

Europe Property Performance Monitor

Fourth Quarter 2022

IN A NUTSHELL

- The European private real estate market suffered considerable losses over the fourth quarter of 2022. The MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded quarterly fund-level total returns of -9.3%, dragging annual returns into negative territory at -2.4%.
 - Capital value decline was the primary driver of negative total returns and was evident across all sectors over the final quarter of 2022. The industrial sector suffered the largest value drop over the year.
 - With broad equities, bonds and the listed real estate market all recording significant declines earlier in 2022, European real estate greatly underperformed the other asset classes in the final quarter.
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Private Real Estate Performance¹

- The European real estate suffered significant losses over the fourth quarter of 2022. Quarterly asset-level total returns reached a record low of -6.8%, exceeding the previous record low of December 2008, during the Global Financial crisis.
- The exceptionally poor performance of the final quarter dragged annual asset-level returns into negative territory at -3.4%, the first negative annual return recorded since the Global Financial Crisis and a significant change in direction from the double-digit positive returns recorded in the first half of 2022 and over 2021.
- At the fund level, quarterly total returns also deteriorated considerably, falling to -9.3%. This brought annual fund-level total returns to -2.4%.
- Capital growth was the primary driver of negative total returns, with all sectors recording notable value decline over the fourth quarter. The industrial sector continued to record the largest value drop at -10.4%, while the office and hotel sectors also saw notable corrections, with values falling -5.2% and -5.5% respectively over the quarter. Having already suffered severe declines even prior to the pandemic, the retail sector proved less exposed, with values declining by -3.4%.
- The sharp decline in real estate capital values was evident across all countries over the fourth quarter. The UK and the Netherlands recorded the largest downward movement in values, both falling by double-digits at -13.1% and -10.4% respectively. On an annual basis, with the exception of Poland where values remained largely stable on the previous year, value growth across all markets turned negative.
- In a reversal of the previous quarter, European private real estate greatly underperformed broad equities and bonds, both of which had suffered notable losses over the previous three quarters. The listed real estate market saw some recovery after a particularly challenging third quarter, although annual returns remained firmly negative.

¹ Past performance is not indicative of future returns.

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Recent Performance Trends (% Y-o-Y)

	Quarterly		Annual	
	2022 Q4	2022 Q3	2022 Q4	2021 Q4
Private Real Estate - Fund Level	-9.3%	-1.3%	-2.4%	13.8%
Private Real Estate - Asset Level	-6.8%	-2.4%	-3.4%	14.9%
Equities	10.3%	-4.5%	-12.3%	25.7%
Bonds	-1.4%	-4.2%	-17.2%	-2.8%
Listed Real Estate	5.0%	-16.3%	-36.3%	18.4%
Euro Area 10-Year Govt. Bond ¹	2.8%	2.6%	2.8%	0.1%
Euro Area 12-Month EURIBOR ¹	3.3%	2.6%	3.3%	-0.5%
EU CPI	2.5%	2.0%	11.0%	4.9%

Sources: MSCI, Macrobond, Markit iBoxx. As of Dec 31, 2022. Private real estate: MSCI Pan-European Quarterly Property Fund Index; Equities: STOXX All Europe Total Market; Bonds: iBoxx € Overall; Listed Real Estate: FTSE EPRA/NAREIT Europe. Past performance is not indicative of future returns.

¹ Figures represent annual yield

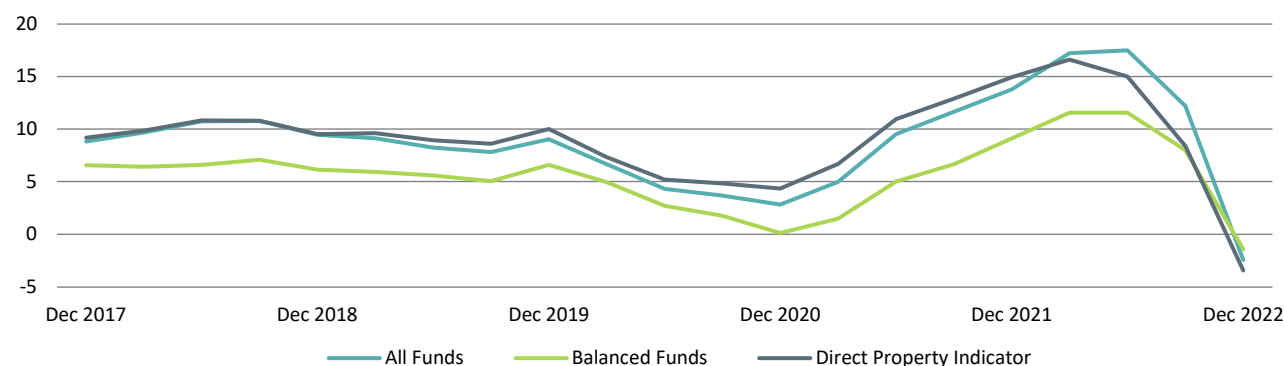
Performance Over the Past Five Years (% Y-o-Y)

	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022
Private Real Estate - Fund Level	9.4%	9.0%	2.8%	13.8%	-2.4%
Private Real Estate - Asset Level	9.5%	10.0%	4.3%	14.9%	-3.4%
Equities	-10.4%	28.1%	-2.2%	25.7%	-12.3%
Bonds	0.4%	6.0%	4.0%	-2.8%	-17.2%
Listed Real Estate	-8.0%	29.7%	-9.8%	18.4%	-36.3%
Euro Area 10-Year Govt. Bond ¹	1.1%	0.2%	-0.2%	0.1%	2.8%
Euro Area 12-Month EURIBOR ¹	-0.1%	-0.2%	-0.5%	-0.5%	3.3%
EU CPI	1.9%	1.3%	0.2%	4.9%	11.0%

Sources: MSCI, Macrobond, Markit iBoxx. As of December 31, 2022. Private real estate: MSCI Pan-European Quarterly Property Fund Index; Equities: STOXX All Europe Total Market; Bonds: iBoxx € Overall; Listed Real Estate: FTSE EPRA/NAREIT Europe. Past performance is not indicative of future returns.

¹ Figures represent annual yield

Private Real Estate Total Returns (% Y-o-Y)



Source: MSCI, as of December 31, 2022. Past performance is not indicative of future returns. It is not possible to invest directly in an index.

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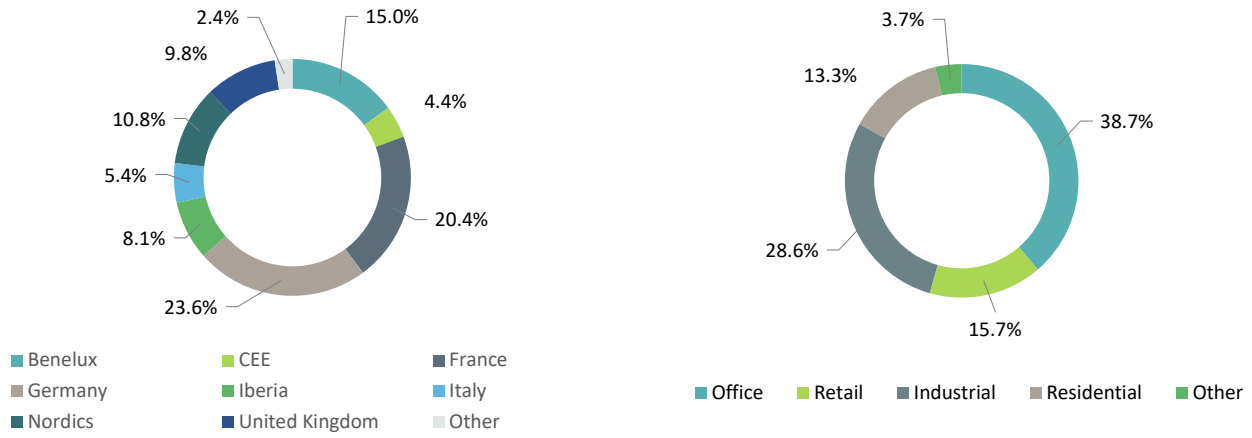
Returns by Property Type and Region

	Annual Returns							Standard Deviation		Descriptive Statistics		
	1 Year			3 yrs	5 yrs	10 yrs	All ²	10 yrs	All ²	Value (bn)	Number	Gearing (% GAV)
	Total	Income	Capital									
Fund-level Returns										GAV	Funds	
All Funds	-2.4%	2.6%	-5.0%	4.5%	6.4%	7.8%	5.1%	4.6%	6.0%	€70.0	19	22.7%
Balanced Funds	-1.4%	2.5%	-3.8%	2.5%	4.0%	4.8%	2.6%	3.0%	5.1%	€44.3	16	21.2%
Asset-level Returns											CV	Properties
Type	Office	-3.8%	3.3%	-6.9%	2.8%	5.2%	6.7%	5.7%	2.9%	3.1%	€17.0	172
	Retail	1.3%	4.8%	-3.4%	-0.9%	0.6%	3.3%	2.7%	2.8%	3.4%	€6.4	127
	Industrial	-4.2%	3.8%	-7.7%	9.5%						€34.5	1,173
	Residential	-0.5%	2.3%	-2.7%	3.7%						€5.4	310
Country	Belgium	-0.8%	4.1%	-4.7%	8.1%	7.4%	7.4%	5.6%	3.6%	3.7%	€1.4	37
	Finland	-2.2%	4.2%	-6.1%	1.8%	4.0%	4.8%	5.0%	3.1%	2.9%	€1.0	39
	France	-3.9%	3.5%	-7.2%	3.7%	6.1%	7.9%	6.5%	3.7%	3.9%	€12.1	400
	Germany	-2.2%	3.3%	-5.3%	6.9%	9.1%	9.9%	6.7%	3.7%	4.0%	€14.6	291
	Italy	-1.5%	3.8%	-5.2%	5.1%	6.2%	6.8%	4.0%	3.4%	4.3%	€3.7	138
	Netherlands	-5.9%	3.7%	-9.2%	5.1%	8.4%	8.0%	4.8%	4.7%	4.6%	€7.6	215
	Poland	4.8%	4.4%	0.3%	6.8%	7.7%	7.5%	7.3%	2.6%	2.4%	€3.1	112
	Spain	-0.8%	4.3%	-4.9%	3.9%	5.1%	8.3%	4.5%	3.8%	5.2%	€3.9	118
	Sweden	-10.9%	3.0%	-13.6%	5.6%	5.7%	7.1%	6.6%	6.3%	8.0%	€2.7	71
	UK	-11.9%	3.6%	-15.0%	0.3%	2.4%	6.3%	7.3%	9.2%	8.8%	€7.8	143
All Property		-3.4%	3.6%	-6.8%	5.0%	6.9%	8.2%	6.7%	3.9%	3.9%	€64.8	1,816

Source: MSCI Pan-European Quarterly Property Fund Index. As of December 31, 2022. Past performance is not indicative of future returns.

²All Funds index returns start in 2004, equivalent to an 18-year calculation. Returns for Balanced Funds index and asset-level indices may start later than 2004.

Balanced Funds Index Asset Allocation (% of GAV)



Source: MSCI. As of December 31, 2022.

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