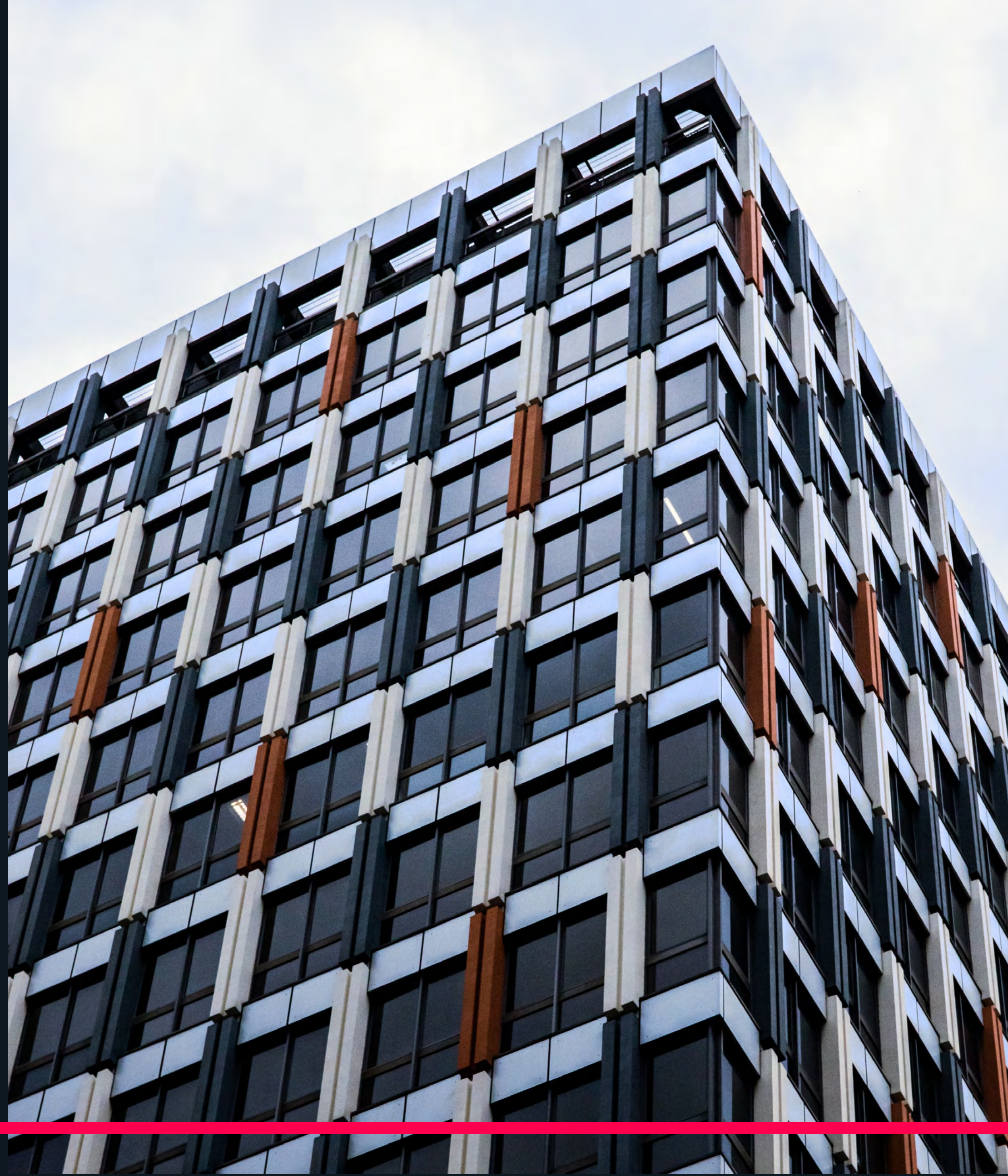
Real Estate Trends Report 2024



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Real estate transactions take longer and longer

The latest "**Real Estate Trends Report 2024**" once again probes the market dynamics in European real estate markets. This annual report continues to be an important benchmark for assessing the current state and future development of European real estate markets. The analysis is based on a detailed evaluation of all European transactions processed through Drooms in 2023 as well as two supplementary surveys of nearly 150 selected real estate experts. This allows us to provide insights into the transaction markets and future investment plans.

Key takeaways this year

- The duration of transactions is increasing and has now reached record levels.
- Logistics and residential real estate are highly favoured by investors, offices much less so.
- Internationalisation is becoming an increasingly important goal for many investors – and it is precisely here that they encounter obstacles.

Read the key results of the latest Trends Report and which factors are decisive for its development.

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6 key trends in European real estate

01 Transaction times at record high

02 There are still stable asset classes

03 Growing appetite for international real estate transactions

04 Two key obstacles for cross-border transactions

05 DACH and UK remain attractive

06 Increased regulation hinders chances of success

6 KEY TRENDS IN EUROPEAN REAL ESTATE

01. Transaction times at record high

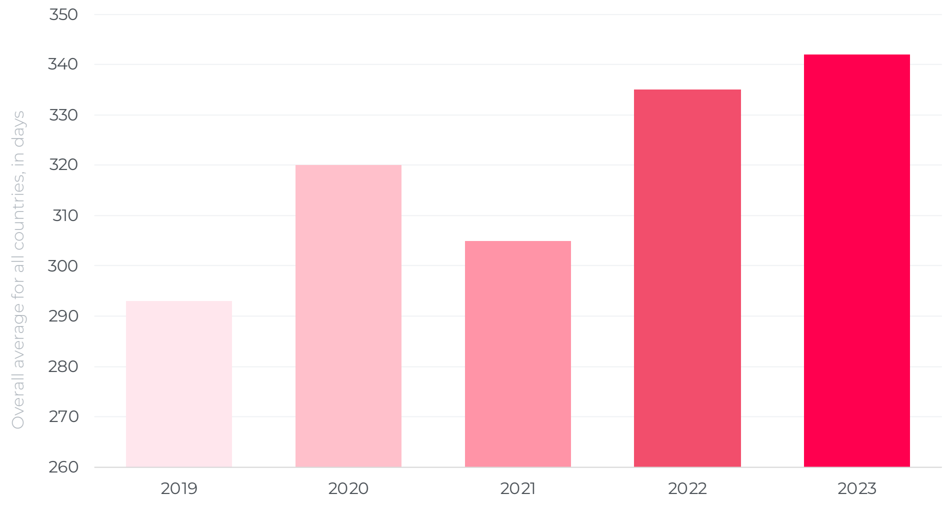
The transaction times in the Drooms data rooms reached a new high last year, with an average of 342 days per transaction. This is remarkable in several respects as this development is not just a snapshot. A full 70 per cent of market participants confirm this trend. Last year, a new high had already been reached, which has now been surpassed once again. A significant portion of respondents even report an extension of the transaction duration by up to 20 per cent. Reasons for this may include the existing uncertainty in the market and increasing regulation. In established real estate markets like the UK and Germany, a significant increase in transaction duration was recorded. The UK experienced the strongest increase, with the duration going from 319 to 391 days, an increase of 72 days. In Germany, on the other hand, the transaction duration increased by just 21 days.

342

days, on average, to complete a transaction.

Despite these clear European trends, there are also positive surprises, such as in Switzerland, where transaction durations have decreased by an average of 46 days, thus being significantly lower than in the previous year.

Average transaction duration



6 KEY TRENDS IN EUROPEAN REAL ESTATE

02. There are still stable asset classes

The second insight is that residential and logistics real estate are still rated as attractive – especially looking ahead over the course of this year. Investors appreciate the reliability of rental income from these asset classes. More than 50 per cent of respondents see these two asset classes as the most attractive investment targets, with logistics/industrial at just under 35 per cent in first place and residential properties at around 20 per cent in second place. This could just be the glimmer of hope needed by the real estate market as, at the same time, 40 per cent of respondents indicate they are open to further acquisitions while just under 30 per cent currently oppose it.

Office real estate, on the other hand, continues to receive little attention, with only nine per cent of respondents wanting to invest in it. This is likely due to several factors. In addition to general price development in the real estate market, it is mainly trends such as home office and flexible workplaces that reduce the demand for traditional office spaces. Moreover, rising construction costs and regulatory hurdles make it difficult to build or convert office spaces. The long-term nature of this development is confirmed by the investors surveyed, over 70 per cent of whom expect office spaces to be significantly less in demand in the future.

35%

see logistics/industrial real estate as the most attractive investment targets.

20%

see residential real estate as the most attractive investment targets.

>70%

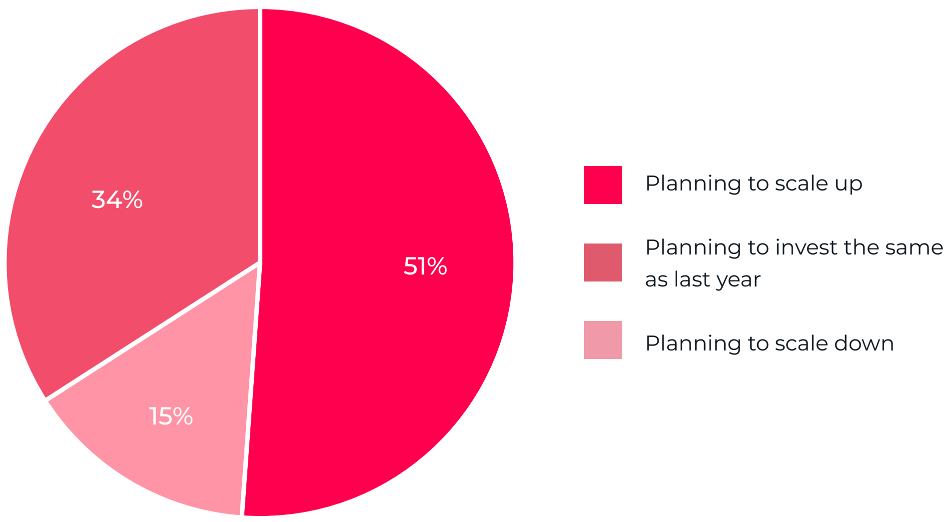
expect office spaces to be significantly less in demand in the future.

6 KEY TRENDS IN EUROPEAN REAL ESTATE

03. Growing appetite for international real estate transactions

The forecasts for international real estate investments in 2024 clearly point in one direction: More than half of the surveyed market participants plan to further expand their cross-border engagement. This is a clear indication of the increased confidence in international market opportunities. This continues the trend already evident last year. At the same time, 34 per cent of respondents plan to maintain their investment volume at the current level, while only approximately 15 per cent are considering reducing their investment activity. This distribution of investment strategies reflects different reactions to a complex global economic environment but does not diminish the clear direction.

International real estate transactions



51%

plan to further expand their cross-border engagement.

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04. Two key obstacles for cross-border transactions

Despite the keen interest in the international market, there are still some obstacles to cross-border transactions. Two challenges stand out:

01 First, the **regulatory differences between countries**, which are the biggest obstacle for a third of respondents. This underscores the complexity associated with navigating through different national legislations.

02 Second, with almost equal importance, are the challenges of **difficult market access** and the corresponding **local market knowledge**. This highlights the significant role of local relationships and knowledge essential for successful operation in the international real estate market.

6 KEY TRENDS IN EUROPEAN REAL ESTATE

05. DACH and UK remain attractive

Even in times of partially stagnant market activities, the DACH region (Germany, Austria, and Switzerland) maintains its position as the most attractive investment location among respondents. About 65 per cent of respondents confirm the attractiveness of the DACH region as the most promising market in Europe. This preference highlights the ongoing confidence in the economic power and still-present development potential of the German-speaking countries. Stability combined with steady growth potential are likely the deciding factors, along with knowledge of the home market, considering that most participants are from the DACH region. The United Kingdom is also very attractive for investors at 40 per cent. Similar arguments are likely to apply here as for the DACH region.

Although the market in the other Central and Eastern European countries is not rated as highly, it offers interesting opportunities for almost 30 per cent of investors. In Eastern Europe in particular, the continuous economic growth of recent years has created a location that can promise higher returns in the future due to the comparatively low entry prices. However, higher volatility is also to be expected here. In Southern Europe, Spain also remains on investors' radars with a share of 20 per cent.

65%

confirm the attractiveness of DACH as the most promising market in Europe.

40%

consider the United Kingdom as very attractive.

30%

find that Central and Eastern Europe offer interesting opportunities.

20%

have Spain on their radar.

6 KEY TRENDS IN EUROPEAN REAL ESTATE

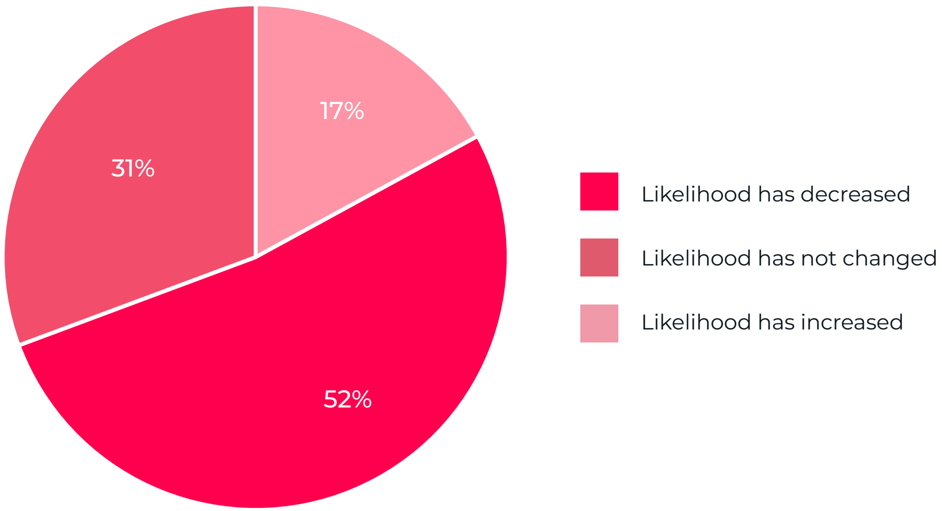
06. Increased regulation hinders chances of success

The likelihood of transaction completion after due diligence has apparently begun to falter: More than half of Drooms respondents reported a falling success rate for property transactions in the past year. It is particularly worrying that around a third of those surveyed noted a decline of more than 20 per cent. These developments highlight the increased challenges in the transaction process and could indicate an increasingly critical scrutiny of investment opportunities as well as increased risk aversion. Local market knowledge and the ability to deal with complex regulatory requirements are therefore more important than ever. Accordingly, the majority of respondents state that they are dissatisfied with the completion of transactions in the pipeline at their company.

1/3

noted a decline of more than 20% in the success rate for property transactions.

Closing the deal after the first phases of due diligence



CONCLUSION

Those who shorten transaction times close more successfully

Slower transaction processes, regulatory uncertainties, and the challenges of a growing volume of data, particularly in relation to ESG criteria, are becoming ever greater hurdles in the transaction process on the property markets. **Drooms offers an effective solution to significantly shorten transaction times compared to traditional processes, enabling transactions to be completed more quickly.** This is becoming increasingly important in view of the longer transaction times and increasing regulatory requirements. **The use of modern, AI-based data rooms not only increases efficiency and transaction security but is also of great importance in view of the shortage of skilled labour and shrinking margins**.

The innovative use of Drooms enables **precise and GDPR-compliant data processing**, which simplifies access to information and makes it easier to analyse without compromising on security and data protection. As a result, **data rooms are establishing themselves as a sustainable industry standard** – not only during the transaction phase, but also beyond in the context of asset management by rationalising transaction processes and ensuring compliance with international standards.

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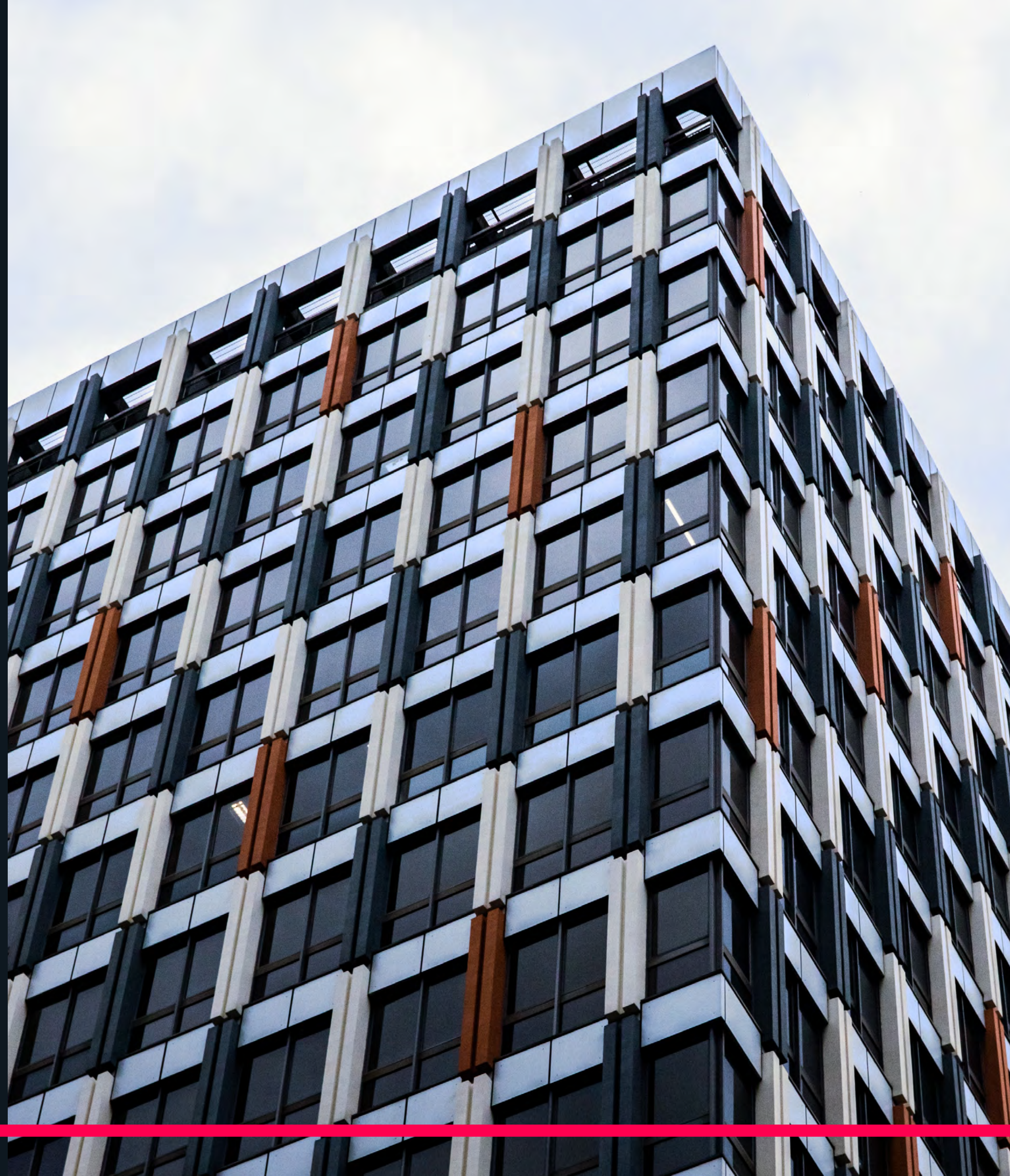

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