

REAL ESTATE CONVICTIONS

Asset Manager's view of the European real estate markets



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ECONOMIC AND REAL ESTATE ENVIRONMENT

Just when the world was beginning to emerge from two years of health crisis, the Russian invasion of Ukraine has shaken up the economic cards, and the risk of major geopolitical fragmentation of the world has become real. This division between blocks, if it happens, could have an impact over a long period of time. For the time being, global growth, which now stands at 3.6% in 2022, has been revised downwards due to the war in Ukraine and Western sanctions against Russia. Inflation, tightening monetary policies, the deteriorating health environment in China that will lead to new supply-chain difficulties, or the risk of a pandemic resurgence are all factors that pose significant uncertainties for activity in 2022.

With a conflict at its doorstep, Europe is returning to a high level of uncertainty. Eurozone growth has been revised downwards but remains in positive territory (+2.8%), impacted by more moderate consumption and industrial activity, as well as higher and longer inflation. However, it seems that this new crisis will not have the same impact on the European economies because of the disparity in the rise of energy and food prices, as well as a resurgence of supply constraints. The countries expected to underperform the Eurozone average are Finland (+1.5%), Germany (+2.0%), Belgium (+2.1%), and Austria (+2.4%), while Italy (+2.8%), France (+3.0%), the Netherlands (+3.2%), Ireland (+3.8%), Portugal (+4.8%) and Spain (+4.8%) are expected to outperform.

The double shock of Covid causing supply-chain bottlenecks, as well as the war in Ukraine and the energy and food crisis, have generated high inflation in the first quarter of 2022. The ECB must therefore navigate with the utmost caution between inflationary and recessionary risks, which could reinforce the stagflationary scenario. For the time being, inflation in the eurozone reached an all-time high of 7.5% in March. The CPI (consumer price index) in the eurozone has therefore been revised upwards, and is expected to reach 5.9% in 2022. The Frankfurt institution prefers to talk about a «normalisation» of its policy rather than a monetary tightening, even if this option is strengthened with two potential interest rate increases before the end of the year 2022 (+1.0%). This rise in rates would therefore mark the end of the era of negative returns, but not necessarily that of low rates. This scenario has already been anticipated by investors, as they have integrated an exit from the negative territory of rates, with results in an increasing spread between the various economies.

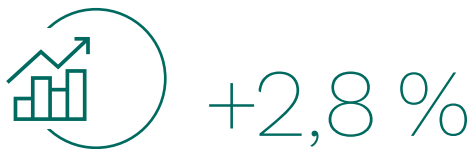
Against a backdrop of global stock market volatility, the European real estate market¹ will have achieved an acceleration in the volume of investment, with €70 billion invested in the first quarter of 2022 (+18% year on year). Due to the uncertain environment, investors continued their core strategy in the main European markets, while seeing new entry points for retail and hotels, which were corrected stronger than their fundamentals would justify. By major country, investment volumes reached 21.8 billion euros (+62%) in the United Kingdom, 12.1 billion euros in Germany (-12% year on year), 9.6 billion euros in France (+15%), 3.4 billion euros in Italy (+121%), 2.7 billion euros in the Netherlands (-22%), and 2.2 billion euros in Spain (16%). Prime yields were again mostly stable in the first quarter of 2022. However, there was still a compression of yields for the most sought-after assets.

¹ The real estate market refers to offices, retail, logistics, services and residential real estate for institutional clients.

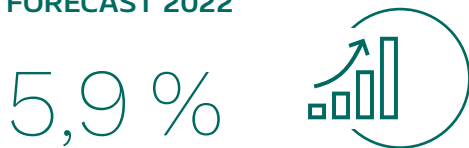
Sources of data: CBRE, Eurostat, IMF, RCA, Oxford Economics.

FIGURES

EUROZONE GROWTH FORECAST 2022



EUROZONE INFLATION FORECAST 2022

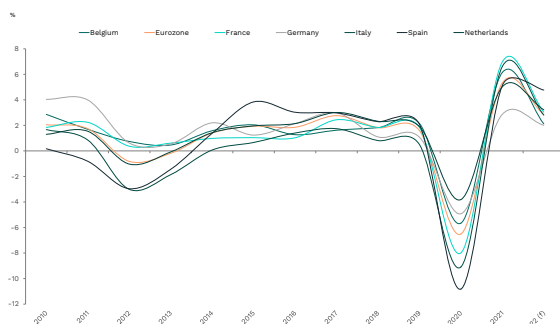


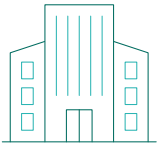
10-YEAR GOVERNMENT BOND YIELDS



Source : Oxford Economics

ECONOMIC ENVIRONMENT: EUROPEAN GDP





OFFICES

INVESTMENT IN OFFICE REAL ESTATE IN EUROPE – 2022 Q1 (3 MONTHS)	€24bn
TREND IN PRIME RATES OF RETURN IN EUROPE – 2022 Q1 / 2021 Q4	➔
TREND IN TAKE-UP IN EUROPE – 2022 Q1 (3 MONTHS) / 2021 Q1 (3 MONTHS)	➔
TREND IN VACANCY RATE IN EUROPE – 2022 Q1 / 2021 Q4	➔
TREND IN RENT LEVELS IN EUROPE – 2022 Q1 / 2021 Q4	↗
TREND IN JOB CREATION – 2022 Q1 / 2021 Q4	↗

The volume of investment in office real estate was driven by a strong return of investors in the first quarter of 2022. Office real estate investment volumes in Europe reached 24 billion euros in the first quarter of 2022 (+40% year on year). After a first quarter in 2021 among the lowest ever recorded, the United Kingdom experienced a marked return of investors, achieving around 8 billion euros, up +197% in one year, followed by Germany with around 4 billion euros of investment (+25% in one year), and France with just under 4 billion euros (-16%).

The most attractive markets experienced a compression of their yields at the end of the first quarter of 2022, but a third of the markets analysed remained stable. Over a year, the trend was still clearly towards compression. In this regard, prime yields experienced a compression for a majority of central markets at the end of the first quarter of 2022. Other markets remained stable. It is interesting to note that no correction was recorded for any location this quarter.

The most core markets, such as Paris, Munich or Berlin, had a prime yield of less than 3.00%, and were joined by Milan, which has also just crossed this symbolic threshold.

The dynamism of the labour market in Europe was a factor in favour of leasing in the first quarter of 2022. In the markets we analysed, the take-up for offices totalled approximately 3 million sqm over the first quarter of the year 2022, a volume close to the same period in 2021. The Parisian market stood out clearly in

Europe, with a little more than 500,000 m² transacted during the first quarter of 2022 (+41% year on year), followed by London with about 200,000 m² signed. In the eurozone, except Paris, the markets were narrower, with transactions in the large cities in Germany (Berlin, Munich, Hamburg), Belgium (Brussels), Italy (Milan), and Spain (Madrid, Barcelona) together amounting to between 100,000 and 200,000 m².

Vacancy rate stabilised in more than 34% of the markets² analysed in Europe, and 22% of the markets even experienced a resorption between the fourth quarter of 2021 and the first quarter of 2022. The central

districts such as Paris, Berlin, Munich, Vienna or Zurich had a vacancy rate of less than 5%, and recorded new pressures from users to rent the available spaces. Cities such as Helsinki, Barcelona, Madrid, London City and Milan had more than 10% of their stock available.

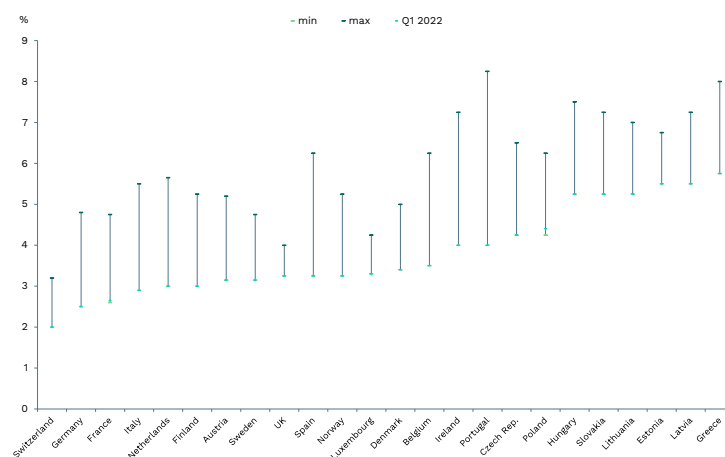
Rents started to increase slightly in a majority of markets, and some readjustments were still observed. The

prime districts such as the Paris central business district have the highest rents in the eurozone (above €930/m²), markets such as Berlin, Frankfurt or Milan offer rents of around €650-500/m², and markets such as Brussels, Madrid or Barcelona have rents between €300-450/m².

Sources of data: CBRE, IMMOSTAT, BNP PRE, RCA.

² Out of nearly one hundred European markets analysed by Primonial REIM Research and Strategy

PRIME RATE OF RETURN OF CBD OFFICES IN MAJOR COUNTRIES IN EUROPE 2012-Q1 2022



Sources: Primonial REIM Research & Strategy according to CBRE.



RETAIL

INVESTMENT IN RETAIL REAL ESTATE IN EUROPE - 2022 Q1 (3 MONTHS)	€9bn
TREND IN PRIME YIELDS ON SHOPS IN EUROPE - 2022 Q1 / 2021 Q4	➔
TREND IN PRIME YIELDS IN SHOPPING CENTRES IN EUROPE - 2022 Q1 / 2021 Q4	➔
TREND IN THE E-COMMERCE PENETRATION RATE IN THE EUROZONE - 2022	➤
TREND IN RETAIL TURNOVER IN THE EUROZONE - 2022 Q1 / 2021 Q4	➤

Although investors have continued to be selective in their choice of allocation, a strong upswing has been noted in the retail sector as the exit from the pandemic is gradually becoming clearer. Consequently, the volume of investment in retail real estate in Europe will have reached more than 9 billion euros in the first quarter of 2022 (+54% year on year). In the eurozone, Germany confirmed its first place with just under €2 billion in commitments in the first quarter of 2022 (+38% in one year), followed by France with more than €1 billion (+287% in one year), Spain with just under €300 million (-12% in one year), and the Netherlands with around €150 million (-21% in one year). Outside of the eurozone, the United Kingdom dominates with slightly less than 3 billion euros (+57% in one year), followed by Sweden with more than 300 million euros (+10%), and Denmark with around 200 million euros (-36%).

Yields for shops, malls and supermarkets remained stable between the fourth quarter of 2021 and the first quarter of 2022. Compressions were again noted in the retail park segment. The yields on assets on high street in Europe remained largely stable between the fourth quarter of 2021 and the first quarter of 2022.

However, over the course of a year, compressions were observed for shops (between 5 and 75 bps) in certain markets, such as Germany, France and Southern Europe. With regard to shopping centres, the majority of markets remained stable, with some

compressions year on year, notably in Germany, France, the Netherlands, Sweden and Norway. Finally, over the past year, retail parks and supermarkets have seen significant cuts in many European countries (between 5 and 175 bps).

Private consumption was broadly maintained in the first quarter of 2022 compared to the same period in 2021 due to health restrictions then in force, but high inflation began to impact household spending in some countries. Retail sales continued to grow in Belgium, Austria, Portugal, the Netherlands and Ireland. However, Germany, Italy and France were within or below the European average, together with Finland. Stores recorded growth in their deflated turnover figures in the first quarter of 2022, with countries

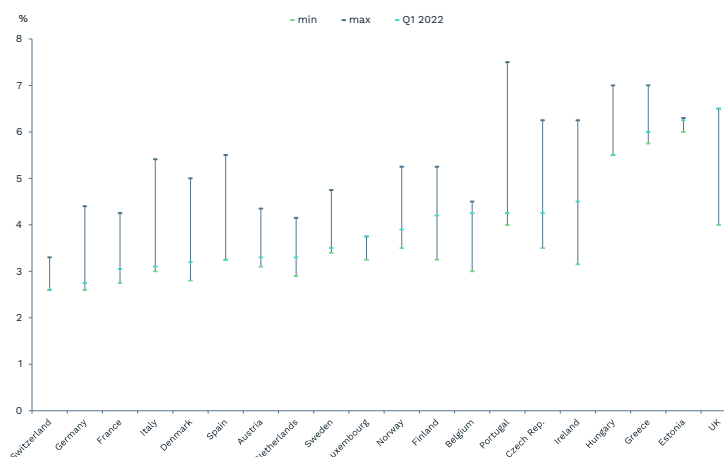
such as Italy, Spain, Portugal, Belgium and the Netherlands outperforming. However, countries such as France, Sweden and Germany underperformed against the European average.

Trends in rental values were diverse at the beginning of 2022, even though the overall average was stable. In this regard, following an increase in their rental values at the end of 2021, some businesses

stagnated, while other markets that had remained stable for several quarters underwent corrections. Finally, many markets have seen their values increase in different countries.

Sources of data: Oxford Economics, CBRE, RCA.

PRIME YIELDS OF RETAIL SHOPS IN THE MAIN EUROPEAN COUNTRIES 2012-Q1 2022



Sources: Primonial REIM Research & Strategy according to CBRE.



RESIDENTIAL

INVESTMENT IN RESIDENTIAL REAL ESTATE IN EUROPE - 2022 Q1 (3 MONTHS)	€18bn
TREND IN PRIME YIELDS IN EUROPE - 2022 Q1 / 2021 Q4	↘
TREND IN PRICE GROWTH IN EUROPE - 2022 Q1 / 2021 Q1	↗
TREND IN HOUSEHOLD WAGES IN THE EUROZONE - 2022 Q1 / 2021 Q1	↗

Residential multifamily investment has maintained second place behind offices and will have reached an investment volume of about 18 billion euros in the first quarter of 2022 (stable year on year). In the eurozone, Germany has total investments of more than 4 billion euros (-37% year on year), followed by France with more than 3 billion euros (+45%), the Netherlands with 800 million euros (-26%), Finland with more than 600 million euros (+150%), and Spain with 500 million euros (-16%). Outside of the eurozone, the United Kingdom was the most active, with investments of more than 3 billion euros (+30% year on year), followed by Sweden with more than 3 million euros (+274%), and Denmark with more than 900 million (-52%).

Prime yields experienced a new wave of compression in a large majority of the metropolitan areas analysed in the first quarter of 2022. Year on year, the trend towards compression was fairly general overall. Yields year on year have again seen compressions of between 10 and 80 bps in 80% of our sample, depending on the markets. This trend towards compression has been particularly marked in metropolitan areas such as Dublin, Lisbon, Stuttgart and Porto. Prime yields below the 2.5% level were registered in cities such as Paris or Munich, while yields above 3% were still possible, for example in

Amsterdam, Dublin, Lisbon, Milan or Madrid.

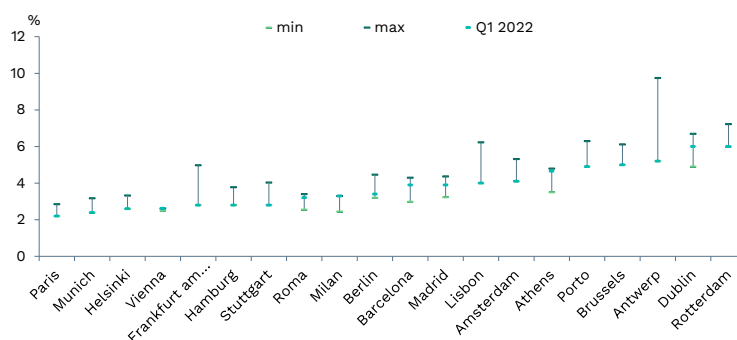
In the first quarter of 2022, the consumer price index in the eurozone was at 6.2% compared to the same period in 2021. This indexation has been partially reflected in rents, which have **been revised upwards overall.** The countries that were above this average were the United Kingdom, Spain, Belgium, and the Netherlands. Countries that were average or below were France, Norway, Sweden, Portugal, Finland, Italy, Germany, Austria and Ireland. Meanwhile, legal caps or regulations to limit rent increases in certain tense markets should correct inadequate increases.

Limited supply, low interest rates and strong appeal for residential real estate contributed to the increase in housing prices in the first quarter of 2022,

taken year on year. Residential prices in the eurozone recorded a new positive dynamic during the first quarter of 2022 (+9.9% rate n / rate n-1) in all the markets analysed. The Netherlands (+20.0% n/n-1), Germany (+14.2%), Ireland (+13.2%), Portugal (+11.6%), Austria (+8.4%), France (+6.1%), Spain (+5.2%), Belgium (+5.0%), Italy (+3.7%), and Finland (+3.6%) experienced price growth per sqm.

Sources of data: National statistics, RCA, Oxford Economics.

RESIDENTIAL PRIME RATE OF RETURN FOR MAJOR EUROPEAN CITIES 2012-Q1 2022



Sources: Primonial REIM Research & Strategy according to National Statistics.



HEALTHCARE

INVESTMENT IN HEALTHCARE REAL ESTATE IN EUROPE – 2022 Q1 (3 MONTHS)	€2bn
TREND IN PRIME YIELDS IN EUROPE – 2022 Q1 / 2021 Q4	↘
OUTLOOK FOR NEEDS IN CARE BEDS BY 2025/2030 IN EUROPE	↗

Despite the strong investors’ appetite for healthcare real estate in Europe, the lack of supply in the market strongly constrained new acquisitions in the first quarter of 2022. The volume of investment (senior residences and care homes) totalled less than €2 billion in Europe at the end of the first quarter of 2022, a decrease year on year. The lack of supply has limited the volume of investment in this asset class. In Europe, the German market dominates, with around €500 million invested in the first quarter of 2022, followed by the UK with almost €400 million, then Sweden with €300 million, France with around €200 million and the Netherlands with around €100 million.

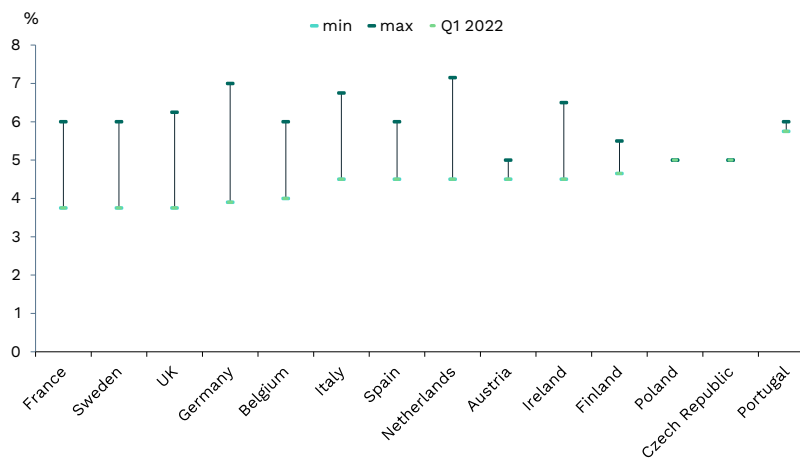
Prime yields in quality healthcare real estate, i.e. assets located in a dense urban area and completely in line with buyers’ expectations, have seen further cuts in Italy, Belgium, the Netherlands, Finland and Portugal. France, Sweden, the United Kingdom, Germany and Belgium have prime yields of less than 4.50% for the

most quality senior care homes. Between 50 and 100 bp should be added for an asset not located in the heart of a dense urban centre. Prime rates of Austria, Italy, Spain, the Netherlands, Finland, Ireland and Portugal were equal to or higher than 4.50% for care homes at the end of the first quarter of 2022. Prime yields for clinics in France and Germany remained at around 5% in the first quarter of 2022.

The average price per bed in Europe was around 150,000 euros in the first quarter of 2022. The highest prime assets averaged almost 250,000 euros per bed, whereas the cheaper assets averaged close to 80,000 euros. In this regard, France recorded an average price per unit close to 155,000 euro this quarter, followed by Germany, with a transaction price per bed of more than 140,000 euros, Italy, with an acquisition price of around 110,000 euros on average, and Spain, which had an average unit price of less than 100,000 euros. Outside of the eurozone, a bed averaged over €150,000 in the United Kingdom in the first quarter of 2022, compared to €170,000 on average in Denmark, over €200,000 in

Sweden, and less than €100,000 in Poland.

PRIME YIELDS FOR SENIOR AND CARE HOMES IN MAJOR EUROPEAN COUNTRIES 2012-Q1 2022



Sources: Primonial REIM Research & Strategy, RCA, C&W.

The potential new demand for real estate continued to grow in the first quarter of 2022 in the main European countries. Healthcare real estate offer must respond to this new demand and, at the same time, must also manage the renovation of the obsolete part of its stock. The

countries with the largest increase in the number of people over 65 include France, Finland, Germany, Austria, Belgium, Ireland, the Netherlands, Italy, Poland and Portugal. The ageing of the population has resulted in an increase in dependent older persons. The loss of independence, especially when seniors are over 85, must be supported by help or care.

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



HOTELS

INVESTMENT IN HOTELS IN EUROPE – 2022 Q1 (3 MONTHS)	€3bn
ROOM OCCUPANCY RATES IN EUROPE – 2022 Q1 (3 MONTHS) / 2021 Q1	↗
REVPAR IN EUROPE – 2022 Q1 (3 MONTHS) / 2021 Q1	↗
AVERAGE DAILY RATE IN EUROPE – 2022 Q1 (3 MONTHS) / 2021 Q1	↗
TREND IN PRIME YIELDS IN EUROPE – 2022 Q1 / 2021 Q1	➡
TOURIST ARRIVALS EXPECTED IN EUROPE – 2022/2021	↗

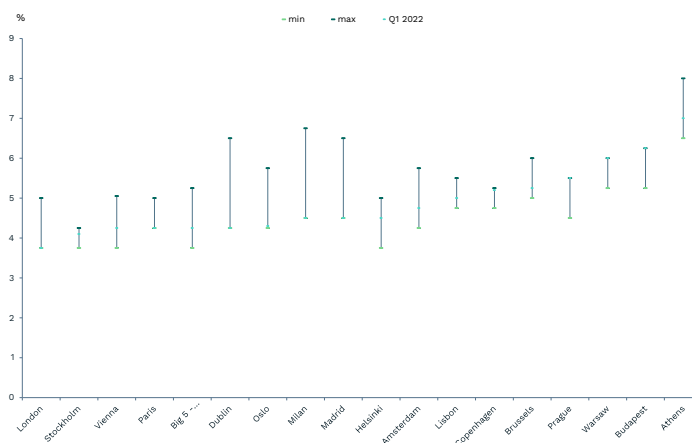
Investment in the hotel sector continued to grow during the first quarter of 2022. The hotel real estate market totalled 3 billion euros at the end of the first quarter of 2022, up 26% year on year. However, the Omicron variant and the war in Ukraine appear to have tampered investors’ enthusiasm. In Europe, capital was concentrated in the UK, with around €1 billion of investment in the first quarter of 2022, followed by Spain, with also almost €1 billion of commitments, France with around €500 million, and Germany with €300 million.

The stability of the yields on hotel assets was widespread between the fourth quarter of 2021 and the first quarter of 2022, but over the year the trend is a reduction in rates (between 10 and 150 bps). Prime yields for rented hotels, based on rental profitability, were less than or equal to 4.5% in Berlin, Frankfurt, Munich, Madrid, London, Helsinki, Vienna, Paris, Milan, Stockholm and Oslo. Cities such as Amsterdam, Brussels, Copenhagen or Lisbon offered a yield of more than 4.75%. The prime yields of hotels under a management contract, enabling the hotel owner to tap into both the value of the business capital and the value of the real-estate asset, offer a differential of between +100 and +250bp compared to a leasing contract. Over the past year, the most sought-after management contract hotels experienced reductions of between 25 and 50 bps.

The number of hotel rooms sold or rented in Europe at the end of the first quarter of 2022 experienced strong

growth (+121.9% year on year), despite the spread of the Omicron variant. The base effect was therefore positive at the start of 2022, compared to the restrictions still present in 2021. The beginning of 2022 marks a resurgence of leisure tourism, after 2021, the year of the restart, and 2020, the year that tourist flows were frozen. Although the Russian invasion of Ukraine only seems to have had a limited impact on the sector for the time being, trends must be closely monitored in the coming weeks and months. After being heavily impacted, rooms sold or rented from high-end hotels (+180%) and the luxury category (+237%) recovered well thanks to the gradual return of European and international tourists. Less impacted were budget hotels, which continued to perform well (+78% year on year). The mid-range category also increased (between +110% and +155%).

PRIME YIELDS ON HOTEL LEASES IN MAJOR EUROPEAN CAPITALS 2012-Q1 2022



Sources: Primonial REIM Research & Strategy according to CBRE.

Occupancy levels, the average daily rate and the RevPAR (revenue per available room) were up sharply over the first three months of the year 2022 due to the lifting of the health restrictions that were in force during the same period in 2021. The occupancy rate of the hotel industry in Europe is increasing, and stood at more than 46.5% at the beginning of 2022. The average price is up year on year, from €85 to €115 in the first quarter of 2022. The RevPAR also increased to €53. By category, the economy hotel sector is the only one to benefit from an occupancy rate of 60%.

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

REAL ESTATE PROSPECTS 2022-2026

OUTLOOK FOR THE MAIN EUROZONE MARKETS	Short term 2022	Mid-term Horizon 2026
OFFICES (CENTRAL MARKETS)	Positive	Positive
RETAIL (DEPENDING ON FORMATS AND ZONES)	Selective	Selective to positive
RESIDENTIAL	Positive to selective	Positive
HEALTH	Positive	Positive
HOTELS	Wait-and-see to selective	Selective to positive

The central scenario that we have adopted is that of the major European and international economic institutes, assuming that growth will continue in 2022, albeit that this has been revised downwards in the eurozone due to the war in Ukraine (+2.8%). Although the pandemic crisis is gradually coming to an end, with daily life returning to normal, the spread of the virus still exists and poses the risk of the emergence of new, more contagious/deadly variants. In addition, China's «zero Covid» strategy, with the lockdown of major cities, reinforces the risk of global inflation. Finally, the military conflict between Ukraine and Russia may be prolonged. These risks therefore weigh heavily on the central scenario. This could increase the cost of energy beyond 2023, continuing to affect inflation and activity. The evolution of the economy will depend mainly on how the conflict develops, the impact of the current sanctions, and possible additional measures.

OFFICES

Although the market is expected to show signs of resilience in 2022, in the short term the threats to activity posed by the war in Ukraine increase the uncertainty about job creation and the confidence of businesses. Within a year or so, vacancies should be stabilised or even reduced for the most sought-after markets. The markets that can maintain or guarantee economic dynamism and have the capacity to create jobs will consume m². Consequently, we still anticipate stability or a positive trend in absolute job creation in the eurozone between 2022 and 2023, albeit that a downward revision of this outlook is still possible. Assets/markets adapted to the new characteristics of the future workplace and responding to the ESG challenges, with solid tenants and long leases, should have the best prospects for the growth of prices, rents and m² consumed, whereas the least secure assets, or those requiring a major renovation programme due to their obsolescence, will deliver a lower than average level of performance, particularly for assets that do not comply with ESG criteria (buildings/areas not adapted to climate risks, works to decarbonise buildings, etc.).

RETAIL

The war in Ukraine, and the risk of loss of purchasing power due to soaring energy and food prices, will weigh on household confidence in the short term. Indeed, the rise in inflation may not be offset by earnings, which may have a negative impact on the standard of living of Europeans. Positive developments in the retail consumer outlook now largely depend on the evolution of the war in Ukraine, and the impact of current and future sanctions. At the same

time, the dynamics of consumption are still underpinned by the reopening of the economy. Retail real estate is therefore at a crossroads between the emergence from the Covid pandemic, and the new risks linked to the war in Ukraine. The prime yield should be stable for a majority of markets, although certain types of retail should see an increase in value for commercial arteries that have regained pedestrian flow and activity. We believe that assets on the ground floor of buildings and shopping centres with brands having a good omni-channel strategy should have the best prospects for the valuation and future growth of rents. Retail parks and supermarkets sought after by consumers are expected to experience a further compression in their yield. In general, physical retail outlets will still have to manage the rise in online sales, which will lead to contradictory trends in Europe between corrections and value increases, depending on the cycles of each market.

RESIDENTIAL

The residential market in the eurozone is still well oriented, and should ensure a satisfactory rental and capital return. The imbalance between housing supply and demand is fuelling upward pressure on residential prices. We therefore maintain our positive outlook for prices and rents, even though one-off adjustments may take place, depending on the local market cycle. However, there are risks of a price correction, such as: a too rapid increase in interest rates to limit the overheating of the economy in connection with too high inflation, too high prices per sqm, or price growth not in correlation with market fundamentals. Over the 2022-2026 period, most European residential markets share a positive outlook for capital gain and rental return, well oriented in the current economic context.

HEALTHCARE

The fact that the public and/or private sectors are responsible for large proportions of healthcare expenditure, as well as the population growth of older people, are the factors in favour of health real estate. The imbalance between supply and demand will continue, all the more so as population pressure will remain strong in the next five years, and will continue to increase in the following decade. The issue of air quality, double rooms, adaptation of buildings to climate change, attraction of caregivers, and introduction of robots to help caregivers with the more difficult tasks, are the main challenges facing the healthcare sector. The obsolete part of the care home stock and the lack of supply on the market are an important source of investment favouring recent products, well-located and with a sound operator. We maintain our positive outlook for the sector's ability to deliver capital performance, and secure income over the long term.

HOTELS

Although the recovery of tourism had begun at the beginning of 2022 despite the circulation of the Omicron variant, not all destinations were equal due to disparities in the level of vaccination, and variable reopening strategies. The Russian war in Ukraine calls into question the intensity of the recovery of the hotel sector, and poses a risk of slowing down the resumption of international travel, with the notable exception of Chinese customers, who are still absent from international radars due to the country's «zero Covid» policy. Although uncertainties are currently high due to the conflict in Ukraine, hotel performance indicators should be stable or continue to improve, as we expect domestic tourism to remain one of the main drivers of the sector. The Russian customer-dependent

hotel sector, for its part, should suffer from the sanctions against air transport between the two blocs. At this moment in time, we can assume that the occupancy rate, the average price and the RevPAR should fluctuate between stability and growth for the markets least affected by the Russian war in Ukraine. With regard to prime yields in the hotel sector, the majority of markets are expected to experience a period of stability, and compressions could occur for the best assets in the markets, most sought after by investors.

ESG

(environmental, social and governance)

ESG (environmental, social, and governance) criteria are now a strategic priority to try to reduce the risk of climate change and accelerate the decarbonisation of the economy, leading to an acceleration of demand for sustainable real estate by both users and investors. Commitments are being made to achieve carbon neutrality and other sustainable improvements by changing the way real estate assets are built and operated. The Sustainable Finance Disclosure Regulation (SFDR) has enabled the European Supervisory Authorities (ESAs) to develop draft regulatory technical standards (RTS) on the disclosure of funds. This situation has lead asset management companies to reclassify their existing real estate funds, and to launch new funds that meet the requirements of Articles 8 and 9 of the SFDR. The gradual introduction of binding regulations, and changes in investment strategies will be factors in favour of ESG-compliant assets, which will at the same time impact the overall performance of energy- and carbon-intensive assets. Assets that do not comply with ESG criteria could eventually experience adjustments to their resale price (buildings/areas not adapted to climatic and insurance risks, work to decarbonise buildings, etc.).

ANALYSIS OF THE PERFORMANCE/RISK OF REAL ESTATE MARKETS IN EUROPE 2022-2026



Source(s): 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, 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 €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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