

### MACROECONOMIC OUTLOOK

- European economy rebounded at the start of 2024, with 0.3% QoQ growth in Q1 24 and 0.2% in Q2 2024 - surpassing expectations and signaling the end of last year's mild recession
- The return to growth has been fueled by lower energy prices and the start of an inflation cooldown followed by a rebound in productivity / recovery of purchasing power
- However, uncertainties remain regarding monetary policies in the EU and the US. The rate-cut lag between ECB and the Fed is affecting the Euro-Dollar exchange rate. Other concerns involve the deteriorating economic ties between Europe and China following the European Commission's decision to impose provisional duties on Chinese electric vehicle batteries
- The European Commission estimates a GDP growth of 1% in 2024 and 1.6% in 2025, while inflation is expected to shrink to 2.7% in 2024 and 2.2% in 2025

### FINANCING MARKETS

- After 18 months of experiencing one of the most severe crisis, real estate markets seem to be entering a recovery phase. The price correction that started earlier on, combined with falling interest rates and solid fundamentals suggest an upturn in the market in 2024
- As refinancing is set to be the central subject of lenders' activities, an increase in the number of defaults is not to be ruled out due to the (still) high cost of debt, additional equity requirements, the unwillingness to lend outside favorite sectors and the end of grace periods
- While traditional lenders have been cautious in their approach, non-bank lenders have gained momentum in the market providing higher flexibility and leverage despite pricing
- The latter, combined with falling interest rates and inflation have triggered a sound competition in the European debt market, with margins tightening to the sub 150 bps for core financings across Europe

Evolution of margins and LTVs across Europe

		France	Germany	Iberia	Italy	Netherlands
Margins (bps)	Core	130-250	120-350	160-210	200-250	140-300
	Value-add	260-350	240-400	275-350	320-375	275-350
	Trend (yoy)	→	=	←	=	←
LTV (%)	Core	45-65	45-70	45-60	45-60	45-65
	Value-add	45-60	45-60	45-60	45-60	45-60
	Trend (yoy)	=	=	=	=	=

→ Increasing | ← Decreasing | = Unchanged

### H2-23 MILESTONE FINANCINGS



**Asset:** Building complex  
**Location:** Frankfurt  
**Loan amount:** €445m  
**Deal:** Extension loan  
**Investors:** DWS Alternatives  
**Lenders:** LBBW



**Asset:** 3 coliving residences  
**Location:** Parisian suburbs  
**Loan amount:** €300m  
**Deal:** Refinancing  
**Investors:** Uxco Group  
**Lender:** Blackstone, BNP, SG



**Asset:** 18,500 sqm offices  
**Location:** Milan CBD  
**Loan amount:** €82m  
**Deal:** refurbishment  
**Investors:** Gamma Fund  
**Lender:** SOCGEN, Natixis, Forward Fund (Gardant)



**Asset:** 4 student houses  
**Location:** Spain  
**Loan amount:** €70m  
**Deal:** Refinancing  
**Investors:** Amro Partners, Falco Capital  
**Lender:** Nuveen

### INVESTMENTS

- H1 2024:** European RE investment volumes: **€86.5bn** (+10% vs H1 2023)
- Q2 2024:** **€45.5bn** (+16% vs Q2 2023)
- Volumes below 10-yr average but **signs of a gradual recovery**
- Takeaways:** Prime yields & asset prices stabilization | Dry powder to be invested across Europe | Improved market sentiment
- 8/10 largest **geographies:** **increased activity volumes** in H1 2024
- Leading geographies:** Germany (+15% YoY) | UK (+10% YoY)
- All major sectors:** **increase in investment activity** volumes in H1 2024
- Leading sectors:** Hotels (+62% YoY) | Industrial (+7% YoY) | Living (+6%)



### COUNTRY OUTLOOK

#### France

- H1 2024: €4.3bn invested (- 37% vs H1 2023) | 2023: €11.6bn
- Main market driver: I&L (+27%) | price correction completed
- Office market: Paris – ongoing recovery | volumes remain low
- Retail: weak performance – persistent price diversion buyers & sellers
- Unusual political/economic situation causing uncertainty & delayed recovery
- Yield rates under pressure due to the high volatility of government bonds

#### Germany

- H1 2024: €15.7bn | H1 2023: €14.11bn (+10% YoY)
- Transaction level & Prime yields stabilized since EoY 2023
- Growing financing / building costs: developer insolvencies still ongoing
- Logistic and Residential favored by lenders, still reluctant on Office
- Asset repricing has made refinancing challenging
- Lack of appetite for "big tickets" (>€100m)
- Lenders mostly reluctant to finance developments

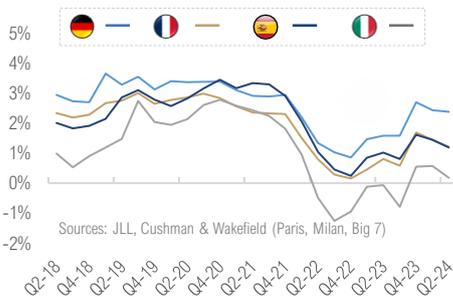
#### Italy

- H1 2024: €3.5bn (+66% vs H1 2023) | 2023: €6.6bn invested
- Q2 24: focus on hospitality and retail
- Offices: main asset class | €1bn invested | strong demand for core assets
- Hospitality: €1bn invested | focus on hotel reconversion
- Retail: increasing interest | €0.5bn invested | out-of-town, supermarkets
- Positive expectations for the RE market due to recent ECB interest rate cut

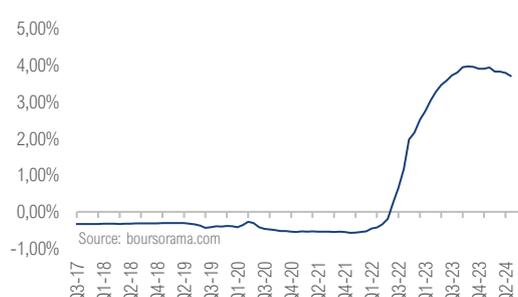
#### Spain

- H1 2024: €5.5 bn | H1 2023: €5.29bn (+4% YoY)
- Prime yields stabilized across most sectors | +5 bps in office (4.85%)
- Private investors & family offices most active; REITs' share from 4% to 12%
- Madrid & Barcelona recovering | concentrating ~50% of the total investment
- Living (€1.5 bn) and Hotels (€1.4 bn) led investments in H1 2024
- Market influenced by wage/core inflation, geopolitics, ECB rate adjustments

### PRIME OFFICE YIELD SPREADS<sup>1</sup>



### EURIBOR 3M



### IRS SWAP RATES



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