

SONAE SIERRA

Ores
Socimi

CASE STUDY

ORES Socimi –
An attractive long income
real estate investment
vehicle

Publication date 2019



CASE STUDY | EXECUTIVE SUMMARY

ORES SOCIMI – AN ATTRACTIVE LONG INCOME REAL ESTATE INVESTMENT VEHICLE

SOLUTION

- Sonae Sierra carefully put together a strong portfolio of real estate assets on which an attractive investment vehicle with competitive returns has been built
- Sonae Sierra analysed over 700 potential investment opportunities through its robust due diligence and investment process and invested in c.5% of analysed assets that best fit the Fund's strategy.
- The portfolio maintains an occupancy rate above to 99%, an unexpired lease term (WAULT) close to 30 years, and a lease break term (WAULB) close to 11 years, all of which is a reflection of the quality and long-term stability of the portfolio.

KEY FIGURES

(as of June 2019).

 37
properties

 >5%
target cash on
cash yield

 11 years
WAULB

 €381 million
assets under
management

 €178 million
total debt

HIGHLIGHTS

- Sonae Sierra and Bankinter created ORES Socimi in December 2016 and raised €196.6 million of equity capital. In February 2017, ORES Socimi was successfully listed on the Mercado Alternativo Bursátil (Alternative Stock Market) in Spain.
- ORES Socimi provides investors with direct access to a professionally managed, yield-oriented real estate investment vehicle built on a diversified portfolio of high quality assets.
- The strategy of ORES Socimi is focused on acquiring and managing retail real estate assets in strong locations across the Iberian Peninsula, with first class tenants and long-term contracts.
- Sonae Sierra acts as an anchor investor and provides a full scope of investment management services to the vehicle.

INTRODUCTION

ORES Socimi is a real estate investment vehicle created in December 2016 by Sonae Sierra and Bankinter. The aim of ORES Socimi is to generate value for its clients through the acquisition and long-term management of retail assets in Spain and Portugal. Sonae Sierra acts as comprehensive, fund and asset manager of the vehicle.

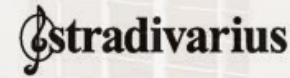
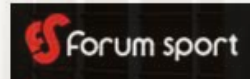
ORES Socimi raised €196.6 million of equity capital and in February 2017 was listed on the Mercado Alternativo Bursátil (Alternative Stock Market) in Spain. Sonae Sierra and Bankinter are anchor investors of Ores Socimi, together with two insurance companies. The majority of equity was raised from Private Banking and family office investors.

Close to all of the assets in the portfolio maintain full occupancy rates (almost 100%), a weighted average unexpired contract lease term (WAULT) of close to 30 years and a contract lease break term (WAULB) close to 11 years, are key characteristics of the assets that contribute to the quality and long-term stability of the investment portfolio. By June 2019, the Fund is substantially fully invested having made 37 investments with a combined total value of €381 million.

The success of ORES Socimi and its positive outlook owes much to the strong partnership forged between Sonae Sierra's Investment Management team and Bankinter, which leverage the combined experience and market know-how of a financial institution and a real estate specialist to devise and implement an attractive real estate investment strategy.



MAIN TENANTS



THE INVESTORS

The objective of Ores Socimi was to create an attractive investment product for private banking investors, based on a strong and diversified portfolio of retail real estate assets.

One of the fundamental pillars of the portfolio strategy of ORES Socimi is a significant degree of diversification which was achieved by investing asset by asset, across both Spain and Portugal and gaining exposure to a broad range of operators, sectors and asset formats.

ORES Socimi offers Investors an attractive yield-oriented investment proposition, especially in a low interest rate environment. In many cases, Investors were looking for alternative investment products and ORES Socimi represents an attractive addition to their broader investment portfolios, offering considerable current cash yield and potential for value appreciation.

ORES Socimi has been structured as a Spanish REIT (Socimi) providing investors access to a tax efficient regime as well as being subject to regulatory oversight, continuous reporting requirements and transparency from being a company listed on the alternative stock exchange in Madrid.



THE MANAGERS

Sonae Sierra is an international property company dedicated to deliver investment management and other real estate services covering the full property lifecycle.

Sonae Sierra's 25-year track record of developing and managing retail real estate across many markets in Europe and Latam provides it with market leading expertise and capabilities to lead ORES Socimi. Additionally, leading international institutional real estate investors have been investing with Sonae Sierra in assets managed by the company for more than 15 years.

Bankinter is one of the most successful Spanish commercial banks with a premium positioning and a strong private banking franchise, supported by €67 billion of total assets. Bankinter is known for bringing innovative and attractive investment products to their private banking clients.

INVESTMENT PROCESS

Sonae Sierra began constructing a pipeline of investment opportunities prior to the launch of the investment vehicle, and with perseverance and effective collaboration from both partners, **ORES Socimi successfully invested more than 80% of total capital deployed in less than 18 months.**

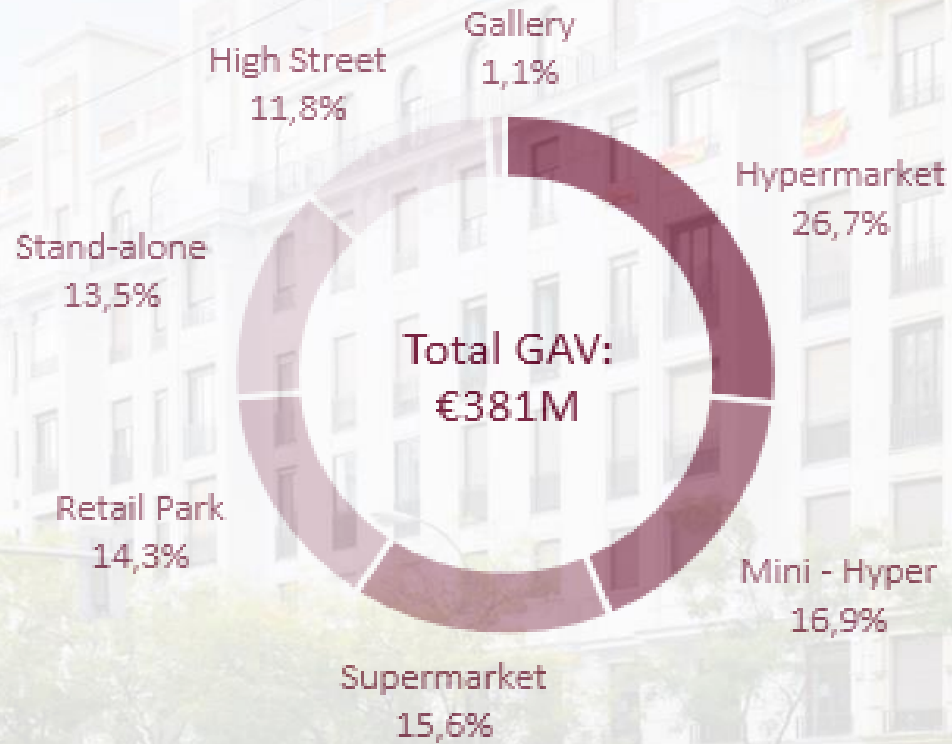
The strength of the partnership was paramount to the success: Sonae Sierra and Bankinter were able to leverage the networks and market intelligence of both organisations to identify over 700 potential assets of different type, size and location across Spain and Portugal. Through a robust due diligence process, all investment opportunities were analysed and a very limited number of assets that best fit the company's strategy obtained investment committee approval and were selected and included in the final investment portfolio.

ORES Socimi has targeted acquisitions in strong locations (predominantly urban areas), focusing on five asset types (high street retail; supermarkets; hypermarkets; retail parks and stand-alone units) with a diversity of operators of high quality and market leading position in their respect market segment.

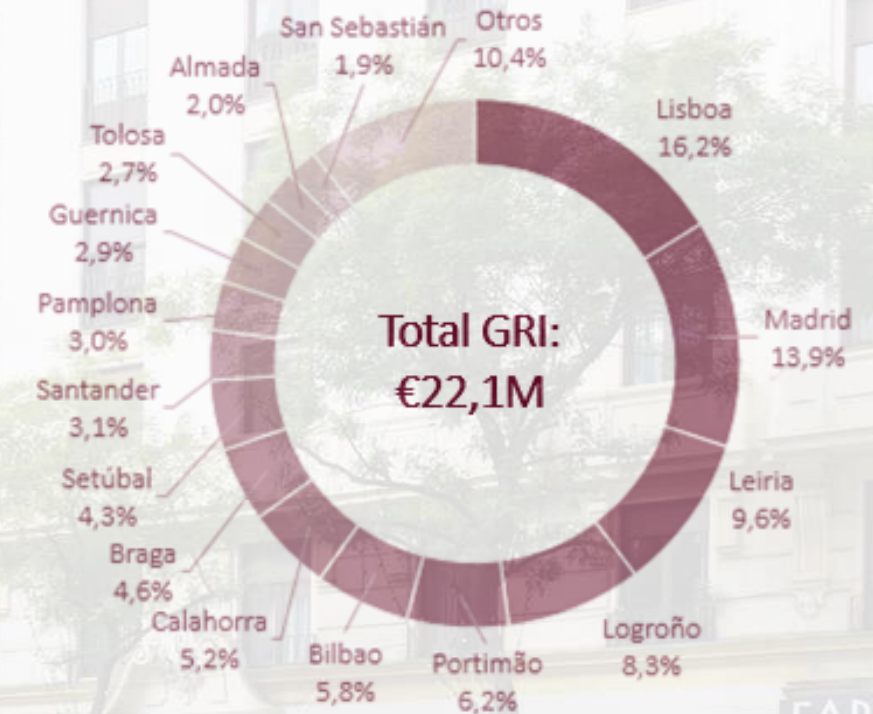
Sonae Sierra has an active portfolio management approach that contemplates specific asset management initiatives and selective rotation of portfolio assets in order to further drive value creation for ORES Socimi.

To complement the equity capital raised, ORES Socimi arranged €178 million of debt financing from leading international banks in several tranches. The debt financing represents an integral part of the overall structure of the investment proposition of ORES Socimi.

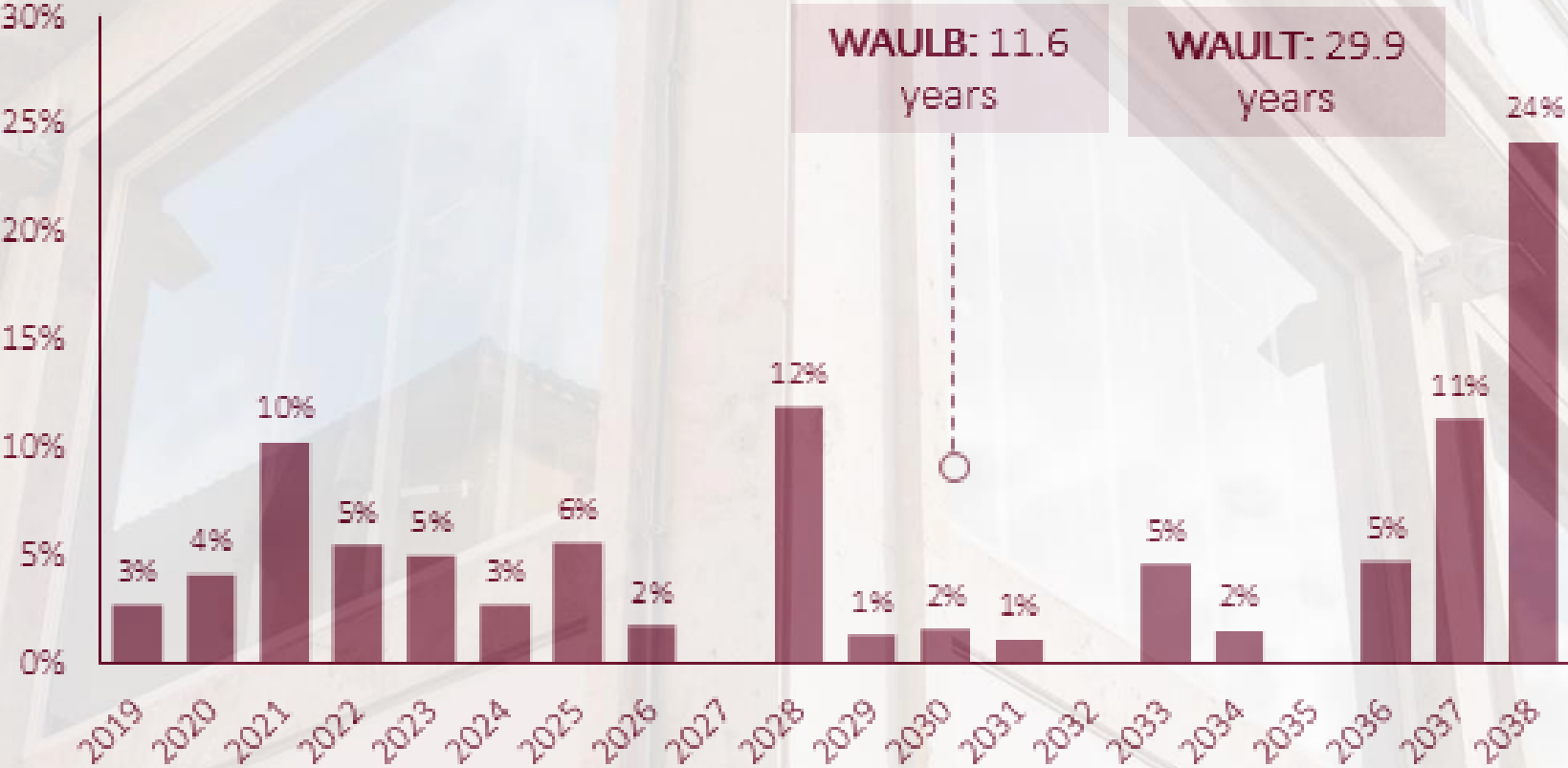
GROSS VALUE OF ASSETS (GVA) BY ASSET TYPE



GROSS RENTAL INCOME (GRI) BY CITY



LEASE BREAK/LEASE TERM



CLOSURE

ORES Socimi has been able to maintain the established levels of product quality and diversification while remaining active in the market reaching the level of investment established in the Business Plan.

The investments made comply with the criteria of risk diversification by operator and asset type and meet profitability objectives. These characteristics, combined with a positive macroeconomic outlook, give Sonae Sierra confidence in the long-term stability of the portfolio of ORES Socimi and its ability to offer attractive returns to Investors over the medium term.

All in all, the success of the **ORES Socimi does not only provide testament to the partners' proven retail investment and asset management expertise, but also it demonstrates that significant opportunities can be unlocked** through the formation of complementary partnerships supported by skilled and dedicated teams.

