

EUROPE PROPERTY PERFORMANCE MONITOR

Third Quarter 2021

IN A NUTSHELL

- _ The MSCI Pan-European Quarterly Property Fund Index (PEPFI) recorded a second successive quarterly fund-level total return above 3.0%, bringing the annual total return for the All Funds index to an impressive 11.8%. Annual returns in the Balanced Funds subset also improved to 6.6%.
- _ There remains a clear divide in performance between sectors, but most parts of the market are now beginning to move in the right direction. The industrial sector remains way out in front, but for the first time since the pandemic took hold, annual total returns for all sectors moved back into positive territory.
- _ At the regional level, every market saw an improvement in annual performance. The four largest countries in the index all recorded returns of more than 10.0% year-on-year, while Sweden and the Czech Republic both surpassed the 20.0% mark.

Private Real Estate Performance¹

- _ The European real estate market has moved firmly into recovery mode. While not everything has yet returned to pre-pandemic levels, some parts of the market are having a particularly strong positive impact on index-level total returns.
- _ Quarterly pan-European fund-level total returns for the third quarter of 2021 were 3.3%, only marginally lower than the previous quarter, meaning that annual total returns were running at a six-year high of 11.8%.
- _ This noteworthy uptick in performance was in no small part driven by the logistics sector, where yearly total returns grew to an impressive 22.9%, but even excluding sector-specific funds, balanced pan-European funds returned a respectable 6.6% year-on-year.
- _ The breadth of the recovery can also be seen geographically, with eight countries recording double digit annual total returns in the third quarter. This group includes most of the continent's largest economies, with the United Kingdom and the Netherlands seeing returns above 15% in the year to September, and Sweden surpassing the 20% mark. Germany was also a strong performer, with Italy and France not far behind.
- _ In a turnaround from the previous quarter, returns from broad equities and listed real estate moderated significantly, while bonds improved marginally, meaning that private real estate was an outperformer in a multi-asset context.

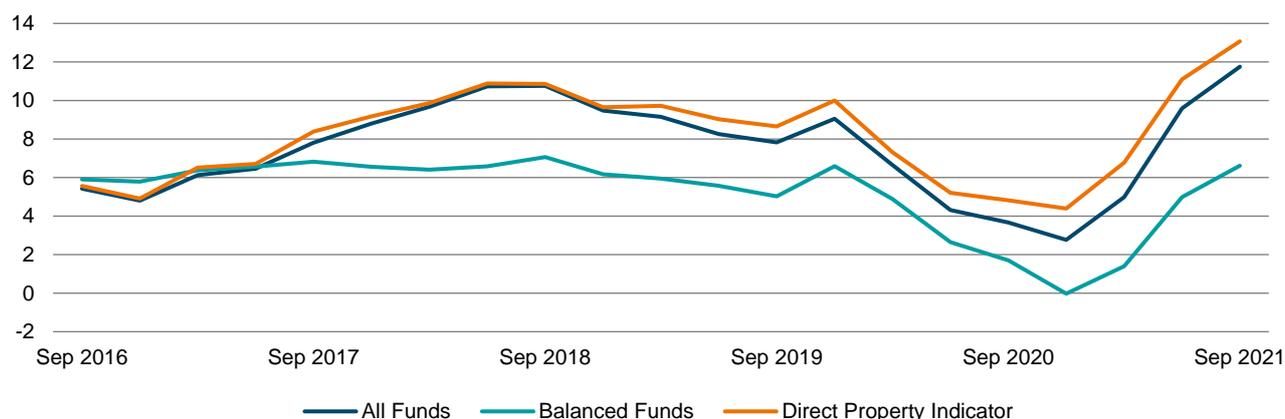
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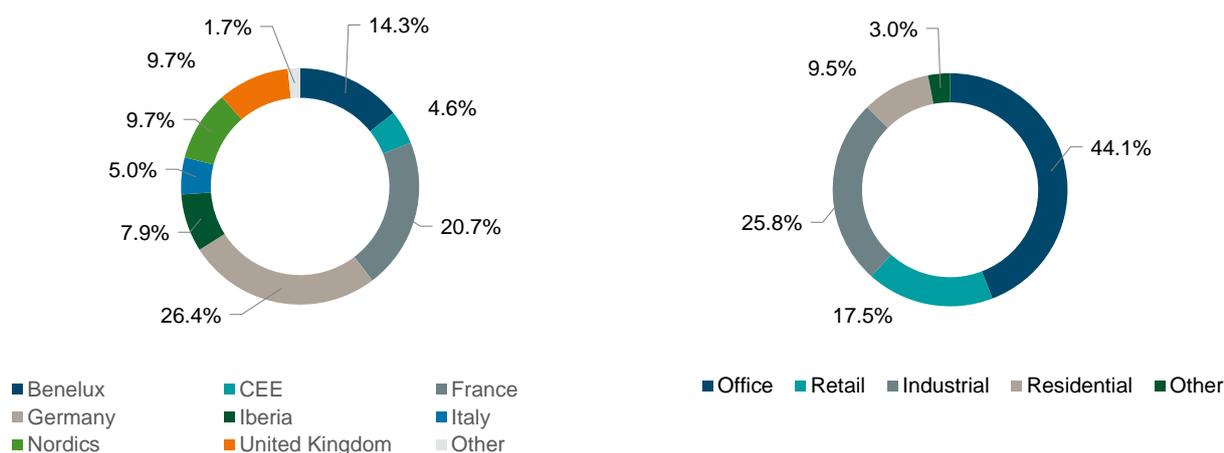
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EUROPEAN PRIVATE REAL ESTATE TOTAL RETURNS (% Y-O-Y)



Source: MSCI, as of September 30, 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 September 30, 2021.

RECENT PERFORMANCE TRENDS

	Quarterly		Annual	
	2021 Q3	2021 Q2	2021 Q3	2020 Q4
Private Real Estate - Fund Level	3.3%	3.5%	11.8%	2.8%
Private Real Estate - Asset Level	3.6%	3.7%	13.1%	4.4%
Equities	1.4%	6.8%	31.4%	-2.2%
Bonds	0.2%	-0.4%	-1.1%	4.0%
Listed Real Estate	0.3%	10.0%	23.1%	-9.8%
Euro Area 10-Year Govt. Bond ¹	0.1%	0.2%	0.1%	-0.2%
Euro Area 12-Month LIBOR ¹	-0.5%	-0.5%	-0.5%	-0.5%
EU CPI	0.7%	1.5%	3.1%	0.2%

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

- Once again, the composition of returns was heavily skewed towards capital growth. Year-on-year asset-level income returns sat at just 3.9% - another new low for the index – while capital value growth rose to a six-year high of 8.9%.
- Residential was among the most resilient sectors during the early part of the pandemic, and has recorded modest returns throughout, with the sector continuing to grow in stature within the index. Annual returns in the office sector improved to 7.3% in the third quarter, while the hotel sector also moved further into positive territory, with an annual asset-level return of 5.0%. However, industrial has been the clear winner of late, with values rising 17.9% in the space of a year.
- The retail sector recorded its second consecutive positive quarter, pushing annual returns back into the black. That said, the sector has a strong internal divide. Retail warehouses and other non-shopping-centre retail were clear outperformers, while shopping centres continue to see value write downs, particularly for secondary stock. Still, with retail now accounting for less than 12% of the total capital value, the sector's influence on the index continues to lessen.
- By region, performance was uniformly positive. The Benelux countries, Central Europe and the Nordics were marginal outperformers with quarterly asset-level total returns of 4.0%-5.0%, while returns in Southern Europe, the United Kingdom, France and Germany were all at 3.0%-3.5%.

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	11.8%	3.1%	8.5%	7.7%	8.3%	7.5%	5.4%	2.8%	5.5%	€58.1	16	20.0%
Balanced Funds	6.6%	2.7%	3.9%	4.4%	5.4%	4.7%	2.6%	1.8%	4.9%	€39.4	14	21.3%
Asset-level Returns											CV	Properties
Type	Office	7.3%	3.5%	3.7%	7.2%	8.1%	7.0%	6.2%	2.1%	2.8%	€17.0	164
	Retail	0.3%	4.1%	-3.6%	-1.6%	1.3%	3.5%	2.7%	2.5%	3.3%	€6.3	138
	Industrial	22.9%	4.4%	17.9%	15.0%						€25.6	816
	Residential	5.4%	1.9%	3.4%	5.7%						€3.4	239
Country	Belgium	17.0%	4.5%	12.0%	9.9%	8.7%	6.5%	5.8%	3.4%	3.3%	€0.9	28
	Finland	7.1%	4.1%	2.9%	4.6%	5.2%	5.6%	5.6%	2.2%	2.2%	€0.9	35
	France	10.2%	3.8%	6.2%	8.0%	9.1%	8.4%	7.1%	2.2%	3.3%	€10.1	320
	Germany	13.8%	3.5%	10.0%	11.2%	11.7%	10.4%	7.1%	1.8%	3.2%	€13.5	247
	Italy	12.1%	3.5%	8.3%	6.9%	7.5%	5.7%	4.1%	3.3%	3.9%	€2.5	79
	Netherlands	15.0%	3.9%	10.7%	11.9%	11.7%	8.6%	5.5%	2.5%	3.5%	€6.1	156
	Poland	9.4%	5.0%	4.2%	7.7%	7.0%	7.3%	7.4%	2.0%	1.9%	€2.5	98
	Spain	8.8%	4.3%	4.3%	6.0%	7.4%	6.8%	4.7%	4.5%	5.1%	€3.1	80
	Sweden	22.6%	3.5%	18.4%	13.0%	9.9%	10.2%	8.0%	4.9%	7.5%	€2.7	53
	UK	15.4%	3.7%	11.2%	4.0%	4.9%	8.2%	8.7%	7.6%	7.6%	€6.2	89
All Property	13.1%	3.9%	8.9%	8.8%	9.1%	8.6%	7.2%	2.3%	3.2%	€53.3	1,384	

Source: MSCI Pan-European Quarterly Property Fund Index. As of September 30, 2021. Past performance is not indicative of future returns.

² All Funds index returns start in 2004, equivalent to a 17-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)

	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021
Private Real Estate - Fund Level	7.8%	10.8%	7.8%	3.7%	11.8%
Private Real Estate - Asset Level	8.4%	10.9%	8.7%	4.8%	13.1%
Equities	17.2%	2.1%	6.2%	-6.5%	31.4%
Bonds	-2.3%	0.1%	9.3%	0.6%	-1.1%
Listed Real Estate	3.5%	6.6%	8.8%	-12.3%	23.1%
Euro Area 10-Year Govt. Bond ¹	1.1%	1.2%	-0.1%	0.0%	0.1%
Euro Area 12-Month LIBOR ¹	-0.2%	-0.2%	-0.4%	-0.4%	-0.5%
EU CPI	1.5%	2.2%	1.2%	0.5%	3.1%

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

Research & Strategy—Alternatives

OFFICE LOCATIONS:

Chicago

222 South Riverside Plaza
34th Floor
Chicago
IL 60606-1901
United States
Tel: +1 312 537 7000

Frankfurt

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: +49 69 71909 0

London

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom
Tel: +44 20 754 58000

New York

875 Third Avenue
26th Floor
New York
NY 10022-6225
United States
Tel: +1 212 454 3414

San Francisco

101 California Street
24th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Singapore

One Raffles Quay
South Tower
20th Floor
Singapore 048583
Tel: +65 6538 7011

Tokyo

Sanno Park Tower
2-11-1 Nagata-cho
Chiyoda-Ku
18th Floor
Tokyo
Japan
Tel: +81 3 5156 6000

TEAM:

Global

Kevin White, CFA

Global Co-Head of Real Estate Research

Simon Wallace

Global Co-Head of Real Estate Research

Gianluca Minella

Head of Infrastructure Research

Americas

Brooks Wells

Head of Research, Americas

Liliana Diaconu, CFA

Office Research

Ross Adams

Industrial Research

Joseph Pecora, CFA

Apartment Research

Ana Leon

Retail Research

Europe

Ruben Bos, CFA

Property Market Research

Tom Francis

Property Market Research

Siena Golan

Property Market Research

Rosie Hunt

Property Market Research

Martin Lippmann

Property Market Research

Carsten Lieser

Property Market Research

Asia Pacific

Koichiro Obu

Head of Real Estate Research, Asia Pacific

Natasha Lee

Property Market Research

Hyunwoo Kim

Property Market Research

Seng-Hong Teng

Property Market Research

The authors



Simon Wallace
Global Co-Head of Real Estate Research



Tom Francis
Property Market Research

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