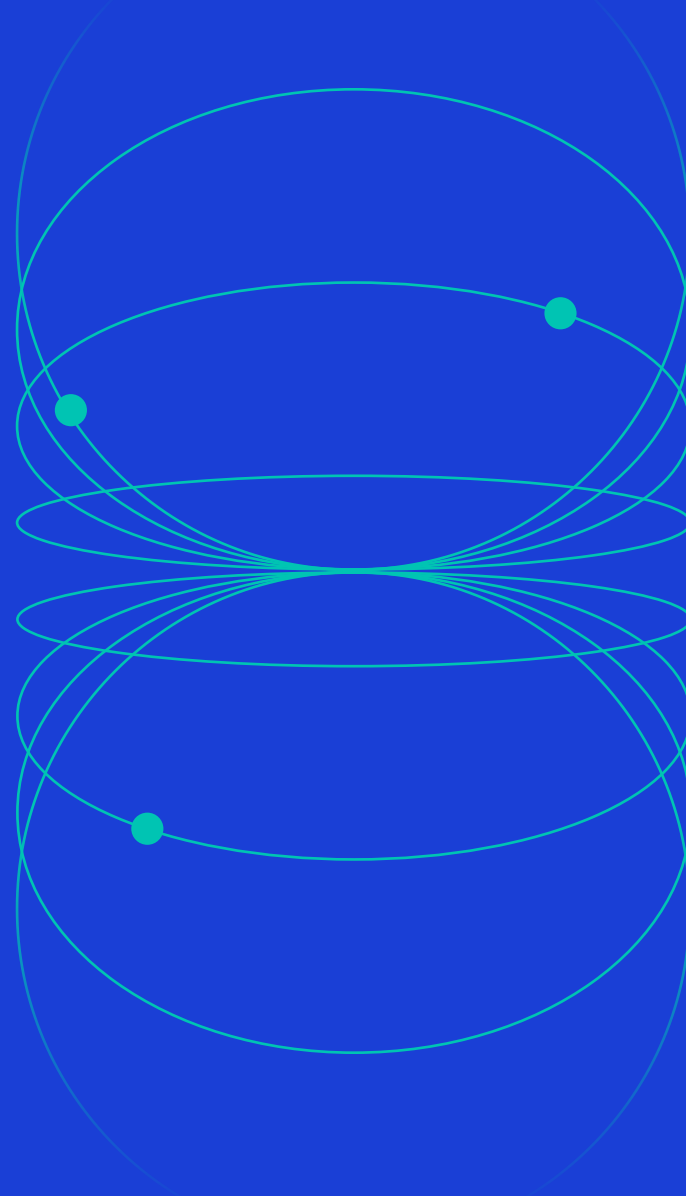




Real Assets In Focus Europe Q1 2026

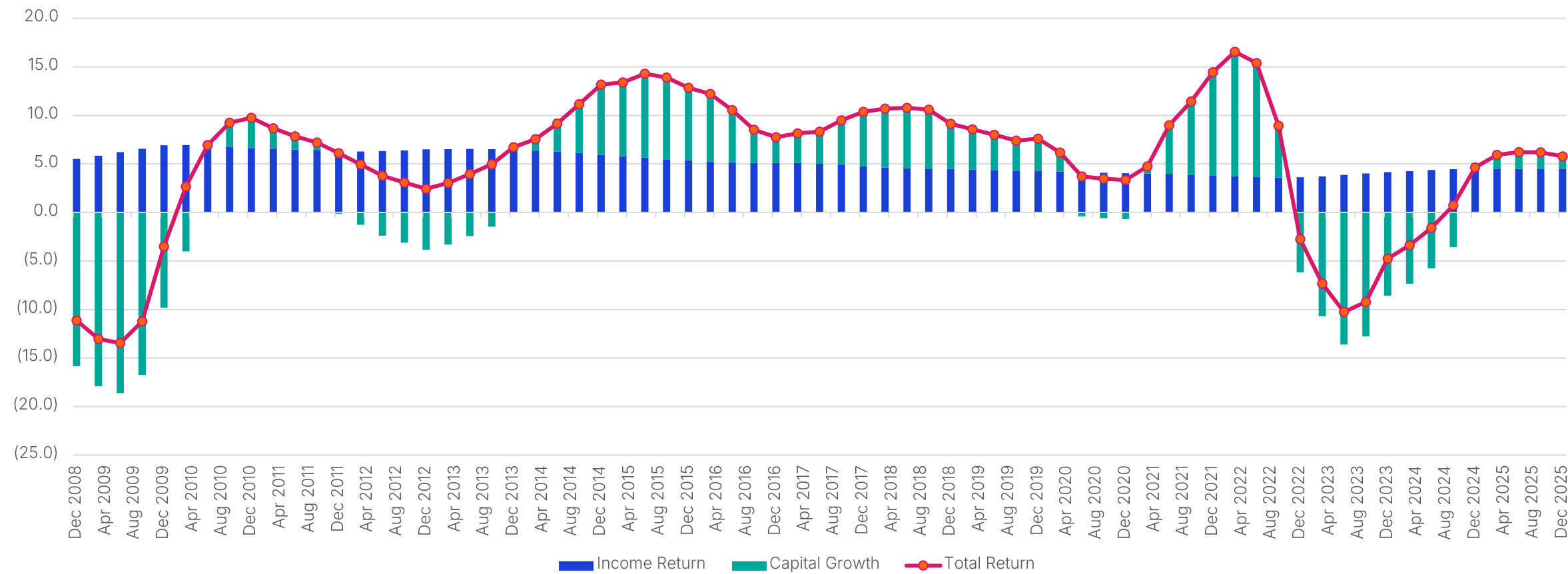
Will Robson, Executive Director, Real Assets Research

Tom Leahy, Executive Director, Real Assets Research



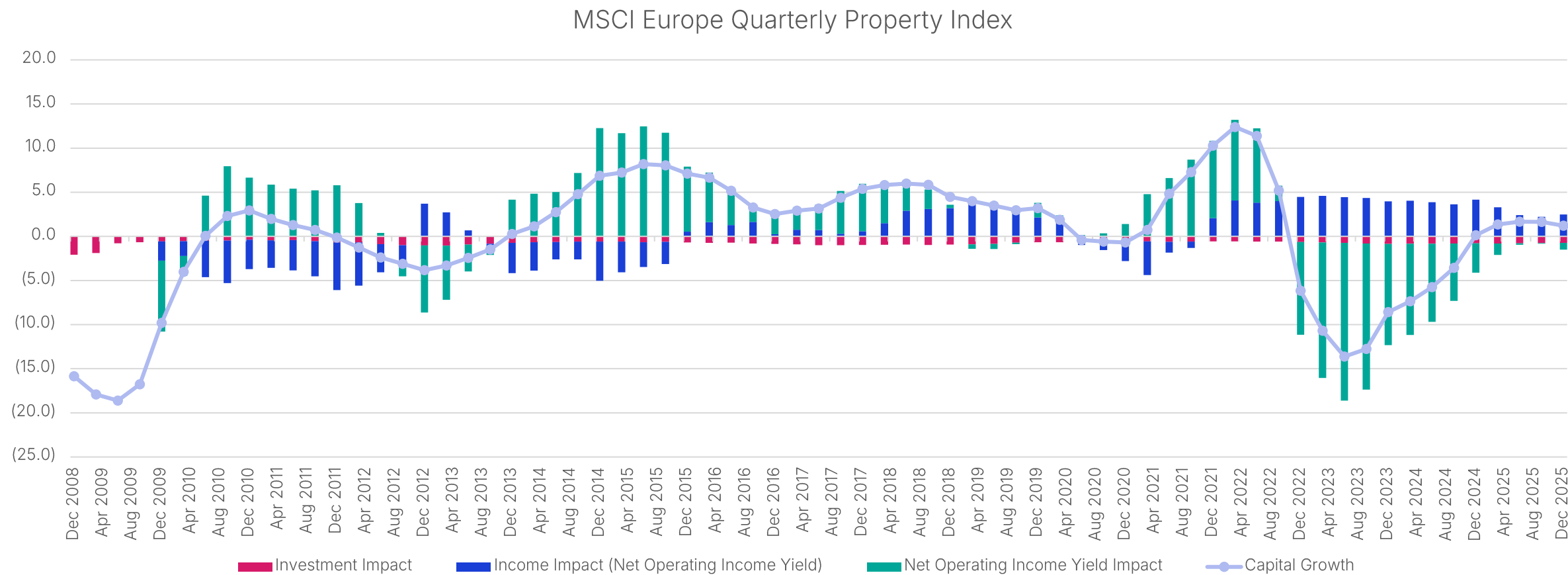
Capital growth back to positive territory, boosting returns again

MSCI Europe Quarterly Property Index



Source: MSCI Real Estate

But driven by income growth rather than yield compression

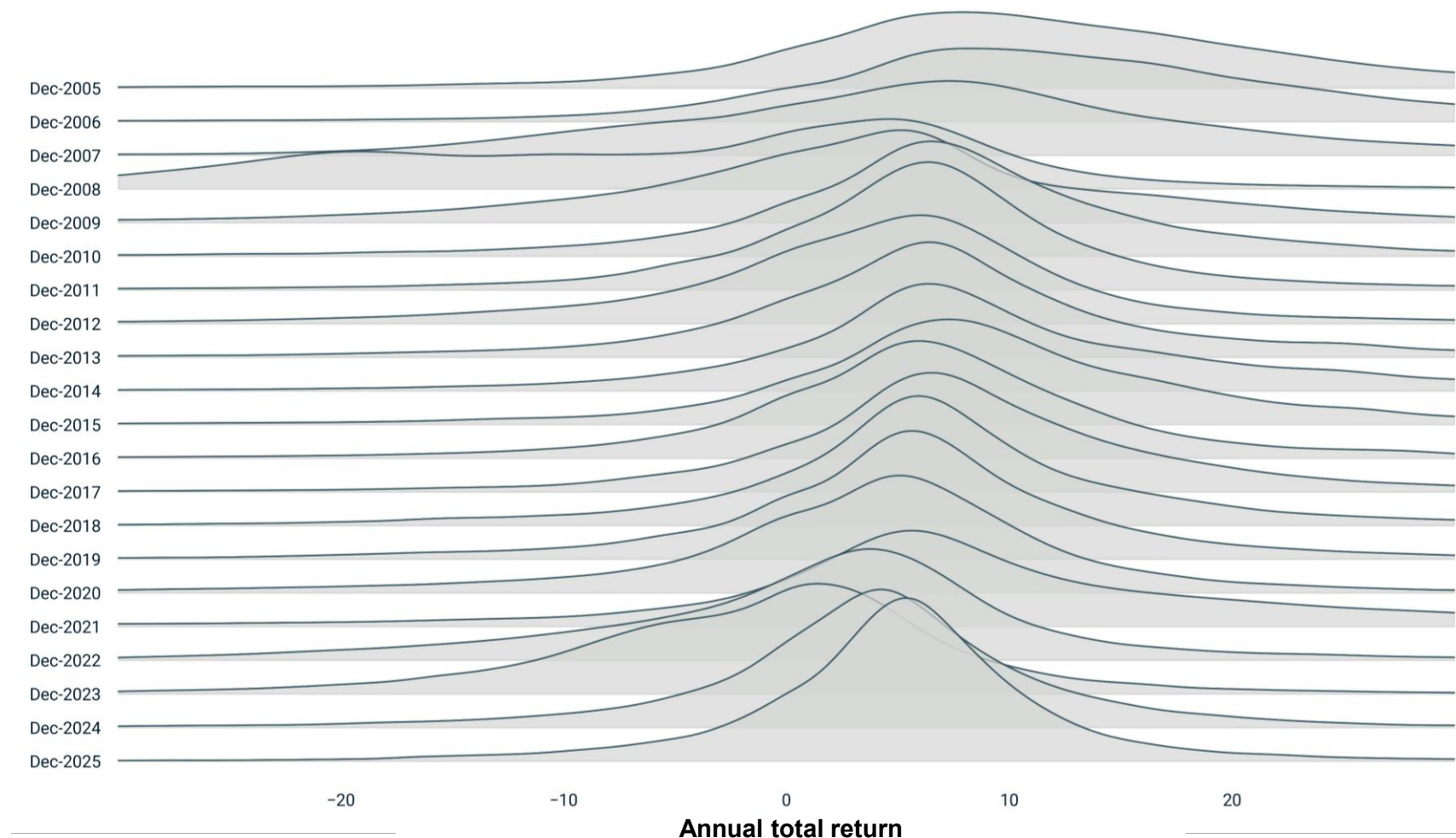


Source: MSCI Real Estate

We see huge variation across individual assets, particularly at turning points

Tighter distribution in 2025

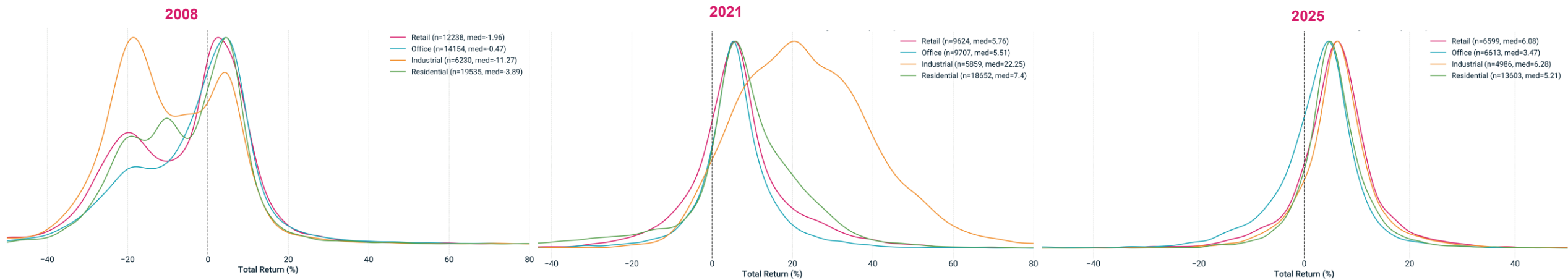
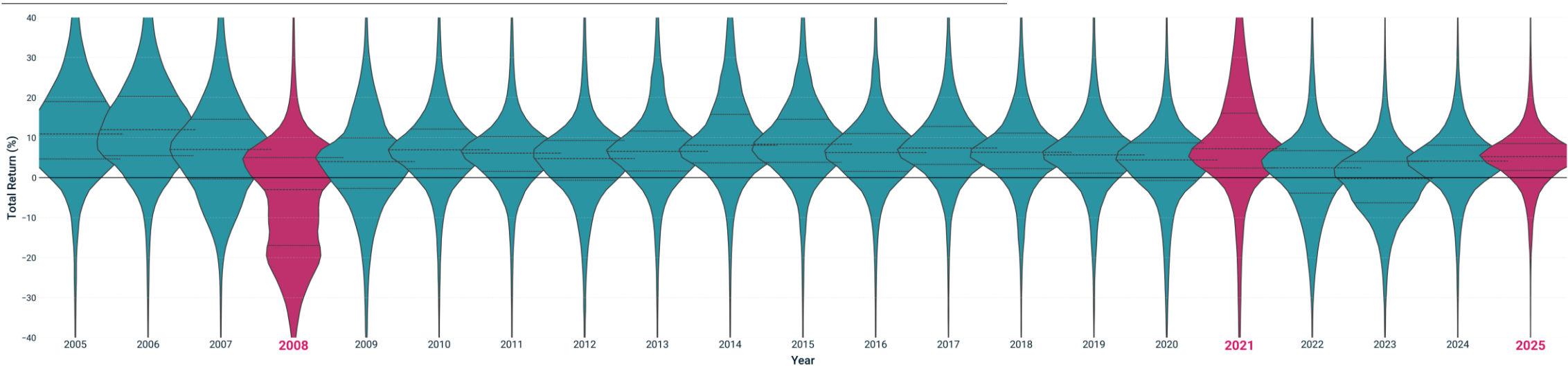
MSCI EUROPE ANNUAL PROPERTY INDEX, DISTRIBUTION OF ANNUAL TOTAL RETURN, 2005-2025, ALL PROPERTY



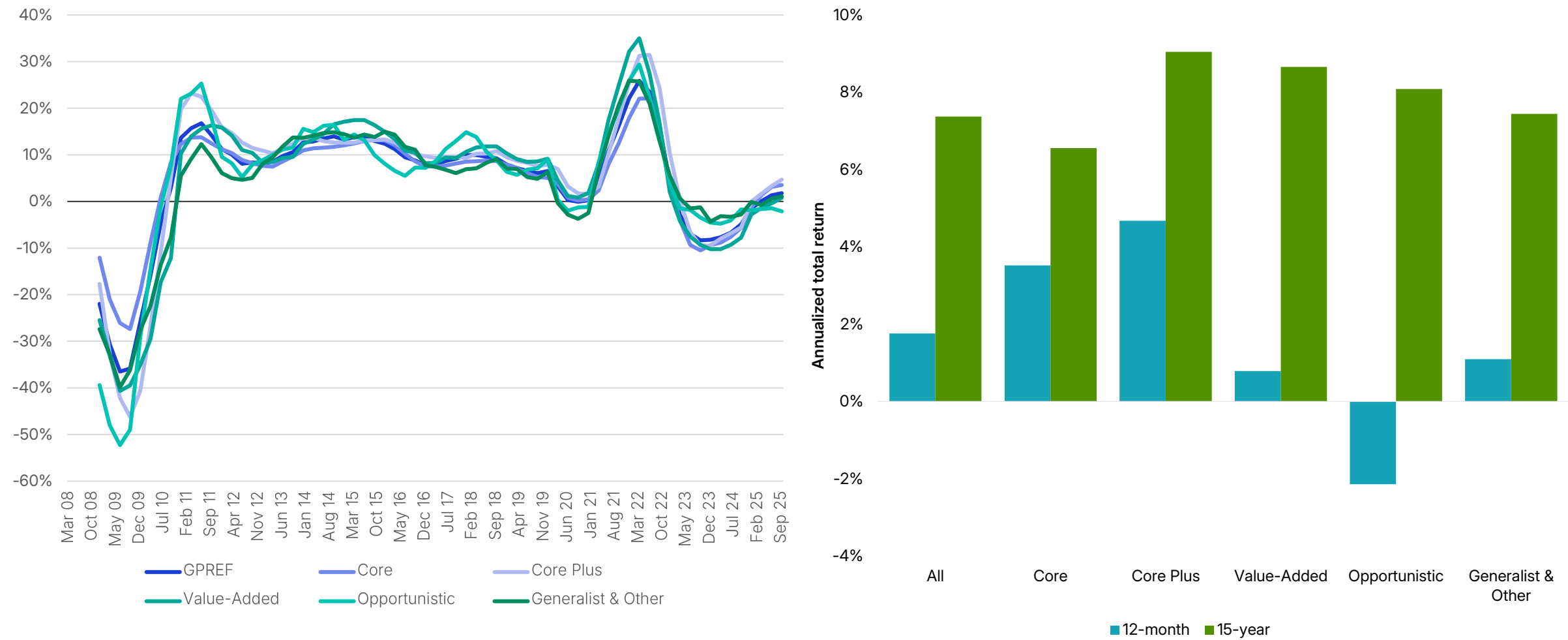
Source: MSCI Europe Annual Property Index
Details

Sectors performing more similarly now

DISTRIBUTION OF ANNUAL TOTAL RETURN, 2005-2025, ALL PROPERTY

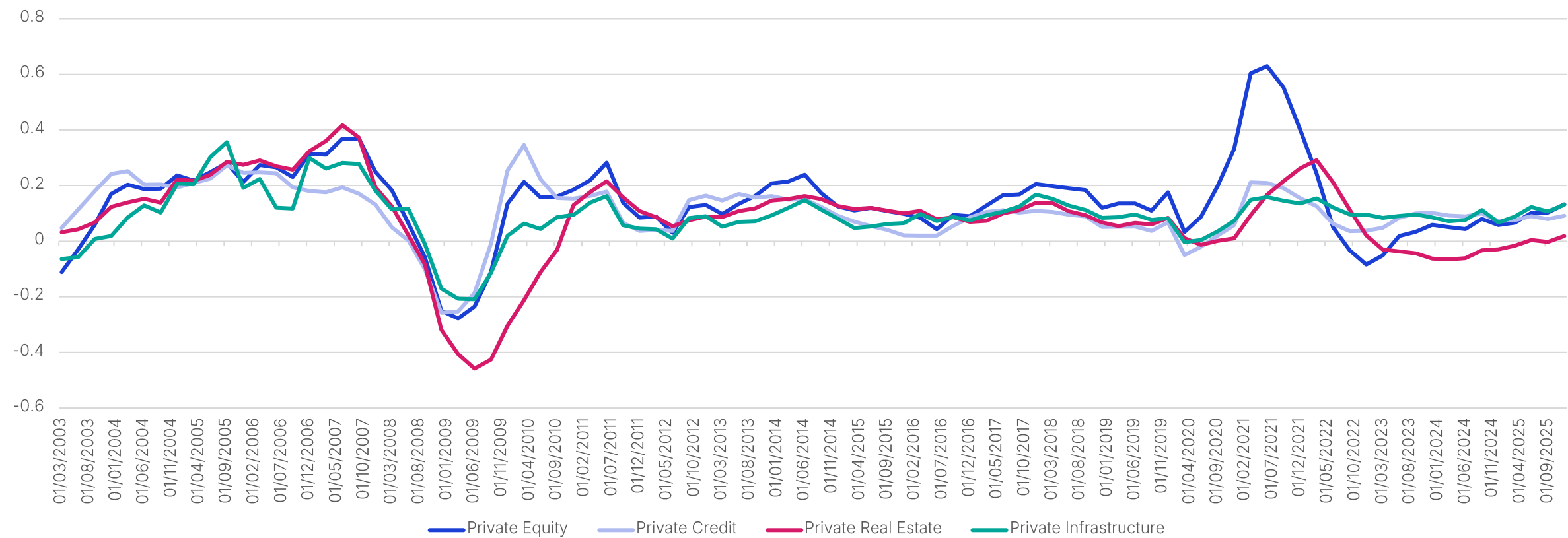


Global returns vary considerably by strategy



Facing Increasing Competition With Other Private Asset Classes

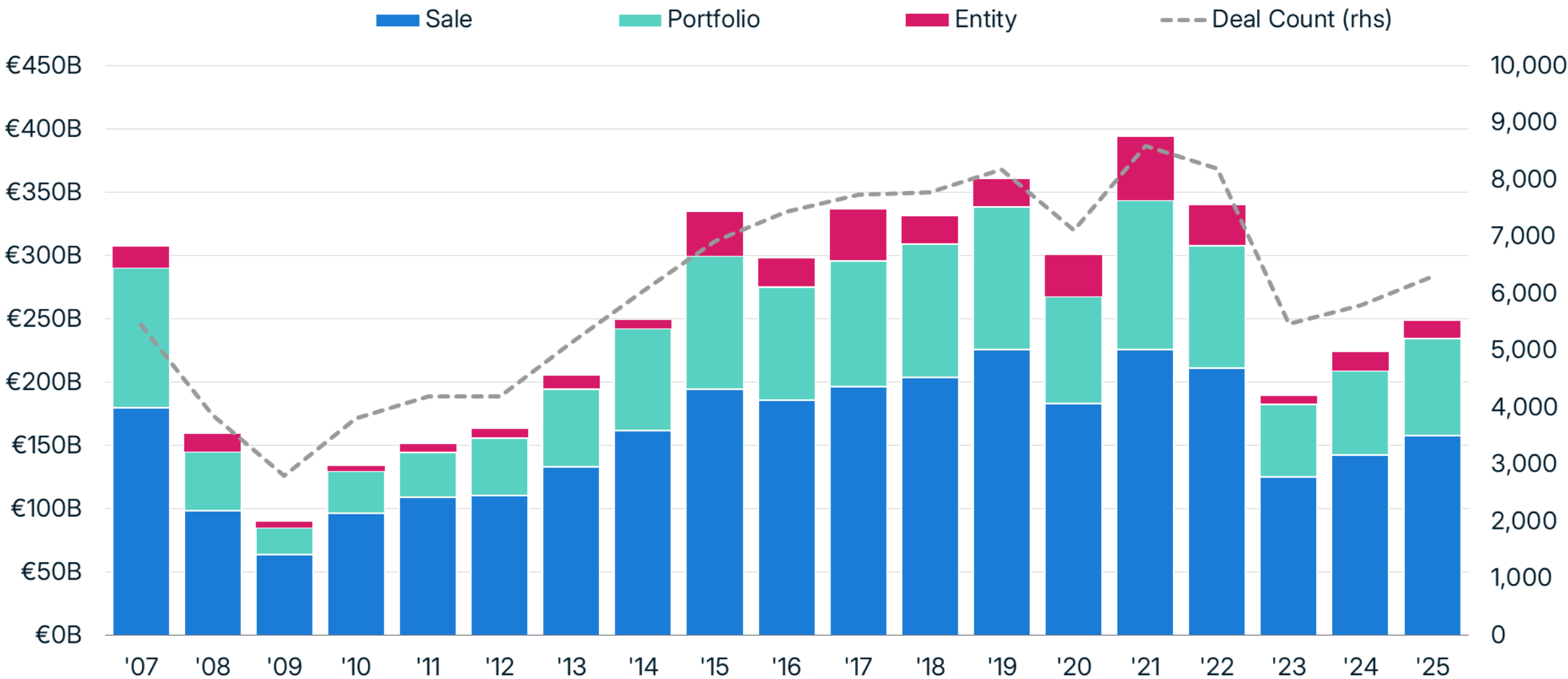
MSCI Global Private Capital Closed-End Fund Indexes





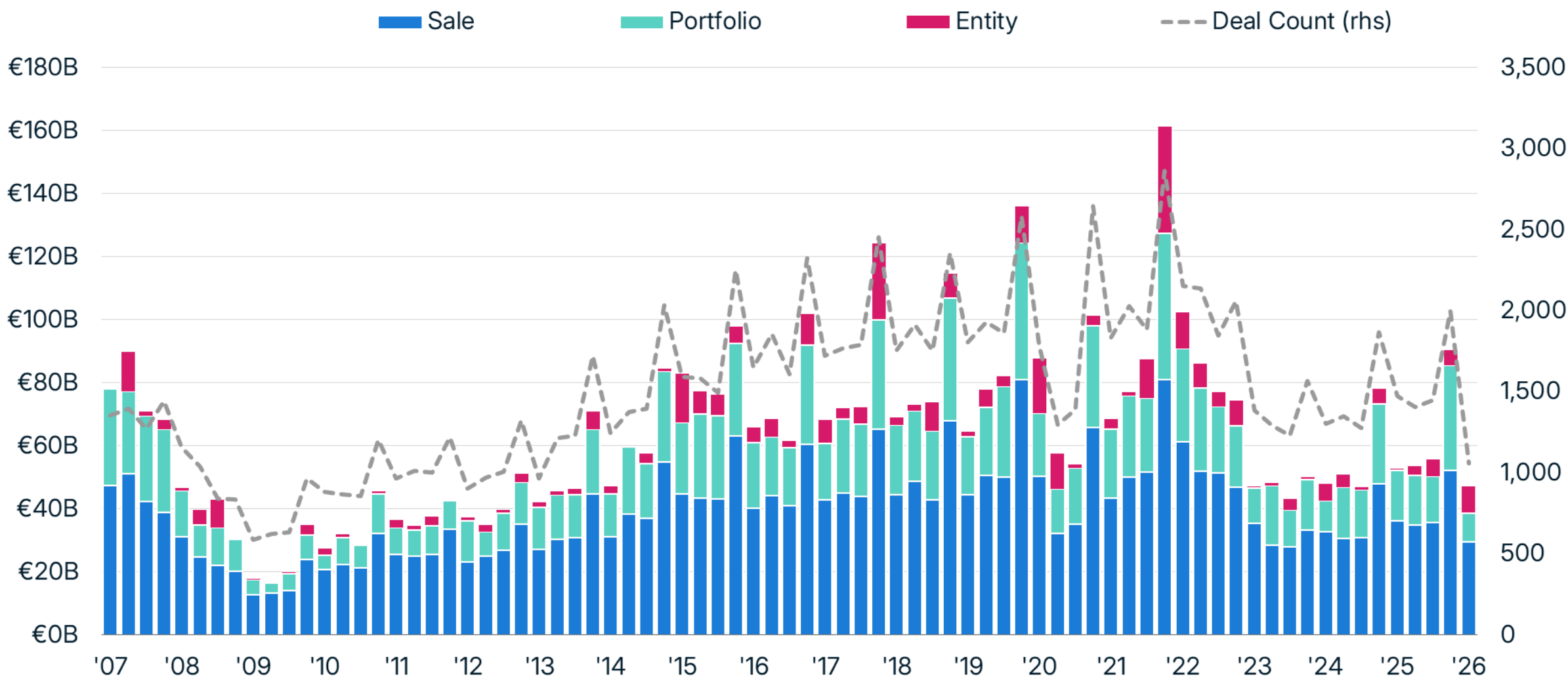
European Capital Trends

2025 recap – volumes were up 11% YOY



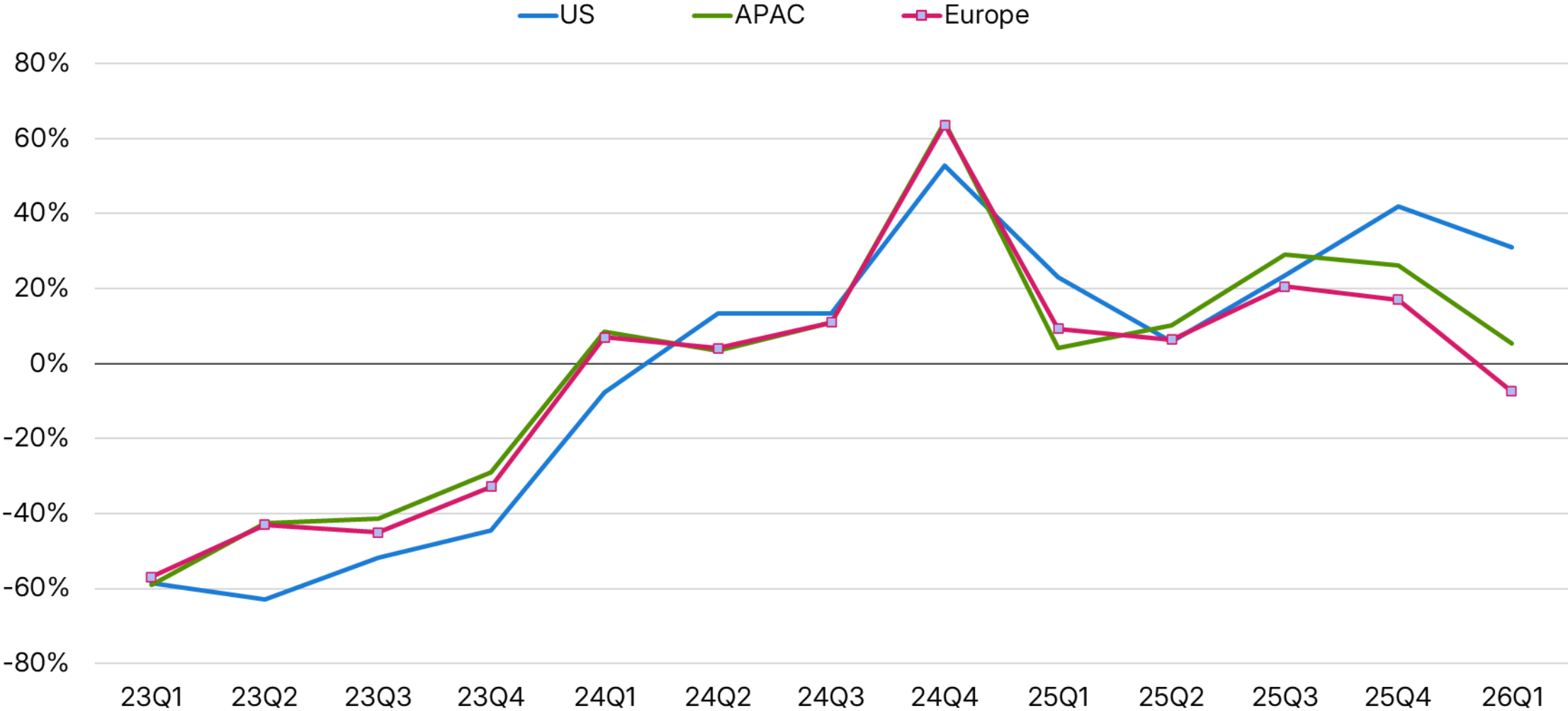
Europe CRE Transactions Volumes. Transactions €5m+.

Looks like a slower start to 2026



Europe CRE Transactions Volumes. Transactions €5m+.

Europe is the only region where volumes were down in Q1



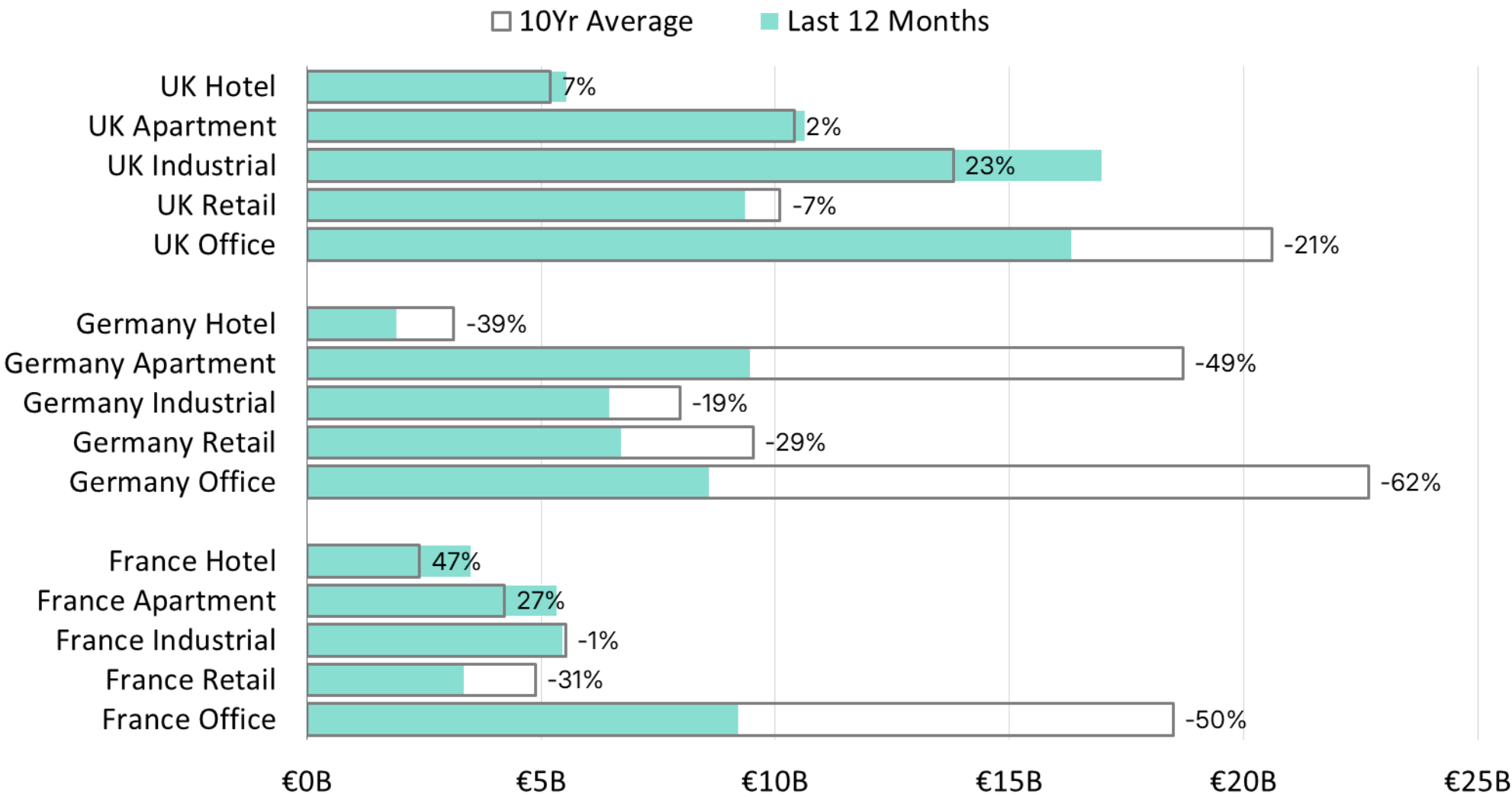
Change in Quarterly Deal Volume By Region. Europe volumes in EUR. US and APAC in USD. Transactions \$10m+

Where is the slowdown?

	Q1'26 Volume		Past 12 Months Volume	
	€	YOY	€	YOY
Office	10.5	-3%	58.9	24%
Industrial	7.9	-23%	45.5	1%
Retail	6.1	-40%	35.4	-12%
Data Center	1.8	-1%	9.0	7%
Apartment	10.4	-4%	50.8	4%
Hotel	3.6	-26%	21.9	1%
Seniors Housing & Care	5.0	274%	13.5	190%
Dev Site	2.2	-29%	12.1	-4%
Grand Total	47.3	-11%	247.2	8%

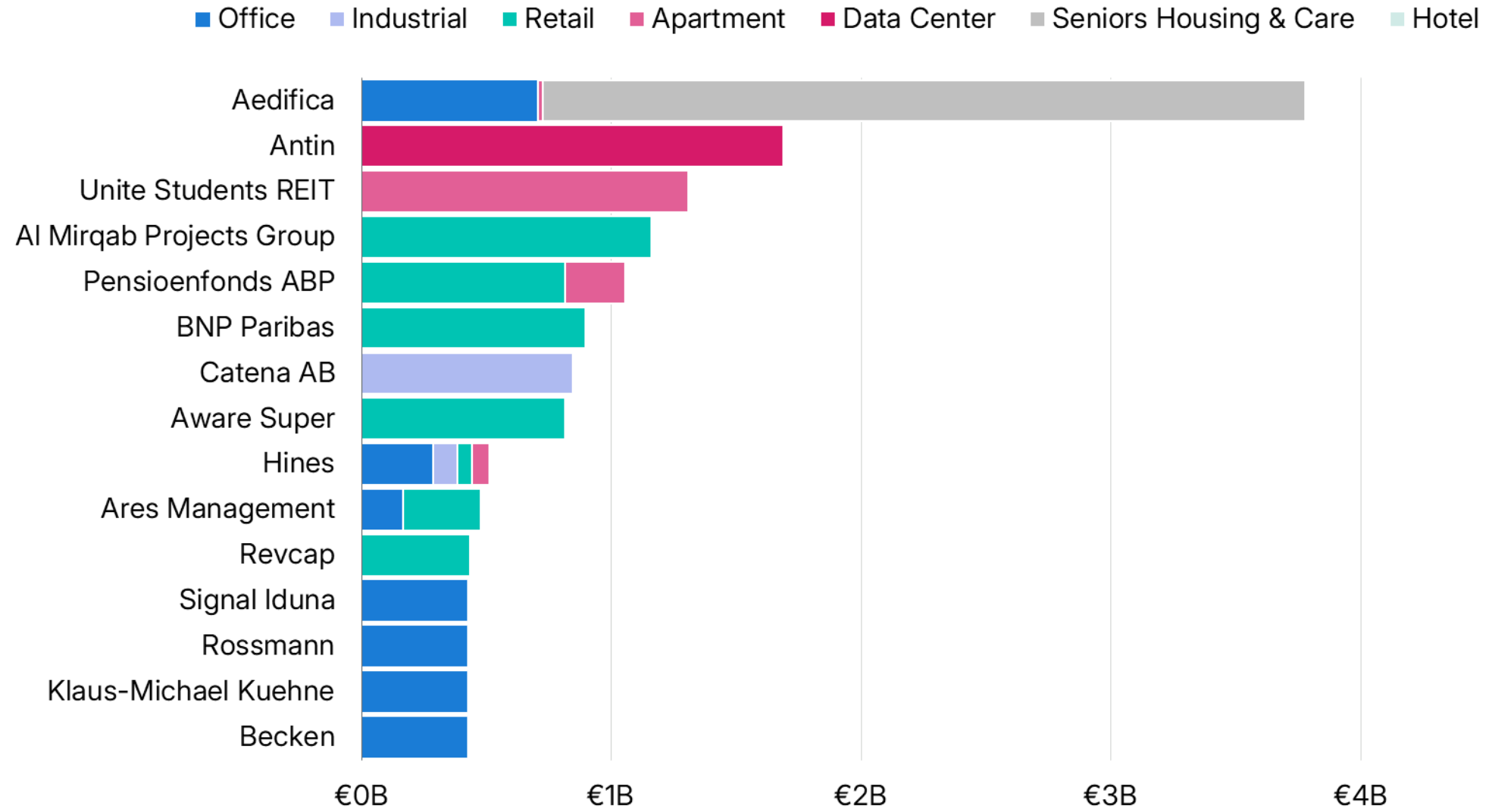
	Q1'26 Volume		Past 12 Months Volume	
	€m	YOY	€m	YOY
1 United Kingdom	12,621	-8%	70,147	15%
2 Germany	8,056	-30%	38,112	-9%
3 France	4,919	-23%	29,641	20%
4 Netherlands	4,177	77%	16,681	31%
5 Spain	3,840	25%	16,121	1%
6 Belgium	3,038	146%	5,158	39%
7 Sweden	2,915	15%	16,328	40%
8 Italy	1,388	-44%	10,160	-9%
9 Poland	1,104	39%	4,589	-26%
10 Norway	787	16%	4,806	-27%
Other Europe	4,435	-46%	35,429	7%
Grand Total	47,280	-11%	247,172	8%

Some segments remain very slow; others above average



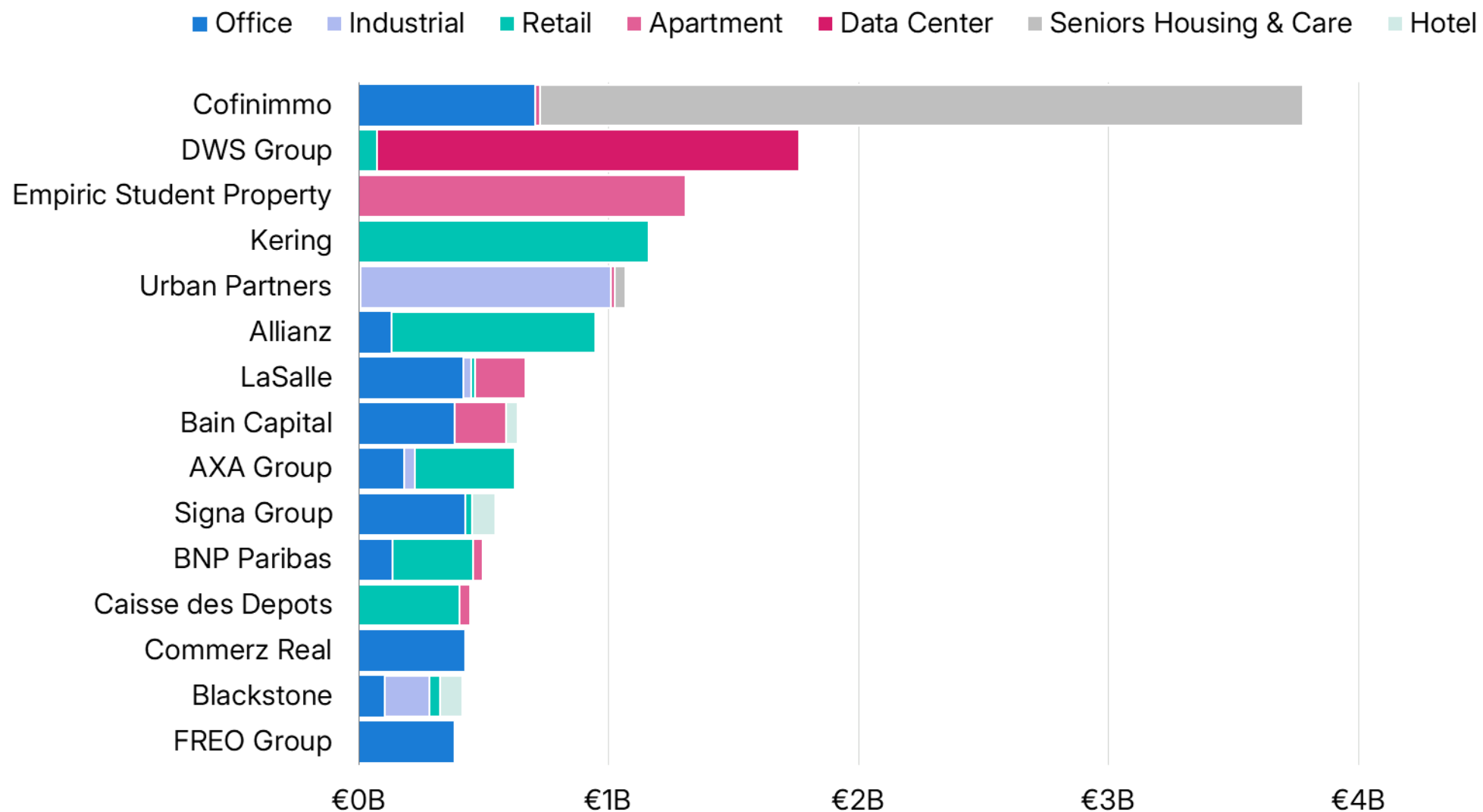
Transaction Volumes by Country and Sector. Last 12 Months = Q2'25-Q1'26. Transactions €5m+.

Who has been buying?



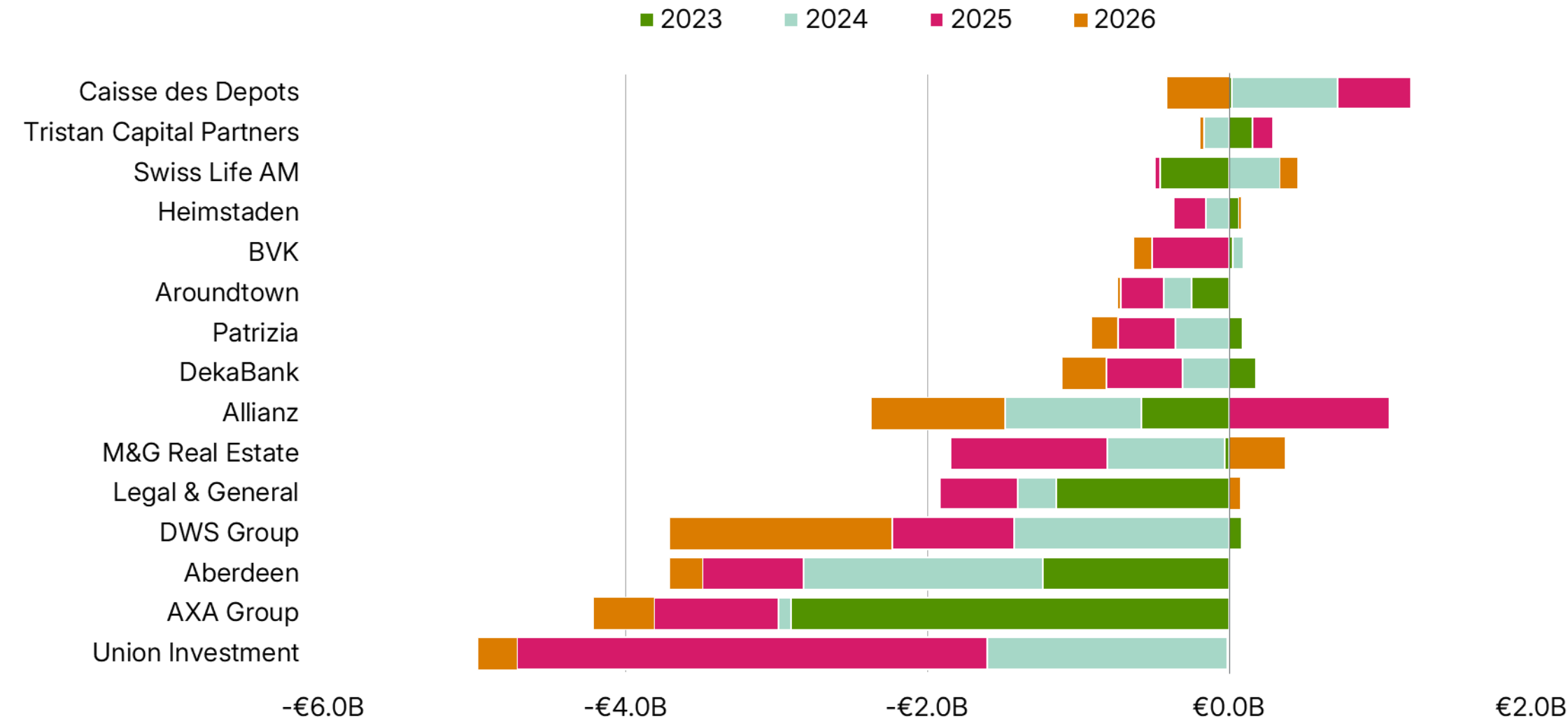
Europe CRE, Top Buyers. Q1'26. Transactions €5m+.

Who has been selling?



Europe CRE, Top Sellers. Q1'26. Transactions €5m+.

The big European institutions are still net sellers

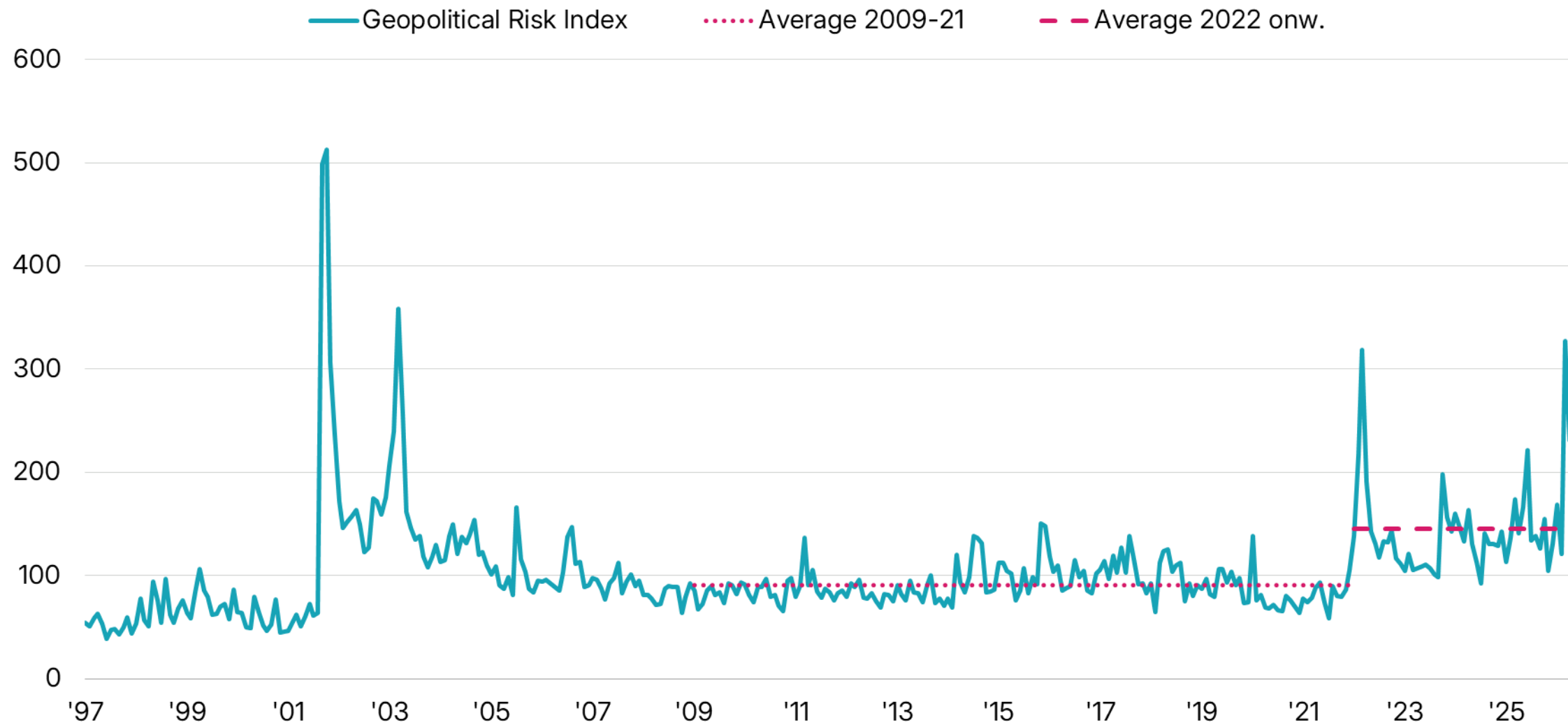


Europe CRE, Net Acquisitions by Major European Institutions. 2023 onw. Transactions €5m+.

Flashback to the last Europe In Focus

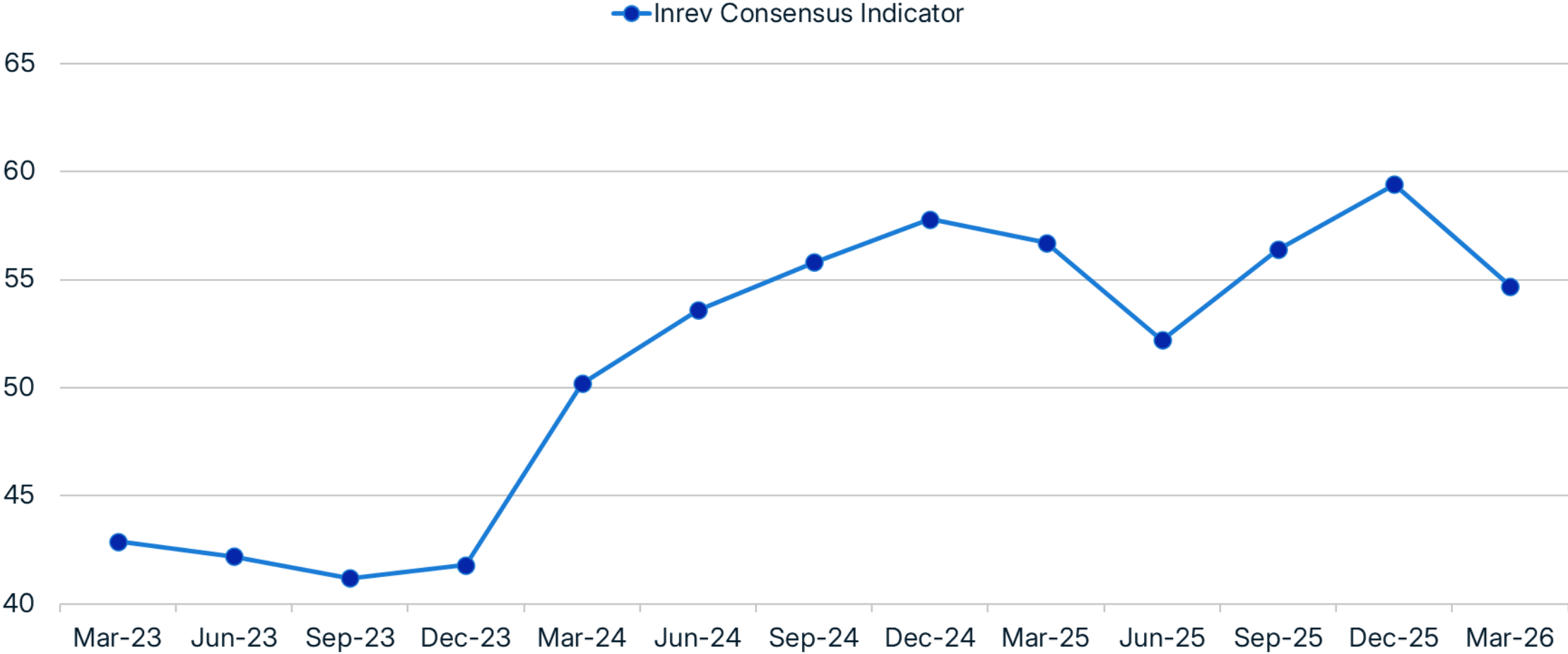


We know we are in a more febrile environment



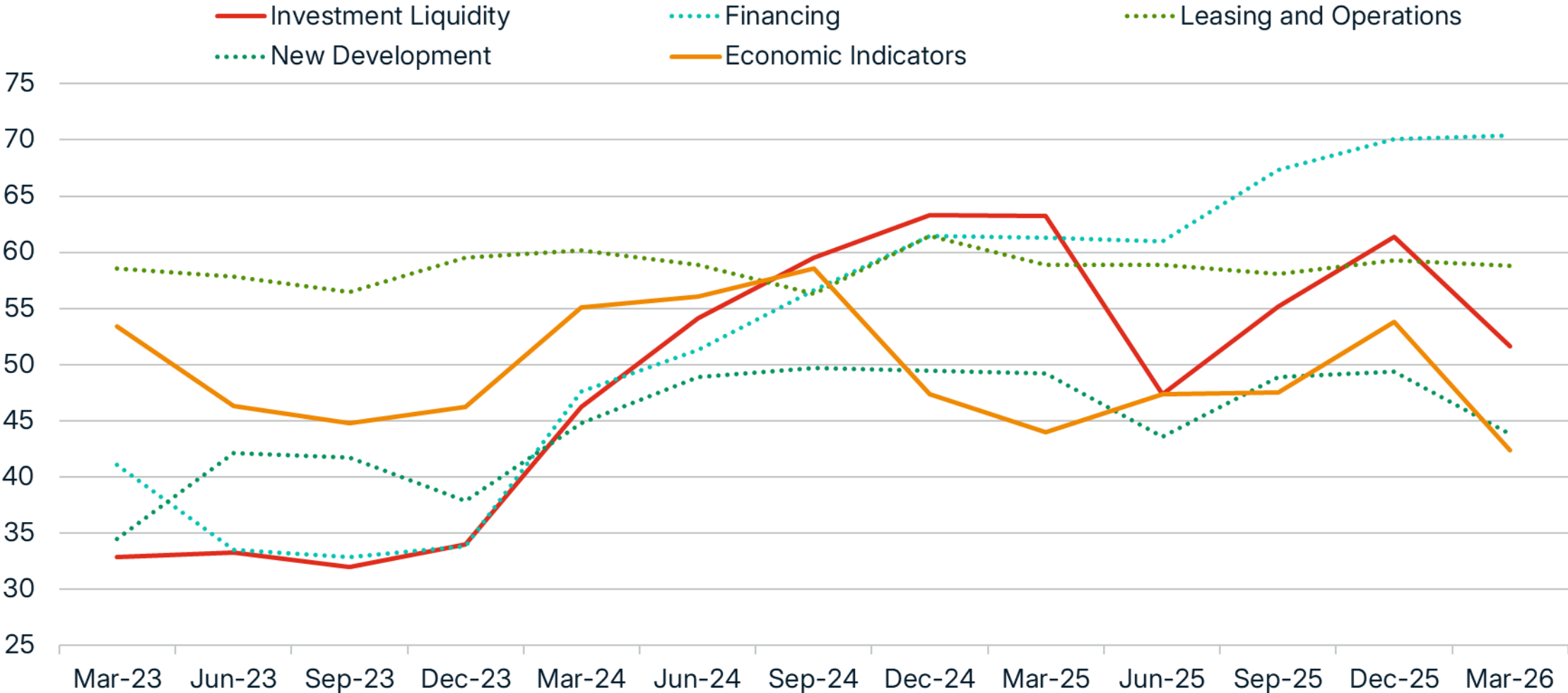
Source: [Policyuncertainty.com](https://www.policyuncertainty.com)

Market sentiment has dropped due to Iran war

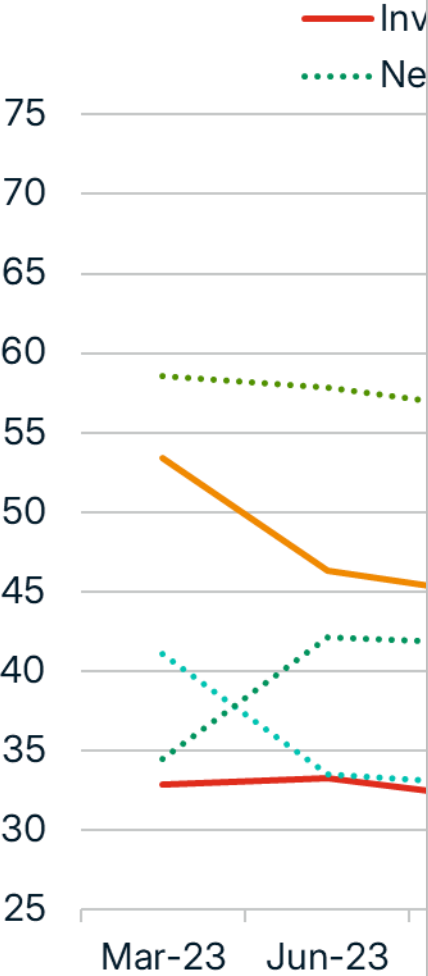


Inrev Consensus Indicator

Particularly investment liquidity and broader economy



Particularly investment liquidity and broader economy



EU Economy Slows, Inflation Up -- Just Don't Call It Stagflation

Get caught up.

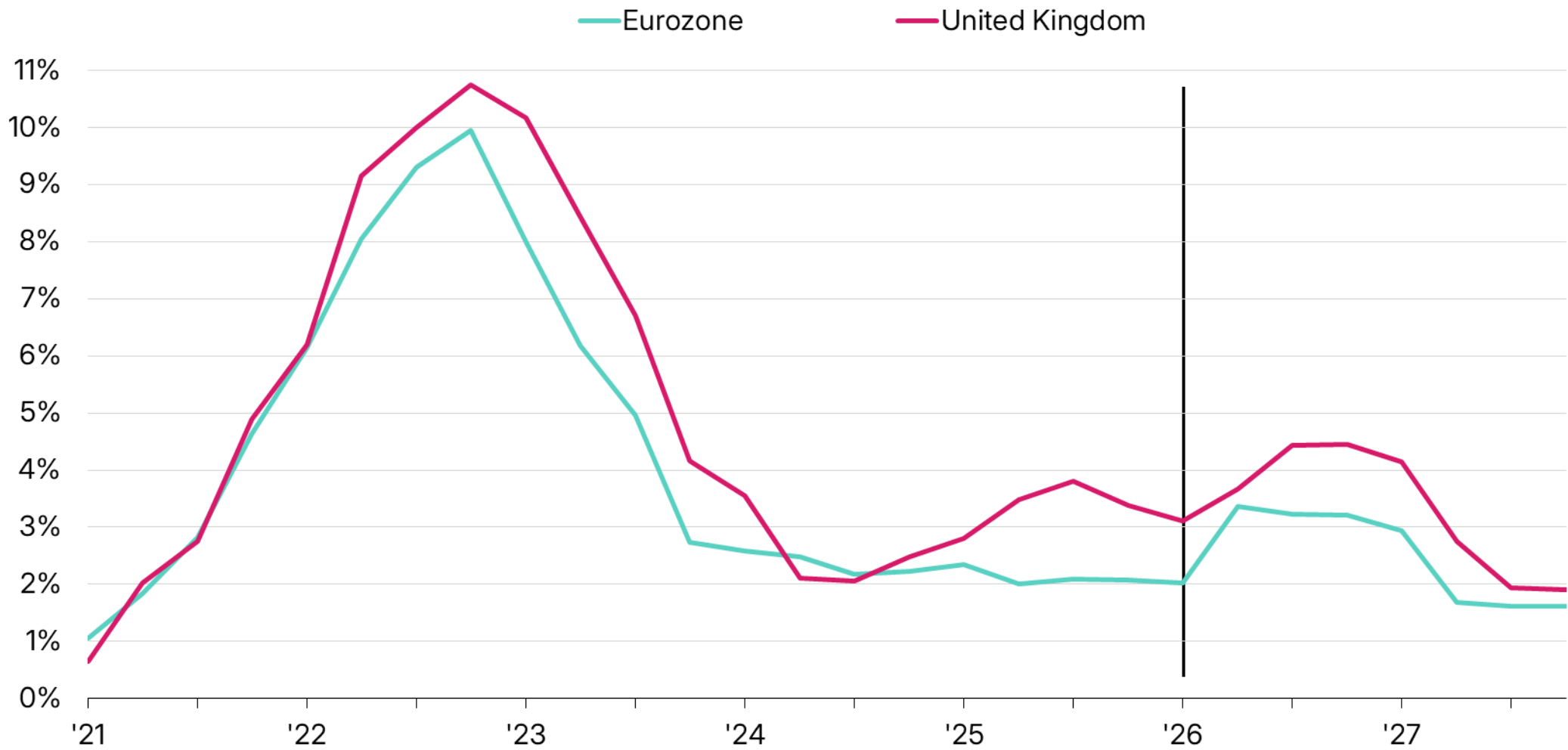


Christine Lagarde, president of the European Central Bank (ECB), during a rates decision news conference in Frankfurt. *Photographer: Liesa Johannssen/Bloomberg*

and Operations

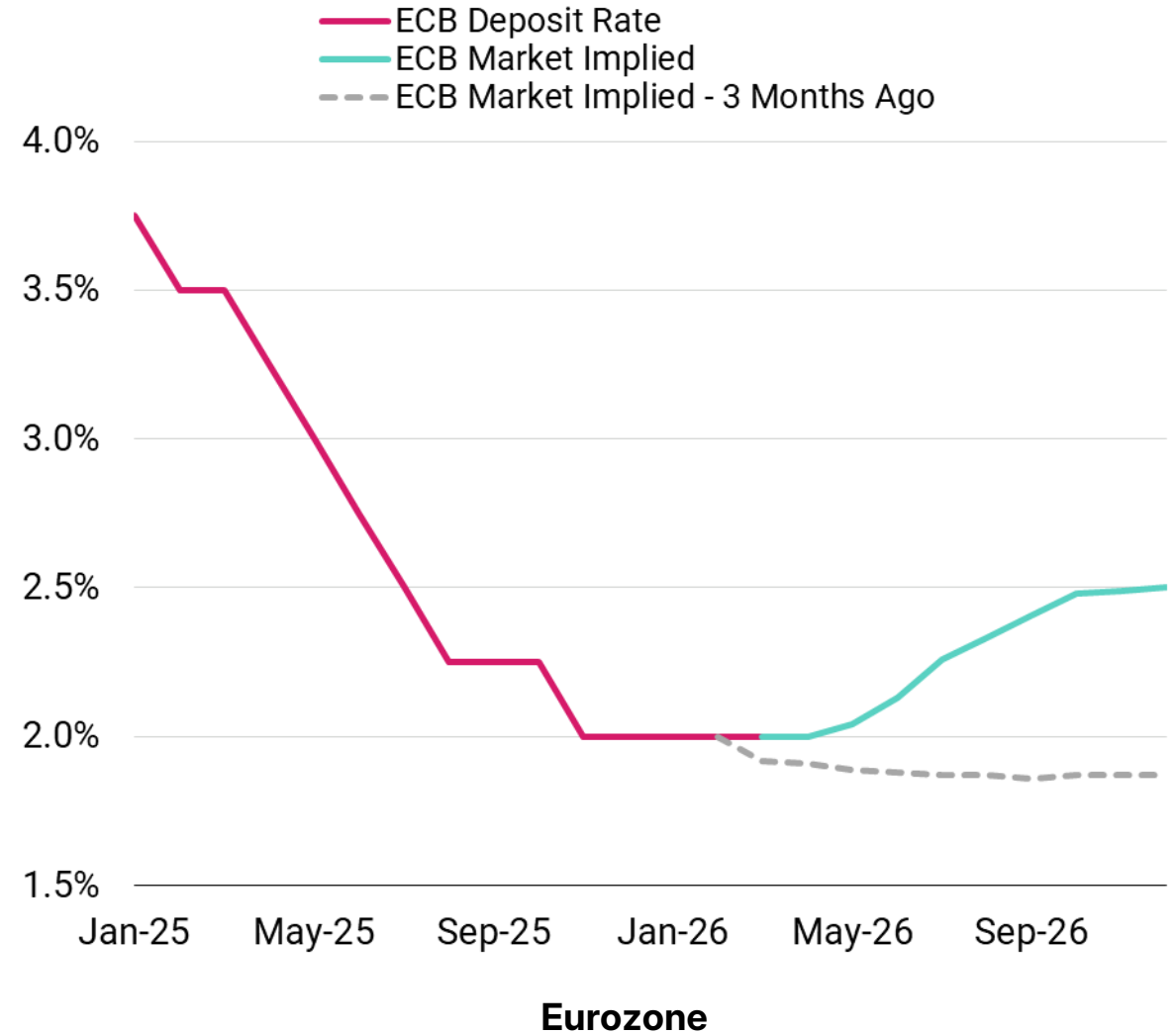
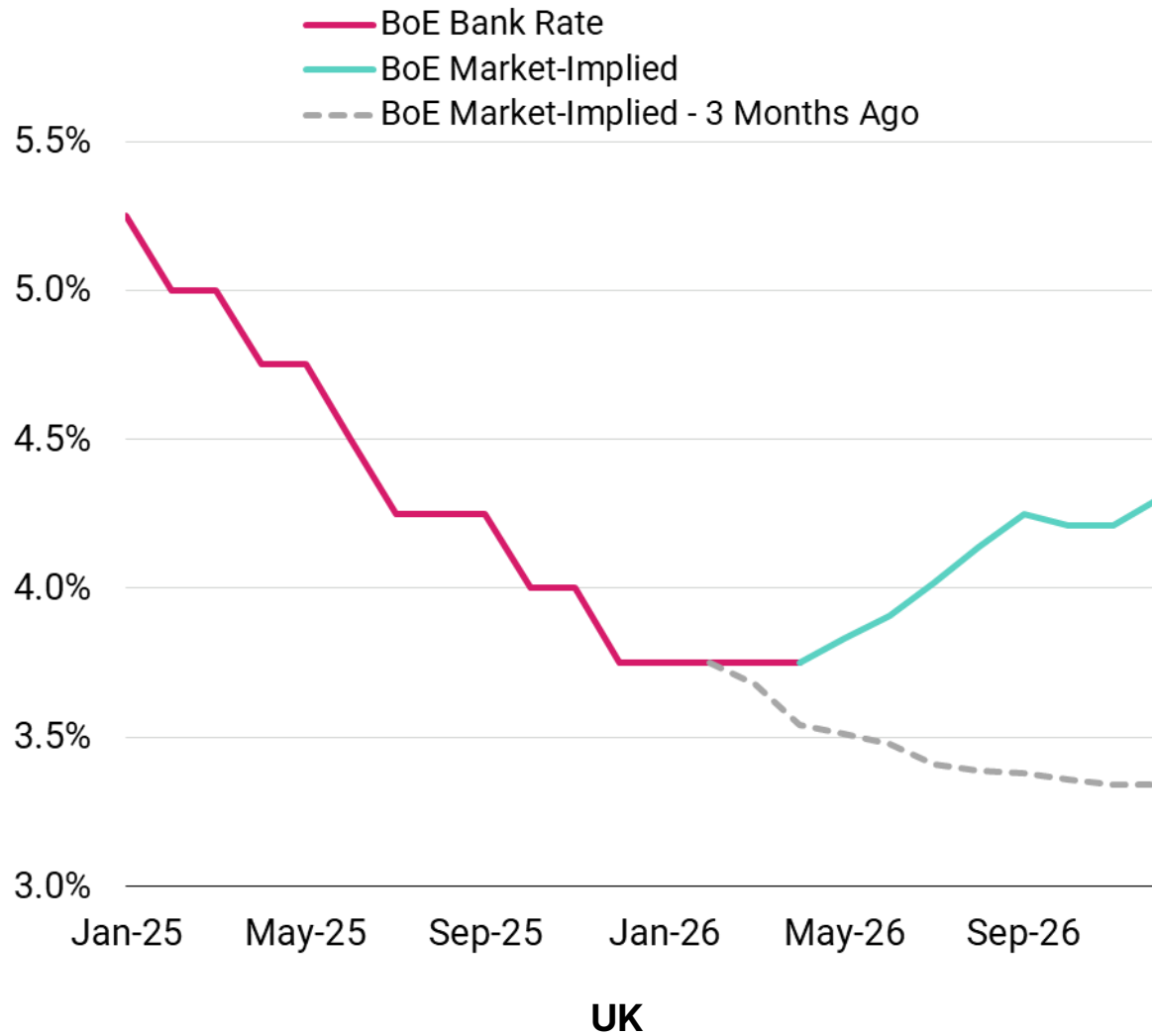


Inflation forecasts do not suggest a rerun of 2022



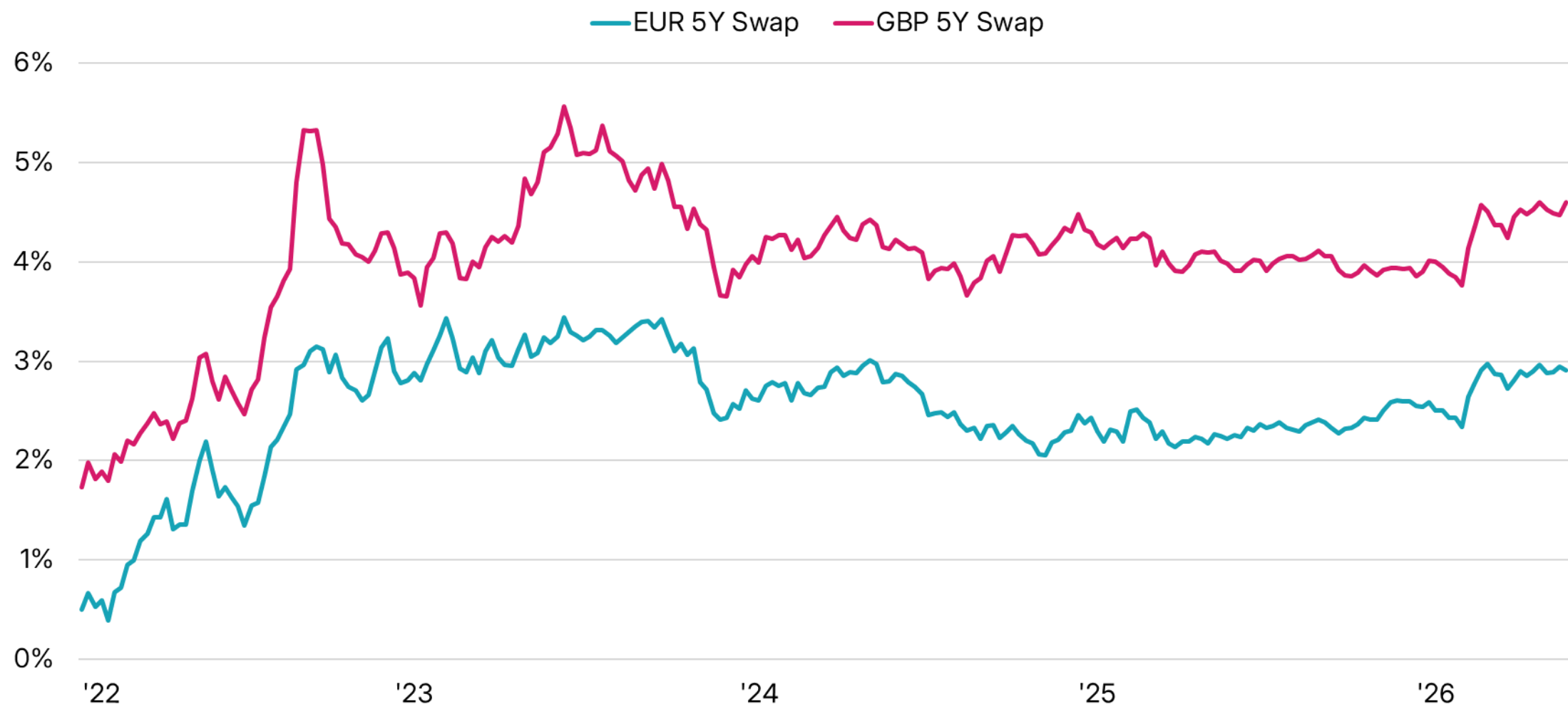
Source: Oxford Economics. UK and Eurozone CPI. % Change p.a.

Market expectations for interest rates have shifted up



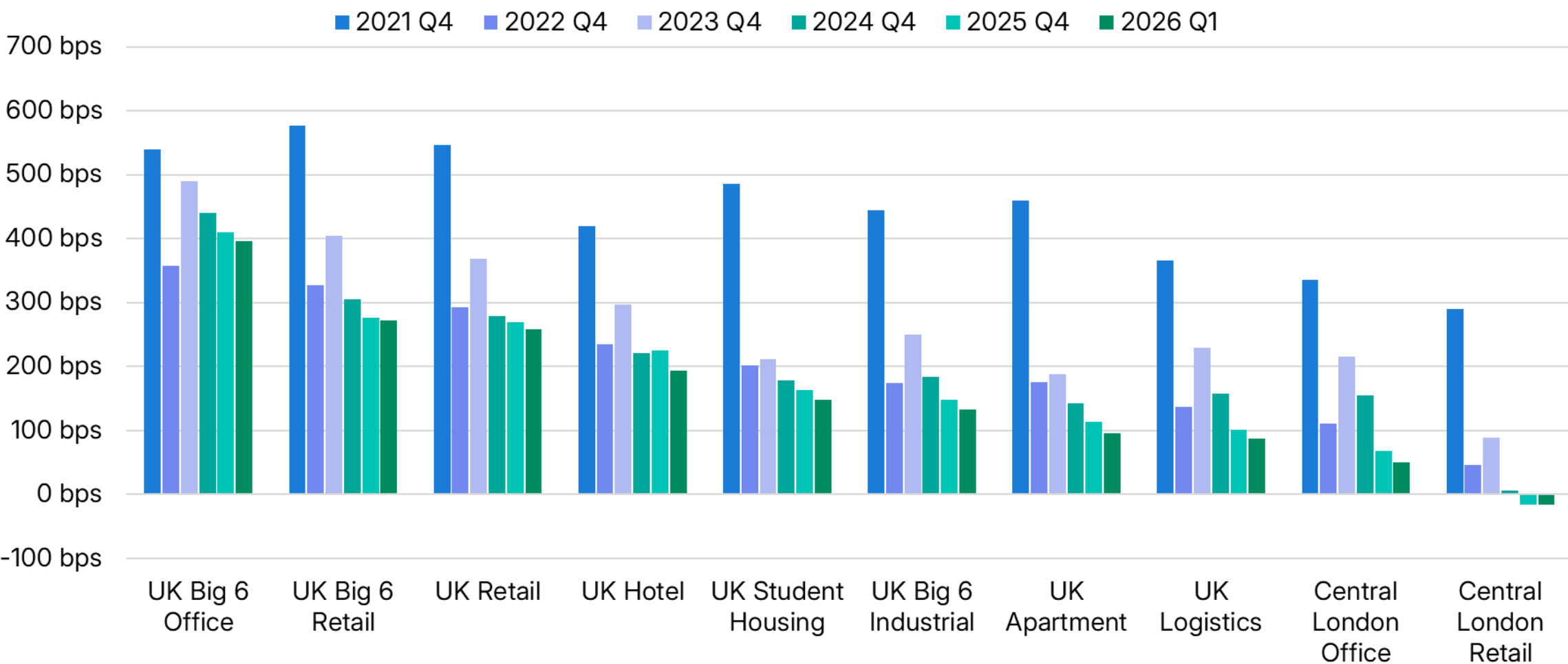
Source: MacroMicro.com

Swap rates and bond yields are up



Source: [investing.com](https://www.investing.com)

Some UK markets (in particular) now look very expensive

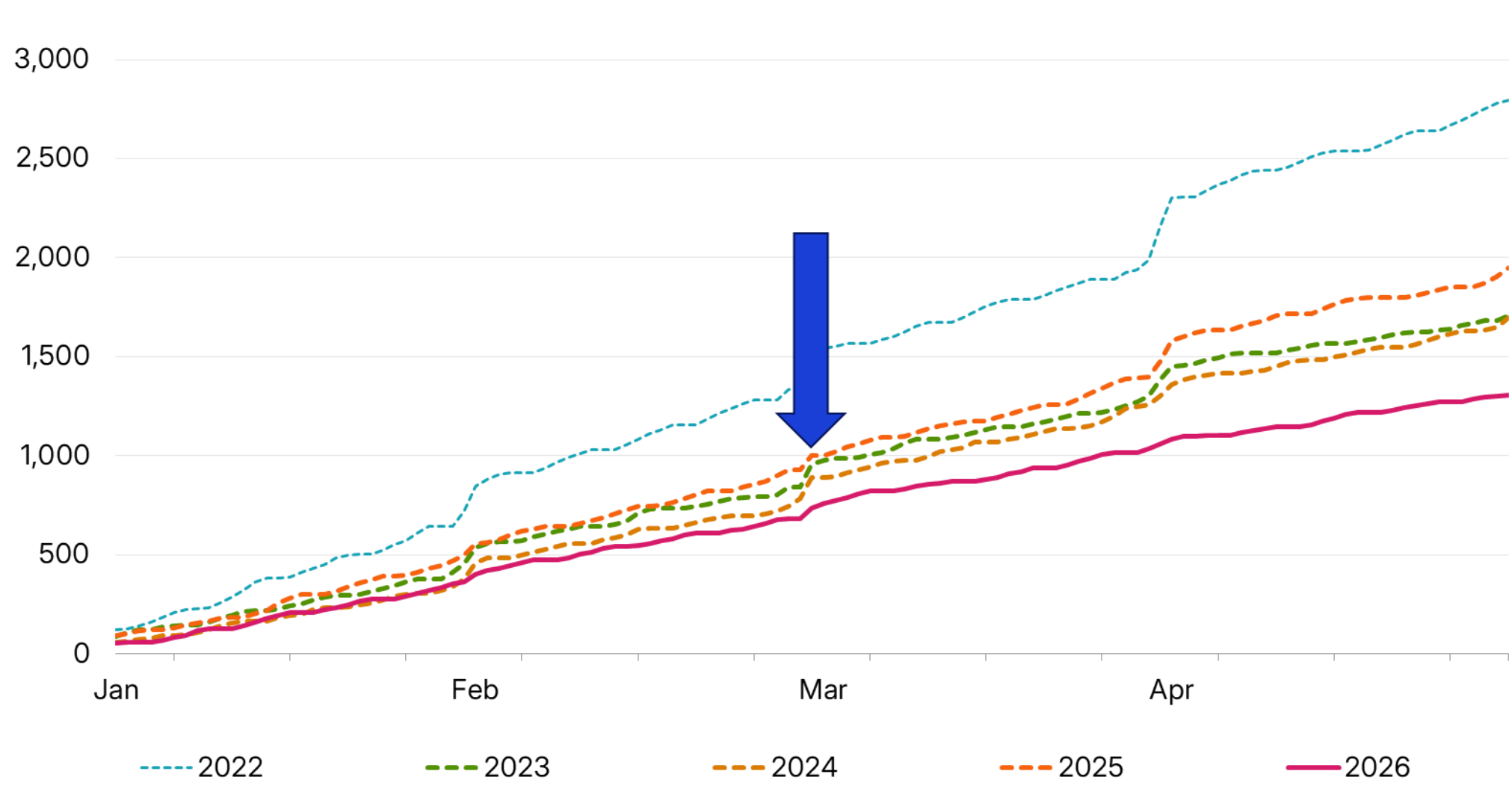


Transaction Yields Versus 10Y Gilts. RCA Hedonic Series



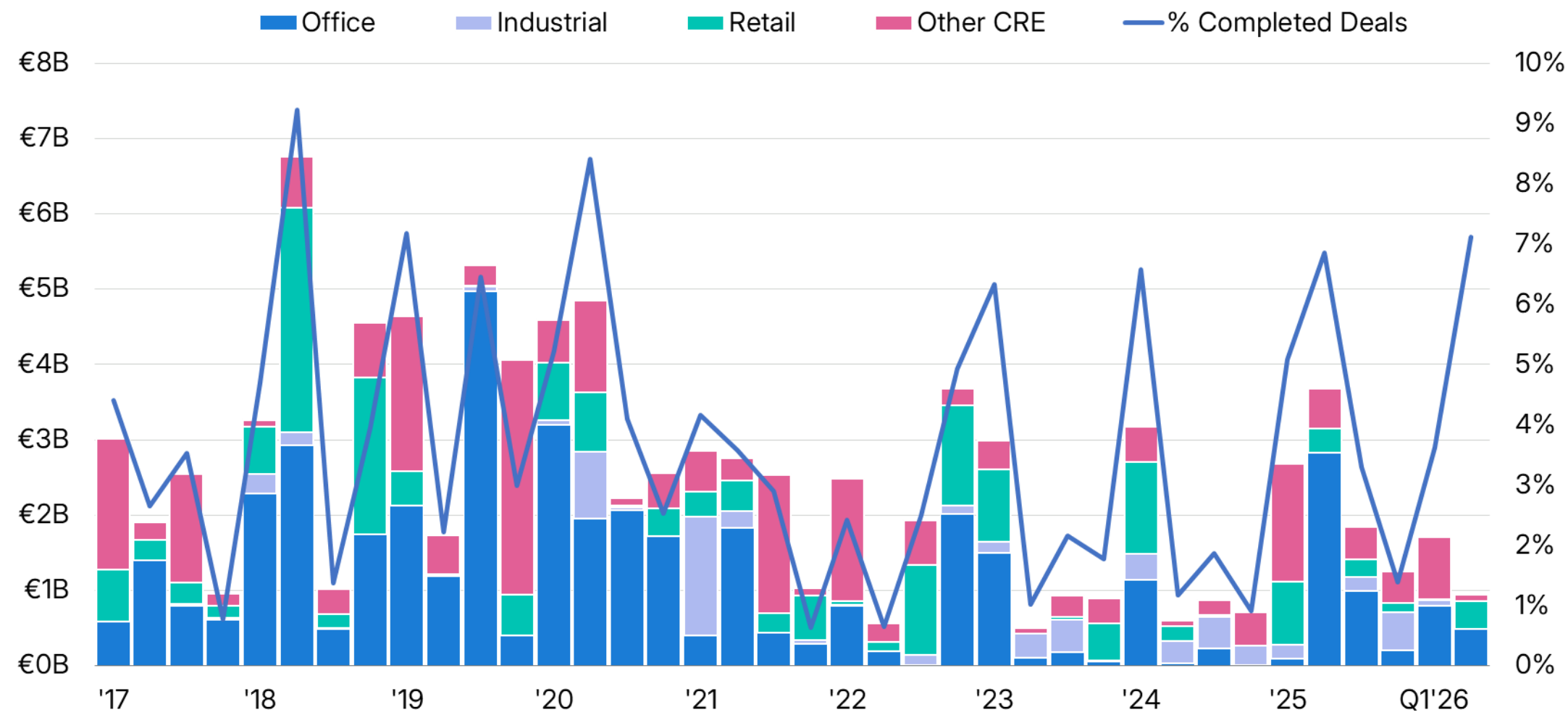
How will this uncertainty feed through?

Reduced deal flow



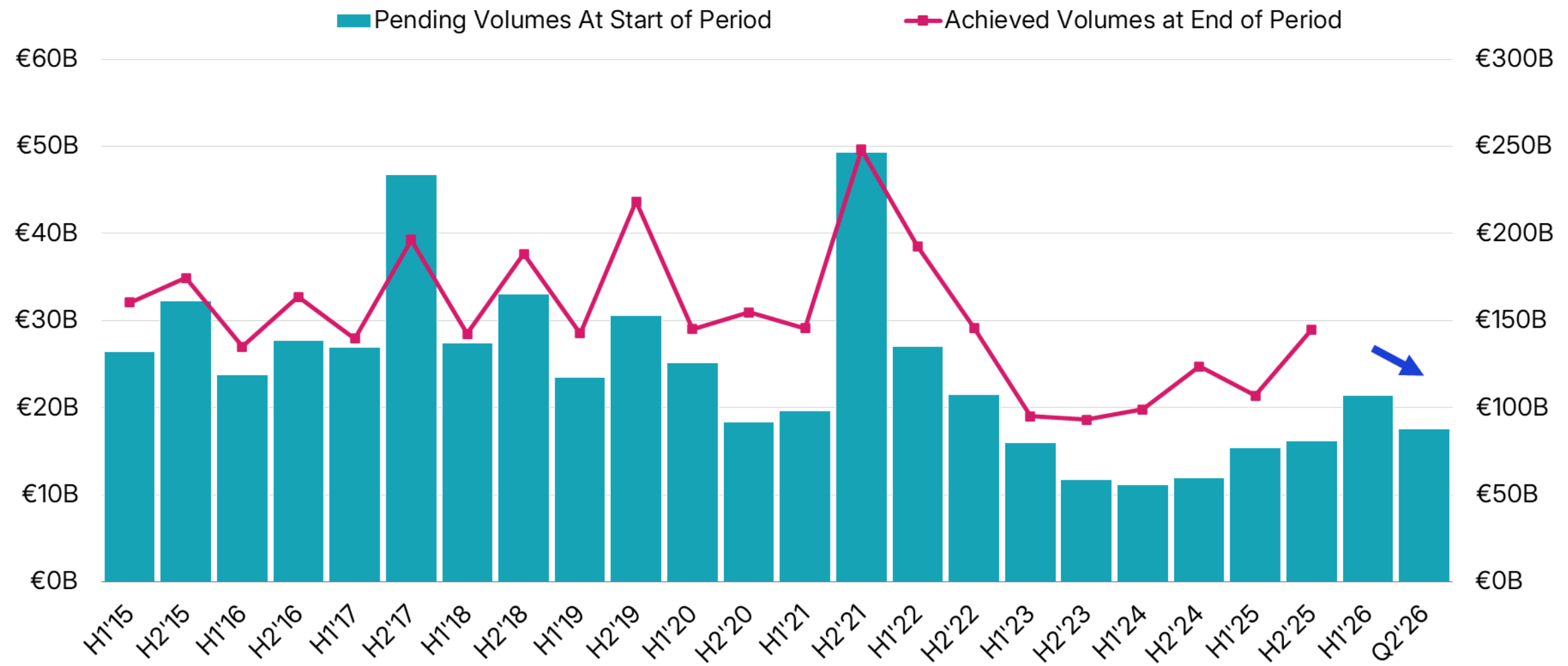
Europe CRE. Cumulative Daily Deal Count.

We didn't record a big uptick in deals falling in Q1...Q2 data is very preliminary!

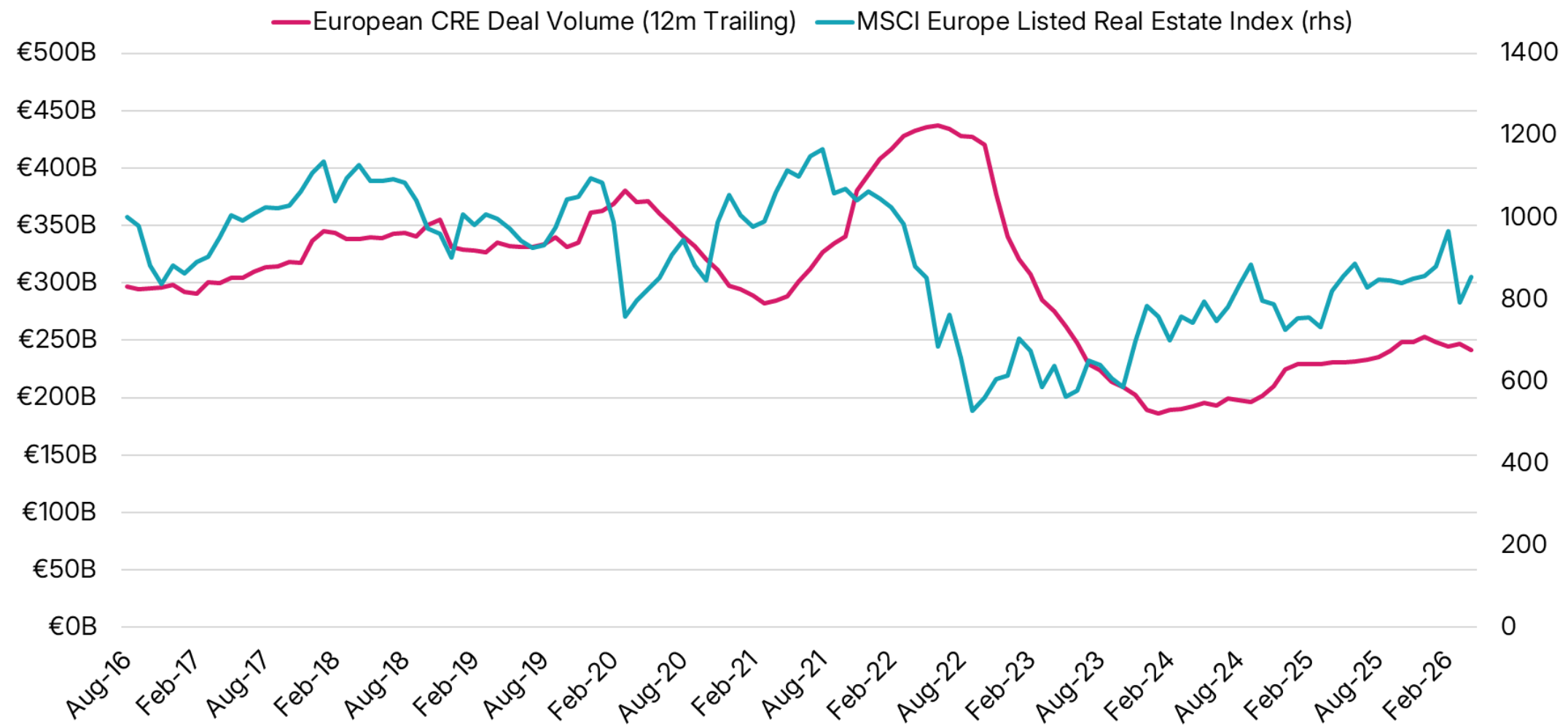


Volume of Known Terminated Transactions. Based Off Publicly Available Information

Small drop off in pending deals between January and April

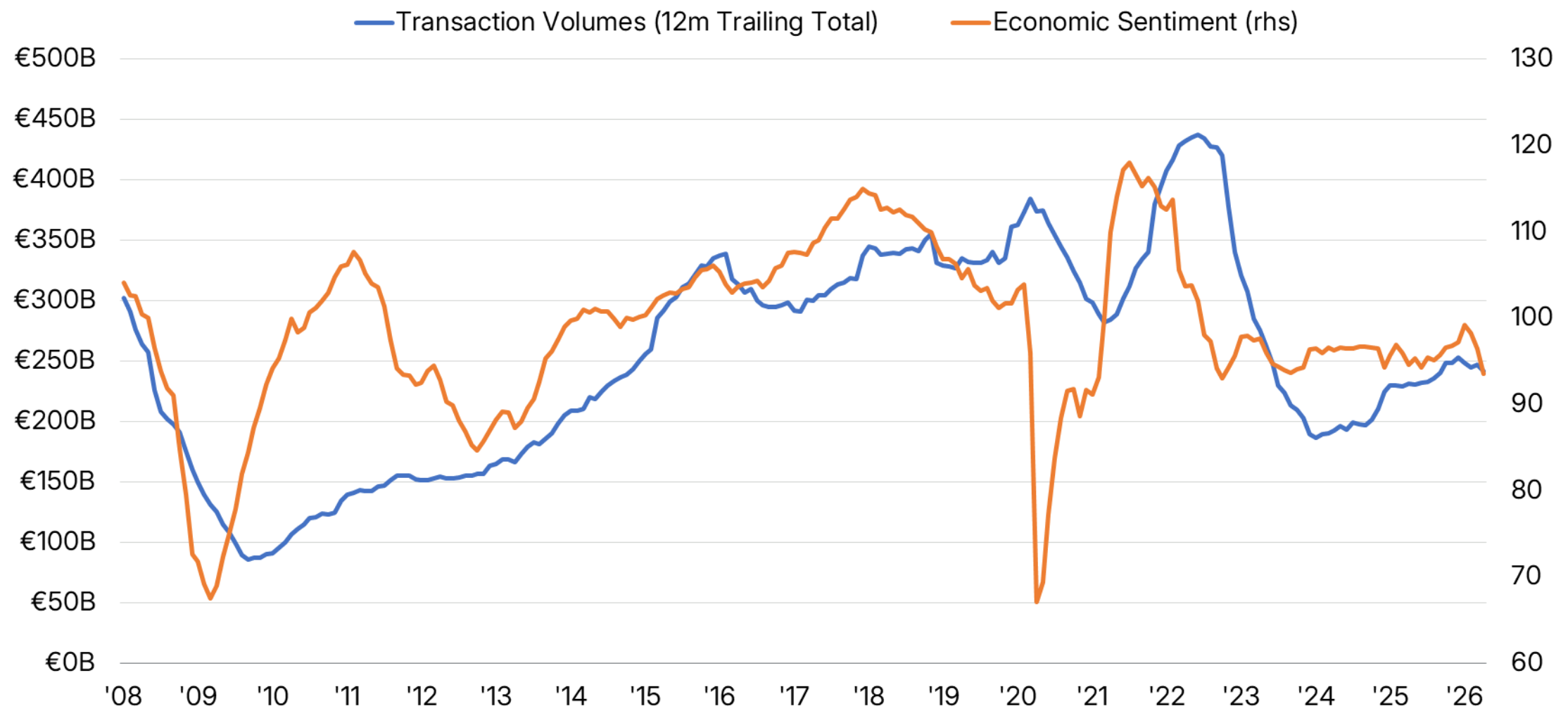


Signals from the listed market



MSCI Europe Real Estate Index (Listed) vs. European Direct Real Estate Investment Volumes (12m Trailing Total)

Economic sentiment has also been a reliable indicator



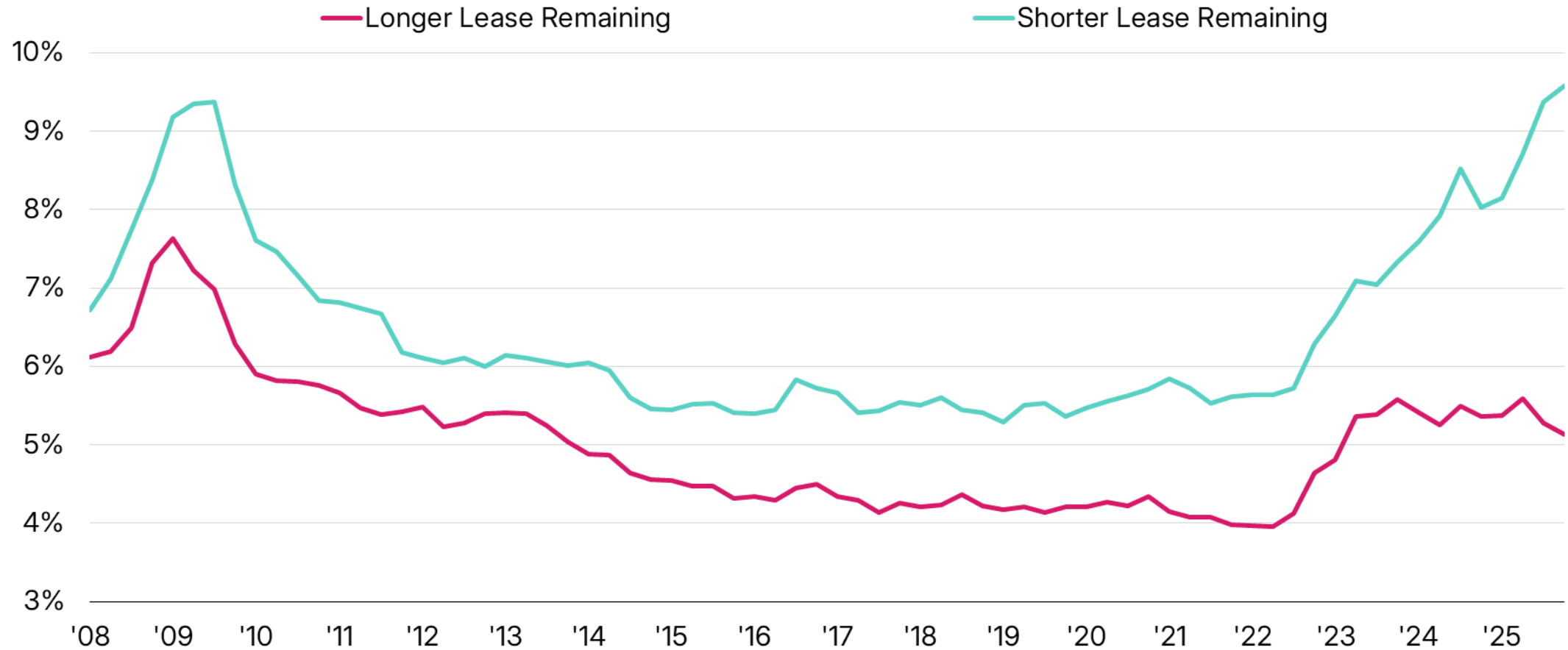
European Direct Real Estate Investment Volumes (12m Trailing Total) vs. European Economic Sentiment (source: European Commission)



How are investors adapting?

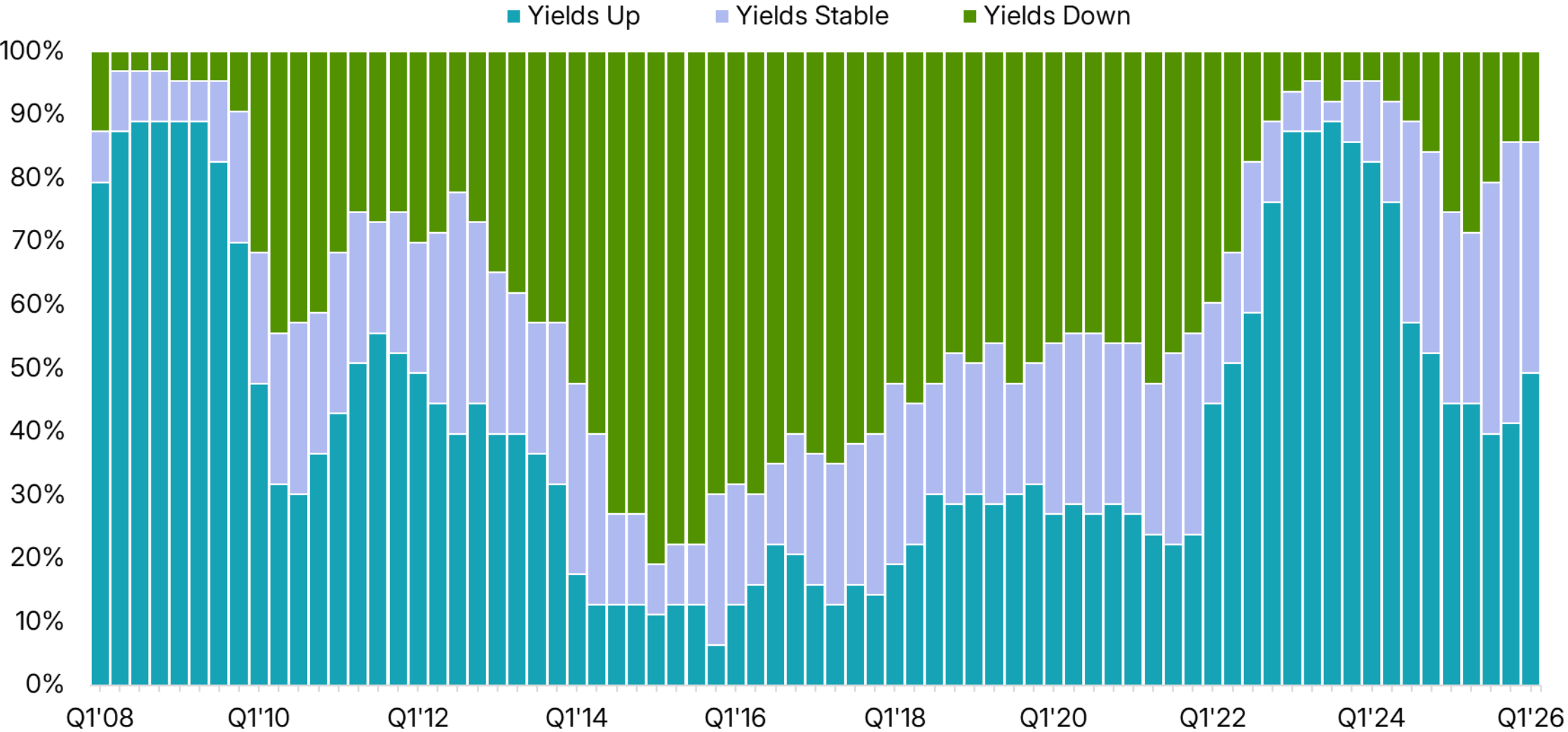
1. Prioritising income security

Central London Office Yields Split by Remaining Lease Length



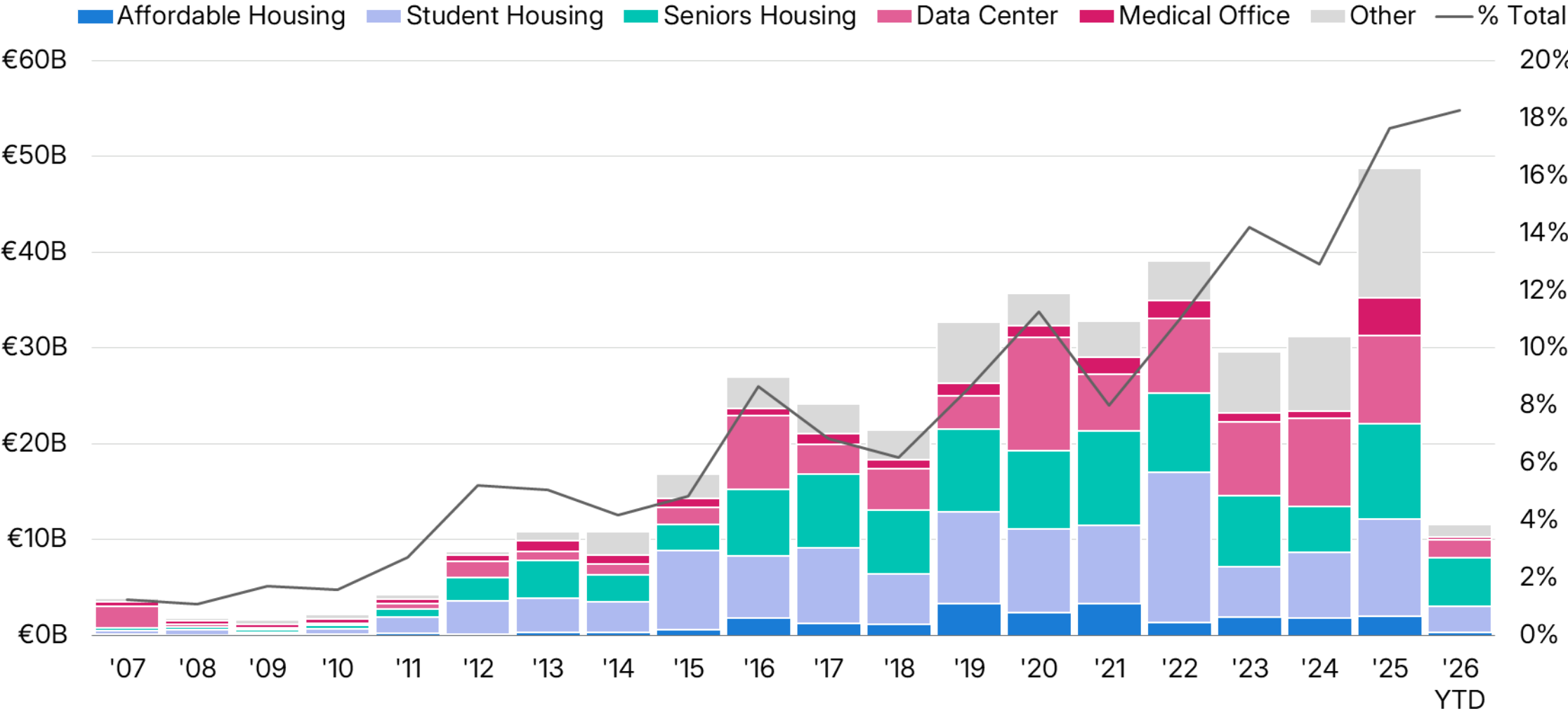
MSCI UK Quarterly Property Index. Central and Inner London Offices. Equivalent Yield. Lease Length incl. Breaks Split by Quartile. Chart Shows Top vs. Bottom

1.a. Income will likely drive returns in this next cycle



Diffusion Index - YOY Change in Transaction Yields. RCA Hedonic Yields, City and Sector Combination. Stable = +/-10 bps

2. Pushing into new property types

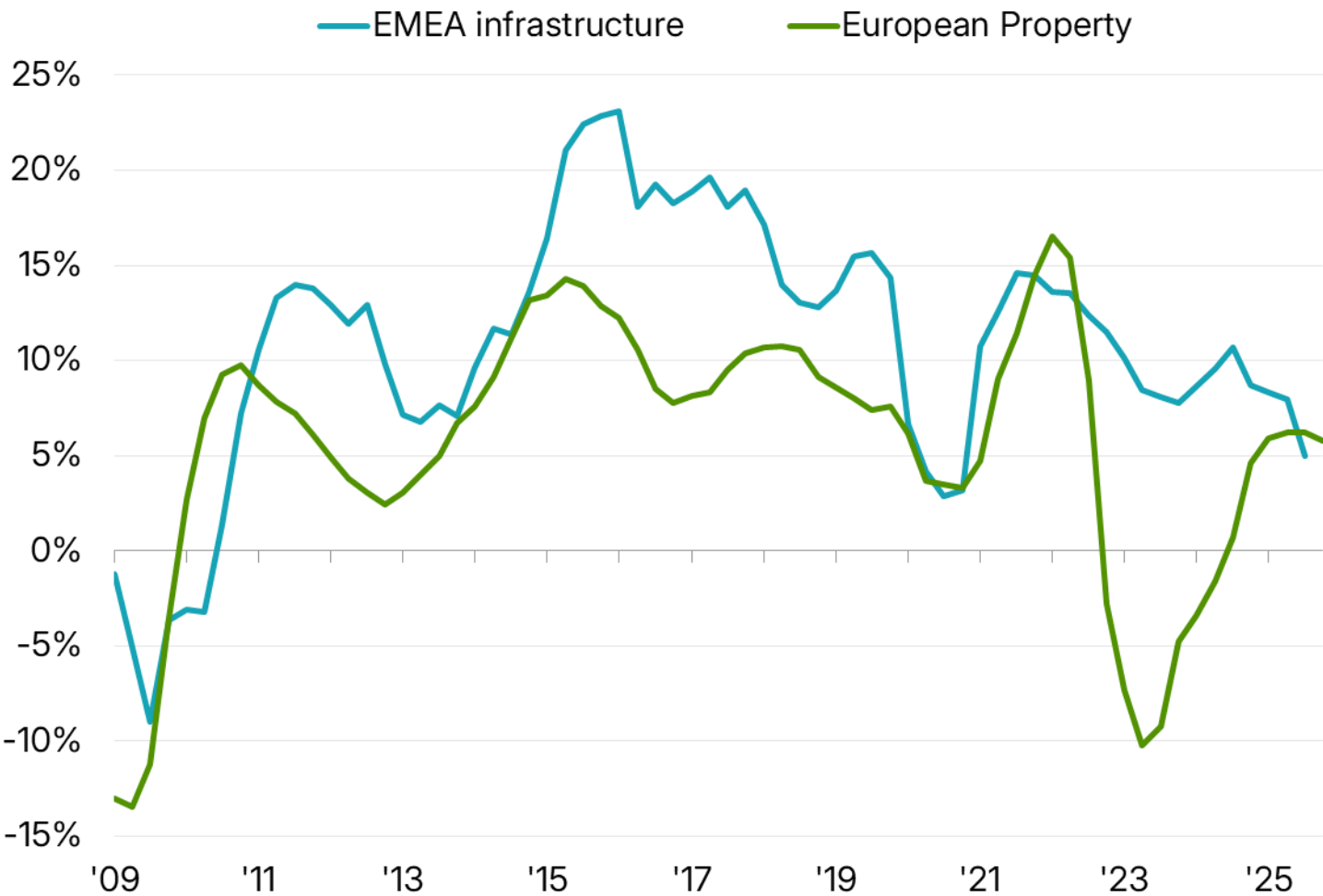


"Other" category includes healthcare, leisure, single-family housing, parking, self storage, education properties and garden centers.

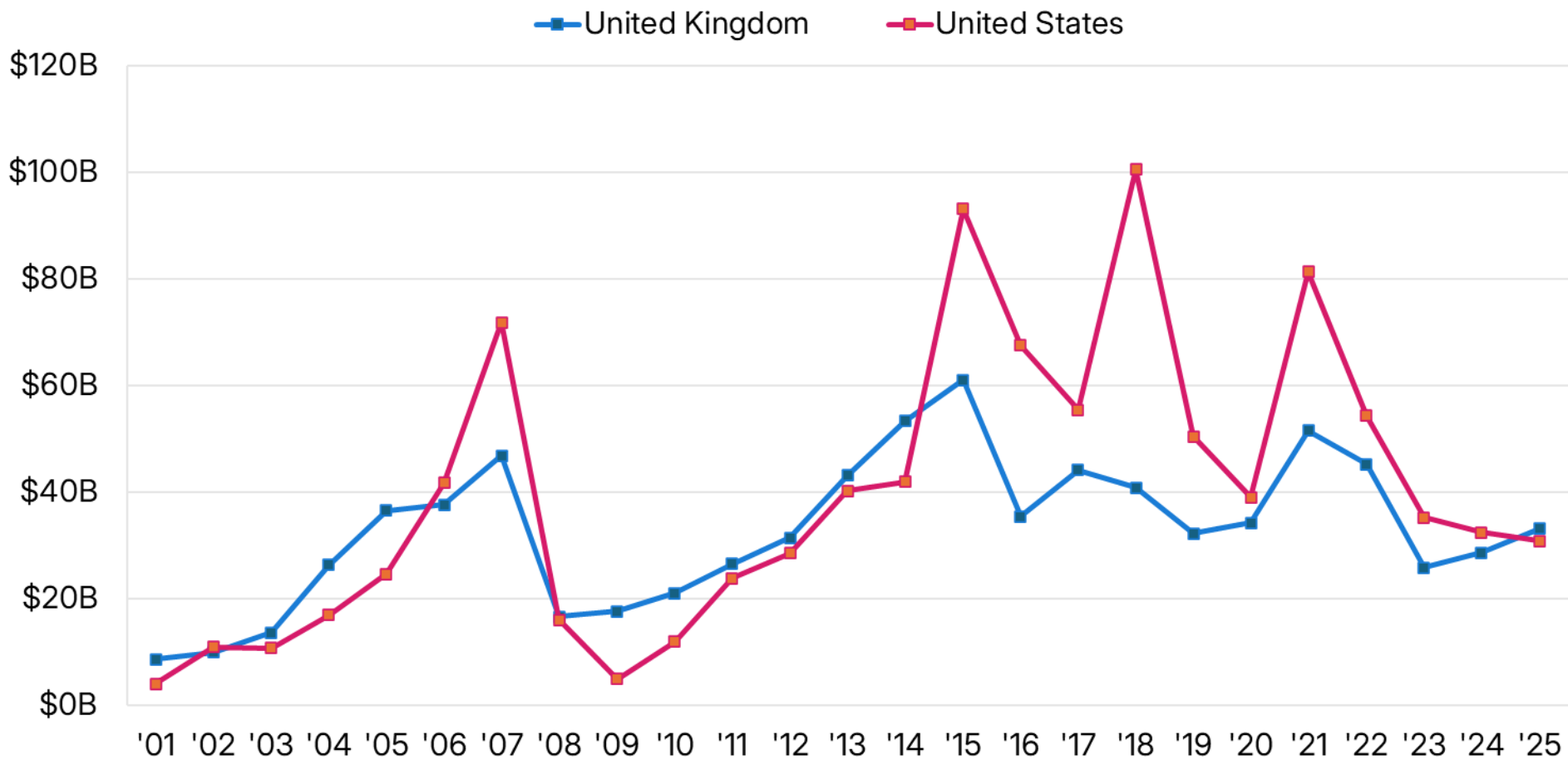
2.a. When is real estate not real estate? When its infrastructure?

PWC / ULI Emerging Trends in Real Estate 2026. Top 10 Target Sectors

Overall prospects		
Rank	Sector	Score
1.	Data centres	4.53
2.	New energy infrastructure*	4.45
3.	Student housing	4.25
4.	Serviced apartments	4.16
5.	Healthcare	4.13
6.	Other storage facilities	4.11
7.	Education-related real estate**	4.08
8.	Retirement/assisted living	4.07
9.	Co-living	4.06
10.	Affordable housing	4.06

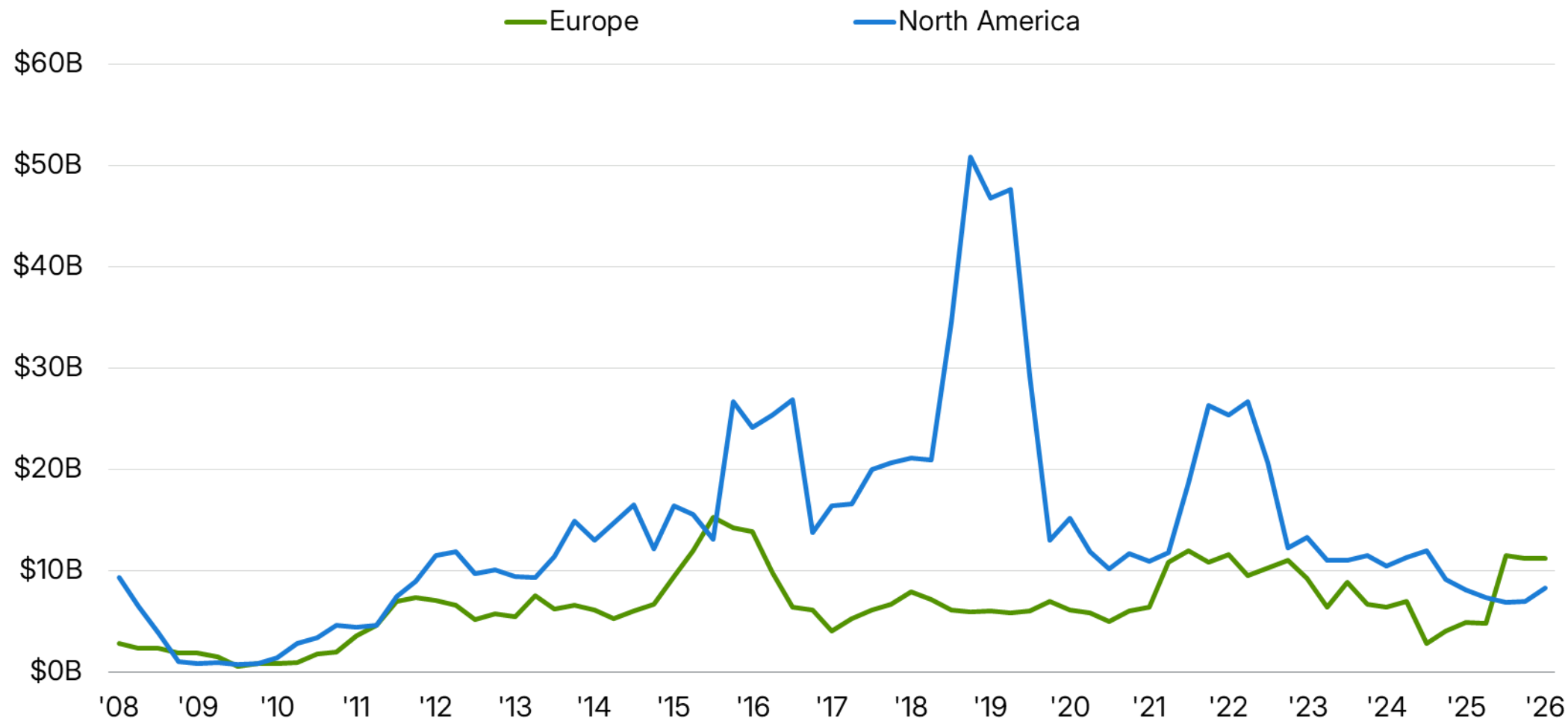


3. Does geopolitical volatility also make Europe more attractive to overseas investors?



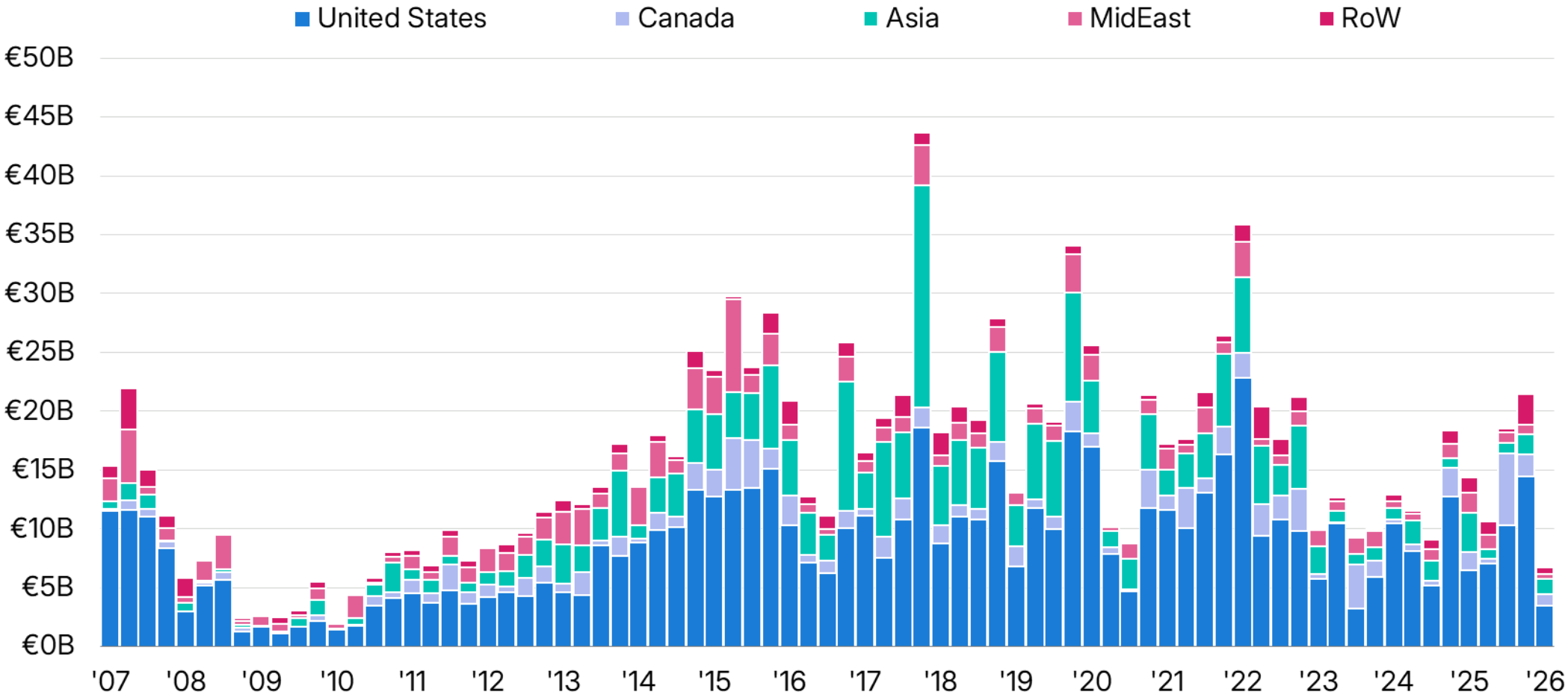
The UK overtook the US as #1 destination for cross-border investment in 2025 for first time since 2014

3.a. Canadian players bought more European than US real estate in the last 12 months



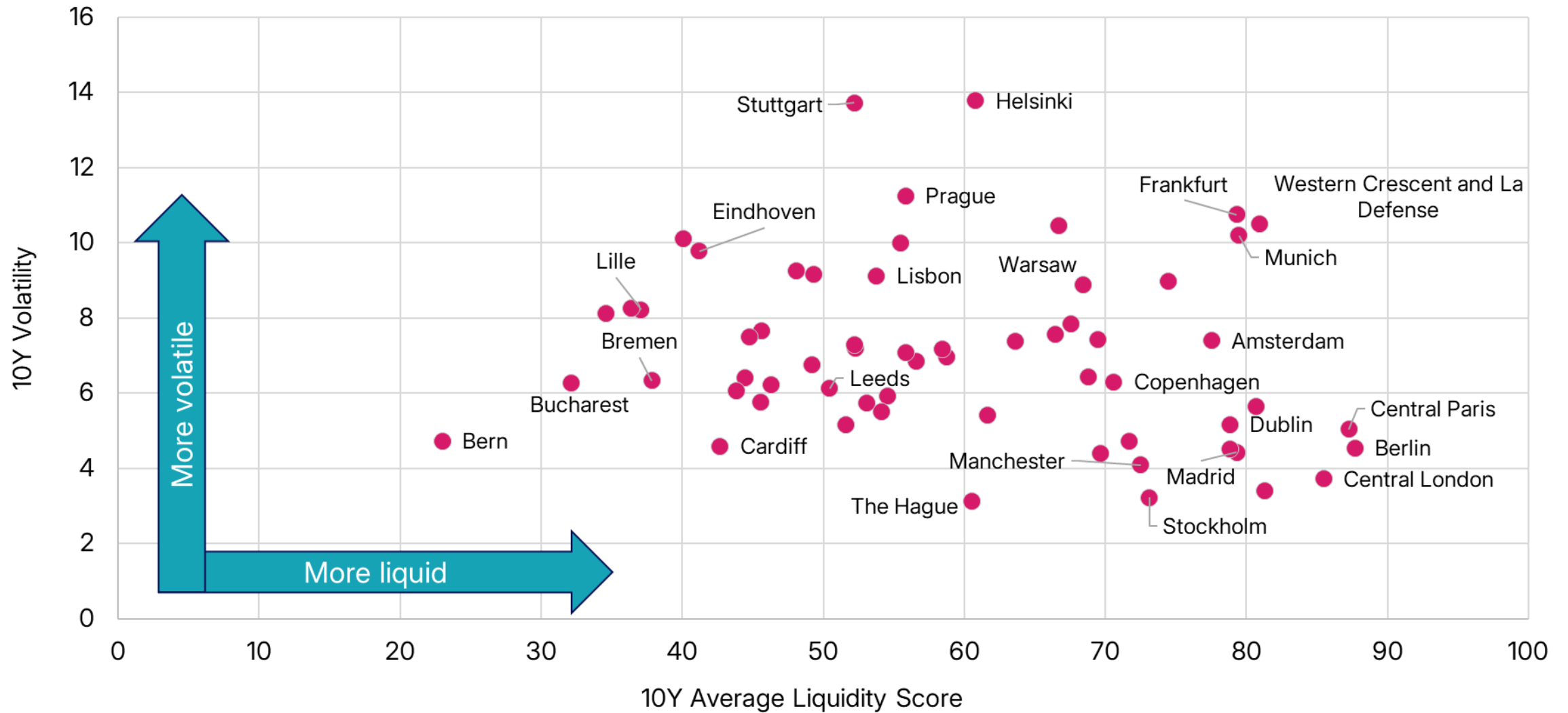
Cross Border Acquisitions by Canadian Investors by Target Country, Transactions \$10m +

3b. Although...non-European acquisitions of European CRE were at their lowest level since 2010



European CRE. Cross Border Acquisitions by Non-European HQ'D Investors. Transactions €5m+

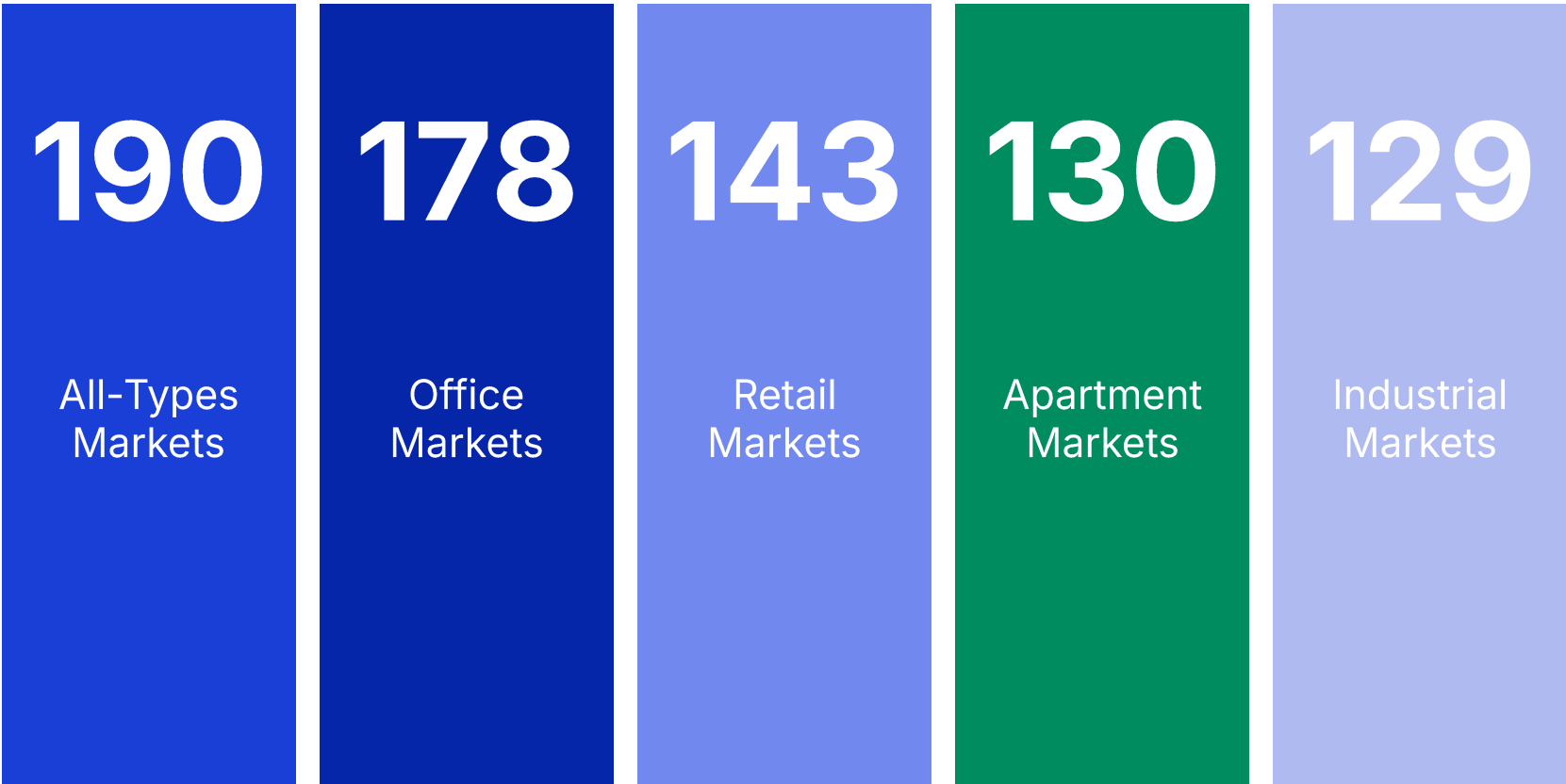
4. Prioritise structurally more liquid and less volatile markets



Europe. All Property Capital Liquidity Scores. 10Y Average vs. 10Y Volatility (St. Dev.)

Launching new and expanded liquidity scores!

114 markets scored across all 5 score types simultaneously



Short term

- European property has become very sensitive to interest rate expectations
- Core property already looking less competitive at the start of 2026
- It will likely be more of the same for investment volumes with threat of rate rises.
- No-one mention Stagflation!

Long Term

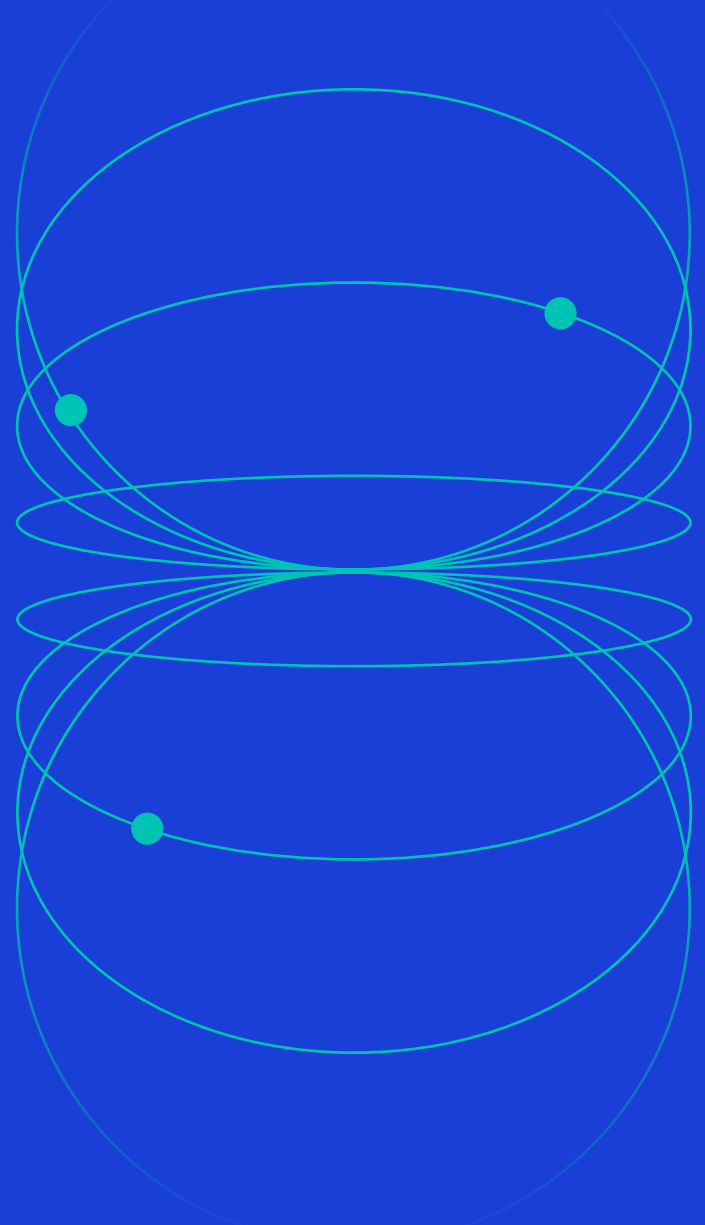
- Embrace uncertainty – it's not going away
- Buyers will prioritise assets with cashflow durability and pricing power
- Performance dictated at asset level ≠ big swings on sector allocation
- Operational intensity > traditional asset management



Thank-you

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