



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

Monthly Market Review

May 2020

June
2020

Overview

The FTSE EPRA Nareit (FEN) Global Developed Real Estate Index lost 1.2% during May, bringing the annual return to -16.1%. Global equities gained 2.9% compared to a loss of 1.6% from global bonds. In terms of regional performance, real estate markets in Europe continued to recover with a positive return of 1.6%, however Asia and North America lost 1.9% and 1.8%, respectively. Meanwhile emerging markets lost 5.0% during the month.

Focusing on sector performances in developed markets, the specialty index outperformed with a return of 14.5%, followed by self-storage (6.7%). Also, residential (1.9%), industrial (1.7%) and healthcare (1.6%) look resilient providing positive returns. The remaining sectors posted negative returns, which retail was the bottom performer with a loss of 5.9%.

Highlights of the Month

Residential looks resilient, retail and office are volatile

The FEN Developed Europe sector indices continued to display slow recovery and to stabilise in May. However, all sectors are still performing below year-end levels- except for residential, which is the only sector compensating the losses, both in terms of return and market capitalisation, as at the end of May.

Residential had a YTD return of 1.4% and reached the year-end level, but it is slightly lower than the peak point in mid-February that sharp falls have started to be observed with the negative impact of Covid-19 on the markets. In addition, its market cap grew 5% compared to the year-end level.

Focusing on 3-year volatility, healthcare, industrial and residential look relatively immune to the pandemic conditions displaying less volatility across all sectors (Fig. 1). On the other hand, retail was the highest volatile sector. Similarly, the volatility of the office sector substantially increased, compared to the pre-Covid19 level. Indeed, both the retail and office sectors were affected the most by the lockdown measures; closure of shops and remote working, both had an impact on their business operations. Rent collection levels have been lower in both sectors which has in turn put pressure on valuations and thus higher discounts.

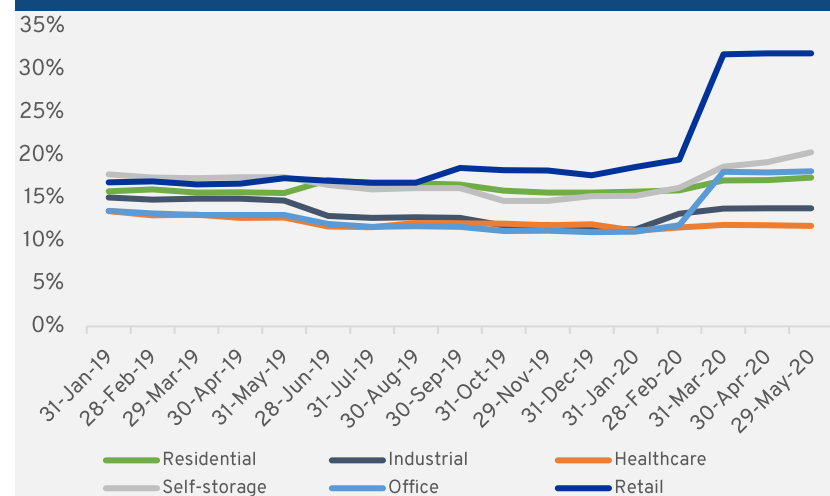
Almost all European countries have already slowly started 'deconfinement' and the 're-opening' of economic activities. Although markets started to compensate for the sharp falls, there are still uncertainties about the impact of the exit plans out of lockdown. Authorities have taken diverse responses to mitigate economic damages and to support businesses, such as re-opening retail business, providing financial aids, tenant improvements, etc. However further implications will be necessary in order to sustain the market recovery in the short to medium period.

FTSE EPRA Nareit Global Index Total Return

| % Total Returns (EUR) | May-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|----------------------------|--------|-------|-------|--------|--------|---------|
| Global Real Estate | ▼ -1.2 | -22.3 | -16.1 | -0.9 | 0.6 | 7.7 |
| Global Equities (FTSE) | ▲ 2.9 | -6.8 | 7.1 | 2.5 | 4.0 | 8.6 |
| Global Bonds (JP Morgan) | ▼ -1.6 | 5.0 | 7.2 | 8.4 | 5.9 | 5.0 |
| Europe Real Estate | ▲ 1.6 | -21.9 | -10.0 | -0.5 | 0.6 | 9.2 |
| Europe Equities (FTSE) | ▲ 4.4 | -14.0 | -3.5 | -0.1 | 2.3 | 6.6 |
| Europe Bonds (JP Morgan) | ▼ -1.3 | 3.9 | 6.3 | 4.1 | 3.0 | 5.5 |
| Asia Real Estate | ▼ -1.9 | -21.2 | -17.3 | -1.1 | -0.6 | 5.9 |
| Asia Equities (FTSE) | ▲ 1.3 | -8.4 | 2.5 | 3.0 | 1.8 | 8.1 |
| Asia Bonds (JP Morgan) | ▼ -1.8 | 1.3 | 1.0 | 2.1 | 1.9 | 3.5 |
| North America Real Estate | ▼ -1.8 | -22.9 | -17.4 | -0.9 | 1.1 | 8.4 |
| NA Equities (FTSE) | ▲ 3.5 | -3.5 | 13.3 | 10.5 | 9.3 | 13.8 |
| NA Bonds (JP Morgan) | ▼ -1.7 | 10.3 | 12.4 | 6.1 | 3.8 | 4.8 |
| Emerging Real Estate | ▼ -5.0 | -26.3 | -14.5 | 0.8 | 1.6 | |
| Emerging Equities (FTSE) | ▼ -0.5 | -15.4 | -4.3 | 1.0 | 0.8 | |
| Emerging Bonds (JP Morgan) | ▲ 4.2 | -3.5 | 2.2 | 2.7 | 3.9 | |

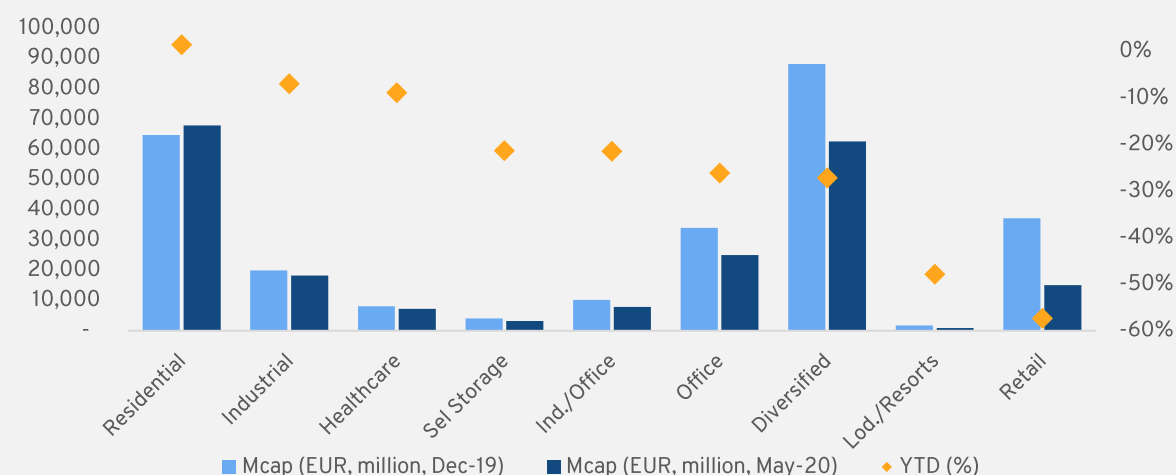
(*) Annualised.

Fig. 1. Developed Europe : 3-year volatility by sector



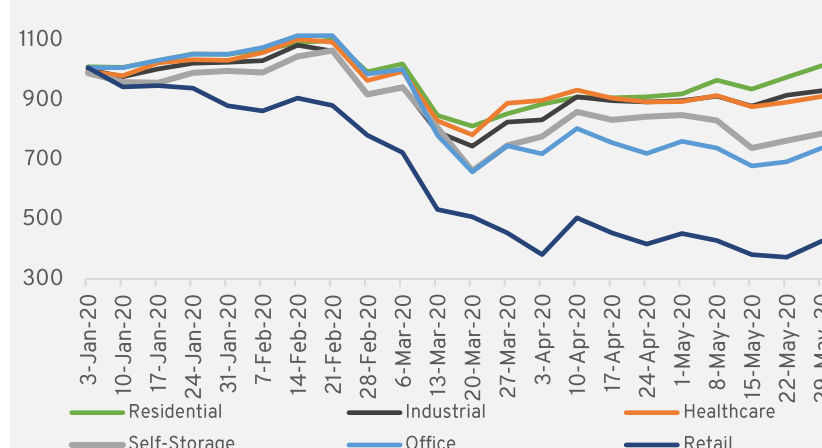
Source: EPRA. Data is compiled from the FEN Index series (as of 29 May 2020).

Fig. 2. Developed Europe : YTD returns and MCap by sector



Source: EPRA. Data is compiled from the FEN Index series (as of 29 May 2020).

Fig. 3. Developed Europe : YTD Return by Sector (31/12/2019=1000)



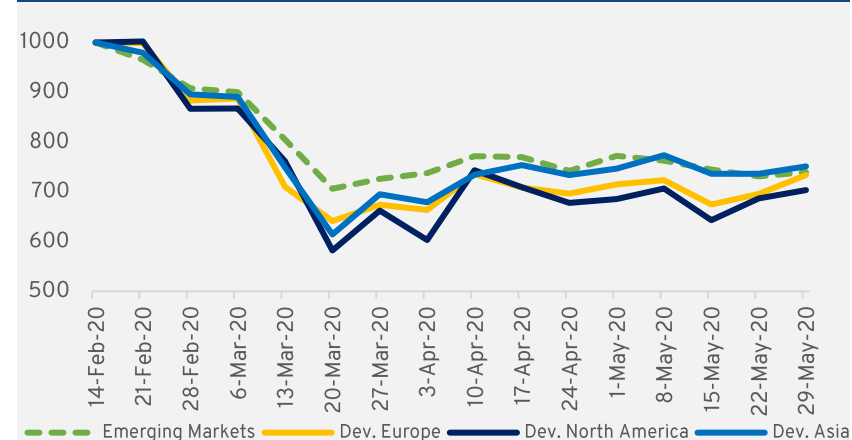
Source: EPRA. Data is compiled from the FEN Index (as of 29 May 2020).

| Developed Europe | Weekly Total Return by Sector | | | | | | | | YTD, as of 29-May |
|------------------|-------------------------------|--------|--------|--------|--------|--------|--------|--------|-------------------|
| | 31-Jan | 28-Feb | 13-Mar | 01-May | 08-May | 15-May | 22-May | 29-May | |
| Developed Europe | -1.0% | -11.6% | -20.0% | 2.7% | 1.1% | -6.8% | 3.1% | 5.4% | -21.9% |
| Residential | 5.4% | -9.8% | -16.9% | 1.0% | 5.1% | -3.2% | 4.3% | 3.9% | 1.4% |
| Industrial | 2.7% | -13.8% | -16.0% | 0.5% | 1.6% | -3.6% | 4.2% | 1.5% | -6.9% |
| Healthcare | 3.3% | -11.8% | -16.6% | 0.1% | 2.3% | -4.1% | 1.7% | 2.1% | -8.9% |
| Self-Storage | -0.2% | -13.8% | -14.2% | 0.7% | -2.1% | -11.1% | 3.3% | 3.1% | -21.3% |
| Office | 5.3% | -11.6% | -22.1% | 5.6% | -3.0% | -8.1% | 2.0% | 6.8% | -26.1% |
| Lodging/Resorts | -0.2% | -21.6% | -39.1% | 16.4% | -5.4% | -11.0% | -2.2% | 14.3% | -47.9% |
| Retail | -11.9% | -11.3% | -26.4% | 8.6% | -6.3% | -10.4% | 14.5% | 14.5% | -57.3% |

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

Note: The FEN Lodging/Resorts index has one constituent, therefore it should be considered for comparison.

Fig. 4. Total return by region: (14/02/2020=1000)



Source: EPRA. Data is compiled from the FEN Index (as of 29 May 2020).

Fig. 5. Global Weights (EUR)*

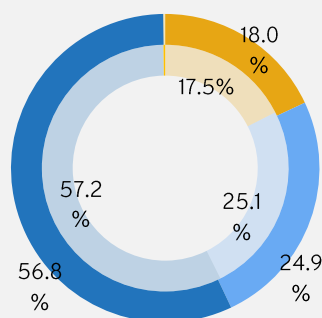


Fig. 6. REIT / Non-REITs

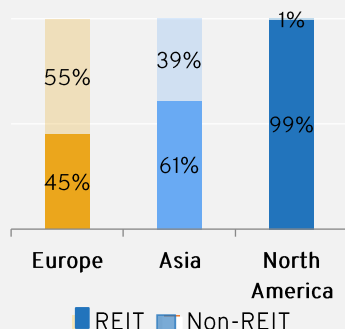


Fig. 7. Focus Split

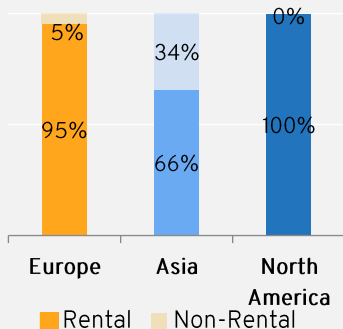


Fig. 8. Index Turnover (EUR, billion)*

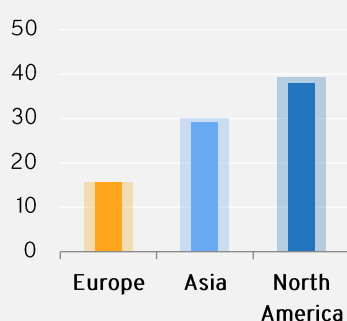


Fig. 9. Dividend Yields*

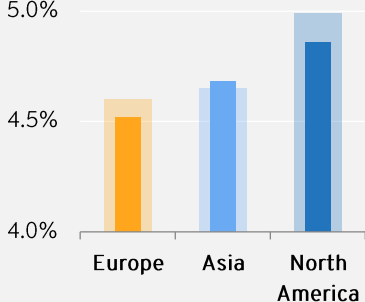


Fig. 10. Volatility (10 yr. & 3 yr.)**

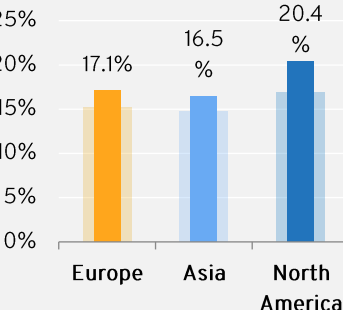


Fig. 11. Correlation (3 yr. rolling)

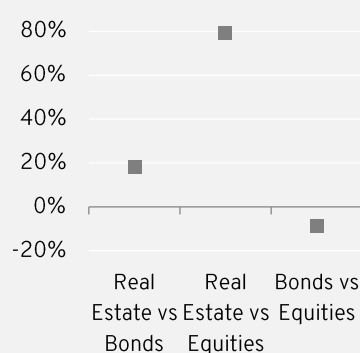
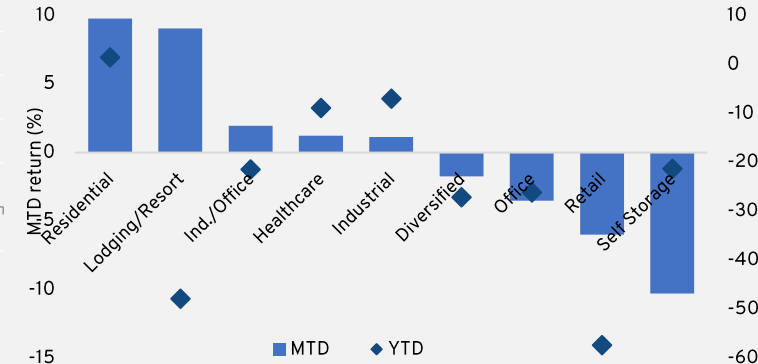


Fig. 12. Developed Europe: Total return by sector



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

FTSE EPRA Nareit Developed Europe - Country Indices

| % Total Returns | May-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|--------------------|--------|-------|-------|--------|--------|---------|
| Europe (EUR) | 1.6 | -21.9 | -10.0 | -0.5 | 0.6 | 9.2 |
| Europe ex UK (EUR) | 3.4 | -19.4 | -10.0 | 0.8 | 4.4 | 9.9 |
| UK (GBP) | 0.3 | -23.8 | -8.5 | -2.8 | -2.5 | 7.6 |
| France (EUR) | -5.5 | -36.9 | -24.4 | -8.7 | -3.7 | 6.1 |
| Netherlands (EUR) | -8.8 | -60.1 | -56.8 | -33.5 | -20.9 | -7.6 |
| Germany (EUR) | 9.4 | -2.4 | -2.9 | 9.2 | 12.4 | 15.9 |

FTSE EPRA Nareit Asia - Country Indices

| % Total Returns | May-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|-----------------|--------|-------|-------|--------|--------|---------|
| Asia (EUR) | -1.9 | -21.2 | -17.3 | -1.1 | -0.6 | 5.9 |
| Hong Kong (HKD) | -13.9 | -25.7 | -30.3 | -6.1 | -3.2 | 2.7 |
| Japan (JPY) | 5.8 | -19.5 | -10.5 | -0.1 | -2.9 | 7.6 |
| Australia (AUD) | 2.6 | -28.6 | -25.9 | -2.2 | 1.9 | 8.2 |
| Singapore (SGD) | 4.8 | -9.5 | 3.5 | 5.6 | 5.1 | 6.1 |

FTSE EPRA Nareit Developed North America - Country Indices

| % Total Returns | May-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|---------------------|--------|-------|-------|--------|--------|---------|
| North America (USD) | -0.3 | -23.6 | -17.5 | -1.3 | 1.4 | 7.4 |
| United States (USD) | -0.2 | -23.2 | -17.3 | -1.3 | 1.5 | 7.6 |
| Canada (CAD) | -2.8 | -25.5 | -20.3 | -0.5 | 2.6 | 7.2 |

FTSE EPRA Nareit Emerging - Country Indices

| % Total Returns | May-20 | YTD | 1 yr | 3 yrs* | 5 yrs* |
|-------------------------|--------|-------|-------|--------|--------|
| Emerging (EUR) | -1.5 | -47.3 | -47.3 | -23.4 | -14.8 |
| Emerging EMEA (EUR) | 13.3 | 10.7 | 43.6 | -7.7 | -8.2 |
| Emerging Europe (EUR) | -4.4 | -52.7 | -53.3 | -25.3 | -15.8 |
| Emerging MEA (EUR) | -5.8 | -21.3 | -8.9 | 5.5 | 4.9 |
| Emerging APAC (EUR) | 0.6 | -45.6 | -28.1 | -9.4 | -7.1 |
| Emerging Americas (EUR) | May-20 | YTD | 1 yr | 3 yrs* | 5 yrs* |

(*) Annualised.

FTSE EPRA Nareit Developed Index

The FEN Developed Index closed down 1.2%, compared to a gain of 2.9% from global equities and a loss of 1.6% from global bonds, at the end of May. Over a one-year period, global real estate investments posted a negative return of 16.1% compared to gains of 7.1% and 7.2% from global equities and global bonds. Annualised ten-year rolling returns for real estate investments stand at 7.7%, while general equities posted a return of 8.6% and bonds gained 5.0% during the same period.

In terms of regional performance, Europe continued to recover with a positive return of 1.6%, while Asia and North America lost 1.9%, and 1.8%, respectively. Although a slight recovery has been observed in regional performances since mid-April, all regions are still performing quite below their pre-Covid19 levels. Europe and Asia performed relatively better and look to have stabilised, however North America is still experiencing the negative impacts since it is lagged to rest of the regions (see Fig. 4).

In terms of country performances, Finland (10.2%), Germany (9.4%) and Norway (7.6%) were top performers in Europe, and Japan (3.4%) in Asia. However, both the US and Canada are still underperformers in North America.

Focusing on sector performances, specialty (14.5%) was the top performer, followed by self-storage (6.7%). Also, residential (1.9%), industrial/office (1.8%), industrial (1.7%) and healthcare (1.6%) were resilient, posting positive returns. Retail (-5.9%) and office (-4.1%), the most affected by lockdown measurements, were the bottom performers.

At the end of May 2020, the FEN Developed Index totalled 335 constituents, representing a free float market capitalisation of around EUR 1.2 trillion.

FTSE EPRA Nareit Emerging Index

During May, the FEN Emerging Index lost 5.0% during the month, bringing in a negative annual return of 14.5%. Meanwhile, emerging bonds gained 4.2% compared to a loss of 0.5% from emerging equities. As a result, annual return stands at 2.2% for bonds and -4.3% for equities.

In terms of sector performance, healthcare (10.9%) and industrial (11.7%) were outperformers, followed by office (4.8%). On the other hand, residential was the bottom performer with a return of -8.8% in the emerging markets.

Focusing on country performances, Turkey (16.2%) and Czechia (13.7%) were top performers in the emerging markets.

At the end of May 2020, the FEN Emerging Index totalled 137 constituents, representing a free float market capitalisation of over EUR 140 billion.

FTSE EPRA Nareit Developed Index – Top 10 Constituents

| Company | Sector | Country | Total Return |
|---------------------------------------|--------------|---------|--------------|
| ProLogis USA | Industrial | USA | ▲ 2.5% |
| Digital Realty Trust | Data Centers | USA | ▼ -4.0% |
| Vonovia SE | Residential | GER | ▲ 14.9% |
| Public Storage, Inc. | Self-Storage | USA | ▲ 9.3% |
| Equity Residential Properties Trust | Residential | USA | ▼ -6.9% |
| AvalonBay Communities, Inc. | Residential | USA | ▼ -4.3% |
| Welltower Inc. | Healthcare | USA | ▲ 0.1% |
| Alexandria Real Estate Equities, Inc. | Office | USA | ▼ -2.2% |
| Mitsubishi Estate Company, Limited | Diversified | JA | ▼ -2.7% |
| ProLogis USA | Diversified | JA | ▲ 3.8% |

FTSE EPRA Nareit Developed Index – Top 10 Performers

| Company | Sector | Country | Total Return |
|--|--------------|---------|--------------|
| Japan Hotel REIT Investment | Lod./Resorts | JA | ▲ 24.6% |
| Stockland Trust Group | Diversified | AU | ▲ 24.0% |
| Gaming & Leisure Properties | Specialty | US | ▲ 22.7% |
| Catena AB | Industrial | SWED | ▲ 20.9% |
| Orix JREIT Inc | Diversified | JA | ▲ 20.1% |
| Japan Retail Fund Invest. Corporation | Retail | JA | ▲ 20.1% |
| Retail Estates | Retail | BELG | ▲ 19.8% |
| Lar Espana | Retail | SP | ▲ 18.4% |
| Industrial & Infrastructure Fund (IIF) | Industrial | JA | ▲ 17.8% |
| Kenedix Retail REIT | Retail | USA | ▲ 17.7% |

FTSE EPRA Nareit Emerging – Top 10 Constituents

| Company | Sector | Country | Total Return |
|------------------------------------|-------------|---------|--------------|
| China Overseas Land & Invest. Ltd. | Residential | CHN | ▼ -17.1% |
| China Resources Land Ltd | Diversified | CHN | ▼ -3.9% |
| Sunac China Holdings (P Chip) | Diversified | CHN | ▼ -5.7% |
| Country Garden Holdings | Residential | CHN | ▼ -4.1% |
| Longfor Properties Co. Ltd. | Diversified | CHN | ▼ -10.6% |
| Shimao Property Holdings | Diversified | CHN | ▲ 5.6% |
| SM Prime Holdings | Diversified | PHIL | ▼ -2.7% |
| China Vanke Co., Ltd (H) | Residential | CHN | ▼ -2.5% |
| Ayala Land | Diversified | PHIL | ▲ 0.2% |
| China Evergrande Group (P Chip) | Diversified | CHN | ▲ 18.0% |

FTSE EPRA Nareit Developed Europe Index

During May, the FEN Developed Europe Index gained 1.6%, compared to a gain of 4.4% from Europe equities and loss of 1.3% from bonds.

The German Index and the UK Index gained 9.4% and 30 bps, compared to losses of 8.8% from the Netherlands Index and 5.5% from the French Index.

Performance of Top 3 sectors: residential (9.8%), lodging/resort (9.0%), industrial/office (1.9%).

Performance of Top 3 constituents: Catena (20.9%, Sweden, industrial), Retail Estate (19.8%, Belgium, retail), Lar Espana (18.4%, Spain, retail).

FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index lost 1.9%, while Asia equities gained 1.3% and bonds lost 1.8%.

The Japan Index, the Singapore Index and the Australia Index posted positive returns of 5.8%, 4.8% and 2.6%, respectively. Meanwhile the Hong Kong Index was the bottom performer in the region with a loss of 13.9% (in local currencies).

Performance of Top sector: lodging/resorts (7.3%), industrial (5.4%), industrial/office (4.1%).

Performance of Top 3 constituents: Japan Hotel REIT Investment (24.6%, Japan, lodging/resorts), Stockland Trust Group (24.0%, Australia, diversified), Orix JREIT Inc. (20.1%, Japan, diversified).

FTSE EPRA Nareit North America Index

The FEN North America Index lost 1.8%, compared to a gain of 3.5% from equities and loss of 1.7% from bonds.

The U.S. Index and the Canada Index lost 20 bps and 2.8%, respectively (in local currencies).

Performance of Top 3 sectors: self-storage (8.1%), healthcare (1.6%), industrial (1.0%).

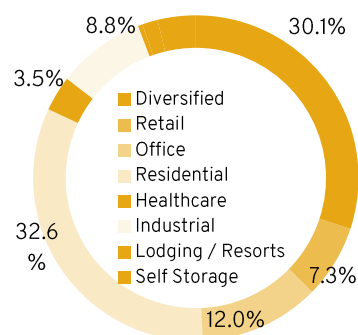
Performance of Top 3 constituents: Gaming&Leisure Properties. (22.7%, USA, specialty), Americold Realty Trust (16.7%, USA, industrial), Pebblebrook Hotel Trust (15.4%, USA, lodging/resorts).

Developed Europe representing a free float MCap of around **EUR 208 billion** with **101 constituents**

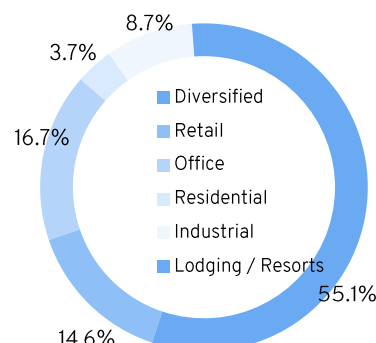
Developed Asia representing a free float MCap of around **EUR 288 billion** with **89 constituents**

Developed North America representing a free float MCap of around **EUR 656 billion** with **143 constituents**

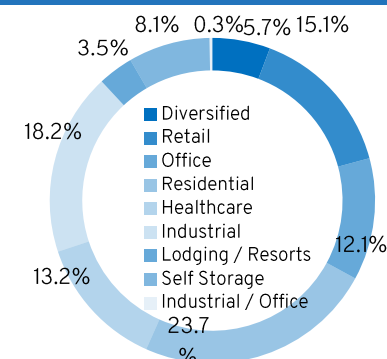
Developed Europe Sector Split



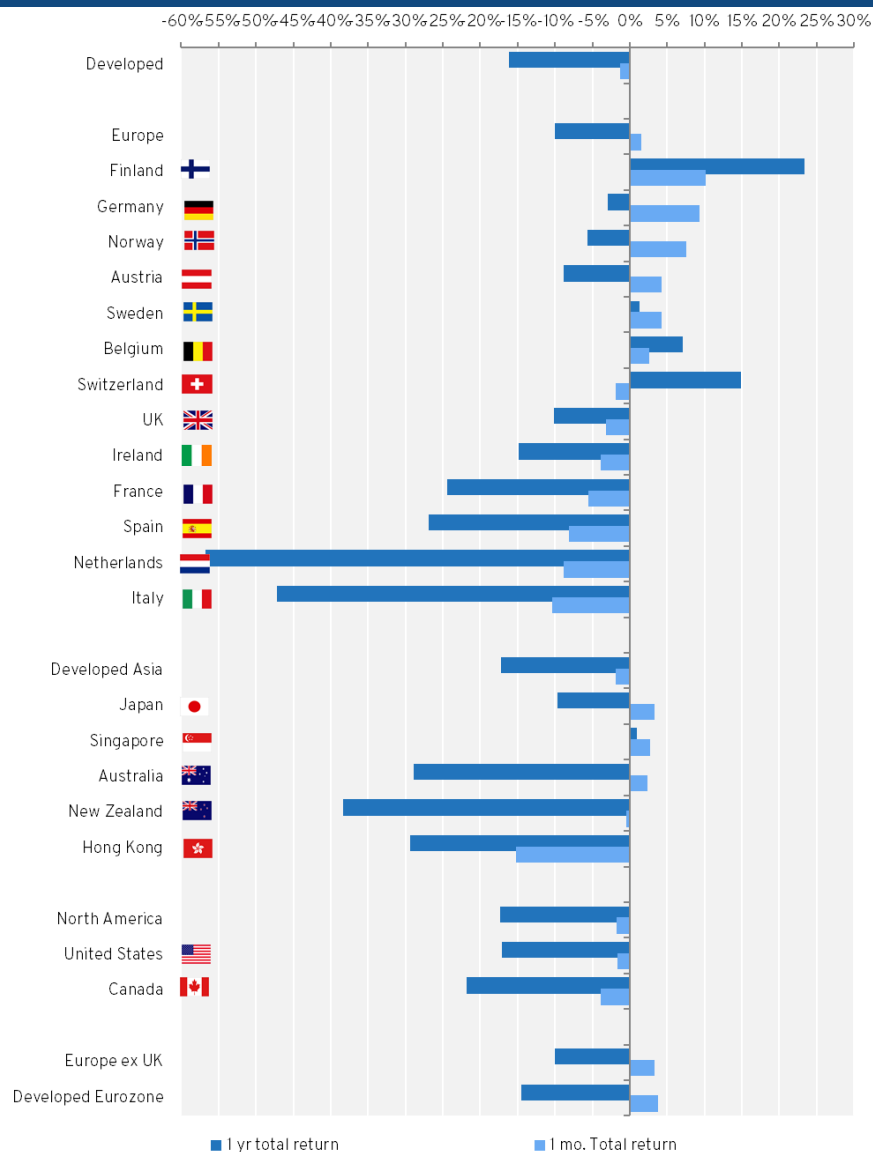
Developed Asia Sector Split



North America Sector Split



FTSE EPRA Nareit Monthly Index Performances (EUR)



Source: FTSE EPRA Nareit as of May 29, 2020

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