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Starwood European Real Estate Finance Limited

Quarterly Portfolio Update

Starwood European Real Estate Finance Limited ("SREF", the "Company" or the "Group"), a leading investor managing and realising a diverse portfolio of high quality senior, junior and mezzanine real estate debt in the UK and Europe, presents its performance for the quarter ended 31 March 2025.

Highlights

- **Orderly Realisation of the portfolio is progressing at pace** – this quarter, following the repayment in full (£47.3 million) of the Hotels, UK loan asset, the Company has returned £46.0 million to Shareholders in Compulsory Redemptions in accordance with its orderly realisation strategy adopted on 27 January 2023. Following this latest redemption the Company has now returned £256.0 million to Shareholders, equating to 61.9 per cent of the Company's NAV as of 31 January 2023. In addition, during the quarter, a partial repayment of £1.4 million was received related to one other loan asset
- **All assets are constantly monitored for changes in their risk profile** – the current risk status of the investments is listed below:
 - Three loan investments equivalent to 54 per cent of the funded portfolio as of 31 March 2025 are classified in the lowest risk profile, Stage 1.
 - Two loan investments equivalent to 26 per cent of the funded portfolio as of 31 March 2025 are classified as Stage 2.
 - One loan investment equivalent to 20 per cent of the funded portfolio (before impairment) as of 31 March 2025 is classified as Stage 3. An impairment provision of €12.9 million was made against this loan investment in October 2024.
- **Impaired loan investment** – since announcing a €12.9 million impairment provision against one loan in October 2024, no material changes to the value of this loan are considered to have occurred.
- **Cash balances** – As of 31 March 2025 the Group held cash balances of circa £48.8 million. These cash balances include a cash reserve of £19.0 million to cover the Group's unfunded loan commitments as of the same date.
- **Dividend** – on 24 April 2025, the Directors announced a dividend, to be paid in May 2025, in respect of the first quarter of 2025 of 1.375 pence per share in line with the 2025 dividend target of 5.5 pence per share.
- **Strong cash generation** – the portfolio is expected to continue to support the annual dividend payment- of 5.5 pence per share, paid quarterly.
- **The weighted average remaining loan term of the portfolio is 0.7 years** - albeit the final loan is not due to repay until the end of 2026.
- **Inflation protection** – 77.5 per cent of the portfolio is contracted at floating interest rates (with floors).
- **Significant equity cushion** – the weighted average Loan to Value for the portfolio is 68.1 per cent.

John Whittle, Chairman of SREF, said:

"We are pleased to be progressing at pace with our orderly realisation strategy. This quarter the Company returned £46 million to Shareholders in February, following the full repayment of one loan, and the weighted average remaining loan term of the portfolio is now just 0.7 years.

The remaining six investments continue to perform within our expectations and the portfolio is also expected to continue to support the annual dividend of 5.5 pence per share. Accordingly, we look forward to issuing additional updates on our progress for the Company's orderly realisation strategy during 2025."

The factsheet for the period is available at: www.starwoodeuropeanfinance.com

Share Price / NAV as of 31 March 2025

Share price (p)	86.0p
NAV (p)	101.34p
Discount	15.1%
Dividend yield (on share price)	6.4%
Market cap	£127m

Key Portfolio Statistics as of 31 March 2025

Number of investments	6
Percentage of currently invested portfolio in floating rate loans	77.5%
Invested Loan Portfolio unlevered annualised total return ⁽¹⁾	9.0%
Weighted average portfolio LTV – to Group first £ ⁽²⁾	29.8%

Weighted average portfolio LTV – to Group last £ ⁽²⁾	68.1%
Average remaining loan term*	0.7 years
Net Asset Value	£150.0m
Loans advanced (including accrued interest and net of impairment provision)	£101.5m
Cash	£48.8m
Other net liabilities (including hedges)	£0.3m

(1) The unlevered annualised total return is calculated on amounts outstanding at the reporting date, excluding undrawn commitments, and assuming all drawn loans are outstanding for the full contractual term. Five of the loans are floating rate (partially or in whole and all with floors) and returns are based on an assumed profile for future interbank rates, but the actual rate received may be higher or lower. Calculated only on amounts funded at the reporting date and excluding committed amounts (but including commitment fees) and excluding cash uninvested. The calculation also excludes the origination fee paid to the Investment Manager.

(2) LTV (Loan to Value) to Group last £ means the percentage which the total loan drawn less any deductible lender controlled cash reserves and less any amortisation received to date (when aggregated with any other indebtedness ranking alongside and/or senior to it) bears to its value determined by the last independent third party appraisals for loans classified as Stage 1 and Stage 2 and on the marked down value per the recently announced loan impairment for the loan classified as Stage 3 in October 2024. Loan to Value to first Group £ means the starting point of the Loan to Value range of the loans drawn (when aggregated with any other indebtedness ranking senior to it).

Remaining years to contractual maturity*	Funded loan balance (£m)	% of funded portfolio
0 to 1 years	£83.8	75.5%
1 to 2 years	£27.2	24.5%

*Remaining loan term to current contractual loan maturity excluding any permitted extensions. Note that borrowers may elect to repay loans before contractual maturity or may elect to exercise legal extension options, which are typically one year of additional term subject to satisfaction of credit related extension conditions. The Group, in limited circumstances, may also elect to extend loans beyond current legal maturity dates if that is deemed to be required to affect an orderly realisation of the loan.

Country	% of funded portfolio
UK	73.2%
Republic of Ireland	20.1%
Spain	6.7%

Sector	% of funded portfolio
Office	25.8%
Light Industrial	24.5%
Healthcare	22.5%
Hospitality	13.5%
Life Sciences	12.7%
Residential	1.0%

Loan type	% of funded portfolio
Whole loans	50.7%
Junior & Mezzanine	49.3%

Currency	% of funded portfolio*
Sterling	73.2%
Euro	26.8%

*The currency split refers to the underlying loan currency, however the capital on all non-sterling exposure is hedged back to sterling.

Orderly Realisation and Return of Capital

On 31 October 2022, the Board announced the Company's Proposed Orderly Realisation and Return of Capital to Shareholders. A Circular relating to the Proposed Orderly Realisation, containing a Notice of an Extraordinary General Meeting (the "EGM") was published on 28 December 2022. The proposals were approved by Shareholders at the EGM in January 2023 and the Company is now seeking to return cash to Shareholders in an orderly manner as soon as reasonably practicable following the repayment of loans, while retaining sufficient working capital for ongoing operations and the funding of committed but currently unfunded loan commitments.

Since then the Company has returned circa £256.0 million to Shareholders (including £46.0 million in the first quarter of 2025), equating to 61.9 per cent of the Company's NAV as of 31 January 2023. As of the date of the issuance of this factsheet the Company had 148,039,803 shares in issue and the total number of voting rights was 148,039,803.

Liquidity and credit facilities

The Company continues to maintain a cash reserve sufficient to cover its unfunded commitments which amounted to £19.0 million as of 31 March 2025. This cash reserve is included in the £48.8 million of cash held as of 31 March 2025.

The Company believes it holds sufficient cash to meet its commitments, including unfunded loan commitments.

Dividend

On 24 April 2025, the Directors announced a dividend, to be paid in May, in respect of the first quarter of 2025 of 1.375 pence per Ordinary Share in line with the 2025 dividend target of 5.5 pence per Ordinary Share. The dividend will be paid on Ordinary Shares in issue as of 2 May 2025.

The unaudited 31 March 2025 financial statements of the Company show modest income reserves. Given the current level of cash flow generated by the portfolio, the Company intends to maintain its annual dividend target of 5.5 pence per share. Dividend payments can continue to be made by the Company (as a Guernsey registered limited company) as long as it passes the solvency test (i.e. it is able to pay its debts as they come due).

Portfolio Update

The Group continues to closely monitor and manage the credit quality of its loan exposures and repayments.

The Group's exposure is spread across six investments. The number of investments has reduced from seven investments as of 31 December 2024, following the repayment of the Hotels, UK loan in the quarter to 31 March 2025. 99 per cent of the total funded loan portfolio as of 31 March 2025 is spread across five asset classes; Office (26 per cent), Light Industrial (24 per cent), Healthcare (23 per cent), Hospitality (13 per cent), and Life Sciences (13 per cent). The potential impact of recently announced US trade tariffs is in the very early stages of being understood and quantified. To-date, no material adverse impacts have been reported by underlying loan borrowers and it is expected that any impact, positive or negative will be secondary in nature. The Board, the Investment Manager and the Investment Advisor are monitoring the situation closely.

The Group's office exposure (26 per cent) comprises two loan investments. The weighted average Loan to Value of loans with office exposure is 94 per cent. The elevated level of the office exposure Loan to Value is driven by Office Portfolio, Ireland loan which is a risk rated Stage 3 loan. The value used to calculate the Loan to Value for the Stage 1 office loan uses the latest independent lender instructed valuation. The value used for the Stage 3 office loan Loan to Value calculation (which was downgraded from a Stage 2 asset in October 2024) is the marked down value as per the loan impairment recognised in October 2024. The higher Loan to Value of this sector exposure reflects the wider decrease in market sentiment driven by post pandemic trends, higher interest rates and high costs attached to upgrading older office stock.

The largest office investment is a mezzanine loan which represents 74 per cent of this exposure and is classified as a Stage 3 risk rated loan. As outlined in previous factsheets, the underlying assets comprise seven well located European city centre CBD buildings and have historically been well tenanted, albeit certain assets are expected to require capital expenditure to upgrade to Grade-A quality to retain existing tenants upon future lease expiry events. A 50 per cent impairment provision of the 30 September 2024 loan balance related to this asset was announced on 21 October 2024 as a result of new operational information received from the borrower. Following an analysis of potential future scenarios and outcomes, the Board decided to make this provision. As noted in the announcement, the potential outcomes could recover a greater or lesser amount of the loan. The Investment Manager and the Investment Adviser continue to actively advise on this position to maximise recovery. No material changes to the value of this loan are considered to have occurred since October 2024 and therefore the loan risk classification and impairment provision remain unchanged. This remains under frequent review and the Company will provide updates as appropriate.

The remaining 73 per cent of the total funded portfolio (excluding Residential (1 per cent)) is split across Light Industrial (24 per cent), Healthcare (23 per cent), Hospitality (13 per cent), and Life Sciences (13 per cent). These sectors provide good diversification. The weighted average Loan to Value of these exposures is 59 per cent.

Credit Risk Analysis

All loans within the portfolio are classified and measured at amortised cost less impairment.

The Group follows a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored by the Group. The expected credit loss ("ECL") is measured over a 12-month period of time.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. The ECL is measured on a lifetime basis.
- If the financial instrument is credit-impaired it is then moved to Stage 3. The ECL is measured on a lifetime basis.

The Group closely monitors all loans in the portfolio for any deterioration in credit risk. As of the date of this factsheet, assigned classifications are:

- Stage 1 loans – three loan investments totalling £60 million, equivalent to 54 per cent of the funded portfolio as of 31 March 2025 are classified in the lowest risk profile, Stage 1.
- Stage 2 loans – two loan investments totalling £29 million, equivalent to 26 per cent of the funded portfolio as of 31 March 2025 are classified as Stage 2. The average Loan to Value of these exposures is 58 per cent. The weighted average age of valuation report dates used in the Loan to Value calculation is just under one year. While these loans are higher risk than at initial recognition, no loss has

been recognised on a twelve-month and lifetime expected credit losses basis. Therefore, no impairment in the value of these loans has been recognised. The drivers for classifying these deals as Stage 2 are typically either one or a combination of the below factors:

- lower underlying property values following receipt of updated formal appraisals by independent valuers or agreed and in exclusivity sale values;
- sponsor business plans progressing more slowly than originally underwritten meaning that trading performance has lagged expectations and operating financial covenants under the facility agreements have been breached; and
- additional equity support is required to cover interest or operating shortfalls as a result of slower lease up or operations taking longer to ramp up.

The Stage 2 loans continue to benefit from headroom to the Group's investment basis. The Group has a strategy for each of these deals which targets full loan repayment over a defined period of time. Under each of the existing Stage 2 loans, the underlying sponsors are progressing strategies to repay the loans in full by refinancing with third party lenders.

- Stage 3 loans – during October 2024, one loan (with a funded balance amounting to £22 million as of 31 March 2025) was reclassified as Stage 3. As of 31 March 2025, the balance of this loan represented 20 per cent of the total funded portfolio. As outlined above, a 50 per cent impairment of the 30 September 2024 loan balance has been provided for as per the Company's announcement dated 21 October 2024. The position is being monitored and managed closely, and updates will be provided as appropriate and when practically available.

This assessment has been made based on information in our possession at the date of publishing this factsheet, our assessment of the risks of each loan and certain estimates and judgements around future performance of the assets.

Market commentary and outlook

The United States' ("US") tariff policy moves have dominated markets since the beginning of April. While Trump has been talking about tariffs for a long time, the market was taken by surprise by the scope and size of the "Liberation Day" announcements and immediately sold off sharply in reaction. Markets had to try to price the implications of a new approach to negotiating trade agreements and the impact that tariff scenarios will have on individual stocks, countries and growth in general. As further news emerged stock markets had a roller coaster ride and the VIX which measures the volatility of the S&P 500 index and is the benchmark for equity volatility hit over 60 on April 7th having been less than a third of that level a week earlier. The equity markets saw some of the biggest one day moves of all time comparable only to the worst days of the Great Financial Crisis, Black Monday in 1987 and the COVID pandemic.

Credit markets also reacted quickly with a sharp slowdown in new issuance activity. The iTraxx Main which is the corporate investment grade benchmark increased by 20 basis points ("bps") from 65 bps to 85 bps and has subsequently settled in the middle of that range. Commercial mortgage backed securities ("CMBS") are a part of the larger European structured finance market which suffered a sharp slowdown of issuance activity. Generally secondary spreads for the AAA tranches of European Asset Backed Securities across the board are wider by 10 to 20 bps month-on-month. The iTraxx Crossover which is the benchmark for low investment grade and high non-investment grade credit saw a greater change increasing from 330 bps to a peak of over 430 bps before settling back to 370 bps. Primary issuance in the high yield market also slowed significantly with just 13 billion in high-yield bonds and loans in the US market issued in the first two weeks of April which is well below the month-to-date average since 2021 of 52.5 billion.

Usually a market selloff leads to a flight to quality and US Treasuries are a beneficiary as a safe asset in the world's reserve currency. This did happen initially with the yield on the US 10 year Treasury falling from 4.2 per cent to 3.9 per cent but subsequently we have seen the US dollar decline against major currencies with longer dated US Treasuries selling off at the same time. After the initial rally, the US 10 year Treasury sold off to a yield as high as 4.5 per cent in the week after Liberation Day before settling slightly lower. The bond market reaction was almost certainly one of the major contributors in the decision to pause many of the tariffs for 90 days. Equity markets rallied hard in response to the news of the pause with the S&P 500 moving by 7 per cent in 8 minutes and the Nasdaq rallying over 12 per cent on the day. Equity markets are now not significantly below pre-Liberation Day levels.

Interest rate expectations are being pulled in different directions by contradictory forces. Markets are concerned that the tariff policies are likely to slow US and global growth which would tend to lead to lower interest rates. However tariffs are also likely to be inflationary for the US which would usually mean interest rates would generally be kept higher, or be driven higher. The result so far for the US and the UK is that we are seeing some steepening of the curve with the short end declining versus the longer end. Five year swaps are lower by around 20 bps in each of the US and UK markets with longer rates just slightly higher since Liberation Day. In Europe the German 10 year Bund has fared better than the US and the UK in April with a rally of 25 bps but that move should be taken in the context of a sharp increase in the Bund yield in March in response to the historic spending plan which unlocked hundreds of billions of euros for defence and infrastructure investment.

Real estate investing is a long term business and transactions typically take months to complete to allow for appropriate time for marketing, underwriting, due diligence, documentation etc.. Transactions that are in the later stages of closing are continuing to go through. For some transactions in the earlier phases we have seen both buyers and sellers and borrowers and lenders taking a pause while markets have a chance to settle and for the implications for real estate and/or the economy as a whole to filter through. One early observable example of changing trends is that the travel data for March showed a marked slowdown in international visitation to the United States with 12 per cent less visitors globally and 17 per cent less from Europe compared with this time last year. This will affect hospitality markets with large international components like New York and Florida and other markets may benefit from displaced demand. Until the final details of the Liberation Day tariffs are set it will be hard to analyse the full effect of tariffs by country and industry.

Notwithstanding the recent tariff driven news, real estate markets had been continuing to improve with increased volumes in 2025. In the office sector after a period with no larger transaction sizes we saw a number of multi hundred million lot sizes. In the City of London, in addition to the 2 Finsbury Avenue transaction that we mentioned in the market commentary that accompanied our full year result announcement, we saw the sale of 100 Bridge Street for £333 million from Helical to State Street for owner occupation and a higher bid of £322 million offered by Blackstone to Nuveen for the Can of Ham. Elsewhere in Europe, Upper West, a mixed use building in Berlin developed by Signa traded for over €400 million and in Paris Norges bought an 80 per cent stake in the Trinity office tower from Unibail at a valuation of €450

million. While final data is still to be compiled, according to Savills research, European real estate investment volumes are currently forecast to surpass €50 billion in the first quarter 2025, representing a healthy 28 per cent year-on-year increase. On the credit side, with a good diversity of lender types looking to increase exposure the real estate credit markets in the first quarter were as liquid as they have been since the Great Financial Crisis.

Looking forward, there is a way still to go in the tariff story and there could be many twists that will continue to affect market pricing and volumes. Geopolitical uncertainty, potentially lower growth and asset specific considerations will be factors in real estate underwriting and investment decisions. However, if the economic outlook deteriorates, and this leads to lower interest rates that could be helpful to real estate as it reduces financing costs for a capital intensive asset class and also makes real estate income more favourable compared to fixed income alternative investments. While these times of uncertainty continue it is likely that transactions will continue at a slower pace until the picture settles.

Investment Portfolio as of 31 March 2025

As of 31 March 2025, the Group had six investments with total cash commitments (funded and unfunded) of £130.0 million as shown below.

	Sterling equivalent balance (1), (2)	Sterling equivalent unfunded commitment (3)	Sterling Total (Drawn and Unfunded)
Hospitals, UK	£25.0 m		£25.0 m
Hotel, North Berwick	£15.0 m		£15.0 m
Life Science, UK	£14.1 m		£14.1 m
Industrial Estate, UK	£27.2 m	£19.0 m	£46.2 m
Total Sterling Loans	£81.3 m	£19.0 m	£100.3 m
Office Portfolio, Spain	£7.4 m		£7.4 m
Office Portfolio, Ireland	£22.3 m		£22.3 m
Total Euro Loans	£29.7 m		£29.7 m
Total Portfolio	£111.0 m	£19.0 m	£130.0 m

1. Euro balances translated to sterling at period end exchange rate.
2. These amounts are shown before any impairment provisions recognised.
3. These amounts exclude interest which may be capitalised.

Loan to Value

All assets securing the loans undergo third party valuations before each investment closes and periodically thereafter at a time considered appropriate by the lenders. The Loan to Values shown below are based on independent third party appraisals for loans classified as Stage 1 and Stage 2 and on the marked down value as per the announced loan impairment for the loan classified as Stage 3 in October 2024. The weighted average age of the dates of these valuations for the whole portfolio is just under ten months.

As of 31 March 2025, the Group has an average last £ Loan to Value of 68.1 per cent (31 December 2024: 63.5 per cent).

The Group's last £ Loan to Value means the percentage which the total loan drawn less any deductible lender controlled cash reserves and less any amortisation received to date (when aggregated with any other indebtedness ranking alongside and/or senior to it) bears to the market value determined by the last formal lender valuation received, reviewed in detail and approved by the reporting date or, in the case of the Stage 3 asset classified as Stage 3 in October 2024, the marked down value per the recently announced loan impairment. Loan to Value to first Group £ means the starting point of the Loan to Value range of the loans drawn (when aggregated with any other indebtedness ranking senior to it). For development projects the calculation includes the total facility available and is calculated against the assumed market value on completion of the relevant project.

The table below shows the sensitivity of the Loan to Value calculation for movements in the underlying property valuation and demonstrates that the Group has considerable headroom within the currently reported last £ Loan to Values.

Change in Valuation	Office	Light Industrial	Healthcare	Other	Total
-15%	110.3%	75.9%	62.6%	70.1%	80.2%
-10%	104.2%	71.7%	59.1%	66.2%	75.7%
-5%	98.7%	67.9%	56.0%	62.7%	71.7%
0%	93.7%	64.5%	53.2%	59.6%	68.1%
5%	89.3%	61.5%	50.7%	56.7%	64.9%
10%	85.2%	58.7%	48.4%	54.1%	61.9%
15%	81.5%	56.1%	46.3%	51.8%	59.2%

Share Price performance

The Company's shares closed on 31 March 2025 at 86.0 pence, resulting in a share price total return for the first quarter of 2025 of -4.9 per cent. As of 31 March 2025, the discount to NAV stood at 15.1 per cent, with an average discount to NAV of 13.0 per cent over the quarter.

Note: the 31 March 2025 discount to NAV is based off the 31 March 2025 NAV as reported in this factsheet. All average discounts to NAV are calculated as the latest cum-dividend NAV available in the market on a given day, adjusted for any dividend payments from the ex-dividend date onwards.

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Notes:

Starwood European Real Estate Finance Limited is an investment company listed on the premium segment of the main market of the London Stock Exchange with an investment objective to conduct an orderly realisation of the assets of the Company. www.starwoodeuropeanfinance.com.

The Group's assets are managed by Starwood European Finance Partners Limited, an indirect wholly owned subsidiary of Starwood Capital Group.

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