



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

Monthly Market Review

June 2019

July
2019

Overview

During June 2019, the FTSE EPRA Nareit (FEN) Global Developed Index decreased by 0.5%, resulted in 15.5% year-to-date return. Global equities and global bonds returned 5.7% and 1.2%, respectively.

Focusing on regional performances, real estate markets in Europe and North America slipped 2.8% and 0.9%, respectively; while real estate markets in Asia gained 2% during June. Emerging markets posted a return of 5.7% for the month.

In terms of sector performances, the FEN Global Developed Industrial Index recorded the highest return with 5.5%, followed by industrial/office index with a return of 2.6%, monthly basis. During the first half of the year, industrial (31.5%), industrial/office (21.2%) and self-storage (18.7%) were the best performers.

Highlights of the Month

Residential Sector : Berlin Rent Freeze

The city government of Berlin agreed on a draft law to freeze rents for five years from 2020, due to the concerns of affordability. Both supply shortage and excess demand, in particular for affordable housing, put pressure on rents in Berlin. Berlin has a large and well-established rental market and the house ownership rate is particularly low; 15.6% compared to 45.9% in Germany as a whole and 69.3% EU average (Eurostat, Deutsche Bank).

The major concerns on the potential introduction of a local rent freeze in Berlin are the constitutionality of new proposal, the potential spill over from Berlin to other regions and the potential impact on the valuation of the companies.

Deutsche Wohnen (DWIN) and Vonovia, having large residential portfolio in Germany, published statements on the current rent freeze situation in Berlin. DWIN aims to take a responsible approach to the issue of living and housing to ease tenants' worries on rent increases from renovation works or normal rent adjustments. Vonovia expects very limited risk for the portfolio, since less than 10% of the portfolio located in Berlin; and but they are prepared to redirect investment funds to other geographies if needed.

Index Focus on German Residential Sector

The FEN Developed Europe Residential index lost 11.1%, monthly basis; however, the sector remains among the leading performers with an annualised five-year rolling returns of 18.3% (Fig. 1).

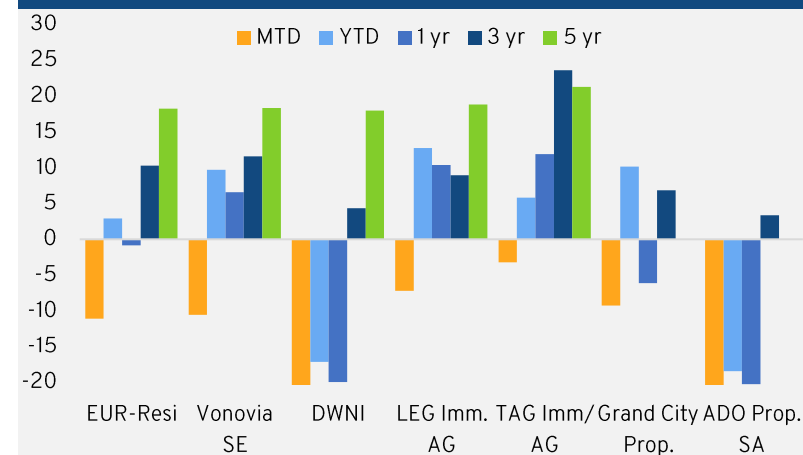
German residential companies showed negative performance in June, reflecting their exposure to Berlin (Fig. 2). ADO Properties which focuses exclusively on Berlin, lost 23.0%; while DWIN, the largest apartment owner in Berlin, lost 21.6% during June. On the other hand, Vonovia, the second largest private-sector owner, but having a limited portfolio allocation in Berlin, decreased by 10.6% monthly basis.

FTSE EPRA Nareit Global Index Total Return

		Jun-19	YT D	1 yr	3 yrs *	5 yrs *	10 yrs*
% Total Returns (EUR)							
Global Real Estate	▼	-0.5	15.5	11.4	4.6	9.8	13.8
Global Equities (FTSE)	▲	5.7	16.1	6.5	12.4	8.5	11.5
Global Bonds (JP Morgan)	▲	1.2	5.1	6.2	1.2	3.2	3.6
Europe Real Estate	▼	-2.8	9.4	-1.4	4.8	7.2	12.8
Europe Equities (FTSE)	▲	6.6	16.0	2.3	11.2	2.5	7.2
Europe Bonds (JP Morgan)	▲	1.9	5.9	6.2	1.7	4.1	4.7
Asia Real Estate	▲	2.0	15.8	16.2	7.7	8.5	10.2
Asia Equities (FTSE)	▲	4.1	9.6	-1.5	10.9	6.5	8.1
Asia Bonds (JP Morgan)	▲	0.8	3.3	4.5	0.6	2.8	2.7
North America Real Estate	▼	-0.9	17.3	13.3	3.1	11.2	17.5
NA Equities (FTSE)	▲	6.8	18.5	9.9	14.0	10.3	14.1
NA Bonds (JP Morgan)	▲	0.9	5.4	7.4	1.4	2.7	3.2
Emerging Real Estate	▲	5.7	18.6	15.1	14.8	13.1	
Emerging Equities (FTSE)	▲	5.6	11.9	4.4	10.7	3.2	
Emerging Bonds (JP Morgan)	▲	3.0	10.6	11.3	4.6	4.5	

(*) Annualised.

Fig. 1. Germany: Performance of Residential Sector (return, %)



Source: EPRA.

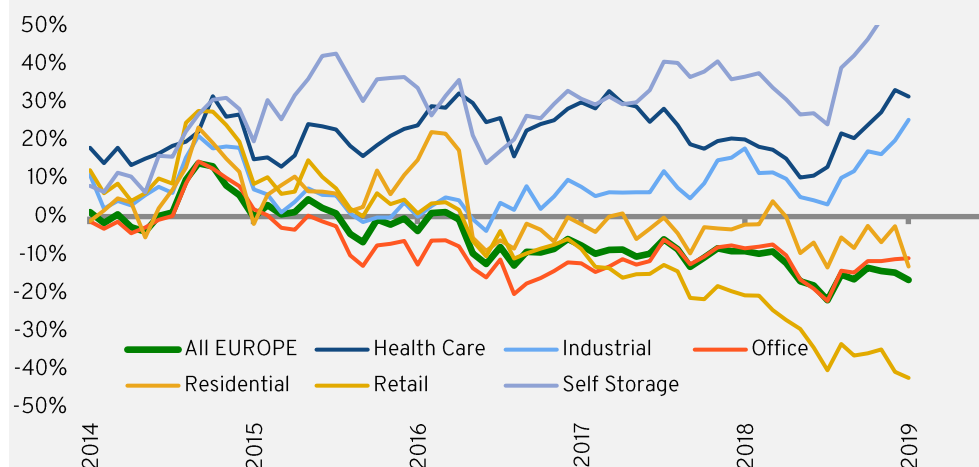
In the last a couple of years, the listed real estate in Germany has been significantly growing, driven by residential sector which is comprised of 74% of German constituents in the FEN Developed index, as of June 2019 (Fig. 3). The German residential companies dominate the FEN Developed Residential index with a share of 20.9%; on the other hand, the weight of the companies having a higher exposure in Berlin (ADO Properties and DWNl) is low in the index with 5.8%.

Sector Focus : Best performers of 2019 H1 in Europe

During June 2019, lodging/resort sector posted the highest return with 10.0%, followed by industrial sector with a return of 3.75%. Focusing on the half year performances, industrial (26.7%), self-storage (21.4%) and healthcare (20.9%) were the best performers (Fig. 9). The Europe Industrial index posted annualised returns of 20.8% (3-year) and 18.2% (5 year), as the best performer of the last five years.

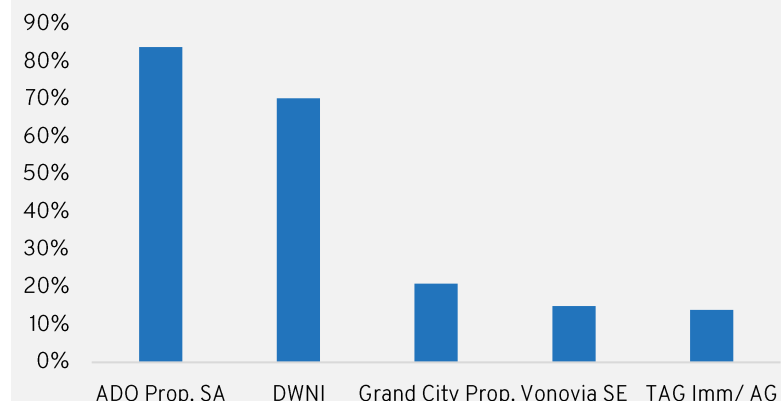
Similarly, self-storage, healthcare and industrial sectors have higher premium to NAV and, they have been displaying an upwards trend, compared to other sectors (Fig. 4). The growing e-commerce business and, therefore the logistics - as a sub-sector within industrial, keep supporting the good performance of the industrial sector (for further information, you can download [Sectoral Analysis: Logistics report](#)).

Fig. 4. FTSE EPRA Nareit Europe Sector Indices PD to NAV



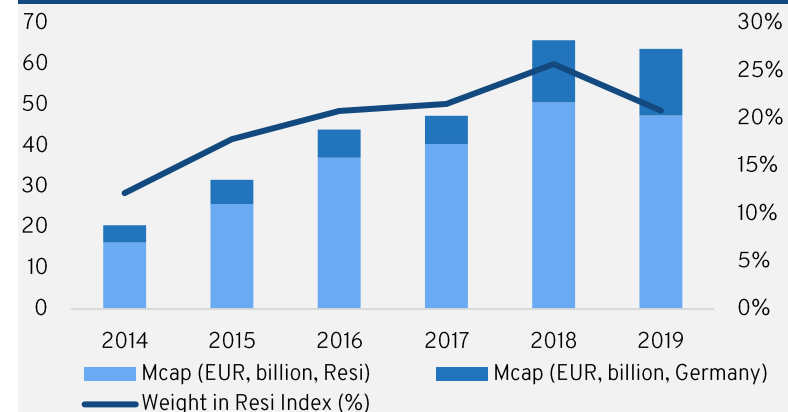
Source: EPRA.

Fig. 2. Portfolio Exposure to Berlin (% of value)



Source: Company reports. (*) Only residential assets, excluding other asset classes.

Fig. 3. German Residential Companies (Size and Weight in the Index)



Source: EPRA (June figures). (*) the FTSE EPRA Nareit Developed Index.

Fig. 2. Global Weights (EUR)*

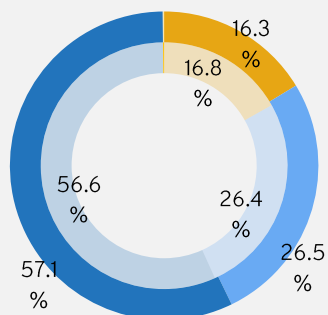


Fig. 3. REIT / Non-REITs

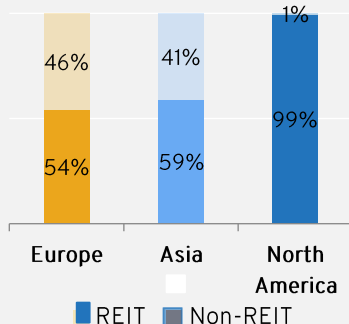


Fig. 4. Focus Split

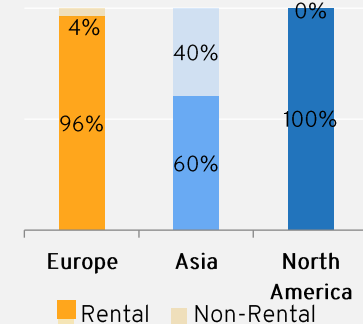


Fig. 5. Index Turnover (EUR, billion)*

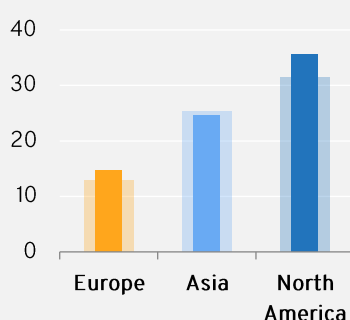


Fig. 6. Dividend Yields*

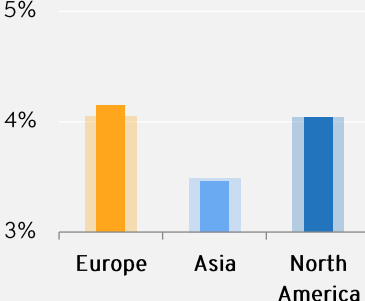


Fig. 7. Volatility (10 yr. & 3 yr.)**

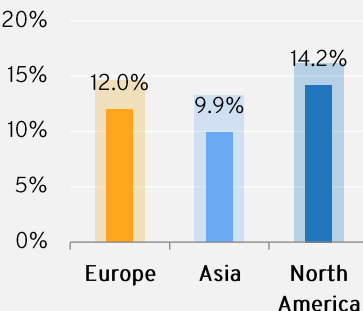


Fig. 8. Correlation (3 yr. rolling)

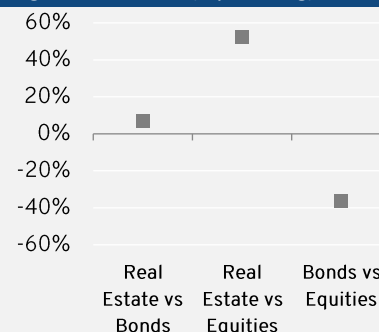
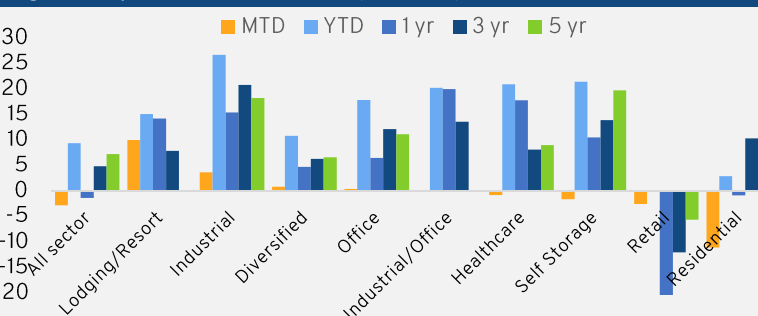


Fig. 9. Europe: Sector Performance (return, %)



FTSE EPRA Nareit Developed Europe - Selected Country Indices

% Total Returns	Jun-19	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Europe (EUR)	-2.8	9.4	-1.4	4.8	7.2	12.8
Europe ex UK (EUR)	-3.5	9.4	0.9	6.2	9.5	13.6
UK (GBP)	0.3	9.1	-6.0	4.1	4.2	11.0
France (EUR)	0.5	16.2	-3.7	2.6	3.5	12.1
Netherlands (EUR)	-2.0	-0.4	-26.8	-11.6	-4.7	2.2
Germany (EUR)	-10.9	2.0	-1.0	9.2	17.3	16.4

FTSE EPRA Nareit Developed Asia - Selected Country Indices

% Total Returns	Jun-19	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Asia (EUR)	2.0	15.8	16.2	7.7	8.5	10.2
Hong Kong (HKD)	4.7	16.2	12.6	16.1	8.6	7.2
Japan (JPY)	0.6	9.4	7.3	5.6	1.6	7.7
Australia (AUD)	4.6	19.9	23.0	9.1	14.3	14.1
Singapore (SGD)	9.0	21.2	19.5	13.0	8.1	8.4

FTSE EPRA Nareit North America - Country Indices

% Total Returns	Jun-19	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
North America (USD)	1.2	16.8	10.5	3.9	7.2	15.0
United States (USD)	1.1	16.7	10.3	3.7	7.4	15.2
Canada (CAD)	0.7	14.0	12.8	8.1	8.4	13.8

FTSE EPRA Nareit Emerging - Country Indices

% Total Returns	Jun-19	YTD	1 yr	3 yrs*	5 yrs*
Emerging EMEA (EUR)	1.8	4.1	-8.0	-2.9	2.1
Emerging Europe (EUR)	-0.7	10.2	-15.8	-20.5	-13.9
Emerging MEA (EUR)	1.8	4.0	-7.1	-0.8	4.6
Emerging Asia Pacific (EUR)	5.9	19.7	16.2	20.0	19.1
Emerging Americas (EUR)	8.0	24.3	31.6	3.8	-3.1

(*) Shaded bars are last month's (**) Shaded bars are 10 yr.

FTSE EPRA Nareit Developed Index

During June 2018, the FEN Developed Index decreased by 0.5%, compared to a gain of 5.7% and 1.2%, from global equities and global bonds market, respectively. Real estate markets Asia increased by 2.0% in the same period, while real estate markets in Europe and North America decreased by 2.8% and 0.9%, respectively.

Over a one-year period, global real estate investments posted a 15.5% return compared to a gain of 16.1% and 5.1% from global equities and global bonds, respectively. Annualised ten-year rolling returns for real estate investments stand at 13.8%. Meanwhile both equities and bond markets gained 11.5% and 3.6% return per annum, respectively.

Top performers by sector were industrial (5.5%) and industrial/office (2.6%), in Developed markets.

At the end of June 2019, the FEN Developed Index counted a total of 334 constituents, representing a free float market capitalisation of around EUR 1,381 billion.

FTSE EPRA Nareit Emerging Index

During June 2019, the FEN Emerging Index posted a 5.7% return, while emerging equities and bond markets gained a return of 5.6% and 3.0%, respectively.

The first China A shares have been added to the index, since they became eligible in Q2. A total of four Chinese companies (two of them are China A shares); namely *C&D International Investment Group (Red Chip)*, *Kaisa Group Holdings (P Chip)*, *China Vanke (A) (SC SZ)* and *Beijing North Star (A) (SC SH)*; and one Indian company *Sobha Developers* have been added to the index. Meanwhile, *WHA (Thailand)* and *Beijing Capital Land (H)* (China) have been deleted from the index in June.

Following the inclusion of Saudi Arabia into the FEN Emerging Index (effective from March 2019), two additional Saudi REITs, namely *Al Rajhi REIT* and *Jadwa REIT Saudi Fund* have been added to the index during quarterly review.

Top performers by country were Brazil (14.4%), Indonesia (7.8%) and China (7.4%), in Emerging markets.

Top performers by sector were residential (7.7%), retail (6.7%) and office (6.5%), in Emerging markets.

At the end of June 2019, the FEN Emerging Index counted a total of 142 constituents, representing a free float market capitalisation of over EUR 169 billion.

FTSE EPRA Nareit Developed Index – Top 10 Constituents

Company	Sector	Country	Total Return
ProLogis USA	Industrial	USA	▲ 9.4%
Simon Property Group, Inc.	Retail	USA	▼ -1.4%
Public Storage, Inc.	Self Storage	USA	▲ 1.0%
Welltower Inc.	Healthcare	USA	▲ 0.4%
AvalonBay Communities, Inc.	Residential	USA	▲ 0.8%
Equity Residential Properties Trust	Residential	USA	▼ -0.1%
Link REIT	Retail	HK	▲ 3.8%
Vonovia SE	Residential	GER	▼ -10.6%
Ventas, Inc.	Healthcare	USA	▲ 7.5%
Digital Realty Trust	Diversified	USA	▲ 1.0%

FTSE EPRA Nareit Emerging Index – Top 10 Constituents

Company	Sector	Country	Total Return
China Overseas Land & Investment Ltd.	Residential	CHN	▲ 5.9%
China Resources Land Ltd	Residential	CHN	▲ 11.3%
Country Garden Holdings	Residential	CHN	▲ 12.1%
Sunac China Holdings (P Chip)	Diversified	CHN	▲ 16.1%
Ayala Land	Diversified	PHIL	▲ 2.6%
SM Prime Holdings	Diversified	PHIL	▼ -6.8%
Longfor Properties Co. Ltd.	Diversified	CHN	▲ 4.9%
Central Pattana Public Company Limited	Retail	THAI	▲ 5.3%
Evergrande Real Estate Group	Diversified	CHN	▲ 5.0%
Central Pattana Public Company Ltd	Residential	CHN	▲ 5.6%

FTSE EPRA Nareit Developed Index – Top 10 Performer

Company	Sector	Country	Total Return
City Developments	Diversified	SI	▲ 15.2%
Goodman Group	Industrial	AU	▲ 13.3%
Hang Lung Properties Ltd.	Diversified	HK	▲ 12.6%
CapitaLand Commercial Trust	Office	SI	▲ 12.4%
UOL Group	Diversified	SI	▲ 11.7%
Catena AB	Industrial	SWED	▲ 11.5%
Pennsylvania REIT	Diversified	ISR	▲ 10.4%
Office Properties Income Trust	Office	USA	▲ 9.9%
CapitaLand Limited	Diversified	SI	▲ 9.6%
Pandox AB	Lodging/Resorts	SWED	▲ 9.6%

FTSE EPRA Nareit Developed Europe Index

During June 2019, the FEN Developed Europe Index lost 2.8%, while Europe equities and bonds gained 6.6% and 1.9%, respectively. The Germany Index and the Netherlands Index lost 10.9% and 2.0%, compared to a gain in the UK Index and the France Index by 0.3% and 0.5%, respectively.

UK *Impact Healthcare REIT* has been added to the index, while *Capital and Regional* (UK), *Victoria Park AB* (Sweden) and *Adler Real Estate AG* (Germany) have been deleted from the index in June.

Performance of Top 3 sectors Lodging/Hotel (10.2%), Industrial (3.7%), Diversified (0.9%).

Performance of Top 3 constituents: RDI REIT PLC (35.3%, UK), Regional REIT Limited (16.1%, UK), Catena AB (11.5%, Sweden).

FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index increased by 2.0% during June 2019. Asia equities and bonds gained 4.1% and 0.8%, respectively.

The Hong Kong Index gained 4.7%, while the Japan and the Australia Index gained 0.6% and 4.6%, respectively. The Singapore Index showed a return of 9.0%, during the same period.

Henderson Land Development (Hong Kong) has been deleted from the index in June.

Performance of Top 3 sectors: Industrial (7.9%), Industrial/Office (6.2%), Diversified (1.8%).

Performance of Top 3 constituents: City Developments (14.1%, Singapore), Cromwell Property Group (12.8%, Australia), CapitaLand Commercial Trust (11.9%, Singapore).

FTSE EPRA Nareit North America Index

The FEN North America Index lost 0.9%, compared a gain of 6.8% and 0.9% from North America equities and bonds, respectively. The U.S. Index and the Canada Index posted positive return of 1.1% and 0.7%, respectively.

In June, *Dream Industrial REIT* (Canada), *Industrial Logistics Properties Trust* (USA) and *Summit Industrial Income REIT* (Canada) have been added to the index. *Ashford Hospitality Trust* (USA) and *TIER REIT* (USA, merged with Cousins Property) have been deleted from the index.

Performance of Top 3 sectors: Industrial (6.1%), Industrial/Office (2.2%), (Healthcare (-0.3%).

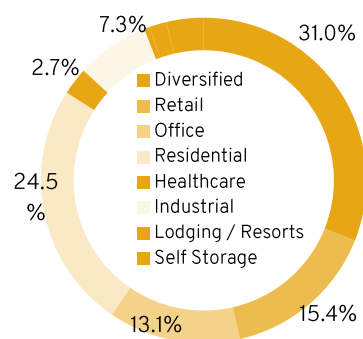
Performance of Top 3 constituents: Office Properties Income Trust (8.7%, USA), ProLogis USA (8.4%, USA), Rexford Industrial Realty (8.0%, USA).

Developed Europe representing a free float MCap of over **EUR 225 billion** with **106** constituents

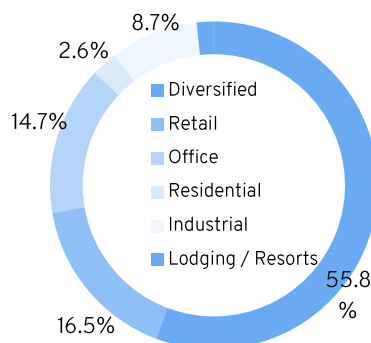
Developed Asia representing a free float MCap of over **EUR 366 billion** with **81** constituents

Developed North America representing a free float MCap of over **EUR 788 billion** with **146** constituents

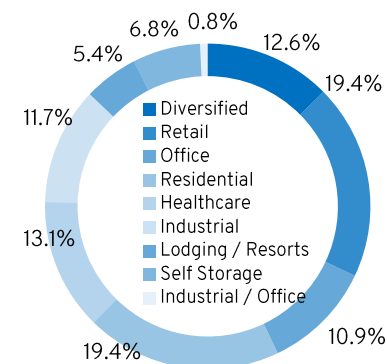
Developed Europe Sector Split



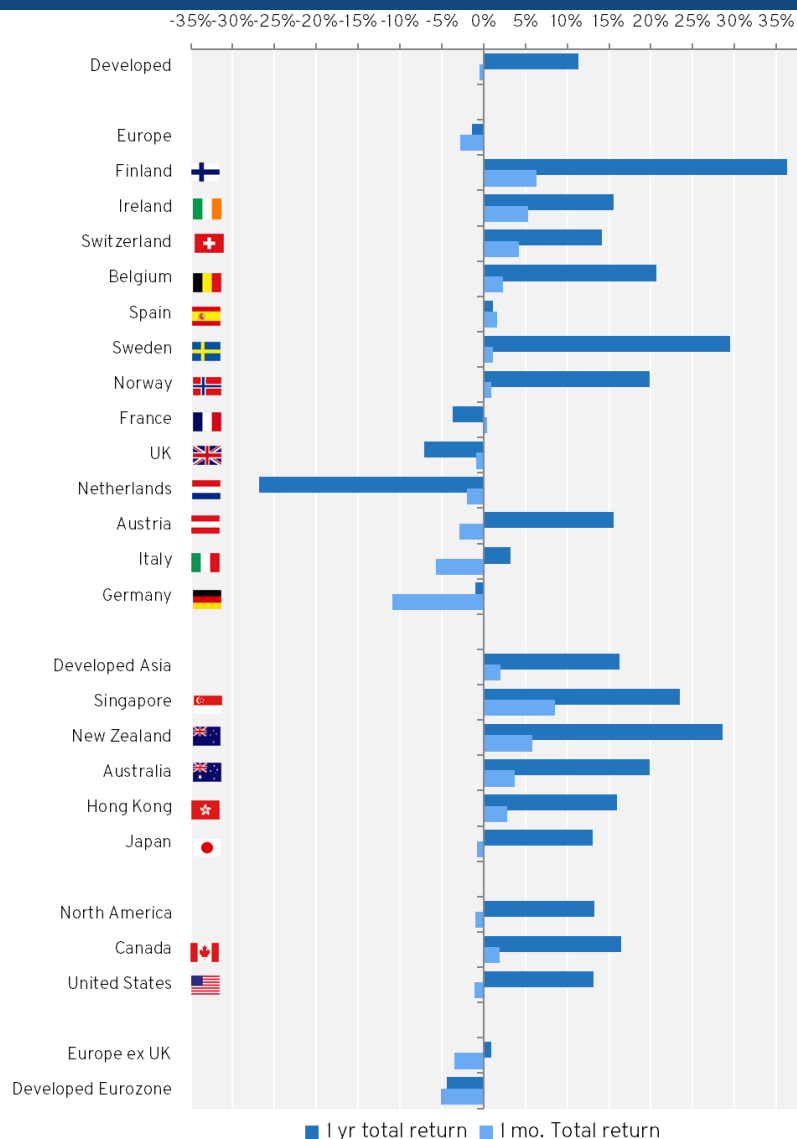
Developed Asia Sector Split



North America Sector Split



FTSE EPRA Nareit Monthly Index Performances (EUR)



Source: FTSE EPRA Nareit as of June 28, 2019

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