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PRIMONIAL REIM REAL ESTATE CONVICTIONS 2023 – Q3

NOVEMBER 2023

An Asset Manager's View of the European Real Estate Markets

ECONOMIC AND REAL ESTATE ENVIRONMENT

“The era of repeated shocks typifies the new cycle we are now living through. Whilst it is still difficult to assess their economic effects, the risks of an escalation of the situation in the Middle East have fed into a nervousness in equity markets, already heightened by mixed performances from companies. As far as real estate assets are concerned, after an intense period of widespread corrections in response to the rapid rise in interest rates, we are likely to see a gradual move into a stabilisation phase once the risk premium has been rebuilt.”

Henry-Aurélien NATTER
MRICS, Head of Research – Europe

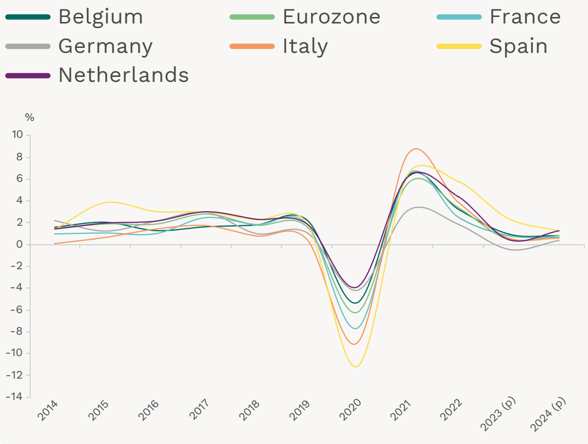
Repeated shocks are the main feature of the new cycle we are living through, with the Covid-19 pandemic, the rise in inflation, the war in Ukraine and the threat of escalation in the Middle East. This series of crises has resulted in a reworking of growth forecasts, fuelled inflation on a global scale and increased the level of uncertainty. Even though it is still difficult to assess their economic effects – and the ensuing inflationary pressures – the risks of an escalation of the situation in the Middle East could increase equity market jitters and further depress growth prospects. For the time being, forecasts for global growth remain fairly stable relative to earlier forecasts, at +3.0% in 2023 and +2.9% in 2024.

Although the euro zone economy held up well in the first half, it is likely to remain in the doldrums between now and the end of 2023 due to financing conditions. Eurozone growth is still expected to be positive in 2023 (+0.5%) and 2024 (+0.8%). Looking at the main economies individually, GDP growth in Spain is expected to be +2.4% in 2023 and then +1.3% in 2024, followed by Belgium (+0.9% then +0.8%), France (+0.8% and +0.6%), Italy (0.6% and 0.6%), the Netherlands (+0.5% and +1.3%) and Germany (-0.5% and +0.4%).

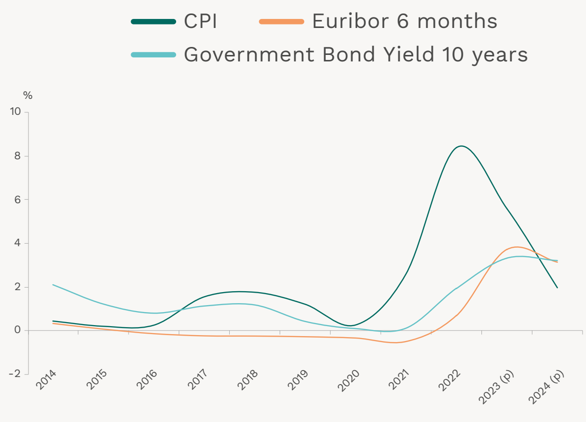
The European Central Bank’s Governing Council held policy rates unchanged at their most recent monetary policy session on 26 October 2023. However, the bank will pay particularly close attention to geopolitical risks in the Middle East, with fears over the euro zone’s higher sensitivity to possible increases in oil prices. The ECB has confirmed that it no longer wants to make automatic rate rises at its forthcoming meetings. The institution wants to ensure that rates remain sufficiently restrictive, for as long as necessary, to produce the quickest possible return to inflation at its 2% medium-term target.

On that front, the ECB’s past decisions seem to reach their targets, with inflation coming back under control, having dropped from 8.6% in January to 2.9% by the end of October 2023. This said, there are still significant disparities between individual countries. France, Austria and Italy are still seeing inflation of over 5%. Countries around the average included Portugal and Germany, where inflation was between 2% and 5%. Lastly, inflation was below 4% in Spain, the Netherlands and Belgium.

ECONOMIC ENVIRONMENT: EUROPEAN GDP



GOVERNMENT 10-YEAR BONDS, EURIBOR AND CONSUMER PRICE INDICES IN THE EURO ZONE



Quarter after quarter, investors' wait-and-see approach has constrained the investment market, a direct consequence of higher interest rates and the need to rebuild the real estate risk premium. A new phase will begin given the ECB's expressed desire to leave policy rates unchanged and thus provide better visibility for investors.

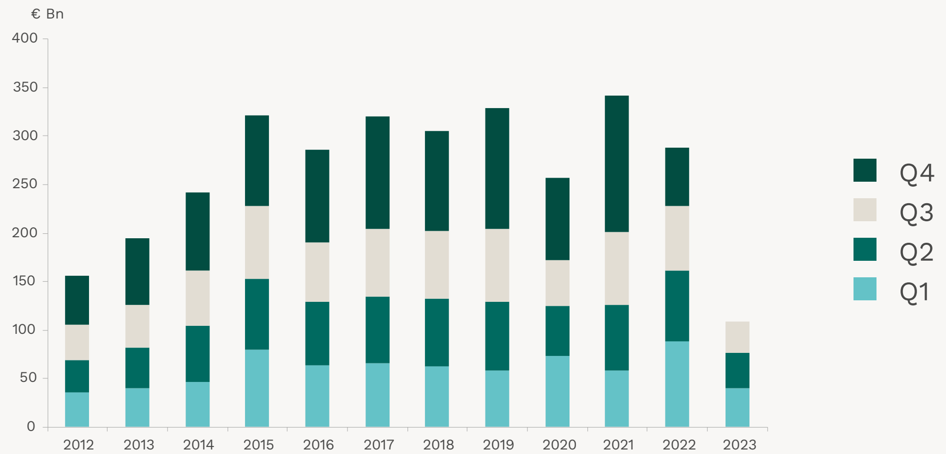
Quarter after quarter, the European investment market has moved sharply downwards and hit its lowest level for 10 years in the third quarter of 2023. Investors' wait-and-see approach held back the market. Investment volumes were low, at around €110 billion of commitments in the first nine months of 2023, against €235 billion over the same period in 2022. It is interesting to observe that the details of allocation shifted towards greater diversification.

Looking at the major countries, investment volumes were just over €29 billion in the UK (down 50% over the year), €20 billion in France (-34%), €19 billion in Germany (-54%), just under €8 billion in Spain (-42%), €6 billion in the Netherlands (-63%) and less than €3 billion in Italy (-69%).

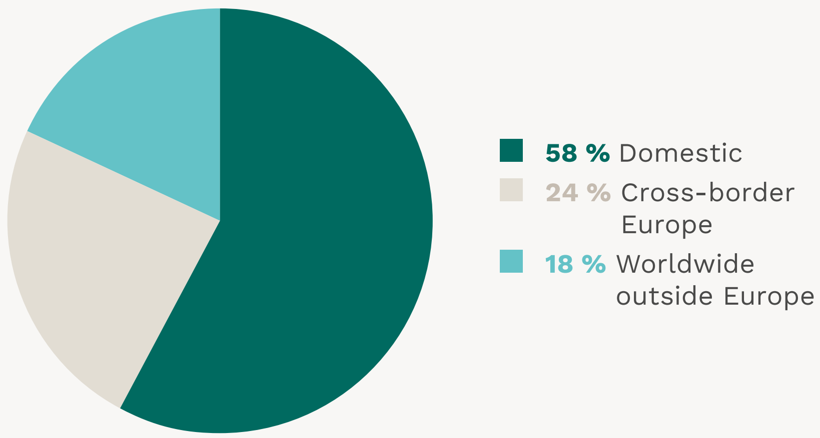
Offices remained the largest asset class, with more than €32 billion or just under 30% of the market, followed by logistics, which saw strong growth to €22 billion (20% of the total market), residential (€21 billion) and retail (€20 billion), representing 19% and 18% of the market respectively, and then hotels (€10 billion, 9%) and healthcare (€5 billion, 4%).

As far as capital flows were concerned, investors concentrated on their domestic markets (58%), which were dominated by institutionals (25%), private investors (21%), tenants (9%) and listed real estate firms (3%). Flows of capital from outside Europe (18%) came mainly from the USA (14%), Canada (2%) and Singapore (2%) whilst cross-border flows within Europe came mainly from France (4%), Germany (3%) and the UK (3%).

REAL ESTATE INVESTMENT VOLUMES IN EUROPE



CAPITAL FLOWS IN EUROPE (INCL. UK) BY SOURCE IN THIRD QUARTER OF 2023 (9 MONTHS)



After a period of substantial corrections caused by the rapid increase in interest rates, asset values will gradually move into a period of stabilisation due to the increasingly modest interventions from the ECB. Hotels, retail and healthcare offer the highest total returns in Europe. Offices are still in a period of correction, whilst the residential sector seems well on the way to stabilisation. Logistics has been the asset class that saw the greatest volatility.

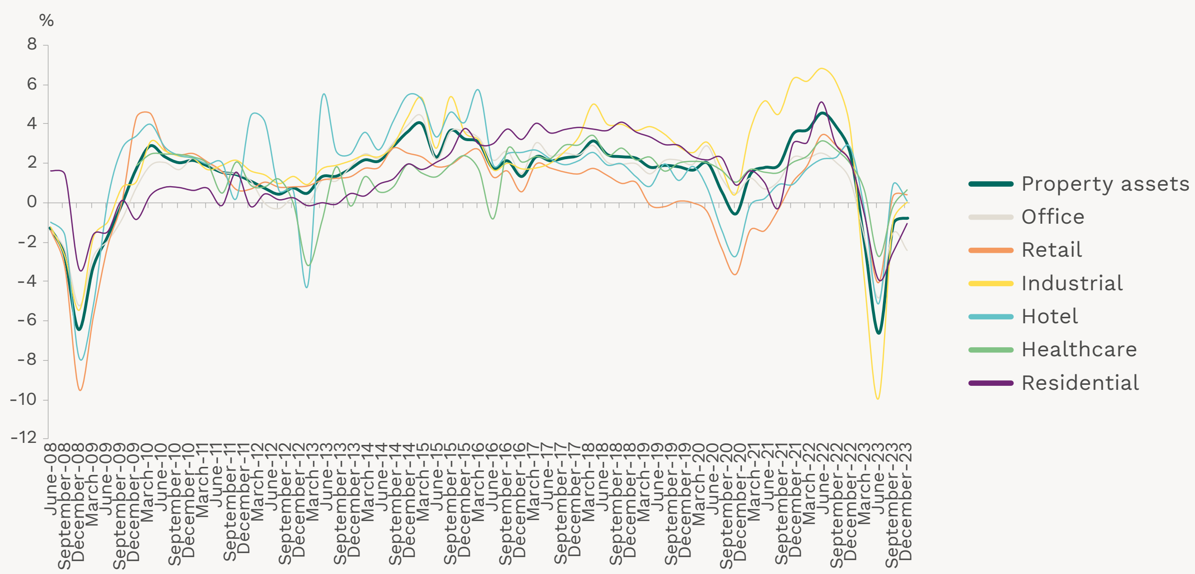
From mid-2022, the ECB adopted a drastic policy of increasing interest rates to bring down inflation. This policy resulted in a rebuilding of the risk premium between bonds and various asset classes. However, depending on the assets and markets considered, the scale of these trends has diverged as a function of the specific fundamentals of each market and each asset class.

The latest figures for total returns, which are made up of income return and capital growth, show that corrections have taken place. We expect the repricing phase to continue over the coming months, but at a lower rate than was seen in the summer of 2023. Hotels, retail and healthcare were the asset classes that proved most resilient in the first half of 2023 in Europe.

Logistics is the sector that saw the biggest yield decompressions. We can therefore envisage recovery capacity for modernised warehouses that are adapted to new business models. At the mid-point of the year, this asset class is approaching a stabilization phase compared to its lowest point of its discount.

Current borrowing rates have affected the capital gains component of returns. Meanwhile, income return is contributing positively to performance. Because income return is indexed in part or in whole on the European consumer price index, income return performance remains on a good track. Given the scale of interest rate increases and their gradual transmission to the market, we are unlikely to see a significant recovery in total returns in the immediate future. However, the situation may allow liquid investors to seize opportunities on assets that will gradually feed through into the market in 2024 and more widely in 2025, provided that valuations reflect a repositioning of returns on acquisition, allowing a new phase of expansion, and that there is a gradual fall in 10-year bond rates from 2024 to 2027. The best opportunities will be those that combine an attractive correction in value and the prospect of income return growth over a number of years.

TOTAL RETURN ON EUROPEAN REAL ESTATE ASSETS



OFFICES

Investment in office real estate in Europe – Q3 2023 (9 months)	**€32 bn**
Prime yields in Europe – Q3 2023 / Q4 2022	↗
Take-up in Europe – Q3 2023 (9 months) / Q3 2022 (9 months)	↘
Vacancy rates in Europe – Q3 2023 / Q4 2022	↗
Rents in Europe – Q3 2023 / Q4 2022	↗
Job creation – Q3 2023 / Q4 2022	↗

Quarter after quarter, the slowdown in the investment market has been confirmed. Despite this slowdown, offices remained the leading asset class in terms of capital allocation, but investors' wait-and-see stance has dominated due to the sharp increase in interest rates and uncertainty relating to the future of work. SAlthough working-from-home still crystallises investor concerns, it is interesting to distinguish different realities. The anglophone countries have the highest rates of remote working in the world, but take-up in continental Europe and Asia remains limited with remote working accounting for between 2 and 0 days per week on average. Against this background, total investment in the European office real estate sector was €32 billion over the first nine months of 2023 (down 61% over a year). France is the largest office market in Europe, with nearly €9 billion (-38%), followed by the UK with €8 billion (-60%), Germany with €5 billion (-67%), Spain with €1.5 billion (-43%) and the Netherlands with €1.5 billion (-57%). Commitment levels were below €1 billion in Italy and Belgium.

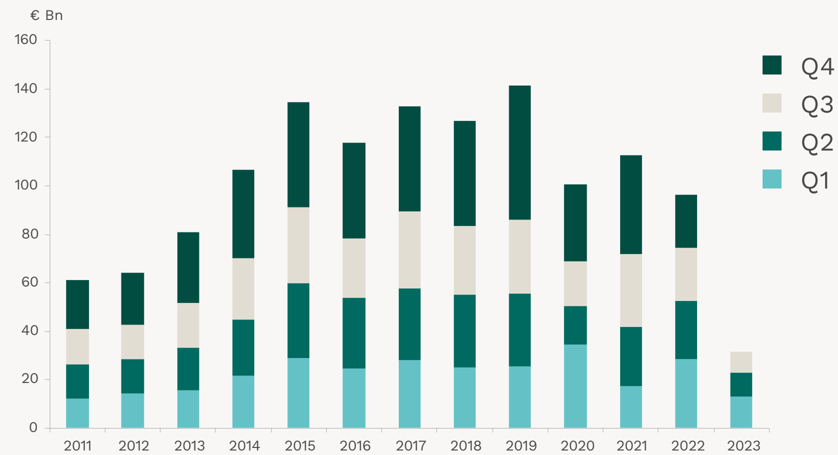
Nearly all European office markets[1] saw a continued trend of yield decompression through to the end of the third quarter of 2023 relative to end-2022. In line with the increase in bond rates, decompressions of between 15bp and 150bp were observed over the first nine months of the year. The most prime markets, with a return of 4.5% or below, are located in cities such as Paris, London, Munich, Vienna, Madrid, Helsinki and Milan. Prime yields of over 4.5% were observed in Berlin, Frankfurt, Barcelona and Brussels.

Although the European rental market was held back at the beginning of the year as certain tenants sought to optimise their space, the trend has been a take-up progression quarter by quarter. Take-up for offices was 6.6 million sqm in the third quarter of 2023, less than the 8 million sqm let in the same period in 2022. Paris saw 1.4 million sqm of take-up, followed by London, Berlin, Munich and Madrid, with more than 300,000 sqm leased. Several trends are currently shaping tenant preferences: central locations, flexibility and the quality of buildings, whilst keeping associated costs under control. Comparing transactions seen for offices in London and major German cities between "green" and "brown" buildings, we can observe a value differential of between 10% and 30%.

Supply remained on a slight uptrend over the nine months to the end of the third quarter of 2023. Highly popular amongst tenants, some central markets boast very low vacancy rates. This is the case for central Paris, Vienna, Berlin, Munich and London's West End, where vacancy rates are below 5%. Conversely, Barcelona, Madrid, Dublin, La Défense and London City still have vacancy rates over 10%.

Rents were on a rising trend over the first nine months of 2023 relative to the end of 2022. The Paris CBD has the highest rent levels in the euro zone, at around €1,000/sqm for the most sought-after assets. Rents in Berlin, Frankfurt, Munich and Milan run at €500 to €750/sqm and those in Brussels, Madrid and Barcelona are around €250 to €470/sqm. Significant support measures (rent holidays) are often offered in markets with high vacancy rates in order to attract tenants.

EUROPEAN OFFICE REAL ESTATE INVESTMENT VOLUMES



(1) Of more than one hundred European markets analysed by Primonial REIM Research & Strategy.

RESIDENTIAL

INVESTMENT IN RESIDENTIAL REAL ESTATE IN EUROPE – Q3 2023 (9 MONTHS)	**€21 bn**
PRIME YIELDS IN EUROPE – Q3 2023 / Q4 2022	↗
RESIDENTIAL PRICES IN EUROPE – Q3 2023 / Q3 2022	↘
HOUSEHOLD INCOME IN THE EURO ZONE – Q3 2023 / Q4 2022	↗

After strong activity levels in 2022, investment in 'block' residential assets in Europe has remained at a low level, with the biggest impacts coming in the northern countries. Variable-rate loans are widely used in certain countries and had a strong negative effect on asset values (notably in Sweden). The market was worth a total of €21 billion over the first nine months of 2023 (down 59% over a year). Within the euro zone, Germany saw total investment of nearly €5 billion, followed by France with over €2 billion, Spain with €1.5 billion, and the Netherlands with just under €1 billion. Outside the euro zone, the UK market was the most active, with investment of €6 billion, followed by Sweden with over €1 billion and Denmark with nearly €1 billion.

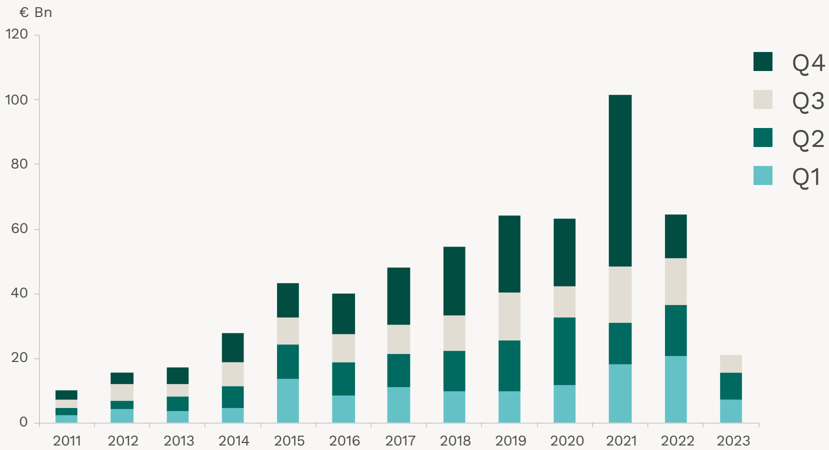
Euro zone house prices have seen a fall on annualised figures with a minority of markets remaining in positive territory. On average, residential prices in the euro zone continued to fall during the third quarter of 2023 (-3.3% q/q). Prices rose in Portugal (7.6% q/q), Spain (2.3%) and Italy (1.4%), but saw a correction in Ireland (-0.3%), Belgium (-1.0%), France (-1.8%), Finland (-2.9%), Austria (-3.8%), the Netherlands (-4.6%) and Germany (-5.9%). Lastly, the introduction of energy performance standards for buildings has a direct impact on properties with poor thermal performance, with such assets selling at a discount of around 15% to better performing assets.

Although strong decompression was observed in prime yields at the beginning of the year, linked to the steep rise in borrowing rates, the trend is clearly one of compression quarter on quarter. In the euro zone Paris and Munich still have prime yields close to the 3.0% threshold, with decompressions of between 10bp and 50bp since the beginning of the year. Other major European cities followed a similar trend, with decompression of between 10bp and 100bp. After a period of correction, some markets have returned to an upward trend. Others have not yet seen a correction and are still seeing rising prices; adjustments may come to these markets later on.

Euro zone consumer price inflation (CPI) has halved since the beginning of 2023, as a direct consequence of the increase in the ECB's policy rates. For residential real estate, CPI will be passed on, in whole or in part, through rent reviews under the indexation mechanisms in use in each country. The countries which had inflation above the European average included France, Italy and Austria. Meanwhile, regulations such as rent controls and carbon taxes can have an influence on rent trends.

Residential construction in Europe has seen a marked fall since the beginning of 2023, but there are contrasting trends between individual countries. After spiking between late 2021 and early 2023, construction costs are no longer in an inflationary spiral, with increases returning to around the 2% mark in the euro zone. However, there are disparities between countries where construction costs are under control, like Germany, Spain, Portugal and Italy, and others such as France and the Netherlands, where inflation is well above the average.

INVESTMENT IN RESIDENTIAL REAL ESTATE IN EUROPE



HEALTHCARE

INVESTMENT IN HEALTHCARE REAL ESTATE IN EUROPE – Q3 2023 (9 MONTHS)	**€4 bn**
PRIME YIELDS IN EUROPE – Q3 2023 / Q4 2022	↗
FORECASTS OF BED DEMAND BY 2030 IN EUROPE	↗

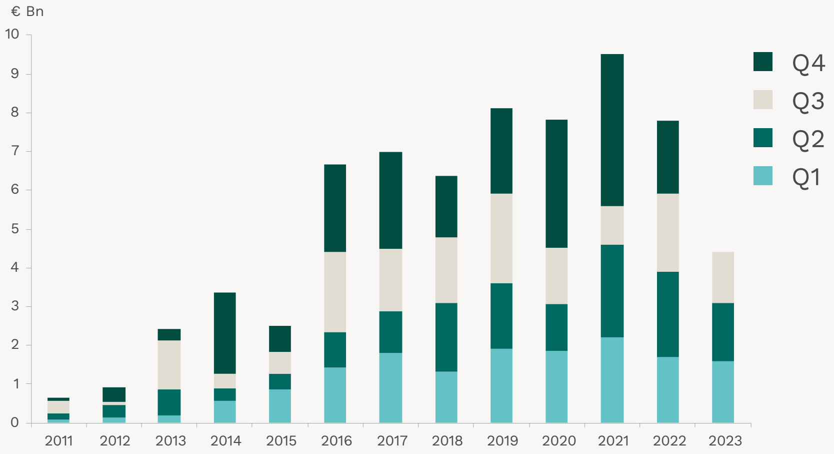
Healthcare real estate (senior residences and care homes) attracted investment volumes of around €4 billion in Europe in the first nine months of 2023 (-26% year-on-year). EIn Europe, although France recorded €600 million in investment in senior residences and care homes, the market was driven by Primonial REIM's acquisition of Icade Santé, whose portfolio consists mainly of clinics in France, with a value of more than €6 billion. This was one of the biggest deals of recent years. The German market was also strong, with over €1 billion invested since the start of 2023, followed by the UK, Sweden, Italy, Belgium and the Netherlands with close to or over €500 million each.

Prime yields on healthcare real estate saw a limited decompression between the end of 2022 and the third quarter of 2023, with Germany being the country most affected by higher interest rates. In France, the UK, Belgium and Austria prime yields were below 5.0% for care homes; while in Germany, Italy, Spain, the Netherlands, Finland, Ireland and Portugal these were at or above 5.0%. Prime yields from clinics also saw a slight decompression between the end of 2022 and the third quarter of 2023 (between 5bp and 25bp), but have remained fairly stable since then. They were around 5.0% in France and Germany and close to 6.0% in the Netherlands.

The average price per bed in Europe was €200,000 in the third quarter of 2023, marking a substantial increase since the start of the year. The most prime assets changed hands at around €225,000 per bed, with assets in the bottom quartile trading at the €145,000 mark on average over the quarter. Germany saw average prices of around €225,000 per bed, a sharp increase, followed by France with an average of €200,000. In Spain, Italy and Belgium, the median price per unit was between €100,000 and €135,000 over the third quarter. Outside the euro zone, the United Kingdom saw average transaction prices soar to €273,000 per bed. Lastly, Sweden, which has the highest price per bed at an average of €300,000, had no comparator over the period.

The senior population is growing in all European countries, generating demand for healthcare real estate. The renovation of the existing asset base and the construction of new buildings is crucial in meeting this demand. Assistance or medical care will be needed as people lose their autonomy, especially for the over-75s, whose numbers will rise from 44 million in 2020 to more than 66 million in 2040 in the European Union (excluding the United Kingdom). Dependency can become critical over the age of 75. With 13 million individuals by 2030, Germany will have the largest population aged over 75, followed by France with 10.5 million. Spain, Italy and the Netherlands follow close behind, with strong growth in their population of over 75-year-olds, which will stand at between 3 and 10 million individuals in these countries by 2040.

SENIOR RESIDENCES AND CARE HOMES INVESTMENT VOLUMES IN EUROPE



HOTELS

INVESTMENT IN HOTEL REAL ESTATE IN EUROPE – Q3 2023 (9 MONTHS)	€10 bn
ROOM OCCUPANCY RATES IN EUROPE – Q3 2023 (9 MONTHS) / Q3 2022	↗
REVPAR IN EUROPE – Q3 2023 (9 MONTHS) / Q3 2022	↗
AVERAGE PRICE PER NIGHT IN EUROPE – Q3 2023 (9 MONTHS) / Q3 2022	↗
PRIME YIELDS IN EUROPE – Q3 2023 / Q4 2022	↗
EXPECTED TOURIST ARRIVALS IN EUROPE – 2023/2022	↗

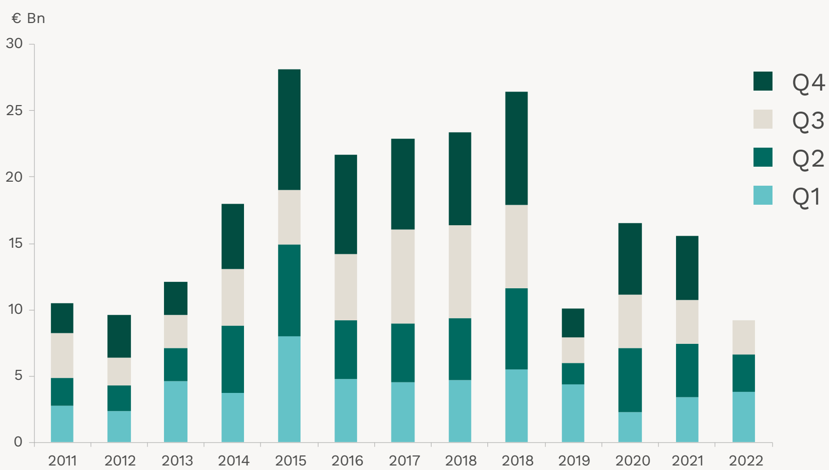
In comparison to other asset classes, capital committed to hotel assets held up well over the first nine months of 2023. This trend can be explained by the growth in tourist activity and the sporting events held in Europe. The European hotel real estate market was worth €10 billion over the first three quarters of 2023, down 14% year-on-year. Investment was focused on Spain, with a volume of over €2.5 billion, followed by France with nearly €2.5 billion, then the United Kingdom with a little less than €1.5 billion. Germany saw total investment of €1 billion followed by Italy and Portugal with under €500 million.

Prime yields on hotels mainly saw decompression over the first nine months of 2023. Prime yields on leased hotels, based on rental profitability, held up very well and remained under 5.0% in London and Paris. In the big German cities as well as Madrid, Milan, Amsterdam, Brussels, Lisbon and Athens yields are between 5.0% and 7.25%. Prime yields for hotels under management contracts, which allow hotel owners to capture value from both the operation of the hotel and the real estate asset, offer a yield of between 5.75% and 9.5%.

The number of hotel rooms sold or let in Europe saw another solid increase (+10% up over a year), linked to the recovery in traveller numbers in Europe. Because of the climate of high inflation, all-in holidays proved popular with low and middle-income households. This type of offering provides a degree of certainty in relation to the advertised price, giving better visibility relative to a household budget. Room prices in the most sought-after tourist regions saw increases in line with the rise in visitor numbers. Budget hotels, which had suffered less, continued to perform well (between +4% and +10% over the year). The mid-range category also made strong gains, of around 12%. Up-scale hotels (+13%) and the luxury category (+10%) continued to make up lost ground.

Hotel indicators were positive over the first nine months of 2023, with average prices and RevPAR exceeding their levels at the end of 2019. Hotel occupancy rates in Europe rose to 70% at end-September 2023. Average prices also rose, reaching €145 per night at end-September 2023, from €132 at the same point in 2022. RevPAR continued to grow, reaching €101 from €85 a year earlier. By category, only budget hotels had an occupancy rate over 75%, from 68% a year ago. Figures for other categories ranged from 62% to 70%. The luxury and up-scale market segments still have room for improvement.

INVESTMENT VOLUMES FOR EUROPEAN HOTELS



RETAIL

INVESTMENT IN RETAIL REAL ESTATE IN EUROPE – Q3 2023 (9 MONTHS)	€20 bn
PRIME HIGH STREET YIELDS IN EUROPE – Q3 2023 /Q4 2022	↗
PRIME YIELDS IN EUROPEAN SHOPPING CENTRES – Q3 2023 /Q4 2022	↗
RETAIL SALES IN THE EUROZONE – Q3 2023 / Q3 2022	↗

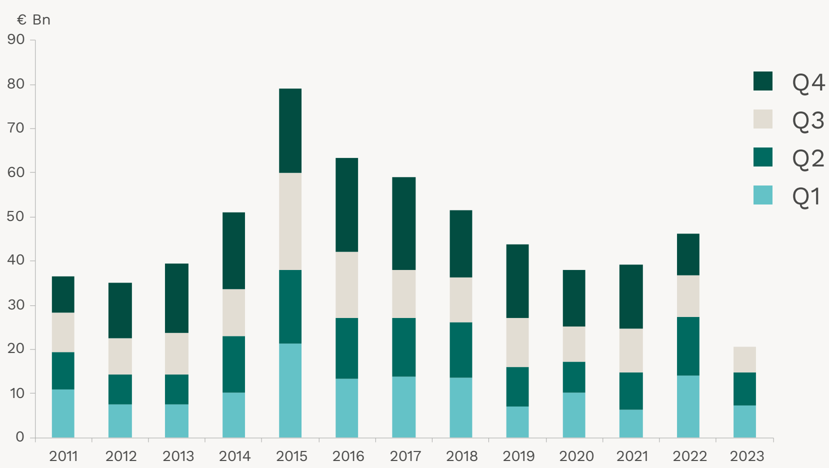
Although transaction volumes in the retail segment were affected by higher interest rates, it was nevertheless one of the least impacted asset classes. Total investment volume in the European retail real estate sector was €20 billion in the first nine months of 2023 (down 44% year-on-year). The UK was the most active market with more than €5 billion invested, followed by France with €4 billion, Germany with more than €3.5 billion and Spain with €1 billion. Italy and the Netherlands remained sluggish with around €500 million invested since the start of the year.

Yields on the majority of high-street shops and shopping centres saw a decompression by the end of the third quarter of 2023 relative to the end of 2022. However, quarter on quarter corrections are affecting markets less and less. Yields on **high-street shops** and shopping centres remained stable overall between the second and third quarters of 2023. Yields saw decompressions of between 5bp and 90bp for **high-street shops** and between 10bp and 75bp for shopping centres between the end of 2022 and the third quarter of 2023. Prime yields on **high-street shops** in Paris, Amsterdam, Munich, Vienna and Madrid were 4.5% or less. Yields in Helsinki and Dublin, for example, were 5.0% or higher. In Paris, the other major French cities and the main German cities, prime yields for shopping centres are below the 5.5% mark. In Helsinki, Madrid and major Italian centres prime yields on shopping centres were above 5.5%.

Rental values on the majority of high-street shops and the most attractive shopping centres were mostly stable at the end of the third quarter of 2023. Some markets recorded gains, whilst a minority saw corrections. The locations most sought after by retailers, because of high footfall combined with good sales trends, had seen a fresh increase in rents by the end of the second quarter of 2023 relative to end-2022.

Consumer spending could slow in the third quarter before bouncing back for the festive season. High levels of inflation have continued to put pressure on disposable income, and borrowing rates have put the brakes on consumer spending. When it comes to store revenues, the trend is still positive, with average growth of 4% year-on-year at the end of the third quarter 2023 in the euro zone. Some countries outperformed, as in Spain, the Netherlands and Ireland. Although France, Germany, Italy and Belgium all put in satisfactory performances, they did not beat the European average. Across the euro zone as a whole, retail sales volumes were once again down relative to the third quarter of 2022. This reflects the fact that increased store revenues continued to be driven by higher prices and that there is currently no price war between store chains. However, an equilibrium could slowly take shape.

RETAIL INVESTMENT VOLUMES IN EUROPE



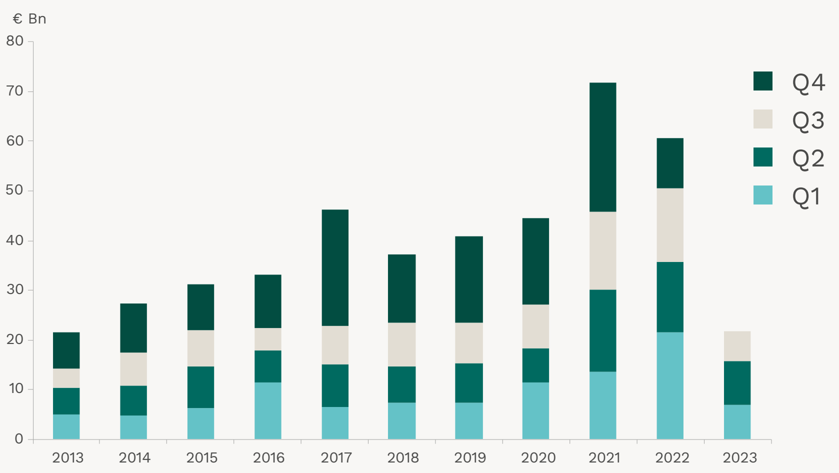
LOGISTICS

INVESTMENT IN LOGISTICS REAL ESTATE IN EUROPE – Q3 2023 (9 MONTHS)	€22 bn
PRIME YIELDS IN EUROPE – Q3 2023 / Q4 2022	↗
INTERNATIONAL TRADE – Q3 2023 / Q3 2022	↘
E-COMMERCE PENETRATION RATES IN THE EURO ZONE – 2023	↗
INDUSTRIAL PRODUCTION – Q3 2023 / Q3 2022	↘

Capital committed in logistics fell over the first nine months of the year, but the sector nevertheless remained the second largest in terms of volume, behind offices. The European market for logistics real estate was worth a total of €22 billion over the first nine months of 2023 (down 57% over a year). In Europe, capital focused on the UK, with more than €8 billion of investment, followed by Germany with nearly €4 billion, France with €2.5 billion and the Netherlands with over €1.5 billion. Spain and Italy accounted for a total of just over €1 billion each.

Prime yields in European logistics real estate had seen a decompression of yields by the end of the third quarter of 2023 relative to end-2022, as a direct consequence of the sharp rise in bond rates and very strong price growth in recent years. Decompressions of between 15bp and 75bp were seen in logistics markets between the end of 2022 and the third quarter of 2023. The most popular markets still offer yields of less than 5.5%; this is notably the case for Germany, the Netherlands, Belgium, France and the UK. The most sought-after warehouses are located on major European freight corridors serving the continent's main conurbations, putting them at central points both for supplies of goods and for their onward distribution.

LOGISTICS INVESTMENT VOLUMES IN EUROPE



Activity in the European logistics real estate market has shown resilience. Net take-up of warehouses was more than 13 million sqm in the first nine months of 2023, a lower volume than in the same period in 2022. The biggest markets were the United Kingdom, Germany, France, the Netherlands, Italy, Spain and Poland, with net take-up of over 1 million sqm. Modern supply chains represent an engine of growth for the logistics market, allowing retailers, manufacturers and distributors to adapt to new business models.

Although supply increased between the end of 2022 and the third quarter of 2023, some markets saw a resorption of vacancy. Markets like Germany, the Netherlands, the UK and France still have vacancy rates of less than 5%. Conversely, Spain still has vacancy rates over 5%.

Rents have been rising since the beginning of the year. Average nominal rents for the best warehouses have seen increases of between 0.5% and 2% per quarter in 2023. The United Kingdom, Germany, the Netherlands and Spain dominate in this area with rents of more than €80/sqm, compared to €50/sqm to €80/sqm in countries such as France and Belgium. Thus average prime rents remain substantial.

The picture on international trade shows that month after month, imports have fallen more rapidly whilst exports have remained relatively stable. These flows of goods can boost or hold back the market.

E-commerce is a new source of growth in logistics. In 2023, total e-commerce revenue in Europe is likely to hit €975 billion, generating a major challenge for the logistics industry in serving a population of more than 580 million.

When it comes to industrial production, volumes have started to contract. Having posted very good scores in 2021 and 2022, industrial production could contract in 2023.

DEFINITIONS

10-year government bonds: debt securities issued by a state for a period of ten years, generally acknowledged to be a risk-free investment.

Investment volume in corporate real estate: total volume of premises acquired in the offices, retail, business premises and warehouses segments by an investor.

Take-up of offices: all leases or sales to the occupant (as opposed to sales to investors) for premises to be used as offices. It is expressed as square meters of usable space.

Sale Before Completion: sale before completion is the contractual method for selling a building before it is built. The investor becomes the owner as it is built.

Free leases: favourable measures granted to tenants (rent cuts, renovation work, etc.).

Yield: ratio between the gross or net revenues from the building and the capital committed by the buyer (acquisition price + fees and transfer taxes).

Store premises: traditional ground-floor retail premises located in town-center high streets.

Shopping center: a building containing at least 20 retail outlets housed in indoor centers around a large food store that drives customer traffic.

Retail park: an outdoor shopping center built and managed as a single unit. It comprises at least five buildings linked by lanes and located on city peripheries.

Care homes: a health facility that houses dependent elderly people.

Medical, surgery and obstetric clinics: medical facilities for short-term care, with or without lodging, or for severe conditions during their acute phase.

RevPAR: abbreviation for Revenue Per Available Room. It corresponds to the turnover on accommodation of an establishment divided by the total number of rooms RevPAR also corresponds to Occupancy Rate multiplied by ADR.

ADR: abbreviation for Average Daily Rate. It is calculated (excluding breakfast) by dividing total revenue by the number of occupied rooms.

Hotel Occupancy Rate (OR): ratio of the number of occupied rooms to the total number of rooms in a hotel.

About Primonial REIM

Primonial REIM has a workforce of 400 employees in **France, Germany, Luxembourg, Italy, United Kingdom** and **Singapore**. Its values of conviction and commitment as well as its expertise on a European scale are used to design and manage real estate funds for its national and international clients, whether they are individuals or institutions.

Primonial REIM currently has **€42 billion** of assets under management. Its conviction-based allocation breaks down into:

- **47%** healthcare/education,
- **35%** offices,
- **8%** residential,
- **5%** retail,
- **4%** hotels,
- **1%** logistics.

Its pan-European platform manages **61 funds** and has more than 100,000 investor clients, **55%** of which are **institutional investors** and **45% individual**. Its real estate portfolio consists of more than 1 695 properties (offices, healthcare/education, retail, residential, hotels) located in **10 European countries.**

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The Research & Strategy Department’s role is to formalise Primonial REIM’s real estate investment strategies, based on continuous monitoring of the French and European markets. Although collective real estate accounts for a growing share of institutional portfolios and household savings, it is at the crossroads of financial (hierarchy of rates), economic (tenants’ business models), demographic (the metropolisation phenomenon) and societal (changes in usage) factors. This is why a cross-cutting analysis is needed, which is also long term and therefore in keeping with the horizon of most real estate investors.

Real Estate Convictions Europe offers Primonial REIM’s quarterly view of its markets of choice, i.e. offices, retail outlets and healthcare and residential real estate, in the Eurozone.

Sources used throughout this document: Primonial REIM Research & Strategy, Immostat, CBRE, Savills, BNP PRE, JLL, Knight Frank, MSCI, Oxford Economics, Eurostat, OECD, FMI, Stabel, NSI, CZSO, DST, Destatis, Stat, CSO, Statistics, INE, INSEE, DZS, ISTAT, CSB, Statistics Lithuania, Statec, KSH, CBS, Statistik Austria, Stat Poland, Statistics Finland, SCB, SSB, BFS, ONS, STR, Operators.

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