

MARKET
RESEARCH

European Listed Real Estate:

Property Portfolio Analysis

End of 2021

FTSE EPRA/Nareit
Developed Europe Index

October
2022

Executive Summary

The portfolio breakdown report aims to give insight into the status of FTSE EPRA Nareit Developed Europe Index (henceforth referred to as the index') encompassing the sectoral and geographical breakdown. The analysis was made based on the annual reports of the Developed Europe index constituents, of which 75% were reported in Q4 2021. Due to the new additions in the index (from Q3 21 to Q1 22), M&A activity and investment enlargements, total portfolio value of the index constituents featured a considerable growth over the past year.

Aggregated portfolio value tracked by the index amounted to EUR 669,747 Mln in 2021, representing a growth of 9.77% or EUR 59 Bln increase in the absolute value from EUR 610,529 Mln in 2020. The growth of the portfolio value from the year 2019 with the absolute value of EUR 586,300 Mln is even more significant amounting to 14,23%. Regarding the Like-for-Like portfolio, the fair value of the properties for index constituents of at least two years increased from EUR 593,132 Mln to EUR 655,459 Mln, representing a YoY growth of 10.41%.

TAB I. ALL-COMPANIES SAMPLE SUMMARY TABLE

RANK	COUNTRIES	2020, EUR MLN	2021, EUR MLN	% CHANGE	SECTORS	2020, EUR MLN	2021, EUR MLN	% CHANGE
1	Germany	158,705	171,508	8.07%	Offices	181,841	183,104	0.69%
2	UK	103,531	122,360	18.19%	Residential	170,912	197,750	15.70%
3	Sweden	78,525	92,795	18.17%	Retail	139,407	140,548	0.82%
4	France	87,149	88,731	1.82%	Industrial	46,324	61,680	33.15%
...	OTHERS	182,242	194,355	6.6%	OTHERS	71,668	86,665	20.9%
	TOTAL	610,529	669,747	9.77%	TOTAL	610,529	669,747	9.77%

Source: EPRA own computation

TAB II. LIKE-FOR-LIKE SAMPLE SUMMARY TABLE

RANK	COUNTRIES	2020, EUR MLN	2021, EUR MLN	% CHANGE	SECTORS	2020, EUR MLN	2021, EUR MLN	% CHANGE
1	Germany	149,907	171,508	14%	Offices	170,511	177,787	4.27%
2	UK	101,842	120,352	18%	Residential	169,734	196,921	16.02%
3	France	87,149	88,731	2%	Retail	138,844	137,536	-0.94%
4	Sweden	73,128	84,372	15%	Industrial	44,411	57,937	29.63%
...	OTHERS	181,105	274,868	51.77%	OTHERS	69,862	85,277	22.0%
	TOTAL	593,683	655,459	10.41%	TOTAL	593,683	655,459	10.41%

Source: EPRA own computation

Methodology

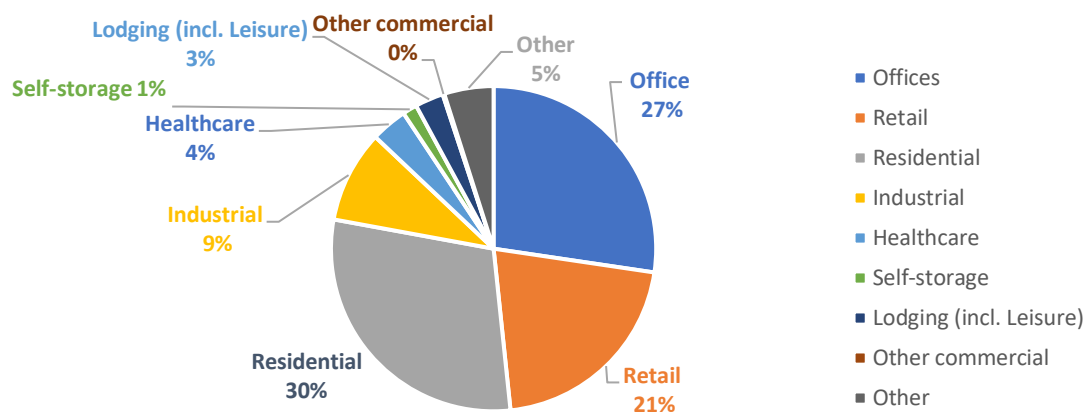
The audited annual financial reports data was used for this analysis. The index is composed of Developed Europe constituents with different local currencies, which were therefore converted into Euro using the exchange rate at end of the data collection period (30/06/2022). In the analysis the two different samples were compared – an all-constituents sample and a Like-for-Like sample. The All-constituents sample includes all members of the index. The total portfolio value covered by the index changes due to Developed Europe Index constituent's portfolio value increase. The Like-for-Like sample was created including only companies in the index for 2 consecutive years to isolate portfolio changes due to changes in the list of constituents (additions or deletions).

All-Constituent Analysis

Index constituents' portfolio value maintained the growth trend from the previous year. Regarding the sectoral representation, the portfolio remained dominated by the same sectors as last year, and the combined share of office, retail and residential sectors accounted to 78% of the total portfolio value.

The leading sector of 2021 was residential which amounted to 30% (last year 28%), and overpassed the office sector which amounted to 27% (last year 30%). Even though the office sector has decreased in value, it is said to become even more attractive to investors as fairly priced market will become under-priced. It is also worth mentioning the growth recorded in the healthcare sector which was equivalent to EUR 24 Mln and represented 4% of the total portfolio value compared to previous years (3%).

ALL-CONSTITUENTS PORTFOLIO BREAKDOWN - SECTORS RELATIVE SIZE, 2021



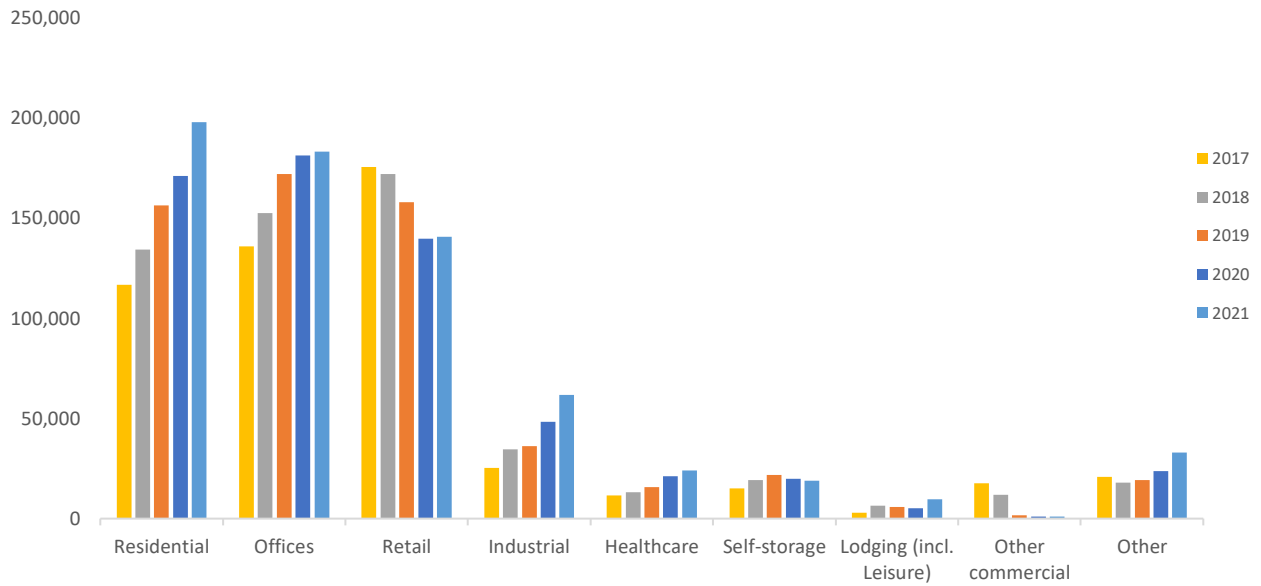
Source: EPRA own computation based on companies' annual reports.

The leading sector of total portfolio value of 2021 was residential which grew 15.70% from last year. The second dominating sector was office with an absolute value of EUR 183 Bln only rising in value from last year by 0.7%. Over the years the industrial sector has surged in value and grew 144.44% from 2017.

Shift from physical store to online shopping has been accelerated roughly by 5 years due to the large increases in e-commerce sales during the Covid 19 pandemic. Even though the retail sector had decreased in value by 20% from 2017 (EUR 175 Bln) to 2021 (EUR 140 Bln), retailers are realizing their business cannot be profitable with only an online channel according to Real Assest Adviser magazine. It argues that consumer habits have changed and that there is importance of allowing customers to touch and try the products, as well as the significant increase in shipping and return costs, has highlighted how online and offline channels are working together.¹ Furthermore, the graphs below show the relative size of sectors in the index property portfolio and the absolute values' 5-year comparison.

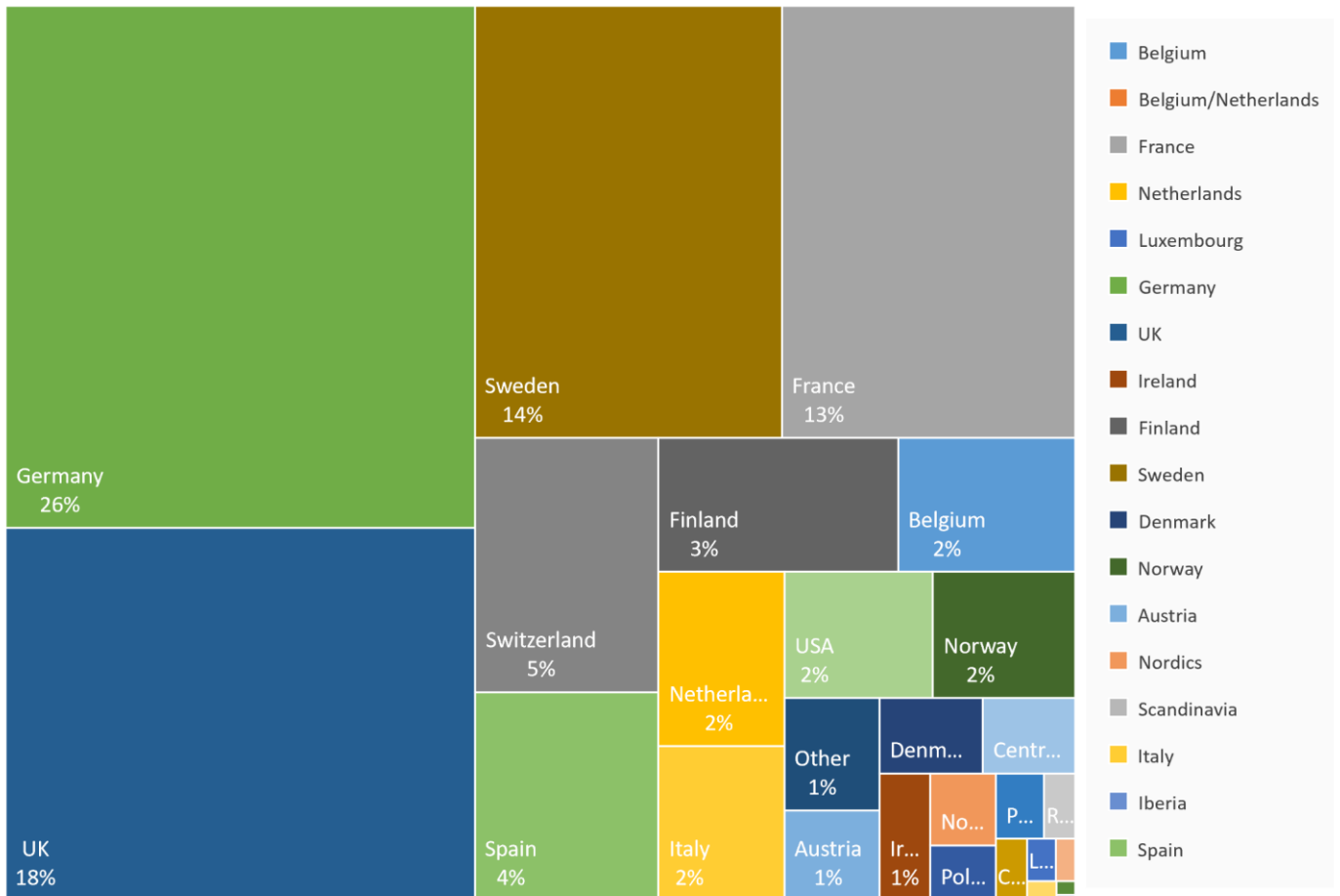
¹ Source: RealAssets Adviser (2022). Trends in retailing by Mike Consol

ALL CONSTITUENTS PORTFOLIO BREAKDOWN - SECTORS ABSOLUTE VALUES (EUR MLN)



Source: EPRA own computation based on companies' annual reports

ALL CONSTITUENTS PORTFOLIO BREAKDOWN - COUNTRIES RELATIVE SIZE, 2021

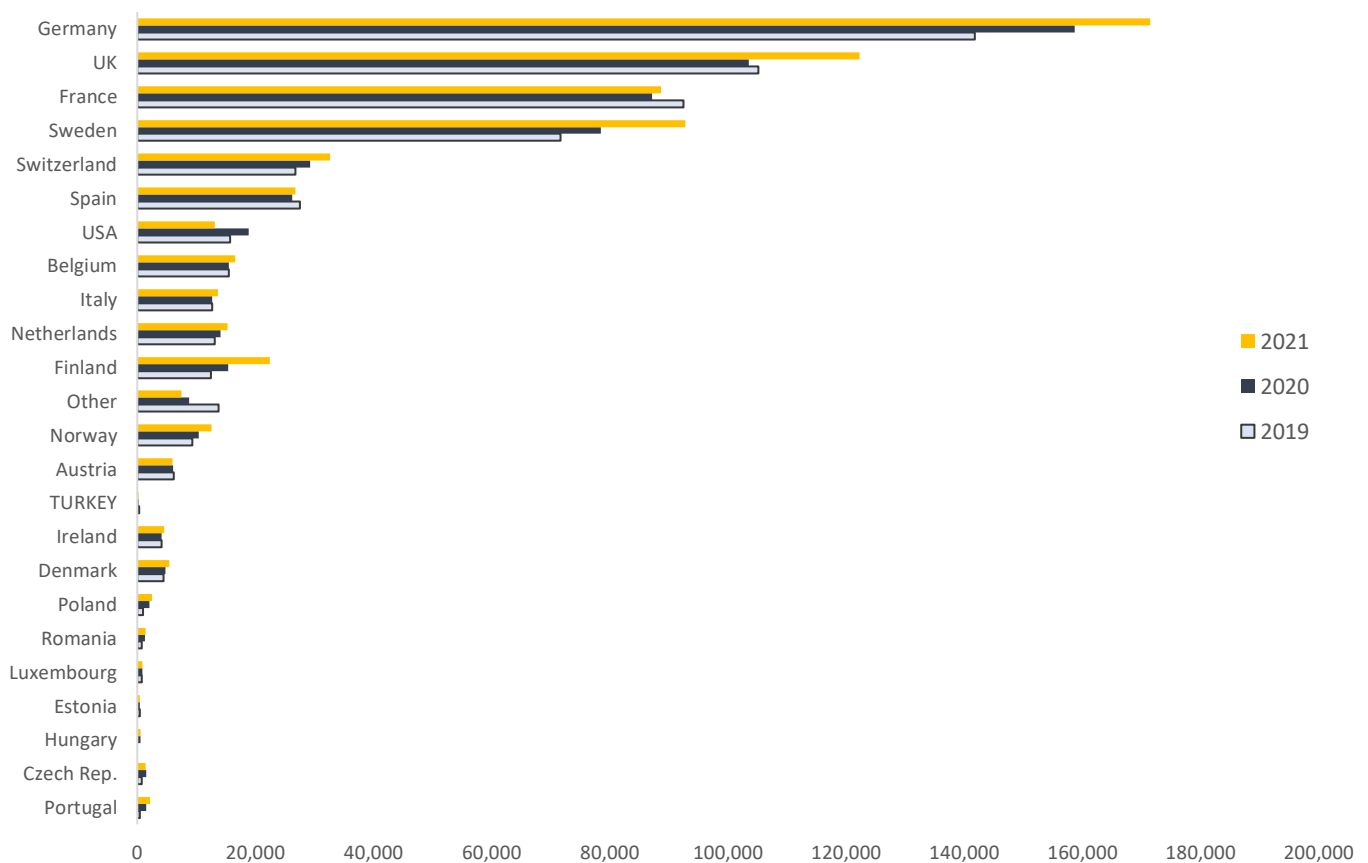


Source: EPRA own computation based on companies' annual reports

Additionally, the country breakdown gives insight into the changes in the geographical exposure of the index's constituents. With the most significant portfolio exposure across the index, Germany continues to be in the lead for seven consecutive years. Germany, Sweden, UK and France have experienced growth in terms of invested properties. The UK recorded growth of 18.19% after three years of decline, due to growth of property portfolio value of UK index constituents.

As stated above, the index's largest geographical exposure is to Germany, which accounted for EUR 171 Bln or over a quarter of the total index portfolio (25.6%). It is followed by the UK (EUR 122 Bln, 18.3%), Sweden (EUR 92 Bln, 13.9%) and lastly, France (EUR 88 Bln, 13.2%). The countries highest exposure increase was due to index rebalancing including net inflows in the UK (EUR 1.8 Bln), Sweden (EUR 1.4 Bln) and Germany (EUR 1.2 Bln). Considering the investment and rebalancing effects, the index's geographical exposure most increased over the past year was to UK (EUR +18 Bln), Sweden (EUR +14 Bln) Germany (EUR +12 Bln), and most decreased was to USA (EUR -5.7 Bln).

ALL-CONSTITUENTS PORTFOLIO BREAKDOWN - COUNTRIES) ABSOLUTE VALUES (EUR MLN, 2019 - 2021



Source: EPRA own computation based pm companies' annual reports.

In the following sections we will delve into the details and examine the changes on company level by focusing on new constituents, the Like-for-Like comparison and the largest/smallest constituents (in terms of the size of the portfolio) within the index.

New Constituents

The following table shows the details for all the new constituents that have joined Developed Europe Index from Q3 2021 to Q1 2022, including their nationality, the countries in which they have properties and their respective property portfolio values in EUR. The inclusion of these companies has grown the index's property portfolio by around EUR 5 Bln.

TAB III. COMPANIES WHICH ENTERED THE INDEX DURING 2021 FY

CONSTITUENT NAME	COUNTRY	COUNTRY EXPOSURE	PORTFOLIO, EUR
NP3 Fastigheter AB	SWED	SP, FIN, SWED, FR, NL	1,618,105,709
Cibus Nordic Real Estate AB	SWED	SWED	1,499,626,000
Urban Logistics REIT	UK	SWIT, GER	1,178,725,689
Home REIT	UK	SWED	828,691,798
TOTAL			5,125,149,196

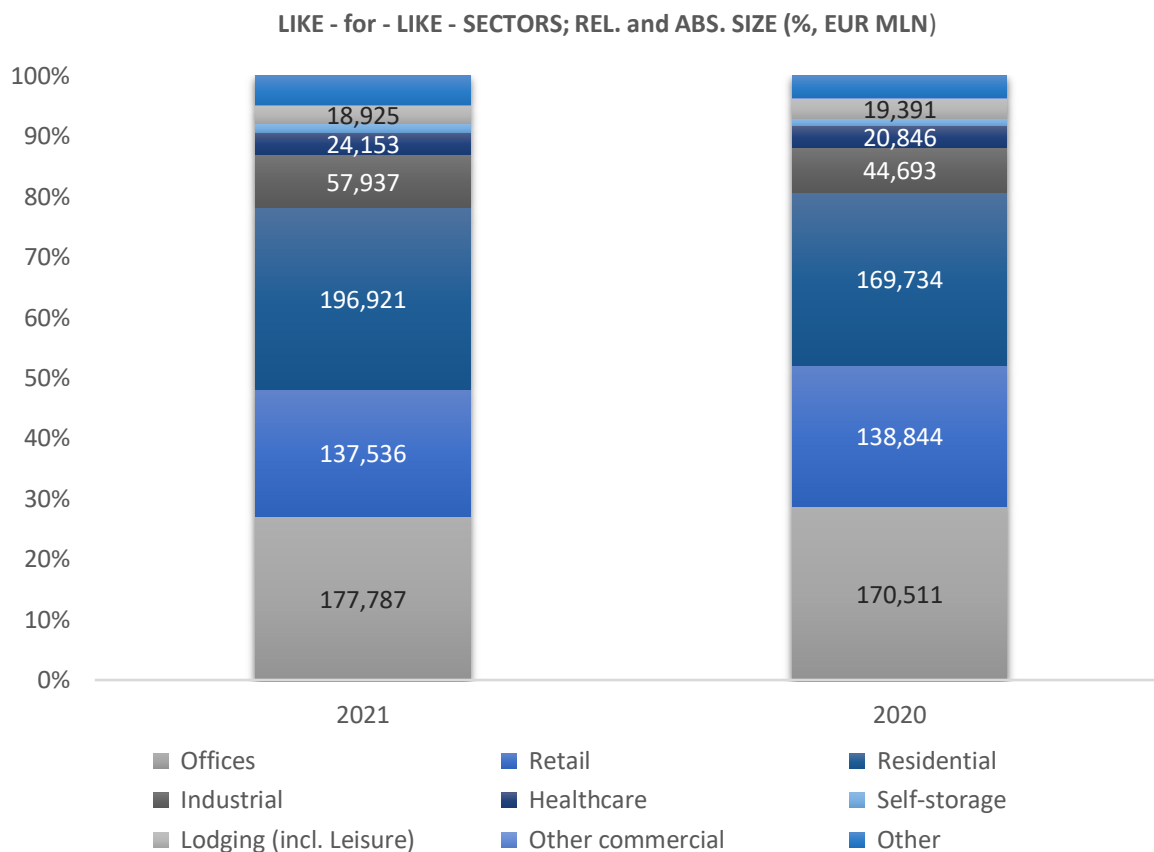
Source: EPRA own computation

Four constituents have entered the index and four constituents have exited the index. High M&A activity has been the main reason for the changes in the constituents. The four constituents that have exited the index were TLG Immobilien GmbH (SWED), Alstria Office (SWED), Kungsliden (UK) and GCP Student Living (UK). TLG Immobilien GmbH has been taken over by Aroundtown (country in bracket here for consistency) (index constituent) with the deal size amounting to EUR 3 Bln. Kungsliden has been taken over by Castellum AB (country) (index constituent) with the deal size amounting to EUR 2,6 Bln. The biggest M&A deal size that is still in process is Vonovias' (GER) takeover of Deutsche Wohnen (GER) with the deal size amounting to EUR 19 Bln. All of the companies mentioned above have remained public after the takeover. GCP Student Living is not an index constituent due to the court sanctioning the scheme of arrangement in relation to the cash offer for the company by Gemini Jersey JV L.P

Like-for-Like Analysis (L-f-L)

The Like-for-Like Analysis scope covers the last two complete financial years (2020 and 2021) and comprises sample of 101 companies that have remained in the index for the last two consecutive years. During the one-year period the total property portfolio value has grown 10.4%, corresponding to absolute value of EUR 61 Bln. Corporate actions played a role in driving the evolution of constituent portfolios, specifically M&A activity as mentioned before.

The L-f-L comparison gives us a better understanding of the changes that happened within the index by removing the corporate actions effect as well as isolating growth by index constituents to understand investment patterns. By holding the number of constituents constant, we can ensure an apple-to-apple comparison of portfolio values between the two fiscal years and understand the extent to which existing constituents have enlarged their portfolios. Using the samples explained above, we now examine some relevant developments across sectors and regions. The chart below describes changes occurred at each sector over the year, both in relative (%) and absolute values (EUR Mln).

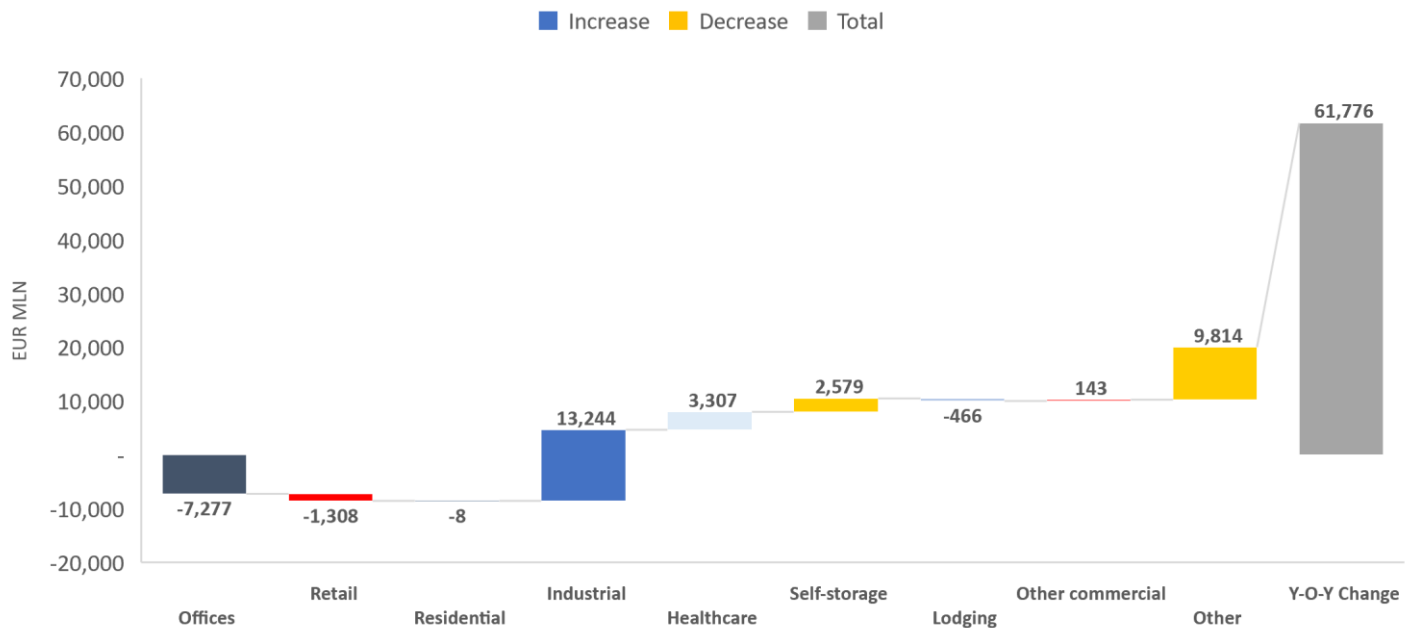


Source: EPRA own computation based pm companies' annual reports.

The L-f-L portfolio growth rates broadly agreed with all company growth rates. Furthermore, the residential sector has featured the highest growth in L-f-L analysis from the previous year, featuring an increase of 16.02% (15.70% increase in all-constituents portfolio) or EUR 27 Bln in absolute value and is representing 30% of total L-F-L portfolio value. The growth of residential sector has been driven by portfolio expansions of Vonovia (EUR 64 Bln), LEG Immobilien (EUR 17 Bln), Grand City Property (EUR 9 Bln) and Fastighets AB Balder B (EUR 9 Bln). Together these 4 constituents represent 54.64% of the 40 constituents that had enlarged residential portfolio.

All the sectors have experienced increase in value over the past year but lodging (including leisure), that has decrease by 2.41% and retail, decreasing by 0.94% in value. Even though office sector has increased in value from last year by 4.27%, it has been overpassed by residential sector in total L-f-L portfolio value representing 27% of the total. Overall, 18 constituents in office sector have decreased in office portfolio value, the biggest decrease in office portfolio value was witnessed by Samhallsbyggnadsbolaget i Norden AB (-46.30 %), while 37 out of 55 constituents have risen in value over the past year.

SECTOR CHANGES IN LFL PORTFOLIO 2020-2021

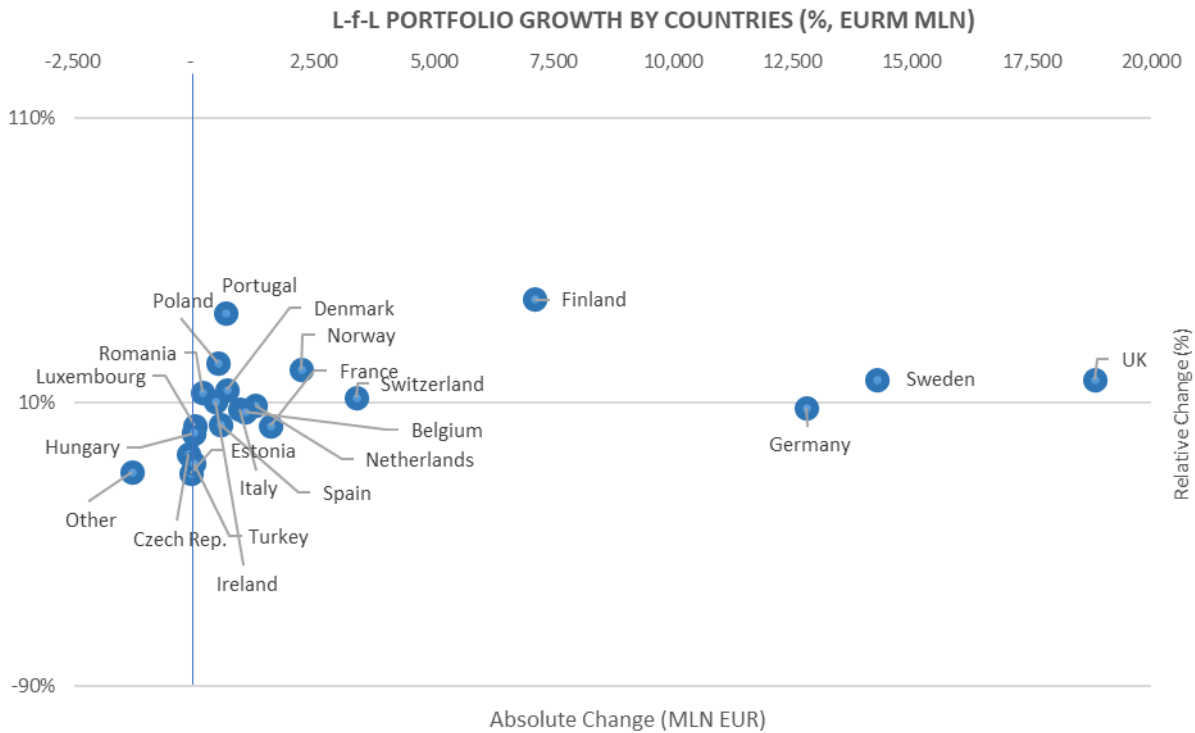


Source: EPRA own computation

In addition, substantial growth in industrial sector was driven by portfolio increases of existing players, with two entries by constituents NP3 Fastigheter AB (+EUR 9 Bln) and Urban logistics REIT(+EUR 1 Bln). Of the existing players, the largest investments were made by Segro (contributing EUR 19 Bln), Tritax Big Box REIT (EUR 6 Bln) and Warehouses De Pauw (EUR 4 bln). Overall, property portfolio increases were concentrated in sectors that companies were already invested in given the uncertainty surrounding the economic environment over the past year, with only 2 companies entering new sectors, primarily in office and self-storage.

The waterfall chart above reveals that the growth of the L-f-L portfolio was greater than that of all index constituents portfolio (+EUR 61,7 or 10.41%). The growth of the of the L-f-L portfolio represents the resilience of real estate sector and reflects the increase of demand for rentals also it indicates a greater number of companies meeting index inclusion requirements.

The data available did not allow us to further assess the geographical exposure of each sector, although we should note that the economic trends affecting each sector or geography drill further down to the geographical exposure of each sector, but it is worth mentioning that each local market has its own market structure and industrial dynamics. As we are focusing on the Developed Europe index only, the sector breakdown has painted a broader picture of Europe, with some exposure to non-European countries such as the USA. The growth dynamics of the region may or may not move in tandem across each country, considering different economic growth, demographics and regulations. The graph below allows us to acknowledge the major relative and absolute changes that took place at the country level.



Source: EPRA own computation

A noticeable growth can be seen in the Finnish (+46%), Swedish (+18.17%) and UK (18.19%) property portfolio values. This considers the two additions in UK contributing to total portfolio value by EUR 1,7 Bln and two additions in Sweden contributing to total portfolio value by EUR 18 Bln. Due to the new entries joining the index, the exposure to Sweden has grown as $\frac{3}{4}$ of the new entries hold the assets in Sweden.

As mentioned in the methodology, the raw data in local currencies has been aggregated and converted to Euro to make numbers comparable. In the table below we report the 2021 portfolio value of the company that belongs to L-f-L sample in the local currency and in the EUR by using both 2020 and 2021 local currency/ EUR FX rate. The changes that are due to local currencies/EUR dynamics are listed in the last column. In terms of magnitude, the biggest change originated by exchange rate oscillations came from the Swiss portfolio. Swiss Franc has appreciated 9.59%, even though the country exposure for the L-f-L portfolio was considerably smaller it had generated an increase of EUR 1,9 Bln.

TAB IV. CURRENCY EFFECT

LOCAL CURRENCY	PORTFOLIO 2021, LOCAL CURRENCY	FX RATE % VAR	2021 LOCAL/EUR FX	2020 LOCAL/EUR FX	VAR MLN EUR
GBP	107,989	-0.85%	124,882	125,957	-1,075
CHF	22,403	9.59%	22,383	20,424	1,959
SEK	1,133,192	-5.35%	105,776	111,758	-5,983
NOK	67,568	-1.22%	6,542	6,623	-81
TOT	-	-	259,583	264,762	-5179

Source: EPRA own computation

Other FX movements are as well included in the reported statistics. All other currencies but the Swiss Franck depreciated. Considering Sweden (EUR 105 Bln) and UK (EUR 125 Bln) great exposure to L-f-L portfolio, the depreciation of their currency translates into loss, Sweden EUR 5,9 Bln and UK EUR 1 Bln. The Norwegian Krona has also depreciated by 1.22% against EUR. This is reflected in EUR 81 Mln decrease in Entra ASA portfolio value w.r.t 2021.

UK with an absolute growth of EUR 18,8 Bln has contributed the most to the portfolio growth, followed by Sweden (EUR 14,3 Bln) and Germany (EUR 12,8 Bln). The exposure of Finland has grown in the absolute value of EUR 7 Bln. Property values in France, Belgium and Netherlands remain roughly the same as last year, while the Norway's experienced modest growth.

Company-level portfolio analysis

TAB V. 2021 COMPANY-LEVEL PORTFOLIO SIZE (EUR MLN) RANKING – TOP 10

RANKING	CONSTITUENT NAME	COUNTRY	PORTFOLIO SIZE
1	Vonovia SE	GER	64,783
2	Unibail Rodamco Westfield	NETH	54,473
3	Deutsche Wohnen SE	GER	28,730
4	Aroundtown SA	GER	27,043
5	Covivio	FRA	24,058
6	Klepierre	FRA	20,713
7	Gecina	FRA	20,102
8	Segro	UK	19,444
9	LEG Immobilien AG	GER	18,693
10	Fastighets AB Balder B	SWED	17,906

Source: EPRA own computation

As for the company-level portfolio analysis: Vonovia has overpassed Unbail Rodamco Westfield with more than EUR 64 Bln of properties all around Europe. Unibail Rodmaco holds the second largest property portfolio for two consecutive years (EUR 54 Bln), which has almost twice the size of Deutsche Wohnen and Aroundtown (respectively EUR 28.7 Bln and EUR 27 Bln).

TAB VI. 2021 COMPANY-LEVEL PORTFOLIO SIZE (EUR MLN) RANKING – BOTTOM 10

RANKING	CONSTITUENT NAME	COUNTRY	PORTFOLIO SIZE
1	Phoenix Spree Deutschland	UK	801
2	Aberdeen Standard European Logistics	UK	794
3	Custodian REIT	UK	772
4	Triple Point Social Housing REIT	UK	744
5	Ascencio	BELG	709
6	NewRiver REIT	UK	707
7	Schroder Real Estate Investment Trust	UK	608
8	Standard Life Inv Prop Inc Trust	UK	572
9	Impact Healthcare REIT	UK	508
10	BMO Real Estate Investments	UK	378

Source: EPRA own computation

Constituents with smaller portfolio are all from the UK except Ascensio which is from Belgium. Some companies focus on a specific sector such as healthcare, industrial and social housing. Most of the UK constituents tend to continue to grow their presence in domestic markets except a few of them that hold a pan-European portfolio.

TAB VII. 2021 COMPANY-LEVEL PORTFOLIO VARIATION (EUR MLN) RANKING - TOP 10

CONSTITUENT NAME	COUNTRY	2020	2021	VAR	%
Vonovia SE	GER	56,834	64,783	7,948	14
Unibail Rodamco Westfield	NETH	56,314	54,473	-1,841	-3.27
Deutsche Wohnen SE	GER	28,070	28,731	661	2.35
Aroundtown SA	GER	19,290	27,043	7,753	40.19
Covivio	FRA	22,961	24,059	1,098	4.78
Klepierre	FRA	21,859	20,713	-1,146	-5.24
Gecina	FRA	19,738	20,102	364	1.84
Segro	UK	13,772	19,445	5,673	41.19
LEG Immobilien AG	GER	14,384	18,693	4,309	29.96
Fastighets AB Balder B	SWED	14,989	17,907	2,918	19.47

Source: EPRA own computation

Regarding the company-level portfolio variation of top 10 companies, Vonovia has demonstrated the greatest change in portfolio value (EUR 7,948 Mln) owing to the new developments as stated in Vonovias AR 2021. URW portfolio has decreased in the value by 3.27% from last year due to the decrease of the fair value of the assets held by subsidiaries in the US and the UK as stated in URW's AR 2021. Other companies from developed Europe that have experienced growth in the portfolio value are Aroundtown (EUR 7,753 Mln), Segro (EUR 5,673 Mln) and LEG Immobilien AG (EUR 4,309 Mln).

TAB VIII. 2021 COMPANY-LEVEL PORTFOLIO VARIATION (EUR MLN) RANKING - BOTTOM 10

CONSTITUENT NAME	COUNTRY	2020	2021	VAR	%
Phoenix Spree Deutschland	UK	768	801	33	4.31
Aberdeen Standard European Logistics	UK	523	794	271	51.89
Custodian REIT	UK	643	772	129	20.03
Triple Point Social Housing REIT	UK	667	744	78	11.64
Ascensio	BELG	690	709	20	2.84
NewRiver REIT	UK	1,085	707	-377	-34.78
Schroder Real Estate Investment Trust	UK	512	608	96	18.81
Standard Life Inv Prop Inc Trust	UK	510	572	61	3.78
Impact Healthcare REIT	UK	473	508	35	7.45
BMO Real Estate Investments	UK	364	378	14	3.83

Source: EPRA own computation

The bottom 10 companies have all increased in the value except NewRiver REIT which had decreased in the value by -34.78%. The reduction during the first half was primarily due to the disposal of Hawthorn, the community pub business as stated in NewRiver REIT AR 2021. The biggest increase in the value of the bottom 10 companies include Aberdeen Standard European Logistics (EUR 271 Mln) and Custodian REIT (EUR 129 Mln).

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