



Back to Abundance

The Emerging Opportunity in European Real Estate

June 2022

INTRODUCTION

In this paper, we lay out the case for investing in European real estate, particularly relative to US real estate, in the coming decade. While US real estate outperformed in recent years, all investors know that past performance says little about future returns, and the next decade may look very different than the prior one. With worries about a looming US recession, fears of inflation, and the S&P 500 down about 20% year-to-date (and the FTSE 100 down just 5%), we believe now is the time for investors to double down on diversification, especially with respect to geography. As we demonstrate below, we believe Europe now represents a particularly attractive place to invest.

First, in Section I, we present an abridged history of the last 15 years of commercial real estate markets in the US and Europe. We show that, although US real estate outperformed European real estate at the aggregate level, this **outperformance was concentrated** in capital value growth in a select group of high-growth secondary cities, especially in the southern and western regions of the country, and high-growth real estate sectors, including industrial property and several alternative asset classes. The lesson should be plainly obvious: real estate capital value growth is largely about supplying a growing but unmet demand for space in a specific, underserved sub-market.

Then, in Section II, we examine this pattern of growth in more depth, suggesting that this outperformance of US real estate markets depended upon a specific set of circumstances, which may not persist in the coming decade. In particular, we argue that these circumstances comprised: (1) a rapid expansion of US-based high-growth technology sectors, which now seem likely to face significant headwinds in the medium term; (2) a wave of population growth in US secondary cities, a trend that no longer has much runway left for continued expansion; and (3) a surge of investment flows into alternative real estate asset classes, which, as a result, now provide minimal return premia relative to the returns generated by traditional asset classes. In sum, the low-hanging fruits of US real estate markets have already been picked, implying that the pace of growth achieved during the last decade will be difficult to sustain in the future.

In comparison to US real estate, we demonstrate that European real estate is (1) relatively well-insulated from a slowdown in high-growth technology sectors; (2) likely to benefit from continued migration to European secondary cities; and (3) poised for significant compositional growth driven by alternative real estate sectors, which have yet to mature in Europe. As a result, we believe that European real estate has a relatively strong decade of capital value growth ahead.

SECTION I. AMERICAN ABUNDANCE: A HISTORY OF US AND EUROPEAN REAL ESTATE IN THIS CYCLE BY THE NUMBERS

When two full years had passed, Pharaoh had a dream: He was standing by the Nile, when out of the river there came up seven cows, sleek and fat, and they grazed among the reeds.

...

He fell asleep again and had a second dream: seven heads of grain, healthy and good, were growing on a single stalk.

— *Genesis 41:1-2,5*

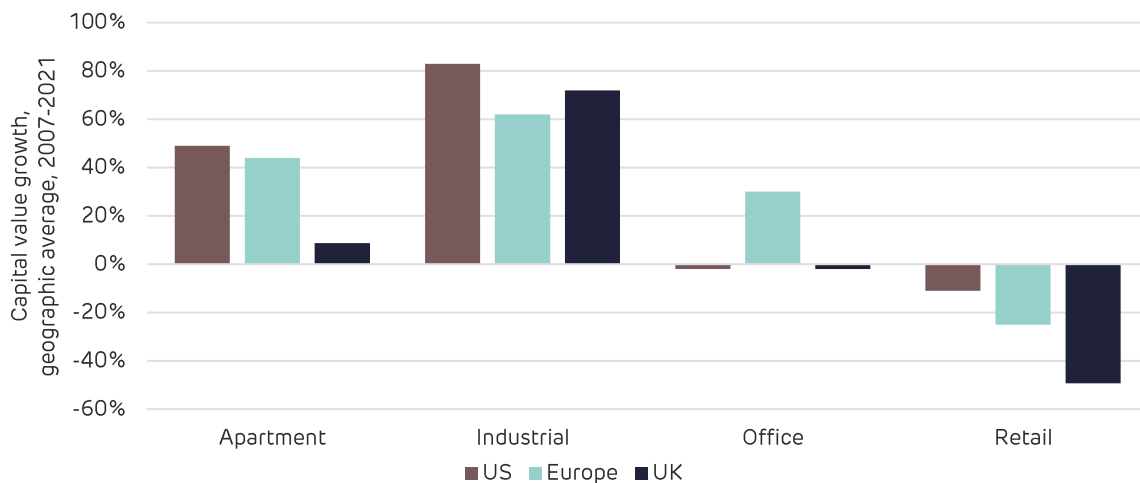
US real estate markets outperformed European markets in the last decade in general

We start with some broad facts. US commercial real estate markets—for residential, retail, and industrial assets, although not for offices—outperformed European commercial real estate markets during the last decade. This point is reflected in aggregate capital value indices, which we display in Figure 1. Looking at weighted averages of the top 50 US property markets and the top 25 European property markets, between 2007 and 2021, we see that apartment (multifamily) capital values increased by 49% in the US and 44% in Europe. Over that same period, industrial values added 83% in the US and 62% in Europe.¹ Meanwhile, in the retail sector, property prices decreased by 11% in the US and 25% in Europe. As we discuss below, office markets represented a major exception to this rule. Buoyed by strong gains in each of the top six German markets, European office values gained 30% over that period, while US office values lost 2%.

Still, investors who bought and held a broad, equal-weighted basket of the last decade's top-performing asset classes (apartment and industrial) would have seen 13% higher capital value gains in the US than in Europe between 2007 and 2021. Spread out over 14 years, this gap is fairly modest, but it is meaningful. It is also interesting to note that, apart from industrial real estate, the UK saw only limited to negative growth across all of the “traditional” asset classes (i.e., office, retail, industrial).

¹ Unless noted otherwise, all capital value index data we reference here comes from Green Street's *Cap Rate Observer*.

FIGURE 1. CAPITAL VALUE GROWTH IN US, UK, & EUROPEAN CITIES, 2007-2021²



Judging by generalisations like these, some observers have concluded that US real estate is destined to outperform European real estate for enduring, fundamental reasons. We believe that the picture is more nuanced and that astute investors should avoid reaching this dangerous, and potentially disadvantageous, conclusion.

US outperformance was not broad-based, with most gateway markets lagging

Despite the overall US outperformance, real estate investors do not typically invest in a broad basket of assets that mirrors the performance of the whole market. They invest in specific assets in selected local markets. In both the US and Europe, some local markets were clear winners, and some were clear losers—and the gaps between real estate returns in winning local markets and losing local markets significantly exceeded the gaps between returns in the US and Europe at the aggregate level. This means that whether an investor had managed to identify (or were lucky enough to have been weighted more toward) the right markets *within* the US and Europe mattered much more than whether her investments were located in the US or Europe in the first place.

Consider the four US cities with the strongest claims to being gateway markets: New York, Chicago, Los Angeles, and San Francisco. Looking at office and apartment markets, only San Francisco outperformed the European aggregates in the last decade. As Figure 2 shows, between 2007 and 2021, office values decreased by 15% in New York and 7% in Chicago, and increased by 2% in Los Angeles and 76% in San Francisco. (For comparison, as we noted above, European office values gained 30% on average, and US office values lost 2%.) As Figure 3 shows, over the same period, apartment values increased by 13% in New York, 35% in Chicago, 27% in Los Angeles, and 55% in San Francisco. (European apartment values increased by 44% on average, and US apartment values increased by 49%.) Thus, except in San Francisco, apartment and office properties in US gateway cities achieved, at best, mediocre returns during this period—lower than the European averages in all three cases and lower than the US averages in each case except for Los Angeles offices.

² Green Street, Castleforge analysis. Note that Europe includes UK. Europe and US figures are weighted averages of the total capital value growth in the top 25 and top 50 urban markets in either region, respectively, and UK figures are simple averages of the figures for the London, Manchester, and Birmingham markets.

FIGURE 2. OFFICE CAPITAL VALUE GROWTH IN US GATEWAY CITIES, 2007-2021³

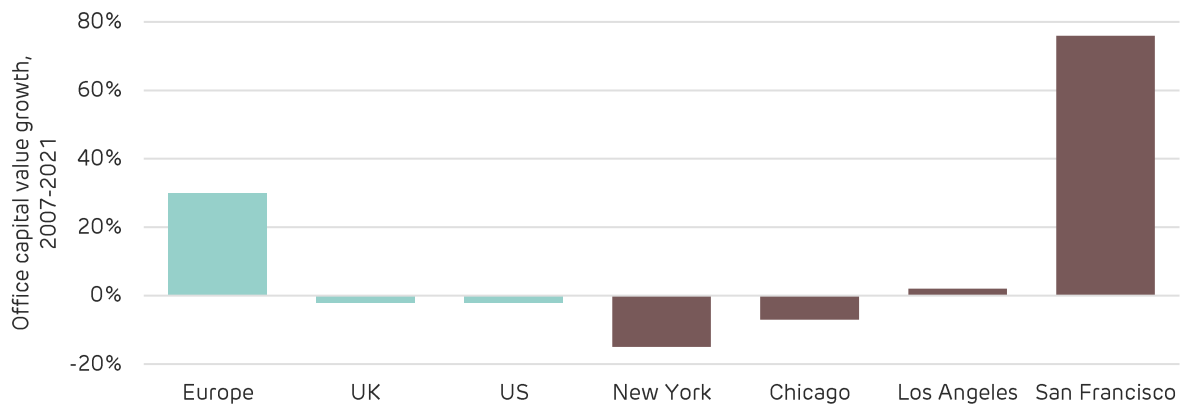
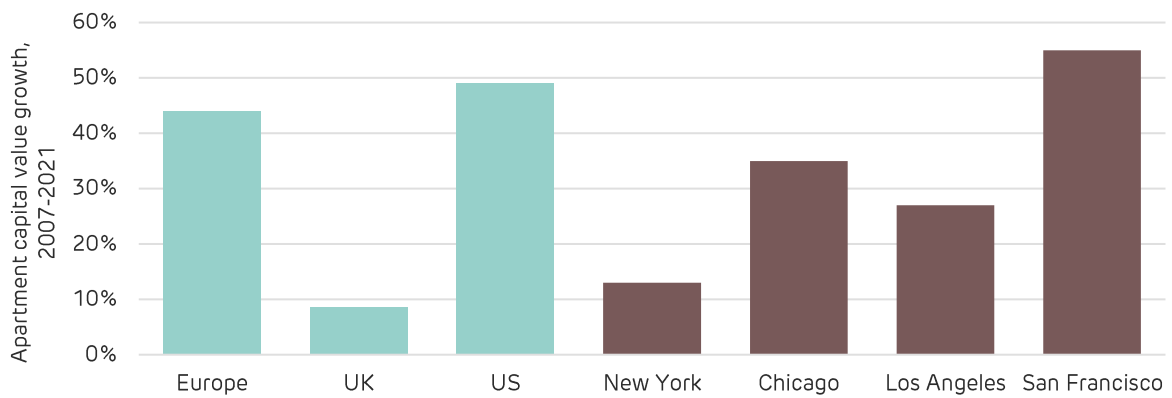


FIGURE 3. APARTMENT CAPITAL VALUE GROWTH IN US GATEWAY CITIES, 2007-2021⁴

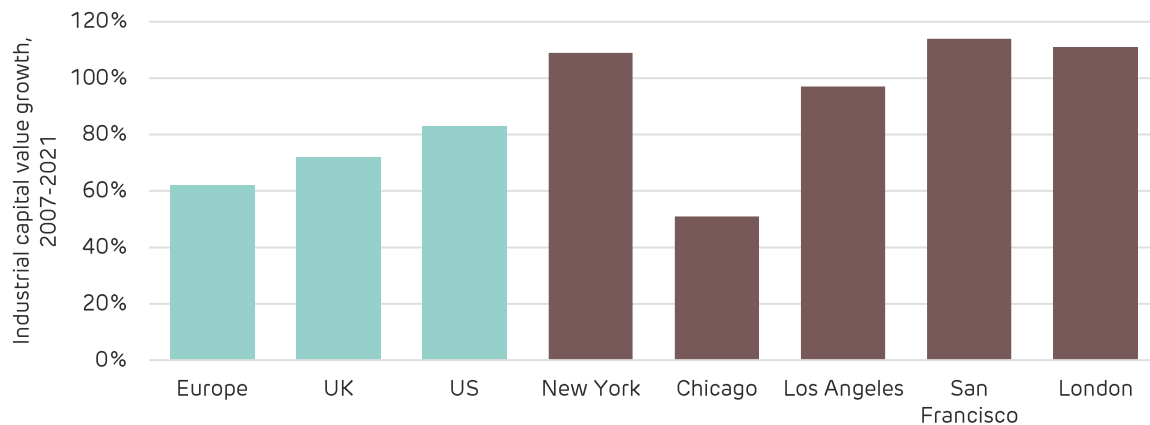


Meanwhile, even though industrial real estate in US gateway cities enjoyed comparatively strong capital value growth between 2007 and 2021 (with prices in this sector gaining 109% in New York, 51% in Chicago, and 97% in Los Angeles), industrial values in London performed better still, increasing by 111%. As Figure 4 shows, in the industrial property sector, San Francisco was the only US gateway city to outperform London, and it did so only by a slim margin. (Industrial prices gained 114% in San Francisco between 2007 and 2021.)

³ Green Street, Castleforge analysis

⁴ Green Street, Castleforge analysis

FIGURE 4. INDUSTRIAL CAPITAL VALUE GROWTH IN GATEWAY CITIES, 2007-2021⁵



Ultimately, on a relative basis, real estate markets in most US gateway cities did not have a particularly strong decade compared to the UK and Europe.

On the other hand, in many smaller US cities—particularly ones with (historically) comparatively low housing costs, warm climates, and high-quality amenities—office and apartment values saw significant gains during the last decade, often well above both the European and the US averages. For example, as Figure 5 shows, between 2007 and 2021, apartment values increased by 121% in Denver, 107% in Nashville, 86% in Austin, 81% in Atlanta, and 90% in Phoenix. These gains exceeded both the European apartment average (of 44%) and the US apartment average (of 49%) by wide margins. As Figure 6 shows, office markets displayed similar gaps, although they generally performed worse relative to residential: while US office values lost 2% between 2007 and 2021, office values increased by 31% in Denver, 21% in Nashville, 78% in Austin, 11% in Atlanta, and 4% in Phoenix.

⁵ Green Street, Castleforge analysis

FIGURE 5. APARTMENT CAPITAL VALUE GROWTH IN US SECONDARY CITIES, 2007-2021⁶

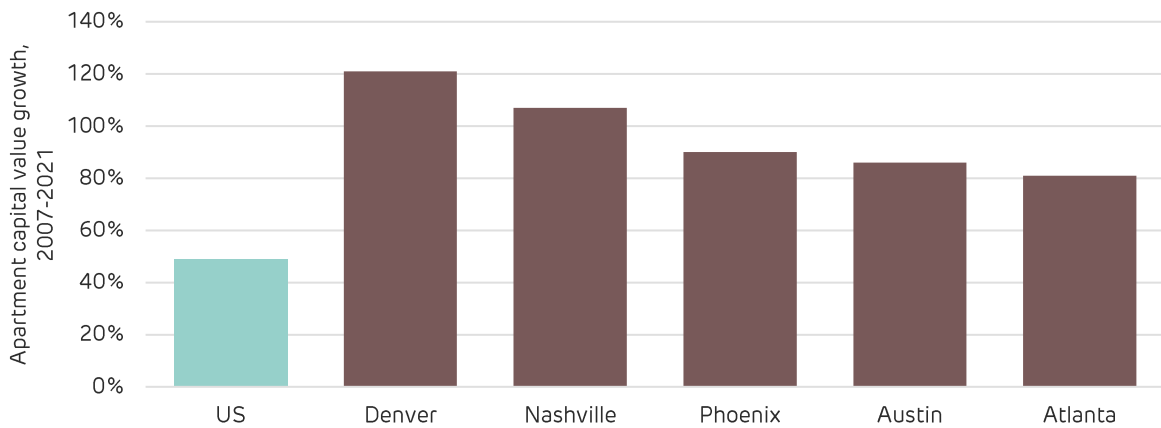
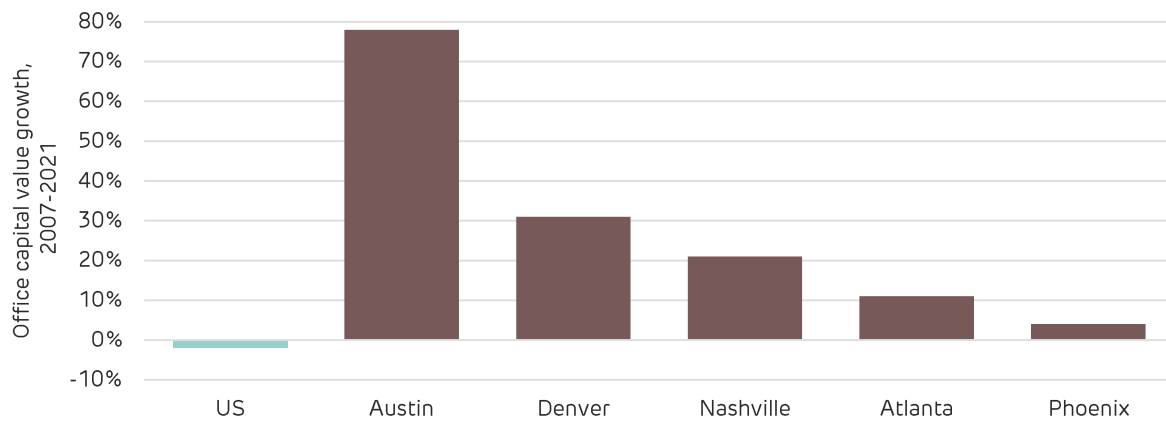


FIGURE 6. OFFICE CAPITAL VALUE GROWTH IN US SECONDARY CITIES, 2007-2021⁷



Collectively, these figures imply that America’s real estate outperformance was not broad-based. Sluggish, or even negative, capital value growth in the country’s three largest cities diluted office and apartment returns in the US at large. (Indeed, these gateway markets all underperformed the European aggregates, too.) Instead, to the extent that the US outperformed Europe in the last decade, it was largely driven by enormous gains in a specific group of high-performing cities. As we discuss next, this observation suggests a more fundamental point, namely that the recent outperformance of US real estate was driven by two specific trends: (1) the massive expansion of high-tech sectors and (2) a wave of rapid population growth in many secondary cities. In fact, US property markets or sectors that did not benefit from at least one of these two trends did not, in general, significantly outperform their European peers. In spite of that fact, since both of these trends swept the US more rapidly and more completely than Europe in the last decade, European real estate still underperformed overall.

⁶ Green Street

⁷ Green Street

SECTION II. THE GRASS IS GREENER: THE NEXT DECADE MAY BE DIFFERENT THAN THE LAST

After them, seven other cows, ugly and gaunt, came up out of the Nile and stood beside those on the riverbank. And the cows that were ugly and gaunt ate up the seven sleek, fat cows.

...

After them, seven other heads of grain sprouted—thin and scorched by the east wind. The thin heads of grain swallowed up the seven healthy, full heads. Then Pharaoh woke up; it had been a dream.

...

Seven years of great abundance are coming throughout the land of Egypt, but seven years of famine will follow them.

— Genesis 41:3-4,6-7,29-30

US real estate gains were powered in part by high-growth technology sectors, but times have changed and the correlation goes both ways

As we described above, San Francisco was the only US gateway city in which commercial real estate markets consistently outperformed the national indices between 2007 and 2021. San Francisco's standout performance has an obvious explanation: the city lies at the centre of the global information technology sector, which achieved spectacular growth in the last decade and a half. (Notably, apartment, office, retail, and industrial real estate in the Bay Area's two other major cities, San Jose and Oakland, widely outperformed the national US indices during this period, too.) More specifically, as the US tech sector expanded—fuelled by increasingly low interest rates, which goaded investors into higher-risk asset classes, including venture capital—people relocated to the Bay Area to work in lucrative tech-sector jobs. As a result, high-tech employment in San Francisco quadrupled between 2010 and 2018.⁸ This expansion brought general population growth to San Francisco as well. Between 2010 and 2020, the population of the San Francisco Bay Area increased by 8.6%, outpacing population growth in both California (which grew by 6.1%) and the wider US (which grew by 7.4%).⁹ As population growth pushed up demand for real estate in San Francisco and nearby areas, capital values in these places naturally rose.

Bay Area real estate was not the only beneficiary of the growth in America's tech sector; the outperformance of industrial real estate throughout the US—itsself a major driver of America's general outperformance—was also tied to the tech sector's steep growth. Over the last 15 years, as global e-commerce penetration climbed higher, demand for warehouse space surged, and industrial property values shot up almost everywhere. However, the vanguard of the West's e-commerce revolution was in the US, where growth-hungry investors, and the low-cost capital they supplied, enabled American tech companies to pursue moon-shot initiatives in the hopes of dominating new winner-takes-all markets. (At least that was the theory.) This backdrop enabled American e-commerce companies (including Amazon in particular) to embark on ambitious expansion programmes aimed at growing their logistics networks. This worked often enough. With the encouragement of investors, American e-commerce firms scaled, especially in US markets. Demand for industrial real estate in the US skyrocketed in tandem.

⁸ GlobeSt

⁹ US Census Bureau

Amazon’s own growth trajectory encapsulates this phenomenon. In 2010, Amazon operated 16 million sq ft of fulfilment and warehouse space in the US and 10 million sq ft of such space outside the US. By the end of 2021, Amazon leased about 384 million sq ft in North America and about 124 million sq ft in the rest of the world (excluding space leased by Amazon Web Services, which operates the company’s data centres).¹⁰ All told, as e-commerce accelerated in the US, industrial real estate rode its coattails. According to one estimate, each additional \$1 billion of e-commerce sales generated requirements for an additional 1 million sq ft of warehouse space.¹¹ (To put that figure into context, consider that annual e-commerce sales in the US increased from \$169 billion in 2010 to \$596 billion in 2019, even before the e-commerce surge triggered by the pandemic.¹²) Propelled by structural tailwinds like these, it is no wonder that US industrial real estate outperformed in the last decade; the sector’s performance was effectively pegged to the performance of high-growth technology businesses. This made for superlative returns.

Times change, though.

As we wrote in our May 2021 report (“[A Basis for Value](#)”), the successful high-growth companies of the last decade would probably not dominate forever, as much of their future prospects were tied to continued low interest rates. Since we published that report, inflation has reached multi-decade highs in many advanced economies, and long-term interest rates have spiked. As investors have priced in these developments, US public markets have witnessed large-scale sell-offs of high-growth stocks. By mid-June, ARK’s Innovation ETF had lost 53% of its value year-to-date, and the tech-heavy Nasdaq Composite was down 32% from the all-time high it set in November 2021. As of 13 June, the S&P 500—about a quarter of whose value was once comprised of Meta, Amazon, Apple, Netflix, Microsoft, and Alphabet (the so-called “FAANMGs”)—had officially dipped into a bear market, having lost more than 20% of its January 2021 peak value. If public markets provide any hints, America’s high-growth sectors look more fragile today than at any point since the collapse of the dot-com bubble 20 years ago. In fact, as Figure 7 shows, the ratio of the S&P 500 Growth index to the S&P 500 Value index has declined by 27% since November 2021. Moreover, the longer-term historical evidence points in the same direction: in each of the four previous periods of rising inflation since the 1970s, value stocks outperformed growth stocks in US equity markets.

FIGURE 7. RATIO OF S&P 500 GROWTH INDEX TO S&P 500 VALUE INDEX, 2000-2022¹³



¹⁰ Amazon annual filings

¹¹ Pension Real Estate Association

¹² US Census Bureau

¹³ Yahoo! Finance

Yet even if public markets quickly recover, high-growth companies face significant challenges in the longer term. [As we have written in previous letters](#), interest rates, which have already surged, could well remain elevated throughout the coming decade. We think this would be driven by several independent structural forces, including slower growth (or a decline) in the global working-age population, higher trade barriers, and increased demand for investable capital (created, for example, by efforts to build clean energy infrastructure or to onshore critical manufacturing). In a macro environment characterised by higher interest rates, investments that promise outsized returns in the distant future look much less attractive at the margin than investments that generate reliable cash flows in the near-term.

In other words, if interest rates remain elevated, we would expect investors to rotate away from high-growth bets towards value-driven investments. This would make it increasingly difficult for “high-growth” companies to sustain their high growth rates in the future, and it would reverse the basic conditions that enabled growth sectors to prosper over the last 15 years.

So, we could now be in the early days of a structural rotation from growth to value. Although this adjustment would implicate equity markets most directly, real estate—particularly US real estate, given its ties to high-growth sectors—is not insulated. The market performance of publicly listed REITs in recent months provides some indication (at least directionally) of how private real estate markets could soon evolve.

US REITs with the highest exposures to high-growth sectors have underperformed other REITs in the last six months. For example, the stock price of Alexandria Real Estate Equities, the largest owner of life sciences real estate in the US and a significant investor in ordinary office buildings that service information technology tenants, was down 38% year-to-date in mid-June. Over that same period, Prologis, America’s largest owner of industrial real estate, lost 33% of its market value. (Illustrating the company’s dependence on high-growth e-commerce businesses, Prologis’s stock price fell by 10% in the week that Amazon announced it would look to taper its warehouse footprint.) Trading more like technology companies than other REITs, Alexandria and Prologis have both underperformed FTSE’s global REIT index, which has now lost 23% year-to-date. (They have underperformed FTSE’s global ex-US REIT index, down 20% year-to-date, by wider margins still.)

As the public markets recognise, a growth-to-value rotation would spell trouble for the real estate asset classes that depend on high-growth sectors. This has a broader implication: to the extent that US real estate markets over-index property types that depend on high-growth sectors, a growth-to-value rotation would have a disproportionately negative impact on US real estate markets at large.

The critical point is that correlations go both ways.

If US real estate is relatively correlated with high-growth sectors, as we suggested above, then US real estate should tend to outperform when growth sectors outperform. This describes what happened in the last decade. However, that relationship also implies that US real estate should tend to underperform when growth sectors underperform—and this could well describe what happens in the next one.

Growth in US secondary cities are likely to slow, as the arbitrage opportunity has reduced

While the outperformance of US real estate depended partly on high-growth sectors, it was also driven by a migration to American secondary cities. We see this reflected in the data we summarised above, which showed large capital value gains for real estate in US secondary cities during a period when non-industrial gateway city real estate (except in San Francisco) lagged. As we have argued in previous reports, secondary cities are seeing a global resurgence after several decades of stagnation.

This phenomenon struck the US first. With lower language, cultural and legal barriers across the whole United States to inhibit the movement of people—and with a striking diversity of climate and natural amenity, tax policies, and political ideologies to induce people to move—moving from New York to Miami to take advantage of the great weather and lower taxes requires you only to change your football team (not even, judging by the number of Jets and Giants jerseys we see at Dolphins games).

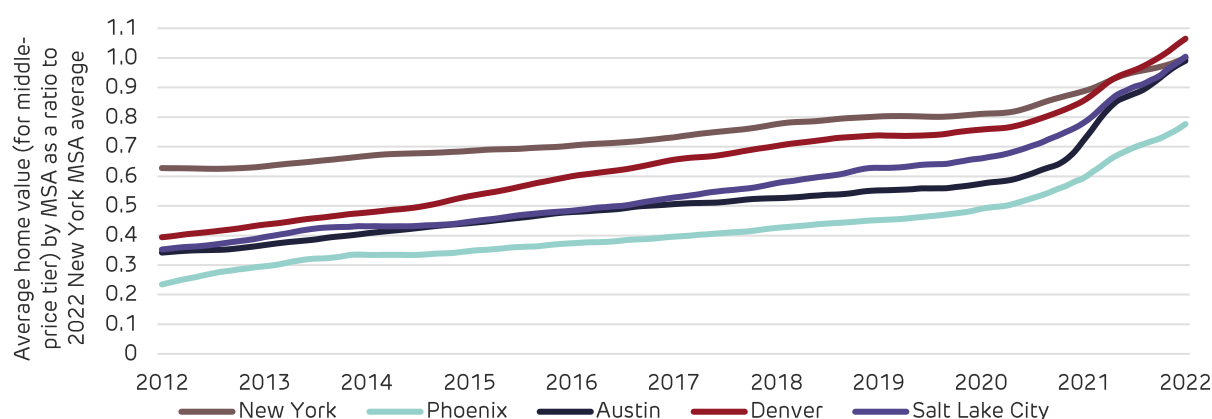
The resurgence of secondary cities is powered by the spread of new information and communications technologies (“ICTs”), which are [eroding the monopolies on information](#) that gateway cities historically controlled. In the past, these monopolies led gateway cities to dominate high-value, knowledge-intensive industries, especially ones that depend on communication and collaboration (like finance, media, and technology). However, digital ICTs increasingly allow workers to communicate and collaborate at a distance in effective ways—meaning that knowledge-intensive work is now doable in places where it previously was not. Meanwhile, this technological shock took place against a backdrop of exorbitant housing costs in gateway cities. These conditions ultimately created a perfect storm: as employment opportunities (including wages) improved in secondary cities, people started to migrate to secondary cities to take advantage of the cheaper housing and higher-quality amenities that many of these cities provided. [As we have written](#) in the past, we believe that this represents a major shift in human geography and that it will shape real estate markets throughout the coming decade.

At the same time, however, this shift has a finite lifespan: it depends on conditions that tend to diminish as the trend persists. Secondary cities remain superior places to live, at the margin, only to the extent that housing costs remain low in comparison to local wages and improved employment options. So long as this condition holds, some people can relocate to secondary cities, earn big city wages at small city costs, and “profit” the spread. This window of opportunity eventually closes. As people migrate, demand for housing in secondary cities pushes higher, and local housing costs tend to rise. They continue to rise until the opportunity itself gets arbitrated out of existence and a new spatial equilibrium settles into place.

Much like throwing open the paddles on a canal lock to even out the water heights, in the last few years, the US has moved close to a new equilibrium of this sort, as the arbitrage opportunity has already been significantly exploited. This is illustrated by the steep growth in home prices in many of the country’s most desirable secondary cities, as displayed in Figure 8. Consider a few examples. In 2012, the average value of a home in the New York MSA (in the middle-price tier) stood at about \$377,000.¹⁴ In that same year, an average home was worth about \$205,000 in Austin, \$237,000 in Denver, and \$212,000 in Salt Lake City. Under these circumstances, New York homeowners could swap their houses for bigger ones in Austin, live somewhere with more sunshine and less traffic, and still pocket a few years’ worth of median wages. This seemed like a good trade, and enough people agreed, so it has now disappeared. Between 2012 and 2022, home values increased by 189% in Austin, 170% in Denver, and 185% in Salt Lake City. Over that period, home values gained just 59% in New York. As of April 2022, the average value of a home in New York was about \$600,000. Meanwhile, average home values had reached \$594,000 in Austin, \$639,000 in Denver, and \$603,000 in Salt Lake City. As a result, America’s amenity-rich secondary cities are no longer cheap.

¹⁴ All US home value figures in this section are based on Castleforge’s analysis of data provided by Zillow.

FIGURE 8. THE GREAT CONVERGENCE: US HOME VALUES BY CITY, 2012-2022¹⁵



Will people continue to depart cities like New York and San Francisco—which, for all their problems, still provide many excellent urban amenities and high-paying jobs—for cities like Austin and Denver, when doing so no longer delivers material economic benefits? Some might, but the pace of migration will likely slow. This suggests that the wave of growth in American secondary cities, the second major source of US real estate’s outperformance in the last decade, will slow, too.

On the other hand, European secondary cities still have considerable runway for growth, since housing in these places remains significantly less expensive than in European gateway cities. For example, in March 2022, average home values in the UK stood at £524,000 in London, £221,000 in Birmingham, £339,000 in Bristol, and £216,000 in Manchester.¹⁶ This means that the average home value in Birmingham was about 42% of the average home value in London; in Bristol, 65%; in Manchester, 41%. As Figure 9 shows, these discounts did not meaningfully change between 2012 and 2022, in stark contrast to the convergence we observed in the US.

French home values continue to display a similar disparity, too. In Q3 2021, the average sales price of an apartment (excluding newly built apartments) was €10,790 per sq m in Paris, €2,840 per sq m in Marseille, €4,200 per sq m in Nice, €5,090 per sq m in Lyon, €3,230 per sq m in Toulouse, and €3,970 per sq m in Nantes.¹⁷ This implies that the price of the average apartment in Marseille was about 25% of the price of the average apartment in Paris; in Nice, 39%; in Lyon, 47%; in Toulouse, 30%; and in Nantes, 37%. Although German cities cannot be split as neatly into a gateway city category and a secondary city category (due to Germany’s relatively flat population distribution), we see a similar pattern there. For example, while a city-centre apartment typically cost about €13,340 per sq m in Munich and €9,980 per sq m in Frankfurt in 2022, a city-centre apartment cost about €6,640 per sq m in Dusseldorf, €5,370 per sq m in Nuremberg, and €5,250 per sq m in Darmstadt.¹⁸

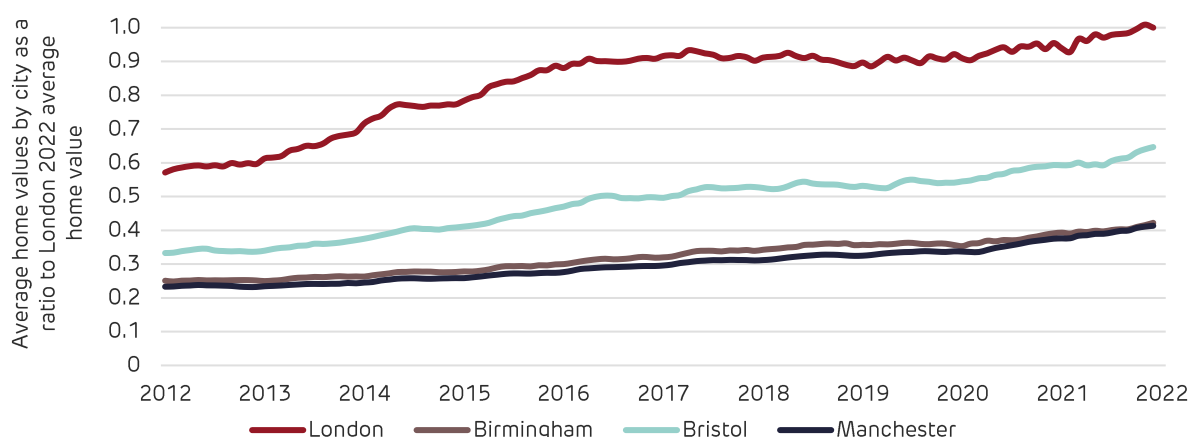
¹⁵ Zillow, Castleforge analysis

¹⁶ UK Office for National Statistics

¹⁷ Notaires de France

¹⁸ Numbeo

FIGURE 9. GATEWAY CITY PREMIUM PERSISTS: UK HOME VALUES BY CITY, 2012-2022¹⁹



In short, European secondary cities still have a long way to go before housing costs in these cities approach the point at which gateway city residents have nothing to gain by moving. And they are indeed still moving: between 2019 and 2020, net domestic outmigration from London reached about 101,000 people (although this was partially offset by a large flow of net international in-migration of about 85,000 people).²⁰

Thus, unlike many American secondary cities, European secondary cities continue to present an attractive value proposition to prospective residents. This should lead to faster growth in European secondary cities than US secondary cities in the coming decade, potentially undercutting the second driver of America's outperformance.

High-growth "alternative" real estate sectors are set to accelerate in Europe

While European secondary cities still have a long runway for growth left, alternative real estate sectors—most of which have matured into full-blown institutional asset classes in the US in the last decade—have only recently started to take off in Europe. We think many of these sectors are also well positioned for growth in the next several years, as they undergo the same transitions they did in the US.

[Cold storage provides a good example.](#) Over the last half-decade, cold storage real estate in the US saw a groundswell of investor interest. As institutional investors flooded into American cold storage properties and their operators, yields compressed, particularly relative to yields for regular industrial properties. In 2016, the average yield spread between cold storage assets and regular industrial assets in the US hovered around 250 basis points; by 2021, this spread had narrowed to less than 100 basis points, suggesting that cold storage had evolved into a conventional asset class in the US, comparable to regular industrial real estate.²¹ Alternatively, in the UK, the analogous yield spread remains wide: prime industrial yields now stand at about 3.25%, while prime cold storage assets have recently traded (or been independently valued) at yields of at least 5.5%.²² This gap partly reflects the fact that cold storage has not yet been institutionalised in the UK, and so the cold storage investment market has not yet matured. Instead, the sector remains dominated by dozens of small owner-operators, which generally lack access to significant amounts of capital and therefore cannot make major investments.

¹⁹ UK Office for National Statistics, Castleforge analysis

²⁰ Trust for London

²¹ AEW

²² In fact, because the cold storage is still in its infancy here, agencies do not yet publish aggregate data on cold storage yields, so we have to rely on a small sample of recent transactions for which data are available.

As a result, much of the cold storage warehouse stock in the UK is increasingly functionally obsolete. This is starting to change. Institutional investors and more sophisticated operators are increasingly entering the European cold storage sector, with a burst of high-profile transactions completed within the last two years. As a deeper pool of Europe-focused cold storage investors and operators develops, the sector will probably follow a growth trajectory similar to the one we saw in the US in recent years.

The cold storage example is emblematic of a more general theme. Indeed, we see similar developments playing out in several other alternative property sectors, including life sciences real estate and extended stay hotels. In the US, large private investors and public REITs are commonly active in both of these sectors. Until very recently, this was not the case in Europe. (In fact, the first UK-based life sciences-focused REIT just launched in November 2021.) Looking ahead, however, many of these sectors stand to benefit from the same structural tailwinds that propelled their growth in the US. While change typically comes first to US real estate markets, Europe eventually catches up. As a result, over the next decade, we think that many of these alternative real estate sectors will see accelerated growth in Europe, even as their growth starts to slow to in the US (since they have largely matured there already). This is yet a further reason to be bullish on European real estate over the next decade.