



OUR VISION & STRATEGY

In 2014, we set ourselves a vision of where we want to be in five years: Vision 2019. It has three pillars:



Being a workspace solutions trendsetter



Being the most attractive employer for industry professionals



Being a leading pan-European player with global ambitions

Our Vision

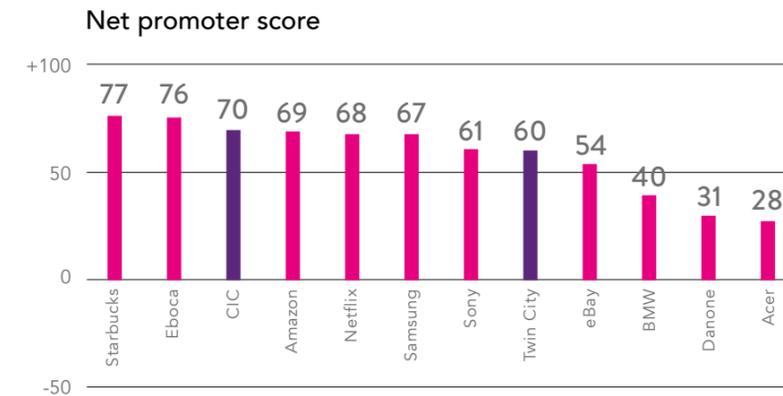
Last year, we made significant progress on all three pillars and feel confident that we're on course to achieving our vision.

The strategy (see below) to deliver our Vision was broadened with some vital new strategic initiatives, and we also accelerated other programs, going deeper into implementation.

Despite our projects' long delivery cycles, each of our pillars has already achieved something tangible in 2017. More importantly, the impact is starting to promisingly flow through to our client interactions and financials.

Being a trendsetter:

Obviously it's great when clients and partners say we set trends. Our teams received many informal appraisals for their work; but we also started formalising feedback from clients.



Note: Figures based on NPS Survey of our Twin City project.
*CIC – Cambridge Innovation Center

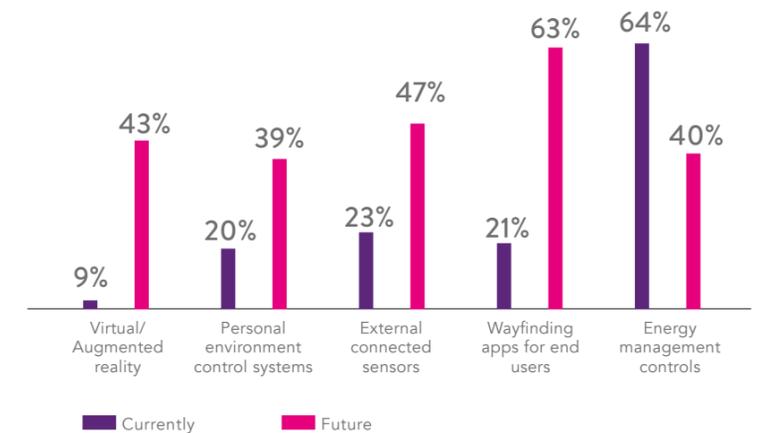
In the pilot Net Promoter Score survey within our Twin City complex, we scored 60 – a very encouraging result, given the range is -100 to +100; but clearly with room for improvement.

Given that the project is a testing ground for many of 2018's strategic initiatives, we're looking forward to seeing the NPS evolve.

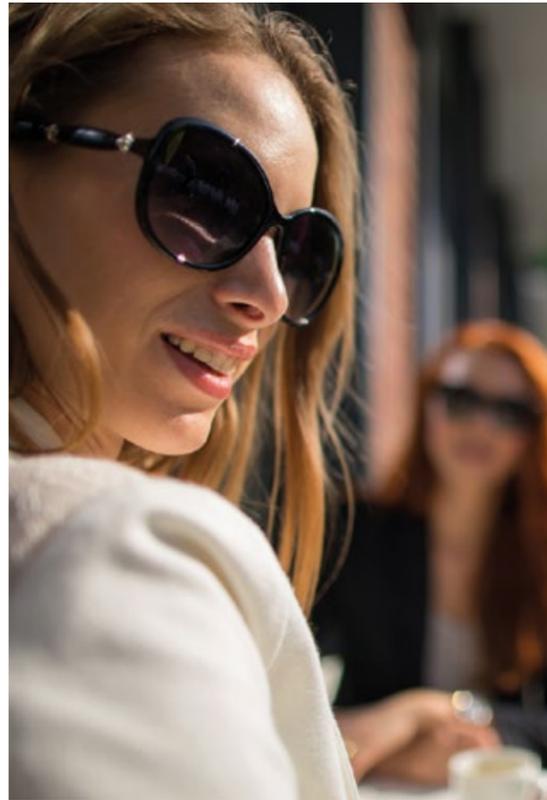
Besides that, we're very pleased our predictions on what clients will prioritise are coming true. Themes like a focus on users, the impact of workspace solutions on employees' productivity, and broader flexibility and technology disruption were key highlights from CBRE's recent European Occupiers Survey.

Reading the CBRE survey was like reading our list of strategic ideas from two years ago. Excitingly, we're also well advanced in the design and deployment of our solutions.

Which tech? Focus on the user, not the building



*CBRE Research – EMEA OCCUPIER SURVEY 2018;
Optimising user experience: The personalised workplace



Being the most attractive employer:

During last year we continued a double-digit growth of the team, adding about 100 new professionals.

We believe the quality of the talent that we now attract, especially from outside the industry, proves we're doing something right. From another perspective, competitors are increasingly trying to recruit our colleagues, as their reputations grow.

While we weren't fully successful in retaining everyone, we have kept many exceptional minds – despite not being the most competitive in terms of financial compensation. Equally, we continue to invest significant resources and top management attention into the attraction, development and retention of the best people.

Being a leading pan-European player:

The forward sale of 33 Central to Wells Fargo and acquisition of One Waterloo in May 2017 – one of London's top five development projects – has definitely put us on the map beyond Central Europe.

In Germany, being just hours after completion of our first two acquisitions, the market proved to be more competitive than expected. However, we're very confident that our emerging Berlin team will collaborate with the rest of the business to set up procedures that deliver success.

Elsewhere, the planned expansion of HubHub to other countries and cities, and acquisition of a significant stake in Cambridge Innovation Center (CIC), proves we're continuing to strategically expand our international reach and abilities.

In principle, the Vision for 2019 is becoming a reality, and we have started to review what the next horizon in HB Reavis's future looks like.



View from Cooper & Southwark

Our Strategy

Beyond our core business strategy to be uniquely competitive and deliver on our Vision; we have also created an acquisition strategy and financial framework.

Building an attractive and sustainable pipeline

In Central Europe, we focused on building our office project pipeline in strategically selected business districts to:

- continue the Group's high-quality workspace offering and bring remarkable experiences to people
- develop products that are uniquely different from the competition
- secure projects earlier in the development chain, so we move up the permits risk curve in search of greater value

It was our ambition to allocate about 20 – 30% of acquisition capital to Central Europe. In London, we aimed to continue adding a further two or three projects over the course of 2018 – 2019. The pipeline portfolio should be diversified across the expected timing of delivery, and the type of development and submarkets. The ambition was to allocate about 50% of our new investment capital

to the UK and, to some extent, replicate our successful Polish strategy.

While our Istanbul operation closed, our fledgling German operation has already two projects in pipeline and we potentially plan to enter one additional new market beyond 2018. By then, we believe that our strong exposure to Central Europe and London will demand that we be ready to invest significantly elsewhere. In the near term, we aim to allocate about 20 – 30% of capital to these new markets so that we can apply our tried and tested approach of thoroughly exploring and harnessing new markets.

What we achieved in 2017

During 2017, we worked specifically on reinforcing pipelines in Prague and London, and on our initial entry into Germany. We also analysed every reasonable opportunity in Budapest, Warsaw and Bratislava.

Central Europe

In Poland we felt that Warsaw's land prices are overheated, leaving limited upside potential in the peaking office market cycle. While we continue to look for the right opportunities, 2017 was the first year since 2010 that we haven't invested into a new development project. However, we have looked at regional cities and believe that the Lodz market – a twin city to Warsaw – is underdeveloped and has a lot of positive factors that will drive its growth.

Lodz is home to a large student body, relatively high unemployment, below-Polish-average labour costs, low office stock penetration, a new central train station with a one-hour direct connection to Warsaw, and efficient city communication and permitting processes. This drove our first acquisition in the city: about 46,000 sq m directly connected to the new train station and within an emerging CBD.

In Prague, we continued to build our pipeline with a sixth office project – Merkuria in Holesovice, Prague 7. This district, with its historical industrial past, has the highest potential for dynamic growth in the city. Our plan is to redevelop the existing building; replacing it with a unique, almost 20,000 sq m scheme with a mix of shared economy elements targeted at millennials.

While we were aiming invest more in CE's capitals, it's important that we focus on the right opportunities at the right price.



Merkuria, Prague

London, UK

2017 was a year when we decided to make another big step to becoming one of the leading office developers in the UK's capital. The acquisition of One Waterloo (Elizabeth House), a landmark development opportunity directly next to the Waterloo station, confirms our appetite to invest in uncertain times.

While we have a planning consent in place, we aim to review the site's potential and redesign and deliver a new business hub for London that meets our ambition for remarkable user experiences and technological innovations.

Germany

In 2015, we decided to expand to Berlin. Initially, we considered a fast-track entry through the acquisition of an established platform. After failed negotiations in the last quarter of 2016, we decided to start building a strong local team that would be able to move rapidly and flexibly on potential opportunities. That focus paid off in May 2018, with the acquisition of our first two German sites, in Berlin (45,000 sq m) and Dresden (40,000 sq m), as we continue our expansion.

Core business strategy

We are ambitious. We believe we have all the ingredients that would position us as a trendsetter in workspace solutions, and provide the best-value proposition for existing and potential clients and their employees.

2017 was a year when most of our strategic initiatives progressed from developing the proof of concept into deployment within our projects and organisation. We also crystallised the mix of products and services we want to provide to clients and users, and eventually to other landlords/investors.

Management strategy's mix of business hub products and services*



* Chart is for illustrative purposes only

In response to that crystallisation, we have made a few key adjustments to our business strategy:

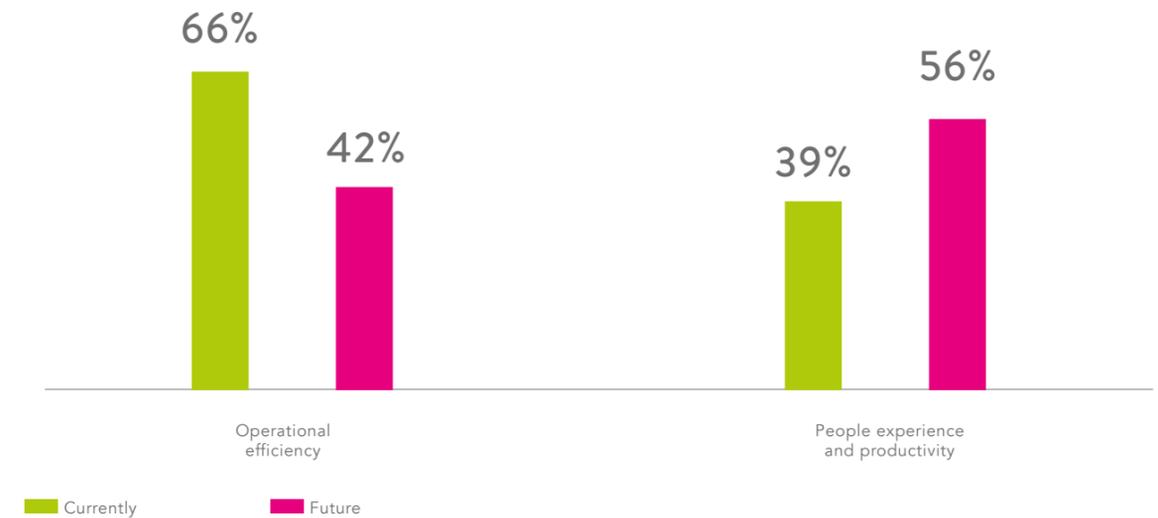
A) Shift of focus from B2B to B2U

In line with our mission to bring remarkable experiences to people, we're transforming our thinking to always focus on users: evaluating the impact our products and services will have on them, primarily employees working in our buildings. In turn, we are also exploring the drivers of employees' productivity.

It's a shift that was enhanced by the pan-European occupiers research published by CBRE in April 2018 which highlights a significant shift by occupiers towards evaluating the effects of workplace solution on productivity and employee satisfaction, rather than operational efficiency.

Optimising experience and efficiency

What are the aims in deploying innovative tech?



*CBRE Research – EMEA OCCUPIER SURVEY 2018; Optimising user experience: The personalised workplace

B) Shift to focus on large-scale business hubs

Workplace habits are changing – people insist on flexibility around when and where they work, and more support in terms of agile collaboration, tech advancements and start-up and innovation communities. So, we have developed a broad set of workplace products and services to serve all types of clients and drive their employees' productivity directly or indirectly.

The key to their success will be our ability to develop and operate large-scale schemes, business hubs that can support workplace solutions for more than 10,000 people. At this scale, we can provide the flexibility clients need not only in an efficient way, but with authentic and effective business and social synergies.

C) Shift from developer to developer and operator

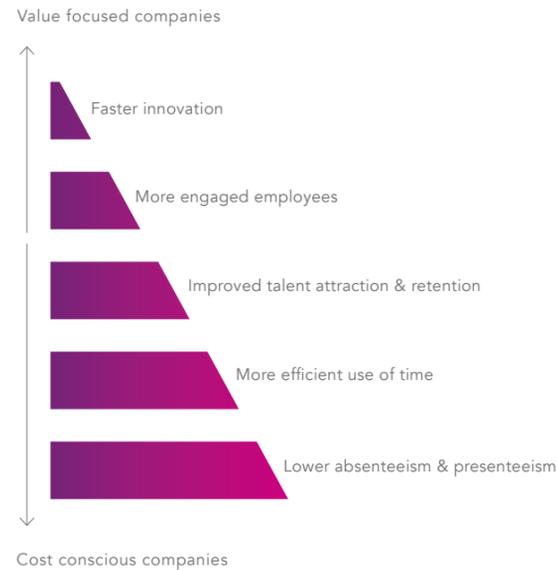
To deliver our value proposition (and mission) to clients and users while at the same time capturing value into our P&L, we need to manage our projects after completion. While not necessarily taking on full equity, our active asset management will lead to significant rental uplift potential.

What we achieved in 2017

We honed our strategic activities to become a trendsetter in workspace solutions. Bubbles, Origameo, HubHub, Smart building 1.0 and Asset Management 2.0 all aim to improve the experience and productivity of users and clients in our buildings.

Bubbles, our know-how platform for user-centric design, was structured along five productivity domains and 18 elements (bubbles) representing how the built environment might affect people. Our User Experience team compiled comprehensive research supporting the importance, recommended standard and above-standard design guidelines for all our projects. In parallel, HB Reavis became a pioneer in applying wellbeing considerations to our building, actively shaping WELL certification methodology for Europe.

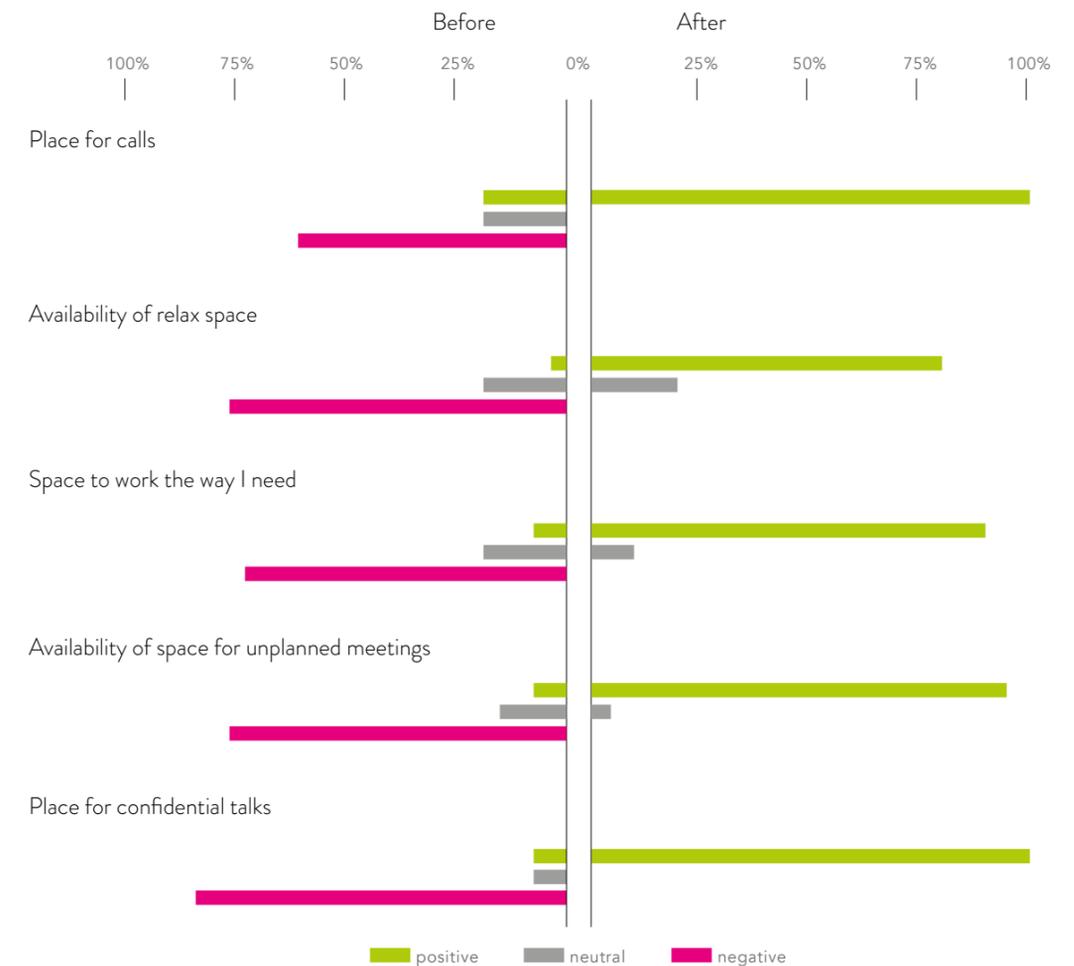
The result included Varso Place becoming the first pre-certified building in Europe, and we have half a dozen projects at different stages of WELL certification – the most of any European developer. We also became a founding member of Well Living Lab, a research program in cooperation with Mayo Clinic, that looks at the links between workspace solutions and productivity.



Panalpina office in West Station

Origameo, our workspace advisory unit, has completed 11 client engagements since its foundation in 2016. While still with significant room for capability improvement, post engagement feedback from clients is encouraging. The team is also absorbing our fit-out and space planning function so they can offer an end-to-end service.

Top 5 improvements



* Chart based on Top 5 improvements made by Origameo for client Panalpina

HubHub, our co-working platform and business programming services provider, has progressed from an idea into two centres in Warsaw and Bratislava that provide space for about 200 members.

While membership growth in Warsaw is behind expectations, overall proof of concept is going extremely well in Bratislava. The central location, attractive office space concept and rich calendar of events mixing topical education, know-how sharing, inspirational speakers and business/talent matching are inspiring clients. In fact, the waiting list for its expansion in May 2018 is already long. Looking forward, we expect to open two new Prague locations, and further HubHubs in Budapest and Vienna.

Asset Management 2.0, effectively upgrades what clients, but especially users, can expect from an active operator like HB Reavis. And during 2017 we launched our concierge, bike sharing, e-commerce points, seasonal/weekend markets, social/hobby events to great success.



Smart Building 1.0, is our tech initiative to transform projects from hardware to hardware with software. This will uniquely improve our buildings' functionality and user experience over time.

Last year we recruited an experienced team to develop integrated solutions in partnership with leading providers of individual components. We prioritised a seamless journey, workspace personalised comfort and user/building interfaces, and also make space usage insights and optimisation (linked with Origameo) a focus. With the blueprint complete, work is now underway to develop and integrate the elements into deployment for June 2018.

We are still in the pilot phase, but the feedback is very positive, so we plan to accelerate some new ideas for launch in 2018.

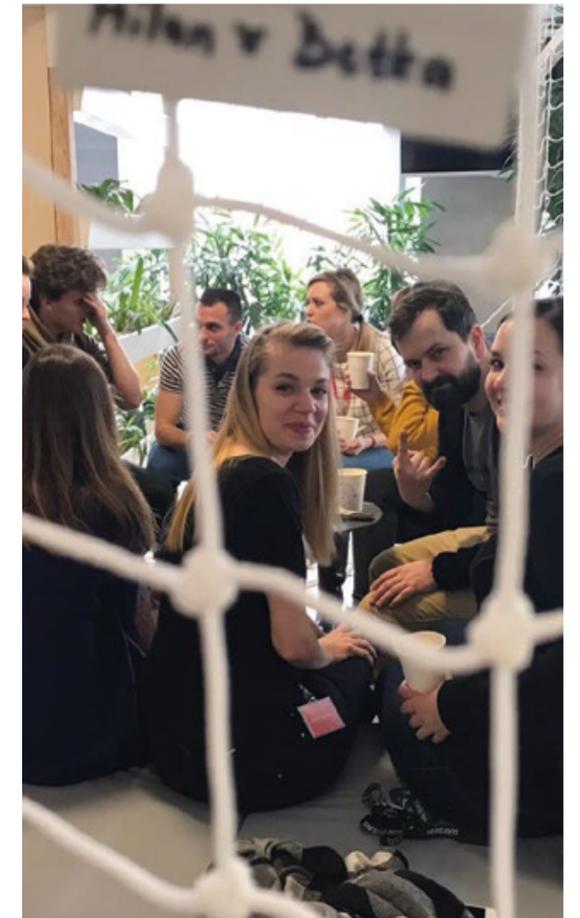
We worked hard to become the most attractive employer in the industry.

In 2015, we began communicating and implementing our redesigned operating model to our people. We impressed on them how its key processes impact the development value chain, from pre-acquisition, through to the delivery of completed and leased projects to the property management team.

Once we had sketched out the foundations, we began 'painting' an ambitious future for HB Reavis people in 2016. A massive communication and rollout of our Mission, Vision, Mindsets and Strategy framework (MVMS) followed.

In 2017, we continued building on this foundation. Specifically, we designed and rolled out our People Leadership Program, helping key figures define their expectations, upskill to meet them, transform people processes and create mantras to drive motivation and performance.

While the future will be the judge of these actions, we believe this is another stepping stone in shaping a company culture based on motivating experts while compensating them competitively. It's an even more important task, given the ambitious labour market in all of our cities and general salary growth in the market place.



Financial framework

First, our long-term aim is to achieve and keep a 50:50 share of development and income producing assets, and therefore balance our risk and return. Since 2010, we have increased our share of developments from 33% to 45% (at year-end 2017).

Secondly, as we grow in size and our asset base diversifies across countries and development stages, we have opted to slightly soften our conservative external financing strategy. Our target net debt leverage has increased from 30-35% to 35%. However, despite significant year-on-year increase, our net debt leverage stood below 27% at year-end.

While both changes may gradually increase our risk profile; we believe our balance sheet policy is still fairly conservative but provides us with more room to seize interesting opportunities in bottoming or improving market environments.