PRESS RELEASE

BF.capital Launches Another Institutional Real Estate Debt Fund

- Target volume of 300 million euros, five million euros minimum subscription amount
- Focus on funding ESG transformations of existing building stock
- Classified as Article 8 fund pursuant to Sustainable Finance Disclosure Regulation

Stuttgart, 16 July 2024 – BF.capital GmbH, an investment house for institutional investors in the private debt segment, just started its fundraising drive for another real estate debt fund. The fund, called BF.capital Real Estate Debt Fund II, aims for a target volume of 300 million euros or more. The average distribution target is approximately six percent, as is the net return. Structured as a Luxembourg SICAV-RAIF, the fund has an eight-year term, plus two renewal options of one year each. The fund is aimed at institutional investors and requires a minimum investment amount of five million euros. It is classified as an Article 8 fund according to the EU's Sustainable Finance Disclosure Regulation (SFDR).

The fund will invest exclusively in whole loans or senior loans. At least 80 percent of the fund volume will go toward loans for standing properties with value-added potential. "Here, we are targeting mainly manage-to-core or manage-to-green investments, e. g. by repositioning properties, by repurposing them for alternative use, by adding extra floors or through infill densification. When selecting projects, we will take both environmental aspects and our social responsibility into account. In terms of use classes, investments will focus on residential, community-related uses and social infrastructure," explained Manuel Köppel, Managing Director of BF.capital. As an add-on option, the fund will also invest in financing arrangements for ESG compliant property developments with market-adjusted parameters, although these are not supposed to make up more than 20 percent of the fund volume.

"Newly launched real estate debt funds offer great opportunities for anti-cyclical investments, especially in the current market cycle. That is because, for the time being, you can earn relatively high current yields on real estate loans – which combine with moderate loan-to-value ratios and market-adjusted value measurement approaches. This creates investment opportunities with an excellent risk-return ratio," as Köppel went on to say.

Pascal Scheeff, Head of Sales at BF.capital, added: "Real estate debt funds offer something that direct real estate investments have a hard time delivering at the moment: Investors get to benefit from the higher level of interest rates plus from the higher credit spreads while also getting to invest in the real estate sector at the same time. Real estate debt can be a valuable building block when seeking portfolio diversification, not least because of the stable payout expectations. Moreover, real estate debt offers an attractive illiquidity premium, resulting in a better risk-return profile than comparable liquid fixed-income investments."

BF.capital is placing the fund with the assistance of Placecap, a fundraising specialist who considers this solution an exiting investment focus – given that it involves an asset manager well networked within the German market.

At present, BF.capital has c. 500 million euros in assets in the real estate debt segment under management. This compares to more than 1.5 billion euros in total assets under the management of BF.capital, including corporate and infrastructure financing.

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About BF.capital GmbH

BF.capital is an investment manager for institutional investors. So far, BF.capital has used individual fund solutions to provide these investors with access to the real estate debt asset class. In October 2023, W&W Asset Management GmbH acquired a 35 percent interest in BF.capital. Going forward, the asset class profile will be expanded to include additional components of the private debt segment, such as infrastructure and corporate debt.

The existing funds managed by BF.capital represent direct lending vehicles for the real estate debt segment. These invest in whole loans or mezzanine loans that are mainly used to facilitate value-add cycles for real properties. The regional focus in this line of business is on Germany’s Class A cities (including their respective metro regions).