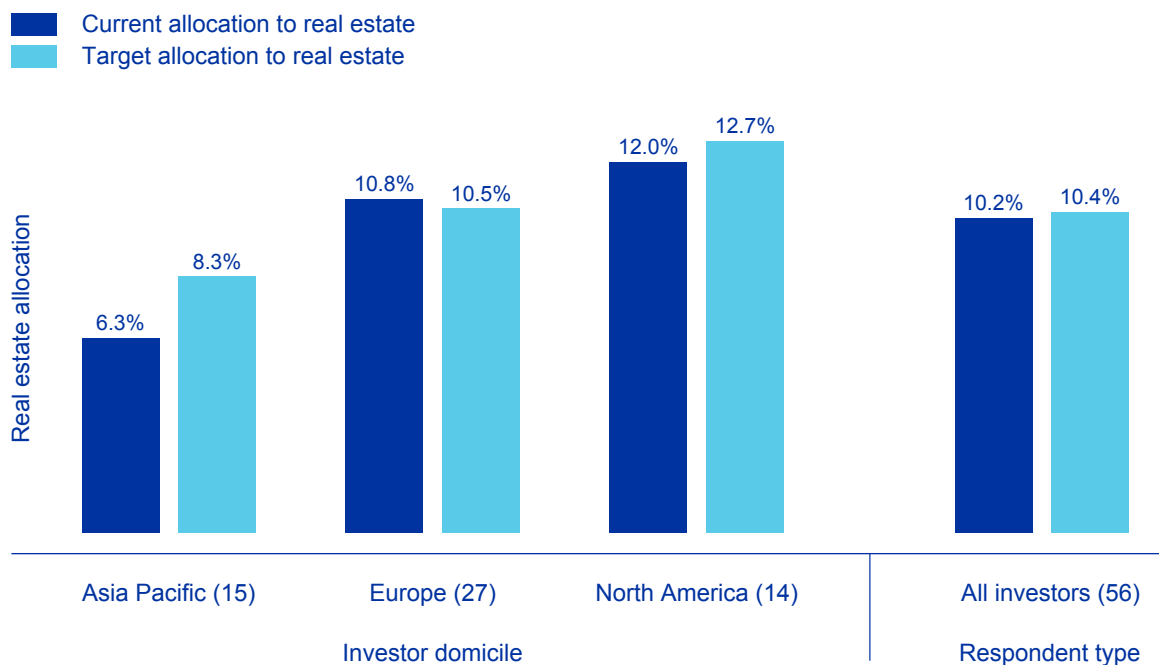


## Gap between current and target allocations narrows across regions

- > Interest rate policy, inflation, and denominator effect will define the market in 2023
- > Investors' preferred styles, locations, and sectors show a shift towards core strategies
- > Increase in investors' interest in debt vehicles in Europe

**Figure 1: Average current and target allocations to real estate globally (weighted by total AUM)\***



\* Number of respondents in parentheses.

Results of this year's edition of the ANREV/ INREV/PREA Investment Intentions Survey showed that the gap between current and target allocations narrowed significantly compared to last year's edition. The gap decreased from 120 basis points in the 2022 report to 20 basis points in this year's edition.

The reduction is observed for investors across all regions. However, it is less relevant for APAC investors. On the other hand, European investors are, on average, over-allocated to real estate.

This gap decrease between the current and target allocations is mainly driven by external conditions such as the monetary policy or the denominator effect.

The denominator effect was mentioned by approximately 70% of the respondents as one of the main issues impacting their real estate decisions for 2023. However, the fast price correction in the real estate segment should minimize its impact.

The denominator effect, alongside the monetary policy issues and the geopolitical risk, pushed investors towards more core strategies. Around 46% of the respondents selected core as their preferred investment strategy when investing in Europe in 2023.

Although the diversification benefit for a multi-asset portfolio remains the most important reason when investing in real estate, the inflation hedge ability of real estate has become more relevant for investors.

Non-listed real estate debt vehicles are gaining importance among investors as they are looking for less risky strategies. More than 60% of the respondents plan to increase their allocation to debt vehicles in 2023. The outcome is even more striking when adjusting the results by AUM, as investors representing almost 80% of the total respondents' AUM will

increase their allocations to non-listed real estate debt vehicles.

Regarding the top preferred locations and sectors, core European markets and mainstream sectors are the most favored picks for investors in Europe.

France and Germany are the preferred destinations for investors, followed by the United Kingdom and The Netherlands. At the same time, more secondary locations like Spain, Italy, or the Nordics have seen a drop in investor interest compared to previous years.

Office, residential, and industrial/logistics remain the preferred sectors in Europe.

Although industrial/logistics remains in the top three preferred sectors, there is a sharp drop compared with last year's results. This could be driven by its weak performance last year. Development is the other sector that has suffered a major decline in interest compared to the previous year.

For further details, contact [research@inrev.org](mailto:research@inrev.org). The full report is available for members at [inrev.org/research](https://inrev.org/research).

**Figure 2: Expected changes to real estate allocations in Europe over the next two years (equally weighted)**

