



European Real Estate: Income, Discipline and Granularity



Charles Allen
Head of European Real Estate

Since 2023, it would be fair to say that MIPIM sets the mood while EXPO REAL moderates it. This year was no different.

While in Cannes conversations centred around the idea that rate cuts weren't too far away; that stronger deployment and yield compression would soon follow, Munich was more pragmatic. It feels like the industry has been coming to terms with the fact that the downcycle – higher-for-longer, continued price discovery and limited deployment – is dragging. Things haven't progressed quite as quickly or as smoothly as many have hoped or wished for.

Being fiduciaries, it is imperative that we take a realistic view of the market. It is also important to remember that getting bogged down in near-term friction can leave you short-sighted to opportunities on the horizon. Our responsibility is not to wait around for the next rate cut. Our focus is on getting portfolios prepared for the multi-year growth phase that will come with recovery and to add to the strong batting averages we have maintained through strict capital discipline.

Through that lens, there are three priorities I consider non-negotiable in this arc of European real estate's recalibration.

1 Chief of those is that **income** comes first. The era of total return models leaning heavily on exit yield assumptions and financial engineering is gone. Returns are driven almost entirely by income — cash flow resilience, alpha opportunities and occupier demand that is proven and robust. Yield compression cannot be relied upon to bail out weak entry pricing or stagnant rental growth.

Acquisition and asset management strategies must prioritise value creation opportunities, where vertical integration can be put to use at assets where tenant demand is reinforced by the structural tailwinds surrounding them. We take the view that income growth backed by operational demand is the single most reliable driver of performance in a higher-rate regime.

2 The second focus of ours is that of **discipline**. What has been true of all cycles I have experienced is that a quieter transaction market doesn't necessitate a lack of opportunities coming across desks — albeit that shouldn't be confused with high-quality ones.

To this end, we remain laser-focussed on selectivity. That means passing on the vast majority of deals we review, remaining committed to our investment criteria and strict underwriting assumptions, which are being scrutinised like never before.

3 Our third focus is one that plays to one of our strongest competitive advantages: **granularity**. Whether in an upcycle or downcycle, success ultimately comes down to how capital is deployed on the ground, and our deep network of operating partners makes us uniquely placed to uncover highly attractive deals.

Exploiting price dislocation requires a hyper-local presence, with our team of originators and developers deeply embedded into key regional markets, providing real-time intelligence and networks that macro data cannot replicate. Local relationships allow us to access these off-market opportunities from vendors seeking certainty of execution, bypassing crowded public processes and securing assets at an attractive basis.

These principles have underlined our activity in Q3.

We achieved the first close of our UK Single-Family Housing Strategy (FRESH) in partnership with Packaged Living, targeting the residential rental sector where chronic structural supply deficits ensure resilient, inflation-hedged cash flows underpinned by genuine tenant demand. We have selectively progressed deals across European debt strategies and UK logistics. In debt, we continue to capture attractive, risk-adjusted income profiles created by traditional lender retrenchment, while in logistics — where we are deploying through our latest strategy — acute occupier supply shortages in prime regional nodes continue to support reliable, long-term rental growth.

Extended market downturns can feel frustrating, and the upcycle may take a little longer to arrive than many had pencilled in at the start of the year. But the directional trajectory is clear. Real estate remains an asset class where value is won on the ground. By focusing relentlessly on income durability, maintaining radical capital discipline, and deploying capital with hyper-local granularity, we are ensuring our portfolios are built to endure the present friction, and primed to capture the full momentum of the long upcycle ahead.

fierarealestate.co.uk

Important Disclosures

Fiera Capital Corporation ("Fiera Capital") is a global, independent asset management firm listed on the Toronto Stock Exchange (ticker FSZ) offering customized multi-asset solutions across public and private markets. In the United States, investment advisory services are provided only through Fiera Capital affiliates that are registered with the U.S. Securities and Exchange Commission ("SEC") or operate under an applicable exemption. Registration with the SEC does not imply a certain level of skill or training.

This document is confidential and intended solely for the recipient. It may not be shared, reproduced, or distributed without permission. Nothing in this document should be viewed as a recommendation, offer or solicitation to buy or sell any security or investment and does not constitute investment, legal, tax or accounting advice. Services are offered only to qualified investors and only in accordance with applicable laws and regulations in each relevant jurisdiction. Information is believed to be accurate as of the publication date but may change without notice; no warranty is provided, and Fiera Capital and its affiliates disclaim liability for its use.

Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss. Target returns are aspirational, forward-looking and do not represent actual performance. There is no guarantee that such performance will be achieved, and actual results may vary substantially. Metrics (e.g., exposures, ratios, characteristics) are for reference only and may not capture all relevant factors. Different metrics may lead to materially different conclusions; Any specific holdings mentioned are for illustration only, and may not represent the full portfolio, past holdings, or future positions. Indices are unmanaged, not investable, and do not reflect fees or expenses. Index comparisons are provided for context and portfolio holdings may differ significantly from those of any index; All investment strategies involve risks, including market, economic, financial, operational, liquidity, valuation, and regulatory risks. Certain strategies may use leverage, derivatives, or concentrated exposures, which can increase volatility and risk of loss; No strategy, diversification approach, or risk management technique can eliminate risk, or guarantee returns in all market environments; Investors should review relevant governing documents and consult their own advisers before making investment decisions.

Environmental, social, governance ("ESG") or impact related goals, commitments, or initiatives referenced in this document are voluntary, may not apply uniformly across strategies, and may be modified or discontinued at Fiera Capital's discretion. ESG-related processes do not guarantee any specific investment outcome.

THIS DOCUMENT IS ISSUED BY: Abu Dhabi Global Markets:

Fiera Capital (UK) Limited which is regulated by the Financial Services Regulatory Authority; **Cayman Islands:** Fiera Capital (Asia), L.P. which is regulated by the Cayman Islands Monetary Authority; **European Economic Area ("EEA"):** Fiera Capital (Germany) GmbH which is authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht; **Hong Kong:** Fiera Capital (Asia) Hong Kong Limited which is regulated by the Securities & Futures Commission of Hong Kong; **Singapore:** Fiera Capital (Asia) Singapore Pte. Ltd. which is regulated by the Monetary Authority of Singapore; **United Kingdom:** Fiera Capital (UK) Limited and Fiera Real Estate Investors UK Limited, which are authorized and regulated by the Financial Conduct Authority; **United States:** Fiera Capital Inc. Fiera Capital (UK) Limited and Fiera Comox Partners Inc. are registered as investment advisers with the Securities and Exchange Commission ("SEC").

Additional registration and licensing information available here: <https://www.fieracapital.com/en/registrations-and-authorities>.

Version STRENG005