Housing demand does not stop at the border

Institutional investors looking beyond their home market can now turn to Bouwinvest. The international expertise it built for bpfBOUW, the pension fund for the Dutch construction industry, is now open to other investors as well. European living offers attractive opportunities for investors, says Jasper Petit, Managing Director International Investments. Differences in regulation, demographics and market structure make investing in these markets complex, but also offer opportunities for diversification and a resilient long-term return.

For many institutional investors, residential real estate in their home market is familiar territory. But there are good reasons to also look beyond national borders. This offers diversification benefits, as the portfolio becomes less dependent on one economy or certain demographical and political developments. Moreover, Europe offers access to cities and target groups where housing demand is developing in a different and attractive way. An additional advantage for euro-based investors is that eurozone markets carry no currency risk.

Structural growth in demand for rental housing

For the period up to 2036, we expect average household growth of 0.37% per year in Europe, partly due to more single-person households (source: Oxford Economics). More homes are therefore needed, even where the population is barely growing. Meanwhile, people are still moving to the growing cities for work and study, while space for new construction is limited. Demand is growing faster than supply. For many households, high purchase costs are an obstacle, making renting the most feasible option.

This combination supports lettability. For residential properties in Amsterdam, Berlin, Brussels, Copenhagen and Stockholm, we foresee structural vacancy below 3%. Broad tenant demand can provide a basis for stable income, even when the economy is struggling. In addition, rent adjustments can offer partial protection against inflation, insofar as contracts and regulation allow.

Rental regulation differs from country to country and can change, sometimes at short notice. Navigating these different regulatory environments can be challenging, but it also creates opportunities for investors who are able to adapt. Interest rates are likely to remain elevated for some time, which calls for discipline on entry prices. Even so, the long-term fundamentals of European living are strong. That is why we believe that entering this market at the right price is one of the greatest long-term investment opportunities.

Different target groups offer different opportunities

Each market requires its own assessment. Based on demographic forecasts by Oxford Economics, we expect further growth of the 25 to 39 age group in Ireland, France, Belgium and the UK. In Germany and Finland, on the other hand, ageing weighs more heavily. The share of people aged 75 and over in Europe is expected to increase from about one in ten inhabitants to one in seven in 2040. This increases the need for senior housing and healthcare real estate. In addition, investing in social rental housing is organised differently in different countries. All of this offers opportunities for institutional investors.

Student housing also deserves attention. In our analysis, the number of available student beds amounts to between 15% and 20% of the total number of students in Europe. Students of course also live in regular rental homes. Precisely where these are expensive or difficult to obtain, the need for purpose-built student accommodation (PBSA) increases. International investing makes it possible to combine such different sources of housing demand in one portfolio, allowing the risk-return profile to be optimised.



Room for institutional capital

The development of the investment market also differs. For example, the Netherlands has a large, professionally and institutionally organised rental housing market: residential real estate makes up more than half of the Dutch investment universe mapped by MSCI. In other countries such

as Belgium, institutional investment in rental housing is still in its infancy. This offers room to develop new rental homes and living concepts together with local partners. By looking across borders, investors can combine established markets with markets where the institutional offering is still growing.

International investing through Bouwinvest

Bouwinvest is now extending its existing model of serving multiple institutional clients in the Netherlands to international real estate. Investors can turn to Bouwinvest for tailor-made strategies in Europe, North America and Asia-Pacific, through both private and listed real estate. In doing so, they gain access to more than twenty years of international investment experience, specialised local partners and the knowledge of Bouwinvest teams in Amsterdam, New York and Sydney. The strategy is aligned with their own objectives and frameworks for, among other things, return, risk, liquidity and sustainability. This allows them to make use of an existing international platform while shaping their own portfolio and mandate.

Within those international opportunities, European living stands out. The structural housing demand and the differences between countries and target groups offer opportunities for both return and diversification. European housing markets are often perceived as complex, but with the experience of Bouwinvest and local specialists, those differences can be better understood. For institutional investors, this is an invitation to look beyond their home market and give European living a place within a more broadly diversified real estate portfolio.

What can international real estate add to your portfolio?

We would like to get in touch with institutional investors who want to broaden their portfolio internationally. Together, we would be happy to explore how investments in European living and other international real estate sectors can contribute to your objectives. Jasper Petit would be happy to discuss the possibilities for your portfolio with you.



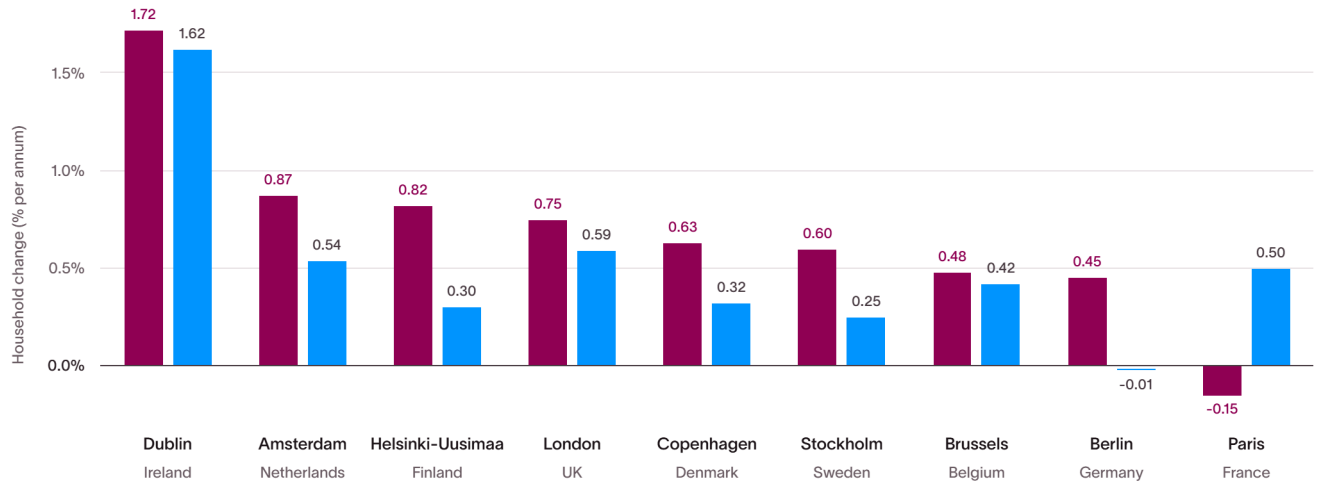
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HOUSEHOLDS · 2027–2036

Household growth in nine European capitals

Average annual change in the number of households, capital city compared with the country as a whole.



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