EPRA

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

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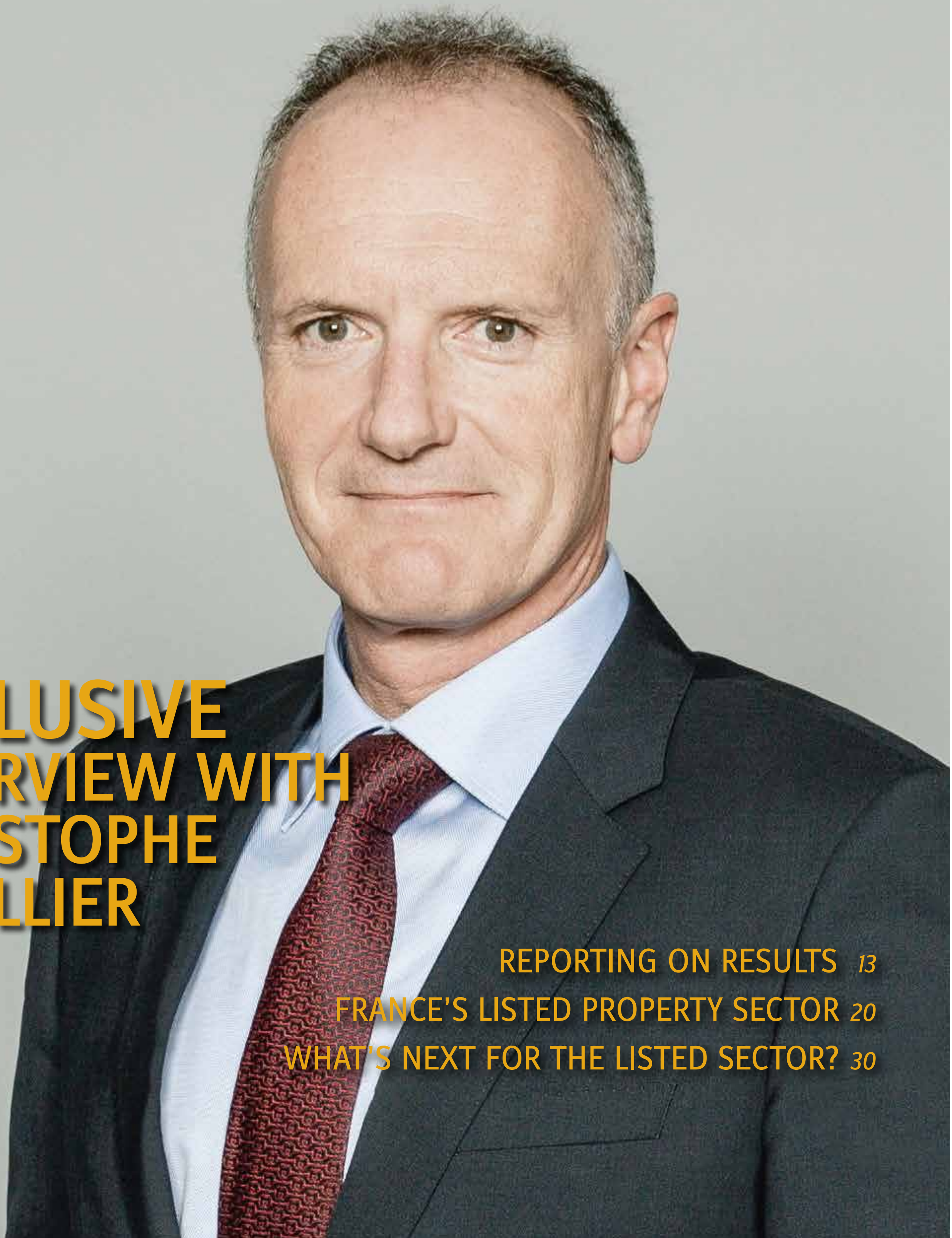

EXCLUSIVE INTERVIEW WITH CHRISTOPHE CUVILLIER

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 365 billion of real estate assets and 93% 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 *OCTOBER 2016*

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

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
- DEMIRE
- 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
- Savills Fund Management
- TAG Immobilien
- TLG Immobilien
- VIB
- Victoria Partners GmbH
- Vonovia
- WCM
- Westgrund

GREECE
- Grivalia Properties REIC
- LAMDA Development
- NBG Pangaea

HONG KONG
- Univ. of Hong Kong

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

ISRAEL
- Azrieli Group
- Gazit-Globe

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

JAPAN
- NN Investment Partners

LUXEMBOURG
- ADO Properties
- Dream Global
- 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
- 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
- Gmp Property*
- Hispania Activos Inmobiliarios, S.A
- Inmobiliaria Colonial
- Lar España
- Merlin Properties
- TESTA Inmuebles Renta
- URO Holdings

SWEDEN
- Atrium Ljungberg
- Castellum
- Dios Fastigheter
- Kungsleden
- Pandox
- 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
- EP&T Global*
- 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
- J.P. Morgan
- 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
- 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 Foundations
- Russell Investment Group
- Simon Property
- SNL Financial
- Univ. of Cincinnati
- Ventas
- Virginia Tech Univ.
- Zell–Lurie RE Center at Wharton

*Welcome to our newest members

CONTENTS

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UPDATE FROM *PHILIP CHARLS*

EPRA enters the last quarter of the year with a successful Annual Conference behind us. The feedback from the participants' in Paris tells me that we seem to have achieved our strategic goal of taking the content of the conference to a higher level, although there is still more to be done of course and we welcome your ideas here. Many people singled out the keynote address by Ray Kurzweil of Google as a particular highlight for them. A challenge for next year will be to better link the futuristic vision of these star speakers to the more near-term strategic planning companies need to do as they run their businesses from day-to-day.

Another notable feature of the conference was our very well attended Investors' Day, which was packed with presentations from small and mid-sized listed real estate companies who generally don't have the opportunity to present their stories to a large portion of the market in one place at one time. This efficient "EPRA Incubator" is important for our mandate to grow the listed sector in Europe and we haven't held such an event on this scale previously.

I'm particularly proud of the big improvement seen in the application of the EPRA sustainability BPRs reflected in the increase in the number of Gold Awards announced this year in Paris. At the same time, the European listed sector placed high in the GRESB global rankings, a story we cover in these pages. But the sustainability challenge is just about to go onto a whole different level. Europe's recent approval of the COP21 agreement on Global Climate Change, means sustainability best practice has gained a new and urgent momentum in which we as a sector are showing the way.

Befitting its position as Europe's largest listed real estate company, Unibail-Rodamco has demonstrated true leadership on this paramount issue of our time with its "Better Places 2030" new CSR policy. Unibail-Rodamco aims to reduce by -50% its carbon emissions by 2030, becoming the first listed real estate company to engage on such an ambitious and global strategy. >

Please click for more information

I spent the start of this month at the EXPO REAL real estate trade fair. The mood was positive at German property federation ZIA's flagship market dinner in Munich, despite the volatility in the equities market. Investors still need yield and real estate continues to be the main show in town for the foreseeable future. The story stays the same. The listed sector offers strong stable dividend income and the REIT model continues to expand at a rapid rate around the world. The GICS reclassification of real estate as an independent equities sector, outside of the Financials basket, can only reinforce this positive trend.

N°1 Listed commercial property company in Europe

€37.8 billion
Property portfolio

€10.46
Recurring earnings per share

35%
Loan-To-Value

€7.4 billion
Development pipeline

72 Shopping centres of which 97% host more than 6 Mn visits per annum*

*In terms of Gross Market Value

Member of the CAC 40, AEX 25, Euro STOXX 50 indices

Member of Dow Jones Sustainability Index (World and Europe)

Member of NYSE Euronext Vigeo France 20, Europe 120, World 120 and Eurozone 120

Member d'Ethibel Pioneer & Excellence

Member de STOXX ESG leader

Member de FTSE4Good

Listed in Paris since 1972 and Amsterdam since 1983

Contact: **investors@unibail-rodamco.com** -
Tel: **+ 33 1 53 43 73 13** -
www.unibail-rodamco.com

"2015 has been another successful year for Unibail-Rodamco. The Group delivered three unique new shopping centres: Minto (Mönchengladbach), Polygone Riviera (Cagnes-sur-Mer) and Mall of Scandinavia (Stockholm). Their success was immediate; each of them drew more than 1 million visits in less than 4 weeks. In December 2015, the Group signed a binding term sheet for a lease agreement with Deloitte for the remaining 19 floors in Majunga (La Défense) which was ratified and signed on January 18, 2016. Majunga is now fully let. Unibail-Rodamco also executed a number of successful financing firsts and asset-liability management exercises, further decreasing its average cost of debt to a record low of 2.2%. The consistent execution of Unibail-Rodamco's strategy by our excellent teams generated Recurring EPS of €10.46, representing an underlying growth of +8.3%."

Christophe Cuvillier, CEO and Chairman of the Management Board

THE VIEW FROM *THE TOP*

It is with great pleasure that we talked to the new EPRA Chairman and Unibail-Rodamco CEO and discussed his vision for his tenure.

ONE What will be the main theme of your chairmanship of EPRA?

"Implementing the strategy in place and accelerating it in several areas. EPRA conducted a very in-depth survey of its members and external stakeholders under my predecessor, Luciano Gabriel. As a vice-chairman of EPRA at the time, I was very much involved in this, with EPRA CEO Philip Charls. We have been working on the strategic plan together for about a year and so the mandate is very clear on what EPRA has to do and what the Chairman role is."

TWO What will be accelerated?

"One of EPRA's main missions is to improve transparency and clarity of financial reporting to allow comparability of companies. EPRA's Best Practice Recommendations (BPRs) are at the core of its mission. I was very surprised that a lot of companies actually did not report all six key performance indicators (KPIs). I have proposed, and it has been approved, that EPRA should only accept as Board members representatives of companies which have obtained gold awards - the highest level of compliance with BPRs. EPRA should not be represented by companies which don't apply its own recommendations. This is a good example of how to improve things."

>

THREE Are there other areas for progress?

"EPRA is a very specific organisation and corporate governance is key. Investors have historically been represented at EPRA because they shape the way our members work and are managed. We have decided that they should have more representation at board level, to participate more actively in EPRA's decisions and in setting its priorities. This came through very clearly in the survey that we conducted. There are now 10 property companies and four investors on EPRA's board: the number of investors has doubled."

FOUR What about representation for smaller companies and countries?

"Large companies have to be represented on EPRA's board because they have clout with policy makers and investors, but you also have to leave room for the other companies. We decided that five of the top ten companies should be on the board, leaving 5 positions for smaller companies. For country representation, we allocate board seats according to market capitalisation. This means France and the UK have three seats each and one seat goes to Germany. Of the three remaining seats for property companies, one is allocated to southern Europe; one to Central Europe and one to northern Europe. Today, these 3 positions go to Spain, Belgium and Sweden. This can change over time and we will see how things evolve. But we have now a good representation by size, by country of origin and by sector."

FIVE Did the survey of members raise any other particular issues?

"Clearly, the need to significantly improve our investor outreach activities. Strangely, it is closer to home that the work needs to be done. In the US, 37% of investors in real estate use the listed sector. In Europe, it is only 21%. There is clear room for improvement.

In Continental Europe we are engaging in constructive dialogue with investors and associations to explain the benefits of listed real estate. There are some countries, like Germany, where listed real estate is not part of the investing traditions."

SIX Is real estate attractive for investors?

"Listed real estate has got a very good track record in terms of investment returns, which exceed those of direct real estate and all other equity sectors. The spread between bond yields and real estate yields has never been so high, and I think this will last for quite some time. I do not see anything in the current economic environment that could make me believe that interest rates in Europe would go up in the short term."

SEVEN What are the challenges facing the listed real estate sector?

"Regulation and fiscal matters are something that local or European associations like EPRA have to deal with. There are currently various initiatives in Brussels or at OECD level. We need to ensure that they recognize the specifics of our business and do not jeopardise our industry. We have strengthened our public affairs team at EPRA to boost our capacity to be heard."

EIGHT Is there a new impetus in the sustainability agenda?

"Commitments made last December in Paris during Climate Change talks (COP21) have irrevocably changed the way political and business leaders think about protecting the planet. The US and China have recently ratified the Paris agreement and this is very significant. The challenge is to match this global initiative with European regulations, since local legislation can be very different from one country to an other. EPRA needs to work with local associations to make a positive contribution, while making sure that the regulations do not hinder progress and growth. EPRA has its own Sustainability Best Practice Recommendations (SBPRs), which are very important elements of transparency and reporting. Of course, there will be some more changes and some new directions here. The property companies also need to work on their own vision and agenda."

NINE What will be the impact of Brexit on EPRA?

"It's too early to say. I do not see any good reason for commercial real estate or listed real estate to be affected in continental Europe. It's mostly a concern for British companies, with pressure on the valuation of their properties. They will have to work closely with their government and the British Property Federation on the real estate chapter of Brexit. It's EPRA's job to work with them too to evaluate and mitigate the potential consequences."

TEN What is the growth potential for the European listed real estate sector?

"There are some recent examples of successful introductions of new REIT regimes, in Ireland or in Spain for instance, which can inspire other countries to adopt a REIT regime of their own. EPRA is working on this with the national association in Poland for instance. My chairmanship can help, as Unibail-Rodamco is an important player in Poland. On another note, I anticipate that the new equity index classification of real estate as a stand-alone industry in its own right will be extremely beneficial for the sector. Research commissioned by EPRA shows that, over time, it will lead to significant inflows of capital into the listed real estate sector."

ELEVEN What are the biggest challenges as EPRA chairman?

"First and foremost, of course, the good execution of the strategic plan and making different personalities from different countries or sectors work together for the benefit of our industry. An industry facing significant issues for its future: the potential consequences of Brexit, new rules and regulations, the evolution of the interest rates, etc. But also challenges related to our industry as a whole, not just its listed component, such as the impact of internet on retail, of new trends like co-working in our offices, of security with terrorist threats in Europe, etc. This is central in understanding how to conceive and deliver the products of tomorrow, and hence ensure the future success of our industry."

Christophe Cuvillier
Unibail-Rodamco

Christophe Cuvillier joined Unibail-Rodamco in 2011 and was appointed CEO two years later. In the preceding five years he was CEO of Kering's retail group FNAC and of home furnishings chain Conforama. Prior to this he spent five years working for Kering Group in senior international marketing and business development positions. His career started with 14 years at L'Oreal in a variety of roles, latterly as Managing Director in France for luxury goods.

EPRA'S ANNUAL CONFERENCE DIGESTS BREXIT AND *'COMING OF AGE' OF LISTED REAL ESTATE*

A record 370 delegates flocked to EPRA's September 6-8th Annual Conference this year for insights on the outlook for European real estate, notably the impact of the UK's momentous vote to leave the European Union and a new treatment of real estate in benchmark stock market indices.

Gathering at the Westin Hotel in Paris, delegates heard about the challenges and opportunities facing European real estate markets on the Strategy Day of the conference, which was preceded by a day of property tours and followed the next day by investor outreach meetings involving 21 companies.

Pascal Lamy, the former EU Commissioner and Director General of the World Trade Organisation, compared the issues facing the UK after the surprise Brexit vote to solving a complex Rubik's Cube puzzle. "I have no clue how it will end," said Lamy, who is President Emeritus of the Jacques Delors Institute, adding that he saw no quick fixes and that the uncertainty was bad for businesses.

Sabina Kalyan, Chief Economist at CBRE Global Investors, noted in the subsequent research seminar session that Brexit has advanced and amplified the drop that she had originally anticipated for the UK market as it reached the end of the investment cycle. She predicted that UK property values would fall by 12% by the end of the first half of next year, while the British economy would probably avoid a recession thanks to the depreciation of the pound and robust consumer confidence.

Pascal Lamy, former EU Commissioner and Director General of the WTO, current President Emeritus of the Jacques Delors Institute

Pascal Lamy compared the issues facing the UK after the surprise Brexit vote to solving a complex Rubik's Cube puzzle.

Global Investor Panel.
From left: Steve Buller (Fidelity), Wen Sheong Linus Lim (Phillip Capital Management), Francois Trausch (Allianz), James Wilkinson (BlackRock)

Lamy had already set the scene on why Europe will lag behind the economic growth rates of the US and developing economies, citing its ageing populations and a failure to exploit scientific research and technological breakthroughs. He predicted that the economy will grow by an average of 1.5% annually for the next 10-15 years, half the rate of the US and a quarter of that in emerging economies.

Such forecasts struck a chord with Blackrock fund manager James Wilkinson and Allianz's Chief Investment Officer François Trausch, both of whom spoke during the Global Investor Panel of their current preference for investing in the US and Asia. >

Futurist Ray Kurzweil giving his keynote speech to a fully packed room

There was a consensus with their fellow panellists that interest rates in Europe will remain low for longer than previously anticipated, with Steve Buller of Fidelity Investments even predicting the continent might mirror Japan's "two decades of nothing."

3D technology was showcased at the event

He highlighted the pitfalls of a negative or low interest rate environment, citing how certain Japanese REITs got caught in credit rating downgrades after stepping up their bond issuance.

The fundamentals of investing in listed real estate in Europe remain intact and attractive in a low interest rate environment, however. Changes to the composition of benchmark equity indices have established property as a stand-alone industry sector separate from more volatile financial shares, according to Alex Moss, Founder of Consilia Capital and Chairman of EPRA's Research Committee. EPRA estimates that over time EUR 75 billion of fresh capital will flow into the European listed real estate sector as a result of the changes.

EPRA's CEO Philip Charls described this reclassification as a "coming of age" for a sector whose share of the overall global equity market's market capitalisation has tripled since 2009. Low interest rates have led investors to pour money into real estate and the popularity of REIT regimes has increased the number of listed companies. A dozen European countries have adopted the tax-exempt REIT regime to date and EPRA is working with industry associations in Poland and Sweden on possibly joining this club, he said.

Beyond the market outlook, the remainder of the conference focused on how real estate should adapt to bigger and longer-term trends driven by technology.

Harnessing data generated by shopping centre visitors will be the "new gold" to mine for retail landlords, said McKinsey's Sandrine Devillard. She predicts that property companies will need to appoint Chief Data Officers to their C-suites as well as a Chief Experience Officer in charge of attracting footfall to their properties. Lease lengths are falling as office occupiers demand greater flexibility for a mobile and demanding work force, meaning landlords must focus more on tenant satisfaction, said Martin Laws of Deloitte.

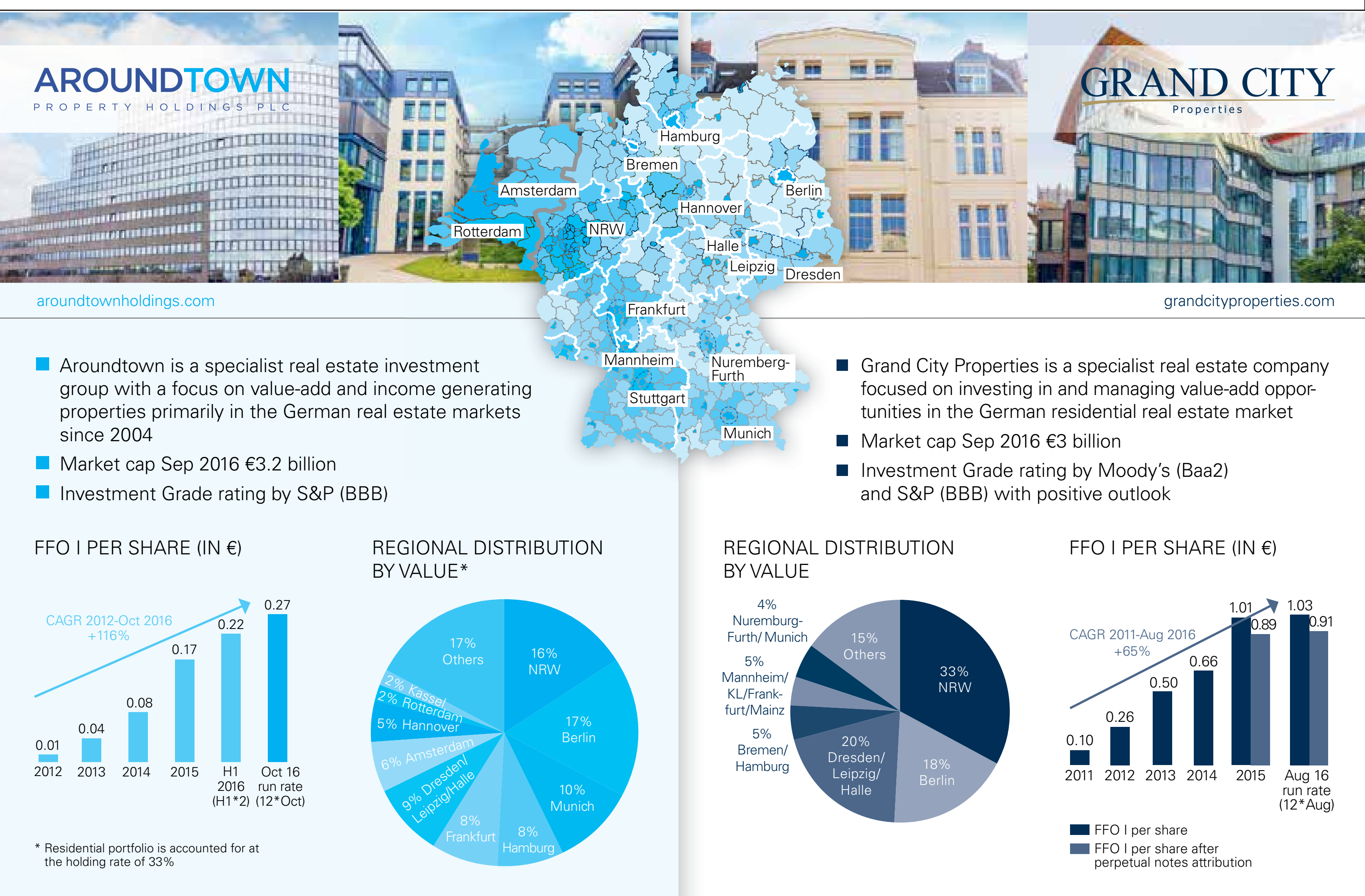
Inventor and futurist Ray Kurzweil gave the EPRA conference a startling insight into what to expect in the decades to come as technology radically changes the way that we live and interact with each other. He explained how five paradigm shifts have driven change at an exponential rate, the last of which is 'Moore's law' - more powerful transistors packed onto ever smaller integrated circuits for lower prices.

By the 2020s, the author predicted that 3-D printers would be making clothes and meals, while also constructing buildings on a modular basis. Virtual reality and mobile technologies will render cities unnecessary in the longer run and vertical farms will free up more land for living space.

EPRA will host next year's annual conference in London, although it is doubtful the event will live up to Kurzweil's vision for the future: where delegates will attend and network through virtual or augmented reality, exchanging handshakes and even hugs without actually having to travel to the conference venue.

Retail trends panel. From left: Tim Leckie (JP Morgan), Jaap Blokhuis (Multi), Jeremy Lewis (Eurocommercial), Christophe Cuvillier (Unibail-Rodamco), Sandrine Devillard-Hoellinger (McKinsey)

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!
Klépierre, Retail Only®
klepierre.com
KLEPIERRE
M&CSaatchi Little Stories



AROUNDTOWN
PROPERTY HOLDINGS PLC
aroundtownholdings.com
GRAND CITY
Properties
grandcityproperties.com
Hamburg
Bremen
Amsterdam
Berlin
Hannover
Rotterdam
NRW
Halle
Leipzig
Dresden
Frankfurt
Mannheim
Nuremberg-Furth
Stuttgart
Munich
Aroundtown is a specialist real estate investment group with a focus on value-add and income generating properties primarily in the German real estate markets since 2004
Market cap Sep 2016 €3.2 billion
Investment Grade rating by S&P (BBB)
Grand City Properties is a specialist real estate company focused on investing in and managing value-add opportunities in the German residential real estate market
Market cap Sep 2016 €3 billion
Investment Grade rating by Moody's (Baa2) and S&P (BBB) with positive outlook
FFO I PER SHARE (IN €)
CAGR 2012-Oct 2016 +116%
0.01 0.04 0.08 0.17 0.22 0.27
2012 2013 2014 2015 H1 2016 (H1*2) Oct 16 run rate (12*Oct)
REGIONAL DISTRIBUTION BY VALUE*
17% Others
16% NRW
17% Berlin
10% Munich
8% Hamburg
8% Frankfurt
9% Dresden/Leipzig/Halle
6% Amsterdam
5% Hannover
2% Rotterdam
2% Kassel
* Residential portfolio is accounted for at the holding rate of 33%
REGIONAL DISTRIBUTION BY VALUE
33% NRW
18% Berlin
20% Dresden/Leipzig/Halle
5% Bremen/Hamburg
5% Mannheim/KL/Frankfurt/Mainz
4% Nuremberg-Furth/Munich
15% Others
FFO I PER SHARE (IN €)
CAGR 2011-Aug 2016 +65%
0.10 0.26 0.50 0.66 1.01 0.89 1.03 0.91
2011 2012 2013 2014 2015 Aug 16 run rate (12*Aug)
FFO I per share
FFO I per share after perpetual notes attribution

REPORTING *ON RESULTS*

Jean-Michel Gault, Chairman of the EPRA Reporting & Accounting Committee and Deputy CEO of Klépierre, shares his thoughts about the importance of transparency and compliance with EPRA Best Practice Recommendations, and the next steps the committee.

What does the Reporting & Committee Committee do?

"The mission of EPRA is to put investors and real estate companies in the same room, so the committee's role is to advance financial transparency for the benefit of investors to facilitate their investment process. The centrepiece of the committee's work has been the set of best practice recommendations (BPRs). Two thirds of the committee is made up of property companies and the balance by investors, with the support of external advisors, auditors and analysts."

How are you approaching the job of chairman of the committee?

"I have been appointed for two years and I want to make sure that this committee works properly and efficiently, while also being as lively as possible. I felt it would be better to focus on real reporting and accounting issues, rather than duplicate the main board's deliberations. If the committee is the CFO body, then we have to deal with CFO issues. Reporting and accounting issues can be very technical, so we only meet once or twice a year. To make it efficient, we prepare these meetings so that when committee members come for the day, they are fully aware of what is at stake and can contribute positively. I have aimed to put more structure into the organisation and to build consensus. There have been some issues examined by the committee in the past, like a standardised loan-to-value ratio, that have been divisive, so I have sought to make the work of the committee less controversial or confrontational. EPRA >

BPRs are the cornerstone of the committee's activities but not the only one

sent out a survey to committee members in November last year to compile a list of issues. We aren't addressing all of those raised, but starting with the most important ones where there was more of a consensus approach possible."

Is the committee's focus just on EPRA Chairman Christophe Cuvillier's priority of greater compliance with BPRs?

"BPRs are the cornerstone of the committee's activities but not the only one. In our sessions we also need updates from auditors on the latest changes in International Financial Reporting Standards (IFRS) and, ideally, also of US standards, for which we have the help of our colleagues from NAREIT. We know that one may impact the other, so everybody has to be aware of what will or could come in the future. Another issue that we have looked at recently was proxy voting, which was a very informative session. Elsewhere, the committee is involved alongside the separate tax committee in EPRA's engagement with the IAASB (International Audit & Assurance Standards Board) and the work by the Organisation of Economic Cooperation & Development (OECD) on anti tax-avoidance, known as BEPS (Base Erosion and Profit Shifting)."

How do you explain the pick-up in BPRs compliance over the past year?

"First we stopped the inflation of BPRs, to ensure that more and more EPRA members came on board the existing framework. Secondly, EPRA's Director of Finance Hassan Sabir went across Europe meeting company after company to discuss what is at stake, and how come they could meet the target. There are six of the BPRs that are crucial for companies to meet in order to come into the system. Not all companies that are EPRA members have been responsive, which is an issue."

How do you enforce this?

"The matter of compliance with BPRs has been addressed at the EPRA board level. For the broader EPRA membership, the approach has been one of comply or explain. If a company omits an EPRA BPR metric, it needs to provide investors with an explanation of why the calculation is not relevant to its business. Investors are smart, so they will work out if this matters and respond accordingly. EPRA has also put in place an advisory team supported by auditing companies to answer any questions on how to apply and calculate the recommendations."

What will be the main area of work for the committee in the next 12 months?

"The committee has started looking at the accounting treatment of goodwill. It is quite technical and appears mostly in a merger or acquisition process. It has not been treated in exactly the same way recently and in some cases, this has frustrated investors. We created a subcommittee to work on this and to report back. We will work out if we need to issue a new BPR or to adapt. Most affected by this issue is the EPRA net asset value (NAV) BPR metric. The amounts at stake might be huge. Take as an example, the goodwill we had at Klépierre with our merger with Corio, which involved more than EUR 1 billion, so it's inclusion or not in NAV has a material impact on valuations. Another issue that we face is for auditors to sign off when a company reports an EPRA BPRs metric. There's serious demand from investors to have this done and the French authorities will request that in the future all financial metrics are audited."

Jean-Michel Gault
Klépierre

Jean-Michel Gault joined Klépierre as CFO in 1998, becoming a member of the Executive Board seven years later and Deputy CEO in charge of Finance in 2009. Prior to this, he spent a decade at Paribas Group in roles that included CFO of its real estate investment division and of former subsidiary Cogedim. His career in real estate finance began as a financial controller at GTM International.

A NEW RUSH *FOR GOLD*

Deloitte.

The EPRA Deloitte survey shows that the quality of financial reporting by European listed real estate companies has sharply increased in 2016. Close to two thirds of companies by market cap in the EPRA Index received Gold Awards thus achieving the highest levels of compliance with the Best Practices Recommendations (BPR).

With a record 46 Gold Awards granted this year, the level of compliance with the EPRA Best Practices Recommendations (BPR) is higher than ever. A true new rush for Gold! 14 new companies have achieved a Gold Award bringing the total to 46 versus 33 in 2015. A total of 76 companies have earned an Award this year, representing 79% by market capitalisation.

Over the last three years, a substantial 32 new companies have reached the EPRA highest Gold standard Award and 20 companies have been recognised with the Award for the "Most Improved Annual Report" demonstrating that the implementation of the BPR has convincingly gained momentum. This is a remarkable achievement for all these companies and their financial teams.

Impressive rises in disclosure have been seen over the past year among firms in the Europe Index. The number of companies disclosing EPRA EPS was 81% (+14% on the 2015 survey) of which 76% included a full reconciliation to IFRS earnings. Some 97% of firms now report EPRA NAV, compared with 88% last year. Disclosure of EPRA NNNAV reached 72% (+9%) and 53% of these companies are now presenting either one or two of the EPRA cost ratios.

As Philip Charls, EPRA CEO, said: "the message that you cannot be a top listed real estate player, and be viewed as having the best professional management, without delivering compliance with these industry benchmarks has obviously hit home in the market".

The survey process

The award results were determined following an analysis of companies' 2015 annual reports by Deloitte. The survey involved a team of reviewers at Deloitte from across our European real estate practices in Amsterdam, Brussels, Düsseldorf, Madrid, Munich, London, Paris and Stockholm. Annual reports of all constituents of the FTSE EPRA/NAREIT Developed Europe NAREIT indexes, comprising 97 listed real estate companies and annual reports of 20 non-index constituents were reviewed for compliance with the EPRA's financial BPR released in December 2014.

The aim of the survey is to promote awareness and encourage adoption of the BPR,>

focusing on the key performances measures which are widely recognised as important metrics in the real estate industry.

Looking ahead

For the first time this year, companies will receive an individual BPR feedback report prepared by EPRA and Deloitte to help them identify main focus areas where disclosures need to be improved.

This individual report aims to provide a tangible roadmap for companies to meet the minimum threshold and to improve their BPR award from a lower category to a higher one.

This new initiative together with the various actions already implemented (such as the BPR advisory panel available on the EPRA website) should enable the industry to achieve the ambitious challenge set up by the EPRA Reporting & Accounting committee to reach the targets of 55 Gold Awards and 90 Awards winners by 2018.

Emmanuel Proudhon
Deloitte France

Deloitte real estate teams from across Europe were involved in the survey and would be pleased to welcome the opportunity to meet locally with companies to discuss the survey and individual results, as well as current trends in financial reporting.

Most Improved Award winners

allreal
Beni Stabili SIIQ
CeGeREAL
Schroders Schroder Real Estate Investment Trust
VONOVIA
WERELDHAVE BELGIUM
axiare PATRIMONIO
REDEFINE INTERNATIONAL
LEG
TAG Immobilien AG

Highlights

65%

of the companies in the survey gained an award :

46 GOLD AWARDS

21 SILVER AWARDS

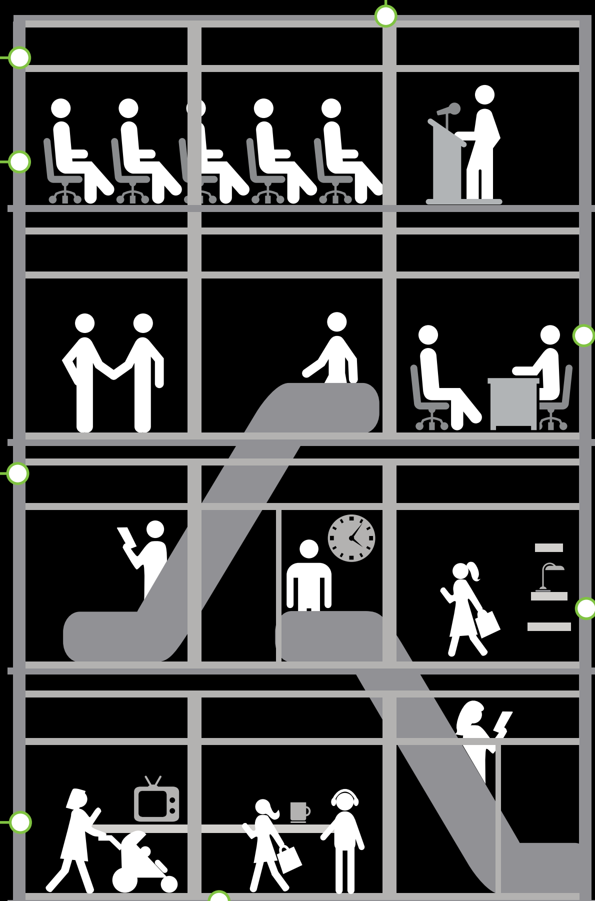
9 BRONZE AWARDS

representing 79% by market capitalisation

MOST IMPROVED ANNUAL REPORT

Award have been granted to :

- Allreal Holding AG
- Axiare Patrimonio SOCIMI SA
- Beni Stabili SIIQ S.p.A.
- CeGeReal SA
- LEG Immobilien AG
- Redefine International plc
- Schroder Real Estate Investment Trust Ltd
- TAG Immobilien AG
- Vonovia SE
- Wereldhave Belgium SCA



69%

of FTSE EPRA/NAREIT **Europe index members** have gained an award, compared to 59% last year, setting a new record high since 2011.

On a like-for-like basis,

67%

of surveyed companies disclose the EPRA performance measures summary table, a continuous improvement to last year (63%).

26

companies reviewed in last year's survey moved up and gained a higher award :

14 new Gold awards

9 new Silver awards

3 new Bronze awards

74%

of companies in the survey have disclosed **at least 3 KPIs** (representing 88% by market capitalisation) and **45%** have disclosed **all 6 KPIs** including cost ratios (63% by market capitalisation).

Disclosure of NNNAV continues to improve as 70% of companies presented this performance measure, whilst:

79% DISCLOSED EPS and

97% DISCLOSED NAV

61%

of companies reported rental growth on a like-for-like basis.

Otherwise specified, the figures shown above are in absolute numbers and not by market capitalisation.

FRANCE'S LISTED PROPERTY SECTOR SEES 2017 NATIONAL ELECTIONS AS *A SPRINGBOARD TO A NEW DECADE OF DEVELOPMENT FOR THE INDUSTRY*

France's listed real estate sector has a meaty wish list to discuss with whoever wins the country's presidential and legislative elections next year.

Federation des Sociétés Immobilières et Foncières (FSIF), the industry body, is pressing for a new phase of development for France's listed property sector, which has levelled off after its rapid growth in the five years that followed the 2003 introduction of the real estate investment trust (REIT) regime in France.

"We are working on a new cycle of development for the sector for the next 10 to 15 years, building on the considerable successes that we have achieved as an industry to date," said Christophe Kullmann, FSIF's Chairman and also CEO of Foncière des Régions. "Next year's elections in France will redraw the landscape in terms of who we engage with in government. This will be very important in our work with stakeholders, since the dialogue with public authorities has always enabled the sector, its companies and their economic footprint to grow."

The main thrust of FSIF's efforts is to broaden the REIT status in France by loosening the rules to encourage more specialist sector newcomers to adopt the regime. Other areas requiring government and parliamentary approval are waivers to the one-time levy paid for becoming a REIT for companies that have delisted and subsequently returned to the stock market, as well as efforts to establish European Union REIT "passporting" rights in member countries.

France was the first of Europe's major real estate markets to establish a REIT regime, known as Sociétés d'Investissements Immobiliers Cotées (SIICs). It helped transform an industry of seven companies with a market capitalisation of around EUR 12 billion into one with 42 SIICs today worth five times more. The sector has two members of the CAC 40 benchmark French stock index.

Starting with a REIT regime template inspired by the US, FSIF worked with legislators and government officials to introduce France's SIIC regime and to adapt it to issues such as captive ownership or loopholes in bilateral tax treaties with other European Union states.

"France has played a pioneering role in the development of REITs in Europe, with the industry federation FSIF instrumental in introducing and continuously refining the model," said EPRA's CEO, Philip Charls. "The listed sector in Europe is flourishing as a result of this contribution, with a dozen countries with REIT regimes in place. Poland and Sweden are also exploring the regime."

SIIC status, which exempts companies from taxes in return for distributing 95% of their operational income as taxable dividends, put property companies in France on an equal footing with funds, insurers and investments banks to compete for investment opportunities, said FSIF's CEO Dorian Kelberg.

Importantly, it changed the view of the sector as a "sleeping beauty" of passive income generation, he said. France's listed sector is perceived now as a dynamic industry that touches the lives of people every day, is a major contributor to public finances and economic growth through its investments, and creates tens of thousands of jobs directly or through the real estate value chain, he added.

"No industry sector in France has undergone such a massive change in such a short period of time," said Dorian Kelberg. "We cannot drive reform without showing how the listed real estate sector makes such a positive and wide-reaching contribution to the general interests of the country."

Since the global financial crisis, however, the sector has been in a phase of consolidation as a result of mergers and acquisitions of smaller French companies. The number of SIICs has dropped from a peak of around 50 in 2010 to 42, while 90% of these companies' assets are in offices or retail properties. The low interest rate environment, a legacy of the crisis, has increased competition for real estate and led French SIICs to sell income-producing assets to finance more development projects. This has shifted investors' focus to net asset value growth of the companies concerned and away from their income generation characteristics, Dorian Kelberg observed.

Aside from changing the REIT rules in France, another major theme facing the listed real estate sector will be the impact of new accounting rules aimed at obliging all companies to report their lease obligations on their balance sheet. This may reduce sale-and-leaseback deals or affect specialist landlords like hotel investors, which are reliant on the operational businesses occupying their buildings. There are broader challenges too, like how technologies are changing the business model of listed real estate companies, notably for retail and office assets, Dorian Kelberg said.

"Whoever holds power next year, we always need to balance the specific needs of our industry with an explanation of our contribution to the general interests of the country," said Dorian Kelberg.

No industry sector in France has undergone such a massive change in such a short period of time

HOTEL SECTOR *HEATS UP*

Regardless of where you spent this year's summer holidays, make sure not to miss the interview with Cristina García-Peri, General Manager of Hispania Activos Inmobiliarios, who sheds light on the hotel business in Spain.

Spain is the world's third-largest tourist destination after the USA and France, attracting 68 million tourists last year

Why invest in Hispania?

"Our goal at the time of our IPO in March 2014 was to be the most profitable REIT in Spain, delivering investors returns that are superior to what is available in the general market. We have access to a pipeline of off-market deals that can be executed at very attractive entry prices. The team has a good track record as an active asset manager across offices, residential and hotels: adding value through improved occupancy, refurbishments and repositioning properties through major renovation. This combination enables us to deliver returns not only from rental growth but also higher valuations. For the first half of 2016 we reported a 12% increase in net asset value (NAV) from a year earlier and almost an eightfold rise in earnings per share."

Why is Hispania focused on hotels?

"Hotels make up about 60% of our portfolio because the sector offers a large opportunity. Spain is the world's third-largest tourist destination after the USA and France, attracting 68 million tourists last year. There are 800,000 hotels beds in Spain, three-quarters of which are 'sun and beach' resorts and there are high barriers to entry for the best locations. Spain's hotel industry is going through a generational shift as many of the family owners want to sell up. Elsewhere, the "asset light" model of hotel chains is coming, so a number of large operators are looking to sell and lease back their properties. Our sale and leaseback deal involving sixteen hotels of Grupo Barceló at the end of 2015 shows how we are taking advantage of this trend. Many of the large global hotel chains are under-represented in Spain, so this also provides an opportunity to help them enter the market."

What about business travel market?

"Our main focus is in holiday destination hotels, whereas the business travel market is a much smaller market and concentrated on the major cities of Madrid or Barcelona, presenting fewer opportunities."

Why are tourism trends favourable for Spain?

"The number of tourists visiting Spain this year will probably exceed 70 million, mainly from Europe. The industry has benefitted from a number of tailwinds. People are tending to travel more as the costs have come down and there is more leisure time. Since the Arab Spring of 2010, the Canary Islands have benefitted from increased numbers of holidaymakers seeking the winter sun but deterred from visiting Tunisia or Egypt. Recent terrorist attacks in Turkey and the instability in Syria have also increased the number of travellers this summer."

What's Hispania's relationship with Azora Group?

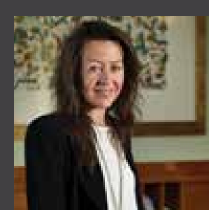
GARCÍA-PERI: "Grupo Azora is a real estate private equity firm that acts as the external manager of Hispania. We set up Hispania in 2014, when there was tremendous interest from investors for listed companies to give them new exposure to commercial real estate without any legacy assets or financial problems. Taking the listed sector route gave us access to a much broader pool of investors. Private equity funds typically have a finite lifespan that didn't fit with our hotel investment strategy of creating long-term value from our assets."

How will you spend the proceeds raised in May's rights issue?

"Most of the EUR 230 million will be spent on acquisitions because our capital expenditure programme for our portfolio is being financed from our existing cash flow and reserves. We aren't particularly interested in new developments in vacation hotels, because invariably the sites are away from the beach front and there are more attractive opportunities from existing assets in prime locations that can be refurbished. We are, however, extending one existing hotel. We are currently looking at a number of acquisitions that we expect to close by the end of the year. There are several opportunities in the coastal area of southern Spain as well as in the Canary and Balearic islands. We are also looking at offices, where the market has become very competitive in terms of pricing, but there could still be some interesting opportunities."

Is the strategy to buy and hold your hotel assets?

"We won't be shy about selling assets to recycle capital so that we can continue to generate superior returns. Once we have taken a property to the point where it is stabilised we will consider an exit, provided it maximizes value for our investors."



Cristina García-Peri

Cristina García-Peri joined Grupo Azora, the external manager of Hispania Activos Inmobiliarios, in 2011. This followed a 30-year career in banking at Merrill Lynch and J.P. Morgan spanning corporate M&A, structured finance, and share trading and hedging for clients across the EMEA region. She began her career at McKinsey & Co. in Spain.

SURGING *AHEAD*

Recognising the increasing importance investors give to sustainability performance reporting, EPRA encourages its members to produce best-in-class annual sustainability performance reports through its sustainability Best Practices Recommendations (reporting guidance) and yearly EPRA sBPR Awards, which were announced at the annual EPRA conference in Paris in September. The Awards recognise the companies who are doing this successfully and consistently, with Bronze, Silver and Gold Awards, as well as those who have made a significant effort to improve their score substantially over the past year, with a 'Most Improved' Award. The Awards results were determined following an analysis of the companies' 2015 annual reports by JLL.

Highlights from the 2016 EPRA sBPR Awards

In 2016, over 60% of EPRA members reported on at least one performance measure and the number of Award winners has doubled since the first Awards in 2012 (from 18% to 36% of EPRA members).

These numbers are a clear testimony of the success of EPRA's initiative in promoting a more transparent, clear disclosure around sustainability performance amongst its members.

Of course there is still room for more Award winners in 2017. In fact, the number of Awards could double again, in the space of one year. Easier said than done? No, actually! Companies looking to improve their score next year should be aware of the following 'quick win':

Currently, there is a distinct lack of reporting of like-for-like Performance Measures. For example, 83% reported on the Absolute electricity consumption (Elec-Abs) but only 53% companies disclosed their like-for-like data for electricity (Elec-LfL). If all non-Award winners who reported on absolute performance measures reported their like-for-like Performance Measures, the number of Award winners could nearly double in 2017. This is a simple calculation to do, once the absolute figures have been calculated for two consecutive years – simply exclude assets that have been bought, sold or under major refurbishment in the two year like-for-like period. If you've read this article, what excuse can you have?

Setting the honour of winning an Award aside, the importance of like-for-like Performance Measures, should not be underestimated: Like-for-like Performance Measures are a necessary compliment to absolute Performance Measures, as disclosure on a like-for-like basis shows change in performance unrelated to fluctuations in portfolio size (through acquisitions, disposals, major refurbishments and developments). Like-for-like reporting provides consistent and comparable data for investors – the ultimate goal of the EPRA Sustainability Best Practices Recommendations.

Denise Michela Sofia
JJL

Denise Sofia has worked in JLL's Sustainability team since 2011. She works with REITs across EMEA to develop and implement robust sustainability strategies, as well as to report on them in their Sustainability reports. Denise has worked with EPRA since 2012 to develop their sBPR and assess the EPRA members' reports as part of the annual EPRA sBPR Awards. She has helped several EPRA members improve their reporting in line with the EPRA guidelines.

Most Improved Award winners

CASTELLUM

Colonial

psp Swiss Property

WERELDHAVE

ANF

EUROPEAN LISTED REAL ESTATE *STRONG ON SUSTAINABILITY*

More members of EPRA are now reporting sustainability data to GRESB, the global standard for Environmental, Social and Governance performance, and there has been a marked improvement in performance ratings in the last year, according to the latest GRESB report.

"We are very proud to see that close to two thirds of the EPRA Developed Europe Index by investable market capitalisation has reported their performance results to GRESB," EPRA CEO Philip Charls said. "EPRA encourages disclosure and transparency when it comes to the sector's environmental impacts and already promotes greater sustainability reporting performance through our sustainability business progress reports." >

Buildings are clearly part of the problem but they can also be part of the solution

The 2016 GRESB Real Estate report shows that on a regional basis, the average score of European listed companies rose to 65 points in 2016 from 61 in 2015, placing Europe second, behind Australia. The higher sustainability standards are creating tangible benefits for people and the environment, while investors receive higher returns and lower risk, the report noted.

EPRA, GRESB and INREV, the European Association for Investors in Non-Listed Real Estate Vehicles, have been collaborating to assess how the industry can help achieve the target set at the Paris COP21 Climate Change conference, of cutting 77% of current CO2 emissions by 2050.

Nils Kok, CEO of GRESB, told an EPRA/INREV-hosted seminar in Brussels in late-September that real estate is a critical part of the carbon debate, since it contributes 30% of global greenhouse gas emissions annually and consumes 40% of the world's energy. "Buildings are clearly part of the problem but they can also be part of the solution," he said. "The largest companies are taking action and the capital market also has a role to play. Investors want valuable companies with low carbon emissions."

He warned that lenders are waking up to the risk of 'stranded assets' and a higher risk of default from entities with weak sustainability ratings. The concept of stranded assets was first applied to the fossil fuel sector, where reports suggest company valuations may be too high if assets such as fossil fuel reserves cannot be exploited due to regulatory measures to contain global warming. The perspective is now being tested in other sectors where assets cannot be exploited or sold, and debt cannot be redeemed.

GRESB ratings, focused on sustainability and energy efficiency, increasingly inform capital allocation. Across the sector, greater transparencydrives performance. Institutional investors have begun to recognise the connections between buildings and sustainability as sources of both value and risk, and are requesting high quality information about the ESG performance.

The European Commission's Energy Directorate is to release a package of measures later this year to address energy efficiency in the built environment. At the Brussels seminar, DG Energy director Mary Donnelly said the proposed package would include the existing Energy Efficiency Directive and a new Energy Performance of Buildings Directive. The latter would focus on reducing carbon emissions through the use of 'smart' technology.

She explained that consumers are regarded as critical to Europe's energy savings drive, while building assets and the neighbourhood envelope around them should be transformed from 'silent observers' to active participants in any strategy. The new Energy Performance Directive will recognise innovations such as digitalisation which allows 'smart' buildings to monitor energy consumption and help occupiers improve energy performance.

Energy efficiency will account for around 56% of globally co-ordinated measures to contain global warming, according to the UN Environmental Programme (UNEP). EU legislation and financing will encourage institutional investors to help build economies of scale in energy savings by aggregating real estate assets and 'de-risking' upgrade costs.

A new UNEP report outlines how investors can introduce or improve sustainability and energy efficiency measures in their portfolio holdings.

It considers specific risks (extreme weather, resilience and insurance implications) and opportunities (the positive impact of 'greener' fundamentals) in the real estate sector, and also advises asset managers that failing to consider ESG factors is now considered a breach of fiduciary duty.

Institutional investors attending the seminar included Bill Hughes, who heads a £21 billion real estate portfolio as Head of Real Assets at Legal and General Investment Management, Olivier Elamine, CEO of German real estate company alstria, Mathieu Elshout, director of private real estate at Dutch PGGM Investments and Matthijs Storm, Head of Real Estate at Kempen Capital Management.

Hughes said the most critical element of 'greening' real estate assets is a productive relationship between owners and occupiers while PGGM's Elshout said a lot of real estate assets are still undermanaged by institutional investors. Elamine said a drive for energy savings was right but the most effective way to reduce carbon emissions was via clean energy, and regulators should address inconsistencies that form barriers to its adoption.

WHAT'S NEXT FOR THE *LISTED SECTOR?*

Alan Supple from J.P. Morgan shares his ABC about investing on the UK and continental market. A must-read after Brexit.

How do you assess the "Brexit effect" on the listed sector?

"People who took a very negative view on what would happen in the wake of Brexit focused on UK real estate and home builders, assuming that Britain leaving the European Union can only be bad for office demand in London. Some jobs will go to Amsterdam, Paris, Frankfurt and Dublin, which will impact office space. There was a very strong downdraft for UK listed real estate at the start of the year on the potential of a Brexit vote. It's not just this, however, since there's also been concern about the market turning on potentially slower growth and oversupply in the market. Concerns about where asset values will settle have caused UK stocks to underperform."

Does this make the UK a "Buy"?

"This is one of the few times in my investing career that I've felt I should be underweight on the UK. I've generally felt that you should be structurally overweight on the UK for the quality of its companies, management teams and investment opportunities. The UK also offers the ability to invest in niche segments – like student housing - that don't really exist elsewhere in scale on the continent. I prefer to take a pretty cautious view of the UK market currently, pending more visibility on the political and economic situation. The sell-off isn't an asset price correction on the level of what we saw in the financial crisis, but it's clear that prospects for rental growth and investment demand in the UK are more muted. It's not the end of inward investment because the weakness of the currency offsets the potentially weaker fundamentals."

What about continental Europe?

"There are a number of areas that offer a pretty good trade-off between stable income returns and the potential for capital returns. There are pockets of stability and pockets of rental growth. We're starting to see signs of life in Paris, more so in the CBD than anywhere else. There's been stronger take-up, incentives are starting to contract - although they're still quite high - and headline rents are turning up in the right direction. Some stocks have already done pretty well, but there's probably a bit more room to run there because of the value creation levers available in leasing up space and portfolio consolidation. I'd also say look at somewhere like Spain, where we're really starting to see signs of life in the rental market and things are looking a bit more positive on the economy. The German residential sector will continue to benefit from the low rate environment, and is attractive from an income growth perspective, but I'd like the stocks to offer a better dividend proposition over time. In the meantime, there's a fair amount of wind in the sector's sails and probably will continue to be."

What's your view on the fundamentals for investing in real estate?

"We're in a lower for longer interest rate environment and therefore we're going to continue to see a demand for income, which serves the property sector well. You've got European institutions that are just desperate for yield in a very low or negative interest rate environment: they are looking to pick up good long-let buildings with a stable cash flow profile, yielding a significant premium to their fixed income portfolio. The question is at what point do we actually get decent, sustainable income growth, or trend GDP growth, and therefore a strong income story across the continent."

How do you engage with companies to foster change?

"We regularly meet chairmen and board members of companies – always separately from management, which is extremely important. We also have a separate corporate governance team that is very active."

So what's un-investable for you?

"The sector has to address the long tail of small, illiquid companies. We need to see consolidation to bring scale in subsectors and regions with more mid-cap names that offer a compelling investment argument to a broader range of investors. Sensibly, certain companies are starting to look at M&A to take advantage of their relative valuation, but specialisation is important and growth through diversification is not the route. Another issue is the ownership structure. In France, for instance, we see a small club of institutions that owns sizable chunks of these small listed companies, reducing the free float significantly. The boards of these companies have to realize that this reduces my desire to invest."

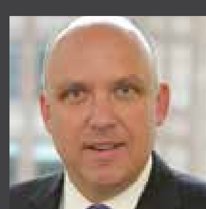
Is executive pay important?

"In our sector it's about creating better alignment of interest between management teams and shareholders and stakeholders. We'd like to see managements putting their money where their mouth is and being incentivized to create value for shareholders by driving improvements to their business."

What will be the impact of index changes establishing real estate as a stand-alone industry sector?

"It's a positive for the visibility of the sector. I don't think it necessarily is going to happen overnight. You will see people, particularly generalist investors, just paying more attention to it, and I think that's a good thing."

I prefer to take a pretty cautious view of the UK market currently, pending more visibility on the political and economic situation



Alan Supple
J.P. Morgan

Alan Supple joined J.P. Morgan Asset Management in May to oversee its $2.5 billion of assets as global head of real estate securities, leaving BNY Mellon Asset Management. Prior to this he held senior positions in corporate finance and acquisitions at two listed companies in Brussels and New York following four years in property investment banking at Salomon Smith Barney.

GLOBAL LISTED REAL ESTATE *COMES OF AGE*

On September 1st real estate became the 11th industry sector in the Global Industry Classification Standard (GICS) for equity indices, which is the reference for stock indices compiled by MSCI and S&P.

This is the first new sector introduced since the creation of GICS in 1999 and results from real estate being extracted from its previous position within financial stocks, which should result in much lower levels of volatility, or risk, for investors and also highlights the positive dividend income yields that REIT structures provide.

Table 1: MSCI ACWI Index - Sectors		
	Pre Sep 1	Post Sep 1
Consumer Discretionary	12.29%	12.29%
Consumer Staples	10.45%	10.45%
Energy	6.75%	6.75%
Financials	20.25%	16.85%
Health Care	11.87%	11.87%
Industrials	10.49%	10.49%
Information Technology	15.67%	15.67%
Materials	5.11%	5.11%
Real Estate	-	3.40%
Telecommunication Services	3.81%	3.81%
Utilities	3.32%	3.32%
Total	100.00%	100.00%

Table 2: MSCI ACWI Financials Index - Industry Groups		
	Pre Sep 1	Post Sep 1
Banks	9.29%	9.29%
Diversified Financials	3.74%	3.79%
Insurance	3.78%	3.78%
Real Estate	3.44%	-
Total	20.25%	16.85%

Elevation to a stand-alone sector in GICS for equity indices follows a tripling in real estate's share of the global equities market to 3.5% currently, from 1.1% at the trough of the market cycle in 2009. A combination of equity fund raising and strong investment performance has powered a surge in the free float market capitalisation of the FTSE EPRA/NAREIT Global Developed Index to USD 1.48 trillion from USD 508 billion during the same period.

One of the reasons for removing real estate from the GICS Financials sector (the largest of the 10 industry sectors with a 20.25% weighting under the former treatment) was the low correlation in the performance of property stocks relative to other equities classified as Financials, such as banks. This is supported by the relative volatility of listed real estate and financial stock indices. The 10-year volatility of the FTSE EPRA/NAREIT Developed Europe Index is 19.4%, whereas for MSCI Europe/Financials it is 29.52% for the same period. Changing the listed property sector's status should therefore reduce volatility to levels that are closer to that of the underlying direct property.

The volatility of listed securities has been the main reason referred to by many European institutional investors for why they do not allocate to listed property. The decoupling from Financials is expected to improve the risk-profile of REITs and start attracting new allocations.

The potential for these additional investment capital flows is enormous, even though attracting the money would be a gradual process. Roughly half of European institutional real estate investors, with EUR 3.0 trillion in total assets under management, do not currently invest in listed securities. If their allocation was to match that of their European peers who do invest in property stocks, at roughly 2.5% of AUM, then the listed sector could gain EUR 75 billion worth of additional investment going forward.

It underpins what EPRA research has highlighted for years: the inclusion of real estate stocks in a portfolio means that over the medium term investors can access the returns of the direct property market with the added advantages of much greater liquidity and lower costs.

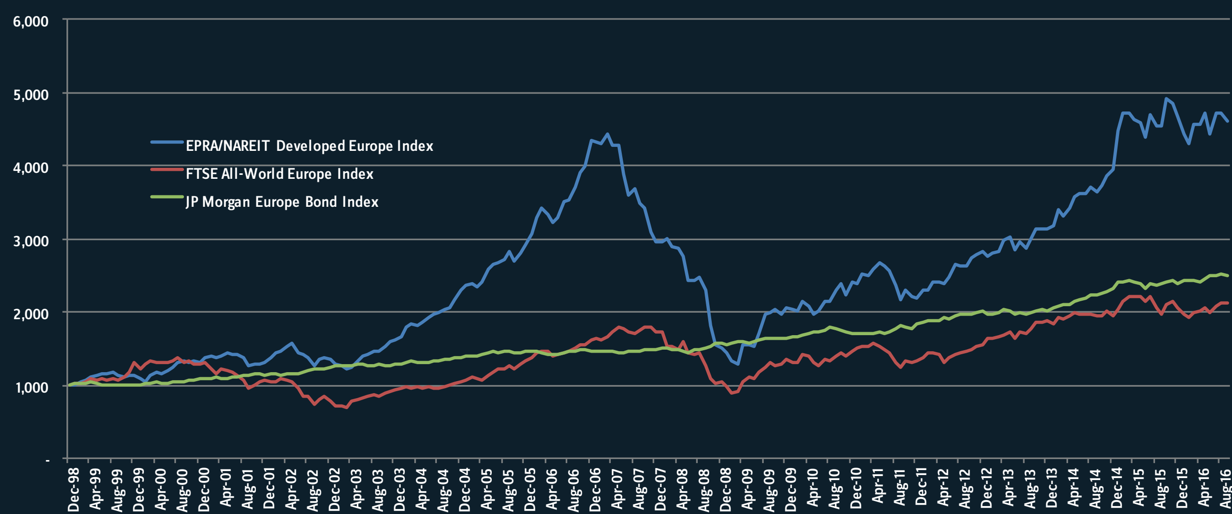
The GICS move may well be replicated by other major equity indices providers, given the momentum of growth in the global listed real estate sector. We are witnessing the increasing maturity of real estate as an asset class with the listed property sector becoming a credible and sizeable complement to fixed income and general equity investments.

The listed sector could gain EUR 75 billion worth of additional investment going forward

EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

INDEX FOCUS

Comparison of Asset Classes

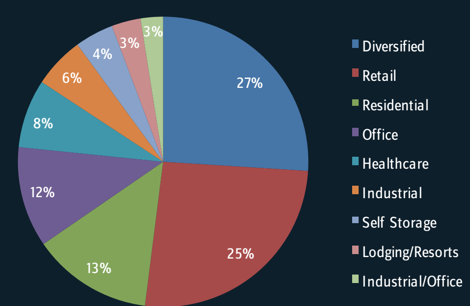


Value Snapshot (September 2016)

Developed Europe	(Latest) Monthly	Year to date	1 year	(Long-run) 10 year
Total Return (%)	-2.38%	-1.54%	1.26%	2.18%
Premium/Discount to NAV (%)	0.80%	-1.40%	-0.40%	-10.50%
Loan-to-Value (%)*	38.57%	-	38.18%	40.45%
Dividend yield (%)	3.28%	-	3.03%	2.31%

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

Global Sector Breakdown



Top 10 European Performers (September 2016)

FTSE EPRA/NAREIT Global Index

Stock name	Country	REIT Status	Sector	Investment Focus	Price Return Sept-16	Dividend Yield Sept-16	Total Return Sept-16
Aedifica	BELG	REIT	Diversified	Rental	8.35%	0.00%	8.35%
Conwert Immobilien Invest SE	OEST	REIT	Diversified	Non-Rental	6.45%	0.00%	6.45%
Wereldhave NV	NETH	REIT	Retail	Rental	4.92%	0.00%	4.92%
Kennedy Wilson Europe Real Estate PLC.	UK	Non-REIT	Diversified	Rental	4.26%	0.00%	4.26%
Regional REIT	UK	REIT	Industrial/Office	Rental	2.44%	1.71%	4.15%
Daejan Holdings Plc	UK	Non-REIT	Diversified	Rental	4.10%	0.00%	4.10%
Adler Real Estate AG	GER	Non-REIT	Residential	Rental	3.85%	0.00%	3.85%
Picton Property Income Limited	UK	Non-REIT	Diversified	Rental	3.60%	0.00%	3.60%
Safestore Ltd.	UK	REIT	Self Storage	Rental	3.41%	0.00%	3.41%
BUWOG AG	OEST	Non-REIT	Residential	Non-Rental	3.35%	0.00%	3.35%

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