

Europe Property Performance Monitor

First Quarter 2024

IN A NUTSHELL

- The MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded quarterly fund-level returns of -0.2% over the first quarter of 2024, a notable improvement on the previous quarter. In addition, asset-level total returns turned positive for the first time since mid-2022, supported by continued income growth across all sectors.
 - Further falls in capital values were evident across the European real estate market. That said, with the exception of offices, most sectors appear to be reaching a stabilisation in pricing.
 - In a wider multi-asset context, European private real estate continues to underperform on an annual basis, as broad equities, bonds and the listed real estate sector all enjoyed substantial rallies over the latter part of 2023. On a quarterly basis, however, the performance of private real estate against other asset classes was more positive.
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Private Real Estate Performance¹

- The European real estate market recorded quarterly asset-level total returns of 0.5% over the first quarter of 2024, the first positive performance since the first half of 2022 and a significant improvement after a particularly poor end to 2023. Asset-level total returns were positive across all core real estate sectors, with the exception of offices.
- Fund-level performance, however, remained negative over the first quarter of 2024, recording a total return of -0.2%, although again this reflected an uptick on the previous five quarters and is clearly edging closer to positive territory.
- On an annual level, total returns continued to improve, although remain negative at -2.9% on an asset-level. Once again, fund-level performance proved weaker and despite slight improvement, year-on-year returns remained poor at -7.5%.
- Despite positive total returns at an asset-level, driven by continued healthy income growth, there was evidence of further price correction over the first quarter of 2024, with the all-property capital value declining a further -0.6%.
- However, on the whole, value decline was far less severe than in previous quarters. Both logistics and residential saw values nearing stabilisation, at -0.3% and -0.01% respectively, whilst the retail and hotel sectors also saw value correction of less than -1%. The office sector, however, continued to prove the worst-performing, with values falling a further -1.7%.
- Having witnessed a sharp and rapid price correction earlier than other European markets, the United Kingdom stands out as recording the most notable recovery in pricing to date, with asset-level value growth of 1.4% over the first quarter of 2024.
- Private real estate outperformed bonds and listed real estate over the first quarter of 2024, while equities outperformed all other asset classes significantly. On an annual basis, real estate currently remains the notable underperformer to March 2024, following weak performance at the end of 2023, when other asset classes enjoyed notable rallies.

¹ Past performance is not a reliable indicator of future returns.

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RECENT PERFORMANCE TRENDS (% Y-o-Y)

	Quarterly		Annual	
	2024 Q1	2023 Q4	2024 Q1	2023 Q4
Private Real Estate - Fund Level	-0.2%	-4.3%	-7.5%	-9.3%
Private Real Estate - Asset Level	0.5%	-2.0%	-2.9%	-4.8%
Equities	7.4%	6.8%	15.4%	16.2%
Bonds	-0.4%	6.6%	4.6%	7.2%
Listed Real Estate	-2.4%	21.1%	19.8%	17.1%
Euro Area 10-Year Govt. Bond 1	2.9%	2.8%	2.9%	2.8%
Euro Area 12-Month EURIBOR 1	3.7%	3.5%	3.7%	3.5%
EU CPI	0.4%	0.2%	2.8%	3.4%

Sources: MSCI, Macrobond, Markit iBoxx. As of March 31, 2024. 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

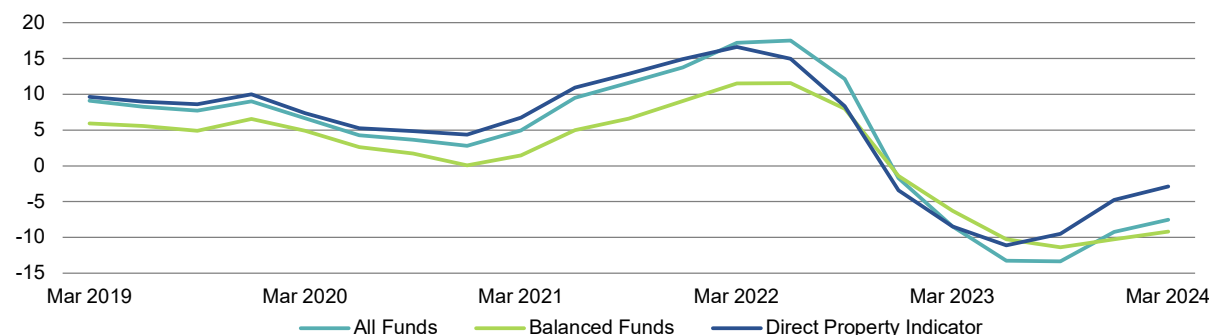
PERFORMANCE OVER THE PAST FIVE YEARS (% Y-o-Y)

	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Private Real Estate - Fund Level	6.6%	5.0%	17.2%	-8.4%	-7.5%
Private Real Estate - Asset Level	7.3%	6.7%	16.6%	-8.4%	-2.9%
Equities	-13.4%	39.1%	6.5%	3.0%	15.4%
Bonds	2.4%	3.0%	-6.3%	-10.7%	4.6%
Listed Real Estate	-15.4%	21.0%	12.8%	-36.0%	19.8%
Euro Area 10-Year Govt. Bond 1	0.2%	0.0%	0.9%	3.1%	2.9%
Euro Area 12-Month EURIBOR 1	-0.2%	-0.5%	-0.1%	3.6%	3.7%
EU CPI	1.5%	1.4%	6.5%	9.4%	2.8%

Sources: MSCI, Macrobond, Markit iBoxx. As of March 31, 2024 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, 2024. 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

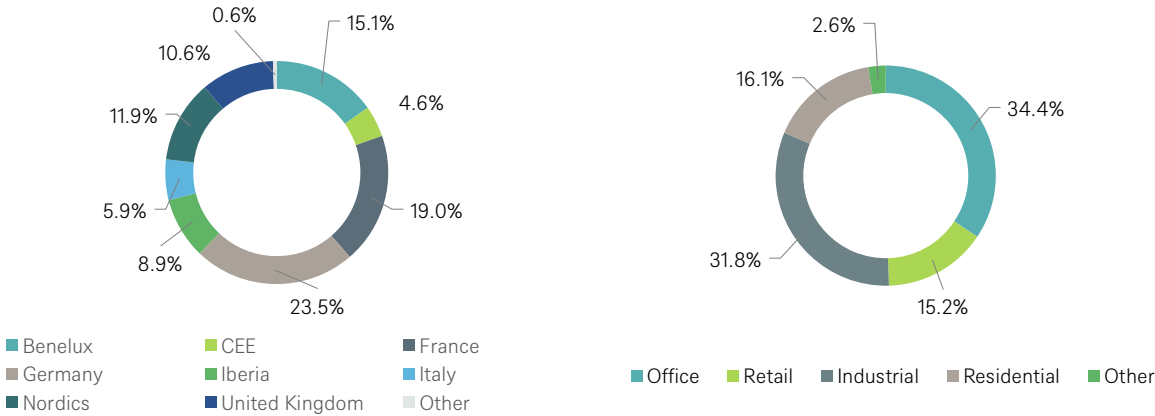
	Annual Returns							Standard Deviation		Descriptive Statistics		
	1 Year			3 yrs	5 yrs	10 yrs	All ²	10 yrs	All ²	Value (bn)	Number	Gearing (% GAV)
	Total	Income	Capital									
Fund-level Returns										GAV	Funds	
All Funds	-7.5%	3.3%	-10.5%	-0.2%	2.1%	6.0%	4.3%	5.2%	6.0%	€68.4	21	24.6%
Balanced Funds	-9.2%	2.9%	-11.8%	-1.7%	0.2%	3.4%	1.8%	3.8%	5.2%	€42.8	17	23.6%
Asset-level Returns											CV	Properties
Type	Office	-10.4%	3.5%	-13.5%	-3.4%	0.4%	4.7%	4.6%	4.2%	3.7%	€13.9	161
	Retail	-0.7%	5.3%	-5.7%	1.8%	-0.4%	2.8%	2.5%	2.9%	3.3%	€5.7	115
	Industrial	0.4%	4.8%	-4.2%	4.1%	7.3%					€34.0	1,211
	Residential	-3.4%	2.8%	-6.0%	0.2%	2.5%					€6.7	315
Country	Belgium	-4.4%	4.9%	-8.9%	2.7%	4.6%	6.1%	4.7%	4.2%	3.9%	€1.2	34
	Finland	-5.7%	4.6%	-9.9%	0.4%	1.3%	3.5%	4.0%	3.6%	3.2%	€0.8	39
	France	-7.7%	3.9%	-11.2%	-1.6%	1.5%	6.1%	5.4%	4.7%	4.2%	€10.4	381
	Germany	-6.3%	4.0%	-9.9%	0.4%	4.0%	8.1%	5.7%	4.7%	4.2%	€13.7	297
	Italy	0.7%	4.2%	-3.4%	3.4%	3.8%	6.1%	3.6%	3.7%	4.2%	€3.6	142
	Netherlands	-0.5%	4.8%	-5.1%	1.1%	4.7%	7.3%	4.3%	5.0%	4.5%	€7.3	218
	Poland	0.5%	5.4%	-4.6%	5.1%	5.8%	6.7%	6.7%	2.8%	2.5%	€3.0	113
	Spain	0.6%	4.9%	-4.1%	2.8%	3.4%	7.7%	4.2%	3.8%	5.0%	€4.0	123
	Sweden	-5.6%	3.9%	-9.2%	-2.3%	2.8%	5.6%	5.6%	6.8%	8.1%	€2.7	75
	UK	3.2%	4.2%	-0.9%	1.4%	1.3%	4.9%	6.8%	8.9%	8.5%	€8.3	155
All Property		-2.9%	4.3%	-6.9%	1.2%	3.5%	6.9%	6.1%	4.4%	4.0%	€61.9	1,836

Source: MSCI Pan-European Quarterly Property Fund Index. As of March 31, 2024. Past performance is not indicative of future returns.

² 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.

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BALANCED FUNDS INDEX ASSET ALLOCATION (% OF GAV)



Source: MSCI. As of March 31, 2024.

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