

**Deventer, the Netherlands, 2 November 2016**

### **Arcona Property Fund expands and sets new growth targets**

**Arcona Property Fund N.V. (the Fund), an investment fund that invests in commercial property across Central Europe, has set out new growth targets following its acquisition of a retail property portfolio in Poland. The Fund will aim within three to five years to deliver an annual dividend return at a level of 8% and to grow in volume to ca. € 500 million.**

The Polish acquisition comprises a portfolio of 11 neighbourhood shopping centres in ten regional cities. The net purchase price will be €25.9 million with an initial net annual income of € 2 million. On 31 October the Fund published the planned financing structure for the acquisition ( see below under “Timing and Financing”)

The 11 assets in the target portfolio were built between 2001 and 2009 and are located in Lodz, Gdansk and 8 other major regional centres. Total net lettable area is 22,897m<sup>2</sup>, of which the majority is occupied by substantial food retailers such as Piotr and Pawel, Biedronka and Tesco. Guy Barker, Director of Arcona Capital, commented “With this acquisition in Poland the Fund is taking a strategic position in Central Europe’s largest real estate market. It is a crucial step in establishing the Fund as the benchmark quoted real estate vehicle in the region, offering both private and institutional investors an attractive dividend yield”.

#### **Impact on the portfolio**

The acquisition of the portfolio will have a substantial impact on the following parameters of the Fund:

- Total volume grows to €83.7 million
- Occupancy rate increases from 78.2% to 82.6%
- Geographical spread improves to: 34% Poland, 46.5% Slovakia and 19.5% Czech Republic ( 25 properties in total)
- Sector spread improves to: 49% offices, 35% retail and 16% other ( mainly student accommodation)

#### **Plans following the acquisition**

The Fund has now set out clear and specific targets to be met following completion of the Polish acquisition:

- A steady increase of the dividend yield, to 8% per year within a 3-5 year timeframe.
- In the long term, to reach a Fund size of €500 million, with between 30 and 50 assets.
- This to comprise a geographical allocation of:
  - Poland: 40% (€200 million)
  - Czech Republic: 20% (€100 million)
  - Slovakia: 10% (€50 million)



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- Other countries in Central and South-Eastern Europe (Romania, Bulgaria, Serbia, Croatia, Hungary): 30% (€ 150 million)
- The growth in volume is to be achieved by the acquisition of modern high-yielding commercial property across the region in individual deals and portfolio purchases.
- Loan to value to be maintained between 45% and 50% including convertible bonds

### **Timing and financing**

The acquisition of the Polish retail portfolio will be financed by (a) a senior loan from Raiffeisen Bank Poland of € 10.5 million (freehold assets), (b) a rights issue of € 8.6 million, (c) a convertible bond placement of € 3.5 million and (d) a Vendor's loan of € 4.7 million (leasehold assets).

The purchase price of the 11 assets is € 25.9 million. The external valuation as at 1 October 2016 by CBRE was € 27.2 million.

The € 3.5 million of convertible bonds were sold through a private placement. These bonds have a term of five years and a coupon of 6.5% per year, payable half-yearly.

The rights issue, which is fully underwritten, commenced on 31 October 2016 ( see separate press release).

The Fund expects to complete the acquisition of eight of the shopping centres in December 2016 and the remaining three by 31 March 2017.

**Press Release ends**

### **About Arcona Property Fund**

Arcona Property Fund N.V. invests in commercial property in Central Europe. Shares of the Fund (ISIN-code NL0006311706) are tradeable daily via Euronext Amsterdam as a closed-end investment fund. The ticker code is ARCPF.

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