

Press statements for EXPO REAL 2021

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Outlook

“Investors are looking for low-risk yet high-return investment opportunities.”

“Real estate investments are still very attractive. In light of low interest rates and lack of alternative investment opportunities, investment pressure remains high as demand within the real estate market continues to rise. With investors looking for low-risk yet high-return investment opportunities, transaction activity will remain extremely high. By contrast, the impact of the coronavirus pandemic spells uncertainty especially for the hotel, office and retail asset classes. It remains to be seen how trends such as working from home will impact demand for office space in the long term. When it comes to new construction and refurbishments, the short supply of building materials and the sharp rise in commodity prices have to be monitored closely.”

Green finance

“Among major asset managers and institutional investors, there is a trend towards sustainability.”

“ESG criteria and the EU taxonomy are also having a significant impact on the real estate market and setting a clear path for a climate-friendly approach to doing business. Among major asset managers and institutional investors, there is a trend towards sustainability – not just when it comes to investment properties. They are also taking a closer look at the partners they work with. Prospective partners need to meet certain standards. Those unwilling to cooperate risk losing their access to certain market segments. Adopting generally applicable standards with regard to sustainability is of vital importance. However, as the current requirements under the EU taxonomy are far-reaching and difficult to meet, aspects such as the question of a transitional period and the actual scope of requirements still have to be defined.”

Retail

“Overall, a new school of thought is of the essence.”

“Shopping centres and the non-food segment in particular are faced with tremendous uncertainty and restraint from investors. This trend was further exacerbated by the coronavirus pandemic and has led to a decline in rents and demand. The rapid rise in online retail, which started well before the pandemic, is increasingly resulting in store closures and an associated growth in vacancies, thus exacerbating structural problems in city centres. The question is: How can we replace the previous retail tenants in city centres? Could new retail concepts, such as pop-up stores, provide a solution? Another factor is the trend towards smaller, local shops rather than large-scale retail businesses located on the outskirts of urban areas. Overall, a new school of thought is of the essence if we want to make inner cities more attractive, with a greater focus on aspects such as freeing up space for dining, leisure activities and culture.”

Office

“A massive collapse in demand or rents is not to be expected.”

“In the wake of the coronavirus pandemic, many companies have switched to working from home. Remote working could lead to a reduction in demand for office space. However, contradictory trends have also emerged, such as a rise in the forecast number of people working in offices. In addition, businesses are interested in having more room for meetings and socialisation, leading to an increased need for space. Beyond that, they have to ensure greater physical distances between desks. It is also worth pointing out that we are coming from a tight market with extremely low vacancy rates. The slight increase in vacancies has brought us back into a more normal market environment, and a massive collapse in demand or rents is not to be expected. Important to note is that the office space available for rent needs to meet criteria in terms of flexibility and technical amenities, with the corresponding concepts in high demand – especially for older buildings.”

Residential

“Mixed-use concepts are more popular than ever before.”

“The supply of residential real estate remains low, whereas demand is very high. This continues to fuel a rise in prices. Lower rents and higher yields are not in sight, making this low-risk asset class extremely attractive for investors. As a result of the coronavirus-related increase in the number of people working from home, many in the labour force are willing to accept longer travel times, pushing demand more and more into the outer reaches of urban areas. While this trend has helped relieve the pressure on inner city districts, it could also result in a certain rise in prices on the outskirts. The move away from homogeneous zoning to neighbourhoods featuring a mix of uses is a major issue among policymakers and urban planners alike. Mixed-use concepts are more popular than ever before.”

Hotel

“Many companies are now used to hybrid concepts and video conferencing instead of business travel.”

“Uncertainty regarding the impact of the coronavirus pandemic is particularly high in the hotel sector. Bans on overnight tourist travel and cancellations of trade fairs and events have led to substantial declines in revenue, particularly for business hotels. Many companies are now used to hybrid concepts and video conferencing instead of business travel, which could have an impact in the long term. The question here is when the market will return to its pre-crisis level. The ability to accommodate guests from abroad without restrictions once again will also play an instrumental role – something influenced to a great extent by the further development of the pandemic.”

Logistics

“Logistics properties have been the clear winners of the coronavirus pandemic.”

“Logistics properties have been the clear winners of the coronavirus pandemic. Right now, this asset class is generating yields that were still unimaginable just a year or two ago. Demand for space remains high. In contrast to the other asset classes under review, it has seen the strongest growth – both in terms of tenant and investor demand, and in terms of space. Online retail is also helping to fuel the trend. However, new land use and zoning concepts are needed in order to guarantee feasible distribution from the outskirts of urban areas and efficient concepts for the last mile within cities.”

United Kingdom

“The economic outlook is optimistic in the United Kingdom.”

“The economic outlook is optimistic in the United Kingdom, primarily on account of the continued GDP growth and the strong forecast. An end to the uncertainty surrounding Brexit is also contributing to this trend. Previous concerns regarding decreasing demand for office properties have turned out to be unjustified, with office space take-up continuing to rise in the second quarter of 2021. While the coronavirus pandemic is naturally associated with a level of uncertainty that is having an impact on the real estate sector as a whole, rising vaccination rates and the easing of lockdown restrictions offer grounds for greater optimism and the hope of a gradual return to normality.”

France

“Residential properties are currently the main focus of demand.”

“Due to the coronavirus pandemic, the letting market fell by 8 % overall on a ten-year average in the first half of the year. Investment volume was also down by a significant margin of 30 %. Residential properties are currently the main focus of demand. With an investment volume of roughly € 5.5 billion, interest among institutional investors was very high last year. However, supply remains extremely scarce. All told, trends already emerging before the pandemic, such as the increasing use of remote working options, are gaining speed. New approaches are necessary here in order to meet the changing demands.”

Spain

“The share of investments made by foreign investors is very high.”

“A high level of activity can be seen once again on the real estate market. The share of investments made by foreign investors is very high, which indicates that the market is still extremely attractive. In some cases, the levels currently being achieved match those seen before the Covid crisis. Low interest rates and moderate inflation prospects mean that inflation-proof asset classes remain in high demand. Right now, demand is focussed on residential and logistics properties, as well as office properties. The hotel and retail segment, on the other hand, are in trouble.”

Netherlands

“Investors continue to focus on the logistics market and office properties.”

“Activity in the commercial real estate sector is still brisk in the Netherlands. Many projects are currently being planned and demand for financing is high. Investors continue to focus on the logistics market and office properties, as a tremendous surge in demand for residential construction can be observed. Laborious approval processes, new construction regulations and rising construction costs mean that far too few properties have been built over the past few years. The result is a situation where scant supply is meeting brisk demand.”

Poland

“The ECB’s low-interest policy and the high rate of inflation in Poland is driving investment demand among private investors.”

“Thanks to a sufficient supply of capital on the lookout for investment opportunities, marked optimism is par for the course on the Polish real estate market. Demand for financing is extremely high, as is interest in new products. The ECB’s low-interest policy and the high rate of inflation in Poland is driving investment demand among private investors. Institutional Investors are particularly on the lookout for alternatives to retail and hotel properties, leading to high demand for residential and logistics properties. Demand for offices also remains high, even though banks are acting more cautiously in this regard.”

Deutsche Hypo – NORD/LB Real Estate Finance is the centre of competence for the commercial real estate financing business of Norddeutsche Landesbank. The unit has a presence in Germany, the UK, France, Benelux, Spain, Poland and Austria and maintains its headquarters in Hanover. It also has offices in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich, as well as London, Warsaw, Amsterdam and Madrid. NORD/LB is one of Germany’s largest real estate financing institutes. Further information on Deutsche Hypo can be found at www.deutsche-hypo.de.

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