

Europe Property Performance Monitor

Fourth Quarter 2023

IN A NUTSHELL

- The MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded quarterly fund-level returns of -4.3% over the fourth quarter of 2023, indicating a further weakening in performance. Year-on-year fund-level returns were -9.3% over the year.
 - Despite income return remaining healthy across the board, further falls in capital values drove total returns negative. Indeed, further price correction was evident across all regions and sectors, although a divergence in sector performance is growing.
 - In a wider multi-asset context, European private real estate underperformed over 2023, as broad equities, bonds and the listed real estate sector all enjoyed substantial rallies over the latter part of the year.
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Private Real Estate Performance¹

- European real estate performance weakened again over the final quarter of 2023. Following a slight improvement in the third quarter, quarterly asset-level total returns fell to -2.0% in the fourth quarter. This marks the worst quarterly performance since the fourth quarter of 2022 and the sixth consecutive quarter of negative performance.
- Despite weaker performance in the final quarter, with the exceptionally poor performance at the end of 2022 falling out of the annual figures, year-on-year returns improved to stand at -4.8%. At this level, annual performance remains notably weak when compared to the previous decade. Fund level performance in particular has been significantly hit, with total returns of -4.3% over the third quarter and 12-month total returns of -9.3% over 2023.
- Once again, income return remained healthy across European real estate and it was capital value decline driving negative total returns. Indeed, capital values fell more sharply again in the final quarter of 2023 and further price correction was evident across all regions and sectors.
- On an all-property level, capital values declined -3.0% over the fourth quarter, although a the disparity in performance across sectors is widening. Over 2023, the office sector suffered the sharpest price correction, with annual capital value decline of -14.6%, far more significant than was recorded over the Global Financial Crisis. Price correction in the retail sector has been less severe by comparison, at -6.3% over 2023, albeit this follows significant re-pricing earlier in the cycle.
- Real estate's poor performance alongside notable rallies in the bond and equity markets meant European private real estate greatly underperformed other asset classes over 2023, following a solid outperformance in the previous year. The listed real estate market saw a strong rebound over the final quarter of 2023, pushing year-on-year returns to 17.1%, a significant improvement on the -36.3% in the previous 12-month period.

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

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RECENT PERFORMANCE TRENDS (% Y-o-Y)

	Quarterly		Annual	
	2023 Q4	2023 Q3	2023 Q4	2022 Q4
Private Real Estate - Fund Level	-4.3%	-1.5%	-9.3%	-1.7%
Private Real Estate - Asset Level	-2.0%	-0.7%	-4.8%	-3.4%
Equities	6.8%	-1.8%	16.2%	-12.3%
Bonds	6.8%	-1.7%	7.0%	-17.0%
Listed Real Estate	21.1%	4.7%	17.1%	-36.3%
Euro Area 10-Year Govt. Bond 1	2.8%	3.4%	2.8%	2.9%
Euro Area 12-Month EURIBOR 1	3.5%	4.2%	3.5%	3.3%
EU CPI	0.2%	0.6%	3.4%	11.0%

Sources: MSCI, Macrobond, Markit iBoxx. As of Dec 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

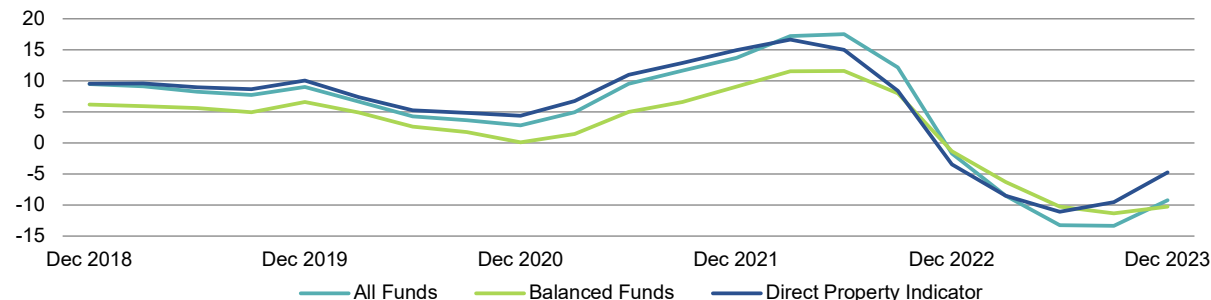
PERFORMANCE OVER THE PAST FIVE YEARS (% Y-o-Y)

	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023
Private Real Estate - Fund Level	9.0%	2.8%	13.7%	-1.7%	-9.3%
Private Real Estate - Asset Level	10.0%	4.4%	14.9%	-3.4%	-4.8%
Equities	28.1%	-2.2%	25.7%	-12.3%	16.2%
Bonds	6.0%	4.0%	-2.8%	-17.0%	7.0%
Listed Real Estate	29.7%	-9.8%	18.4%	-36.3%	17.1%
Euro Area 10-Year Govt. Bond 1	0.2%	-0.2%	0.1%	2.9%	2.8%
Euro Area 12-Month EURIBOR 1	-0.2%	-0.5%	-0.5%	3.3%	3.5%
EU CPI	1.3%	0.2%	4.9%	11.0%	3.4%

Sources: MSCI, Macrobond, Markit iBoxx. As of Dec 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, PEPFI Index as of December 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

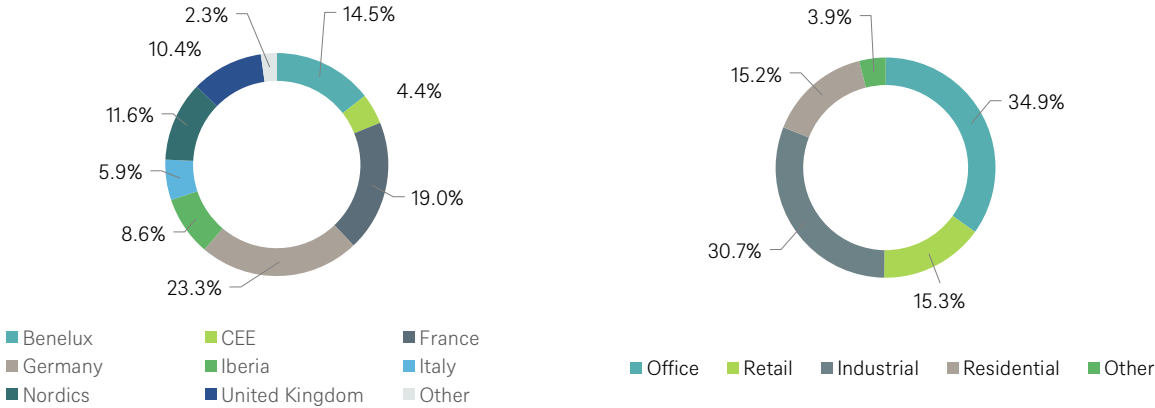
	Annual Returns							Standard Deviation		Descriptive Statistics		
	1 Year			3 yrs	5 yrs	10 yrs	All ²	10 yrs	All ²	Value (bn)	Number	Gearing (% GAV)
	Total	Income	Capital									
Fund-level Returns										GAV	Funds	
All Funds	-9.3%	3.2%	-12.1%	0.5%	2.6%	6.3%	4.4%	5.2%	6.0%	€67.4	20	24.0%
Balanced Funds	-10.2%	2.9%	-12.8%	-1.2%	0.6%	3.5%	1.8%	3.8%	5.2%	€42.0	16	22.7%
Asset-level Returns										CV	Properties	
Type	Office	-11.7%	3.4%	-14.6%	-2.5%	1.2%	5.0%	4.8%	4.1%	3.7%	€14.4	165
	Retail	-1.4%	5.2%	-6.3%	1.3%	-0.4%	2.9%	2.5%	2.9%	3.3%	€5.9	122
	Industrial	-2.1%	4.7%	-6.5%	5.2%	7.9%					€33.5	1,194
	Residential	-5.8%	2.7%	-8.3%	0.3%	2.8%					€6.4	331
Country	Belgium	-5.0%	4.6%	-9.3%	4.0%	5.0%	6.4%	4.9%	4.1%	3.9%	€1.3	36
	Finland	-3.4%	4.6%	-7.7%	1.6%	1.9%	3.9%	4.3%	3.4%	3.1%	€0.9	39
	France	-9.8%	3.8%	-13.1%	-1.1%	2.0%	6.2%	5.5%	4.6%	4.2%	€10.6	402
	Germany	-7.9%	3.8%	-11.3%	1.4%	4.7%	8.3%	5.8%	4.6%	4.2%	€13.9	298
	Italy	-2.1%	4.1%	-6.0%	3.8%	4.1%	6.3%	3.6%	3.7%	4.2%	€3.6	141
	Netherlands	-4.2%	4.7%	-8.5%	1.2%	5.1%	7.2%	4.2%	5.1%	4.6%	€7.1	215
	Poland	0.5%	5.2%	-4.5%	6.0%	6.3%	6.9%	6.8%	2.8%	2.5%	€2.9	109
	Spain	-0.7%	4.9%	-5.3%	2.8%	3.5%	7.9%	4.2%	3.9%	5.1%	€4.0	124
	Sweden	-5.4%	3.8%	-8.9%	-0.8%	3.5%	5.9%	5.8%	6.6%	8.1%	€2.7	74
	UK	0.5%	4.1%	-3.4%	2.4%	1.7%	5.1%	6.7%	8.9%	8.6%	€8.1	155
All Property		-4.8%	4.2%	-8.6%	1.9%	3.9%	7.0%	6.1%	4.4%	4.0%	€61.6	1,845

Source: MSCI Pan-European Quarterly Property Fund Index. As of December 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.

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BALANCED FUNDS INDEX ASSET ALLOCATION (% OF GAV)



Source: MSCI, PEPI Index as of December 31, 2023.

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