EPRA Research Digest
September 2017

EPRA
EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

Welcome to the second edition of the EPRA Research Digest.

This year's research session at EPRA's Annual Conference brought together experts from the listed real estate industry who discussed the current and anticipated impact of technological innovations on the listed real estate industry and stressed the importance of relevant research in all fields of our sector.

This publication provides an insight into the key takeaways from the research session and includes a description of other research relevant to our industry.

We have also included a short video with the interviews from several participants of the research session.

Continuing its mission to provide a focused research resource for members of listed real estate industry, the EPRA Research Committee is now inviting Proposals for Research Projects for 2018. Please click here for more information.

In the Digest, you will find the following sections:

1. Invitation for Research Proposals 2018
2. Member feedback on the research initiative
3. Key third party research presented at the Conference
4. 2017 Research Projects sponsored by EPRA (available December 2017)
5. Research produced by EPRA

Colin Lizieri

Grosvenor Professor of Real Estate Finance, University of Cambridge
EPRA Research Committee member

Invitation for Research Proposals 2018

EPRA Research Committee is now inviting Proposals for Research Projects that have relevance to the European listed real estate sector. The submissions are open to both academic researchers and market practitioners.

Deadline for submissions: Monday, 20 November 2017

For more information, please access the document here or contact us on research@epra.com

Member feedback on the research initiative

Find out what James Wilkinson (BlackRock) and Harry Stokes (SEGRO) think about the EPRA research programme and listen to feedback of the 2017 programme participant Yi Wu (Sun Yat-Sen University) by watching the Research Digest video here.

Key third party research presented at the Conference

We are always keen to highlight the research undertaken by other organisations which may be of interest to our members and industry stakeholders. Below we highlight three research initiatives which were presented at the EPRA Conference, and look at the future trends affecting listed real estate industry.

Real Estate Research and the Future of Cities

By Colin Lizieri

The Cambridge Real Estate Research Centre holds an annual research symposium, Future Cities, sponsored by CapCo, which brings together academic and industry researchers, policy makers and professionals from the built environment to discuss key trends affecting real estate and cities. This year's conference themes were Technology, Networks, Migration and Governance. Among the key takeaways from the conference, I would highlight the following:

- Keynote speaker Professor Carlo Ratti (MIT) set out how digital technologies are transforming the way we use cities, with profound implications for real estate. He highlighted driverless vehicles, our ability to use real-time data to analyse and manage flows of people and goods in cities and dramatic changes in the way we work and live, with greater sharing of common space;

- Big data and new digital sources are transforming the way we conduct research. Examples from Cambridge include the use of remote sensing and satellite imagery to map cities three dimensionally and match shape to property values; and the use of AI allied to digital street images to identify and classify property types as an aid to appraisal;
- Migration transforms cities: research on graduate migration shows that the best graduates are attracted to cities not only by earnings, but also by their openness and diversity – and are less deterred by costs. Drawing in the best graduates drives productivity and economic growth;
- In many countries, there is a major demographic shift to older population structures. This changes the demand for space in cities and calls for innovation in land-use to make cities good places, both for dynamic graduate workers and for an older, returning population.

These and similar themes will be explored in more depth in the next Research Digest, which will be hosted by the University of Cambridge.

The Impact of Exponential Technologies on Listed Real Estate (available December 2017)

By Irina Lenchuk

The research aims to provide a targeted overview of in-scope technologies and explore the unique set of challenges and opportunities that they present for listed real estate companies and investors. The research is relevant for an EPRA audience as, in the coming decades, the competitive position of any business will highly depend on its ability to navigate change and proactively embrace new technological advances.

Main research question: What will be the impact of emerging technologies, including Blockchain; the Internet of Things; Artificial Intelligence; Virtual and Augmented Reality; 3d Printing; Robotics, on listed real estate in the next 5 to 8 years?

Key takeaways: Technologies explored in this research are set to evolve at an exponential rate, driving radical change across all industries. They will make us continuously redefine how we occupy, use, operate, and value our buildings, demanding greater flexibility of assets and business models, and enabling greater transparency and efficiency around key property management functions.

10 Strategic Issues that European Real Estate Companies Cannot Afford to Ignore

By Philippe Le Trung, Ismaël Messoussi and Qi Wang

This paper examines the key strategic issues for European listed real estate companies.

Main research question: What needs to be at the top of the strategic agenda of European real estate companies? What are the new opportunities and challenges real state companies are facing in this fast-changing era? How should real estate companies be prepared for these new trends?

Key takeaways: The authors focus on the most important issues with respect to the **market** (property cycle, shifting demand, alternative assets), **business models** (platforms, disintermediation, proptech) and **critical trends** (integration, activists). They also bring their points of view to real estate decision-makers on how to face and react to these issues.

Access the research

2017 research projects sponsored by EPRA (available December 2017)

The preliminary results of research projects supported by the EPRA Research Initiative for 2017 have been presented at the Annual Conference on September 6.
The invaluable feedback received from our members will be applied to the research presented to make it more relevant for the market practitioners.

Below we provide an overview of the projects:

1) **Long-term Implication of the Growth of Passive Investments on the Listed Real Estate Market** by Nicolas Rabener

    The study provides an overview of the growth of passive investments on listed property sector globally and evaluates the short- and long-term implications for company managements and investors.

2) **Capital Structure and Value of the Firm: Evidence from European REITs** by Sotiris Tsolacos and Yi Wu

    The authors of this project explore the return enhancement through share buybacks and special dividends.

3) **Debt Diversification in the European Listed Real Estate Companies' capital structure decisions** by Heidi Falkenbach and Ranoua Bouchouicha

    This research investigates the benefits of debt diversification at a company level.

Research produced by EPRA

EPRA continues to publish monthly reports on NAV and LTV metrics for European listed real estate companies together with a detailed index round-up published in Monthly Statistical Bulletin.

Access the research

In addition, EPRA has published the following project:

Decomposing volatility

Volatility is an extremely important aspect to consider when investing in listed real estate. Many companies in Europe are simultaneously constituents of local equity market indices and specialized real estate indices which exposes those companies to the volatility coming from external factors. Volatility decomposition helps to improve the portfolio and risk management processes for investors by highlighting the relevance of external factors and therefore, improving the understanding of the industry.

Main research question: What is the main source of volatility for European listed real estate companies, as measured by FTSE EPRA/NAREIT Developed Europe Index constituents? What are the effects of Brexit on the volatility of British index constituents?

Key takeaways: The volatility of a selection of constituents is decomposed into the four main sources: listed real estate, local equity markets, local currencies and company's own dynamics (non-external factors such as returns from properties, operational efficiency and management skills). Although more than 80% of each constituent's volatility is related to its own dynamics (including returns from properties), external variables such as other listed real estate companies, national currencies and domestic equity markets might be considered in the portfolio optimisation and risk management processes. In most cases, the equity market is the largest external contributor to the constituents' volatility in the short-run, but its influence becomes less relevant in the long-run.

Access the research

If there a specific topic that you would like to see covered by the EPRA research programme, please do not hesitate to contact us.

E research@epra.com
T +32 2 739 10 10

E alex.moss@consiliacapital.com
T +44 207 887 6086

EPRA Research Committee

- o Alex Moss (Consilia Capital) - Chairman
- o Colin Lizieri (University of Cambridge)
- o Eamonn D'Arcy (University of Reading)
- o Karen Sieracki (KASPAR Associates)
- o Martin Hoesli (University of Geneva and University of Aberdeen)
- o Dirk Brounen (Tilburg University)
- o Emmanuel Jurczenko (Ecole hoteliere de Lausanne)
- o John Lutzius (Green Street Advisors)
- o Mahdi Mokrane (LaSalle Investment Management)
- o Philippe Le Trung (VIEWS+S Consulting)
- o Hans Op 't Veld (PGGM)