



KOUAMOU CAPITAL
AFRICAN INVESTMENT STRATEGY

EUROPEAN REAL ESTATE OUTLOOK 2024

MARKET TRENDS AND OPPORTUNITIES

The 2024 Real Estate Outlook in Europe by Kouamou Capital analyzes market trends, offering insights on upcoming opportunities.

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OUTLOOK IN 2024

SYNOPSIS

Residential Real Estate Market

In 2024, the main focus in the housing sector is the limited supply of new properties. Many cities are already experiencing a housing shortage, which is expected to worsen due to insufficient development funding, high construction costs, lengthy planning procedures, and uncertainty regarding property values.

The demand for housing, especially in larger European cities, will remain strong across the entire housing market. However, the demand will be predominantly seen in the rental market, as rising mortgage rates have made renting comparatively more affordable than owning a home. Despite the increasing regulatory risks, market rents are anticipated to rise, supporting steady income growth in 2024.

Environmental, Social, and Governance (ESG) considerations will play a crucial role in investment decisions in 2024 and beyond. The Energy Performance of Buildings Directive by the European Commission provides clearer guidelines on the sustainability targets that need to be met and the corresponding timelines. Given the current low ratings of many existing housing properties in the EU, renovating them is a significant challenge to meet energy efficiency standards.

Commercial Real Estate Market

In 2024, Domestic and short-haul leisure travel will continue to be the primary drivers of hotel demand. Moreover, there is potential for growth in international long-haul leisure travel from Asian markets as travelers from China and Japan gradually resume their trips, which had previously experienced a slower recovery.

This distinction is likely to be most evident in well-liked tourist destinations that already have sufficient hotel accommodations and where demand will stay high.

{the transitional sentence of why it's important to look at it}

Decreasing inflation rates and rising real incomes should positively affect retail sales growth. The number of visitors and sales at significant retail properties are predicted to keep increasing. However, the potential adverse effects of past interest rate hikes are still a concern.

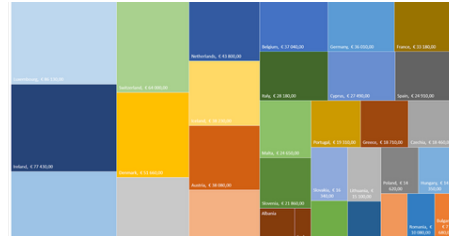
E-commerce expansion is anticipated to persist, although at a slower rate compared to the period of the pandemic. Major markets in Europe are expected to grow in line with their pre-pandemic patterns without any accelerated growth.



EUROPEAN ECONOMIC OVERVIEW

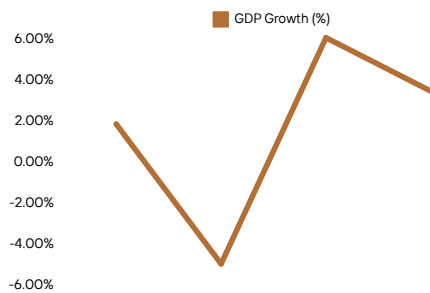
The European Union (EU) is a leading economic power and has the world's largest single market with a population of over 450 million consumers. Boasting a GDP of over €14 trillion, the EU is the world's largest trading block and an important player in the economy and the political arena. Over the past few years, Europe has faced positive and negative developments in economic performance. The period from 2019 to 2022 witnessed modest GDP growth, with an average annual rate of around 1.5%.

Repartition of GDP/Capita by country in 2022



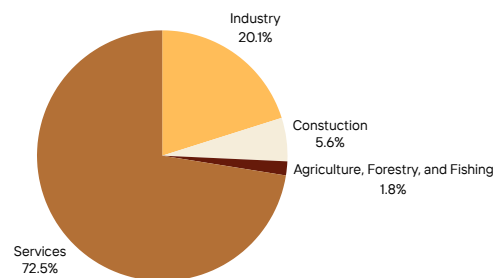
“Modest GDP growth brought by the services sector while challenges in the manufacturing sector”

European Gross Domestic Product Growth from 2019 to 2022



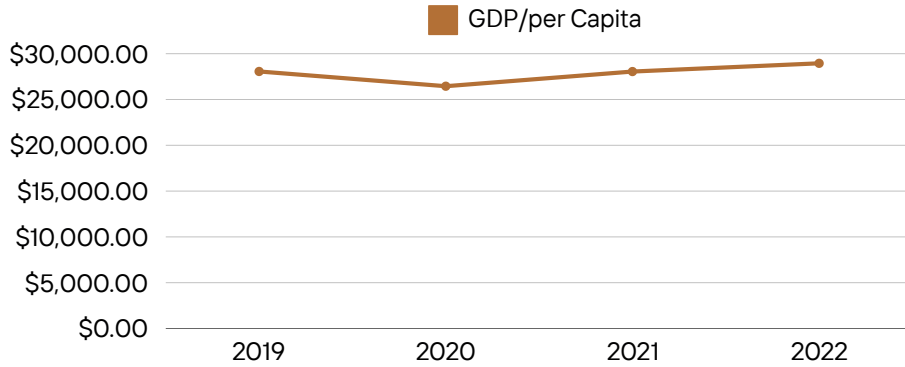
While this growth may seem modest compared to other regions, it is indicative of the challenges Europe has faced, such as political uncertainties, trade tensions, and technological disruptions. The services sector has been a driving force behind this growth, with industries such as finance, tourism, and business services leading the way.

Share of total value added in European Gross Domestic Product 2021



However, the manufacturing sector has faced challenges, particularly due to trade tensions and disruptions in global supply chains. Despite these challenges, Europe's economic growth has been relatively stable, with countries like Germany, France, and the United Kingdom contributing significantly to overall GDP expansion.

Capita in Europe from 2019 to 2022

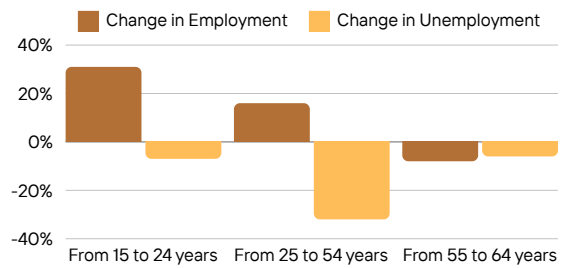


Labor Market

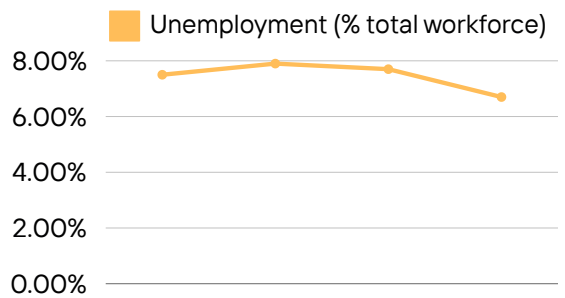
“Skills mismatches and labor market rigidities attribute to youth unemployment”

Europe's labor market has experienced mixed dynamics in recent years. Overall, unemployment rates have gradually declined, reaching pre-financial crisis levels in some countries. However, youth unemployment remains a persistent challenge in many European economies. Structural issues, such as skills mismatches and labor market rigidities, have hindered job creation and mobility. Additionally, the COVID-19 pandemic has resulted in temporary job losses and increased uncertainty in the labor market.

Annual change in the labor force composition by age group (% , EU, 2022)



Labor market & Unemployment Rate in EU

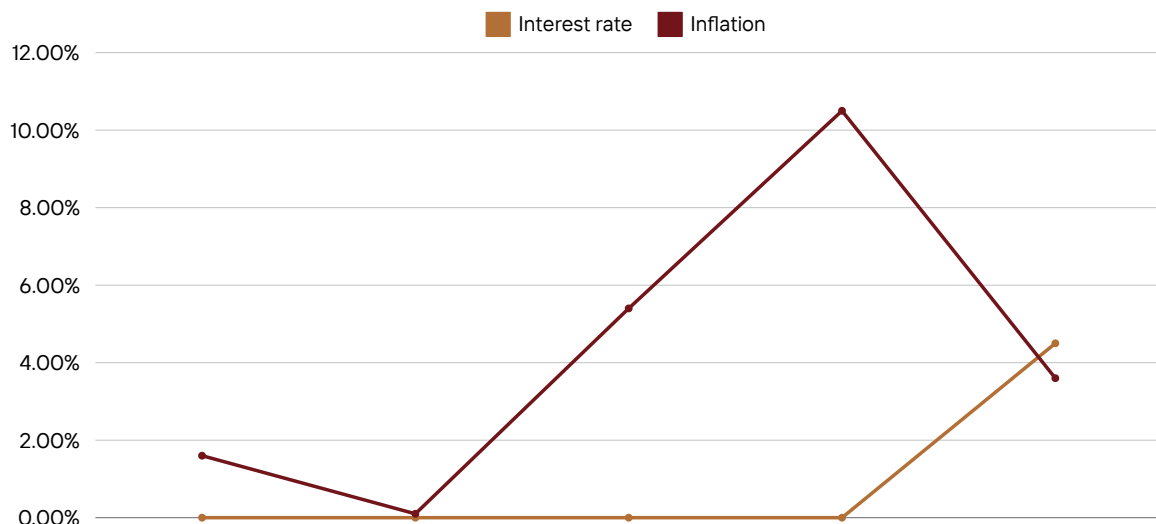


Inflation and Interest Rate

Europe's inflation was usually a stable and controlled element of the EU economy, but it reached its historical peak in 2022, driven by geopolitical events and supply chain issues because of COVID-19. Increased prices for electricity and different types of commodities drive increases in prices in all economic sectors. To handle the inflation the European Central Bank has dramatically increased the interest rate by 4.50% in 2022. The effectiveness of raising the key rate has a delayed effect, and we will be able to find out how this affected the markets during the next few years.

“Rising prices in electricity and commodities impacted all sectors, prompting the European Central Bank to raise the interest rate by 4.50%. The true impact of this move on the markets will be revealed in the coming years”

Inflation and interest rate in Europe from 2019 to 2023



How the Ukraine War Affects the Market

The uncertainties surrounding Brexit and the ongoing conflict in Ukraine have had significant impacts on Europe's economic landscape. The protracted Brexit negotiations have created uncertainties for businesses, disrupted supply chains and affected economic confidence.

The Ukraine Conflict has had a significant impact on European trade and investment. The imposition of economic sanctions by the European Union and other countries has disrupted trade relations with Russia, one of Europe's largest trading partners. This has resulted in a decrease in exports and imports, causing economic uncertainty and declining business confidence. Additionally, the conflict has created a risk premium for investors, discouraging foreign direct investment in affected countries. The unstable geopolitical environment has led to a cautious approach towards investments, diverting capital away from the region.



Furthermore, the conflict has had a ripple effect on global commodity markets. The tensions have led to an increase in commodity prices, particularly in energy resources. This has put a strain on European economies, leading to higher energy costs for businesses and consumers. Energy-intensive industries, in particular, have been affected, facing higher production costs and reduced competitiveness in international markets.

“Decrease in exports & imports, FDI discouragement, increase in commodity prices due to the uncertainties like Brexit and the Ukraine war”

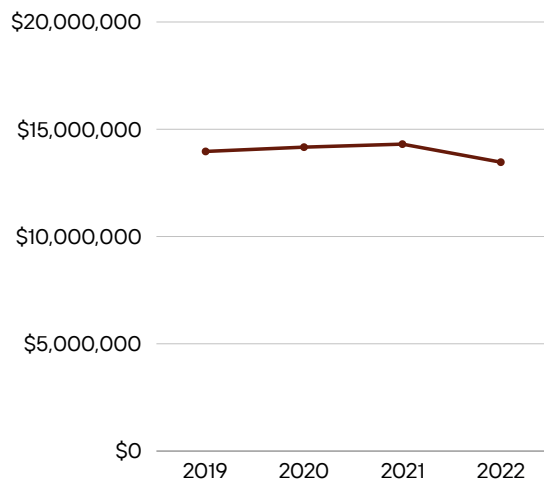
In general, the European Union (EU) is an attractive destination for investment due to several key factors. Firstly, the EU boasts a substantial market size, offering ample opportunities for businesses to expand and thrive. Additionally, the EU has implemented favorable regulations for foreign direct investment (FDI), making it an attractive choice for international investors seeking to establish a presence in the region.

Another advantage of investing in the EU is its well-educated workforce. The EU strongly emphasizes education, resulting in a highly skilled labor pool that can contribute to the success of businesses operating within its borders.

Moreover, the EU's integrated Single Market allows for the free movement of goods, services, capital, and people, facilitating seamless trade and investment within the member states.

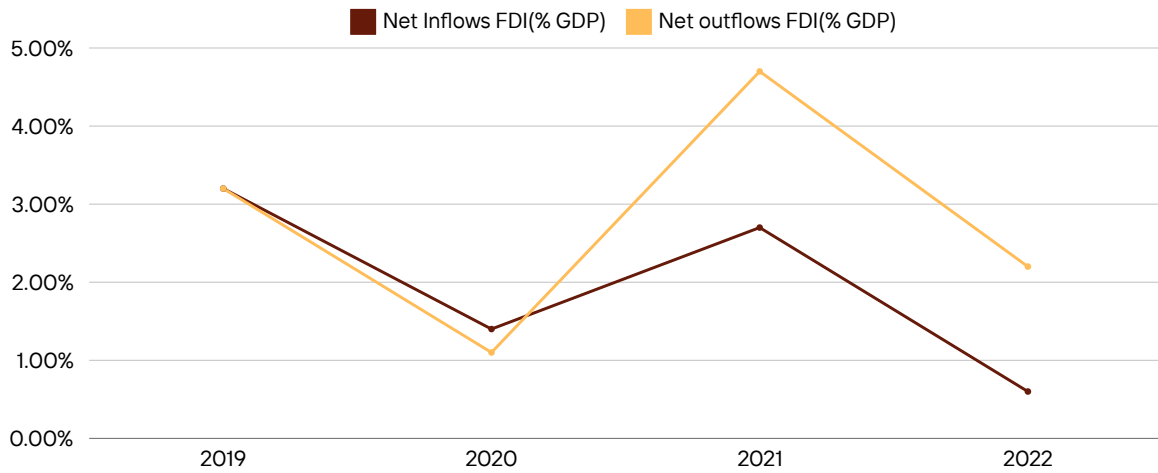
Furthermore, the EU exhibits high levels of productivity, which is crucial for investors seeking to maximize their returns. The region's commitment to innovation and efficiency ensures that businesses can operate efficiently and effectively, leading to improved profitability.

EU FDI stocks (2019-2022)



However, it is important to note that the EU is facing increasing competition from other regions in the world that are also attracting foreign investors. As a result, the EU has experienced a decline in its share of global FDI. While some of this decrease can be attributed to unfavorable economic conditions, it is crucial for the EU to address this decline by making additional enhancements to its business environment.

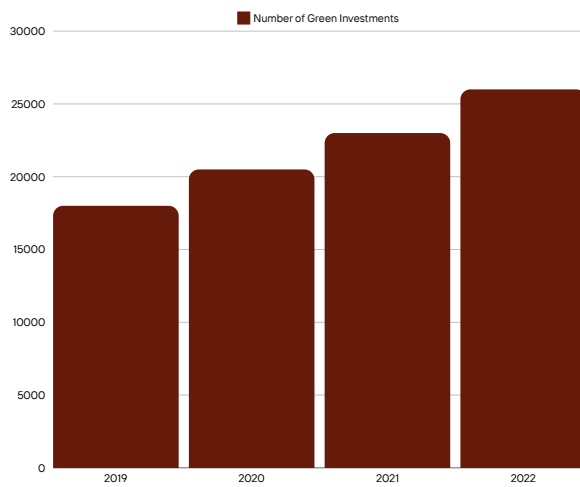
EU Net inflows FDI & outflows (% GDP)



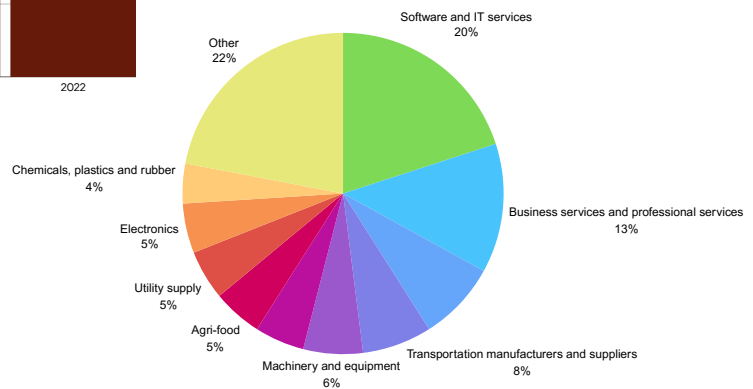
According to a figure below, the European Union strongly favors sustainability projects that attract international investors to take advantage of it.

The IT sector was the leader in FDI in 2022, according to the following figure..

Number of greenfield investments

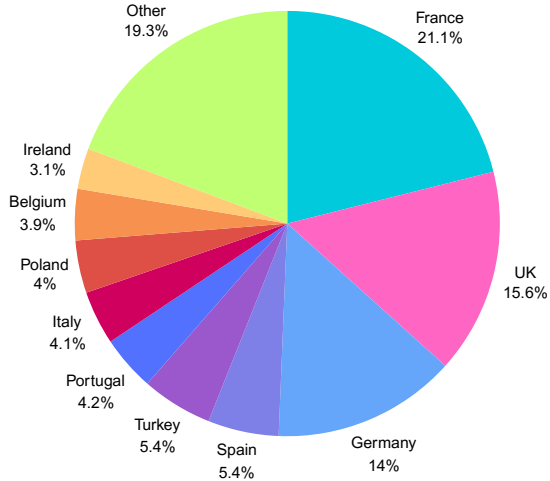


Top EU FDI sectors in 2022



In 2022 France, Germany, and the UK were the leading countries by FDI Market share.

Market share of the top 10 host countries for foreign investment projects in 2022

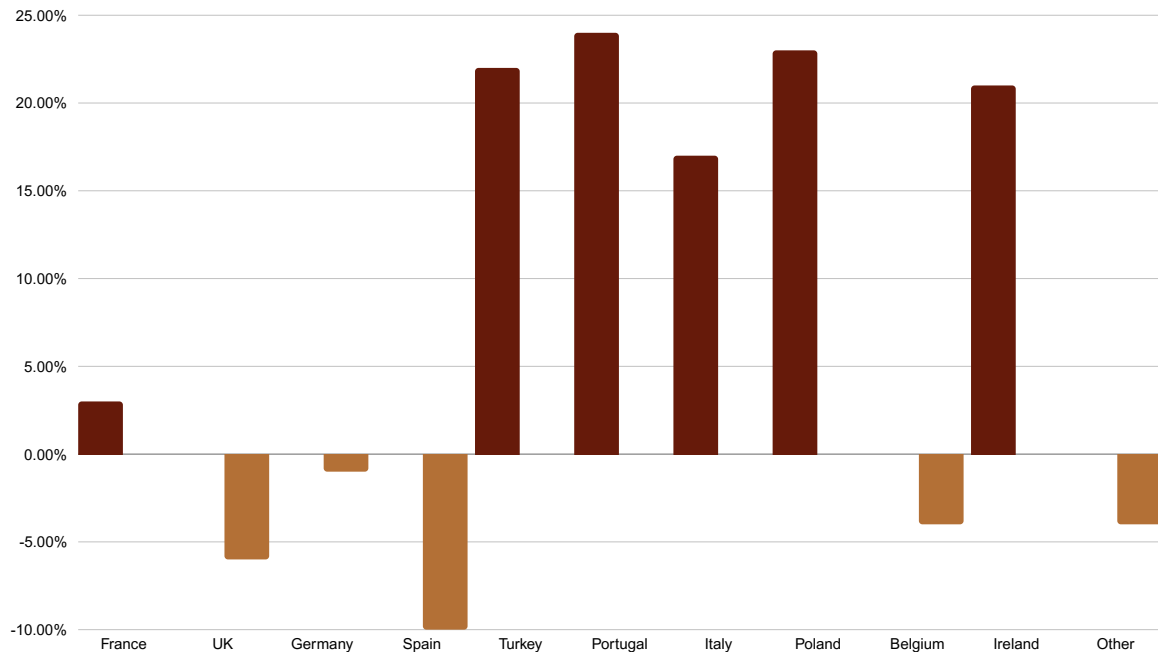


A closer examination of the past two years reveals that imports began to outpace exports in June 2021. This was primarily driven by significant price hikes in major energy products, which commenced in 2021 as a result of the COVID-19 pandemic and increasing global demand. The Russian invasion of Ukraine further exacerbated the situation, putting additional strain on energy prices.

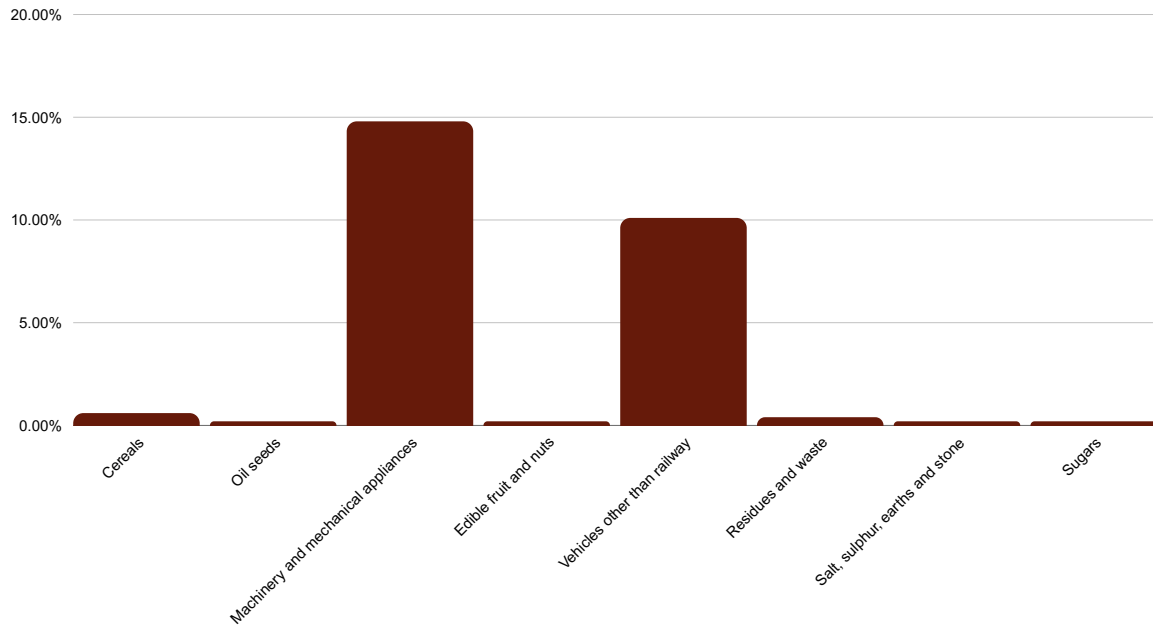
It is important to highlight that the overall volume of imports exceeds exports by 17%. The most significant difference lies in the energy proportion, with imports being nearly four times higher than exports. However, this was offset by lower import shares for machinery and vehicles.

“Portugal, Turkey, and Poland were the leaders of the FDI investments in 2022”

Change in foreign investment projects from 2021 to 2022

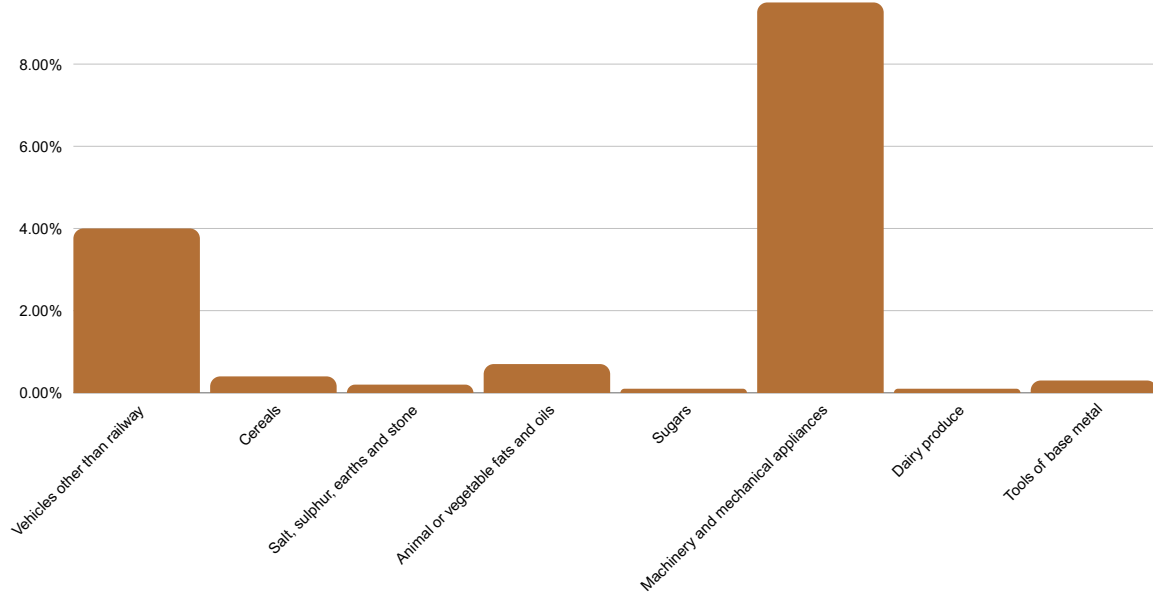


Exported commodities by category in % in 2022



“Machinery and vehicles remain the EU's main importers and export categories for export and import for 2022”

Imported commodities by category in % in 2022





KEY TRENDS IN THE EUROPEAN REAL ESTATE MARKET

In the European real estate market, several key trends have emerged:

Sustainable and Green Buildings

There is a growing emphasis on sustainability and green building practices. Investors and developers are increasingly incorporating environmentally friendly features into their projects to meet the rising demand for sustainable real estate.



Technology Integration

The adoption of technology in real estate, including proptech, has been on the rise. This involves leveraging artificial intelligence, data analytics, and smart building technologies to enhance property management, improve efficiency, and provide better tenant experiences.

Flexible Workspaces

The trend towards remote and flexible working arrangements has influenced the demand for flexible office spaces. Co-working spaces and serviced offices have gained popularity, with companies seeking more adaptable lease agreements.





Residential Property Developments

Residential real estate, especially in urban areas, continues to experience high demand. There is a notable focus on mixed-use developments that create communities offering a blend of residential, commercial, and recreational spaces.

Logistics and Industrial Real Estate

The rise of e-commerce has driven demand for logistics and industrial real estate. Investors are increasingly exploring warehouses and distribution centers as attractive investment opportunities.



Affordable Housing Challenges

In some European cities, challenges persist in providing affordable housing. This has sparked debates around housing affordability, prompting discussions about potential policy changes to address the issue.

These trends collectively shape the dynamic landscape of the European real estate market, reflecting a combination of environmental consciousness, technological advancements, evolving work patterns, urban development strategies, and the influence of e-commerce on industrial property demands.



Residential Real Estate

Residential real estate refers to property, including land and buildings, used for housing purposes. It differs from commercial or industrial real estate, designated for business operations such as stores, offices, or factories.

Buying residential real estate is often the most significant and important financial investment an individual makes in their lifetime. The value of residential real estate is influenced by various factors, such as size and location, and is subject to market fluctuations. Some individuals invest in

residential real estate as a way to make money, either by selling it for a profit or renting it out to tenants. However, for most people, residential real estate is simply a place to live.

Residential real estate market new buildings

Trends

Central banks' recent hikes in interest rates in 2022 and 2023 have led many industry sectors to shift away from dynamic strategies. Instead, they are

hoosing a more cautious approach to evaluate the impact of changes in debt costs, valuations, construction expenses, and distress risk. There is a significant amount of uncertainty prevalent in this market.

In the present market, there is a tendency among investors to remain stagnant in their approach. However, this situation may change if central banks indicate a potential reduction in interest rates sooner rather than later, although this viewpoint is not widely held. It is generally expected that, in the absence of an economic recovery, a higher level of distress will be necessary to bridge the gap between buying and selling prices and to restore liquidity. This process would be challenging for the industry as a whole.

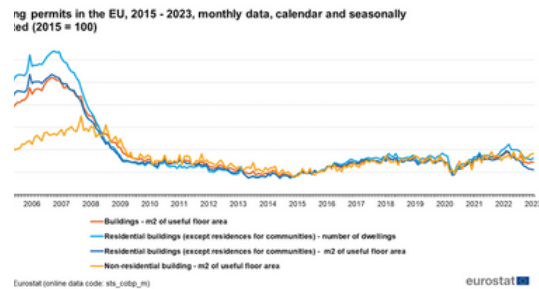
Financial Indicators

According to the Figure for the 10-year period, the trend for building permits remains stable for all types of buildings.

According to the European Covered Bond Council, the total number of building permits issued decreased by 6.5% on average in the EU27, for a total amount of 1.67 mn permits, after a significant increase in 2021 of 11.2%. Over the last 10-year period (2013-2022), the number of building permits issued in the EU overall grew by almost 40%.

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Residential real estate market old buildings

Trends

In Q1 of 2023, EU house prices decreased by -0.7% while rents increased by 0.9%. The decline was particularly sharp in Greece and Italy due to economic challenges. Factors such as economic uncertainties, tightening credit conditions, and rising interest rates contributed to the decrease. The market is attractive to first-time homebuyers, but may lead to concerns for those who already own properties. The trends are likely to continue, especially in major urban areas.

While certain parts of the market, such as Estonia (+200%), Hungary (+180%) and Lithuania (+146%), have seen growth, experts and policymakers must monitor these trends and take appropriate actions for long-term stability and growth. The only decrease was observed in Greece (-22%). The real estate market remains an important driver of economic growth and stability in the EU.

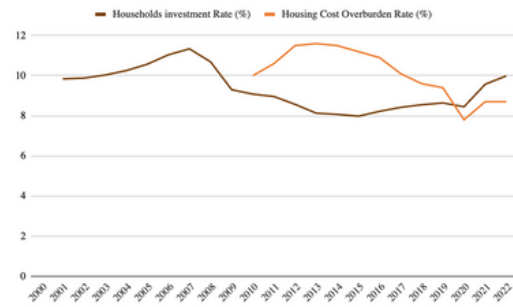
House price index 10-year period in EU (2012-2022)



Financial indicators

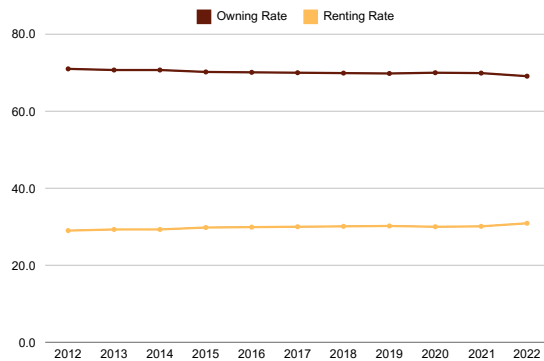
The EU27 House Price Index (HPI) increased by 11.3% in 2022, continuing a trend since 2013, but several countries experienced a decrease. Outstanding mortgage loans reached a new high of EUR 8.9 tn, with France, Germany, the Netherlands, Spain, Sweden, and the UK dominating the market. Average interest rates on mortgages increased to 3.11%. The proportion of the EU population spending 40% or more of their disposable income on housing slightly increased in 2021. Meanwhile, the household investment rate in the EU has increased since 2020.

Households Investment Rate VS Housing Cost Overburden Rate in EU



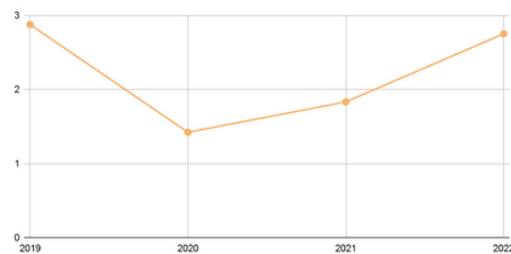
According to the figure on the left, 70% of the EU citizens live on their own property, and 30% rent it. The trend remains stable.

Owning & Renting rates trend in the European Union



“The trend shows a stable price level with decreased transaction volumes from 2011 to 2014 and a dramatic increase in 2021”

Nights spent at tourist accommodation establishments in b€



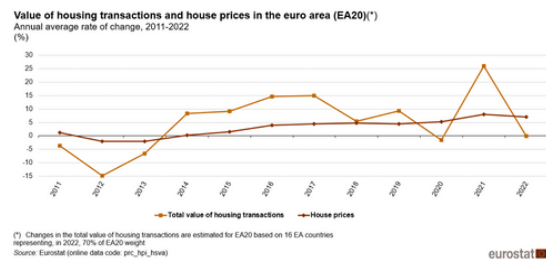
Nights spent at tourist accommodation establishments in Euro B

The housing market in the euro area had been experiencing a fairly long period of growth before the start of the coronavirus (COVID-19) crisis

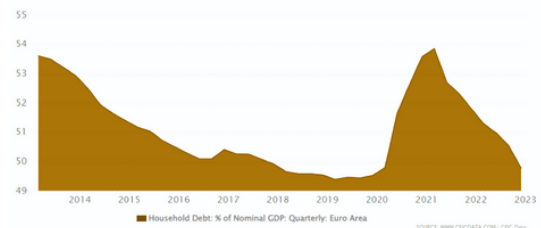
The housing market in the euro area pre-COVID-19 was stable with increasing house prices, housing investment, and loans due to income growth and low lending rates. However, the pandemic caused a unique shock that affected the economy through mobility restrictions. This resulted in distinct impacts on real and nominal housing dynamics across countries compared to previous crises. Significant policy responses were implemented.

The ratio decreased slightly from the previous quarter, attributed to government efforts and changes in consumer behavior during the pandemic. Household debt levels have fluctuated over the years due to factors like credit availability and interest rates. Policymakers need to balance economic growth and prevent excessive household debt levels. The link between interest rates and household debt levels requires a nuanced approach from policymakers. Monitoring household debt levels will remain crucial for the EU. Economists and policymakers will watch future developments in this area closely.

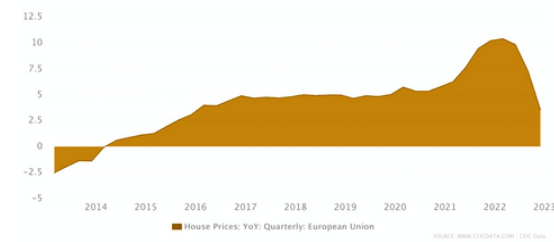
Value of housing transactions and house prices in EU (2011-2022)



% of Household Debt in EU (2014-2023)

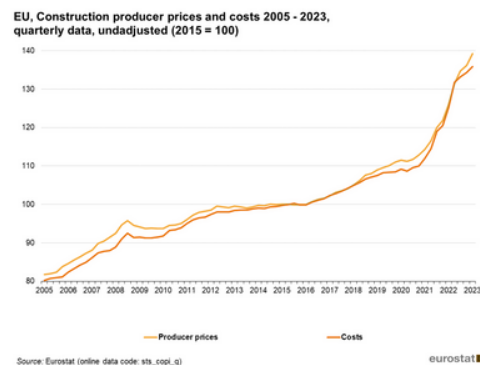


EU's house prices growth (March 2006 to Sep 2023)



“Construction and producer prices have an 18-year strong tendency to increase because of inflation and geopolitical factors that affect the price”

Costs VS Producer prices in EU (2005-2023)



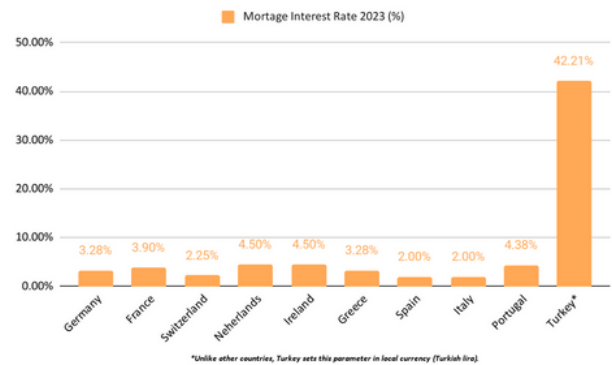
The household debt of the European Union accounted for 47.0% of the country's nominal GDP in September 2023.

Mortgage Market of Residential Real Estate in Europe

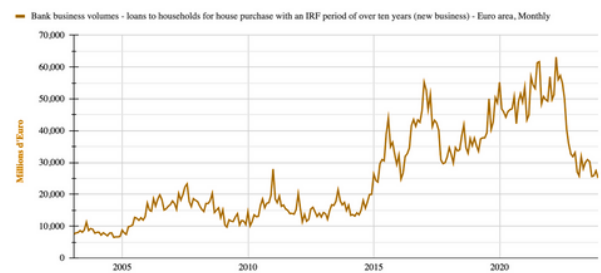
Banks are major financing providers for household borrowing, which allows individuals to borrow funds for different purposes. It's vital to categorize lending based on its intention, such as house purchase or consumption, as it impacts the economy differently. Interest rates greatly affect housing prices and changes in them can ripple through the economy. Recent developments show how the housing market is adapting to rising interest rates. The housing market adapts as central banks manage inflation. Policy rates have risen across major EU economies, impacting the demand for housing. Prior to the increase, lower interest rates resulted in a surge in housing demand. Loans for household purchases continue to grow at a slower rate, with an average interest rate of 4.05% compared to 3.09% ten years ago.

For example, households typically need more capital to purchase property outright. This means they rely on a bank or a mortgage bank to lend them the money. Loans for house purchase are usually secured against the property that is being purchased or other forms of guarantee. The interest rates on bank loans influence household spending and investment decisions.

Top 10 countries' Mortgage Interest rates in 2023

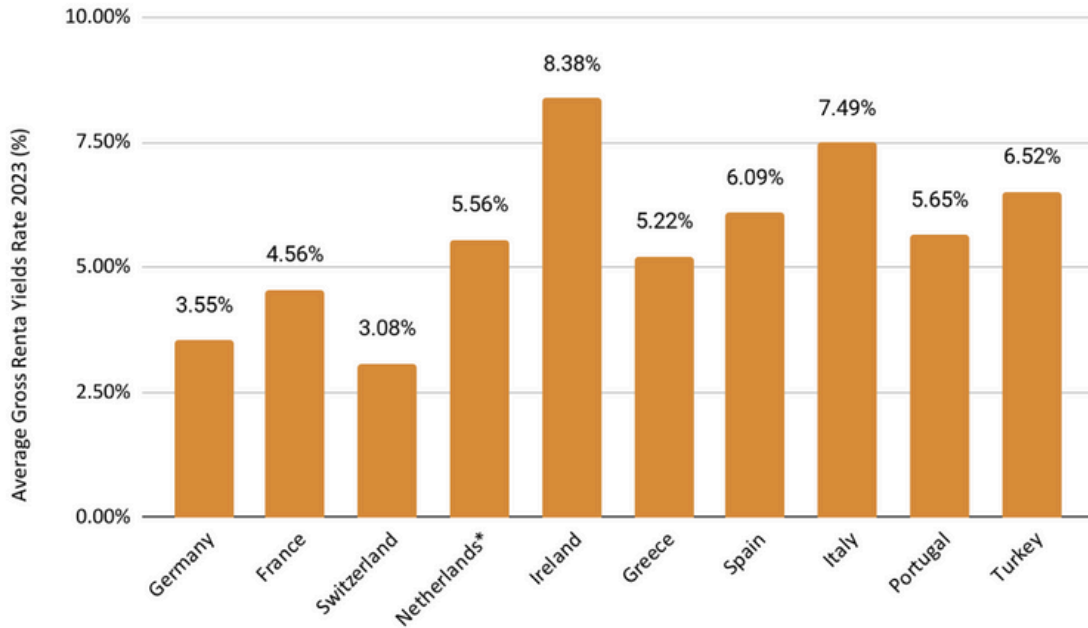


House purchase' loans to households in EU (from 2003 to 2023)



“Rental yield is essentially the amount of money you make on an investment property by measuring the gap between your overall costs and the income you receive from renting out your property.”

Average Gross Rental Yields Rate 2023 (%)



Commercial Real Estate Market

Commercial real estate (CRE) refers to properties that are used for business purposes or as workspaces rather than for residential living. Typically, commercial real estate is leased to tenants for income-generating activities. This category includes a wide range of properties, from small storefronts to large shopping centers.

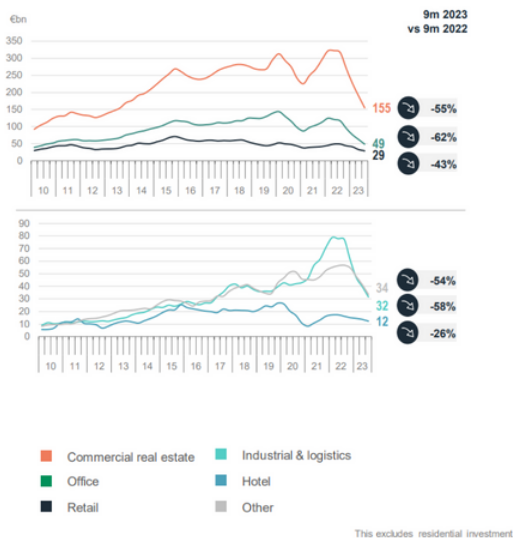
Commercial real estate can take various forms, including office buildings, residential duplexes, restaurants, coffee shops, and warehouses. Individuals, companies, and corporations can generate income from commercial real estate by leasing it out or holding it for resale.

“The commercial real estate sector includes different categories such as retailers, office spaces, hotels and resorts, strip malls, restaurants, and healthcare facilities.”

Trends

Investments in Q3 2023 totaled €155M, a significant drop compared to Q1 2021 but back to 2013 levels. Q3 2023's investments were 52% lower than the previous year. The decline is attributed to external factors such as COVID and geopolitical events, causing investors to shift focus to other asset classes. Logistic sector and offices sector experienced a sharp decline of 58% and 62% respectively. Germany, the Netherlands, Italy, Poland, Ireland, Belgium, and Luxembourg saw significant decreases, while the United Kingdom and France experienced milder declines. The long-term prospects for real estate remain positive, driven by urbanization and demographic trends.

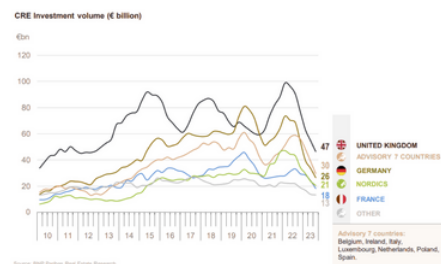
Investment by asset class



Financial Indicators

In early 2022, markets saw investment levels akin to pre-pandemic periods. However, from mid-2022, high inflation and tightening monetary policies led to a rapid increase in bond yields. This situation persists, resulting in notable pricing uncertainty in the real estate market and making loan acquisition more challenging and costly. Consequently, potential property buyers are increasingly discerning, leading to a decrease in investment volumes across countries.

Commercial Real Estate volumes per country

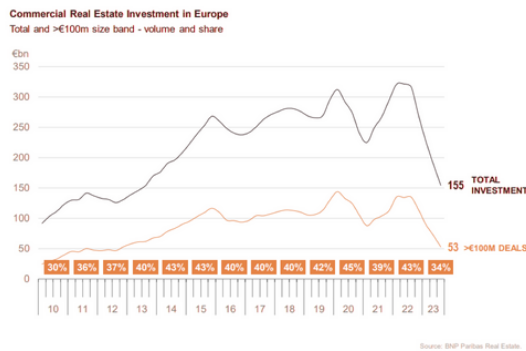


While significant deals surpassed €100m and accounted for up to 49% of total investments in Q1 2020, it is unlikely we will see this high figure soon. The pandemic led to a historic low in Q1 2021, followed by a significant uptick before leveling off in Q4 2022 at a lower level compared to previous years.

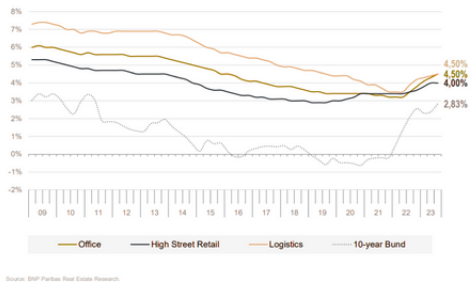
The compression of prime yields over the decade ended in 2022, indicating a period of decline across Europe's sectors. Central banks' response to ongoing inflation is leading to rapid bond yield increases, closing the gap with real estate and calling for asset price re-evaluation.

The property market is experiencing a significant adjustment as commercial real estate is balancing two opposing forces. On one hand, the rise in interest rates has raised borrowing costs and impacted property values, leading to a decrease in borrowing and valuations. On the other hand, higher inflation is expected to enhance rental revenue in the long run. As a result, lenders are offering approximately 10% less than they were a year ago, while returns have increased with the rise in market interest rates.

Comparison of Total CRE Investment in Europe with Investment >€100M



Average prime yields in Europe

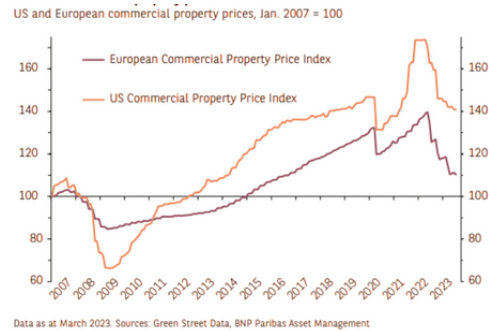


Mortgage Market for Commercial Real Estate in Europe

“Real estate prices are currently undergoing a reset due to the increase in interest rates in the eurozone since the summer of 2022.”

Overall, the real estate market is undergoing a period of significant adjustment.

Commercial Property price indicator in the EU from 2000 to 2022



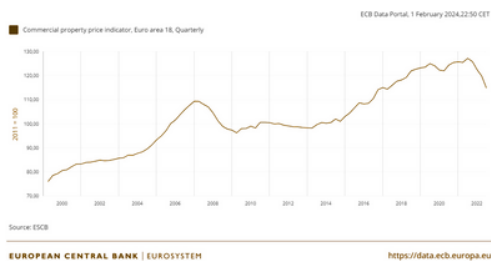
Industrial Real Estate Markets

Industrial real estate encompasses land and buildings for manufacturing, storage, and distribution. It differs from commercial real estate as it supports specific industrial activities, rather than a broad range of services. Properties are not open to the public and can be of varying sizes, from small to enormous.

Monetary policy within the Eurozone is a complex matter, as there are varying economic conditions to consider. Inflation divergence remains high, but as economists predicted it has been normalized in 2024, with inflation hovering around the 2% mark in most regions. Despite uncertain economic prospects and rising interest rates deterring investment in some sectors, Europe remains an attractive cross-border capital destination. It is essential to examine the data thoroughly, as there are durable areas in this landscape. Germany, for instance, is still the largest mainland European recipient of cross-border capital.

Although office volumes in Germany are currently low, inbound volumes have been steadily increasing each quarter. Sectors that benefit from sturdy structural tailwinds, such as living and logistics, are likely to sustain demand despite rising debt costs. Given the robust growth in tourism-related sectors and the easing of core inflation, the hotels and hospitality sectors are attracting investor interest, with Spain experiencing significant growth. Moving forward, investors from regions with robust currencies and hedging advantages, such as North America and Singapore, are likely to maintain their activity in Europe. Furthermore, the Japanese are expected to be significant players in the coming year, benefiting from their favorable cost of debt and shifting yields.

Commercial property price indicator



ESG Implications and Tax Considerations

ESG Implications

Impact on Property Development

By aligning strategies in property development with the United Nations' Sustainable Development Goals (SDGs), developers have the potential to contribute to a global alliance promoting clean water, sanitation, and clean energy. Hence, AI, technology, and digitalization are all major trends in the future of real estate. Furthermore, engaging in ESG investing offers an avenue to attract socially conscious investors seeking to impact society and the environment positively. Leveraging the economic advantages of sustainable development, such as cost savings from enhanced energy efficiency, can further propel the widespread adoption of ESG practices. Collaboration with stakeholders is critical in fostering shared value and propelling sustainable development across European property markets.

Impact on Investment Decisions

Today, responsible investing in real estate means relying on ESG strategy because, with sustainable development and environmental sustainability, developers and investors aim to reduce significant financial risk and increase the long-term value of their investments.

Therefore, ESG (Environmental, Social, and Governance) performance is now seen as a pivotal factor influencing investment choices within the real estate sector.

This change is motivated by increased transparency and disclosure of ESG-related information by real estate firms. Investors are adopting sustainable investing for long-term risk management and portfolio resilience benefits. Sustainable real estate investments also offer the prospect of higher financial returns. Furthermore, the increasing investor demand for assets aligned with ESG principles (sustainable buildings and energy-efficient properties, focus on climate change mitigation and adaptation strategies) is fueling the expansion of the sustainable real estate market. Together, these factors underscore the potential influence of ESG considerations on forthcoming investment decisions.

Tax Consideration

It is essential to note that tax legislation can vary considerably from one country to another within the European Union (EU). So, property owners or investors should seek advice tailored to their specific circumstances.

Depending on national laws, the essential tax aspects to be taken into consideration in the property market in the European Union are as follows:

Residential Property Market

Mortgage interest deduction: Some EU countries allow mortgage interest to be deducted, enabling homeowners to reduce their tax burden.

Capital gains exemption for principal residence: Some countries offer capital gains tax exemptions or reductions on the sale of a principal residence. Also, EU countries such as France allow some tax reductions for first-time buyers to stimulate home ownership.

Reduced VAT rates: Certain residential properties may benefit from reduced VAT rates in certain EU countries.

Energy efficiency incentives: Some EU countries offer tax incentives for energy efficiency improvements to residential housing.



In recent decades, inequalities in wealth have been considerable and have increased in some countries. Moreover, inheritances are also unevenly distributed between households: they are likely to increase both in value (if asset prices continue to rise) and in number (as the baby boom generation ages).

Commercial Property Market

Deductions for operating expenses: Operating costs relating to commercial property management may be tax deductible.

Depreciation of assets: Commercial property owners can often depreciate the value of property assets, thereby reducing their taxable income.

Corporate tax regimes: Some EU countries may offer specific tax regimes for companies involved in commercial property.

Tax credits for refurbishment: Some EU governments provide tax credits for refurbishing commercial properties, particularly those of historic value.

Borrowing interest deduction: Interest paid on commercial property loans may sometimes be tax deductible.

Property taxes: Property tax rates vary from country to country, and commercial property owners must pay these taxes.

VAT implications: Commercial property transactions may be subject to VAT, and the rules vary depending on the nature of the transaction and national tax regulations.



Inheritance Taxes

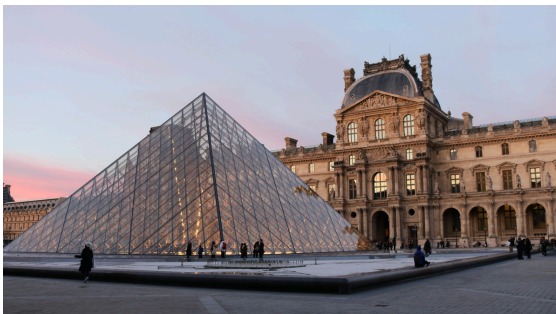
Inheritance taxes have a crucial impact on increasing public revenue, alleviating inequality, and improving the efficiency of tax systems in countries.

France

In France, inheritance taxation is determined by progressive scales that consider the relationship between the deceased and the heir and the inheritance amount.

In practical terms, the highest rate on the scale for parent-child inheritances is 45%. This rate is applicable when the inheritance to be transferred is €1,805,677 or more per child. However, this scenario is not the most common, as approximately 80% of inheritances in France are below €100,000. Children are entitled to an allowance of €100,000, making inheritances subject to taxation relatively rare.

On the contrary, for other transfers (e.g., between an uncle and nephew or between siblings), the tax brackets and rates are less favorable, reaching up to 60%, with more limited allowances. A positive aspect is that, since the TEPA Act of 2007, transfers to a surviving spouse or PACS partner have been exempt from inheritance tax.



Germany

In Germany, the current inheritance tax rate is 30%, but family ties can lead to significant reductions. The 2009 reform increased the basic allowance for transfers between spouses and children. Additional allowances include €256,000 for the surviving spouse and €10,300 to €52,000 for children under 28. The gift of the principal residence to the spouse is fully exempt, and the same rule applies to children if the spouse occupies the residence for ten years.



Italy

Italy's inheritance system features a €1 million allowance for spouses and children (€100,000 for siblings), applicable per person. Beyond €1 million, spouses and children are taxed 4%, while other family members face a 6% inheritance tax (8% for non-relatives). Italy's tax system is notably more attractive than that of France.



CONCLUSION

The 2024 Real Estate Outlook in Europe by Kouamou Capital provides a thorough examination of the current and emerging trends in the residential and commercial real estate markets across the continent. This report synthesizes data and insights that illuminate the opportunities and challenges awaiting investors, developers, and policymakers in the year ahead.

Residential Real Estate

The residential market in Europe is poised for notable shifts driven by demographic changes, economic factors, and evolving consumer preferences. Data from Eurostat indicates a steady population growth in urban areas, with cities like Berlin, Madrid, and Paris expecting increases of 2-3% over the next year. This urbanization trend fuels demand for both high-density housing and suburban developments. Affordability remains a critical issue. The European Central Bank (ECB) reports that average housing prices in the Eurozone rose by 6.3% in 2023, with countries like Germany and the Netherlands seeing even higher increases.

Sustainability continues to shape the residential sector. The EU's Green Deal targets a 55% reduction in greenhouse gas emissions by 2030, driving investments in energy-efficient buildings. In 2024, it is projected that 30% of new residential developments will incorporate green building practices, up from 20% in 2022, as developers respond to regulatory pressures and consumer demand.

Commercial Real Estate Market

The commercial real estate sector is experiencing significant transformation, particularly in the office and retail segments. According to CBRE, the European office market is adapting to hybrid work models, with flexible office spaces expected to constitute 20% of the total office space by 2025, compared to just 12% in 2022. This shift reflects the changing needs of businesses and employees alike.

Retail real estate is rebounding from the pandemic, but with a new face. The e-commerce boom, which saw a 25% growth in 2023 according to Statista, is prompting retailers to rethink their physical footprints. Experiential retail and omni-channel strategies are becoming paramount. Our forecast indicates that investments in mixed-use properties, which combine retail, entertainment, and residential spaces, will grow by 15% in 2024.

The industrial and logistics sector remains robust, driven by sustained e-commerce growth and the need for efficient supply chain solutions. JLL reports a vacancy rate of just 4.5% in prime logistics hubs, with rental rates expected to rise by 3-4% in 2024. Strategic locations near major transport nodes will continue to be in high demand.

CONCLUSION

Investment Opportunities

Despite economic uncertainties, Europe offers numerous investment opportunities across its diverse markets. Urban regeneration projects, especially in Eastern Europe, present significant potential. Cities like Warsaw and Budapest are seeing increased investor interest, with property values expected to rise by 5-6% in these areas in 2024.

Green finance is also gaining traction. The issuance of green bonds in Europe hit €120 billion in 2023, and this trend is likely to continue as investors seek sustainable investment opportunities. Properties that meet stringent environmental standards are expected to yield better returns and attract more institutional investment.

Challenges and Strategies

Economic volatility, influenced by factors such as inflation and geopolitical tensions, poses risks to the real estate market. The ECB's projection of a 2% inflation rate in 2024, coupled with potential interest rate hikes, could impact borrowing costs and investment returns. Regulatory changes, particularly around environmental standards, also require careful navigation. Successful stakeholders will need to adopt a proactive and flexible approach. Embracing technological innovations, such as proptech solutions, can enhance operational efficiencies and tenant experiences. Collaborative efforts between public and private sectors will be crucial in addressing regulatory challenges and fostering sustainable growth.

Final Thoughts

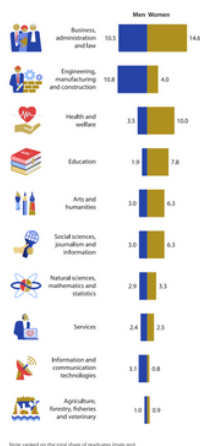
The 2024 real estate outlook for Europe presents a landscape of both opportunities and challenges. The residential market is driven by urbanization and sustainability, while the commercial sector adapts to new work and retail paradigms. Investment prospects are promising, particularly in emerging markets and green finance, though economic and regulatory hurdles must be carefully managed.

Kouamou Capital remains committed to guiding our clients through this dynamic environment with expert insights and strategic advice. By staying informed and agile, we can collectively navigate the complexities of the European real estate market and capitalize on the opportunities that lie ahead.

We appreciate your continued trust and partnership with Kouamou Capital. Together, we look forward to a prosperous and innovative year in 2024. Thank you for being part of our journey.

APPENDIX

% in EU of Fields of study for university graduates 2022



Source: EuroStat Key Figures of Europe 23 edition

Integration of Financial Markets: The EU has been working towards the integration of financial markets to create a single financial services market. The aim is to facilitate cross-border financial activities and promote competition, efficiency, and consumer choice.

Regulatory Changes: The EU has implemented various regulatory changes to enhance the stability and transparency of financial markets. Initiatives such as the Markets in Financial Instruments Directive (MiFID) and the Second Payment Services Directive (PSD2) have had a significant impact on the financial services landscape.

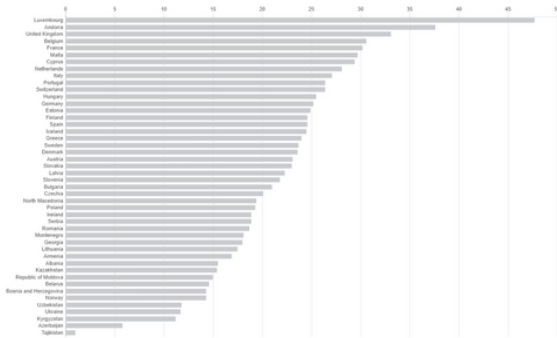
Banking Union: The establishment of the Banking Union is a key development in the EU's financial services sector. It includes the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), aimed at ensuring the banking sector's stability and dealing with failing banks in a coordinated manner.

Fintech Innovation: The EU has witnessed significant growth in financial technology (fintech) companies, offering innovative solutions in areas such as payments, lending, and wealth management. Regulatory frameworks, including PSD2, have played a role in fostering innovation and competition.

Sustainable Finance: There has been a growing emphasis on sustainable finance within the EU. The European Commission has introduced the EU Sustainable Finance Action Plan to integrate environmental, social, and governance (ESG) considerations into financial decision-making.

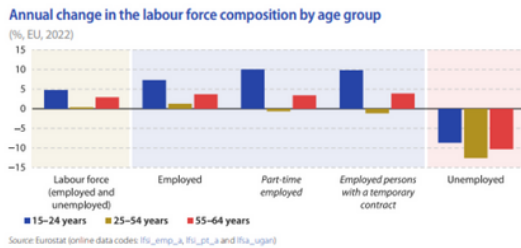
Digital Transformation: Digitalization has been a key trend in the financial services industry, with a focus on enhancing customer experience, improving operational efficiency, and adopting emerging technologies such as artificial intelligence and blockchain.

Share of finance and business services in EU GDP 2022



Source: [UNECE](#)

Repartition by age of EU Annual change in the labour force in 2022



Source: Eurostat (online data codes: [lfs_emp_a](#), [lfs_pt_a](#) and [lfs_uqrj](#))

Financial Services and business services: The financial sector, including banking, insurance, and other financial services, is a vital part of the EU economy. Major financial hubs like London, Frankfurt, and Paris are significant contributors.

Source: [UNECE](#)

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EU Members

EU Member States					
Austria (AT)	Estonia (EE)	Italy (IT)	Portugal (PT)		
Belgium (BE)	Finland (FI)	Latvia (LV)	Romania (RO)		
Bulgaria (BG)	France (FR)	Lithuania (LT)	Slovakia (SK)		
Croatia (HR)	Germany (DE)	Luxembourg (LU)	Slovenia (SI)		
Cyprus (CY)	Greece (EL)	Malta (MT)	Spain (ES)		
Czechia (CZ)	Hungary (HU)	Netherlands (NL)	Sweden (SE)		
Denmark (DK)	Ireland (IE)	Poland (PL)			

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We thank you for your continuous trust, feedback and your invaluable contributions.

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