

# THE LIGHTHOUSE: BNP PARIBAS REIM DEFINES ITS CONVICTIONS AND INVESTMENT OPPORTUNITIES FOR 2024 AND BEYOND

In this eighth edition, “The Lighthouse H1 2024 – European Property Market Outlook”, BNP Paribas REIM presents its outlook for the European real estate market using its in-house forecasts, analysis and the expertise of its local teams. Here BNP Paribas REIM defines its convictions and investment opportunities for the beginning of 2024 and beyond.

## The European real estate market experiences a transition period but remains resilient

2023 was a pivotal and challenging year for the real estate market which faced many issues: a decrease in global capital, fundamental changes in working and living patterns, high interest rates, a fall in prices for all property types, a wariness from investors and a slump in market liquidity with a 60% decrease as of Q3 2023. The misalignment between buyers’ and sellers’ expectations resulted in less transactions and significantly impacted the market activity.

However, the outlook looks quite different. Throughout 2024, real estate investors will have more opportunities to implement new strategies as they will have a clearer picture on price adjustments and on the direction of the monetary policies.

Real estate fundamentals are still robust and megatrends will continue to influence occupier demand and to have an upward pressure on rents.

Investors should gravitate towards property types poised for growth in the next 5-10 years. These primarily include the living segment (apartments, senior housing, healthcare), buoyed by demographic shifts and an ageing population; logistics facilities, fueled by the relentless rise of online shopping; and leisure properties like hotels, where the post-pandemic recovery presents attractive return prospects. The office sector will also continue to attract investors, with a larger spectrum of strategies. Core investors will be focusing more on CBD offices, with returns mainly driven by the scarcity of supply and a strong rental growth. Value-add investors will have interesting opportunities, either in secondary locations or on stranded assets, to create values through asset management.

*“This report explains that the global economy has proved resilient and European countries have avoided the predicted recession in 2023. This year, we should see a gradual recovery, due to different factors such as: a lower inflation, strong labour markets, an increase in wages, investment related to the green transition... All this will positively impact the real estate market and create new opportunities for investors”* comments **Laurent Ternisien, Deputy Head for BNP Paribas REIM.**

## We highlight five areas that we will pay close attention to in 2024:

### 1. Reinvest capital in its portfolio to reposition itself for the next cycle

This year will be one of action: refinance, recapitalise, reduce emissions, refurbish, recycle capital, and rebalance the portfolio. The action plan for an investor’s existing assets could take more than a year, but in the end, investors can have a portfolio well positioned for the next cycle.



## 2. Polarisation is next, not an orderly recovery

There isn't one turning point by country or property type. Occupier trends – such as employee preferences to work remotely or in the office – occupier fundamentals, and environmental factors dictate the winners and losers within each property type. Importantly, the higher concentration of default and distress among the weaker assets would further exacerbate the extent of polarisation in 2024. This would be most acute in office markets with high vacancy rates.

## 3. It is a good time for value-add investment

We expect the polarised repricing by building quality to create an ideal environment for investors looking to buy and improve buildings or change their use to something more relevant to its local community. The goal of making the current real estate stock more sustainable, therefore, could be spearheaded by the return of investors willing to take on more risk in exchange for enhanced returns, and could serve to curb expensive and carbon-intensive construction.

## 4. Real estate can diversify multi-asset class portfolios

Investors typically invest in real estate for income, inflation hedging and diversifying from equities and fixed income. Diversification has become especially important, as equities and fixed income markets became highly correlated as interest rates rose. European real estate has also consistently delivered steady income returns and income growth in response to inflation. The case for investing in European real estate in 2024 is strong.

## 5. Real estate investment trends could diverge between two categories

This year could see the return of the largest investors building exposure to certain property types through pan-European portfolio deals and acquiring companies. They have the sophistication to invest in niche property types and real estate with exposure to the underlying operator. Meanwhile, smaller, domestic investors may be comfortable with their home bias, but look for more bespoke allocations by property type. Some would still expect offices to be their main exposure, while others might seek a new approach.

Click [here](#) to download our research document: **The Lighthouse BNP Paribas REIM.**

### About BNP Paribas REIM

#### With BNP Paribas REIM, you invest in REAL ESTATE AS LIVING ASSETS.

BNP Paribas REIM, a business line of BNP Paribas Real Estate, provides a wide range of real estate funds and investment solutions for investors, based on strong convictions.

Deeply European, we have a close understanding of local markets, a view of every square metre, every street, every neighbourhood, every urban eco-system.

With our 360 employees, we care for assets as we care for living beings, aiming to build a better living environment for our 230+ institutional investors and 140,000+ private investors.

We believe in ESG to reconcile social, environmental and financial performance.

We apply innovation in order to better adapt to the risks and opportunities of today and tomorrow.

At the end of 2022, BNP Paribas REIM managed €29.7 billion of living European assets on behalf of institutional and private investors.

BNP Paribas Real Estate Investment Management is composed of regulated entities in the following countries: France, BNP Paribas Real Estate Investment Management S.A.; Italy, BNP Paribas Real Estate Investment Management Italy SGR; Germany, BNP Paribas Real Estate Investment Management Germany GmbH; UK, BNP Paribas Real Estate Investment Management UK Limited; Luxembourg, BNP Paribas Real Estate Investment Management Luxembourg S.A.

Each of the legal entities responsible for offering products or services to their customers is referred to in the product documentation, contracts and related information.

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Investing in a fund is a long-term investment whose performance is linked to the evolution of the real estate market, by its cyclical nature, and which must be adapted to the client's wealth objective with a view to diversification. The fund may use debt within the limits of the authorization given by the general meeting; in the event of recourse to debt, the risk of capital loss will be increased.

Please refer to regulatory documents (the fund prospectus, information notes or detailed characteristics) and fund information documents before making any final investment decision.

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