

Europe Property Performance Monitor

Third Quarter 2022

IN A NUTSHELL

- The European private real estate market deteriorated considerably over the third quarter of 2022. The MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded quarterly fund-level total returns of -1.4%. At present, however, year-on-year returns remain positive.
 - Capital value decline was evident across all sectors over the third quarter, with the previously outperforming industrial sector suffering the largest losses.
 - With broad equities, bonds and the listed real estate market all recording further significant declines, European private real estate remained an outperformer on both a quarterly and annual basis.
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Private Real Estate Performance¹

- The third quarter of 2022 recorded a sharp deterioration in European real estate performance. Quarterly asset-level total returns fell into negative territory at -2.4%, the worst figure since the Global Financial Crisis.
- Year-on-year asset-level returns remained positive at 8.4%, although this marks a significant slowdown from the double-digit returns recorded in the previous five quarters. At the fund level, annual total returns were a slightly healthier 12.3%; however, quarterly fund-level returns fell to -1.4%.
- All sectors recorded value decline over the third quarter. In a stark reversal of the recent trend of outperformance, the industrial sector recorded the largest drop at -4.2%, while the office sector also saw a notable correction, with values falling -2.8% over the quarter. Meanwhile, having suffered severe declines over the pandemic, hotel values were down by just -0.6%.
- Over the third quarter, real estate capital values weakened in almost all countries. Sweden and the United Kingdom saw the largest downward movement in values, with falls of -7.1% and -6.1% respectively. On an annual basis, with the exception of Sweden, value growth across all markets currently remains positive.
- Despite the poor performance, European private real estate continued to outperform broad equities and bonds, both of which suffered losses again over the third quarter. The listed real estate market also saw strong declines, taking annual returns even further into negative territory.

¹ Past performance is not indicative of future returns.

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Recent Performance Trends (% Y-O-Y)

	Quarterly		Annual	
	2022 Q3	2022 Q2	2022 Q3	2021 Q4
Private Real Estate - Fund Level	-1.4%	3.7%	12.3%	13.9%
Private Real Estate - Asset Level	-2.4%	2.2%	8.4%	15.1%
Equities	-4.5%	-9.5%	-15.0%	25.7%
Bonds	-4.2%	-7.2%	-16.7%	-2.8%
Listed Real Estate	-16.3%	-23.6%	-34.5%	18.4%
Euro Area 10-Year Govt. Bond ¹	2.6%	2.2%	2.6%	0.1%
Euro Area 12-Month LIBOR ¹	2.6%	1.0%	2.6%	-0.5%
EU CPI	2.0%	3.7%	10.3%	4.9%

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

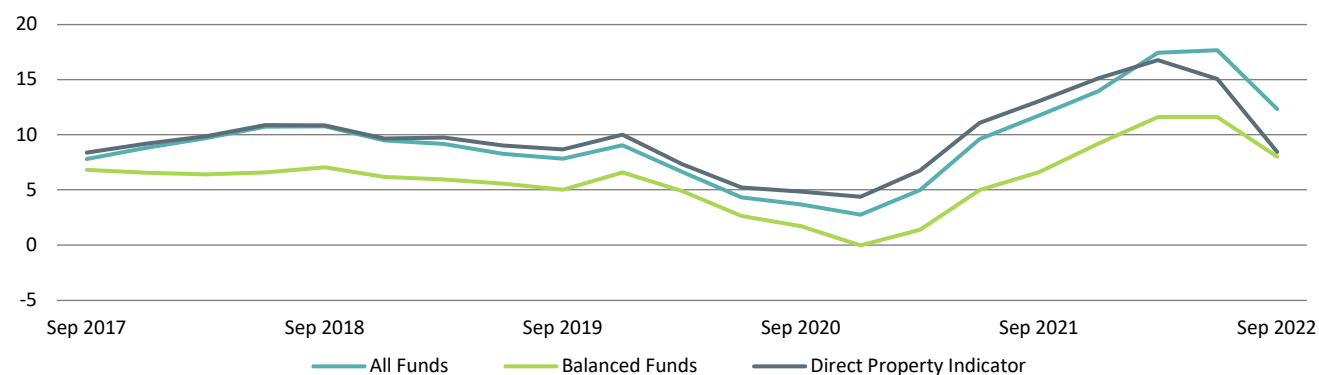
Performance Over the Past Five Years (% Y-O-Y)

	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022
Private Real Estate - Fund Level	10.8%	7.8%	3.7%	11.8%	12.3%
Private Real Estate - Asset Level	10.9%	8.7%	4.8%	13.0%	8.4%
Equities	2.1%	6.2%	-6.5%	31.4%	-15.0%
Bonds	0.1%	9.3%	0.6%	-1.1%	-16.7%
Listed Real Estate	6.6%	8.8%	-12.3%	23.1%	-34.5%
Euro Area 10-Year Govt. Bond ¹	1.2%	-0.1%	0.0%	0.1%	2.6%
Euro Area 12-Month EURIBOR ¹	-0.2%	-0.3%	-0.4%	-0.5%	2.6%
EU CPI	2.2%	1.2%	0.5%	3.1%	10.3%

Sources: MSCI, Macrobond, Markit iBoxx. As of Sept 30, 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 September 30, 2022. Past performance is not indicative of future returns. It is not possible to invest directly in an index.

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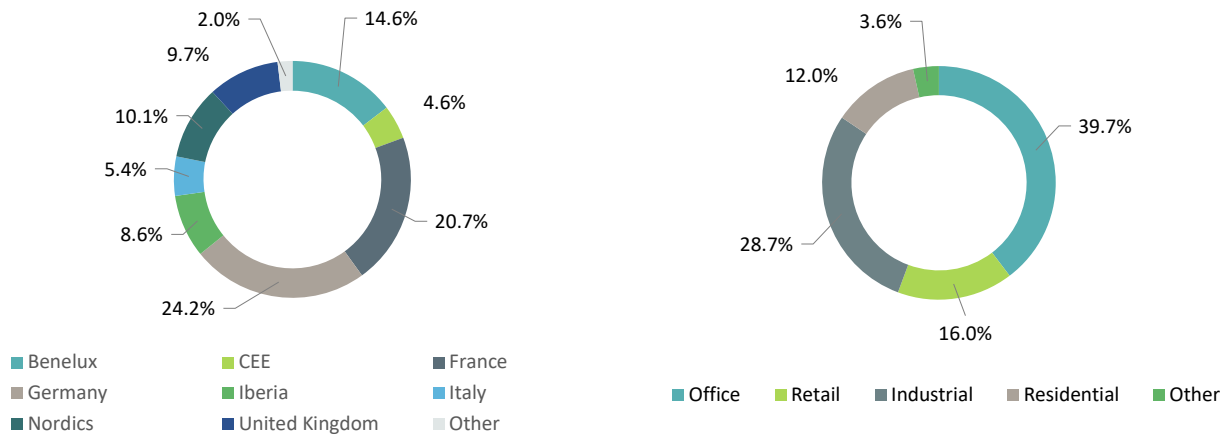
Returns by Property Type and Region

		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		12.3%	2.8%	9.3%	9.2%	9.2%	8.7%	5.8%	3.0%	5.5%	€72.7	17	21.0%
Balanced Funds		8.0%	2.5%	5.3%	5.4%	5.7%	5.3%	3.0%	2.1%	4.9%	€44.0	14	20.3%
Asset-level Returns											CV	Properties	
Type	Office	3.5%	3.3%	0.2%	5.6%	6.7%	7.2%	6.0%	2.3%	2.8%	€17.1	165	
	Retail	6.8%	4.7%	2.0%	0.2%	1.4%	3.6%	3.0%	2.6%	3.3%	€6.4	125	
	Industrial	12.4%	3.8%	8.4%	14.6%						€37.1	1,142	
	Residential	6.6%	2.0%	4.6%	5.4%						€4.8	282	
Country	Belgium	9.1%	4.0%	4.9%	11.2%	9.0%	8.0%	6.0%	2.9%	3.3%	€1.4	34	
	Finland	6.0%	4.0%	1.9%	4.8%	5.7%	5.5%	5.6%	2.3%	2.2%	€1.0	40	
	France	6.4%	3.5%	2.9%	7.0%	8.4%	8.7%	7.0%	2.5%	3.4%	€12.5	368	
	Germany	8.9%	3.2%	5.5%	10.3%	11.3%	10.6%	7.2%	2.6%	3.5%	€15.2	285	
	Italy	8.1%	3.7%	4.3%	7.5%	7.8%	7.4%	4.4%	2.9%	4.1%	€3.8	137	
	Netherlands	8.4%	3.6%	4.6%	10.2%	11.5%	9.2%	5.7%	3.1%	3.7%	€7.7	198	
	Poland	11.6%	4.6%	6.7%	8.9%	8.5%	7.9%	7.7%	2.2%	2.1%	€3.2	111	
	Spain	6.9%	4.2%	2.7%	6.2%	6.7%	8.5%	4.8%	3.4%	5.0%	€4.2	118	
	Sweden	-1.4%	3.1%	-4.3%	10.1%	7.7%	8.0%	7.3%	5.5%	7.7%	€2.6	67	
	UK	9.0%	3.5%	5.4%	6.3%	5.7%	7.6%	8.7%	8.1%	7.9%	€8.6	143	
All Property		8.4%	3.6%	4.7%	8.7%	9.1%	9.0%	7.2%	2.8%	3.4%	€66.9	1,747	

Source: MSCI Pan-European Quarterly Property Fund Index. As of September 30, 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 September 30, 2022.

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