Welcome to the third edition of the EPRA Research Digest.

At the EPRA conference in Berlin in September, we presented the findings of the CEM Benchmarking study, a paper that was commissioned at the end of 2017 with the aim of understanding how listed real estate measures against other asset classes in pension fund portfolios when looking at the performance and investment costs.

This Digest provides an insight into the key findings from the CEM Benchmarking study. The full report is now available for download here.

We have also included a short video with the key highlights of the ERES annual conference which took place earlier this year.

On a final note, the EPRA Research Committee is now inviting Proposals for Research Projects for 2019 on research topics identified as most relevant for the listed real estate industry. For more information, please click here.

This Digest is divided into four sections:

1. Invitation for Research Proposals 2019
2. EPRA-sponsored research projects – CEM Benchmarking study
3. Research produced by EPRA
4. ERES conference 2018 in Reading, UK

Alex Moss

Chairman, EPRA Research Committee
**Invitation for Research Proposals 2019**

EPRA’s Research Committee is now inviting Proposals for Research Projects that support the mission of EPRA in improving the understanding and awareness of the European listed real estate sector.

The submissions are open to both academic researchers and market practitioners.

The research committee is seeking proposals on the following topics:

- Traditional versus emergent property sectors
- Listed versus unlisted real estate – an international comparison
- Mergers and acquisitions
- Active versus passive fund management
- The impact of market disruptors on European listed real estate

**Deadline for submissions: Wednesday, 14 November 2018**

For more information, please access the document [here](#) or contact us on research@epra.com

**EPRA-sponsored research projects**

**Asset allocation, cost of investing and performance of European DB pension funds: The impact of real estate**

By CEM Benchmarking

Listed real estate – how does it compare to other asset classes?

Covering over EUR 2 trillion of assets under management (representing over 36% of European pension assets), the CEM Benchmarking study looks at a detailed comparison of eight asset classes in terms of allocation, cost of investing and performance. The database used by CEM Benchmarking offers a unique insight into the portfolio composition of the UK, Dutch and other European institutional investors over a 12-year period with over 92% of the overall dataset based on DB pension funds.

To ensure clear and consistent comparability of listed and unlisted asset classes, the returns of private equity, unlisted real estate and unlisted infrastructure have been de-lagged. For more information on the method, please see the [full report](#).
Below follows a breakdown of the key findings of the paper in relation to listed real estate:

**Performance**

- Listed real estate was the best performer in the UK, second best in the Dutch and fourth in other European institutional investor portfolios, delivering 10.93%, 9.32% and 5.59% average annual net return respectively for the periods with the longest data coverage availability.

**Average annual net return**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed real estate (10.93%)</td>
<td>Private equity (10.78%)</td>
<td>Private equity (11.55%)</td>
<td></td>
</tr>
<tr>
<td>Private equity (10.86%)</td>
<td>Listed real estate (9.32%)</td>
<td>Public equity (7.75%)</td>
<td></td>
</tr>
<tr>
<td>Public equity (10.76%)</td>
<td>Public equity (9.09%)</td>
<td>Unlisted real estate (7.41%)</td>
<td></td>
</tr>
<tr>
<td>Fixed income (8.17%)</td>
<td>Fixed income (5.94%)</td>
<td>Listed real estate (5.59%)</td>
<td></td>
</tr>
<tr>
<td>Unlisted infrastructure (7.89%)</td>
<td>Hedge funds (2.89%)</td>
<td>Unlisted infrastructure (5.55%)</td>
<td></td>
</tr>
<tr>
<td>Unlisted real estate (5.77%)</td>
<td>Unlisted real estate (2.89%)</td>
<td>Fixed income (5.17%)</td>
<td></td>
</tr>
<tr>
<td>Hedge funds (4.13%)</td>
<td>Other (-0.46%)</td>
<td>Hedge funds (5.14%)</td>
<td></td>
</tr>
<tr>
<td>Other (2.32%)</td>
<td>Unlisted infrastructure (NA)</td>
<td>Other (-2.74%)</td>
<td></td>
</tr>
</tbody>
</table>

**Investment costs**

- When looking at the investment costs, listed real estate has one of the lowest costs among eight asset classes. In contrast, private equity was the most expensive asset class of all.

**Average investment cost**

<table>
<thead>
<tr>
<th>Lowest cost</th>
<th>UK funds</th>
<th>Dutch funds</th>
<th>Other European funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income (5 bps)</td>
<td>Fixed income (6 bps)</td>
<td>Fixed income (4 bps)</td>
<td></td>
</tr>
<tr>
<td>Public equity (11 bps)</td>
<td>Public equity (7 bps)</td>
<td>Public equity (12 bps)</td>
<td></td>
</tr>
<tr>
<td>Unlisted real estate (69 bps)</td>
<td>Listed real estate (28 bps)</td>
<td>Listed real estate (24 bps)</td>
<td></td>
</tr>
<tr>
<td><strong>Listed real estate (78 bps)</strong></td>
<td>Other (31 bps)</td>
<td>Unlisted real estate (46 bps)</td>
<td></td>
</tr>
<tr>
<td>Other (100 bps)</td>
<td>Unlisted real estate (114 bps)</td>
<td>Other (64 bps)</td>
<td></td>
</tr>
<tr>
<td>Unlisted infra. (187 bps)</td>
<td>Unlisted infra. (159 bps)</td>
<td>Unlisted infra. (150 bps)</td>
<td></td>
</tr>
<tr>
<td>Hedge funds (227 bps)</td>
<td>Hedge funds (261 bps)</td>
<td>Hedge funds (258 bps)</td>
<td></td>
</tr>
<tr>
<td>Private equity (415 bps)</td>
<td>Private equity (454 bps)</td>
<td>Private equity (382 bps)</td>
<td></td>
</tr>
</tbody>
</table>

**Asset allocation**

- Public equity and fixed income remain the largest two asset classes for pensions funds across all regions studied, with allocations in 2016 making up as much as 84%. Proportion of listed real estate
through the public equity allocation varied between 3.5% for Dutch funds, 3% for UK funds and 5.5% for other European funds.

- Allocation to listed real estate stands at 1.8% in 2016, with approximately EUR 40 billion invested in the sector.

---

**Aggregate asset class holdings (2016)**

- Public equity and fixed income (84.4%)
- Other asset classes (13.8%)
- Listed real estate (1.8%)

---

Explore the full research [here](#) or access our [interactive infographic](#) for more insight.
Emerging Markets report

What has been the performance of listed real estate in Emerging markets?

This report aims to answer this question by assessing the size and performance of the main emerging listed real estate markets as well as comments on the key drivers and changes observed during the first half of 2018. Moreover, a short explanation of the main effects of the reclassification of Poland (to Developed) and Kuwait (to Emerging) for the index series is presented.

Key takeaways: In 2018, the emerging markets have lost momentum and turned into negative returns, although remain positive on a 1-year rolling window. During the first six months of 2018 the FTSE EPRA Nareit (FEN) Emerging Index lost -4.22% in EUR, an underperformance of 7.06% compared to the FEN Global Index. All the regions exhibited a negative return: Emerging Americas (-13.41%), Emerging EMEA (-9.90%) and Emerging Asia-Pacific (-1.99%). These results were in line with a negative performance of most of the equity markets in emerging countries around the world.

In September 2017, FTSE Russell announced that Poland will be reclassified to a Developed (previously Advanced Emerging) and Kuwait will be reclassified to a Secondary Emerging (previously Unclassified).

Effective from September 2018, Poland’s reclassification represents the first movement from Emerging Market to Developed Market status in 9 years, with the last one being South Korea in September 2009, whilst Kuwait’s reclassification is in line with the general improvement observed in the Middle East market. Last change was Qatar moving from Frontier to Secondary Emerging Market in September 2016.

Access the research

Upcoming research

EPRA continues to focus on producing research which seeks to understand current industry trends. In the coming months, several research pieces will be published which will focus on exploring topics such as optimal asset allocation including listed and direct real estate, lodging and residential sector reports as well as consensus NAV forecast project.

ERES Conference 2018 in Reading, UK

This year, European Real Estate Society (ERES) celebrated its 25th anniversary and many reflected on how far the research in the real estate field has come.

EPRA hosted a research panel during the ERES conference where the topics of technological impact on the industry and the effect of share buybacks on share prices of listed real estate companies were discussed.

Find out more by watching the Digest video.
If there a specific topic that you would like to see covered by the EPRA research programme, please do not hesitate to contact us.

E research@epra.com
T +32 2 739 10 10

E alex.moss@consiliacapital.com
T +44 207 887 6086

EPRA Research Committee

Alex Moss (Consilia Capital) - Chairman
Eamonn D’Arcy (University of Reading)
Martin Hoesli (University of Geneva)
John Lutzius (Green Street Advisors)
Philippe Le Trung (VIEWS+S Consulting)
Ali Zaidi (EPRA)

Colin Lizieri (University of Cambridge)
Karen Sieracki (KASPAR Associates)
Emmanuel Jurczenko (EHL)
Mahdi Mokrane (LaSalle IM)
Hans Op ‘t Veld (PGGM)
Inna Maslova (EPRA)