Industry Magazine

ISSUE 75 | JANUARY 2022

Looking North for inspiration: Citycon's story

THE BENEFITS OF A HANDS-ON APPROACH TO RUNNING A FUND

Page 5

THE PANDEMIC'S QUIET SUCCESS STORY: SELF-STORAGE

Page 7

GREEN BONDS: DRIVING SUSTAINABLE CHANGE

Page 13

Members list

As of November 2021

AUSTRALIA
Resolution Capital

AUSTRIA
CA Immo
IMMOFINANZ
S IMMO

BELGIUM
Aedifica
AG Real Estate
Antwerp Management School
Ascencio
Befimmo
Care Property Invest
Cofinimmo
Degroof Petercam
Executive Master Immobilier/ St Louis Brussels
Home Invest Belgium
Intervest Offices & Warehouses
Montea
Nextensa
Qrf City Retail
Retail Estates
Shurgard Self Storage
Solvay Business School of the VUB Brussels University
VGP
WDP
Xior Student Housing

BRITISH VIRGIN
European Property Holdings

CANADA
Canada Pension Plan Investment Board

CZECHIA
CTP

DENMARK
REIT-Adviser

ESTONIA
Baltic Horizon
EfTEN Capital

FINLAND
Citycon
Investors House
Kojamo
KTI
Ovaro Kiinteistösijoitus
RAKLI
UB Real Asset Management

FRANCE
AXA Real Estate Investment Managers
Argan
BNP Paribas
Carmila
Claresco Finance
Covivio
Foncière INEA
Foncière Atland
Frey
Galimmo
Gecina
Icade
IEIF
Ivanhoé Cambridge Europe
Klépierre
Mazars Group
Mercialys
MRM
Natixis
Nexity
Paris Realty Fund
Selectirente
Société de la Tour Eiffel
Société Foncière Lyonnaise
Société Générale
Unibail-Rodamco-Westfield
Université Paris-Dauphine
VIEWS+S Consulting
Vitura

GERMANY
ADLER Real Estate
Allianz Real Estate
alstria office REIT
Aroundtown
AVENTOS
DEMIRE
Deutsche EuroShop
Deutsche Industrie REIT
Deutsche Konsum REIT
Deutsche Wohnen
DIC Asset
DVI Group
FCR Immobilien
Hamborner REIT
HAWK University
Heitman
Instone Real Estate Group
IREBS
LEG Immobilien SE
PricewaterhouseCoopers
Real Estate Management Institute
Summit Germany
TAG Immobilien
TLG IMMOBILIEN
VIB Vermögen
VictoriaPartners
Vonovia

GREECE
NBG Pangaea REIC
Noval Property
*Premia Properties**

HONG KONG
University of Hong Kong

IRELAND
Hibernia REIT
Irish Residential Properties REIT
Yew Grove REIT

ISRAEL
Amot Investments
Azrieli Group

ITALY
Aedes SIIQ
Chiomenti Studio Legale
COIMA RES
DeA Capital
IGD SIIQ
NEXT RE SIIQ

JAPAN
NN Investment Partners

KOREA
KAREIT

LUXEMBOURG
Adler Group SA
Baker & McKenzie
CPI Property Group
Dream Industrial REIT
Grand City Properties

MAURITIUS
Grit Real Estate Income Group

NETHERLANDS
ABN AMRO
Amsterdam School of Real Estate
APG Asset Management
a.s.r. real estate
Atrium European Real Estate
Bouwinvest
Brack Capital Properties
CB Richard Ellis
Deloitte Financial Advisory Services
EuroCommercial Properties
ING Bank Real Estate Finance
Kempen & Co
LaSalle Investment Management
Loyens & Loeff
MN Services
NSI
PGGM
PPHE Hotel Group
Redevco Europe Services
Triodos Vastgoedfonds
Vastned Retail
Wereldhave
Yardi

NORWAY
Entra
Norwegian Property
R8 Property

POLAND
GTC

ROMANIA
NEPI Rockcastle

SINGAPORE
Cromwell European REIT Management
National University of Singapore

SOUTH AFRICA
Growthpoint Properties

SPAIN
*Adriano Care**
*Aedas Homes**
Arima Real Estate
Atom Hoteles
Castellana Properties
Gmp Property
Inmobiliaria Colonial
Lar España
MERLIN Properties
Neinor Homes
Spain Financial Centre
Technical University of Madrid (UPM)

SWEDEN
Castellum
Catena Fastigheter
Cibus Nordic Real Estate
Diös Fastigheter
Fabege
Hufvudstaden
Kungsleden
Nyfosa
Pandox
Platzer
SBB
*Stenhus Fastigheter**
Wihlborgs

SWITZERLAND
Allreal Holding
B&I Capital
HIAG Immobilien
Mobimo Holdings
Orascom Development Holding
Peach Property Group
PSP Swiss Property
SF Urban Property AG
Swiss Prime Site
University of Geneva
Züblin Immobilien

UAE
Abu Dhabi Investment Authority
Aldar Properties

UNITED KINGDOM
Aberdeen Standard European Logistics
Aberdeen Standard Investments
AEW Europe
AMP Capital
Assura
Aviva Investors
Bank of America Merrill Lynch
Barclays Bank
Barclays Capital
BDO
Big Yellow Group
Blackrock Asset Management
BMO Global Asset Management (EMEA)
BMO Real Estate Investment
BMO Commercial Property Trust
British Land
Capital & Counties Properties
CASS Business School
CBRE Clarion Securities
Citigroup Global Markets Limited
Civitas Social Housing
CLS Holdings
CMS
Credit Suisse Securities
Custodian REIT
Derwent London
Deutsche Alternative Asset Management (UK)
Deutsche Bank
Ediston Property Investments
Empiric Student Property
EY
GCP Student
Globalworth
Goldman Sachs International
Grainger
Great Portland Estates
Green Street Advisors
Hammerson
Harworth Group
Helical plc
Home REIT
HSBC Bank
ICAMAP
Impact Healthcare REIT
Industrials REIT
Inland Homes
Invesco
Janus Henderson Investors
Jefferies
JLL
J.P. Morgan
KPMG
Landsec
LondonMetric Property
LXI REIT
MAS Real Estate
McKay Securities
Morgan Stanley
NewRiver REIT
Palace Capital
Phoenix Spree Deutschland
Picton Property Income Ltd
Premier Asset Management
Primary Health Properties
Principal Global Investors
RDI REIT
Regional REIT
Residential Secure Income
Safestore
Schroders
Secure Income REIT
SEGRO
Shaftesbury
Sirius Real Estate
St. Modwen
Supermarket REIT
Target Healthcare REIT
The PRS REIT
Town Centre Securities
Triple Point Social Housing REIT
Tritax Big Box REIT
Tritax EuroBox REIT
UBS
Unite Group
University of Cambridge
University of Reading, CRER
Urban & Civic
Urban Logistics REIT
Warehouse REIT
Workspace Group

USA
Bloomberg
CenterSquare
Cohen & Steers Capital Management
Duff & Phelps
Fidelity Management & Research
Global Net Lease
Neuberger Berman
Virginia Tech University
W. P. Carey
Zell-Lurie RE Center at Wharton

** Welcome to our newest members*

Working with and for our members

Real estate plays a critical role in all aspects of our everyday lives. Property companies serve businesses and the society by actively developing, managing, maintaining and improving the built environment; where we all live, work, shop and relax.

They also play a crucial part in providing retirement security to millions of people, by offering pension funds stable and highly competitive assets to invest in.

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices and the cohesion and strengthening of the industry.

Find out more about our activities on www.epra.com

Update from Dominique Moerenhout

Welcome to the first 2022 edition of our magazine. I'm very pleased to be starting the year with our flagship Insights events in London, Paris, Brussels and Germany, discussing with you the year ahead and all the opportunities it brings.

With climate change incessantly at the very top of the agenda for governments and corporates alike, green bonds appear to be taking increasingly centre stage.

Green, social and sustainable bonds have been growing exponentially in recent years. BBVA Global Markets Research estimates that the current size of the green, social and sustainable bond market is approaching USD 1 trillion, equivalent to an estimated 0.86% of the total bonds in circulation.

At the same time, the EU is set to become the largest issuer of green bonds since it announced the target of raising 30% of the NextGenerationEU recovery plan through green bonds, amounting to up to EUR 250 billion.

The listed real estate is no different, and in the last twelve months, EPRA members have issued more than EUR 13.2 billion in green bonds. As the green bonds market becomes more mature and accessible to listed property companies with a lower financial cost, green issuance is used to invest in the renovation and upgrade of the existing building stock while furthering companies' decarbonisation strategies.

The EU Taxonomy and the European Green Bond Standard are other policy initiatives supporting financial markets to adopt more sustainable financial products, with the aim of providing greater clarity on sustainable economic activities for investors and companies.

The pandemic has presented us with an opportunity to make real progress in the fight against climate change, and I believe green bonds will sit at the very heart of this green recovery.

I invite you to read more sustainability-related topics in the core of this magazine and, as always, look forward to discussing this and more with you, in person, at our future events.

Finally, and as always, I would like to welcome our newest members: Adriano Care, Aedas Homes, Premia Properties and Stenhus Fastigheter.•

In this issue

3 Looking North for inspiration: Citycon's story

5 The benefits of a hands-on approach to running a fund

7 The pandemic's quiet success story: Self-storage

11 Self-storage Index focus

13 Green bonds: Driving sustainable change in European listed real estate

16 Outlook for European listed real estate

18 Back to the future?

20 EU Taxonomy: The case of listed real estate

25 Building back better means building back greener

27 A spotlight on the 7 Madrid project

28 Listed real estate outperforms direct

30 Zoom in on PropTech projects

33 Index focus

Editor & Production Manager
Kasia Jasik-Caínzos

Article Credits
Lloyd Barton
Quentin Depreter
Julia Hipkiss
Will King
Joost Koomen
Will Muir

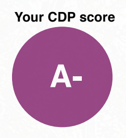
Design & Layout
ZN Consulting | znconsulting.com

Comments & Suggestions
k.jasik@epra.com

EPRA
Square de Meeus 23, 1000 Brussels
+32 (0)2 739 1010

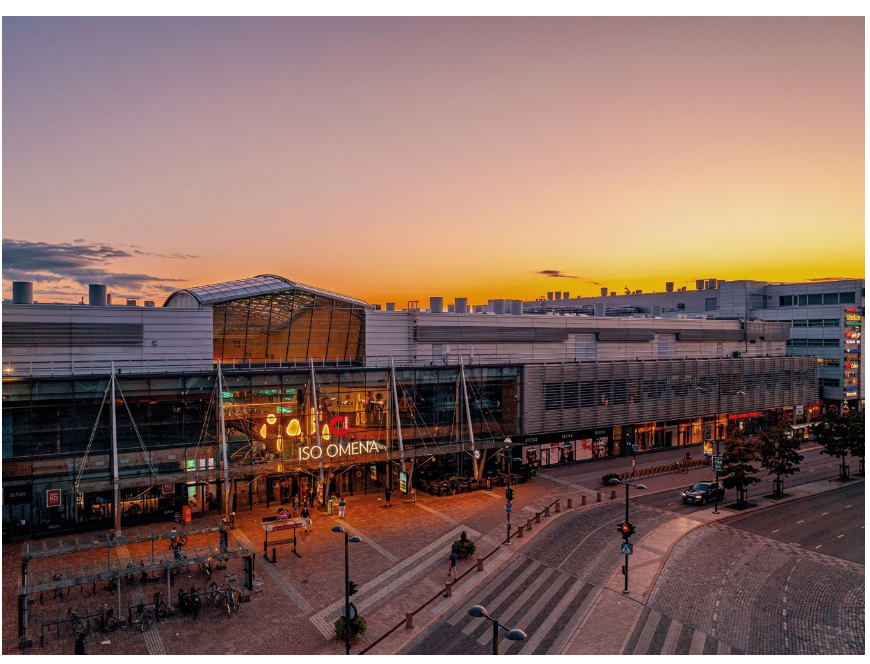
www.epra.com
@EPRA_realestate

We have the right assets
We have the right locations
We have the track record



Looking North for inspiration: How Citycon and the Nordics are leading the charge on responsible and sustainable developments

An interview with F. Scott Ball, Chief Executive of Citycon



Iso Omena, one of Finland's largest shopping centres, located in Espoo in the Helsinki metropolitan area

If you look past the fjords, forests and snowy landscapes, you will also find some of Europe's most dynamic and forward-thinking cities in Scandinavia and the Baltics. Scott Ball – who arrived in Stockholm by way of Chicago and Naples, Florida – has fast become an expert on these during his tenure at the helm of regional developer and operator Citycon.

From his office in Sweden's capital, he describes how there are "some interesting similarities between a lot of the countries and cities in the region, especially in terms of their demographics. You are seeing substantial population growth in some cities despite the countries themselves not seeing population increases at all – there is inward migration". This, he says, can provide real estate operators and investors with some very exciting opportunities, and is why Citycon is focusing its energy on the region's larger urban centres.

To make the most of this opportunity, it is important to understand that the region's cities are not a monolith and that there are some key nuances and differences between them. According to Scott, "Stockholm is perhaps a bit more business orientated, and is the region's banking capital", and Tallin is "extremely dynamic and very, very entrepreneurial". Helsinki, on the other hand, is "serious and pragmatic", while Oslo is wealthy and under a "lot of regulation that protects local businesses".

A FRESH PERSPECTIVE

It is a testament to Scott's abilities that he has been able to not only grasp these trends and subtle differences but capitalise on them. The US native had a long and illustrious career before joining the brand, which included five years as the President and Chief Operating Officer of Starwood Retail Partners. Immediately before his appointment, he had been working as an independent advisor when he was called out of the blue by an old friend, who asked if he would be interested in running the operation. According to Scott, he was "looking for someone who could provide a different perspective on the portfolio, and over the course of several conversations, he convinced me to move to Stockholm".

He says that the business was going through a period of transition when he joined, and that they were in the process of "beginning to sell off assets that were not a good fit". Under his leadership, Citycon accelerated the process of concentrating its portfolio, which has resulted in its current footprint.

The business is now agile and highly fit for purpose. The company owns and manages a total of 37 shopping centres right across the Nordic region, and there is a clear focus on assets that are in growing urban areas and can be operated sustainably. According to the Chief Executive, its Pan-Nordic scale and diversification provide it with a degree of stability that can weather broader macroeconomic turbulence.

Scott says that Citycon has a relatively good pandemic, which reflects the overall experiences of the Nordic countries. There were – in addition to the hard work of his staff – two principal factors that contributed to this: the profile of the company's properties and Nordic governments' Covid policies.

In terms of the first factor, a large proportion of the business' tenant base is made up of consumer staples like grocery retailers or pharmacists, which held up well where others fell off. While there was a twenty per cent drop in footfall, Scott points out that "the actual value per visit increased, which pushed things up overall". He continues that within retail, there were

clear winners and losers, with product categories like food and alcohol performing well while areas like movie theatres and fashion were weaker. This resulted in "the overall top line looking flat, but underneath there was a lot of movement up and down".

In terms of the second factor, Scott is quick to point out how government policy supported the performance of Citycon and the region's retail sector throughout the pandemic. There were marked differences in the responses of Nordic policymakers to the covid crisis, but both routes supported positive outcomes for the company. "We basically didn't feel much of an impact because the markets we operated in except Norway were open," he says, pointing out that this kept footfall higher than it would have been for an equivalent business in continental Europe. Norway is, of course, a key market for the company, but Scott says that here policymakers were quick to provide very robust support to businesses, which propped up their revenues in this market when they could not bring people through the door.

LOOKING FORWARD

According to Scott, this strong performance in the face of significant challenges makes it more puzzling that Nordic retail is trading at a discount: "All retail in Europe is trading at this discount. We didn't have the same headwinds as everyone else, but everyone priced us as if we did." Part of this, he explains, is caused by a tendency for investors to lump all of retail into one bucket despite there being a huge number of differences between different sub-sectors. He continues that "investors in the USA are waking up to this and now price fashion-oriented and grocery-anchored businesses differently, but Europe is behind in this regard".

There are some signs of change on the horizon, however. The Chief Executive describes how at the asset level, investors are already awakening to this distinction and are valuing retail real estate accordingly, but that this has not yet trickled through to equity investors. He concludes that it is "a real and present distinction that investors need to wake up to".

A PROGRESSIVE STRATEGY FOR A PROGRESSIVE MARKET

Aside from its natural wonders, the Nordics are also famous for their world-leading approach to responsible capitalism. Sustainability and social democracy sit at the heart of 'The Nordic Model'. And when speaking to Scott, it's clear that this is a cornerstone of the company's own approach too.

He is extremely proud of the fact that Forbes Magazine named them one of Europe's leading sustainable businesses, saying that "green is in our DNA and is most certainly not a box-ticking exercise". Despite this recognition, they are not resting on their laurels. Their new Helsinki metropolitan area project – Lippulaiva – will have its own Geothermal energy supply that will supply eight residential towers as well as the shopping centre itself.

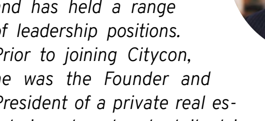
This commitment to social responsibility doesn't just manifest itself in Citycon's green credentials either. He points out how the company's centres aim to be a pillar of the communities in which they operate: "We aspire for our sites to be urban hubs rather than just retail nodes. For example, our upcoming Lippulaiva centre, which has a level of municipal services built into it, will be connected to both residential centres and the broader city metro." This requires a substantial investment but is worthwhile in terms of building a centre with broad social utility.

The American executive explains that this is another area in which the company has benefitted from progressive governments' forward-thinking approaches. He says, "These governments are very well-funded and are willing to pay market rent for services like libraries to be in an accessible shopping centre. They fundamentally want to make them available to their constituents and to put them at the heart of their lives."

When talking to Scott, it is clear he has a genuine enthusiasm for Citycon's mission, which is also reflected by his recent commitment to a new three-year deal: "We are at the beginning of the transformation and right on the edge of this really taking off, and I want to be a part of it". It will be very exciting to see what this looks like in practice. •

The new modern Lippulaiva shopping centre under construction in the Espoonlahti area

F. SCOTT BALL



With more than three decades of extensive experience in the retail real estate business, Ball is a veteran in the shopping centre industry and has held a range of leadership positions. Prior to joining Citycon, he was the Founder and President of a private real estate investment and retail advisory firm. Previously, he served as President/COO at Starwood Retail Partners, prior to which he held several leadership positions, including at Oxford Properties in Canada and at The Mills Corporation and at The Rouse Company in the US. He holds a bachelor's degree in Business Administration from LaSalle University in Louisiana and is a long-time active member of the International Council of Shopping Centers (ICSC) and Urban Land Institute (ULI).

Leading the renaissance of work

ÁRIMA
The vision for excellence

The world is waking up from a long slumber.
Searching for something missing.
And missing something that was never left behind.

We are leading the revival of working together.
Anticipating the opportunity to start over.
Rebuilding trust in human contact.
Leveraging the world's longing for connection to people and nature.
Creating a future conscious environment.
Championing the spaces where "new" happens.

www.arimainmo.com

The benefits of a hands-on approach to running a fund

An interview with Harm Meijer, Managing Director and Co-Founder of ICAMAP

Harm Meijer says, "I learned right from the beginning that you need do your own homework. Too many people active in the financial markets assume what they hear from someone else is true without checking the facts. This can result in a lack of independent thought and everyone chasing the same trends." This independent thinking and vision have defined Harm's career to date and helped him to build a trendsetting fund in ICAMAP.

ICAMAP does things a bit differently from the competition. Despite the decades of experience that he shares with his co-founders – Guillaume Poitrinal and Alexandre Aquien – the firm retains a boutique and hands-on approach that has made it popular with a variety of investors. The Dutchman explains how this looks in practice: "A lot of our investors have come in via our network, and if you are an investor with us, you get a personalised approach. There's no salesperson – it's us at the end of the phone!"

This isn't just limited to the client service operations of the fund either. As well as offering niche products and non-standard funds that bigger competitors don't, Mr Meijer says that ICAMAP takes an almost private equity-like strategy to the way it works with companies it invests in. "Our approach here is very hands-on," Harm says. "We are positively and proactively involved with our investments and sometimes we are represented on the board."

TAKING THE LEAP

This reflects the genesis of ICAMAP as a business as well as the diverse backgrounds of its partners. Harm himself is an analyst by training. After studying Econometrics in Rotterdam, he quickly became interested in property-related products. He worked at several leading institutions in the field, including ABN AMRO, where he started out as a property analyst in 2000. In 2005, he moved to JP Morgan, where he went on to become a leading sell-side analyst.

In 2013, however, he decided to do something different. A chance meeting with former Unibail Rodamco CEO Guillaume Poitrinal and, according to

him, "one of the best chief executives in the sector" led to the establishment of ICAMAP in 2013. They were also joined by Alexandre, who came from a private equity background. They raised all the capital to launch the fund themselves, as Harm explains: "There was no fundraiser involved – most of the investors came in via our network and a couple after we sent hundreds of emails out".

Things were not always straightforward for the fund in its infancy. "A lot of people were very cautious about committing to the new guys on the block, and there were definitely still echoes of Lehman in the system," he says. However, the trio soon built up some positive momentum and went on to build a company that would eventually manage EUR 1.7 billion of equity on behalf of 26 leading investors.

CAPITALISING ON TURBULENCE

The fund manager isn't one to shy away from challenging circumstances. In April 2020 – during the pandemic's peak period of uncertainty – the trio launched their new ICAMAX fund, which has an AUM of circa EUR 200 million currently. According to Harm, the sell-off that was taking place provided great opportunities to pick up strong long-term real estate assets at discounted prices.

This bullish strategy, coupled with their hands-on and practical approach, has provided Harm with keen insights when it comes to the challenges and opportunities facing real estate businesses across Europe and beyond. According to the former analyst, "There are too many companies listed that are simply not relevant enough. They don't have the proper scale or size, are too small to be interesting to investors and aren't liquid enough. They will increasingly face existential challenges."

At the same time, however, the performance of and outlook for some businesses in sectors that investors have been wary of since the pandemic is much better than many appreciate. He says that budget hotels are a great example of this: "Budget hotels are very efficiently run and have a far lower cost base than more upmarket ones. They typically don't have restaurants, for example, which removes a huge cost base when things are quiet." ICAMAP, together with Ivanhoe Cambridge, delisted budget hotel owner and operator easyHotel in 2020.

Looking at areas that other investors might overlook is a cornerstone of their strategy, and one that plays out particularly strongly in ICAMAX. "We look at all listed real estate stocks, of which there are 500 in Europe. A lot of funds only follow the FTSE EPRA Nareit benchmark or look at the top 40 stocks – you have this long list of companies that are just being ignored. Investors are missing out." He thinks that the MiFID II changes have played a big role in this, saying that the lack of easy access to research has narrowed many investors' horizons.

A GREENER FUTURE

When discussing where some of the best returns will lie going forward, the co-founder has few doubts that the future is increasingly green. He explains that "ESG is a trend that is here to stay and is really going to accelerate. You can already see clear targets from governments with set timelines, and if anything, they are only going to accelerate these timelines. Sustainability will be a key theme going forward".

It is through a desire to capitalise on these trends that ICAMAP together with WO2 launched ICAWOOD in 2019. The fund facilitates the development of new-generation low carbon offices in the Greater Paris region. Guillaume has been a front runner in this field since 2013, and the rest of the team at ICAMAP quickly saw its potential to deliver strong returns sustainably with the creation of the ICAWOOD fund. ICAWOOD has since funded the development of the largest solid-wood office development in Europe, called Arboretum.

While ICAWOOD has been a tremendous success and Harm is evangelical about the benefits of such initiatives, he is clear that real estate firms and funds need to think carefully before investing. "You have to be careful not to invest in a property that will become obsolete very quickly. If it doesn't have the right energy level or building materials, you can quickly get into trouble," he says.

Investors and CEOs would be wise to heed his words – he has the background of an analyst and is a man who always pays attention to the details. In ICAMAP's case, independent thinking has certainly paid off. •

HARM MEIJER

Harm Meijer cofounded ICAMAP in 2013. He started his career at ABN AMRO and served as the bank's Head of European Real Estate Equities Research. In 2005 he joined JP Morgan Cazenove as Head of Real Estate Research, where he was Managing Director. Harm was a member of the EPRA Accountancy & Reporting Committee between 2008 and 2015.

The pandemic's quiet success story: Self-storage's transition from resilience to prosperity

When reflecting on the pandemic and its impact on the listed real estate industry, it is easy to quickly think of those sectors that have proved to be the industry's shining lights. E-commerce, logistics and residential have all shown incredible resilience and by all accounts look set for future growth, for which they should be celebrated.

But there remains one sector, which despite an equally impressive performance since Spring of 2020, has managed to fly under the radar: self-storage.

It is certainly something that Andy Jones, Chief Financial Officer of Safestore, is keen to point out: "From the end of the first lockdown, the bounce-back has been significant." So much so that Jones highlights Safestore's 19% like-for-like revenue growth for the quarter to July 2021.

And it's not just Safestore that can point to such some impressive numbers post-Spring 2020. Jim Gibson, Chief Executive Officer of Big Yellow Group, suggests that "self-storage is certainly up there with industrial and logistics". And when the company posts 14% like-for-like revenue growth for the quarter to June 2021, it's hard to argue with his assessment.

Of course, the sector has been impacted. Like the rest of the real estate industry, its share prices took a heavy hit during the early stages of the pandemic. So, with this in mind, how has a sector that remains in its relative infancy in the European market managed to rebound so strongly?

For Marc Oursin, Chief Executive Officer of Shurgard Self-Storage, it largely comes down to the fundamentals of the asset class: "Demand is ultimately driven by a combination of urban density and lack of space during life-changing moments," and when a global economic shock takes place, demand only goes in one direction.

The UK market is a case in point. With the Government keen to stimulate economic activity, it looked to incentivise movement in the housing market through measures such as the stamp duty holiday. The result of which was 213,120 house sales in June alone. The most in a single month since records began.

And as sales of homes skyrocket, so does the demand for self-storage. "There's undoubtedly a clear link between the residential market's uptick and that of self-storage," says Gibson.

But it wouldn't be fair to suggest that the strong performance is simply a product of increased demand but also increased awareness. "A lot of people still don't really understand what self-storage is, and the pandemic gave reasons for new customers to be introduced to the product," says Jones.

And Gibson agrees, claiming that the pandemic has rapidly "accelerated people's understanding of self-storage".

Safestore storage units in Staines

However, despite growing awareness, the industry is far from reaching its ceiling. Cushman & Wakefield's annual self-storage report showed that only 50% of the UK has a good awareness of self-storage; unsurprising given the sector has only really been around for 25 years on this side of the Atlantic. Simply put, there's a sizeable market that is yet to be tapped into.

KEEPING PACE IN A CHANGING ENVIRONMENT

It would be fair to say that the self-storage sector uniquely benefited from certain stimulus measures across the continent, but it has also been one of the major benefactors of wider market trends within the real estate industry. Whether it is the move to working from home en masse or the explosion in demand for e-commerce, self-storage has been the beneficiary.

However, with much of the world beginning to emerge from the pandemic and market dynamics shifting once more, many are beginning to ask whether this success was just a flash in a plan.

Jones is forthright in his rejection of the view: "No, we haven't seen any trends that suggest this is the case." His sentiment is shared by Oursin, who feels the world will not just revert back to the pre-pandemic status quo and that "the drivers of demand may well be permanent factors".

These bullish assessments are far from unfounded. We are, of course, seeing a gradual return to office working, but the hybrid nature of people's interactions with the office environment isn't going anywhere. You just have to look at the steps office developers are taking to accommodate this to see that a hybrid work environment is very much the future.

As such, the continued restrictions on space in people's homes and the "need to declutter to make room to work", as Gibson puts it, will be keeping self-storage's occupancy rates high.

And it's a similar story with e-commerce. The rapid "rise in online sales saw demand for scale storage and e-fulfilment," says Oursin, and we aren't just going to see this need fall off a cliff.

There is no doubt retail is undergoing somewhat of a resurgence as restrictions ease, and the vaccine roll-

Big Yellow storage in Battersea

out continues to pick up pace across the continent. But even with footfall increasing, that need for e-fulfilment isn't likely to diminish. Something Jones is quick to point out: "Businesses will still need to combine that physical presence with online capacity."

Of course, we should tread carefully when making predictions about future market dynamics, and any assertions on consumer behaviour should be treated with caution. However, when we look at the early indicators of what the 'new normal' may look like, Shurgard's decision to increase their target revenue growth for 2021 from 4-6% to 8-10% doesn't seem misguided.

DIGITALISATION: A FAD OR THE FUTURE?

The sector has clearly managed to keep speed with the acceleration of certain trends within the industry since the start of the pandemic, but it is a trend that predates March 2020 that continues to dominate future thinking.

Digitalisation is nothing new. Almost the entire industry continues to explore how systems and services can be optimised through the adoption of certain technologies. Yet, when it comes to self-storage, there appears to be little consensus on its importance.

For some, the future is all about digital. "Our growth strategy has always included significant investment into technological advancement," says Oursin, as they look to create an offer "that is more in line with our digital society".

It's easy to understand this way of thinking. Investment in effective IT systems can give customers an efficient end to end digital experience, allowing them to choose, book, pay and move in using just their mobile phone.

A process that Gibson sees clear value in: "Time-saving automation is hugely beneficial to our customers." Though he does add: "It is very important for us to maintain a physical, face-to-face interaction with our customers when they arrive at our stores to move in or move out, and in particular for businesses to build trust, as they tend to be with us for longer periods of two to three years on average." An approach that Gibson believes helps Big Yellow deliver its company values of helpfulness, empathy and flexibility.

But the question remains, can efficient automation build tenant relationships in the way effective customer service can? Or do these relationships even matter in a sector defined by relatively high tenant turnover?

"When the online service is seamless and efficient, it doesn't erode the customer relationship," says Oursin. Quite the opposite. In fact, Oursin firmly believes that enhancing the digital experience increases loyalty and satisfaction amongst customers.

This sentiment, however, is not shared by all. For Jones, automation is important but cannot come at the expense of customer relationships: "The interaction between staff and potential customers in the selling process is vital to not only making sales but building trust."

Where Shurgard is prioritising creating a best-in-class digital experience, Safestore is moving in a dual direction, combining digital capability with person-to-person interaction and investing in high-quality sales training and development programmes to upskill their staff.

"Every potential customer that enquires online will then receive a phone call from one of our team to help guide them through the process," and most importantly, "to ensure they are actually buying the right product," says Jones.

It is easy to see the value in both positions; many of us are increasingly time-poor, and efficient digital customer experiences help us get what we need, where we need it, when we need it – and quickly. Whilst at the same time, in an industry with such low familiarity, having those person-to-person interactions can help us navigate the offering and build lasting, human relationships.

Of course, both Shurgard and Big Yellow understand the value of person-to-person interaction, particularly when it comes to in-store experience; whilst, for Safestore, technological development remains a key part of its business. However, when it comes to the role of technology in their selling processes, differences remain. This is not to say that either approach is wrong, but it will certainly be fascinating to see how the divide on digitalisation in the sector unfolds.

Since the Spring of 2020, we have paid considerable attention to how the listed real estate sector is recovering, and thankfully there have been many positive stories to tell. Residential, logistics and e-commerce will rightly continue to take the plaudits for their impressive bounce back, but we should not ignore what has been a quite remarkable period for the self-storage sector. A benefactor of changing market dynamics, but by no means a temporary success story. In a climate still characterised by uncertainty, it is perhaps just a case of more of the same for self-storage. •

Shurgard self storage in Barking

ANDY JONES

Andy Jones joined Safestore in May 2013 as Chief Financial Officer. Andy's previous role was as Director of Group Finance at Worldpay Limited, prior to which he held the positions of Director of Finance and Investor Relations at TUI Travel PLC and Chief Financial Officer at Virgin Entertainment Group in the US. Andy began his career at Ernst & Young, where he qualified as a chartered accountant in 1992. Andy is a graduate of the University of Birmingham.

JIM GIBSON

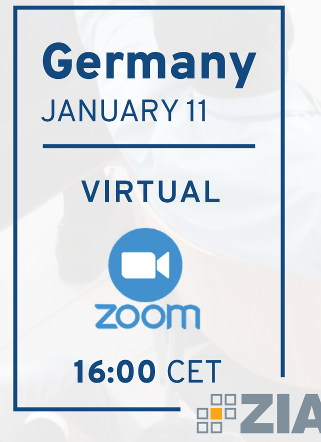
Co-founder of Big Yellow Self Storage in September 1998. A Chartered Accountant by background having trained with Arthur Andersen & Co., where he specialised in the property and construction sectors, before leaving in 1989. He was Finance Director of Heron Property Corporation Limited and then Edge Properties plc, which he joined in 1994. Edge Properties was listed on the Official List of the London Stock Exchange in 1996 and then sold to Grantchester Properties plc in 1998. Jim is also a Non-Executive Director and shareholder of AnyJunk Limited, a Non-Executive Director and shareholder of CityStasher Limited, a Non-Executive Director and investor in Moby Self Storage, a Brazilian Self Storage business, and is the Chairman of Trustees of the London Children's Ballet.

MARC OURSIN

Marc Oursin has been the CEO of Shurgard Self-Storage SSA since January 2012. He started his professional career with Promodes before transferring to Carrefour. In 2010 and 2011, Marc managed the turnaround of Sport 2000 in France with the Private Equity firm Activa Capital. He served abroad on the boards of the different French chambers of commerce. Marc holds an MBA (Essec Business School Paris) and a Master in Agricultural Engineering (AgroParisTech).

Join us to the

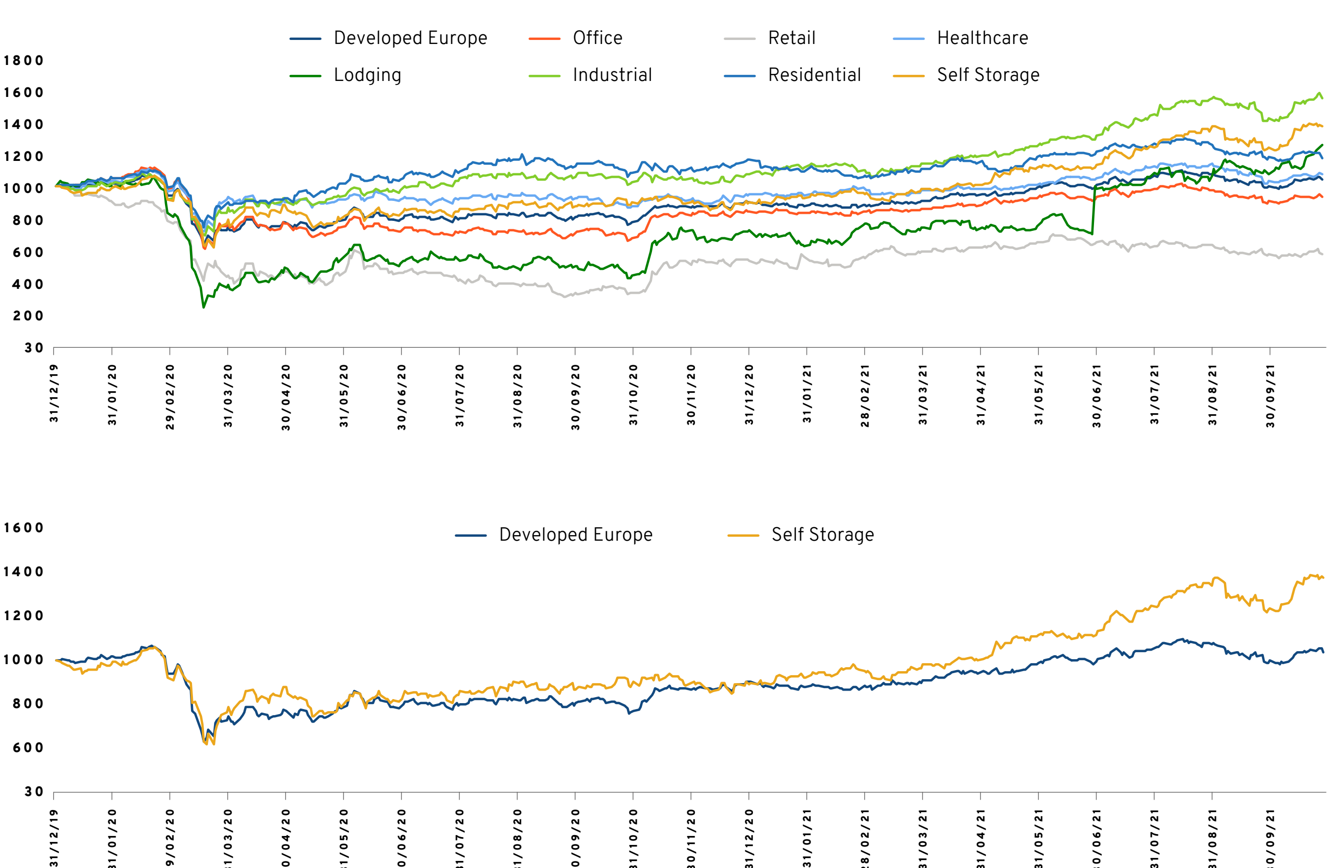
INSIGHT EVENTS 2022



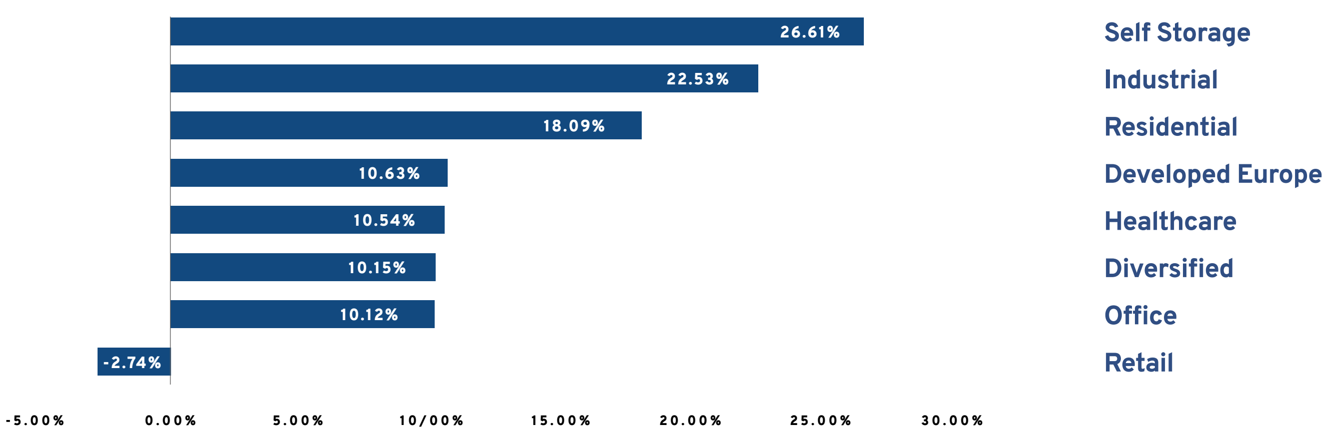
REGISTER HERE

Self-storage Index focus

FTSE EPRA Nareit Developed Europe Index

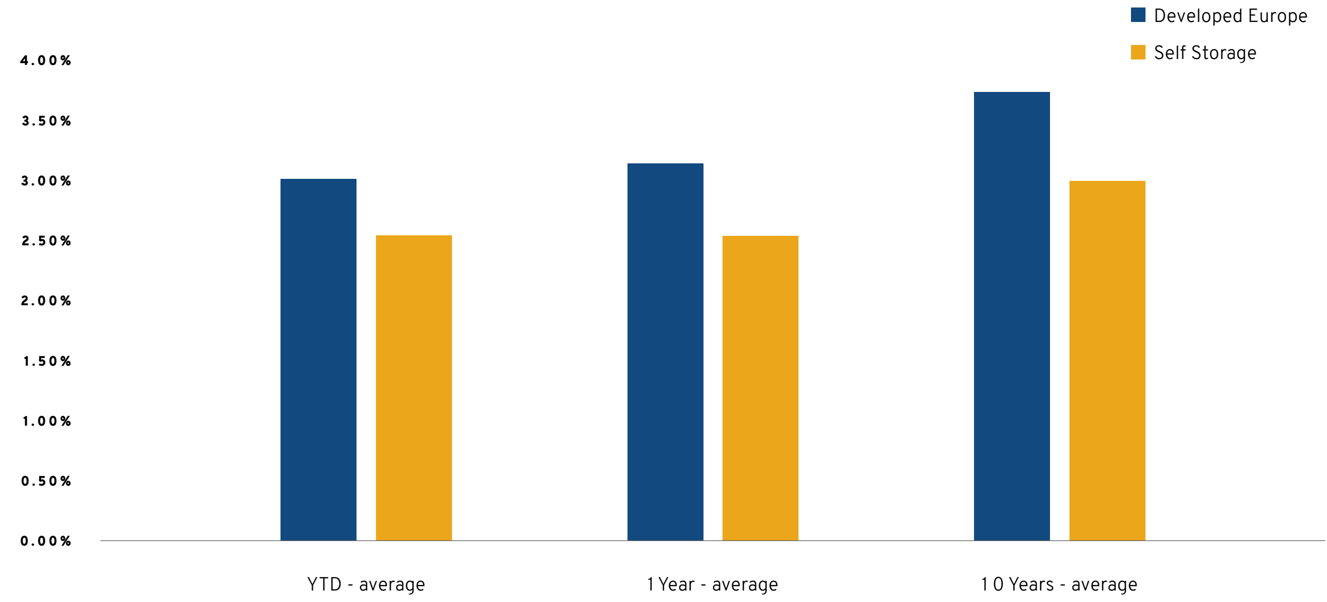


FTSE EPRA Nareit Developed Europe Index 10-year Total Return



Source: EPRA. Data as of 29/10/2021

Dividend Yields



Premium/ Discount to NAV

	DEVELOPED EUROPE	SELF STORAGE
YTD - average	-10,15%	55,40%
1 Year - average	-10,95%	50,03%
10 Years - average	-9,31%	16,92%

Loan-to-value

	DEVELOPED EUROPE	SELF STORAGE
YTD - average	36,94%	31,73%
1 Year - average	37,08%	24,01%
10 Years - average	39,40%	32,12%

COMPANY NAME	COUNTRY	FOCUS	SECTOR	REIT	LTV	PREMIUM/ DISCOUNT TO NAV	TOTAL RETURN YTD
Shurgard Self Storage	Belgium	Rental	Self Storage	Non-REIT	18%	79%	47.47%
Big Yellow Group	United Kingdom	Rental	Self Storage	REIT	22%	79%	40.35%
Safestore Holdings	United Kingdom	Rental	Self Storage	REIT	27%	102%	57.70%

Source: EPRA. Data as of 29/10/2021

Green bonds: driving sustainable change in European Listed Real Estate

Green bonds are firmly on the European financial agenda, which has been fuelled by appetite from both policymakers and industry. Recently the European Commission committed to raising 30% of its Next Generation EU funds through green bonds and introduced a new standard. At the same time, the investment community demand for sustainable products has grown drastically driven by the hunger of investors to demonstrate their contribution to global sustainable goals.

Listed real estate has been at the heart of the action when it comes to green bonds, and this report provides a snapshot of how this is progressing. These developments are here to stay – it is now up to us to ensure they make a difference.

Reference to the report for further reading:
www.epra.com/sustainability/sustainability-library
For more information, please contact EPRA team at:
sustainability@epra.com

About the analysis

The study delves into 29 European listed property companies, EPRA members*, that issued green bonds up until 30 June 2021. The sample includes only outstanding bonds excluding those that have mature.

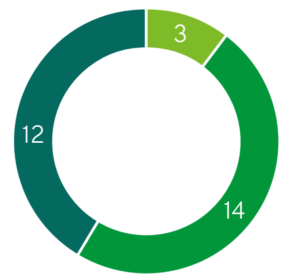
Total size of green bonds issued between 2014 and 2021-H1

€17.3bn

* FTSE EPRA Nareit Index Constituents

1. Number of issuers by market size

- Small cap less than €1bn
- Medium cap €1bn – €5bn
- Large cap over €5bn



48% of the issuers in the sample represented by medium cap companies

2. Subsectors representation*

- Diversified
- Industrial
- Office
- Retail
- Residential
- Industrial & Office

Subsector	Value
Diversified	27
Industrial	23
Office	18
Retail	14
Residential	13
Industrial & Office	5

27% of total green bonds size has been issued by diversified sector players

*As defined by FTSE EPRA NAREIT developed index classification

3. Country
(per number of issuers)

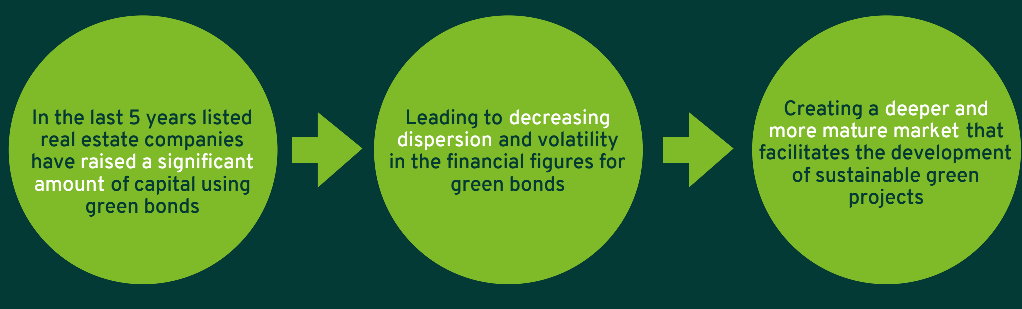
118bps

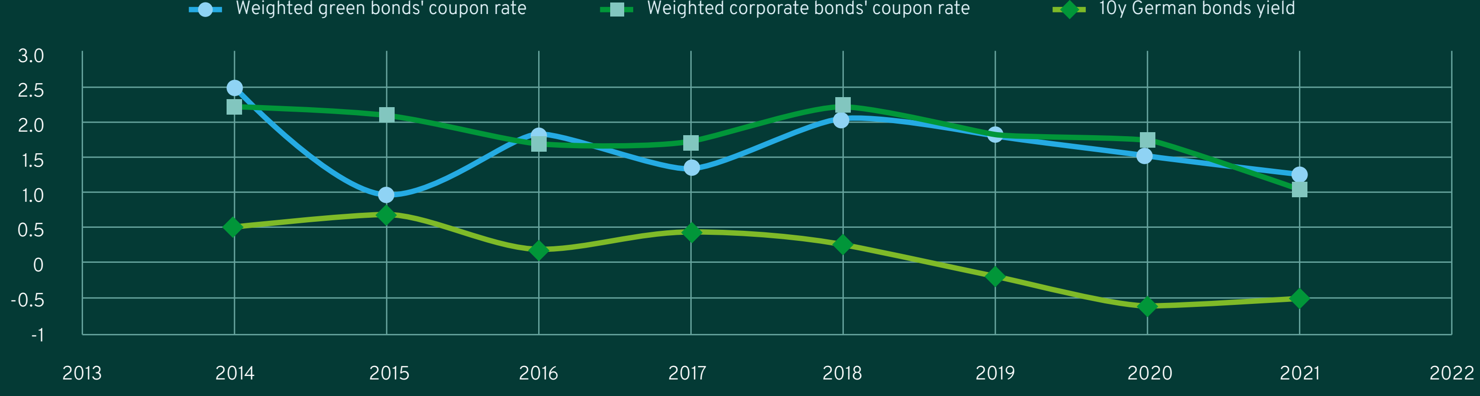
Country	Issuers
SE	12
FR	4
GB	3
BE	2
DE	2
FI	2
AT	1
CH	1
NL	1
NO	1

50% bond issuers operates in the Nordics

A more mature market, but still with high growth potential

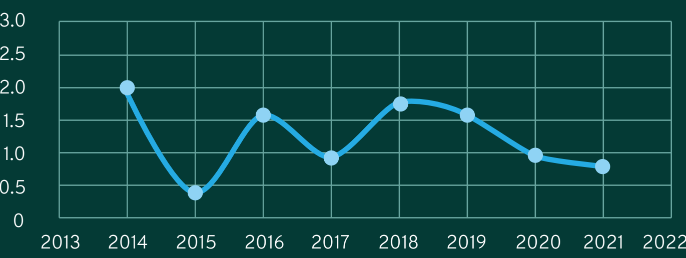
Green bonds have continued to grow and evolve within the European listed real estate sector. The market is maturing, and this will provide **a robust platform for future expansion.**





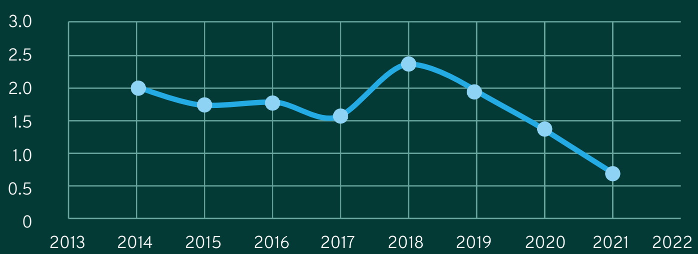
The cost of capital faced by listed real estate companies in Europe when of issuing Green bonds has decreased in the last 5 years, showing a similar trend to the one observed for corporate bonds and government bonds, although slightly better in terms of the coupon rate.

Spread between Weighted Green Bonds' coupon rate and 10y German Bonds' yield



124bps reduction of the spread between the weighted coupon rate of green bonds and 10y German bond yield between 2014 and 2021

Spread between Weighted Corporate Bonds's coupon rate and 10y German Bonds' yield



118bps reduction of the spread of corporate bonds between 2014 and 2021

Methodology

For the market analysis and the comparison between traditional and green bonds methodology, we conducted an indirect quantitative approach. From the traditional bonds side, EPRA publishes a monthly Loan-To-Value report which includes EPRA constituents weighted corporate bonds rates. Departing from this, we scrutinized the green bonds coupon rates and computed the weighted rates accordingly for each year starting from 2014 – as of 30th June 2021. As the comparison nature is indirect and needed a bridge within a derivative that has similar characteristics, we also derived 10-year German bonds yields on a yearly basis for the same periods and decided to use it as a benchmark of spread calculation for both traditional and green bonds weighted coupon rates for each year. Hence, the market trend can be depicted as shown in the graphs above

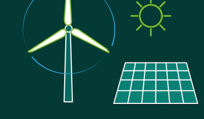
Green bonds' positive impact in numbers

Green bonds are already delivering a **tangible and quantifiable impact** when it comes to climate change mitigation and adaptation. There are benefits beyond the environment too: the projects also stimulate **economic growth** on a local and national level, aiding the recovery.

The projects already financed have generated the following impacts

3.6m sqm
Certified buildings

19.377 tCO^2 avoided/year
Associated to energy efficiency investments



22,648 tCO^2 avoided/year
Associated to installation of renewable energies

58 tCO^2 avoided/year
Associated to clean transportation

€7bn represent the amount of green debt already allocated to eligible projects, corresponding to the **40%** of the total size of green bonds issued since 2014 up until 30 June 2021 by EPRA members.*

*The impacts calculation is limited by the availability of the monitoring reports that for some companies weren't available publicly. We do estimate that the overall impact is much higher but not possible to quantify exactly due to this limitation.

Towards a more robust regulatory regime

There is still an important amount of work to do to regulate green bonds well at an EU level, to help develop a more transparent and truly environmentally friendly industry.

EU Taxonomy aligned green bonds

Non EU taxonomy aligned green bonds

25.9% of the total green bonds issued since Nov 2020 are aligned with EU Climate Taxonomy

Share of green bonds aligned with the EU Climate Taxonomy

Outlook for European listed real estate in the wake of the COVID-19 crisis

During the initial phases of the pandemic, economic fears were widespread across Europe as stay-at-home orders were imposed to avert a collapse of healthcare systems. This not only led to significant stock market sell-offs but also to unprecedented challenges for real estate investors faced with vacant office buildings, empty shopping centres and closed restaurants. The region having now made solid progress with vaccinations is allowing economies to re-open and restrictions to be lifted, heralding a period of greater optimism amid rebounding economic activity. Against this background, Oxford Economics has published an updated analysis examining the outlook for the European economy and implications for listed real estate[1].

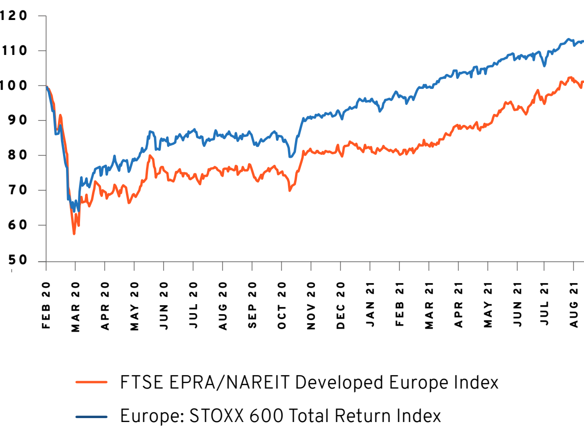
POLICY STIMULUS HELPS EQUITY MARKETS TO REBOUND

Equity prices have rallied strongly over the past 18 months, supported by central banks injecting an enormous amount of liquidity into the market to avert a potential financial collapse. The investor enthusiasm that has driven the rebound in global stock markets also benefitted European listed real estate, although the benchmark FTSE EPRA Nareit Developed Europe Index has underperformed the broader stock market. This may reflect investor concerns regarding the impact of the pandemic on real estate, including the potential for the pandemic to have accelerated longer-term structural shifts in how real estate is used. Still, the headline European listed real estate index had risen above its pre-pandemic peak by the end of August 2021.

Listed real estate performance during the crisis

Performance of European listed real estate vs. broad stock market during the Covid-19 outbreak

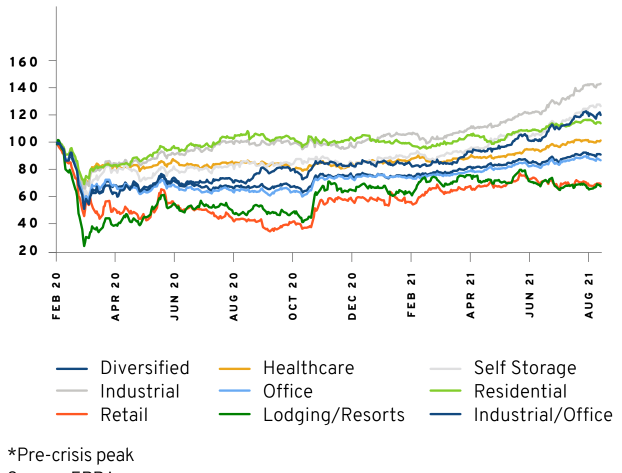
Daily Total Returns Index value
Feb 19, 2020 = 100*



* Pre-crisis peak
Source: Oxford Economics/Haver Analytics/EPRA

Performance of European listed real estate by sub-sector since the Covid-19 outbreak

Daily Total Returns Index value
Feb 19, 2020 = 100*



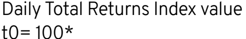
*Pre-crisis peak
Source: EPRA

The pandemic has affected listed real estate sectors in different ways, with those that are heavily reliant on social interactions – retail, lodging/resorts and offices – hit especially hard early in the pandemic. Although these sectors did rise strongly in Q4 2020 following the announcement of successful COVID-19 vaccine tests, they remain significantly below their pre-pandemic peaks. Conversely, residential property and commercial real estate sectors that support the digital economy have performed strongly. The latter include industrial properties, warehousing/storage (a beneficiary of accelerated growth in e-commerce) and alternative sectors such as data centres (which benefit from an increasing use of online services).

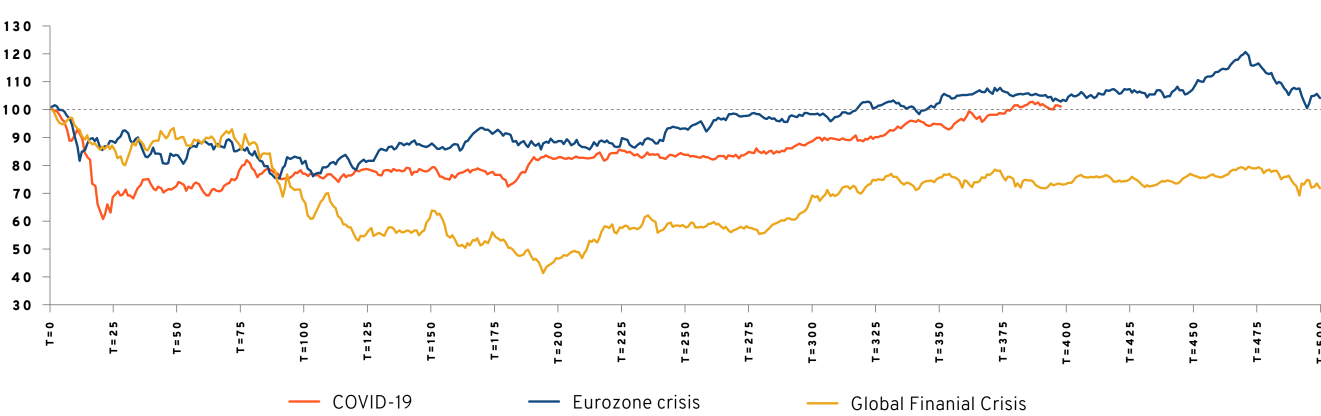
[1] Available to download: https://resources.oxfordeconomics.com/impact-of-the-covid-19-crisis-on-european-listed-real-estate

Comparison to previous crisis episodes

Performance of European listed real estate during crisis periods



Daily Total Returns Index value
t0= 100*



* Pre-crisis peak
Source: Oxford Economics/Haver Analytics/EPRA

The recovery in listed real estate has to date broadly tracked the recovery pathway of the Eurozone crisis, with the benchmark FTSE EPRA Nareit Developed Europe Index very close to its pre-crisis peak after around 18 months. This recovery pathway contrasts with the persistent weakness experienced in the wake of the Global Financial Crisis (GFC), as European listed real estate companies – and property markets more broadly – were in much better shape prior to this crisis than at the time of the GFC. Large-scale policy support has also averted a potential credit crunch whilst supporting demand in the economy.

But historic crisis episodes can only offer limited information on the future trajectory of listed real estate prices. The outlook at this juncture depends very much on how the current crisis unfolds and potential structural shifts induced by the pandemic.

OUTLOOK FOR PROPERTY SECTORS

Continued robust economic growth should support demand for real estate and help stimulate a recovery in commercial property values. That said, real estate should not be viewed as a single market, with its constituent sectors following the same cycle. Indeed, the recovery in real estate, like much of the rest of the economy, is likely to remain uneven across sectors. And despite apparent attractive valuations in some sectors, there is a risk of an increase in corporate insolvencies as public support measures fade, which could put renewed downward pressure on real estate prices in the affected segments.

Beyond the near-term impact, the pandemic has accelerated pre-existing structural trends in certain sectors of the market. For example, traditional brick-and-mortar retail was already experiencing difficulties from the shift to e-commerce, and this has been compounded by the crisis. With e-commerce penetration rates still relatively low in some European countries, this shift could still have some way to go.

The pandemic may also have a longer-term negative impact on demand for offices with more flexible office working and the substitution of online meetings for in-person gatherings. That said, property investors appear to expect a rebound in prices as a recovery in demand for offices coincides with a supply shortage that pre-dates the pandemic. Indeed, it is unlikely that urbanisation will go into reverse. With only a fraction of jobs in professional services or other roles where remote-working is a practical option, urbanisation rates should continue to rise.

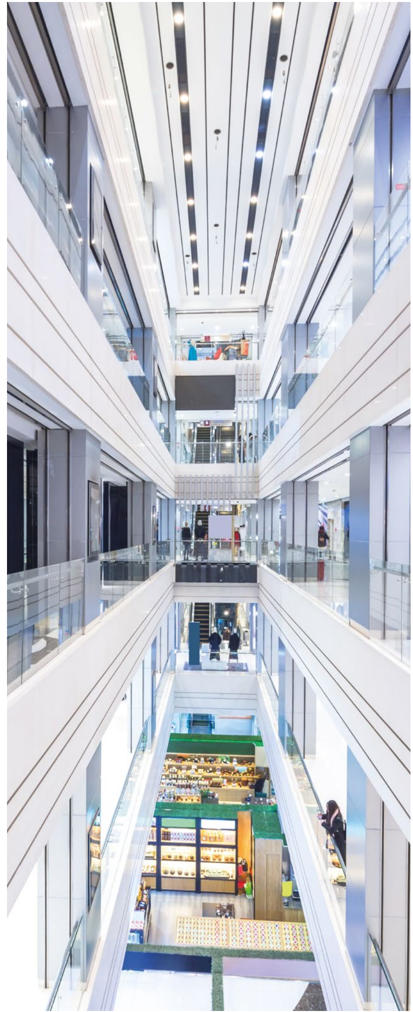
Meanwhile, the crisis has strengthened the momentum in certain sectors, particularly residential, logistics and alternative assets such as telecommunication towers and data centres. The secular themes underlying these trends (such as digital transformation) are likely to persist in the medium term, creating significant structural tailwinds for these sectors.

Overall, we anticipate that listed real estate prices will likely face a period of consolidation in the near term, which would be typical of a mid-cycle environment but not something that should completely derail the bull market given the enduring strength of underlying fundamentals. Indeed, there should be room for renewed upward momentum in listed real estate over the next few years, although investors would be well advised to pay attention to underlying sector exposure. •

LLOYD BARTON

Lloyd Barton is an Associate Director at Oxford Economics, where he manages consulting projects with a focus on financial markets and the macro-economy. He has previously worked at the Bank of Canada, the UK's Financial Services Authority, as well as PricewaterhouseCoopers. Lloyd studied Economics at the Universities of Cambridge and Warwick.

Back to the future?



Recent months have seen most Covid-19 restrictions finally being lifted across Europe. Shops, bars and restaurants have re-opened. Although it is perhaps still too soon to tell what the 'new normal' will look like, and Covid-19 remains a fluid issue, it's time to be optimistic again and have a look at the future.

Before looking ahead, it is useful to take stock. It is well-known that retail and the retail property sector were already undergoing significant transformation prior to the pandemic. Confronted with new paradigms – such as the continuing growth of e-commerce, changing consumer behaviour as well as demographic changes – the sector had already been investing significantly. It is converting pure retail spaces into 'mixed-use centres', anchored off an evolving demand for a shopping experience that reflects societies needs and aspirations, adding many other activities to increasingly become valued and genuinely important community hubs.

Past efforts had started to pay off. Footfall and sales were up in most major European markets in 2019. Share prices of listed retail REITs were also steadily moving upwards towards the end of the year. And then we had the repeated lockdowns, which hit the retail sector particularly hard. On average, footfall fell by as much as 50%, rental income was down by 25-30%, and share prices consequently tumbled.

As an organisation, we lobbied hard during this period to make decision-makers and financial institutions understand that landlords were too often required to take a disproportionate share of the economic burden that was not sustainable in the long term. To ensure that this short-term crisis would not have a longer-term detrimental impact on an otherwise successful industry, we published a paper highlighting some specific requests. These included more financial flexibility, particularly regarding the suspension/waiver of financial covenants, a more aligned approach across Europe to rental subsidies, a stronger role for the state and not the landlord, and additional/new credit lines for retailers.

Looking at the present, the latest footfall and turnover numbers from across Europe, though not yet at 2019 levels, are positive and encouraging, providing some much-needed relief. A good Christmas sales period could also provide a significant boost. Most countries are generally expecting to get back to pre-pandemic economic levels sometime in 2022, assuming that new restrictive measures such as the so-called 'sanitary passes' will not hamper this. New-build projects and renovations are also planned for 2022 in many European countries.

Back to the future. The pandemic has also accelerated – not curtailed – the green and digital transitions, something that the European Commission has welcomed and championed in its new Industrial Strategy adopted last year. Now the Commission is working on a new strategy tailored to the retail sector.

Looking at the digital transition, ECSP members are certain that the future is omnichannel, a seamless shopping experience whether at home, on a mobile device or in brick and mortar stores. However, existing regulation does not grant fair competition between online marketplaces and physical shopping places. Inequality in terms of applicable taxes, environmental regulation, sales and advertising rules and labour conditions should be addressed urgently by the European Commission in order not to hamper the further development of a sector that is vital to the success of our economy and for the future of our communities.

The retail property sector is also leading in delivering green real estate with reduced GHG emissions. Shopping places renovate at a rate that is unparalleled in the property sector. ECSP believes that as shopping places continue to decrease their emissions and evolve into multi-use spaces, it is more efficient and effective to renovate, than rebuild. However, investing in tomorrow's decarbonised and digitalised retail will require additional funding, and Covid-19 did not help. Consequently, ECSP has emphasised the need for more funding from the EU, also calling for the set-up of a dedicated EU Retail Relief Fund.

Shopping places in Europe have always been vital to the life of communities and city centres. They are key generators of footfall and nurturing broader commercial activity, attracting billions of visitors across Europe every year. In the future, they will remain important hubs in a much broader value chain. Failure risks a much broader set of challenges, with urban decline, and stagnation and blight. •

JOOST KOOMEN

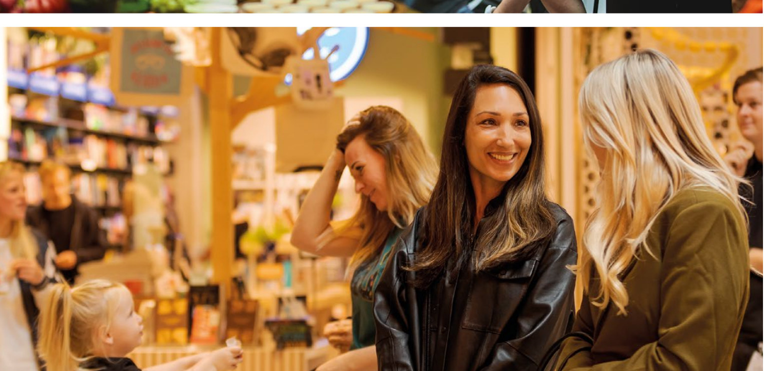
Joost is Secretary General of the European Council of Shopping Places, a new pan-European organisation that represents an industry that designs, creates, funds, develops, builds and manages places anchored by retail across Europe.

INTRODUCING

Westfield
MALL OF THE NETHERLANDS

Unibail-Rodamco-Westfield continues to create destinations where guests can enjoy unique experiences, discover new concepts and be immersed in the best of what brands have to offer. Our shopping centres are places for entertainment where people come together to share exciting moments and create lasting memories.

This year, in a leap forward for the Dutch retail industry, we launched the world-class Westfield Mall of the Netherlands. Here, guests are treated to a stellar retail offer, unprecedented dining experiences, and exceptional leisure options.



UNIBAIL-RODAMCO-WESTFIELD

EU TAXONOMY:
The case of listed real estate

As part of the 'EU Sustainable Finance Strategy',

policy makers have been working on the EU Taxonomy to enable investors to reorient capital towards more sustainable technologies and businesses.

EU Taxonomy is a common classification system of economic activities that substantially contribute to environmental objectives.

Construction and **REAL ESTATE** activities

- Repair
- Maintenance
- Use
- Refurbishment
- Energy
- Environmental protection and restoration activities
- Information and communication
- Transport
- Water supply, sewerage, waste management and remediation
- Manufacturing
- Professional, scientific and technical activities
- Forestry

Buildings are responsible for around **40%** of energy consumption in Europe

To achieve the **55% CLIMATE TARGET** by 2030

around **€275 billion**[1] of additional investment in building renovation of the entire EU real estate stock is needed every year — TOTALLING → **€2.75 trillion** over 10 years

Therefore, **tools to redirect investors** to finance energy efficiency retrofits will be crucial. **Listed property companies and REITs are a significant group of real estate investors.** They not only develop new buildings within their own portfolio for rental property returns but, **most importantly, acquire assets in need of energy retrofit and maintain them for the long-term[2].** By developing or acquiring assets, these companies have a real impact on the city landscape and the extent to which the built environment will be sustainable.

1. Estimated as at 2020. Source: A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives, European Commission Communication, October 2020. | Questions and Answers on the Renovation Wave, European Commission, October 2020

2. L 68.1 & L 68.2 Real estate activities under the NACE Classification Rev. 2 cover all operational activities of long-term property owners, such as development of new buildings, renovation of existing buildings, acquisition and ownership of the buildings.

1. How is the EU Taxonomy reorienting the sector towards a more sustainable built environment?

Listed property companies and REITs, as any other businesses, can use the EU Taxonomy to assess how green their portfolio is. This allows investors to evaluate a company's existing sustainability performance (equity/turnover) and also attract new investors who will finance its transition towards future and greater sustainability (business plan/Capex plan). The green transition's goal is to make the entire portfolio recognised as more sustainable (equity/turnover).

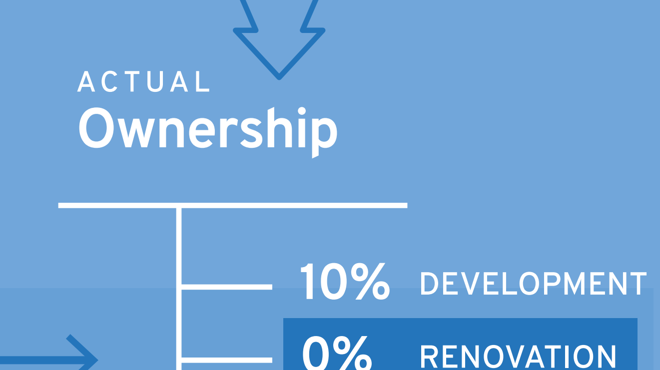
How does the EU Taxonomy actually do that?

Currently, the renovation of existing buildings is not equally incentivised to attract sustainable capital as it is the case for both the development of new buildings and the acquisition of buildings rated EPC A or within top 15%.

Model case of a hypothetical 'green' property company and its application of the EU Taxonomy to development, renovation and acquisition of buildings, to make their portfolio more sustainable.

To expand the EU Taxonomy activities

- 10% DEVELOPMENT
- 25% RENOVATION
- 10% ACQUISITION



- 10% DEVELOPMENT
- 0% RENOVATION
- 10% ACQUISITION

2. Renovations have a much greater climate mitigation potential than new constructions

The EU policy makers' commitment to promote a shift towards more sustainable investments must materialise in an actual transformation of the real estate sector we see today, including listed real estate.

The aim is to

DECARBONISE

the built environment in Europe

Energy efficiency is an important tool to enable the built environment in Europe to decarbonise. However, we must look at buildings' whole life cycle and the embodied carbon footprint, and incorporate this approach into the EU Taxonomy's DNA. If not, we will not align the built environment with the European climate objectives.

3. As indicated in the EU Renovation Wave Strategy published in October 2020

4. Renovation Wave: doubling the renovation rate to cut emissions, boost recovery and reduce energy poverty, Press Release, October 2020

5. Status of the EU Taxonomy aligned residential buildings in Europe. Energy Performance Certificates in Europe – Assessing their status and potential, BPIE 2020

3. Importance of the whole life carbon approach to align with 1.5ºC Paris objective

Build nothing
Explore alternatives

100% Carbon reduction potencial

Build efficiently
Use low carbon construction technologies and eliminate waste

25% Carbon reduction potencial

Build clever
Optimise material usage and design with low carbon materials

50% Carbon reduction potencial

Build less
Maximize use of existing assets

80% Carbon reduction potencial

Source: Bringing Embodied Carbon Upfront, World Green Building Council, September 2019

Whole life carbon NEW BUILDINGS

74% carbon emissions — Approx. 600KG /SQM

carbon emissions 26% — Approx. 32KG CO^2 /SQM PER YEAR

Product stage	Construction process	Operational/ Usage phase	End of life
Raw material supply, Transport Manufacturing	Transport, Construction, Installation	Use, Maintenance, Repair, Refurbishment, Replacement	Demolition, Transport, Waste, Processing, Disposal

Whole life carbon EXISTING BUILDINGS

~~74%~~

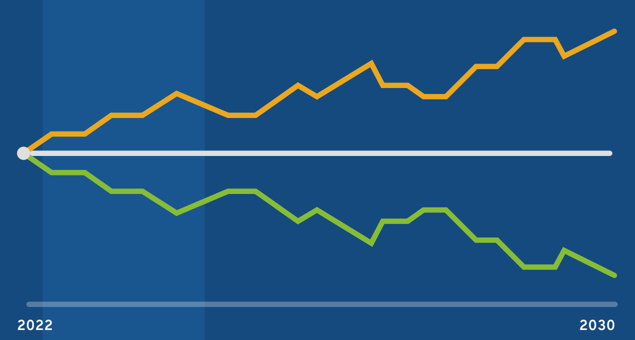
carbon emissions 26%

Product stage	Construction process	Operational/ Usage phase	End of life
Raw material supply, Transport Manufacturing	Transport, Construction, Installation	Use, Maintenance, Repair, Refurbishment, Replacement	Demolition, Transport, Waste, Processing, Disposal

Building Assessment Information: According to Architecture 2030, embodied carbon is expected to represent 74% of total emissions from new buildings between 2020 and 2030 and 49% of the total emissions between 2020 and 2050, considering an average building life cycle of 30 years. Data source: UN Environment Global Status Report 2017; EIA International Energy Outlook 2017; Architecture 2030; Data include operational emissions scope 1&2 based on 2019 FY data - Source: EPRA sBPR database

Unlike operational emissions, which can be reduced over time with energy efficiency renovations and the use of renewable energy, embodied carbon emissions are locked in place as soon as a building is built.

Source: Bringing Embodied Carbon Upfront, World Green Building Council, September 2019, p. 11



SCENARIO 2
As from January 2022, each new building (including of rating EPC A) will create a new CO_2 footprint added on the environment

SCENARIO 1
As from January 2022, CO_2 emissions from existing buildings will decrease after renovation

4. Industry recommendations for the EU Taxonomy

A

Economic activity	Description of the economic activity	NACE code	Application to REITs
Acquisition and ownership of buildings	Buying real estate and exercising ownership of that real estate.	L68	YES

EU Climate Taxonomy[6]

ADD
Under the Acquisition and ownership of buildings section

1. **For buildings built before 31 December 2020,** the building has at least EPC rating A. Alternatively, the building is within the top 15% of the national or regional building stock expressed as operation Primary Energy Demand (PED) and it is adequately evidenced.

2. **For buildings built after 31 December 2020,** the building meets the criteria set out for the activity 'construction of new buildings' in section 7.1 of this Annex that are relevant at the time of the acquisition.

3. **For buildings renovated after 31 December 2020,** the building meets the criteria set out for the activity 'renovation of existing buildings' in section 7.2 of this Annex or alternatively the building has demonstrably lower carbon impact in comparison with the carbon impact of equivalent newly built buildings eligible under the section 7.1. of this Annex based on the whole life carbon assessment performed at the date of renovation.

4. **Where the building is a large non-residential building,** it is efficiently operated through energy performance monitoring and assessment.

B

Introduce a list of proxies to EPCs,

at the minimum in countries where EPC rating is not available and at the minimum for assets with no access to EPCs (e.g. industrial, logistics), to enable the use of EU Taxonomy by real estate investors.

C

Add a reference to the development of new buildings for own portfolio

(adding L68.2 for real estate) **to the economic activity 7.1. Construction of new buildings under the climate change mitigation** environmental objective. The development of building projects is not carried solely for future sale, but also for own operations (e.g. space rental). The former, relates to the activities of development companies; the latter, to the activities of certain listed property companies and REITs. Currently, the Taxonomy includes only one type of real estate investor within the construction of new buildings activity, i.e. developers, while failing to recognise the role of real estate investment companies which create new buildings to keep them for the long-term.

6. EPRA recommendations are specific for the climate change mitigation environmental objective of the EU Climate Taxonomy. The fulll text of the EU Climate Taxonomy is available here

Date of issue:
September 2021

Leading owner and operator of Shopping Centres in Central and Eastern Europe (CEE)

Lithuania
Poland
Czechia
Slovakia
Hungary
Romania
Croatia
Serbia
Bulgaria

9 countries

52 retail properties

325 MILLION visits in 2019

€5.8 BILLION investment portfolio

Nearly **200,000 m²** GLA of developments, extensions, and refurbishments.

www.nepirockcastle.com

If the real estate industry is going to build back better, it must build back greener

Views expressed in this article are a reflection of individuals' opinions at the time of speaking during the EPRA Annual Conference 2021 on September 22, 2021, and do not account for subsequent policy, regulatory or public health developments.

When the real estate industry came together virtually last year for our conference, the idea of an event being held online still felt novel. However, one year on, amongst continued uncertainty, once again, it was from their computers that the industry dialled into REthink 2021.

The virtual format did not prevent the conference from proving to be a resounding success once more. Hundreds of industry professionals came together to listen to leading insights on the future of the real estate industry, from the progress in recovery to the opportunities for growth. But amongst it all, a clear message ran throughout: that it was time to look beyond Covid and build a better future for the industry.

This was certainly the case with the day's opening keynote from the former Governor of the Bank of England, Lord Mervyn King, who was quick to point out that Covid-19 was endemic and that we must "stop understanding it as a temporary crisis and learn to live with it". For King, government policy needs to move past eradicating the disease and instead focus on "developing an effective debt management strategy and promoting a stronger economic system".

By all accounts, we are beginning to see these attitudes become more pervasive amongst world leaders, particularly as restrictions ease and vaccination programmes continue to pick up the pace. For Lloyd Barton, Associate Director & Head of Global Trade at Oxford Economics, this is one of the reasons we are already seeing a strong economic bounce back in Western Europe and went on to suggest that this may only be the start with "increased government spending, the release of Next Generation EU funds and loose monetary policy all set to drive further growth".

We are also seeing Barton's optimistic macroeconomic assessment being mirrored in the real estate industry. Kim Wright, Head of Listed Real Estate at CPP Investments, pointed to global listed real estate share prices already being 11% above pre-Covid pricing, asserting that "the overall backdrop is overwhelmingly positive".

However, with recovery clearly picking up pace and a renewed sense of optimism that we may be returning to 'normal', the real estate industry must now ask itself what it wants the new normal to look like. Harm Meijer, Founding Partner and Managing Director at ICAMAP, pointed out that the industry "was undoubtedly one of the hardest hit", with its make-up meaning it was "heavily exposed to the pandemic".

Of course, real estate's exposure to the pandemic was not avoidable, but there must be some reflection about how it can build an industry that is stronger and more resilient than it was before. This is something that Méka Brunel, CEO of Gecina, is acutely aware of. "The real estate industry is now in a state of transformation," Brunel commented. "We must now look to build a new environment and move away from the ways of old."

So, what does this new environment look like? For Jo De Wolf, CEO of Montea, it's simple: "We need to be taking a more human-centric approach to real estate."

It's a sentiment shared by Rita-Rose Gagné, CEO of Hammerson, who feels the industry must refocus itself on the needs of customers and prioritise building relationships with tenants.

But the needs of tenants are not what they were 18 months ago. The pandemic brought with it a rapid acceleration in climate concerns, and we are now seeing ESG credentials scrutinised like never before. As Brendan Wallace, Co-founder & Managing Partner at Fifth Wall, points out: "Assets that don't look to mitigate their climate impact will simply find themselves without tenants."

This frank assessment isn't falling on deaf ears within the industry. We already see a concerted effort amongst those within the industry to not only ensure their new developments are sustainable, but their existing assets are too.

"We cannot condemn assets to functional obsolescence; instead, climate impact must be mitigated across entire portfolios," Brunel says.

Brunel highlights one of the greatest challenges for the industry is that so many assets were designed before ESG even existed as a concept. Therefore, to properly combat the climate crisis, considerable attention must be paid to retrofitting existing assets.

According to De Wolf, this means "thinking more creatively and considering a host of innovative solutions", which is why we are seeing an ever-increasing importance of climate tech within the industry to help retrofit these assets. Whether it's using solar panels or the adaptation of ventilation systems, the decarbonisation of the built environment will be impossible without these sorts of solutions.

The scale of the challenge is, of course, significant, with the decarbonisation of the real estate industry predicted to cost in the region of USD 18 trillion. But the industry cannot tackle this alone. There must be greater regulatory support to incentivise these decarbonisation efforts, a view fully endorsed by Wallace, who suggests that "regulators must match their increased interest in the climate crisis by creating an environment that is geared to tackle it."

Therefore, it is easy to understand the disappointment earlier this year at the lack of attention paid to incentivising the renovation of existing buildings in the latest iteration of the EU ESG Taxonomy. If the industry is to make inroads into that USD 18 trillion figure, then more must be done to enable them to do so.

We are now nearing two years since the outbreak of the pandemic, and it is hard to make too many predictions about what the future holds. However, over the last few months, we have seen that economic recovery is well underway and with this comes a great opportunity for the real estate industry. It must now take this chance to rebuild a resilient, stronger, greener version of itself. If this opportunity is taken, then the future may be very bright indeed. •

A redevelopment in the heart of Paris

A look at Gecina's 7 Madrid building in Paris' 8th arrondissement, winner of the Best Refurbished Building Award at MIPIM.

7 Madrid is a tremendous success, from its innovative acquisition process to its ambitious transformation and early pre-letting to WeWork. This former 19th century Jesuit college has metamorphosed into a vibrant and central workplace that inspires a return to the office by:

- Focusing on end-users' needs with new services and spaces that promote collective intelligence and wellbeing;
- Adopting an environmentally responsible approach, with 1,000 m^2 of green spaces, eco-materials and renewable energy production;
- Reconnecting it to the city through its open architecture, illustrated by its magnificent rooftop glass atrium.

Our purpose: "Empowering shared human experiences at the heart of our sustainable spaces."

> "When we chose 7 Madrid, we saw it would be the perfect place to network, to create a collaboration hub, community, gathering."

Rebecca Nachanakian, General Manager France & Southern Europe, WeWork

> "7 Madrid meets the need for a hybrid workplace according to feedback from our teams."

Oana Migeon, Global Workplace Experience Manager, Content Square •

7 Madrid ©DronePress

7 Madrid ©Dubuisson Architecture

Total return of listed residential real estate outperforms direct over ten years

Among Belgian individual investors, physical real estate (mainly residential) has always seemed to be popular. The fall in interest rates has only accentuated this phenomenon: they are indeed investing more and more in ‘bricks and mortar’. Is this type of investor too quick to trust in physical real estate investment? Are they aware of the alternatives in the residential asset class, or is their choice only guided by inertia or a slight lack of awareness?

We wanted to check whether the basis for this choice – which sometimes seems to be ‘by default’ – is based more on rationality or emotion. In short, is the strong preference for physical residential real estate justified in terms of both 1) its characteristics, advantages and disadvantages, and 2) its total net returns on investment when compared to an investment in REIT shares?

Regarding the first question, physical real estate certainly has significant advantages: frequency of income, low volatility (or rather hidden volatility), the benefit of debt leverage and the associated tax advantages. However, an overview allows us to state that an investment in listed real estate (more precisely in REIT shares) is generally more advantageous, for example, in terms of entry (initial investment) and exit (liquidity) barriers, diversification, the guarantee of constant income, operational management, taxation, transparency of information and transfer of assets (especially in the case of a donation).

We can derive the answer to the second question from a concrete case study modelling two types of residential real estate investments.

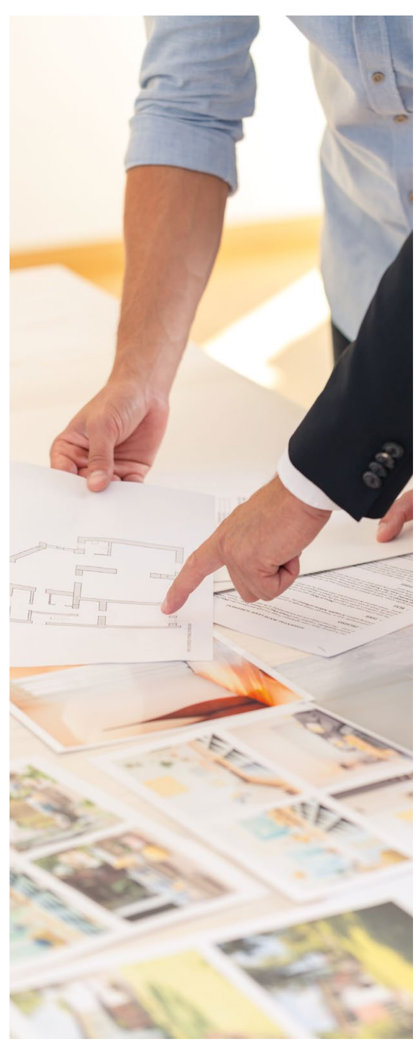
On the one hand, we considered an average flat in a typical Brussels municipality at the end of 2000 acquired to be rented out over a given period (either twenty years or ten years). The model made numerous fact-based assumptions: acquisition and selling price, bank loan, acquisition costs, necessary works, maintenance and repairs, rental parameters (turnover rate and rental vacancy, management, and rental costs), annual costs (insurance, rental charges, property tax), history-based rent modelling, tax advantage, etc.

On the other hand, we considered the acquisition of a number of residential REIT shares equivalent to our investor’s available savings. Several portfolios were composed, including an exclusively Belgian portfolio (Home Invest Belgium as investment proxy) and portfolios of European residential REITs.

Looking at the results, the total return of an investment in a basket of listed residential real estate is far more attractive than physical property investment over a period of ten years (22.4% versus 4.2%). In addition, taking Home Invest Belgium as a reference, we see overperformance both in a ten- as well as a 20-year time span (9.7% versus 4.2% and 7.7%, respectively).

It is only in the case of a 20-year investment (2001-2020) that an average Brussels flat seems to offer a better return than the European portfolio over the same period. This outcome is primarily due to the significant capital gain realised on a flat held over these 20 years and the limited sample of two REITs available over this period. •

	TOTAL RETURN	
	20 YEARS	10 YEARS
Brussels average flat	7.7%	4.2%
HOMI portfolio	9.7%	9.7%
EUR REITs Portfolio	6.7%	22.4%



QUENTIN DEPRETER

After studying Business Engineering at the Louvain School of Management (Belgium), Quentin Depreter quickly moved into retail real estate. After working for H&M and Carrefour, he recently became Real Estate & Expansion Manager BE-LU-FR for Di Beauty and April/Planet Parfum (Bogart Group). Wishing to diversify his knowledge in real estate, he undertook an Executive Master in Real Estate (University of Saint Louis, Belgium). It is in this context that he wrote a thesis, the conclusions of which are presented here.

gecina

A leading real estate group, specialist for centrality and new uses, with purpose: **empowering shared human experiences at the heart of our sustainable spaces**

€20bn
of real estate assets (≈ 80% offices & 20% residential)

100,000
clients **of our YouFirst brand***

€3.7bn
project pipeline

No.1
office real estate company in Europe

No.1
private residential portfolio in Paris

2030
net carbon zero plan

100%
of our bonds debt made up of Green Bonds

35.4%
LTV (excluding duties)

A-/A3
S&P/Moody's

youf1rst

*A user-centric approach brand, focused on the client relationship, founded primarily on the human dimension, and on delivering outstanding quality of service.

Zoom in on PropTech projects

Click2Shop: One click, three shopping centres

Click2Shop platform

AG Real Estate has created for the Belgian market the first marketplace platform common to its Brussels city centre shopping: City2, The Mint, Anspach and soon also Westland. With this innovative digital initiative, the property owner offers a phygital solution to its retailers to meet the changing needs of today's digital minded consumers. Convinced of the strength of physical commerce and the importance of putting digital and e-commerce at the service of the shop, AG Real Estate reconciles the best of both worlds and offers a sales-generating service to the retailers and customers in its shopping centres.

Developed in collaboration with Wishibam, the e-shop platform will allow customers to anticipate their purchases and prepare their visits 24/7 or even do their physical shopping online. The flexibility of this new service offers customers the opportunity to collect multi-shop and multi-centre purchases from a single collection point or have them delivered to an address of their choice. The platform is designed to simplify the day-to-day management for retailers. Stocks are updated automatically. An intuitive ordering process for both the consumer and the retailer has been put in place.

By investing in this new technology, AG Real Estate wants to show the retailer-occupiers of its shoppings that it is a real partner and can offer an adequate response to the optimisation of their turnover.

For more information: www.click2shopbrussels.be.

Gmp achieves the first SmartScore-certified building in Spain, and the fourth in the world

ARQBÓREA, the latest office development owned by Spanish real estate group Gmp, has become the first building in Spain and the fourth in the world to achieve SmartScore certification.

The building has been awarded a SmartScore Gold rating, making it one of the smartest places to work in the world.

The ARQBÓREA building ©Zishan Kahn Photography

SmartScore is the globally recognised smart building certification developed by WiredScore. This certification is the first global rating scheme to apply measurable and objective criteria to assess smart buildings. Assessment is based on the building's ability to respond to user needs in areas such as health and wellness, sustainability, security, services, individual and collaborative productivity and maintenance. It also assesses to what extent the technology, processes and procedures in areas such as digital connectivity, building operation systems, cybersecurity, governance, network integration and data sharing are robust and future-proof.

SmartScore Gold certification achieved by ARQBÓREA recognises Gmp's pioneering commitment to innovation and cutting-edge technology at the service of sustainability and people. The building demonstrates cutting-edge innovation by deploying market-leading technology, processes and automation to deliver world-class outcomes to all users of the building, creating a highly sustainable, inspirational, cost-efficient and future-proof space.

ARQBÓREA has been designed following a smart approach aimed at optimising the overall management of the building, reducing its environmental impact and meeting high standards of well-being, safety and health for users. Moreover, Gmp's Smart app has been highlighted as a tool that improves the user experience before even accessing the building.

More information:
www.arqborea.com/www.grupogmp.com

GPE's Platinum SmarScore building

Over the past five years, GPE has developed three smart buildings, with more on the way. At The Hickman, located in London's Whitechapel, GPE has delivered the world's first Platinum SmartScore building.

At The Hickman, enhanced functionality is provided through sesame™, GPE's award-winning smart workplace app, which allows building users to make more of every day. The smart functionality starts before staff leave home, enabling them to book desks, check the building's air quality and access up-to-date transport data to avoid busy train times. On their journey, they can use the app to read over 150 different magazines and news titles, and on arrival at the building, they can utilise contactless access to get into the building and pick up a pre-ordered coffee from the Makers café in the reception area before getting to their desk. Once at their desk, they can use the app's environmental controls over lighting and temperature to improve their working environment and productivity. The app also features a concierge service and connects with local lifestyle offers and amenities, allowing people to use gyms, local shops or enjoy the huge variety of London's nightlife.

The technological foundation of the building is provided by the creation of a digital twin, a virtual replica of the building. At The Hickman, GPE has taken the digital model used during construction and connected it to the building's management system. When combined with occupancy sensors, the data from the digital twin allows GPE to work with occupiers to optimise the use of the building to help reduce operational energy and allow GPE to meet its ambitious sustainability target to be a net-zero carbon business by 2030. Working with occupiers in this way helps to maintain high levels of employee satisfaction to ensure employee wellbeing and improve their working environment. In time, GPE will use machine learning to predict failures before they occur and feed this knowledge into GPE's ongoing development pipeline. •

The Hickman building ©Zishan Kahn Photography

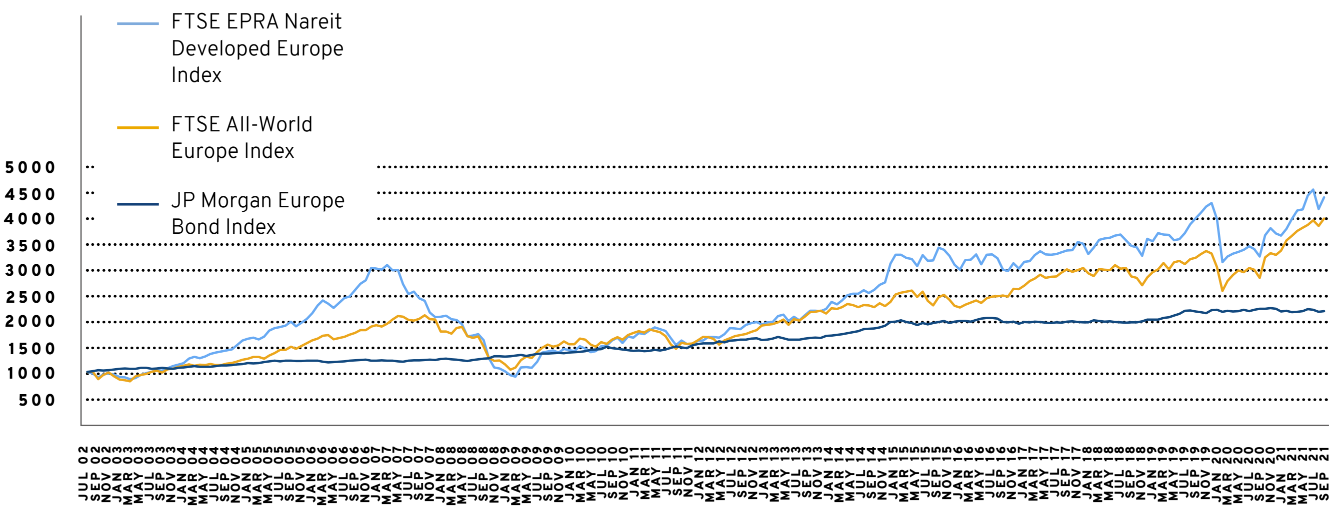
Stability and Sustainable Growth

- Largest listed residential housing company in Europe with approximately 570,000 apartments and more than € 95 billion real estate.
- Scalable business model with low-risk B-to-C customer relationships in a homogeneous asset class with 13 years average tenant tenure.
- Clearly defined 4+2 strategy for internal and external growth. Stable and sustained increase in cash flows from operational core business through rental growth, value-enhancing investments and value-add services.
- ESG deeply rooted in Vonovia's business strategy.

investors.vonovia.de

Index focus

Comparison of asset classes

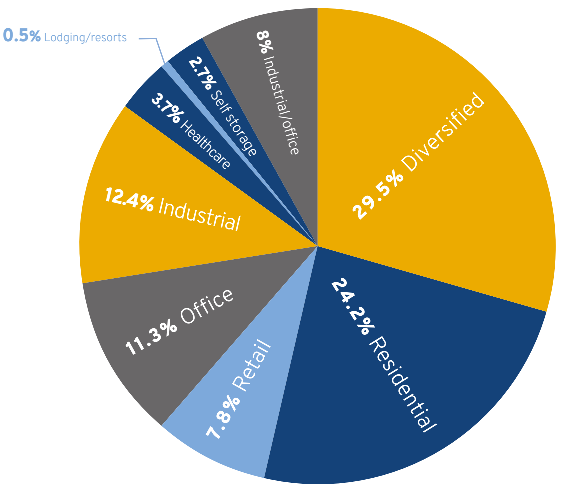


Value snapshot (October 2021)

* 1-year LTV value as of October 2021 and 10-year value as of 2011

DEVELOPED EUROPE	LATEST (MONTHLY)	YEAR TO DATE	1-YEAR	10-YEAR (LONG RUN)
Average Total Return (%)	5.53	15.78	35.52	10.63
Average Premium/ Discount to NAV (%)	-8.95	-10.74	-12.72	-9.22
Loan-to-Value (%)*	36.98	37.04	37.16	39.05
Average Dividend yield (%)	2.78	3.05	3.18	3.74

Developed Europe Index sector share



Top 10 European performers (October 2021)

FTSE EPRA NAREIT GLOBAL INDEX							
STOCK NAME	COUNTRY	REIT STATUS	SECTOR	INVESTMENT FOCUS	PRICE RETURN OCTOBER 2021 (%)	DIVIDEND PAID OCTOBER 2021 (%)	TOTAL RETURN OCTOBER 2021 (%)
Corem Property Group (B)	SWED	Non REIT	Industrial/Office Mixed	Rental	22.84	0.00	22.84
Sagax Ord Shrs Class B	SWED	Non REIT	Industrial/Office Mixed	Rental	22.72	0.00	22.72
TLG Immobilien	GER	Non REIT	Diversified	Rental	20.34	0.00	20.34
Dios Fastigheter AB	SWED	Non REIT	Diversified	Rental	17.04	1.93	18.97
Samhällsbyggnadsbolaget i Norden AB	SWED	Non REIT	Diversified	Rental	18.81	0.00	18.81
Fastighets AB Balder	SWED	Non REIT	Diversified	Rental	17.89	0.00	17.89
BMO Real Estate	UK	REIT	Diversified	Rental	17.68	0.00	17.68
Nyfosa AB	GER	Non REIT	Industrial/Office Mixed	Rental	17.04	0.00	17.04
Wihlborgs Fastigheter	SWED	Non REIT	Diversified	Rental	16.51	0.00	16.51
Wallenstam AB	SWED	Non REIT	Diversified	Rental	15.87	0.46	16.33

Square de Meeus 23
1000 Brussels, BE
T +32 (0)2 739 1010

Find more information on www.epra.com