

EUROPE PROPERTY PERFORMANCE MONITOR

Fourth Quarter 2021

IN A NUTSHELL

- _ Quarterly fund-level total returns for the MSCI Pan-European Quarterly Property Fund Index (PEPFI) reached 4.3% in the final three months of 2021, bringing the annual total return to 14.0%. Annual returns for the Balanced Funds subset of the index also improved to 9.2%, the highest figure since 2007.
- _ All sectors have now moved firmly back into the black, although there are still clear divides between and within sectors. Retail – a notable underperformer over the past two years – is starting to make something of a recovery, although is still comfortably the weakest performing sector.
- _ Annual returns for every country except Portugal have now moved into double digits. In the last 12 months, the United Kingdom has moved from the very bottom of the table to being one of Europe's best performers, thanks in no small part to a quarterly return of 8.4% at the end of the year.

Private Real Estate Performance

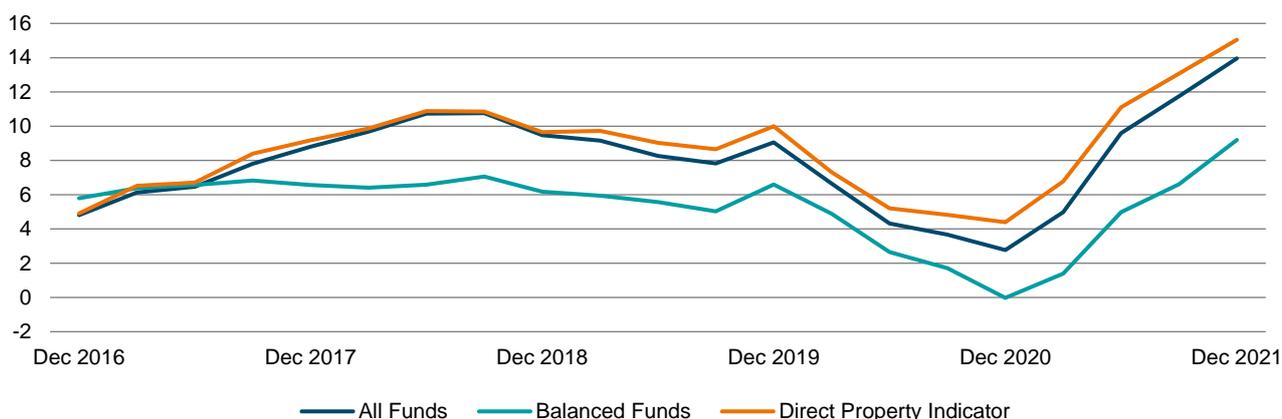
- _ The European real estate market remained well and truly in recovery mode during the fourth quarter of 2021. Annual fund-level total returns reached a six-year high last year, while the Balanced Funds subset recorded its best performance since before the GFC.
- _ The industrial sector remained a long way in front, making a strong positive impact on overall index performance with annual returns reaching a lofty 24.1%. Hotels, residential and offices all recorded returns of 7.0%-9.0%.
- _ The retail sector continues to bring up the rear, although saw some improvement. Within the sector, retail parks and retail warehouses are some way ahead of other formats. Larger shopping centres are beginning to mount something of a recovery, but smaller centres – typically more secondary in nature – are the only part of the market still seeing negative annual returns.
- _ The widespread nature of the recovery could also be seen geographically, as annual asset-level total returns surpassed 10% in almost every country. The Czech Republic, The United Kingdom and Belgium occupied the three top spots, all recording asset-level returns of close to or above 20% year-on-year. Germany, Italy, the Netherlands and Spain were also slightly ahead of the pan-European average.
- _ In a wider multi-asset context, equities and listed real estate recovered well at the end of the year following a slowdown in the third quarter. However, private real estate remained close behind in both quarterly and annual terms.

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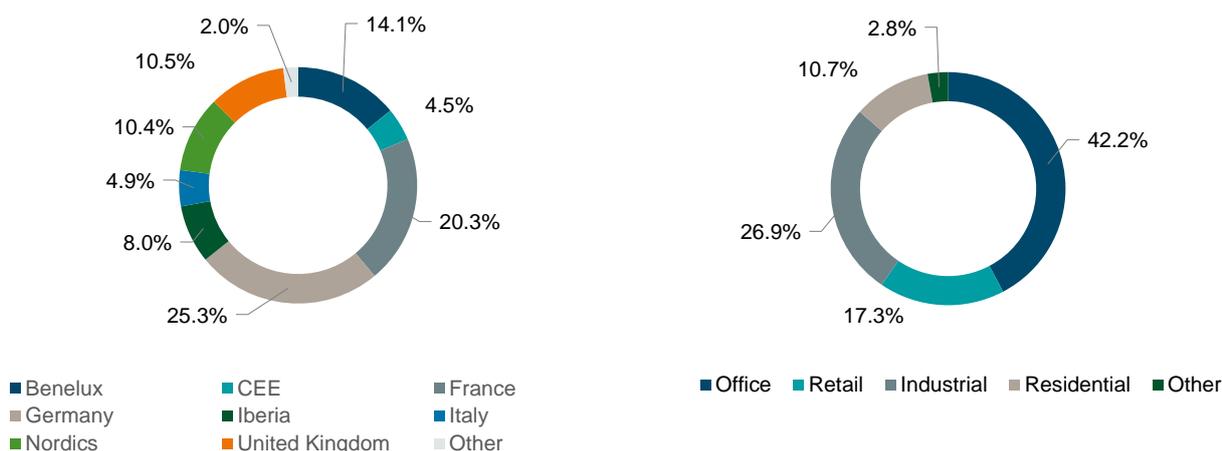
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EUROPEAN PRIVATE REAL ESTATE TOTAL RETURNS (% Y-O-Y)



Source: MSCI, as of December 31, 2021. Past performance is not indicative of future returns. It is not possible to invest directly in an index.

BALANCED FUNDS INDEX ASSET ALLOCATION (% OF GAV)



Source: MSCI. As of December 31, 2021.

RECENT PERFORMANCE TRENDS

	Quarterly		Annual	
	2021 Q4	2021 Q3	2021 Q4	2020 Q4
Private Real Estate - Fund Level	4.3%	3.3%	14.0%	2.8%
Private Real Estate - Asset Level	4.5%	3.6%	15.0%	4.4%
Equities	6.9%	1.4%	25.7%	-2.2%
Bonds	-0.7%	0.2%	-2.8%	4.0%
Listed Real Estate	7.8%	0.3%	18.4%	-9.8%
Euro Area 10-Year Govt. Bond ¹	0.1%	0.1%	0.1%	-0.2%
Euro Area 12-Month LIBOR ¹	-0.5%	-0.5%	-0.5%	-0.5%
EU CPI	1.8%	0.7%	4.9%	0.2%

Sources: MSCI, Macrobond, Markit iBoxx. As of December 31, 2021. 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

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MSCI Pan-European Quarterly Property Fund Index (PEPFI) Performance by Sector and Region

- At the asset level, annual capital value growth of 10.9% was the highest since the start of the index in 2004, while income returns edged down further to a new low of 3.8%.
- The influence of the poor-performing retail sector continues to wane within the index. The sector's weight peaked at 27% just four years ago; however, since then it has grown neither in terms of number of properties nor aggregate capital value, and now accounts for just 11.4%. Conversely, the residential sector, which has been one of the most stable performers throughout the pandemic, continues to grow in its standing.
- The hotel market is making positive strides towards recovery. During the worst of the Covid-19 pandemic, the sector was one of the hardest hit due to restrictions on both international and domestic travel. But as the European economy has gradually re-opened, travel is picking up and this is starting to be reflected in hotel performance. On a quarterly asset-level basis, hotel returns were 4.4% in the final quarter, second only to industrial.
- By region, the best performers were Central Europe, the Benelux countries and the United Kingdom, all of which managed annual asset-level total returns of more than 15.0%. However, neither Germany, France, Southern Europe nor Central Europe were far behind, all recording returns of more than 10.0% on average.

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	14.0%	3.0%	10.7%	8.5%	8.8%	7.8%	5.6%	2.9%	5.5%	€62.7	16	20.8%
Balanced Funds	9.2%	2.5%	6.5%	5.2%	5.7%	5.0%	2.8%	1.9%	4.9%	€41.8	14	22.0%
Asset-level Returns										CV	Properties	
Type	Office	8.8%	3.4%	5.2%	7.6%	8.0%	7.1%	6.3%	2.1%	2.8%	€17.3	167
	Retail	4.1%	4.2%	0.0%	-0.7%	1.5%	3.7%	2.9%	2.6%	3.4%	€6.6	133
	Industrial	24.1%	4.2%	19.1%	16.0%						€28.7	871
	Residential	8.3%	1.8%	6.4%	6.8%						€4.1	279
Country	Belgium	19.9%	4.5%	14.8%	10.8%	9.1%	7.1%	6.0%	3.3%	3.4%	€1.0	27
	Finland	10.8%	3.9%	6.6%	5.1%	5.5%	5.7%	5.7%	2.3%	2.2%	€1.0	40
	France	11.6%	3.7%	7.6%	8.4%	9.1%	8.7%	7.2%	2.2%	3.3%	€10.6	329
	Germany	15.6%	3.4%	11.8%	11.8%	12.2%	10.8%	7.3%	1.9%	3.3%	€13.8	247
	Italy	16.4%	3.6%	12.4%	8.2%	8.1%	6.5%	4.4%	3.3%	4.0%	€2.7	83
	Netherlands	15.6%	3.9%	11.4%	12.7%	12.3%	8.9%	5.7%	2.6%	3.5%	€6.3	155
	Poland	13.0%	4.9%	7.8%	8.8%	7.8%	7.5%	7.6%	2.1%	2.0%	€2.5	97
	Spain	10.3%	4.3%	5.8%	6.5%	7.4%	7.0%	4.8%	4.5%	5.1%	€3.3	82
	Sweden	15.7%	3.4%	11.9%	12.1%	9.8%	9.7%	8.0%	4.7%	7.5%	€2.6	60
	UK	21.1%	3.6%	17.0%	6.9%	6.2%	8.5%	9.3%	7.8%	7.8%	€8.1	118
All Property		15.0%	3.8%	10.9%	9.7%	9.6%	8.9%	7.3%	2.4%	3.3%	€57.7	1,476

Source: MSCI Pan-European Quarterly Property Fund Index. As of December 31, 2021. 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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Appendix

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

	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021
Private Real Estate - Fund Level	8.8%	9.5%	9.1%	2.8%	14.0%
Private Real Estate - Asset Level	9.2%	9.7%	10.0%	4.4%	15.0%
Equities	11.2%	-10.4%	28.1%	-2.2%	25.7%
Bonds	0.6%	0.4%	6.0%	4.0%	-2.8%
Listed Real Estate	13.1%	-8.0%	29.7%	-9.8%	18.4%
Euro Area 10-Year Govt. Bond ¹	0.9%	1.1%	0.2%	-0.2%	0.1%
Euro Area 12-Month LIBOR ¹	-0.2%	-0.2%	-0.3%	-0.5%	-0.5%
EU CPI	1.5%	1.9%	1.3%	0.2%	4.9%

Sources: MSCI, Macrobond, Markit iBoxx. As of December 31, 2021. 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

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