



SwissLife
Asset Managers

Strategy Implications

Real Estate Research, Swiss Life Asset Managers
H2 2024

Five topics for H2 2024

5 topics

what to focus on



No way back to pre-pandemic spreads: limited scope for yield-driven capital growth – focus on income instead.



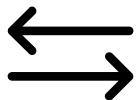
Self-responsibility: one of real estate's trump cards is the opportunity to impact income streams by applying professional asset management/expertise - this is the source for outperformance!



Asset and sectoral performance will vary over the next years – focus on **case-by-case conviction ahead of the crowd**.



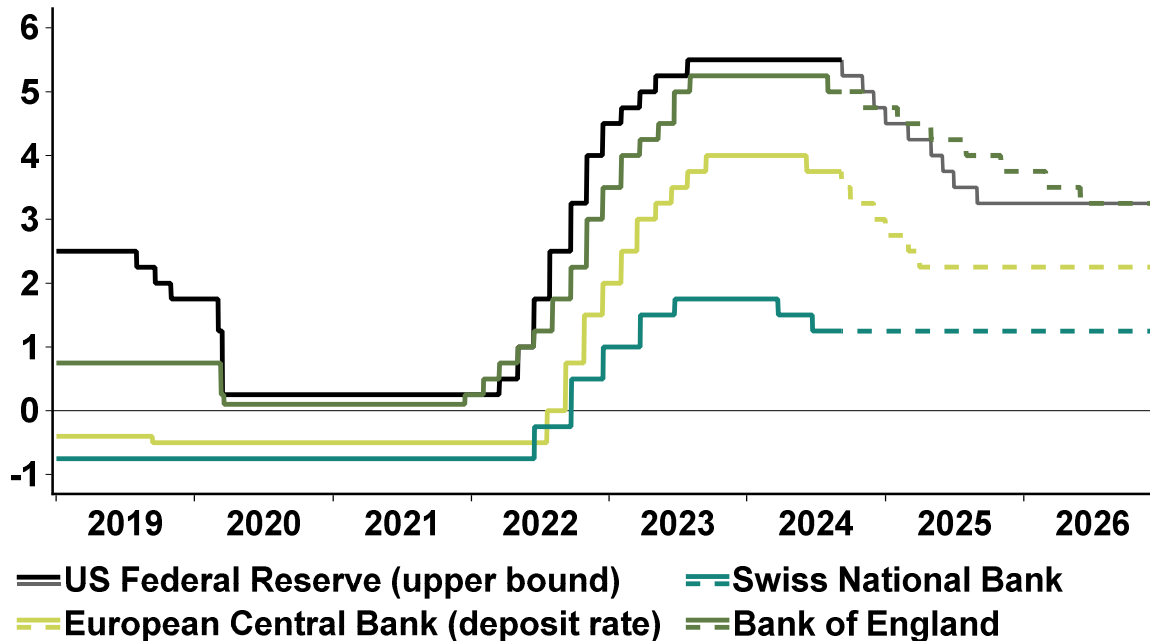
Seize opportunities to acquire prime assets in core markets from **distressed vendors** offering discounts.



Don't wait for more clarity about the future of office space, create it!
Explore **re-development/repurposing** strategies.

Positive outlook for real estate investors amid normalising monetary policy

Central bank policy rates, incl. Swiss Life Asset Managers forecasts



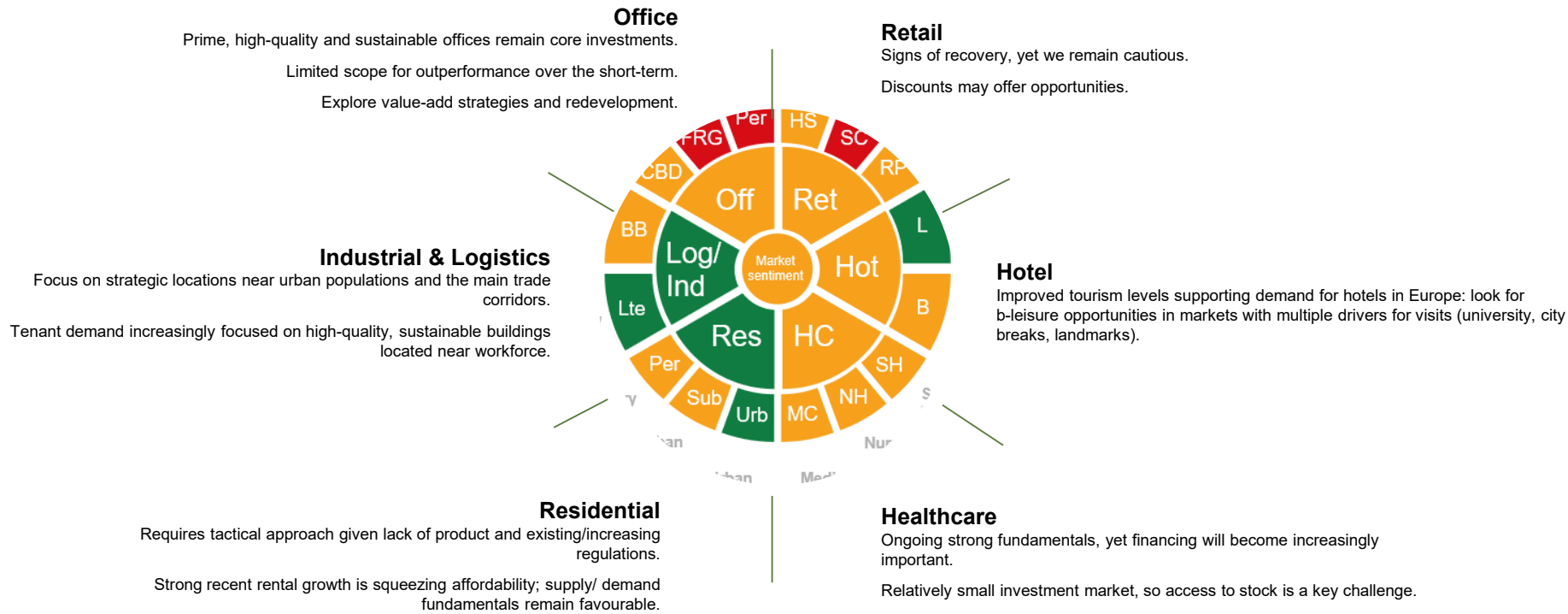
Sources: Macrobond, Swiss Life Asset Managers.

- **Inflation rates are trending back to central banks' target and long-term inflation expectations are again well anchored. Structural changes mean inflation remains 70 – 100 bps above the average in the decade prior to the pandemic.**
 - The outlook for real estate investors remains strong, as real estate has historically been an important part in portfolio diversification and source for stable income - a trend we expect to continue.
- **With inflation successfully brought back to target, monetary policy shifts from restrictive to neutral.**
 - This shift will provide investors with greater planning security, likely increasing investment activity.
 - Continued interest rate cuts by the ECB and the BoE send positive signals to the market. The expected rate cuts will lower borrowing costs and reduce pressure on investors.
 - We anticipate a return to normal yield curve steepness in the medium term. A normal yield curve indicates expected economic growth and moderate inflation, reflecting a "healthy" market.

Real Estate Strategy

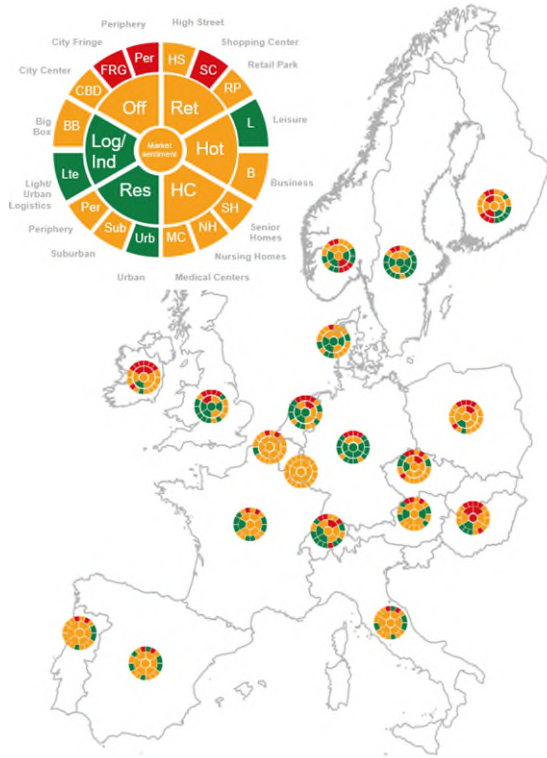
Real Estate House View: Strategy implications

European overview – strategic steering wheel



Strategy implications

The 4 L – our investment guideline



Main changes since H1 2024:

- Market sentiment improved across Europe.
- Market Sentiment set to green in Germany, Netherlands, and Sweden.
- Upgrade of Hotel Sector in Nordics.



Our target allocation will continually be driven by the resilient sectors.

The big mega trends like urbanisation, globalisation or demographics in combination with our real estate market convictions define our investment focus.

Strategy implications

Case-by-case conviction – away from sector to themes

Ranking of European sector total returns in the MSCI Europe Property Index (%)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
Industrial 15,28	Industrial 14,18	Hotel 9,94	Industrial 15,29	Industrial 15,22	Industrial 11,01	Industrial 10,75	Industrial 28,16	Residential 3,05	Hotel 1,33	Industrial 11,31
Retail 9,65	Office 10,37	Residential 8,57	Hotel 11,07	Residential 9,27	Office 9,42	Residential 6,33	Residential 11,53	Other 2,73	Industrial 0,62	Residential 7,14
All 9,08	All 10,02	Industrial 7,96	Residential 9,93	Office 8,22	Residential 9,20	Other 4,56	All 11,16	Hotel 1,77	Retail -0,06	Other 6,49
Office 8,46	Hotel 9,85	Other 7,88	All 9,17	Other 7,91	Hotel 8,20	Office 4,35	Other 10,50	Retail 1,63	Other -1,04	All 6,22
Other 8,09	Other 9,20	Office 7,14	Office 8,84	Hotel 7,84	All 7,12	All 3,36	Office 8,01	Office 0,81	Residential -2,14	Hotel 6,15
Hotel 7,79	Residential 9,01	All 7,10	Other 8,59	All 7,83	Other 6,38	Hotel -2,60	Hotel 6,30	All 0,46	All -3,10	Office 5,85
Residential 6,56	Retail 8,92	Retail 5,56	Retail 6,88	Retail 2,97	Retail -0,50	Retail -5,20	Retail 5,62	Industrial -5,40	Office -7,16	Retail 3,55

We expect that sectoral (and asset) **performance will vary** over the next years.

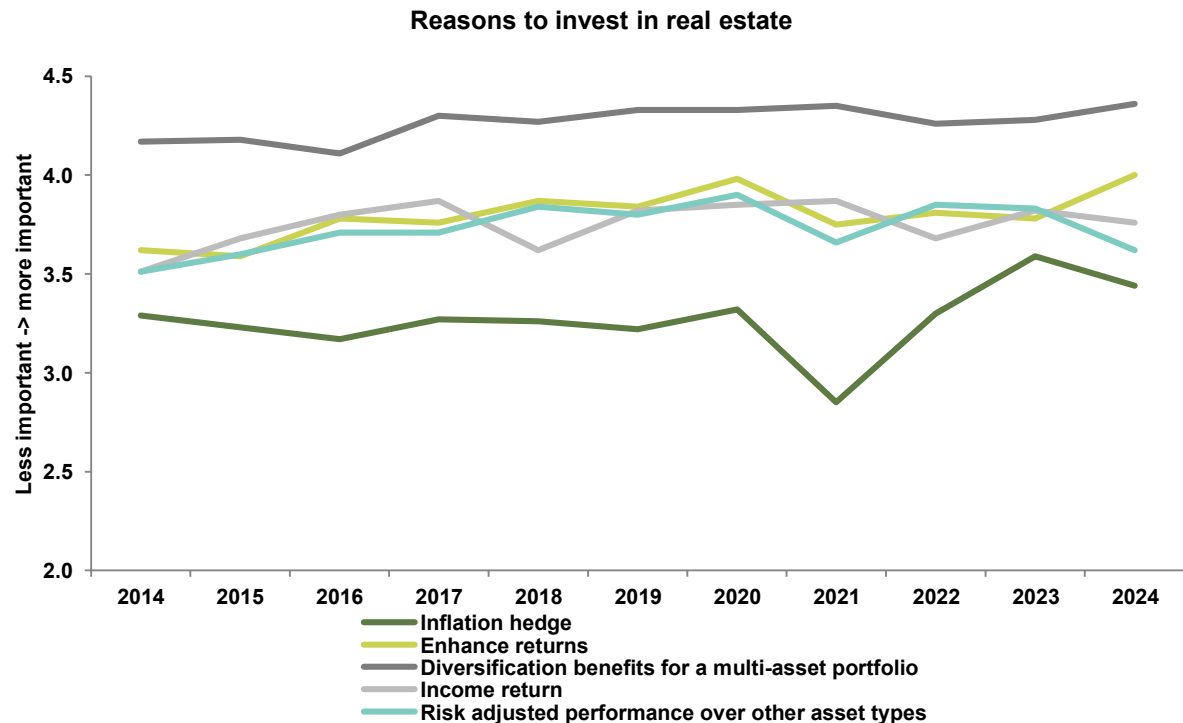
Source: MSCI, Swiss Life Asset Managers



Asset and sectoral performance will vary over the next years – focus on **case-by-case conviction ahead of the crowd.**

European investment markets

Investors' behaviour - reasons to invest in real estate



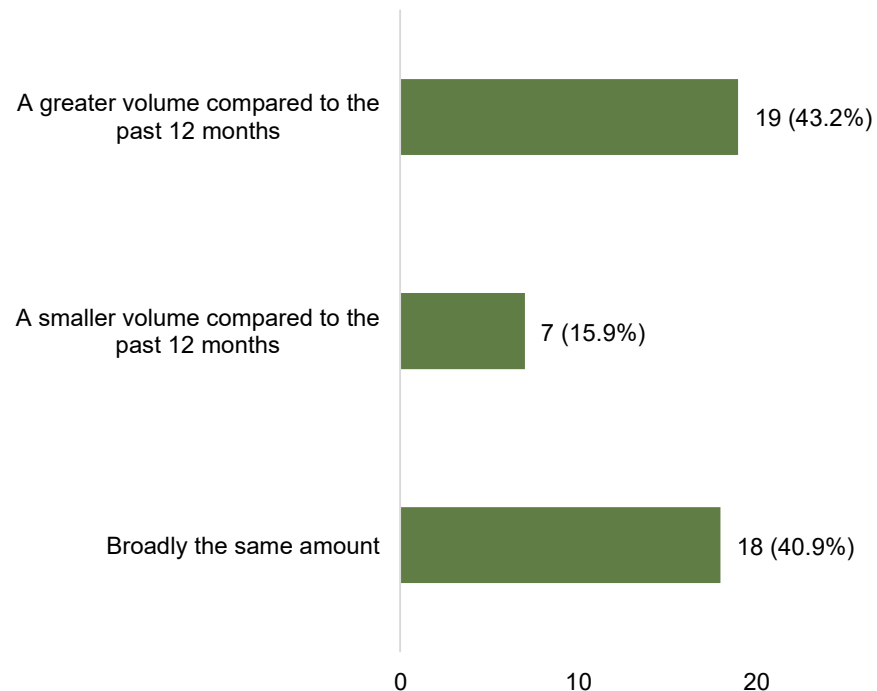
Source: INREV

Why do investors invest in real estate? With the “TINA” (There Is No Alternative) assumption now a thing of the past, and as we transition to a new interest rate environment, many investors might find themselves asking this question. INREV conducted a global study on this topic, revealing that diversification benefits within a multi-asset portfolio remain the most important factor. A clear sign why real estate remains an investment alternative. And although inflation hedging has gained significance in response to rising inflation, this is actually the least influential factor in the study’s findings.

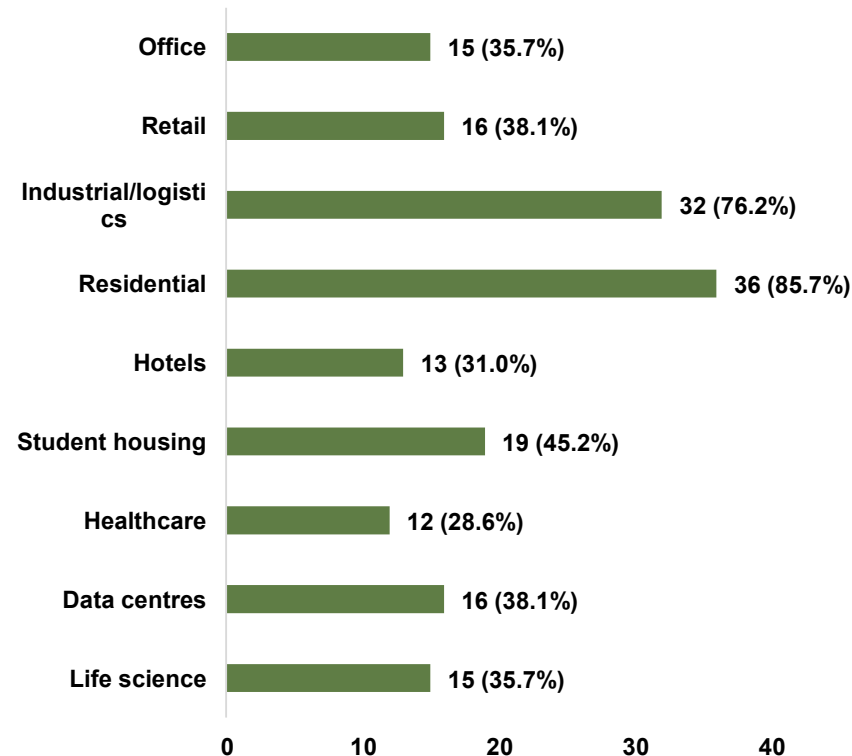
European investment markets

Investors' behaviour – capital commitment increasing again and clear focus on logistics and residential

Real Estate capital commitment expectations over the coming 12 months



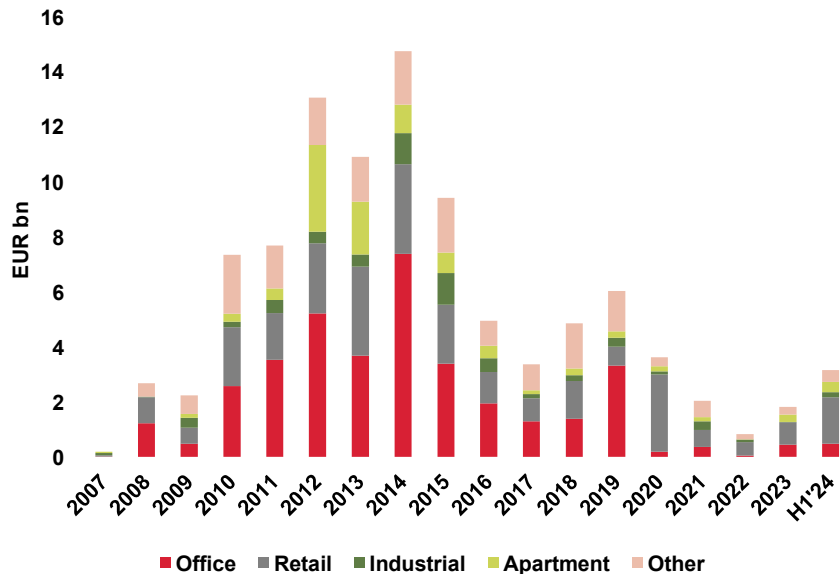
Residential & Logistics to attract more capital over the coming months



European investment markets

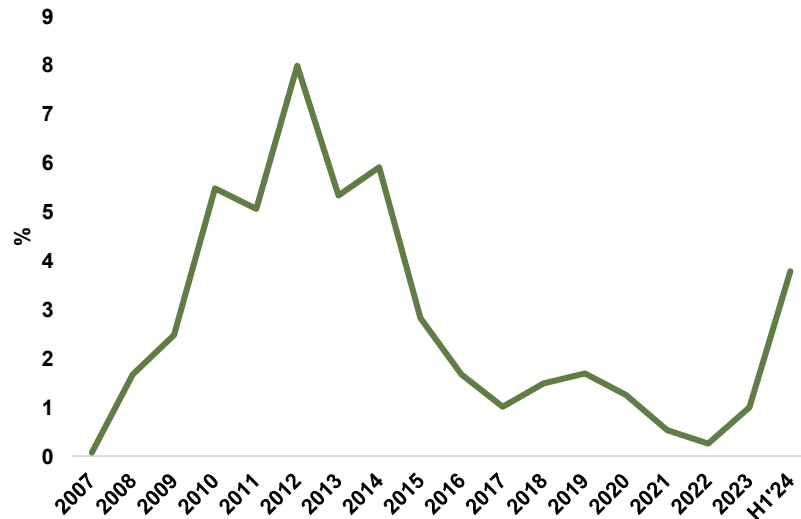
Transaction volumes – distressed sale volumes

Distressed Sale Volumes, Europe, by sector



Source: RCA

Distressed Sale Volumes, Europe, as % of all deal volume



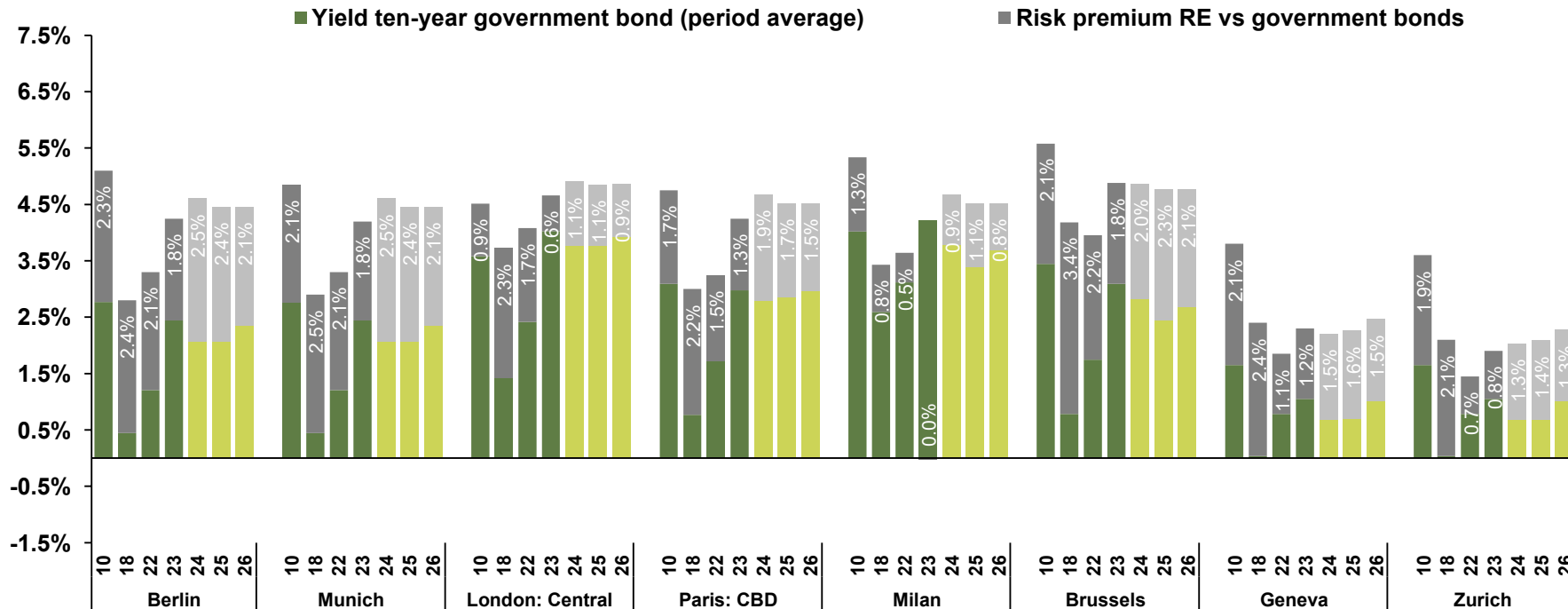
Source: RCA



Seize opportunities to acquire prime assets in core markets from **distressed vendors** offering discounts.

European yield spread

Prime NIY office forecast major European cities as example for future development



Source: PMA, Wüest Partner AG, Macrobond, SIAM, Last data point: 2024 Q1

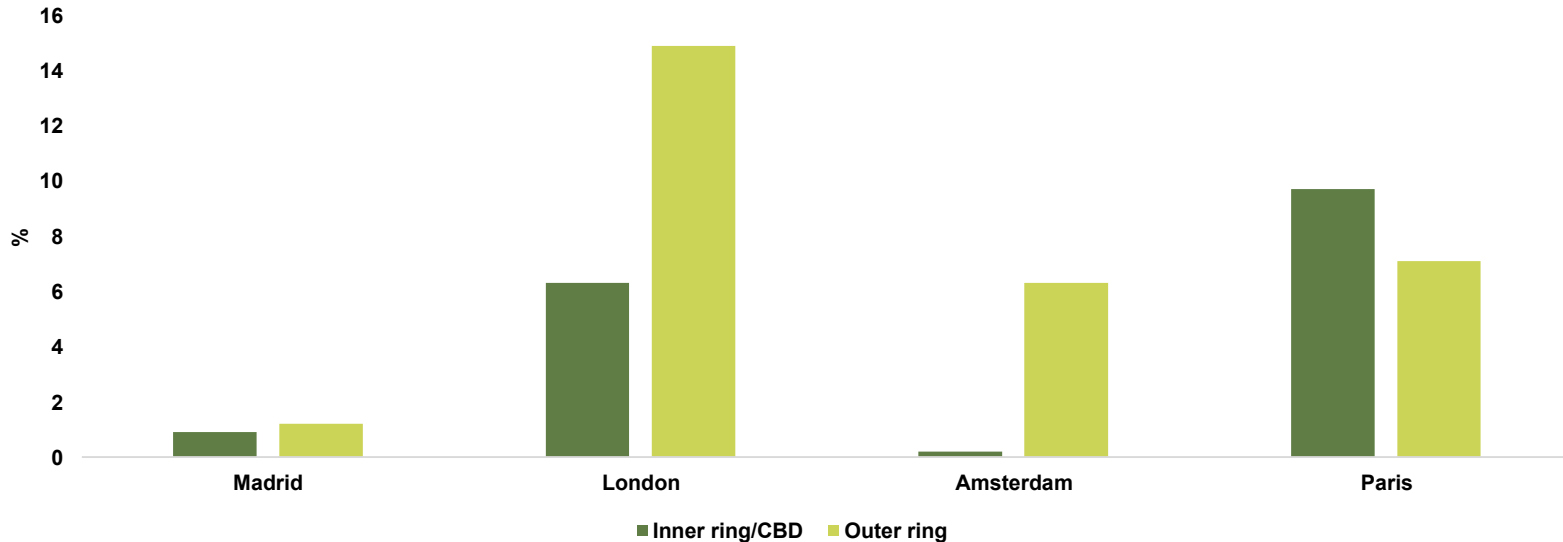


No way back to pre-pandemic spreads: limited scope for yield-driven capital growth – focus on income instead.

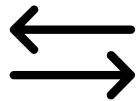
European office markets

Conversion opportunities are given

Proportion of office stock removed/ converted to alternative uses since 2020



Source: Savills Research



Don't wait for more clarity about the future of office space, create it!
Explore **re-development/repurposing** strategies.

European real estate performance

Non-listed, 12m total return to Q2 2024 with signs of improvement

Regional Indices:

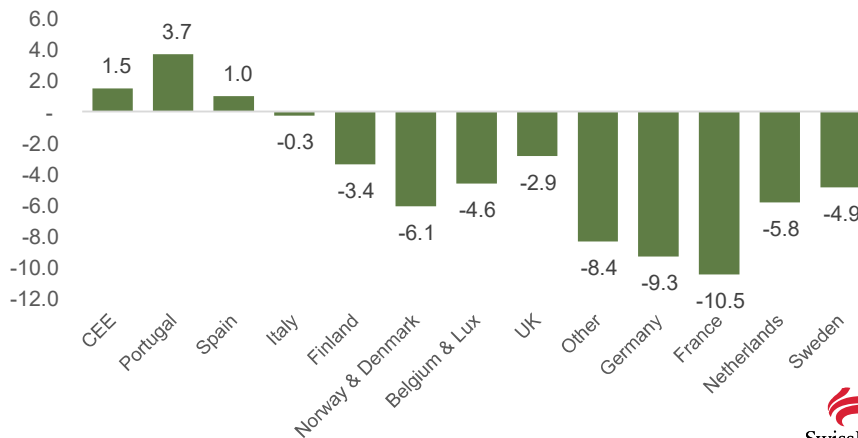
UK	
MSCI/ AREF UK All Balanced (fund-level)	0.0%
MSCI UK Quarterly Property (asset-level)	0.0%
CH	
KGAST Immo Index (fund-level)	2.2%
DE	
MSCI OFIX GER (fund-level, open-ended only)	-3.1%
MSCI SFIX (German funds) (fund-level, SIFS)	-0.7%
FR	
MSCI OPPCI* (fund-level)	-14.7%
NO	
MSCI Nordic Quarterly (fund-level)	-11.2%

Source: MSCI, INREV, KGAST. OPPCI per December 2023, Nordic as per March 2024

European indices, diversified (per year-end 2023):

INREV European ODCE (fund-level)	-4.3%
INREV Pan-European ALI (asset-level)	-1.6%
PEPFI, Balanced (fund-level)	-10.3%
PEPFI, Balanced (asset-level)	-8.2%

PEPFI, Balanced (asset-level), by country, end-2023:



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a financially self-determined life.*