



Altus Group

Q2 2024

Pan-European Valuation Dataset: Expert Analysis

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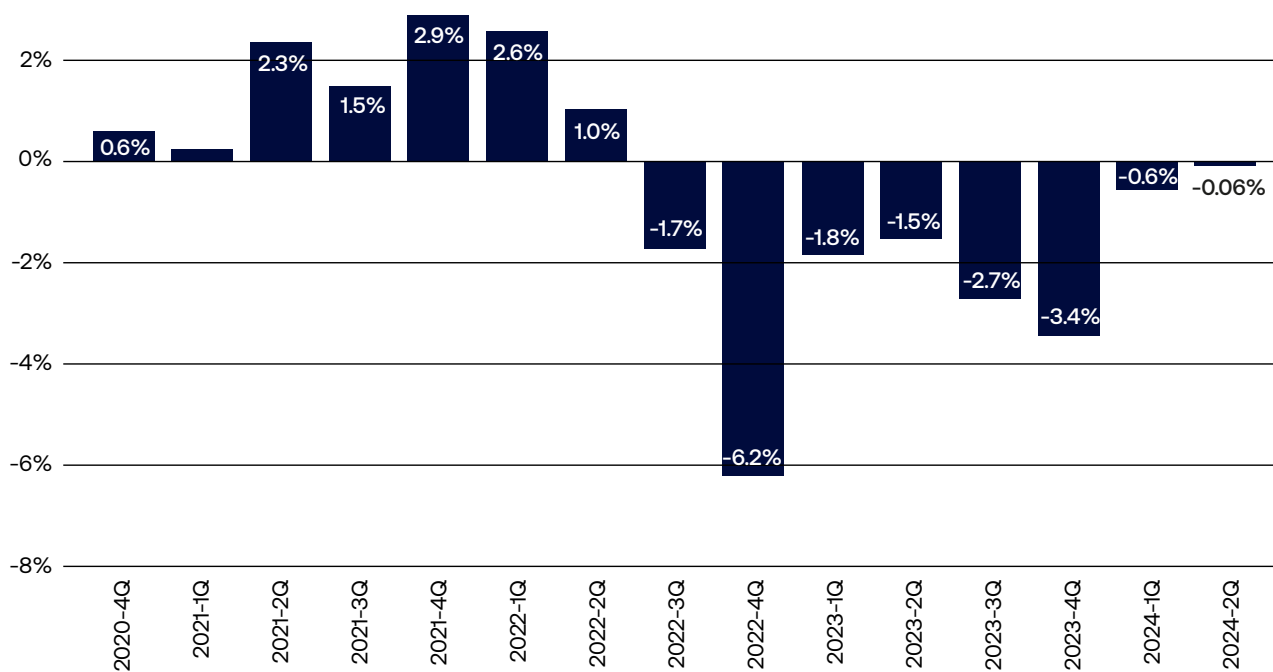
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Pan-European Valuation Dataset: Expert Analysis

Values across the Altus Pan-European dataset remained largely unchanged in Q2 2024, registering just a -0.06% decline over the quarter, the smallest downward revision since values started falling back in Q3 of 2022.

Property values in this dataset have now been written down for 8 consecutive quarters during which values have now fallen by a total of 16.6%. The minimal write-down in Q2 could provide a sense of optimism that this period of decline is now drawing to a close.

Quarterly appreciation - all property



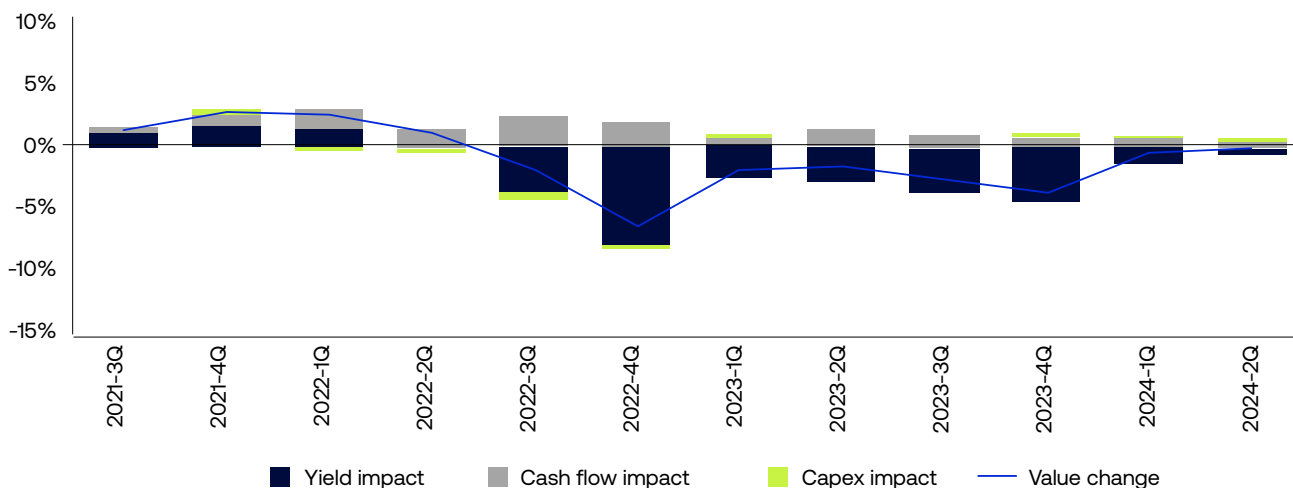
Source: Altus Group's Pan European Valuation Dataset

Yields and cashflows, as in prior quarters, exerted imposing impacts on values, but the magnitude of influences overall has been small compared with prior quarters.

Despite the European Central Bank's (ECB) 25 basis point cut in the base interest rate, yields continued to move out for a ninth consecutive quarter, putting further downward pressure on values. The level of pure pricing adjustment has, however, continued to taper off, with a negative -0.7% impact on values compared to -1.4% in the opening three months of the year and -4.4% in the closing three months of 2023.

Cashflows continued ascending albeit less so than in the prior quarter. This alongside a reduction in the projected capital that is being modelled in valuations, continues to provide an element of protection to values.

Quarterly appreciation attributes – all property



Source: Altus Group's Pan European Valuation Dataset

Sector trends

Mixed trends continued to play out across sectors and national markets.

Yield corrections continued to have a negative impact on values, though at a moderating pace. Low single-digit yield increases were recorded across all sectors and accounted for -0.7% value change across the dataset. Factoring in the ongoing slight improvement in cashflows, appreciation levels finally crossed the divide, turning positive, in each of the main sectors, except office.

Breakdown of Q2 value movements

	Value change	Yield impact	Cash flow impact	Capital expenditure
All	-0.1%	-0.7%	0.4%	0.2%
Industrial	0.5%	-0.5%	1.1%	-0.1%
Office	-0.8%	-1.0%	-0.1%	0.4%
Residential	0.3%	-0.4%	0.6%	0.2%
Retail	0.2%	-0.6%	0.4%	0.4%
Other	1.0%	-0.2%	1.1%	0.0%

Source: Altus Group's Pan European Valuation Dataset

Industrial

Across the four main property types, industrials edged in front as the lead sector with values up 0.5% over the quarter. Industrial's cashflow gains continued to be the strongest across the four sectors, adding 1.1% to values. This was driven by an above average 1.4% improvement in market rents, more than balancing out a relatively small negative yield impact of -0.5%.

Industrial values rose in most countries within the Altus Group dataset in Q2, with the UK registering one of the largest increases – it being the one country where values have risen over the course of the last 12 months, supported by an above average improvement in market rents.

Residential

The trade-off between cashflows and yields was slightly less pronounced in the residential sector. Cashflows upside of 0.6% cancelled out a comparatively minor yield offset of -0.4%, with a resulting +0.3% increase in value over the quarter.

Retail

Retail yields continued to correct, further lowering values by 0.6%. The retail cashflow upside was less impactful at 0.4%, but a reduction in projected capital for the sector added protection to value movements, which turned positive (+0.2%) for this sector in the second quarter. Within the retail sector there were mixed results across property types. The Parks and Warehouses were the lead property type with values up 3.1%. Supermarket values also edge upwards (+0.3%) balancing out further, albeit minimal, write-downs among shopping centres (-0.6%) and high street assets (-0.1%).

Office

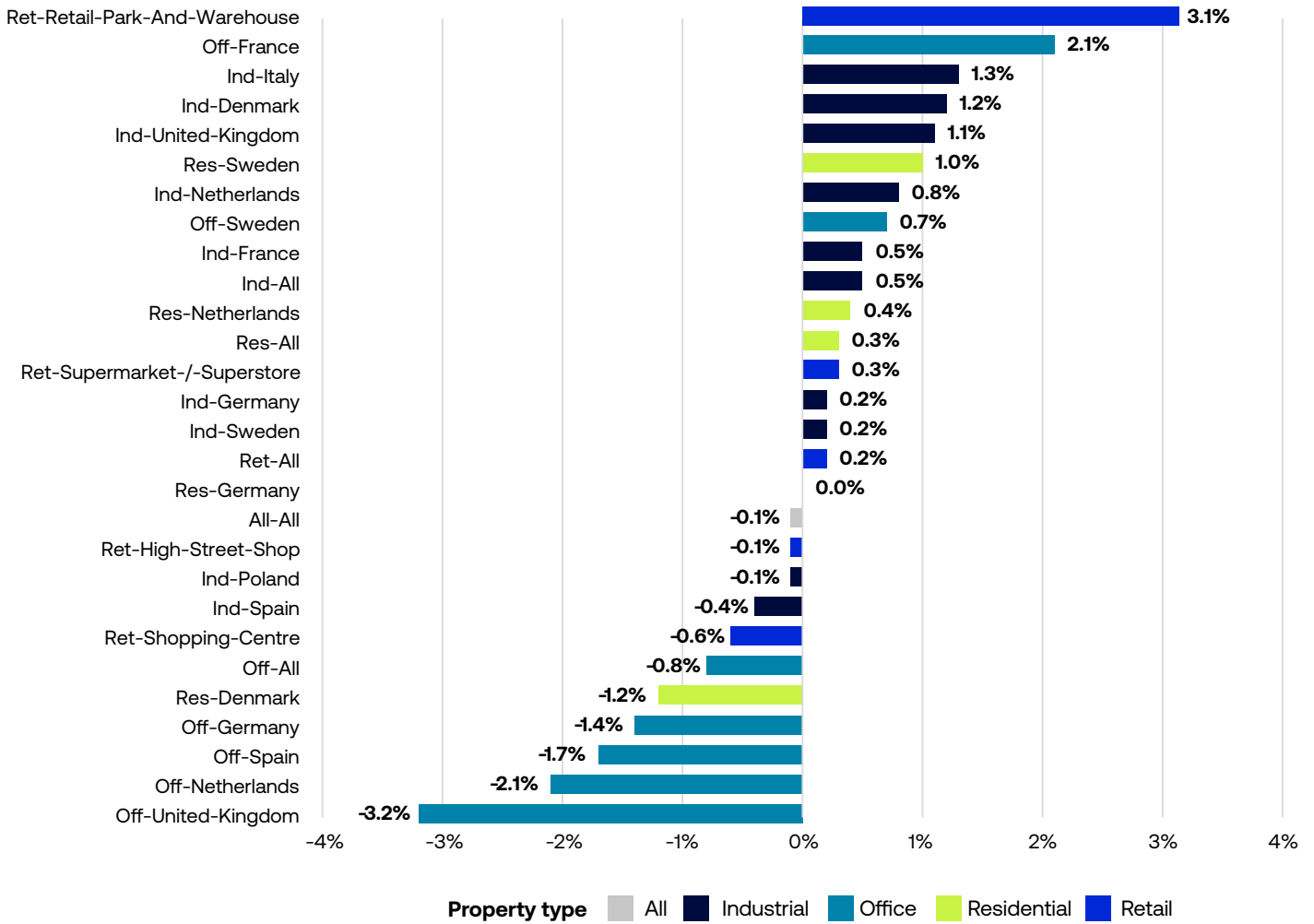
Office remains the one main sector on a downward trajectory with values down 0.8% over the quarter. Admittedly the level of decline continued to ease off over the quarter but had the largest yield increase of any of the main sectors in Q2. This, coupled with a slight downward revision in projected cashflows resulted in further value write-down in office values over the quarter. UK and Netherlands office markets were the worst affected, where static or reduced market rents coupled with increases in operating expenses resulted in cash flows being scaled back over the quarter.

Other

Extending beyond the four main sectors the “Other” category emerged as the frontrunner where values rose 1.0%. Most of the upside here can be attributed to green shoots among hotel assets built on strengthening revenues fundamentals.

Quarterly sector country appreciation spreads

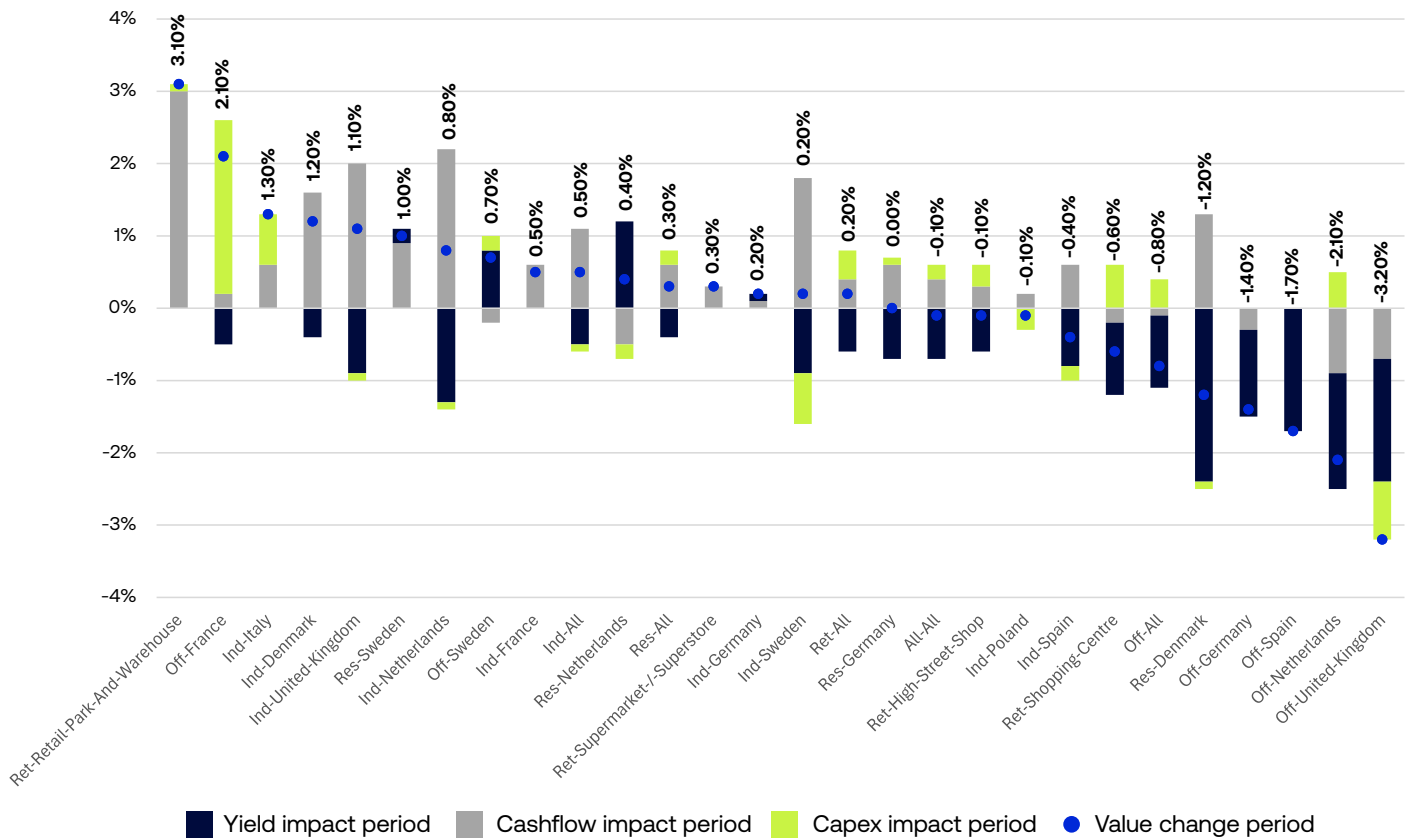
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Source: Altus Group's Pan European Valuation Dataset

Impact metrics – by sector and country

Q2 2024



Source: Altus Group's Pan European Valuation Dataset



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