



TFI-EU Property Income Fund



The following report presents an update in relation to your investment in TFI-EU Property Income Fund (“Fund”) as of December 31st, 2024.

Fund Summary

TFI-EU Property Income Fund (the “Fund”) was launched in 2017 as a Euro denominated, closed-end Cayman Islands exempted Limited Liability Company. The purpose of the Fund is to invest in income-generating real estate offices in the Eurozone on a Shariah-compliant basis. As of Final Closing Date of December 31st 2018, the Fund had partially acquired interests in joint ventures owning 5 assets (4 in Germany and 1 in Paris) totaling €152 million.

The Fund’s Subscription Amount (cumulative) as of Final Closing Date is **€38.6 million**. The Investors Subscription have been prorated amongst the partially 5 acquired assets and the returns are distributed accordingly from the combined income earned by all assets to ensure parity among the Investors. The main currency of the Fund is the Euro.

Strategic Update

The term of the Fund is 3+1+1 years from the Final Closing Date of December 31st 2018. The Term of the Fund has been extended until its placed into liquidation, due to the difficult market conditions.

This maturity was originally aligned with the completion of asset management plans for each asset and notably the completion of the re-letting plans. However, a series of unforeseen events have disrupted the anticipated exit timeline since 2020, notably the Covid-19 pandemic (March 2020), the Ukraine war (February 2022), and ensuing inflation and significant interest rate hikes (since June 2022). These challenges have exerted considerable pressure on the real-estate markets in the EU and posed challenges to the winding-up plan and impacted the performance of the investments, as exit values and liquidity have been affected in 2023 and 2024.

In light of the foregoing, the Directors have resolved that it is the best interests of the Fund, which is incorporated in the Cayman Islands, that the Investment Term run until the date upon which the Fund is placed into voluntary liquidation and the Directors will continue to monitor the Investments for the remainder of the Investment Term.

Net Asset Value (“NAV”) of the Fund

Estimated NAV per unit as of December 31st 2024, stood at €45.7 versus an initial NAV per unit of €100 as at December 31st 2018. **Representing a decrease in the initial NAV of around 54%**, without taking into consideration distributed dividend which amounted to 41.8%. **Total investment return (including dividend), per unit, amounts to €87.5.**

NAV per unit as of December 31 st 2018	NAV per unit as of December 31 st 2024	NAV per unit Loss /Profit (Excluding Dividends)	NAV per unit Loss /Profit (Including Dividends)
100	45.7	-54.3%	-12.5%

As of December 31st 2024, the valuation of the assets stood at €123.3 million with an outstanding debt of €84.2 million. Based on ownership of each asset by the Fund, the NAV of the Fund stood at approximately €17.6 million versus an initial NAV of €38.6 million, as of December 31st, 2018. It is important to highlight that the NAV mentioned does not reflect an offered market price, it is only an estimate based on last Fair Market Value assessment as provided by the evaluators. This value might change significantly at the time of the exit in a positive or negative way, especially when considering the brokers’ opinion.

The annualized total return to the investors (including paid dividend) stood at -3.1%, of which approximately 41.8% of the initial contribution has already been paid to the investors in the form of dividends.

Exit

Despite the economic and commercial challenges, The First Investor (TFI) and the asset and property manager are continuing to work towards exiting the assets on favourable terms, if possible, and within a period not exceeding one year. The First Investor (TFI) cannot at any time guarantee to Investors that their invested capital will be returned in full or that the Fund will have exited all Investments within one year.

With regards to Hannover, it should be noted that sale negotiations were successfully concluded and Sale and Purchase agreement has been signed on January 31st 2025. While this is a significant step towards the sale of the asset, please be advised that we cannot guarantee the successful closure of the sale process as of date. Furthermore, full sale proceeds are anticipated to be paid by 31 December 2025 and can be deferred by an additional year at the request of the buyer, as detailed below in the key highlight of the terms of the sale:

- **Purchase price:** EUR 16,000,000

- **Down payment:** EUR 2,000,000

- **Due date purchase price:** EUR 12,000,000 (including down payment), shall be paid on 31 May 2025 and will be used to pay back the bank debt, while payment of the remaining EUR 4,000,000 is deferred, as mentioned below.

- **Deferred purchase price:** The payment of the remaining EUR 4,000,000 is deferred until 31 December 2025. The buyer has the option to further defer this payment until 31 December 2026. However, it is important to note that deferring the payment until 31 December 2026 will incur an annual fee of 4.5% to be paid by the buyer.

Furthermore, proceeds from the sale of Hannover are expected to be paid to the investors immediately after receiving the payment from the buyer, unless unforeseen circumstances arise.

With regards to Stuttgart, marketing efforts was put on hold as there was little traction in the local investment market in the first half of 2024. After several rounds of negotiations with Daimler Truck, the break options were successfully waived. The aim is to restart the marketing effort by the first half of 2025. However, it should be noted that challenges may affect the timing of their exit including market to market conditions, interest rates, and other relevant factors.

Efforts are underway to actively enhance the conditions of the remaining three assets, specifically Isenburg, Pantin and Kösching, aligning with the objective to try to optimize, if possible, their value for potential future divestment. As for the property in Pantin, it should be noted that it is facing significant challenges in terms of leasing and sale. Also, it is expected that some tenants will terminate their lease, which will put pressure on the property's value and may lead to a forced sale, as outlined in the asset summary.

Dividend Distribution

For the fourth quarter of 2024, the Fund will not distribute dividends. This is mainly due to the decrease in the net income from rental activities, which is primarily driven by increase in debt servicing costs, increase in the capital expenditures requirements, and the bank requirements. Additionally, reletting expenses, refinancing terms, and tenant improvement allowances have further contributed to the decrease in the net income and liquidity.

Assets Overview

Germany, Neu Isenburg: main tenant Arrow

Occupancy 80% - WALT 3.0 years

- Successful extension of the in-place mortgage loan was signed end of Oct'24, now maturing end Feb'26, with full cash trap maintained by the bank DZHyp.
- Distribution was put on hold since Q1'23 due to reduced NOI resulting from partial (80%) extension of main tenant (Arrow) lease in 2023 and refinancing terms (full cash trap, cash reserve allocations, on top of the €1.4M upfront deleverage upon previous extension in January 2024).
- The 20% vacant spaces are presented to all relevant local agents for marketing, targeting a minimum 85% occupancy to facilitate the disposition of the asset
- One prospective tenant, FedEx, is interested in the 2,000 sqm vacant areas but requesting major TIs (€1m) and capex and fees (€0.5m). DZHyp approval will be a prerequisite to fund this €1.5m cost, using the €2.7m cash reserve accumulated on the 3 properties Stuttgart/Kosching/Isenburg.
- This letting would result in a nearly-100% occupancy, dramatically helping the marketing or refinancing, despite a grayish investment market that might imply a discount to Q4'24 valuation
- **Fair Market Value Q4, 2024: €25.9m**



Germany, Stuttgart: main tenant Daimler Truck

Occupancy 100% - WALT 4.5 years

- The in-place €24.6 million DZHyp mortgage loan initially matured end of August but was further extended to February 2026 in October 2024, subject to a quarterly €180k allocation to the cash reserve.
- As a result of the new financing terms, all distributions after these of Q1'23 have been suspended, attributing cash flows to debt service and cash reserve.
- Our Marketing effort was suspended in June'24, as potential investors were seeking reassurance from Daimler Truck in its commitment to the location.
- We have managed to waive the '27 and '28 break options, thus resetting the WALT to a fixed 4.5-year, and will now try to extend that lease further, to increase the "marketability" of that single tenant (auto industry) asset.
- We expect to restart the marketing of the asset next by Springtime, hoping that the continued ECB interest rate cuts will rekindle the investment market.
- **Fair Market Value Q4, 2024: €40.6m**



Germany, Kösching: main tenant Cariad (Volkswagen Group)

Occupancy 100% - WALT 2.9 years

- Since Q1'23, we had anticipated that extended ownership would imply suspended distributions, as free cash is attributed to increased DZHyp debt service and cash reserve payment (€130k quarterly), conditions upon the financing extension.
- DZHyp financing extension until Feb 28, 2026 was granted on Oct 31st, 2024, requiring quarterly €130k allocation to the cash reserve
- Meeting with single tenant Cariad took place on Sept 30th 2024, further to Rivian acquisition by VW. If any, decision of a lease extension (maturity Nov'27) is deferred to end Q1'25, after which a marketing effort could start, whether Cariad decides to extend or not
- Acceleration of sale process might imply a significant discount to Q4'24 valuation, especially if Cariad does not confirm a lease extension yet
- **Fair Market Value Q4, 2024: €21.5m**



France, Pantin: multi-let

Occupancy 63% - WALT 3.3 years

- In an ever increasingly demanding ESG environment, our installations are energy-intensive and commanding more capex.
- Faced with economic challenges since the pandemic and struggling to achieve performance objectives, intense technical management of the building would be required to optimize scarce resources and keep tenants in place satisfied.
- Shareholders (REIT + Inovalis SA) have invested an additional Eur4M since acquisition to bridge cash shortfall and safeguard going concern of the JV.
- Negotiations with France Domaine (initially interested in 2,300 sqm (half of total vacant areas)) are stopped because of prohibitive costs to fund with a low potential return in term of sale price, which our senior lender refused to finance, limiting its effort to a 12-month deferral of debt amortization.
- Tenants such as Regus (6% occupancy), Solabia (9% occupancy) are willing to terminate their lease between the end Q1'25 and Q2'26.
- We expect to finalize the last 9 months of discussions with a few developers by end Q1'25, to assess the redevelopment capacity of the 2 buildings (conversion into hotel, student housing and/or residential), considering potential evictions costs and building permit conditions.
- This might be an alternative to a fire sale.
- **Fair Market Value Q4, 2024: €19.3m**





Germany, Hannover: fully vacant

Occupancy 0% since 31 Dec 2024 following NordLB departure



- Throughout 2024, the property was actively marketed via local brokers JLL and Advenis Germany to market the property to comply with the terms of the 1-year extension secured from PostBank, our senior lender, in Dec'24
- On the letting side, NordLB gave its early termination notice for their lease by December 31, 2024 and we collected a €2m indemnity that was immediately used to deleverage the mortgage loan (now amounting to €12m).
- After several unsuccessful sale attempts, a SPA was signed in February 2025 with Mr Lumenski for a sale at €16m, of which €4m is deferred to December 2025 (or 2026 with 4.5% annual dee).
- The €12m first tranche payment (of which €2m have already been deposited on a notary's account) is due on May 31, 2025 and should repay the bank in full.
- In case of sale abortion, a €2m penalty is due by the buyer and would serve to further amortize the debt.

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