BBGI GROUP Global Investments

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Investments - Flash

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OPPORTUNITIES FOR SECURITIZED REAL ESTATE

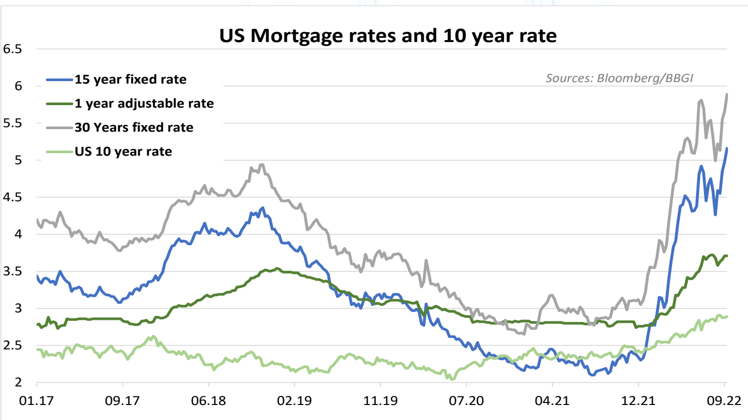
Prospects of rate hikes have already weighed on prices

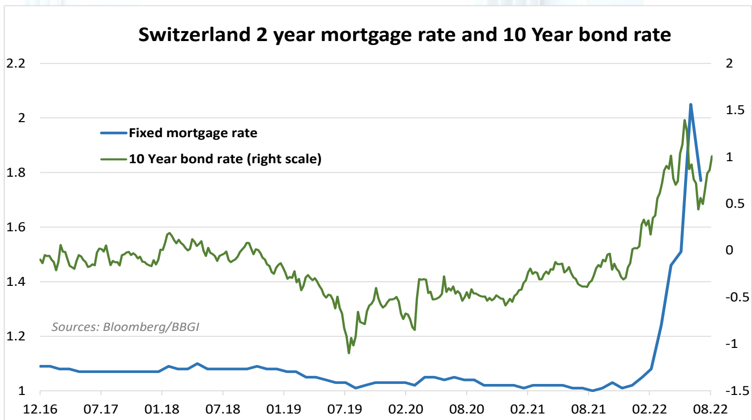
Securitized real estate has reacted strongly to the rise in interest rates and mortgage costs observed in recent months in most countries. The -25% drop in the global EPRA Nareit Developped index (USD) has thus erased the valuation excesses of the year 2021 and is now -7% below its average value over the last ten years.

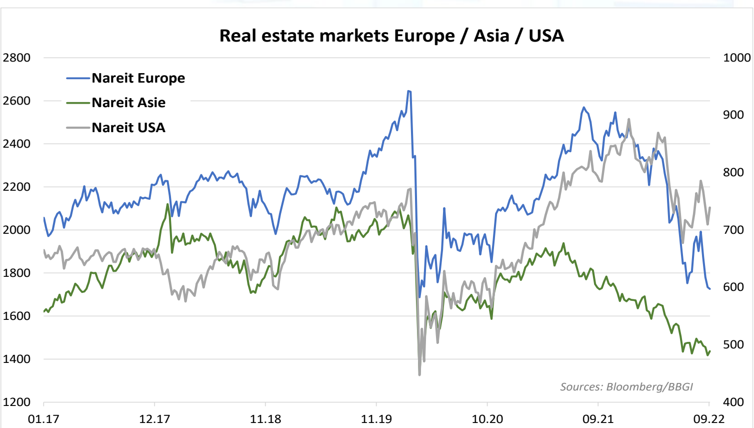
Direct real estate will certainly suffer from a significant slowdown in demand and a slowdown in price growth. However, our base case scenario clearly rules out the risk of a global real estate crash. A decline in transactions and prices is more likely in Canada and Australia after the excesses of recent years. The United States and the United Kingdom are also weakened by the rapid rise in interest rates, but could show some resistance. In Switzerland, the still very low level of interest rates and relatively limited price growth suggest a reduced relative risk.

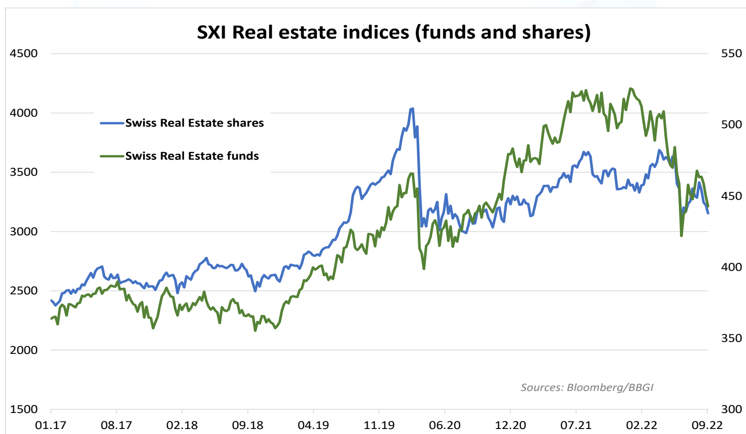
The recent fall in the price of Swiss investment funds (-25%) is thus an opportunity for long-term repositioning, as is the case for real estate companies, whose fall has been less dramatic (-20%). In the Eurozone, securitized real estate collapsed by 45% in 12 months, while average mortgage rates rose from 1.6% to 2.35% and 10-year government rates rose from 0% to 2%.

Inflation in Europe is rightly frightening, but the price correction already seems to take into account a tightening of the monetary policy of the ECB. The increase in US interest rates to 3.5% and mortgage rates to 6% did not affect the US EPRA Nareit index as much, as it declined by 25%. European real estate thus appears more attractive in relative terms and offers an opportunity for long-term repositioning.









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