



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

Global Listed Real Estate

Emerging Markets Q1-2017

FTSE EPRA/NAREIT
Global Real Estate Index Series

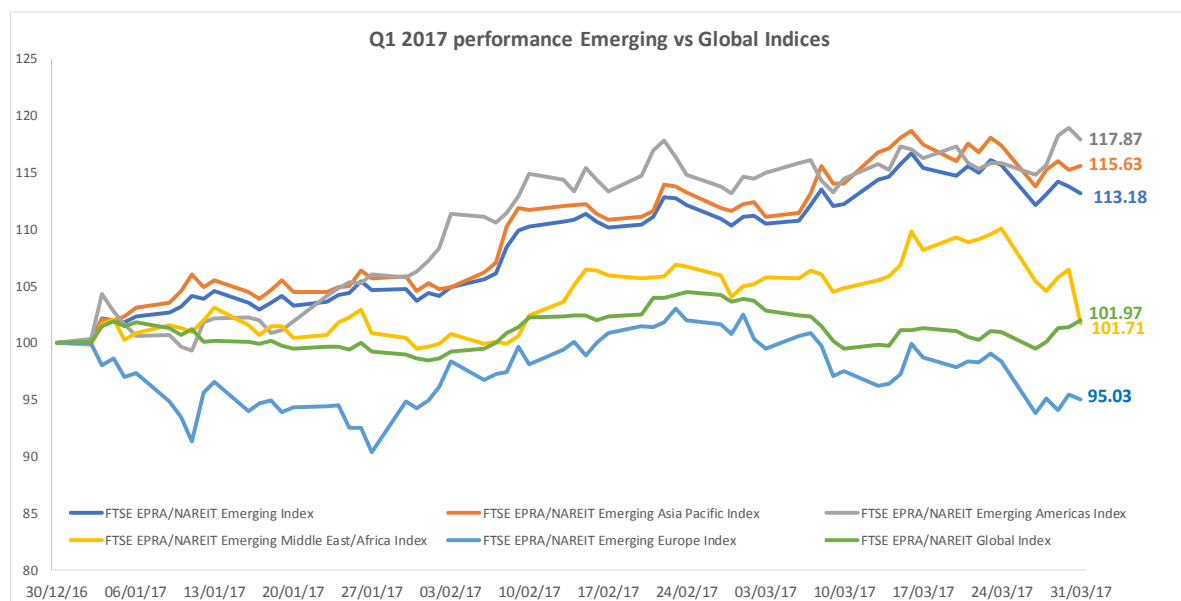
March
2017

Executive Summary

In the first quarter of 2017, the global real estate sector saw an outstanding emerge of the listed real estate equities in emerging markets rose strongly. In this report, we look at the size and performance figures of the main emerging listed real estate markets, as well as comment on the key drivers and changes observed during the first half of the year.

FTSE EPRA/NAREIT EMERGING INDEX Performance Q1/17

During the first three months of 2017 the FTSE EPRA/NAREIT Emerging Total Return Index raised 13.18%, which represents and outperform of 11.21% against the FTSE EPRA/NAREIT Global Total Return Index. This result was directly associated with the remarkable performance of the Emerging Americas (17.87%) and Emerging Asia-Pacific (15.63%) regions since the EMEA region (1.05%) showed a closer performance to the Global Index.



Source: EPRA.

The FTSE EPRA/NAREIT Emerging Index is officially based in Euros, then it is sensible to changes in the currencies of each of its constituents. Although in 2017 some of the emerging countries have experienced a significant appreciation of their currencies (e.g. Mexico: 7.30%) and some others some depreciation (e.g. Turkey: -4.98%), the substantial diversification of the index made the currency effect to be irrelevant (-0.1%) in the total return result.

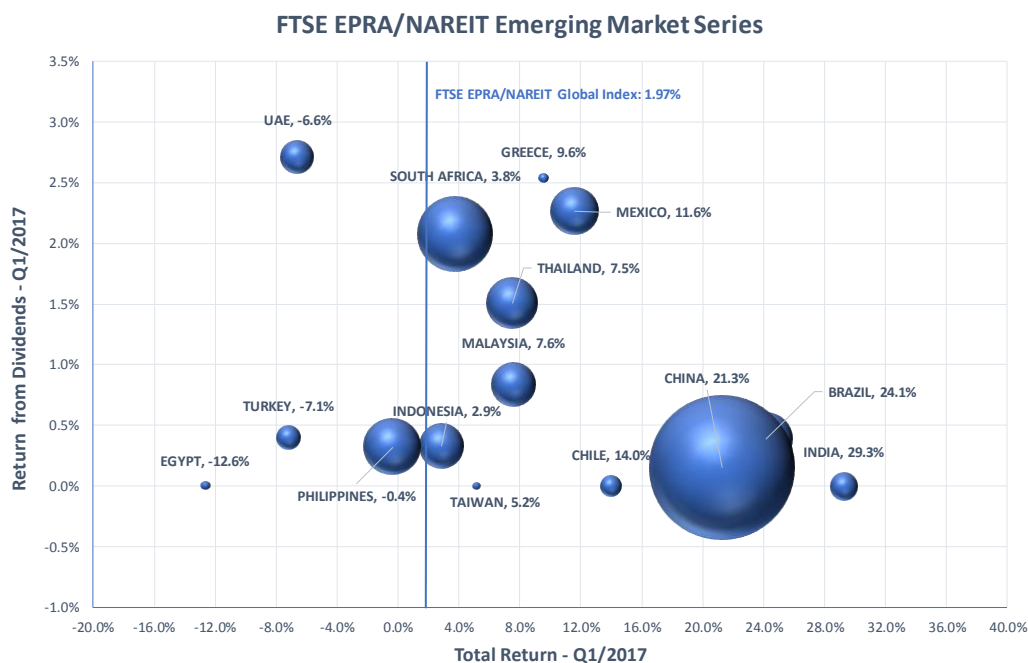
Country	(1) 3M RETURN FROM DIVIDENDS	(2) PRICE RETURN EPRA EMERGING INDEX	(1) + (2) TOTAL RETURN EPRA EMERGING INDEX (EUR)	% WEIGHT EPRA EMERGING INDEX	DIV. YIELD (y/y) at 30/12/16	INDEX CURRENCY VS EUR PERFORMANCE**	CURRENCY EFFECT ON THE INDEX	TOTAL RETURN Equity Market* (Local Currency)
BRAZIL	0.4%	23.8%	24.1%	6.4%	2.7%	1.08%	0.1%	7.7%
CHILE	0.0%	14.0%	14.0%	1.0%	3.9%	-0.24%	0.0%	14.5%
CHINA	0.2%	21.1%	21.3%	47.7%	4.2%	-1.16%	-0.6%	4.4%
EGYPT	0.0%	-12.6%	-12.6%	0.2%	0.0%	-0.96%	0.0%	7.2%
GREECE	2.5%	7.0%	9.6%	0.2%	4.1%	0.00%	0.0%	-1.1%
INDIA	0.0%	29.3%	29.3%	1.7%	3.0%	2.75%	0.0%	15.4%
INDONESIA	0.3%	2.6%	2.9%	4.5%	1.9%	0.05%	0.0%	5.4%
MALAYSIA	0.8%	6.8%	7.6%	4.3%	3.6%	-0.04%	0.0%	8.6%
MEXICO	2.3%	9.3%	11.6%	5.0%	6.0%	7.30%	0.4%	6.2%
PHILIPPINES	0.3%	-0.7%	-0.4%	7.1%	1.2%	-2.35%	-0.2%	7.6%
SOUTH AFRICA	2.1%	1.7%	3.8%	12.5%	6.7%	0.57%	0.1%	2.4%
TAIWAN	0.0%	5.2%	5.2%	0.1%	10.1%	4.53%	0.0%	6.5%
THAILAND	1.5%	6.0%	7.5%	5.8%	3.3%	2.70%	0.2%	3.0%
TURKEY	0.4%	-7.5%	-7.1%	1.2%	3.2%	-4.98%	-0.1%	12.8%
UAE	2.7%	-9.3%	-6.6%	2.4%	4.0%	-1.41%	0.0%	2.1%
FTSE EPRA/NAREIT Emerging Index	0.8%	12.4%	13.2%	100.0%	4.1%		-0.1%	
Emerging: Weighted Average								5.16%

*Equity markets are represented by the Thomson-Reuters TR Index for each country.

**Currency performance for China combines HKD, SGD and CHN. For India, it combines SGD and INR. For Indonesia, it combines SGD and IDR.

Source: EPRA.

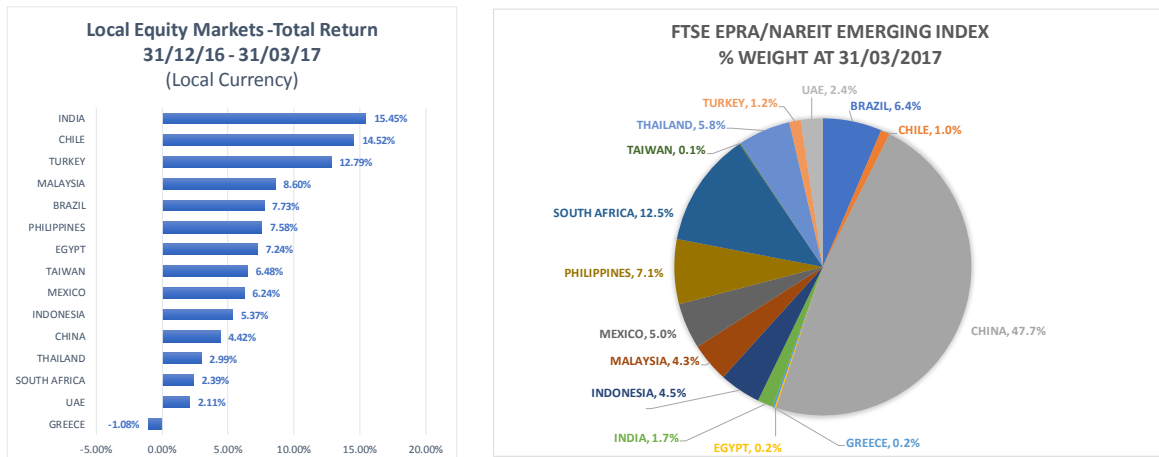
Dividends played a substantial role in the emerging markets performance. In some countries where REITs represent a significant portion of the total listed real estate like South Africa, Mexico and Greece, the return from dividends exceed 1.5% and helped the country-level index to outperform the total return of the FTSE EPRA/NAREIT Global Index.



Source: EPRA.

Nevertheless, the price return was highly significant in some of the countries with the highest participation in the Emerging Index (e.g. China, Malaysia and Brazil). This is a common fact

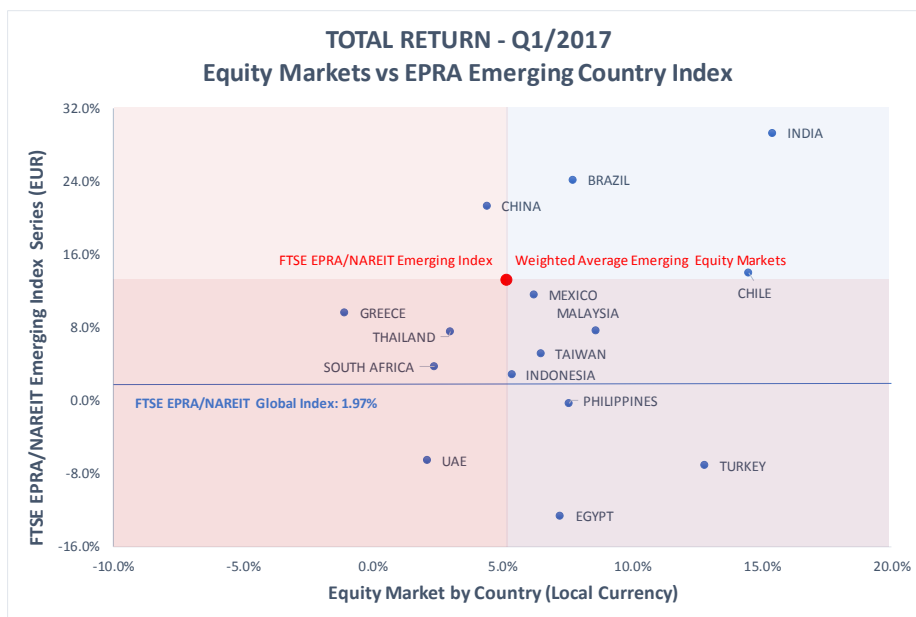
across emerging countries where the real estate market is mainly focused on development, then price return plays a more significant role than dividend return. Most of the local equity markets across the emerging regions showed a positive performance during the same period, in fact, most of these countries also showed an overperformance of the FTSE EPRA/NAREIT country-level Index against the FTSE EPRA/NAREIT Global Index.



Source: EPRA.

Main drivers:

Shown below is a short summary of the key facts affecting the performance of the countries included in the FTSE EPRA/NAREIT Emerging Index:



Source: EPRA.

Brazil

Besides the deep political and economic crisis that Brazil has been facing in the last two years, its equity market has showed a positive trend since March/2016. The equity market raised 7.7% during the first quarter of 2017. One of the main reasons is the perspective of several economic reforms that might have a positive impact in the Brazilian economy and the real estate sector. The recent constitutional reform, that requires the government to reduce its spending by 5% of the GDP in the next ten years, has been interpreted as an opportunity for the private sector on investment and development projects. The central bank has decreased its key interest rate by 200 bps since Oct/16 (75 bps in Feb/17) and the market consensus appoints to additional reductions of 300 bps up to Dec/17, which represents a strong support for the investment and consumption. The inflation is gradually converging to the central bank's target and new reforms in the pension system are expected to improve the role of the pension funds in the economy. The FTSE EPRA/NAREIT Brazil Total Return Index (EUR) raised 24.1% (23.8% Price return).

Performance of the top constituents: BR Malls Participacoes (21.26%, Retail), Multiplan Empreendimentos Imobiliarios (11.65%, Retail) and MRV Engenharia e Participacoes (34.37%, Residential).

China

The Chinese listed real estate market was highly influenced by the optimistic view of many investors about the property markets and economic growth. The FTSE EPRA/NAREIT China Index showed a total return of 21.3% (21.1% from prices and 0.2% from dividends). The GDP report for Q4/16 showed a positive result with a higher growth than expected (6.8% y/y vs 6.7% y/y), however latest inflation reports have raised some concerns about the future of the monetary policy. The PBOC raised the interbank rates twice during the quarter with no clear guidelines about future movements. The residential property markets have been continuously growing during the last year, contributing to the positive trend most of the index constituents, thanks in part to a strong expansion in the biggest cities, capital injections from the central bank to the banking system and the perspective of new regulations that allow local governments to have a more active role in property markets. The equity market also had a positive performance (4.4%) and the currency showed a depreciation of -1.16%.

Performance of the top constituents: China Overseas Land & Investment Ltd. (8.03%, Residential), China Resources Land Ltd (20.41%, Residential), Country Garden Holdings (61.06%, Residential) and Global Logistics Properties (26.36%, Industrial).

Mexico

In the case of the Mexican stocks, the entire market was beneficiated from a less aggressive position of the US regarding possible changes in their commercial and economic relations. The initial discussions around an eventual renegotiation of NAFTA showed a lower probability of a strong negative impact over the Mexican economy, particularly over the agriculture, industrial and tourism sectors. In addition, the Q4/16 GDP report sent a positive signal with an

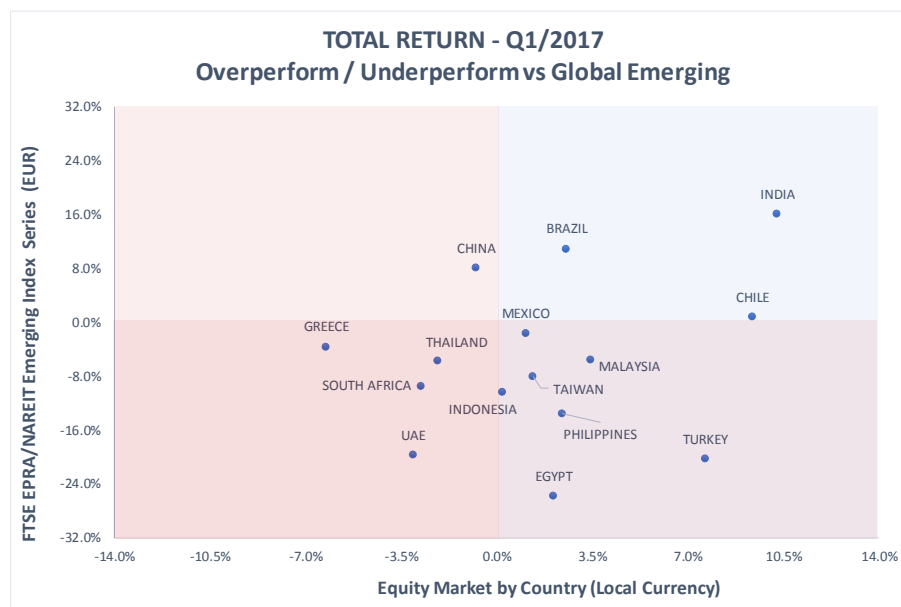
effective performance higher than the analysts' expectations (2.4% y/y vs 2.2% e). The equity market showed a total return of 6.2% and the Mexican Peso (MXN) earned 7.3% against the Euro. In the same way, the FTSE EPRA/NAREIT Mexico Total Return Index (EUR) exhibited a change of 11.6%, 2.3% from dividends and 9.3% from price return.

Top performers: Fibra Hotelera Mexicana (10.58%, Lodging/Resorts), Prologis Property Mexico (10.04%, Industrial) and Corporacion Inmobiliaria Vesta (9.3%, Industrial).

South Africa

Although the low economic performance faced by the South African economy in the last months, the real estate companies have managed to maintain an attractive return from dividends second highest dividend yield (6.7%) of the Emerging Index Series only after Taiwan (10.1%). The local equity market raised 2.4% and the FTSE EPRA/NAREIT South Africa Total Return Index (EUR) raised 3.8% (1.7% Price return). The government is working on changing the perspective from international investors, who still consider the African nation shows a significant uncertainty, represented by the recent rating downgrades from the main rating agencies. The central bank held unchanged its key interest rate attending the inflation to keep descending.

Performance of the Top constituents: Growthpoint Properties (3.71%, Diversified), Redefine Properties (0.55%, Diversified), Resilient Properties (4.22%, Diversified).



Source: EPRA.

Malaysia

The FTSE EPRA/NAREIT Malaysia Index showed a total return of 7.6% with no significant currency effect and close to the national equity market (8.6% local currency).

Thailand

Following the general trend of the Asia-Pacific markets, the FTSE EPRA/NAREIT Thailand TR Index raised 7.5%, mainly as a result of a significant currency appreciation (2.7%).

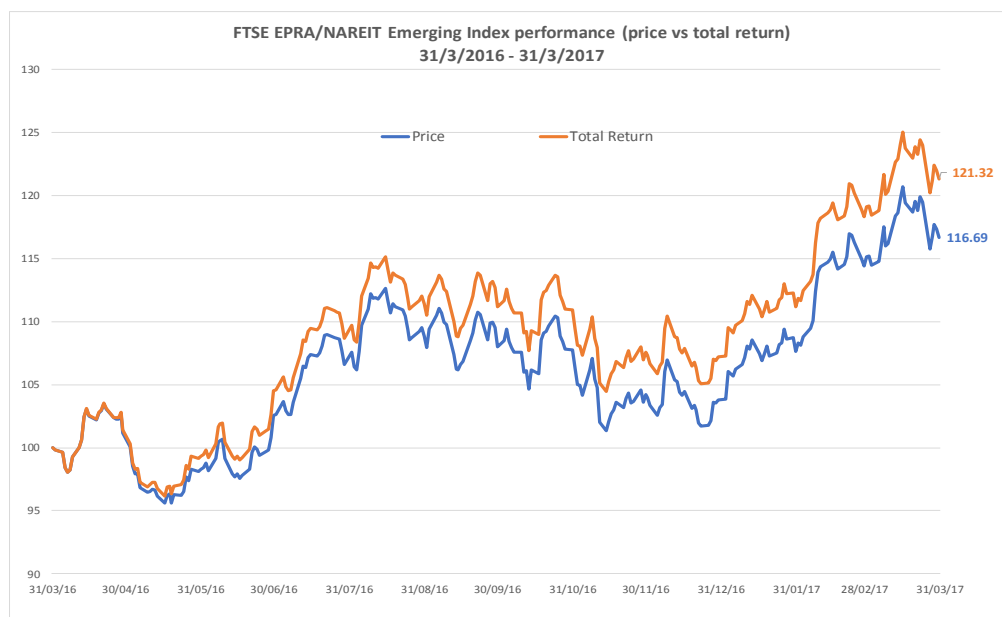
Turkey

In the case of the Turkish index, the currency depreciation had a significant impact (-4.98%) in the price return (-7.5%), the total return for FTSE EPRA/NAREIT Turkey Index was -7.1%.

Greece

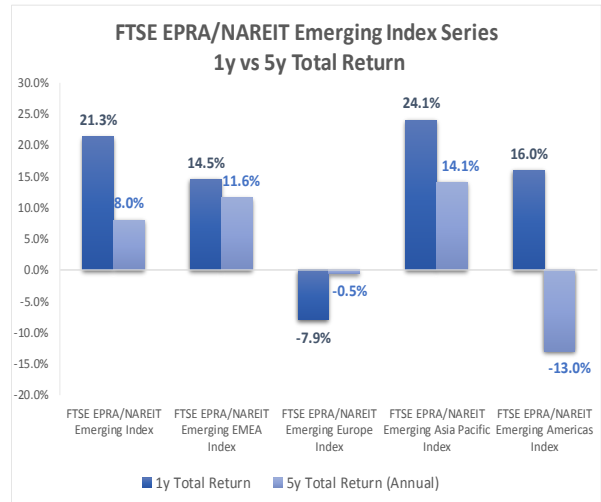
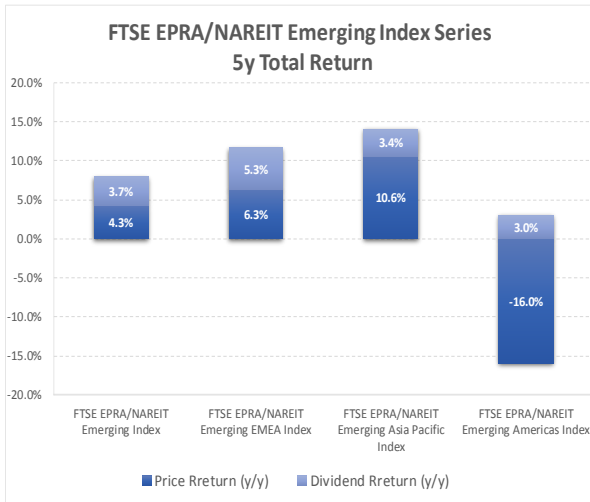
The FTSE EPRA/NAREIT Emerging Series only has one Greek constituent, Grivalia Properties REIC (TR: 9.6%, Diversified).

Annual Return



Source: EPRA.

Finally, in annual terms The FTSE EPRA/NAREIT Emerging Index showed a total return of 21.32% up to 31/March/2017, almost 80% of it came from prices (16.69%), however the return from dividends is still a significant source of income (4.63%) which represents more stable return for medium-term and long-term investors.



Source: EPRA.

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