Principal Asset Management℠

Europe Real Estate sector report

AUTUMN 2023

KEY:

● Improving ● Neutral ● Deteriorating

↑ Positive ↗ Moderately positive → Neutral ↘ Moderately negative ↓ Negative

Sector conditions and outlook[1]

Sector		Current conditions	Outlook
OFFICE	Office sector transaction volume in Q2 2023 was the lowest on record as macroeconomic headwinds and concerns over hybrid workers kept investors on the sidelines. Capital values dropped by 16% on average across Europe over the last eighteen months. This was driven by the UK where borrowing costs have risen more than in the Eurozone and the shift towards hybrid working has been more pronounced than in mainland Europe. Nevertheless, office availability in main central business districts remains generally low, while vacancy rates in secondary sub-markets have recorded an uptick as more companies relocate while downsizing.	●	→
INDUSTRIAL	The industrial sector recorded the sharpest repricing as values declined by 20% from their peak as of June 2023. Prime net yields have softened across all core markets, driven by Glasgow and Edinburgh. However, the quarterly pace of softening has generally slowed considerably, and it is likely to flatten in Q1 2024. Meanwhile, occupier demand remains robust, although perspectives are weakening as the lagged impact of high interest rates weighs on the economic outlook and global trade.	●	↗
RESIDENTIAL	The steep house price appreciation seen in the last few years and the recent spike in interest rates have significantly worsened housing affordability and locked several new buyers out of the market. Mortgage approvals fell sharply, followed by a drop in house prices. Meanwhile, builder sentiment weakened across Europe, although with different intensity. Total returns in 2023 are likely to stay negative, but the long term attractiveness of the sector remains strong amid growing demand for rentals and sluggish supply.	●	→
HOTEL	Transaction volume declined by 12% to €6.5bn in H1 2023 over the same period last year and 37% over the pre-pandemic long-term average. Capital values remain 14% from the pre-pandemic peak, according to MSCI. Conversely, hotels' operational results were quite strong and ahead of expectations. In Amsterdam, RevPar increased by 58% in H1 2023 compared to the same period last year, followed by Milan (51%), London (39%) and Paris (37%). This is despite the fact that occupancy rates have not yet recovered to pre-COVID levels.	●	→

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Sector conditions and outlook continued

		Current conditions	Outlook
RETAIL	The retail sector is the only sector achieving positive total returns so far this year due to a mix of different factors. First, retail yields had already softened significantly during the pandemic; thus they could better absorb the spike in base rates. Second, a growing number of retailers took advantage of the feeble deal activity to purchase their premises, putting a floor on values. Finally, the returns of commuters and the resurgence of tourism during the summer season have contributed to increased high street footfall and bolstered operator sentiment. Across the retail sector, out of town retail parks have the brightest outlook in our view.	●	→
DATA CENTRES	In the six months to June 2023, take up and new supply continued to increase, although at a lower rate due to difficulties in securing and delivering new capacity. Vacancy rates across the FLAPD markets (Frankfurt, London, Amsterdam, Paris, and Dublin) have declined further and are forecast to reach 11% by the end of 2023, marking the fourth consecutive year of decline. Meanwhile, hyperscalers are looking to expand outside core markets by investing in smaller data centres across multiple locations near the edges of their regional networks to accommodate growing demand and limit latency.	●	↗
HEALTHCARE	The healthcare investment market has been slow so far this year. Transactions reached €3bn in H1 2023, a 25% decline compared to the same period last year. Net initial yields for prime assets have softened marginally to an average of 5.3% as of June 2023, according to MSCI. Capital flow is expected to remain subdued given the wide price gap between buyers and sellers. Additionally, the occupier market is strained by several challenges—weakened by an extended period of lower occupancy rates, high borrowing costs, funding gaps, and a shortage of qualified workers. Restructuring and insolvency cases are on the rise.	●	↘
STUDENT HOUSING	According to MSCI, UK student housing averaged 9% total return over the last ten years (2013-2022), the second best-performing property type after the industrial sector. However, in the first half of 2023, returns were modest at around 1% as student housing suffered from yield softening, although less than other sectors. As a result, capital values declined by 8% from the peak of last year as of June 2023. The occupier market performed strongly across Europe, with most operators reporting occupancy rates above 95% in Q3 2023. Thus, rents have increased by 4 to 6% in Q3 2023 over the prior year, however, cities with the highest student-to-bed ratio recorded an increase of 10%.	●	↗

[1] Outlook refers to the next 12 months

Source: Principal Real Estate, September 2023

OFFICE

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
→	↗	↘	→	↘	↓

KEY: ↑ Positive ↗ Moderately positive → Neutral ↘ Moderately negative ↓ Negative

[1] New Supply: Red downward signifies new supply is currently high
[2] REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium

Private equity

Since the end of 2022, investors have stepped away from real estate capital markets, waiting for assets to reprice in line with the new monetary policy environment. The decline in deals was particularly severe in the office sector as macroeconomic headwinds were compounded by concerns over the rise of remote working practices. As a result, office deal activity declined for four consecutive quarters to €8.6bn in Q3 2023, the lowest level on record.

According to the MSCI Index, the benchmark to measure the performance of commercial real estate, since the start of 2022 office capital values have declined by 16% on average across Europe, paring back the gains achieved since the end of 2017. The decline was more pronounced in the UK (roughly 20%), where borrowing costs have increased more than in the Eurozone and the shift towards hybrid working has been more marked than in mainland Europe. For example, a survey carried out in Q2 2023 by Ifo, a German economic thinktank, shows hybrid working is more popular in the UK compared to the rest of the continent due to a mix of economic and cultural factors, including more expensive public transport costs, less support for childcare, and a tighter job market. UK employees in full-time employment have reported to work from home 1.5 days a week, compared to 1 day in Germany, 0.7 in Italy, and 0.6 days in France, on average.

Meanwhile, the availability of offices in main central business districts (CBD) continues to be generally low, sustained by two factors. First, the labour market proved to be much stronger than anticipated, despite a weakening economic outlook. Eurostat announced that Eurozone unemployment had improved further in August to an all-time low of 6.4%. Second, since the reopening of the economy in 2021, companies enjoyed a boost in profits as they were able to increase prices more than the wages and input costs. According to the IMF, rising corporate profits accounted for almost half the increase in Europe's inflation over the last two years. Thus, demand for office space has been resilient. Paris CBD remains the tightest market with a vacancy rate of 2.6% as of June 2023, followed by Luxembourg, Vienna, and Berlin, all having rates below 5%. Conversely, secondary sub-markets such as London Docklands or Paris La Defence saw vacancy rates trending upward as some occupiers relocated to more desirable locations while downsizing.

Public equity

The REIT office sector has performed in line with the broader property sector so far in 2023, albeit with some large variations and fluctuations around this mean. Flexible office stocks are the best performers year-to-date, followed by the defensive Swiss companies. Higher-quality CBD-focused portfolios in capital cities have also underperformed this year, despite robust operational results as doubts remain about the long-term prospects for offices. Regional and lower-quality portfolios are generally the weakest. Dutch offices have been punished by a government proposal to raise tax on listed property vehicles.

Although employment levels are now at multi-year highs, working from home for at least part of the week remains widespread, resulting in daily office occupancy still well below pre-pandemic levels in most markets, particularly in London (unlike Paris where office usage has recovered). While this has led to rising vacancies in some markets, there is substantial bifurcation across asset types, with prime buildings in the best locations noticeably stronger than secondary assets in less desirable locations. As a result, secondary vacancy rates are typically 5 to 10% higher than prime rates.

Newer, well-located, high-quality assets are favoured as both tenants and landlords increasingly value energy efficiency, while tenants value their superior flexibility. Lower quality offices risk becoming stranded assets unless owners invest substantial capex to counter the risk of obsolescence and while headline rents have not moved much, incentives are higher.

The listed office sector is trading at a discount to NAV of approximately 32% and typically owns higher quality assets where tenant demand is more resilient. Given the valuation gap between public and private markets and uncertain prospects, more M&A activity seems likely.

INDUSTRIAL

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
→	↗	↗	↗	↘	→

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Private equity

The industrial sector recorded the sharpest repricing of any sector over the twelve months as of June 2023, but we expect it will also be the first property type to fully reset and lead the way into the next real estate cycle starting in the first half of 2024.

According to MSCI, capital value for European industrial property declined by 18.5% from the peak reached in June 2022, paring back the gains accumulated over the last two years. Prime net yields have softened across all core markets by 115bps on average. The largest decompression was recorded in Glasgow and Edinburgh (175bps), while the smallest was in Copenhagen, Brussels, and Dublin (75bps). However, the quarterly pace of softening has slowed considerably, and it is likely to flatten by the first quarter of 2024 since central banks have finally paused their tightening efforts. Although the sector's total returns will stay in negative territory across all markets this year, most industry experts expect the sector to rebound after that. Capital Economics, an independent research provider, forecasts Pan-European industrial total returns to reach 7.0% in 2024 and 9.3% in 2025, exceeding those of other major property types over the next five years.

The occupier market remained robust so far, although its perspectives are weakening as the lagged impact of high interest rates weighs on the economic outlook and global trade. The HCOB Eurozone Manufacturing PMI, the monthly survey on the state of the industrial sector, remained in contraction in September for the fifteenth consecutive reading. According to the survey, factory new order inflows dropped at one of the steepest rates since records began, employment declined the most in almost three years, and business confidence sunk to a ten-month low. The global demand for goods declined as well in July, compared to the same month last year, according to the latest World Trade Monitor figures. The drop in export volume was broad-based, with the Eurozone, China, and the U.S. recording an annual contraction of 2.5%, 1.5%, and 0.6% respectively. Meanwhile, industrial vacancy rates have risen modestly, but remain very low as a lack of supply in core markets in France, Germany, and Spain has constrained take-up and driven rental growth.

Public equity

Industrial has outperformed the property index year-to-date in 2023. Overall supply remains relatively tight, with little speculative new stock being built with higher interest rates and construction costs. Demand remains robust, however vacancy has crept up marginally during the first half of this year. Structural tailwinds are likely to continue, although a stretched consumer in a continuing cost-of-living crisis may put pressure on e-commerce growth causing rental growth to slow. The sector generally suffered most from the tightening interest rate cycle in 2022, but pressure has eased so far this year.

We have seen a significant dispersion in performance across the sector year-to-date with UK industrials generally outperforming and benefitting from a view that they are past the worst of the cap rate expansion started in 2022, and that rental growth will remain positive, although slower than the outsized pace seen in recent years. European industrials were among the weakest in the public sector on the back of valuation concerns, as they have among the highest, richest valuations in Europe, and there are concerns about the impact of higher leverage and an economic slowdown on future rental growth. European developers have been among the strongest performers year-to-date after concerns regarding high leverage and development pipeline profitability during recent periods of high construction costs eased. The focus has shifted back towards long-term pipeline growth.

Industrial REITs now trade close to consensus NAV on average, having de-rated during 2022 and largely stabilised year-to-date.

RESIDENTIAL

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
↗	↑	↑	↑	↘	↓

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Private equity

Home ownership has always been a life goal and key strategic investment for households. However, the substantial house price appreciation seen in the last few years (European house prices have risen on average by approximately 50% since 2015) and the spike in interest rates that occurred over the last eighteen months, have significantly deteriorated housing affordability and locked several new buyers out of the market. In the UK for example, an average first-time buyer with a 20% deposit would now spend 38% of his monthly net income on mortgage payments compared to a long-term average of 29%, according to Nationwide, a financial institution. As a result, mortgage approvals fell by a third in August compared to the same period last year, and the UK national house price index declined by 4.7% year-on-year as of Q3 2023.

This trend is impacting households across all European countries, although with different intensity. And while it affects total returns in the short-term due to capital value depreciation, it strengthens the long-term attractiveness of the "living sector" (including apartments, built-to-rent, affordable housing, student accommodation, and senior living) for institutional investors amid growing demand for rental solutions and a decline in new residential development.

According to the HCOB Eurozone Construction PMI, the index which tracks total activity in the sector, home building declined in August over the previous month at the fastest pace since 2020. The steepest fall was recorded in Germany, where a number of property developers have recently filed for insolvency, followed by France and Italy. Construction companies also reported a reduction in employment for the sixth consecutive month in August as the outlook for the year ahead continues to weaken.

Meanwhile, rental growth was positive in Q2 2023 across all markets tracked by the MSCI property index, excluding the Nordics. The simultaneous decline in new residential development and house affordability should lead to positive rental dynamics over the remainder of the year, partially offsetting the capital value declines.

Public equity

The European housing sector is now the top performer among REITs year-to-date in 2023, after a sharp rally during the third quarter driven by hopes that the interest rate cycle may be peaking, property values could be stabilising, and the potential for an acceleration in rent growth. A handful of transactions and refinancings also lessened fears that equity raises will be needed to repair balance sheets.

While residential rents have historically been a good inflation hedge over the longer term, the backward-looking multi-year periods used to calculate rent indices for regulated housing in markets such as Germany mean that it will take some time before in-place rental growth catches up with or overtakes inflation. Over the last year, higher energy costs and inflation have lessened tenants' real disposable incomes, but this pressure should start to reverse as real incomes recover. Stabilisation of energy costs would also allow margins to recover in the Nordics, where heating costs are included in the rent.

Given the positive reversionary potential, strong demand, and limited supply of affordable housing in most markets, rents should continue growing, but the outlook for property values remains uncertain. In Sweden, property values have already fallen more than 15% from the peak, while German property values are down more than 10%. Higher base rates and credit spreads, along with most large companies looking to reduce debt through portfolio sales, still have many investors worried that cap rates will rise further, and low transaction volumes reinforce this perception of fragility. The sector has derated sharply as companies moved from acquisitive growth to deleveraging and the sector now trades at an average discount of approximately 45% to the last published NAV.

HOTEL

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
↗	→	↗	↗	→	↓

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Private equity

The hotel sector's performance has been among the most resilient within commercial real estate this year, although the sector is still recovering ground from the rock bottom touched during the first waves of the COVID-19 global pandemic. Transaction volume stood at €6.5bn in H1 2023, a decline of 12% over the same period last year and 37% over the pre-pandemic long-term average. Capital values declined only by a modest 2% in H1 2023, and remain 14% below the pre-pandemic peak, according to MSCI.

Despite macroeconomic headwinds and shrinking household real disposable income due to the surge in the cost of living, the hotel industry posted strong operational results, even ahead of the most optimistic expectations. In fact, most of the European hotel markets have now surpassed pre-pandemic revenue levels, as measured by RevPAR (revenue per available room), the industry benchmark tracking top-line financial performance. In Amsterdam, RevPar increased by 58% in H1 2023 compared to the same period last year, followed by Milan with 51%, while London, Paris, and Berlin all recorded a growth rate between 36% to 39%.

According to ACI Europe, nearly half of Europe's airports recovered to pre-pandemic passenger traffic volumes, skewed towards those serving low-cost carriers. However, travellers are probably booking fewer nights away from home as hotel occupancy rates remain well below pre-pandemic levels. In particular, those markets driven by a leisure component such as Athens and Florence have recovered more, sustained by a surge in tourism during the summer months. Conversely, business-led markets such as Frankfurt and Dublin lag behind as companies cap corporate travel expenditures and carbon emissions.

Public equity

Hotels are a relatively small listed sector in Europe, with only one index play available while other non-index plays are mostly through asset light operators. The sector has outperformed the broader property index year-to-date in 2023 as strong pent-up demand post-COVID has continued to drive growth in the leisure sector. Business demand has also been stronger than expected, albeit still below pre-COVID levels, and we continue to see the gradual return of group travel across Europe. As the recent high inflationary period subsides, hotels benefit from easing pressures on their cost bases. There are concerns, however, about the cost of living and consumers ability to continue spending on ever higher hotel prices while their pockets are squeezed in many other areas. There are few signs of a let up in demand to date. However, investors are becoming increasingly cautious of a slowdown given recent elevated revenue (20%+ above pre-COVID levels in RevPAR) and the slowdown in growth seen in the U.S. hotel sector. For most of the COVID recovery, rate growth has been the dominant driver, with occupancy lagging, however in 2023 we have seen significant improvements in occupancy and are now closer to pre-COVID occupancy, while rate growth remains strong year-to-date.

Hotel NAV estimates are proving more resilient relative to other property sectors in the new higher interest rate environment due to the higher starting yields, plus the ability to pass through inflation increases converting into strong rate growth offsetting any yield expansion. Asset heavy hotel stocks trade at a 30% discount to consensus NAV, while more operationally focused and asset light players generally trade much closer to NAV and in-line with pre-COVID multiples. Asset light players have significantly outperformed asset heavy landlords year-to-date.

RETAIL

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
→	↑	→	→	→	↓

KEY: ↑ Positive ↗ Moderately positive → Neutral ↘ Moderately negative ↓ Negative

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Private equity

Retail transaction volume declined by roughly 50% in the first half of 2023 compared to the same period last year, in line with other property sectors in Europe. What set retail assets apart instead was its recent total returns performance. Returns have been positive so far this year, driven by low single-digit rental growth, partially offset by a negligible decline in capital value. This trend was due to a variety of factors. First, retail yields had already softened significantly during the pandemic, thus could better absorb the increase in interest rates and the increase in government bond yields. Second, many retailers took advantage of the feeble activity in capital markets to purchase the building they were initially renting, thus putting a floor on values. According to Savills, owner occupiers accounted for 23% of the retail deal activity in the first half of the year, a much higher proportion than the historical European average of 5 to 7%. Finally, the returns of commuters to city centres and the resurgence of tourism during the summer have contributed to increasing high street footfall and lifting operator sentiment.

In Madrid, the vacancy rate has fallen below the city's long-term average so far this year and rents have started recovering some of the ground lost from the pre-pandemic peak, nearly one fifth. In Paris, vacancy rates have fallen, and prime rents have stabilised after a sharp downward correction that ended in mid-2022. In the UK, tenant demand remained subdued due to higher e-commerce and hybrid working penetration compared to mainland Europe. Many flagship stores in London's main shopping destination, Oxford Circus, have closed over the last two years, and a number of department stores have pending proposals for a change of use.

Across the retail sector, out of town retail parks have the brightest prospects in our view, as they have adapted to the rise of e-commerce relatively better than high street shops and department stores. In fact, these operators turned their performance around by embracing a multichannel sales strategy centred upon easy parking, larger storage, click-and-collect offerings, and online sales. As a result, in Europe, retail park vacancy rates have continued to decline for eight consecutive quarters to 4.4% as of Q2 2023, below the pre-pandemic level.

Public equity

So far in 2023, retail REITs have outperformed despite high inflation undermining consumer confidence and real disposable incomes. With markets driven mainly by the outlook for inflation, the resultant central banks, response of tighter monetary policy and a sluggish economy, retail property has benefited from its higher starting yield and low investor expectations at the start of the year. Rent collections and vacancies have now normalised after the extreme stress of COVID-related closures and rent holidays, with rent levels and values now stable after suffering steep declines in previous years. Footfall has typically recovered to around 15 to 20% below pre-COVID levels, but tenant sales are now above pre-COVID levels as basket sizes have expanded to compensate (although after adjusting for inflation, volumes often remain lower). Having survived the stress test of the

COVID shutdowns in part thanks to generous rent concessions from landlords, almost all surviving tenants have honoured rent indexation agreements despite inflation spiking, helping retail rents recover rapidly.

Retail REITs still trade at large discounts to NAV, at an average of around 37%. Most retail REITs continue to deleverage by selling assets and paying down debt, even though within the property sector there is now less concern about retail REIT balance sheets. The return of liquidity in pockets of the market has allowed most companies to show progress in reducing debt while also providing transactional evidence of values. Uncertainty over values is still highest for the largest regional malls where only the biggest investors compete and some over-leveraged sellers remain, but pressure on these owners seems to have lessened so fire sales now seem unlikely. Retail property owners continue repurposing excess space for alternative uses where this makes economic sense.

DATA CENTRES

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
↗	↗	↑	↗	↘	N/A

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Economic uncertainty did little to dampen demand for data centres in Europe. In the six months to June 2023, take up and new supply increased by 80 megawatts and 50 megawatts respectively. Although these increases were modest compared to those recorded in the second half of last year, the primary reason for the deceleration was not a lack of demand, but rather difficulties in securing and delivering new capacity, according to CBRE.

Thus, vacancy rates across the FLAPD markets, the largest and most important European data centre hubs, continued to decline and are forecast to reach 11% on average by the end of 2023, marking the fourth consecutive year of decline. Availability is particularly tight in Frankfurt as take-up exceeded the little new supply added during the first half of 2023. Therefore, vacancy rates are expected to reach an all-time low of nearly 4% by the end of the year.

Meanwhile, hyperscalers (the largest cloud computing providers) are trying to get ahead of demand by sourcing large amounts of supply outside of the FLAPD market, which was previously considered untenable. Traditionally, these companies have invested in a single regional hub and served the entire territory from there. But as demand for cloud services increases and the adoption of artificial intelligence technologies improves, hyperscalers will look to invest in multiple locations with smaller local data centres near the edge of their networks.

This is partially to overcome the power constraints preventing the further expansion of core data centre markets, but also to limit latency or delays between data transfers from different points of the internet network. Tier two markets such as Manchester, Leeds, Madrid, Berlin, Milan, and Hamburg will be the main beneficiaries of this new wave of investment.

HEALTHCARE

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
↗	→	→	→	→	↓

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The healthcare investment market has been slow in the first half of the year, but it has held up better than traditional sectors. Transactions reached €3bn in Europe in the first half of 2023, a 25% decline compared to the same period last year. Capital flow is expected to remain subdued over the second half of the year as the bid-ask spread between buyers and sellers remains wide. Net initial yields for prime assets across Europe have softened marginally to an average of 5.3% as of June 2023, according to MSCI. In our view, yields are likely to rise further in the remainder of 2023, as both investor and operator sentiment remains weak.

The occupier market is particularly vulnerable. A significant number of large players plan to dispose of some assets in an effort to restructure their operations and strengthen their financial position which was weakened by several factors including lower occupancy rates, high borrowing costs, funding gaps, and a shortage of qualified workers. Some providers had no other option than to file for insolvency protection.

In Germany, there have been five major insolvency cases of care home operators in the first half of 2023, involving 270 properties. In addition, several smaller providers have either closed their doors already or started insolvency proceedings, according to Savills.

In England, the number of councils reporting care home closures rose to about 44% at the end of May 2023, according to the Association of Directors of Adult Social Services, a charity. And since the majority of lending facilities for care homes are on variable interest rates in the UK, the recent spike in borrowing costs is likely to put further strain on the sector.

STUDENT HOUSING

Sector rating	New supply[1]	Demand	Rent growth	Capital values	REIT pricing relative to NAV[2]
↑	↗	↑	↑	→	↓

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The structural demand for higher education and the low availability of purpose-built student accommodation (PBSA) stock across Europe make student housing a compelling asset class. This is particularly true in the UK, a market hosting the second largest number of international students in the world (after the U.S.) and accounting for the lion's share of the investment volume chasing PBSA in Europe. According to MSCI, UK student housing averaged 9% total returns over the last ten years (2013-2022), the second best-performing property after the industrial sector. However, in the first half of 2023, returns were modest, at around 1%, as even student housing suffered from yield softening, although less than other sectors. UK PBSA capital values declined by 8% from the peak of last year as of June 2023.

Meanwhile, the occupier market continues to move from strength to strength. In the UK for example, one of the largest UK student housing REITs reached 99.7% occupancy for the current academic year to June 2024, while rents increased by 7.3%. In mainland Europe, occupancy rates reported by most operators ranged between 95-100% as well, according to Bonard, an independent data provider specialising in the rented residential asset classes. Rents have increased by 6% in Portugal; by 5% in the Netherlands and Spain; followed by France and Germany with 4% in Q3 2023 over the year prior. However, the cities with the highest student-to-bed ratio recorded a bigger jump, around 10%. These include Aachen, Dresden, York, Rotterdam, and Malaga. According to industry experts, the sector will continue to benefit from positive tailwinds over the next years amid favourable demographic trends, growing university attendance rates, and increasing global mobility of international students.

Not surprisingly, when Property Market Analytics, a data provider, surveyed some of the largest institutional fund managers earlier this year, PBSA was associated with the highest sentiment among all other European real estate sectors.

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