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**ELTIF 2.0**

**Potential capital-raising tool  
for real estate funds**

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# Why real estate operators should consider ELTF



## FUNDRAISING

- Real estate funds face increasing challenges in attracting large institutional investors



## RETAIL CAPITAL

- ELTIFs, thanks to regulatory reform, enable real estate to tap into indirect fundraising from retail investors, democratizing access to the asset class



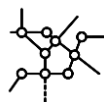
## LONG-TERM STRATEGY ALIGNMENT

- ELTIFs are designed for long-term investment horizons, perfectly matching the natural timeframes of real estate projects



## FOCUS ON REAL ASSETS

- ELTIFs have, among their main objectives, the investment in real assets such as real estate, infrastructure, and tangible assets



## PORTFOLIO DIVERSIFICATION

- For ELTIFs, real estate represents a key element of diversification, offering exposure to alternative and less correlated assets

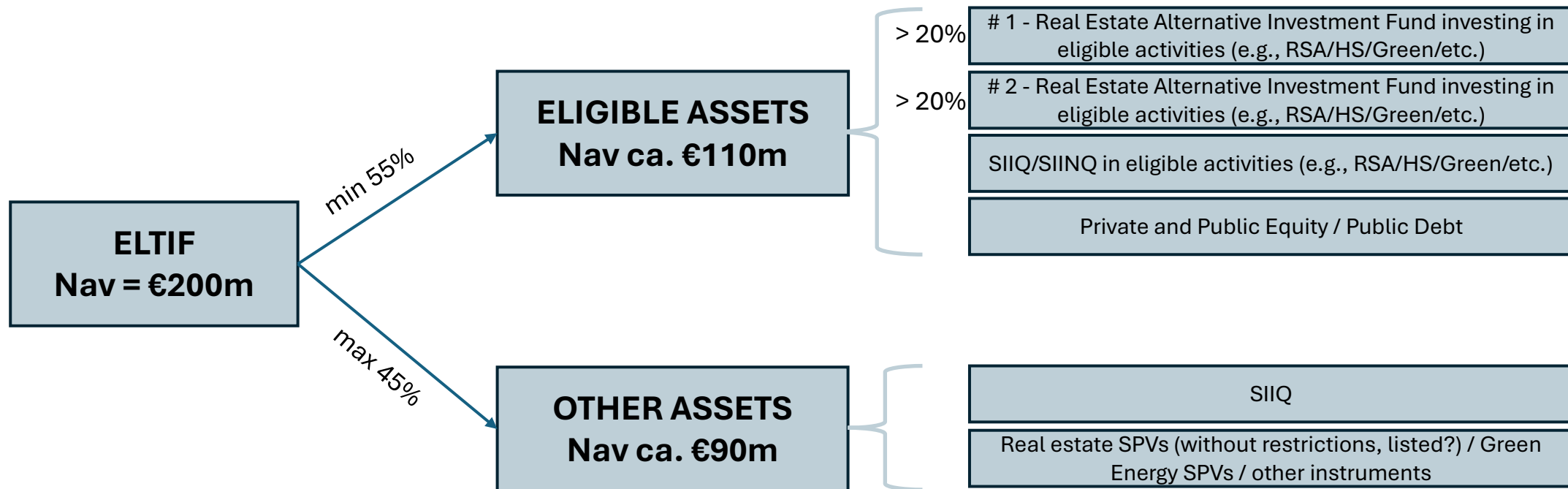
# ELTIF 2.0: Main Changes and Features

AREA	ELTIF 1.0	ELTIF 2.0
<b>Eligible Investments</b>	<ul style="list-style-type: none"> <li>Unlisted companies with market cap ≤ €500m</li> <li>Min. €10m per real asset</li> <li>No green bonds or STS securitizations</li> </ul>	<ul style="list-style-type: none"> <li>Listed companies with market cap ≤ €1.5bn</li> <li><b>No minimum investment per real asset</b></li> <li>Green bonds, STS securitizations, fintech companies allowed</li> </ul>
<b>Portfolio Composition</b>	<ul style="list-style-type: none"> <li>Min. 70% of NAV in eligible assets</li> <li>Max. 10% per single asset (retail)</li> <li>Max. leverage 30% of NAV</li> </ul>	<ul style="list-style-type: none"> <li>Min. <b>55%</b> of NAV in <b>eligible assets</b> (up to 45% in liquidity)</li> <li>Max. <b>20% per single asset</b> (<u>retail</u>)</li> <li>No limit for professional-only ELTIFs</li> <li>Max. leverage <b>50%</b> (retail), 100% (professional)</li> </ul>
<b>Structures &amp; Strategies</b>	<ul style="list-style-type: none"> <li>No master-feeder or fund of funds (FoF) structures allowed</li> </ul>	<ul style="list-style-type: none"> <li><b>Master-feeder and FoF structures allowed</b></li> <li>Can invest in a broader range of funds (not only ELTIF/EuVECA)</li> <li>Matching mechanisms for secondary transfers</li> </ul>
<b>Retail Investor Access</b>	<ul style="list-style-type: none"> <li>Minimum investment: €10,000</li> <li>Complex suitability assessment (not MiFID II aligned)</li> </ul>	<ul style="list-style-type: none"> <li>No minimum investment</li> <li>Suitability assessment aligned with MiFID II</li> <li>Optional liquidity windows for secondary transfers</li> </ul>
<b>Definitions &amp; Sustainability</b>	<ul style="list-style-type: none"> <li>Narrow definition of “real assets” (mainly physical infrastructure)</li> <li>No explicit ESG focus</li> </ul>	<ul style="list-style-type: none"> <li><b>Broader definition of real assets</b> (tangible/intangible with intrinsic value)</li> <li><b>Alignment with SFDR and EU Green Deal</b></li> <li>Potential for “green ELTIFs”</li> </ul>
<b>Professional Investors</b>	<ul style="list-style-type: none"> <li>Diversification and concentration rules apply to all ELTIFs</li> </ul>	<ul style="list-style-type: none"> <li>Professional-only ELTIFs exempt from diversification and concentration rules</li> </ul>
<b>Transitional Provisions</b>	—	<ul style="list-style-type: none"> <li>ELTIFs authorized under 1.0 are automatically compliant with 2.0 unless new capital is raised after Jan-24</li> </ul>

# Main implications for Real Estate

## ELTIF could invest directly in:

- ✓ units of **real estate alternative investment funds** or shares of listed or unlisted real estate investment companies
- ✓ shares, units, participatory financial instruments, and generally equity securities of unlisted companies
- ✓ shares, units, participatory financial instruments, and generally equity securities of listed companies
- ✓ bonds and other listed debt securities



The example is intended solely to highlight the potential of the regulatory changes and their positive impact on the real estate industry

**NB: THERE CAN BE NO CONCENTRATION ABOVE THE INDICATED THRESHOLDS IN A SINGLE REAL ASSET CLASS**

# Opportunity to present



## RESIDENTIAL REPOSITIONING OF OBSOLETE OFFICE BUILDINGS

- Acquisition of **outdated offices** in well-connected secondary office locations (vacant or short WALT) in **appealing districts for residential**



## BROWN TO GREEN STRATEGIES

- Acquisition of **assets in prime locations, not in line with current demand needs** and **refurbishment** to modern users' standards and ESG requirements



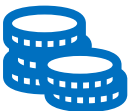
## PREFERRED EQUITY INVESTMENTS

- **Investments across sectors** via **preferred equity** structure or structures with **upfront payments** and **earnouts**



## ACQUISITIONS AT DISCOUNT OF WELL-LOCATED ASSETS TO BE REPOSITIONED VIA ACTIVE MANAGEMENT

- Acquisition of **high-quality assets** in prime locations, with **value creation** through **active asset management** and **building quality improvement**



## WELL LOCATED INCOME PRODUCING ASSET

- Acquisition of **high-quality assets** in primary business district with a **predictable periodic dividend** with **value protection** given the **resilience** of the assets

# Sample project: brown to green office

## PROJECT OVERVIEW

Location	Milan
Sub-market	Well connected business district
Strategy	Brown to green
NRA	Ca. 6,000/6,500 sqm
Acquisition price	€ 30/35 M i.e. €1,100/1,300 sqm
Total construction costs	€ 20/25 M
Total project costs	€ 65/70 M
Exit price	€ 90/95 M ERV € 650 at 4.50% net yield
LTC	50% acquisition, 60% construction
Equity commitment	€ 30/35 M
Expected returns	ca. 13%-15% net IRR, 5.5%/6.0% NYoC
Expected timing	48/60 months

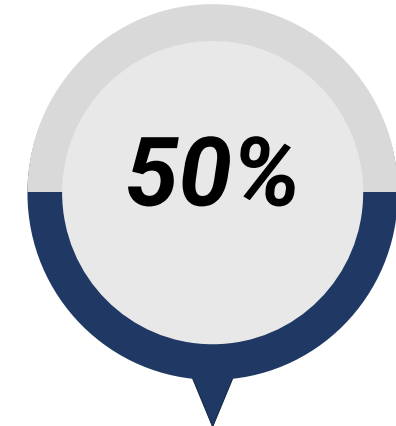
## INVESTMENT OPPORTUNITY

- Office building located in a well-established business district
- Asset no longer in line with current space demand by tenants and therefore should undergo a refurbishment, entailing the reorganization of the internal layout and distributions and a general improvement of the overall performance
- Possible further upside arising from the creation of additional surfaces
- Possibility to decide to maintain the income producing asset or monetize the value creation generated

## Compliance of the proposed transaction



**100%: Compliance with Law**



**50% Compliance with current by-laws**

## ELTIF 2.0: Activities performed and next steps

