



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

Monthly Market Review

March 2020

April
2020

Overview

During March 2020, the negative impact of Covid-19 became evident in all markets, in line with the global outbreak outside of China. Following its recognition as a pandemic by the World Health Organization (WHO) on March 11, all sectors and regions saw sharp falls.

The FTSE EPRA Nareit (FEN) Global Developed Real Estate Index lost 22.5% during March and pulled down annual return to -21.4%. Global equities lost 12.6 % and global bonds gained 20 bps during the same period.

In terms of regional performance, real estate markets in Europe, Asia and North America displayed sharp decreases of 21.2%, 20.4% and 23.9%, respectively. Meanwhile emerging markets lost 19.3% during the month.

Focusing on sector performances in developed markets, only data centres increased by 11.8%, and the rest of the sectors posted negative returns. Self-storage and industrial performed relatively better with -6.1% and -6.8% returns, respectively. The bottom performers were retail (-39.1%) and lodging/resorts (-38.05%), which observed the most immediately visible impact from the early stage of the pandemic.

Highlights of the Month

The impact of Covid-19: comparison with past crises

To understand the potential impact of Covid-19 on real estate markets, the historical quarterly changes are analysed comparing it with two recent crises, the Global Financial Crisis (GFC) and the Eurozone Debt Crisis (EDC) (Fig. 1).

The FEN European Index experienced the second sharpest quarterly drop in the index history with a loss of 26.7% in 2020-Q1, after the worst quarterly performance in 2008-Q4 with a 34.8% decline, due to the negative impact of the GFC. Another influential crisis was the EDC which caused a -17.4% loss in 2011-Q3. The GFC is the deepest shock ever, not only in terms of the magnitude, but also in terms of subsequent negative impacts. Indeed, the FEN Developed Europe Index lost 16.5% in 2009-Q1.

The EDC had relatively limited impact on European markets, which displayed a recovery in the following quarters (0.2% in 2011-Q4 and 9.2% in 2012-Q1) in contrast with the GFC (-16.5% in 2009-Q1). The central banks and financial institutions took actions to regulate the monetary policies and financing conditions, which triggered significant change in LTV ratios and liquidity levels in the real estate sector.

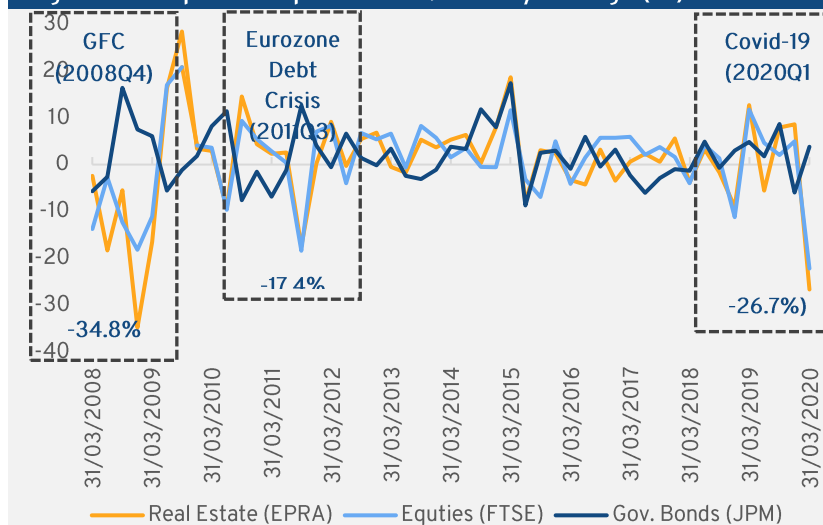
It is too early to estimate how long will the Covid-19 pandemic last, and it is not easy to assess further impacts on the economy and business under uncertain conditions. However, authorities have taken some measures to mitigate the negative impacts and markets seem to react slowly but in a positive direction. You can find further analysis examining weekly changes and market response in the next section.

FTSE EPRA Nareit Global Index Total Return

% Total Returns (EUR)	Mar-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Global Real Estate	▼ -22.5	-26.7	-21.4	-3.7	-1.6	7.5
Global Equities (FTSE)	▼ -12.6	-18.1	-7.5	-0.8	1.8	6.4
Global Bonds (JP Morgan)	▲ 0.2	5.5	9.9	9.0	5.7	5.2
Europe Real Estate	▼ -21.2	-25.8	-15.4	-0.2	-0.9	7.7
Europe Equities (FTSE)	▼ -13.9	-22.2	-12.8	-1.9	0.6	4.8
Europe Bonds (JP Morgan)	▼ -1.6	3.8	8.0	2.7	1.9	6.6
Asia Real Estate	▼ -20.4	-25.2	-23.5	-3.4	-1.7	5.3
Asia Equities (FTSE)	▼ -10.5	-15.7	-9.0	-0.2	0.7	7.4
Asia Bonds (JP Morgan)	▼ -1.4	2.4	3.3	1.0	1.6	4.7
North America Real Estate	▼ -23.9	-27.6	-22.3	-4.9	-1.8	8.8
NA Equities (FTSE)	▼ -12.6	-17.7	-5.2	3.9	5.8	12.4
NA Bonds (JP Morgan)	▲ 3.5	11.4	16.6	5.2	3.4	6.2
Emerging Real Estate	▼ -19.3	-27.0	-19.5	1.5	2.4	
Emerging Equities (FTSE)	▼ -16.1	-22.4	-15.4	-2.3	-0.6	
Emerging Bonds (JP Morgan)	▼ -12.3	-9.7	-3.1	-0.4	2.4	

(*) Annualised.

Fig. 1. Developed Europe Index : Quarterly Change (%)



Source: EPRA, Bloomberg. Data is compiled from the FEN Index, FTSE Index and JPM Index series.

Return Analysis of weekly changes: by sector and region

As given in the table below and in Fig. 2, the negative impact of Covid-19 became obvious since the second half of February. Most of the European countries started to consider implementing more strict measures in line with the increasing number of cases and fatalities, which indicated that the EU has become the new epicentre of the global outbreak outside of China. The worst week was March 9-13, when the markets experienced the sharpest loss since the beginning of the pandemic. Lodging/resorts and retail were hit the most compared to other sectors, with the highest falls of 39.1% and 26.4%, respectively.

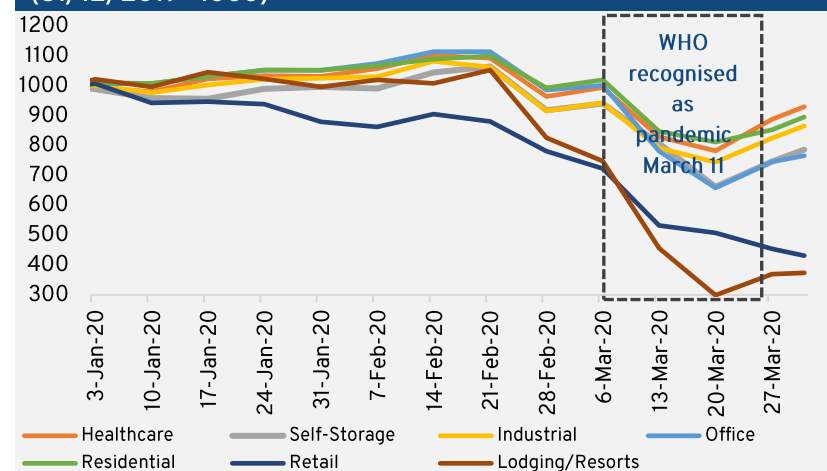
The markets have started to perform better posting positive returns in the week of March 23-27. It might be an indication of a positive reaction to governments' actions to mitigate the negative impacts on business and to avoid further economic slowdown.

Focusing on the YTD returns, healthcare (-6.9%) looks relatively resilient compared to the rest of the sectors in Europe. Except retail, which continued to post negative returns during March, all sectors displayed a slight recovery in the last week of the month.

Focusing on regions (Fig. 3), the negative impact of Covid-19 has started to be observed in the emerging markets at the beginning of January and became evident in the developed markets in mid-February in line with the global outbreak. Especially as Europe, and later North America, became the new epicentres of the pandemic. Markets displayed a slight improvement during the last week of the month (March 24-27); North America, Asia and Europe posted a weekly return of 14%, 13% and 5%, respectively. Meanwhile, emerging markets gained 3%.

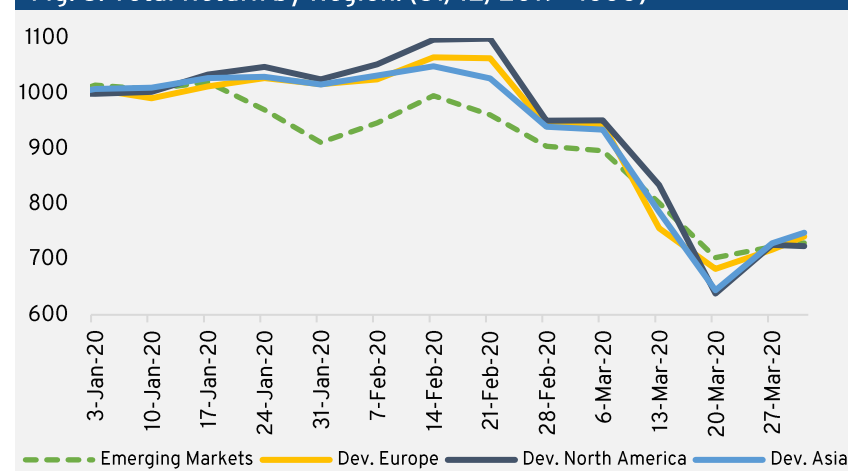
Developed Europe : Weekly Total Return by Sector							as of 31/03
	31-Jan	28-Feb	06-Mar	13-Mar	20-Mar	27-Mar	YTD
Developed Europe	-1.0%	-11.6%	0.5%	-20.0%	-9.7%	5.1%	-25.8%
Healthcare	3.3%	-11.8%	3.1%	-16.6%	-5.6%	13.6%	-6.9%
Residential	5.4%	-9.8%	2.8%	-16.9%	-4.3%	5.1%	-10.4%
Industrial	2.7%	-13.8%	2.9%	-16.0%	-5.9%	10.8%	-13.4%
Self-Storage	-0.2%	-13.8%	2.5%	-14.2%	-17.9%	12.8%	-21.2%
Office	5.3%	-11.6%	1.7%	-22.1%	-15.7%	13.3%	-23.3%
Retail	-11.9%	-11.3%	-7.5%	-26.4%	-4.6%	-10.6%	-56.8%
Lodging/Resorts	-0.2%	-21.6%	-9.4%	-39.1%	-34.5%	23.5%	-62.6%

Fig. 2. Developed Europe : Total Return by Sector: (31/12/2019=1000)



Source: EPRA, Bloomberg. Data is compiled from the FEN Index and FTSE Index series.

Fig. 3. Total Return by Region: (31/12/2019=1000)



Source: EPRA, Bloomberg. Data is compiled from the FEN Index.

Fig. 4. Global Weights (EUR)*

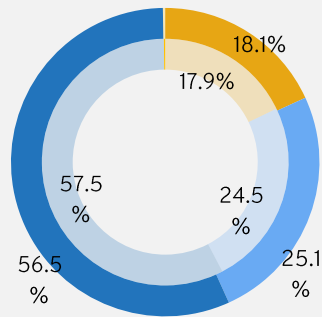


Fig. 5. REIT / Non-REITs

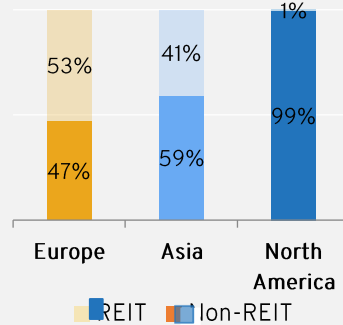


Fig. 6. Focus Split

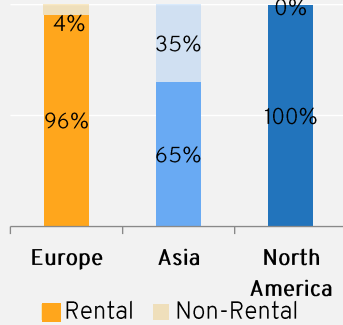


Fig. 7. Index Turnover (EUR, billion)*

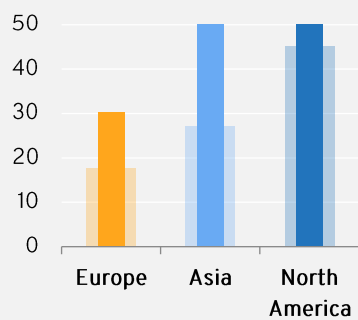


Fig. 8. Dividend Yields*

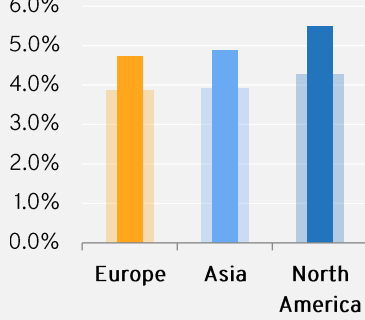


Fig. 9. Volatility (10 yr. & 3 yr.)**

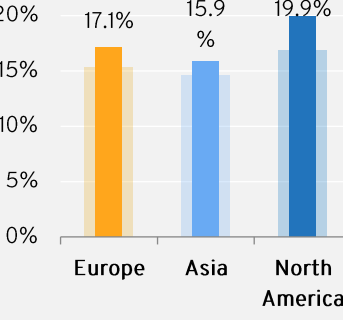


Fig. 10. Correlation (3 yr. rolling)

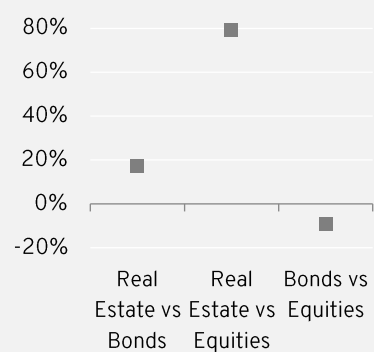
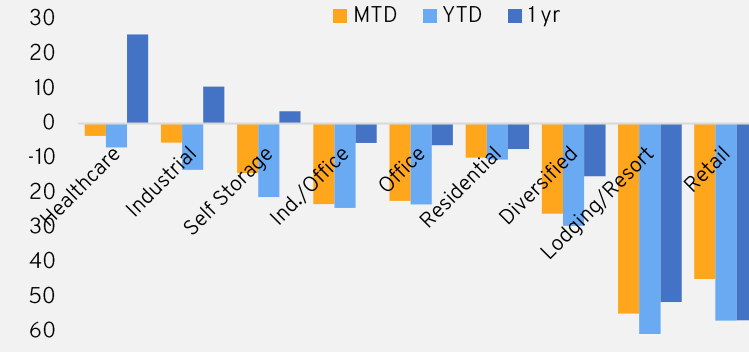


Fig. 11. Developed Europe Return by Sector (%)



FTSE EPRA Nareit Developed Europe - Country Indices

% Total Returns	Mar-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Europe (EUR)	-21.2	-25.8	-15.4	-0.2	-0.9	7.7
Europe ex UK (EUR)	-21.4	-24.0	-14.8	1.4	1.8	8.1
UK (GBP)	-18.3	-27.5	-14.8	-3.0	-2.9	6.1
France (EUR)	-29.8	-35.5	-23.5	-5.6	-4.9	5.0
Netherlands (EUR)	-47.2	-58.5	-58.4	-31.5	-21.4	-8.7
Germany (EUR)	-13.8	-14.0	-13.0	8.1	8.2	13.3

FTSE EPRA Nareit Asia - Country Indices

% Total Returns	Mar-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Asia (EUR)	-20.4	-25.2	-23.5	-3.4	-1.7	5.3
Hong Kong (HKD)	-10.0	-20.0	-31.0	-2.0	-0.2	2.2
Japan (JPY)	-19.8	-25.3	-18.7	-1.6	-3.9	5.9
Australia (AUD)	-38.8	-39.9	-37.7	-7.3	-1.2	6.3
Singapore (SGD)	-16.9	-19.3	-9.4	3.0	2.7	4.5

FTSE EPRA Nareit Developed North America - Country Indices

% Total Returns	Mar-20	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
North America (USD)	-24.0	-29.3	-24.1	-4.1	-1.3	6.6
United States (USD)	-23.5	-29.0	-23.8	-4.2	-1.4	6.8
Canada (CAD)	-28.0	-27.8	-24.1	-1.1	1.2	6.8

FTSE EPRA Nareit Emerging - Country Indices

% Total Returns	Mar-20	YTD	1 yr	3 yrs*	5 yrs*
Emerging (EUR)	-36.1	-49.5	-49.1	-25.6	-15.9
Emerging EMEA (EUR)	-11.4	-11.1	13.7	-13.2	-13.2
Emerging Europe (EUR)	-39.1	-53.1	-53.0	-26.7	-16.1
Emerging MEA (EUR)	-14.3	-21.4	-15.0	7.8	7.0
Emerging APAC (EUR)	-42.7	-48.5	-30.6	-13.7	-9.6
Emerging Americas (EUR)	-36.1	-49.5	-49.1	-25.6	-15.9

(*) Annualised.

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

FTSE EPRA Nareit Developed Index

During March 2020, the FEN Developed Index lost 22.5%, compared to a gain of 20 bps by global bonds and a loss of 12.6% by global equities. In terms of regional performance, Europe, Asia and North America posted negative returns of 21.2%, 20.4% and 23.9%, respectively.

Over a one-year period, global real estate investments posted a negative return of 21.4% compared to a loss of 7.5% from global equities and a gain of 9.9% from global bonds. Annualised ten-year rolling returns for real estate investments stand at 7.5%, while general equities posted a 6.4% return and bonds gained 5.2% during the same period.

All countries in developed markets posted negative returns, Finland (-8.0%) and Belgium (-11.5%) performed relatively better within all regions. Focusing on sector performances, data centres outperformed with 11.8% return, while the rest of the sectors posted negative returns. Self-storage (-6.1%) and industrial (-6.8%) performed relatively better. Meanwhile retail was the worst performer with a loss of 39.1%, followed by specialty (-38.7%) and lodging/resorts (-38.0%).

At the end of March 2020, the FEN Developed Index counted a total of 335 constituents, representing a free float market capitalisation of over EUR 1.1 trillion.

FTSE EPRA Nareit Emerging Index

The FEN Emerging Index lost 19.3% during the month, bringing in a negative annual return of 19.5%, at the end of March 2020. Meanwhile, emerging bonds and equities lost 9.7% and 16.1%, respectively. As a result, annual return stands at -3.1% for bonds and -15.4% for equities.

In terms of sector performance, all sectors posted negative returns during March. Residential sector performed relatively better with a -16.6% return, while retail (-35.4%), healthcare (-31.9%) and office (-30.4%) were the bottom performers in the emerging markets.

Focusing on country performances, Czechia (-2.7%), China (-10.9%) and Saudi Arabia (-15.7%) were top performers compared with the bottom performers: Brazil (-48.8%) and South Africa (-46.2%).

During the quarterly review, four companies (*Axis Real estate Investment Trust* - Malaysia, *Mabane Company* - Kuwait, *Gruppa LSR* - Russia, *Halk GYO* - Turkey) have been added to the index, while a total of seven companies have been deleted from the index.

At the end of March 2020, the FEN Emerging Index counted a total of 137 constituents, representing a free float market capitalisation of around EUR 139 billion.

You can read recent 2019 H2 updates, access our report [Emerging Market Report 2019 H2](#).

FTSE EPRA Nareit Developed Index – Top 10 Constituents

Company	Sector	Country	Total Return
ProLogis USA	Industrial	USA	▼ -4.0%
Digital Realty Trust	Data Centers	USA	▲ 16.6%
Public Storage, Inc.	Self-Storage	USA	▼ -4.1%
Vonovia SE	Residential	GER	▼ -7.7%
Equity Residential Properties Trust	Residential	USA	▼ -17.0%
AvalonBay Communities, Inc.	Residential	USA	▼ -25.8%
Welltower Inc.	Healthcare	USA	▼ -38.8%
Sun Hung Kai Properties Limited	Diversified	HK	▼ -6.6%
Link REIT	Retail	HK	▼ -9.0%
Mitsubishi Estate Company, Limited	Diversified	JA	▼ -12.6%

FTSE EPRA Nareit Developed Index – Top 10 Performers

Company	Sector	Country	Total Return
Digital Realty Trust	Data Centers	USA	▲ 16.6%
Assura plc	Healthcare	UK	▲ 14.3%
Americold Realty Trust	Industrial	USA	▲ 11.7%
Primary Health Properties	Healthcare	UK	▲ 10.9%
WDP NV	Industrial	BELG	▲ 8.1%
Easterly Government Properties	Office	USA	▲ 4.8%
QTS Realty Trust	Data Centers	US	▲ 4.1%
Kojamo plc	Residential	FIN	▲ 3.9%
Champion REIT	Diversified	HK	▲ 3.8%
CyrusOne	Data Centers	USA	▲ 2.8%

FTSE EPRA Nareit Emerging – Top 10 Constituents

Company	Sector	Country	Total Return
China Overseas Land & Investment Ltd.	Residential	CHN	▼ -8.0%
Sunac China Holdings (P Chip)	Diversified	CHN	▼ -15.5%
China Resources Land Ltd	Diversified	CHN	▼ -11.0%
Country Garden Holdings	Residential	CHN	▼ -9.1%
Longfor Properties Co. Ltd.	Diversified	CHN	▲ 4.7%
China Vanke Co., Ltd (H)	Residential	CHN	▼ -14.8%
SM Prime Holdings	Diversified	PHIL	▼ -25.9%
Shimao Property Holdings	Diversified	CHN	▼ -2.2%
Ayala Land	Diversified	PHIL	▼ -22.6%
China Jinmao Holdings Group	Diversified	CHN	▼ -11.8%

FTSE EPRA Nareit Developed Europe Index

During March, the FEN Developed Europe Index posted a negative return of 21.2%, while Europe equities and bonds lost 13.9% and 1.6%, respectively.

The Germany Index, the UK Index and the France Index lost 13.8%, 18.3% and 29.8%, respectively. The Netherlands Index was the bottom performer with a loss of 47.2%.

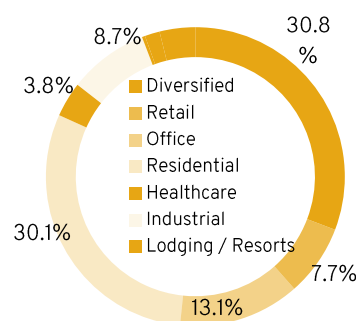
During 2020 Q1 review, *Tritax Eurobox* (UK, Non-REIT, Industrial) and *Amot Investments Ltd.* (Israel, Non-REIT, Diversified) have been added to the index.

Performance of Top 3 sectors: healthcare (-3.6%), industrial (-5.5%), residential (-9.8%).

Performance of Top 3 constituents: Assura plc (14.3%, UK, healthcare), Primary Heath Properties (10.9%, UK, healthcare), WDP NV (8.1%, Belgium, industrial).

Developed Europe representing a free float MCap of around EUR 199 billion with 101 constituents

Developed Europe Sector Split



FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index slipped 20.4%, while Asia equities and bonds lost % 10.5% and 1.4%, respectively.

The Hong Kong Index, the Singapore Index and the Japan Index lost 10.0%, 16.9% and 19.8% respectively. The Australia Index lost 38.8%, as the bottom performer in the region (in local currencies).

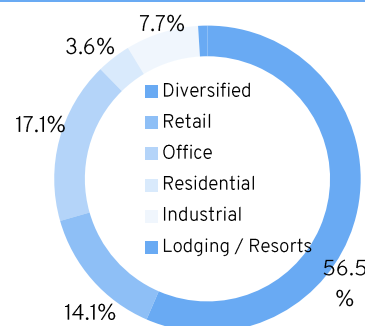
Two New Zealand companies, namely *Goodman Property Trust* (REIT, Industrial) and *Precinct Properties New Zealand* (Non-REIT, Diversified) have been added to the index, during the quarterly review.

Performance of Top sector: residential (-6.5%), industrial/office (-9.8%), industrial (-13.5%).

Performance of Top 3 constituents: Champion REIT (3.8%, Hong Kong, diversified), Keppel DC REIT (-1.3%, Singapore, data centres), Daiwa House REIT (-2.0%, Japan, residential).

Developed Asia representing a free float MCap of around EUR 275 billion with 89 constituents

Developed Asia Sector Split



FTSE EPRA Nareit North America Index

The FEN North America Index lost 23.9%, compared to a gain of 3.5% from bonds and a loss of 12.6% from equities.

The Canada Index and the U.S. Index slipped 28.0% and 23.5%, respectively, during the month (in local currencies).

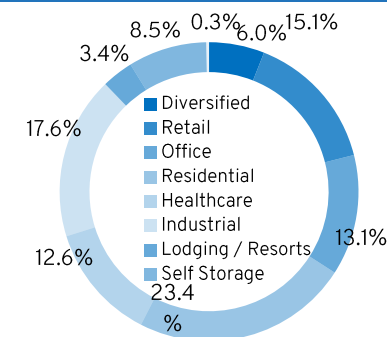
During the quarterly review, three USA constituents, *Washington Prime Group Inc.*, *Retail Value Inc.* and *Hersha Hospitality Trust* have been deleted from the index.

Performance of Top 3 sectors: data centres (12.6%), self-storage (-5.5%), industrial (-5.7%).

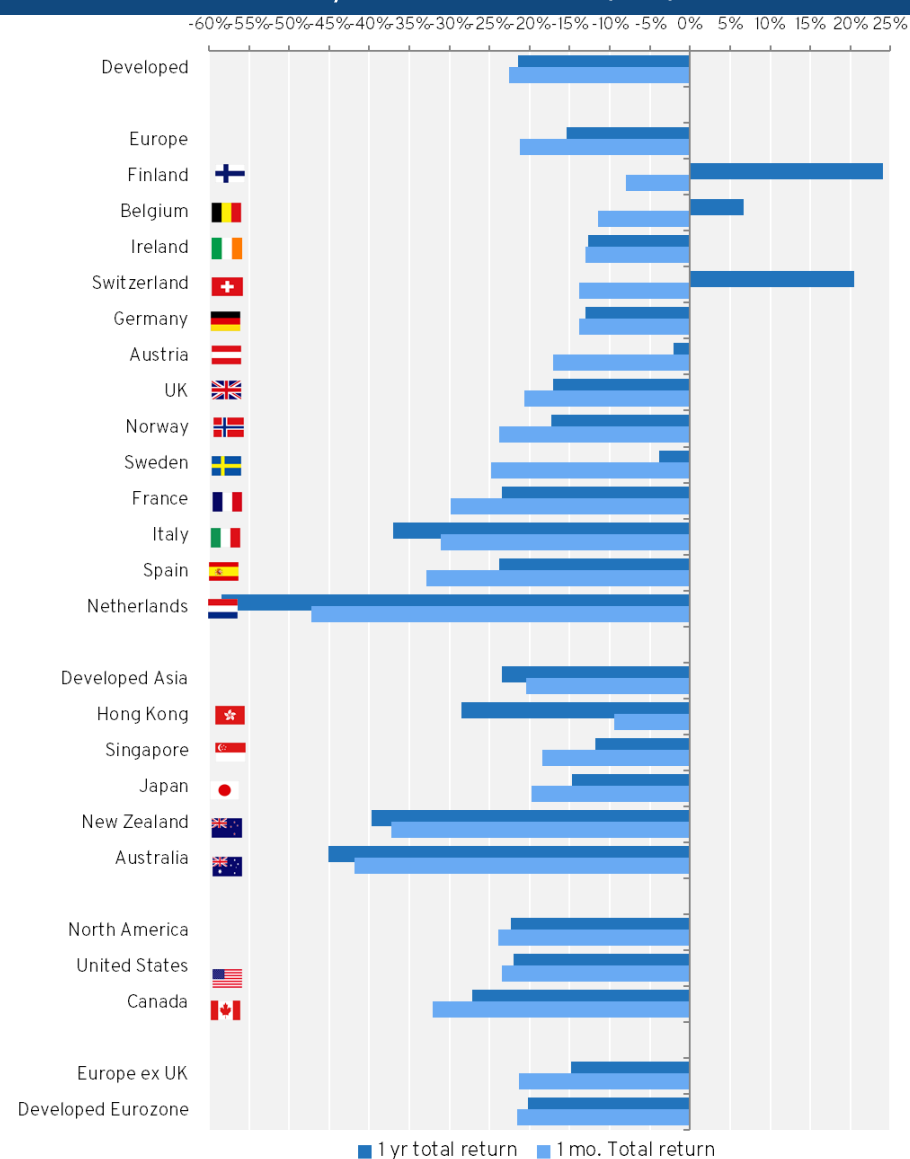
Performance of Top 3 constituents: Digital Realty Trust. (16.6%, USA, Data Centres), Americold Realty Trust (11.7%, USA, industrial), Easterly Government Properties (4.8%, USA, office).

Developed North America representing a free float MCap of around EUR 619 billion with 143 constituents

North America Sector Split



FTSE EPRA Nareit Monthly Index Performances (EUR)



Source: FTSE EPRA Nareit as of March 31, 2020

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