

**[00:00:00.740] - Pere Viñolas**

Thank you. Good afternoon. This is Pere Viñolas speaking, CEO of Colonial. I have with me Carmina Ganyet, Chief Corporate Officer, and Carlos Krohmer, Chief Corporate Development Officer. It's a pleasure to be with you again to present our results for the first quarter of 2024.

**[00:00:22.130] - Pere Viñolas**

First of all, maybe a qualitative comment before entering into numbers to share with you how do we see markets, and in particular, how do we see Colonial in these first three months of the year.

**[00:00:37.730] - Pere Viñolas**

I would say, to summarize, that we remain with a perception of strong demand. A strong demand that is mainly focused on premium space in prime locations, basically driven by a trend of clients whose strategic decisions on real estate are focus more and more on user experience.

**[00:01:04.550] - Pere Viñolas**

In the end, a polarization of demand, that's what we are seeing in the market, and therefore, a widening gap between what we could say the best and the rest. In other words, this demand for the best, it's more than in the past, and it's more than the rest. These are the two things that I would say about the evolution.

**[00:01:35.210] - Pere Viñolas**

Having said that, what I have to share with you is not big news because it's as you know, those who follow us, is that this trend to strong results is something that it's not a question of weeks or a question of months. It's now a question of the last few years that we've been publishing this kind of numbers.

**[00:02:02.700] - Pere Viñolas**

Let's go into the numbers. I'm on page five of the presentation. The highlights are we are starting 2024 with outstanding results on the back of this polarization. Here you can see the numbers. I start with the bottom line, and then I go to the top line. The bottom line for Colonial, it's an EPRA EPS of 8.7 cents per share. That is 25% more than last year. The EPRA Earnings are for this quarter, 47 millions, obviously 25% more. The group net profit is 54.5 million, 96% more. So high double-digit profit growth would be the first comment to describe our results.

**[00:03:06.450] - Pere Viñolas**

As I said, if we have to talk about the bottom line and describe it, means that we have to go to the top line. The revenue growth has remained strong. The revenues have been 96 million, 6% more than a quarter, 18% in Paris more than the comparable quarter.

**[00:03:33.220] - Pere Viñolas**

The like-for-like, which is a number that again, and again we emphasize to explain the difference, Colonial is 6.3 for this first quarter. The gross rental income growth from projects is 6.0%. This strong revenue growth comes on the back of outstanding operational performance. First of all, occupancy remains at the top end, 97.5%, that is 34 basis points more than three months ago, still 100% in Paris in terms of occupancy. So, occupancy is great.

**[00:04:24.220] - Pere Viñolas**

Rental growth is great too. It's a 6% in three months. Rental growth is defined as the percentage between the signed rents and the ERV available in December 2023. That's why this 6% is remarkable. The group released spread is at 12%.

**[00:04:49.950] - Pere Viñolas**

The balance sheet remains solid. Financial cost remains at 1.74% stable, slightly lower than December 2023. We've been disposing on track with last year at €2,000 million secured year to date at an 11% premium on gross asset value. Again, outperforming. As you may have seen, we just published very recently that S&P has confirmed the rating of Colonial, confirmed on April 24, triple B plus, which is a strong sign-off in terms of healthy debt.

**[00:05:53.730] - Pere Viñolas**

If we can describe our situation in other words, even better with a picture. On page 6 of the presentation, you can see the kind of outperformance that describes our situation in terms of occupancy. You can see how standing situation is in Paris, in Madrid, and in Barcelona. I think that the chart speaks for itself.

**[00:06:29.430] - Pere Viñolas**

Beyond occupation, rental growth, as I said, remains very strong. We've seen maximum rent sign of €1,100 per square meter in Paris, maximum rent signed of €40 per square meter a month in Madrid, 28 in Barcelona. You can see here several examples of these recent signings. But as you can see in this slide, number 7, Paris, 9% in three months, Madrid, 3% in three months, Barcelona, 7% in three months.

**[00:07:14.640] - Pere Viñolas**

As I said at the beginning, I'm on page 8, there is a very strong trend of supporting prime CBD exposure. You can see how rents have behaved in the last four years with coronavirus issue in between. Market has gone in the direction where Colonial's playing field is. That's why we remain with high conviction on the future outlook of our exposure. This would apply for Paris. This can also apply for Madrid. And as you can

see here in this page, there's two things to highlight. The first is a positive evolution in actual terms. The other is the relative evolution compared to other markets.

**[00:08:20.370] - Pere Viñolas**

Just as a comparison, La Défense funds in Paris, outside M30 in Madrid. Of course, the explanation for that is different levels of vacancy in both markets that have to do with the different product available. So, the highlights are that the performance of Colonial in these three months has been very strong. Now, let's go into the details and let's enter into the section about financial performance, Section 2. Carmina, please step in.

**[00:08:56.850] - Carmina Ganyet**

Thank you, Pere. In this section, as you can see, as Pere mentioned, as Colonial Prime strategy delivers this first quarter, a very strong growth in earnings, gross rental income increasing 6.2 year-on-year, 6.3 like-for-like, up to €96 million. In line as well as the BBA of growing 8% year-on-year, and consequently, the EPRA EPS, and then I will comment more details on that figure, increasing 25% year-on-year to €8.7 a central of euros per share.

**[00:09:32.380] - Carmina Ganyet**

If we go to the gross rental income, basically, the gross rental income is growing on the back of the core portfolio and project delivered, as you can see in page 11. We have a very positive impact of the core portfolio in terms of like-for-like, growing 6%, as well the positive impact of the delivery of projects, 6%, basically, Louvre Saint-Honoré and Adidas, and these two positive impacts of 6% each one has overcompensated the disposal program and as well the IBM impact that the contract that was finishing at the end of last year and will be a new project, so will become a new project, a new income for the future.

**[00:10:20.310] - Carmina Ganyet**

Consequently, gross rental income increased 6.2, with 12% thanks to the alpha strategies, overcompensating the disposal projects and the IBM decisions and the beginning of the works on the IBM.

**[00:10:38.770] - Carmina Ganyet**

But where has been this gross rental income, in which market, and why? In page 12, you can see that the gross rental income in a healthy number, in a net healthy growth of 6% is a cross-market, especially highlighting Paris with close to 8% like-for-like growth, and Barcelona, 8% like-for-like growth. Basically, we have a positive impact of rental growth, 2%, above the all inflation.

**[00:11:12.820] - Carmina Ganyet**

Additionally, we have a positive impact of 3% thanks to the indexations of our contracts, and additionally, 1.2% of occupancy. Today, in this first quarter, we present 89 million gross rental income for this first quarter, increasing 6% like-for-like, 6.2%. Basically, additional impact, a positive impact of occupancy and a positive impact above indexation thanks to the pricing power of our portfolio.

**[00:11:45.010] - Carmina Ganyet**

If we go to the EPS in page 13, you can see how this positive impact of gross rental income has been translated into the EPS growth. Eleven millions of the portfolio continued operations. Additionally, we have this first quarter a positive impact on the financial results thanks to the deep cash management, overcompensating, as I mentioned, the negative impact from the disposal and the negative impact of the IBM rescission to become a new project.

**[00:12:19.880] - Carmina Ganyet**

The EPS is growing 25% year-on-year in this first quarter. We maintain, as you see here, the EPS guidance is on track as we released at our previous press release. We continue on track in our disposal program. As you know, we have been announced a disposal program of €500 million. We have been closed this quarter, the disposal of Sagasta 31. Sagasta is a small-size asset, bacon, with a very small for plant, so very inefficient to reform it in line with this Colonial aims. It's part of our recycling strategy, and all this €200 million, including the last one, as I mentioned in Sagasta, it has been done at a premium of 11% of the last reported process set value.

**[00:13:19.830] - Carmina Ganyet**

So, we are on track, and we are confirming valuation with a premium in the disposals. So, thanks to this active asset management, active capital structure management, we have been reducing our debt in the last three months. Today, we have a net debt of 4.7, almost €4.8 billion. We have enhanced conceptually, we have enhanced our liquidity. Today, Colonial has close to €3 billion of liquidity, covering 1.5 times the debt that will mature between 2024 and 2026.

**[00:14:08.880] - Carmina Ganyet**

We maintain a very stable cost of debt, so we remain as you know, in a pre-hedge and hedge policy, confirming our debt below 2% this year. A prolonged value remains stable in line with what has been disclosed December 2023.

**[00:14:32.930] - Carmina Ganyet**

So, consequently, as Pere was mentioning, S&P has been confirmed our credit rating with triple B plus with the stable outlook, thanks to the cash flow resilience, thanks to the strong liquidity, as I mentioned before, and thanks as well to the interest rates hedge policy that we have been sharing with you in the last quarters, in the last year.

**[00:15:01.450] - Carmina Ganyet**

Today, Colonial, as you know, we have 100% of debt fully hedged, and also the pre-hedge position for the next year, and the next maturity will be at least more than 50% of our debt expiring in the future, maturing, so we can maintain this low or healthy interest cost of debt below 2.5% in the following years.

**[00:15:25.580] - Carmina Ganyet**

We have been also as well tapping the market with 200 million bonds maturing in 2029 with a private placement. Thanks again of the pre-hedge strategy that we have been able to put in place to implement the cost of debt. The cost of this new tapping bond remains below 2%, exactly 1.9%.

**[00:15:54.960] - Pere Viñolas**

Thank you. Let's go into the next section, Carlos, Portfolio Management.

**[00:16:04.760] - Carlos Krohmer**

Thank you very much, Pere. I'm on page 18. As Pere mentioned, we have had a very successful quarter in letting operations. We've signed contracts for an annual amount of close to 13 million. This is quite remarkable. If we look at the occupancy ratio where we come from three minutes ago, we were at 97%, we've increased this up to 97.5%, 34 basis points in a quarter, increasing Madrid and Barcelona, the occupancy.

**[00:16:36.680] - Carlos Krohmer**

Out of the rental activity signed, close to 60%, more than €7 million, comes from the Paris activity. This €7 million have been signed in an average rent above €1,000 per square meter a year. Basically, that we have had two large operations at a price well above 1,000. One has been signed at the level of 1,100. So really signing maximum rent in the market and also in Madrid and Barcelona, we have signed this quarter at the maximum level, contracts at 40 and also at 28.

**[00:17:19.930] - Carlos Krohmer**

If we step to the next page, we see the rental growth performance, and basically there are three interesting columns to look at. On the first, we are continuing capturing indexation. The annualized impact of all the indexation exercise that we've gone through the contracts in this first quarter is 5%.

**[00:17:43.800] - Carlos Krohmer**

This is leading further growth because just a very minor part of this is embedded, is included in our first quarter P&L. Then we have signed a double-digit release spread. Basically, it's to highlight Paris with plus 22%. We have had deals at very high levels, at levels of 30%, 14%, and 38%, three big deals. On the rental growth, it's even more important. We are starting the year with rents that are being signed 6% above the ERV of our appraisals at December 23. So just in three months, we have signed ERVs that are 6% above the appraisal.

**[00:18:30.640] - Carlos Krohmer**

Again, the leading market is Paris with plus 9%. We have here even examples of double digit rental growth in some assets, in some of the contract signed. Madrid, plus 3%, and Barcelona plus 7%. So already 6% of growth just in three months. It's quite a lot if you look at this from an annualized perspective and much higher than the percentage that we had last year at this point of the year.

**[00:19:04.670] - Pere Viñolas**

Thank you. So, let me now just step into a final section of the presentation about strategic situation and the future outlook for the company. The summary of the performance of Colonial in the first three months of the year, as you have seen, it's that it's a good performance. It's a better performance than a street talk, it's a better performance than one could think in terms of demand, in terms of occupation, in terms of rental growth.

**[00:19:47.710] - Pere Viñolas**

So, with any criteria, it remains very strong results, the one for the first quarter of the year. The number that shows in the end all of this strength is the EPS that grows 25% on a year-on-year basis. What's behind this number is that, first of all, the inflation hedge that we always emphasize that for the long run is one of the main drivers of the performance of a company.

**[00:20:23.340] - Pere Viñolas**

So, it's not only about yields, it's about growth, driven, first of all, by inflation. But second, it's the rental growth beyond inflation, acting as a pipeline. Third, it is not only about returns coming from the existing pipeline, it's returns coming from new opportunities that add value, and finally, acquisitions and the prime factor.

**[00:20:52.740] - Pere Viñolas**

This is what explains the performance of Colonial. On page 22, I would like to stress again, because those who follow us know for a long period of time, this will not come as a surprise, is that it's not only that our performance is better than expected, it's that it's better than the rest. If you look at comparison of like for like for Colonial and a selected number of peers, you can see more or less where do we stand in terms of growth compared to peers.

**[00:21:28.350] - Pere Viñolas**

I think that way has to do with this unique positioning of Colonial that is very important at the moment where we are decoupling the office market into different markets and showing a total different performance depending on the specific market that we are talking about. Page 23 is just to highlight that all the work that has been taking place on our project, pipeline that has already been delivered allow us for an expectation of rental growth, which remains very important. The final full potential top rent generation of our portfolio stands at 80 million, and out of this 80 million, 80% is already secured today.

**[00:22:25.470] - Pere Viñolas**

There is one final project that today is at the heart of the efforts that we are focused on, which is Méndez Álvaro on page 24. Just a slide to comment on this. This is going very well. This is to provide 19 million of new rents. It's expected to deliver more than 8% yield on cost. This project is about to be delivered in the next few months. There's only 25 million pending in CapEx. Now we are in a commercial mood, in leasing mood, and I think that momentum is going quite well. It's not, let's say, finished, the project, but as of today, they are signed ahead of terms that account for more than 20% of the surface of the available space in this unit.

**[00:23:39.390] - Pere Viñolas**

So, I think that we are quite happy with the strong demand that this project is having. And this, page 25, it's part of a broader view of what we can deliver, which in the end is summarized on the chart at the right of this page 25, which in the end, what is telling us that the passing rent that we have today of 426 can be enhanced by a number of drivers, Madnum being one of them, you can see 19 million coming for them, but also 49 coming for the new projects that will come from our own balance sheet that will to be able to lead us to far more than €500 million of rent.

**[00:24:36.200] - Pere Viñolas**

We believe that the momentum of Colonial allows for cash flow that is growing, for cash flow that is showing a strong momentum. Final comments on the page 26. First of all, as of today, we confirm the guidance for EPS 2024 that we gave not so long ago, 30 to 32 cents per share. Dividend per share is confirmed at 27 cents per share, 8% growth year for year. The disposal program remains on track with 200 million out of 500 secured as of today. Maybe a more general comment. We see real estate and capital markets closer to an inflexion point. We see yields closer to peak. We believe that we have to be conscious of cycle. We believe that it's a moment for considering reloading into growth opportunities.

**[00:25:57.530] - Pere Viñolas**

Always, this within a framework of a strong capital structure, which always remains a very important point. It's a moment that we live in a world of interesting opportunities. And the message that we like to pass is that we are not passive on this, and we are advancing on different initiatives with attractive returns, always in the framework of a solid financial structure, and we are sure that we'll be able to deliver news on this front during the course of this year.

**[00:26:40.410] - Pere Viñolas**

That's a more kind of a qualitative message I wanted to pass, but as a summary, what we think are a very good set of results for this first quarter, that's what we have been proud to share with you today, and now as always, we are open for the questions you may have. Thank you.

**[00:27:02.530] - Operator**

Ladies and gentlemen, the Q&A session starts now. If you wish to ask a question, please press \*5 on your telephone keypad. Thank you.

The first question comes from Florent Laroche from ODDO BHF. Please go ahead.

**[00:27:20.540] - Florent Laroche**

Hi. Good evening. Thank you very much for this presentation. I would have three questions. My first question would be to come back on the investment market. I have seen your comment on the yield that are close to peak, but on the investment market, how do you see the appetite of investor? And at the end, how do you see the out poses to value the asset at the end of June and at the end of December compared to December 2023? So that would be my first question.

**[00:28:03.180] - Florent Laroche**

My second question, on your leading challenges for the rest of the year, could you please say a word on the leasing of the Haussmann 106 in Paris, that will be free at the end of June, if my understanding is correct. And my third question would be on your comment on your appetite growth profile. So, we understand that you look for maybe it's from acquisition opportunities. So, does that mean that at the end of the year, you could be a net buyer...

**[00:28:40.460] - Pere Viñolas**

Oops! Are you there? Hello?

**[00:28:48.050] - Operator**



Let me try to see if the participant's still in the conference. One second, please.  
Please, Florent, are you still in the conference?

**[00:29:09.620] - Florent Laroche**

Yes, I'm still on the conference. I think I'm back. Can you hear me?

**[00:29:15.420] - Pere Viñolas**

Yes, you are. I think I heard your third question is based on our appetite for growth and the acquisition opportunities that we make if we see ourselves as a net buyer. I don't know if that was the question. Yes.

**[00:29:31.770] - Florent Laroche**

Yes, that was the question.

**[00:29:33.960] - Pere Viñolas**

Thank you. Look, on the first question, it's true that 2024 remains a year that's still challenging in many ways. It's true that investment markets have not come back on track **to**, let's say, a normal mood. Therefore, it remains uncertainty on where they can be during the course of the year. As you were saying, what impact they may have on valuation in June and in December, but I would say on our side, maybe a few comments.

**[00:30:22.780] - Pere Viñolas**

First, in our case, we see the repricing more having taken place in 2023 that it may happen in 2024. That's a very subjective and personal opinion. So, talking about the future, it's one of the most difficult things to do. But that's the feeling that we have. We believe that 2024, it's a year for inflection, and we cannot be more precise than this, and that from our point of view, where we see ourselves as long-term investors, that's more an interesting point and an opportunity than a particular threat.

**[00:31:15.160] - Pere Viñolas**

Your second question on the Hausmann. Yes, we will confirm that this is a property that now needs a little bit of active management because it's becoming available.

**[00:31:30.900] - Pere Viñolas**

What we can say today is that the rent or the income for this year 2024, the way it was managed is secured. For the short term, there's no particular downside, and for the midterm, the conviction that we have, in particular the conviction in the SFL team, is that the potential for value creation or for stronger cash flow generation, it's high. So, it's an ordinary kind of challenge that you have to manage, but with a high degree

of confidence. I'm very sure that the management of SFL is about to do a great job as they always do in this particular situation.

**[00:32:18.670] - Pere Viñolas**

On the question of the growth profile, acquisition opportunities, being net buyer, net seller, it's a very, let's say, complex moment that now that we are going through because when you are in a situation where there's an inflection point at some point, but you cannot be specific, you have to do two things at the same time that can be seen as contradictory. One is, do not lose the growth opportunities that may be out there. And second, remain in with a solid balance sheet. Maybe at the day of today, I cannot be more specific, but I can say that we will be in the mood for acquisition of growth opportunities that may come from the inside of the balance sheet or from the outside, at the same time, securing a stronger balance sheet.

**[00:33:29.280] - Pere Viñolas**

This may not mean that we are necessarily net buyers by the end of the year, but we feel this moment of a cycle as closer to being proactive than we experienced last year. Thank you.

**[00:33:44.430] - Florent Laroche**

Okay. Thank you very much.

**[00:33:50.120] - Operator**

Thank you. The next question comes from Fernando Abril from Alantra. Please go ahead.

**[00:34:04.620] - Pere Viñolas**

We are not listening to Fernando.

**[00:34:14.000] - Operator**

Fernando, your line is open.

**[00:34:18.200] - Fernando Abril**

Yes, sorry. Apologies. Thank you very much for the presentation. A few questions. First on net debt. Net debt is down around 100 million versus December. I don't know how much of the 200 million disposals are already included in this net debt. Then also link to this the latest disposal you have done in Madrid, the Sagasta building. So, correct me if I'm wrong, but this is for reconversion into a luxury residential unit. I don't know if within your 300 million remaining, you have also more, let's say, projects similar to this one.

**[00:35:05.730] - Fernando Abril**

I mean, offices reconverted into residential or different. I don't know if you have any visibility on the remaining disposals you've targeted. Last also on the update on Madnum. So very strong pre-letting activity, I would say. I don't know if you have any range of pre-letting before the year-end. You've mentioned around more than 20% is in very advanced conversation. I don't know if you are targeting 30 to 40% before year-end, or I don't know what's included in your business plan.

**[00:35:48.730] - Pere Viñolas**

Yes. I will start by this more operational questions and the divestment questions, and then Carmina can step in with comments on the depth, so I will go in the reverse order. Regarding Madnum, honestly, it's very difficult to be more specific at this moment, but because the situation is quite open, there's a very wide range of expectations. The page 44, we are saying, if you have seen that we have signed 13,000 square meters of GLA in terms of ahead of terms, but we have high interest for 150,000.

**[00:36:42.530] - Pere Viñolas**

That means that there are some conversations that are really binary, so they change completely the outlook. But we are now at the typical moment where, particularly, the operational team wants to be very prudent and not generate expectations on certain conversations that could completely change the outlook at the end of the year. But the only thing I can say is that we are beating our own internal expectations and that we are quite happy about where the speed that this is going, and it's better than we expected.

**[00:37:22.930] - Pere Viñolas**

But I wouldn't be able yet to give you more specific range. Maybe in a few months, we can be more specific and more happy with a result and number.

**[00:37:37.100] - Pere Viñolas**

You mentioned about Sagasta. Sagasta, we are in advanced situation regarding the potential disposal. We are under exclusivity. We are under a very advanced moment of due diligence. I understand, but it's not for it's for me to say that. The buyer may have a look at this property in the range of reconversion to office into other kind of uses, as luxury residential, but you will understand that it's more for a buyer than for us. But it's true that we saw an arbitrage opportunity here because we thought that Resi, in particular, the Resi in the luxury front could allow for a much higher value and that we expect to deliver in this particular site.

**[00:38:39.230] - Pere Viñolas**

We keep on studying for any asset, any alternative. I think that this is part of a trend where we insist a lot. We will listen from us that we use the term urban transformation and the word a mixed-use, or a flex approach to projects, meaning that I think that today the natural evolution of office is to consider a wider

spectrum of uses and this is an example, but there are many. In the case of Méndez Álvaro, we have a good example of also opening our objectives to exposure to Resi has been a good choice, and we can have more of this in the future. Your initial question was about the debt. Carmina, do you want to step in?

**[00:39:37.050] - Carmina Ganyet**

Yes. In the debt, the figure you see in the net debt still is not included this committed to a disposal. So, it still needs to be better the net debt in the following month and in the following quarter because of the execution of this change. Although in the long-to-value pro forma has been included in this transaction. So, it's not included in the net debt, but in the figure of this long-to-value.

**[00:40:09.150] - Fernando Abril**

Thank you very much. Sorry, I forgot to raise another question which is regard to the guidance. An obvious question. You started with a very strong TPS in Q1. If we analyze Q1, you get to around 0.35. So, I understand that Q1 had some positive, probably one-offs, or do you expect things to soften throughout the year? I don't know if you can walk us again through the guidance, so it may look conservative or not.

**[00:40:42.870] - Pere Viñolas**

It's a mix of several things. Now, first of all, more than being conservative is that at this early stage of the year, we consider maybe too soon to revise the guidance. Maybe we want to wait a little bit more. Second comment, yes, it's true that the operational performance is being very strong. But third, let's remember that we are open to different scenarios of disposals that may change a little bit the outlook.

**[00:41:12.980] - Pere Viñolas**

I think that this may lead us maybe to a better outlook for the guidance in the second half of the year, but we are still not there yet. That's why we remain in the guidance that we gave, just a few weeks ago or not so long ago, and we remain with the guidance of 32, 32. Let's see what the rest of the year delivers, and if in the second half, we can revisit this guidance.

**[00:41:45.660] - Fernando Abril**

Ok, thank you very much.

**[00:41:47.480] - Pere Viñolas**

Thank you, Fernando.

**[00:41:47.650] - Operator**

Thank you. The next question comes from Céline Su from Barclays. Please go ahead.

**[00:41:55.790] - Céline Su**

Hi, Pere. Just two questions for me, please. The first one is on your occupancy rate in Barcelona. It looks like it's improved this quarter, but did you include the IBM building in your reported occupancy? The second question is that there's something I've always been wondering, but why are you not selling more **unintelligible** Why are you targeting so much things? Thank you.

**[00:42:24.970] - Pere Viñolas**

Yes. Thanks, Céline. I start with the second part, and then Carlos will step in on comment on occupation in Barcelona and potential impacts from IBM. I think that in the case of France, I think that the market, it's cold that we've seen in Spain until today, 2023, 2024. I think that this is a function of several things, but maybe among them, that being a market of a much bigger average size for units that are in the market, the potential buyer market remains very much institutional, which is the one that has remained, let's say, more passive for the moment.

**[00:43:20.190] - Pere Viñolas**

Whereas if we talk of a market of a smaller size for what is available, you have a wider range of potential buyers that have been more active. That's why in Spain during 2023 and 2024, as you can see, we believe that liquidity is there in a more obvious way, I think that in the case of France, we still have to wait a little bit more. That's why we are remaining a little bit more cautious. Then, of course, it's also a function of going case by case. Regarding occupation, maybe Carlos on Barcelona and on the potential future impact of IBM.

**[00:44:09.420] - Carlos Krohmer**

On the Barcelona portfolio, we have had some progress. I would like to highlight that the portfolio in the CBD is at 98%, so it's basically concentrated on three assets, Torremolinos, La Llacuna, and Sant Cugat. On Torremolinos, we starting to see momentum, and La Llacuna, we are also positive. So, this would be the main comment on this.

**[00:44:38.600] - Carlos Krohmer**

On the IBM. I think this is something that already we started to tell to the market. We had here for many, many years, IBM as a tenant on a very interesting asset that is Santa Hortensia, 46,000 square meters with super large floor plates. We are currently analyzing a new project in this asset that can be very attractive and that will have very probably a significant reversion, both on rental cash flow and also on

value. We are working on the final design on the final plan of this asset in order to come soon to the market to discuss the details of what we're going to do there.

**[00:45:26.580] - Céline Su**

Thank you, Carlos.

**[00:45:29.140] - Carlos Krohmer**

Thank you.

**[00:45:30.660] - Operator**

Thank you. The next question comes from Ignacio Domínguez from J. B. Capital. Please go ahead.

**[00:45:42.510] - Ignacio Domínguez**

Good afternoon. Thank you for your presentation and taking our questions. Just one from my side. Where do you plan to carry out the remaining disposals in 2024? Do you still plan to carry out further disposals in Madrid or perhaps carry out some in Paris or Barcelona? Thank you.

**[00:45:58.640] - Pere Viñolas**

Thank you, Ignacio. We don't have a specific calendar for our disposals. As you know, this disposal strategy, it's a function of maximizing what we pretend is to maximize the strength of our balance sheet. Also, it's a function of a real-state rationale. So, selling assets that we believe that either they have become non-strategic or are mature. Finally, it's also function of a potential for arbitrage, meaning the gap between the price at which we are selling, which on a regular basis, its appraisal value compared to what we may see in capital markets.

**[00:46:49.590] - Pere Viñolas**

These are the different drivers for sale. But what is not a driver is that we need to sell. So, we have available lines for debt for much more than the maturities for the next three years. We have a cost of debt that is much lower than market cost of debt, and it's to remain in very low levels for a long period of time. That means that what drives our disposal strategy, it's driven more by opportunity than by specific goals that we have to achieve.

**[00:47:29.910] - Pere Viñolas**

So, it's true that we provided the market with a sort of guidance of €500 million, but we'll manage this objective within a range of, let's say, a very comfortable agenda, and that means that we don't expect any particular moment for disposing specific assets.

**[00:47:55.150] - Pere Viñolas**

I would say that in general terms, answering also your question, we would tend to see more disposals in France than in Spain as a goal, but in the short term, Madrid remains very liquid, and Paris, not yet. So, if you had to sell something tomorrow morning, which is not the case, it would be more normal to see this happening in Madrid than in Paris. For the longer term, we expect a little bit of change in this trend. Thank you.

**[00:48:37.050] - Ignacio Domínguez**

Thank you.

**[00:48:38.860] - Operator**

Thank you. The next question comes from Veronique Meertens from Kempen. Please go ahead.

**[00:48:47.670] - Veronique Meertens**

Thank you all for taking my questions, and congratulations on the solid operational results. For me, some follow-ups on the growth profile, or at least the last slide of your presentation. Because you mentioned you want to do it in the framework of a solid financial structure. Can you maybe give some additional details on the report of S&P? I don't think there's an official report out, as in what is a comfortable range for them in terms of LTV, and also maybe what's a comfortable range for you in terms of LTV.

**[00:49:20.320] - Pere Viñolas**

Maybe Carmina wants to step in on this one.

**[00:49:24.590] - Carmina Ganyet**

Yes. You know that in the LTV, they look at the—yes, there is a public report. They look at the LTV as a debt plus equity, and they are in the range of 45, I think, in the range of triple B plus are in the levels of 45%, debt plus equity. This is in line with what you will see in the report as well on the ICR metrics. They not only look at, as you know, metrics like this KPIs in terms of long-to-value or ICR, they look at us as a cash flow profile in the future.

**[00:50:10.950] - Carmina Ganyet**

They look at us as the maturity of all the contracts, the profile of the clients, the position of liquidity, and if there is any refinancing risk, which is not our case, and as well, all the hedge strategies that we have been secure, confirming this low cost of debt. So, this is an overall approach, but they are quite successfully.

They have been also done some tests about the potential stress, and they have been confirmed the table B plus stable outlook.

**[00:50:46.800] - Pere Viñolas**

If you allow me, Veronique to two comments on my side. I think that it's true that we've had the impression in recent times that debt markets are more comfortable about debt than equity markets. And it's very interesting. When you look at how bonds are trading and how, for example, rating agencies are delivering their opinions.

**[00:51:15.980] - Pere Viñolas**

In the case of SMB and other, it's true that when you look about the work they do and the opinion they give, they use a very wide range of elements to be considered into the analysis, as Carmina mentioned. Having said, my second message is I would not like to give the wrong impression. We are not relaxed about LTV. We don't want this to go higher when I meant that we have to enter into growth opportunities within a solid financial fundamental framework. That means that it always has to be with LTVs lower than what we have today and not higher. So that would be my opinion on where the situation should be.

**[00:52:17.440] - Veronique Meertens**

That's very clear. Thank you. But as a follow-up on that, because when I look at the yields, obviously, I get your point that in '23, we've probably seen or at least stabilizing reported yields by brokers, that your prime yields are still quite far off from those reported deals by broker reports. So, I would think that there will be still a small impact on your LTV from that side. Hopefully, some disposals cannot say that, but I'm curious to see how our acquisitions will not push that LTV higher, or is there also a chance that you might do something in a form of a contribution in kind or different form of structures that would your LT.

**[00:53:00.240] - Pere Viñolas**

Yes. I basically agree with your statement. So, market area in a situation where still you see a range of indicators that it's difficult that they lead you to a clear picture. We also think that markets today are confronting not a lot of evidence coming from transactional markets. We take quite often examples of things that are not really comparable. We tend to believe that in our case, with the assets that we own and the quality that they have, the room for deterioration is open to individual subjective opinions.

**[00:53:52.500] - Pere Viñolas**

But as I said before, we are more in a situation where we've done a big part of this adjustment and not the opposite. Then, as you suggest, yes, there are a wide range of things that we can do. The market is a very interesting moment. And I think that the only message that I can pass is that we are determined and with



high conviction that we have to do both things at the same time, which is, take advantage of the growth opportunities that are there and deliver anything that can be done there within the range of even stronger capital structure. I cannot be more specific than that, but the conviction is there, and hopefully, we will be able to deliver and to show specific examples of this in the next in the near future.

**[00:54:46.850] - Veronique Meertens**

That's already very helpful. Thank you. Maybe one last question from my side. Looking at Spain, there were at least slightly negative, but practically stable releasing spreads. Is this something maybe specific on these assets, or do you see a more stabilized releasing spreads in Spain for the rest of the year as well?

**[00:55:04.890] - Carlos Krohmer**

Basically, as I explained already in previous calls, we had a much quicker inflation pickup in the Spanish market because of the structure of the contract. It is every single month because the inflation went much more rapid, higher because it's just CPI, and in France is the ELA. This has put the passing rents higher, but we are very, very confident that our rental growth of our product will be further pushing up the rents, and so we will have release spreads in a way more or less at the same levels of rental growth.

**[00:55:47.030] - Carlos Krohmer**

The first quarter, the figures that you are seeing here are not really so representative. For instance, the figure that corresponds to the slightly negative release rate in Barcelona is just an amount of €400,000 of contract activity, so it's not really so relevant. Then we have obviously a very large release rate impact from our Paris activities that is super, super strong.

**[00:56:18.080] - Carlos Krohmer**

So, we are confident on this, but obviously the short-term contract in Spain and the evolution of the indexation and the structure of the contract that we have made that the passing rents came much earlier, much higher. So now it's really about year B growth. The game really spread, and rental growth is at the end, the same game in a way in Spain, and in Paris, we have a two-fold game, but on both levels, very, very strong. So, we are very confident on this, and that's what we can say about this today.

**[00:56:57.920] - Veronique Meertens**

That's very clear and useful. Thank you very much.

**[00:57:00.830] - Pere Viñolas**

Thank you, Veronique.

**[00:57:02.130] - Operator**

Thank you. Ladies and gentlemen, there are no further questions. Dear speakers, back to you.

**[00:57:11.080] - Pere Viñolas**

Thank you. As I said at the beginning, a pleasure to be able to share these results with you, and we hope that in the near future, we will be able to do the same again. Thank you and have a good day. Bye-bye.