FIERA REAL ESTATE

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European Real Estate: Positioning for the Next Phase

Charles Allen,
Head of European Real Estate

At the start of the year, we wrote about the challenges facing European real estate and why having a perspective that was both disciplined and long-term mattered during a period of significant market adjustment. Higher interest rates, falling valuations and subdued transaction activity had made conditions more difficult, but they were also creating the foundations for a different kind of market.

If we look at where we are now, that thesis is holding up, even if the first half of the year has been a mixed bag. The first quarter brought a greater sense of stability, with transaction activity on the up and pricing becoming more transparent. The second has been more mixed but nonetheless has provided investors with a clearer view of financing conditions compared to this time last year.

Uncertainty hasn't gone away, but the conversation is changing; rather than focusing on market dislocation, investors are spending even more time thinking about where long-term opportunities are beginning to emerge, and why alignment with capital partners is crucial to unlocking them.

Having access across the capital stack has come into even sharper focus in the first half of the year where, as opposed to viewing debt and equity as distinct investment decisions, many institutions are seeking managers with the flexibility to deploy capital where relative value lies - whether through senior lending, structured finance or direct equity investment. As markets continue to normalise, this flexibility will be a central component of portfolio construction, allowing investors to respond to changing market conditions while maintaining a consistent focus on risk-adjusted returns.

Execution also remains in the spotlight. In a market where opportunities are increasingly local and transactions remain subdued relative to historical norms, access to strong origination capabilities, established relationships and the ability to execute with certainty have become more meaningful differentiators.

Selectivity is another key theme, with investors are placing greater emphasis on sectors where occupational fundamentals remain strongest and long-term structural demand continues to outweigh cyclical influences – albeit those shouldn't be overlooked.

We are also seeing growing interest from global capital, with investors from North America, the Middle East and increasingly Asia attracted to Europe. Asian institutions are broadening their investment horizons, targeting sectors – and managers with specialist capabilities within them - that have historically attracted less capital from the region, reflecting a greater focus on long-term structural themes and portfolio diversification.

While we are not entering a broad-based recovery – performance is uneven, with different markets finding their footing at different speeds, and the outlook varies significantly by sector and geography – it is becoming apparent that the current environment is becoming more constructive for investors with patient capital to deploy. The focus is very much on sustainable income and asset quality rather than relying on rising values to generate returns.

In residential rental, the evidence suggests that the supply-demand imbalance is likely to persist for longer than many had anticipated. Housing delivery has continued to slow across much of the UK and Europe as higher construction costs, planning constraints and financing conditions have delayed new development. This is against a backdrop of resilient demand for professionally managed rental housing, supported by affordability pressures and demographic trends.

In logistics, it has become clearer over recent months the extent to which reduced development activity is beginning to reshape the market. Across many European markets, including the UK, the pipeline of new supply has contracted meaningfully as viability has become more challenging and occupier demand for well-located, high-quality accommodation has remained robust. An increasingly bifurcated market is the result, where asset quality, location and value-creating management opportunities are attracting strong interest in the pursuit of long-term rental growth.

Real estate debt - despite concerns around private credit due to covenant erosion in the software space - and asset-backed finance continue to stand apart. Supported by higher-for-longer interest rates, constrained bank balance sheets and a significant refinancing pipeline, the sector benefits from hard asset collateral and robust lender protections, including conservative loan-to-value ratios and strong covenant packages. The opportunity has become less about cyclical market dislocation and more about addressing a persistent funding gap, positioning private lenders to deliver attractive risk-adjusted returns while prioritising capital preservation through senior secured lending with enhanced downside protection.

In terms of our portfolio activity, we were pleased to announce the first close of FRESH, our UK single-family housing strategy launched with Fiera's residential rental platform Packaged Living, reflecting our long-standing conviction in professionally managed residential rental housing. We also continued to grow our high-quality loan book for our open-ended European real estate debt platform, where we have now deployed over £500 million.* In logistics, we expanded our UK platform through continued portfolio growth and our development joint venture with a UK institution. We have recycled capital through strategic disposals for FRELD, our UK logistics development fund which we closed in early 2025.

Alongside our investment activity, we've continued investing in our European platform by growing the team and strengthening our local capabilities in Spain. We recognise that real estate is a local business. Identifying attractive sectors is only part of the equation; creating value over the life of an investment depends on having experienced people who understand individual markets and know how to execute.

We continue to focus on sectors supported by long-term structural demand. We maintain disciplined underwriting and a considered investment thesis and deploy capital patiently when opportunities justify it. Those principles have served us well throughout this cycle, and we believe they'll remain just as important as European real estate enters its next phase.

* Source: Fiera Real Estate as at 30th June 2026

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