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Parking facilities in Europe – a market with space for investors

Until now, multi-storey car parks have barely been on investors' radars. Ongoing yield compression of traditional property investments is changing all that. Catella carried out a study of the market, analysing the market structures that are currently in place.

Definition and quantification

People working closely with market concepts for parking facilities will sooner or later come across the terms "on-street" and "off-street" parking. Multi-storey car parks are classed as off-street parking.

TAB. I: DEFINITIONS AND DISTINCTIONS

- A **parking facility (PF)** describes a self-contained unit used for public parking, regardless of the form it takes.
- Distinctions in construction types: **car park (CP), multi-storey car park (MCP), underground car park (UCP)**
- **Stand-alone car park:** parking as the main function, e.g. underground car park below a market square.
- **Integrated car park:** parking as a secondary function, e.g. multi-storey car park in a shopping centre.

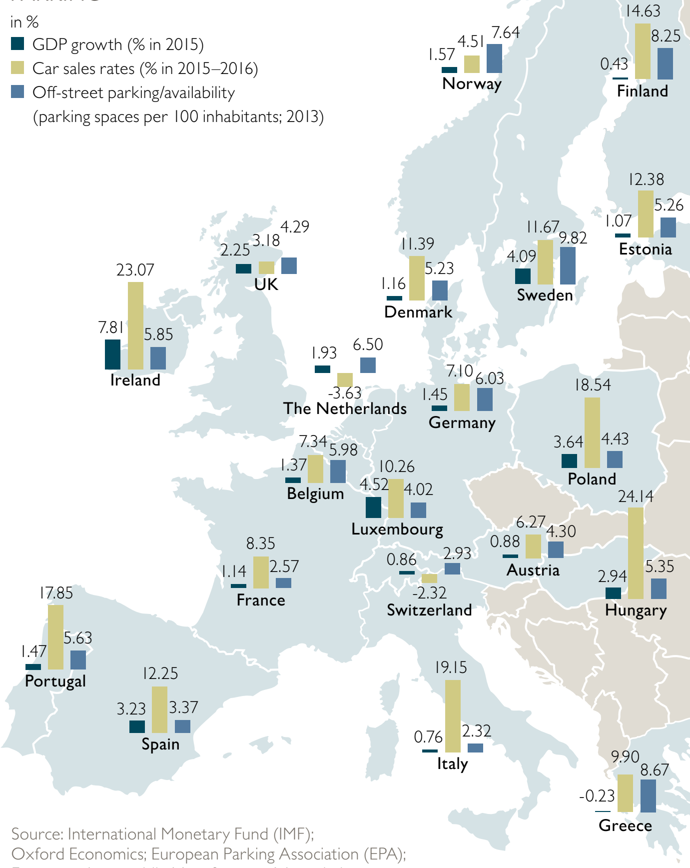
Source: Catella Research 2016

The amount of data available on parking facilities is negligible, so it is only possible to partially quantify the size of the multi-storey car park market in Europe. We estimate that there are around 300 million public parking spaces in western Europe (EU-28), of which over 80 % are in public spaces (on-street). Parking charges are levied on around 11 million parking spaces (3.6 %). The low amount of data is indicative of the largely diffusive structure of companies providing parking facilities.

We define the total population of the **multi-storey car park market** in Europe as around 48,000 properties. Around 40 % of these are operated by municipalities and commercial enterprises (shopping centres), 30 % are assigned to the entertainment industry (theatres/cinemas) and around 10 % are located at airports. Around 20 % can be assigned to a diffuse user structure.

With regard to yields from multi-storey car parks (total turnover in Europe in 2015: € 8.58 billion), Germany has the largest share at around 25 %, followed by France (17 %), the UK (16 %), Italy (15 %) and Spain (8 %).

FIG. I: GDP GROWTH, CAR SALES AND OFF-STREET PARKING



Source: International Monetary Fund (IMF); Oxford Economics; European Parking Association (EPA); European Automobile Manufacturers' Association
Designed by: Catella Research 2016

Established national economies such as Germany, France, Italy, Belgium, the Netherlands and the Nordic states could be of particular interest in terms of investments in multi-storey car parks. However, southern and eastern Europe could potentially also be attractive markets. The economy in Spain is currently

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Your contacts:

Dr. Thomas Beyerle
thomas.beyerle@catella.de
+49 (0)69 31 01 930-220

Maximilian Radert
maximilian.radert@catella.de
+49 (0) 89 189 1665-80

recovering and showed growth of nearly 13 % in new vehicle registrations, which is significantly higher than the growth rate in Germany (+7.1 %). Despite a more challenging economic environment, Italy recorded a 19.5 % increase in registrations. Registration numbers were also boosted in Poland, thanks to the positive economic situation (+18.5 %).

If we consider the number of off-street parking spaces per number of inhabitants, it becomes clear that the Nordic countries in particular have a high proportion of off-street parking. With 9.82 % and 8.25 % respectively, Sweden and Finland are significantly above the European average of 5.4 %. In Germany, this proportion is 6 % and in Italy, just 2.3 %. This variation in the statistics reflects the different parking policies of the countries in question.

Price trends set to continue

We expect to see significant growth in prices/parking charges across all European countries. The willingness of car users to pay for parking is increasing significantly – while the average duration of use is decreasing.

In the past, parking charges have increased at a rate that is well above the rate of inflation. For example, in Germany, parking charges for short-stay car parks increased by an average of 2.9 % in five years. In the UK, they increased by 3.6 %, and in Norway by 4.6 %. When we look at the statistics showing how demand is developing, we can confidently look forward to a continuation of this positive trend.

We see multi-storey car parks used by different groups of tenants as particularly attractive properties for investment. A **hybrid multi-storey car park,** i.e. one used by various companies and private consumers, is better positioned from a structural point of view than a multi-storey with a monofunctional use. Yield-focussed operators can thus transform a single-tenant property into a multi-tenant one.

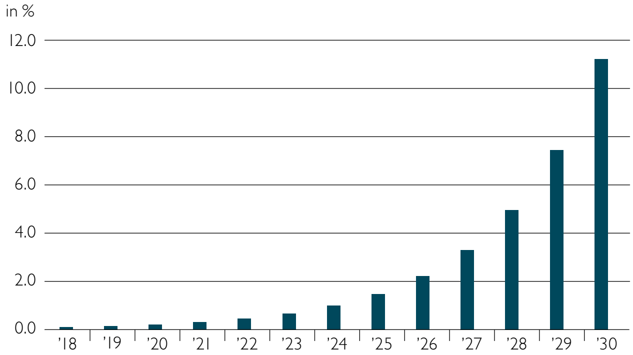
Innovations are boosting the multi-storey market

In future, it will be possible to automate the parking process. On the one hand, this will lead to maximum efficiency in the **use of floor space.** In an ideal situation we would hope to see an increase in area capacity of around 25 %. In other words, reducing traffic areas would make it possible to park a greater number of cars. On the other hand, this development is still countered by problems with networks and interfaces between cars, traffic flow and car parks – for the time being, at least.

The **car-sharing** trend also has an effect on vehicle use. In Germany, brands such as car2go and DriveNow have recently enjoyed considerable growth. Strong growth is also expected on the European market. While there were 700,000 car-sharing customers in late 2011, this figure has already increased to 2.3 million users in 2016. By 2020, it could be as high as 15 million users.

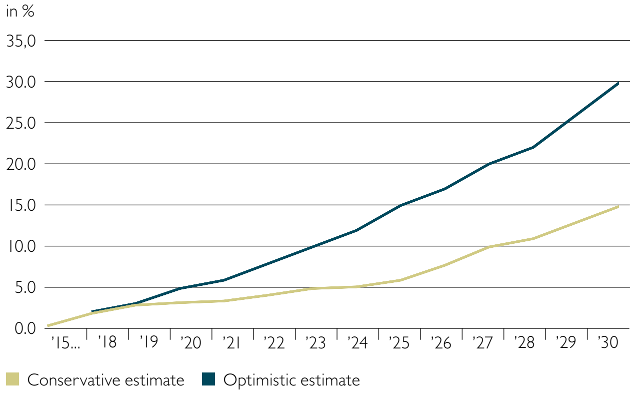
Multi-storey car parks can also make a contribution towards sustainability and are certainly a strategic component in municipalities' efforts to reduce CO_2 emissions in cities. The expansion of the **e-mobility** segment also plays a vital role in this respect. As the "garages of the future", multi-storey car parks offer the basic infrastructure to support this trend.

FIG. 2: MARKET SHARE, HIGHLY AUTOMATED VEHICLES



Source: Center of Automotive Management (CAM); designed by: Catella Research 2016

FIG. 3: GLOBAL SALES OF ELECTRIC CARS



Source: Center of Automotive Management (CAM); designed by: Catella Research 2016

Conclusion

With a glance at the initial market structures, it is highly plausible that institutional investors would be able to diversify their portfolio with an investment in multi-storey car parks, achieving significant yields.

The trends towards car-sharing, electric vehicles and highly automated driving do not pose any disadvantages in terms of investments in multi-storeys. On the contrary, they will boost demand for paid parking. The clear excess demand strengthens the market power of the operators and will generally enable higher prices. The operating risk of the car park investor can therefore be classed as limited, due to the simple business model. Even in the case of operator insolvency, the cash flow will not necessarily come to a halt.

It is important that we make every effort to catch up with regard to market transparency and data availability for in-depth analyses. We can expect that this lack of information will be resolved gradually with the institutionalisation of the market.