

THE LIGHTHOUSE: BNP PARIBAS REIM PRESENTS ITS OUTLOOK OF THE EUROPEAN PROPERTY MARKET

In this sixth edition, “The Lighthouse H1 2023 – European Property Market outlook”, BNP Paribas REIM presents its outlook of the European real estate market, across all sectors. For this, the company relies on in-house forecasts, analysis and expertise of its local teams, to define its convictions and investment opportunities for 2023 and beyond.

A context of strong inflation and correction of yields that will offer new opportunities to investors

Regarding the economic environment, 2022 has been a turning point. Global economy is slowing, with a structurally higher inflation and an elevated cost of debt. High inflation should continue far longer than originally anticipated, meaning more pressure from Central banks is expected on interest rates. As a result, European economies will enter 2023 with falling output.

The impact of the current context for real estate investment is quite clear: a reduction in transaction volumes over the remainder of 2022 and at the beginning of next year. Yields are also expected to rise until H1 2023 to take into account the elevated financing costs and to compensate for the associated risk. This will create opportunities in the short-term as investors will be able to buy high quality assets at much higher yields than they thought was possible only a year ago, especially in markets where negotiations have been historically tight (prime office or logistics for example). However, as we are not expecting significant decrease regarding financing costs and real estate yields in the short and medium-term, most of the value creation should come from the rental side. Investors will have to adopt a more selective approach and develop an active management strategy to capture most of the income growth. Finally, the solid fundamentals of real estate and the future challenges, especially with respect to carbon emissions, will drive value creation.

“This report shows that the inflationary context is here to stay and it might take longer for this economic environment to improve. It definitely has an impact on the real estate sector and on investors’ strategies for the years to come. If short-term opportunities will arise, investors should also focus on the factors that will have the biggest impact on the real estate industry in the next 15 years, such as demography, geography or digitalization” comments **Laurent Ternisien, Chief Client Officer for BNP Paribas REIM.**

The key findings are

1. A short adjustment of prices

With the current uncertainties and the rise in inflation, interest rates and debt costs, the market is experiencing a sharp adjustment of yields. The speed of the rise should be fast and most of the adjustment should be complete by the end of H1 2023.

2. Opportunities will arise in the short-term

Investors will have the opportunity to buy high quality assets at much higher yields than they thought was possible only a year ago (especially for prime office and logistics), increasing their future income return.



3. Long-term trends will drive performance

Investing today in the factors that will have the biggest impact on the real estate industry in the next 15 years, such as demography, geography or digitalization, should be one of the most resilient strategies.

4. Momentum for healthcare should continue

European healthcare should be the clear top performing sector in the first repricing phase in 2022-2023, but should also perform well thanks to relatively high yields and index-linked income growth in the recovery phase.

5. Resilience of occupier markets at risk for non-core locations

Despite the current uncertainties, the office and logistics occupier markets have been reassuringly resilient in 2022. However, hiring intentions of companies have started to decline and the expectations about demand and rental growth in non-core locations should be negatively impacted in the short-term, polarising the market by location and building quality.

6. The current macro-economic headwinds should not influence the trend towards greater sustainability

Further regulation and the desire to lead market standards means the need to renovate the existing stock is going to increase in order to reduce global carbon emissions. The financial performance of the assets will be improved as it will have a strong impact in terms of saving additional costs.

7. Broadening of the investment universe

There will be more investment in new sectors (such as education, datacentres, leisure facilities), new investment goals (such as social impact), and more innovative ways to diversify portfolios away from the business cycle.

Click [here](#) to download our research document: **The Lighthouse BNP Paribas REIM.**

About BNP Paribas REIM

With BNP Paribas REIM, you invest in REAL ESTATE AS LIVING ASSETS.

BNP Paribas REIM, a business line of BNP Paribas Real Estate, provides a wide range of real estate funds and investment solutions for investors, based on strong convictions.

Deeply European, we have a close understanding of local markets, a view of every square metre, every street, every neighbourhood, every urban eco-system.

With our 330 employees, we care for assets as we care for living beings, aiming to build a better living environment for our 200+ institutional investors and 150,000+ private investors.

We believe in ESG to reconcile social, environmental and financial performance.

We apply innovation in order to better adapt to the risks and opportunities of today and tomorrow.

At the end of 2021, BNP Paribas REIM managed €29.7 billion of living European assets on behalf of institutional and private investors.

BNP Paribas Real Estate Investment Management is composed of regulated entities in the following countries: France, BNP Paribas Real Estate Investment Management S.A.; 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.

Each of the legal entities responsible for offering products or services to their customers is referred to in the product documentation, contracts and related information.

This is an advertising communication.

Please refer to regulatory documents (the fund prospectus, information notes or detailed characteristics) and fund information documents before making any final investment decision.

Press Contacts:

Capucine Marescal: +33 (0)6 40 10 78 28 / Amira Tahirovic: +33 (0)6 37 78 12 17 / Charlotte Rémond: +33 (0)6 78 18 57 87
presse.realestate@realestate.bnpparibas



BNP PARIBAS
REAL ESTATE

Real Estate
for a changing
world
Classification: Internal