

Europe Property Performance Monitor

First Quarter 2023

IN A NUTSHELL

- The European private real estate market suffered further declines over the first quarter of 2023, albeit not as severe as the previous quarter. The MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded quarterly fund-level total returns of -2.1%, dragging down annual returns to -9.2%.
 - Capital value decline continued to be the driver of negative total returns and further price corrections were evident across almost all sectors and countries over the first quarter of 2023.
 - With broad equities and bonds suffering significant declines earlier in 2022, European real estate underperformed these asset classes in the first quarter of 2023.
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Private Real Estate Performance¹

- In the first quarter of 2023, the European real estate market suffered further declines. Despite an improvement on a particularly poor end to 2022, in the first quarter of the year, quarterly asset-level total returns remained negative at -1.4%.
- Continued poor performance in the first quarter of 2023 pushed annual asset-level returns further into negative territory at -8.5%, the worst annual performance since the height of the Global Financial Crisis. At the fund level, quarterly total returns also remained negative at -2.1%. This brought annual fund-level total returns to -9.2%.
- Once again, declining capital values were the driver behind negative total returns across most of the real estate spectrum. On the other hand, returns were somewhat cushioned by a 1% asset-level income return over the first quarter.
- Having suffered a severe deterioration in values over the second half of 2022, the industrial sector recorded a more moderate price correction of -2.7%. Both the office and residential sectors suffered a similar level of price correction over the first quarter of 2023 at -2.7% and -2.4% respectively. The hotel sector was the only sector to record value growth over the quarter, at close to 1%. However, this followed a sharp decline in the final quarter of 2022.
- A sharp decline in values was evident across all countries over the first quarter. Having seen the most significant correction over the second half of 2022, the UK saw a more moderate downward movement at -1.2%. By comparison, France, Italy, the Netherlands and Sweden all suffered quarterly losses of over -3%. On an annual basis, value growth was negative across all markets, with Sweden and the UK suffering the largest annual losses of -19.7% and -18.8% respectively.
- European private real estate underperformed broad equities and bonds in the first quarter of 2023, both of which had suffered significant declines earlier in 2022. Following a recovery in the final quarter of 2022, the listed real estate market suffered yet further losses in the first quarter of 2023 and annual returns were severely negative at -36%.

¹ Past performance is not indicative of future returns

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Recent Performance Trends (% Y-o-Y)

	Quarterly		Annual	
	2023 Q1	2022 Q4	2023 Q1	2022 Q4
Private Real Estate - Fund Level	-2.1%	-9.3%	-9.2%	-2.4%
Private Real Estate - Asset Level	-1.4%	-6.9%	-8.5%	-3.5%
Equities	8.1%	10.3%	3.0%	-12.3%
Bonds	2.0%	-1.4%	-10.6%	-17.2%
Listed Real Estate	-4.6%	5.0%	-36.0%	-36.3%
Euro Area 10-Year Govt. Bond ¹	3.1%	2.9%	3.1%	2.9%
Euro Area 12-Month EURIBOR ¹	3.6%	3.3%	3.6%	3.3%
EU CPI	0.9%	2.5%	9.4%	11.0%

Sources: MSCI, Macrobond, Markit iBoxx. As of March 31, 2023. 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

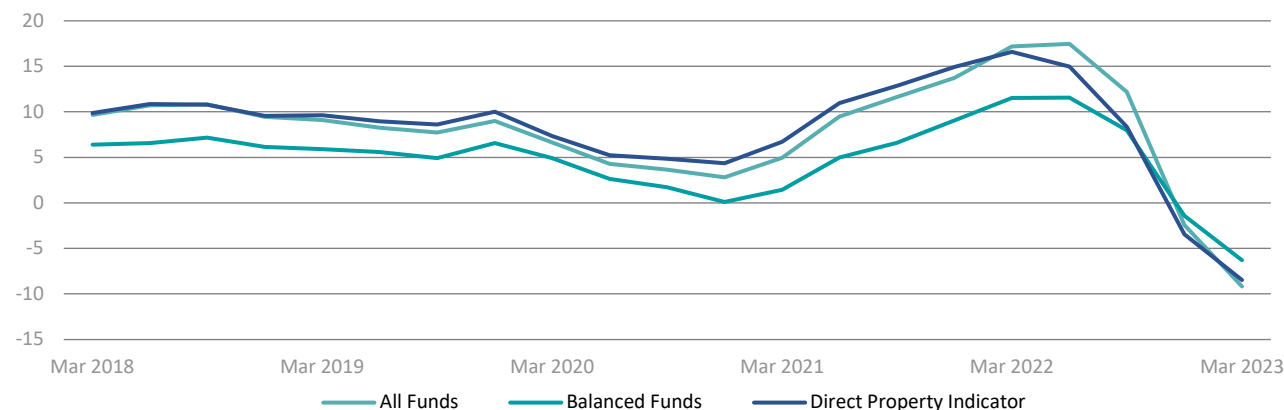
Performance over the past five years (% Y-o-Y)

	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Private Real Estate - Fund Level	9.1%	6.6%	4.9%	17.2%	-9.2%
Private Real Estate - Asset Level	9.6%	7.3%	6.7%	16.6%	-8.5%
Equities	5.2%	-13.4%	39.1%	6.5%	3.0%
Bonds	2.2%	2.4%	3.0%	-6.4%	-10.6%
Listed Real Estate	8.1%	-15.4%	21.0%	12.8%	-36.0%
Euro Area 10-Year Govt. Bond ¹	0.8%	0.2%	0.0%	0.9%	3.1%
Euro Area 12-Month EURIBOR ¹	-0.1%	-0.2%	-0.5%	-0.1%	3.6%
EU CPI	1.5%	1.5%	1.4%	6.5%	9.4%

Sources: MSCI, Macrobond, Markit iBoxx. As of March 31, 2023 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 March 31, 2023. Past performance is not indicative of future returns. It is not possible to invest directly in an index.

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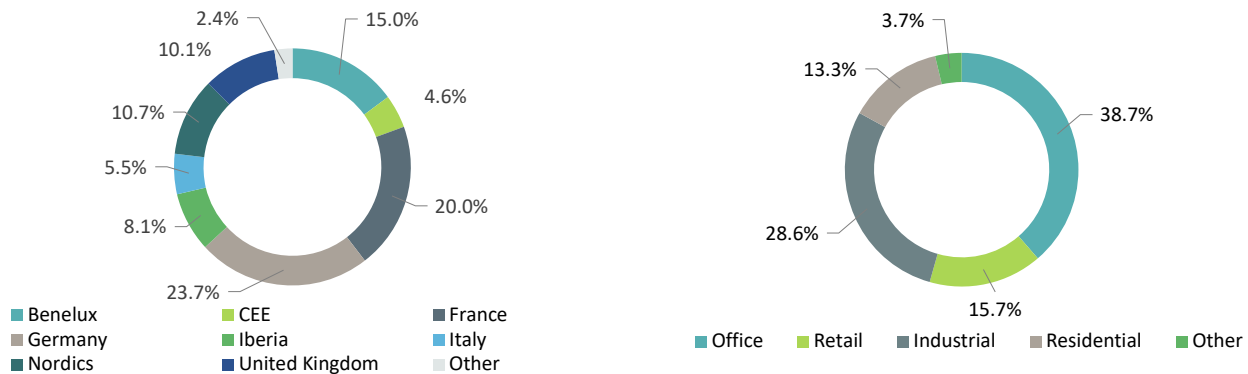
Returns by Property Type and Region

	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	-9.2%	2.7%	-11.6%	3.8%	5.4%	7.4%	4.9%	4.8%	6.0%	€69.3	19	22.8%	
Balanced Funds	-6.3%	2.6%	-8.6%	2.0%	3.3%	4.6%	2.5%	3.1%	5.1%	€44.3	16	20.9%	
Asset-level Returns										CV	Properties		
Type	Office	-7.5%	3.3%	-10.5%	2.0%	4.4%	6.4%	5.5%	3.1%	3.2%	€16.3	167	
	Retail	-1.0%	4.9%	-5.6%	-0.2%	0.3%	3.2%	2.7%	2.8%	3.4%	€6.1	122	
	Industrial	-10.9%	3.9%	-14.3%	8.4%	10.2%						€33.4	1,160
	Residential	-4.4%	2.4%	-6.6%	2.7%							€5.3	312
Country	Belgium	-6.1%	4.2%	-9.9%	6.8%	6.7%	7.1%	5.3%	3.8%	3.8%	€1.3	34	
	Finland	-3.8%	4.4%	-7.9%	2.1%	3.9%	4.6%	4.9%	3.1%	2.9%	€0.9	39	
	France	-8.9%	3.5%	-12.0%	2.7%	5.1%	7.5%	6.2%	3.9%	4.0%	€11.5	396	
	Germany	-7.9%	3.3%	-10.9%	5.8%	8.0%	9.5%	6.5%	3.9%	4.0%	€14.3	289	
	Italy	-6.7%	3.9%	-10.3%	4.0%	5.2%	6.4%	3.8%	3.7%	4.3%	€3.6	137	
	Netherlands	-11.7%	3.9%	-15.1%	3.8%	7.1%	7.6%	4.6%	4.9%	4.6%	€7.4	214	
	Poland	1.5%	4.5%	-2.8%	6.3%	7.3%	7.4%	7.2%	2.6%	2.4%	€3.0	110	
	Spain	-4.4%	4.5%	-8.5%	3.4%	4.6%	8.2%	4.4%	3.8%	5.2%	€3.7	114	
	Sweden	-17.1%	3.2%	-19.7%	5.2%	5.8%	6.3%	6.4%	6.3%	8.0%	€2.6	71	
	UK	-15.7%	3.7%	-18.7%	2.0%	1.8%	6.5%	7.1%	9.2%	8.8%	€7.7	140	
All Property	-8.5%	3.7%	-11.8%	4.4%	6.0%	7.9%	6.6%	4.1%	3.9%	€62.7	1,795		

Source: MSCI Pan-European Quarterly Property Fund Index. As of March 31, 2023. 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 March 31, 2023.

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