European

Multifamily Investment

Market Update

EMEA Living Research
Summer 2019

JLL | Achieve Ambitions

Contents

Introduction

The third annual JLL European multifamily investment report reinforces the position of residential as the biggest growth opportunity for institutional capital in Europe. This report demonstrates just how powerful the pivot in capital allocations has now become and legitimises the strategies of early pioneers that led this new wave of residential investment.

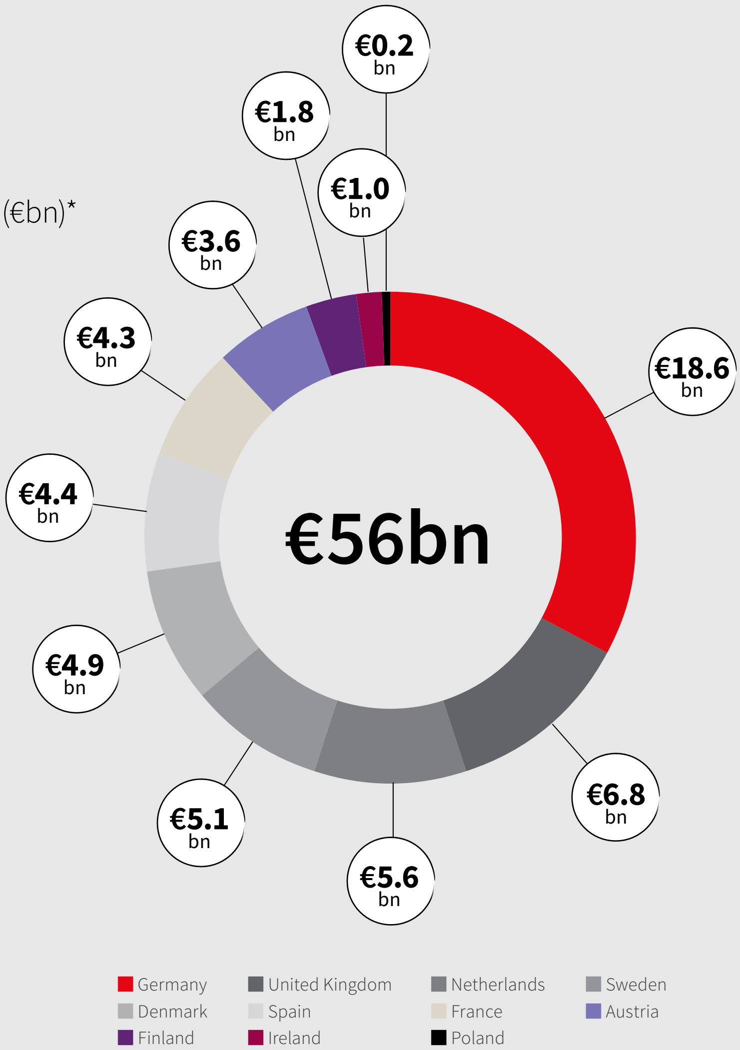
The great beneficiaries, of course, are communities right across Europe that are seeing new investment in high quality homes and ever more intelligent technology that is shaping quality of life. Europe's great cities are grappling with an overwhelming challenge of surging demand and inadequate supply. Urbanisation, population growth and longer lifespans are some of the drivers that will continue to support investment returns.

The growing momentum behind ESG investment activity will be a further catalyst. It is not enough to see more homes built; they need to be the right homes and affordable to more people. JLL is deeply committed to supporting the market and housing industry to create the right homes that Europe's urban populations so badly need.

Andrew Frost
Head of EMEA Living

Market size by country

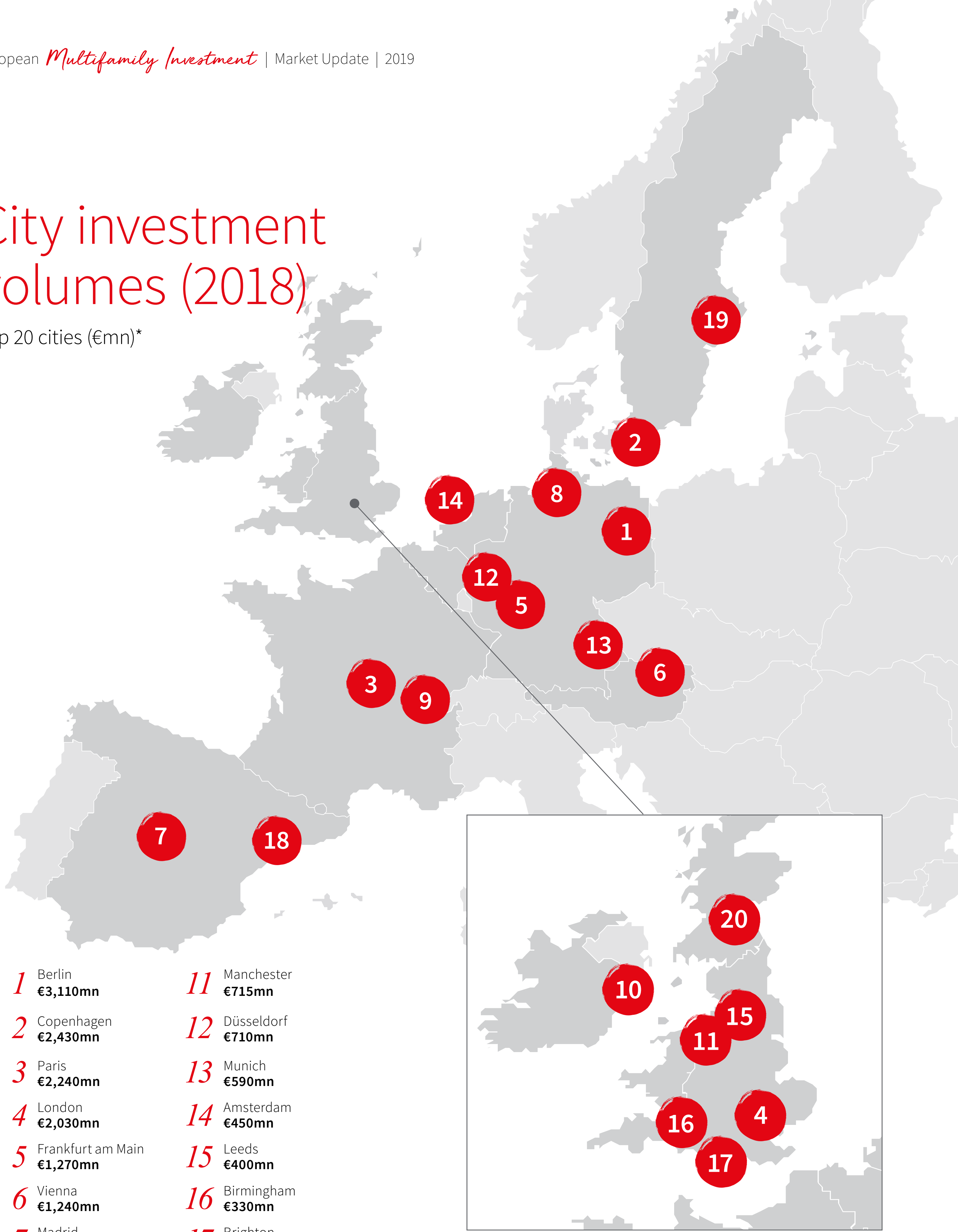
2018 Investment Volumes (€bn)*



*totals include institutional investment above €5mn, including M&A and development activity

City investment volumes (2018)

Top 20 cities (€mn)*



1. Berlin **€3,110mn**
2. Copenhagen **€2,430mn**
3. Paris **€2,240mn**
4. London **€2,030mn**
5. Frankfurt am Main **€1,270mn**
6. Vienna **€1,240mn**
7. Madrid **€1,090mn**
8. Hamburg **€960mn**
9. Ile-de-France (ex. Paris) **€910mn**
10. Dublin **€840mn**
11. Manchester **€715mn**
12. Düsseldorf **€710mn**
13. Munich **€590mn**
14. Amsterdam **€450mn**
15. Leeds **€400mn**
16. Birmingham **€330mn**
17. Brighton **€325mn**
18. Barcelona **€270mn**
19. Stockholm **€270mn**
20. Glasgow **€250mn**

*excludes unknown multi-location portfolio deal splits

European market overview

Heightened activity

Institutional investment in European residential continued its trajectory of growth, with total investment rising by over 40% to €56 billion in 2018. Total levels of investment far surpassed anticipated activity, with several large portfolios and corporate transactions boosting aggregate figures.

The growth of a few early stage markets, most notably the UK and Spain, has driven investment volumes as both markets consolidated their place among Europe's largest hubs for residential investment. Several large portfolios transacted in both France and the Netherlands, with the €1.5bn Vesta portfolio in France being the largest portfolio traded in the past few years. The acquistion of Buwog by Vonovia in Austria also boosted total volumes by 170%, to €3.6bn in 2018.

Dominance of Portfolios, M&A and Mega Deals

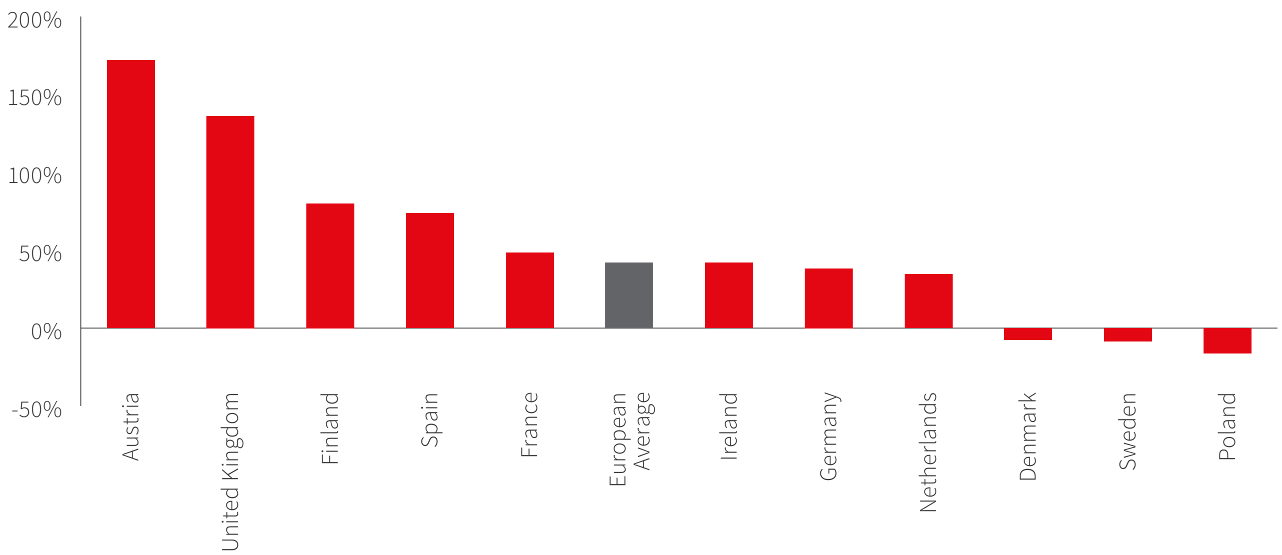
The total share of portfolio deals and M&A activity across Europe increased significantly year on year, with just over half (52.9%) of investment volumes attributed to multi-asset deals in 2018. This increased from 34.9% in 2017 and represents the 2nd largest share of total activity in the past 5 years, with only 2015 seeing a larger share of portfolio deals in that period.

This has increased the average deal size to over €50m for the first time. This is over 20% higher than the average for the previous 5 years and is unexpected considering the time of the cycle but also the greater share of forward deals, which has driven total investment volumes.

Yield Stabilisation

Following a year of significant yield compression in 2017, Europe's core cities underwent a period of yield stabilisation during 2018. Yields have remained broadly stable in prime geographies, with minimal movements in more mature markets such as Germany and the Netherlands over the past 12 months. There has been moderate yield compression in more nascent stage markets such as Ireland and Poland as the overweight of capital chased relatively scarce opportunities.

YOY Growth in Residential Investment



Looking ahead

JLL Market Expectations

Continuing trends from last year, growth in geographical diversification and cross-border activity is set to continue this year. Joint ventures, large portfolio acquisitions and M&A activity will be prominent vehicles that enable investors to deploy capital in foreign or new investment markets. However, whilst these trends are expected to continue developing in the short to medium term, several new trends are gaining prevalence for the year ahead.

The return to Europe's core markets

Portfolio sales activity has grown significantly over the past few years as investors focused on driving scale. At the same time, core markets should feature more prominently as strategies across the real estate investment spectrum take hold. European residential markets will retain their appeal as defensive real estate investments for investors seeking stable cash flow. This is particularly true given the comparatively higher levels of technological disruption in other sectors such as Retail and Office. Residential real estate also has a low return correlation with other sectors, offering attractive diversification benefits.

Despite multifamily's historical counter-cyclical performance, investors are still conscious of potential exit routes for their real estate assets. Considerably higher liquidity in Europe's largest residential investment hubs offer investors reassurance for future disposals and further strengthens the demand for assets in these locations. It is also in these cities where fundamentals are strongest and continued urbanisation, high levels of immigration and persisting supply/demand imbalances are all supportive of the long-term prospects of the sector.

Growth of other Living sub-sectors

Investors have also become more active in the wider Living spectrum, with the growth of other Living sub-sectors such as Student Housing, Retirement Living and Coliving providing institutional investors with a variety of alternatives to consider. Long term demographics support the further development of these sub-sectors that enable investors to touch multiple age profiles. The demand for these products will grow significantly in the short term.

This enlarged Living offering also provides investors with a wide range of investment opportunities with differing risk-return profiles. Not only do these sub-sectors typically provide greater current returns for investors but they also offer more control over rental growth, with lower rental regulation in these sub sectors. This is partially a result of shortened lease lengths, which are often less than a year, but offset by higher vacancy risk.

There are clear challenges that limit the overall growth of investment in these sub-sectors. Transparency around planning and questions around the scalability of relatively niche products such as Coliving has so far limited the range of investors that have been active in this space.

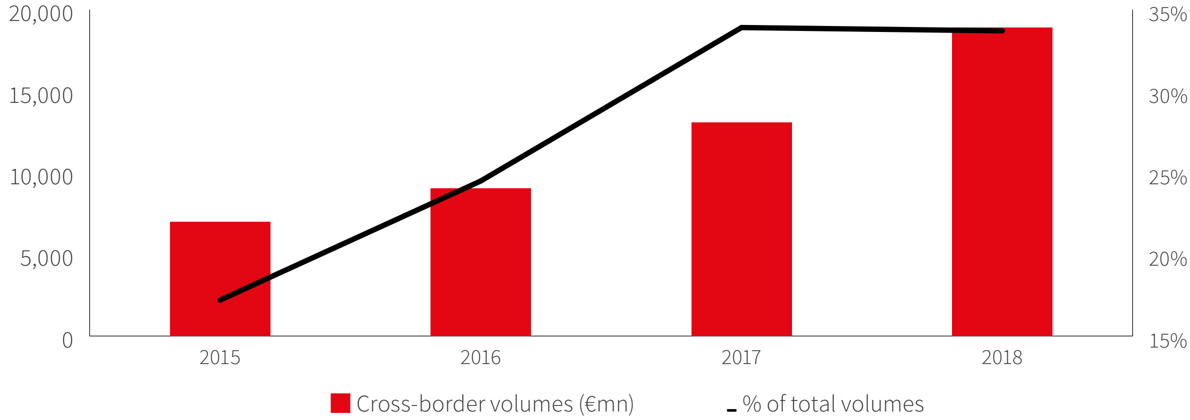
Maturing market activity

Given 2018's record aggregate volumes for multifamily investment in Europe, most markets are expected to see see slower growth in aggregate volumes over the year ahead. Investor demand will be constrained by a lack of suitable product coming to the market and a lack of large-scale opportunities that have transacted in recent years. In contrast, the faster growing markets of Spain, United Kingdom and Ireland will continue to push ahead. These markets have a high proportion of forward-funding activity and the structural shift in activity towards stabilised assets will provide a fillip to investment volumes. Continued growth will further establish these markets among Europe's top locations for multifamily investment.

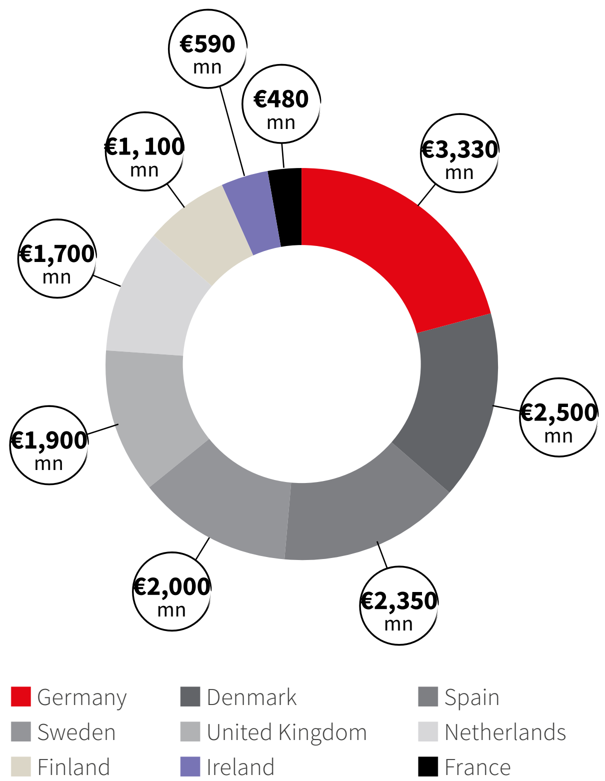
The growth of cross-border investment

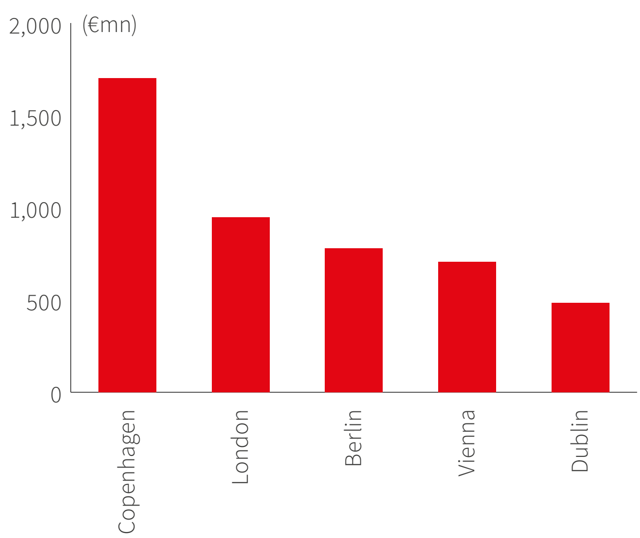
While the share of foreign investment has remained stable, absolute levels of cross-border activity have grown by over 40% in the past year. In comparison, cross-border volumes in commercial accounted for 62% of total volumes in 2018. Sophisticated multifamily investors have become more adept at operating in multiple markets, particularly in markets with nuanced differences in rental market legislation. Nascent stage markets, often with a lack of purpose-built income producing assets, have been the greatest beneficiaries of these inward flows of capital.

Cross-Border Investment Volumes



Cross-border investment volumes by country (left) and city (right) 2018





Where are foreign investors targeting?

Germany has long been a hotspot for foreign capital and the growth of new multifamily markets has enabled investors to access a wider range of geographies.

Routes to market are, however, opportunity driven with no one-size-fits-all approach to deploying capital in Europe. Overseas activity in Spain and Sweden has largely been driven by M&A, with the latter typically dominated by domestic institutional investors. Blackstone has been active in both geographies, acquiring a majority holding in D. Carnegie (now Hembla AB) in Sweden (2017) and as of last year increased its holdings in Spain-domiciled Testa. The Vonovia acquisition of Victoria Park (Sweden) represented the largest cross-border M&A activity in the Nordics and signalled its first foray in the region.

Cross-border investment in other markets, such as Germany, has predominantly originated from multi-location portfolio acquisitions. In 2018, this amounted to over €2bn and represented just over 60% of total foreign investment in Europe's largest multifamily market. Danish pension fund PFA, Blackstone and Covivio were among the most active foreign investors in the market, continuing to scale their respective residential platforms in Germany.

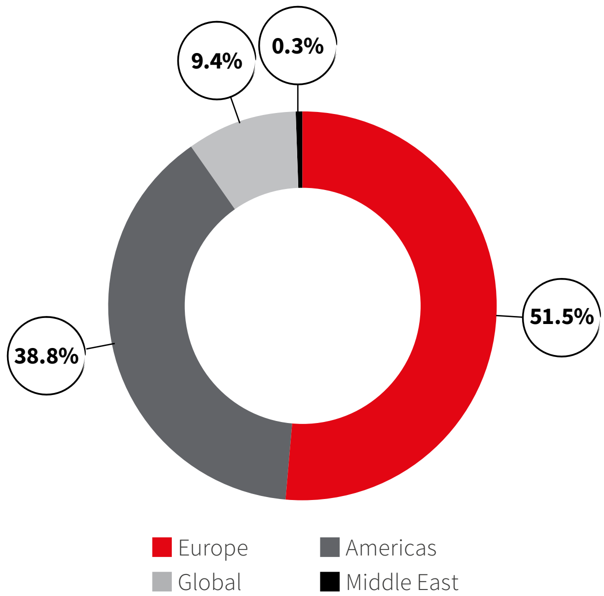
Single asset deals and JV deals with local developers are the most common entry point to the United Kingdom. Invesco, Greystar and Realstar are examples of the former, while APG and Apache Capital Partners have entered the market after sourcing local partners. However, Oxford Properties' maiden investment in the UK may be a signal that as the market matures, buying into UK platforms such as Get Living could become more frequent as a greater share of these portfolio pipelines are built out and stabilised.

Where do these investors come from?

A greater portion of cross-border activity now originates from Global funds (40% increase y-o-y) and North American investors (162% increase y-o-y), while absolute foreign volumes from European investors remains broadly stable. Despite the continued growth of non-European investors, intracontinental investment still represents most of total cross-border activity. This segment of investors account for 51.5% (down from 65% in 2017) of total foreign volumes.

Non-intraregional activity on the rise

European capital has long been the greatest source of overseas investment. There has, however, been a noticeable shift in where these investors are acquiring multifamily assets. European investors no longer focus on multifamily assets in domestic or neighbouring markets, typically with similar market structures and legislation. Instead, they are now more active further afield on the European continent. Non-intraregional activity totalled €2.1bn in 2014. In 2019, this segment of the market surpassed €5bn and accounts for nearly two thirds of cross-border activity from European investors. Most of this activity took place in Sweden (€1.7bn), Germany (€1.6bn) and the Netherlands (€560mn), originating from investors domiciled in Germany, Denmark and the UK.

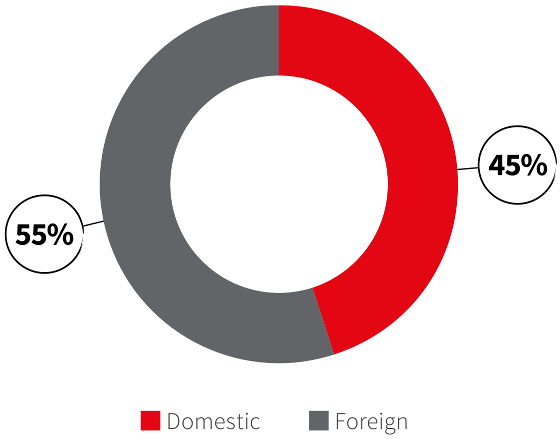


Source of capital	Percentage split	Movement
Europe	51.5%	Flat (2%)
Americas	38.8%	Up (162%)
Global	9.4%	Up (40%)
Middle East	0.3%	Down (-95%)

Denmark

Foreign investors remain the most active

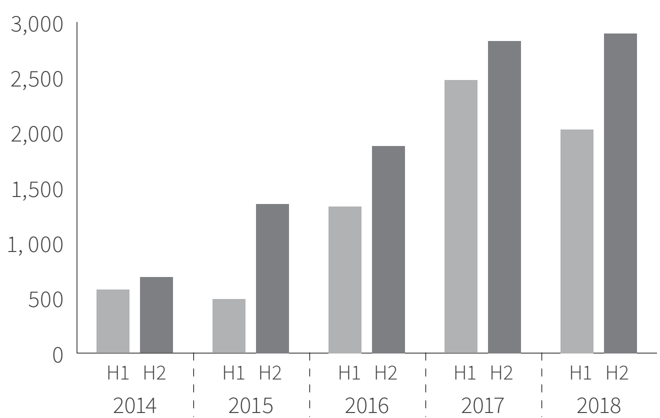
Source of investment



Investment Volumes
€4.9bn

Slight decline in activity
(-7.5%)

Bi-annual investment volumes (€mn)



With record volumes achieved in 2017 (€5.3bn), activity in 2018 remained resilient and totalled €4.9bn for the year. The drop off (7.5%) in activity is largely attributable to a reduction in the number of deals that came to market above the €100m range. Despite this, total volumes surpassed market expectations of between €4bn and €4.5bn.

Overseas investors remained active in the multifamily sector, with the share of foreign volumes remaining broadly stable (55%) but absolute levels declined slightly year on year. Heimstaden and Blackstone's activity alone totalled over a third of nationwide volumes in 2018. Other foreign investors such as NIAM, Patrizia and Europa Capital acquired multiple assets in the past 12 months, with Aberdeen Standard making its first investment in the market. Whilst international investors retain a preference for Copenhagen, we have observed greater demand for higher yielding assets outside of Copenhagen. This is particularly true in commuter belt locations and other major cities in Denmark. The trend follows the acquisition strategies that domestic institutions have implemented over the past two years, with Koncenton, Core Bolig and PFA Ejendomme AS among the most active investors in these geographies.

Regional locations, outside of Copenhagen and Aarhus, were the greatest beneficiaries of this trend. The share of activity that is not attributable to these locations or nationwide portfolios grew to over 30% in 2018, up from 19% in 2017 and above the 5-year average of 15%. Meanwhile, Copenhagen continued to represent the greatest share of geographical activity, with just under 50% of activity originating from assets in the wider Capital region.

Spotlight on Denmark

Our expectations

Helle Ziersen
Partner & Director, EDC

Volumes:
Slight decline

Yields:
Stable

What is your keyword for the market in the short term?

Legislation

Why?

There is a strong sense of political debate currently in Denmark. This centres primarily around solutions to housing delivery, which cannot keep up with levels of demand. With rents and capital values rising significantly over the past decade there is a clear mismatch in terms of what tenants and prospective homeowners can afford and what type of product is being produced. This is particularly true in Copenhagen where developers have had to build, on average, new apartments of 95 sqm.

There is clear demand for smaller properties and it will be interesting to observe how this debate between national and local legislators will end. The direct implications for multifamily and other Living sub-sectors focuses around micro living units and Coliving, two forms of housing solution that have become more popular in the rest of Europe.

What is the immediate outlook for the market?

Following a year of strong performance in 2018, investment volumes are expected to remain stable in the year ahead. Demand for multifamily investment remains extremely high from both domestic and foreign investors. Domestic pension funds have recently increased their target allocation towards real estate from c5% to between 10% and 15%. This is likely to boost demand for multifamily given the proportion of total activity that it currently represents in Denmark and also given historical levels of performance in the sector. We also expect continued demand from overseas investors, namely from Scandinavia, adding to new interest from other European investors.

The immediate concern is about the availability of suitable product coming to the market in the short term as many large portfolios have transacted in previous years. In the longer term however, there are clear acquisition opportunities, with several domestic funds coming to the end of their life-cycle and considering exit opportunities.

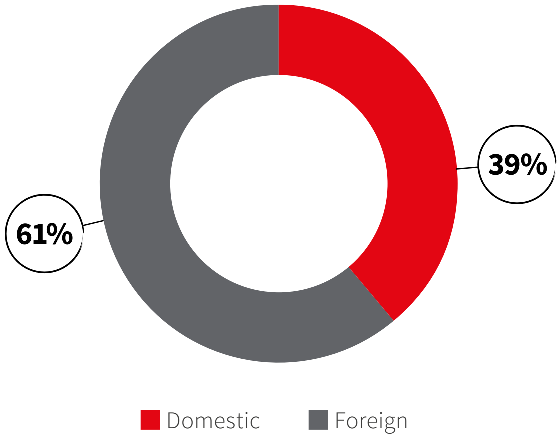
What significant changes do you expect to see?

As things stand, foreign investor activity can be attributed to just a few market players. We expect this dynamic to change and anticipate that more foreign investors will enter the market in the near future, which will increase competition for core assets. As international investors typically prefer low-complexity assets, we expect heightened competition in the development market, particularly in Copenhagen, with more aggressive underwriting of rental levels and yields.

Finland

The multifamily market in Finland sees strong year-on-year growth in investment, with large international investors increasingly active

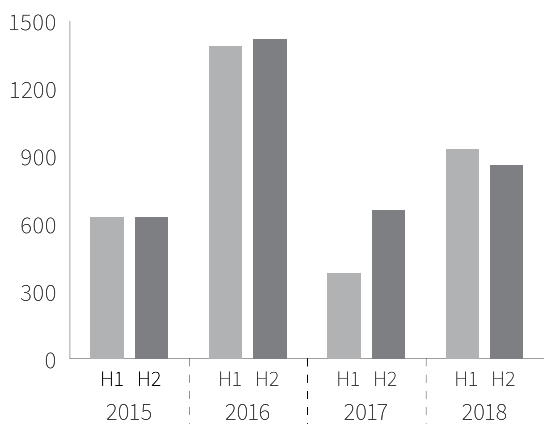
Source of investment



Investment volumes
€1.8bn

Investment volumes increased by over
70%

Bi-annual investment volumes (€mn)



Total investment grew by over 70% in 2018, largely fuelled by heightened activity from overseas investors. Transaction volume in 2018 for residential assets was €1.8 billion, which is the second-highest total achieved, after € 2.8 billion in 2016.

International capital has primarily targeted opportunities in the Helsinki Metropolitan Area, with Helsinki accounting for 57% of volumes over the past decade. However, 2018 represented the first year in which foreign private funds became increasingly interested in secondary locations and assets. Helsinki's share of total activity fell from 63% in 2017 to 43% in 2018 as investors have become increasingly opportunity driven and sought out higher yielding assets in regional locations. Investor interest has also increasingly turned to other large university cities where the demand for private rental accommodation is high. These include, among others, Turku, Tampere, Oulu and Jyväskylä.

Morgan Stanley, Aberdeen Standard and Round Hill Capital all entered the market in 2018, with the latter acquiring a nationwide residential portfolio comprised of over 3,200 units from Avant Capital Partners. This spur in activity has changed the balance between domestic and foreign capital in Finland, with foreign investors accounting for 61% of volumes in 2018, compared with an average of 13% in 2015-2017.

The absolute share of development activity remained high, despite several large nationwide portfolios coming to the market in 2018. This activity is focused primarily around Helsinki and its surrounding locations, as demand for rental accommodation grows in the capital. Continuing levels of high internal migration and increased urbanisation ensures that this trend is likely to continue unabated in the near future.

Spotlight on Finland

Our expectations

Tero Uusitalo
Director – Capital Markets, Finland

Volumes:
Slight increase

Yields:
Stable

What is your keyword for the market in the short term?

Strong demand for multifamily.

Why?

2018 represented a change of paradigm in the multifamily market in Finland. Activity shifted significantly towards the domain of international investors and early signs indicate that this trend is going to continue.

European investors, most notably UK and German institutions, are particularly aggressive in the market. We have already seen BVK and DWS acquire portfolios in 2019. International investors tend to be more active in acquiring income producing opportunities and with several large ticket nationwide portfolios coming to the market this year. As a result, the share of foreign volumes is expected to remain high. Appetite for portfolios with significant exposure to Helsinki and other major cities has grown but international investors are no longer solely focused on these geographies.

We also expect new investors to make their first investments in the Finnish multifamily market in the year ahead. While there is some initial interest from North American investors, we expect European investors to comprise the majority of foreign investment.

What is the immediate outlook for the market?

Pricing in Finland's major multifamily hubs is likely to remain stable over the coming year or two following a period of significant yield compression. With yields at a record low, it seems that investors, both domestic and foreign with existing exposure, will look at secondary locations in order to meet their return criteria. We may see some slight compression in these markets, but our general view is that pricing here is likely to remain in line with current levels.

We expect a moderate increase in activity during 2019 as there is sufficient supply coming to the market. Multiple portfolios above the €100m threshold are expected to transact in 2019 so this will boost overall volumes.

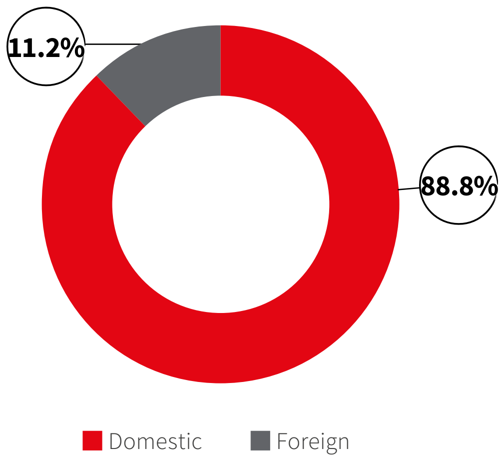
What significant changes do you expect to see?

We expect new residential products, like micro-living assets, to account for a greater share of activity in the years ahead. Demand for well-located, well designed and comparatively cheaper units will be strong, despite a lack of available product currently.

France

SNCF portfolio sale drives aggregate volumes in France

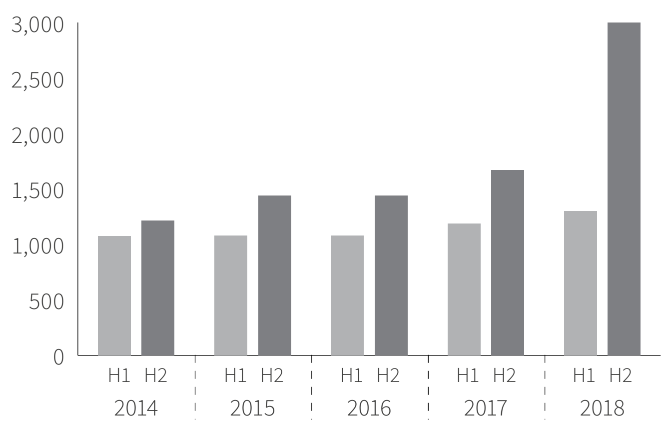
Source of investment



Investment volumes
€4.3bn

Growth in volumes
50%

Bi-annual investment volumes (€mn)



Total investment volumes reached €4.3 billion in 2018, an increase of nearly 50% from 2017. 2018 represented a record breaking year for multifamily investment in France, with volumes well above the long-term average of €2.24bn.

While volumes for Paris and the wider Île-de-France region continued to be the greatest recipients of capital (73%), this share was significantly below the 90% share of investment that has occurred in the previous two years. Nationwide portfolios commanded a greater share of activity compared to previous years. This was primarily the result of the SNCF portfolio that was acquired at the end of the year. The deal represented an 80% share of the SPV Foncière Vesta. The portfolio consists of 130 properties representing 4,000 housing units, from ICF Novedis, a subsidiary of SNCF Group, of which approximately half are in the Greater Paris region. This acquisition represented the largest single deal in the past decade in France and was acquired by a consortium of French and international investors that included ERAFP, IRCANTEC, CDC Habitat, Swiss Life and Vonovia.

The SNCF portfolio represented the only deal above €100m in the market last year, with STAM Europe and Allianz's acquisitions of two opportunities in Paris, for a total of €98.5m and €82m respectively, the other two large deals recorded in 2018. This signified a substantial drop off in large ticket activity when compared with 2017, in which five above that threshold transacted.

International capital became more active in 2018, with Aberdeen Standard making its maiden investment in the multifamily market in France. This alongside Vonovia's share ensured that total international volumes reached a record total of €480mn. Domestic capital also saw strong growth in absolute activity (44%). Institutional investors became the most active segment of domestic investors in the French market. Social landlords also remained extremely active, particularly in the forward funding segment of the market.

Spotlight on France

Our expectations

Christophe Volle
Director – Residential Investment, France

Volumes:
Slight decline

Yields:
Stable

What is your keyword for the market in the short term?

Lively

Why?

The SNCF portfolio sale highlights the improving maturity of the multifamily market in France. Not only does it illustrate investors' ability to acquire at scale, it also demonstrates that the structure of the deal provides greater opportunity for private institutional investment – particularly for international investors. This transaction also highlights greater flexibility in deal structures for would-be vendors with significant holdings in multifamily.

What is the immediate outlook for the market?

The outlook for the multifamily investment market in France remains positive. Volumes are expected to see a slight decline when compared to 2018's record total but volumes are still anticipated to remain above the long-term average. There are currently a few large ticket portfolios on the market that will boost aggregate figures but there is also greater appetite from investors for development deals. Many of these opportunities are focused around redevelopment or regeneration locations that are tied to both the Olympics and the Grand Paris project. This interest will be principally focused around new stations or areas that see the greatest increase in connectivity.

International capital was particularly active in 2018 with a number of large institutions making their first investment in the multifamily market. There is clearly continued appetite from these investors to build out their residential portfolios here in France and we expect them to to remain active.

Investment activity is likely to be focused on core markets such as Greater Paris and in regional locations such as Lyon, Marseille and the Atlantic Arc.

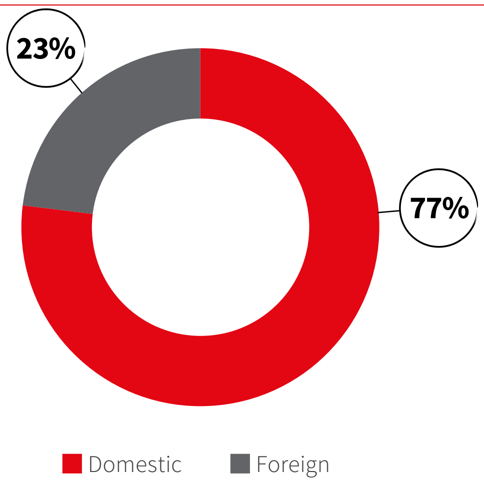
What significant changes do you expect to see?

Other multifamily sub-sectors are expected to grow in popularity. Senior housing is likely to see the greatest uptick in activity, with investors increasingly comfortable with operating models in the market. However, there are questions regarding whether supply can meet investor demand. Total investment activity in student housing is expected to grow significantly, with a number of assets and platforms likely to change hands towards the end of the year.

Germany

Europe's largest multifamily investment market sees strong growth in total volumes

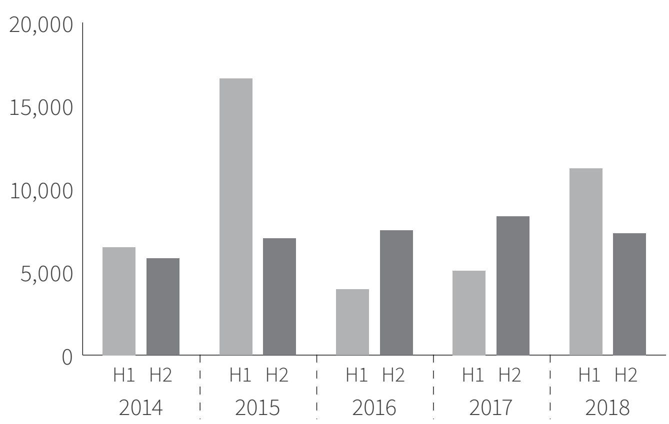
Source of investment



Investment volumes
€18.6bn

Growth in volumes
38%

Bi-annual investment volumes (€mn)



The transaction volume for residential properties and portfolios reached €18.6bn in 2018, which was 38% above aggregate volumes in 2017 and 10% above the five-year average of €16.9 billion. This represented the 3rd largest year of total investment in Germany, with higher transaction volumes only previously having been achieved in 2005 (€19.8 billion) and 2015 (€25.2 billion). The strong performance was despite more onerous regulations introduced that put additional downward pressure on investment strategies.

Apart from the largest transaction of the year, Vonovia's acquisition of Buwog and circa 27,000 German units for approximately €2.9 billion including liabilities, only three other portfolios with more than 4,000 residential units changed hands. More than 90% of the transactions involved fewer than 800 residential units and generated close to €10 billion overall.

In this respect it is also necessary to concentrate more and more on small individual transactions that hold their value. Pension and special funds are active in this segment. Last year, they primarily focused on medium-sized and small transactions, and together with public housing associations, were able to claim positions 2-4 (€4.9 billion overall) in terms of asset generation. Vonovia's acquisition of Buwog alone ensured that listed housing companies remained the most active in the market, investing a net amount of €3.6 billion.

Berlin continues to geographically dominate the market despite increased sales of nationwide multi-location portfolios and heightened M&A activity. The multifamily investment market became increasingly dominated by national investors. Less than a quarter of the capital came from overseas, with Danish pension fund PFA and investments by British and U.S. investors amounting to a combined €2.2 billion. While this means that relative levels of foreign activity declined in 2018, it remained broadly in line with the average for the last five years.

Spotlight on Germany

Our expectations

Konstantin Kortmann
Head of Residential Investment, Germany

Volumes:
Slight decline

Yields:
Stable

What is your keyword for the market in the short term?

Pressure.

Why?

This applies to multiple trends in the market. Tenant demand for rental properties remains extremely high and the current level of delivery ensures that a chronic undersupply of properties persists. There is also heightened political pressure, at both a national and administrative level, which is clouding the market with uncertainty.

The Berlin city government has now agreed on the outline of a draft bill which would introduce a 5-year rent freeze, starting in 2020 but retrospectively applied to June 2019. The proposal has the aim to freeze rent for all 1.5m open-market rental apartments but exclude social housing and new-builds. There is, however, uncertainty about the main contents and mechanisms of the regulation, while there has been debate over whether the introduction of such a freeze would be constitutional.

This prolonged period of debate has generated uncertainty for investors, who have become cautious with their investment strategies in the city. If they are unable to assume future rental growth, which is a key component of current investment models, it could dampen investment volumes into the sector and shift investor attention toward build for sale models.

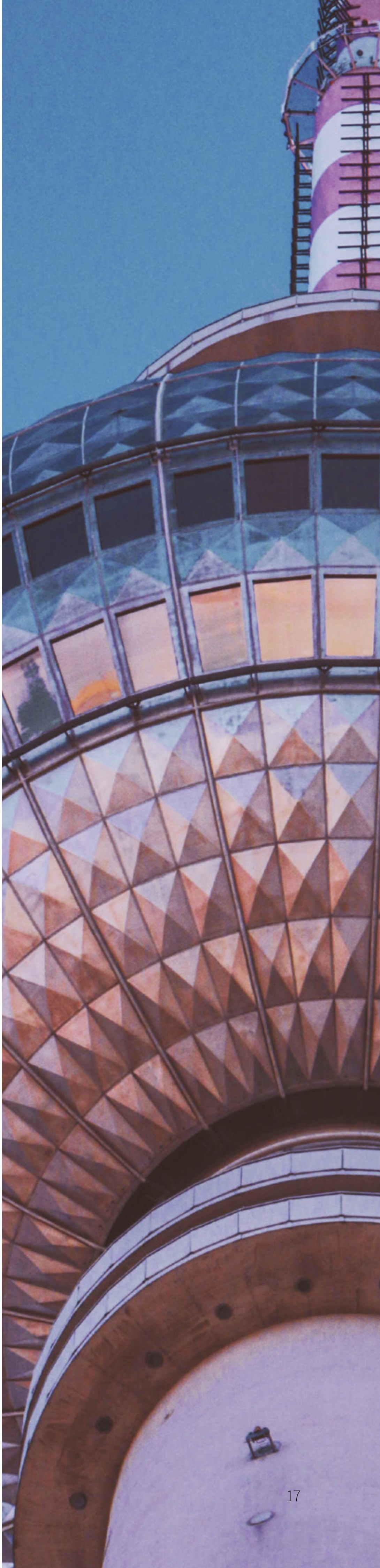
What is the immediate outlook for the market?

Given the heightened activity that occurred during 2018 we are anticipating that volumes will fall slightly in the year ahead. Even if developers, municipal housing companies and large housing companies built more new housing, it is unlikely that the overall transaction volume will match last year's total. Sustained price growth and the tendency to invest more in special segments such as micro apartments will not fundamentally change that. A transaction volume in line with the five-year average of about €17 billion should be achievable.

Current prime yields of 2.7% in the Big 7 are also better than low-risk government bonds for these conservative investors that invest for the long term. Investments with initial yields of well below 3% could also be a good asset due to the expected long-term rental growth in properties that are currently let below the market price.

What significant changes do you expect to see?

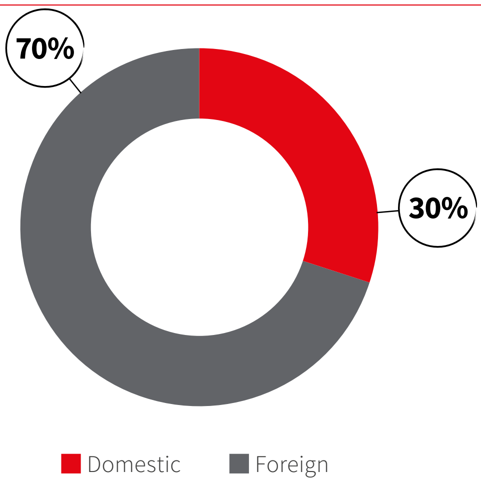
Continued political pressure is likely to be the key trend in the short term at least. Exerting pre-emptive purchase rights in major markets such as Munich, Berlin and Hamburg are likely to have significant knock on effects for multifamily investment, if implemented. Considering re-purchase of stock, and extending "socially protected areas" in major cities across the country also potential changes that investors should be wary of.



Ireland

Dublin continues to dominate activity but regional volumes on the rise

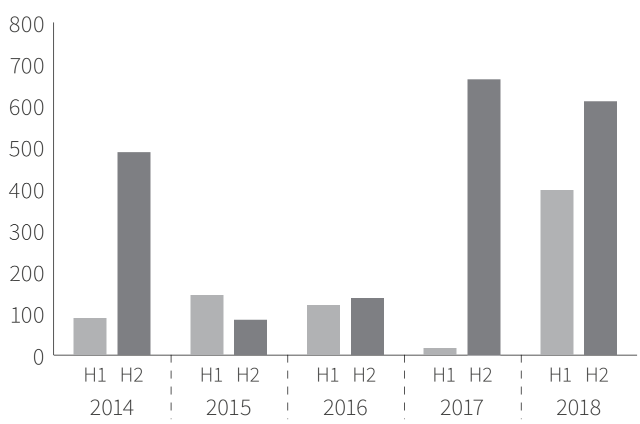
Source of investment



Investment volumes
€1bn

Growth in volumes
40%

Bi-annual investment volumes (€mn)



Residential investment volumes reached €1 billion in 2018, representing a 40% annual increase in total volumes (€710m). This growth in total activity was spurred by the acquisition of four large ticket opportunities (>€100m) by both foreign and domestic investors in Dublin.

Although Dublin (€840m) continued to dominate the institutional investment market, multiple transactions were also recorded in cities such as Cork and Limerick. Dublin has dominated the total share of investment activity since market inception in 2012, ranging from 85% to 91% per annum. Outside of Dublin, the province of Munster was the dominant market with 15% of the total volumes in 2018. This represents the record for multifamily investment outside of the Irish Capital. The largest non-Dublin deal was the sale of The Elysian development, a PRS scheme in Cork, which was purchased by Kennedy Wilson for €90 million. Another non-Dublin deal of note is City Square in Cork which was a receivership sale and was purchased by a private UK fund for €33m.

Foreign investors continued to dominate the market in 2018 (70%), despite the emergence of several new domestic investors throughout the year. The share of foreign investment was dominated by large institutional funds. Kennedy Wilson, Tristan Capital Partners, Patrizia and Round Hill Capital remained active in the market, further scaling out their existing exposure to the Irish multifamily market. New foreign entrants such as LRC Group, Greystar, Starwood and heightened activity from domestic investors such as IRES, Irish Life and Carysfort Capital, added to the total pool of investors targeting multifamily in Ireland.

Spotlight on Ireland

Our expectations

Conor O'Gallagher
Senior Director,
Head of Residential, Ireland

Volumes:	Yields:
Significant Increase	**Slight decline**

What is your keyword for the market in the short term?

Opportunity

Why?

Demand for purpose built rental accommodation remains extremely high in Dublin with interest beginning to focus on the other cities across Ireland. Limited supply of both owner-occupier and rental dwellings ensures that imbalance between supply and demand will continue unabated in the short term. This severe undersupply provides investors with a significant opportunity to drive returns, with the market not as keenly priced as other major cities across Europe. Competition for multifamily assets is extremely high and remains the key barrier to entry for most investors looking at this space. Interest is broad, across a range of investor types, with domestic pension funds, UK, US and German Funds, plus a plethora of overseas and domestic private funds all active within this sector.

What is the immediate outlook for the market?

Looking ahead, multifamily investment demand will broaden, with more activity in the regions. We expect to see continued solid interest in any good quality, well-located multifamily assets across 2019, with greatest focus on Dublin. Assuming that the supply becomes available it will be met by significant investor demand and pricing. Multifamily will also continue to perform strongly as there is no quick solution to the issues in the Irish housing market, so the fundamentals are there to continue to support investor interest. Assets for sale in the next few months will test the market, and prime multifamily yields may even drop sub-4% in 2019. Average yields are expected to compress further as demand outweighs supply.

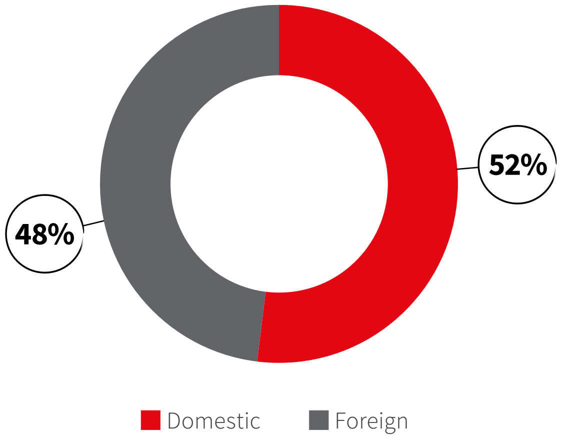
What significant changes do you expect to see?

We are seeing new entrants in the market and expect to see more in 2019. There is currently approximately €8 billion of capital looking to get into multifamily but volumes will be dictated by low levels of supply. We are seeing investor interest for wholly owned multifamily, with a preference for forward purchases. This is where investors are seeing the best opportunity to generate value.

Netherlands

The growth of portfolio deals boosts total investment activity in 2018

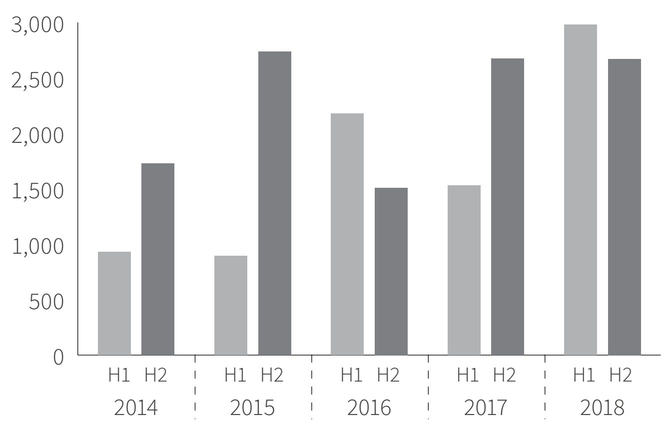
Source of investment



Investment volumes
€5.6bn

Growth in volumes
35%

Bi-annual investment volumes (€mn)



The institutional multifamily investment market continued its strong rally in the final quarter of 2018, with the year-end transaction volume totalling over € 5.6 billion. This represents a 35% increase from last year's total as demand from both national and international investors remains high.

The rise of multi-location portfolio acquisitions significantly boosted total activity, with just under €4.2bn of total volumes attributed to nationwide portfolios. Vesteda Groep's acquisition of 6,979 units represented the largest deal of 2018 – transacting for €1.5bn from previous owners NNIP. Over 50% of total portfolio acquisitions originated from domestic purchasers, the remaining share of foreign acquisitions were largely made up by CBRE GI, Deutsche Bank and Round Hill Capital.

Unsurprisingly, the Randstad region was the next greatest source of activity (€690m), with Amsterdam accounting for around 65% of that amount. This is a significant fall from 2017 volumes (€1.6bn) and highlights the lack of available product, particularly in turnkey projects or recently developed assets. Pricing in the Randstad has remained resilient following several years of compression. It seems unlikely that yields in these locations will remain stable over the coming year given the volume of capital chasing a small, finite number of opportunities.

Levels of foreign investment grew significantly, with the share of international capital rising from 29% in 2017 to 48% in 2018. In absolute terms, this represented an increase of 120% over the past year. While there have been a number of new international investors in this space, foreign investors with existing assets in the Netherlands accounted for the greatest share of activity. Heitman, Orange Capital Partners, CAPREIT and Aedifica were active on multiple fronts and continued to drive scale in their multifamily portfolios.

Spotlight on Netherlands

Our expectations

Jorn Thoomes
Head of Investments, Netherlands

Volumes:
Slight decline

Yields:
Stable

What is your keyword for the market in the short term?

Yield spread

Why?

In the last 12 months, we have seen a moderate increase in the pricing spread between core and peripheral locations. Prices for prime assets in core locations have remained stable over the last year. Current yields are at a historic low and leave limited room for further inward shifts. Meanwhile there have been some outward movements, in sentiment at least, in secondary locations. As we expect major core locations to receive the greatest investor appetite in the short term, it is likely that this spread between primary and secondary locations will be maintained or perhaps even grow.

What is the immediate outlook for the market?

The outlook for the multifamily market in the Netherlands remains extremely positive. The investment market will continue to witness high levels of demand from both domestic and international investors. Investment volumes are expected to once more be high, although it is not expected that the record total in 2018 will be replicated in 2019. This stems primarily from limitations on the supply side – with several large-scale portfolios trading in recent years and development activity expected to cool.

We are also starting to see signs of wider interest in multifamily, both in terms of typology of investor but also source of capital. As headwinds in the Commercial market continue unabated, many investors are looking at diversification options. Multifamily features high on that list of priorities, especially with investors who are considered relatively late movers.

International capital remains active in the Netherlands, with last year's share of activity representing a record total for cross-border activity. Whilst European and North American investors are responsible for the majority of this investment, there are signs that investors from further afield may begin to enter the market during the coming year or two.

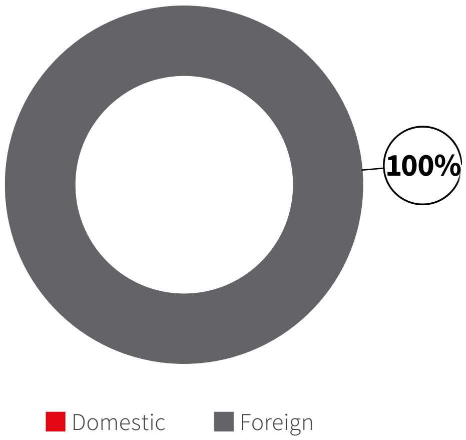
What significant changes do you expect to see?

We expect a slowdown in overall housing delivery both in the multifamily market and owner-occupier market in the short term. Legislative change, higher construction costs and a lack of suitable land sites are all expected to limit residential supply.

Poland

Volumes remain broadly in line with historic levels

Source of investment



Investment volumes
€130m

Slight decline in volumes
(-16%)

Bi-annual investment volumes (€mn)

Residential investment volumes totalled €130 million in 2018, representing a 16% decrease in activity year-on-year. Volumes on the emergent multifamily transaction market remained relatively stable though, oscillating between €120-160mn per annum over the past four years. Although we expect the market to grow further, there are a few causes for concern in the multifamily market in Poland, primarily currency risks and investment financing. As rental income streams are principally in local currency, international investors face the question of whether to hedge the currency exposure of their investments. With the first loans being granted, lenders are expected to grow more comfortable lending on multifamily and student housing schemes.

Following the initial and pioneering investments of domestic player FMNW or Rental Housing Fund (Fundusz Mieszkań na Wynajem) which is owned by the Polish state bank BGK, the first international investors entered the Polish market in 2016. With approximately 2,500 units, FMnW still has the largest running portfolio on the market. Yet it is investors from abroad that are currently the most active in the multifamily sector. In 2018 the Resi4Rent platform was the major market actor, alone responsible for over 60% of nationwide transaction volumes. Prague domiciled Zeitgeist AM continued its activities with investments in Warsaw and regional cities. Israeli investor Aurec Capital made its first investment in Warsaw in Q4 2018.

Despite strong yield compression, investors remained focused on the Polish Capital, with Warsaw accounting for 57% of investment volumes in 2018. This represents a slight increase on the historical average of 52% over the past four years. There do however remain several strong regional markets including Wroclaw, Gdansk, Krakow, Poznan and Lodz, which have experienced less yield compression in the last few years. This accommodates investor demand for higher yielding assets outside of Warsaw, and interest in these geographies is on the increase. This is particularly true for investors already invested in the capital.

Spotlight on Poland

Our expectations

Maximilian Mendel
Head of Residential Investment, Poland

Volumes:
Slight increase

Yields:
Slight decline

What is your keyword for the market in the short term?

Building pipelines

Why?

Forward deals remain the main way to enter the market for new investors given the lack of standing stock for investors to acquire. Most investors with scale are still yet to build up their entire pipeline, given that a significant portion is either under development, with planning or still in the process of gaining approval. Therefore, it is necessary for new entrants to build up rental portfolios by securing development projects. This is particularly difficult given the high demand for new build private sales. Also both land and construction costs have risen significantly over the past two to three years.

As investors aim to scale-up quickly, they must implement significant development pipelines – sometimes with a strategic partner or sometimes with different developers. We have seen a number of investors attempt to bring in in-house development capacities to build up this pipeline, but this still remains a small segment of the entire market.

What is the immediate outlook for the market?

Volumes in the sector are expected to see strong growth in the year ahead as a number of development opportunities in Warsaw, Krakow and regional cities come to market. Incumbent investors are expected to remain the most active given their ability to be aggressive in asset underwriting processes.

With BGKN not currently active in the multifamily sector, the institutional market in Poland is almost exclusively in the hands of foreign capital. This is expected to continue in the near term as a wider pool of demand looks to enter the market for the first time. The enlarged demand pool is derived primarily from European and North American investors, with investors from Germany seemingly the most vocal.

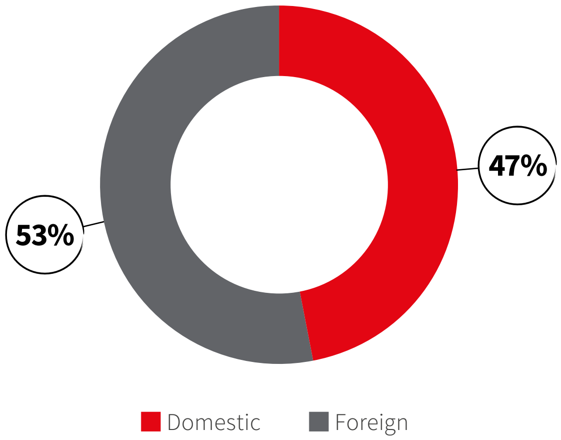
What significant changes do you expect to see?

It's clear that multifamily investors that are currently active in Poland are also looking at other sub-sectors of the Living spectrum. This is particularly true in the case of student housing, with most student housing players starting to build up portfolios through development or property redevelopment. Coliving has also become a hot topic over the past 12 months, with a number of early movers in Europe actively targeting and openly allocating a segment of their funds towards Poland's largest cities.

Spain

Multifamily investment in Spain reached a record total in 2018

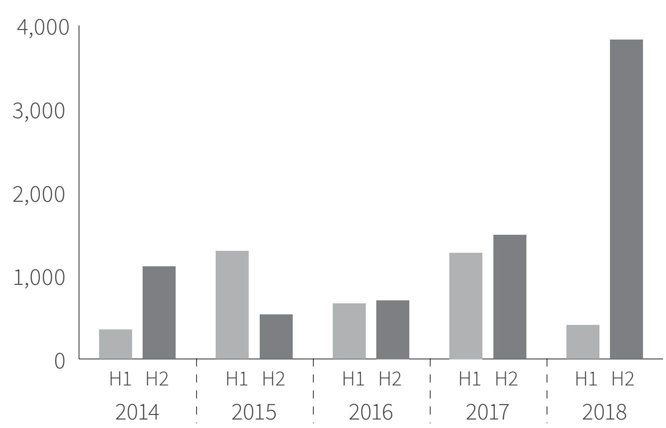
Source of investment



Investment volumes
€4.4bn

Growth in volumes
70%

Bi-annual investment volumes (€mn)



The multifamily investment market in Spain continued its trajectory of growth in 2018, with aggregate volumes reaching €4.4bn. The growth in activity represented an increase of over 70% in year-on-year volumes and a record year of investment for the residential market in Spain.

This growth in volumes was fuelled principally by heightened M&A activity and nationwide portfolio sales that totalled €2.6 billion in 2018. Blackstone acquired multiple tranches of shares from Santander in the Socimi Testa Residencial portfolio for over €1.1bn. The private equity investor now controls just over 80% of the entity's shares. Oaktree and Vivenio were also active in acquiring multi-location portfolios of development and income producing assets respectively.

Levels of investment in Madrid (€1.1bn) remained broadly stable despite a relatively small decline in activity. Given the considerable activity of recent years and the continued land banking by housebuilders, there is now a scarcity of income producing or development opportunities in Madrid and Barcelona. Yields in both markets have seen considerable compression (25bps) over the past year. Investors instead became more active in alternative locations that share similar markets characteristics to the two largest Spanish cities, in the search for greater opportunities. Catella acquired 3 residential assets in Pamplona, a notable example of a much wider trend towards regional cities.

International investment in the multifamily market has become increasingly international. Absolute volumes doubled over 2018 to total just over €2.3 billion and the relative share of investment increased from 42% to 53%. A notable trend is that although capital from North America has become increasingly active, there is a much greater diversity in where these investors originate. Investors from France, Sweden and the UK became more active over 2018, alongside investors from Latin American countries.

Spotlight on Spain

Our expectations

Nick Wride
Head of Living & Alternatives, Spain

Volumes:
Stable

Yields:
Slight decline

What is your keyword for the market in the short term?

Purpose-built

Why?

Whilst multifamily volumes in Spain reached a recent high in 2018, the proportion of purpose-built activity remained low. Most of total investment volumes was derived from corporate transactions and platform deals as this is often the easiest route to market. Outside of social housing developments, there has been little purpose-built rental stock that has traded in Spain.

But looking ahead, Spain will be characterised by a clear move towards purpose-built product given the strong demand from investors for this type of multifamily asset. Developers with significant land banks are now starting to construct build to rent products on a speculative basis, with turnkey projects and forward funding structures proving popular with investors. Madrid, Barcelona and Valencia are likely to see the greatest share of this development, with Bilbao and Seville also likely to see a few schemes come through but to a lesser extent.

What is the immediate outlook for the market?

We expect greater diversity in the typology of investors that will be active in acquiring Spanish multifamily assets given the wider ranging type of multifamily products coming to market. With investor preference for core products now becoming more evident, a more complete spectrum of investors are likely to be active in the market. Joint ventures will continue to comprise a significant share of transaction activity, with local market development expertise backed by foreign institutional capital from Europe and North America.

A lack of large-scale platform activity is likely to see investment volumes remain broadly in line with last year's total. Due to heightened development activity, we expect land and forward deals to grow significantly in absolute terms and account for a greater share of investment volumes in the year ahead.

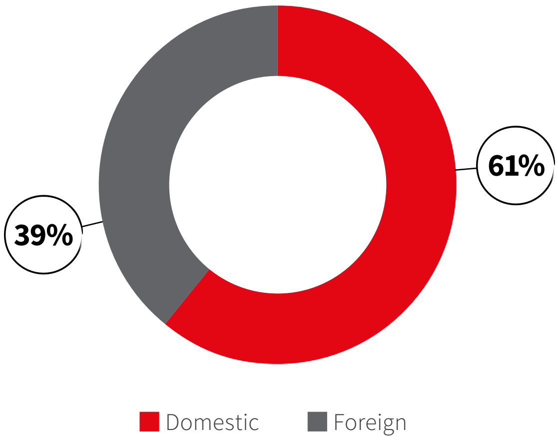
What significant changes do you expect to see?

Pricing in the major markets has seen strong compression over the last few years and we believe that this is set to continue in prime locations in both Madrid and Barcelona. A significant overweight of capital has emerged and is chasing a relatively limited level of supply. Well-located opportunities that come on to the market are expected to be met by strong demand that could see pricing move inwards by up to 25bps in 2019.

Sweden

Volumes remain high despite a slowdown in forward deals

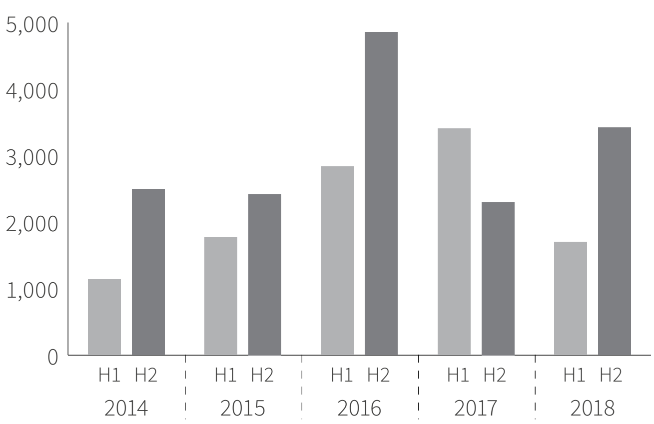
Source of investment



Investment volumes
€5.1bn

Slight decline in volumes
(-9%)

Bi-annual investment volumes (€mn)



Residential investment volumes totalled €5.1 billion in 2018, representing a 9% decrease in total investment activity. Despite a slight decline in total investment, activity in Sweden remained high against expectations, given the record performances in 2016 and 2017 and the lack of purpose-built product coming to market. Volumes remained broadly line with the 5-year average and well above the 10-year average for multifamily investment in Sweden.

Vonovia's purchase of Victoria Park (€1.6bn) was the largest transaction of 2018 and shifted the balance of investor activity heavily towards foreign investors (39%). The German listed entity is now in control of approximately 81.4% of the shares and 81.1% of the votes in Victoria Park. Victoria Park holds approximately 14,000 apartments across Sweden, with assets concentrated in Linköping, Stockholm municipality, the wider Stockholm County, Malmö and Gothenburg. Just under 70% of units are not refurbished and so provide high potential to drive rents. Victoria Park also has access to significant land holdings alongside current assets, with an estimated pipeline of c.3,000 apartments at the end of Q4 2018.

Multi-location portfolios and M&A activity accounted for just over 50% of total investment volumes. While M&A activity has been solely cross-border, larger portfolios have been the preserve of the domestic investor. Listed and private domestic real estate funds were particularly active in the portfolio segment of the market, acquiring a total of €1.1 billion residential assets. The largest transaction saw Akelius dispose a large portfolio of approximately 2,400 apartments in suburban Stockholm and Gothenburg. The purchaser was Victoria Park (Vonovia). Akelius hearby continues with this strategy to sell properties in C-locations with an ambition to focus on acquiring properties in central locations in Stockholm and Malmö. Total activity in these locations accounted for just under 10% of activity, a significant fall from 2017's levels.

Spotlight on Sweden

Our expectations

Filip Skoldefors
Director, Capital Markets, Sweden

Volumes:
Slight decline

Yields:
Stable

What is your keyword for the market in the short term?

Development subsidies

Why?

Market activity has suffered since a contraction in building right transactions over the past 12 to 18 months. This was before the recent national budget that removed a subsidy for building rental properties, where rent levels were capped and pre-determined by legislators.

With a new Government formed, it is likely that the subsidy will be reintroduced. Despite this political merry-go-round, the reintroduction of the subsidy is expected to have a positive impact on production numbers. Smaller cities in the regions and suburbs/commuter locations around the largest cities in Sweden are likely to be the greatest net beneficiaries of the implementation.

What is the immediate outlook for the market?

Demand for multifamily investment is expected to remain high in the short term, with total activity likely to fall in line with the longer-term average volumes. Increased urbanisation, high immigration and a strong, resilient economy are all factors that are currently attracting investment to the market but a lack of opportunities is a significant hinderance to growth.

Given Vonovia's acquisition of Victoria Park in 2018, we expect foreign volumes of investment to drop off slightly despite the clear interest from a broad group of international investors. Most cross-border activity is likely to continue originating from other Nordic countries but there has been a noticeable shift towards interest from other European and international investors looking to acquire assets in Sweden. This is best illustrated by Barings recent acquisition of 6 residential developments in the wider Stockholm area, which represented the largest forward deal funded by a foreign investor in recent times. Another example of the increased interest from international investors is Aberdeen Standard's recent c. €115 million acquisition of a new build PRS portfolio in the Stockholm area.

What significant changes do you expect to see?

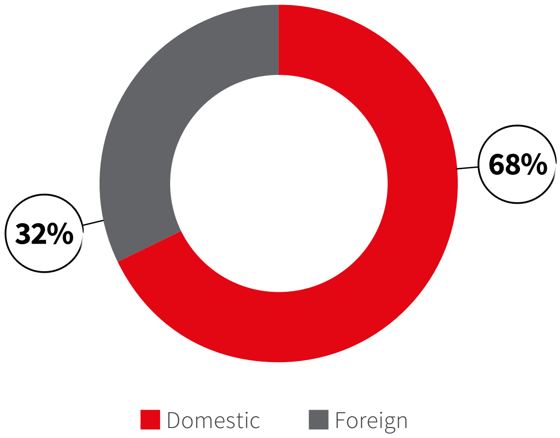
Given market timing and the reintroduction of development subsidies, we expect investment activity in the more affordable, regulated sector of the market to grow. Other asset types will remain popular but are unlikely to comprise a significant share of deals brought to market.

We also expect more operational Living sectors to cautiously grow in the medium to longer term. These sub-sectors are still immature without meaningful transactions, but are likely to grow in popularity as a result of the acute supply shortage in these sub-sectors and demand from international investors.

United Kingdom

Breakthrough year for the multifamily market in the UK

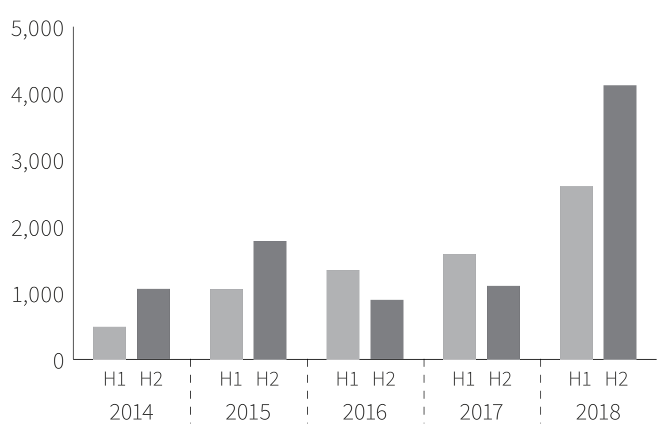
Source of investment



Investment volumes
€6.7bn

Growth in volumes
150%

Bi-annual investment volumes (€mn)



Residential investment in the UK has had a breakthrough year, at least in the European context. Total investment volumes surged by over 150% compared with 2017 to €6.7 billion, off the back of 50 deals. This is despite the c£2.25bn+ Lonestar deal at Wembley falling through and is a signal of how far this market has progressed in 5 short years.

Absolute volumes in London grew by over 75%, despite its share of activity falling from just over 40% to 30%. Regional activity increased significantly, with Manchester (€715m), Leeds (€400m) and Birmingham (€330m) being the greatest beneficiaries of this trend. Further, the geographical spread of assets under construction, in development or in pipeline is now broadly equal between London and the rest of the UK, a demonstration of the growing confidence in the UK multifamily sector. Multilocation deals, whether forward funding or income producing, totalled a record €1.6 billion in 2018. This signifies a clear breakaway with previous years, as the total quantum of purpose built, institutionally owned rental assets has now begun to reach a level that provides investors with larger platform opportunities. Oxford Properties and Get Living's deal is a key example of this and highlights the continued interest from North American investors in the multifamily market in the UK. North American activity totalled €1.8 billion in 2018 and represented almost 90% of foreign activity in the year.

2018 also represented a significant shift towards domestic investment in the UK, with the relative share rising from 46% to 68%. In absolute terms this represented an increase of nearly 300% as Grainger, L&G and M&G were among the most active domestic entities. Whilst the market has historically been dominated by international private funds, domestic institutions have sought to scale their multifamily exposure in the UK.

Spotlight on United Kingdom

Our expectations

Simon Scott
Lead Director, Living Capital Markets, United Kingdom

Volumes:
Stable

Yields:
Stable

What is your keyword for the market in the short term?

Clarity (lack of)

Why?

While 2018 was a transformative year for UK multifamily as an institutional asset class, there are multiple factors that have since heightened uncertainty in the market. This stems from three separate issues, Brexit, legislation and operational performance.

Given the lack of progress with Brexit, some foreign investors have become more cautious when considering a market entrance. Although institutions with existing platforms or pipelines remain active, it's clear that there are fewer serious investors actively targeting new opportunities at present. Discussions around no fault evictions, rent controls, the provision of affordable housing and a potential change of Government later in the year all further exacerbate issues around clarity in the market. This is particularly true in London with other cities also likely to follow suit. Despite there now being over 30,000 completed multifamily units in the UK, the number of stabilised schemes comprises a minority share of this total. The lack of transparency around how these assets perform has been a hindrance to investor understanding of the market, with many potential investors still undergoing a process of education in the sector.

What is the immediate outlook for the market?

The outlook for the year ahead remains broadly positive, especially if many of the previously mentioned uncertainties begin to clear. We anticipate that volumes and pricing will remain stable until these issues are resolved.

There remains a significant pool of capital allocated to the sector, with many commercial investors looking to pivot towards multifamily and other living sub-sectors to better diversify their portfolio and limit technological disruption that is more widespread in these sectors. Investors are now looking at defensive asset classes, including multifamily, to ensure that they are able to generate strong cash flow returns in the years ahead.

What significant changes do you expect to see?

Following the sale of The Collective's Old Oak Common scheme, the UK's first income producing coliving transaction, we have noticed significant interest from institutional investors towards this sub-sector. While interest is high, there has historically been a lack of opportunity for large-scale investors to access this type of product.

Pipeline for niche products such as coliving and microliving has risen substantially over the past year, primarily in core UK cities with the greatest imbalance between supply and demand. Issues regarding planning use and consent still remain a barrier for investors' ability to drive scale and build out their portfolios.

Emerging multifamily markets

Interviews with our local market experts

Italy

Antonio Fuoco, Head of Living Capital Markets, Italy

What do multifamily investors need to be conscious of when considering investing in Italy?

While there is significant interest in the growing multifamily investment market in Italy, homeownership represents the greatest share of housing tenure with over 80% of Italians owning their own home. This split of tenure is likely to move considerably towards private renters over the coming decade as young generations' increased mobility place a greater emphasis on renting. This is particularly true in the largest Italian cities, such cities where homeownership is substantially lower than the national average and anticipated to see the greatest change moving forward.

Which markets and or sub-markets provide the greatest potential for multifamily investors in Italy?

Investors' interest is focused around locations with the greatest density of people, such as Naples, Milan, Turin and Palermo. Large international hubs like Rome have also attracted interest from investors, typically from foreign funds which have commercial real estate exposure in the Italian capital. Investors have also focused their attention on locations that have strong demographic forecasts, given the disparity between projected national and city performance in the medium term.

As the multifamily market is nascent in Italy, investors will have to forward fund the assets they acquire. It is likely that most activity will be centred around large regeneration and infrastructure projects, as it seems that the earliest movers will blend a proportion of multifamily within a larger mixed-use development.

Have we seen any early movers in this space? What type of investors do you think will be most active here?

Given the lack of acquirable and purpose-built stabilised product, the easiest route to market is through forward deals. Residential has historically been focused on build for sale products but we are starting to see a shift towards rental products that will provide cash flow for investors.

Investors with appetite for letting risk are the most likely to be active in Italy in the near future given the lack of income producing assets. There are currently two projects in Milan, managed by Hines (Ippodromo di Milano 145,000sqm and Falk 600,000sqm of multifamily), that signify early moves in this space. While other investors, both domestic and foreign, remain interested in multifamily there is no clear indication of which are likely to join Hines in this space.

> “Given the lack of acquirable and purpose-built stabilised product, the easiest route to market is through forward deals.”

Belgium

Jean-Philip Vroninks, CEO Belux

What do multifamily investors need to be conscious of when considering investing in Belgium?

While the number of private renters in Belgium has grown over the past decade, Belgium still has relatively high levels of homeownership (72.7%) when compared with most Northern European countries.

Heterogeneous property tax regimes and registration duties across the three regions (Brussels, Flanders and Wallonia), as well as across communes, results in significant differences in operating costs for multifamily assets in Belgium. There are also similar issues with regards to gaining planning approval, with the process for large projects being particularly long and complicated.

Which markets and or sub-markets provide the greatest potential for multifamily investors in Belgium?

Brussels, Antwerp and Ghent are subject to the greatest interest from investors looking at multifamily in Belgium. Levels of homeownership in these markets are substantially below the national average, with only 39% of the population owning their own home in the capital. Household sizes are typically smaller and a greater share of the population live in apartments in these locations. These fundamentals, alongside a chronic shortage of new homes, provide for compelling reading and form the basis of investors' interest in the sector.

The Canal zone, Evere and Anderlecht are all decentralised residential areas with good transport links to employment centres and retail and leisure hot spots in Brussels.

These markets are a few examples of where we believe a professional rental product would prove popular with renters. Likewise, the Eilandje sub-market in Antwerp displays many of the same characteristics that are likely to prove popular with renters.

Have we seen any early movers in this space? What type of investors do you think will be most active here?

There has been limited institutional activity in both Brussels and Antwerp despite rising interest from institutional funds. This interest stems from overseas investors which have significant experience from operating similar assets in their domestic markets.

However, 2018 was a change of paradigm. Primonial acquired 75% of Aedifica's residential portfolio and has since taken up the option to acquire the remaining 25%. There were multiple final round investors that have since doubled down in their interest to develop strong residential holdings in Belgium – despite the lack of available opportunities.

Local developers are also switching their attentions to the emerging sector, with Re-Vive, ION and Inclusio creating their own residential investment vehicles. We are also seeing an increasing share of mixed-use projects allocate a share of the development to multifamily, at the expense of other sectors and residential build for sale.

Final word

Levels of institutional investment in Europe have increased significantly over the past year, far outperforming market expectations. The rise in total activity was a result of both heightened M&A and greater volumes of international investment. The growth of a few early stage markets has ensured that Europe is no longer completely dominated by mature markets, with the emergence of these countries finally consolidating their place among Europe's elite.

Foreign investment volumes have grown substantially in the past year, with activity now totalling just under €19bn in 2018. Multifamily investors have become adept at operating in multiple markets. European investors are no longer confined to investing in neighbouring markets, as the share of intraregional activity has declined. There has also been a significant influx of North American capital, which has contributed to Non-European investors now accounting for nearly half of cross border activity. Nascent stage markets, often with a lack of purpose-built income producing assets, have been the greatest benefactors of these inward flows of capital.

Despite this growth in activity, yields have remained broadly stable, with most major markets seeing the greatest compression between 2016 and 2017. Europe's core cities are now primed for a further year of stability, with only a handful of markets expected to see inward movements over this timeframe.

Europe's core cities

Portfolio and platform activity have driven total investment volumes over the past two years, with average deal sizes growing across most European markets. While these portfolios are often comprised of assets in major urban hubs, we believe that investors' outlook for the short term will be more focused on acquiring opportunities Europe's largest population centres. Demographic shifts, continued urbanisation and persisting supply/demand imbalances all ensure that fundamentals in these geographies remain strong and provide strong underpinnings for future growth.

The sector's historical performance as a defensive investment is likely to attract even greater attention from investors seeking stable cash flow and diversification benefits. As major markets also provide the greatest potential liquidity, these locations will also provide reassurance for future disposals and further strengthens the demand for assets in these locations.

Expansion of Living sub-sectors

European investment activity in both student housing and healthcare totalled a combined €14.5bn in 2018. Whilst the former is a mature, trading asset class in the UK, private provisions of student accommodation are significantly lower in continental Europe. However, this is changing. Investors recognise the variety of alternative housing solutions which provide a wide range of investment opportunities with differing risk-return profiles, touching on the entire age spectrum. Long term demographics support the further development of these sub-sectors and the emergence of relatively new concepts like coliving will further boost investor demand for these types of product in the short term.

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