

EMEA

INVESTOR INTENTIONS SURVEY 2021

CBRE RESEARCH

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EXECUTIVE SUMMARY

SURVEY METHODOLOGY

- CBRE’s 2021 EMEA Investor Intentions Survey was conducted from December 2020 to January 2021. Over 400 Europe-based investors participated in the survey, which asked respondents a range of questions regarding their buying appetite and preferred strategies for sectors and markets in 2021.

EXECUTIVE SUMMARY

- Investors generally hold upbeat views towards prospects for 2021, with almost 60% of respondents expecting to increase their purchasing activity this year, while over two-thirds expect selling activity to be equal to or greater than it was in 2020. Due in part to this optimism, CBRE’s predicts European investment volumes will increase by up to 5% y-o-y this year.
- Germany was the subject of strong interest in this year’s survey, with investors expecting this market to be the first to see investment volume recover to pre-pandemic levels. Four German cities were ranked in the top 10 investment destinations selected by investors.
- Given the uncertainty around the pandemic and its impact on economic and real estate fundamentals, investors showed a preference for core strategies. A search for yield is also driving interest in value-add opportunities and alternative real estate assets.
- Despite the implementation of flexible work patterns, offices remain the most preferred asset class. Logistics and Multifamily are also gaining popularity, and, not surprisingly, are the sectors where pricing expected to remain strongest. Most investors generally expect sizable discounts for certain types of retail and hotels.
- Other key findings from this year’s survey included a stronger focus on rent growth, growing interest in long-term demographic and technological trends and the wider adoption of Environmental, Social and Governance (ESG) principles and practices.

OTHER KEY FINDINGS

Strategies and Sectors

- Investors remain cautious and favour core and core-plus developments
- Office remains the most preferred property type for investment with elevated interest in logistics and multifamily properties

Preferred Markets

- Germany, The Netherlands, and France are expected to stage the fastest recoveries among major markets
- London is the most preferred city for investment, with Berlin close behind

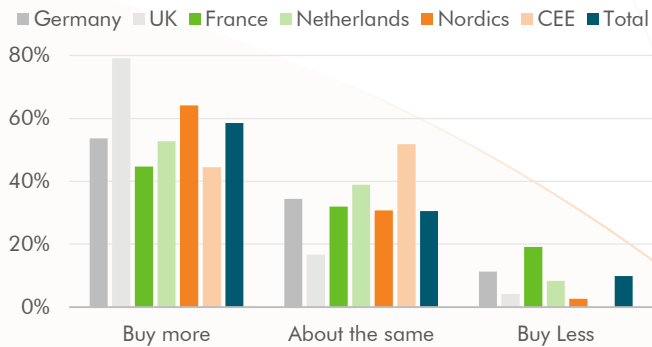
Other Key Findings

- Pricing stable for Logistics and Class A Offices while nearly all investors looking for moderate to deep discounts in retail and hotel assets
- Owners are looking to emphasize tenant credit and ESG strategies

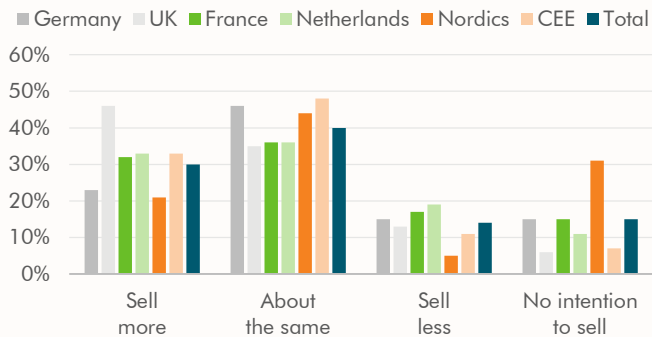
INVESTOR INTENTIONS SURVEY 2021

MARKET RECOVERY GATHERS PACE

Purchasing activity prediction compared to the period prior to the pandemic



Selling activity predictions compared to the period prior to the pandemic among major markets



MOST PREFERRED CITY (CROSS-BORDER* ONLY)



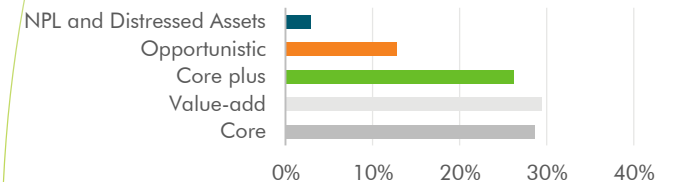
*Includes respondents domiciled in a different county and excludes domestic respondent views.

TOP TEN PREFERRED CITIES

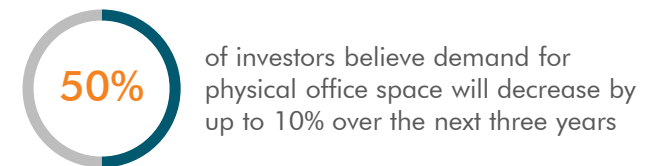
- 1 LONDON
- 2 BERLIN
- 3 FRANKFURT AM MAIN
- 4 PARIS
- 5 AMSTERDAM
- 6 MUNICH
- 7 HAMBURG
- 8 ZURICH
- 9 WARSAW
- 10 LISBON

PANDEMIC ERA INVESTING

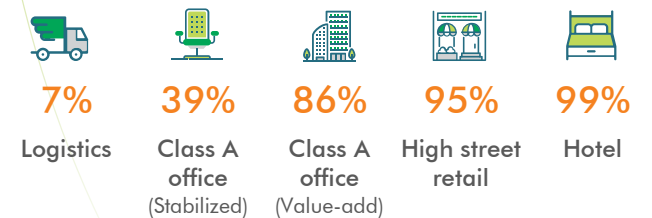
1 Cautious attitude adopted by investors as over two-thirds prefer core strategies



2 Investors expect only slight decrease in demand for office



3 Prime office and logistics pricing expected to remain stable



Percentage of Investors looking for discounts

Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

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This report was prepared by the CBRE EMEA Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate investors and occupiers around the globe.

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INVESTMENT ACTIVITY OUTLOOK



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ALMOST 60% OF INVESTORS EXPECT AN INCREASE IN PURCHASING ACTIVITY THIS YEAR

Almost 60% of respondents expect to buy more real estate in 2021, reflecting improving market sentiment across Europe. Of these respondents, nearly 75% expect to purchase 10% or more this year compared to 2020.

Some notable variances exist between country respondents and the European average. For example, in the U.K., over 80% of investors indicated a willingness to buy more, with over three-quarters expecting purchases to increase by 10% or more. Although most French investors do expect to increase their purchasing activity in 2021, they also displayed the highest pessimism of any major market, with nearly 20% expecting a decrease in activity. This may be due in part to extensive lockdown measures, but we are expecting sentiment to pick up once restrictions are lifted.

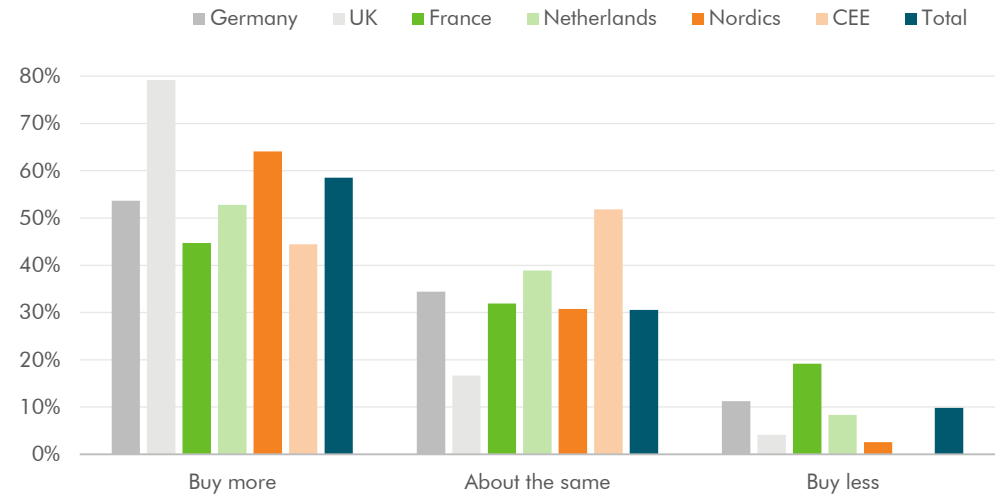
Reflecting their relatively higher risk appetite, investors from smaller firms expect a moderately higher increase in purchasing this year than investors with other AUM profiles.*

OVER TWO-THIRDS OF INVESTORS EXPECT 2021 SELLING ACTIVITY TO BE EQUAL TO, OR GREATER THAN IT WAS IN 2020

As was the case with purchasing activity, responses from U.K.-based investors deviated significantly from those of other European investors. The percentage of U.K. investors expecting more selling activity was 50% higher than the continental European average. Furthermore, the percentage of U.K. respondents expecting more than a 10% increase in selling activity was double the average of the rest of Europe.**

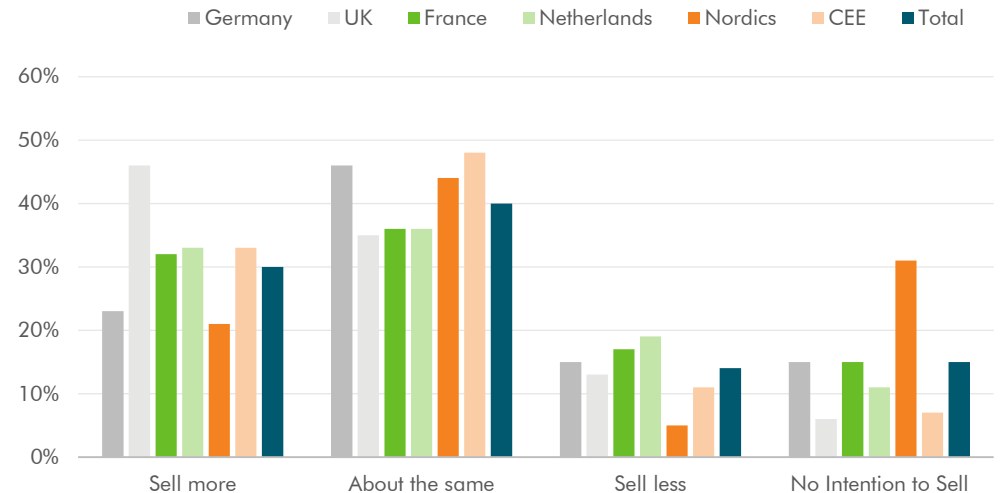
Responses regarding selling activity were relatively similar across firms of all sizes. However, responses from firms with over US\$50 billion under management— which are potentially more inclined to trade underperforming assets—indicated selling expectations that were incrementally higher than other AUM categories.

Figure 1:
INVESTMENT ACTIVITY EXPECTATIONS



Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

Figure 2:
SELLING ACTIVITY EXPECTATIONS



Sources: EMEA Investor Intentions Survey 2021, CBRE Research, January 2021

*AUM profiles surveyed included those with below \$10 USD billion, between \$10-50 USD billion, and over \$50 USD billion assets under management

**Respondents were asked if they expected an up to 10%, or above 10% increase/decrease in buying/selling activity

GERMANY SET TO LEAD INVESTMENT RECOVERY

Investors were asked which countries they believed would recover most quickly and see a return to pre-pandemic investment volume. Only responses from cross-border selections were taken into consideration, which were then weighted according to the buying power of the investor's home market.

When asked which country they believed would recover to pre-pandemic investment volume most quickly, Germany was investors' top choice. Given the fact that German investment volumes have been resilient throughout the pandemic, this finding was not particularly surprising. Full-year 2020 German investment volume declined by just 5% y-o-y, compared to a fall of 17% for the whole of Europe. In addition, four German cities (Berlin, Frankfurt, Munich, and Hamburg) were named among the top ten most preferred cities.

The Netherlands finished second in the recovery rankings. France rounded out the top three, which was significant given the fact that it saw the largest drop in volumes among large European markets in 2020. Investors also displayed optimism about the recovery in the Nordics. Sweden ranked fourth, while Norway, Denmark and Finland were all in the top ten. These findings correspond well with the surprisingly resilient investment volumes witnessed across the Nordics since the onset of the pandemic.


The U.K. ranked fifth in terms of recovery expectations. This showing perhaps reflects circumstances surrounding the timing of the survey, which was conducted just prior to the year-end Brexit deadline, when a 'no deal' outcome seemed a distinct possibility.

Figure 3:
COUNTRY-LEVEL RECOVERY EXPECTATIONS
(CROSS-BORDER* ONLY)

1	GERMANY
2	NETHERLANDS
3	FRANCE
4	SWEDEN
5	UK
6	NORWAY
7	SWITZERLAND
8	DENMARK
9	AUSTRIA
10	FINLAND

*Includes respondents domiciled in a different country and excludes domestic respondent views

LEGEND

 Top ten preferred countries



LONDON REMAINS MOST ATTRACTIVE CITY FOR INVESTMENT

For the preferred city selection, respondents were given one choice, and asked to choose which city they regard as most attractive for investment in 2021. Similar to country selections, the results only reflect cross-border choices, and were again weighted by home market buying power.


London was named the most preferred city for investment, reflecting its continued appeal and importance in a post-Brexit world. Berlin, Frankfurt, Paris, and Amsterdam rounded out the top five. Munich and Hamburg also made the top ten, ranking sixth and seventh, respectively, underscoring upbeat investor sentiment toward German cities.

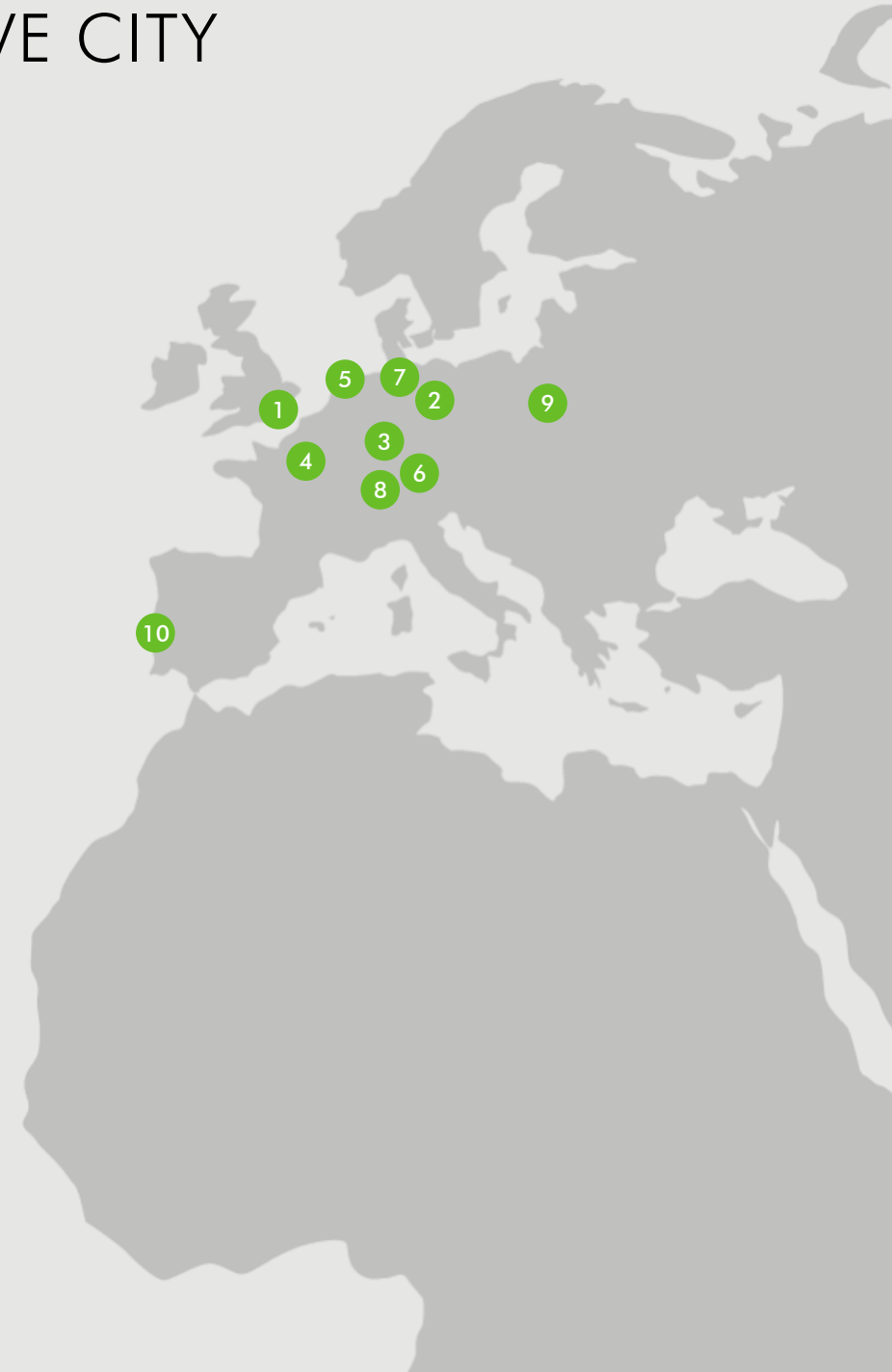
Figure 4:
MOST PREFERRED CITY
(CROSS-BORDER* ONLY)

1	LONDON
2	BERLIN
3	FRANKFURT AM MAIN
4	PARIS
5	AMSTERDAM
6	MUNICH
7	HAMBURG
8	ZURICH
9	WARSAW
10	LISBON

*Includes respondents domiciled in a different country and excludes domestic respondent views

LEGEND

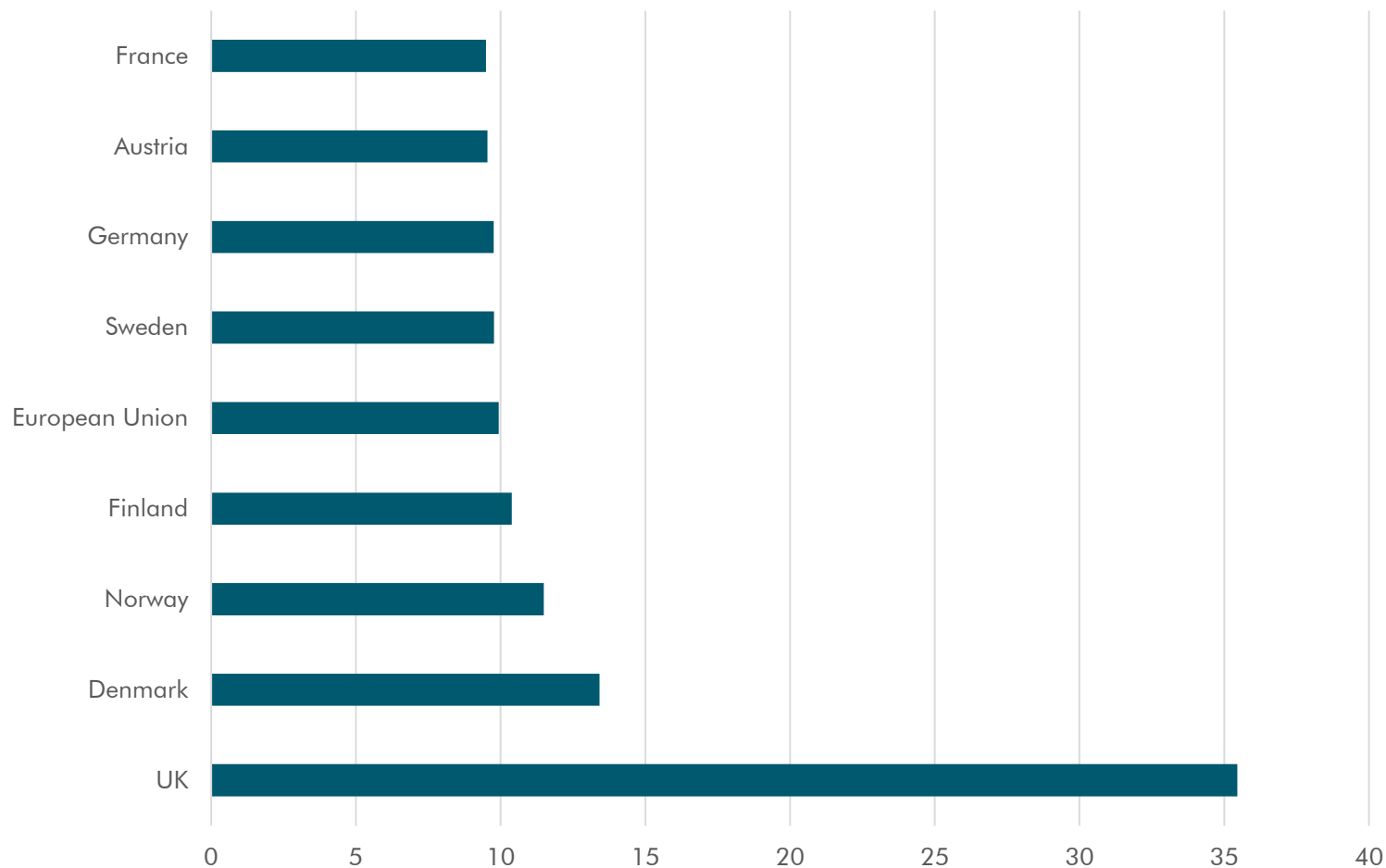
 Top ten preferred cities



FURTHER RETURN TO NORMALCY DRIVEN BY VACCINE ROLLOUTS

DOSES ADMINISTERED PER HUNDRED PEOPLE FOR COUNTRIES IN TOP TEN RECOVERY RANKINGS

■ Cumulative COVID-19 vaccination doses administered per 100 people



As of March 9, 2021
over **320'million**
vaccination doses were
given 'globally

Ongoing vaccination
pace in advanced
economies suggests
**herd immunity in H2
2020**

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PANDEMIC-ERA INVESTING



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ESG CRITERIA WIDELY ADOPTED AMONG EUROPEAN REAL ESTATE INVESTMENT FIRMS

With ESG issues already a priority for European-based investors, this is impacting how they deploy capital. Two-thirds of investors indicated that they have already adopted ESG criteria into their investment practices and processes. This year’s survey also detected some variances among countries in terms of the level of focus on such criteria. U.K.-based investors were most focused on ESG, with 89% of respondents already having adopted ESG criteria. Adoption in France, Netherlands and the Nordics was next highest at 82%, 76% and 77%, respectively, while adoption among German respondents was relatively weaker, at 58%. An additional 28% of European investors indicated they were considering or have plans to adopt ESG criteria in the near future.

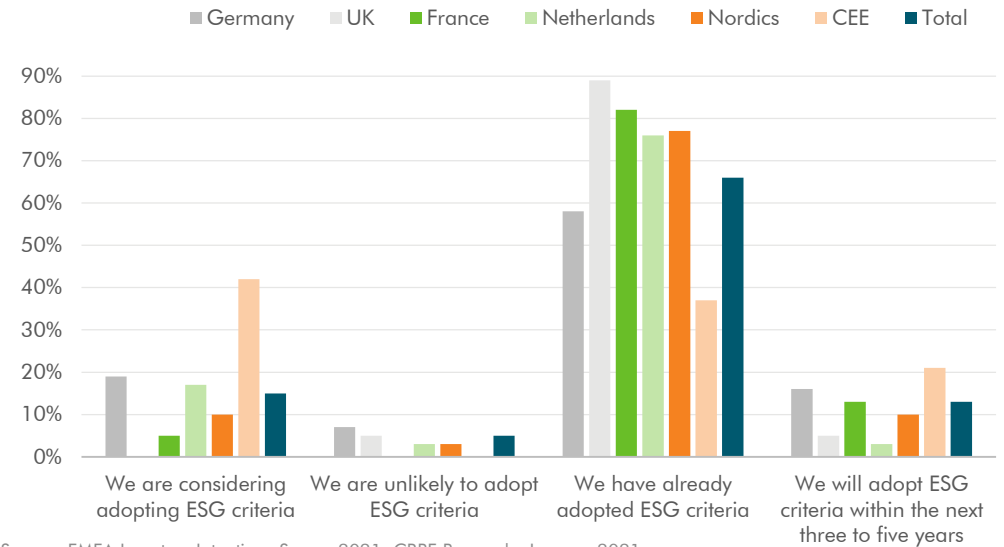
INVESTORS REMAIN RISK-AVERSE AS ECONOMIC RECOVERY BEGINS

Amid ongoing uncertainty around the duration of the pandemic and its impact on economic and real estate fundamentals, investors generally showed a tendency towards core strategies. Just under 55% of respondents indicated core and core plus strategies were most preferred in 2021. German investors were most likely to pursue lower-risk core and core plus strategies, with over 57% indicating this was their preferred strategy. Moving out on the risk spectrum, just over 29% indicated a preference for value-add strategies. Owners and operators were most likely to choose such strategies. Among major markets, respondents from France and the U.K. recorded the highest preference for value-add strategies at 30% and 41%, respectively.

The majority of investors with core and value-add strategy preferences have made no changes to their target unlevered returns. In fact, around two-thirds of respondents who selected value-add and core strategies have maintained return targets at pre-pandemic levels.

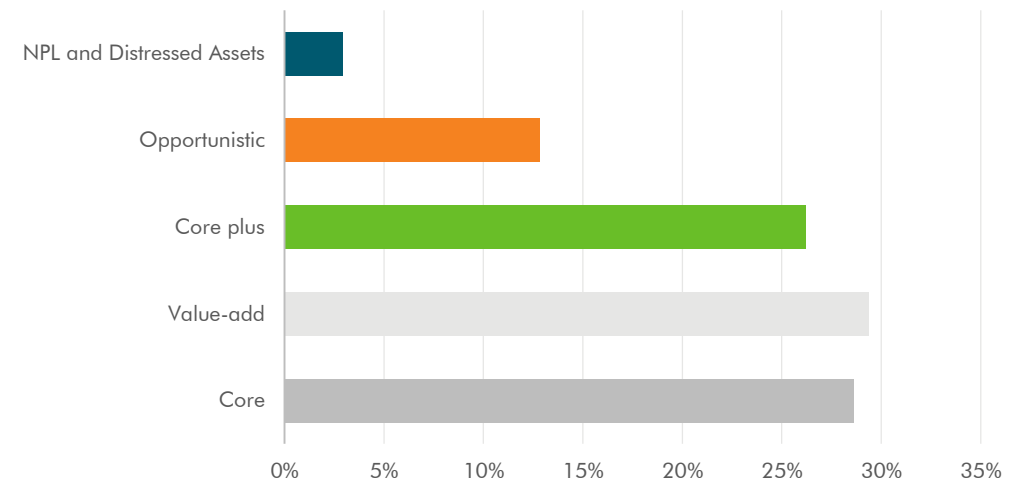
Along with a greater emphasis on tenant credit, investors have indicated a stronger focus on long-term demographic and technological trends to heighten returns. Tenant credit and rent-roll growth will also become more prominent as investors look to secure cash flows.

Figure 5: ESG AND INVESTING



Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

Figure 6: PREFERRED STRATEGY – ALL RESPONDENTS



Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

DESPITE IMPACT OF FLEXIBLE WORK STRATEGIES, OFFICE CONTINUES TO DOMINATE WHILE MULTIFAMILY GAINS POPULARITY

The pandemic-driven rise of remote and flexible work has raised questions about future demand for office space. Nevertheless, offices remained the most preferred property type among European investors in this year’s survey. Multifamily was the second most popular property type, followed by industrial and logistics.

Residential investments were the subject of strong interest in this year’s survey. If responses favouring alternative residential investments (such as student housing, which was included in the 'other' category) were to be added to those for multifamily, the overall percentage of investors that prefer residential investments is close to 30%, which is within striking distance of office’s popularity.

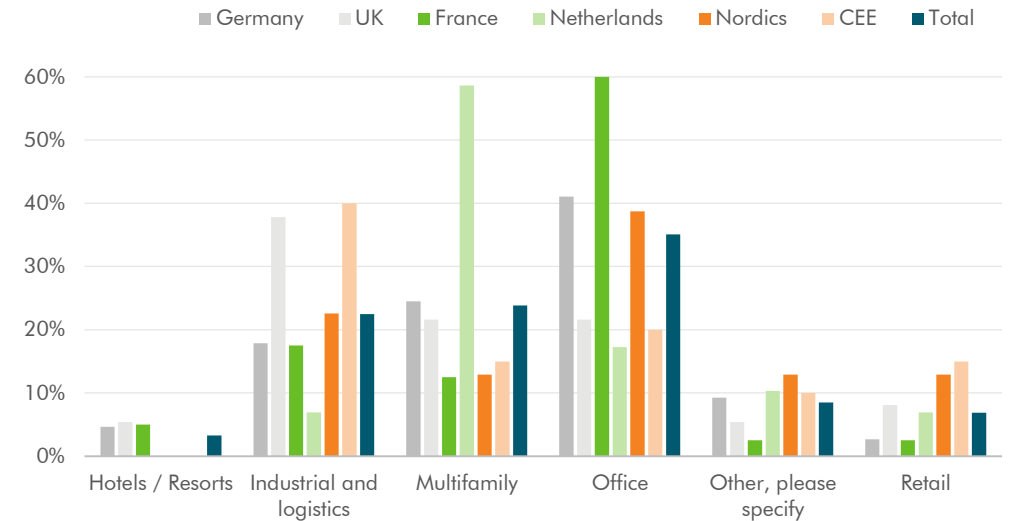
Preferences for individual asset classes varied across major markets. French and German investors preferred office properties; U.K.-based investors showed the strongest preference for industrial and logistics; and Dutch investors preferred multifamily. Some of this variation may be explained by the availability of investment opportunities in certain markets. For example, a limited stock of multifamily properties likely influenced investor responses in France.

PRICING REMAINS STRONG FOR INDUSTRIAL AND CLASS A OFFICES (STABILIZED)

Pricing for Class A office and industrial and logistics assets has remained resilient as investors seek stable long-term cash flows. 93% of industrial and logistics investors expect no discount or are willing to bid up asking prices for this property type. Meanwhile, 61% of investors looking at (stabilised) Class A offices expect no discount or are willing to bid up asking prices, with another 29% anticipating a slight discount (less than 10%).

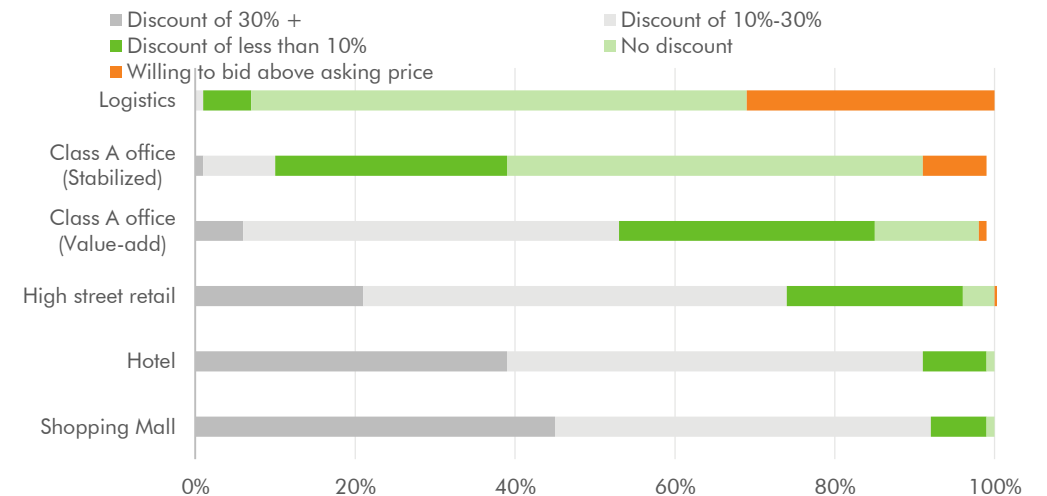
Unsurprisingly, investors anticipate significant discounts across various types of retail and hotels. Of those looking at retail mall investments, 92% anticipate significant discounts (greater than 10%). For hotels, 91% of investors expect a similar level of discount. While sentiment is less negative towards high-street retail and value-add offices, nearly three-quarters of investors expect substantial discounts for high street retail, while 53% expect substantial discounts for value-add offices.

Figure 7: FAVOURITE SECTOR BY MAJOR MARKET



Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

Figure 8: PRICE DISCOUNTS EXPECTED BY SECTOR



Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

STUDENT AND SENIOR HOUSING REMAIN TOP ALTERNATIVES

Historically low interest rates, driven lower for structural and cyclical reasons, have pushed investors to search for yield: a trend apparent in both traditional and alternative real estate. As is the case in other regions, alternatives are gathering traction in Europe.

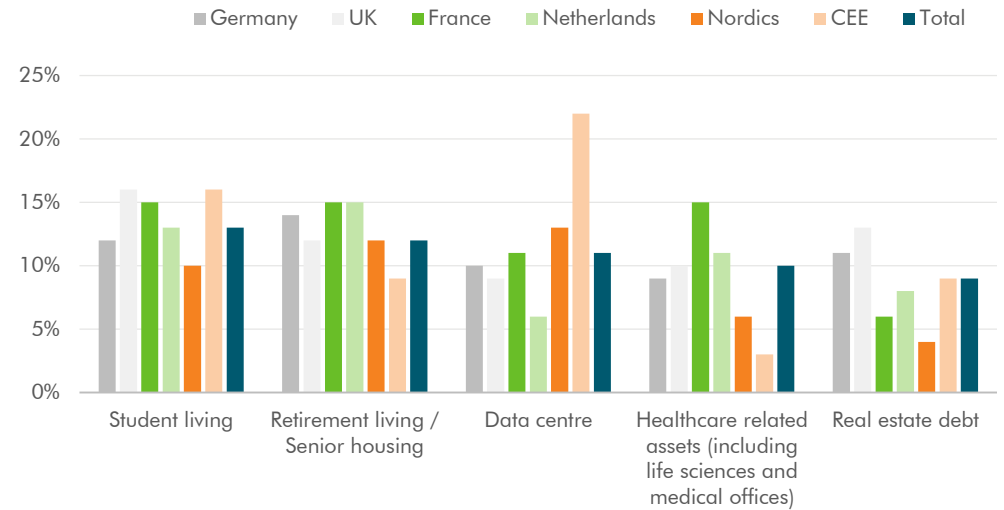
Across Europe, the most popular types of alternatives —in order of popularity— were student housing, senior housing, data centres, healthcare and real estate debt. Here, too, there were some variations across Europe in terms of investor preferences. Investors from Central Europe, the U.K. and France were most bullish towards student housing, while those from France and the Netherlands and Germany were most keen to invest in senior housing. Respondents from Central Europe, the Nordics and France were most upbeat on data centres. Healthcare was most popular among investors from France, Netherlands, while UK, German and Central and Eastern European investors displayed the most positive sentiment towards real estate debt.

EUROPEAN INVESTORS SHOW LIMITED APPETITE FOR INVESTMENT IN OTHER REGIONS

European investors continue to display a clear preference for deploying capital in Europe, with just under three-quarters of respondents stating they have no plans for inter-regional investment in 2021. The most preferred markets abroad were North America, with 14% of investors indicating their intent to invest across the Atlantic. German, Dutch and French investors are most likely to deploy capital in North America. Meanwhile, just under 8% of European investors planned to deploy capital in developed Asia, led by respondents from the U.K., Germany, and France.

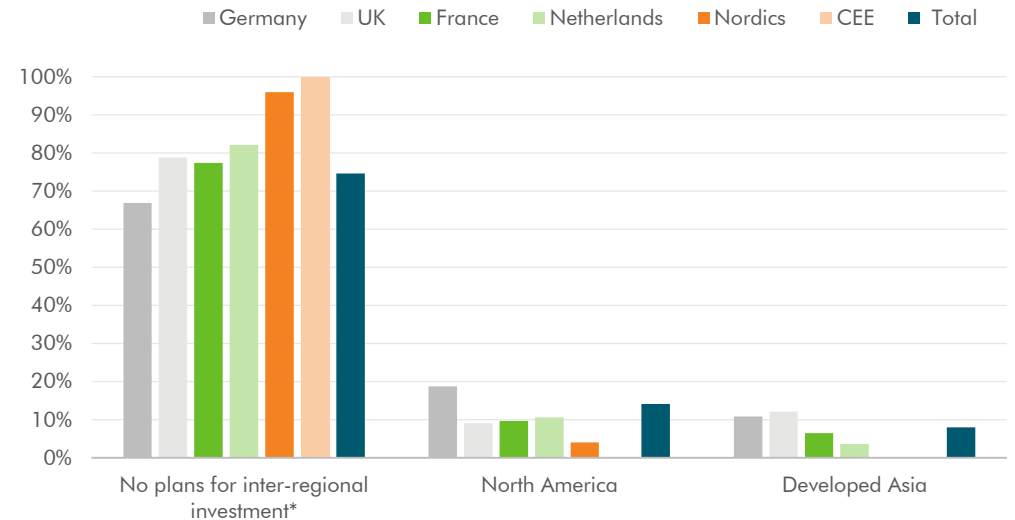
While European-based investors traditionally prefer to invest within the continent, these findings may also reflect the impact of travel restrictions and pandemic-related risks, which will continue to weigh on investors' willingness and ability to deploy capital abroad in the near term.

Figure 9:
ALTERNATIVE INVESTMENT PREFERENCE



Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

Figure 10:
INTER-REGIONAL INVESTMENT INTENTION*



Source: EMEA Investors Intentions Survey 2021, CBRE Research, January 2021

*Cross-border investment refers to capital flows destined to regions outside of Europe

PACE OF INVESTMENT RECOVERY DEPENDS ON VACCINATION PROGRESS

With several vaccines already having been approved by governments across Europe, vaccination programmes are now well underway. As vaccinations progress and normal business and social activity resumes, this will provide a foundation for a sustained investment market recovery.

Potential obstacles to this recovery scenario include virus mutations negatively impacting vaccination campaigns and/or persistent delays to the distribution of vaccines. There is also the risk of policy errors. Should pandemic-related government support be withdrawn too soon, this could impact the pace of economic recovery, real estate fundamentals and by extension, investment activity.

CONCLUSION: INVESTMENT VOLUME EXPECTED TO INCREASE GRADUALLY IN 2021

The expectations of higher purchasing activity and stable selling activity uncovered by this year’s survey reflect investors’ cautious optimism towards 2021. Provided vaccination campaigns remain on schedule, CBRE expects European investment volume to increase by up to 5% y-o-y this year.

This projection may prove to be conservative as a significant amount of capital is targeting real estate. In addition, broader vaccine availability and continued liquidity support from the European Central Bank (ECB) will support a continued recovery in the investment market.

As for the potential of inflation to impact recovery, it is worth noting that very low long-term interest rates have supported investment volumes in recent years. Some increase in rates from recent very low levels is inevitable, and moderate increases will not threaten the investment forecast. Furthermore, to the extent that rate rises reflect greater confidence in the economic recovery, they could be reflective of a more supportive environment.

CBRE expects the European economic recovery to be underway by H2 2021. As the European economic recovery comes into view in H2 2021, more investors will execute on opportunities, boosting overall volumes.

However, as the pandemic continues to drive substantial differences in preferences and approaches across the continent, there will be some variance in terms of the pace of recovery among the various property types.

Figure 11:
WORST AND BASE CASE FOR RECOVERY

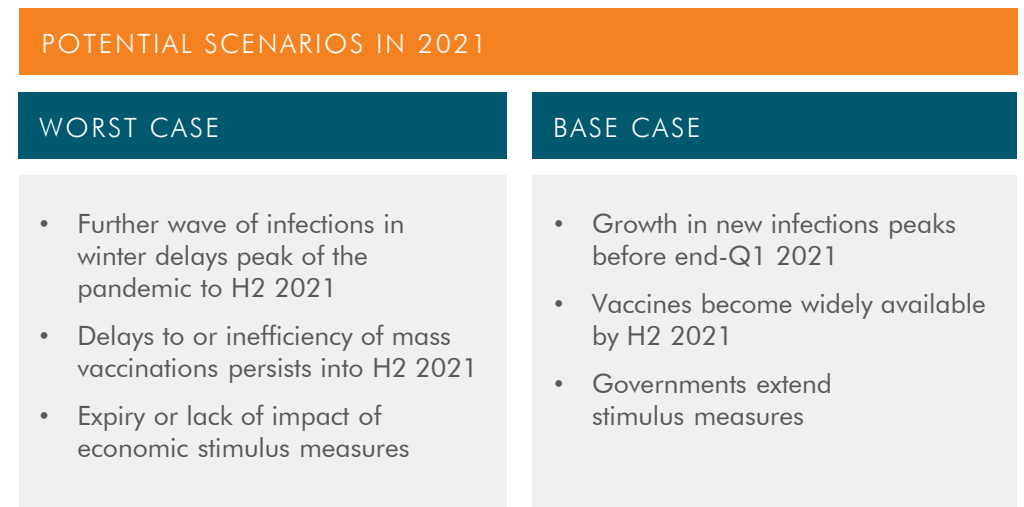
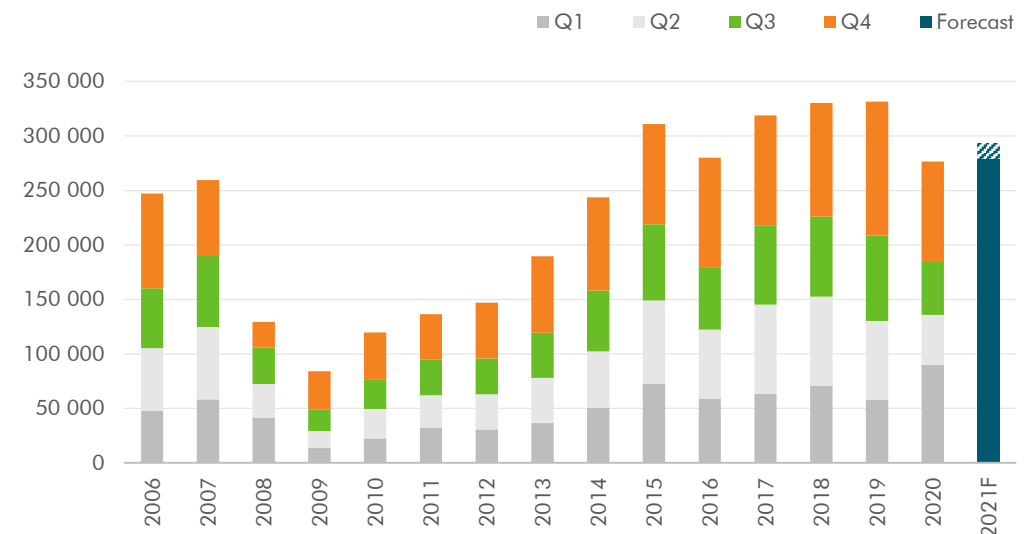


Figure 12:
EMEA INVESTMENT VOLUME (EUR MILLION)



Source: CBRE Research, January 2021

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RESPONDENT PROFILE



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RESPONDENT PROFILE

TOTAL RESPONSES = 415

Figure 13:
PERCENTAGE OF RESPONDENTS BY MARKET

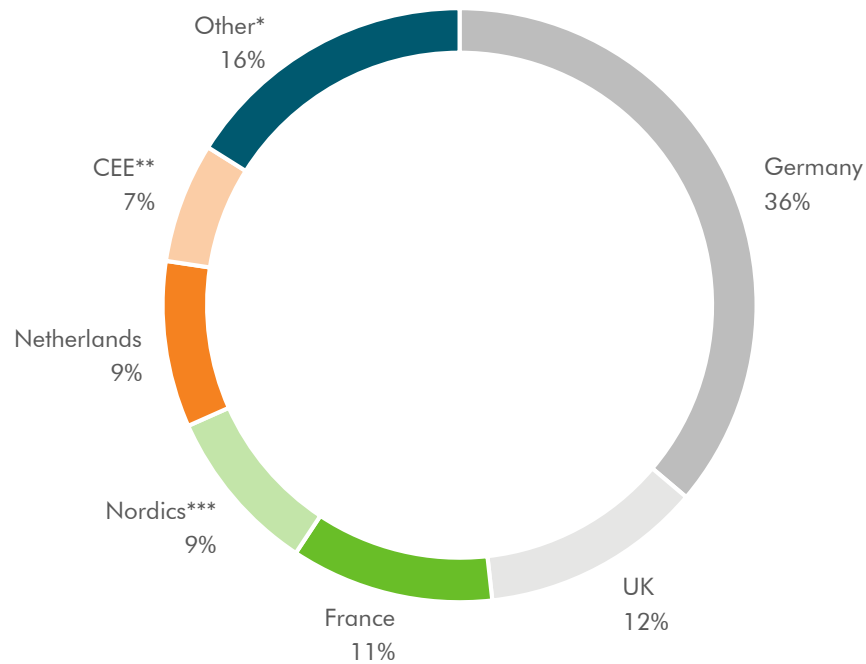
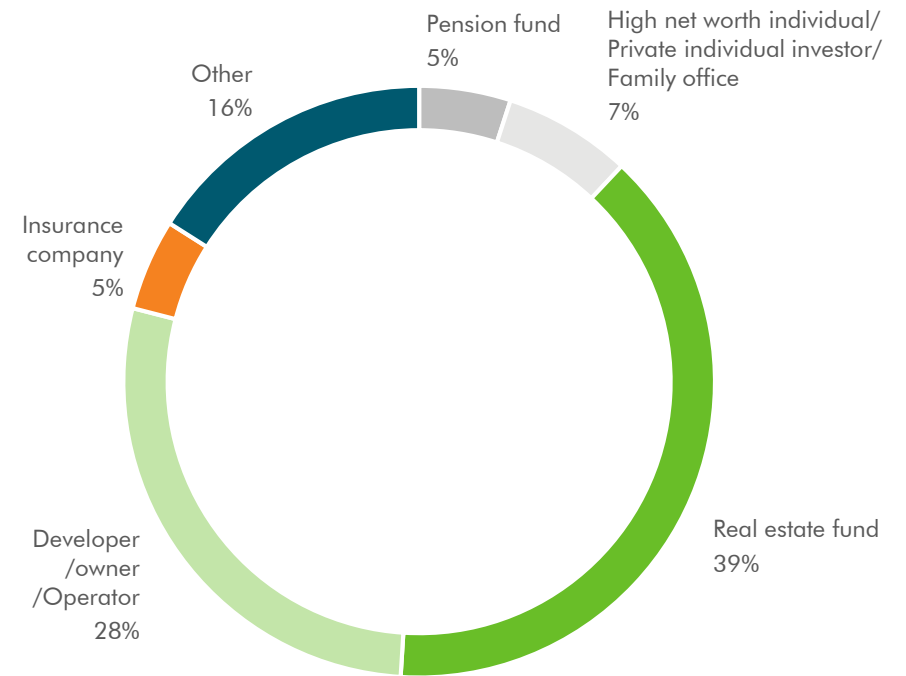


Figure 14:
INVESTOR TYPE



Source: EMEA Investor Intentions Survey, CBRE Research, January 2021

*Other includes respondents from Austria, Belgium, Ireland, Luxembourg, Portugal, Spain, and Switzerland

**CEE includes respondents from Czech Republic, Hungary, Poland and Romania

***Nordics includes respondents from Denmark, Finland, Norway, and Sweden

Source: EMEA Investor Intentions Survey, CBRE Research, January 2021

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CBRE RESEARCH

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