



REAL ESTATE AND LIFECYCLE

INVESTMENT STRATEGIES
FOR NEW RESIDENTIAL MARKETS

OCTOBER 2020

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REAL ESTATE AND LIFECYCLE

INVESTMENT STRATEGIES FOR NEW RESIDENTIAL MARKETS

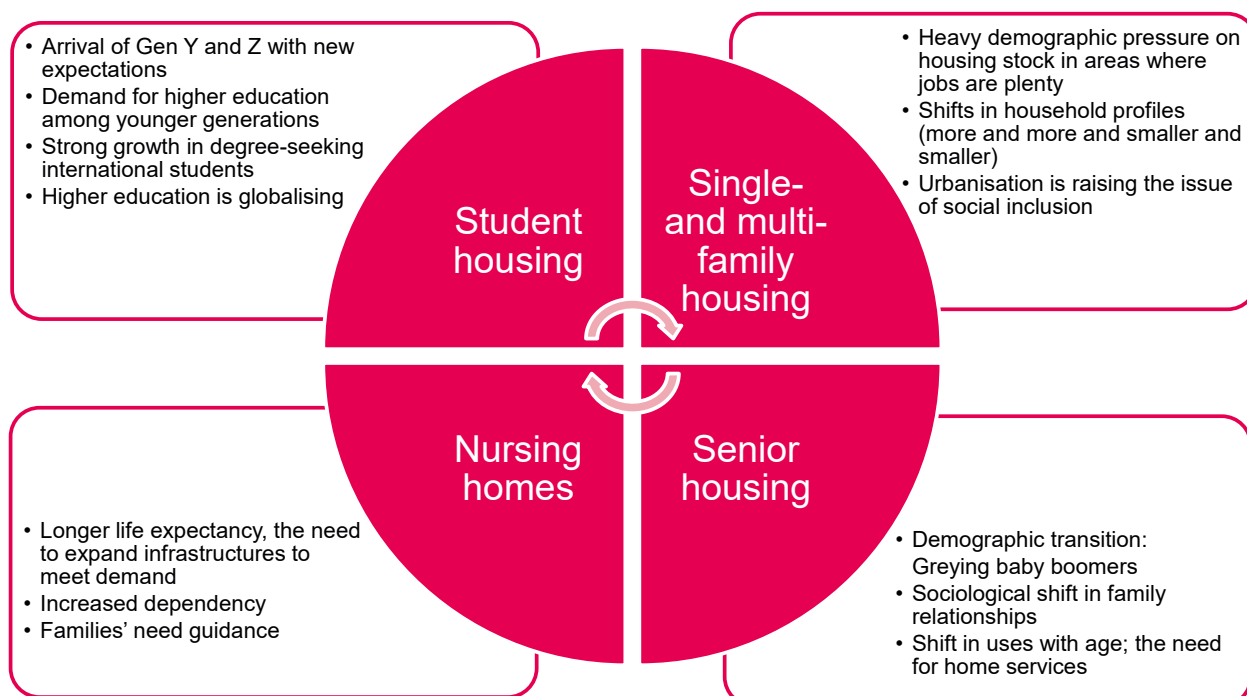
THE EUROPEAN RESIDENTIAL PROPERTY MARKET THROUGHOUT THE LIFECYCLE: SOME BACKGROUND

Life is a cycle and residential property must meet individuals' expectations based on their needs at each moment of their lives. In a multi-generational society, housing must therefore adapt to the needs of several generations in student, single- and multi-family, and senior housing and nursing homes.

The percentage of homeowners and renters varies from one part of Europe to another. The vast majority of persons in the east and south own their homes, but there is a rough balance in other countries between homeowners and renters, particularly in German-speaking and Scandinavian countries. **However, over the past decade and two major economic crises in Europe (the 2008-2009 economic and financial crisis and**

the sovereign-debt crisis), Europeans' views of homeownership has changed. The current healthcare crisis is expected to reinforce existing trends and give rise to new personal needs (including more spacious apartments, gardens, greater flexibility, more services, etc.) as well as to new public health requirements in the form of nursing homes for dependent elderly people.

THE RESIDENTIAL PROPERTY MARKET THROUGHOUT THE LIFECYCLE



Source(s): Primonial REIM Research & Stratégie

STUDENTS

Generations born after 1985 (Gen Y, Z, etc.) want to prolong their studies for both professional reasons (better employability) and personal ones (the “quarter-life crisis”). University education also offers the chance to live in an international metropolitan area. This is a lifestyle choice that allows younger people to stay mobile and independent despite

lower purchasing power. Student housing meets their needs, particularly in the case of international students¹.

PROPERTIES

Metropolitan areas are key to European countries' economies. They create many jobs and make a big contribution to national wealth. Cities' concentration of public services, transport, companies, cultural and entertainment options, educational opportunities, etc. makes them attractive places to be, but also exerts heavy pressure on their housing

markets. In reaction to the resulting increase in housing prices in large cities, some households are opting to rent in order to improve or maintain their purchasing power and their professional mobility.

SENIORS

Parents of Generations Y and X are nearing the age of retirement – a new stage in life with new expectations and needs. Many European countries – Germany and Italy in particular – will see a rapid acceleration in the ageing of their population over the next 10 years. This will pose some big challenges to governments in both the economy and in public health, especially as dependency ratios² are expected to continue rising in the coming years. That means that demand will expand gradually for senior housing and then for nursing homes. Seniors now live longer and in better health and want to stay independent as long as possible. They want to be able to eat out and have access

to quality healthcare services while living close to their children, grandchildren and friends who live in or near a metropolitan area.

Understanding the demographic and property trends being driven by various generations is therefore essential in designing a long-term investment policy.

1. In the short term, the Covid-19 crisis will hinder students' ability to cross borders.

2. Ratio between young people (< 20 years) and seniors (> 60 years) and people of working age.

DEMOGRAPHIC CHALLENGES

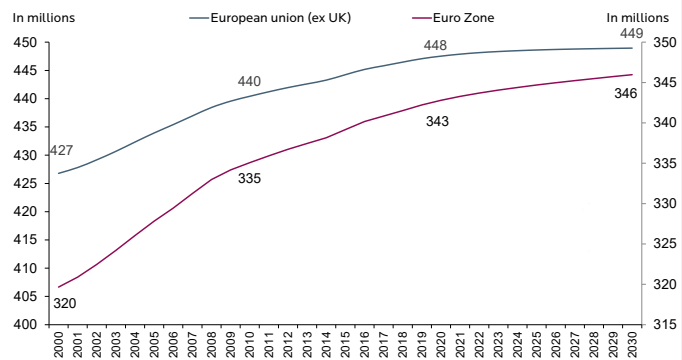
The population of the European Union (excluding the United Kingdom) has risen from 427 million in 2000 to more than 448 million in 2020. It is expected to grow slightly between now and 2030, reaching a total of 449 million. The euro zone's population is likely to grow faster, from 343 million to 346 million.

The age pyramid is expected to change over the next 10 years. While the number of students (15-24 years) will be stable, the working-age population (25-64 years) will shrink, and the number of seniors (65-80+ years) will increase.

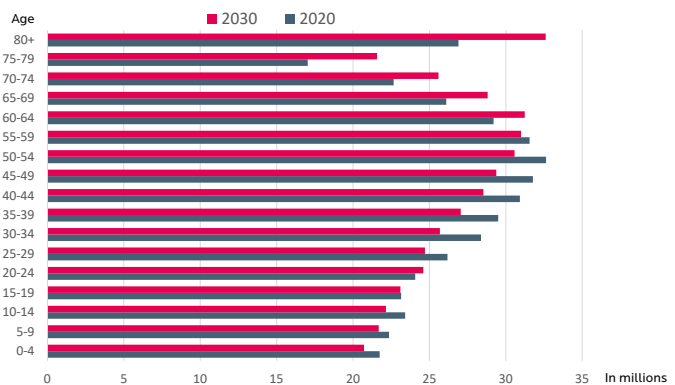
Meanwhile, a country-by-country suggests that population growth is likely to diverge widely – rising in France, Spain, Belgium, the Netherlands and Germany, and falling in Portugal, Italy and Greece.

A more in-depth look is necessary to set up winning investment strategies for the next decade, based on prevailing demographic trends.

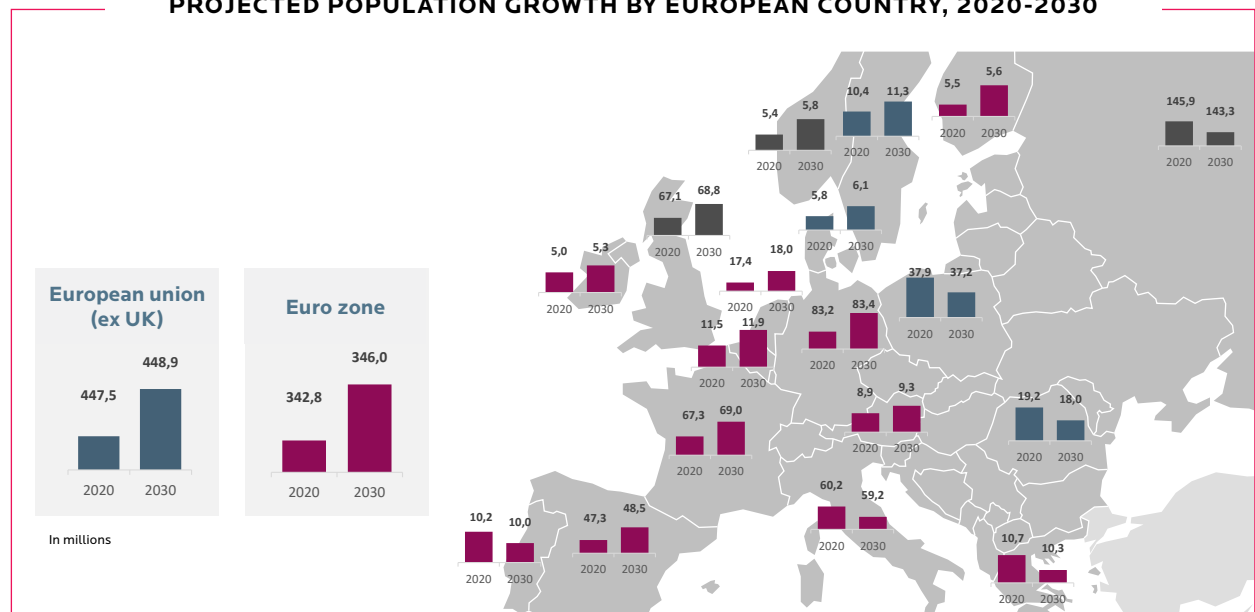
EUROPEAN UNION (EX UK) POPULATION, 2000-2030



EUROPEAN UNION (EX UK) AGE PYRAMID, 2020-2030



PROJECTED POPULATION GROWTH BY EUROPEAN COUNTRY, 2020-2030



Source(s): Primonial REIM Research & Strategy based on data from Oxford Economics, Eurostat

INVESTMENT MARKETS REAL-ESTATE RETURNS

To address this new demographic segmentation of European societies, **we have defined a new category of research: housing property plus “managed” formats, i.e., serviced residential.**

This better shows the property needs generated by the expansion in higher education (student housing), by longer pre-marriage periods (co-living), and by the emergence of a third and fourth age of life (senior housing, nursing homes).

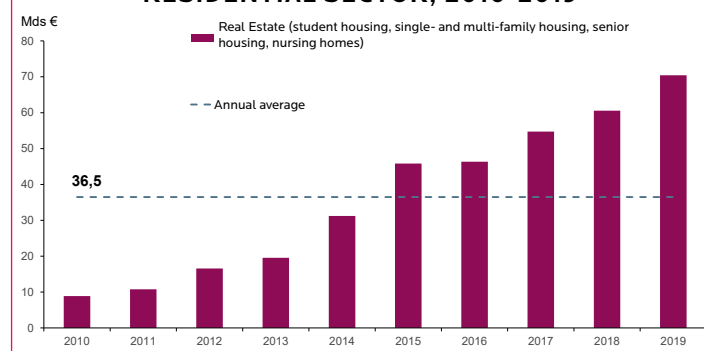
The “augmented” European housing market (including single- and multi-family housing, student housing, senior housing, and nursing homes) drew €365bn in investment from 2010 to 2019 in Europe, for an annual average of €36.5bn. 92 % of this was invested in the deepest markets, led by Germany (32 %), with €11.8bn on annual average, followed, in the euro zone, by the Netherlands, Spain and France, with volumes between €2bn and €4bn on annual average.

Most investments (77 %) from 2010 to 2019 were in single - and multi-family housing, followed by student housing, with 13 %, and senior housing and nursing homes, with 10 %.

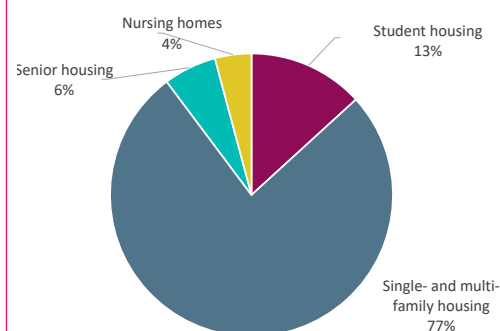
Total returns of euro zone property, based on MSCI indices (including both rental yields and capital gains), have been less volatile in the residential segment than in other asset classes.

Moreover, over the past decade, **residential property, in the broad sense considered here, delivered an aggregate yield³ 50 to 100 bp higher than properties on the whole, whose average annual yield was 6.9 % between 2010-2019.** The single- and multi-family housing has tended to level off over the past three years, with a total return of 11.1 % in 2019 vs. 8.3 % in healthcare real estate over the same period.

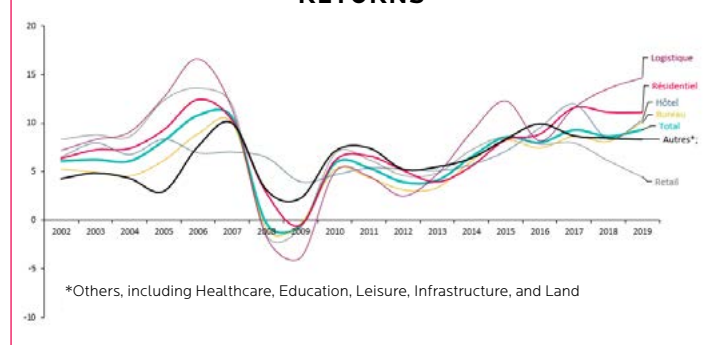
INVESTMENT VOLUME IN THE “AUGMENTED” RESIDENTIAL SECTOR, 2010-2019



BREAKDOWN IN “AUGMENTED” RESIDENTIAL INVESTMENT



EURO ZONE REAL-ESTATE INVESTMENT RETURNS



3. Including both rental yields and capital gains

Source(s): Primonial REIM Research & Strategy based on data from RCA, MSCI



THE **STUDENT HOUSING** MARKET

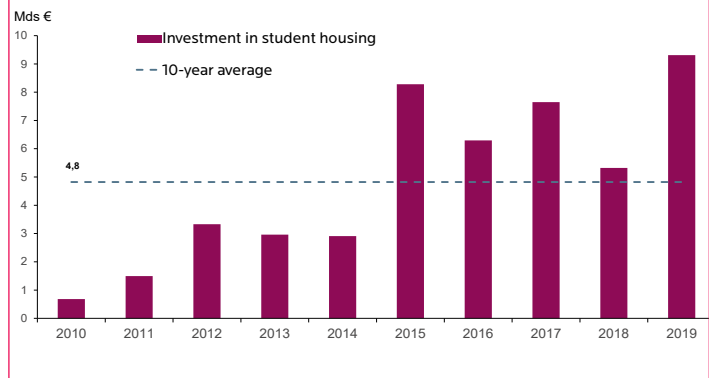
THE EUROPEAN STUDENT HOUSING INVESTMENT MARKET

The student housing market is expanding fast. From an annual average of €2.3bn from 2010 to 2014, investments tripled to €7.3bn from 2015 to 2019.

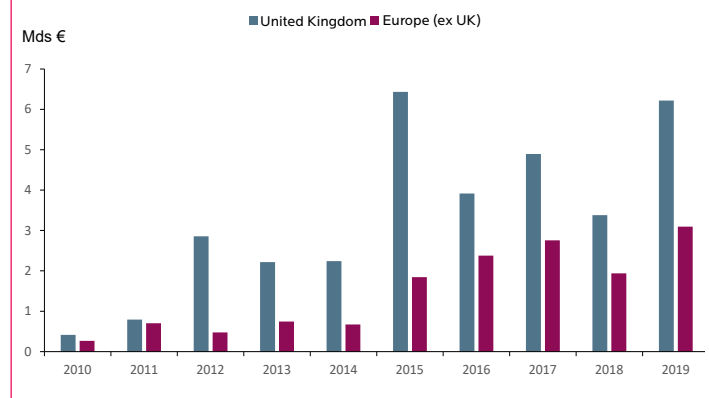
Since 2010, almost €50bn has been invested in the student housing market, led by the United Kingdom. But with 32 % of investments, or almost €20bn, the European market (ex UK) has expanded fast since 2015. The two main European markets are France and Germany.

Student housing yields about 4 % in prime locations and almost 7 % in second-tier locations. The lowest-yielding markets (<4.5 %) are in Germany, France, the UK, Austria and Sweden, for example. The countries with the most attractive risk/reward profile are the Netherlands, Belgium and Spain. Portugal and Poland offer yields above 5.5 % but are also regarded as riskier.

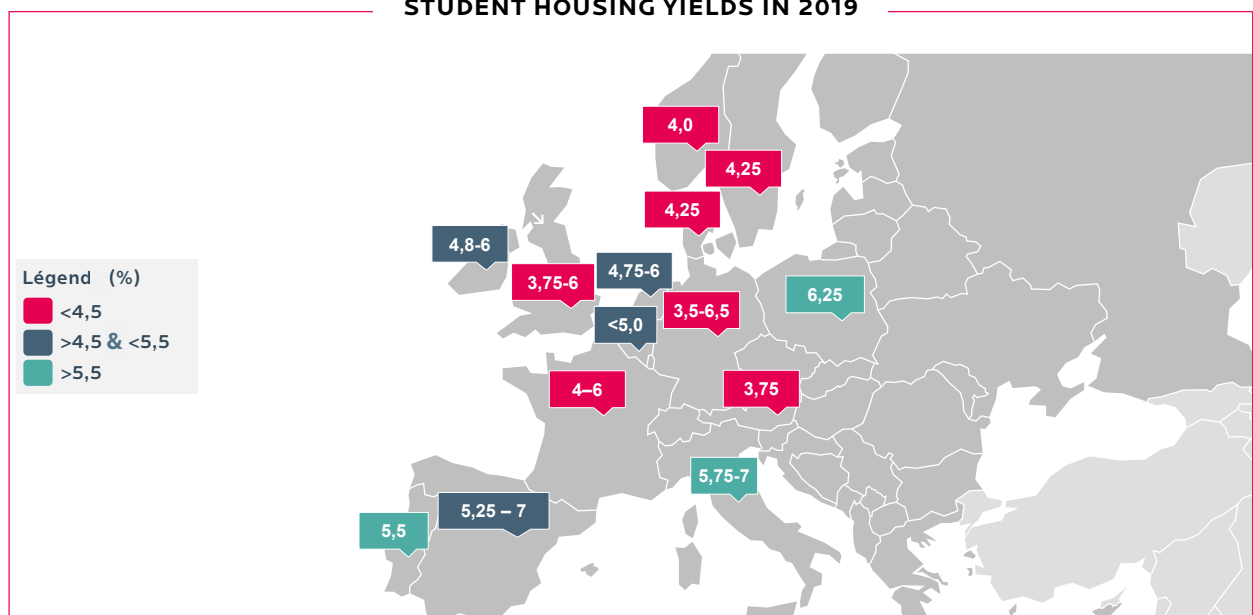
STUDENT HOUSING INVESTMENT IN EUROPE



STUDENT HOUSING INVESTMENTS IN EUROPE



STUDENT HOUSING YIELDS IN 2019



Source(s): Primonial REIM Research & Strategy based on data from Savills, C&W, JLL and RCA

INTERNATIONAL COMPETITION IN HIGHER EDUCATION

There are almost 20 million students in Europe (including the United Kingdom), led by Germany, France, the UK and Spain, with more than 2 million students in each country. The population aged 20-24 years in the European Union (excluding the UK) is expected to hold steady, rising from 24.1 million in 2020 to 24.6 million in 2030.

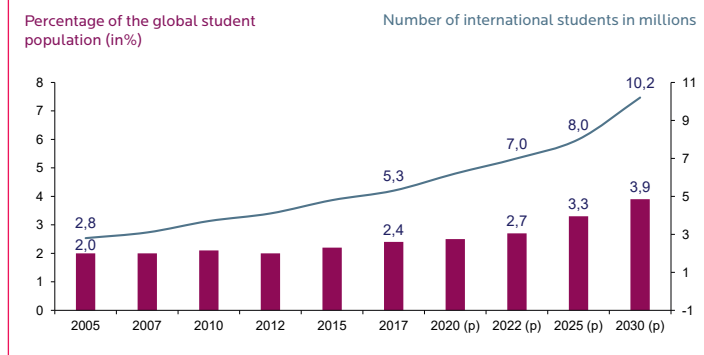
International students are generally regarded as the target population for student housing, with a steep increase in recent years, from almost 3 million in 2005 to 5.3 million in 2017. With more than 1.6 million foreign students and students from other EU countries, Europe accounted for about one third of them (more than 5 million) in 2018.

There are expected to be about 10 million international students worldwide by 2030. However, there could be a reshuffling of cards in Europe, as Brexit could hinder students' future mobility. Beginning 2021, the United Kingdom could be a mere partner country, much like Turkey or Norway, which would result in fewer international students in the UK and fewer university partnerships.

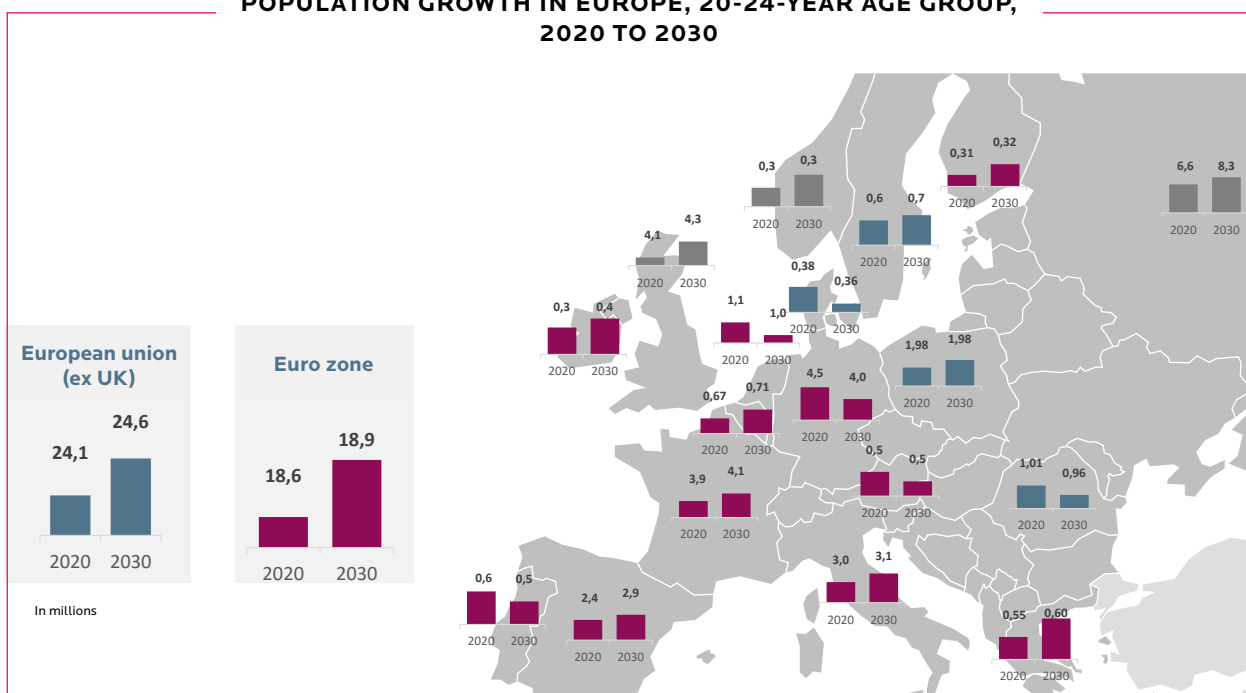
**NUMBER OF STUDENTS BY COUNTRY
IN EUROPE**



INTERNATIONAL STUDENTS



**POPULATION GROWTH IN EUROPE, 20-24-YEAR AGE GROUP,
2020 TO 2030**



Source(s): Primonial REIM Research & Strategy based on data from Oxford Economics, Eurostat

SHANGHAI 2020 GLOBAL RANKINGS: EUROPEAN UNIVERSITIES IN THE TOP 100

As a symbol of the intertwining of economies and systems of higher education, students often choose to seek a university degree outside their home country, as it offers both access to a certain lifestyle and the assurance of better professional opportunities in an international metropolitan area.



Institution	Rang mondial
Ghent University	66
KU Leuven	97



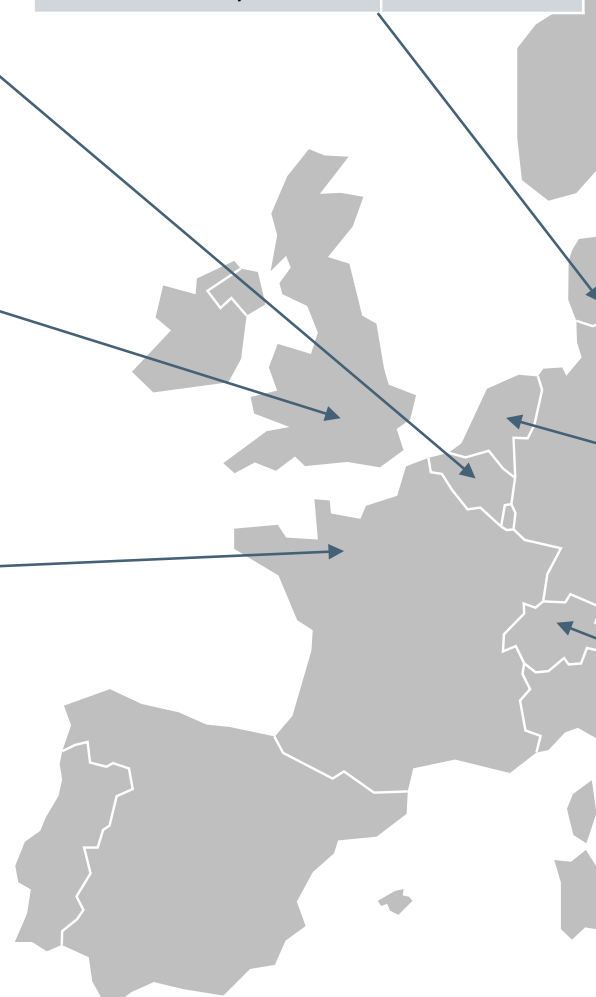
Institution	Rang mondial
University of Copenhagen	33
Aarhus University	69



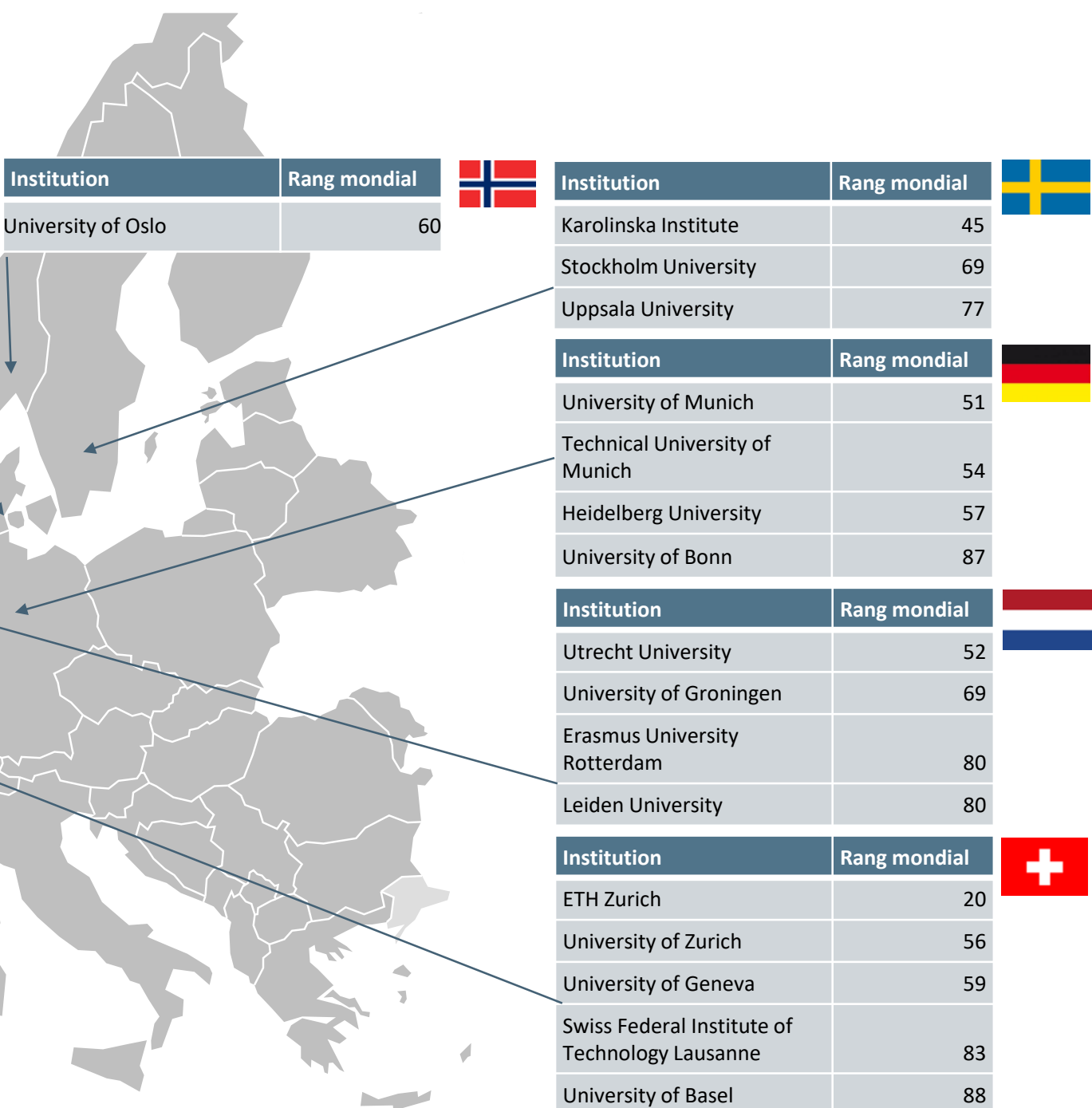
Institution	Rang mondial
University of Cambridge	3
University of Oxford	9
University College London	16
Imperial College London	25
The University of Manchester	36
The University of Edinburgh	42
King's College London	47
University of Bristol	64



Institution	Rang mondial
Paris-Saclay University	14
PSL University	36
Sorbonne University	39
University of Paris	65
Université Grenoble Alpes	99



English-speaking countries, such as the United States, UK, Australia and Canada remain attractive, but Europe is the world's top destination and possesses a university system that appeals to international students, particularly those from Asia/Oceania and Africa.

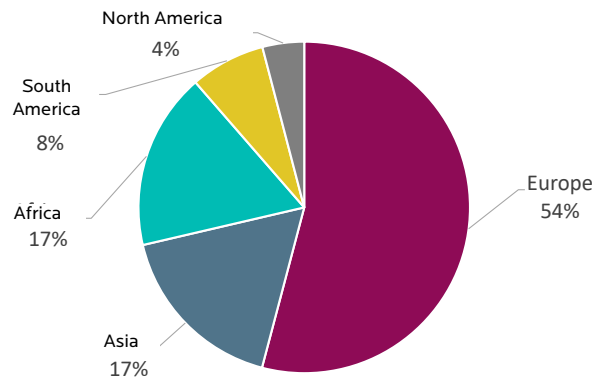


Source(s): Primonial REIM Research & Strategy based on data from the 2020 Shanghai rankings

OUR DASHBOARD FOR INVESTING IN STUDENT HOUSING IN EUROPE

To identify the most attractive markets, we have analysed various criteria within a matrix, including percentage of international students, market liquidity (average 10-year investment volume) and the total number of higher education students. The UK looks like the best-established market in Europe, as long-term risks have been well-identified there. France and Germany stand out as safe investments among growth markets, and Austria and the Netherlands as new sources of growth. Southern Europe, in contrast, is less appealing

BREAKDOWN IN INTERNATIONAL STUDENTS* BY CONTINENT OF ORIGIN (2018-2016 AVERAGE)



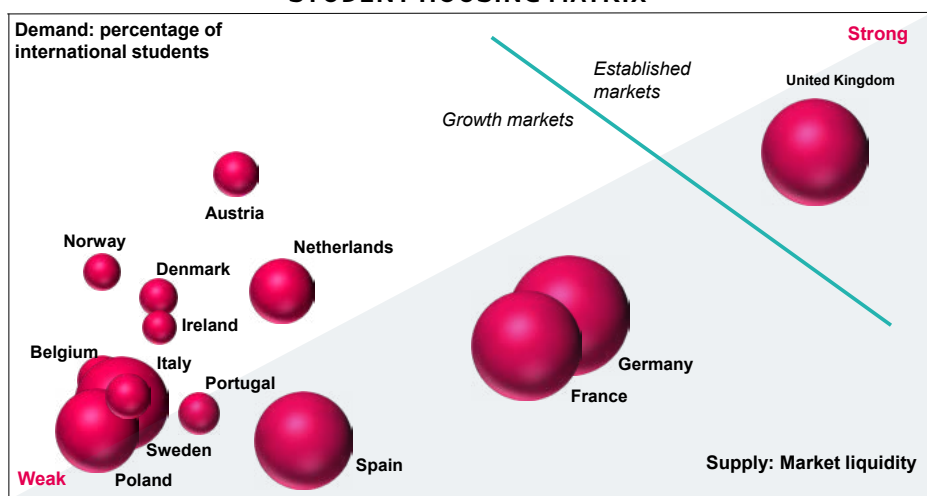
* Higher education

Primonial REIM recommends focusing on student housing investments:

- that are in markets that are highly attractive to international students, as they boost demand for quality student housing;
- that are attractively positioned in the pricing and rent cycle in internationally renowned European university cities.

In the short term, let us keep in mind that the Covid-19 crisis will dissuade many students from continuing their studies abroad, leading to lower revenues at second-tier establishments (-7 % in the US and -5 % in the EU, according to U-Multirank). Opportunities are therefore available, pending the return to normal.

PRIMONIAL REIM RESEARCH & STRATEGY STUDENT HOUSING MATRIX



Source(s): Primonial REIM Research & Strategy based on data from Oxford Economics, Eurostat, UNESCO

THE SINGLE - AND MULTI-FAMILY HOUSING MARKET



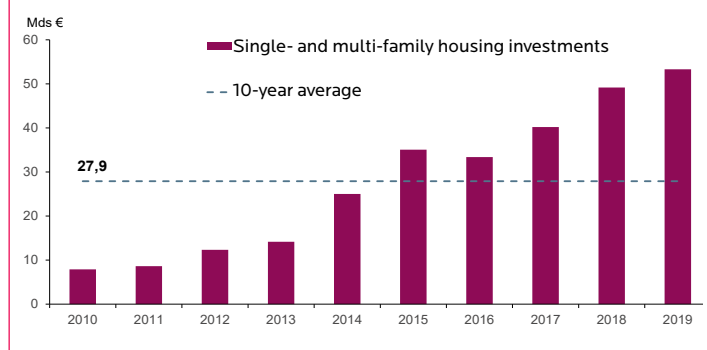
THE EUROPEAN MARKET FOR SINGLE- AND MULTI-FAMILY HOUSING INVESTMENTS

With its constant growth over the past decade, block housing, including new formats such as co-living, has been increasingly targeted in institutional investors' portfolio diversification strategies. From 2010 to 2019, €279bn was invested in Europe. Since 2018, housing has become the second most heavily invested asset class, after offices and ahead of retail space.

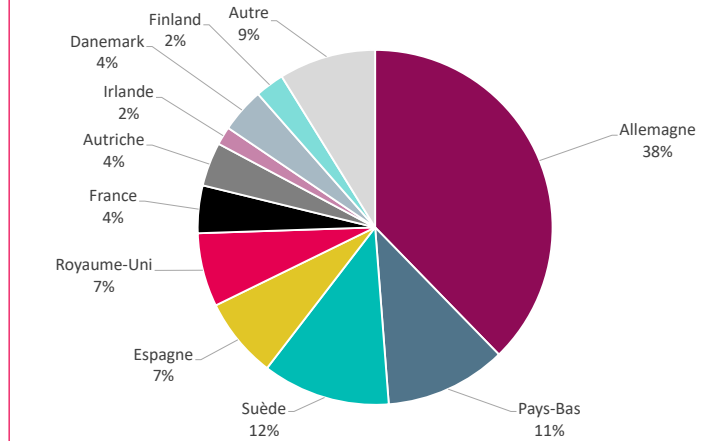
The European single - and multi-family housing market is dominated by Germany, with 38 % of investments from 2010 to 2019. The Netherlands, Sweden, Spain, the UK, France and Ireland are also attractive to investors, totalling 45 % of investments.

Prime yields in the main European cities have declined in recent years and are now below 3 % à Paris, Munich, Vienna and Helsinki. Prime yields above 5 % are possible in northern European countries, such as Belgium, the Netherlands and Ireland.

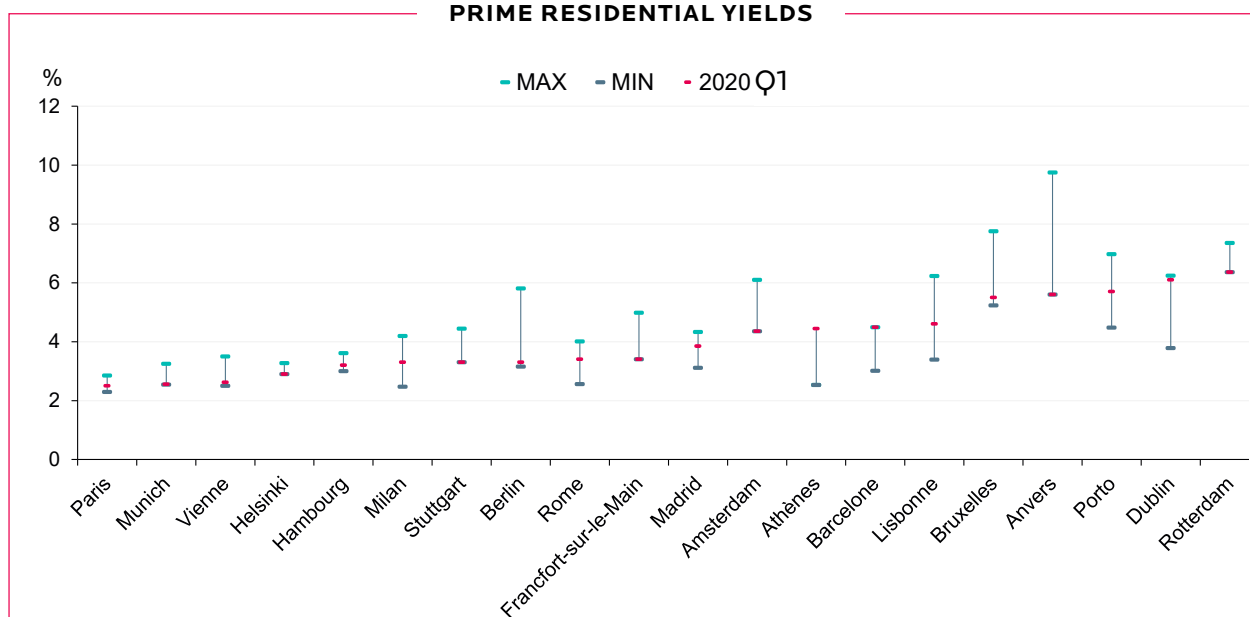
INVESTMENTS IN SINGLE- AND MULTI-FAMILY BLOCK HOUSING IN EUROPE



BREAKDOWN IN SINGLE- AND MULTI-FAMILY BLOCK HOUSING IN EUROPE, 2010-2019



PRIME RESIDENTIAL YIELDS



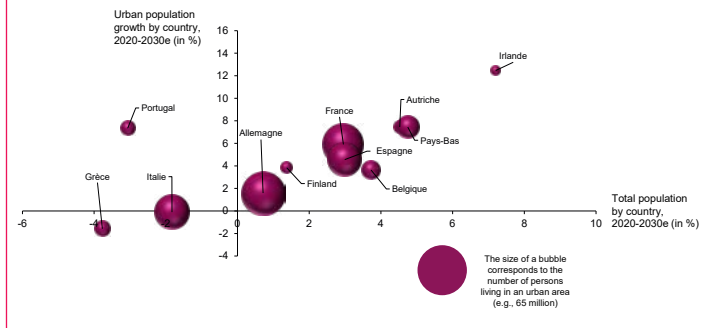
Source(s): Primonial REIM Research & Strategy based on data from Brokers, RCA, CBRE

DEMOGRAPHICS, HABITAT, HOUSEHOLDS: MULTIPLE REALITIES IN EUROPE

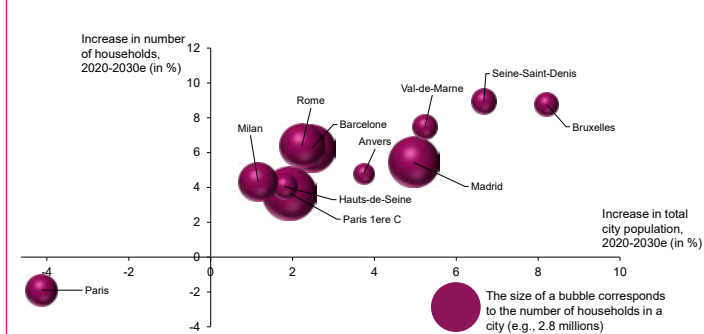
Demographic trends will pull in two different directions in Europe. Similarly, while the number of persons of working age (25-64 years) is expected to shrink between 2020 and 2030, population will continue to rise in the euro zone's major metropolitan areas, due to their attractive employment prospects and robust sociological shifts. **One such shift is that there are more and more households and those households are smaller and smaller. This trend is expected to continue as lifestyles evolve, with more separations, fewer large families, etc., and this will inevitably expand demand for housing.**

In Europe, three persons out of 10 are renters, but this percentage varies widely from country to country, with homeowners a majority in former Soviet bloc countries and a minority in German-speaking and Scandinavian countries. In the middle are countries that are rather evenly balanced, including France, the Benelux, the UK, Ireland, etc. **In southern Europe, the trend seems to be shifting towards renting.**

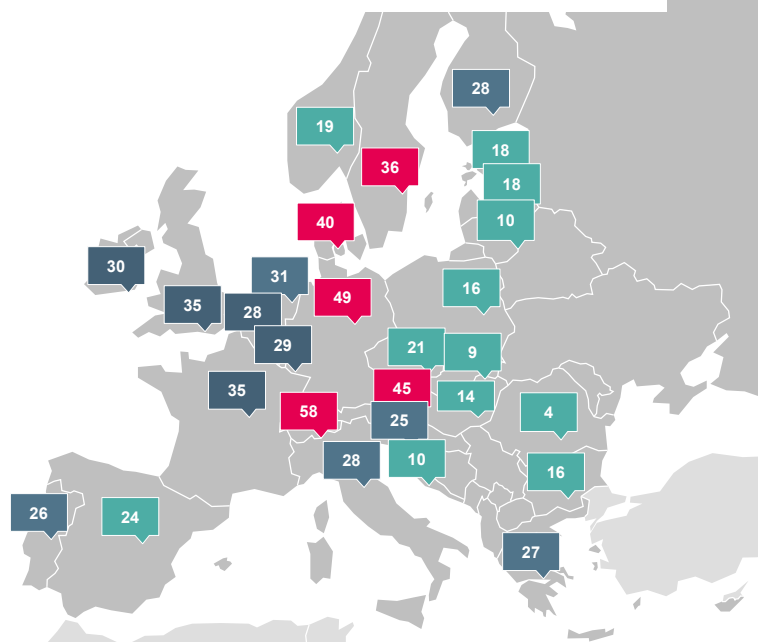
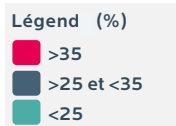
**URBAN POPULATION: POPULATION AND
POPULATION GROWTH OUT TO 2030
(BY COUNTRY)**



**URBAN POPULATION: POPULATION AND
POPULATION GROWTH OUT TO 2030 (BY CITY)**



**BREAKDOWN OF POPULATION BETWEEN RENTERS AND HOMEOWNERS:
PERCENTAGE OF RENTERS* IN EUROPE**



*Including renters paying market rents and renters paying reduced or guaranteed rents.

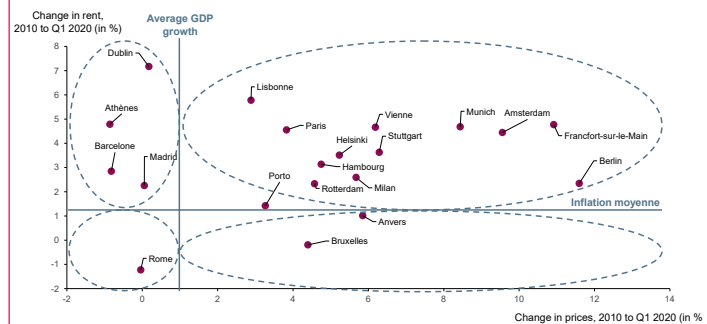
Source(s): Primonial REIM Research & Strategy based on data from Oxford Economics, Eurostat

SINGLE AND MULTI-FAMILY HOUSING: A RESILIENT ASSET CLASS IN CRISIS TIMES-

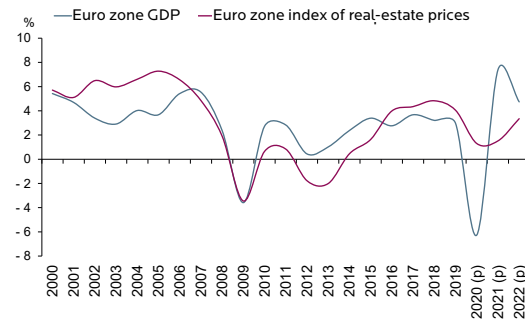
Residential property has served as a safe haven during past crises, but not always. The 2008/2009 economic and financial crisis and the European sovereign bond crisis, for example, did not hit all European cities the same way. Fundamentals (both property values and yields) improved in European markets with strong economic growth (Berlin, Munich, Amsterdam, Paris, and Milan), while others, in southern Europe (Athens, Barcelona, Madrid, and Rome) and those whose economies were overweighted to the financial sector (Dublin) experienced corrections and erratic recoveries.

Despite the seriousness of the current economic crisis, **our price projection model for euro zone residential property is pointing to an increase of about 2 % on annual average between 2020 and 2022. The market currently looks better prepared to face this crisis than the past two.** Price increases in most European residential markets are expected to be driven by insufficient housing stock and attractive mortgage lending rates. But not all European markets will be the same. Some of them could see average annual property value increases of more than 3%, while other markets may not see any increase at all. As for rental income, the model conservatively points to average euro zone increase of between 0.5 % and 1.5% between now and 2022. But there are some caveats, such as a possible financial crisis, a too-sudden rise in interest rates, the status of European stimulus funds and debt levels, not to mention possible new housing regulations.

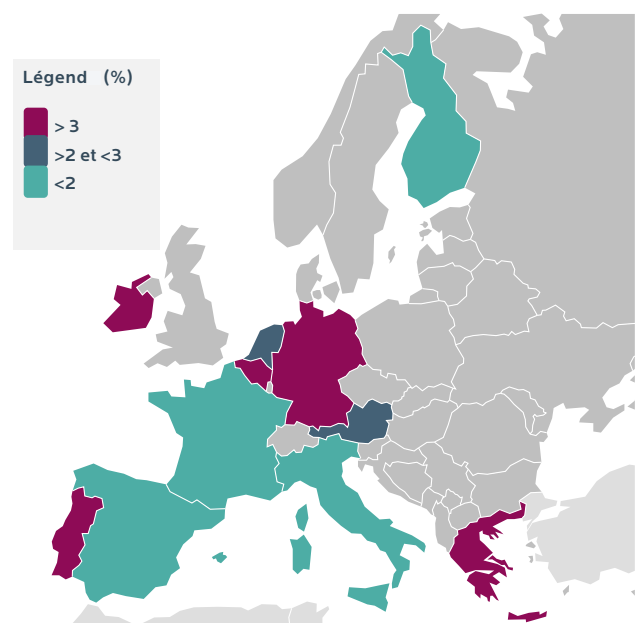
CHANGE IN PRIME HOUSING VALUES AND RENTS



CORRELATION BETWEEN HOUSING PRICES AND GDP



PROTECTED RESIDENTIAL PROPERTY PRICE TRENDS OUT TO 2022



Source(s): Primonial REIM Research & Strategy based on data from Oxford Economics, Eurostat, national statistics

OUR SCORING GRID FOR INVESTING IN SINGLE- AND MULTI-FAMILY HOUSING IN EUROPE

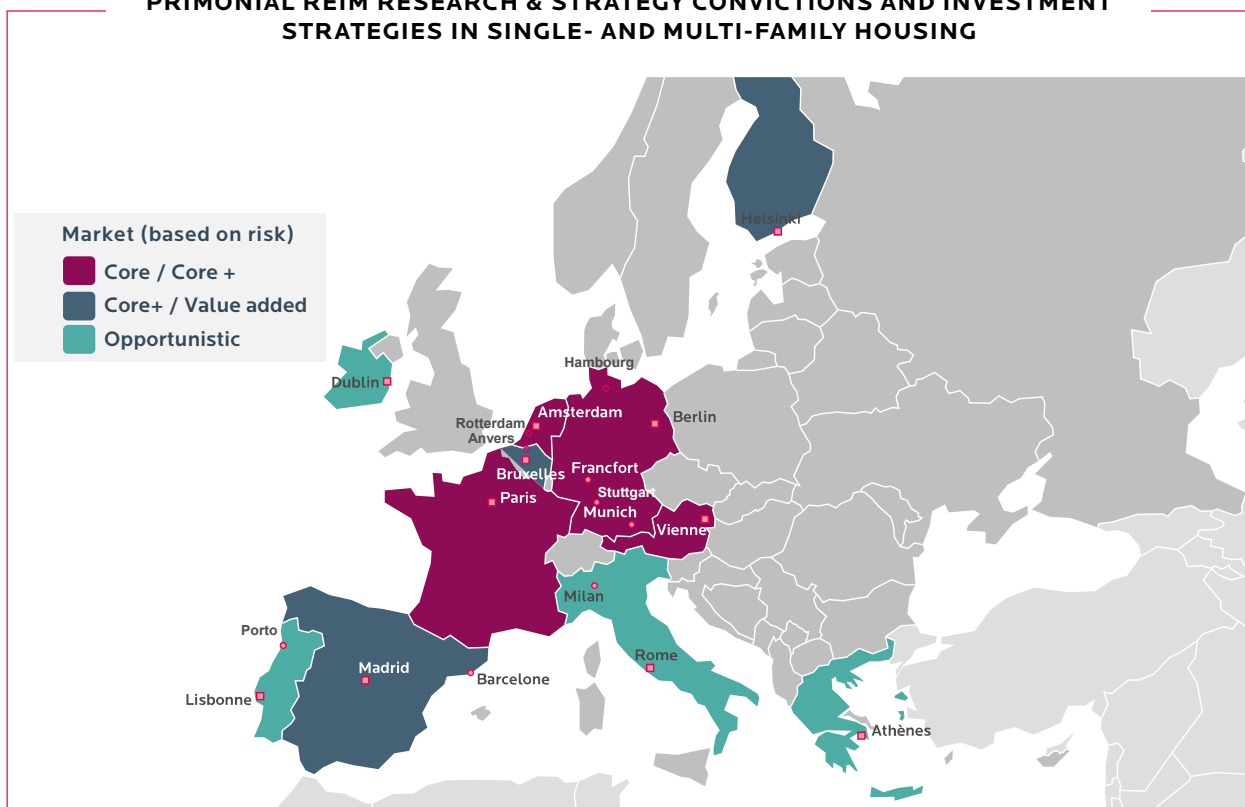
Primonial REIM has constructed a statistical model to help it understand, for a set of housing markets in Europe, how robust their fundamentals are, their potential valuations, and how they are positioned in the real-estate cycle. To identify the most attractive markets, we have researched various criteria within a matrix, including demographic, economic and property indicators.

We have assigned scores to the various residential markets researched. We found three main market categories. Germany, the Netherlands, France and Austria offer an attractive risk/return pairing. Spain, Finland and Belgium are markets with good fundamentals but that could experience some difficulties on their respective residential segments. And, lastly, Portugal, Ireland, Italy and Greece are markets with either volatile fundamentals or where the residential segment could be destabilised in the next two years.

Against this backdrop, we recommend investing in resilient metropolitan areas that have the following characteristics:

- a deep market, with liquidity in housing blocks;
- potential income flows based on the quality of the local job market and inhabitants' disposable income;
- an attractive position in the price and rent cycle.

PRIMONIAL REIM RESEARCH & STRATEGY CONVICTIONS AND INVESTMENT STRATEGIES IN SINGLE- AND MULTI-FAMILY HOUSING



Source(s): Primonial REIM Research & Strategy



THE **SENIOR HOUSING** **AND NURSING HOME** MARKET

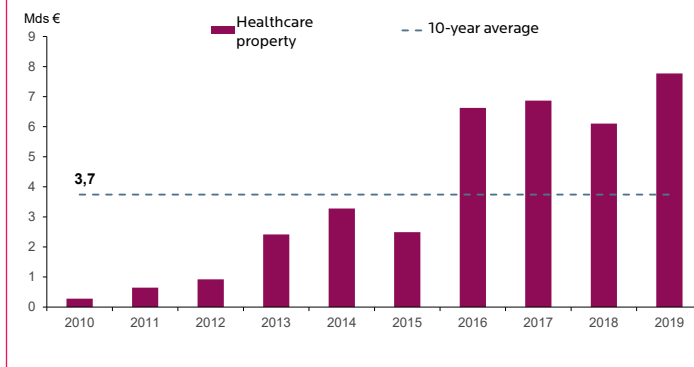
THE EUROPEAN SENIOR HOUSING AND NURSING HOME INVESTMENT MARKET

The market for senior housing and nursing homes has achieved constant growth, driven by the sector's heavy investment needs. An annual average of €3.7bn per year has been invested. Whereas the market did not exceed €4bn annually between 2010 and 2015, 2016 marked a turning point in investors' strategies. Since then, more than €6bn has been invested annually.

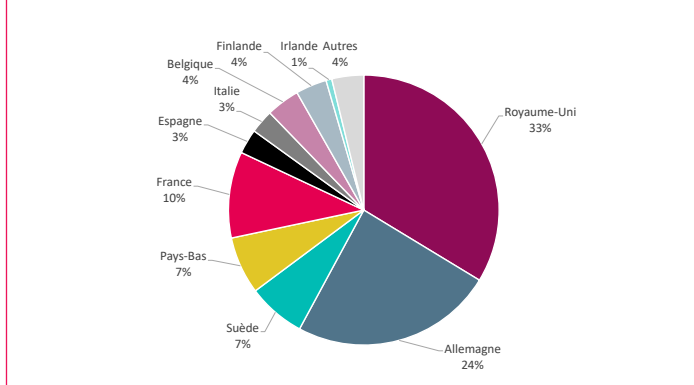
From 2010 to 2019, €37.5bn was invested in Europe, making senior housing and nursing homes a must asset in investors' international diversification strategy. The main European healthcare markets were the UK, Germany, France, Sweden and the Netherlands.

Yields were squeezed for several years, with a steep decline from 2010 to 2019. Prime yields fell below 4.5 % in Sweden, the UK, France, Germany and Belgium. Markets such as the Netherlands, Poland, Italy and Portugal offer yields equal to, or higher than, 5 %.

HEALTHCARE PROPERTY INVESTMENTS* IN EUROPE

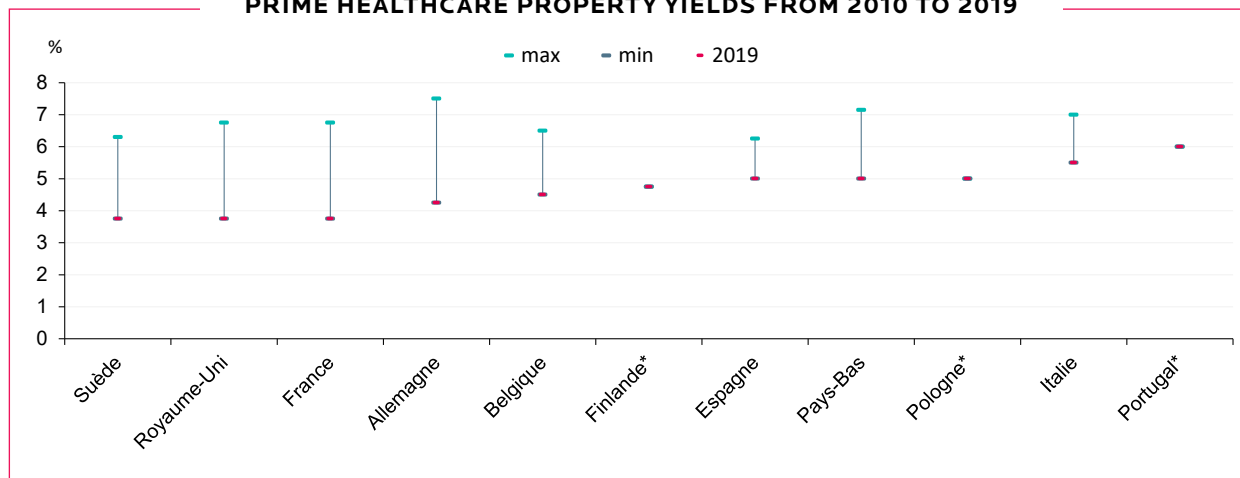


BREAKDOWN IN HEALTHCARE PROPERTY* INVESTMENTS IN EUROPE



*Senior housing and nursing homes

PRIME HEALTHCARE PROPERTY YIELDS FROM 2010 TO 2019

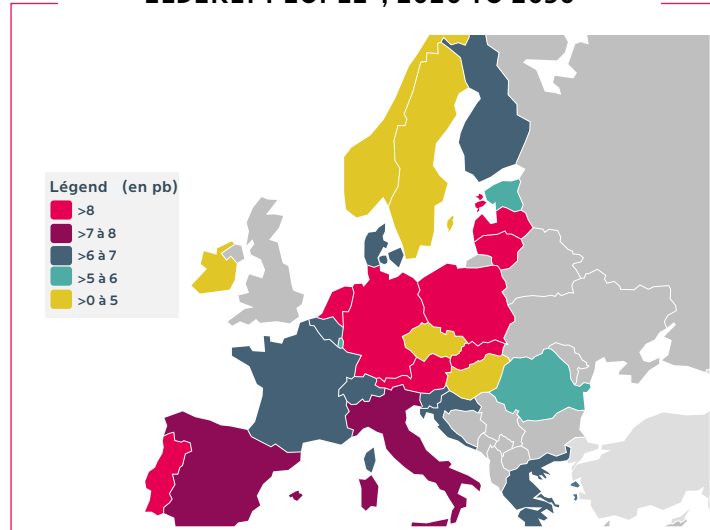


SENIOR DEMOGRAPHICS: A SOCIAL CHALLENGE ON A EUROPEAN SCALE

The population of Europe (excluding the United Kingdom) aged 65 years or more is projected to rise from 92 million in 2020 to 108 million in 2030. Trends in the dependency ratio point to changes in the age pyramid (with the elderly population +7.1bp in the EU) but those trends diverge from one country to the next.

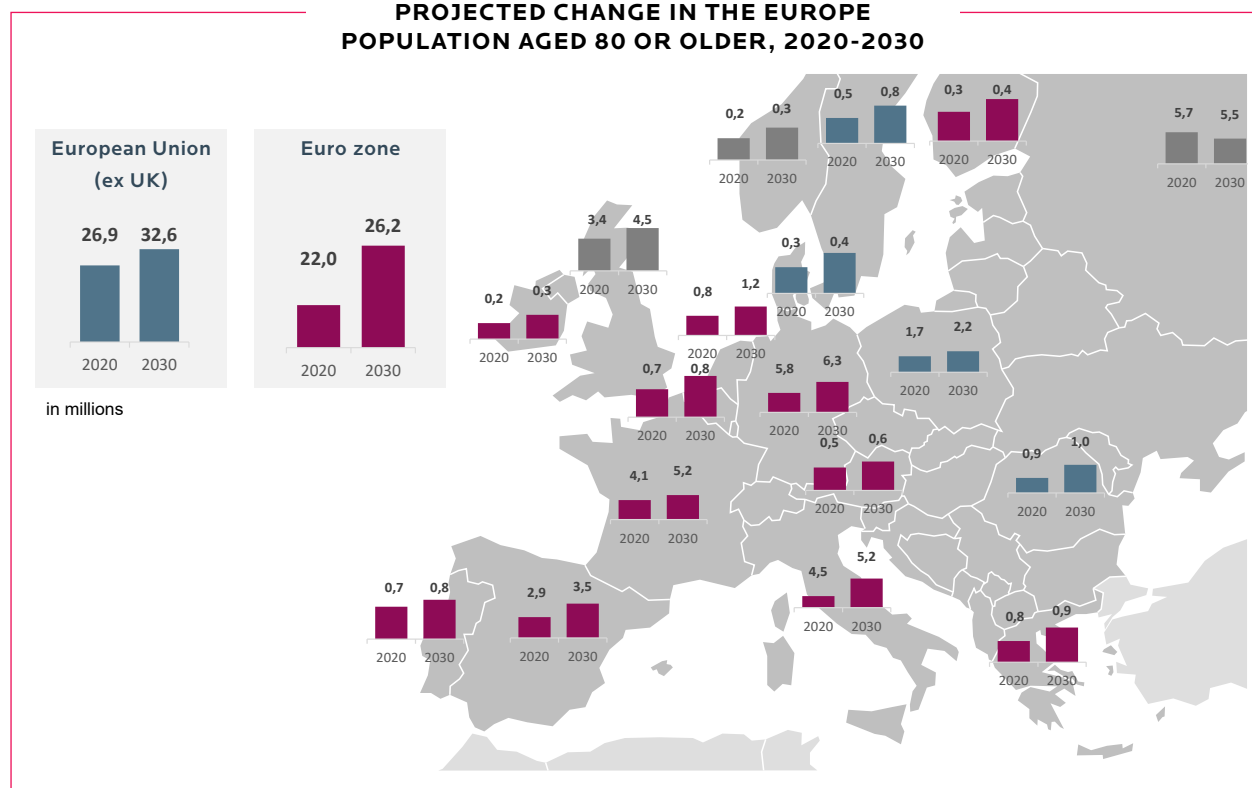
The ageing of the population will therefore result in more dependent elderly persons. The loss of autonomy requires assistance or long-term care, particularly for those persons older than 80, the number of which is expected to rise from 26.9 million in 2020 to 32.6 million in 2030 in the European Union (ex UK), as the likelihood of dependency rises sharply after the age of 80 and hits a critical point at 85.

PROJECTION OF THE DEPENDENCY RATIO OF ELDERLY PEOPLE*, 2020 TO 2030



*Trend (in basis points) in the ratio of dependent elderly persons in Europe (population aged 65 or older vs. the population aged 15 to 64)

PROJECTED CHANGE IN THE EUROPE POPULATION AGED 80 OR OLDER, 2020-2030

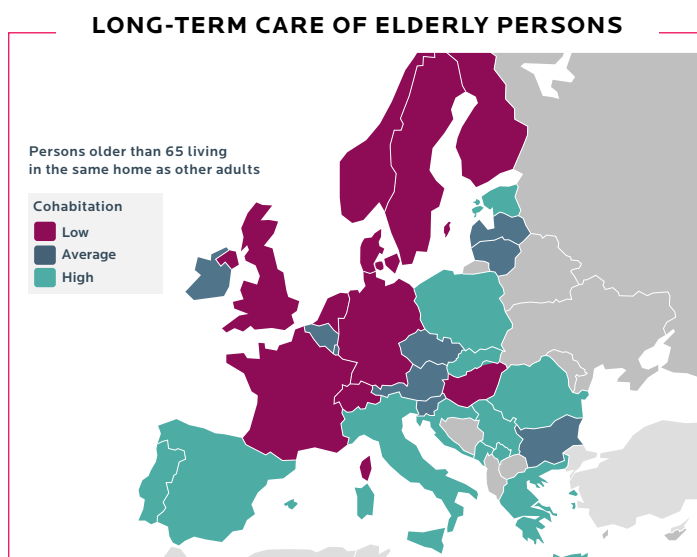


Source(s): Primonial REIM Research & Strategy based on data from Oxford Economics, Eurostat

LONG-TERM CARE OF ELDERLY PEOPLE: DIVERSE REALTIES BUT A SHARED DETERMINATION TO EXPAND INVESTMENTS IN HEALTHCARE INFRASTRUCTURES IN EUROPE

Family structure influences how elderly persons are cared for, based on the nuclear family (predominant in France), kin (in Germany) or community (northern Italy). This trend has been confirmed by a Primonial REIM/BVA survey⁴, which found wide disparities in coping with ageing in Europe. The survey found that **cultural differences play a major role. For example, the French rely mainly on themselves in providing long-term care, while Spaniards rely mainly on their partners, and Italians on the support of their children.**

However, there has been a general trend towards greater institutional and social support for elderly persons in Europe, particularly since the Covid-19 outbreak, with additional spending on healthcare. The degree of government intervention in caring for the elderly varies from country to country. That's why the European Union plans to allocate an additional €9.4bn to the healthcare sector in the coming years in order to better coordinate and harmonise differences between healthcare systems.



COMPARISON OF EURO ZONE NATIONAL FISCAL SUPPORT MEASURES

	France (amounts as of 16 Jun 2020)		Germany (amounts as of 04 June 2020)		Italy (amounts as of 18 June 2020)		Spain (amounts as of 18 June 2020)	
	EUR bn	% of GDP	EUR bn	% of GDP	EUR bn	% of GDP	EUR bn	% of GDP
Additional healthcare spending	8,0	0,4	73,9	2,3	3,2	0,2	3,9	0,4
Aid to companies: cash injections	63,5	2,9	329,0	10,1	15,0	0,9	14,0	1,3
Aid to companies: loan guaranties and capital injections	348,0	15,8	940,0	28,9	530,0	33,3	114,0	10,3
Aid to households, including short-time work	31,2	1,4	62,1	1,9	10,4	0,7	17,9	1,6
Others	4,6	0,2	131,0	4,0			16,0	1,5
Total	455,3	20,7	1536,9	49,1	558,6	35,1	165,8	15,0

Sources: Primonial REIM Recherche, Eurostat, BNP Paribas, Eco Flash of July 2020

4. Seniors' views of the fourth age. Survey of 4000 seniors in France, Germany, Spain and Italy conducted by BVA Internet from 17 July to 3 August 2018.

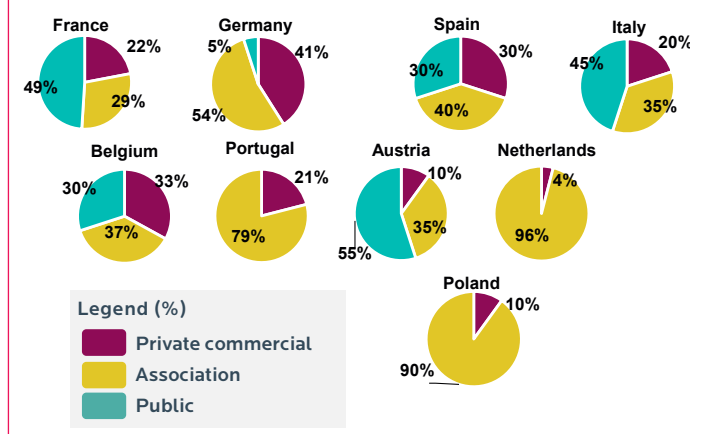
LONG-TERM CARE OF SENIORS IN EUROPE

The European long-term care sector has similar features in all European countries:

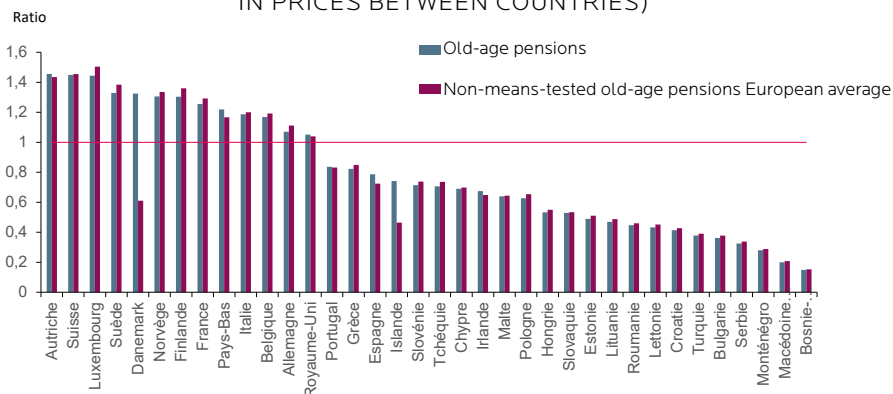
- predominance of public sector and associations, with 60% to 90% of existing beds;
- a consolidating private sector.

There are wide disparities in old-age pensions. The highest amounts per capita are in western Europe, and the lowest are in the eastern part of the continent.

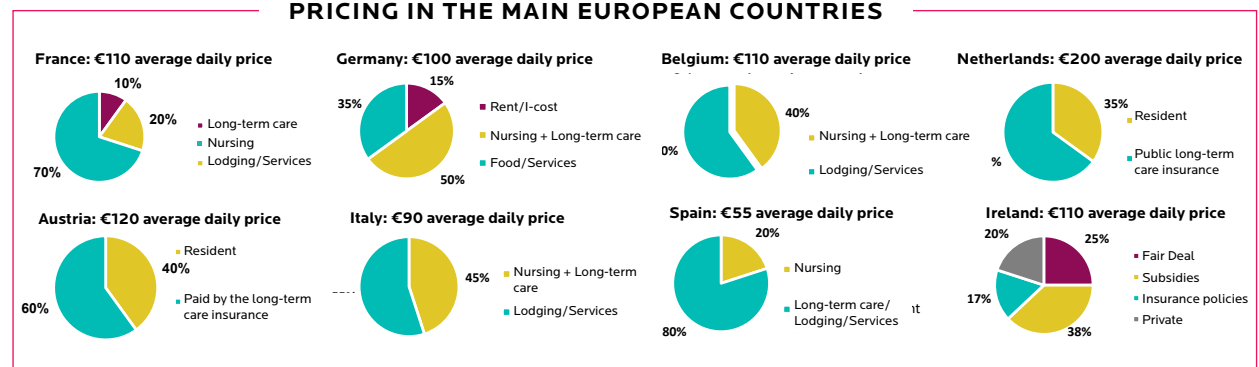
BREAKDOWN IN BED NUMBERS BY OPERATOR TYPE



RATIO OF OLD-AGE PENSIONS TO PURCHASING POWER STANDARD (PPS)
 (EXPRESSED IN PPSRATIO THAT WOULD ELIMINATE THE DISCREPANCY IN PRICES BETWEEN COUNTRIES)



PRICING IN THE MAIN EUROPEAN COUNTRIES



- one part is generally for healthcare and medical expenses, which are generally financed by the public purse, health insurance, and national or regional healthcare coverage;
- another portion generally covers lodging, meals, and services. The services are paid by the residents or patients themselves, or through private insurance.

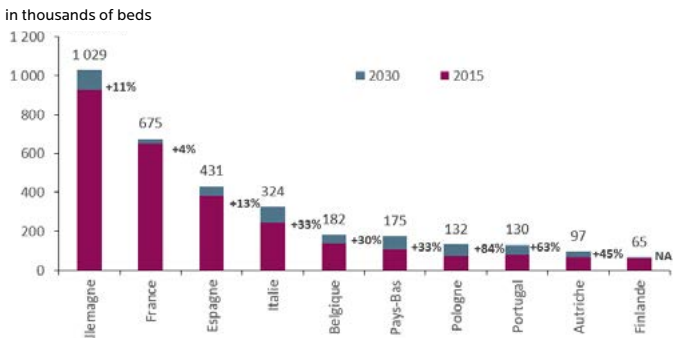
Source(s): Primonial REIM Research & Strategy based on operator data, Eurostat

EUROPEAN LONG-TERM CARE PROPERTY STOCK FOR DEPENDENT SENIORS

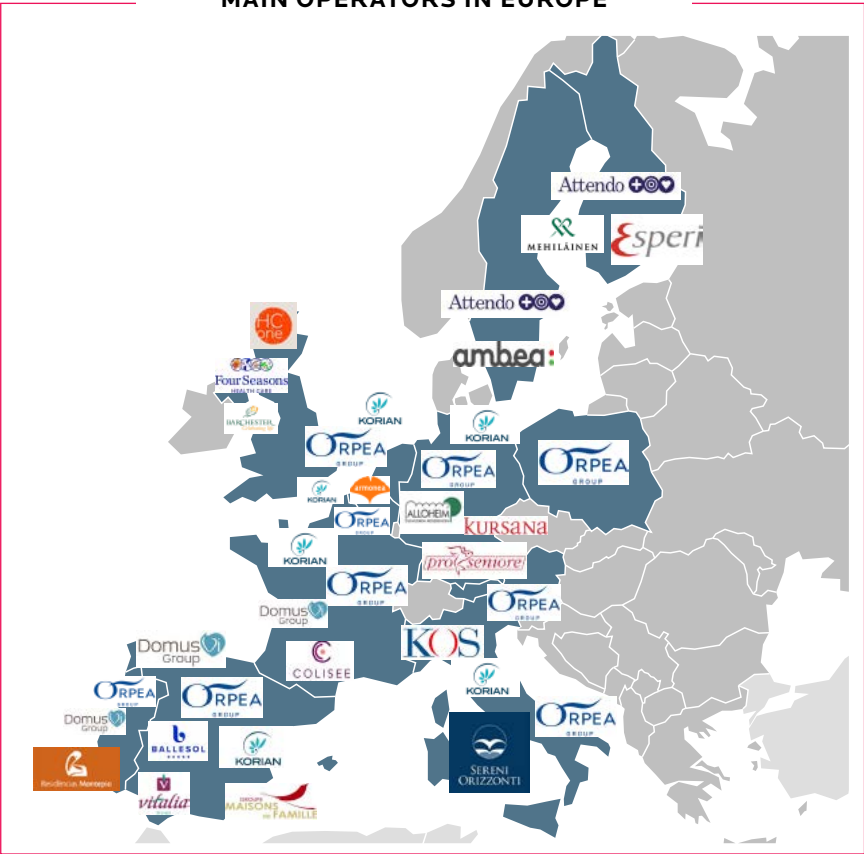
The European Union (excluding the United Kingdom) has about 3.5 million nursing home beds. However, the increased number of persons aged 80 or more has already had a clear impact on the coverage ratio, which has been in decline over the past decade. Sector professionals estimate that the number of beds will have to be raised to more than 4 million by 2030 to meet demand over the coming years, i.e. 500,000 new beds to meet new demand.

Meanwhile, **there has been a pan-European consolidation in the healthcare sector.** Small operators are being bought up by national leaders, which are then often taken over by internationally scaled operators. The main European players include French groups such as Orpea, Korian and DomusVi.

NUMBER OF NURSING HOME BEDS AND DEMAND TO BE MET BY 2030



MAIN OPERATORS IN EUROPE



Source(s): Primonial REIM Research & Strategy, based on data from operators and Eurostat

OUR SCORING GRID FOR INVESTING IN SENIOR HOUSING AND NURSING HOMES IN EUROPE

The social and societal challenges of the ageing of the population require several billion euros in investments, split between public and private sectors. To identify the most attractive markets, we have analysed various demographic, sociological, property and other criteria.

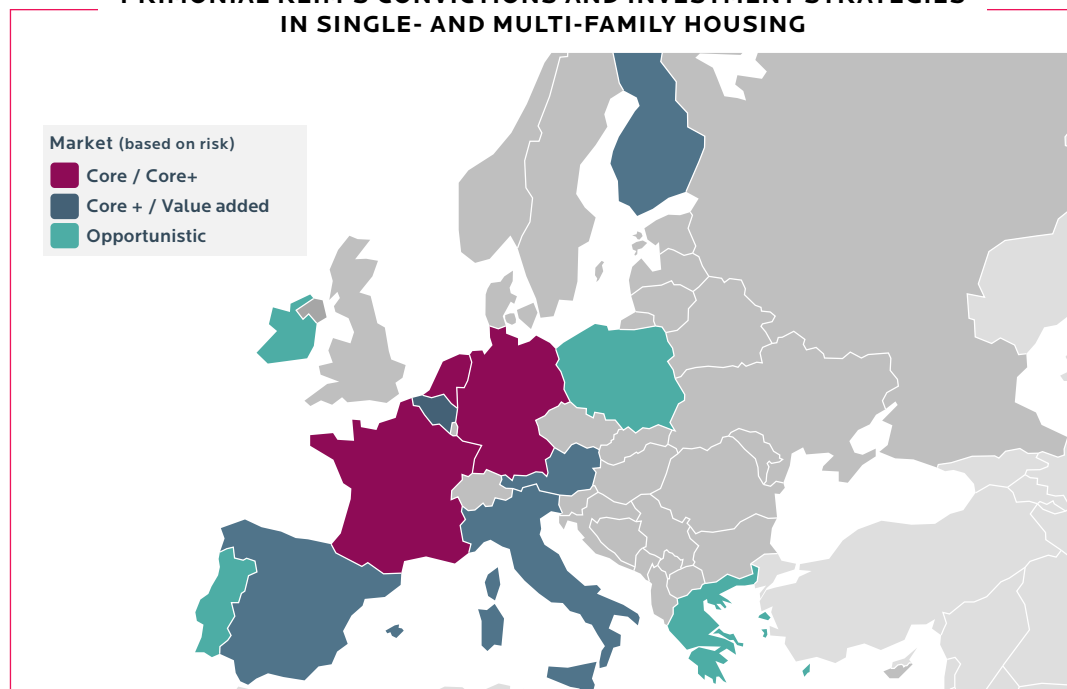
We have assigned scores to the various markets under review. The model identifies three broad market categories. France, Germany and the Netherlands have the most attractive risk/reward pairing. Spain, northern Italy, Finland, Belgium and Austria are rather well-balanced markets. And Portugal, Ireland and Poland, for example, are markets that will offer opportunities as they develop.

For senior housing and nursing homes we

recommend focusing:

- on international operators in those countries with solid healthcare coverage or, failing that, regions where seniors' enjoy high purchasing power;
- on building quality and locations in city centres or near major metropolitan areas, which will help lock in capital gains when the property is sold;
- on limiting exposure to senior housing and nursing homes that are poorly located or designed in areas vulnerable to climate risks, such as sudden river/sea flooding, drought, heat waves, etc.).

PRIMONIAL REIM'S CONVICTIONS AND INVESTMENT STRATEGIES IN SINGLE- AND MULTI-FAMILY HOUSING



Source(s): Primonial REIM Research & Strategy

CONCLUSION: RESETTling RESIDENTIAL INVESTMENT STRATEGIES

Although the pandemic is creating many uncertainties in everyday life and in the economy, we don't think that Covid-19 will undermine the fundamentals of supply and demand in student housing, single- and multi-family housing, or senior housing and nursing homes.

Lifecycle-based residential property should therefore remain a resilient investment strategy, thanks to income streams that provide inflation protection and are stable over time.

The pandemic has already had some consequences on the housing market, such as a slowdown in construction and a short-term shortage in available properties at a time when major European metropolitan areas were already under pressure. This trend is likely to increase, particularly given the greater shift towards renting in economies where homeowners have traditionally been in the majority. Covid-19's negative economic impact, with greater risks of unemployment and stricter credit conditions, will make it harder to buy homes and will therefore increase the proportion of renters.

Our specific convictions are as follows:

Student housing

Higher education is an industry like any other – the world's greatest universities are globalised institutions competing with one another to attract the top talents. There has been a boom in diploma-offering English-language instruction in the main European markets where English is not the native language. While they are currently dominated by the US and UK, European universities are likely to attract a larger share of international students in the coming years, although in the short term, the Covid-19 pandemic will hinder student mobility.

Single- and multi-family housing

Urbanisation is a trend that is likely to continue, but a new balance will be found between densification and deconcentrating to make cities more liveable. Urban densification will continue, in order to address

climate and environmental challenges, while improving lodging standards with greater external access via balconies, private green spaces, etc., and in hindering the emergence of new pandemics and their consequences. Urban households, whether they are renters or homeowners, are alert to purchasing-power and quality-of-life issues.

Senior housing and nursing homes

The demographic transition, sociological shifts and urbanisation are creating needs that are making investments in senior housing essential. There is a real need to renovate existing facilities and address the shortage of nursing home beds to cope with the increased number of dependent seniors. This will require several billion euros in investment. The private sector will therefore play an important role, given the massive investments necessary for our societies in the coming years, needs that have been highlighted by the Covid-19 crisis.

For all of these reasons, investments in student housing, single- and multi-family housing, and senior housing and nursing homes are best approached on a European scale. This helps spread risk better by market and by the various ages in the residential lifecycle.

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Le Département Recherche & Stratégie a vocation à formaliser les stratégies d'investissement immobilières de Primonial REIM, sur la base d'une veille continue des marchés français et européens. Alors que l'immobilier collectif représente une part croissante des portefeuilles institutionnels et de l'épargne des ménages, il est au carrefour de facteurs financiers (la hiérarchie des taux), économiques (les business models des locataires), démographiques (le phénomène de métropolisation) et sociétaux (l'évolution des usages). D'où la pertinence d'une analyse transversale. Qui plus est, elle s'inscrit dans le temps long, qui est l'horizon de la plupart des investisseurs en immobilier.

PRIMONIAL REAL ESTATE INVESTMENT MANAGEMENT

Société Anonyme à Directoire et Conseil de surveillance au capital social de 825 100 euros. Enregistrée sous le numéro 531 231 124 RCS Paris. Agréée par l'AMF en qualité de société de gestion de portefeuille le 16 décembre 2011 sous le numéro GP 11 000043. Agrément AIFM en date du 10 juin 2014. Titulaire de la carte professionnelle portant les mentions «Gestion Immobilière» et «Transactions sur immeubles et fonds de commerce» numéro CPI 7501 2016 000 007 568, délivrée le 17 mai 2019 par la CCI de Paris Ile-de-France, et garantie par la société CNA Insurance Company Ltd, située 52-54 rue de la Victoire, 75009 Paris.

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