

EUROPE CRE 360

ECONOMIC OUTLOOK
REAL ESTATE PERSPECTIVES



GLOBAL RESEARCH
February 2024

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BNP PARIBAS
REAL ESTATE

Real Estate for a changing world

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EXECUTIVE SUMMARY

IN A NUTSHELL



GLOBAL PICTURE REMAINS MIXED

- The latest economic data paint a mixed picture. In both the Eurozone and the US, the signal from most confidence surveys in December is encouraging. But it is still too early to conclude to a bottoming out.
- The economic situation also remains vulnerable to geopolitical tensions.
- Our 2024 growth forecasts for the OECD countries are close to those of the ECB.



INVESTMENT PLUMMETED IN 2023

- An unfinished repricing process kept Investment in the deep freeze over 2023
- All asset classes experienced a strong reduction. Offices (-59%) showed strongest declines while hotels (-26%) and retail (-40%) incurred the least declines. Logistics volumes fell 48% though this sector has experienced some of the most rapid repricing and may now be stable.



OFFICE: LETTING ACTIVITY REMAINED SUBDUED IN 2023

- 7.60 m sqm was transacted in Europe's 17 main markets over 2023, down by 19% vs 2022. Annual volumes are below their long-term average (-16%).
- This decline is mostly due to a reduced number of very large transactions. Occupiers are looking for space optimization to meet hybrid working patterns and reduce costs.



LOW MOMENTUM FOR EUROPEAN LOGISTICS

- Take-up decreased by 35% in 2023 in the leading European countries whilst vacancy rates remained low, still creating upward pressure on rents.
- The investment market bottomed out; the volumes were reduced by half in 2023. Yield correction is nearly complete in most countries and signs of improvements are expected in the next quarters.



RETAIL: A MIXED PICTURE FOR THE MARKET

- Although European retail has seen a drop in investment compared to Q4 2022, it is regaining market share, taking second place in the French investment market.
- Despite its difficulties in high street and shopping centres in particular, the occupier market remains resilient, thanks to the continuing strong flow of tourists across Southern/Mediterranean Europe.



RESIDENTIAL: A FADING CYCLE

- Residential investment plummeted by 46% in 2023 y/y. Housing transaction volume dropped by 13% driven by tight credit conditions. Consequently, house prices in Europe continue to fall at -1.6% vs last year. Rental values are still booming owing to the shift in the monetary policy and the drop of listed property put up for rent.

01.

ECONOMIC OUTLOOK

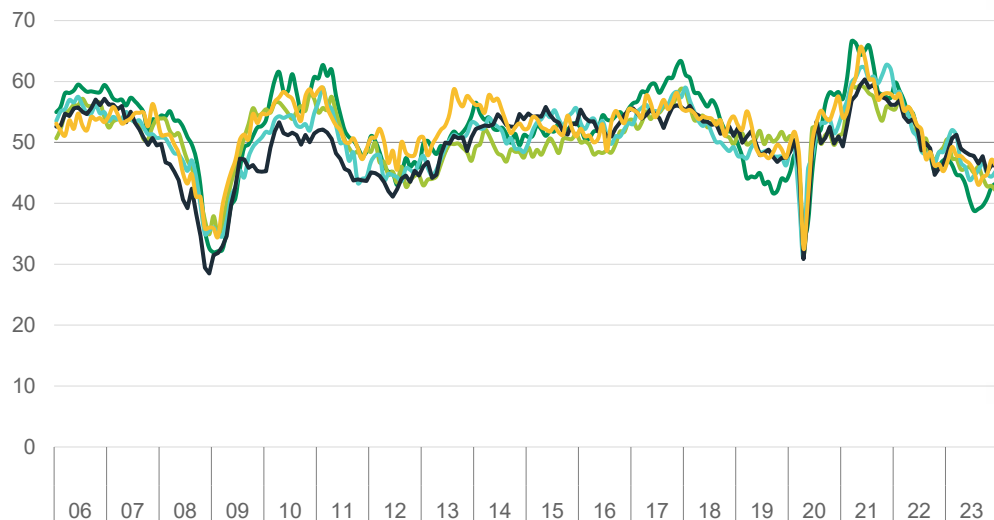


EUROPE
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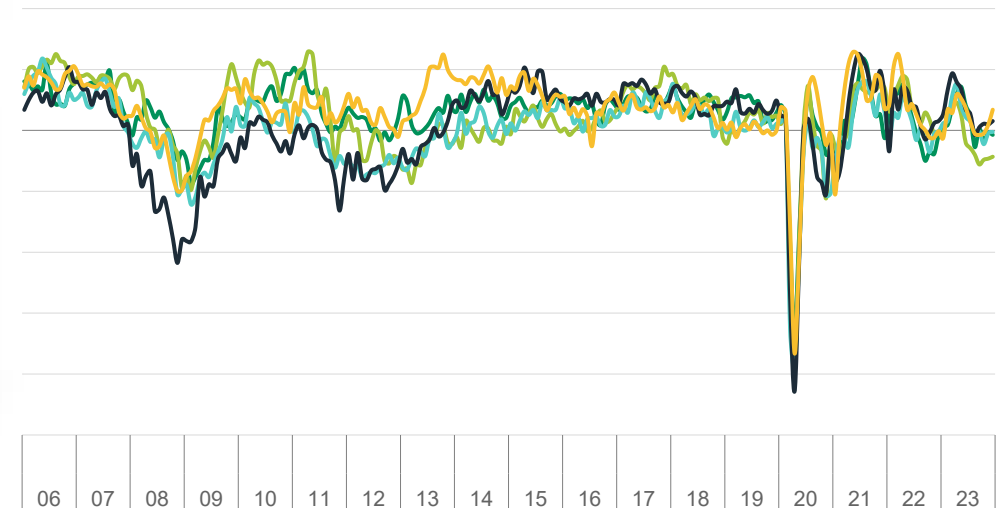
PURCHASING MANAGER INDEX SURVEYS

GLOBAL PICTURE REMAINS MIXED

Manufacturing



Services



DYNAMICS APPEAR FAVOURABLE IN THE EUROZONE

The signal from most confidence surveys is slightly encouraging, especially in the euro area. Not only did the European Commission's economic sentiment indicator pick up significantly in December 2023 for the third consecutive month, but the increase was driven by all components (business sector sentiment and consumer confidence)

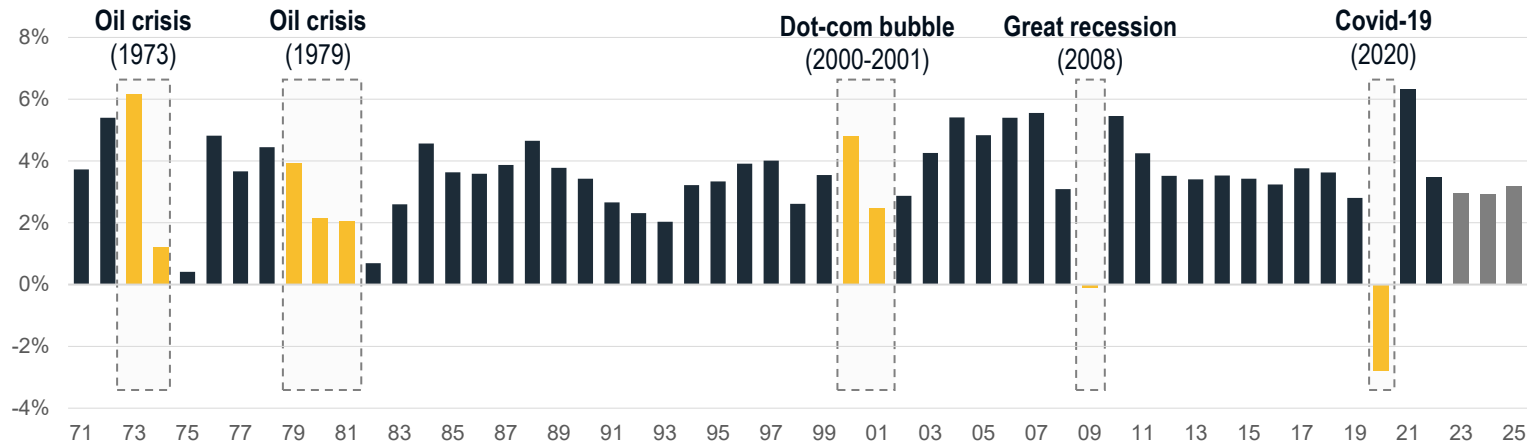
The good news also includes stabilisation in December of the Eurozone's PMI composite index (47.6), thanks to the small improvement in services (+0.1, to 48.8) offsetting the deterioration in the manufacturing sector (-0.2, to 44.4, output component). Decline in the latter is of lower magnitude due to improvement in the new orders and export components.

Sources: S&P, BNP Paribas Economic Research.

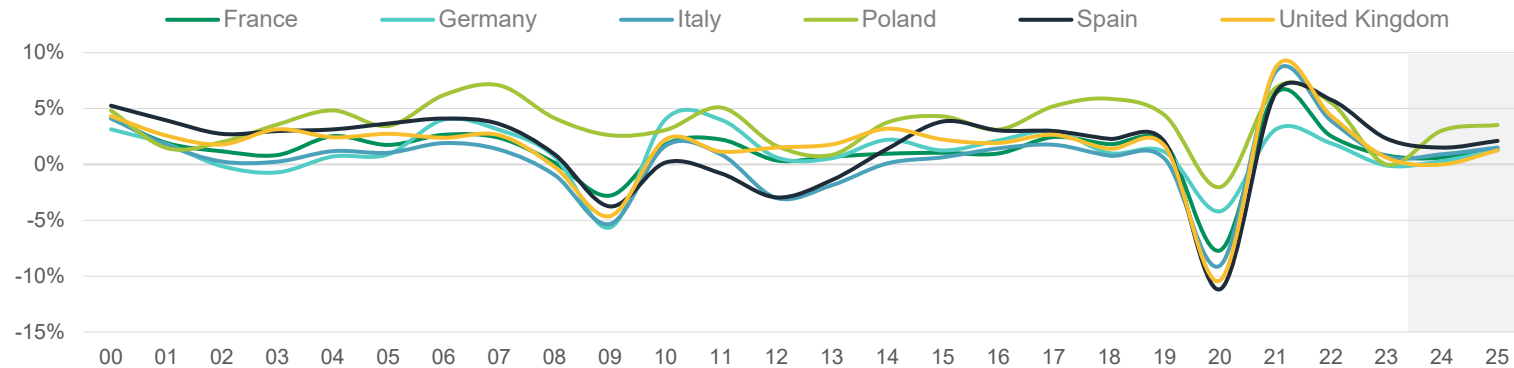
ECONOMIC OUTLOOK

WHAT OUTLOOK FOR THE MAIN ECONOMIES?

World GDP



GDP growth in European countries



Global picture remains mixed

- The latest economic data paint a mixed picture. In both the Eurozone and the US, the signal from most confidence surveys in December is encouraging. But it is still too early to conclude to a bottoming out.
- Non-farm payrolls in the US remained robust in December. But the collapse of the employment component of the ISM survey in the non-manufacturing sector looks alarming and business failures are on the rise.
- The economic situation also remains vulnerable to geopolitical tensions.

Encouraging news in Europe

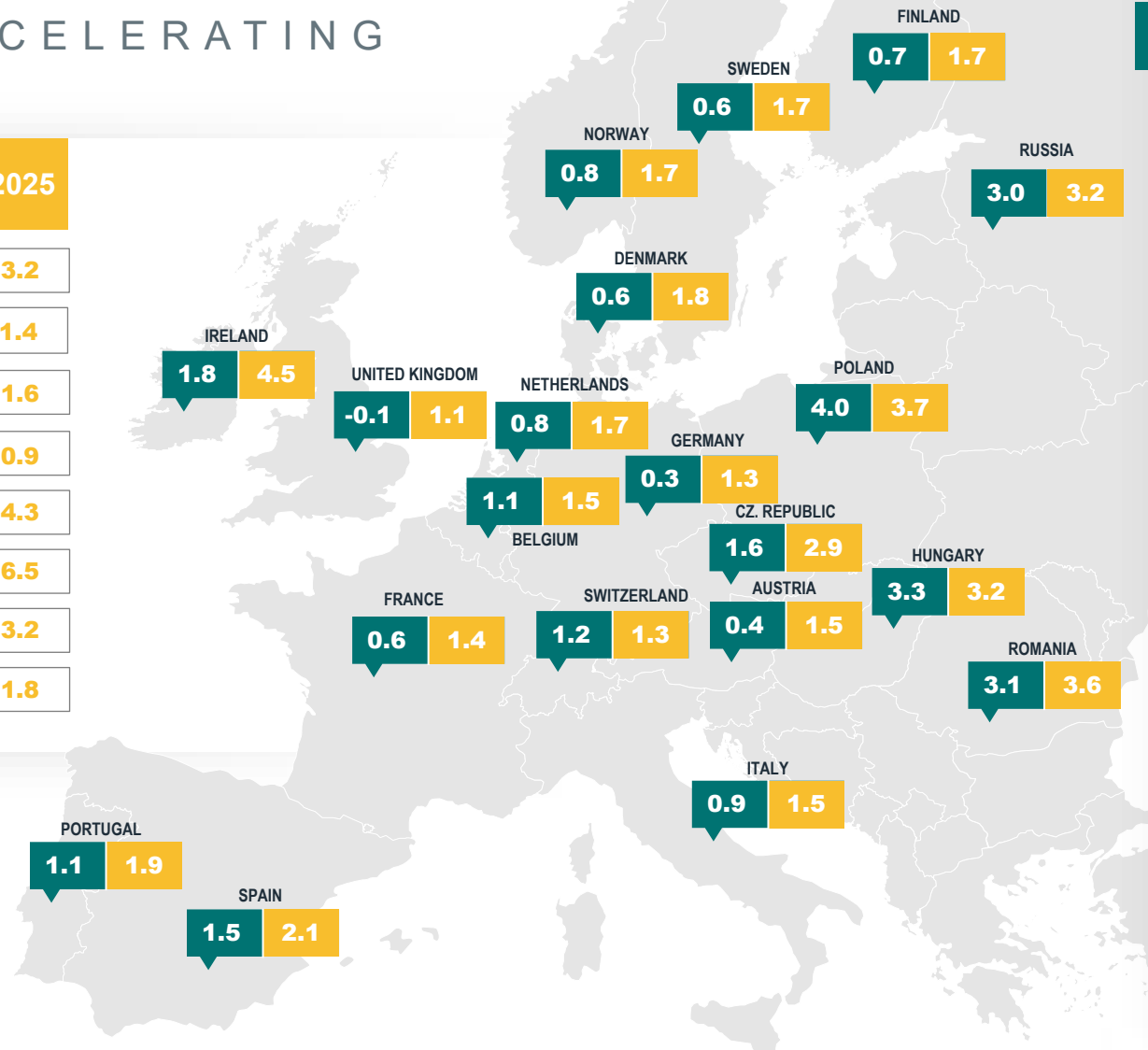
- According to the first estimate, real GDP in the Eurozone contracted slightly in Q3 (-0.1% q/q) after two quarters of stagnation.
- The negative effects of monetary tightening are expected to continue to weigh on economic activity this winter. Apart from the possibility of a small technical recession in the second half of 2023, activity is expected to stabilize in the first quarter of 2024, before a more pronounced recovery from spring onwards.
- This would be underpinned by a first rate cut by the ECB, which we expect to happen mid 2024.

GDP GROWTH IN EUROPE

ACTIVITY IS DECELERATING

FORECAST (%)

	2023	2024	2025
World	3.0	2.9	3.2
United States	2.5	2.0	1.4
Euro area	0.5	0.6	1.6
Japan	2.1	0.8	0.9
China	5.2	4.5	4.3
India	7.5	7.0	6.5
Russia	3.0	3.0	3.2
Brasil	3.1	1.8	1.8



A more resilient economic scenario

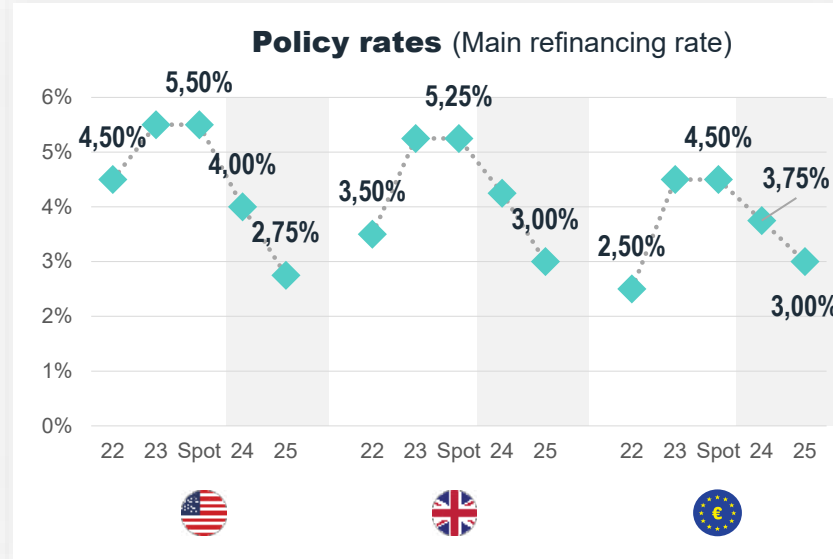
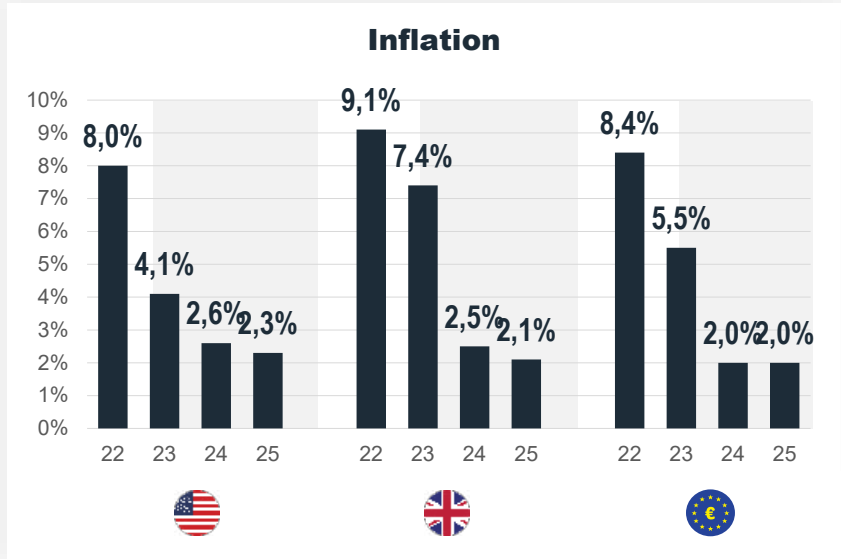
- Our 2024 growth forecasts for the OECD countries are close to those of the ECB.
- US activity decelerated only slightly in the first half of 2023 thanks to the resilience of household consumption and the strength of non-residential investment. Q3 GDP growth was even stronger but a sharp slowdown remains expected in Q4 because of the diminution of excess savings and the ensuing loss of momentum of the household consumption engine.
- Economic growth in China rebounded in early 2023 following the end of the zero Covid policy, but the recovery has weakened very rapidly. Export momentum has stalled due to depressed global demand and tensions with the US.
- According to our forecasts, eurozone activity is likely to stall in Q4 2023, under the effects of a contraction in GDP in Germany and France, which should be offset by growth in Italy and, above all, Spain.

Source: BNP Paribas Real Estate Research

FINANCIAL OUTLOOK

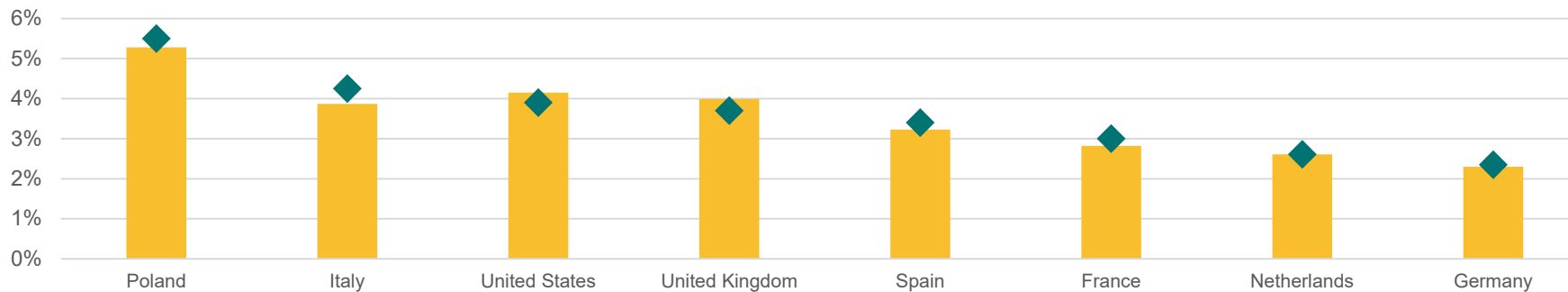
ECONOMIC AND FINANCIAL INDICATORS

Lower central bank rates



- The rate hike cycle is coming to an end. The weakening of economic activity and lower inflation have met some of the preconditions needed for the Fed, ECB and the BoE to move towards a neutral stance.
- The neutral stance (neither increase or decrease) is a necessary first step before committing to monetary policy loosening. It provides central banks with room to move rates back up if there is a resurgence in inflation. Consequently, policy rates may be held at their current high level for an extended period, until mid-2024 according to our forecasts.
- The first rate cuts are likely to accompany a consistent downward fall in core inflation plus moderation in wage growth (a key indicator under scrutiny).
- The consensus expects the ECB to start reducing rates in July, bringing the deposit rate back to 3.25% by the end of the year.
- Rate reduction will not reverse all the increases seen. As a result, monetary policy may remain restrictive over most of 2024 and perhaps into 2025.

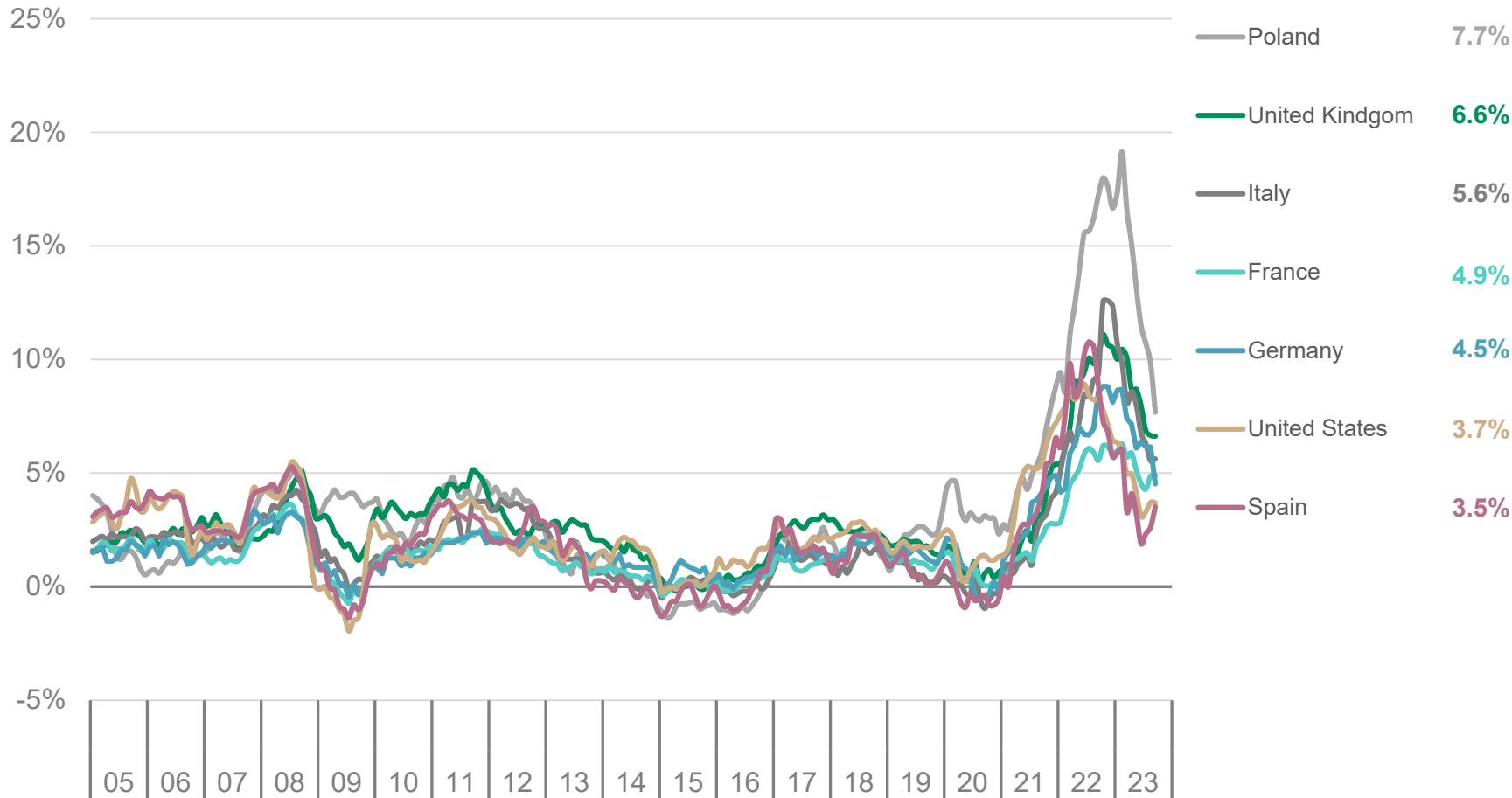
10-year government bonds



Sources: BNP Paribas Economic Research, OECD.

INFLATION IN EUROPE

CORE INFLATION NOW ON A DOWNWARD PATH



Disinflation is a slow process

- The annual headline inflation rate increased in December 2023 over the November figure though this does not indicate an inflationary surge is returning.
- Increase is mostly a technical index effect. The pickup in the headline rate was expected because energy price deflation is slowing down relative to last year.
- It masks a further decline in core inflation and a positive momentum towards a lower inflationary environment. Headline inflation is expected to resume falling from January.
- The question remains how fast the 'last mile' will be covered, between the current rate of around 3% and the central bank 2% target.
- According to our current forecasts, the euro area may win the race, with the inflation target reached in June.
- In contrast, the United States CPI inflation measure is less likely to reach the 2% target by year-end: it may stand at 2.5% y/y (2.7% on annual average).

Sources: BNP Paribas Economic Research, OECD.

02.

**REAL ESTATE
PERSPECTIVES**

02.

REAL ESTATE PERSPECTIVES

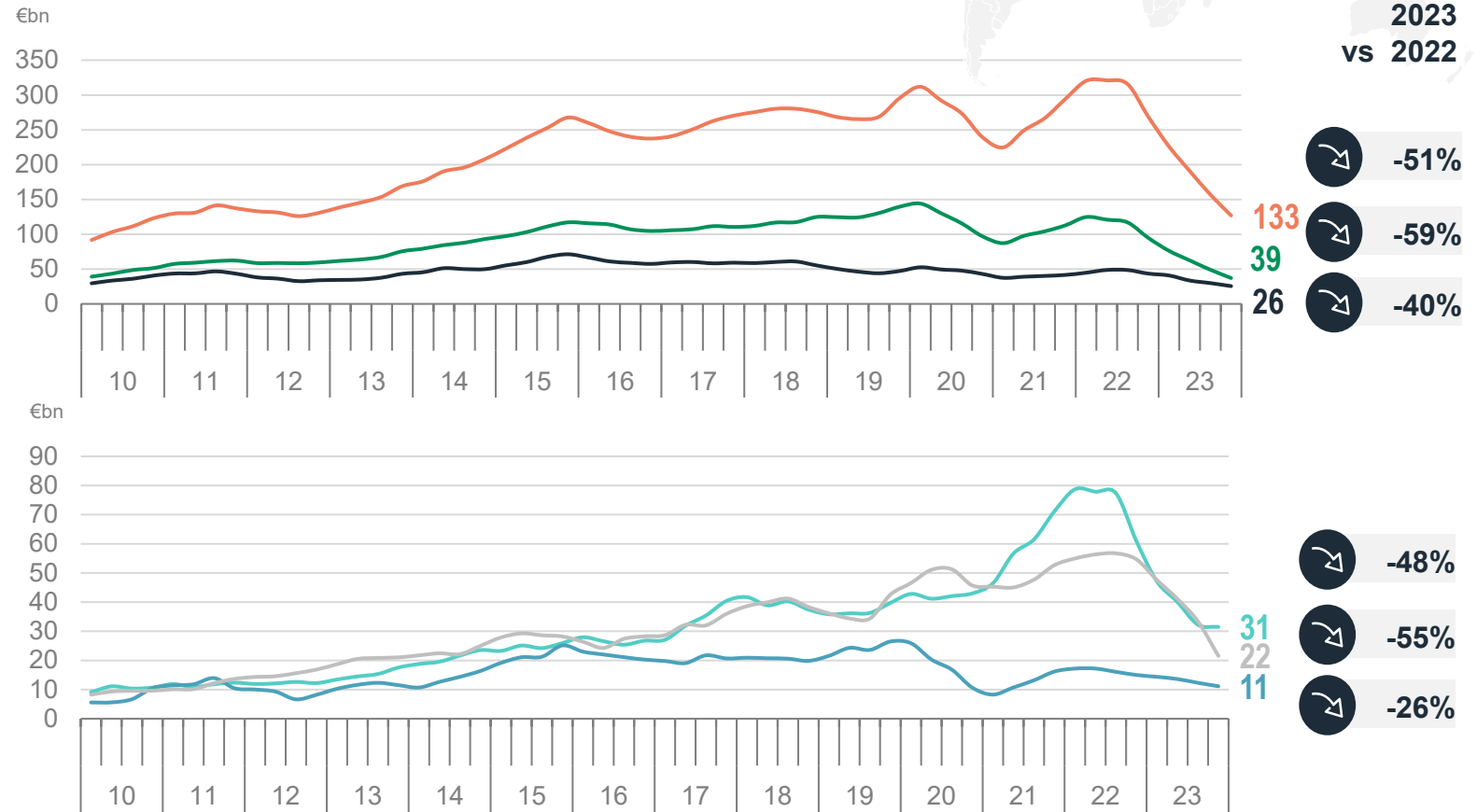
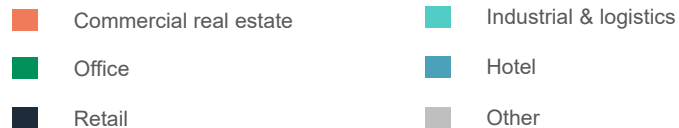
CAPITAL MARKETS

INVESTMENT IN EUROPEAN COMMERCIAL REAL ESTATE

BREAKDOWN BY ASSET CLASS

An unfinished repricing process kept investment in the deep freeze over 2023

- The market year-end total of €133bn for 2023 (-54% Q4 2022 – Q4 2023) is far behind Q1 2021's pandemic induced low point.
- The ever-shifting ground of financing costs that characterised much of 2023 extracted a toll on European investment activity. The elongated nature of the monetary policy cycle created difficulties establishing suitable pricing against bond yields and acceptable lending costs.
- All asset classes experienced a strong reduction. Offices (-59%) recorded the strongest declines due to difficult pricing plus structural changes from energy compliance and hybrid working.
- Hotels (-26%) and retail (-40%) incurred the least declines. Logistics volumes fell 48% though this sector has experienced some of the most rapid repricing and may now be stable.



This excludes residential investment.

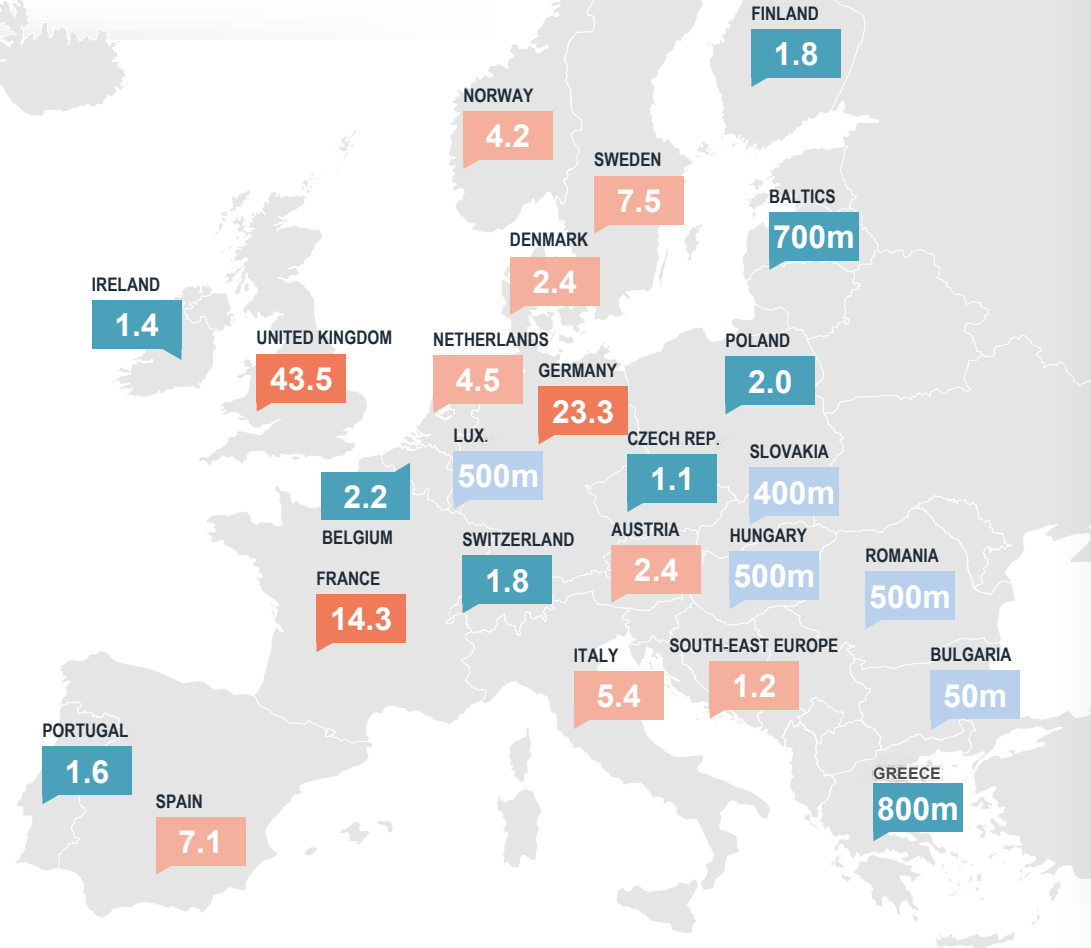
COMMERCIAL REAL ESTATE INVESTMENT

2023 vs 2022

	UNITED KINGDOM	-43%
	GERMANY	-57%
	FRANCE	-51%
	SWEDEN	-53%
	NETHERLANDS	-66%
	SPAIN	-45%
	ITALY	-49%
	NORWAY	-47%
	POLAND	-65%
	BELGIUM	-74%
	DENMARK	-58%
	FINLAND	-63%
	IRELAND	-66%
	AUSTRIA	-7%
	LUXEMBOURG	-35%

	≥ €10bn		€700m-2bn
	€2-10bn		< €700m

(excludes residential investment)



EUROPE – 2023

€133.2bn

-51% vs 2022

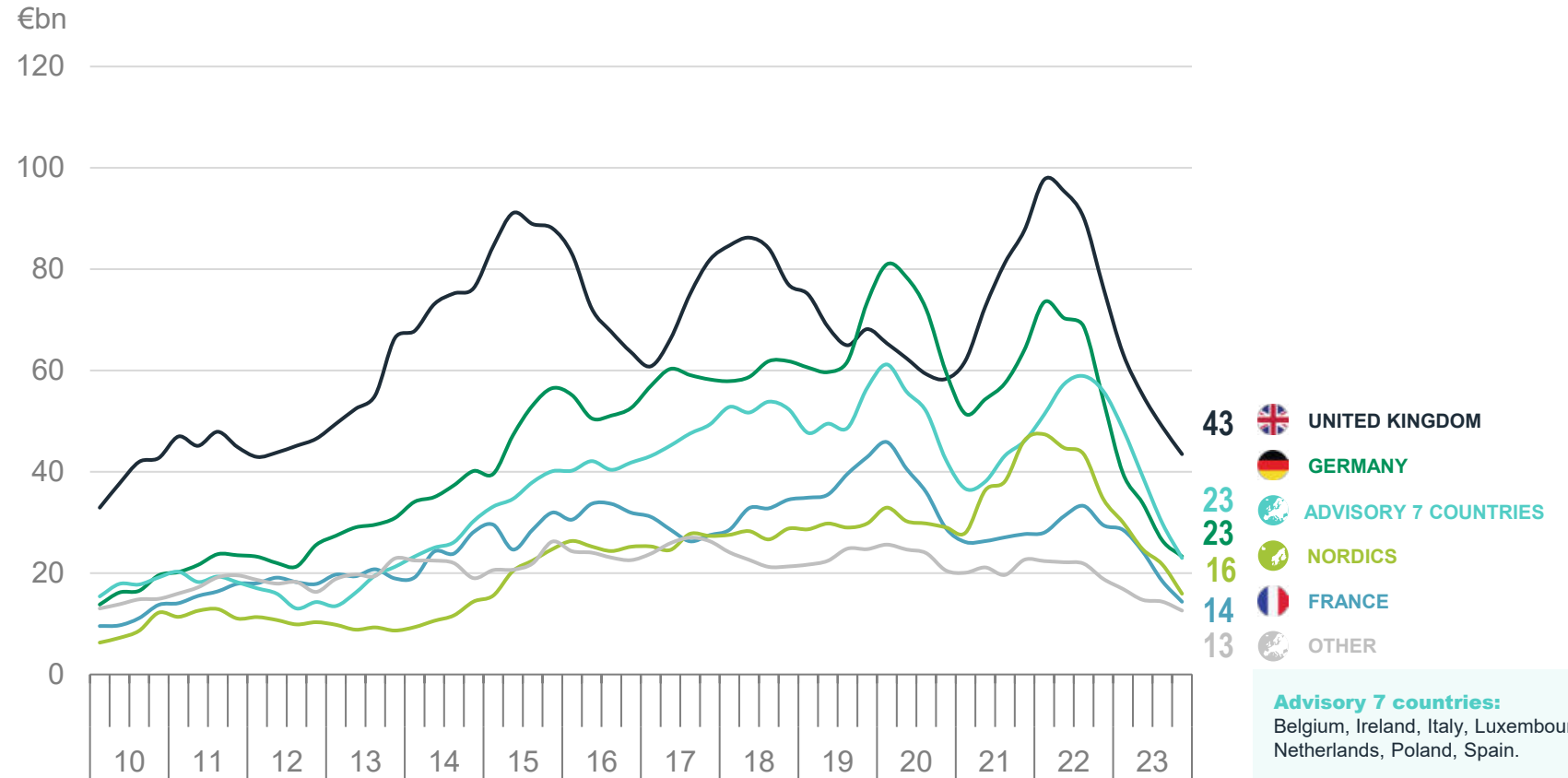
- €133.2bn were invested in Europe over 2023, which represents a 51% decrease vs 2022.
- Some countries experienced a strong decline : Germany (-57%), the Netherlands (-66%), Belgium (-74%); Ireland (-66%), Finland (-63%), Poland (-65%), or Denmark (-58%) while declines in Austria (-7%) or Luxembourg (-35%) were of lower magnitude.

Source : BNP Paribas Real Estate

COMMERCIAL REAL ESTATE INVESTMENT VOLUME

INVESTMENT VOLUMES ARE CLOSE TO BOTTOMING OUT

- With a global reset in financial conditions, no country can escape consequences, no matter how large the domestic market is. More so these days for Europe given the international nature of real estate investment.
- Consequently, all countries have headed down towards ten-year lows over 2023. Nonetheless what is notable is that the relative shares of investment have not really altered.
- The big three individual countries - UK Germany and France - remain in their respective positions albeit at lower volume levels.
- With the pace of volume declining slowing, investment volumes may be close to bottoming out and 2024 likely to be start of a new cycle.



Source : BNP Paribas Real Estate Research

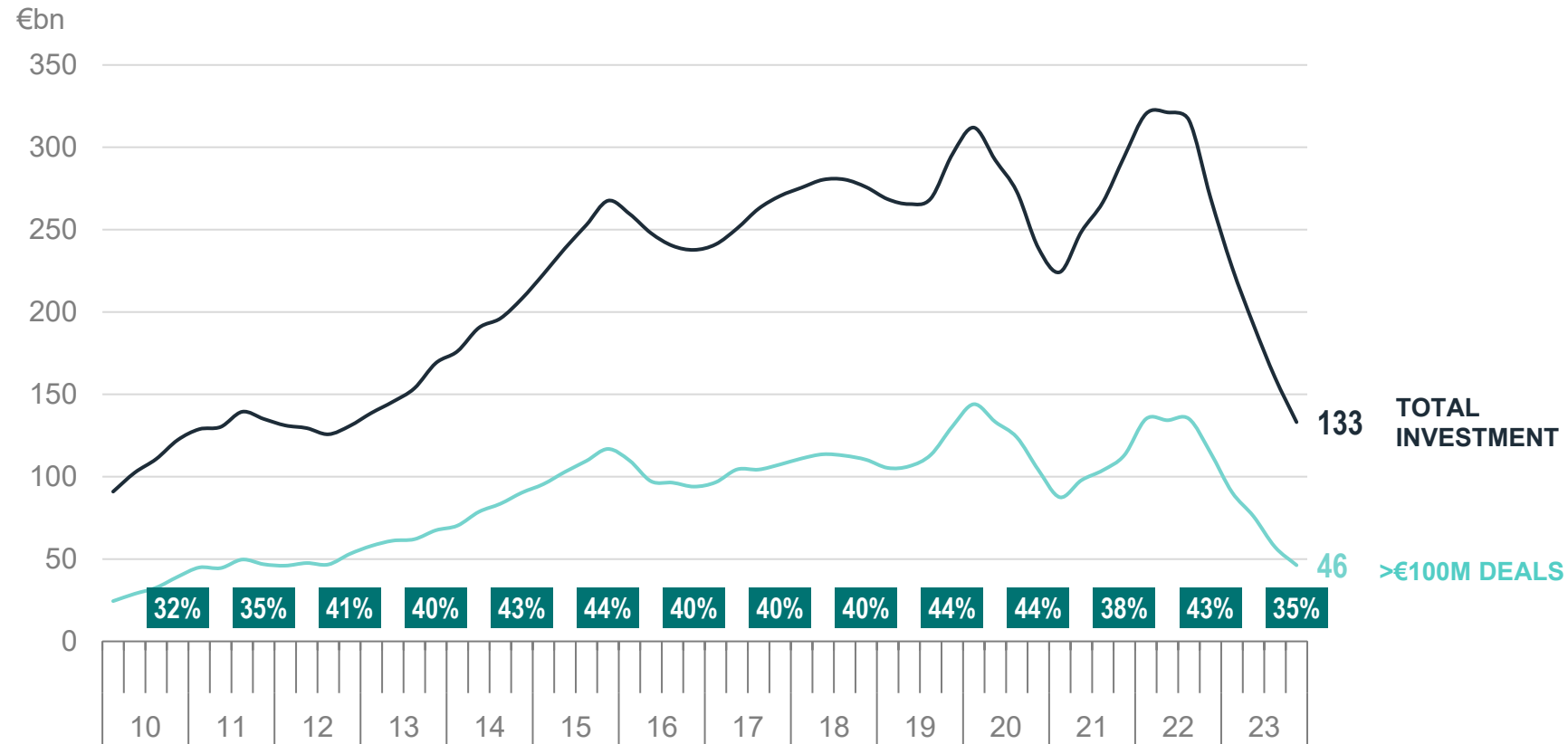
INVESTMENT BY SIZE BAND

Mega deals are bottoming out

- The peak in mega deals (>€100m) occurred in Q1 2020 with a record figure of €144bn (on a rolling-year basis). That is 46% of the total investment, an unusually big share for a Q1 and may not reappear for the time being.
- Prior to global interest rate cycle tightening, the segment was regaining momentum reaching €135bn at Q3 2022. The mega deals volume dropped over Q4 2022, and volumes are now at a ten-year low.
- Mega deals are among the complicated and time consuming to complete. In an environment where the debt financing is expensive and not stable, only the very cash rich or those with very low leverage can entertain deals of this nature.
- Consequently, the share of mega deals represents 35% of investment with €46bn spent over 2023. This is a low level when put in perspective with historic figures of the last ten years.

Commercial Real Estate Investment in Europe

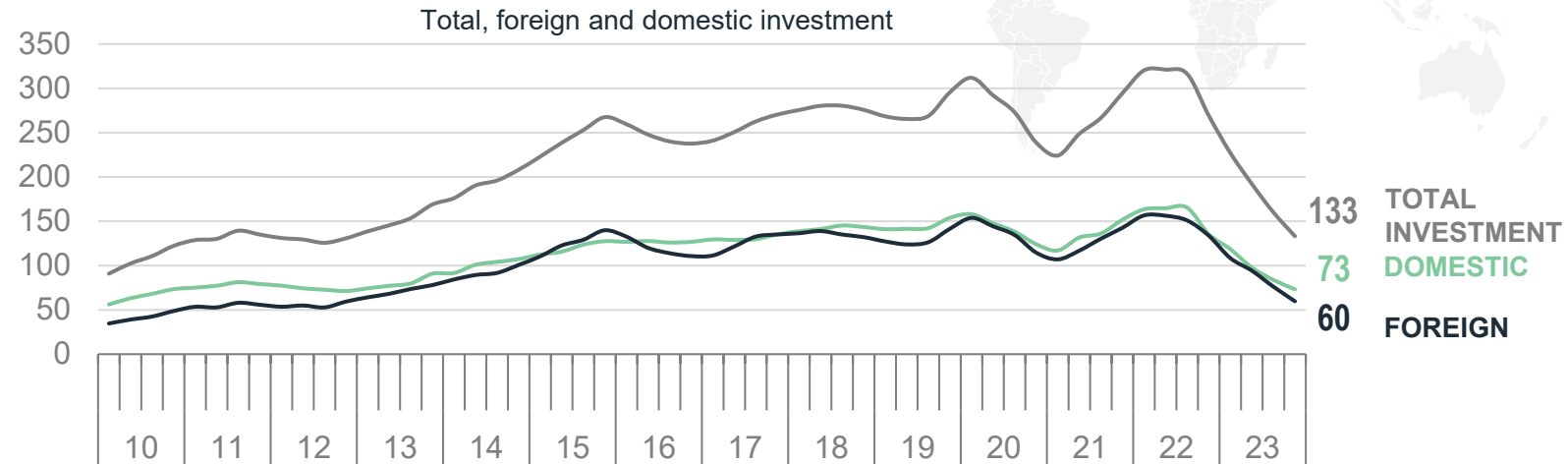
Total and >€100m size band - volume and share



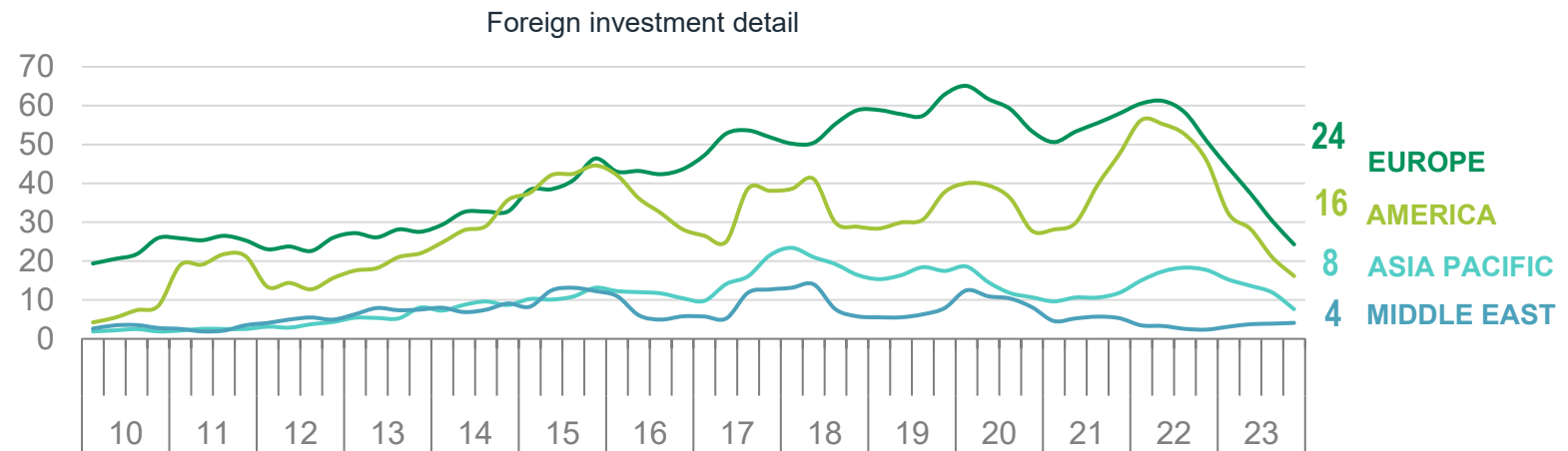
CROSS-BORDER INVESTMENT MARKET

- It has been a quieter year for foreign investment though not a complete absence of activity. Over 2022, foreign investment was very high during the first three quarters, peaking at €157bn (on a rolling-year basis) in Q1. It then declined sharply from Q4 2022 reaching €60bn in Q4 2023 (-55%).
- Within foreign investment, European cross-border investment declined in line with the overall reduction in activity (-52%). It represents 41% of foreign investment, a smaller share than during the Covid-19 years, and comparable to pre-pandemic times.
- Investment from other continents shows contrasting developments. American investors showed less interest in the European market (-65%) but are still the largest overall with 27% of foreign investment.
- Investment from Asia Pacific also scaled back over 2023. With more than €7bn invested (-57%), Asian investor share accounts for 13% of foreign investment.
- Middle East investors became more interested in the European markets. More than €4bn has been invested, reflecting growth of 73%. They accounted for 7% of all foreign investments made in 2023.

Commercial Real Estate Investment in Europe



Commercial Real Estate Investment in Europe



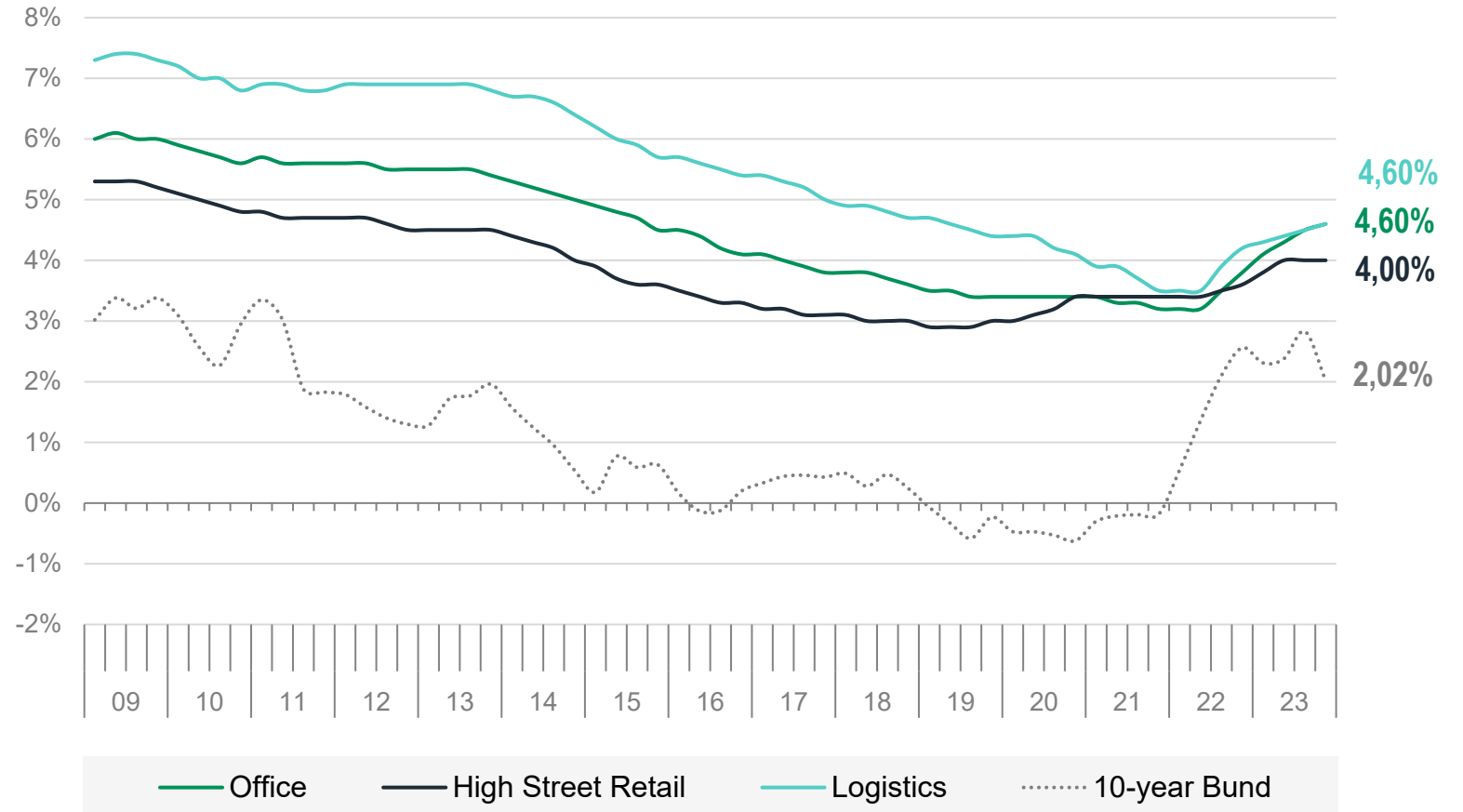
AVERAGE PRIME YIELDS IN EUROPE

BASED ON 16 MARKETS

Only a little further to go

- 2023 will be regarded as the year of yield decompression with European markets characterized by protracted price discovery processes across all asset types.
- Prolonged price discovery reflects the similarly protracted nature of monetary policy. It has taken the whole of 2023 for central banks to get on top of persistent inflation. Instead of ending the interest rate tightening cycle in early 2023 as many hoped, central banks maintained the tightening process into the third quarter.
- This meant the bond yield gap with real estate only truly began to firm up in H2 2023. It means that the rethinking about the prices being paid for assets has a clearer framework and prices have better chance to settle.

Based on 16 cities: Amsterdam, Berlin, Brussels, London, Paris, Dublin, Frankfurt, Hamburg, Lisbon, Luxembourg, Madrid, Milan, Munich, Prague, Vienna and Warsaw.



Source : BNP Paribas Real Estate

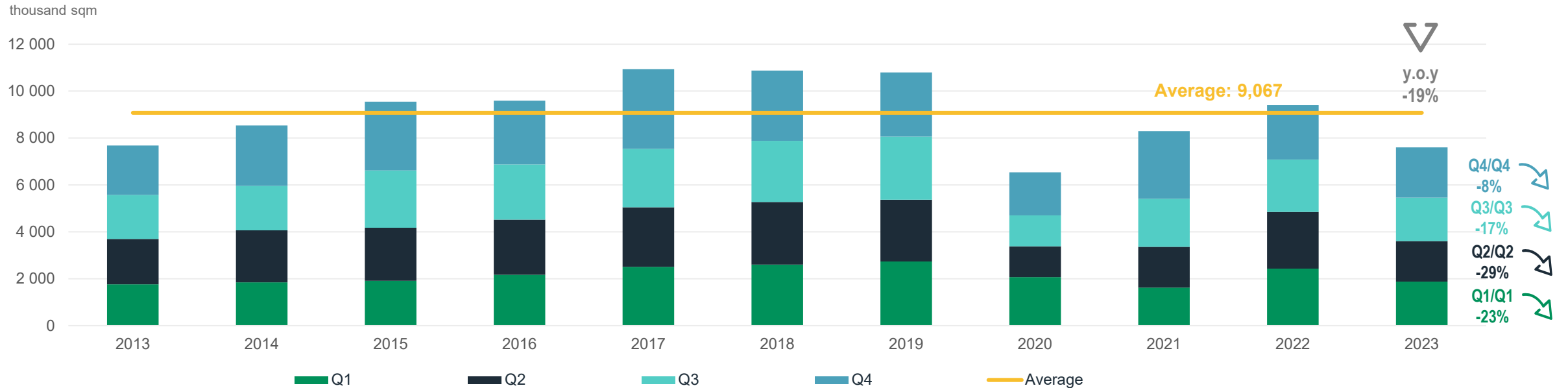
02.

REAL ESTATE PERSPECTIVES

OFFICE MARKETS

OFFICE TAKE-UP IN EUROPE – 2023

17 MAIN EUROPEAN OFFICE MARKETS *



* Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Central Paris, Central London, Brussels, Barcelona, Madrid, Dublin, Milan, Rome, Luxembourg, Amsterdam, Warsaw

Letting activity remained subdued in 2023

- 7.60 m sqm was transacted in Europe's 17 main markets over 2023, down by 19% vs 2022.
- Annual volumes are below their long-term average (-16%).
- Most European markets experienced significant declines in volumes including Dublin (-50%), Central London (-23%), Barcelona (-18%) and the six main German markets (-26%).
- Madrid (-1%), Brussels (+9%) and Rome (+78%) stand in contrast with some stabilization or even acceleration.

Source: BNP Paribas Real Estate Research.

OFFICE TAKE-UP IN EUROPE

A QUIET YEAR FOR LARGE DEALS

2023 vs 2022

	CENTRAL LONDON	-23%
	BERLIN	-30%
	CENTRAL PARIS	-20%
	AMSTERDAM	-18%
	MADRID	-1%
	MILAN	-11%
	WARSAW	-241%
	BRUSSELS	+9%
	DUBLIN	-50%
	LUXEMBOURG	-16%

Deals in thousand sqm



	> +5%
	0 - +5%
	-5 - 0%
	< -5%



EUROPE – 2023

9.92m sqm 31 markets
-17% vs. 2022

Take-up scales down

- Take-up at the end of 2023 declined by 17% compared to 2022.
- Most markets have experienced a decline in volumes, mostly due to a reduced number of very large transactions (over 10,000 sqm).
- However, a few markets such as Madrid, Milan and Rome continue to show good momentum with annual volumes surpassing their long-term average.

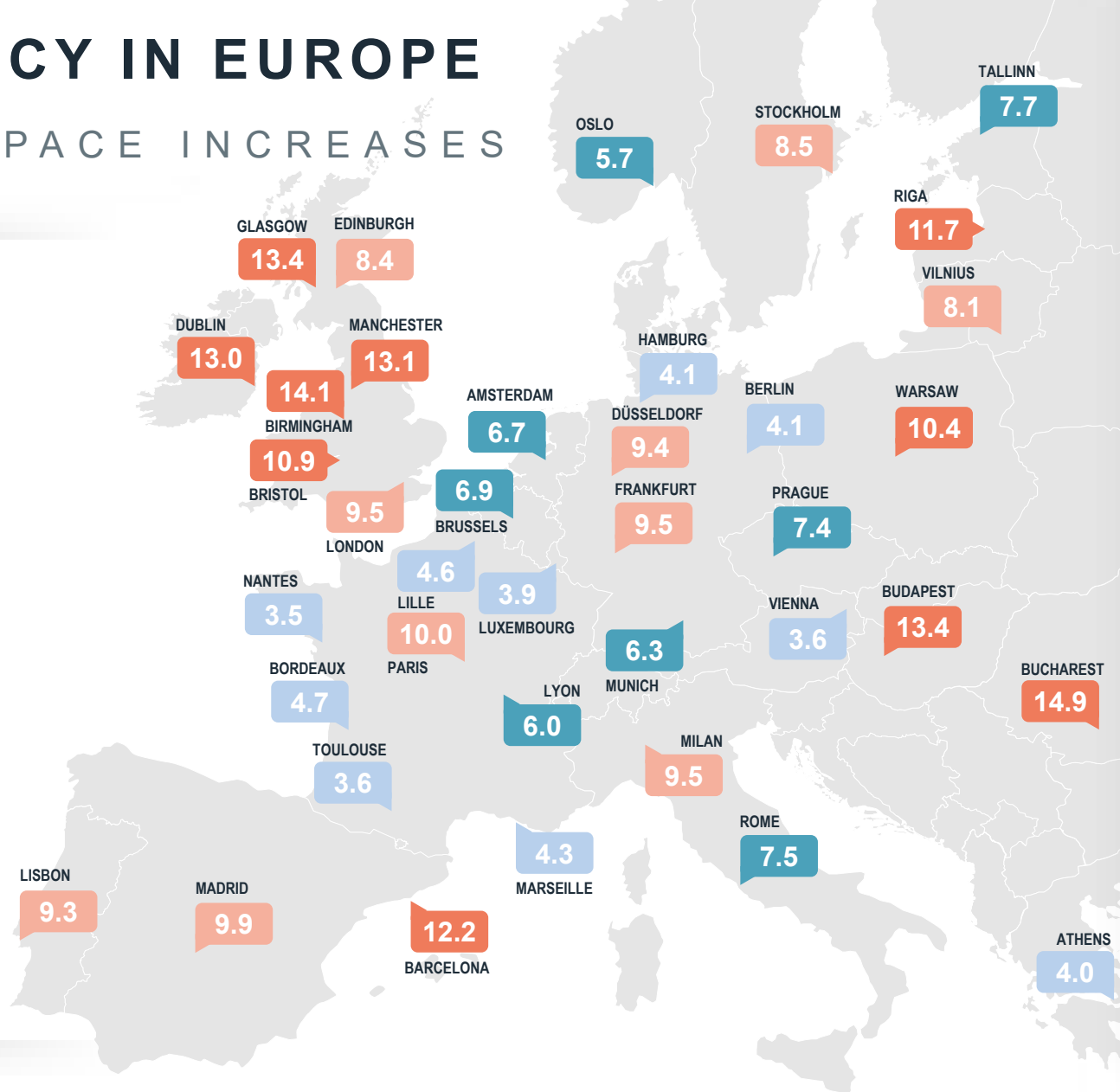
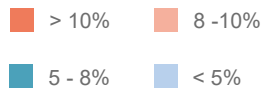
Source : BNP Paribas Real Estate

OFFICE VACANCY IN EUROPE

SECOND-HAND SPACE INCREASES

Q4 2023 vs Q4 2022

	CENTRAL LONDON	+10bp ↗
	BERLIN	+90bp ↗
	CENTRAL PARIS	+100bp ↗
	AMSTERDAM	+20bp ↗
	MADRID	→
	MILAN	-130bp ↘
	WARSAW	-120bp ↘
	BRUSSELS	-60bp ↘
	DUBLIN	+60bp ↗
	LUXEMBOURG	+40bp ↗



EUROPE – Q4 2023

8.0% 32 markets
+40bp vs. Q4 2022

- The overall vacancy rate in Europe stood at 8.0% at Q4 2023 (+40bp vs. Q4 2022).
- Expansion is the consequence of a growing geographical mismatch in supply and demand. Low availability in central submarkets and in new buildings secures demand. Much higher vacancy rates though are found in peripheral office districts.
- Trends vary between markets: Munich, Frankfurt, Central Paris and Berlin saw a significant rise (100 bp or higher). Central London and Amsterdam experienced moderate increases. In Milan and Warsaw, the vacancy rate markedly declined.

Source : BNP Paribas Real Estate

OFFICE PRIME RENTS IN EUROPE

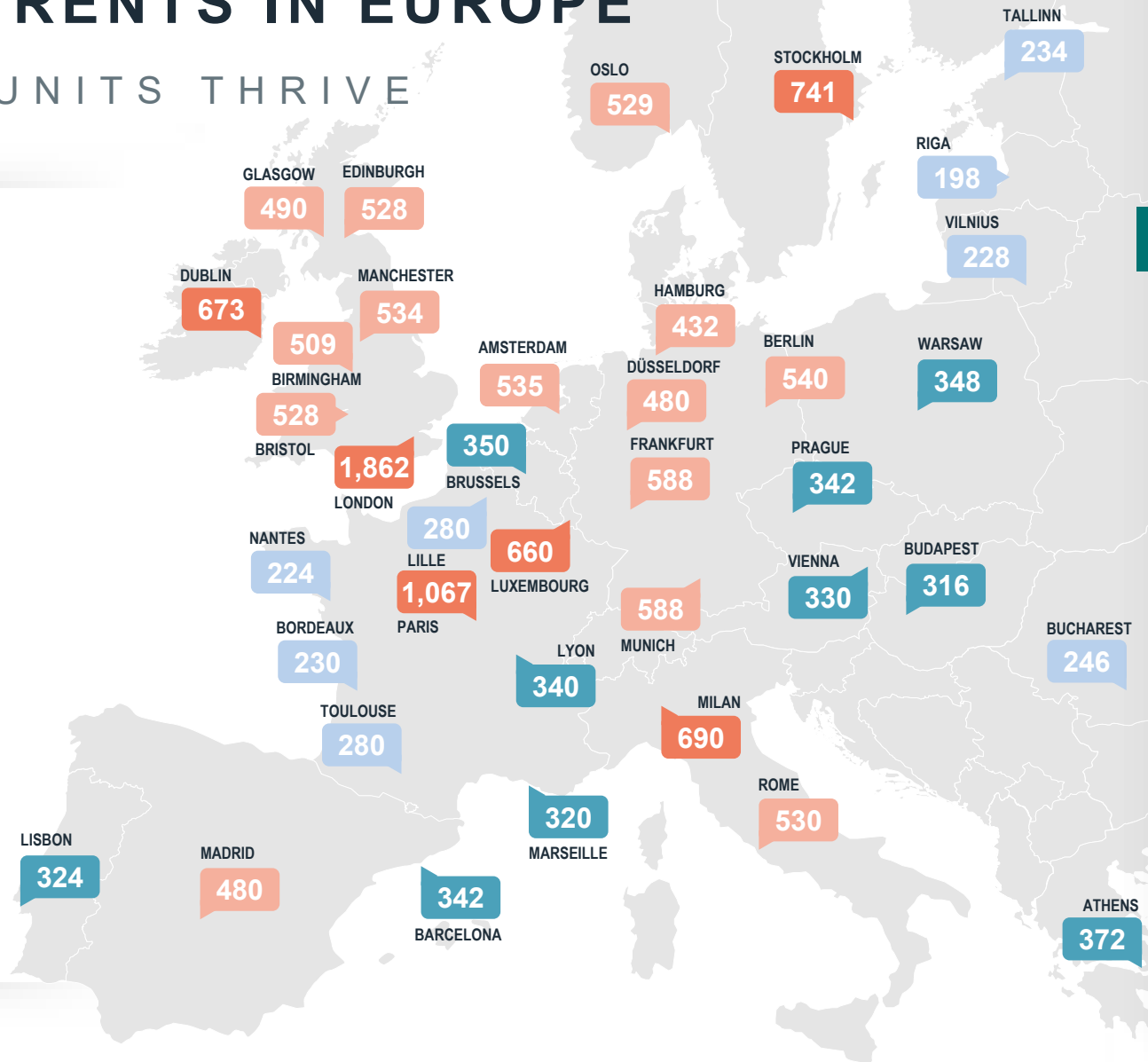
BEST IN CLASS UNITS THRIVE

Q4 2023 vs Q4 2022

	CENTRAL LONDON	+7%
	BERLIN	+2%
	CENTRAL PARIS	+7%
	AMSTERDAM	+8%
	MADRID	+9%
	MILAN	+1%
	WARSAW	+7%
	BRUSSELS	+6%
	DUBLIN	=
	LUXEMBOURG	=

Rents (€/sqm/year)

	> €600		€400-600
	€300-400		< €300



Prime rents still driven by high demand for top space

- The very low availability of prime assets and the appeal of high-quality buildings located in the most sought-after districts continue to drive values up.
- Workplace plays a key role in attracting and retaining talent, both in terms of space quality and location.
- Over the past 12 months, Madrid (9%), Amsterdam (+8%), Central Paris, Central London and Warsaw (+7%) have seen the most significant increases in values.

Source : BNP Paribas Real Estate

02.

REAL ESTATE PERSPECTIVES

LOGISTICS MARKETS

LOGISTICS WAREHOUSING MARKET IN EUROPE

LOGISTICS IN A NUTSHELL



MARKET FUNDAMENTALS REMAIN HEALTHY

- Take-up decreased significantly in 2023 in the leading European countries. The manufacturing sector feels the effect of slower demand and new orders weakening.
- Market fundamentals remain healthy with vacancy rates below 5% in most countries and the lack of new developments still contribute to rental growth in prime sectors.



SLOWDOWN IN 2023 FOR LOGISTICS INVESTMENT

- 2023 experienced significant slowdown in investment. It is the result of rapid adjustment in the macro financial environment with bond yield expansion and rising interest rates.
- Yield decompression is effectively drawing to a close in most countries and stabilisation is expected in the next few quarters. This could unlock investment activity in 2024.



A MORE RESILIENT ECONOMIC SCENARIO

- The negative effects of monetary tightening are expected to continue to weigh on economic activity in the Eurozone this winter.
- Apart from the possibility of a small technical recession in the second half of 2023, activity is expected to stabilize in the first quarter of 2024, before a more pronounced recovery from spring onwards.



CORE INFLATION NOW ON A DOWNWARD PATH

- The weakening of economic activity and lower inflation have met some of the preconditions needed for the Fed, ECB and the BoE to move towards a neutral stance.
- The consensus expects the ECB to start reducing rates in July, bringing the deposit rate back to 3.25% by the end of the year.



STRONG POTENTIAL OF GROWTH FOR ONLINE SALES

- Online accounts for 12% of total retail sales in Europe. There are great differences between countries though, with northern European countries tending to have greater share. Changing shopping habits is a structural demand driver for warehousing space. As online shopping grows, so does reverse logistics, increasing the space needed.



THE CHOICE OF LOCATION REMAINS PARAMOUNT

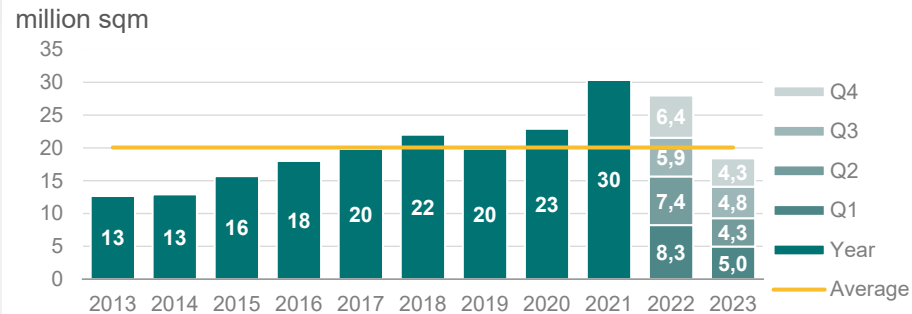
- As retailers develop omni-channel solutions, the choice of location for last mile delivery along with regional delivery network is of fundamental importance. The main challenge faced with both is land availability.

LOGISTICS OCCUPIER MARKET IN EUROPE

TAKE-UP IN 6 COUNTRIES: -35% (2024 VS 2023)

BELOW ITS 5-YEAR AVERAGE, THE MARKET IS CLOSE TO 1999 LEVELS

- In 2023, the market decreased by 35% in the leading European markets. This is compared with the exceptional volumes recorded in 2021 and 2022. Most countries achieved volumes close to the levels recorded in 2019 and 2020.
- Logistics markets were boosted by e-commerce and food retailers over the past five years. Given the economic uncertainties recorded since last December, it is not surprising to see some signs of slowdown in most countries.
- The risk of oversupply remains limited even though vacancy rates have been increasing in some markets. Overall, these remain low at sub 5% in most European countries.
- New developments are still insufficient to meet demand, yet few speculative developments are launched.
- The lack of new products and strong demand in prime locations continue to create upward pressure on rents.



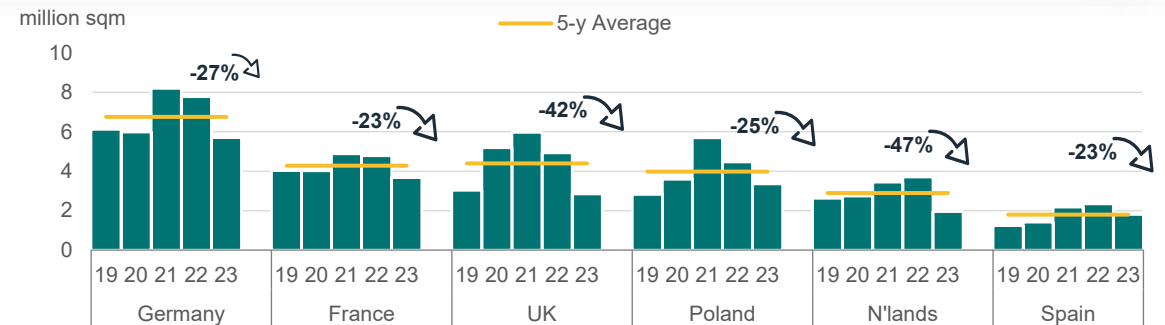
COUNTRY PROFILES IN 2023

- In **Germany** demand is relatively subdued compared to the record years 2022 and 2023. Nevertheless, the market remains resilient as the volume of take-up is close to the volumes achieved between 2018 and 2020. ESG requirements and the scarcity of new products are still putting pressure on rents.
- In the **UK**, like most European countries, take-up decreased significantly in H1 2023 after the exceptional volumes recorded last year. However, activity picked up in Q3 and again in Q4 and could suggest that the market has already bottomed out.
- In **Poland**, after a slow start at the beginning of the year, take-up increased significantly in H2 2023. Prime rents rose slightly by 2% during 2023 to €51.6/sqm/yr in Warsaw II and €50.4 in Poznan.
- In **France**, the market has been slowing down reflecting the economic backdrop and rental growth. Demand for XXL warehouses and build-to-suit solutions dropped significantly. Supply is scarce in most markets leaving the vacancy rate at 3.6%. Competition for high quality buildings stays sharp, implying further prospects for rental increases in prime locations.
- In the **Netherlands**, following two years of buoyant activity, the market slowed sharply in 2023 reflecting lower economic activity and the lack of good quality supply. Low availability is still putting pressure upward on rents.
- In **Spain**, the market maintained a good volume of transactions during 2023, and unlike most European countries, above the 10-year average. Supported by steady demand, prime rents increased by 4% in Madrid and 7% in Barcelona during 2023.

-35%

2023 vs 2022

Source: BNP Paribas Real Estate Research



LOGISTICS PRIME RENTS

STEADY RENTAL GROWTH IN 2023

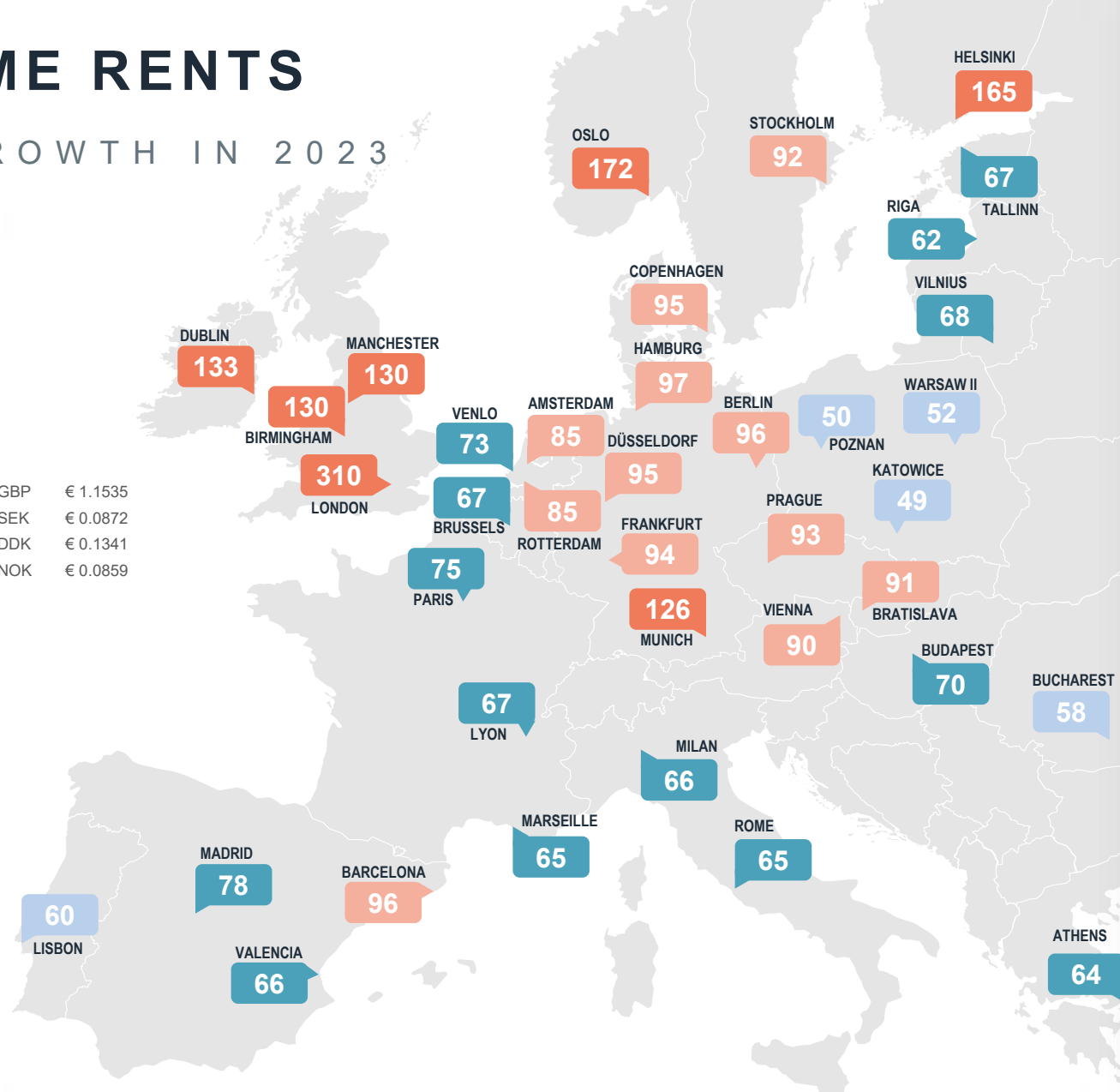
Q4 2023 vs Q4 2022

	FRANKFURT	+8%
	BERLIN	+3%
	LONDON	= →
	BIRMINGHAM	+14%
	PARIS	+19%
	VENLO	+12%
	MADRID	+4%
	BARCELONA	+7%
	WARSAW II	+2%
	PRAGUE	-9%
	MILAN	+6%
	STOCKHOLM	+8%
	OSLO	+18%

Rents in €/sqm/yr

	≥ €100		€60-80
	€80-100		≤ €60

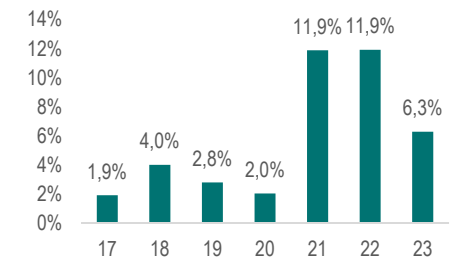
1 GBP € 1.1535
 1 SEK € 0.0872
 1 DDK € 0.1341
 1 NOK € 0.0859



EUROPE Q4 2023
+6.3% vs Q4 2022

49 markets, 22 countries

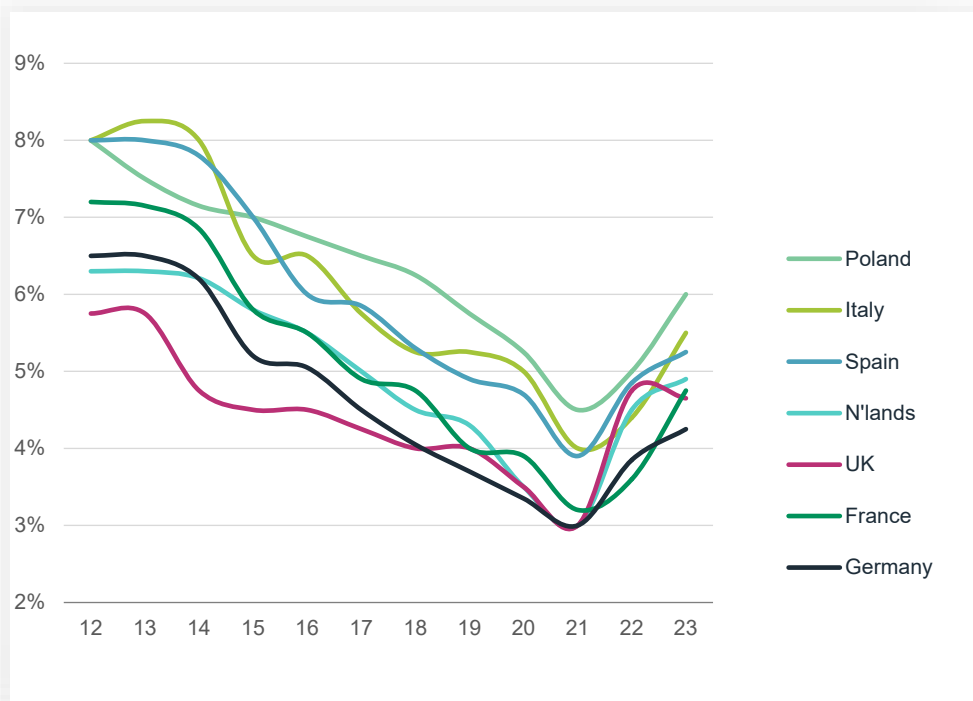
Rental growth (year-on-year)



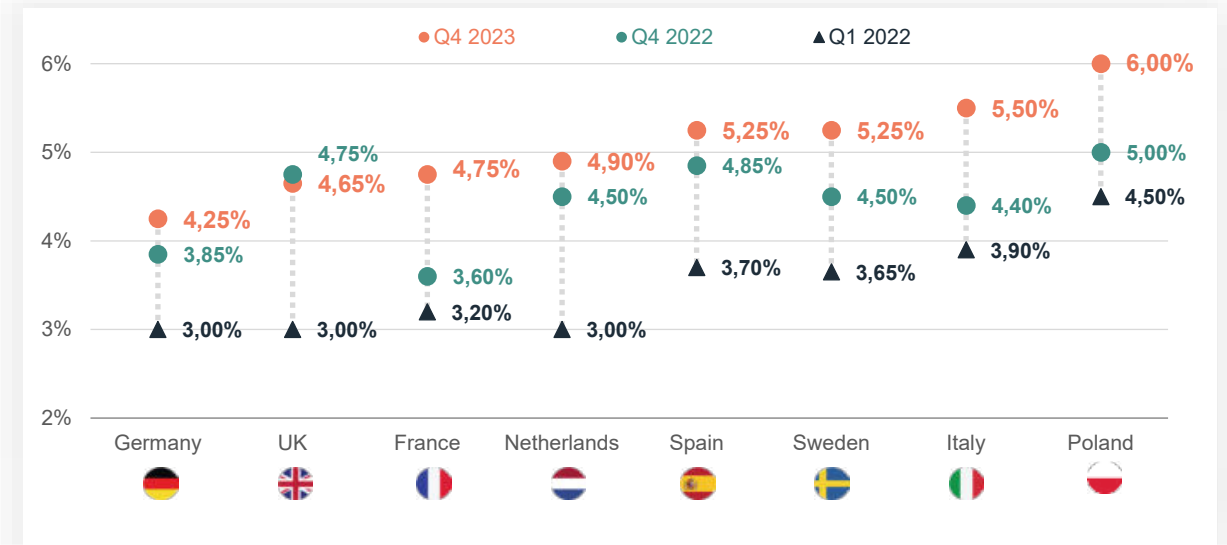
Source : BNP Paribas Real Estate

NET PRIME YIELDS IN EUROPE

DECOMPRESSION IN Q4 2023 (+15 BPS DURING THE LAST QUARTER)



Net Prime Yields – Grade A warehouses (big boxes) for standard lease terms (5 to 15 years)



Logistics prime yields are still decompressing

- Prime yields rose by 60 bps during 2023 in Europe (+15 bps over the past quarter).
- Inflationary pressure and subsequent rising long-term government bond yields have led to logistics prime yield expansion.

- Stabilisation of logistics prime yields is expected throughout Europe in the next quarters. This will reflect the changes in interest rate policy as terminal rates are reached in 2024.

Sources: S&P, BNP Paribas Economic Research

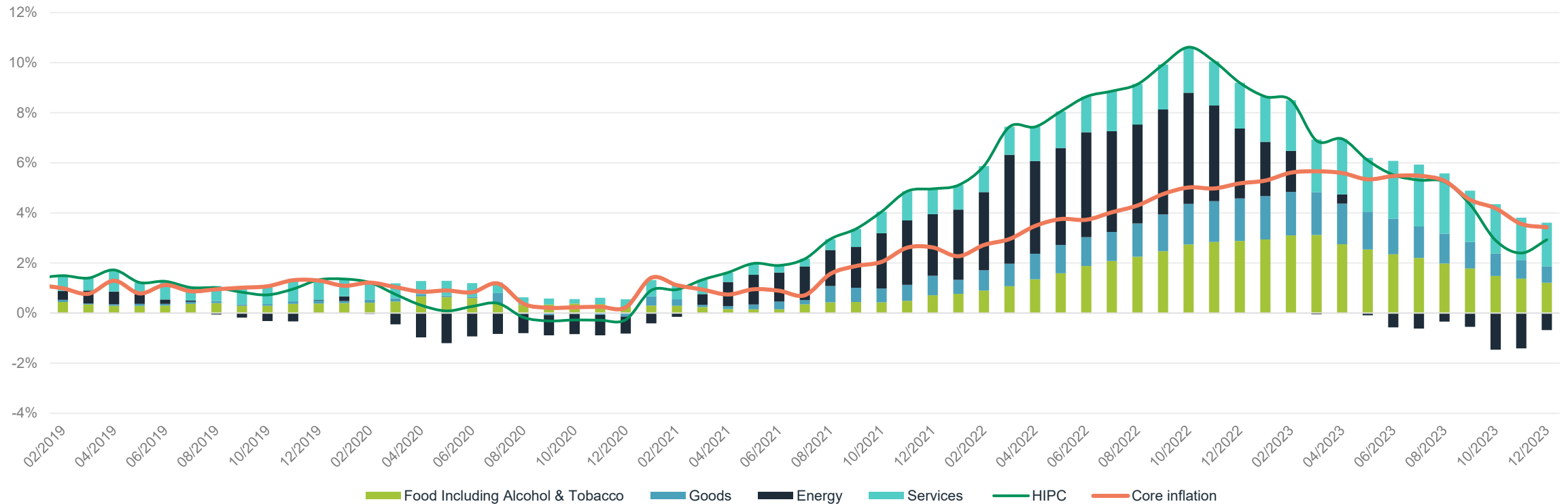
02.

REAL ESTATE PERSPECTIVES

RETAIL MARKETS

CORE INFLATION IS SLOWING

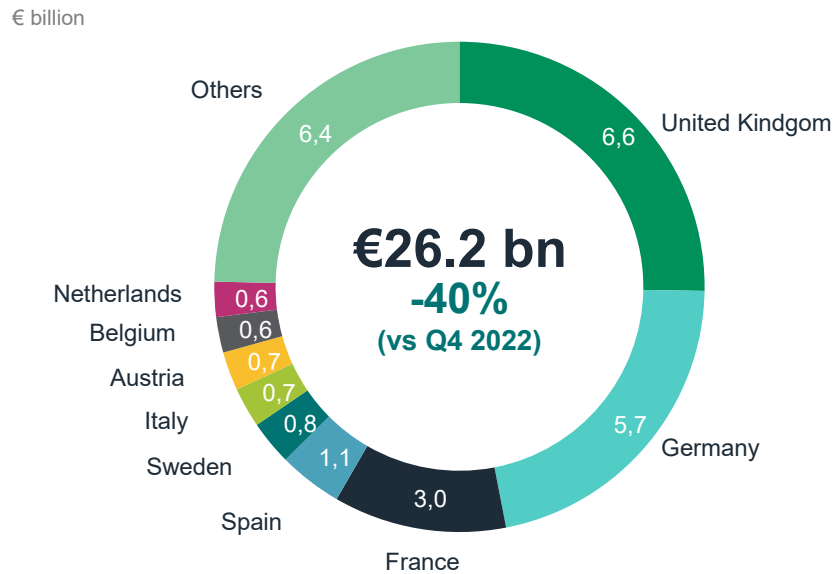
Inflation components - Euro area
Year-on-year evolution



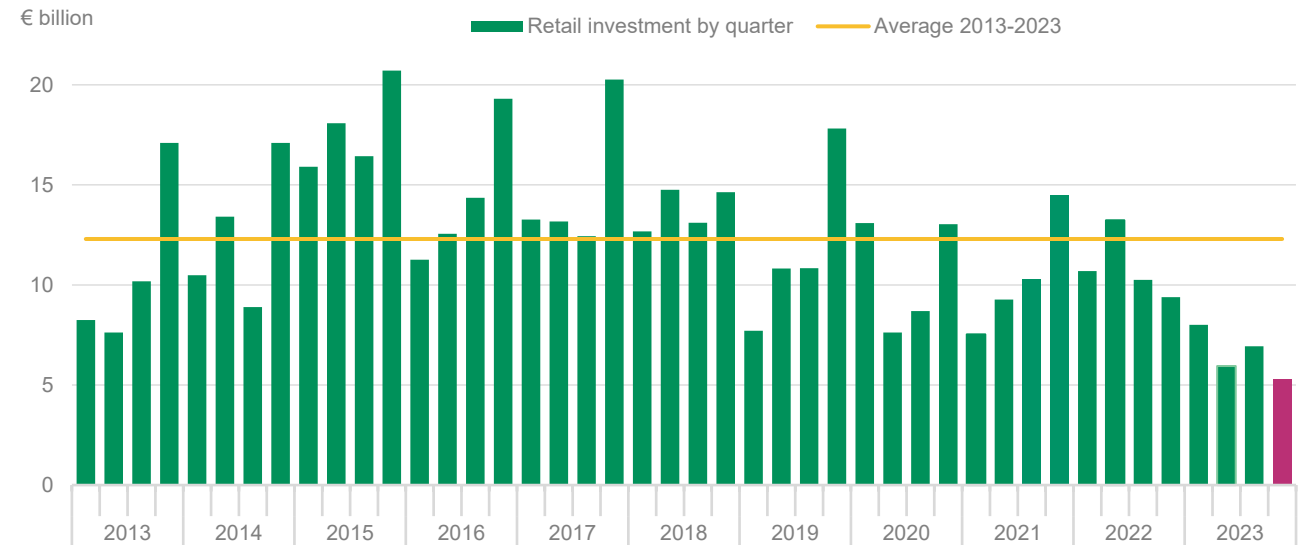
- The CPI growth for the Euro area stands at **+2.9%** y-o-y in December, a slight increase compared to +2.4% in November.
- Despite the rise of fuel prices over summer, the influence of energy on headline inflation is reduced because of the **base effect**.
- **Services** took over **food** and are now the **main component of the HCPI**, but **core inflation is also decreasing over 4 consecutive months**.

THE RETAIL SECTOR RECAPTURED MARKET SHARE

Breakdown by country (Q4 2023 – 12 months)



Retail investment by quarter



- Retail was the **second least affected** sector after hotel with a **40%** decrease of investment volume.
- Investor interest in retail assets is slowly **gaining more traction** in terms of **investment market share** (**20%** in Q4 23 vs **16%** in Q4 22). This level had not been observed for **5 years** (20% in 2018).
- German investors allocated almost as much capital in retail (24%) as in office and logistics (26% each). In France retail is the second most represented sector with 21% of the total, equal to logistics. In the UK, the retail market share level (15% of the total) has been the highest since 2017.
- This **weak investment market** contrasts with a **strong occupier market**. Indeed, operational fundamentals are performing well, in terms of retailers' turnovers, footfall, or rents collection.

RETAIL INVESTMENT IN EUROPE BY ASSET CLASS – 2023

RETAIL WAREHOUSING ATTRACTED HALF OF RETAIL INVESTMENT



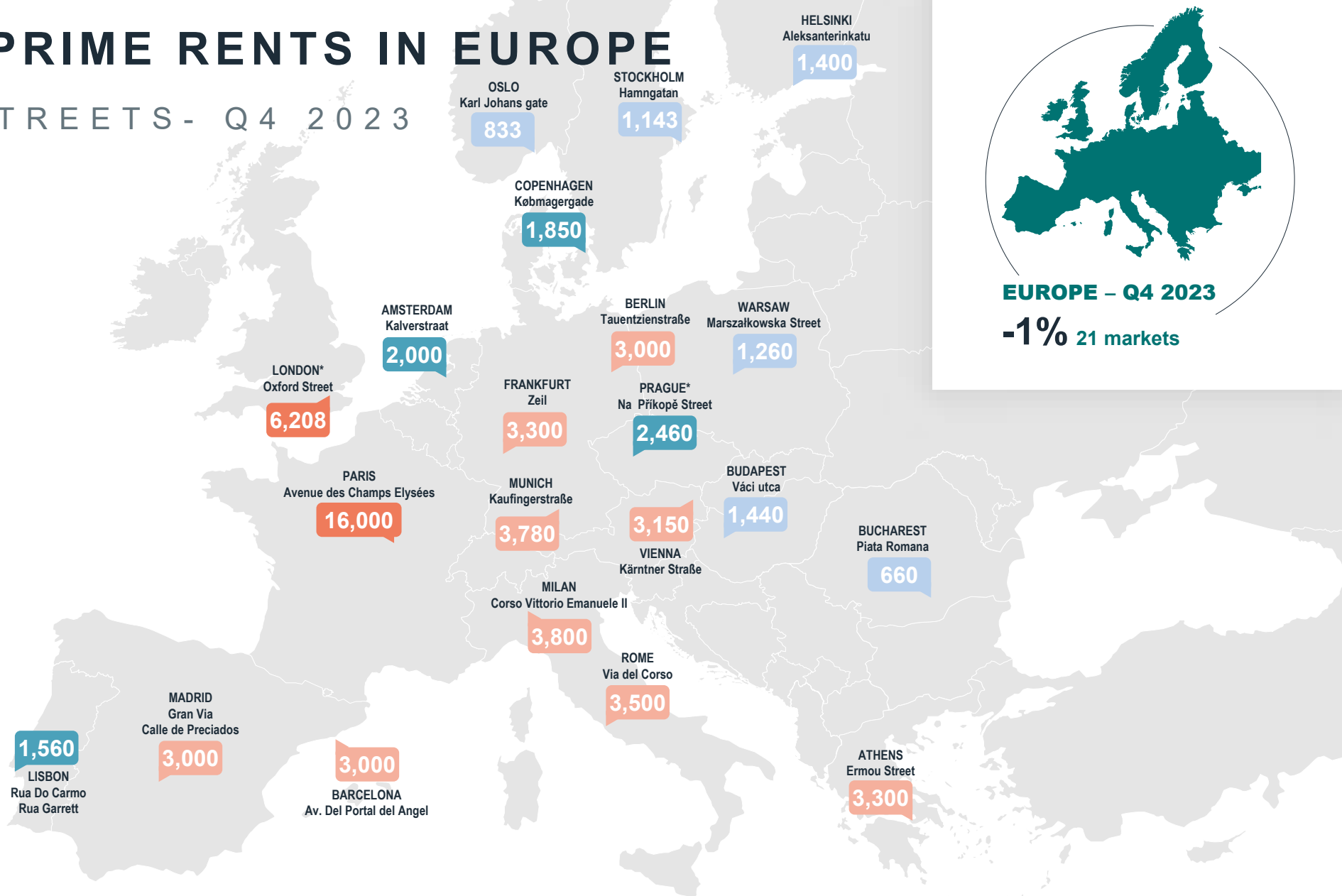
**the sub-sector % breakdown refers to total investment volume in six European countries (Germany, UK, France, Spain, Italy and Poland)*

HIGH STREET PRIME RENTS IN EUROPE

MASS MARKET STREETS - Q4 2023

Q4 2023 vs Q4 2022

	CENTRAL LONDON	-9%	↘
	CENTRAL PARIS	=	→
	MUNICH	+2%	↗
	MILAN	+9%	↗
	ATHENS	=	→
	ROME	+13%	↗
	VIENNA	+5%	↗
	BARCELONA	-11%	↘
	MADRID	-11%	↘
	PRAGUE	=	→
	AMSTERDAM	-5%	↘
	COPENHAGEN	=	→
	LISBON	+2%	↗
	BUDAPEST	+6%	↗
	HELSINKI	-18%	↘



■ > € 6,000
■ € 3,000 - 6,000
■ € 1,500 - 3,000
■ < € 1,500

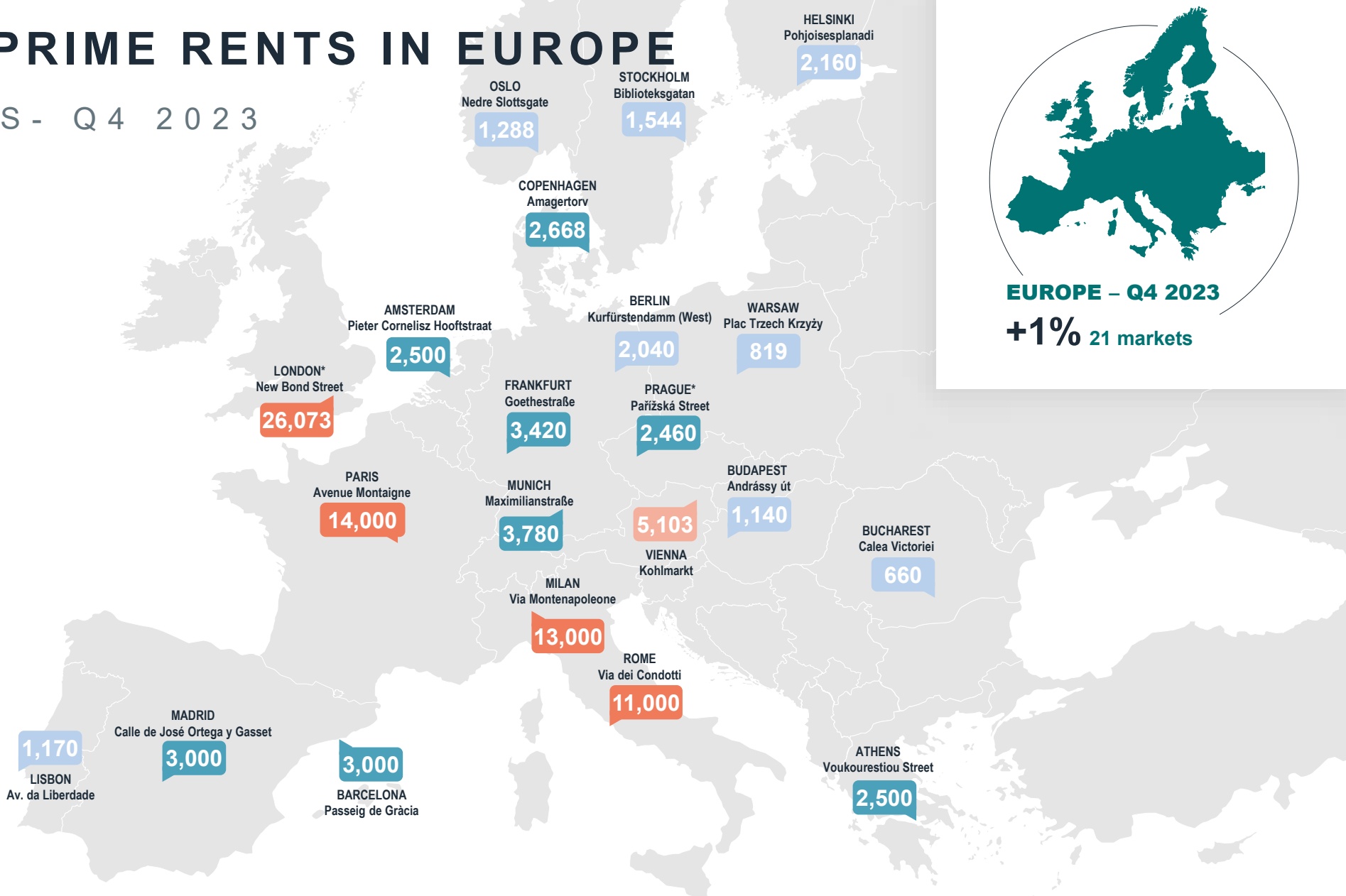
*Q2 2023 values. Source : BNP Paribas Real Estate and Alliances

HIGH STREET PRIME RENTS IN EUROPE

LUXURY STREETS - Q4 2023

Q4 2023 vs Q4 2022

	CENTRAL LONDON	=	→
	CENTRAL PARIS	=	→
	MILAN	+16%	↗
	ROME	+15%	↗
	VIENNA	+5%	↗
	MUNICH	+2%	↗
	BARCELONE	=	→
	MADRID	=	→
	COPENHAGEN	+1%	↗
	AMSTERDAM	=	→
	ATHENS	=	→
	PRAGUE	=	→
	HELSINKI	-20%	↘
	STOCKHOLM	+1%	↗
	LISBON	+3%	↗



EUROPE - Q4 2023
+1% 21 markets

■ > € 10,000 ■ € 5,000 -10,000
■ € 2,500 - 5,000 ■ < € 2,500

*Q4 2023 values. Source : BNP Paribas Real Estate and Alliances

02.

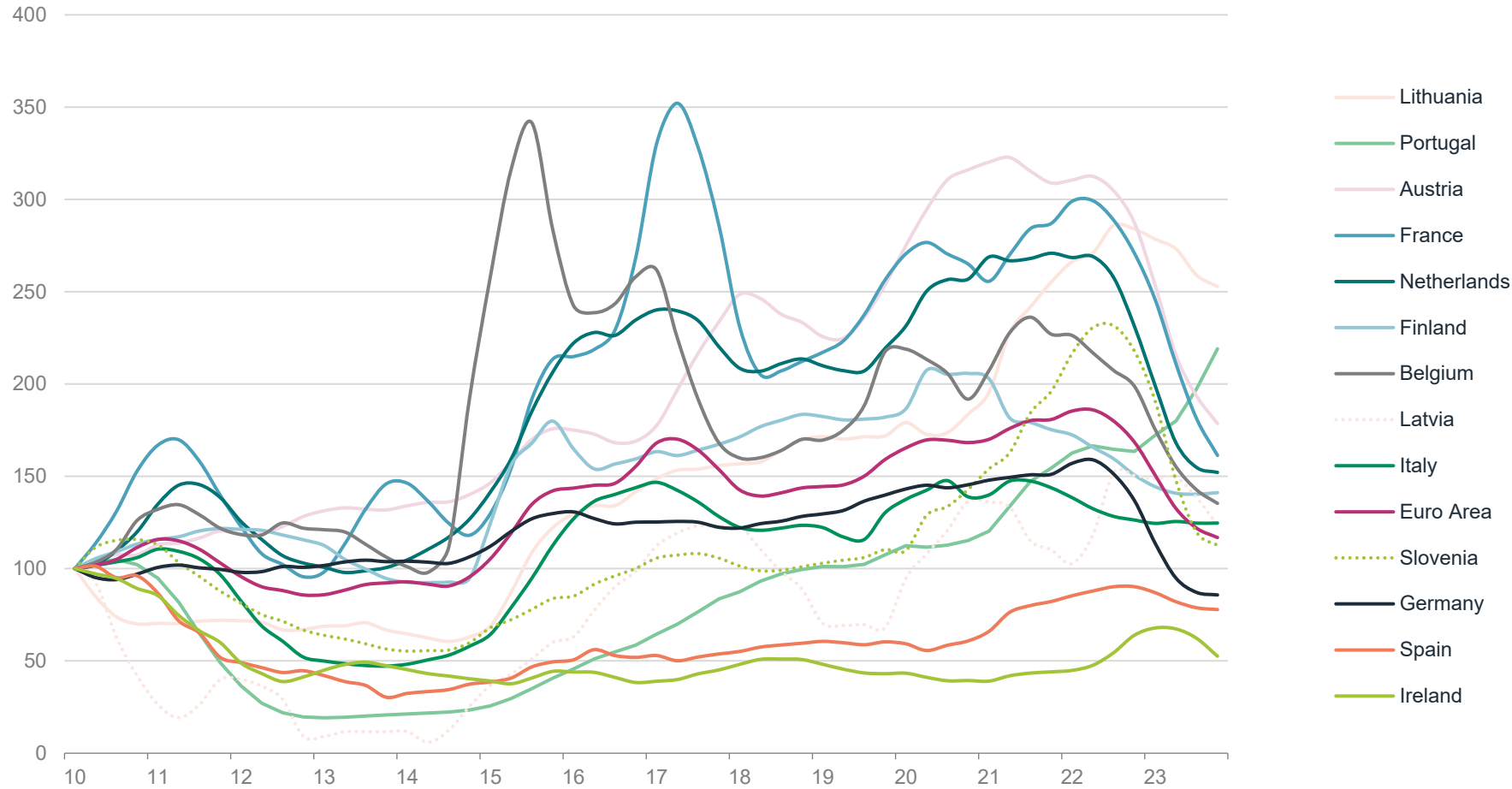
REAL ESTATE PERSPECTIVES

RESIDENTIAL MARKETS

MORTGAGE LENDING IN EUROPE

MORTGAGE LENDING PLUMMETING

Mortgage lending (Index Q1 2010=100)



EUROPE - 2023

-31% vs. 2022

- ❖ Mortgage lending reached its peak in Q2 2022 with € 1,077bn granted. However, economic uncertainties and the increase in mortgage rates tightened credit supply and reduced demand. Mortgage lending declined by 31% to € 677bn over 2023, the lowest level since 2015.
- ❖ Most European countries recorded a decline in lending. The largest declines occurred in Hungary (-65%), Denmark (-58%), Slovakia (-52%), Romania (-49%), Slovenia (-48%) and France (-40%).
- ❖ However, countries such as Italy (-1%), Finland (-6%), Estonia (-8%), Lithuania (-11%), and Spain (-14%) witnessed significantly lower downward adjustments in mortgage lending.
- ❖ Credit production continues to expand in Cyprus (+88%) and Portugal (+34%).

TRANSACTION VOLUME IN EUROPE

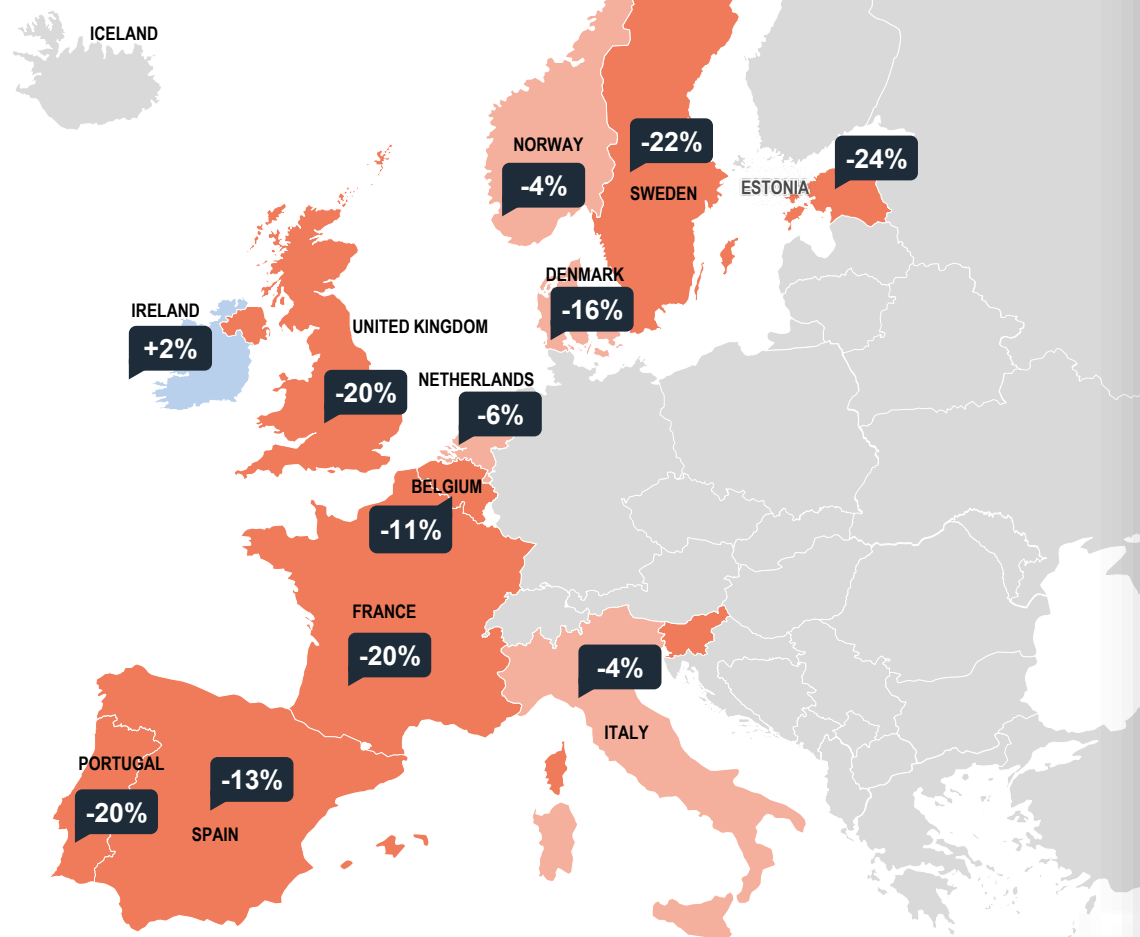
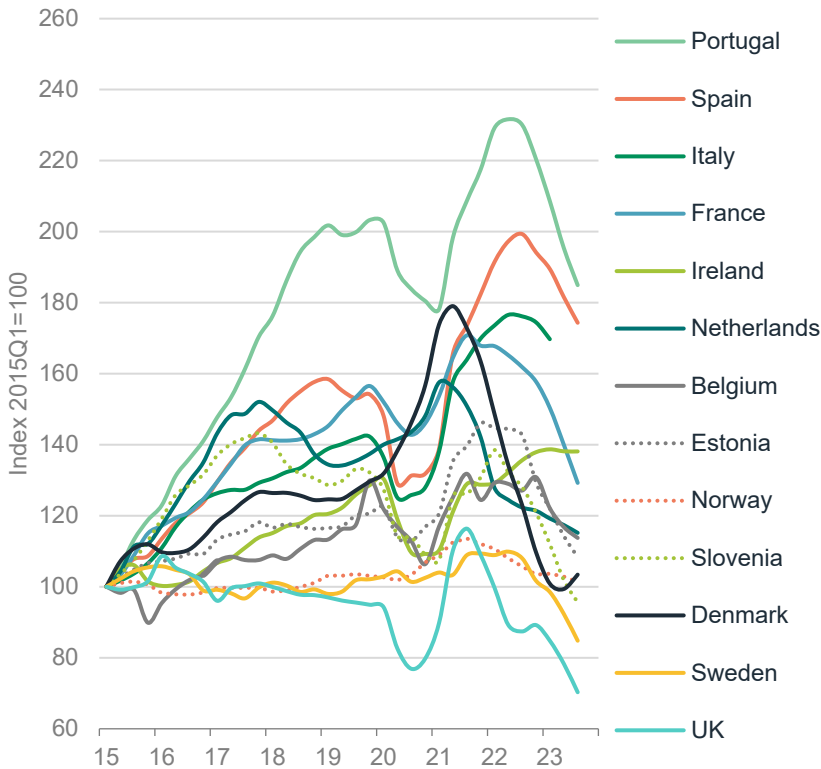
HOUSING TRANSACTION PLUNGES



EUROPE - 2023

-13% vs. 2022

Transaction volume



- ❖ Housing transaction volume dropped by 13.3% in Q3 2023 vs Q3 2022 on a rolling year basis.
- ❖ The slowdown is driven by several factors: the tightening in credit conditions, the significant increase in mortgage rates and, of course, the constant increase in house prices over the last 8 years. The latter is key to worsening housing affordability and thus triggering a significant decline in the number of transactions.
- ❖ Housing transactions declined 24% in Estonia, 22% in Sweden, and 20% in the United Kingdom and Portugal
- ❖ The decline lower in Norway (-4%), the Netherlands, (-6%), Belgium (-11%) and Spain (-13%).
- ❖ Transaction volumes remain positive in Ireland (+2%).

Sources: BNP Paribas Real Estate Research

* Data for Italy, Estonia and Hungary are 1 or 2 quarters late

RESIDENTIAL PRICE GROWTH IN EUROPE

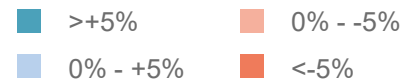
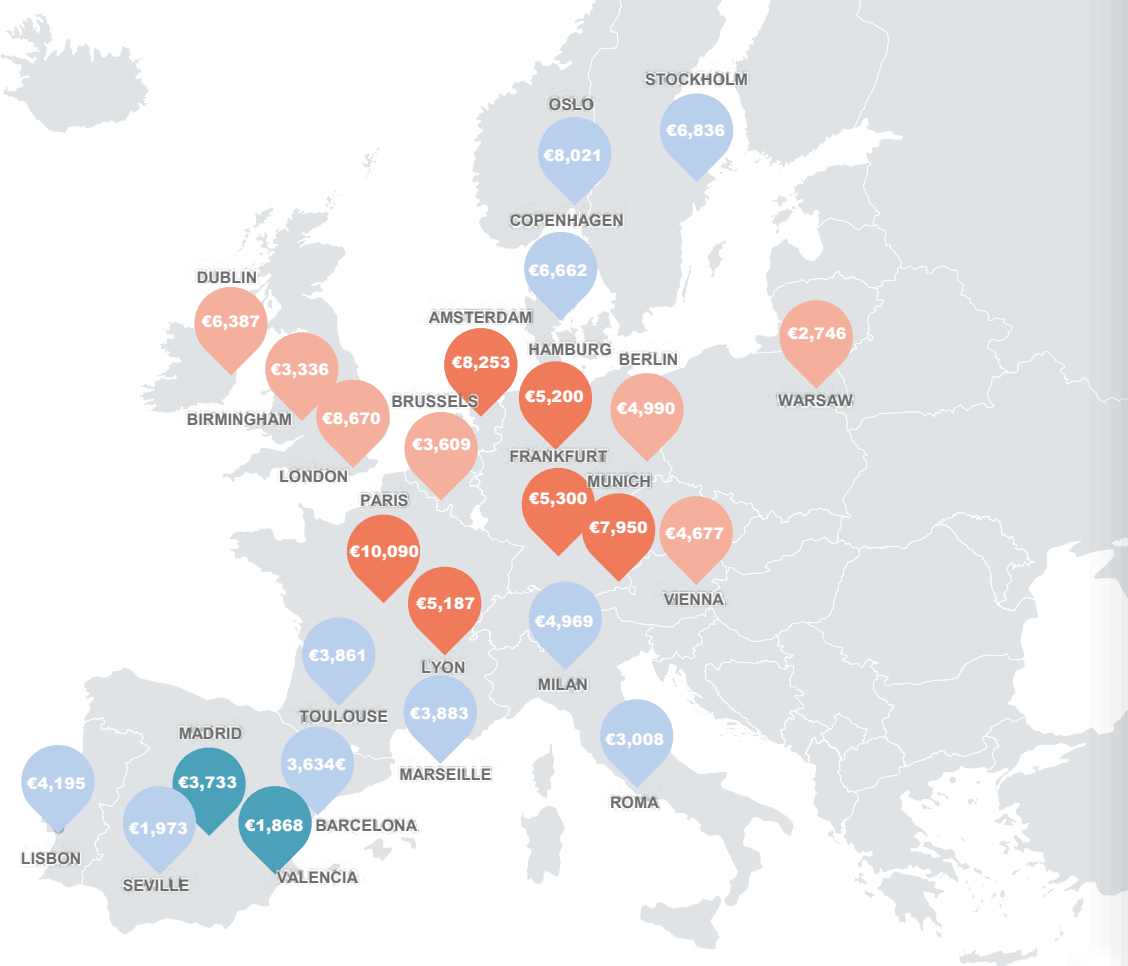
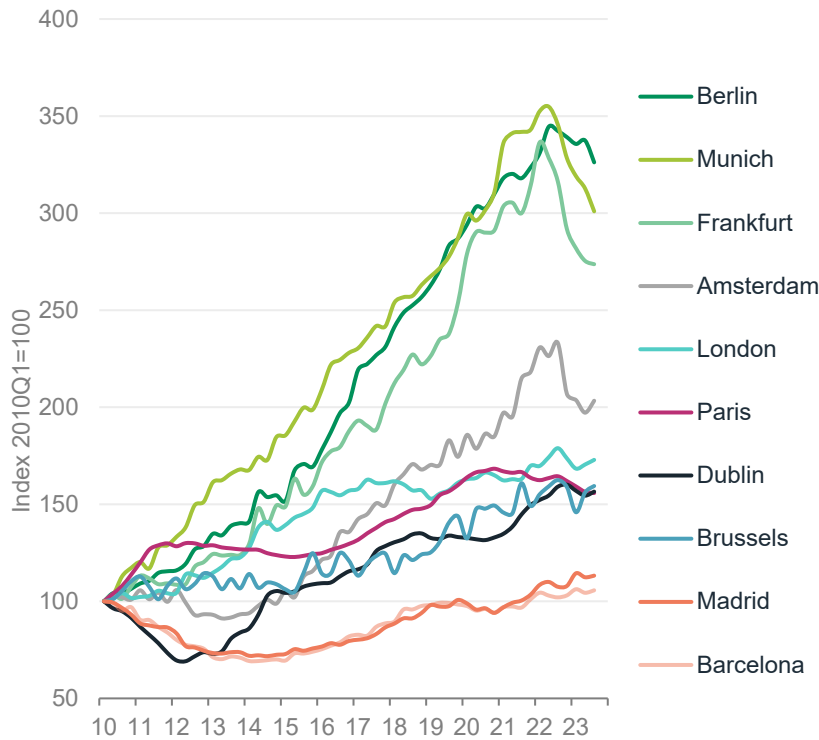
REVERSAL IN THE HOUSING PRICE CYCLE



EUROPE – Q3 2023

-1.6% vs. Q3 2022

Residential price growth



Sources: BNP Paribas Real Estate Research

- ❖ House prices across European cities are continuing to decline in aggregate at -1.6% in Q3 2023 vs Q3 2022.
- ❖ Over the last year, cities that experienced double digit growth reduced from 9 in Q1 2022 to 1 in Q2 2023 - Valencia (+11.3%).
- ❖ Moreover, compared to the peak of the last 2 years, house prices are declining in 25 cities out of the 28 we monitor.
- ❖ In Q3 2023, house prices declined by 13.5% in Frankfurt, -12.8% in Amsterdam, -12.9% in Munich, -8.1% in Rotterdam and -7.1% in Hamburg. Despite the significant drop we are now observing a slight rebound in prices owing to some affordability restoring.
- ❖ Interest rate hikes and credit supply tightening mean the housing market is cooling down. Much demand is in a “wait-and-see” pause, with the rest choosing to move to smaller units and cheaper markets such as suburbs.

RESIDENTIAL RENTAL GROWTH IN EUROPE

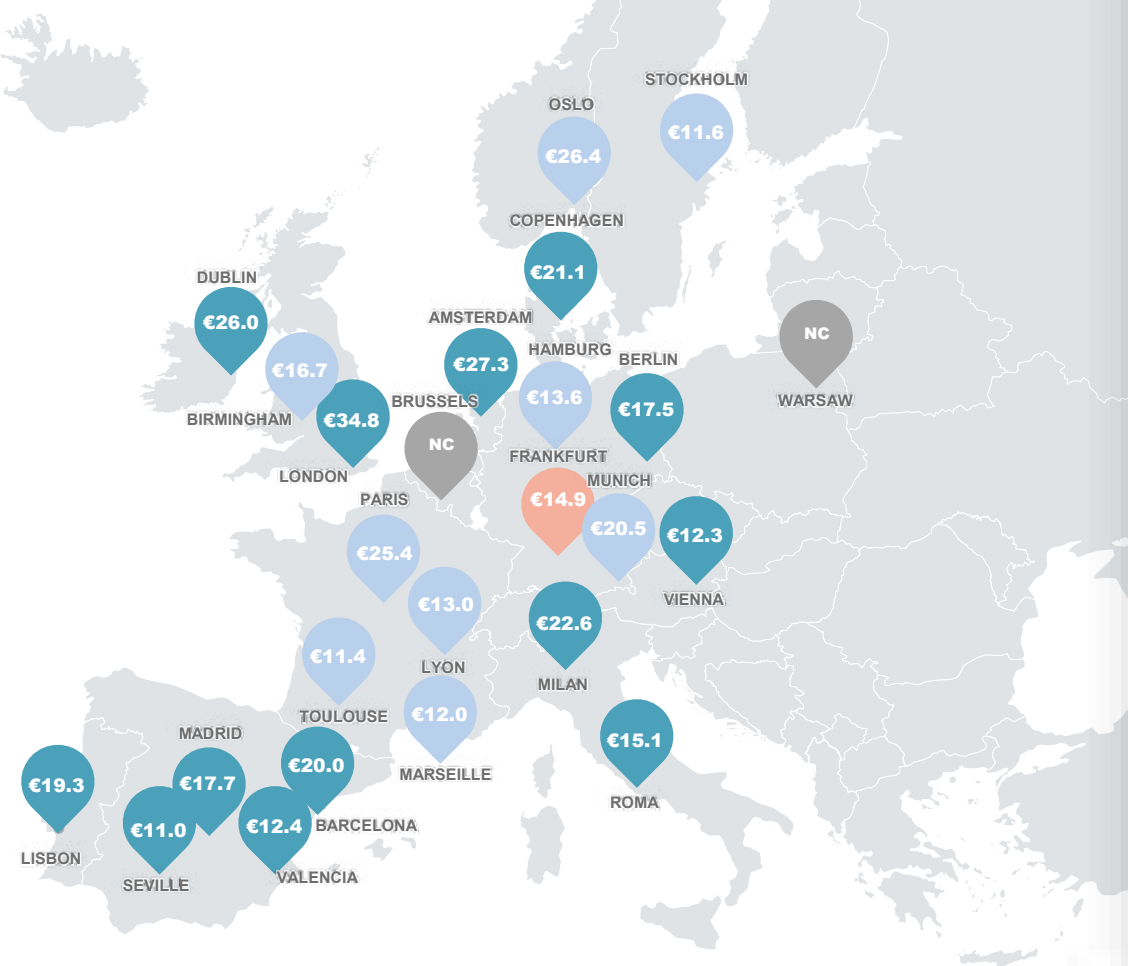
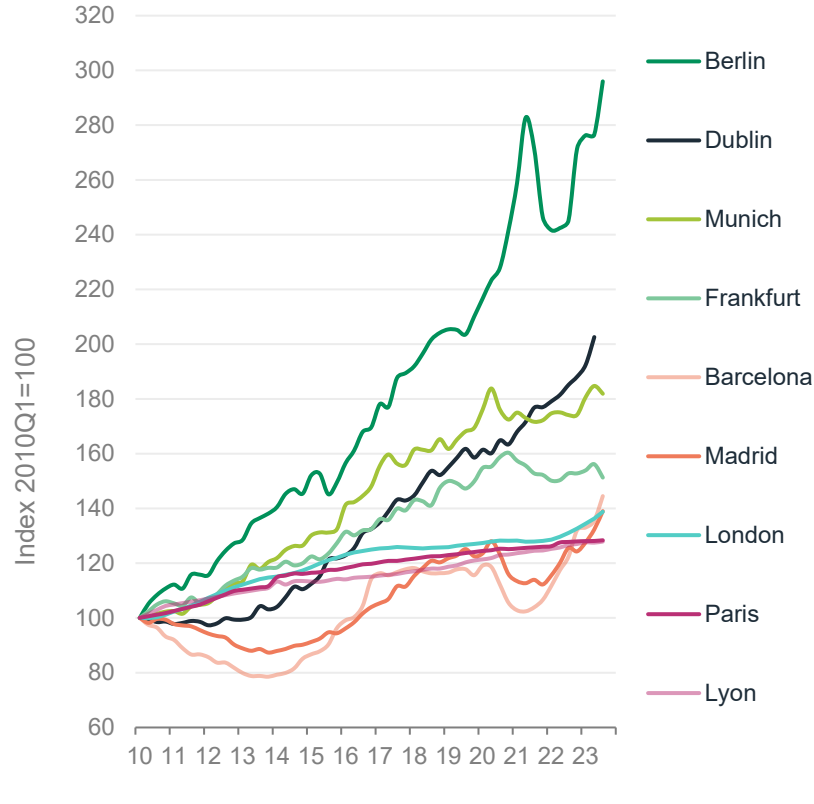
RENTS HIT NEW RECORD HIGHS



EUROPE – Q3 2023

+8% vs. Q3 2022

Residential rental growth



Sources: BNP Paribas Real Estate Research

- ❖ Residential rental values across European markets are still booming at +8.0% y/y.
- ❖ Since the beginning of 2022, we have seen a sharp increase in demand for rental properties owing to hikes in mortgage rates and the decline in the affordability of buying.
- ❖ Consequently, numbers of rental dwellings listed on web platforms shrunk dramatically putting strong pressure on rental values.
- ❖ Moreover, the spread between the cost of buying vs the cost of renting in main markets is fuelling rents.
- ❖ We record double digit growth in 8 markets out of the 27 we monitor: Valencia (+22.1%), Barcelona (+18.1%), Berlin (+20.7%), Lisbon (+19.9%), Edinburgh (+16.4%), Milan (+12.7%) Glasgow (+12.1%) and Dublin (11.6%): In the case of Berlin and Barcelona although rent control was removed, the rental stock had shrunk dramatically because of the regulation.

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CONTENTS AND PRODUCTION

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