

PRESS RELEASE

## European real estate investment proved volatile in 2022, despite a promising start

Total investment across the European real estate market fell by around 14% in 2022 compared to the previous year, coming in at EUR 248 billion, according to global law firm [CMS](#)' latest European Real Estate Deal Point Study.

During the first six months of 2022, the markets rebounded from the Covid-19 pandemic, resulting in a flourish of transactions and total investment for the period – matching the record levels seen in 2020. In the second half of 2022, however, the sharp increase in financing costs prompted cautious investment behaviour, leading to a decline in overall investment levels across the continent. The decline was particularly pronounced in the fourth quarter of 2022, with investments plummeting by 57% compared to the same period in 2021, reaching approximately €47 billion.

The report noted that investment trends varied widely across countries, with Italy (+25%), Spain (+29%) and Belgium (+177%) experiencing greater investment volumes in 2022. France (+1%) maintained investment levels similar to the previous year, whilst Germany (-16%) and the UK (-19%) witnessed a decline.

**Johannes Hysek, a partner in the Real Estate department at CMS Austria**, said: *“The volatility in the European real estate investment market during 2022 emphasises the need for investors to remain vigilant and adaptable in the face of ever-changing economic conditions. The ongoing uncertainty in the market has nevertheless created a favourable environment for buyers, enabling them to negotiate high discounts when purchasing properties. The decrease in real estate investment has continued this year. In the first half of 2023, a clear reluctance on the part of investors could be observed. One of the main reasons for this is the constantly increasing interest rate environment. So far, there are no indications of a trend reversal, so further development remains to be seen.”*

*“European real estate markets experienced quite diverse developments last year, opening up some attractive investment opportunities on the buyer side. We saw revived interest especially in office and residential properties in prime locations,”* says Nikolaus Weselik, a partner at CMS Vienna and an expert on construction and real estate law, summarising the study's results.

*“International investors accounted for the majority of real estate investment in 2022, with a share of 54 per cent,”* adds Gregor Famira, a partner at CMS Vienna and co-head of the regional Real Estate Practice Area Group. *“They held an even stronger position than in other countries in Eastern Europe, where almost two thirds (63 per cent) of all transactions advised by CMS featured a foreign investor on the buyer side. Our study – now on its 13<sup>th</sup> edition – highlights current standards and margins for transactions, which is why many players in the market like to refer to it in negotiations.”*

CMS' analysis of the real estate market in 2022 revealed the following key trends:

- **Demand for office property is on the rise again.** Following the record low of 2021 (19%), investor interest in this segment revived. Its percentage share rose to 24%, making office real estate the most sought-after asset class in Europe alongside residential property.
- **Investment in residential properties accounted for a 24% share of the market.** That made them the most sought-after asset class with regard to the transactions on which CMS advised. The main reason for the popularity of residential properties is the stable income that they generate, which is particularly attractive to investors during uncertain times.
- **International investors accounted for the majority of real estate investments.** At 54%, their share was almost the same as in the previous year (55%). National buyers, whose investments accounted for 46%, dominated the market as recently as 2020 due to the Covid-19 pandemic. This trend has now reversed slightly in favour of international investors, following the lifting of pandemic-related travel restrictions.
- **Sustained a strong desire for security on the part of sellers.** The proportion of transactions in which steps were taken to ensure the buyer met its financial obligations remained at the record high level of 70% seen in the previous year (2021).
- **Buyers were frequently able to negotiate favourable terms with regard to contractual provisions on limitation periods.** On the one hand, the parties agreed to the buyer-friendly statutory limitation rules more often than before. On the other, limitation periods of more than 24 months were often agreed in 2022, whilst there was a slight fall in the proportion of short limitation periods of up to 18 months.
- **Notable increase in seller-friendly limits on liability.** *De minimis* and basket clauses were agreed significantly more often in 2022 (52% and 42%, respectively), thus setting the market standard even in more buyer-friendly times. This represented an 8% increase in *de minimis* clauses and a 10% increase in basket clauses in transactions carried out by CMS last year. Most interestingly, the number of transactions with agreements on limits to liability was particularly high in Eastern Europe, including *de minimis* clauses (70%), basket clauses (52%) and caps (75%) – a trend that has since driven segment growth in Europe more widely.

*The CMS European Real Estate Deal Point Study 2023 now includes over 2,500 transactions, spanning the period from 2010 to 2022. This comprehensive study has empowered CMS to identify significant market trends and guide their clients through the dynamic landscape of European real estate.*