

## Continued focus on developing Castellum's real estate portfolio

One of Castellum's strategies for reaching an overall growth target of 10% involves enhancing the real estate portfolio. This requires annual investments in new construction, extensions and reconstruction of properties in the existing portfolio – actions which often result in higher yield than acquisition investments. In the last 10 years, Castellum has invested SEK 56 billion, corresponding to an average of SEK 5.6 billion per year.

In 2017, Castellum experienced lower activity in the portfolio compared with previous year, and investments totalled SEKm 6,488 (31,491), of which SEKm 3,595 (29,372) were acquisitions and SEKm 2,893 (2,119) were new constructions, extensions and reconstructions. After sales of SEKm 875 (6,754), net investments amounted to SEKm 5,613 (24,737).

The proposal in March 2017 for tax changes regarding real estate transactions created uncertainty and thus had some impact during the year on the transaction market in terms of lead time and negotiations for transaction-related tax rebates.

Castellum carried out several real estate acquisitions and changes of possession in 2017. In February, Castellum gained access to Torsplan 2 in Stockholm and also acquired the property on Torsgatan 26 (Sabbatsberg 24, previously Stockholm Vatten's headquarters), near Bantorget in Stockholm. The latter has a leasable area of 13,000 sq.m. with estimated opportunities for new building rights. Castellum already owns the neighbouring property and plans to join Stockholm City and other real estate owners in the area to create a concept for all of Torsgatan.

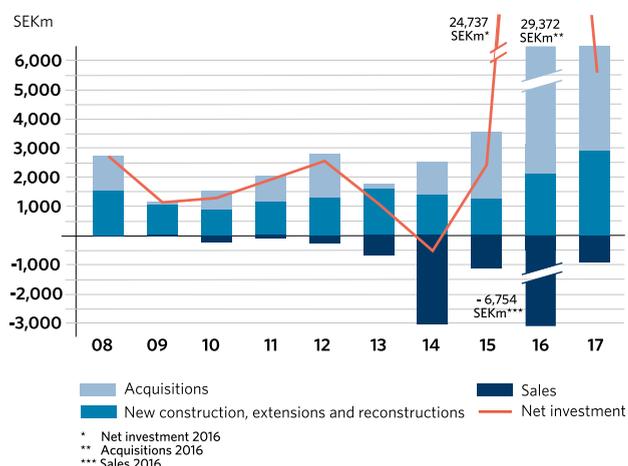
At the end of the year, Castellum was announced winner of Stockholm City's land allocation compe-

tion in Söderstaden – an extensive development area south of central Stockholm. The city-development project is one of Castellum's largest projects and will be carried out in a consortium with real estate companies Wallenstam AB and Åke Sundvall AB. The proposal amounts to approx. 100,000 sq.m, of which Castellum will answer for 30,000 sq.m. of commercial real estate, such as office, hotel and restaurant space. The remaining 70,000 sq.m. are intended for residential buildings as well as new hockey-practice rinks.

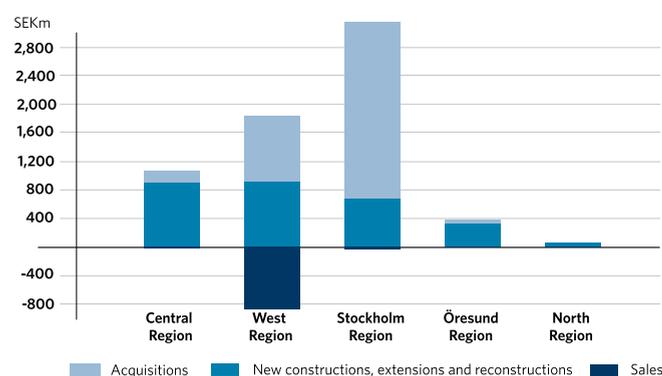
These examples underline that Castellum has the knowledge, the drive and the financing it takes to build further on a strong project portfolio.

Also during 2017, Castellum completed a transaction with Klöver, involving the acquisition of 14 properties in Borås and the sale of 9 properties in Mölndal and Partille. The transaction led to Castellum becoming the largest private commercial property owner in Borås, and the company's portfolio in Borås increased by approx. 80% to about 185,000 sq.m, equivalent to a property value of SEKm 479. The transaction meant that Castellum left Partille, and the Mölndal portfolio was reallocated through the selling of offices. In the future, investments will instead be made for new projects with favourable growth conditions in the

Investments and sales per year



Investments and sales per region



**GENERAL SUSTAINABILITY PROGRAM FOR NEW CONSTRUCTION AND RECONSTRUCTION**

Procurement < SEKm 10

Generally, the following items are required: Code of Conduct, sustainability policy, environmental management system, waste plan, environmental plan, an Environmental project manager and energy-efficient product choices - such as LED lighting and A-certified goods. All of this presumes the selection of sustainable building materials from both environmental and health perspectives, according to the assessments of the organization created for specifically this purpose: *Byggarbedömningen*.

**COMPREHENSIVE SUSTAINABILITY PROGRAM FOR NEW CONSTRUCTION AND RECONSTRUCTION**

Procurement > SEKm 10

- Miljöbyggnad level Gold\*
- Choosing renewable energy sources
- Healthy indoor climate and carefully prepared moisture work
- Sustainable building materials
- Nearly zero-energy buildings\*
- Always investigate the WELL health certification \*\*
- Create a more attractive building through artistic decoration. Engage local artists in projects\*\*
- Install solar cells\*\*
- Investigate the possibilities of outdoor offices according to Castellum's WorkOut concept\*\*
- Create inviting stairwells\*\*
- Energy-efficient and environmentally-friendly construction sites
- Fossil-independent vehicles at construction sites
- Reconstruct, recompose and increase amount of ecosystem services
- Climate-risk management
- Incentives for entrepreneurs to create job opportunities in projects

\* Miljöbyggnad level Gold applies to new construction or reconstruction of office or retail premises. Lower certification levels may only be used if there are special reasons why Gold cannot be achieved.

\*\* Only applies for construction of office premises

nearby Åbro area. At the end of the first quarter, Castellum also completed transactions with Wallenstam, in which Castellum acquired two properties in Gothenburg as well as an office building-right, while selling two properties in Kallebäck and Mölnlycke centre, respectively. These transactions corresponded to a property value of SEKm 335.

In addition, a number of major construction projects were initiated during the year; for example, the construction of Eminent - a unique office building in the Hyllie district of Malmö - began in May 2017. Eminent is the first property in the Nordic region to be registered for certification according to the WELL Building Standard, a new international building standard that takes responsibility for people's well-being in working life. The investment is estimated at SEKm 353, including land acquisition. Castellum also started the construction of a logistics building in the Gothenburg port area - part one of a venture that enables the establishment of large-scale logistics premises and supports the expansion of the Port of Gothenburg. The investment is estimated at SEKm 220, including land acquisition. During the year, the investment in the construction of a new car showroom and other commercial premises began in Smista Allé, Huddinge. During the 21<sup>st</sup> century, this area has been rapidly developing into Stockholm's leading car dealership cluster. The investment is estimated at SEKm 334.

**Sustainable investments**

By directing Castellum towards more sustainable investments, we don't only take into account our own impact on the environment. Our approach also contributes to making the buildings more attractive for our stakeholders, reducing property management problems and costs, and facilitating closer monitoring.

All Castellum investments are made from a sustainable perspective. Each investment issue is scrutinized by the Group's Head of Sustainability and must be approved from a sustainability perspective. These criteria are included in the planning stage, follow the entire project life-cycle

and, in the next step, become a natural part of daily management. In recent years, Castellum has worked with sustainability issues in connection with new construction and larger reconstructions. In 2017, the Group's joint sustainability program was further developed and divided into two different levels: investments < SEKm 10 and investments > SEKm 10. Castellum environmentally certifies all new constructions and larger reconstructions. If the projects are office and retail premises in Sweden, they have to be certified according to Miljöbyggnad, level Gold. A lower certification level may only be used if there are special reasons why Gold cannot be achieved. New projects in Denmark are to be certified according to BREEAM, level Excellent.

Castellum owns the highest number of environmentally certified properties of the Swedish listed real estate companies, and a total of 29% of Castellum's 676 buildings (1,269, 000 sq.m.) are environmentally certified. Castellum currently owns 78 of Sweden's 376 Green Building-certified buildings.

**Development of Castellum's cities**

For Castellum, as a long-term real estate owner and urban developer, it is important to contribute in various ways to sustainable urban enrichment through the development of new and existing areas. Collaboration also takes place within approx. 309 city networks and corporate associations to develop both the districts in which Castellum operates as well as actively engaging in other social activities in our cities.

We also cooperate continuously with other parties to push development, share knowledge about new technologies and exchange experiences. Castellum is, for example, a member of the following organizations: EPRA Sustainability Committee, GRESB Benchmark Committee, The Energy Agency's Beställargrupp för lokaler (BELOK), CMB at Chalmers University of Technology, and Sweden Green Building Council. In addition, the company cooperates closely with local energy companies and sanitation companies, as well as universities and colleges.