

MARKET
RESEARCH

European Listed Real Estate:

Property Portfolio Analysis

End of 2022

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 2022. Considering the current conditions in the market, with the new additions in the index (from Q3 22 to Q1 23), M&A activity and investment enlargements, total portfolio value of the index constituents remained broadly the same over the past year.

Aggregated portfolio value tracked by the index amounted to EUR 660,149 Mln in 2022, representing a change of -1.84% or EUR 12Bln decrease in the absolute value from EUR 672,508 Mln in 2021. While the growth of the portfolio value from the year 2020 with the absolute value of EUR 50 Bln is of 8.19%. Regarding the Like-for-Like portfolio, the fair value of the properties for index constituents of at least two years went from EUR 658,220 Mln to EUR 645,804 Mln, representing a YoY change of -1.89%.

TAB I. ALL-COMPANIES SAMPLE SUMMARY TABLE

RANK	COUNTRIES	2021, EUR MLN	2022, EUR MLN	% CHANGE	SECTORS	2021, EUR MLN	2022, EUR MLN	% CHANGE
1	Germany	172,101	174,029	1.12%	Residential	202,126	194,901	-4%
2	UK	122,197	114,930	-5.95%		Offices	183,189	172,909
3	Sweden	92,529	86,602	-6.41%	Retail	140,677	136,582	-2.91%
4	France	88,731	91,446	3.06%	Industrial	62,016	69,199	11.58%
...	OTHERS	196,950	193,142	-1.93%	OTHERS	84,501	86,558	2.43%
	TOTAL	672,508	660,149	-1.84%	TOTAL	672,508	660,149	-1.84%

Source: EPRA own computation

TAB II. LIKE-FOR-LIKE SAMPLE SUMMARY TABLE

RANK	COUNTRIES	2021, EUR MLN	2022, EUR MLN	% CHANGE	SECTORS	2021, EUR MLN	2022, EUR MLN	% CHANGE
1	Germany	172,101	168,924	-1.85%	Residential	201,297	193,786	-4%
2	UK	120,351	111,493	-7.36%	Offices	177,872	171,141	-3.78%
3	Sweden	84,106	85,632	1.81%	Retail	137,664	133,851	-2.77%
4	France	88,731	87,990	-0.84%	Industrial	58,273	60,919	4.54%
...	OTHERS	192,931	191,764	-0.60%	OTHERS	83,112	86,106	3.60%
	TOTAL	658,220	645,804	-1.89%	TOTAL	658,220	645,804	-1.89%

Source: EPRA own computation

Methodology

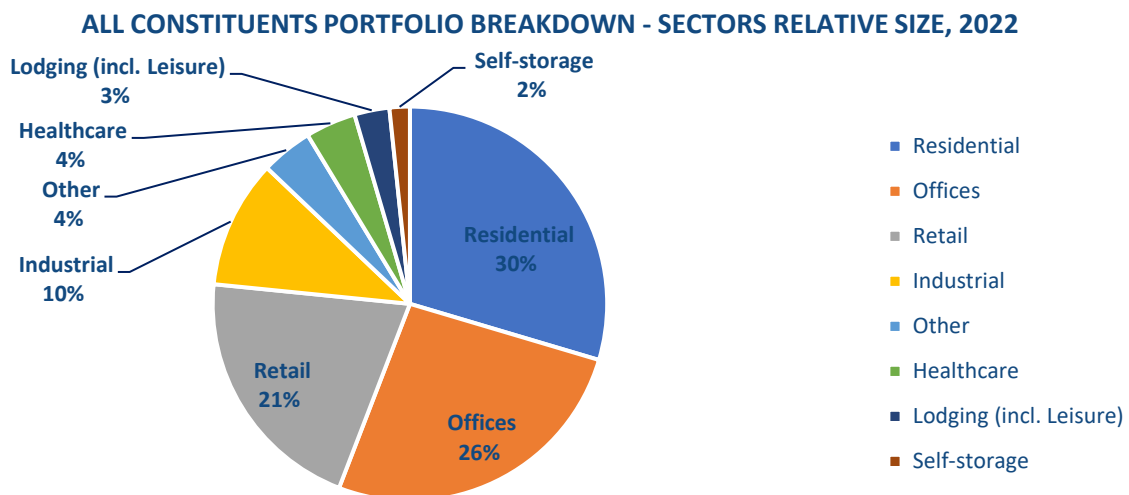
The audited annual financial reports data was used for this analysis. The index is composed of Developed Europe constituents with different local currencies, which were therefore converted into Euro using the exchange rate at end of the data collection period (30/06/2023). In the analysis the two different 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 variation. 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 same levels of 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 76% of the total portfolio value.

The leading sector of 2022 was residential which amounted to 30% (last year 30%), and maintained the difference with the office sector which amounted to 27% (last year 27%). In terms of Year-on-Year growth we have in first position the Self-storage sector with an increase of 14.19% followed by Healthcare (12.41%) Industrial (11.58%) and Lodging (-0.75%). The increase in Industrial is mainly derived by the new constituents in the index that represented EUR 8,2 Mln of growth.

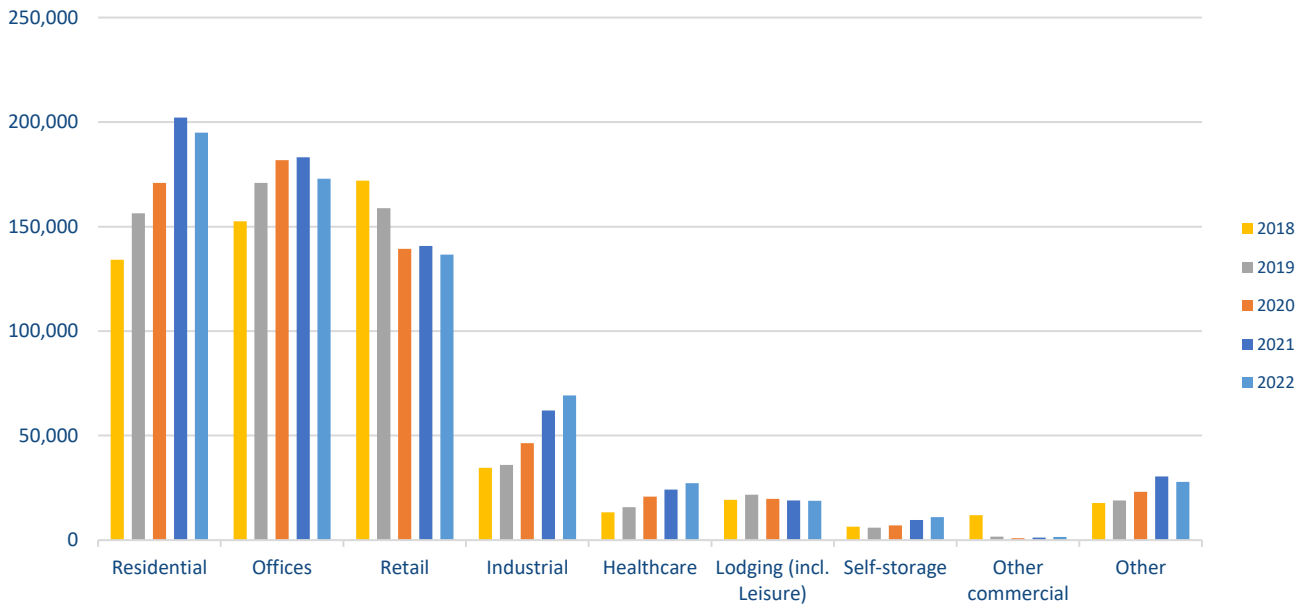


Source: EPRA own computation based on companies' annual reports.

From the other end the Retail market had a decrease of 2.91% followed by the Residential (-3.57%) and Offices (-5.61%). The increase in hybrid work and the structural changes accelerated by the impact of COVID-19 keeps a certain level of uncertainty in the market, leading companies to convert or dispose of current offices. However, the sector still plays an important role in the total portfolio value with EUR 172 Bln. An interesting dynamic can be seen with the Self-storage sector that has increased in value and grew 277% from 2017. Rapid urbanization rate with the decrease of available space and the growth in the e-commerce sector pushed the growth in self-storage market, that plays a role also in the logistics sector with the increasing demand for next-day deliveries. Major players in the European market: Big Yellow Group, Safestore, Shurgard are all part of the Developed Europe index balancing the decrease in the total portfolio value. In terms of facilities for self-storage we are seeing a strong presence in the UK, France and Spain with promising growth dynamics in Netherlands and Germany.

Furthermore, the graphs below show the relative size of sectors in the index property portfolio and the absolute values' 5-year comparison.

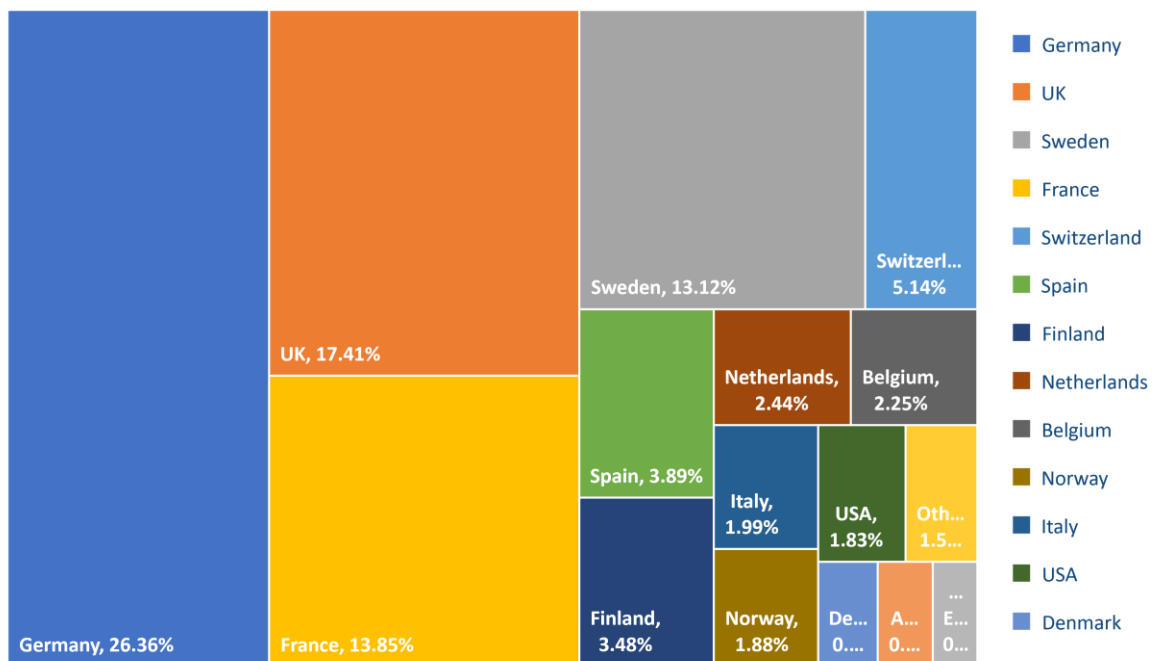
ALL CONSTITUENTS PORTFOLIO BREAKDOWN-SECTORS ABSOLUTE VALUES (EUR MLN)



Source: EPRA own computation based pm companies' annual reports

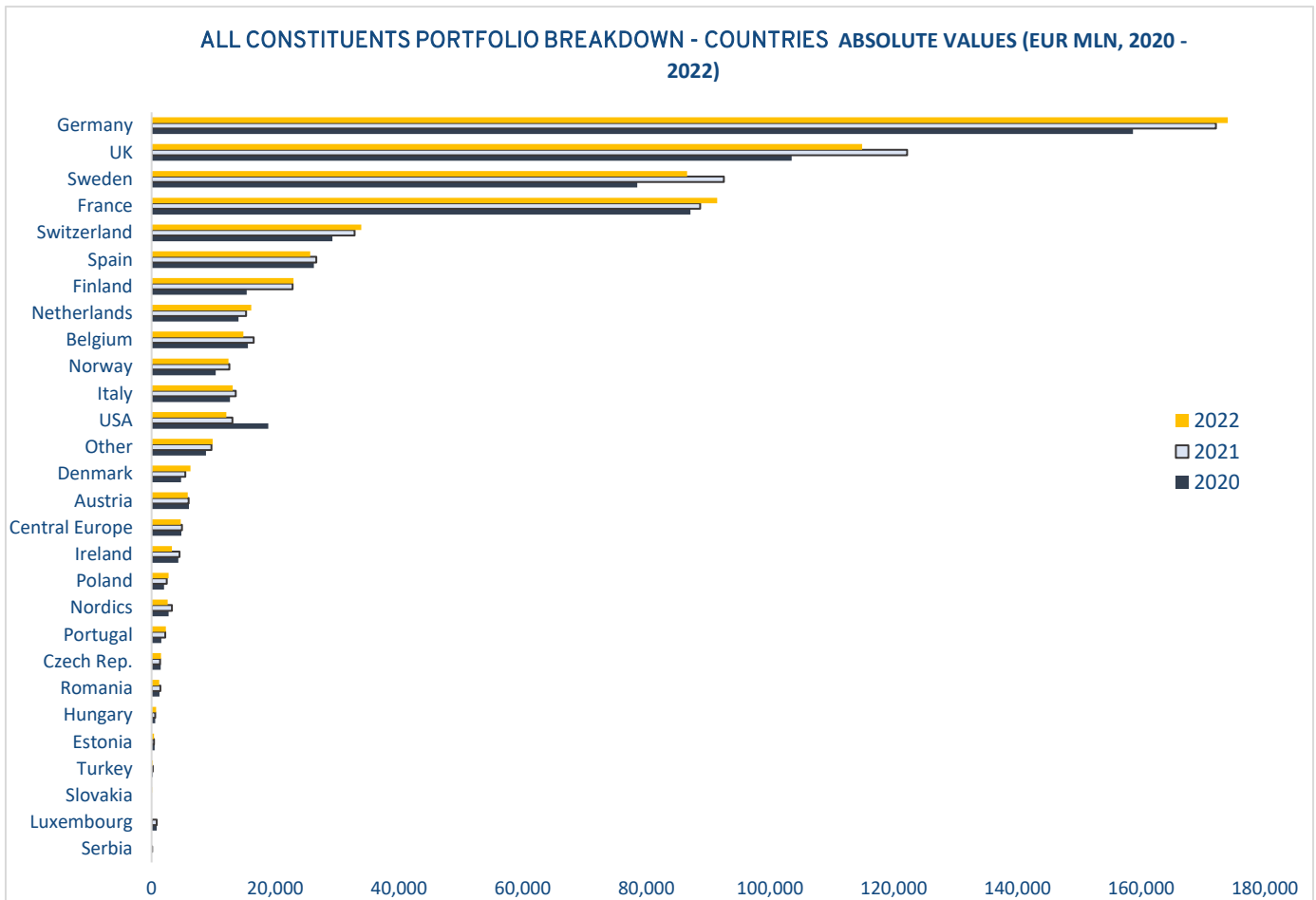
Additionally, the country breakdown gives insight into the changes in the geographical exposure of the index's constituents. With the most significant portfolio exposure across the index, Germany continues to be in the lead for eight consecutive years. Germany and France have experienced growth in terms of invested properties while the UK and Sweden recorded change of -5.95% and -6.41%.

ALL CONSTITUENTS PORTFOLIO BREAKDOWN - COUNTRIES RELATIVE SIZE, 2022



Source: EPRA own computation based pm companies' annual reports

As stated above, the index’s largest geographical exposure is to Germany, which accounted for EUR 174 Bln or over a quarter of the total index portfolio (26%). It is followed by the UK (EUR 114 Bln, 17.41%), France (EUR 91 Bln, 13.85%) and lastly, Sweden (EUR 86 Bln, 13.12%). 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 France (EUR 2.71 Bln), Germany (EUR +1.92 Bln) Switzerland (EUR +1.07 Bln), and most decreased was to UK (EUR -7.26 Bln).



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 Q1 2022 to Q1 2023, 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 14 Bln.

TAB III. COMPANIES WHICH ENTERED THE INDEX DURING 2022 FY

CONSTITUENT NAME	COUNTRY	COUNTRY EXPOSURE	PORTFOLIO, EUR
VGP N.V.	BELG	DEU,AUT,ITA,ESP,CZ,HUN,ROU,SVK	1,393,213,000
HOME INV.BELG-SIFI	BELG	BEL,NLD	693,965,000
DIC Asset AG	GER	GER	4,260,200,000
Argan	FRA	FRA	3,455,710,000
Warehouse REIT	UK	UK	890,533,550
Supermarket Income REIT	UK	UK	1,814,025,516
AEW UK REIT	UK	UK	248,390,426
Residential Secure Income	UK	UK	473,176,066
Stendorren Fastigheter AB	SWED	FIN,SWE,DNK,NOR	1,159,136,815
TOTAL			14,388,350,374

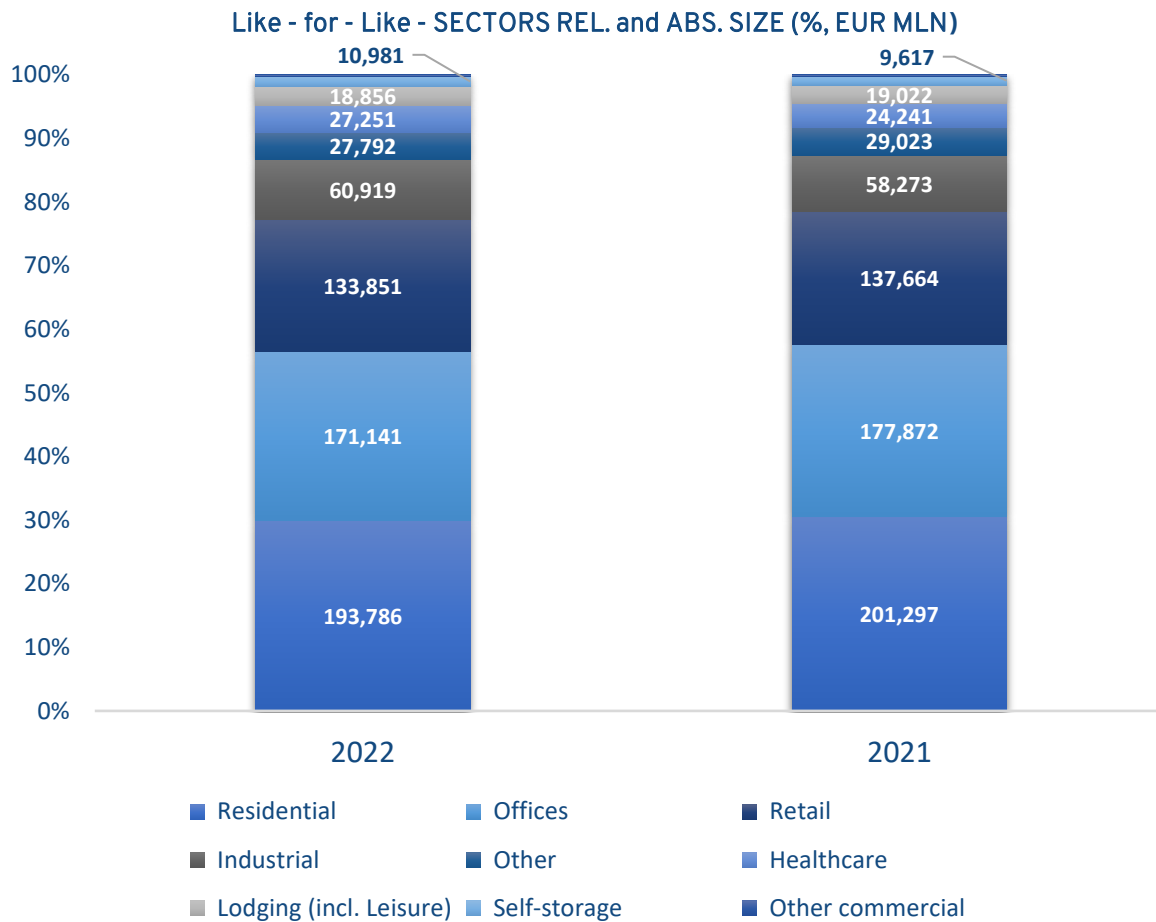
Source: EPRA own computation

Nine constituents entered the index with 2 readded (DIC Asset AG and Warehouse REIT), 1 conversion from emerging to developed market (VGP NV) and 6 additions. Four (VGP N.V., Argan, Warehouse REIT, Stendorren Fastigheter AB, DIC Asset AG) are Industrial focused with DIC Asset AG that is an Industrial/Office, two are Residential (HOME INV.BELG-SIFI, Residential Secure Income), one is Retail (Supermarket Income REIT) and one is Diversified (AEW UK REIT). However, all of them have a certain exposure to the industrial sector, that as we have seen above, benefited from their introduction to the Developed Europe Index.

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

The Like-for-Like Analysis scope covers the last two complete financial years (2021 and 2022) and comprises sample of 100 companies that have remained in the index for the last two consecutive years. During the one-year period the total property portfolio value has changed by -1.89%, corresponding to absolute value of EUR 12 Bln. New additions to the index played a role in slightly mitigating the decrease that in the case of all the companies was of -1.84%.

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).

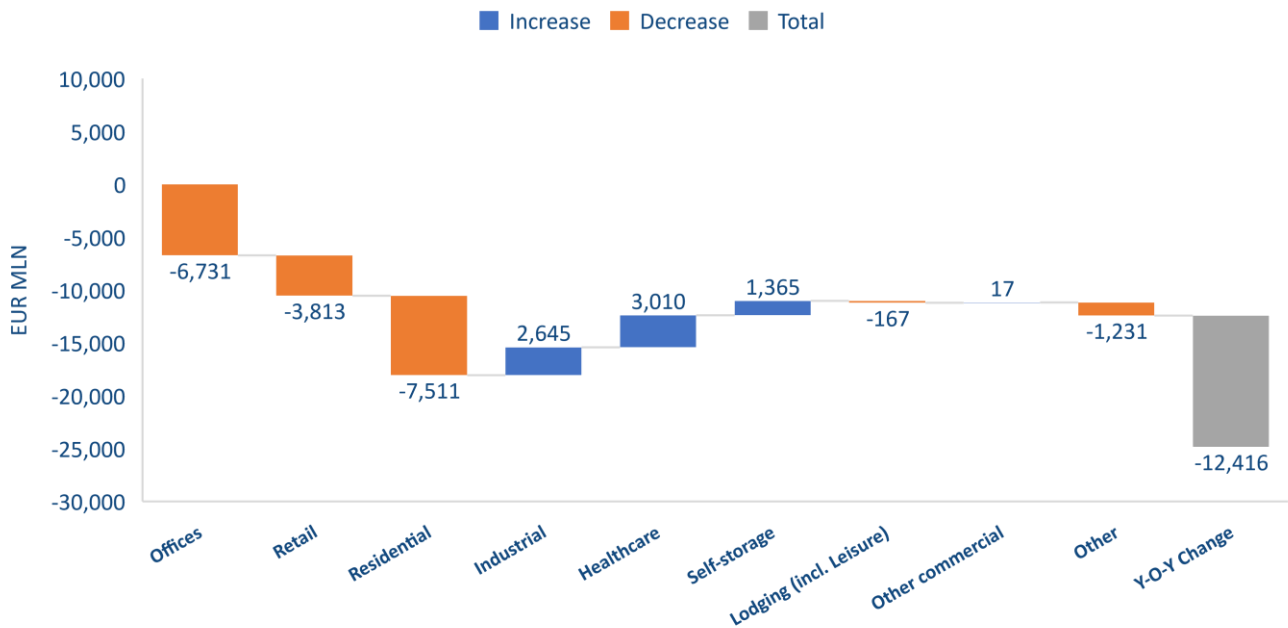


Source: EPRA own computation based pm companies' annual reports.

The L-f-L portfolio reduction rates broadly agreed with all company changes. Also, here the Self-storage sector is the one that featured the highest growth from the previous year, with an increase of 14.19% or EUR 1.3 Bln in absolute value and representing 1.7% of total L-F-L portfolio value. In second position we have the Healthcare sector driven by portfolio expansions of SBB Norden AB (EUR 749 Mln) and LXI REIT (EUR 940 Mln). The latter with a 30% of portfolio allocated to healthcare after merging with Secure Income REIT .

Other than Healthcare, most of the sectors experienced a slight contraction except for the Industrial market that have increased by 4.54%. The Office sector is the one experiencing the lowest performance with a decrease of 3.78% YoY having 41 out of 56 constituents decreasing their investments.

SECTOR CHANGES IN LFL PORTFOLIO 2021-2022

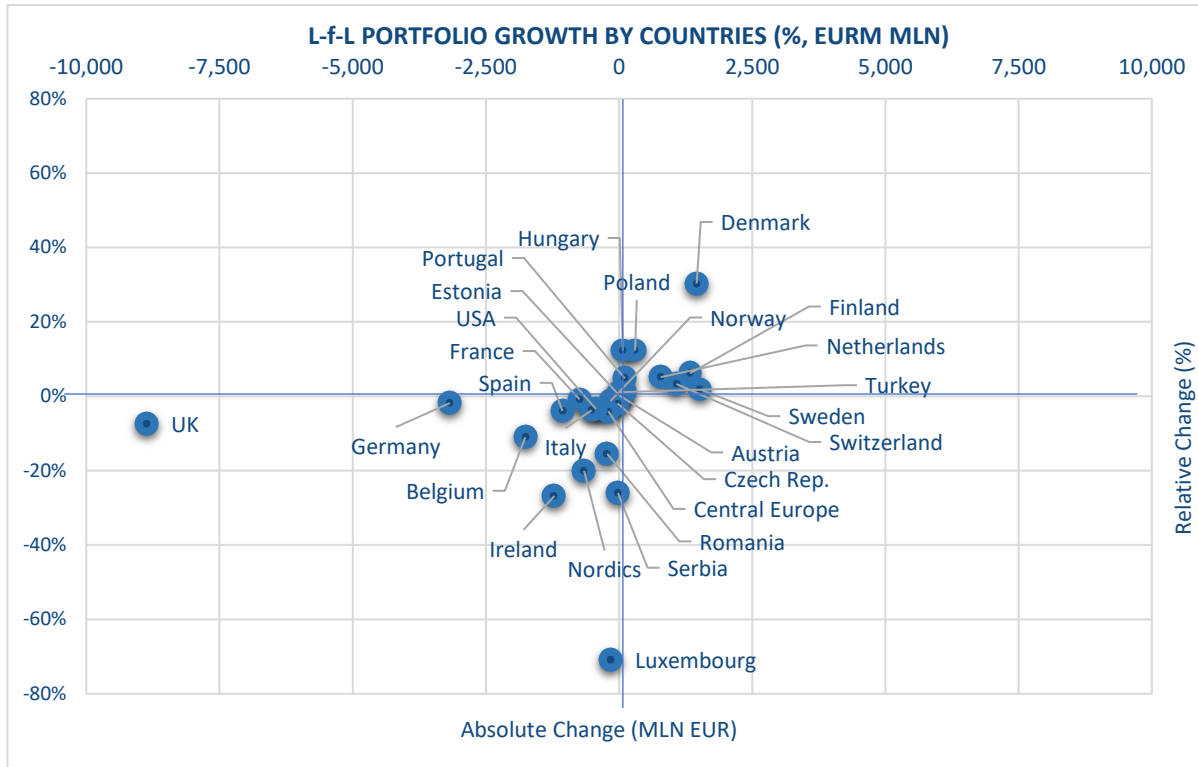


Source: EPRA own computation

The growth in the Self-storage sector continues to be driven by the portfolio increase of existing players with Shurgard Self Storage (+EUR 652 Mln Bln), Safestore Holdings (+EUR 678 Mln) and Big Yellow Group (+EUR 106Mln). 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 1 company entering new sectors, primarily industrial.

The waterfall chart above shows that the change in the L-f-L portfolio was approximately the same of all index constituents' portfolio (-EUR 12 Bln).

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 and Turkey. 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 Danish (+30.3%), Polish (+12.3%) and Hungarian (12.3%) property portfolio values. If we include the new additions we have Hungary (23.7%) second followed by Czech Republic (12.9%) and Poland (12.33%).

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 2022 portfolio value of the company that belongs to L-f-L sample in the local currency and in the EUR by using both 2021 and 2022 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 Norwegian portfolio. Norwegian Korona depreciated by 11.63%, even though the country exposure for the L-f-L portfolio was considerably smaller it had generated a decrease of EUR 886 Mln for Entra ASA.

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	100,459	0.31%	117,065	116,698	367
CHF	35,636	2.54%	36,510	35,605	905
SEK	1,179,819	-9.09%	100,119	110,128	-10,010
NOK	78,634	-11.63%	6,727	7,613	-886
TOT	-	-	260,421	270,044	-9623.525411

Source: EPRA own computation

Other FX movements are as well included in the reported statistics. In addition to the NOK we have the depreciation of the Swedish Korona (-9.09%) that led to a decrease of 10 Bln. All other currencies had an appreciation. Considering Switzerland (EUR 36 Bln) and UK (EUR 117 Bln) exposure to L-f-L portfolio, the appreciation of their currency translates into a gain of 1.27 Bln.

By looking at the corresponding countries we can see that the Sweden had the best performance with a 1,1 Bln increase followed by Denmark (EUR 871.77 Mln), Norway (EUR -191 Mln) and Sweden (-5 Bln).

Company-level portfolio analysis

TAB V. 2022 COMPANY-LEVEL PORTFOLIO SIZE (EUR MLN) RANKING – TOP 10

RANKING	CONSTITUENT NAME	COUNTRY	PORTFOLIO SIZE (Mln)
1	Vonovia SE	GER	62,362
2	Unibail Rodamco Westfield	FRA	52,250
3	Aroundtown SA	GER	27,814
4	Deutsche Wohnen SE	GER	27,610
5	Covivio	FRA	23,224
6	Gecina	FRA	20,091
7	Klepierre	FRA	19,832
8	LEG Immobilien AG	GER	19,631
9	Segro	UK	17,702
10	Fastighets AB Balder B	SWED	17,110

Source: EPRA own computation

As for the company-level portfolio analysis: Aroundtown, Klepierre and LEG Immobilien has overpassed respectively Deutsche Wohnen, Gecina and Segro. Vonovia and Unibail Rodmaco held the first two positions for two consecutive years with a total value that represents 40 % of the TOP 10 constituents.

TAB VI. 2022 COMPANY-LEVEL PORTFOLIO SIZE (EUR MLN) RANKING – BOTTOM 10

RANKING	CONSTITUENT NAME	COUNTRY	PORTFOLIO SIZE (Mln)
1	HOME INV.BELG-SIFI	BELG	746
2	Ascencio	BELG	739
3	Custodian Property Income REIT	UK	715
4	NewRiver REIT	UK	643
5	Impact Healthcare REIT	UK	588
6	Schroder Real Estate Investment Trust	UK	548
7	CT Property Trust	UK	478
8	ABRDN Property Income Trust	UK	476
9	Residential Secure Income	UK	475
10	AEW UK REIT	UK	249

Source: EPRA own computation

Constituents with smaller portfolio are in majority from the UK except Ascencio and HOME Invest which are from Belgium. All of the UK constituents tend to continue to grow their presence in domestic markets while the two Belgian ones have a more diversified portfolio across Netherlands France and Spain.

TAB VII. 2022 COMPANY-LEVEL PORTFOLIO VARIATION (EUR MLN) RANKING - TOP 10

CONSTITUENT NAME	COUNTRY	2020	2021	VAR Mln EUR	%
Vonovia SE	GER	64783	62,362	-2421	-3.74%
Unibail Rodamco Westfield	FRA	54473	52,250	-2223	-4.08%
Aroundtown SA	GER	29246	27,814	-1432	-4.90%
Deutsche Wohnen SE	GER	28731	27,610	-1121	-3.90%
Covivio	FRA	24059	23,224	-835	-3.47%
Gecina	FRA	20102	20,091	-11	-0.05%
Klepierre	FRA	20713	19,832	-881	-4.25%
LEG Immobilien AG	GER	18693	19,631	938	5.02%
Segro	UK	19445	17,702	-1743	-8.96%
Fastighets AB Balder B	SWED	17907	17,110	-797	-4.45%

Source: EPRA own computation

Regarding the company-level portfolio variation of top 10 companies, most of them experienced a decrease except for LEG Immobilien that had an increase of 5.02% with an absolute value of EUR 938 Mln. Vonovia has demonstrated the greatest change in portfolio value (- EUR 2,421 Mln) both followed by Segro (- EUR 1,743 Mln) and URW (- EUR 2,223 Mln).

TAB VIII. 2022 COMPANY-LEVEL PORTFOLIO VARIATION (EUR MLN) RANKING - BOTTOM 10

CONSTITUENT NAME	COUNTRY	2020	2021	VAR Mln EUR	%
	Y				
HOME INV.BELG-SIFI	BELG	702	746	44	6.23%
Ascencio	BELG	710	739	29	4.08%
Custodian Property Income REIT	UK	773	715	-58	-7.47%
NewRiver REIT	UK	708	643	-65	-9.17%
Impact Healthcare REIT	UK	508	588	79	15.60%
Schroder Real Estate Investment Trust	UK	608	548	-60	-9.86%
CT Property Trust	UK	378	478	100	26.40%
ABRDN Property Income Trust	UK	572	476	-96	-16.74%
Residential Secure Income	UK	376	475	99	26.20%
AEW UK REIT	UK	240	249	9	3.75%

Source: EPRA own computation

Six of the bottom 10 companies have increased in the value, all of them UK constituents. Three out of four with Office exposure had a decrease in value mainly due to the contraction in the office market sector. ABRDN Property Income trust had a 29.26% drop in Office exposure due to a series of disposals of assets and a more concentration on Industrial/Logistics, Retail and alternative investments as data centres. The biggest increase can be seen with CT property Trust that had a growth of EUR 100 Mln balancing the decrease in Office with exceptional increase in Industrial and retail sector that represent 78% of their portfolio.

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