EPRA

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

# Monthly Market Review

September 2020

October 2020

## 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 among 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.

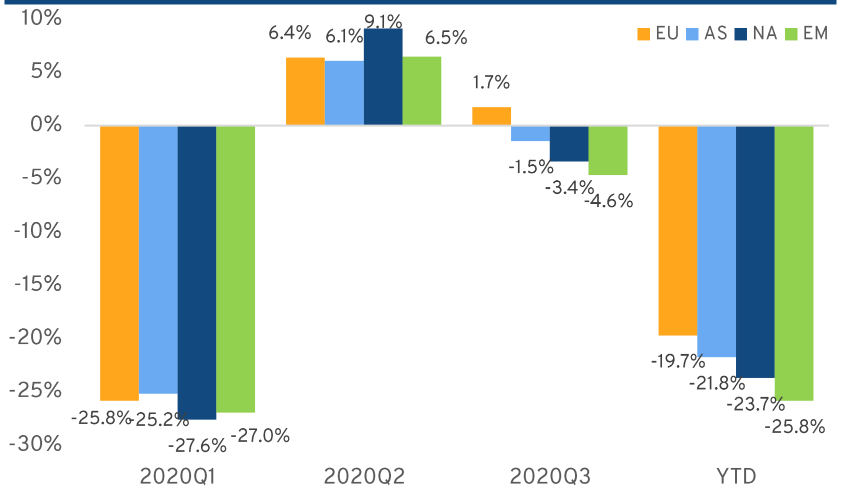
If we compare the performance of both developed and emerging markets in the FEN index during the consecutive first nine months of the GFC and Covid-19 crises (Fig. 2), we can observe an immediate negative impact at the early stages of the crises (Stage 1) in both developed and emerging markets. Following 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.

## FTSE EPRA Nareit Global Index Total Return

| % Total Returns (EUR) | | Sept-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|---|---|---|---|---|---|---|---|
| **Global Real Estate** | ▼ | **-1.1** | -22.6 | -23.3 | -0.2 | 2.0 | 7.2 |
| Global Equities (FTSE) | ▼ | **-0.8** | -2.9 | 1.7 | 2.4 | 7.3 | 8.4 |
| Global Bonds (JP Morgan) | ▲ | **1.9** | 2.7 | -0.8 | 7.7 | 5.3 | 4.4 |
| **Europe Real Estate** | ▼ | **-1.6** | -19.7 | -12.5 | 0.6 | 1.4 | 7.8 |
| Europe Equities (FTSE) | ▼ | -1.0 | -10.9 | -6.5 | 0.6 | 5.5 | 6.3 |
| Europe Bonds (JP Morgan) | ▲ | **3.4** | 0.1 | -5.8 | 4.6 | 2.6 | 5.9 |
| **Asia Real Estate** | ▼ | **-0.3** | -21.8 | -22.5 | 0.1 | 2.5 | 5.0 |
| Asia Equities (FTSE) | ▲ | **0.8** | -3.5 | 1.5 | 4.3 | 6.9 | 9.1 |
| Asia Bonds (JP Morgan) | ▲ | **2.4** | -4.2 | -8.2 | 1.9 | 0.9 | 3.7 |
| **North America Real Estate** | ▼ | **-1.2** | -23.7 | -26.5 | -0.7 | 1.9 | 8.6 |
| NA Equities (FTSE) | ▼ | **-2.0** | 2.0 | 7.9 | 12.6 | 13.0 | 15.0 |
| NA Bonds (JP Morgan) | ▲ | **2.1** | 4.7 | 0.8 | 6.0 | 2.9 | 4.9 |
| **Emerging Real Estate** | ▼ | **-0.9** | -25.8 | -15.2 | -3.0 | 7.0 | |
| Emerging Equities (FTSE) | ▼ | **-0.1** | -5.9 | 2.1 | 3.5 | 8.2 | |
| Emerging Bonds (JP Morgan) | ▲ | **0.2** | -3.8 | -4.7 | 3.5 | 5.0 | |

*(*) Annualised.*

### Fig 1. Quarterly returns by regions




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

### *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.

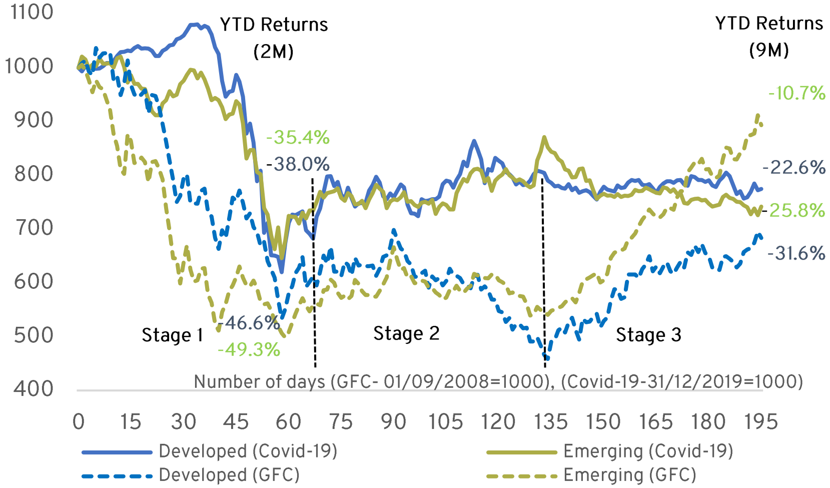
All changes became effective as of Monday, 21 September 2020. The next index review will take place at the end of November, and the results will be locked-up on the 2nd of December.

**Table : Developed Europe: Weekly and Monthly Total Return by sector**

| Developed Europe: | Monthly Total Return by Sector | | | | | | | | | Weekly Total Return by Sector | | | | YTD, as of |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-Jan | 28-Feb | 31-Mar | 30-Apr | 29-May | 30-Jun | 31-Jul | 31-Aug | 30-Sep | 04-Sep | 11-Sep | 18-Sep | 25-Sep | 30-Sep |
| **Developed Europe** | 1.7% | -7.5% | -21.2% | 3.7% | 1.6% | 1.0% | 1.2% | 2.2% | -1.6% | -2.3% | 1.7% | 0.7% | -4.7% | -19.7% |
| **Residential** | 5.4% | -5.7% | -9.8% | 3.1% | 9.8% | 3.2% | 4.2% | 7.4% | -3.6% | -3.1% | 4.0% | -0.3% | -5.1% | 12.9% |
| **Industrial** | 2.7% | -10.7% | -5.6% | 6.2% | 1.1% | 4.5% | 8.0% | 2.3% | -1.1% | -2.1% | -0.9% | 3.4% | -2.5% | 6.3% |
| **Healthcare** | 3.3% | -6.5% | -3.6% | -3.3% | 1.2% | 0.6% | 1.1% | 1.3% | -1.2% | -0.4% | -2.3% | 3.0% | -3.2% | -7.2% |
| **Self-Storage** | -0.2% | -7.9% | -14.3% | 11.4% | -10.3% | 4.3% | 4.6% | 4.8% | -3.5% | -2.2% | -1.8% | 1.8% | -0.1% | -13.2% |
| **Office** | 5.3% | -6.4% | -22.3% | -0.1% | -3.5% | -3.9% | -0.4% | 0.5% | -1.5% | -3.1% | 0.0% | 2.3% | -6.5% | -29.9% |
| **Lodging/Resorts** | -0.2% | -17.1% | -54.8% | 27.9% | 9.0% | -2.2% | 3.5% | -10.2% | 3.2% | 1.0% | 10.5% | -5.4% | -7.6% | -51.2% |
| **Retail** | -11.9% | -11.3% | -44.8% | 5.1% | -6.0% | 4.5% | -9.7% | -7.2% | -15.2% | -3.1% | -3.3% | -9.3% | -9.4% | -68.3% |

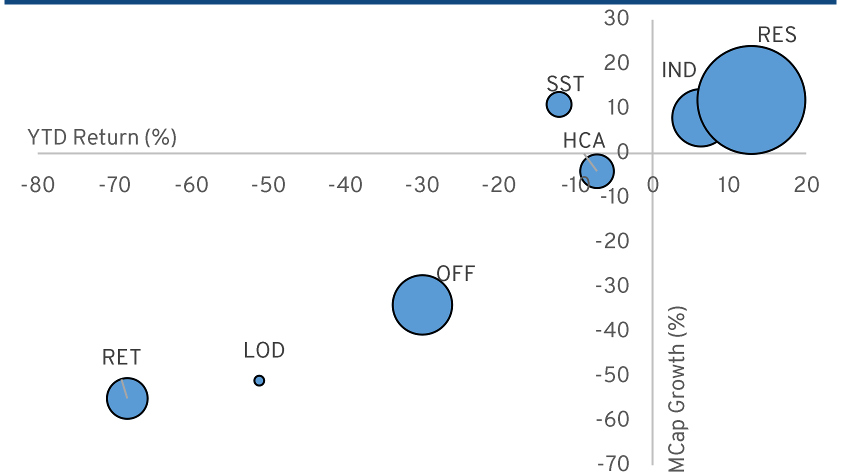
Source : *EPRA. Data is compiled from the FEN Index series (as of 30 September 2020).*

**Fig 2. The performance in the first nine months of GFC vs Covid-19**




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

**Fig 3. Developed Europe : YTD return vs MCap growth by sector**




*Source: EPRA. Data is compiled from the FEN Index series (as of 30 September 2020).*
*(*) Bubble size is represented MCap value.*

Fig. 4. Global Weights (EUR)*

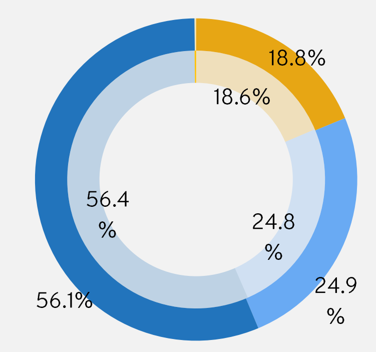



Fig. 5. REIT / Non-REITs

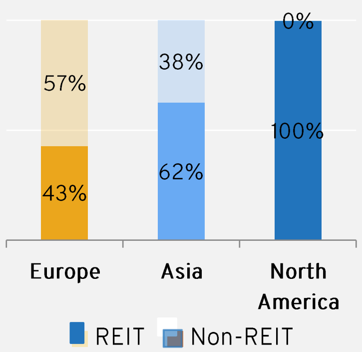



Fig. 6. Focus Split

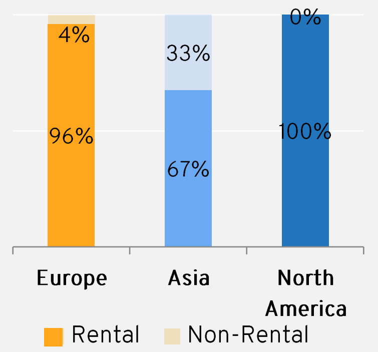



Fig. 7. Index Turnover (EUR, billion)*

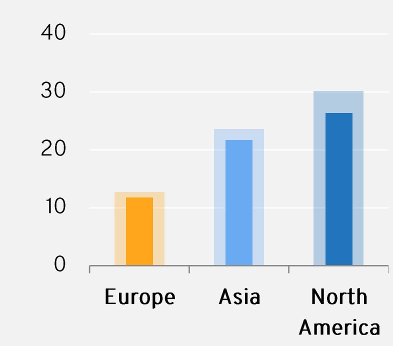



Fig. 8. Dividend Yields*

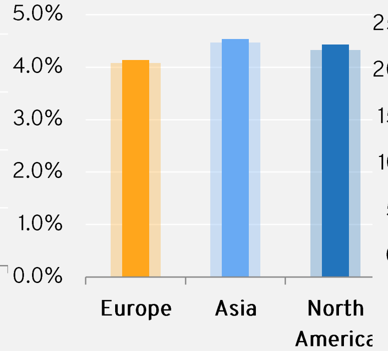



Fig. 9. Volatility (10 yr. & 3 yr.)**

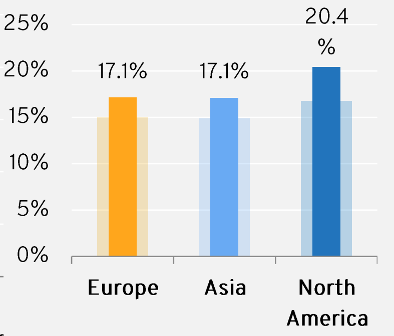



Fig. 10. Correlation (3 yr. rolling)

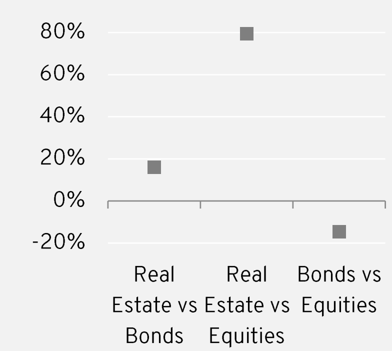
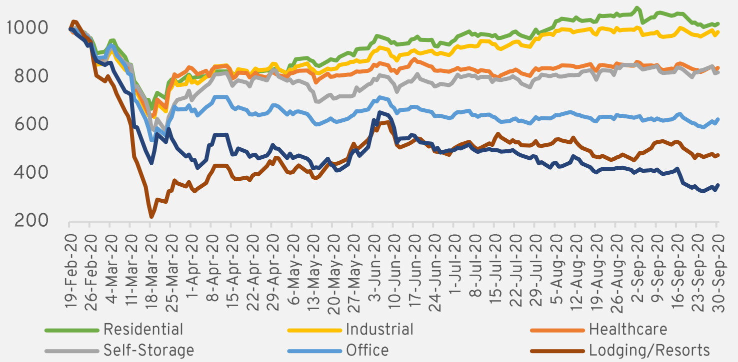



Fig. 11. Developed Europe : Total return by sector (19/2/2020=10000




(*) Shaded bars are last month's (**) Shaded bars are 10 yr. Source : *EPRA. Data is compiled from the FEN Index series (as of 30 September 2020).*

## FTSE EPRA Nareit Developed Europe - Country Indices

| % Total Returns | Sep-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|---|---|---|---|---|---|---|
| Europe (EUR) | -1.6 | -19.7 | -12.5 | 0.6 | 1.4 | 7.8 |
| Europe ex UK (EUR) | 0.3 | -15.2 | -10.2 | 2.4 | 5.5 | 8.1 |
| UK (GBP) | -5.5 | -26.1 | -16.9 | -3.1 | -3.2 | 6.5 |
| France (EUR) | -6.3 | -42.1 | -36.4 | -11.0 | -4.3 | 2.8 |
| Netherlands (EUR) | -14.8 | -70.9 | -69.4 | -38.7 | -25.7 | -12.4 |
| Germany (EUR) | -2.9 | 7.3 | 12.2 | 11.6 | 13.2 | 14.8 |

## FTSE EPRA Nareit Asia - Country Indices

| % Total Returns | Sep-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|---|---|---|---|---|---|---|
| Asia (EUR) | -0.3 | -21.8 | -22.5 | 0.1 | 2.5 | 5.0 |
| Hong Kong (HKD) | -4.3 | -20.7 | -17.8 | -6.1 | 2.6 | 1.1 |
| Japan (JPY) | -1.5 | -19.3 | -19.4 | 1.4 | -0.5 | 7.5 |
| Australia (AUD) | -1.2 | -28.7 | -28.7 | -1.1 | 2.6 | 7.8 |
| Singapore (SGD) | -0.6 | -7.4 | -4.6 | 5.0 | 9.7 | 4.7 |

## FTSE EPRA Nareit Developed North America - Country Indices

| % Total Returns | Sep-20 | YTD | 1 yr | 3 yrs* | 5 yrs* | 10 yrs* |
|---|---|---|---|---|---|---|
| North America (USD) | -3.1 | -20.3 | -21.0 | -1.0 | 2.9 | 6.9 |
| United States (USD) | -3.1 | -20.0 | -20.8 | -1.0 | 2.8 | 7.3 |
| Canada (CAD) | -0.8 | -23.5 | -24.3 | 0.8 | 4.0 | 5.8 |

## FTSE EPRA Nareit Emerging - Country Indices

| % Total Returns | Sep-20 | YTD | 1 yr | 3 yrs* | 5 yrs* |
|---|---|---|---|---|---|
| Emerging (EUR) | -0.9 | -25.8 | -15.2 | -3.0 | 7.0 |
| Emerging EMEA (EUR) | 5.2 | -42.8 | -39.7 | -19.7 | -11.7 |
| Emerging Europe (EUR) | -0.1 | 16.4 | 26.1 | -2.4 | -3.2 |
| Emerging MEA (EUR) | 6.3 | -48.3 | -45.7 | -21.7 | -12.9 |
| Emerging APAC (EUR) | -1.2 | -21.0 | -8.7 | 0.1 | 11.3 |
| Emerging Americas (EUR) | -3.1 | -46.7 | -39.8 | -12.2 | -1.4 |

*(*) Annualised.*

## 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 equites 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 Index – Top 10 Constituents

| Company | Sector | Country | | Total Return |
|---|---|---|---|---|
| ProLogis USA | Industrial | USA | ▼ | -0.7% |
| Digital Realty Trust | Data Centres | USA | ▼ | -5.0% |
| Vonovia SE | Residential | GER | ▼ | -2.4% |
| Public Storage, Inc. | Self-Storage | USA | ▲ | 5.8% |
| Welltower Inc. | Healthcare | USA | ▼ | -4.2% |
| AvalonBay Communities, Inc. | Residential | USA | ▼ | -4.5% |
| Realty Income Corp. | Retail | USA | ▼ | -1.7% |
| Alexandria Real Estate Equities, Inc. | Office | USA | ▼ | -4.4% |
| Simon Property Group, Inc. | Retail | USA | ▼ | -4.7% |
| Equity Residential Properties Trust | Residential | USA | ▼ | -8.0% |

### FTSE EPRA Nareit Developed Index – Top 10 Performers

| Company | Sector | Country | | Total Return |
|---|---|---|---|---|
| Fastighets AB Balder | Diversified | SWED | ▲ | 32.1% |
| Wihlborgs Fastigheter AB | Diversified | SWED | ▲ | 28.3% |
| Nyfosa AB | Ind./Office | SWED | ▲ | 27.5% |
| Klovern B | Ind./Office | SWED | ▲ | 24.4% |
| Kungsleden Fastighets AB | Ind./Office | SWED | ▲ | 24.3% |
| Wallenstam | Diversified | SWED | ▲ | 20.7% |
| Atrium Ljungberg AB (Class B) | Diversified | SWED | ▲ | 18.6% |
| Fabege AB | Office | SWED | ▲ | 18.0% |
| Castellum AB | Ind./Office | SWED | ▲ | 17.1% |
| Hufvudstaden | Diversified | SWED | ▲ | 16.5% |

### FTSE EPRA Nareit Emerging – Top 10 Constituents

| Company | Sector | Country | | Total Return |
|---|---|---|---|---|
| China Resources Land Ltd | Diversified | CHN | ▼ | -2.2% |
| Longfor Group Holdings (P Chip) | Diversified | CHN | ▲ | 6.0% |
| Sunac China Holdings (P Chip) | Diversified | CHN | ▼ | -7.4% |
| China Overseas Land & Invest. Ltd. | Residential | CHN | ▼ | -11.6% |
| Country Garden Holdings | Residential | CHN | ▲ | 0.8% |
| Shimao Property Holdings | Diversified | CHN | ▼ | -6.1% |
| China Vanke Co., Ltd (H) | Residential | CHN | ▼ | -1.9% |
| SM Prime Holdings | Diversified | PHIL | ▲ | 0.7% |
| China Evergrande Group (P Chip) | Diversified | CHN | ▲ | 8.8% |
| Ayala Land | Diversified | PHIL | ▲ | 3.1% |

## 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), Japan Logistics Fund (5.8%, Japan, Industrial), Mapletree 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).

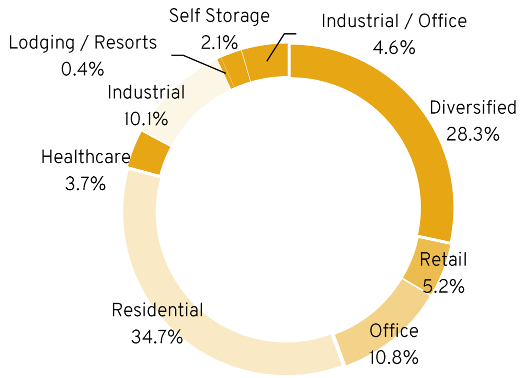
*Safehold Inc.* (USA, Specialty, REIT) and *Nexpoint Residential* (USA, Residential, REIT) have been added to index, while *Urstadt Biddle Properties Inc* (USA) and *Saul Centers Inc* (USA) have been deleted from the index during Q3 index review.

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

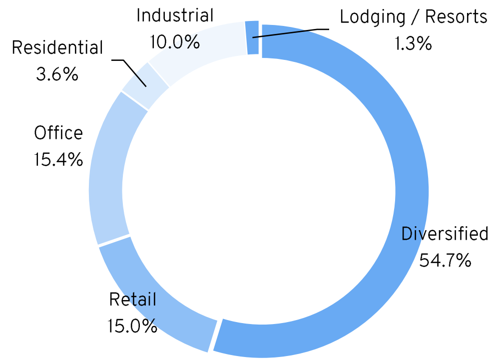
**Performance of Top 3 constituents:** Essential Properties Realty Trust, Inc. (9.3%, USA, Retail), Brookfield Property (8.9%, USA, Retail), Summit Industrial Income REIT (8.6%, Canada, Industrial).

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

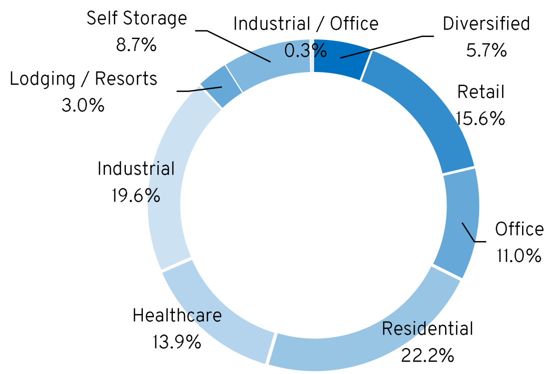
## Developed Europe Sector Split



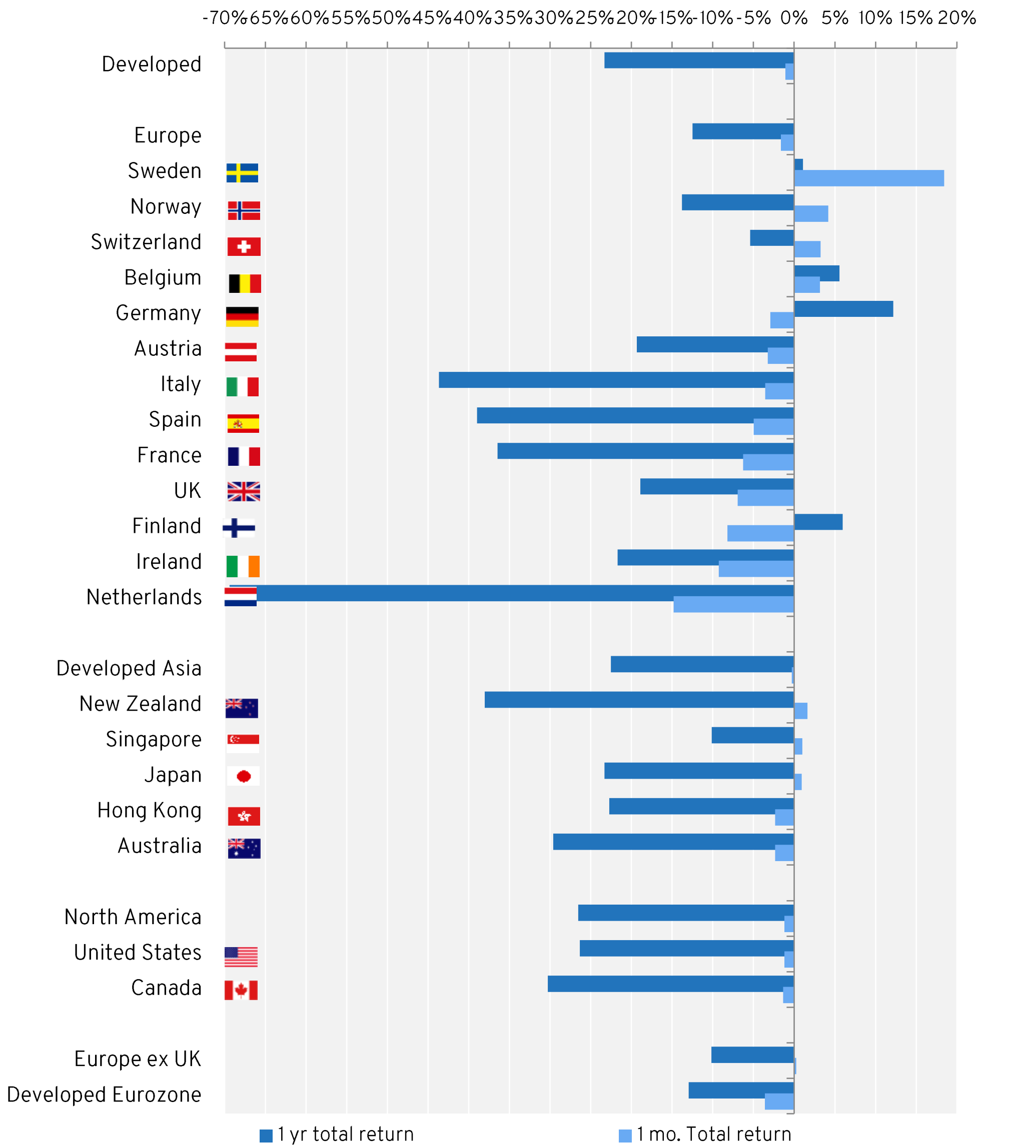

## Developed Asia Sector Split




## North America Sector Split



## FTSE EPRA Nareit Monthly Index Performances (EUR)




*Source : FTSE EPRA Nareit as of September 30, 2020*

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Monthly Statistical Bulletin

Monthly Published NAV Bulletin

Monthly LTV Report

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Emerging Markets H1 2020 (semi annual)

Total Markets Table 2020-Q2 (quarterly)


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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):