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Car parks: real asset's rough diamond

Car parks offer investors a great deal: proven resilience and an attractive risk-return profile. They also appear to be future-proof as they will facilitate decarbonisation by providing EV-charging facilities and increasingly act as inner-city hubs.

Nowadays, car parks are highly appreciated by investors because of the proven track record of this asset class which had previously been overlooked by the institutional investment world for a long time. This has gradually evolved over the last decade as more and more investors recognise the unique qualities and attractive risk-return profile in this asset class.

Urbanisation is an ongoing trend in Europe that puts a great deal of pressure on the quality of public space and

inner-city life resulting in the rapid reduction of on-street parking. Car parks are critical in facilitating this reduction by freeing up street space. In addition, the volume of passenger vehicles is forecast to rise.

Car park tariffs have not only become inelastic due to the demand but also due to the 'infrastructural' nature of the asset. Tariffs follow what is happening with hiking on-street prices, giving car park operators a pricing power which is evidenced by an above-inflation tariff



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growth over the past decades. Inner-city land values and more favourable competitive uses limit availability of urban areas for new car parks. All of this creates a steady and predictable revenue flow which barely correlates with the economic cycle.

Car parks form an essential component of an inner-city's infrastructure and play an important role as key access points to city-centre services. Given their often strategic location on traffic nodes, they are increasingly being recognised as mobility hubs rather than only being a place to park your car. They are hubs to transfer from one mobility mode to another, or hubs for last mile logistic solutions. Another trend is the transformation of car parks into the fuel stations of the future. This is being created by installing EV charging points in car parks and it is expected that a considerable number of parking spaces will cater for EV charging facilities in the future. All these hub functionalities will generate additional revenue through traffic and usage, underpinning the resilience of this asset class.

Multi-storey car parks often have a sizeable rooftop offering the opportunity to install solar panels. Although they already have a low energy consumption, solar panels could reduce this to almost zero, easily making

car parks one of the asset classes with the lowest carbon dioxide footprint. The fact that car parks, by definition, are suitable to facilitate EV charging points in future, makes them potential facilitators of the energy transition. Like any other real estate asset class, this can also be combined with other measures.

Public car parks are invariably owned and operated by municipalities or government bodies, whereas privately owned car parks are typically owned by investors and let on long-term, inflation-linked lease agreements. Car parks have an intrinsic value: they are quasi-monopolistic, provide essential services to society, ensure access to locations and functions (housing, offices, retail, leisure etc.) and thus add value to the location. Given their essential function, they provide stable revenues throughout various cycles. Compared to other real estate classes, they have a unique set of value-drivers underlying revenue of the asset in the form of local traffic policies etc. They have an extremely stable inflation-linked cash yield.

Based on strong underlying demands for parking space and the inelastic pricing of parking, rents fundamentally have a strong basis. This was tested and proven during the corona pandemic, which saw the single largest decline in demand for parking in modern times. During this period none of the top continental European operators became insolvent and rents – at least in our portfolio which is one of the largest privately-owned car park portfolios – did not come under pressure.



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The long-term inflation-linked characteristics combined with the role that car parks play in the mobility infrastructure of a city, actually make them a hybrid in the real asset sector, as they can be viewed either as real estate or as an infrastructure product. Primevest Capital Partners is Europe's leading car park investor with over EUR 1.3 billion invested in this segment.

Its specialist expertise and network gives Primevest an unparalleled ability to originate investment opportunities and optimise car park ownership.

Primevest Capital Partners and Holland Immo Group are two boutique investment managers specialised in alternative real assets. The complementary brands joined forces in 2021 to grow their market position, network and to strengthen each other. From our offices in Utrecht, Eindhoven and Berlin, a team of 70 professionals manages c. EUR 3 billion of real assets across 12 European countries. In total the group initiated over 60 funds, of which 34 currently active.

Keep an eye on our publications as we will explore some of the features of car park investments in more depth soon via www.primevestcp.com. Or subscribe to our mailing list via lisette.vanderham@primevestcp.com



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