PETRUSADVISERS

Barry S. Sternlicht (Chairman and CEO), Jeffrey G. Dishner (Senior Managing Director and Global Head of Real Estate Acquisitions)
Starwood Capital Group
591 W. Putnam Avenue
Greenwich, CT 06830
United States of America

London, 10 November 2020

Dear Barry, dear Jeff,

we are a substantial investor with less than 3% of the capital of CA Immobilien Anlagen AG ("**CAI**") and - in light of no acceptable progress at CAI under your two-year ownership - want to follow up on our letter to Jeff of 13 July 2020. We can no longer sit idle and below summarise our demands:

CAI's current valuation (stock price of €26.85 per 9 November 2020, 31% discount to EPRA NAV[1]) under Starwood leadership is not reflective of the fundamental value of its standing prime office portfolio and unmatched office and residential landbank and development pipeline. The board and foremost the management team of CAI continue to function like a lazy and provincial bureaucracy. Your guy on the management team is not up to the task and suffers from analysis paralysis. Keegan Viscius is a junior professional without management talent who has bought next to nothing and sold almost nothing, preferring to sit comfortably on one of the most under-levered balance sheets in European real estate. Your standing properties and the land bank in CAI´s balance sheet are grossly undervalued and could be sold at substantial premia to book while CAI's market valuation remains subject to constant heart attacks. You seem to agree with our view that the stock is undervalued as you bought shares at greater than €30 as recently as 10 June 2020 (now down 13%) taking the Starwood stake to 27.8% representing 29.5% of votes considering treasury shares. But what have you achieved? The stock is down, dropping like a stone on every other occasion and remains subject to unbearable volatility. The Starwood investment is down substantially. You might finally consider acting quickly.

We believe the current management team does not have what it takes to design the right strategy and execute on it. Instead, we own a business with an unacceptable CEO, an untalented CIO and a fresh CFO working from three (!) different cities and who either do not work at all or behave like the bunch of accountants and real estate consultants that they are: causing unnecessary work, seeing the trees but not the forest. The current non-strategy of more-of-the-same evidenced by snail-speed accumulation of assets is helpful to justify management's roles in a larger company but is ill-suited to exploit the opportunities afforded by the current exceptional situation caused by corona. It is not what we expected from Starwood, an aggressive and smart real estate investor of international esteem.

The right course of action is clear: get rid of the underperformers, primarily your unacceptable CEO, sell assets above book fast, buy back stock, make an enormous arbitrage gain on each such transaction. Find people who - unlike Keegan - understand markets and are fast movers.

We are convinced you need to push management to present a strategy centred around the following priorities:

(1) Strategic Positioning as <u>The German Prime Office</u> Company
The company should present a clear plan to becoming **<u>The German Prime Office Stock,</u>** including a consequential review of its portfolio.

(2) Sales Review CEE Assets
Systematic portfolio review of all smaller properties and all non-core properties in CEE, as well as sale of all those that can be sold above book value.

[1] *EPRA NAV of €38.84 per 30/06/2020.*

(3) Sales Review German and Austrian Assets
Systematic portfolio review of all land plots, all smaller properties and all non-core properties in Germany and Austria and sale of all those that can be sold substantially above book value.
Where substantial premia to book value can be achieved, selected sale also of core German prime properties can be justified to create additional financial firepower.

(4) Share Buy-backs
We are convinced the best risk/return management can identify in the current market environment is investing in our own stock. The volume of such activity will be determined by the buying / selling and development activity but the underlying policy should be clearly communicated to the capital market and executed upon.

From a take-over law perspective, any impact of a potential buy-back on Starwood's ability to own and vote your shares in CAI can easily be managed by you giving up voting rights on shares in excess of 30%.

(5) Spin-off of Residential Development Business to Shareholders
We doubt the ability of your current team to develop and build. Let alone to build residential and commercial at the same time. Given the fundamental differences in residential and commercial development activities and in light of the large size of CAI's residential development pipeline volume of €1.7 billion, we expect CAI to partner with a residential development expert firm and spin the activities off to us shareholders. This will free up management focus and capacity and will reduce the risk of shareholder value being destroyed.

(6) Active Acquisition Policy
We assume that eventually the Covid-19 situation will offer attractive opportunities to deploy capital in mid-sized to larger acquisitions. We encourage management to work hard to develop a pipeline of acquisition opportunities and act on them when terms become attractive and the risk/reward can compete with buying back stock.

(7) End of Lifestyle Management
We reiterate our recommendation for an independent external review of the cost savings potential from merging the current three-pronged location approach into one place and to immediately start a search process for the retirement of your chosen, unacceptable underperformer CEO and a diminished real estate analysis role for your chosen and disrespected CIO.

We remain at your service to discuss at your convenience and reserve the liberty to discuss with other shareholders. Time is running up and while we write this: your guys are sleeping.

Sincerely,

Klaus Umek
Managing Partner

Till Hufnagel
Partner