PETRUS ADVISERS

CA Immo Anlagen AG (“CAI”)
Andreas Quint and Keegan Viscius – Management Board members
Mechelgasse 1
1030 Wien

cc: Torsten Hollstein, Chairman of the Supervisory Board

London, 30 October 2018

Dear Sirs,

Since our letter dated 26 February 2018, little if anything has operationally happened, yet CAI’s governance has changed significantly. On 28 September 2018 Starwood Capital used its golden shares to nominate three of their own candidates to the Supervisory Board while Gabriele Düker and Sven Bienert stepped down. On 11 October, Hans Volckens resigned as CFO with Andreas Quint’s CEO mandate being extended until 2021 and Keegan Viscius of Starwood joining as Chief Investment Officer.
At this point, we would like to express our gratitude to Mr Volckens for his valuable contribution during his two years as CFO. Why, weeks later, no successor as CFO has been appointed fails our appreciation. Throughout these eventful months since Starwood Capital´s purchase, the company has not provided any intelligent or even substantial update on strategy in light of the new ownership and governance.
CAI´s growth priorities we highlighted in our letter have been inadequately addressed, hopefully only due to the distraction these governance changes brought along. After updating our valuation to include additional information from the company, and an increasingly positive economic outlook for CEE, we believe CAI’s intrinsic value is at least €35/share. Specifically, we see value in the following areas:

1) Organic growth by means of flawlessly working through the existing office development programme, hence expanding CAI’s position as the leading player in the German prime office real estate segment;
2) Acquisitions focussing on higher yielding assets as are achievable in CEE;
3) Proactive development of the residential landbank with the aim of accelerating the programme. Timely communication of concrete goals for this programme;
4) Active portfolio management to realise profits and strengthen cash-flow generation;
5) Active asset management to realise the enormous reversionary potential of expiring contracts;
6) Return of capital to shareholders should mid-term LTV remain below 40% despite the growth programme.

In spite of the fact that intelligent sell-side analysts now concur and since our letter have raised their target prices by 24%[1] to an average target of €35, the stock still trades at a 20% discount to this average target price. We therefore demand that you end the communication vacuum around CAI and finally start to work:

1) **Communication and tangible operational progress**: CAI must now update capital markets on the new management team’s strategy. In particular, we expect progress on your growth priorities including tangible progress with respect to capitalizing on your landbank both for commercial and in particular residential;
2) **CFO function**: while we do not want the team to wait for a CFO successor to start, we deem a swift filling of the role an important step to free up capacity of Andreas Quint;
3) **CIO function**: we expect that CAI fully clarify the role and responsibilities of Keegan Viscius, including any direct or indirect relationships to Starwood;
4) **Capital efficiency**: we continue to believe that CAI’s current capital structure with an 2019E LTV of 41% is overly conservative. Should it not be economical to grow FFO in the short-term, we demand that CAI consider a return of capital to shareholders as long as LTV sustainably remains at <40%.

Yours sincerely,

Klaus Umek
Managing Partner

Till Hufnagel
Partner

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[1] *Based on the target prices by Kepler, Baader, HSBC, Raiffeisen and Erste as of 29 October 2018 and the target prices by Kepler, Baader, HSBC, Raiffeisen and Erste as of before 26 February or the earliest in 2018.*