



Global real estate in 2025, one of the best opportunities in a generation?

Invesco Real Estate | 21st November 2024

This marketing communication is exclusively for use by Professional Investors in the Netherlands. It is not intended for and should not be distributed to, or relied upon by, the public or retail investors. Please do not redistribute this document.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the Full amount invested. Property and land can be difficult to sell, so investors may not be able to sell such investments when they want to. The value of Property is generally a matter of an independent valuer's opinion and may not be realised.

Polling Question 1

Who here invests in real estate today?

Polling Question 2

If you invest in real estate, do you tend to invest directly or in Funds?

Green paddles for **Funds**

Red paddles for **Direct**

Polling Question 3

Who here invests in real estate outside of the Netherlands?

Why

Global real estate?



Real Estate is the largest private markets asset class

\$36.1T Real Estate vs \$8.4T Private Equity and \$1.6T Private Credit



Risk adjusted returns¹

0.48 Sharpe Ratio vs 0.60 Global Equities and -0.18 Global Bonds



Uncorrelated Returns²

0.08 Global Bonds, 0.45 Global Equities



Entry point

2024/25 have potential to be vintage investment years

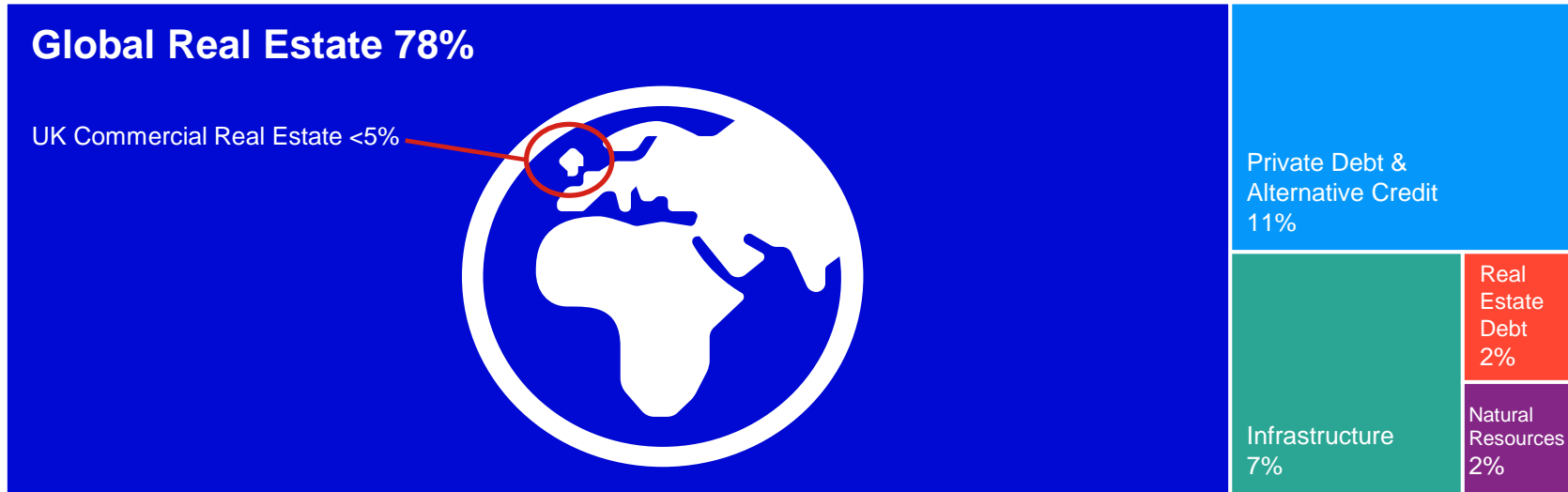


Source: Invesco Real Estate as of March 31, 2024. ¹ 10 year data. US 3month TB annualised yield is used for the calculation of excess return for sharpe ratios. ² Q1 2008 through Q2 2024.

Real Estate Is the largest private markets asset class

- 36,100bn USD Global Developed Market commercial real estate*
- 11,400bn USD Commercially managed real estate worldwide

Relative Private/Unlisted Market Sizes**



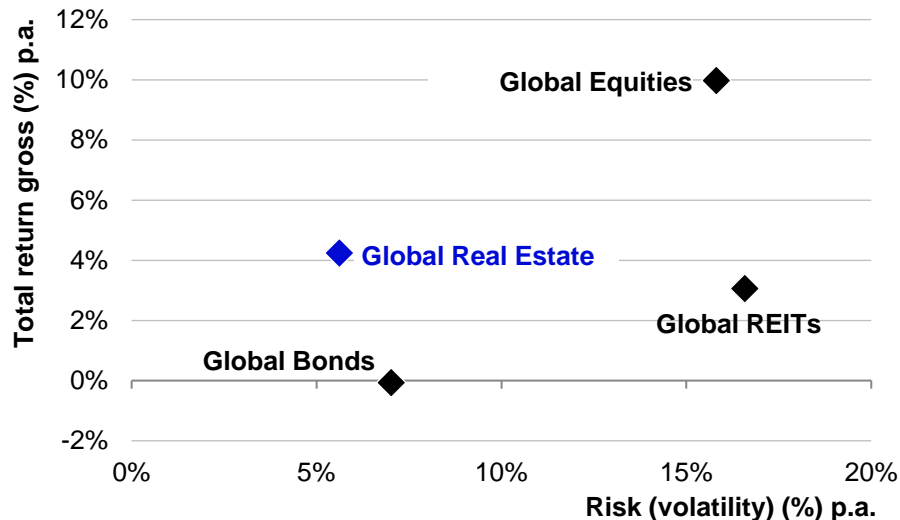
Sources: * EPRA Total Markets Table Q3 2023; ** Global professionally managed RE: Real Estate Market Size 2023: Burgess, Prequin 2023.

Relative performance

Global direct real estate funds have provided attractive risk-adjusted returns

Past performance does not predict future returns

Risk-return profile of selected asset classes | Past 10 years (as of March 31, 2024)



	Global Real Estate ¹	Global Equities ²	Global Bonds ³	Global REITs ⁴
Return	4.23%	9.97%	-0.07%	3.05%
Standard deviation	5.62%	15.81%	7.02%	16.58%
Sharpe ratio ⁵	0.48	0.60	-0.18	0.18

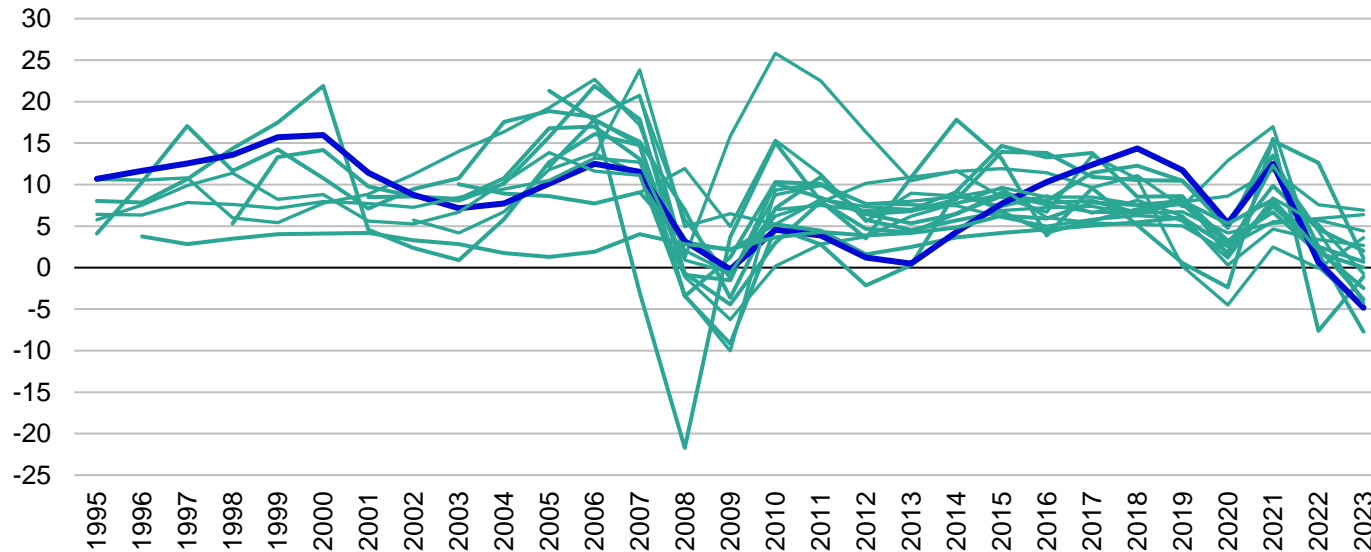
Source: MSCI, Bloomberg and FTSE EPRA/NAREIT as of March 31, 2024. ¹ Global Property Index: MSCI Global Property Fund Index (40/30/30 weighting). The custom index is based on the MSCI Global Quarterly Property Fund Index (GPFI) reweighted to 40% North America, 30% Europe and 30% Asia Pacific. The GPFI is a consultative index of 101 capitalization weighted, core, open ended, quarterly valued direct real estate funds from around the world. ² Global Equity Index: MSCI World Index, ³ Global Bond Index: Bloomberg Global Aggregate Bond Index, ⁴ Global REIT Index: FTSE EPRA/NAREIT Developed Index. ⁵ US 3month TB annualised yield is used for the calculation of excess return for sharpe ratios.

European direct real estate performance

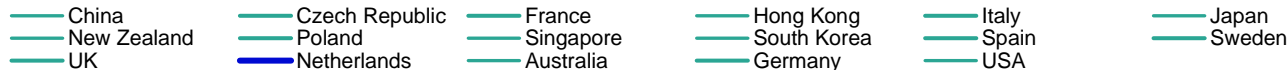
A diversified approach can provide resilient returns and more opportunity

Past performance does not predict future returns

MSCI direct real estate total return by country (% , local currency, all property types)



Invesco invested markets



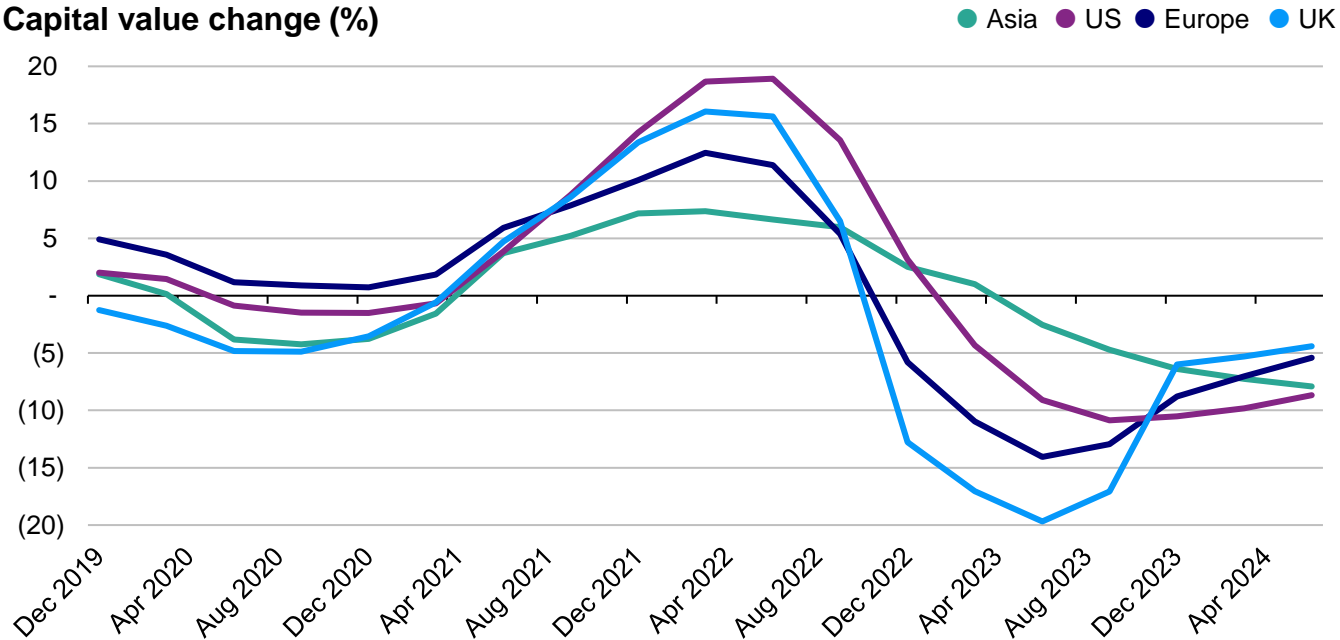
- Investing globally provides access to a **\$6tn** market
- Potential to be an **early investor** in some sectors
- **Secular trends** and their impact vary around the world

Real estate valuations today

Re-based values can provide a good entry point

Past performance does not predict future returns

Capital value change (%)



Source: MSCI data, last data point 30 June 2024.

Key: ● MSCI Global PFI Asia Pacific Funds Quarterly Property Index ● MSCI Global PFI North America Funds Quarterly Property Index
 ● MSCI Global PFI Continental Europe Funds Quarterly Property Index ● MSCI Global PFI UK Funds Quarterly Property Index

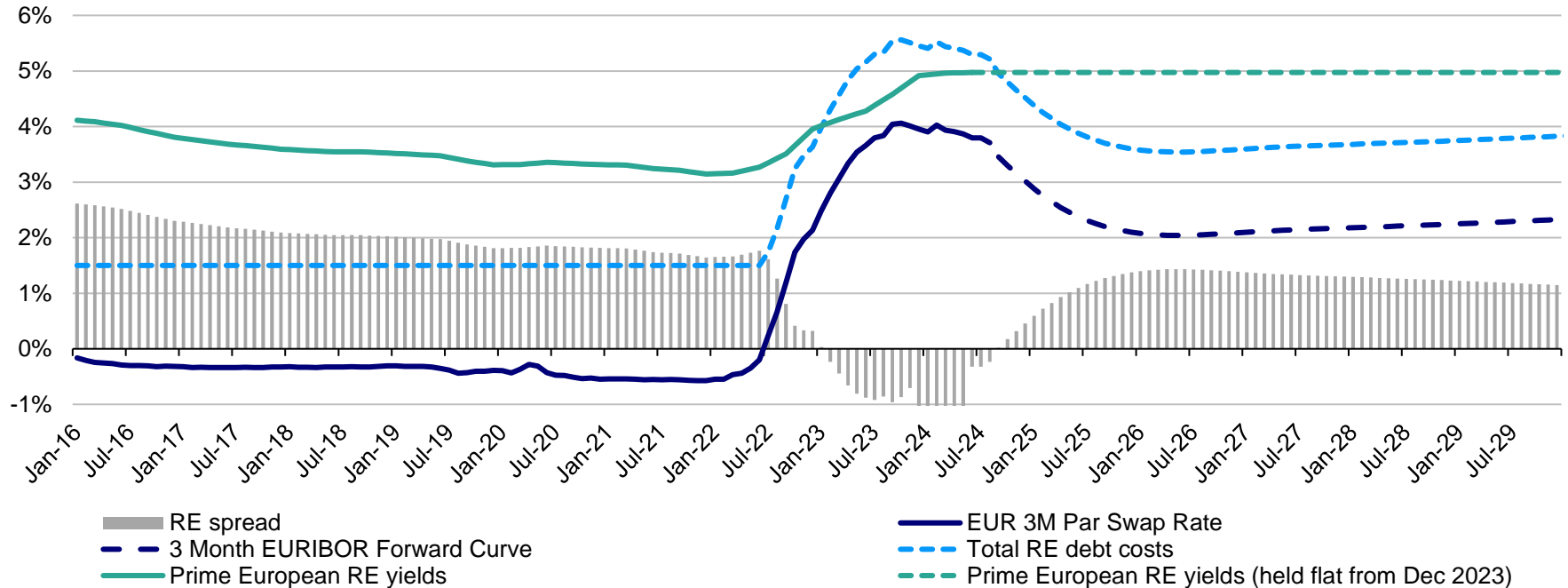
Timings vary by region, but we are seeing the turning point in values

A diversified approach can provide resilient returns and more opportunity

Europe | Interest rates versus real estate yields

The EURIBOR forward curve shows real estate yields return to a positive spread

3-Month Euribor swap rates and European prime real estate yields

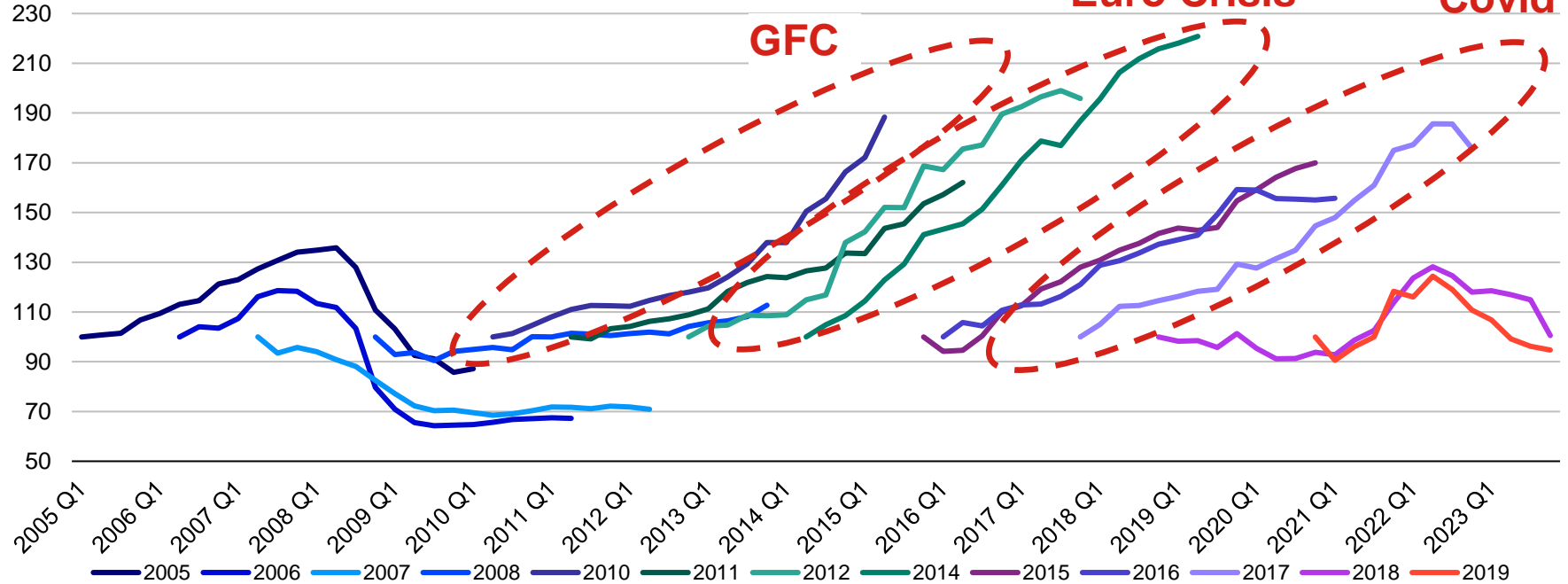


Vintage year investing

European history also shows strong returns from investing after market corrections

Past performance does not predict future returns

European value-add fund returns by vintage, first 5 years



Note: Specific LTV data for the funds is available, but interest costs and asset cap rates are not. The calculation was: (1) De-gearing the fund returns, using actual index LTV at an assumed interest rate of prevailing EURIBOR +400bps, (2) Adjusting for yield movements by using CBRE's EMEA combined yield series, (3) Re-gearing the fund returns at the same assumption
Source: Invesco Real Estate using INREV data as of May 2024. Note no value-add funds launched in 2009 or 2013. Closed to new investment.

One of the best opportunities in a generation?

History shows strong returns from investing after market corrections

- ✓ **Capital markets have repriced**

Evidence of European real estate yields stabilising in 2024

- ✓ **Increasing volumes of stock coming to market**

Valuations have adjusted, now portfolios are being repositioned

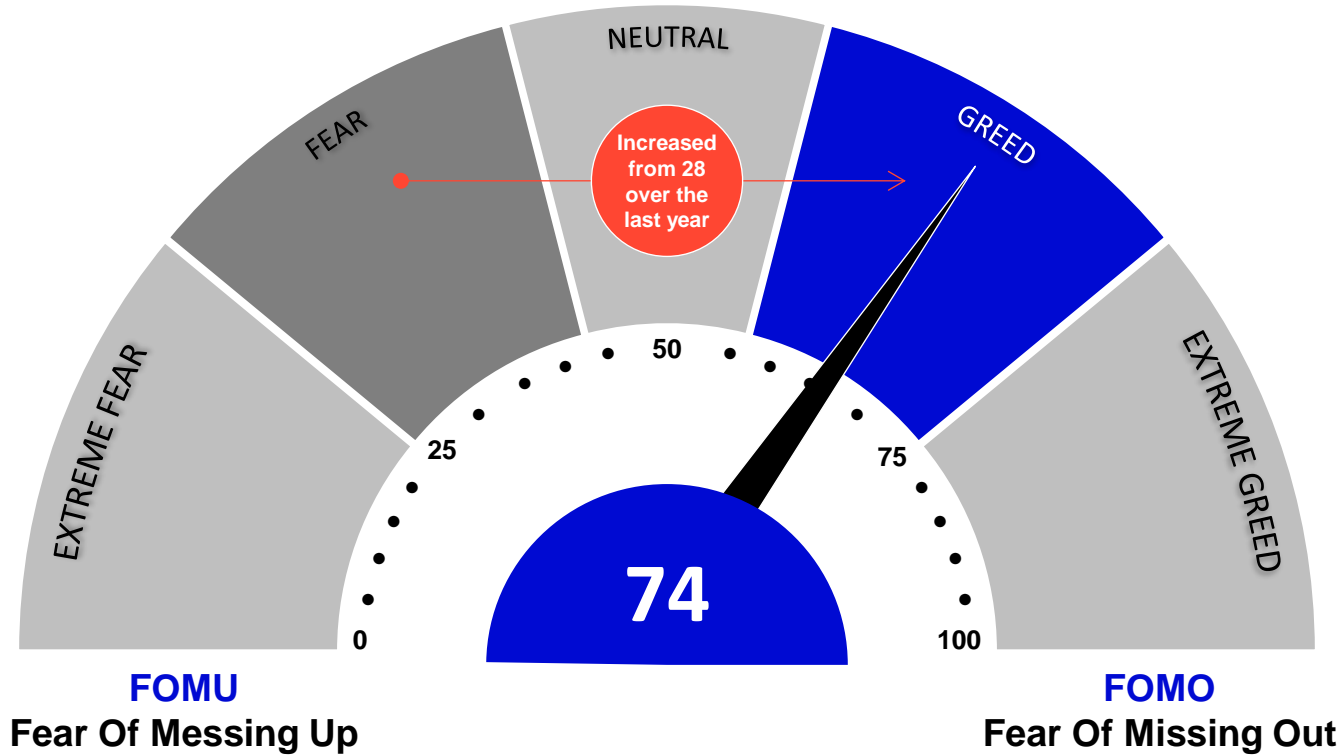
- ✓ **The opportunity to generate attractive returns is now**

A broad opportunity set will drive out performance for the next cycle

Source: Invesco Real Estate as of September 30, 2024.

Greed and fear drive markets

Return to greed from fear will fuel the recovery



Polling Question 4

Who is considering allocating more to the sector now?

How

To access attractive returns?



Platform investing

Investing across markets with local teams



Good asset selection is crucial

Returns will not be carried by market yield any more



Focus on the exit

Returns are only realised on exit, what do future buyers want?



Entry point

2024/25 have potential to be vintage investment years



Source: Invesco Real Estate as of November, 2024. *

Seeking attractive returns

Investment strategy

Capitalise on short-term pricing opportunities as an attractive entry point to fundamental value creation



Exploit inefficiency at entry

Conviction-led investing across countries and sectors

Unwinding of cheap money

Distress/motivated vendors

Flexible structuring



Fundamental value creation during ownership

Reverse engineer a core exit

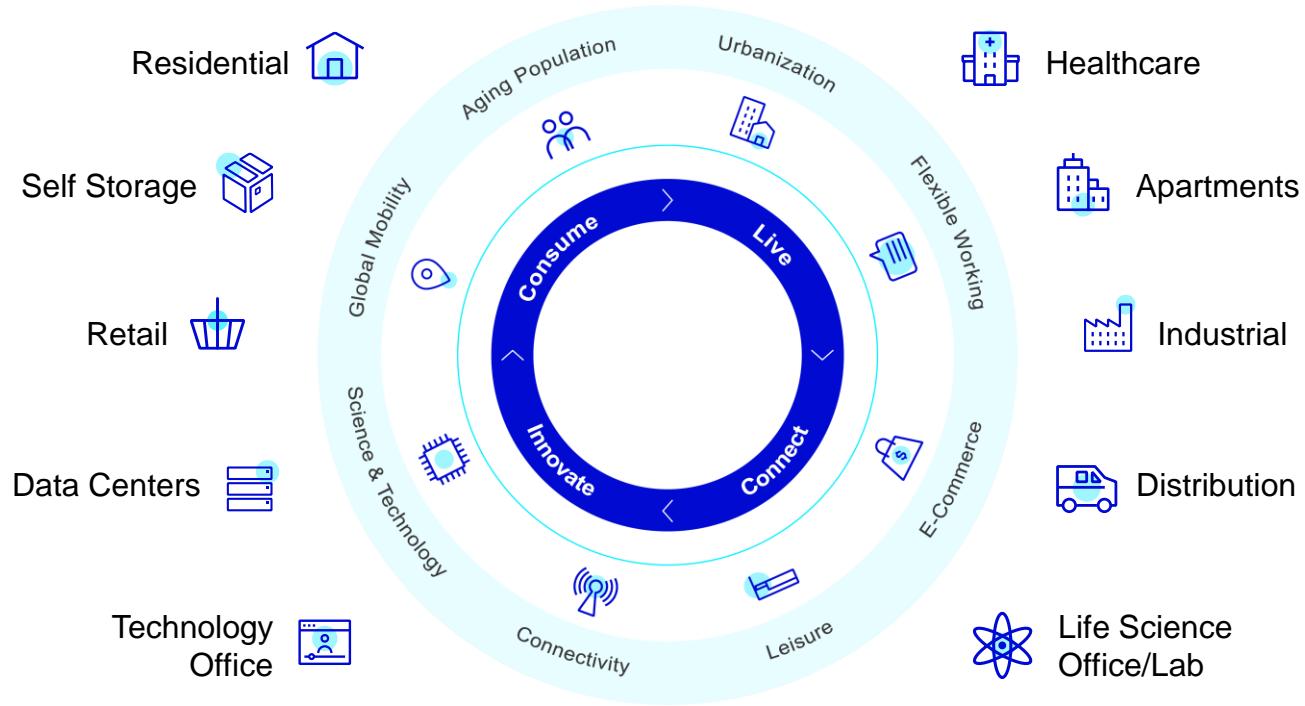
Prioritise optionality and liquidity

Net income improvement, re-tenanting, capital expenditure

Maximise ESG value

Source: Invesco Real Estate as of June 30, 2024.

Investing where we Consume, Live, Innovate, and Connect



Source: Invesco Real Estate. For illustrative purposes only.

Global sector allocation

Differential sector strategies across the regions

	Industrial	Office	Residential	Retail	Specialty
US 	Market weight Strong long-term demand; robust capital pursuit. Selectively focus on national and regional supply chain markets.	Underweight Reduce traditional office.	Selective Overweight SFR and manufactured housing; require cap rate premium on other subtypes.	Selective Selectively focus on open-air peer-dominant assets; mixed-use experiential centers	Selective Preference for medical office. Selective for data centers, storage, and life science.
Europe 	Overweight Seek edge-of-urban locations adjacent to population centers with superior connectivity	Selective Limited availability of grade A offices in key locations protects against likely demand adjustment	Selective Positive commutable locations close to key cities, but cautious around regulated rent restrictions.	Selective Selected pockets of value emerging; repositioning or densification opportunities arising as sector corrects	Overweight Hotels with a track record; life science, student accommodation in strong demand
Asia Pacific 	Selective New builds in infilled locations with reset pricing Focus: Japan, Korea, Australia	Selective Offices at strong locations, with secured incomes and/or rental upside Focus: Japan, Korea	Overweight Commutable locations with growing households Focus: Australia, Japan, China	Underweight Highly selective. Focus on strong locations with secured incomes and rental upside Focus: Australia	Overweight Overweight senior living in Korea and Australia; selective data center in Korea

Active management of ESG Transition & Physical risks to enhance value



Transition risk

75% of EU building stock is energy **inefficient**

Only <1% of EU building stock is **renovated** each year

85%-95% of buildings that exist today will still **be standing in 2050**

Increasing legal framework and risk of stranded portfolio triggers active management



Physical risk

Global temperatures rising impacts real estate through extreme weather events and chronic changing climate patterns

Higher insurance costs and need for increased resilience methods impact portfolio performance

Article 8 net zero framework

Measure

Assess all assets via CRREM
(acquisitions and under management)

Implement

Implement action plans

Engage

By 2030 90% of actively managed assets to be aligned with net zero

Climate risk assessment tool

Mitigate

In-house developed tool, to score both new acquisitions and portfolio assets

- Biomass heating system
- LED lighting
- Solar panels/PV cells
- Preparation for e-charging stations
- Numerous skylights allow increased internal daylight

- Sustainable logistics location



- Surrounding greenery creates a harmonious working environment
- Promoting biodiversity through bee and insect friendly flowering meadows and greenery
- Breakout and relaxation areas

- Public transport connections
- Multiple air-quality sensors
- Exercise track and leisure facilities

Case Study Dresden Logistics

Exit Dec 2023

52%
Gross IRR

1.93x
Gross EM

Targeting

DGNB Gold

The DGNB Certification System is internationally recognised as the Global Benchmark for Sustainability
[About the DGNB System | DGNB](#)

Source: Invesco Real Estate, as of June 30, 2024.

Strategic themes and case studies | Europe

Repriced opportunity with structural tailwind



Investment highlights

- Repriced equity opportunity to develop under supplied student housing in prime location in Manchester, UK
- Attractive land price, since increased by 20% in one quarter
- Chronic undersupply of beds with significant student demand
- Leading UK student housing partner with track record developing more than 9,000 student beds over 15+ years
- Withdrawal of core capital from the forward-funding market created window for entry at opportunistic pricing
- Innovative structure with development partner to forward-fund at cost with alignment through development and exit based on overall investment level performance

Source: Invesco Real Estate as of June 30, 2024. The photographs are provided for illustrative purposes only. There can be no assurance that stated objectives will be realized.

Closed

Equity

Type of capital

261 beds

Property

€26m

Equity commitment

UK

Geography

Student Housing

Sector

7.6%

Yield-on-cost

21%

Unlevered IRR

Conclusions

One of the best opportunities in a generation?

History shows strong returns from investing after market corrections

- ✓ **The opportunity to generate attractive returns is now**
Valuations have adjusted, capital markets are improving
- ✓ **Disciplined investment into assets with structural tailwinds essential**
A broad opportunity set will drive out performance for the next cycle
- ✓ **Focus on an efficient, diversified portfolio into high quality assets**
Delivered by experts who understand local demands and sustainable practices

Source: Invesco Real Estate as of November 30, 2024.

Appendix

Invesco Real Estate

Global perspective, local execution

Invesco Ltd. is a €1.6 trillion¹ global asset manager; IRE is the dedicated real estate business

Top 15 real estate manager²

40 years
Investing
Experience

€79.8bn
AUM³

607
Employees

21
Cities

€41.9bn Core

€5.0bn Core Plus

€11.9bn Value-Add / Opportunistic

€6.7bn Credit

€14.2bn Listed Real Assets⁴



1. Invesco Ltd. AUM of €1,584.7 billion as of June 30, 2024. AUM figure includes all assets under advisement, distributed and overseen by Invesco.

2. Institutional Real Estate, Inc. Data as of June 30, 2023. Global Investment Managers 2023 report ranked IRE in the top 15 real estate managers by total gross value of real estate AUM. Invesco pays a standard subscription fee to obtain these third-party rankings. Any reference to a ranking provides no guarantee for future performance results and is not constant over time.

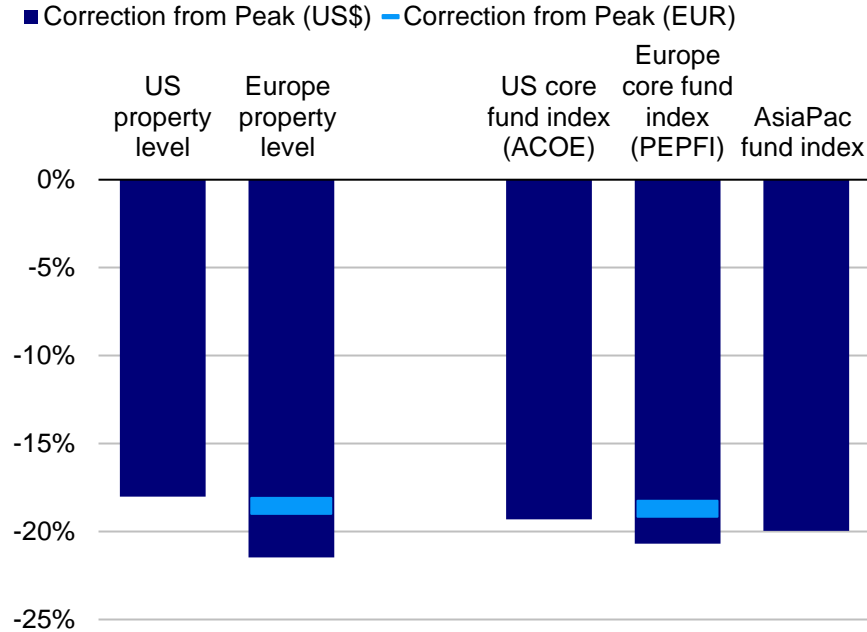
3. Real Estate AUM figures represent Gross Asset Values (GAV) of the invested assets under management as of March 31, 2024. \$/Euro FX rate = 1.082750272.

4. Listed Real Assets are not included in the regional AUM totals on the right.

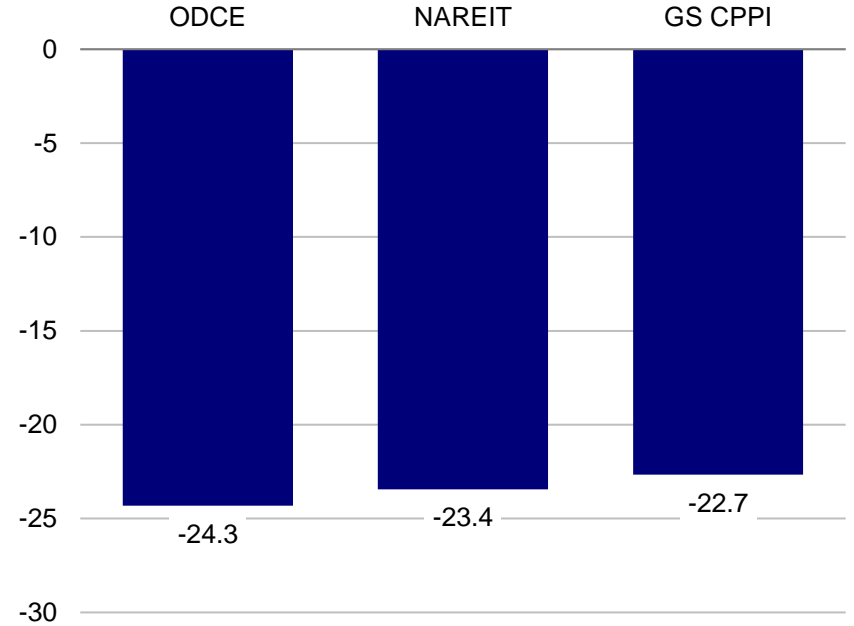
Real estate valuations | Peak to trough capital value movement

Similar magnitude in all regions since Q3 2022

Global value declines from recent peak (%)



Other US measures of decline from recent peak (%)



Important information

This marketing communication is intended only for Professional Investors in the Netherlands. It is not intended for and should not be distributed to, or relied upon, by the public or retail investors. **Please do not redistribute.**

By accepting this material, you consent to communicate with us in English, unless you inform us otherwise.

This is marketing material and not financial advice. It is not intended as a recommendation to buy or sell any particular asset class, security or strategy.

Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication.

Data as of September 2024, unless otherwise stated.

Views and opinions are based on current market conditions and are subject to change.

Issued by Invesco Real Estate Management S.a.r.l., President Building, Avenue JF Kennedy 37A, L - 1855 Luxembourg.

2024 – 4024984 - EMEA



Invesco Real Estate

North America

invesco.com

1331 Spring Street NW
Suite 2500
Atlanta, GA 30309

U.S.A

T: +1 404 892 0896

225 Liberty Street
New York
NY 10281

U.S.A

T: +1 212 278 9000

2300 North Field Street
Dallas
TX 75201

U.S.A

T: +1 972 715 7400

620 Newport Centre Drive
Suite 300
Newport Beach
CA 92660

U.S.A

T: +1 949 222 6380

101 California Street
Suite 1800
San Francisco
CA 94111

U.S.A

T: +1 415 445 3345

EMEA

invesco.eu

43-45 Portman Square
London
W1H 6LY

United Kingdom

T: +44(0) 20 7543 3501

Sendlinger Strasse 12
80331
Munich

Germany

T: +49 89 2060 6000

C/Goya 6
3rd Floor
28001 Madrid

Spain

T: +34 902 510 907

37a
Avenue John F. Kennedy
1855

Luxembourg

T: +352 27 11 80 00

Via Bocchetto, n. 6
2nd Floor
20123 Milan

Italy

T: +39 02 880741

5th Floor
16-18, rue de Londres
75009 Paris

France

T: +33 1 56 62 43 24

Praga Studios
Pernerova 697/35
Praha 8 – Karlin, 186 00

Czech Republic

T: 420 227 202 420

ul. Krolewska 18
7th Floor
00-103 Warsaw

Poland

T: +48 22 307 78 0

APAC

invesco.com/apac

45/F
Jardine House
1 Connaught Place
Central, **Hong Kong**
T: +852 3128 6000

9 Raffles Place
#18-01
Republic Plaza
Singapore 048619
T: +65 6603 9180

Suite 4, Level 18
1 Bligh Street
Sydney, NSW 2000
Australia
T: +61 (2) 9006 3000

Suite 906, 9/F
Winland International
Finance Center
7 Finance Street
Xicheng District
Beijing, 100033
China
T: +86 10 6655 5800

Roppongi Hills Mori Tower 14F
P.O. Box 116
6-10-1 Roppongi, Minato-ku
Tokyo 106-6114 **Japan**
T: +81 (03) 6447 3300

18/F
Seoul Finance Center
136 Sejong-daero, Jung-gu
Seoul, **Korea** 04520
T: +82 2 6330 7310

Hang Seng Bank Tower
5F, Unit #032
1000 Lujiazui Ring Road
Pudong New Area
Shanghai, 200120
China
T: +86 21 3893 7206

DivyaSree Orion SEZ
Raidurgam, 15th Floor
Block 6, North Tower
Serlingampally
Hyderabad, Telangana
India
T: +91 40 674 80000