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# Short Report

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Income Producing Properties and Land Portfolio  
Valuation as at 31/12/2017

# Short Report MERLIN Properties SOCIMI S.A.

Income Producing Properties and Land Portfolio

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# Short Report MERLIN Properties SOCIMI S.A.

## Income Producing Properties and Land Portfolio



2018, January 30<sup>th</sup>

MERLIN Properties SOCIMI S.A.  
Paseo Castellana, 257  
28046 Madrid

**Savills Consultores  
Inmobiliarios S.A.**  
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For the attention of: D. Miguel Ollero

Dear Miguel,

**PROPERTIES:** Property Portfolio composed by Offices, Shopping Centres, High Street Retail, Logistic, Let Residential Dwelling, Hotels and Land, located across Spain and Portugal.

In accordance with the terms agreed in our Terms of Engagement Letter, signed June 2016, in this report we provide you a market valuation of the assets mentioned above and listed in Section 2 (Valuation Advice) of this document. This valuation is for internal purposes, carrying out half year updates for the presentation of financial reports and for the publication in the annual report accounts presented by the company. Valuation date is **31<sup>st</sup> December, 2017**.

We draw your attention to our accompanying Report together with the General Assumptions and Conditions upon which our Valuation has been prepared, details of which are provided at Section 3 of this document.

We trust that our report meets your requirements, but should you have any queries, please do not hesitate to contact us.

Yours faithfully,

For and on behalf of Savills Consultores Inmobiliarios S.A.

A handwritten signature in blue ink, appearing to read "J. Mateo".

Jesús D. Mateo MRICS  
RICS Registered Valuer  
Director

A handwritten signature in blue ink, appearing to read "S. Lopez".

Sandra Lopez MRICS  
RICS Registered Valuer  
Associate

A handwritten signature in blue ink, appearing to read "I. Lopez".

Ivan Lopez MRICS  
RICS Registered Valuer  
Associate Director

A handwritten signature in blue ink, appearing to read "E. Martins Pimenta".

Eduardo Martins Pimenta MRICS  
RICS Registered Valuer  
Associate Director

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# 1. Instructions and Terms of Reference

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# Short Report MERLIN Properties SOCIMI S.A.

## Income Producing Properties and Land Portfolio

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### 1.0 Instructions & Terms of Reference

In accordance with our Terms of Engagement signed June 2016, we have valued the properties listed at Section 2, in order to provide you with our opinion of their Market Value, as at **31<sup>st</sup> December 2017**.

#### 1.1.1. Instructions

You have instructed us to provide our opinions of value on the following bases:

- We are not aware of any conflict of interest, either with the Property, the Assets, or with the client, preventing us from providing you with an independent valuation of the Property in accordance with the Red Book.
- We have valued the subject properties for Internal accounting purposes for MERLIN Properties SOCIMI S.A., METROVACESA S.A. and TESTA INMUEBLES EN RENTA SOCIMI S.A., since June 2014, June 2015 and December 2015, respectively. Notwithstanding we do not believe that this constitutes a conflict of interest preventing us from providing you with this update valuation.
- We will be acting as External Valuers, as defined in the Red Book.
- We have no material connection either with the client or with the properties.
- We confirm that we will not benefit (other than from the receipt of the valuation fee) from this valuation instruction.
- We confirm that Savills Consultores Inmobiliarios S.A. carry sufficient Professional Indemnity Insurance for possible claims. According with the Terms of Engagement Letter, in case of responsibility for our advice, compensation is limited to the amount of the fees provided for carrying out the work.
- We have a Complaints Handling Procedure.
- That we have the knowledge, skills and ability to act on your behalf in respect of this instruction.
- And, that all information provided in respect of this instruction will be kept confidential and will not be disclosed to any un-authorized third party.
- You have also instructed us to comment on specific issues concerning the properties.

Our valuations are prepared on an individual basis and the portfolio valuations reported are the aggregate of the individual Market Values, as appropriate. Our opinions of value are as at 31<sup>st</sup> December 2017.

The valuations have been carried out by qualified MRICS Registered Valuers, with the knowledge, skills and ability required to perform this valuation report competently.

We confirm that our valuations will all be reported in Euros.

# Short Report MERLIN Properties SOCIMI S.A.

## Income Producing Properties and Land Portfolio

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### 1.1.2. Basis of Valuation

The valuation has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017. In particular in accordance with the requirement of VPS 3 entitled Valuations reports.

Red Book Valuation Standard VS 3.2 relates to the basis of value, and, in accordance therewith, you have instructed us to value the property on the basis of Market Value, the definition is defined as follows:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

Our report and valuations in accordance with these requirements are set out below.

### 1.1.3. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Conditions set out in the relevant section towards the rear of this report.

### 1.1.4. Date of Valuation

Our opinions of value are as at 31<sup>st</sup> December 2017. The importance of the date of valuation must be stressed as property values can change over a relatively short period.

### 1.1.5. Purpose of Valuation

The Valuation is required for internal purposes, carrying out half year updates for the presentation of financial reports and for the publication in the annual accounts presented by the company. It is important that the Report is not used out of context or for the purposes for which it was not intended. We shall have no responsibility or liability to any party in the event that the Report is used outside of the purposes for which it was intended, or outside of the restrictions on its use.

### 1.1.6. Conflicts of Interest

We are not aware of any conflict of interest, either with yourselves or with the properties, preventing us from providing independent valuation advice, and therefore we are pleased to accept your instructions. We will be acting as External Valuers, as defined in the Red Book.

### 1.1.7. Valuer Details and Inspection

The properties have been inspected by valuers of the Advisory & Valuation Department. Valuations have been reviewed by Jesús Mateo MRICS and Eduardo Pimenta MRICS.

The properties have been inspected by valuers of the Advisory & Valuation Department. The inspections has been carried out externally and internally, but limited to those areas that were easily accessible or visible.

# Short Report MERLIN Properties SOCIMI S.A.

## Income Producing Properties and Land Portfolio

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All those above with MRICS or FRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VS 6.1(r), we confirm that the aforementioned individuals have the knowledge, skill and understanding to undertake the valuation competently.

### 1.1.8. Liability Cap

We confirm that Savills Consultores Inmobiliarios S.A. carry sufficient Professional Indemnity Insurance for possible claims. The amount is shown at the Terms of Engagement Letter signed between Savills Consultores Inmobiliarios S.A. and MERLIN Properties SOCIMI S.A.

### 1.1.9. RICS Compliance

This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017, in particular in accordance with the requirements of VPS 3 entitled Valuation reports and VPGA 2 Valuations secured lending, as appropriate.

Our report in accordance with those requirements is set out below.

### 1.1.10. Verification

This report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this report.

We recommend the verification of all individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuations. Our valuations should not be relied upon pending this verification process.

### 1.1.11. Confidentiality and Responsibility

Finally, in accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the parties to whom it is addressed only, who can rely on it, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such third parties rely upon this report at their own risk.

Neither the whole nor any part of this Report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear. It is our recommendation that prior to entering into a financial transaction based on this report the validity of all information as well estimates should be checked.



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## 2. Valuation Advice

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# Short Report MERLIN Properties SOCIMI S.A.

## Income Producing Properties and Land Portfolio

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### 2.0 Valuation Advice

#### 2.1. Valuation

Our opinion of Total Market Value of the assets valued at the valuation date, is as follows:

**9,643,437,000 €**  
**(NINE BILLION, SIX HUNDRED AND FORTY-THREE MILLION, FOUR HUNDRED AND THIRTY-SEVEN THOUSAND EUROS)**

The Market Value in the % owned by MERLIN Properties SOCIMI S.A. for this portfolio as at valuation date is:

**7,561,963,000 €**  
**(SEVEN BILLION, FIVE HUNDRED AND SIXTY-ONE MILLION, NINE HUNDRED AND SIXTY-THREE THOUSAND EUROS)**

#### Valuation Certainty

In view of our comments on the market above, it is clear that any property valuations reported at the present time contain “abnormal uncertainty” caused by “market instability” together with reduced “liquidity and market activity”. RICS Guidance Note 1 (GN1) refers to such circumstances thus:

- “Disruption of markets can arise due to unforeseen financial, macro-economic, legal, political or even natural events. If the date of valuation coincides with, or is in the immediate aftermath of, such an event there may be a reduced level of certainty that can be attached to a valuation, due to inconsistent, or an absence of, empirical data, or the valuer being faced within an unprecedented set of circumstances on which to base a judgement. In such situations demands placed on valuers can be unusually testing. Although valuers should remain able to make judgement, it is important that the context of that judgment is clearly expressed.”
- “In markets that are inactive with low levels of liquidity there is a reduced amount of data to provide empirical support for valuations. In such cases the valuer should be as explicit as possible to demonstrate the degree to which the conclusion is based on subjectivity. Similarly, in liquid and functioning markets the valuer should state that there is an abundance of empirical data to support the conclusions drawn”.

As a consequence of the events that occurred on the 1st of October in Catalonia in respect to the independence process, we cannot tell accurately yet how strong the impact is going to be in the confidence of the markets in general, neither in the real estate market specifically and how will it be affected. We will be aware of the changes on the market and it’s effects as the market continues. We have made a great effort on reflecting the current market movements. In absence of contrary information, our valuation has been carried out assuming that the real estate market will keep developing according to the past, nevertheless, we highly recommend to keep the valuation under your supervision, as long as you think is relevant for the purposes you have requested this valuation.

# Short Report MERLIN Properties SOCIMI S.A.

## Income Producing Properties and Land Portfolio

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Accordingly, please be advised that such circumstances exist and that we have advised you in the context above. It follows that notwithstanding this wider uncertainty in the financial markets, we necessarily assume debt finance is available in the market on reasonable and acceptable commercial terms.

In any case, we would wish to point out that our valuation is a snapshot of the market as at the date of valuation.

Despite the lack of recent open market transactions, we consider our valuations reflect current market conditions. We are of the opinion that they are well supported by reference to the constant interaction with our transaction teams and external market participants. Through this, we can evaluate current asking and offering prices and make appropriate adjustments to reflect current market conditions. Finally, we consider our opinions of value as detailed below can be reported with a reasonable degree of confidence.

The total market Value is distributed as follows in the next pages.

# Short Report MERLIN Properties SOCIMI S.A.

## Income Producing Properties and Land Portfolio



Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Escudo del Carmen 31	Granada	Offices	Offices
Borbolla 5	Sevilla	Offices	Offices
Aznar Molina 2	Zaragoza	Offices	Offices
Cortes Catalanas 373-385 (E-Forum Arenas)	Barcelona	Offices	Offices
Diagonal 605	Barcelona	Offices	Offices
Vilanova 12-14	Barcelona	Offices	Offices
Llull / Pujades / Bac de Roda / Fluvià (22@)	Barcelona	Offices	Offices
Diagonal 199	Barcelona	Offices	Offices
Diagonal 514	Barcelona	Offices	Offices
Balmes 236-238	Barcelona	Offices	Offices
Hospitalet 147 (Citiparc)	Cornellà de Llobregat	Offices	Offices
Plaza de la Pau s.n. (WTC Edificio 6)	Cornellà de Llobregat	Offices	Offices
Plaza de la Pau s.n. (WTC Edificio 8)	Cornellà de Llobregat	Offices	Offices
Berguedá 1 (Muntadas Edificio 1)	El Prat de Llobregat	Offices	Offices
Selva 4 (Muntadas Edificio 2)	El Prat de Llobregat	Offices	Offices
Diagonal 458	Gracia	Offices	Offices
Alcalde Barnils 64-68 (Sant Cugat Edificio 1)	Sant Cugat del Vallés	Offices	Offices
Via Augusta 71-73 (Sant Cugat Edificio 2)	Sant Cugat del Vallés	Offices	Offices
N-240 71 (Magraners)	Lérida	Offices	Offices
Azalea 1 (Miniparc I)	Alcobendas	Offices	Offices
Bruselas 24	Alcobendas	Offices	Offices
Bruselas 26	Alcobendas	Offices	Offices
Bruselas 33	Alcobendas	Offices	Offices
Caléndula 95 (Miniparc II)	Alcobendas	Offices	Offices
Avenida de Europa 1A	Alcobendas	Offices	Offices
Avenida de Europa 1B	Alcobendas	Offices	Offices
Francisca Delgado 9 Edificio I (Vegacincó)	Alcobendas	Offices	Offices
Francisca Delgado 9 Edificio II (Vegacincó)	Alcobendas	Offices	Offices
Copenhague 6 (Al-Andalus)	Las Rozas	Offices	Offices
José Echegaray 8 (Alvia)	Las Rozas	Offices	Offices
Partenón 12-14	Madrid	Offices	Offices
Partenón 16-18	Madrid	Offices	Offices
Poblados 3 (Cristalia)	Madrid	Offices	Offices
Ribera de Loira 36-50 (Puerta de las Naciones)	Madrid	Offices	Offices
Ribera del Loira 60	Madrid	Offices	Offices
Vía Poblados 1 (Alvento)	Madrid	Offices	Offices
Vía Poblados 9 (Trianón)	Madrid	Offices	Offices
Eucalipto 25	Madrid	Offices	Offices
Eucalipto 33	Madrid	Offices	Offices
Pedro de Valdivia 10	Madrid	Offices	Offices
Príncipe Vergara 187	Madrid	Offices	Offices
Castellana 278	Madrid	Offices	Offices
Castellana 280	Madrid	Offices	Offices
Arturo Soria 343	Madrid	Offices	Offices
Gregorio Benítez 3 (Arturo Soria)	Madrid	Offices	Offices
Ulises 16-18	Madrid	Offices	Offices
Castellana 259	Madrid	Offices	Offices
Costa Brava 2-4	Madrid	Offices	Offices
Avenida Burgos 89 Edificio 1 (Adequa)	Madrid	Offices	Offices

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Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Avenida Burgos 89 Edificio 2 (Adequa)	Madrid	Offices	Offices
Avenida Burgos 89 Edificio 3 (Adequa)	Madrid	Offices	Offices
Avenida Burgos 89 Edificio 4 (Adequa)	Madrid	Offices	Offices
Avenida Burgos 89 Edificio 5 (Adequa)	Madrid	Offices	Offices
Avenida Burgos 89 Edificio 6 (Adequa)	Madrid	Offices	Offices
Avenida Burgos 89 Edificio 7 (Adequa)	Madrid	Offices	Offices
Santiago Compostela 94	Madrid	Offices	Offices
Federico Mompou 5 (Las Tablas)	Madrid	Offices	Offices
Quintanavides 13 (Vía Norte)	Madrid	Offices	Offices
Fuente de la Mora 9	Madrid	Offices	Offices
Manoteras 18 (Elipse)	Madrid	Offices	Offices
Arroyo Valdebebas 4 (Aquamarina)	Madrid	Offices	Offices
Manuel Pombo Angulo 20 (Sanchinarro VII-El Encinar)	Madrid	Offices	Offices
María de Portugal 9 (Sanchinarro)	Madrid	Offices	Offices
María de Portugal T2	Madrid	Offices	Offices
Avenida de Burgos 210	Madrid	Offices	Offices
Alcala 40	Madrid	Offices	Offices
Princesa 3	Madrid	Offices	Offices
Princesa 5	Madrid	Offices	Offices
Princesa	Madrid	Offices	Offices
Ventura Rodríguez 7	Madrid	Offices	Offices
Beatriz de Bobadilla 14 (Churruca)	Madrid	Offices	Offices
Calle Ochandiano 6 (El Plantío)	Madrid	Offices	Offices
Calle Ochandiano 8 (El Plantío)	Madrid	Offices	Offices
Calle Ochandiano 10 (El Plantío)	Madrid	Offices	Offices
Calle Ochandiano 12 (El Plantío)	Madrid	Offices	Offices
Juan Esplandiú 11-13	Madrid	Offices	Offices
Alfonso XI 6	Madrid	Offices	Offices
Josefa Valcarcel 48	Madrid	Offices	Offices
Aragón 334 (America)	Madrid	Offices	Offices
Carlos Trías Bertrán 7 (Sollube)	Madrid	Offices	Offices
Castellana 83-85	Madrid	Offices	Offices
Castellana 93 (Cadagua)	Madrid	Offices	Offices
Cerro Gamos (Cerro Gamos)	Pozuelo de Alarcón	Offices	Offices
Dos Castillas 33 Edificio 1 (Ática)	Pozuelo de Alarcón	Offices	Offices
Dos Castillas 33 Edificio 2 (Ática)	Pozuelo de Alarcón	Offices	Offices
Dos Castillas 33 Edificio 3 (Ática)	Pozuelo de Alarcón	Offices	Offices
Dos Castillas 33 Edificio 4 (Ática)	Pozuelo de Alarcón	Offices	Offices
Dos Castillas 33 Edificio 5 (Ática)	Pozuelo de Alarcón	Offices	Offices
Dos Castillas 33 Edificio 6 (Ática)	Pozuelo de Alarcón	Offices	Offices
Europa 19 (Ática)	Pozuelo de Alarcón	Offices	Offices
Ronda Poniente (Euronova)	Tres Cantos	Offices	Offices
Central Office	Lisboa	Offices	Offices
Dom Joao II 34 (Expo)	Lisboa	Offices	Offices
Duque Saldanha 23 (Monumental)	Lisboa	Offices	Offices
Tomás Fonseca s.n. (Torre A)	Lisboa	Offices	Offices
PLZFA	Barcelona	Offices	Offices
PLZFB	Barcelona	Offices	Offices
Marques de Pombal 3	Lisboa	Offices	Offices
<b>Total Value Offices (31.12.17)</b>		<b>5,330,851,000 €</b>	<b>5,327,623,000 €</b>

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## Income Producing Properties and Land Portfolio



Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Vilamarina	Viladecans	Shopping Centres	Shopping Centres
Arenas	Barcelona	Shopping Centres	Shopping Centres
La Fira	Reús	Shopping Centres	Shopping Centres
X-Madrid	Alcorcón	Shopping Centres	Shopping Centres
Nassica	Getafe	Shopping Centres	Shopping Centres
Bonaire FOC	Aldaia	Shopping Centres	Shopping Centres
El Saler	Gandía	Shopping Centres	Shopping Centres
La Vital	Valencia	Shopping Centres	Shopping Centres
Artea	Leioa	Shopping Centres	Shopping Centres
Monumental SC	Lisboa	Shopping Centres	Shopping Centres
Thader	Murcia	Shopping Centres	Shopping Centres
Bonaire RW	Aldaia	Shopping Centres	Shopping Centres
<b>Total Value Shopping Centres (31.12.17)</b>		<b>901.450.000 €</b>	<b>901.450.000 €</b>

Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Caprabo	España	High Street Retail	High Street Retail
Callao 5	Madrid	High Street Retail	High Street Retail
Torre Madrid	Madrid	High Street Retail	High Street Retail
<b>Total Value High Street Retail (31.12.17)</b>		<b>326.875.000 €</b>	<b>326.875.000 €</b>

Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Castellbisbal	Castellbisbal	Logistic	Logistic
Zaragoza Plaza	Monzalbarba	Logistic	Logistic
<b>Total Value Logistic (31.12.17)</b>		<b>13.646.000 €</b>	<b>13.646.000 €</b>

Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Novotel Diagonal 199	Barcelona	Others	Others
Eurostars Torre Castellana	Madrid	Others	Others
Marineda	La Coruña	Others	Others
General Ampudia 12	Madrid	Others	Others
Yunque	Alcorcón	Others	Others
San Francisco de Sales 41	Madrid	Others	Others
Bizkargi 11	Bilbao	Others	Others
Jovellanos 91	Sant Adrià de Besos	Others	Others
Salvador Sama 45-47-49	Vilanova i La Geltrú	Others	Others
Amper	Alcorcón	Others	Others
Torre Madrid	Madrid	Others	Others
Sant Boi de Lluçanes	Sant Boi de Lluçanes	Others	Others
<b>Total Value Others (31.12.17)</b>		<b>295.932.000 €</b>	<b>294.866.000 €</b>

Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Arapiles 8	Madrid	Non-strategic Land	Non-strategic Land
Valdebebas	Madrid	Non-strategic Land	Non-strategic Land
Zaragoza	n.d.	Non-strategic Land	Non-strategic Land
Navalcarnero	Navalcarnero	Non-strategic Land	Non-strategic Land
<b>Total Value Non-strategic Land (31.12.17)</b>		<b>105.784.000 €</b>	<b>105.784.000 €</b>

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Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Torre Glories	Barcelona	Land for Development	Land for Development
Isla Chamartín	Madrid	Land for Development	Land for Development
<b>Total Value Land for Development (31.12.17)</b>		<b>218,098,000 €</b>	<b>218,098,000 €</b>

Asset	Location	Market Value 31.12.17 (€)	Market Value % Merlin 31.12.17 (€)
Costa Ballena	Costa Ballena	Minority Shares	Minority Shares
Villajoyosa	Villajoyosa	Minority Shares	Minority Shares
Tres Aguas	Alcorcón	Minority Shares	Minority Shares
Testa Residencial	n.d.	Minority Shares	Minority Shares
<b>Total Value Minority Shares (31.12.17)</b>		<b>2,450,801,000 €</b>	<b>373,621,000 €</b>

<b>TOTAL PORTFOLIO MARKET VALUE 31.12.17 (€)</b>		<b>9,643,437,000 €</b>	<b>7,561,963,000 €</b>
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### 3. General Assumptions, Conditions to Valuations & Special Assumptions

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### 3.0 General Assumptions, Conditions to Valuations & Special Assumptions

#### 3.1.1. General Assumptions

Our valuations have been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuation, as there may be an impact on it. We have assumed:

1. That the Freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings that we are unaware of. We have not made any enquiries at the local Register Office, and, therefore, should future enquiries reveal that there are any mortgages or charges, we have assumed that the Asset would be sold free of them. We have not examined the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Asset, and that the information supplied to us is both complete and correct. We do not accept responsibility for any errors or omissions in information and documentation provided to us.
3. That the buildings have been constructed and is used in accordance with all statutory and by-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).
4. That the properties are not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search or normal solicitors' enquiries, or by any statutory notice (other than those points referred to above).
5. That the buildings are structurally sound, and that there is no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or construction techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the property and this report do not constitute a building survey.
6. That the properties are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. That in the construction or alteration of the buildings, no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
8. That the ownership and possible exploitation of mineral substances and/or gases present in the subsoil have not been considered.



9. That the properties have not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. That there are no adverse site or soil conditions, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our valuation.
11. That all fixed plant and machinery and the installation thereof complies with the relevant legislation. No allowance has been made for rights, obligations or liabilities arising as a result of defective premises.
12. That the tenants are capable of meeting their obligations, and that there are no undisclosed arrears of rent or breaches of covenant. For valuation purposes it is assumed that the tenants comply their obligations, and that there will be no delays in the payment of rent or undisclosed contractual breaches.
13. That the occupational leases are drawn on terms acceptable to your solicitors including provisions for repair and indexation.
14. In the event that MERLIN Properties SOCIMI S.A. have not approved the different assets analyzed, and in accordance with the assumptions applied in the description of the different valuations, the different phases of Planning, Management and Development Discipline to build the properties according to the planned promotion, it has been taken into account that the approval of different development phases will be obtained until the licenses of work has been acquired, according to regular times of approval in normal market situations, and with an active approach for the client to obtain the corresponding approvals.

### 3.1.2. General Conditions

Our valuation has been carried out on the basis of the following general conditions:

1. Our valuations are exclusive of VAT (if applicable).
2. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property.
3. No allowance has been made for any expenses of realization.
4. Excluded from our valuation is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.

5. In all cases, our valuation report includes facilities that are normally transferred with the property, such as boilers, heating and air conditioning, lighting and ventilation, sprinklers, etc., while the equipment that is normally removed before the sale has been excluded from our opinion of value.
6. It has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant EEC legislation.
7. The results of our market research, with reference to the local real estate market, in our opinion, well represent the market situation at the valuation date. However, we cannot exclude that there may be other segments of offer and/or demand that could affect the parameters adopted by us as reference.

### 3.1.3. Special Assumptions

According to RICS, only special cases can be established if they are reasonably achievable, relevant and valid in relation to the special circumstances of the valuation. Appendix 4 of Red Book defines and gives examples of Special Assumptions.

In this report we have not been carried out any special assumptions.

**Jesús D. Mateo MRICS**  
Director Advisory & Valuation  
SAVILLS SPAIN

**Eduardo Martins Pimenta MRICS**  
Associate Director Advisory & Valuation  
SAVILLS SPAIN

# VALUATION REPORT

MERLIN Properties, Socimi, S.A.

Paseo de la Castellana, 257

28046 Madrid

**Date of Valuation: 31<sup>st</sup> December 2017**

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The contents of this Report may only be relied upon by:

- i. Addressees of the Report; or
  
- ii. Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 16. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.



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# 1

## VALUATION REPORT

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# VALUATION REPORT



CBRE Valuation Advisory S.A.  
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Switchboard +34 91 598 19 00  
Fax + 34 91 556 96 90

<b>Report Date</b>	7 <sup>th</sup> February 2018
<b>Addressee</b>	Board of Directors MERLIN Properties, Socimi, S.A., Paseo de la Castellana, 257 28046 Madrid To the attention of Mr. Miguel Ollero, General Manager / COO.
<b>The Property</b>	Part of the Investment Portfolio of MERLIN Properties, Socimi, S.A. and companies in which MERLIN have an ownership interest.
<b>Property Description</b>	The portfolio is made up of 40 properties and the Tree Portfolio which comprises 862 bank branches and 5 landmark buildings leased to BBVA. All the properties are located in Spain except one logistic WIP located in Portugal. Three assets are property of companies in which MERLIN holds a minority ownership.
<b>Ownership Purpose</b>	Investment, development and owner occupation.
<b>Instruction</b>	We have been instructed to carry out a valuation of the portfolio of property assets of MERLIN Properties, Socimi, S.A., following the instruction agreed on 20 <sup>th</sup> May 2016.
<b>Valuation Date</b>	31 <sup>st</sup> December 2017
<b>Capacity of Valuer</b>	External.
<b>Purpose</b>	For accounting purposes and for information purposes in the annual financial statements



**Market Value****3,796,738,572 €**

(THREE BILLION, SEVEN HUNDRED NINETY-SIX MILLION, SEVEN HUNDRED THIRTY-EIGHT THOUSAND, FIVE HUNDRED SEVENTY-TWO EUROS)

Exclusive of VAT

<b>MERLIN PROPERTIES, SOCIMI, S.A</b>		
<b>Asset Type</b>	<b>Market Value (100%) €</b>	<b>Market Value Merlin Ownership (€)</b>
Logistics	618,004,415	608,286,174
Logistics WIP	119,220,000	119,220,000
Shopping Centres	851,265,000	851,265,000
Other	9,060,000	9,060,000
Minority Ownership	403,491,741	188,246,398
High Street Retail	2,020,661,000	2,020,661,000
<b>Total Portfolio</b>	<b>4,021,702,156</b>	<b>3,796,738,572</b>

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

The properties in full ownership of MERLIN Properties, Socimi, S.A. have been valued individually, considering their separate sale and not as part of a portfolio. Therefore, deductions or additional value that could be negotiated in the market if all or part of the portfolio was put up for sale simultaneously, has not been considered.

For the properties of companies in which MERLIN participates, the value set out in the above table is not the market of each property but the result of the following calculation: the percentage of ownership of MERLIN in each company, multiplied by the market value of each property.

**Limitations**

For the purposes of the valuation we have assumed that the properties are in good condition relative to their age and that no significant refurbishment or renovation works are required.



We have not measured the property on site or from scale plans of the properties subject to valuation. We have therefore assumed that the areas provided by the client are correct.

For the purpose of the valuation we have assumed that the properties benefit from all necessary Licenses for the actual of proposed use.

We have not carried out independent investigations relating to the incurred or pending costs or the number of pre-sold units at the date of the valuation. We have faithfully relied upon the information provided by the client and have assumed that it is correct.

Regarding the logistics plots of land, for valuation purposes we have assumed as true the verbal and documental information provided by the client concerning town planning issues.

### **Compliance with Valuation Standards**

The valuation has been prepared in accordance with The RICS Valuation – Professional Standards July 2017 (“the Red Book”).

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

### **Assumptions**

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

<b>Variation from Standard Assumptions</b>	We have assumed that the information provided by the client, on which the valuation is based, is correct.
<b>Market Conditions</b>	The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.
<b>Valuation Certainty</b>	Following the result of a Referendum held on 1 October 2017, concerning the independence of the Region of Cataluña, Spain – which was not recognised by the Spanish Government – we are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place. The probability of our opinion of value exactly coinciding with the price achieved, were there to be a sale has, as a consequence, reduced. We would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to effect a disposal.
<b>Valuer</b>	The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).
<b>Independence</b>	The total fees, including the fee for this assignment, earned by CBRE Valuation Advisory S.A. (or other companies forming part of the same group of companies) are less than 5.0% of the total revenues of the company.
<b>Disclosure</b>	<p>The principal signatory of this report has continuously been the signatory of valuations for the same addressee and valuation purpose as this report since June 30<sup>th</sup> 2016. CBRE Valuation Advisory S.A. has continuously been carrying out valuation instructions for the addressee of this report since June 30<sup>th</sup> 2016.</p> <p>However, we have valued prior to June 30<sup>th</sup> 2016, 13 of the 40 assets of the portfolio (excluding the bank branches), as CBRE was the regular valuer for the previous owner.</p>

CBRE Valuation Advisory S.A. has carried out Valuation, Agency and Professional services on behalf of the addressee for under 5 years.

**Conflicts of Interest**

There is not any conflict of interest.

**Reliance**

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

**Publication**

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Yours faithfully



Fernando Fuente  
MRICS  
**Vice-president**  
**RICS Registered Valuer**  
For and on behalf of  
CBRE Valuation Advisory S.A.

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## SCHEDULE OF ASSETS

REF. CBRE	REF MERLIN	ASSET	ADDRESS	LOCATION	ASSET TYPE
1	F00100430	Guadalajara-Cabanillas I	Avda de Castilla la Mancha 2-10	CABANILLAS DEL CAMPO	Logistic
2	F00100410	Guadalajara-Alovera	Avenida Río Henares 40	ALOVERA	Logistic
3	F00100420	Guadalajara-Azuqueca	Avenida Milán 10	AZUQUECA DE HENARES	Logistic
4	F00100510	Madrid-Coslada Complex	Avenida de la Cañada 64	COSLADA	Logistic
5	F00500090	Madrid-Coslada	C/ Holanda, CTC Coslada	COSLADA	Logistic
6	F00100170	Barcelona-Lliça del Vall	Calle Perdellot	LLIÇA DE VAL	Logistic
7	F00101120	Zaragoza-Pedrola	Polígono industrial El Pradillo	PEDROLA	Logistic
8	F00500190	Zaragoza-Plaza	Calle Osca, 4	ZARAGOZA	Logistic
9	F00500160	Valencia-Almussafes	PI. EL ROMANI	ALMUSSAFES	Logistic
10	F00500100	Madrid-Getafe	C/ Río Guadiato 1, CLA Getafe	GETAFE	Logistic
11	F00500170	Vitoria-Jundiz	Camino de Crispiana s/n	VITORIA	Logistic
12	F00600010	Madrid-Meco	C/ Hermes, Meco	MECO	Logistic
13	F00500110	Madrid-Getafe (Los Olivos)	C/ Calidad17, P.I. Los Olivos, Getafe	GETAFE	Logistic
14	F00500010	Barcelona-Granada Penedes	P.I. Fondos de l'Estació	BARCELONA	Logistic
15	F00500131	Madrid-Pinto I	Nave Desdoblada	PINTO	Logistic
16	F00500132	Madrid-Pinto II	Nave Desdoblada	PINTO	Logistic WIP
17	F00500030	Guadalajara-Azuqueca II	n.a.	AZUQUECA DE HENARES	Logistic WIP
18	F00500120	Madrid-Meco II	n.a.	MECO	Logistic WIP
19	F80000010	ZAL Port	Av. Ports d'Europa, 100, 08040, Barcelona	BARCELONA	Minority Ownerships
20	F00500020	Barcelona-Sant Esteve	PI Anoia	BARCELONA	Logistic
21	F00100810	Plaza de los Cubos	Calle Princesa, 3-5 (Plaza de los Cubos)	MADRID	High Street Retail
22	F00100240	Centro Oeste	Calle Las Moreras 2	MAJADAHONDA	Shopping centres
23	F00100480	Larios	Avda de Aurora 25	MÁLAGA	Shopping centres
24	F00100820	Porto Pi	Avda Gabriel Roca 54	PALMA DE MALLORCA	Shopping centres
25	F00300030	Marineda	Avenida Arteixo, 43, 15008 A Coruña	LA CORUÑA	Shopping centres
26	F00700010	Arturo Soria	Calle de Arturo Soria, 126, 28043 Madrid	MADRID	Shopping centres
27	F00100590	Parking Palau	Parking Palau (26 PLAZAS PROPIEDAD TESTA)	VALENCIA	Other
28	F00100500	Locales Plaza Castilla - Castellana 193 (McD)	Plaza de Castilla-Local 1A	MADRID	High Street Retail
29	F80100010	Parking Palau (33% stake)	Parking Palau (Participada)	VALENCIA	Minority Ownerships
30	F00500140	Madrid-San Fernando II	San Fernando de Henares	MADRID	Logistic WIP
31	F00500040	Guadalajara-Cabanillas II A	Avenida de la Veguilla 20	CABANILLAS DEL CAMPO	Logistic
32	F00500050	Guadalajara-Cabanillas II B	Avenida de la Veguilla 20	CABANILLAS DEL CAMPO	Logistic
33	F00500060	Guadalajara-Cabanillas II C	Avenida de la Veguilla 20	CABANILLAS DEL CAMPO	Logistic
34	F00500070	Guadalajara-Cabanillas II D	Avenida de la Veguilla 20	CABANILLAS DEL CAMPO	Logistic
35	F00500080	Guadalajara-Cabanillas II E	Avenida de la Veguilla 20	CABANILLAS DEL CAMPO	Logistic
36	F91300010	Arasur	P.I. Arasur, Avda. Álava, s/n,	RIVABELLOSA	Minority Ownerships
37	F00800010	CIM Valles	C.I.M Valles, Carrer D, s/n, 08130 Santa Perpètua de Mogoda, Barcelona	BARCELONA	Other
38	F00900010	Sevilla Zal	Ctra. de la Esclusa, 15, 41011 Sevilla	SEVILLA	Logistic
39	F91400013	PLZF	Avenida 3ª, nº 26 -08040 – Barcelona	BARCELONA	Logistic
40	F91200010	SPL	Vila Franca de Xira	LISBOA	Logistic WIP
41		Tree	n.a.	ESPAÑA	High Street Retail
<b>TOTAL PORTFOLIO MERLIN</b>					

\* The assets of the Tree Portfolio have been valued individually, considering their separate sale and not as part of a portfolio.

## SCOPE OF WORK & SOURCES OF INFORMATION

### Sources of Information

As set out previously, MERLIN Properties, Socimi, S.A., has passed us the information necessary to carry out the valuation. The information received has been:

- Gross Lettable Areas (GLA).
- Rent Rolls as at September 2017 for the shopping centres except for Marineda and Arturo Soria which we were provided Rent Rolls as at August 2017.
- Updated Rent Rolls for the rest of the properties as at date of valuation.
- Recoverable and non recoverable costs for each asset.
- CAPEX budget.

### The Property

The portfolio is made up of 40 properties and the Tree Portfolio which comprises 862 bank branches and 5 landmark buildings leased to BBVA. All the properties are located in Spain except for one plot of land located in Portugal. Three assets are property of companies in which MERLIN holds a minority ownership.

### Inspection

We inspected the Property internally and externally for the 21 new real estate assets of this portfolio during the months of October and November 2016. The assets "Madrid-Getafe (Los Olivos)" and Cabanillas II (B,C,D,E) have only been inspected externally. Madrid-Pinto was inspected externally on the 14<sup>th</sup> June 2017.

It must be notice, that we have inspected the remaining 13 real estate assets in the past, as CBRE was the regular valuer for the previous owner.

For the Tree Portfolio which comprises of 862 bank branches and 5 landmark buildings leased to BBVA, we have carried out 102 internal inspections during the months of September, October and November 2016, which represent 41% of the total rent.

The inspection was undertaken by qualified valuers of CBRE Valuation Advisory S.A.

<b>Areas</b>	We have not measured the Property but have relied upon the floor areas provided.
<b>Environmental Matters</b>	<p>We have not been provided with any environmental report relating to the properties.</p> <p>We have not carried out any investigation into the past or present uses of the Property, nor of any neighboring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.</p>
<b>Repair and Condition</b>	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property. We are unable, therefore, to give any assurance that the Property is free from defect.
<b>Town Planning</b>	We have not carried out town planning investigations.
<b>Titles, Tenures and Lettings</b>	<p>Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasize, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.</p> <p>We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.</p>

## VALUATION ASSUMPTIONS

### Capital Values

The valuation has been prepared on the basis of "Market Value" which is defined as:

*"The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion",*

No allowances have been made for any expenses of realization nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

### Property

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.



## Environmental Matters

In the absence of any information to the contrary, we have assumed that:

(a) the Property is not contaminated and is not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Property which are regulated by environmental legislation are properly licensed by the appropriate authorities.

In some circumstances there could be high voltage electrical installations close to the properties. The Sociedad Española de Protección Radiológica has set out that in certain circumstances there could be health risks associated with such installations. Due to this, public perception can affect the commercialization and future value of the property. Our valuation reflects our current opinion of the market and we have not made any discount for the possible presence of these installations.

## Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Property is free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Paneling, have been used in the construction of, or subsequent alterations or additions to, the Property; and

(d) the services, and any associated controls or software, are in working order and free from defect.

**Title, Tenure,  
Planning and Lettings**

We have otherwise had regard to the age and apparent general condition of the Property. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Property possesses a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Property is not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(i) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy,

## LEGAL NOTICE

This valuation report (the "Report") has been prepared by CBRE Valuation Advisory S.A ("CBRE") exclusively for MERLIN Properties, Socimi, S.A., (the "Client") in accordance with the terms of the instruction letter dated 20/5/2016 ("the Instruction"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the fees established for the present instruction. CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.