

EUROPEAN OUTLOOK CONFERENCE

LONDON

# Euro Real Estate: You Can Never Go Home Again

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**CreditSights**

a FitchSolutions Company

Research

CovenantReview

LevFinInsights

## Today's Presentation

### Looking Back

1. Valuations
2. Fundamentals
3. Managing maturities

### Looking Forward

1. Loan to Values (LTVs)
2. Liquidity
3. Interest Coverage Ratios (ICRs)

### Relative Value

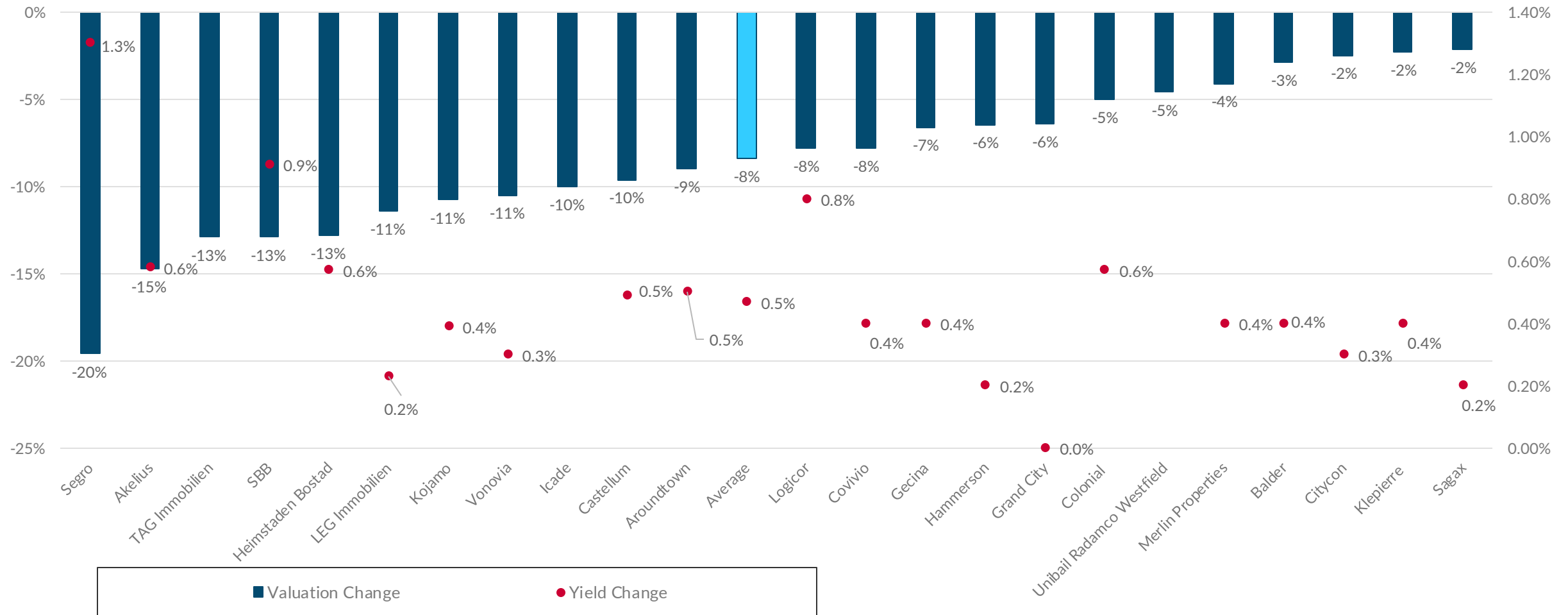
### Q&A

## You Can Never Go Home Again



# Valuation: Declines in Focus

## Like for like Valuation Decline and Cap Rate Change vs 1H22



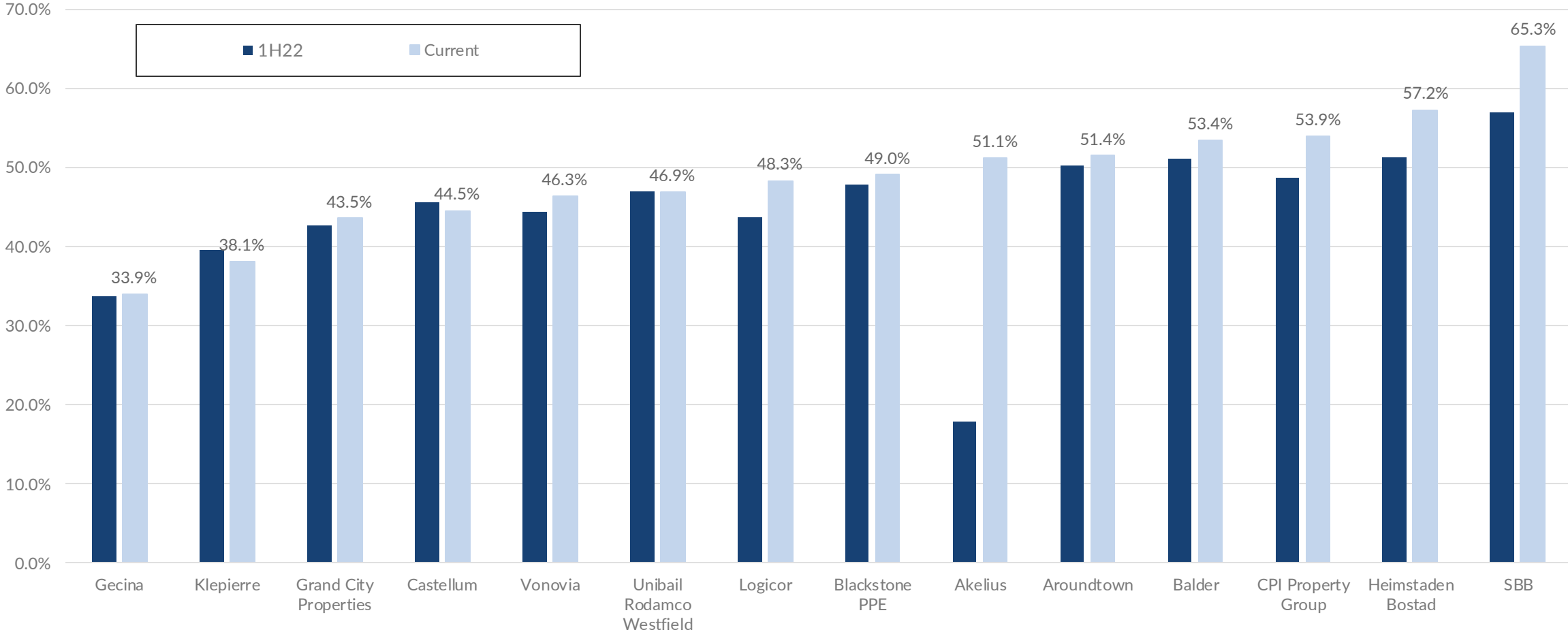
Source: CreditSights, Company Reports

3 Note 1: Note: Includes CS assumptions/estimates; change in cap rates or valuation yields differ by company and not available for all.

Note 2: Most companies through 1H23, aside from Nordic names which provided updates through 3Q23

# Valuations versus LTVs

## Adj Net Debt/Adj Portfolio Value: Portfolio Decline is Not the Only Driver



# Fundamentals



## Logistics

- Long-term value thesis intact
- COVID tailwinds have eased; tech sector pullback a consideration
- Indexation of leases\*; underlying demand in key submarkets



## Residential

- Long-term value thesis intact
- Low cap rates are a concern in this cycle
- Rent regulation limits growth, notably in Germany & Sweden



## Retail

- Cap rates approaching new normal
- Future of strategic bricks & mortar footprints more certain
- Indexation of leases\*; sales-backed-rents



## Offices

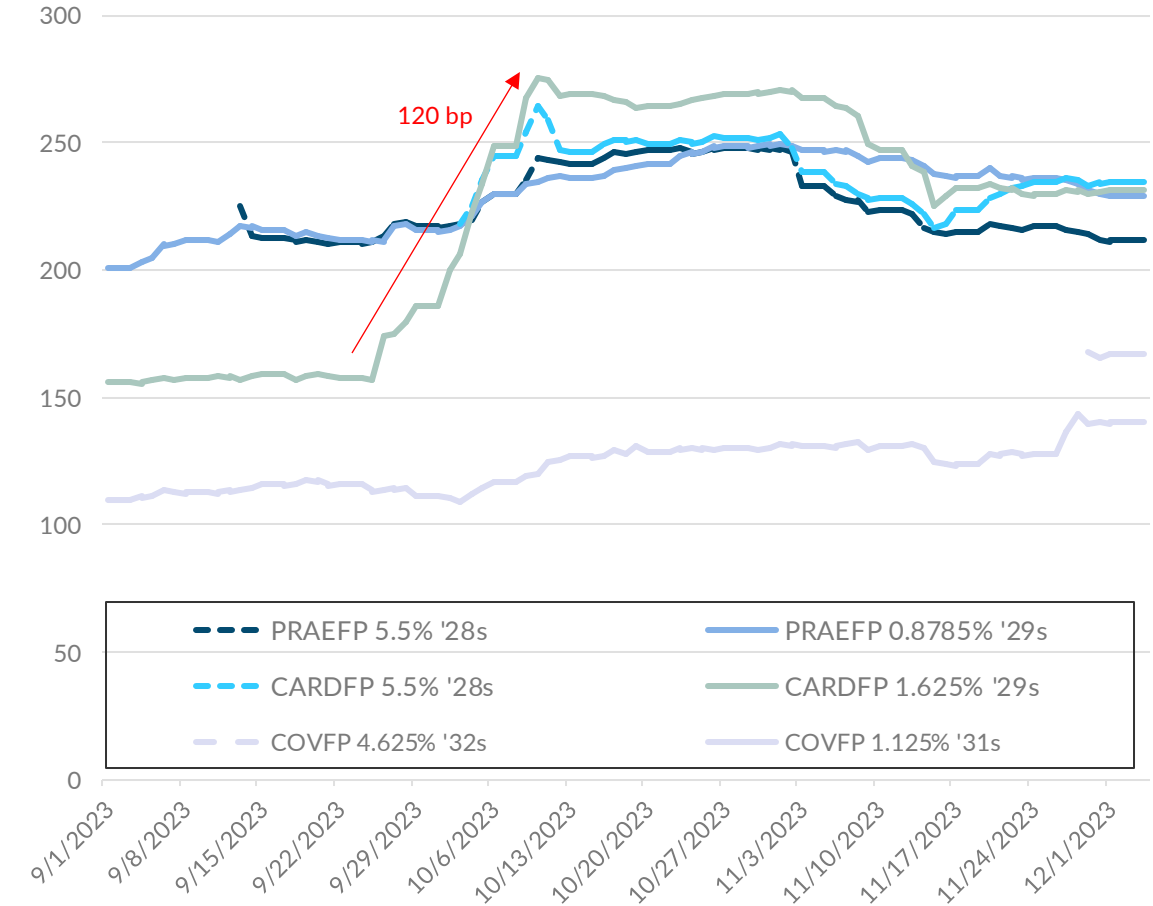
- Long term value trajectory is uncertain
- Hybrid work is a headwind; bifurcation of trends by city and by building
- Indexation of leases\*; uncertain demand

# Managing Maturities

## Circumnavigating the Primary

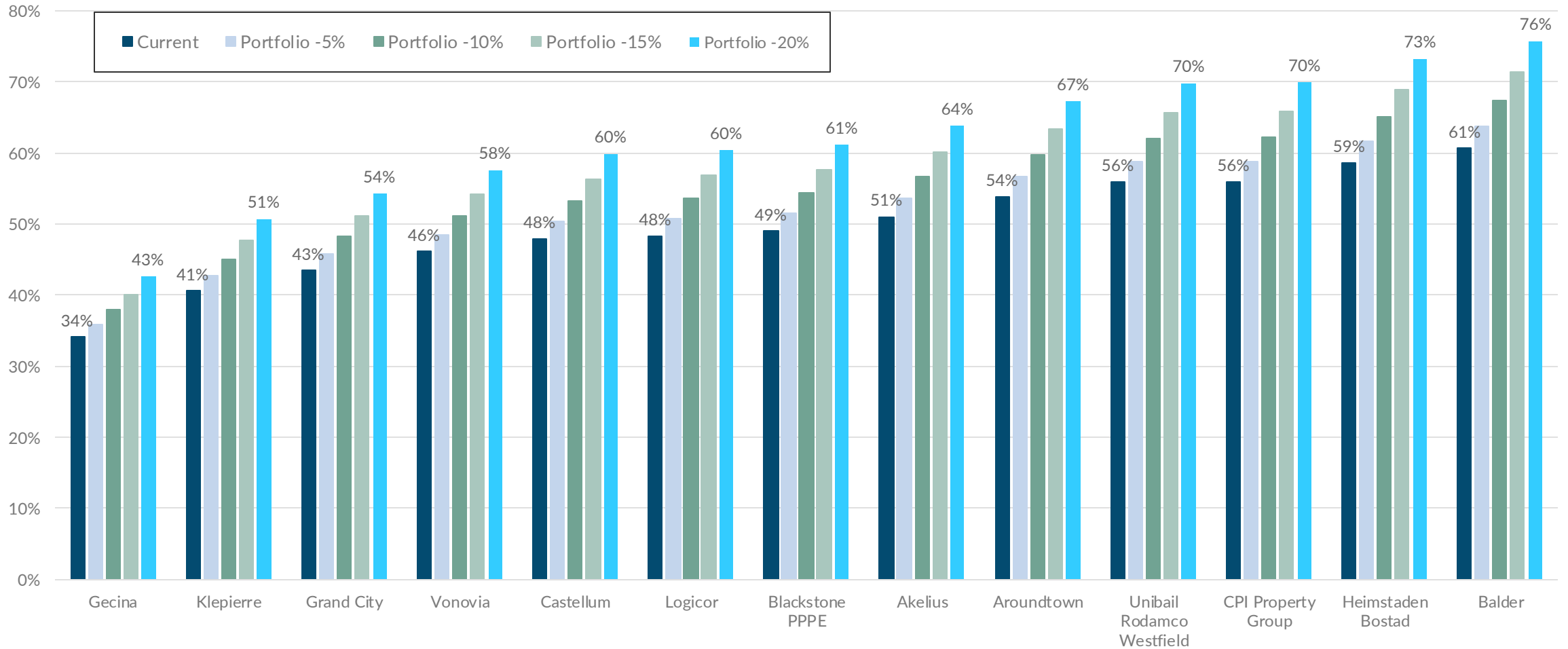
Funding Source	Pros	Cons
Bank debt	Relative cost of debt	Speed, size
Bond taps	Cost of debt	Size, not an option for all
Disposals	Reduces net debt	Execution risk
Equity	Reduces net debt	Execution risk
Exchanges	Avoids worst case	Not an option for all

## Braving the Primary (i-spread)



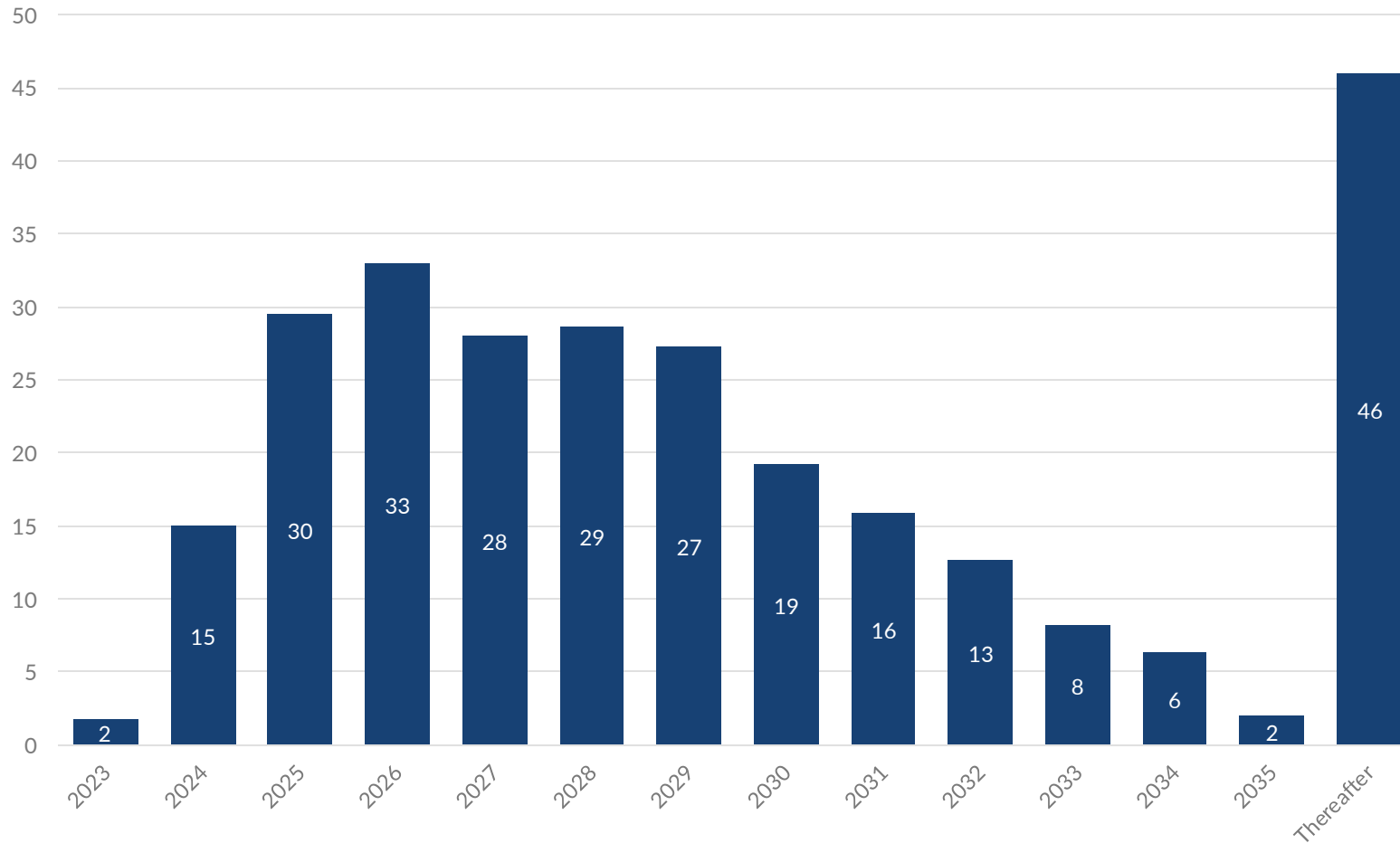
# Loan to Value Ratios (LTVs)

## Adj Net Debt/Portfolio Value: Considering Downside



# Liquidity: The Big Picture

## European Real Estate Senior Bond Maturities (EUR bn)

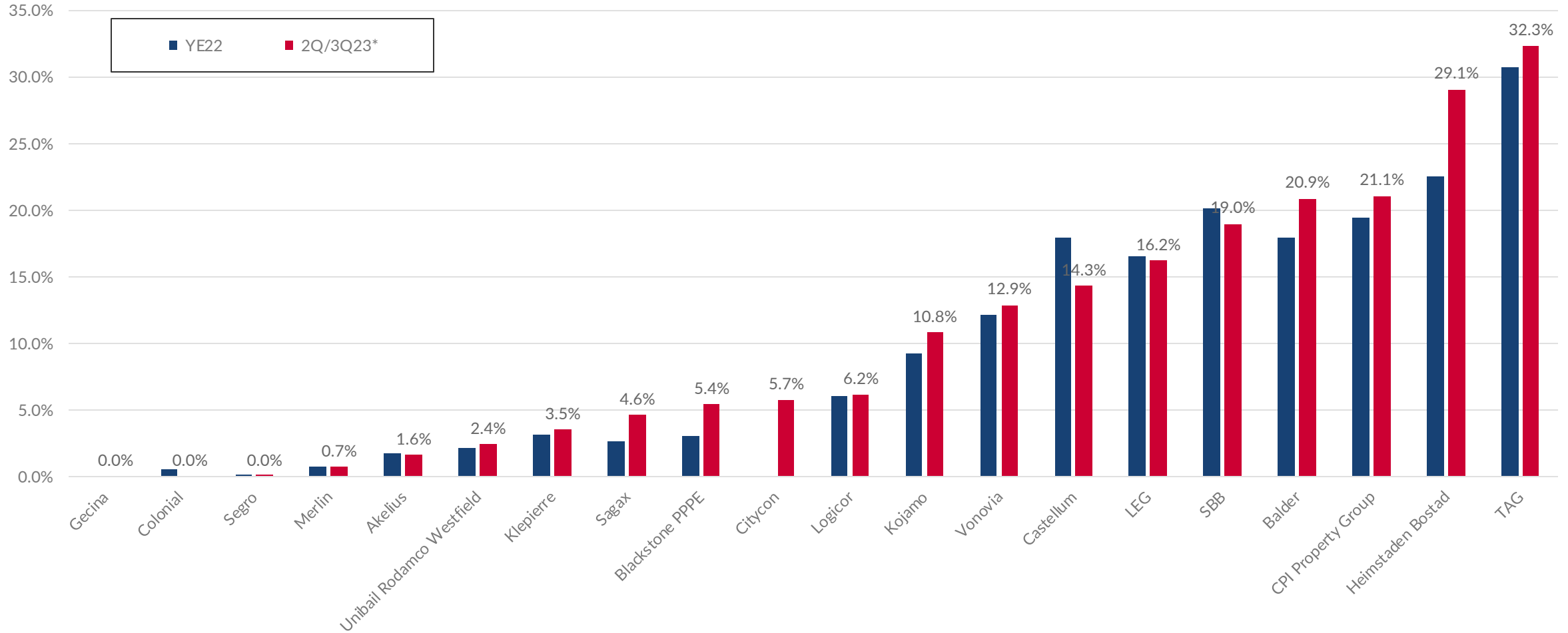


## European Issuer Bond Maturities > €0.3 bn

ANNGR	BBB1	2.7
HEIBOS	BBB2	1.8
ULFP	BBB1	1.6
LOGICR	BBB2	0.8
AKFAST	BBB2	0.6
LIFP	BBB1	0.6
DMREGR	Caa3	0.6
CARDFP	BBB2	0.5
HOWOGE	A1	0.5
BPPEHX	BBB2	0.5
NEPSJ	BBB2	0.5
HEMSOF	A2	0.4
VVOYHT	BBB2	0.4
CITCON	BBB3	0.4
SATOHY	BBB2	0.4
LIBLIV	BBB2	0.3
COVFP	BBB1	0.3

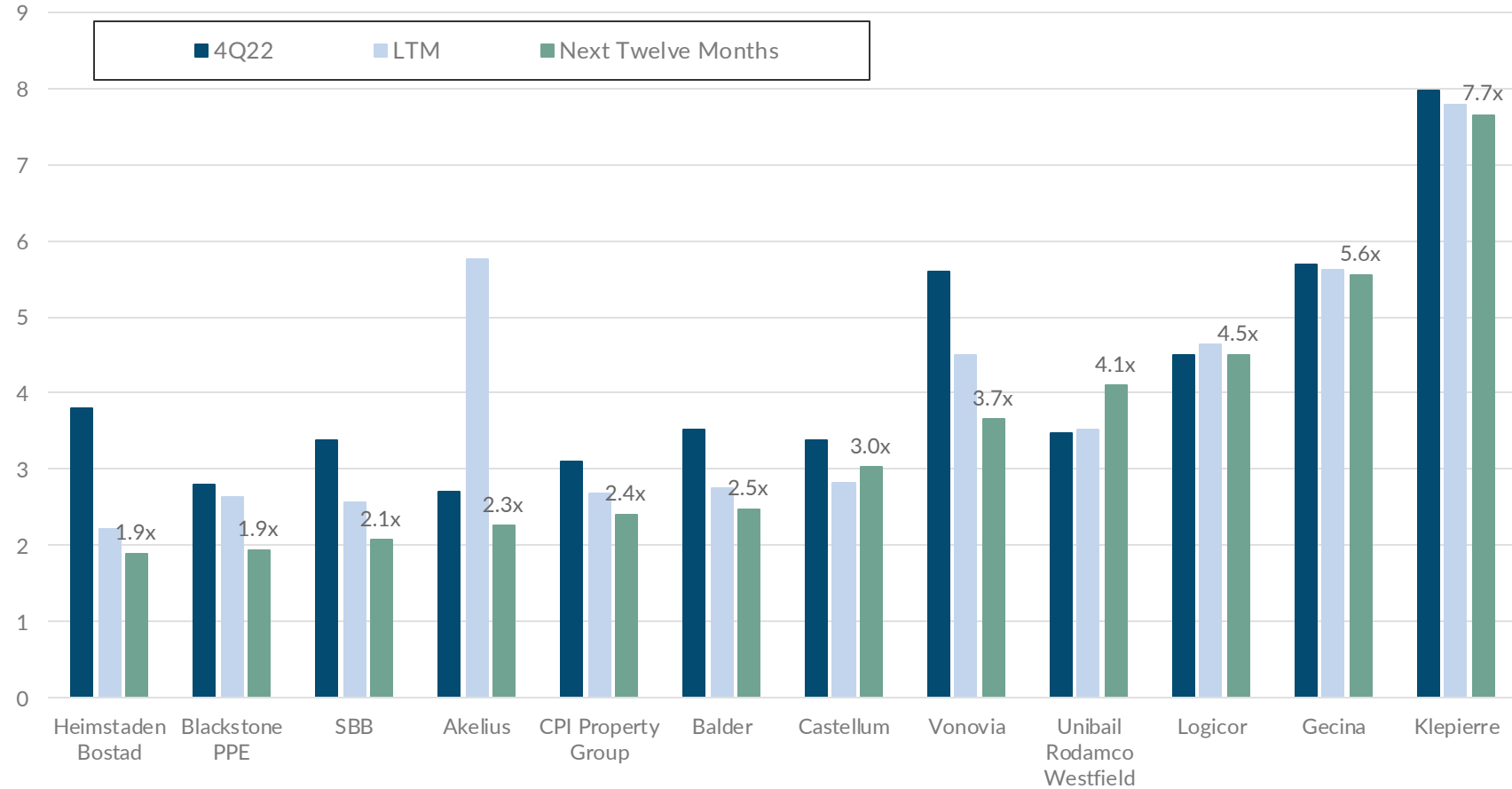


## Secured Debt/Total Assets: The Secured Debt Lever



# ICRs: Near Term

## EBITDA/Net Interest: The Rate of Declines Should Ease Near Term



# ICRs: Long Term

## LOGICR: Illustrative Coverage Drivers

	1H annualized	YE23	YE24	YE25	YE26	YE27	YE28
Senior Debt	7,631	7,631	7,631	7,631	7,631	7,631	7,631
Maturities		-	792	958	1,549	1,275	775
Refinancing Rate		6.0%	6.0%	6.0%	5.0%	5.0%	5.0%
<b>Cost of Debt</b>	<b>1.7%</b>	<b>1.7%</b>	<b>2.2%</b>	<b>2.8%</b>	<b>3.4%</b>	<b>3.9%</b>	<b>4.0%</b>
Net Interest	126	126	168	211	262	294	309
EBITDA	612	636	681	722	765	811	860
YoY		4.0%	7.0%	6.0%	6.0%	6.0%	6.0%
<b>ICR</b>	<b>4.86</b>	<b>5.05</b>	<b>4.06</b>	<b>3.42</b>	<b>2.93</b>	<b>2.76</b>	<b>2.78</b>

## HEIBOS: Illustrative Coverage Drivers

	3Q annualized	3Q24	3Q25	3Q26	3Q27	3Q28
Senior Debt	189,477	189,477	189,477	189,477	189,477	189,477
Maturities		9,430	30,949	27,473	23,854	19,657
Refinancing Rate		6.0%	6.0%	5.0%	4.0%	4.0%
<b>Cost of Debt</b>	<b>2.6%</b>	<b>2.6%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>4.0%</b>	<b>4.2%</b>
Net Interest	4,876	5,014	6,648	7,252	7,591	7,927
EBITDA	9,895	10,390	10,909	11,455	12,027	12,629
YoY		5.0%	5.0%	5.0%	5.0%	5.0%
<b>ICR</b>	<b>2.03</b>	<b>2.07</b>	<b>1.64</b>	<b>1.58</b>	<b>1.58</b>	<b>1.59</b>

# Relative Value

## Picks

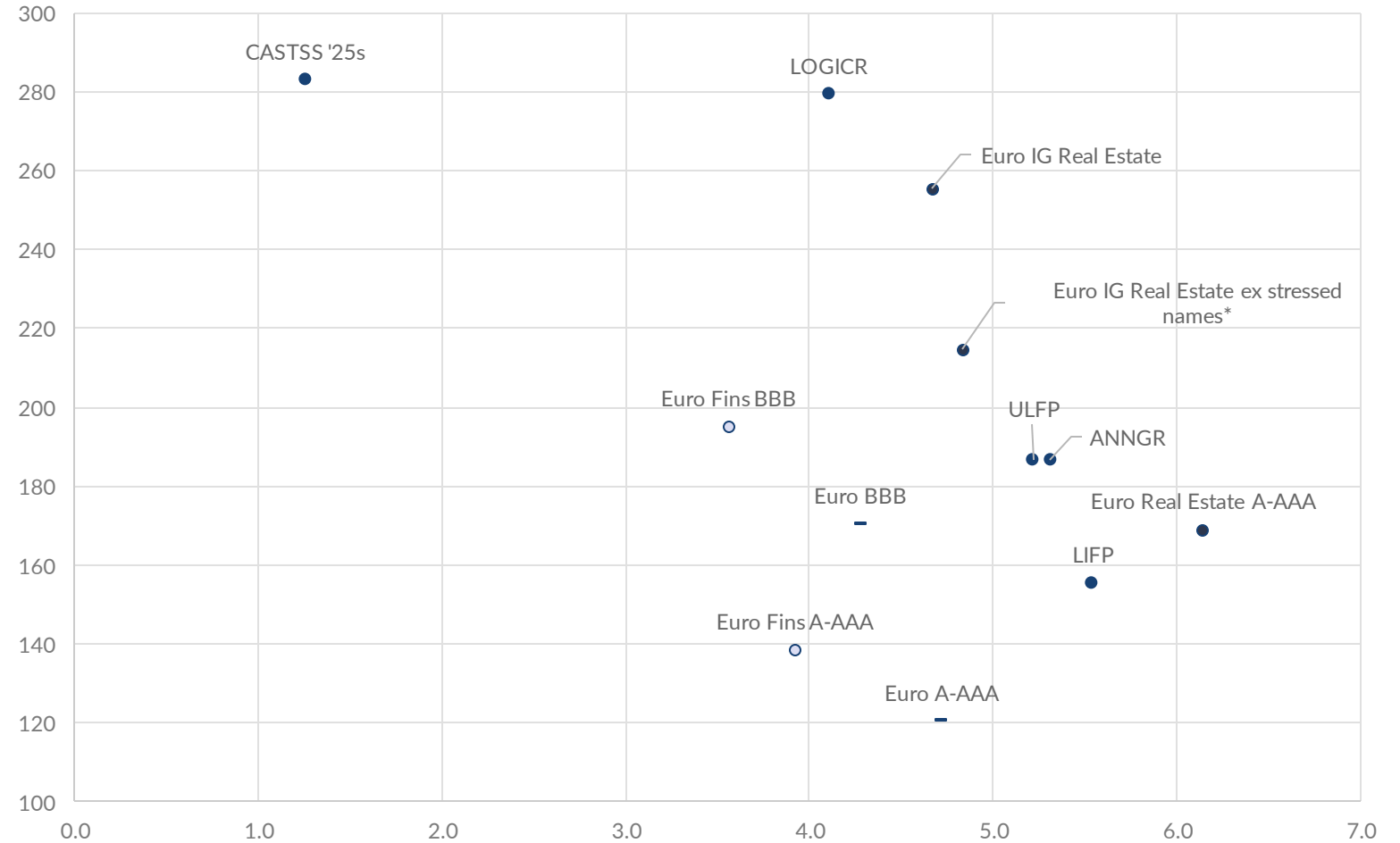
### Sector recommendation

- Outperform

## Picks

- ILFP
- LOGICR
- CASTSS front-end
- HEIBOS front-end

## Euro Average OAS Spreads vs Duration



# Relative Value

## Pans and Holds

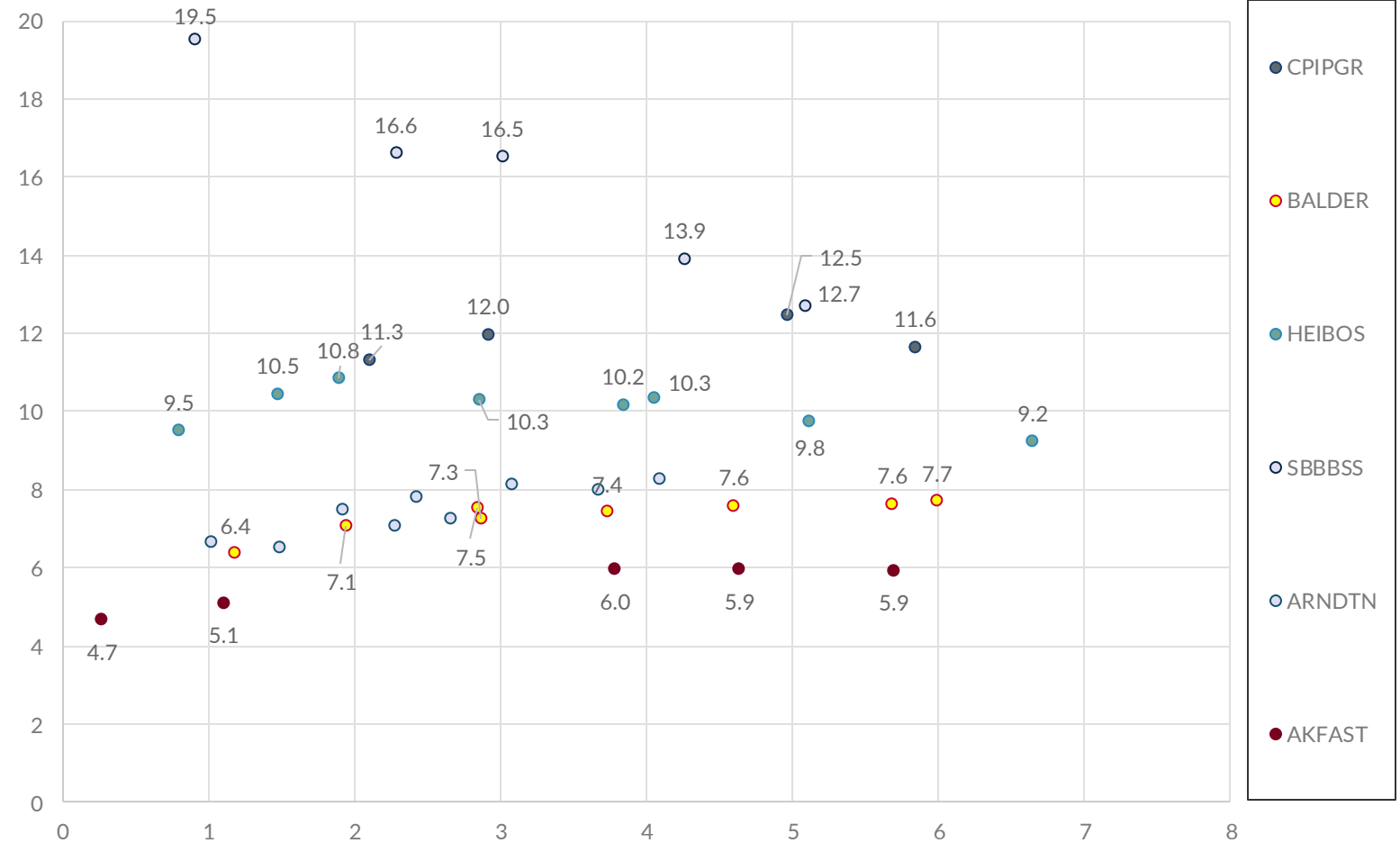
### Pans

- AKFAST

### Nuanced Holds

- CPIPGR
- HEIBOS
- BALDER
- SBBBSS

## Euro Senior Bond Yields vs Duration



Q&A



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