Press release

Union Investment

Hamburg, 6 March 2024

Portfolio resilience: European property investors focus on modernising their portfolios

- **Focus on performance, sustainability and portfolio resilience**
- **Investment climate slowly improving again**
- **Logistics markets with best investment environment**

Decarbonisation, digitalisation and demographic change: the property industry is facing a wide range of transformation challenges. The highest rise in interest rates in 60 years has also set in motion a rapid cyclical shift. As a result, European real estate investors will focus their strategies over the next two years on performance (79%), sustainability (73%) and portfolio resilience (68%). These are the findings of a recent survey conducted by Union Investment and Ipsos among 137 property companies and institutional property investors in France, Germany and the UK..

Focus on modernisation

To increase the resilience of their property portfolios, the majority of European real estate investors (61.1%) intend to invest primarily in modernising their portfolios over the next two years. 37.2% plan to sell properties in unattractive locations and buildings in need of modernisation over the next 24 months to make their portfolios even more resilient. And 31.3 per cent of respondents are focusing on smaller property sizes when buying in 2024/2025.

Many investors are buying fewer office buildings and reducing the proportion of office space in their portfolios. Union Investment, for example, has sold VisionCrest Commercial in Singapore, Shibuya Prime Plaza in Tokyo, Fifty-One in Zurich and Smultronet 6 in Stockholm in recent months. "Although the overall transaction volume on the property markets has fallen sharply and sentiment towards office property is rather negative, sales of office buildings can be realised at good prices even in these challenging times," says Martin Schellein, Head of Investment Management Europe at Union Investment.

42 per cent net buyers

According to the study, 42 per cent of European real estate investors will be net buyers this year. However, 28 per cent plan to sell more properties than they buy. For 23 per cent, the direction is not yet fixed. There are also clear differences between countries: While only 35 per cent of respondents in Germany consider themselves net buyers, the figure is 44 per cent in the UK and as high as 47 per cent in France. This year, 31 per cent of property investors surveyed in Germany and France are net sellers, compared with just 15 per cent in the UK.

Logistics market the most attractive one

The majority of European property investors (57%) expect European investment markets to recover by 2025. In fact, 28 per cent of respondents believe it will take even longer for the markets to regain momentum. Only twelve percent said they expected to see an upturn as early as this year. When asked which type of use would offer the best conditions for investment over the next twelve months, 37 percent of respondents said the logistics property market. 16 per cent voted for the hotel market, with retail, office and residential coming in third with 12 per cent each.

Investment climate on the rise

Overall, sentiment on European property markets is slowly recovering. While the real estate investment climate index calculated by Union Investment in Germany, France and the UK only rose in Germany (by 2.4 points) in the first half of 2023, the barometer is now turning positive in all three countries. In Germany, the rate rose by a further 0.8 points to 62.1 points in the second half of 2023 and in France by 3.4 points to 62.7 points. The UK saw the largest increase, up 4.2 points to 63.8, giving it the best property investment climate of Europe's three largest economies.

About the Union Investment survey

Union Investment's European Property Investment Climate Index has been calculated since 2005 and has been published every six months since spring 2008. The index is calculated from four sub-indicators: market structure, framework conditions, location conditions and expectations, each weighted at 25%. For the current evaluation, the market research institute Ipsos surveyed a total of 137 property companies and institutional property investors in Germany (n=52), France (n=58) and the UK (n=27) between November 2023 and February 2024.

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