



MAGIC Real Estate
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May 17, 2013

Mr. Fermín Oslé
Consejero Delegado -Empresa Municipal de la Vivienda y Suelo ("EMVS")
C/Palos de la Frontera, 13
28012 Madrid (Spain)

Offer Letter – EMVS Portfolio

Dear Mr. Oslé,

Following the announcement of the EMVS (the "Seller") to start a sale process of a portfolio of 18 assets (the "Announcement"), this letter confirms the terms and conditions pursuant to which MAGIC Real Estate, S.L. on its behalf and/or any fund or investment vehicle managed at the time of closing ("MAGIC RE") would consider acquiring the portfolio of residential blocks as set forth in Appendix 1 (the "Portfolio") from EMVS (the "Transaction").

Portfolio The Portfolio is comprised of the properties set forth on Appendix 1, and includes at least 1,860 residential units, with associated storage, retail and parking spaces, with a total built area of 222,497 sqm (the "Properties").

The Portfolio currently generates an estimated annual contractual rent of € 10,312,383.63.

Purchase Price €107,100,000 to €112,500,000 (the "Purchase Price") applicable for a freehold interest in the Portfolio on a debt-free, cash-free basis, subject to customary prorations. The upper end of the range would imply a 3-yr delinquency guarantee by the Seller.

Assumptions The Purchase Price is based on:

1) the ability of the Purchaser to assume the existing senior debt financing of €83,846,646 on the current terms, including the government subsidy and without additional costs for the Purchaser.

2) the information provided in the documentation attached to the Announcement and in the Q&A sessions is accurate, including overall vacancy and information on arrears (bad debt).

3) the existing property and asset management agreements for the residential are based on market terms and are terminable without cost.

4) the acquisition of the Portfolio is subject to VAT (“*renuncia a la exención*”) and 1% of Stamp Duty (“AJD”).

Funding

The Purchaser intends to fund 100% of the capital needs of the Transaction with equity. No further financing, other than the subrogation on existing financing contracts will be required.

MAGIC RE reserves the right to bring to the Transaction one or more co-investors compliant with the legal requirements established by the Announcement to qualify as eligible buyer.

Due Diligence

The Purchaser will complete, at its own expense, such studies and investigations of the Properties as the Purchaser deems necessary (the “Due Diligence”), which includes:

1) Financial Underwriting

Completion of the internal financial underwriting of the Portfolio following the review of the economic and regulatory terms and conditions for each of the Properties, the lease agreements, the profile of the tenancies and the operating history of the Properties.

2) Legal and Tax

The legal and tax Due Diligence will be performed by Clifford Chance and CXI Asset Management and will include, *inter alia* :

- existing property management contracts;
- public registers, legal title, entitlements, permits and planning restrictions;
- sample of residential leases per asset and critical lease terms;
- public easements and service contracts;
- rent restrictions and subsidies;
- building contracts and development insurance;
- major maintenance, service and insurance contracts;
- detailed review of the in-place mortgage financing agreements;
- tax analysis of the Properties and the structuring of the Transaction.

Our advisors are committed to start working on the Due Diligence immediately after the commencement of an exclusivity period (the “Exclusivity Period”).

3) Technical and Environmental

Completing the satisfactory structural, technical and environmental report of the Properties, that will include site visits in order to evaluate actual capex requirements.

Due Diligence Timing

The Purchaser hereby confirms that it is in the position to complete the Due Diligence within 4 weeks, provided that the Purchaser will receive i) the complete written due diligence information, including all former due diligence reports, if any, in an easily accessible manner, (i.e. electronic or physical data room), ii) timely physical access to the Properties for technical and commercial assessments by the Purchaser and its Due Diligence advisors, iii) historical and current financials of the Properties, and iv) timely and complete answers to its Due Diligence questions (Q&A Sessions).

We hereby would like to stress that all of the Purchaser’s Due Diligence advisors have been instructed to kick-off their work immediately upon start of the Exclusivity Period and to complete their respective due diligence and underwriting work streams as quickly and efficiently as possible.

Contact Persons during the Transaction

Ismael Clemente / Miguel Ollero
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28046 Madrid
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Email: ismael.clemente@magicre.es

Investment Committee Approval

The Purchaser is subject to final Investment Committee approval, upon the completion of the Due Diligence.

Exclusivity Period & Expected Timetable

An initial exclusivity period will be granted for a period of no less than 4 weeks (the “Initial Exclusivity Period”), to complete (i) Due Diligence and (ii) obtain Investment Committee approval.

Upon the Purchaser confirming to the Seller, during or at the end of the Initial Exclusivity Period, the terms as laid out in this letter, the Initial Exclusivity Period will be extended by another 2 weeks (the “Exclusivity Extension”) during which the parties will negotiate and seek to sign a purchase agreement (the “SPA”).

Non-Solicitation	During the Exclusivity Period and due to the expenses that will be incurred by the Purchaser for the completion of the Due Diligence and negotiating the SPA, you confirm on behalf of the Seller that neither it nor any of its respective shareholders, subsidiaries, affiliates, agents or advisors (including with respect to the foregoing, their employees, directors, managers or officers) will solicit or encourage, discuss, negotiate or accept proposals or offers concerning any acquisition, financing, or joint venture or any other investment directly or indirectly in any of the Properties or the Portfolio.
Non-Binding	This offer is intended to be non-binding and subject to contract and, therefore, shall not constitute a legally binding agreement (except the parties shall be bound by the terms of the confidentiality, exclusivity, non-binding and governing law provisions). Neither MAGIC RE nor EMVS shall have an obligation to close the Transaction described herein until such time as they, in their good faith discretion, enter into a definitive binding purchase agreement.
Expenses	The Purchaser shall bear its own expenses, including Due Diligence costs, legal, financial and tax advisory fees. The Purchaser will be also responsible for the costs of a notary public of its choice, and of the stamp duty taxes. Any broker fees caused by the Seller shall be the responsibility of the Seller.
Term	The mutual acceptance period of this letter terminates at 17:00 CET on May 31th, 2013.
Confidentiality	The content of this letter, the fact that Seller and Purchaser are negotiating this Transaction and any details pertaining to this process, the Parties involved or any communication and transaction documentation shall be strictly confidential between the parties hereto. This confidentiality also extends to the Seller's and the Purchaser's advisors and representatives.
Governing Law	This letter will be governed by Spanish law. No amendment to this letter shall be effective unless in writing executed by both the Seller and the Purchaser.



MAGIC RE has an outstanding track record of closing transactions in the most efficient and professional manner, along the terms initially agreed upon with sellers. To date, **MAGIC RE** is committed to and focused on reaching a final and definitive agreement with the Seller as quickly as possible. We remain excited about the prospect of purchasing the Portfolio and look forward to hearing from you very shortly.

Yours sincerely,

MAGIC Real Estate, S.L.

Signature: 

Name: Ismael Clemente
Title: Partner

Signature: 

Name: Miguel Oller
Title: Partner

Accepted and agreed by the Seller:

Signature: _____
Name: _____
Title: _____
Date: _____



MAGIC Real Estate

MAGIC RE acquires and manages investments in commercial and residential property on behalf of its institutional and private client base in Spain, Portugal and North Africa.

A spin-off of Deutsche Bank's real estate investment management arm RREEF, MAGIC RE has a dedicated team covering the Iberian Peninsula and North Africa based in Madrid, with selected professionals in Lisbon and Rabat. This team has led the acquisition of a portfolio representing ca. € 3.5BN of assets under management and currently manages assets representing more than € 2.0 BN.



Appendix 1:

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