European Association for Investors
in Non-Listed Real Estate Vehicles

INREV

Healthy performance of European non-listed real estate in Q1

Investor confidence maintains momentum with third consecutive quarter of positive performance

16 June 2021, Amsterdam – Results from the latest INREV Pan-European Quarterly Asset Level Index reveal a healthy performance of European non-listed real estate, with total returns reaching 1.35% in Q1 2021.

Although slightly lower than the 1.96% total returns posted in Q4 2020, the latest figures reflect the third consecutive quarter of positive performance. Capital growth reached 0.42% in Q1 2021, compared to 1.06% in Q4 2020. These results indicate a return to sustainable growth and a continuing trend of investor confidence that was first reported in Q3 2020, following an initial period of market turbulence prompted by the COVID-19 pandemic.

On a fund level, the Q1 2021 total return reached 1.24%, with capital growth increasing to 0.77%, the highest quarterly level in almost two years, according to the INREV Quarterly Fund Index.
Core funds continued to outperform value added strategies, delivering an average total return of 1.28% in Q1 – slightly lower than the 1.65% achieved in the previous quarter. However, for the first time since the end of 2019 average total return for value-added strategies tipped into positive territory rising to 0.56% in Q1 2021 up from -0.15% in Q4 2020 and narrowing the performance gap with core strategies.

Broad-based recovery

The first quarter of 2021 saw a broad-based recovery in performance across most of Europe. Following the uncertainty of Brexit and the initial impacts of COVID-19, the UK saw positive performance, delivering a total return of 1.73% at an asset level. This was underpinned by an increase in capital growth to 0.67% for the same period.

Germany maintained a strong, stable performance with a total return of 2.32% and the highest capital growth amongst all European countries at 1.45%. Similarly, France delivered a healthy total return of 1.40%, according to the INREV Quarterly Asset Level Index.

The Netherlands was a notable exception to the overall positive picture in Europe. A sharp increase in Dutch transfer taxes on residential investments hindered the overall performance of the INREV Netherlands Quarterly Asset Level Index due to the substantial size of the residential sector. Capital growth turned negative to -0.77%, and the Q1 total return slid to 0.10%.

The Nordics topped the geographic total return performance rankings with 2.34% in Q1 2020. This figure was significantly boosted by numbers from Sweden where asset-level total return hit 3.35% and which accounted for 52% of the Nordics sub-index.

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Mixed fortunes across sectors

According to the INREV Pan-European Quarterly Asset Level Index, industrial/logistics retained its position as the strongest performing sector with a total return of 4.50% in the first quarter of 2021. It reflects investors' seemingly insatiable appetite for the sector, which looks set to continue.

Offices became the second-best performing sector in Q1, with an asset level total return of 1.07%. This might mirror increased investor confidence in a return to offices, as part of a widely anticipated new hybrid working model.

The consequences of COVID-19 continued to plague the retail sector, which delivered a total return of -0.60%, marking the seventh consecutive quarter of negative performance at an asset level. However, capital growth stood at -1.63%, which is the best result for retail since the end of 2019 and an indication that the sector's downward trajectory could be levelling out.

Total return for residential in Q1 2020 dropped to 0.11% – down from 1.89% in the previous quarter, heavily influenced by the developments in the Dutch residential market.

Confidence building

According to the INREV Sentiment Survey, conducted in June 2021, 64% of respondents (the highest percentage since May 2020) indicated that their assessment of investment risk had not changed compared to the previous reporting period of March 2021; and rent received versus rent expected was close to 100% in most cases.

Similarly, all survey respondents said they were equally or more confident about upweighting their investments in European real estate compared with a year ago – 17% of investors plan to increase allocations to the sector, while 83% plan to invest the same. None plan to reduce allocations.

Iryna Pylypchuk, INREV's Director of Research and Market Information, said: "These results point very much toward the green shoots of recovery and a continued growth in confidence among European non-listed real estate market participants. That said, as the vaccination roll-out continues across Europe and we put the worst of the COVID-19 pandemic behind us, the dispersion in performance at a sector, sub-sector and geographic level is expected to stay and even accelerate in some cases."

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Notes to Editors

About INREV

INREV, the European Association for Investors in Non-Listed Real Estate Vehicles, was launched in May 2003 as a forum for institutional investors and other participants in the growing non-listed real estate vehicles sector. The association represents and reflects an industry with a total value of €2.8 trillion and INREV members deliver €385 billion of stimulus to the real economy of Europe.

INREV has 456 members which include 90 of the largest institutional investors as well as 40 of the 50 largest real estate fund managers, plus banks and advisors across Europe and elsewhere.

The non-profit association is focused on increasing the transparency and accessibility of non-listed vehicles, promoting professionalism and best practice, and sharing knowledge. It is based in Amsterdam, the Netherlands.