

INVESTING IN SUSTAINABLE CITIES

HARNESSING THE RETURN POWER OF EUROPE'S MODERN URBAN LANDSCAPE



OLIVIER SEUX
Head of Real Estate

Spring 2023

**What makes a great city?
Each has a unique identity,
formed from a combination
of the natural landscape,
urban architecture, industry,
infrastructure and the
demographics of its residents.
Together, they create the city's
DNA from which its culture
evolves.**

Across Europe, the major cities have experienced two seismic challenges in recent years:

1. Climate crisis

Estimates suggest that cities are responsible for 75% of global CO₂ emissions, with transport and buildings being among the largest contributors¹.

2. Covid-19

The pandemic escalated the shift to flexible working and changed the requirements city-dwellers have from their urban spaces.

In order to recover from and dynamically respond to these challenges, Europe's great cities require restructuring, and with this comes a unique potential investment opportunity.

To capture the heart of the opportunity, we are focusing our attention on France. Many of France's major cities are now experiencing three core change drivers, accelerated by the pandemic and ongoing climate crisis. These drivers are supported by solid market fundamentals and a specialised, protective legal framework that facilitates sustainable urban development.

WHY OUR CITIES HAVE TO CHANGE

1. LAND SCARCITY

Over the past 40 years, Europe's major cities have been spreading outwards, turning natural, agricultural and forest lands into urban areas – an effect known as soil artificialisation.

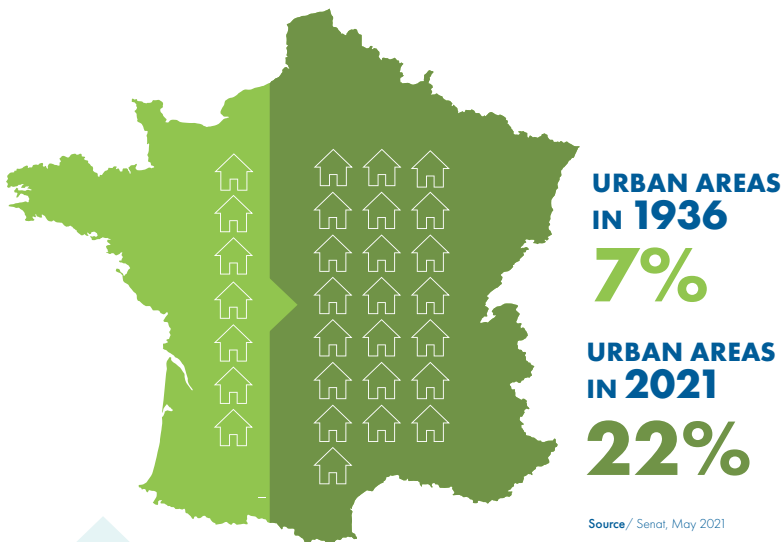
Artificialisation degrades biodiversity, increases the risk of flooding and contributes to global warming by releasing CO₂ stored in the soil.

Instead of continuing to expand outwards, France has written into law that its major cities must increase their density, with land and building space being used more efficiently to absorb growing populations.

Property developers must look to maximise the existing square footage. This shift from expansion to concentration is increasing the value of building plots inside city borders and is driving the urgent need for equity capital to fund the restructuring of inefficient buildings.

URBAN EXPANSION ACROSS EUROPE

1936 to 2021



On average, 23,000 hectares of natural landscape are lost every year in France to artificialisation.

This is the equivalent of:



22x THE AREA OF PARIS



33,000 FOOTBALL PITCHES



19 MILLION PARKING SPACES

France is one of Europe's worst offenders regarding restraining real estate development.

The **2021 ZNA Goal** sets the path for the stringent reduction of artificialisation of natural land. With a target of net zero artificialisation by 2050, it aims to progressively stop urban expansion and drive value increase for assets and plots of land inside city boundaries.

Source / Bouygues Construction, 2019

FRENCH BUILDING REGULATIONS

- 2000** • Min.20% of new builds must be apportioned to social housing
- 2019** • Compulsory for landlords to begin energy efficiency works
- 2020** • All new buildings must achieve 3x greater energy efficiency than standard, consuming no more than 50 kWh/m²/year
- 2023** • G-rated domestic properties that consume over 450 kWh/m²/year banned from rental market
- 2025** • 25% of new builds must be social housing + higher fines for missed targets
- 2025** • All G-rated domestic properties banned from rental market
- 2028** • All F-rated domestic properties banned from rental market
- 2030** • Commercial landlords to achieve 40% reduction in energy consumption
- 2034** • All E-rated domestic properties banned from rental market
- 2040** • Commercial landlords to achieve 50% reduction in energy consumption
- 2050** • Commercial landlords to achieve 60% reduction in energy consumption

2. ENERGY EFFICIENCY

Hand in hand with this shift in city planning constraints come new environmental regulations. Globally, buildings account for approximately 40% of annual carbon dioxide emissions – making them the number one contributor².

The UN Net Zero Coalition, introduced in 2015 and targeting global carbon neutrality by 2050, now has more than 80 country signatories, representing 70%+ of total global emissions.

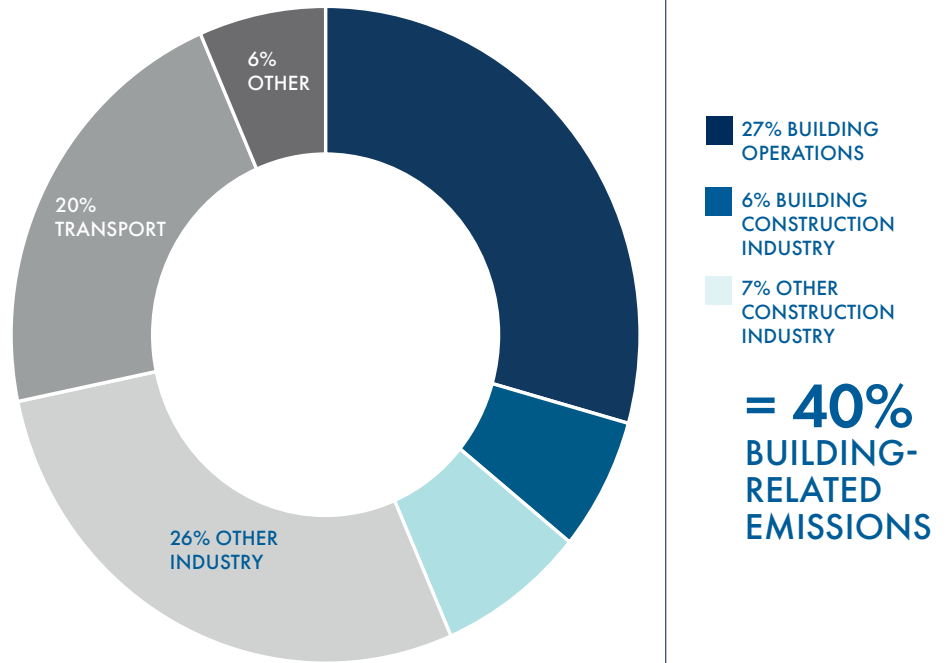
With buildings being the lead carbon emitters, improving their efficiency has become a priority for governments around the world.

In France, the existing building stock is estimated to use 43% of the national energy consumption³.

Multiple regulations have been put in place to tackle efficiency, increasing the demand for equity capital to restructure existing buildings.

ANNUAL GLOBAL CO₂ EMISSIONS

Buildings account for total 40% of global emissions



Source/International Energy Agency, 2022

FOR PROFESSIONAL INVESTORS ONLY

^{2&3}International Energy Agency (IEA), 2022

3. EXPANDING POPULATIONS

The number of European households has increased significantly over the past 20 years, reflecting rising divorce rates and differing family structures. France has seen the creation of 1.5 million new households since 2010⁴ with no sign of this trend easing. Population trends are shifting towards smaller average household sizes, increasing the pressure for new homes, particularly in urban areas.

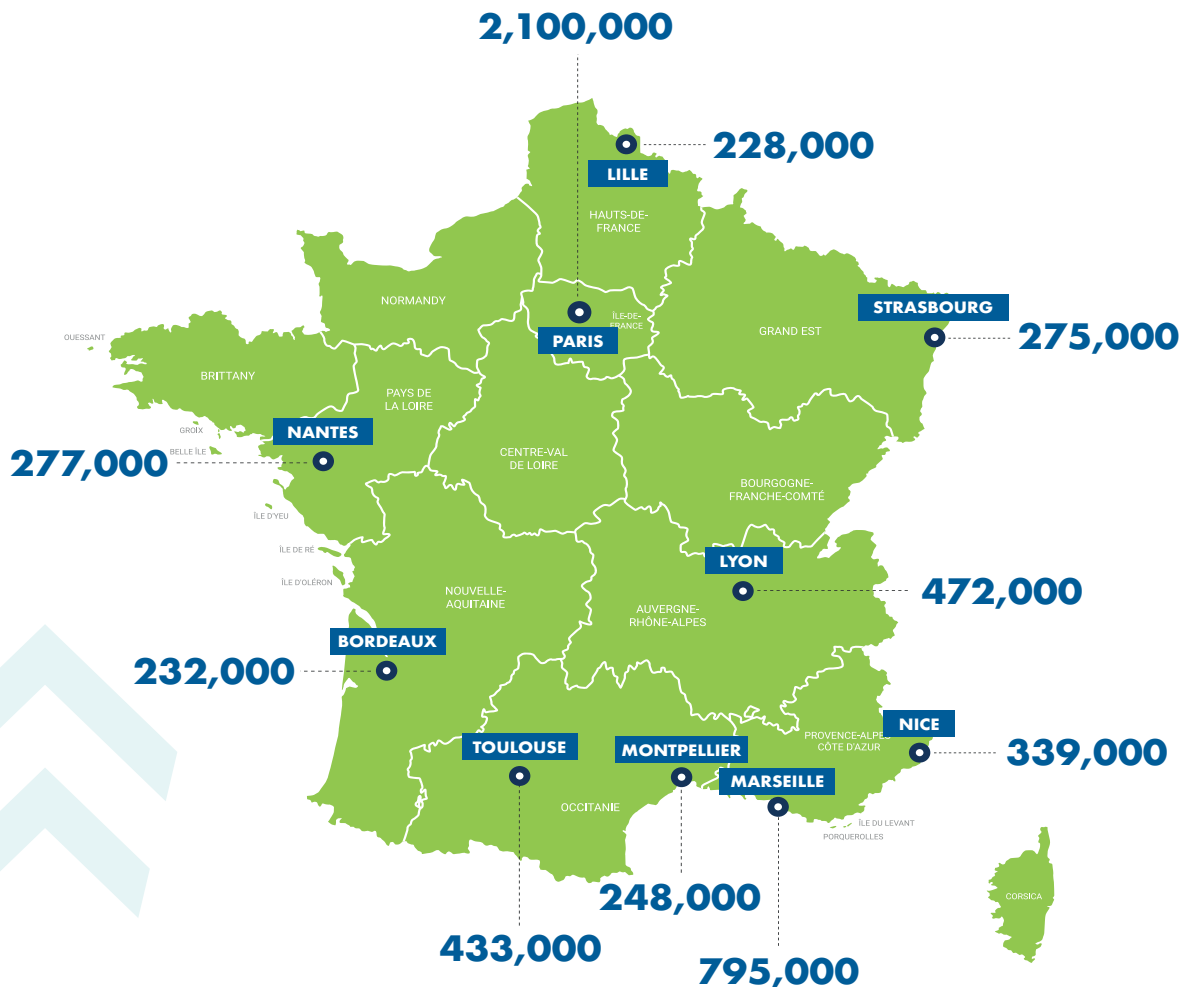
In line with efforts to meet environment regulations, individual car use within urban areas is discouraged, in favour of public transport.

This is driving up the value of land plots close to transport hubs.

As a secondary effect, the increase of home working has changed employees' expectations of desirable office locations.

Prior to Covid, many large companies had sites outside of city centres. It is now more desirable for offices to be located inside cities, contributing to strong demand for locations close to transport hubs and near retail and leisure facilities – the attractiveness of an office location is becoming critical for employee retention and recruitment.

POPULATION SIZE IN FRANCE'S LEADING REGIONAL CITIES



FOR PROFESSIONAL INVESTORS ONLY

Source / World Population Review, 2023

⁴Global Data, October 2022

INVESTING IN THE CHANGING SHAPE OF FRENCH CITIES

Over the long-term, the valuation of plots and buildings inside cities will continue to appreciate, supported by:

- soil artificialisation regulations
- energy efficiency legislation
- sociological trends

We have to accelerate the transformation of our cities, which requires huge equity capital, creating a unique potential investment opportunity.

STRONG INVESTMENT FUNDAMENTALS

1. SUPPLY

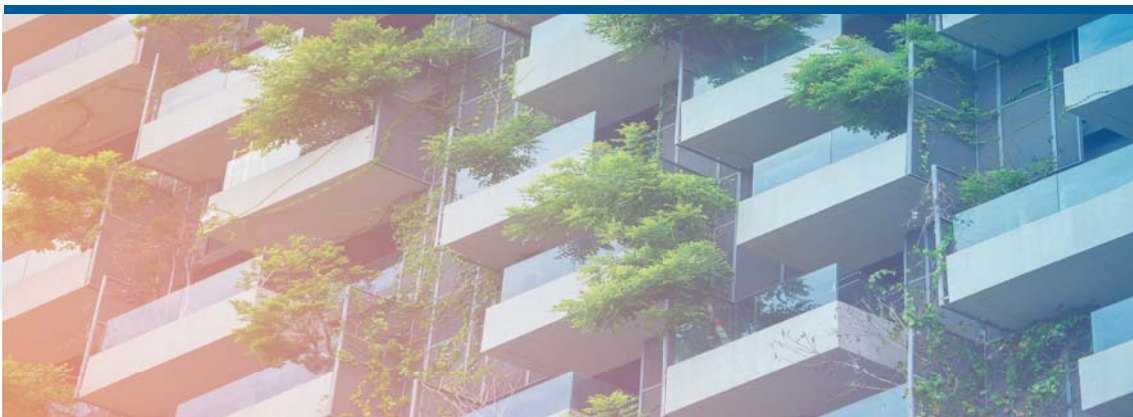
- The French market is very sound in terms of supply.
- Inventory of unsold new homes in France is extremely low at less than 3% of the total supply (c.5000 units)⁵.
- All other supply is either sold off plan or prior to construction completion.

2. DEMAND

- Remains very strong, driven by a housing shortage.
- There are over two million people waiting for social housing (SH) places – SH operators continue to buy residential building programmes.
- Institutional investors and large asset managers are also repeat buyers of housing blocks, providing additional support to the market.

3. COMPETITIVE LANDSCAPE

- The market is rich with land and existing building opportunities.
- Most prospective buyers lack the necessary early stage equity.
- As equity providers, we believe we are perfectly positioned to seize the opportunity to acquire assets at very attractive price points.
- There is currently no competitor providing developers with landbank financing solutions for projects in the EUR5-10 million range. The majority of private equity capital is focused on EUR40-50m deal size opportunities.



FOR PROFESSIONAL INVESTORS ONLY

⁵FPI France, November 2022

OUR UNIQUE SOLUTION – MIRABAUD SUSTAINABLE CITIES

The strategy provides equity to leading developers to finance restructuring and new-home programmes across France, with a focus on the leading regional cities.

We provide financing for the acquisition of land plots and the restructuring of existing buildings, targeting 12% internal rate of return (IRR) net of fees over a 3-6yr time horizon at project level on a 1.6x multiple of invested capital (MOIC).

WHO WE WORK WITH

We have partnerships with France's 15 leading tier-one developers, which allows us to utilise the thousands of researchers they have on the ground identifying the most attractive potential opportunities.

We provide early stage financing to the very best opportunities, becoming majority shareholders in the special purpose vehicles (SPVs) that buy the land plots or existing buildings that need restructuring.

UNIQUE ACCESS & APPROACH

Mirabaud is the exclusive partner for holding assets with Bouygues Group. Our joint venture has a total equity investment of EUR100m to buy plots of land prior to development. There is no other such partnership in the market.

We are progressively becoming the no.1 institutional partner for the largest French developers and have deep conviction in the long-term value appreciation of the land plots and buildings being developed.

WHY DO DEVELOPERS REQUIRE EQUITY FINANCING?

Given the scarcity of land plots, developers are in intense competition with each other and must put up equity to secure a deal ahead of building permits being submitted and granted.

Banks will typically only provide financing after building permits have been issued.

Most developers do not have the balance sheet scope to meet this equity condition. So more and more are looking for external finance partners.

IMPORTANT INFORMATION

This marketing material contains information or may incorporate by reference information concerning certain collective investment schemes ("funds") which are only available for distribution in the registered countries. It is for your exclusive use only and it is not intended for any person who is a citizen or resident of any jurisdiction where the publication, distribution or use of the information contained herein would be subject to any restrictions. It may not be copied or transferred.

This material is provided for information purposes only and shall not be construed as an offer or a recommendation to subscribe, retain or dispose of fund units or shares, investment products or strategies. Before investing in any fund or pursuing any investment strategy, potential investors should consult the relevant legal documents. Potential investors are recommended to seek prior professional financial, legal and tax advice. The sources of the information contained within are deemed reliable. However, the accuracy or completeness of the information cannot be guaranteed and some figures may only be estimates. In addition, any opinions expressed are subject to change without notice. There is no guarantee that objectives and targets will be met by the portfolio manager.

All investment involves risks, returns may decrease or increase because of currency fluctuations and investors may lose the amount of their original investment. Past performance is not indicative or a guarantee of future returns.

This communication may only be circulated to Eligible Counterparties and Professional Investors and should not be circulated to Retail Investors for which it is not suitable.

Issued by: in the UK: Mirabaud Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority under firm reference number 122140. In Switzerland: Mirabaud Asset Management (Suisse) SA, 29, boulevard Georges-Favon, 1204 Geneva, as Swiss representative. Swiss paying agent: Mirabaud & Cie SA, 29, boulevard Georges-Favon, 1204 Geneva. In France: Mirabaud Asset Management (France) SAS, 13 avenue Hoche, 75008 Paris. In Luxembourg, Italy and Spain: Mirabaud Asset Management (Europe) SA, 6B, rue du Fort Niedergruenewald, 2226 Luxembourg. The Prospectus, the Key Investor Information Document (KIID), the Articles of Association, as well as the annual and semi-annual reports (as the case may be) of the funds may be obtained free of charge from the above-mentioned entities and on the webpage: <https://www.mirabaud-am.com/en/funds-list/>. Mirabaud Sustainable Cities is a sub-fund of the Mirabaud Private Assets SCA SICAV-SIF, an alternative investment fund incorporated in Luxembourg. Further information on sustainability is available at the following link: <https://www.mirabaud-am.com/en/responsibly-sustainable>.

FOR PROFESSIONAL INVESTORS ONLY