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In conver- sation with



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SÉBASTIEN COSSU

SCARCE CAPITAL, A MARKET IN TRANSITION:

Alternative Credit at the Core
of a New Real Estate Momentum

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CAPITAL

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SCARCE CAPITAL, A MARKET IN TRANSITION:

Alternative Credit at the Core of a New Real Estate Momentum

Introduction

The real estate market is not merely experiencing a cyclical slowdown; it is undergoing a more structural test, one of liquidity. The end of a decade of abnormally low interest rates has acted as a wake-up call. As the cost of capital normalises, financial models built in an environment of abundant liquidity are being challenged, valuations are adjusting and cash flows are tightening.

The real break is not only monetary, it is financial. Banks, historically the cornerstone of real estate financing, have durably tightened their lending conditions: more conservative ratios, greater selectivity and a clear preference for stabilised assets. In the meantime, institutional investors have reduced their equity exposure, with valuation uncertainty prompting them to focus more closely on managing their existing portfolios.

A paradox is therefore emerging: capital needs remain considerable precisely at a time when traditional sources of financing are contracting.

These needs are initially cyclical, refinancing of debt originated before the rise in interest rates and the adjustment of capital structures that have become ill-suited to the new rate environment. But they are also deeply structural: financing the energy transition, transformation capex, the repositioning of obsolete assets and the adaptation of properties to evolving residential and commercial uses.

We are not facing a sudden crisis comparable to that of 2008. Rather, this is a gradual and structural rebuilding phase, visible across both Europe and the United States, in an environment where capital is durably more constrained. A particularly volatile geopolitical backdrop is also contributing to a degree of inertia in the market's recovery.

In this context, **alternative credit is no longer a niche. It is becoming a key vector of market stabilisation and transformation. Where liquidity is scarce, it provides flexibility, structuring expertise and speed of execution. In a cycle of market recomposition, the ability to finance the transition, rather than wait for it, may well represent the most compelling opportunity.**

Anatomy of a crisis, why is alternative credit becoming increasingly central to real estate financing?

EC: Alternative credit is gaining prominence primarily because the real estate market is going through an adjustment phase following the end of an exceptional monetary cycle. The near-zero interest rates observed prior to 2021 represented a historical anomaly; their rise corresponded to a form of normalisation.

However, many transactions were structured in a very different interest-rate and valuation environment. The rise in rates has triggered corrections in certain asset classes, mechanically reducing valuations and borrowing capacity while requiring additional equity. At the same time, the cost of debt, now stabilised around higher levels, is compressing cash flows and weakening the economic balances structured during the period of low interest rates.

Faced with this new environment, traditional banks have significantly tightened their lending criteria: greater sponsor selectivity, lower LTV/LTC¹ ratios and a clear focus on stabilised, income-generating assets. This contraction in bank lending supply creates a financing gap that alternative credit is naturally, and increasingly, stepping in to fill.

SC: This dynamic is reinforced by the partial withdrawal of institutional equity investors, increasing the proportion to be covered by alternative / non-traditional financing solutions. This reflects a combination of declining senior financing, reduced institutional capital allocation and the erosion of equity values resulting from higher interest rates.

Concerns over the accuracy and relevance of valuations, the heightened perception of real estate risk in a higher-rate environment and regulatory constraints are prompting institutional investors to reduce their exposure.

Yet liquidity needs remain substantial: refinancing of maturing debt (often already extended once), the adjustment of structures put in place prior to 2021 and the financing of capex² linked in particular to the energy transition or post-Covid shifts in usage.

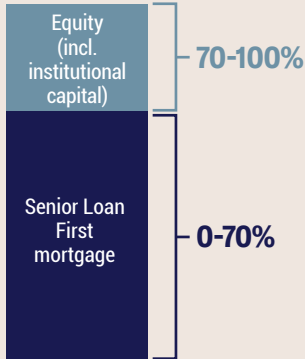
In this environment, sponsors have limited options: accept more restrictive bank terms, inject additional equity or turn to alternative credit providers capable of structuring solutions for more complex or transitional situations.

As a result, alternative credit is no longer marginal or opportunistic. It responds to a structural market need and is emerging as a core pillar of real estate financing in a durably capital-constrained environment.

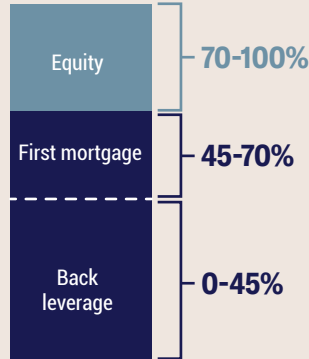
¹ Loan-to-Value / Loan-to-Cost (loan-to-value ratio and loan-to-cost ratio)
² Capital Expenditure

DIFFERENT CAPITAL STRUCTURE

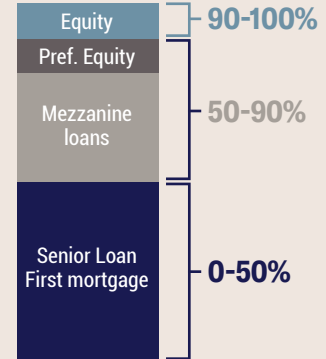
TRADITIONAL SENIOR DEBT



SENIOR LOAN WITH BACK LEVERAGE

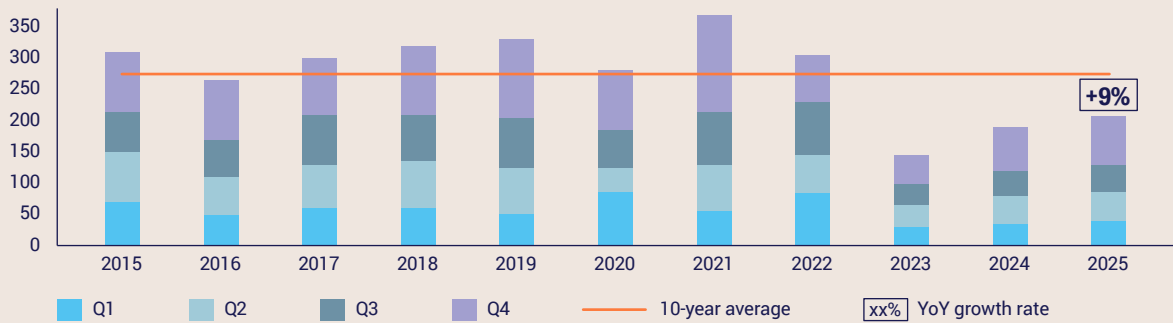


MULTILAYERS

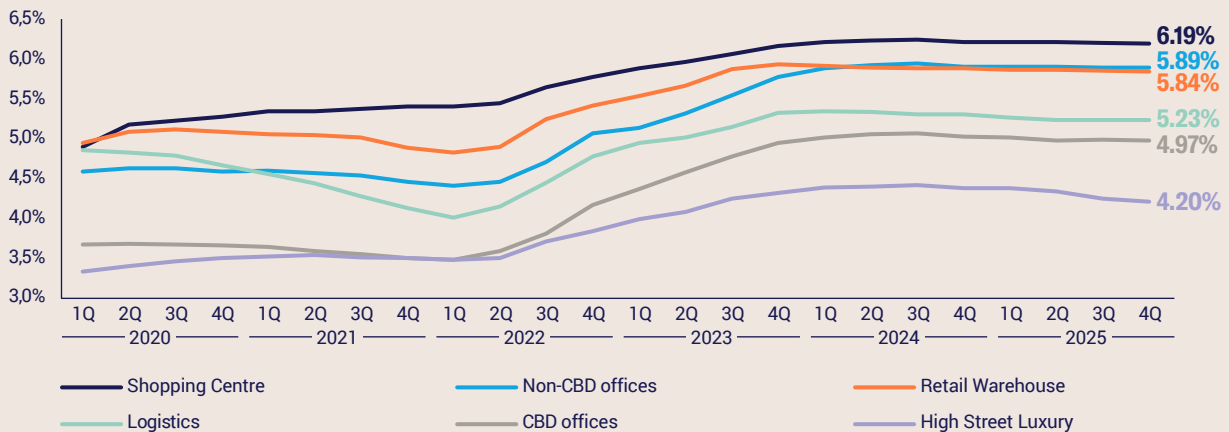


Source: Tikehau Investment Management as of 31 December 2025. For illustration purposes only.

EUROPEAN CRE INVESTMENT VOLUMES ILLUSTRATE A BROAD-BASE RECOVERY WITH HIGHER VOLUME ESTIMATES



EUROPEAN REAL ESTATE YIELDS EVOLUTION SINCE 2020 BY SECTOR



Source: Tikehau Investment Management as of 31 December 2025. For illustration purposes only.



Can we truly speak of normalisation since 2021, and why do short and long-term rates continue to weigh on real estate financing?

SC: Regarding the valuations and market perception, a form of normalisation is indeed underway, but it remains partial. Following the shock of 2022–2023, marked by a significant correction in valuations, the market now appears to have adjusted to a certain level of repricing and to a new valuation paradigm. Pricing is gradually stabilising, and certain segments, notably residential and hospitality, are seeing a recovery in transaction volumes.

Banks are also gradually returning to the sector. Lenders are re-engaging with real estate, albeit selectively and with more moderate LTV levels than before 2022, leaving the higher-risk portion of the capital stack, including quasi-equity, to alternative lenders. Activity is picking up, but without regaining the intensity or liquidity of the pre-2021 period. This cautious recovery reflects an environment perceived as structurally less predictable and more risk-sensitive.

In that sense, normalisation is visible in pricing and activity, but it does not imply a return to the previous cycle. The market is entering a more constrained equilibrium.

EC: What continues to weigh on the market is its financing capacity. Both short-term and long-term interest rates maintain a higher cost of debt and different valuations than in the past decade, directly affecting the economic balance of transactions.

Banks remain cautious, particularly in the office sector, which remains the most fragile segment, especially large peripheral campuses, single-tenant assets or poorly positioned properties. Credit underwriting has become more conservative: banks prioritise longstanding client relationships and apply rigorous deal selection.

This dynamic is visible in both Europe and the United States. Despite different regulatory frameworks, the conclusion is similar: bank lending capacity alone is insufficient to meet the full spectrum of market needs.

Rather than a sudden shock like that of 2008, the sector is experiencing a slow and structural adjustment, a kind of “slow-motion car crash” for real estate. Refinancing challenges, energy-transition capex and geopolitical uncertainty continue to sustain this tension.

In this environment, liquidity needs persist. Non-bank financing is therefore gaining importance, particularly in transitional or complex situations, structured refinancings, significant capex programmes and asset conversions. While these solutions may be more expensive, they provide the flexibility and execution speed essential for implementing business plans.

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Which sectors are currently attracting your interest?

EC: Several asset classes present compelling opportunities in our view. Our flexibility, local presence and ability to structure multiple transactions simultaneously across different geographies support us to address a wide range of situations, often where bank financing proves more hesitant.

This is particularly the case for speculative logistics developments, hospitality or residential assets with an operational component, as well as office capex programmes or digital infrastructure projects that require higher leverage and more flexible capital structures than those typically offered by traditional lenders.

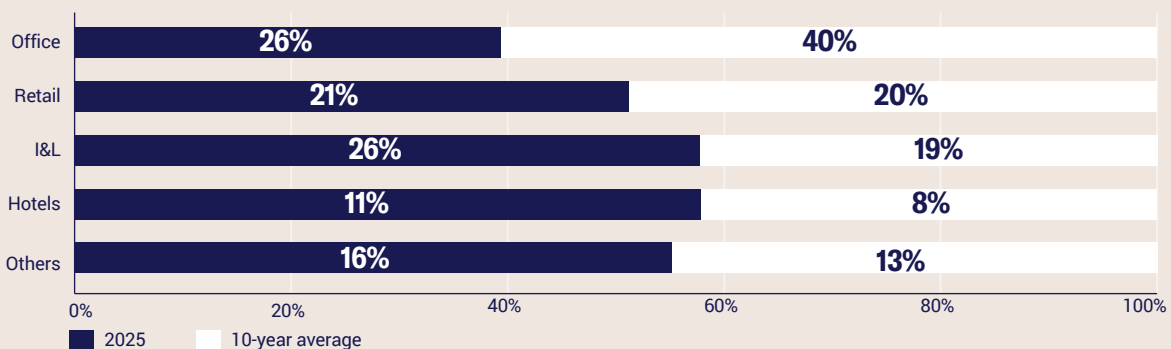
SC: Asset repositioning transactions constitute a second major area of intervention. Many office assets remain under pressure today, facing obsolescence or vacancy challenges and requiring conversion into residential or alternative uses. Banks remain particularly reluctant to finance these transformations, notably the early-stage phases from development to works completion.

In these situations, our approach is underpinned by conservative LTVs, strong structural protections, granular analysis of project dynamics and equity constraints, and robust amortisation features.

Hospitality is also an attractive sector. It is inherently an operational asset class, more sensitive to economic cycles and with cash flows that are not contractually guaranteed. This explains banks' caution unless sponsors can demonstrate recurring revenue generation over several years. With strong sector expertise and appropriate financial structuring, however, this risk can be managed in a disciplined manner.

EC: Ultimately, our focus is on sectors where complexity, transformation or operational exposure create a need for more sophisticated structuring, and therefore genuine value creation for an alternative lender.

MARKET SHARE BY ASSET CLASS AS OF Q4 2025 VS. 10-YEAR AVERAGE



Source : BNP Paribas Real Estate Europe 2025 as of 30 January 2025.

CASE STUDIES

175 THIRD STREET BROOKLYN, NEW YORK, UNITED STATES

Tikehau Capital co-originated a USD 35 million mezzanine financing to support a residential development located at 175 Third Street, Brooklyn, New York.

This real estate project is expected to comprise two Class A mixed-use towers offering approximately 1,000 residential units, as well as around 8,900 sqm of retail space and 49 parking spaces. The project would feature premium amenities and high-end common areas, including an inner courtyard, swimming pool, sauna, fitness center, coworking spaces, and a waterfront park along the canal.

DEAL DATE	April 2025
INVESTMENT SIZE	\$35M
LOAN TENURE	1 year + 6 months + 6 months
INVESTMENT TYPE	Mezzanine loan



PROJECT COLOMBO ROME, ITALY

Tikehau Capital completed a €42.1 million senior facility to fund the remaining development capex of the Colombo project in Rome, Italy. The sponsor was Fidera Vecta, acting through a fund managed by Praemia REIM Italy SGR. This transaction represents Tikehau Capital's first real estate credit investment in Italy and its fourth real estate credit transaction completed in 2025.

The asset is located on Via Colombo, to the south of Rome's central business district, with convenient access to the city centre, the EUR district (Esposizione Universale di Roma), and Fiumicino Airport. It consists of three contiguous buildings, totalling 35,500 sqm of gross leasable area, and is fully leased to an AAA-rated tenant, MASE (the Italian Ministry of Energy Development).

DEAL DATE	December 2025
INVESTMENT SIZE	€42.1M
LOAN TENURE	2 + 1 year
INVESTMENT TYPE	Senior loan



What risk/return outlook do you anticipate for this opportunistic strategy, and how are Tikehau Capital’s real estate credit funds positioned in this cycle?

SC: In the current environment, this type of strategy offers what we believe is an attractive risk-return profile. We are operating in a phase of the cycle characterised by a contraction in bank liquidity, significant refinancing needs and increased selectivity among traditional lenders. This configuration can create compelling entry points, with spreads and structures that are notably more protective than during the period of monetary abundance.

The key factor, however, is underwriting discipline. The cycle remains uncertain and requires a granular analysis of fundamentals: asset quality, sponsor strength, depth of rental markets and the robustness of business plans. An opportunistic strategy does not imply excessive risk-taking; on the contrary, it relies on secure structuring, appropriate covenants and active risk management.

In this context, we expect risk-adjusted returns to exceed those of core or core+ strategies, precisely because we operate in complex or transitional situations where both the illiquidity premium and the structuring premium are meaningful.



This configuration can create compelling entry points, with spreads and structures that are notably more protective than during the period of monetary abundance.

CASE STUDY

PUBLIC HOTEL, MANHATTAN, NEW YORK, UNITED STATES

Tikehau Capital originated a USD 57 million mezzanine facility for the Public Hotel project in Manhattan, New York.

The asset is ideally located in the Lower East Side, on the border of the East Village and SoHo. It comprises 367 hotel keys, five meeting rooms, and seven food and beverage venues. The investment is supported by the attractive fundamentals of the New York hospitality market, an asset generating growing cash flows with strong margins, and an experienced and reputable U.S. sponsor.

DEAL DATE	December 2025
INVESTMENT SIZE	\$57M
LOAN TENURE	Up to 5 years (2 years + 3 x 1 year extensions)
INVESTMENT TYPE	Mezzanine loan

EC: Tikehau Capital's real estate credit funds are positioned in this cycle with a flexible and differentiated approach. We provide financing solutions tailored to a broad range of risk profiles, borrowers and leverage levels, with ticket sizes typically ranging from €20m to €200m.

Our ability to cover the entire capital structure, from stretched senior loans and development financing to mezzanine solutions and holding-level financing, represents a key advantage in what remains a fragmented market.

Our positioning is also underpinned by deep sector expertise and by partnering with sponsors capable of executing complex transformation strategies. Our on-the-ground presence across major European markets gives us operational proximity that enhances our risk analysis and supports us to structure genuinely bespoke financing solutions.

In a cycle defined by adjustment and selectivity, our ambition is not only to capture a yield premium but also to build resilient portfolios grounded in a deep understanding of underlying assets and disciplined financial structuring.



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DISCLAIMER:

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Investments in real estate debt involve risks, including (but not limited to) illiquidity and loss of capital, credit / counterparty risk, subordination and structural risks (ranking, intercreditor agreements, security interests, covenants), market risks (rates, spreads, inflation), refinancing and valuation risks, legal and operational risks, as well as real estate asset-specific, regulatory, and, where appropriate, currency risks. This list of risks is not exhaustive, and risks should be assessed on a case-by-case basis.

Tikehau Capital,

GLOBAL ALTERNATIVE ASSET MANAGER

Our mission

Our mission is to direct global savings towards innovative financing solutions tailored to companies' needs, whether to support growth, enable ownership transitions, or back innovation.

Our values

**Excellence,
independence,
commitment.**

Founded in
2004

IPO in
March 2017

€52.8bn
of AuM

17
offices

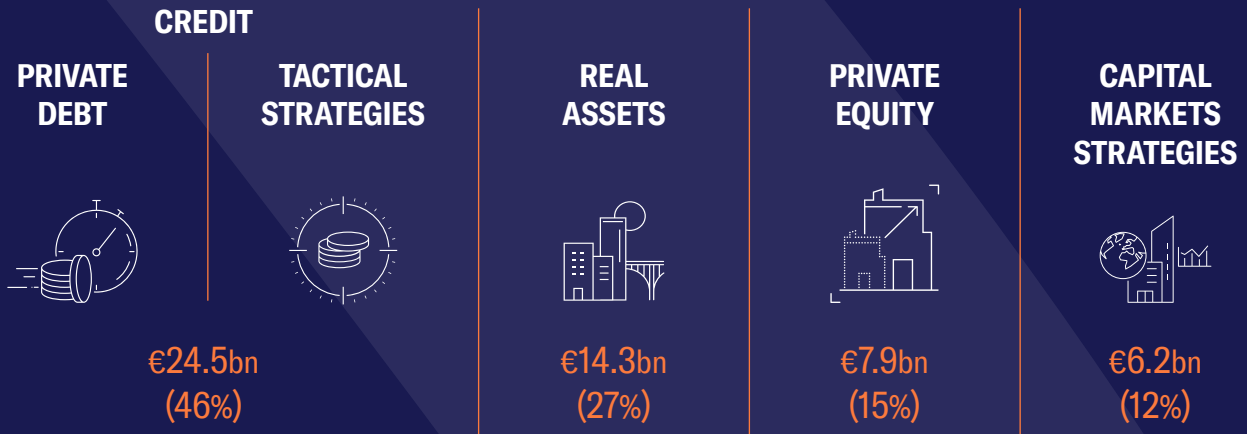
717
employees

€3.1bn
of shareholders' equity

69%
of balance sheet invested alongside
our investor-clients

Figures as of December 31, 2025.

LONG-LASTING EXPERTISE IN MID-MARKET FINANCING ACROSS ASSET CLASSES AND STRATEGIES



Relevant cloud of strategic partnerships

Entrepreneurial DNA and alignment of interests

Global reach, local expertise

Compounding balance sheet growth

Conviction-driven investments

Sustainability at the core



**In
conver-
sation
with**

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