

05-Aug-2025 / 07:02 GMT/BST

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 senior, junior and mezzanine real estate debt in the UK and Europe, presents its performance for the quarter ended 30 June 2025.

Highlights

- **Orderly realisation of the portfolio is progressing** – to date the Company has returned £256.0 million to Shareholders, equating to 61.9 per cent of the Company's NAV as of 31 January 2023. The current rate of realisation to date is expected to continue.
- **All assets constantly monitored for changes in risk profile** – the current risk status of the investments is listed below:
 - Three loan investments equivalent to 53 per cent of the funded portfolio as of 30 June 2025 are classified in the lowest risk profile, Stage 1.
 - Two loan investments equivalent to 26 per cent of the funded portfolio as of 30 June 2025 are classified as Stage 2.
 - One loan investment equivalent to 21 per cent of the funded portfolio (before impairment) as of 30 June 2025 is classified as Stage 3. As of 30 June 2025, an additional impairment provision of €7.3 million was made, bringing the total impairment provision against this loan to €20.2 million. Post this impairment the carrying value of this loan asset as of 30 June 2025 equated to 4.0 per cent of the Net Asset Value of the Group as of the same date.
- **Further impairment to loan investment** – as announced on 1 August 2025, since announcing a €12.9 million impairment provision against one loan (Office Portfolio, Ireland) in October 2024, the Board has continued to evaluate the alternative business plan scenarios available to the Company in relation to this loan investment. Based on that evaluation, and the continuing challenging Dublin office market dynamics, the Board announced, on 1 August 2025, their decision to write down the carrying value of the loan investment as of 30 June 2025 to €6.75 million by means of providing a further €7.3 million impairment provision against it (which equates to circa 4.2 pence per share impairment). The Board considers that there are a wide range of possible outcomes whereby the loan asset may have varying degrees of recoverability due to the various business plan scenarios being evaluated. The Investment Adviser will continue to actively manage the position to maximise the opportunity for value recovery and the Board will continue to closely monitor the position and ongoing developments. The Company looks forward to providing further updates as appropriate.
- **Cash balances** – As of 30 June 2025 the Group held cash balances of circa £48.6 million and had no unfunded cash loan commitments.
- **Dividend** – on 5 August 2025, the Directors announced a dividend, to be paid in September 2025, in respect of the second quarter of 2025 of 1.375 pence per share in line with the 2025 full year 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 0.5 years** - albeit the final loan is not due to repay until Q3 2026.
- **Inflation protection** – 77.7 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 69.9 per cent.

John Whittle, Chairman of SREF, said:

"Our realisation strategy continues to proceed at pace and in an orderly fashion. To date the Company has realised 61.9 per cent of the Company's NAV as of 31 January 2023, and returned £256 million to Shareholders.

"Whilst the further writedown on Office Portfolio Ireland, reflective as it is of challenging market conditions, is disappointing the Board are considering the options available and the potential and likelihood of recoverability.

"Our other 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 30 June 2025

Share price (p)	87.5p
NAV (p)	97.41p
Discount	10.2%
Dividend yield (on share price)	6.3%
Market cap	£130m

*The 30 June 2025 NAV shown here has been calculated after taking into account the additional €7.3 million impairment provision announced

on 1 August 2025 related to Office Portfolio, Ireland and before taking into account the dividend of 1.375 pence per Share announced by the Company on 5 August 2025.

Key Portfolio Statistics as of 30 June 2025

Number of investments	6
Percentage of currently invested portfolio in floating rate loans	77.7%
Invested Loan Portfolio unlevered annualised total return ⁽¹⁾	8.7%
Weighted average portfolio LTV – to Group first £ ⁽²⁾	31.3%
Weighted average portfolio LTV – to Group last £ ⁽²⁾	69.9%
Average remaining loan term*	0.5 years
Net Asset Value	£144.2m
Loans advanced (including accrued interest and net of impairment provision)	£96.1m
Cash	£48.6m
Other net liabilities (including hedges)	£0.5m

(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 impairments 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	£84.8	75.7%
1 to 2 years	£27.2	24.3%

*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	72.5%
Republic of Ireland	20.7%
Spain	6.8%

Sector	% of funded portfolio
Office	26.3%
Light Industrial	24.3%
Healthcare	22.3%
Hospitality	13.4%
Life Sciences	12.6%
Residential	1.1%

Loan type	% of funded portfolio
Whole loans	50.2%
Junior & Mezzanine	49.8%

Currency	% of funded portfolio*
Sterling	72.5%

Euro	27.5%
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*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 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 held £48.6 million of cash as of 30 June 2025 and, following the cancellation of all remaining unfunded loan related cash commitments during the quarter, no longer has any unfunded loan related cash commitments.

The Company believes it holds sufficient cash to meet its ongoing operational commitments.

Dividend

On 5 August 2025, the Directors announced a dividend, to be paid in September, in respect of the second 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 15 August 2025.

The unaudited 30 June 2025 financial statements of the Company show negative 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 as of 30 June 2025 is spread across six investments. 99 per cent of the total funded loan portfolio as of 30 June 2025 is spread across five asset classes; Office (26 per cent), Light Industrial (24 per cent), Healthcare (22 per cent), Hospitality (13 per cent), and Life Sciences (13 per cent). The Investment Manager and the Investment Advisor continue to monitor potential impacts of US tariff and trade negotiations on the portfolio. No material adverse impact has been identified at this time.

Progress of the realisation of the remaining investments is being closely monitored. Five of the six remaining investments generally have an identified exit processes. Sponsors of these loans are either progressing asset disposals or targeting a refinance in line with each loan's respective legal maturity. The exit plan and realisation timing for the sixth investment, the Stage 3 loan, remains under review.

The Group's office exposure (26 per cent) comprises two loan investments. The weighted average Loan to Value of loans with office exposure is 99 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 (which was downgraded from a Stage 2 asset in October 2024) is the marked down value as per the loan impairments recognised in October 2024 and June 2025. The higher Loan to Value of this sector exposure reflects the wider decline 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 Dublin 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 total impairment provision of €20.2 million has been provided as of 30 June 2025 related to this investment (equivalent to 75 per cent of the total loan value as of 30 June 2025 before impairment). The Board continue to evaluate various business plan scenarios and the uncertainty related to those scenarios. The Board considers that there are a wide range of possible outcomes whereby the loan may have varying degrees of recoverability due to the various business plan scenarios being evaluated. The Investment Adviser will continue to actively manage the position to maximise the opportunity for value recovery and the Board will continue to closely monitor the position and ongoing developments. The Company looks forward to providing further updates as appropriate.

The remaining total funded portfolio (excluding Residential (1 per cent)) is split across Light Industrial (24 per cent), Healthcare (22 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 53 per cent of the funded portfolio as of 30 June 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 30 June 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 either refinancing with third party lenders or disposing of assets.

- Stage 3 loans – during October 2024, one loan (with a funded balance amounting to £23 million/€27 million as of 30 June 2025) was reclassified as Stage 3. As of 30 June 2025, the balance of this loan represented 21 per cent of the total funded portfolio. As outlined above, an impairment of £17 million/€20 million has been provided for related to this asset. The Board considers that there are a wide range of possible outcomes whereby the loan asset may have varying degrees of recoverability due to the various business plan scenarios being evaluated. The Investment Adviser will continue to actively manage the position to maximise the opportunity for value recovery and the Board will continue to closely monitor the position and ongoing developments. The Company looks forward to providing further updates as appropriate.

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 second quarter of 2025 kicked off with a bang for markets with Trump's "Liberation Day" tariff announcements. After the initial shock and sell-off, markets regained composure and have been balanced between a fairly stable performance in economic data and the backdrop of multiple geopolitical pressures.

In equity markets the S&P 500 and Nasdaq both reached new all-time highs in late June, buoyed by better-than-expected corporate earnings, the prospect of rate cuts later in the year, and the prospect of a cooling of trade-related tensions. In the United Kingdom the FTSE 100 also hit a new all-time high topping 9,000 for the first time.

During the quarter interest rates across developed markets moved broadly in line with expectations with a faster pace of Euro rate cuts versus the United States continuing. In the United States, the Federal Reserve left the interest rate unchanged during the quarter while, in Europe, the ECB made two cuts of 25 basis points to its deposit rate resulting in a rate of 2 per cent by quarter end and, in the United Kingdom, the Bank of England cut its base rate by 25 basis points in the quarter to end the quarter at 4.25 per cent. One of the considerations that has been holding back further rate movement in the United States is balancing the potentially inflationary impacts of a dynamically changing tariff policy. This is a particularly difficult task given the Federal Reserve's dual mandate on employment and price stability. President Trump has declared he would only appoint a Federal Reserve Chair committed to cutting rates creating an extra variable into how markets can expect the Federal Reserve to work once Jerome Powell's term is up in 2026.

While there was some volatility in the short term, government bond yields have also seen relatively small changes in the quarter with benchmark 10-year bond yields standing at 4.23 per cent, 4.48 per cent and 2.60 per cent versus 4.25 per cent, 4.47 per cent and 2.73 per cent at the beginning of the quarter for the United States, the United Kingdom and Europe respectively. UK gilt yields have remained elevated compared to other developed markets with stubborn inflation and growth concerns compounded by a series of economic policy issues, including a backbench rebellion over benefit reforms and the high-profile reversal on the winter fuel allowance. Higher rates are likely one of the contributing factors in why real estate volume growth in the United Kingdom is lagging the rest of Europe. In the latest CBRE data we saw United Kingdom transaction volumes down in Q1 2025 compared to Q1 2024 whereas Europe as a whole showed a slight increase. Lower interest rates in Eurozone countries are reducing overall debt costs and allowing for positive leverage meaning that the all in cost of financing real estate is lower than the going in investment yield now in many markets.

Credit markets also recovered well after Liberation Day. Primary issuance across corporate credit and structured finance almost completely stopped for a couple of weeks at the beginning of the quarter. However, the recovery has been swift. In the US, the CMBS market rebounded to strong volumes by late Q2, as investor appetite for structured credit remained robust. Year to date non-agency CMBS issuance through June was 74.4 billion reflecting a 56 per cent increase over the same period in 2024. In Europe there are signs that CMBS issuance is maintaining some of the momentum it added over the past few quarters with a number of deals in the market and the first deal launched since Liberation Day having priced in June. The deal attracted healthy demand, with spreads tightening from initial to final pricing, reflecting the market's confidence in the underlying high-quality, income-generating real estate and the credibility of the sponsor.

In terms of sector dynamics for real estate, defence has emerged as a notable beneficiary of the increased recognition of geopolitical risk and the resultant pledges to expand defence spending. Germany's Rheinmetall's potential plan to convert Volkswagen's Osnabrück production plant into a defence manufacturing facility is one example of this shift in strategic industrial policy having an impact on this specific type of production facility real estate. We are seeing other signs of the early stages of a knock-on effect for real estate beginning to materialise, with increased discussion of the demand for manufacturing space, logistics infrastructure and defence research and development facilities.

While there is a general concern from some market participants that low volumes are creating too few lending opportunities, real estate credit remains an attractive risk-reward proposition. As capitalisation rates have increased, debt yields have too and are higher than during much of the post-GFC period. At the same time lending spreads still look favourable versus historical levels despite improved liquidity conditions.

As the summer starts, markets are in good shape, but the holiday season can bring more choppy conditions. Geopolitically, several sources of potential instability loom large. The ongoing conflicts involving Ukraine, Iran, Israel, and Gaza continue to simmer, and there is a significant risk in US trade dynamics. Market participants might also be mindful of seasonal illiquidity, as lighter trading desks and reduced volumes during peak holiday weeks can amplify sharp moves.

Investment Portfolio as of 30 June 2025

As of 30 June 2025, the Group had six investments with total cash commitments (funded and unfunded) of £112.0 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		£27.2 m
Total Sterling Loans	£81.3 m	£0.0 m	£81.3 m
Office Portfolio, Spain	£7.6 m		£7.6 m
Office Portfolio, Ireland	£23.1 m		£23.1 m
Total Euro Loans	£30.7 m	£0.0 m	£30.7 m
Total Portfolio	£112.0 m	£0.0 m	£112.0 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 impairments 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 a year.

As of 30 June 2025, the Group has an average last £ Loan to Value of 69.9 per cent (31 March 2025: 68.1 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 impairments. 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%	116.3%	76.5%	62.4%	70.5%	82.2%

-10%	109.8%	72.3%	59.0%	66.5%	77.6%
-5%	104.0%	68.4%	55.9%	63.0%	73.6%
0%	98.8%	65.0%	53.1%	59.9%	69.9%
5%	94.1%	61.9%	50.5%	57.0%	66.6%
10%	89.9%	59.1%	48.2%	54.4%	63.5%
15%	85.9%	56.5%	46.1%	52.1%	60.8%

Share Price performance

The Company's shares closed on 30 June 2025 at 87.5 pence, resulting in a share price total return for the second quarter of 2025 of 3.4 per cent. As of 30 June 2025, the discount to NAV stood at 10.2 per cent, with an average discount to NAV of 15.3 per cent over the quarter.

Note: the 30 June 2025 discount to NAV is based off the 30 June 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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ISIN: GG00BTZJM644

Category Code: PFU

TIDM: SWEF

LEI Code: 5493004YMVUQ9Z7JGZ50

OAM Categories: 3.1. Additional regulated information required to be disclosed under the laws of a Member State

Sequence No.: 397904

EQS News ID: 2179250

End of AnnouncementEQS News Service