



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

Monthly Market Review and Developers' Research Benchmark

January
2023

Overview

The FTSE EPRA Nareit (FEN) Global Developed Real Estate Index started 2023 with a good performance and returned 7.1% in January. Global equities gained 4.9% compared to 1.1% from global bonds. In terms of regional performance, all regions returned positive: Europe (8.9%), North America (8.8%) and Asia (1.9%). In addition, emerging markets also gained 2.5% for the month.

Focusing on sector performance, lodging/resorts (13.6%), data centres (11.3%) and healthcare (10.2%) were outperformers and the remaining sectors also returned positive that diversified (3.2%) and specialty (3.6%) were bottom performers with relatively limited positive returns in January.

At the end of January, **the FEN Developed Index** totalled **381** constituents, representing a free float market capitalisation of around **EUR 1.54 trillion** and **the FEN Emerging Index** totalled **130** constituents, representing a free float market capitalisation of around **EUR 130 billion**.

EPRA Developers Research Benchmark

The **EPRA Developers Research Benchmark** is a non-commercial benchmark designed to allow its constituents to assess themselves against each other. As of 31/01/2023, it displayed a strong performance with a 13.3% return. The benchmark now has a total of 28 constituents from 11 different countries in Developed Europe (17 out of the UK) and an aggregated full market cap of **EUR 42,95 million** (31/01/2023). A high-level computation can be found in the relevant section (page 6).

Highlights of the Month

The inflation continued to come down slightly but remains too high. According to Eurostat's estimate, annual inflation in the Euro area is expected to be 8.5% in January, down from 9.2% in December with a sharp drop in energy prices but food prices are still rising strongly. Monetary policy is expected to remain hawkish and central banks will continue increasing interest rates to curb inflationary pressures but it likely to stop at inf the forthcoming period during 2023 (refinancing rate now stands at 3.0%, as beginning of February).

The FEN Developed Europe Index gained 8.9% during January. Focusing on sector performances, lodging/resorts (20.7%) outperformed, followed by residential (12.6%), office (11.0%), retail (9.8%) and industrial (9.7%). The remaining sectors also returned positive with healthcare (4.1%) and diversified (6.1%) the bottom performers with relatively lower returns for the month. Self-storage is the only sector trading above its pre-Covid19 level (cumulative returns based on 19/02/2020).

All country indexes posted positive returns which Germany (16.8%), the Netherlands (16.1%) and France (10.7%) were outperformers, except Italy (-8.7%) the only country returned negative as bottom performer in January.

Focusing on P/D to NAV figures, the European average is standing at -39.3% in January, down from 44.3%, compared to year-end and at -17.7% for 5-year average. Self-storage (13.1%) is the only sector trading at premiums to NAV as end of January (Fig.1). In terms of 5-year average, self-storage (36.9%), healthcare (23.5%) and industrial (12.5%) are trading above the 5-year average levels (for more information you can read EPRA NAV Bulletin).

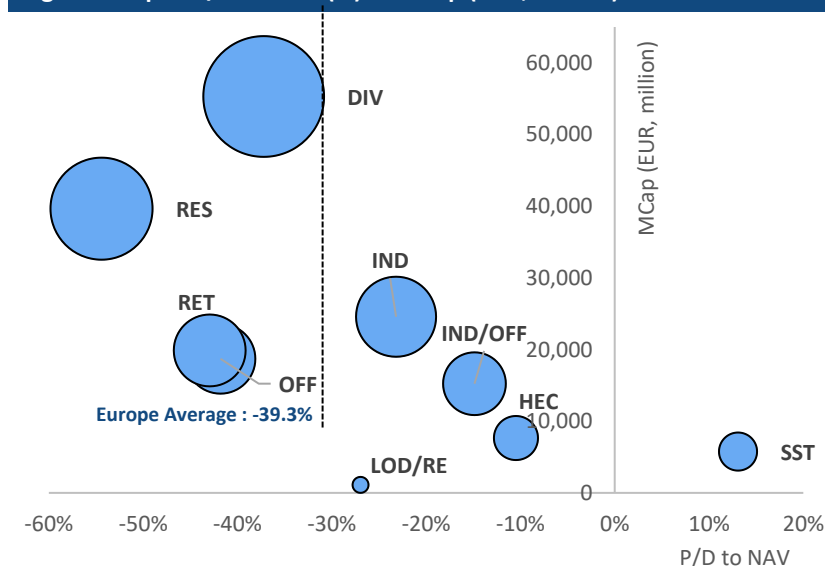
EPRA commissioned a research report to identify success factors and issues for growth in the listed European real estate sector, which might be key takeaways for European players geared towards further growth. The FEN Europe grew 2.0x (EUR 228 bn MCap) but at a slower pace than the US (3.2x, EUR 897 bn). Due to its lower economic growth, its local legislation makes it structurally more difficult to grow a portfolio across a pan-European market than in the US. However, the report points out several initiatives for potential market growth including shift from traditional to more sought-after assets (healthcare, data centres, ...), more flexibility for REIT regimes, instead of NAV adoption of valuation metrics (P/E, P/FFO, EPS growth and dividend growth) which are more investor-friendly for private investors and generalists.

FTSE EPRA Nareit Global Index Total Return

% Total Returns (EUR)	Jan-23	1 yr	3 yrs*	5 yrs*	10 yrs*
Global Real Estate	7.1	-9.8	-0.9	5.3	6.8
Global Equities (FTSE)	4.9	-2.5	8.8	5.4	9.2
Global Bonds (JP Morgan)	1.1	-10.4	-4.4	1.9	2.3
Europe Real Estate	8.9	-28.9	-10.2	-2.3	5.0
Europe Equities (FTSE)	6.9	-0.7	5.9	5.3	7.5
Europe Bonds (JP Morgan)	1.0	-13.2	-5.8	0.9	3.5
Asia Real Estate	1.9	-1.0	-3.8	1.8	3.8
Asia Equities (FTSE)	4.4	3.1	7.0	6.1	10.1
Asia Bonds (JP Morgan)	-1.1	-2.1	-2.0	2.2	3.2
North America Real Estate	8.8	-7.9	2.6	8.9	8.8
NA Equities (FTSE)	5.1	-5.5	10.3	12.3	14.9
NA Bonds (JP Morgan)	1.1	-5.2	-1.8	3.6	3.4
Emerging Real Estate	2.5	-9.8	-9.3	-5.2	1.5
Emerging Equities (FTSE)	5.5	-7.8	3.2	2.5	5.1
Emerging Bonds (JP Morgan)	1.6	-8.4	-3.4	2.3	4.1

(*) Annualised.

Fig. 1. Europe : P/D to NAV (%) vs MCap (EUR, million)



Source: EPRA Research (as of 31/01/2023).

Bubble size is represent MCap.

SST (Self-Storage), HEC (healthcare), IND/OFF (industrial/office), IND (Industrial), LOD/RE (Lodging/Resorts), OFF (Office), RET (Retail), RES (Residential), DIV (Diversified).

LRE performance vs direct real estate

According to Oxford Economics' report, listed real estate has performed well over a 10-yr horizon, outperforming equities, direct real estate (DRE), and bonds. (Fig.2). Over the last 5-yr, LRE returns were dented by the sharp decline in 2022, whereas the DRE market has held up relatively well to-date due to lagging valuations. Looking 5-yr ahead, it is expected that LRE (8.2%) will perform better than equities and DRE owing to a stronger bounce back in 2023. To achieve this outcome:

- inflation will have to continue to fall,
- central banks to become less hawkish,
- markets to price in an end to the hiking cycle,
- advanced economies will also need to avoid severe recession and significant increases in unemployment rates,
- the new higher interest rate environment won't have precipitated a wave of defaults for corporates or real estate investors.

The expected impacts on LRE total returns based on different scenarios is given in Fig.3. Based on the upside scenario (end of supply chain crisis), it provides a modest boost to LRE return which is 2.3% higher over 2023-2024 and will bring total return to 12.5% in 2024.

European listed real estate (LRE) looks very attractive relative to the baseline direct market forecast and the forecast looks cautiously optimistic that market will see a strong recovery in prices this year (Fig.4). European listed real estate looks well positioned due to a combination of low leverage, limited near-term debt maturities, and steep discounts to net asset value (NAV). The FEN Developed Europe total returns is forecasted to gain 9.8% pa over 2023-2027.

Fig. 4. Forecast for European real estate returns, Baseline scenario (%)

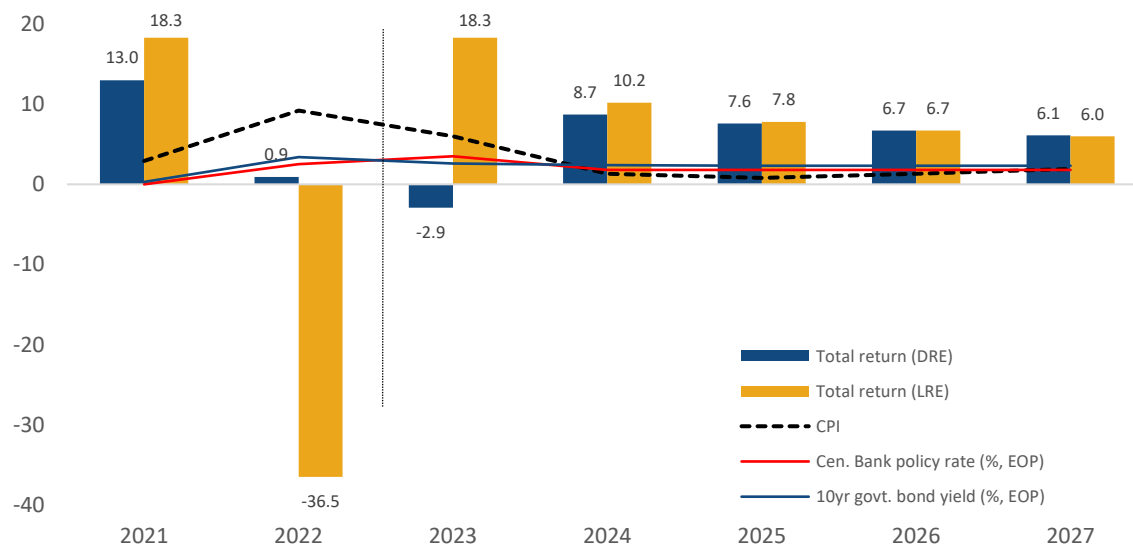
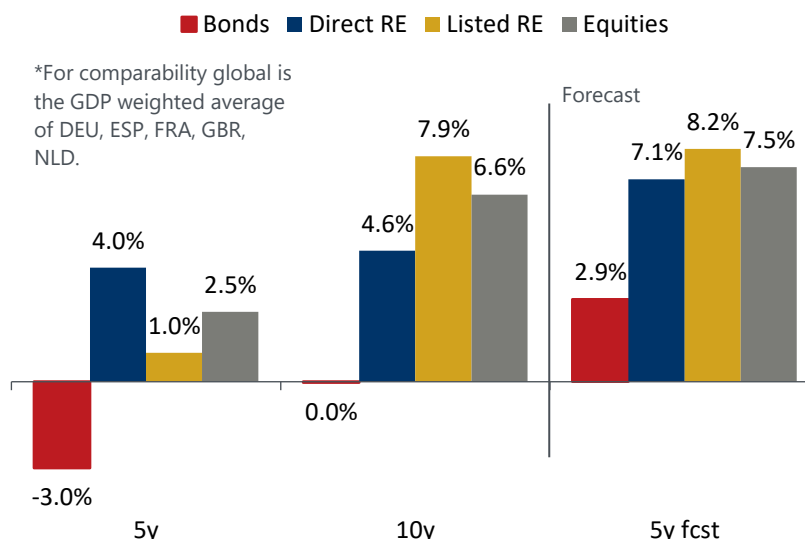


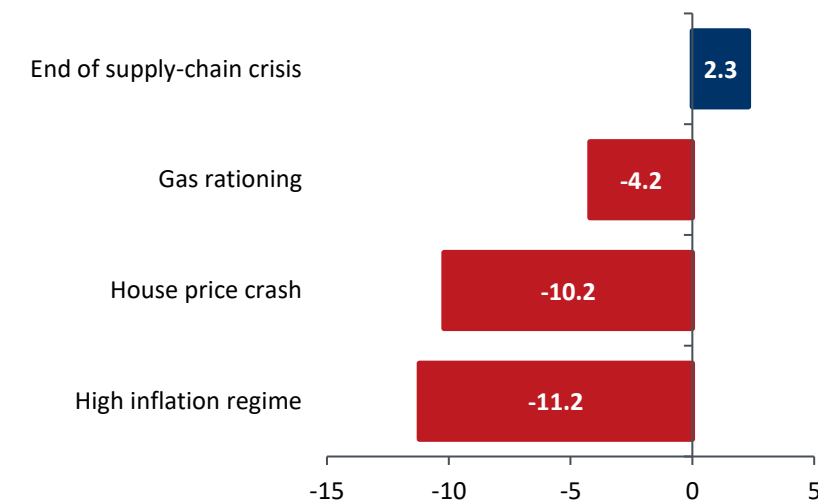
Fig. 2. Europe : Multi-asset class performance (annual total return, USD)



*For comparability global is the GDP weighted average of DEU, ESP, FRA, GBR, NLD.

Fig. 3. Scenario impact on Developed European LRE returns

All-property returns, difference from baseline 2023-2024, ppts



Source: Oxford Economics (Jan-23). Oxford Economics, Haver Analytics, MSCI, EPRA.

Fig. 5. Global Weights (EUR)*

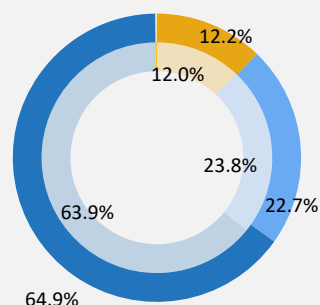


Fig. 6. REIT / Non-REITs

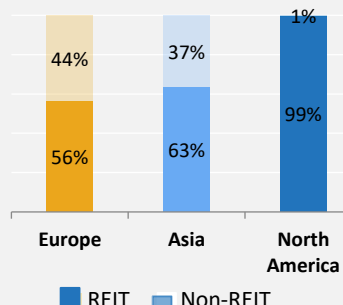


Fig. 7. Focus Split

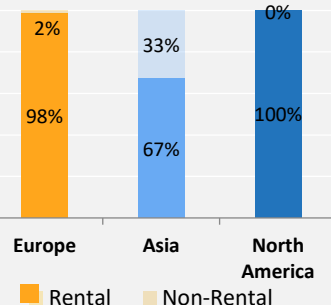


Fig. 8. Dividend Yields*

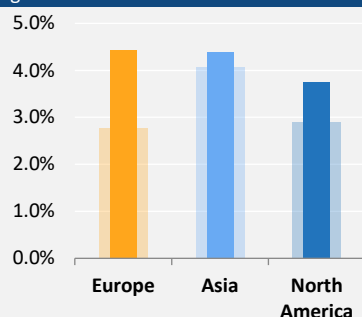


Fig. 9. Volatility (10 yr. & 3 yr.)**

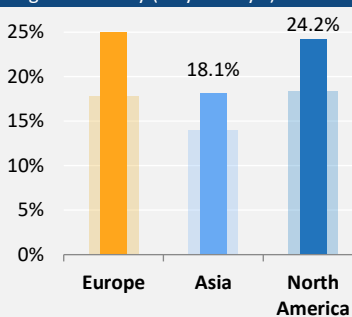
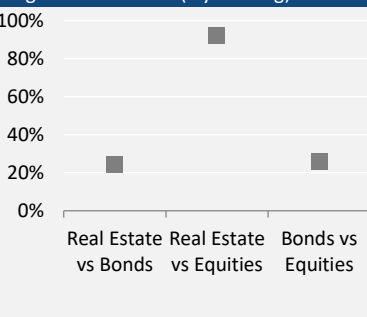


Fig. 10. Correlation (3 yr. rolling)



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

FTSE EPRA Nareit Developed Europe - Country Indices

% Total Returns	Jan-23	1 yr	3 yrs*	5 yrs*	10 yrs*
UK (GBP)	7.4	-24.1	-6.6	-1.5	4.5
France (EUR)	10.7	-4.8	-8.8	-3.3	3.9
Netherlands (EUR)	16.1	-8.5	-15.6	-16.2	-5.4
Germany (EUR)	16.8	-45.2	-16.7	-5.8	5.7
Sweden (SEK)	10.7	-30.9	-6.7	9.4	14.3

FTSE EPRA Nareit Asia - Country Indices

Hong Kong (HKD)	5.2	5.4	1.4	-2.1	1.4
Japan (JPY)	-1.6	-1.1	-3.2	2.0	4.8
Australia (AUD)	5.0	0.6	-4.6	3.5	7.4
Singapore (SGD)	6.3	4.7	0.3	2.9	4.4
South Korea (KRW)	0.8	-	-	-	-

FTSE EPRA Nareit Developed North America - Country Indices

United States (USD)	10.6	-10.8	2.0	6.0	6.7
Canada (CAD)	10.5	-7.4	0.0	5.6	5.8

FTSE EPRA Nareit Developed Index – Top 10 Constituents

Company	Sector	Country	Total Return
ProLogis USA	Industrial	USA	▲ 14.7%
Equinix	Data Centers	USA	▲ 12.7%
Public Storage, Inc.	Self-Storage	USA	▲ 8.6%
Realty Income Corp.	Retail	USA	▲ 7.3%
Simon Property Group, Inc.	Retail	USA	▲ 9.4%
Welltower	Healthcare	USA	▲ 14.5%
Digital Realty Trust	Data Centers	USA	▲ 14.3%
Vici Properties Inc	Specialty	USA	▲ 5.5%
Alexandria Real Estate Equities, Inc.	Office	USA	▲ 10.4%
AvalonBay Communities, Inc.	Residential	USA	▲ 9.9%

FTSE EPRA Nareit Developed Index – Top 10 Performers

Company	Sector	Country	Total Return
Office Properties Income Trust	Office	USA	▲ 32.7%
TAG Immobilien-AG	Residential	GER	▲ 29.9%
Prime US REIT	Office	SI	▲ 28.4%
Service Properties Trust	Diversified	USA	▲ 25.0%
Park Hotels & Resorts	Lod/Resorts	USA	▲ 24.8%
Empire State Realty Trust	Office	USA	▲ 23.7%
Pandox AB	Lod/Resorts	SWED	▲ 23.5%
SL Green Realty Corp.	Office	USA	▲ 22.8%
Pebblebrook Hotel Trust	Lod/Resorts	USA	▲ 22.5%
Safehold Inc.	Specialty	USA	▲ 22.2%

Dev. Europe:Total Return		Weekly Total Return by Sector				Annual	Ukraine war	Covid-19
	Dec-23	6-Jan	13-Jan	20-Jan	27-Jan	Jan-22	23-Feb-22	19-Feb-20
Developed Europe	8.9%	5.1%	5.2%	-1.1%	2.0%	-28.9%	-24.9%	-31.21%
Self-Storage	6.7%	3.1%	2.5%	1.1%	1.6%	-19.9%	-15.6%	8.4%
Industrial	9.7%	4.2%	5.5%	-1.7%	4.1%	-35.5%	-31.5%	-5.4%
Healthcare	4.1%	2.9%	3.3%	-0.8%	0.8%	-20.7%	-14.2%	-27.4%
Diversified	6.1%	4.6%	3.5%	-0.8%	1.1%	-24.2%	-20.2%	-31.2%
Office	10.6%	4.3%	6.2%	-0.8%	2.7%	-17.3%	-11.4%	-31.3%
Retail	9.8%	5.0%	3.3%	-0.5%	3.1%	-8.5%	-10.6%	-37.1%
Lodging/ Resorts	20.7%	5.4%	9.7%	6.6%	3.9%	-1.7%	-4.7%	-38.9%
Residential	12.6%	5.0%	3.3%	-0.5%	3.1%	-41.9%	-38.1%	-39.1%

Source: EPRA Research. Data is compiled from the FEN Index series (as of January 31, 2023).

FTSE EPRA Nareit Developed Europe Index

The FEN Developed Europe Index posted a positive return of 8.9% in January. European equities and bonds also gained 6.9% and 96 bps, respectively.

Germany (16.8%), the Netherlands (16.1%), France (10.7%), Sweden (10.7%) and the UK (7.4%) indexes returned positive in Developed Europe for the month.

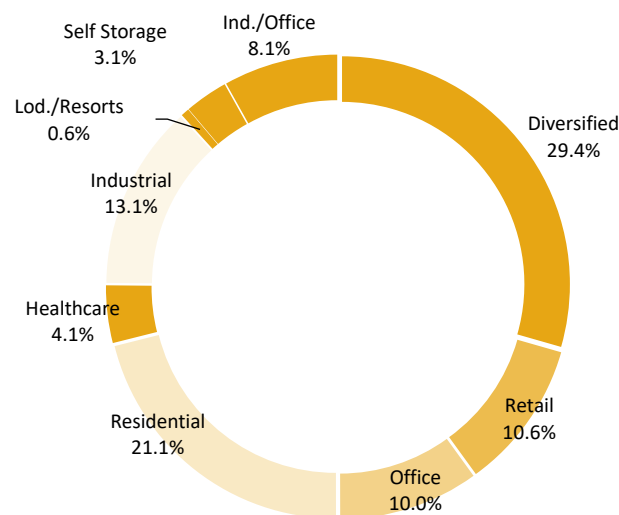
There was no major corporate action in Developed Europe region.

Sector Performance: Lodging/resorts (20.7%), residential (12.6%), office (11.0%) were outperformers. The remaining sectors also returned positive that healthcare (4.1%) and diversified (6.1%) were bottom performers with relatively lower returns.

Performance of top 3 constituents: TAG Immobilien AG (29.9%, Germany, Residential), Pandox AB (23.5%, Sweden, Lodging/Resorts), Unibail Management (21.7%, Netherlands, Retail).

Developed Europe representing a free float MCap of around **EUR 188 billion** with **111 constituents**

Developed Europe Sector Split



FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index returned 1.9%. Asian equities gained 4.4% compared to a loss of 1.1% from Asian bonds.

Singapore (6.3%), Hong Kong (5.2%), Australia (5.0%) and South Korea (75 bps) indexes returned positive, while Japan (-1.6%) posted negative returns in Asia (in local currencies).

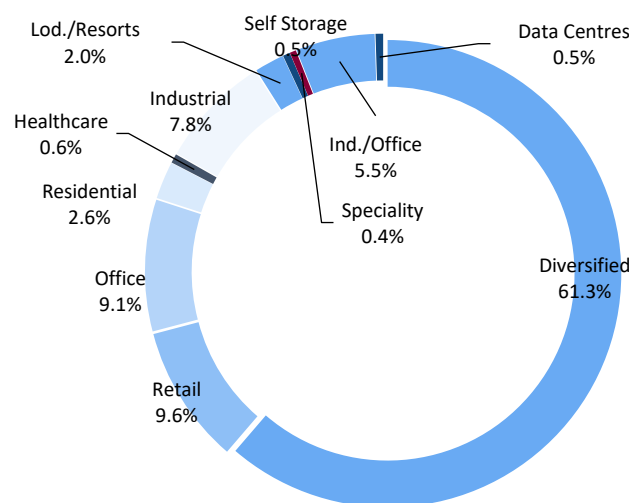
There was no major corporate action in Developed Asia region.

Sector Performance: Lodging/resorts (6.6%), industrial/office (6.5%), retail (4.5%) were top performers while office (-96 bps), industrial (-1.3%) and residential (-2.8%) were bottom performers. The remaining sectors posted positive but limited monthly returns.

Performance of top 3 constituents: Prime US REIT (28.4%, Singapore, Office), Keppel Pacific Oak US REIT (16.3%, Singapore, Office), Keppel DC REIT (15.3%, Singapore, Data Centres).

Developed Asia representing a free float MCap of around **EUR 349 billion** with **136 constituents**

Developed Asia Sector Split



FTSE EPRA Nareit North America Index

The FEN North America Index gained 8.8%. North America equities and bonds also returned 5.1% and 1.1%, respectively.

Both the US index (10.6%) and Canada (10.5%) indexes returned positive for the month (in local currencies).

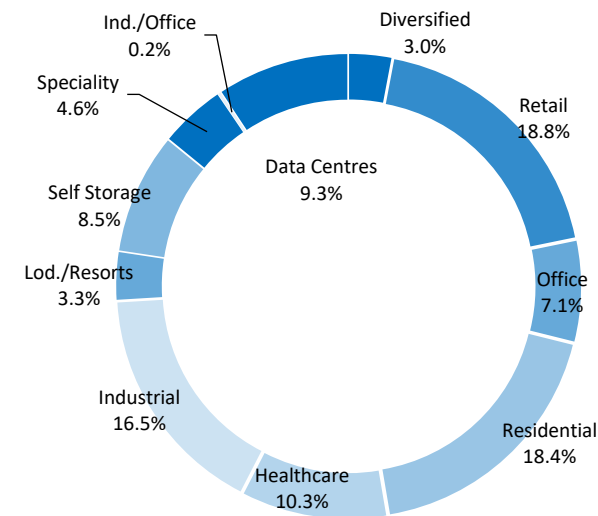
Store Capital REIT (USA, constituent) was deleted from the index following the completion of the acquisition by GIC and Oak Street (non-constituents).

Sector Performance: Industrial/office (16.0%), lodging/resorts (14.9%) industrial (11.8%) were outperformers while specialty (3.7%) and retail (5.6%) were bottom performers with relatively lower returns. The remaining sectors also returned positive.

Performance of top 3 constituents: Office Properties Income Trust (32.7%, US, Office), Service Properties Trust (25.0%, USA, Diversified), Park Hotels & Resorts (24.8%, USA, Lodging/Resorts).

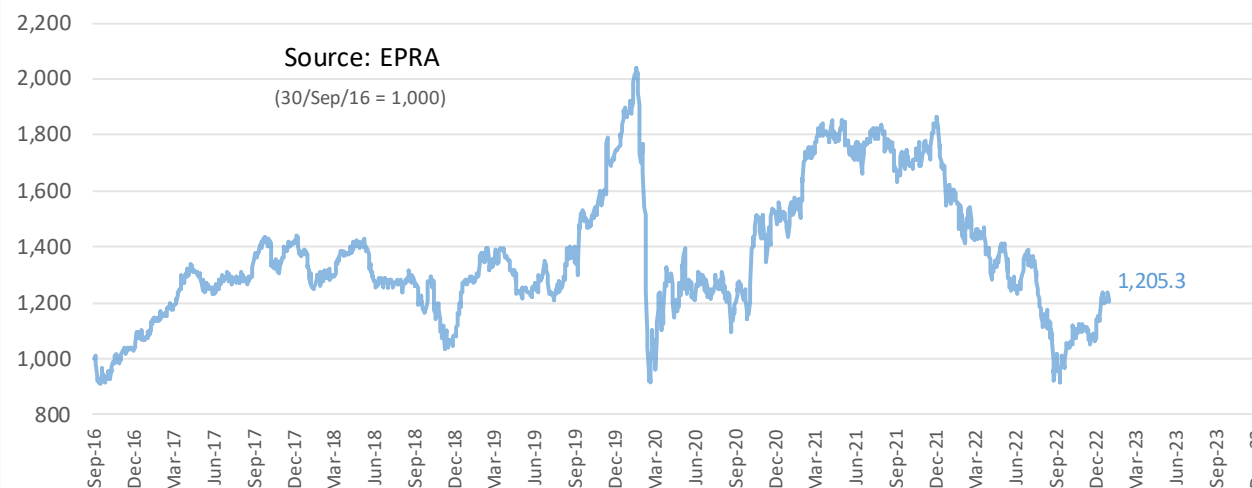
Developed North America representing a free float MCap of around **EUR 999 billion** with **132 constituents**

North America Sector Split



EPRA Developers Research Benchmark

Tuesday, 31 January 2023



Historical Performance	Last Month	1 Year	3 Years	5 Years
Total Return	13.3%	-24.1%	-36.0%	-10.4%
Total Return (Annualized)		-24.0%	-12.0%	-2.1%

Return	3 Months	6 Months	Year to Date	5 Years
Total Return	15.1%	-12.9%	13.3%	-10.4%
Maximum Return	6.3%	6.3%	4.6%	11.6%
Minimum Return	-3.1%	-5.6%	-3.1%	-13.2%
Mean Return (Annualized)	128.4%	-25.9%	734.1%	3.9%
Maximum Drawdown	-6.4%	-34.4%	-3.3%	-55.3%
Maximum Drawdown Length	18	52	2	690

Risk	3 Months	6 Months	Year to Date	5 Years
Standard Deviation (Annualized)	26.7%	34.5%	27.4%	31.4%
Downside Risk (Annualized)	16.6%	23.6%	18.6%	22.2%
Kurtosis	1.83	0.35	0.18	6.70
Skewness	0.90	0.22	0.27	0.08
Semivariance (Annualized)	21.7%	32.5%	28.4%	31.3%
VaR (ex-post)	-2.07	-3.69	-1.68	-2.98

Risk-Adjusted Performance	3 Months	6 Months	Year to Date	5 Years
Sharpe Ratio	2.95	-0.59	12.89	0.10

The **EPRA Developers Research Benchmark** is an equity index aiming to represent the aggregated performance of the most significant and liquid real estate developers in Europe, including both residential and commercial developers.

This is a benchmark developed for research purposes only, using free float market cap as the main input for computing index weights. The final list of constituents has been filtered applying a comprehensive methodology that combines both market and real estate criteria to determine the best companies to represent the sector. **Two sub-indexes are also computed:** 1) Liquid Developers (FFMC > EUR 500M) and 2) Residential Developers

Key Features

Benchmark Type: Equity Index

Industry: Real Estate Developers

Launch Date: 31/Dec/2021

Geography: Developed Europe

Weights Input: FF Market cap

Base Currency: EUR

Base Date: 30/Sep/2016

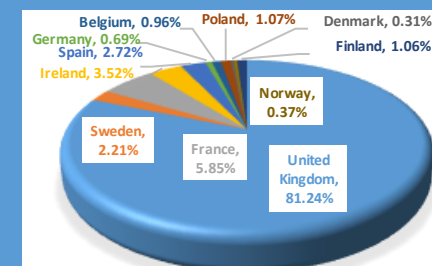
Base Value: 1,000

Review Dates: April, October

EPRA Developers Research Benchmark

Tuesday, 31 January 2023

Constituent	ISIN	Weight	Country	Currency
PERSIMMON	GB0006825383	15.11%	UK	GBp
BARRATT DEV	GB0000811801	14.39%	UK	GBp
BERKELEY GROUP	GB00BLJNXL82	13.26%	UK	GBp
TAYLOR WIMPEY PL	GB0008782301	12.08%	UK	GBp
VISTRY GROUP PLC	GB0001859296	9.13%	UK	GBp
BELLWAY PLC	GB0000904986	8.36%	UK	GBp
REDROW PLC	GB00BG11K365	4.92%	UK	GBp
CREST NICHOLS	GB00B8VZXT93	1.75%	UK	GBp
WATKIN JONES PLC	GB00BD6RF223	0.84%	UK	GBp
HARWORTH GROUP P	GB00BYZJ7G42	0.73%	UK	GBp
MJ GLEESON PLC	GB00BRKD9Z53	0.68%	UK	GBp
YIT OYJ	FI0009800643	1.06%	Finland	EUR
GLENVEAGH PROPER	IE00BD6JX574	1.74%	Ireland	EUR
CAIRN HOMES	IE00BWY4ZF18	1.78%	Ireland	GBp
NEXITY	FR0010112524	3.06%	France	EUR
KAUFMAN & BROAD	FR0004007813	1.24%	France	EUR
ALTAREA	FR0000033219	1.55%	France	EUR
NEINOR HOMES SA	ES0105251005	0.84%	Spain	EUR
AEDAS HOMES SA	ES0105287009	0.43%	Spain	EUR
METROVACESA SA	ES0105122024	1.45%	Spain	EUR
JM AB	SE0000806994	2.21%	Sweden	SEK
DEVELIA SA	PLCCRP00017	0.63%	Poland	PLN
DOMDEV	PLDMDVL00012	0.44%	Poland	PLN
ATENOR	BE0003837540	0.49%	Belgium	EUR
IMMOBEL	BE0003599108	0.47%	Belgium	EUR
INSTONE REAL EST	DE000A2NBX80	0.69%	Germany	EUR
SELVAAG BOLIG AS	NO0010612450	0.37%	Norway	NOK
HUSCIET A/S	DK0061412855	0.31%	Denmark	DKK



Eligibility Criteria

EBITDA: ≥ 50% from Property Development

EBITDA: ≥ 75% from Real Estate Activities

Size: > 0.30% of the Benchmark size and
Minimum of EUR 150 Million in FFM

Liquidity: ≥ 0.05% of their (FF) shares in
issue based on their median daily trading
volume per month

Reporting: public AR in English (Full set of
audited FS, notes and Mgt Report)

Geography: ≥ 75% EBITDA from Developed
countries

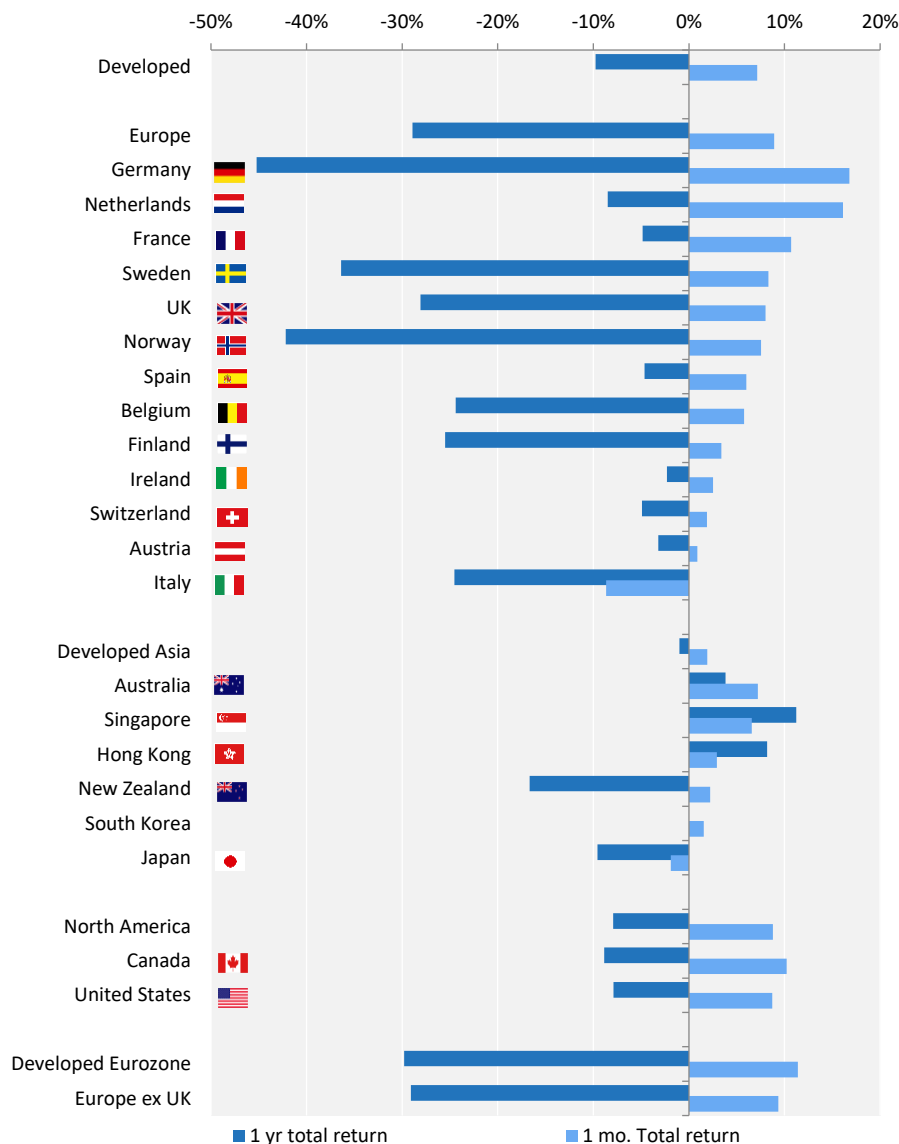
Assets: ≥ 50% of Total Tangible Assets
invested in RE. No Holding structures.

Eligible Markets: Premium and main trading
segments of official stock exchanges.

Data Availability: Monthly computations.
Performance figures available on this report.
Raw data accessible on demand at
research@epra.com

Developers Sub-Indexes: Risk and Return	3 Months	6 Months	Year to Date	5 Years
Residential Developers: Total Return	13.64%	-14.25%	13.69%	-11.79%
Residential Developers: Standard Deviation (Annualized)	26.70%	35.82%	28.25%	32.40%
Liquid Developers: Total Return	12.96%	-14.78%	13.54%	-11.21%
Liquid Developers: Standard Deviation (Annualized)	25.84%	34.89%	27.07%	31.94%

FTSE EPRA Nareit Monthly Index Performances (EUR)



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 11.5](#)

[Property Portfolio Analysis \(end of 2021\)](#)

[Emerging Markets 2022](#)

[Sector Analysis: Residential](#)

[Sector Analysis: Office \(Aug-21\)](#)

[Total Markets Table 2022-Q4 \(quarterly\)](#)



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EPRA INSEAD Education Programme, 2023 Edition (20-22 June, Fontainebleau)

Held in partnership with INSEAD, the Executive Programme is a unique, intensive course that covers the latest trends shaping the listed real estate sector, such as e-commerce and logistics, digitalisation and data analytics.

EPRA Bayes Business School Online Programme, 2023 Edition: Understanding the REIT price

An online programme dedicated to understanding the listed real estate market, the third edition will be in Autumn 2023.

For more information about the Education programmes, contact: education@epra.com.

EPRA's latest research report

[Success factors required for further growth in the European LRE sector](#) (January 2023)

[LRE valuation : A close look at ratios, cash flows and portfolio allocation](#) (November 2022)

[Interest rates and inflation : What are the challenges for listed real estate?](#)

[Inflation and short-term impact on listed property companies](#)

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