

**Private Markets**

June 2024

# **European Real Estate Outlook: If not now, when?**

**BlackRock**

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESAL QUALIFIEDINVESTORS USE ONLY

MKTG-M0624E/S-3655360-1/10

# European Real Estate Outlook

BlackRock Real Estate Research

June 2024

## Key takeaways

- Following 18-24 months of uncertainty, several key macroeconomic headwinds in Europe are subsiding. Inflation continues to moderate, and recovery is appearing to be underway.
- Given the procyclical nature of real estate, investors are now able to consider how they are poised to benefit from the uplift. But this is not to say that all investors will benefit in equal measure.
- This business cycle continues to be different. No longer can investors rely on cheap leverage, instead acute asset selection, granularity, market expertise and alignment with long term structural trends are pivotal.

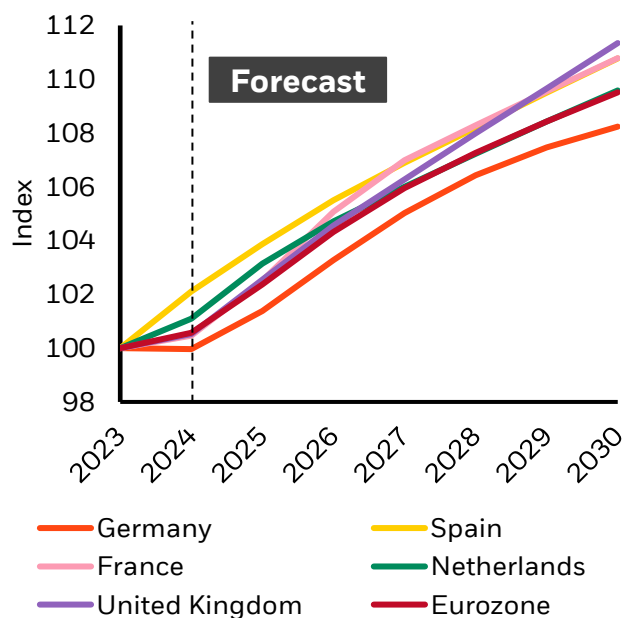
## Easing macroeconomic headwinds

Over the past two years, the bleak macroeconomic backdrop allied with the uncertainty that characterises the new normal, has taught us the importance of remaining cautious, and to have humility! However, headwinds are easing, valuations are stabilising, and near-term rate cuts are likely to mark a cyclical inflexion point. This begs the question, if not now when? The window of opportunity to generate cyclical outsized returns is narrow and investors need to consider what else, above and beyond what we are observing today, would provide them with the confidence to enter the European real estate market.

**A deep recession has been avoided.** The expansion of GDP in Q1 across Europe was broad based, with Eurozone GDP rising by 0.3% whilst UK growth sat at 0.6%<sup>1</sup>. All things remaining constant, we expect economic activity to continue to strengthen for the remainder of this year as positive cyclical tailwinds in the form of lower inflation, and monetary policy easing come to fore.

**Inflation continues to come down meaningfully** and is anticipated to reach the 2% target in the latter half of the year. We expect to see some fluctuation around this mark over the medium term as central banks seek to control the inflation dynamic, with inflation falling below the 2% level earmarked as a concern for the BoE in particular.

Figure 1: GDP Growth Outlook



Source: Oxford Economics Forecasting Index Base 100 = 2023, 22 May 2024. Forecasts may not come to pass.

**Rate cuts will mark a cyclical inflexion point. At its latest meeting, the ECB cut rates by 25bps, highlighting that the easing cycle has begun.** If inflation continues to move in the right direction, and lingering worries about wage growth subside, we expect the BoE to cut rates over the next few months. Rates are expected to stabilise at 3% in the UK and 2% in the Eurozone by 2025<sup>2</sup>. Even though, this is a more restrictive monetary environment than that investors had become accustomed to post GFC, rates sitting at this level aligns more closely to the longer-term average level for interest rates.

<sup>1</sup> Capital Economics, 10 May 2024,

<sup>2</sup> Capital Economics, 22 May 2024.

## Taking advantage of pro-cyclicality

**The outlook for real estate is becoming increasingly positive.** However, this cycle will be different, in fact all cycles are uniquely defined. Unlike the GFC, investors will not be able to leverage cheap debt to generate outsized returns, as the cost of finance is expected to remain elevated compared to the post GFC era. Instead, specialized asset management, granularity and an acute focus on long-term value generation will drive a polarization in real estate performance.

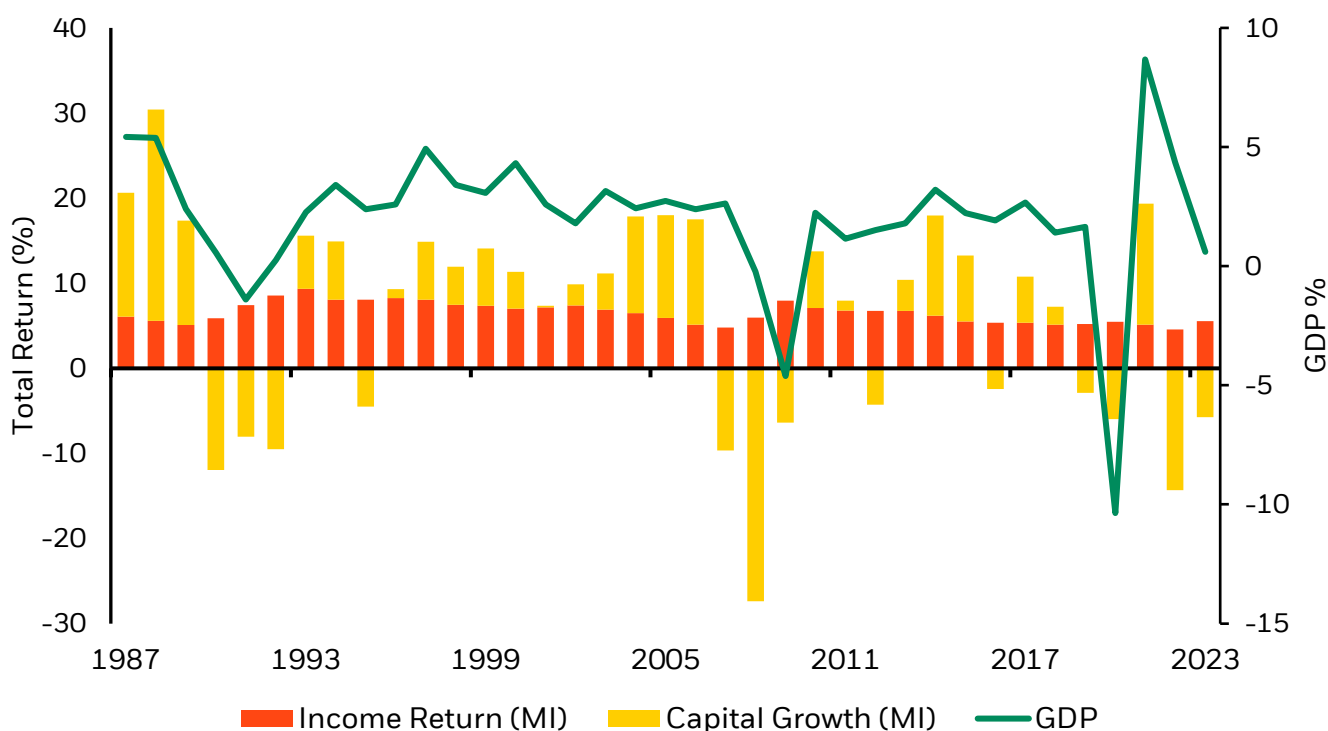
**We expect the bulk of revaluations to be behind us.** At the time of writing, all property values are currently 25% and 18% below peak pricing in the UK and Eurozone, respectively. Although we are closer to the bottom of the cycle for prime stock, secondary stock in weak locations remains at risk of further correction with increased depreciation and obsolescence. These assets will be more vulnerable to weakness in the real economy, and therefore liquidity in these markets will remain constrained and debt financing will be very limited.

**For now, liquidity remains constrained.** The ongoing correction has given sellers little incentive to bring properties to market unless forced to. We continue to expect an uplift in sentiment alongside the first interest rate cut, driving deal flow. The shift in market dynamics has the propensity to happen quickly, meaning before we know it the bottom of the market could quickly be behind us.

**Early signs that deal flow is recovering.** High frequency data coming from the UK revealed that in March, commercial investment volumes reached their highest level in 12-months. This suggests investors are beginning to attempt to capitalize on the bottom of the market. We expect volumes to pick up this year as yields respond to falling risk free rates and as financing becomes more tenable.

As highlighted in Figure 2, one of the most attractive features of real estate investment is the generation of income return. However, we see the 'new normal' being characterised by uncertainty mainly driven by elevated geopolitical uncertainty, putting such return at risk. The most successful investors will build higher degrees of income protection into their portfolio. This can be achieved by alignment with long term structural trends.

Figure 2: UK Real Estate Cycle



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Source: MSCI UK Annual Returns, GDP Growth Oxford Economics, 22 May 2024.

<sup>3</sup> MSCI Capital Value Decline, 22 May 2024.

<sup>4</sup> RCA Transaction Volumes, 22 May 2024.

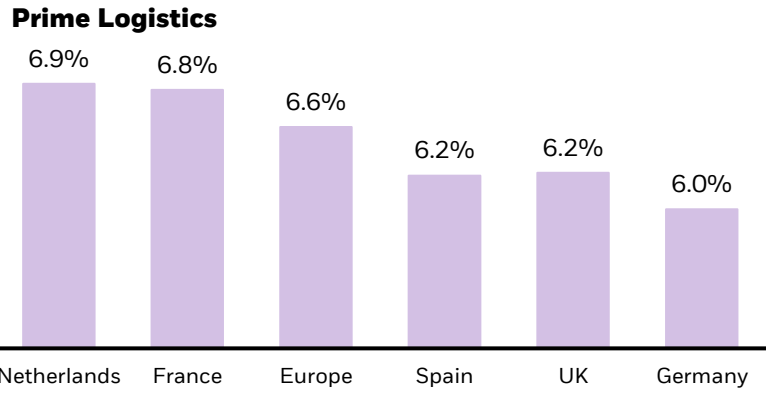


# Sector Convictions

## Logistics

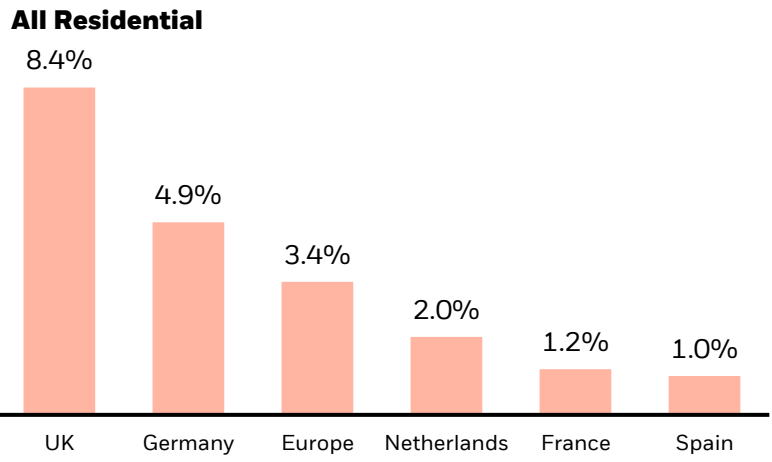
The sector continues to be supported by robust market fundamentals and strong rental growth prospects. We expect that as capital returns to the European real estate markets, it will likely target the logistics sector. Due to the slowdown in development, we have already started to see the increase in vacancy rates slowing. Take up remains stronger than the pre-pandemic average, highlighting that the structural megafactors, namely e-commerce and nearshoring, are continuing to bolster demand.

Figure 3: Annualised 3-year projected returns



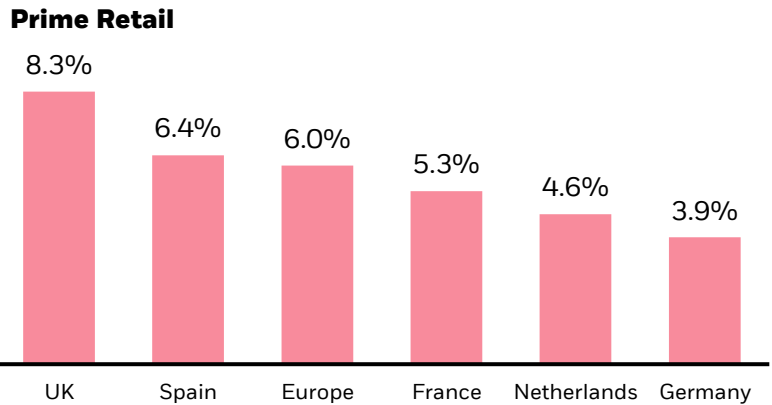
## Residential

Investor appetite for the residential sector continues to be driven by increasing affordability constraints of homeownership due to rising interest rates as well as the severe housing shortages in key cities. Demand will also be bolstered by growing household formation across Europe. This has meant changing segments of the residential sector, namely micro-living, have become attractive as these seek to alleviate the challenges surrounding a lack of supply and unaffordability.



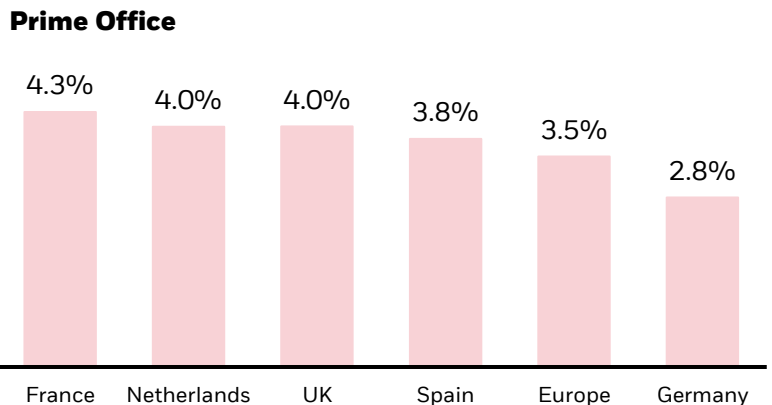
## Retail

The retail sector should benefit from an improving real economy, but long-term structural challenges persist. Given that significant correction had already taken place in this sector, pricing did not move out largely during the downturn. We expect the retail sector will continue to grapple with competition from e-commerce. The most successful retailers will ally their physical footprint with an online presence.



## Office

Uncertainty clouds the outlook for the office sector, potentially leading to missed opportunities. Sentiment has remains weak, given structural and cyclical headwinds. However, the risk of such cynicism is that investors overlook the opportunity that exists in the prime part of the market. Many European cities continue to grapple with shortages of good quality stock, and as net additions slow down, best in class space should generate attractive rents going forward. Such polarization in performance will be further exacerbated by the shortfall of ESG compliant stock.



Source: PMA Prime Forecasts (bar Multifamily represent all). NOTE: Represents indicative forecast returns. Forecasts may not come to pass. 22 May 2024.

## Focus: Revisiting the UK Property Fund Index

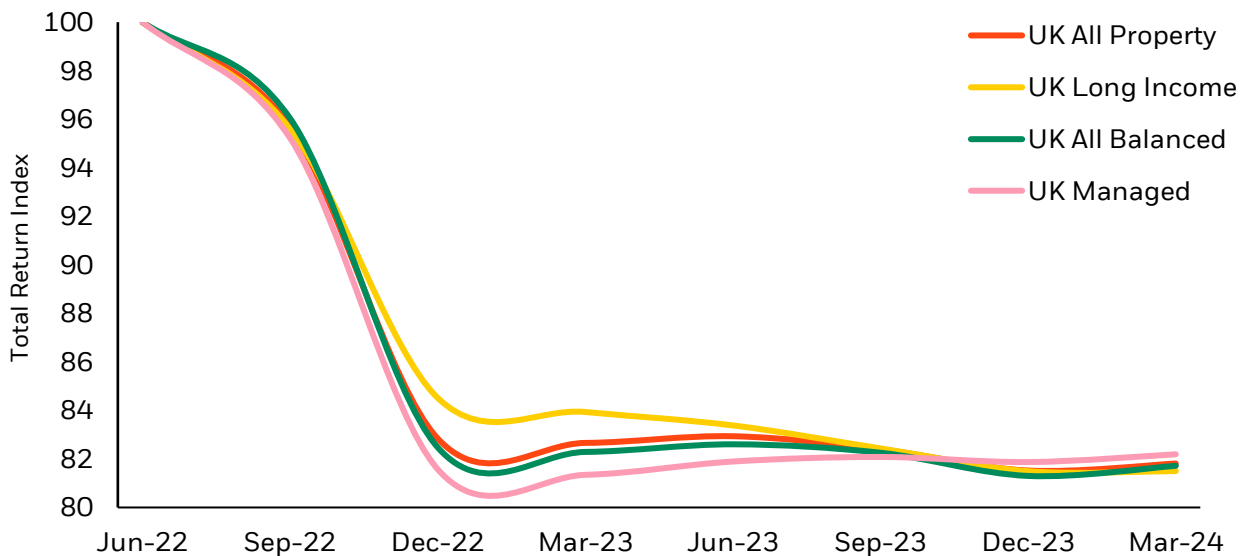
In Q3 2023, we explored leverage and sector allocations as explanatory factors for performance volatility and concluded that the UK Property Fund total return index had started to converge across index types. We noted how Managed Funds had reflected the market decline most rapidly with Long Income funds proving resilient and how this correlation reversed over the period.

Since then, we have started to observe greater dispersion across indices again. Three funds have dropped out of the Quarterly Index due to distress and redemption pressures despite the relative market stabilization in recent quarters. Thus, the MSCI/AREF UK Quarterly Property Fund Index now counts 38 actively contributing funds with property value amounting to £39.3bn spanning across sectors. The chart below depicts an indexation of Net Total Returns since peak valuations in June 2022.

We observe how Managed Funds, which underperformed initially, has been the top performing group in recent quarters. The implied relative volatility for Managed Funds is despite of a relatively modest use of leverage and being characterized by large fund sizes. Therefore, the explanation is more likely found in the allocation strategy and the broader shift from DB to DC schemes, which is particularly relevant for Managed Funds (Property Pension Funds).

Our analysis indicates that Managed Funds faced larger redemption requests, which could explain the short-term underperformance due to selling in a thin market. Meanwhile, comparing the allocation in both Q2 2022 and Q1 2024, the Managed Funds exhibit a relatively smaller allocation to offices and a relative overweight to industrial. This implies that the Managed Funds has had a relatively strong allocation but has been affected by redemption pressures. This goes well with the fact that ‘All Assets’ property returns, which reflect the impact of sales, have consistently underperformed the ‘Standing Assets’ category, which excludes sales.

**Figure 4: Managed Pension Funds positioned for outperformance**



Past performance is not a reliable indicator of current or future results. Source: MSCI/AREF Quarterly Index, Q1 2024.

## Global Research Team

### Simon Durkin

Global Head of Real Estate Research  
simon.durkin@blackrock.com

### Chloe Soar

EMEA Real Estate Research  
chloe.soar@blackrock.com

### Rukeyah Syeda

Real Estate Portfolio and Analytics  
Rukeyah.Syeda@blackrock.com

### Alex Symes

Head of U.S. Real Estate Research  
alex.symes@blackrock.com

### Yasmine Kamaruddin

U.S. Real Estate Research  
[yasmine.Kamaruddin@blackrock.com](mailto:yasmine.Kamaruddin@blackrock.com)

### Tobias Gotfredsten

Real Estate Portfolio and Analytics  
Tobias.Gotfredsten@blackrock.com

*Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns. Actual investment outcomes may vary. The model portfolios should not be construed as investment advice. There is no guarantee that these investment strategies will work under all market conditions or are suitable for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits. The above are representations of various model portfolios and no guarantee is being made that the structure of other similar portfolios will remain the same or that similar results will be achieved.*

### Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

© 2024 BlackRock, Inc. or its affiliates. All Rights reserved. BLACKROCK, iSHARES and ALADDIN are trademarks of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

**BlackRock**

In the **UK and Non-European Economic Area (EEA) countries**: this is Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

In the **European Economic Area (EEA)**: this is Issued by BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded.

For qualified investors in **Switzerland**: This document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services ("FinSA").

For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: [www.blackrock.com/finsa](http://www.blackrock.com/finsa)

For investors in **Israel**: BlackRock Investment Management (UK) Limited is not licenced under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder.

For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in Italian.

In **South Africa**, please be advised that BlackRock Investment Management (UK) Limited is an authorised Financial Services provider with the South African Financial Services Conduct Authority, FSP No. 43288.

In **Bahrain**: The information contained in this document is intended strictly for sophisticated institutions.

In **Qatar**: The information contained in this document is intended strictly for sophisticated institutions.

In **UAE**: The information contained in this document is intended strictly for Professional Investors.

In **Saudi Arabia**: This material is for distribution to Institutional and Qualified Clients (as defined by the Implementing Regulations issued by Capital Market Authority) only and should not be relied upon by any other persons.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorized financial adviser.

In the **DIFC**: The information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) Rules. BlackRock Advisors (UK) Limited -Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

In **Hong Kong**, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. This material is for distribution to "Professional Investors" (as defined in the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong) and any rules made under that ordinance) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong.

**BlackRock**

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE QUALIFIED INVESTORS USE ONLY

MKTGM0624E/S-3655360-7/10

**In Singapore**, this is issued by BlackRock (Singapore) Limited (Co. registration no. 200010143N) for use only with institutional investors as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

**In South Korea**, this information is issued by BlackRock Investment (Korea) Limited. This material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations) and for information or educational purposes only, and does not constitute investment advice or an offer or solicitation to purchase or sell in any securities or any investment strategies.

**In Taiwan**, independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600.

For Institutional investors and financial intermediaries only (not for public distribution). The information contained herein is for informational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. An assessment should be made as to whether the information is appropriate for you having regard to your objectives, financial situation, and needs.

This information does not consider the investment objectives, risk tolerance, or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations.

This material is restricted to distribution to non-U.S. Persons outside the United States within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Any securities described herein may not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and may not be offered, sold, pledged or otherwise transferred except to persons outside the U.S. in accordance with Regulation S under the Securities Act pursuant to the terms of such securities. In particular, any UCITS funds mentioned herein are not available to investors in the U.S. and this material cannot be construed as an offer of any UCITS fund to any investor in the U.S.

**In Australia & New Zealand**, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively. This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA). BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

**In China**, this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, not applicable to Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

**For Southeast Asia:** This document is issued by BlackRock and is intended for the exclusive use of any recipient who warrants, by receipt of this material, that such recipient is an institutional investors or professional/sophisticated/qualified/accredited/expert investor as such term may apply under the relevant legislations in Southeast Asia (for such purposes, includes only Malaysia, the Philippines, Thailand, Brunei and Indonesia). BlackRock does not hold any regulatory licenses or registrations in Southeast Asia countries listed above, and is therefore not licensed to conduct any regulated business activity under the relevant laws and regulations as they apply to any entity intending to carry on business in Southeast Asia, nor does BlackRock purport to carry on, any regulated activity in any country in Southeast Asia. BlackRock funds, and/or services shall not be offered or sold to any person in any jurisdiction in which such an offer, solicitation, purchase, or sale would be deemed unlawful under the securities laws or any other relevant laws of such jurisdiction(s). This material is provided to the recipient on a strictly confidential basis and is intended for informational or educational purposes only.

**BlackRock**



Nothing in this document, directly or indirectly, represents to you that BlackRock will provide, or is providing BlackRock products or services to the recipient, or is making available, inviting, or offering for subscription or purchase, or invitation to subscribe for or purchase, or sale, of any BlackRock fund, or interests therein. This material neither constitutes an offer to enter into an investment agreement with the recipient of this document, nor is it an invitation to respond to it by making an offer to enter into an investment agreement. The distribution of the information contained herein may be restricted by law and any person who accesses it is required to comply with any such restrictions. By reading this information you confirm that you are aware of the laws in your own jurisdiction regarding the provision and sale of funds and related financial services or products, and you warrant and represent that you will not pass on or utilize the information contained herein in a manner that could constitute a breach of such laws by BlackRock, its affiliates or any other person.

**For Other Countries in APAC:** This material is provided for your informational purposes only and must not be distributed to any other persons or redistributed. This material is issued for Institutional Investors only (or professional/sophisticated/qualified investors as such term may apply in local jurisdictions) and does not constitute investment advice or an offer or solicitation to purchase or sell in any securities, BlackRock funds or any investment strategy nor shall any securities be offered or sold to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners

In **Canada**, this material is intended for institutional investors, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction.

**In Latin America, for institutional investors and financial intermediaries only (not for public distribution).** This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not be registered with the securities regulators of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

**In Argentina**, only for use with Qualified Investors under the definition as set by the Comisión Nacional de Valores (CNV). **In Brazil**, this private offer does not constitute a public offer, and is not registered with the Brazilian Securities and Exchange Commission, for use only with professional investors as such term is defined by the Comissão de Valores Mobiliários. **In Colombia**, the sale of each fund discussed herein, if any, is addressed to less than one hundred specifically identified investors, and such fund may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia. **In Chile**, the sale of each fund not registered with the CMF is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF. **In Peru**, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the Superintendencia de Banca, Seguros y AFP. In Uruguay, the Securities are not and will not be registered with the Central Bank of Uruguay. The Securities are not and will not be offered publicly in or from Uruguay and are not and will not be traded on any Uruguayan stock exchange. This offer has not been and will not be announced to the public and offering materials will not be made available to the general public except in circumstances which do not constitute a public offering of securities in Uruguay, in compliance with the requirements of the Uruguayan Securities Market Law (Law N° 18.627 and Decree 322/011).

**IN MEXICO, FOR INSTITUTIONAL AND QUALIFIED INVESTORS USE ONLY. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. THIS MATERIAL IS PROVIDED FOR EDUCATIONAL AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SHARES OF ANY FUND OR SECURITY.** This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the "CNBV") and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services ("Investment Services") is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. These materials are shared for information purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Securities (*Ley del Mercado de Valores*). Each potential investor shall make its own investment decision based on their own analysis of the available information.

**BlackRock**

Please note that by receiving these materials, it shall be construed as a representation by the receiver that it is an Institutional or Qualified investor as defined under Mexican law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión (“BlackRock México Operadora”) is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services. For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in [www.blackrock.com/mx](http://www.blackrock.com/mx). This material represents an assessment at a specific time and its information should not be relied upon by the you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. For more information on BlackRock México, please visit: [www.blackrock.com/mx](http://www.blackrock.com/mx). BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora. For the full disclosure, please visit [www.blackrock.com/mx](http://www.blackrock.com/mx) and accept that your personal information will be managed according with the terms and conditions set forth therein. BlackRock® is a registered trademark of BlackRock, Inc. All other trademarks are the property of their respective owners.

**For investors in Central America**, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor’s own risk. This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities (“SUGEVAL”), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities (“Reglamento sobre Oferta Pública de Valores”). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon his request and instructions, and on a private placement basis. For Guatemala Investors, This communication and any accompanying information (the “Materials”) are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this “Jurisdiction”), or the conducting of any brokerage, banking, or other similarly regulated activities (“Financial Activities”) in the Jurisdiction. Neither BLACKROCK, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BLACKROCK, nor the securities, products, services, or activities described herein, are regulated, or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BLACKROCK only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations, if any. **In Guatemala**, this communication, and any accompanying information (the “Materials”) are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this “Jurisdiction”), or the conducting of any brokerage, banking or other similarly regulated activities (“Financial Activities”) in the Jurisdiction. Neither BlackRock, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BlackRock, nor the securities, products, services or activities described herein, are regulated or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BlackRock only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations, if any.

**For investors in the Caribbean**, any funds mentioned or inferred in this material have not been registered under the provisions of the Investment Funds Act of 2003 of the Bahamas, nor have they been registered with the securities regulators of Bermuda, Dominica, the Cayman Islands, the British Virgin Islands, Grenada, Trinidad & Tobago or any jurisdiction in the Organisation of Eastern Caribbean States, and thus, may not be publicly offered in any such jurisdiction. The shares of any fund mentioned herein may only be marketed in Bermuda by or on behalf of the fund or fund manager only in compliance with the provision of the Investment Business Act 2003 of Bermuda and the Companies Act of 1981. Engaging in marketing, offering or selling any fund from within the Cayman Islands to persons or entities in the Cayman Islands may be deemed carrying on business in the Cayman Islands. As a non-Cayman Islands person, BlackRock may not carry on or engage in any trade or business unless it properly registers and obtains a license for such activities in accordance with the applicable Cayman Islands law. For Dominican Republic, any securities mentioned or inferred in this material may only be offered in a private character according to the laws of the Dominican Republic, falling beyond the scope of articles 1 numeral (31), 46 et al of Law 249-17 dated 19 December 2017, as amended and its Regulations. Since no governmental authorizations are required in such offering, any “securities” mentioned or inferred in this material have not been and will not be registered with the Stock Market Superintendency of the Dominican Republic (Superintendencia de Mercado de Valores de la República Dominicana), and these “securities” may only be circulated, offered and sold in the Dominican Republic in a private manner based on the criteria established under Dominican laws and regulations.

**BlackRock**

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE QUALIFIED INVESTORS USE ONLY

MKTGM0624E/S-3655360-10/10