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PARK STREET NORDICOM STRATEGY  
2019



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# PARK STREET NORDICOM

## An overview



Park Street Nordicom owns and manages over 60 properties with 250,000 SQM built up area across Denmark.

The company has a deep history of over 2 decades acquiring properties with significant development potential.

Around 90% of the assets are stable, with around 90% of occupancy level.

In 2018, the company has significantly strengthened its balance sheet with an equity ratio of over 30%, laying the foundation for future growth.

In 2019, Park Street Nordicom seeks to take significant steps towards the following objectives of:

- Building a Real Estate Platform with core pillars:
  - Technology
  - Design
  - Value Enhancement
  - Responsible Ownership
- Focusing on developing scalable strategies and effective management of assets

## FOR THE YEAR 2019 ...

We seek to measure our performance against the following financial targets:

- EBITDA increase to DKK 100m
- Vacancy reduction across Core assets by 50% (20.000 SQM)
- Generate Asset level Return on Equity of over 15%, with Company level Return of Equity of over 12%
- Maintain leverage ratio below 70% / Equity Ratio of over 30%

*The Company is expected to publish its annual report and audited financials in March 2019. The numbers stated in this presentation are unadited estimates for year end.*

The company is expected to reach its stated target EBITDA for year 2018 of DKK 80 to DKK 90 million.

# TECHNOLOGY AND DESIGN

We believe the Real Estate Industry across Construction, Architecture and Building Design, Asset Management and Building Maintenance is poised for a revolution leading to efficiencies across every stream and potentially simplifying the processes. We think this is in the immense interest of owners, tenants and society at large. However, these changes require a significant investment of time and resources in reshaping the existing systems and working closely with the wider ecosystem to incorporate required changes of systems, skills and mindset.

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# AT PARK STREET NORDICOM, WE STRIVE TO SHAPE THE TEAM WHICH SEEKS TO CONTRIBUTE TOWARDS DEVELOPING THE REAL ESTATE PLATFORM OF THE FUTURE.

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The steps taken towards this:

**1** Working with Xplore Markets, a sister technology concern, we are shaping back to front Real Estate Management systems, centered around:

- Digitalization of data, documents & design
- Transparency of operational and financial performance
- Collaborative team approach.

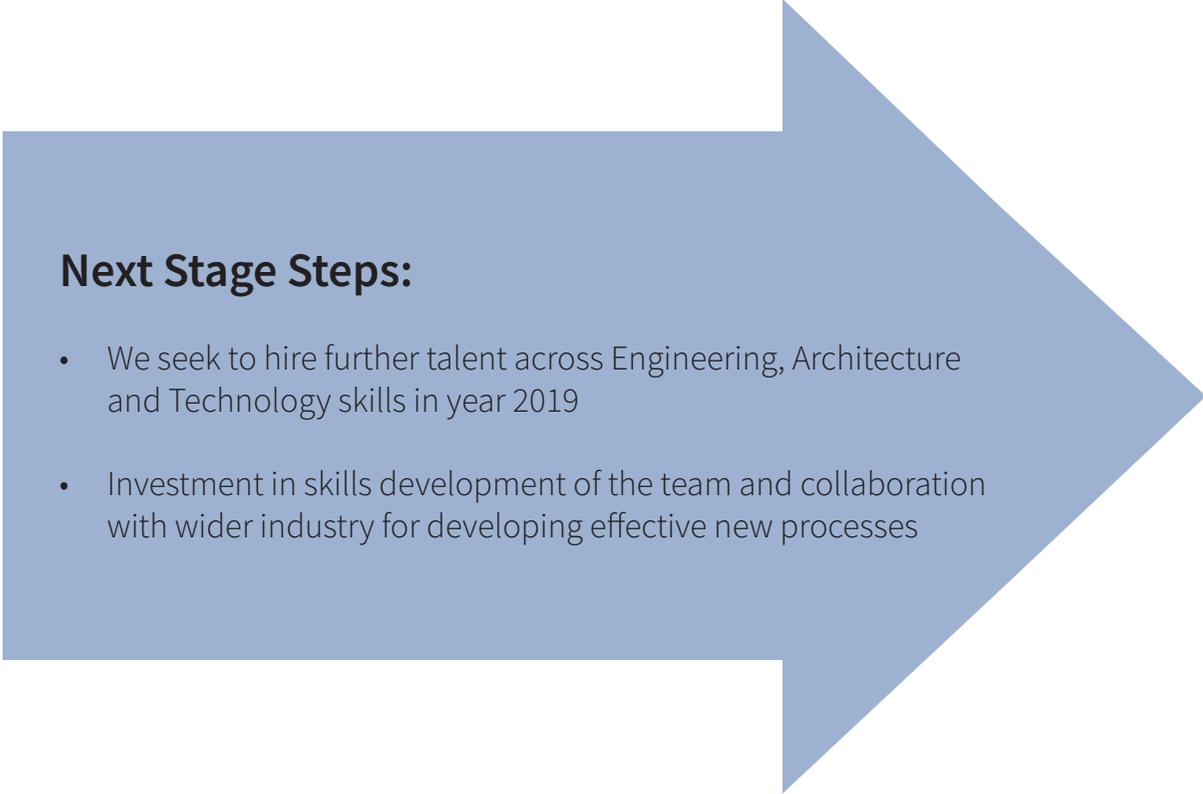
This system is already yielding significant improvements in the bottom line performance. As we scale the assets under management, we expect the operational and central cost efficiencies should improve the operating bottom line by 5% to 10%.

Even though the design and implementation of this system is not without challenges, we expect this to be a core pillar of a scalable real estate management platform.

**2** Park Street acquired Phoam Studio ApS, which is a 10 year old entrepreneurial architectural firm, with a focus on early stage development of assets.

This acquisition seeds the core of our future Design team, with an aim to leverage the developments across:

- BIM (Building Information Modelling)
- Scalable Modular Construction design
- Smart & Sustainable Building designs
- Newer technology platforms, international team and partnerships with external parties with cutting-edge skills



### **Next Stage Steps:**

- We seek to hire further talent across Engineering, Architecture and Technology skills in year 2019
- Investment in skills development of the team and collaboration with wider industry for developing effective new processes

With close to 25 assets in our portfolio with significant development potential, Park Street Nordicom should benefit from investments across technology and design teams. There is a close collaborative work with several municipalities in shaping the local and municipal plans which should positively impact our asset portfolio. Some of the examples are highlighted later.

# VALUE ENHANCEMENT

## KEY DRIVERS

### IMPROVE THE EFFICIENCIES OF OPERATING PERFORMANCE

- By digitising all contracts with clear identification of Landlord and Tenant responsibilities,
- Working closely with professional platforms like ISS for building maintenance and services
- Developing disciplined internal processes for effective property management

While these changes are being implemented, there remain some challenges as this approach varies from the legacy systems and processes, we sincerely believe such a professional and transparent approach will be in the best interest of all stakeholders.

### PROJECT DEVELOPMENT INITIATIVES

We have now initiated early stage development discussions with municipalities across several locations such as Odense, Greve, Copenhagen NV, Ballerup, Aalborg, Ringsted, Næstved and Vejle. The pipeline has a potential for creating close to 100,000 Sqm further built up area over the next 2 to 5 years. We are in advanced stages of planning for a 400 room student housing (See Pulse Tåstrup slide), which could potentially increase the built up area and rental potential for the building by over 100%.

### VACANCY REDUCTION AND LEASE ENHANCEMENTS

With inhouse design expertise, we are now able to have a fresh approach to enhancing the vacant spaces leading to improved rents and rental prospects. We are also working closely with large tenants in our current portfolio, external brokers towards reducing vacancies and improving the lease standards. We expect this to impact in an improvement through close to 50% reduction of vacant space across our core portfolios and few specific improvements in leases via extensions and increased rents.

### CAPITAL MANAGEMENT INITIATIVES

While the balance sheet has been significantly strengthened over the year 2018, in year 2019, we are seeking to further enhance it with several initiative across:

- Refinancing of low LTV mortgages
- Reduction of bank financing with mortgage financing
- External capital partnerships with long term institutional capital partners

This should assist in further reducing our cost of financing while increasing liquidity for future investments. We will also seek to buy back shares in accordance to the Articles of Association of Park Street Nordicom, which corresponds to a maximum of 10% of the Company's class A share capital. We will further explore opportunities to increase the pool of listed shares of Park Street Nordicom.

## ACQUISITIONS

We buy assets which possess some of the following key attributes:

- With a significant potential for improvements in operational efficiencies
- With long-term potential for increasing the value by design and architecture
- With value of real estate trapped in financial challenges

Park Street Nordicom is currently in negotiations for acquisitions of over DKK 250 million value of assets. The Company has recently acquired small assets adjacent or co-located to our existing portfolio.

## DISPOSALS

We seek to sell assets with attributes:

- Stabilised and redeveloped assets to long term capital partners, with an opportunity to continue to manage assets where possible
- Where we are limited in our capacity to create value, due to sub-scale, geographic limitations etc
- Where assets see limited prospect of further value enhancement via our asset management or design capacities

Park Street Nordicom has identified around 10 assets in our portfolio which will be marketed for sale during year 2019.

# FINANCIALS SUMMARY

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# PROJECTED PROFIT AND LOSS

Estimates - not audited



Amounts in DKK 1000s	2018	2019	2020	2021	2022	2023
Gross Rental Income	160.069	161.841	178.025	195.828	215.410	236.951
Redevelopment and sale of assets	4.129	14.125	15.538	17.091	18.800	20.680
<b>Total Income</b>	<b>164.198</b>	<b>175.966</b>	<b>193.563</b>	<b>212.919</b>	<b>234.211</b>	<b>257.632</b>
Property Non Recoverables	-20.080	-20.346	-22.381	-24.619	-27.081	-29.789
Central Costs	-20.502	-23.948	-26.343	-28.977	-31.875	-35.062
Depreciation	-854	-871	-958	-1.054	-1.159	-1.275
<b>Total Cost</b>	<b>-41.436</b>	<b>-45.165</b>	<b>-49.682</b>	<b>-54.650</b>	<b>-60.115</b>	<b>-66.126</b>
Mortgage Interest	-18.253	-17.501	-19.251	-21.176	-23.294	-25.623
Bank Interest	-14.924	-13.220	-14.542	-15.996	-17.596	-19.355
Other Financial results	586	598	657	723	796	875
<b>Total Financial Result</b>	<b>-32.591</b>	<b>-30.123</b>	<b>-33.136</b>	<b>-36.449</b>	<b>-40.094</b>	<b>-44.103</b>
<b>Profit and Loss pre TAX</b>	<b>90.171</b>	<b>100.678</b>	<b>110.745</b>	<b>121.820</b>	<b>134.002</b>	<b>147.402</b>
Corporation Tax (expected 10%)	-9.017	-10.068	-11.075	-12.182	-13.400	-14.740
<b>Profit and Loss after TAX</b>	<b>81.154</b>	<b>90.610</b>	<b>99.671</b>	<b>109.638</b>	<b>120.602</b>	<b>132.662</b>

# CAPITAL STRATEGY

## OPTIMAL CAPITAL MANAGEMENT

- Current Mortgage Debt: DKK 1,290 million
- Current Bank Debt : DKK 299 million (Average Term : 5 years)
- Significant scope for further optimisation:
- 13 assets with of DKK 200 million value have No Mortgage debt
- 23 assets with DKK 1,175 million value have low LTV Mortgage debt
- Reduce Bank Debt with Term Mortgage Debt
- External capital partnerships with long term institutional capital partners for future acquisitions and large redevelopment opportunities
- Buy back of shares in accordance to provisions in articles of association
- Increase pool of listed shares of Park Street Nordicom

# TYPES OF PROPERTY BUSINESS PLANS

## **Core Stable**

Assets which are fully stabilised with minimal vacancy. The focus on these assets for operation improvements which positively impact the NOI

## **CoreAM**

Assets which are fully rentable for stable income with a potential for increasing further value through asset management initiative – the initiatives include design improvements, refurbishments, space expansion and vacancy reduction.

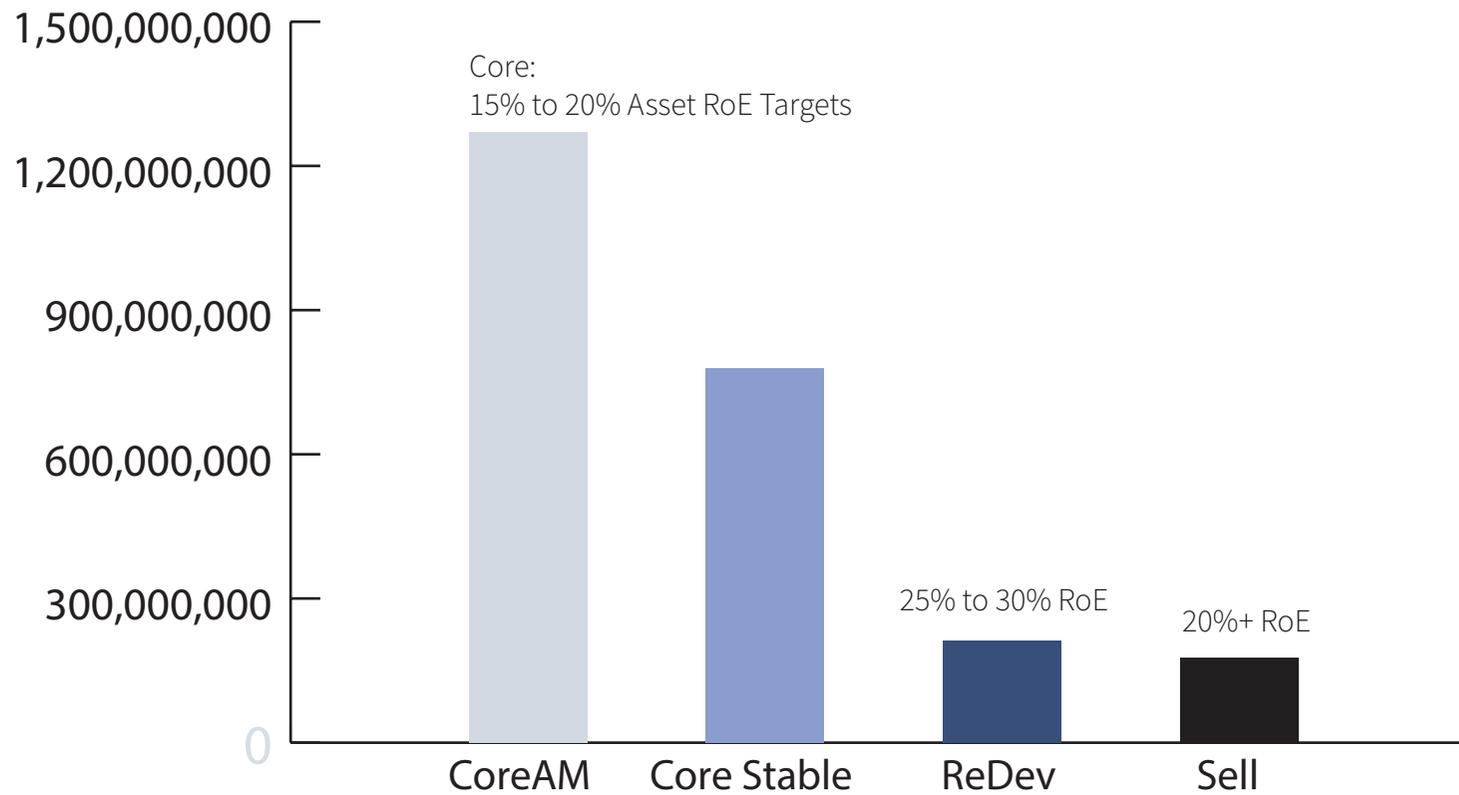
## **ReDev**

Assets categorised for redevelopment, with clear potential for improving value through increased built up area or change of use. The focus here is optimally implement the architecture and design plan working with external development partners

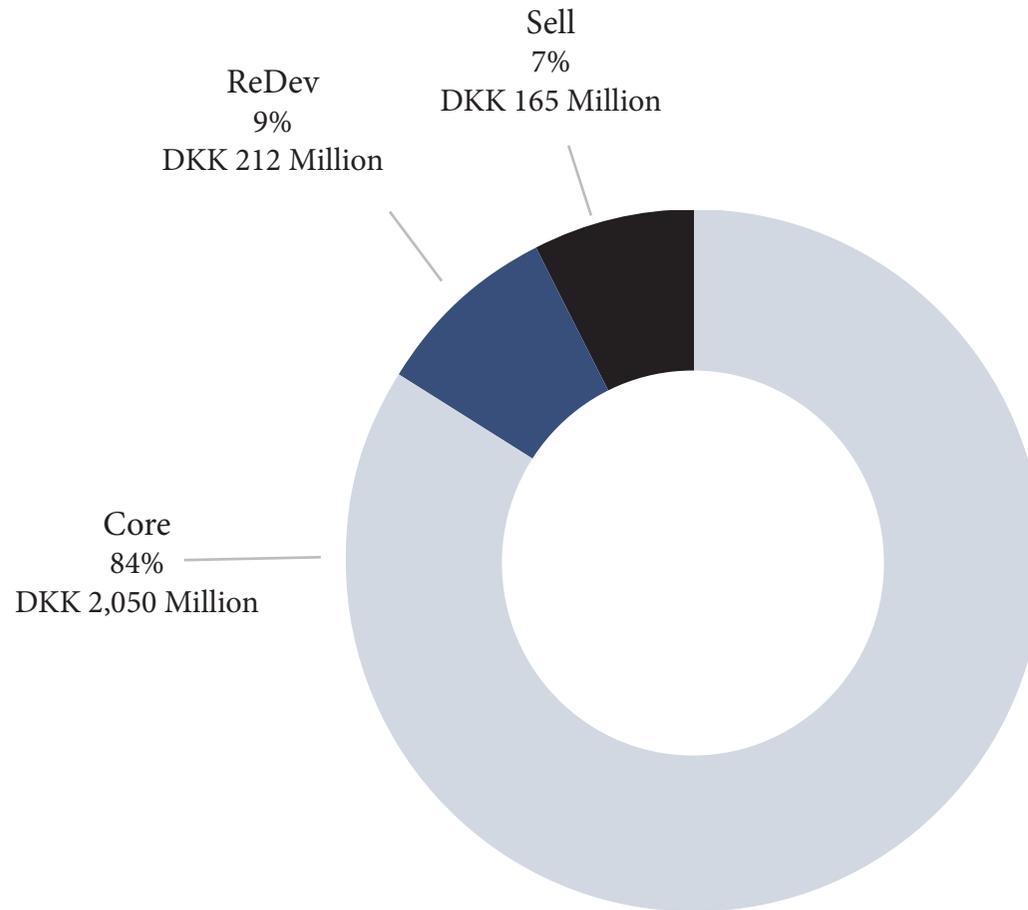
## **Sell**

Assets which are deemed to be suitable for sale, in view of their long term stabilisation or lack of fit with Park Street Nordicom strategy

# PORTFOLIO STRATEGY BY ASSET VALUE (DKK)

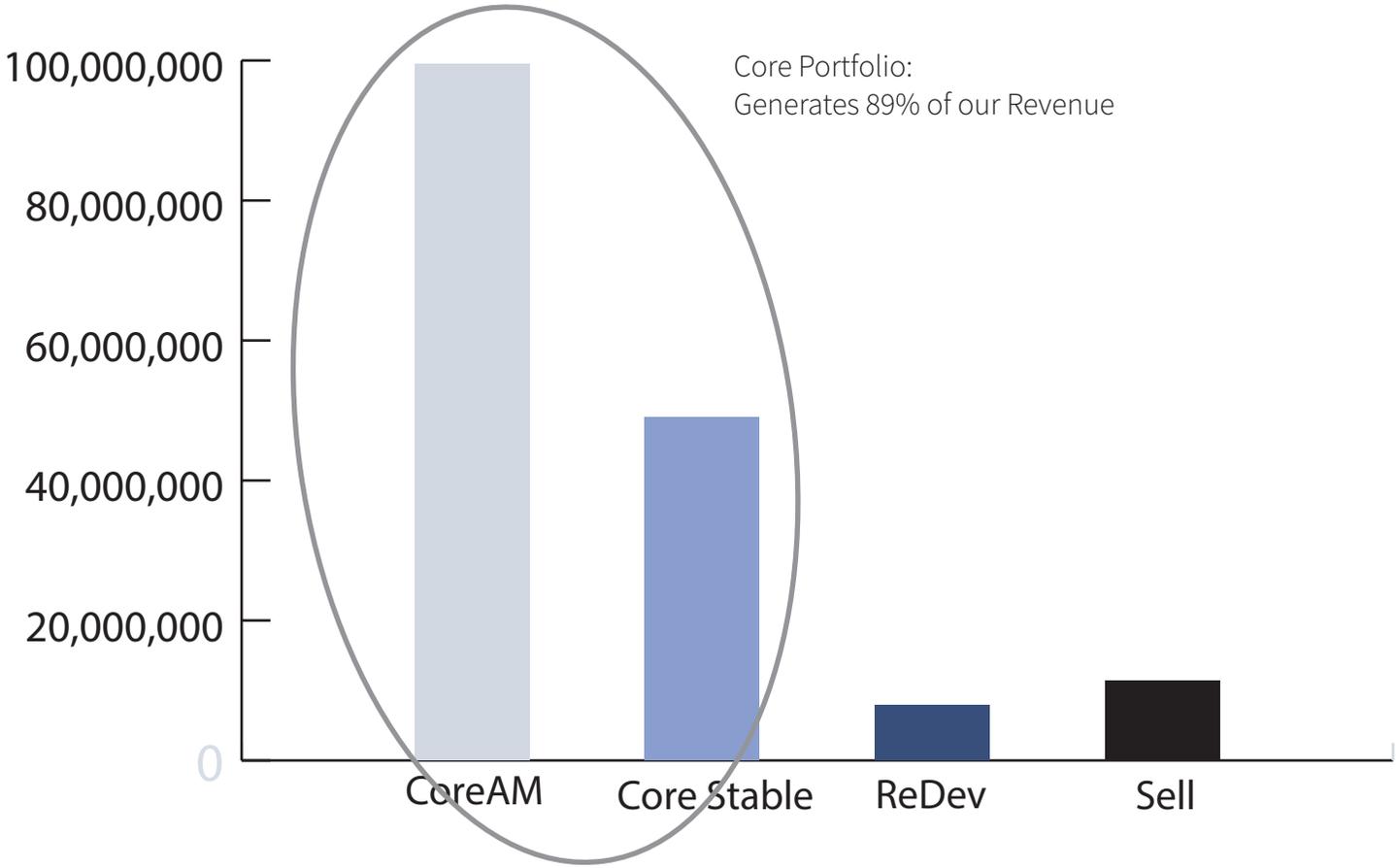


# PORTFOLIO STRATEGY BY ASSET VALUE (DKK)

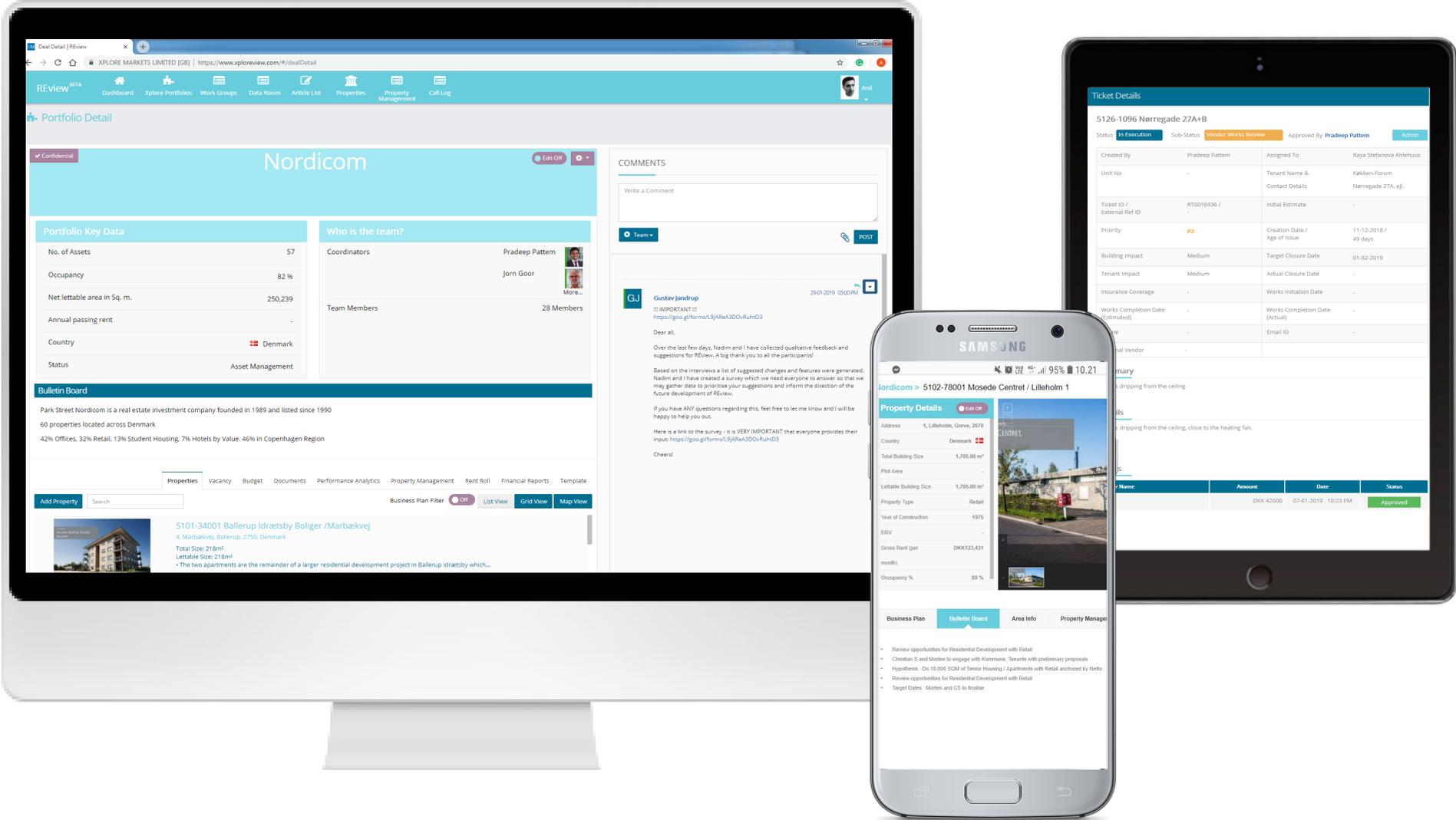


# PORTFOLIO STRATEGY

## CORE KEY DRIVER (DKK)



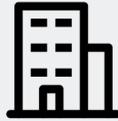
# REVIEW: OUR REAL ESTATE MANAGEMENT PLATFORM



# FUNCTIONS AND SERVICES



Portfolio management and overview



Property management



Analysis of data



Budgeting



Call log for tenant communication

[Rent Roll](#) | [Units](#) | [Vacancy](#) | **[Budget Data](#)** | [Performance Analytics](#)

Search  [Create Budget](#)

Budget Year	Budget Name	Creation Date	Created By	Status
2019		10-01-2019	Anil Popli	Draft

[Budget Notes](#) [Edit Off](#)

Budget: 2019  Draft  Anil Popli  10-01-2019

Projected Rental Income:	DKK6,596,332.84	Projected Rental Income (with_Vacancy):	DKK6,627,930.53	Contribution to OPEX:	DKK1,976,881.55
Total OPEX:	DKK2,189,395.88	Total CAPEX:	DKK0.00	Total Expense:	DKK4,166,277.43
NOI:	DKK6,383,818.51	Total Vacancy:	DKK31,597.69	NOI (with_Vacancy):	DKK6,415,416.20

Property Administration Fee :  Expense Indexation :  Contribution Indexation :   
 NPI :  CPI :

Income

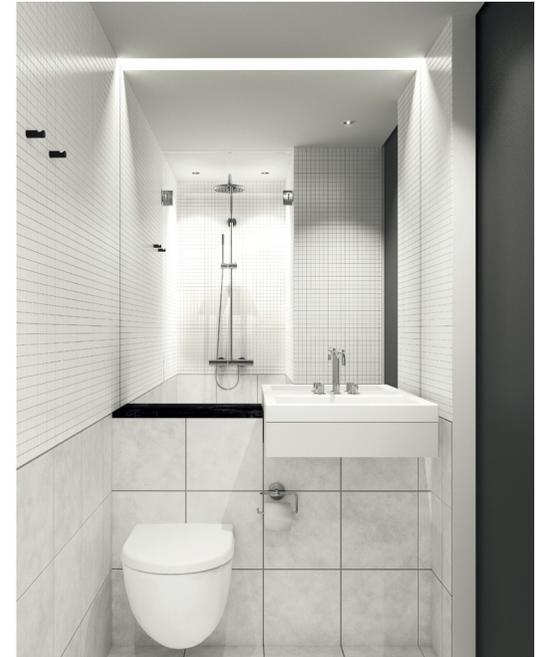
Lease	Size	2016 Actual Rent	2017 Actual Rent	2018 Actual Rent YTD	2018 Budgeted Rent	2018 Expected Rent	2019 Budgeted Rent	Indexation
Basic Rental	35.00	DKK0.00	DKK15,194.74	DKK15,474.27	0.00	15,474.27	DKK15,621.37	0 %
Basic Rent	922.00	DKK0.00	DKK284,898.00	DKK230,524.02	0.00	230,524.02	DKK474,928.92	3 %
Basic Rent	32.00	DKK0.00	DKK15,928.80	DKK16,244.16	0.00	16,244.16	DKK16,743.79	3 %
Basic Rent	40.00	DKK0.00	DKK18,133.80	DKK18,651.00	0.00	18,651.00	DKK19,247.97	3 %
Basic Rent	36.00	DKK0.00	DKK19,306.92	DKK19,859.28	0.00	19,859.28	DKK20,428.69	3 %
Basic Rent	60.00	DKK0.00	DKK28,655.64	DKK29,488.32	0.00	29,488.32	DKK30,359.06	3 %
Basic Rent	32.00	DKK0.00	DKK16,279.80	DKK16,741.32	0.00	16,741.32	DKK17,246.39	3 %
Basic Rent	20.00	DKK0.00	DKK9,930.60	DKK10,201.56	0.00	10,201.56	DKK10,532.33	3 %
Basic Rent	0.00	DKK0.00	DKK0.00	DKK0.00	0.00	0.00	DKK0.00	0 %
Basic Rent	31.00	DKK0.00	DKK17,685.96	DKK18,189.60	0.00	18,189.60	DKK18,772.21	3 %

# SELECTED PROJECTS

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# PULSE LIVING

- Inspiring design led managed student living
- Academic, joyful feel, secure, sense of belonging
- Best in class common facilities and events
- Simplify - for students and for administration
- Partnerships with universities and corporates
- Scalable concept to be rolled out to several properties





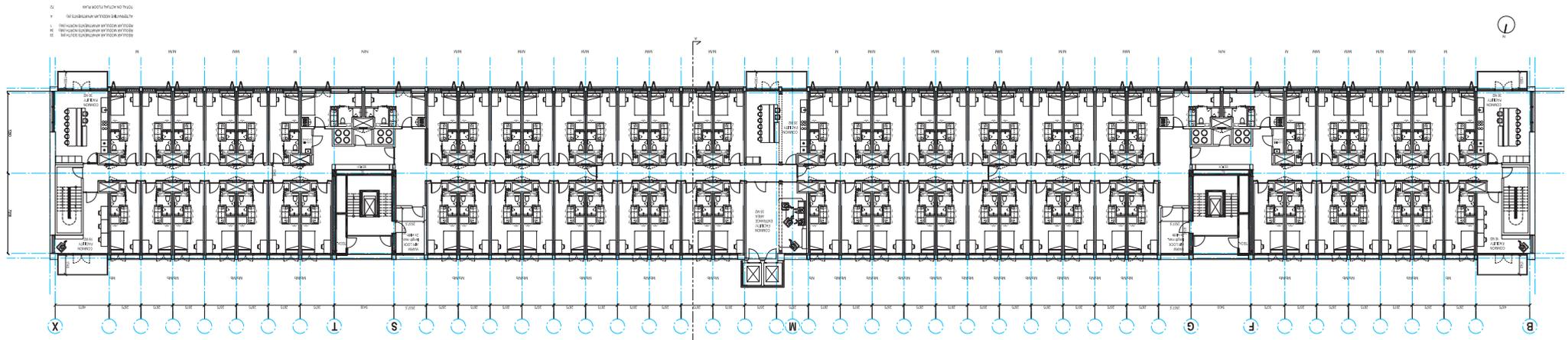
Existing conditions

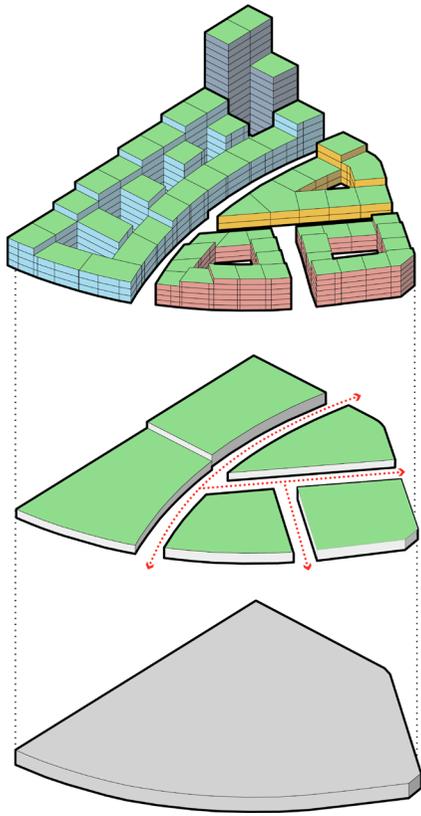
Future conditions



# PULSE T TAASTRUP

- Housing for 400 students
- Modular construction
- Adds 5,000 m<sup>2</sup> to the existing construction

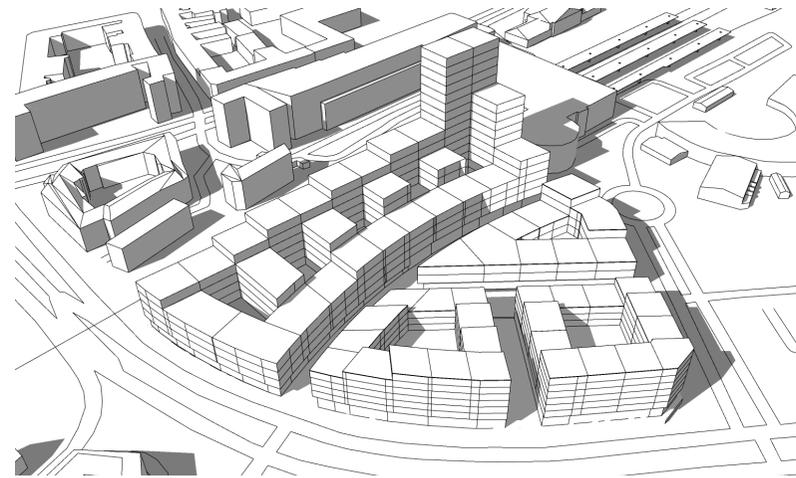




# ODENSE

## DANNEBROGSGADE

- Redevelopment of area around the old Post Terminal
- New part of the city
- Focus on sustainability and livability
- A living and vibrant part of the existing city
- Mixed use -> residential, offices and retail





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