

RE ACQUISITION CRITERIA Q1 2018

FOR PROFESSIONAL INTERMEDIARIES ONLY

The emphasis of our current real estate (RE) acquisition program is to acquire Central European (CE) office and mixed-use (office + retail) properties which are stabilised and “core” or which are mid-risk or “core-plus” in their return profile that present measurable value-add potential via active asset management.

As we act on both a non-discretionary and semi-discretionary basis together with our private and institutional partners, we have a flexible and broad set of investment criteria. However, for general guidance, we look for properties which display the following characteristics.

Preferred Geographies	Central Europe (CE) Czech Republic, Slovakia, Poland.	Western Europe Switzerland.
Macro-Location	Primary / Secondary cities.	
Asset Class	Offices / Mixed-Use (Office + Retail).	
Risk/Return Profile	Core / Core +	
IRR Target	10.00% - 16.00% p.a. (Leveraged).	
Yield Requirement	6.50% minimum (asset-level) yield. In under-rented situations where rental reversion exists, the initial yield may be lower.	
Micro-Location	Central Business Districts (CBD) locations or established urban and sub-market locations with solid demand and constrained supply fundamentals.	
Grade	A, A- and B++. For lower grade assets to be considered, they should display differentiating characteristics such as quality of location, imminent civil upgrade works of the surrounding area, change of use conversion potential, site consolidation etc.	
Price Range	€15 – 90m (GAV) per property. Properties of less than €15m will only be considered on a portfolio basis or if historic or landmark.	
Size Range	10,000 – 40,000 sqm (NLA) per property. Preference will be given to ‘Business Park’ style configurations providing leasing flexibility and a campus like environment for tenants.	
Lease Expiry	Minimum 2.50 years Weighted Average Unexpired Lease Term (WAULT) with a preference for staggered lease expires. However, properties with a shorter WAULT will only be considered where vacant possession is desirable in order to complete a substantial refurbishment.	
Occupancy	Min 70%, however properties with lower vacancy may be considered in a structured scenario.	

Rents	Properties with rents in the lower tier for their grade and which present rental reversionary opportunities at expiry will be given preference. All leases must be subject to annual CPI.
Asset Management Angle	<p>Preference will be given to opportunities which present upside potential via a combination of lease renewals, vacancy reduction, rental income increase and or base building quality improvement.</p> <ul style="list-style-type: none"> • Neglected: Properties that have been previously under-managed and that require focused/intensive asset management and moderate capital expenditures. • Leasing Risk: Properties that due to temporary vacancies, require focused new leasing and major tenant retention strategies. • Rehabilitation Potential: Properties in need of physical rehabilitation. I.e. Class B+, or under-managed Class A properties in good locations that may not have been maintained to remain competitive. Such properties may have some functional obsolescence which must be correctable. • Expansion Opportunities: Properties that can be acquired with an opportunity to add-on or build out additional density. • Rebranding Opportunities: Properties which are in need of an identity, and which can benefit from rebranding to give the property greater recognition and differentiation.
Properties under Construction	Properties under construction will be considered on a forward commitment basis.
Purchase Structure	Both asset and share transactions will be considered.
Portfolio Transactions	Portfolios of €150 – €350m (GAV) will be considered. Assets may be located across multiple CE geographies.
Structured Transactions	In certain cases, master leases, earn-out and vendor rental guarantee structures will be considered.
Joint Ventures / Co-Ownership	Joint ownership is considered on a case-by-case basis but only with reputable institutional partners.

To introduce a prospective property acquisition, please contact either of the persons below or complete our on-line form in our corporate website: www.caerus.im For introductions made by professional intermediaries not retained by a seller, in certain circumstances a buy-side advisory arrangement may be considered.



Peter Koritschan
Managing Director
T: +420 774 840 079
E: peter.koritschan@caerus.im



Christopher Millen
Managing Director
T: +420 722 481 953
E: christopher.millen@caerus.im

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