EPRA

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

Industry Newsletter
ISSUE 55
JULY 2016

EXCLUSIVE INTERVIEW WITH ALSTRIA CEO OLIVIER ELAMINE

WORKING WITH AND FOR OUR MEMBERS

Real estate plays a critical role in all aspects of our everyday lives. Property companies serve businesses and the society by actively developing, managing, maintaining and improving the built environment; where we all live, work, shop and relax. They also play a crucial part in providing retirement security to millions of people, by offering pension funds stable and highly competitive assets to invest in.

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. With more than 220 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 350 billion of real estate assets and 90% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index.

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices and the cohesion and strengthening of the industry.

Find out more about our activities on www.epra.com

MEMBERS LIST AS OF *JULY 2016*

AUSTRALIA
- Univ. of Western Sydney, Property Research Centre
- Resolution Capital

AUSTRIA
- BUWOG
- CA Immobilien Anlagen
- Conwert Immobilien Invest
- Immofinanz
- S IMMO

BELGIUM
- Aedifica
- AG Real Estate
- Antwerp Management School
- Befimmo
- Cofinimmo
- DeGroof Petercam
- Leasinvest Real Estate
- Retail Estates
- Solvay Business School (Brussels Univ.)
- WDP

BRITISH VIRGIN ISLANDS
- Eastern Property Holdings

CANADA
- Presima

FINLAND
- Aalto Univ.
- Citycon
- KTI Finland
- RAKLI
- Sponda
- UB Real Asset Management

FRANCE
- Affine
- ANF Immobilier
- BNP Paribas
- CeGeREAL
- Foncière des Régions
- Frey
- Gecina
- Icade
- IEIF
- Ivanhoé Cambridge Europe
- Klépierre
- Mazars Group*
- Mercialys
- Société de la Tour Eiffel
- Société Foncière Lyonnaise
- Société Générale
- Unibail-Rodamco
- Université de Paris-Dauphine

GERMANY
- Adler Real Estate
- Allianz Real Estate
- alstria Office REIT
- AroundTown Property*
- Deutsche EuroShop
- Deutsche Wohnen
- DIC Asset
- DO Deutsche Office
- Hamborner
- Heitman
- IREBS International RE Business School
- LEG Immobilien
- MEAG Real Estate Management
- POLIS Immobilien
- PricewaterhouseCoopers
- Real Estate Management Institute
- TAG Immobilien
- TLG Immobilien
- VIB
- Victoria Partners GmbH
- Vonovia
- WCM
- Westgrund

GREECE
- Grivalia Properties REIC
- LAMDA Development
- Trastor REIC

HONG KONG
- Univ. of Hong Kong

IRELAND
- Davy Group*
- Green REIT
- Hibernia REIT
- Irish Residential Properties REIT

ISRAEL
- Azrieli Group
- Gazit-Globe

ITALY
- Beni Stabili
- Chiomenti
- Coima Res*
- Immobiliare Grande Distribuzione

JAPAN
- NN Investment Partners

LUXEMBOURG
- ADO Properties
- Dream Global REIT
- Grand City Properties

NETHERLANDS
- ABN AMRO
- Amsterdam School of RE
- APG Asset Management
- ASR
- Atrium European Real Estate
- Bouwinvest
- CB Richard Ellis
- CBRE Global Investors Europe
- Clifford Chance
- Cornerstone Real Estate Advisors
- Deloitte Financial Advisory Services
- EuroCommercial Properties
- ING Bank Real Estate Finance*
- Kempen & Co
- LaSalle Investment Management
- Loyens & Loeff
- MN Services
- NSI
- PGGM
- Redevco Europe Services
- Tilburg Univ.
- Univ. of Maastricht
- Vastned Retail
- Wereldhave
- Yardi

NORWAY
- Entra
- Norwegian Property

SINGAPORE
- Global Logistic Properties
- National Univ. of Singapore

SOUTH AFRICA
- Growthpoint Properties

SPAIN
- ACCIONA Real Estate
- Axiare Patrimonio
- Hispania Activos Inmobiliarios, S.A
- Inmobiliaria Colonial
- Lar España
- Merlin Properties
- TESTA Inmuebles Renta
- URO Holdings

SWEDEN
- Atrium Ljungberg
- Castellum
- Dios Fastigheter
- Kungsladen
- Pandox
- SEB Asset Management
- Wihlborgs

SWITZERLAND
- HIAG Immobilien
- Mobimo Holdings
- PSP Swiss Property
- Swiss Prime Site
- Univ. of Geneva

UAE
- Abu Dhabi Investment Authority
- Emirates REIT

UNITED KINGDOM
- AEW Europe
- AMP Capital
- Assura
- Aviva Investors
- Bank of America Merrill Lynch
- Barclays Bank
- Barclays Capital
- BDO
- Big Yellow Group
- Blackrock Asset Management
- BMO Global Asset Management (EMEA)
- British Land
- Capital & Counties Properties
- CBRE Clarion Securities
- Citigroup Global Markets Limited*
- Credit Suisse Securities
- Derwent London
- Deutsche Alternative Asset Management (UK)
- Deutsche Bank
- Ediston Property Investments
- Empiric Student Property
- EY
- GIC Real Estate
- Goldman Sachs International
- Grainger
- Great Portland Estates
- Green Street Advisors
- Hammerson
- Hansteen Holding
- Helical Bar
- Henderson Global Investors
- intu
- Invesco
- Jefferies
- JLL
- JPMorgan
- Kennedy Wilson Europe Real Estate
- KPMG
- Land Securities
- LondonMetric Property
- Medicx Fund
- Moody's Investors Service
- Morgan Stanley
- Nabarro
- NewRiver Retail
- Nottingham Trent Univ.
- Picton Property Income Ltd
- Primary Health Properties
- Principal Global Investors
- Redefine International
- Safestore
- Schroders
- SEGRO
- Shaftesbury
- Standard Life Investment
- Stenprop
- St. Modwen Properties
- Target Healthcare REIT
- Tritax Big Box REIT
- TR Property Investment Trust
- UBS
- Unite Group
- Univ. of Aberdeen
- Univ. of Cambridge
- Univ. of Reading, CRER
- Urban & Civic
- Workspace Group

USA
- CenterSquare
- Cohen & Steers Capital Management
- Dickinson College
- Duff & Phelps
- EII Capital Management
- Fidelity Management & Research
- Forum Partners
- Neuberger Berman
- Northstar Realty Europe
- Real Capital Analytics
- Real Foundations
- Russell Investment Group
- Simon Property
- SNL Financial
- Univ. of Cincinnati
- Ventas
- Virginia Tech Univ.
- Westfield Group
- W.P. Carey
- Zell-Lurie RE Center at Wharton

*Welcome to our newest members

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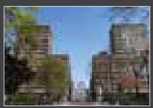

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UPDATE FROM *PHILIP CHARLS*

The impact of the United Kingdom's vote to leave the European Union on real estate investment markets will become clearer in the weeks and months ahead, but while extremely disappointing, it will not affect EPRA's core mission.

We will continue to push for the growth of the European listed real estate industry as a whole, and to raise standards in reporting and sustainability. These are just as important issues for our British members, with their large international investor base, as they are for companies in other European markets.

The REIT model for listed real estate investment has been very successful in the UK, and all other markets where it has been introduced, precisely because it provides the common attributes of transparency and tax efficient dividend income flows that institutional and private investors are seeking worldwide. This is not going to change.

In fact, EPRA believes that the strong growth seen in European REIT markets will continue and gather pace. The essential drivers behind the demand for REITs, such as the "greying" of Europe's population and the expansion of personal defined contribution pension schemes, remain in place.

We will see new REIT regimes emerge in countries like Sweden and Poland, because the investment and economic logic is as compelling in these markets as it was, and remains, in the UK.

On a more positive note, we are looking forward to welcoming all our members to EPRA's Annual Conference in Paris. This will be a very special edition as we will devote half a day to strategy discussion, in line with the theme of the conference "preparing for change". Special edition also means special speakers. I am delighted that this year's keynote speakers are none other than Google's Ray Kurzweil, a futurist, inventor and best-selling author and Pascal Lamy, former Director-General of the World Trade Organization, and you can enjoy an interview with him in this edition.

So without further ado, I wish you a pleasant read and see you in Paris.

SUSTAINABILITY AND CREATIVITY AT THE FORE-FRONT OF CORPORATE OFFICE USE

Our latest CEO focus moves to Germany. We travelled to Hamburg, to discuss with Olivier Elamine, alstria CEO and Chairman of EPRA Sustainability Committee, the ups and downs of the German office market and the challenge of finding the right asset.

ONE Why invest in alstria?

"alstria is among the largest investors in offices in Germany. We set up alstria in 2007 because there were limited opportunities for a public equity investor to get exposure to the largest economy and one of the largest office markets in Europe. That is still the case."

TWO What were the reasons for the Deutsche Office takeover?

"Aside from scale, it allowed us to focus on a very limited number of German cities. We've always been very strong in Hamburg, where our headquarters is, and in Dusseldorf. Deutsche Office allows us now to get critical volume – around half a billion euros of asset per city – in Frankfurt, Stuttgart and Berlin. It allowed us to be much more efficient in managing our portfolio locally. Some of the low hanging fruit from the combination was to refinance Deutsche Office's debt to bring it down to the level of alstria's cost of debt, of around 2.1%. Deutsche Office's was more than 100 basis points higher." >

The telecommunications' district in Darmstadt, the "City of Science"

The Kastor building located in the Gallus district of Frankfurt, the second highest tower in the city

THREE Where is the growth story in Germany other than through M&A?

"There is limited room to grow in the German market. I'm a big believer in the fact that our business is becoming more and more operational. We usually buy assets that have a problem, which we solve – a building with high vacancy, under-investment by the previous owner or needing complete repositioning, for instance. If rental growth comes, we will benefit however we have set up the company so that it doesn't need rental growth to deliver returns."

FOUR What are you doing about your double-digit vacancy rate?

"We need vacancy to create value. A normalised vacancy rate for us is somewhere between 8 and 12%. You need an asset to be vacant in order to change its cash flow profile, add value and make a profit. One of the attractions of Deutsche Office was that it had a very high vacancy rate. We have already reduced this substantially since the takeover of Deutsche Office from 15% down to around 11%."

FIVE What do development and refurbishment represent as a proportion of the portfolio?

"We don't do ground-up development, only refurbishments, which form about 10-15% of our portfolio. We don't believe there is a need to build more office space in Germany. By refurbishing you're recycling most of the structure of a building and it's more efficient from a cost perspective. We invest around EUR 40 million every year in refurbishments, which usually generate a yield on cost of 7-8%."

SIX Are acquisitions central to your strategy?

"If we find the right assets, we'll buy them, but there is no pressure to do so. It's more difficult now because the largest cities in Germany have become more expensive. We need to stay focused on our core markets. One of the beauties of being a listed company is that you don't have an obligation to invest anything. Other players in real estate, like pension funds, are receiving money every day that they have to put to work. If we feel the market is just too hot, we can sit it out for some time. It is usually a good time to sell… "

SEVEN Where is Germany in the property investment cycle?

"There's clearly a lot of international money coming to Germany, and the market is expensive but we're still also finding assets that we can buy. Germany is such a large and fragmented market that if you look hard enough, you can find here and there some very nice acquisition opportunities."

EIGHT What is alstria's dividend policy?

"We make money by adding value, but we still have a very big income-yielding portfolio and have been paying dividends since our inception. At the current share price the dividend yield is around 4-4.5%, which is decent in the current low interest rate environment. With the Deutsche Office transaction, we've substantially increased our cash flow per share. We've announced that we would review the dividend next year on the back of the first full year since integrating Deutsche Office."

NINE Have you ever been tempted to look outside Germany?

"No. When people invest in alstria, they know what they're getting: exposure to the largest cities in Germany and their office markets. Investors have better means of diversifying their country risk themselves. I also struggle to see where our added value would be in France, Spain or anywhere else – there are Spanish and French companies who know how to manage assets there much better than we would."

TEN Where do you see alstria in five years time?

"We would love to grow the company further. We're not in a rush and would only do it if we felt there was a way of achieving this while creating substantial value for the company and our shareholders. What I would love to see are improvements to the way we operate and manage our assets, not that we're doing a bad job at the moment! The future of real estate lies in better operations and better management of assets, so we are focusing on our costs, processes, IT infrastructure, etc."

ELEVEN What is the biggest concern that keeps you awake at night?

"The overall market and the economy. Very, very low interest rates reflect substantial amounts of stress in the system and this is going to crystallise. We're doing everything we can to be prepared for that, although we don't know where, when or how it's going to happen. The real danger when you're a listed company is giving in to the pressure to do something; you must only do something when it actually makes sense. People underestimate how hard that is. It's much, much easier to be running around doing things than to decide that it's not the right time and to wait or do something different."

TWELVE How are you improving your portfolio's sustainability?

"We were the first German real estate company to start publishing sustainability reports. We've been doing things and not talking so much about it. We've joined the E100 initiative: an undertaking to procure 100% of our electricity from renewable sources, so we're cutting our CO_2 emissions to zero over time. We are very active in embedding this in the day-to-day working of the company. We're not just looking at the environmental impact, but also at making operational improvements."

THIRTEEN Are changing German work practices affecting your office space offering?

"There is a fundamental shift taking place in corporate office use. We see this as an opportunity. It requires capital and an understanding of what people want and how they want it, so that you can design a new product for the market. It means having more of a consulting/advisory role with tenants. This is not necessarily the case for large corporates, but more so with smaller tenants. There is also flexible workspace for people like the self-employed. We're currently working on a new offering called Beehive for these kinds of office occupiers. We're testing it right now in Hamburg and if it works, then we're going to roll it out over the next two to three years."

FOURTEEN How will Beehive be different?

"It is a walk-in solution open 24/7, 365 days a year. It gives people an office, Wi-Fi and a printer, so they can just come in it to work and do their calls. It relies on technology and less on staff. The idea is that we offer this network to alstria's regular tenants as part of their rent at no extra cost. The bet we're making is that we will offer them something that they cannot find anywhere else."

Olivier Elamine
alstria

Olivier Elamine is a co-founder of alstria office REIT and became its CEO in 2006. He assembled the company's portfolio and has handled more than EUR 6 billion of pan-European real estate transactions during his career. Prior to alstria, he spent three years at NATIXIS Capital Partners, which he also helped found, and five years at Ernst & Young, latterly as head of its sale and leaseback team.

Beehive

The refurbished Bartholomayhaus in Hamburg's historic Kontorhausviertel


Successful brands, inspired shoppers
The Retail Only® spirit means extending a warm welcome to the brands of tomorrow and the customers of today by anticipating their needs and desires. That's why Klépierre is always looking for the brands that visitors will adore!
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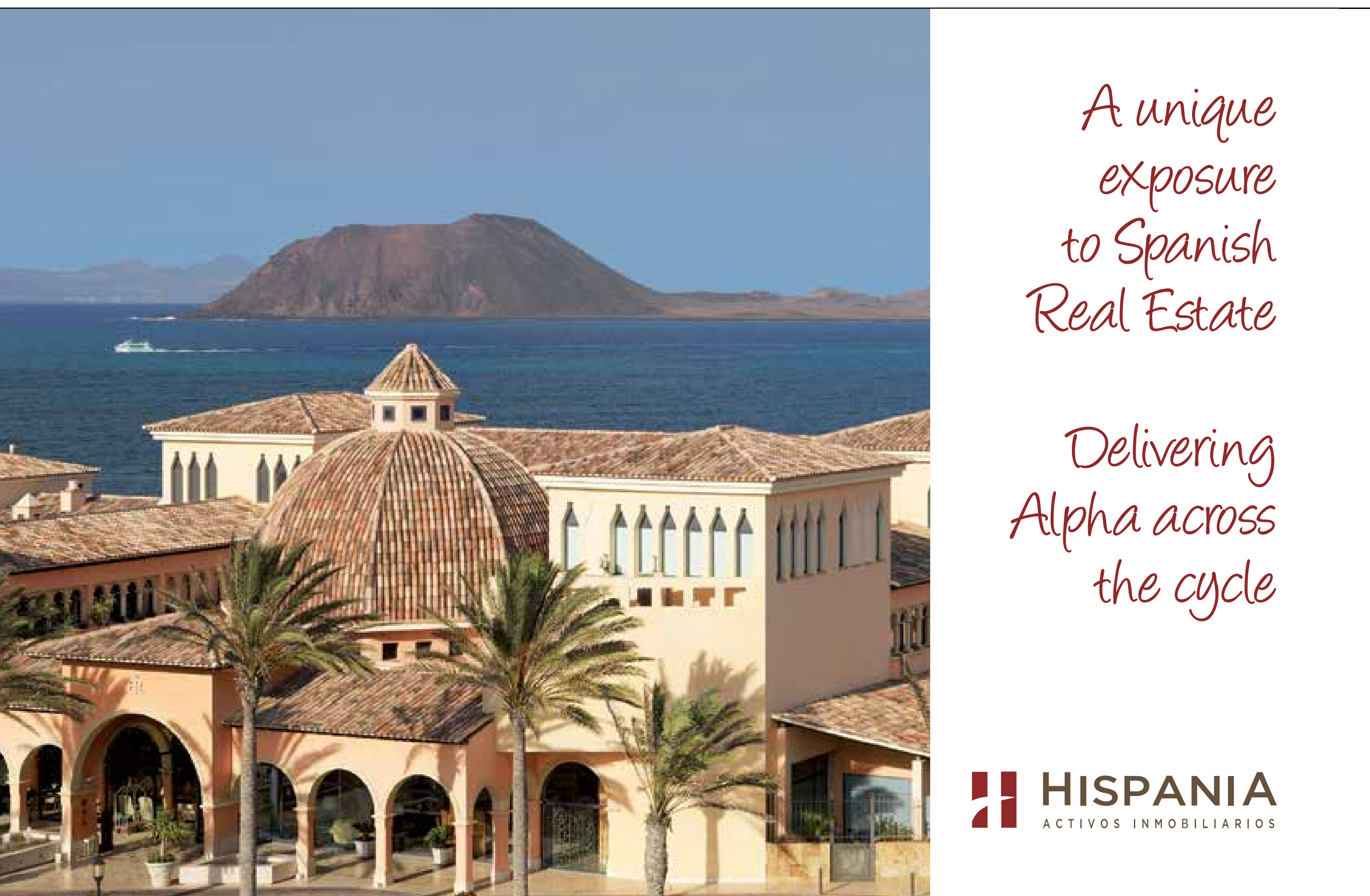
A unique exposure to Spanish Real Estate
Delivering Alpha across the cycle
HISPANIA
ACTIVOS INMOBILIARIOS

EPRA CONFERENCE 2016

Tuesday 6th September, French Property To

There are three parallel tours to choose from, allowing you to see the most interesting properties of listed real estate companies, in Paris:

9.00 EPRA Breakfast & Paris Property Tours kick-off presentation

10.30 **Paris Central Business District**

10.30 **Paris West & La Defense**

Tax & Regulatory Commitee (invite only)

IR Commitee (invite only)

Board of Directors Meetir

Wednesday 7th September, Real Estate - Pre

MORNING SESSION

9.00 | 9.30 | 10.00 | 10.30 | 11.0

9.00
Welcome session
By EPRA CEO & Chairman

9.15
European Economic Vision
Keynote speech by Economist
Pascal Lamy

10.00
Technology & behavioural trends affecting real estate (including sustainability)
Keynote speech & Q&A by inventor, author & futurist,
Ray Kurzweil

AFTERNOON SESSION

14.15 | 15.00 | 15.30 | 16.00 | 16.30

14.15
EPRA Research Latest Findings - Parallel session 1
Followed by sBPR EPRA Awards

14.15
EPRA Financial Workshop - Parallel session 2
Followed by BPR EPRA Awards

16.10
COFFEE BREAK

16.30
Real Estate and GICs Implications for our industry
Speakers
Sebastien Lieblich - M
Alex Moss - CONSILIA

Thursday 8th September, Inv

EPRA brings together a choice of small and mid-cap companies which you don't hear from everyday to represent the following markets:

9.00 | 10.00 | 11.00 | 12.00

9.00 **Benelux**

10.00 **Southern Europe**

11.00 **France**

12.00

GET SOCIAL LinkedIn

ours & EPRA Strategy Day

10.30 **Paris Centre & East**

ng (invite only) | Advisory Board Meeting (invite only) | AGM Meeting (invite only)

eparing for change (Moderated by Greg Clark)

00 | 11.30 | 12.00 | 12.30 | 13.00

Presentations and panel debates focusing on:

11.00
Retail trends
chaired by **Tim Leckie** - JP Morgan
Panellists
Sandrine Devillard - Hoellinger from McKinsey
Christophe Cuvillier - Unibail-Rodamco
Jeremy Lewis - Eurocommercial
Jaap Blokhuis - Multi

11.50
Office trends
chaired by **Bernd Stahli** - Kempen; **Martin Laws** - Deloitte
Panellists
Robert Noel - Land Securities
Olivier Elamine - Alstria
Jamie Hopkins - Workspace
Philippe Depoux - Gecina

12.40
Reinventer Paris
Keynote speech by
Jean-Louis Missika

13.00
LUNCH

17.00 | 17.30 | 18.00 | 18.30

-

ISCI

17.15
Global Investor Panel
Panellists
Steve Buller - Fidelity
Francois Trausch - Allianz
James Wilkinson - Blackrock
Wen Sheong Linus Lim - Phillip Capital Management

18.00
Conference Programme End

18.30
COCKTAILS

19.30
DINNER

estors' Day

13.00 | 14.00 | 15.00

Nordics

13.00
Germany

14.00
Austria & Switzerland

15.00
UK & Ireland

EUROPEAN REAL ESTATE'S 'PARADISE PERIOD' IS ENDING

PASCAL LAMY

The "paradise period" of Europe's current real estate investment cycle is probably over, the former Director-General of the World Trade Organization and President Emeritus of the Jacques Delors Institute, Pascal Lamy, said in an interview with EPRA Magazine in early June.

Negative or record low interest rates have caused huge flows of capital into real estate as investors seek higher-yielding assets. As pricing has risen, investors are focusing on the economic backdrop behind property rental incomes.

Lamy, who will be a keynote speaker at EPRA's Annual Conference in Paris in September, forecasts that, all things being equal, European economies are on course for a lacklustre 1.5% average growth rate for the next five to 10 years. Europe's central banks have exhausted their options in fostering growth and few governments have budgetary leeway to provide a catalyst to their economies, he concluded.

"The overall picture (for European real estate) will not be as good in the future as it has been for the past five years," Lamy said in the interview at the Delors Institute's office in the French capital. "In an economy which is growing slowly and is at the end of this specific 'paradise period,' you go back to a normal world."

Noting that real estate is a diverse industry that is prone to price bubbles, Lamy said actions by central banks to reflate the economy have created "extraordinary financial leverage that is probably not sustainable." The normalisation of monetary policy and deleveraging may be painful, affecting real estate values

NOTRE EUROPE
JACQUES DELORS INSTITUTE

with wide-reaching consequences and varying degrees of magnitude for lenders, companies and households.

"The central banks have done what they could with the ammunition that they have....This is not painless: you have to get out of this negative interest rate situation. The consequences of this monetary bombardment still have to be coped with – you need to absorb this huge amount of excess liquidity. We still have too much debt."

This has thrust economic fundamentals – consumer spending, corporate investment and hiring – centre stage in driving future rental and property values, as well as construction and development, he said.

"At the end of the day, you need people to spend or to hire. The revenue has to be there for that," he observed.

Europe is poised to lag behind the growth rates of developing economies like China as well as developed economies, notably the US, where average GDP growth may be as much as 3%. Only Japan is likely to fare worse in terms of growth among the major developed economies, he said, adding that Europe's growth prospects are due to homegrown factors.

"Demographics are the most important factor because Europe has a shrinking and ageing population,'' he said, adding that this can change through increased immigration, which in turn presents "political challenges."

The European Commission estimated in a report published last year that the European Union's working age inhabitants (15-65 years of age) will fall to 59.6% of its total population in 2035 from 66% in 2013. It also projected that by 2035 at least one in four will be 65 years of age or older, compared with 18.4% three years ago. In Germany, the ageing population is particularly pronounced: retirees made up 21% of the country's population in 2013 and their numbers will rise to almost 31% in 2035, according to Commission projections.

While Germany is one of the few countries with scope in its public finances to boost growth, its policy-makers are reluctant to do so because of the demographic challenges facing the country. This has created a long-term saver mind-set in government circles, Lamy said. The decision to open Germany's doors to more than one million immigrants will inevitably shift public policy, leading to some 80 billion euros of investment to house, educate and train the new arrivals in Germany, "but this will take time," he added.

Other brakes to European growth are insufficient innovation and a failure to maximise the growth potential through economies of scale, notably in the services sector. Again, both of these can change through increased integration of the Single European Market and if research institutes get better at turning their scientific breakthroughs into products or services that they can bring to the market.

Lamy observed that there has been a slowing in globalisation after 20 years of "high speed," particularly when looking at how the global supply chain has extended into multi locations for producing goods and services. This slowdown is due partly to reduced investment by companies in Europe as a result of the euro crisis, he said.

"Globalisation will keep going because its engine is technology, which shrinks distances and fosters an international division of labour, with the increased efficiencies that go with that," he said. "This won't stop, because technology doesn't move backwards. It will keep impacting economic and social systems -- probably harder and harder. It's reform brought through trade, competition and technological change."

Pascal Lamy
Jacques Delors Institute

Pascal Lamy served as General Director of the World Trade Organization (WTO) for eight years until 2013, having been European Trade Commissioner until 2004. His return to Brussels came after five years as CEO of Credit Lyonnais, prior to which he was Chief of Staff for the President of the European Commission, Jacques Delors from 1985 to 1994. He is currently President Emeritus of the Jacques Delors Institute.

At the end of the day, you need people to spend or to hire

EPRA Annual Conference 2016 - THE event to be listed in

Real estate - preparing for change

Attracting over 300 delegates every year from the listed real estate sector, our flagship event provides a platform for high-level networking and reflection on the opportunities created by an expanding sector.

This year's edition will be held in Paris, with a French property tour kicking-off the first day in Paris Centre, La Défense and Paris North & East providing delegates access to top management on the site of some prime Parisian assets. The main day will introduce outstanding speakers including Google futurist Ray Kurtzweil and the former Director-General of the World Trade Organization, Pascal Lamy, who will present their thoughts on the industry and its prospects.

"When the wind of change blows,
some people build walls,
others build windmills."
(Chinese proverb)

With development coming at an ever-increasing speed in a capital intensive industry, the governing theme for the 2016 Conference is "Preparing for change in real estate". The real estate sector has to integrate the market's own megatrends with urbanisation, demographic and wealth changes, globalisation, specialism, technology, sustainability and regulation.

We look forward to seeing you in Paris! #EPRAParis2016

FROM BERLIN TO BRUSSELS: *HEIGHTENING AWARENESS OF THE GERMAN REAL ESTATE INDUSTRY*

To celebrate the 10th anniversary of the German Property Federation ZIA, its President Dr. Andreas Mattner discusses ZIA's achievements and biggest challenges.

What is the real estate industry's contribution to Germany's economy?

Real estate accounts for 19% of Germany's GDP, making it one of the country's largest and most important industries. The sector is a cornerstone of private pension plans and savings schemes for many Germans, especially during low-interest rate cycles like the present one.

What has been ZIA's single most significant achievement?

ZIA represents the German real estate industry when it engages with government at a local, state, national and international level. We work constructively to help shape legislation, to voice the concerns of our industry and to give it a positive image. Our greatest success has been to carve out this major role in such a short space of time, since we only founded the federation 10 years ago. It is the result of a lot of hard work. Before ZIA, representation of the real estate industry was fragmented and organised by professional specialisation. There was a heavy concentration on the residential sector, while the office and logistics sectors were largely unrepresented. At the time, people said that bringing all of these sectors under one roof could not work, but we have succeeded.>

ZIA's Property Industry Day

Andreas Mattner with former Mayor of New York City Rudy Giuliani

In 2008 the listed sector in Germany had a market capitalisation of 1.5 billion euros and last year it was 35.2 billion euros

How has ZIA evolved over the past 10 years?

The federation started with 12 of Germany's largest real estate companies under the chairmanship of the visionary Founding President Dr. Eckart John von Freyend. Today, ZIA has more than 200 direct corporate members. As the umbrella organisation for 25 trade associations ZIA also represents the German real estate industry's entire value chain – or more than 37,000 companies – and is the only interest group within the BDI Federal Association of German Industry that is active in Berlin and Brussels. Another sign of the federation's strength is that more than 500 people from our membership – including senior executives and CEOs – currently work closely on a pro bono basis alongside ZIA staff.

Do you limit yourself to real estate?

ZIA looks to safeguard or improve measures affecting the economic, legal, political and fiscal aspects of real estate. Since our work often has an impact outside real estate, we pool our resources with other industry associations and we have an excellent network in Germany. Opportunities to get involved in ongoing processes open up for us all the time and increasingly policy-makers appreciate the chance to get outside advice.

How do you work outside Germany?

We collaborate with the Federal Association of German Industry (BDI) and interest groups active across Europe or globally. Working with EPRA is an excellent example. What we bring is our industry know-how as well as our understanding of the interests of the real estate industry in Europe's largest economy. This type of collaborative approach has paid off in several instances and we intend to step up our efforts in this area, particularly in Brussels, where so many decisions originate that affect our industry. Our presence in Brussels is important because it allows us to identify early on how European laws or directives will affect our industry and also how these are implemented as German law.

How can ZIA improve?

Our goal is to heighten awareness of the German real estate industry and its concerns in the administration, government and political circles of Brussels and Germany's regions. We opened a new office in Brussels close to the European Commission this year and have hired a coordinator to oversee ZIA's work at a regional level, particularly through the pro-bono activities of our membership.

What role does the listed sector play within ZIA?

While the listed sector is small as a proportion of the overall German real estate market, it contains big companies and so it has a lot of influence. In 2008 the listed sector in Germany had a market capitalisation of 1.5 billion euros and last year it was 35.2 billion euros. It's important to have a large listed sector and for ZIA to work with it. The listed sector is of course just one of the ways of investing in German real estate and this diversity is important for the health of the market.

The shift in energy policy should be economically sound and incorporate new technologies

What is the biggest challenge facing ZIA and what are you doing about it?

New technologies and innovation are enormous challenges for the German real estate industry. Our role is to give the entire real estate industry access to the opportunities arising from these new influences to help shape the new market of 'prop techs' and start-ups. It is an increasingly important commitment and we have innovation specialist Martin Rodeck working for us on a pro-bono basis. Innovation workshops held at our annual Real Estate Industry Day event – the biggest event in the industry calendar apart from trade fairs including EXPO Real -- for the past two years have been very well received. We also work with the Innovation Think Tank and co-operate with research projects and surveys to identify opportunities. In the coming months we will present an extensive study on the subject.

What is the biggest political challenge facing ZIA?

The German Government sees itself as a pioneer in climate protection and is doing everything it can to drive forward a shift in energy policy. Unfortunately it accepts that the price of this will be to hike up real estate's construction and operational costs. ZIA is committed to improving the country's green footprint and has always been a partner in the Federal Government's efforts to achieve its environmental objectives. However, we feel the shift in energy policy should be economically sound and incorporate new technologies, taking into account the harmful impact on the real estate industry and its clients, which include tenants and homebuyers. We are working on proposals of our own.

Andreas Mattner
ZIA

Andreas Mattner is serving his third term as President of the German Property Federation (ZIA). He is a Managing Director at ECE, where he has held various roles since 1993. After studying law, in which he obtained his doctorate, he spent four years as an assistant in Germany's Ministry of Transport, Building and Urban Development before joining ECE. He was a member of Hamburg's Parliament from 1991-2008.

A METAMORPHOSI
THE HEART OF PAR

Once described as the "Belly of Paris" by French writer Emile Zola, Les Halles lost its glory in the 1970s, when the merchant stalls were dismantled and the site turned into a claustrophobic and grim underground station. Started in 2010, the long awaited refurbishment of the Forum des Halles by Unibail-Rodamco has become a symbol of the revival of the Les Halles district in the heart of Paris. Completed in April 2016, with over 750,000 passengers passing through Les Halles each day, the Forum is expected to attract more than 40 million visits by 2018.

The regeneration and reorganisation of Les Halles was coordinated and funded by the City of Paris. The Canopy, an undulating glass and steel roof, which covers the entire project, including the Forum des Halles shopping centre, spreads over 2.5 hectares and weighs 7,000 tonnes. Designed by architects Patrick Berger and Jacques Anziutti, the Canopy's curved shape has been inspired by nature. It links the underground areas to the streets of Paris, allowing a permanent connection between the inside and the outside, and opening the Forum to the neighbourhood.

Les Halles have been reorganised to make the space more welcoming to visitors, with 4 hectares of public gardens and pedestrian-friendly areas, various cultural facilities including a media library, music and arts conservatory and a unique hip-hop centre (with performance space and recording facilities), as well as a refurbished and enlarged shopping centre. It is a clear illustration of what real estate is all about: a place where people meet, play, shop, create and relax and how the listed sector adds to city refurbishments and community spaces.

Unibail-Rodamco's Forum des Halles has attracted a number of anchor tenants including France's first LEGO shop, a mixture of boutique fashion brands and stores with a Fashion, Food and Culture theme entirely dedicated to bold creators. The food hall includes a café designed by Philippe Starck. The shopping experience was given a new dimension with an improved WiFi reception and the launch of two applications: the first social indoor positioning system called 'Meet My Friends' and the 'Smart Map' app which help customers locate shops and promotions.

The ecological dimension of the Forum is stressed by the use of eco-friendly materials and redesigned underground zones that maximise natural light and prioritise the use of LED bulbs to give a pleasant glow, while consuming six times less energy.

With 70% of its surface having been renovated, the refurbishment brings a breath of modernity into the Forum des Halles. "Our goal is to shape the heart of the capital in the image of a welcoming, lively and vibrant city and to outline the Paris of tomorrow. Soon the Forum des Halles will become the inevitable place for Parisians, a destination for people from the outskirt of Paris, a must-see for tourists, along with Beaubourg, the Louvre and Saint-Eustache", said Valérie Britay, Managing Director Retail for Unibail-Rodamco France.

S IN
RIS

Alexis Veron

Alexis Veron started his career with JCDeceaux, in charge of the roll out of the Velib bicycle-sharing system. He joined Unibail-Rodamco in 2009 and in 2011 became director of the Forum des Halles including overseeing the refurbishment.

WDP LEADER *IN BENELUX*

WDP's head office lies in an ancient farmhouse built around a cobbled courtyard in gently rolling countryside near Wolvertem, north of Brussels. Behind the door reveals a modern office interior, an indication that you have arrived at the largest logistics real estate operating company in the Benelux.

It is a suitably modest Flemish setting for a company that takes its earlier name (Warehouses De Pauw) from the family that branched out from its vinegar brewing and oil tank reconditioning businesses in the 1970s to buy old factories and convert them into warehouses. The De Pauw family still owns around a quarter of the stock. Fast forward to 1999 and the arrival of the new Belgian REIT regime provided WDP with the listed platform to rapidly expand its storage and distribution warehouse network, which radiates out from the ports of the Rhine-Meuse-Scheldt delta that lie at the heart of the gateway to northwest Europe and beyond.

The company has seen strong growth from its initial listing, when the fair value of its portfolio was EUR 125 million, to around EUR 2 billion at the end of 2015. With three million square metres of space, 95% of which is located on the Amsterdam-Rotterdam-Breda-Antwerp-Brussels-Lille logistics axis, WDP is the biggest in the Benelux.

CEO Joost Uwents explains that the expansion has been fuelled by the structural change in the nature of the logistics market over the past decade. Supply chain management has grown infinitely more complex and critical to the success of companies across sectors and become a key priority for corporate boards.

The logistics real estate manager has to be able to offer a far more sophisticated "one-stop" bespoke service to clients than simply the "four walls and a loading dock" of the past. This is particularly true for the storage and distribution of fresh produce, which food suppliers and retailers depend on to generate much of their margins.

"Everybody expects instant gratification nowadays. Ten years ago you may have bought a bag of apples in a supermarket and taken it home to allow them to ripen. Now you buy a few loose apples and you expect them to be edible right away. It is the same basic product, but the supply chain behind it is completely different. It is a retail concept now made in the logistics warehouse and it's very specific to the product and client," Uwents said.

Parallel to the revolution in the logistics business, there has also been an evolution in how the sector is perceived by the investment market. The increasing institutionalisation of logistics is due to its high yields relative to offices and retail, traditionally markets that are more favoured by investors. Another attraction explaining the strong capital flows into this real estate asset class is the lower obsolescence risk offered by more sophisticated modern facilities. >


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Uwents said the yield on WDP's portfolio at its initial listing in 1999 was around 9% and during the global financial Ccrisis of 2008 averaged above 9%. In the last couple of years there has been rapid yield compression due to limited supply to meet growing demand and the appeal of higher-yielding real estate assets, following the onset of ECB's Quantitative Easing (QE) policy. High quality logistics assets in the Benelux region currently fetch about 6.0%.

"Since QE began, real estate yields have come down very fast and particularly for the hot new sector – logistics," he added.

WDP's property investment criteria and approach to shareholder returns are framed by the tax efficient and income-focused B-REIT structure. With a target to grow the portfolio by 10% a year, the company synchronises its investments with the issuance of new debt and equity capital to maintain a healthy mix, while ensuring a sustainable growth in earnings per share of at least 5%.

Uwents said WDP had an ambitious strategy to expand its portfolio by 50% to EUR 3 billion over the next five years. Most of this investment is likely to be in the bigger, more efficient, and liquid Dutch market. This will change the weighting of the portfolio, which is currently split roughly equally between the Netherlands and Belgium/Northern France.

"Belgium has problems with too little investment in infrastructure, a high cost and the inflexibility of labour and limited availability of land. The Dutch market is more flexible and has far more land, offering greater investment opportunities," he said.

Uwents concluded that while the main Benelux logistics market is ripe for consolidation to generate the needed scale for investing in large modern facilities, there are few signs of this occurring because the sector is fragmented and dominated by small and medium-sized firms that are often family owned.

"I believe size matters in this business, because investments are getting more technically complex and larger. We are the market leader in the Benelux, but we have only an 8% market share; so there is absolutely no consolidation occurring yet and plenty of room for it. If we grew by a EUR 1 billion then we can offer another range of services to our clients by controlling even better the total cost of ownership of a building," he said.

Uwents says one of the jewels in the crown of WDP's assets, is its €30 million investment in the world's largest automated distribution centre, occupied by Dutch online retailer Wehkamp, at Zwolle in the Netherlands (pictured). The company could not have achieved this investment 10 years ago when it was much smaller, he said.

Joost Uwents
WDP

Joost Uwents joined WDP in 1999 as CFO. Now, he is executive director and CEO since 2010. Together with Tony De Pauw, he forms the WDP executive management team. He is a commercial engineer and holds an MBA. He has ultimate responsibility for financial policy, internal reporting, commercial policy and investor relations. Recently, he became an independent non-executive director of Xior Student Housing.

INDUSTRIAL SECTOR SNAPSHOT

FTSE EPRA/NAREIT Industrial Sector

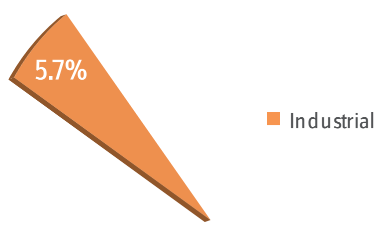
Cons Code	Constituent Name	Country	Investment Focus	Price Return June-16	Dividend Yield June-16	Total Return June-16
C41030	Warehouses De Pauw	BELG	Rental	0.57%	0.00%	0.57%
C01813	Segro	UK	Rental	-5.49%	0.00%	-5.49%
C04943	Hansteen Holdings	UK	Rental	-3.04%	0.00%	-3.04%
C156992	Tritax Big Box REIT	UK	Rental	-4.95%	0.00%	-4.95%

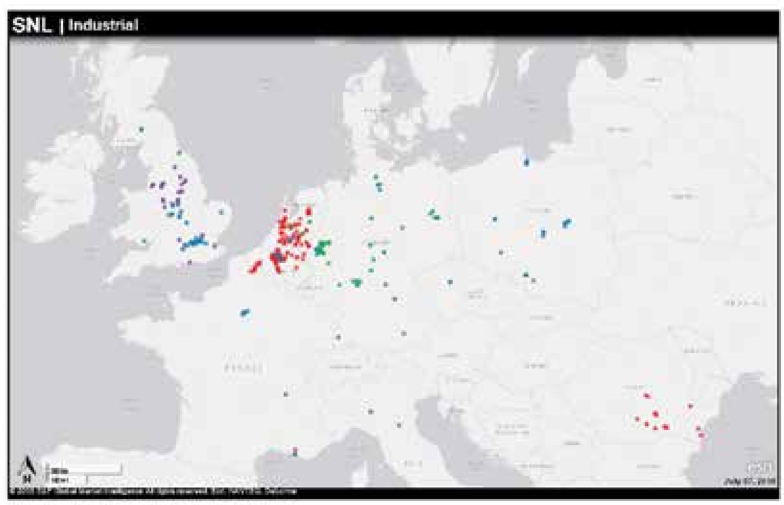
Value Snapshot June 2016

Industrial	Latest (monthly)	Year to date	1-year	10-year (long-run)
Total return (%)	-10.95%	-9.51%	-4.94%	-
Premium/Discount to NAV (%)	3.44%	4.07%	4.48%	-8.53%
Loan-to-Value (%)	39.00%	-	42.35%	38.63%
Dividend yield (%)	4.22%	-	4.06%	-

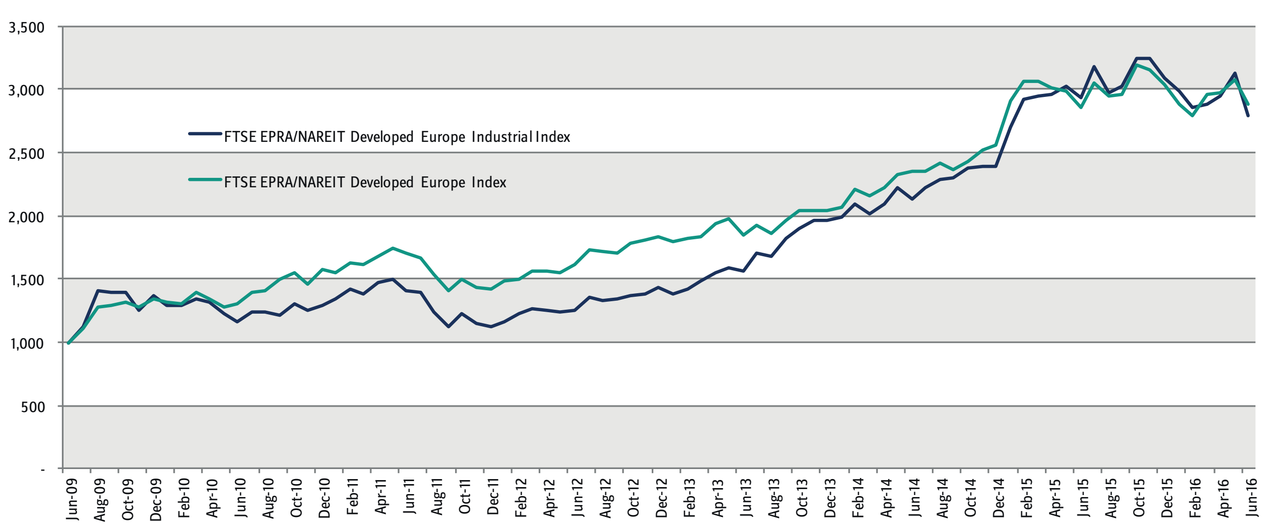
*1-year LTV value as of Jun-15 and 10-year value as of 2006

Developed Industrial Sector Index Share





Performance Developed Europe vs Developed Europe Industrial



HUNTING *YIELD*

Continuing our series on investor portraits, we met with James Wilkinson from BlackRock, the world's largest asset manager to discuss whether he is a bear or a bull on the European listed real estate sector.

ONE Why have European listed property share prices stalled over the past year?

"We are at a very important point in the world economy. There are key questions hovering over almost every central bank and some of the main global economies. It's those large-scale macro issues that are really dominating equity markets. In the short term, listed real estate is driven more by equity markets, but in the longer term returns are genuinely driven by property fundamentals."

TWO Is there a European growth story?

"The ECB's stimulus and quantitative easing have caused sovereign bond yields to decline, so most of the gains in European real estate over the last few years have been driven by capital flows into real estate.

I don't see the central bank policy for the Eurozone changing for some while, so the weight of capital is going to remain relatively high for the foreseeable future. I don't see any reversal in terms of pricing and there's no theoretical reason why yields cannot go lower, although they look low by historic standards. The Eurozone is in a very low growth environment, which affects occupier demand. There are pockets of growth, however.

In the Nordic region, Sweden is a relative bright spot. It's got economic growth, inflation and yet a negative interest rate policy. While that all looks good, Swedish financial regulators are quite aggressive on banks' capital adequacy and levels of equity. This is going to affect lending to real estate and the pricing of credit in a market highly reliant on bank debt. Sweden's Riksbank also has a record of changing course quickly, which could cause a nasty reaction in the highly levered Swedish market."

THREE What about the UK, aside from the impact of the Brexit referendum?

"Share prices for UK real estate were weak before the referendum and had a fairly nasty time at the start of the year. There's a lot for a bear to get their teeth into and there are very good reasons to be cautious around real estate investing in central London office, but I'm not hiding under the desk yet. Without a demand shock to really send rental values down, we may have a mini correction or a pause for breath. There will have to be an adjustment in people's thinking and their return expectations."

FOUR What will be the impact of the Brexit referendum?

"What people have not spent enough time thinking about is the impact that a Brexit would have on the rest of Europe, and what the impact would be on the global economy. The European Union accounts for 13% of the global economy, so you get a significant shock to the UK that spills over to the EU. That cannot but affect the global economy."

FIVE How are you investing and what are you avoiding?

"We identify stocks that we think are mispriced relative to their fundamental value and have an identifiable catalyst for a re-rating.

Our exposure in Europe is more balanced by geography, sector and currency than it has tended to be over the last four years, when there was a clear divergence in terms of value and opportunity. Themes affecting our approach to investment are cross border and cross sector, which don't neatly fit into traditional sector or geographical silos.

Interest rate exposure is one cross sector theme. You can have companies with high LTVs but still have very solid debt exposure because they have fixed or hedged most of it.

Income and income growth are going to be an important driver of returns for a while to come. Groups of companies that give you that are German residential, industrials and logistics sectors, and 'alternatives' - healthcare, student housing and self-storage. These are less obviously sectors for substantial exposure now, having become a lot more expensive than a couple of years ago."

SIX How do you see prospects for M&A?

"We are going to see more of it. I'm not saying bigger is better but some companies would be worth more if they could grow actively, reduce their margins and their cost of equity. Companies need to balance the dilution to their entrepreneurial ability with the benefits of being bigger. Too many European real estate companies are not sufficiently focused on the globalisation of capital.

SEVEN Is executive pay an issue for you?

"I'm supportive of management teams being rewarded for driving significant shareholder returns. I would like to see a move to longer-term compensation structures that are aligned with the interest of investors and encourage investment in a company's own stock. We have some fantastic executive teams in Europe. The financial crisis was a wake-up call and accelerated improvements in corporate governance, transparency, communication with investors and the level of financial sophistication. Strategies are clearer and more focused, so corporates are less risky today than five, 10 or 15 years ago."

EIGHT How active are you in driving change within companies?

"Any investor would expect that we engage very seriously with companies in corporate governance issues. A high-risk company might also present an opportunity. Our investment stewardship team is responsible for engaging with companies. We prefer to do that behind the scenes, across a table with a company rather than publicly."

James Wilkinson
BlackRock

James Wilkinson is BlackRock's Co-Global Chief Investment Officer of the Global Real Estate Securities Group. His 18-year career in investment includes working at Thames River Capital and Henderson Global Investors as a real estate securities fund manager. Prior to this he was a Chartered Surveyor at Healey & Baker. Wilkinson joined EPRA's Advisory Board in 2014 and a year later EPRA's Board of Directors.

REAL ESTATE COMPANY REACTIONS TO FINANCIAL MARKET REGULATION

In the aftermath of the global financial crisis (GFC) regulators tried to strengthen the resilience of the financial system and reduce systemic risks by improving the existing financial market regulations and putting new regulations in place. Some of the main regulatory reforms which have been introduced at the international level include Basel III, the Alternative Investment Fund Management Directive (AIFMD) and the European Market Infrastructure Regulation (EMIR), which regulates OTC derivatives.

Our study provides the first assessment of the contemporaneous effects of these reforms specifically on the European listed real estate sector. Our main focus is on analysing the short-term impact of regulation on the price of equity, credit and market risk of listed real estate companies in the major listed markets of France, Germany and the U.K. Moreover, we assess whether some listed real estate companies respond differently to those announcements.

We use an event study methodology. The use of event studies requires the correct identification of the regulatory events or event periods. An investigation of regulations such as Basel III can present a challenge since the regulation has been discussed over several years and has been phased out several times. Such large-scale regulations involve a lot of parties (consultants, lawyers, politicians, governments, etc.) who meet to discuss the reforms which can affect the likelihood of one or another outcome. This means that financial market participants continuously adjust their expectations with regards to the regulation following unexpected announcements. Therefore, markets would react only if the outcomes differ from their current expectations. If, for example, there were news about regulation becoming more lax, markets would be expected to respond positively, and vice versa. However, the reforms can be a longer-term predictable process and could have already been reflected in the prices of stocks prior to the official announcement.

We follow a three-step approach to identify events. First, we search for news containing the name of the regulatory reform in the Financial Times. We select as news associated with Basel III those articles which have been published on the front page. The rationale being that Basel III is a major international financial market reform and information representing significant, fresh news should appear as a headline in a major international financial newspaper. Regarding the identification of the AIFMD and EMIR, a front page search is problematic, as these are more specific regulations which do not necessary feature on front pages. For them, we consider articles across all pages which contain the name of the regulation. Second, the ultimate choice of the events is made by screening all identified articles and assessing whether it is considered news or not. Third, we double check if the dates identified feature in other media such as other newspapers, regulatory bodies' websites or news agencies.

Our results suggest that on average market participants trading real estate equities and CDSs respond significantly to regulatory announcements; however, we observe differences across countries, types of companies (large versus small, more leveraged versus less leveraged) and the regulations themselves. The strongest effects for real estate equities are associated with Basel III and AIFMD. The effects on the credit performance are much larger in scale but only a few are significant. The most significant effects following regulatory news are observed for UK companies, large companies and highly leveraged companies. This is in line with expectations. Larger companies are more likely to be affected as they have greater stock liquidity which provides a mechanism for an immediate stock market response to news regarding financial regulation. More highly leveraged companies are more responsive to changes in regulations targeting primary the debt funding sources for listed real estate companies. However, we do not see that the abnormal returns are associated with increased credit risks as CDS spreads did not respond significantly to most news. We observe that companies respond significantly to regulatory announcements mainly associated with negative news rather than positive news which can be seen as evidence for an asymmetrical return response to shocks. In conclusion, although the listed real estate sector is not specifically regulated, we have identified that it is affected by news regarding financial regulatory reforms, with the majority of the returns significantly decreasing following the announcements.

Martin Hoesli is a Professor of real estate at the Universities of Geneva and Aberdeen and at the Kedge Business School in Bordeaux.

Stanimira Milcheva is a Lecturer in real estate finance and economics at the University of Reading.

Alex Moss is a Visiting Professor at Henley Business School, University of Reading, and Managing Director of Consilia Capital.

AN INSIGHT INTO THE INVESTOR RELATIONS ROLE

Welcome to the first in a series of articles on 'a day in the life of a real estate practitioner'. The interview of Edward Thacker, head of investor relations at Land Securities Group and Chairman of EPRA's Investor Relations Committee, will give you an insight into this strategic profession, mixing finance, public relations and management.

Being clear, consistent and transparent is so important. If you commit, you have to be 100% certain that you're going to go ahead.

ONE What is your role at Land Securities?

"My role is about communicating consistently the strategy of the company so investors understand what we're doing and why. My team takes the pressure off CEO Robert Noel and CFO Martin Greenslade, who can't see everyone. We do a huge number of tours so investors can kick the tyres and see some of the properties in which they have invested. At the moment we average one investor tour a week in London's Victoria district, for instance."

TWO What gives you the most satisfaction?

"Real estate is capital-intensive and quite long-term -- a development may take as many as four years to build. In that time, market conditions can change, but once you start building, you have to see it through to completion. The challenge is that investors and analysts may not be 100% supportive at the start of a scheme because they're reviewing it on current market conditions, whereas we're looking at the market that we expect to have when we complete the scheme. What I love is that we deliver on our clear strategy. We started Trinity Shopping Centre in Leeds and 20 Fenchurch Street – the 'Walkie Talkie' Tower – in the City of London, for instance, early on in the cycle when really no one else was developing and the market was not great. The market behaved just as we expected and therefore we've seen those developments do very well."

THREE And when it goes wrong?

"Being clear, consistent and transparent is so important. If you commit, you have to be 100% certain that you're going to go ahead. I joined Land Securities in 2007 and shortly afterwards we announced our intention to demerge. As we worked up our plans, the market moved away from us and led us to curtail our plans. It was manageable from an IR standpoint because we hadn't formally committed to the demerger."

FOUR How often are you in contact with investors?

"Part of my job is to arrange for Rob and Martin to see the major shareholders, which is a really important face-to-face, two-way process. Contact tends to be concentrated after major announcements, such as our results. I am also always available to speak to retail investors, but mainly their questions can be handled by our registrars or the company secretary's department – the mechanics of dividends and things like that."

FIVE How has your share register evolved?

"Land Securities became a REIT in January 2007, transforming our share register by creating a level playing field for international investors. Before REIT conversion, we were two-thirds UK-owned and the US made up about 6% of the register. Today, we're about 45% UK, 22% for the US, a similar percentage for Europe, and then the rest is distributed across the rest of the globe. Part of the IR role is to identify and meet certain investors who could become substantial shareholders in the future. I am comfortable that they may not invest in us for a while; what I don't want is no contact, since it is better to build a relationship early and through regular contact."

EPRA and the IR Committee can organise events to complement companies' own IR programmes through their brokers and investment banks

SIX What does EPRA's IR committee do?

"I chair the committee, which meets twice a year. Our role is to draw on the committee members' daily IR activities to challenge and provide feedback to other committees on some of their proposals. It's partly to discuss best practices. The committee also considers how EPRA can help small companies, particularly those in smaller jurisdictions, with their investor outreach. EPRA's annual conference is an excellent way for that to happen. EPRA and the IR Committee can organise events to complement companies' own IR programmes through their brokers and investment banks. Everyone won at our event in Stockholm in April, for instance: we had a mixture of companies doing presentations, got a good turnout from Nordic institutions and we each had nine very good meetings."

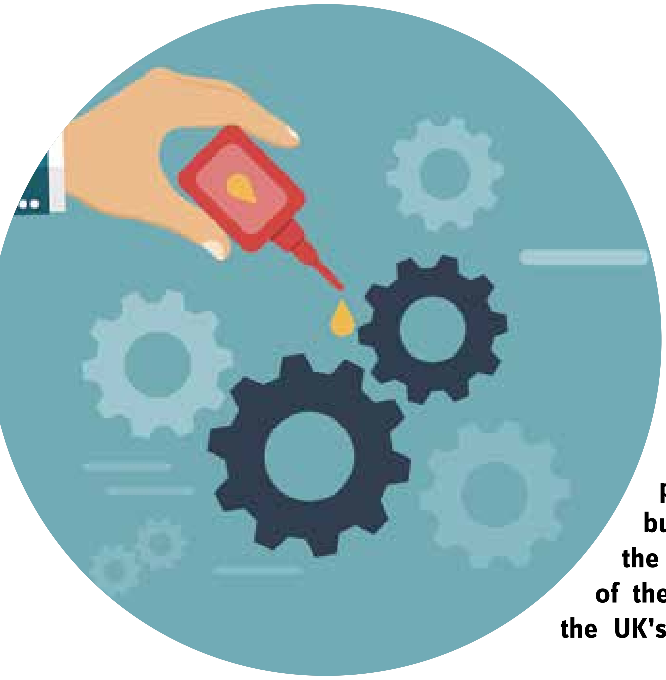
SEVEN How do you see your own job changing over the next three to five years?

"IR departments will handle more of the investor outreach themselves. Fewer investors are prepared to pay for a broker to do it for them. I expect there will be fewer sell-side analysts and those that remain will become more important. A number of sell-side analysts have moved in-house with the major institutions. I expect the IR role could become more complicated and busier because instead of speaking to 20 or so analysts at one presentation, there will probably have to be more individual conversations with the institutions' analysts, who won't want to share their proprietary knowledge in a public forum. This means IR will become more intensive and the IR person will need to be even more financially literate than they are today. Another huge change will be awareness of online communication channels such as social media and their uses."

Edward Thacker
Land Securities

Edward Thacker joined Land Securities in 2007 as Director of Investor Relations and is chairman of EPRA's Investor Relations Committee. Prior to joining Land Securities, he worked for The Boots Company for 14 years in a variety of roles, latterly in the Investor Relations team that worked on the merger with Alliance UniChem to form Alliance Boots plc.

FCA SUGGESTS A NEW BALANCE AGAINST THE ASYMMETRY IN THE IPO PROCESS



Just over 18 months ago I was fortunate to be offered the Guest Editorship of the EPRA magazine with a mandate to write an article on whatever I thought was interesting and topical. One man's pleasure is another's pain, but I decided to delve into the process that is the genesis of the listed property markets: the UK's antiquated IPO process.

The European REIT market is growing and there have been successful IPOs. In particular Tritax Big Box REIT listed in December 2013, raising €238 million and has traded well, with two follow-on equity raises. Kennedy Wilson Europe raised an impressive €1.2 billion in February 2014, with one follow-on equity raise. In total EUR 3.3 billion worth of IPO market capitalisation has completed in 21 listings in the wider property sector since 2013 in the UK. Nonetheless, the process is too controlled by the IPO syndicate, and the pathway to correct price discovery too murky.

The reason for revisiting that article is that the FCA is now on the case and there is a significant opportunity for investors to promote improvements and make a difference. In April the FCA published a discussion paper, "Availability of Information in the UK Equity IPO Process", which addresses the issues of lack of time, information and independent analysis. The FCA is canvassing responses. It is now up to the investment community to be heard and help keep up the momentum, so that the FCA sees a case to move forward.

The issues with the current IPO process can be condensed to the following:

A lack of time to conduct due diligence with the prospectus published only two weeks prior to the closing of the deal.

A lack of access to information. For the first two weeks of the IPO process investors have access only to the connected analysts' hardcopy research as a source of written information. In addition, there is a frustrating and perplexing withdrawal of presentation materials at the end of meetings between investors and both the management of the issuer and the connected analysts.

A lack of unconnected research. The distribution of the prospectus is limited. Therefore analysts unconnected with the IPO process are not in a position to write any research as a cross-check to the connected analysts' research. Nor do they have access to the company's management.

Whatever your view, please do respond to the FCA's discussion paper questions so that the FCA receives representation from all stakeholders in the IPO process.

What are the heightened risks of these shortcomings? A poor understanding of the issuer and the resultant mispricing of an IPO, leading to reduced confidence in the process and possible stunting of the growth potential of the listed property sector. Unconnected research may make life more difficult for issuers and bankers, but the deals that get through the process are likely to be stronger, and that is in everyone's best interest in the long run.

The FCA's discussion paper suggests two key areas of reform:

- A reversal of the publication of the prospectus and connected research, to put the prospectus at the heart of the due diligence process as a central information source with its publication at the start of the process;
- Allowing, or even forcing, unconnected analysts access to the issuer's management, creating an opportunity for unconnected analysts to produce independent research.

Surely it is hard to argue against these broad aims? They are about allowing access to information on a timely and more equitable basis, leading to improved price discovery, greater confidence in the system and greater competition amongst the analysts. Understandably, issuers and banking syndicates are nervous about spurious legal claims against them. In response, regulators might need to make it clear that pre-deal research would never be considered part of the prospectus, which does attract liability, and that the syndicate has no liability relating to independent research.

Using the following two reforms as building blocks, the FCA suggests three slightly differing models of potential timelines:

1. Upfront publication of the prospectus, followed by a seven-day analyst research blackout period, during which unconnected research could be conducted
2. As 1/ but forcing any company presentation to be open to both connected and unconnected analysts, be that before or after the prospectus publication
3. As 2/ but prohibiting the company presentation from taking place before the publication of the prospectus, with no blackout period

By starting the process with the publication of the prospectus, the UK could more align with what already happens in the US.

There, the draft prospectus (S-11) is filed publicly, often a month ahead of the management roadshow. A video of management's roadshow (including both the presentation slides and management's comments) is often available online. Non-connected analysts generally have direct access to management and often have reports published by, say, the middle of the roadshow.

Earlier disclosure of the prospectus could impose additional risks to issuers and the syndicate, but the FCA addresses this well: "... providing investors with the information from the prospectus they need at the point that they need it and when that information has already been prepared is a worthwhile goal". The US system provides this timely information, suggesting that the UK's legal counsels are more nervous than their US counterparts.

Additional frictional costs are limited, if any. The FCA does not foresee a material increase in direct costs resulting from an earlier publication of the prospectus as it already exists at that point under the current process in a draft form. In two of the FCA's three models (model 1 and 3), the four week timetable remains unchanged, or could even be reduced, so there is no change in the risk of the market falling away (model 2 could require an earlier "intention to float" publication). Unconnected analysts could be invited to a management meeting that would take place anyway.

Whatever your view, please do respond to the FCA's discussion paper questions so that the FCA receives representation from all stakeholders in the IPO process. The deadline for responses is 13 July 2016. Momentum for change needs to be maintained otherwise the adage "if you don't ask, you don't get" will surely apply.

Simon Robson Brown
CBRE Clarion Securities

Mr. Robson Brown is a Portfolio Manager and, as a member of CBRE Clarion Securities' European research team, is responsible for the evaluation of listed real estate companies located throughout the United Kingdom and Continental Europe. In addition, Mr. Robson Brown is responsible for the oversight of the firm's London based office. Mr. Robson Brown joined CBRE Clarion Securities' predecessor firm in 2006. Prior to that, Mr. Robson Brown worked in various research and analyst positions at UBS and Citigroup. Mr. Robson Brown has over 17 years of real estate investment experience.

(From left) Highwoods Properties President and CEO Ed Fritsch, NAREIT's 2016 Chair, Christopher Nassetta, president and CEO of Hilton Worldwide and GOH Kok Huat, COO and president of real estate with GIC Private Ltd.

HOW DO THEY DO IT ON THE *OTHER SIDE OF THE ATLANTIC?*

Single-family rental housing executives discussing the sector's maturation

EPRA attended the REITWeek, the main global event for listed property, organised every year by NAREIT, and took part in the meeting of the Real Estate Investment Advisory Council (REIAC). The event brought together a record three thousand REIT executives, analysts and investors, with approximately 140 companies presenting their strategies, clearly demonstrating the importance of the listed real estate industry in the US and the growing interest around the world in REIT-based real estate investment.

Education of policy-makers and investors is however still a big challenge. That is why EPRA has always been committed to providing educational sessions to investors in order to strengthen the understanding of the listed sector.

While Philip Charls and Laurent Ternisien met with investors and promoted the European market, the EPRA Index team, led by Ali Zaidi, organised one-on-one meetings with existing and potential users of the FTSE EPRA/NAREIT Index, including those REITs which are keen to understand the eligibility criteria of inclusion.

FTSE, EPRA and NAREIT also held the annual Index partners' meeting to review existing products as well as to discuss new proposals in order to enhance the benchmark offering.

The session included a discussion on how to present correlation of listed real estate with equities and direct property market and the review process of the Global Index. The impact of a potential GICs reclassification in Europe and the development of European REITs regimes were also discussed.

While the success story of US REITs is well-established, Europe's story is still maturing. During the REITWeek, Philip Charls, EPRA CEO, joined REIT.com for a **video interview** and discussed the evolving behaviour of European investors. According to Charls, a current increased allocation to listed real estate by institutional investors will gather pace with the expansion of personal defined contribution pension schemes and the need for long-term income producing assets because of a capital outflow of money. The visit to REITWeek has additional meaning as EPRA CEO predicts that in the future we should expect more cross-continental investments and increased cooperation between international associations.

Legendary journalist Tom Brokaw

INDEX FOCUS

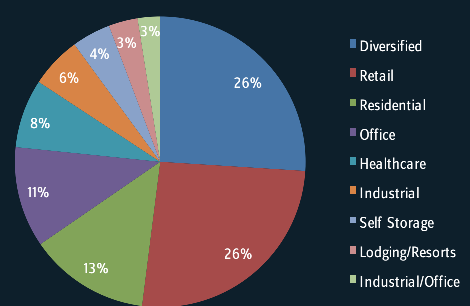
Comparison of Asset Classes

Value Snapshot (June 2016)

Developed Europe	(Latest) Monthly	Year to date	1 year	(Long-run) 10 year
Total Return (%)	-6.03%	-5.12%	1.10%	3.04%
Premium/Discount to NAV (%)	-2.00%	-1.60%	0.40%	-9.70%
Loan-to-Value (%)*	38.07%	-	39.05%	40.45%
Dividend yield (%)	3.36%	-	3.15%	2.57%

*1-year LTV value as of Jun-15 and 10-year value as of 2006

Global Sector Breakdown



Top 10 European Performers (June 2016)

FTSE EPRA/NAREIT Global Index

	Stock	Country	Investment Focus	Sector	Price Return Jun-16	Dividend Return Jun-16	Total Return Jun-16
C164742	ADO Properties SA	GER	Rental	Residential	9.82%	0.00%	9.82%
C90424	Deutsche Wohnen AG	GER	Rental	Residential	6.33%	1.87%	8.20%
C154984	BUWOG AG	OEST	Non-Rental	Residential	7.97%	0.00%	7.97%
C17992	Aedifica *	BELG	Rental	Diversified	6.69%	0.00%	6.69%
C147930	Vonovia SE	GER	Rental	Residential	6.11%	0.00%	6.11%
C144711	LEG Immobilien AG	GER	Rental	Residential	4.86%	0.00%	4.86%
C24181	Safestore *	UK	Rental	Self Storage	4.59%	0.00%	4.59%
C73596	Fabege AB	SWED	Rental	Office	4.31%	0.00%	4.31%
C152839	Hibernia REIT *	IRE	Rental	Office	2.92%	0.00%	2.92%
C73592	Castellum AB	SWED	Rental	Diversified	3.36%	0.00%	3.36%

*REIT

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