



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

MONTHLY MARKET REVIEW

Monthly Market Review

May 2019

June
2019

Overview

The performance of the first five months of the year was good with a return of 16.1%, benefitting from higher returns in January and March. During May 2019, the FTSE EPRA Nareit (FEN) Global Developed Index posted a 0.4% return compared to a loss of 5.7% from global equities and a gain of 1.8% from global bonds. Focusing on regional performances, real estate markets in Europe decreased by 0.2%, while real estate markets in Asia and North America increased by 0.3% and 0.5%, respectively. On the other hand, Emerging markets down by 5.6% on monthly basis in May. During the quarterly review on March, Saudi Arabia has been added into the FEN Emerging Index after reclassification from 'frontier' to 'emerging' market status and two Saudi constituents have been added into the index (*detailed information is given in the related sections*).

Focusing on sector performance, residential, industrial, self-storage and healthcare sectors have provided higher returns in the past five years. The FEN Global Developed Healthcare Index recorded the highest annual return with 31.9% (1-year) among all sectors, while the FEN Developed Europe Healthcare Index posted an annual return of 19.0% during the same period.

Highlight of the Month

Rise of the Emergent Sectors

The total size of the 'emergent' sectors in the FEN Developed Europe Index grew almost four-fold over the past five years. The total market cap of the European emergent sectors in the index increased from EUR 2.2 billion to over EUR 10 billion with a rise from 1.7% to 4.7% (share in the total Developed Europe index) in the last five years (*Fig. 12. Europe: Emergent Sectors*).

The European emergent real estate sectors - healthcare and self-storage, in particular- are growing at a much faster pace than the traditional sectors - office, retail, industrial. Especially good performance of healthcare and self-storage sectors has continued during the first five months, posted a return of 21.9% and 23.4%, respectively (*Fig. 1*).

Sector Focus : Healthcare

As one of the most developed 'emergent' sectors, healthcare - with a focus on senior housing, offers both investment and development opportunities. Recent corporate actions, merger of the UK constituents Primary Health Properties with Medicx (March 2019), capital raising of Belgian REIT Aedifica (EUR 418 mln, April 2019) and merger of the US constituent Omega Healthcare Investors with MedEquities Realty Trust (May 2019) contributed to increase attractiveness of this sector.

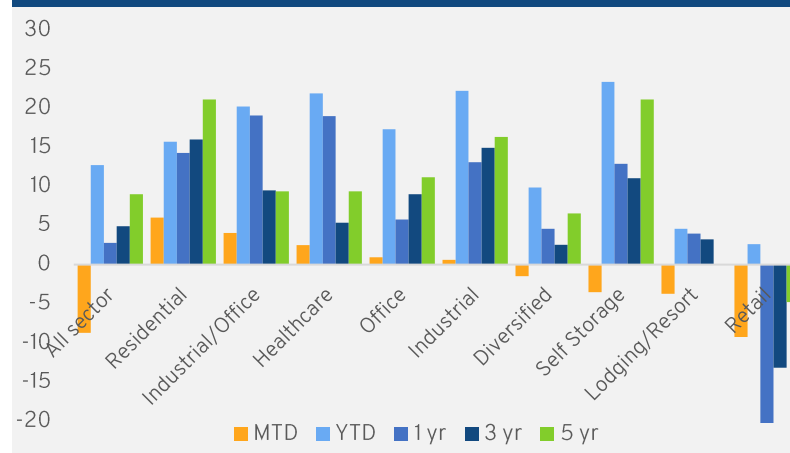
The population ageing, therefore increasing need for facilities are the main demand drivers of the growth of the healthcare sector. By 2070, the share of elderly people (65+) in Europe is going to increase accounting from 19.5% today to 29.2% of the total population. Long-term healthcare costs are expected to contribute the most to the rise in age-related spending, increasing by 2.1% (European Commission, 2017).

FTSE EPRA Nareit Global Index Total Return

% Total Returns (EUR)		May-19	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Global Real Estate	▲	0.4	16.1	13.7	6.1	10.1	14.0
Global Equities (FTSE)	▼	-5.7	9.8	0.7	10.0	7.7	10.8
Global Bonds (JP Morgan)	▲	1.8	3.8	5.2	1.6	3.0	3.5
Europe Real Estate	▼	-0.2	12.6	1.9	3.7	8.0	12.9
Europe Equities (FTSE)	▼	-4.6	8.8	-4.2	7.9	1.1	6.3
Europe Bonds (JP Morgan)	▲	1.4	3.9	4.8	2.1	3.8	4.6
Asia Real Estate	▲	0.3	13.6	11.2	8.2	8.4	10.4
Asia Equities (FTSE)	▼	-6.1	5.3	-7.0	8.1	6.3	7.9
Asia Bonds (JP Morgan)	▲	1.0	2.5	3.9	0.9	2.7	2.7
North America Real Estate	▲	0.5	18.4	18.9	5.8	11.6	17.3
North America Equities (FTSE)	▼	-6.2	11.0	3.7	11.6	9.3	13.4
North America Bonds (JP Morgan)	▲	2.5	4.4	6.5	1.8	2.5	3.1
Emerging Real Estate	▼	-5.6	12.2	1.4	14.6	11.5	
Emerging Equities (FTSE)	▼	-6.2	6.0	-4.9	10.4	2.8	
Emerging Bonds (JP Morgan)	▲	0.6	7.3	7.0	4.9	4.0	

(*) Annualised.

Fig. 1. Europe: Sector Performance (return, %)



Source: EPRA.

The compelling trends are expected to create long-term development potential for healthcare, and it is expected to translate into investment opportunities. The lack of public funds also encourages development of sub-segments, such as senior housing (assisted living, independent living facilities), medical facilities, rehabilitation centres, or other segments like healthcare campus, medical centres, residential care facilities.

It is reported that investors have a preference to diversify their portfolio by moving into such emergent sectors in developed markets. The healthcare sector is attracting not only REITs, but also insurance companies and pension funds offering opportunities with long-term contracts, indexed rents for sustainable revenue generation.

The most attractive and the largest markets in Europe are Belgium, Germany and the UK, in terms of both development and investment opportunities, whereas the retirement care equity universe is strongly US-centric. The market is split between owners (typically REITs) and operators. Healthcare REITs are significant source of financing for the retirement homes industry (UBS, 2017).

Index Focus : Performance of the Healthcare Sector

With a special focus on Europe, the total market cap of the Europe healthcare sector increased from EUR 0.8 billion to EUR 5.9 billion in the past five years. In terms of performance, the Developed Europe healthcare sector posted an annualised return of 9.4% in the last five years. Over the last year, the outperformance of the healthcare sector has been more pronounced with annualized total return of 19.0%. This figure is higher than the average return of the Developed Europe real estate index, which is 1.9% (Fig. 2).

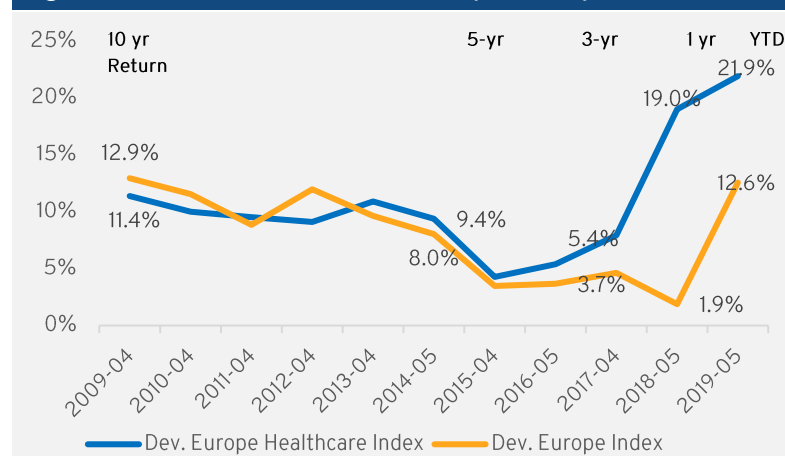
In terms of the company-level performance, the companies with healthcare portfolio have been performing higher than the average return of the Developed Europe real estate index, in general. Indeed, Primary Health Prop. (UK), Assura (UK), Target Healthcare REIT (UK) and Aedifica (Belgium) posted higher returns during the first five months of the year (Fig. 3). This translated into strong relative performance for the FEN Developed Europe Healthcare Index with a return of 21.9% (YTD), while the FEN Developed Europe Index increased 12.6%, in the same period.

	Share of Pop 65+ (2016, %)	Share of Pop 65+ (2070, %)	Life Expectancy (2016, M/F)	Life Expectancy (2070, M/F)
EU-27	19.5	29.2	78.1 / 83.7	86.1 / 90.3
Belgium	18.4	26.4	78.8 / 83.7	86.2 / 90.2
Germany	21.1	30.9	78.7 / 83.6	86.1 / 90.1
UK	18.0	26.5	79.6 / 83.3	86.5 / 90.1

Source: European Commission (2017), The Ageing Report.

(*) M: Male, F: Female.

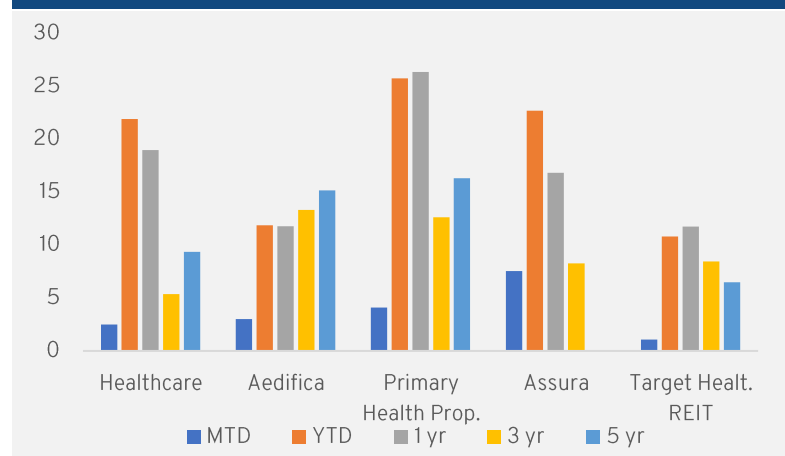
Fig. 2. Performance of Healthcare Index (return, %)



Source: EPRA.

(*) Annualised.

Fig. 3. Performance of the Companies with Healthcare Portfolios (return, %)



Source: EPRA.

Fig. 4. Global Weights (EUR)*

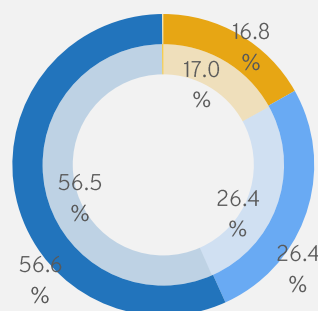


Fig. 5. REIT / Non-REITs

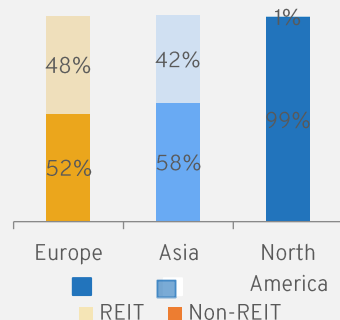


Fig. 6. Focus Split

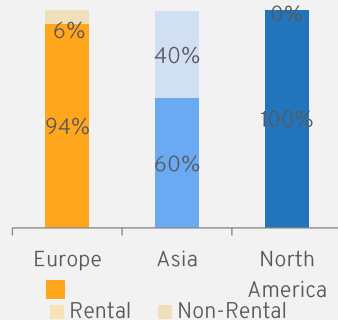


Fig. 7. Index Turnover (EUR, billion)*

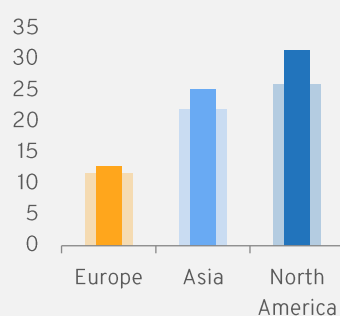


Fig. 8. Dividend Yields*

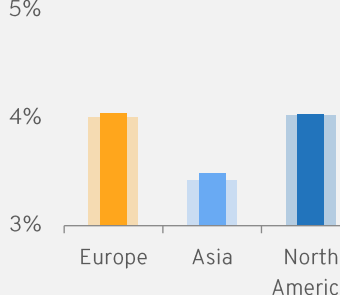


Fig. 9. Volatility (10 yr. & 3 yr.)**

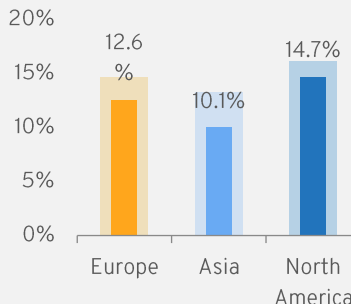


Fig. 10. Correlation (3 yr. rolling)

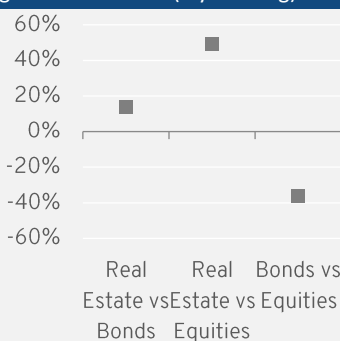


Fig. 11. Returns (10 yr.)

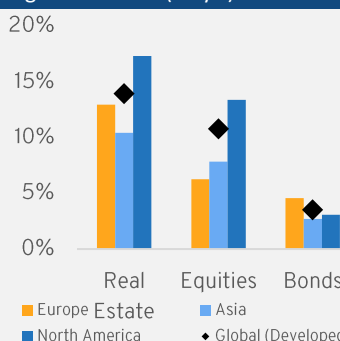
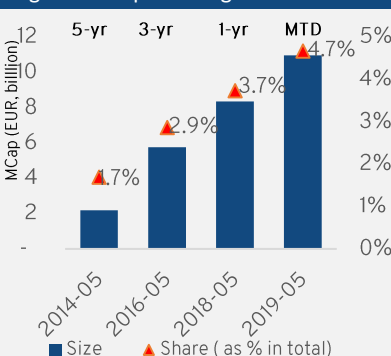


Fig. 12. Europe: Emergent Sectors



FTSE EPRA Nareit Developed Europe - Selected Country Indices

% Total Returns	May-19	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Europe (EUR)	-0.2	12.6	1.9	3.7	8.0	12.9
Europe ex UK (EUR)	2.0	13.3	5.2	7.4	10.8	13.6
UK (GBP)	-3.1	8.8	-5.8	0.4	3.6	10.9
France (EUR)	-2.4	15.6	-5.6	1.5	4.5	11.5
Netherlands (EUR)	-10.8	1.7	-26.3	-12.4	-3.8	2.3
Germany (EUR)	6.7	14.5	13.7	15.4	20.2	17.3

FTSE EPRA Nareit Developed Asia - Selected Country Indices

% Total Returns	May-19	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
Asia (EUR)	0.3	13.6	11.2	8.2	8.4	10.4
Hong Kong (HKD)	-5.8	10.9	3.1	15.9	7.4	6.8
Japan (JPY)	1.5	8.7	7.2	2.9	2.0	8.5
Australia (AUD)	3.1	14.6	19.9	8.8	14.1	14.0
Singapore (SGD)	0.0	9.7	4.4	10.3	5.6	7.1

FTSE EPRA Nareit North America - Country Indices

% Total Returns	May-19	YTD	1 yr	3 yrs*	5 yrs*	10 yrs*
North America (USD)	-0.1	15.4	13.5	5.8	7.2	14.6
United States (USD)	-0.1	15.5	13.7	5.7	7.4	14.8
Canada (CAD)	1.2	13.2	13.8	10.0	8.5	14.2

FTSE EPRA Nareit Emerging - Country Indices

% Total Returns	May-19	YTD	1 yr	3 yrs*	5 yrs*
Emerging EMEA (EUR)	-2.5	2.3	-17.7	-0.9	0.2
Emerging Europe (EUR)	-0.4	11.0	-18.9	-20.4	-14.1
Emerging MEA (EUR)	-2.2	2.1	-17.2	1.9	2.3
Emerging Asia Pacific (EUR)	-6.5	13.1	2.0	19.3	17.5
Emerging Americas (EUR)	-1.7	15.2	19.4	4.0	-3.4

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

Due to no separate category yet, for social housing and student accommodation - considering as emergent sector, are still under residential sector category.

FTSE EPRA Nareit Developed Index

The FEN Developed Index increased by 0.4% during May 2019. Global equities lost 5.7% and global bonds market gained 1.8%, in the same period. Real estate markets in Europe decreased by 0.2%, while North America and Asia increased by 0.5% and 0.3%, respectively.

Over a one-year period, global real estate investments posted a 16.1% return compared to a gain of 9.8% and 3.8% from global equities and global bonds, respectively. Annualised ten-year rolling returns for real estate investments stand at 14.0%. Equities and bond markets gained 10.8% and 3.5% return per annum (Fig. 11).

Top performers by sector were healthcare (5.9%), self-storage (5.7%) and residential (3.5%) during May in the Developed markets.

At the end of May 2019, the FEN Developed Index counted a total of 336 constituents, representing a free float market capitalisation of around EUR 1,380 billion.

FTSE EPRA Nareit Emerging Index

During May 2019, the FEN Emerging Index decreased by 5.6%, while emerging equities down 6.2%, and bonds markets posted a 0.6% return.

During the quarterly review on March, *WHA Premium Growth Freehold & Leasehold REIT* (Thailand) and *Investec Property Fund Ltd* (South Africa) have been added to the index. On the other hand, nine constituents, which of four are Chinese constituents, have been deleted from the index.

Following the inclusion of Saudi Arabia into the FEN Emerging Index (effective from March 2019), *Saudi Real Estate* has been added to the index with the shares in issue total of 240,000,000 and free float percentage of 3.6%, as the first tranche (March 2019). In addition, *Arabian Centres* has been added to the index with the shares in issue total of 475,000,000 and free float percentage of 5%, following the IPO in May.

Top performers by country were UAE (12.0%), India (8.8%) and Brazil (7.3%) during May in the Emerging markets.

Top performers by sector were healthcare (2.5%), office (1.3%) and retail (0.9%) during May in the Emerging markets.

At the end of May 2019, the FEN Emerging Index counted a total of 137 constituents, representing a free float market capitalisation of over EUR 160 billion.

For more information on the Emerging Markets, you can download the latest [Emerging Markets H2 2018 report](#).

FTSE EPRA Nareit Developed Index – Top 10 Constituents

Company	Sector	Country	Total Return
Simon Property Group, Inc.	Retail	USA	▼ -5.5%
ProLogis USA	Industrial	USA	▼ -3.9%
Public Storage, Inc.	Self Storage	USA	▲ 7.6%
Welltower Inc.	Healthcare	USA	▲ 10.2%
AvalonBay Communities, Inc.	Residential	USA	▲ 1.0%
Equity Residential Properties Trust	Residential	USA	▲ 0.2%
Vonovia SE	Residential	GER	▲ 8.8%
Link REIT	Retail	HK	▲ 2.5%
Digital Realty Trust	Diversified	USA	▲ 0.0%
Mitsui Fudosan Co., Ltd.	Diversified	JA	▲ 2.7%

FTSE EPRA Nareit Emerging Index – Top 10 Constituents

Company	Sector	Country	Total Return
China Overseas Land & Investment Ltd.	Residential	CHN	▼ -7.3%
China Resources Land Ltd	Residential	CHN	▼ -6.6%
Country Garden Holdings	Residential	CHN	▼ -13.7%
Sunac China Holdings (P Chip)	Diversified	CHN	▼ -16.4%
SM Prime Holdings	Diversified	PHIL	▼ -3.1%
Ayala Land	Diversified	PHIL	▲ 1.1%
Longfor Properties Co. Ltd.	Diversified	CHN	▼ -0.5%
Evergrande Real Estate Group	Diversified	CHN	▼ -17.1%
China Vanke Co., Ltd (B)	Residential	CHN	▼ -8.6%
Central Pattana Public Company Ltd	Retail	THAI	▼ -5.6%

FTSE EPRA Nareit Developed Index – Top 10 Performer

Company	Sector	Country	Total Return
Stockland Trust Group	Diversified	AU	▲ 17.5%
Kojamo plc	Residential	FIN	▲ 14.0%
Artis Real Estate Investment Trust	Industrial/Office	CAN	▲ 13.4%
Hemfosa Fastigheter	Diversified	SWED	▲ 12.4%
Kloven B	Diversified	SWED	▲ 11.1%
Welltower Inc.	Healthcare	USA	▲ 10.2%
Pennsylvania REIT	Retail	USA	▲ 10.0%
Grand City Properties	Residential	GER	▲ 9.7%
Cominar REIT	Diversified	CAN	▲ 9.7%
CA Immobilien Anlagen AG	Office	OEST	▲ 9.3%

FTSE EPRA Nareit Developed Europe Index

The FEN Developed Europe Index lost 0.2% during May 2019. Europe equities lost 4.6%, while bonds gained 1.8%, in the same period. The Germany Index increased by 6.7%, compared to lost in the Netherlands, the UK and the France Index by 10.8%, 3.1% and 2.4%, respectively.

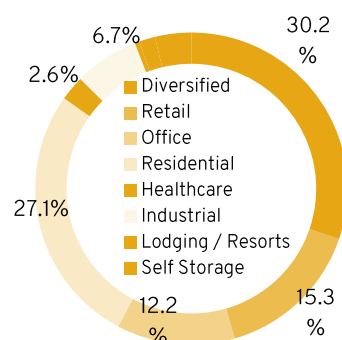
Belgian REIT *Ascencio* (with the shares in issue total of 6,595,985 and free float percentage of 78.08%) and Swedish *Sagax D Line* (with the shares in issue total of 101,900,000 and free float percentage of 91.34%) have been added to the index in March. The UK constituent *Medicx fund* (merged with Primary Health Properties in March) and Greek *Grivalia Properties REIC* (merged with Eurobank Ergasias SA in May) have been deleted from the index.

Performance of Top 3 sectors Residential (6.3%), Industrial/Office (4.1%), Healthcare (2.5%).

Performance of Top 3 constituents: Kojamo plc (14.0%, Finland), Hemfosa (12.4%, Sweden), Klovern B (11.1%, Sweden).

Developed Europe representing a free float MCap of over **EUR 232 billion** with **108 constituents**

Developed Europe Sector Split



FTSE EPRA Nareit Developed Asia Index

The FEN Developed Asia Index increased by 0.3% during May 2019. Asia equities down by 6.1%, while bonds gained 1.0%.

The Hong Kong Index lost 5.8%, while the Japan and the Australia Index gained 1.5% and 3.1%, respectively. The Singapore Index was not changed on monthly basis.

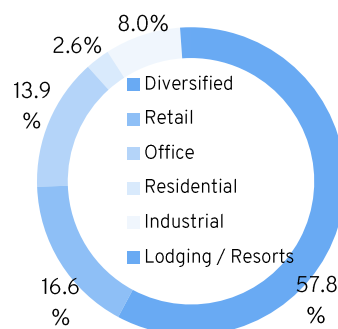
Frasers Logistics & Industrial Trust (Singapore) has been added to the index with the shares in issue total of 2,006,686,813 and free float percentage of 75.54% during the quarterly review on March.

Performance of Top 3 sectors: Residential (4.4%) Office (2.8%), Industrial (1.9%).

Performance of Top 3 constituents: Stockland Trust Group (17.5%, Australia), Mirvac Group (7.1%, Australia), Mitsubishi Estate Company Limited (6.7%, Japan).

Developed Asia representing a free float MCap of over **EUR 364 billion** with **82 constituents**

Developed Asia Sector Split



FTSE EPRA Nareit North America Index

The FTSE EPRA Nareit North America Index increased by 0.5% during May 2019. North America equities lost 6.2%, while bonds gained 2.5%. The U.S. Index lost 0.1% and the Canada Index gained 1.2% during the same period.

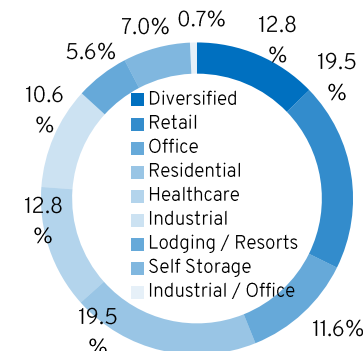
Select Income REIT has been deleted from the index after merger with Government Properties Income Trust. In addition, *Industrial Logistics Stock Distribution* has been deleted after conclusion of share distribution by Select Income REIT. *Spirit MTA REIT* and *CBL & Associates Properties* have been deleted from the index. The U.S. constituent *Omega Healthcare Investors* merged with MedEquities Realty Trust (with new shares in issue total of 208,189,910 and free float percentage of 98.006%).

Performance of Top 3 sectors: Self-storage (6.4%), Healthcare (6.1%), Residential (2.4%).

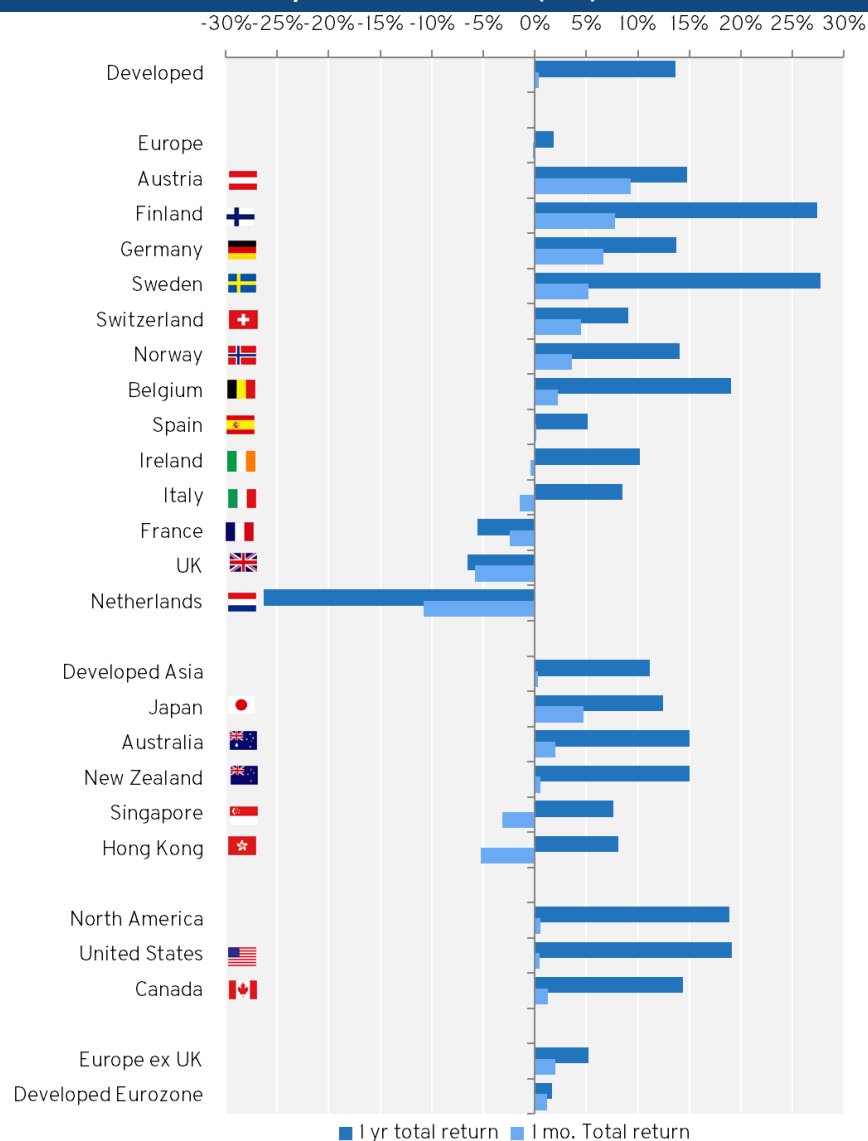
Performance of Top 3 constituents: Artis REIT (13.4%, Canada), Welltower Inc. (10.2%, USA), Pennsylvania REIT (10.0%, USA).

Developed North America representing a free float MCap of over **EUR 781 billion** with **145 constituents**

North America Sector Split



FTSE EPRA Nareit Monthly Index Performances (EUR)



Source; FTSE EPRA Nareit as of May 31, 2019

Link to Reports & Contacts

Monthly Statistical Bulletin
[May 2019](#)

Monthly Published NAV Bulletin
[May 2019](#)

Monthly LTV Report
[June 2019](#)

Index Ground Rules
[Version 9.1](#)



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