

# RIVA

## INVESTOR CLUB

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Cities on the move

# 2021



# WHAT IS RIVA ASSET MANAGEMENT?

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## WELCOME TO THE RIVA INVESTOR CLUB

Riva Asset Management (“Riva”) is a pan-European real estate investment firm. Our team has the qualifications, drive and relationships to capture the value of tomorrow. Riva’s management has achieved above average returns for over two decades, including in a recessionary environment.

At Riva we care about wealth preservation and long-term relationships. We provide our clients with curated real asset investment solutions whilst our investors chose which deals to invest in and how much to invest in each deal, without long term lockups.

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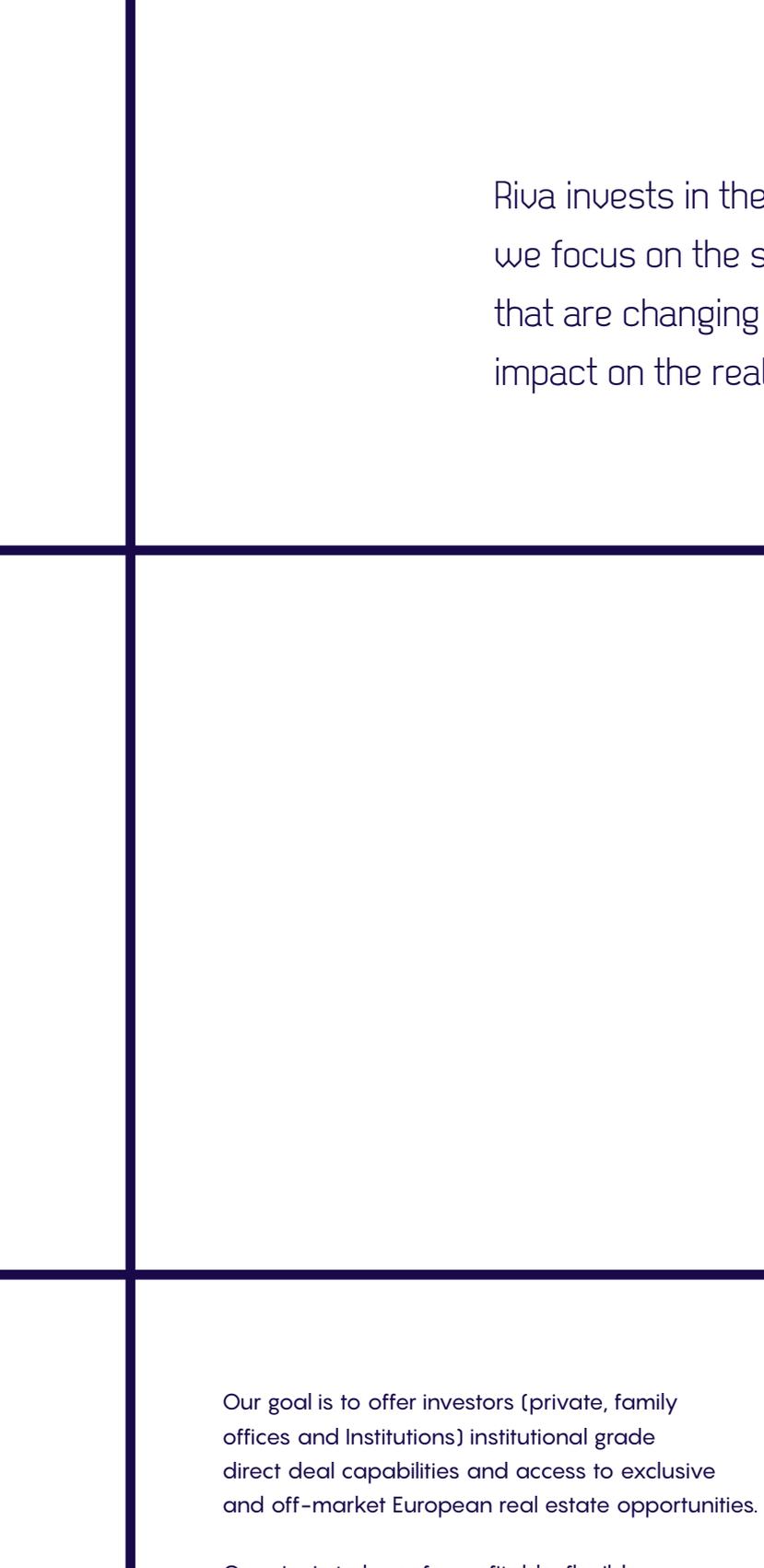
<sup>1</sup> Please see Appendix

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# PURPOSE OF THE CLUB

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Riva invests in the real estate of tomorrow:  
we focus on the socio-economic factors  
that are changing our way of living and their  
impact on the real estate dynamics of our cities.

Our goal is to offer investors (private, family offices and Institutions) institutional grade direct deal capabilities and access to exclusive and off-market European real estate opportunities.

Our aim is to be safe, profitable, flexible and sustainable, whilst providing a transparent and responsive service to each investor.

We aim to address the increasing wish of investors to remain in control of their investment decisions. We want our investors to choose a deal because they believe in the underlying deal itself, not simply in us as managers. We therefore allow our investors to choose which deals to invest in and how much they want to invest in each deal, within a soft commitment strategy.



# OUR FOCUS IS THE FUTURE

“The office is becoming more like a house and the house more like an office. One of the most important functions of space in future will be flexibility.”

**“We invest in the real estate of tomorrow”**

We are in the middle of a new industrial revolution. real estate lags behind other industries and this creates known “blue ocean” opportunities.

Examples include new life cycles, co-living and other living strategies, edge data centers, quick commerce, dark kitchens, self-storage, dark stores, health & wellness innovation and mall-to-mixed concepts / operator models.

These themes are not only, **essential for the world of tomorrow, but they also perform in downturns, are profitable and are growing at double-digit rates**

We purposefully focus on these alternative real estate uses, rather than having them as an afterthought. We strive to fully understand these new business models in order to provide them with strategic real estate solutions.

**“what we look for as investors are the next ecosystems being created”**

Riva invests with an eye for sustainability and ESG, which are often incorporated into the underlying operating model. We want to hold assets that are going to be resellable in the future and that will be perceived favorably by both occupiers and buyers.

In an investment climate defined by excess liquidity, inflated equity prices, low interest rates and the risk of inflation, it is essential to allocate funds to real

assets. The definition of a safe asset is changing rapidly and fundamentally. To put this into context,

**“a shopping mall, an office building or a retail store were yesterday’s heroes and are today’s villains.”**

Emanuele Boni, Chairman of Riva

Many will become obsolete or less profitable. In other words, **valuable real estate of “yesterday” will not necessarily be the valuable real estate of “tomorrow”**. It’s our job to ensure these assets are rethought and redeveloped to match the needs of future businesses and consumers.

We look to identify these demographic & lifestyle trends to capture today’s hidden alpha.

It may be inherently obvious that investing in the future is safer than investing the past. But we feel that many real asset investors are not as pragmatic as their venture and private equity peers.

**“we see an opportunity where other people see a problem.”**

Filippo Buffa, CIO of Riva

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# RULES OF THE CLUB

## 1. CHOOSE YOUR ALLOCATION:

Club investors indicate their estimated real estate allocation for European real estate deals ("Allocated Investment Amount", or "AIA") over a **three-year period**, for example €20 million. The minimum AIA is €2 million; the recommended amount is €10–20 million in order to have a good diversification over four or five investments.

## 2. NO RISK:

There is **no commitment fee** payable for the first five investments presented or the first year of participation and **no obligation to invest**.

## 3. CHOOSE YOUR DEALS:

Choose the deals you want to invest in, based on three broad categories of deals/risk profiles:

- **SAFE:** existing assets with existing cashflows that can be optimized, for example a retirement home or an hotel with an expiring management contract that can be optimized.

**IRR normally 5–9%, low risk, immediate cashflow**

- **VALUE ADD:** Existing assets that require optimization or refurbishing: conversion of a hotel into co-living, an office building into apartments, finishing a defaulted project from a developer, etc.. For these deal types there is a short J-curve since there is low planning risk and no greenfield risk.

**IRR normally between 10–15%, medium short J curve (1–3y)**

- **DEVELOPMENT:** These deals require some or all of the following: rezoning of land, planning approvals, greenfield construction, demolition and reconstruction, etc... They offer the highest returns for investors but also the longest holding period and a higher execution risk (planning, J-curve, construction) . The key here is to fully understand and manage risk correctly.

**IRR normally 15%+, higher risk (normally 3y+ before cashflow)**

**Full optionality:** You can choose to receive deals in any or all of the three above categories and exclude deals that do not match your investment appetite.

## 4. WE CHECK IT FIRST:

Opportunities will be filtered by Riva's experienced **Investment Committee** before they are submitted to you, to ensure quality and coherence.

## 5. REVIEWING OPPORTUNITIES

### IS EASY:

We send investment opportunities in a **standardized memo format** to facilitate review. Additional information is available on the Riva intranet and the team remains at the investors' disposal for in-depth questions.

## 6. COOPERATION:

At times, we may invite an institutional investor to co-invest with us, to avoid putting excessive financial pressure on our Club members.

We will also seek to offer Club investors an opportunity to invest in larger institutional deals by reserving a pocket of capital for the Club.

## 7. FLEXIBILITY IS KEY:

Once an investment memo is received, you should indicate within two weeks whether you are interested or not. This is a **'soft commitment'**. If you are interested you should indicate what commitment you would like to take. Riva will facilitate this by indicating a minimum/proposed allocation and you can select your preferred allocation with some flexibility. Once your commitment has been earmarked, you will not be expected to finalize your commitment until diligence is completed and the IC has signed off on the deal. The investor will have the opportunity to review these details during and after the DD process, to ensure full alignment on commitment at the time of closure.

## 8. SAFETY FIRST:

Each transaction will always undergo **full DD with external advisors** and go through our **risk officers** before the deal is signed. The results will be summarized for you before signing the final commitment.

## 9. WE MAKE IT EASY FOR YOU:

We use simple but effective tax structures to facilitate investment from different geographies and we can help you to set up ad hoc vehicles if necessary. We want to make it as easy as possible for you to invest.

## 10. FAIR ALLOCATION:

Should there be excess demand for a deal, allocation will be managed fairly on a pro rata basis, according to the soft commitment amounts for that deal.

For example, if there are three investors that committed €10, €20 and €30 million respectively for a deal that requires €50 million in equity, the allocation will be reduced pro rata, based on the committed amounts: so 1/6 each. From €10mm to €8.3mm; from €20mm to €16.7mm and from €30mm to €25mm.

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<sup>2</sup> Other fees such as acquisition fees, asset management fees, development fees, etc., may be applicable based on the nature of the particular deal. These will be clearly explained in the relevant investment memo.

## 11. ALWAYS A HURDLE RATE:

We believe in the alignment of interests with investors. To protect your returns we apply a hurdle rate that varies from project to project. To be fair we apply a catch-up. We normally aim to have a 4-5% hurdle rate for SAFE projects and a 7%+ hurdle rate for VALUE ADD and DEVELOPMENT PROJECTS.

## 12. REASONABLE & FAIR FEES <sup>2</sup>:

The fees vary according to the investment type/ project but they aim to be fair and at or below the market standard, never above it. In order to reward your trust we will not charge commitment fees for the first five investments / first year of participation, so that you can experience the value of the Club. Standard management fees on invested amounts and performance fees are:

- **SAFE:** asset management fee for five years (on a deal-by-deal basis), and performance fee based on exit valuation after five years, allowing investors to hold if preferred.

- **VALUE ADD:** 1.5% p.a. management fee and 20% > 7% IRR performance fee.

- **DEVELOPMENT:** 1.5% p.a. management Fee and 20% > 7% IRR; 25% > 25% IRR, 30% > 30% IRR performance fee.

## 13. REPORTING:

We report quarterly, in a simple and informative manner and we are always available to answer any question you may have.

## 14. AVOIDABLE RISKS:

We use leverage when we can, of course , but almost never more than 70%<sup>3</sup> and in most cases our leverage ranges between 50% and 60%.

## 15. PREFERENTIAL ACCESS:

Club Investors will have preferential access to all Riva transactions and off-market deals and will be able to allocate deal-by-deal, based on their AIA.

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<sup>3</sup> Sometimes we can use investor capital to promote loans from institutions such as insurance companies or pension funds looking for yield in a low interest rate environment, which are willing to provide significant leverage with exceptional returns for investors. This will be clearly highlighted in the investment memo if it is the case.



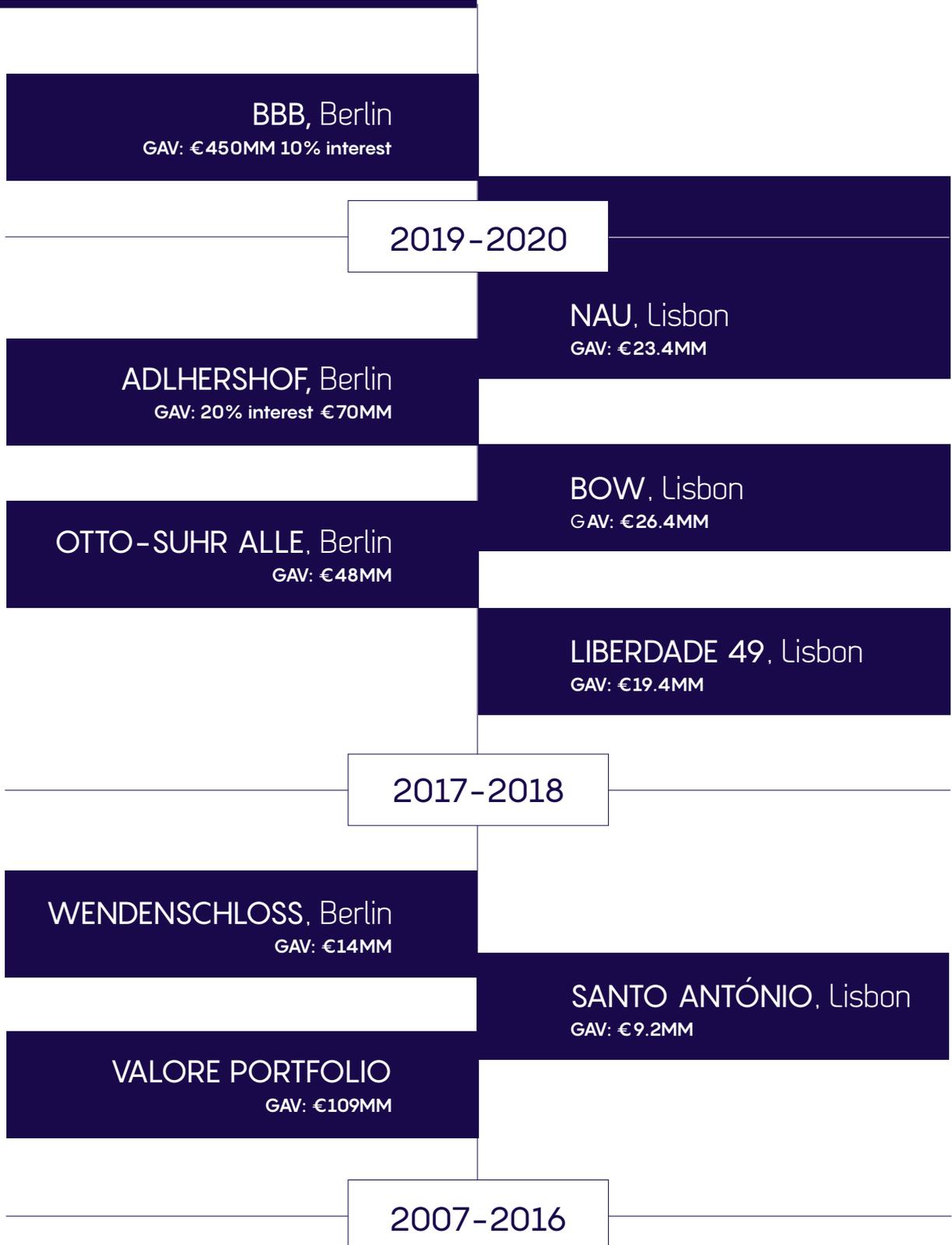
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# INVESTMENT HISTORY

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# GERMANY

# PORTUGAL





# PORTFOLIO

# GERMANY

CURRENT PROJECTS UNDER MANAGEMENT

## BERLIN: ADLERSHOF

Mall-to-mixed urban regeneration project



- Demolition and redevelopment of a shopping mall into a state-of-the-art residential property with a high-street retail component.
- The asset is located in Adlershof, Treptow-Köpenick district in the south east of Berlin.
- The plot is located in a residential zone of Adlershof with very good connections to public transport (Adlershof S-Bahn station).
- The current business plan envisages the demolition of the current building of 8,500 sqm and construction of a brand new building of 23,000 sqm.

GROSS CONSTR. AREA

**23.000 sqm**

USE

**RESIDENTIAL & RETAIL**

INVESTMENT

**€70M**

TARGET RETURNS

**IRR: 32% EQM:2.1X**

EXIT DATE

**2Q2024**

# BERLIN: SOUTH-EAST

Urban planning on a grand scale



- Completed acquisition of adjacent land plots in Berlin to achieve full planning consent and sell the plots to residential developers.

- The plots are located in the Treptow-Köpenick, around Spathstrasse between the Britz and the Teltow canals.

- According to the Berlin Senate, by 2030 an additional 200k housing units need to be built.

- Under the current planning status (preliminary concept), the project can accommodate approximately 2,700 units, helping to reduce the shortage of housing in Berlin.

GROSS CONSTR. AREA

**350.000 sqm**

USE

**RESIDENTIAL, RET. & OFF.**

INVESTMENT

**€900M**

TARGET RETURNS

**IRR: >20% EQM:>2.3X**

EXIT DATE

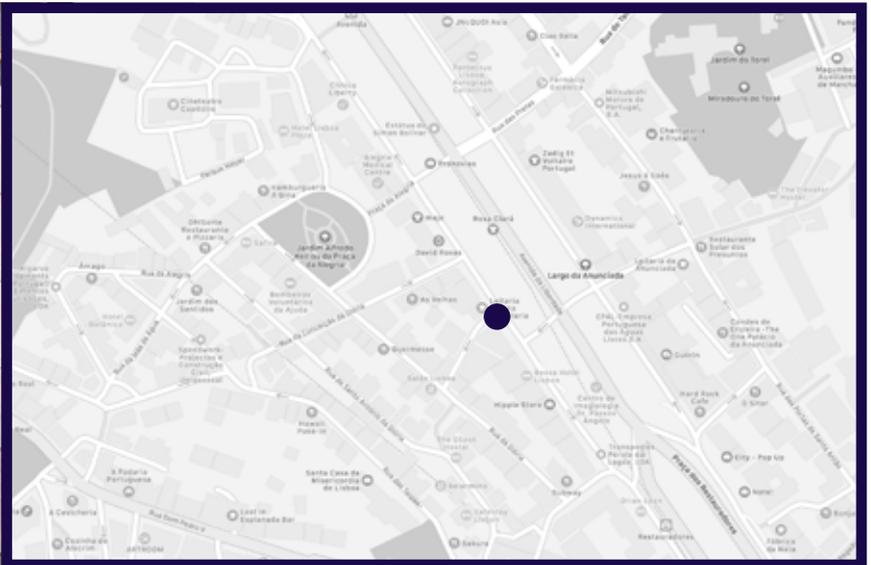
**1Q2027**

# PORTUGAL

CURRENT PROJECTS UNDER MANAGEMENT

## LISBON: LIBERDADE 49

Urban regeneration: office to luxury residential



- Conversion of an existing office of 3,200 sqm into high-end residential units for sale.
- The asset is located in Av. Liberdade, one of the best and most sought after residential areas in the centre of Lisbon.
- The current business plan envisages clearing the office space and a full conversion into high-end residential property/residential units.

INVESTMENT

**€19.4MM**

TARGET RETURNS

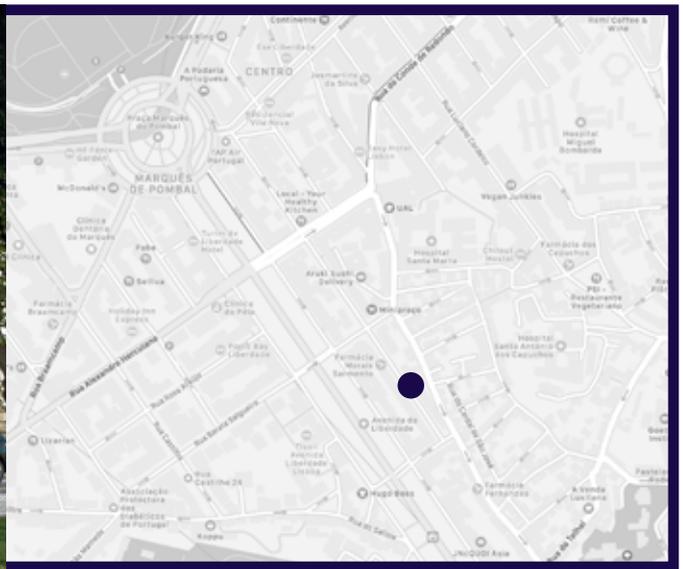
**IRR:20.8% EQM:1.5X**

EXIT DATE

**2Q2022**

# LISBON: BOW

Urban regeneration: office to Luxury residential



- Conversion of an existing office space of 4,000 sqm into high-end residential units for sale.
- The asset is located in one of the most sought after neighbourhoods of Lisbon, Santo Antonio, next to Lisbon's prime shopping street, Av. Liberdade.
- The business plan envisages terminating current leases, clearing the asset and renovating the whole building. The property is in excellent conditions, thus reducing the time and costs of a conversion.

## INVESTMENT

**€26.4MM**

## TARGET RETURNS

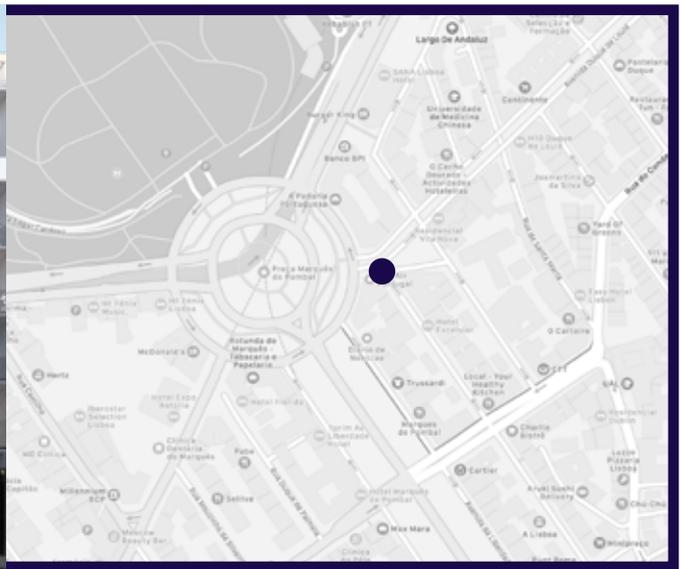
**IRR: 18.6% EQM: 1.5X**

## EXIT DATE

**2Q2022**

# LISBON: NAU30

Urban regeneration: office to luxury residential



- Conversion of an existing office of 4,100 sqm into high-end residential units for sale.

- The asset is located in the Santo António District, next to Avenida da Liberdade and between Marquês de Pombal and Rossio, the two main squares of Lisbon.

- The business plan envisages the conversion of the office into high-end residential lofts. The first of its kind in central Lisbon. Construction work tendered in March 2020.

INVESTMENT

**€23.4M**

TARGET RETURNS

**IRR: 12.2% EQM:1.33X**

EXIT DATE

**4Q2022**

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# TRACK RECORD



# GERMANY 2007–2017

Strong performance in the midst of the global financial crisis

## PORTFOLIO BERLIN AND LEIPZIG: 56 BUILDINGS

Large scale portfolio management



### ASSET DESCRIPTION

Riva's predecessor, Valore, acquired 56 multifamily rented buildings in Berlin and Leipzig. The portfolio consisted of 1,191 apartments, 108 commercial units and 1,083 retail units.

### KEY FINANCIAL INFORMATION

Combined All in cost: €109.1MM  
Combined Exit value: €137.4MM  
Audited track record from EY 10% IRR

### RETURNS

Net Profit: €28.3MM  
NET IRR to LPs: 10.0% (See next page)

### BUSINESS PLAN AND EXECUTION

- The Fund's performance, its IRR over ten years, was in the top quartile of all European real estate funds for the period (see performance table on the next page).
- The management increased average portfolio rents from 4.54 €/sqm to 8.84 €/sqm during the life of the fund.
- Active asset management: Vacancies were decreased from 20.0 % at acquisition to approximately 4% and were increased again up to 9.9% at exit, because sale of empty individual units was more remunerative at the time of exit.

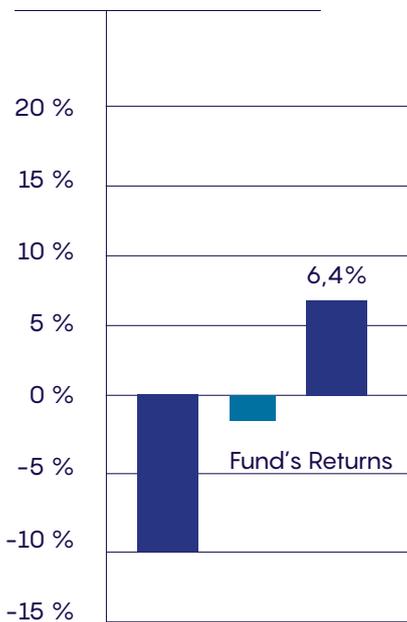
- The portfolio was sold in tranches to institutional investors and some buildings were subdivided and apartments were sold to retail investors.

# GERMANY 2007-2017

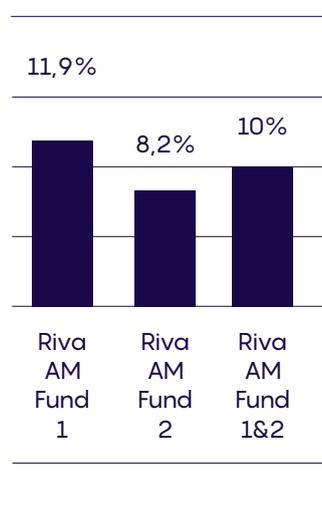
# GERMANY / PORTUGAL 2017-2021:

## REAL ESTATE IRR SINCE INCEPTION FOR FUND VINTAGE YEAR 2006

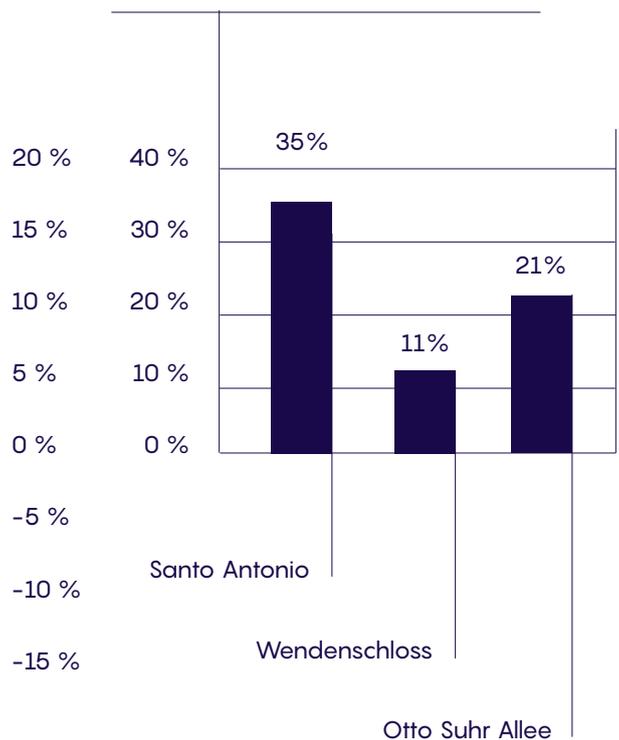
Net to Limited Partners



## RIVA AM PERFORMANCES\*



## CONCLUDED PROJECTS IN THE PERIOD 2017 - 2021



\* Source: Cambridge Associates Benchmarks

\* (1) E&Y audited (Valore Funds)

FUNDS NET RETURNS	NO	NET IRR
Universe — upper qu.	19	6,40%
Riva AM*	2	10%
Alfa		3,60%

# PORTUGAL 2016-2018

Value increase by asset repositioning

## LISBON: SANTO ANTÓNIO

Repositioning: office to hotel



### ASSET DESCRIPTION

Located in Alfama, one of the most famous neighborhoods of Lisbon, just across Lisbon Cathedral. RIVA acquired this office building from the ministry of defense in 2016.

### KEY FINANCIAL INFORMATION

All in cost: €9.2MM (3,039 €/gross sqm)  
Sale Price: €10.8M (3,558 €/net sqm)  
Holding period: 2 years  
Profit on cost: 17%

### RETURNS BEFORE FEES

Net Profit: €1.6MM (519 €/sqm)  
IRR: 41%  
EQM: 1.7x

### RETURNS POST FEES

Net Profit: €1.3MM (233 €/sqm)  
IRR: 35%  
EQM: 1.6x

### BUSINESS PLAN

- RIVA AM converted the property into a hotel; After receiving the license (with area extension),
- RIVA AM carried out some basic renovation and obtained significant extensions and the necessary licence to convert the property into a hotel, significantly increasing the value of the property.

# GERMANY 2017-2020

Innovative living concepts

## BERLIN: WENDENSCHLOSS

Developing sustainable communities



### ASSET DESCRIPTION

Plot of land 1 (3,856 sqm) located on the River Spree in the southern part of Berlin acquired in March 2017 with Preliminary licensing.

### KEY FINANCIAL INFORMATION

All in cost: €14.5MM (773 €/sqm)  
Sale Price: €20.0MM (1,065 €/sqm)  
Holding period: 3 years  
Profit on cost: 38%

### RETURNS BEFORE FEES

Net Profit: €5.5MM (292 €/sqm)  
IRR: 14%  
EQM: 1.4x

### RETURNS POST FEES

Net Profit: €4.4MM (233 €/sqm)  
IRR: 11%  
EQM: 1.3x

### BUSINESS PLAN & EXECUTION

- Riva increased buildable surface by 25% between preliminary licensing and building permit.
- Riva carried out demographic studies and developed a cross-generational living compound with integrated facilities for retirees and young families with a careful eye to sustainability and community building.
- In January 2019 Riva obtained the building license for a mixed use (residential and retail) complex of 18,770 sqm with 177 apartments and 179 underground parking;
- In November 2019, the asset was sold for €20.0MM to one of Berlin's largest developers.

# GERMANY 2018-2020

An example of value creation by Riva; from a tired commercial building to an innovative co-living and student housing mixed-use compound.



## ASSET DESCRIPTION

Located in Charlottenburg, Berlin, the asset (6,975 sqm) was acquired in August 2018 with a preliminary permit for 6,037 sqm of additional residential space.

## KEY FINANCIAL INFORMATION

All in cost: €47.7MM (2,731€/gross sqm)  
Sale Price: €60.5MM (3,461€/gross sqm)  
Holding period: 2 years  
Profit on Cost: 29%

## RETURNS BEFORE FEES

Net Profit: €12.8MM (730€/sqm)  
IRR: 28%  
EQM: 1.4x

## RETURNS POST FEES

Net Profit: €9.4MM (538€/sqm)  
IRR: 21%  
MOIC: 1.3x

## BUSINESS PLAN & EXECUTION

- The strategy involved converting a tired commercial building into a modern mixed-use, friendly and sustainable compound.
- Riva managed to convince local authorities to allow the development of a roof garden with a bar and a jogging track and to use basements as common areas as well as increasing the student housing/co-living surface.
- The overall result was an increase in usable surface from 13,012 sqm to 17,482 sqm (including 800 sqm of roof top, 1,200 sqm of usable below ground area for residential and coworking, 200 sqm basements and extra surface of student housing)
- In December 2019, Riva agreed the sale of the asset to a prime international owner/operator owned by an institutional Canadian investor.

# RIVA

Cities on the move

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