



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

Monthly Market Review

August 2020

September
2020

Overview

The FTSE EPRA Nareit (FEN) Global Developed Real Estate Index gained 1.4%, resulting in a -21.7% YTD return at the end of August. Global equities gained 4.5% compared to a loss of (1.7%) from global bonds.

In terms of regional performance, Europe continued to post positive returns at 2.2%, following the sharp fall in March. Meanwhile Asia gained 5.4% and North America lost (0.5%) with Emerging Real Estate posting a (1.9%) fall during August. Currency fluctuations are worthy of note and have been impacting the performance of each market throughout the period and, in August, the USD continued to depreciate against EUR, while Emerging-market currencies also weakened during the month.

Focusing on sector performances, lodging/resorts was a top performer in the month at 11.1% - in particular with the contribution of Asian and North American companies. Self-storage followed with 4.7%. Of those sectors posting negative monthly returns in August, industrial/office was -4.1% and data centres -3.7% - largely as a result of Asian and North American companies since there are no data centres as yet in the European index.

Highlights of the Month

Macroeconomic indicators

We have been able to review recent data reflecting the impact of Covid-19. The projections on macroeconomic indicators have been revised by several authorities and institutions. Based on Eurostat data, EU GDP fell by 14.1% (y-o-y) in 2020Q2, by far the sharpest decline observed since records began. However, the preliminary macroeconomic data released after lifting lockdown suggests more positive signals for the forthcoming period with a substantial improvement in business sentiment and a rebound in activities and demand, supported by monetary and fiscal policies. Indeed, the latest data by Eurostat marked by the easing of Covid-19 containment measures in the EU demonstrates that industrial production rose by 9.1% and retail trade volume increased by 5.2% in June, compared with previous month. Focusing on short term economic projections, EU GDP is forecasted to contract by (8.3%) in 2020 before rebounding by 5.8% in 2021 (Fig. 1). However, these forecasts do not include further potential downside risks, such as possibility of a second wave, limits to job creation and increased unemployment, which is expected to rise to 9.5% by the end of 2020 and fall back to 8.8% in 2021.

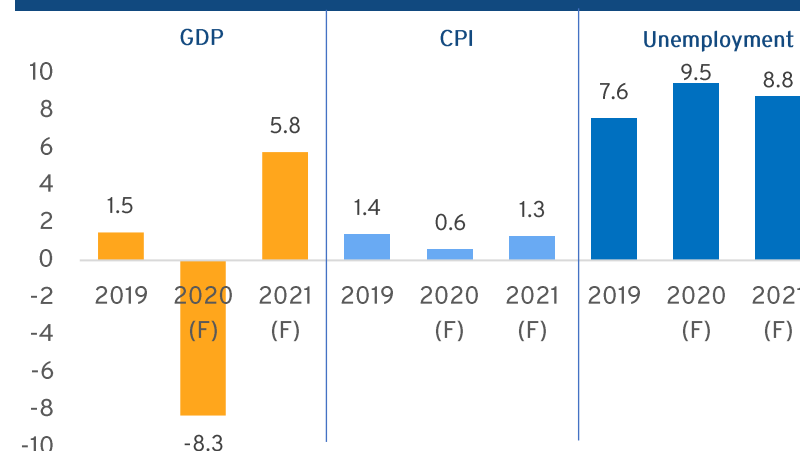
It should be noted that the ECB is providing member states with favourable financing conditions. The EU now appears to be coordinated and proactive, as demonstrated by the Recovery Plan for Europe with the recent EUR 750 billion package. The Commission will finance the recovery funds through bond issuance and although this could substantially support the economic recovery, rapid set up is crucial to rebuild confidence and to increase short term consumption.

FTSE EPRA Nareit Global Index Total Return

		Aug-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
% Total Returns (EUR)							
Global Real Estate	▲	1.4	-21.7	-19.8	0.2	2.5	7.5
Global Equities (FTSE)	▲	4.5	-2.1	5.9	3.4	6.6	9.3
Global Bonds (JP Morgan)	▼	-1.7	0.8	-2.9	6.7	5.1	4.1
Europe Real Estate	▲	2.2	-18.4	-7.0	1.6	1.8	8.7
Europe Equities (FTSE)	▲	2.7	-10.0	-2.6	1.9	4.9	7.0
Europe Bonds (JP Morgan)	▼	-2.6	-3.2	-8.4	3.4	2.2	4.7
Asia Real Estate	▲	5.4	-21.5	-20.7	-0.1	2.4	5.3
Asia Equities (FTSE)	▲	3.6	-4.3	4.8	4.9	5.8	8.9
Asia Bonds (JP Morgan)	▼	-1.9	-6.5	-10.8	1.2	0.6	2.7
North America Real Estate	▼	-0.5	-22.8	-22.8	-0.1	2.8	8.5
NA Equities (FTSE)	▲	6.0	4.1	13.0	14.4	12.8	15.4
NA Bonds (JP Morgan)	▼	-2.5	2.6	-1.4	5.2	2.7	3.9
Emerging Real Estate	▼	-1.9	-25.1	-12.0	-1.0	6.9	
Emerging Equities (FTSE)	▲	0.9	-5.9	4.3	3.4	7.4	
Emerging Bonds (JP Morgan)	▼	-1.0	-4.0	-4.5	3.7	4.7	

(*) Annualised.

Fig 1. EU: Macroeconomic indicators



Source: Eurostat, European Commission

Fig. 2. Global Weights (EUR)*

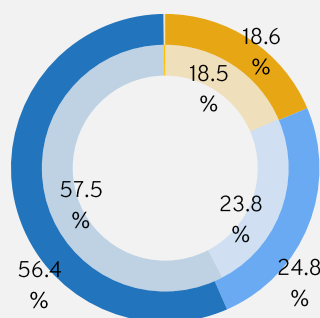


Fig. 3. REIT / Non-REITs

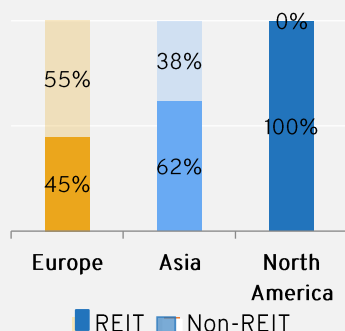


Fig. 4. Focus Split

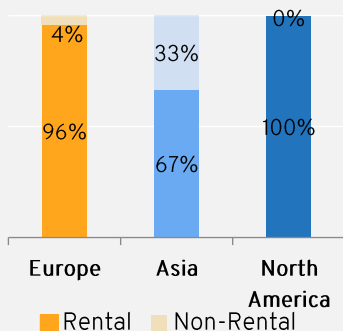


Fig. 5. Index Turnover (EUR, billion)*

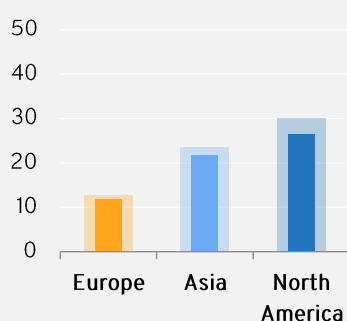


Fig. 6. Dividend Yields*

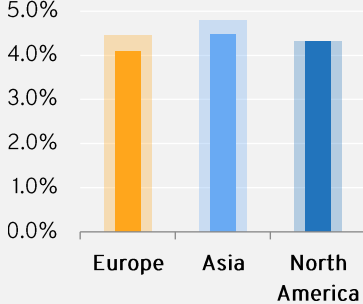


Fig. 7. Volatility (10 yr. & 3 yr.)**

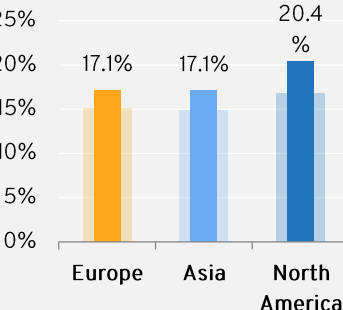


Fig. 8. Correlation (3 yr. rolling)

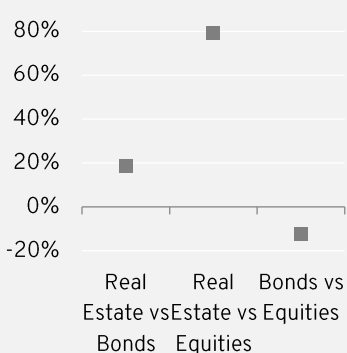
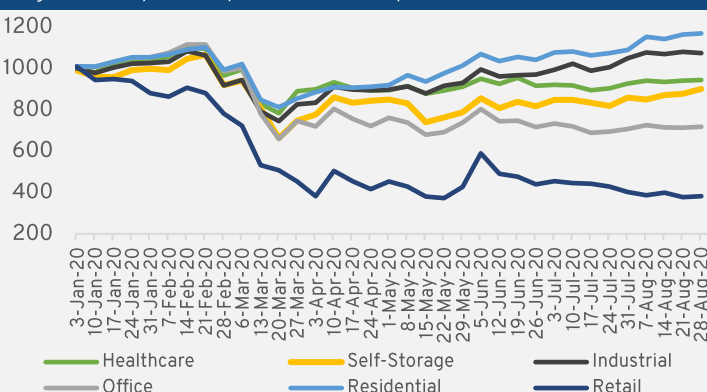


Fig. 9. Developed Europe: Total return by sector (31/12/2019=10000)



FTSE EPRA Nareit Developed Europe - Country Indices

% Total Returns	Aug-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Europe (EUR)	2.2	-18.4	-7.0	1.6	1.8	8.7
Europe ex UK (EUR)	2.3	-15.4	-7.7	2.4	5.5	9.1
UK (GBP)	0.8	-21.8	-6.0	-1.7	-1.8	7.7
France (EUR)	0.3	-38.3	-29.5	-8.5	-3.0	4.5
Netherlands (EUR)	-9.1	-65.8	-60.0	-36.0	-23.3	-10.2
Germany (EUR)	6.3	10.6	17.3	13.0	14.2	16.4

FTSE EPRA Nareit Asia - Country Indices

% Total Returns	Aug-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Asia (EUR)	5.4	-21.5	-20.7	-0.1	2.4	5.3
Hong Kong (HKD)	6.0	-17.2	-13.7	-5.4	3.2	2.9
Japan (JPY)	8.1	-18.0	-14.3	2.1	-0.4	8.2
Australia (AUD)	7.7	-27.8	-30.3	-0.5	2.8	7.9
Singapore (SGD)	-0.8	-6.9	-3.2	4.4	9.1	5.5

FTSE EPRA Nareit Developed North America - Country Indices

% Total Returns	Aug-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
North America (USD)	0.6	-17.7	-16.2	0.1	4.1	7.8
United States (USD)	0.6	-17.4	-16.0	0.1	4.1	8.1
Canada (CAD)	-1.4	-22.8	-21.9	1.1	4.5	6.5

FTSE EPRA Nareit Emerging - Country Indices

% Total Returns	Aug-20	YTD	1 yr	3 yrs*	5 yrs*
Emerging (EUR)	-1.9	-25.1	-12.0	-1.0	6.9
Emerging EMEA (EUR)	-4.3	-45.6	-41.5	-21.8	-13.0
Emerging Europe (EUR)	-8.0	16.5	46.5	-4.9	-4.0
Emerging MEA (EUR)	-3.4	-51.4	-48.3	-23.8	-14.2
Emerging APAC (EUR)	-0.9	-20.0	-5.0	2.9	11.4
Emerging Americas (EUR)	-8.6	-45.0	-35.4	-11.0	-1.9

(*) Annualised.

(*) Shaded bars are last month's (**) Shaded bars are 10 yr. Source : EPRA. Data is compiled from the FEN Index series (as of 31 August 2020).

FTSE EPRA Nareit Developed Index

The FEN Developed Index posted a monthly return of 1.4%, compared to a gain of 4.5% from global equities and a loss of (1.7%) from global bonds, at the end of August. Over a one-year period, global real estate investments lost (19.8%), compared to a gain of 5.9% from global equities and a loss of (2.9%) from global bonds. Annualised ten-year rolling returns for real estate investments stand at 7.5%, while general equities and bonds are 9.3% and 4.1% respectively.

In terms of country performances, Germany at 6.3% in Europe, Australia at 9.8% in Asia and Canada at 0.2% in North America were top performers.

Focusing on sector performances, lodging/resorts outperformed with a return of 11.1%, followed by self-storage at 4.7% and diversified at 4.6%. On the other hand, industrial/office (-4.1%) and data centres (-3.7%) were bottom performers in the developed markets.

At the end of August 2020, the FEN Developed Index totalled 339 constituents, representing a free float market capitalisation of around EUR 1.2 trillion.

FTSE EPRA Nareit Emerging Index

During July, the FEN Emerging Index lost 1.9%, bringing the annual return to -12.0%. Meanwhile, emerging equities gained 91 bps compared to a loss of 1.0% from emerging bonds. As a result, annual return stands at -4.5% for bonds and 4.3% for equities.

In terms of sector performance, industrial (1.2%) was top performer, and the remaining sectors posted negative returns. Retail (-4.9%) and residential (-4.4%) were bottom performers in emerging markets during August.

Focusing on country performances, India (9.7%), Saudi Arabia (6.3%) and Russia (5.7%) were top performers, while Turkey (-24.9%), Brazil (-13.5%) and South Africa (-11.2%) were bottom performers in emerging markets.

It should be mentioned the impact of weakening of Emerging-market currencies which affected the performance of emerging markets.

At the end of August 2020, the FEN Emerging Index totalled 139 constituents, representing a free float market capitalisation of over EUR 142 billion.

FTSE EPRA Nareit Developed Index – Top 10 Constituents

Company	Sector	Country	Total Return
ProLogis USA	Industrial	USA	▼ -3.4%
Digital Realty Trust	Data Centers	USA	▼ -3.1%
Vonovia SE	Residential	GER	▲ 8.7%
Public Storage, Inc.	Self-Storage	USA	▲ 6.3%
Welltower Inc.	Healthcare	USA	▲ 8.5%
AvalonBay Communities, Inc.	Residential	USA	▲ 3.2%
Realty Income Corp.	Retail	USA	▲ 3.7%
Alexandria Real Estate Equities, Inc.	Office	USA	▼ -5.2%
Equity Residential Properties Trust	Residential	USA	▲ 5.3%
Simon Property Group, Inc.	Retail	USA	▲ 8.8%

FTSE EPRA Nareit Developed Index – Top 10 Performers

Company	Sector	Country	Total Return
Colony Capital	Diversified	USA	▲ 41.2%
Invincible Investment Corporation	Lod./Resorts	JA	▲ 31.2%
Japan Retail Fund Inv. Corporation	Retail	JA	▲ 29.6%
Japan Hotel REIT Investment	Lod./Resorts	JA	▲ 29.0%
Stockland Trust Group	Diversified	AU	▲ 24.1%
BMO UK Real Estate Investments	Diversified	UK	▲ 24.1%
Service Properties Trust	Diversified	USA	▲ 22.5%
Wharf Real Estate Investment	Diversified	HK	▲ 20.6%
Frontier Real Estate Investment	Retail	JA	▲ 20.0%
MCUBS MidCity Investment Corp	Office	JA	▲ 19.5%

FTSE EPRA Nareit Emerging – Top 10 Constituents

Company	Sector	Country	Total Return
China Resources Land Ltd	Diversified	CHN	▲ 11.0%
China Overseas Land & Inv. Ltd.	Residential	CHN	▼ -4.9%
Sunac China Holdings (P Chip)	Diversified	CHN	▼ -10.7%
Country Garden Holdings	Residential	CHN	▼ -3.4%
Longfor Group Holdings (P Chip)	Diversified	CHN	▲ 7.2%
Shimao Property Holdings	Diversified	CHN	▲ 6.2%
China Vanke Co., Ltd (H)	Residential	CHN	▼ -1.2%
SM Prime Holdings	Diversified	PHIL	▼ -2.7%
China Evergrande Group (P Chip)	Diversified	CHN	▼ -16.8%
Ayala Land	Diversified	PHIL	▼ -13.5%

FTSE EPRA Nareit Developed Europe Index

During August, the FEN Developed Europe Index gained 2.2%, compared to a gain of 2.7% from European equities and a loss of -2.6% from European bonds.

The German Index, the UK Index and the France index gained a return of 6.3%, 84 bps and 28 bps respectively. Meanwhile the Netherlands Index was the bottom performer in the region with a loss of 9.1%.

It should be highlighted, residential is the only sector turned back to the pre-Covid-19 level in Europe, 7% higher than the peak point in February and also provided 17.1% YTD return.

Performance of Top 3 sectors: residential (7.4%), self-storage (4.8%), Industrial (2.3%).

Performance of Top 3 constituents: BMO UK Real Estate Investments (24.1%, UK, Diversified), BMO Commercial Property Trust (17.9%, UK, Diversified), Regional REIT Limited (15.4%, UK, Office).

FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index posted 5.4%, while Asian equities gained 3.6% and Asian bonds lost -1.9% (in euros).

The Japan index, the Australia index and the Hong Kong Index posted a return of 8.1%, 7.7% and 6.0%, respectively. Meanwhile, the Singapore Index was the bottom performer with a loss of 82 bps in Asia region (in local currencies).

Performance of Top 3 sector: lodging/resorts (25.1%), retail (8.3%), diversified (7.8%).

Performance of Top 3 constituents: Invincible Investment Corporation (31.2%, Japan, Lodging/Resorts), Japan Retail Fund Investment Corporation (29.6%, Japan, Retail), Japan Hotel REIT Investment (29.0%, Japan, Lodging/Resorts).

FTSE EPRA Nareit North America Index

The FEN North America Index slipped 40 bps, compared to a gain of 6.0% from equities and loss of -2.5% from bonds (in euros).

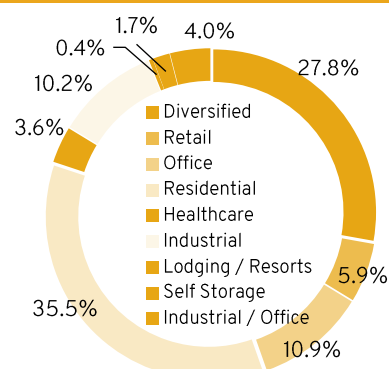
Since USD continued to depreciate against EUR during August, there is a slight currency impact on returns that the FEN North America Index gained 64 bps in USD. Similarly, the U.S. index gained 61 bps and the Canada Index lost 1.4% (in local currencies).

Performance of Top 3 sectors: lodging/resorts (10.0%), industrial/office (7.0%), self-storage (4.6%).

Performance of Top 3 constituents: Colony Capital (41.2%, USA, Diversified), Service Properties Trust (22.5%, USA, Diversified), Ryman Hospitality Properties (19.2%, USA, Lodging/Resorts).

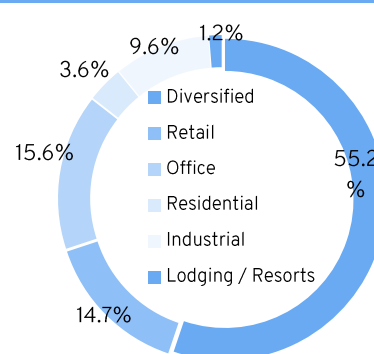
Developed Europe representing a free float MCap of around EUR 219 billion with 102 constituents

Developed Europe Sector Split



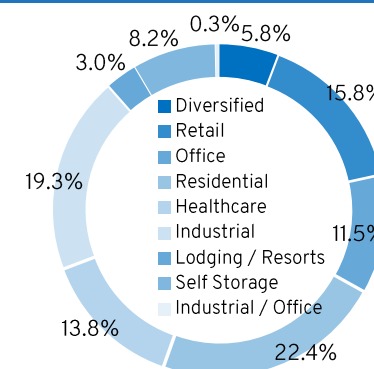
Developed Asia representing a free float MCap of around EUR 291 billion with 92 constituents

Developed Asia Sector Split

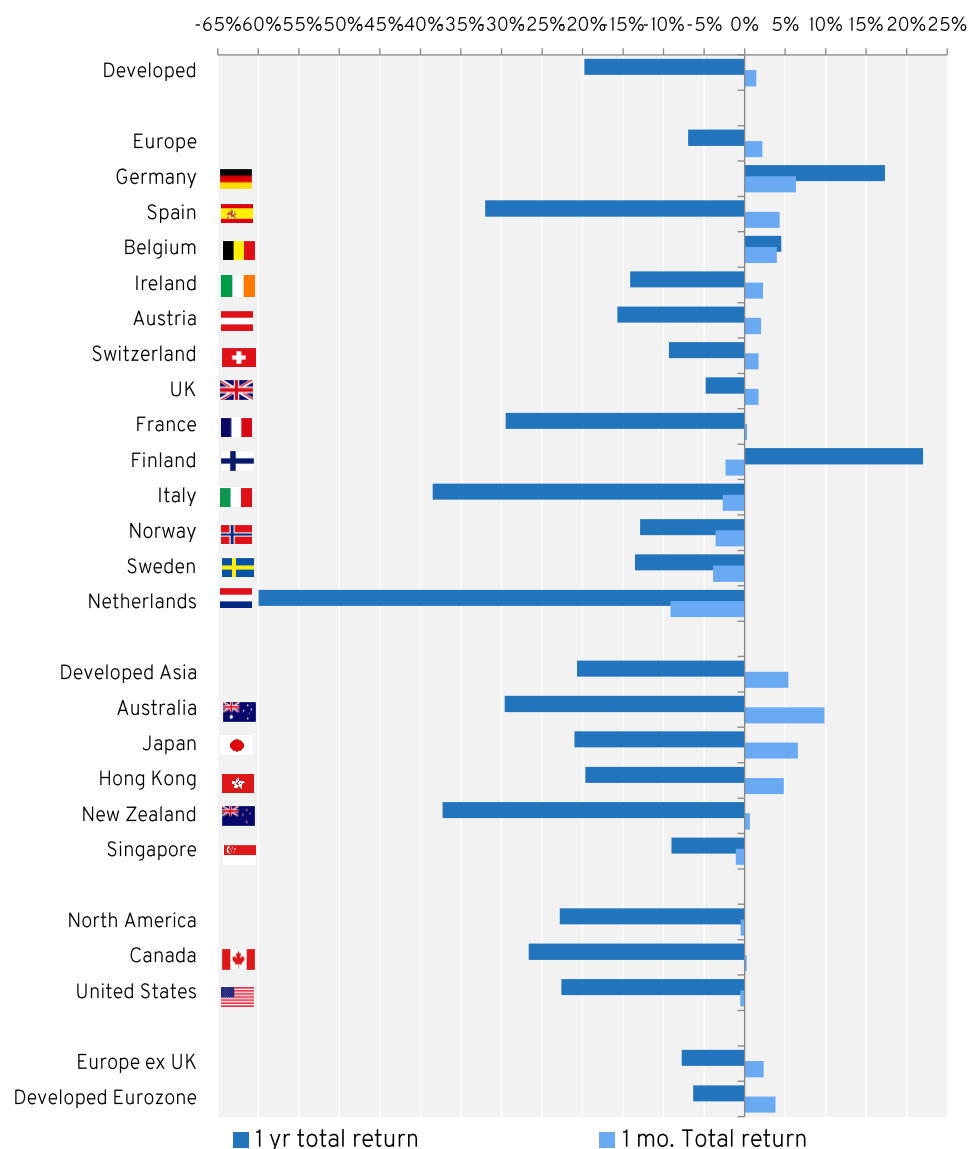


Developed North America representing a free float MCap of around EUR 662 billion with 143 constituents

North America Sector Split



FTSE EPRA Nareit Monthly Index Performances (EUR)



Source : FTSE EPRA Nareit as of August 31, 2020

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Monthly Statistical Bulletin

Monthly Published NAV Bulletin

Monthly LTV Report

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EPRA 1st vConference (7-11 September)

REthink 2020 :Real estate strategy in the current global context. Accelerated change in the industry
EPRA Research Insights (9 September, 16:00)

For registration:



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