Finding Resilience & Relevance in European CRE

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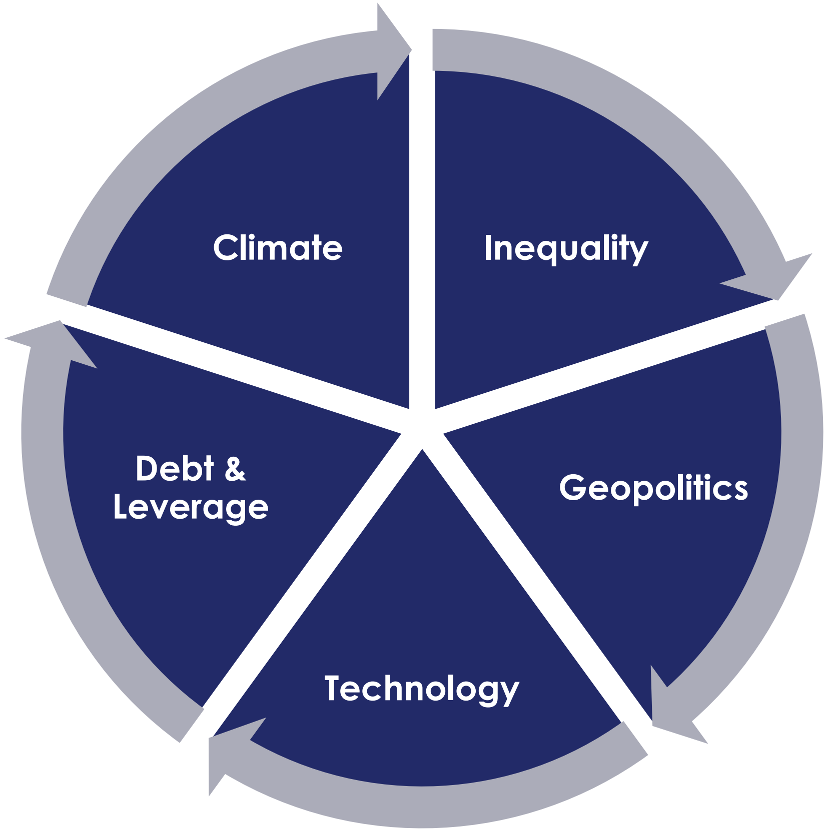
Durable Disruptive Forces

FORCING CRE INVESTOR TO RETHINK CAPITAL ALLOCATION



GEOPOLITICS

In A Nutshell

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IN THIS NEW WORLD, A FUTURE-PROOF CRE PORTFOLIO DEMANDS SUBSTANTIAL ADAPTATION

What has changed?

- Disruptive world with more uncertainty
- Interest rates and inflation higher for longer
- Changing allocation dynamics

What is the impact on real estate?

- CRE recovery is cashflow-driven, not rate-driven
- Divergence between winning- and losing asset types
- The sector is capital starved & needs to adapt

How can we adapt?

- Resilience: reduced GDP growth dependency & disruption neutral
- Secular demand, supply bottlenecks & cashflow growth
- Adapting capital allocation to boost liquidity & recycle faster

What has changed?

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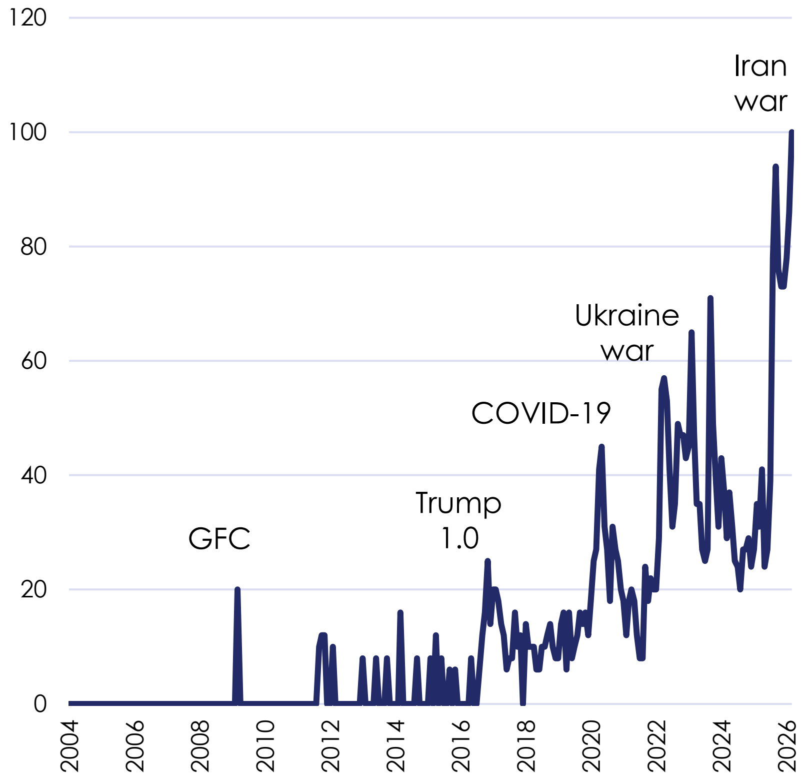
Disruptive World With More Uncertainty

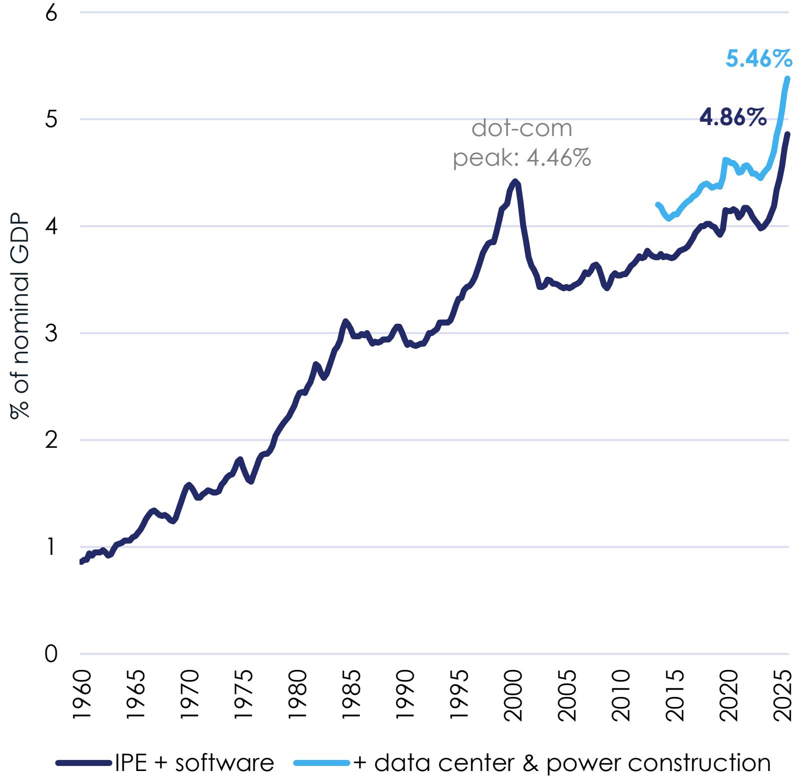
TECH & GEOPOLITICS ARE FEATURES… NOT BUGS!

- Geopolitics leading to structural disruptions in supply chains
- Forces countries and businesses to 'deglobalize'
- Clear climate impacts & policy divergence
- The race for AI-dominance
- Exposing risk factors that are hard to adapt for within an SAA approach

Google Trends: Worldwide 'Deglobalization'



AI-related Fixed Investment Is A Record Share Of Nominal GDP

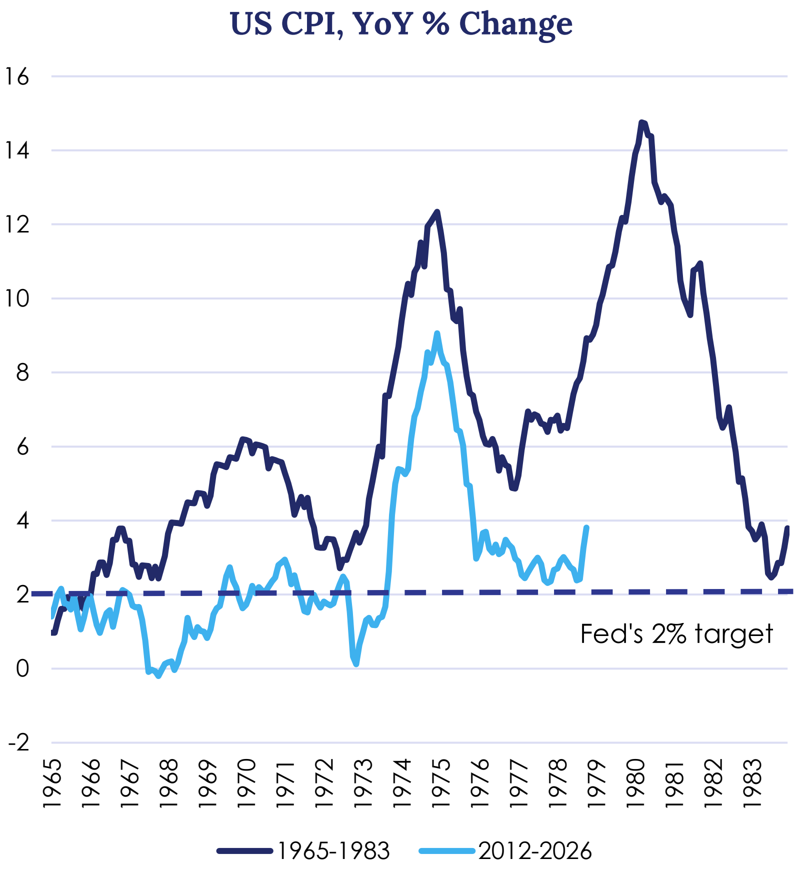


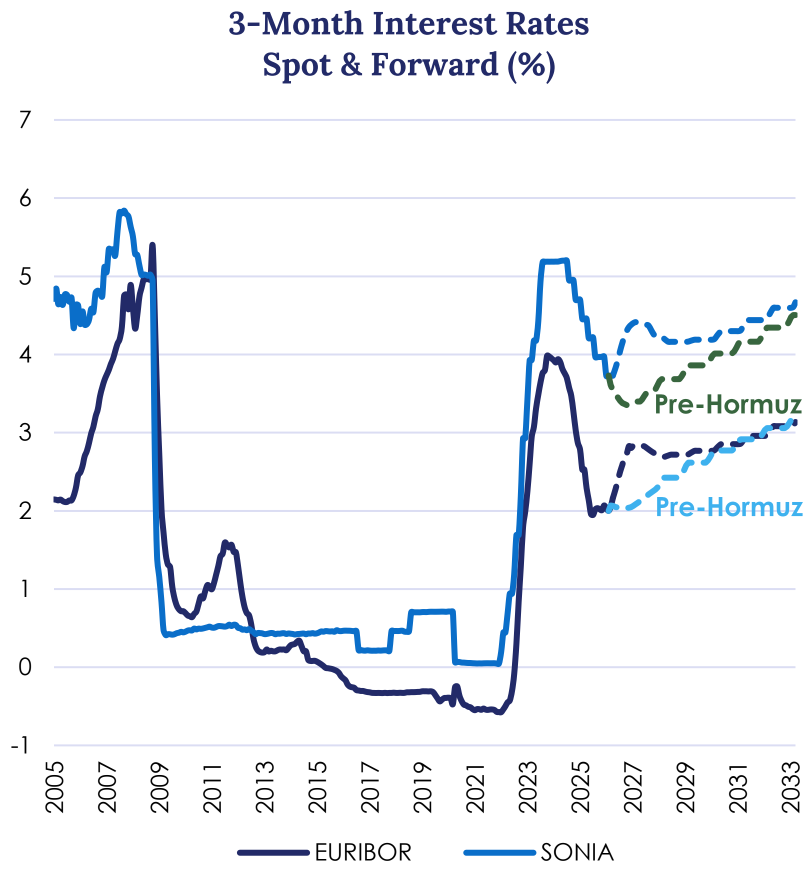
Source: Bloomberg, TS Lombard

CPI Uncertainty = Higher Rates

'HIGHER FOR LONGER' HAS SOLIDIFIED

- The end of the hyper-globalization era is inflationary
- Disruptive forces have significant capital needs while surplus capital is scarce
- CPI not moving back to target-levels
- Interest rates will therefore stay higher for longer and are more susceptible to disruptive events
- Potential risks rising as fx becomes less certain & bond/stock correlations shift





Source: Bloomberg, Refinitiv

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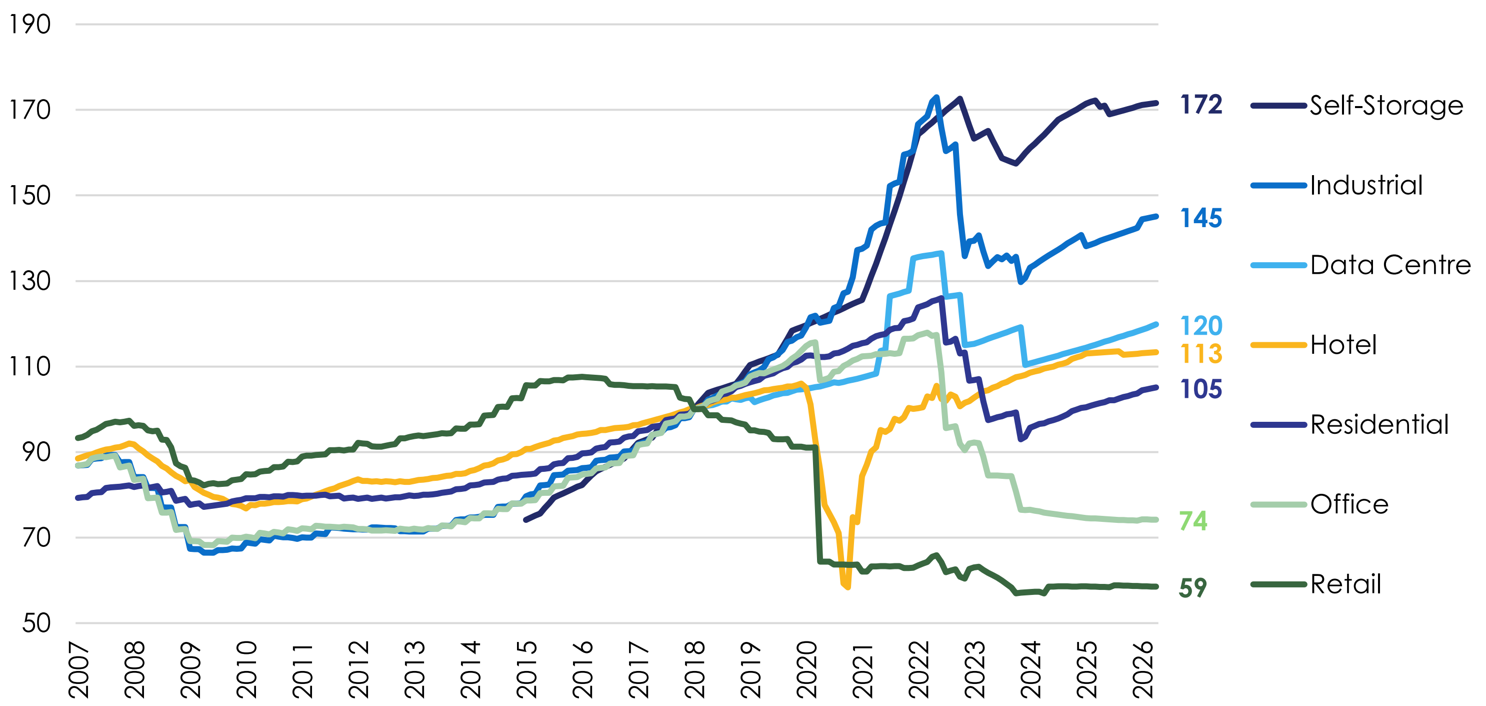
What is the impact on real estate?

Divergence Between Asset Types

RESILIENCE AGAINST DISRUPTIONS IS KEY

- Disruptions have had a divergent impact on the performance of different asset types
- The winning themes have been on the right side of disruptions and have proven to be resilient on the back of secular tailwinds
- Portfolio construction priorities have changed accordingly – much clearer 'factor' winners and more alignment to macro thematics
- More capital required as portfolios transition

Green Street European Commercial Property Price Index (By Sector)



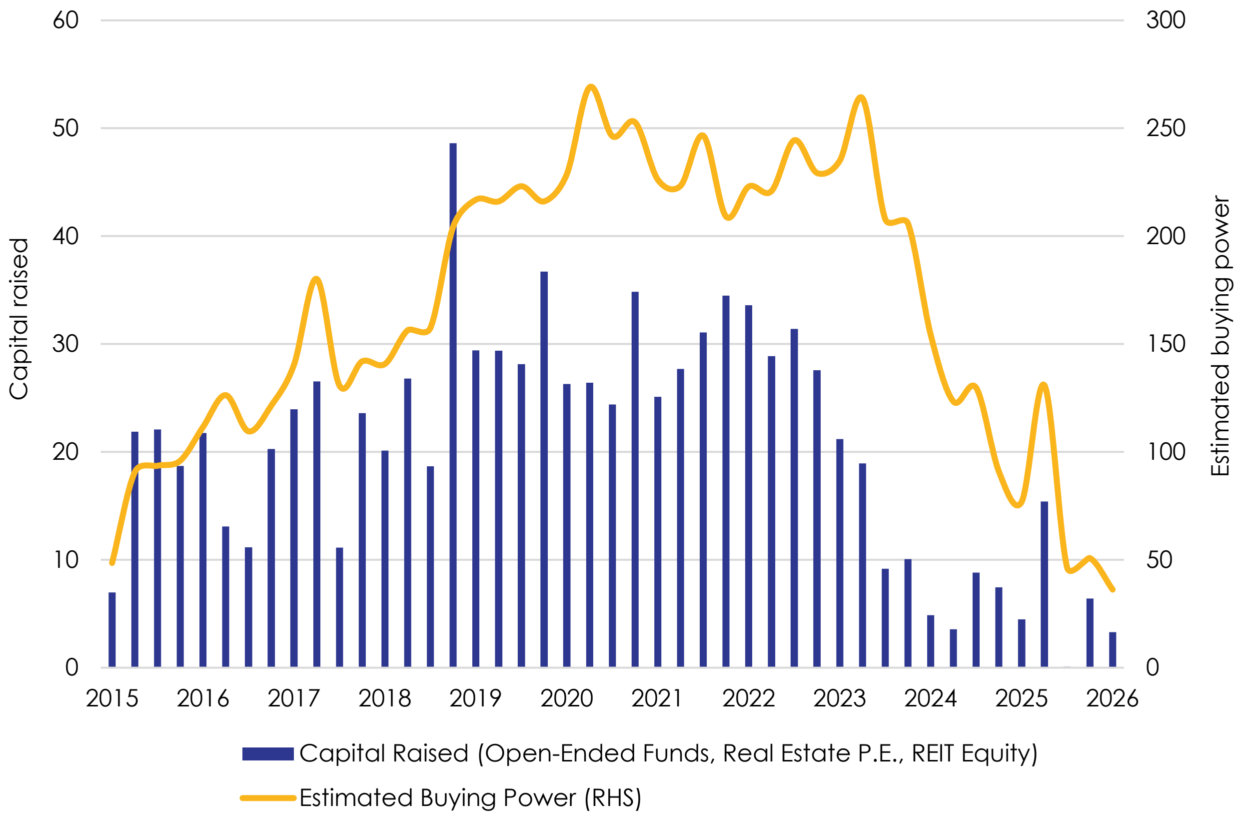
Source: Green Street

Capital Constraints Are A Key Headwind

SUPPLY OF RISK TOLERANT CAPITAL IN EUROPE REMAINS RATIONED

- Poor performance of CRE since the interest rates reset has shifted capital to other real assets & credit
- Dominance of global mega-fund players is reducing capital available and skewing allocations
- Current CRE capital formation in Europe is limited and especially core capital is now very scarce
- This capital shortage is driving slow pace of recycling within historic vintages

European Real Estate Capital Raising And Buying Power (€bn)

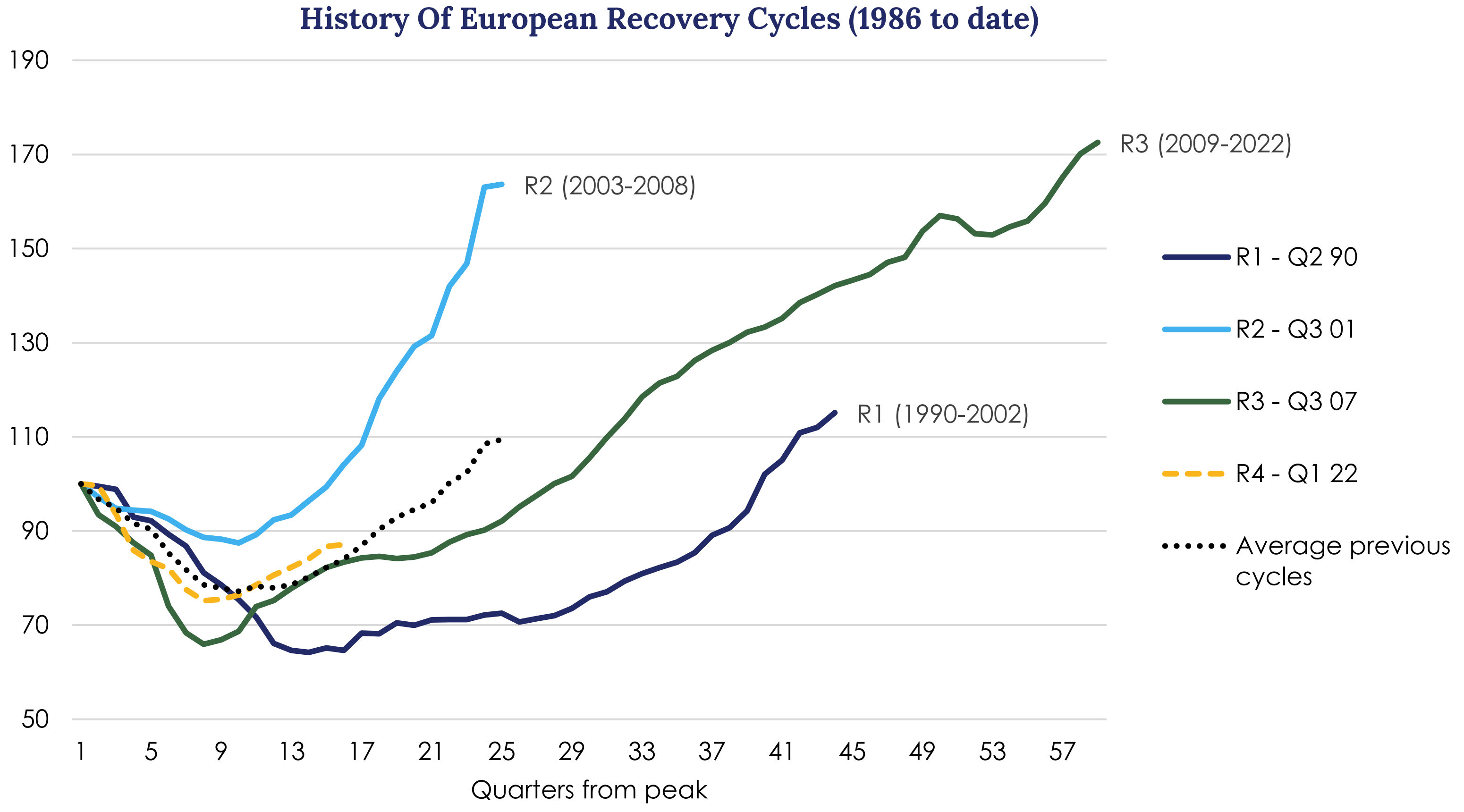


Source: Green Street

Recovery Led By Cashflow Growth

UNLIKE POST-GFC, ULTRA-LOW RATES NOT COMING TO THE RESCUE

- As rates are remaining higher for longer, the current CRE recovery is led by cashflow growth
- Current recovery is almost exactly on the 'average' track, but remains muted as there is limited allocation pressure
- Allocations into the sector and within the sector will follow performance – capital flows to themes that are most 'relevant' in this environment



Source: Data based on CBRE European prime indices of capital values and may not necessarily reflect average portfolio experiences; Tristan calcs.

How can we adapt?

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Focus On Future & Finding Relevance

REDUCE ECONOMIC CYCLICALITY, FOCUS ON CASHFLOW GROWTH, RIGHT SIDE OF DISRUPTION

- Increasing institutional capital allocations
- Secular demand drivers rather than cyclical growth
- Positioned to be on the right side of geo/tech disruption
- Cashflow growth founded on structural undersupply

- Uncorrelated demand, Not GDP Growth Dependent
- Maximising Resilience & Minimise Disruption
- Maximising Liquidity & Speed to Exit

Positioning For The Portfolios Of The Future

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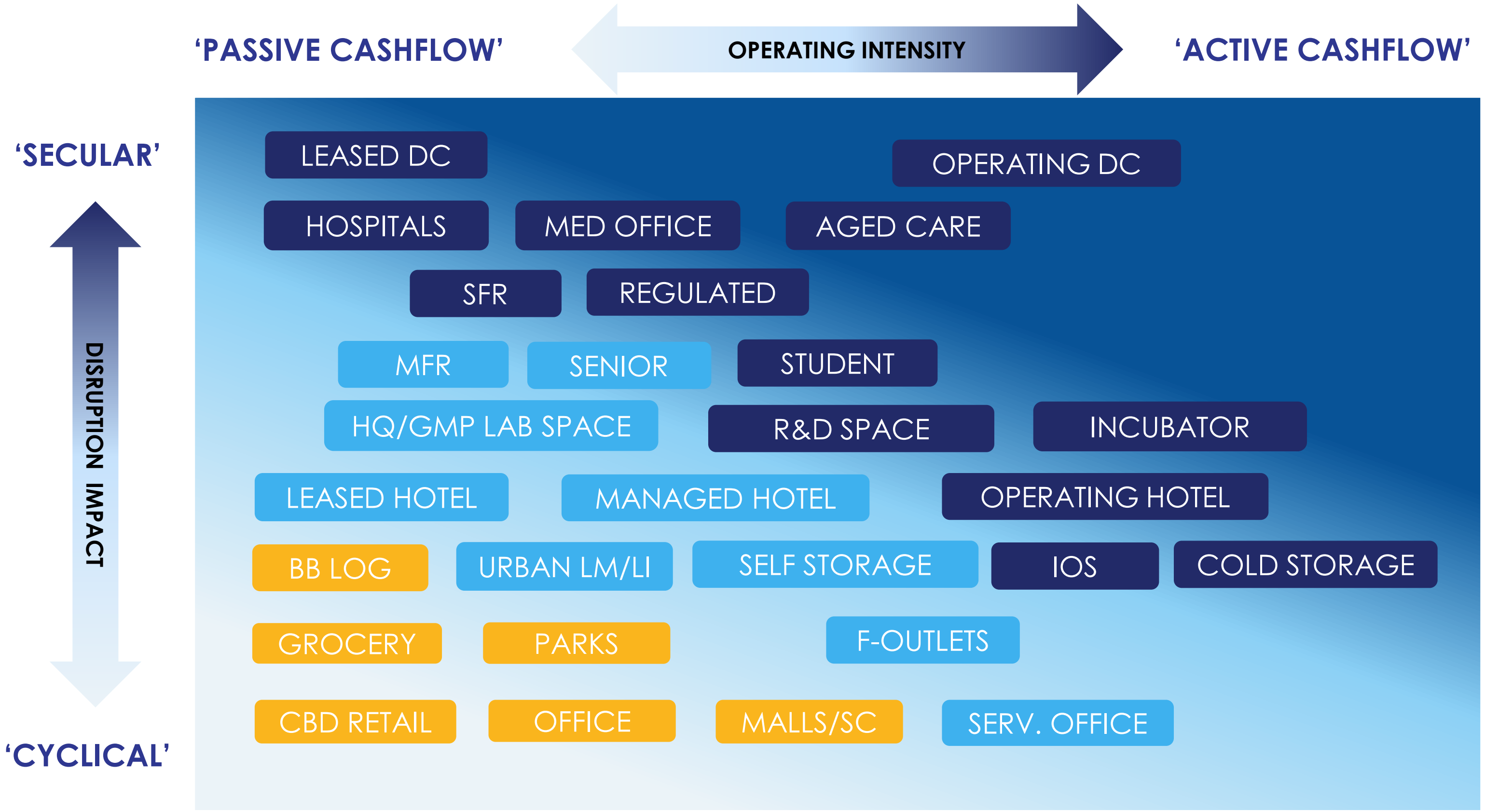
SHIFTING TO MARKET SEGMENTS WITH SECULAR DRIVERS AND HIGH OPERATING INTENSITY



Mid'30s ALLOCATION
25% Big Box/Urban Last Mile
25% MFR/SFR/Reg/Senior/Student
25% Digital Infra
25% High Conviction Niches

Early'20s ALLOCATION
45% Office
25% Logistics
15% Living & Hosp
15% Retail

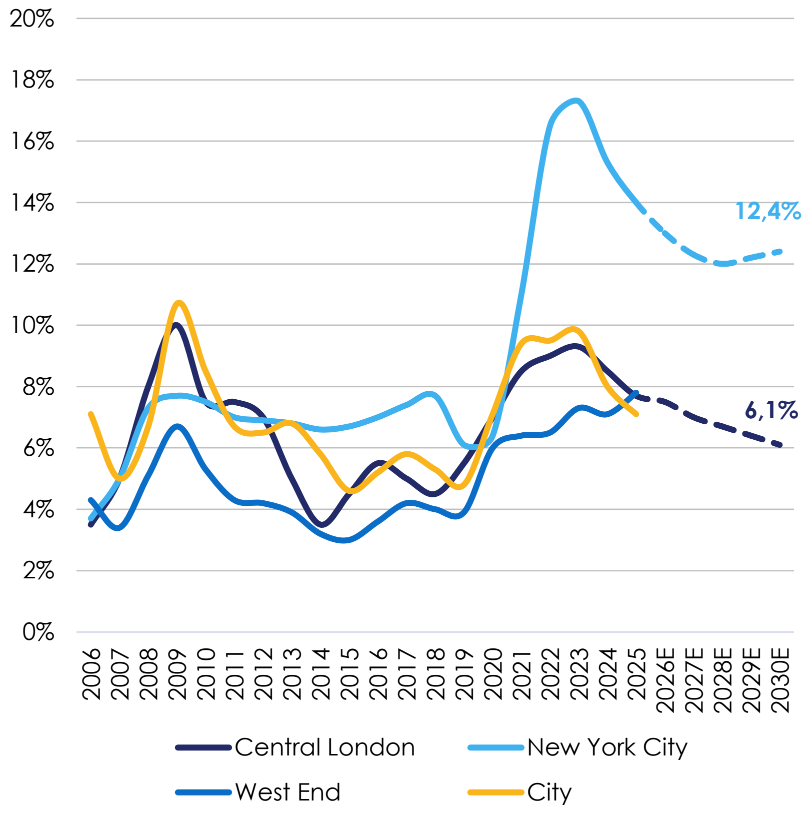
Pre-GFC ALLOCATION
50% Retail
40% Office
10% Logistics

Use Supply 'Bottlenecks' As Driver For Cashflow Growth

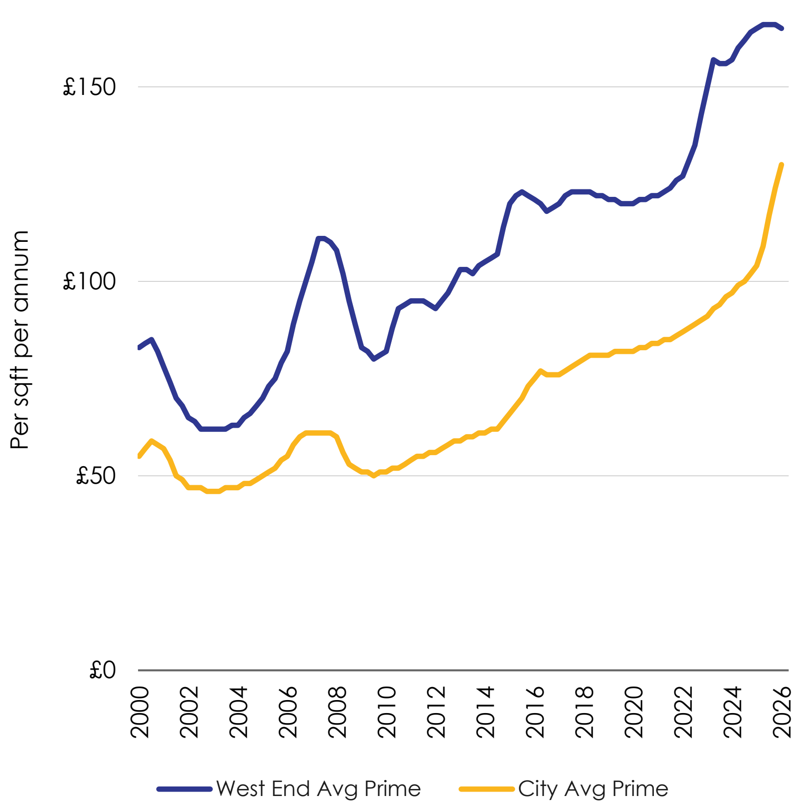
MATTERS MORE THAN EVER GIVEN SECULAR DYNAMICS

- Upside driven by scale of supply constraints and lack of construction in major European markets
- NOI growth in WE/City since 2020 is 6.5% pa and 9.7% pa
- Key question for clients is allocation and whether they have an appropriate weight, asset quality, capex appetite and/or partner to execute alongside

Office Vacancy: London vs. New York



London office rents



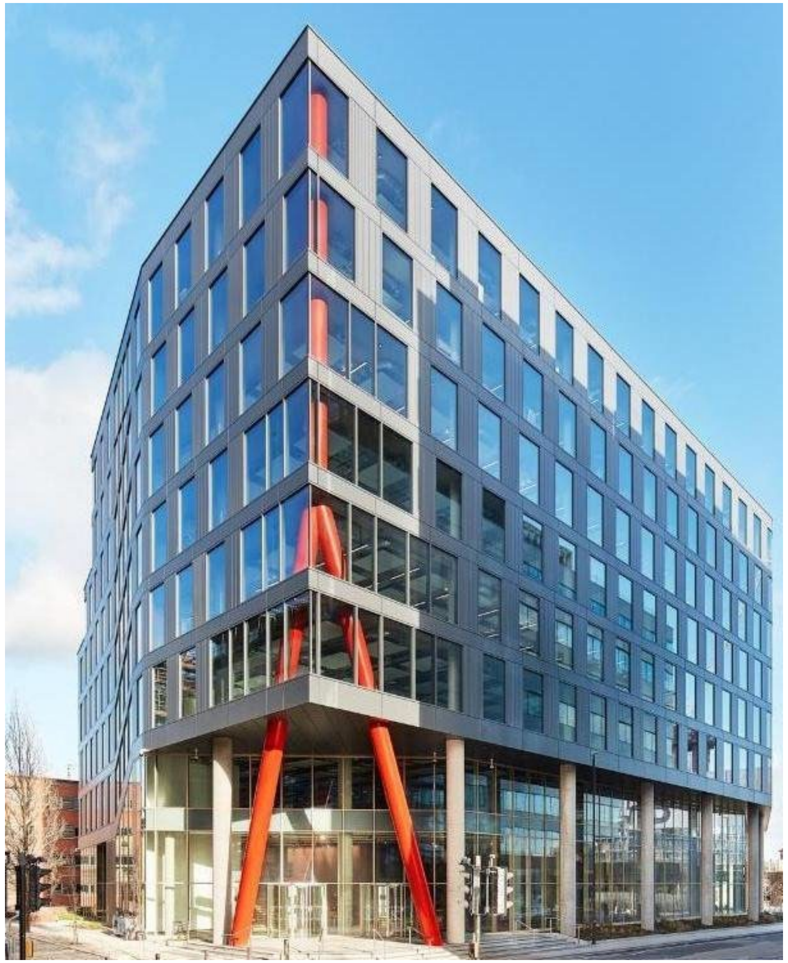
Source: Savills/FT

Case Study: Sustainability (Equity)

PROJECT BRUNEL (BRISTOL OFFICE)

- Newly constructed office with a strategy tailored to net-zero operation, health- and wellbeing prioritization and circular economy principles.
- Future proof asset with EPC 'A' and 5-star NABERS UK 'Design for Performance' certification.
- Sustainability investments are paying off as the 'flight to quality' intensifies in key office markets.
- Goal of outperforming competition achieved: multiple top-tier tenants signed lease above underwriting value (18% ERV growth since underwrite).
- Blue-chip company leased 3 floors; largest letting in Bristol city centre since 2019.

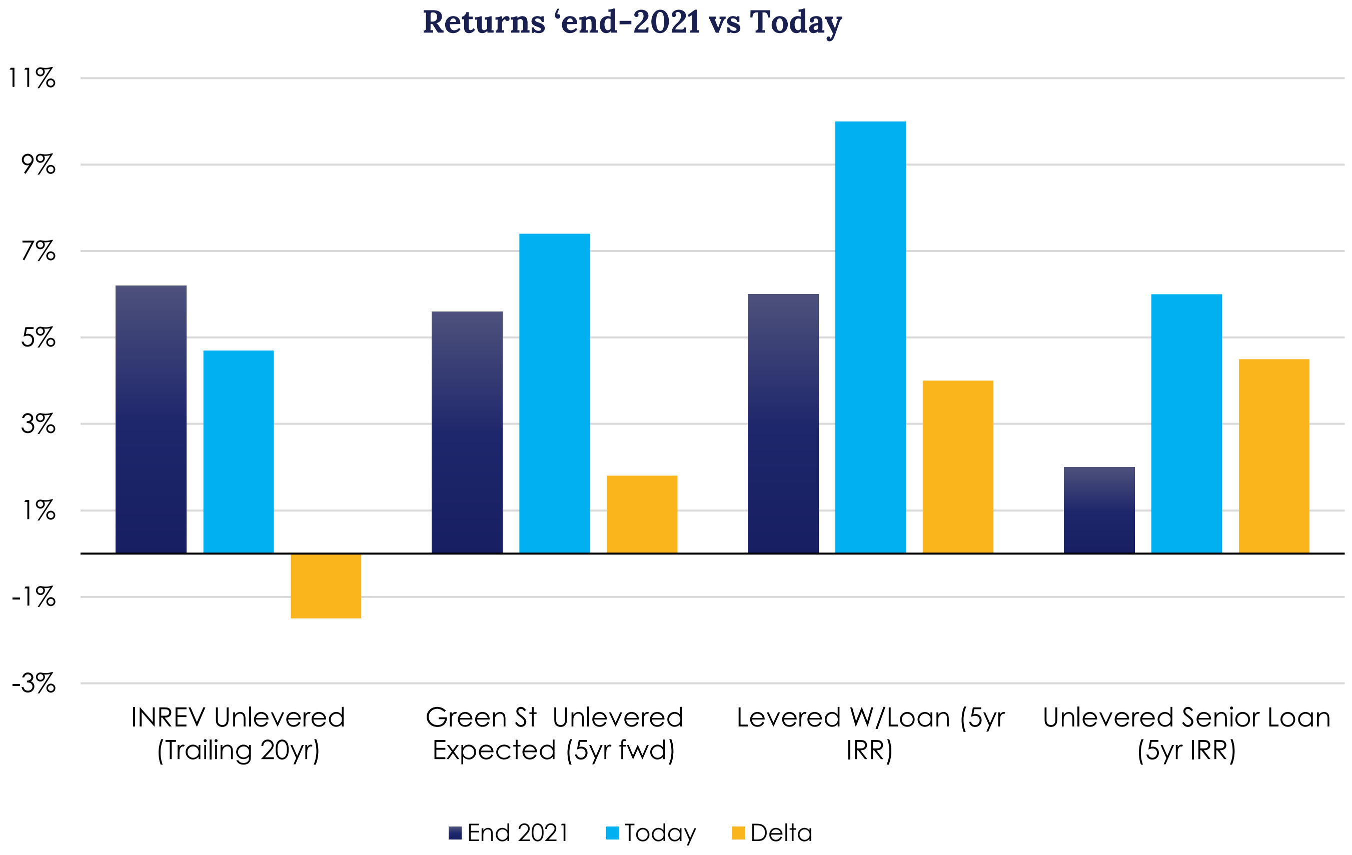
Key Metrics
Grade A Office spaces
c.19,000 Net Lettable Area (sqm)
78% Occupancy Rate, 10m post completion
'Outstanding' BREEAM In-Use Rating, scoring 86.8%
Net Zero Operational energy-related carbon emissions



CRE Credit Is An Attractive Alternative

SHIFT IN CRE MARKET DYNAMICS HAVE DISPROPORTIONATELY FAVOURED CREDIT

- Collateral is high quality and path to control is established and clear
- Cashflow is contractual, resilient and pricing of asset class has adjusted to structural change
- Expected credit return now very similar to historic TR on core equity
- Levered credit is an increasingly common substitute for levered core equity in allocation



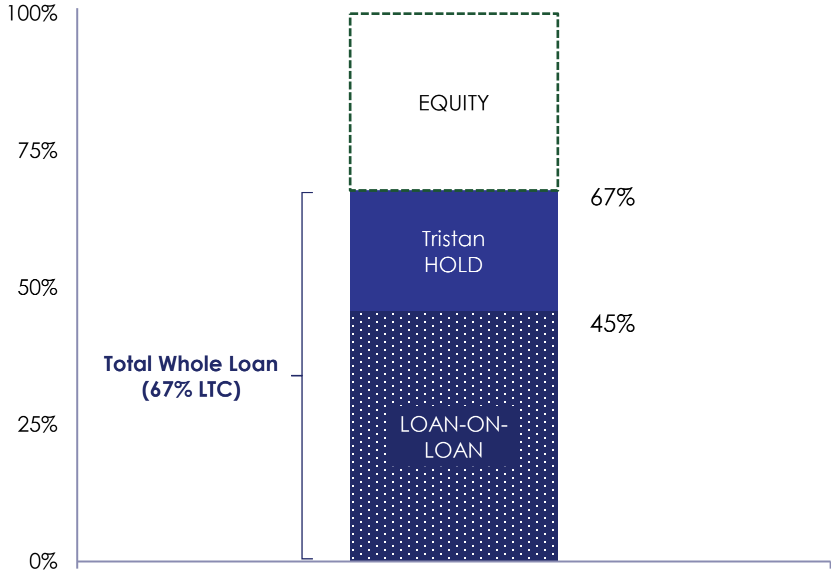
Source: INREV, Green Street, Bloomberg, Tristan Capital Partners

Case Study: Sustainability (Credit)

PROJECT WESTWOOD (LONDON LOGISTICS)

- Acquisition and capex financing of a freehold under-rented income-generating industrial asset in London.
- The capex plan includes green roofs, PVs and thermally efficient cladding panels.
- Plays into the market bifurcation where tenants are increasingly concentrated in sustainable buildings.
- This drives ERV growth and therefore leads to an attractive reversionary debt yield with significant downside protection.

Loan type	First mortgage whole loan
Collateral	London, UK / Industrial
Date originated	June 2025
Expected Gross Returns	c.11% IRR / 1.3x EM
Total Net Loan Investment	£36 million (55 % LTV [1]/ 67% LTC)
Reversionary debt yield	10.2%



1 Based on the Valuer's opinion of Stabilised Value

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Key Takeaways

Key Takeaways

Market evolves to reflect changing secular forces – adaptation is ongoing

Opportunity in both credit & equity – investors have scarce capital & are allocating carefully

Finding <u>Relevance</u> and investing in ‘disruption-neutral’, forward-looking themes

<u>Resilience</u> is key - secular demand drivers over economic cyclicality and ‘supply chokepoints’

Exploit opportunities where capital is ‘crowding-in’

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