

## Europe Property Performance Monitor

### Second Quarter 2023

#### IN A NUTSHELL

- The European private real estate market recorded negative returns for the fourth consecutive quarter in Q2 2023. As such, the MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded year-on-year returns of -11.1%, the worst performance on record.
- Negative capital growth remains the key driver of negative total returns with further price corrections evident across almost all sectors and countries. On the other hand, market rental value growth has remained positive.
- European real estate underperformed broad equities and bonds over the second quarter of 2023, both of which saw continued recovery. The listed real estate sector, however, saw continued poor performance.

#### Private Real Estate Performance<sup>1</sup>

- The European private real estate market recorded negative total returns for the fourth consecutive quarter in Q2 2023. Despite quarterly-asset level returns improving on the previous three quarters, at -0.8%, this brought year-on-year returns to -11.1%, the worst annual performance in the history of the PEPFI Index.
- At the fund level, quarterly total returns also recorded somewhat of an improvement on recent quarters, albeit remained negative at -1.7%. As such, on an annual basis fund-level total returns looked exceptionally poor at -13.2%.
- It is important to note, it is negative capital growth that is driving negative total returns, with yields continuing to expand across the European real estate spectrum. Market rental value, on the other hand, has remained positive across almost all sectors and regions, cushioning returns.
- Over the second quarter of 2023, the largest price correction was seen in the office sector, which suffered a further -2.8% capital value decline. The residential sector also recorded further losses, with prices correcting -2.4% over Q2 2023. On an annual basis, this brings capital value decline to -13% and -10% respectively. Despite the moderation in price correction over recent quarters, the industrial sector recorded the largest annual price correction at -17.4% year-on-year.
- With the exception of the UK, which suffered the most severe price correction over the second half of 2022, further declines in values was evident across all countries over the second quarter. The most notable value declines were recorded in Sweden, with a further -7% quarterly capital value declines bringing the year-on-year total to -24.1%.
- With the recovery in both broad equities and bonds continuing over the second quarter of 2023, European private real estate continued to underperform. On the other hand, the listed real estate market continued to suffer yet further losses in the second quarter of 2023, bringing annual returns to -18.8%.

<sup>1</sup> Past performance is not a reliable indicator of future returns.

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## RECENT PERFORMANCE TRENDS (% Y-o-Y)

	Quarterly		Annual	
	2023 Q2	2023 Q1	2023 Q2	2022 Q4
Private Real Estate - Fund Level	-1.7%	-2.1%	-13.2%	-1.7%
Private Real Estate - Asset Level	-0.8%	-1.5%	-11.1%	-3.4%
Equities	2.5%	8.1%	16.7%	-12.3%
Bonds	0.9%	1.5%	-3.0%	-17.0%
Listed Real Estate	-3.1%	-4.6%	-18.8%	-36.3%
Euro Area 10-Year Govt. Bond <sup>1</sup>	3.1%	3.1%	3.1%	2.8%
Euro Area 12-Month EURIBOR <sup>1</sup>	4.1%	3.6%	4.1%	3.3%
EU CPI	1.6%	0.9%	7.2%	11.0%

Sources: MSCI, Macrobond, Markit iBoxx. As of June 30, 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.

<sup>1</sup> Figures represent annual yield

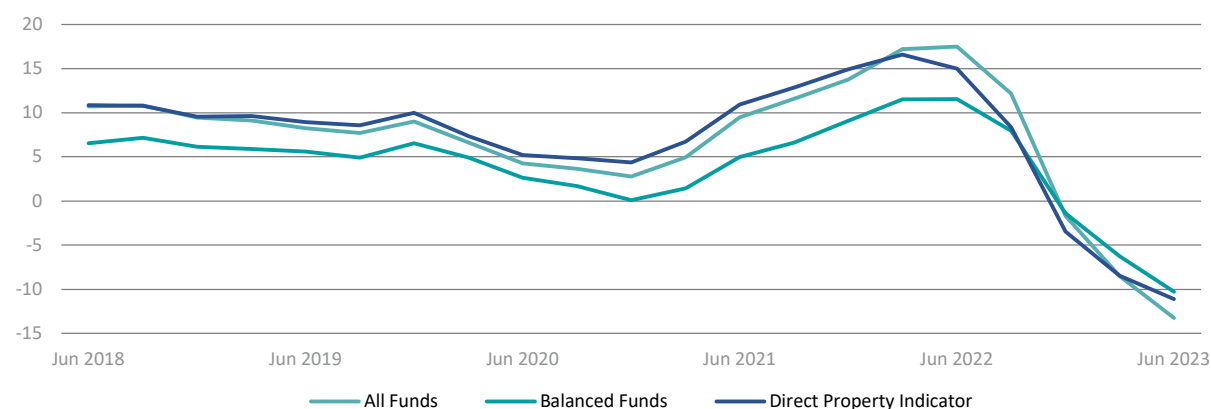
## PERFORMANCE OVER THE PAST FIVE YEARS (% Y-o-Y)

	Jun 2019	Jun 2020	Jun 2021	Jun 2022	Jun 2023
Private Real Estate - Fund Level	8.3%	4.3%	9.5%	17.5%	-13.2%
Private Real Estate - Asset Level	8.9%	5.2%	10.9%	15.0%	-11.1%
Equities	4.8%	-4.8%	30.3%	-9.7%	16.7%
Bonds	5.6%	1.8%	0.3%	-12.8%	-3.0%
Listed Real Estate	-1.5%	-6.1%	24.8%	-21.6%	-18.8%
Euro Area 10-Year Govt. Bond <sup>1</sup>	0.4%	0.2%	0.2%	2.2%	3.1%
Euro Area 12-Month EURIBOR <sup>1</sup>	-0.2%	-0.2%	-0.5%	1.0%	4.1%
EU CPI	1.6%	0.6%	2.2%	8.8%	7.2%

Sources: MSCI, Macrobond, Markit iBoxx. As of June 30, 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.

<sup>1</sup> Figures represent annual yield

## PRIVATE REAL ESTATE TOTAL RETURNS (% Y-o-Y)



Source: MSCI, as of June 30, 2023. Past performance is not indicative of future returns. It is not possible to invest directly in an index.

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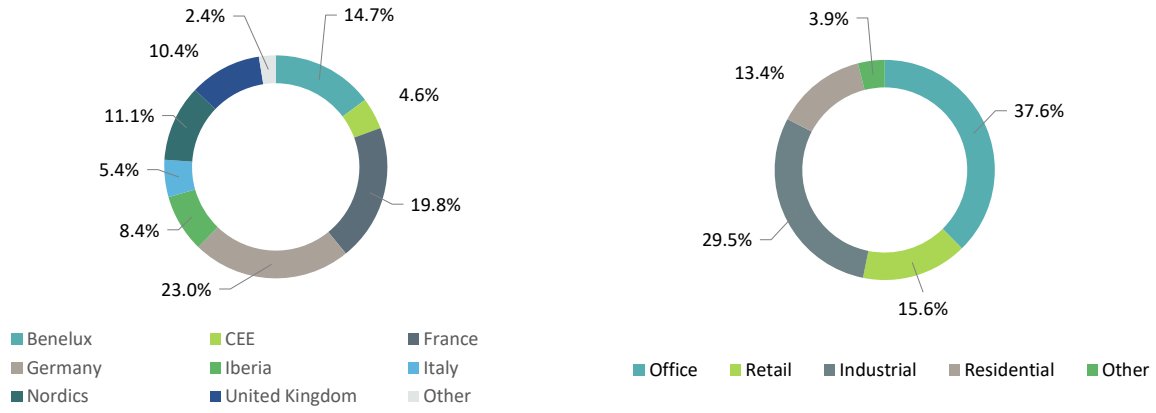
## RETURNS BY PROPERTY TYPE AND REGION

	Annual Returns							Standard Deviation		Descriptive Statistics		
	1 Year			3 yrs	5 yrs	10 yrs	All <sup>2</sup>	10 yrs	All <sup>2</sup>	Value (bn)	Number	Gearing (% GAV)
	Total	Income	Capital									
Fund-level Returns										GAV	Funds	
All Funds	-13.2%	2.8%	-15.7%	3.7%	4.7%	7.3%	4.8%	4.7%	5.9%	€69.2	20	23.4%
Balanced Funds	-10.3%	2.6%	-12.6%	1.7%	2.6%	4.3%	2.3%	3.3%	5.1%	€43.9	0	21.4%
Asset-level Returns										CV	Properties	
Type	Office	-10.0%	3.3%	-13.0%	1.1%	3.6%	6.2%	5.3%	3.3%	3.3%	€15.9	167
	Retail	-2.5%	4.9%	-7.1%	1.1%	0.1%	3.1%	2.7%	2.8%	3.3%	€6.1	126
	Industrial	-13.9%	4.2%	-17.4%	8.4%	9.4%					€33.4	1,172
	Residential	-7.7%	2.5%	-10.0%	1.7%						€5.6	307
Country	Belgium	-9.2%	4.3%	-13.0%	6.3%	6.0%	6.9%	5.1%	3.9%	3.9%	€1.3	37
	Finland	-4.7%	4.4%	-8.8%	2.9%	3.4%	4.4%	4.8%	3.1%	2.9%	€0.9	40
	France	-12.2%	3.6%	-15.3%	2.2%	4.3%	7.2%	6.0%	4.1%	4.0%	€11.3	388
	Germany	-11.5%	3.5%	-14.5%	5.1%	7.1%	9.2%	6.3%	4.1%	4.1%	€14.1	292
	Italy	-8.8%	4.0%	-12.4%	4.5%	4.7%	6.4%	3.7%	3.7%	4.3%	€3.5	134
	Netherlands	-15.1%	4.1%	-18.5%	3.5%	6.4%	7.4%	4.4%	5.0%	4.6%	€7.2	212
	Poland	-1.5%	4.7%	-5.9%	6.6%	6.8%	7.3%	7.1%	2.7%	2.4%	€3.1	112
	Spain	-5.6%	4.7%	-9.8%	3.9%	4.3%	8.3%	4.3%	3.8%	5.1%	€3.9	120
	Sweden	-21.4%	3.4%	-24.1%	1.3%	4.1%	5.9%	5.8%	6.7%	8.2%	€2.6	75
	UK	-15.0%	3.9%	-18.2%	4.3%	2.1%	6.6%	7.2%	9.2%	8.7%	€7.9	142
<b>All Property</b>	<b>-11.1%</b>	<b>3.9%</b>	<b>-14.5%</b>	<b>4.3%</b>	<b>5.4%</b>	<b>7.7%</b>	<b>6.4%</b>	<b>4.2%</b>	<b>3.9%</b>	<b>€62.6</b>	<b>1,807</b>	

Source: MSCI Pan-European Quarterly Property Fund Index. As of June 30, 2023. Past performance is not indicative of future returns.

<sup>2</sup>All 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 June 30, 2023.

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# Real Estate Research Team

## Office Locations

### Chicago

222 South Riverside Plaza  
34<sup>th</sup> Floor  
Chicago  
IL 60606-1901  
United States  
Tel: +1 312 537 7000

### Frankfurt

Mainzer Landstrasse 11-17  
60329 Frankfurt am Main  
Germany  
Tel: +49 69 71909 0

### London

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom  
Tel: +44 20 754 58000

### New York

875 Third Avenue  
26<sup>th</sup> Floor  
New York  
NY 10022-6225  
United States  
Tel: +1 212 454 3414

### San Francisco

101 California Street  
24<sup>th</sup> Floor  
San Francisco  
CA 94111  
United States  
Tel: +1 415 781 3300

### Singapore

One Raffles Quay  
South Tower  
20<sup>th</sup> Floor  
Singapore 048583  
Tel: +65 6538 7011

### Tokyo

Sanno Park Tower  
2-11-1 Nagata-cho  
Chiyoda-Ku  
18<sup>th</sup> Floor  
Tokyo  
Japan  
Tel: +81 3 5156 6000

## Teams

### Global

**Kevin White, CFA**  
Global Co-Head of Real Estate Research

**Simon Wallace**  
Global Co-Head of Real Estate Research

### Americas

**Brooks Wells**  
Head of Research, Americas

**Liliana Diaconu, CFA**  
Office Research

**Ross Adams**  
Industrial Research

**Sharim Sohail**  
Property Market Research

### Europe

**Ruben Bos, CFA**  
Head of Real Estate Investment Strategy, Europe

**Tom Francis**  
Property Market Research

**Siena Golan**  
Property Market Research

**Rosie Hunt**  
Property Market Research

**Carsten Lieser**  
Property Market Research

**Martin Lippmann**  
Head of Real Estate Research, Europe

### Asia Pacific

**Koichiro Obu**  
Head of Real Estate Research, Asia Pacific

**Seng-Hong Teng**  
Property Market Research

**Hyunwoo Kim**  
Property Market Research

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**AUTHOR**

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**Rosie Hunt**  
Property Market Research

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