

EUROPE PROPERTY PERFORMANCE MONITOR

First Quarter 2022

IN A NUTSHELL

- _ The MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded quarterly fund-level total returns of 5.3% in the first three months of 2022, bringing year-on-year returns to 17.4%. Annual returns for the Balanced Funds subset of the index totalled 11.7%, the highest figure since before the GFC.
- _ European private real estate significantly outperformed broad equities, bonds and the listed real estate market in the first quarter of 2022, with year-on-year returns well above the other asset classes.
- _ On a sector basis, quarterly asset-level returns were positive across all sectors during the first three months of the year. There are, however, still divides between and within sectors. Performance in the industrial sector continued to drive the wider index, but despite an improvement, the retail sector remains an underperformer.

Private Real Estate Performance¹

- _ The European real estate market recorded continued strong performance over the first quarter of 2022, with quarterly asset-level total returns moderating only slightly after a strong end to 2021. And with the weaker performance of the first quarter of 2021 falling out of the annual figures, year-on-year asset-level total returns were the highest since 2015 at 16.8%.
- _ At the fund level, quarterly total returns reached 5.3%, representing the highest figure since 2005. Similarly, the Balanced Funds subset recorded its best performance since before the GFC. On a year-on-year basis, fund-level total returns reached 17.4%, an undeniably strong result.
- _ Strong performance continued to be driven by the industrial sector. Despite a slight slowdown on the previous quarter, quarterly asset-level total returns were still impressive at 5.8%, meaning year-on-year asset-level total returns reached a record 26.2%. By comparison, the office and residential sectors recorded year-on-year asset-level total returns of 9.5% and 9.0% respectively, although again quarterly performance did slow slightly for both sectors.
- _ With regards to geographical performance, Germany and Sweden saw the strongest quarterly asset-level total returns at 4.6% each, followed closely by the United Kingdom at 4.3%. On an annual level, almost all countries, with the exception of Portugal at 8.9%, recorded double-digit total returns. Belgium and the United Kingdom retained the top spots with returns of over 20%, while Sweden, Italy, the Netherlands and Germany were not far behind.
- _ In a wider multi-asset context, equities and bonds recorded negative total returns in the first quarter of 2022. Listed real estate also saw a notable correction, which could suggest an expected value correction in the private real estate market over the coming quarters.

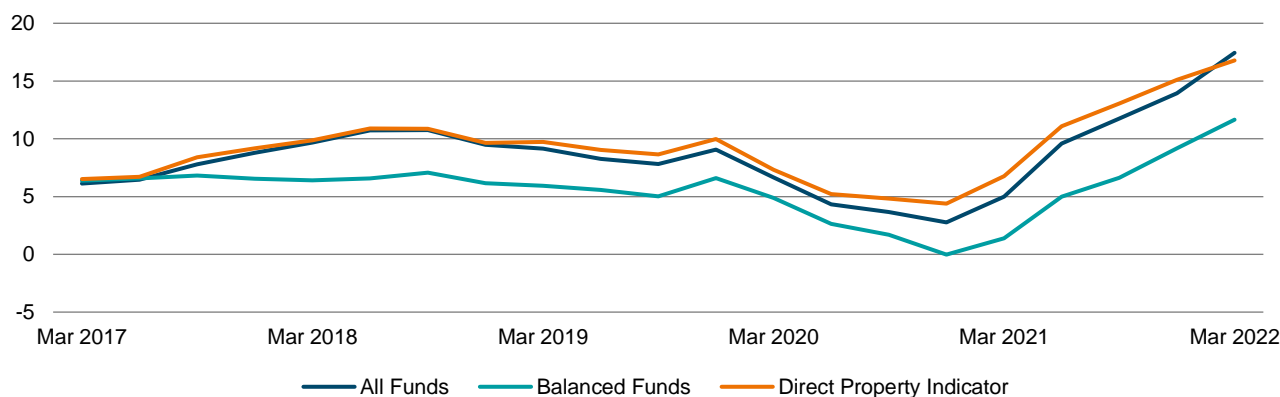
¹ Past performance is not indicative of future returns.

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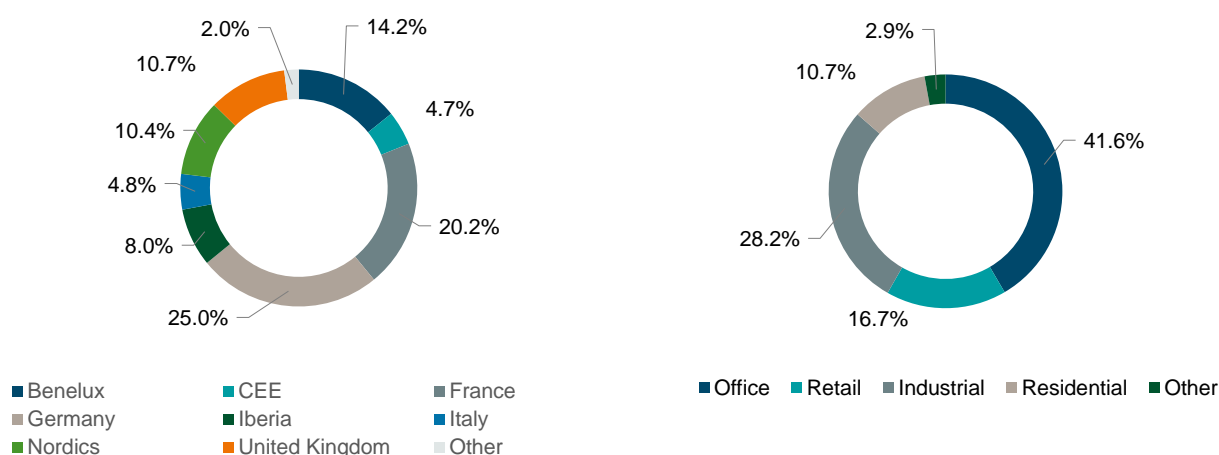
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EUROPEAN PRIVATE REAL ESTATE TOTAL RETURNS (% Y-O-Y)



Source: MSCI, as of March 31, 2022. 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 March 31, 2022.

RECENT PERFORMANCE TRENDS

	Quarterly		Annual	
	2022 Q1	2021 Q4	2022 Q1	2021 Q4
Private Real Estate - Fund Level	5.3%	4.3%	17.4%	13.9%
Private Real Estate - Asset Level	4.0%	4.6%	16.8%	15.1%
Equities	-8.0%	6.9%	6.5%	25.7%
Bonds	-5.6%	-0.7%	-6.4%	-2.8%
Listed Real Estate	-5.1%	7.8%	12.8%	18.4%
Euro Area 10-Year Govt. Bond ¹	0.9%	0.1%	0.9%	0.1%
Euro Area 12-Month LIBOR ¹	-0.1%	-0.5%	-0.1%	-0.5%
EU CPI	2.4%	1.8%	6.5%	4.9%

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

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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 continued to improve, reaching a new peak of 12.6%, the highest since the start of the index in 2004. Income returns edged down further to a new low of 3.7%.
- The influence of the top-performing industrial sector continues to grow within the index, now accounting for over half (51.3%) of the index by capital value. Conversely, the retail sector's weight continues to fall. Having peaked at 27% in 2017, retail has grown neither in terms of number of properties nor aggregate capital value since then, and now accounts for just 10.8% of the index.
- Nevertheless, the retail sector has recorded an impressive improvement in performance in recent quarters, with asset-level year-on-year returns reaching 7.2% in the first quarter of 2022, the highest figure in over five years. Notably, even smaller shopping centres, typically more secondary in nature, returned to positive year-on-year total return territory after eight consecutive quarters in the red. Retail parks and retail warehouses continue to outperform the other retail segments.
- As restrictions on both international and domestic travel have been loosened, the hotel sector recorded a rebound in quarterly asset-level total returns at the end of 2021, which continued into the first three months of 2022.

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	17.4%	3.1%	14.0%	9.6%	9.5%	8.4%	5.8%	3.0%	5.5%	€65.7	16	19.5%	
Balanced Funds	11.7%	2.7%	8.7%	5.9%	6.0%	5.3%	3.0%	2.0%	4.9%	€43.4	14	20.6%	
Asset-level Returns											CV	Properties	
Type	Office	9.5%	3.3%	6.0%	7.4%	7.9%	7.4%	6.3%	2.0%	2.7%	€17.5	167	
	Retail	7.2%	4.5%	2.7%	0.0%	1.6%	3.8%	3.0%	2.6%	3.4%	€6.5	129	
	Industrial	26.0%	4.1%	21.1%	16.8%						€31.0	887	
	Residential	9.0%	1.9%	7.1%	6.5%						€4.2	258	
Country	Belgium	20.6%	4.2%	15.8%	11.7%	9.6%	7.7%	6.1%	3.1%	3.4%	€1.0	27	
	Finland	11.5%	4.0%	7.3%	5.5%	5.9%	5.7%	5.8%	2.3%	2.2%	€1.0	40	
	France	13.3%	3.7%	9.3%	8.7%	9.5%	8.9%	7.2%	2.2%	3.3%	€11.1	315	
	Germany	17.3%	3.3%	13.6%	12.2%	12.6%	11.1%	7.5%	2.0%	3.3%	€14.4	245	
	Italy	17.9%	3.6%	13.9%	8.7%	8.3%	6.8%	4.5%	3.2%	4.0%	€2.7	84	
	Netherlands	17.8%	3.8%	13.5%	12.9%	12.5%	9.3%	5.9%	2.6%	3.6%	€6.6	159	
	Poland	13.7%	4.9%	8.5%	9.1%	8.0%	7.7%	7.7%	2.1%	2.0%	€2.6	95	
	Spain	12.8%	4.2%	8.2%	7.1%	7.4%	7.5%	5.0%	4.4%	5.1%	€3.4	82	
	Sweden	19.4%	3.3%	15.7%	13.8%	10.3%	9.9%	8.2%	4.7%	7.4%	€2.8	65	
	UK	20.2%	3.5%	16.2%	7.0%	6.9%	8.8%	9.5%	7.8%	7.7%	€8.6	119	
All Property		16.8%	3.7%	12.6%	10.2%	10.0%	9.2%	7.5%	2.4%	3.3%	€60.3	1,467	

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

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

	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Private Real Estate - Fund Level	9.7%	9.1%	6.6%	5.0%	17.4%
Private Real Estate - Asset Level	9.9%	9.7%	7.3%	6.8%	16.8%
Equities	0.9%	5.2%	-13.4%	39.1%	6.5%
Bonds	2.4%	2.2%	2.4%	3.0%	-6.4%
Listed Real Estate	8.1%	8.1%	-15.4%	21.0%	12.8%
Euro Area 10-Year Govt. Bond ¹	1.1%	0.8%	0.2%	0.0%	0.9%
Euro Area 12-Month EURIBOR ¹	-0.2%	-0.1%	-0.2%	-0.5%	-0.1%
EU CPI	1.3%	1.5%	1.5%	1.4%	6.5%

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