

## Second Quarter 2020

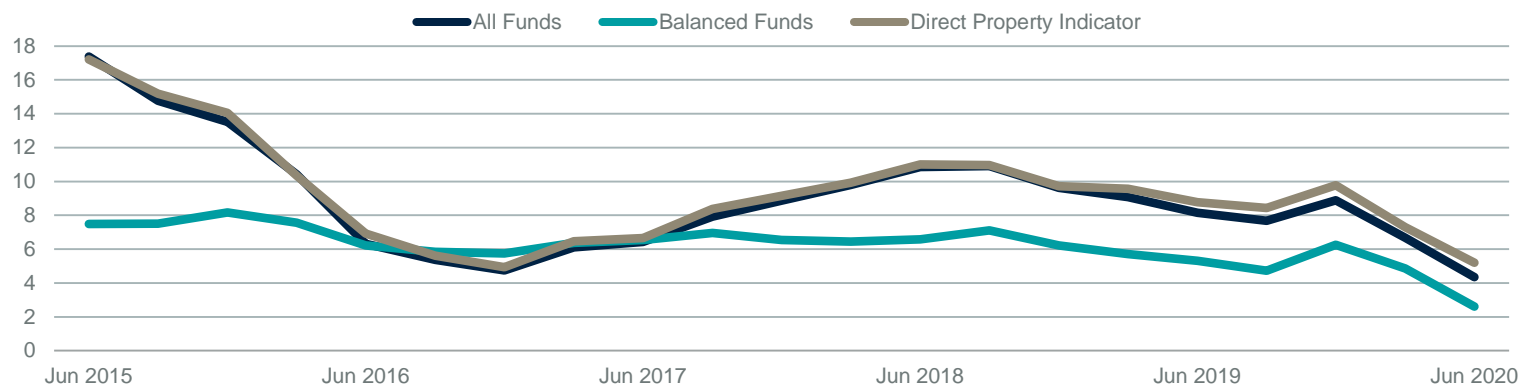
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### QUARTERLY HIGHLIGHTS

- As expected, with the Covid-19 pandemic continuing, the second quarter of 2020 saw a further deterioration in European real estate performance. Annual levered fund-level total returns for the MSCI Pan-European Quarterly Property Fund Index (PEPFI) dropped to an almost seven-year low of 4.3%, down from 6.7% in the first quarter. The Balanced Funds subset also saw a notable drop, with year-on-year returns of 2.6%.
- Quarterly all property asset-level returns fell into negative territory for the first time since the Global Financial Crisis (GFC). Income returns continued to tick downwards, reaching 4.2% on an annual basis, but the majority of the decline in performance was attributed to falling capital values.
- Not all sectors are being affected equally, with retail and hotel the most adversely affected to date. While still a small part of the index, hotel values remained stable in the second quarter, following a sharp drop three months earlier. Meanwhile, retail values were down by a total of 7.4% in the first six months of the year. Conversely, residential properties continued to appreciate in the second quarter, albeit marginally. In a wider context, quarterly total returns turned positive for both equities and bonds, although European real estate continued to outperform in annual terms.

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



Source: MSCI, as of 31 March 2020. Past performance is not indicative of future returns. It is not possible to invest directly in an index.

### RECENT PERFORMANCE TRENDS

	Quarterly		Annual	
	2020 Q2	2020 Q1	2020 Q2	2019 Q4
Private Real Estate - Fund Level	-0.9%	0.0%	4.3%	8.9%
Private Real Estate - Asset Level	-0.4%	0.2%	5.2%	9.8%
Equities	14.0%	-23.7%	-4.8%	28.1%
Bonds	2.3%	-0.9%	1.8%	6.0%
Listed Real Estate	6.6%	-25.8%	-6.1%	29.7%
Euro Area 10-Year Govt. Bond <sup>1</sup>	0.2%	0.2%	0.2%	0.2%
Euro Area 12-Month LIBOR <sup>1</sup>	-0.2%	-0.2%	-0.2%	-0.3%
EU CPI	0.7%	-0.3%	0.6%	1.3%

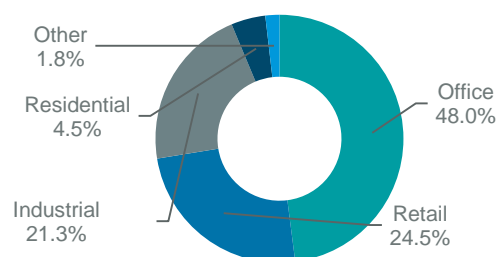
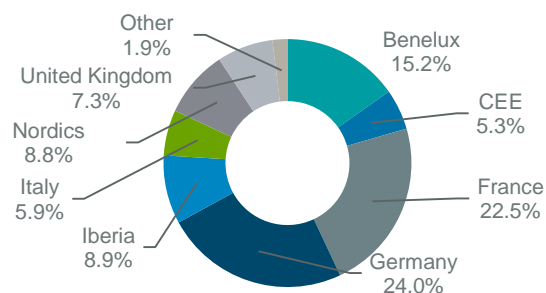
Sources: MSCI, Macrobond, Markit iBoxx. As of 30 June 2020. Private real estate: MSCI Pan-European Quarterly Property Fund Index; Equities: STOXX All Europe Total Market; Bonds: iBoxx € Overall; Listed Real Estate: FTSE EPRA/NAREIT Europe. Past performance is not indicative of future returns.

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

## MSCI PAN-EUROPEAN QUARTERLY PROPERTY FUND INDEX PERFORMANCE

- At the asset level, annual European income returns hit yet another record low in the second quarter, moving below 4.2%. However, for the fourth consecutive quarter, income accounted for the larger share of total return.
- Residential was the only one of the four main sectors where values grew in quarterly terms. Retail's weight within the index continued to fall, sitting at just less than 17%; however, this is still a significant share, meaning the sector's weak performance remained a drag on overall total returns. Both office and industrial saw a second consecutive quarterly value decline, although the falls were relatively small.
- By country, the United Kingdom saw the largest negative movement in values once again, bringing the year-to-date decline to -11.2%. Over the quarter, values weakened in almost all locations, although Germany was among the better performers, with a fall of only 0.2%.
- In terms of annual performance, the Netherlands remained at the top of the table, with asset-level total returns of 9.3% year-on-year. Germany and Sweden were not far behind, but as the only market to see negative total returns, the United Kingdom was once again bringing up the rear by some distance.

## BALANCED FUNDS INDEX ASSET ALLOCATION (% of GAV)



Source: MSCI. As of 30 June 2020.

## RETURNS BY PROPERTY TYPE AND REGION

		Annual Returns						Standard Deviation		Descriptive Statistics				
		1 Year			3 years	5 years	10 years	All <sup>2</sup>	10 years	All <sup>2</sup>	Value (bn)	Number	Gearing (% GAV)	
Total	Income	Capital												
<b>Fund-level Returns</b>												GAV	Funds	
<b>All Funds</b>		4.3%	4.4%	0.0%	7.8%	7.2%	6.9%	5.0%	2.8%	5.6%	€42.3	14	24.1%	
<b>Balanced Funds</b>		2.6%	2.8%	-0.2%	4.8%	5.4%	4.6%	2.4%	1.8%	5.1%	€29.9	12	24.0%	
<b>Asset-level Returns</b>												CV	Properties	
<b>Type</b>	Office	6.8%	3.6%	3.1%	7.7%	8.0%	6.9%	6.1%	2.0%	2.8%	€14.4	140		
	Retail	-4.6%	4.0%	-8.3%	0.9%	2.9%	4.4%	3.0%	2.4%	3.4%	€6.9	139		
	Industrial	8.6%	4.8%	3.6%							€17.8	696		
	Residential	6.1%	2.5%	3.4%							€1.3	106		
<b>Country</b>	Belgium	4.6%	5.3%	-0.6%	5.6%	6.9%	5.2%	4.8%	2.6%	2.9%	€0.6	20		
	Finland	2.0%	4.3%	-2.2%	5.4%	5.6%					€0.7	24		
	France	4.9%	4.0%	0.9%	8.8%	9.7%	8.3%	6.8%	2.2%	3.3%	€8.3	169		
	Germany	7.8%	3.8%	3.9%	11.0%	10.5%	9.6%	6.5%	1.8%	3.2%	€9.8	209		
	Italy	3.1%	3.7%	-0.6%	6.5%	7.3%	4.8%	3.5%	3.1%	3.9%	€2.1	55		
	Netherlands	9.3%	4.2%	4.9%	11.7%	10.6%	7.3%	4.7%	2.4%	3.4%	€4.9	141		
	Poland	6.8%	5.4%	1.4%	7.2%	6.4%					€2.0	88		
	Spain	3.7%	4.5%	-0.8%	6.4%	8.5%	6.3%	4.7%	4.8%	5.4%	€2.6	76		
	Sweden	8.4%	3.9%	4.4%	6.3%	7.5%	9.9%	6.9%	4.8%	7.6%	€1.9	42		
UK	-3.9%	4.2%	-7.8%	2.6%	-0.3%					€4.1	73			
<b>All Property</b>		5.2%	4.2%	1.0%	8.3%	7.7%	7.9%	6.8%	2.2%	3.2%	€40.9	1,103		

Source: MSCI Pan-European Quarterly Property Fund Index. As of 30 June 2020. Past performance is not indicative of future returns.

<sup>2</sup> All Funds index returns start in 2004, equivalent to a 16 year calculation. Returns for Balanced Funds index and asset-level indices may start later than 2004.

# APPENDIX

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

	Jun 2016	Jun 2017	Jun 2018	Jun 2019	Jun 2020
Private Real Estate - Fund Level	6.3%	6.4%	10.9%	8.2%	4.3%
Private Real Estate - Asset Level	6.9%	6.7%	11.0%	8.8%	5.2%
Equities	-9.8%	19.0%	3.9%	4.8%	-4.8%
Bonds	7.2%	-2.1%	1.5%	5.6%	1.8%
Listed Real Estate	1.0%	6.1%	9.4%	-1.5%	-6.1%
Euro Area 10-Year Govt. Bond <sup>1</sup>	0.8%	1.0%	1.1%	0.4%	0.2%
Euro Area 12-Month LIBOR <sup>1</sup>	-0.1%	-0.2%	-0.2%	-0.3%	-0.2%
EU CPI	-0.2%	1.5%	1.8%	1.6%	0.6%

Sources: MSCI, Macrobond, Markit iBoxx. As of 30 June 2020. 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

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