EURONEXT

EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

REAL ESTATE BAROMETER

Trends and key figures of the Real Estate sector on Euronext markets

H1 2020

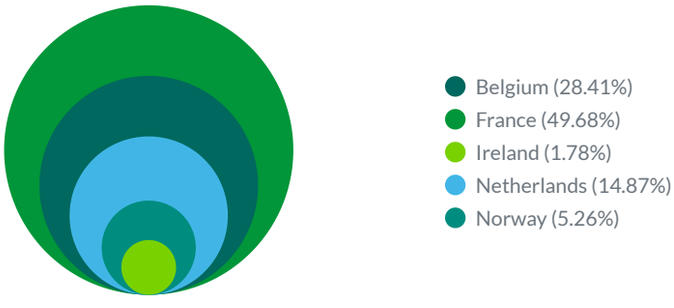
Euronext and EPRA (the European Public Real Estate Association) have joined forces to produce the first edition of the Real Estate Barometer, which analyses the key trends and figures of the listed European Real Estate sector. The Real Estate Barometer delves into Real Estate Investment Trusts (REITs) and Real Estate Developers listed on Euronext markets, and analyses EPRA indices' performance and valuation, which track a basket of listed European real estate companies. With this Barometer, Euronext and EPRA aim to raise awareness on the sector as well as provide key analytics on its recent developments to the investors' community.

MARKET CAPITALISATION

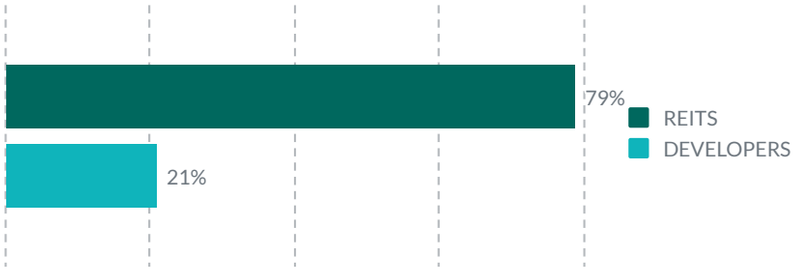
As of 30 June 2020 – there are 66 Real Estate issuers listed on Euronext's main markets (excluding MTFs), valued at a combined €84.9 billion.
France represents the largest market for Real Estate issuers with 27 listed companies, followed by 22 in Belgium, 9 in the Netherlands, 5 in Norway and 3 in Ireland.

Market capitalisation remains concentrated around Real Estate Investment Trusts (REITs) which account for 79% of the total sector market capitalisation, compared to 21% for Real Estate developers.

MARKET CAP BY EURONEXT MARKET

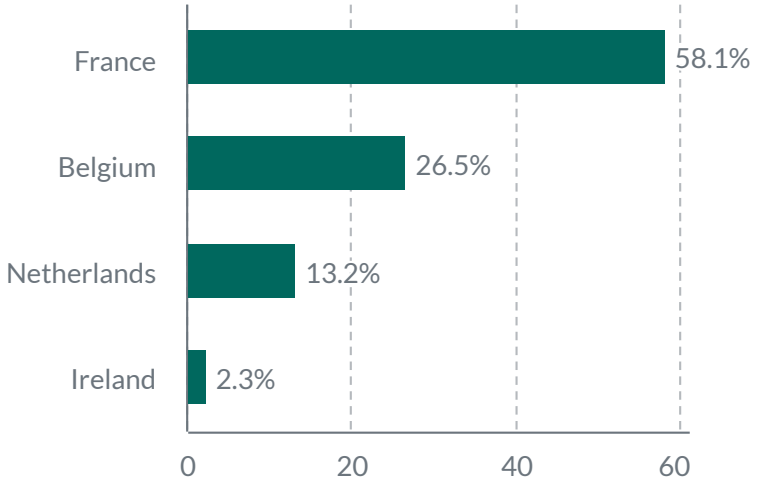


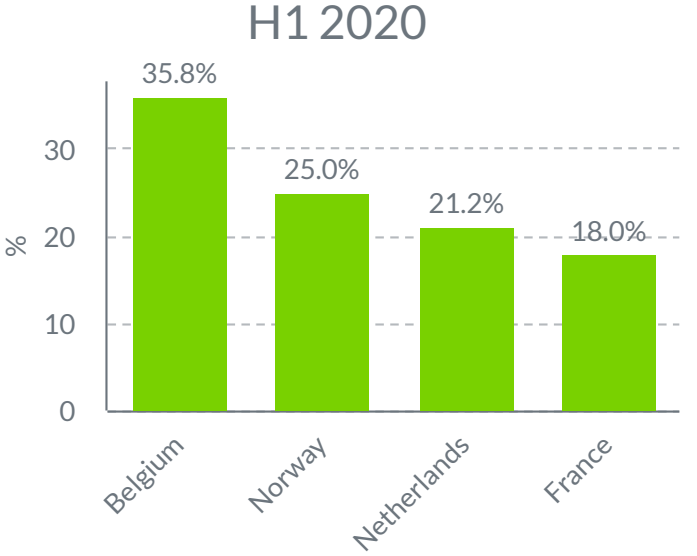
MARKET CAP BY REAL ESTATE SPECIALTY



REITs MARKET CAP H1 2020

DEVELOPERS MARKET CAP



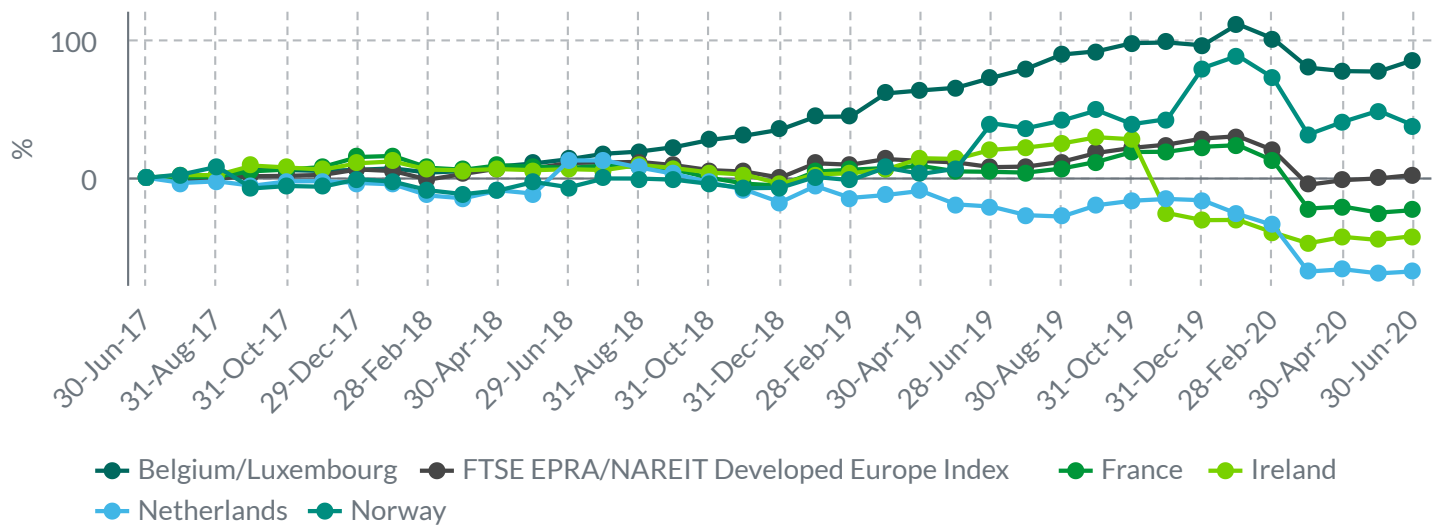


Comparing FY 19 figures to H1 20, following the COVID-19 crisis, we report a total market capitalisation decrease of €37.9 billion across the entire sector. Real Estate developers were more resilient than REITs, posting a 19% market capitalisation decline, compared to 33% for REITs. Across locations, Belgian REITs were the most resilient, posting a 6% drop in market capitalisation, and Dutch REITs hit the hardest with a 61% decline. Belgian developers were the only ones posting a positive evolution in market capitalisation among developers: up by 9.5% in H1 20 vs FY 19, as a result of the two equity deals completed in Q2 20.

PERFORMANCE

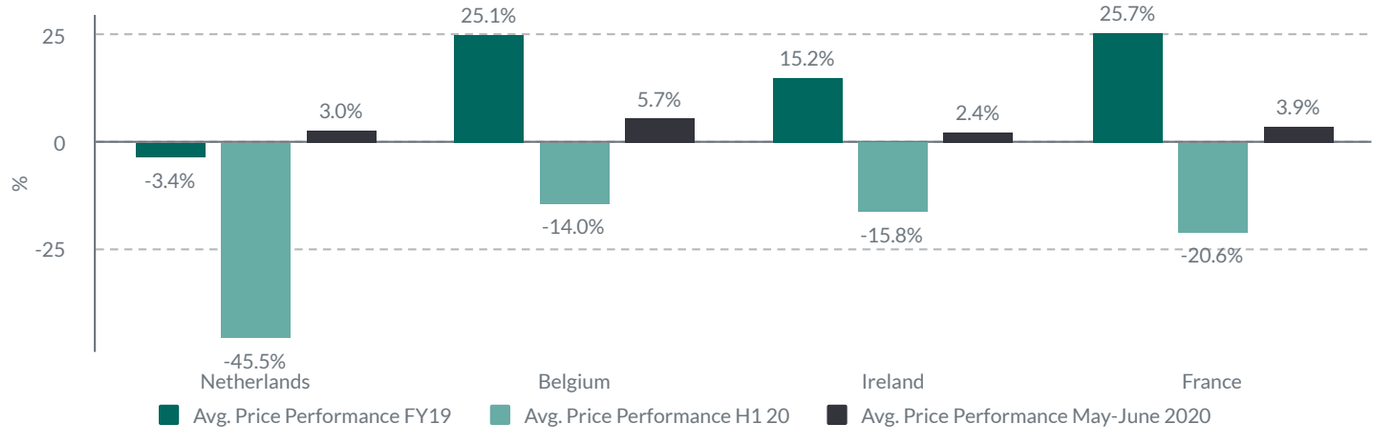
According to EPRA figures, the FTSE EPRA Nareit Developed Europe Index represented a total market capitalisation of €213 billion as of 30 June 2020 – down by 24.6% since the COVID-19 crisis period (as determined from 20 February to 30 June 2020) and -20.5% YTD. Across the different markets, only Finnish issuers posted a market capitalisation increase in the post-COVID period (20 February - 30 June 2020), also ranking best performers YTD. The country most impacted by the crisis was the Netherlands, which saw the sector's market capitalisation decrease by 57.2% in the post-COVID period and 61.3% YTD. However, looking at a yearly evolution - across Europe - market capitalisation only dropped by 5.2%, supported by positive performance from Belgian/Luxembourgish, Finnish, German and Swiss issuers.

MARKET CAP EVOLUTION BY EURONEXT MARKET (EPRA Indices)

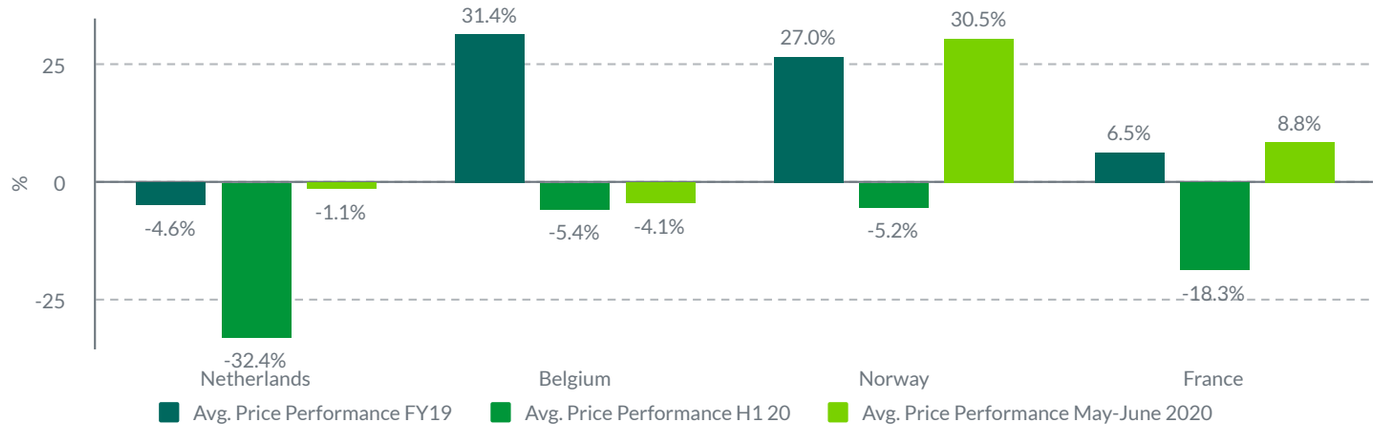


After a strong performance in 2019, posting an average c. 20% price increase, the Real Estate sector was impacted by the effects of the COVID-19 crisis in the first half of the year, dropping by c. 18% on average. Across the whole sector, Dutch REITs posted the worst performance, down by 46% on average, while Norwegian developers were the most resilient, only dropping by 5% during the first half of the year.

REITs PRICE PERFORMANCE BY LOCATION

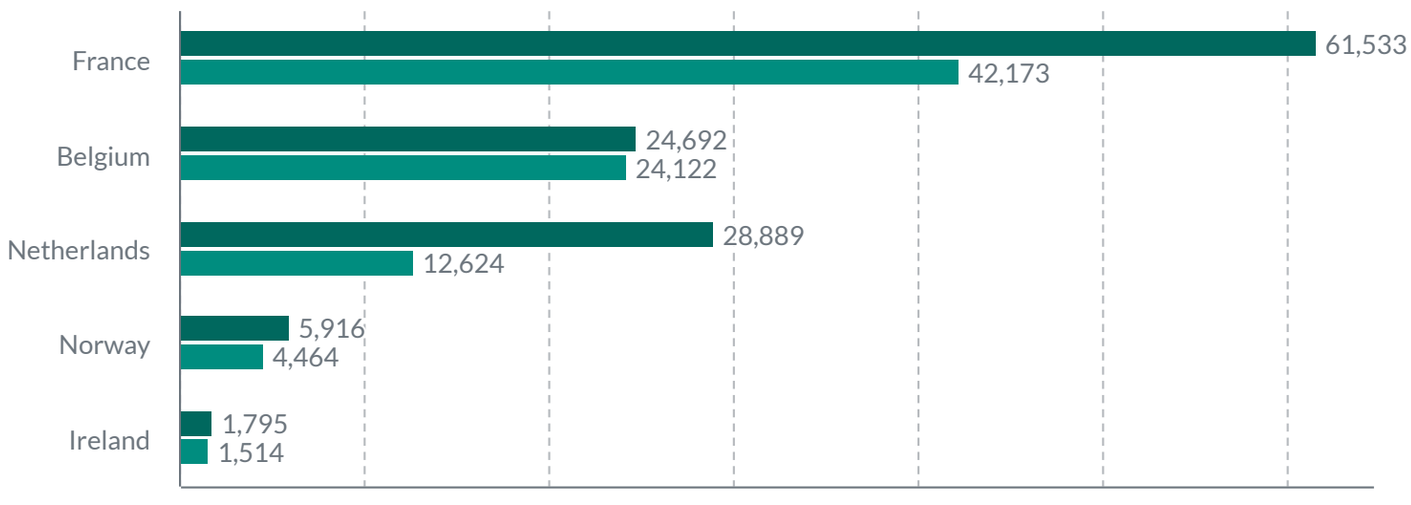


DEVELOPERS PRICE PERFORMANCE BY LOCATION



After the March-April drop, the whole sector started recovering in May and June, posting an average increase of 4.4% for REITs and 8.9% for Real Estate developers. Belgian REITs posted an average 5.7% advance, followed by French REITs with 3.9% in the last two months of H1 2020. As for Real Estate developers, Norwegian REITs advanced by 30.5% on average, followed by French developers posting an 8.8% advance. Both Dutch and Belgian developers declined, posting a 1% and 4% drop respectively in the May-June period.

MARKET CAP EVOLUTION BY EURONEXT LOCATION

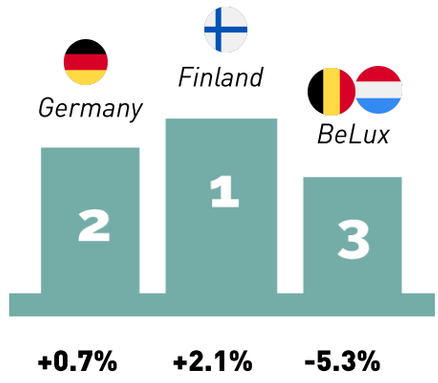


The FTSE EPRA Nareit Developed Europe Index ended the first half of 2020 down by -22.7%, EPRA price return data shows.

Across the different sub-sectors, Residential shows strong performances, delivering a +3.7% price return YTD and being the only sub-sector in green territory for the first half of the year. On a 3-year price return basis with 36%, Residential is also in the top 3 best performing sub-sectors. After strong performances in 2019, Self-Storage and Healthcare issuers appear to underperform so far this year, ending H1 2020 down by -19.2% and -10.3% respectively. Furthermore, Industrial shows a slight negative trend ending H1 down by 5.1% but tops the rank with a 3-year price return of 59%. On the other side of the spectrum, Retail remains under pressure when looking at the past 3 years: price return stands at c. -72% since 2017, while YTD data shows the sector is down by -57.9%. Office underperforms with -29.9% YTD.

TOP 3

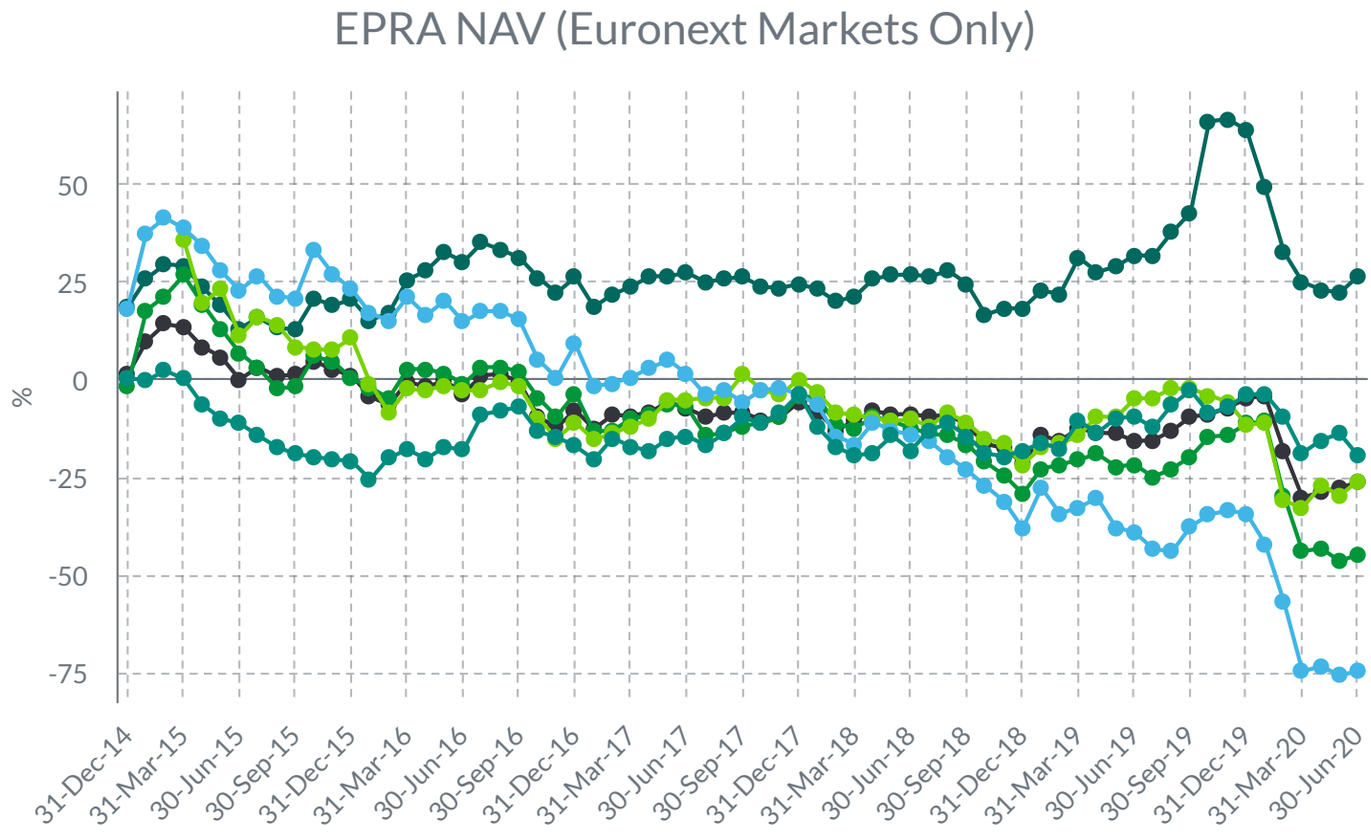
BEST PERFORMING REGIONS YTD*



*Total Return

SECTOR VALUATION

Net Asset Value discount stood at 26% for total listed Real Estate companies as of 30 June 2020 according to EPRA figures, up from 5% discount as of end 2019. Since H2 17, when the average discount stood at c. 9%, the figure has been increasing, with the exception of Q4 19, which saw the sector trading at the lowest discount in 3 years.



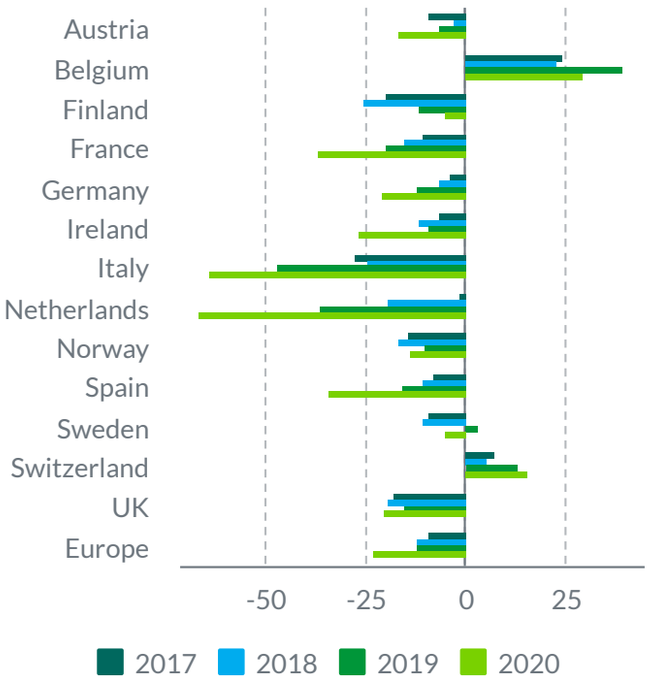
Europe Belgium France Ireland Netherlands Norway

A great variance can be noticed between the individual countries. Indeed, the differential between highest premium/discount stood at c. 101% as of 30 June 2020. Belgian constituents of the FTSE EPRA Nareit Developed Europe traded at a 26% premium, the highest in Europe, compared to a 75% discount for Dutch issuers. Taking into account the Euronext countries only, the average discount to NAV of 28%. Among those, Belgium has been the only country trading at a premium to NAV during the last 3 years, averaging 30% premium between H2 2017 and H1 2020.*

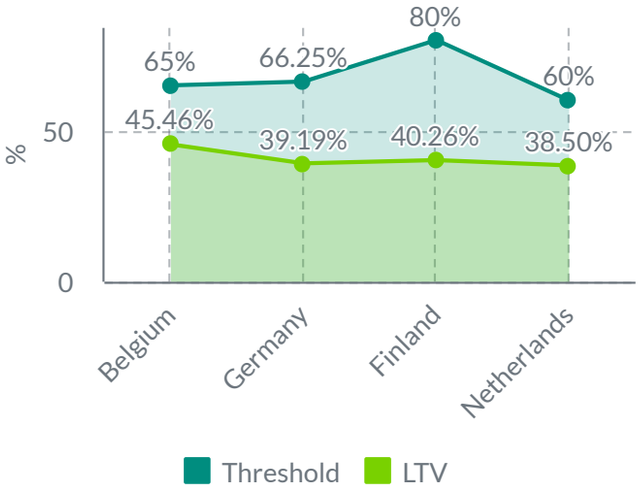
European listed Real Estate experienced a clear valuation reset since FY 19. Indeed, discount for the European sector as a whole increased from an average 7.2% in Q4 19, to an average 27.7% (representing a 20% increase) in Q2 20. Regarding Euronext countries, discounts have increased on average by 29%, with Belgium experiencing the largest increase (+42% discount since Q4 19).*

Looking at Loan-to-Value ratio, the figure stood at 37.26% as of June 2020 at a European level. Three countries have clear LTV thresholds: Germany, Belgium and Finland. Belgium is trading closest to the threshold (65%) while Finland, with 40.3%, is trading furthest from the LTV threshold (80%). The Netherlands have a different leverage ratio threshold: the maximum leverage ratio is 60% of the tax book value of directly/indirectly held Real Estate. With 38.50% LTV as of June 2020, the Netherlands is not trading close to the threshold.*

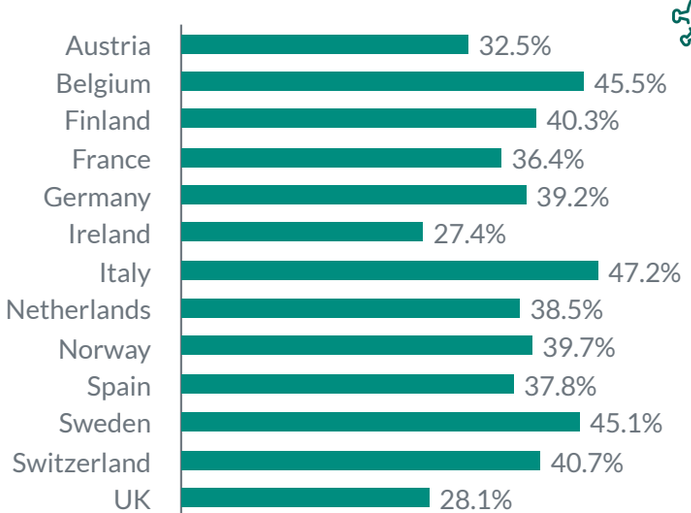
AVERAGE EPRA DISCOUNT TO NAV (in %)



EPRA LTV (30 June, 2020) vs THRESHOLD

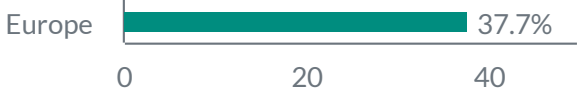


EPRA LTV (30 June, 2020)



Comparing February 2020 (pre-COVID) to June-end figures across Europe, there is no substantial change in leverage across different markets. In Europe, on average, LTV increased by 1.14% during the period. Looking at YoY changes, Europe saw a 24 bps increase in LTV, with 8 out of the 13 countries covered by EPRA experiencing a decrease in LTV.

Largest decrease YoY



Austria: 44.5% to 32.5% (from June 2019 to June 2020).

**Based on EPRA figures*

TRADING ACTIVITY

After a strong year in 2019, during which trading volumes increased by an average of 16% across the sector, Real Estate issuers experienced a further increase in trading volumes in the first half of 2020. Average annualised velocity for the first half stood at 48%, while the FY 19 figure was 22%.

Large-caps saw the largest increase in liquidity: their average daily turnover (ADT) reached €11.5m in H1 2020, vs €7.9m in 2019. Mid-cap issuers saw their ADT increasing from €493k to €732k and small-cap issuers saw a decrease from €30k to €26k. For the latter, the trend continues its course after 2019 which saw a general decline in daily turnover, nearly halved last year compared to a 3-year historical average.

FTSE EPRA NAREIT Developed Europe Index constituents saw a 32% increase in volumes in 2019 vs the previous 3 years. Since the start of the year, average daily turnover (ADT) increased even further, in line with the pool of companies listed on Euronext. Average daily turnover rose from €5.3 million in 2019 to €7.8 million in H1 20, representing a 48% increase. Out of the 122 constituents, only 24 saw a decrease in ADT during that period, with the remainder all seeing an increase in liquidity.

H1 2020 Sector Average Daily Turnover (ADT):

€4.1 million vs €2.9 million in FY 19

TOP 3

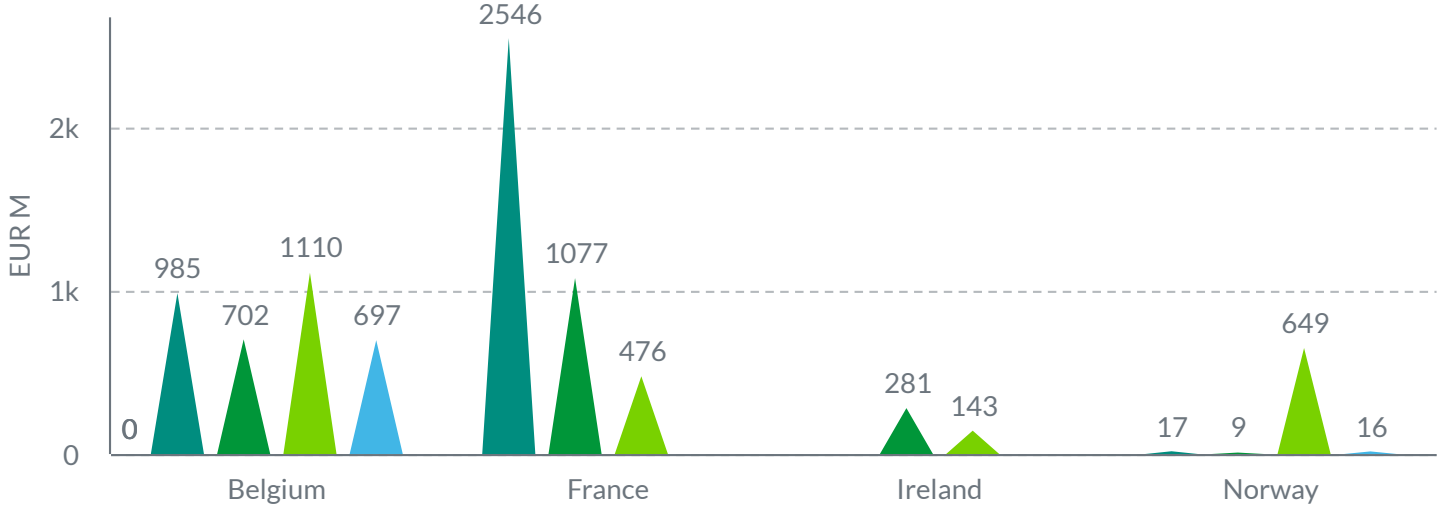
MOST ACTIVE LIQUIDITY PROVIDERS*

1. *KBC Securities / Banque Degroof Petercam*
2. *Kempen*
3. *ODDO BHF*

**By number of mandates, for members adhering to the Euronext Liquidity Provider Programme for Equities*

CAPITAL MARKETS ACTIVITY

EQUITY SECONDARY DEALS ON EURONEXT MARKETS



Following a strong 2019, which saw a total of €2.4 billion being raised in the sector via follow-ons in Belgium, France, Ireland and Norway, 2020 brought strong secondary activity as soon as the market window reopened, after the March/April drop related to the COVID-19 crisis.

Average transaction size across Euronext markets in 2020:

€79.2 million

vs €124 million in 2019
vs €108 million in 2018

Since January, a total of 9 equity deals were priced, for a total amount raised of c. €713 million. Belgium was the most active market as it welcomed 7 of the 9 deals.

Back in 2019, Belgian issuers stood out again with respect to secondary market activity: they posted the highest figure for amount raised at €1.1 billion, followed by Norway with €0.7 billion, France with €0.5 billion and Ireland with €0.1 billion.

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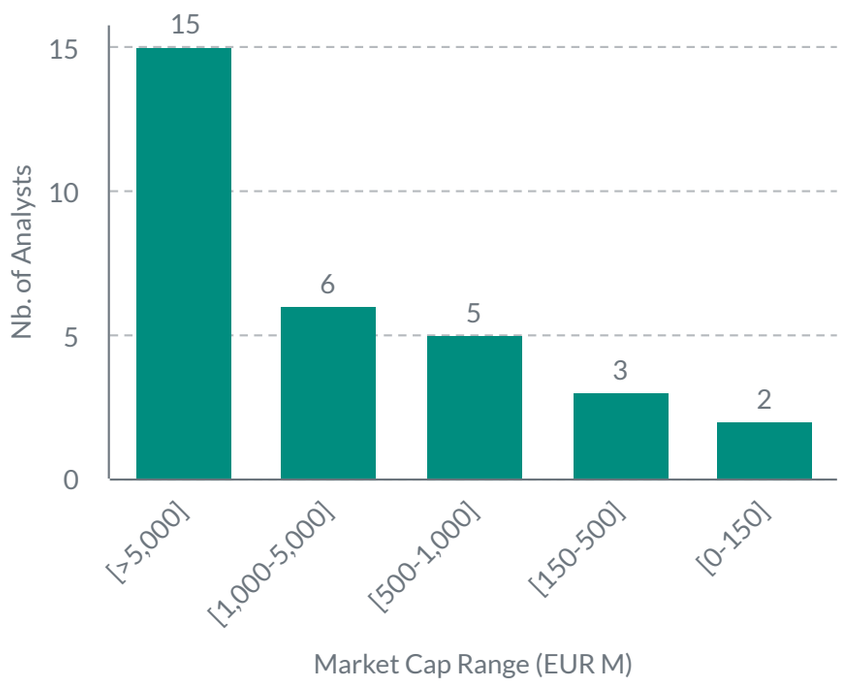
SELL-SIDE COVERAGE

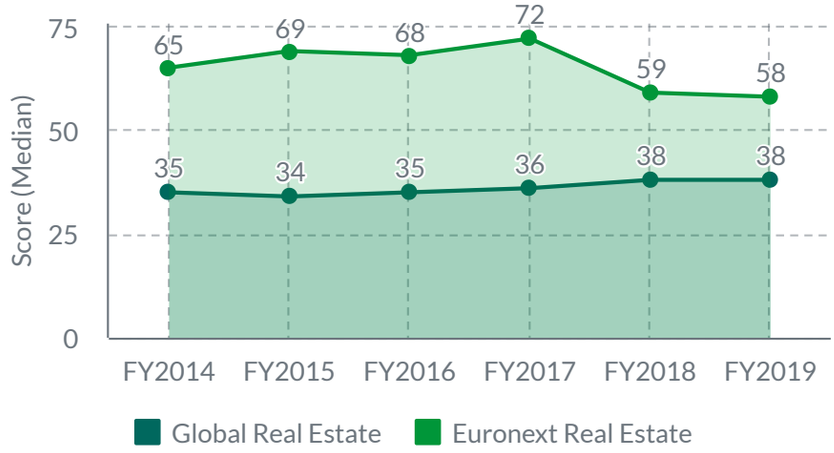
Overall, the average number of analysts covering the Euronext Real Estate companies is 4.8 as of H1 2020, with REITs having a broader coverage than the developers (5.3 vs 3.6 on average). Real Estate companies with a market capitalisation higher than €5,000 million have a median of 15 analysts covering their stock, while companies with a market capitalisation of less than €100 million have a median of 1.5 analysts coverage.

MEDIAN ANALYST COVERAGE



SUSTAINABILITY - ESG SCORES

MEDIAN ESG SCORE



Looking at the Refinitiv Environmental, Social and Governance (ESG) scoring*, the REITS sector (median) in the 6 Euronext countries ranks in the 58th percentile of the distribution (with a score corresponding to a B), compared to a ranking in the 38th (C) percentile (median) for the whole of the Real Estate sector.

On this same grading scale, REIT sectors in France and the Netherlands perform better than other countries, with ESG scores ranging from 54th (B-) percentile to 81st (A-) percentile. Belgian issuers rank (median) in the 48th (C+) percentile, Irish issuers in the 40th (c) percentile and Norwegian issuers in the 20th (D+) percentile.

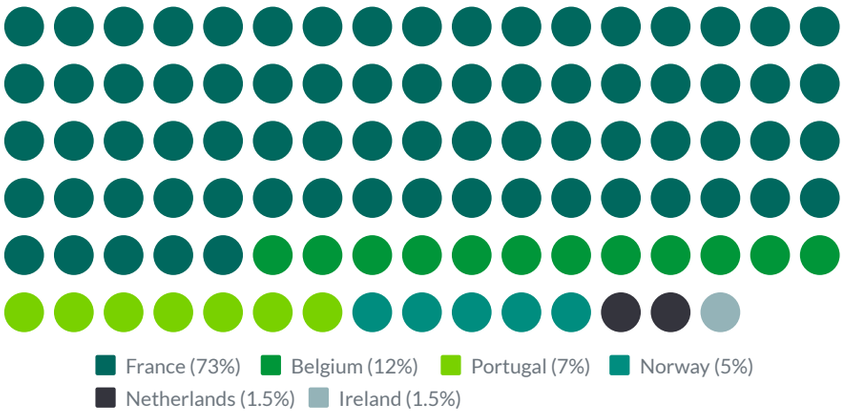
**For scoring methodology, visit refinitiv.com/ESG*

MTF AND DOUBLE AUCTION-LISTED ISSUERS

On Euronext markets, 55 Real Estate companies are currently trading on a fixing (double auction) scheme. Of those, 24 are listed on an MTF. An additional 4 companies are listed on an MTF, but trading under a continuous scheme.

The aggregate market capitalisation of these companies totalled c. €4.1 billion as of June 30 compared to €4.5 billion in 2019, with France hosting most of these issuers.

MTF-LISTED AND DOUBLE AUCTION ISSUERS



Paving the way to Europe's capital markets

Euronext markets increasingly attract international REITs from Spain and Portugal, which are looking for a gateway to access European capital markets. Since specific investment vehicles were established in Spain (Socimis*) and Portugal (SIGIs**), our MTF markets have welcomed a total of 12 Spanish and Portuguese REITs. Just in H1 2020, a total of 3 Socimis and 1 SIGI were listed on our market.

** Sociedades Anónimas Cotizadas de Inversión Inmobiliaria*
***Sociedades de Investimento e Gestão Imobiliária*

This Barometer was published by Euronext in collaboration with EPRA and gathers data from companies listed on Euronext Amsterdam, Brussels, Dublin, Lisbon, Oslo, and Paris. For the purpose of this analysis, issuers trading under the Fixing method, as well as issuers listed on MTFs (Euronext Growth and Euronext Access) were dedicated a separate section of the analysis. Sectorial and sub-sectorial classifications are based on the MSCI Global Industry Classification Standards (GICS).
Data sources: EPRA, Euronext, Thomson Reuters Eikon, Bloomberg, FactSet and Refinitiv.

Click on the links below to learn more about:

- *The Refinitiv Methodology for ESG index*
- *EPRA Index page*
- *EPRA Glossary*

List of Real Estate issuers on Euronext main markets:

A.S.T. GROUPE
ACANTHE DEV.
ACCENTIS
AEDIFICA
ALTAREA
ARGAN
ARTEA
ASCENCIO
ATENOR
ATRIUM EUR REALEST
BANIMMO A
BEFIMMO
CAPELLI
CARE PROPERTY INV.
CARMILA
CBO TERRITORIA
CEGEREAL
COFINIMMO
COVIVIO
COVIVIO HOTELS
ENTRA
EUROCOMMERCIAL
FONC. PARIS NORD
FONCIERE ATLAND
FONCIERE INEA
FONCIERE LYONNAISE
GECINA NOM.
GREEN REIT PLC
HIBERNIA REIT PLC
HOME INVEST BE.
ICADE
IMMOB.DASSAULT
IMMOBEL
INTERVEST OFF-WARE
IRISH RES. PROP.
KARDAN
KAUFMAN ET BROAD
KLEPIERRE
LEASINVEST
LESNXCONSTRUCTEURS
MERCIALYS
MONTEA C.V.A.
NEPI ROCKCASTLE
NEXITY
NORWEGIAN PROPERTY
NSI N.V.
OLAV THON EIENDOMSSELSKAP
PAREF
PATRIMOINE ET COMM
QRF
RETAIL ESTATES
SCBSM
SELVAAG BOLIG
SHURGARD
STORM REAL ESTATE
TOUR EIFFEL
UNIBAIL-RODAMCO-WE
VASTNED
VASTNED RETAIL BEL
VGP
WAREHOUSES
WDP
WERELDHAVE
WERELDHAVE BELGIUM
XIOR
YATRA

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