

MARKET
RESEARCH

European Listed Real Estate:

Property Portfolio Analysis

End of 2023

FTSE EPRA/Nareit
Developed Europe Index

September
2024

Executive Summary

The portfolio breakdown report provides a detailed analysis of the FTSE EPRA Nareit Developed Europe Index, focusing specifically on the portfolios of its constituents, including both sectoral and geographical distribution. The annual reports of the index constituents, of which 75% were released as of Q4 2023, served as the basis for this research. The entire portfolio value of the index's constituents has decreased significantly over the previous year, despite of new index entries from Q3 2023 to Q1 2024, mergers and acquisitions (M&A), and investment expansions.

The index tracked an aggregated portfolio value of EUR 620.8 billion in 2023, down 5.95% (or EUR 39.3 billion) from EUR 660.1 billion in 2022. On the other hand, examining the longer-term trend, the value of the portfolio has increased by EUR 34.6 billion, or 5.9%, since 2019. By comparing constituents that have been included in the index for at least two years on a Like-for-Like (LFL) basis, the fair value of the properties decreased from EUR 644.1 billion to EUR 616.1 billion, representing a year-over-year reduction of 4.35%.

TAB I. ALL-COMPANIES SAMPLE SUMMARY TABLE

RANK	COUNTRIES	2023, EUR MLN	2022, EUR MLN	% CHANGE	SECTORS	2023, EUR MLN	2022, EUR MLN	% CHANGE
1	Germany	153,725	174,014	-11.7%	Residential	179,907	194,942	-7.71%
2	UK	114,717	114,930	-0.2%	Offices	158,603	172,933	-8.29%
3	Sweden	84,437	86,687	-2.6%	Retail	131,731	136,593	-3.56%
4	France	81,500	91,422	-10.9%	Industrial	73,320	69,035	6.21%
...	OTHERS	186,418	193,014	-3.42%	OTHERS	77,236	86,564	-10.78%
TOTAL		620,797	660,068	-5.95%	TOTAL	620,797	660,068	-5.95%

Source: EPRA own computation

TAB II. LIKE-FOR-LIKE SAMPLE SUMMARY TABLE

RANK	COUNTRIES	2023, EUR MLN	2022, EUR MLN	% CHANGE	SECTORS	2023, EUR MLN	2022, EUR MLN	% CHANGE
1	Germany	153,725	168,827	-9%	Residential	178,564	192,723	-7.35%
2	UK	114,276	108,109	6%	Offices	157,205	170,397	-7.74%
3	Sweden	81,402	85,717	-5%	Retail	131,348	134,593	-2.41%
4	France	81,500	91,422	-11%	Industrial	72,595	63,327	14.64%
...	OTHERS	185,173	190,018	-2.55%	OTHERS	76,364	83,054	-8.06%
TOTAL		616,265	644,095	-4.35%	TOTAL	616,076	644,095	-4.35%

Source: EPRA own computation

Methodology

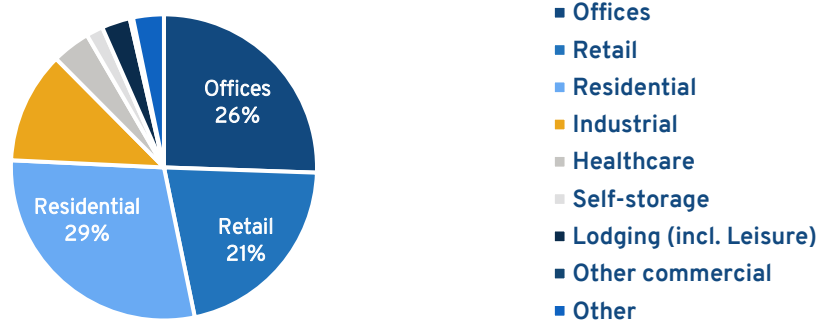
Given that the FTSE EPRA Developed Europe Index comprises of several countries, each having different local currencies, all data was converted into euros using the exchange rate as of December 29, 2023, to ensure comparability. The report compares two key samples: an "All-constituents" sample, which includes every member of the index as of December 29, and a "Like-for-Like" (LFL) sample, which focuses on companies that have been part of the index for two consecutive years. This approach isolates the effects of portfolio changes due to additions/deletions of constituents, allowing for a clear analysis of year-over-year trends.

All-Constituent Analysis

The overall portfolio value of the index constituents decreased by EUR 39.3 billion compared to the previous year. Reiterating their importance within the index, the office, retail, and residential sectors, continued to dominate the other sectors in terms of size, accounting combined for 76% of the entire portfolio value. The largest share of the portfolio belonged to residential properties (29%), which slightly decreased from the year before (30%). Offices were in second place (26%), also decreasing from last year's 27%.

In terms of year-over-year growth, the industrial sector led the way with a 6.21% increase. This was mostly due to the index constituents moving from the residential & office sector to the industrial sector, which added an extra EUR 4.3 billion to the sector. Meanwhile, the self-storage sector showed modest growth with a 0.79% increase, benefiting from growing demand in urban areas.

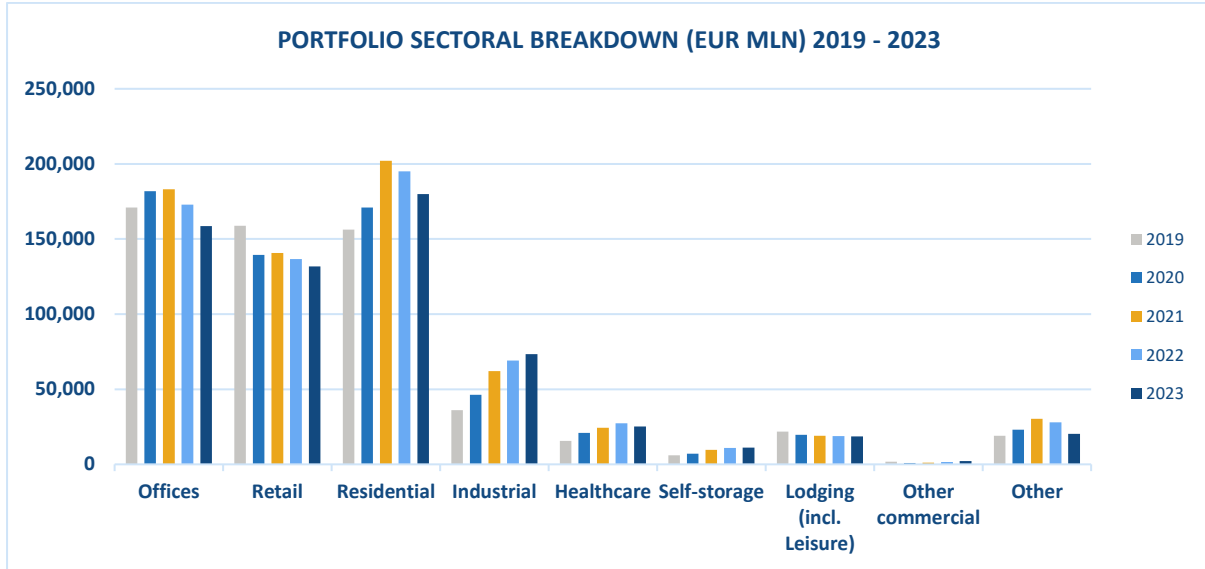
ALL CONSTITUENTS PORTFOLIO BREAKDOWN - SECTORS RELATIVE SIZE, 2023



Source: EPRA own computation based on companies' annual reports.

In contrast, several key sectors faced declines. Retail saw a reduction of 3.56%, while residential and healthcare both dropped by 7.71%. Lastly, the office sector experienced the sharpest decline among all the sectors (8.29%). The shift to hybrid work models and structural adjustments in the office sector, accelerated by the lasting impact of the COVID-19 pandemic, continue to create uncertainty. These changes have led to the rise of more flexible office settings, prompting many companies to repurpose or sell off traditional office assets to better align with the evolving needs of the modern workplace. Nevertheless, office properties still represent a substantial portion of the overall portfolio, valued at EUR 159 billion. On a more positive note, the self-storage sector has seen remarkable long-term growth, increasing by 74% since 2018. This growth has been fueled by trends such as urbanization, shrinking available space, and the expansion of e-commerce. The self-storage sector is currently particularly robust in the UK, France, and Spain, with strong growth potential in countries like the Netherlands and Germany.

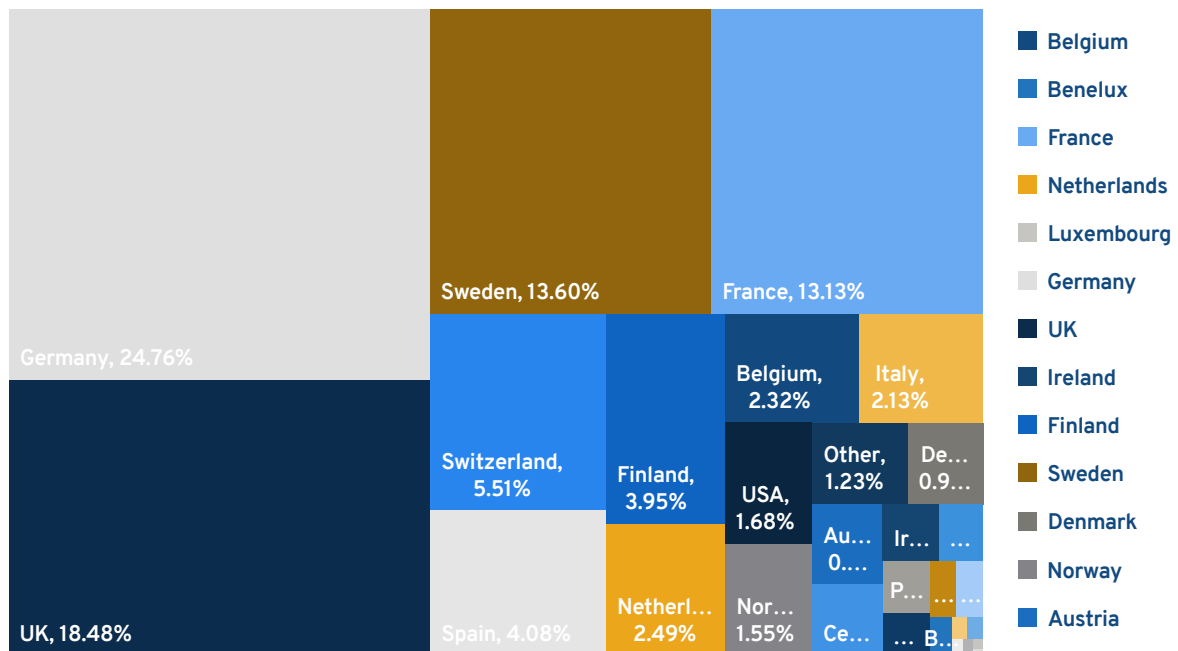
Furthermore, the graphs below illustrate the relative size of sectors within the index's property portfolio, offering a clear visual representation of the dominant sectors. The charts also provide a 5-year comparison of absolute values, highlighting how different sectors have evolved over time. This long-term perspective helps to identify key trends, such as the steady growth in industrial and self-storage sectors, while also showcasing the recent declines in retail and office portfolios.



Source: EPRA own computation based on companies' annual reports

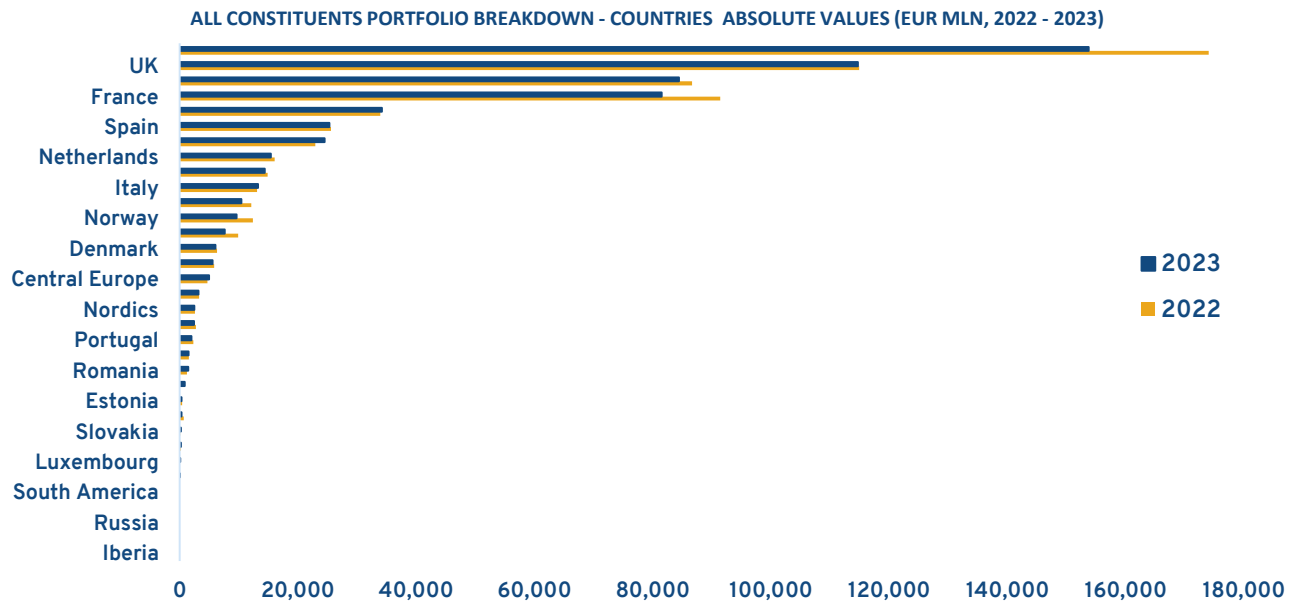
The report also offers a detailed country-by-country breakdown of portfolio exposure, highlighting key regional trends. Germany has consistently maintained its position as the largest geographical exposure within the index for the past eight years, reflecting its dominant role in the European real estate market. In 2023, Sweden made significant strides, surpassing France to claim the third-largest share of the portfolio in terms of value, driven by a combination of robust investment activity and market resilience. This shift underscores the growing importance of the Nordic market, which has been the most recent centre of attention for investors seeking stable returns. Despite France's slight drop in ranking, it continues to be in top 5 countries in the index in terms of portfolio value, maintaining a diverse and substantial real estate portfolio.

ALL CONSTITUENTS PORTFOLIO BREAKDOWN - COUNTRIES RELATIVE SIZE - 2023



Germany remains the most dominant country, with a portfolio value of EUR 154 billion, accounting for 24.76% of the total index value. The UK is second with EUR 115 billion (18.48%), followed by Sweden at EUR 84 billion (13.60%), and France at EUR 81 billion (13.13%). Notably,

the biggest reduction in geographical exposure over the past year occurred in Germany (down EUR 20 billion). This can be attributed to the ongoing economic challenges Germany is facing, which have impacted investment in the real estate sector. France was down EUR 9.9 billion, and Norway was down EUR 2.7 billion. In contrast, Finland saw the largest increase in portfolio value, rising by EUR 1.5 billion.



Source: EPRA own computation based on companies' annual reports.

The next parts of the report focus on the changes at a company level, with an emphasis on new constituents, a Like-for-Like comparison, and a focus on largest and smallest members within the index in terms of portfolio size.

New Constituents

The table below outlines the new additions to the Developed Europe Index between Q1 2023 and Q1 2024, including their country of origin, the countries where they hold properties, and their respective property portfolio values in EUR. The addition of these companies has increased the overall index portfolio by around EUR 1.8 billion.

TAB III. COMPANIES WHICH ENTERED THE INDEX DURING 2022 FY

CONSTITUENT NAME	COUNTRY	COUNTRY EXPOSURE	PORTFOLIO, EUR
Care Property Invest	BELG	BEL,NLD,ESP,IRL	527,460,800
FastPartner	SWED	SWED	1,081,386,100
Life science REIT	UK	UK	255,271,588
TOTAL			1,864,118,488

Source: EPRA own computation

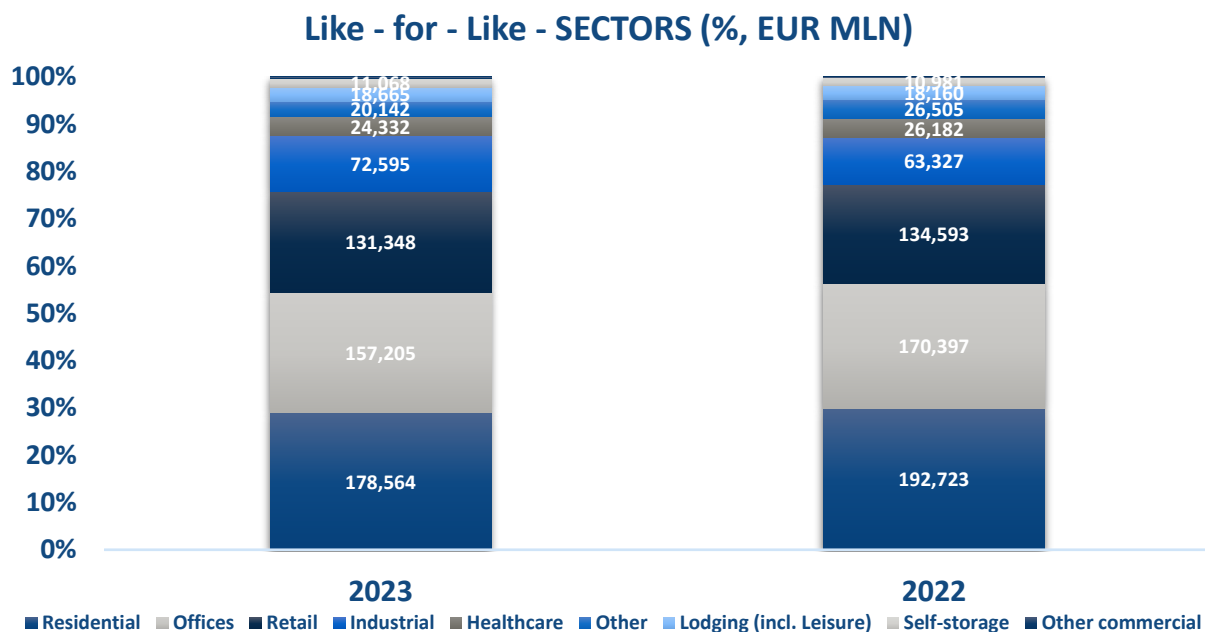
Care Property and Life Science REIT are specialized in healthcare properties, while FastPartner holds a diversified portfolio across retail, offices, residential, industrial, and healthcare assets.

Like-for-Like Analysis (L-f-L)

The Like-for-Like analysis, which spans the last two financial years (2022 and 2023), focuses on a sample of 100 companies that have remained in the index for at least two consecutive years. During this period, the total property portfolio value dropped by 4.35%, a decline of EUR 28 billion in absolute terms.

The LFL comparison is particularly useful for isolating growth within the index by eliminating the impact of corporate actions, such as new additions and removals. This approach allows for a clearer understanding of investment patterns and the extent to which existing constituents have expanded their portfolios.

Using these samples, the report explores notable developments across both sectors and regions. The accompanying chart illustrates the changes in each sector over the year, in both relative percentage terms and absolute values (EUR million).



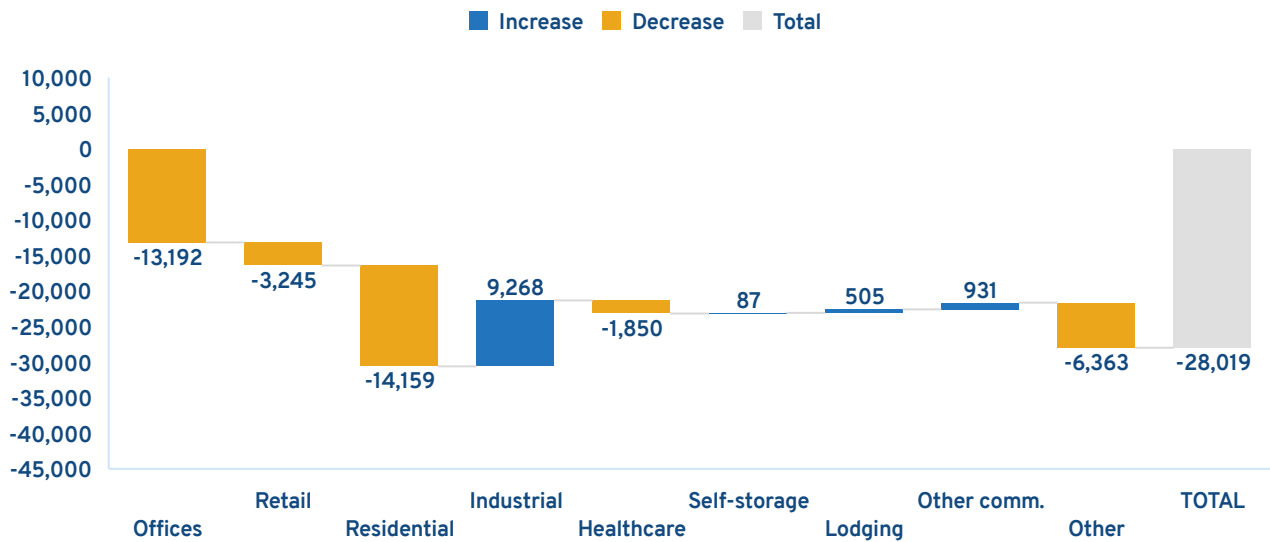
Source: EPRA own computation based on companies' annual reports.

The Like-for-Like (LFL) portfolio reduction is consistent with the changes observed across individual companies within the index. Among the sectors, the industrial sector stands out as the top performer, achieving a 14.64% increase, in value, which translates to an additional EUR 9.2 billion. The 14.64% increase in the LFL industrial sector is primarily driven by a shift in portfolio focus towards industrial properties by companies like Warehouses De Pauw, Merlin Properties, and others. Additionally, the removal of companies with a combined value of €3.2 billion and the inclusion of three new companies valued at €5.8 billion in industrial sector contributed to the changes in LFL comparisons this year.. Meanwhile, the self-storage sector experienced more modest growth, with an increase of 0.79%, or EUR 87 million in absolute terms, further reinforcing its steady upward trajectory in the face of broader market challenges.

In contrast, most other sectors saw a contraction in value during the period. The office sector, in particular, was the most affected, with a year-on-year decline of 8.29%, reflecting a significant downturn. Out of the 54 office-related constituents in the index, 36 companies reduced their investments, underscoring the sector's ongoing struggle with reduced demand.

amid the shift toward hybrid work environments and flexible office space requirements. This contraction in office investments highlights the lasting impact of pandemic-induced structural changes in the workplace.

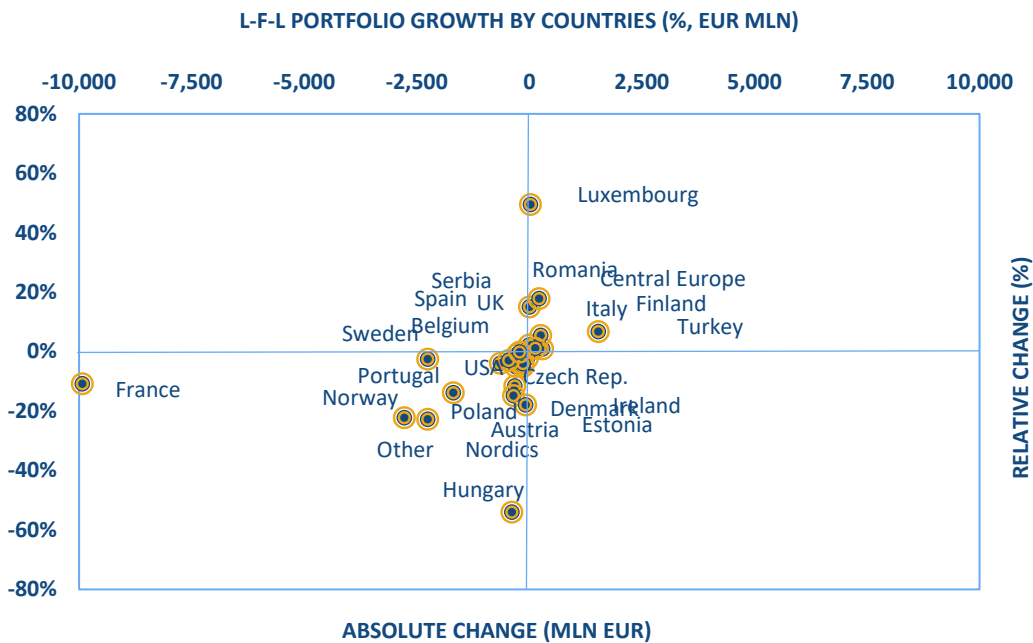
SECTOR CHANGES IN LFL PORTFOLIO 2022-2023



Source: EPRA own computation

The waterfall chart above shows that the change in the L-f-L portfolio was approximately the same as the all-index constituents’ portfolio (-EUR 28 Bln).

While it is vital to note that each local market has its own structure and industrial dynamics, it is equally crucial to highlight that the economic trends impacting sectors or regions also influence how these sectors are spread out geographically. The sector split has presented a more comprehensive image of the European listed real estate landscape, with some exposure to other nations like the USA and Turkey. Depending on the differences in economic development, demography, and laws between each nation, the growth dynamics of the area may or may not coincide. We can see the significant relative and absolute changes that occurred at the country level in the graph below.



There has been noticeable growth in the property portfolio values in Luxembourg, Serbia, and Romania, which have risen by 49.5%, 14.9%, and 17.7%, respectively. The inclusion of markets like Serbia and Romania reflects some increased investors' interest in emerging markets. Moreover Luxembourg continued to attract significant investment, while Balkan countries are benefitting from rising foreign investment and infrastructure improvements. However, not all countries have seen positive trends. Hungary experienced a sharp drop in its portfolio value, declining by 54%, and Norway saw a reduction of 22.3%. These reductions likely point to economic challenges or changing investment strategies in those regions.

Currency analysis

As outlined in the methodology, the raw data from various local currencies has been consolidated and converted into Euros to ensure consistency and comparability across the dataset. The table below presents the portfolio values in 2023 for the full sample of companies, expressed both in their respective local currencies and in Euros, using the exchange rates as of year-end for both 2022 and 2023. The final column highlights the variations caused by the changes in local currency/Euro exchange rate dynamics.

By 2023, the landscape shifted, with the Swedish Krona appreciating by 5.98%, boosting the portfolio value by EUR 5.387 billion. This growth was mainly driven by increased investor interest in the Swedish residential sector. Norway also saw a modest recovery, with the Korona appreciating by 4.09%, resulting in a EUR 243 million gain. Switzerland continued its upward trajectory, adding EUR 1.779 billion to its portfolio. On the other hand, the UK experienced an unexpected decline, with its portfolio value dropping by EUR 1.22 billion (-1.03%), likely reflecting weaker performance in key sectors like offices and retail.

TAB IV. CURRENCY EFFECT

LOCAL CURRENCY	PORTFOLIO VALUE 2023, LOCAL CURRENCY	FX RATE % VAR	2023 LOCAL/EUR FX, MLN EUR	2022 LOCAL/EUR FX, MLN EUR	VAR, MLN EUR
GBP	101,269	-1.03%	116,790	118,009	-1,220
CHF	34,121	5.09%	36,737	34,958	1,779
SEK	1,062,328	5.98%	95,535	90,148	5,387
NOK	69,490	4.09%	6,188	5,945	243
TOT	-	-	255,250	249,061	6,189

Source: EPRA own computation

Overall, the Swedish Krona stood out as the top performer this year, showing resilience despite early challenges and benefiting from its recovery in 2023. Norway's partial recovery shows the lingering impact of currency depreciation, while the GBP decline in 2023 is a reversal from its prior year's performance, highlighting that while currency appreciation can help, underlying market conditions are crucial for sustained growth.

Company-level portfolio analysis

TAB V. 2022 COMPANY-LEVEL PORTFOLIO SIZE (EUR MLN) RANKING – TOP 10

RANKING	CONSTITUENT NAME	COUNTRY	PORTFOLIO SIZE (Mln EUR)
1	Vonovia SE	GER	56,770
2	Unibail Rodamco Westfield	FRA	49,574
3	Aroundtown SA	GER	24,252
4	Deutsche Wohnen SE	GER	23,021
5	Covivio	FRA	20,513
6	Segro	UK	20,484
7	Klepierre	FRA	19,331
8	Fastighets AB Balder B	SWED	19,042
9	LEG Immobilien AG	GER	18,102
10	Gecina	FRA	17,083

Source: EPRA own computation

In the company-level portfolio analysis, Segro climbed up the rankings, surpassing Klepierre and LEG to secure the 6th spot, while Gecina saw a significant drop, falling from 6th to 10th place this year. This shift reflects changes in portfolio performance and investment strategies among these main constituents. Vonovia and Unibail-Rodamco retained their positions as the top two companies for the third year in a row, with their combined portfolio values accounting for an impressive 40% of the total among the top 10 constituents. The stability at the top contrasts with the movement further down the ranks, highlighting the competitive nature of the European listed real estate sector. These shifts underscore how companies are adapting to market trends and recalibrating their portfolios to maintain or improve their standings.

TAB VI. 2022 COMPANY-LEVEL PORTFOLIO SIZE (EUR MLN) - BOTTOM 10

RANKING	CONSTITUENT NAME	COUNTRY	PORTFOLIO SIZE (Mln)
1	Ascencio	BELG	740
2	ABRDN European Logistics Income	UK	730
3	HOME INV.BELG-SIFI	BELG	704
4	Custodian Property Income REIT	UK	679
5	New River REIT	UK	615
6	ABRDN Property Income Trust	UK	471
7	Schroder Real Estate Investment Trust	UK	451
8	Life Science REIT	UK	440
9	Residential Secure Income	UK	434
10	AEW UK REIT	UK	242

Source: EPRA own computation

Most of the constituents with smaller portfolios are based in the UK, with the exception of Ascencio and HOME Invest, which are headquartered in Belgium. The UK-based companies have largely focused on expanding their presence within their domestic market, continuing to strengthen their position locally. In contrast, the two Belgian firms have adopted a more diversified approach, spreading their investments across multiple countries, including the Netherlands, France, and Spain. This strategy reflects their aim to reduce risk and tap into growth opportunities in other European markets.

TAB VII. 2023 COMPANY-LEVEL PORTFOLIO VARIATION (EUR MLN) - TOP 10

CONSTITUENT NAME	COUNTRY	2022	2023	VAR Mln EUR	%
Vonovia SE	GER	62,361	56,770	-5,591	-8.97%
Unibail Rodamco Westfield	FRA	52,250	49,574	-2,676	-5.12%
Aroundtown SA	GER	27,814	24,252	-3,562	-12.81%
Deutsche Wohnen SE	GER	27,610	23,021	-4,589	-16.62%
Covivio	FRA	23,224	20,513	-2,711	-11.67%
Segro	UK	17,702	20,484	2,782	15.72%
Klepierre	FRA	19,832	19,331	-501	-2.53%
Fastighets AB Balder B	SWED	17,109	19,042	1,933	11.30%
LEG Immobilien AG	GER	19,631	18,102	-1,529	-7.79%
Gecina	FRA	20,091	17,083	-3,008	-14.97%

Source: EPRA own computation

The table highlights the 2023 portfolio variations among the top 10 constituents in the index, showing both positive and negative changes. Vonovia, the largest constituent, experienced a significant decline of EUR 5.59 billion (-8.97%), followed by Unibail Rodamco with a EUR 2.68 billion (-5.12%) reduction. Deutsche Wohnen SE saw the largest percentage drop, decreasing by 16.62%. On the positive side, Segro from the UK showed strong growth, increasing its portfolio by EUR 2.78 billion (15.72%), while Fastighets AB Balder B from Sweden also posted a notable gain of EUR 1.93 billion (11.30%). Overall, the majority of the top constituents saw portfolio contractions, with only Segro and Balder B reporting substantial growth.

TAB VIII. 2022 COMPANY-LEVEL PORTFOLIO VARIATION (EUR MLN) BOTTOM 10

CONSTITUENT NAME	COUNTRY	2022	2023	VAR Mln EUR	%
Impact Healthcare REIT	BELG	587	751	164	27.94%
Ascencio	UK	738	740	2	0.27%
ABRDN European Logistics Income	BELG	738	730	-8	-1.08%
HOME INV.BELG-SIFI	UK	745	704	-41	-5.50%
Custodian Property Income REIT	UK	715	679	-36	-5.03%
NewRiver REIT	UK	642	615	-27	-4.21%
ABRDN Property Income Trust	UK	476	471	-5	-1.05%
Schroder Real Estate Investment Trust	UK	548	451	-97	-17.70%
Residential Secure Income	UK	474	434	-40	-8.44%
AEW UK REIT	UK	249	242	-7	-2.81%

Source: EPRA own computation

The 2023 portfolio modifications for the bottom 10 companies reveal some key shifts. Impact Healthcare REIT from Belgium saw the largest gain, increasing its portfolio by 27.94% (EUR 164 million). However, most UK-based companies experienced declines, with Schroder Real Estate Investment Trust seeing the steepest drop of 17.7% (EUR 97 million). In contrast, Ascencio managed a slight increase of 0.27%, showing some resilience amidst broader declines. Overall, while Belgian firms showed some positive momentum, UK constituents struggled with reductions in their holdings.

Conclusion

The 2023 portfolio analysis of the FTSE EPRA Nareit Developed Europe Index highlights both the resilience and the challenges faced by the real estate sector. Despite market volatility, the index's total portfolio value remained stable at EUR 620.8 billion, reflecting a 5.95% decrease from 2022. While industrial and self-storage sectors demonstrated notable growth, driven by the expansion of e-commerce and urbanization, traditional sectors such as offices and retail experienced continued declines. These shifts were largely due to changing work habits and consumer behaviours accelerated by the pandemic.

Geographically, Germany maintained its position as the largest market in the index, though it experienced a sharp decline in portfolio value. Sweden, showed significant growth, overtaking France to become the third-largest portfolio, driven by strong investor interest in its residential sector. On a company level, Segro's impressive 15.72% portfolio growth was largely driven by its expansion into data centres, a strategic move that contrasts with the sharp declines experienced by German companies such as Vonovia and Deutsche Wohnen, which are facing significant challenges due to the ongoing economic recession in Germany.

In summary, while the overall portfolio value has slightly contracted, the report highlights key trends such as the growing importance of industrial assets and the shifting geographical focus of investors. Companies are recalibrating their portfolios to adapt to market realities, positioning themselves for long-term resilience in a transforming real estate landscape.

BIBLIOGRAPHY

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