

Quarterly business update for three months to 31 March 2019

April 2019

Changes in Executive Board of Directors

Martin Miklas was named the new CFO of HB Reavis. He took this position over from CEO Marian Herman, who had kept these responsibilities even after becoming CEO last year. Martin, so far, has mostly been responsible for the non-real estate businesses of HB Reavis shareholder.

Radim Rimanek, Deputy Group CEO, has decided to leave HB Reavis after 7 years. Radim has been a valuable leading figure within the business, having led multiple functions, including leasing, product design and construction, along with several markets as member of the Executive Board. Notably, Radim has overseen the fantastic growth of the UK business from its first acquisition in 2013 until now, having five projects under its belt and a team of over 60.

Acquisitions

No acquisitions were made during the reported quarter.

Leasing update

A total of 16.2 thousand sq m of new leases were signed during the first quarter of 2019, with €4.1m annual passing rent contracted (excluding voids and rent-free periods, as well as signed leases related to HB Reavis CE REIF).

Commercialization is successfully advancing on Varso Place, attracting more and more tenants as the construction progresses. Interest is high at Varso II having 65% already let, with further 3,700 sq m signed under HOTs. Moreover, Varso I was nearly fully let at 85% as at the end of the quarter, accommodating a wide array of services and amenities supporting the well-being of the district's tenants – such as a fitness centre, medical centre, F&Bs or a hotel.

[Read the press release about Varso I's leasing progress](#)

The largest tenants signed during 1Q 2019:

- Varso II (Warsaw) - *Financial institution* (12,600 sq m)
- Apollo BC II (Bratislava) - Dell (2,355 sq m)

Completions and developments progress

There are 11 projects with over 487.5 thousand sq m of GLA currently under construction, many of which have been well progressing during the first quarter, taking noticeable shapes already. These include projects across five countries, namely:

- Bloom Clerkenwell in London, UK
- DSTRCT Berlin, Germany

- Varso Place (Varso I, II and Tower) & Forest (I and II) in Warsaw, Poland
- Nivy Station & Nivy Tower in Bratislava, Slovakia
- Agora Tower & Agora Hub in Budapest, Hungary.

Significant growth has been made on Varso Place in Warsaw, especially Varso I, which has now reached its full height. The lower buildings, Varso I and II, are thus set to be handed over by the beginning of 2020. These buildings will be home to Poland's first NYX hotel and a science and technology campus for Cambridge Innovation Center. The construction of the 53-storey Varso Tower is expected to be completed in two years. The scheme offers an expected overall of 145 thousand sq m of leasable office space, along with generous retail space, while visitors will also be able to enjoy the views from the observation deck at a height of 230m, as well as visit the restaurant or bar at the top.

Construction has commenced in Berlin at DSTRCT (formerly known as Prenzlauer Hoefe), our first project in Germany, and is set to become a unique, human-centric scheme designed with well-being of its users in mind. The Alter Schlachthof Landsberger area should welcome approximately 45 thousand sq m of prime offices, event facilities and a wide selection of retail and culinary options. We plan to introduce our co-working initiative, as well as designs aimed at and catering to a range of businesses, from start-ups and scale-ups to larger corporations, all while fostering well-being and productivity.

[See the DSTRCT Berlin website](#)

Turning to our UK operations, we have commenced construction works of Bloom Clerkenwell (formerly known as Farringdon West), our latest development in London. Located right next to Farringdon station, Bloom will feature more than 13 thousand sq m of office space of the highest quality standards for sustainability, wellbeing and digital connectivity. With construction already well underway, we expect the project to be fully flourishing by 2020.

[Read the press release on Bloom Clerkenwell](#)

Financing

The first quarter of the year was marked by signing a record setting €350 million loan for the development of our Varso Place project in Warsaw. Granted by a syndicate of four banks – Santander Bank Polska, Bank Pekao S.A., Helaba and UniCredit – this is the largest construction loan in the history of the Polish commercial real estate market, proving banks' trust in HB Reavis and the project.

[Read the press release about the Varso Place loan](#)

During the last quarter, HB Reavis has drawn down a total of €71.3m of external debt financing. At the end of March 2019, the Group had €591.5m of bank financing (excluding €114.9m assigned to Joint Ventures), along with €339.4m of bond financing outstanding.

As of the end of the quarter, the Group had €515.1m of committed bank financing to be drawn down, mainly against the future capital expenditures of Varso Place, Nivy Station and Nivy Tower.

Following the launch of a €150m regional bond programme at the end of 2018, we issued the first retail tranche in February amounting to €15m. The entire bond tranche was sold out in less than four days, confirming the trust of Slovak investors in HB Reavis' financial soundness.

Divestments

The exclusive negotiation for the prospective sale of Twin City Tower in Bratislava is well progressing, with the transaction expected to be closed in Q3 2019. The project, completed in Q3 2018, consists of 35.3 thousand sq m of GLA, and is nearly fully occupied at 98% (including office and retail space).

The negotiation for prospective sale of West Station I & West Station II in Warsaw are still ongoing and we expect the closing of the transaction in the upcoming weeks. The projects West Station I and West Station II, consisting of 69 thousand sq m of GLA, are Joint Venture projects with the Polish national rail company PKP, with a share of 70.66% and 71.90% respectively.

The first quarter was also marked by a strategic decision to leave the Prague market and proceed to sell our stand-alone projects in the Czech capital. The decision was made in line with our long-term strategy to put increased focus on developing and managing large-scale, comprehensive business districts in the CEE with a size and range of available services that support the growth of the companies and communities operating within them. That said, we will focus our Czech operations on our project in Brno, which has a size that ensures the potential to follow in the footsteps of our large business hubs such as Agora Budapest or Varso Place. We also remain committed to operating our HubHub in Na Příkopě street and to its planned expansion into Palace Ara, as well as to the further asset management of Aupark Hradec Králové on behalf of HB Reavis CE REIF fund.

Lastly, we divested Bem Palace, a non-core project in Budapest, during the first quarter of the year.

HubHub

Our co-working business line, HubHub, has done a significant expansion progress, growing its operations not only in the CEE, but also opening its first space in London at 20 Farringdon Street, a building owned by HB Reavis. With that, HubHub is now operating six co-working spaces in five locations - Warsaw, Prague, Bratislava, Budapest and London, with a total GLA of 16.4 thousand sq m and over 1000 members.

HubHub is also expanding within Prague to another location of 3.3 thousand sq m of GLA, which is expected to be opened in April 2019.

[See the HubHub website](#)

HB Reavis portfolio

Income producing portfolio

As of the end of the last quarter, the Group held a portfolio of 12 income producing office properties with a total of 296.7 thousand sq m across four countries. The portfolio includes the following projects:

- London, United Kingdom: 20 Farringdon, One Waterloo (temporary income producing asset)
- Warsaw, Poland: Postepu 14, West Station I and West Station II (JVs);
- Bratislava, Slovakia: Twin City C & B, Apollo BC II, Twin City Tower, Centrum Bottova and H Business Centrum (JV);
- Budapest, Hungary: Kesmark

The overall market value of the portfolio totaled up to €1.1bn (including One Waterloo) as of 31 December 2018, while the weighted average occupancy across the portfolio was 96% at the end of the last business quarter.

Projects under construction

487.5 thousand sq m of GLA and estimated future gross development value of around €2.5bn were under construction (or demolition) in the capitals of five countries, namely in:

- Bloom Clerkenwell in London, UK
- DSTRCT Berlin, Germany
- Varso Place (Varso I, II and Tower) & Forest (I and II) in Warsaw, Poland
- Nivy Station & Nivy Tower in Bratislava, Slovakia
- Agora Tower & Agora Hub in Budapest, Hungary.

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