

Intelligent Investment

# European Investor Intentions Survey 2023

REPORT

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CBRE RESEARCH  
JANUARY 2023



# Executive Summary

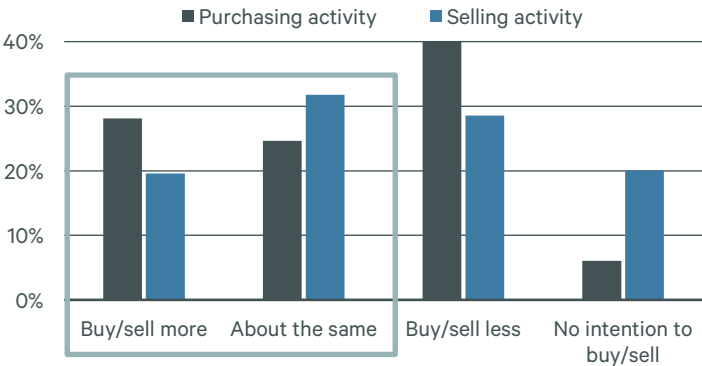
|  |   |   |  |
|--|---|---|--|
| <p>50%</p> <p>of investors expect purchasing/selling activity to increase or remain stable</p>   | <p>75%</p> <p>of firms with AUM &gt;\$50bn expect capital allocation to real estate to increase or remain unchanged in 2023</p> | <p>Southern Europe</p> <p>scored high in both country level property returns expectations and favourite city rankings</p> | <p>Discounts</p> <p>are expected across all sectors. Downward pressure on pricing to be most apparent in retail, logistics, and value-add office</p> |
| <p>This year's survey provides several key insights:</p> <ul style="list-style-type: none"> <li>– Buying and selling expectations are expected to remain stable in 2023. Just over half of respondents expect to either buy or sell more, or maintain the same level of purchasing and selling activity they had in 2022</li> <li>– Capital allocation to real estate is also expected to remain stable, including among institutional investors with the largest AUM profiles. Opportunistic, distressed and NPL strategies may garner significant interest in the upcoming year</li> <li>– While office remains the most sought-after sector in Europe, residential continues to close the gap</li> <li>– The UK came in ahead of Germany in terms of total property returns expectations. Southern Europe also had a strong showing, with several European cities among the ten markets expecting to see the most interest in 2023. London, Paris, and Amsterdam were Europe's top-three most attractive markets for property investment. Spain and Germany were the only two countries with more than one city in the top ten list.</li> </ul> |   |   |  |
| <ul style="list-style-type: none"> <li>– Fear of recession, mismatch in buyer and seller expectations, and tighter lending conditions are viewed as the largest challenges to the current investment market</li> <li>– Downward pressure on pricing is expected to ensue across all asset classes. Investors expect the deepest discounts to occur in value-add office, retail, and logistics</li> <li>– ESG criteria adoption remains strong despite a challenging macroeconomic and geo-political landscape</li> <li>– The current geo-political and macroeconomic landscape will weigh on investment volumes through 2023. CBRE's current house view forecasts 2023 investment to be down 5-10% relative to already subdued levels of 2022 investment</li> </ul>  |   |   |  |



Investment activity to remain stable in 2023

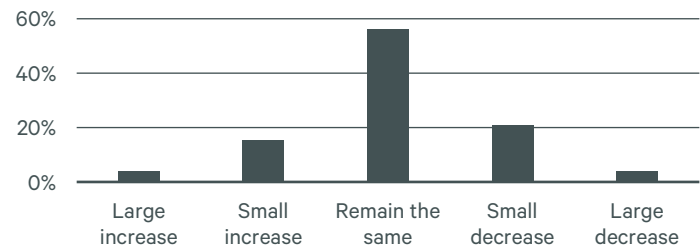
Half of investors expect to maintain investment activity

% of respondents expecting buying/selling activity to remain the same in 2023



Allocation to real estate to remain the same or increase

Real estate allocation expectations for firms with >\$50 mm AUM



Source: European Investor Intentions Survey, CBRE Research, January 2023

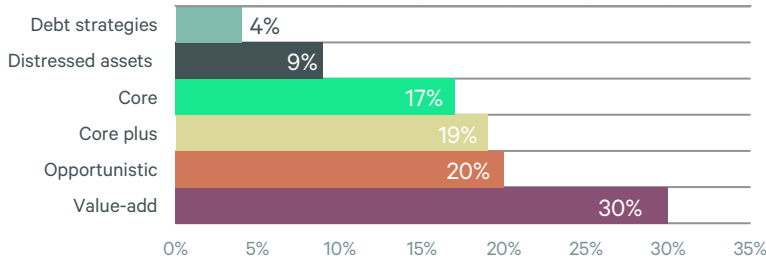
Markets expected to see highest cross-border\* investment interest



\*Only responses from investors selecting markets outside of the country they are domiciled are taken into account.

Investment during an uncertain landscape

1 Opportunistic and distressed strategies top of mind



2

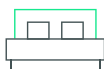


of investors from firms with AUM > \$50bn expect their allocation to real estate to remain unchanged or increase in 2023

3 Substantial number of investors expect discounts in 2023\*



65%  
Hotel



68%  
Residential



76%  
Logistics



79%  
High St. Retail



79%  
Grade A Office

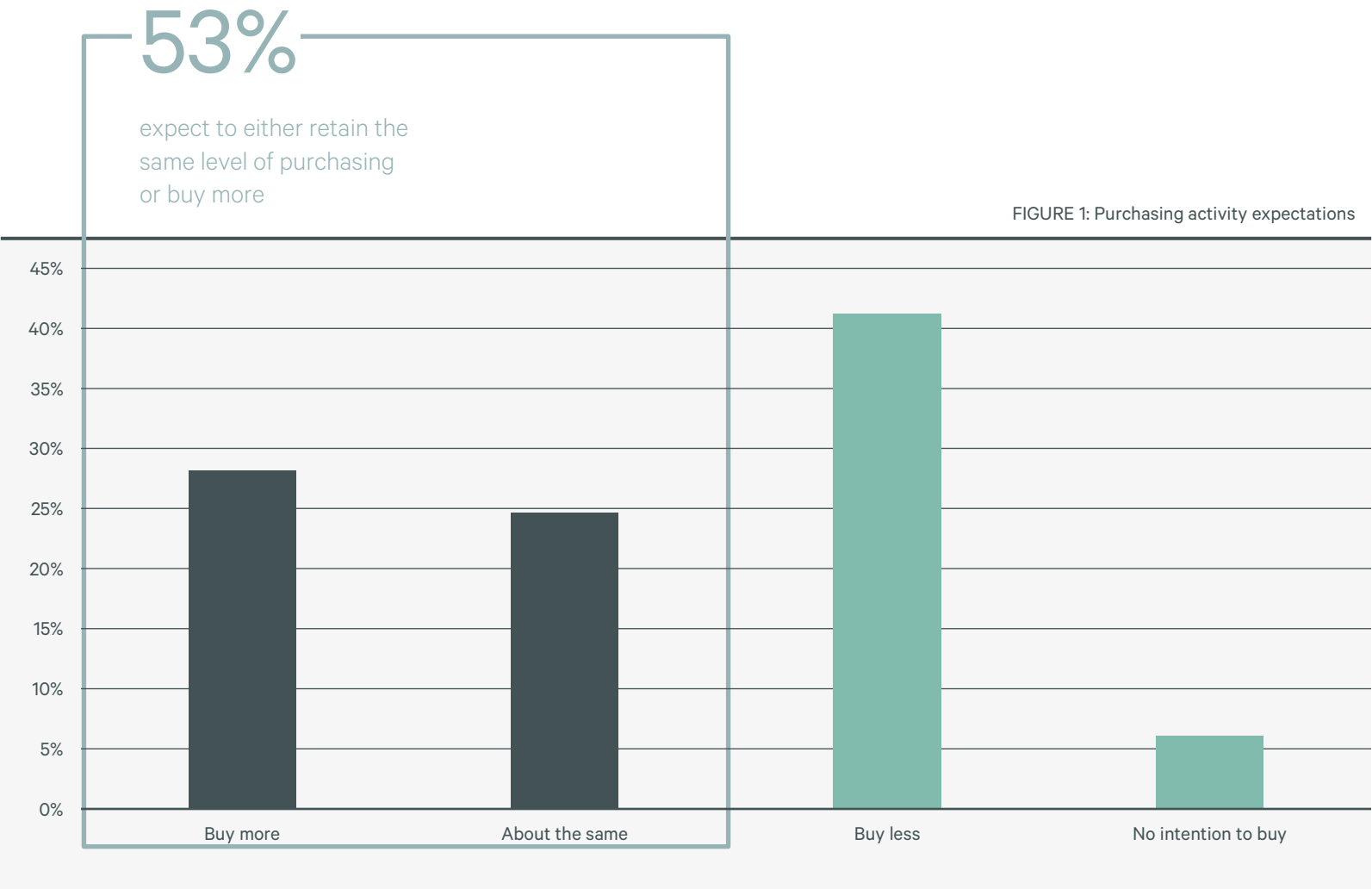
\*Percentage of Investors Expecting Discounts in 2023 Relative to 2022 Pricing



# 1 Investment Activity Outlook

# Purchasing Activity

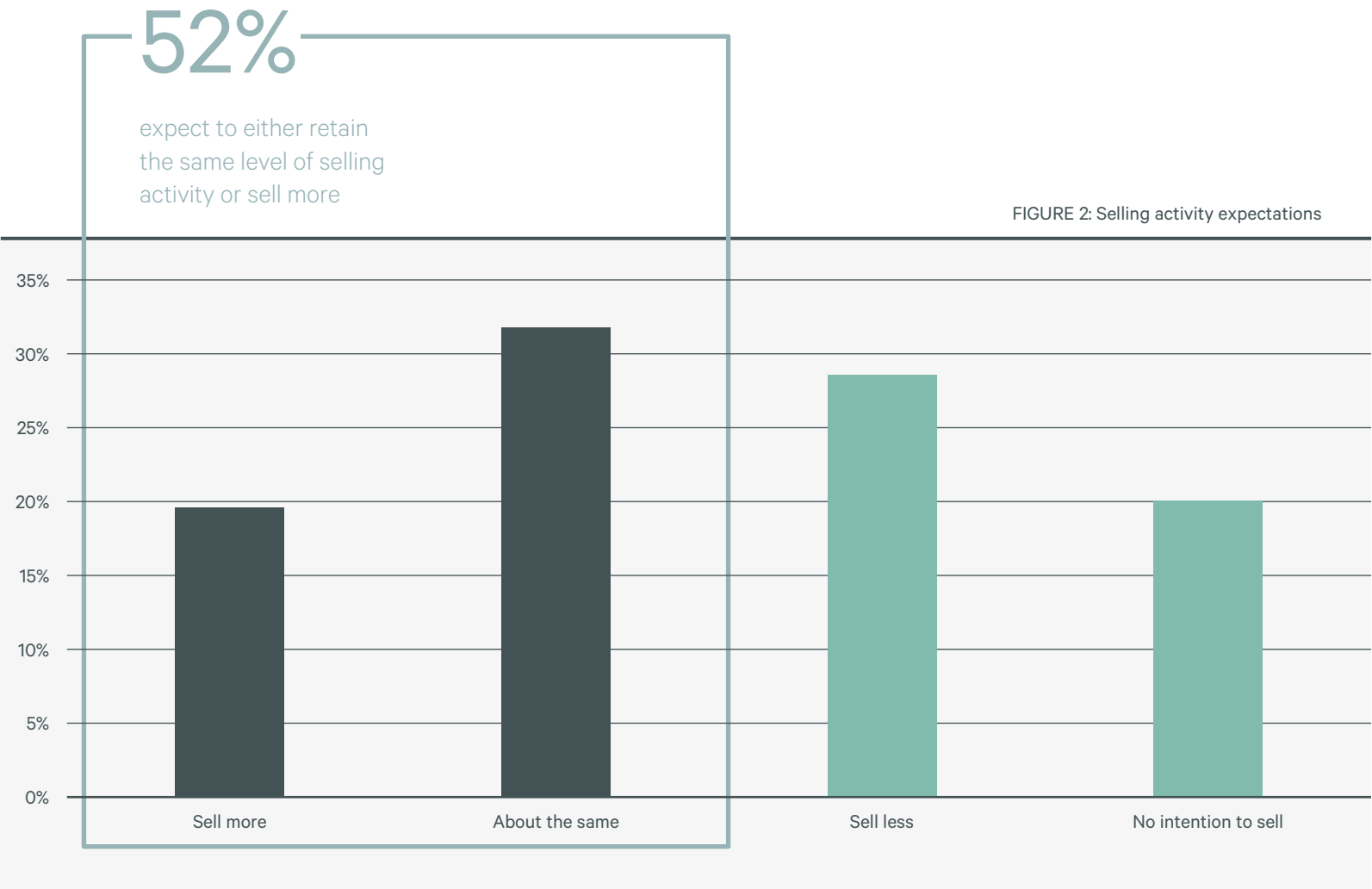
Are investors planning to increase purchasing activity in 2023?



Source: European Investor Intentions Survey, CBRE Research, January 2023

# Selling Activity

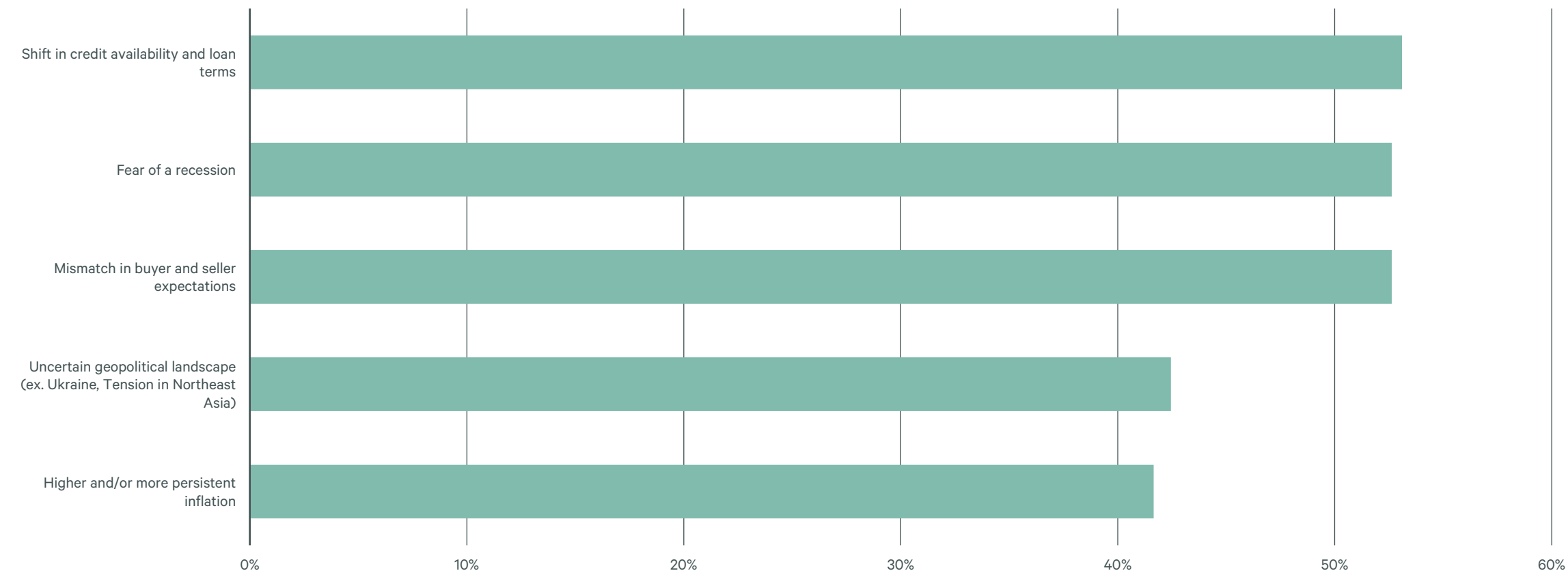
Are investors planning to increase selling activity in 2023?



Source: European Investor Intentions Survey, CBRE Research, January 2023

## Greatest challenges for investors in 2023: Fear of a recession, mismatch in expectations, and tighter lending conditions

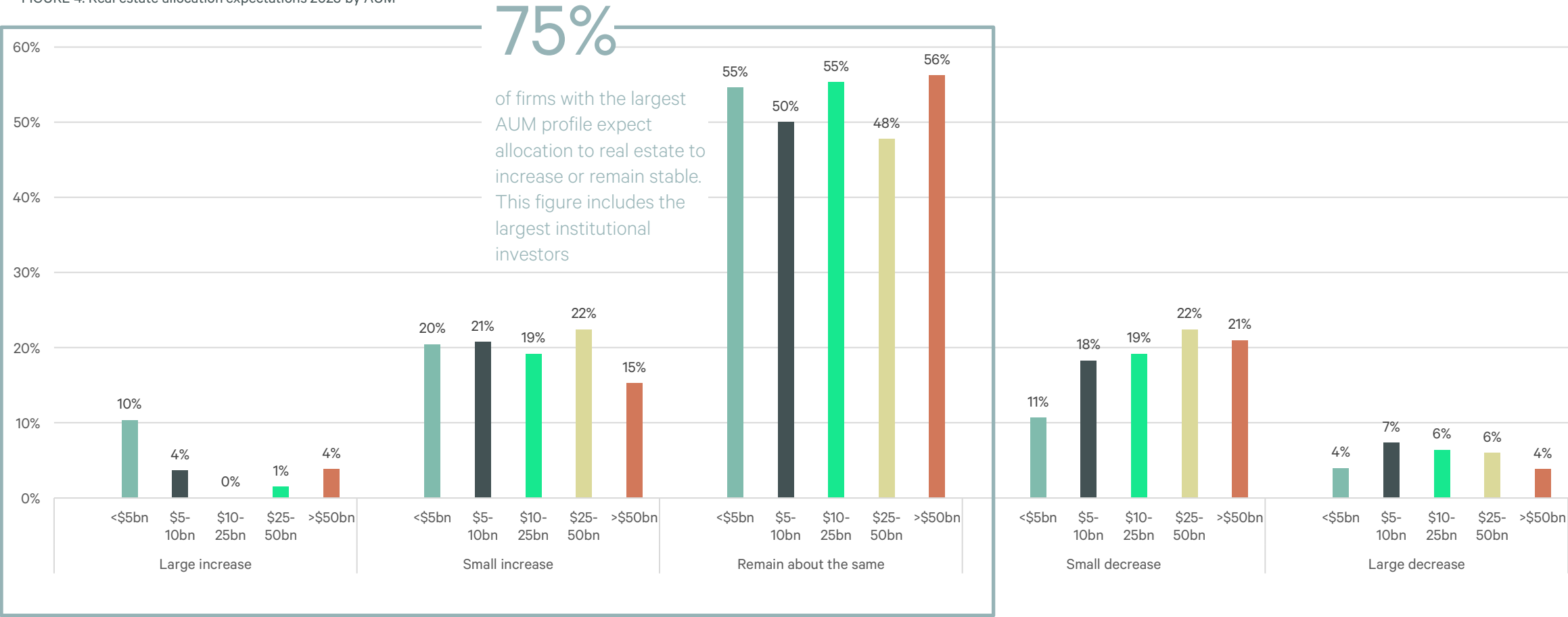
FIGURE 3: Major challenges facing real estate investment in 2023



Source: European Investor Intentions Survey, CBRE Research, January 2023

## Real estate allocations expected to remain stable in 2023

FIGURE 4: Real estate allocation expectations 2023 by AUM



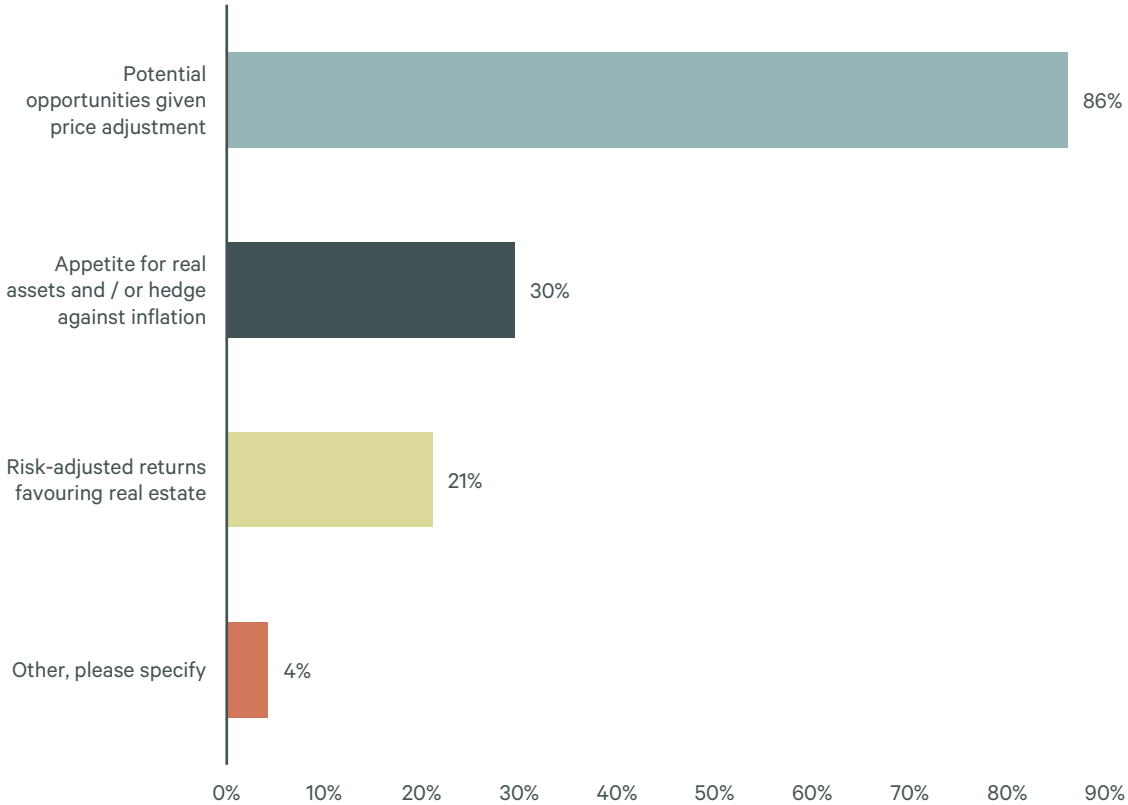
Source: European Investor Intentions Survey, CBRE Research, January 2023



## Repricing is a key factor for real estate allocation decisions

### What are the main reasons to increase your real estate allocation? (Multiple choice)

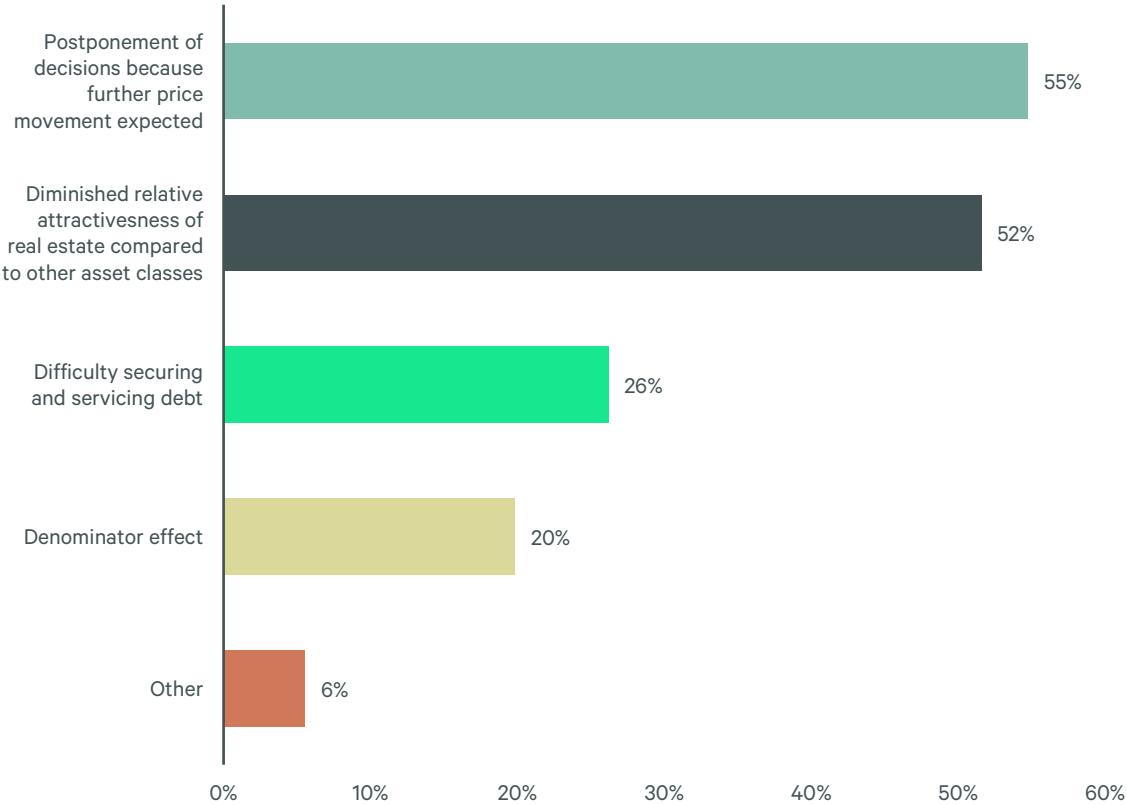
FIGURE 5: Main reasons to increase real estate allocation



Source: European Investor Intentions Survey, CBRE Research, January 2023

### What are the main reasons to decrease your real estate allocation? (Multiple choice)

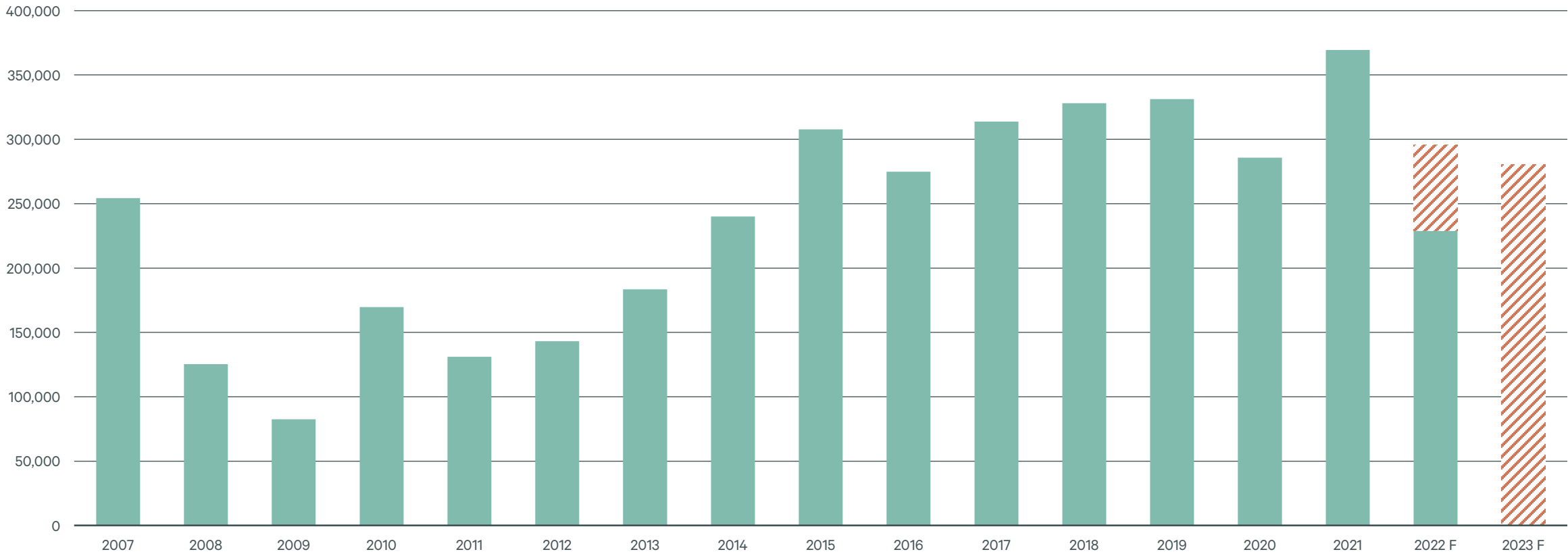
FIGURE 6: Main reasons to decrease real estate allocation



Source: European Investor Intentions Survey, CBRE Research, January 2023

## Geo-political and macroeconomic uncertainty to weigh on investment volumes through 2023

FIGURE 7: European investment volume (EUR Millions)



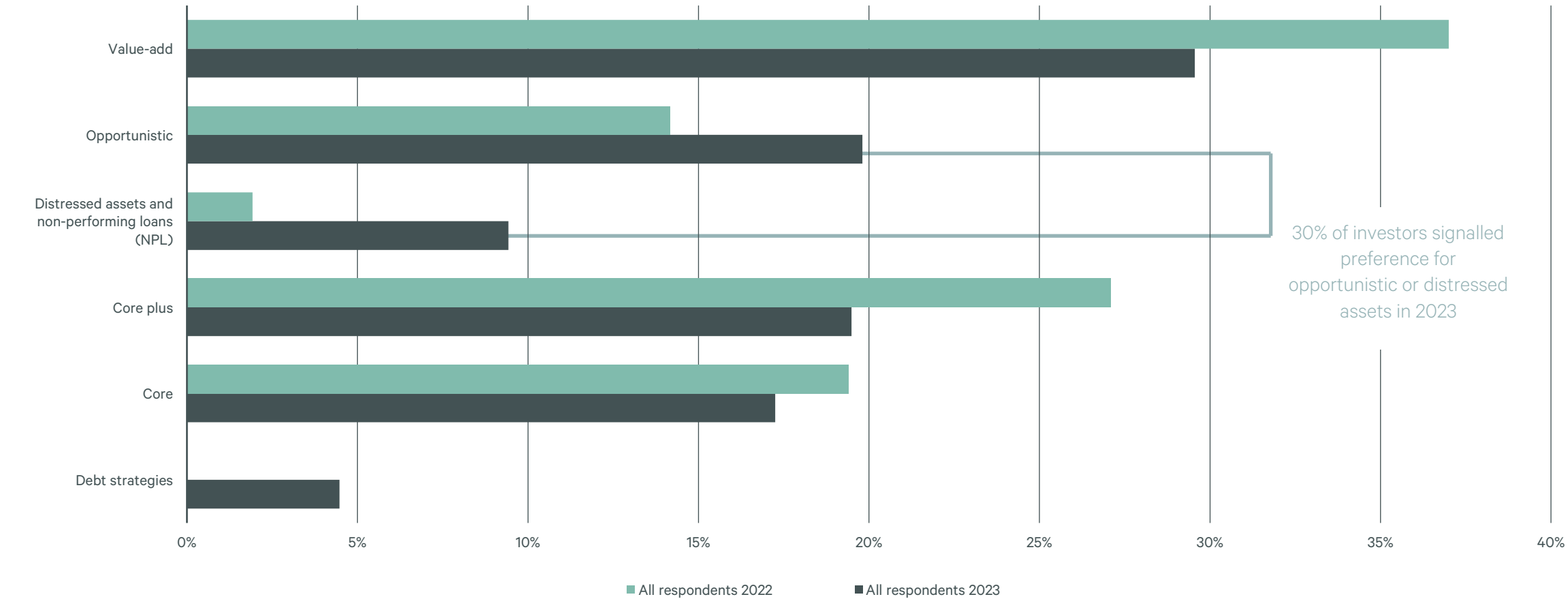
Source: European Investor Intentions Survey, CBRE Research, January 2023



## 2 Real Estate Strategies

Preference for opportunistic and distressed assets are both up YoY, combined this is the most popular strategy for 2023

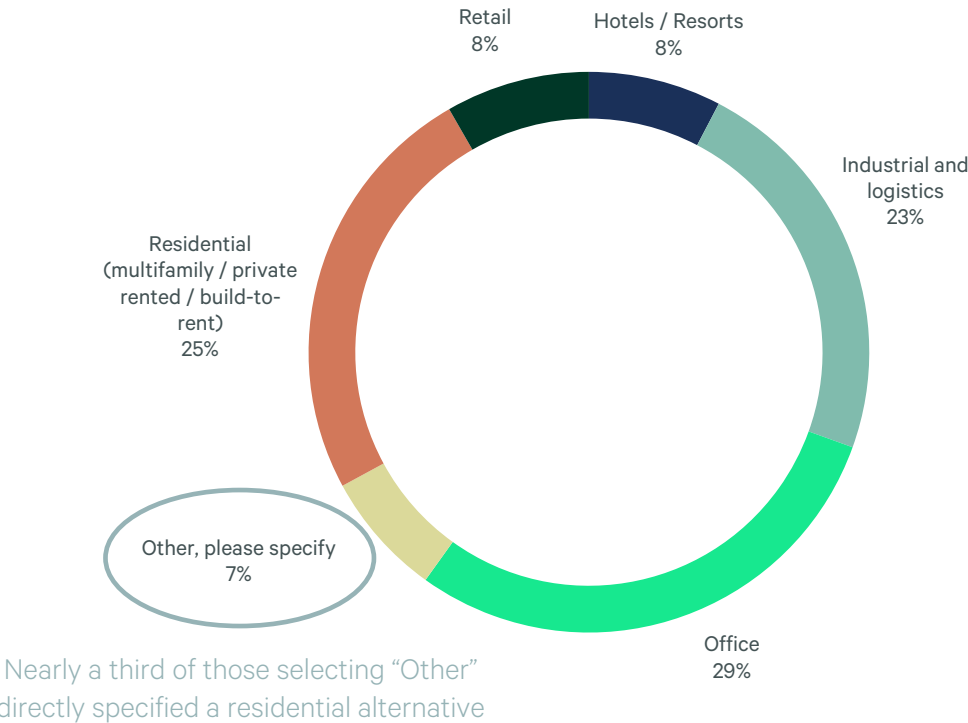
FIGURE 8: Preferred strategy



Source: European Investor Intentions Survey, CBRE Research, January 2023

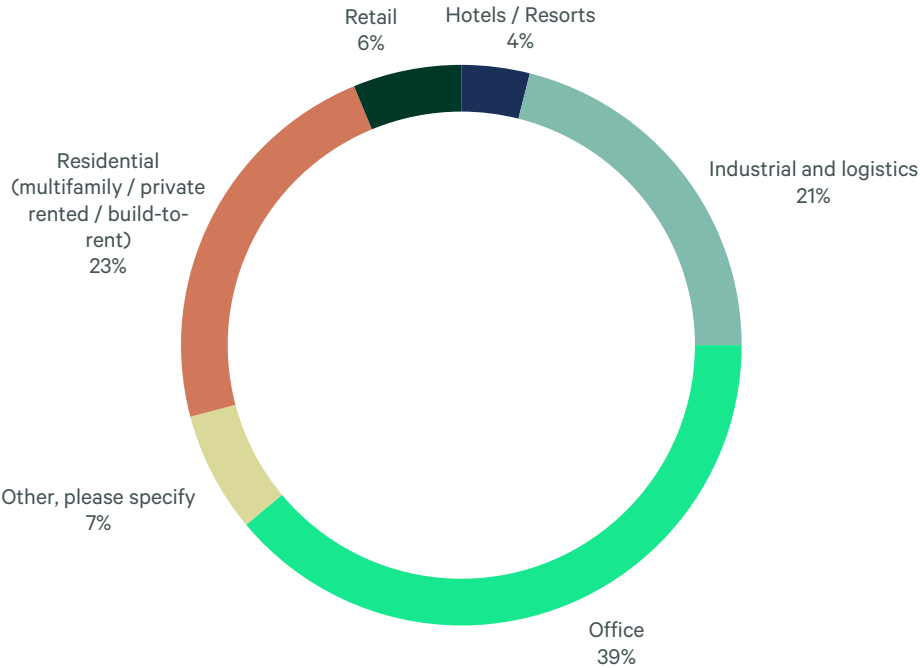
## Office still remains the most sought after sector in Europe, although multifamily continues to close the gap

FIGURE 9: Sector preference – 2023 Investor Intentions Survey



Source: European Investor Intentions Survey, CBRE Research, January 2023

FIGURE 10: Sector preference – 2022 Investor Intentions Survey



Source: European Investor Intentions Survey, CBRE Research, January 2023



# Investors were asked their favourite asset type based on their preferred sector...



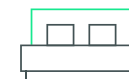
## Office

Of those who prefer office, over half selected Grade A office in a prime location. One-third selected Grade B in a prime location



## Logistics

Investors are split between aged and modern logistics assets in main cities



## Residential

Multifamily build-to-rent was the overwhelming favourite



## Retail

Retail parks remain the favourite. Supermarkets, high street, and shopping centres all received strong interest

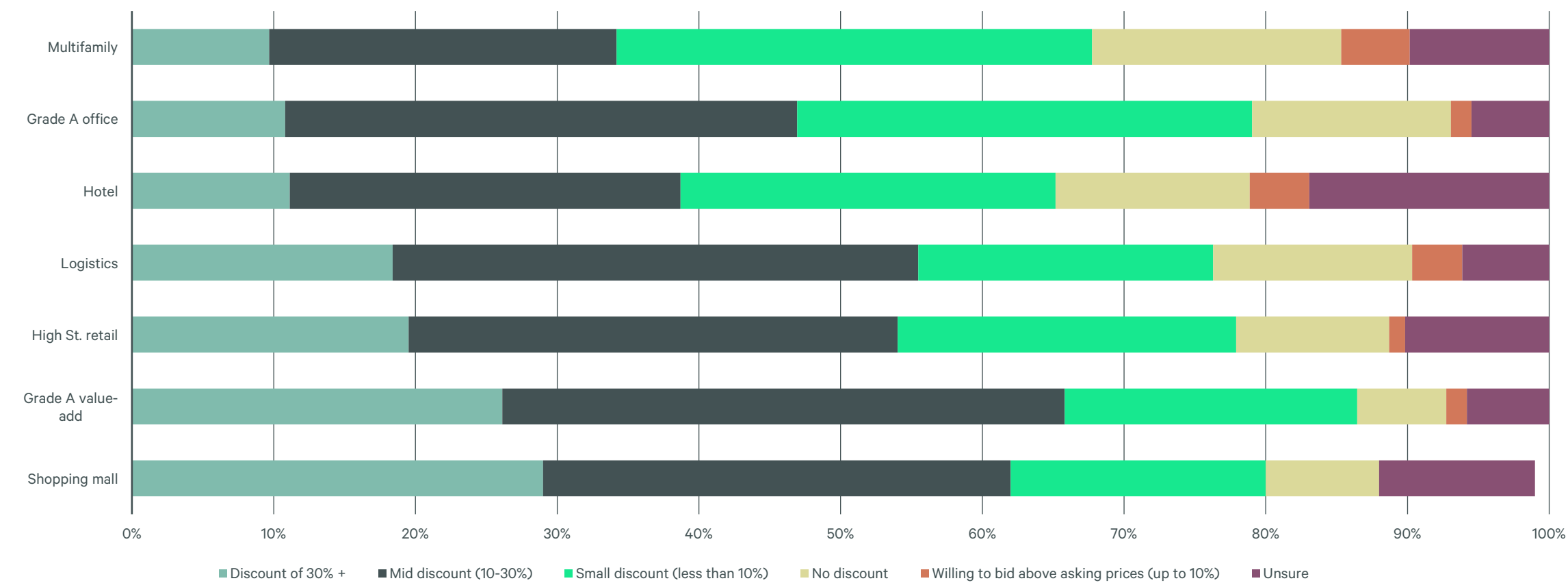


## Hotel

Just over half of respondents selected full-service hotel, while about one-third selected resort

## Discounts expected across all sectors with the deepest forecasted in retail and value-add offices

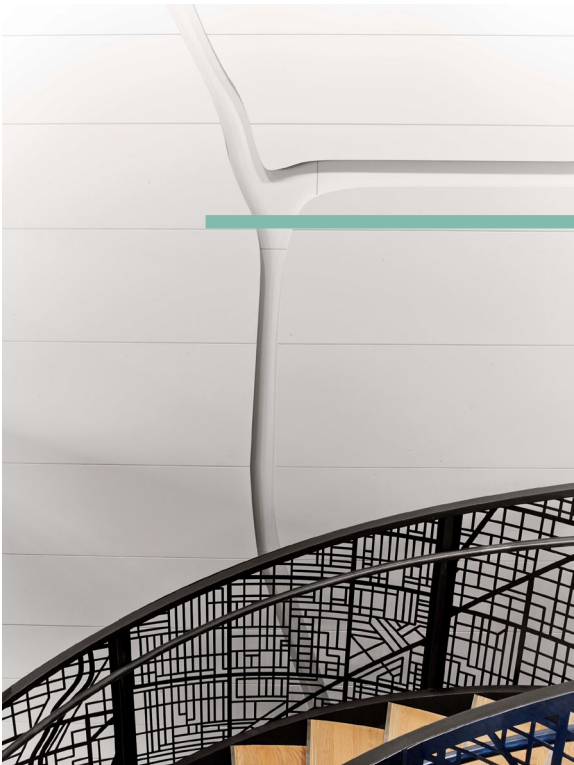
FIGURE 11: Pricing expectations in 2023 compared to 2022



Source: European Investor Intentions Survey, CBRE Research, January 2023

# Alternatives

Which alternatives have peaked investor interest in 2023?



Rank 2023 (Rank 2022)

| 1              | 2             | 3              |
|----------------|---------------|----------------|
| Student Living | Life Sciences | Senior Housing |

Interest in alternatives has remained the same since 2021, with approximately 70% of respondents seeking exposure to at least one sector. Student living remains the most sought after European alternative. Life sciences was offered as a selection for the first time in 2023 and finished second. Senior housing edged out real estate debt as the third most sought after European alternative. Some variance on a country level exists due to differing local market conditions and asset availability.

## Preference on country level:

|  |   |   |  |
|--|---|---|--|
| <b>Germany:</b> Life Sciences/Student Living | <b>UK:</b> Life Sciences/Student Living | <b>Italy:</b> Student Living/Real Estate Debt | <b>France:</b> Student Living/Senior Housing |
|--|---|---|--|



# 3 Investment Destinations

The United Kingdom displaced Germany as the country with the strongest expected total property return in 2023, while several Southern European markets finished atop rankings

FIGURE 12: Cross-border\* country level performance expectations

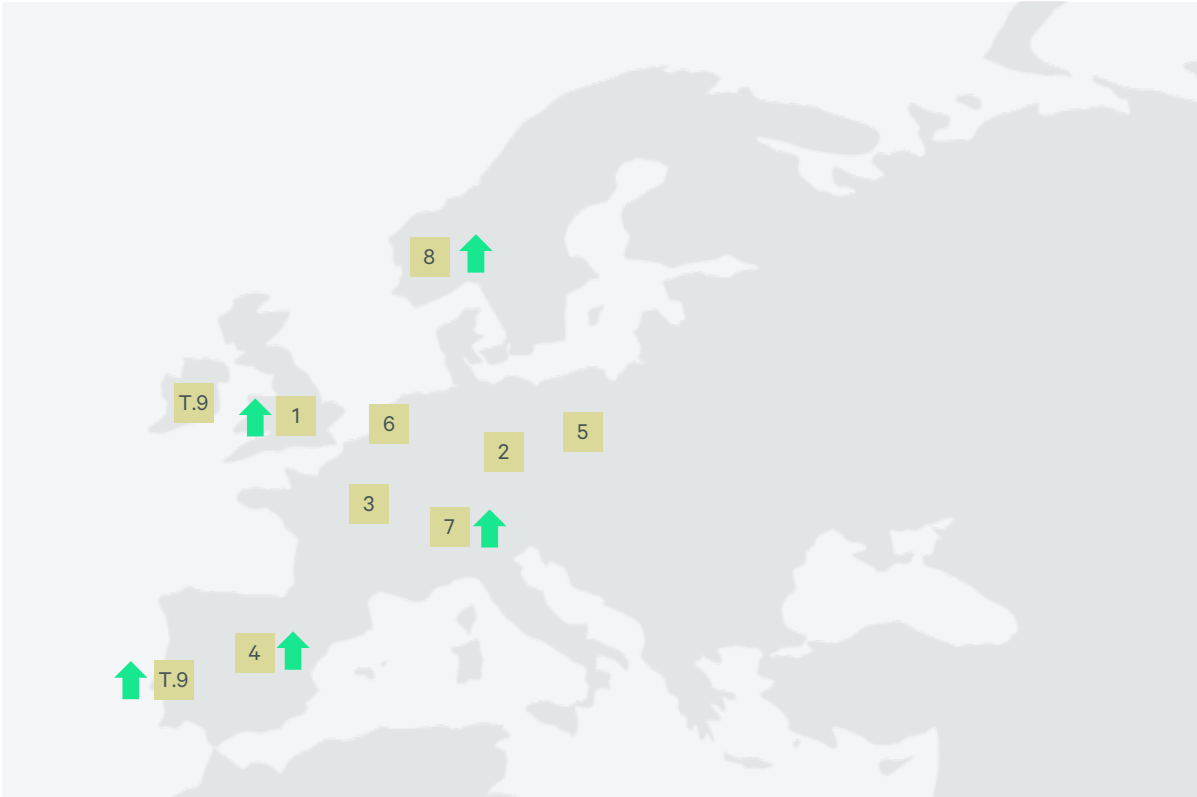


Legend

- Country level-performance ranking
- Higher ranking than in 2022

\*Only responses from investors selecting markets outside of the country they are domiciled are taken into account.

Source: European Investor Intentions Survey, CBRE Research, January 2023



Key Observation:

The UK displaced Germany at the top of the list of country-level total property returns expectations. Southern Europe had an especially strong showing in our country level property returns expectations. Spain jumped three places from last year while Portugal tied for 9<sup>th</sup> overall. Italy also finished in 11<sup>th</sup> place, just outside of the top ten. All three countries saw an uptick in 2022 real estate investment relative to the year prior. This further supports our finding that investors are increasingly interested in the region.



Several Southern European cities moved up in the most preferred city rankings while London and Paris solidified their status as the top markets

FIGURE 13: Markets expected to see highest cross-border\* investment interest

|     |            |
|-----|------------|
| 1   | London     |
| 2   | Paris      |
| 3   | Amsterdam  |
| 4   | Berlin     |
| 5   | Madrid     |
| T.6 | Lisbon     |
| T.6 | Barcelona  |
| 8   | Copenhagen |
| 9   | Warsaw     |
| 10  | Frankfurt  |

Legend

- Top ten markets
- ▲ Higher ranking than in 2022

\*Only responses from investors selecting markets outside of the country they are domiciled are taken into account.

Source: European Investor Intentions Survey, CBRE Research, January 2023



Key Observation:

Three Southern European cities, Madrid, Lisbon, and Portugal, moved up in our most preferred city rankings compared to last year’s edition. London and Paris further solidified their status as the most sought after European markets, with substantial vote differential between third place Amsterdam. German cities once again saw strong interest with Berlin and Frankfurt finishing in the top ten. Munich finished just outside our top ten rankings in 11<sup>th</sup> place.



# 4 ESG and Investment



# ESG adoption continues despite a challenging landscape



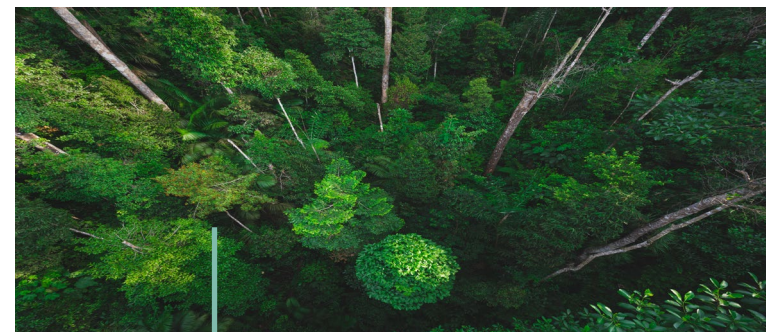
81%

of investors will continue to adopt ESG criteria in all investment decisions despite macroeconomic headwinds and a challenging geo-political landscape



15%

of investors actively discuss ESG adoption, but as of yet have not fully adopted criteria in all decisions

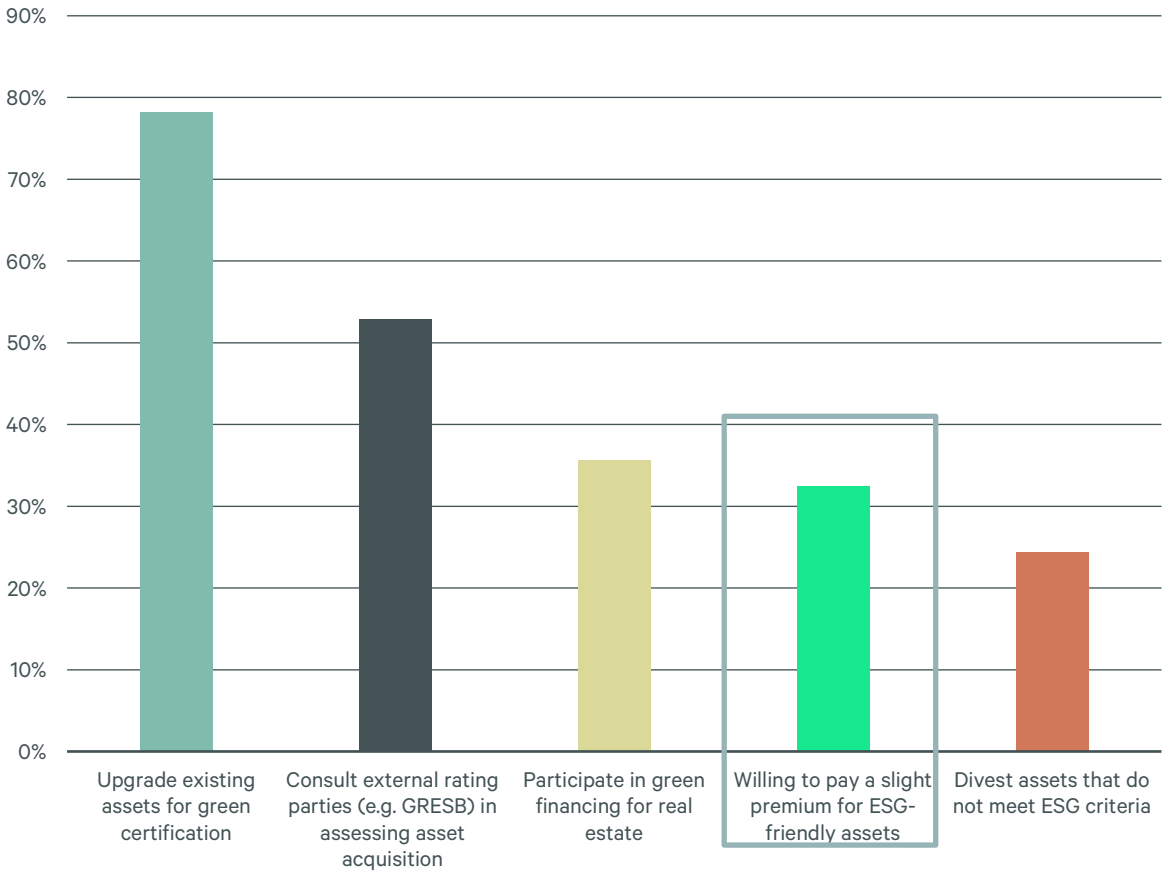


only  
4%

of investors have no plans to adopt ESG criteria

Upgrade of existing assets the principle method of (ESG) strategy implementation

FIGURE 14: Preferred methods of ESG strategy implementation



One-third of investors are willing to pay premiums for ESG friendly assets...

... more than half of them are willing to pay >20%

Source: European Investor Intentions Survey, CBRE Research, January 2023



# 5 Key Points and Respondent Profile



# Key Points:

- 01 Half of investors expect buying and selling activity to either remain the same or increase in 2023
- 02 Allocation to real estate across firms with the largest AUM is expected to remain the same or increase in the coming year
- 03 The current geopolitical and macroeconomic landscape will weigh on investment volumes through 2023
- 04 Opportunistic, distressed assets, and NPLs combined are the most popular investment approaches
- 05 Office assets remain the most sought after, although residential continues to close the gap
- 06 Discounts are expected to emerge across all asset classes, especially in value-add office, retail, and logistics
- 07 Southern Europe scored high in both country level property returns expectations and favourite city rankings
- 08 (ESG) criteria remain a focus for investors, with some willing to pay premiums over 20% to acquire assets

# Respondent profile and total responses = 629

FIGURE 15: Percentage of respondents by market

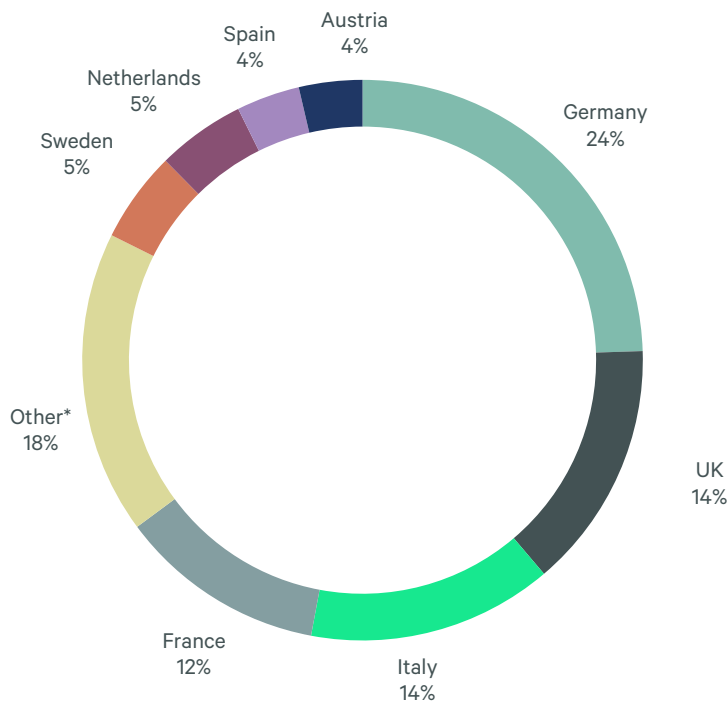
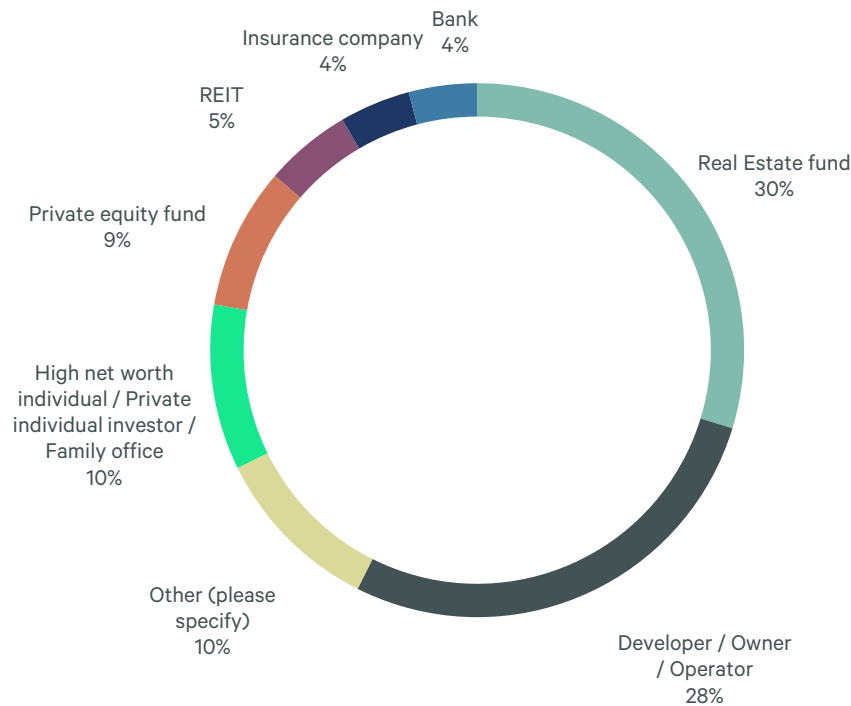


FIGURE 16: Percentage of respondents by investor type



\*Other includes respondents from The Baltic States, Central and Eastern Europe, The Nordics, Ireland, Portugal, Switzerland, and The United States  
Source: European Investor Intentions Survey, CBRE Research, January 2023

Source: European Investor Intentions Survey, CBRE Research, January 2023



Survey Criteria

CBRE’s 2023 European Investor Intentions Survey was conducted between 10 November 2022, and 5 December 2022. 629 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 2023.

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