



Real Estate Debt: Navigating Lending, Rates and Risk in 2025

Jay DeWaltoff, Head of US Real Estate Debt

Pat Kennelly, Lead Portfolio Manager

Kevin MacKenzie, President, Americas JLL Capital Markets

01 Introduction

Ask the audience



Where is real estate debt aligned within your organization?



Source: DWS as of March 31, 2025. For illustrative purposes only.

Decades of experience

Senior members of the debt team bring comprehensive expertise and experience



Key Senior Leaders



Todd Henderson
Head of Real Estate, Americas
33 years experience



Mike Nigro
Chief Investment Officer,
Americas
28 years experience

Key Debt Professionals



Jay DeWaltoff
Head U.S. Real Estate Debt
25 years experience



Daniel Sang
Head of Credit & Asset
Management,
U.S. Real Estate Debt
31 years experience



Patrick Kennelly
Lead PM, U.S. Real Estate Debt
19 years experience

Property Specialists

16 Real Estate Analysts

Research & Strategy

5 Real Estate Research Professionals

Development Team

6 Project Managers & Engineers

CFO Team

15 Finance & Accounting Professionals

Equity Transactions

14 Transaction Officers
Regional coverage model with sector specialists

Equity Asset Management

28 Asset Management Professionals
Regional coverage model with sector specialists

Source: DWS. As of April 2025. Past performance is not indicative of future results. There is no assurance that investment objectives can be achieved.

Our Platform IQ



Investment ecosystem allows for quicker, more informed decision making



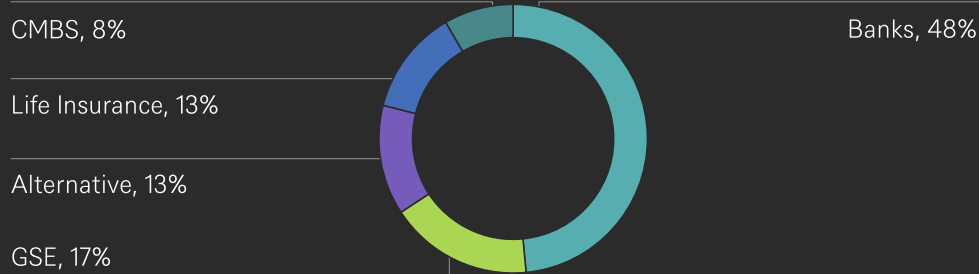
¹ Represents combined experience of DWS legacy real estate debt team with experience of new team members at prior firm.
Source: DWS. As of December 2024. There is no assurance that investment objectives can be achieved.. Past performance is not indicative of future returns.

The Market

~\$6 trillion outstanding mortgage debt



Outstanding by Lender Type¹



	Banks	GSEs ¹	Alternative	Life Insurance	CMBS
Rate Type:	Typically floating	Fixed or Floating	Typically floating	Typically fixed	Fixed or Floating
Purpose:	Net Interest Income	Capital Efficiency for Multifamily	Total Return Focused	Alternative Fixed Income	Trading Business

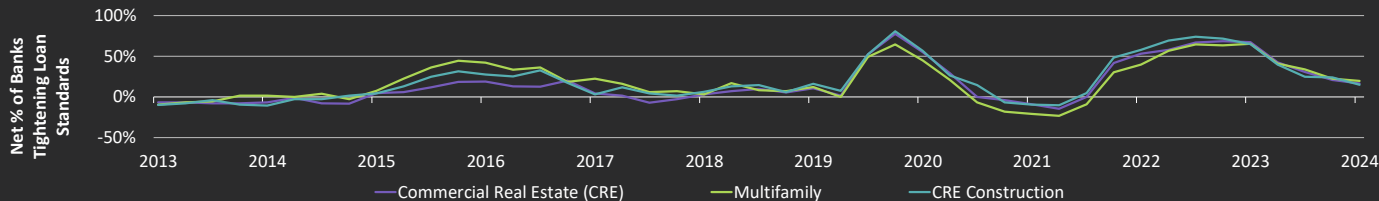
¹ Sources: DWS and Federal Reserve, as of 12/31/24. GSEs = Government Sponsored Enterprises. For illustrative purposes only.

The Opportunity

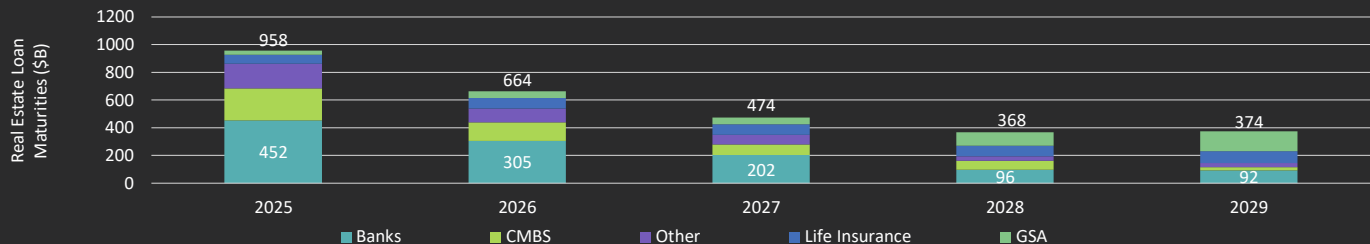
Attractive entry point driven by improving fundamentals, valuations, and technicals



Regulatory Changes: Banks tightening loan standards¹



Wall of Maturities: ~\$3.0tn opportunity to refinance CRE debt maturities²



¹Source: Senior Loan Officer Survey, As of December 2024. ²Source: MBA, As of December 2024.
Past performance is not indicative of future results. There is no assurance that investment objectives can be achieved.

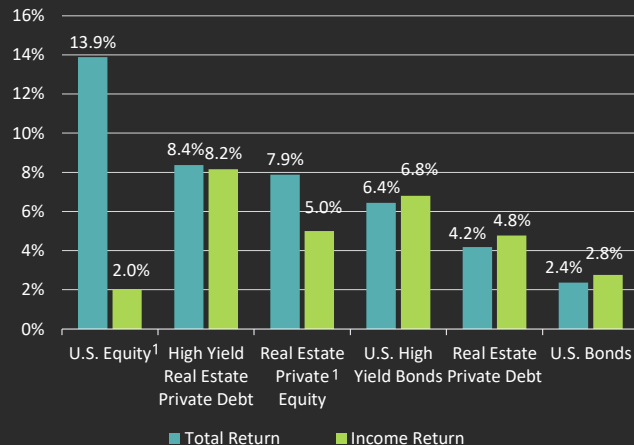
Why U.S. Real Estate Debt?

Attractive risk-adjusted returns driven by income



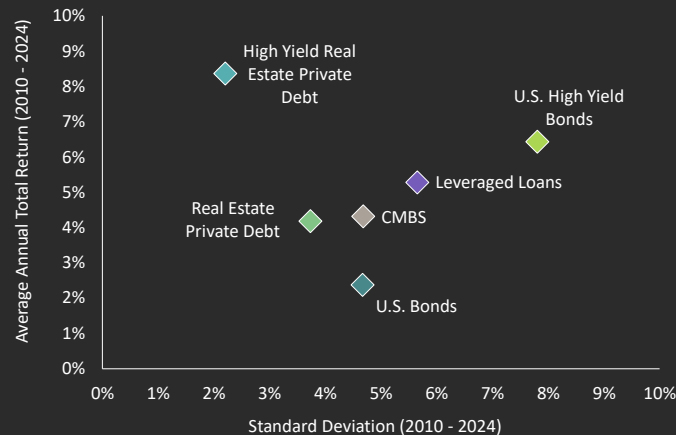
Average Annual Returns – Income vs Total¹

In % (Average of 2010-2023)



Risk-Return Comparison With Bonds¹

In % (2010-2024)



Notes: ¹U.S. Equity referencing the U.S. Equity is the S&P 500; Real Estate Private Equity referencing the NCREIF Property Index (NPI). Giliberto-Levy High Yield real estate Debt Index (High Yield Real Estate Private Debt), Giliberto-Levy Commercial Mortgage Performance Index (Real Estate Private Debt), S&P/LTSA Leveraged Loan Index (Leveraged Loans), Bloomberg/Barclays U.S. Aggregate Bond Total Return Index (U.S. Bonds), Bloomberg/Barclays U.S. Corporate High Yield Total Return Index (U.S. High Yield Bonds), Bloomberg/Barclays Investment Grade Non-Agency CMBS Total Return Index (CMBS). Past performance is not an indicator of future returns. For illustrative purposes only. Sources: DWS and Bloomberg, as of December 2024.

Investment Returns

Elevated returns exist across the risk return spectrum



Type	Core	Core Plus	Enhanced Return
Current Market Yields ¹	5.5-6.5%	8%-10%	11%-13%
Benefits	Spread premium vs. IG corporates	Enhanced income with limited duration	Equity returns with downside mitigation
Risk Limits	<65% LTV	<75% LTV	<85% LTV
Liquidity	Quarterly	Quarterly	Limited
Leverage	No	Selectively	Yes

¹ Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.
Sources: Cushman Wakefield, JP Morgan & DWS. As of March 31, 2025. For illustrative purposes only. Past performance is not indicative of future returns. There is no assurance that investment objectives can be achieved.

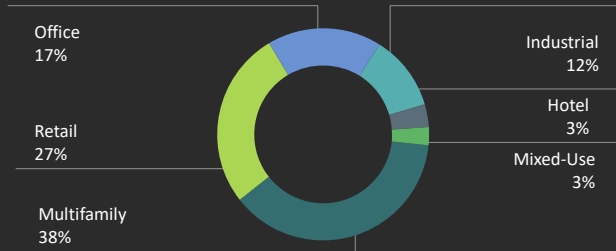
02 Performance Review

Performance Update

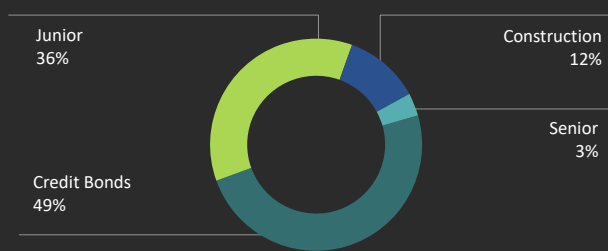
\$2.6 billion invested in real estate debt since 2010



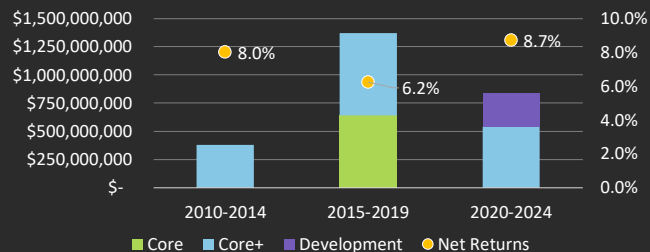
Property Sectors



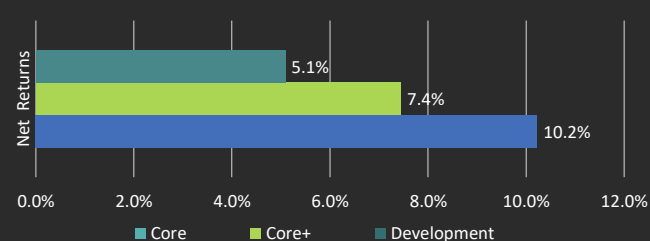
Investment Type



Vintage



Investment Style



Source: DWS. As of December 2024. Past performance is not indicative of future results.

Office Workout

Junior loan on a New York City office tower



Key Terms

Investment / Maturity Date	2014 / 2024	Senior Mortgage	\$180M CMBS
Multiple	0.89x of capital received as income	Mezzanine	\$40M DWS
Sponsor	HNW Investor	DWS Basis	\$220MM / \$385psf
Peak Valuation	\$395MM / \$752psf	Occupancy: Historic / Current	90+% / 76%



Investment Highlights



DWS on behalf of a separately managed account acted as investment advisor of a mezzanine loan investment secured by office in New York City.



Issue: Facing a Maturity of the entire capital stack, the Sponsors encountered an illiquid capital market environment and a tenant credit issue, requiring a capital injection



DWS Perspective: Concern about “spot market” valuation of the property and viability of replacing the existing CMBS mortgage



DWS Approach: lean into organizational expertise to assess value, viability of leasing and competitive status of the building



Other Considerations:

- DWS Life to Date return of capital 0.89x multiple
- Sponsor long ownership history and significant tax consequences in the event of foreclosure

This page contains a sample portfolio study provided for discussion and illustrative purposes only for characteristics that may be representative of future investments in the proposed strategy. These studies do not represent all transactions done by DWS and is not representative of our investment experience as a whole nor is it representative of the transactions that would constitute assets in a future invested strategy. Source: DWS, as of March 31, 2025.

What Is It Really Worth?

Active engagement with Transactions, Asset Management and Dispositions



Positives

- Small floor plates (14,000sqft) / diverse rent roll
- Great views (battery park, statue of liberty, NY Harbor)
- Historically very high occupancy (> 90+% over 10yrs)

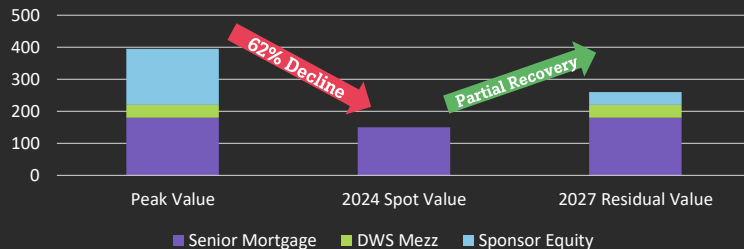
Negatives

- Facing 130,000sqft of near-term vacancy
- Limited if any institutional bid from buyers
- Needs capital a lot of capital!



Valuation Findings

- +/- 60% valuation decline peak to trough
- Mortgage and Mezzanine basis are impaired
- Bullish sentiment from Brokerage community and Sponsor on Residual value
- Estimated capital need of \$50MM or 1/3 of the spot value to "re-stabilize"



This page contains a sample portfolio study provided for discussion and illustrative purposes only for characteristics that may be representative of future investments in the proposed strategy. These studies do not represent all transactions done by DWS and is not representative of our investment experience as a whole nor is it representative of the transactions that would constitute assets in a future invested strategy. Source: DWS, as of March 31, 2025.

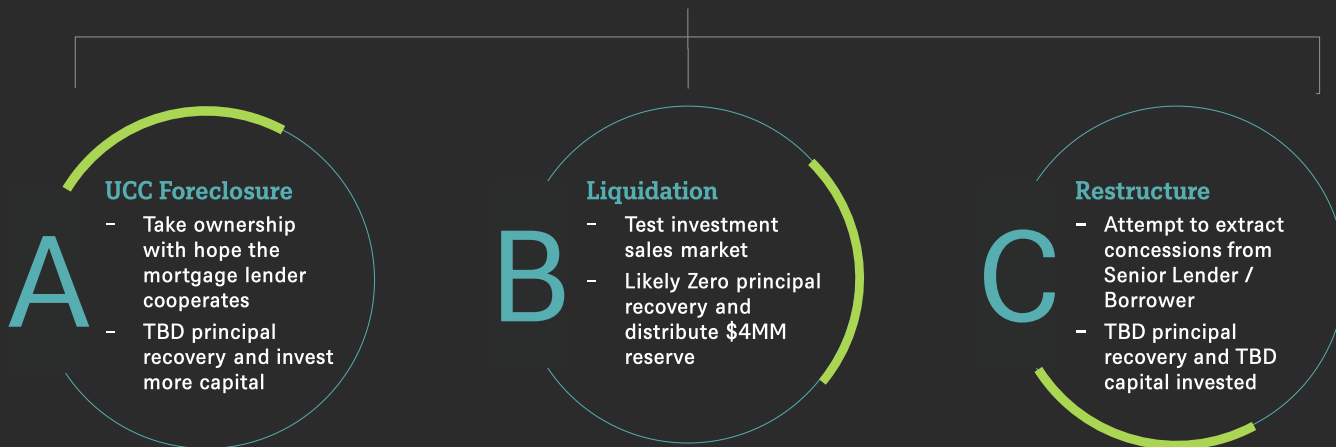
Ask the audience: A fork in the road

Three paths to choose from



Maturity Default

What's Next?



Source: DWS, as of May 2025. For illustrative purposes only.

Ask the audience: Deal or no deal

Did we kick the can or resolve the problem?

Restructure

- New Sponsor Capital (\$20 million)
- 3-year extension from mortgage
- Mezz concessions (accrue rate + release reserves)



Source: DWS, as of May 2025. For illustrative purposes only.

Risk factors



An investment in the strategy entails a high degree of risk and is suitable only for sophisticated investors for whom an investment in the fund does not represent a complete investment program, and who fully understand and are capable of bearing the risk of an investment in the strategy. Prospective investors should carefully consider the following risk factors, among others, in determining whether an investment in the strategy is a suitable investment, and should consult their own legal, tax and financial advisers as to all these risks and an investment in the strategy generally. Prospective investors should only invest in the strategy as part of an overall investment strategy. The following list of risk factors is not a complete summary of the various risks involved in an investment in the strategy. There can be no assurance that the strategy will be able to achieve its investment objective.

Certain significant risks include, but are not limited to, lack of liquidity, changes in regional or local economic or market conditions and real estate risks such as the effect of bankruptcy, the cyclical nature of the real estate market, the financial condition of tenants, changes in supply of, or demand for, properties in an area, fluctuations in lease rates, changes in interest rates, changes in cost and terms of financing, promulgation and enforcement of governmental regulations, including rules relating to zoning, land use and environmental protection, changes in real estate tax rates, energy prices and other operating expenses, risk of the time and cost overrun of development projects and the currency hedging risk. A more thorough discussion of a number of the risks and potential conflicts of interests regarding the strategy will be included in the offering documents.

Risks of Investing in Real Estate Generally. There is no assurance that the operations of the strategy will be profitable. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions have resulted in and may in the future result in occasional or permanent reductions in the value of the strategy's investments. Investments in real estate are subject to various risks, including without limitation: (i) the cyclical nature of the real estate market and changes in national or local economic or market conditions; (ii) the financial condition of tenants, buyers and sellers of properties, (iii) changes in supply of, or demand for, properties in an area; (iv) various forms of competition; (v) fluctuations in lease rates; (vi) changes in interest rates and in the availability, cost and terms of financing; (vii) promulgation and enforcement of governmental regulations, including rules relating to zoning, land use and environmental protection; (viii) changes in real estate tax rates, energy prices and other operating expenses; (ix) risks due to leverage and dependence on cash flow; (x) changes in applicable laws; (xi) various uninsured or uninsurable risks and losses; (xii) acts of God and natural disasters; and (xiii) civil unrest, acts of war or terrorism.

Competition for Investment Opportunities. The activity of identifying, completing, and realizing attractive acquisitions of core and value-added real estate and real estate related assets are highly competitive. The strategy competes for investment opportunities with many other real estate investors, including other real estate strategies, individual and institutional investors, public and private real estate companies and REITs, and financial institutions. Many such entities have substantially greater economic and personnel resources than the strategy or better relationships with sellers of properties, lenders and others or ability to accept more risk than the strategy believes can be prudently managed.

Risks of Environmental Liabilities. Under various laws, ordinances and regulations of the jurisdictions in which investments are made, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances. The cost of any required remediation and the owner's liability therefore as to any property is generally not limited under such laws and regulations and could exceed the value of the property and/or the aggregate assets owned. The presence of hazardous substances, or the failure to remediate hazardous substances properly, may adversely affect the owner's ability to sell or use real estate or to borrow outside strategies using real estate as collateral.

Lack of Liquidity of the strategy's Investments. The return of capital on investments and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. Investments will generally be highly illiquid compared to other asset classes, and it is unlikely that there will be a public market for most of the investments made.

Performance Risk. The strategy's investment will be highly speculative and, as such, investment in the strategy involves a substantial degree of risk. The performance of the strategy may not meet the projected returns and there is no guarantee of any level of return or repayment of capital.

Potential Conflicts of Interest relating to Deutsche Bank's Various Roles. As a diversified global financial services firm, Deutsche Bank and its affiliates engage in a broad spectrum of activities, including commercial and investment banking, lending, principal investing, financial and merger and acquisition advisory services, underwriting, investment management activities, strategy administration, providing depositary bank and custody services, sponsoring and managing private investment strategies, brokerage, trustee, and similar activities on a world-wide basis. Deutsche Bank and its affiliates may engage in activities where their interests and the interests of their clients may conflict with the interests of the strategy and/or its investors.

Use of Leverage. The strategy may use indebtedness (including guarantees) in connection with its investments. This indebtedness will increase the risk of investment loss on a leveraged property and increase the exposure of such investments to adverse economic factors such as rising interest rates, severe economic downturns, or deterioration in the condition of the real estate investment or its corresponding market.

Experience of Manager; Dependence on Key Personnel. While DWS and its affiliated entities have substantial experience with transactions and assets of the type that the strategy intends to invest in, persons who have played active and important roles in the success of prior endeavours DWS and its affiliates are not, and may not in the future, be associated with the strategy, DWS or their affiliates. The strategy depends to a significant extent upon the experience of members of senior management of DWS.

Inflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and capital markets of certain emerging economies. There can be no assurance that inflation will not become a serious problem in the future and thus have an adverse impact on the strategy's returns

The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries, such as DWS Distributors, Inc., which offers investment products, or DWS Investment Management Americas, Inc. and RREEF America L.L.C., which offer advisory services.

This material was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. It is intended for informational purposes only. It does not constitute investment advice, a recommendation, an offer, solicitation, the basis for any contract to purchase or sell any security or other instrument, or for DWS or its affiliates to enter into or arrange any type of transaction as a consequence of any information contained herein. Neither DWS nor any of its affiliates gives any warranty as to the accuracy, reliability or completeness of information which is contained in this document. Except insofar as liability under any statute cannot be excluded, no member of the DWS, the Issuer or any office, employee or associate of them accepts any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage whether direct, indirect, consequential or otherwise suffered by the recipient of this document or any other person.

The views expressed in this document constitute DWS Group's judgment at the time of issue and are subject to change. This document is only for professional investors. No further distribution is allowed without prior written consent of the Issuer.

Investments are subject to risk, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time.

An investment in real assets involves a high degree of risk, including possible loss of principal amount invested, and is suitable only for sophisticated investors who can bear such losses. The value of shares/units and their derived income may fall or rise.

War, terrorism, sanctions, economic uncertainty, trade disputes, public health crises and related geopolitical events have led and in the future may lead to significant disruptions in U.S. and world economies and markets, which may lead to increased market volatility and may have significant adverse effects on the fund and its investments.