



## EDMOND DE ROTHSCHILD REIM TARGETS FURTHER GROWTH OF ITS REAL ESTATE DEBT PLATFORM

Edmond de Rothschild Real Estate Investment Management (EDR REIM) is looking to further grow its real estate debt platform, capitalizing on the structural changes and current disruptions in the European real estate financing market to achieve attractive risk-adjusted returns.

Since the start of the debt platform in 2020, the first vintage and second vintage together raised over 350 million euros. EDR REIM's debt team is currently working on a third vintage with the objective to deploy 600 million euros over the next few years, with a targeted net IRR<sup>1</sup> of 9% (unlevered) and a target portfolio loan-to-value (LTV) ratio of 70%.

Ralf Kind, Head of Real Estate Debt at EDR REIM, explains, "High inflation rates, rapid interest rate hikes, and an uncertain economic outlook are widening the financing gap in the commercial real estate financing market. As a result, the market share of real estate debt funds will continue to significantly increase in the coming years. Investing in real estate debt offers an attractive opportunity for investors to benefit from higher interest rates, lower LTVs, and tighter credit security structures."

### SIGNIFICANT INVESTMENT OPPORTUNITY

EDR's RED team aims to build a diversified pan-European credit portfolio with a focus on first-lien secured whole loans, which will be extended to experienced and well-capitalized borrowers. Due to the ongoing withdrawal of banks from commercial real estate financing and the upcoming refinancing wave of maturing loans, Edmond de Rothschild expects an excellent environment for debt capital investments in the next few years. The origination strategy emphasizes financing in the mid-sized segment for core+/value-add assets located in strong Western European markets. The team at the moment has a significant pipeline in place with an average loan-to-value (LTV) ratio of approximately 70%. The expected gross IRR for new loans is currently around 10-11%.

### CURRENT INVESTOR STRATEGIES

According to an INREV market study conducted in 2023<sup>2</sup>, over 60 percent of institutional investors in real estate vehicles plan to increase their allocation to European real estate debt vehicles in the next two years. The potential diversification benefits, expected stability of returns, and anticipated low correlation with other asset classes are likely to draw investors to this investment category. Overall, many investors seem to have a positive attitude towards real estate debt as an investment opportunity, and historically, the best-performing credit vehicles have been those launched during times of crisis.

### TRACK RECORD WITH WHOLE LOANS AND MEZZANINE LOANS

In the past two years, Edmond de Rothschild's Real Estate Debt team has provided finance totaling over 200 million euros in six whole loans and mezzanine loans to reputable sponsors in multiple countries (Germany, Netherlands, France, Italy, and the United Kingdom) and across various real estate sectors (industrial, logistics, office, residential, and hotel). The current pipeline stands at over 800 million euros. The Real Estate Debt team is part of Edmond de Rothschild's pan-European real estate platform, which is represented by more than 120 real estate experts in the largest European markets. This allows them to generate attractive financing opportunities across Europe's network while also having the ability to take ownership of pledged properties in the event of distressed financing, which sends a strong signal to the borrowers.

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<sup>1</sup> The targeted return is based on the achievement of market assumptions made by Edmond de Rothschild REIM and does not constitute a promise of return.

<sup>2</sup> INREV Investment Intentions Survey 2023, 17.01.2023.

## BORROWERS FROM THE REAL ESTATE INDUSTRY

The Edmond de Rothschild Real Estate Debt platform offers a comprehensive and flexible range of debt products for borrowers across the entire spectrum of capital needs, including whole loans, stretched senior loans, mezzanine loans, bridge and term facilities for existing properties and development projects in all major European markets. The lending strategy focuses on both established and alternative real estate sectors in the European property markets, including Germany, France, Benelux, Scandinavia, Spain, Italy, and the United Kingdom, leveraging the extensive network and local presence of Edmond de Rothschild REIM throughout Europe.

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## ABOUT EDMOND DE ROTHSCHILD REAL ESTATE INVESTMENT MANAGEMENT

With more than CHF 14 billion in real estate assets, the Edmond de Rothschild real estate investment management platform operates through local operating entities in Switzerland, France, the UK, Benelux and Germany. Backed by strong convictions in responsible investment, active management and close proximity, a vast European network of 120 professionals develops and supports real estate projects in the office, industrial, logistics and residential sectors on behalf of discretionary funds and third-party mandates.

## ABOUT THE EDMOND DE ROTHSCHILD GROUP

As a conviction-driven investment house founded upon the belief that wealth should be used to build the world of tomorrow, Edmond de Rothschild specialises in Private Banking and Asset Management and serves an international clientele of families, entrepreneurs and institutional investors. The group is also active in Corporate Finance, Private Equity, Real Estate and Fund Services. With a resolutely family-run nature, Edmond de Rothschild has the independence necessary to propose bold strategies and long-term investments, rooted in the real economy. Founded in 1953, the Group had nearly CHF 158 billion in assets under management at the end of December 2022, 2,500 employees, and 30 locations worldwide.