

MACROECONOMIC OUTLOOK

- The European economy registered a flat growth in Q4 2023, narrowly avoiding a technical recession
- Despite not “officially” being into one, the Eurozone still experienced recession-like conditions
- A near-stagnation of the economy was seen throughout the year (GDP: 0.1% YoY)
- In H1 2023 a few buffers mitigated the immediate effects of tightening monetary policies, but in H2, as the buffers wore out, these effects started to impact the economy
- Inflation contracted in Q4 against the backdrop of a weakened purchasing power (Nov 2023: 2.4%)
- The Labour market lost momentum but unemployment remains at a historical low (Oct 2023: 6.5%)
- The European Commission revised the 2024 GDP forecasts downwards to 0.9%

FINANCING MARKETS

- With rates being at their highest levels since the 2008 financial crisis, financing markets continued struggling throughout H2 2023
- The debt refinancing market almost came to a standstill in H2 2023
- Senior loan side, continued pressure on ICR ratios has capped LTVs at c.50%
- The contraction of traditional lending activity has triggered sound competition among alternative lenders, thereby maintaining junior loans' pricing at reasonable levels
- Funding gap will continue to grow due to debts coming to maturity, falling capital values, lower LTVs and reduced lending volumes (CBRE estimation: €176bn between 2024-2027)
- From a lender's perspective, ESG credentials are becoming extremely important and assets that fall behind on them are finding it difficult to get financing

Evolution of margins and LTVs across Europe

		France	Germany	Iberia	Italy	Netherlands
Margins (bps)	Core	125-250	120-330	160-220	200-250	140-300
	Value-add	260-350	240-370	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)	→	→	→	→	→

H2-23 MILESTONE FINANCINGS



Asset: 35,000-sqm office
Location: Düsseldorf
Loan amount: €200m
Deal: Development finance
Investors: Pandion AG
Lenders: LBBW-PBB



Asset: 1,025-rooms hotel
Location: Paris
Loan amount: €210m
Deal: Refinancing
Investors: Henderson Park
Lender: Aareal



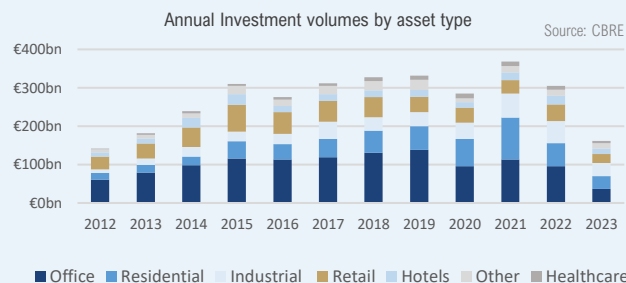
Asset: 2 residential assets totaling 170 and 600 flats
Location: Milan
Loan amount: €250m
Deal: Development finance
Investors: Bain Capital, Hines, Borio Mangiarotti
Lender: Cheyne Capital



Asset: 20,000-sqm residential buildings
Location: Madrid
Loan amount: €73m
Deal: Acquisition loan
Investors: HIG Capital
Lender: Cheyne Capital

INVESTMENTS

- H2 2023 European RE investment volumes: €82bn
- Q4 2023: €45bn (-30% YoY)
- Repricing process kept investments at a standstill in 2023
- Strong contractions throughout all sectors
- Offices (-59%) | Logistics (-48%) | Retail (-40%) | Hotels (-26%)
- All countries nearly hit their 10-year lowest levels
- Germany (-57% YoY) | Netherlands (-66% YoY) | Belgium (-74% YoY)
- UK (-43% YoY) | France (-51% YoY) | Italy (-49% YoY)



COUNTRY OUTLOOK

France

- H2 2023: €6.1bn invested | 2023: €11.6bn (-57% YoY)
- Logistics: investment volumes doubled between Q3 and Q4
- Investors turned to smaller transactions
- 69% of transactions in volume and 97% in number were below €100m
- Slight increase in volumes in Q4 (€2.7bn) vs Q3 (€1.9bn)
- Growing number of developer insolvencies
- Lenders' liquidity focused on Paris CBD, prime logistics, residential assets
- H1 2024 to remain dull | H2 2024 rebound in deals expected

Germany

- H2 2023: €15.3bn | 2023: €29.5bn (-50% YoY)
- Prime yields still increasing in all asset classes (100bps within one year)
- Growing financing / building costs: wave of developer insolvencies
- Offices and retail: hardest hit (-75% and -38% YoY)
- Refinancing gap is becoming a major concern
- Asset repricing: wiping out equity and threatening senior lender positions

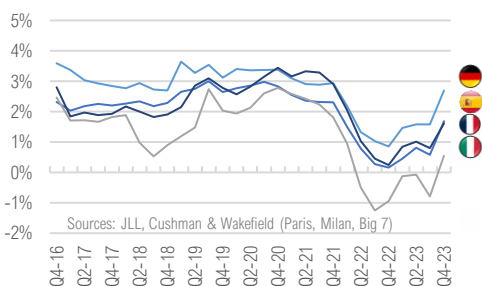
Italy

- H2 2023: €4.4bn | 2023: €6.6bn invested (-44% YoY)
- First signs of recovery: €2.9 bn invested in Q4 (+17% vs Q3 23)
- Offices: sharp decrease for secondary locations and value add assets
- Logistics: most sought-after asset class | Hospitality driven by RevPar
- Operational assets (healthcare, data centers, telecoms) attracting investors
- Increased appetite for medium retail with prime tenants with long leases

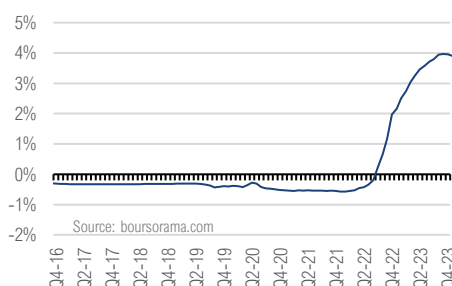
Spain

- H2 2023: €6.2bn invested | 2023: €11bn (-39% YoY)
- Hotels & living led investment in H2 2023
- High return assets in new sectors attract investors (data centers | logistics)
- Family offices and private investors increased their market share to 12% of the total volume transacted (+7% vs 2022)

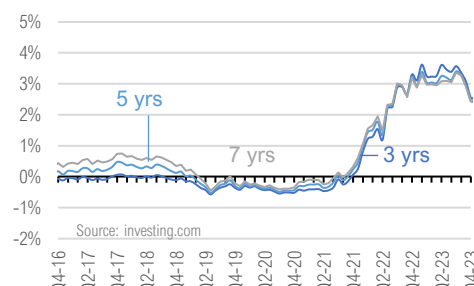
PRIME OFFICE YIELD SPREADS¹



EURIBOR 3M



IRS SWAP RATES



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Sources: Q4-23 CBRE European Real Estate Investment volumes, JLL Marketbeat quarterly reports, C&W quarterly reports, BNP Europe 180 CRE, investing.com, boursorama.com, Primonial quarterly reports