



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

Monthly Market Review

January 2020

February
2020

Overview

During January 2020, the FTSE EPRA Nareit (FEN) Global Developed Real Estate Index posted a 2.2% return and resulted in a 15.9% annual return. Global equities and global bonds gained 70 bps and 3.1% during the same period, respectively.

In terms of regional performance, real estate markets in Europe posted a return of 1.7%, while Asia and North America returned 1.6% and 2.6%, respectively. Meanwhile Emerging markets lost 8.9 % for the month.

Focusing on sector performance, the FEN Specialty Index outperformed with a 7.2% return, followed by industrial/office (6.1%), industrial (5.4%), self-storage (5.4%) and residential (5.2%).

Highlights of the Month

Departure of the UK from the EU became clear

The UK has officially left the EU on January 31, after three years of debate since the referendum. The European Parliament approved the withdrawal agreement providing for a transition period until December 31, 2020, during which the UK remains in the single market. There will be another round of negotiations regarding the future relationship and trade agreement.

The markets displayed volatility due to ongoing uncertainties, but recovered when the UK and the EU were moving closer to a deal on Brexit. The FEN UK index lost 2.0% in January, while the FEN Developed Europe excluding the UK posted a 3.1% return compared to a gain of 1.7% for the FEN Developed Europe (Fig. 1.a).

An improvement in investors' sentiment has been observed since the elections late last year. It is expected that a finalised Brexit could now trigger new inflow of foreign capital and investments to the UK in 2020, particularly from Asia and the Middle East. Whilst a strong appetite is expected - it is yet to materialise in the listed real estate sector - as investors seem to be taking a wait-and-see approach until they get a clearer picture on the post-transition negotiations between the UK and the EU, especially around the outcome of trade talks.

Global impact of the Coronavirus

The latest concerns about the Coronavirus in China - already spreading in some locations globally - put pressure on global markets. Deepening fears about the economic impact of the Coronavirus had a negative impact both on the equity market and China's yuan. REITs might not be directly affected, but they seem to be falling in line with the equity markets. Indeed, the FEN China index lost 12.3% during January, the FEN Emerging APAC Index lost 10.7%, and as a result the FEN Emerging Index slid by 8.9% (Fig. 1.b). Certain REIT sectors, such as hotel and retail, are perceived as being most impacted by the Coronavirus outbreak.

Further information is given in [the FTSE EPRA Nareit Emerging Index section](#).

FTSE EPRA Nareit Global Index Total Return

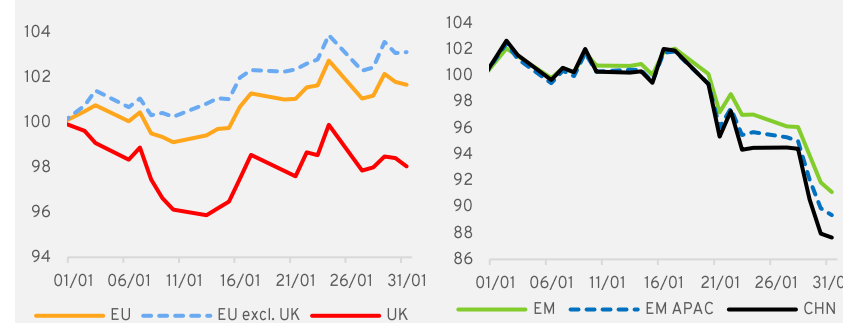
% Total Returns (EUR)		Jan-20	1 yr	3 yrs*	5 yrs*	10 yrs*
Global Real Estate	▲	2.2	15.9	8.5	6.1	12.5
Global Equities (FTSE)	▲	0.7	21.6	7.7	7.3	9.5
Global Bonds (JP Morgan)	▲	3.1	10.3	8.4	5.2	5.0
Europe Real Estate	▲	1.7	19.5	12.5	6.6	11.7
Europe Equities (FTSE)	▼	-1.6	16.3	8.2	7.0	8.0
Europe Bonds (JP Morgan)	▲	4.0	12.2	3.5	3.3	7.1
Asia Real Estate	▲	1.6	11.2	8.2	5.8	9.8
Asia Equities (FTSE)	▼	-1.0	13.1	6.6	6.4	10.2
Asia Bonds (JP Morgan)	▲	2.1	6.5	1.2	2.5	4.9
North America Real Estate	▲	2.6	16.9	7.5	6.0	14.7
NA Equities (FTSE)	▲	1.6	25.7	13.2	12.5	16.1
NA Bonds (JP Morgan)	▲	4.0	12.9	3.3	2.8	5.7
Emerging Real Estate	▼	-8.9	7.7	12.5	8.7	
Emerging Equities (FTSE)	▼	-3.3	9.8	7.2	5.2	
Emerging Bonds (JP Morgan)	▲	3.1	15.2	5.2	6.6	

(*) Annualised.

Fig. 1. Total Return Change (31/12/2019=100)

(a) Developed Europe

(b) Emerging Markets



Source: EPRA. Data is compiled from the FEN Index series.

EU : Developed Europe Index; EU excl. UK : Developed Europe Index excluding the UK; UK: UK Index; EM : Emerging Index; EM APAC: Emerging Asia Pacific Index; CHN: China Index.

Fig. 2. Global Weights (EUR)*

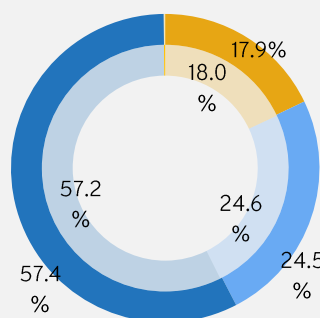


Fig. 3. REIT / Non-REITs

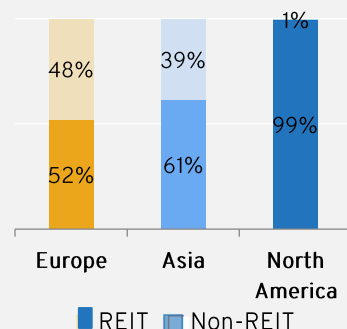


Fig. 4. Focus Split

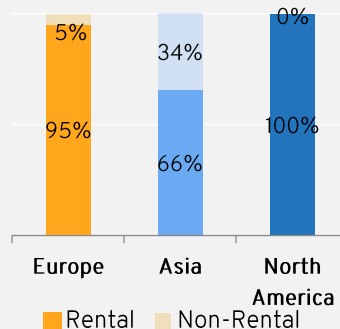


Fig. 5. Index Turnover (EUR, billion)*

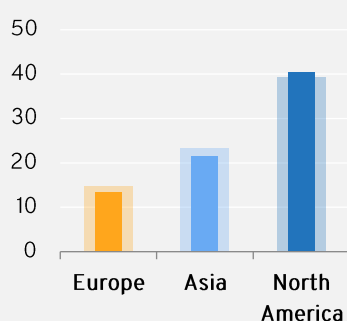


Fig. 6. Dividend Yields*

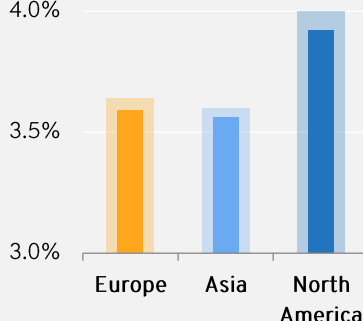


Fig. 7. Volatility (10 yr. & 3 yr.)**

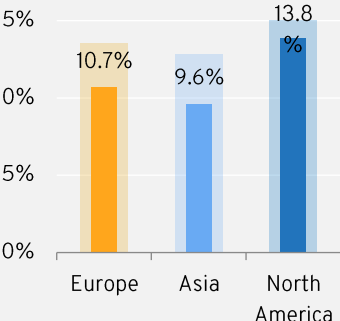


Fig. 8. Correlation (3 yr. rolling)

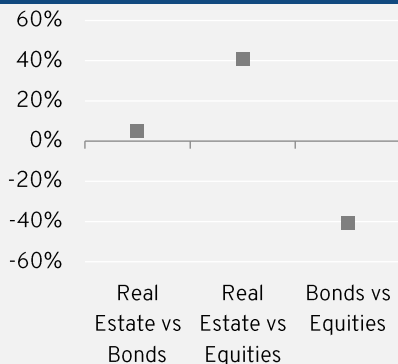
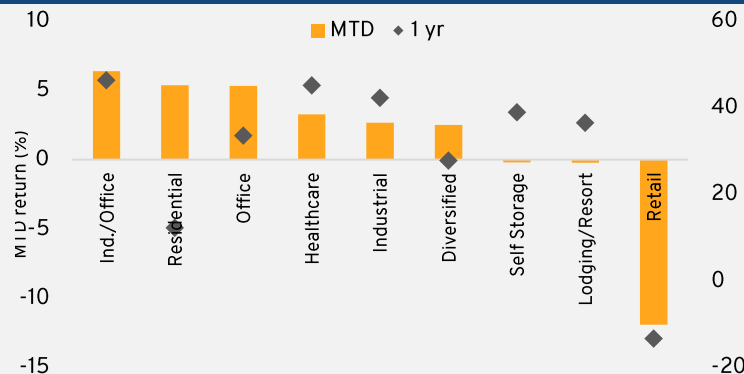


Fig. 9. Developed Europe Return by Sector (%)



FTSE EPRA Nareit Developed Europe - Country Indices

% Total Returns	Jan-20	1 yr	3 yrs*	5 yrs*	10 yrs*
Europe (EUR)	1.7	19.5	12.5	6.6	11.7
Europe ex UK (EUR)	3.1	18.9	13.7	9.3	12.1
UK (GBP)	-2.7	16.8	9.2	3.5	10.0
France (EUR)	1.0	26.3	11.3	5.7	10.1
Netherlands (EUR)	-11.7	-15.1	-10.5	-8.2	-0.7
Germany (EUR)	6.1	9.7	17.8	13.8	16.0

FTSE EPRA Nareit Asia - Country Indices

% Total Returns	Jan-20	1 yr	3 yrs*	5 yrs*	10 yrs*
Asia (EUR)	1.6	11.2	8.2	5.8	9.8
Hong Kong (HKD)	-7.8	-15.3	5.2	1.6	5.2
Japan (JPY)	4.2	19.1	8.3	4.4	10.2
Australia (AUD)	5.1	18.2	13.5	10.9	12.6
Singapore (SGD)	2.0	19.7	13.6	8.1	7.2

FTSE EPRA Nareit Developed North America - Country Indices

% Total Return	Jan-20	1 yr	3 yrs*	5 yrs*	10 yrs*
North America (USD)	1.3	12.9	8.4	5.6	12.1
United States (USD)	1.2	12.7	8.1	5.5	12.4
Canada (CAD)	4.3	17.5	13.0	8.7	11.5

FTSE EPRA Nareit Emerging - Country Indices

% Total Returns	Jan-20	1 yr	3 yrs*	5 yrs*
Emerging (EUR)	-4.9	-14.3	-7.5	-3.3
Emerging EMEA (EUR)	14.1	53.4	-5.4	-6.8
Emerging Europe (EUR)	-6.6	-17.4	-7.1	-2.6
Emerging MEA (EUR)	-10.7	7.6	16.3	12.0
Emerging APAC (EUR)	0.6	29.9	11.6	3.3
Emerging Americas (EUR)	-4.9	-14.3	-7.5	-3.3

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

(*) Annualised.

FTSE EPRA Nareit Developed Index

During January 2020, the FEN Developed Index posted a return of 2.2%, while global bonds and equities gained 3.1% and 70 bps, respectively. In terms of regional performance, Europe, Asia and North America posted positive returns of 1.7%, 1.6% and 2.6%, respectively. Over a one-year period, global real estate investments posted a 15.9% return compared to a gain of 21.6% by global equities and 10.3% by global bonds. Annualised ten-year rolling returns for real estate investments stand at 12.5%, while general equities posted a 9.5% return and bonds gained 5.0% during the same period.

The top performing countries in Developed markets were Switzerland (8.2%), Belgium (7.8%) and Austria (6.1%). However, considering Austria is represented with one constituent in the FEN index, it is worth to mention that Germany (6.0%) and Japan (5.9%) performed good, as well. Meanwhile, the top performing sectors were industrial/office (6.1%), industrial (5.4%) and self-storage (5.4%).

At the end of January 2020, the FEN Developed Index counted a total of 336 constituents, representing a free float market capitalisation of over EUR 1,5 trillion.

FTSE EPRA Nareit Emerging Index

During January 2020, the FEN Emerging Index lost 8.9%, resulting in a 7.7% annual return. Meanwhile, emerging bonds gained 3.1% and equities lost 3.3%. As a result, annual return stands at 15.2% for bonds and 9.8% for equities.

The top performing sectors were industrial (2.2%) and healthcare (1.3%), while the remaining sectors posted negative returns during January. Focusing on country performance, Czechia (15.6%), Turkey (12.7%) and India (9.8%) outperformed in the emerging markets. China was the worst performer with a loss of 12.3%, and the FEN Emerging APAC Index lost 8.9%.

Due to concerns about the worsening Coronavirus outbreak, retail and hotel sectors in particular, are expected to be more effected in the short-term. Retail markets could see implications on sales in shopping centres, especially in the luxury sector. Delays and cancellations in flights cause a reduction in Asian tourism, which might affect occupancy levels in hotels and limit spending around the Chinese New Year. The holiday period has been extended through to February 2 to mitigate the risk of contagion. In the meantime, The World Health Organization has declared an international emergency for the Coronavirus. Investors have continued to weigh the short-term damage of possible Coronavirus outbreak globally. The economic fallout is expected to be less than during SARS in 2003, but recovery is expected to take longer than SARS. The market might want to see any recovery, before taking solid actions.

At the end of January 2020, the FEN Emerging Index counted a total of 140 constituents, representing a free float market capitalisation of around EUR 170 billion.

FTSE EPRA Nareit Developed Index – Top 10 Constituents

Company	Sector	Country	Total Return
ProLogis USA	Industrial	USA	▲ 4.2%
Simon Property Group, Inc.	Retail	USA	▼ -10.6%
Welltower Inc.	Healthcare	USA	▲ 3.8%
Public Storage, Inc.	Self-Storage	USA	▲ 5.1%
Vonovia SE	Residential	GER	▲ 7.4%
Equity Residential Properties Trust	Residential	USA	▲ 3.4%
AvalonBay Communities, Inc.	Residential	USA	▲ 3.3%
Realty Income Corp.	Retail	USA	▲ 6.8%
Digital Realty Trust	Data Centers	USA	▲ 2.7%
Mitsui Fudosan Co., Ltd.	Diversified	JA	▲ 9.0%

FTSE EPRA Nareit Developed Index – Top 10 Performers

Company	Sector	Country	Total Return
Innovative Industrial Properties, Inc.	Industrial	USA	▲ 18.0%
Nyfos AB	Ind./Office	SWED	▲ 16.4%
NSI N.V.	Office	NETH	▲ 13.4%
Nippon Prologis REIT	Industrial	JA	▲ 12.9%
Japan Excellent Asset Management	Office	JA	▲ 11.6%
Wallenstam	Diversified	SWED	▲ 11.4%
WDP NV	Industrial	BELG	▲ 11.3%
Essential Properties Realty Trust, Inc.	Retail	USA	▲ 11.3%
Nippon Building Fund of Japan	Office	JA	▲ 10.4%
Charter Hall Retail REIT	Retail	AU	▲ 10.3%

FTSE EPRA Nareit Emerging – Top 10 Constituents

Company	Sector	Country	Total Return
China Overseas Land & Investment Ltd.	Residential	CHN	▼ -16.8%
China Resources Land Ltd	Diversified	CHN	▼ -15.7%
Sunac China Holdings (P Chip)	Diversified	CHN	▼ -18.4%
Country Garden Holdings	Residential	CHN	▼ -20.2%
Longfor Properties Co. Ltd.	Diversified	CHN	▼ -9.3%
SM Prime Holdings	Diversified	PHIL	▼ -7.6%
Ayala Land	Diversified	PHIL	▼ -8.6%
China Vanke Co., Ltd (H)	Residential	CHN	▼ -17.0%
Fibra Uno Administracion S.A. de C.V.	Diversified	MEX	▲ 5.9%
Central Pattana Public Company Limited	Retail	THAI	▼ -2.4%

FTSE EPRA Nareit Developed Europe Index

The FEN Developed Europe Index posted a 1.7% return, while Europe equities lost 1.6% and bonds gained 4.0%. The Germany Index and the France Index returned 6.1% and 1.0%, while the Netherlands Index and the UK Index lost 11.7% and 2.7%, respectively.

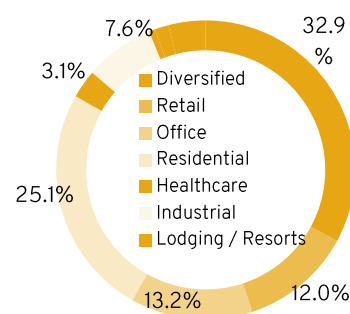
Hemfosa Fastigheter AB (Sweden) has been deleted from the index after a takeover by *Samhallsbyggnadsbolaget i Norden AB* (Sweden) which remained in the index. Following a tender offer for *TLG Immobilien GmbH* (Germany) by *Aroundtown SA* (Germany), both remained in the index.

Performance of Top 3 sectors: industrial/office (6.4%), residential (5.4%), office (5.3%).

Performance of Top 3 constituents: Nyfosa AB (16.4%, Sweden, industrial/office), NSI N.V. (13.4%, Netherlands, office), Wallenstam (11.4%, Sweden, diversified).

Developed Europe representing a free float MCap of around EUR 272 billion with 101 constituents

Developed Europe Sector Split



FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index posted a 1.6% return, while Asia equities lost 1.0% and bonds gained 2.1%.

The Australia Index, the Japan Index and the Singapore Index gained 5.1%, 4.2% and 2.0%, respectively. Meanwhile the Hong Kong Index lost 7.8% (in local currencies).

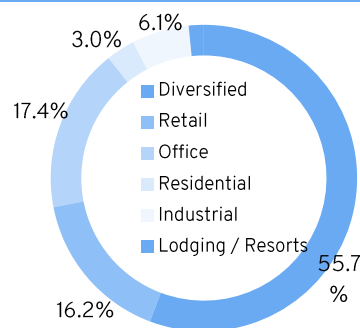
The Developed Asia markets saw no major corporate actions during January.

Performance of Top sector: industrial (9.1%), industrial/office (6.5%), office (6.0%).

Performance of Top 3 constituents: Nippon Prologis REIT (12.9%, Japan, industrial), Japan Excellent Asset Management 'JEI' (11.6%, Japan, office), Nippon Building Fund of Japan (10.4%, Japan, office).

Developed Asia representing a free float MCap of around EUR 372 billion with 87 constituents

Developed Asia Sector Split



FTSE EPRA Nareit North America Index

The FEN North America Index gained 2.6%, compared to a gain of 4.0% from bonds and 1.6% from equities.

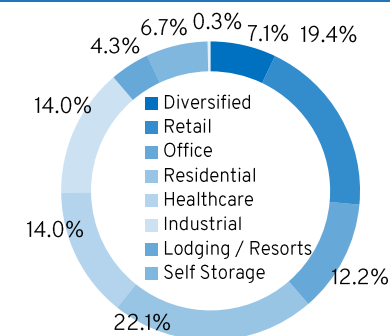
The Canada Index and the U.S. Index gained 4.3% and 1.2%, respectively, during the month (in local currencies). The Developed North America markets saw no major corporate actions during January.

Performance of Top 3 sectors: self-storage (5.8%), industrial (5.3%), residential (5.1%).

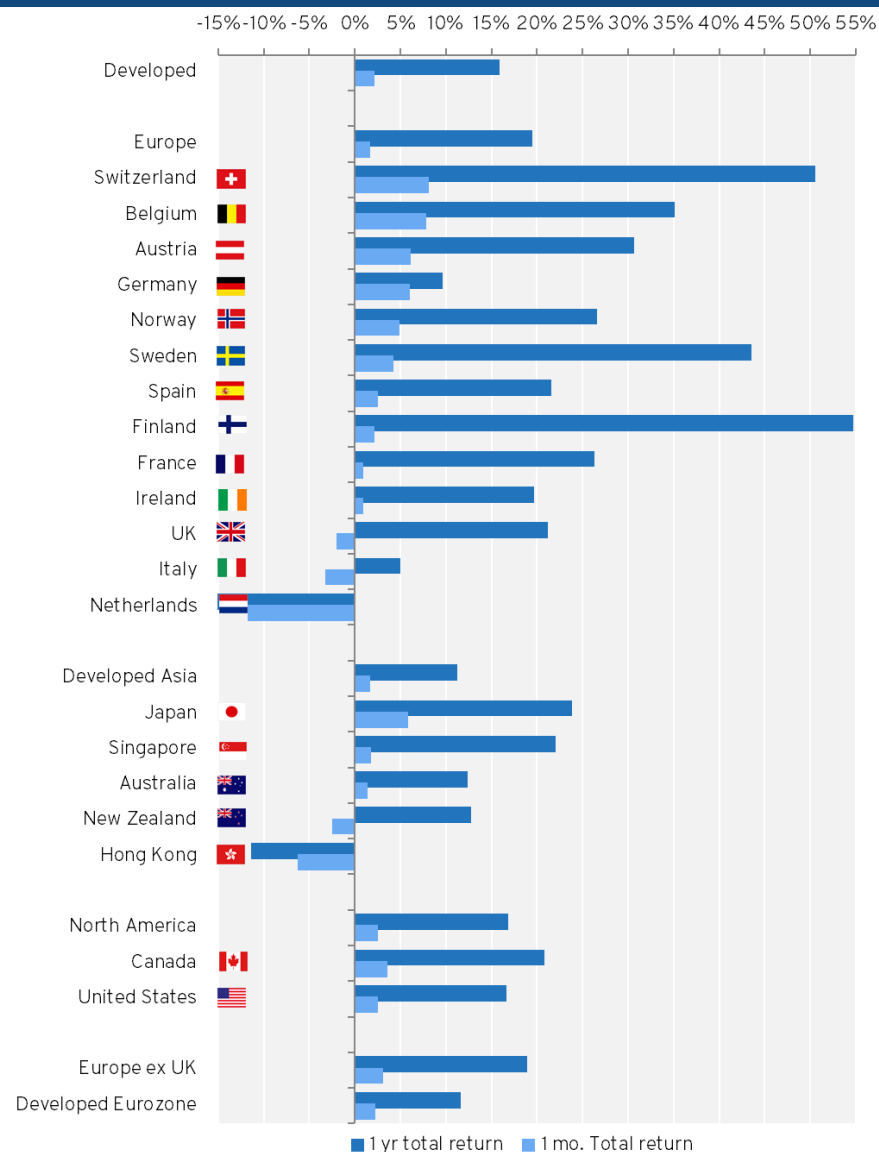
Performance of Top 3 constituents: Innovative Industrial Properties Inc. (18.0%, USA, industrial), Essential Properties Realty Trust Inc. (11.3%, USA, retail), Gaming & Leisure Properties (9.8%, USA, specialty).

Developed North America representing a free float MCap of around EUR 873 billion with 147 constituents

North America Sector Split



FTSE EPRA Nareit Monthly Index Performances (EUR)



Source: FTSE EPRA Nareit as of January 31, 2020

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