

possibility of the pandemic dragging on longer than we anticipate. The proportion of unvaccinated people remains high, especially in developing countries and the emergence of Omicron is a proof of the ongoing threat of new variants. Rising cases and new lockdowns will lead to new economic shocks, further disruptions on supply chains and upwards price pressures.

Despite the disruption and uncertainty caused by the pandemic, investor confidence in European real estate is stronger than ever. Savills data show that property investment volumes were 13% higher yoy and 8% above the five-year average during the first three quarters of 2021. We anticipate 2022 transactional activity to be at similar levels to 2021 (€290bn-€295bn).

The risk of stranded assets has risen driven by occupier demand for

buildings with high environmental credentials.

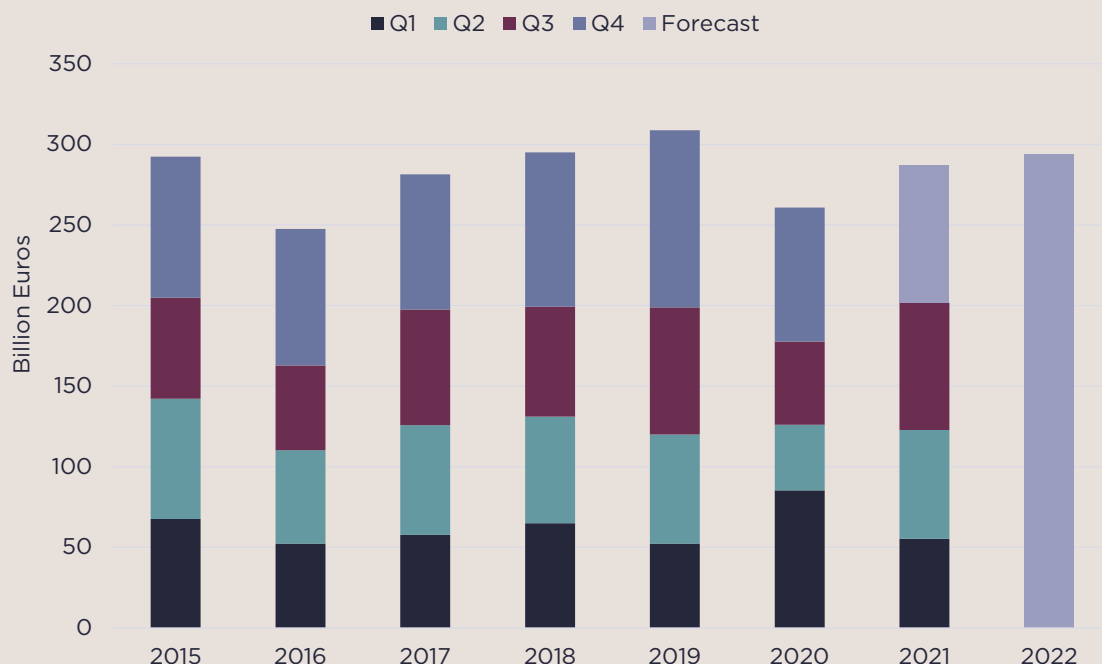
This creates new development and investment opportunities for market players that are prepared to undertake retrofitting and refurbishment works in the medium term and benefit from the upside rental potential.

Low development activity is expected to cause a supply gap in the market in the medium term (2022-2023), which coupled with higher land and construction costs are expected to lead to above inflation rental growth.

Throughout this report, we examine the major themes we expect to impact European real estate, focussing on; adopting omnichannel strategies, the prospects for office occupational markets, operational real estate opportunities and development in an ESG focussed environment and provide

our top investment picks for core, core-plus, value-add and opportunistic investors.

**Chart 2: European investment transactions volumes forecast**



Source: Savills