



EUROPEAN OUTLOOK CONFERENCE
LONDON

European Real Estate: New Year's Resolutions

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European Real Estate: New Year's Resolutions

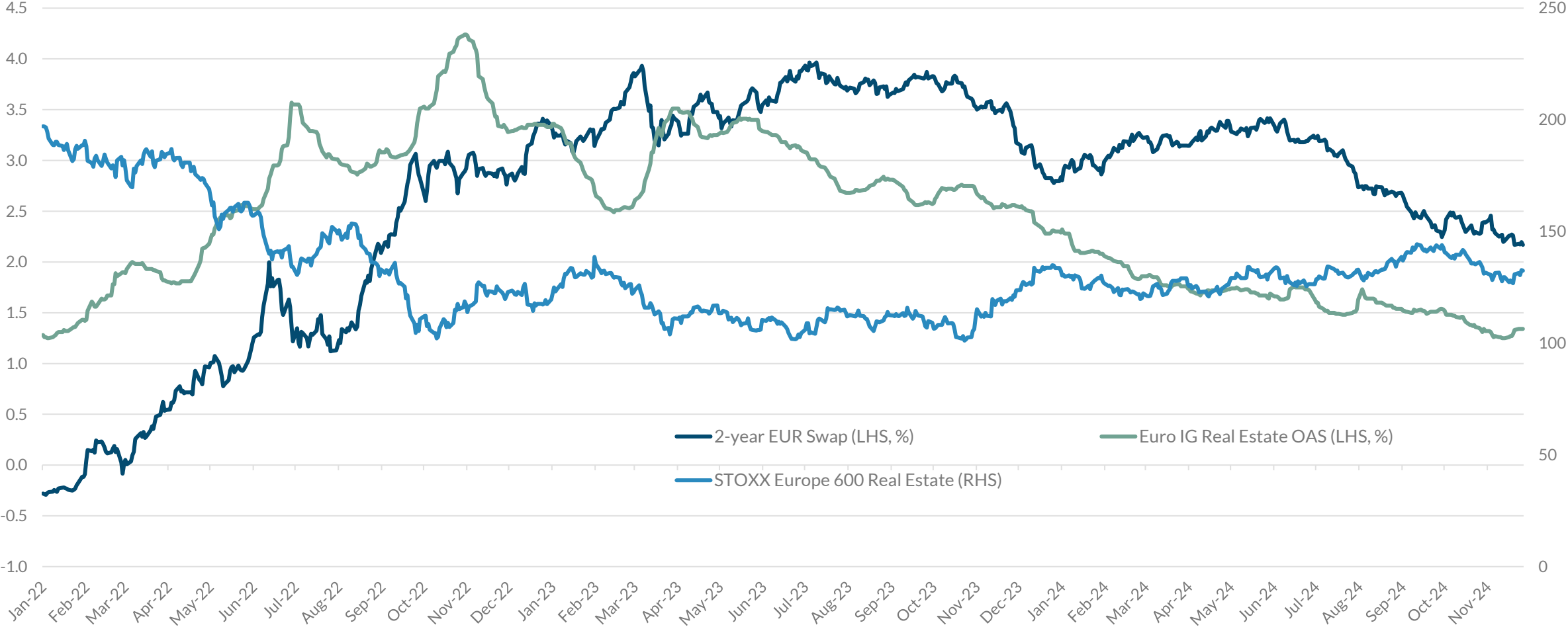
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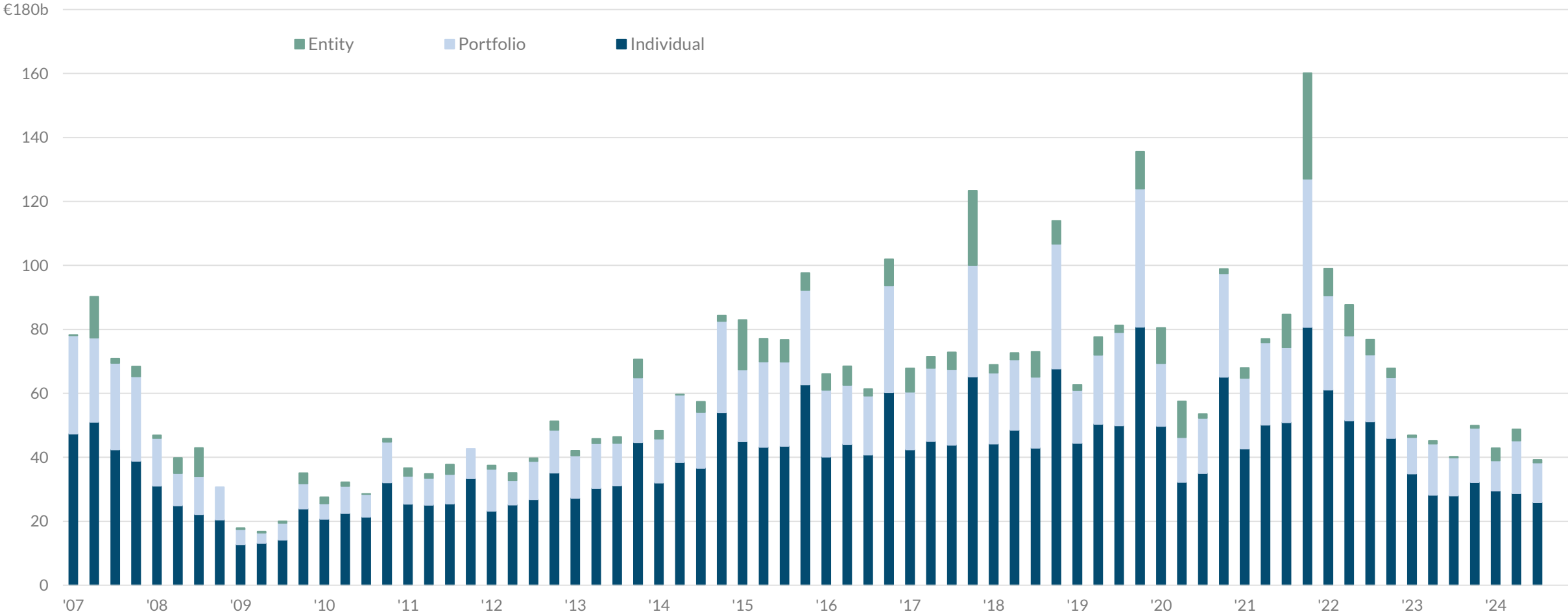
Where are we now? Rates are Down and Spreads are Tighter

Swaps versus European Real Estate IG Spreads and Stocks: The Big Picture



Where are we now? The Trough in Valuations is Here or Near

European Real Estate Transaction Volumes (EUR bn)

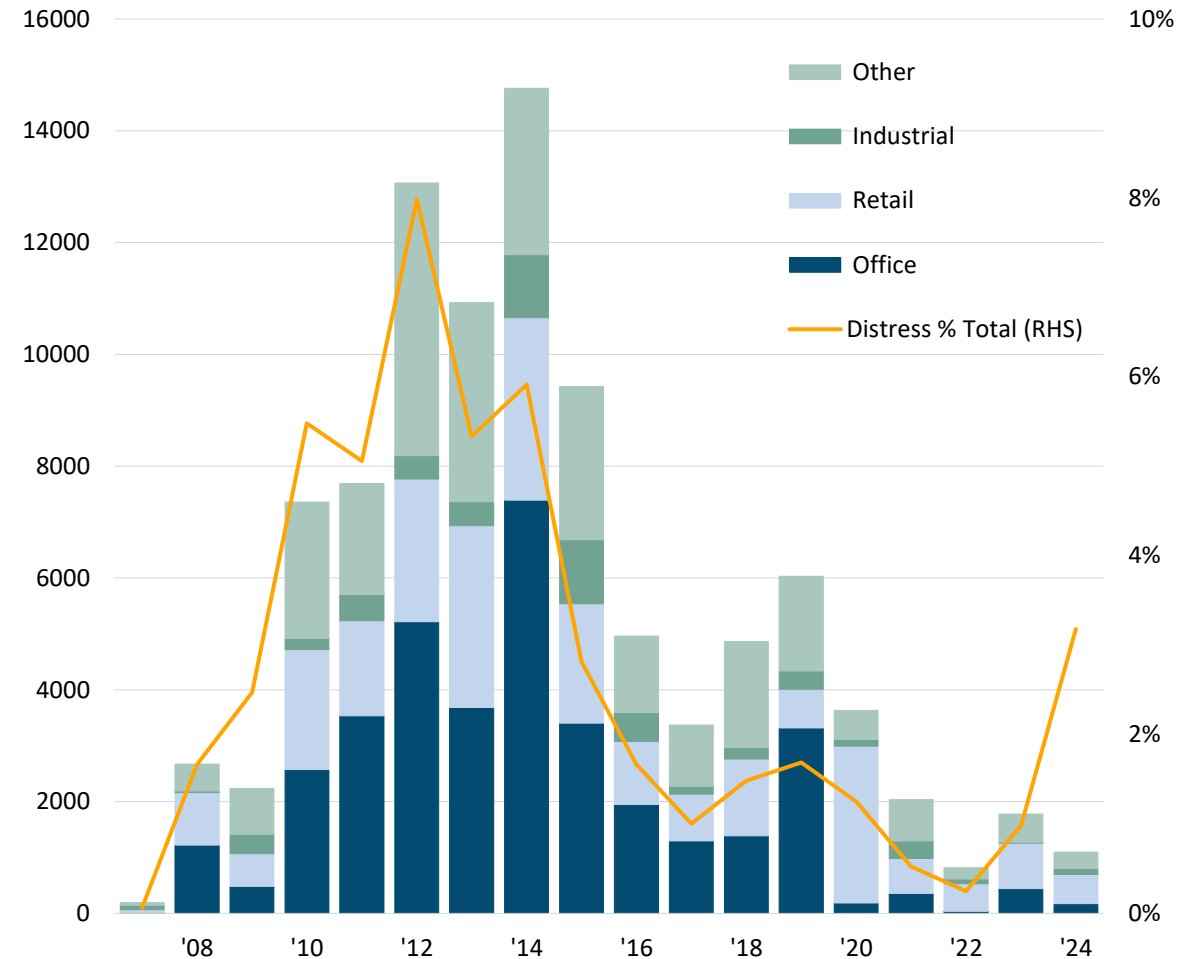


Where are we now? Property Cycles are Long

The View from the Trough

- It took seven years for volumes to recover to pre-crises levels after the GFC
- Following the peak in valuations prior to the GFC (December 2008), the percent of sales from distress peaked years later
- The total peak-to-trough decline is less severe in this cycle, but the recovery in transaction volumes has been slower
- This time-around rental income growth has been stronger, but property yields versus government bonds are still less attractive

Sales Resolving a Distressed Situation



Pinching Pennies: Bloated Balance Sheets

LTV Evolutions since 1H22 (adj net debt/adj portfolio value)

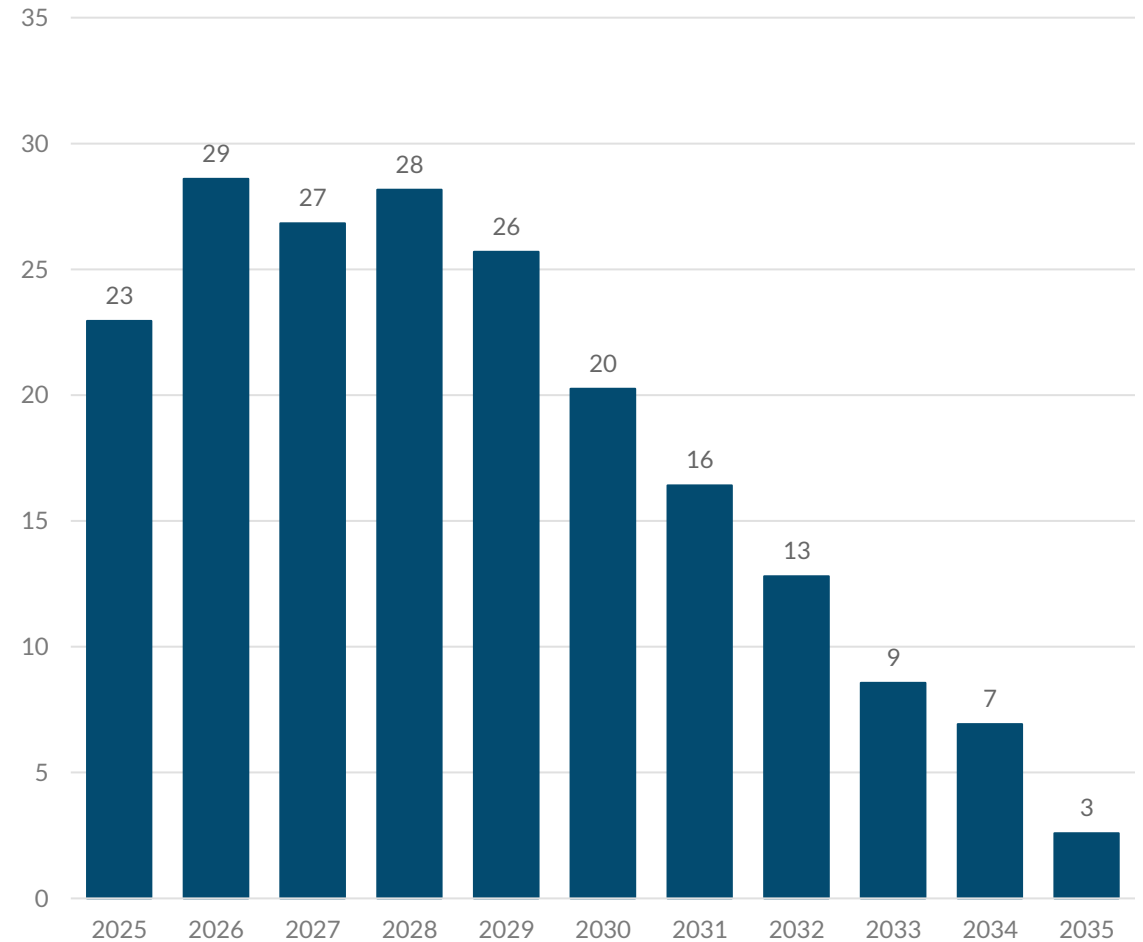


Pinching Pennies: Managing Liquidity

The Primary is Back

- We expect a steady stream of issuance, but for the size of sector in the index to shrink on a net basis
- Asset sale proceeds and new secured debt are still key refinancing sources
- More LME alongside new supply is likely
- Liquidity still a priority for certain names including ARNDTN, CPIPGR, CWHARF, HEIMST and SBBBSS
- Near term hybrid re-set to monitor- the CPIPGR 4.875% October 2025

EUR & GBP Senior Bond Maturity Pillars (EUR bn)



Pinching Pennies: Companies that are Ready to Spend Again

Shareholder Returns

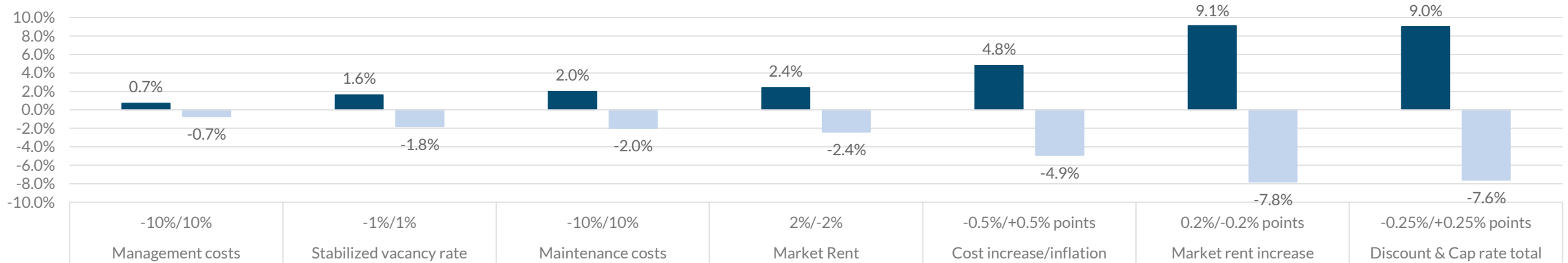
- We expect dividends that had been cut to be re-instated for 2024 (eg GYCGR, CASTSS)
- New dividend policies from the likes of ANNGR, CASTSS & LEGGR are more sustainable
- For private companies (eg LOGICR, BPPEHX, AKFAST, HEIBOS) the sudden return of shareholder returns is a risk

Investment

- Overall investment remains in contraction mode, which is a medium-term positive for supply
- There are outliers (e.g. LIFP, LOGICR) and we expect more names to start adding to their pipelines in 2025
- Some companies have looked to the equity market to fund growth: SGROLN, CPTNV, MRLSM, NEPSJ

Getting Fit: All About Growth – Why do we care?

Valuation Sensitivity Visual: Change in Value for Vonovia’s German Residential Portfolio



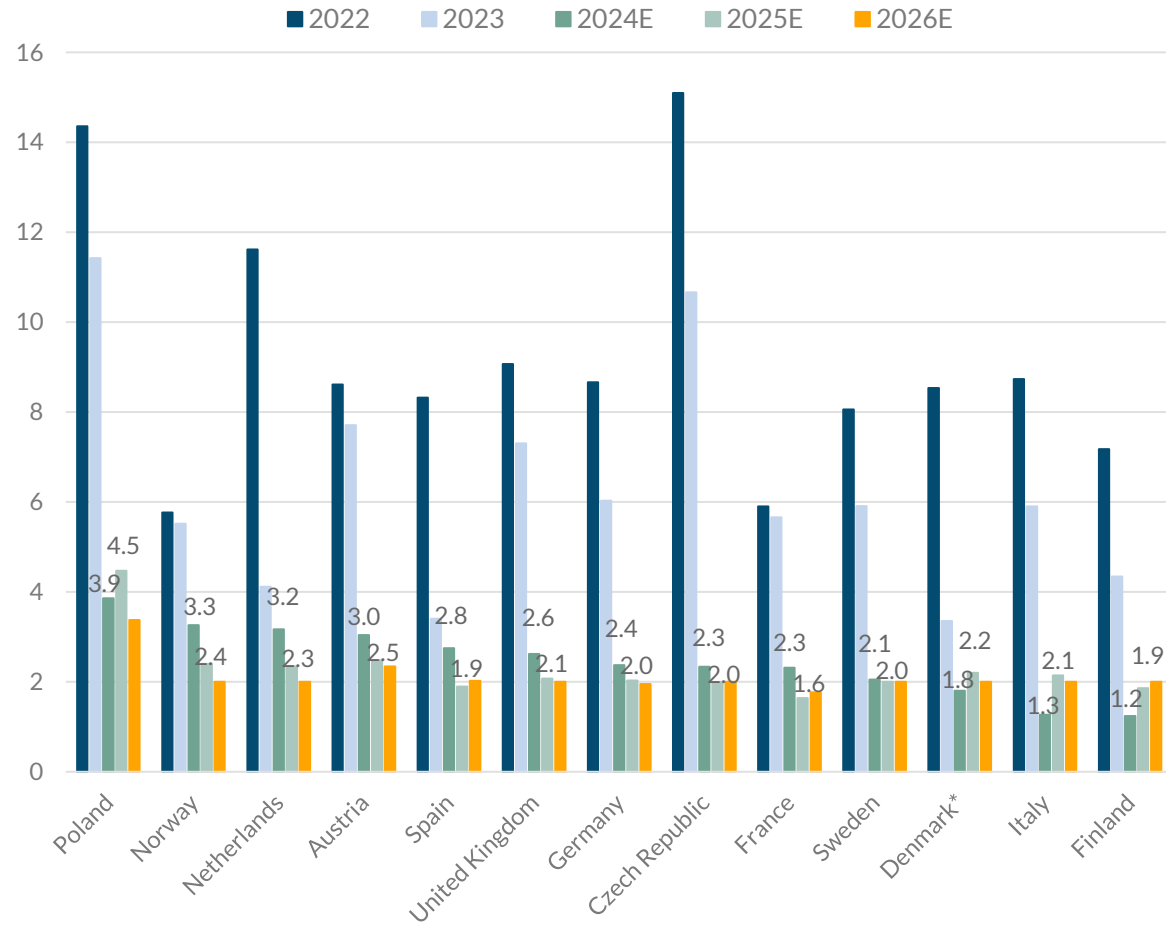
ICR Sensitivity Visual: Flexing Logicor’s EBITDA Growth

	1H24 Annualized	YE24	YE25	YE26	YE27	YE28	YE29
Refinancing Rate		4.50%	3.75%	3.50%	3.00%	3.00%	3.00%
EBITDA YoY Strong Growth		3.0%	4.0%	4.0%	3.0%	3.0%	3.0%
ICR	4.35	3.71	3.63	3.28	3.18	3.44	3.65
EBITDA YoY Low/No Growth		2.0%	0.0%	1.0%	1.0%	3.0%	3.0%
ICR	4.35	3.68	3.45	3.01	2.85	3.03	3.15

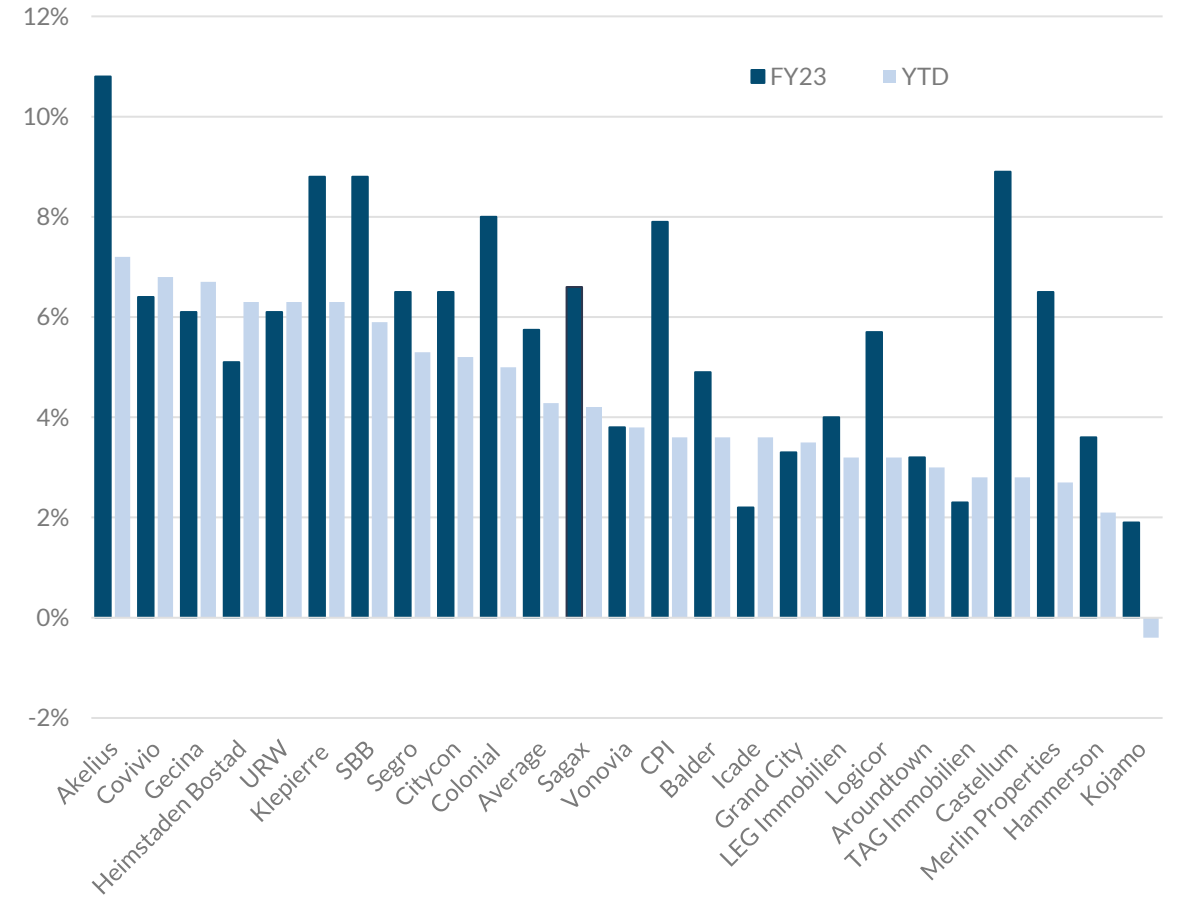
Assumptions in red. We assume yearly maturities are refinanced, so overall gross senior debt is unchanged.

Getting Fit: The Outlook is for Slower Growth in 2025

Inflation in Focus - Average Consumer Prices YoY



Like-for-like Rental Income Growth Trends



Getting Fit: All About Growth

Logistics

- What the market doesn't expect
- Vacancy weakened further in 1H24
- Prime rent growth is slowing across Europe
- Macroeconomic uncertainty a key consideration
- Long term value thesis intact

Retail

- The market is operating at a new equilibrium, with a dispersion in performance
- Growth has slowed YTD, reflecting lower inflation and lower footfall growth, but OCRs through 1H24 reassured
- Macroeconomic uncertainty a key consideration

Offices

- Still the area of greatest concern
- Occupancies under pressure
- Teasing out the structural impact from the cyclical impact still tbd
- The bifurcation of trends continues to play out
- Long term value thesis is not the same for all

Getting Fit: Offices in Focus

Where are we most worried?

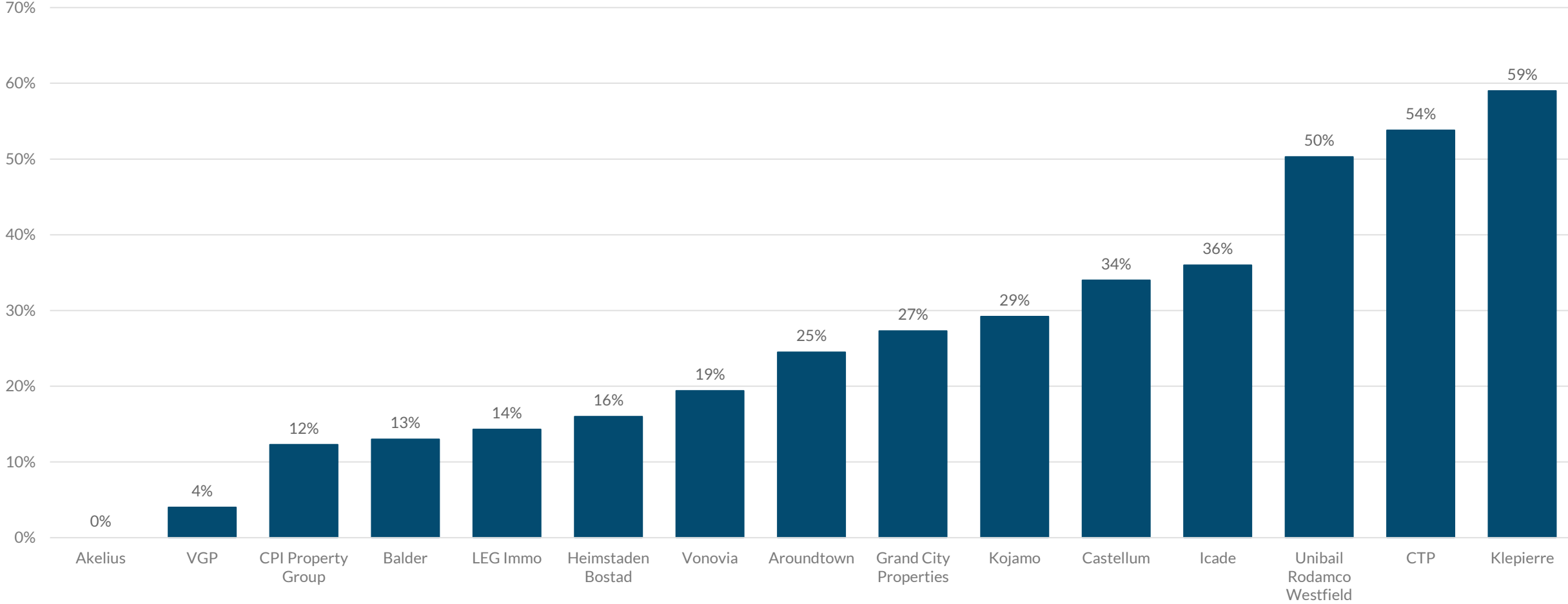
- Low and declining occupancy, mixed quality of the portfolio, and location of portfolio are all key variables
- There is a risk of stranded assets
- Names of highest concern ARNDTN, AOXGR, CPIPGR, ICADFP and CWHARF
- Names we are monitoring CASTSS and BPPEHX
- Balance sheet flexibility and industry expertise will allow for long term value creation

Occupancy Trends: Major Office Portfolio Owners

	Gecina	Canary Wharf	Alstria	Castellum	CPI	Aroundtown	Balder	Icade	Merlin	Colonial	BPPEHX
Occupancy	93.8%	88.5%	91.9%	90.0%	87.8%	87.2%	91%	88.0%	92.4%	96.0%	89.0%
Change in YTD	0.1%	-2.6%	-0.1%	-0.6%	-0.9%	0.0%	-2%	-0.3%	-0.1%	-1%	-4.0%
Change in 2023	0.9%	-1.4%	-0.8%	-1.8%	-1.2%	-1.6%	0%	-0.7%	0.0%	1%	-1.3%
Change vs YE19	0.0%	-9.0%	0.0%	-2.1%	-5.4%	-1.8%	-2%	-8.4%	-0.4%	-1%	-6.0%

Giving Back: Sustainability

% of Turnover which is EU Taxonomy Aligned (2023)



Giving Back: Governance

Muddy Waters' Photo of Vitek's Alleged Superyacht



Next Year Will Be Better

- Governance risk is the perennial unknown unknown
- If investors want pick-up spread in the sector, they need to accept a degree of governance risk
- Comfort with management is key
- The sector has been through the ringer, which has hardened investors' nerves

Relative Value

Sector Recommendation

IG European Real Estate = Market Perform

Name Specific Picks

- URWFP vs ANNGR
- VVOYHT
- AKFAST
- HEIMST

Name Specific Picks

- LIFP
- GYCGR
- SATOYH
- CPIPGR
- SBBBSS

Hybrids

We expect the European Real Estate hybrids to continue to Outperform near term

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