

# Blackstone Property Partners Europe Holdings *Investor Presentation*

*Morgan Stanley Fixed Income Real Estate Conference*

September 2019

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**Certain Fund Definitions.** As used herein:

“**BREP**” reflects Pre-BREP, all BREP funds and BREP co-investments;

“**BREDS**” reflects BREDS I, BREDS II, BREDS III, and separately managed accounts investing alongside those funds, as well as Blackstone Real Estate Debt Strategies High-Grade L.P., Blackstone Mortgage Trust (BXMT) and the BREDS funds and separately managed accounts investing in liquid real estate related debt; and

“**BPP Core+**” reflects BPP U.S., co-investments, supplemental vehicles, separately managed accounts and the BPP global investment vehicles, as well as Blackstone Real Estate Income Trust (BREIT), a vehicle with an income-oriented strategy.

**Trends.** There can be no assurances that any of the trends described herein will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results.

All information is as of 30 June 2019 unless otherwise indicated. Further all BPPEH metrics are calculated at 100% share (including the portion attributable to minority owners).

# Key Updates

## Portfolio

- Further portfolio growth and diversification
  - €4.4B GAV (€5.3B pro forma for signed investments<sup>(1)</sup>)
  - 349 high-quality, well-located assets across 6 countries
  - Diversified across the logistics, residential and office sectors
- Strong operational results
  - 97% occupancy
  - 4-year WALL
  - Positive leasing trends
  - Embedded upside potential from 18% below market rents
- Selective acquisitions and dispositions
  - Acquired prime portfolio of 521 residential units in Amsterdam and Rotterdam for €279M
  - Sold two long-leased logistics properties in Poland for €129M, representing a 5% premium to carrying value<sup>(2)</sup>
  - Signed agreements to acquire 33 high-quality logistics assets in France and the Nordics for €895 million<sup>(1)</sup>

## Capital Structure

- Credit rating upgraded to BBB (stable outlook) by S&P in September 2019
- Successful issuance of €1.1B of unsecured notes in September 2019, reducing weighted average interest rate and extending maturity profile
  - €500M 0.5% notes due September 2023
  - €600M 1.75% notes due March 2029
- Prudent capital structure<sup>(3)</sup>
  - 47% net LTV
  - 1.7% weighted average interest rate
  - 5.6-year weighted average debt maturity
  - No debt maturities until December 2020
- Strong debt profile<sup>(3)</sup>
  - 96% unsecured debt
  - 100% fixed rate debt<sup>(4)</sup>

Note: All metrics in this presentation are as of 30 June 2019, unless otherwise indicated. Further, all BPPEH metrics are calculated at 100% share (including the portion attributable to minority owners). See Important Disclosure Information.

(1) As of 25 September 2019. Closings expected in October 2019. There can be no assurance that committed but not yet closed transactions will close as expected or at all.

(2) Carrying value as of 31 December 2018 on a fair value basis.

(3) Pro forma for €1.1B unsecured notes issuance in September 2019, with proceeds used to repay €378M of borrowings under the acquisition facilities and RCF.

(4) Includes debt that has been swapped from floating to fixed rate.

## **Introduction to BPPEH**

# Overview of Blackstone Property Partners Europe Holdings (“BPPEH”)

BPPEH invests in high-quality, well-located Core+ real estate assets across Europe

## Overview & Strategy

- Focused on large, high-quality, substantially stabilised assets in major European markets and key gateway cities
  - Primary sectors include logistics, residential and office
  - Long-term buy and hold strategy complemented by selective asset rotation and capital recycling
- Gross asset value of €4.4B
- 100% owned by Blackstone Property Partners Europe (“BPPE”)<sup>(1)</sup>, a European Core+ real estate fund with near permanent capital
- Managed by Blackstone, the largest real estate asset manager globally with a real estate portfolio of over \$312B
- Strategy similar to that of its US counterpart, Blackstone Property Partners (“BPP US”), which owns/manages a property portfolio of \$37B<sup>(2)</sup>



(1) Includes co-investments from third parties through vehicles typically controlled by Blackstone affiliates and minority investments by a fund vehicle affiliated with BPPE.  
(2) Reflects assets owned by BPP US and includes related co-investments, supplemental vehicles and joint venture partners.



## Selected BPPEH Assets



# Key Highlights

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## 1 Large, Diversified Portfolio

- High-quality €4.4B portfolio concentrated in the European logistics, residential and office sectors
  - Well-located assets in markets with strong fundamentals (80% in Germany, France and the Netherlands)
- 

## 2 Stable Cash Flows with Operational Upside

- Substantially stabilised portfolio – 97% occupied on a 4-year WALL
  - Embedded growth potential with rents 18% below market on average
- 

## 3 Strong Credit Profile

- Prudent financial policy including 45-50% net LTV target, with current net LTV at 47%<sup>(1)</sup>
  - Primarily unsecured capital structure with long-dated, fixed rate debt and staggered maturities
  - Near permanent equity with excellent access to new growth capital underpinned by strong institutional investor base
- 

## 4 Blackstone Management Platform

- Managed by Blackstone, which has an exceptional track record in real estate and manages a €72B European real estate portfolio
- Globally integrated platform with proprietary insight and knowledge
- Strong access to growth capital underpinned by high-quality institutional investor base

(1) Pro forma for €1.1B unsecured notes issuance in September 2019, with proceeds used to repay €378M of borrowings under the acquisition facilities and RCF.

## Portfolio Overview



## BPPEH Portfolio Overview

Large, diversified portfolio in Europe's key economies

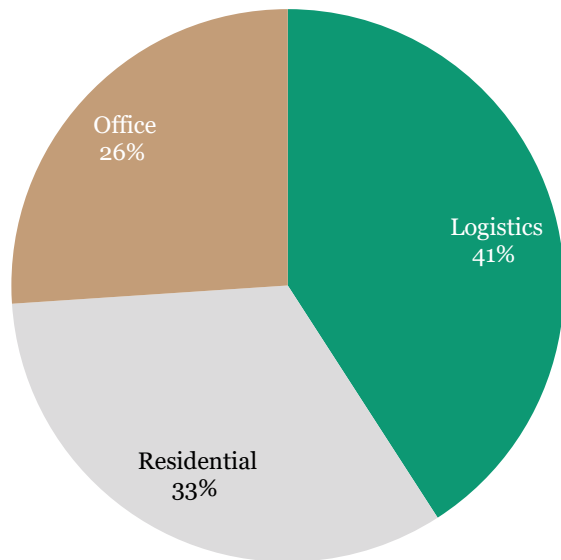
**349**  
Assets

**€4.4B**  
GAV

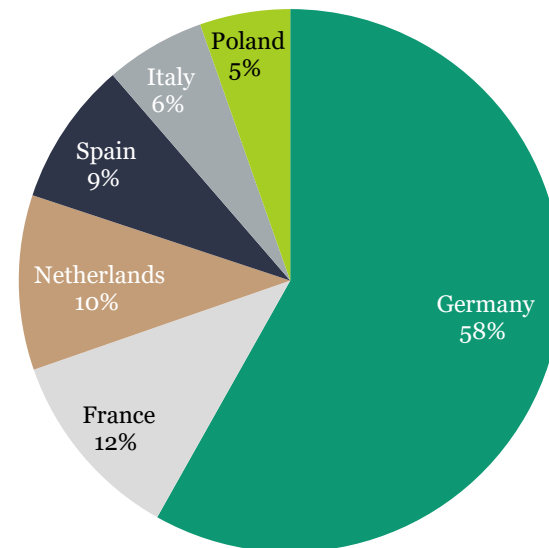
**97%**  
Occupancy

**4-Yr**  
WALL<sup>(1)</sup>

### Sector Allocation



### Geographic Allocation



Note: Geographic and sector allocations based on GAV.  
(1) Excludes residential assets.

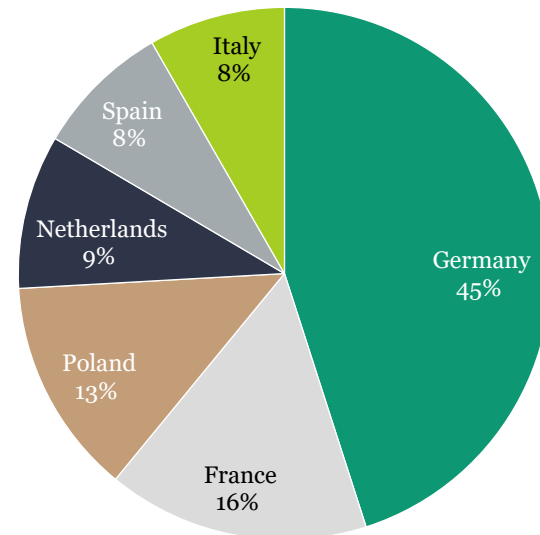
## 1 Logistics Portfolio

High-quality logistics portfolio comprising 53 properties across 6 countries

### Key Metrics



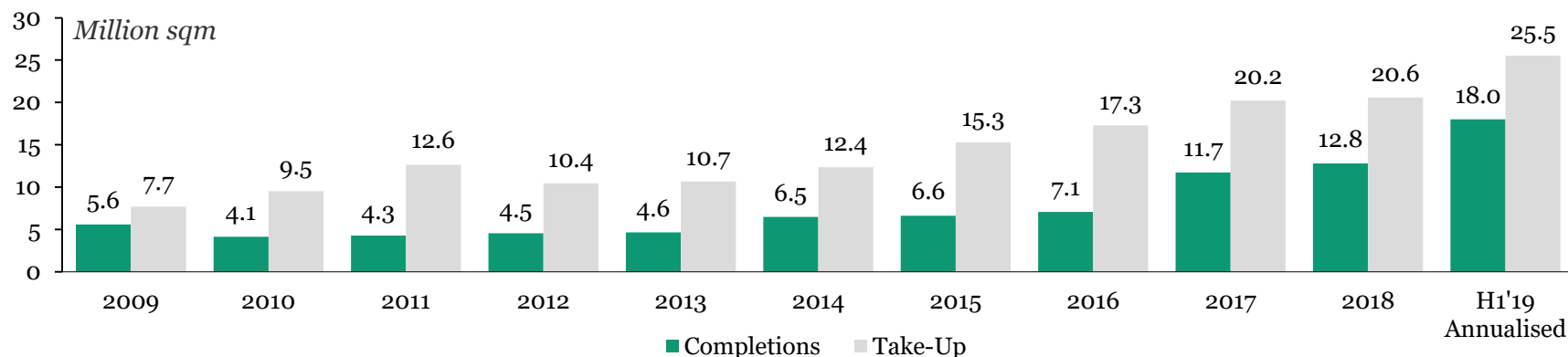
### Geographic Allocation



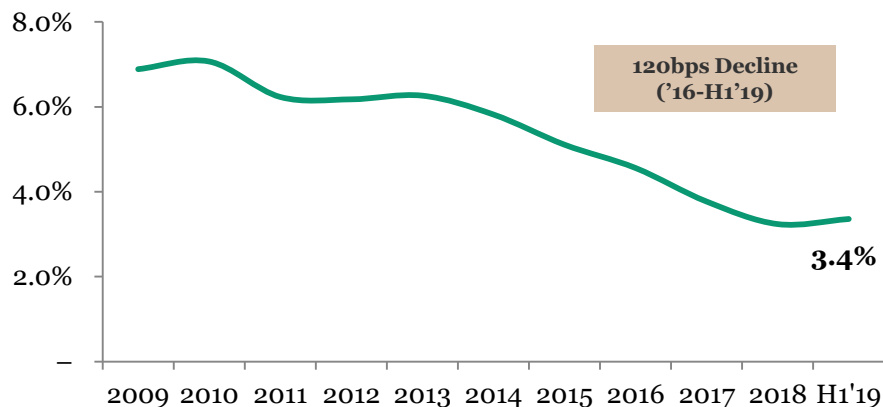
## 1 Logistics Market Overview

### Robust fundamentals across BPPEH's logistics markets

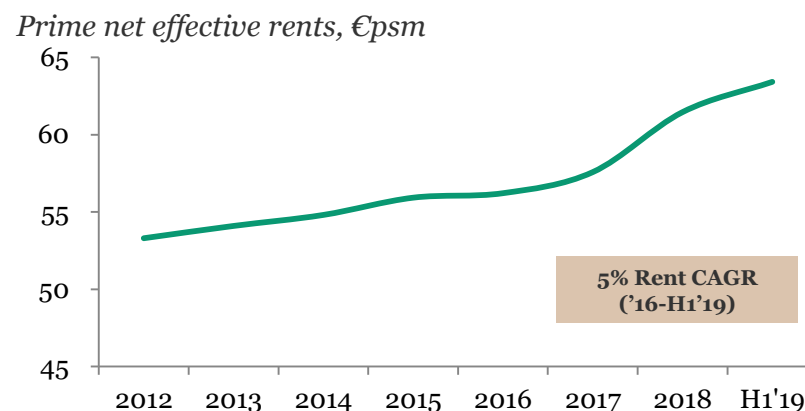
#### Take-Up Significantly Surpassing Completions<sup>(1)</sup>



#### Driving Vacancy Down<sup>(2)</sup>



#### And Supporting Rents<sup>(3)</sup>



Note: Includes countries in which BPPEH owns logistics assets. Vacancy and rents weighted by BPPEH logistics portfolio GAV as of Q2 2019. Market commentary reflects BPPEH views. See "Important Disclosure Information" including "Trends".

(1) Underlying data from CBRE, as of Q2 2019.

(2) Underlying data from CBRE, as of Q2 2019.

(3) Third party industry sources, as of Q2 2019.

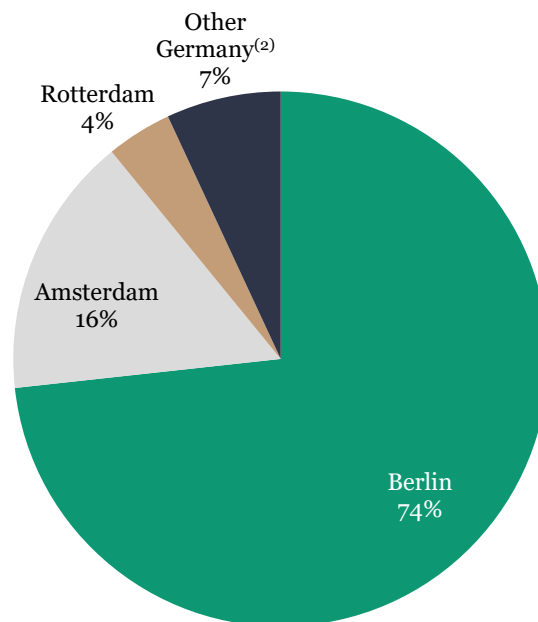
## 2 Residential Portfolio

### High-quality residential portfolio in Germany and the Netherlands

#### Key Metrics



#### Geographic Allocation



Note: Geographic allocation based on GAV. Totals may not sum due to rounding.

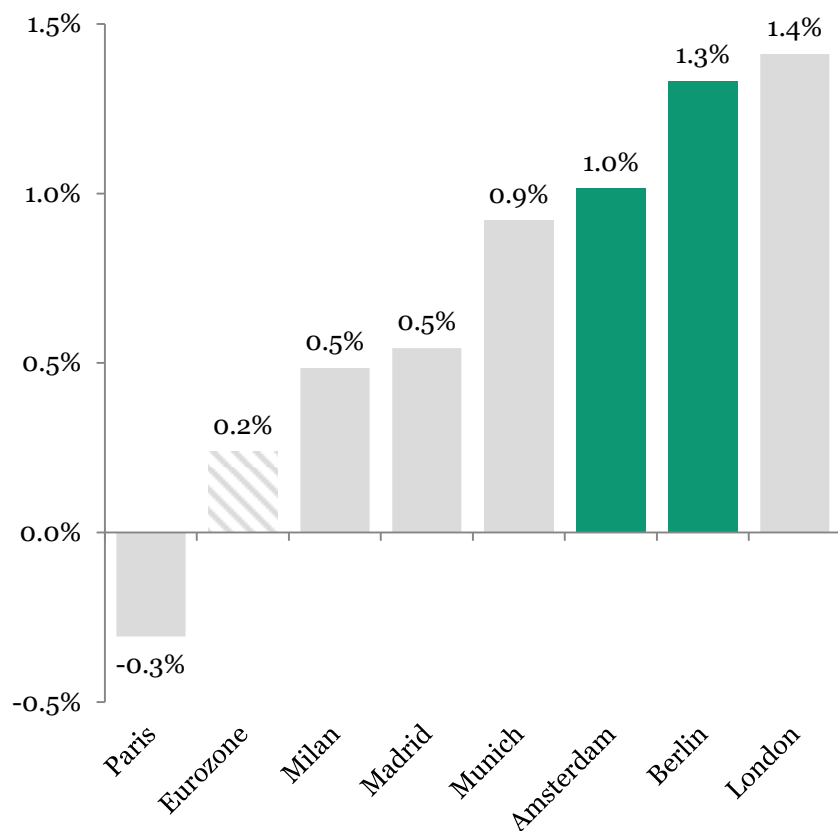
(1) Represents occupancy of residential units only. Adjusting for vacancy due to refurbishment, average residential occupancy would be 96%.

(2) Includes Brandenburg, Dresden, Magdeburg, and Potsdam.

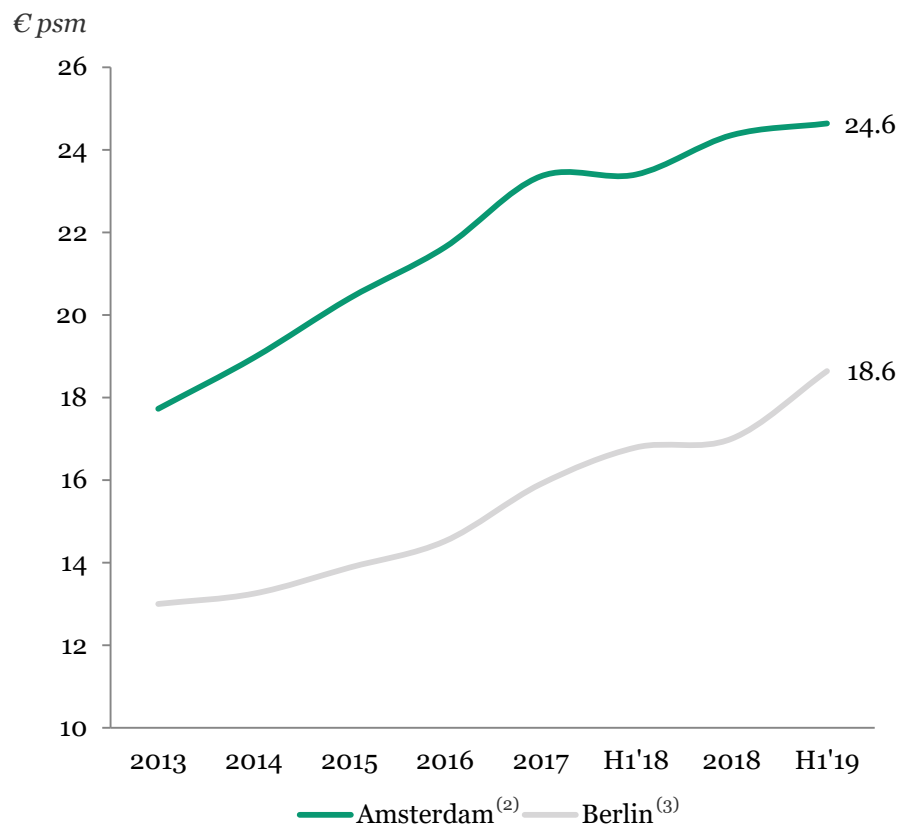
## 2 Residential Market Overview

Strong demographic trends in Amsterdam and Berlin driving rental growth

5-yr Population CAGR<sup>(1)</sup>



Rental Growth



Note: Market commentary reflects BPPEH views. See "Important Disclosure Information" including "Trends".

(1) Population CAGR from 2013 to 2018. Source: Eurostat and Oxford Economics, as of June 2019.

(2) Source: Third party industry sources, as of Q2 2019.

(3) Source: CBRE Empirica rental database, as of Q2 2019.

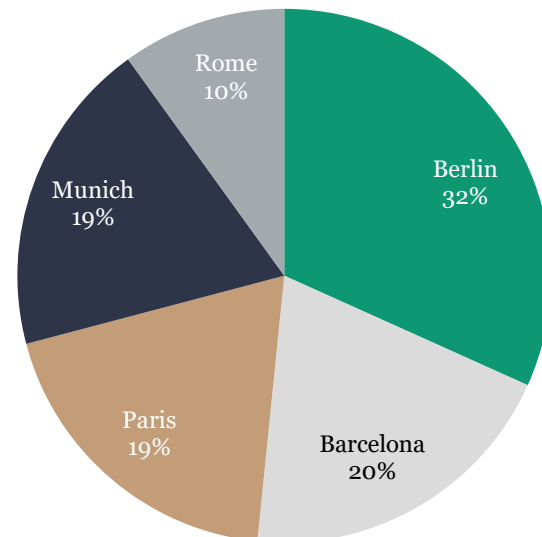
### 3 Office Portfolio

Nine office assets located in dynamic, innovation-focused cities across Europe

#### Key Metrics



#### Geographic Allocation

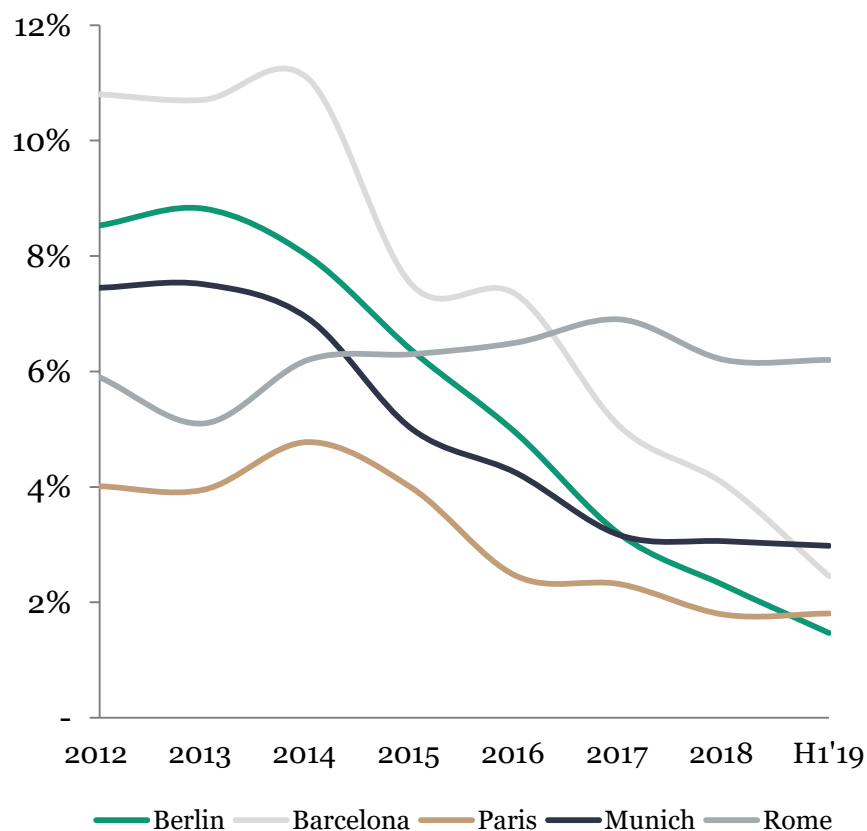




### 3 Office Market Overview

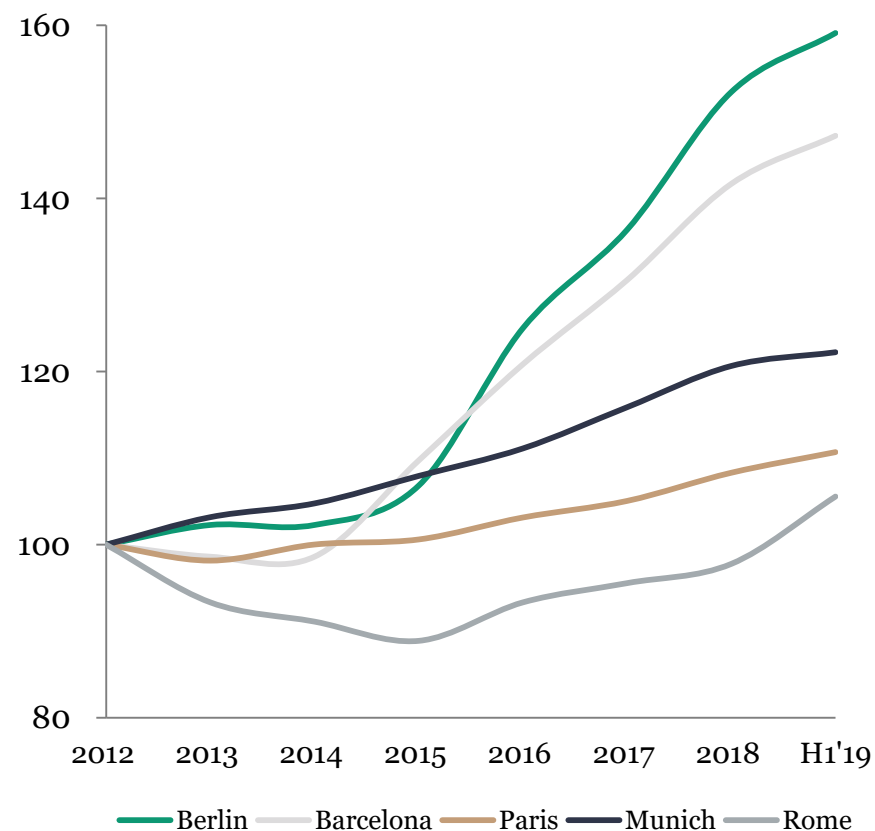
Lower vacancy rates and strong rental growth across key European office markets

#### Declining Vacancy



#### Rental Growth

Prime rents, indexed to 100



## **Capital Structure Summary**

## Capital Structure

Strong capital structure consisting primarily of unsecured notes

### Key Metrics

47%  
Net LTV

BBB  
S&P Credit Rating

1.7%  
Interest Rate<sup>(1)</sup>

5.6-Yr  
WAM<sup>(2)</sup>

### Capital Structure Summary

|                           | €M            | Interest Rate <sup>(1)</sup> | WAM <sup>(2)</sup> (Years) |
|---------------------------|---------------|------------------------------|----------------------------|
| Unsecured Notes           | €2,850        | 1.6%                         | 5.6                        |
| Acquisition Facilities    | –             | 1.4%                         | 3.0                        |
| Mortgage Loans            | 118           | 2.8%                         | 4.0                        |
| RCF                       | –             | 1.1%                         | 3.0                        |
| <b>Total Debt</b>         | <b>€2,968</b> | <b>1.7%</b>                  | <b>5.6</b>                 |
| Less: Cash <sup>(3)</sup> | (923)         |                              |                            |
| <b>Net Debt</b>           | <b>€2,045</b> |                              |                            |
| <b>GAV</b>                | <b>€4,377</b> |                              |                            |
| <b>Net LTV</b>            | <b>47%</b>    |                              |                            |

Note: Pro forma for €1.1B unsecured notes issuance in September 2019, with proceeds used to repay €378M of borrowings under the acquisition facilities and RCF.

(1) Weighted average all-in interest rate.

(2) Weighted average debt maturity.

(3) As of 25 September 2019, €895M of investments are signed and expected to close in October 2019. These investments will be funded with 50% debt (i.e. cash) and 50% equity from BPPE.

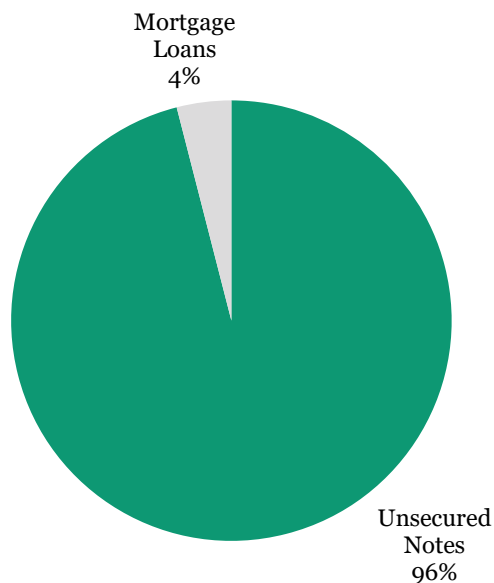
## Debt Summary

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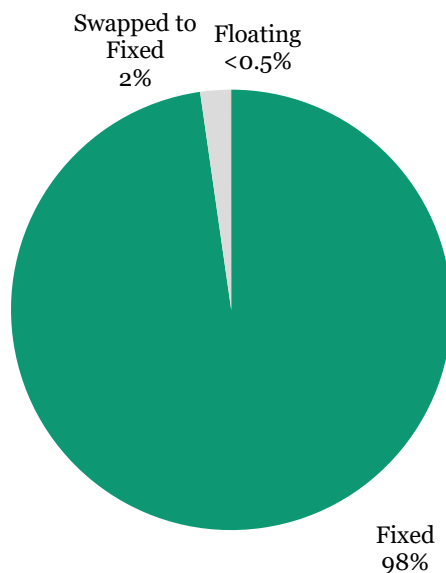
Strong debt profile with predominantly fixed rate, unsecured debt

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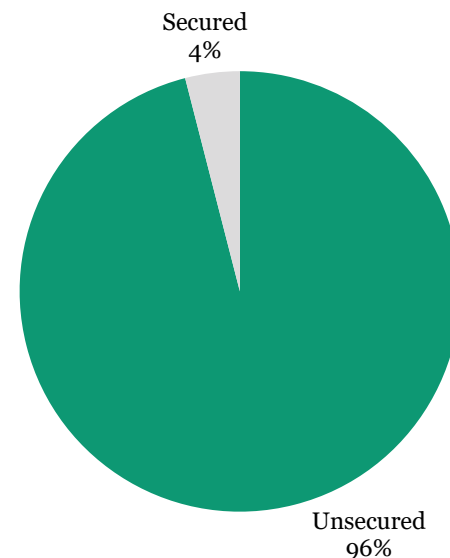
### Debt by Type



### Fixed vs. Floating



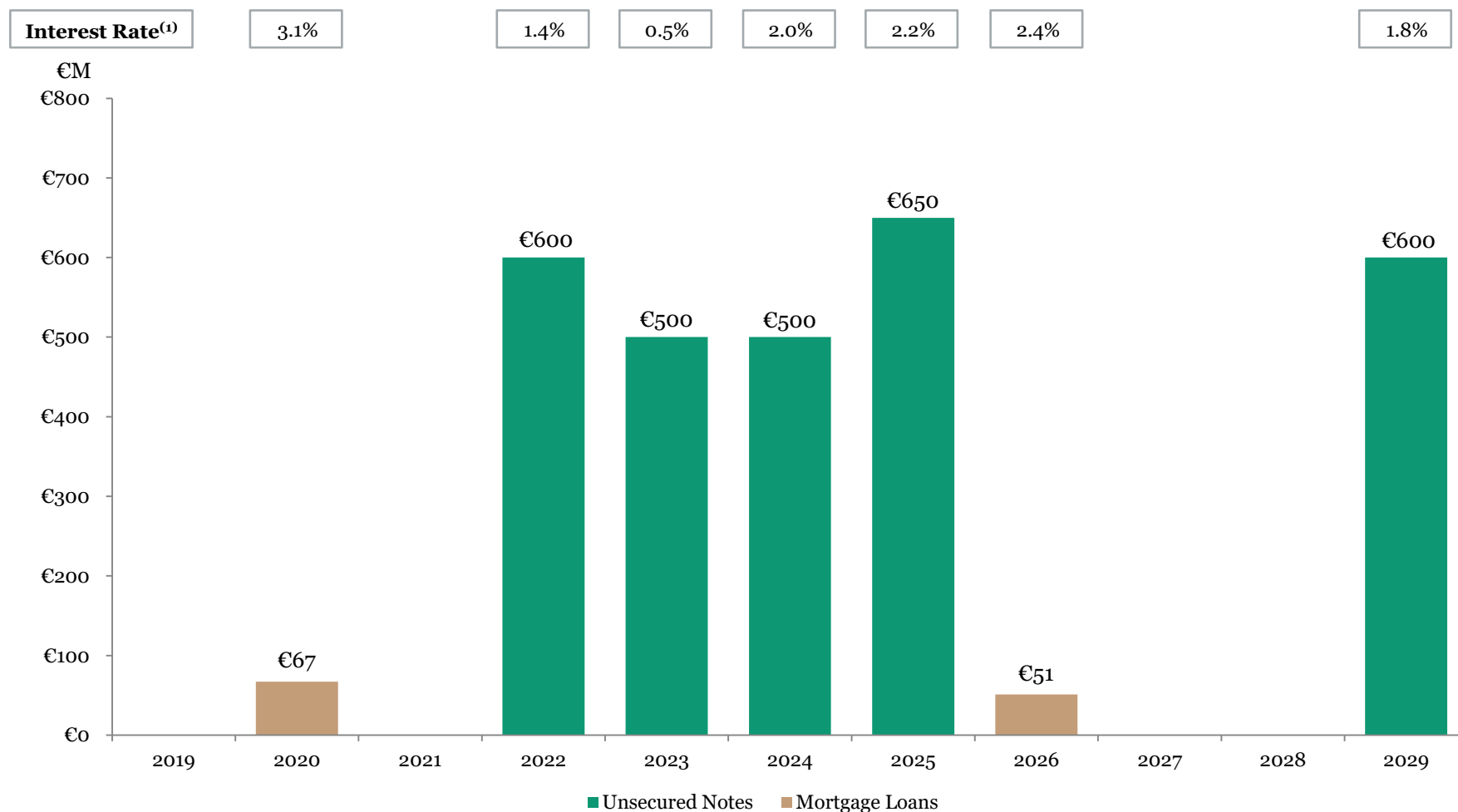
### Secured vs. Unsecured



Note: Pro forma for €1.1B unsecured notes issuance in September 2019, with proceeds used to repay €378M of borrowings under the acquisition facilities and RCF.

## Debt Maturity Profile

Staggered maturity profile with no debt maturing until Dec-2020



Note: Pro forma for €1.1B unsecured notes issuance in September 2019, with proceeds used to repay €378M of borrowings under the acquisition facilities and RCF. Debt maturity schedule reflects fully-extended maturity dates and excludes principal amortisation.

(1) Weighted average all-in interest rate.

## Credit Facilities

RCF and acquisition facilities provide operational flexibility between bond issuances

|                                    | <b>BPPEH<br/>Revolving Credit Facility</b> | <b>BPPEH<br/>Acquisition Facilities</b> |
|------------------------------------|--|---|
| Amount                             | €280M                                      | €1.5B                                   |
| Pricing                            | E + 1.05%                                  | E + 1.40%                               |
| Maturity                           | 3 years / evergreen                        | 3 years                                 |
| Security / Collateral              | Unsecured                                  | Unsecured                               |
| Committed / Uncommitted            | Committed                                  | Uncommitted                             |
| Financial Covenants <sup>(1)</sup> | Substantially similar<br>to BPPEH bonds    | Substantially similar<br>to BPPEH bonds |

(1) Financial covenants on BPPEH bonds include: Total Debt to Total Assets ≤ 60%, Secured Debt to Total Assets ≤ 40%, Interest Coverage Ratio ≥ 1.5x, and Unencumbered Assets to Unsecured Debt ≥ 150%.



# **Blackstone Management Platform**

## Blackstone Management Platform

Blackstone is a leading asset manager globally and has a €72B European real estate portfolio

### Leading Global Asset Manager

- 30+ year investment record
- A+ credit ratings<sup>(1)</sup>
- \$545B of assets under management

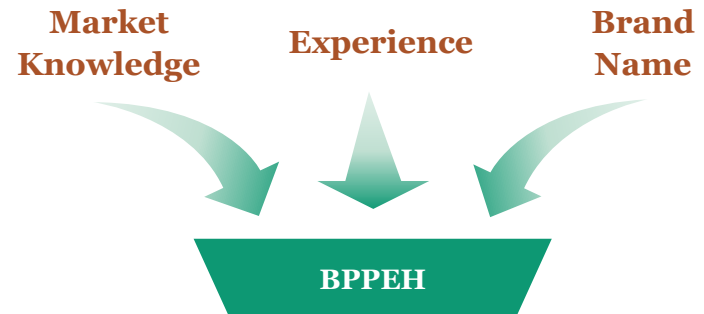
### Exceptional Track Record in Real Estate

- BREP Opportunistic: \$95B of investor capital
- BREDS Debt: \$19B of investor capital
- Core+: \$39B of investor capital

### Global Integrated Platform Ensures Maximum Experience and Knowledge Transfer

114  
Professionals  
in Europe

527  
Professionals  
Globally



## Blackstone European Real Estate Portfolio

Premium European real estate platform provides proprietary insight across asset classes

### Logistics

**288M**  
Square Feet

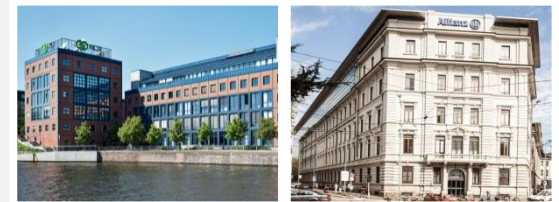
Built largest owned  
European logistics portfolio



### Office

**41M**  
Square Feet

One of the largest office  
landlords in Europe



### Residential

**121k**  
Units

Major investor across  
Europe



### Retail

**26M**  
Square Feet

Premier Pan-European  
retail owner/operator

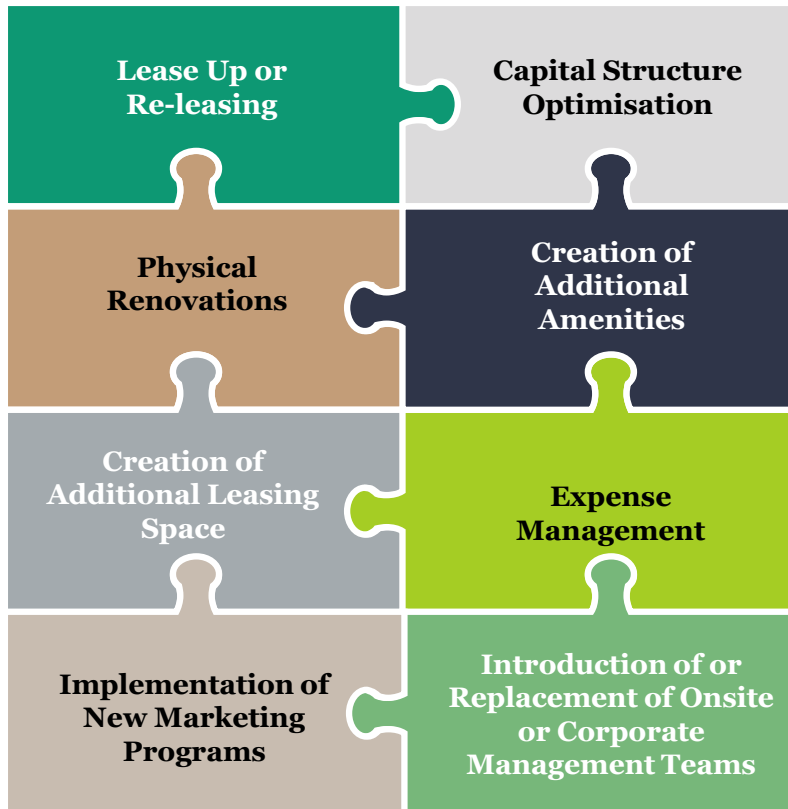


Note: In addition to wholly-owned assets, figures include leased assets, collateral, assets managed through stakes in publicly-traded companies and assets owned through joint-ventures (reflected at 100% share), as applicable.

## Active Asset Management

Focus on value creation through active asset management

### Focus Areas

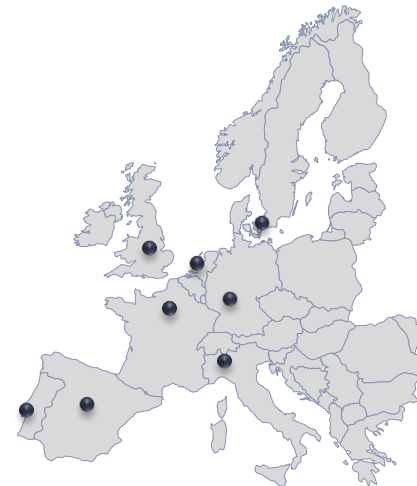


### Dedicated Team With Proven Track Record

**37**  
Asset Management  
Professionals in  
Europe

**2,900+**  
FTEs within  
Operating Platforms

### Established Operating Partners / Portfolio Companies



LOGICOR

TOG  
THE OFFICE GROUP

KRYALOS  
SOCIETÀ DI GESTIONE DEL RISPARMIO

FLOW  
Real Estate

OFFICEFIRST  
IMMOBILIEN

Anticipa  
Real Estate

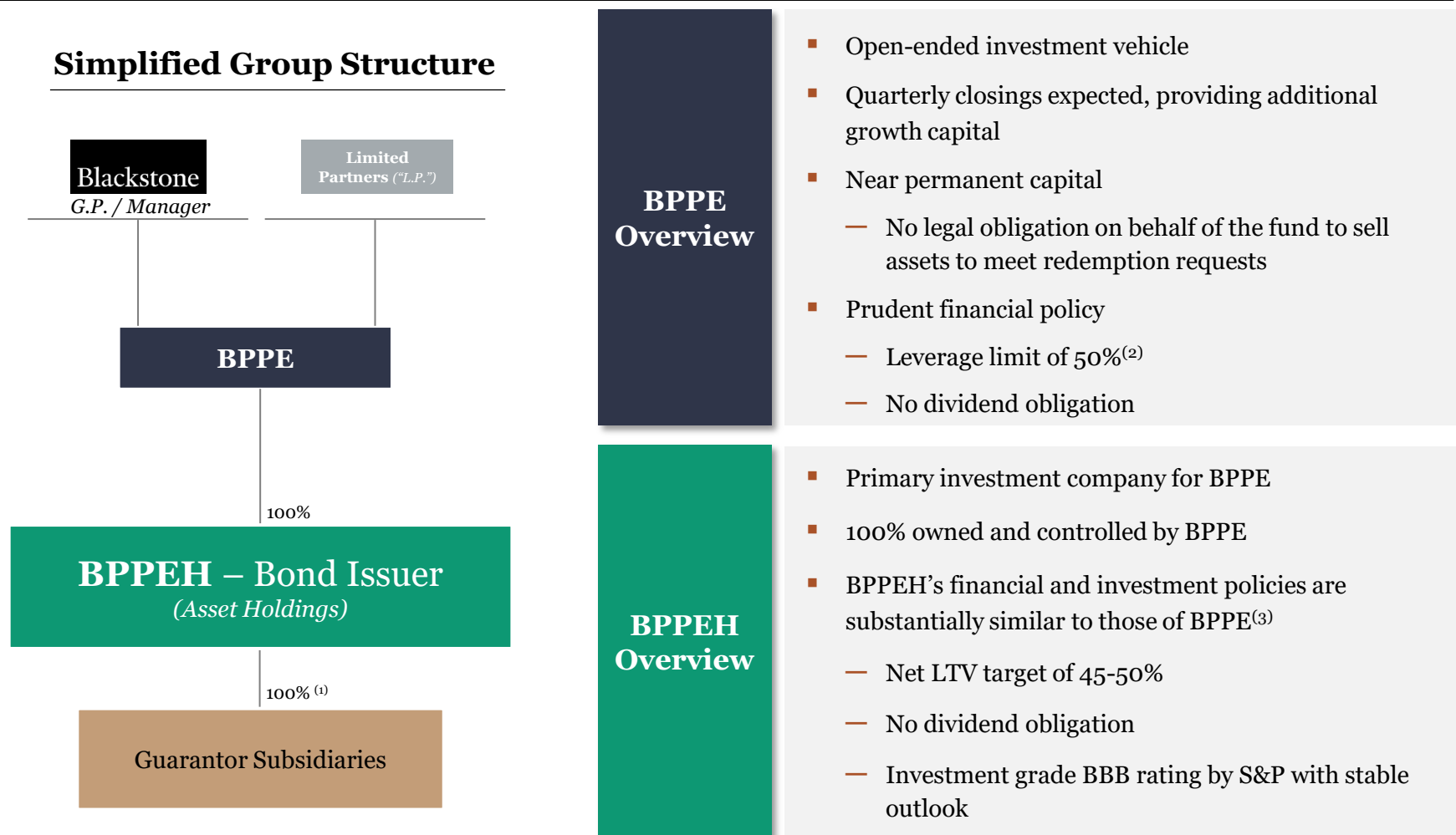
mseven  
REAL ESTATE

M  
MULTI

## **Appendix – Supplemental Materials**

## BPPEH Structure

Wholly owned by BPPE, a perpetual life investment vehicle



Note: This structure chart is provided for informational purposes only on a restricted and confidential basis and is subject to further modification, completion and amendment.

- (1) Includes co-investments from third parties through vehicles typically controlled by Blackstone affiliates and minority investments by a fund vehicle affiliated with BPPE.  
(2) Incurrence based covenant. BPPE may incur additional indebtedness provided there is a clear strategy / plan to reduce leverage to 50% or below within 9 months from the date when the leverage ratio initially exceeded 50%.  
(3) BPPEH is additionally subject to financial covenants under the EMTN programme.



## Key Metrics

|                          |       | Logistics          | Residential        | Office | Total/<br>Weighted Avg. |
|--------------------------|-------|--------------------|--------------------|--------|-------------------------|
| Number of Assets         | #     | 53                 | 287                | 9      | 349                     |
| GLA                      | kSQM  | 1,910              | 381                | 148    | 2,439                   |
| GAV                      | €M    | 1,789              | 1,448              | 1,140  | 4,377                   |
| Occupancy Rate           | %     | 98% <sup>(1)</sup> | 91% <sup>(2)</sup> | 96%    | 97%                     |
| WALL                     | Years | 4.4                | n/a                | 4.1    | 4.3 <sup>(3)</sup>      |
| NOI Yield <sup>(4)</sup> | %     | 5.1%               | 2.2%               | 3.1%   | 3.6%                    |

(1) Includes rental guarantees.

(2) Represents occupancy of residential units only. Adjusting for vacancy due to refurbishment, average residential occupancy would be 96%.

(3) Excludes residential assets.

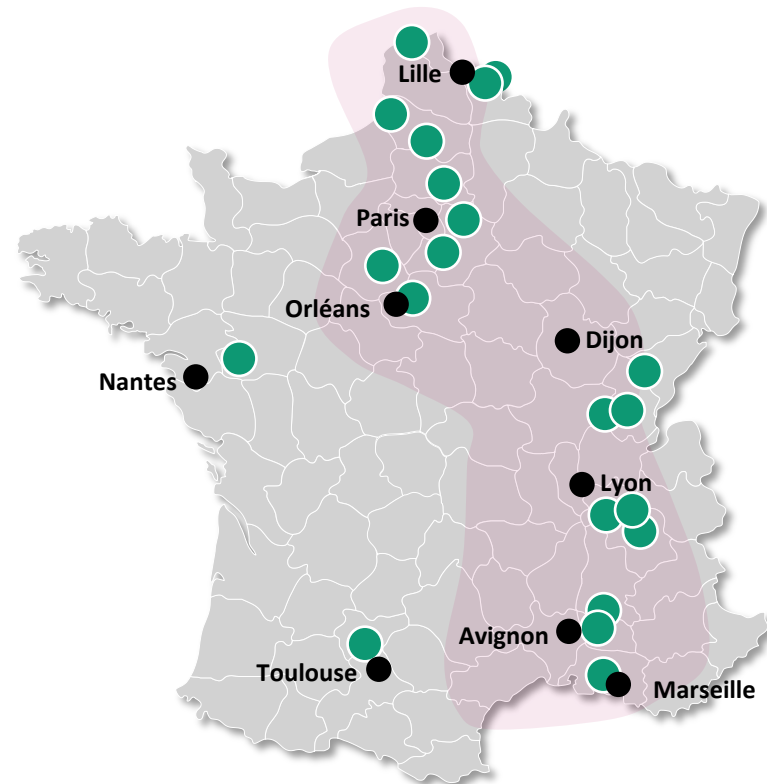
(4) Adjusted NOI divided by GAV. Adjusted NOI represents NOI annualised for investments acquired during the year, adjusted to exclude annualised rent abatements and non-recurring items and include rental guarantees provided by sellers.

## Investment Under Contract: French Logistics Portfolio

Acquisition of high-quality logistics portfolio concentrated in France's best-performing markets

### Investment Overview

- 21 assets comprising 833k square metres concentrated in Paris, Lyon, Lille and Marseille
- High-quality asset base with Grade-A specifications
- 91% leased to a diversified tenant roster comprising international corporates and 3PLs
- Gross purchase price of €606 million with closings expected in October 2019



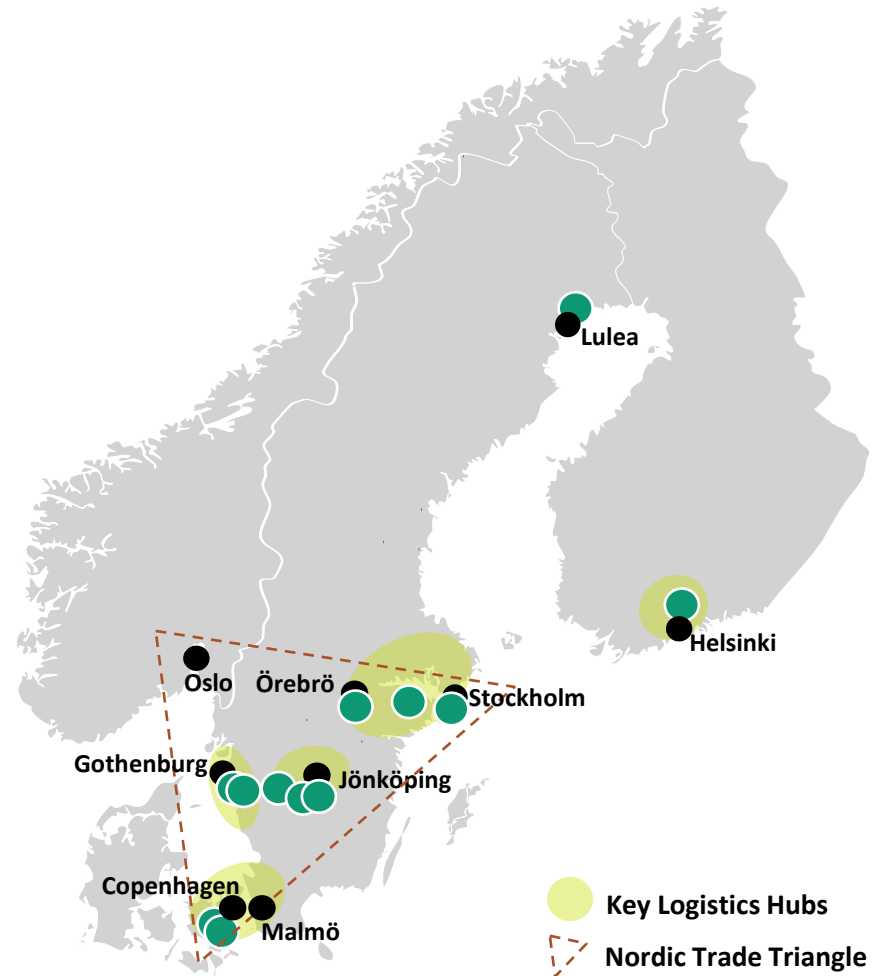
Key Logistics Hubs

## Investment Under Contract: Nordic Logistics Portfolio

Acquisition of 12 fully-leased, Grade A logistics assets in the Nordics

### Investment Overview

- 12 assets comprising 218k square metres concentrated in the Nordic Trade Triangle
- 100% leased on a 5-year WALL to established 3PLs and government-owned companies
- BPPEH will leverage Blackstone Real Estate's longstanding presence in the region, where it manages over 2.4M of logistics space
- Gross purchase price of €289 million with closing expected in October 2019



## Summary Interim Consolidated Balance Sheet (Unaudited)

### Assets as of 30-Jun-2019

|   | €M             |
|---|----------------|
| <b>Fixed assets</b>                     | <b>3,880.1</b> |
| <b>Tangible fixed assets</b>            | 3,880.1        |
| Land and buildings                      | 3,880.1        |
|   |                |
| <b>Current assets</b>                   | <b>502.1</b>   |
| <b>Debtors</b>                          | 294.2          |
| Trade debtors                           | 16.2           |
| Amounts owed by affiliated undertakings | 250.2          |
| Other debtors                           | 27.8           |
|   |                |
| <b>Cash at bank and in hand</b>         | 207.9          |
|   |                |
| <b>Prepayments</b>                      | <b>27.6</b>    |
|   |                |
| <b>Total assets</b>                     | <b>4,409.8</b> |

### Capital, Reserves and Liabilities as of 30-Jun-2019

|  | €M             |
|--|----------------|
| <b>Capital and reserves</b>                    | <b>809.6</b>   |
|  |                |
| <b>Provisions</b>                              | <b>0.9</b>     |
|  |                |
| <b>Creditors</b>                               | <b>3,591.1</b> |
| Bonds  | 1,775.4        |
| Amounts owed to credit institutions            | 499.1          |
| Trade creditors                                | 33.1           |
| Amounts owed to affiliated undertakings        | 1,245.4        |
| Other creditors                                | 38.1           |
|  |                |
| <b>Deferred income</b>                         | <b>8.2</b>     |
|  |                |
| <b>Total capital, reserves and liabilities</b> | <b>4,409.8</b> |

Note: The figures herein represent preliminary, unaudited results, which are subject to further review and adjustment. **Past performance is not necessarily indicative of future results.** There can be no assurance that any Blackstone fund or investment will achieve its objectives or avoid substantial losses. See "Important Disclosure Information".

## Summary Interim Consolidated Profit & Loss Account (Unaudited)

For the period from 1-Jan-2019 to 30-Jun-2019

|   | €M     |
|---|--------|
| Net turnover                                      | 81.5   |
| Other operating income                            | 28.7   |
| Other external expenses                           | (8.6)  |
| Staff costs                                       | (0.9)  |
| Value adjustments                                 | (39.1) |
| Other operating expenses                          | (30.3) |
| Other interest receivable and similar income      | 1.1    |
| Interest payable and similar expenses             |        |
| Other interest and similar expenses               | (25.6) |
| Concerning affiliated undertakings                | (19.2) |
| Tax on profit or loss                             | (1.8)  |
| Loss after taxation                               | (14.2) |
| Other taxes not included in the previous captions | (0.9)  |
| Loss for the period                               | (15.1) |
| Loss attributable to:                             |        |
| Owners of BPPEH                                   | (10.2) |
| Non-controlling interests                         | (4.9)  |

Note: The figures herein represent preliminary, unaudited results, which are subject to further review and adjustment. **Past performance is not necessarily indicative of future results.** There can be no assurance that any Blackstone fund or investment will achieve its objectives or avoid substantial losses. See "Important Disclosure Information".