EPRA

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

Industry Newsletter ISSUE 58 FEBRUARY 2017

PHILIP CHARLS
STEPPING DOWN AFTER A DECADE AS EPRA CEO

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

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- Real Estate Management Institute
- Savills Fund Management
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ISRAEL
- Azrieli Group
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- Aedes
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- MN Services
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- Mobimo Holdings
- PSP Swiss Property
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- BMO Global Asset Management (EMEA)
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- Capital & Counties Properties
- CBRE Clarion Securities
- Citigroup Global Markets Limited
- Credit Suisse Securities
- Derwent London
- Deutsche Alternative Asset Management (UK)
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- 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
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- Shaftesbury
- Standard Life Investment
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- U+I Group*
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- Univ. of Cambridge
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- Dickinson College
- Duff & Phelps
- EII Capital Management
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- Secure Income REIT

*Welcome to our newest members

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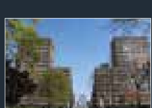
Editor & Production Manager
Katarzyna Jasik

Article Credits
Dirk Brounen
Steve Hays
Katarzyna Jasik
David Ling
Simon Packard
Willem van Hasselt

Please send your comments and suggestions to:
info@epra.com

Design & Layout
Fuse Consulting Limited, London
hello@fuseconsulting.co.uk



EPRA
Square de Meeus 23, B-1000 Brussels
+32 (0) 2739 1010

www.epra.com
@EPRA_realestate

UPDATE FROM *EPRA CHAIRMAN CHRISTOPHE CUVILLIER*

In this issue of the Newsletter we interview Philip Charls about his working career as he steps down after 10 years as EPRA CEO. We also welcome Dominique Moerenhout, previously CEO at BNP Paribas Real Estate Investment Management Luxembourg and Belgium, as EPRA's new head with effect from March 1st.

On behalf of the Board of Directors and all members of EPRA, I would like to warmly thank Philip for his decade of service to the association and for his leadership in driving EPRA's strong growth in all areas of its operations.

In Dominique, EPRA gains an experienced real estate professional with a solid track record in operational management in the investment world, who has held senior positions in the Benelux and UK markets. He is well positioned to take over implementation of the strategic plan for EPRA's future development that has been ably put into place by Philip.

I'd also like to take this opportunity for a brief look back at how the listed real estate industry has changed over the last 10 years of Philip's tenure at EPRA and at the key challenges lying ahead for Dominique.

In December 2007, the number of constituents in the FTSE EPRA/NAREIT Developed Europe Index was roughly the same at 97 companies versus 101 at the end of the last year. But the industry has experienced tremendous growth over this period with the market capitalisation of the index rising by 94% from EUR 102 billion to EUR 198 billion.

Worldwide the expansion in the listed real estate market has been even more impressive as the market capitalisation of the Global Developed Index jumped 136% from EUR 543 billion to EUR 1.28 trillion between 2007 and the start of 2017.

This has not just been a case of a rising stock market tide lifting all ships, as listed real estate's share of the global equities market has tripled since the trough of the market cycle in 2009. Investors have been drawn to our sector because of the attractiveness of the dividend income-producing model of the REIT regime in particular, but also as we have improved our standards of reporting transparency and sustainability. In Europe, that is in no small part due to EPRA leadership in encouraging companies to implement the Best Practices Recommendations. Industry standards in reporting and sustainability, as measured by the BPR Awards, have been on a steadily rising trend.

Going forward the outlook for the world economy and geopolitics has become distinctly cloudier since my interview in the October issue of the EPRA Newsletter. The election of President Trump in the U.S., as well as the British government's apparent willingness to orchestrate a "Hard Brexit" departure from the European single market and customs union, may have a significant impact on the businesses of some EPRA members. But it doesn't necessarily mean the trends in European economies will be negative, we could have some pleasant surprises on the upside.

Dominique Moerenhout's main tasks will be to manage the EPRA team and implement the association's strategic plan in our key areas of activity: research & indices; the BPRs; public affairs; investor outreach and events and networking. He may be challenged with a much more volatile market background in achieving EPRA's goals, but can be assured he will receive full support in his new role from the Board of Directors and its Chariman.

unibail·rodamco

2016 FULL-YEAR RESULTS

N°1 Listed commercial property company in Europe

€40.5 billion
Property portfolio

€11.24
+ 10.4 % (1)
Recurring earnings per share

33%
Loan-To-Value

€8.0 billion
Development pipeline

71 Shopping centres of which 97% host more than 6 Mn visits per annum (2)

(1) From 2015 rebased for disposals
(2) In terms of Gross Market Value

"2016 was another year of financial and operational success for Unibail-Rodamco. The successful 2015 deliveries, solid like-for-like rental growth and an all-time low cost of debt drove the strongest year-on-year recurring EPS growth since 2009. The Group disposed of ca. €900 Mn of office buildings, achieving record premiums of almost 25% above the last unaffected appraisal value. In 2016, Unibail-Rodamco also took on a demanding challenge for the future with its new CSR strategy, "Better Places 2030". Unibail-Rodamco aims to reduce by -50% its carbon footprint by 2030, becoming the first listed real estate company to engage on such an ambitious strategy. With its high quality assets, its flexible development pipeline, secured low cost of debt and dedicated, talented professionals, Unibail-Rodamco is well positioned to deliver continued strong growth."

Christophe Cuvillier,
CEO and Chairman of the Management Board

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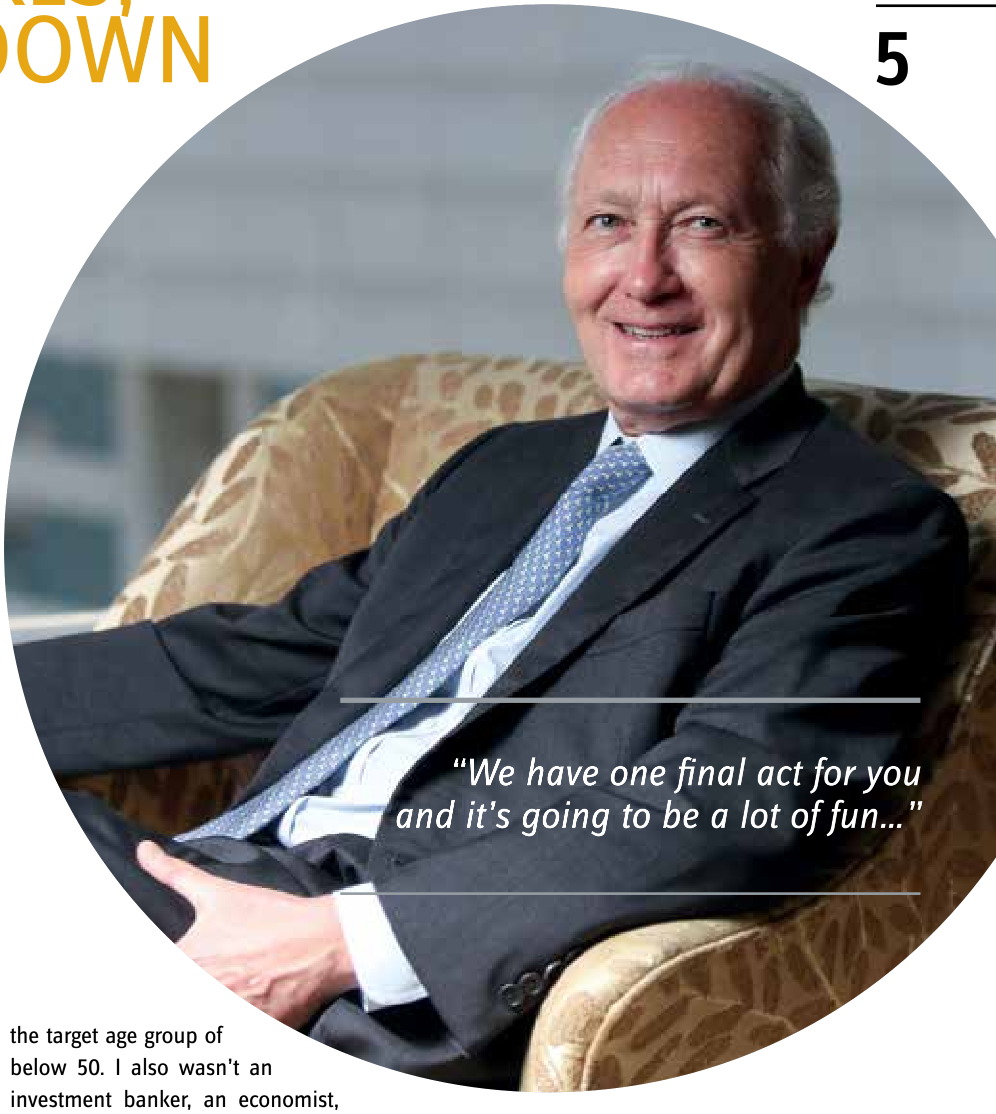
PHILIP CHARLS, STEPPING DOWN *AFTER A DECADE AS EPRA CEO*

By Steve Hays



“We have one final act for you and it’s going to be a lot of fun...”

It’s a frosty bright mid-January day and the winter sun is streaming through the high windows of Philip Charls’ apartment on the swish Place Brugman in downtown Brussels. EPRA’s CEO has spent the last few weeks recovering at home from a knee replacement operation and is in a contemplative mood as he looks back at his career, including a decade at the helm of the association. On March 1st Charls hands over the EPRA tiller to his successor Dominique Moerenhout from BNP Paribas.

“I was having a perfectly pleasant time as the head of the Dutch-Belgian Chamber of Commerce in 2007. We’d turned the organisation around from a loss making bureaucracy into a moneymaking entrepreneurial enterprise. It no longer depended on subsidies from the Dutch and Belgian governments and had established research, networking and education services that were valued and paid for by companies. Then the EPRA head-hunters came along and ruined the peace,” Charls said.

“They basically said: ‘we have one final act for you and it’s going to be a lot of fun – that’s literally how the conversation went,” he added.

“I didn’t tick their boxes. I was 59 and not in the target age group of below 50. I also wasn’t an investment banker, an economist, or had worked at a real estate company, but I had done a lot of advocacy with governments, worked internationally in senior management in the financial services sector and built-up teams for large and small organisations. That ranged from managing thousands, to sorting out the office management myself. The EPRA Board apparently concluded the mix of legal training, entrepreneurial and advocacy skills, together with the experience of running multicultural teams was a good mix for the job.”

In 2007, EPRA had four people in place, and >

was focused on the indices and the Best Practices Recommendations (BPRs), with some research alongside, but for the delivery of most projects was dependent on the goodwill and support of consultancy firms and other members.

"My predecessor had done a great job in building up the membership, but we had very little control over our own destiny at that time. We didn't have the people to actually execute things ourselves and we definitely needed to add more products and services. That made EPRA vulnerable to a change in priorities externally, which came with the global financial crisis a year later," Charls said.

He subsequently presented a plan to Serge Fautré, then EPRA chairman and previous CEO of Belgium's Cofinimmo, to use its financial reserves and build a team to service and expand the "four pillars" of the association's business: research/indices; BPRs; investor outreach and advocacy. At the same time, Charls proposed that EPRA should develop an "EU vision and presence" to engage with the growing avalanche of legislation emerging from the European Union and this subsequently led to the association moving its office to Brussels from Amsterdam.

"I am leaving EPRA in good shape. The listed industry has never been stronger, demonstrated by the spread of REIT regimes in Europe and its recognition as a stand-alone equities investment sector within GICS last year"

The timing of the decision to strengthen EPRA's organisation was fortuitous. The financial crisis proved to be a watershed event for the European listed industry with plunging asset values and corporate distress ultimately leading to a string of successful refinancing for the larger companies and healthier lower levels of leverage.

"I'm extremely grateful to Serge for the strong backing he gave me, together with the Board, to boost EPRA's resources and extend its mission. That decision led directly to the healthy and successful organisation we see today with an 18-strong staff and three offices in Brussels, London and Hong Kong."

The next EPRA chairman, Guillaume Poitrinal, former CEO of Unibail-Rodamco, was instrumental in establishing EPRA's committee and internal governance and compensation structures, with the penetrating preciseness that could be expected from the head of Europe's largest listed property company.

Philip Charls' enthusiasm for the ideals of European integration and the single market stem from his early career as a young Dutch lawyer practicing EU law in The Hague.

"In 1973 there were very few legal practices specialising in European competition law and it was great for me to get to learn the basics of the EU's institutions and their processes first hand. We even spent time with British lawyers helping them to understand how Brussels worked, as that was the year the UK joined the European Economic Community as it was then known."

After four years in the legal profession, Charls developed a hankering for a more hands-on commercial environment and moved to the largest Dutch insurer Nationale-Nederlanden as a management trainee on half the salary he earned as a lawyer, but with the promise that he would: "make up for it quickly."

The opportunity for him to develop his management career and gain understanding of the life and pension insurance markets, came with Nationale-Nederlanden's move into establishing a global network for corporate employee benefits, in an early example of financial globalisation. In was the beginning of the internationalisation of the pension funds business for large multinationals. At the age of 34, and then the youngest general manager in the company, Charls was made responsible for marketing and sales in the Netherlands, with a 700-strong sales force and a network of 10,000 brokers.

Financial analysts' enthusiasm for the perceived market synergies of the bancassurance model in Continental Europe saw Nationale-Nederlanden merge with NMB Bank to create ING, but it was a cultural challenge between the very different insurance and banking sides of the business, Charls commented.

In 1990, Charls was posted to the U.S. where he was operations manager for ING's local insurance subsidiary, Life of Georgia, then the market leader in the medium and low-income bracket in the southern states.

"We went to people's homes in poor areas of towns that you would never risk after dark, to pick up white envelopes of cash for premiums. The common denominator was often a grandmother ruling over a large extended family and complaining about an absent man. I also found it interesting that images of the three heroes that played a big part in overcoming racial segregation in the American south, Martin Luther King, and the Kennedy brothers, were frequently on show somewhere in the house. It was a great learning experience."

Charls was moved back to Brussels in 1993 to assist with ING's torturous acquisition of Belgium's then largest bank, Banque Bruxelles Lambert (BBL). He was responsible for reorganising the insurance business and had the thankless task of making a third of the workforce redundant. From there he worked with other ING international subsidiaries in central and southern Europe, as well as Mexico.

"Looking back at my career, I think a common thread has been managing relationships between people across cultures. It's always fascinated me," Charls said.

He attributed this international outlook partly to his unusually broad exposure to foreign visitors during his upbringing in the Netherlands in the 1950s and '60s. His parents had the harrowing experiences of being imprisoned in different Japanese detention camps in Dutch Indonesia during the war and didn't know each other was alive until four months after the conflict in Asia ended. They subsequently maintained close links with Dutch compatriots and Australians and Britons, who had similarly suffered.

Charls' overall background and command of five languages, has proved useful for engaging with the broad mix of cultures represented by EPRA. This ranges from the association's members, Board and staff, as well as its lobbying activities, interaction with other national and international property industry bodies and increasingly diverse global investor outreach programme.

In Asia, in particular, Charls has together with Yuri Zhou in EPRA's Hong Kong office, established an extensive network of close contacts to promote the European industry up to the highest levels of investors and government. This has enabled unusually extensive access for European CEOs and other senior corporate executives during EPRA's biannual investor outreach visits to Asia. >

Ten years of growth and transformation in figures

Developed Europe

Market Cap at Dec 2007: **EUR 102bn**
Market Cap at Jan 2017: **EUR 192bn**

Global Developed Index

Market Cap at Dec 2007: **EUR 543bn**
Market Cap at Jan 2017: **EUR 1.25tn**

Leverage ratio

Developed Europe LTV Ratio
Dec 2008: **49.02%**
Jan 2017: **38.07%**

ETFs

AUM (Jan 2017):
23 ETFs valued at USD 8.7bn

Annualised return over 15 years

Developed Europe Index:
8.00% in EUR

Dividend yield

Developed Europe Index
Average 2016: **3.53%**
Developed Europe Index
Average 10y: **4.18%**

Of course this isn't a one-way street, and EPRA similarly facilitates visits from Asian investors and corporate leaders to Europe, such as the recent trip by Fred Wang, Secretary General of the China REITs Alliance, to Italy.

The internationalisation of the listed industry has also been reflected in the expansion of the REESA world alliance of real estate associations, which exchange market information and best practices. NAREIT, as the representative of the largest global market in the U.S. and guardian of the global REIT brand, has played a leading role in REESA and been a strong partner for EPRA over the years, Charls noted.

"A lot of EPRA's advocacy work has to be done diplomatically behind the scenes, such as heading off the application of the AIFMD funds directive to the listed industry by the EU. That was a great success, but it could have been a disaster. It's been a similar picture lobbying for REITs and the sector generally in Germany, Spain, Ireland and Italy, to name a few. It's this type of 'out of the limelight' type of advisory work I want to do in the future, after I step down," Charls said.

He added that he also planned to see more of his two daughters who live in the U.S. and to spend more time at his villa by Lake Como in Italy.

"I am leaving EPRA in good shape. The listed industry has never been stronger, demonstrated by the spread of REIT regimes in Europe and its recognition as a stand-alone equities investment sector within GICS last year," Charls said.

"It just leaves me to say a very warm thank you to all the EPRA membership, staff, chairmen, Board and committee members, for their generous help and support over the past 10 years. It's been a lot of fun, as the headhunters said it would be back in 2007," he concluded.

Steve Hays
steve.hays@bellierfinancial.com

‘BRINGING EUROPE TO YOUR DOORSTEP’ – *THE ASIA-PACIFIC STORY*

7th Asia Week - Tokyo, Dec 2016

Yuri Zhou, EPRA’s Director for the Asia Pacific region, looks back at the investor outreach activities of the Hong Kong office since its opening in 2013.

Growing appetite to invest abroad

EPRA had been involved in regular investor outreach activities in Hong Kong, Singapore and Shanghai for some time before 2013, working closely with FTSE to promote EPRA’s listed real estate indices for Europe. What became increasingly clear from those visits was the growing appetite of Asian institutions to invest abroad, particularly outside the Asia Pacific region. For example, in 2012 the Chinese Insurance Regulatory Commission announced that it would allow insurers to invest up to 20% of their total assets in real estate and infrastructure, while up to 15% of total assets could be allocated overseas to 45 countries and regions. Shortly afterwards, Ping An Insurance purchased the Lloyd’s of London building. EPRA’s Board acted on CEO Philip Charls’ recommendation that having a permanent physical presence in the region would make Europe’s listed real estate sector more effective in attracting capital. And so, three and a half years ago, EPRA opened its office in Hong Kong with the aim to promote the sector to institutional investors in Mainland China, Hong Kong, Taiwan, South Korea and Singapore under a mission statement of ‘we bring Europe to your doorstep.’ In the meantime, the initial geographic focus has been expanded to include Japan and Malaysia.

Twice a year EPRA organises tours of the region for CEOs of the listed companies in its membership to meet investors. A lot of other work is done around these trips in building up contacts with not only local investors, but also national regulators, local media and partners in the region. Education and ensuring there is an up-to-date flow of information about the European listed property sector is equally important to EPRA Hong Kong’s work. Therefore, a priority is given to holding regular seminars and networking events, while taking part in real estate industry gatherings which give the possibility to raise the sector’s profile.

The association’s strategic move in 2013 to open the Hong Kong office was well-timed

Today, EPRA is firmly established in the region with a network of contacts with leading investors and the brand is recognised as a quality information provider among the local investment circle. EPRA works closely with the Asia Pacific Real Estate Association (APREA), an umbrella industry body across eight Asian nations. >

7th Asia Week - Seoul, Dec 2016


South China Morning Post

Monday, February 17, 2014

BUSINESS

PROPERTY

CHINESE STEP UP INVESTMENTS IN FOREIGN PROJECTS

Buying spree

Insurers tiptoe into real estate market

It's not a race. It's about doing things well rather than quickly

$3b

Building trusting relationships across various regions

Asian investors typically perceive Europe as more complex than the US because it has so many countries, cultures, regulations, languages and practices. Investing in listed property is still a relative novelty for many Asian institutions, so only a few have adopted a blended portfolio approach. Unfamiliarity with the European listed real estate markets, businesses, strategies and management teams means there is a general preference to deploy capital through third-party asset managers. Having said that, a handful of quite sophisticated investors are very knowledgeable about European listed real estate. EPRA's work in education, promotion and bridge-building must also fit with the Asian business culture, which requires local understanding and more time than in Europe to build trusting working relationships.

ASK summit opening speech by Yuri Zhou - Seoul, Oct 2015

Institutions in Hong Kong and Singapore are the most sophisticated in terms of being in-


'Eyes and ears' abroad reduce developer risk

$10b

formed about European listed real estate investments, although their Mainland Chinese peers are catching up rapidly by investing through the sector or via direct property purchases. Taiwan and Japan are also heading in this direction. Generally speaking, office and retail buildings are still the most favoured property asset classes for Asian investors, although the hotel sector is gaining interest because of the growth prospects of tourism. The spectacular development of Germany's residential sector has been another area of interest.

The inauguration of Donald Trump as President may raise concerns among Asian investors over their investments in the U.S. This can only be positive for Europe. The listed U.S. property sector notably suffered capital outflows of more than USD 3 billion within a few days at the start of the year, close to the presidential inauguration. We are seeing Chinese institutional investors scaling back their investment return expectations for the first time in a decade, with them willing to settle


PROPERTY

ONLINE SALE OF FLATS GAINING POPULARITY

urbs may stall mainland firms' overseas spending

Q&A

European Public Real Estate Association chief Philip Charls is optimistic about attracting Asian investors to the continent's commercial property market in the aftermath of Brexit

The terrorism incidents have actually benefited many European states such as Spain

with returns of 5-6%. More generally, mindful of Brexit, we we are seeing Asian investors no longer solely focused on London or the UK as their destination of choice when they invest in Europe. They are expanding their outlook to continental Europe, particularly Germany, where they perceive they can find stable yields. Recent deals to highlight this trend include Fosun's purchase of an office complex in Frankfurt, CIC buying into the German residential sector, Singapore's GIC investing in a German student accommodation provider and Chinese conglomerate HNA entering final talks to purchase Hahn Airport in Western Germany. An increasing interest for France, Italy and Eastern Europe is also noticeable.

According to a report by JLL, Chinese real estate investment abroad rose by more than half last year, totalling over EUR 30 billion in 2016. This proves that the association's strategic move in 2013 to open the Hong Kong office was well-timed and EPRA will continue to work hard to see more investment into Europe from the Asia Pacific region.

Yuri Zhou
EPRA

Yuri Zhou currently serves as EPRA Director, Asia-Pacific Investors Outreach. Yuri was previously with Citi Research specialising in HK / China listed property. Prior to that, she was a consultant focusing on asset management and pension reform developments in the Greater China Region.

CHINA REITs *ARE COMING*

Signing of the Memorandum of Understanding with China REITs Alliance, Beijing - Dec 2014

Interview with Fred Wang, Secretary General of the China REITs Alliance

Chinese government officials had hoped to establish a REIT system about 10 years ago, but the 2008 financial crisis thwarted their plans. Over the past few years, however, new real estate investment products have started to emerge offering the promise that a REIT regime will be established in the country. In 2014, the Chinese brokerage CITIC Securities issued what looked like the nation's first 'REIT' on the Shenzhen Stock Exchange. Today, more than ten quasi-REITs are trading as the government encourages the rollout of REIT trials.

We met with Fred Wang, Secretary General of the China REITs Alliance, during his visit to Italy. Together with Eurocommercial, EPRA organised a property tour showcasing prime assets in the retail, office and residential sectors, and we also took the opportunity to interview our guest. The China REITs Alliance is a Beijing-based industry association set up to help establish a Chinese REIT regime. Wang, who has more than 18 years of experience in commercial and residential property investment and fund management in China, helped found the Alliance in December 2014, after more than five years of underlying work. Often called 'Mr. REIT' by local newspapers, his goal is to promote understanding of the industry and democratising investment in REITs.

"Interest in Chinese REITs is high," Wang said. The country however still needs to address a few points before moving to a fully-fledged regime. Although the current financial product channels cash flow to investors, it is not exempt from corporation tax, does not require a determined level of income to be redistributed as dividend, does not give investors ownership of the underlying assets in the listed trust, offers a predetermined yield and is limited in time. "We do not know for sure when it is going to be, but there is no doubt about the direction: a 'C-REIT' regime will be launched. And we need to be ready when the time comes," he said.

The Chinese real estate industry has strong growth prospects. As of February 2017, Asia REIT market capitalisation stood at USD 212 billion, which is up from USD 138 billion at the end of 2013. Japan has the largest market share (USD 109.7bn), followed by Singapore (USD 52.3bn), Malaysia (USD 6.9bn) and Taiwan (USD 2.1bn).

Pyramid: the fundamental system of REITs

During property tour in Italy.
From left:
Roberto Fraticelli (Eurocommercial)
Fred Wang (China REITs Alliance)
Philip Charls & Yuri Zhou (EPRA)

In December last year, Chinese authorities unveiled plans to securitise assets that are part of public-private partnership (PPP) investments in the infrastructure sector. PPPs are collaborative projects between government and private companies. This move should help attract more private investors and create a level playing field for companies with different ownerships.

"A Chinese REIT regime is a step-by-step process. But PPP securitisation is a strong signal that we are moving in the right direction," Wang said.

He noted that although the prospects for REITs in China are bright, there are still factors holding back their development, including government regulation and market maturity. The issues that need to be addressed before a mature REIT regime can be instituted, range from establishing qualified asset managers to taxation (see graphic).

Today, the government still relies considerably on property transactions for tax revenue. Wang stressed that a regulatory framework for asset transfers and exemptions on land value tax are crucial to avoid double taxation. Land appreciation tax varies between 30% and 60% in China. "Tax incentives, such as in the Singaporean REIT market, could be a good idea," he suggested.

"The smooth development of a REIT market in China depends greatly on the education process. The European example with its different countries, regimes and stock exchanges is a great illustration of how this can work in practice for the Chinese model, with its provinces and local exchanges," he said.

In 2014, EPRA, the US REIT association NAREIT and the Asia-Pacific real estate association APREA signed a memorandum of understanding with the China REITs Alliance. A stepping-stone for the alliance, it reflected the three associations' commitment to a regular information exchange in order to help establish a REIT industry in China.

The industry associations believe that not only will this cooperation boost the growth of the listed sector in one of the world's largest real estate markets, it will also raise understanding of the great advantages REIT structures have for Chinese investors seeking property assets in Europe, the Americas and the rest of Asia.

Fred Wang
China REITs Alliance
Fred Wang is the Secretary General of China REITs Alliance. He has more than 18 years of experience in financial institutions and multinational companies. Wang worked in CITIC Securities where he led the establishment of the CITIC Poly Fund. Wang also worked in Warburg Pincus and GE Capital-Real Estate and was member of the Investment Committee of CITIC Capital VANKE China Property Development Fund.

MEET DOMINIQUE MOERENHOUT, *THE NEW CEO OF EPRA*

"Teamwork, commitment and communication are key to a successful organisation"

Dominique Moerenhout, EPRA's new CEO, came to our Brussels office mid-January to meet the team. We took this opportunity to ask him a few questions before he officially joins us, in early March.

We know you are a Belgian national and that you are the CEO at one of the leading international real estate investment managers. Could you tell us a bit more about yourself?

"Yes, I'm a true Belgian: half Flemish and half Walloon. I live outside Brussels with my wife and our 13-year-old daughter. I have a business background, having studied business administration at ICHEC Brussels and financial analysis at the Belgian Association of Financial Analysts. Currently I'm the CEO for Luxembourg and Belgium at BNP Paribas Real Estate Investment Management and I look forward to joining EPRA soon."

With your business background, how did you arrive to real estate?

"After working in a private bank followed by five years as a management consultant on large financial sector projects for KPMG Consulting, in 2004 I had the opportunity to start a private real estate business from scratch – Fortis Private Real Estate. I always considered management consulting as a toolkit to moving back to the financial industry later, so I jumped at the opportunity. Real estate is a fascinating sector, you learn something new every day, and it is very tangible - you can literally touch the bricks and mortar."

What were the stepping stones in your career at BNP?

"I was Chief Operating Officer for international investment and fund management activities in Luxembourg, Belgium and Spain until 2011, before moving with the company to the UK. As COO of BNP Paribas Real Estate UK I was responsible for overseeing the company's repositioning and growth plan. It was a big project, involving a large team of 650 real estate professionals spread across the country. I stayed at it for three years, commuting to Belgium almost every weekend."

Moving from a big international organisation like this to a European association with a team of 18 is quite a change, don't you think?

"I actually prefer working in a smaller team, because it's how you can build better and more personal working relationships. I like to get deeply involved. As CEO, it is important to have the helicopter view, but you also need to see the detail and how it works in practice. This is where the whole team's involvement is so visible and important. I'm a strong believer of collective success and so I like to promote the contribution of the team's members."

Teamwork is the key to a successful organisation?

"Teamwork, commitment and communication. Communication is a strong business enabler and has a big role to play, especially when you need to reach the variety of audiences like EPRA does as an organisation."

Why did you decide to join EPRA?

"In EPRA I found the three main ingredients that you look for when joining a new company: a vision, a commitment from the Board and a professional team. Philip Charls has done an exceptional job over the past 10 years and there is clearly a vision for where the association should be going. There are many challenges and I'm eager to learn and pick them up. I come from the private real estate sector, so the key trends and constraints that affect the listed real estate industry are different. That said, the underlying business – the assets and the way you manage them – is similar, so I'm really excited about discovering this new facet of real estate."

CUSTOMER IS *THE NEW TENANT*

Life at the 'sharp end' as a London landlord means tenants are customers who demand communication, innovation and flexibility, Workspace CEO says.

His description of the 4,000 companies that lease space at Workspace business centres as "customers" is telling since it highlights how much the relationship with tenants has changed.

Jamie Hopkins says his biggest worry, as CEO of Workspace, is to get caught out by a sudden and unexpected change in "customer demand."

Since taking over as CEO in 2012, Hopkins has repositioned Workspace as a London office landlord offering space on terms that allow tenants to give just six months notice before vacating a unit. It's a radical departure from the traditional landlord model characterised by tenants signing a long-term lease and assuming all the responsibility for the repair and maintenance of the property.

His description of the 4,000 companies that lease space at Workspace business centres as "customers" is telling since it highlights how much the relationship with tenants has changed. He says his business is not alone in facing the challenge: in an era when occupiers demand more flexibility and are no longer wedded to the traditional office locations of central London. Landlords have lost the upper hand and must be more service oriented, he explained.

"We're at the very sharp end of a real estate industry cycle that is playing catch-up with a technology revolution that has already dramatically changed the way that people are working," he said in an interview at Workspace's headquarters at its flagship business centre, in Kennington, south London. "People are making office location decisions based on what's right for their business, where their staff commute from and what is the shape of the working day, rather than being obliged to go where the real estate is."

New working practices enabled by technology and the popularity of co-working spaces have fuelled a "ferocious" rise in the service office sector, while a succession of transport infrastructure improvements have opened up new office markets right across the capital. Increasingly traditional office developers are following this trend by starting projects outside the most established markets of the West End and the City of London, Hopkins said.

Notable examples of large companies moving to new office locations include Apple's decision to relocate its London operations on one campus in Battersea Power Station – the iconic building in the Nine Elms district of south London. Google is already looking to expand its presence in King's Cross on the northern fringe of the traditional 'Midtown' London office district.

"Ten, if not five, years ago you would not have walked down the street in these locations and thought 'this will be the next big thing,'" Hopkins said. "Things are changing so quickly."

Unusually Workspace itself handles all of the direct marketing and sales for its 3.6 million square foot estate, with an in-house team fielding about 1,000 enquiries a month.

This gives it first-hand insights on occupier demand and makes it nimble in response. Hopkins monitors the inventory of available space in real-time so that he can gauge when to adjust rents to demand – just as a store monitors its stock levels.

"We are now essentially an online retailer of multi-let freehold office space," he said, "and as a business we've fully embraced the technology revolution that helps us to achieve that."

The Workspace offering appeals mainly to established small or medium-sized companies, which typically employ about a dozen staff. Some of the better-known tenants at its centres include personalised gift company moonpig.com, fashion retailer White Stuff and Mozilla, the software organisation. Average rents of GBP 27.38 per square foot are a fraction of the cost to lease space in the established West End and City of London markets.

With its focus on the value-for-money segment of the office market and a diverse tenant base, Hopkins reports solid demand for space in spite of the clouds of uncertainty about how the UK will exit the European Union. Last year's unexpected referendum Brexit result has weighed on the shares of listed London office landlords, Workspace included, on concerns that the city will no longer serve as the bridgehead into Europe for international companies.

"We are finding that demand is strengthening in our segment of the market. We aren't marketing space to large law firms, accountants or investment banks, but also we aren't immune to everything Brexit-related." Hopkins said. Larger and more traditional occupiers are coming onto Workspace's enquiry list, while it is also targeting those occupiers with lease expiries that are coming up in the West End, he added.

The company differs from serviced office operators by owning the freehold to its GBP 1.8 billion portfolio, managing its properties to enhance or create value for its estate and not offering all-inclusive rents that bundle up charges such as business rates, telecoms, cleaning, heating and electricity.

Workspace maintains a 10% vacancy rate as it refurbishes, extends and renovates its portfolio of 69 estates on a rolling investment programme. The current pipeline of projects will add about 1 million sq. ft. of new and upgraded space to its portfolio. Separately, the company works on obtaining planning consent for new residential blocks on the fringes of its estates, selling the sites to homebuilders often in return for them constructing new business space by form of payment. With a 14% loan-to-value gearing ratio and GBP 250 million in undrawn loan facilities, aside from its asset management pipeline, Workspace is also on the lookout for acquisitions. By monitoring demand through its direct marketing platform, it can identify hot spots all across the Capital.

Over the years, the company has also rejigged its offering to address start-ups, freelancers and one or two-person businesses, by providing co-working space at, so far, 17 of its business centres. It rents out meeting rooms to all-comers and is starting to use its contracting clout as a fee-earner, by offering tenants better value-for-money services, notably for all-important broadband and telecoms, as well as cleaning and other "hard" services.

Workspace's results show that its business is dynamic and growing. The company reported an 11.1% growth in rental income in the nine months to December 31, 2016, from a year earlier and, in November 2016, announced a 40% increase in the interim dividend.

"Property investment is moving towards an operational management business and the market is following the direction that we have taken," Hopkins observed.

Jamie Hopkins
Workspace

Jamie Hopkins joined Workspace's board as a non-executive director in 2010 and became CEO two years later. His previous experience was on the board at Mapeley, prior to which he was the company's CEO. This followed directorships at Chester Properties, Delancey and Savills.

The Workspace Group Grand Union Centre pre- and post-redevelopment

The Workspace Group Record Hall pre- and post-refurbishment

OFFICE SECTOR *SNAPSHOT*

FTSE EPRA/NAREIT Developed Europe Office Sector

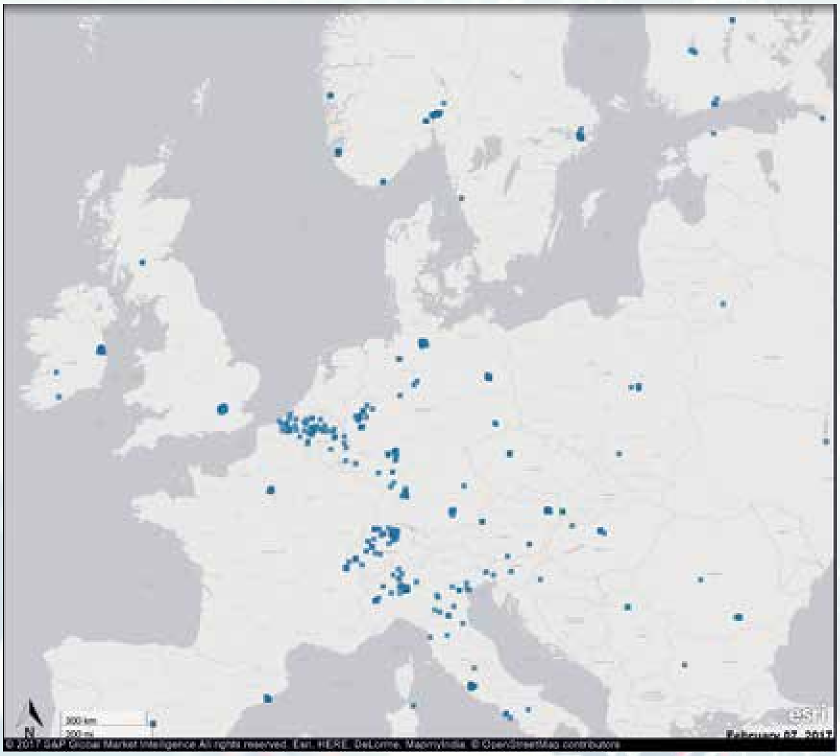
Cons Code	Constituent Name	Country	Investment Focus	Price Return Jan-17	Dividend Yield Jan-17	Total Return Jan-17
C62523	PSP Swiss Property AG	SWIT	Rental	0.97%	0.00%	0.97%
C33579	Derwent London Plc	UK	Rental	-11.00%	0.00%	-11.00%
C73596	Fabege AB	SWED	Rental	0.13%	0.00%	0.13%
C62082	Inmobiliaria Colonial S.A.	SP	Rental	3.24%	0.00%	3.24%
C24724	alstria office REIT AG	GER	Rental	-2.90%	0.00%	-2.90%
C62524	Allreal Holding AG	SWIT	Non-Rental	-0.73%	0.00%	-0.73%
C59204	CA Immobilien Anlagen AG	OEST	Rental	4.41%	0.00%	4.41%
C33946	Workspace Group Plc	UK	Rental	-4.67%	0.86%	-3.81%
C40892	Befimmo SA	BELG	Rental	-4.85%	0.00%	-4.85%
C158059	Entra ASA	NOR	Rental	3.79%	0.00%	3.79%
C148651	Green REIT Plc	IRE	Rental	-5.25%	0.00%	-5.25%
C152839	Hibernia REIT plc	IRE	Rental	-1.14%	0.61%	-0.53%
C60355	Beni Stabili SpA	ITA	Rental	-4.05%	0.00%	-4.05%
C43874	Technopolis Oyj	FIN	Rental	-1.60%	0.00%	-1.60%
C18182	Norwegian Property	NOR	Rental	-0.90%	0.00%	-0.90%

Value snapshot January 2017

Office	Latest (monthly)	Year to date	1-year	5-year
Total return (%)	-1.79%	-1.79%	-3.08%	11.11%
Premium/Discount to NAV (%)	-11.64%	-11.64%	-9.29%	-6.65%
Loan-to-Value (%)	34.63%	-	34.03%	44.50%
Dividend yield (%)	3.17%	-	2.59%	-

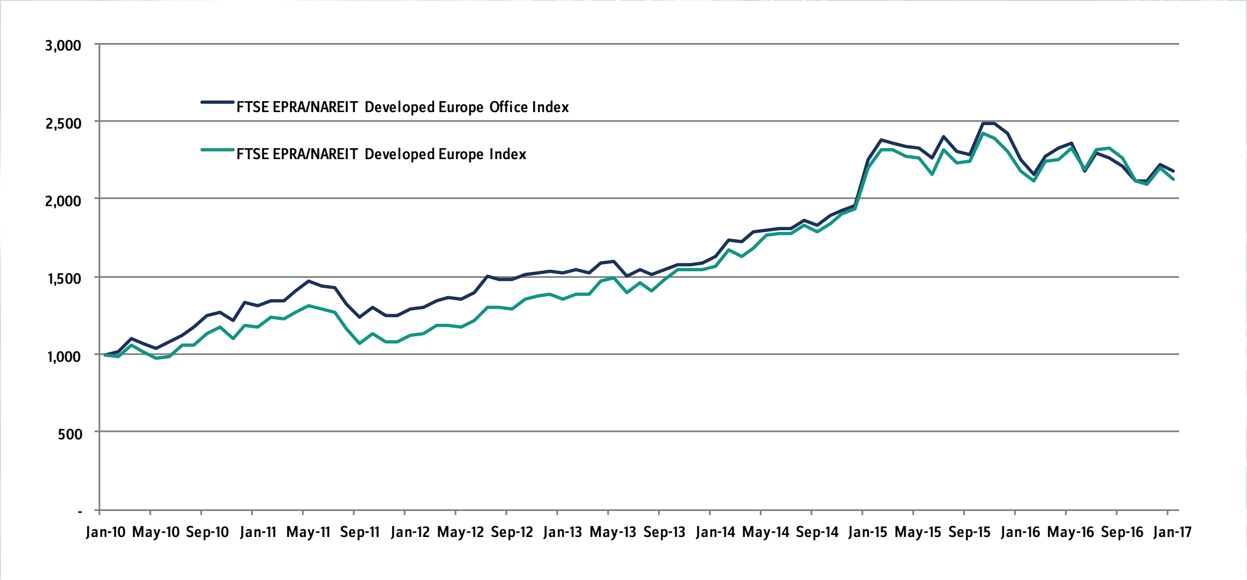
**1-year LTV value as of Jan-16 and 5-year value as of Jan-12*

SNL Offices Map

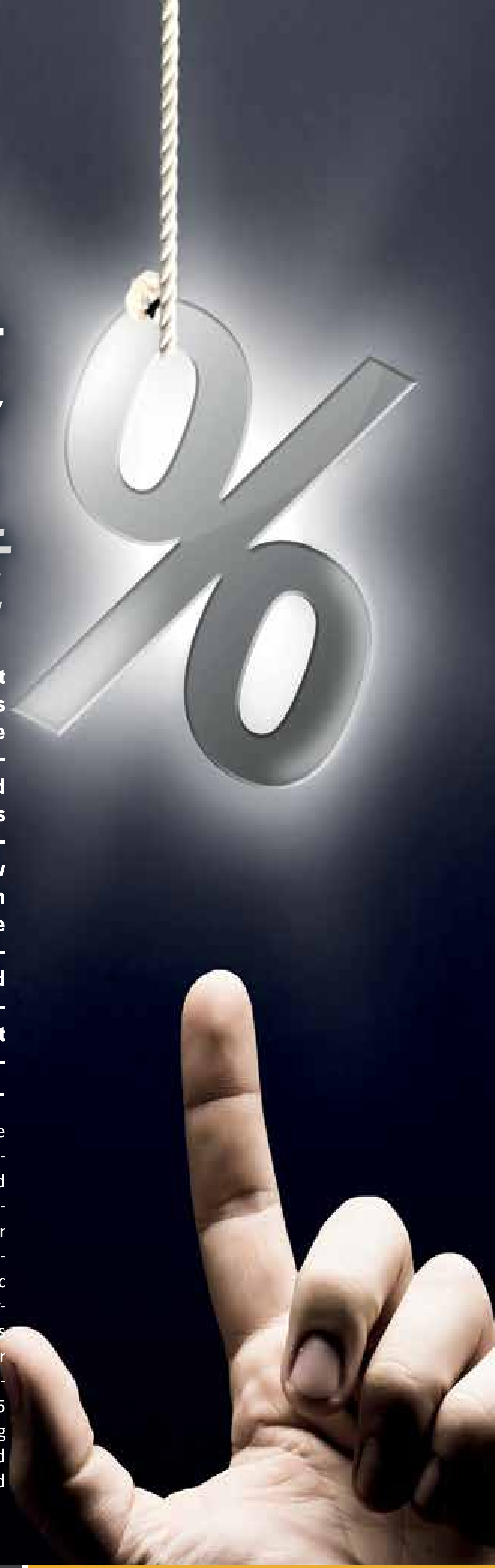


Developed Office Sector Index Share

Performance Developed Europe vs Developed Europe Office



THE INTEREST RATE SENSITIVITY *OF PUBLIC REAL ESTATE*

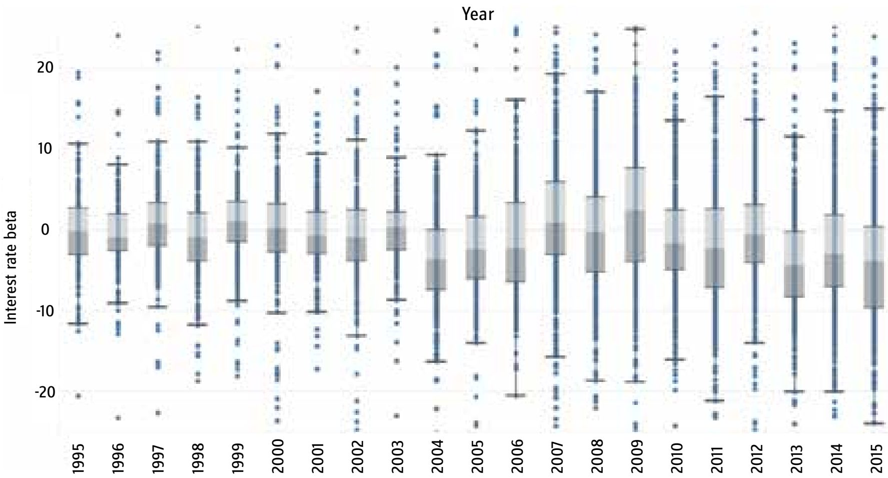


In this era of low but rising interest rates, investors and fund managers need to be aware of the interest rate sensitivity of their assets. What happens to the value of their assets and asset mix if and when interest rates return to the long term normal? Duration tells fixed income investors how their bond portfolio will react when interest rates rise. In this paper, we translate the technology of this duration concept to the international listed real estate markets, and present relevant insights into the key factors that determine the interest rate sensitivity of public real estate investments.

"Our results show that public real estate returns tend to decline when interest rates increase"

In the research paper prepared for EPRA, we provide empirical evidence regarding the interlink between public real estate returns and interest rate dynamics, for 723 listed real estate investment companies in 10 markets for the period 1995-2015. Our results show negative interest rate beta's. In other words, public real estate returns tend to decline when interest rates increase. But these interest rate beta's differ vastly across firms and tend to vary over time. In the box plots right, we show the dispersion of the interest rate beta's from 1995 to 2015. This picture shows that when tracking the annual averages, interest rate beta's and sensitivities increase when credit is tight and more expensive.

Plot of time varying market beta distributions for the whole sample

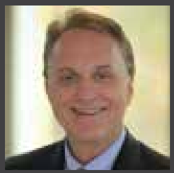


Given the wide variation in interest rate beta loadings, we also discover that identifying the interest rate sensitivity of individual listed real estate firms allows investors to increase or lower their interest rate exposure in their asset mix. We find that this interest rate exposure is rewarded with subsequent returns, as the spread between the highest and lowest interest rate risk group within the listed real estate market equals 3.47% a year. In other words, interest rate risk is an important factor also for listed real estate returns. A factor, which differs significantly across individual firms and is rewarded with future returns for those who succeed in selecting their listed real estate mix accordingly. It pays off to know the interest rate beta of a listed real estate firm, as future returns are set accordingly.

Finally, we also examined the firm characteristics of public real estate that may help to explain the observed variation in the firm level interest rate beta's. Why are some firms more sensitive to interest rate risk than others? Our empirical results confirm what the available literature indicated before. We find that interest rate sensitivity is stronger for firms with large fractions of short debt maturities and low occupancy rates in their property portfolios. Debt structure determines the corporate exposure to changes in interest rates. If large fractions of corporate debt are floating changes in the rates will swiftly affect financial results. But besides this obvious debt structure link, we also find empirical proof that the overall cash flow stability of the asset portfolio matters. Listed real estate firms with high occupancy rates are less sensitive to any changes in interest rate expenses, as the relative weight of these effects weighs less. In case occupancy rates are lower, these changes in future debt costs become more material. All results that are in line with the cash flow concept of duration, since shorter term debt enhance the exposure of a firm to the swings of interest rates.

The implication of these results are relevant for a wide audience. For public real estate firm management, our results indicate that capital structure management gains relevance, since subsequent stock returns are related to how (and how much) firms are levered. For investors, our results show that it is important and relevant to include the details of interest rate sensitivity into their due diligence process, as a premium can be earned and lost due to the ex-post exposure to interest-rate risks. Finally, our results also have implication for the academic literature as we provide evidence that shows that research on interest rate risk for non-fixed income investments is needed. Also beyond the concept of duration, new metrics may well be needed to capture and examine why interest rate risk differs across firms and over time. More research is needed to disentangle this interest rate impact on stock returns and to design metrics that succeed in capturing price relevant interest rate risk ex-ante.

Dirk Brounen
Tilburg University
Dirk Brounen is Professor of Real Estate Economics at Tilburg University. His research interests include REITs, the risk and return of international real estate strategies, and the financial economics of energy efficiency.



David C. Ling
University of Florida
David Ling is the McGurn Professor of Real Estate at the University of Florida, where he teaches courses in commercial real estate finance and investment. His publications have included articles on real estate investment trusts, private commercial real estate investments, performance evaluation, housing policy and economics, and commercial and residential mortgage markets.

Huib Vaessen
APG Asset Management
Huib Vaessen works as senior portfolio manager real estate at APG Asset Management. He is responsible for the architecture and incorporation of data warehouses and data analytics in the real estate investment portfolio decision process. Before joining APG Huib worked as analyst at the investment bank Kempen & Co and as COO at the real estate data firm GeoPhy.

UK REITS OFFER INVESTMENT OPPORTUNITIES AFTER *EXAGGERATED BREXIT SELL-OFF*

Matthew Sgrizzi from LaSalle Investment Management offers his view on the risks and chances for the listed real estate sector and how to invest in a post-Brexit market. >

How do you regard the UK market post Brexit?

"We see a deceleration in the London market and especially for central London offices, where we expect rents to decline and values to come down. UK REITs have fallen very sharply and have underperformed especially relative to continental European property securities. They are trading below net asset values (NAVs), both reported and our own estimates. We think this is a bit over-exaggerated and that they offer pretty attractive spreads relative to stocks and bonds.

Financial conditions are still favourable in the UK, with interest rates down, corporate spreads down and inflation expectations that are up. That tapestry and the relative valuation, especially in this historical context, mean that it does look like there is an opportunity in the UK. Most UK REITs are pretty far from any potential distress – they have low LTVs (loan-to-value ratios), high quality assets and relatively low operational risk."

"The market is calling a turning point too eagerly"

What's the driver for the stronger valuations for listed companies in Continental Europe?

"I don't think growth prospects for continental Europe are wildly optimistic. Growth has been good enough and there are reasons to see a better outlook for many markets. Financial conditions have been very supportive and possibly this is a bigger story than the underlying growth prospects."

How do you see the interest rate outlook in Europe?

"It's a global market. The Fed is clearly tapering but in a controlled way. People are thinking about that for all central banks. It is less clear that the central banks in the Eurozone and Japan are going to be tightening policy too soon. What's important to bear in mind is that real estate can still perform well if interest rates are rising with growth prospects. The real risks to the sector are the potential for a real interest rate shock – a meaningful lurch higher in real interest rates in a short period of time – or a recession."

Are you more sensitive to political risk after last year's surprises?

"There've been some significant political risks over the last couple of years. If you had been overly concerned about them and stayed out of the markets, you would have missed out. The to and from in the political situation in Spain contributed to the underperformance for Spanish companies in the first half of last year and those companies outperformed in the second half as the situation stabilised. Political risks are being priced into the market in some way and they can present opportunity. It cuts both ways."

What's your approach in stock selection and do you have examples?

"We invest where we see value and we try to price companies dispassionately. What's important is that companies get right the things that they can control. We look favourably at companies with strong governance, aligned management and care for their balance sheet. We expect to see companies seeking operational excellence. That does come with scale and focus. We like companies that are allocating capital thoughtfully in a value accretive way.

"In Europe, there are some very high quality companies in what have been traditionally strong markets – like London office and high productivity retail in continental Europe. There are some obvious headwinds to those sub-sectors and the market is being overly negative. We think the market is calling a turning point too eagerly."

What's not investment grade for LaSalle?

"We always consider the risk-reward trade-off because there is a price for everything. Companies that tick all the boxes might be expensive; companies that don't tick any of the boxes can be cheap. What are most uninvestable for us are expensive stocks or a company whose value clearly has a speculative quality to it and makes pricing it with confidence extremely difficult – those with material bankruptcy risk or credit worthiness issues."

How can Europe develop its listed real estate sector?

"What would be great to see is a harmonised REIT legislation of some sort. That is clearly the beacon on the hill. REITs are a great way to own real estate because they are a well-managed, liquid, tax transparent structure. The more opportunities there are in the listed market, the better it is for everyone. The universe of companies in Europe offers a good opportunity set, with sufficient diversification. Individual countries in Europe and national REIT regimes mean there are not very large individual markets. Taken together, though, that's not an impediment for us to invest."

How do you engage with companies to get them to change?

"We do not adopt an activist approach, rather we are more interested in having a conversation with management to understand their priorities, what they have identified as opportunities and then take it from there. We seek to develop a rapport with the management team and the boards in these companies to make it known that the big things – governance, alignment, balance sheet – are important to us."

Matthew Sgrizzi
LaSalle Investment Management

Matthew Sgrizzi joined LaSalle Investment Management Securities in 2002. He spent five years in Amsterdam as an analyst and in portfolio management, before returning to the US to become Managing Director of the European real estate securities portfolio and deputy Global Portfolio Manager. LaSalle currently manages about $15 billion of listed real estate securities.

WEAKER UK PROPERTY SHARES TRIGGER DEBATE *ON GLOOMY OUTLOOK AND BREXIT UNCERTAINTY AT EPRA'S LONDON INSIGHT.*

Market outlook given by Bart Gysens (Morgan Stanley)

UK listed property stocks are pricing in a steep decline in portfolio values in the near term and the market is overshadowed by economic and political uncertainty as the British government prepares to withdraw the country from the European Union, the audience heard at EPRA's Insight event in London on January 9th.

Morgan Stanley real estate equity analyst Bart Gysens gave this assessment of prospects for the UK property market to start a panel discussion during which all four participants expressed varying degrees of caution for 2017. The analyst flagged that transaction volumes are falling and retail investors are pulling their money out of real estate funds. The slide in the pound since the June 23rd Brexit referendum vote has meant that last year in dollar terms the UK had its third biggest drop in property values in 30 years, he noted.

"We are hunkered down for the next 12 months or so," said panellist Rob Noel, CEO of Land Securities, which has cut leverage at Britain's largest REIT to an historic low and taken other steps to weather the challenges that he anticipates. Earlier he said that it was impossible to ignore the uncertainties posed by Brexit for occupiers, particularly in London, at a time when more space is being delivered to the market.

London offices, which make up about half >

Panelists:
David Atkins (Hammerson)
Marcus Phayre-Mudge (BMO)
Simon Robson Brown (
CBRE Clarion Securities)
Robert Noel (Land Securities)

of Land Securities' property portfolio, will probably suffer higher vacancy rates – rising to 2009 levels in the City of London financial district, - a decline in market rents of 10% or more and an average 6% drop in values, according to Morgan Stanley.

The one "bright spot" in the UK market will be the industrial/logistics sector, Gysens said, chiefly due to higher demand from e-commerce. This was a view shared by all the panellists in the event held in the British Museum's lecture theatre and co-hosted with law firm Nabarro.

Marcus Phayre-Mudge, who heads up European property equity funds at BMO Global Asset Management, expects the UK's best-performing warehouse investments to be in southern England, where supply is constrained. He also flagged that continental Europe presents opportunities because it lags behind the UK in terms of the retail market's penetration by online operators.

David Atkins, CEO of pan-European retail sector specialist Hammerson, was the least pessimistic of the panellists in the discussion moderated by PropertyEU Publisher Richard Betts.

He challenged Morgan Stanley's "gloomy" portrayal of prospects for UK and the "non-compelling" outlook for retail properties. Pricing of UK real estate stocks at a substantial discount to their net asset value is "irrational" compared with the large premium enjoyed by their peers in continental Europe, he said.

The panellists agreed that the impact of political risk would continue to weigh on European real estate markets following the unexpected Brexit vote in the UK and Donald Trump's victory in the US presidential elections. This year France, Germany and the Netherlands hold key elections that may also throw up surprises, they noted.

Simon Robson Brown, CBRE Clarion Securities' head of European real estate equity investments, said that any investor taking large bets in the current environment would be "foolhardy."

Since shopping centres, outlets and retail parks make up all of Hammerson's portfolio and a large share of Land Securities' assets, the panel dwelled on prospects for retailing, the impact of e-commerce, the mounting importance of a food & beverage offering for shopping centres and retailers' click and collect strategies.

BMO's Phayre-Mudge picked up on the Morgan Stanley analysis to express his concern that household spending will come under pressure in the UK from inflation fuelled by sterling weakness and the introduction of the Single Living Wage. This will affect properties in secondary and regional locations in the UK in particular, unless they can provide a relevant convenience offering, he said.

Hammerson's Atkins, acknowledging that increases to business rates would mostly affect retailers in London, expects prime properties in destination shopping locations to have sufficient defensive qualities to be largely insulated from the concerns raised by Gysens and the other panellists.

"Retailing goes backwards when there's a significant increase in unemployment," he said, adding that he didn't expect this to happen or for the UK economy to enter a recession. "You can still make decent returns" with the UK economy growing at a 1.5-2% pace by investing in locations that draw shoppers and attract retailers, he said.

Rob Noel of Land Securities agreed on the latter point, saying "creating the right experience will make a shopping centre work, regardless of Brexit."

AMSTERDAM CAUTIOUS TONE

EPRA Amsterdam Insight sets cautious tone as Dutch real estate transactions volume hits record in 2016

A record year for transactions in the Dutch real estate market in 2016 and rising prices for prime assets in the previously laggard office sector, prompted speakers at EPRA's Insight event in Amsterdam in early January to advise investors to proceed with caution.

Transaction volumes hit a record EUR 13.5 billion last year, according to estimates from CBRE, while prime yields in the major Amsterdam office market fell to 4.25%, compared with over 6.0% during the market's nadir in the global financial crisis of 2008/09.

"By all accounts, it looks like we're in a bull market," moderator Remco Simon, Director of Research at Kempen & Co, observed as he challenged the panellists.

Patrick Kanters, Head of Real Estate & Infrastructure at APG Asset Management, captured the mood by remarking: "If you bombard me with all these nice numbers, I get a bit scared because we have heard all this before, with everything going to new highs."

Bernd Stahli, CEO of Dutch office REIT NSI, said that the Dutch real estate market as a whole only started to really recover in 2014, while the office sector has turned a corner even more recently and the retail sector remained "softish."

As low interest rates foster economic growth, all panellists said that the market in the

"By all accounts, it looks like we're in a bull market"

Netherlands is on a healthier footing and offers a more positive rental outlook.

Evert Jan van Garderen, Finance Director at shopping centre owner Eurocommercial Properties, noted that the more attractive fundamentals for investing in real estate are not reflected in the values of Dutch listed property companies, whose shares are trading at a discount to their net asset value (NAV).

The panel discussed how the relatively small size of the Dutch listed property sector, the perceived volatility of equities relative to direct property investments and the lack of flexibility in the cross-industry sector FBI fiscal regime in the Netherlands, compared with other markets dedicated REIT structures, may be inhibiting the growth of quoted real estate companies.

Christian Teunissen, Co-founder of Xior student housing, pointed out that the legislation in Belgium was more flexible than in the Netherlands: "We have the GVV (Gereglementeerde Vastgoedvennootschap), which is a little more dynamic than the FBI in the Netherlands, making it much easier for us to start with a smaller portfolio of 200 million euros – something that would not have been possible under the Dutch regime."

He added that borrowing capital from Belgian banks in the wake of the financial crisis was a lot easier than in the Netherlands, allowing Xior to acquire high yielding assets in its neighbouring market during a period when domestic competition was limited.

"There is a disconnect between the listed market and the private markets right now. If you had a pure private real estate audience, I think the sentiment would be far more positive than among the listed audience here," APG's Kanters said.

The current valuations of Dutch listed property companies at a discount to NAV deter new entrants to the market – notably private equity companies that have assembled large portfolios that would be ripe for listing, he noted.

The discussion moved on to examine if the Netherlands would be able to follow Germany in creating large listed residential real estate companes from previous private equity-held portfolios. Kanters suggested that Dutch pension funds could facilitate the growth of a Dutch listed residential market if they were prepared to part with their portfolios, but there was no incentive to do so with these assets providing stable long-term and low risk rental income streams.

The market needed to come up with a more convincing story for people to scale up these portfolios for listing, he said.

The discussion turned to where the panellists saw the best investment opportunities in the Netherlands and the appetite for risk in venturing into secondary markets or locations.

"We do it by extending (shopping) centres, or buy into new developments where we can. Stepping earlier into the development process," Eurocommercial Properties' Van Garderen said. Eurocommercial is listed on the Amsterdam bourse, but doesn't currently have retail investments in the Netherlands.

NSI's Stahli said that for investors in search of higher yields, moving up the risk curve and away from prime real estate could offer opportunities: "It's true that some prime (office) assets in the Dutch market are yielding 4%, and not so prime 8-9%," he said. "If you go up the risk curve, the market is less competitive."

EPRA's Amsterdam Insight was hosted by legal firm Loyens & Loeff and followed the London Insight held earlier the same week.

Panelists:
Patrick Kanters (APG)
Christian Teunissen (Xior)
Remco Simon (Kampen & Co)
Bernd Stahli (NSI)
Evert Jan van Garderen (Eurocommercial)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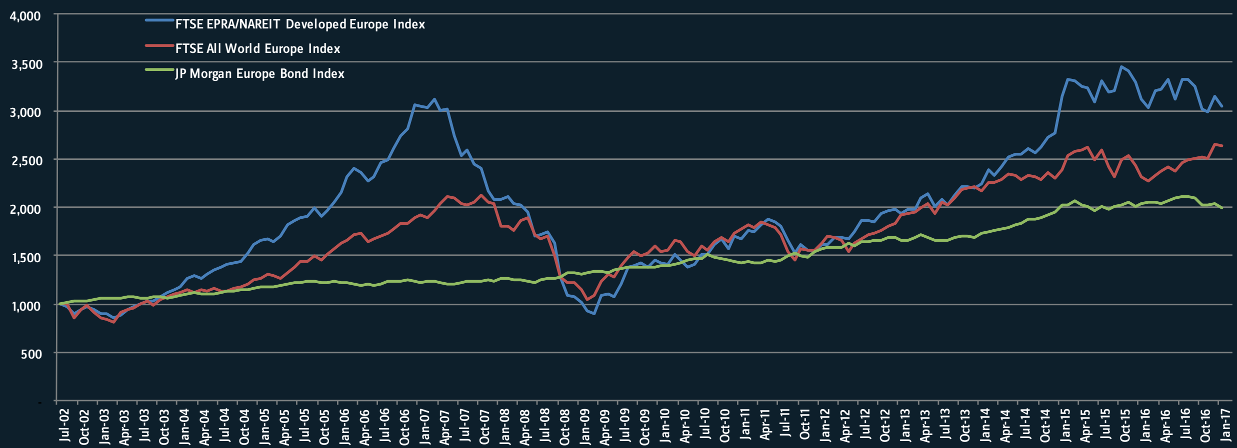
INDEX FOCUS

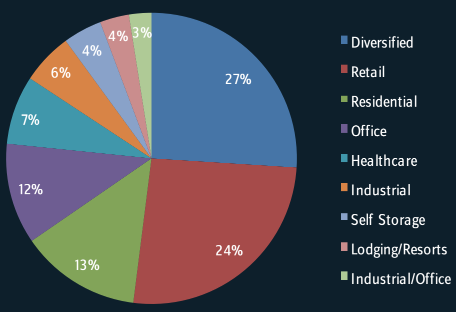
Comparison of Asset Classes



Value snapshot (January 2017)

Developed Europe	Latest (monthly)	Year to date	1-year	10-year (long-run)
Total return (%)	-3.3%	-3.3%	-2.6%	0.0%
Premium/Discount to NAV (%)	-6.8%	-6.8%	-2.8%	-10.5%
Loan-to-Value (%) *	38.1%	-	38.0%	42.1%
Dividend yield (%)	3.7%	-	3.2%	2.0%

Global Sector Breakdown



Top 10 European Performers (January 2017)

FTSE EPRA/NAREIT Global Index							
Stock name	Country	REIT Status	Sector	Investment Focus	Price Return Jan - 17	Dividend Yield Jan - 17	Total Return Jan - 17
Safestore Ltd.	UK	REIT	Self Storage	Rental	5.74%	0.00%	5.74%
WCM Beteiligungs- und Grundbesitz-AG	DE	Non REIT	Diversified	Rental	5.63%	0.00%	5.63%
Picton Property Income Limited	UK	Non REIT	Diversified	Rental	5.61%	0.00%	5.61%
NSI N.V.	NETH	REIT	Diversified	Rental	5.08%	0.00%	5.08%
CA Immobilien Anlagen AG	OEST	Non REIT	Office	Rental	4.41%	0.00%	4.41%
Entra ASA	NOR	Non-REIT	Office	Rental	3.79%	0.00%	3.79%
ADO Properties SA	GER	Non REIT	Residential	Rental	3.39%	0.00%	3.39%
ESP Empiric Student Property	UK	REIT	Residential	Rental	1.89%	1.46%	3.35%
Inmobiliaria Colonial S.A.	SP	Non REIT	Office	Rental	3.24%	0.00%	3.24%
Daejan Holdings Plc	UK	Non REIT	Diversified	Rental	2.26%	0.00%	2.26%

EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

Head Office
Square de Meeus 23,
9th Floor,
B-1000 Brussels,
Belgium
T +32 (0)2739 1010

UK Office
Berkeley Square House,
Berkeley Square, London,
W1J 6BD,
United Kingdom
T +44 (0)7973 109117

EPRA Hong Kong Ltd
Suite 2207-09, Tower II,
Lippo Centre,
89 Queensway,
Admiralty, Hong Kong
T +852 2530 8170