



European REITs: Navigating war, rates and AI

March 2026



CLEARANCE CAPITAL
Real estate alternatives

Established in 2008

Listed real estate sector Specialist

A sector with high return dispersion

Sector Specialist

We cover only listed real estate

Our objective is to cover only one large sector better than anyone else in order to generate value for our investors

Multiple strategies

One underlying investment universe, multiple strategies

Including our two long/short funds targeting both the real estate equity and debt markets

\$860m total AUM

Proven investment process

Proprietary investment and valuation process

Developed over many years, focused on total return relative to cost of capital

Highly experienced specialist team

Spanning equity and credit markets

Team of 22, including 15 investment professionals



Why European REITs?



Long-term returns generated from recurring free cash flows and capital value appreciation



Predictable long-term cash income streams

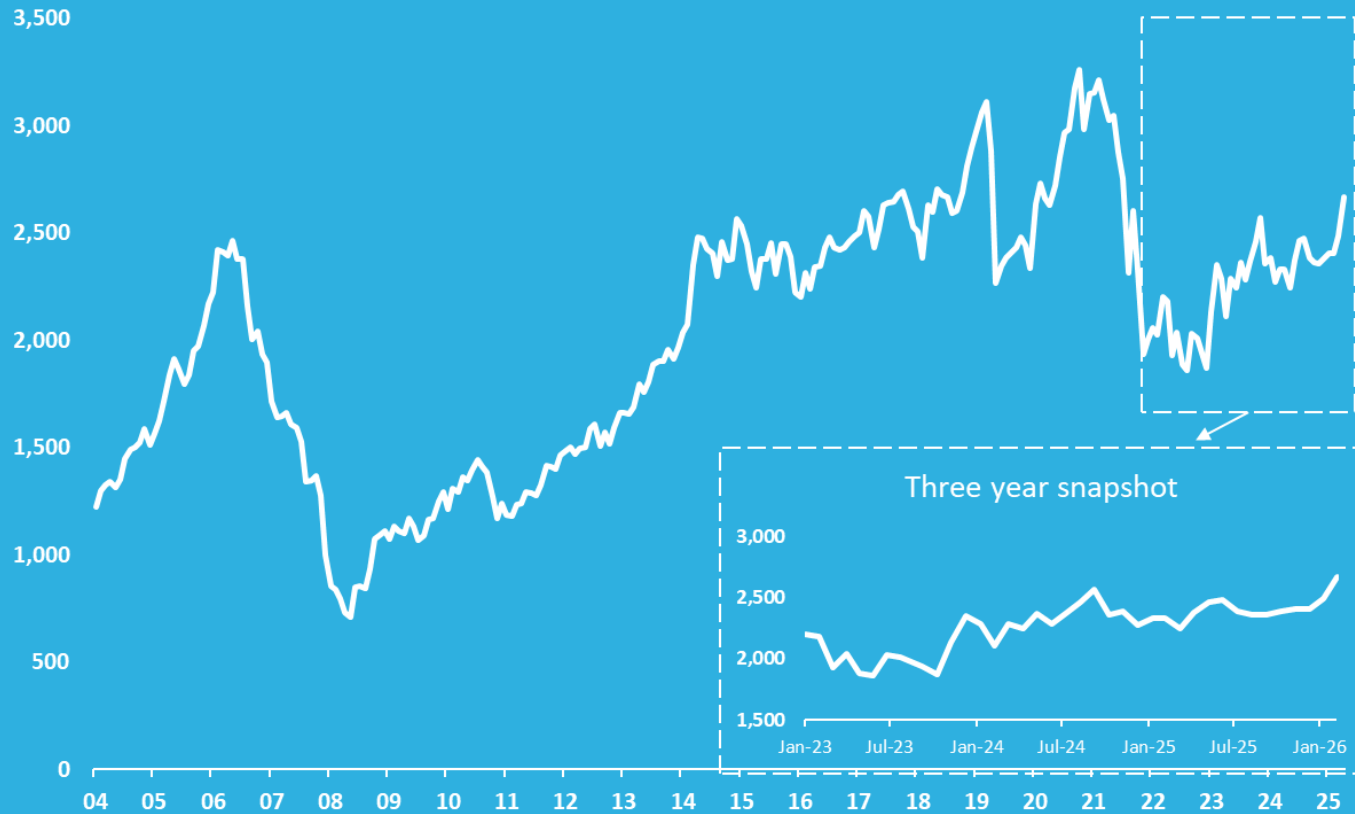


Highest quality assets in Western Europe

Low beta sector with high forecastability of cash flows underpinned by tangible valuation benchmarks

What Happened?

EPRA: The European REIT Index



FTSE EPRA NAREIT Developed Europe Net Total Return Index

Source: Bloomberg. 28 February 2026

Note: While we refer to listed real estate companies in this document as "REITs", many of them are not Real Estate Investment Trusts

+42% Recovery from cyclical lows in October 2023

One of the sharpest drawdowns in decades (-45%) in 2022-2023 as cost of capital surged

Not yet fully recovered: still 18% below August 2021 peak

Spiking oil prices and bond yields following Iran escalation pose a major risk (EPRA down >9% MTD)

REITs: A Sector Deeply Unloved

Extreme investor apathy towards a rate sensitive, cyclical sector

EPRA Relative to Euro Stoxx 50



Source: Bloomberg. 28 February 2026

- **Significant Underperformance**

European REITs have declined by approximately 18% since August 2021, while the Euro Stoxx 50 has risen by around 62%.

- **Persistent Investor Apathy**

Despite a 42% recovery from the October 2023 low, listed real estate continues to face weak investor flows and a lack of interest.

- **Shift in Allocations**

Investor capital has predominantly flowed into technology and banking sectors, leaving traditional income-generating sectors like REITs overlooked.

- **Dominance of Tech & AI**

The prevailing focus on technology and AI has led to a lack of capital rotation into interest-rate-sensitive, cyclical REITs.



REIT valuation is fundamentally about cost of capital and growth

Cost of capital

Two important macro inputs

- **Real interest rates**
- **Credit spreads**

Near and long term growth in rents and NOI

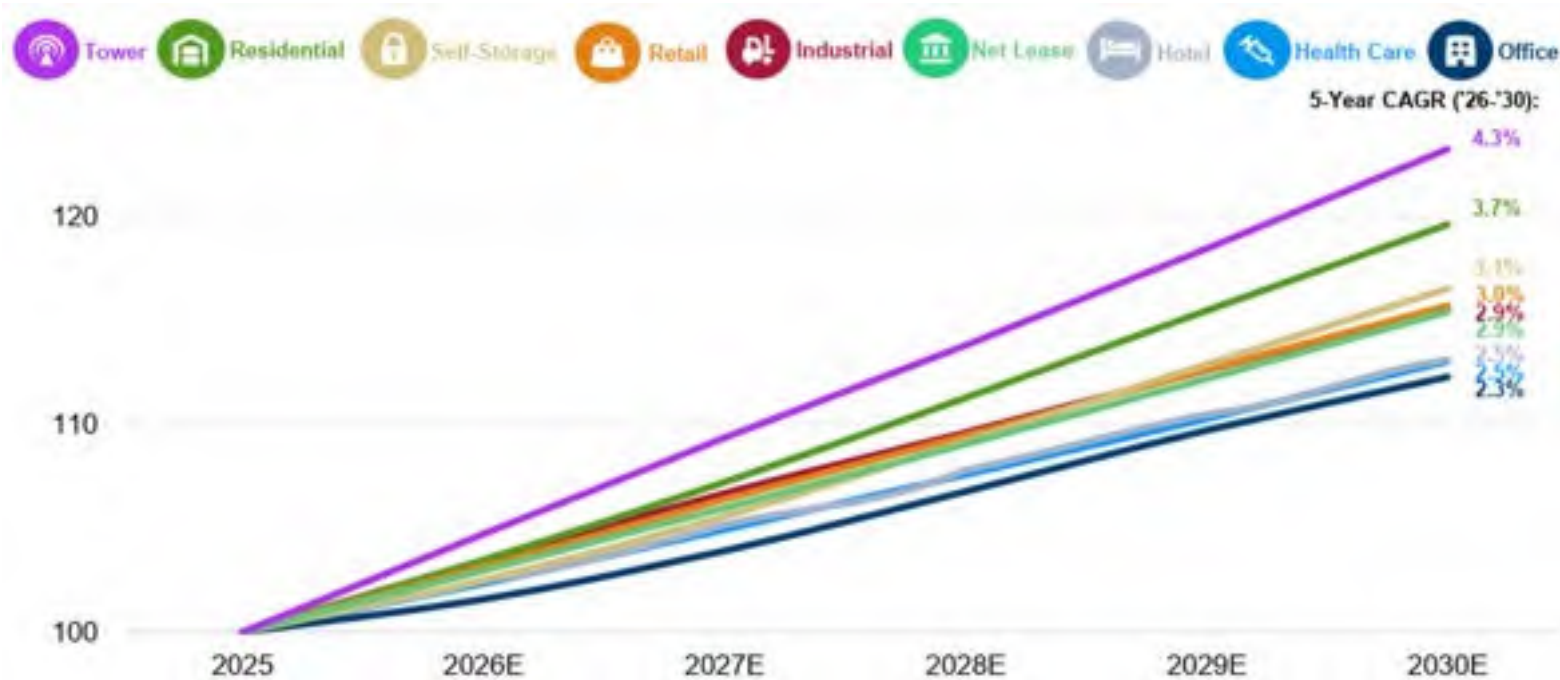
Rental income driven by market rental growth + lease reversion + occupancy growth

NOI driven by developments, repositioning, acquisitions

Key drivers: GDP growth | Supply & Demand Dynamics

Rental Growth Outlook

Green Street 5-year organic net rental income outlook

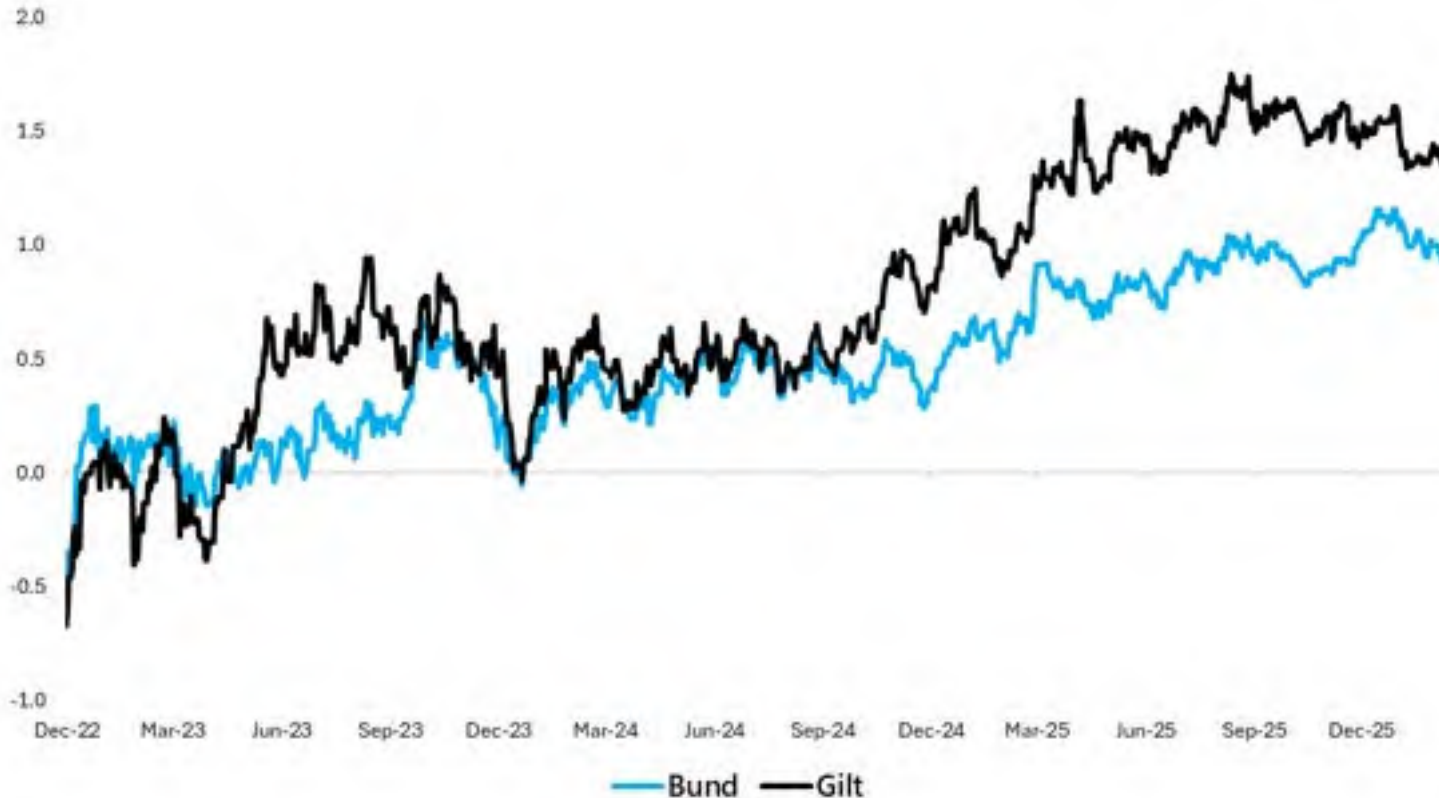


Source: Green Street Advisors

- Despite sluggish economic growth across Europe, net rental income growth remains robust
- 5-year CAGR market NRI growth expected to range between 2.3% and 4.3%
- Most REITs benefit from leases indexed to inflation, boosting NRI in the near term
- Very little speculative new supply

Two Key Macro Inputs: 1. Real Bond Yields

Real 10-year Gilt and Bund Yields

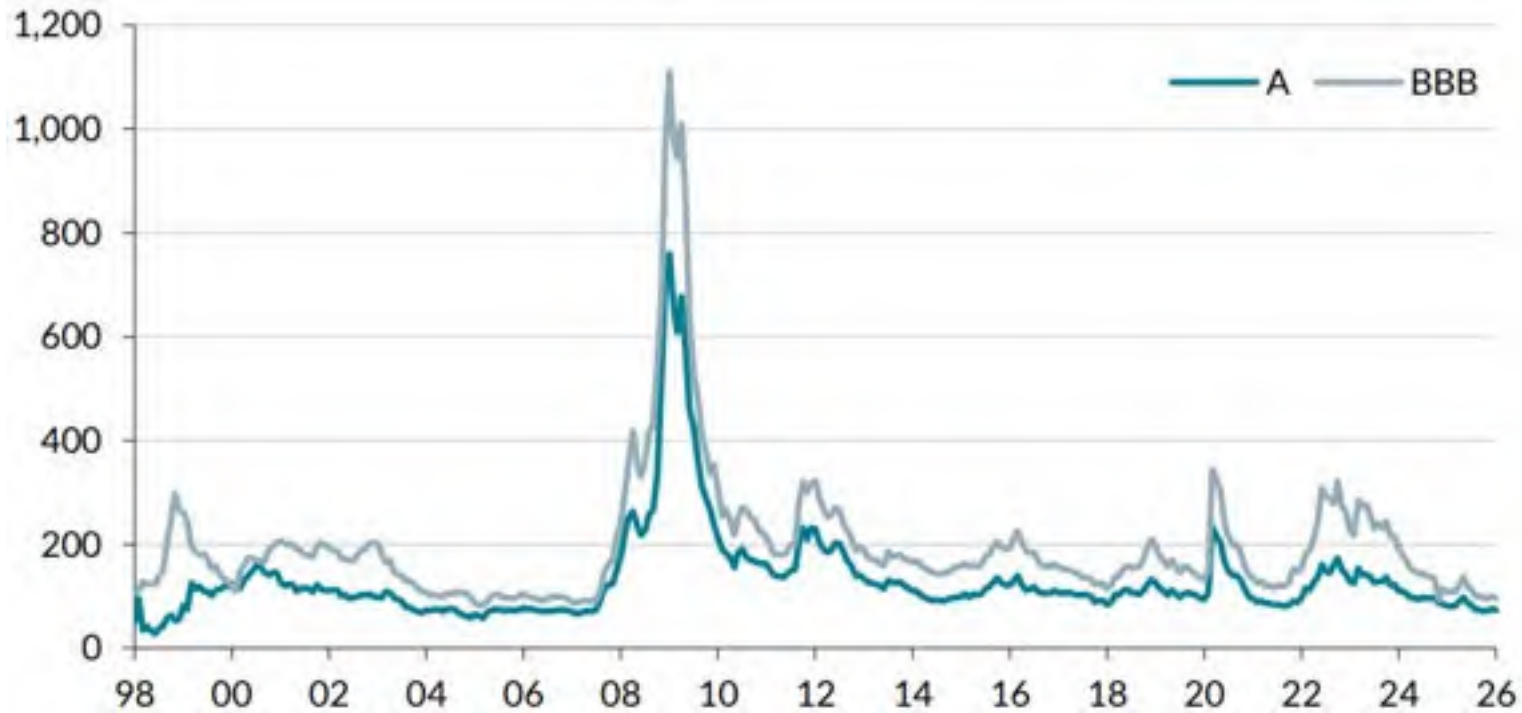


Source: Bloomberg

- Liability side of the balance sheet is linked to nominal bond yields (cost of debt)
- Asset side of the balance sheet is linked to inflation (rental income)
- Increasing real bond yields is an outright macro negative for real estate, as future expectation of cost of debt is not matched by rental growth expectations
- Real bonds yields are elevated due to fiscal and supply backdrop, higher term premia and persistent inflation risks (especially in the UK)

Two Key Macro Inputs: 2. Credit Spreads

Euro REIT investment grade credit spreads

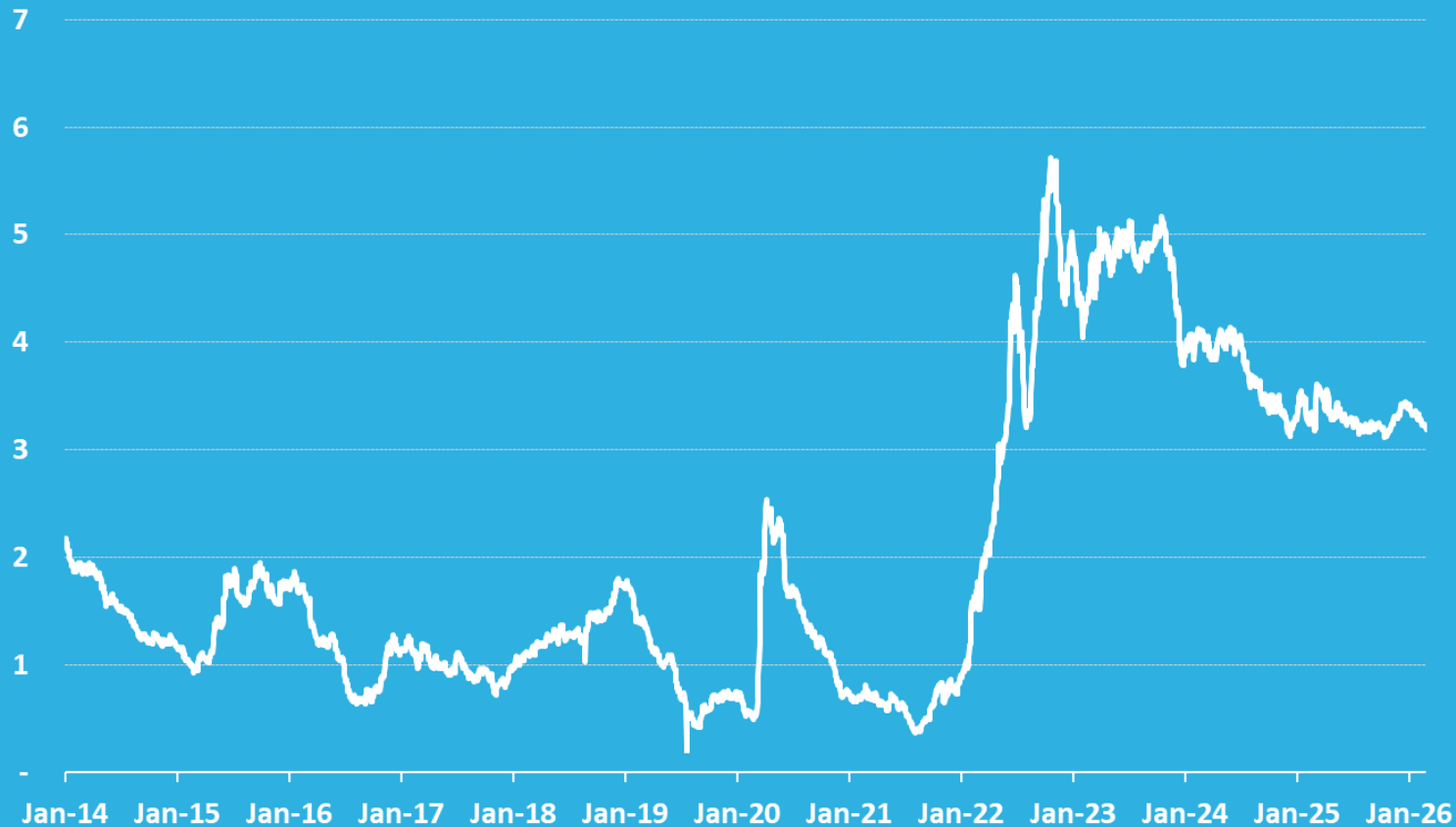


REIT Corporate OAS vs G-Spread
Source: Bloomberg, Kempen

- Other than nominal interest rates, credit spreads is the other key input into total cost of debt
- While high real interest rates has been a key macro negative for REITs, tight credit spreads has been a positive
- Real estate credit markets are fully functioning and open to high quality issuers, with credit spreads back to levels seen in 2021
- Material stress in the credit markets (like the spread widening in 2022/2023) would be a major negative for REITs

Cost of Debt Normalising

Yield to maturity of the European real estate corporate bond index

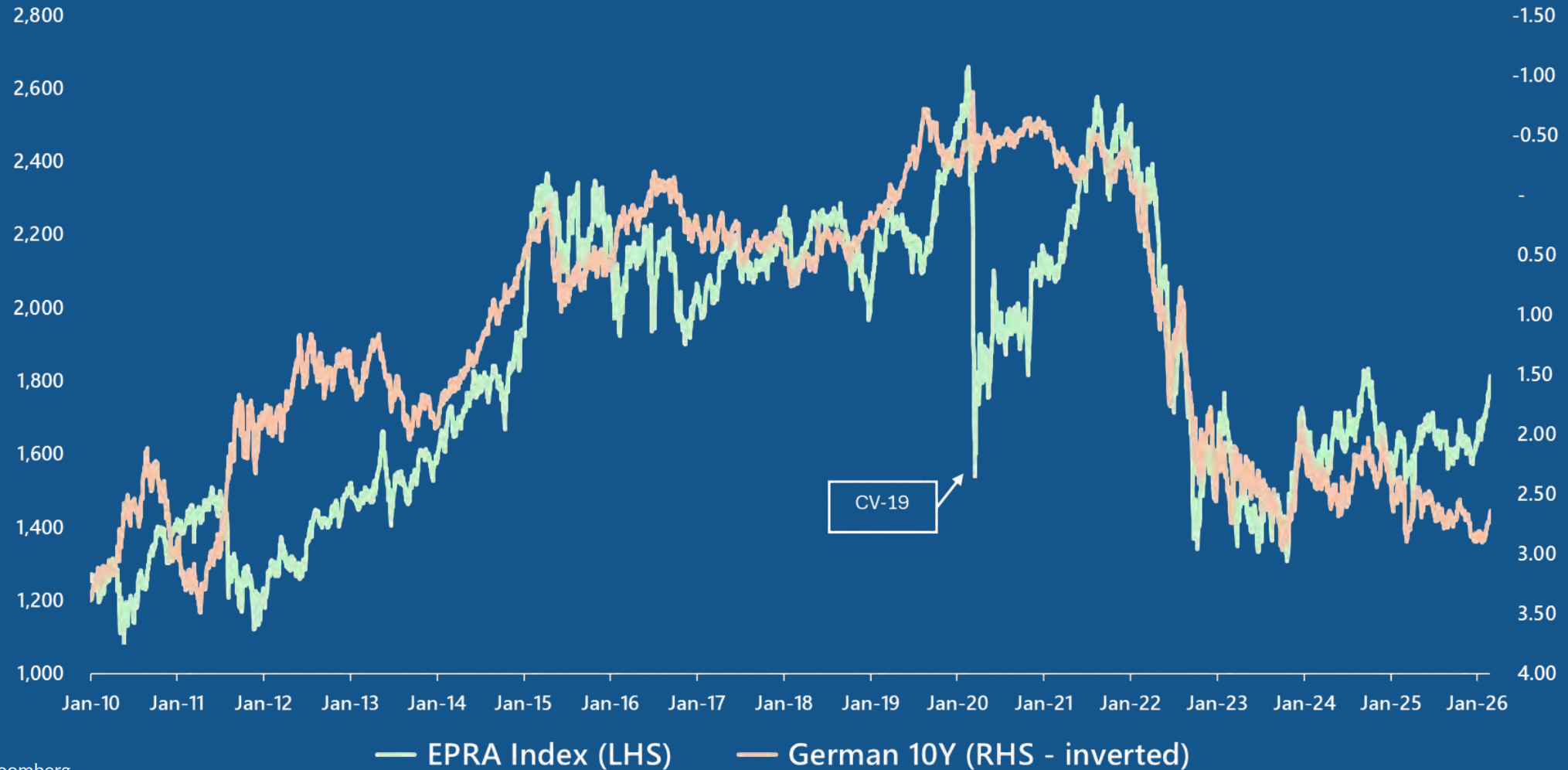


Source: Bloomberg. 28 February 2026

- After peaking at 5.7%, the yield to maturity on the REIT bond index is back to 3.2%
- Average European REIT in-place cost of debt is 2.5% with average unexpired debt term of 4.8 years
- With an average valuation yield of 6.3%, property yields again exceed the cost of debt, external growth opportunities reopen

Rates Correlation Breaking Down

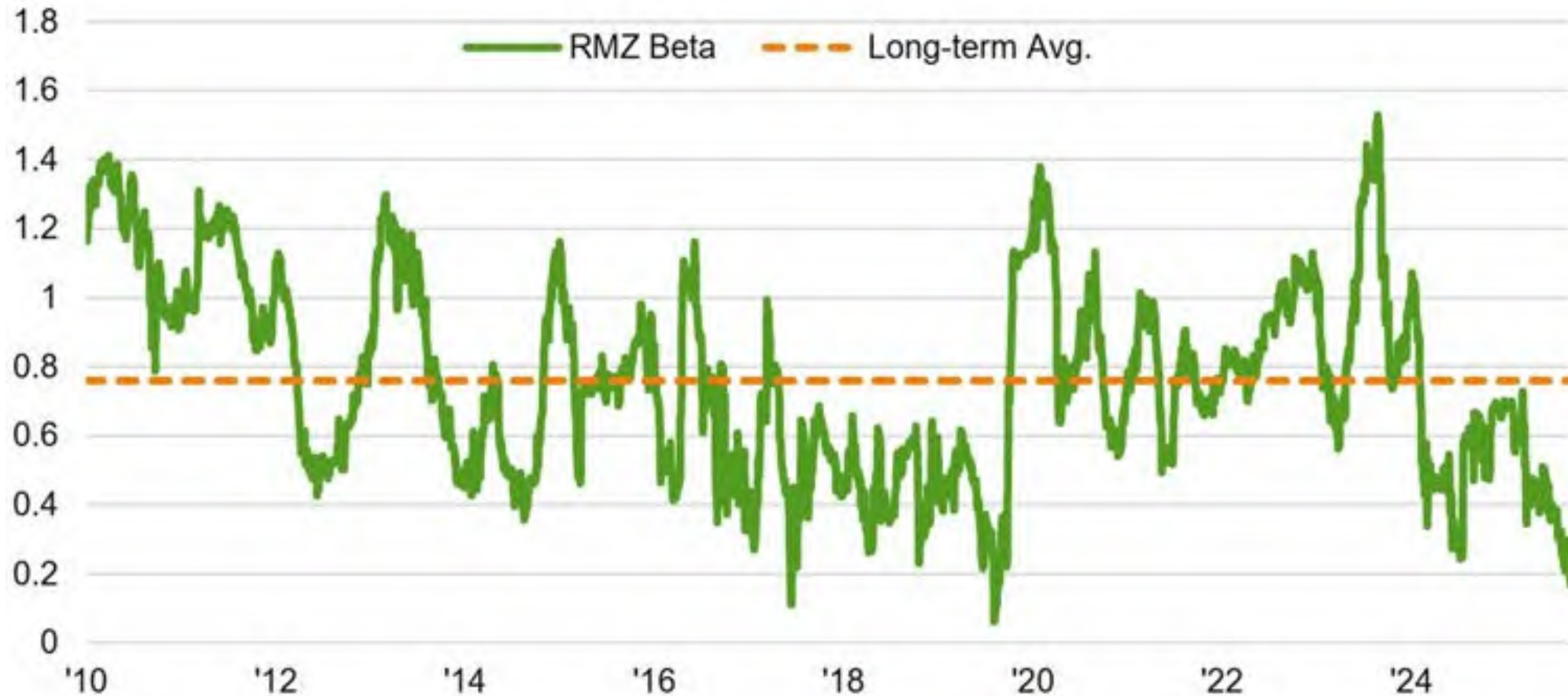
Post GFC, REITs traded as long-duration assets, highly sensitive to discount rate changes, but that correlation is weakening



Source: Bloomberg

Rates Correlation Breaking Down

The US REIT market is also decoupling from bond yields and general equities



RMZ = MSCI US REIT Index. Beta against the S&P500
Source: Green Street

Rates Correlation Breaking Down

Shifting Dynamics in REITs Performance

- **Reduced Risk Premium**

The market anticipates a cyclical recovery in property values, with strong cash flows, leading to a lower real estate risk premium.

- **Accretive Growth Potential**

REITs can now grow portfolios with cap rates exceeding the cost of debt, enabling earnings growth independent of capital costs. The deleveraging phase is over.

- **Restored Safe Haven Status & Capital Flows**

REITs are attracting capital rotation due to their restored safe-haven status and reduced perceived impact from AI disruption (excluding offices).

- **Supportive Valuations**

REITs are currently trading at cyclically depressed valuations, which underpins the current positive shift.

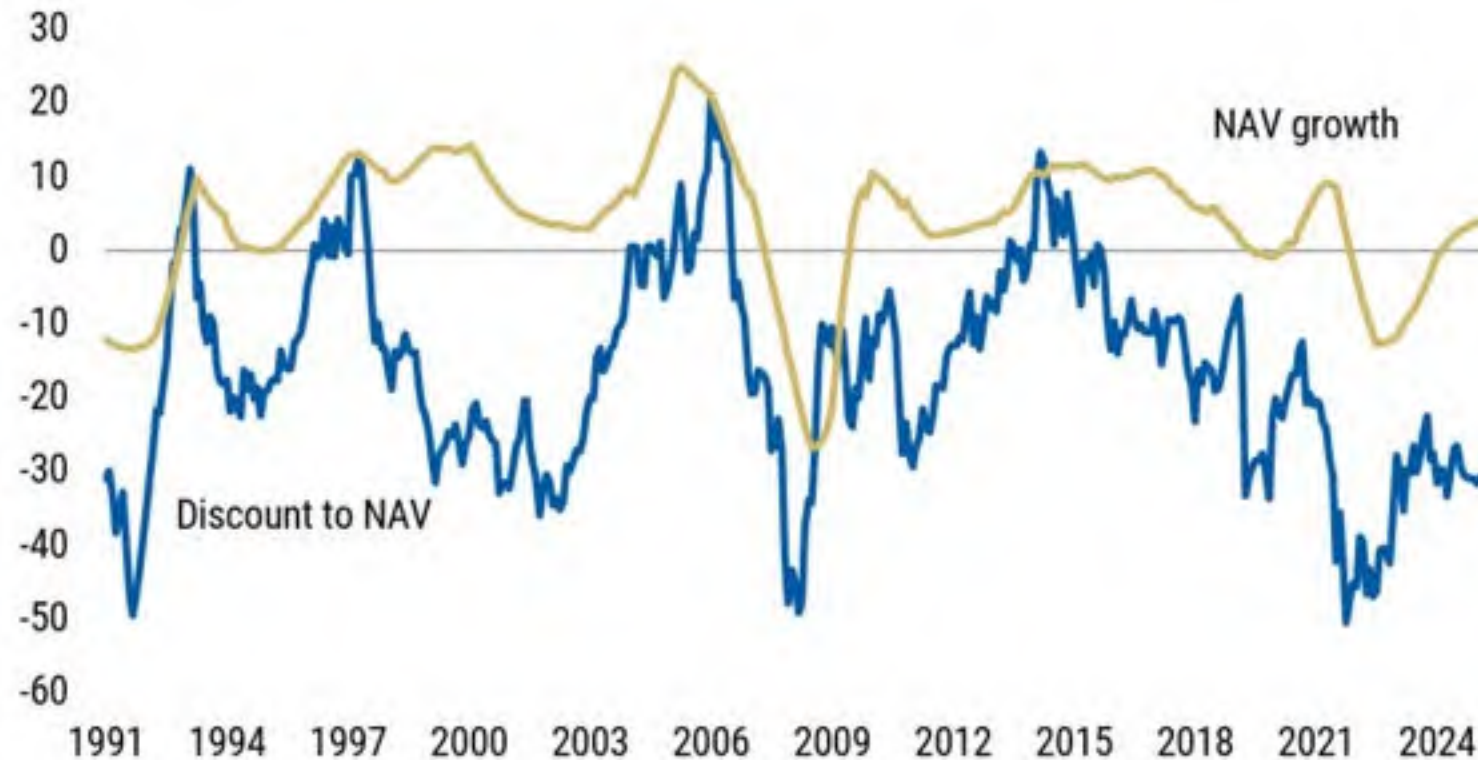
- **Sector Dispersion**

Significant differences in performance exist between various REIT sectors, such as data centers compared to offices.



What is the Market Implying?

Large NAV discounts reflect market expectations of low future total returns (income and capital)



Source: Morgan Stanley

Net asset discounts reflect market expectations that total returns (income plus capital return) will be below the cost of capital

- ⊖ **Capital value growth required to boost returns**
- ⊖ **When values stabilise and potentially rise, discounts close and can become premiums**

Slow Recovery From a Deep Correction

Green Street Commercial Property Price index



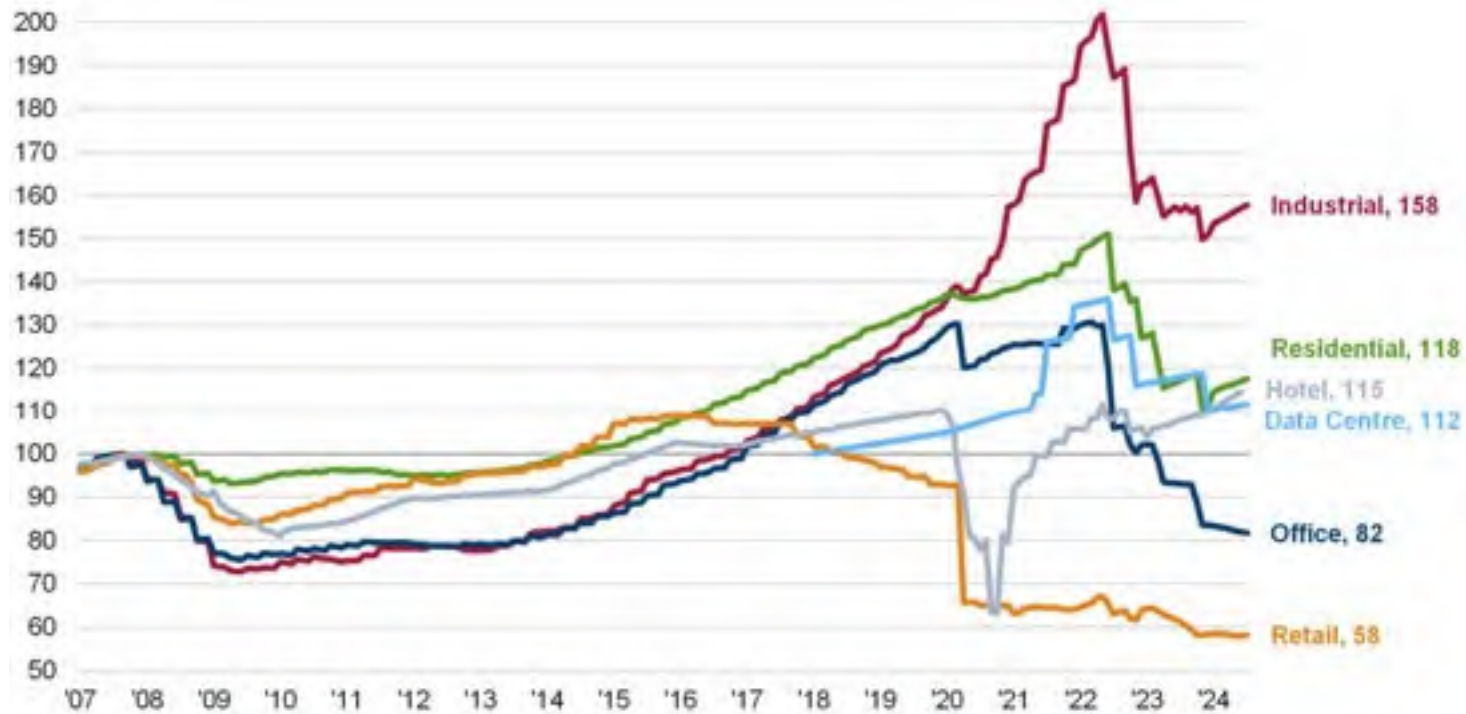
Source: Green Street Advisors

The Green Street Commercial Property Price Index is a time series of unleveraged Pan-European commercial property values at which transactions are currently being negotiated and contracted. B/B+ Quality

- Transactional activity still muted, but improving
- Occupier fundamentals remain strong
- Spot values have fallen 25% compared to an 18% decline during the GFC
- While values stabilised across sectors during 2024 (other than non-prime offices), there is no clear sign of a recovery
- Interest rate cuts to date have only acted to stabilise the market rather than drive a recovery
- “Liberation day” uncertainty is a likely key contributor to low transactional volumes as decisions are postponed

Meaningful Dispersion in Capital Values

Green Street Commercial Property Price index

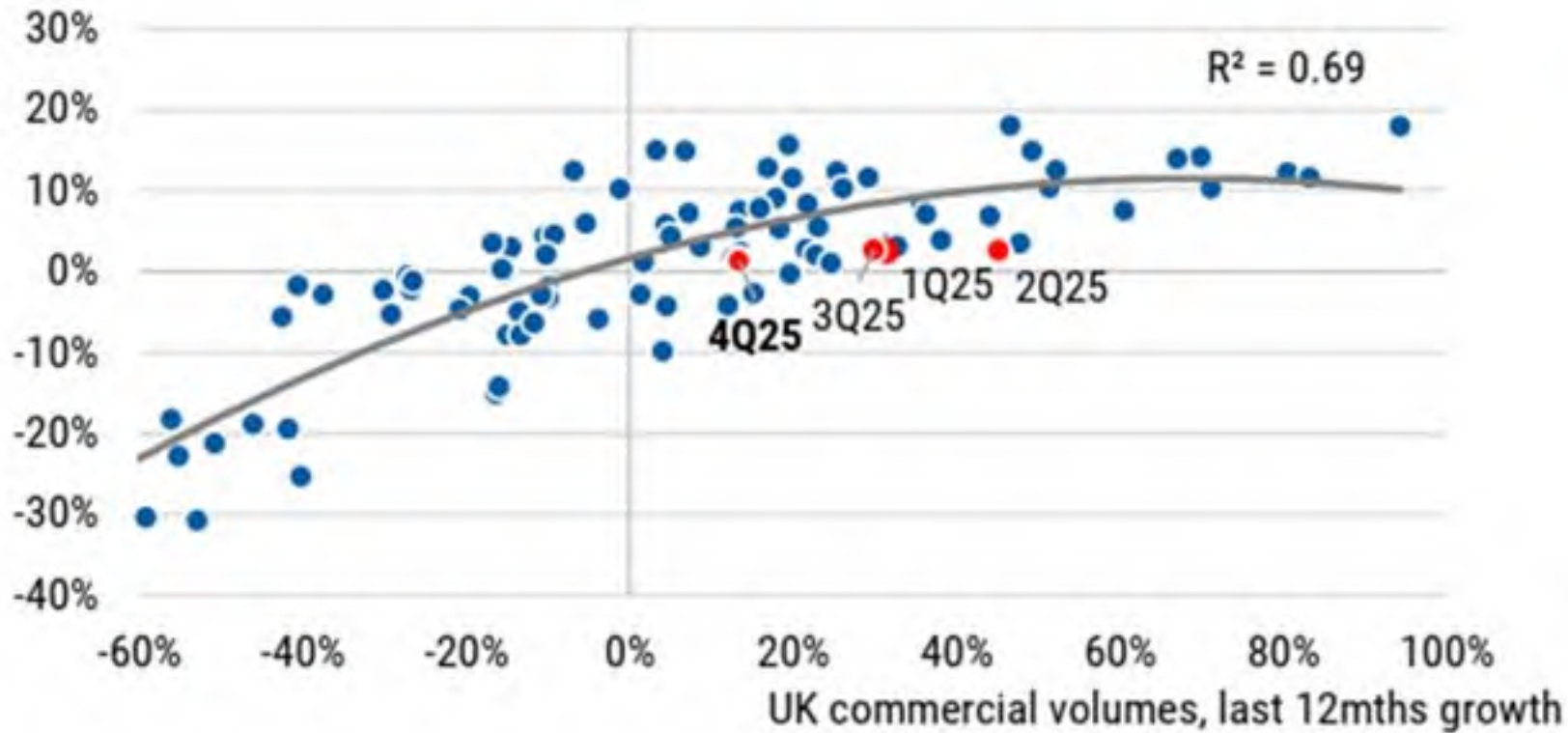


Source: Green Street Advisors
The Green Street Commercial Property Price Index is a time series of unleveraged Pan-European commercial property values at which transactions are currently being negotiated and contracted.

- Industrial/logistics underperformed from the lowest starting cap rates, but with the best fundamental outlook will recover quickest
- Multi-family residential market highly sensitive to interest rates
- Retail, on the highest starting cap rates, performed best as values already re-set post CV-19
- Non-prime offices most challenged

Volumes and Pricing Correlate Strongly

UK capital value growth vs. volume growth

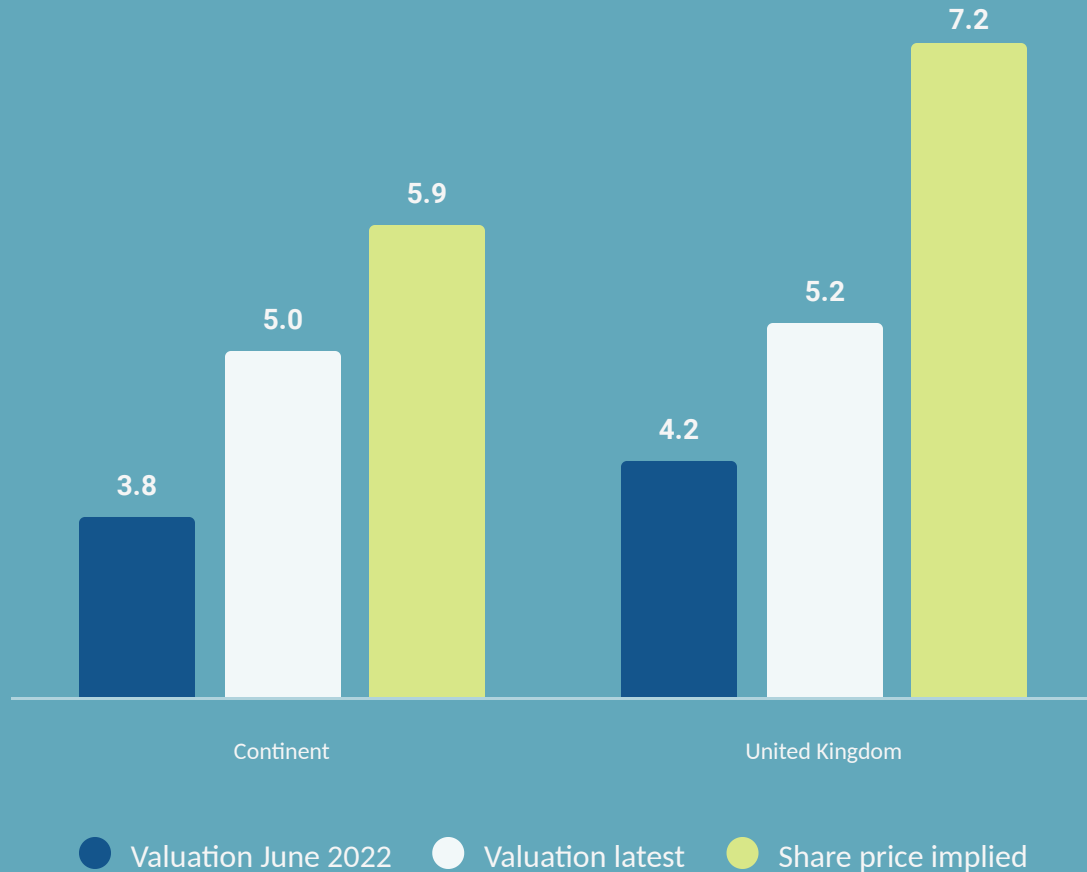


Source: Morgan Stanley
UK Commercial property capital value growth (y-axis) vs UK commercial property volume growth over last 12 months (x-axis)

- Commercial property values are highly correlated with market activity
- Volumes have stabilised and started to grow, from a low base
- Core, institutional investors are still absent from the market

What is the Market Implying?

Equity market implies up to 300bp yield expansion



Source: Morgan Stanley

While it takes time for property values to adjust, the REIT market dynamically re-prices the underlying real estate every day:

Current implied pricing suggests a 210bp outward shift in cap rates in Europe and 300bp in the UK, all else equal.

Sophisticated Buyers are Targeting the Discounts Prevalent in the Listed Market

Date	Acquiror	Target	Value (€ mln)
Feb-24	TriTax Big Box	UKCPT	1,150
Apr-24	Shurgard	Lok'nStore	470
May-24	New River	Capital & Regional	190
Jul-24	Hines	Lar Espana	700
Sep-24	Starwood	BCPT	870
Oct-24	Brookfield	Tritax Eurobox	700
Mar-25	CareTrust REIT	Care REIT	550
Mar-25	KKR / PHP	Assura	1,950
Mar-25	Blackstone	Warehouse REIT	550
Apr-25	LondonMetric	Urban Logistics	770
May-25	Aedifica	Cofinimmo	3,100
Jun-25	Long Harbour	PRS REIT	726

Private equity buyers, US REITs and other sophisticated investors are targeting the listed REIT market, where high quality real estate can be acquired at steep discounts

Reduced Focus on Leverage

Average Net Debt to EBITDA



Source: Kempen

- **Leverage and Income Yield**

High leverage can make income yields illusory, often requiring equity recapitalization.

- **Dividend Cuts as Warning Signs**

Dividend cuts typically precede significant financial distress.

- **Credit Rating Protection**

Most REITs prioritize maintaining their credit ratings.

- **Leverage as a Lesser Concern**

With property values having bottomed, leverage is now a lesser concern.

Pessimistic Implied Valuations

- **Current NAV Discount Range**

For the current expected 12-month forward total return, NAV discounts have ranged between -10% and -35%.

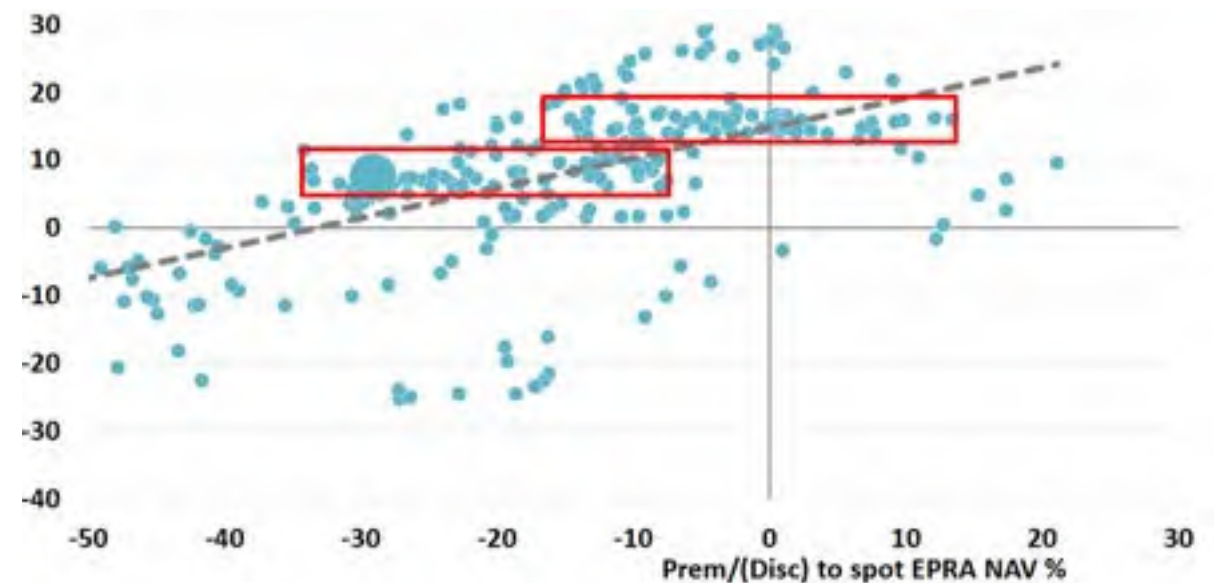
- **Discount Justification**

A discount is warranted if the total return is less than the cost of equity.

- **Path to Premium**

To close the NAV discount or trade at a premium, total returns in the mid-teens are required.

Pan-European Total Return (NAV + div) vs. Discount

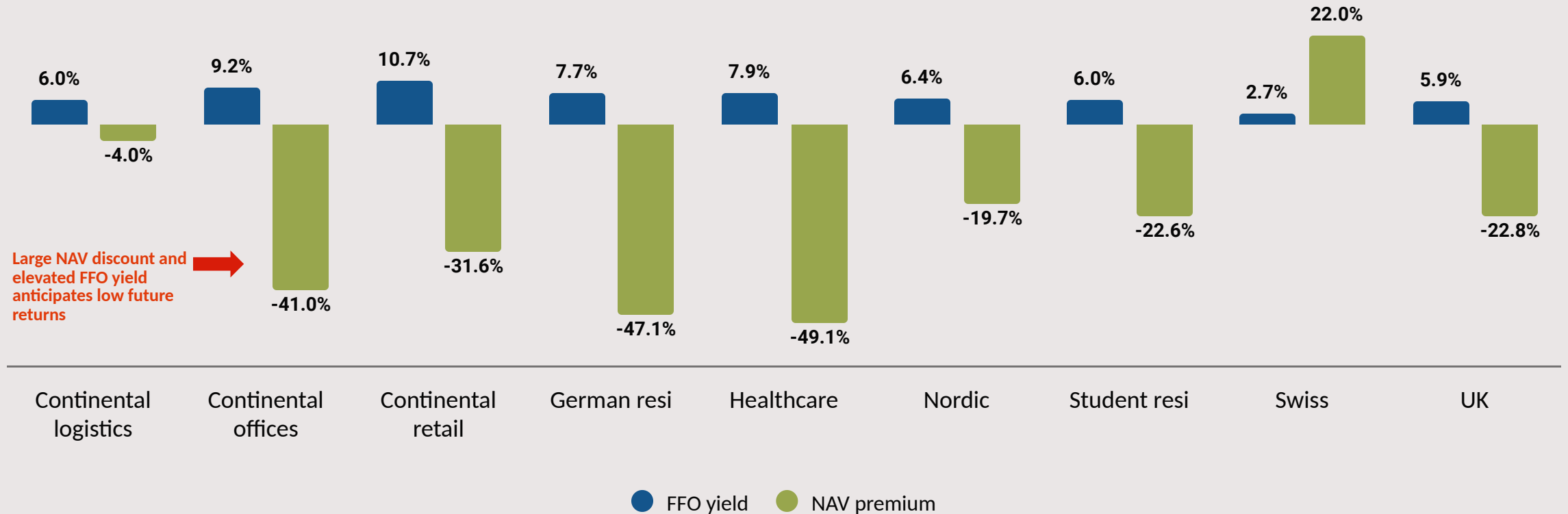


Monthly readings (large bubble = current)

Y-axis is one year forward expected total return. X axis is premium or discount to net asset value

Source: Morgan Stanley

Current sub-sector pricing



Source: Clearance Capital calculations

5-yr GBP and EUR swap rates spike



Source: Bloomberg. 16 March 2026

Middle East Escalation

Casualties of War

- **Higher oil prices trigger a cascade of economic consequences:**
 - **Inflationary Pressures:** Increased oil costs directly fuel inflation.
 - **Interest Rate Hikes:** Higher inflation leads central banks to raise interest rates and consequently, bond yields increase.
 - **Financing Costs Rise:** This results in higher costs for borrowing, higher discount rates for investments, and elevated capitalization rates (cap rates) for real estate.
 - **Consumer Impact:** Individuals face increased household bills and higher interest expenses on loans and mortgages.
 - **Corporate Strain:** Businesses experience reduced sales volumes and squeezed profit margins. This often leads to downsizing of operations and postponement of expansion plans.

Why Stagflation is Bad for Real Estate



- **Rising Cost of Capital**

Higher inflation leads to increased interest rates, raising the cost of debt and equity for REITs. This reduces property valuations by increasing discount rates on future cash flows.

- **Suppressed Growth Prospects**

Reduced consumer spending power and corporate margin pressure lead to decreased demand, higher vacancies, and lower rental income, while also increasing tenant insolvencies.

- **Combined Impact on Valuations**

The combination of falling growth and rising cost of capital significantly diminishes REIT valuations and their ability to grow portfolios accretively.

- **Appropriately priced in by markets**

March to date: 10-yr Bond yields and swap rates spike ~30 bps, EPRA falls 9% and share price implied capitalisation rates increase ~30bp (UK +35 bps and Continent +25 bps)

The Impact of Evolving AI on Office Real Estate

London Running Short of Offices Is Great News for the City

February 27, 2026 at 5:00 AM GMT

- Demand for office space in London's financial districts is booming, with barely 2% of prime office space available in the most sought-after areas.
- The available space in the capital is expected to shrink to zero by 2028, which could crimp future economic growth due to a failure to prepare for changing business needs.
- Rents in the best locations in the City have surged, with private equity funds increasing their share of London office purchases, and a substantial wave of refurbishment is expected ahead of new energy efficiency requirements.

- **AI's Rapid Evolution**

Agentic AI capable of complex knowledge-work.

- **Sectors Most Exposed**

Knowledge-intensive sectors like software, legal, consulting, audit, and investment management are most exposed.

- **Reduction in Office Demand**

Workforce reductions will decrease overall demand for office space.

- **Market Polarisation**

Prime, high-quality buildings will likely retain strong demand, while secondary assets will face increased pressure.

- **Emergence of AI-Native Occupiers**

New, VC-backed companies are emerging as future tenants for prime office spaces while many household names contract and disappear

JPMorgan Marks Down Private Credit Portfolios, FT Reports

Direct Lenders Have Taken Keys to Nearly 150 Companies in Europe

Blue Owl Halts Redemptions on Private Credit Retail Fund

Cliffwater's \$33 Billion Private Credit Fund to See 7%-Plus Redemptions

BlackRock \$26 Billion Private Credit Fund Limits Withdrawals

Blackstone's Flagship Private Credit Fund Hit by Record Redemptions

Private Credit: The Next Fault Line?

Post-GFC Evolution: Tighter capital requirements for riskier loans following the Global Financial Crisis spurred the development of the private credit market.

Key Financing Role: Private credit serves as a critical financing source for private real estate:

- Transitional real estate
- Development finance
- Higher Loan-to-Value (LTV) deals

REITs' Relative Insulation: REITs are generally insulated due to:

- Long debt maturities.
- Low leverage.

Access to traditional secured and unsecured financing.

Potential Systemic Impact: A significant disruption in the private credit market could lead to tighter liquidity conditions across the entire financial system.



Clearance Camino Fund



Liquid, diversified portfolio of best opportunities in the European listed real estate market

Liquid

Weekly subscription and redemption
Subscribe and redeem at NAV, no fees or penalties
Available on most platforms

Diversified

Maximum position limit of 10%
Typically 30-40 holdings
Diversified across geography and sub-sector

Experienced, specialist team

European listed real estate specialist, London based
Team of 22, including 15 investment professionals
managing AUM of \$860m

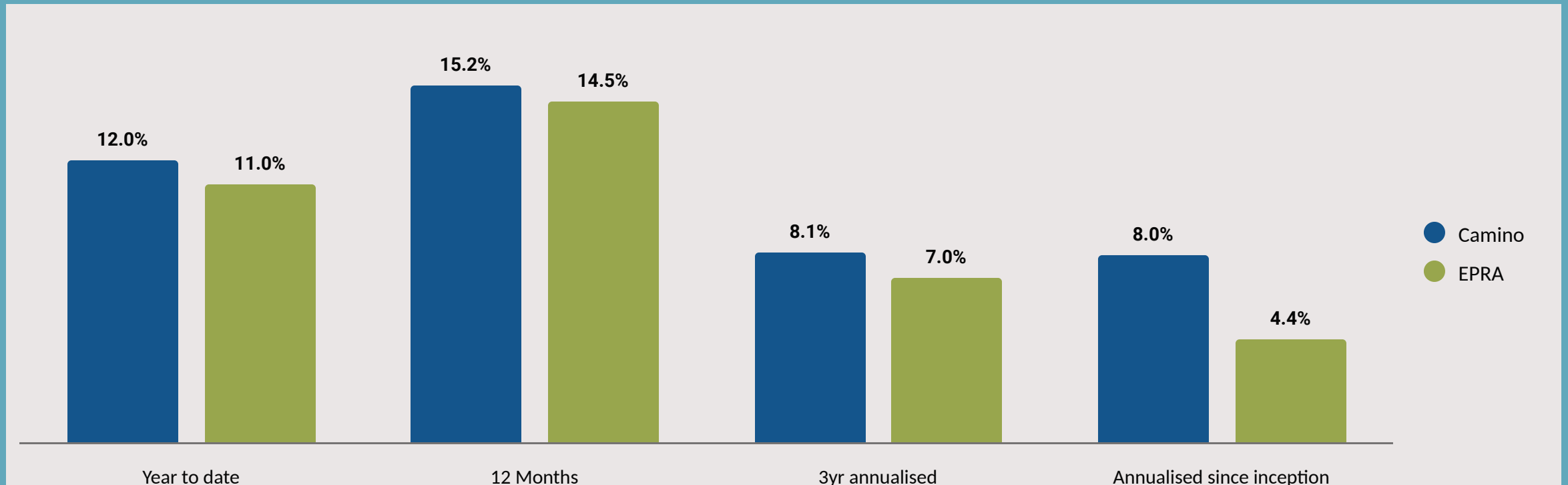
Multiple currency options

Available in EUR, GBP and USD
Exposure not hedged back to subscription currency



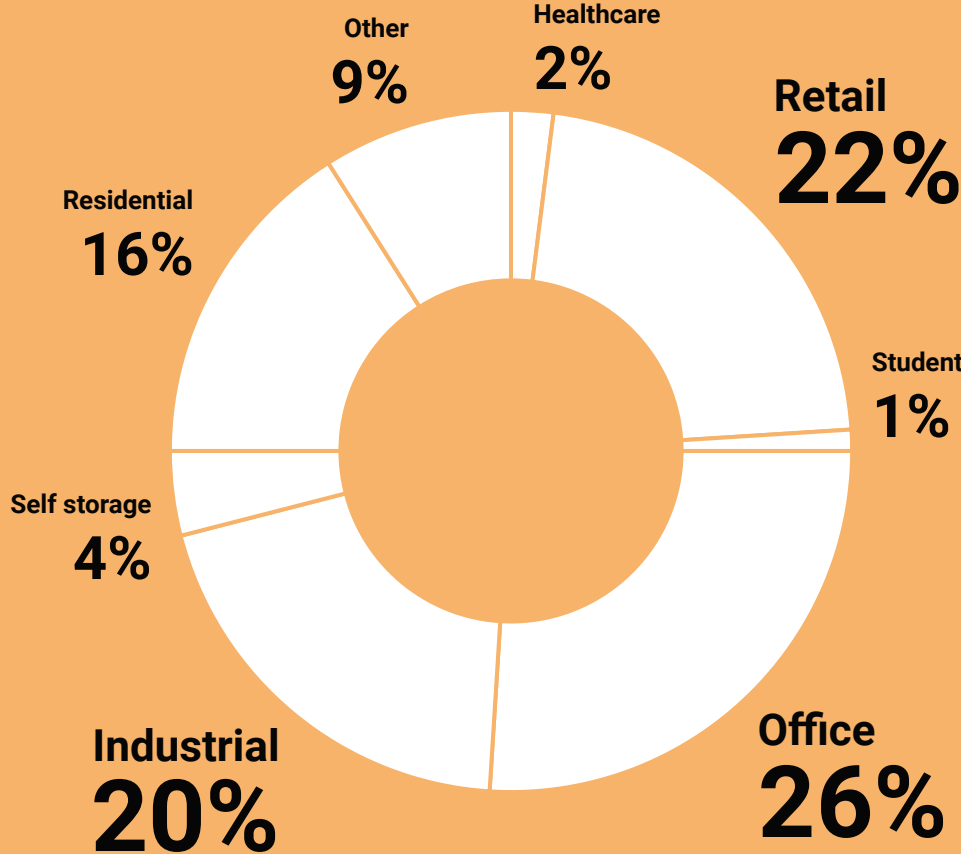
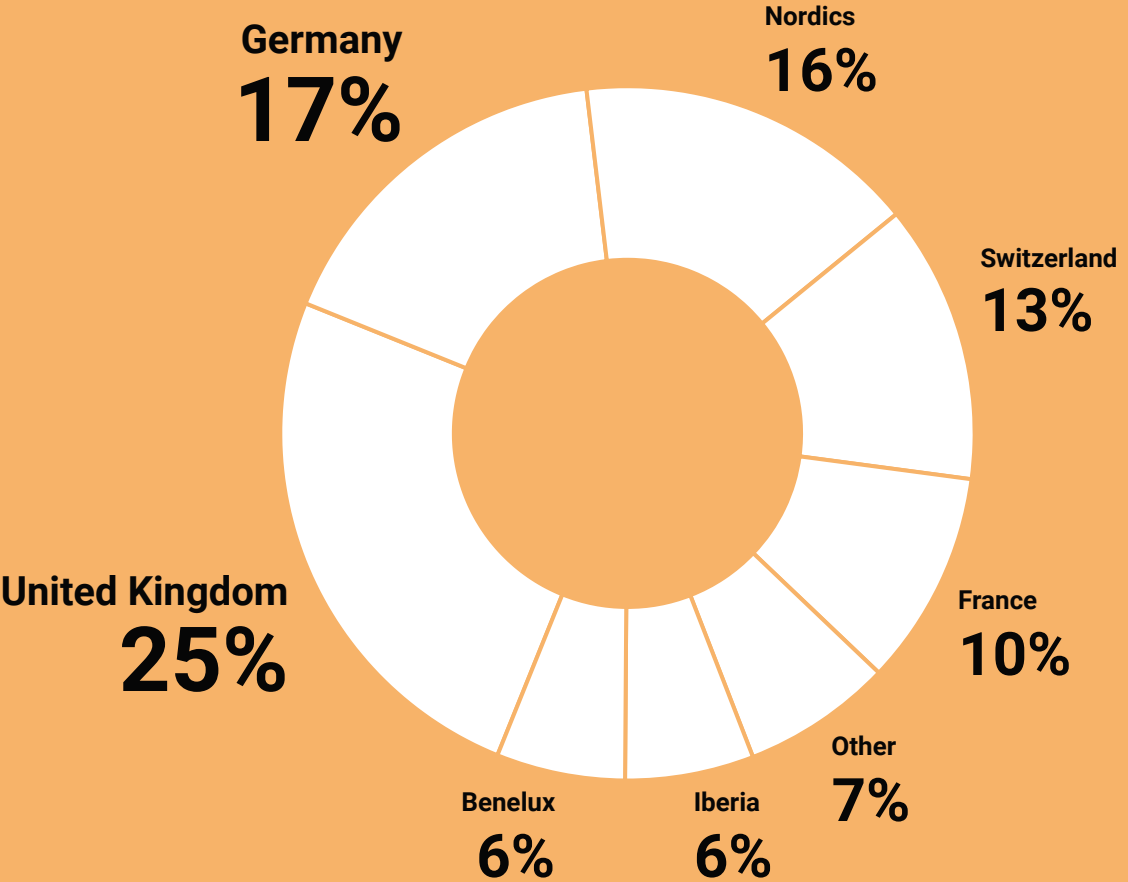
Strong long-term track record

+176% cumulative net return since inception in 2013 vs. +77% for EPRA on a net total return basis



Source: Fund records. Returns updated to 28 February 2026

Portfolio Construction



32 Holdings ○ **Top ten holdings 56%** ○ **Average holding 3.1%**

Portfolio Construction

NAV Discount	GAV Discount	Dividend yield	Free cash flow yield (FFO)	WAULT	FFO Growth T1	Loan to value	Cost of debt	Loan maturity	Fixed rate debt	Reported valuation yield	Implied valuation yield
17.1%	10.5%	4.0%	6.2%	6.8 years	5.9%	39.6%	2.6%	4.8 years	89%	4.6%	5.7%

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Summary

- 1** With inflation back below target, cost of capital continues to ease
- 2** Commercial property values at a cyclical low
- 3** REITs breaking their correlation with rates, signalling a recovery
- 4** Large discounts remain, attracting sophisticated buyers
- 5** Stagflation caused by Iran war poses a major risk to the recovery



Fund Terms

- ☆ **Listing**
International Stock Exchange
- ☆ **Share Classes**
EUR, GBP and USD
- ☆ **Minimum investment**
Platform minimums apply
- ☆ **Administrator**
Northern Trust
- ☆ **Auditor**
KPMG
- ☆ **Custodian**
Northern Trust
- ☆ **Subscription and redemption**
Weekly
- ☆ **Dividends**
None
- ☆ **Annual Management Fee**
1% (0.7% for qualifying investors)
- ☆ **Incentive Fee**
15% of performance over benchmark, subject to positive performance
- ☆ **Benchmark**
FTSE EPRA NAREIT Developed Europe Net Total Return



The fund is distributed by Global Capital Solutions.

Please contact Lindi Van den Berg

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www.clearancecaminofund.com



Available on the following platforms:

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- Capital International Group
- Cidel
- Credo
- DMA
- Glacier International
- Investec Securities
- Julius Baer
- Lombard Odier / Stonehage
- Nedbank Private Wealth (asset swap)
- Momentum Wealth International
- Momentum Wealth (asset swap)
- Old Mutual International
- Ramsey Crookall

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