MULTIFAMILY

EMEA Real Estate Market Outlook 2020 Midyear Review

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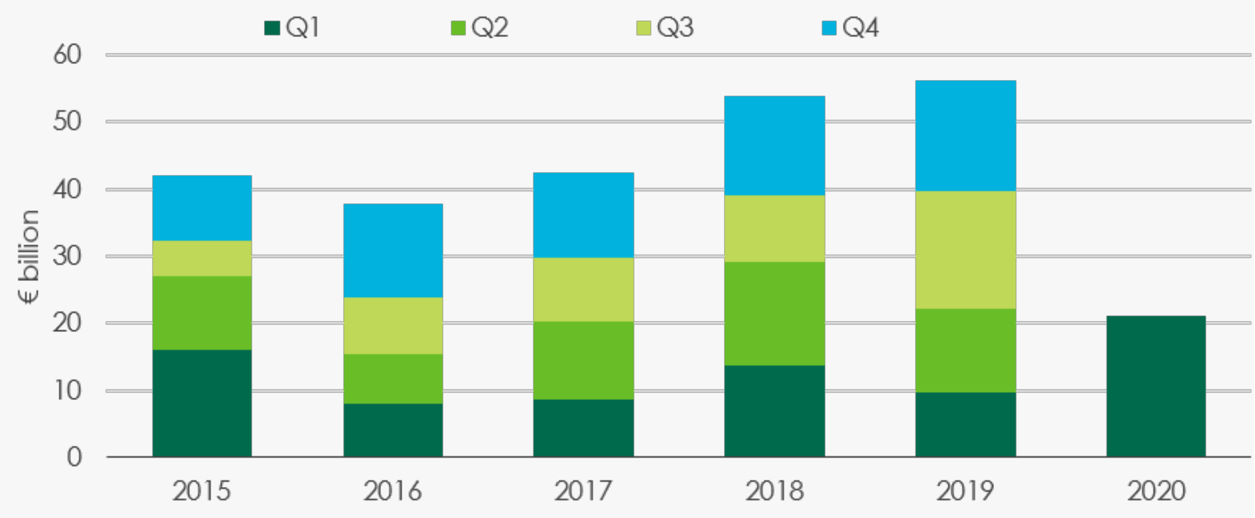
MULTIFAMILY TRANSACTION MARKET REMAINS STRONG

The onset of the pandemic failed to dent demand for multifamily assets in H1 2020. However, some investors are reticent to invest during the current economic climate, whilst those actively looking to deploy capital have been somewhat inhibited from doing so by a lack of opportunities. Transaction volume in H1 2020 was supported by acquisitions of core and core plus properties through larger deals and mergers. Among the most active players were equity driven investors with insurance and pension fund backgrounds as well as those seeking to diversify their portfolios. Investment in the European multifamily market has traditionally been driven by domestic buyers, but recent developments have indicated that cross-border activity is starting to pick up strongly.

The stable rent profile of the sector has been the main reason behind the rising volume of investor enquiries. This is the case not only for mature multifamily markets in central and northern Europe, but also for emerging multifamily markets in southern Europe. Recent months have seen rent collection rates stabilise at a level only slightly lower than before the pandemic. Due to a further increase in urbanisation and a rise in apartment prices, it is expected that young households will be increasingly opting to rent instead of buying.

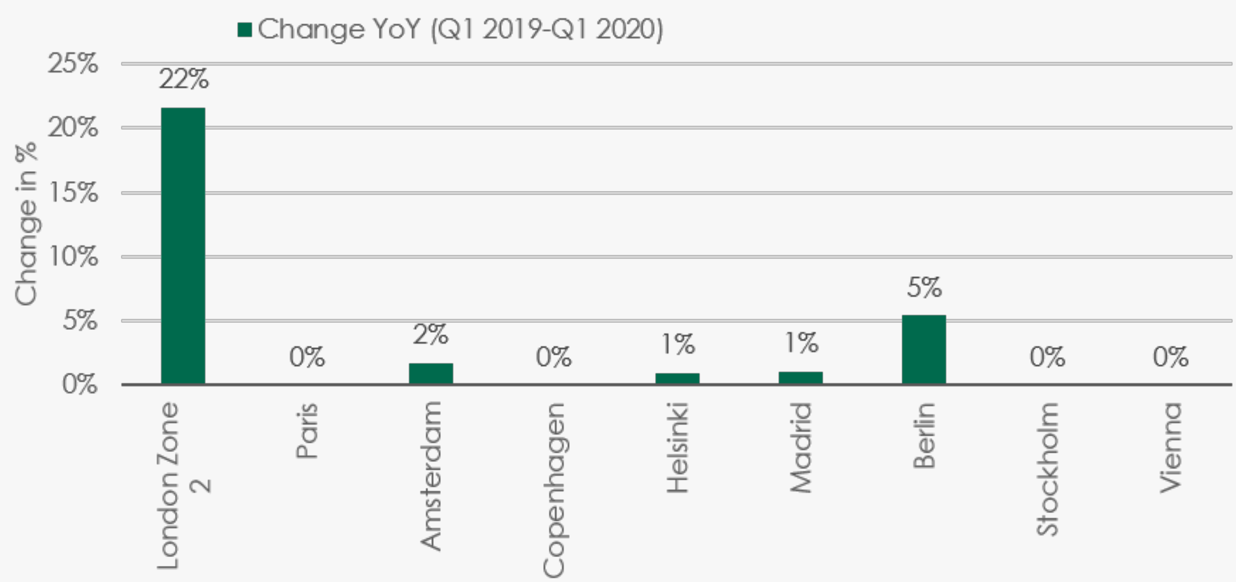
Investment prices and prime yields have not changed significantly compared to the end of 2019, with the market situation potentially set to improve heading into the next few quarters.

FIGURE 37: RESIDENTIAL TRANSACTION VOLUME EUROPE



Source: CBRE Research, 2020.

FIGURE 38: MULTIFAMILY PRIME RENTS CHANGE



Source: CBRE Research, 2020.

Major European private housing companies and some fund managers are currently looking for ways to increase their market shares while expanding in different or new market segments. Key strategies include:

Internationalisation: While most housing companies are still active in their domestic markets, some have purchased larger portfolios or made acquisitions of foreign competitors for the purposes of international expansion.

Market entry through project development and forward deals: Due to a scarcity of available properties, multifamily investors cannot satisfy their appetite for core income-producing properties, leaving them to seek forward deals and/or funding.

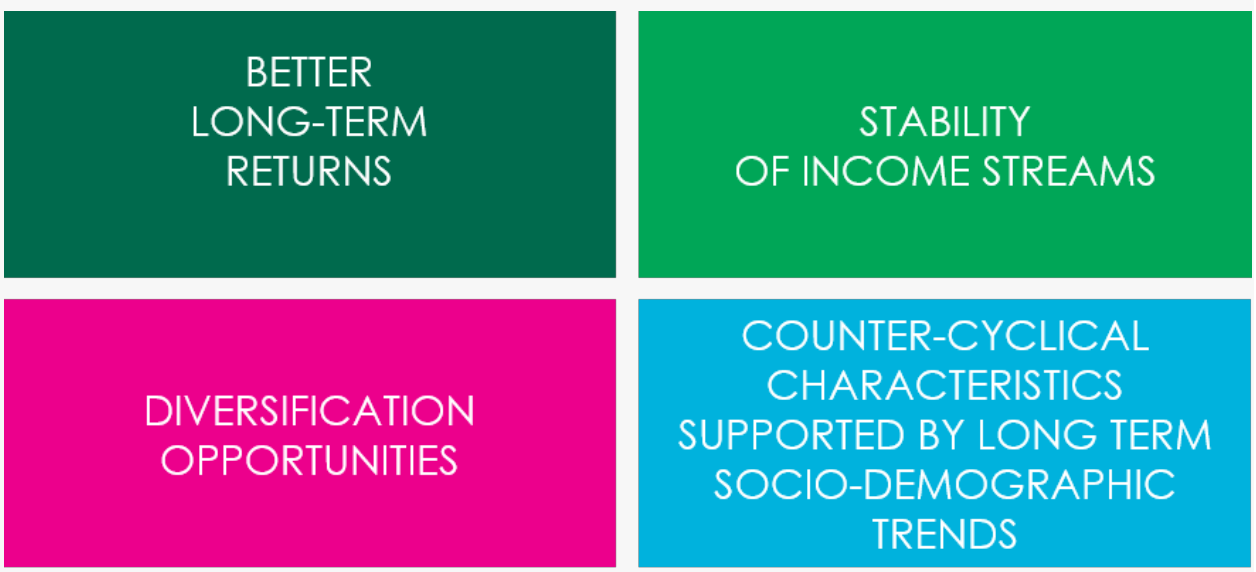
Direct purchasing and investment in developers: Some larger residential corporations have started to augment their own development capacity by acquiring or purchasing stakes in developer companies or increasing their land banking activity.

Filling-the-gap strategies and geographical diversification. Market players are looking to pursue strategic investments in multifamily portfolios outside core and capital regions with sociodemographic development potential, such as University cities or geographical locations in between major economic districts.

Institutional investors are increasingly turning towards the multifamily sector, attracted by a generally stable cashflow even in times of uncertainty.

Trends in household spending during the pandemic have demonstrated that, out of necessity, tenants generally prioritise the payment of rent. In addition, European governments have introduced a wide range of fiscal packages, including regulations and wage subsidies, to support rent payment. As a result, rent collection rates in the sector have remained quite high. Because of the defensive characteristics of the sector as shown through stable cashflows, the European multifamily sector is likely to see increased activity from global capital over the coming months.

FIGURE 39: MULTIFAMILY INVESTMENT ADVANTAGES



Source: CBRE, HotStats, 2020.