



# Real Estate Investments in Europe 2020 Year and Q1 2021

**Research and Development department**  
**Advisory and Valuation department**

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Private and Confidential

**DUFF & PHELPS**

REAL ESTATE ADVISORY GROUP

A **KROLL** BUSINESS

# OVERVIEW

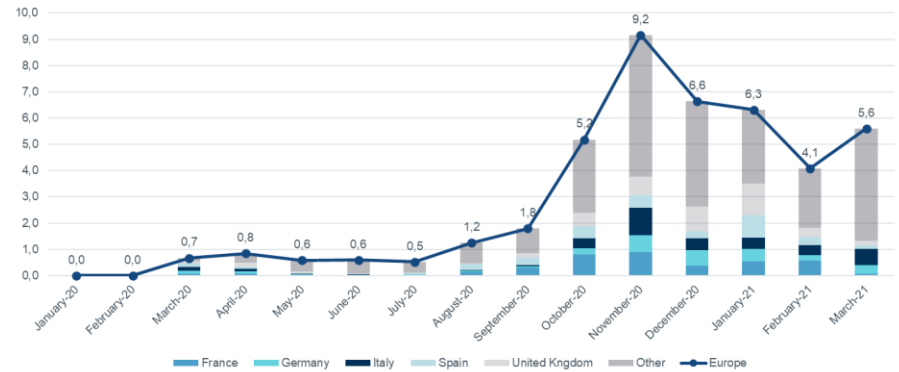
The COVID-19 pandemic has affected social, economic and geopolitical systems worldwide.

In Europe, the first effects of the pandemic were recorded at the beginning of 2020, then the virus spread appeared to slow down during the summer of 2020. In October 2020, a second pandemic wave struck most European countries. European governments replied with new restrictive measures, and the restrictions that are still heavily impacting on all economic sectors, in particular in the commercial, tourism and entertainment sectors.

Following the approval of the first COVID-19 vaccines by the international regulatory entities - the Food and Drug Administration (FDA) and European Medicines Agency (EMA) - a mass vaccination campaign was launched at the end of December 2020 and will continue during the entire 2021.

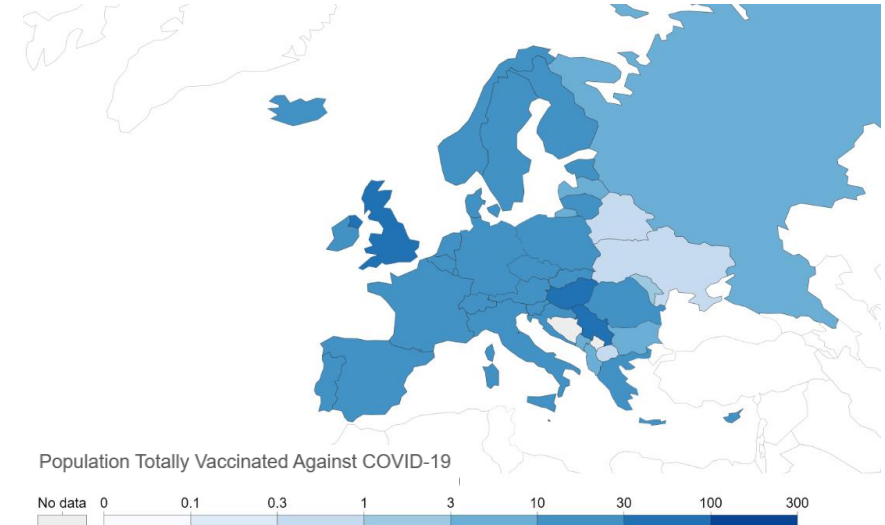
As of April 1, 2021, more than 20% of the European population has been vaccinated, and 15% of the entire European Union (EU) has been vaccinated. Despite the quick rollout of the vaccine, these percentages are still low and the time needed to achieve «herd immunity» could be longer than initial expectations.

COVID-19 CONFIRMED CASES (MN NUMBER)



Duff & Phelps Real Estate Advisory Group, A Kroll Business, on Epidemic Intelligence data.

COVID-19 VACCINATIONS



Duff & Phelps Real Estate Advisory Group, A Kroll Business, on Our World in Data data - Last Update April 1, 2021.

# OVERVIEW – FOCUS ON EUROPE

This focus includes 27 EU members countries (Austria, Belgium, Bulgaria, Czechia, Cyprus, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Hungary) and the UK.

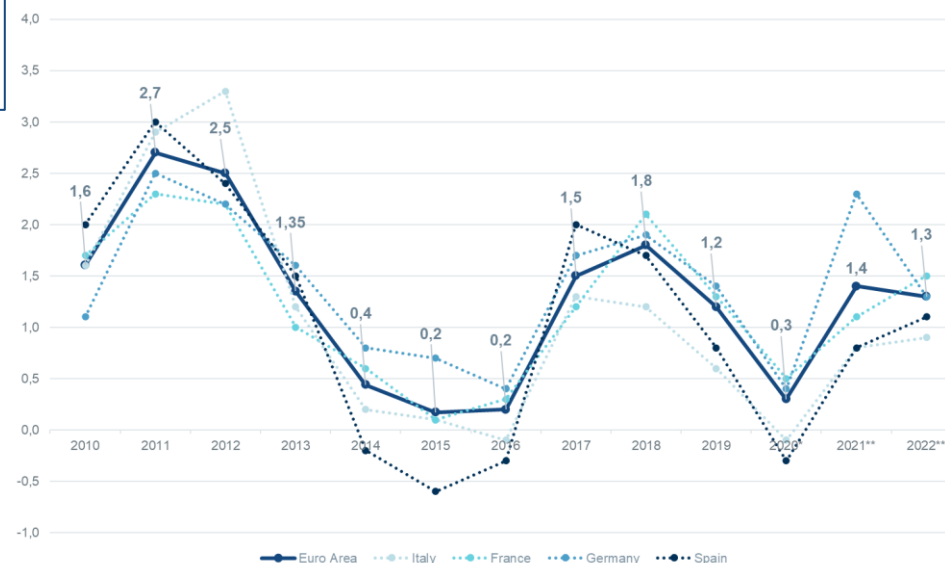
According to the latest European Commission (EC) report, the resurgence in infections recorded in last part of 2020, together with the appearance of new and more contagious variants of the virus, have affected the short-term recovery of many countries' economies.

In addition, EC macroeconomic forecast highlights that the speed of the recovery will vary significantly across the EU. As mentioned, some countries have suffered more than others during the pandemic, whereas some are more dependent on sectors such as tourism, which has been severely impacted by the pandemic.

In terms of the capital market, the European Central Bank (ECB) is continuing its expansion measures for economic support through the injection of considerable liquidity into markets and by keeping interest rates low.

In addition, monetary policy is strengthened by the ambitious and faster setting up of the Recovery Fund "Next Generation EU" program disbursed to the European countries most affected by the pandemic.

INFLATION (VAR % YoY)



\*estimate \*\*forecast

Duff & Phelps Real Estate Advisory Group, A Kroll Business, on European Commission data.

	Unemployment Rate (as % of total labour force)		Autumn Forecast 2020	
	2019	2020	2020	2021
France	8,5	8,5	10,7	
Germany	3,1	4,0	4,0	
Italy	10,0	9,9	11,6	
Spain	14,1	16,7	17,9	
Portugal	6,5	8,0	7,7	
Netherlands	3,4	4,4	6,4	
<b>Euro area</b>	<b>8,3</b>	<b>9,4</b>	<b>8,9</b>	

	GDP per capita (€)	GDP (% YoY)						
		Winter Forecast 2021			Autumn Forecast 2020		Delta	
		2019	2020	2021	2020	2021	2020	2021
France	33.270	1,5	-8,3	5,5	-9,4	5,8	1,1	-0,3
Germany	35.980	0,6	-5	3,2	-5,6	3,5	0,6	-0,3
Italy	26.860	0,3	-8,8	3,4	-9,9	4,1	1,1	-0,7
Spain	25.170	2,0	-11	5,6	-12,4	5,4	1,4	0,2
Portugal	18.540	2,2	-7,6	4,1	-9,3	5,4	1,7	-1,3
The Netherlands	41.870	1,7	-4,1	1,8	-5,3	2,2	1,2	-0,4
<b>Euro area</b>	<b>28.630</b>	<b>1,3</b>	<b>-6,8</b>	<b>3,8</b>	<b>-7,8</b>	<b>4,2</b>	<b>1</b>	<b>-0,4</b>

Duff & Phelps Real Estate Advisory Group, A Kroll Business, on European Commission data in «Winter Forecast 2021» and «Autumn Forecast 2020».

# REAL ESTATE INVESTMENTS IN EUROPE – 2020 YEAR

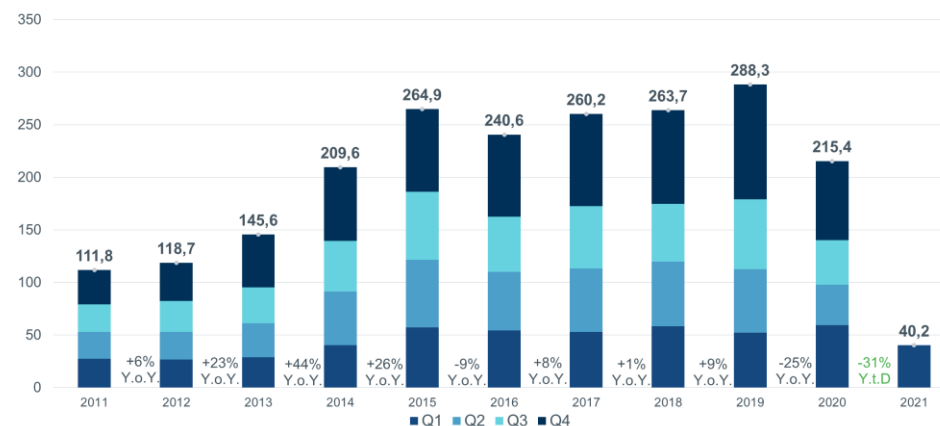
In Europe, the volume of corporate investments in 2020 amounted to around 215 billion euros, a decline of a little over 25% compared to 2019, and this has interrupted the investments trend's growth started in 2008.

The analysis of the volume of corporate investments by asset class highlights that residential buildings, development of greenfield or brownfield areas and assets not ascribable to a specific asset class and/or subject to upgrading, together with the industrial and logistic asset classes, accounted for 40% of total investments, surpassing for the first time the office asset class, which was the most attractive historical asset class until now. The latter properties together with retail and hospitality are already in a phase of “re-thinking” due to the physiological evolution of asset classes’ layout and spaces and to satisfy the new health directives.

Germany, the UK and France were confirmed as the most attractive markets in Europe in 2020 (135 billion euros of total volume of corporate investment in 2020, that is equal to 62% of the total investment volume). Main investors were based in U.S..

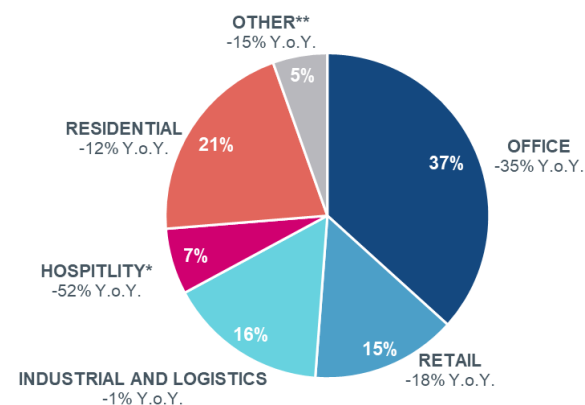
The pandemic has not only influenced investors’ strategies, but also the use of real estate. For example, the spaces for living and working, traditionally conceived as independent environments have been transformed into a hybrid system, adapting the layouts of residences and offices to the new needs of users (e.g. houses designed with clearly delinating spaces for working, learning or playing).

REAL ESTATE INVESTMENTS IN EUROPE (BN OF EURO AND VAR.)



Duff & Phelps Real Estate Advisory Group, A Kroll Business, on RCA data.

INVESTMENTS BY ASSET CLASS – 2020



\* Hospitality: hotel and alternatives (student housing, health care, senior living, etc.)

\*\*Other: development of greenfield or brownfield areas and assets not ascribable to a specific asset class

Duff & Phelps Real Estate Advisory Group, A Kroll Business, on RCA data.



# FOCUS ON MOST ATTRACTIVE COUNTRIES IN EUROPE

Germany



## Country Overview

**83 mn Population**  
 3,449 GDP 2019 (mn of €)  
 35,980 GDP per Capita 2019 (€)  
 3.1 Unemployment Rate 2019 (%)

## Real Estate: 2020 Investments

**-29% YoY** 54 bn Germany  
**-31% YoY** 8.3 bn Berlin

36% Cross-Border Buyers



In Germany, the volume of corporate investments in 2020 amounted to around 54 billion euros, a drop of 29% compared to the previous year (76 billion euros recorded in 2019). Of the capital flows in 2020, 36% came from international marketplaces (around 24 billion euros).

**15% of the investments are situated in Berlin (8.3 billion euros, -31% YoY). The city makes up the 88% of total investments of its metropolitan area.**

France



**67 mn Population**  
 2,425 GDP 2019 (mn of €)  
 33,270 GDP per Capita 2019 (€)  
 8.5 Unemployment Rate 2019 (%)

**-31% YoY** 33 bn France  
**-25% YoY** 10.7 bn Paris

40% Cross-Border Buyers



In France, the volume of corporate investments in 2020 amounted to around 33 billion euros, a drop of 31% compared to the previous year (47 billion euros recorded in 2019). Of the capital flows in 2020, 40% came from international marketplaces (around 13 billion euros).

**32% of the investments are situated in Paris (10.7 billion euros, -25% YoY). The city makes up the 50% of total investments of its metropolitan area.**

United Kingdom



**67 mn Population**  
 2,214 GDP 2019 (mn of €)  
 32,980 GDP per Capita 2019 (€)  
 3.8 Unemployment Rate 2019 (%)

**-20% YoY** 47 bn United Kingdom  
**-29% YoY** 16.5 bn London

50% Cross-Border Buyers



In the UK, the volume of corporate investments in 2020 amounted to around 47 billion euros, a drop of 20% compared to previous year (58 billion euros recorded in 2019). Of the capital flows in 2020, 50% came from international marketplaces (around 26 billion euros).

**35% of the investments are situated in London (16.5 billion euros, -29% YoY). The city makes up the 80% of total investments of its metropolitan area.**

The Netherlands



**17 mn Population**  
 840 GDP 2019 (mn of €)  
 41,870 GDP per Capita 2019 (€)  
 3.4 Unemployment Rate 2019 (%)

**-9% YoY** 23 bn Netherlands  
**-38% YoY** 3.3 bn Amsterdam

50% Cross-Border Buyers



In the Netherlands, the volume of corporate investments in 2020 amounted to around 23 billion euros, a drop of 9% compared to previous year (26 billion euros recorded in 2019). Of the capital flows in 2020, 50% came from international marketplaces (around 11.5 billion euros).

**14% of the investments are situated in Amsterdam (3.3 billion euros, -38% YoY). The city makes up the 25% of total investments of its metropolitan area.**

Office Retail Industrial and Logistics Hospitality\* Other\*\*

\* Hospitality: hotel and alternatives (student housing, health care, senior living, etc.)

\*\* Other: residential buildings, development of greenfield or brownfield areas and assets not ascribable to a specific asset class.

Duff & Phelps Real Estate Advisory Group, A Kroll Business, on European Commission and RCA data.

# FOCUS ON MOST ATTRACTIVE COUNTRIES IN EUROPE

## Country Overview

## Real Estate: 2020 Investments

Sweden



**10 mn Population**  
 502 GDP 2019 (mn of €)  
 43,840 GDP per Capita 2019 (€)  
 6.8 Unemployment Rate 2019 (%)

**-13% YoY** **13 bn Sweden**      **-39% YoY** **2.5 bn Stockholm**

**25% Cross-Border Buyers**



In Sweden, the volume of corporate investments in 2020 amounted to around 13 billion euros, a drop of 13% compared to previous year (15 billion euros recorded in 2019). Of the capital flows in 2020, 25% came from international marketplaces (around 3.4 billion euros).

**19% of the investments are situated in Stockholm (2.5 billion euros, -39% YoY). The city makes up the 46% of total investments of its metropolitan area.**

Spain



**47 mn Population**  
 1,244 GDP 2019 (mn of €)  
 25,170 GDP per Capita 2019 (€)  
 14.1 Unemployment Rate 2019 (%)

**-42% YoY** **10 bn Spain**      **-49% YoY** **2.8 bn Madrid**

**78% Cross-Border Buyers**



In Spain, the volume of corporate investments in 2020 amounted to around 10 billion euros, a drop of 42% compared to previous year (17 billion euros recorded in 2019). Of the capital flows in 2020, 78% came from international marketplaces (around 8 billion euros).

**28% of the investments are situated in Madrid (2.8 billion euros, -49% YoY). The city makes up the 80% of total investments of its metropolitan area.**

Italy



**59 mn Population**  
 1,789 GDP 2019 (mn of €)  
 26,860 GDP per Capita 2019 (€)  
 10.0 Unemployment Rate 2019 (%)

**-30% YoY** **8.1 bn Italy**      **-28% YoY** **3.3 bn Milan\*\*\***

**62% Cross-Border Buyers**



In Italy, the volume of corporate investments in 2020 amounted to 8.1 billion euros, a drop of around 30% compared to previous year. Of the capital flows in 2020, 62% came from international marketplaces (around 5 billion euros).

**42% of the investments are situated in Milan (3.3 billion euros, -27% YoY). The city makes up the 86% of total investments of its metropolitan area.**

Office   
  Retail   
  Industrial and Logistics   
  Hospitality\*   
  Other\*\*

\* Hospitality: hotel and alternatives (student housing, health care, senior living, etc.)

\*\* Other: residential buildings, development of greenfield or brownfield areas and assets not ascribable to a specific asset class

\*\*\* Please note that Milan is the most attractive city in terms of real estate investment despite it not being the capital of Italy.

# REAL ESTATE INVESTMENTS IN EUROPE - 2020 YEAR

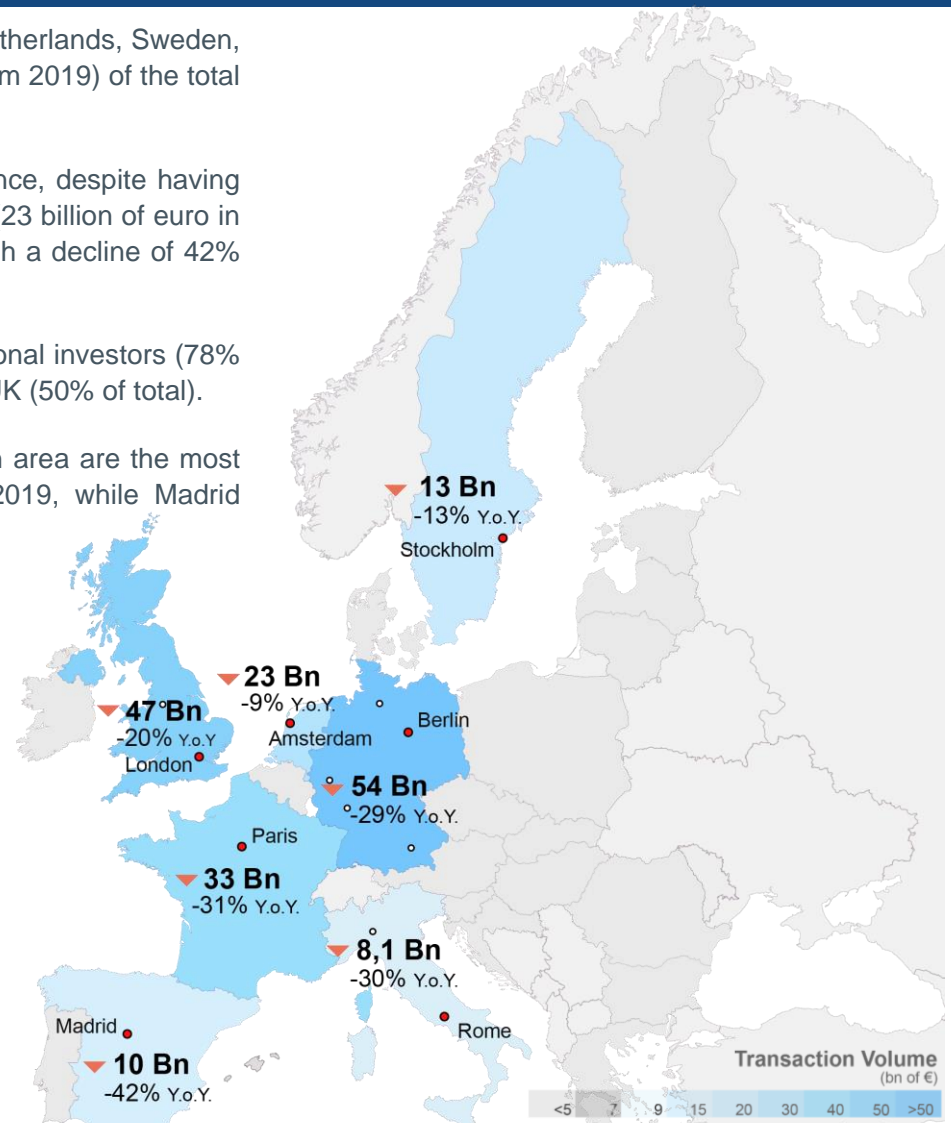
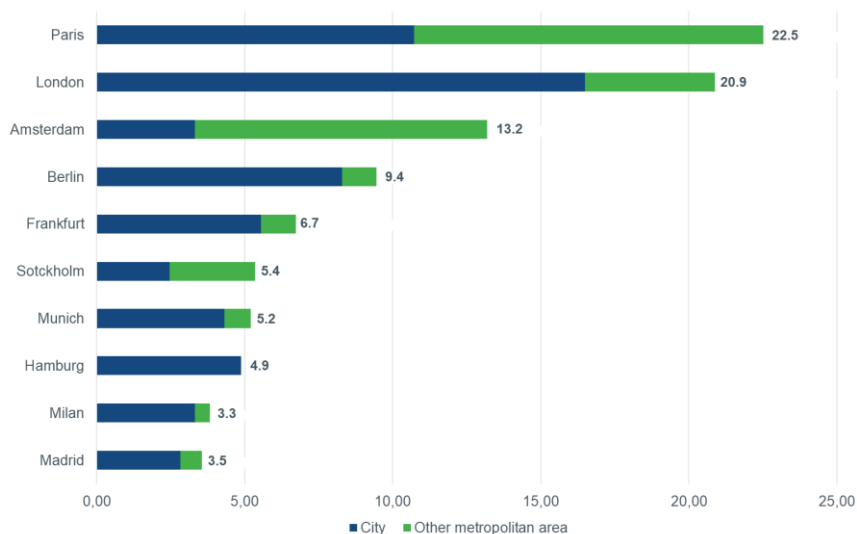
In 2020, the seven most attractive countries—Germany, France, the UK, the Netherlands, Sweden, Spain and Italy—together amounted to 190 billion euros (a decrease in 25% from 2019) of the total of real estate investments in Europe (215 billion euros).

Among the countries mentioned, the Netherlands recorded the best performance, despite having recorded a negative change in transactions of around -9% on an annual basis (23 billion of euro in 2020 vs. 26 billion of euro in 2019), while Spain achieved the lowest result with a decline of 42% on annual basis (10 billion of euro in 2020 vs. 17 billion of euro in 2019).

Referring to capital flows in 2020, Spain has the largest percentage of international investors (78% of total investors), followed by Italy (62% of total) and the Netherlands and the UK (50% of total).

Of the metropolitan areas in the analyzed countries, Paris and its metropolitan area are the most attractive in terms of investment, despite a decline of 25% compared to 2019, while Madrid recorded the worst result of a 49% decline on an annual basis.

INVESTMENTS IN MOST ATTRACTIVE EUROPEAN CITIES IN 2020 (BN OF EURO)



Duff & Phelps Real Estate Advisory Group, A Kroll Business, on RCA data.

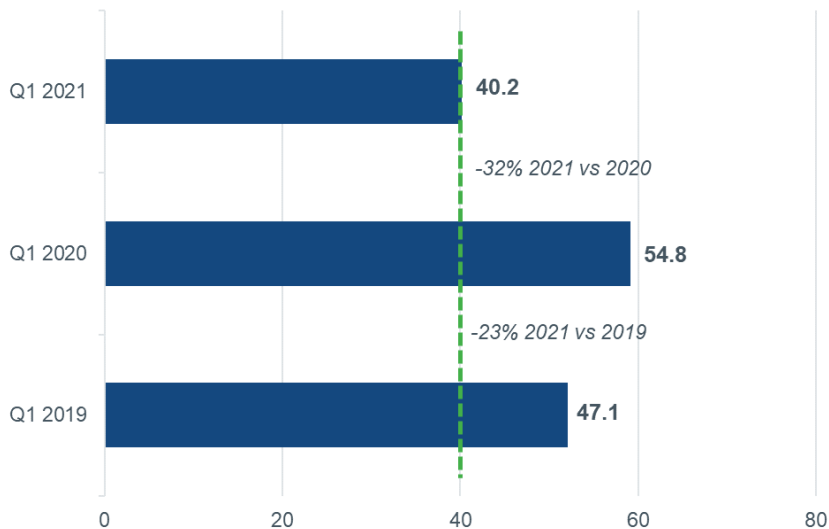
# REAL ESTATE INVESTMENTS IN EUROPE - Q1 2021

The Q1 2021 real estate investments in Europe amounted to 40.2 billion euros, that is a decline of 32% compared to Q1 2020 (the prelude period of global health emergency) and -23% to Q1 2019 (year before pre COVID-19 pandemic).

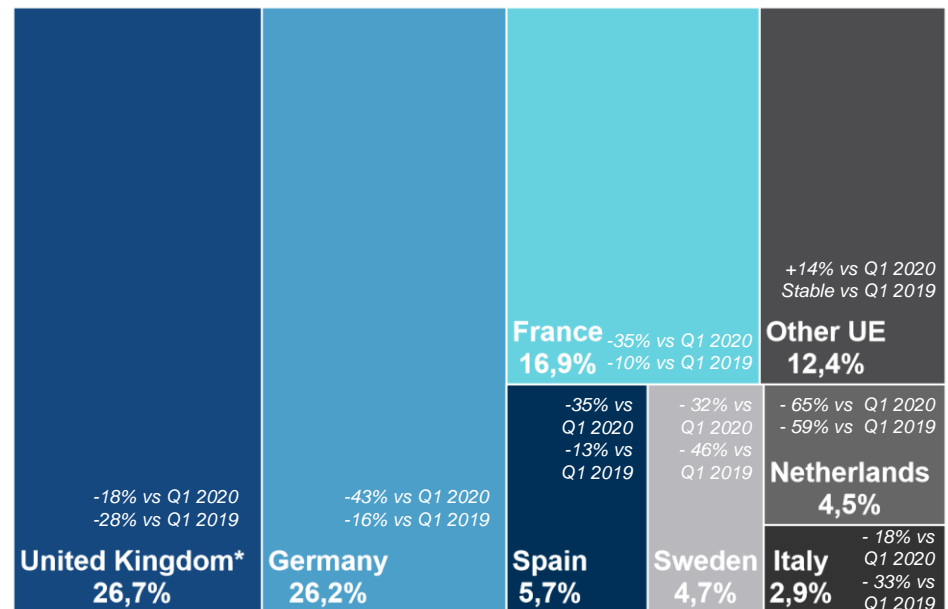
The UK\* and Germany were the most attractive countries, recording 10.7 billion euros (a decline of 18% since Q1 2020) and 10.5 (a decline of 43% since Q1 2020) billion euros of investments, respectively. France follows behind with 6.8 billion euros (a decline of 35% since Q1 2020).

Paris and its metropolitan area remain the most attractive urban area in Europe in terms of volume of investments (3.4 billion euro) followed by London (2.5 billion euros) and Berlin (1.5 billion euro). Paris accounts the 60% of investments on its metropolitan area, while London accounts the 70% and Berlin the 89%.

Q1 2021 INVESTMENTS VS. Q1 2020 VS Q1 2019 (BN OF EURO)



Q1 2021 INVESTMENTS IN EUROPEAN COUNTRIES



\* In spite of the formalization of Brexit that began in January 2021, this analysis also includes the UK's real estate investment volume.



# REAL ESTATE INVESTMENTS IN EUROPE - Q1 2021

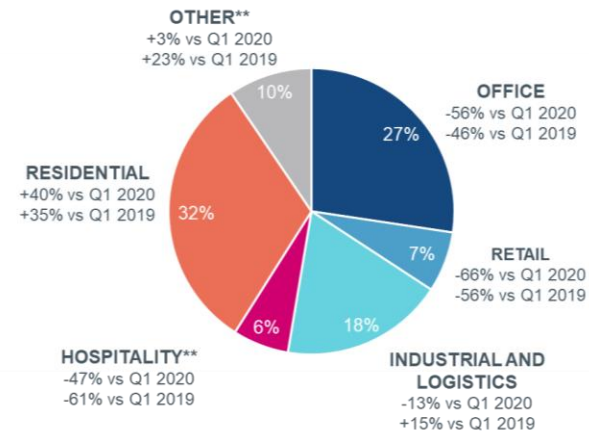
Looking at the real estate deals closed in Q1 2021, the traditional asset classes, such as office, retail and hospitality, have underperformed, while residential real estate and logistics have seen increased appetite from investors. Specifically, in Q1 2021, the asset classes residential and “other” (that includes development of greenfield or brownfield areas and assets not ascribable to a specific asset class such as parking facility, bank branch and self-storage) account for 42% of total investment volume, that is an increase of 30% year to date. The rise of appeal in residential properties from investors confirms that this asset class is probably evolving from a niche of the market to an independent and more structured position.

Main cross-border investors are from the U.S.: their investments weight more than 50% on the total of Extra-European Union (EU) investments. In the last three 2021, 2020 and 2019 Q1, the capital by Extra-EU players amounted for 22% on total.

On the other hand, the capital flow from EU comes from English\* and German investors, which were confirmed as primary players in the European real estate market.

\* In spite of the formalization of Brexit that began in January 2021, this analysis also includes the UK's real estate investment volume.

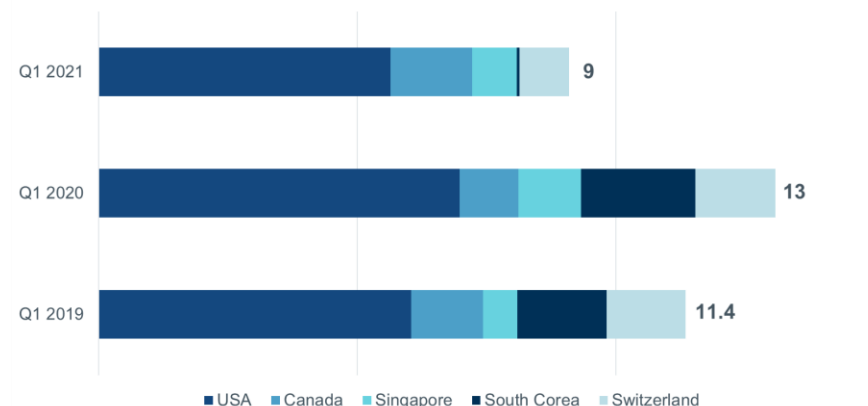
REAL ESTATE INVESTMENTS BY ASSET CLASS IN EUROPE - Q1 2021



\*\* Other: development of greenfield or brownfield areas and assets not ascribable to a specific asset class

\*\*\* Hospitality: hotel and alternatives (student housing, health care, senior living, etc.)

EXTRA-EU MAIN INVESTORS' ORIGIN (BN OF EURO)



Duff & Phelps Real Estate Advisory Group, A Kroll Business, on RCA data.

For more information, please contact:

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