PRIMONIAL REIM
VALUE FROM VALUES

NOVEMBER 2021
Finalised on 10 November 2021

REAL ESTATE CONVICTIONS

Asset Manager's view of the European real estate markets

Henry-Aurélien NATTER, MRICS
Head of Research

FIGURES

GROWTH FORECASTS

+5,0 %

EUROZONE 2021

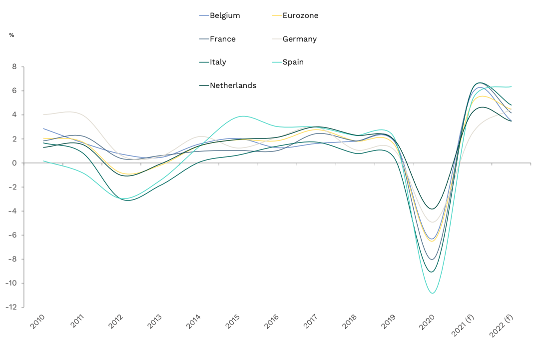
2,5 %

10-YEAR GOVERNMENT BOND YIELDS

0,1 %

Source: Oxford Economics

ECONOMIC ENVIRONMENT: EUROPEAN GDP



Sources: Primonial REIM Research & Strategy after Oxford Economics.

ECONOMIC AND REAL ESTATE ENVIRONMENT

In a world dominated by uncertainty, the recovery in the global economy continues. With the on-going vaccination of the general population and booster campaigns remaining a strategic priority, to avoid the introduction of new health restrictions that would deteriorate growth in late 2021 and early 2022, the deterioration of short-term prospects has come from China. Although the financial risks around Chinese developer Evergrande, with its $260 billion of debt, are not likely to cause a major financial crisis in China according to specialist commentators, the weakness of real estate construction has called into question the country's short-term economic prospects. This has been exacerbated by electricity shortages and reductions in production. Against this background, and despite the fact that growth prospects remain strong, they have been downgraded (to 5.7% in 2021 and 4.5% in 2022).

Eurozone growth firmed up in the third quarter. However, a fourth-quarter slowdown can not be ruled out. Despite continued uncertainties relating to vaccination strategies in each European country, Eurozone growth is likely to remain on a good track in 2021 (+5.0%) and 2022 (+4.5%) thanks to the monetary and fiscal stimulus, the mobilisation of savings built up by households during the crisis, and a labour market that, paradoxically, is looking strong. On a single country basis, whilst they are all moving in the same direction, the pace of travel is diverging. GDP growth in France is expected at 6.2% in 2021 and 4.2% in 2022, followed by Italy (6.2% and 4.8% respectively), Belgium (5.8% and 3.2%), Spain (5.2% and 6.2%), Portugal (4.2% and 5.3%), the Netherlands (4.2% and 3.5%) and Germany (2.5% and 4.5%).

The Eurozone has been affected by high inflation in the third quarter of 2021. For the ECB, this was caused by temporary factors and it intends to maintain its stance, with an accommodating monetary policy. Inflation hit 3.4% in September, with core inflation (excluding energy and commodities in particular) of 1.9%. Inflation forecasts have been shifted upwards, mainly in response to higher energy prices. The CPI (consumer price index) in the Eurozone is likely to climb towards 4% over the next few months and is expected to be 2.5% for 2021 as a whole. The 'hawks' on the ECB Council might use this to push for a swifter-than-planned reduction in asset purchasing. This could have an effect on Quantitative Easing, but economists generally believe that long-term policy rates will remain at low levels (around 0.1%) for the rest of 2021. This situation has already resulted in a rise in short-term interest rates in the Eurozone's most indebted countries.

With €175 billion invested over nine months in 2021 (up 7% year-on-year), the European commercial real estate market[1] has seen a return to growth. Concerned by economic and financial risks, investors have continued to pursue strategies of acquiring well-located assets with solid tenants. By country, investment volumes reached €43 billion in Germany (up 1% over a year), €19 billion in France (-17%), €10 billion (-32%) in the Netherlands and Belgium, €7 billion in Spain (+15%) and €6 billion in Italy (+7%). After a period of correction at the beginning of the crisis, yields have been stable overall across all assets classes; the third quarter of 2021 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.

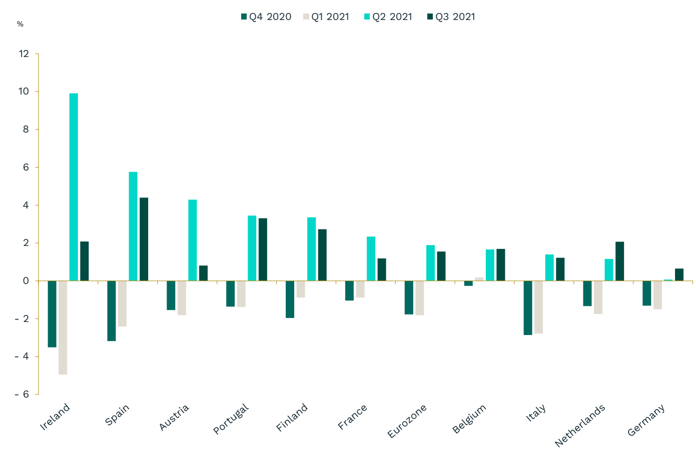
Source of figures: CBRE, FMI, RCA, Oxford Economics.

OFFICES

INVESTMENT IN OFFICE REAL ESTATE IN EUROPE – Q3 2021 (9 MONTHS)	**€60bn**
PRIME YIELDS IN EUROPE – Q3 2021 /Q-1	→
TAKE UP IN EUROPE – Q3 2021 (9 MONTHS) / Q-Y-1	↗
VACANCY RATES IN EUROPE – Q3 2021 / Q-Y-1	↗
RENTS IN EUROPE – Q3 2021 / Q-Y-1	→
JOB CREATION – Q3 2021 / Q-Y-1	↗

Investors have favoured investment in the best-located and most international markets to the detriment of secondary markets. In the Eurozone, Paris was the focus of investment flows, with the three main German cities taken together rivalling the French capital. Total investment volumes in the European office real estate sector were €60 billion over the first nine months of 2021 (down 8% over a year). Investors have accentuated the polarisation of capital flows towards major international business districts, with gradual, but clear, gains by German cities. In the Eurozone, Paris retained its leading position, with around €8 billion in investment, followed by Frankfurt (€4 billion), Berlin and Munich (both €3 billion). Investment in the other major European capitals was below €3 billion: Amsterdam, Brussels, Madrid and Milan.

JOB CREATION IN THE MAJOR EUROZONE COUNTRIES (Q/Q-1)



Source(s): Primonial REIM Research & Strategy after Oxford Economics.

After strong growth in job creation over the second quarter, leading to a slight compression in yields in various markets, the third quarter saw a widespread stabilisation in yields. The vast majority of markets saw stability between the second and third quarters of 2021. However, over a year, the trend is clearly one of compression in a number of central markets. Those most at the 'core', such as Paris, Munich and Berlin, offered yields of less than 3.00%.

The marked recovery in job creation linked with the rebound of European economies contributed to an upward trend in new leases. Take up for offices totalled nearly 8 million sqm over the first nine months of 2021, a 12% increase in volume over a year. In terms of Eurozone volumes, the Parisian market stands head and shoulders above the rest, with 1.2 million sqm of transactions to the end of the third quarter of 2021 (up 32% over a year). Berlin came second with around 500,000 sqm of transactions, followed by cities such as Munich, Hamburg, Brussels and Madrid with satisfied demand in the region of 300,000 sqm each.

Vacancy rates continued to rise in Europe, with disparities between markets remaining substantial. Whilst vacancy rates in Paris, Berlin, Munich and Vienna remained below 5%, other major capitals, including Helsinki, Madrid and Milan, still had more than 10% of their office space unlet at the end of the third quarter of 2021.

Stable on the whole, rents saw some increases and a number of readjustments. The most 'prime' areas saw two trends. Markets such as the Paris CBD, where rents are the highest in the Eurozone (over €900/sqm), moved into a phase of stabilisation; whilst other cities such as Berlin and Frankfurt, with rents at around €500/sqm, saw increases of between 1% and 2% in the third quarter of 2021 compared to the same period in 2020.

Source of figures: CBRE, IMMOSTAT, BNP PRE, RCA.

RETAIL

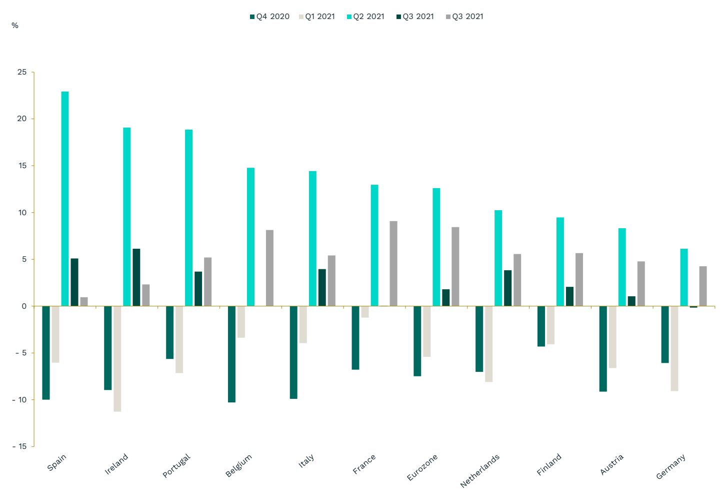
INVESTMENT IN RETAIL REAL ESTATE IN EUROPE – Q3 2021 (9 MONTHS)	€20bn
PRIME STREET LEVEL YIELDS IN EUROPE – Q3 2021 /Q-1	→
PRIME YIELDS IN EUROPEAN SHOPPING CENTRES – Q3 2021 /Q-1	→
E-COMMERCE PENETRATION RATES IN THE EUROZONE – 2021	↗
RETAIL SALES IN THE EUROZONE – Q3 2021 /Q-1	↗

Although household spending recovered through the second and third quarters as the economy recovered, investors have remained selective in their allocation choices. Total investment volume in the European retail real estate sector was €20 billion over the first nine months of 2021 (down 16% over a year). Within the Eurozone, Germany cemented its first place, with nearly €5 billion in commitments by the end of the third quarter of 2021, followed by France with €1.7 billion, the Netherlands at €810 million and Spain €600 million.

After significant corrections in the various asset types analysed in Europe 2020, followed by a gradual move into a period of stabilisation, it is interesting to note the compression of yields in the most prime markets between the second and third quarters of 2021. Yields on street level assets remained stable overall between the second and third quarters of 2021 in Europe. Markets such as France and Northern Europe saw a degree of decompression (between 10bp and 30bp). Although shopping centres saw a period of stability between the second and third quarters, some locations saw further readjustments. Lastly, there were additional compressions between the second and third quarters in retail parks and supermarkets.

Private consumption continued to grow in the third quarter of 2021 but at a slower pace than in the second. After the rapid growth of the second quarter as economies reopened, the confirmation of a solid recovery in consumption in the third quarter helped feed economic growth and ensure a return of household spending to pre-crisis levels. At the same time, brands were able to increase sales in value terms over the third quarter of 2021, with Germany, Belgium, Greece, Italy, Spain and Portugal outperforming other markets.

HOUSEHOLD SPENDING IN THE MAJOR EUROZONE COUNTRIES (Q/Q-1)



Source(s): Primonial REIM Research & Strategy after National statistics.

After a period of correction, rental values in retail can mainly be characterised by stability. Although in 2020 shops and shopping centres saw some of the biggest corrections in value, 2021 has represented a transitional period. For instance, rental values for street level retail assets and shopping centres have moved into a new phase characterised by an absence of corrections from one quarter to the next.

Source of figures: Oxford Economics, CBRE, RCA.

RESIDENTIAL

INVESTMENT IN RESIDENTIAL REAL ESTATE IN EUROPE – Q3 2021 (9 MONTHS)	**€42bn**
PRIME YIELDS IN EUROPE – Q3 2021 /Q-Y-1	↘
PRICES IN EUROPE – Q3 2021 / Q-Y-1	↗
HOUSEHOLD INCOME IN THE EUROZONE – Q3 2021 / Q-Y-1	↗

Capital flows into block residential hit new highs. Total investment volume in the European residential real estate sector was €42 billion over the first nine months of 2021 (up 6% over a year). Having recorded satisfactory volumes over the first six months of the year, the third quarter confirmed the strong market trend, with nearly €14 billion of residential contracts signed in Europe. In the Eurozone, capital flows were concentrated on Germany (€15 billion), France (€4 billion) and the Netherlands (€2 billion). Outside the Eurozone investors were attracted by the UK (€8 billion), Denmark and Sweden (€5 billion each).

Compression of prime yields in metropolitan areas continues. Between the second and third quarters of 2021, around half of the cities in our sample saw a compression of yields, with the other half remaining stable. Over a year, the trend is clear, with three-quarters of the major European metropolitan areas analysed seeing compression of between 10bp and 50bp, including Antwerp, Barcelona, Brussels, Hamburg, Madrid and Paris.

Because of annual rent adjustments, residential rents will allow investors to protect themselves from the current increase in inflation. However, governments and regional and 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 their correction where necessary. Most recently, in September 2021, the German Constitutional Court made the news when it overturned a law regulating rents introduced a year previously by city authorities in Berlin. This signifies that it falls to the federal government to legislate on measures governing rents if they are to be considered constitutional. In 2021, minimum rent increases are likely to be between 1% and 2%, and may be slightly higher depending on the Eurozone country considered.

RESIDENTIAL PRICES IN THE MAJOR EUROZONE COUNTRIES (Q/Q-1)

Sources: Primonial REIM Research & Strategy after National statistics.

The lack of supply in the most sought-after markets and low interest rates resulted in further housing price increases in the third quarter of 2021. Residential prices in the Eurozone returned to a positive trend across all markets analysed in the third quarter of 2021 (up 8.2% q/q-n-1). The Netherlands (+17.3% q/q-n-1), Germany (+14.7%), Austria (+8.9%), Belgium (+7.6%), Portugal (+7,4%), France (+5.7%), Ireland (+7.2%), Finland (+4.1%), Spain (+2.6%) and Italy (+2.6%) all saw a return to price growth.

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

HEALTHCARE

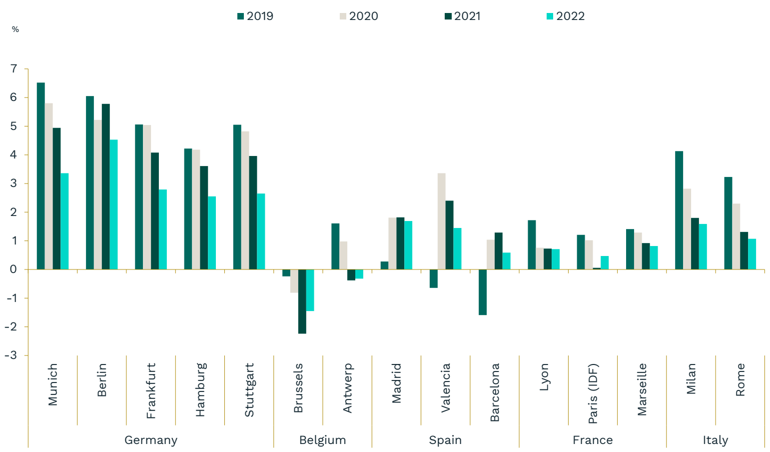
INVESTMENT IN HEALTHCARE REAL ESTATE IN EUROPE – Q3 2021 (9 MONTHS)	**€5bn**
PRIME YIELDS IN EUROPE – Q3 2021 /Q-1	→
FORECASTS OF BED DEMAND BY 2025/2030 IN EUROPE	↗

Despite the strong attractions of healthcare real estate for investors in Europe, the lack of supply in the market has limited volumes. Investment volumes (senior residences and care homes) totalled just under €5 billion in Europe at the end of the third quarter of 2021 (up 28% over a year), representing the sector's second best nine-month performance over the past decade. However, a lack of supply has limited investment volumes in this asset class. In the Eurozone, the German market dominated with around €1 billion of commitments over the first nine months of 2021, followed by France with €400 million, then the Benelux nations at over €300 million and southern European countries for over €800 million.

Prime yields in healthcare real estate were stable in most countries over the third quarter of 2021 relative to the previous quarter, with some compression over a year. France, Germany, Belgium, Finland, Austria and Spain have prime yields for senior housing of 4.75% or less. In Italy, the Netherlands and Portugal, prime yields for care homes are between 5.00% and 6.00%. In France and Germany, clinics offered a prime yield of 5% in the third quarter of 2021.

Over a decade, the average price of a bed in Europe has trended upwards from around €80,000 per unit in 2011 to some €140,000 in the third quarter of 2021. France has seen one of the biggest increases in the Eurozone in the average price per unit, taking it to around €145,000, with Germany, where newly acquired assets have changed hands at around €140,000 per unit, close behind. In Italy the figure was around €120,000 in the third quarter of 2021, and in Spain the average was €100,000. Outside the Eurozone the average transaction price per bed was €145,000 in the UK, €180,000 in Denmark and less than €100,000 in Poland.

THE OVER 80S IN LARGE METROPOLITAN AREAS OF THE MAJOR EUROZONE COUNTRIES (%) (N/N-1)



Sources: Primonial REIM Research & Strategy after Oxford Economics.

Demographic fundamentals are positive for the healthcare sector in the Eurozone, as the population aged over 65 will swell by more than one million individuals in 2021. The supply of healthcare real estate will therefore need to meet this new demand whilst continuing to renovate the obsolescent segment of the market. The increase in the number of people aged over 65 will continue in 2021 and will have the corollary of increasing the number of dependent older people. Loss of independence requires support or care provision; this particularly affects the over-80s. Industry professionals suggest that 45,000 new care home beds will need to be created every year from 2015 to 2025/2030 in the main Eurozone countries in order to meet demand.

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

HOTELS

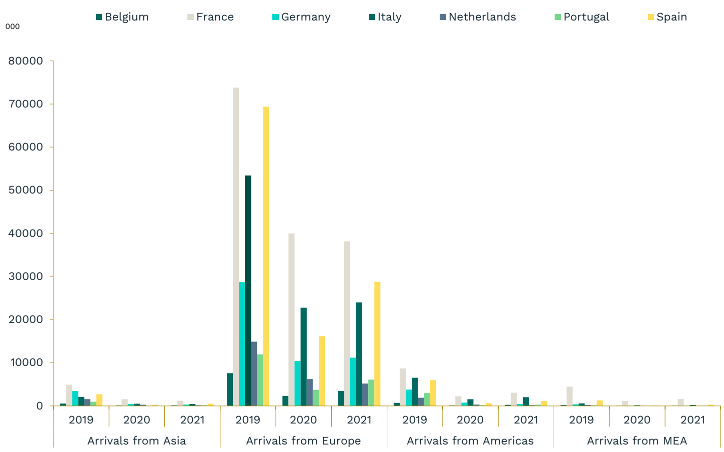
INVESTMENT IN HOTEL REAL ESTATE IN EUROPE – Q3 2021 (9 MONTHS)	**€10bn**
ROOM OCCUPANCY RATES IN EUROPE – Q3 2021 (9 MONTHS) / Q-Y-1	↗
REVPAR IN EUROPE – Q3 2021 (9 MONTHS) / Q-Y-1	↗
AVERAGE PRICE PER NIGHT IN EUROPE – Q3 2021 (9 MONTHS) / Q-Y-1	↗
PRIME YIELDS IN EUROPE – Q3 2021 /Q-1	→
EXPECTED TOURIST ARRIVALS IN EUROPE – 2021/2020	↗

The hotel sector saw substantial capital inflows in the first nine months of 2021 relative to 2020. The hotel real estate market was worth €10 billion after the third quarter of 2021, a 33% increase over the year. After a rapid acceleration in the second quarter, with total investment of €4 billion, the third quarter was also strong, with more than €3.5 billion in transactions. In the Eurozone, capital was focused on Germany (€1.5 billion), Spain (€2 billion), France & Benelux (€1.2 billion) and Italy (€750 million).

Yields on hotel assets remained stable overall between the second and third quarters of 2021 but expanded (by between 25bp and 50bp) in 2020. Prime yields for leased hotels, giving a pure rental return, in Berlin, Munich, Helsinki, Vienna, Amsterdam, Paris and Milan are between 4.25% and 4.75%. Southern European cities like Madrid and Lisbon offer yields between 5.0% and 6.5%. Management contracts, which allow hotel owners to capture value from both the operation of the hotel and the real estate asset, offer a supplemental yield above lease levels of between 100bp and 250bp depending on the market involved.

The number of hotel rooms sold or let in Europe over the 9 months to the end of the third quarter of 2021 was 14.7% up over a year. After a disappointing first quarter, as health protection restrictions in Europe caused tourist movements to dry up, the second and then third quarters brought a definite reversal of the trend. The reopening of borders in the European Union and internationally, including the USA, allowed all sector indicators to turn green. Rooms sold or let in budget hotels outperformed the sector average (up 26% over a year); the mid-range saw performances between 8% and 11%, in line with the average for all categories; whilst up-scale (13%) and luxury (22%) hotels recovered strongly, having been hard hit for more than a year.

TOURIST ARRIVALS BY REGION OF ORIGIN IN THE MAIN EUROZONE COUNTRIES



Sources: Primonial REIM Research & Strategy after Oxford Economics.

Occupancy rates, average day rates and RevPAR (accommodation revenue) **all rose thanks to a good summer season.** Occupancy rates in European hotels rose by 39.8% in the nine months to the end of the third quarter of 2021. Average prices rose year-on-year from €95 to €120 in the third quarter. RevPAR also increased, reaching €47. By category, only budget hotels now have an occupancy rate over 50%.

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

REAL ESTATE PROSPECTS 2021-2026

PROSPECTS IN THE MAIN EUROZONE MARKETS	Short term Q4 2021 to Q1 2022	Medium term To 2026
OFFICES (BY MARKET)	Opportunistic to positive	Positive
RETAIL (BY TYPE)	Wait to opportunistic	Opportunistic
RESIDENTIAL	Positive	Positive
HEALTHCARE	Positive	Positive
HOTELS	Wait to opportunistic	Opportunistic

Although the light at the end of the pandemic tunnel is slowly starting to appear, several sources of uncertainty persist and the European real estate market needs to prepare as of now for the new economic context.

We have seen that the changes wrought by the pandemic have caused behavioural changes amongst users, which have affected their real estate structures – although these changes have not yet fed through fully. Meanwhile, an increasing number of governments have indicated that they want to scale back, or even eliminate, their support programmes and commodity prices are having significant effects on construction costs.

The issue of inflation has focused minds in recent months. Eurozone inflation had been running at low levels but since the summer of 2021 has seen peaks of over 3%. This said, this acceleration in inflation is not currently viewed by most economists as producing real inflationary risk. Observers believe that the increase in prices is neither widespread nor self-perpetuating; rather, the current increase in inflation is the result of a sharp temporary increase in prices related to the recovery of the global economy, with a substantial comparison basis effect linked to energy prices, the prices of some commodities and of industrial components. Pressure on supply can also be explained by an increase in demand for certain products as confidence returns on the back of vaccination campaigns. With these factors not dropping out until 2022, inflation is likely to continue to rise over the next few months, and it could peak in the final quarter. This could therefore have consequences for company margins and household purchasing power. However, higher selling prices and the relatively well-protected financial position of companies should help limit pressure on margins. When it comes to household confidence and consumption, these are unlikely to be too badly affected due to the substantial savings accumulated in recent months and the strength of the labour market.

OFFICES

Markets for centrally located office properties remain attractive for users and are thus better positioned for the current cycle in terms of value, revenue and liquidity. The crisis we have been going through is leading users to look towards a hybrid structure mixing offices, third party sites and working from home. Markets seeing strong economic growth and with the capacity for significant job creation are the markets of the future. Under these circumstances, 'core' assets and markets adapted to the new workplace landscape, with solid tenants and long leases, are likely to see better prospects for growth in prices and rents than less secure or obsolete assets that could see corrections (second-tier locations, high vacancy rates unsuitability for new uses) impacting the latter's ability to deliver strong levels of performance. Meanwhile, there will be opportunities available in upcoming districts, with offices suited to new uses and with good connections to public transport networks.

RETAIL

Having been hit hard by the pandemic and having then moved into a period of stabilisation, some types of retail asset will see gains in value in markets where the correction has been excessively severe with regard to fundamentals. However, retail spaces facing an underlying challenge to their business model could see further adjustments in value. After the decompression of yields seen in 2020, most markets went into a period of stabilisation in 2021; adjustments are now being seen for certain types of retail asset where corrections were excessive with regard to their fundamentals. When it comes to location, we believe that street level and shopping centre assets meeting new consumer expectations will see the best prospects for valuation and future rent growth, whilst assets in second-tier locations, with high vacancy rates, low pedestrian footfall, or relatively unattractive brands for consumers could see an impact on their performance. The best-placed retail parks and supermarkets are likely to see further compression of yields over the next few months. There will therefore be opportunities to be taken in markets with solid fundamentals.

RESIDENTIAL

Residential markets in the Eurozone are performing well, which will allow a sizeable majority of European cities to produce satisfactory rental and capital performances in the final quarter of 2021, and this should also persist into the first quarter of 2022. Because of the pressure on housing and strong economic conditions for households, thanks in particular to the strength of the labour market, low interest rates and substantial savings, we expect Eurozone residential prices to continue to rise over the next six months. Similarly, we expect that rent increases will be in line with trends in inflation. Although prospects are positive, this does not mean that there are no risks of a correction in prices – including a significant increase in interest rates to limit economic overheating due to excessive inflation, prices per sqm rising too high, or price growth becoming uncoupled from market fundamentals. Between 2021 and 2026, European residential markets will mainly see positive trends in capital and rental returns.

HEALTHCARE

Healthcare infrastructure is of strategic importance for people's quality of life and represents a social challenge in Europe. There is a significant need to renovate the existing base of care homes and to enhance the offering (clinics, care homes, specialist establishments, etc.) throughout the Eurozone. Substantial investment will be needed and will be provided by the public and private sectors, especially as demographic pressure will remain strong through to 2025 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 substantial opportunity for 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 across the Eurozone.

HOTELS

After the stepping up of vaccination campaigns in the first half of 2021, unknowns persist over the success of booster campaigns over the end of 2021 and early 2022, and the number of unvaccinated people remaining, leaving us with uncertainty on the risks of a resurgence in the epidemic. The hotel sector's performances have gradually improved, quarter after quarter, in line with the lifting of restrictions and the opening of borders. We expect that internal travel will remain the main driver of growth in the hotel sector and will offset the loss caused by the reduction in visitor numbers from other continents. On the global scale, Europe is likely to see the best performance through to 2022. However, there is still uncertainty over the end of 2021 and the beginning of 2022 due to the unknown success of booster campaigns and those to immunise people who are not yet fully vaccinated. The pace of tourist flows could slow over the winter season as the epidemic regains strength, as travellers and governments become more cautious in the face of increasing rates of infection. Although this might result in a tightening of restrictions, we are not expecting a reintroduction of lockdown measures thanks to the high level of vaccine coverage in western Europe. It therefore seems reasonable to assume that average prices and RevPAR will stabilise or even improve over the next quarter. As far as prime yields for hotels are concerned, most markets are likely to be stable but there could be compressions in the relatively near future for the assets most sought after by investors. As vaccine campaigns are stepped up and borders are opened, opportunistic acquisitions by investors have started to increase for certain types of asset.

PROJECTED REAL ESTATE PERFORMANCE IN EUROPE 2021-2026

Circle sizes represent expected rental performance between 2021 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** and **Italy**. 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 €30 billion of assets under management. Its conviction-based allocation breaks down into :

- **50 %** offices,
- **32 %** healthcare/education,
- **10 %** retail,
- **6 %** residential,
- **2 %** hotels.

Its pan-European platform manages **61 funds** and has more than 80,000 investor clients, **54%** of which are **retail investors** and **46% institutional**. Its real estate portfolio consists of more than 1,400 properties (offices, health/education, retail, residential, hotels) located in **9 European countries**.

www.primonialreim.com

CONTACT

RESEARCH & STRATEGY DEPARTMENT

Daniel WHILE, MRICS • Head of Research, Strategy & Sustainable Development
daniel.while@primonialreim.com

Henry-Aurélien NATTER, MRICS • Head of Research
henry-aurelien.natter@primonialreim.com

Adrien ISIDORE • Economist Statistician
adrien.isidore@primonialreim.com

Florian Wenner • Senior Researcher
florian.wenner@primonialreim.com

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.

PRIMONIAL
REIM
VALUE FROM VALUES

Ref.: Real Estate Convictions Europe Brochure – **112021** – 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.

This document is for informational purposes only and does not constitute an offer by Primonial REIM to buy or sell the investment product or investment service. It should not be considered investment advice, legal advice or tax advice. The investment strategies presented may not be accessible to all types of investors. The opinion, estimates and forecasts contained in it are subjective and may be modified without prior notice. They are made on figures made available by official data providers. There is no guarantee that the forecasts will materialise. There is no guarantee that forecasts are based on precise and exhaustive date. It is up to readers to make their own assessment of this information. This document does not contain sufficient information to serve as the basis for an investment decision.