



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

ANNUAL MARKET REVIEW

Monthly Market Review

December 2019

January
2020

December Overview

Monthly Performance

During December 2019, the FTSE EPRA Nareit (FEN) Global Developed Real Estate Index lost 1.2%, while the FEN Emerging Index gained 8.7%. Global bonds lost 70 bps and global equities gained 2.8% return for the month. Meanwhile, emerging equities and bonds increased by 7.0% and 1.9%, respectively.

Focusing on regional performance, real estate markets in Europe posted a return of 3.0%, while Asia and North America slipped 50 bps and 2.7%, respectively. Emerging real estate markets gained 8.7% during the same period.

The top performing sectors in December were self-storage (9.2%), industrial/office (7.3%), diversified (4.5%) and healthcare (4.3%).

2019-Q4 Review

During quarterly review in December, five companies were added, and one company was deleted from the Developed index, whereby there were three additions and four deletions in the Emerging index. In addition, two companies were reclassified. Detailed information is given in the related sections.

FTSE EPRA Nareit Global Index Total Return

% Total Returns (EUR)	Dec-19	1 yr	3 yrs*	5 yrs*	10 yrs*
Global Real Estate	▼ -1.2	25.3	7.1	8.1	12.0
Global Equities (FTSE)	▲ 2.8	26.9	12.2	9.5	10.3
Global Bonds (JP Morgan)	▼ -0.7	6.1	2.8	2.5	3.5
Europe Real Estate	▲ 3.0	29.7	10.6	9.0	11.4
Europe Equities (FTSE)	▲ 3.9	22.8	11.0	6.5	5.2
Europe Bonds (JP Morgan)	▼ -1.0	6.9	2.8	2.9	4.5
Asia Real Estate	▼ -0.5	19.3	8.0	7.3	9.2
Asia Equities (FTSE)	▲ 3.0	18.6	9.1	6.8	7.6
Asia Bonds (JP Morgan)	▼ -0.5	2.8	1.7	2.0	2.5
North America Real Estate	▼ -2.7	26.8	5.5	8.2	14.2
NA Equities (FTSE)	▲ 2.9	31.2	14.9	11.4	13.0
NA Bonds (JP Morgan)	▼ -0.6	7.0	3.4	2.4	3.3
Emerging Real Estate	▲ 8.7	30.1	17.4	12.3	
Emerging Equities (FTSE)	▲ 7.0	20.6	11.6	6.0	
Emerging Bonds (JP Morgan)	▲ 1.9	14.4	6.1	5.9	

(*) Annualised.

2019 Highlights

2019 Performance

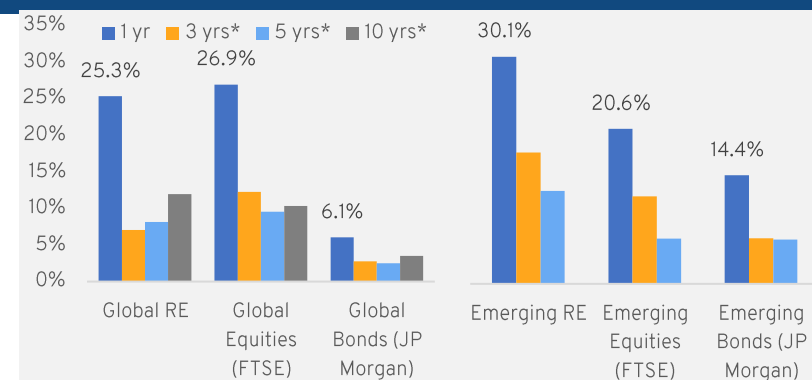
The FEN Global Developed Real Estate index posted 25.3% annual return compared to a gain of 26.9% and 6.1% from global equities and global bonds, respectively. Annualised ten-year rolling returns for real estate investments stand at 12.0%, while general equities posted a 10.3% return and bonds gained 3.5% during the same period (Fig.1).

In terms of regional performance, Europe and North America posted annual returns of 29.7% and 26.8%, respectively. Meanwhile Asia gained 19.2% over a one-year period. The top performing countries in Developed markets were Finland (67.7%), Sweden (48.2%) and Switzerland (45.1%) in Europe; Singapore (31.2%) in Asia and Canada (30.0%) in North America. Also, France (38.5%), and the UK (38.4) performed very well in 2019.

Focusing on annual performance by sector, industrial (48.2%), industrial/office (41.4%) and office (30.9%) provided the highest returns, followed by residential (28.6%), diversified (28.1%), healthcare (24.5%), lodging/resort (18.7%), self-storage (18.2%) and retail (12.3%).

At the end of December 2019, the FEN Developed Index counted a total of 335 constituents, representing a free float market capitalisation of around EUR 1,5 trillion.

Fig. 1. Total returns (real estate, equities, bonds)



Source: EPRA
(*) Annualised.

Nordic countries outperformed during the year

The outperformance of the Nordic countries continued providing the highest annual returns in 2019; a gain of 67.7% from Finland and 48.2% from Sweden. In terms of long-term horizon, Sweden also posted 20.9% annualised ten-year rolling returns, which is not only the highest level, but also quite above European average (11.4%), as well.

Focusing on PD to NAV figures, Sweden (22.1%) and Finland (7.8%) were outperformers with premiums above the European average (-3.2%) (Fig. 2). Besides, Finland (47.7%) and Sweden (45.0%) have highest LTV levels where the European average stands 36.8% (Fig. 3). The Nordic region benefits from a strong business cycle and low interest rates, despite ongoing political uncertainty and economic slowdown globally.

The strong investor appetite from both domestic and international capital has driven the certain sectors in particular - residential, industrial and logistics, offering stable cash-flows and risk-adjusted returns.

Indeed, the Nordic companies having residential, industrial and logistics portfolios have provided relatively higher returns in Developed Europe region (see in table Developed Europe Top 10 Performers).

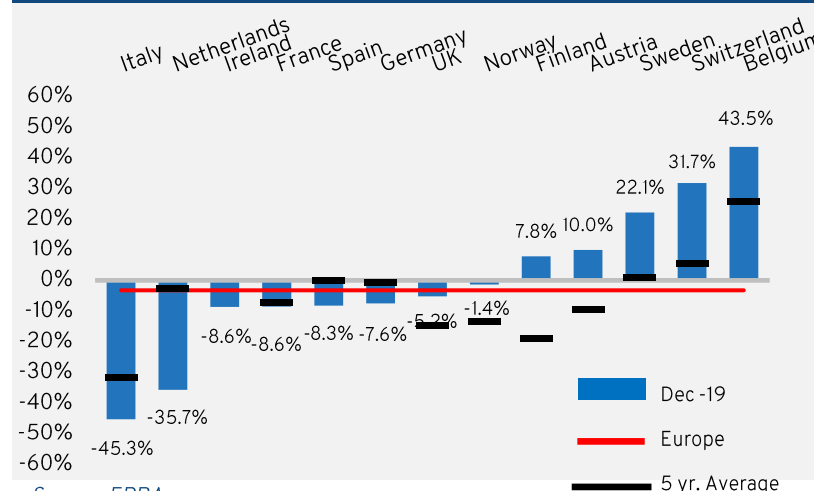
The Nordic markets saw new entrants via M&As and IPOs in the last a couple of years. Vonovia (Germany, residential) strengthened its presence in Sweden acquiring a majority stake in Hembla (Sweden, residential) in December 2019, after its acquisition of Victoria Park AB (Sweden, residential) in 2018. Kojamo (Finland, residential) is the largest private residential real estate company in Finland, went to IPO in June 2018.

Major Corporate Actions in 2019

Major M&A activities in the FEN Developed Index are given as below:

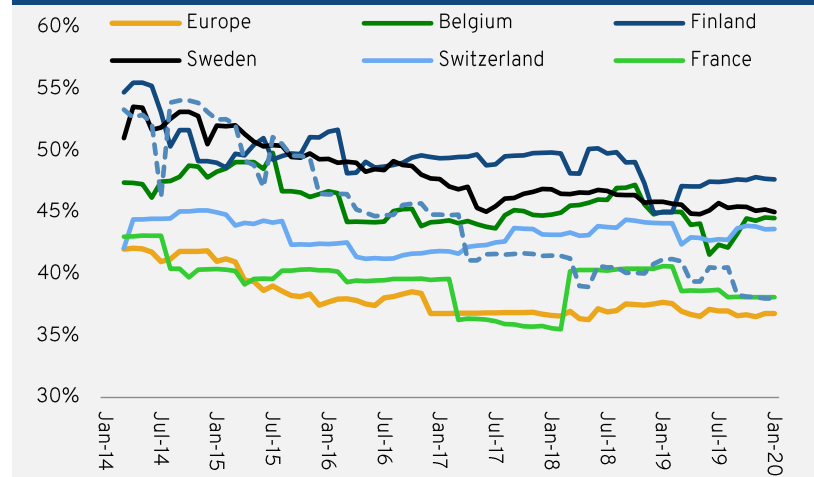
- *Medicx Fund* (UK, constituent) merged with *Primary Health Properties* (UK, constituent)- March, and it has been deleted from the index – 14th March,
- *Omega Healthcare Investors* (USA, constituent) merged with *MedEquities Realty Trust* (USA, non-constituent), it remained in the index – 17th May,

Fig. 2. PD to NAV in Europe (December 31, 2019)



Source: EPRA

Fig. 3. LTV in European Market



Source: EPRA

- The minority shares in *Victoria Park AB* (Sweden, constituent) acquired by *Vonovia* (Germany, constituent), and it has been deleted from the index – 3rd June,
- *TIER REIT* (USA, constituent) merged with *Cousins Property* (USA, constituent), and it has been deleted from the index – 17th June,
- *Hulic* (Japan, constituent) acquired by *Nippon View Hotel* (Japan, non-constituent), it remained in the index – 29th August,
- *Chesapeake Lodging Trust* (USA, constituents) merged with *Park Hotels & Resorts* (USA, constituents), and it has been deleted from the index – 18th September,
- *Green Reit PLC* (Ireland, constituent) acquired by Henderson Park Funds (non-constituent), and it has been deleted from the index - 15th November,
- *Hembla AB* (Sweden) acquired by *Homestar Investco* (non-constituent) which is indirectly wholly owned subsidiary of Vonovia, and it has been deleted from the index -16th December.

The major corporate actions in the Emerging markets are summarized as given below:

- Following the inclusion of Saudi Arabia into the FEN Emerging Index (effective from March 2019), Saudi Arabia is now represented with six constituents in the index series.
- Two China A shares (*China Vanke* and *Beijing North Star*) have been added to the index, since they became eligible in Q2-2019.
- The first Czech constituent (*VGP*) was included into the index - 23rd September.
- Greek *Grivalia Properties REIC* (merged with Eurobank Ergasias SA in May) has been deleted from the index – 23rd May.

Another major change in the index series was the introduction of two additional categories for the sector classification, ‘*Data Centers*’ and ‘*Specialty*’. A total of six North American constituents have been reclassified from Diversified to Data Centres (*CyrusOne*, *Digital Realty Trust*, *QTS Realty Trust*) and to Specialty (*EPR Properties*, *Gaming & Leisure Properties*, *Vici Properties*) during quarterly review in Q2-2019.

New ICB changes will be effective on September 2020.

FTSE EPRA Nareit Developed Index – Top 10 Constituents

Company	Sector	Country	Total Return
ProLogis USA	Industrial	USA	55.4%
Simon Property Group, Inc.	Retail	USA	-7.6%
Welltower Inc.	Healthcare	USA	21.6%
Public Storage, Inc.	Self-Storage	USA	9.2%
Equity Residential Prop. Trust	Residential	USA	26.8%
Vonovia SE	Residential	GER	24.9%
AvalonBay Communities, Inc.	Residential	USA	24.0%
Digital Realty Trust	Data Centers	USA	16.4%
Realty Income Corp.	Retail	USA	21.1%
Mitsui Fudosan Co., Ltd.	Diversified	JA	11.2%

FTSE EPRA Nareit Developed Index – Top 10 Performers

Company	Sector	Country	Total Return
Klovern B	Diversified	SWED	127.9%
Kojamo plc	Residential	FIN	103.5%
Universal Health Realty Income Trust	Healthcare	USA	95.7%
Catena AB	Industrial	SWED	90.1%
Nyfosa AB	Ind./Office	SWED	89.5%
Hemfosa Fastigheter	Diversified	SWED	77.8%
Wihlborgs Fastigheter AB	Diversified	SWED	72.1%
Fastighets AB Balder	Diversified	SWED	71.9%
Safestore Ltd.	Self-Storage	UK	62.4%
Independence Realty Trust	Residential	US	61.2%

Fig. 4. Global Weights (EUR)*

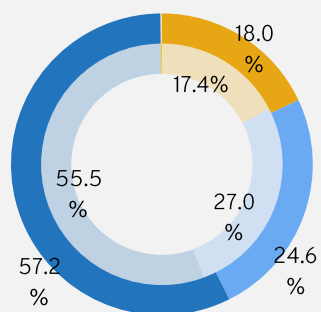


Fig. 5. REIT / Non-REITs

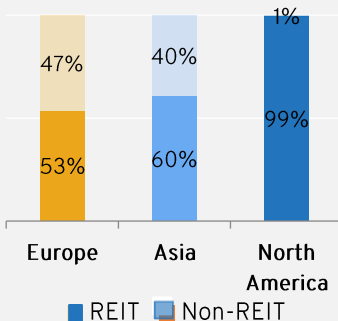


Fig. 6. Focus Split

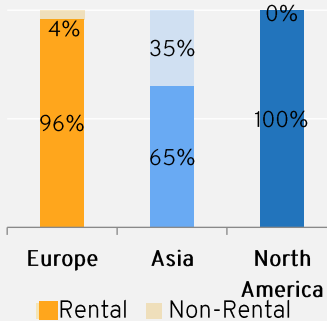


Fig. 7. Dividend Yields*

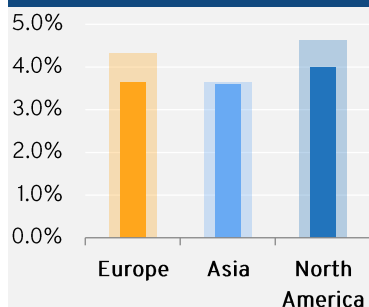


Fig. 8. Volatility (10 yr. & 3 yr.)**

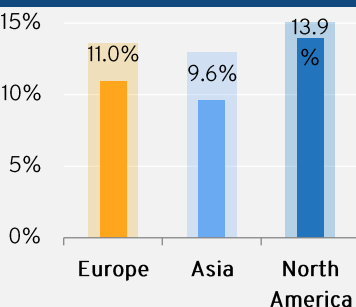


Fig. 9. Correlation (3 yr. rolling)

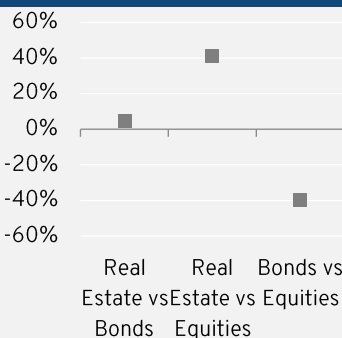


Fig. 10. Developed Europe Return by Sector (%)

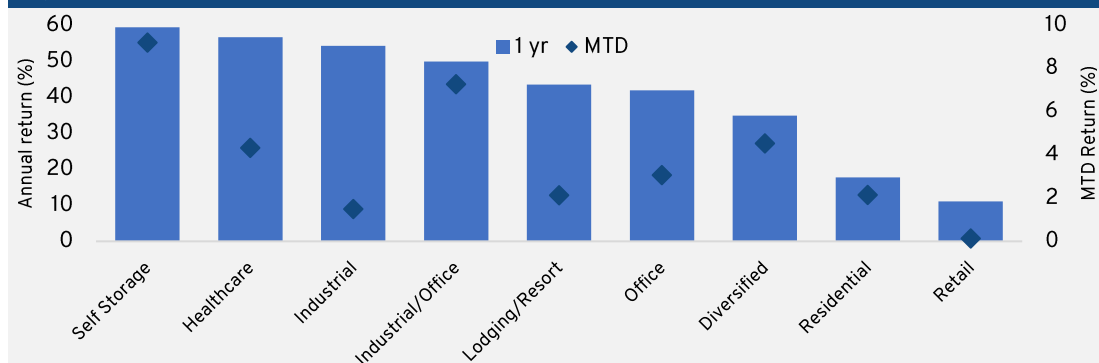
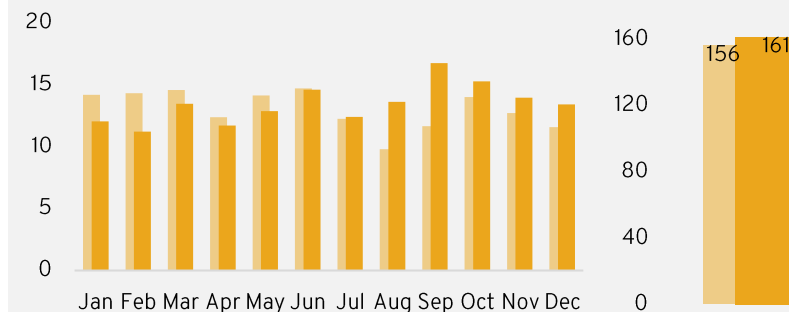
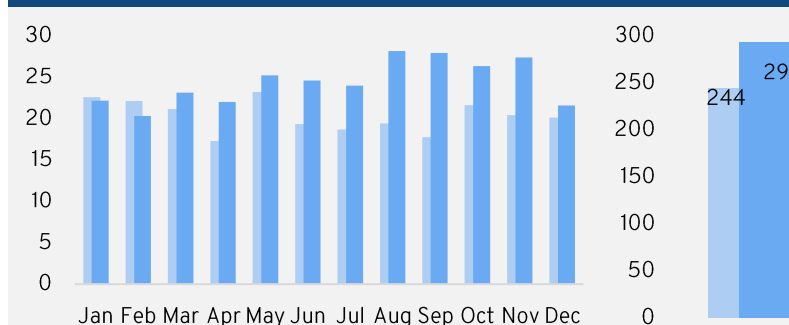


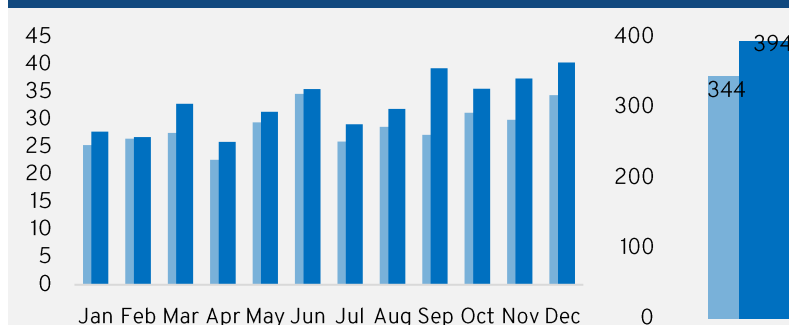
Fig. 11 (a) TSE EPRA/Nareit Developed Europe Turnover*



(b) FTSE EPRA/Nareit Developed Asia Turnover



(c) FTSE EPRA/Nareit Developed North America Turnover



All in EUR billion (Shaded bars 2018).

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

FTSE EPRA Nareit Developed Europe Index

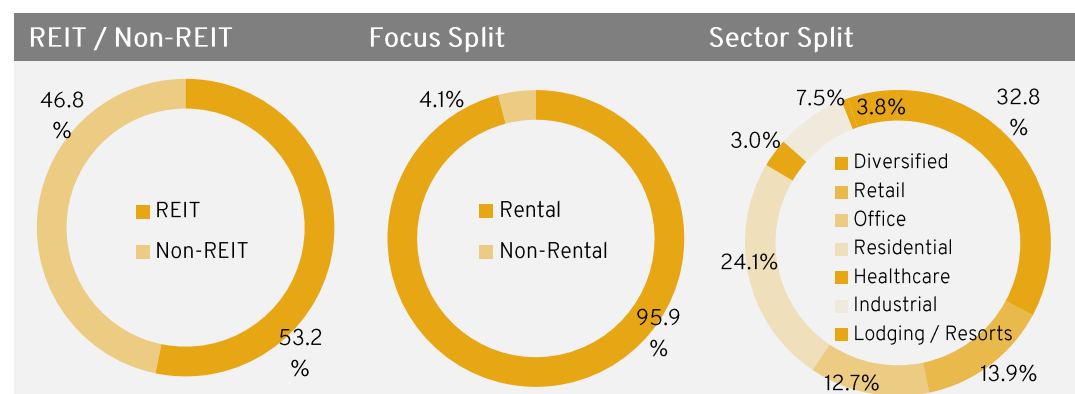
During December 2019, the FEN Developed Europe Index increased by 3.0%, while Europe equities gained 3.9% and bonds lost 70 bps. Over a one-year period, Europe real estate index posted an annual return of 29.7%, while European equities and bonds gained 22.8% and 6.9%, respectively.

The top performing countries in 2019 were Finland (67.7%), Sweden (48.2%) and Switzerland (45.1%). Also, France (38.5%) and the UK (38.4) were outperformer, as well.

During quarterly review, *Samhallsbyggnadsbolaget Norden B* (Sweden, Non-REIT, Diversified) has been added to the index, while *Sagax D* (Sweden) has been deleted from the index. In addition, *Hembla AB* (Sweden) has been deleted from the index after a tender offer by Homestar Investco (non-constituent) in December.

Annual Performance of Top 3 sectors: self-storage (59.3%), healthcare (56.6%) and industrial (54.1%).

Developed Europe representing a free float MCap of around **EUR 260 billion** with **103 constituents**



FTSE EPRA Nareit Developed Europe - Country Indices

% Total Returns	Dec-19	1 yr	3 yrs*	5 yrs*	10 yrs*
Europe (EUR)	3.0	29.7	10.6	9.0	11.4
Europe ex UK (EUR)	2.2	26.6	11.6	11.6	11.8
UK (GBP)	4.6	30.6	8.6	5.6	9.5
France (EUR)	3.0	38.5	8.4	8.7	10.1
Netherlands (EUR)	-1.1	10.2	-8.6	-2.9	0.2

(*) Annualised.

FTSE EPRA Nareit Developed Europe – Top 5 Performers

Company	Sector	Country	Total Return
Klovern B	Diversified	SWED	127.9%
Kojamo plc	Residential	FIN	103.5%
Catena AB	Industrial	SWED	90.1%
Nyfosa AB	Industrial/Office	SWED	89.5%
Hemfosa Fastigheter	Diversified	SWED	77.8%

FTSE EPRA Nareit Developed Europe – Bottom 5 Performers

Company	Sector	Country	Total Return
INTU Properties	Retail	UK	-70.0%
ADO Properties SA	Residential	GER	-27.8%
Wereldhave NV	Retail	NETH	-16.7%
Civitas Social Housing plc	Residential	UK	-11.7%
Vastned Retail NV	Retail	NETH	-8.6%

FTSE EPRA Nareit Developed Asia Index

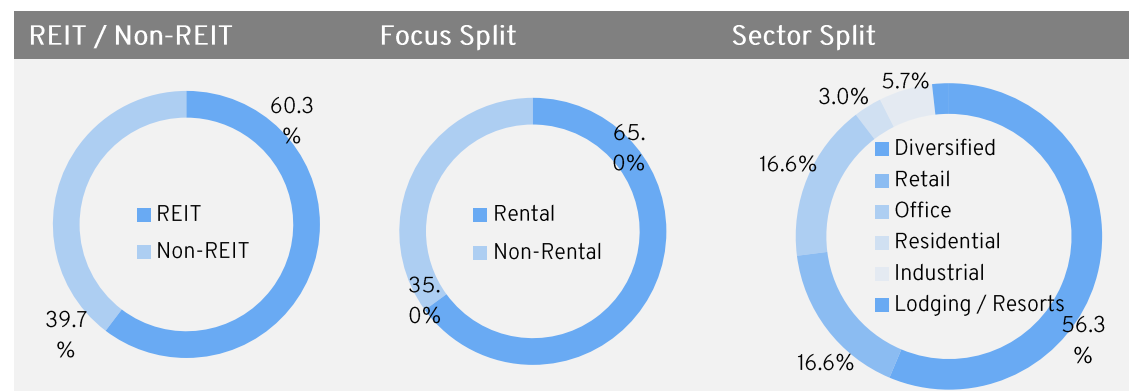
The FEN Developed Asia Index lost 50 bps, compared to a gain of 3.0% from equities and a loss of 50 bps from bonds, during December. Asia real estate index posted 19.3% annual return, while Asia equities and bonds gained 18.6% and 2.8%, respectively.

Focusing on country performance, Singapore was the best performer with 27.1% annual return, followed by Japan (20.9%), New Zealand (21.0%), Australia (18.9%) and Hong Kong (4.1%) – *in local currencies*.

During quarterly review, *Manulife US REIT* (Singapore, REIT, Office), *Ichigo Office REIT Investment Corp.* (Japan, REIT, Office) and *Charter Hall Long WALE REIT* (Australia, REIT, Diversified) have been added to the index.

Annual Performance of Top 3 sectors: industrial (34.2%), industrial/office (34.1%) and residential (29.7%).

Developed Asia representing a free float MCap of over **EUR 365 billion** with **84 constituents**



FTSE EPRA Nareit Asia - Country Indices

% Total Returns	Dec-19	1 yr	3 yrs*	5 yrs*	10 yrs*
Asia (EUR)	-0.5	19.3	8.0	7.3	9.2
Hong Kong (HKD)	4.8	4.1	11.0	4.7	4.5
Japan (JPY)	-1.5	20.9	6.1	2.6	9.7
Australia (AUD)	-3.9	18.9	9.7	11.4	11.7
Singapore (SGD)	1.5	27.1	15.4	8.5	6.2

(*) Annualised.

FTSE EPRA Nareit Developed Asia – Top 5 Performers

Company	Sector	Country	Total Return
Tokyo Tatemono Co. Ltd.	Office	JA	53.5%
Invesco Office J-Reit	Office	JA	51.8%
Mapletree Commercial Trust	Diversified	SI	50.8%
Industrial & Infrastructure Fund (IIF)	Industrial	JA	50.6%
Mirvac Group	Diversified	AU	47.5%

FTSE EPRA Nareit Developed Asia – Bottom 5 Performers

Company	Sector	Country	Total Return
Hysan Development Co. Ltd	Diversified	HK	-14.1%
Sino Land Company Limited	Diversified	HK	-11.6%
Hongkong Land Holdings	Office	HK	-5.2%
Sumitomo Realty & Development Co Ltd	Diversified	JA	-4.5%
Swire Properties	Diversified	HK	-2.9%

FTSE EPRA Nareit North America Index

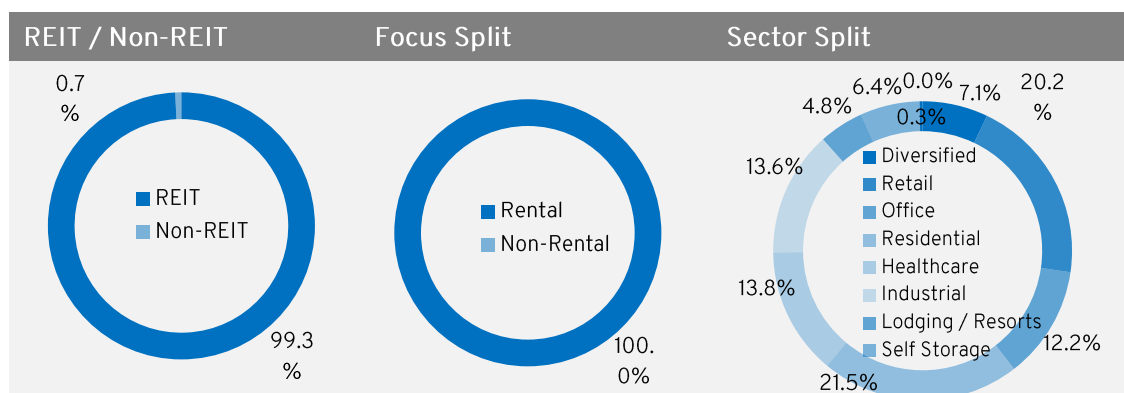
The FEN North America Index lost 2.7%, compared to a gain of 2.9% from equities and a loss of 60 bps from bonds. North America real estate index increased by 26.8% on annual basis, while North America equities and bonds gained 31.2% and 7.0%, respectively.

Over a one-year period, the U.S. Index and the Canada Index posted an annual return of 24.3% and 21.2%, respectively - *in local currencies*.

During quarterly review, *Armada Hoffer Properties REIT* (USA, REIT, Diversified) has been added to the index. Two companies were reclassified, *Service Properties Trust* (from lodging/resorts to diversified) and *Lexington Realty Trust* (from industrial/office to industrial). On the other hand, *Dream Global REIT* (Canada) has been deleted from the index after acquired by the Blackstone Group.

Annual Performance of Top 3 sectors: industrial (51.2%), industrial/office (41.1%), residential (33.3%).

Developed North America representing a free float MCap of around **EUR 878 billion** with **147 constituents**



FTSE EPRA Nareit Developed North America - Country Indices

% Total Return	Dec-19	1 yr	3 yrs*	5 yrs*	10 yrs*
North America (USD)	0.9%	24.5%	7.8%	6.6%	11.4%
United States (USD)	-1.0%	24.3%	7.5%	6.6%	11.6%
Canada (CAD)	-2.2%	21.2%	11.6%	9.6%	11.3%

(*) Annualised.

FTSE EPRA Nareit Developed North America – Top 5 Performers

Company	Sector	Country	Total Return
Universal Health Realty Income Trust	Healthcare	USA	95.7%
Independence Realty Trust	Residential	USA	61.2%
Easterly Government Properties	Office	USA	58.0%
Rexford Industrial Realty	Industrial	USA	57.5%
Terreno Realty	Industrial	USA	56.8%

FTSE EPRA Nareit Developed North America – Bottom 5 Performers

Company	Sector	Country	Total Return
Macerich Company	Retail	USA	-30.9%
Taubman Centers, Inc.	Retail	USA	-27.0%
Equity Lifestyle Properties	Residential	USA	-25.3%
Senior Housing Properties Trust	Healthcare	USA	-20.8%
Tanger Factory Outlet Centers, Inc.	Retail	USA	-20.2%

FTSE EPRA Nareit Emerging Index

During December 2019, the FEN Emerging Index increased by 8.7%, resulting in a 30.1% annual return. Meanwhile, emerging equities and bonds gained 7.0% and 1.9% for the month, respectively. As a result, annual return stands at 20.6% for equities and 14.4% for bonds.

During the quarterly review, *Chinese Sasseur REIT (S Chip)* (retail) and two Saudi companies, namely *Alahli Reit Fund Units* (retail) and *Musharaka REIT Units* (diversified) have been added to the index. Meanwhile, *PP Properti* (Indonesia), *Origin Property* (Thailand), *LPN Development* (Thailand) and *Hyprop Investments Ltd* (South Africa) have been deleted from the index during the quarterly review in December.

Annual Performance of Top 3 countries : Brazil (63.0%), Mexico (48.6%) and India (40.3%).

Annual Performance of Top 3 sectors: industrial (47.6%), data centres (37.8%) and residential (35.4%).

At the end of December 2019, the FEN Emerging Index counted a total of 141 constituents, representing a free float market capitalisation of around EUR 172 billion.

FTSE EPRA Nareit Emerging - Country Indices

% Total Returns	Dec-19	1 yr	3 yrs*	5 yrs*
Emerging (EUR)	8.7	30.1	17.4	12.3
Emerging EMEA (EUR)	-0.2	2.3	-6.2	-0.7
Emerging Europe (EUR)	-0.6	44.0	-11.2	-8.4
Emerging MEA (EUR)	-0.2	0.8	-5.1	0.5
Emerging APAC (EUR)	9.3	30.8	22.5	16.4
Emerging Americas (EUR)	11.2	52.2	13.7	3.6

(*) Annualised.

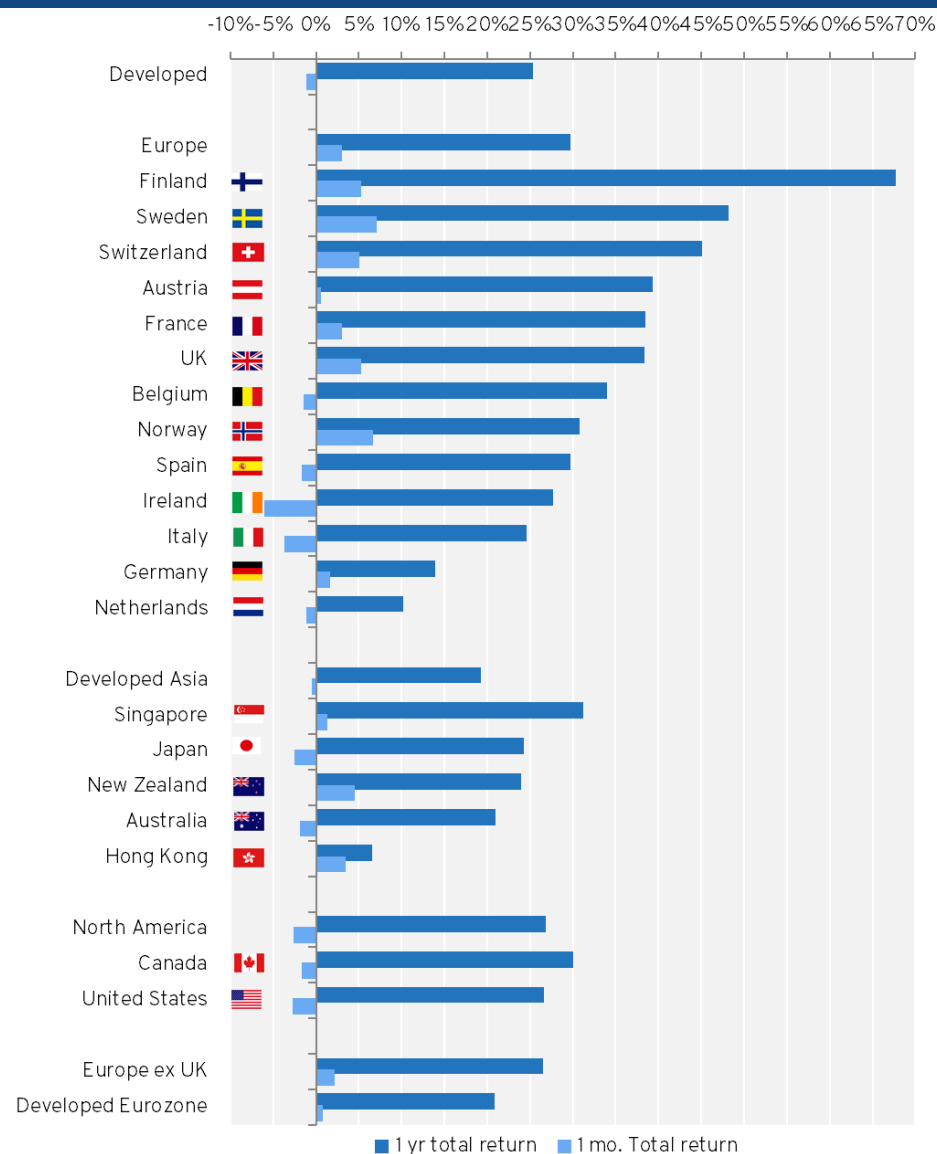
FTSE EPRA Nareit Emerging – Top 10 Constituents

Company	Sector	Country	Total Return
China Overseas Land & Investment Ltd.	Residential	CHN	14.5%
China Resources Land Ltd	Diversified	CHN	33.1%
Sunac China Holdings (P Chip)	Diversified	CHN	85.8%
Country Garden Holdings	Residential	CHN	36.5%
Longfor Properties Co. Ltd.	Diversified	CHN	61.8%
SM Prime Holdings	Diversified	PHIL	18.6%
China Vanke Co., Ltd (H)	Residential	CHN	29.5%
Ayala Land	Diversified	PHIL	13.4%
Evergrande Real Estate Group	Diversified	CHN	-7.9%
Central Pattana Public Company Ltd.	Retail	THAI	-15.3%

FTSE EPRA Nareit Emerging – Top 10 Performers

Company	Sector	Country	Total Return
JHSF Participacoes SA	Diversified	BRAZ	281.8%
Helbor Empreendimentos S.A.	Diversified	BRAZ	201.3%
China Aoyuan Property Group (P Chip)	Diversified	CHN	164.0%
Even Construtora e Incorporadora	Residential	BRAZ	159.3%
China Overseas Grand Oceans Group (Red Chip)	Diversified	CHN	116.4%
Direcional Engenharia	Residential	BRAZ	111.7%
Times China Holdings (P Chip)	Diversified	CHN	111.1%
Cyrela Brazil Realty S/A	Residential	BRAZ	103.7%
Empreendimentos e Participacoes	Retail	BRAZ	96.3%
Greenland Hong Kong Holdings (P Chip)	Diversified	CHN	87.4%

FTSE EPRA Nareit Monthly Index Performances (EUR)



Source: FTSE EPRA Nareit as of December 31, 2019

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**LISTED REAL ESTATE IN A
MULTI-ASSET PORTFOLIO: A
EUROPEAN PERSPECTIVE**

SEPTEMBER 2019

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