



NAS

REAL INVESTMENTS

REAL ESTATE FINANCE UPDATE

ISSUE APR 2024



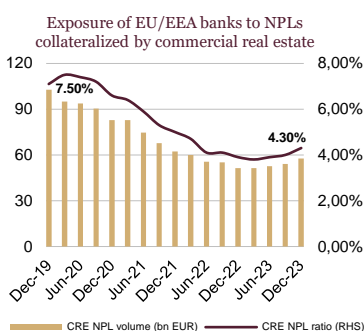
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TOP NEWS

EBA identifies first signs of a deterioration in EU banks' credit quality

European Banking Authority's quarterly risk dashboard for Q4 2023 shows first signs of deterioration in credit quality. NPL ratio of CRE loans increased to 4.3%, remaining well below historically high levels.

Asset and loan growth remained subdued, still affected by banks' tightening of lending standards and lower demand. Risk weighted assets (RWAs) have increased slightly – driving RWA density higher mainly due to increased operational risk.



Source: EBA supervisory reporting data

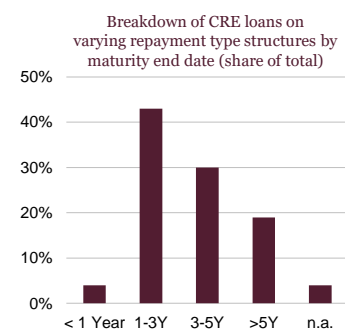
LENDERS ENVIRONMENT

Banks busy with refinancing, in persistent focus of banking supervision

Increase in interest rates/cost of debt, higher construction costs and changing demand dynamics (i.e. remote working, energy efficient retail/office space) are main factors weighing on valuations with repricing still ongoing.

Although debt capital markets are at their peak of the refinancing wave, bullet type structures maturing in the next two years accounted for only 8% of all CRE loans.

Lenders' focus on exposures' collateral values and cashflow capability to cover debt service.



Source: AnaCredit (data as of Q2/23)

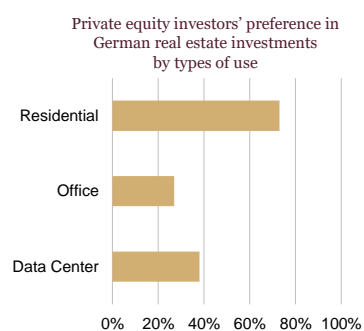
DEAL INSIGHT

PE investors' appetite for German RE with preference shift in use type

According to INREV survey, investor appetite for real estate has slowed due to ongoing macroeconomic uncertainty impacting the market last year.

Following survey results, 78% of investors intend to deploy capital in Europe with the majority (55%) preferring value added strategies in 2024.

Our recent discussions with PE investors show clear shift in preferred use type with residential / affordable housing being the most favorable.



Source: NAS Invest Group

ACTIVITY INDEX

Demand (Trend)

Pricing²

Super Senior (LTV ≤ 40%) Low (→)

4.55% – 5.20%

Senior (LTV ≤ 65%) Low (↗)

5.25% – 6.15%

Whole Loan Medium (↗)

6.50% – 8.90%

Mezzanine Medium (↗)

10.50% – 14.00%

Preferred Equity High (→)

12.50% – 15.50%

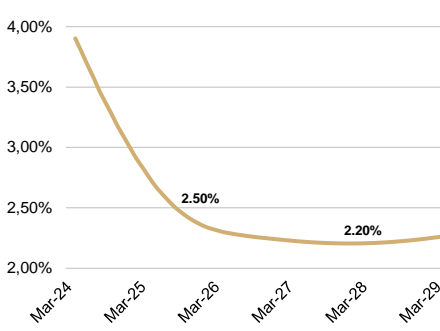
Equity High (→)

15%+

² Senior Gross Margin incl. 3M-EURIBOR, otherwise IRR

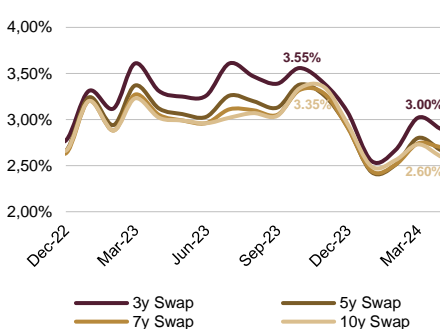
+++ ECB key interest rates remain unchanged +++

3M-EURIBOR Forward Curve (5 Years)



Source: Chatham Financial

European Mid-Swap Rates (3 – 10 Years)



Source: Bloomberg

Macro-Economic Key Data¹

	Q3/23	Q4/23	Q1/24	Q2/24
ECB MRF	4.00%	4.50%	4.50%	4.50%
FED EFFR	5.08%	5.33%	5.33%	5.33%
€-M3 MONEY	16.01bn	15.97bn	16.12bn	16.10bn
3M-EURIBOR	3.60%	3.95%	3.91%	3.88%
10Y Bund	2.62%	2.93%	2.00%	2.40%
10Y Treasury	3.86%	4.69%	3.94%	4.35%
iBOXX€CORP	4.34%	4.55%	3.50%	3.63%
iTRAXXEURO	4.00%	4.35%	3.13%	3.02%

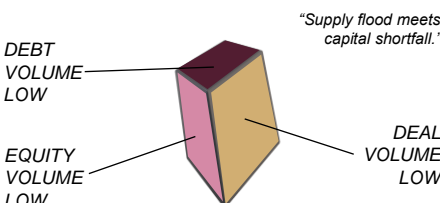
¹ Figures at beginning of quarter

Key Lending Parameters (New Business)

	Q3/23	Q4/23	Q1/24	Q2/24
S-LTV	62%	60%	62%	60%
S-GrossMargin	2.05%	2.20%	1.95%	1.90%
M-LTV	73%	70%	70%	68%
M-IRR	11.75%	12.50%	12.50%	12.40%

S – Senior | M – Mezzanine

Real Estate Prism³



³ The real estate prism represents NAS Invest Group's view on the availability of debt (red colour) and equity (pink colour) in a three-dimensional form. The deal volume deriving from the availability of both sources of capital is shown on the third visible side of the prism (gold colour). The opposite sides of the particular prism surface are complementary to each other and describe the respective opposite (High vs. Low).

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