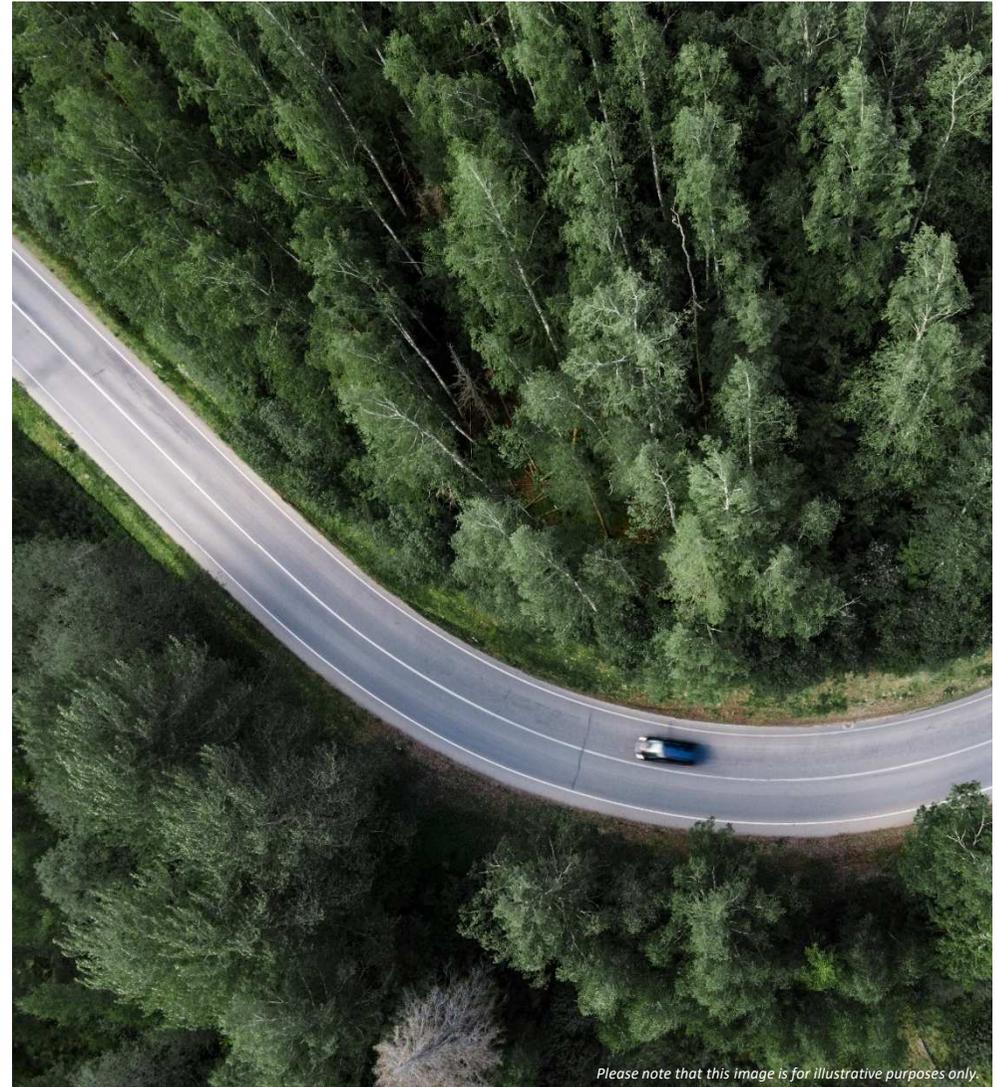




# Market Outlook 2022

**Justin Curlow**  
**Global Head Research & Strategy**  
**AXA IM – Real Assets**

**Tuesday, 18 January**



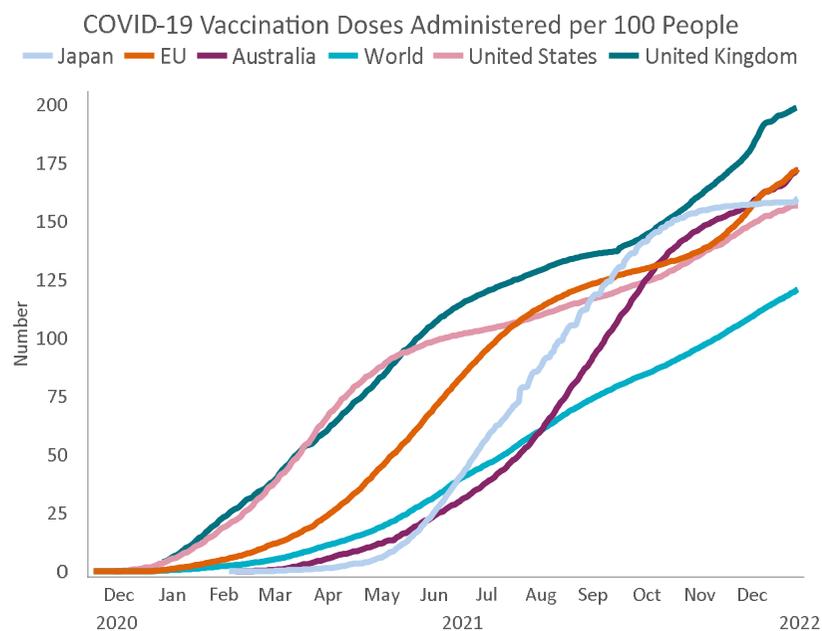
*Please note that this image is for illustrative purposes only.*



# Macro Overview

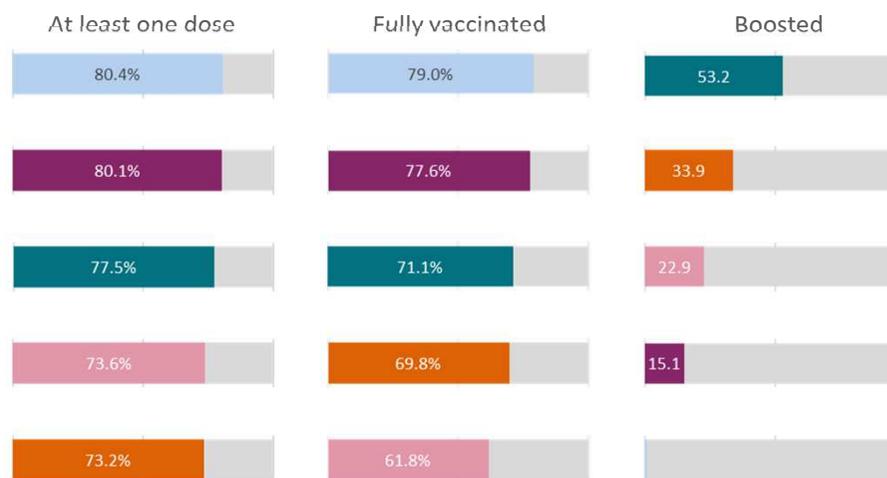


## Vaccine progress and boosters leading to more modest restrictions during Omicron wave



Source: Macrobond, AXA IM – Real Assets, data as at 12 January 2022

### Vaccination program status

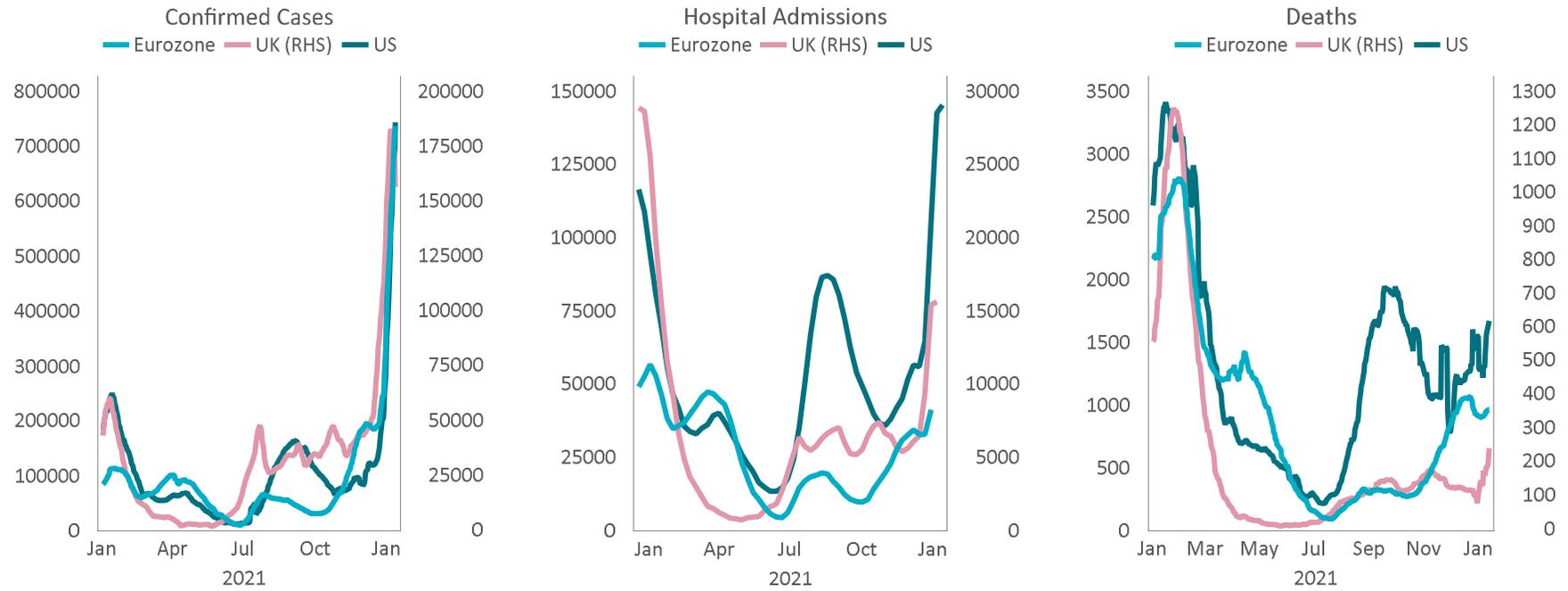


Source: Financial Times, AXA IM – Real Assets, data as at 12 January 2022

Note: At least one dose and Fully vaccinated stated as % of population, Boosted stated as doses per 100 residents

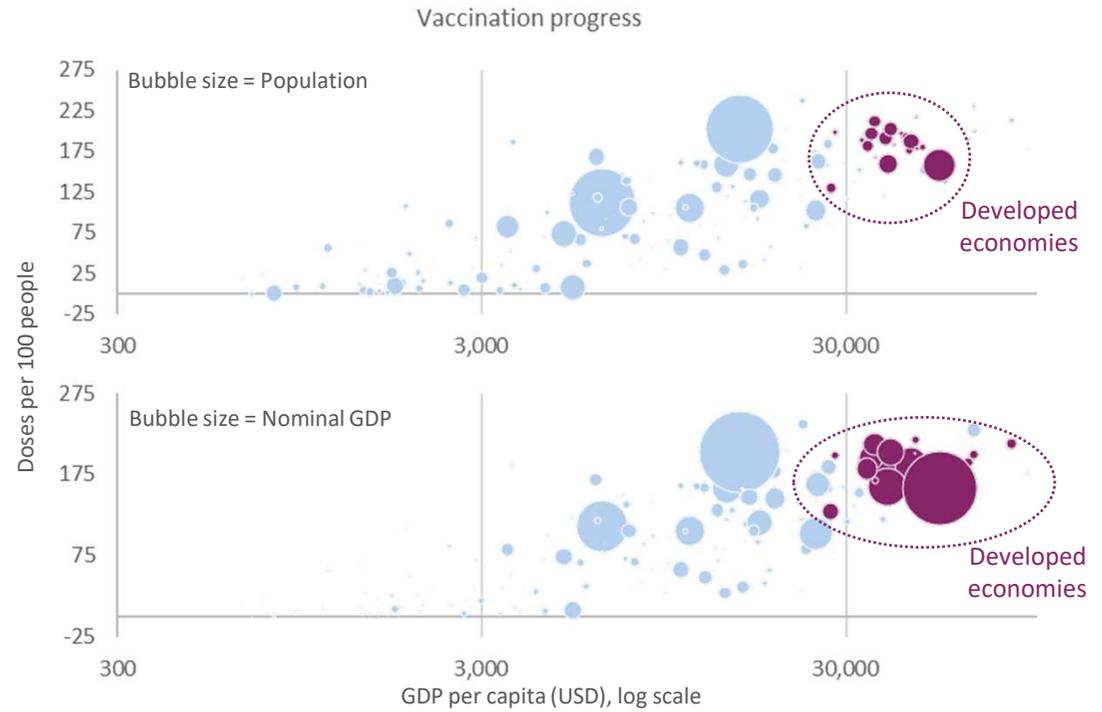
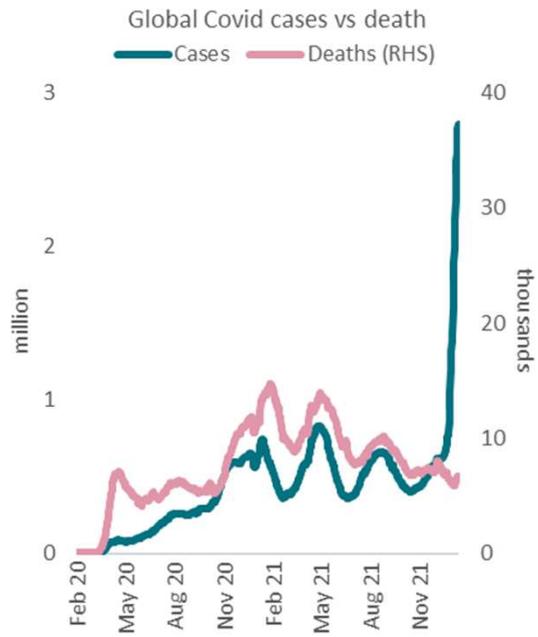
**Important Notice:** The information has been established on the basis of data, projections, forecasts, anticipations and hypotheses which are subjective. This analysis and conclusions are the expression of an opinion, based on available data at a specific date. Due to the subjective aspect of these analyses, the effective evolution of the economic variables and values of the financial markets could be significantly different from the projections, forecast, anticipations and hypotheses which are communicated in this Material. For illustrative purposes only. Diagrams for illustrative purposes only

## Omicron: More transmissible but less severe



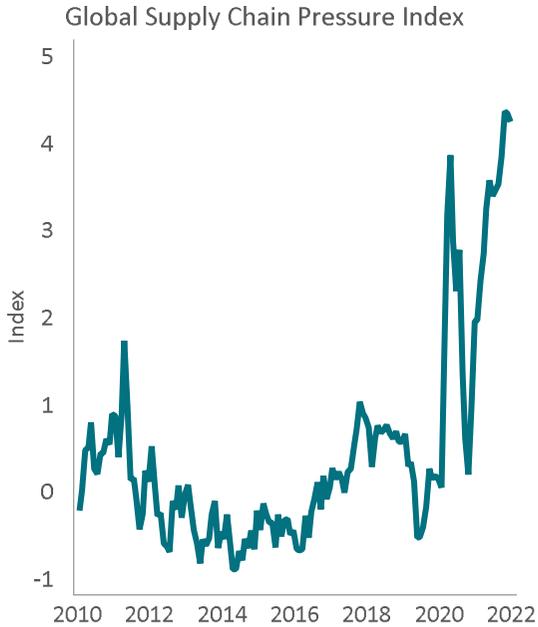
Source: World Health Organisation, Our World in Data, Macrobond, AXA IM – Real Assets, data as at 12 January 2022  
 Note: Cases and Deaths stated as rolling 7 day averages, Hospital admissions stated as weekly figures; Eurozone Hospital Admissions exclude Austria, Lithuania and Slovakia  
 Diagrams for illustrative purposes only. Please see important notice on slide 2

## Omicron: Vaccination program significantly more advanced in developed economies

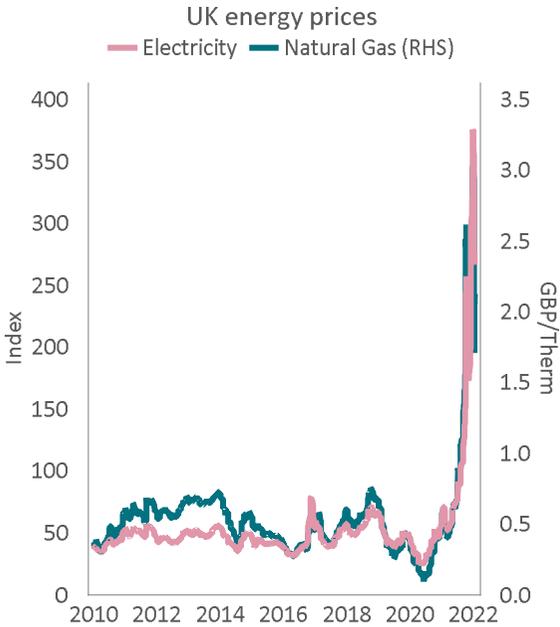


Source: Our World in Data, FT.com, AXA IM – Real Assets, data as at 13 January 2022  
 Note: Developed economies as classified by FTSE Group  
 Diagrams for illustrative purposes only. Please see important notice on slide 2

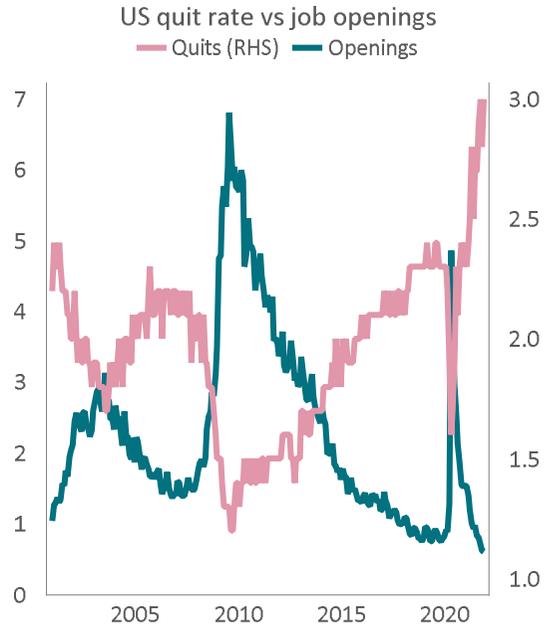
# Inflation: A thorn in the side of the recovery



Source: Macrobond, Federal Reserve Bank of New York, data as at January 2022



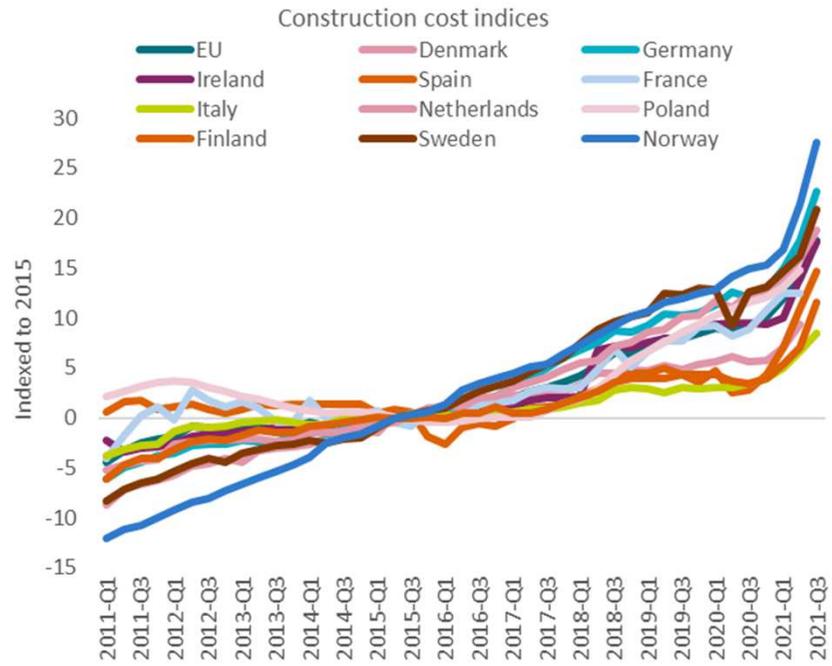
Source: ICE, Macrobond, data as at January 2022



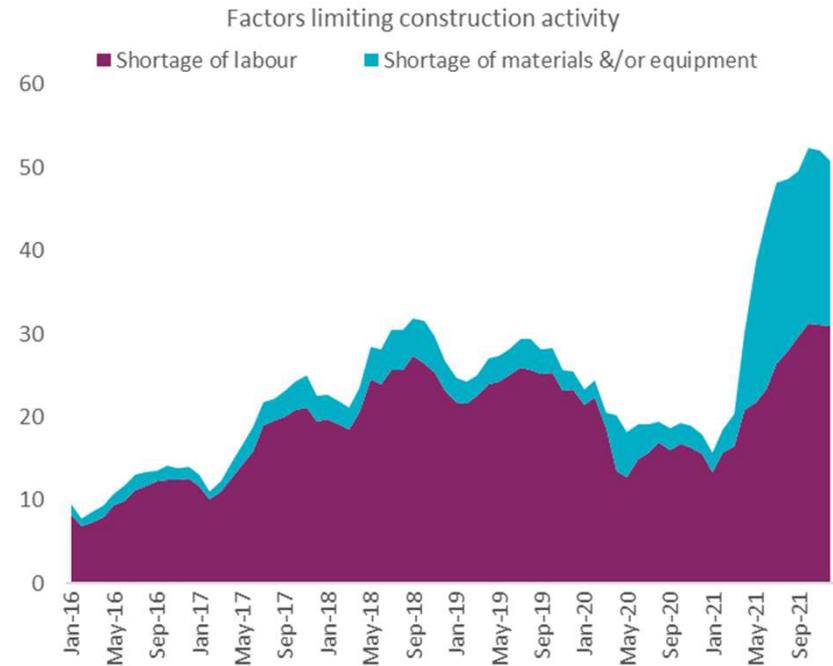
Source: BLS, Macrobond, AXA IM—Real Assets, data as at January 2022

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## Increased construction costs should support rent growth



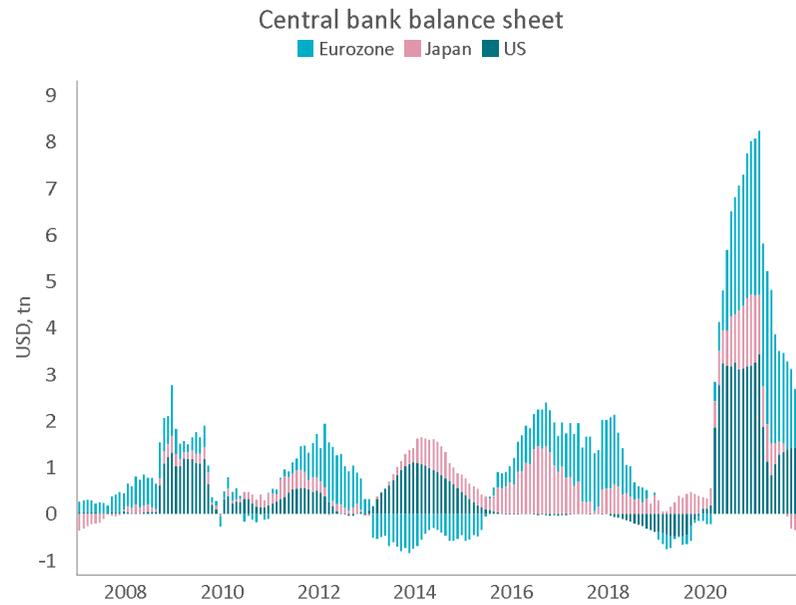
Source: Eurostat, AXA IM - Real Assets, data as at Dec 2021



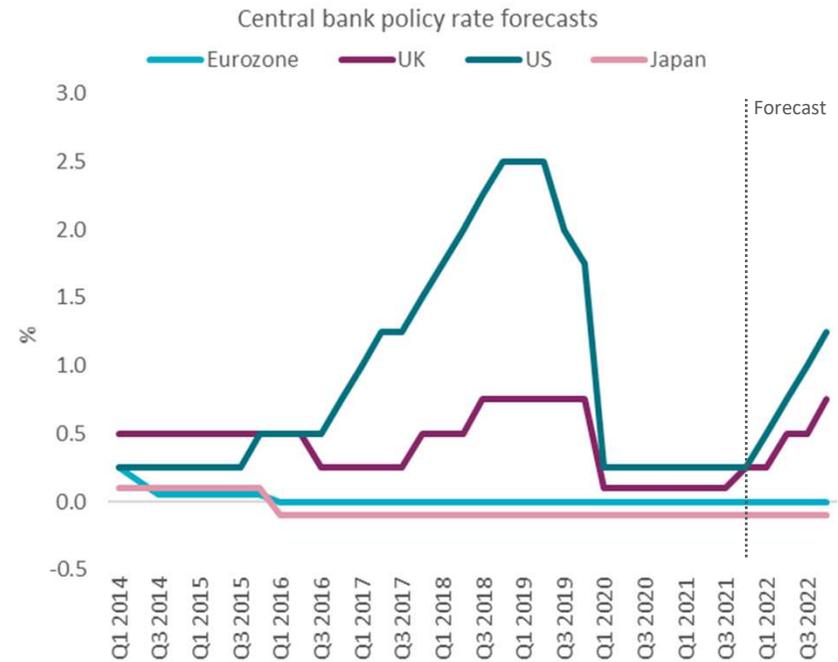
Source: European Commission, AXA IM - RealAssets, data as at Dec 2021

Diagrams for illustrative purposes only. Please see important notice on slide 2

## Walking the tightrope: Central banks respond to inflationary pressures



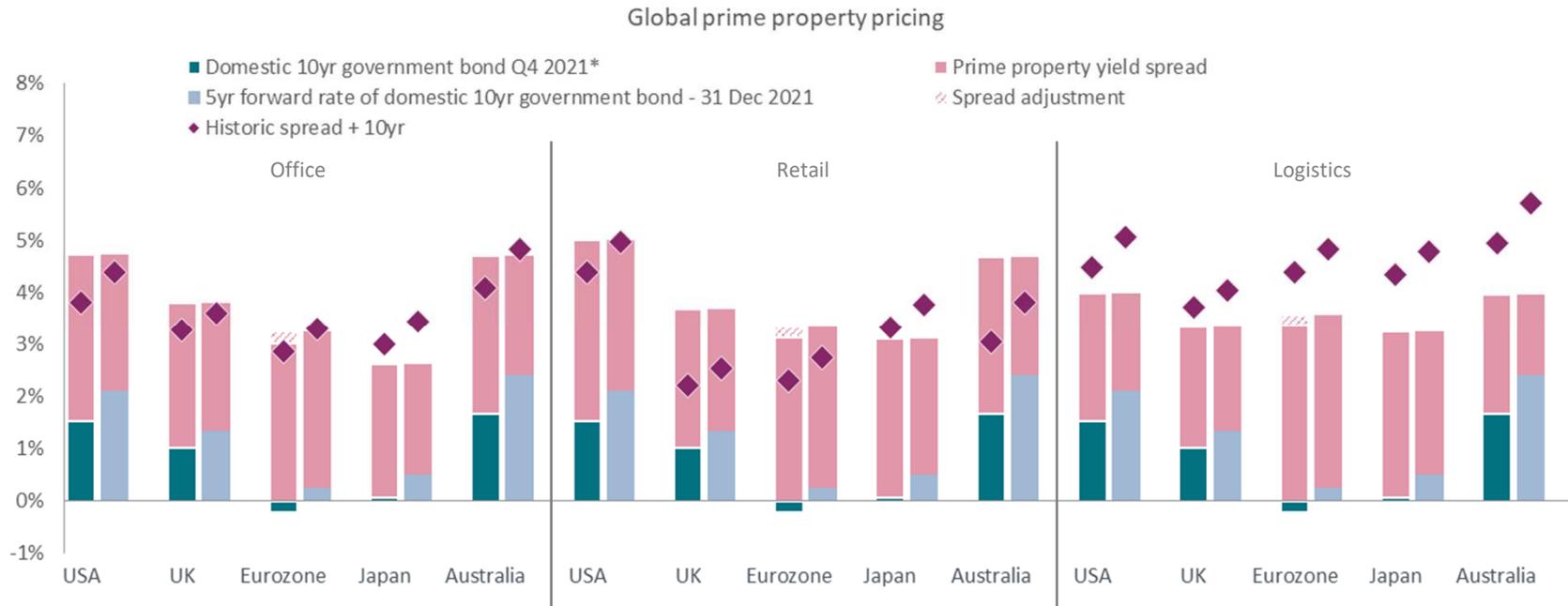
Source: Macrobond, AXA IM – Real Assets, data as at 12 January 2022



Source: AXA IM Macro Research, forecast as at 17 Jan 2022

Diagrams for illustrative purposes only. Please see important notice on slide 2

## Interest rate environment still largely supportive for property pricing and capital values



Source: CBRE, PMA, RCA, Bloomberg, AXA IM - Real Assets, data as at 30 December 2021

\*Property yields as at Q3 2021

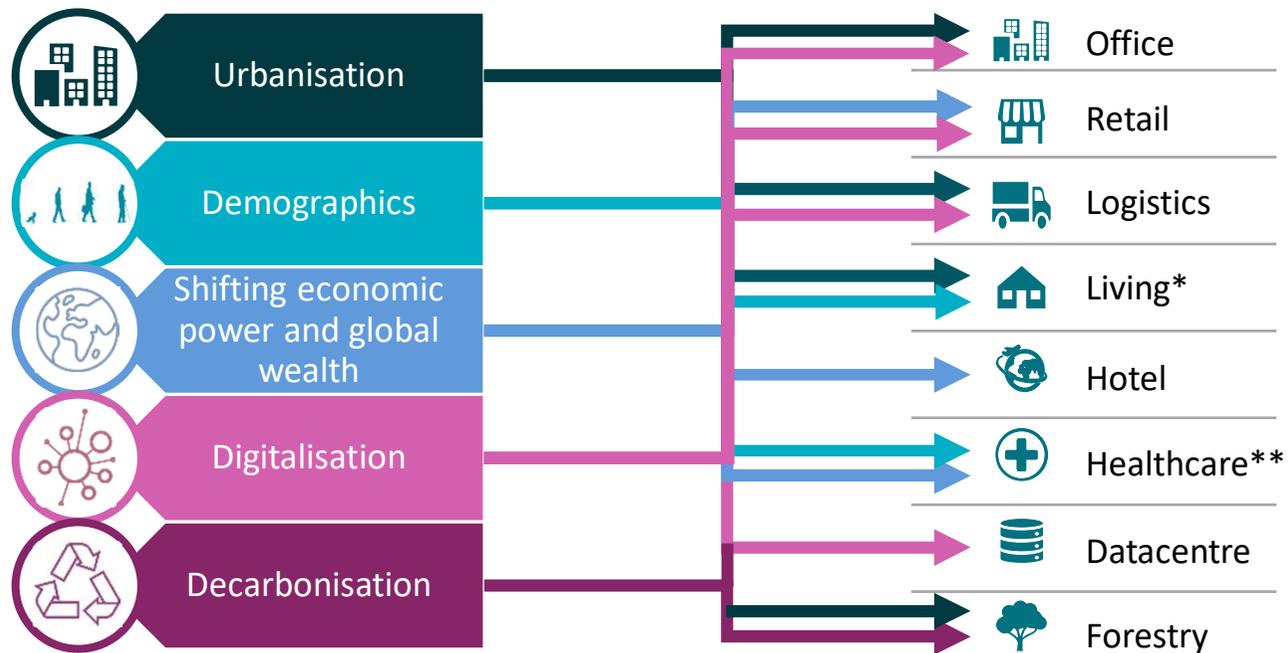
Diagrams for illustrative purposes only. Please see important notice on slide 2



# Sector Recovery Prospects



## Thematics underpinned by megatrends remain a long term, through cycle focus



Source: AXA IM – Real Assets, as at March 2021

Note: \* includes Private Rental Sector (PRS), Purposed Built Student Accommodation (PBSA), and Senior Housing (SH), \*\*including Assisted Living

Diagrams for illustrative purposes only. Please see important notice on slide 2

# Defensive vs offensive recovery plays

## Defensive



Living



Healthcare



Logistics



Datacentre

## Offensive



Retail



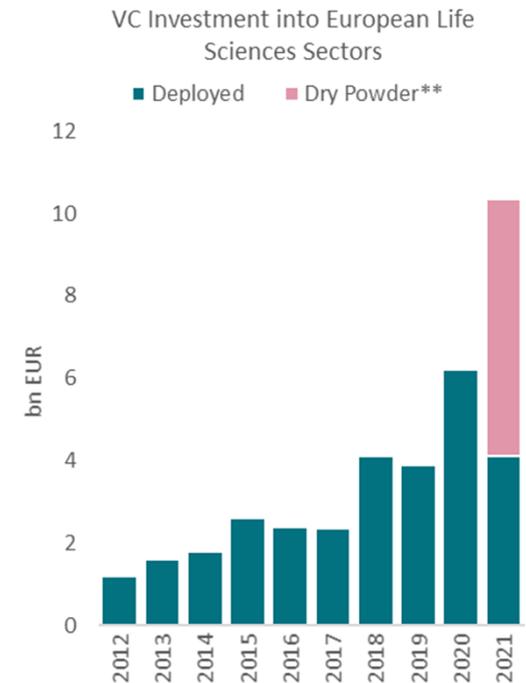
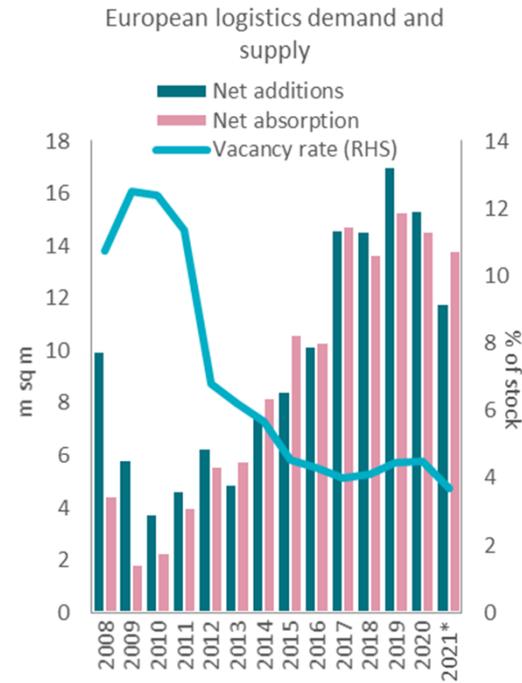
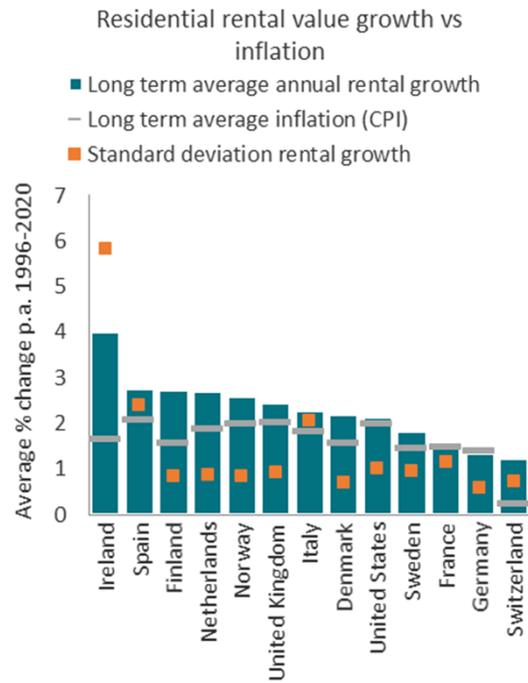
Hotels



Airports

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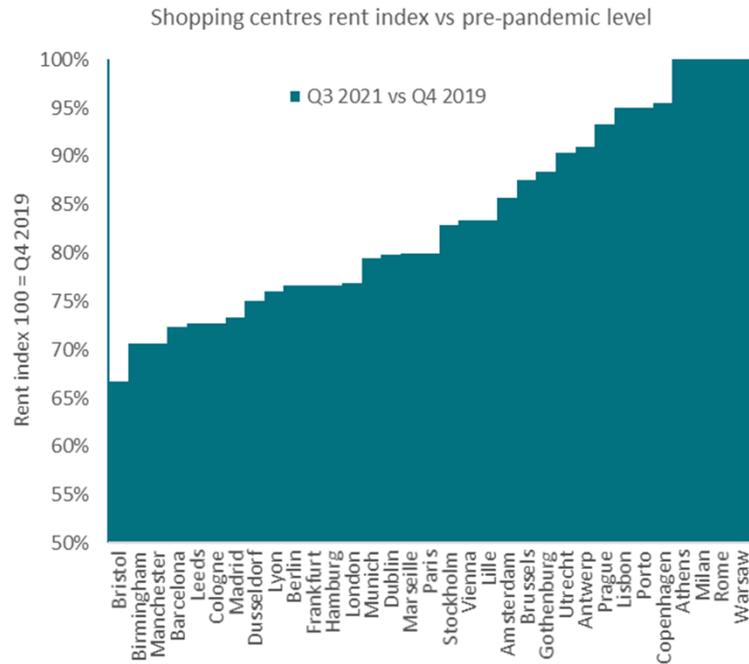
## Defensive focus on 'Beds, Sheds and Meds'



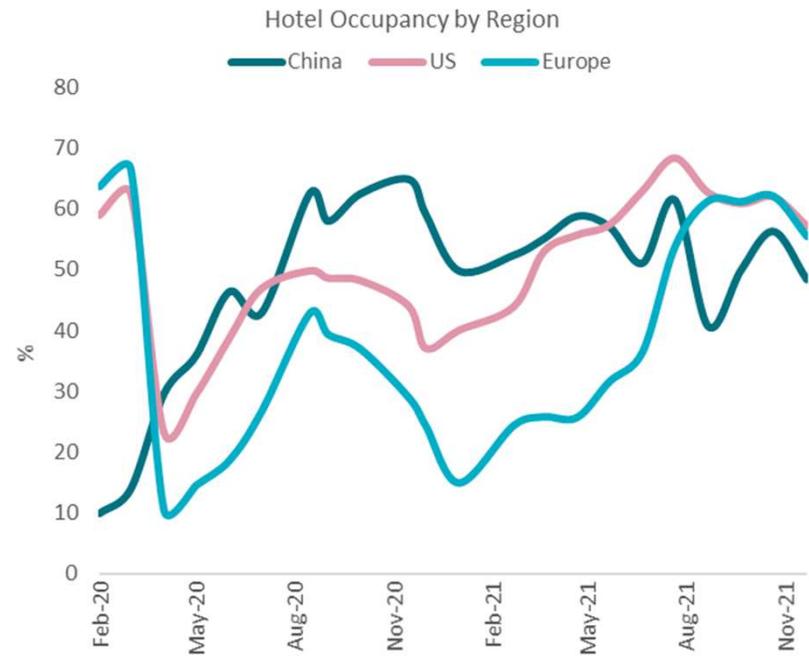
Source: Eurostat, Fred, Prologis, JLL, CBRE, Savills, FT, Pitchbook, AXA IM - Real Assets, data as at November 2021

Note: European logistics markets - France, Germany, Italy, Netherlands, Spain, UK, Czech Republic, Hungary and Poland; Modern warehousing units 5,000+ sq m; 10,000+ sq m in the UK; \* Q1-Q3 2021 net additions and net absorption are totals for the three quarters, whereas vacancy rate is for Q3; \*\*Note: Dry Powder = venture capital targeting life science ventures, raised in 2021, but, as of August 2021, not yet deployed

## Offensive: Retail correction accelerated by pandemic while pent-up demand fills hotels



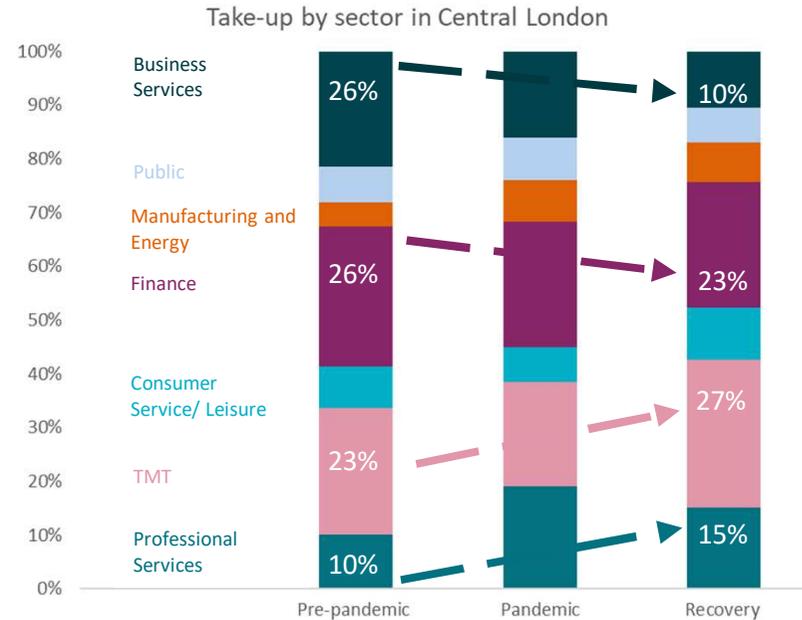
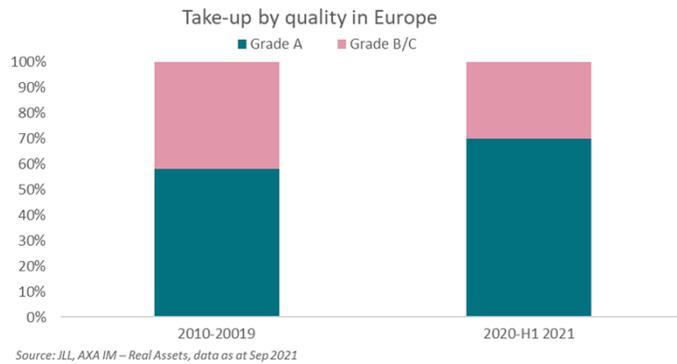
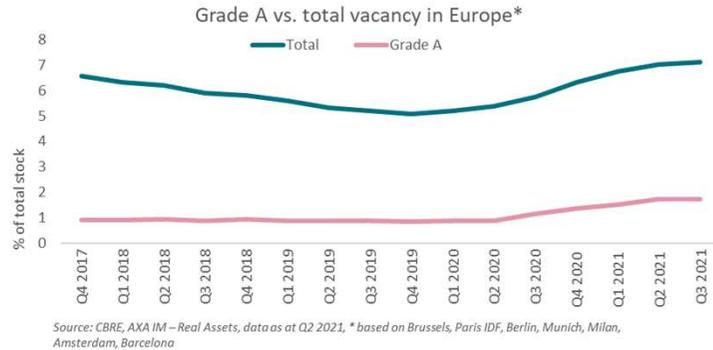
Source: CBRE, AXA IM - Real Assets data as of Q3 2021



Source: STR, AXA IM - Real Assets, Data as at 17 January 2022

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## Office leasing activity focused on modern space at the expense of older obsolete stock

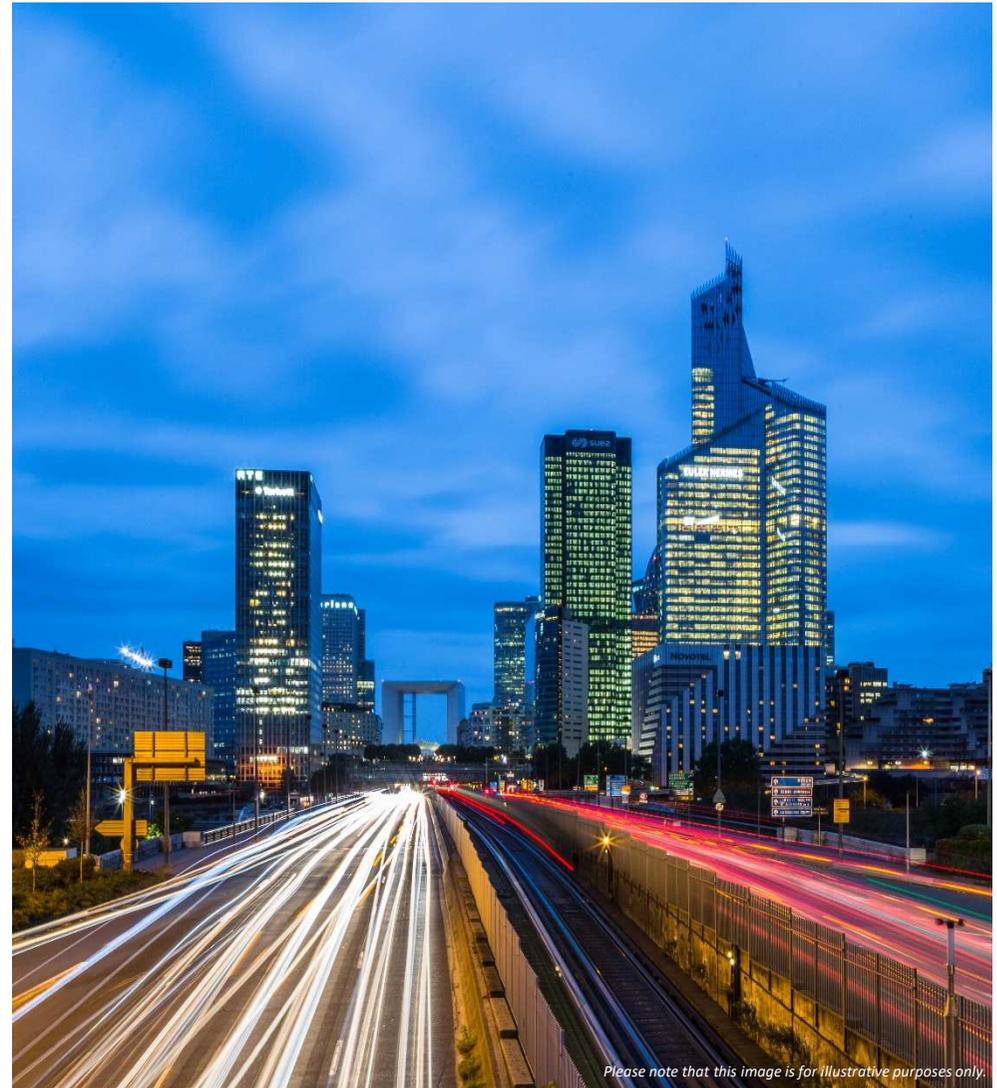


Office demand rebound has happened more swiftly than anticipated but is centred on top quality space

Diagrams for illustrative purposes only. Please see important notice on slide 2



# Capital Markets & Investment Strategy



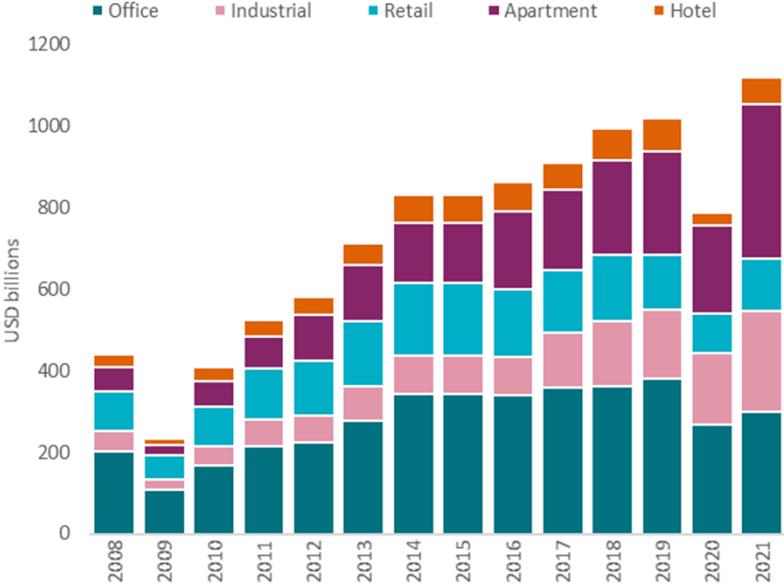
# Distressed sales activity limited amid resurgence in transaction volumes

Distressed sales as share of total - US



Source: Real Capital Analytics, data as at 16 December 2021

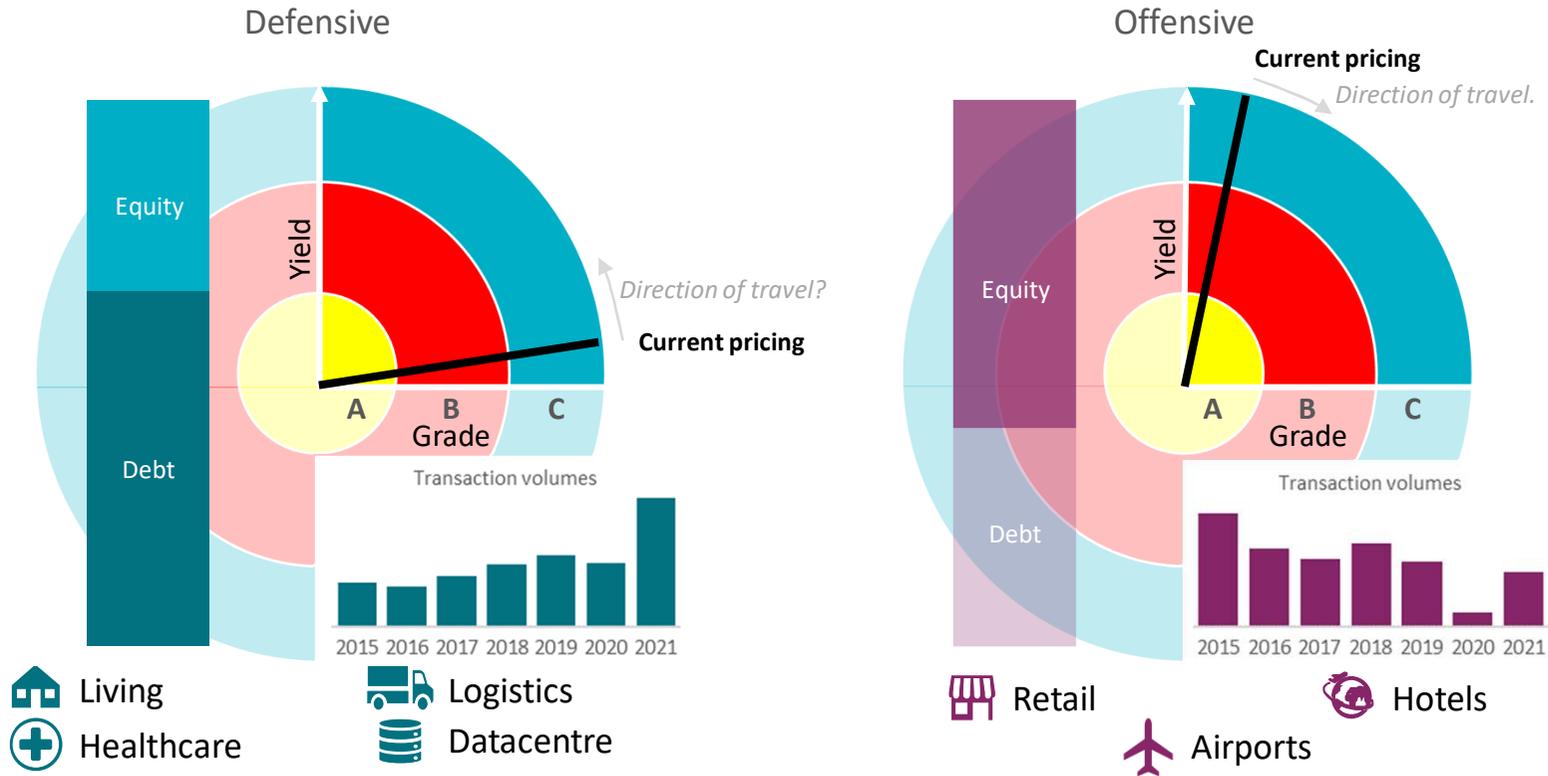
Global investment transaction volumes



Source: RCA, AXA IM - Real Assets, data as at 10 Jan 2022  
 Note: Q4 2021 preliminary data

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With the roadmap to recovery offensive investment plays become more under writable



Source: RCA, AXA IM – Real Assets, data as at 14 January 2022  
 Note: Annual global investment transaction volumes. Defensive refers to industrial and apartment; scale \$1.0 trillion to \$7 trillion. Offensive refers to retail and hotels; scale \$1.0 trillion to \$3.5 trillion; 2021 data provisional  
 Diagrams for illustrative purposes only. Please see important notice on slide 2

## Summary: property well positioned for next phase of recovery



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