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WHAT DOES 2021 HOLD IN STORE FOR EUROPEAN REAL ESTATE

Even though 2020 has come to an end, the effects of the coronavirus pandemic that has dominated last year are far from over. The real estate market, like other investment markets, will continue to feel the pressure in 2021, according to experts, but the overall outlook for the recovery is positive.

The end of last year was dominated by news of coronavirus vaccines being rolled out across Europe and the effectiveness of this move will determine how quick and efficient market recovery is. The news we are hearing at the moment seem encouraging, providing hope of a quick return to normality.

According to an outlook by CBRE, however, the recovery in European real estate will be uneven. As expected, the retail and hospitality sectors are likely to be the worst affected of all European real estate sectors. However, even here there are some positive indicators.

At the same time, CBRE points out we are witnessing “a dramatic acceleration in the changing role of the office”. The outlook for this sector remains somewhat uncertain until we have a better idea of how permanent the move to home working really is.

However, the analysts believe new opportunities will undoubtedly emerge in 2021 and beyond. For example, data centres have already benefitted from the lockdown measures forcing more people to use the internet, while the logistics sector is also seeing strong development to support the rising demand from urban centres.

In terms of the European commercial real estate investment market, CBRE expects a return to normality by the second half of 2022, as long as the vaccine programmes are as effective and widespread as we hope.

The forecast is particularly positive for the logistics market, as well as the multi-family sectors, as European governments show willingness to support wage and rental programmes.

However, even the office market is expected to begin a “gradual return” to profitability this year, with higher quality assets and locations outperforming. CBRE also expects “some degree of resilience” in the retail property market.

Secure and defensive assets are likely to see increased demand from investors, benefitting prime properties in popular locations. We expect this trend to be positive for the luxury hotel sector, especially in such high-end destinations as the Swiss Alps, with yields expected to begin increasing already this year.

Overall, CBRE is predicting investment volumes growth of 8.5% in 2021, as general uncertainty in markets subsides and travel restrictions are lifted. It also expects to see a continuation of the low interest rate environment across Europe and discounts from distressed sales in various areas of the real estate market, which could provide attractive investment opportunities in the near term.

In summary, the outlook for European real estate in 2021 is positive, despite the effects of the coronavirus pandemic. If you are looking to make an investment in real estate this year, your best bet is to go for high quality, prime locations and look for discounts to the sale price. This could be the year of opportunities for real estate investors!