MARKET
RESEARCH

Global Listed Real Estate

Emerging Markets

H1 - 2019

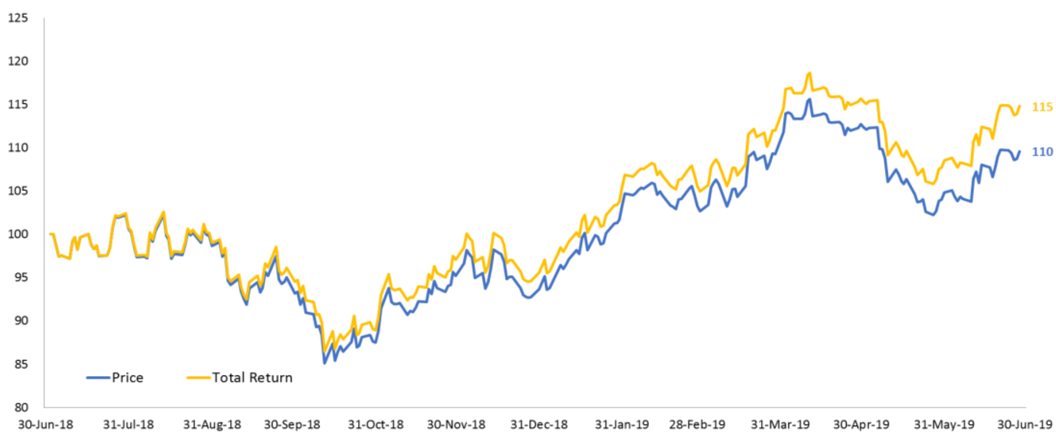
FTSE EPRA Nareit
Global Real Estate Index Series

July
2019

I. Executive Summary

After the modest performance of 2018, the FTSE EPRA Nareit Emerging Index (FEN Emerging Index) maintained a positive trend during the most of H1/19. Indeed, the index registered a total return +18.59% (EUR) over the six-months period (12 months: 15.1%). The index total return started to grow in Oct/18 and its climb broke in Apr/19, turning back to a positive trend in June. In this report, we look at the size and performance figures of the main emerging listed real estate markets, as well as at the key drivers and changes observed during the first half of 2019. Finally, we analyse the potential for growth the FEN Emerging Index shows based on the current status of the FEN Developed Index and possible country reclassifications in the coming years.

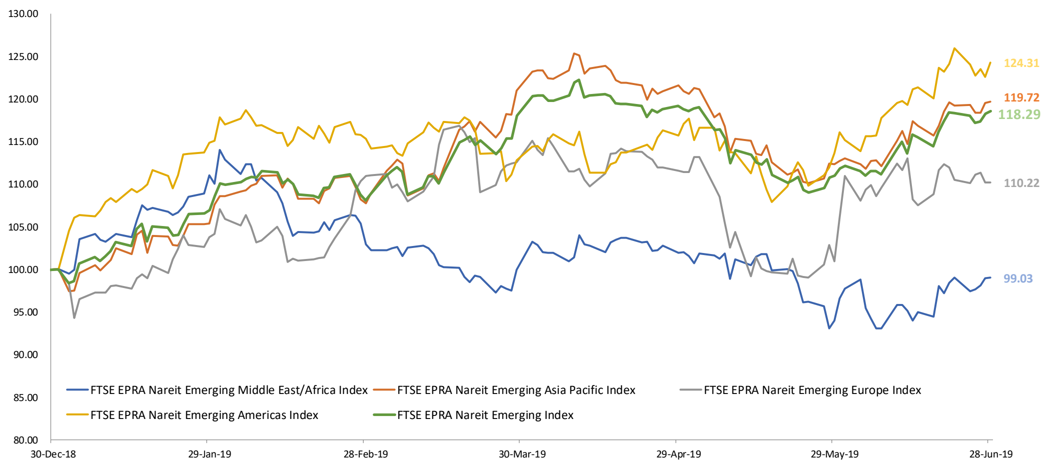
FTSE EPRA Nareit Emerging Index – 12 months



Source: EPRA

The FEN Emerging Index follows the FEN Asia Pacific very closely, as this represents around 80% of the index. The drop occurred once US-China tensions intensified and both equity markets dropped. The FEN Emerging MEA Index total return decreased gradually over H1/19, mainly driven by South African internal imbalances. The FEN Emerging Europe experienced a deep fall during May instead. This is explained by the significant negative return of Turkish constituents that was not compensated by the exceptional performance of the Greek index, which was driven by Grivalia REIC's price increase following the bid by Eurobank to acquire the company. Grivalia has been deleted from the index on May 23, 2019. However, both Greece and Turkey weigh less than 0.3% of the Emerging Index, so the effect was almost null. From a broader perspective, the Emerging Index outperformed (+2.74%) the FEN Global Index total return, of which it represents a share of 10.93%.

FTSE EPRA Nareit Emerging Index Breakdown – 6 months

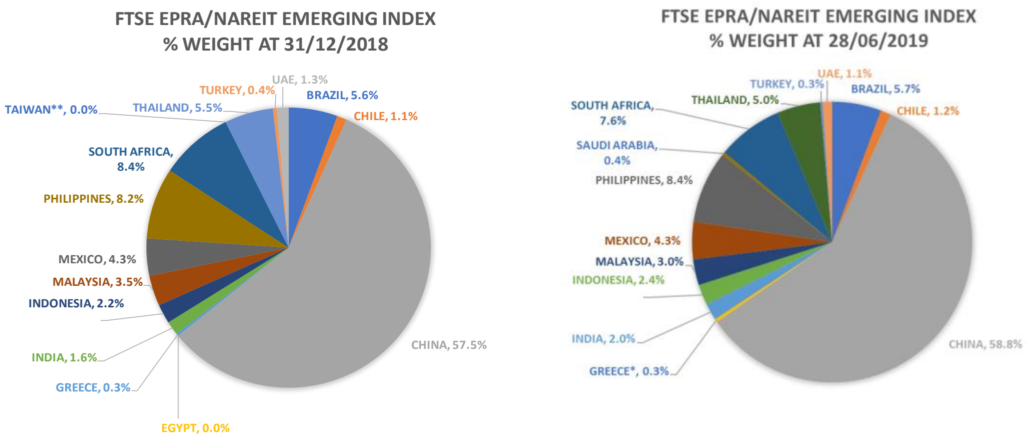


Source: EPRA

II. FEN Emerging Markets Index size and composition

During H1/19, the FEN Emerging Index FF Market Cap grew 17.2%, rising from EUR 144.4 Million in Dec/18 to EUR 169.3 Million in Jun/19. These size fluctuations mainly derived from the composition of the index and company size, as 11 deletions have been counterbalanced by 11 larger additions. On a country level, the FEN Emerging China Index had the highest weight change, that is not surprising as China represents the biggest share of the index (58.8% as of Jun/19, +1.3% w.r.t. Dec/18 and +0.3% w.r.t. Jun/18). Five companies have been deleted (EUR 1,039.8 Million as Dec/18) whilst four (EUR 1,256.5 Million as Jun/2019) have been added to the FEN China Index. Among the additions, China Vanke and Beijing North Star, which were already constituents under the H-share line, were also added to the index under the A-share line in Jun/19. Furthermore, Saudi Arabia was reclassified as Emerging in Mar/19[1] and the first Saudi constituent was added to the index in the same month. Within the exclusions, the deletion of Grivalia (GRC) implies that the FEN Emerging Greece Index has been stopped by having no remaining constituents, then Turkish constituents are the only ones currently included in the FEN Europe Emerging Index.

FTSE EPRA NAREIT Emerging Index: Weights by country



*Greece's weight as 23/05/19.
Source: EPRA.

In terms of country weights, there have not been significant changes during the last six months. The ranking is still lead by China, followed by Philippines (8.4%, +0.2% w.r.t. Dec/18 and +1.2% w.r.t. Dec/19) and South Africa (7.6%, -0.8% w.r.t. Dec/18 and -1,2% w.r.t. Jun/18). As we mentioned below, major upward changes in quota regards China. Whereas South Africa, Thailand (-0.5%), Malaysia (-0.5%) and India (-0.4%) have experienced a fall in their relative size.

III. Comparative performance

The FEN Emerging Index being based in EUR, local currency fluctuations are highly relevant for the overall index performance. Unsurprisingly, the stronger currency effect on the index comes from Turkey. Indeed, in 2018 the country has been hit, *inter alia*, by a currency crisis that lead to a significant depreciation of the Lira. Turkey has not overcome the turmoil yet, but the fluctuations have been much more contained in H1/19. The overall currency effect on the FEN Emerging Turkey Index has been -8.31%, whilst the impact on the FEN Emerging Index is negligible since Turkey represent a minor share in the index (0.3%). The other 13 currencies have all appreciated against euro, contributing to a total outcome of +1.40% over the six months. In absolute terms, Thailand (+6.17%), Philippines (+2.94%) and Mexico (+2.82%) registered the higher currency value growth

[1] More information about Saudi Arabia and China A-Share reclassification are available in the previous Emerging Market Report which dedicated an entire section to the topic.

(against EUR). Whilst in relative terms, China (+0.61%, resulting from HKD, CHN and SGD) accounted for 0.4% of the gain, Thailand for 0.3%, Philippines and South Africa both for 0.2%.

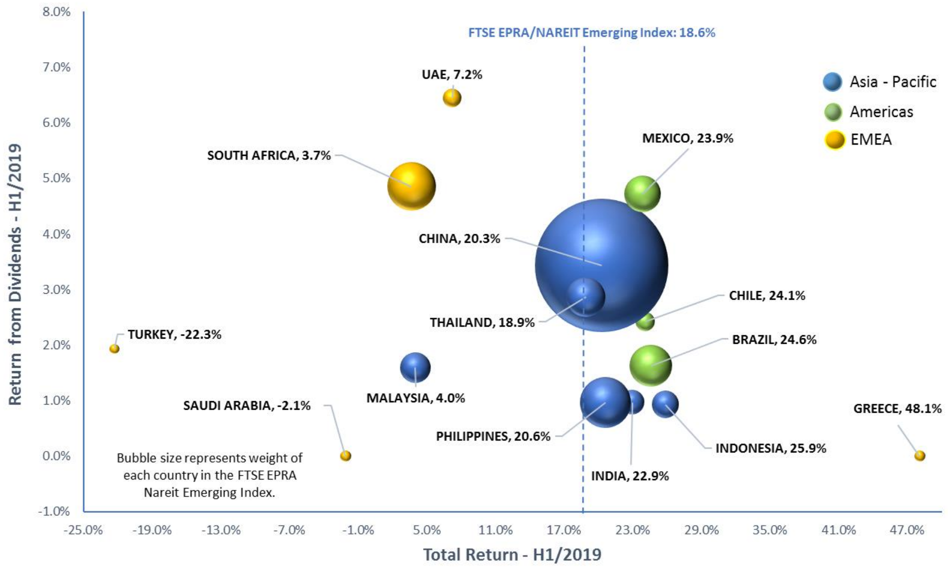
Emerging Markets: Equity markets vs Listed RE and currency effects (6 months)

Country *	(1) 6M RETURN FROM DIVIDENDS	(2) PRICE RETURN EPRA EMERGING INDEX	(1) + (2) TOTAL RETURN EPRA EMERGING INDEX (EUR)	% WEIGHT EPRA EMERGING INDEX	DIV. YIELD (y/y) at 31/12/18	CURRENCY PERFORMANCE VS EUR **	CURRENCY EFFECT ON THE INDEX	TOTAL RETURN Equity Market *** (Local Currency)
BRAZIL	1.6%	23.0%	24.6%	5.7%	2.4%	1.49%	0.1%	15.7%
CHILE	2.4%	21.7%	24.1%	1.2%	1.7%	2.54%	0.0%	-0.6%
CHINA	3.4%	16.8%	20.3%	58.8%	5.2%	0.61%	0.4%	32.8%
GREECE	0.0%	48.1%	48.1%	0.3%	4.4%	0.00%	0.0%	43.2%
INDIA	1.0%	22.0%	22.9%	2.0%	2.2%	1.50%	0.0%	5.1%
INDONESIA	0.9%	24.9%	25.9%	2.4%	2.5%	2.13%	0.1%	5.6%
MALAYSIA	1.6%	2.4%	4.0%	3.0%	4.9%	0.38%	0.0%	4.3%
MEXICO	4.7%	19.1%	23.9%	4.3%	9.3%	2.82%	0.1%	4.4%
PHILIPPINES	1.0%	19.6%	20.6%	8.4%	1.2%	2.94%	0.2%	10.2%
SAUDI ARABIA	0.0%	-2.1%	-2.1%	0.4%	3.8%	0.41%	0.0%	14.8%
SOUTH AFRICA	4.9%	-1.2%	3.7%	7.6%	9.5%	2.35%	0.2%	7.5%
THAILAND	2.9%	16.0%	18.9%	5.0%	3.0%	6.17%	0.3%	12.8%
TURKEY	1.9%	-24.2%	-22.3%	0.3%	10.6%	-8.31%	0.0%	9.8%
UAE	6.4%	0.8%	7.2%	1.1%	3.5%	0.38%	0.0%	6.4%
FTSE EPRA/NAREIT Emerging Index	**3.12%**	**15.47%**	**18.59%**	**100.0%**	**4.97%**		**1.40%**	
Emerging: Weighted Average								**23.05%**

* Last Greek constituent was deleted on 23/05/19. First Saudi Arabian constituent added on the 18/03/19.
** Currency performance for China combines HKD, SGD and CHN.
*** Equity markets are represented by the Thomson-Reuters TR Index for each country.
Source: EPRA (Data as 30/Jun/19)

Total return can be disentangled in price return and return from dividend. This breakdown leads to interesting insights when it comes to listed real estate as dividends generally plays a relevant role with respect to other stock sectors. This is particularly true for developed countries as, in emerging countries, many companies are developers whilst REIT regimes are not yet popular widespread. Although the heterogeneity of the sample, we can still identify some country-specific patterns. UAE, South Africa and Mexico recorded a higher increase in dividend return. Indeed, in South Africa and Mexico almost all constituents are REITs, hence bounded to periodic dividends distribution. Conversely, UAE constituents are Non-REITs and Non-Rental as well, but all constituents distributed the annual dividends during this semester.

FTSE EPRA Nareit Emerging Index

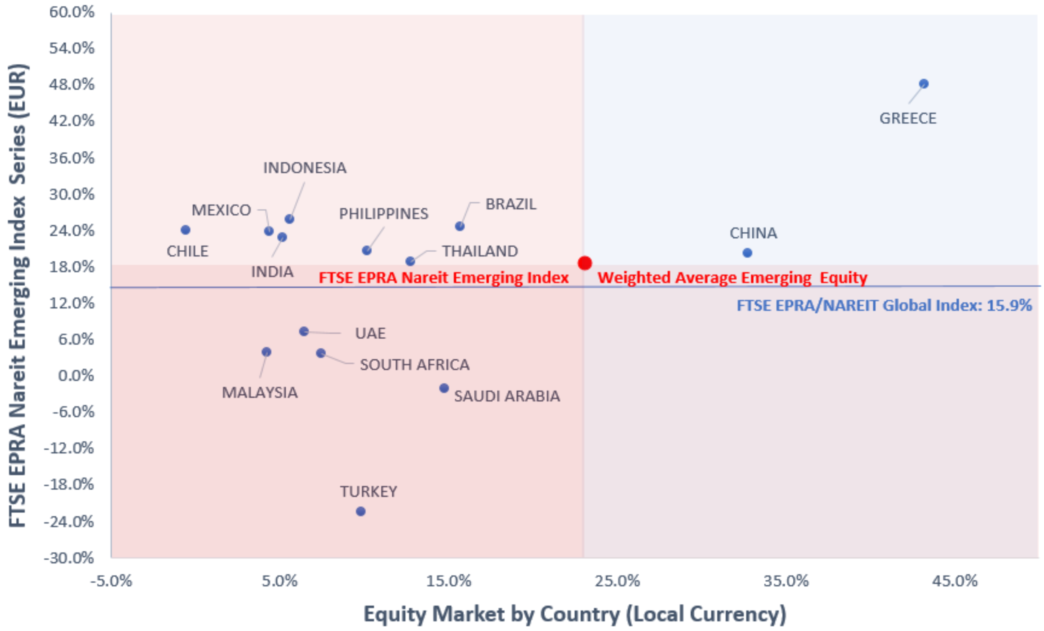


Source: EPRA

However, changes in share price remain as the most significant source of returns within the index, since only 23% of it corresponds to Rental companies, compared to 89% in the FEN Developed Index where dividends play a more relevant role. Return dispersion in H1/19 has been even higher than what we observed in the previous semester, reaching more than 70% (Max-Min). Nonetheless, the extremes of the distribution (Greece and Turkey) are outliers, excluding them the dispersion falls to 28%.

Local equity markets had a successful half-year, the weighted average return within emerging countries equity indices reached 23.05%. Overall, listed real estate performance is correlated with equity markets to a certain extent, notably from a short-term perspective. Indeed, being listed RE part of general equity indexes and highly inter-connected with other sectors, is also sensible to growth expectations and main economic drivers.

TOTAL RETURN - H1/2019
Equity Markets vs EPRA Emerging Country Index

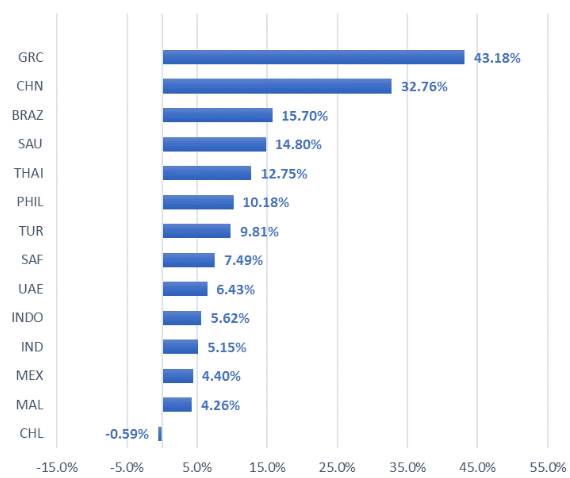


Source: EPRA

In H1/19, the simple average total return (in local currencies) among equity markets in emerging countries was 12.3%. However, using a weighted average, accounting for countries' weights in the FEN Emerging Index, the result reach 23.05% (+28.06% w.r.t H2/18).

Top performers were Greece and China. The Greek performance can be explained by improved conditions of the economy, less political uncertainty and lower sovereign bonds yields. China, instead, is in the process of opening its capital market to foreign investors and the market is being remarkably responsive. Listed real estate results are aligned with the trend in equity markets for both countries. Nonetheless, the performance can differ significantly. This is the case for Chile where listed real estate outperformed general equity in a significant magnitude.

Local Equity Markets -Total Return
31/12/18 - 28/06/19
(Local Currency)



Source: EPRA

Here below we present a short summary of the key facts affecting the performance of the countries and sectors included in the FEN Emerging Index:

Indonesia

The outlook of Indonesian real estate improved significantly after the government implemented a set of targeted relaxation measures on the whole sector. Those are aimed to support trigger sales, yields and investments since the administration identified the property sector as a catalyst for growth through upstream linkages arising from job creation and FDI. The measures include luxury properties and developers' income tax rate cuts, REITs deregulation, increase in mortgage LTVs limits and foreign ownership incentives. Besides, the central bank maintained its policy rate at 6%, but analysts expect a 50-bps cut in the next semester as inflation seems to be under control. Meanwhile, banks and developers are offering dedicated mortgages and soft payments terms in order to preserve a solid final users demand. The positive sentiment resulting from this framework is already reflected in companies' performance. All the constituents of the FTSE EPRA Nareit Emerging Indonesia Index realized a positive total return in H1, as Summarecon (51.55%) and Lippo Malls (36.54%), outperformed.

Performance of the largest constituents: Pakuwon Jati Tbk PT (Diversified, 17.74%), Summarecon (Diversified, 51.55%), Bumi Serpong Damai PT (Diversified, 22.31%)

Chile

The rally observed in Chilean Equity market in 2018 ended in late January 2019, as copper prices growth abruptly interrupted. After some weeks of highly volatile returns, a three months price fall begun. The Chilean central bank reacted leading the benchmark rate to 2.5% as inflation was contained and depreciation was likely to have an important impact on growth. Despite Chilean stocks pattern, listed real estate kept a more stable positive trend recording a total return of 24.1% over the six-months. The expansionary interest movement affected the two index constituents very positively, as they both operate in the retail sector. However, company-specific changes were also relevant, since the credit risk rating improved for Parque Arauco and Mallplaza announced significant long-term development plans.

Performance of the largest constituents: Parque Arauco SA (Retail, 24.27%), Mallplaza SA (Retail, 11.81%)

Mexico

Despite of Mexico's steady GDP growth rate deceleration and expectations on the persistence of such trend, the Banco de Mexico held its benchmark interest rate unchanged at a 10-year high of 8.25% in H1/19, since inflationary pressures remains the larger concern. Yet, interest rates expectations volatility is not dampening real estate investors' appetite, which has proven to be high, especially in expanding sectors as industrial and logistics, which also represent the larger share within FTSE EPRA Nareit Mexico Index's constituents. Whilst growing domestic demand and progressive e-commerce adoption last as solid drivers for Industrial space leasing, international trade played a destabilizing role all over the North American Free Trade Agreement bargaining lifetime. The uncertainty of the US Government approach to Mexico has severely threatened both investments and demand. Indeed, investor's sentiment and performances literally resurged after the end of negotiations (Dec/18), proving Mexican listed real estate companies to be robust and with high potential.

Performance of the largest constituents: Fibra Uno Administracion SA (Diversified, 35.28%), PLA Administradora Industrial (Industrial, 35.32%), Macquarie Mexico Real Estate Management (Industrial, 23.18%)

India

The liquidity shortage that came out with IL&FS default (important infrastructures development and financial services provider) is just one of the challenges India faced during the last year. NBFCs general distress were also expected to affect the equity market and real estate. Nevertheless, supporting economic policies allowed listed real estate companies to outperform the equity market. Firstly, the Prime Minister Modi, sustained a BJP-led coalition parliament, with a clear mandate of ensuring stability and the implementation of a business-friendly program. The government already cut the good and service tax rate on some property types and there is consensus around the synergies of such program with early structural reforms related to real estate. Moreover, the Bank of India conducted a supportive monetary policy as well that has been very effective in providing companies with a lower cost of funding. This has positively influenced both demand and a profitability, given also a relative high leverage within the sector. In terms of investment focus, in H1/19 top developers have experienced a significative pre-sales growth, reaching a 4-year peak.

Performance of the largest constituents: DLF (Diversified, 6.20%), Ascendas India Trust (Office, 29.4%), Oberoi realty (Diversified, 37.82%)

China

The US-China trade dispute hit China at a time when the country is experiencing a much slower GDP and productivity growth pace compared to the last ten years. Although, these indicators may show a too gloomy picture as the economy is rebalancing on the wave of steady consumption spending growth. China, in the attempt to reduce its strong dependence on global trade, is making real efforts in reaching a further evolutionary step – transiting from a close, export-driven economy to a more open one, based on private consumption and services. Indeed, the export drop weighted much more than the infrastructure development and domestic consumption value added generation. On one side, policy easing helped to open the capital and the financial account to foreign investors, whereof China A-share reclassification by FTSE offers a good example. Besides, the urbanization process along the rise of Chinese middle class and the government support for real demand and strategic investor largely counterbalanced the downside risk, notably with respect to real estate. The FTSE EPRA Nareit China Emerging index, in fact, has registered an overall good performance backed by solid fundamentals and an improved funding environment.

Performance of the largest constituents: China Overseas Land & Investment Ltd. (Residential, 7.06%), China ReSources Land Ltd (Residential, 17.98%), Country Garden Holdings (Residential, 27.84%)

South Africa

At the beginning of the year, a critical energy infrastructure collapse affected the South African equity market, menacing the economy's recovery. The state-run power company, Eskom, after having failed to provide power effectively, announced that was close to bankruptcy and could default on its huge debt. This is backed by the state and raised concerns regarding the formerly high country's credit risk. Delta Property Fund, whose portfolio is mostly composed by state tenants (about 80% of its revenue), recorded a performance of -44%, that partly contributed to the FTSE EPRA Emerging South Africa Index slump. Aside, Hyprop shares price fall – that occurred after Moody's rating cut to junk (with negative outlook) – has been smaller in absolute values but much more relevant in terms of weight. However, South Africa avoided the sovereign downgrade and the Government presented an organisational and sustainable restructuring plan for Eskom. The news have been welcomed by investors as in the outdate infrastructure collapse there might be a real opportunity to change energetic paradigm, this being highly profitable for the country.

Performance of the largest constituents: Growthpoint Properties (Diversified, 8.75%), Redefine Properties (Diversified, -1.43%), Hyprop Investments Ltd (Retail -9.54%)

Turkey

The currency crisis that violently hit the Turkish economy in the second half of 2018 profoundly affected economic fundamentals, which are still feeble, but not tumbling anymore. Since September 2018, the interest rate was steadily set at 24% during the first six months of 2019. Though, after further pressures on lira occurred on early May, the Central Bank suspended one-week repo auctions, implicitly increasing the benchmark to 25.5% (the overnight rate). Such high cost of funding and the loss in purchasing power has further discouraged domestic investments and sales. The lack of confidence is still perceivable both at the supply and the demand level, notably in key industries, such as the construction one. Indeed, developers and the residential sector, being particularly sensitive to these factors, have suffered the most. Furthermore, even if Turkish Lira is now more stable and appreciated since the plunge recorded on Aug/18, the currency effect on the index is yet negative along the latest six months period (-8,3%). Nevertheless, the index constituents performed very heterogeneously. A weak Turkish Lira and the overall state of the economy negatively affected the domestic demand, but foreign demand increased in many sectors, and some constituents even benefited from it.

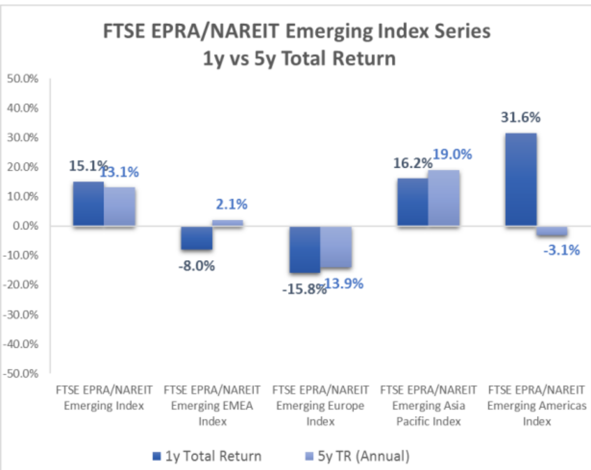
Performance of the largest constituents: Emlak Konut (Residential, -22.51%), Is Gayrimenkul Yatirim Ortakligi (Diversified, -6.48%), AKIS Gayrimenkul Yatirimi AS (Retail, -2.93%)

Annual Performance of the largest constituents by country (EUR, Local Currency)

Constituent	Country	Sector	REIT/Non-REIT	Total Return in EUR	Total Return in Local Currency
Grivalia	Greece	Diversified	REIT	45.1%	45.1%
Pakuwon Jati Tbk PT	Indonesia	Diversified	Non REIT	21.9%	17.7%
Summarecon	Indonesia	Diversified	Non REIT	67.8%	58.1%
Bumi Serpong Damai PT	Indonesia	Diversified	Non REIT	26.6%	22.3%
BR Malls Participacoes	Brazil	Retail	Non-REIT	12.9%	11.0%
Multiplan Empreendimentos Imobiliarios	Brazil	Retail	Non-REIT	17.5%	15.5%
Cyrela Brazil Realty S/A Empreendimentos	Brazil	Residential	Non-REIT	64.5%	61.7%
Parque Arauco SA	Chile	Retail	Non-REIT	28.1%	24.3%
PLAZA SA (since IPO: 27/07/18)	Chile	Retail	Non-REIT	15.2%	11.8%
China Overseas Land & Investment Ltd.	China	Residential	Non-REIT	12.8%	11.7%
China Resources Land Ltd	China	Residential	Non-REIT	38.1%	36.8%
Country Garden Holdings	China	Residential	Non-REIT	38.1%	36.8%
Growthpoint Management Services	South Africa	Diversified	REIT	12.4%	9.6%
Redefine Properties	South Africa	Diversified	REIT	0.8%	-1.7%
Emlak Konut	Turkey	Residential	REIT	-28.6%	-22.5%
Is Gayrimenkul Yatirim Ortak	Turkey	Diversified	REIT	-13.8%	-6.5%
AKIS Gayrimenkul Yatirimi AS	Turkey	Retail	REIT	-10.1%	-2.4%

*Grivalia has been deleted from the index on 23/05/2019

Source: EPRA and Bloomberg.



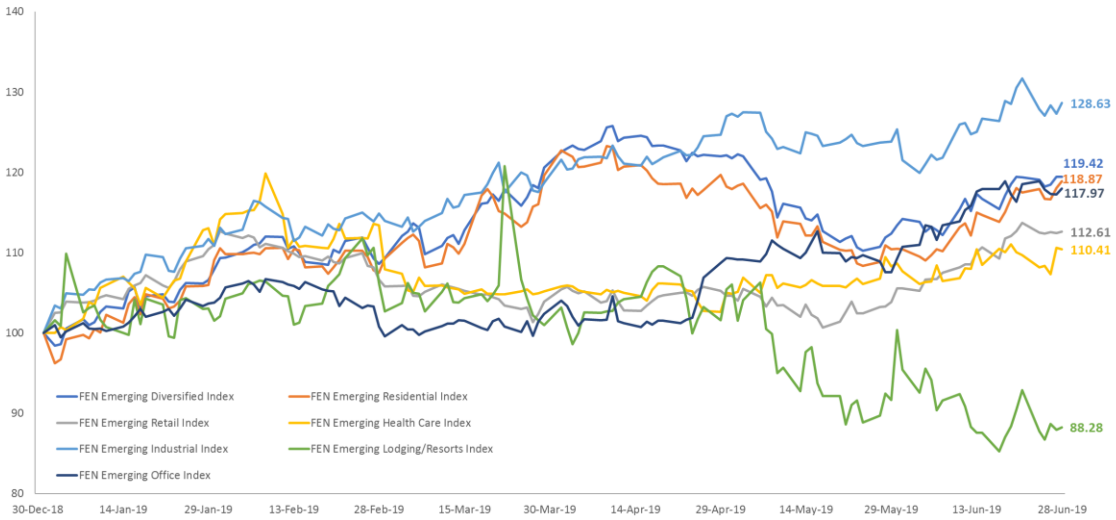
Source: EPRA

FEN Emerging Index: Long term perspective

Finally, the annual figures for the FEN Emerging Index show a total return of 15.1% as of the end of Jun/19, 2% higher than the five-year return. Comprehensively, H1/19 performance compensated the slip of the previous semester leading to a good short-term performance that exceeded the long-term one.

These numbers prove a much-improved outlook for listed real estate during the last six months. The 1-y total return was -7.1% as of Dec/18. Emerging Asia remains as the best performer in the 5-year horizon.

FTSE EPRA NAREIT Emerging Index Series: Sectors



Source: EPRA

The major sectoral trend within emerging countries is the good result attained by the FEN Emerging Industrial Index. This index is mainly composed by Mexican companies satisfying the solid demand for industrial and logistic space leasing needs. Their cumulative weight on the index performance correspond to 73.15% of the index. Although the limited sample size, the industrial real estate sector has provided consistent positive results worldwide in H1/19, mainly boosted by the e-commerce expansion around the world. Conversely, the FEN Diversified and Residential Emerging Indices follow more closely Chinese and Asia Pacific economic patterns, were the growth of urban population is still the main driver of the real estate expansion. These countries have a relative size of about 80% and 90% of the diversified and residential index respectively. Interesting, the FEN Emerging Retail Index, which is geographically more heterogeneous, outperformed its peer for developed markets, since in many cases this sector has being expanding simultaneously with the raise of e-commerce in a more stable path.

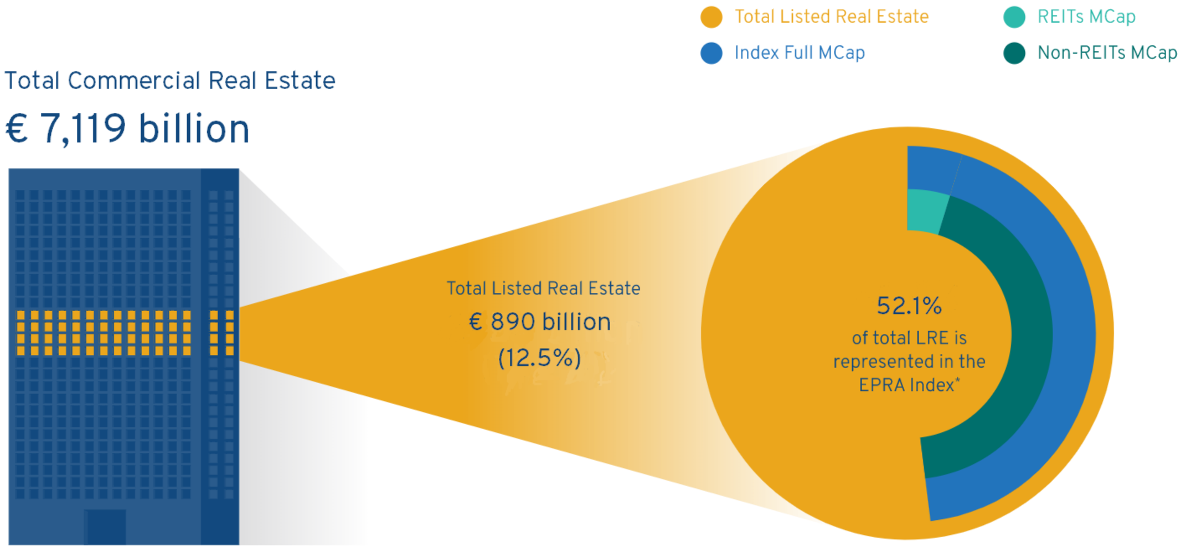
IV. Growth potential

In this last section we explore some of the main figures associated with the size of the listed real estate industry in a global context, the representativeness of the index series for emerging markets and some of the possible changes that might boost its growth, as well as the main challenges that potential constituents face for being considered eligible for the FEN Emerging Index.

First, EPRA has estimated[2] the value of the commercial real estate stock in emerging markets to be EUR 7,119 Billion as Dec/2018. In the same way, EPRA has tracked and identified 1,005 listed RE companies in those markets adding up to EUR 890 Billion in market capitalization as Jun/2019, which implies a ratio of 12.5% vs the total commercial real estate stock. This ratio is just above the average of Developed countries (11.73%) but below the same figure for regions like North America (13.5%) and Asia Pacific (18.6%). On the other hand, the aggregated full market cap of all the constituents of the FEN Emerging Index totalled EUR 464 Billion, 52.1% of the total listed RE, far below the same figure for Developed markets (70.2%). **Then, only considering an alignment on the current size of the emerging markets towards the average figure for developed markets, there is a potential for growth of around EUR 434 Billion (49%) in the listed RE industry in emerging countries and EUR 465 Billion (100.3%) in the FEN Emerging Index.**

[2] Figures taken from the Total Markets Table Report for Q2-2019, available on www.epra.com/research/market-research

Emerging Markets: Listed Real Estate size in a general context



Source: EPRA, data as 28/June/2019.

In terms of the index series, here some of the main challenges and possible changes that affect the emerging markets:

A) Eligibility criteria: Investability and Real Estate operations

The FTSE EPRA Nareit Global Index Series considers five main items in the eligibility criteria for companies to be added to any of the indexes[3]: reporting, liquidity, size, EBITDA and holding. With only few exceptions, the holding criteria does not represent a significant challenge for most of the companies in emerging markets, however the other items do. Considering all the companies included in the screening universe as Q1-2019 who were constituents of the FTSE EPRA Nareit Emerging Index, nearly 1,000 companies, EPRA identified that almost 40% of them failed on market size, 10% failed on liquidity, 39% failed both size and liquidity and 11% failed either on reporting or EBITDA. Then, it is clear that, in order to reach the figures observed in developed markets, the main challenge for companies in emerging markets is to improve their investability, especially their free float market cap. This is particularly important in countries who are already eligible for the index series but do not have companies currently included in the index, 11 in total: 7 in the EMEA region (Czech Republic, Egypt, Greece, Hungary, Kuwait, Qatar and Russia), 2 in the Americas region (Colombia and Peru) and 2 in Asia-Pacific (Pakistan and Taiwan) . However, EPRA has estimated that around 60% of the companies already showing enough liquidity and size might become eligible for the index series by improving their reporting standards, since many of them do not report in English or their annual reports do not include all the elements listed in the ground rules.

B) Business model

There is a key difference between developed and emerging countries, it is the residential real estate. Residential development is a vital activity in the business model of many companies in the emerging markets, either being part of a mixed model or a specialized one. Under the Ground Rules governing the FSTE EPRA Nareit Index Series, residential development is considered an eligible activity in the Asia-Pacific region and in emerging markets. Then, real estate companies in emerging markets are typically more exposed to the housing market as well as currency volatility. In addition, REIT regimes are less common in emerging markets and most of them exclude homebuilding activities. Then, the real estate companies tend to be more pro-cyclical, with a more volatile business structure and so more exposed to fail the eligibility criteria for the index series, in particular

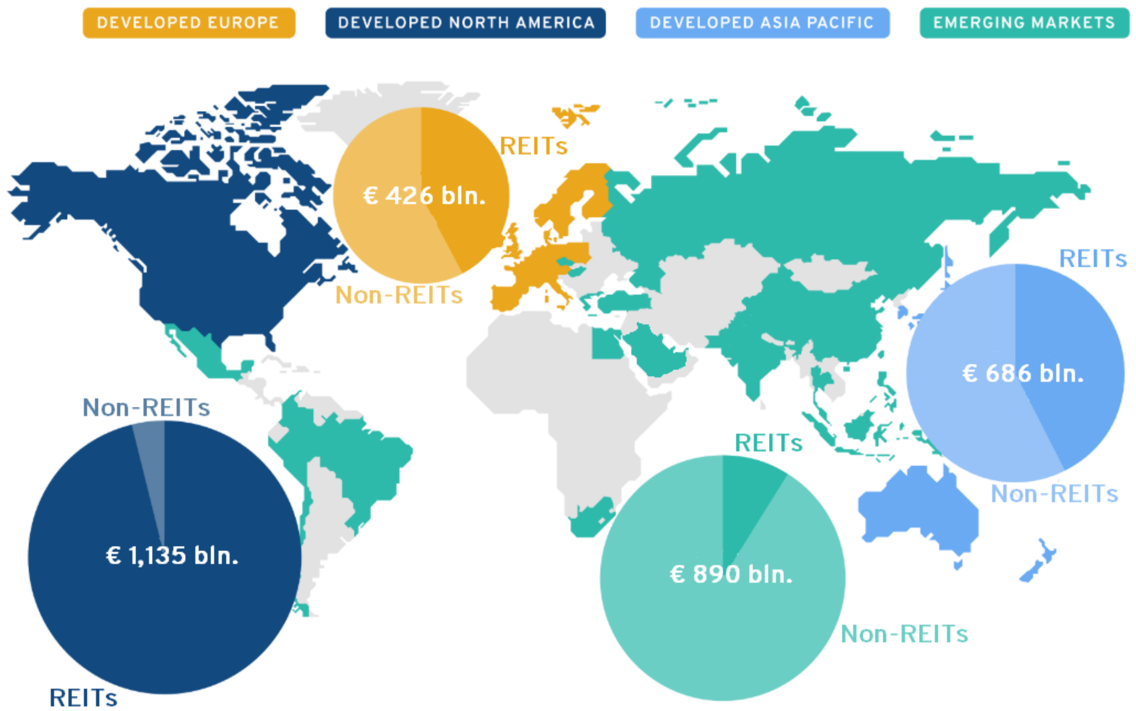
[3] The Ground Rules document for FTSE EPRA Nareit Global Index Series is available on EPRA's website, click here.

the EBITDA criteria. However, some countries like Mexico and South Africa already have a matured REIT regime and some others like Saudi Arabia and India implemented their own REIT regimes in the last few years, so showing a significant potential for new REITs to be listed.

C) Changes in Country Classification

The FTSE EPRA Nareit Global Index Series uses the same country classification determined by FTSE Russell to its Global Equity Index Series. This is a dynamic classification that is revised once a year. As already mentioned, Saudi Arabia was reclassified as Emerging in Mar/19 and so became eligible for the index series. China-A shares also became eligible in Jun/19. By putting all the potential constituents together from both countries, 108 companies in total, they represent EUR 396 Billion in full market cap, of which 2 Chinese and 4 Saudis have already been added to the FEN Emerging Index totalling almost EUR 39.9 Billion in market cap.

Listed Real Estate around the world: Developed and Emerging markets



Source: EPRA, data as 28/June/2019.

On the other hand, under the current classification, there are three countries in the watch list for possible reclassifications from *Frontier* to *Emerging*, Argentina, Romania and Vietnam. These countries already have 62 companies operating in the real estate sector, which represent EUR 37.2 Billion in market cap. Then, if these three countries were reclassified in the coming years, these 62 companies would be part of screening universe for additions to the index series. In total, Saudi Arabia, China-A shares and the three countries in the watch list for potential reclassification currently represent a potential growth for the index of around EUR 393.2 Billion.

In conclusion, by assuming that the FEN Emerging Index can reach a similar level of representativeness than the developed index and including the potential constituents that might become eligible if the three countries in the watch list were reclassified as *Emerging*, EPRA estimates a potential for growth to the FEN Emerging Index in the range EUR 393.2 Billion to EUR 502.2 Billion.

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