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PRIMONIAL REIM REAL ESTATE CONVICTIONS

2023 – Q4

FEBRUARY 2024

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

ECONOMIC AND REAL ESTATE ENVIRONMENT

“The question that everyone is asking is the following: will we finally emerge from the turbulent period, after several quarters of volatility in asset values? It must be said that we have been faced with an exceptional situation of repeated shocks for two years between high inflation, a historical increase in interest rates and a risk of recession. The year 2024 is therefore beginning under better auspices than 2023, with economies that have been able to effectively resist, inflation on the way to being under control and interest rates that have reached their peak. Even if value adjustments are still possible as long as the ECB does not reduce its key rates, 2024 will be the year of change in real estate market conditions in Europe, provided that a new shock does not occur.”

Henry-Aurélien NATTER
MRICS, Head of Research – Europe

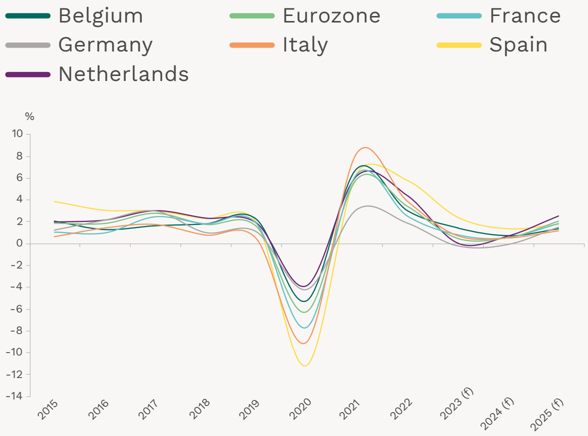
After a slow year in 2023, 2024 will be a year of many challenges: challenges that are at the same time democratic, geopolitical, economic and financial. The most striking aspect will be the 2 billion human beings who will go to the polls during the year in 70 countries, including the United States, the European Union, India and the United Kingdom, thus redefining the balance of power. For the time being, global growth is forecast at +2.9% for 2024, before a more dynamic recovery in 2025.

The outlook for 2024 in the eurozone is on the rise (+0.6%), driven by the reflux of inflation and the beginning of the downward cycle of key rates, before a sharp rebound in 2025 (+1.8%). As regards the main countries, the GDP of Spain is expected to evolve at +1.4% in 2024 and at +1.8% in 2025, that of Belgium at +0.7% and +1.4%, that of the Netherlands at +0.7% and +2.5%, that of France at +0.6% and +2.1%, that of Italy at +0.5% and +1.2%, and that of Germany at -0.1% and +1.5%.

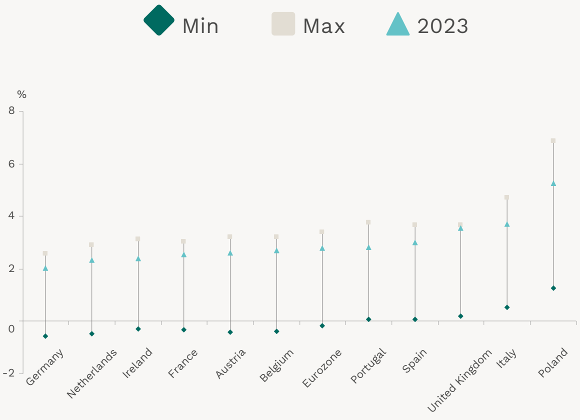
The ECB’s strategy to tighten its monetary policy has partly achieved its objective with inflation that is resolving, since it went from +8.6% in January 2023 to +2.9% at the end of December 2023. However, among the economies of the eurozone, there are three major blocks: the first with countries that have managed to control their inflation (Italy, the Netherlands), the second block in which inflation is close to the average (Spain, Germany, France) and finally the last block, which continues to present inflation that is well above the average (Austria, Slovakia).

Since October 2023, the ECB has halted the quasi-automatic increases and opted for the stability of its rates considered to be at a sufficiently restrictive level to ensure a return of inflation to its 2% objective. The disinflation process reinforces the ECB’s expectations of lower rates in 2024. This already has an impact on the 10-year sovereign rates of the various European economies that are experiencing an expansion.

ECONOMIC ENVIRONMENT: GDP IN EUROPE



10-YEAR GOVERNMENT BONDS OF MAJOR EUROPEAN COUNTRIES 2014-2023



The wait-and-see attitude of investors has led to a freeze in the investment market due to successive increases in interest rates and the need to restore the real estate risk premium. A new phase has begun due to a stabilisation of the ECB's key rates, which will quickly lead to the last adjustment of the process of reconstitution of the risk premium for real estate. The next step will be the beginning of the downward cycle of ECB key rates, which should be observed as early as 2024.

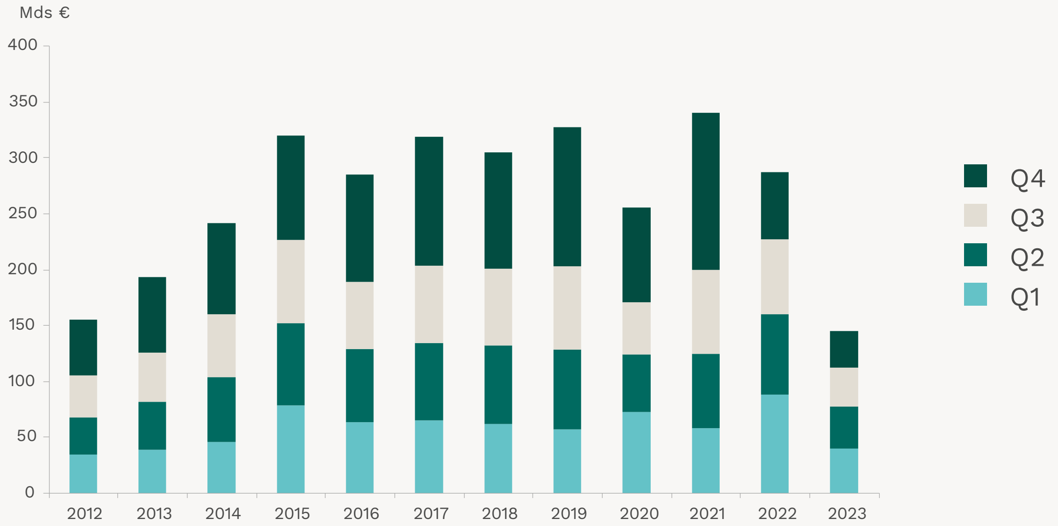
Due to the changing and uncertain climate, investors have chosen to be cautious in limiting their investments. The volume was low, with just over 145 billion euros in commitments for the whole of 2023, compared to 290 billion in 2022. A low point therefore seems to have been reached in 2023, which augurs well for a "2012" type scenario, with a thawing phase and a gradual increase in investment volumes in the coming years.

As for the main countries, real estate investment volumes rose to more than 37 billion in the United Kingdom (-47% over one year), 28 billion euros in France (-28%), 24 billion euros in Germany (-53% over one year), just under 9 billion euros in Spain (-43%), around 7 billion euros in the Netherlands (-60%) and 5 billion euros in Italy (-58%).

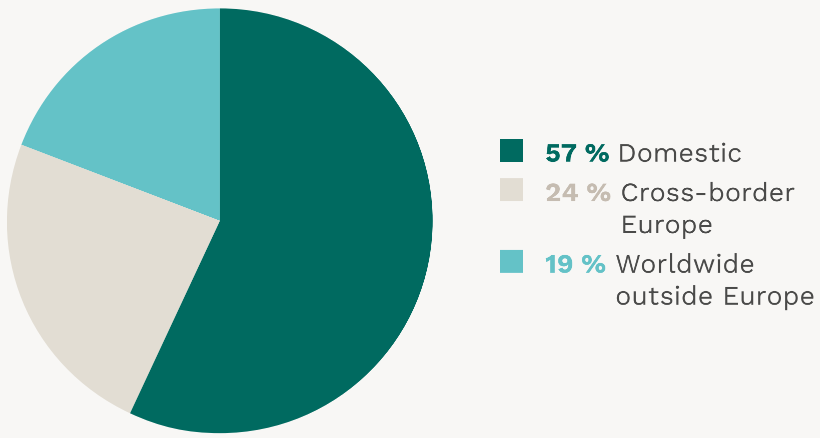
At the level of asset classes, diversification has characterised allocations in 2023. Office space thus remains in first position, with around 40 billion, or just under 30% of the market, followed by logistics and residential, with around 30 billion respectively (or around 20% of the market). The trade (26 billion) represents 18% of the market, hospitality 8% (12 billion) and healthcare 3% (5 billion).

Regarding capital flows, investors preferred their domestic market (57%), dominated by institutions (24%), private companies (22%), users (9%) and listed

REAL ESTATE INVESTMENT VOLUME IN EUROPE



CAPITAL FLOWS IN EUROPE (INCLUDING UK) BY ORIGIN IN 2023



real estate companies (3%). International capital flows outside Europe (19%) came mainly from the United States (14%), Canada (2%), the United Arab Emirates (1.5%) and Singapore (1.5%), while European cross-border capital flows came mainly from France (4%), Germany (3.5%) and the United Kingdom (3%).

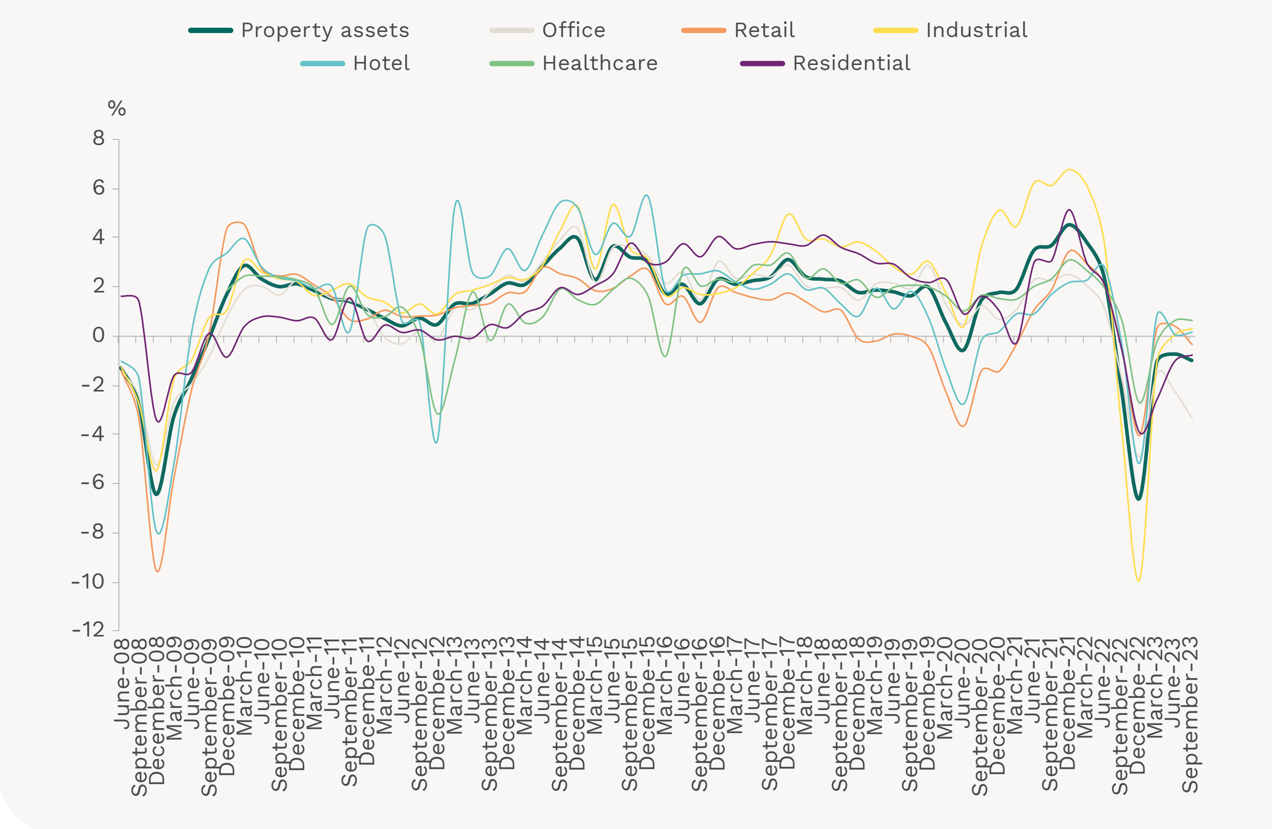
Real estate values re-entered a turbulent period during the last months of the year 2022 due to the sudden rise in interest rates, in order to counter inflation. The end of the historic rise in ECB key rates seems to have been reached in October 2023. This situation therefore opens a new phase, which is synonymous with stabilising real estate values before the start of the next cycle.

From mid-2022, the ECB implemented a policy of raising its key rates at a forced rate so as to control inflation. This policy has led to a process of reconstitution of the risk premium between the bonds and the different real estate asset classes.

After an intense repricing phase from the end of 2022, a window of stabilisation of values is expected before the resumption of a bullish cycle. Income return continued to grow for all asset classes, while capital growth was the volatile variable in total return . For the time being, however, the continuation of the real estate repricing phase cannot be totally ruled out, because of the liquidity and refinancing problems of certain open-ended real estate funds.

Hospitality and healthcare are the asset classes that will have fared well during this period of turbulence due to a less significant repricing phase compared to other asset classes. Although it experienced slightly lower performance, retail resisted. Logistics is the asset class that will have experienced the strongest correction, but it is already preparing for a rebound phase for the most modern warehouses adapted to new business models. Offices and en bloc residential properties also experienced significant value repositioning in 2023. Due to the pressure of demand in stressed areas and supply imbalance, we believe residential will rebound quite quickly, especially when the cost of credit eases. Offices in line with new uses and localised assets will be the assets that will have the best performance prospects because of their attractiveness to users.

PERFORMANCE TOTALE DES BIENS IMMOBILIERS EN EUROPE



OFFICES

INVESTMENT IN OFFICE REAL ESTATE IN EUROPE – 2023 Q4 (12 MONTHS)	€40 bn
PRIME YIELDS IN EUROPE – 2023 Q4 / 2022 Q4	↗
TAKE-UP TREND IN EUROPE – 2023 Q4 (12 MONTHS) / 2022 Q4 (12 MONTHS)	↘
VACANCY TREND IN EUROPE – 2023 Q4 / 2022 Q4	↗
RENTS IN EUROPE – 2023 Q4 / 2022 Q4	↗
JOB CREATION – 2023 Q4 / 2022 Q4	↗

Offices remained the first asset class in terms of capital allocation, but wait-and-see investors dominated, due to the strong rise in interest rates and uncertainties related to the organisation of work. The market split in two: the location and ESG criteria of a building were the factors most sought after by investors. It is in this context that office real estate investment volumes in Europe rose to around 40 billion euros in 2023 (-60% over one year). France is the leading office market in Europe, with more than 10 billion euros (-42%), followed by the United Kingdom with more than 9 billion euros (-55%), Germany with just over 6 billion euros (-67%), Spain with 2 billion euros (-36%), followed by the Netherlands and Italy with 1.5 billion euros (-65% and -70%, respectively).

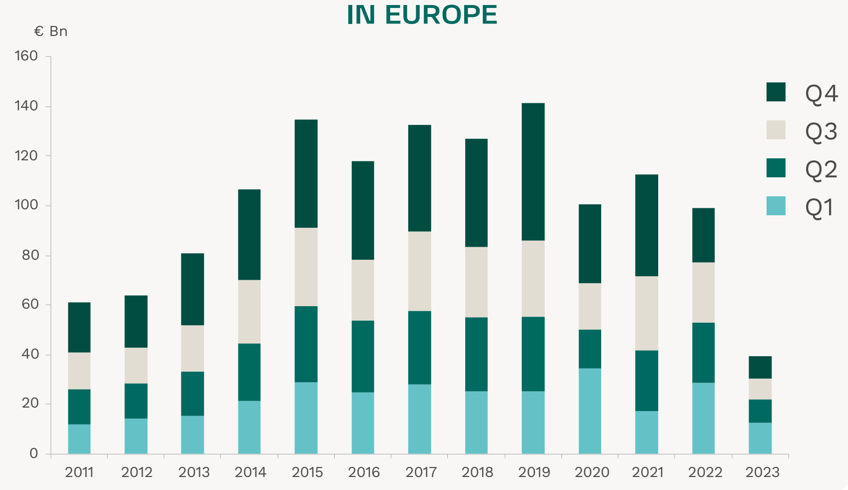
All office markets in Europe recorded decompressions between the end of 2023 compared to the end of 2022. In connection with the rise in bond rates, reductions of between 15 and 250 bps were observed for the whole of 2023. The most prime markets with a yield of less than or equal to 5.0% were located in cities such as Paris, Munich, Berlin, Copenhagen, Vienna, Madrid, Helsinki, Barcelona or Milan. Prime yields of more than 5.0% were observed in Frankfurt, Amsterdam, Lisbon and Brussels.

The European user market was characterised by the recovery of take-up, quarter after quarter, in 2023. The take-up for offices totalled more than 9 million m² for the whole of 2023, a volume similar to 2021, but down 20% compared to the 11 million m² of 2022 – which had been a year of strong recovery. While users were "wait-and-see" in their real estate strategy, the job market surprised favourably and defied all the most pessimistic predictions. Even in the event of deterioration in 2024, the extent will remain limited according to the latest statistics. The recovery phenomenon is therefore expected to continue in the user market in the coming months. For the time being, the Parisian market has led the way, totalling more than 1.9 million m² placed in 2023, followed by London, Berlin, Warsaw and Stockholm with more than 400,000 m² leased on each market, respectively. Users oriented their searches towards central, flexible and energy-efficient offices. We observe that a differential of between 10% and 30% has been created in Europe between "green" buildings and "brown" buildings.

The offer remains oriented towards a slight increase for the whole of 2024. Highly sought-after by users, some central markets have a low vacancy and were again on a downward trend at the end of the fourth quarter of 2023. This is the case of Paris intramural, Vienna or Marseille, for example, with a vacancy rate of less than 5% and already in the process of being eliminated. Conversely, Barcelona, Madrid, Frankfurt and Hamburg had a vacancy rate of more than 10%, which was increasing.

Rents are on an upward trend for the whole of 2023 compared to 2022. The Parisian business district has the highest rent in the euro zone at €1,000/m² for the most sought-after assets. Dublin, Berlin, Munich or Milan have rents of between €500–750/m², while in markets such as Brussels, Madrid or Barcelona, they are around €250–470/m². Significant accompanying measures (rent deductibles) are generally offered in markets with a high vacancy rate in order to attract users.

INVESTMENT VOLUME IN OFFICE REAL ESTATE IN EUROPE



(1) Out of more than one hundred European markets analysed by Primonial REIM Research and Strategy.

RESIDENTIAL

INVESTMENT IN RESIDENTIAL REAL ESTATE IN EUROPE – 2023 Q4 (12 MONTHS)	€30 bn
PRIME YIELDS IN EUROPE – 2023 Q4 / 2022 Q4	↗
RESIDENTIAL PRICE GROWTH IN EUROPE – 2023 Q4 / 2022 Q4	↘
HOUSEHOLD INCOME IN THE EUROZONE – 2023 Q4 / 2022 Q4	↗

After high activity in 2022, "en bloc" residential investment recorded a low level of activity in Europe, but remains the second asset class behind offices. If, at the height of the crisis, variable-rate countries had their most impacted value, we believe that the easing observed on the borrowing rates of some markets could change the situation quite quickly. The market reached nearly 30 billion euros for the whole of 2023 (-56% over one year). In the eurozone, Germany has total investments of more than €6.5 billion, followed by France with nearly €3 billion, the Netherlands with nearly €2.5 billion, and Spain with €1.7 billion. Outside of the eurozone, the United Kingdom was the most active, with investments of €7.6 billion, followed by Sweden with more than €1.5 billion, and Denmark with more than €1 billion in commitments.

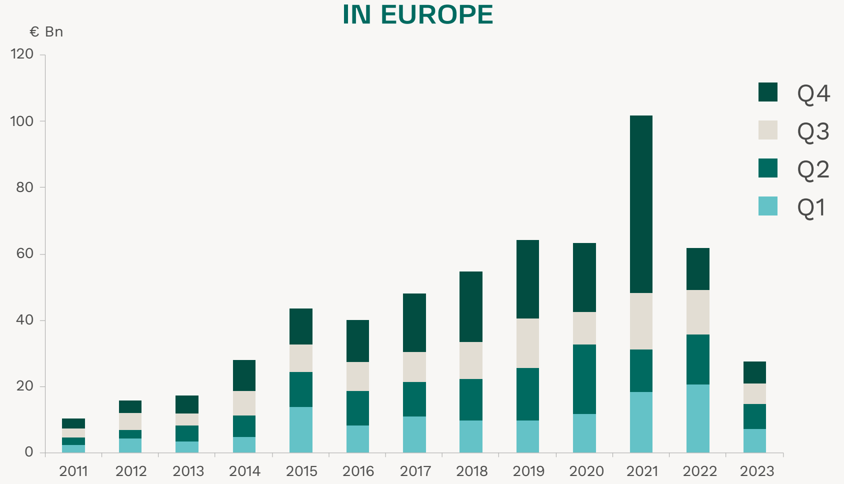
Housing prices in the eurozone recorded a decline in the annualised rate (-1.5% over one year). It is noteworthy that a minority of the main markets analysed showed a positive trend for the whole year. Portugal (+8.0%), Spain (+3.5%), Ireland (+2.3%), Belgium (+2.0%) and Italy (+1.2%) ended the year up, while prices were on a downward trend in Austria (-1.6%), the Netherlands (-2.8%), France (-3.0%), Germany (-4.2%) and Finland (-4.5%). The trough of the decline seems to have been reached and an improvement in price dynamics has begun in some markets. Limited supply, the resilience of the labour market and wage dynamics have made it possible to contain the fall in prices. It is interesting to note that over the period 2021–2023 (3 years), Portugal is at the top of the ranking, with a 30% growth in its value, followed by the Netherlands (+26%), Ireland (+23%), Austria (+21%) and Germany (+17%).

While reductions were observed on prime yields, the trend was a decline in the repricing quarter after quarter. In the eurozone, Paris and Munich have a prime yield close to the 3.0% mark, with reductions of between 10 and 50 bps over one year. The other main European cities followed a similar trend, with reductions of between 10 and 100 bps over one year. It should be noted that en bloc real estate may have experienced greater reductions.

The consumer price index (CPI) in the eurozone has fallen sharply in one year due to the strong rise in ECB key rates, but remains above the 2% target. For residential real estate, the CPI rate will be reflected in part or in full according to the indexation mechanisms specific to each country. On the other hand, regulations such as rent control or carbon tax can affect rent dynamics.

The residential construction in Europe recorded a decline for the whole of 2023 compared to 2022. Conflicting trends characterise the different countries. After a boom, construction costs no longer experience inflationary spirals. For the whole year, the growth in residential construction costs is around 4%. However, disparities exist with countries that control their construction costs, such as Spain, Portugal or Italy, compared to other countries such as the Netherlands, which are well above the European average.

"EN BLOC" RESIDENTIAL INVESTMENT VOLUME IN EUROPE



HEALTHCARE

INVESTMENT IN HEALTHCARE REAL ESTATE IN EUROPE – 2023 Q4 (12 MONTHS)	€5 bn
PRIME YIELDS IN EUROPE – 2023 Q4 / 2022 Q4	↗
OUTLOOK FOR CARE BED REQUIREMENTS BY 2030 IN EUROPE	↗

The healthcare real estate sector (senior residences and care homes) attracted a capital volume of €5 billion in Europe for the whole of 2023 (-32% over one year). Like hotels, healthcare real estate will therefore have the least impact compared to other asset classes. In Europe, France has total investments of around €600 million for senior residences and care homes. The market was, however, driven by the acquisition, by Primonial REIM, of the Icade Santé real estate investment trust, whose portfolio (composed mainly of clinics located in France) represents more than 6 billion euros. This is one of the largest transactions in recent years. Germany has also been dynamic, with more than €1 billion invested since the beginning of 2023, followed by the United Kingdom and Sweden, with around €1 billion respectively. Italy, Belgium and the Netherlands have commitments of around €500 m.

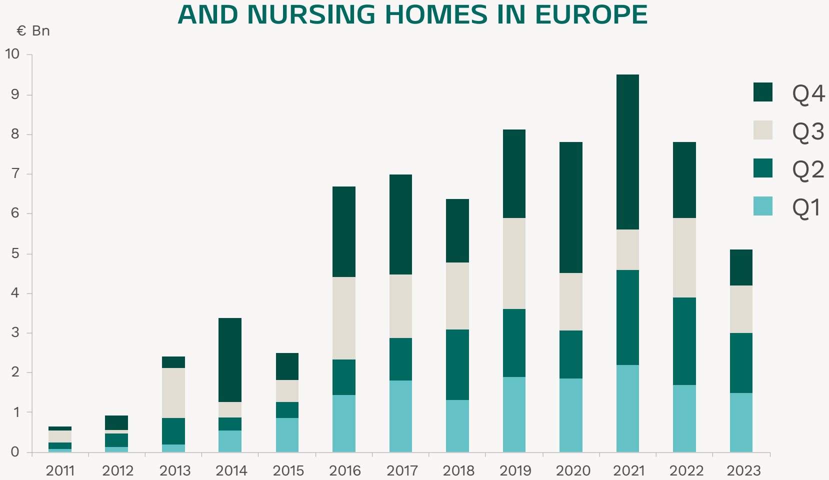
Prime yields in healthcare real estate experienced decompressions between the end of 2022 and the end of 2023. France, the United Kingdom, Belgium, Austria and Sweden have prime yields of less than or equal to 5.0% for nursing homes, with an average decompression of less than 100 bps at the end of 2023 compared to the end of 2022. Prime yields in Germany, Italy, Spain, the Netherlands, Finland, Ireland and Portugal were above 5.0% for care homes, with an average decompression for these countries of less than 100 bps over one year. Finally, the prime yields of clinics also experienced decompressions of about 50 bps on average between 2022 and 2023. It was around 5.25% in France and Germany and 6.25% in the Netherlands. Regarding Germany, the reform of hospital financing that was launched as early as 2023 by the authorities could lead to the closure of a large number of regional hospitals in 2024.

The average price per bed in Europe was 145,000 euros in the fourth quarter of 2023. The highest prime assets averaged around 185,000 euros per bed, whereas the assets in the lower quartile were signed at 70,000 euros. France has an average price per bed of €200,000, followed by Germany, which has an average price per unit of around €145,000 per bed. Regarding Spain, Italy and Belgium, the median price of a unit was between 70,000 and 110,000 euros during the same period. Outside the eurozone, the United Kingdom recorded an average price per transaction of 185,000 euros. Finally, Sweden had the highest price per bed, at €215,000 on average.

Overall healthcare expenditure, including current costs as well as all curative and rehabilitation care, remained at a high level in Europe. The average ratio of OECD health expenditure to GDP was 9.2% in 2022. The share of GDP devoted to health therefore remains above the pre-pandemic level (8.8%).

Regarding health expenditure per capita, significant disparities exist between the different countries. While the highest amounts of individual benefits are observed in Western Europe, the lowest are recorded in Eastern Europe. There is a strong correlation between income and health expenditure. Thus, high-income European countries are generally the ones that spend the most on healthcare per capita.

INVESTMENT VOLUME IN RETIREMENT HOMES AND NURSING HOMES IN EUROPE



The population of seniors is growing in all European countries and is generating demand for healthcare real estate. The renovation of existing properties and the construction of new buildings are crucial in order to meet this demand. The loss of independence must be supported by help or care, especially for the population over 75, which is set to increase from 44 million in 2020 to more than 66 million in 2040 in the European Union (excluding the United Kingdom). Dependency usually becomes critical from the age of 75.

HOTELS

INVESTMENT IN HOTELS REAL ESTATE IN EUROPE – 2023 Q4 (12 MONTHS)	€12 bn
ROOM OCCUPANCY RATES IN EUROPE – 2023 Q4 (12 MONTHS) / 2022 Q4	↗
REVPAR IN EUROPE – 2023 Q4 (12 MONTHS) / 2022 Q4	↗
AVERAGE DAILY RATE IN EUROPE – 2023 Q3 (12 MONTHS) / 2022 Q4	↗
PRIME YIELDS IN EUROPE – 2023 Q4 / 2022 Q4	↗
TOURIST ARRIVALS EXPECTED IN EUROPE – 2023/2022	↗

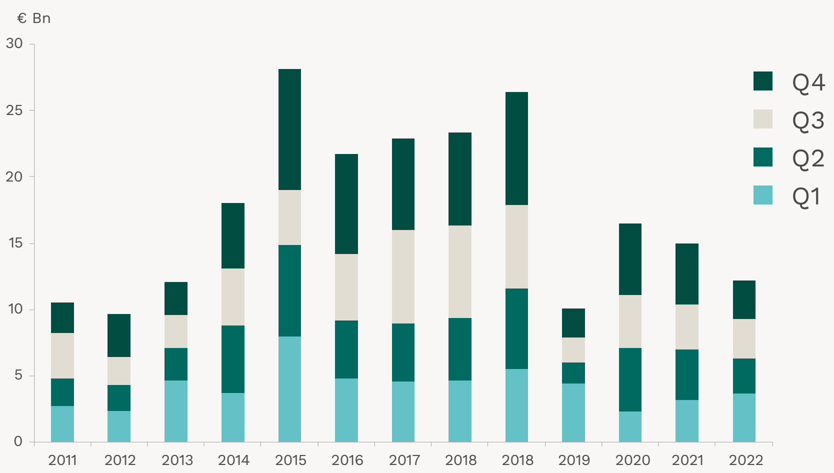
Hotel assets are the ones that have withstood the most in 2023 compared to other categories of real estate. The growth in tourism activity and sporting events in Europe, over the past year and the year to come, account for this trend. The European hotel real estate market totalled 12 billion euros in 2023, a decrease of 19% over one year. Capital was concentrated in three major markets: France, with commitments of 3 billion euros (+39% in one year), followed by Spain with a volume of more than 2.7 billion euros (+8% in one year), and the United Kingdom with 1.7 billion euros (-49%). Germany totalled around €1.1 billion (-38% in one year), followed by Italy, with less than €1 billion in commitments (+11% in one year).

A large majority of the hotel prime yields in Europe recorded decompressions at the end of 2023 compared to the end of 2022. The markets in Southern Europe remained stable over one year. The prime yields for hotels in lease contracts, based on rental profitability, have not experienced annual decompression in Southern European countries such as Milan, Rome, Lisbon, and Athens. These countries have a yield of between 5% and 8%. The exception for this group of countries is Spain, which experienced average decompressions of 50 bps. Although they held up fairly well, the Northern European markets nevertheless recorded decompressions of between 20 basic points and 100 basic points. This is the case of London, Paris, Amsterdam, Brussels, Dublin, Helsinki or the major German cities, with yields of between 4.5% and 6.5%. The prime yields of hotels under a management contract, enabling hotel owners to tap into both the value of the business capital and the value of the real-estate asset, offer prime yields in Europe of between 6.0% and 9.5%. These assets have two contradictory trends, with markets that have recorded reductions of between 20 basic points and 90 basic points, and others that are again subject to reductions of 25 basic points over one year.

The number of hotel rooms sold or rented in Europe for the whole of 2023 was up (+8% over one year) due to the increase in tourism figures in Europe. The year 2024 should also be well orientated with two highlights, the Euro football championship in Germany and the Olympic Games in France. In Europe, the complete recovery of tourism is close, due to the revival of international tourism and strong interregional demand. Revenues have also been favorable and are also approaching to their pre-2019 level. However, tourists remain demanding and have been paying attention to value for money due to the inflationary climate. The countries with the best hotel trends include France, Spain and Italy. Budget hotels continued to perform well (between +3% and +8%). The mid-range category also increased well (about 10%). Rooms in high-end hotels (+11%) and those in the luxury category (+8%) continue to catch up.

Hotel indicators were on an upward trend for the whole of 2023, the average price and the RevPAR exceeded the levels at the end of 2019. It also means that we should see operational performance gradually return to growth rates closer to their historical average. On the increase, the occupancy rate of the hotel industry in Europe stood at 69% at the end of 2023. The average price is also on an upward trend, set to rise to €143 by the end of 2023, compared to €132 over the same period in 2022. The RevPAR continued to increase and stood at €98, compared to €85 a year earlier. Regarding the different categories, the budget hotel sector is the only one to demonstrate an occupancy rate of more than 74%, the other categories ranging between 62% and 70%. The luxury and high-end categories still have room for growth.

HOTEL INVESTMENT VOLUME IN EUROPE



RETAIL

INVESTMENT IN RETAIL REAL ESTATE IN EUROPE – 2023 Q4 (12 MONTHS)	€26 bn
PRIME HIGH STREET YIELDS IN EUROPE – 2023 Q4 / 2022 Q4	↗
PRIME YIELDS IN EUROPEAN SHOPPING CENTRES – 2023 T4 / 2022 T4	↗
RETAIL SALES IN THE EUROZONE – 2023 T4/ 2022 T4	↗

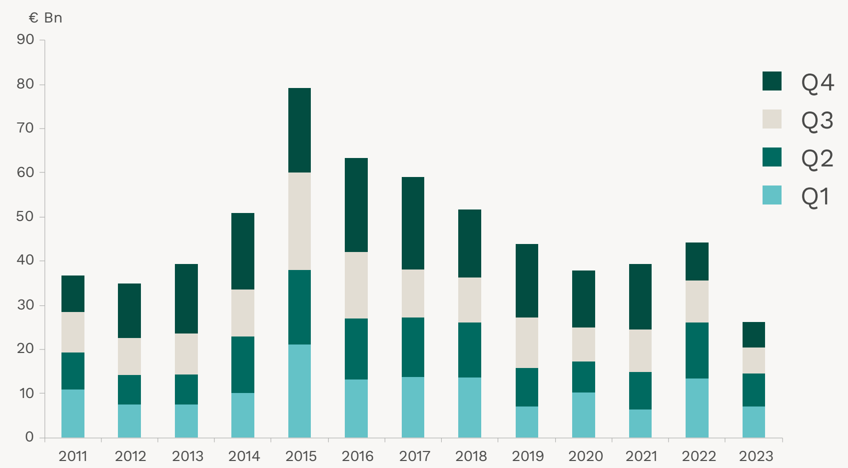
While the volume of retail investment has decelerated, the pace of deceleration remains slower than that of offices, logistics or residential. Consequently, the volume of investments in retail real estate in Europe will have reached more than 26 billion euros for the whole of 2023, a decline of 41% over one year. The United Kingdom and France were the most active markets, with nearly 6 billion euros invested respectively, Germany with 4 billion euros and Spain with about 1.5 billion euros. Italy and the Netherlands remained at a low level, with just over 500 million euros in commitments.

Prime yields of a majority of high street retail and shopping centres recorded decompressions during the year 2023 compared to the end of 2022. However, quarter after quarter, a very large majority of markets have already entered a stabilisation phase. Indeed, between the third and fourth quarters of 2023, a very large majority of assets on high street retail and shopping centres experienced a stabilisation phase. The rates have witnessed decompressions ranging between 10 and 120 basis points for high street retail and between 10 and 100 basis points for shopping centers. The Prime rates of return for retail properties on high street retail in Amsterdam, Milan, Madrid, Munich or Paris were less than or equal to 4.5%. These markets experienced decompressions of between 25 basic points and 110 basic points. In Vienna, Brussels, Lisbon, Dublin, Helsinki or in the major German cities, the rates are greater than 4.5% after decompressions of between 25 basic points and 120 basic points. With regard to shopping centres, the trend towards decompression has been strong in recent years. The asset class could have reached its low point in 2023, with prime yields of between 5% and 9% in Europe and decompressions of between 5 basic points and 85 basic points in 2023.

The high street retail rental values were mainly on an upward trend for the whole of 2023, whereas they were more characterised by their stability for shopping centres. After a stable phase in the third quarter of 2023, rental values were again on the rise in the fourth quarter of 2023 for shops on the ground floor of buildings and shopping centres in a large majority of markets. The good dynamics of foot flow in shopping streets and good turnover dynamics explain this trend in the last quarter of 2023.

Consumption resisted well, despite inflation and high borrowing rates, due to various favourable factors, such as the good resilience of the labour market, which favoured consumption in the last quarter. Consumer demand fed retailers' turnover, which was growing by about 4% in the euro zone for the whole of 2023. Some countries outperformed, such as Spain, Portugal, or the Netherlands. France, Germany, Italy and Belgium performed satisfactorily and are within the European average. Across the eurozone level, retail sales volumes were once again on a downward trend at the end of 2023. This observation therefore reflects the fact that price growth continues to drive that of brand's turnover.

RETAIL INVESTMENT VOLUME IN EUROPE



LOGISTICS

INVESTMENT IN LOGISTICS REAL ESTATE IN EUROPE – 2023 Q4 (12 MONTHS)	€30 bn
PRIME YIELDS IN EUROPE – 2023 Q4 / 2022 Q4	↗
INTERNATIONAL TRADE – 2023 Q4 / 2022 Q4	↘
E-COMMERCE PENETRATION RATES IN THE EURO ZONE – 2023	↗
INDUSTRIAL PRODUCTION – 2023 Q4 / 2022 Q4	↘

The capital committed for logistics was on a downward trend for the whole of 2023. However, logistics will have managed to capture capital volumes almost identical to those of residential property. The European logistics real estate market totalled just under 30 billion euros for the year 2023, a decline of 52% over one year. Capital was concentrated in the United Kingdom, with a volume of nearly 10 billion euros (a figure higher than the offices for this country), followed by Germany with nearly 5 billion euros in commitments, France with 2.5 billion euros and the Netherlands with more than 1.5 billion euros. Spain and Italy totalled just over €1 billion each.

In Europe, prime yields in logistics recorded decompressions in 2023 compared to the end of 2022. Decompressions of between 25 and 75 basic points were observed in the logistics markets at the end of 2023 compared to the same period in 2022. The most sought-after markets have a return of less than 5.5%, such as Germany, the Netherlands, France and Belgium. The most sought-after warehouses are located on the major freight corridors that can serve the major industrial areas and major urban hubs of the continent, combining barycentre goods supply and barycentre distribution.

Rental market activity has declined. The net absorption volume of warehouses was more than 15 million m² during the year 2023, a decrease compared to 2022 with more than 23 million m². The largest markets were Germany, the Netherlands, France, Italy, the United Kingdom and Poland, with a net absorption of more than 1 million m². Modernised supply chains that allow retailers, manufacturers and distributors to adapt to new business models are a growth driver for the logistics user market. The question of verticalisation of warehouses is starting to arise in dense urban areas.

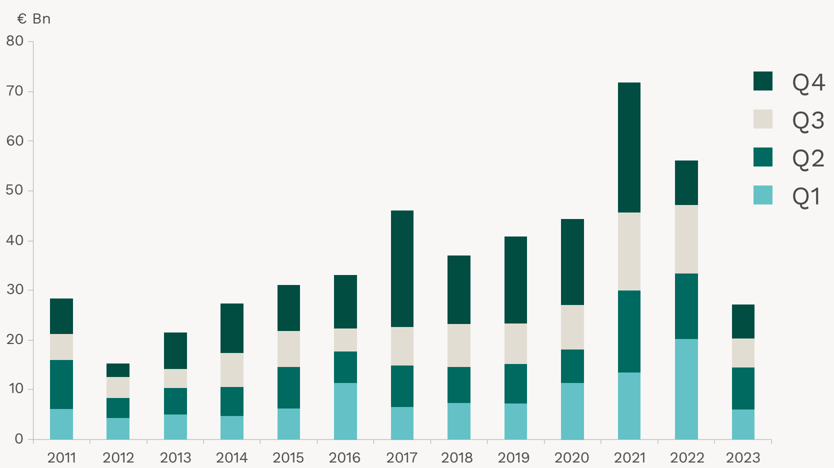
In general, the supply of logistics real estate was up for the whole year compared to the end of 2022. Markets such as Germany, the Netherlands, Belgium, the United Kingdom or France still have a vacancy rate of less than 5%. Conversely, Spain or Poland had a vacancy rate of more than 5%.

Rents have risen sharply since the beginning of the year. The average headline rents of the best warehouses experienced increases of between 6% and 15% for the whole of 2023 compared to the end of 2022. The United Kingdom, Germany, the Netherlands and Spain dominate, with rents of more than €80/m², against rents of between €50/m² and €80/m² in countries such as France or Belgium.

E-commerce is a growth driver for logistics. In 2023, e-commerce turnover in Europe is expected to be 975 billion euros (+8% over one year), thus constituting a major challenge for logistics with its population of more than 580 million people.

Regarding international trade, imports contracted month after month, while exports remained in slightly positive territory. These flows are likely to feed or slow down demand for warehouses along transport corridors and in industrial-port areas, entry or exit ports of the European territory.

LOGISTICS INVESTMENT VOLUME IN EUROPE



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 and Strategy Data, Immostat, CBRE, Savills, BNP PRE, JLL, Knight Frank, MSCI, Oxford Economics, Eurostat, Econpol Europe, OECD, IMF, Stabel, NSI, CZSO, DST, Destatis, Stat, CSO, Statistics, INE, INSEE, DZS, ISTAT, CSB, Statistics Lithuania, Statec, KSH, CBS, Statistik Austria, Stat Poland, INE, INSSE, Statistics Finland, SCB, SSB, BFS, ONS, STR, Operators, national e-commerce associations, Statista.

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