Media release

Realometer: time window for real estate investments in 2024

- **Higher real estate returns and expectations of interest rate cuts are creating momentum**
- **Slow growth in offer in most markets; rental prices expected to increase**
- **Special focus on *core* office properties in Germany, Benelux, France and UK**

Munich, Germany, 11 March 2024 – In an environment marked by geopolitical uncertainty, a weak economy and falling interest rates, the property market in Europe remains challenging. However, it offers some opportunities and unique possibilities for market entry. Demand surplus and short supply are continuing to drive rental prices for residential properties. Rents in the logistics segment also continue to increase, while the structural change in retailing is well underway. There is a window of opportunity for core office real estate, particularly in Germany, Benelux, France and UK, this year . For existing buildings, the key opportunities continue to lie in energy optimisation and the development of flexible spaces for contemporary use. These are the key findings of the current *Realometer*, published by Real I.S. AG every six moths.

“The investment market remains in a state of paralysis and uncertainty, which began with the interest rate increases. However, there are a number of reasons to believe that property investments will prove particularly rewarding in the coming months,” says Sven Scherbetitsch, Director Research and Investment Strategy at Real I.S. AG. Property returns are expected to peak in 2024, marking the end of the price correction. “What is important currently is to be realistic in assessing risks and to buy at a discount while transaction volumes are low in order to secure future returns.”

In most markets the increase in supply is minimal, with market rents expected to rise in the coming years. The analysis by usage type shows the following opportunities in Europe:

- **Office –** Continuing growth in rents for *core* office real estate anticipated for Germany, Benelux, France and UK. With net prime yields of 5.5 % and a vacancy rate of around 8 %, Rotterdam in particular ranks among the best office locations.
- **Retail –** The structural change in the sector is well underway. Rents are expected to bottom out and turn around in 2024. Stable revenues are presumed to continue for convenience stores, community centres, and retail parks with grocery retailers as anchor tenants.
- **Residential –** Demand surplus and short supply are driving rental prices. There is a strong demand for micro apartments and furnished living space too. Promising markets are Dublin, and big cities in Germany and Spain.

- **Logistics –** A continued growth in rents of around 13 percent is expected until 2027. Although weak industrial output is currently having a dampening effect, demand for modern space remains high. Particularly attractive are logistics hubs in the Netherlands, Germany and in Spain.
- **Hotel –** Hotel markets further stabilised in 2023. The recovery is well underway. In the coming years the outlook is positive with regard to increasing revenue per available room.

On a macro level, the general conditions in the Nordic countries (Denmark, Sweden, Finland) as well as in the Netherlands and Luxembourg are very attractive at present in terms of economic dynamics and risk profile. Although the economy remains weak, the situation in 12 out of 20 countries examined has improved in comparison with 2023 – so they show a certain level of resilience. With regard to sustainability criteria, France lost some momentum, and Austria achieved a better rating. "Generally ESG aspects are becoming increasingly important and are often decisive for the *new core*. Major prerequisites for a long-term investment success are ESG-assessed investments, a constantly high occupancy rate and an excellent pan-European market access," explains Sven Scherbetitsch.

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About the *Realometer*

For the past 15 years, Real I.S. has used the *Realometer* to guide its investment strategy. This is a quantitative scoring model, which evaluates a range of criteria with the aid of statistical series according to two dimensions: increase/return and risk. The *Realometer* is updated and published every six months. For a detailed overview of the results, please click on: https://www.realisag.de/research/realometer

About the Real I.S. Group

The Real I.S. Group has a track record of more than 30 years as BayernLB's fund provider specialised in real estate investment. As a member company of the Sparkassen-Finanzgruppe (German savings banks group, Land central banks and associated companies), the Group ranks among the leading asset managers in the German market. Along with alternative investment funds (specialised institutional AIFs and closed-ended retail AIFs) and an open-ended retail real estate investment fund, the range of products and services comprises customised investment fund solutions, club deals, joint ventures and asset management mandates for institutional clients. More than 75 percent of the aggregate portfolio is classified as a financial product under Article 8 of the EU Sustainable Finance Disclosure Regulation. Real I.S. Property Management GmbH completes the range of services. The company has assets of around EUR 13 billion under management. The Real I.S. Group has two licensed investment management companies (KVG) established under the German Investment Code (KAGB) and offices in France, Ireland, Luxembourg, the Netherlands, Spain and in Australia. More information is available on the company's websites at www.realisag.de or www.realis-australia.com.au.

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