Overview

The FTSE EPRA Nareit (FEN) Global Developed Real Estate Index lost 1.1%, resulting in a -22.6% YTD return at the end of September. Global bonds gained 1.9% compared to a loss of 85 bps from global equities.

In terms of regional performance, all regions posted negative returns, Europe lost 1.6% - the first drop since March sharp fall; Europe which had been performing relatively well compared to other regions YTD. Meanwhile Asia (-31 bps) and North America (-1.2%) also underperformed in September. Emerging markets slipped 92 bps.

Focusing on sector performances, industrial/office was the top performer in the month at 6.6%, followed by self-storage (4.8%) and specialty (4.4%). Of those sectors posting negative monthly returns in September, data centres (-4.8%) – in particular North American companies since there are no data centres yet in the European index, and offices (-2.8%) were bottom performers in developed markets.

Highlights of the Month

Overview of first nine months: the impact of Covid-19 by regions

Focusing on the FEN regional indexes performance during the first nine months of the year (Fig. 1), the negative impact of Covid-19, and also recovery patterns by region are highlighted. All regions saw sharp falls with the direct impact by Covid-19 during 2020-Q1. Later, 2020-Q2 figures were better with slight improvements in all regions, in line with re-opening of the economies and easing the measures, but also Governments’ stimulus packages supported the recovery. As a result, all regions posted positive quarterly returns in the second quarter. Finally, 2020-Q3 quarter displayed a mixed picture amongst the regions where Europe was the only region to outperform with a 1.7% quarterly return. Meanwhile, North America – which still has the highest number of Covid-19 cases globally, was the main underperformer within the developed markets. Also, emerging markets displayed weaker performance with the impact of currency volatility.

If we compare the performance of both developed and emerging markets in the FEN index during the consecutive first nine months of the GFC and Covid-19 crises (Fig. 2), we can observe an immediate negative impact at the early stages of the crises (Stage 1) in both developed and emerging markets. Following the sharp falls in the Stage 1, slight recoveries started to be observed in all markets (Stage 2). However, emerging markets displayed a quicker improvement in the later stages (Stage 3) and performed better than developed markets during GFC. On the other hand, both developed and emerging markets have been performing relatively stable in the late stage (Stage 3) of Covid-19 crisis, while markets were more volatile during GFC (Stage 2&3). Currently, markets are still underperforming, and both economic and health-related improvements, especially vaccine developments, are crucial to sustain the market recovery in the forthcoming periods.
Overview of first nine months: Developed Europe by sector

In terms of Europe’s sector indices, residential and industrial are the only sectors returned to pre-Covid-19 levels posting 12.9% and 6.3% YTD returns during the first nine months (Table 1). Besides, Market Cap values returned to YE 2019 levels. Although self-storage (-13.2%) and healthcare (-7.2%) are still performing below year-end levels, the negative impact of Covid-19 was relatively limited. Retail and lodging/resorts were the most affected of all the sectors, they lost 55% and 51% of their MCap values since the beginning of the year, and they posted -68.3% and -51.2% YTD returns during the same period. Office is another sector directly impacted by Covid-19, especially due to social distancing and WFH policies, it underperformed with -29.9% YTD.

2020-Q3 Index Review

During the 2020-Q3 quarterly review, 5 companies were added, and 2 companies were deleted from the Developed index. Besides, there were 6 additions and 2 deletions in the Emerging Index, and one company was reclassified. The details are given in the related sections.

The net added valued to the global index was almost EUR 4.57 million in free float market cap.

All changes became effective as of Monday, 21 September 2020. The next index review will take place at the end of November, and the results will be locked-up on the 2nd of December.

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<thead>
<tr>
<th>Table: Developed Europe: Weekly and Monthly Total Return by sector</th>
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<tbody>
<tr>
<td>Developed Europe: Monthly Total Return by Sector</td>
</tr>
<tr>
<td>Residential</td>
</tr>
<tr>
<td>Industrial</td>
</tr>
<tr>
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<td>Lodging/Resorts</td>
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<td>Retail</td>
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YTD Return (%) | 80 | 70 | 60 | 50 | 40 | 30 | 20 | 10 | 0 | -10 | -20 | -30 | -40 | -50 |

YTD, as of 30-Sep

Source: EPRA. Data is compiled from the FEN Index series (as of 30 September 2020).

(*) Bubble size is represented MCap value.
FTSE EPRA Nareit Developed Index

The FEN Developed Index posted negative return of 1.1% compared to a gain of 1.9% from global bonds and a loss of 85 bps from global equities, at the end of September. Over a one-year period, global real estate investments lost 23.3%, compared to a gain of 1.7% from global equities and a loss of 81 bps from global bonds. Annualised ten-year rolling returns for real estate investments stand at 7.2%, while general equities and bonds are 8.4% and 4.4% respectively.

In terms of country performances, Sweden was outperformer, not only in Europe but also among all global markets, posting a return of 18.5%. New Zealand at 1.6% in Asia were top performers, while North American markets posted negative returns during September.

Focusing on sector performances, industrial/office outperformed with a return of 6.6%, followed by self-storage at 4.8% and specialty at 4.4%. On the other hand, data centres (-4.8%) and offices (-2.8%) were bottom performers in the developed markets.

At the end of September 2020, the FEN Developed Index totalled 342 constituents, representing a free float market capitalisation of around EUR 1.2 trillion.

FTSE EPRA Nareit Emerging Index

During September, the FEN Emerging Index lost 92 bps bringing the annual return to -15.2%. Meanwhile, emerging bonds gained 21 bps compared to a loss of 7 bps from emerging equities. As a result, annual return stands at -4.7% for bonds and 2.1% for equities.

In terms of sector performance, industrial (2.3%) and office (1.6%) were top performers, while healthcare (-10.7%) and retail (-5.5%) were bottom performers in emerging markets during September. Focusing on country performances, Kuwait (15.7%), Saudi Arabia (10.4%) and UAE (8.7%) were top performers, while Indonesia (-12.9%), Chile (-9.3%) and Thailand (-8.5%) were bottom performers in emerging markets.

During Q3 review, Embassy Office Park REIT (India, Office, REIT), KLCC Prop&REITs Stapled (Malaysia, Diversified, Non-REIT), Mah Sing Group (Malaysia, Diversified, Non-REIT), Barwa Real Estate Or. Shs (Qatar, Diversified, REIT), Alkhabeer REIT (Saudi Arabia, Diversified, REIT) and Stor-Age Property REIT (South Africa, Self-Storage, REIT) were added to the emerging index. Wharf Holdings (China) and Stenprop Limited Ord Shs (South Africa) have been deleted from the index.

At the end of September 2020, the FEN Emerging Index totalled 143 constituents, representing a free float market capitalisation of around EUR 141 billion.

The semi-annual report is now available, for further reading at: Emerging Markets H1 2020
FTSE EPRA Nareit Developed Europe Index

During September, the FEN Developed Europe Index lost 1.6%, compared to a gain of 3.4% from European bonds and a loss of -1.0% from European equities.

The German Index (-2.9%), the UK Index (-5.5) and the France Index (-6.3%) posted negative returns for the month, and the Netherlands Index (-14.8%) was the bottom performer. It should be highlighted that Sweden outperformed with 18.5%.

During Q3 index review, Shurgard Self-Storage (Belgium, Self-Storage, Non-REIT), CLS Holdings (UK, Office, Non-REIT) have been added to the index.

Performance of Top 3 sectors: industrial/office (15.0%), lodging/resorts (3.2%), diversified (1.2%).

Performance of Top 3 constituents: Sweden-based Fastighets AB Balder (32.1%, Diversified), Wihlborgs Fastigheter AB (28.3%, Diversified), Nyfosa AB (27.5%, Industrial/Office).

Developed Europe representing a free float MCap of around EUR 219 billion with 104 constituents

FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index slipped 31 bps, compared to gains from Asian equities (83 bps) and bonds (2.4%) (in euros).

The Japan index (-1.5%), the Australia index (-1.2%) and the Hong Kong Index (-4.3%) posted negative returns. Meanwhile, the Singapore Index returned with 58 bps in September (in local currencies).

Parkway Life REIT (Singapore, Healthcare, REIT) has been added to the index during quarterly review.

Performance of Top 3 sectors: lodging/resorts (4.2%), industrial (2.5%), industrial/office (1.6%).

Performance of Top 3 constituents: Aeon Mall Co. Ltd. (6.7%, Japan, Retail), JapanLogisticsFund (5.8%, Japan, Industrial), Maptree Industrial Trust (5.3%, Singapore, Industrial/Office).

Developed Asia representing a free float MCap of around EUR 290 billion with 93 constituents

FTSE EPRA Nareit North America Index

The FEN North America Index slipped 1.2%, compared to a gain of 2.1% from bonds and loss of 2.0% from equities (in euros).

The U.S. index lost 3.1% and the Canada Index lost 84 bps (in local currencies).

Safehold Inc. (USA, Specialty, REIT) and Nexpoint Residential (USA, Residential, REIT) have been added to index, while Urdstad Biddle Properties Inc (USA) and Saul Centers Inc (USA) have been deleted from the index during Q3 index review.

Performance of Top sectors: self-storage (5.7%), the remaining posted negative.

Performance of Top 3 constituents: Essential Properties Realty Trust, Inc. (9.3%, USA, Retail), Brookfield Property (8.9%, USA, Retail), Summit Industrial Income REIT (8.6%, Canada, Industrial).

Developed North America representing a free float MCap of around EUR 655 billion with 143 constituents

Developed Europe Sector Split

- Self Storage: 2.1%
- Industrial: 10.1%
- Residential: 34.7%
- Office: 10.8%
- Diversified: 28.3%
- Retail: 9.2%
- Healthcare: 3.7%
- Lodging / Resorts: 0.4%

Developed Asia Sector Split

- Industrial: 10.0%
- Residential: 3.6%
- Office: 15.4%
- Retail: 15.0%
- Diversified: 54.7%
- Self Storage: 8.7%
- Lodging / Resorts: 3.0%
- Industrial: 19.6%
- Retail: 11.0%
- Office: 22.2%
- Healthcare: 13.9%

North America Sector Split

- Self Storage: 5.7%
- Industrial: 22.2%
- Residential: 11.0%
- Office: 13.9%
- Healthcare: 19.6%
- Lodging / Resorts: 8.7%
- Retail: 5.6%
- Diversified: 0.3%
FTSE EPRA Nareit Monthly Index Performances (EUR)

Developed
Europe
Sweden
Norway
Switzerland
Belgium
Germany
Austria
Italy
Spain
France
UK
Finland
Ireland
Netherlands
Developed Asia
New Zealand
Singapore
Japan
Hong Kong
Australia
North America
United States
Canada
Europe ex UK
Developed Eurozone

1 yr total return
1 mo. Total return

Source: FTSE EPRA Nareit as of September 30, 2020

Link to Reports & Contacts

Monthly Statistical Bulletin
Monthly Published NAV Bulletin
Monthly LTV Report
Visit our website to read our reports: Monthly Reports
Index Ground Rules Version 9.7
Emerging Markets H1 2020 (semi annual)
Total Markets Table 2020-02 (quarterly)

EPRA 1st vConference (7-11 September)
REthink 2020: Real estate strategy in the current global context. Accelerated change in the industry
EPRA Research Insights
To listen recorded session (until end of November):

Wednesday 9 September
16:00 CET

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