abrdn Pan European Residential Property Fund

Q3 2023

A core fund investing in sustainable residential property across Western Europe.

Investment objective and strategy

The abrdn Pan European Residential Property Fund SICAV-RAIF (aPER) is an open-ended, core fund designed for institutional investors which aims to deliver income and capital growth by investing in large, high quality, sustainably constructed, purpose built residential blocks in "triple A" locations (that provide Accessibility, Amenity and Affordability for the occupier).

aPER pursues a strategy that has ESG principles at its core, and which is focused on achieving strong, defensive returns from the western European residential sector, with a multi-country approach that reduces risk through diversification. Residential property exhibits very strong demand/supply fundamentals, particularly in Europe's leading cities. In these 'winning cities' there is significant growth potential achievable via improved operational efficiency, and by tapping into increasing demand in the rental market.

aPER seeks to invest in new and modern stock, and pursues active management during holding periods in order to enhance performance in a controlled fashion, but does not engage in speculative property development. The fund has a long-term absolute return target, comprising a net cash dividend return of 3-4% per year, and a total return of 5-7% per year.

Fund commentary

aPER is managed by a highly experienced team located across three European countries, and is led by Marc Pamin who is based in Frankfurt. The team can call upon the wider resources of abrdn, one of Europe's largest real estate investment managers.

Investors

As at the end of September 2023, total capital commitments stood at €1.5 billion from 32 investors located in the Netherlands, Germany, Switzerland, Ireland, France, Italy, South Korea, Luxembourg, UK and Japan. Since launching the fund, we have been effective and efficient in securing assets and allocating committed capital. With a strong investment pipeline, we believe that aPER is well placed to continue to lead the pan-European residential market.

Transactions

The fund now has 49 assets in 10 countries. There are over 6,300 residential units, with a value at completion of €1.7bn as at 30th of September 2023.

Portfolio management

Local management expertise and resources are among our key strengths in Europe. Having native speakers on the ground, with local expertise and networks, is essential for maximising portfolio returns and optimising risk control. Throughout 2023 the aPER team shall be focused on maintaining high (close to 100%) occupancy rates; managing and further reducing tenant turnover; assuming responsibility for newly completed projects and commencing securing tenants for them; as well as further improving the overall ESG credentials of the portfolio.

Key information

Legal structure	SICAV-RAIF
Domicile	Luxembourg
Risk style	Core
Launch	29 March 2018
Term	Open-ended, infinite
Investors	32 investors
Geographic universe	Western Europe
Sector universe	Residential real estate
Target size (GAV)	EUR 4 billion
Current size (GAV)[1]	EUR 1.7bn
Current size (NAV)[2]	EUR 1.3bn
Minimum commitment	EUR 3 million
Current total commitments	EUR 1.5bn
Target return	Income return: 3-4% p.a. Total return: 5-7% p.a.
Currency	EUR
Leverage	Maximum LTV of 40% of GAV; Current 11.8%; Long-term LTV of 25% of GAV

1 IFRS GAV.
2 INREV NAV.
All figures are as at 30th of September 2023.

The value of investments and the income from them can go down as well as up and an investor may get back less that the amount invested.

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Please consider the following risk factors

The value of investments, and the income from them, can go down as well as up, and an investor may get back less than the amount invested. Past performance is not a guide to future results. Property is a relatively illiquid asset class, the valuation of which is a matter of opinion. There is no recognised market for property and there can be delays in realising the value of assets.

Market outlook commentary

The occupational fundamentals of the rented residential market have proven to be resilient during the pandemic and the current downturn. The tight market dynamics are leading to double-digit rental growth in the open market in some cities. GreenStreet estimates that open market European residential rents increased by around 8% in 2022 and that they are likely to grow at 4% (pa) over the next three years.

Affordability pressures have not abated, despite rent controls. New regulations have been introduced in 2023 in the mid-market in the Netherlands and at the national level in Spain. This means that six countries now have rent caps in place. France has extended the cap on CPI-uplift from the second quarter of 2023 to the first quarter of 2024. Where caps have been introduced, they have typically resulted in supply shrinking and open market rental growth accelerating. In Dublin, where rental indexation is capped at 2% in large parts of the city, open market rents increased by 13% year-on-year.

Like all sectors, living is coming under pressure from higher borrowing costs. European residential yields have moved out by 120 bps from their cyclical lows in mid-2022 (from 3.4% to 4.6% in September 2023). In contrast to the commercial sectors, residential has generally been more resilient. The impact on valuations has been offset by rental growth and links to CPI, where caps are not in place. We expect living sectors to show resilience given the low supply, but investors must be wary of new rent regulations and their impact on cashflows.

Key information continued

Liquidity	Quarterly (3 year lock in with a max. 2 years for repayment)
NAV reporting frequency	Quarterly
External asset valuation	Quarterly; Valuation advisors rotated every 3 years

Annual management fee
Tranched fund management fee structure:

- 90bps on NAV for committed capital ≤ EUR 25m (tiered)
- 80bps on NAV for committed capital EUR 25-50m (tiered)
- 70bps on NAV for committed capital EUR 50-75m (tiered)
- 75bps on NAV for committed capital EUR 75-100m (flat)
- 70bps on NAV for committed capital EUR 100-150m (flat)
- 65bps on NAV for committed capital EUR 150-250m (flat)
- 57.5bps on NAV for committed capital ≥ EUR 250 (flat)

All figures are as at 30th of September 2023.

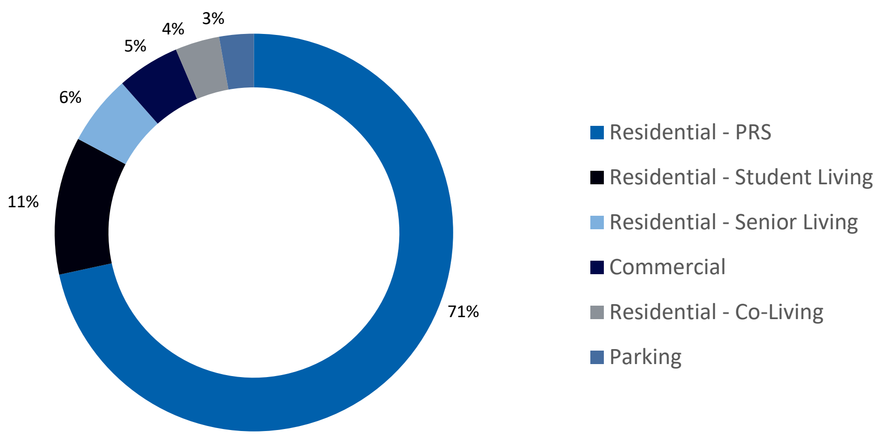
Investment universe

Important information overleaf

abrdn Pan European Residential Property Fund

Q3 2023

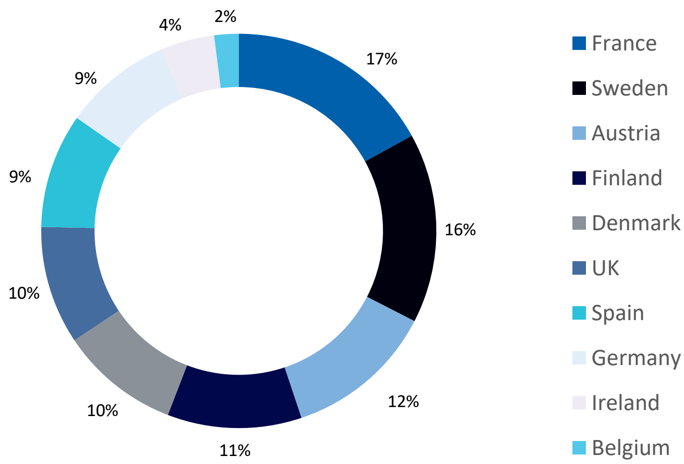
Sector allocation (assuming completion of projects)



"The longer term fundamental drivers behind residential real state performance remain intact."

Franz Joseph, Bloch-Bauer-Promenade, Vienna.

Geographic allocation (assuming completion of projects)



Figures may not always sum to 100% due to rounding.
All figures (unless otherwise indicated) are as at 30th of September 2023.

Important information overleaf

Important information

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Issued in Switzerland by abrdn Investments Switzerland AG.

Registered in Switzerland under company no. CHE-114.943.983. Registered Office: Schweizergasse 14, 8001 Zurich.

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