

PRESS RELEASE

Lighthouse Report

BNP Paribas REIM shares its convictions on the European real estate market

While the health crisis has had a significant impact on the entire European real estate sector, the economy is shaping up for a recovery. This is confirmed by the new report “*Lighthouse – outlook for European Real Estate*” released by BNP Paribas REIM. For this third edition, the report is based on the in-house forecasts, analysis and expertise of its local teams, providing an update on asset classes and investment opportunities for the end of 2021 and beyond.

“This groundbreaking report gives us a detailed insight and strategically analyses potential market scenarios and property sectors in Europe. The evidence is clear: while the health and economic crisis has hastened fundamental changes across all asset classes, it has also influenced investors’ priorities, with a greater focus on residential and alternative assets such as healthcare institutions. This thorough market analysis also allows our teams to develop scenarios for the next few years and to advise our investors on the most suitable investment strategies for the European market,” explains Maarten van der Spek, Global Head of Strategy for BNP Paribas REIM.

A favourable economic context for real estate investment in Europe

In its half-yearly report on the outlook for European real estate, BNP Paribas REIM predicts a strong economic recovery in H2 2021. The ECB is determined to support the recovery by keeping key interest rates and bond yields at very low levels. The favourable context also includes a rise in inflation in the euro zone (from 0.3% in 2020 to 1.7% in 2021), which is attractive for rent indexation, and provides a solid foundation for the future of the real estate market.

The key findings are

1. Real estate is attractively priced relative to government bond yields, with current spreads at historically high levels. As interest rates are not expected to rise materially, there is room for further yield compression.
2. Based on the current phase of the real estate cycle, we believe that the liquidity factor is expected to outperform within our factor modelling. This factor is overweight in more mature and larger economies and sectors, like offices, and the UK, France and Germany.
3. We see the strongest outlooks for logistics and healthcare. Both sectors are expected to achieve solid rental growth, above-average yields (income return) and strong investor demand compressing yields. This trend still has some years to go.
4. The office market is resilient enough to cope with the increase in home working. In the short term, home working will drag on performance, but this should occur during an economic growth period, mitigating the impact. Long-term office employment should outpace the reduction due to working from home.
5. It is time to consider the UK again. The UK still seems to be suffering from Brexit; however, we believe it is mostly priced in at the moment. Rental growth is forecast to lag, but offices and logistics in particular are attractively



**BNP PARIBAS
REAL ESTATE**

L'immobilier
d'un monde
qui change

priced relative to Continental Europe. Combined with a stronger expected economic recovery and increased investor interest, a repricing is likely.

6. Retail momentum is still weak, but we believe retail warehouses are the exception. The retail market is still undergoing structural change due to e-commercialisation, which was accelerated by COVID. However, Retail warehouses (“Big Box” retail) did not suffer that much from COVID, thanks to low rents and cheap locations and these assets are now benefitting from high yields, stable rents and the possibility to be used within last-mile logistics strategies.
7. We continue to see housing as a strong type of use, with many markets experiencing high demand and short supply with some interesting residential niches. We expect hotels to enjoy positive momentum in the medium to long-term.

Click [here](#) to download the report.

About BNP Paribas REIM

BNP Paribas REIM, a business line of BNP Paribas Real Estate, provides a wide range of real estate funds and investment solutions for international investors across all assets classes and all countries in Europe. With a local presence in eight countries (France, Germany, Italy, the United Kingdom, the Netherlands, Spain, Belgium and Luxembourg), BNP Paribas REIM employs more than 350 professionals who provide solutions to over 100,000 clients, both institutional and private investors. At the end of 2019, BNP Paribas REIM managed € 30.1bn of assets in Europe.

BNP Paribas REIM is the business line dedicated to Investment Management within BNP Paribas Real Estate consisting of various legal entities: France: BNP Paribas Real Estate Investment Management (SA); Italy: BNP Paribas Real Estate Investment Management Italy (SGR); Germany: BNP Paribas Real Estate Investment Management Germany (GmbH); UK: BNP Paribas Real Estate Investment Management UK (Limited); Luxembourg: BNP Paribas Real Estate Investment Management Luxembourg S.A.

The respective legal entities responsible for offering clients products or services are named in the respective product documentation, contracts and information material.

Press Contact:

Press team – Tel: +33 (0)1 55 65 22 08 – presse.realestate@ealestate.bnpparibas



**BNP PARIBAS
REAL ESTATE**

**L'immobilier
d'un monde
qui change**