

Exploring European Real Estate Debt

As market conditions shift, real estate debt has become a key asset class for investors seeking stability, strong risk-adjusted returns and diversification.



THE RISE OF ALTERNATIVE LENDERS

Shifting borrower needs

Lenders with deep real estate expertise and a commitment to holding loans to maturity are in demand.



Regulatory impact

Implementing Basel III may further reduce traditional bank lending.



Expanding market share

Non-bank commercial real estate lenders (including institutional investors) now represent 42% of the market in the UK and 21% of the European market.*



THE ROLE OF DEBT IN A PORTFOLIO



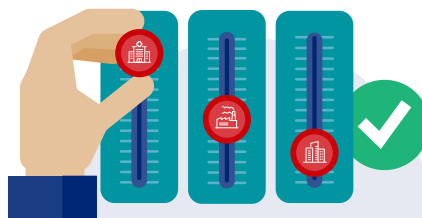
Capital preservation

Debt can offer priority repayment to lenders, security through its position in the capital structure, and an equity cushion due to the asset's collateral value.



Cash flow

Contractual fixed-income style interest can generally help provide consistent income with lower volatility.



Flexible risk/return profiles

Loans can be tailored to meet specific risk/return goals.

*Source: Bayes Business School Commercial Real Estate Lending Report YE 2024 (UK) and YE 2023 (Europe); latest available figures

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THE INCREASING FOCUS ON SUSTAINABILITY

SFDR* and investor preference

The harmonization of reporting means like-for-like comparisons are possible and investors want to ensure their sustainability goals can be met.



Building-specific regulations

New regulations are requiring minimum levels of environmental sustainability across Europe, for both existing and new-build assets.



Tenant demand

Tenants are increasingly only willing to sign leases on efficient buildings that can lower their running costs and help them meet their own sustainability goals.



THE EUROPEAN REAL ESTATE DEBT OPPORTUNITY TODAY



High income yield

Real estate debt can help to generate consistent cash flow through regular interest payments, providing institutional investors with predictable income streams.



Sizeable liquidity gap

A significant refinancing opportunity has emerged driven by looming debt maturities over the next few years. Continuing bank retrenchment has resulted in an estimated €250 billion funding gap through the end of 2028.**



Attractive entry point

Current investors stand to benefit from a wider market value correction with the potential for attractive debt yields, complemented by downside protection through material equity capital cushion.

Where we're currently finding value

At the moment, we are very focused on certain sectors within the lending landscape.

While we are inherently sector agnostic and are always focused on assets where we see value, we are currently seeing the best value in living sectors such as student and senior accommodation. We are also finding attractive opportunities in hospitality, leisure and logistics.



LIVING



HOSPITALITY



LEISURE



DISTRIBUTION

* The Sustainable Finance Disclosure Regulation (SFDR) aims to improve the clarity and comparability of sustainability disclosures in investment policies and products.

** Source: MSCI Real Capital Analytics, Bayes Business School, CBRE, JLL, LaSalle (01/25). Estimates are based on historic value change since 2018 (which impacts debt originated over the last five years) as well as our capital value forecast. Historic LTV is per market as reported by CBRE, differentiated by property type. 2028 LTV estimates are based on LTVs available as of mid-2024, typically around 10 percentage points lower than LTVs at origination but also differentiated by property type

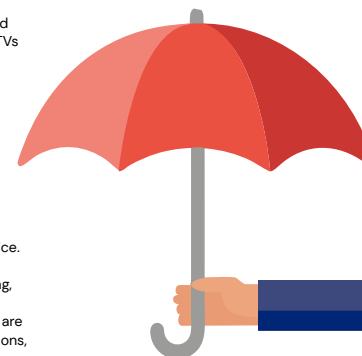
Source for all information unless otherwise noted: LaSalle Investment Management, as of August 2025.

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Remember!
Carrying a real estate debt (RED) umbrella can help to shelter portfolios from inclement investment weather.