

EUROPEAN DEBT FINANCE & INVESTMENT BRIEFING

Navigating rough waters through a bottom up approach to investing

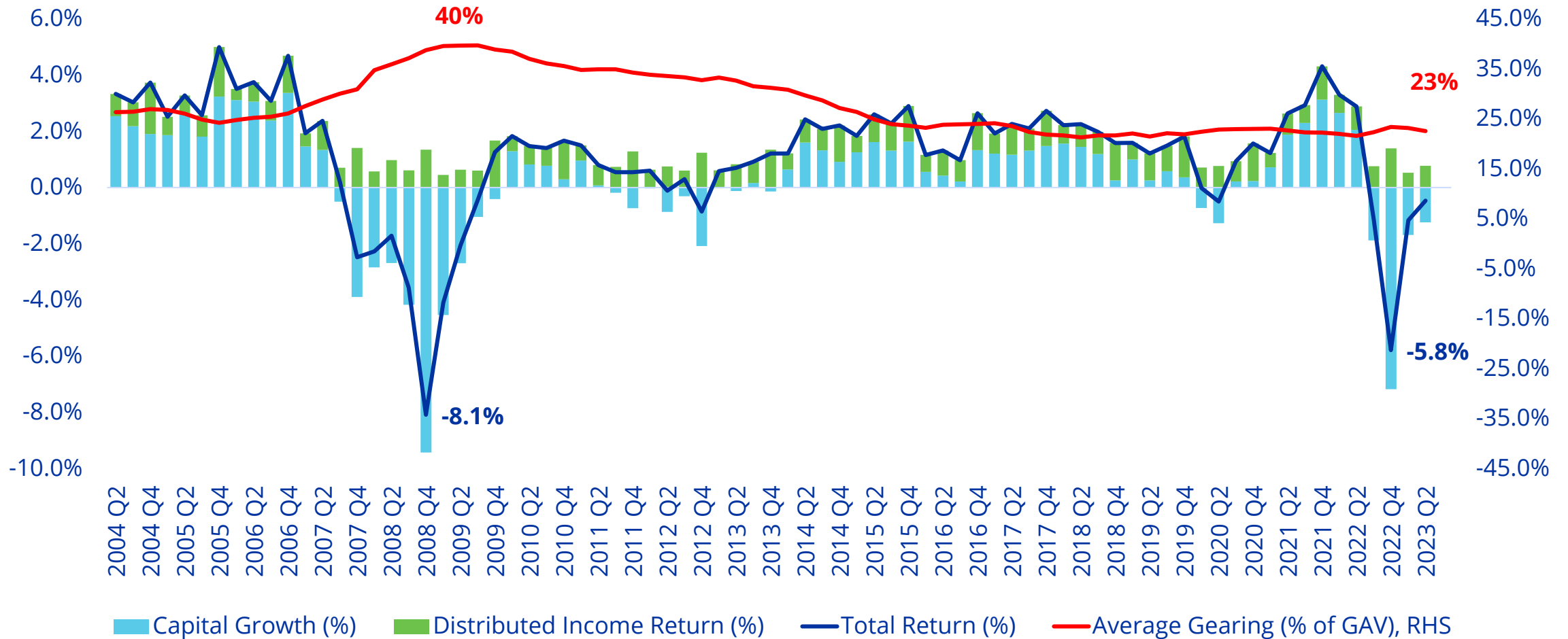


EXPO REAL: Real Asset Investment Briefing
5 October 2023

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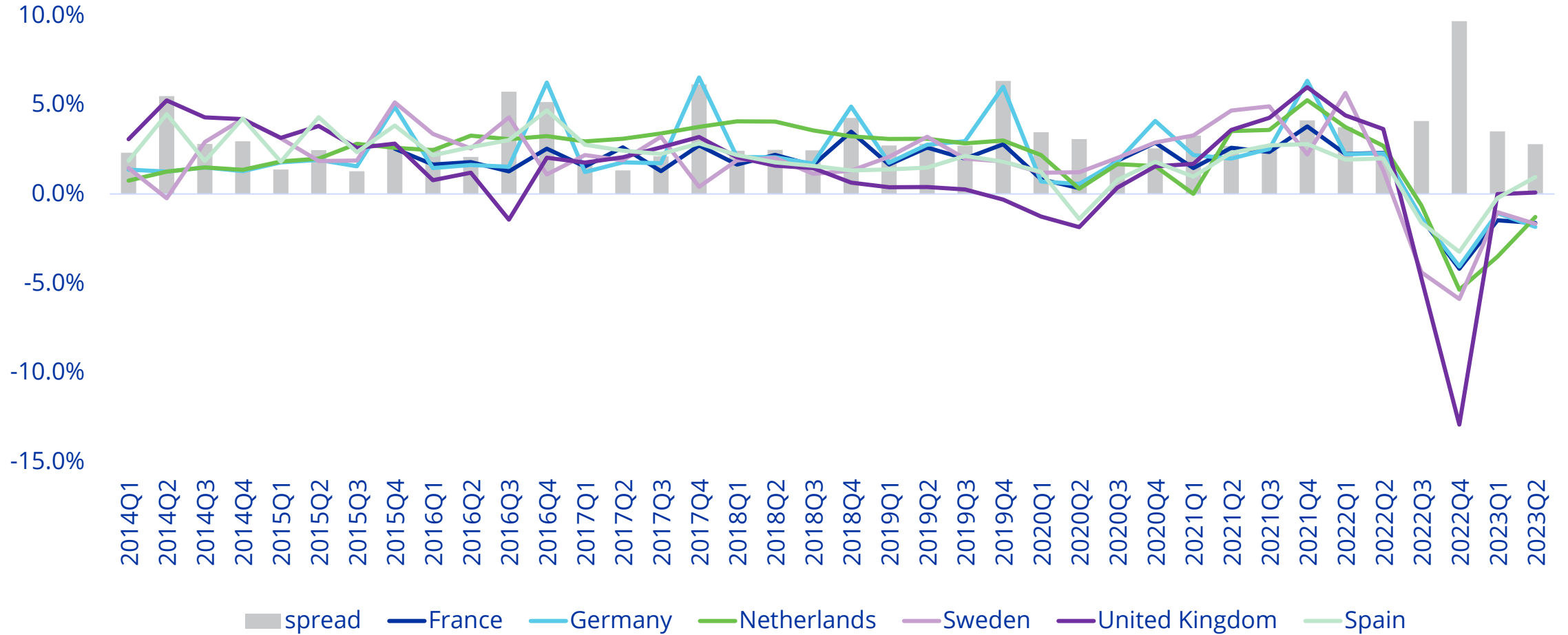
European non-listed real estate values continue to correct

Q4 2022 saw largest quarter-on-quarter decrease in capital values since the GFC



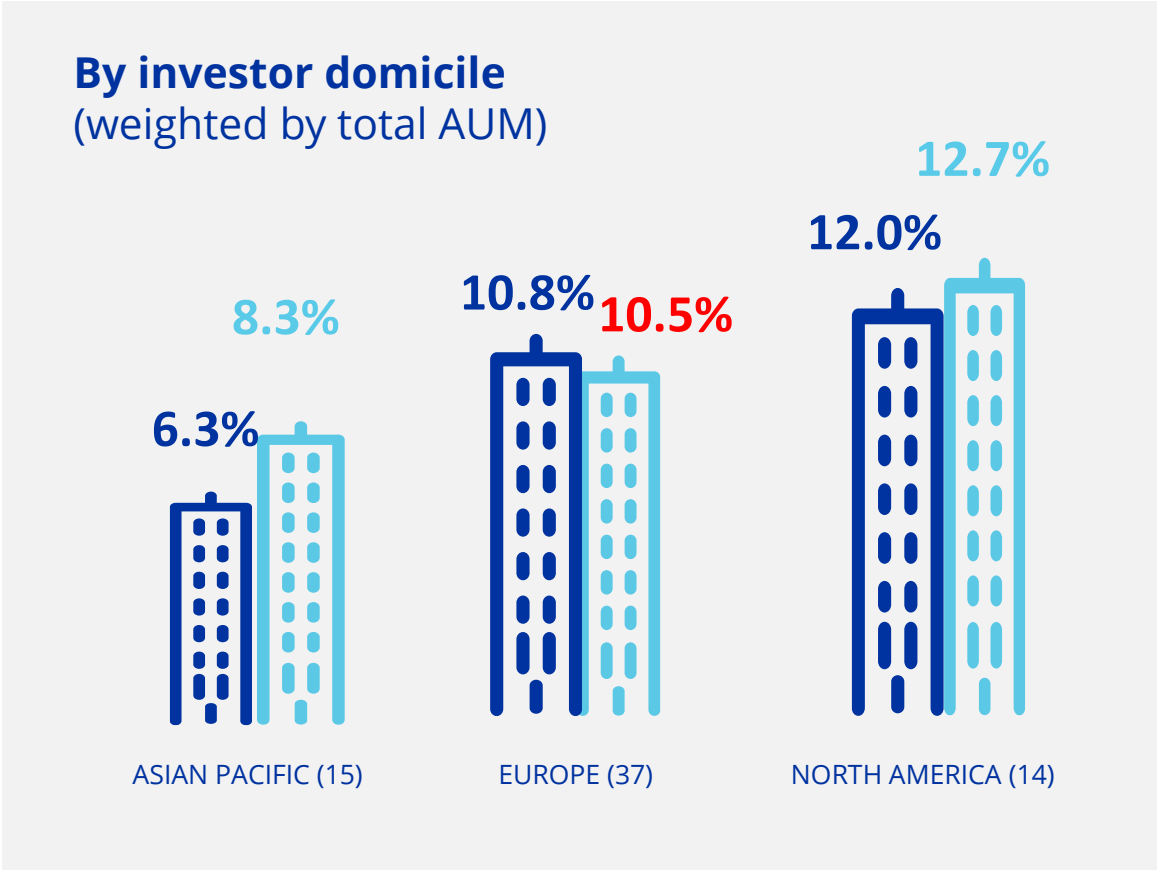
UK leads the correction

Total return by country



Target to current allocations gap narrows across the globe

European investors plan to decrease allocations to real estate

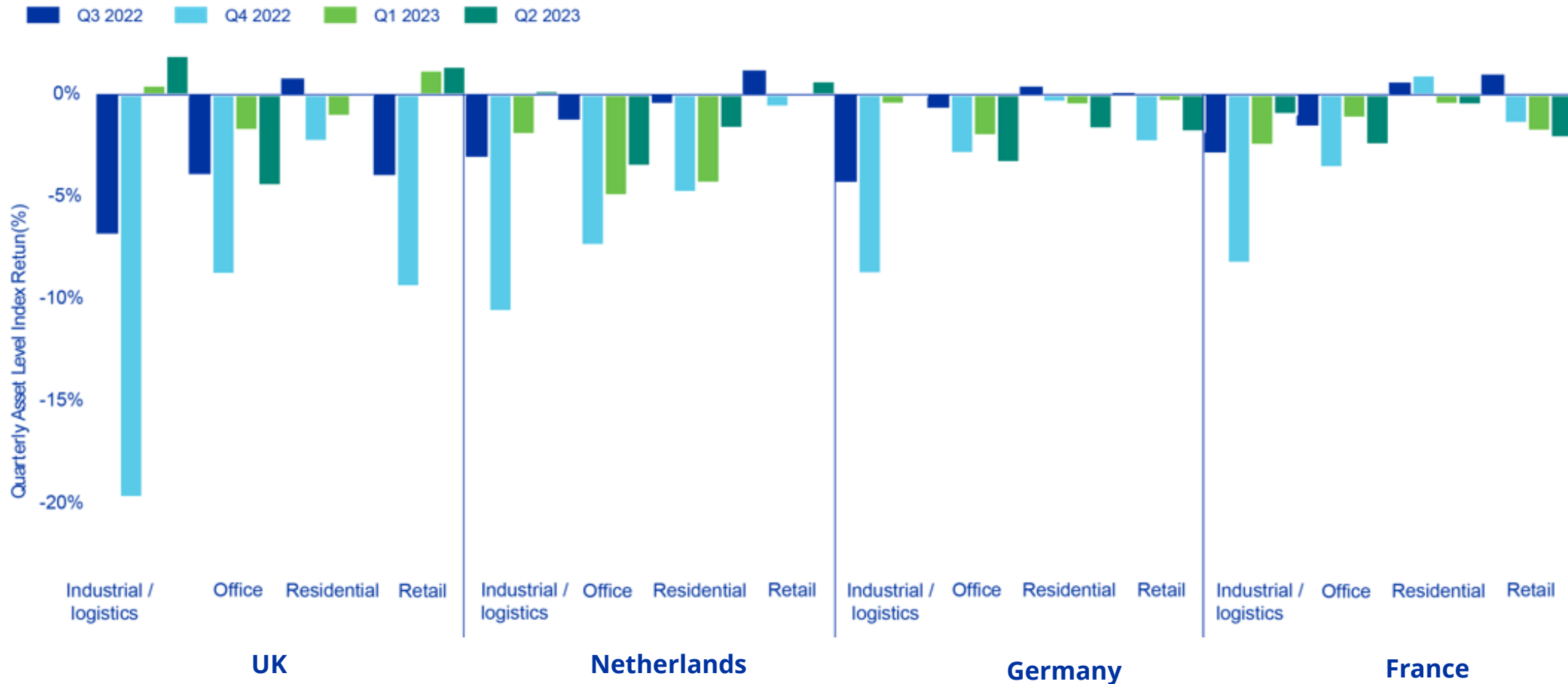


Source: Investment Intentions Survey 2023, Number of respondents in parentheses

Source: INREV European Fund Index, Q2 2023

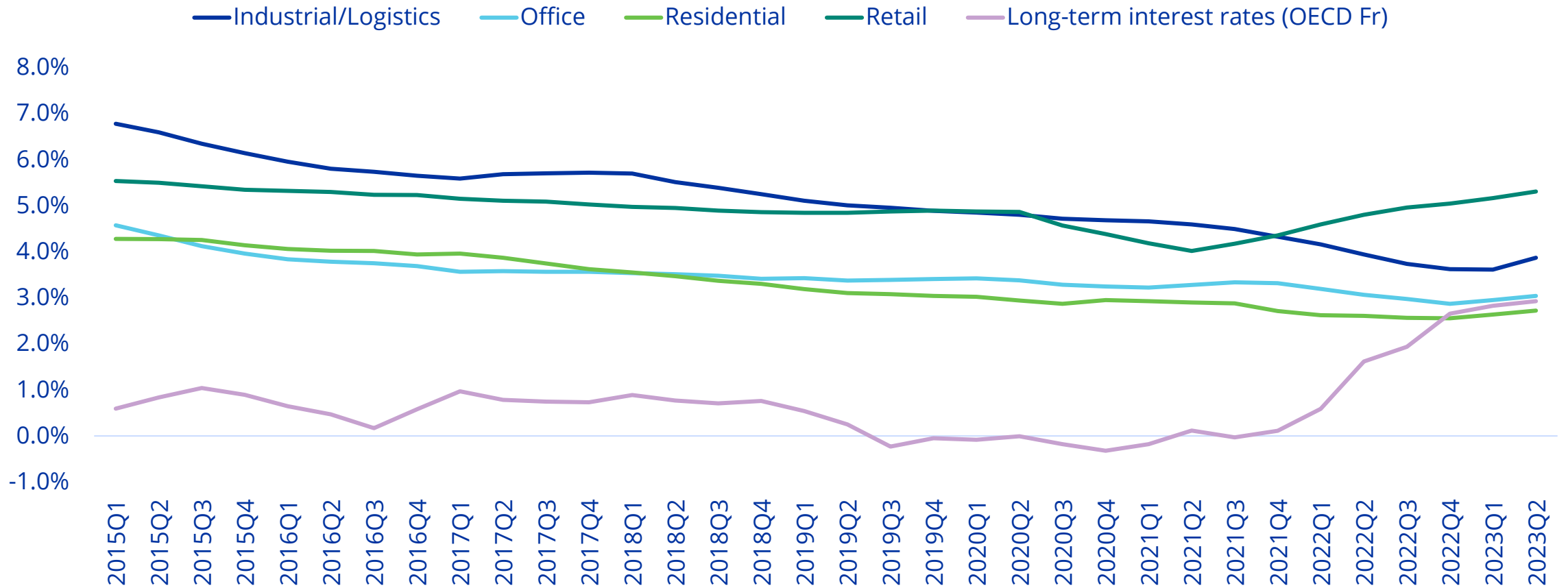
UK and Industrial/logistics lead the correction

Asset level performance across main markets and sectors



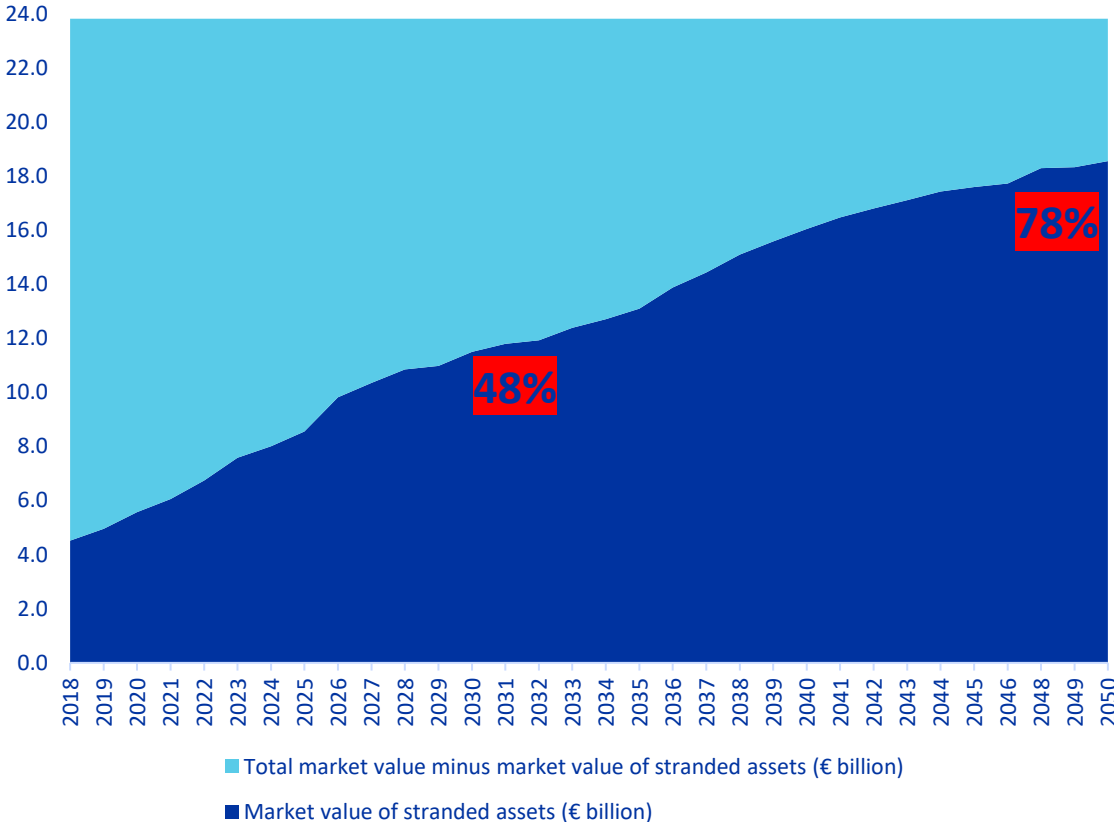
Revisiting the case for real estate as an asset class

12 months income return by sector

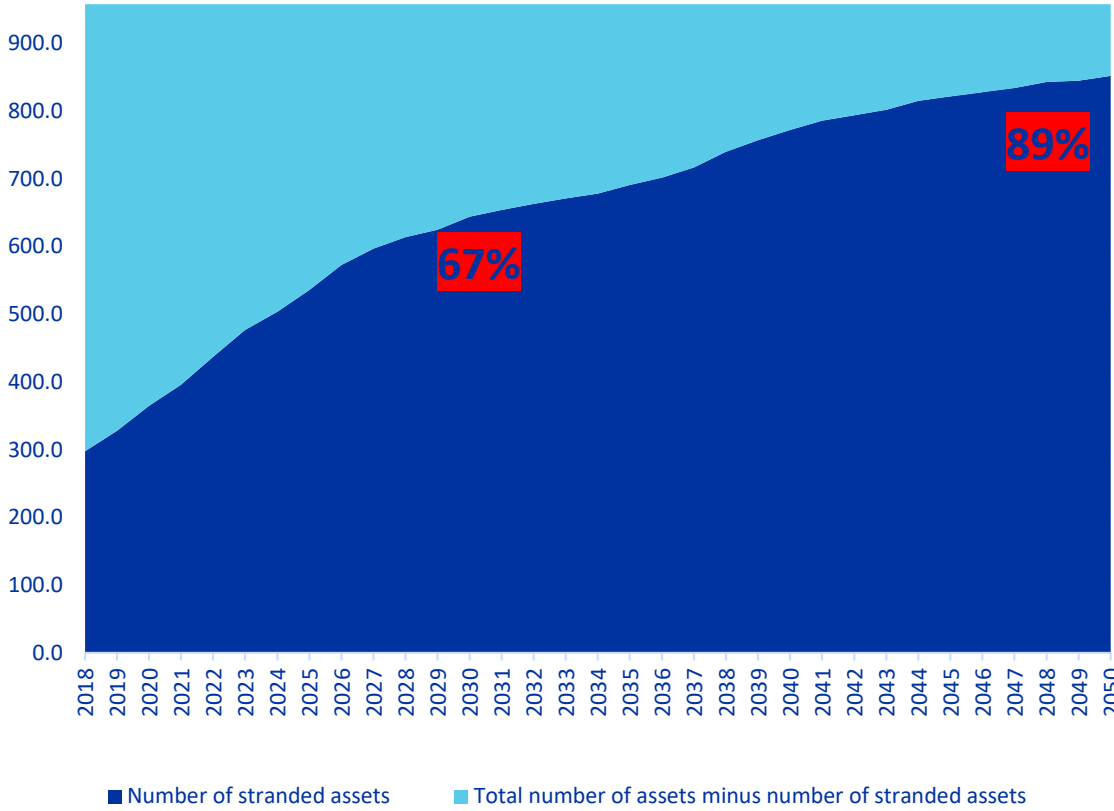


Stranded assets in Europe - Carbon

Market value of stranded asset in Europe in € billion in terms of carbon intensity in 2020



Number of stranded assets in Europe in terms of carbon intensity 2020



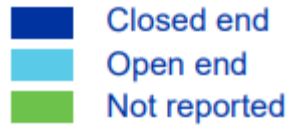
2020 results

Source: INREV Asset Level Index Sustainability Data, CRREM

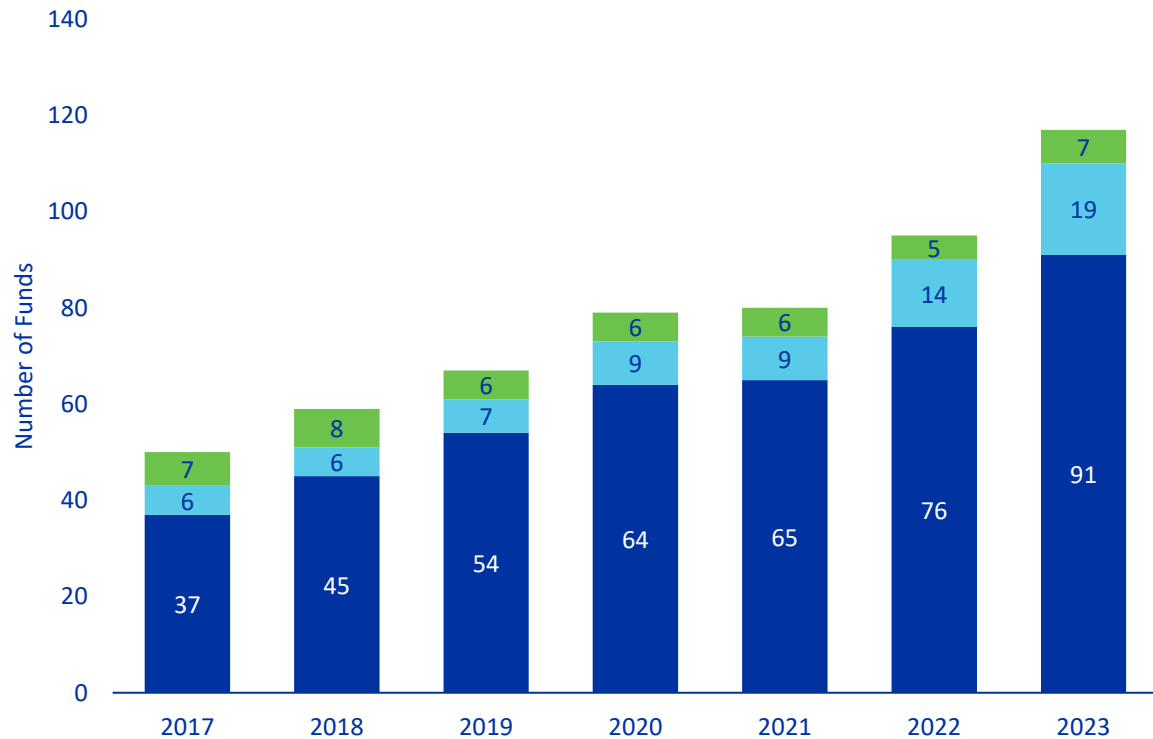


European Debt Vehicles Universe doubles in size

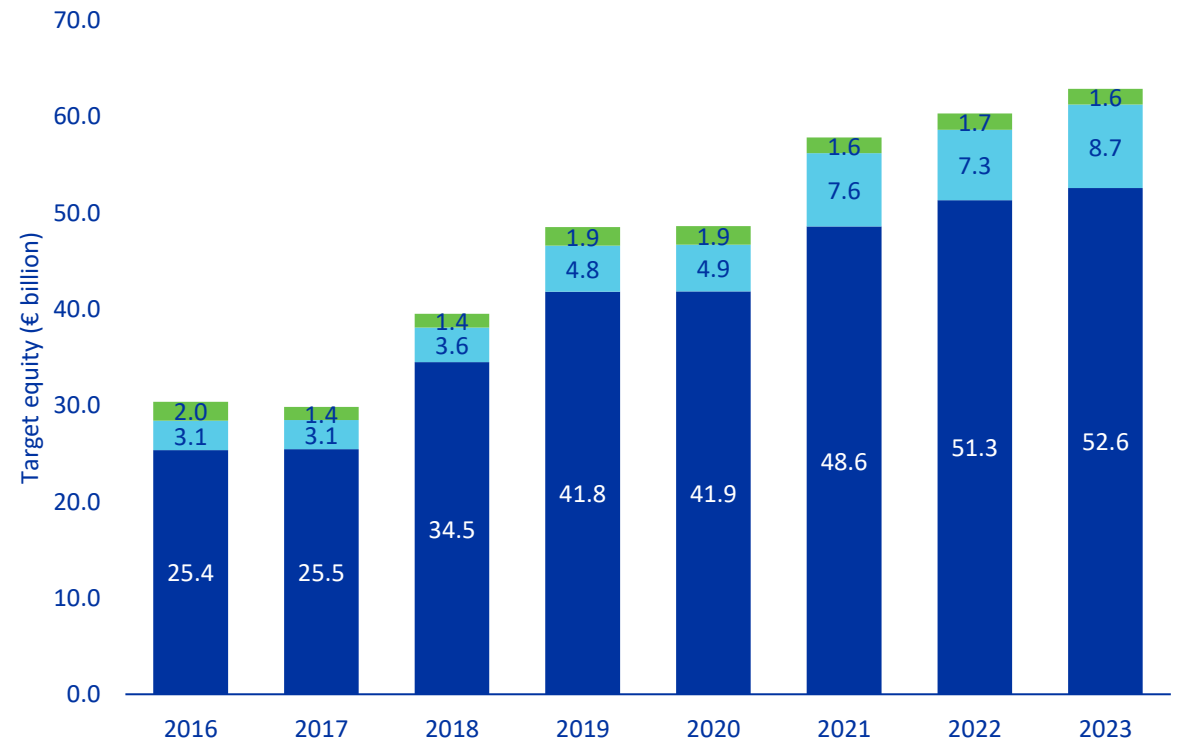
Growth over the last seven years: concentration on the closed end vehicle structure



Number of vehicles (117)

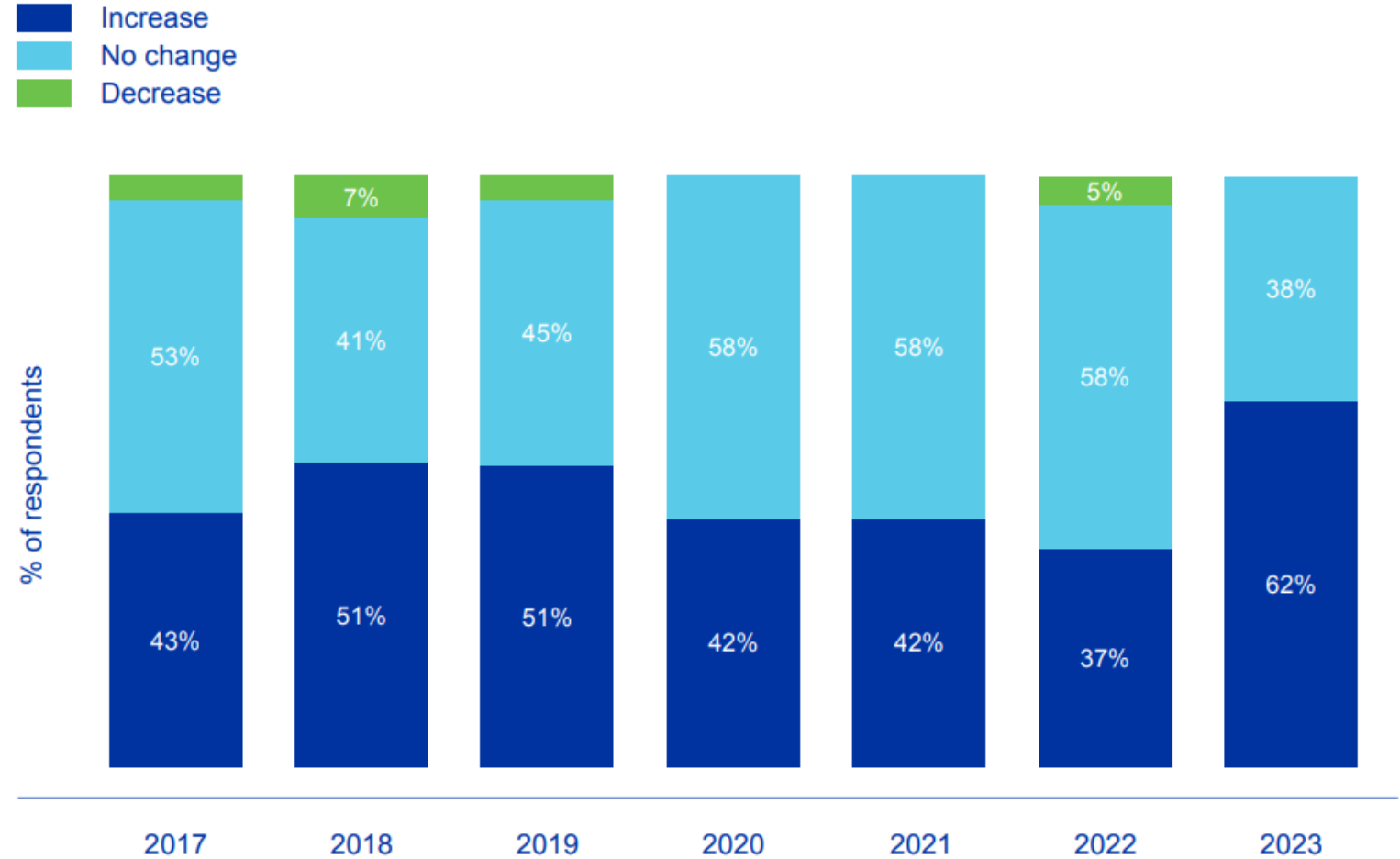


Target equity (€62.9 billion)



Strong demand for non-listed debt, albeit increasingly selective

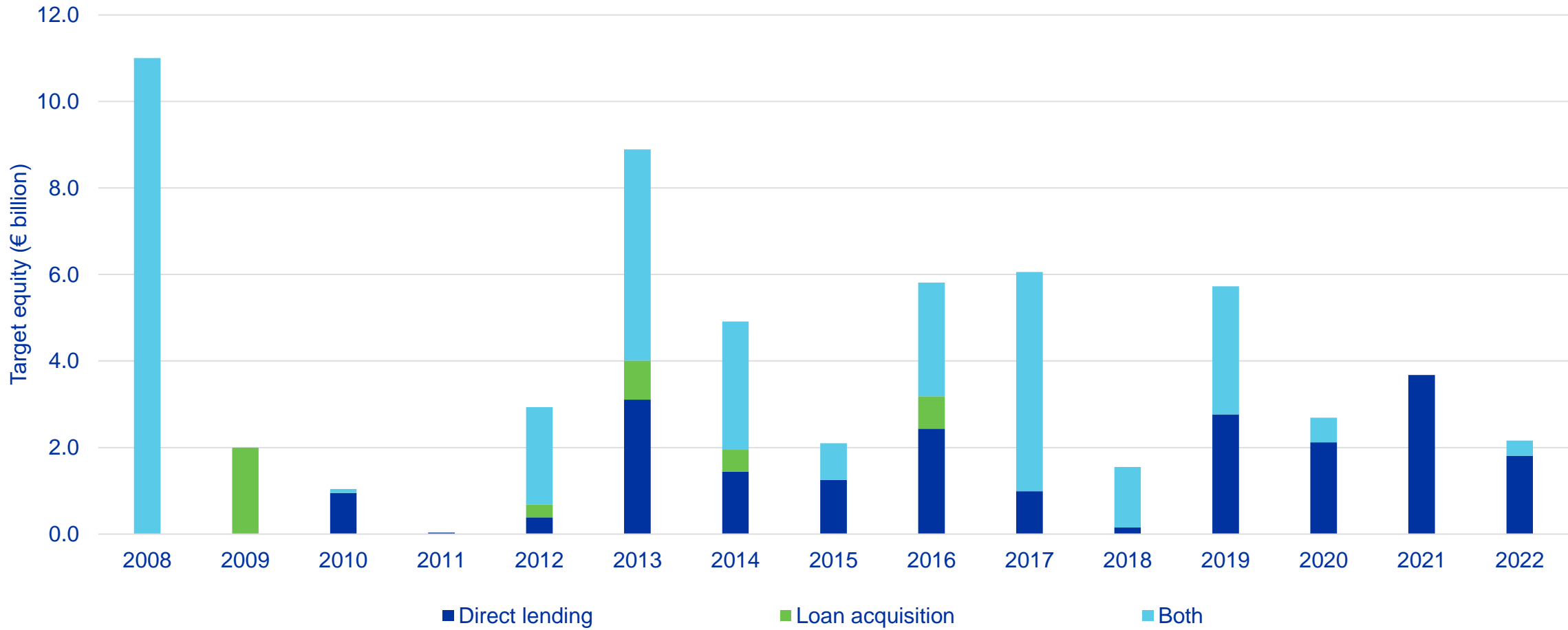
Expected changes in allocations to European non-listed real estate debt (equally weighted)



Source: Investment Intentions Survey 2023

Direct lending - preferred route to access the market

Loan generation strategy by year of first closing



Source: INREV Debt Vehicles Universe, October 2023

Non-listed debt: opportunity to step up

Servicing
financing gap

Attractive risk
return profile

Focus on
Senior debt

Unregulated
market: albeit
AIFMD, SFDR,
proposal on
Green Bonds

Strategic
opportunity for
the ESG-
focused debt
proposition

Concluding remarks

Real estate allocations outlook is muted

- Technical over-allocations may persist for a while, but fast real estate market correction should help to erode the denominator effect
- Reestablishing the case for real estate: no more easy money
- European investors most cautious, while Asian Pacific capital gained dominance for the first time on record

Rise of non-listed real estate debt

- Traditional lenders are notably less active
- Strong demand for private debt, albeit demand is heavily focused on senior debt and is increasingly selective
- An opportunity driven market – very nonuniform, unregulated and in relatively early stages of development

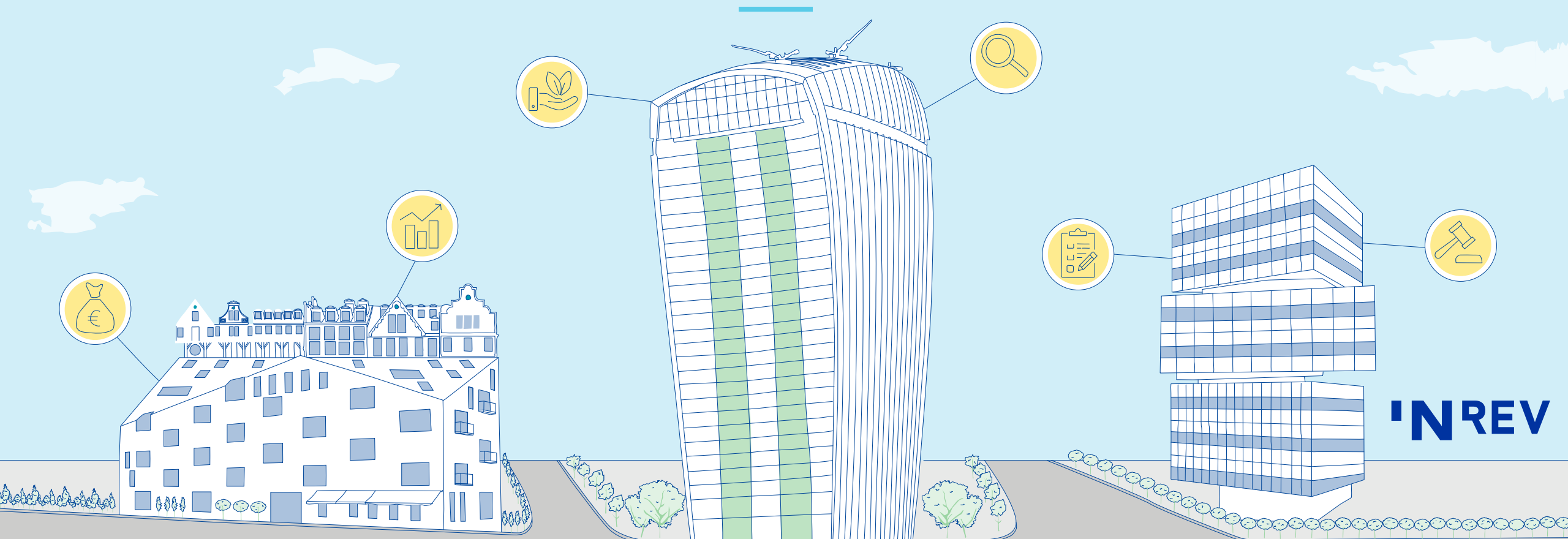
Dislocation from fundamentals (short-term?)

- Capital markets driven correction +
- Structural shifts: what does the real estate portfolio of tomorrow look like?
- Office sector remains under pressure + significant retrofit and/or conversion need

A period of transition:

- Known unknowns: meeting the 2030 net carbon targets & facing the risks of structural obsolescence / the financing/refinancing gap distress
- Unknown unknowns: other external (?) stress
- The trajectory of recovery may differ widely not only across markets and sectors, but also across individual assets

THANK YOU



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