

LASALLE REAL ESTATE DEBT STRATEGIES II

Q3 2021 QUARTERLY REPORT

Executive Summary

QUARTERLY HIGHLIGHTS AS OF 30th SEPTEMBER 2021

	TOTAL
% OF COMMITMENTS ALLOCATED	89%
NET ASSET VALUE	£52m
PROJECTED GROSS IRR	6.8%
PROJECTED EQUITY MULTIPLE	1.2x*
FUND CASH ON CASH	7.1%**

* EM methodology calculated on gross cash flows without netting off fee and interest inflows

** Fund Cash on Cash is calculated as the annualized weighted average of net income distributions (reflecting blended fund fees) over the average net capital invested in each quarter

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1. Market Overview

ECONOMICS

The Eurozone economy continued its solid momentum, growing by 2.1% and 2.2% in Q2 and Q3 respectively. Going forward, economic momentum is seen gradually normalising as both the increase in inflationary pressures and supply-side disruptions weigh on the outlook. Moreover, while COVID vaccination progress should keep infection rates under control through the winter months, and the death rate continues to decline, the risk of further restrictions has not disappeared. Overall and with these factors in mind, the Eurozone GDP is forecast to rebound by 5.0% in 2021 and 4.5% in 2022. The UK economy grew by 5.5% in Q2 and 1.3% in Q3, and UK GDP is now just 0.6% below pre-pandemic levels.

Pent-up demand and excess household savings are driving consumption, which enjoyed a strong Q2 growing 3.7% QoQ in the Eurozone and 7.2% in the UK. Expenditure continues to rotate away from durable goods and into re-opened services.

Inflation is currently elevated across Europe with Eurozone headline inflation at 4.1% and core inflation at 2.1% in October. The latest September release for the UK showed headline inflation at 3.1% and core inflation at 2.7%. This reflects a combination of a low basis on the heels of a closed economy last year and notable volatility in energy prices. Both of these factors are anticipated to push inflation higher in the coming months, and Oxford Economics has increased its Eurozone inflation forecast to rise to c.4% in the coming months and to remain above 2% through H1 2022, with UK inflation expected to remain elevated into 2023.

The ECB continues to provide ample monetary stimulus to keep financial conditions stable, but at its September meeting the ECB decided to reduce its monthly PEPP purchases for the first time. Oxford Economics sees no new implication for policy rates, with the first rate hike still expected in 2025. The Bank of England did not increase the Bank Rate at the November meeting, but UK rate increases are expected in the first half of 2022.

PROPERTY MARKETS

European investment volumes (including the UK) totalled €68.1bn in Q3 2021, reflecting an increase of 5% QoQ. Investment volumes over Q1-Q3 2021 totalled €186bn, 19% above the same period in the previous year. Activity increased in the UK (+38% YoY), the Netherlands (+79%), Germany (+27%), Spain (+15%), Sweden (+19%), and France (+2%), and decreased in Hungary (-63%), Ireland (-34%), Belgium (-17%), and Portugal (-5%). By sector, student housing (+87%), logistics (+66%), and residential (+36%) all saw increases compared to last year, while offices (-5%), retail (-17%) and hotels (-21%) saw volumes fall.

The weighted-average prime property yield for Europe (including the UK) compressed by 4bps to 3.98% in Q3. At an aggregate level, the logistics sector saw yields fall by 8bps while office yields fell by 4bps and retail warehouses by 8bps. Prime yields for shopping centres and retail shops remained stable. Rents grew for offices and logistics, falling for shopping centres and retail shops, with rents flat for retail warehouses.

Of the sectors in which the fund is invested, yields compressed by 25bps for many UK retail warehouse markets as this pandemic-resilient sector continues to attract investor appetite. Yields held for shopping centres and high street shops, though an improving occupier picture sees capital market confidence beginning to return to this sector. Despite consumer confidence beginning to be impacted by supply chain issues and rising prices, retail sales remained elevated through September compared to pre-Covid levels. With both headline and effective rents beginning to grow relative to 2020 levels, and transactions for 2021 YTD already higher than 2020's full-year volumes, downward pressure on prime retail yields may begin to emerge.

For UK offices, take up in the South East market totalled 605k sq ft in Q3, bringing the total for the YTD to 1.8m sq ft. 203k sq ft of space contracted in Leeds in Q3, the largest quarterly total since Q2 2019. The largest deal saw life sciences firm Labcorp

acquire 68k sq ft at Drapers Yard. While availability has increased to 1.6m sq ft on the quarter, new supply remains restrained at 14% of total availability. The prime rent for Leeds stands at GBP34 psf according to CBRE.

DEBT MARKETS

In debt markets, Green Street (a leading market research firm covering pan European debt markets) see financing as now relatively accessible against an overall strong macroeconomic backdrop. With interest rates remaining low and the fading threat of lockdowns, we are seeing restored confidence in the debt markets. Ultimately while capital values continue to see growth as outlined above, lenders are generally not increasing underlying loan-to-value levels.

Retail continues to remain on the radar for many lenders with a few beginning to lend against the asset class which for many months was off limits. Research from CBRE indicates stabilising margins for retail as opportunistic buyers begin to return to the sector.

There are also signs of increasing confidence in the office sector as 'return-to-work' data has been showing encouraging indicators for future office demand. This is reflected in some steady compression of lending margins, particularly for high-quality assets in core locations.

Pricing in debt markets continue to tighten in line with increased confidence as well as recent capital raised in the debt space, with visible ongoing and downward pressure on margins. This is particularly visible in residential and logistics, which are asset classes, perceived to have remained resilient throughout the pandemic.

In the development space margins have come in materially since the beginning of the year, and lending terms to good quality sponsors are now in the region of 6-7% IRR at LTVs of 70-75%.

The Commercial Real Estate Finance Council Europe's Q3 2021 survey of member sentiment showed a continued improvement in how property debt professionals view market conditions, albeit less of a dramatic change in mood than the previous survey in Q2. Respondents were generally more positive about the economic environment and real estate fundamentals, with a noted improvement in mood towards the retail market. Alternatives were the top sector for lending sentiment, followed closely by residential, industrial, hotels and student housing. Sentiment was overall positive towards all sectors except retail, which remained just negative despite a significant improvement since the Q2 survey.

2. Fund Overview

FUND RELATED MATERS

The Investment Period of the Fund has expired. Each Partner remains obligated, to the extent of their unfunded commitments, to make contributions throughout the duration of the Partnership to fund:

- Capital in respect of investments previously acquired;
- Capital required for the purpose of taking any step or action to protect the interests of the Partnership in respect of investments previously acquired;
- Partnership expenses.

The Fund's term was extended in February 2020 by one year to March 2021, at GP's discretion. In January 2021, the Fund's term was extended by one further year to March 2022 with AB's approval (as per Fund documentation) to allow timely repayment of the remaining loans and maximise repayment proceeds.

FUND RETURNS

As at the end of Q3 2021, the Fund is projected to achieve a 6.8% gross IRR and 1.2x gross equity multiple.

3. Portfolio Updates

EXISTING INVESTMENTS UPDATES

With 3 out of 22 investments remaining in the portfolio (77% of capital returned as of the reporting date), the Fund's current sectoral exposure is split between Retail (37% of the portfolio) and Office (63%).

Project EK (31% of fund allocation)

As reported last quarter, our projections assume no further recovery of capital for the investment and the projected equity multiple remains at 0.4x. LaSalle continues to work on the repurposing of the asset. Advisory fees aren't being charged and all running costs are being borne by the asset.

All Covid-19 restrictions in Scotland were lifted on 9th August. As at October, occupancy had improved to 74% from 69% in Q2 and rent collection improved to 79%, from the Q2 collection rate of 69% as at July 2021.

Project Bentley (36% of fund allocation)

The Sponsor is in the process of disposing of the main asset in the portfolio in order to repay the loan by its upcoming maturity in April 2022. Agents have been engaged on the sale of both assets:

Guildford Business Park: A 282,227 sqft office complex comprising of 4 buildings and a development plot on a 14-acre site. The asset is being marketed for sale with an asking price of £111m (representing 1.55x the LREDS II loan basis.) and an NIY of 6.5% on the three stabilized buildings. Should Guildford Business Park sell at asking price, the loan will be covered without the sale of the shopping centre.

Project Bridge (33% of fund allocation)

Current occupancy is 92% and c.25% of current GRI is expiring throughout 2022. Discussions are underway with relevant tenants in relation to lease regears. The key remaining leases are on 6 to 7 years to break.

Confirmation of technical eligibility under the Building Safety Fund is still awaited. An application has been submitted to cover the cost of remedial works in connection with the issues identified with the cladding's internal insulation on the upper residential tower (not part of the security). This has delayed the launch of marketing for the asset, however, we have been in discussions with the Sponsor to put the asset on the market as soon as possible. Despite the delayed sale, the fund continues to benefit from a 10% cash coupon payment which is fully serviced with no arrears.

The loan matures on 5th December. An extension of the loans by 3 + 3 months was requested by the Sponsor to allow disposal of the asset and has been agreed by the Lenders.

4. Investments Overview

AS OF REPORTING DATE, 77% OF INVESTED CAPITAL REPAID, 3 OF 22 INVESTMENTS REMAIN

Deal Name	Closed On	Maturity date	Property Type	City	Deal Type	GAV (£m)	LREDS Investment (£m)	% of Fund Commitments	Attachment LTV ⁽¹⁾	Detachment LTV ⁽¹⁾	Cash Coupon ⁽⁴⁾	Gross IRR Target or Realized ⁽²⁾	Gross EM ⁽²⁾	Contractual Term	Exit Date
55VS	20-Dec-13	-	Residential	Central London, UK	Whole Loan	-	53.0	9%	-	-	-	17.6%	1.2 x	1.2	Q1 2015
Diamond	20-Feb-13 / 14-Nov-13	-	Logistics	Pan UK	Mezzanine	-	17.1	3%	-	-	-	12.1%	1.2 x	2.3	Q2 2015
Dora	23-Jul-13	-	Self Storage	Pan UK	Mezzanine	-	18.5	3%	-	-	-	11.6%	1.2 x	2.1	Q3 2015
Earth	22-Dec-14	-	Leisure	Pan UK	Mezzanine	-	11.4	2%	-	-	-	56.5%	1.9 x	1.1	Q1 2016
Tape	28-Apr-15	-	Office	Bracknell, UK	Mezzanine	-	15.0	3%	-	-	-	21.0%	1.2 x	1.0	Q2 2016
Noah ⁽³⁾	03-Aug-15	-	Office	Central London, UK	Mezzanine	-	18.1	3%	-	-	-	11.7%	1.2 x	1.9	Q2 2017
St Pancras	12-Jun-15	-	Logistics	Pan UK	Mezzanine	-	60.0	10%	-	-	-	7.8%	1.2 x	2.5	Q4 2017
Tomahawk	12-Dec-14	-	Extra Care Residential	Central London, UK	Whole Loan	-	7.5	1%	-	-	-	9.2%	1.3 x	3.0	Q4 2017
Halcyon	14-Apr-14	-	Serviced Apartments	London, UK	Mezzanine	-	5.3	1%	-	-	-	13.1%	1.5 x	3.8	Q1 2018
WCS	17-Dec-14 / 22-Sep-15 / 8-Jun-17	-	Hotel	Central London, UK	Whole Loan	-	40.0	7%	-	-	-	12.6%	1.2 x	3.2	Q1 2018
RRZ	01-Sep-14	-	Retail	Mulheim, Germany	Mezzanine	-	13.9	2%	-	-	-	11.1%	1.4 x	3.4	Q1 2018
V	11-Aug-15	-	Office	London, UK	Mezzanine	-	30.3	5%	-	-	-	10.1%	1.3 x	3.0	Q3 2018
Galaxy	24-Nov-15	-	Office	London, UK	Whole Loan	-	30.0	5%	-	-	-	9.3%	1.3 x	2.8	Q3 2018
Paolo ⁽³⁾	29-Oct-15	-	Student Housing	London, UK	Mezzanine	-	10.5	2%	-	-	-	12.1%	1.3 x	3.5	Q2 2019
Arthur	30-Dec-14	-	Retail	Scotland, UK	Mezzanine	-	6.9	1%	-	-	-	9.6%	1.4 x	4.5	Q3 2019
Hilt	27-Jun-14 / 08-Dec-16	-	Hotel	Cambridge & Luton, UK	Mezzanine	-	20.4	3%	-	-	-	13.6%	1.5 x	5.1	Q3 2019
Arnie	18-Nov-13 / 21-May-15	-	Retail	Aberdeen, UK	Mezzanine	-	20.2	3%	-	-	-	-24.1%	0.5 x	5.0	Q3 2019
Hunter	20-Nov-15	-	Retail	Telford, UK	Mezzanine	-	40.5	7%	-	-	-	-13.2%	0.6 x	5.0	Q1 2021
Lebosi	25-Nov-14	-	Office / Hotel	Pan UK	Whole Loan	-	45.6	8%	-	-	-	6.1%	1.2 x	7.6	Q1 2021
East Kilbride	31-Mar-15	15-Jan-25	Retail	East Kilbride, UK	Mezzanine	61.5 ⁽⁵⁾	21.4	4%	N/A ⁽⁵⁾	N/A ⁽⁵⁾	4.0%	-28.4%	0.4 x	9.8	-
Bentley	30-Oct-15 / 01-Dec-16	30-Apr-22	Office & Retail	Guildford & Chelmsford, UK	Mezzanine	116.2	24.5	4%	38%	59%	8.4%	10.3%	1.5 x	6.5	-
Bridge	27-May-15 / 05-Dec-16	03-Jun-22	Office	Leeds	Mezzanine	84.5	23.0	4%	47%	74%	10.0%	14.1%	1.8 x	5.0	-
Total						262.2	533.0	89%	42% ⁽⁶⁾	66% ⁽⁶⁾	7.6%	6.8%	1.2x		
<i>Total (excl. UK Retail loans) ⁽⁷⁾</i>												11.56%	1.3x		

(1) As at September 2021.

(2) Fund level projected returns are exclusive of side car allocations, with the benefit of the Fund subline, and are based on certain assumptions, contractual terms and other matters regarding potential future performance as projected by the LaSalle team as of the relevant date. Accordingly there can be no assurance that such projected gross IRRs and EMs will be realized in the future. Full details of the net IRR and EM of the Fund is available upon request.

(3) Gross IRR is with the benefit of the Fund subline.

(4) Average cash coupon over the life of remaining loan investments. Fund level average cash coupon reflects no cash coupon payable during extension of project EK.

(5) A new valuation of £61.5m was received in Mar-21 which indicates the value of the property breaks in the Senior. Last valuation under the Facility Agreement is £167.7m, dated November 2018.

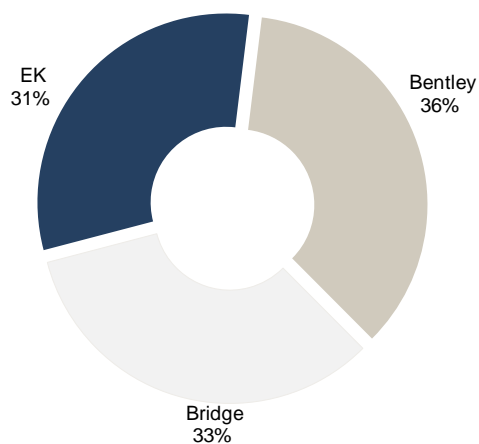
(6) LTVs shown are exclusive of project EK.

(7) For illustrative purposes only. Hunter, EK, Arthur, and Arnie investments excluded.

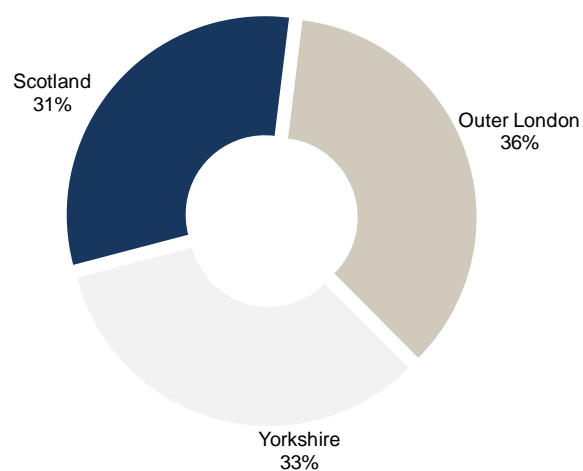
5. Fund Diversification

Remaining Assets¹ as of reporting date

INVESTMENT DISTRIBUTION



REGIONAL DISTRIBUTION



SECTOR DISTRIBUTION



¹ Graphs are based on commitments of remaining investments.

6. Property Map



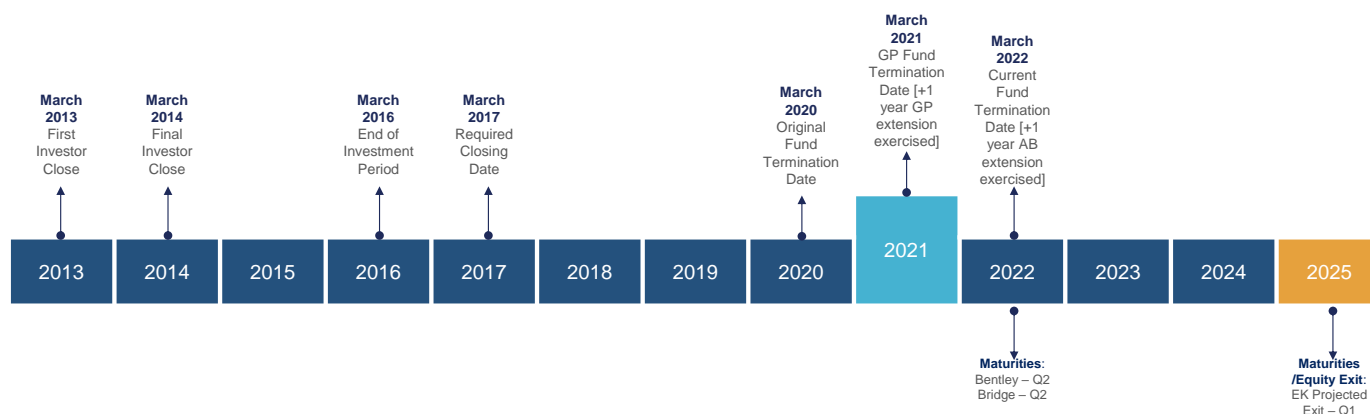
CLOSED DEALS

- | | |
|---|-----------------------|
| 1 | Project East Kilbride |
| 2 | Project Bridge |
| 3 | Project Bentley |

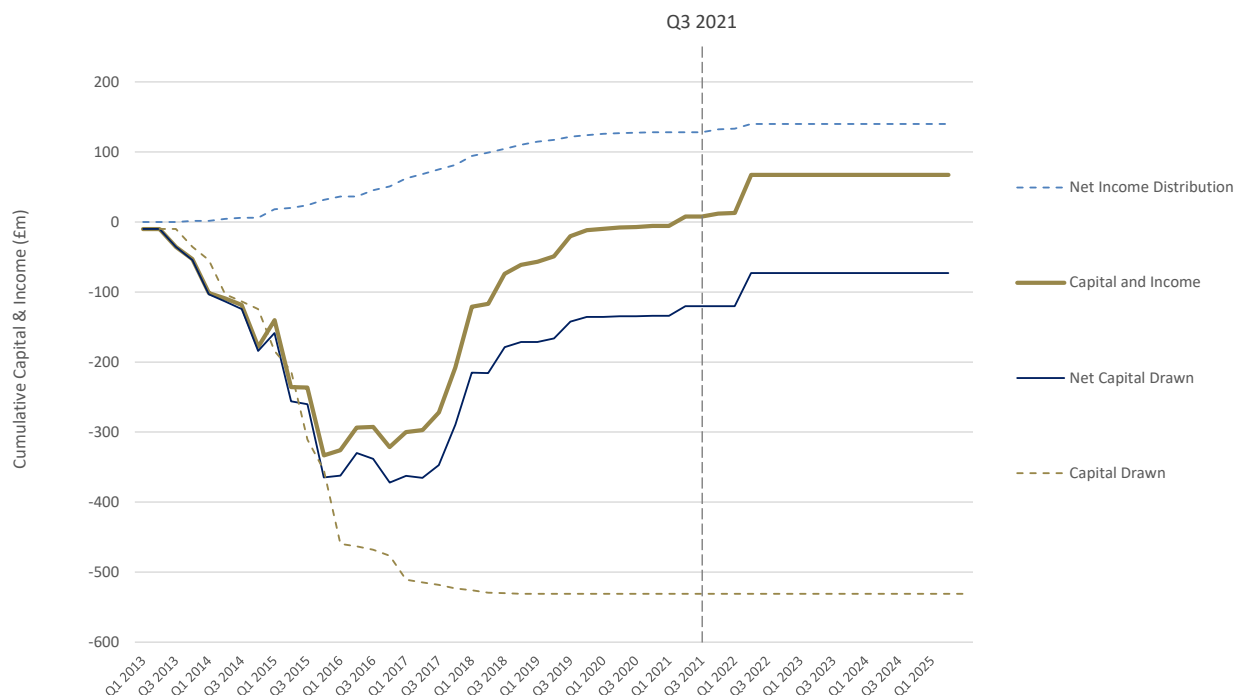
7. Fund Status

RETURN OF CAPITAL TIMELINE

The original Fund Termination Date was on March 2020, seven years after the First Investor Closing Date. This was extended by the GP to March 2021 and subsequently by the Advisory Board to March 2022.



CAPITAL INVESTED AND RETURNED



8. Investor Commitments

CAPITAL CALLS AND DISTRIBUTIONS

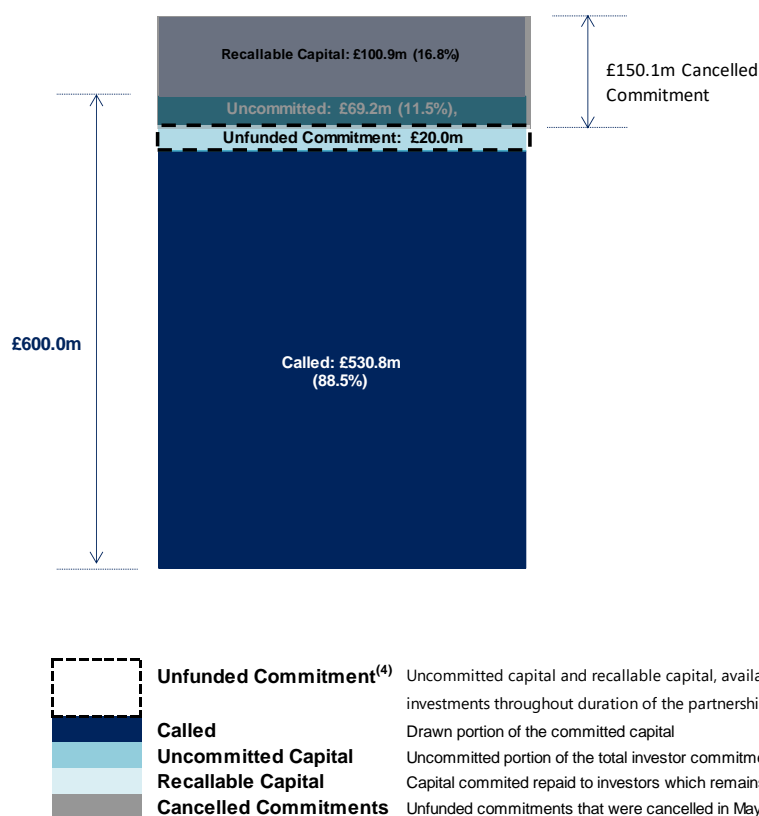
As at time of reporting, 29th November 2021, total called capital amounts to **£530.8m**.

To date c. **£5.5m** of the Fund Reserve² has been utilised or allocated:

- £4.0m was utilised for Project Bentley and the capex facility is now fully drawn
- £1.5m was utilised on Project Bridge and was drawn due to the increased loan size as part of the renegotiations on the deal.

The Fund released £150m of the Unfunded Commitments in May 2021, leaving £20m to be used for partnership expenses, and in an unlikely case that additional funds will be required for any of the remaining investments.

Return of capital realised to date in respect of Projects 55VS, Diamond, Dora, Earth, V, Galaxy, Tape, Paolo, Noah, St Pancras, Tomahawk, WCS, RRZ, Halcyon, Paolo, Arthur, Hilt, Hunter, and Lebosi totals £410.5m.



² The Fund Reserve (up to 10% of total Fund Commitments) may be used post-Investment Period for capital required in respect of investments previously acquired, including for the purpose of taking any step or action to protect the interests of the Partnership in respect of investments previously acquired.

⁴ Includes amounts committed but not drawn and subsequently cancelled on Project Hilt.

CALLS

Investor Capital Calls	Purpose	£	% of Committed or Allocated Equity	% of Total Fund Commitments (£600 million)
Q1 2013	27/03/2013	Project Diamond	10,000,000	2%
Q3 2013	17/07/2013	Project Dora	18,500,000	3%
	17/07/2013	Fund Costs	35,088	0%
	12/09/2013	Project Diamond (add-ons)	7,067,162	1%
Q4 2013	13/11/2013	Project Arnie	18,875,000	4%
Q1 2014	17/01/2014	Project 55VS	48,073,900	9%
	17/01/2014	Fund Costs	581,966	0%
Q2 2014	13/05/2014	Project 55VS	4,896,085	1%
	13/05/2014	Project Halcyon	5,300,000	1%
	13/05/2014	Fund Costs	303,623	0%
Q3 2014	29/07/2014	Project Hilt	10,800,000	2%
Q4 2014	31/10/2014	Project RRZ	13,944,000	3%
	18/12/2014	Project Lebosi	45,842,500	9%
Q1 2015	07/01/2015	Project Tomahawak	7,500,000	1%
	26/01/2015	Project WCS	2,521,250	0%
	26/01/2015	Project Earth	11,431,853	2%
	26/01/2015	Project Arthur	6,900,000	1%
Q2 2015	22/04/2015	Project WCS	478,750	0%
	22/04/2015	Project EK	21,360,000	4%
	03/06/2015	Project Tape	15,000,000	3%
	29/06/2015	Project St Pancras	60,000,000	11%
	29/06/2015	Project Arnie Add-On	1,314,293	0%
Q3 2015	27/07/2015	Project Noah	13,300,000	3%
	25/08/2015	Project V	30,250,000	6%
Q4 2015	26/10/2015	Project WCS	7,842,646	1%
	26/10/2015	Project Noah	4,810,000	1%
	26/10/2015	Project Bentley	10,500,000	2%
	17/11/2015	Project Galaxy	30,000,000	6%
	17/12/2015	Project Paolo	9,500,000	2%
	17/12/2015	Project Hunter	40,500,000	8%
	17/12/2015	Project WCS	2,418,672	0%
Q1 2016	27/01/2016	Project Bentley	500,000	0%
	27/01/2016	Project WCS	1,855,431	0%
	31/03/2016	Project WCS	1,012,733	0%
Q2 2016	23/05/2016	Project Bentley	1,020,000	0%
	23/05/2016	Project WCS	1,535,683	0%
	23/06/2016	Project WCS	2,105,275	0%
	23/06/2016	Project Bentley	216,120	0%
Q3 2016	28/07/2016	Project Bentley	430,100	0%
	28/07/2016	Project WCS	3,639,761	1%
	28/07/2016	Project WCS	4,416,555	1%
Q4 2016	05/10/2016	Project Bentley	388,660	0%
	05/10/2016	Project WCS	3,713,564	1%
	05/10/2016	Project Paolo	1,000,000	0%
	09/11/2016	Project Bentley	83,414	0%
	09/11/2016	Project WCS	2,580,753	0%
	19/12/2016	Project Bentley	103,791	0%
	19/12/2016	Project WCS	99,997	0%
	19/12/2016	Project WCS	1,716,820	0%
	19/12/2016	Project Hilt	1,500,000	0%
	19/12/2016	Project Bridge	23,000,000	4%
Q1 2017	25/01/2017	Project WCS	34,035	0%
	25/01/2017	Project Bentley	842,511	0%
	25/01/2017	Project WCS	1,014,141	0%
	07/03/2017	Project Bentley	999,083	0%
	07/03/2017	Project Bentley	149,138	0%
	07/03/2017	Project Bentley	408,891	0%
	07/03/2017	Project WCS	91,940	0%
	07/03/2017	Project WCS	428,774	0%
Q2 2017	28/04/2017	Project WCS	1,995,179	0%
	28/04/2017	Project Bentley	1,001,580	0%
	28/04/2017	Project Hilt	318,182	0%
Q3 2017	28/07/2017	Project WCS	498,040	0%
	28/07/2017	Project Bentley	776,748	0%
	28/07/2017	Project Hilt	913,782	0%
	27/09/2017	Project Bentley	2,064,031	0%
	27/09/2017	Project Hilt	1,011,544	0%
Q4 2017	22/12/2017	Project Hilt	1,513,951	0%
	22/12/2017	Project Bentley	1,014,379	0%
Q1 2018	22/03/2018	Project Hilt	25,804	0%
	22/03/2018	Project Bentley	3,456,001	1%
Q2 2018	31/05/2018	Project Hilt	30,223	0%
	31/05/2018	Project Bentley	545,553	0%
Q3 2018	20/09/2018	Project Hilt	936,514	0%
Total Called*		530,835,468	100%	88%
Total Called for Investments		529,914,792	100%	88%
Total Called for Fund Costs		920,676	0%	0%

* Does not include £3.35m of previously Committed but undrawn capital for Project Hilt, repaid in July 2019.

DISTRIBUTIONS

Investor Distributions (GBP)			£	%	Cumulated	%
Q4 2013	02/10/2013	Interest Income	308,333	0%	308,333	0%
	20/12/2013	Interest Income	1,213,791	0%	1,522,124	0%
Q2 2014	17/04/2014	Interest Income	1,062,707	0%	2,584,831	0%
	17/04/2014	Interest Income	520,679	0%	3,105,510	1%
	13/06/2014	Interest Income	1,400,000	0%	4,505,510	1%
Q3 2014	26/09/2014	Interest Income	1,526,424	0%	6,031,934	1%
Q1 2015	28/01/2015	Interest Income	1,250,000	0%	7,281,934	1%
	28/01/2015	Return of Capital	860,147	0%	8,142,081	2%
	09/03/2015	Interest Income	10,500,000	2%	18,642,081	4%
	09/03/2015	Return of Capital	53,071,241	10%	71,713,322	14%
Q2 2015	29/06/2015	Interest Income	1,800,000	0%	73,513,322	14%
	29/06/2015	Return of Capital	880,162	0%	74,393,484	14%
Q3 2015	30/09/2015	Interest Income	3,900,000	1%	78,293,484	15%
	30/09/2015	Return of Capital	39,107,021	8%	117,400,505	23%
Q4 2015	31/12/2015	Interest Income	7,400,000	1%	124,800,505	24%
	31/12/2015	Return of Capital	1,120,116	0%	125,920,621	24%
Q1 2016	29/01/2016	Return of Capital	5,848,865	1%	131,769,486	25%
	30/03/2016	Interest Income	4,400,000	1%	136,169,486	26%
Q2 2016	26/04/2016	Return of Capital	22,000,000	4%	158,169,486	30%
	12/05/2016	Return of Capital	15,244,728	3%	173,414,214	33%
Q3 2016	16/08/2016	Interest Income	4,730,000	1%	178,144,214	34%
	28/09/2016	Interest Income	3,650,000	1%	181,794,214	35%
	28/09/2016	Return of Capital	252,127	0%	182,046,341	35%
Q4 2016	28/12/2016	Interest Income	5,115,000	1%	187,161,341	36%
	28/12/2016	Return of Capital	215,862	0%	187,377,203	36%
Q1 2017	13/03/2017	Interest Income	3,025,420	1%	190,402,623	37%
	13/03/2017	Return of Capital	13,754,766	3%	204,157,389	39%
	31/03/2017	Interest Income	8,100,000	2%	212,257,389	41%
Q2 2017	30/06/2017	Interest Income	5,777,000	1%	218,034,389	42%
	30/06/2017	Return of Capital	240,867	0%	218,275,255	42%
Q3 2017	28/07/2017	Return of Capital	23,360,000	4%	241,635,255	46%
	29/09/2017	Interest Income	6,600,000	1%	248,235,255	48%
	29/09/2017	Return of Capital	249,424	0%	248,484,679	48%
Q4 2017	22/12/2017	Return of Capital	60,231,163	12%	308,715,842	59%
	28/12/2017	Interest Income	6,035,000	1%	314,750,842	60%
Q1 2018	03/01/2018	Return of Capital	7,500,000	1%	322,250,842	62%
	27/02/2018	Return of Capital	45,591,207	9%	367,842,049	71%
	29/03/2018	Return of Capital	10,587,217	2%	378,429,266	73%
	29/03/2018	Interest Income	12,085,000	2%	390,514,266	75%
Q2 2018	29/06/2018	Interest Income	4,735,000	1%	395,249,266	76%
	29/06/2018	Return of Capital	151,566	0%	395,400,832	76%
Q3 2018	12/09/2018	Return of Capital	37,996,344	7%	433,397,176	83%
	27/09/2018	Interest Income	5,660,000	1%	439,057,176	84%
Q4 2018	21/12/2018	Interest Income	5,672,000	1%	444,729,176	85%
	21/12/2018	Return of Capital	7,112,461	1%	451,841,637	87%
Q1 2019	28/03/2019	Interest Income	4,234,000	1%	456,075,637	88%
	28/03/2019	Return of Capital	41,376	0%	456,117,012	88%
Q2 2019	07/06/2019	Interest Income	2,620,000	1%	458,737,012	88%
	07/06/2019	Return of Capital	5,302,851	1%	464,039,864	89%
Q3 2019	07/08/2019	Interest Income	4,560,000	1%	468,599,864	90%
	07/08/2019	Return of Capital	24,009,738	5%	492,609,602	95%
Q4 2019	12/12/2019	Interest Income	2,150,000	0%	494,759,602	95%
	12/12/2019	Return of Capital	6,443,932	1%	501,203,533	96%
Q1 2020	19/02/2020	Interest Income	1,940,000	0%	503,143,533	97%
	19/02/2020	Return of Capital	65,589	0%	503,209,122	97%
Q2 2020	01/06/2020	Interest Income	1,004,000	0%	504,213,122	97%
	01/06/2020	Return of Capital	1,039,949	0%	505,253,071	97%
Q3 2020	14/09/2020	Interest Income	591,000	0%	505,844,071	97%
	14/09/2020	Return of Capital	93,714	0%	505,937,785	97%
Q4 2020	23/12/2020	Interest Income	678,000	0%	506,615,785	97%
	23/12/2020	Return of Capital	676,042	0%	507,291,827	97%
Q2 2021	21/05/2021	Interest Income	-	0%	507,291,827	97%
	21/05/2021	Return of Capital	13,500,000	3%	520,791,827	100%

Total distributed	520,791,827	100%
<i>Return of Capital</i>	<i>396,548,474</i>	
<i>Interest Income</i>	<i>124,243,354</i>	

Investor Distributions (EUR)			€	%	Cumulated	%
Q1 2015	09/03/2015	Interest Income	€ 700,000	3%	€ 700,000	3%
Q4 2015	31/12/2015	Interest Income	€ 280,000	1%	€ 980,000	4%
Q1 2016	30/03/2016	Interest Income	€ 350,000	2%	€ 1,330,000	6%
Q3 2016	16/08/2016	Interest Income	€ 390,000	2%	€ 1,720,000	8%
	28/09/2016	Interest Income	€ 420,000	2%	€ 2,140,000	10%
Q4 2016	28/12/2016	Interest Income	€ 370,000	2%	€ 2,510,000	11%
Q1 2017	31/03/2017	Interest Income	€ 405,000	2%	€ 2,915,000	13%
Q2 2017	30/06/2017	Interest Income	€ 395,000	2%	€ 3,310,000	15%
Q3 2017	29/09/2017	Interest Income	€ 394,000	2%	€ 3,704,000	17%
Q4 2017	28/12/2017	Interest Income	€ 403,000	2%	€ 4,107,000	18%
Q1 2018	27/02/2018	Return of Capital	€ 17,500,000	78%	€ 21,607,000	97%
	29/03/2018	Interest Income	€ 700,000	3%	€ 22,307,000	100%
Q2 2018	29/06/2018	Interest Income	€ 16,000	0%	€ 22,323,000	100%
Q1 2019	28/03/2019	Interest Income	€ 58,343	0%	€ 22,381,342	100%
Total distributed		€ 22,381,342	100%			
<i>Return of Capital</i>		<i>€ 17,500,000</i>				
<i>Interest Income</i>		<i>€ 4,881,343</i>				

9. Fund Restrictions

FUND INVESTMENT RESTRICTIONS OVERVIEW

*As of reporting date**

UK Exposure	£	% Bucket	% Fund
Project EK	21,360,000	5%	4%
Project Bentley	24,500,000	5%	4%
Project Bridge	23,000,000	5%	4%
Total UK Exposure	68,860,000	15%	11%
<i>Maximum UK Exposure</i>	<i>450,000,000</i>	<i>100%</i>	<i>75%</i>

* Fund restrictions only tested at time of commitment to investment. For illustrative purposes only.

10. Net Asset Values

Net asset value by investor as at 30 September 2021

Partner	Total partners' commitment	Partners' contributions	Total reserves before distributions	Distributions to date	Total reserves after distributions	Total equity attributable to Limited Partners
	£'000	£'000	£'000	£'000	£'000	£'000
The Northern Trust Nominee Account C/o CBRE Global Investment Partners	6,000	1,203	650	(1,339)	(689)	514
LaSalle Real Estate Debt Strategies II (Jersey) SLP	125,000	25,070	13,473	(27,750)	(14,277)	10,793
Stichting Dow Pensioenfonds	8,400	1,685	788	(1,751)	(963)	722
AIPP Pooling I.S.A.	8,500	1,705	798	(1,773)	(975)	730
LREDS II Scotland LP	50,000	10,029	5,089	(10,809)	(5,720)	4,309
Pension Insurance Corporation Ltd	50,000	10,029	4,766	(10,486)	(5,720)	4,309
Japan Fund Management (Luxembourg) S.A. on behalf of Global Property Portfolio Fund FCP-SIF-European Growth Fund	14,000	2,808	1,223	(2,829)	(1,606)	1,202
Caisse des dépôts et consignations	40,000	8,023	3,812	(8,388)	(4,576)	3,447
Danish Real Estate Credit I KIS	155,000	31,088	16,007	(33,691)	(17,684)	13,404
UMSS Ltd as trustee of the University of Manchester Superannuation Scheme	15,000	3,009	1,275	(2,996)	(1,721)	1,288
Cambridge University Endowment Fund	13,925	2,793	1,183	(2,781)	(1,598)	1,195
Treasurer of the State of North Carolina	62,500	12,536	5,812	(12,961)	(7,149)	5,387
Tamweelview S.A.	50,000	10,029	4,650	(10,370)	(5,720)	4,309
Employee co-investors	1,675	336	208	(397)	(189)	147
TOTAL	600,000	120,343	59,734	(128,321)	(68,587)	51,756

11. Summary Financial Statements

Balance Sheet (£000)		Income Statement (£000)	
	30 September 2021		30 September 2021
Investment Property	99,746	Loan interest receivable	1,094
Loan investments	47,500	Loan arrangement fees amortisation	60
Capitalised Interest	0	IFRS 9 loss provision from loan investments	(39)
Unamortised loan arrangement fees	(92)	Impairment of loan investment	0
Cash	5,378	Other income	0
Other	24,639	Property income	4,670
Loan investments - IFRS 9 loss provision	0	Total Income	5,785
Impairment of loan investment	0		
Total Assets	177,132	Property expenses	(3,073)
		LaSalle Advisory fee	(89)
Interest bearing loans and borrowings: non-current	(112,140)	Interest and financing costs	(1,251)
Interest bearing loans and borrowings: current	(3,745)	Other (including tax expense)	(2,799)
Current tax liabilities	(236)	Total Expenses	(4,139)
Creditors	(9,255)		
Total Liabilities	(125,376)	Currency translation differences	0
		Total Unrealised Gains and Losses	0
Net Assets	51,756	Net Income / (Expenses)	1,646
Partners' contributions	530,835		
Capital returned to investors	(410,492)		
Other reserves	(74)		
Retained earnings	(68,513)		
Net Assets	51,756		
Distributions	128,321		
Net assets attributable to the fund pre-distributions	180,077		

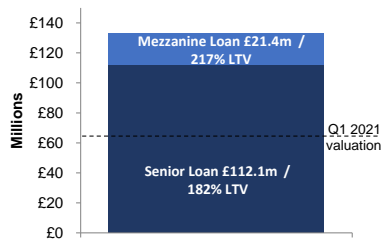
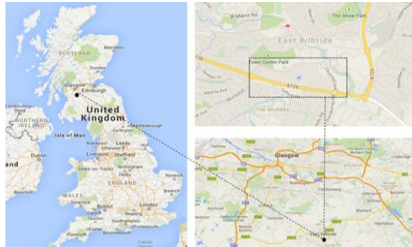
Note: Under IFRS 9 the Group is required to determine provisions for credit losses against the loans investments recorded in its financials using the Expected Credit Loss Model. The expected loss provisions are determined annually (reporting period) on each loan investment. In addition, provisions are required even where loans are performing and no actual losses have occurred or are reasonably expected to occur. In doing so, the whole portfolio of the Group will be divided in three stages: Stage 1 (low credit risk), Stage 2 (Significant increase in credit risk) and Stage 3 (defaulted positions). The maximum period considered when measuring Expected Credit Loss (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk. The implementation of provisioned credit losses under IFRS 9 is likely to lead to a reduction in reported NAV of the Group however there being no actual expected losses. The provision is a financial reporting adjustment and has no impact on the Group's key performance metrics.

12. Investment Schedules

Project EK: Shopping centre mezzanine acquisition finance

INVESTMENT RATIONALE

Regionally Dominant Scheme with Limited Competition
– Easily Accessible by Road and Rail – Compelling Economics – Strong Sponsorship – Potential for Additional Value



QUARTERLY COMMENTARY

- Loan maturity was in April 2020. Following extended discussions between all parties, it was agreed that LREDS II would consensually step into the equity under a restructured and extended senior loan - such restructuring completed on 31st March 2021. The aim of the 4-year extension is to allow more time for the markets to recover and initiate a sale when there is potential for market improvement and liquidity. During the term of the extension, mezzanine interest shall be capitalised. It has been determined that investment of further capital subordinate to the senior loan would not be in the interest of the Fund and this is not a requirement under the terms of the extended senior loan.
- Covid restrictions were fully relaxed in Scotland during Q3.
- The asset's occupancy improved to 74% through the quarter from 69% in Q2. Q3 Rent collection was 79% as at October 2021, an improvement from the Q2 collection rate of 69% as at July 2021. The Asset Management team is in discussions with tenants to come to agreements on the collection of arrears. Further pressure on NOI is expected as a result of the challenging retail environment for shopping centres.
- The LaSalle Asset Management team, which was appointed after the Fund took over the asset in March 2021, is preparing a repurposing plan for the asset. The plan will identify any potential value add initiatives that could increase value recovery on the asset and will look at alternative options for the revitalization of the city centre. The findings will serve as the basis for discussions with the council (who is fully engaged) for their cooperation and support with government funding for the repurposing programme.
- As reported last quarter, our projections assume no further recovery of capital for the investment and the projected equity multiple remains at 0.4x. The investment has also been fully provisioned in the Fund's financials in Q4 2020. Project EK represents 4% of the Fund's total commitment.

Loan Summary

Quarter End Date: September 2021

Property Metrics

Closed On		March 2015	Property Type	Retail
Term	(6)	9.8 yrs	Properties	1
Total Mezz Facility / Outstanding Amount	(4)	£21.4m / £21.4m	Area ('000 sf)	1,376
LREDSII's share of Mezz Facility / Outstanding Amount	(4)	£21.4m / £21.4m	Property Valuation	(2) £61.5m
Third Party Senior Facility / Outstanding Amount		£112.1m / £112.1m	Latest Valuation Date	March 2021
Interest Rate		7.9%	Occupancy	74%
- cash paid		--	WALB	4.6 yrs
- accrued	(3)	7.9%	WALL	6.1 yrs
Amortisation / Repayments		--		
Loan Fee (in/out)		2.1% / --		
Impairments		--		
PIK Outstanding	(3)	£3.0m		

Financial Covenant Compliance

IPD Date: July 2021

Loan Performance Metrics

		Hard Covenant	Actual		
Senior Debt Yield	(5)	5.0%	n/a	IRR (Gross)	-28.4%
Senior LTV	(2)	75.0%	66.9%	EM (Gross)	0.4x
Investment (Mezzanine) LTV	(1)(2)	87.0%	n/a	Yield Basis	n/a
					£97 psf

- Notes:
- (1) Covenants tested at senior level. Mezzanine covenants were removed as part of the restructuring. LTV tested on basis of latest valuation under the FA of £167.7m.
 - (2) Last Valuation under the FA is £167.7m, dated November 2018. The Fund undertook an indicative external valuation in Q1 2021 suggesting the value of the property breaks in the Senior. The loan was provisioned in full in Q4 2020 with no further recovery expected.
 - (3) Interest was capitalised since the original loan maturity in April 2020 and mezzanine interest will continue to capitalise during the term of the extension.
 - (4) Excluding capitalised interest.
 - (5) Debt Yield is not tested until the January 22 IPD.
 - (6) 4-year extension agreed

Project Bentley: Office and retail mezzanine acquisition finance

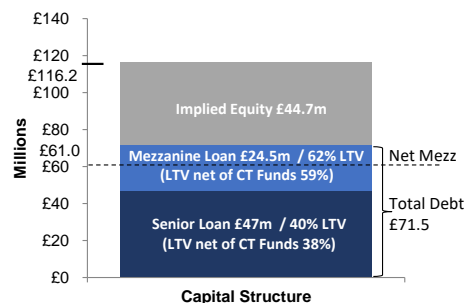
INVESTMENT RATIONALE

Robust Market and Good Location - Experienced Sponsor - Diversified Risk Profile - Conservative Debt Structure



QUARTERLY COMMENTARY

- Guildford Business Park (GBP):
- All Q3 rent due at GBP was paid, with the exception of one small tenant asking to pay monthly rather than quarterly. This has been denied and full quarter rent chased. Occupancy on existing buildings increased to 84% (excluding building 4 and site 5).
- The Sponsor has received approval from the local council on a change of use on Building 4 to allow Research and Development. Terms were agreed and lawyers instructed to prelet 33,000sqft on the ground floor.
- The application for student accommodation use on the plot of Building 5 was refused. The Sponsor has now submitted a new pre-app addressing the concerns raised by the Council which led to the initial rejection of the application.
- The sale of the asset has been launched at an asking price of £111m. This comprises £90m on buildings 1-3, representing a 6.50% NIY on these Buildings, £16m on Building 4 and £5m on Plot 5.
- Meadows Shopping Centre (MSC) in Chelmsford: Rent collection at MSC improved from 67% in Q2 to 76% in Q3, aided by the easing of lockdown restrictions which fully lifted on 15th June in England. Of the total rent expected to be received, accounting for rent deferrals agreed with tenants, 88.25% had been collected.
- Agents have been instructed on the sale of the asset with a view to sell by the end of the year. The sale instructions included exploring a split and selling the car park and asset separately to London Metric and the local council.



Loan Summary		Quarter End Date: September 2021	Property Metrics	
Closed On		October 2015	Property Type	Office / Retail
Term	(1)	6.5 yrs	Properties	2
Total Mezz Facility / Outstanding Amount		£24.5m / £24.5m	Area ('000 sf)	472
LREDSII's share of Mezz Facility / Outstanding Amount		£24.5m / £24.5m	Property Valuation	£116.2m
Third Party Senior Facility / Outstanding Amount		£82.0m / £47.0 m	Latest Valuation Date	April 2021
Interest Rate		8.4%	Occupancy	84%
- cash paid		8.4%	WALB	4.3 yrs
- accrued		--	WALL	5.8 yrs
Commitment fee coupon		3.4%		
Amortisation / Repayments		--		
Loan Fee (in/out)	(2)	1.5% / 1.75%		
Impairments		--		
PIK Outstanding		--		

Financial Covenant Compliance		IPD Date: July 2021		Loan Performance Metrics	
		Soft Covenant	Hard Covenant	Actual	
Senior LTV	(3)	--	65.0%	38.2%	IRR (Gross)
Senior Yield on Debt	--	--	--	12.6%	EM (Gross)
Senior ICR	--	--	--	5.7x	
Investment (Mezzanine) LTV	(3)	--	75.0%	59.3%	
Investment (Mezzanine) Yield on Debt	--	--	--	8.3%	Basis
Investment (Mezzanine) ICR	--	--	--	1.9x	£151 psf

Notes: (1) During the quarter the loan was extended by a year to April 2022 in exchange for the use of the £25m LCs to deleverage the senior facility.
 (2) Exit Fee 1.0% if loan repaid before January 22 IPD, 1.75% thereafter.
 (3) LTV calculations are net of funds held in the Cash Trap Account.

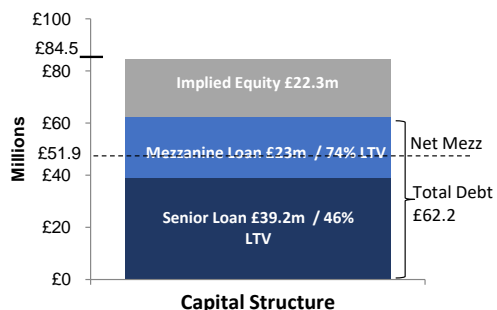
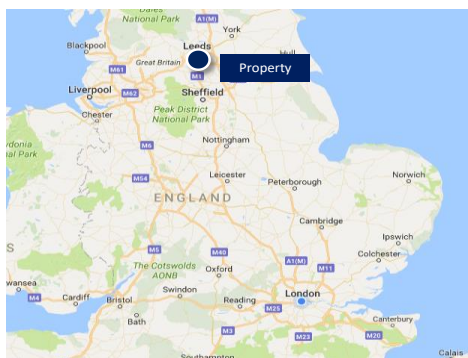
Project Bridge: Office mezzanine refinance

INVESTMENT RATIONALE

City centre grade A asset - Landmark asset - Excellent
Tenant Covenants - Risk Adjusted Compelling
Economics

QUARTERLY COMMENTARY

- Leases representing c.25% of the current GRI are expiring throughout 2022 and discussions are underway with relevant tenants in relation to lease regears. A one year extension is in legal with the key tenant expiring during 2022.
- The WALB is 4.7 years driven by the 2 largest tenants being on leases with 6 to 7 years to break in 2027/28.
- 9th floor is being marketed and remains vacant.
- An application has been submitted to the Building Safety Fund to cover the cost of remedial works in connection with the issues identified with the cladding's internal insulation on the upper residential tower (not part of the security) and confirmation of technical eligibility is awaited.
- JLL are engaged on the sale and ready to launch marketing. Due to the delay in the sales process a 3+3 months loan extension was requested.



Loan Summary

Quarter End Date: September 2021

Property Metrics

Closed On	December 2016	Property Type	Office
Term	5.0 yrs	Properties	1
		Area ('000 sf)	250
Total Mezz Facility / Outstanding Amount	£23.0m / £23.0m	Property Valuation	£84.5m
LREDSII's share of Mezz Facility / Outstanding Amount	£23.0m / £23.0m	Latest Valuation Date	October 2020
Third Party Senior Facility / Outstanding Amount	£53.5m / £39.2m		
Interest Rate	10.0%	Occupancy	92%
- cash paid	10.0%	WALB	4.7 yrs
- accrued	--	WALL	4.7 yrs
Amortisation / Repayments	--		
Loan Fee (in/out)	(1)		
Impairments	--		
PIK Outstanding	--		

Financial Covenant Compliance

IPD Date: July 2021

Loan Performance Metrics

	Soft Covenant	Hard Covenant	Actual		
Senior LTV	--	62.0%	46.4%	IRR (Gross)	14.1%
Senior ICR	--	2.3x	5.3x	EM (Gross)	1.8x
Senior Projected ICR	--	2.3x	5.1x	Yield	8.0%
Investment (Mezzanine) LTV	--	91.0%	73.7%	Basis	£249 psf
Investment (Mezzanine) ICR	--	1.1x	1.6x		
Investment (Mezzanine) Projected ICR	--	1.1x	1.5x		

Notes: (1) The deal is structured with a 14.0% look-back IRR protection. The extension fee is carved out from the 14.0% lookback IRR.

13. Important Notice and Disclosures

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The outbreak of the Novel Coronavirus (COVID-19) was declared by the World Health Organisation as a “global health emergency” on the 30th January 2020. COVID- 19 has impacted global financial markets, severely restricted international trade and travel, disrupted business operations (in part or in their entirety) and negatively impacted most investment asset classes (including real estate (whether held directly or indirectly, or whether as a result of being a lender to owners of real estate)). This has led most governments and forecasters to revise GDP growth forecasts for 2020 downward in response to the economic slowdown caused by the spread of COVID-19 and to material political and economic intervention in many investment markets, including real estate and debt markets (examples of such intervention include the passing of legislation in several countries designed to give tenants enhanced rights (such as forfeiture moratoriums , rent deferral and holidays, plus limits on landlords to evict tenants that default on rent).

As a result of the above factors, we have (and continue to) experience material fluctuations in listed securities markets, market liquidity, tenant covenants and valuations (including qualifications as to reliability of valuations being given in respect of real estate by independent valuers due to lack of comparative transactions on which to base valuations). Based on these trends, the COVID-19 pandemic could potentially result in protracted volatility in international markets and/or result in a prolonged global recession due to deterioration of political, socio-economic and financial conditions. Consequently, less certainty and a higher degree of caution should be attached to the information in this report than might normally be the case. Given the foregoing and the unknown impact that COVID-19, LaSalle accordingly highlights that the reliability of pricing, net asset value and real estate values in this report may be significantly under or over-stated and subject to material variance on a short-term basis.

Any forecasts and target returns are based on assumptions about future events and LaSalle makes no guarantee that any forecasts or target returns will be achieved.

Past performance is not indicative of future performance. The price and/or value of and income derived from any investment may fall or rise and investors may not get back the amount originally invested. A comprehensive list of risk factors is outlined in the fund’s legal documentation.

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14. Appendix: Financial Report

Financial Report (unaudited)

LaSalle Real Estate Debt Strategies (Sterling) II L.P.

For the quarter ended 30 September 2021



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STATEMENT OF COMPREHENSIVE INCOME

	Notes	Current quarter £'000	Prior quarter £'000
Interest receivable and similar income from loan investments		1,094	1,080
Loan fees receivable		60	55
Property income		4,670	3,868
Property expenses		(3,073)	(1,923)
Net income receivable on loan and property investments		2,751	3,080
IFRS 9 loss provision from loan investments	6	(39)	-
Advisory fees		(89)	(120)
Administrative expenses	3	280	(1,733)
Total administrative expenses		191	(1,853)
Net profit from operating activities		2,903	1,227
Finance expenses	4	(1,251)	(1,076)
Net loss from financing activities		(1,251)	(1,076)
Net profit for the period before tax		1,652	151
Tax expense		(6)	(3)
Profit for the period		1,646	148
Currency translation differences*		-	-
Total comprehensive profit for the period		1,646	148

* The Group commits to both Sterling and Euro investments. Since the functional currency of the Group is Sterling, all Euro balances are converted into Sterling at the balance sheet date for reporting purposes, resulting in currency translation differences.

BALANCE SHEET

	Notes	Current quarter £'000	Prior quarter £'000
Non-current assets			
Investment Property	5	99,746	96,790
Total non-current assets		99,746	96,790
Current assets			
Loan investments - Principal	6	47,500	47,500
Loan investments - Unamortised loan fees	6	(92)	(152)
Loan investments - IFRS 9 loss provision	6	(39)	-
Total loan investments		47,369	47,348
Trade and other receivables	7	24,639	26,681
Cash and cash equivalents		5,378	4,684
Total current assets		77,386	78,713
Total assets		177,132	175,503
Non-current liabilities			
Interest bearing loans and borrowings	10	(112,140)	(112,140)
Total non-current liabilities		(112,140)	(112,140)
Current liabilities			
Interest bearing loans and borrowings	10	(3,745)	(1,874)
Current tax liabilities		(236)	793
Trade and other payables	8	(9,255)	(12,172)
Total current liabilities		(13,236)	(13,253)
Total liabilities		(125,376)	(125,393)
Total assets less total liabilities		51,756	50,110
Capital and contributions		530,835	530,835
Capital returned to investors		(410,492)	(410,492)
Other reserves		(74)	(74)
Retained earnings		(68,513)	(70,159)
Total equity attributable to Limited Partners		51,756	50,110

NAV RECONCILIATION	Current quarter movement	
	£'000	£'000
NAV as at 30 June 2021		50,110
Capital returned to investors during the period		-
Income distributions during the period		-
Loan investments income / expenses:		
Interest receivable and similar income from loan investments.....	1,094	
Loan arrangement fees receivable.....	60	
Property income.....	4,670	
Property expenses.....	(3,073)	
Other income.....	-	
		2,751
Corporate expenses:		
Advisory fees.....	(89)	
Administrative expenses.....	280	
		191
Finance expenses		(1,251)
IFRS 9 loss provision from loan investments		(39)
Taxation		(6)
Currency translation differences		-
NAV as at 30 September 2021		51,756

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO LIMITED PARTNERS

	Capital and contributions	Other reserves	Retained earnings	Total equity attributable to Limited Partners
	£'000	£'000	£'000	£'000
Balance as at 30 June 2021	120,343	(74)	(70,159)	50,110
Capital returned to investors during the period	-	-	-	-
Other comprehensive income/(loss) *	-	-	-	-
Profit for the period	-	-	1,646	1,646
Income distributions to Limited Partners	-	-	-	-
Balance as at 30 September 2021	120,343	(74)	(68,513)	51,756

*Other comprehensive income/(loss) relates to profit on currency exchange.

NOTES TO THE FINANCIAL REPORT

Note 1 - Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the historical cost convention and are prepared using the accruals basis of accounting. Full IFRS notes have not been included.

The Group implemented the International Financial Reporting Standard 9 (IFRS 9), which establishes a new model for recognition and impairments for loans. Under IFRS 9 the Group is required to determine provisions for credit losses against the loans investments recorded in its financials using the Expected Credit Loss Model. The expected loss provisions are determined annually (reporting period) on each loan investment. In addition, provisions are required even where loans are performing and no actual losses have occurred or are reasonably expected to occur. In doing so, the whole portfolio of the Group will be divided in three stages: Stage 1 (low credit risk), Stage 2 (Significant increase in credit risk) and Stage 3 (defaulted positions). The maximum period considered when measuring Expected Credit Loss (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk. The implementation of provisioned credit losses under IFRS 9 is likely to lead to a reduction in reported NAV of the Group however there being no actual expected losses. The provision is a financial reporting adjustment and has no impact on the Group's key performance metrics.

The principal accounting policies for the Group adopted in the preparation of these financial statements are consistent with International Financial Reporting Standards.

Note 2 - Distributions

Current quarter
£'000Previous quarter
£'000

Income Distributions

-

-

-

-

Note 3 - Administrative expenses

Current quarter
£'000Previous quarter
£'000

Professional fees – audit

29

12

Professional fees – tax compliance

36

32

Professional fees – Luxembourg administration fee

12

54

Professional fees – accountancy

48

22

Professional fees – Legal

10

175

Domiciliation expenses

8

9

Depreciation of investment property

(871)

871

Other administrative expenses

448

558

(280)

1,733

Note 4 - Finance expenses

Current quarter
£'000Previous quarter
£'000

Bank charges

6

8

Other loan interest

1,245

1,068

1,251

1,076

Note 5 - Investment Property

Current quarter
£'000Previous quarter
£'000

East Kilbride Shopping Centre*

99,746

96,790

99,746

96,790

*This is based on the acquisition accounting of the structure. An adjustment was made in Q1 to reflect the acquisition value on enforcement of the structure. The movement in Q3 reflects the reversal of depreciation and pre-acquisition income and expenses that were booked in Q3.

NOTES TO THE FINANCIAL REPORT

Note 6 - Current loan investments	Current quarter £'000	Previous quarter £'000
Principal		
Project EK ¹	-	-
Project Bridge ³	23,000	23,000
Project Bentley ²	24,500	24,500
	47,500	47,500
Unamortised loan arrangement fees		
Project Bridge	(21)	(50)
Project Bentley	(71)	(102)
	(92)	(152)
IFRS 9 loss provisions		
Project Bridge	(39)	-
	(39)	-
Total	47,369	47,348

¹As reported last quarter, our projections assume no further recovery of capital for the investment and the projected equity multiple remains at 0.4x. LaSalle continues to work on the repurposing of the asset. Advisory fees aren't being charged and all running costs are being borne by the asset.

²The Sponsor is in the process of disposing of the main asset in the portfolio in order to repay the loan by its upcoming maturity in April 2022. Agents have been engaged on the sale of both assets:

³The loan matures on 5th December. An extension of the loans by 3 + 3 months was requested by the Sponsor to allow disposal of the asset and has been agreed by the Lenders.

NOTES TO THE FINANCIAL REPORT

Note 7 - Trade and other receivables	Current quarter £'000	Previous quarter £'000
Accrued income	862	849
Other assets*	23,777	25,832
	24,639	26,681

Note 8 - Trade and other payables	Current quarter £'000	Previous quarter £'000
Accrual for advisory fees	119	120
Other accruals	162	124
VAT	3,010	2,597
Other creditors	5,964	9,331
	9,255	12,172

Note 9 - Related party transactions	Current quarter £'000	Previous quarter £'000
Advisory fees	89	120
Luxembourg administration fees	12	54
Domiciliation expenses	8	9
Professional fees – accountancy	48	22
	157	205

Note 10 - Interest bearing loans and borrowings	Current quarter £'000	Previous quarter £'000
EK Senior Loan Principal*	112,140	112,140
EK Senior Loan Accrued Interest	3,745	1,874
	115,885	1,874

*Deutsche Pfandbriefbank AG £82,140,000 and Münchener Hypothekenbank eG £30,000,000.

Note 11 - Performance fees

In accordance with the LPA the Special Limited Partner is entitled to 17.5% of all distributions once the Limited Partners have received a return of all capital contributions and a 7% IRR.

An initial provision for the performance fee was accrued in Q4 2016 and this is updated on a quarterly basis. The provision is based on the assumption that the fund is liquidated and the NAV realised and distributed to investors at the end of the period.

Note 12 - Fund IRR

As at 30 September 2021 the Fund is forecast to achieve a 4.76% net IRR and 1.13x net equity multiple based on current loan investments.

APPENDICES

Appendix 1: Partners' Funds

Partner	Total partners' commitment £'000	Outstanding partners' commitment £'000*	Total partners' commitment %	Net Capital and contributions £'000 (A)***	Distributions to date**	Allocation of advisory fees £'000	Total reserves (after advisory fees & distributions) £'000 (B)	Total equity attributable to Limited Partners £'000 (A+B)
The Northern Trust Nominee Account C/o CBRE Global Investment Partners	6,000	200	1.00%	1,203	(1,339)	(239)	(689)	514
LaSalle Real Estate Debt Strategies II (Jersey) SLP	125,000	4,167	20.83%	25,070	(27,750)	(3,387)	(14,277)	10,793
Stichting Dow Pensioenfond	8,400	280	1.40%	1,685	(1,751)	(335)	(963)	722
AIPP Pooling I.S.A.	8,500	283	1.42%	1,705	(1,773)	(339)	(975)	730
LREDS II Scotland LP	50,000	1,667	8.33%	10,029	(10,809)	(1,594)	(5,720)	4,309
Pension Insurance Corporation Ltd	50,000	1,667	8.33%	10,029	(10,486)	(1,594)	(5,720)	4,309
Japan Fund Management (Luxembourg) S.A. on behalf of Global Property Portfolio Fund FCP-SIF-European Growth Fund	14,000	467	2.33%	2,808	(2,829)	(558)	(1,606)	1,202
Caisse des dépôts et consignations	40,000	1,333	6.67%	8,023	(8,388)	(1,275)	(4,576)	3,447
Danish Real Estate Credit I KIS	155,000	5,167	25.83%	31,088	(33,691)	(3,706)	(17,684)	13,404
UMSS Ltd as trustee of the University of Manchester Superannuation Scheme	15,000	500	2.50%	3,009	(2,996)	(598)	(1,721)	1,288
Cambridge University Endowment Fund	13,925	464	2.32%	2,793	(2,781)	(555)	(1,598)	1,195
Treasurer of the State of North Carolina	62,500	2,083	10.42%	12,536	(12,961)	(1,992)	(7,149)	5,387
Tamweelview S.A.	50,000	1,667	8.33%	10,029	(10,370)	(1,594)	(5,720)	4,309
Employee co-investors	1,675	55	0.28%	336	(397)	-	(189)	147
Total	600,000	20,000	100%	120,343	(128,321)	(17,766)	(68,587)	51,756

* The Fund's investment period ended on 28 March 2016 (subject to the completion of a number of deals in closing). As such capital returned after this date is non-recallable. On 17 May 2021, the GP exercised its right to release £150m of the total Unfunded Commitments and keep the remaining £20m to be used for partnership expenses, and for additional funds that might be required for any of the remaining investments.

** In accordance with the terms of the LPA, interest received prior to the 4th close has been allocated to 1st - 3rd close investors. This allocated interest has been distributed in full. Retained earnings (before advisory fees) in excess of this amount, and which have not yet been distributed, have been allocated to all investors in proportion to their respective commitments.

*** Capital contribution amount to 0.0002% of total commitments. The remainder consists of partners loans Net of Capital Returned.

Appendix 2: NAV and Distribution Statement from inception to date as at 30 September 2021

	Q3 2021 £'000	Q2 2021 £'000
NAV (after distributions)	51,756	50,110
Income Distributions	(128,321)	(128,321)
Return of capital	(410,492)	(410,492)

For the avoidance of doubt, no income generated by the Group has been reinvested.

Appendix 3: Calculation of LaSalle Investment Management advisory fee for the quarter ended 30 September 2021

	Total commitment £'000	% commitment	Project Bentley (extension)	Project Bridge	Total
Advisory fees due in respect to GBP investments					
Committed Equity			24,500	23,000	
From			01/07/2021	01/07/2021	
To			30/09/2021	30/09/2021	
No. of days			92	92	
			£'000	£'000	£'000
Partners' contributions on which advisory fees are calculated at 1.25% per annum	65,825	10.97%	8	8	16
Partners' contributions on which advisory fees are calculated at 1.00% per annum	252,500	42.08%	25	24	49
Partners' contributions on which advisory fees are calculated at 0.85% per annum	125,000	20.83%	11	10	21
Partners' contributions on which advisory fees are calculated at 0.75% per annum	155,000	25.83%	12	11	23
Partners' contributions on which advisory fees are calculated at 0.00% per annum	1,675	0.28%	-	-	-
Irrecoverable VAT			5	5	10
VAT adjustment					(30)
Total	600,000	100%	61	58	89

Appendix 4: Loan Investments as at 30 September 2021

Loan Investment	Total Commitment including capitalised interest £'000	Loan advanced / Outstanding * £'000	Capitalised interest or similar income £'000	Loan repayment £'000	Impairment £'000	Unamortised loan fees £'000	Loan including capitalised interest and unamortised loan fees £'000	IFRS 9 loss provisions £'000	Total Loan investments per balance sheet £'000
Project Diamond	17,067	-	-	-	-	-	-	-	-
Project Dora	18,500	-	-	-	-	-	-	-	-
Project Arnie **	20,189	-	-	-	-	-	-	-	-
Project 55 Victoria Street	98,380	-	-	-	-	-	-	-	-
Project Halcyon	5,300	-	-	-	-	-	-	-	-
Project Hilt	20,400	-	-	-	-	-	-	-	-
Project RRZ	13,696	-	-	-	-	-	-	-	-
Project Lebosi	45,591	-	-	-	-	-	-	-	-
Project WCS	42,854	-	-	-	-	-	-	-	-
Project Tomahawk	7,500	-	-	-	-	-	-	-	-
Project Arthur	6,900	-	-	-	-	-	-	-	-
Project Earth	13,432	-	-	-	-	-	-	-	-
Project EK***	21,360	-	-	-	-	-	-	-	-
Project Tape	15,000	-	-	-	-	-	-	-	-
Project St Pancras	60,000	-	-	-	-	-	-	-	-
Project Noah	18,110	-	-	-	-	-	-	-	-
Project Vintners	30,250	-	-	-	-	-	-	-	-
Project Bentley	24,500	24,500	-	-	-	(71)	24,429	-	24,429
Project Paolo	10,500	-	-	-	-	-	-	-	-
Project Galaxy	30,000	-	-	-	-	-	-	-	-
Project Hunter	40,500	-	-	-	-	-	-	-	-
Project Bridge	23,000	23,000	-	-	-	(21)	22,979	(39)	22,940
Total	583,029	47,500	-	-	-	(92)	47,408	(39)	47,369

* Stated net of scheduled amortisation

** Project Arnie has been now written off.

***The takeover of the EK structure took place on 31.03.2021. As a result of the consolidation of the Mezzanine borrower in the LREDS II structure, the Mezzanine loan balances have been eliminated hence the Loan investment reflected on the balance sheet is nil.

Appendix 5: Net Income receivable from loan investments for the quarter ended 30 September 2021

Loan Investment	Interest receivable £'000	Commitment fees receivable and similar income £'000	Impairment	Loan arrangement fees receivable £'000	IFRS 9 loss provisions £'000	Other income £'000	Total income from loan investments £'000
Project EK*	-	-	-	-	-	-	-
Project Bentley	519	-	-	31	-	-	550
Project Bridge	575	-	-	29	(39)	-	565
Total	1,094	-	-	60	(39)	-	1,115

*Interest receivable for Project EK has been eliminated on consolidation of the Mezzanine borrower.

Appendix 6: Adjustment to INREV Net Asset Value

In £'000	Consolidated Group Quarter ended 30 September 2021
NAV as per the financial statements	51,756
Reclassification of certain IFRS liabilities as components of equity	
a) Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	-
b) Effect of dividends recorded as a liability which have not been distributed	-
NAV after reclassification of equity-like interests and dividends not yet distributed	51,756
Fair value of assets and liabilities	
c) Revaluation to fair value of investment properties	-
d) Revaluation to fair value of self-constructed or developed investment property	-
e) Revaluation to fair value of investment property held for sale	-
f) Revaluation to fair value of property that is leased to tenants under finance lease	-
g) Revaluation to fair value of real estate held as inventory	-
h) Revaluation to fair value of other investments in real assets	-
i) Revaluation to fair value of indirect investments not consolidated	-
j) Revaluation to fair value of financial assets and financial liabilities	-
k) Revaluation to fair value of construction contracts for third parties	-
l) Set-up costs	-
m) Acquisition expenses	-
n) Contractual fees	-
Effects of the expected manner of settlement of sales/vehicle unwinding	
o) Revaluation to fair value of savings of purchaser's costs such as transfer taxes	-
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	-
q) Effect of subsidiaries having a negative equity (non-recourse)	-
Other adjustments	
r) Goodwill	-
s) Non-controlling interest effects of INREV adjustments	-
INREV NAV	51,756



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