

# VALUATION REPORT

MILLENIUM PORTFOLIO, 5 Hotels in Spain

MILLENIUM HOTELS REAL ESTATE I, S.A.

Paseo de la Castellana 102, 2º, 28046, Madrid, Spain

## Valuation Dates:

- 31 December 2018 for Via Castellana, Eurostars Lucentum and proposed Radisson Bilbao
- 31 March 2019 for the proposed Radisson Seville
- 30 April 2019 for the proposed Alma Seville

Report Issue Date: 29 May 2019



Millenium Portfolio

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## LEGAL NOTICE AND DISCLAIMER

This valuation report (the "Report") has been prepared by CBRE Real Estate, S.A. ("CBRE") exclusively for Millenium Hotels Real Estate I, S.A. (the "Client") in accordance with the terms of engagement entered into between CBRE and the client dated 24 May 2019 ("the Instruction"). The Report is confidential to the Client and any other Addressees named herein and the Client and the Addressees may not disclose the Report unless expressly permitted to do so under the Instruction.

Where CBRE has expressly agreed (by way of a reliance letter) that persons other than the Client or the Addressees can rely upon the Report (a "Relying Party" or "Relying Parties") then CBRE shall have no greater liability to any Relying Party than it would have if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to the Client, Addressees and to any Relying Parties howsoever arising under, in connection with or pursuant to this Report and/or the Instruction together, whether in contract, tort, negligence or otherwise shall not exceed the lower of:

- (i) 25% of the value of the property to which the Instruction relates (as at the valuation date);
- or
- (ii) €20 million (Twenty Million Euro).

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If you are neither the Client, an Addressee nor a Relying Party then you are viewing this Report on a non-reliance basis and for informational purposes only. You may not rely on the Report for any purpose whatsoever and CBRE shall not be liable for any loss or damage you may suffer (whether direct, indirect or consequential) as a result of unauthorised use of or reliance on this Report. CBRE gives no undertaking to provide any additional information or correct any inaccuracies in the Report.

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None of the information in this Report constitutes advice as to the merits of entering into any form of transaction.

If you do not understand this legal notice then it is recommended that you seek independent legal advice.

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# 1

## Valuation Report

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## VALUATION REPORT

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<b>Report Date</b>	29 May 2019
<b>Addressee</b>	MILLENIUM HOTELS REAL ESTATE I, S.A. Paseo de la Castellana 102, 2 <sup>a</sup> 28046, Madrid, Spain For the attention of the Directors
<b>The Properties</b>	The properties listed in the Schedule of Capital Values.
<b>Property Description</b>	Portfolio of 5 properties comprising two trading hotels and three hotel developments in Spain.
<b>Ownership Purpose</b>	Investment & Development
<b>Instruction</b>	To value the unencumbered Freehold interests in the Properties on the basis of Market Value as at the different Valuation Dates stated below in accordance with the terms of engagement entered into between CBRE Real Estate S.A and the addressee dated 24 May 2019.
<b>Valuation Dates</b>	<ul style="list-style-type: none"><li>■ 31 December 2018 for Via Castellana, Eurostars Lucentum and proposed Radisson Bilbao</li><li>■ 31 March 2019 for proposed Radisson Seville</li><li>■ 30 April 2019 for proposed Alma Seville</li></ul>
<b>Capacity of Valuer</b>	External Valuer, as defined in the RICS Valuation – Global Standards 2017.
<b>Purpose of Valuation</b>	<p>The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Professional Standards (January 2014) (“Red Book”).</p> <p>We understand that our valuation report and the Appendices to it (together the “Valuation Report”) is required for inclusion in a Market Incorporation Information Document (the “DIIM”) which is to be published by Millenium Hotels Real Estate I, S.A pursuant to an Initial Public Offering by the Company on the Alternative Market (“the MAB”) of the Spanish Stock Exchange.</p> <p>In accordance with the RICS Valuation –Global Standards (January 2017) (“Red Book”) we have made certain disclosures in connection with this valuation instruction and our relationship with Millenium Real Estate I, S.A.</p>

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## Market Value

€111,700,000 (ONE HUNDRED ELEVEN MILLION SEVEN HUNDRED THOUSAND EUROS) excluding VAT as shown in the Schedule of Capital Values set out below.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the market values of the assets. No account has been taken in reporting these market values of the extent of the Company interests in the companies holding the subject Properties.

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

## Report Format

This is a condensed Valuation Report. A Valuation Report including detailed Property Reports has been issued on behalf of Millenium Real Estate I, S.A.

Part I of this portfolio includes the Market Values of the portfolio. Part II of this Valuation Report contains an overview of the portfolio, the valuation methodology and assumptions.

## Valuation Methodology for Properties in the course of development

In the case of properties in the course of development, we should draw your attention to the fact that the residual method of valuation is very sensitive to changes in key inputs. Small changes in variables such as sales volumes or build costs will have a disproportionate effect on land value. Site values can therefore be susceptible to considerable variances as a result of changes in market conditions

## Limitations

We have not been able to check certain documents affecting the properties between the reported valuation dates and the date of this report. These documents include the following. Please refer to the General Commentary section for more detail:

- Signed leased contract for Radisson Bilbao, which was agreed by the parties after our valuation as of 31 December 2018;
- Title Deeds or acquisition documents regarding the purchase by Millenium Real Estate I, S.A of the proposed Radisson Bilbao, the proposed Radisson Seville and the Rioja Building of the proposed Radisson Seville;
- Building permits for the Rioja Building, which is in the proposed Radisson Seville.

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## Special Assumptions

Special assumptions have been applied to calculate the Gross Development Value (GDV) or value as if complete of three of the assets.

We have received written confirmation from the Client that it is ok for us to include special assumptions regardless the external use of this report.

## Compliance with Valuation Standards

The valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017, which incorporate the International Valuation Standards (“the Red Book”).

The valuations are compliant with the International Valuations Standards and in accordance with paragraphs 128 to 130 of the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators’ (CESR) recommendations for the consistent implementation of the European Commission regulation (EC) n. 809/2004 implementing the Prospectus Directive where applicable, and in accordance with the Spanish Stock Exchanges requirements.

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 Real Estate, S.A. 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.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject properties. Other valuers may reach different conclusions as to the value of the subject properties. This Valuation is for the sole purpose of providing the intended user with the Valuer’s independent professional opinion of the value of the subject properties as at the valuation date.

## Assumptions

The Properties’ details on which the valuations are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, 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 is subsequently found to be incorrect, the valuation figure may also be incorrect and should be reconsidered.

## Variation from Standard Assumptions

None.



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## Trading Potential

The definition of 'Market Value', together with our comments and assumption adopted for the valuation – including trade related valuations – are detailed under Valuation Assumptions below.

When providing valuations of trade related properties, the RICS Valuation-Professional Standards normally requires the Valuer to provide an indication of the effect of the closure of the business on the properties. In the event that the Properties referred to in this report was closed and the authorisations were not in place, the value would be based upon a potential purchaser's projections of the achievable trade that differ materially from the current market expectations or a value for alternative use. Accordingly, there may be a material difference between the valued expressed in this report and those that would be reported in the event of business failure.

## Valuer

The Properties have been valued by valuers who are qualified for the purpose of the valuation in accordance with the Red Book.

## Disclosure

We confirm that we have previously valued the assets included in the portfolio, for the same addressee of this report as stated below:

- The proposed Alma Seville was valued for internal management purposes as of 30 April 2019;
- The proposed Radisson Seville was valued for internal management purposes as of 31 March 2019;
- The proposed Radisson Bilbao was valued for internal management purposes as of 31 December 2018;
- The Via Castellana, the Eurostars Lucentum and the proposed Radisson Seville were valued as a portfolio for internal management purposes as of 31 December 2018, September 2018 and January 2018;
- The Via Castellana Hotel was valued for internal purposes as of June 2018, December 2017 and April 2017;
- The Eurostars Lucentum was valued for internal purposes as of June 2017;

## Independence

The total fees, including the fee for this assignment, earned by CBRE Real Estate, S.A. (or other companies forming part of the same group of companies within Spain) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0% of the total Spanish revenues.

It is not anticipated this situation will vary in the financial year to 31 December 2019.

We confirm that we do not have any material interest in Millenium Real Estate I, S.A or the Properties.

We do not consider that any conflict of interest arises in us preparing this Valuation Report and Millenium Hotels Real Estate I, S.A have confirmed to us that it also considers this to be the case.

Copies of our conflict checks have been retained within our working folders.

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## Reliance

This report is for the use only of the parties 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.

With reference to our Standard Terms of Business 5.5 and 5.6, CBRE Real Estate, S.A acknowledges that no liability cap applies to the valuations for the DIIM in respect of third parties to the extent imposed by Spanish law or required by the Spanish securities market regulator (CNMV).

## 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.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of the special assumptions referred to herein.

Notwithstanding the above, this report may be published as an annex to the Market Incorporation Information Document (DIIM) for the incorporation of the Company to the Alternative Stock Market (MAB), provided that its content is fully reflected.

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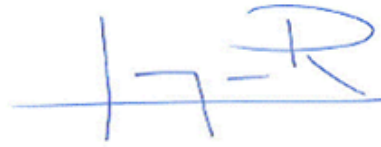
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Yours faithfully,



**Blanca Martín Alonso MRICS**  
**Director**  
**RICS Registered Valuer**  
For and on behalf of CBRE Real Estate S.A.

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**Jorge Ruiz Andrés MRICS**  
**Senior Director, Head of Hotels Spain**  
**RICS Registered Valuer**  
For and on behalf of CBRE Real Estate S.A.

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Project Reference: ESP190016919

Signed for and on behalf of CBRE Hotels Limited



**Name: Jane Lees MRICS**  
**RICS Registered Valuer**

**Position: Executive Director**

For the avoidance of doubt, and pursuant to the terms of the Legal Notice and Disclaimer, CBRE Hotels Limited has co-signed this Report purely to confirm its role as contributor. Consequently, the Client, Relying Party or any other Addressees named herein acknowledge that no duty of care, whether existing under the Instruction or under the Report, shall extend to CBRE Hotels Limited and the Client, Relying Party or any other Addressees named herein hereby waive any right or recourse against CBRE Hotels Limited whether arising in contract, tort, negligence or otherwise.

## Valuation Report

### SCHEDULE OF CAPITAL VALUES

#### Properties Held for Investment

PROPERTIES HELD FOR INVESTMENT											
PROPERTY	LOCATION	ROOMS	TENURE	EXIT YIELD (Fixed Rent)	DISCOUNT RATE (Fixed Rent)	EXIT YIELD (Variable Rent)	DISCOUNT RATE (Variable Rent)	NET INITIAL YIELD	GROSS MARKET VALUE	ACQUISITION FEES	NET MARKET VALUE
Via Castellana	Madrid	228	Freehold	5.50%	7.25%	6.00%	7.75%	5.33%	€ 39,314,000	€ 1,171,000	€ 38,100,000
Eurostars Lucentum	Alicante	169	Freehold	6.00%	7.75%	-	-	6.00%	€ 24,790,000	€ 854,000	€ 23,900,000
										€ 62,000,000	

#### Properties Held in the course of Development

PROPERTIES HELD IN THE COURSE OF DEVELOPMENT											
PROPERTY	LOCATION	ROOMS	TENURE	EXIT YIELD (Fixed Rent)	DISCOUNT RATE (Fixed Rent)	EXIT YIELD (Variable Rent)	DISCOUNT RATE (Variable Rent)	NET INITIAL YIELD	GROSS DEVELOPMENT VALUE (Day One Value)	ACQUISITION FEES	NET MARKET VALUE (Residual Value)
Proposed Radisson Bilbao	Bilbao	137	Freehold	5.50%	7.25%	6.25%	8.00%	4.81%	€ 47,000,000	€ 487,000	€ 23,500,000
Proposed Radisson Seville	Seville	89	Freehold	5.25%	7.00%	6.25%	8.00%	4.22%	€ 37,500,000	€ 720,280	€ 20,200,000
Proposed Alma Seville	Seville	31	Freehold	5.00%	6.75%	6.25%	8.00%	4.76%	€ 14,400,000	€ 213,000	€ 6,000,000
									€ 98,900,000		€ 49,700,000

**TOTAL MARKET VALUE OF THE PORTFOLIO**

**€ 111,700,000**

# Valuation Report

## SCOPE OF WORK & SOURCES OF INFORMATION

### Sources of Information

We have carried out our work based upon information supplied to us as outlined below, which we have assumed to be correct and comprehensive.

The table below outlines the information we have been provided with:

INFORMATION	SOURCE
All assets	
Floor Plans	Millenium Hotels Real Estate I, S.A.
Land Registry Extracts	Millenium Hotels Real Estate I, S.A.
Operating Licenses & Certificates	Millenium Hotels Real Estate I, S.A.
Fixed Charges (Property Tax, Insurance, Community, etc.)	Millenium Hotels Real Estate I, S.A.
Current Operating Agreements and its addendums where applicable	Millenium Hotels Real Estate I, S.A.
Via Castellana	
Cadastral Certificates	Millenium Hotels Real Estate I, S.A.
Asset management reports prepared by Magma Hospitality Consulting	Millenium Hotels Real Estate I, S.A.
Appraisal ("Tasación") prepared by Tinsa	Millenium Hotels Real Estate I, S.A.
Capex for 2017 and 2018	Millenium Hotels Real Estate I, S.A.
Calculation of the Variable Rent until YTD September 2018	Millenium Hotels Real Estate I, S.A.
Historic Accounts (2015-2017, YTD June 2018) & Budget 2018	Millenium Hotels Real Estate I, S.A.
List of parking tenants	Millenium Hotels Real Estate I, S.A.
Rental Invoice	Millenium Hotels Real Estate I, S.A.
Eurostars Lucentum	
Energy Performance Certificate	Millenium Hotels Real Estate I, S.A.
Legal Due Diligence	Millenium Hotels Real Estate I, S.A.
Historic Accounts (2016-2017)	Millenium Hotels Real Estate I, S.A.
Deed of Sale	Millenium Hotels Real Estate I, S.A.
Rental Invoice	Millenium Hotels Real Estate I, S.A.
Proposed Radisson Bilbao	
Business Plan prepared by Radisson (2020-2024)	Millenium Hotels Real Estate I, S.A.
Cultural Heritage Commission Decision	Millenium Hotels Real Estate I, S.A.
Initial Concept Design Project ("Proyecto Básico")	Millenium Hotels Real Estate I, S.A.
Letter of Intent Radisson	Millenium Hotels Real Estate I, S.A.
Proposed Development Costs	Millenium Hotels Real Estate I, S.A.

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INFORMATION	SOURCE
Proposed Radisson Seville	
Energy Performance Certificate of Magdalena building	Millenium Hotels Real Estate I, S.A.
Urbanism Report of Magdalena building	Millenium Hotels Real Estate I, S.A.
Business Plan prepared by Radisson	Millenium Hotels Real Estate I, S.A.
Deed related to the acquisition of 50% participation of Magdalena building	Millenium Hotels Real Estate I, S.A.
Technical Design Project ("Proyecto de Ejecución")	Millenium Hotels Real Estate I, S.A.
Building Permit	Millenium Hotels Real Estate I, S.A.
Demolition project	Millenium Hotels Real Estate I, S.A.
Proposed Development Costs and costs incurred as at the valuation date	Millenium Hotels Real Estate I, S.A.
Proposed Alma Seville	
Proposed Floor Plans	Millenium Hotels Real Estate I, S.A.
Town Planning Feasibility Study	Millenium Hotels Real Estate I, S.A.
State of Repair Assessments	Millenium Hotels Real Estate I, S.A.
Lease agreement with Alma Hotels	Millenium Hotels Real Estate I, S.A.
Business Plan prepared by Alma Hotels	Millenium Hotels Real Estate I, S.A.
Design Project ("Proyecto Básico")	Millenium Hotels Real Estate I, S.A.
Proposed Development Costs	Millenium Hotels Real Estate I, S.A.

In the event of a future change in the trading potential or actual level of trade from that identified by the financial information provided (for example as a result of the conduct of trade at the Properties) the values reported herein could materially vary.

## The Properties

Our report contains a brief summary of the property details on which our valuation has been based.

## Inspections and Personnel

The Properties were inspected by the following surveyors as listed below:

PROPERTY	INSPECTION DATE	VALUERS
Via Castellana Hotel	20 April 2017	Sandra Rubio MRICS and Blanca Martín MRICS
Eurostars Lucentum	25 April 2018	Sandra Rubio MRICS and Blanca Martín MRICS
Proposed Radisson Bilbao	18 September 2018	Sandra Rubio MRICS and Blanca Martín MRICS
Proposed Radisson Seville	8 February 2018 and 25 April 2019	Blanca Martín MRICS
Proposed Alma Seville	25 April 2019	Blanca Martín MRICS

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## Revaluation without inspection

As instructed, we did not re-inspect the properties Via Castellana and Eurostars Lucentum for the purpose of the latest valuation as of 31 December 2018. The dates of the latest inspections have been highlighted above.

You have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of its location, since the last inspection. We have assumed this advice to be correct.

The valuations and reports were prepared by the above listed valuers who are qualified for the purpose as defined in the RICS Valuation – Global Standards 2017, which incorporate the International Valuation Standards (“the Red Book”).

## Areas

We have not measured the properties. Hotels are generally valued by reference to trading potential rather than floor area.

## Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

## Services and Amenities

We understand that all main services including water, drainage, electricity and telephone are available to the Properties.

None of the services have been tested by us.

## Repair and Condition

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 Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

We have revised Technical Due Diligence prepared by third parties when available and commented thereon in our reports.

## Town Planning

We have made verbal and online Planning enquiries only. Information supplied to us by planning officers is given without liability on their part. We cannot, therefore, accept responsibility for incorrect information or for material omissions in the information supplied to us.

## Titles, Tenures and Lettings

Details of title/tenure under which the Properties are 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 emphasise, however, that the interpretation of the documents of title (including

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relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

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.



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## VALUATION ASSUMPTIONS

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### Capital Values

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

"The estimated amount for which an asset or liability should exchange on the date of valuation 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."

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.

Investment Value is defined in the Red Book as:

"The value of an asset to an owner or a prospective owner for individual investment or operational objectives."

The valuation prepared on the basis of Investment Value reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. The Investment Value reflects the circumstances and financial objectives of the entity for which the valuation is being produced.

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

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

No account has been taken of capital allowances that may be available to the purchaser.

### Trade Related Valuations

We have had regard to the RICS Guidance Note on the valuation of individual trade related properties. Key considerations are set out below.

The essential characteristics of properties that are normally sold on the basis of their trading or underlying trading potential is that they are designed, or adapted, for a specific use and the resulting lack of flexibility usually means that the value of the property interest is intrinsically linked to the trading potential of the property.

The valuation of the operational entity usually includes:

- a) the legal interest in the land and buildings;
- b) the trade inventory, usually comprising all trade fixtures, fittings, furnishings and equipment; and
- c) the market's perception of the trading potential, together with an assumed ability to obtain/renew existing licences, consents, certificates and permits.

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The valuation excludes consumables and stock in trade and any antiques, fine art and chattels.

The valuation includes trade items and equipment that are essential to the running of the operational entity but which either are owned separately from the land and buildings or are leased – see under Trading Properties heading below.

Unless we state otherwise, our valuation is based on an estimate of the maintainable level of trade (fair maintainable turnover) and future profitability (fair maintainable operating profit) a competent operator of a business conducted on the premises acting in an efficient manner would expect to achieve. The concept involves estimating the trading potential of the property having regard to its inherent characteristics and prevailing market conditions rather than the actual level of trade under the existing ownership. Therefore, personal goodwill that is created by the present owner or management is excluded.

The goodwill that is included in the valuation is generally considered to include value which attaches to the property and runs with the property by virtue of circumstances such as its location, design, planning permission, property-specific name and reputation, customer patronage, licence and occupation for its particular use (known as transferable goodwill or inherent goodwill).

This is differentiated from personal goodwill, which is created by the current operator and is the value of profit generated over and above market expectations, and which would be extinguished upon sale of the trade related property, together with financial factors related specifically to the current operator of the business. Personal goodwill is not expected to remain with the business in the event of the property being sold, but to be extinguished upon sale, and we exclude it from our valuation of the property.

A new owner will expect to assume the benefit of the income from the existing owners of the property and the forward-bookings, which are an important part of the ongoing business. Generally, the purchaser will be obliged to take over the employment of existing staff, whose statutory and service-related employment rights will be maintained. Certain activities can only be carried on under licences or other statutory consents, approvals and certificates and their continuance or grant on the date of transfer or renewal is an explicit assumption in our valuation.

As with all properties valued by reference to trading potential, valuations are vulnerable to external influences and the introduction of competition. The trading valuation is inextricably linked to the performance of the national economy.

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Unless stated otherwise within this report, our valuation assumes that the Property is open for business and trading at the valuation date. The valuation of the Property is as a fully-equipped operational entity having regard to trading potential on the assumption that there will be a continuation of trading. Where the property is empty through cessation of trade, or it is a new property with no existing trade to transfer and/or there is no trade inventory, different assumptions and/or Special Assumptions apply as set out in this report. The valuation is of the empty property having regard to trading potential subject to those assumptions/Special Assumptions.

Unless stated otherwise within this report, where provided, vacant possession valuations are of the Property on the basis that it continues to trade, save that the existing operator is no longer involved.

## 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.

## Trading Properties

Items of plant and machinery normally considered as landlord's fixtures such as lifts, escalators, air conditioning, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuation.

Furthermore, a number of items that normally might be regarded as tenant's fixtures and fittings - such as trade appliances, furniture and equipment - as well as soft goods considered necessary to generate the turnover and profit, are included in our valuation of the properties. The vacant possession valuation assumes that Properties are available for sale including all fixtures and fittings. We understand that fixtures, machinery and equipment are either owned, leased or under contract. We have made no adjustment to reflect the net present value of meeting any existing lease contracts in respect of the equipment. Unless stated otherwise within this report, we have assumed that any such leasing costs are reflected in the trading figures supplied to us, and that all trade fixtures and fittings essential to the running of the properties as an operational entity would be capable of transfer as part of a sale of the building, and any necessary third-party consents obtained.

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 Properties are not contaminated and is not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities;
- (c) the Properties possess current energy performance certificates as required under government directives;

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- (d) the Properties are either not subject to flooding risk or, if they are, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

## 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 Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. 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.

## Title, Tenure, Lettings, Planning, Taxation, and Statutory & Local Authority requirements

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

- (a) the Properties possess 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 Properties are 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;

## Valuation Report

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- (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.

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# 2

## General Commentary

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## General Commentary

### General Overview

The Hotel Portfolio subject to valuation comprises two fully operational hotels and three hotel developments with 654 rooms in total. The portfolio is summarised as follows:

Table of Hotel Properties

	PROPERTY	CLASS	CATEGORY	N. ROOMS	LOCATION
A	Vía Castellana	TRADING HOTEL	4*	228	Madrid
B	Eurostars Lucentum	TRADING HOTEL	4*	169	Alicante
C	Proposed Radisson Bilbao	DEVELOPMENT	5*	137	Bilbao
D	Proposed Radisson Seville	DEVELOPMENT	5*	89	Seville
E	Proposed Alma Seville	DEVELOPMENT	5*	31	Seville
			<b>Total</b>	<b>654</b>	

Source: CBRE Hotels & Millenium Hotels Real Estate I, S.A.

### Valuation Dates

The different assets comprising the portfolio have been valued by CBRE on different dates following instructions from the Client. As can be seen below, three of the properties were last valued as of 31 December 2018, whilst two properties were valued thereafter. Any changes in the assets or/and valuations between the valuation dates and the date of this report have not been considered, although we believe the markets where the assets are located have not changed significantly since our valuation dates.

	PROPERTY	CLASS	VALUATION DATE
A	Vía Castellana	TRADING HOTEL	31/12/2018
B	Eurostars Lucentum	TRADING HOTEL	31/12/2018
C	Proposed Radisson Bilbao	DEVELOPMENT	31/12/2018
D	Proposed Radisson Seville	DEVELOPMENT	31/03/2019
E	Proposed Alma Seville	DEVELOPMENT	30/04/2019

### Condition

CBRE Real Estate S.A did not undertake a structural surveys or test the services. We only undertook limited inspections for valuation purposes.

In addition to the above, we have reviewed copies of third parties' Technical Due Diligence reports concerning three of the properties (Vía Castellana, Eurostars Lucentum, proposed Radisson Seville).

We are not aware of any material issues that would impact our valuations.

### Capital Expenditure

Our valuation assumes that there are no outstanding legal claims in relation to historic Capital Expenditures. However, we recommend that you clarify this point with your legal advisers. We reserve the right to review our valuations should any further information become available.

No future Capital Expenditure has been considered in the valuation of the two operational hotels, Vía Castellana and Eurostars Lucentum, as per the information provided. On the

## General Commentary

other hand, development costs for the three developments (proposed Radisson Seville, proposed Radisson Bilbao, and proposed Alma Seville) as provided by the Client, have been considered in our residual valuations of the properties. We have checked the development programs with our Quantity Surveyors, who have given us a desktop opinion of the numbers.

### Environmental Considerations

We have not been provided with an Environmental Survey for any of the subject assets and we have therefore assumed that there are no defects which could impact value. As such, we have assumed that there is no latent contamination that could adversely affect any of the properties subject to valuations. If a detailed environmental survey reveals actual or potential contamination, our valuations may be adversely affected.

Furthermore, we have not been made aware of any asbestos at any of the subject properties. However, it should be noted that the demolition project provided for the proposed Radisson Seville accounts for asbestos removal in the budget. In addition, we understand that the two other developments, which will be subject to significant works, will be free of asbestos by their opening dates.

We have also assumed that all of the Hotels either comply or will comply with current legislation and that any systems which use recycled or reclaimed R22 refrigerant gas have been replaced or adjusted to meet new legislation.

The table below summarises the provided Energy Performance Certificates ('EPC'). No certificate has been provided for the rest of the assets:

	PROPERTY	LOCATION	EPC Rating
B	Eurostars Lucentum	Alicante	C
C	Proposed Radisson Bilbao	Bilbao	D
D	Proposed Radisson Seville	Seville	B <sup>1</sup>

Source: CBRE Hotels & Millenium Hotels Real Estate I, S.A.

<sup>1</sup> We have been provided with an EPC for Building in Plaza Magdalena, which states that the building is currently 'B' rated. No EPC has been provided for the 'Rioja Building'.

Lastly, according to our online queries to the Spanish Ministry of Agriculture, Fisheries, Food and Environment, none of the properties present flooding risk except for the two properties located in Seville. These two properties have exceptional to limited fluvial flooding risk.

### Tenure

We have been provided with copies of the Property Register Extracts ('Nota Simple') for all the assets. Additionally, we have been provided with the title deeds for the two trading assets (Eurostars Lucentum and Via Castellana), thus have confirmed ownership of these properties by Millennium Hotel Real Estate I, S.A.

In the case of the proposed Radisson Seville, we were provided with the title deed related to Millennium Hotel Real Estate I, S.A.'s acquisition of 50% of the shares of Varia Plaza Magdalena S.L., the owning company of the first acquired building ('Plaza Magdalena') from Varia Inversiones Spain, the former owner. However, as at the valuation date, the second building comprising the asset ('Rioja Building') was not in hands of Varia Plaza Magdalena S.L but still owned by a third party, although we were informed that the formal acquisition would follow shortly. Therefore, it is our understanding that during the period between the Valuation Date of that asset (31 March 2019) and the issue date of this report,



## General Commentary

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the acquisition of the second building has been completed and the entirety of the project is in hands of Millennium Hotel Real Estate I, S.A.

In the case of the development in Bilbao, as at the Valuation Date (31 December 2018), the building was still in hands of the previous owner and so was the case for the development of the proposed Alma Seville, valued as at 30 April 2018. We understand that both assets have been acquired by Millennium Hotels Real Estate I, S.A since our valuation, but we have not been made privy to any documents that attest these acquisitions, thus this should be checked by your legal advisors.

For the purpose of our valuations, we have assumed that the freehold properties are free of encumbrances, restrictions or outgoings of an onerous nature other than those indicated to us at the time of our inspections (or to which our attention has since been drawn) which would affect value.

### Town Planning

We have not undertaken formal planning enquiries and have made desk-based enquiries only. Information supplied to us by planning officers is given without liability on their part and therefore we cannot accept responsibility for incorrect information or for material omissions in the information supplied to us.

### Operating Licences and Planning Applications

Where available we have seen copies of the licences and certificates.

With respect to planning applications for the developments, our valuation reflect the situation of these applications as of the different valuation dates. We understand that further steps may have been accomplished since the valuation dates and the date of this report, especially in the case of the proposed Radisson Seville and Radisson Bilbao, but we have not had access to any additional documentation in this regard. Therefore, should any of the conversion projects suffer planning or construction delays, reported values could change and our valuation should be returned to us for updating.

Our valuations are prepared on the assumption that the Hotels comply with all relevant statutory enactments, operational licences, Building Acts and Regulations and that a valid Fire Risk Assessment has been performed (and recommendations carried out) for each trading Hotel and will be carried out upon completion of each development. This should be confirmed with your legal advisors. In the case of development properties, we have made the reasonable assumption that the necessary building and operating permits will be granted on a timely manner.

### Property Expenses

We have deducted the relevant Property Expenses from the Gross Rents as per the contracts in place. Property Expenses mainly include Property Tax (IBI), Insurance, and Other Fixed Charges (community, etc.).

We have been provided with Property Tax Receipts (IBI) for 2018 for all the Hotels (except that of Eurostars Lucentum which is dated 2017). We have assumed inflationary growth for all the Fixed Charges within our projections, which is standard practice in Spain.

### VAT

We understand that the properties have been elected for VAT.

# General Commentary

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## Operating Structure

The two trading hotels are operated by Hotusa under lease contracts. We have been provided with a copy of the original contracts, which have been used for the purposes of our projections. In addition, we have checked the latest rental invoices prior to our valuation dates. The two contracts with Hotusa expire before the end of our projections. However, we have been informed by our Client that both Lessor and Lessee are willing to extend both leases under similar terms and conditions, thus, we have made the reasonable assumption that this will be the case upon lease termination.

The three developments will also be subject to lease contracts with national or international operators and these contracts have been accounted for in our valuations. In the case of the proposed Radisson Seville and the proposed Alma Seville, we were provided with the signed documents with the operators (Radisson and Alma) as of the valuation dates. With regards the proposed Radisson Bilbao, as at its Valuation Date, the final contract was not signed, thus we based our valuation on a heads of terms. Although we have not been provided with additional information, we understand that the lease agreement has already been signed between the parties under the same terms. Should the terms of any contract vary with respect to conditions as at the valuation dates, we reserve the right to revise our valuations.

## Sub Lettings and Concessions

We have been advised of only two potential sublettings at the proposed Radisson Seville.

We have relied upon the information provided to us and would recommend that this be confirmed by your solicitors.

## Historic Accounts

We have been provided with limited historic trading details for the two operating hotels. We have also been provided with Business Plans prepared by Radisson for the two properties in Bilbao and Seville. In addition, we have been provided with a 10-year Business Plan prepared by Alma Hotels for the proposed Alma Seville.

## Trading Projections

Our Valuations are based upon CBRE Hotels' view of the projected trading at each property. In preparing these, we have taken into account the property's trading history, any changes in supply or demand of which we are aware, the provided Business Plans and the conversations that we had with staff on-site.

For the trading assets, that is, Via Castellana and Eurostars Lucentum, Year One of our Projections commences as at the Valuation Date (31 December 2018). On the other hand, Year One of our Projections for all three developments correspond to their respective opening dates but assume the Hotels are open and trading as at the date of valuation.

Projections cover 10 Years and have been prepared in USALI format. We assume a constant inflation rate of 1.75% throughout projections.

## General Commentary

### Purchasers' costs

The following percentages have been reflected for the calculation of the Net Market Values:

#### Purchaser's Costs

	MADRID	ALICANTE	ANDALUSIA	BASQUE COUNTRY
Stamp Duty	0.04%	0.04%	0.04%	0.04%
Notary Fees	0.03%	0.03%	0.03%	0.03%
Legal Fees	0.50%	0.50%	0.50%	0.50%
Tax ('IAJD')	1.50%	2.00%	2.00%	0.50%
Agent Fees	1.00%	1.00%	1.00%	1.00%
<b>Total</b>	<b>3.07%</b>	<b>3.57%</b>	<b>3.57%</b>	<b>2.07%</b>

Source: CBRE Hotels

### Valuations

We have had regard to the following when calculating the Market Value of the Hotels.

#### Discounted cash flow (DCF)

Under the DCF method, the projected net earnings for the hotel over 10 years are discounted back to present day values using an appropriate discount rate. The value of the hotel derived from the capitalised earnings in the 10th year is also brought back to present values. Capital expenditure is built into the cash flow if appropriate.

#### Income capitalisation

This involves capitalising the projected net earnings for the hotel in a stabilised trading year and making allowances for the income shortfall up to stabilisation and any capital expenditure.

#### Market evidence

The value of the hotel is considered in the context of any recent market transactions, with adjustments for location and quality.

We detail in each valuation the capitalisation and discount rates applied along with any other highlights.

#### Residual Site Value

Under the residual valuation methodology, the net value of the completed scheme is calculated from which the development costs, including fees and profits, are deducted to leave a gross site value. This site value is then compared with similar site values/units to ensure it is reasonably saleable at that price in the local market.

The residual valuation method has been used for the three hotel developments that form part of the portfolio.

### Bases of Valuation

We have prepared valuations of the properties on the basis of Market Value assuming a fully-equipped operational entity having regard to the trading potential.

## General Commentary

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Special assumptions have been applied to all the hotel developments. More precisely, we have made the following special assumptions:

- Full planning consent has been granted for the proposed Hotels;
- The proposed Hotels has been completed in accordance with the plans and specifications provided and is open and trading as if complete.

### Analysis of Market Evidence

In determining an appropriate yield to apply to the respective properties a number of sales have been considered, each providing varying degrees of comparability.

We have also discussed the capitalisation rates applied to the valuations with our brokerage team, taking into consideration recent single asset and portfolio transactions, investor sentiment and demand for assets within the subject portfolio.

### Marketability and Potential Purchasers

The portfolio under valuation comprises five hotels operated, or potentially operated, under strong brands, well-located in key Spanish markets. It provides a good opportunity to acquire either a portfolio or individual hotels. Its marketability would be positively influenced by the following:

- In general, the Hotels or on completion of development will provide a good room product with a mix of facilities convenient for their specific target clientele, catering from the upscale to luxury markets;
- Two of the assets present in a good condition whilst the other three will be newly built properties, increasing their attractiveness to investors and alternative operators alike;
- All five properties are either subject or will be subject to lease contracts, an operating structure which is appealing for certain types of investors, such as investment funds or family offices. The operators are well-known brands with high awareness plus strong and well-established experience in managing hotels in the subject markets, which increases the attractiveness of the portfolio as an investment opportunity;
- The Hotels are located in markets where there is strong demand underpinning liquidity in the market. Therefore, for an individual sale of the assets, we would expect a marketing period of between 6-9 months, whilst for a sale of the assets within a portfolio sale we would anticipate a marketing period of between 9-12 months, assuming pricing is in line with our recommendations;
- The Hotels are likely to attract considerable interest from a range of parties including Private Equity, specialist hotel funds, high net worth individuals, institutional investors and hotel chains. We expect a great deal of interest from investors with previous experience in the Spanish market, especially those with current exposure in the subject locations and also from international groups looking to enter the Spanish hotel market.