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* Welcome to our newest
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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 Conference edition of the EPRA Industry Magazine. For those of you who do not know, we are celebrating this year the 10th anniversary of the EPRA Sustainability Best Practices Recommendations. ESG and sustainability reporting are currently at the forefront of any discussion, no matter the sector, and the EU is very active in proposing measures to guarantee we reach a 55% greenhouse gas emissions cut by 2030. With the ten years of the EPRA sustainability standard, European listed real estate companies and investors are ahead of this curve. Moreover, our members are committing to carbon neutrality, and many of them are actively issuing green bonds.

However, the work does not stop here. With many dossiers on the table, from the EU Taxonomy to the European Green Bond Standard passing by the Corporate Sustainability Reporting Directive, EPRA is bringing vast experience and knowledge to the

table. With COP26 around the corner, we are working closely with policymakers to make sure the voice of the built environment is heard and that the specificities of the European listed real estate sector are understood and taken into account in current and future legislation.

Wellbeing is an integral part of ESG discussions, especially in the post-pandemic world. The theme is a cornerstone of our Conference programme, with the afternoon sessions dedicated to health and wellbeing from a tenant and employee perspective, as well as to greener and smarter buildings of the future. The topic is discussed in this edition by Meik Wiking, CEO of The Happiness Research Institute, and guest speaker at this year's Conference.

People returning to the office comes in pair with the reopening of our economies and a steady recovery. As our updated Oxford Economics report

demonstrates, the trajectory of the recovery is broadly in line with the initial predictions, faster than what we observed after the Global Financial Crisis, and expected to attain a pre-crisis level by 2022.

And when talking about recovery, one should not overlook Central and Eastern European economies, with countries such as Poland and Romania growing at a fast pace. It is no wonder that those countries are attractive to investors, and that REIT legislations are proceeding. Alex Morar, the CEO of NEPI Rockcastle, as well as representatives of four companies active in this region, discuss the uniqueness and opportunities of the CEE market in this edition.

Finally, and as always, I would like to welcome our newest members: AVENTOS, Claresco Finance, Norwegian Property, R8 Property, Residential Secure Income and St. Modwen. •

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The pandemic won't dent Central & Eastern European retail's promise



Bonarka City Center, Kraków, Poland

Central and Eastern Europe is unique. The region overcame an incredibly turbulent 20th century – in which it was shattered by wars and divided by revolutions – to become a dynamic and forward-looking part of the world that maintains rich and diverse cultures and identities. In short, the region and its people are incredibly resilient. This history means you wouldn't bet against it making a strong recovery from the pandemic – NEPI Rockcastle CEO Alex Morar certainly wouldn't.

Much of the region was still under communist government until the 1990s, which means that its physical retail sector is growing from a lower base than Western Europe. This, according to Mr Morar, offers investors far greater opportunity than elsewhere in the continent. "Central and Eastern Europe is an attractive and still-developing market. Unlike what one tends to find in Western Europe, the region's physical retail sector is

unsaturated and offers investors plenty of room for further growth," he says.

This is particularly exciting when you factor in the robust frameworks that make it an investor-friendly destination. Alex points out that the fact that Central and Eastern Europe is "firmly within the EU and is therefore underpinned by shared cultural norms and an established rule of law. This protects investors and makes it a relatively easy and open place to do business."

This is further compounded by the swelling use of English as a lingua franca among the region's business community, which is a benefit that cannot be understated in a region of enormous linguistic diversity. In Eastern Europe, Slavic, Romantic and Finno-Ugric languages mix closely in a relatively small area of land carved up by winding borders.

A RETURN TO ROOTS

The tremendous opportunities that lie in CEE physical real estate have fuelled the remarkable rise of both NEPI Rockcastle and its young CEO. Born in Romania, he soon moved to the US with his parents, where he spent his formative years and pursued his studies.

Although he started his career in New York, Romania – which he always visited – loomed large in his mind. "Whenever I visited, I was captivated by the scale of the opportunities," Alex says instinctively, adding that from a young age, he was aware of the potential of the region. While working for Bearing Point in New York, he holidayed in Romania and got a job at Deloitte Financial Advisory in the country. He then became involved in NEPI almost by chance when it was set up by his former boss in 2007. Little did he know it at the time, but this would be the start of a staggering career that would see him stay in the country, nine markets and 450 people later.

In the beginning, NEPI was a small-scale operation and had a EUR 50 million commitment from South African investors – a modest sum now relative to NEPI Rockcastle's EUR 3.8 billion market capitalisation. In the very earliest days, Alex was one of just three members of staff. "I was doing everything from preparing investor materials and analysing potential investments through to making sure the photocopier had enough ink and paper – it was a very formative experience," he says.

Morar took over as CEO in 2015 at just 32. He is candid when saying that some outsiders might have perceived him as being too green to run the company, but he has clearly proved any would-be doubters wrong. Since his appointment, the business has gone on to manage 50 assets valued at around EUR 6 billion. Much of this was driven by a merger with Rockcastle in 2017, a move he himself spearheaded.

A UNIQUE APPROACH TO A UNIQUE REGION

There is more that separates out NEPI Rockcastle from the competition than just geography, however. Its approach is unique. The company focuses a substantial allocation of its investments in dominant properties within large catchment areas and values long-term assets above short-term ones. While he concedes that this has meant missing out on one or two bargains in recent years, it has kept the balance sheet healthy and ready to deal with any volatility. He is quick to point out that this has been useful over the 'testing' past fourteen months.

NEPI's favoured approach is to look for catchment areas "upwards of one hundred to two hundred thousand people to cater to that are on a firmly upward trajectory", which Alex suggests can maintain one medium-to-large retail property. Owning the dominant retail asset in this sort of urban area provides a high degree of security and guarantees footfall, which underlines the long-term strategic thinking that he prides himself on. The ambitious young leader sincerely derives a great deal of satisfaction from his assets driving the positive development of cities, which are often energised by a new retail property.

Morar is aware that it is prudent to diversify, however, and these investments in smaller urban centres are balanced with investments in more developed big cities like Krakow and the capital cities NRP is invested in. Here the aim of the game is different – in a competitive market such as this, he is adamant that you need to provide something better than what is already on offer.

ONE STEP BACK, TWO STEPS FORWARD FOR PHYSICAL RETAIL

NEPI Rockcastle has performed well in an incredibly tough year for physical retail. The company estimates that in 2020 it took an approximately 30% hit on its pre-pandemic 300 million visitors, which reflects how people-orientated their business is. His team showed incredible resilience during a period of inconceivable uncertainty, working incredibly hard to maintain high-quality communications and efficiency.

Alex is bullish on the prospects for recovery as the EU's vaccination programme ramps up and was, at the time of writing, eagerly awaiting his second job. He maintains that "good weather combined with vaccination should hopefully result in something that keeps us from a crippling wave

in fall and winter" and believes that 'revenge spending' will drive a strong recovery in physical retail.

Physical retailers can't rest on their laurels and rely entirely on pent-up demand when it comes to recovery, however. The pandemic has changed the rules. Morar explains that "the final consumer has been forced to purchase many things online. People who previously had no desire to buy something online are now doing so, and this convenience might force permanent behaviour change". Retailers must add more convenience into their offerings in order to attract customers back to physical.

Alex maintains that the pandemic has accelerated evolution rather than fostered revolution. The pandemic was a catalyst for existing trends, such as ecommerce, homeworking and video meetings. He is clear that we will not return to 2019 anytime soon but adds that way we live is constantly evolving anyway, and that many of these changes would have occurred organically irrespective of the pandemic. We would be living in a different world to the one we were living in in 2019 regardless of COVID.

Whatever the outlook, Alex calls on policymakers and regulators to support the health of the whole retail ecosystem rather than solely on retailers themselves, adding that "businesses like investors and developers allow others to thrive. If we are supported, the whole industry is supported".

One suspects that the support of the regulators is irrelevant in Alex's success and that of the company he helms. He leads a very strong team with a long-term view in a resilient market. •



Shopping City Targu Mures, Romania

ALEX MORAR

Alex joined NEPI upon its founding in 2007 and was initially involved in operational and reporting activities. He later assumed leadership of NEPI's investment programme throughout CEE. He was appointed Executive Director in 2013 and Chief Executive Officer in August 2015 and has since grown the business from EUR 1.8 billion in assets to EUR 5.8 billion.



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Central and Eastern Europe's time in the sun may have only just begun



Globalwirth Tower, Bucharest, Romania

It would be fair to say that before the pandemic hit in the Spring of last year, the Central and Eastern European (CEE) region was one of the continent's biggest success stories. The region averaged over 4% in GDP growth in the three years leading up to 2020, and central to this has been a thriving listed real estate sector; 2019 alone saw a record EUR 14 billion in transaction value for the sector – the best result in CEE history.

With the region's LRE sector booming, the pandemic bringing much of the global economy to a grinding halt couldn't have come at a worse time. Very quickly, serious questions were being asked about whether the growth of the region's listed real estate sector had not only plateaued but that its rapid gains might fall away with equally impressive speed.

However, fast forward eighteen months, it would seem these predictions couldn't have been further from the truth. This is certainly the view of Dimitris Raptis, CEO of Globalwirth Group, who was quick to point out that “the positive supply and

demand dynamics that characterised the region over the last decade haven't simply disappeared because the pandemic” but that much of what made the region such an attractive investment proposition still applies today.

And Raptis isn't the only one making the case for the region. Jan Evert Post, Managing Director at CTP, is equally optimistic in his assessment, suggesting that “there are no signs of a demand imbalance coming anytime soon” and points to the region's strong economic outlook and the continued levels of investment as key indicators of future success.

These bullish assessments of the sector's prospects in the region are by no means grandstanding – the stats back it up. CBRE's 2021 market outlook report showed the CEE region experienced a 5.3% fall in GDP in 2020, yet, despite this, the region's real estate sector still saw nearly EUR 10 billion in transaction value and the region is predicted to see 6.7% in GDP growth this year compared to 4.6% for the Eurozone.

So how has a developing market that is still in its relative infancy when compared with its western European neighbours proved to be resilient? “It's simple, strong fundamentals,” says Joost Uwents, CEO of WDP. “We have unrivalled access to a strong, educated and affordable workforce, a low average cost of living and an improving GDP per capita.”

Post and Yovav Carmi, President of the GTC Management Board, agree. Strong fundamentals have been the backbone of the real estate sector's success before the pandemic, and resilience during it. Carmi adds that it is these “great macroeconomic fundamentals” that have made the real estate sector in the region “significantly more pandemic-resistant than its neighbours”.

Clearly, the region's strong fundamentals have helped it to weather some of the worst of the pandemic, but now attention will turn to what's next. With investors looking to growth and recovery, what does the CEE region offer in the post-pandemic world?



WDP, Ursus Breweries' warehouse, Buzau, Romania

TURNING A STRONG FOUNDATION INTO A STRONG FUTURE

From the outset, the pandemic has had – and continues to have – a significant impact on market dynamics. Where asset classes such as retail and hospitality have been forced to take a back seat, others such as logistics have been catapulted centre stage.

Similarly, financial constraints are causing many corporates to rethink their footprint, making markets with the strong fundamentals Uewents and Carmi eluded to even more attractive.

According to Uewents, “next to strong demand from retailers, markets within the region are also well placed to capitalise on a growing appetite to nearshore activities.” And it would appear that this is not just a prediction but an existing trend. “2020 proved to be the best-ever year for leasing of logistics real estate in Romania,” he adds, “with a take-up of over 900,000 m² of leasable area, doubling the 2019 numbers.”

The opportunities that nearshoring is bringing the region are not just being felt by WDP. Carmi points to GTC's recent sale of its Belgrade office portfolio for EUR 2 million above book value as a sign of what's to come: “This sale marked one of the biggest real estate transactions in the CEE region over the last five years, but deals like this will fast become commonplace as we see a move from West to East.”

Like Carmi, Raptis believes office real estate is an area of growth for GLOBALWORTH and that nearshoring will be hugely beneficial for the company. He suggests that the office sector “will be the real winner of the pandemic” in the CEE region as cost-cutting in Western Europe starts to take precedence.

Although Carmi does not quite go this far in his assessment of the asset class, he does point to the unique dynamics of office real estate in the region: “There is really limited ability to work remotely in the region, which means the office simply hasn't come under threat in the way it has elsewhere.”

What is interesting here is that nearshoring activities can have a hugely positive knock-on effect on certain asset classes that are otherwise struggling. Office real estate has been heavily exposed

to the pandemic, with companies moving to remote working and many questioning the future value of the office as a physical asset. Yet, as the deal Carmi refers to illustrates, in the right environment, the office remains an incredibly attractive asset class.

Clearly, the CEE region is an area of real opportunity for listed real estate. Not only does it possess the necessary fundamentals to make it resilient, but it has the capacity for growth coupled with a global appetite for more affordable real estate. It seems fair to suggest it has all the ingredients for a strong future.

WHERE SUSTAINABILITY LEADS, INVESTMENT FOLLOWS

There is no doubt that a resilient market is an attractive market, but resilience and returns alone are not the only things investors and operators are paying close attention to. The pandemic has placed ESG performance front and centre, and if the CEE market wants to capitalise on its strong showing over the last twelve months, it must embrace a green future.

A view endorsed by Raptis, who suggests that the focus on sustainability was steadily increasing amongst investors but that the pandemic “brought about a rapid acceleration” and that it is now the first question any prospective investor or tenant asks.

This increased scrutiny from the investment community is similarly being felt at GTC, with Carmi pointing out: “It is now critical for companies to be transparent not only financially, but socially and environmentally. Those that don't will find themselves firmly out of favour.”



CTPark Bucharest West, Romania

In practical terms, this means developing clear sustainability reporting frameworks to allow investors to scrutinise the claims of developers. For GTC, this means producing its annual ESG report to give investors a clear view of its progress in reaching its targets. Similarly, for Uwents and WDP, this means the development of its Climate Action Plan, which will “help the company action the 2030 and 2050 Climate goals of the EU and the European Green Deal”.

But it isn't just about updating existing assets to meet LEED or BREAM certification but developing avenues for investors to channel funds into developments they know to be sustainable. In practical terms, for the CEE region, this means green bond issuance.

“The current demand for green bonds is substantial; they're quickly becoming the only bonds investors are interested in,” says Post. “The vast majority of our bond investors hold green investment criteria”, noting that the CTP will only ever issue green bonds because its entire real estate portfolio qualifies as such.

It is easy to see why there is such high demand. Earlier this year, the European Commission committed to issuing over EUR 250 billion in green bonds, totalling nearly 30% of the overall recovery package, clearly showing that a green recovery was the priority.

This sudden clamour for green bonds resulted in GLOBALWORTH's first green bond being two times oversubscribed back in July, with Raptis explaining that such high levels of interest “was previously unheard of” but predicts that “this level of interest will become the norm” before long.

These examples aside, the CEE region is by no means at the front of the pack when it comes to green bond issuance, but the early indications are that the demand is there. CTP has issued EUR 2.5 billion in green bonds in the eight months since September 2020, whilst GTC saw its EUR 500 million green bond issuance three times oversubscribed earlier this year. Both of these examples simply underline the scale of the opportunity in the region. It is vital that the real estate sector here sees sustainability not just as a box-ticking exercise but as a means of stimulating future growth.

In the summer of 2020, there was a prevailing narrative that the CEE region's stunning success over the last decade would be consigned to history with the outbreak of the pandemic. In the 12 months since, the region has proved itself to not only be one of the most resilient markets in continental Europe but one of immense opportunity. If developers in the region can harness the opportunity that sits in front of them, then the regions time in the sun may have only just begun. •



GTC Green Heart, Belgrade, Serbia

DIMITRIS RAPTIS

Dimitris Raptis, a seasoned business leader with 25 years of experience in the financial services and real estate industries, is the CEO of Globalworth Group, a pioneering real estate institutional investor, developer, and asset manager active in the CEE region. He was Globalworth's Co-CEO between March and December 2020. He joined the Group when it was founded in 2012 as Deputy CEO and Chief Investment Officer. In this role, he was involved in most of the Company's activities, with primary responsibility for Globalworth's investment and capital raising initiatives, and since 2017, Globalworth Poland, the Group's Polish business.



JAN-EVERT POST

Jan-Evert Post joined CTP in 2019 as managing director. His role is to manage relationships with the banking sector and institutional investors alike and provide for the complete financing of CTP activities. He was instrumental in obtaining Investment Grade ratings for CTP in September 2020 and acted as internal lead for CTP's IPO project that was completed when CTP got listed on Euronext Amsterdam in March 2021. He knows CTP since 2012, whilst at ING Bank, where he was managing director in charge of the bank's International Real Estate Finance activities.



JOOST UWENTS

Joost Uwents has been a director since 2002 and Executive director and CEO since 2010. Together with Tony De Pauw, he constitutes WDP's management team. He is a commercial engineer and holds an MBA. He is also an independent director of Xior Student Housing and Unifiedpost Group.



YOYAV CARMİ

Mr Carmi is the President of GTC's Management Board since September 2020. He has over 26 years of professional experience in the finance and real estate industries. He holds an in-depth knowledge of GTC's operations and activities in the region collected through 19 years of working for the company.



A balanced approach in a recovering market

An interview with CPP Investments' Head of Listed Real Estate Kim Wright

Kim Wright explains CPP Investments' (Canada Pension Plan Investment Board) noble mission. "Our purpose is to help sustain the CPP by prudently investing the fund's assets and thereby providing a foundation on which Canadians can build financial security in retirement. As such, it is absolutely vital that we capture global growth while also demonstrating resilience during periods of market uncertainty."

The Hong Kong-based Australian is now approaching her third year as Head of Listed Real Estate at the Canadian giant. A huge part of her job, she reveals, is to ensure that the fund is appropriately rewarded for the risks it takes. The risks they must keep an eye on are growing and include areas that might not have worried yesteryear's manager – geopolitical upheaval, climate change and reputation-related risks. Canada is increasingly famed for its progressive attitudes, and one suspects many of its citizens would be happy to see such criteria play an active role in the management of their pensions.

In practice, this means CPP Investments' diversifying its CAD 497 billion fund across a multitude of currencies, countries and asset classes, which enables Kim and her team to keep an eye on these risks. CPP Investments' size, scale and diversity have provided the listed real estate lead with an excellent perspective on global trends. This, coupled with the emphasis the Fund places on balancing risks, gives her a unique insight into the global headwinds that investors should pay attention to.

GROWING CERTAINTY IN GLOBAL MARKETS

No discussion of the risks and uncertainty today's investors face can avoid the pandemic. She is frank about the disruption that this has caused on a global scale: "People everywhere have experienced hardship; economies were disrupted, and businesses were forced to adapt swiftly. It's been a very challenging time for many."

However, she is also quick to reflect that things weren't necessarily as bad as some would have predicted. CPP Investments' head of listed real estate, who previously spent 22 years with UBS in Sydney and London, points out: "Interestingly, the Covid-19 driven correction in share prices was relatively short-lived. Listed real estate share prices fell 45% from a peak in mid-February to trough prices in late March." After this, the effects of monetary and social policy support kicked in and underpinned an initial recovery in share prices, which was then driven further by the vaccine recovery in late 2020.

A snapshot of market conditions today underlines the bounce back, according to Kim; listed real estate share prices are on average 5% above their pre-Covid level. There are, of course, regional and sectoral nuances, but many sectors whose prospects had been written off have been performing well too.

It shouldn't be surprising that areas like industrial, single family housing, data centres and self-storage are above pre-Covid pricing levels – these have been supported by strong operating fundamentals. What is very encouraging, according to Kim, is that lodging and shopping centres – two of the sectors arguably most impacted by Covid – have staged a remarkable recovery and lie just 10-15% below pre-Covid prices.

When asked about the prospects of the much-maligned office sector, her view is that a lot will depend on long-term shifts in working patterns after the pandemic. "I think two major trends still being debated by market participants are just how impactful the shift to hybrid working will be on office demand and how much office utilisation will change," she explains. "While workers appreciate the flexibility and reduced commute times home working brings, managers

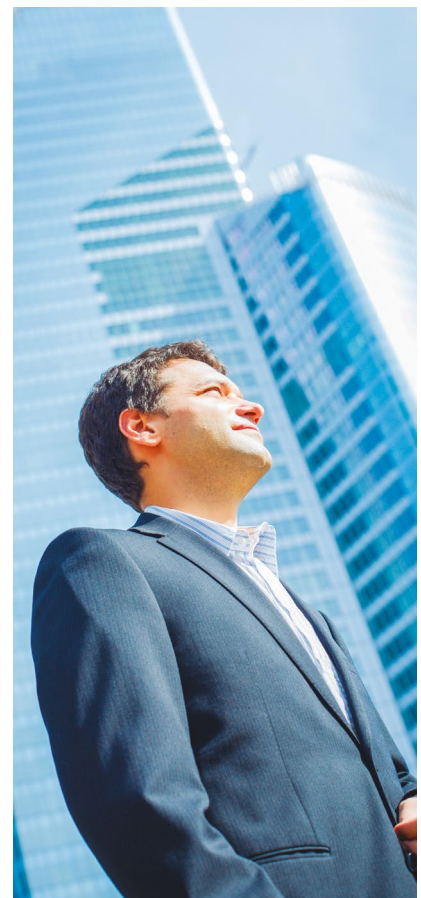
and business leaders recognise the importance of in-person and office-based working for collaboration, innovation, culture and learning."

THE ROAD AHEAD

So how does this all impact the course charted by CPP Investments? "Certainly, getting both the country and sector positioning right is important for delivering excess returns above benchmark," CPP Investments' real estate lead explains.

Kim goes on to provide further details of how this looks in practice: "Over the last five years, getting the sector call within real estate was more important, as evidenced by the divergence in returns. Over the last five years, retail returned -3% and industrial +21% – a difference of 18 percentage points."

Kim says that the fund remains positive on prime, well-located industrial and ground-up developments: "While capitalisation rates have compressed, this is often reflective of strong Net Operating Income growth and favourable supply and demand fundamentals."



Though the difference between different markets has maybe not been as striking as sectors, it has still been an important call to get right: “When looking at developed countries, the worst-performing REIT market was the UK at +2%, and the best was Germany at +13.5%.”

EMERGING OPPORTUNITIES

When it comes to specific geographies, Kim is very positive about emerging markets. She describes how CPP Investments projects that emerging markets will be a real engine for growth in the coming years, and that they will ultimately account for over half of global GDP within the next decade. It’s clear the organisation senses a real opportunity here, and she mentions that CPP Investments often looks to Brazil, Greater China and India.

However, investors must adopt a careful approach to emerging markets. Kim points out that the geopolitical risks are often greater, and that “political risk is perhaps the hardest

risk for public markets to price. International investors won’t be as understanding of local politics”.

According to the investment chief, government policy and regulation around the world will play a crucial role both in the economic recovery and her own strategy. Fiscal and monetary policy will obviously be crucial, but Kim is also clear that vaccine rollout schedules will likely shape the economic recovery across industry and country, which will be a watchout for investors. Furthermore, governments could embark on big spending projects such as infrastructure investment and home ownership schemes, which would also have big implications.

As the economic recovery gathers pace CPP Investments will continue to take a measured and balanced approach to risk that has Canadians’ best interests at its heart: “We tend to invest with a longer-term investment horizon. But, particularly for our public programme, we will continue to monitor the investments closely,

and if expected returns are realised more quickly and go forward returns are no longer compelling, we will consider disposing more quickly”. One expects that Kim and her team will have no problem realising these returns given their diligent approach. •

KIM WRIGHT

Kim is responsible for CPP Investments’ listed real estate investments and is a member of the Real Estate Investment Committee, which oversees the Fund’s global public and private real estate investments. Before this, Kim covered listed real estate for UBS for more than 22 years, leading top-rated real estate equities research teams globally.



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Recovery and opportunity

An interview with Green Street's Director of Research Cedrik Lachance

The first thing that catches the eye when speaking to Green Street's Director of Research is the surfboard in his Zoom background. The board – which is unlikely to be getting much use on a rainy day in June – is an apt metaphor for a career that has brought him from California's sunny Newport Beach to London. While he is based in Europe, his outlook is multinational; Mr Lachance is responsible for Green Street's global research function.

Cedrik is certain that the last 16 months will have a profound and lasting effect on the European and

Global REIT markets. "What happened is going to have a material impact in the long run," he explains, adding that this will be driven by lasting lifestyle changes accelerated by the pandemic.

He is candid about how a long-term trend towards greater homeworking will have particularly profound changes: "At the moment, we haven't really had the ability to go back to the office yet, so we can't be certain about how the future will look" the French-Canadian explains. However, what is abundantly clear is that there is a strong desire for hybrid working."

The most obvious place where this will be felt will be in the office sector. According to Mr Lachance: "The US could see a fall of around 15% in demand for office space, and the early indications suggest that London would experience a similar fall. However, the fall in continental Europe will be somewhat softer."

FROM NEWPORT BEACH TO LONDON

Investors listen to what Mr Lachance has to say, which is part of the reason why Green Street has become a REIT-research powerhouse. He has spent his entire career analysing the market, and the French Canadian's first introduction

to the category came during his MBA internship while studying at Dartmouth. He says: "I had been told that Green Street was a top product in the category, and then got a position working in the firm's headquarters in Newport Beach during the second year of my MBA."

Since then, he has grown with the firm: "We went from a strictly-US focused REIT shop with 25 employees to a global firm employing 275". Green Street expanded into Europe and opened a London office in 2008, and 18 months ago, Cedrik moved to London to lead the global REIT team from Europe rather than Newport Beach as a step to further integrate US and non-US research. Under his leadership, the firm's research offering "aims to provide the gold standard of actionable research and analysis, with a direct focus on providing actionable insight".

LONG-TERM TRENDS

So how does Cedrik think that this longer-term pivot to homeworking will affect the real estate market? He starts with the assertion that people will not need to live as close to work as they have done. According to the research director: "Living centrally will no longer be as critical to people as it once was, and as such, the commuter

belt will become much bigger.” He is clear about the challenges that this will present REIT investors – where things get really interesting are the opportunities.

Firstly, Cedrik believes that larger European urban areas will offer investors better returns than smaller ones over the next decade: “People – particularly younger people – will still pursue living in larger metropolitan areas for a variety of reasons that will be unaffected by the pandemic.” He adds that: “Suburban areas within these metropolises should be winners, as people will look for more outdoor space, which is a natural reaction to lockdowns.”

Furthermore, he believes that this shift in living will have a profound impact on the leisure category. While business travel volumes will probably decline, affecting returns in cities that had large numbers of business visitors pre-pandemic, enormous pent up demand for leisure travel will drive opportunities in cities like London and Paris. He adds that “leisure destinations and resorts will also benefit from high public demand as people get back out into the world and enjoy themselves”.

Finally, he explains that the pandemic-induced shift to e-commerce is also a trend that alpha-hungry investors will be able to capitalise on and that there are ten years of high growth ahead in this category. “A lot of purchases have moved online, and this has been particularly pronounced in Continental Europe where e-commerce will finally become a more important part of consumer spending,” he explains. Cedrik also suggests that this will contribute to a growth in demand for industrial real estate closer to population centres, where returns will be further supported by the fact there is naturally less opportunity to build and, therefore, more competition for assets.

LOOKING DOWN THE LINE

One very interesting point raised during the conversation is Green Street’s view on how societal inequality could affect investment opportunities. Cedrik says that countries with lower Gini coefficients – i.e., those that are more economically equal – when combined with good government fiscal positions will be in a better place to cement future growth than those with



higher Gini coefficients. He mentions that “the Nordics, the Netherlands and Switzerland are better positioned than average countries to sustain economic growth under this scenario”.

Part of this will be due to a better vaccine rollout, but he also explains that “lower Gini countries will also do better because they are put in a position to do well. There is less risk of negative government intervention, and ultimately less temptation to burden real estate with more taxes”. This is part of the reason Cedrik thinks that the Nordics – particularly Sweden – will perform very well in the coming years.

While more twists and turns in the pandemic story could obviously present challenges to the recovery, Green Street would undoubtedly rise to them. “It’s been a hectic and demanding year from a research point of view, but in many ways, it’s been incredibly intellectually rewarding,”

Green Street’s man in London tells me. He continues that “as a team, we actually spent more time together collaborating than we usually do, and this – coupled with our need to be nimble – resulted in some fantastic stock picks”. However market conditions play out, Cedrik and Green Street will surf the waves with aplomb. •

CEDRIK LACHANCE

Cedrik is Director of Research, leading a global roster of expert analysts in commercial real estate, and is a member of Green Street’s executive leadership team. During his 17-year Green Street career, Cedrik has led the global REIT research team, been sector head of the U.S. retail, office, industrial and net lease sectors.



Emissions trading for real estate

Since 2005, the EU's Emissions Trading System (ETS), the world's first major carbon market, has put a price on pollution¹.

The ETS is a 'cap and trade' system. A cap is set on greenhouse gases (measured in tonnes of CO₂ equivalent or tCO₂e), each lower than the last, driving the EU's transition towards a low carbon economy. Market participants are given a free allocation of tCO₂e that they are permitted to emit. They can then trade allowances, selling to over-emitters if they don't require their full allocation or buying from auctions or other participants if they require more allowances to cover their emissions².

Already mandatory for the power, industrial and aviation sectors, the European Commission officially proposed on July 14, 2021, that transport and buildings be included in a separate but adjacent system³. What would this mean for property owners and the value of their assets? EPRA and JLL set out to answer four key questions below.

1. What will the practical implication be for a property portfolio?

Participation in emissions trading would likely be handled by energy providers, with administration, transaction and direct costs of allowances being passed on to landlords and, ultimately, tenants in their heating bills.

This price shift would affect large landowners all the way down to private

homeowners. The highest costs will fall to the owners and predominantly tenants of buildings with low energy efficiency using fossil fuel-based heating systems such as oil and gas.

Meanwhile, opportunities will arise for landlords producing on-site renewable energy. This prospect has not escaped one of the leading listed companies in Europe, who told JLL: "The real estate business can increasingly become its own energy supplier." This is precisely what many real estate companies plan to do. Low carbon and renewable energy systems – such as photovoltaic panels, air or ground source heat pumps, and solar thermal water technologies – are likely to come to the fore. This could give landlords the opportunity to sell allowances themselves for profit.

2. Will it work?

The introduction of ETS should lead to more accurate measurement of actual CO₂ emissions of real estate and drive low carbon and energy-efficient innovation. However, some argue that the price of allowances in the existing ETS is too low to achieve this⁴.

Others are critical of the costs of retrofits or allowances being transferred to tenants, who may not be the key contributor to emissions, and penalising low-income households who are least able to afford upfront costs of energy efficiency improvements⁵.

Some EPRA members surveyed raised the affordability of new measures as a potential issue: "It is good and right that politicians set clear climate targets. However, these goals must also be achievable."

A delicate balance is required to impose a cost that encourages behaviour change without penalising those with limited control or resources.

3. What impacts have the carbon schemes had outside of the EU?

Given the high level of uncertainty of the implications of ETS on the real estate industry, we have conducted a global investigation into whether there are similar mature initiatives from policymakers. The EU seems to be at the forefront, with just a couple of initiatives affecting buildings globally.

In Canada, two provinces have cap and trade schemes, and the rest employ a carbon tax, which is now federally mandated^{6,7}. The federal carbon tax is currently CAD 40/tCO₂e and is expected to rise by 425% by 2030, reaching a price of CAD 170/tCO₂e⁸. A 2019 report found that rising carbon prices in Canada are likely to benefit the construction industry, with a wave of new investment and jobs⁹. Studies have also shown a decline in natural gas-related emissions in buildings in Canada as a result of these carbon schemes¹⁰. This suggests carbon schemes will stimulate investment in building improvements, as well as reduce emissions.

Switzerland has a carbon tax, currently set at CHF 96/tCO₂e. A third of revenues from the tax are allocated to funding energy efficiency retrofits for buildings and a governmental tech fund for innovation¹¹. This is a major potential benefit for the ETS as well; funds raised could be used to invest in efficiency improvement programs for buildings.

¹European Commission, "EU Emissions Trading System (EU ETS)" available at https://ec.europa.eu/clima/policies/ets_en

²European Commission, "EU ETS Handbook" 2015

³European Commission, "Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757" available at https://ec.europa.eu/info/sites/default/files/revision-eu-ets-with-annex_en_0.pdf

⁴Kemfert, C., et "CO₂-Steuer oder Ausweitung des Emissionshandels: Wie sich die Klimaziele besser erreichen lassen", August 21, 2019

⁵Cambridge Econometrics, "Decarbonising European transport and heating fuels - Is the EU ETS the right tool?", June 2020

⁶ACEEE, "Carbon Pricing Expands in Canada, Making Slower Progress in the United States", March 2, 2021

⁷BBC, "Canada's Supreme Court rules in favour of national carbon tax", March 25, 2021

⁸Chalifour, N. & Robitaille, D., "What the Supreme Court ruling on national carbon pricing means for the fight against climate change", March 28, 2021

⁹Smart Property Institute, "CONSTRUCTION AND CARBON: THE IMPACT OF CLIMATE POLICY ON BUILDING IN CANADA IN 2025", May 2019

¹⁰Nadel, Gaede & Haley, "State and provincial efforts to put a price on greenhouse gas emissions, with implications for energy efficiency" (ACEEE & Efficiency Canada), March 2021

¹¹Energiewirtschaftliches Institut an der Universität zu Köln, "CO₂-Bepreisung im Gebäudesektor und notwendige Zusatzinstrumente", September 2019

4. How will this affect value?

Earlier this year, JLL produced a valuation methodology paper entitled ‘Valuing Net Zero & ESG’. It sets out how sustainability trends such as investor and occupier sustainability targets, lending criteria, and increasing legislation might affect property values in the future.

As legislation such as the ETS increasingly raises the costs of occupying less energy-efficient buildings using fossil fuel-based energy, tenants will demand more from landlords. In the short term, landlords could therefore benefit from enhanced returns for providing energy-efficient stock to tenants, with renewable energy systems benefiting their occupancy rates and rents. In the longer term, particularly as carbon costs rise, occupiers and, therefore, investors are likely to down-value

outdated insulation, heating and cooling systems that no longer make economic sense.

In my opinion, the impact of the ETS in isolation will, however, only represent a small turn of the dial in what is a much larger market shift towards energy efficiency and renewable energy. Indeed, heating is only a part of the carbon emissions created by the construction and operation of buildings, and heating bills are not the only driver for tenants and landlords to occupy and own more sustainable stock. Nevertheless, an ETS for buildings is a step towards an economy where the true price of carbon is reflected, and this will contribute to the move towards sustainability impacting real estate values.

This complex topic is likely to evolve as more clarity on the scheme is provided by the European Commission, and particularly over time as carbon prices rise. For me, rising carbon prices appear to pose the key threat.

Forward-looking management of real estate should include scenario analyses to futureproof investments and derive the right strategies aligned with sustainability goals. To explore this further, JLL, in partnership with EPRA, are set to publish an extended white paper on the topic of ETS and carbon tax for buildings in Q4 2021, analysing valuation scenarios to illustrate the potential impact. •

MARK WYNNE-SMITH

Mark Wynne-Smith is JLL's Global Head of Valuation Advisory, leading a team of 2000 people to appraise over USD 2 trillion of real estate across all sectors annually. He has worked extensively on portfolio and trophy asset sales globally and is a Fellow of the Royal Institution of Chartered Surveyors.



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Listed real estate to face major changes in corporate sustainability reporting

By Jana Bour, EPRA EU Policy Manager,
and Gloria Duci, EPRA ESG Manager



BACKGROUND

The provision, use and demand of sustainability information, in particular within the investment community, has been increasing significantly and

rapidly over the past few years. The Non-Financial Reporting Directive (Directive 2014/95/EU, the 'NFRD') contributed to this development when requiring companies under its scope to report for the first time in 2018 (for the financial year 2017).

Another significant development has been brought with the Final Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which represents the very first market attempt to integrate sustainability into financial reporting. It is a strong signal that greater efforts are required to tackle climate change and the need for improved transparency in the sustainability performance of the companies. More urgently, there is a need to address the reporting of their financial exposure to climate risks and the associated implications for their business.

Buildings are responsible for around 40% of energy consumption in Europe, and there is a significant annual investment gap estimated at around EUR 177 billion between 2021 and 2030 (totalling EUR 1.77 trillion), out of which the biggest gap relates to investment in energy efficiency in buildings (74%). In this context, the Commission's commitment to promoting greater transparency on ESG-related risks and performance is greatly welcomed by EPRA, which with a membership comprising of 245 property companies and investors has long envisaged the same and supported public disclosure of environmental, social and governance (ESG) data as a fundamental component of a sustainable approach to real estate.

EPRA's commitment is communicated not only through its [Sustainability Best Practices Recommendations](#) (sBPR) or the most recent Guide on [Enhancing Transparency with the TCFD](#) but also

through engaging with policymakers to discuss market experience and help them advance the existing legislative framework and increase transparency and comparability of the material ESG data. With that vision, we provided substantial feedback on the Non-Financial Reporting Directive to both the European Commission and the European Financial Reporting Advisory Group (EFRAG).

THE NEW CORPORATE SUSTAINABILITY REPORTING DIRECTIVE PROPOSAL IN A NUTSHELL

In April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) as part of the review of the Non-Financial Reporting Directive (NFRD). The proposed legislation has a significant potential to substantially change the way the listed real estate sector discloses sustainability information. EPRA and its Sustainability Committee have been very active on this dossier. Below we discuss some of the changes the CSRD introduces in its proposal.

THE COMMISSION AGREED WITH EPRA ON A GRADUAL APPROACH REGARDING THE SCOPE

The Commission proposed a gradual expansion of the scope, starting with all large companies from 2024 (for the financial year 2023) and moving to all remaining companies listed on EU regulated markets (except listed micro-companies) from 2026 (for the financial year 2025). EPRA welcomes this gradual approach as it enables all listed SMEs to first get acquainted with both the CSRD rules and the upcoming EU sustainability reporting standard, which is expected to be completed by the end of 2023.

We are very pleased to see that the business and investment community in the listed real estate sector and policymakers share the same objective. Both want to bring more companies on the same journey and help them provide financially material ESG information while improving the quality of disclosure. They do it because there is no doubt about the value it brings for sustainable real estate business, and they care about that business.

There are, however, two distinct approaches to accomplish that goal. The first one is faster in the short term but perhaps not as effective in the long term. It would imply a legislative change and extend the scope of the NFRD imposing such requirement also on those companies which might not have any experience in public ESG disclosure. EPRA shared its concerns about this approach. If taken too far, it would risk pushing companies to disclose artificial, immaterial and irrelevant information purely because they have been required to disclose it. We argued that this process should be gradual and go hand in hand with the improvement of the quality of such disclosure.

We then explicitly proposed the following approach, based on the experience of 90 listed property companies representing EUR 209 billion in market capitalisation, 6,000 assets of 174 million m², of which the vast majority voluntarily and publicly disclose sustainability information. They do so because they are being equipped with the appropriate standard (i.e., the EPRA Sustainability Best Practices Recommendations (sBPR)), assisted by our sustainability team and encouraged by the investment community. They do so not because they are mandatorily required but because it is important for their business, and that is exactly what the investment community needs. It needs to be able to recognise which businesses are committed if given the right tools and which ones are not.

STANDARD: SECTORIAL FOCUS IMPORTANT TO ENSURE MATERIALITY AND INCREASE DATA COMPARABILITY

Considering the above, it is important to stress that as from 2026 at the latest, all listed property companies in the EU will fall under the scope of the

CSRD and will therefore be required to report their ESG information against the upcoming EU sustainability standard. To our great appreciation, the Commission proposed to include a sector-specific layer to the standard, which will be an important trigger for greater comparability of the ESG data disclosed by all large and all listed companies.

At the moment, most of the EPRA members would not meet the minimum 500 employees threshold for the NFRD rules to apply, yet they would disclose their sustainability information on a voluntary basis to demonstrate how they are managing ESG impacts and remain competitive on the market. Equally, a correlation between the size of listed property companies and the quality of sustainability disclosures has been decreasing over the past years. It shows the high importance and relevance for smaller companies to have access to specifically tailored industry standards.

As we repeatedly stressed to EU policymakers, it is EPRA's strong view that a successful European sustainability standard needs to have a sectorial focus to ensure that sustainability information is material, relevant and comparable among peers operating in the same industry. Consequently, we were very pleased to see that the Commission decided to include sector-specific information in the EU standard. EPRA plans to conduct an intense outreach to both EFRAG and the Commission to continue with the education on the existing standard for listed real estate, i.e. sBPR, which is greatly recognised by the investment community.

ALIGNMENT WITH THE EU TAXONOMY

The Commission requested in the proposed CSRD that the EU standard specifies the information companies are to disclose about the EU Taxonomy environmental factors a) climate change mitigation, b) climate change adaptation, c) water and marine resources, d) resource use and circular economy, e) pollution and f) biodiversity. As EPRA communicated to the Commission, the EU Taxonomy has a great potential in driving sustainability investments in the right direction. Therefore, a greater alignment between the CSRD and the EU Taxonomy should be encouraged.

On the other hand, it is also EPRA's experience that the listed real estate sector is not yet sufficiently known and understood by neither EU policymakers nor technical advisors on the EU Taxonomy. For example, the Climate Taxonomy Regulation anticipates that the construction of new buildings is exclusively conducted by developers (7.1. economic activity – in ANNEX I). However, property development and property investment have specific differences, and those nuances should be reflected in the EU legislation. At the moment, the construction of new buildings for own portfolio seems not recognised by the EU Taxonomy, which refers exclusively to new developments intended for sale.

EPRA's role in the upcoming CSRD, the EU sustainability standard, the EU Taxonomy and beyond, will be to educate about the listed real estate sector, its specificities in comparison with other actors in the commercial real estate and construction sectors. We are therefore launching a dedicated educational project as part of wider public affairs efforts to ensure that EU policymakers and legislators understand well the sector they impact heavily by their regulations.

NEXT STEPS ON CSRD AND THE EU STANDARD

This proposal from the Commission will follow the ordinary legislative procedure before it can become binding EU law. This will involve negotiations between the European Parliament and Council via a triologue procedure, likely to result in changes to the proposal published in April 2022. The average length of the ordinary legislative procedure is around 18 months.

In parallel, EFRAG will start working on an initial draft EU Sustainability standard. It will be then considered by the Commission around the time of a political agreement on CSRD between the Parliament and the Council. It means that if the negotiations are completed in the first half of 2022, then the standard could be adopted by the end of 2022, and all large companies would then apply the new rules for the first time in 2024, covering the financial year 2023.

Should you wish to contribute to our efforts or learn more details about the CSRD proposal and the EU sustainability standard, please reach out to publicaffairs@epra.com or sustainability@epra.com.



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Real Estate Investment Trusts in the European Union – Emergence of a standard of direct taxation¹

The European REITs market, as well as the EU Member States' (MS) real estate and capital markets more broadly, have significantly developed over the last few decades. There are 13 REIT regimes in the EU. When comparing individual country REIT regimes in the EU, we notice many similarities in their look and function. Albeit they present differences in detail, their general framework is to a large extent identical, and they are slowly becoming harmonised. As their conditions and requirements are already similar, if not equivalent, there is a 'common understanding building around the harmonisation of REIT regimes, leading the way to a mutually recognised REIT regime within the EU.

Despite this positive common understanding for a joint legal framework, there is also a common 'negative' understanding regarding direct taxation in cross-border situations². Even legally, equally foreign REITs are treated differently under MSs' tax regimes. Several MSs are protecting their domestic markets in disallowing foreign REITs to benefit from their domestic REIT regimes, thus, creating an economic disadvantage in a cross-border situation³.

However, according to the European Court of Justice (ECJ), MSs must recognise a 'product' duly established in their home state as if it was operating in the territory of a host state without imposing any additional requirements, irrespective of its compliance with any conditions set for the domestic REIT⁴. Still, almost all MSs do not recognise the foreign REIT regime, even though it is legally established in another MS.

Hence, the foreign REIT is treated as a foreign corporate generating directly, or through a domestic subsidiary, income from real property. This leads to unequal treatment of REITs, depending on their nationality, thus discriminating the foreign REIT while excluding it from the tax treatment compared to a domestic REIT. Such a different treatment on the grounds of nationality is violating EU law, i.e., the freedom of movement (Art. 49 EU Treaty).

According to the ECJ, although direct taxation falls within the sole competence of the MSs, they must nonetheless exercise that competence consistently within EU law⁵. The Treaty's principles and its freedoms enshrined having nearly unlimited priority, this means there should not even be a need for tax regulations to be harmonised⁶.

Therefore, applying the ECJ ruling to the case of a REIT that is validly established in one MS means that it must be recognised as having a legal personality and be legally acknowledged as a company legally established, without the need to meet neither further requirements nor additional conditions, as set out by the ECJ in its case 'Stauffer'⁷. Should a mutually recognised model for a REIT exist, there must be no differences being made regarding in which MS the REIT was established, since once legally established in one MS the REIT must be recognised as such by all other MSs.

Since a so-called EuroREIT is an EU-wide concept (like the *Societas Europaea* (SE)), there should be no difference in treatment according to

whether a MS provides for a local REIT regime. Thus, a REIT established in a MS shall benefit from a tax transparent treatment at its level for income derived in a home state, in the same way a REIT established under the host state would.

Therefore, investments made cross-border by a 'foreign' REIT must not be taxed at its REIT level.

At the same time, there are concepts available to safeguard Member States' concerns about their loss of sovereignty and tax base. Those concepts may not be achievable through harmonised direct tax regimes but rather by providing for the apportionment of profits. Like the Home State Taxation method (HST), the concept of 'mutual recognition' is fundamental to home state taxation⁸.

Together with the mechanisms already existing for the automatic exchange of information⁹, the proposed treatment for REITs across the EU provides for a concept using the undisputed benefits of the HST, eliminating the criticism concerning only home state taxation.

However, the proposal above is not about allocating an amount equalling a withholding tax that would have been levied in the host state on income derived from a foreign REIT. Rather, the concept is based upon a true flow-through model where the foreign REIT finally distributes dividends to its shareholders, whether they be residents in the home state of the REIT or resident in another MS.

Thus, tax would be levied in the country of residence of each of the shareholders

¹Speckhahn, 'Real Estate Investment Trusts in Europe – Europeanizing Tax Regimes', EUCOTAX Series on European Taxation Volume 52, Kluwer Law International, ISBN9789041190963.

²See above.

³By way of applying withholding tax and rules for the ordinary treatment of non-resident corporates.

⁴See Case C-120/78, 1979, 'Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein', ECR I-01459, 'Cassis de Dijon'.

⁵See most recent, i.e., Case C-284/09, 'Commission v Germany', (2011), ECR I-09879, para 44.

⁶See most prominent, i.e., Case 'Avoir Fiscal', para 107.

⁷See Case 'Centro di Musicologia Walter Stauffer v Finanzamt München für Körperschaften', C-386/04, (2006), ECR I-08203.

⁸Weiner, J.M., 'Formulary apportionment and the future of company taxation in the European Union', CESifo Forum, 1, 10-20, p. 13.

⁹See i.e. Directive on the automatic exchange of Information (AEOID): Council Directive 2014/107/EU of December 9, 2014, amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation



on the amount distributed, applying the individual tax rate of the shareholder. Any tax revenue due to the tax authorities in the country of residence of the shareholder would then be split among the tax authorities of the MS where the REIT originated its income. The split of the tax revenue would be made using the model of formulated apportionment¹⁰, based upon separate accounts provided by the REIT to the tax authorities. Not only would this identify qualifying income from non-qualifying activity income, but it would also proportionally separate the origin of the income.

This proposal may fulfil many dreams of EU businesses. In general, allowing companies to consolidate their EU activities under a single corporate tax base means that EU companies would no longer have to establish transfer prices for many internal transfers within the EU. They would be able to offset losses incurred by an affiliate in one MS against profits earned in another MS, and the tax consequences of cross-border reorganisations within the consolidated group would be simplified. In essence, providing for consolidated base taxation with formulary apportionment would allow companies doing business in several

MSs to contend with one company tax system and to treat their operations as EU operations. Thus, achieving a common consolidated tax base in the EU outweighs the disadvantages associated with using a formula to distribute that income to the MSs¹¹.

According to the Council Directive 2016/881/EU¹², multinational groups (MNE) located in the EU or with operations in the EU with total consolidated revenue equal to or higher than EUR 750 million must file a country-by-country report to the competent authority of the MS. The latter shall, by automatic exchange, communicate the report to any other MSs in which one or more constituent entities (i.e., companies) of the MNE Group are either resident for tax purposes or are subject to tax with respect to the business carried out through a permanent establishment there.

Clearly, MSs have set the first footprint into finding a joint solution. However, it took until June 2021 for the Council to reach a provisional political agreement with the European Parliament's negotiating team for a political endorsement¹³. Before coming into force, the European Parliament needs to approve the Council's position, and then the directive will be deemed to have been adopted by the MSs, who will implement it into their national laws. •

DR. WOLFGANG SPECKHAHN

Dr Wolfgang Speckhahn, LL.M. MRICS, is based in Munich and responsible for the business development and strategy of DeA Capital Real Estate operational activities in the D/A/CH regions as well as Investment and Products, including distribution. He has many years of professional experience in international real estate markets, serving as a senior manager in various operational and management functions in the real estate and finance industry. Dr Speckhahn is a lawyer admitted to the Bar in Munich and a licensed Tax Law Specialist. Furthermore, he is a Member of the Royal Institution of Chartered Surveyors (MRICS) and of the Regulatory & Taxation Committee of the European Public Real Estate Association (EPRA).



¹⁰See above.

¹¹Weiner, J.M., 'EU commission, member states commit to EU-Wide company taxation, formulary apportionment', Tax Notes International, 26(5); Cornelisse, R., Weber, D., Wijs, R. & Blokland, G., Proposal for a uniform EU REIT regime - part 2', European Taxation, February, 68-75.

¹²Council Directive (EU) 2016/881 of May 25, 2016, amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, ELI: <http://data.europa.eu/eli/dir/2016/881/oj>.

¹³Council of the EU Press release June 1, 2021, <https://www.consilium.europa.eu/en/press/press-releases/2021/06/01/public-country-by-country-reporting-by-big-multinationals-eu-co-legislators-reach-political-agreement/>.

Affordable rental housing: Increased focus on social impact investing in the context of the post-pandemic recovery

By **Jana Bour**, EPRA EU Policy Manager, **David Moreno**, EPRA Senior Analyst Research & Indexes and **Dilek Pekdemir**, EPRA Research Manager

INTRODUCTION

In 2020, EPRA analysed the key trends observed in residential listed real estate in Europe and elaborated on the changes the sector experienced during the past ten years. From initially consisting of a very few companies, the sector has remarkably grown in representing 35.2% of the FTSE EPRA Nareit Developed Europe index in 2020. As EPRA showed, the European recovery after the Global



Financial Crisis (GFC) in 2007-2009, strong urbanisation trend and the new developments in property markets have created the perfect conditions for such expansion¹.

In 2021, we could observe similar challenges in many European countries. Rising housing prices, stagnating wages, demographic pressures and declining public investment in housing have been challenging

housing affordability for a while. These challenges, including a lack of funding for social needs, have been aggravated by the COVID-19 pandemic. The Organisation for Economic Co-operation and Development (OECD) shows that economically vulnerable families are being hit harder by the coronavirus pandemic, and they also point at possibilities to trigger long-awaited policy changes².

¹EPRA Residential Report (2020) https://prodapp.epra.com/media/Sector_Analysis_Residential_-_November_2020_1606734290765.pdf

²<https://www.oecd.org/housing/topics/housing-economy/>

The International Monetary Fund (IMF) has equally done its review and reported that the pandemic heightened the urgency for comprehensive, affordable rental housing policies as it has exacerbated existing trends that risk leaving low-income earners and the young further behind³. The IMF points to a particular need for increased investment in affordable rental housing, which could counteract socioeconomic divergences, boost employment in the short term, and even lower carbon emissions if investment targets greater energy efficiency.

Considering all these elements, the listed real estate industry might be at the forefront of yet another great opportunity for an expansion of the residential segment. In the context of developing the EU Taxonomy⁴, which includes the ongoing preparatory work on the Social Taxonomy⁵, it will be important to engage with policymakers

to explain what is needed to accelerate the financing of affordable housing. Understanding the investment gap in social sustainability, the sector's own evolution in housing and policy incentives to enable REITs to step up in their efforts will be crucial to not only meeting social needs but also to sufficiently equip the LRE sector to further expand the affordable housing segment of the residential listed real estate.

INVESTMENT GAP IN THE SOCIAL SEGMENT OF SUSTAINABILITY

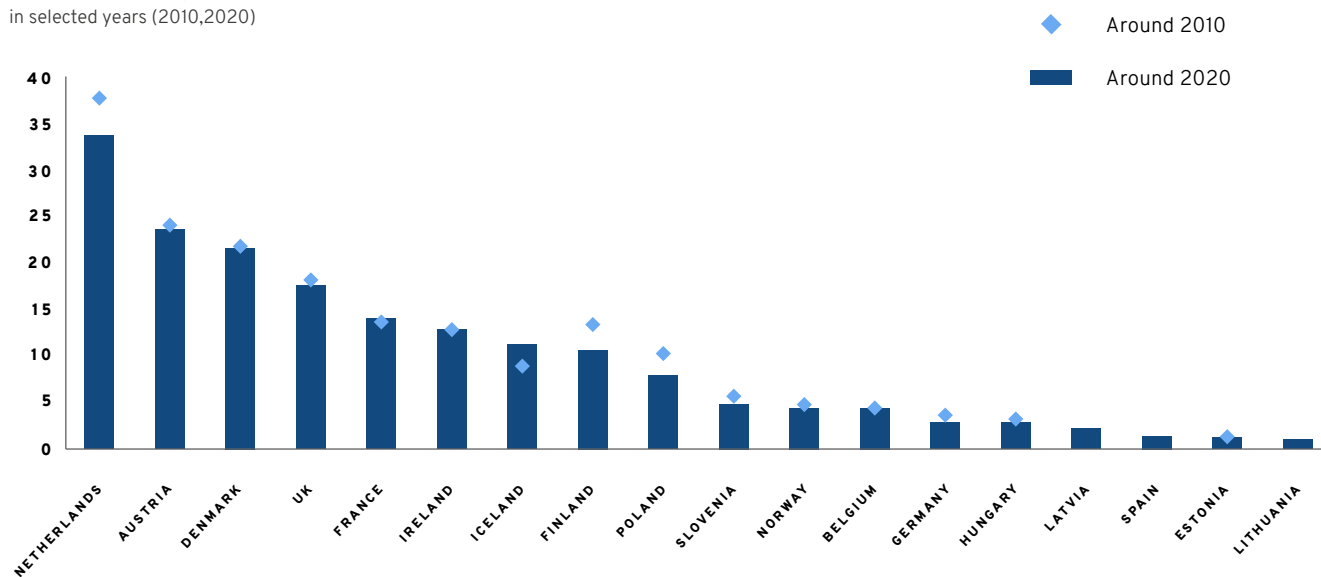
On average, more than a third of low-income renters spend more than 40% of their disposable income on housing in the OECD countries, thus considered overburdened by housing costs⁶. Focusing on longer-term trends in house price and rentals, house prices have risen faster than incomes since the Global Financial Crisis. In a study released in 2020, Oxford Economics

identified that except for Italy and Spain in most of the countries in western Europe, real house prices had already reached levels at the end of 2019 that were very close or above the 2007 prices, even with some important cases like Germany, Switzerland and Sweden with house prices more than 30% higher than the pre-crisis peak, also having a significant impact in indicators such as price-to-income and price-to-rent ratios⁷. This trend became more evident with the COVID-19 crisis, where house prices were raised up by 5.4% in the Euro area and by 5.7% in the European Union in Q4-2020, compared with the same quarter of 2019⁸.

On the other hand, there was a declining trend in the size of social rental dwellings in some countries, partly related to a slowdown in new social housing construction, as well as the privatisation of the housing stock⁹.

Social rental housing stock: Trends over time

Social rental dwellings, % of the total housing stock in selected years (2010,2020)



Source: OECD, Affordable Housing Database

³IMF report 'Affordable Rental Housing: Making It Part Of Europe's Recovery' (2021)

⁴The EU Taxonomy is a core legislation the EU Policy makers have been working on to help improve the flow of money towards financing the transition to a sustainable economy

⁵https://ec.europa.eu/info/publications/210712-sustainable-finance-platform-draft-reports_en

⁶OECD, 2020, Social housing: A key part of past and future housing policy

⁷https://prodapp.epra.com/media/EPRA_Coronavirus_Impact_V2_1592215618299.pdf

⁸As above

⁹Source: OECD, Affordable Housing Database

Public investment rates in advanced economies are at a historic low. Social infrastructure investment¹⁰ represents a relatively small part of the public resources, of which only 0.4% of the EU's GDP, representing just EUR 28 billion, is allocated to affordable housing annually (2018)¹¹. However, according to the World Bank's 2020 Poverty and Shared Prosperity Report, COVID-19 is likely to have pushed between 88 and 115 million people into extreme poverty – which means living on less than USD 1.90 a day – around the globe in 2020¹².

While there is a clear declining trend in public investment in housing, investors' appetite may be on the rise. There are signs that the continuously increasing interest in sustainable investments also translates into a continuously increasing interest in social investments. For example, since the beginning of the pandemic in Spring 2020, there has been a substantial rise in social bonds issues¹³. According to Bloomberg, proceeds from these bonds have risen from about USD 20 billion in 2019 to USD 47.7 billion in 2020¹⁴.

LRE MARKET EVOLUTION IN HOUSING (RESIDENTIAL SECTOR)

When it comes to the listed real estate sector, we could define social housing as any rental housing owned by property companies with the aim of providing affordable housing to vulnerable people in society, where the counterparty to the lease is a housing association or a local authority that provides the household to the specific citizens. Furthermore, the term social housing could also imply more specific assets classes with specific adaptations for people with different types of disabilities.

The presence of this asset class within the FTSE EPRA Nareit Developed Europe Residential Index is currently starred by two market leaders within the sector: Civitas Social Housing

(UK) and Triple Point Social Housing REIT (UK). Both companies launched their IPOs recently, in 2016 and 2017 respectively, and joined the Index in 2018. Today, as of July 2021, they represent a combined full market cap of EUR 1.358 million.

However, social housing is just a niche subset of the affordable housing universe. Beyond these pure social players, there are other companies within the FEN Developed Europe Index that count with significant affordable homes exposure in their portfolios. LEG Immobilien (Germany) currently provides affordable homes to 365,000 people and is planning to invest in new construction projects to help ease the urgent need for additional affordable living space in high-demand metropolitan areas. Also in Germany, Vonovia has created some projects with job centres and refugee organisations to hire young tenants and refugees as well as its own technical staff and recently launched the 'Vonovia Bewegt' project, where they provide monthly cash subsidies to support social projects in Duisburg and Dresden; in 2020 the company reached 200,000 housing units reached through support programs

and social projects. Grainger Trust (UK) owns 496 operational affordable units in its portfolio, and it is also planning to achieve a 40% exposure into the social housing sector. Also, after the acquisition of Hemfosa (Sweden), Samhällsbyggnadsbolaget (SBB) (Sweden) became the Nordic region's largest social-oriented company and one of Europe's largest owners of social infrastructure, covering a portfolio of 2.5 million m² in building rights for properties specialised in community services, offices, schools, care and adapted housing and the judiciary.

CONCLUDING REMARKS WITH RECOMMENDATIONS TO POLICYMAKERS

As the OECD already identified, investments in social housing construction and renovation should be a central part of a more sustainable, inclusive economic recovery, reinforced by the EU's 'Renovation wave' announced in early 2020 as part of the European Green Deal¹⁵. Over the medium term, the IMF calls to increase the physical stock of housing to address structural demand pressures and boost rental supply.

European listed real estate has much more to offer



Source: EPRA Magazine (May 2017) at p22

¹⁰Affordable housing is one of the considered essential 'social infrastructure' for the economic growth of the European Union (EU), the well-being of its people and a successful move towards upward convergence in the EU (apart from education and health). EC (2018) Boosting Investment in Social Infrastructure in Europe

¹¹EC (2018) Boosting Investment in Social Infrastructure in Europe

¹²Source: Draft Social Taxonomy Report (2021) and World Bank (2020) https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sf-draft-report-social-taxonomy-july2021_en.pdf

¹³ICMA: June 2020 Social Bond Principles Voluntary Process Guidelines for Issuing Social Bonds 2020, p2 <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-Principles-June-2020-090620.pdf>

¹⁴<https://www.bloomberg.com/news/articles/2021-01-11/social-bonds-propel-esg-issuance-to-record-732-billion-in-2020>

¹⁵OECD, 2020, Social housing: A key part of past and future housing policy

Aside from actual building social housing dedicated to rental, national governments should provide specific incentives for new construction and facilitate financing for retrofitting and repurposing the existing building stock, particularly in dense areas¹⁶.

The important developments may be seen by the European Commission on that front as well, as they have tasked the Platform on Sustainable Finance with the exploratory work on the Social Taxonomy. It is therefore expected that the social dimension of ESG investing will increase its share in public policy debates. Considering that more than a third of low-income renters spend more than 40% of their disposable income on housing¹⁷, it is likely that a great focus will be on the promotion of affordable housing that would meet certain minimum energy performance.

At this point, we need to stress that listed property companies and REITs

are uniquely positioned to boost not only energy efficiency retrofits but also affordable housing supply. The ideal framework to facilitate investments inflow is the roll-out of the European Investment Trust Regimes in those European countries in which such regimes are still missing. In the remaining states, it will be important to review the existing regimes to extend or improve its application for the residential segment of commercial real estate. Besides, there are many regulatory constraints in the EU single market that hinder the progress LRE can make. For instance, the lack of mutual recognition of REIT regimes, which, if applied to the residential sector and enabled across all EU Member States, could serve as an excellent incentive for acceleration to finance affordable housing. In addition, greater considerations of the sector's scale potential may be needed for the EU State Aid rules.

We, therefore, ask policymakers to work with us so we can ensure together that affordable housing provision is delivered by a wide range of stakeholders, encouraged by the right set of policy incentives and accommodated to the vulnerable population. •



¹⁶IMF report 'Affordable Rental Housing: Making It Part Of Europe's Recovery' (2021)

¹⁷OECD, 2020, Social housing: A key part of past and future housing policy

Strategy for listed real estate: What good looks like

At the end of June, EPRA completed its inaugural Executive Programme for listed real estate practitioners, developed in partnership with INSEAD, one of the world's leading and largest graduate business schools.

The pandemic brought our sector many challenges but also many new opportunities in terms of redefining growth strategies, repositioning business portfolios, accelerating digital transformation and more. It is with this in mind that EPRA partnered with INSEAD to develop a unique, tailored-made programme

for professionals who wished to explore and better understand the key strategic challenges faced in the real estate sector and to adapt to a transforming business environment. The programme received lots of interest and gathered professionals from various backgrounds, with exposure to different geographies and sectors, which clearly shows that this kind of offering is welcomed by – and needed for – our industry.

Indeed, the feedback we received following the completion of the four half-days course was very encouraging. An overwhelming majority of participants said they would consider participating in another EPRA Executive Programme in the future, and all the attendees would recommend future editions to their colleagues. In their feedback forms, participants suggested giving ESG a more prominent focus, in line with the current global trend – an idea that we will take forward to the next edition.

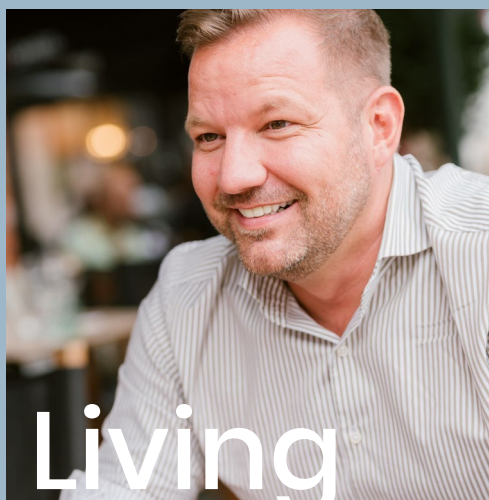
This was the first programme in what we hope will be a series of executive courses, which we believe will provide another tool for the professionals in our

industry and assist them in facing the challenges that we all know lie ahead. If you would like to be kept informed about future editions, contact us at education@epra.com. •





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Cofinimmo has been acquiring, developing and managing rental properties for over 35 years. The company has a portfolio spread across Belgium, France, the Netherlands, Germany, Spain, Finland, Ireland, Italy and the United Kingdom with a value of approximately 5.5 billion EUR.

With attention to social developments, Cofinimmo has the mission of making high-quality care, living and working environments available to its partners-tenants, from which users benefit directly. "Caring, Living and Working - Together in Real Estate" is the expression of this mission.

Thanks to its expertise, Cofinimmo has built up a healthcare real estate portfolio of approximately 3.5 billion EUR in Europe. With a further 450 million EUR dedicated to development projects, Cofinimmo is actively participating in the expansion and renewal of healthcare real estate in Europe.

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Contact us

+32 (0)2 373 00 00

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EPRA launches a cross-border mentoring programme

In early June, EPRA launched a Mentoring Programme to support and empower women in their careers, help them develop their skills and increase leadership succession.

The programme was addressed to senior-level female candidates, both from property companies and investors, who wished to further their career objectives, overcome barriers and increase self-confidence in their workplace. On the mentor's side, the programme was open to female or male professionals from the C-suite level and management teams from EPRA member companies.

Although many property companies have internal mentoring programmes, and several national projects are

already in place, we found that our industry was lacking a more global approach, dedicated to listed real estate practitioners, where mentoring could happen cross-company and cross-border to enhance the exchange of best practices.

There is extensive research that demonstrates that diversity and inclusion in a company go hand in hand with its performance. However, the listed real estate industry has still work to do in terms of female representation in top leadership positions and talent development.

Encouraging feedback from our members reinforced our opinion that there is an appetite for this kind

of initiative, especially in the post-pandemic world where the focus on the employee and corporate social responsibility is more important than ever.

As the first meetings between the mentors and the mentees are about to take place, we look forward to working with the group over the coming months and eventually expanding the scope and the pool of participants. If you are interested in participating in future editions, contact us at diversity@epra.com.

July 2021

MON	TUE	WED	THU	FRI	SAT	SUN
28	29	30	31	1	2	3
4	5	6	7	8	9	10
Dios H1 report 2021	8:00 Platzer Interim reports H1 2021 9:00 Catena AB Interim report H1 2021 10:00 Assura plc Annual General Meeting 2021	7:00 Kungsleden Interim report January-June	9:00 Great Portland Estates Annual general meeting 2021	8:30 Norwegian Property 30 2021 10:00 Faberge H1 report 2021		
11	12	13	14	15	16	17
Wihlborgs Gheter AB - Interim report Jan-Jun 2021 Workspace AGM Workspace Q1 results 2021	9:00 Nyfosa Interim report April - June 2021	10:00 Entra H1 report 2021	9:00 Helical AGM 2021 9:00 Castellum AB Half-year Report 2021 9:00 SBB Norden Interim Report Q2 January-June 2021 12:00 ARGAN Half Year Results 2021	9:00 Pandor report Jan 2021		
18	19	20	21	22	23	24
Retail Estates	9:00 Covivio Half year results 2021		11:00 Big Yellow Group Annual General Meeting 2021 18:00 Gecina 2021			

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Happy real estate

We shape our homes, and our homes shape us. They impact our happiness.

Our homes are often considered the holy constant in our human lives. When we've had a tough day at work, an unpleasant encounter at the grocery store or simply need a break from the ever-changing world we live in, home is often where we seek refuge and recharge our batteries. The Happiness Research Institute in Copenhagen has undertaken studies that highlight that 15% of our happiness comes from our homes. Does this then mean that staying home is an easy recipe for increasing happiness?

Well, the answer is both yes and no.

Our homes impact how we act and how we feel. In fact, the way architects, planners and engineers are designing residential areas contributes significantly to everyday people's as well as society's life satisfaction. So yes, your home is responsible for 15% of your happiness levels. But architects, planners and engineers have the potential to take your happiness levels even further than that. All they need is your home and a blueprint for what really makes for a happy home and neighbourhood.

Some time back, Ramboll UK surveyed their employees and their homes and found that the home played a vital role in their physical, mental and emotional wellbeing. The key to making this role and impact a positive one is providing the best environments considered design. How do we necessitate that we place happiness as an end goal of designing and building? For starters, we must recognise and acknowledge the unmined potential that designing and building have, and the opportunities we can create to increase the quality of life by simply wanting to.

Happiness, wellbeing and life satisfaction are significant conditions not only to individuals. They are also crucial for creating a sustainable society. When people are happy and satisfied with their life, they are more engaged and committed to their family, community and society. This is evidently not only beneficial to the social fabric but, in extension, to even economic and political life.



Meik Wiking - the founder and CEO of the Happiness Research Institute

The happier we are, the better we thrive as a society, community, nation and world. The better we design and build our homes to allow us to reach a state of greater quality of life, the better we may thrive. By promoting the wellbeing of individuals, we promote a more sustainable future (Altomonte et al., 2020).

The promotion of wellbeing in real estate is the epitome of small changes, big impact. Creating a common shared space can change how a family interacts; it can increase a sense of togetherness, bring families closer, create a space for conversation and allow for moments of gratitude and laughs. If creating a common space can do all that, what other design hacks could impact our happiness? How do we create spaces and places that have a positive impact on our wellbeing? How do we improve quality of life through architecture, lighting, décor and furniture? Can we actually design for happiness?

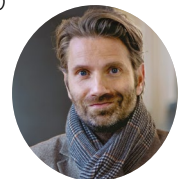
By the very definition, design is a plan to show the function or workings of a place or an object before it is created. It is to imagine how a place, or a thing, could be different and how this difference may impact us. In short, it impacts the fabric of life and what makes life worth living. It is design that gives us the autonomy to create the lives we wish to live, to put wind in our sails when pursuing happiness. If we harness the power of design, we have the tools to improve our quality of life.

The way forward for property companies is the pursuit of embedding wellbeing into their strategies. Begin to place value and emphasis on the emotional dimensions of a home. How does it create a sense of pride, comfort, identity, safety and control? Do the build and design facilitate neighbourhood relations and contribute to a growing sense of community?

These are questions to ask in the real estate world to promote the wellbeing of residents and communities. Designing and building in this way is not only to imagine but also ensure activities that will positively impact people's wellbeing can take place in the home. It is to secure 15% of happiness harvested from our homes, and to aim for even higher percentages by utilising the endless unlocked potential that the ways of design and building have to offer. •

MEIK WIKING

Meik is the founder and CEO of the Happiness Research Institute. He is a bestselling author and a highly respected speaker on such topics. Besides his work at the Happiness Research Institute, he is a Research Associate for Denmark at the World Database of Happiness and a member of the policy advisory group for the Global Happiness Policy Report. Meik is known as 'The Indiana Jones of Smiles' and has been called 'Probably the world's happiest man' by The Times.



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Citycon's new urban centre Lippulaiva: Pioneering the most advanced energy solutions in the world

Lippulaiva, under construction in Espoonlahti, Finland, is a pioneer in sustainable energy solutions. The heating and electricity systems of Lippulaiva are not only among the most advanced in the world but are also solid investments.

The largest geothermal heating and cooling facility for a commercial building in Europe has been built under Lippulaiva. It will generate carbon-free energy to meet almost the entire heating and cooling needs of the building, including the eight residential towers.

Lippulaiva's electricity consumption is optimised with a smart operating system that also enables Citycon to participate in the demand response electricity market. A backup generator and a large electric battery are part of the smart, sustainable energy solution, in addition to more than 5,000 m² of solar panels on the roof and wall surfaces of Lippulaiva.

"The smart energy systems in Lippulaiva are not only environmentally friendly but also very sound investments financially," says Risto Seppo, Property Development Director at Citycon.



Lippulaiva's main entrance

"One of the goals of Citycon's sustainability strategy is to achieve carbon neutrality by 2030. The

Lippulaiva project and the lessons learned from it provide excellent support for reaching this goal."

Quicker handover of flats with Deutsche Wohnen's HERMI

Greater speed and more efficient processes when there is a change of tenant: HERMI is the name of Deutsche Wohnen's digital solution, which has recently been supporting staff with the process of changing tenants.

HERMI is an acronym for the German Herstellungsprozess Mieterwechsel, which means 'process for managing changes of tenant'. The system collates the data and documents of importance at all stages of the transfer process, ranging from the refurbishment of a recently vacant flat to its handover to a new tenant. The advantages of this new digital

workspace are that it provides a better overview in a shorter time and ensures that all relevant in-house members of staff, as well as external tradespeople, have information that is equally up to date.

The HERMI process operates on the basis of the data from the preliminary and final inspections of the flat prior to handover. This data has been collected via tablet for some time now. From here onwards, the process is now paperless as a start is made, together with system providers and other cooperation partners, on getting the flat ready for a new tenant.

For example, staff members can now commission tradespeople with just a few clicks; and offers no longer need to be entered by hand because HERMI recognises order items automatically. All in all, the system helps to reduce the time that flats stand vacant before they are relet.

HERMI is a specially developed SAP application that integrates seamlessly into the existing SAP systems at Deutsche Wohnen. This fully digitised management process has now been rolled out throughout the company with nationwide training sessions for internal and external users. •

EPRA Global REIT Survey 2021

A comparison of the major REIT regimes around the world

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The challenges investment management firms face without the right technology



Investment management firms need to adapt to navigate the changes created by the pandemic to compete and successfully raise capital. As investors are expected to increase their allocations to real estate over the next two years, there is renewed investor demand for long-term core and core+ strategies. This need for operational oversight and technology should be at the forefront of your firm's strategy.

Your investors and internal stakeholders want access to transparent and detailed data. During the past year, investment managers focused on gaining a better understanding of their customer's business, leases and revenue exposure. This drive towards better customer understanding, relationships and satisfaction is centred around improved collaboration and scalable data strategies.

Working with outsourced operating partners, asset managers or fund administrators can be challenging as

you rely on them to gather information, which can often delay key decision making. You need to gain control and find consistency rather than gathering data from multiple reports in a variety of formats.

So, what should an investment management firm consider?

1. Your finance, asset and investment management teams need data ownership to gain access to qualitative and auditable data to make better decisions and identify issues in the moment. By taking control of this data, you can drive transparency between owners and investors, helping to reduce risk, increase investor confidence and create healthier communication between all parties.

2. Better data can enhance operational performance, achieve ESG targets and streamline business operations. You need to implement a data strategy and utilise the right technology platform to gain actionable insights, achieve objectives and scale your business more effectively.
3. You need to have a flexible environment that is easily scalable to better harness data. To make any transition while maintaining the flexibility your teams require is often the most challenging part, which is why a well-aligned stakeholder and project team are essential for success.
4. Take ownership and move your technology in-house. Platform solutions are continuously evolving to facilitate growth and aid communication between asset owners and investors. By taking ownership, you can access relevant data in real-time, helping to make effective and better-informed decisions.

Utilising a single connected platform will help you improve communication with current and prospective investors, gain real-time data insights and allow you to access third-party solutions through one platform. It helps eliminate disparate systems, providing a single source of truth across your organisation, investors and asset owners. •

RICHARD GERRITSEN

Richard has been in financial and sales leadership positions for more than 25 years with several Dutch and US-based technology firms. Since joining Yardi in 2005, Richard has been responsible for business development and sales in Europe as a Regional Director and helped the Yardi Europe organisation grow from strength to strength.



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The response to the pandemic and the drive for change

The Covid-19 pandemic brought important changes in terms of both interpersonal and business dynamics across all economic sectors. With regard to shopping centres, the numerous days of mandatory closures, both in 2020 and 2021, had short, medium and long-term impacts. In Europe, the sector suffered from a significant decline in sales, as well as property writedowns, and was, and still is, affected by the changes in consumer habits, which drove the owners and managers of shopping centres to ask themselves which future trends would drive the market.

Gruppo IGD, one of Italy's leading listed retail real estate companies, adopted a quick and targeted response to the long-lasting effects. The work done to protect the health of workers, retailers, providers and customers, along with the distinctive qualities of its shopping centres – which are part of urban environments serving the local community – allowed the Group to be

resilient and recover around 85% of the traffic seen in the pre-pandemic period just after the complete re-opening of all the retailers in June 2021.

From the very beginning, the top management's main concern was to ensure the safety of its businesses and customers. The Group, therefore, invested significant resources in implementing new and stringent safety measures in all its shopping centres (including the installation of thermo scanners, the sanitisation of spaces and systems, etc.) and, beginning with the first lockdown period, sought to reach agreements with individual tenants in order to guarantee the economic balance of both parties.

The pandemic accelerated a few trends that had already materialised, causing the Group to look closer at the remodelling of its spaces in order to respond to new needs and new habits. Based on the periodic surveys and analysis carried out using its databases,

IGD is studying how shoppers' demands have changed and is working on ways to prepare its properties for the future.

Thanks to the support of a transversal team that works across all the different business areas, the Group will be able to carry out various projects inside its centres. These projects relate specifically to layouts, merchandise mix, services provided and technological innovation while also taking into account ESG factors, fundamentally important in today's environment, to anticipate and respond quickly to the needs of consumers and retailers and continue to put its customers at the centre of the business. •

CLAUDIO ALBERTINI

Born in Bologna in 1958, Claudio has been at the helm of IGD since May 2009, after having served as a member of the Company's Board for three years. For more than twenty years, Mr Albertini was part of the Unipol Group, where he ultimately acted as General Manager of Unipol Merchant. Mr Albertini is a certified financial auditor registered in Bologna. He is also a member of the EPRA Advisory Board and of the Nominations Committee of ECSP (European Council of Shopping Places).



EPRA new members in the spotlight

AVENTOS

AVENTOS combines passion and real estate expertise with in-depth capital market insight. Its interdisciplinary approach enables it to open up new perspectives for its two fields of business: development and capital markets. Applying the power of its vision, it identifies hidden real estate potential and transforms it into sustainable value.

CLARESCO FINANCE

Claresco Finance is an independent portfolio management company

created in 1998 by Edouard Ferri and Jean Marc Étienne. The two founders brought together a team of experienced managers to develop, on the one hand, private management and, on the other, a transparent and efficient range of funds.

NORWEGIAN PROPERTY

Norwegian Property is a fully integrated commercial real estate company. The company's philosophy is to create engaging meeting places that provide solid ground for developing relationships between people and the environment. Norwegian Property primarily owns commercial properties in the Oslo region..

R8 PROPERTY

R8 Property is a full-service real estate company focused on the development, ownership and management of centrally located and sustainable commercial properties. The company

is one of the leading developers of sustainable properties in Norway, with Norway's most satisfied tenants.

RESIDENTIAL SECURE INCOME

Residential Secure Income (ReSI) is a real estate investment trust (REIT) with the objective of delivering secure income returns by investing in Shared Ownership and other affordable residential asset classes.

ST. MODWEN

St. Modwen Properties PLC is a United Kingdom-based developer and regeneration specialist. The company operates through three segments: St. Modwen Logistics, St. Modwen Homes and Strategic Land & Regeneration. •

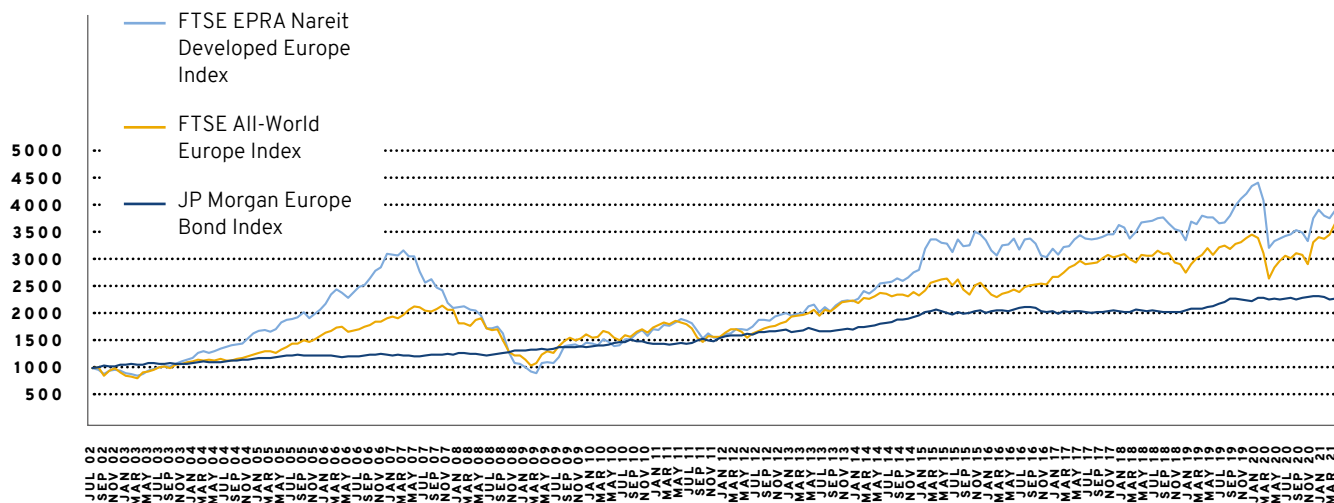
Creating certainty in confusing times

We are committed to creating spaces for you. Spaces where you won't ask yourself if you're working from home or living at work. Spaces to graze greatness and reconnect with others, face to face. Because it's you that makes us. And we don't wait for a new normal. We create it.



Index focus

Comparison of asset classes

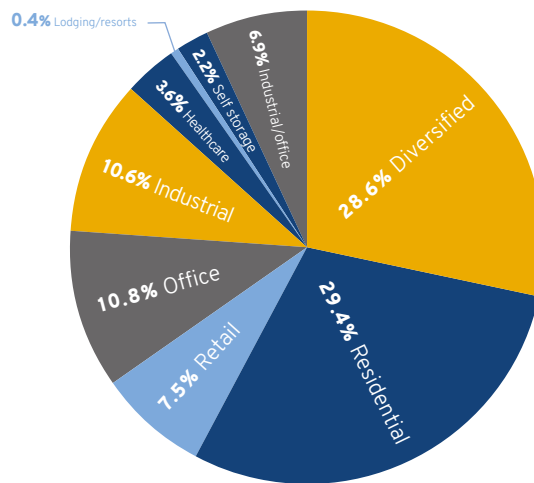


Value snapshot (July 2021)

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

DEVELOPED EUROPE	LATEST (MONTHLY)	YEAR TO DATE	1-YEAR	10-YEAR (LONG RUN)
Average Total Return (%)	6.60	16.79	31.59	9.51
Average Premium/Discount to NAV (%)	-8.94	-13.55	-16.52	-12.43
Loan-to-Value (%)*	36.32	37.21	37.16	39.25
Average Dividend yield (%)	2.72	3.15	3.51	3.79

Developed Europe Index sector share



Top 10 European performers (July 2021)

FTSE EPRA NAREIT GLOBAL INDEX							
STOCK NAME	COUNTRY	REIT STATUS	SECTOR	INVESTMENT FOCUS	PRICE RETURN JULY 2021 (%)	DIVIDEND PAID JULY 2021 (%)	TOTAL RETURN JULY 2021 (%)
GCP Student Living	UK	REIT	Residential	Rental	31.37	0.00	31.37
K-Fast Holding	SWED	Non REIT	Residential	Rental	29.60	0.00	29.60
Platzer Fastigheter Holding	SWED	Non REIT	Industrial/Office Mixed	Rental	24.04	0.00	24.04
Samhällsbyggnadsbolaget i Norden	SWED	Non REIT	Diversified	Rental	20.27	0.00	20.27
Sagax Ord Shrs Class B	SWED	Non REIT	Industrial/Office Mixed	Rental	18.96	0.00	18.96
Nyfosa	GER	Non REIT	Industrial/Office Mixed	Rental	15.12	0.00	15.12
Alstria Office REIT	GER	REIT	Office	Rental	14.56	0.00	14.56
Montea	BELG	REIT	Industrial	Rental	13.91	0.00	13.91
Catena	SWED	Non REIT	Industrial	Rental	12.83	0.00	12.83
Corem Property Group (B)	SWED	Non REIT	Industrial/Office Mixed	Rental	12.75	0.00	12.75



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