



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

Ready _{for} growth

A guide to the
future of the European
listed real estate



Our
Mission statement:

“ To promote, develop
and represent the
European listed
real estate sector

WORKING WITH AND FOR OUR MEMBERS



EPRA

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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

Executive summary

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.

For almost two decades now, as our industry's voice in Europe, EPRA has been committed to building on its successes and working with our members to enhance the future of the European listed real estate sector. It is never too late to take a step

“ **Property companies play a crucial role in providing retirement security to millions of people**

back and look at where we came from and what has been achieved, to better grasp where we would like to go and how we should do it. We hope you will enjoy discovering the EPRA story.

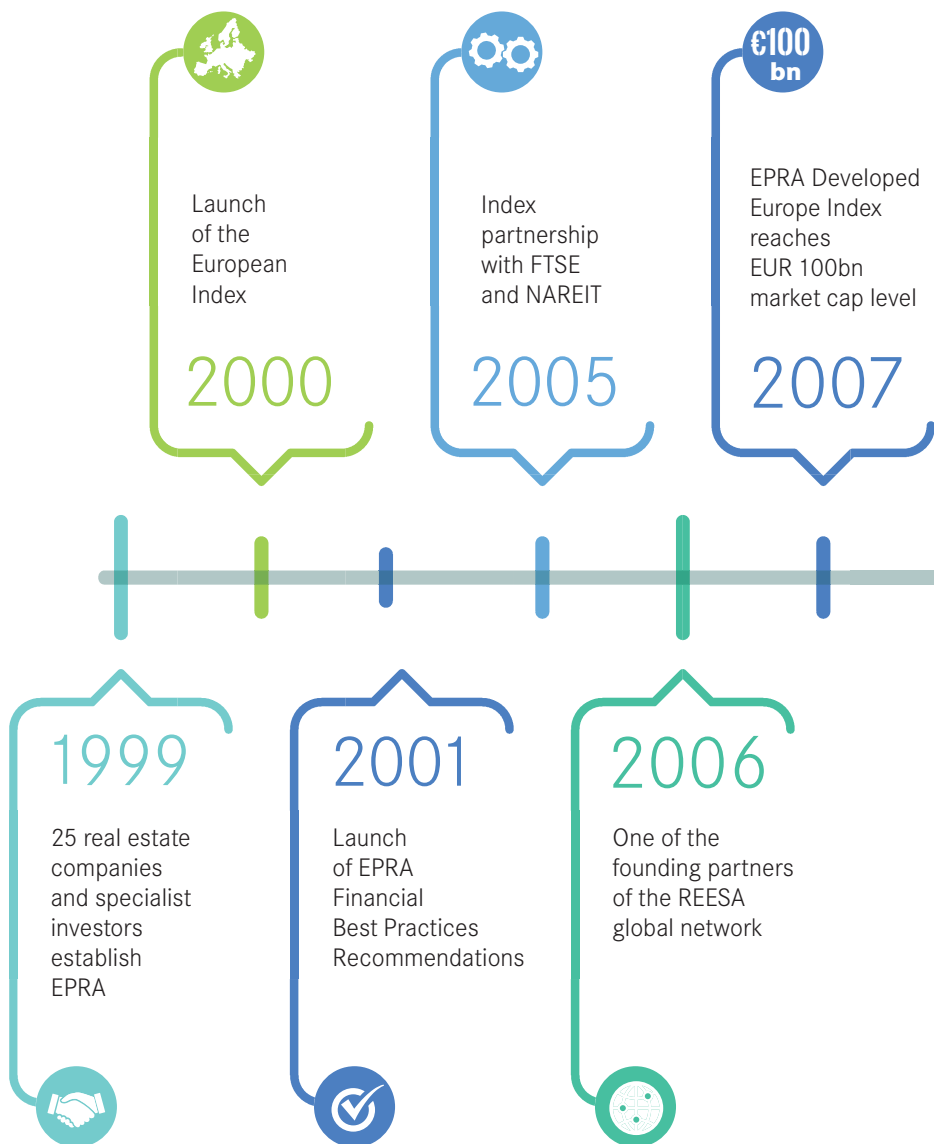
Philip Charls

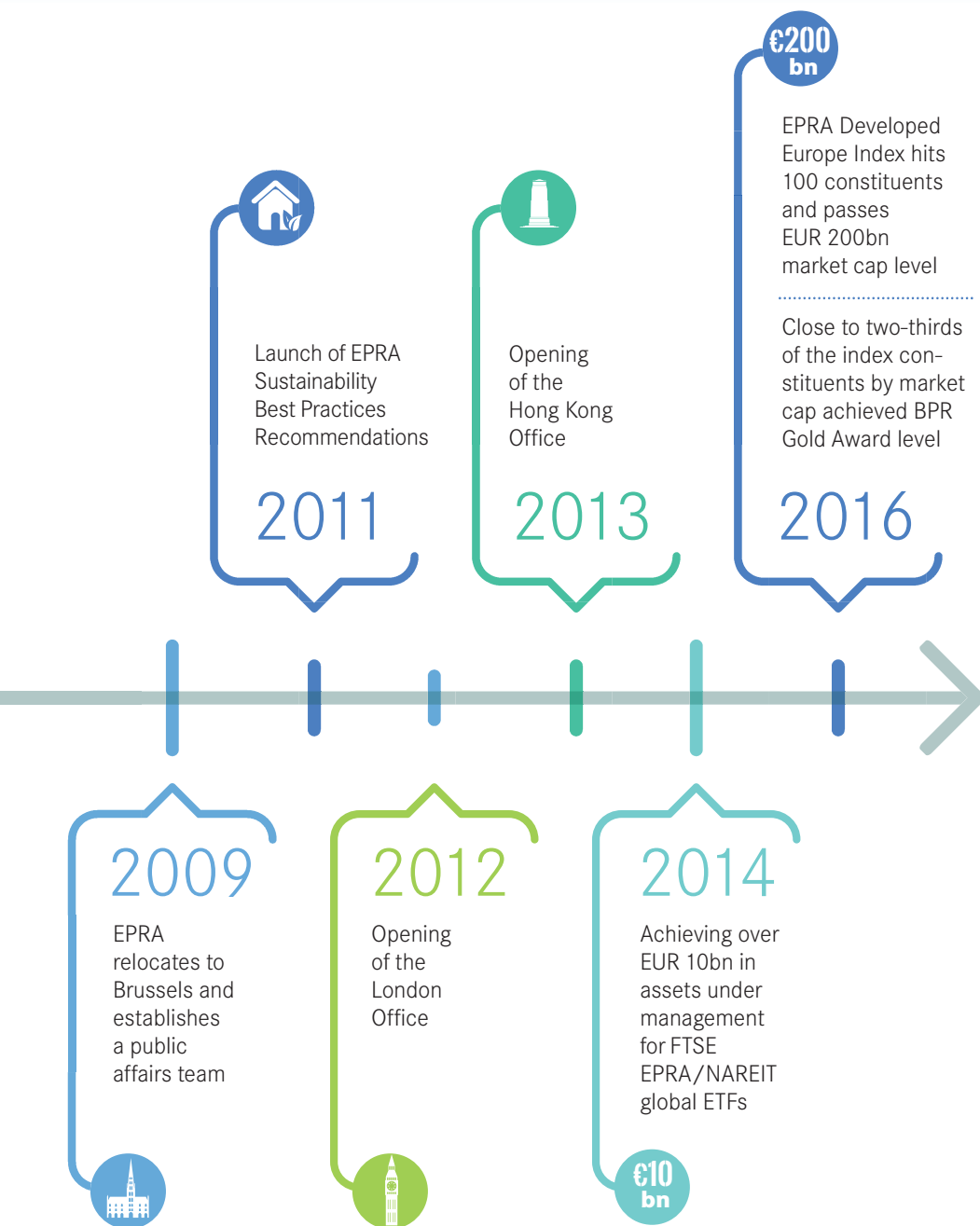
EPRA CEO

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EPRA MILESTONES





RECENT HIGHLIGHTS

1

>> ROLL OUT OF REIT REGIMES IN EUROPE



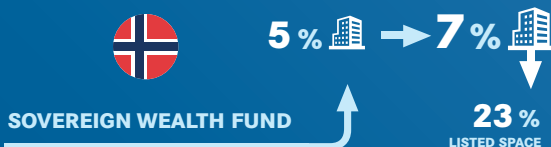
Following the early adopters, like the Netherlands, France, the UK or Germany, we have lately observed a substantial improvement of REIT regimes in other countries, i.e. Spain, Ireland and Italy, for which EPRA has been actively advocating. This has resulted in an inflow of **EUR 15.5 billion**. These jurisdictions have now state of the art regimes with a number of successful and growing companies, many of whom are in the EPRA Real Estate Index. Today, **out of 28 EU Member States, 12 have a REIT regime**. Those 12 countries represent **83% of the EU GDP**. EPRA is currently actively involved in two of the remaining major European economies that do not have yet REIT regimes: Poland and Sweden.

2

>> INCREASED ALLOCATION TO LISTED REAL ESTATE FROM INSTITUTIONAL INVESTORS



Since 2015, we have seen increased allocation to listed real estate from institutional investors looking for long-term investment with significantly higher yields than government bonds, in the wake of low interest rates and the greying of the society. The best example is Norway's Sovereign Wealth Fund, which announced in April 2016 that it was raising the cap on the real estate allocation in its portfolio to **7.0%** from **5.0%** currently. Out of this allocation **23%** is going to the listed space.



3

>> 100 INDEX CONSTITUENTS



Early July 2016 the FTSE EPRA/NAREIT Developed Europe Index reached the **100** constituents milestone and has passed the **EUR 200 billion** market cap level, as global investors target strong yields in the sector and a performance that produced a total return of 18.8% in 2015 and an annualised return of **8.2%** over **15 years**.

4

>> IMPROVED REPORTING TRANSPARENCY



For 2015/2016, **65%** of the companies in the financial BPR survey, representing **79%** by market cap, gained an Award, among which 46 companies have reached the Gold Award level, the highest level of transparency. Among these **43** are EPRA Index constituents, representing almost two-thirds of the Index by market cap. **26** companies reviewed in last year's survey moved up and gained a higher Award.

5

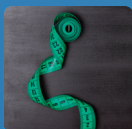
>> ADOPTION OF THE EPRA SBPR GAINS MOMENTUM



As of 2016, **60%** of companies, representing **76%** of the Index by market cap, reported at least one EPRA sustainability performance measure, with **21** companies winning the Gold Award, up by **16%** from 2015.

6

>> EPRA PERFORMANCE MEASURES



97% of companies in the EPRA Developed Europe Index report the key EPRA net asset value (NAV) metric, increasing transparency and allowing investors to compare more easily the performance of the companies. Earnings per share (EPS) and normalised net asset value (NNAV) follow closely behind, with respectively **81%** and **72%** companies reporting these metrics.

What percentage of FTSE EPRA/NAREIT Europe Index members provides EPRA NAV, EPS or NNAV figures?

EPRA NAV



EPRA EPS



EPRA NNAV



2015/2016

2014/2015

2013/2014

EPRA VISION

EPRA believes the European listed real estate sector is entering an era of sustained expansion because the industry's investment characteristics are well matched to some of the greatest social and economic challenges of our time.

Listed real estate companies are the guardians of many of the highest quality assets in our cities from office complexes, to shopping centres and increasingly healthcare and retirement facilities. They will extend this function to play a growing role in the provision of essential infrastructure for the urban environment to help fill the gap left by shortfalls in government budgets.

Public companies are also the pioneers of sustainability in the built environment to meet their responsibilities towards local communities and the demands of shareholders for the “future proofing” of their investments in the face of the global challenge presented by climate change.

As societies struggle to provide for their rapidly greying populations in old age during a time of record low interest rates and lacklustre investment returns, other aspects of the listed real estate industry's DNA will form a key part of the solution to this fundamental problem.

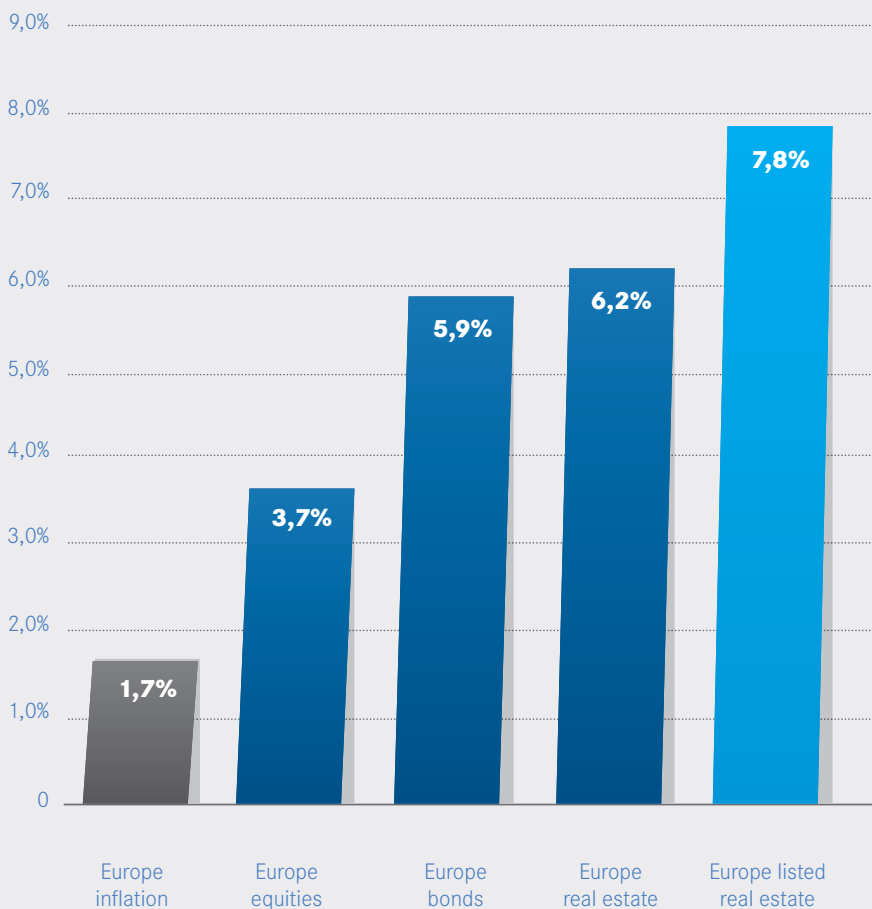
The rise of REITs, which maximise the flow of long-term rental income streams to pension funds and private investors saving for retirement, will therefore need to gather further momentum if future pension promises are to be met.

Retirement schemes will face an increased need for liquid investment assets due to the growing call on their resources from aging populations. In a number of years a tipping point will be reached where a majority of European funds will be paying out more to their members than they receive in pension premiums. At that point the demand for solid long-term income producing investments such as REITs will be stronger than ever.

Strong long-term performance

Sources: EPRA, FTSE, JP Morgan
Data as of: June 30, 2016

15-YEAR ANNUALISED TOTAL
RETURN IN LOCAL CURRENCY

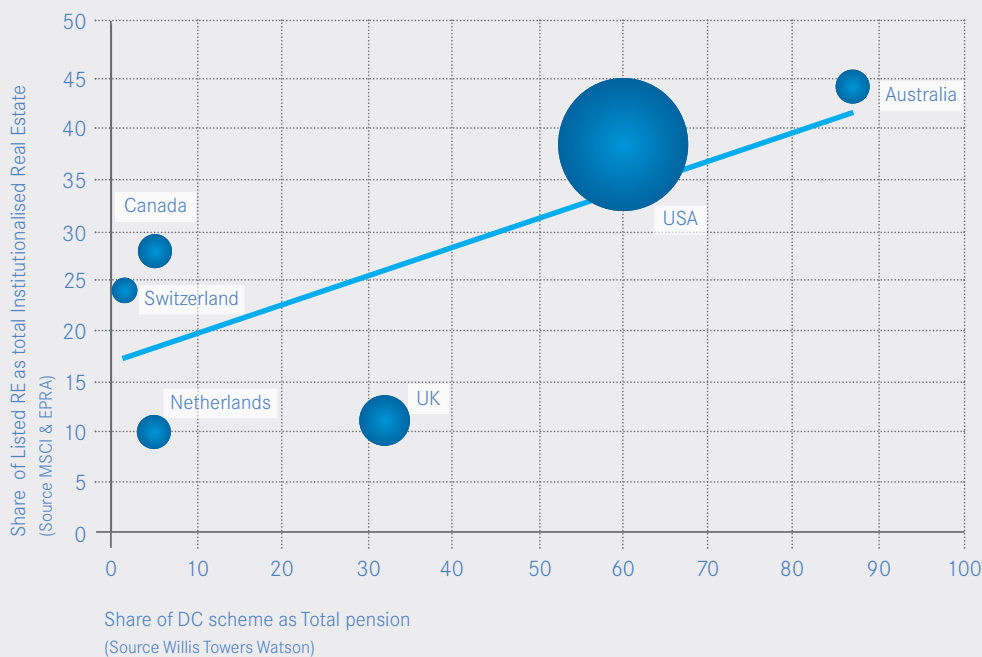


Another unstoppable upward trend in Europe is the growth of defined contribution (DC) pension schemes at the expense of defined benefit (DB) plans. We have still a long way to go to reach the size of the U.S. DC market, which makes up 40% of all pensions. In Europe, the contrasting figure is 5%, suggesting that both DC pensions and the European REIT market could grow exponentially.

The liquidity of REITs and their focus on dividend income are well matched to the personal choice nature of DC pension plans for accessing the underlying real estate assets.

DC schemes and importance of listed real estate

Size reflects total AUM of pension



Sovereign wealth funds and other institutional investors will also increase their allocation to REITs as they will have to reduce their dependence on mainstream fixed income investments as the proportion of these assets generating ultra-low and negative yields rises relentlessly.

As future institutional and private investor demand for listed real estate grows, the market will respond with an increased supply of national REITs and potentially a single European REIT regime. EPRA is actively involved in education and advocacy in two of the major European economies that do not yet have REITs: Poland and Sweden. We are optimistic over the prospects for the growth of REITS in those two markets, and also fully expect to see strong growth in the recently emerging REIT markets of Spain and Italy.

To achieve the best results EPRA has built close ties with associations at national as well as European level and works in unison with peer associations globally, actively contributing to the REESA (Real Estate Equity Securitization Alliance) network. In the future, stronger cooperation between associations like ours across the world and within Europe will be increasingly important.

“ At EPRA we believe the listed industry will continue to go from strength-to-strength

These are the fundamental reasons why at EPRA we believe the listed industry will continue to go from strength-to-strength in Europe and that many more companies will combine in larger groups and also realise their ambitions of investing cross-border in new markets.

Ali Zaidi
Director Research
& Indices

Inna Maslova
Analyst Research
& Indices

Hassan Sabir
Director
of Finance

Sissi Li
Assistant
(Hong Kong
Office)

**Meet the team
that will make
EPRA's vision
a reality**



Tobias Steinmann
Director Public Affairs

Kasia Jasik
Public Affairs
Communications
Advisor

Roxana Pantazica
Events & Projects Officer

Pantelis Protopogeros
Reporting &
Accounting Officer

Matt Fletcher
Director Investor
Outreach, UK & Nordics
(London Office)

Philip Charls
CEO

Fiona Scott
Office Manager

Barney Coleman
Head of
Administration & IT

Yuri Zhou
Director Asia Pacific
(Hong Kong Office)



Laurent TERNisien
Senior Advisor

Tim Kessler
Analyst Investor
Outreach

Three colleagues from the Brussels Office are missing in the picture: **David Moreno** – Junior Index Analyst, **Jana Repelova** – Policy Officer and **Shaohong Wu** – Assistant.

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD OF DIRECTORS:

Christophe Cuvillier (Unibail-Rodamco)

Vice-Chairmen of the Board of Directors:

Rolf Buch (Vonovia), Robert Noel (Land Securities)

MEMBERS:

Jean-Edouard Carbonnelle (Cofinimmo), Chris Grigg (British Land), Patrick Kanters (APG), Christophe Kullmann (Foncière des Régions), Laurent Morel (Klépierre), Hans Op 't Veld (PGGM), Simon Robson Brown (CBRE Securities), Henrik Saxborn (Castellum), David Sleath (SEGRO), Pere Viñolas Serra (Colonial), James Wilkinson (BlackRock), EPRA CEO

ADVISORY BOARD

MEMBERS:

Dirk Anbeek (Wereldhave), Meka Brunel (Ivanhoé Cambridge Europe), Steve Buller (Fidelity Investments), Olivier Elamine (alstria office REIT), Peter Finkbeiner (TLG), Helen Gordon (Grainger), Patrick Gunne (Green REIT), Marcel Kokkeel (Citycon), Rachel Lavine (Gazit-Globe/Atrium), Bernard Michel (Gecina), Alex Moss (Consilia Capital), Marcus Phayre-Mudge (BMO Global Asset Management), Charles Saiag (BNP Paribas), Francois Trausch (Allianz), Joost Uwents (Warehouse DePauw)

Members of the Board of Directors and Advisory Board as of September 2016

CORPORATE GOVERNANCE

> EPRA INVESTOR RELATIONS COMMITTEE

Goal: Developing the industry message to investors and assisting EPRA with its mission to disseminate it amongst the industry.

Chairman: Edward Thacker (Land Securities)

> EPRA REGULATORY COMMITTEE

Goal: With the EU institutions and Member States developing a large number of regulations affecting our members, EPRA's regulatory function is significant. Giving the sector a voice in the legislative processes, EPRA represents listed property companies, REITs and investors.

Chairman: Françoise Roels (Cofinimmo)

> EPRA REPORTING & ACCOUNTING COMMITTEE

Goal: Develop and maintain a set of best practice recommendations to help property companies produce best-in-class annual financial and non-financial performance reports in order to reach listed equity investors' consistent and reliable disclosure expectations. Advocate the interest of the European listed real estate sector to international accounting bodies.

Chairman: Jean-Michel Gault (Klépierre)

> EPRA RESEARCH COMMITTEE

Goal: Facilitating independent research to promote the global listed real estate and to assist investors in their allocation decisions.

Chairman: Alex Moss (Consilia Capital)

> EPRA SUSTAINABILITY COMMITTEE

Goal: Develop and maintain a set of best practice recommendations to help property companies produce best-in-class annual sustainability performance reports.

Chairman: Olivier Elamine (alstria office REIT)

> EPRA TAXATION COMMITTEE

Goal: EPRA advocates the broad development of REIT regimes and listed property in Europe. As part of that EPRA is committed to improving the tax efficiency of the European real estate market in a way that encourages the growth of the listed sector.

Chairman: Jean-Edouard Carbonnelle (Cofinimmo)

Chairmen of EPRA Committees as of September 2016

EPRA is the European Public Real Estate Association

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