

## 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 March 31<sup>st</sup>, 2025.

### 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 office buildings in the Eurozone on a Shariah-compliant basis. As of Final Closing Date of December 31<sup>st</sup> 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 31<sup>st</sup> 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 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 March 31<sup>st</sup> 2025, stood at €46.4 versus an initial NAV per unit of €100 as at December 31<sup>st</sup> 2018. **Representing a decrease in the initial NAV of around 53.6%**, without taking into consideration distributed dividend which amounted to 41.8%. **Total investment return (including dividend), per unit, amounts to €88.2.**

NAV per unit as of December 31st 2018	NAV per unit as of March 31st 2025	NAV per unit <b>Loss/Profit</b> (Excluding Dividends)	NAV per unit <b>Loss/Profit</b> (Including Dividends)
100	46.4	<b>-53.6%</b>	<b>-11.8%</b>

As of March 31<sup>st</sup> 2025, the valuation of the assets stood at €123.2 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 €17.9 million versus an initial NAV of €38.6 million, as of December 31<sup>st</sup>, 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 approximately -2.9%, 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.

It is important to note that during Q2 2025, the buyer expressed interest in paying the full amount by May 31, 2025, opting out of the deferred payment option. This proposal is subject to a discount of EUR 91,000, reducing the total purchase price to EUR 15,909,000. To facilitate the transaction and expedite the closing process, it was decided to accept this proposal and efforts are underway to ensure the timely exit of the asset.

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 first quarter of 2025, 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 2.8 years

- Successful extension of the in-place mortgage loan 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).
- A lease agreement is under negotiation with FedEx Express Germany GmbH on 1,987 sqm (16%) of office space covering the 3rd to 5th floors of the property. DZHyp has agreed the funding of the €2.1m relocation cost (TI's, Capex and broker fees), by releasing a part of the €2.8m cash reserve accumulated on the 3 properties Stuttgart/Kosching/Isenburg.
- This letting would result in an occupancy level of 96%, dramatically helping the marketing or refinancing, despite a subdued investment market that might imply a discount to Q4'24 valuation (FMV: €25.9m).
- Assuming this lease is secured, options for short-to-long-term loan extensions will be reconsidered.
- As per the brokers' indications, the investment market in Neu Isenburg is presently in standby, with investors awaiting the impact of future ECB decisions about future interest rate cuts.
- **Fair Market Value Q1, 2025: €25.9m**
- **Outstanding Loan amount: €21.4m**



### Germany, Stuttgart: main tenant Daimler Truck

Occupancy 100% - WALT 4.2 years

- In Oct'24, the in-place €24.6 million DZHyp mortgage loan initially matured end of August but was further extended until February 2026, 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.
- Marketing efforts were 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 now try to extend that lease further, to increase the "marketability" of that single tenant (auto industry) asset.
- While Daimler has been expanding its footprint in the area where the asset is located and close to their nearby HQ, we have started conversations with brokers during last MIPIM to restart the marketing by mid Q2'25.
- **Fair Market Value Q1, 2025: €40.6m**
- **Outstanding Loan amount: €24.6m**



### Germany, Kösching: main tenant Cariad (Volkswagen Group)

Occupancy 100% - WALT 2.7 years

- Since Q1'23, we had expected 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 31, 2024, requiring quarterly €130k allocation to the cash reserve.
- Meeting with single tenant Cariad took place in Sept 2024 and Jan 2025, further to Rivian acquisition by VW: although they like the premises (built on specification originally for them), they have again postponed their decision, this time until end 2025.
- The brokers' previous indications of value at least 20% below FMV remain valid and reflect the short WALT and the fact that the single tenant (Cariad) is highly dependent on the ongoing restructuring of Volkswagen Group.
- Acceleration of sale process might therefore imply a significant discount to Q1'25 valuation.
- **Fair Market Value Q1, 2025: €21.5m**
- **Outstanding Loan amount: €13m**



### Germany, Hannover: fully vacant

Occupancy 0% since 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, senior lender, in Dec 2024
- 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% interest).
- In April 2025, Mr Lumenski has proposed to make full payment of the sale price on May 31 2025, subject to a €91k discount.
- 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.
- **Outstanding Loan amount: €12m**





**France, Pantin: multi-let**

Occupancy 63% – WALT 3.1 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 goals, intense technical management of the building would have to improve scarce resources and keep tenants in place satisfied.
- Shareholders (REIT + Inovalis SA) have invested an added 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)) were halted 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.
- Regus (6% occupancy) vacated the premises in April and stopped paying rent. Legal action will be initiated to recover the rent due until the end of the lease, i.e. 12/31/2026.
- Out of the last 9 months of discussions with a few developers, we have granted a 2-month due diligence exclusively to ADIM/VINCI to assess the redevelopment potential of the 2 buildings (conversion into student housing / residential project), considering potential evictions costs and building-permit conditions.
- This will allow us to assess the potential value of the building, which may vary according to their 3 scenarios from €12m to €17.5m or even €20m, depending on the flexibility of the City of Pantin and before eviction costs of up €1.5m.
- Out of this process, we will be free to consider the outcome of their analysis and figure out if it makes sense to start a 2-year conditional sales process.
- In the meantime, the SPV's going concern is barely secured with the commitment made last year by the shareholders and the successful amortization deferral negotiated with our bank.
- An addendum to TFI bond agreement shall extend its maturity date until May 2026, to secure the going concern (AREF DIAMANTS is supporting its subsidiary SCI DELIZY DIAMANTS, together with the co-shareholder, INOPCI 1, until June 26.
- **Fair Market Value Q1, 2025: €19.3m**
- **Outstanding Loan amount: €13.1m**

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