

Trei Real Estate

ANNUAL REPORT



”

Change is the law of life. And those who look only to the past or present are certain to miss the future.

John F. Kennedy



54
BACCIARELLEGO

Trei Real Estate

ANNUAL REPORT

2022



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LETTER FROM MANAGEMENT



To our fellow stakeholders,

2022 was a turning point for Germany, Europe and the world.
For all of us.

The war in Ukraine, geopolitical tensions, sharp increases in materials prices and energy costs as well as increasing inflation and, consequently, sharply rising interest rates – all of these intertwined crises impacted our business as well. As a commercially and sustainability-oriented company, we have always seen it as our responsibility to take precautions for possible crises and their resulting consequences which might affect our business. In achieving our goals and positioning our company for the future, we have primarily relied on prudent investments and thoughtful action. It has proven to be a successful strategy in times of crisis like those of the past year.

In 2022, we completed two mixed-use redevelopment projects in Berlin with a total of 304 multifamily units which creates urban living space within the city core, replacing a single-story supermarket, as well as our KRAFT residential project with 191 condominiums in Łódź, Poland. We sold 128 condo units and started construction on six projects, acquired nine sites and opened three new Vendo Parks. We also sold one of our projects in the Mainz Zollhafen – the 'Lotsenhof' – to an institutional investor, which is our first exit structured as a forward sale. In addition, we succeeded in securing new debt financing totaling €128 million despite the difficult environment in the debt markets.

The key to these successful outcomes is primarily our employees. We thank them for their outstanding and continuing personal commitment, their adaptability and flexibility. Common values, mutual respect, openness and trust resulted in remarkable solidarity. This is something that we are proud of, not only in times of crisis. Our thanks also go to our business partners and tenants – for their loyalty and successful cooperation.

We expect the environment to remain strained, primarily due to the current geopolitical situation. With a resilient business model, careful and forward-looking management and a future-proof portfolio, we see ourselves in the best possible position to steer Trei with a steady hand, even under difficult conditions. And now it is time to form an impression for yourself.

We hope you will find this an interesting and stimulating report!
Kind regards,

Pepijn Morshuis
CEO

Matthias Schultz
CFO

KEY FACTS

€ **196**
million investment volume

€ **2.0**
billion development pipeline

31.3%
Leverage (LTV)

€ **128** million in
new credit facilities

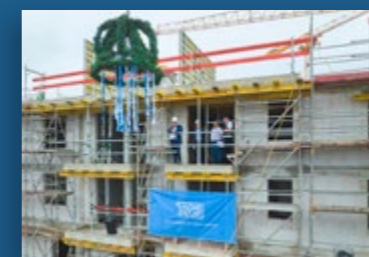
€ **88**
million rental revenue

€ **1.6**
billion real estate portfolio

More than **150** employees

Approximately **6,000** residential units planned

HIGHLIGHTS



Sale of the project 'Lotsenhof' (Mainz Zollhafen) structured as a forward to an institutional investor as well as a successful topping-out ceremony



Completion and sale of almost all condominiums 'KRAFT' in Łódź



Acquisition and start of construction of our development 'The Note' in Jacksonville (Florida, USA)



Sale of our subsidiary in Portugal



Completion and stabilized occupancy of two projects in Berlin ('Heimelig' and 'Winstön')



Sale of seven Molento convenience stores



Securing two additional sites for condominium development in Poland: Milanówek, Królewska, and Wrocław, Krakowska



Completion of three Vendo Parks and securing six additional sites



Award for 'Retail Developer of the Year' (Eurobuild) and five further awards



COMPANY

The Tengelmann Group	14
Zeitenwende	16



WE ARE PART OF THE TENGELMANN GROUP



The Tengelmann Group is one of the world's most important retail companies and has been 100% family-owned for more than 155 years. In addition to its strategic holdings in retail and real estate, the Tengelmann portfolio includes a large number of investments in start-up and growth companies.

In addition to Trei Real Estate, the Group includes KiK - a discount clothing retailer, OBI - a home improvement retailer, and growth companies babymarkt.de and No Meat Factory. The Group also includes venture capital companies - Emil Capital Partners in the United States and Tengelmann Ventures in Germany and Tengelmann Growth Partners which invests in internationally established and high-growth companies.

The Group is active internationally in 25 countries and employs around 70,000 people.

More information about Tengelmann:
www.tengelmann21.com

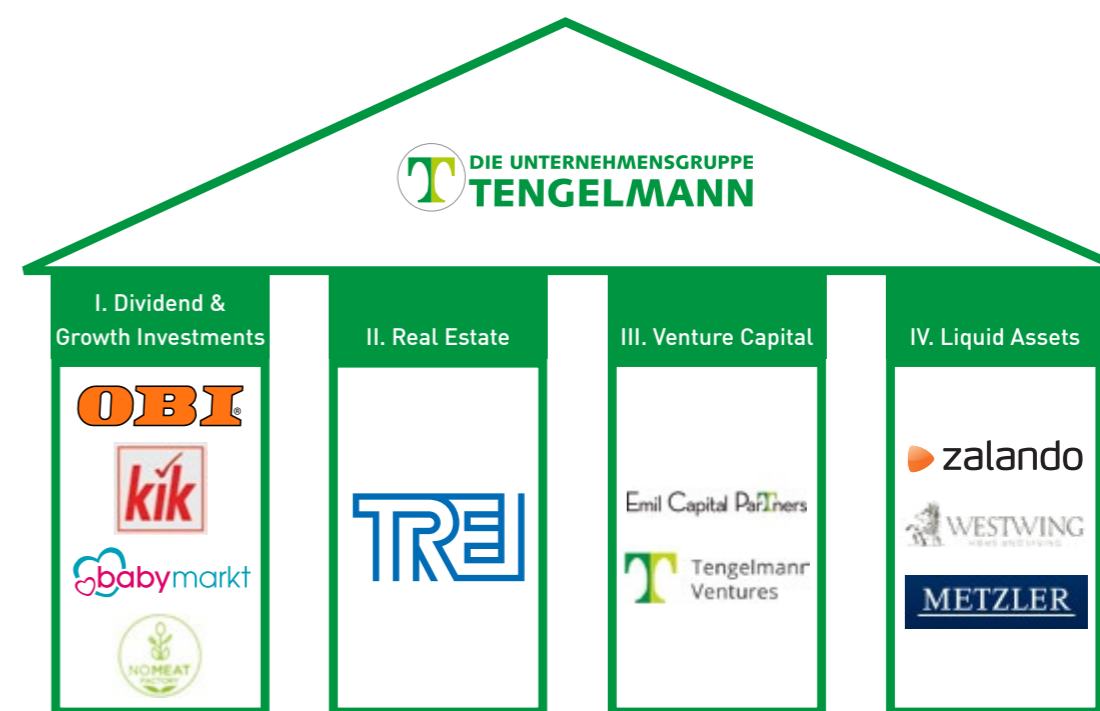


In 2022, the global economy - and our Group included - was faced with enormous challenges. Under these conditions, our real estate subsidiary Trei demonstrated not only incredible resilience but once again also proved to be a rock-solid foundation for the Group."

*Christian Haub,
CEO Tengelmann Group*

REAL ESTATE AS AN ANCHOR OF STABILITY IN THE TENGELMANN GROUP

The Tengelmann Group is divided into four business areas: Dividend and Growth Investments, Real Estate, Venture Capital and Liquid Assets.



Further diversification of the portfolio and expansion in the USA

In order to expand the existing company portfolio, Tengelmann is aiming for increased diversification with a focus on the US market, where the company already has numerous start-up acquisitions.

Trei is increasing its focus on the US residential market: In 2022, our first project in Florida expanded our US portfolio in the Southeast and this year we are planning for additional projects.

ZEITENWENDE

2022 has been a challenging year for everyone. The real estate industry also felt a major impact: ongoing construction cost increases and supply chain disruptions have led to an unpredictable market. Interest rates have skyrocketed, creating a great deal of uncertainty and a wait-and-see attitude among investors and banks. As a company, we have also felt the effects: delivery problems caused our projects to be delayed, and reduced valuations, as well as difficult refinancing conditions, made sales negotiations lengthy and difficult.

However, despite difficult times, the past year has also shown us how important it is to maintain confidence in your business plan – and with ours, we feel well prepared for the future. The strategic repositioning and rebalancing of the portfolio over the last few years is finished. After the sale of our complete portfolios in Portugal, the Czech Republic and Slovakia at the beginning of 2023, we plan to operate in our three core countries – Germany, Poland and the US – going forward and will continue to focus on project development in top locations for our residential and retail properties. In addition, our existing portfolio, which is leased to top grocery and essential goods tenants, provides a stable and reliable cash flow, even in challenging times.

Thanks to prudent investment and management decisions, inflation and interest rate changes have been less impactful on our business than for other companies. For Trei, the focus on equity-financed projects and an overall low debt ratio paid off in 2022. As a result, we were not as impacted by the negative effects stemming from the interest rate and financing environment as other developers. Our equity base has allowed us to borrow less and leverage the company's strong balance sheet.

At the same time, the international diversification of our business is beneficial and helps us to spread our risks. Despite the difficult market conditions, we see opportunities to further expand our portfolio internationally. Poland offers exactly the type of expansion opportunities that investors are looking for, due to a rapidly growing residential rental market that is becoming increasingly important relative to the condominium market. We have also become more active in the United States in recent years. Although costs and interest rates are also rising in the US, rents are rising at an even greater rate.

Strategic partner for institutional investors

Trei's strategy is to continue our focus on the development of retail centers in Poland as well as residential real estate in Poland, Germany and the US. In consideration of the growth in our residential development pipeline, as well as the potential we see in the residential markets in Germany, Poland and the USA, it is our belief that partnering with institutional investors will allow us to accelerate implementation of projects in the pipeline and also take on new projects. Moreover, we would like to create joint ventures with capital partners for the realization of residential development projects which will secure the long-term growth of Trei.



Driver for more sustainability

As part of Tengelmann – an owner-managed company in its fifth generation that for over 50 years has stood for and been committed to the responsible treatment of both people and nature – Trei is currently setting sustainability as a strategic foundation and a principle to which it is fully committed.

We want to conduct our business with foresight. And when it comes to our commercial activities, such as the construction of buildings or the consumption of resources, we want to always consider the environmental and societal impacts and thereby make a contribution to a humane construction industry which emphasizes low CO₂ emissions and the recycling of materials. By developing an ESG strategy, we are taking an important step in this direction. Going forward, it will become an integral part of our business plan and our approach to the future.



Creating more value together

As it so often is, we see that together we can achieve more. In the future, we would like to focus more on value-added collaboration with other enterprises in order to foster and make use of existing synergies.

Several good examples of mutually beneficial partnerships include: our joint venture with Patron Capital Partner for the development of retail centers in Poland, the partnerships we create with local developers in the US for our multifamily development projects, as well as our collaboration with general contractors, for example in the field of modular construction. In the future, however, it should also be about developing ideas with other companies and institutions as well as with our tenants, such things as sustainable construction, the use of innovative materials or the energy-efficient management of existing properties as a model for the future.

The war in Ukraine severely impacted Europe's overall economic situation last year. The combination of the immediate consequences of the war such as inflation, supply chain problems, interest rate increases - which are still felt today - with increased ESG requirements and greater ESG awareness have together heralded a 'Zeitenwende' for Germany, Europe and the world. The world has not been the same since 2022 and never will be.



PORTFOLIO

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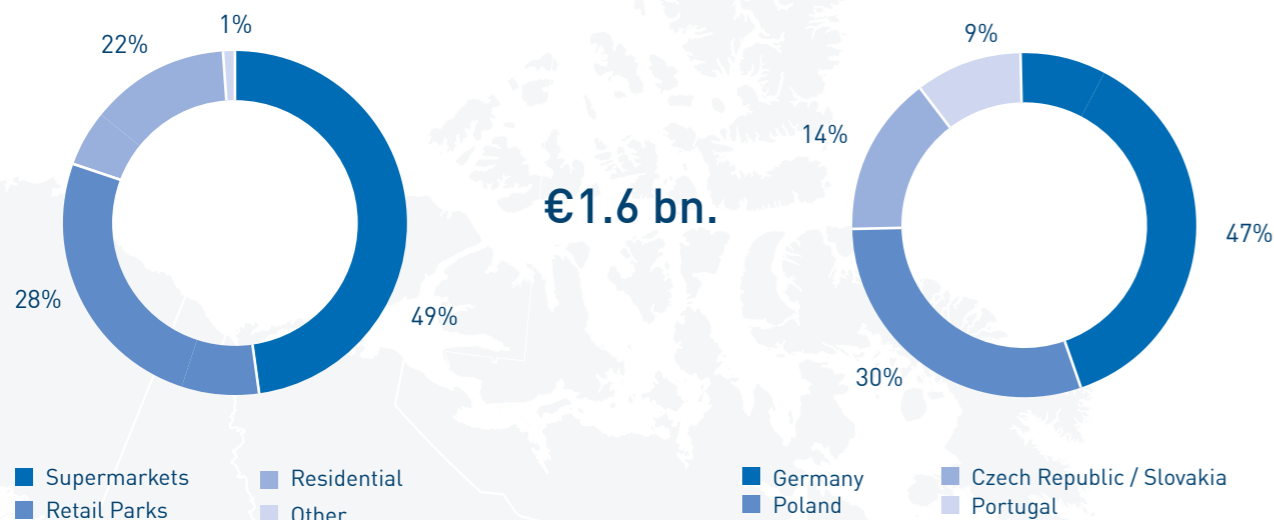
OSIEDLE

KRAFT

PORTFOLIO STRATEGY

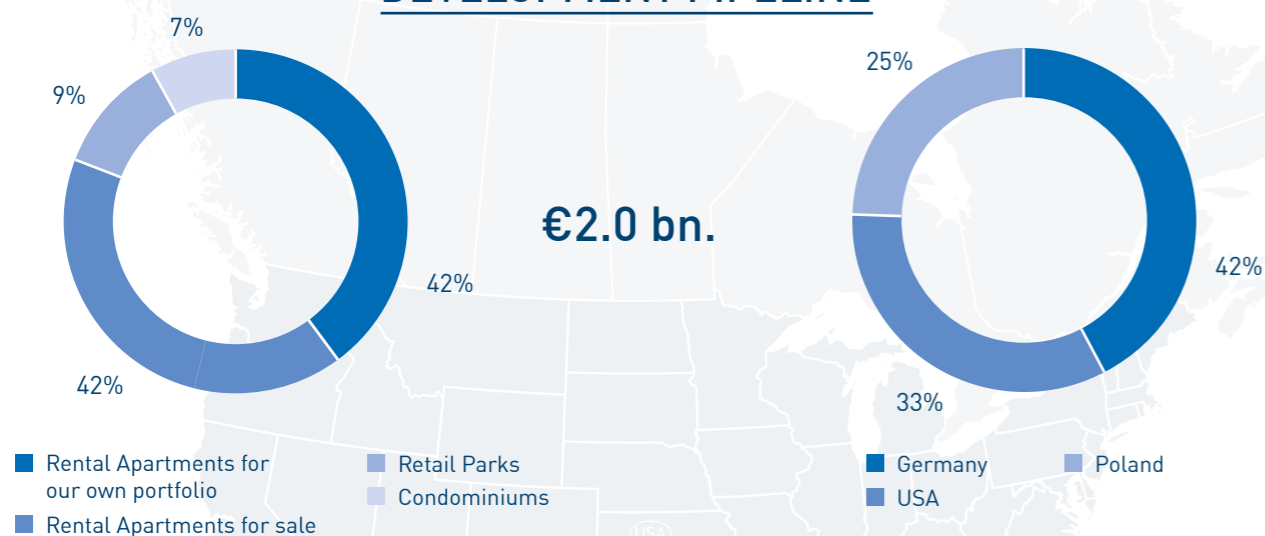
CURRENT PORTFOLIO

€1.6 bn.



DEVELOPMENT PIPELINE

€2.0 bn.

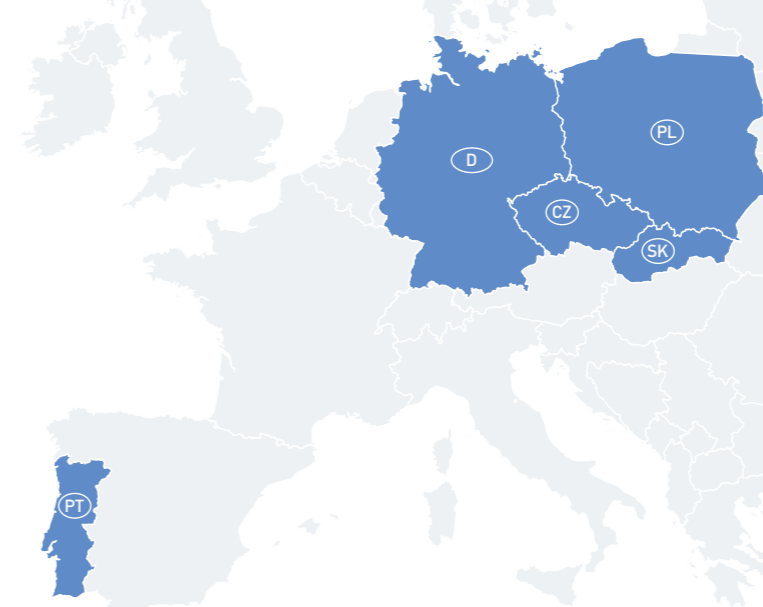


At Trei, we develop and manage tailor-made properties in the residential and commercial sectors – with the aim of creating sustainable living spaces.

Commercial real estate is our roots, but a differentiated and dynamic portfolio of residential and commercial real estate is our future.

With a strong entrepreneurial approach, in-house project development and active asset management, we create added value and act independently using our know-how and strong capital base – over the development life cycle, from building permits to occupancy permits.

As a wholly owned subsidiary of the Tengelmann Group, our goal is to create a long-term, attractive, sustainable real estate portfolio that forms a stable pillar within the Group and provides dependable and sustained cash flow. With the disposition of our entire portfolio in Portugal, the Czech Republic and Slovakia at the start of 2023, we have sharpened our strategic focus and going forward, we are concentrating on Germany, Poland and the US. In addition, we put our know-how and experience to work with selected institutional partners where we form joint ventures to develop projects together. We are already successfully implementing this strategy with UK investor Patron Capital for our retail centers in Poland, and going forward, we would like to open up the same business model for our residential developments.



RESIDENTIAL

We are currently developing around 6,000 residential units. Our most important markets for residential development remain Germany, Poland and the USA.

Our residential properties in Germany, which we plan to hold on a long-term basis, are in absolutely prime locations, in attractive growth regions. Looking at the growth of our German development pipeline, we could well imagine to also dispose of some projects in the future. As a first step in this direction, we structured a forward sale of our 'Lotsenhof' project in Mainz Zollhafen to an institutional investor. In addition, we review our portfolio of retail properties for the potential of adding density to these sites by converting them to mixed-use residential developments.

In Poland, we are supplementing our strategy of developing condominiums in attractive locations with the sale of entire multifamily projects to institutional investors. The Polish rental residential sector is still relatively small but has shown exceptional dynamism in recent years.

In the USA, we started partnering with local, experienced developers in 2018 to build multifamily projects in the growing metro regions in the Southeast in North Carolina, South Carolina, Georgia, Tennessee and now also Florida. These multifamily communities have a wide range of amenities for tenants such as swimming pools, fitness centers and indoor and outdoor community areas which is typical for the US market.

RETAIL

At year-end, our retail portfolio includes 303 properties. Our largest tenants include renowned international retail brands such as Aldi, Lidl, Kaufland, Edeka, Rewe and Jerónimo Martins.

In Poland, the Czech Republic and Slovakia we held and managed a portfolio of a total of 42 retail centers under the 'Vendo Park' brand which were developed entirely in-house, of which 32 are located in Poland.

We will soon reach our goal of 40 Vendo Parks in Poland for our own portfolio – but we see the potential for further development. Therefore, we formed a joint venture with UK investor Patron Capital Partners, which allows us to continue to expand this business - and over the next three to five years we will jointly invest around €140 million to develop 12-15 additional Vendo Parks.

ACQUISITIONS & DISPOSITIONS



GRUDZIĄDZ (PL)
VENDO PARK

6 SITES
FOR VENDO PARKS IN POLAND



KOSTRZYN (PL)
VENDO PARK

9 Sites
Aquired

194,000 sqm land area

118,000 sqm planned gross floor area

3 SITES
FOR RESIDENTIAL PROJECTS



JACKSONVILLE (USA)
THE NOTE



MILANÓWEK (PL)
KRÓLEWSKA



WROCLAW (PL)
KRAKOWSKA



MAINZ ZOLLHAFEN (DE)
LOTSENHOF



MÜLHEIM (DE)
WISSOLLSTRASSE

12 Properties
Sold

30,000 sqm rental area (approx.)



PACKAGE SALE 7
CONVENIENCE STORES (DE)

128 Condominiums
Sold

7,300 sqm residential area



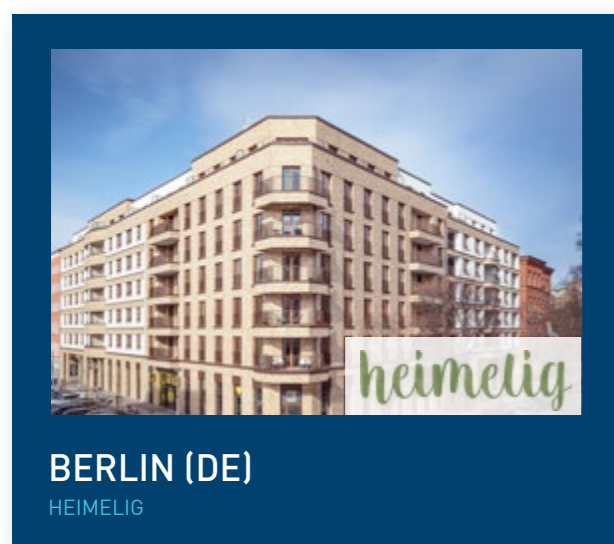
WROCLAW (PL)
BACCIARELLEGO 54
(2ND CONSTRUCTION PHASE)



ŁÓDŹ (PL)
OSIEDLE KRAFT
(1ST CONSTRUCTION PHASE)

COMPLETIONS

3 Residential projects completed



495 Apartments total



29,360 sqm Residential area

3 Vendo Parks completed



approximately 22,300 sqm Commercial area

AWARDS



OUR RESIDENTIAL PROJECTS IN

GERMANY



URBAN LIVING IN ATTRACTIVE LOCATIONS

We have a total of 12 multifamily projects in Germany which are characterized by their desirable locations in the country's top regions. In these locations, we are developing a total of around 1,450 residential units in order to create attractive living spaces and build a sustainable portfolio. One focus of our development efforts is increased density in urban locations: where single-story supermarkets previously stood, we are creating new living space in inner-city locations through mixed-use redevelopment. Our development pipeline has a volume of approximately €650 million.

In Berlin, we completed two residential projects in 2022 representing a total of 304 units in sought-after locations in Berlin Mitte and Prenzlauer Berg. The properties on Fürstenberger Strasse and Winsstrasse offer a modern style with underground parking and a supermarket on the ground floor. Both properties were (nearly) fully leased at the end of the year.

In Mainz Zollhafen, we are constructing a total of 183 units on two adjacent sites, each of which is surrounded by canals. Whereas the 'Fischerhof' with a total of 88 units is being retained for our own portfolio, we brought the Lotsenhof to market and sold it in the middle of the year. This marks our first project in Germany where we acted as an exit developer.

These projects are being developed by us in-house and primarily with the intention to hold them in our long-term portfolio. However, considering the growth of our German development pipeline, we could well imagine bringing additional projects to market in the future.

i All information about our residential properties in Germany can be found at www.trei-living.com/projects/germany

_PROJECTS

- completed
- under construction/development
- sold

12
PROJECTS

650
€ MILLION PIPELINE VOLUME

1,450
APARTMENTS (APPROX.)



RESIDENTIAL PROJECT DÜSSELDORF

Robert-Stolz-Straße 5-9

RESIDENTIAL AREA

about 8,700 sqm

NUMBER OF APARTMENTS

about 150

TOTAL PROJECT COST

€56 million

START OF CONSTRUCTION

2023

COMPLETION

2025

ARCHITECT

HPP Architekten GmbH,
Düsseldorf

GENERAL CONTRACTOR

Novia Consulting GmbH



In the Mörsenbroich district of Düsseldorf, we are developing a residential project with approximately 150 rental apartments near the attractive new development 'Gartenstadt Reitzenstein'. The new buildings we are planning will be based on the surrounding architecture in terms of building dimensions and height. The highlight of the project will be the green inner courtyard with a playground. Many of the apartments in this development will face the inner courtyard, offering an urban living space for families with children, as well as for seniors and singles.



Mörsenbroich is located about four kilometers northeast of Düsseldorf city center and has good connections to the city center, particularly when utilizing public transportation. Despite its well-known location as a traffic junction, Mörsenbroich is a quiet district with numerous green spaces. In particular, the well-developed infrastructure speaks for Mörsenbroich: Various supermarkets and other local shops, kindergartens and schools, as well as several sports clubs are nearby.

www.trei-living.com/projects/duesseldorf-robert-stolz-strasse



RESIDENTIAL PROJECT MUNICH

Weyprechthof

RESIDENTIAL AREA
about 4,685 sqm

COMMERCIAL AREA
about 560 sqm

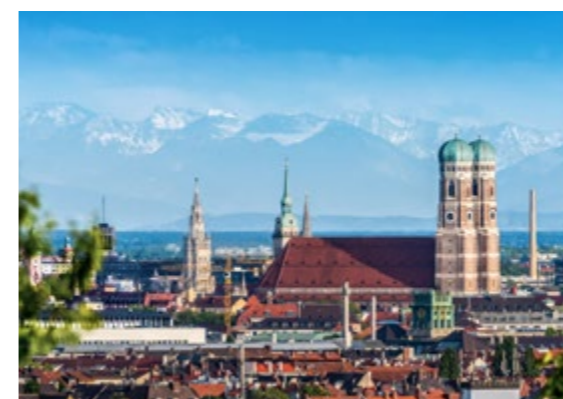
NUMBER OF APARTMENTS
about 88

TOTAL PROJECT COST
€43 million

START OF CONSTRUCTION
2023

COMPLETION
2025

ARCHITECT
Brückner Architekten,
Munich



In the north of Munich we are planning a residential project with around 88 units where a beer garden was once located. The ground floor will be occupied by a new catering business with an event hall as well as a beer garden, connecting the present to the past. In addition, a roof terrace is planned, which will be available for use by all residents.

The residential complex is being built in a newly developing area in Milbertshofen-Am Hart. This site boasts not only proximity to BMW and other industrial companies but also good public transportation connections to the university, Munich city center and the Munich Airport. A nearby bus stop and grocery store can be reached on foot in less than five minutes. And still the location is quiet and the surrounding parks and green spaces offer the possibility to relax and unwind.

www.trei-living.com/projects/munich-weyprechthof



OUR RESIDENTIAL PROJECTS IN

POLAND



HOUSING MARKET IN FLUX

The Polish housing market is booming. The need for contemporary, high-quality housing in urban locations continued uninterrupted in 2022. Particularly for rental units, there is a large unmet demand – supply can simply not keep up with demand.

To meet the high demand for residential units, we plan to expand our supply of residential housing – both condominiums and rental apartments alike. At present, we are developing a total of 2,100 residential units in Poland, of which 46 percent as condominium.

Shortly before year-end, we completed construction on our residential project 'Osiedle KRAFT' in Łódź and sold nearly all 191 units. The high demand confirms that we will expand our investment in this area in the future. Another of our now seven residential projects was under construction by the end of 2022. In Wrocław, at Bacciarrellego 54, we started construction on the fourth and final phase.

We are maintaining our strategy of making optimal use of available urban spaces and increasing density through our developments. To this end, we are building modern mixed-use projects with ground floor retail space with new apartments above. Two good examples are our projects in Poznań and Warszawa, which are helping to bring some relief to the Polish housing market. We will build 500 apartments in these locations.

i All information about our residential properties in Poland can be found at www.trei-living.com/projects/poland

_PROJECTS

- completed
- under construction/development

7
PROJECTS

250
€ MILLION PIPELINE VOLUME

2,100
APARTMENTS (APPROX.)



RESIDENTIAL PROJECT WARSZAWA

Ostrobramska

RESIDENTIAL AREA

about 21,100 sqm

NUMBER OF APARTMENTS

590

TOTAL PROJECT COST

€67 million

START OF CONSTRUCTION

2023

COMPLETION

2026

ARCHITECT

Adaptic Architekci



Our Ostrobramska project of 590 rental apartments is being planned in a well-developed and established residential area in Praga-Południe, a district in the eastern part of the Polish capital of Warsaw. Ostrobramska, our second project after Piątkowska, in Poznań, is meant to address the high demand for urgently needed rental housing. The project mainly offers smaller apartments for young professionals.

The site is conveniently connected to the city center by means of public transportation, and offers quick access to shopping centers, numerous supermarkets as well as to medical providers and educational facilities. Despite traffic, as well as the nearby retail shops, the location is still considered very quiet and the surrounding parks and the nearby Vistula offer a variety of local recreation opportunities.

www.trei-living.com/projects/warszawa-ostrobramska



CONDOMINIUMS MILANÓWEK

Królewska

RESIDENTIAL AREA

about 25,000 sqm

COMMERCIAL AREA

about 3,900 sqm

NUMBER OF APARTMENTS

about 440

TOTAL PROJECT COST

€39-42 million

START OF CONSTRUCTION

2023

COMPLETION (1ST CONSTRUCTION PHASE)

2025

ARCHITECT

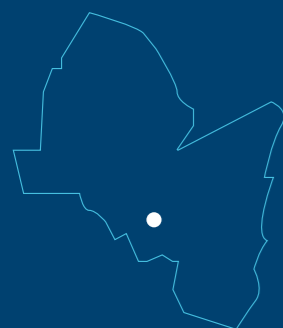
Adaptic Architekci



In Milanówek, a small city about 30 kilometers southwest of Warsaw, we are developing a total of thirteen five-story buildings in three phases in a previously undeveloped location. Milanówek is an attractive place to live because it is a quiet and historic location in green surroundings, and yet it is also near the capital Warsaw and has the best connections to the city.

The location also offers a wide range of retail shops and service providers within walking distance: in the immediate vicinity, for example, there is also a Vendo Park retail center – as well as parks, schools, kindergartens and other shops.

www.trei-living.com/projects/milanowek-krolewska



OUR RESIDENTIAL PROJECTS IN

USA



CONSTRUCTION BOOM IN THE DYNAMIC AND FAST-GROWING SOUTHEAST

At year-end, we had eight projects under development and construction in the US. We are focused on the growing metropolitan areas in the Southeast and are working with experienced local partners. These residential projects represent multifamily apartment concept, which is characterized by the large selection of amenities which the residents can enjoy, such as resort-style pools, spa areas, fitness rooms, community spaces, including outdoor spaces with grills.

At the end of 2022, we completed our second US development named 'Atlantic Beach House' which is located in Charleston, on Atlantic Coast of South Carolina, and received the final occupancy permit in early 2023. Another development located in Charleston known as 'Atlantic Daniel Island' is in predevelopment.

In Jacksonville, Florida, we started construction of our multifamily development known as 'The Note'. Although it is our first investment in Florida, it perfectly fits our strategy. Jacksonville enjoys a diversified economy, strong demographic growth and high livability which make it an attractive investment market.

We have two projects under construction in North Carolina – 'LoSo Village' (Charlotte) and 'Carpenter Fire Station' (Cary). And in Nashville, Tennessee, construction work at our 'Queens at Wedgewood-Houston' project progressed on schedule in 2022. There are an additional two projects in Nashville which are in predevelopment.

i For more details on our residential real estate in the United States, go to www.trei-living.com/projects/usa

_PROJECTS

- completed
- under construction/development
- sold

8
PROJECTS

900
€ MILLION PIPELINE VOLUME

2,450
APARTMENTS (APPROX.)



RESIDENTIAL PROJECT JACKSONVILLE

The Note

_HIGHLIGHTS

Pool, gym, bike rentals, club lounge



JACKSONVILLE, 14023 HYATT ROAD



In Jacksonville, we are currently developing a multifamily project called 'The Note' with local development partner Chance Partners LLC. 'The Note' will have 290 apartments with a total residential area of around 25,000 sqm. The project started construction in October 2022.

Property amenities include a pool, gym, bike rentals, spacious club lounge, outdoor kitchen with fireplace, and Starbucks® coffee bar.

Jacksonville offers a high quality of life, and it really shines when it comes to outdoor activities. The city offers a varied range of leisure activities such as boating, fishing and water skiing on the St. John's River, but its greatest amenity might be its many nearby beaches. In addition, Jacksonville is home to the largest urban park system in the US. The city is also home to Jacksonville University, the University of North Florida, the Mayo Clinic in Florida and one of the largest ports in the USA.

www.trei-living.com/projects/jacksonville-hyatt-road

RESIDENTIAL AREA

about 25,300 sqm

NUMBER OF APARTMENTS

290

TOTAL PROJECT COST

about €60 million

START OF CONSTRUCTION

2022

COMPLETION

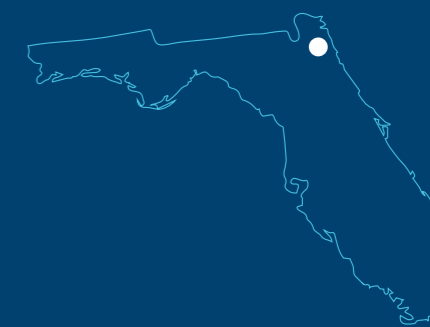
2024

ARCHITECT

Dynamik Design

JOINT VENTURE PARTNER

Chance Partners



RESIDENTIAL PROJECT CARY

Carpenter Fire Station

_HIGHLIGHTS

Gym, yoga room, swimming pool, barbecue area, dog spa and lounge areas

RESIDENTIAL AREA

27,800 sqm

NUMBER OF APARTMENTS

300

TOTAL PROJECT COST

€55 million

START OF CONSTRUCTION

2023

COMPLETION

2024

ARCHITECT

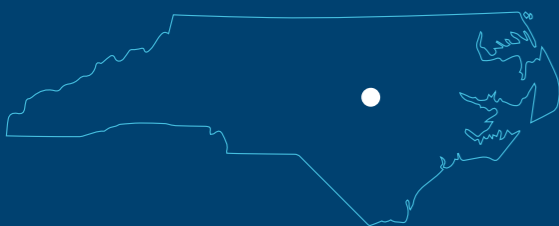
Housing Studio

GENERAL CONTRACTOR

Wood Partners

JOINT VENTURE PARTNER

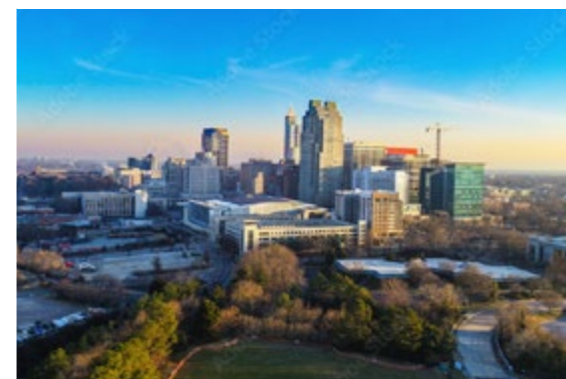
Wood Partners



North Carolina | CARY



CARY, 6807 CARPENTER FIRE STATION



Located in Cary, North Carolina, we are currently under development on our 'Carpenter Fire Station' project which has a total of 300 residential units divided into three 3 to 4-story buildings. In total, the project will include residential area of around 27,800 sqm and has a mix of one, two, and three-bedroom apartments. On-site amenities include a coworking space, gym, swimming pool, walking trails, resident clubhouse, and a dog spa.

The city of Cary is easily accessible to the Research Triangle Park – home to numerous research institutions and technology companies – as well as having easy access to the cities of Raleigh and Durham and the Raleigh-Durham International Airport. In addition, there are also many grocery stores within a two-mile radius.

www.trei-living.com/projects/cary-carpenter-fire-station

OUR VENDO PARKS IN

POLAND, THE CZECH REPUBLIC AND SLOVAKIA



CONVENIENT SHOPPING FOR EVERYONE

We have been developing, building and leasing neighborhood retail centers in the Czech Republic, Slovakia and Poland under the Vendo Park brand since 2012. At the end of 2022, we held and managed a total portfolio of 42 fully leased Vendo Parks, 32 of which are located in Poland.

Our Vendo Parks, which are developed and leased up in-house, meet today’s consumer need for convenient and quick shopping – supplying essential goods to local residents, particularly in smaller cities – this is how they keep up with the competition from online shopping. Our retail tenants benefit in turn from an efficient cost structure.

The demand for retail centers in Poland continues on an upward trend. In recent years, we have observed that the need for retail centers in the smaller Polish cities is greater than we initially anticipated. While our objective to keep 40 Vendo Parks in our own portfolio has not changed, we are well aware of the enormous potential for additional development, which is why we formed a joint venture with Patron Capital Partners, a UK-based investor, in order to further expand and scale our business. We have now completed a total of three retail centers (in Otwock, Skarżysko-Kamienna and Chorzów) with Patron, two of them in 2022, with another nine developments in the pipeline. In our joint venture with Patron, our plan is to develop an additional 12-15 Vendo Parks with a combined value of €140 million (approx.).

i For details on our Vendo Parks, go to www.vendo-park.com

_PROJECTS

- completed
- under construction/development

61
PROJECTS

480
€ MILLION TOTAL VOLUME

333,000
SQM GROSS LEASING AREA (APPROX.)

INTERVIEW WITH U.S. PARTNER PROFFITT DIXON

Wyatt Dixon is a founding partner of the real estate firm Proffitt Dixon Partners (PDP). In this interview, he describes the criteria that he believes are important for a successful joint venture while also discussing the opportunities the U.S. market offers residential developers, and the development of ESG requirements in the U.S. in the coming years.



Wyatt Dixon

Founding partner at
Proffitt Dixon Partners

Mr. Dixon, tell us a little about Proffitt Dixon's history and business model.

Proffitt Dixon Partners (PDP) is a Charlotte-based real estate firm focused on Class-A multifamily, mixed-use, and self-storage development and investment throughout North Carolina, South Carolina, and Tennessee. While focusing on markets with strong population and job growth, we strive to add value to these communities by delivering best-in-class developments that create outstanding living experiences for our residents and excellent returns for our investment partners. Since 2010, the year the company was founded, we have successfully completed transactions valued at over \$1.5 billion.

When we formed Proffitt Dixon, the US real estate industry was coming out of the 'great recession', which was, of course, a terrible time for anyone in the sector. We saw a lot of bad things happen to good developers during the recession and therefore part of our business model is avoiding the mistakes of others in our business.

We strive to be disciplined with our investment and growth decisions. We have never tried to grow simply for the sake of becoming a larger company. Rather, our expansion and success is the result of organic growth together with carefully selected capital partners, employees, consultants, and contractors.

What criteria are especially important to you in joint venture partners?

Without a doubt, the most important filter for us when we select joint venture partners is their people – character, integrity, and personalities, too. We seek partners who are knowledgeable and experienced, and who are adept at making timely and informed investment decisions.

We focus on leveraging our development and investment experience with capital partners who are aligned with our strategies.

What do you particularly appreciate about working with Trei?

The trust that Trei and its leadership places in our firm makes this partnership very special to Proffitt Dixon Partners. We believe that the combination of PDP's expertise as a developer and asset manager, on the one hand, and Trei's thoughtful and strategic capital deployment, on the other hand, has proven to be a winning formula.

Being aligned strategically as partners enables us to work synergistically with the leadership team at Trei to successfully navigate the economic and market cycles.

What are your hopes for the joint venture going forward?

We hope to be a part of Trei's long-term investment strategy in the US, and that our relationship will continue to grow through prudent development and investment decisions and successful execution.

With regard to the current interest rate environment, how do you assess the present situation for developers in the U.S.?

The availability of construction debt has diminished since last year, which will lead to fewer construction starts this year. While this might make our near-term job harder, it will prove to make the markets in which we operate more fundamentally sound two or three years out. We expect to see continued rent growth, but not at levels seen over the last two years.

We believe it is important to move forward with planning our well-located developments so that we're able to move quickly into construction as we see key metrics and fundamentals improve.

How far has the topic of ESG progressed in the development of multifamily projects and what developments do you expect in this regard in the U.S. over the next few years?

ESG investing continues to see rapid growth and emphasis in the US, and we expect this trend to continue. Lenders and investors are becoming increasingly interested in these metrics and insistent that their partners are too.

PDP is committed to green building practices. Almost all of PDP's projects meet the NGBS green building certification standards, which are verified by third party consultants. Many projects employ green features such as water saving faucets, energy efficient lighting, energy-star rated appliances, bike racks and storage areas, EV charging stations, salt-water pools and on-site recycling centers. We often track and achieve targets set to work with Minority, Women and Small Business Enterprises (MWSBE) for project construction.

We believe that ESG will continue growing in significance within the commercial real estate sector and will be a metric that the development community will have to address going forward.

More information about Proffitt Dixon:
www.proffittdixon.com



OUR RETAIL PORTFOLIO IN

EUROPE



GROCERY RETAIL: STABLE GROWTH EVEN IN TIMES OF CRISIS

Our extensive retail portfolio is largely made up of sites and properties that Tengelmann had either developed or purchased for its brick-and-mortar grocery retail business.

When Tengelmann decided to sell its grocery retail operations, which took place in two phases – ‘Plus’ in 2008 and ‘Kaisers-Tengelmann’ in 2017 – the shareholders decided to retain ownership of the most appealing and future-proof properties and to transfer them along with other retail properties to a newly established subsidiary – Trei Real Estate. Since then, these retail properties and their corresponding asset and property management have been an important and established part of our core business – they are part of our ‘DNA’. Over the years, we have adjusted the original holdings and believe the current properties represent a valuable and sustainable portfolio for the long-term. The crisis resulting from COVID-19 has uniquely demonstrated the value of our core investments in grocery retail properties.

At the end of the year, our portfolio included a total of 261 properties in Germany, Poland, the Czech Republic and Portugal, which are leased to renowned retail companies, including Aldi, Lidl, Edeka, Rewe, Kaufland, Penny, Netto, Billa and Biedronka. In the first quarter of 2023, we sold the entire portfolio in Portugal and the Czech Republic as part the sharpening of our reorientation on Germany, Poland and the US.

261

PROPERTIES

60.4

€ MILLION RENTAL REVENUE

364,000

SQM GROSS LEASING AREA (APPROX.)



TEAM


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WHO WE ARE

This year **23** new employees joined Trei

The perfect work day starts with ...

55%  ... Coffee

16%  ... Friendly colleagues and working environment

10%  ... A stress-free commute

If our employees could choose a superpower, they would choose ...

- 39%** Ability to fly
- 24%** Mind-reading
- 20%** Invisibility
- 11%** Ability to communicate with animals
- 6%** Superhuman strength

Our employees bring **479** years of cumulative real estate experience to the table
... and that adds up to expertise, competence, experience and know-how

2022 in three words:
Challenging, Transition, Eventful

22 & 60
... are the ages of the youngest and the oldest employees hired in 2022 – whether new-comer or old hand – everyone is welcome!

THIS IS WHAT OUR COLLEAGUES ARE PARTICULARLY LOOKING FORWARD TO IN 2023

exciting projects

Disneyland **vacation** further developing the real estate industry **spring**
 spending time with family
family celebration **stability** **new challenges**
 less stress **15-year Trei anniversary trip**
new apartment **summer** **normalcy** **travel**
end of war **success** **lower inflation**
 carnival **more leisure time** **great experiences** **summer vacation**
peace and health

The data refer to the survey results of the 82 participants.

WHAT DEFINES US

What we stand for

We have high standards when it comes to living out a values-based culture. It shapes our interactions – and defines who we are. It guides us in our daily actions, in decisions and in our behavior.

As a company we are very diverse: we come from different countries and cultures, have had different experiences and are active in different markets. Everyone contributes their perspective and culture to the workplace every day. Clear values that are shared, understood and lived by everyone at Trei contribute to the success of our company. We have defined five values as the basis of how we conduct our business activities.

FAIR

We work on a level playing field with our partners. Open and fair cooperation is essential.

HUMAN

We understand the needs of those with whom we interact, respect them and respond to them. We leave room to learn from mistakes and support one another.

RELIABLE

We are true to our word. This creates trust and long-term relationships.

MODERN

Agile thinking and short decision-making paths enable us to act dynamically in the market.

ENTREPRENEURIAL

We think and act entrepreneurially. We prefer long-term value-creation to short-term returns. We always act in the best interest of the company and its stakeholders.

What we do

At Trei, we always center our actions around the human element so that we can optimize the implementation of the business elements.

As real estate developers and property managers, we always strive to understand people – our customers, their customers, our partners and our employees – and to recognize their needs. The same applies to our employees – they are crucial to the success of our company.

Based on this understanding, we create living spaces that fit seamlessly and precisely into different environments in order to enrich and enliven each with its unique quality of life. By doing this we can create 'win-win situations' for everyone involved and operate successfully together in the long term.

In this way, each thought, action and plan results from our capacity for self-confident, success-oriented empathy. We attach great importance to conscious listening and open and fair communication with everyone involved. This allows us to anticipate both needs and wants and sense previously undiscovered potential – in continual realignment to our own interests and constructive goals.

Our values and our self-perception form the basis of the commitments we make to our customers, partners and employees – and set the direction for what we do:
WE CREATE LIVING SPACES.

MODERN WORLD OF WORK

Digital, flexible, attractive

The progressive digitization in everyday office life determines the way we work – today and tomorrow. When we moved our headquarters to Düsseldorf, we also asked ourselves the question: How do we actually want to work in the future? In addition to designing attractive, inviting offices in which you can feel comfortable and enjoy spending your working day, which include breakout rooms and shared spaces, the focus was on digitizing everyday office life as far as possible: from creating a paperless office, equipping all employees with laptops and Mobile phones, to the continuous digitization of our work processes, for example the implementation of digital signatures for signing rental contracts.



Working in such a digitally oriented way has the advantage of making it possible to work from nearly any location. This has proven itself not only during the COVID-19 pandemic, but also offers our employees flexibility they need today for a better work-life balance or to spontaneously work from Paris or London, instead from home or the office.

As a company with teams in different countries, we appreciate a high level of digitization: it allows us to promote cross-team and increasingly international collaboration.

The exchange as well as the personal contact between colleagues or between management and employees remains extremely important to us at Trei, which is why we rely on a combination of both in-person as well as remote working. What remains unaffected, however, is our effort to increase flexibility in how we envision the workday, in terms of part-time employment, working hours and location.

We are certain of this: only a company that is willing to accept change and move with the times can create a productive working environment for happier and more productive employees!



SPOTLIGHT ON EMPLOYEES

Ivonne Mundil has worked for Trei in Germany for eight years. Since early 2023, she has held the role Head of Sustainability & ESG. In the interview, she talks about her approach and how Trei plans to work toward its ESG targets and achieve climate neutrality. She also discusses the accompanying and comprehensive change process that will ultimately affect an entire industry.



Ivonne Mundil
Head of Sustainability & ESG,
Trei Real Estate Germany

Ivonne, how do you see your role as Head of Sustainability & ESG at Trei?

The real estate industry is in the midst of a major transformation process with the long-term goal of climate neutrality. My role is to guide that transformation at the company. To achieve this goal, we have developed an ESG strategy together with our managing directors that I am responsible for rolling out and overseeing. I see myself as both an instigator and driver of this very change process. Communication also plays a particularly important role in how I see my new position. When it comes to ESG, what I want to do is motivate employees – and other stakeholders alike – and bring them with me on this journey.

Do you think climate change has entered the collective consciousness of the real estate industry?

No, not to a sufficient extent. I'd put it this way: We've powered up our engines to start our journey toward climate neutrality, but we're still parked on the tarmac.

Right now, all roads lead to ESG. At present, what are the driving forces behind that?

First and foremost, the senior management and owners of Trei Real Estate care deeply about acting sustainably in every way. We're a part of a family-owned business that has already been around for 155 years. We think in generations rather than on a short-term basis.

European regulators, with their ESG legislation that is gradually entering into force, could certainly be seen as one of the main driving forces. Other important drivers include institutional investors and banks, who are basing their investment and financing decisions to an increasing extent on ESG criteria. Then there are further stakeholders such as tenants, employees, the general public and policy makers.

More specifically, what does ESG mean for real estate?

It is well known that real estate is responsible for around 40 percent of global CO₂ emissions. As a result, this means that the real estate industry needs to do its part as well to help achieve the climate targets of both the EU and the German government. This means that by 2030, CO₂ emissions need to fall by 65 percent compared to 1990 – and by 2045, we have to be climate-neutral.

What do you believe are the key ESG performance indicators that we absolutely have to keep an eye on?

The key performance indicators are definitely CO₂ emissions and CO₂ reduction. They are the main control parameters for the climate neutrality journey. In addition, metrics on everything we consume – such as energy, water and quantity of waste on construction sites – are also important, especially in the real estate sector.

Going forward, though, businesses will increasingly be judged based on social criteria as well. At a corporate level, that includes things like perks, the percentage of management positions held by women, training and corporate social responsibility. In the residential real estate sector, for example, reduced rents or affordable rents could be seen as a social metric.

What are the greatest challenges when it comes to putting ESG into practice?

One of the greatest challenges has to do with new construction. How is it even possible to build new structures sustainably? At the same time, though, we also have to optimize existing buildings. That's an enormous challenge given the sheer volume. There are 43.1 million apartments in Germany alone, for example. The high number leads us to our next problem: Transforming properties is very expensive, and somebody has to pay for it. Owners can't bear the cost alone. Tenants will also have to be on board and cooperate, and potentially share part of the costs.

Moreover, the subject of climate resilience also plays a role. By this, we are referring to ways to better prepare buildings for the continuation of climate change and the associated risks. In practice, it means dealing with issues like how buildings react to extreme heat in urban areas, how we can save even more water in the face of droughts or how to protect properties in the event of flooding.

How is Trei approaching the subject of ESG?

We see ESG as an opportunity for our company to take action entrepreneurially. Ultimately, we want to act with foresight so that we can continue to pursue our business sustainably in the long-term. The first big step was to develop an ESG strategy that is a good fit for our company. In this context, we analyzed areas of action and defined priorities.

Our starting point has to be our current real estate portfolio. We both develop and manage an extensive portfolio of properties. The first thing we want to do here is assess our ESG status through data gathering, for instance. On this basis, we then plan to define our own goals and targets for the further development of those assets, in cooperation with our tenants.

As for the properties we develop in-house, the first step is to ensure they receive green building certification. For German properties, that means DGNB certification. For Polish commercial real estate, the standard is BREEAM. In parallel to that, we will systematically continue to digitalize our company and make greater use of building information modeling, or BIM. Another long-term goal is implementing a cradle-to-cradle approach. We are firm believers in seeing real estate as a long-term store of raw materials at the end of its life-cycle and reusing all construction materials wherever possible.



KEY
FINANCIAL
DATA

TREI REAL ESTATE

Key Financial Data

For the year ended December 31, 2022

Number of projects

	2022	2021	Change
Germany	68	71	-3
Poland	157	153	+4
Czech Republic	67	67	0
Slovakia	4	4	0
Portugal	49	49	0
USA	8	7	+1
	353	351	+2

Rental revenue

Euros in millions	2022	2021	Change
Germany	28.0	26.1	+1.9
Poland	35.3	30.2	+5.1
Czech Republic	13.4	13.5	-0.1
Slovakia	1.8	1.6	+0.2
Portugal	8.4	8.3	+0.1
USA	1.5	1.4	+0.1
	88.4	81.1	+7.3

Investments in real estate and development

Euros in millions	2022	2021	Change
Germany	50.9	36.5	+14.4
Poland	55.4	69.9	-14.5
Czech Republic	0.5	0.2	+0.3
Slovakia	0.1	1.3	-1.2
USA	88.9	91.9	-3.0
	195.8	199.8	-4.0

Net debt

Euros in millions	2022	2021	Change
Cash and cash equivalents	101.4	147.7	-46.3
Total debt	-611.0	-512.6	-98.4
Net debt	-509.5	-364.9	-144.6
LTV (%)	31.3%	32.6%	-1.3%

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