ROTHSTEIN | CAPITAL MANAGEMENT

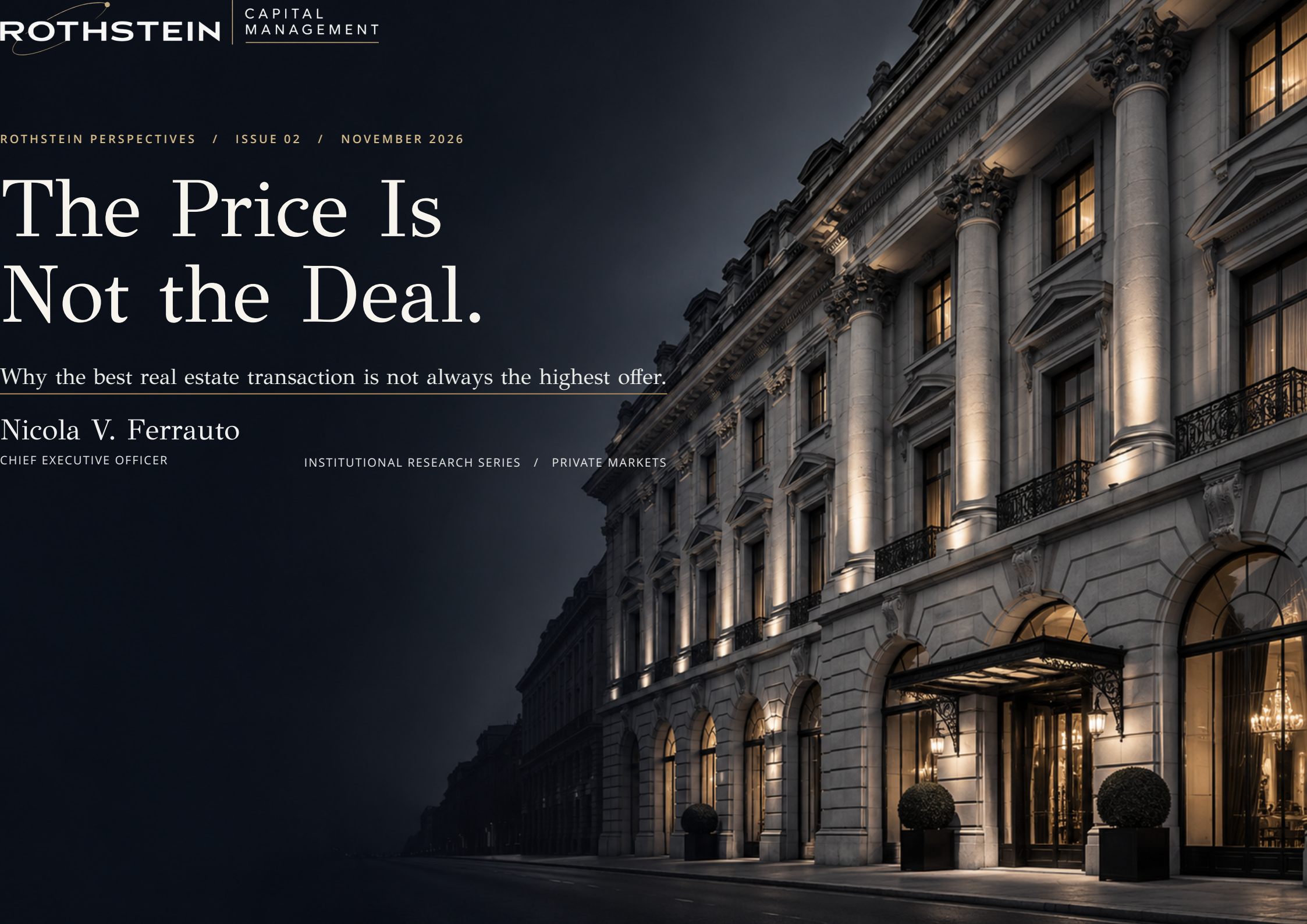
ROTHSTEIN PERSPECTIVES / ISSUE 02 / NOVEMBER 2026

The Price Is Not the Deal.

Why the best real estate transaction is not always the highest offer.

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INSTITUTIONAL RESEARCH SERIES / PRIVATE MARKETS



EXECUTIVE SUMMARY / REAL ESTATE

The price is an input. Completion is an outcome.

An institutional lens on cross-border real estate transactions.

Headline consideration is not the same as economically realizable value.

For a complex acquisition, the proposed price must be tested against ownership rights, permitted use, operating contracts, financing, contractual risk allocation and the timing of completion.

A superior nominal bid can have inferior expected proceeds for a seller. The buyer must separately assess downside value and whether the cash flows supporting its underwriting will exist after closing.

THE UNDERWRITING QUESTION

Can the rights that are being bought support the income being priced?

The valuation must be connected to transferable rights, executable consents and bankable post-closing operations.

€241bn

EUROPEAN PROPERTY INVESTMENT

2025, +13% on 2024 [01]

€23bn

EUROPEAN HOTEL INVESTMENT

2025, +13% on 2024 [01]

€11.7bn

EUROPEAN HOTEL INVESTMENT

H1 2026, −9.5% YoY [02]

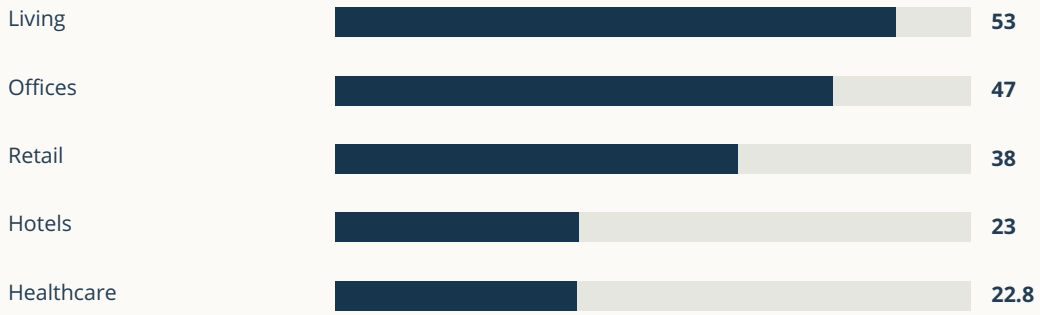
01 / MARKET CONTEXT

Deal activity does not remove asset-specific risk.

2025 volume provides scale, not certainty.

EXHIBIT 01 / SELECTED EUROPEAN SECTORS

2025 investment volume, €bn



Source: CBRE [01]. Selected categories only; do not sum to the €241bn headline as a comprehensive market breakdown. Data exclude Q4 French living investment.

Capital moves. Underwriting still matters.

CBRE recorded €241bn of European property investment in 2025, up 13%. Hotels reached €23bn. These figures establish market activity, not the probability that any particular asset will transact.

For investment committees, aggregate liquidity and transaction-level executable value remain separate questions.

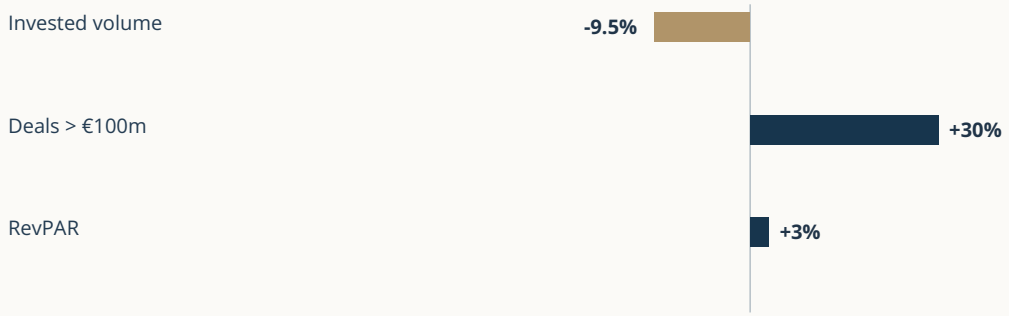
02 / MARKET SIGNALS

The prime market is not the whole market.

Investor activity needs careful denominators and comparable periods.

EXHIBIT 02 / H1 2026 EUROPEAN HOTELS

Three distinct activity indicators (YoY)



Source: Cushman & Wakefield, H1 2026 [02]. Distinct bases: aggregate transaction volume, count of >€100m deals, and hotel RevPAR. Do not add or average percentages.

> One market. Several different liquidity conditions.

Strength and weakness can coexist.

European hotel investment was €11.7bn in H1 2026, down 9.5% YoY yet 19.5% above the 10-year average. Deals above €100m rose 30% while RevPAR increased 3%.

The divergence matters: demand for certain prime assets cannot be extrapolated to every asset with planning, legal or operational defects.

03 / MATERIAL TRANSACTION RISK

The legal ability to own is not the ability to earn.

A permission or development right must be tested against the actual acquisition and operating plan.

Planning and lawful use often drive value.

A hotel, development land parcel or mixed-use property may be priced on an expansion, conversion or redevelopment strategy. If the intended use is not lawfully permissible, or approvals cannot be obtained within the planned timetable, the acquisition's economics may change materially.

A contractual warranty can allocate specified losses. It cannot itself convert an unlawful use into a lawful one.

01 **Title and encumbrances**
Verify the exact interest transferred, including leasehold or surface rights.

02 **Permits and permitted use**
Test current permissions and the strategy's additional approvals.

03 **Timing and conditions**
Determine consent requirements, expiry dates and appeal risks.

04 **Revenue exposure**
Rebuild the cash flow under delayed, reduced or denied permissions.

> The relevant diligence question is not "does the asset have permits?", but "which rights and consents support each forecast cash-flow line?"

04 / DISTINCTIVE RCM FRAMEWORK

The Rights-to-Revenue Gap.

Legal ownership, operating continuity and bankable income can diverge.

The Rights-to-Revenue Gap is the space between transferable property rights and income a lender or investor can underwrite.

EXHIBIT 03 / THE RCM RIGHTS-TO-REVENUE CHAIN

Five linked diligence domains

01	02	03	04	05
OWN	**USE**	**OPERATE**	**EARN**	**FINANCE**
Title Ownership rights	Permits Planning compliance	Contracts Change of control	NOI Operating continuity	Covenants Coverage tests

A clean title may coexist with a non-transferable franchise arrangement, permit condition, management contract or lender consent requirement. The effect is jurisdiction- and contract-specific.

A single delay can affect expected NOI, lender covenant headroom, additional sponsor equity and the price an acquirer can responsibly pay. These risks should be modeled jointly, not checked as independent silos.

05 / UNDER-NOTICED DEPENDENCY

The building can transfer before the income does.

Contract and consent portability may become the hidden cost of closing.

Portability friction is an execution risk.

Real estate may legally change hands while the economic relationships that make it productive transfer only with separate approvals. A share transaction may preserve the entity yet activate change-of-control clauses; an asset deal may require separate novations or registrations.

The critical dependency map should identify contract holder, assignment rights, consent authority, deadlines, fallback operator and financial consequence of failed consent.

This is not a claim that every authorization automatically falls away on a transfer. Applicable law and contractual language determine the result.

EXHIBIT 04 / DILIGENCE DEPENDENCY MAP

CONTROL	REVIEW QUESTION
Hotel franchise	Are branding and operating rights assignable?
Management agreement	Does change of control trigger consent or termination?
Public approvals	Is the authorisation tied to entity, use or operator?
Financing	Do waivers or covenants change at closing?

Illustrative legal and operating questions, not assertions about a specific property. Specialist local counsel is required.

06 / ECONOMIC SENSITIVITY

Permissions can change financing and value together.

A transparent scenario makes the economic interdependence explicit.

EXHIBIT 05 / ILLUSTRATIVE NOI-BASED SENSITIVITY

CASE	ANNUAL NOI	ASSUMED CAP RATE	IMPLIED VALUE
Base plan	€4.0m	6.5%	€61.5m
Operating shortfall	€3.4m	6.5%	€52.3m

Hypothetical stabilized direct-capitalization arithmetic: €4.0m ÷ 0.065 ≈ €61.54m; €3.4m ÷ 0.065 ≈ €52.31m. Unchanged cap rate is an assumption, not market evidence.

> A €0.6m change in underwritten NOI translates into about €9.2m of implied value at a fixed 6.5% cap rate.

The second-order risk is financial.

A permissions shortfall or interrupted operating agreement can alter the revenue case used by lenders. Debt capacity, financing terms and equity needs may then move in the same adverse direction as valuation.

The sensitivity is an illustration of mathematical leverage to NOI, not an appraisal or a forecast of any European asset. It excludes cap-rate changes, capex, transaction costs and financing effects.

07 / CONTRACTUAL DESIGN

Allocate the risk — then verify the remedy.

The deal structure must match the failure modes that diligence actually identifies.

Contractual protection must be enforceable.

MECHANISM	INTENDED FUNCTION
Condition precedent	Make completion contingent on a specific event.
Escrow / holdback	Reserve funds for defined post-closing exposures.
Warranty / indemnity	Allocate specified losses; assess counterparty recourse.
Milestone payment	Align release of consideration with objectively measurable delivery.

Structure determines the residual risk.

Asset deals and share deals may differ in transfer taxes, inherited liabilities, contractual continuity and third-party consents. Neither is intrinsically superior; each requires jurisdiction-specific analysis.

Escrow is not automatically secure, and indemnities can be worthless against an insolvent obligor. A clause should be evaluated for trigger clarity, enforceability, expiry, credit support and remedy.

The transaction agreement should identify what happens if a critical approval does not arrive by the outside date.

COMPARATIVE DECISION / ASSET DEAL

Identify exactly which real-property rights and operating contracts are transferred; test conveyance formalities, transfer taxes and required novations.

COMPARATIVE DECISION / SHARE DEAL

Diligence the entire target entity, including inherited exposures, tax attributes and change-of-control restrictions on essential contracts and licences.

08 / OFFER ECONOMICS

The best deal may not be the highest offer.

Risk-adjusted consideration is a decision framework, not a universal rule.

EXHIBIT 06 / SELLER-SIDE EXPECTED GROSS PROCEEDS

Offer A (€65m) at alternative assumed completion probabilities



Hypothetical seller-side model: €65m × assumed p. Benchmark Offer B = €60m with 100% assumed completion. Break-even p = 60÷65 = 92.3077%.

The bid is not the proceeds.

An offer of €65m with uncertain completion need not beat €60m with stronger financing and fewer conditions. Here Offer B is assumed certain only to isolate the mathematics.

In actual diligence, expected proceeds must include costs, delay, tax, recoveries, competing bids, additional attempts, deposits and discounting. Without estimated probabilities, one cannot legitimately rank these hypothetical bids.

09 / INVESTMENT COMMITTEE

Six questions before an acquisition becomes executable.

A practical decision sequence for cross-border real estate transactions.

01 **Confirm the rights being bought**
Title, consents, encumbrances and permitted use.

02 **Link every material revenue line**
Operational contracts, licences and capex required for delivery.

03 **Stress the downside**
Model a missed permission, delayed occupancy and lender response.

04 **Qualify the buyer**
Capital evidence, decision authority and unresolved investment approvals.

05 **Protect the exclusivity window**
Time limits, deliverables, remedy and termination mechanics.

06 **Separate perspectives**
Seller: realizable proceeds; buyer: sustainable investment returns.

> An investment committee should underwrite the rights, the terms and the outcome — not the price alone.

10 / AUTHOR'S VIEW

The transaction is the full allocation of risk.

The thesis is strongest when its limitations are made explicit.

Where the argument can fail.

The highest offer can be the best offer when its conditions, financing and completion probability are genuinely strong. Risk adjustment is not a pretext to prefer a lower price.

Due diligence is also not a guarantee of performance: future operating results, macro conditions and valuation shifts remain uncertain. Nor are all permitting constraints fatal; some can be allocated through enforceable transaction terms.

RCM / TRANSACTION STANDARD

Value must survive the terms.

A price is agreed at the table. Value is protected in the terms.

Nicola V. Ferrauto

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RESEARCH NOTES / SOURCES

Evidence, definitions and limits.

Our inference cannot be more precise than the evidence supporting it.

[01] CBRE

European Real Estate Investment Climbs to €241 Billion in 2025
Europe 2025 investment volumes; the report excludes French living in Q4.

www.cbre.co.uk / ORIGINAL REFERENCE

[02] Cushman & Wakefield

European Hospitality MarketBeat — H1 2026
Hotel investment, large-deal activity and RevPAR; H1 2026.

www.cushmanwakefield.com / ORIGINAL REFERENCE

[03] JLL Hotels & Hospitality

2026 Global Hotel Investment Outlook
Context on hotel investment conditions.

www.jll.com / ORIGINAL REFERENCE

[04] RICS

Technical Due Diligence of Commercial Property
Professional context for technical diligence; not a universal legal rule.

www.rics.org / ORIGINAL REFERENCE

[05] RICS Property Journal

Does Property Stall Mergers and Acquisitions?
Illustrates the property diligence workstream in transactions.

ww3.rics.org / ORIGINAL REFERENCE

Editorial methodology

CBRE 2025 and Cushman & Wakefield H1 2026 use different reporting periods and potentially different methodologies; no blended total is constructed. Market segments are illustrative subsets, not a full summation. The synthetic NOI/cap-rate and €65m/€60m examples are purely illustrative and not appraisals or empirical probabilities. Rights-to-Revenue and Portability Friction are proposed interpretive lenses; they are not claims of exclusive discovery or measured closing-failure rates. Cutoff: 2 November 2026. Cover is an AI-generated depiction, not a verified property photograph.

Important information

Independent commercial commentary, not an investment recommendation, valuation opinion, legal or tax advice, financing commitment or solicitation. Third-party statistics have not been independently audited by RCM. RCM scenarios are hypothetical; they are not performance records or client transactions. The precise rights, approval processes and contractual remedies depend on the jurisdiction, documents and counterparties.