

# AXA Logistics Europe Fund

Morgan Stanley Real Estate  
Debt Conference

14<sup>th</sup> June 2023

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RHENUS  
LOGISTICS

Nuneaton Unit 1 (UK)

# Executive Summary

## Fund Highlights

### Fund Performance

- **+7.6%** Annualized Total Return since Inception
- Fund performance over the last 12 months negatively impacted by rising property yield in response to inflation and higher funding costs
- The yield of the Operating Portfolio expanded by c. 110bps between Q2'22 and Q1'23, in line with the swift repricing in the market
- **Distribution rate of c. 3%** in 2022

### Operating Performance

- Well diversified Logistics portfolio of **148 assets** providing c. 3.8m sqm of high-quality space across **11 European countries**
- Operating Portfolio **99.8% let** to a wide base of **136 tenants** on 6.0Y WALB and 7.2Y WALT
- **Inflation linked lease structures**, with c. 90% of the total Rents either indexed to ILAT or CPI
- Rotation policy with **Development program** aiming at continuously improving the quality and the sustainable profile of the portfolio

### Robust Capital Structure

- Low leverage policy and Stable credit metrics with a **net LTV of 12%<sup>(1)</sup>** and an **WACD of c. 1.1%**
- The Fund is rated **BBB+ by Fitch ratings** / The Notes issued in Nov. 2021 rated A-
- No Redemption since inception
- **Institutional shareholders base**, with AXA Group representing c. 46% of the Total Commitment from 48 reputable investors

### ESG Achievements

- In 2022 **4 Stars GRESB** obtained for assets in operation and **5 Stars GRESB** for assets under development
- Allocation and impact reports published in 2022
- c. 82% of Total Debt under green format
- Classified Article 8 under SFDR



# AXA Logistics Europe Fund

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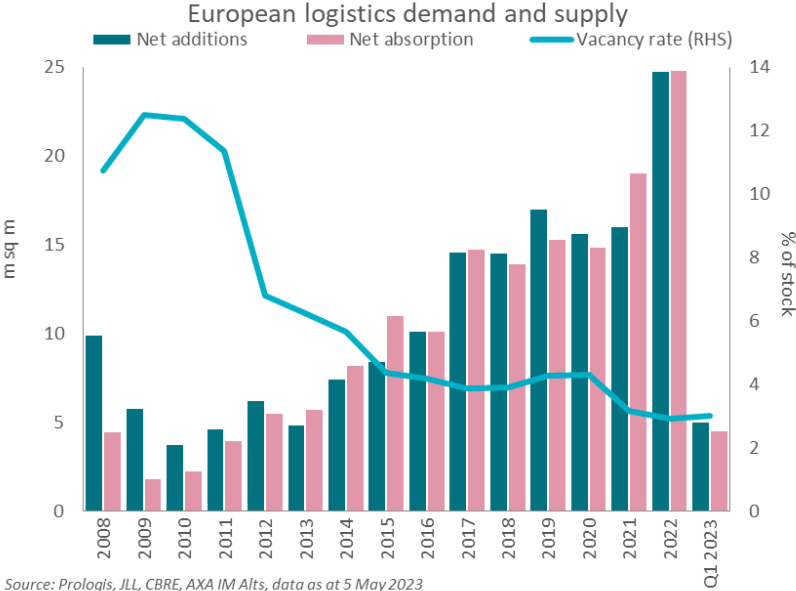


# I. Research

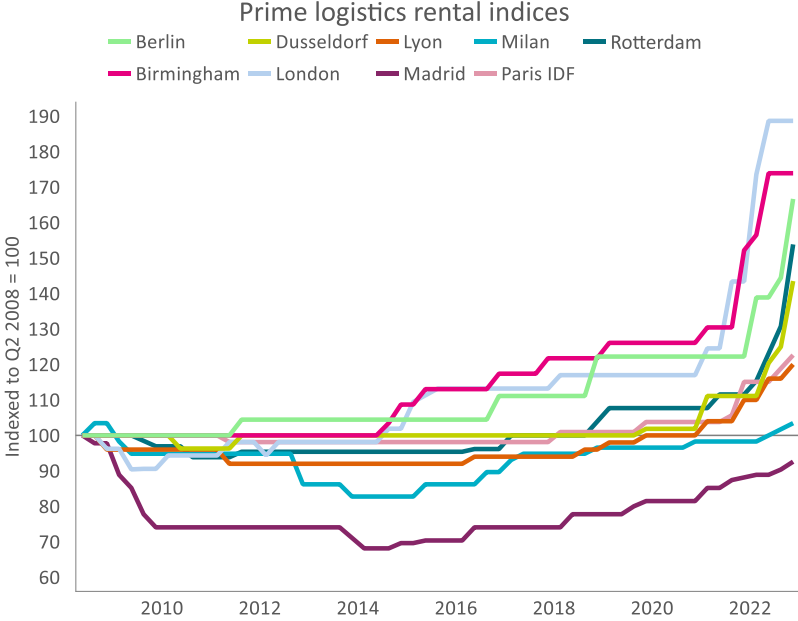


# Robust occupier demand and constrained supply are resulting in strong rental growth

Vacancy rates below historic averages



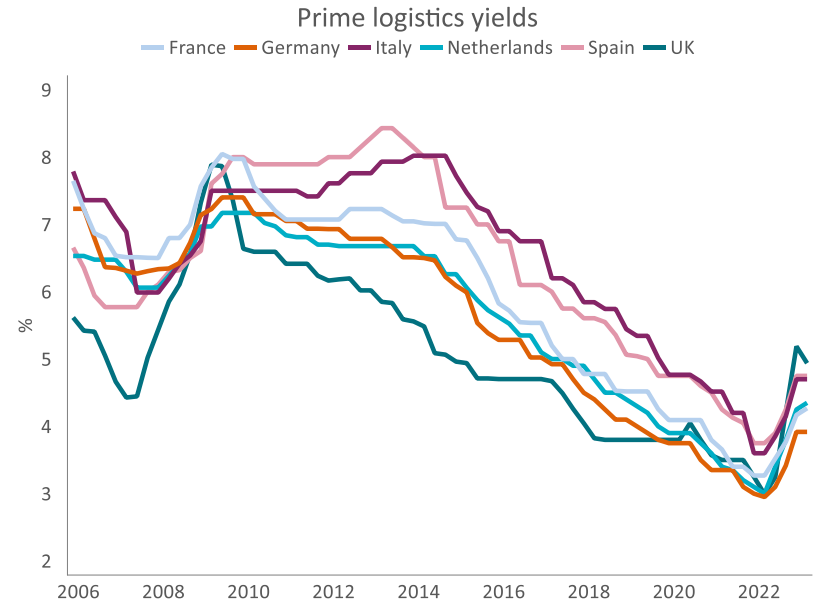
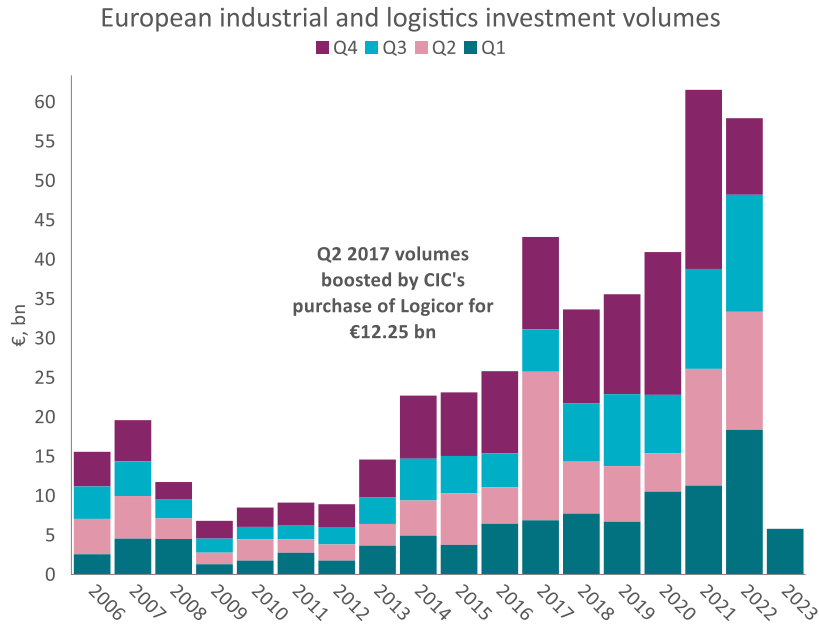
Source: Prologis, JLL, CBRE, AXA IM Alts, data as at 5 May 2023  
 NB: European logistics markets - France, Germany, Italy, Netherlands, Spain, UK, Czech Republic, Hungary and Poland  
 NB: Modern warehousing units 5,000+ sq m; 10,000+ sq m in the UK



Source: JLL, Macrobond, AXA IM – Real Assets, data as at 10 May 2023

# Transaction volumes slowed down, but investors sentiment stay high

Swift upward movement in logistics yields in response to rising inflation and higher funding costs



# Market convictions

## Strong occupier market fundamentals and a cheaper entry point

1

**Favourable occupier market trends:** demand for logistics space is expected to increase as e-commerce continues to grow and companies seek to improve the resilience of their supply chains

2

**Structurally low vacancy:** demand-supply imbalance pushed vacancy rates below historic averages. Supply response expected to be hindered by high borrowing costs, high construction costs and higher exit yields

3

**Rental growth potential:** robust occupier demand, low vacancy rates, high construction costs and rising logistics yields are supporting rental growth potential, which should outpace inflation

4

**Yields topping out:** helped by solid rental growth prospects, investor sentiment has improved and prime logistics yields appear to be at or near a peak

5

**Investment demand expected to quickly recover:** investor appetite for logistics remains solid, underpinned by the combination of solid rental growth potential and the shift in asset prices



## II. Quarterly Financial Results





# Fund Financial Information

31<sup>st</sup> March 2023

## Fund Share

**€5,305m**

Total Assets

**€296m**

Cash and Cash equivalents

**€950m**

Total Debt

**12%**

Net LTV<sup>(2)</sup>

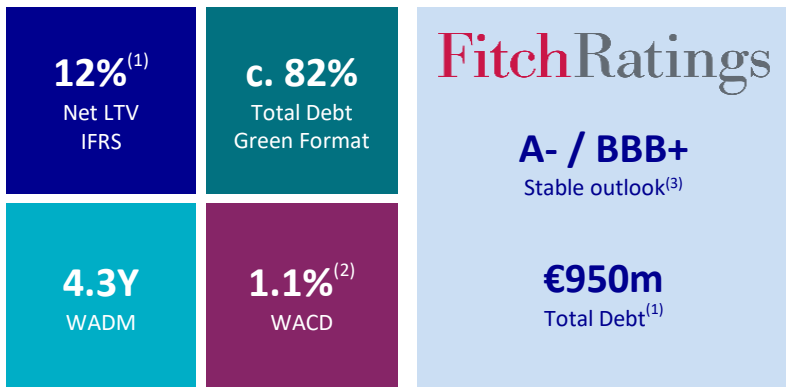
<i>ALEM - IFRS Simplified Balance Sheet FYE 31-Dec (€m)</i>	<b>FY 2019<sup>(1)</sup></b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Q1' 23 (3M)</b>
Investment properties	1 881	2 386	4 253	4 941	4 845
Other assets	27	54	123	351	164
Cash and cash equivalents	109	235	302	259	296
<b>Total Assets</b>	<b>2 017</b>	<b>2 675</b>	<b>4 677</b>	<b>5 551</b>	<b>5 305</b>
External debt	436	509	815	1 152	950
Shareholder loan	714	739	1 019	1 395	1 561
Other liabilities	289	632	1 230	1 372	1 151
<b>Total Liabilities</b>	<b>1439</b>	<b>1 880</b>	<b>3 064</b>	<b>3 920</b>	<b>3 662</b>
<b>Net assets to Partners</b>	<b>457</b>	<b>553</b>	<b>1 116</b>	<b>1 174</b>	<b>1 214</b>
Non-controlling interests	121	242	497	458	429
<b>Equity</b>	<b>578</b>	<b>795</b>	<b>1 613</b>	<b>1 632</b>	<b>1 643</b>
<b>Net LTV - IFRS Basis<sup>(2)</sup></b>	<b>16%</b>	<b>10%</b>	<b>11%</b>	<b>16%</b>	<b>12%</b>
<b>Net LTV - Fund Share Basis<sup>(3)</sup></b>	<b>14%</b>	<b>9%</b>	<b>18%</b>	<b>24%</b>	<b>19%</b>

SOURCE: AXA IM – Real Assets data (unaudited) as at 31/03/2023. NOTES: Past performance is not representative of future results or performance. There can be no assurance that the Fund will achieve these results, implement the strategy or achieve its objectives. Figures are reported at ALEM level on IFRS full consolidation basis. (1) Inception date: July 2019. (2) Net LTV\_IFRS Basis = (Total External Debt - Cash and Cash equivalents) / Consolidated Total Assets, with figures considered on a full consolidated basis (i.e. including the share of minority interests). (3) Net LTV\_Fund Share Basis = (Total External Debt - Cash and Cash equivalents) / Net Market Value of Investment Properties, with figures in Fund share only.

# Disciplined Financing Structure

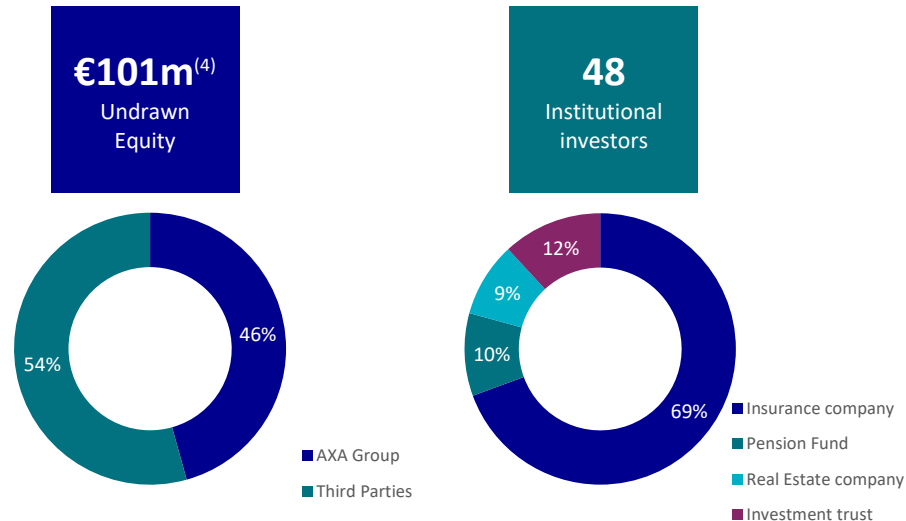
Combining low leverage, steady growth and backing from institutional investors

## Prudent Financing Policy



- **Low leverage policy** in line with the IG profile of the Issuer
- **Additional 2023 Bond issuance** subject to market conditions

## Stable Capital Structure



- **€3,146m** raised since inception
- **No redemption** since inception

# Covenants

31<sup>st</sup> March 2023

## Covenants overview<sup>(1)</sup>

**12%**

Leverage  
Ratio Test<sup>(2)</sup>

**0 %**

Secured  
debt test

**4.9 x**

Fixed Charge  
Coverage Ratio

**558%**

Encumbered  
Assets Test



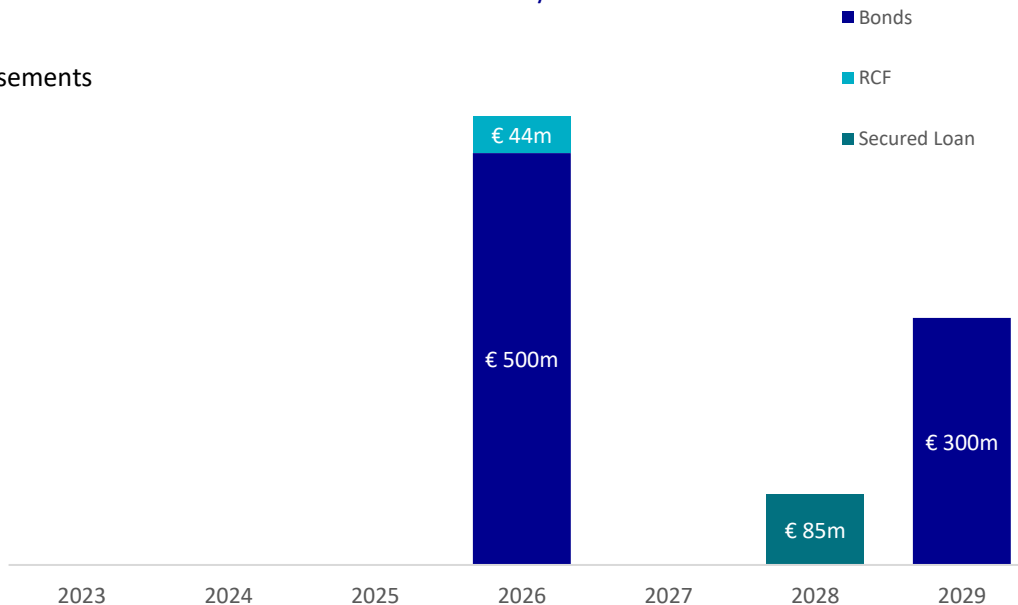
# Debt monitoring

No immediate refinancing requirements

## Debt and cash position - Forecast

- **No major refinancing risk** before 2026
- **€375m undrawn RCF** following Q1 and Q2'2023 reimbursements
- New secured bank loan of c. **€85m**
  - 5 years bullet loan, 4.7% fixed rate
  - Financing Swedish Imperial II assets
  - Reducing SEK Hedging costs
- c. **€296m** consolidated Cash Position at Q1'2023
- No redemption request

## Debt Maturity Profile



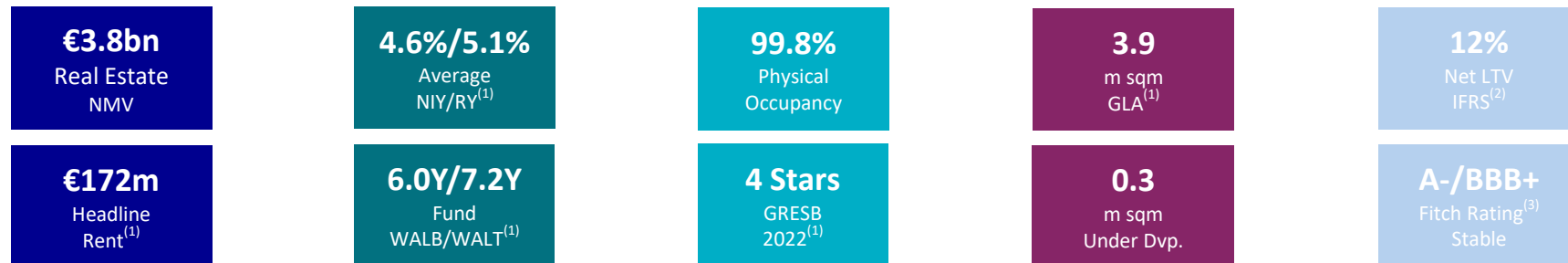


# III. Portfolio deep dive

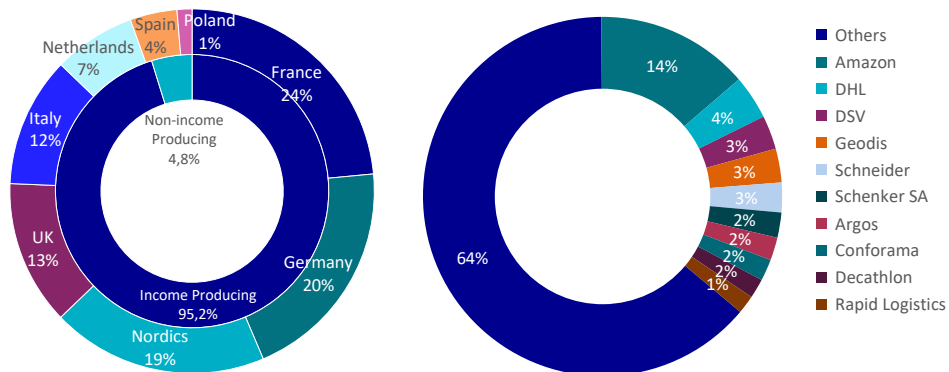


# AXA Logistics Europe Fund snapshot

Situation as of 31<sup>st</sup> March 2023



## Diversified portfolio of 148 properties & 136 tenants across 11 countries

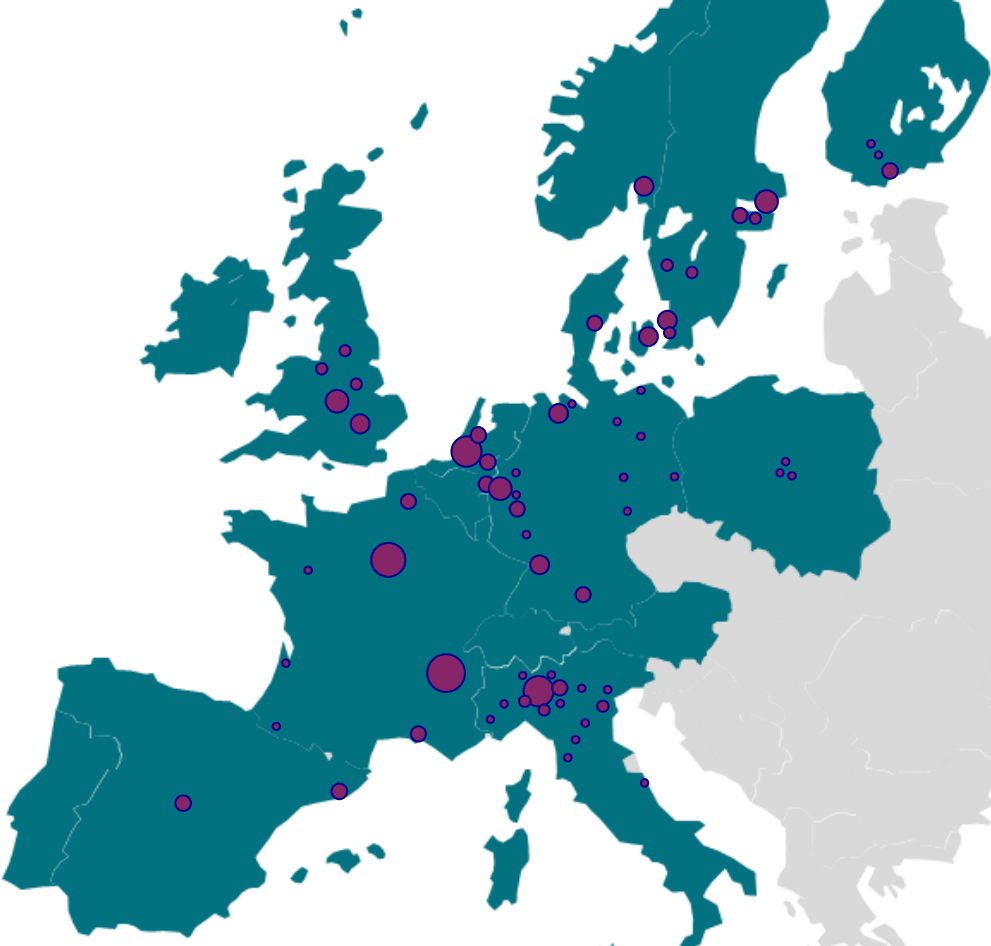
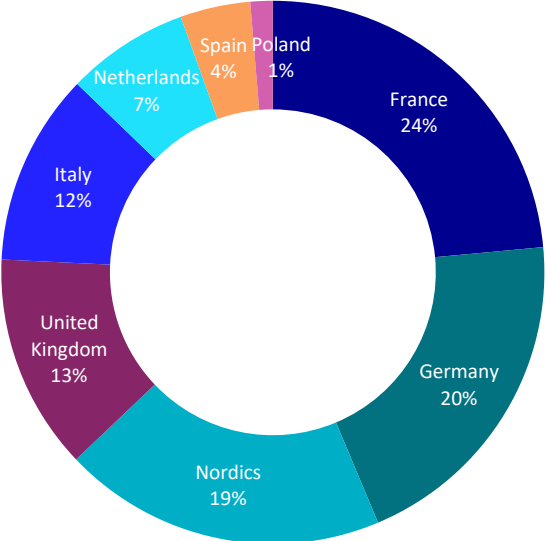


## Key Performance Metrics

	FY 20	FY 21	FY22	Q1' 23
INREV NAV (€ bn)	1.3	2.1	2.7	<b>2.9</b>
Real Estate NMV (€ bn)	1.8	3.2	3.8	<b>3.8</b>
Occupancy (%)	97	97	99	<b>100</b>
WALB (Y)	4.4	4.7	5.1	<b>6.0</b>
NIY (%) <sup>(1)</sup>	4.8	3.8	4.4	<b>4.6</b>
Net LTV <sup>(2)</sup>	9	18	24	<b>19</b>

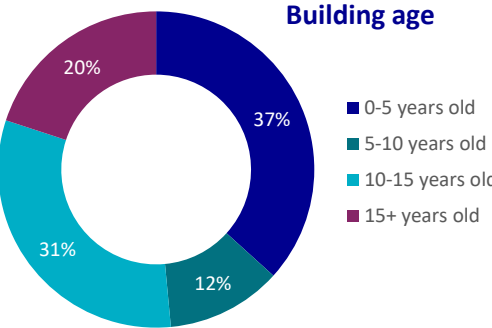
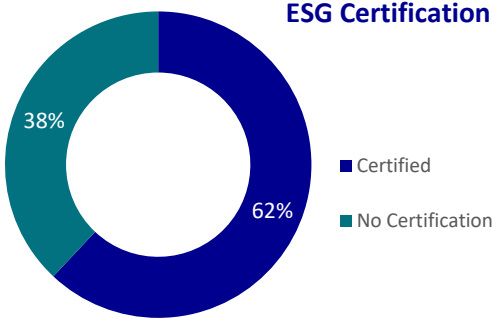
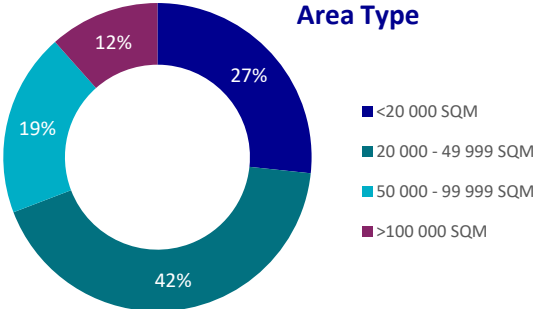
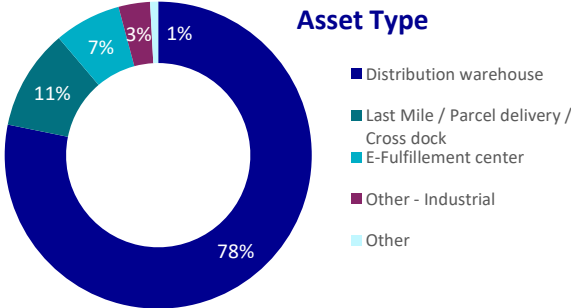
# Geographical allocation

Targeting supply constrained logistics hubs in Europe



# Portfolio description

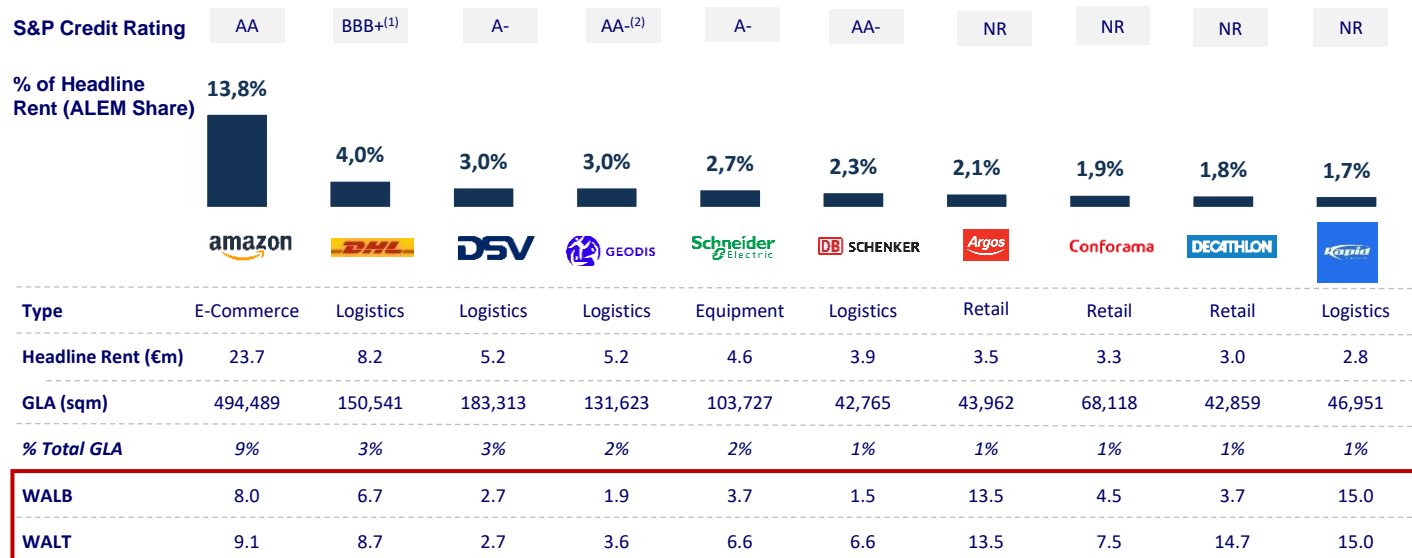
31<sup>st</sup> March 2023





# Strong Tenant Base

## Top 10 Tenant by Headline Rent



## Diversification

Top 10 Tenants representing c. 36%

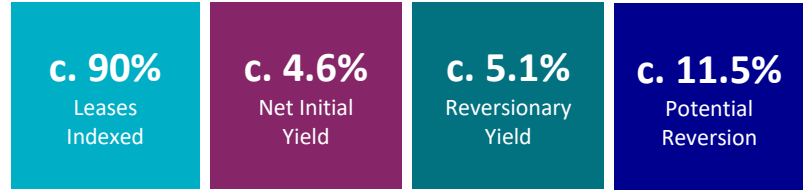
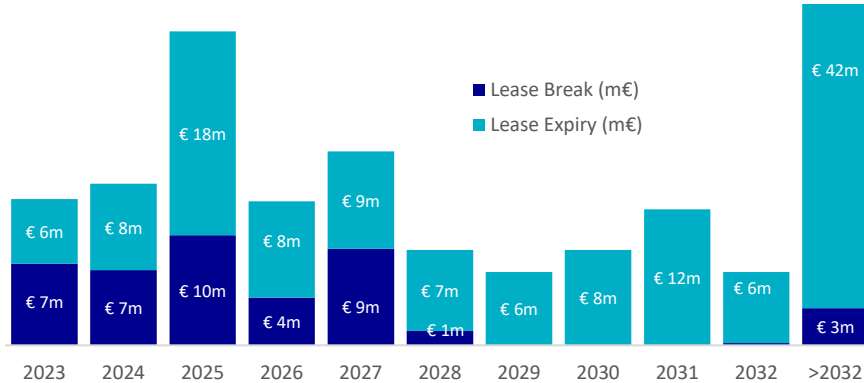
<sup>(1)</sup> Fitch Ratings for Deutsche Post DHL Group

<sup>(2)</sup> Rating for SNCF Group

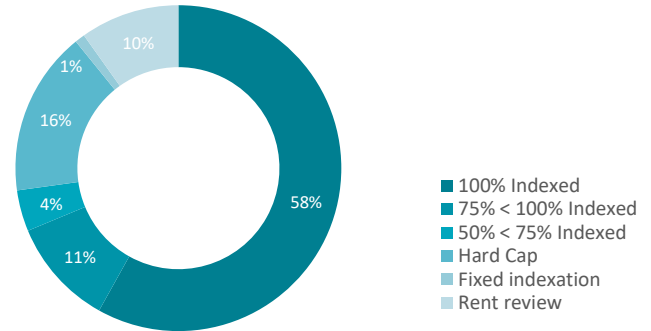
# Portfolio leasing profile

Well indexed portfolio with an embedded rental reversion potential

## Staggered maturity profile



## Portfolio Indexation Profile

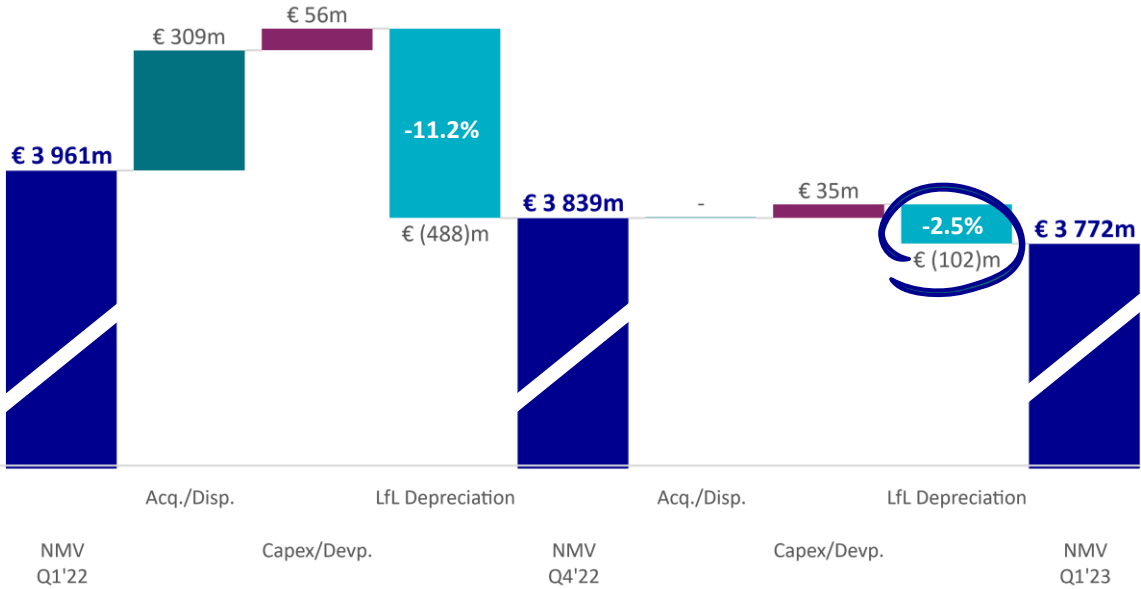


**Ability to unlock portfolio value**  
through a strategy focused on extracting rental reversion  
(7.2y WALT / c. +50bps spread)

# Impact of yield expansion on valuation

Increasing signs of pricing stabilisation

Change in Real Estate Net Market Value (NMV) Q1'23 vs Q1'22

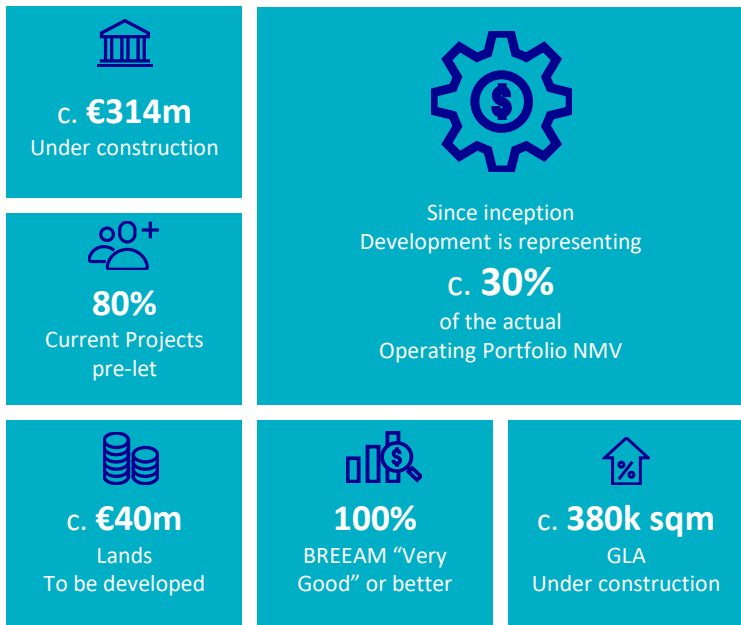


Valuations appeared to stabilise in Q1, with yields moving out c. 18 bps on average,...

EUROPEAN INDUSTRIAL AND LOGISTICS  
CAPITAL MARKETS FIGURES / Q1 2023  
CBRE EMEA

# Established development strategy

## Conservative development pipeline and prudent risk management



### Market trend

- Construction costs have increased during 2022 but are stabilising since Q1'23
- Increasing rents are compensating higher construction costs and yield expansion, maintaining a reasonable profitability of developments

### Development portfolio

- All projects of the program are developed in established deep markets
- Deliver energy efficient Logistics properties with strong ESG credentials
- Project Costs are largely fixed
- Prudent risk management and exposure in line with Fund guidelines
- Limited construction period (9-18 months) compared to other sectors
- Pipeline of lands and projects to be developed



# Bremen

Germany - BLG Logistics



Q1 '23

Develop

to hold



**Building type:** Built-to-suit warehouse

**Location:** Bremen (Germany)

**Tenant:** BLG Logistics

**Sqm:** 88.3k sqm



**ESG Characteristics:**

- DGNB Gold
- Targeting 1st carbon neutral warehouse in Germany
- Energy Performance Certificate A
- Solar Panel installed in May 2023



**Construction phase:** 18 months

**Delivery:** Q3'22



**Project cost:**

c. €67m



**Project key outcomes:**

- Prime logistics location
- Leading Logistics Tenant
- High ESG Credentials

## III. ESG Update

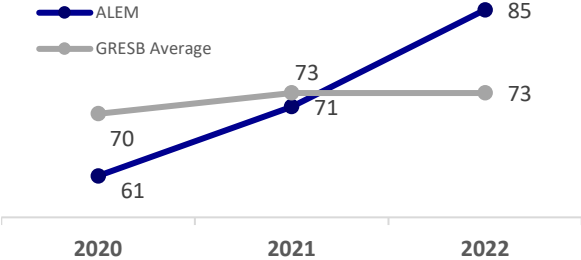




# ESG Achievements

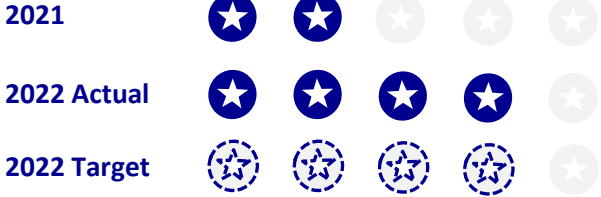
An acceleration of the ESG integration proved by the outstanding GRESB results

## Standing Investment

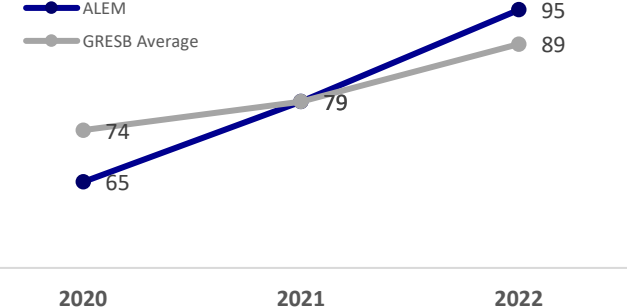


**+2**  
GRESB Star  
vs 2021

**+14** pts  
vs 2021

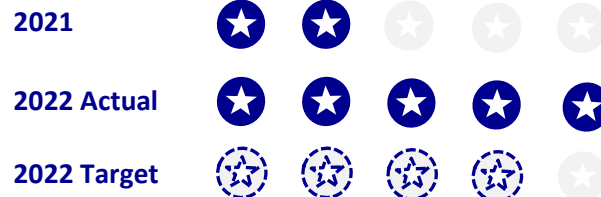


## Development Investment



**+3**  
GRESB Star  
vs 2021

**+16** pts  
vs 2021

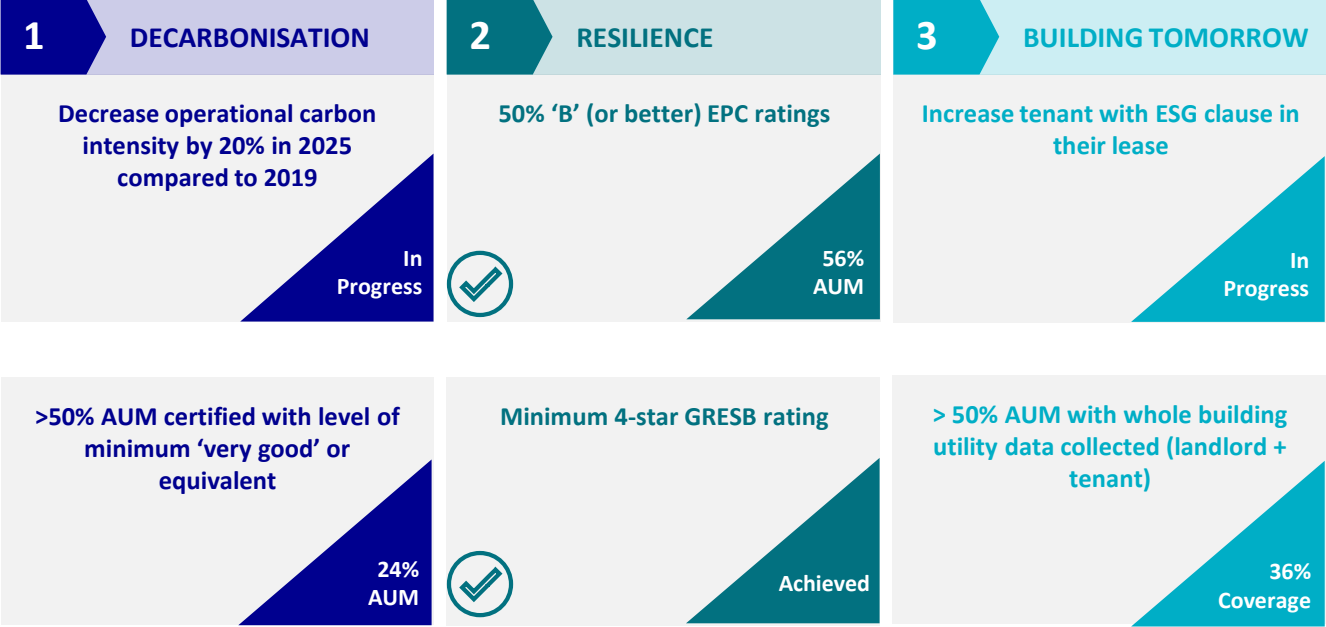


# ESG Roadmap

3 key pillars update

## Targets 2025

Q1'23 Achievements





# HelloWorld

Hoofddorp - Schipol Amsterdam Airport



Delivery  
Q1'23

BREEAM

Excellent



Strategy: Development

Building type: Warehouse

Location: Hoofddorp

Tenant: Rapid Logistics

Sqm: 36k sqm



Certification: **BREEAM Excellent** (75% / 4\*)

- ✓ Sustainably and nature-inclusively design
- ✓ Green spaces and Green facades
- ✓ Reusable components and materials
- ✓ **Solar Panel generating 300%** of on-site operational energy demand
- ✓ **Heat Pumps**



Project delivery: Q1'23



Project cost:

€110m



Project key outcomes:

- Strong ESG Credentials
- **Building designed to be net zero** (construction)

# IV. Transactional Activity





# Deal Pipeline

Illustration of market dynamic through example of deals under review



## Market intelligence

- Higher quality products are put on the market, recently built with strong ESG features
- No distressed sellers, but some opportunities to seize out of Trader Developers
- More bidders are coming back after 2022 wait and see approach
- Targeting yields ranging between 4.5% and 5.5%
- Screening land repricing movements in prime markets

## Deals under review (c. €300m)

- Focusing on Core income producing assets in prime markets, with potential reversion:
  - ✓ **NL:** new built, fully let, 100% Indexed, potential reversion in 5Y
  - ✓ **Germany:** new built property, DGNB Gold, established location
  - ✓ **France:** portfolio of 6 newly built properties in Prime location
  - ✓ **Italy:** newly built, LEED Platinum, conservative capital value

# Acquisition Pipeline

Dourges (FR) - Under exclusivity



**Building type:** Warehouse

**Location:** Northern France

**Sqm:** 45k sqm



- Prime location in Northern France
- Excellent accessibility at crossroads of 2 highways (A1 & A21)
- Standard warehouse delivered in 2018
- Multimodal access (road, rail and river) with direct rail connection into the building



**Opportunity:** Start Q4'22

**Closing:** Q2'23 (expected)



**Project cost:**

€37m



**Project key outcomes:**

- Attractive entry price (NIY c. 4,9%)
- Attractive conditions of the financial lease compared to current financing market

Q2'23

Northern

France



# H1'23 - Market experience

Alcala de Henares (Spain) - Madrid

Q1'23

Madrid

Spain



**Building type:** Warehouse

**Location:** Alcala de Henares (Madrid Region)

**Sqm:** 46k sqm



- State-of-the art logistics asset
- Prime location in Madrid
- BREEAM Very Good
- Fully let
- Multi-tenants
- Potential reversion



**Opportunity:** Q1'23

**Result:** Opportunity withdraw by Seller



**Asking Price:**

€45m



**Project key outcomes:**

- Offer and NBO submitted to Broker/Seller
- Withdraw despite offers received in line with price expectation

## IV. Fund Roadmap





# Fund Strategy

## Key drivers of the Fund's ambition

### Investment Strategy Based on Active Portfolio Management

#### Acquisitions

- The Fund will **remain selective and disciplined to seize opportunities** in the investment markets
- Focus on Core in markets offering depth of occupiers' demand and investment liquidity
- Focus **on indexed lease contracts** and acquisition with a rents' reversion potential
- Focus on properties with **strong ESG credentials**

#### Development

- Develop to hold projects with **deep positive impacts on the ESG profile of the portfolio**
- **Seek land repricing opportunities** which may arise from Trader Developer
- **Generate value creation** through development in Core markets

#### Disposals

- **Some Disposals planned in H2 2022 were put on hold** and may, upon market conditions, be part of the rotation strategy.
- **Optimize the risk return profile** of the portfolio and materialize capital gains

### Target Capital Structure

Maintain a low leverage policy below **35%**  
Monitor the Investment Grade profile of the fund (recently affirmed BBB+ by Fitch)

### Cash Management & Distribution Policy

- 2022 distribution rate estimated to c. 3%
- Close monitoring of the Fund's cash position

### Debt Financing Strategy

- Transitioned to unsecured debt financing in Nov. 2021 with 2 green notes maturing in 2026 & 2029
- Stay agile and seize opportunities in the Financing market without deteriorating the IG profile
- Renew/Extend two credit lines maturing in H2 2023

### Other

- Meet the ESG ambition of the fund. GRESB 4 stars obtained in 2022. Pursue the certification program, implement decarbonization capex (PV, Air Pump Heating...) and continue improving GRESB Score
- Capital raising activity to match the investment program

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