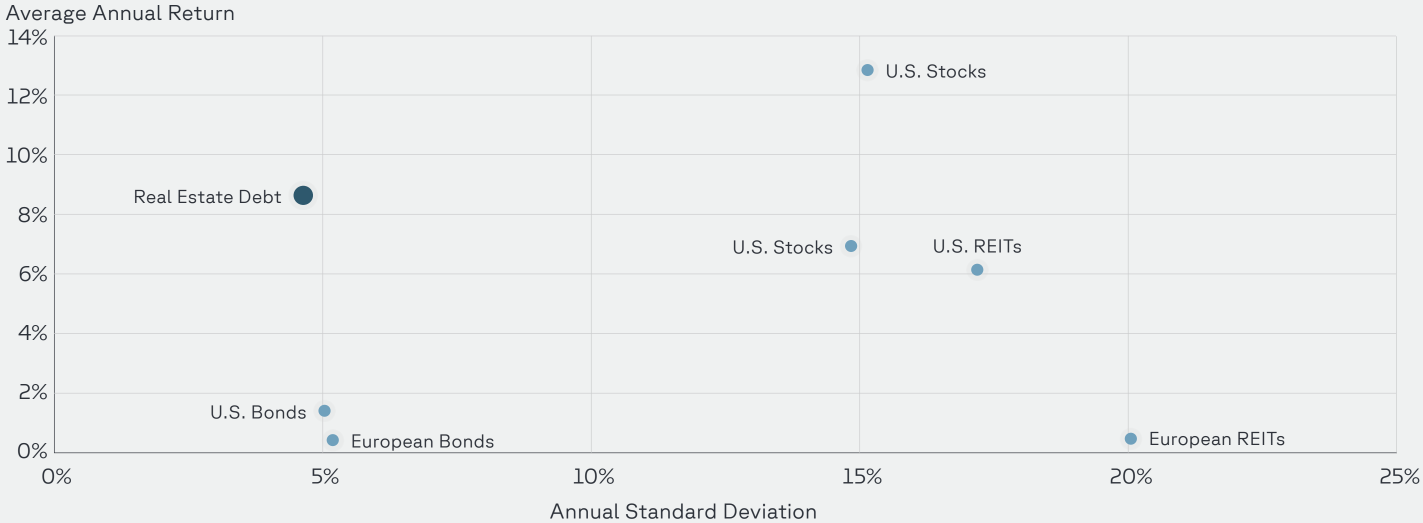
REAL ESTATE LENDING

Lending for real estate in Europe has typically been the domain of banks, life insurance companies, and some pension funds. However, **regulatory changes have reduced appetite and structural capability to lend in scale among traditional lenders for balance sheet lending, especially for value-add and development strategies.**

RETURN/RISK COMPARISON OF ASSET CLASSES, 10 YEARS TO Q2 2024



Source: Bloomberg, Preqin, NAREIT,. Note: All returns are total returns. Real Estate Debt is based on global debt fund performance from Preqin, U.S. stocks is S&P 500, European stocks is S&P Europe 350, U.S. bonds is Bloomberg U.S. Aggregate, European bonds is Bloomberg EuroAgg Index, U.S. REITs is U.S. NAREIT All-Equity index, European REITs is FTSE EPRA NAREIT Europe REITs index.

One aspect of the regulatory environment is the Basel Framework, which is designed to ensure banks hold adequate capital and liquid assets to meet expected outflows. With banks and other traditional lenders struggling to navigate the strict regulatory environment, a gap remains between borrower needs and credit availability. **We believe there continues to be an opportunity for alternative lenders to fill this void, create velocity, and capitalize on the robust demand in the commercial lending sector.**

Our **RESEARCH** shows that the opportunity for investors in real estate debt in 2025 is compelling, and alternative lenders are poised to further expand their market share. The debt opportunity today takes advantage of a looming debt fund gap and attractive pricing. The rapid rise in interest rates across Europe and correction in market values has constrained traditional lending as lenders seek to maintain debt service coverage ratios (DSCR) and lower LTV ratios. The new regulatory environment has paradoxically caused banks to welcome these non-bank lenders into the market, as the banks can take senior security positions in loans arranged by non-bank lenders and get far better regulatory and capital reserve treatment as compared to being the (lead) lender. Historically, as seen in previous credit cycles, what we believe are the most promising investment opportunities tend to emerge during challenging market conditions because well-capitalized lenders have the power to negotiate more favorable terms. Reduced competition, especially for development loans and loans tied to value-add properties, provides alternative lenders with the opportunity to implement high-yield strategies while improving downside protection.

We expect the development of credit products in Europe will stand as a strong complement to our existing European equity strategies and vice versa. **The opportunity within the European CRE debt market not only appears highly favorable in the current market environment but also boasts an impressive decade-long track record of delivering strong returns relative to other asset classes.** The exhibit provides a comprehensive view of the risk-adjusted returns offered by real estate credit when compared to various asset sectors.

JUSTIN HILDEBRANDT

Senior Managing Director,
Head of Europe

justin.hildebrandt
@affiniuscapital.com

MAX VON BELOW

Managing Director,
Global Investors Group

max.vonbelow
@affiniuscapital.com

KAREN MARTINUS

Senior Vice President,
Research and Investments

karen.martinus
@affiniuscapital.com

SHAUN CONNERY

Managing Director,
Head of European Debt

shaun.connery
@affiniuscapital.com

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AFFINIUS CAPITAL

WTC Amsterdam, H-Tower,
Zuidplein 94, 1077 XV
Amsterdam, The Netherlands

+31(0)20 235 17 00
affiniuscapital.com