PRIMONIAL REIM
VALUE FROM VALUES

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REAL ESTATE CONVICTIONS

Asset Manager's view of the European real estate markets

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FIGURES

EUROZONE GROWTH FORECAST 2022

+4,0 %

EUROZONE INFLATION FORECAST 2022

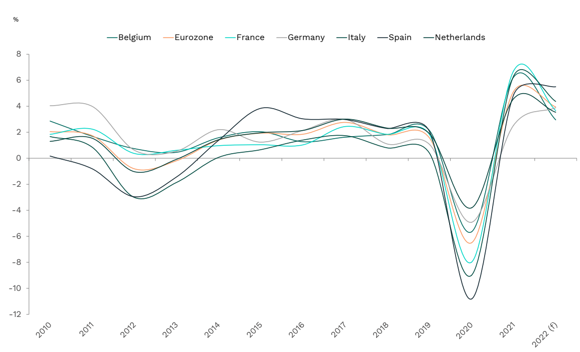
2,6 %

10-YEAR GOVERNMENT BOND YIELDS

0,5 %

Source : Oxford Economics

ECONOMIC ENVIRONMENT: EUROPEAN GDP



Sources: Primonial REIM Research & Strategy after Oxford Economics.

ECONOMIC AND REAL ESTATE ENVIRONMENT

After a year in 2020 affected by the economic shock of Covid-19, 2021 brought a vigorous economic recovery which created supply-chain bottlenecks. Although the global economic recovery is continuing, 2022 has already brought the first of its own economic challenges: disrupted supply chains, high inflation, record debt. Uncertainties include the impact of the Omicron variant -- which seems to have milder symptoms -- questions over the adoption of the massive 'Build Back Better' stimulus programme in the USA, the continued weakness in the Chinese real estate sector and the risks associated with a possible conflict between Ukraine and Russia. For the time being, the global economy is expected to grow by 4.4% in 2021 and 3.8% in 2022.

The recovery in the Eurozone continued in the fourth quarter of 2021. Economic activity is likely to remain strong in 2022, but a slowdown is to be expected in 2023. Eurozone growth is likely to be strong in 2022, at 4.0%, but then slow to around 2.7% in 2023. A similar trend is expected in each member state. GDP growth in Spain is expected to be 5.5% in 2022 and then 4.3% in 2023, followed by Italy (4.4% then 2.5%), Germany (3.9% and 2.9%), France (3.7% and 2.3%), the Netherlands (3.5% and 2.1%), and Belgium (3.0% and 1.4%).

Imbalances between supply and demand contributed to high levels of inflation in the fourth quarter of 2021. In the ECB's eyes, the increase in inflation mainly reflects a sharp increase in oil, gas and electricity prices. Inflation was 5.0% in December, with core inflation (excluding energy prices in particular) of 2.8%. The consequences of imbalances between supply and demand in several sectors have been particularly visible in the price of goods and consumer services. The CPI (consumer price index) in the Eurozone is expected to rise 2.6% over 2022 as a whole. Despite the ECB's reworking of its asset purchase plans (QE) at the end of 2021, key long-term interest rates are likely to remain low in 2022, but in positive territory, at 0.5%.

With €318 billion invested in 2021 (up +23% year-on-year), the return to growth in the European commercial real estate market[1] was confirmed. Investors continued their strategy of buying 'core' buildings which were concentrated (62%) in office and residential real estate. In the major economies, investment volumes reached €95 billion in Germany (up 43% over a year), €71 billion in the UK (48%), €30 billion in France (-13%), €15 billion in the Netherlands (-31%), €12 billion in Spain (+23%) and €10 billion in Italy (+17%). Yields were stable overall across all asset classes in the fourth quarter of 2021, which nevertheless saw a compression in returns for the most sought-after asset types.

[1] Commercial real estate covers offices, retail, logistics, services and residential assets for institutional investors.

Source of figures: CBRE, FMI, RCA, Oxford Economics.

OFFICES

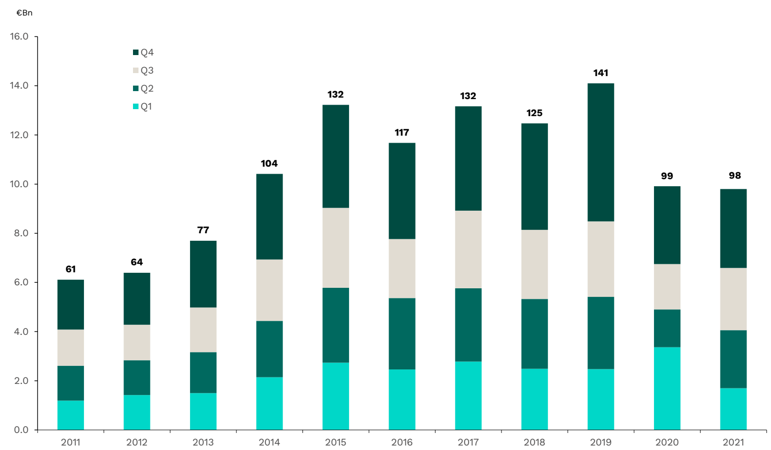
INVESTMENT IN OFFICE REAL ESTATE IN EUROPE – Q4 2021 (12 MONTHS)	**98 Mds€**
PRIME YIELDS IN EUROPE – Q4 2021 /Q3 2021	→
TAKE-UP IN EUROPE – Q4 2021 (12 MONTHS) / Q4 2020 (12 MONTHS)	↗
VACANCY RATES IN EUROPE – Q4 2021 / Q3 2021	↗
RENTS IN EUROPE – Q4 2021 / Q3 2021	→
JOB CREATION – Q4 2021 / Q3 2021	↗

Investors' allocations remained unchanged between 2020 and 2021. Germany, the United Kingdom and France were the preferred markets and accounted for more than half of commitments. Total investment volume in the European office real estate sector was €98 billion in 2021, identical to that in 2020. Investors in offices favoured Germany, with €23 billion in investment (down 12% over the year), the UK, which saw a significant return of investment, with just under €23 billion (up 49%), and France, where nearly €16 billion was invested, a fall of 22% after several consecutive years of very strong activity. Outside the Eurozone, it is interesting to note the rapid growth in Sweden with more than €11 billion in commitments, an increase of 137%.

The most attractive markets saw a compression of yields at the end of the fourth quarter of 2021, but the majority of analysed markets remained stable. Over the full year, however, the trend is clearly one of compression. Between the end of 2020 and the end of 2021, in the hundred or so office markets analysed, prime yields saw compression in half of the most attractive locations, 40% remained stable and the least attractive 10% of locations saw a correction. Those most at the 'core', such as Paris, Munich and Berlin, offered yields of less than 3%.

The recovery in job creation driven by the strength of European economies contributed to a rebound in new leases in 2021. In the markets we analyse, take-up totalled nearly 13 million sqm in 2021, a 20% increase over the year. The offices Paris market stood out in Europe, with nearly 1.9 million sqm let in 2021 (32% up on the year), followed by London with around 1 million sqm. Berlin came second in the Eurozone with around 800,000 sqm of transactions, followed by cities such as Munich, Hamburg, Brussels and Madrid with a take-up in the region of 500,000 sqm each.

OFFICE REAL ESTATE INVESTMENT VOLUMES IN EUROPE



Sources: Primonial REIM Research & Strategy after RCA, CBRE.

Although vacancy rates continued to rise in half of the European markets analysed, a quarter of markets saw a fall in vacancies over the fourth quarter of 2021. Whilst vacancy rates in the most prime central areas such as Paris CBD, Berlin, Munich and Vienna remained below 5%, other locations, including Helsinki, Madrid, the City of London, and Milan, still had more than 10% of their office space unlet at the end of the final quarter of 2021.

Source of figures: CBRE, IMMOSTAT, BNP PRE.

RETAIL

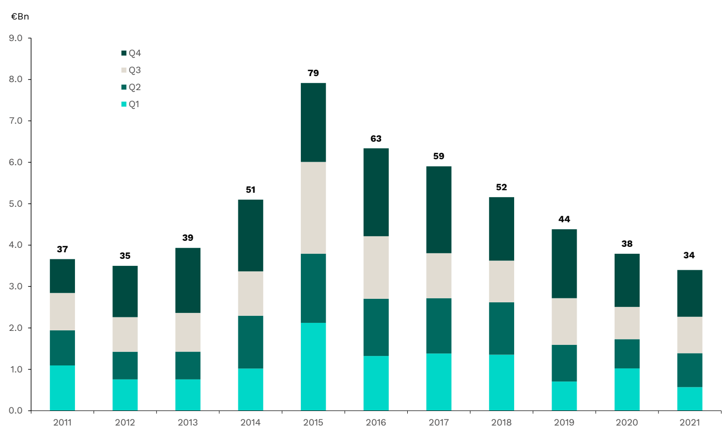
INVESTMENT IN RETAIL REAL ESTATE IN EUROPE – Q4 2021 (12 MONTHS)	34 Mds€
HIGH STREET SHOPS PRIME YIELDS IN EUROPE – Q4 2021 /Q3 2021	→
SHOPPING CENTRES PRIME YIELDS IN EUROPEAN– Q4 2021 /Q3 2021	→
E-COMMERCE PENETRATION RATES IN THE EUROZONE – 2022	↗
RETAIL SALES IN THE EUROZONE – Q4 2021 / Q3 2021	↗

Despite the recovery in household spending in 2021, in line with the economic recovery, investors continued to be selective in their allocation choices. Total investment volumes in the European retail real estate sector was €34 billion in 2021 (down 16% over the year). Germany confirmed its leading position in the Eurozone with €7 billion in commitments in 2021 (down 30% over the year), followed by France with €3 billion (down 34%), the Netherlands with just less than €2 billion (down 41%) and Spain with a little over €1 billion (down 56%). Outside the Eurozone, investors focused on markets such as the United Kingdom with €11 billion (up 36% over the year), Sweden with nearly €3 billion (up 75%), Norway with €2 billion (up 137%) and Denmark with less than €1 billion (up 51%).

While high street shops and shopping centres saw continued stability in yields between the third and fourth quarters of 2021, there was widespread compression observed in the retail park and supermarket segments in a large majority of European markets. Yields on high street shops in Europe were mostly stable between the third and fourth quarters of 2021. Some compression (between 10bp and 75bp) was observed for such assets in certain markets such as Germany and southern Europe. In shopping centres, no expansion of yields was seen between the third and fourth quarters. Although most markets were stable, some compression was seen, particularly in Germany, the Netherlands, Sweden and Norway. Lastly, there were further compressions between the third and fourth quarters of 2021 in retail parks and supermarkets in several European countries.

Private consumption continued to grow strongly in the fourth quarter of 2021 as vaccine roll-outs allowed consumers to return (prior to the arrival of the Omicron variant). Retail sales continued their growth, despite a sharp rise in energy prices. At the same time, brands were able to increase sales in value terms over the fourth quarter of 2021, with Spain, Portugal, Belgium, Italy and Greece outperforming other markets.

RETAIL INVESTMENT VOLUMES IN EUROPE



Sources: Primonial REIM Research & Strategy after CBRE, RSA.

Having seen corrections in 2020, the retail sector was characterised by a transitional phase in rental values in 2021, with increases seen at the end of the year. For the most part, retail rental values were stable at the end of the fourth quarter of 2021. However, although a quarter of the markets we analyse saw further corrections, a similar number saw values increase, a sign of a new trend.

Source of figures: Oxford Economics, CBRE, RCA.

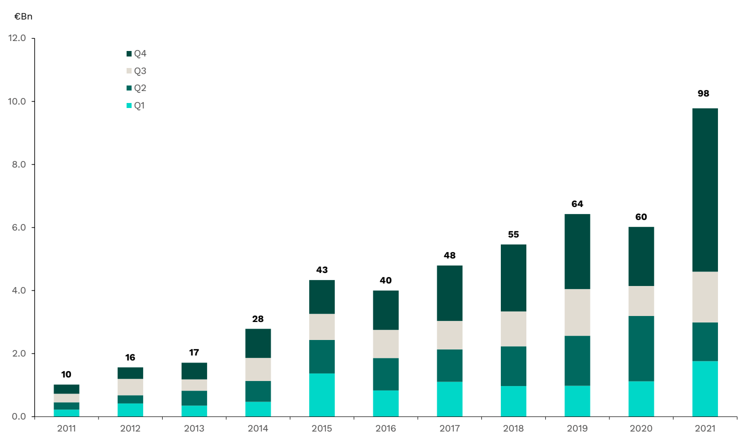
RESIDENTIAL

INVESTMENT IN RESIDENTIAL REAL ESTATE IN EUROPE – Q4 2021 (12 MONTHS)	**98 Mds€**
PRIME YIELDS IN EUROPE – Q4 2021 /Q3 2021	→
PRICES TRENDS IN EUROPE – Q4 2021 / Q4 2020	↗
HOUSEHOLD INCOME IN THE EUROZONE – Q4 2021 / Q3 2021	↗

Block residential investment had its best year of the past decade in 2021. Total investment volumes in the European residential real estate sector were €98 billion in 2021 (up +59% over the year). Having recorded satisfactory volumes over the first nine months of 2021, the fourth quarter of 2021 confirmed the strong market trend. Nearly €51 billion was committed to 'block' residential investment in Europe 2021. In the Eurozone, capital flows were concentrated on Germany (€53 billion, boosted by Vonovia's acquisition of Deutsche Wohnen for more than €27 billion), France (€5 billion), the Netherlands (€4 billion) and Spain (€2 billion). Outside the Eurozone investors were attracted by the UK (€10 billion), Denmark and Sweden (less than €10 billion each).

Prime yields stabilised on the whole in metropolitan areas during the final quarter of 2021. Over the year, the compression trend (of between 10bp and 50bp) was widespread. Between the third and fourth quarters of 2021, around three-quarters of the cities in our sample saw stable yields, with a generous quarter seeing further compression. The trends seen in successive quarters were thus confirmed, as three-quarters of the major European metropolitan areas analysed, including Antwerp, Brussels, Berlin, Hamburg and Paris saw yield compressions of between 10bp and 50bp. Cities such as Paris, Munich, Vienna and Helsinki had prime yields below 3.0%, whilst figures above 4% were available in Amsterdam, Brussels and Dublin among others.

RESIDENTIAL INVESTMENT VOLUMES IN EUROPE



Sources: Primonial REIM Research & Strategy after CBRE, RCA.

Because rents in many European countries follow the Consumer Price Index, rent revisions in the fourth quarter of 2021 will have been mainly upwards. In the fourth quarter of 2021, the Consumer Price Index (excluding energy) in the Eurozone was 2.2% higher than in the same period of 2020. The countries where inflation was above this average were the UK, Germany, Austria and Finland. Countries at or below the average included Ireland, France, the Netherlands, Spain, Italy and Belgium. Meanwhile, governments and regional or local authorities have put in place legal and regulatory structures to limit increases between two rental periods. These measures are designed to ensure transparency in rents and the correction of increases where necessary.

Supply-chain bottlenecks and low interest rates resulted in further increases in housing prices in the fourth quarter of 2021. Residential prices in the Eurozone saw a continuation of their rising trend across all markets analysed in the fourth quarter of 2021 (up +8.4% q/q-n-1). The Netherlands (+19.1% q/q-n-1), Germany (+13.5%), Ireland (+10.6%), Austria (+8.3%), Portugal (+6.2%), France (+6.2%), Spain (+4.5%), Italy (+4.1%), and Finland (+3.5%) all saw a positive trend.

Source of figures: National statistics, RCA, Oxford Economics.

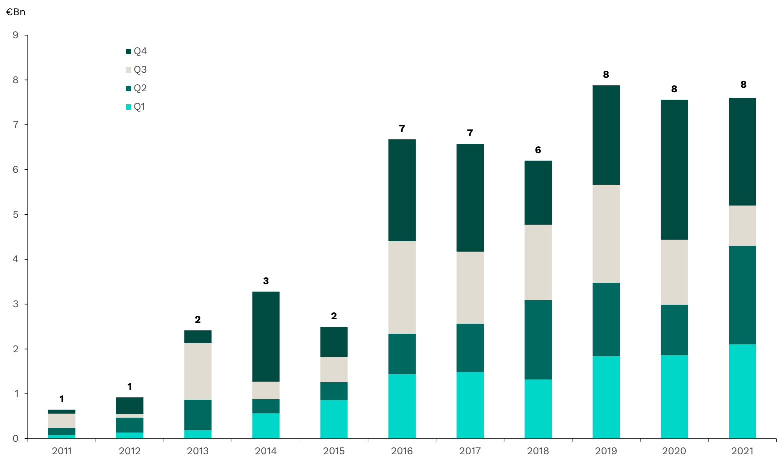
HEALTHCARE

INVESTMENT IN HEALTHCARE REAL ESTATE IN EUROPE – Q4 2021 (12 MONTHS)	**8 Mds€**
PRIME YIELDS IN EUROPE – Q4 2021 / Q3 2021	→
FORECASTS OF BED DEMAND BY 2025/2030 IN EUROPE	↗

Despite the strong attractions of healthcare real estate for investors in Europe, the lack of supply in the market limited transactions in 2021. Investment volumes (senior residences and care homes) totalled just less than €8 billion in Europe over 2021, stable on the previous year although still one of the three best performances in the healthcare sector of the past decade. However, a lack of supply has limited investment volumes in this asset class. The German market dominated the European sector with slightly over €2 billion of commitments in 2021, followed by the UK with just under €2 billion, then France with around €1 billion, Sweden with €700 million and Italy with €400 million.

The average price per bed in Europe was around €140,000 in the fourth quarter of 2021. The most prime assets changed hands at more than €200,000 per bed, with the cheapest assets trading at around €70,000 on average. In France prices averaged between €140,000 and €150,000 per bed, Germany was next with a figure between €140,000 and €145,000, while in Italy the average was between €110,000 and €120,000, and in Spain transactions averaged less than €100,000 per unit over 2021. Outside the Eurozone the average transaction price per bed was between €140,000 and €150,000 in the UK, €150,000 and €180,000 in Denmark and less than €100,000 in Poland.

SENIOR RESIDENCES AND CARE HOMES INVESTMENT VOLUMES IN EUROPE



Sources: Primonial REIM Research & Strategy, RCA, CBRE.

Prime yields in healthcare real estate, that is to say on well-located assets in dense urban areas and fully matched with buyers' expectations, saw further compression in several European countries in the final quarter of 2021. In France, Sweden, the UK, Germany and Belgium prime yields were below 4.50% for the best quality senior care homes. For assets not in the heart of densely populated urban centres, this figure rises by between 50bp and 100bp prime yields in Austria, Italy, the Netherlands, Finland, Ireland and Portugal were 4.50% or above for care homes at the end of the fourth quarter of 2021. prime yields for clinics were around 5% in France and Germany in the fourth quarter of 2021.

Potential new real estate demand continued to grow in 2021, with Europe (including the UK) seeing a 1.5 million increase in the number of people aged over 65. The supply of healthcare real estate will therefore need to meet this new demand while simultaneously addressing the renovation of the obsolescent segment of the market. The increase in the number of people aged over 65 continued in 2021. The biggest rises came in France, Germany, Poland, Spain, the UK and Italy. The corollary of an ageing population is an increase in the number of dependent older people. Loss of independence requires support or care provision.

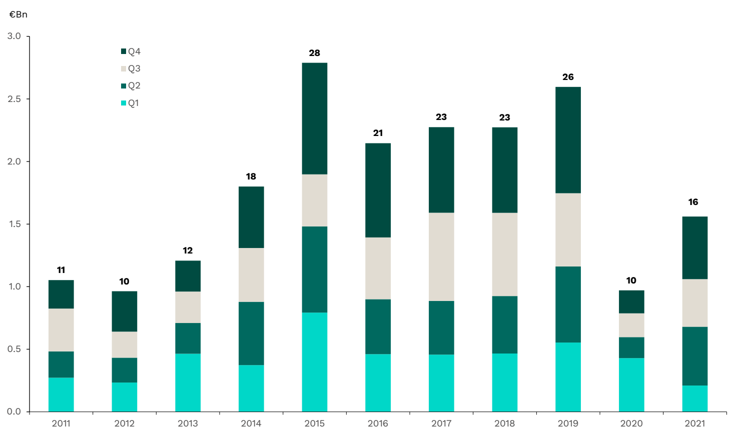
Source of figures: RCA, C&W, Operators, Primonial REIM.

HOTELS

INVESTMENT IN HOTEL REAL ESTATE IN EUROPE – Q4 2021 (12 MONTHS)	**16 Mds€**
ROOM OCCUPANCY RATES IN EUROPE – Q4 2021 (12 MONTHS) / Q4 2020	↗
REVPAR IN EUROPE – Q4 2021 (12 MONTHS) / Q4 2020	↗
AVERAGE PRICE PER NIGHT IN EUROPE – Q4 2021 (12 MONTHS) / Q4 2020	↗
PRIME YIELDS IN EUROPE – Q4 2021 / Q4 2020	↗
EXPECTED TOURIST ARRIVALS IN EUROPE – 2022/2021	↗

The hotel sector saw substantial capital inflows in 2021 relative to 2020. The hotel real estate market was worth €16 billion in 2021, a 62% increase over the year. After a third quarter in line with the second quarter, with just under €4 billion invested, the fourth quarter saw a significant acceleration, with €5 billion of transactions. In Europe, capital was concentrated on the UK, with €4.6 billion in 2021, twice the volume of commitments in 2020, Spain (€2.5 billion, +216%), Germany (€2.1 billion, +11%), Italy (€1.4 billion, +85%) and France (€1.3 billion, +24%).

HOTELS INVESTMENT VOLUMES IN EUROPE



Sources: Primonial REIM Research & Strategy after CBRE, RCA.

Yields on hotel assets were mostly stable between the third and fourth quarters of 2021. Over the full year, yields mostly expanded (by between 25bp and 100bp) except in the most prime markets (Paris, major German cities, London, Madrid and Milan). Prime yields on leased hotels, based on rental profitability, were under 4.5% in Berlin, Frankfurt, Munich, London, Helsinki, Vienna, Paris, Milan and Oslo. Cities including Amsterdam, Brussels, Copenhagen, Madrid and Lisbon offered yields above 4.75%. prime yields for hotels under management contracts, which allow hotel owners to draw value from both the management of the hotel and the real estate asset, offer a supplemental yield above lease levels of between 100bp and 250bp.

The number of hotel rooms sold or let in Europe over the fourth quarter of 2021 confirmed the rising trend of the year as a whole (+37.2%) despite the rapid spread of the Omicron contract at the end of December. In each successive quarter, 2021 saw a return to an admittedly uneven but positive trend after the freeze of tourist flows in 2020. However, the upward trend was not sufficient to achieve a return to 2019 levels. Despite the recovery in domestic tourism, and the reopening of borders between European Union countries and with a number of other countries, constraints remained high which prevented a return of the market to its pre-crisis levels. Rooms sold or let in up-scale hotels (+53%) and the luxury category (+42%) recovered well, having suffered badly for more than a year, thanks, amongst other things, to a gradual return by American tourists. Budget and economy hotels, which were hit less hard, continued to perform well (+39% over the year). The mid-range category saw a performance between +31% and +37%.

Occupancy rates, average day rates and RevPAR (accommodation revenue) **all rose thanks to a good summer season.** Occupancy rates in European hotels rose to over 43% in 2021. Average prices rose over the year, from €91 to €104 in 2021. RevPAR also increased, reaching €45. By category, only budget hotels had an occupancy rate over 55%.

Source(s) of figures: CBRE, RCA, STR, Oxford Economics.

REAL ESTATE PROSPECTS 2022-2026

PROSPECTS IN THE MAIN EUROZONE MARKETS	Short term Q1 2022 to Q2 2022	Medium term To 2026
OFFICES (BY MARKET)	Selective to positive	Positive
RETAIL (BY FORMAT AND ZONE)	Wait to selective	Selective
RESIDENTIAL	Positive to selective	Positive
HEALTHCARE	Positive	Positive
HOTELS	Wait to selective	Selective to positive

Although the exit from the pandemic should continue to take shape quarter by quarter, the distance left to travel remains unclear. The WHO has described encouraging prospects for the exit from the crisis, to the extent that it has described as 'plausible' an end to the Covid-19 pandemic in Europe for a period of weeks or months thanks to a high level of community immunity in the spring and summer of 2022, before a resurgence of the virus at the end of the year but without the risk of a return to a pandemic. While daily life currently continues to return to normal, we believe that caution remains necessary and that the threats to economic growth remain, with the possible emergence of new variants, the continued rise in inflation and pressure on supply chains.

Against this background, the central scenario we have adopted is in line with that of the major European and international economic institutes which expect that after rapid growth in 2021 (+5.1%), Eurozone growth will continue in 2022 (+4.0%). The latest surge in Covid-19 infections with the Omicron variant is likely to have a limited effect in the first quarter, due to the absence of strict restrictions. We expect that the economy will regain any lost ground swiftly over the following quarters. Moreover, consumer spending seems to be sufficiently solid to support the recovery and the stability of short-term interest rates will bolster confidence. Growth in 2023 is likely to slow to 2.7%.

Overall, current perspectives remain favourable to prime real estate. Thus, even with a slight increase in the 10-year interest rate, prime real estate yields are unlikely to be impacted as the economic recovery will stimulate increases in rents, helping offset the cost of capital.

OFFICES

The continued recovery in the rental market is likely to extend through 2022, and vacancy rates are likely to continue the fall seen in the strongest markets at the end of 2021. However, obsolete or poorly located properties could be even harder hit by the introduction of working from home, the importance of protecting health and wellbeing and the popularity amongst investors of green buildings, all of which will be strong trends in 2022. In addition, markets seeing strong economic growth and with the capacity for significant job creation will have the greatest need for office space. Over 2022 and 2023, we are expecting significant job creation in absolute terms in the UK, Germany, France, Italy, Spain, Sweden, Poland and the Netherlands. 'Core' assets and markets adapted to the new landscape of workplaces, both in terms of flexibility and ESG challenges, with solid tenants and long leases are likely to see better prospects for growth in prices, rents and space let than less secure or obsolete assets (second-tier locations, high structural vacancy rates, unsuitability for new uses or for new ESG challenges), that could see corrections potentially impacting their ability to deliver strong levels of performance. Lastly, the hybrid nature of new work structures will also create opportunities for more hybrid buildings and a redefinition of employee mobility. In particular, it is important to note that the raising of ESG standards - resulting from recent standards such as SFDR, the European Taxonomy and the latest climate scenarios from the IPCC - is not fully reflected in assessed values. Certification of assets, such as BREEAM and LEED, does not perfectly cover these requirements. It would therefore be reasonable to expect that the market will gradually absorb the 'brown discount' created by the regulations and that this will therefore affect values.

RETAIL

In 2022 the retail sector will be driven by good prospects for retail spending based on two fundamentals: the strong outlook for real incomes from mid-2022 and the substantial savings built up by households. However, the short-term trend will be markedly less optimistic, due to the repercussions of the Omicron variant at the end of 2021 and beginning of 2022. Any new pandemic-related risk will immediately have a negative impact on consumption. Thus for retail real estate, the period of stability in prime yields in 2021 is likely to continue into 2022, although certain types of retail asset could see an increase in value over the next six months in markets where the correction has been excessively severe with regard to fundamentals. When it comes to location, we believe that high street shops and shopping centres meeting new consumer expectations will see the best prospects for valuation and future rent growth. The best-placed retail parks and supermarkets are likely to see further compression of yields over the next few months. In general terms, retail will need to manage the growth of on-line sales. We believe that on-line retail will see further gains. Currently at between 5% and 20% in the various European countries, we believe that on-line retail's market share for consumer goods will rise to between 10% and 30% of total retail sales by 2026. As a result we believe that less attractive retail areas, with poor pedestrian footfall and retailers who have not yet changed their business model, could see further corrections. Conversely, retailers who have implemented a multi-channel shift will be in a position to ensure that their brand remains attractive to consumers.

RESIDENTIAL

Residential markets in the Eurozone will continue to benefit from favourable conditions and should offer satisfactory rental and capital performances in the first quarter of 2022, which will persist into the second quarter. Despite the upturn in residential construction, shortages of labour, global supply chain issues and price increases will hit the construction sector's ability to increase the supply of housing and will feed into upward pressure on housing prices. Meanwhile, the popularity of this asset class amongst households and investors could result in further compression of yields. We therefore continue to see a positive outlook for residential prices and rents in the Eurozone over the next six months. However there are risks of a correction in prices, including a significant increase in interest rates to limit economic overheating due to excessive inflation, prices per sqm getting too high, or price growth that becomes uncoupled from market fundamentals. Between 2022 and 2026 European residential markets will mainly see positive trends in capital and rental returns, given current economic conditions.

HEALTHCARE

Government support for the healthcare sector, the continued coverage of healthcare costs at high levels and favourable demographic trends are all positive factors for healthcare real estate. The imbalance between supply and demand will persist, especially as demographic pressure will remain strong through to 2026 and then continue to increase over the following decade. The obsolete part of the existing care home base and the lack of supply in the market represent a powerful driver of investment in recent, well-located assets with a solid operator. We maintain a positive view on the sector's ability to deliver secure capital and revenue performance over the long term. Yields could see further compression in 2022 due to a lack of supply and investors' appetite for this asset class.

Vigilance will be needed when it comes to the increasing medicalisation of assets dedicated to older people. In the event that Covid-19 becomes endemic, issues such as air quality, double rooms, adaptation of buildings and social distancing protocols will inevitably arise, alongside the attractiveness of the care team. As the number of people needing care increases, the greater the requirements for that care will be, and the more the lack of facilities will be felt.

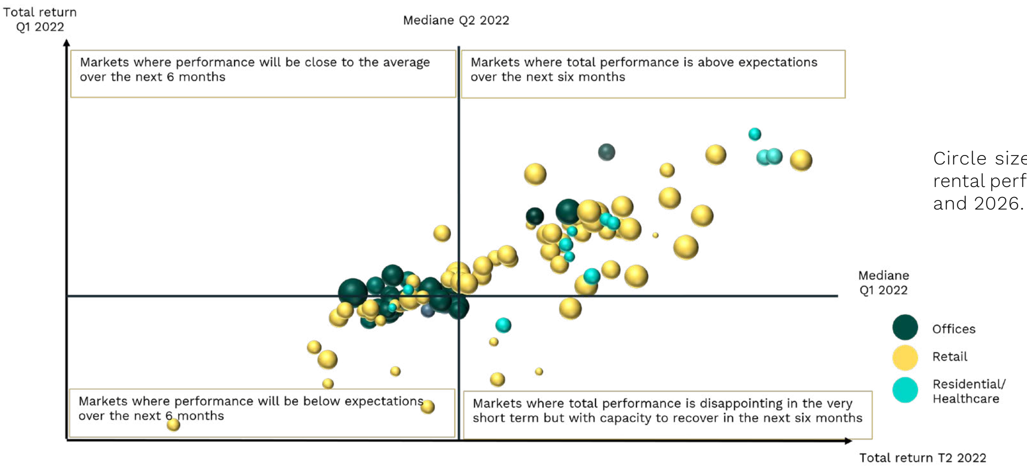
HOTELS

Europe is likely to regain its place as the strongest performing region in terms of tourist arrivals in 2022. With the continent able to rely on the strength of internal tourism, thoughts are now turning to international tourists. Although international tourists have become more cautious in response to the uncertainty, their numbers are likely to grow in 2022, with the notable exception of Chinese visitors, who are likely to remain absent from international destinations due to China's 'zero Covid' policy. Quarter by quarter, the hotel sector's performance indicators are likely to continue to improve, as we expect internal tourism to remain an engine of growth that will be backed up by a gradual return of long-haul tourism in 2022. However, the issue of a mass return of business travel remains. For the time being, in the absence of any highly lethal variant identified around the world and given the encouraging predictions from the WHO, which believes that it is 'plausible' that the pandemic will end in Europe in 2022, we might expect that occupancy rates, average prices and RevPAR will see another year of growth. As far as prime yields for hotels are concerned, most markets are likely to see a period of stability but there could be compressions for the assets most sought after by investors.

ESG
(environmental, social and governance)

ESG (environmental, social and governance) criteria are now at the heart of many users' and investors' concerns, which will lead to a significant acceleration of demand for sustainable real estate in 2022. Undertakings have been made to reach carbon neutrality and make other sustainability improvements by modifying the way in which real estate assets are built and operated. The Sustainable Finance Disclosure Regulation has allowed the European Supervisory Authorities (ESAs) to draw up draft Regulatory Technical Standards (RTS) relating to product information under the European Taxonomy. As a result, asset management companies will reclassify their existing real estate funds and launch new funds meeting the requirements of articles 8 and 9. These 'Green Finance' regulations and the shift in investment strategies are likely to have an impact on the prices of obsolete assets and offer a premium for assets meeting ESG criteria in both prices and rents.

PROJECTED REAL ESTATE PERFORMANCE IN EUROPE 2022-2026



Circle sizes represent expected rental performance between 2022 and 2026.

Source(s) of figures: CBRE, STR, Oxford Economics, Primonial REIM Research & Strategy.

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** 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 €32,4 billion of assets under management. Its conviction-based allocation breaks down into :

- **47 %** offices,
- **31 %** healthcare/education,
- **9 %** residential,
- **8 %** retail,
- **5 %** hotels.

Its pan-European platform manages **61 funds** and has more than 80,000 investor clients, **54%** of which are **individual investors** and **46% institutional**. Its real estate portfolio consists of more than 1,400 properties (offices, health/education, retail, residential, hotels) located in **10 European countries.**

www.primonialreim.com

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The Research & Strategy Department's role is to formalize 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.

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Ref.: Real Estate Convictions Europe Brochure – **022022 –** Primonial REIM, a simplified joint-stock company with capital of 10,000 euros, registered with the Business and Company Register, Paris, under number 884 030 842, with its head office at 6-8 rue du Général Foy, 75008 Paris, and with the tax identification number FR18 884 030 842.