pay?	Possibly enough to cover investments

Multi tenant

Can we let the entire building?	Possible – but probably no more than 80%
In what time span can this be done?	1 to 2 years because of limited demand
At what rent levels?	Not enough to cover investments

* 2.3 CASE STUDY - WOLUWE 34

Office

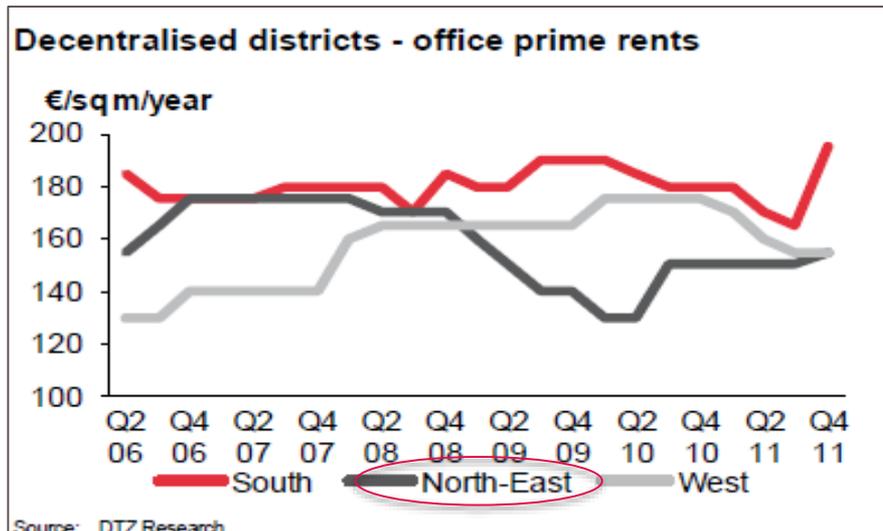
Sale

Healthcare

Residential

MARKET DYNAMICS (2011)

- Increasing uncertainty of the macro-economic climate
 - Euro-crisis/Greece,
 - GDP growth projections at 0.1% for 2012,
 - 541 days to form a federal government,
 - ...
- Risk on rents
 - Increasing pressure on rents/Increase of incentives



* 2.3 CASE STUDY - WOLUWE 34

Office

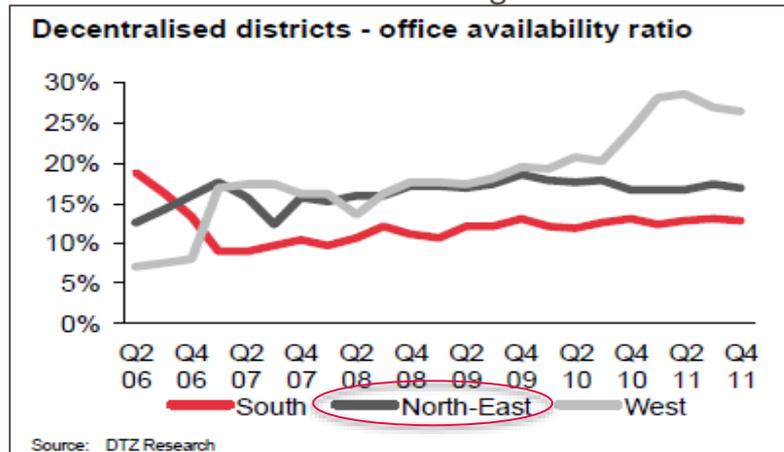
Sale

Healthcare

Residential

MARKET DYNAMICS (2011)

- Vacancy
 - Remaining high in decentralized districts
 - Refurbishment does not guarantee a successful commercialization => Commercial risk



- Technical : Increase of costs to modernize old vacated office buildings
- New legislation (COBRACE,...)
- Environmental (BREEAM,...)
- NWOW
- Relocation of some offices to CBD

* 2.3 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

FINANCIAL ANALYSIS

	Area	Cost	Budget
Refurbishment	6.680 m ²	1.550 €/m ²	10.354.000 €
VAT		21%	2.174.340 €
TOTAL OUT			12.528.340 €

	Areas	Rent	Yield	Income
Offices	6.680 m ²	160 €/m ²	6,50%	16.443.077 €
Parkings	128 units	1.250 €/pkg	6,50%	2.461.538 €
TOTAL IN				18.904.615 €

TOTAL IN-OUT 6.376.275 €

955 €/m²

CONCLUSION

- Heavy investment in comparison with potential rental levels for new buildings
- High vacancy risk

* 2.3 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

CURRENT BRUSSELS MARKET DYNAMICS

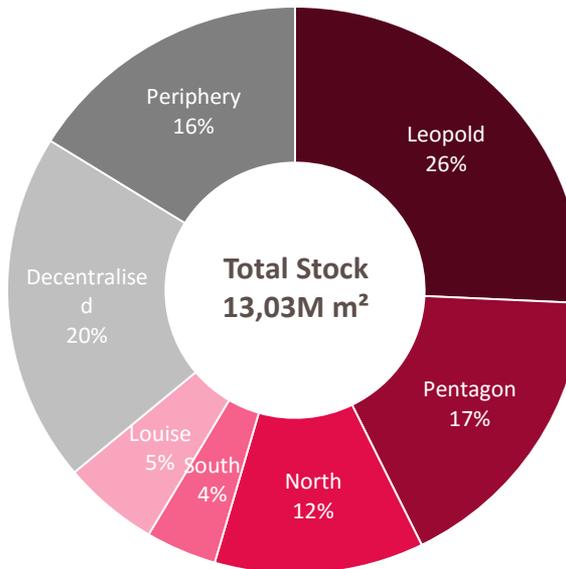
Vacancy (2016)

Grade A: +/- 60.000 m²

Grade B: +/- 500.000 m²

Grade C: +/- 600.000 m²

Brussels Office Stock Distribution



Office development (2017-2018)

+/- 120.000 m²
(excluding pre-let development)



*Limited grade A office areas available
Limited speculative development projects and almost exclusively in the CBD*

* 2.3 CASE STUDY - WOLUWE 34

Office

Sale

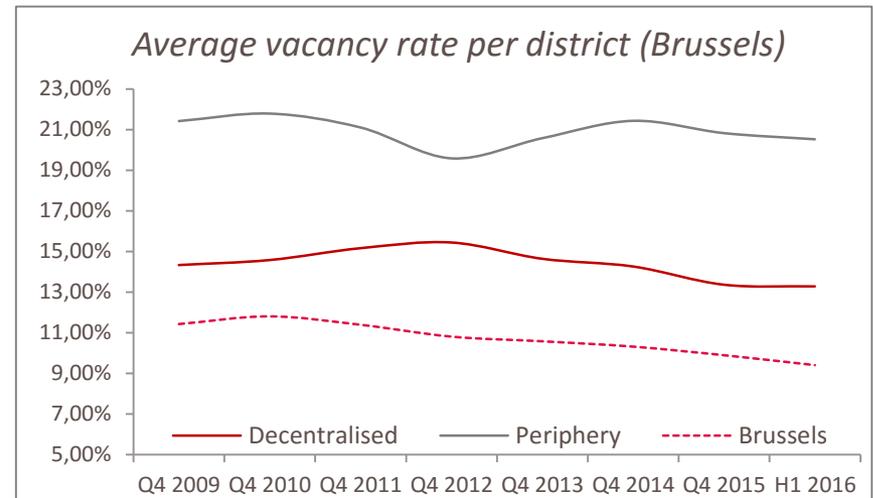
Healthcare

Residential

CURRENT BRUSSELS MARKET DYNAMICS

Office Market

- Corporate rationalizing
 - NWOW
 - Cost savings
 - Restructuration processes
- Economic and political uncertainty
- Accessibility, Traffic jam
- But decrease of yields



*Vacancy remaining high in decentralized districts (> CBD)
Increase the pressure on rents
Rental level in decentralized district does not allow new speculative office projects (> CBD)*

* 2.3 CASE STUDY - WOLUWE 34

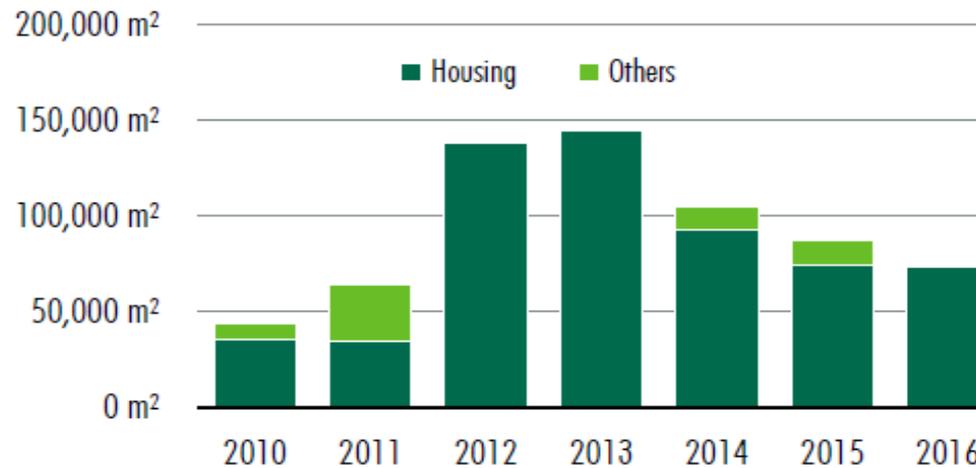
Office

Sale

Healthcare

Residential

Figure 5: Conversion (2010 - 2016)



Approximately 850.000m² of offices have been reconverted since 2008

Reconversion into residential for most of these 850.000 m²



* 2.4 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

STRENGTHS

- No commercial risk
- No construction risk
- Secure & direct income

CHALLENGES

- No added value
- Sale price depends on market appetite

CONCLUSION

- The sale price was estimated between 900€ and 1.100€/m² (Between 6,0M€ and 7,3M€)
- *Pricing obtained was below fair value*
 - Promotion margin
 - Market dynamics
 - Zoning

HEALTHCARE



* 2.5 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

STRENGTHS

- Long term lease
- Flexible building
- Existing know-how
- Fully let to one tenant

CHALLENGES

- Important investment
- High competition in the area
- Limited number of operators

CONCLUSION

- *Not easy to find an operator that has received agreements to create new beds in the area*
- *Timing is not in line with our project calendar*
- *Rental level probably (just) enough to cover investments*

RESIDENTIAL



* 2.6 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

STRENGTHS

- High sale price level in the area
- High demand => Low commercial risk
- Security on permitted volumes
- Excellent location/accessibility
- Better serve the community
- Quick return

CHALLENGES

- Ratio Gross/Net
- Feasibility ?
- Zoning Plan
- First full scope residential project for Cofinimmo

* 2.6 CASE STUDY - WOLUWE 34

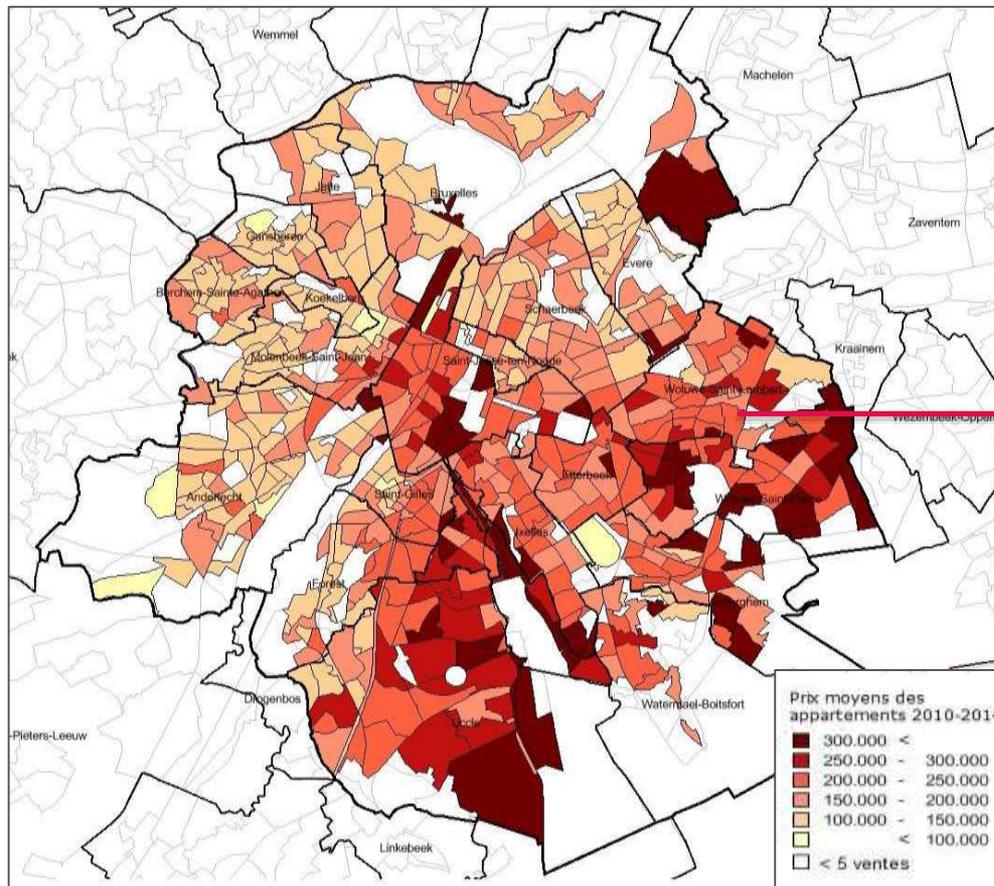
Office

Sale

Healthcare

Residential

AVERAGE SALE PRICE (APARTMENTS), 2010-2014



High sale price in the area

* 2.6 CASE STUDY - WOLUWE 34

Office

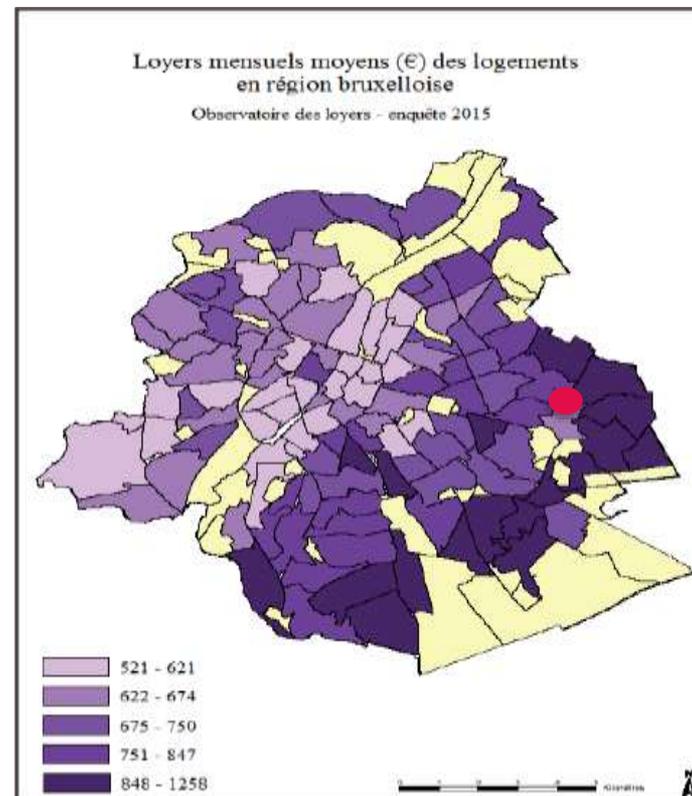
Sale

Healthcare

Residential

AVERAGE RENT (APARTMENTS)

Commune	Loyer moyen	
	€	Ind. Rég. = 100
Anderlecht	627	88
Auderghem	758	107
Berchem Sainte-Agathe	665	94
Bruxelles-Ville	677	95
Etterbeek	752	106
Evere	736	104
Forest	677	95
Ganshoren	708	100
Ixelles	736	104
Jette	647	91
Koekelberg	688	97
Molenbeek Saint-Jean	624	88
Saint-Gilles	684	96
Saint-Josse-ten-Noode	550	78
Schaerbeek	665	94
Uccle	881	124
Watermael-Boitsfort	957	135
Woluwé Saint-Lambert	808	114
Woluwé Saint-Pierre	824	116
Région bruxelloise	709	100



Average rent in WSL is one of the highest in Brussels at 808€/month
14% higher than the Brussels average

* 2.6 CASE STUDY - WOLUWE 34

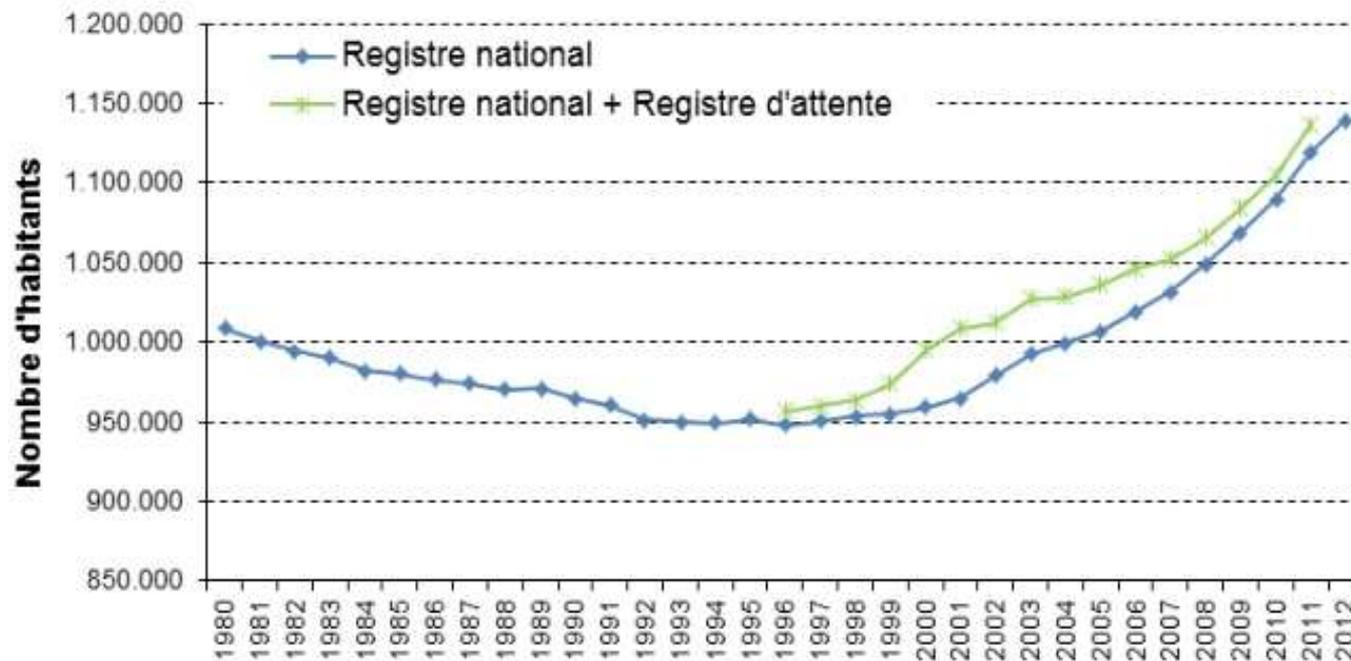
Office

Sale

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Residential

BRUSSELS POPULATION



+190.000 inhabitants between 2000 and 2012

* 2.6 CASE STUDY - WOLUWE 34

Office

Sale

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Residential

DEMOGRAPHY

UNEMPLOYMENT

	Woluwe-Saint-Lambert			Région bruxelloise		
	Hommes	Femmes	Total	Hommes	Femmes	Total
Taux de chômage	9,5	11,7	10,6	17,8	20,5	19,0
Taux de chômage des moins de 25 ans	23,8	19,5	21,6	29,8	33,7	31,7

=> The unemployment rate is nearly 50% of the Brussels average

INCOMES

	Revenu moyen par habitant (2006)	Revenu moyen par déclaration (2006)	Revenu médian par déclaration (2006)
Woluwe-Saint-Lambert	14 617 €	27 512 €	19 144 €
Région bruxelloise	11 988 €	22 516 €	15 932 €

=> Higher income than the Brussels average

* 2.6 CASE STUDY - WOLUWE 34

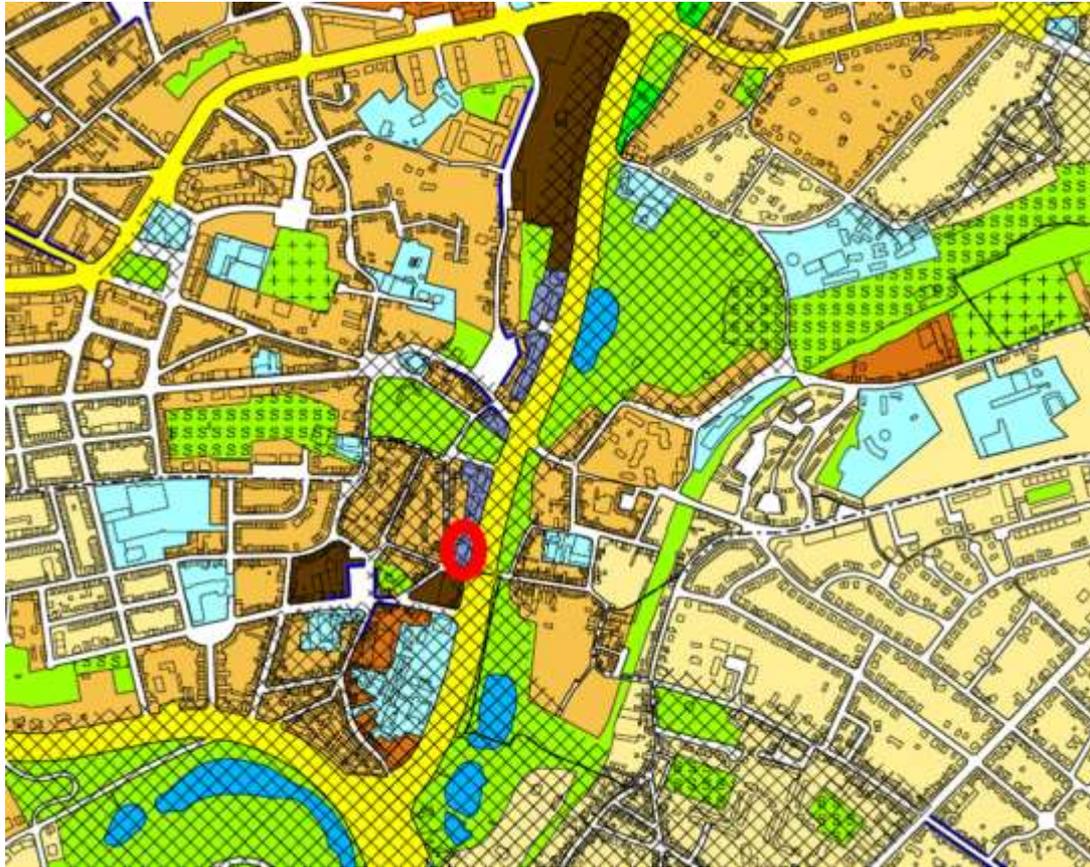
Office

Sale

Healthcare

Residential

TOWN PLANNING



- Administrative areas
- Residential areas
- Typical residential areas
- Mixed areas
- Strongly mixed areas

Timing Permit

First check with local authorities submitted in June 2012 and received in June 2013

Considerations

Neighbours
IBGE/BIM (Parking, Natura 2000,...)

* 2.6 CASE STUDY - WOLUWE 34

Office

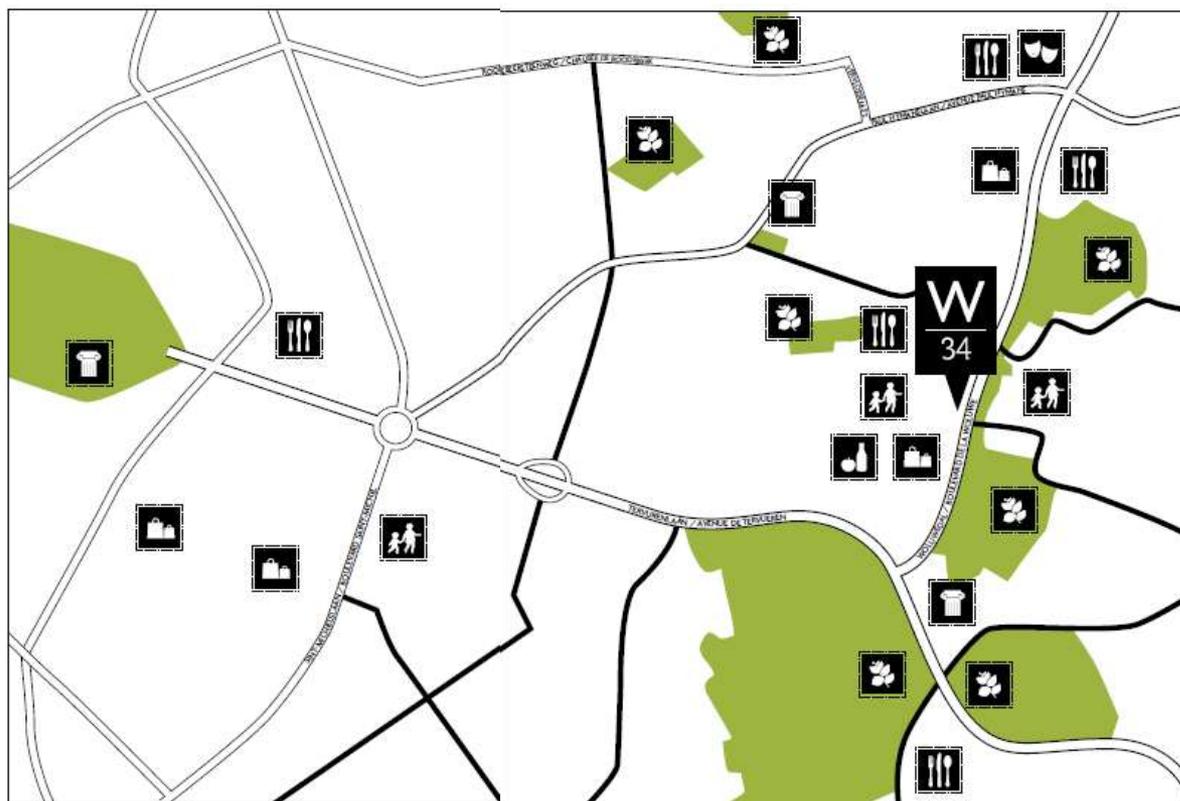
Sale

Healthcare

Residential

LOCATION/SURROUNDING

WOLUWE-
SAINT-
LAMBERT



* 2.6 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

FINANCIAL ANALYSIS

	Area	Cost	Cost
Residential	6.680 m ²	1.900 €/m ²	12.692.000 €
VAT		0%	0 €
TOTAL OUT			12.692.000 €

	Gross/Net	Areas	Price/unit	Income
Residential	85%	5.678 m ²	3.300 €/m ²	18.737.400 €
Terraces		1.000 m ²	1.650 €/m ²	1.650.000 €
Parkings		101 units	20.000 €/pkg	2.020.000 €
TOTAL IN				22.407.400 €

TOTAL IN-OUT 9.715.400 €

CONCLUSION: Higher income than other scenario

* 2.6 CASE STUDY - WOLUWE 34

Office

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Residential

OTHER ASPECTS

- Technical limitations
 - Free-height,
 - Depth,
 - Daylight,
 - Asbestos
 - ...
- Gross / net ratio
- Competitive projects
- Orientation property / garden
-

* 2.6 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

THE PROJECT

Reconversion into 69 apartments
100 % of units sold upon delivery

Total area	6.900 m ²
Residential area	5.329 m ²
Timing of works	Q3 2013 – Q2 2015
Budget of works	12,5 million EUR
Sales price	3.300 EUR/m ²

TEAM

Architect

Assar



* 2.6 CASE STUDY - WOLUWE 34

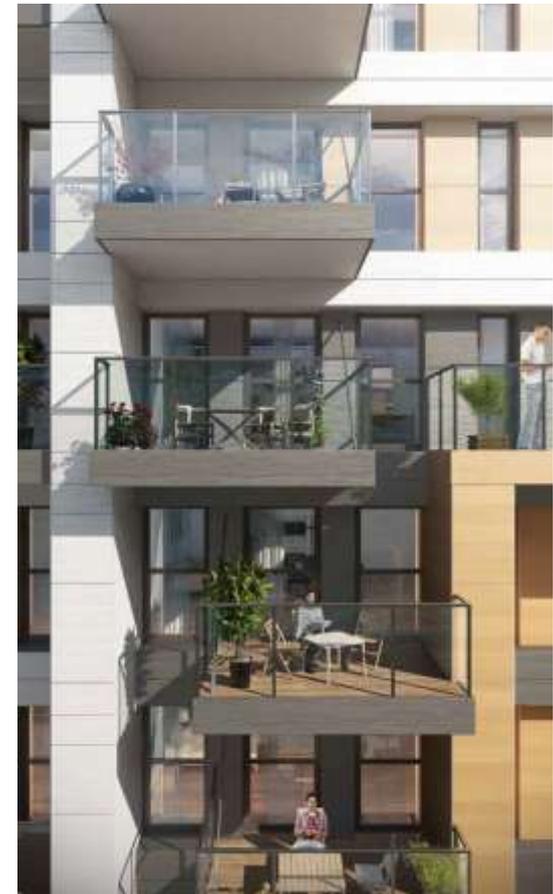
Office

Sale

Healthcare

Residential

THE PROJECT



* 2.6 CASE STUDY - WOLUWE 34

Office

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Healthcare

Residential

CURRENT BRUSSELS MARKET DYNAMICS

Population growth

- +150.000 inhabitants in Brussels (between 2015 and 2030).

Increasing residential prices

- Average selling price of an apartment in Brussels has been multiplied by 2,6 the last 15 years.

Lack of residential in Brussels

- Commercial risk is very low for residential projects
- Instead of having a vacant building, reconversion will serve the community

Sale process

- Starts before the actual construction ;
- But subject to the Breyne regulation.

Building permit

- Often less difficult to obtain the permits if we maintain the existing volumes

Scarcity of land

- Opportunity to develop in districts where land are scarce

=> The redevelopment of an office building in apartments is often a better and safer exit strategy, especially in decentralized districts

* 2.6 CASE STUDY - WOLUWE 34

Office

Sale

Healthcare

Residential

CURRENT BRUSSELS MARKET DYNAMICS



OFFICE

RECONVERSION INTO RESIDENTIAL

<p>W38 Indonesia 1.500m²</p>	<p>W42 BRRC 1.500m²</p>	<p>W46 FEBIAC HQ 6.700m²</p>	<p>Woluwe 58 Cofinimmo HQ 3.800m²</p>	<p>Woluwe 62 Multi-tenant 3.400m²</p>	<p>Woluwe 34 6.680m² Reconverted by a Cofinimmo in 2014</p>	<p>Woluwe 56 3.000m² Purchased by a private investor in 2014</p>	<p>Woluwe 60 5.000m² Purchased by Eaglestone in 2015</p>	<p>Woluwe 64 2.300m² Purchased by a Private in 2012</p>	<p>+ Chien vert China Emba. Woluwe 106</p>
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=> 50% of the areas (+/- 17.000m²) reconverted into residential and only one multi-tenant building remaining.

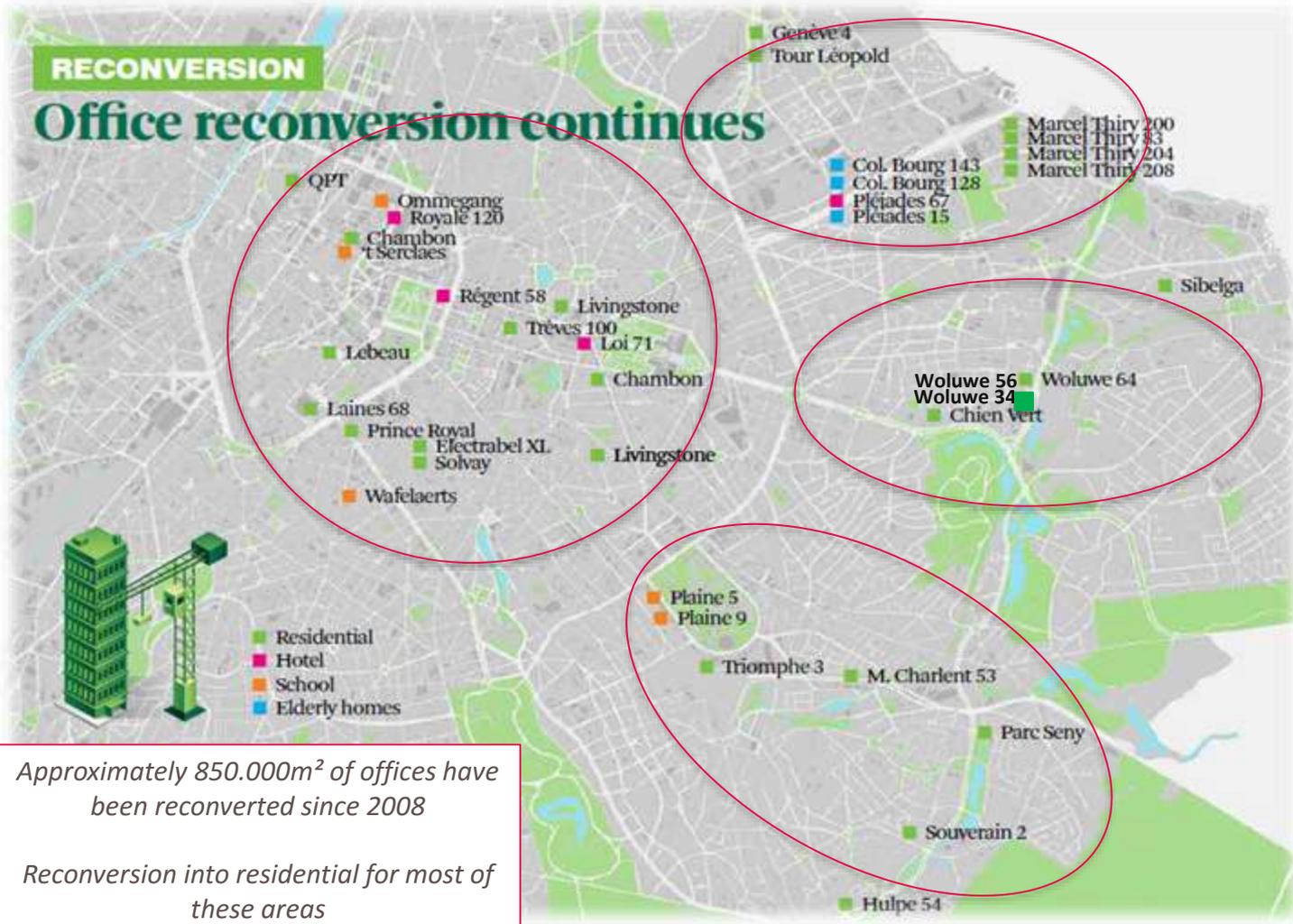
* 2.6 CASE STUDY - WOLUWE 34

Office

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Healthcare

Residential



Approximately 850.000m² of offices have been reconverted since 2008

Reconversion into residential for most of these areas

Sources: CBRE

* 2.6 CASE STUDY - WOLUWE 34

Office

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Residential

CURRENT BRUSSELS MARKET DYNAMICS

However...

Feasibility

- A typical office building differs from a typical residential building and these differences are sometimes hard to overcome => Need to fully demolish the building in that case.
- *Example:* Building proportions, Depth, Free height, Orientation, Façade, Interior daylight,...

Costs & risks

- Maintaining the existing structure does not necessarily mean lower costs;
- Maintaining the existing structure could add risk to the project (flexibility, technical, state of the structure, ...)

Gross/Net

- For residential projects costs apply to the gross areas whereas only the net areas are sold >< Offices.

Zoning Plan

- Changing the land use has to be allowed/possible.

Other factors

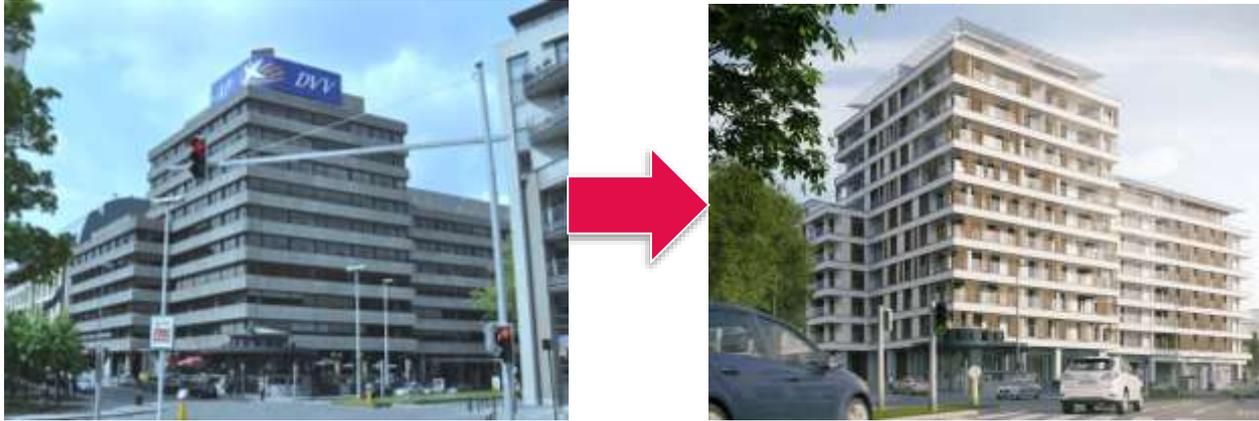
- Other factors have to be taken into consideration such as the neighborhood, the accessibility, the visibility, and parking space.

=> The reconversion of an office building is not always possible

* 3.1 OTHER RECONVERSION PROJECT

By Cofinimmo

LIVINGSTONE I
Brussels Leopold



Reconversion into Residential

Reconversion of an office building into
122 apartments and 7 retail units

Area (Gross)	17.000 m ²
No. of units	122
Timing of works	Q1 2013 – Q2 2015
Sale price	3.500€/m ²

* 3.2 OTHER RECONVERSION PROJECT

By Cofinimmo

WOLUWE 106-108
Brussels Decentralised



Reconversion into nursing home

**Signature of 27-year lease with
healthcare operator Vivalto**

Area	7.000 m ²
No. of beds	151
Timing of works	3Q2016 – 3Q2017
Budget of works	13 million EUR
Yield on cost	5.9 %

* DISCLAIMER

This presentation is directed to financial analysts and institutional investors and is not to be considered as an incentive to invest or as an offer to acquire Cofinimmo shares.

The information herein is extracted from Cofinimmo annual and half-yearly reports and press releases but does not reproduce the whole content of these documents. Only the French annual and half-yearly reports and press releases form legal evidence.

Please consult our press release dd. 10.11.2016 for an identification of the Alternative Performances Measures (as defined in the ESMA guidelines) used by Cofinimmo.

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