



# EPRA

EUROPEAN PUBLIC  
REAL ESTATE ASSOCIATION

## EPRA Magazine

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# Embracing evolution & innovation: the future of cities

02 CITY RESEARCH & URBAN DEVELOPMENT

06 HOTEL SECTOR POST PANDEMIC

10 UNCERTAIN ECONOMIC ENVIRONMENT

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As of June 2023

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Research  
Neuberger Berman  
Prologis\*  
Virginia Tech University  
Welltower\*  
W. P. Carey  
Zell-Lurie RE Center at Wharton

\* Welcome to our newest  
members

## Working with and for our members

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

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

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active

involvement in the public and political debate, promotion of best practices and the cohesion and strengthening of the industry.

Find out more about our activities on [www.epra.com](http://www.epra.com)



# Dominique Moerenhout's Foreword

We are delighted to present the Conference edition of the annual EPRA Magazine. We welcome you back to our flagship event in person, and eagerly look forward to the opportunity to reconnect with many of you.

Since the start of the year, 2023 has proven to be exceptionally challenging for both listed and non-listed real estate. The industry has faced significant pressures due to soaring inflation, escalating interest rates, and a volatile geopolitical landscape. Despite these adversities, the listed real estate sector has showcased its resilience and strong operational performance, successfully navigating through turbulent times in the capital markets.

During the Conference, we will shed light on the numerous opportunities and challenges that our sector is currently encountering. We will reflect on the recent global macroeconomic and geopolitical developments impacting our industry, together with our keynote speakers, Peter Praet and Ian Bremmer. Panel debates focusing

on the journey towards achieving Net Zero will take centre stage on this year's agenda. The conference's final day is dedicated to thematic panels and will also allow investors to meet with listed property companies.

I would like to extend my congratulations to all the winners of this year's BPR and sBPR awards, with a special mention to those who have received their first ever award. The growing participation from companies in reporting showcases the increasing significance and acceptance of the metrics and the transparency they provide within the industry.

The EPRA Outstanding Contribution to Society Award competition was reinstated this year, honoring our members' increasing initiatives aimed at creating positive social or environmental change within communities. More than 40 projects were submitted, a significant increase compared to the previous edition in 2018, which saw 18 projects. This remarkable surge in submissions highlights the dynamism of our

members in engaging with local communities and society as a whole. Each project has undergone a meticulous evaluation by an external jury ensuring a rigorous selection process. The Conference will serve as a platform to reward the winners for their outstanding contributions.

I would also like to take this opportunity to announce three initiatives for your 2023 agenda: the second edition of our joint education programme with Bayes Business School commencing on 16 October; the EPRA CEO Conference on 27 November; and our Sustainability Summit in London on 29 November.

Lastly, as usual I extend a warm welcome to our latest members. I encourage you to turn to page 49 to get to know them better.

I wish you all a great EPRA Conference 2023 and please save the date for our 2024 edition, scheduled to be held in Berlin from 17 to 19 September. •

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# The future of cities

An interview with Mark Allan

## SHAPING SUCCESSFUL



Why and how we need to start thinking about shaping successful cities for the future, today

As we stand in the London Headquarters of Landsec, the bustling streets of Victoria beneath us, Mark Allan, CEO, points out the public realm area around the mixed-use development of Cardinal Place. This is the Landsec developed, owned and operated building in which their office is situated, and which will soon have a public realm re-imagining, thanks to a programme involving 30 young people, a programme which Allan says “we’d probably not have thought of in previous years”.

This project seems symptomatic of the approach that the company, driven by Allan and his close team of advisors, is taking in their interaction with communities. And it’s a key part

of their strategy to create ‘sustainable places, connect communities and realise potential’. Landsec’s Community Charter, launched just two years into Allan’s tenure in 2022, is now deeply embedded in the FTSE 100 and, according to the CEO, is now really beginning to bear fruit in the communities they serve. As he says, “we are anchored in our local communities and whether it’s the development of a new scheme, or the successful operation of an existing centre, we need them on our side”.

But their Community Charter is just one element of what the nearly 80-year-old company is doing to ensure the places they create really serve the communities they are

designed for.

### SUCCESSFUL FUTURE CITIES

Earlier this year, Landsec launched its Shaping Successful Future Cities Report, a piece of work which Mr Allan describes as “guiding us in how we approach the challenges that face us and our industry”. According to him, the very act of embarking on the report has made the company think differently about its role and actions in the much greater urban ecosystem. More than half of the global population live in cities today, with the expectation that this will reach five billion before 2030. The success of our future cities, Landsec points out, is therefore integral to our collective



prosperity, health, and success.

The report, launched in January, sets out four potential scenarios for cities in the UK – from the negative future of depleted natural resources and people living cities, through to a more positive vision which is greener and flourishing. It identified six principles that they believe will help them, their peers and competitors, shape that more positive future – being climate prepared; resilient; desirable; responsive; equitable; and polycentric.

Now Allan says of the principals *“each of those are things we can contribute to as a business, but they are much bigger than our business alone. So how we partner with our city stakeholders, peers and communities really crystallises as an important element of our strategy. While it’s definitely embedded in our business, it’s also helped to focus us on the need to think long-term and make sure our actions today will serve us in the future. We can’t wait 20 years and be surprised by how cities have worked out if we aren’t thinking about that now.”*

Also covered in the report is the role of smart cities and 15-minute cities – concepts which have had different successes in Mark’s mind. The relative lack of uptake of the smart cities concept is now beginning to be righted, with Landsec really grabbing

hold of the smart building element to lower energy use and reduce carbon. On the flip side, the significant momentum behind 15-minute cities, is, according to him, a *“victim of its own success and its name”* leading to misunderstanding. Landsec prefers to focus on ‘polycentric cities’ where cities are less and less dominated by a single business district, but where work, home and leisure is spread evenly across multiple centres, a focus which is built on in the company’s mixed-use regeneration strategy, on display in their Finchley Road masterplan.

What this work has done, Allan explains, is confirm that the London company is on the right track with its approach to innovative and sustainable development, but it is also encouraging everyone involved with designing, planning and enhancing of their assets to be increasingly ambitious. For example, adding biodiversity into the conversation alongside net zero is an area that’s been accelerated by the report, and an ambition to go beyond the 10% biodiversity net gain target that’s soon to come in. In addition, Landsec’s social sustainability programmes have recently been refocused to enhance social mobility in the real estate industry, and the places where they invest, through the creation of a £20 million Landsec Futures fund *“If you*

*look across the UK cities landscape”*, Allan adds, *“it’s clear that opportunity isn’t uniformly distributed, but if we’re to create more equitable cities – which is one of the principles identified in the report – then we need to do more to enhance social mobility.”*

## ADAPTION IS A JOURNEY

Alongside this need to look at cities in a new way, is the new way that workers and consumers are operating following the COVID-19 pandemic. Mark explains that they are *“continuing to adapt”* to the new ways of operating both from an office and a retail perspective.

A very clear pattern of office working is now in place, with the middle of the week being the key time for colleagues to come together to *“build culture, attract talent, collaborate and align around strategic imperatives such as net zero”*. And there is a not dissimilar situation with retail, where shoppers want to return to bricks and mortar stores and enjoy the in-person interaction but with the role of online *“very baked into how we shop now”*. It’s clear that our cities, as well as our businesses, home lives and experiences, will be changed fundamentally as a result of those tumultuous years.

Landsec has certainly made a stake in the ground with its Future Cities work and as we look down at the comings and goings of office workers, shoppers and tourists filling the streets, it very much feels like we’re on the brink of something exciting. •

### MARK ALLAN, CEO, LANDSEC

*Mark joined Landsec as Chief Executive Officer in April 2020. He brings extensive knowledge and experience of the property sector combined with strong operational leadership and financial and strategic management skills to the Board. Prior to joining Landsec, Mark was Chief Executive of St. Modwen Properties Plc. Prior to that he was Chief Executive of The Unite Group since 2006. He moved to Unite in 1999 from KPMG and held a number of financial and commercial roles in the business, including Chief Financial Officer from 2003 to 2006. Mark is a qualified Chartered Accountant and a member of the Royal Institution of Chartered Surveyors.*



# The future of cities

## A French perspective

Hop on the Eurostar from London and just two and a half hours later you arrive in Paris – the city about which Victor Hugo said ‘nothing is more sublime’.

And this sublimeness, this attractiveness, is largely due to the scarcity of new buildings which fits the population’s aspiration, particularly that of younger generations, for ‘centrality’ according to Gecina, the French investor, developer and manager. The Haussmann hub with its tightly packed streets leaves little room for new development or expansion within its limits.

Like London, Paris is no exception to this trend for centrality, this desire for a concentration of services, jobs and transport hubs, alongside virtuous buildings with outdoor space in lively neighbourhoods. But it is the very lack of such areas in Paris, says Beñat Ortega, CEO of Gecina, since last year, that gives it its character. According to Ortega, this “reinforces the polarisation of the market and the attractiveness of Paris as a city” but is also perhaps why the company is so focused on the Paris Region, with 85% of their portfolio and pipeline concentrated in the capital and surrounding communes.

Whilst the 15-minute city idea might not have made it across the channel in name, it has definitely made it across in philosophy. Ortega explains that it is exactly on strategy for the company which centres its focus on “centrally-located assets, both offices and residential.....where the young can experience a place in which they can not only work together, but also develop a social life and creative interactions within the surrounding neighbourhood”.

Gecina’s Mondo project is a perfect

example of such a development, says the CEO. With 30,000 m<sup>2</sup> of office space in an optimal location, a generous offer of outdoor spaces combined with high-quality services: a food hall, an atrium with a meeting hub, 2,300 m<sup>2</sup> of outdoor areas, 800 m<sup>2</sup> of terraces, agricultural greenhouse and panoramic views of all of Paris. All this in a lively and dynamic neighbourhood with many shops and restaurants nearby.

### GREEN GROWTH?

But the focus on delivering for the aspirations of the younger generations, need to be closely balanced with the ever-pressing climate change emergency, of which development is a large contributor - a fact of which Gecina, like Landsec, is only too aware.

To help minimise their contribution, last year the company launched a





major energy efficiency plan, aiming to “rapidly and significantly reduce energy consumption” and support tenants to use their offices more efficiently. Technology is a huge part of the delivery of the strategy, particularly with their aim to be carbon neutral by 2030, and the group now collects real time information on 92% of its rental space. By the end of June 2023, this efficiency plan was already showing very significant progress. Average energy consumption across Gecina-managed commercial buildings was reduced by 17% over six months, contributing to a reduction in carbon emissions by 21% over the same period. With an early track record like this, it’s clear to the team at Gecina that technology can hold the key to powering a green future.

And rather than the green agenda holding the company back from achieving its growth ambitions, Ortega believes that “our commitment to social and environmental responsibilities will actually help us achieve our growth. Our sustainability policy is global and very much written into our DNA. Similarly, our ambition to reduce our carbon footprint is

*something that galvanises all our teams.”*

Gecina’s sustainability focus is also something which is helping their already close relationships with the public authorities in Paris and the Paris Region. With a growing focus amongst public bodies around biodiversity, generous green spaces, and outdoor spaces for residential buildings, the company’s “trajectory of reducing carbon emissions per m<sup>2</sup> by 75% since 2008 is helping to drive the energy transition across the whole city”.

### A GREEN AND DYNAMIC FUTURE

What is abundantly clear is that the future, as Gecina, Landsec and others see it, marries a definitive green slant with a lively and vibrant place. They are creating destinations to live and work that are good for people and climate in the round. It is no longer enough for a place to have only one of these things, or to make just a nod to the green agenda, tenants – be they businesses or residents – now want both.

As I leave my conversation with Ortega, I’m left with a profound sense that the future of development is in safe hands. While he is just a year in, it’s clear his ambitions are set on a healthy future. Across the industry, there are visionaries who understand what end users want, what the environmental emergency demands and who are ready to commit to change. •

### BEÑAT ORTEGA, CEO, GECINA

*Beñat Ortega, 41 years old and École Centrale Paris alumnus, took up his position as Chief Executive Officer on April 21, 2021. He joined Klépierre, a leading European listed retail real estate company with a 22-billion-eur portfolio in 2012, and since then he has led its operational activities. He has played a key role in its transformation through the portfolio’s refocusing of around 120 leading shopping malls and an ambitious value creation and cash flow growth strategy. Since 2016, he has held the position of Member of the Executive Board, Chief Operating Officer. He previously spent nine years in Paris with the office teams of the listed group Unibail-Rodamco.*



# Living the experience; Hotels post pandemic

*“People are people. The pandemic made people realise that experiences are more important than things”. So says Liia Nõu, CEO of Pandox, the international owner and leaser of hotels.*

And Robert Henke, Executive Vice President Commercial Affairs of PPHE Hotel Group, would agree. *“Post covid, leisure travel is appreciated more than ever and seems to be higher up in the discretionary spend list - prioritised over consumer goods.”*

This seems to sum up the hotel industry pretty accurately as we go to print: a terrible few years where business and leisure travel all but ground to a halt, but now there's growing confidence that the worst is over, travellers are returning. As Tugdual Millet, CEO of Covivio Hotels, says *“hotels respond to a structural and primary need to meet, to exchange, to travel... it proved once again its ability to quickly recover and generate strong performances over the long term”*. Yes, there are a few changes to the way the industry actually operates – an increase in contactless services, an accelerated move towards digitalised check-ins and controls, changes to catering operations and ever more challenging labour market – but we're more or less back to normal. So, can I put away my pen and accept that's just enough? That in our post-pandemic world people desperately bored of the sight of their own homes are willing to travel anywhere and everywhere so long as it's somewhere else?

Not quite.

Yes, it would appear that demand for rooms across Europe is definitely back and that is undoubtedly good news for the sector. With a few exceptions (notably the CEE market due to the war in Ukraine), the market in the period Q1 2022 – Q1 2023 saw a strong recovery,



with most European countries recording double-digit RevPAR growth during Q1 2023, according to Cushman & Wakefield's Marketbeat report.<sup>1</sup>

But in the current global economic market, only the most agile, resilient and active hotelier will reap the benefits of this improved demand. In a sector where there is no fixed income, and the results are strongly linked to inflation, hoteliers have to switch strategies to stay on top. But if this unusual market of high inflation and

hiking interest rates can be navigated, there is potentially a significant opportunity waiting.

As Robert explains *“We are more careful on investing in high interest rate environments, such as the United Kingdom and the US given the significant impact on transaction funding currently. However, such environment at the same time will create future market opportunities in these territories as other parties may be unable to successfully refinance.”*

<sup>1</sup> <https://www.cushmanwakefield.com/en/united-kingdom/insights/hospitality-market-beat-europe>



Liia agrees *“Hotels are an asset class where the performance of the underlying operations in the property decides the NOI. This means you have to be an active owner with specialist hotel and property expertise to be successful. Strategically, we are focusing more on margin resilient concepts such as extended stay, budget design and leisure driven locations”*.

## REINVESTMENT IS KING

And it would appear that these agile investors, owners and operators most definitely have one thing in common, and that is that the biggest opportunity lies in ‘the turnaround’.

*“The market has a wide range of products and rate offerings and buying a property in need of investment gives us a great opportunity to invest, reposition and relaunch and generate strong yields on our repositioning capex”* Robert explains of Rome, a current favourite of the international hospitality group. *“Resilient markets, with substantial room rate elasticity, provides great opportunity for investment in properties with repositioning potential.”*

Similarly, Liia sees the main oppor-

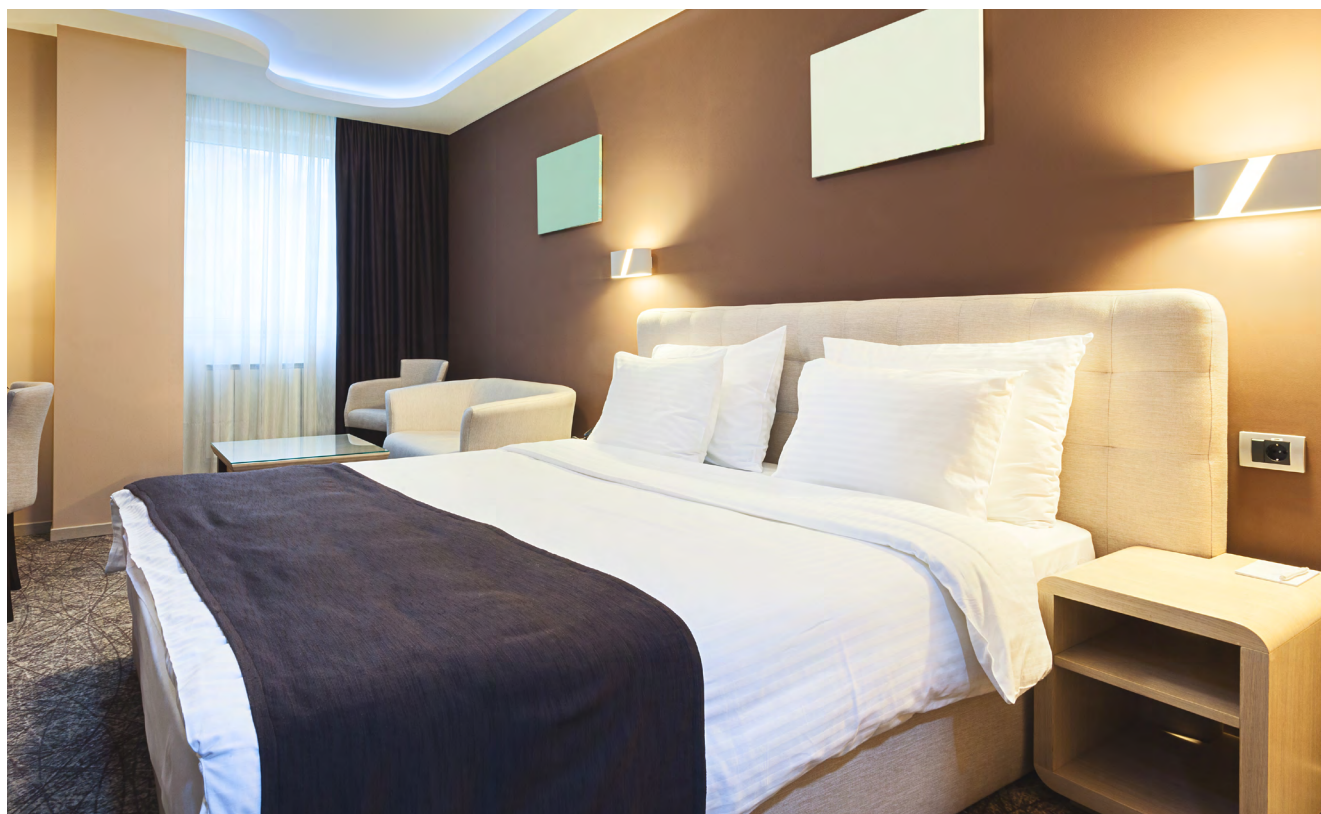
tunity in *“underperforming”* assets, where there is the best opportunity to enter or expand within a *“growing and dynamic city with several demand drivers...so that we can put our hotel industrial expertise to work and create value”*.

Tugdual has a slightly different take on the investment opportunity, however. Their investment is focused on the new demand for *“quality, prime, flexible, energy efficient, lifestyle hotels. We need to invest, alongside operators, to match this new demand”*.

But the investment / repositioning model doesn’t just provide opportunity for capital growth. As Tugdual has said, it also provides the best opportunity to transition to a more sustainable portfolio. The Sustainable Hospitality Alliance estimates that the industry needs to reduce its carbon emissions by 66 per cent per room by 2030, and by 90 per cent per room by 2050 to ensure that the growth forecast for the industry does not lead to a corresponding increase in carbon emissions<sup>2</sup>, targets which our interviewees are only too aware of.

Something that the European company is embracing. *“We have published the first Green Financing Framework for a hotel property company and now have only Green bonds”* says Tugdual. *“Sustainability is very important for us and we work actively with it in both our business segments. We have a wide range of initiatives and projects ongoing to both mitigate and respond to climate change, including a commitment to Science Based Targets initiative”* says Liia.

As Robert explains *“As long-term property owners, safeguarding future values of properties by embracing and integrating sustainable products and operations is essential. New investments are reviewed from a BREEAM point of view and our target would be to get these properties to BREEAM excellent status. But we’re also doing it across our existing portfolio. At Park Plaza Westminster Bridge London, we have our own water bottling plant, which saves the transport to and from the hotel of an estimated 1 million water bottles per year.”*



<sup>2</sup><https://sustainablehospitalityalliance.org/our-work/climate-action/>



**THE FUTURE IS BRIGHT**

Now that travellers, both business and leisure, are returning, tastes are also evolving and that is providing an interesting and exciting opportunity for the industry to diversify its offer. Glamping in Croatia, lifestyle hotels in Rome, increased interest in branded hotels and a desire for something ‘unique’ are all areas that Robert is seeing increased interest in. ‘Lifestyle’ hotels definitely seem to be increasing in popularity with Tugdual saying that this is at the front and centre of their strategy. One of their newest assets tagged with this moniker has seen 100% weekend occupancy rates only weeks after opening. “To provide you some figures,” Tugdual attests, “lifestyle hotels only count for 2% of total stock in Europe, but 10% of total pipeline.”

Similarly, Liia is excited for the opportunity that this increased diversity could bring. Longer-stay options and economy design are areas they say are on the up and are providing interesting investment opportunities.

The hotel sector is showing that it’s weathered the worst storm it could have encountered over the last few years and that it’s now up to individuals to diversify and thrive in this new age. •

**LIIA NŌU, CEO OF PANDOX**

*Prior to assuming the role as CEO of Pandox in 2021, Liia was the group CFO, since 2007. Before joining Pandox Liia had leading positions at several companies; CFO at GE Money Bank Nordics & Baltics, a worldwide financial services and banking group (2002-2007), CFO at Song Networks, a supplier of IP-based communications solutions to the Nordic business customers (2000-2002), CFO at Icon Medialab, an online consulting business (1997-1999), CFO at Tele2 from (1995-1997) and finance manager and treasurer at Q8 (1988-1995). Liia is also since 2023 a Board member of MTC, an international, mobile-first, gaming group. Liia holds an MSc from Stockholm School of Economics.*



**ROBERT HENKE EXECUTIVE VICE PRESIDENT COMMERCIAL AFFAIRS**

*Robert is the Executive Vice President of Commercial Affairs for PPHE Hotel Group and oversees all commercial activities (including Sales, Distribution, Reservations, Customer Service, Revenue, Digital Marketing, and CRM) as well as Brand Marketing, Guest Experience, and Communications (including brand strategy, brand development, management of the group’s strategic partnership with the Radisson Hotel Group and corporate communications). He has*



*more than 20 years of experience in international hospitality and first joined the group in 2001 when he was involved in the opening of the Group’s hotels in the United Kingdom and the successful implementation of Radisson Hotel Group’s marketing programmes and systems. He rejoined the Group in 2007 and since then has significantly developed the central commercial organization, creating and leading a multi-disciplined, international team of specialists. Robert has lived and worked in Aruba, Los Angeles, and London, and is based at the Group’s head office in Amsterdam. Prior to joining PPHE Hotel Group, he held international Marketing positions at Golden Tulip Worldwide and Hilton Hotels Corporation. He holds a bachelor’s degree in Hotel Management Business Administration from Hotelschool The Hague, with a major in Marketing.*

**TUGDUAL MILLET, CEO COVIVIO HOTELS**

*Tugdual Millet, a graduate of ESCP Europe, began his career as a Portfolio Manager in a structure owned by Morgan Stanley and Covivio in 2002. From 2004 to 2008, he continued his career at Covivio, as Financial Analyst and then Head of Corporate Development and Financing. After two years as Chief Financial Officer - France Offices, he became Chief Financial Officer of Covivio in 2010, before taking up the position of Managing Director of Covivio Hotels in 2021.*





# The economic environment remains extraordinarily uncertain and it is remarkable that actual performances have remained robust.

Very diverging but plausible narratives have emerged on what may come. The pessimistic view stresses that we are in an area of radical uncertainties; 'zero sum' mentality, as shown by the rise of geo-economic fragmentation, and political rivalry among big powers. Adding to such concerns is the lack of available fiscal and monetary policy space to respond to future shocks. Increasing demand for public goods (health, security, defence, environment) will be difficult to meet, adding to the pressure on ageing societies. The world working age population plateaued around 2010 and is now falling in advanced economies. In spite of spectacular technological breakthroughs, the productivity trend has continued to weaken. Accelerated obsolescence of part of the stock of capital as a consequence of climate related policies may not be compensated by productivity gains before long. Ongoing conflicts, trade distortions from sanctions, rewiring supply chains and the aim of reaching 'strategic autonomy' are not costless.

The optimistic narrative highlights the capacity of our societies to adapt

and expresses confidence in the role of the State to facilitate the necessary structural transformations to respond to adverse tail events. In adversity Europe has demonstrated that it can respond swiftly and forcefully to contingencies, find common responses, and that it is able to mobilise its vast pool of domestic savings and skilled labour. Over time productivity gains could be boosted by a more efficient use of resources, digitalisation and investment in the technologies of the future.

The more optimistic scenario is within reach, but will not be a calm river. What seems clear is that the comfort provided by the post-WWII multilateral framework has gone and that the future will critically depend on Europe's capacity to act together in a forceful and cohesive way.

In the more immediate future, Europe remains confronted with the consequences of a series of severe shocks in the past three years. The spectacular increase of inflation has been the direct result of the size of these shocks. Europe had a combination

of severe demand and supply shocks in a short period of time. The collapse of demand for contact intensive activities, the sudden switch of demand from services to manufactured goods, supply bottlenecks and disruptions were followed by massive fiscal and monetary policy measures intended to support aggregate demand and to preserve the productive capacity and employment. The energy shock following the Russian invasion of Ukraine put post-Covid recovery at risk. A rebalancing process is now well underway supported by a reversal of adverse supply shocks. Inflationary pressures are a barometer of this rebalancing process. The surge and persistence of inflation has surprised many, including central banks. Supply disruptions at a time when demand switched from contact intensive services to goods and construction explain the first phase of inflation. Surging inflation in some sectors was not compensated by falling prices in other sectors where the wage component represents a big share of the costs.





The inflation persistence was surprising because the level of GDP until early 2023 was still not much higher than it was at the end of 2019. After some hesitation, the policy conclusion was that if weak demand produced such inflationary pressures it must be that the supply capacity of the economy has been structurally damaged by the various shocks. The tightness of labour markets added to the conclusion that the inflationary process risked being entrenched and required a substantial tightening of policy in spite of the rather weak level of aggregate demand. A cycle of monetary policy tightening started, with policy rates increasing in the Euro Area by more than 400 bp within a year. It is important to remember that as recent as December 2021 markets expected that interest rates would just exceed 0% in 2025. This is a radical change in the monetary policy regime. After more than a decade of too low inflation and loose monetary policies, suddenly changing the course is unavoidably risky. In the too low inflation period, central banks stimulated the risk channel of monetary policy by their asset purchases and forward guidance on future rates. Easier financial conditions supported the economy and avoided downside price pressure to morph into deflation. At the same time however a side effect

was to prop up the price of a range of assets such as real estate. It proved difficult to contain such excesses with micro- and macro-prudential measures. Reverting the course of easy monetary policy raises the risk of disorderly adjustments in financial markets. Stresses in different parts of the financial system have indeed emerged. The Euro Area commercial real estate markets are now in a clear downturn and ECB has expressed concerns on structural vulnerabilities in some open-ended property funds.

Central banks are facing difficult trade-offs in such a highly uncertain environment. The risks of both over- and under-tightening monetary policy remain significant. A well capitalised banking sector with strong liquidity buffers should facilitate the task of the ECB. At the same time the central bank is well aware that financial instability can pop-up in unexpected ways. After the substantial tightening since mid-2022 it is now proceeding in a more gradual way, taking stock of the impact of past rate increases on the economy and financial conditions. Thanks to the reversal of the negative supply shocks, bringing inflation back to target without a severe recession is within reach. •

#### PETER PRAET

*Peter Praet was an Executive Board member and Chief Economist of the ECB between June 2011 and May 2019. In this capacity he was responsible for preparing the monetary policy meetings and making proposals for policy decisions. Previously he was Executive Board member of the National Bank of Belgium. During his term at the Central Bank he was appointed Executive Board member of the Belgian Integrated Financial Supervisor (2002-2011). He was in charge of banking and insurance prudential regulation and macro-prudential policy.*



*Peter Praet gained a PhD in economics from the Université Libre de Bruxelles (ULB). He was an economist at the International Monetary Fund, Professor of Economics at ULB, and Chief Economist of Générale de Banque (subsequently Fortis Bank). From 1999 to 2000 he was Chief of Staff for the Minister of Finance of Belgium.*

*Peter Praet has served on a number of high level international and European committees. At the BIS: the Basel Committee on Banking Supervision, the Committee on the Global Financial System, the Committee on Payment and Settlement Systems. In the European Union: the European Banking Authority (previously the Committee of European Banking Supervisors) and, as chair, the ECB Banking Supervision Committee (BSC). At the OECD he chaired the Working Party 3 (2018-2019).*

*Peter Praet is currently Senior Fellow at the Solvay Brussels School of Economics and Management, ULB. He is also a Distinguished Fellow CEPR.*

# European public versus private real estate – an opportunity?

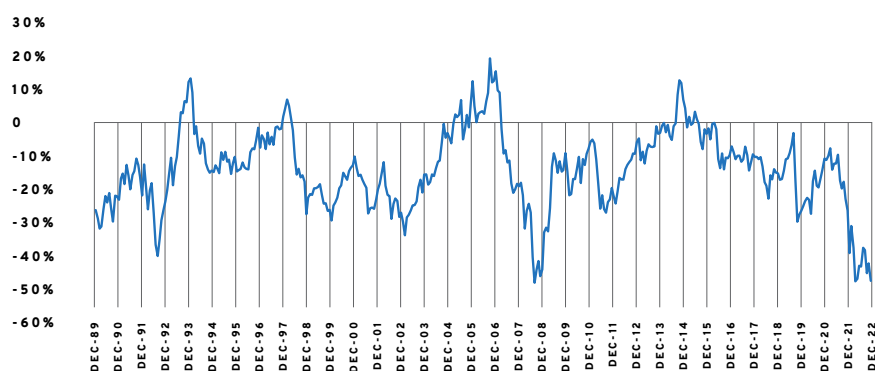
Following the selloff in equity markets through 2022, European listed real estate stocks are trading at some of the widest discounts to Net Asset Value (NAV) estimates compared to most other developed listed real estate markets. In contrast, European private real estate markets have experienced a slower correction in values. Physical property transaction volumes have fallen off sharply<sup>1</sup>, making price discovery and appraisal-based valuation much more difficult. As public real estate valuations have historically been a good leading indicator for private real estate valuations, we are seeing a silver lining as forward one and two-year returns for listed property stocks have consistently been strongly positive in absolute and relative terms each time relative valuation dislocations to private real estate have been this wide.

On a Price to NAV basis, European property stocks look very cheap, trading at a circa 46% discount to EPRA Price/NAV (as of end May 2023)<sup>2</sup> per **Exhibit 1**. This is in line with the Price/NAV discounts prevailing during the Global Financial Crisis (GFC) and represents a circa -2.8 standard deviation to the long-term Price/NAV average of a 13% discount.

**Exhibit 2** illustrates the rolling four quarter differences between the FTSE EPRA Developed Europe Index and the INREV European ODCE Index. Each time public real estate performance relative to private has exceeded -3% on a rolling basis, the relative returns for public real estate have rebounded strongly. The average outperformance of public versus private real estate one year and two years after such troughs has been 25.5% and 15.4% (annualised), respectively.

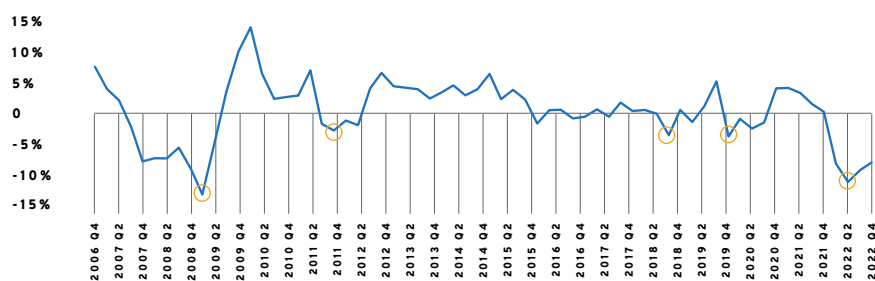
At each of the relative performance troughs for European public real estate stocks circled above, the discounts to

**Exhibit 1: FTSE EPRA NAREIT Europe Index discount to published NAV**



Source: EPRA, 31 May 2023

**Exhibit 2: Rolling 4 quarter difference between public and private real estate returns**



Source: INREV, FactSet, 31 May 2023

EPRA NAV have consistently been in excess of 20%. Historically, this has been an opportunity for investors to buy into the listed real estate market at large discounts and subsequently experience a strong upward inflection in absolute returns. The one and two year (annualised) forward returns to owning European public real estate

stocks at these historical inflection points have consistently been in the high single digit or double digit range as can be seen in **Exhibit 3**.

The current public real estate discount to EPRA NAV (46%) implies a 27% fall in property prices relative to the last reported EPRA gross asset values (GAVs) on an unlevered basis. This is

<sup>1</sup> In Q4 2022, the MSCI Real Assets measure of completed commercial real estate transactions in Europe recorded a 66% yoy drop in transaction values.

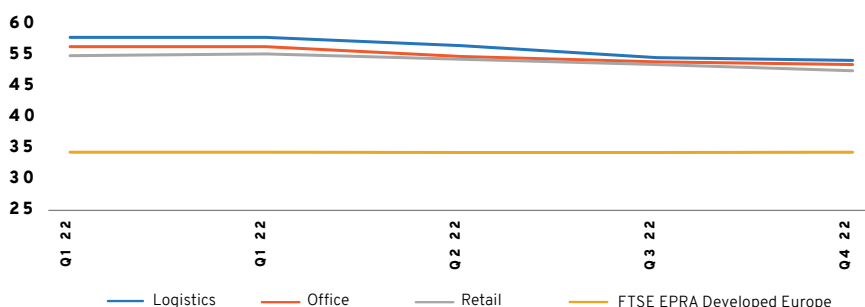
<sup>2</sup> EPRA NAVs provide an (arguably lagging) estimate of private real estate values given that it reflects the current fair value of net assets as reported by listed property companies.

### Exhibit 3: Forward returns after historical inflection points

PERIOD	PUBLIC PRIVATE PERFORMANCE DIFFERENTIAL	EUROPEAN REIT DISCOUNT TO EPRA NAV	EUROPEAN REITS ANNUALISED RETURN		ODCE ANNUALISED RETURN		EXCESS RETURN PUBLIC - PRIVATE	
			1 Y	2 Y	1 Y	2 Y	1 Y	2 Y
Q1 2009	-13.5%	-43%	41.0%	39.1%	2.6%	4.5%	38.4%	34.6%
Q4 2011	-3.2%	-26%	28.7%	19.6%	1.6%	2.3%	27.1%	17.4%
Q4 2018	-3.9%	-22%	29.7%	8.0%	8.8%	5.3%	20.8%	2.7%
Q1 2020	-4.1%	-28%	20.9%	16.8%	5.4%	9.7%	15.5%	7.0%
Q3 2022	-11.5%	-46%						

Source: INREV, Factset, 3Q 2022. Note: returns are annualised forward returns from the end of the reference period.

### Exhibit 4: Average LTV for senior loans against European prime real estate assets and REITs



Source: CBRE European Debt Financing Review, Q4 2022

over and above the circa 4% decline in EPRA GAVs since the October 2022 peak or a peak to trough property price decline of circa 34% in total. If such an outcome does indeed eventuate, the drop in property prices will surpass the 17% decline<sup>3</sup> in European commercial property valuations during the GFC.

Part of the reason for the wide discounts on offer in European public real estate is the higher loan to value ratios (LTVs) that have benefitted property companies during the era of low or negative interest rates and have now become something of a handicap. Admittedly, European property stock balance sheets look weaker relative

to peers in the Americas and Asia. Nevertheless, LTVs for listed European real estate have actually been falling since the GFC and at 37.7%<sup>4</sup> are circa 6.5 percentage points lower than October 2010, based on EPRA data. Listed property company LTVs are also lower than the average LTVs for senior loans in the direct real estate space as seen in **Exhibit 4**, reinforcing the notion that even after adjusting for leverage, European public real estate valuations are much more attractive than private real estate. Clearly there are a number of stars that need to align for public real estate to enjoy a sustained rebound - a more

conducive macro and clarity on the interest rate environment being one. In the absence of this, some form of balance sheet repair for the more highly leveraged European stocks also appears to be important. Of note is the fact that Castellum, the first European company to announce a major equity recapitalisation this year, has started to outperform the FTSE EPRA Europe Index ever since the terms of its rights issue were announced in early May 2023.

Only time will tell if public markets have sold off excessively or if private valuations will eventually catch all the way down to what public real estate stocks are currently implying. However, history suggests that the risk-reward in absolute and relative terms favours public real estate every time absolute and relative valuations have fallen to the extreme levels that we are observing today. •

**SHERN-LING KOH, CFA - PORTFOLIO MANAGER, REAL ESTATE SECURITIES**



Shern is a portfolio manager for Principal Real Estate, the dedicated real estate unit of Principal Asset Management. Shern contributes to our global portfolio risk management activities and supports the team's client relations and marketing activities within the APAC region. Shern joined the firm in early 2014 and previous responsibilities included research coverage within the APAC region. Before joining Principal, he was the CEO/CIO at OSK International Asset Management where he managed all investment mandates for their public and private equity business in Singapore. He served as an investment analyst at Fidelity International Ltd from 2007 to 2011 where he was responsible for identifying publicly listed real estate securities investment opportunities for Fidelity's global funds. Shern received his bachelor's degree from Cambridge University, a master's degree from Yale University, and an MBA from Harvard Business School. He has earned the right to use the Chartered Financial Analyst designation and speaks Mandarin and French.

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<sup>3</sup> CBRE Eurozone Prime Capital Value Index  
<sup>4</sup> As of May 2023

# Asset class allocations and returns of large European institutional investors

The main drivers of institutional investor portfolio returns are threefold. Allocations - where are investors putting their money. Returns - what do investors get for the allocation decisions they make. Costs - how much does it cost to implement an investor's allocation. At CEM Benchmarking we have been collecting data on these three drivers from the world's largest institutional investors for over 30 years. Five years ago, EPRA sponsored a publication that took a detailed look into the allocations, performance, and costs of large institutional investors across Europe. An update of the study is to be released late summer 2023.

## What are the key takeaways?

In terms of allocations, European institutional investors allocate most of their assets to the bedrocks of

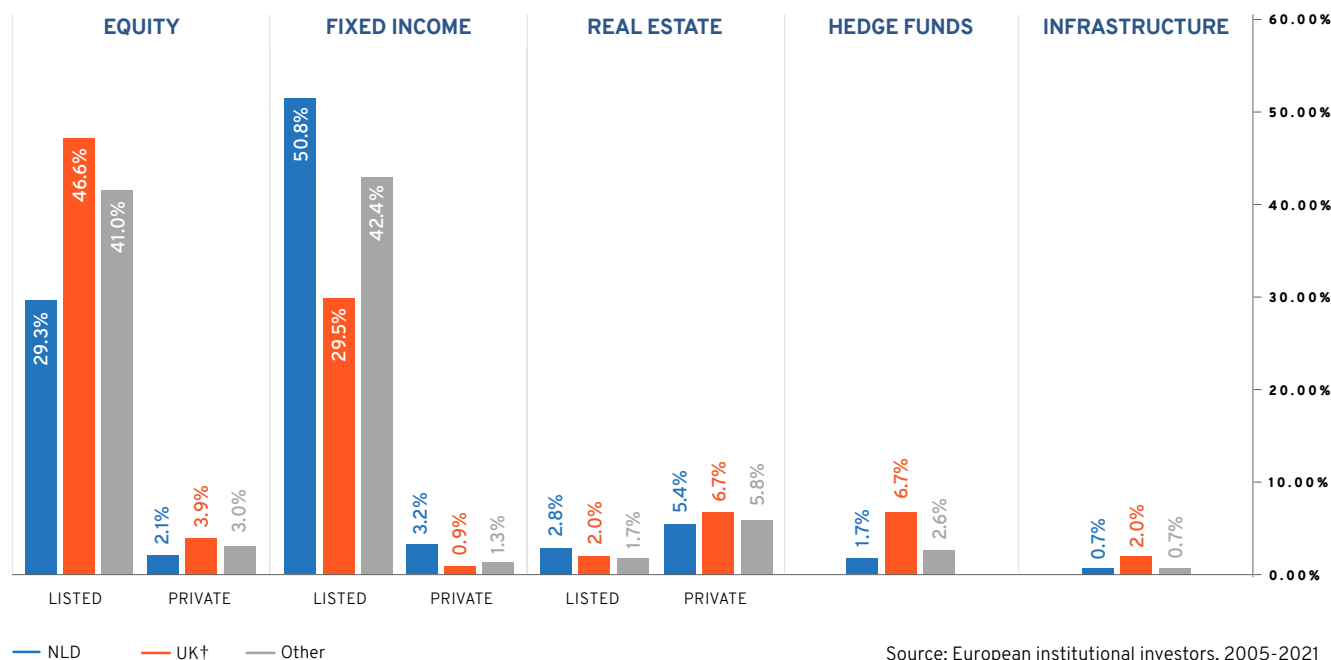
most portfolios, equity and fixed income, primarily via liquid, low cost, listed-market channels. This serves to maintain liquidity and to keep costs low (see **Exhibit 1**).

Allocations to (potentially) higher risk-return implementations of equity and fixed income however are growing via illiquid, private-market unlisted channels, but the balance between more listed/less private is in no danger of being flipped. The primary diversifier in European institutional investor portfolios is real estate, with average allocations typically 8-9% of total assets. The balance between listed and private implementation of real estate however is reversed in comparison to equity and fixed income. Where the ratio of listed to private equity is typically of the order 10:1 (greater than 20:1 for fixed income), for listed and private real estate the relative magnitudes are reversed at roughly 1:3.

By contrast, in the case of real estate the rationale for building portfolios using listed channels would seem to be clear - generally superior returns, similar levels of risk, higher risk adjusted returns, and, even on a leverage adjusted basis, superior net value added in most markets<sup>1</sup>.

In the case of equity, the rationale for building portfolios using listed channels augmented by private channels cannot be made purely based on historically realised returns; private equity outperformed listed equity by approximately 2-4% (see **Exhibit 2**). In terms of risk adjusted returns the comparison is more ambiguous, with listed and private equity producing similar Sharpe ratios. The preference for listed equity over private equity is instead due to the low cost of investing, but also qualitative factors such as liquidity maintenance and valuation transparency.

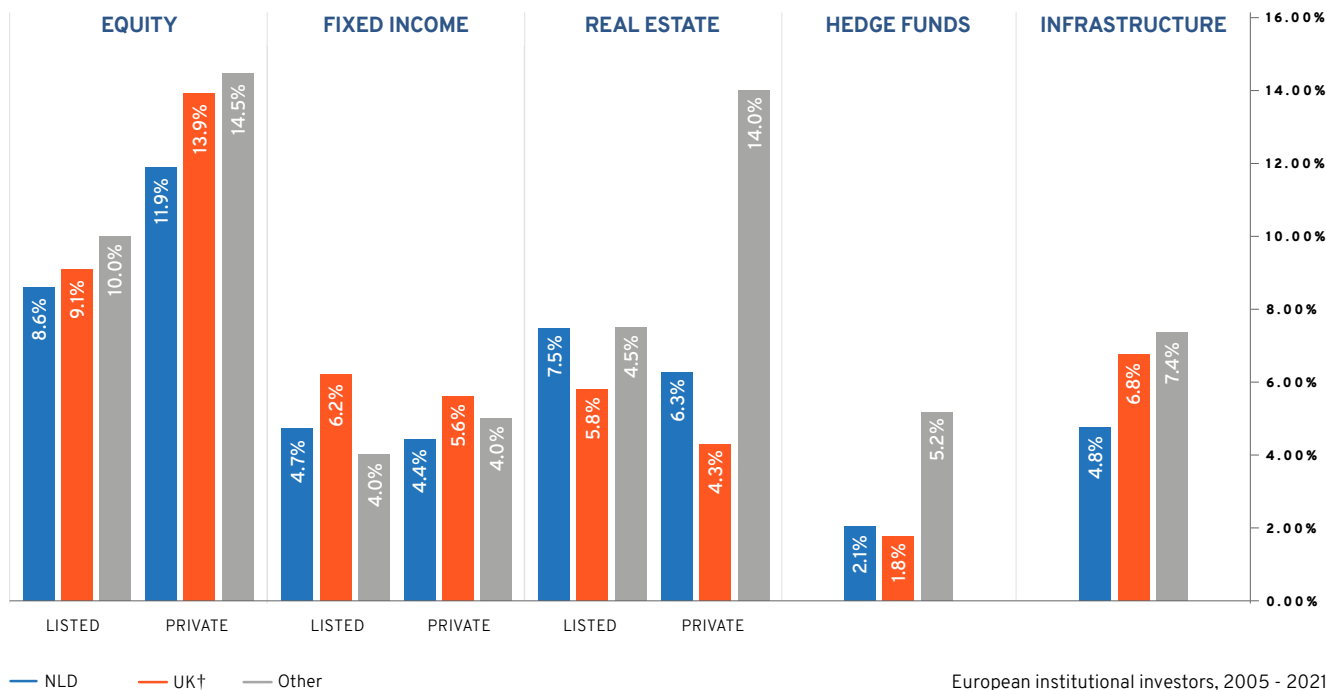
Exhibit 1: Average allocations



<sup>1</sup> One notable exception is Sweden, where private real estate has produced very strong returns, especially in 2019 and 2021.



## Exhibit 2: Net returns, annualised



What to make of the different implementation choices between equity and fixed income on one hand and real estate on the other? There are two reasons; first is the widespread belief that private real estate is less volatile than listed real estate, and second the misconception that private real estate is uncorrelated to other asset classes. Both reasons are unfortunately based on a common misunderstanding of how private market performance is reported, where returns are based on appraisals rather than market-to-market returns as in listed markets.

Adjusting returns to remove appraisal smoothing and lag from reported private market returns enables unbiased comparisons of returns across listed and private implementation models, at least in private equity, real estate, and infrastructure‡. What this reveals is remarkable. Where reported volatilities of private real estate are half that of listed real estate, volatilities are almost identical. Furthermore, rather than private real estate being uncorrelated to equity markets, private real estate portfolios tend to be just as correlated to equity

markets in markets where listed real estate investing is mature (e.g., the Netherlands) and less correlated to listed equity than private real estate itself in markets where listed real estate investing is an exception (e.g., the UK)!

Lastly, the cost of investing in private markets cannot be ignored. Differences in investment performance within an asset class depends on a multitude of factors – geography, sectors, currencies – but costs are always subtracted off the top. In private equity, costs can exceed 5% of net assets whereas indexed listed equity is effectively free. For real estate the same is true if less extreme; most private real estate portfolios are core, which costs around 1% of net assets. However, for more expensive styles it is not uncommon for private real estate costs to exceed 2-3% – far higher than for active listed real estate which typically sits at 0.30% of net assets.

The allocations, returns, costs and other quantitative data on institutional investor portfolios provides rich ground to support common knowledge, but also to debunk certain

myths. Yes, private equity has had a good run of returns, especially during 2019-2021, but the volatilities are high too, resulting in similar Sharpe ratios across equity implementation styles. But no, listed real estate is not more volatile than unlisted real estate, and correlations to other asset classes are broadly similar as well, showing that the two channels of investing offer exposure to the same underlying asset class, namely real estate. •

### ALEXANDER D. BEATH, CEM BENCHMARKING

Alexander Beath is a Senior Research Associate at CEM Benchmarking, a Toronto-based company serving over 500 large global institutional investors. His research activities include the creation of benchmarking models for illiquid assets, bespoke research for CEM's largest clients, and research collaborations with external researchers and universities. Prior to joining CEM in 2011, Alex worked as a researcher at the Center for Theoretical Biophysics at UCSD. Alex earned a doctorate in Statistical Physics from McGill University in 2007.



† In the UK data is only available 2008-2021.

‡ CEM Benchmarking does not currently have a model to address the potential reporting biases in private fixed income.

# The footprint of European REIT structures

Real estate investment trust (REIT) regulation in Europe has proliferated over the past two decades. After inception in 1969, in the Netherlands, listed tax transparent companies started to gain ground by the millennium. Belgium was an early adopter in 1995, then France (2003), the United Kingdom and Germany (both 2007) introduced their versions. Later additions include Spain (2009) and Ireland (2013), which both saw the REIT structure as a resolution to the fallout from the Global Financial Crisis (GFC). The map shows REIT structures around Europe. It is clear that REITs have become the default structure for listed real estate securities.

The enactment and adoption of REITs offer a laboratory study on the interaction between policy and markets. There have been multiple motivations for the introduction of REITs in Europe. These have included the creation of a level playing field between institutional and private investors, improving financial stability and supporting capital inflows in the real estate market. Subtle differences in REITs allow us to review which elements in REIT legislation drive market change. The most important characteristics are requirements in terms of the activities REITs can engage in, and limits to the capital structure and shareholder requirements. Understanding these elements in REIT regulation help policy makers to determine how to implement and/or revise policy to optimise the success of the structure.

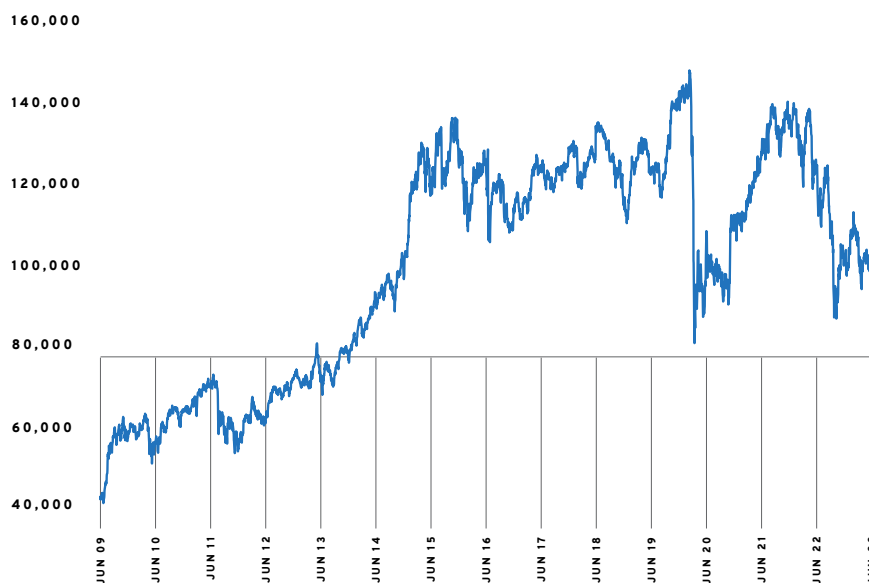
## I. REAL ESTATE MARKET IMPACT OF REITS

It is clear that the enactment of the REIT structure had a substantial impact on European real estate markets. First, **markets have grown** substantially. REITs in Europe have grown in market capitalisation from EUR 40 billion, in 2009 to EUR 100 billion, in 2023 (source: EPRA). Growth of the sector was an intended consequence of REIT introduction. The growth of the market has enabled investors to diversify their holdings, and improved liquidity. The growth has been driven by a combination of pre-existing companies converting to the REIT structure and new IPOs.

**Figure: Overview of REIT regimes in Europe and their enactment dates**



**Figure: Evolution of aggregate REIT capitalisation of European REITs in € millions<sup>1</sup>**



<sup>1</sup>Source: FTSE EPRA/NAREIT Europe (non-)REIT index

Second, REITs have delivered on providing investors with **stronger risk adjusted returns**. Relative to non-REIT counterparts, REITs experience lower market betas. Even though REITs are susceptible to distress as witnessed in the GFC and Covid period, they are less vulnerable than non-REIT counterparts. The graph tracks the performance of companies that went on to become REITs versus those that remained real estate operating companies. Prior to the REIT structure being enacted in 2007, the performance differential between these two groups had been inconsequential. Translated into risk-adjusted returns, this leads to a more attractive performance.

Investors have acknowledged the difference between REITs and non-REITs in valuation. Companies have experienced **positive abnormal returns** versus the wider market in the run up to adopting the REIT structure. This premium reflects that investors are expecting the risk/return profile of REITs to be superior to non-REITs.

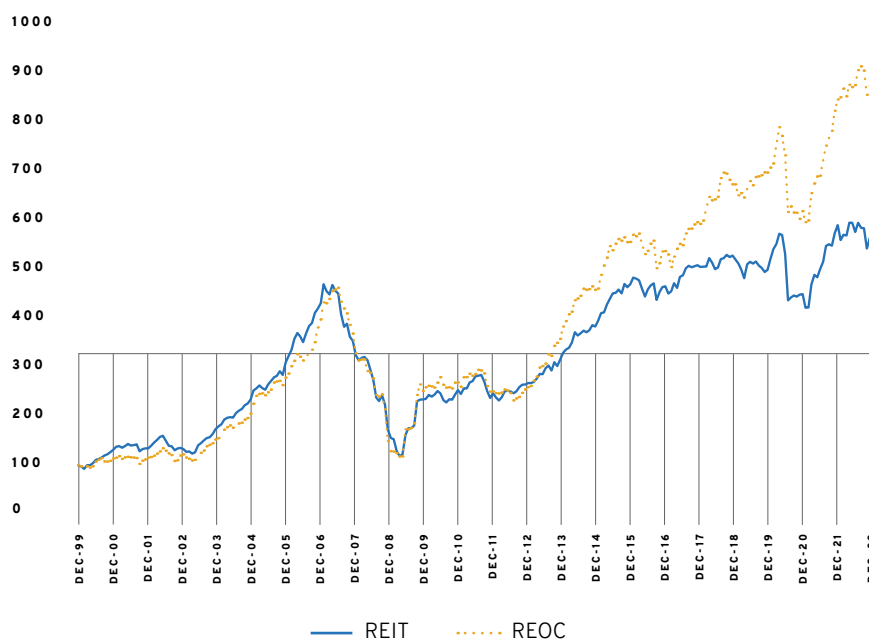
Third, shareholder requirements have ensured that REITs have a **diversified shareholder base**, which provides retail investors with access to quality real estate. Particularly those REIT regimes that have stringent shareholder requirements have been successful in increasing free float.

Fourth, REITs have provided their shareholders with access to **innovative real estate investments** that respond to important societal requirements. Among the sectors invested in by European REITs are healthcare properties, social housing, student housing and data centres, which all have shortages in supply.

## II. FINANCIAL MARKET IMPACT OF REITS

REITs have also reorganised the way in which capital is made available to the real estate market and have therefore influenced the wider financial markets. Due to both the size of REITs as well as the character of having permanent capital, REITs more frequently use balance sheet/unsecured debt financing, usually through public debt markets. The use of debt through the public markets has particularly increased in the last decade and REITs have been the most important issuers of such debt. This has advantages to the REIT itself as it enjoys a **lower cost of capital**, but also to the banking

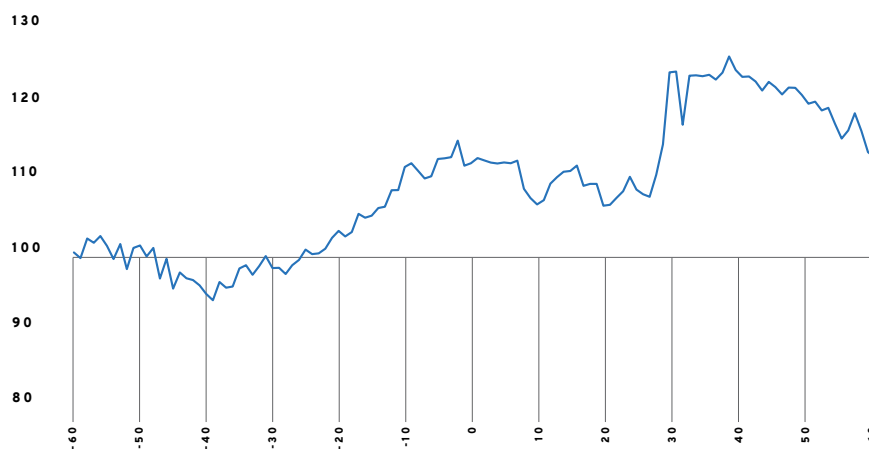
Figure: Evolution of REIT (solid line) and non-REIT (dotted line) return over time<sup>2</sup>



<sup>2</sup>Source: Op 't Veld, The Impact of European REIT legislation, 2023

Figure: Abnormal return of UK REIT converters relative to the UK EPRA NAREIT index<sup>3</sup>

Indexed return of REIT converters from 60 months prior to 60 months after REIT conversion



<sup>3</sup>Source: Op 't Veld, The Impact of European REIT legislation, 2023

sector. In the past, banks have suffered due to contagion from distress in the real estate market. Unsecured loans both **reduce this systematic risk** and, as a result, also the bankruptcy risk premium embedded in the cost of

loans. Additionally, scrutiny by rating agencies and the covenants put in place when issuing these bonds protect the REIT from becoming overextended in terms of debt.

Furthermore, the issuance of bonds has provided the debt market with a significant diversification opportunity. This particularly holds true for green bonds, in which issuance by REITs has grown substantially in the last few years. European bond issuance is also rising rapidly, with EUR 6.5 billion in sustainable bonds raised by European REITs in 2022<sup>4</sup>. This is on top of green bond issuance. REITs formed about half of total European real estate debt issuance as reflected in the pie chart below. Furthermore, REIT bonds on average have a higher than average rating. REIT bonds make up 67.5% of the European institutional grade real estate bonds outstanding, whereas among lower rated bonds (B and BB), the REIT component is only 34% and 31% respectively. This highlights the relative quality of REIT bonds.

REITs have thus helped to lower real estate exposures of banks, while providing the market with investment opportunities. In view of policy goals of REITs, this also helps to create the **level playing field** between institutional and retail investors in terms of access to the capital markets. The benefits extend beyond the debt side of the capital structure. Particularly in the aftermath of the global financial crisis, REITs played an important role in the resolution of the problems with commercial banks.

### III. SOCIETAL IMPACT OF REITS

While the financial impact of REITs certainly is quite substantial, the societal impact is equally important. Because of their longevity and size, REITs are ideally positioned to engage in large-scale projects which other parties find more difficult. Key examples are large-scale gentrification projects and rejuvenation projects in Europe's major cities, in which municipalities and government agencies work together with REITs to improve a neighbourhood or even entire cities. The examples hereof are many and the table below highlights just a few of these.

## Euro REIT bond issuance by rating

in % of total real estate issuance



## 2022 (sustainable) REIT bond issuance type

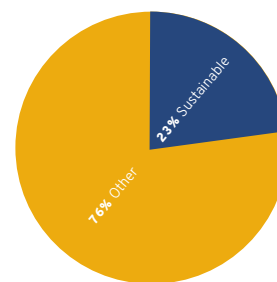


Figure: Examples of substantial urban regeneration projects REITs engaged in

COUNTRY	CITY	REIT	PROJECT
France	Paris	URW	Forum des Halles
France	Paris	Covivio	Masséna-Bruneseau
Netherlands	Utrecht	Klépierre	Hoog Catharijne
Spain	Madrid	Merlin Properties	Chamartín
UK	London	URW	Stratford
UK	London	Landsec	Nova Victoria

<sup>4</sup> Source: Bayes Business School, City University, 2022

In conclusion, REIT structures in Europe have gained prominence as an attractive investment option for individuals and institutions seeking exposure to the real estate market. The tax benefits, portfolio diversification, and liquidity advantages associated with REITs make them a compelling choice for investors looking to capitalise on the potential returns offered by the real estate sector while maintaining flexibility and managing risk. •

### HANS OP 'T VELD RESEARCH FELLOW ASRE



Hans Op 't Veld is Research Fellow at the Amsterdam School of Real Estate (ASRE). In this capacity, he is focused on research on institutional investment and securitised real estate markets and sustainable investment. Hans has a background spanning 28 years in investment banking, boardroom consulting and investment in real estate. He has served on the executive board of EPRA and is a current member of the research committee. Hans has an MSc. degree from the University of Maastricht and is a PhD. candidate at Tilburg University.



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# Completion strategy through indexing: Access to emerging thematic and niche property sectors via benchmark design

## FTSE Russell launches Developed Extended Opportunities Real Estate Index in collaboration with National Pension Service of Korea

FTSE Russell, a leading global index, data and analytics provider, has partnered with the European Real Estate Association (EPRA) and The National Association of Real Estate Investment Trusts (Nareit) in response to client interest in granular classification and portfolio level screening. In consultation with NPS, specific sector exposures were mapped out to develop the 'FTSE EPRA Nareit Developed Extended Opportunities RIC 6/45 Capped Index'. Initially developed for NPS, the world's third-largest pension fund by total assets, the index has now been added to FTSE Russell's standard index series and is being offered to various clients in the market.

Through portfolio level screening to target property sector and specific tenant profile exposure determined by NPS, the index solution selects developed REITs and non-REITs that are classified as niche & non-core property exposure. The index will be used by NPS as part of their completion portfolio strategy, with a total of USD 1 billion asset under management allocated.

The index currently has 70 constituents across ten countries including Australia, Belgium, Canada, Singapore, the United States, and the United Kingdom, and has a dividend yield of 4.05%. The indexes are reviewed quarterly in March, June, September, and December.

### Flexible approach

The index was customised by granular classification not already covered by Ground Rules on existing FTSE EPRA Nareit Developed Indexes.

### Inclusion of U.S. specific sub-sectors

Through research collaboration with FTSE Russell and NPS, the index solution was created for portfolio completion strategy at portfolio level.

### Inclusion of niche non-core property exposure sectors

The index selects developed REITs and non-REITs including Data Centre, Self-storage, Senior Care, Life Science, Timber, Single Family, Manufactured Homes, Medical Office Building, Student Housing and Office with specific tenant exposure.



### Won-joo Seo Chief Investment Officer, National Pension Service, says:

*"We are excited about this new index as it will play a key role for NPS to implement a completion strategy to further diversify its real estate portfolio. This index not only provides immediate access to a broader set of specialty sector opportunities but will also greatly enhance the risk-adjusted return of the entire real estate portfolio in the long run."*



**David Kim**  
**Senior Portfolio Manager,**  
**National Pension Service,**  
**says:**

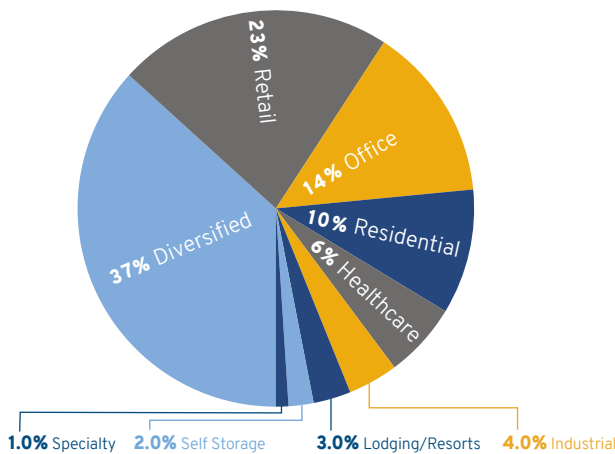
*“We share our gratitude to all collaborative parties including FTSE Russell for their participation in launching this new index together with NPS Real Estate Investment Division and providing benchmark solutions that weren’t available in the market. NPS will continue to seek ways to contribute to the real estate industry on various fronts.”*

**RESEARCH-LED INDEX CONSTRUCTION**

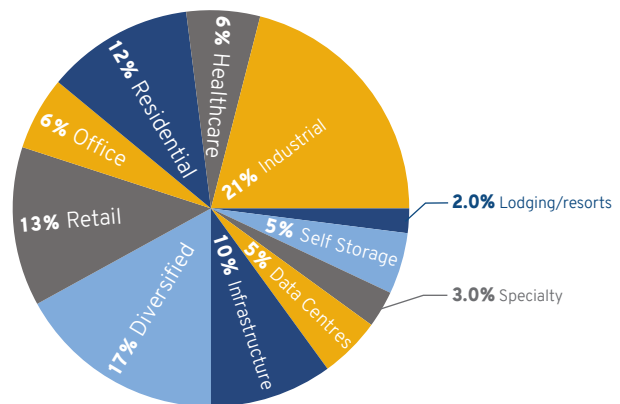
Listed real estate has been on the forefront of bringing new and emerging property sectors into the institutional space. This is demonstrated by benchmark construction today, with modern economy sectors outside of the traditional office, retail, industrial, and residential sectors accounting for nearly half of the FTSE EPRA Nareit Global Index. The shift is consistent on a regional level, where niche property sectors have added to the diversification and specialisation offered by the listed sector.

**Shift in Market Cap for FTSE EPRA Nareit Developed Extended Index**

**2010**



**2022**



The chart above shows the change in market capitalisation of the FTSE EPRA Nareit Developed Extended Index between 2010 and year-end 2022. As the chart demonstrates, the growth from non-core sector has been rapid, notably driven by cell towers and data centres. At the same time, the industrial sector, categorised as core, has outpaced other sectors to highlight the benefit of holding a diversified portfolio with full spectrum of property types.

The FTSE EPRA Nareit Developed Extended Opportunities RIC 6/45 Capped Index being used by NPS to benchmark their completion strategy focuses both on new and emerging sectors and unique strategies within traditional sectors. The largest property sector is healthcare, which

encompasses REITs and listed real estate companies that own and lease properties housing medical offices, skilled nursing and long-term care facilities, and senior housing. This is followed by infrastructure, which comprises cell towers and communications real estate.

Liquidity and transparency are hallmarks of the listed sector within the property asset class. In addition to these attributes, investors can benefit by filling missing gaps in terms of exposure by allocating to the listed sector to optimise the real estate allocation.

More information on the FTSE EPRA Nareit Global Real Estate Extended Index Series can be found at <https://www.ftserussell.com> •

**ALI ZAIDI**  
**HEAD OF**  
**REAL ASSETS**  
**RESEARCH**



*Ali joined FTSE Russell as Head of Real Assets to head the research and index design for the real assets suite including FTSE EPRA Nareit, FTSE Nareit and FTSE Russell Infrastructure indices. Ali also covers private real assets analytics within the organization.*

*Ali joins FTSE Russell after heading the Index & Research department at EPRA, a partner on the FTSE EPRA Nareit Index series. In his previous role Ali has worked closely with European REITs and dedicated global investors by collaborating on benchmarking requirements, research initiatives and allocation strategy. Ali also headed the EPRA Research Committee, an alliance of leading academics dedicated to the real estate asset class.*

# Achieving mutual recognition for REITs in the European marketplace: An EPRA public affairs campaign

REITs play a crucial part in providing retirement security to millions of people by offering long-term investors stable and highly competitive assets. Fourteen European countries have already recognised a public benefit to incentivise real estate investment through public markets and have introduced REIT legislation in their jurisdiction.

The siloed application of these 14 national legislative frameworks creates significant barriers for cross-border investment. The stability and resilience of REITs as cross-border investment vehicles will be especially important over the coming years, given the difficult economic climate Europe is facing. The EPRA Public Affairs team, in collaboration with further European trade associations, has therefore started an ambitious campaign to further facilitate investments in and by REITs across Europe. The campaign hinges, supported by external advice, on two key workstreams - one long-term oriented, the other short-term targeted:

## 1. EUROPEAN PENSION GAP DECLARATION:

**Objective:** Establishing a 'European pension gap declaration' by the European Commission which Member States can sign-up to and agree to mutually recognising their respective REIT regimes.

**Approach:** A 'Declaration' is an EU soft-law instrument that allows for a common European approach to a Member State competency issue, meaning it facilitates common action while refraining from imposing binding obligations, thus allowing Member States to implement it according to their own pace. Achieving a 'Declaration' by the Commission is a resource-intensive and long-term target and cannot be achieved without broad support, hence EPRA is engaging with European and national property, pensions and insurance associations, Commission officials and Member State governments. EPRA's

engagement will target specific Member States that already have REIT regimes in place, taking into account domestic particularities and reforms, so as to avoid any unforeseen consequences.

**Potential result:** Creating an overarching recommendation under which REIT legislations will be mutually recognised across jurisdictions will act as a significant boost to investment possibilities for long-term investors in Europe, facilitating more cross-border investments by REITs and steadier growth of listed real estate in Europe.

## 2. OECD GUIDANCE:

**Objective:** Following the landmark agreement on the OECD Pillar 2 tax framework, the OECD is preparing to implement guidance to clarify remaining questions. The tax agreement, signed by 137 jurisdictions representing more than 95% of global GDP will ensure Multinational Enterprises (MNEs) become subject to a minimum corporate tax rate set at 15%. As this framework would have brought a significant strike against the structural principles of REITs globally, it was EPRA's view that the uniqueness of the listed sector required a tailored solution. Hence, we were pleased to see that the EPRA Public Affairs team achieved together with its European partner associations a carve-out from the global tax agreement for so-called 'Real Estate Investment Vehicles' (REIVs). A specific definition was added to make clear that REITs will fall under a list of excluded entities. As the next strategical target, the Public Affairs team is now aiming to ensure that the final OECD guidance incorporates additional reflections in a way that could facilitate a mutual recognition of REIT regimes amongst members of the agreement.

**Approach:** EPRA, together with membership experts from its Tax Working Group, is engaging with the OECD teams in charge as regards the Pillar 2 framework. Collateral is being prepared and will be circulated

with officials to educate on the nature and specifics of REITs to achieve a tailored reflection within the globally implemented guidance. Timing is of the essence as the final implementation is expected by the end of 2023.

**Potential result:** Should the REIT sector be reflected properly in the final OECD guidance, the global groundwork for a mutual recognition regime will be laid for REITs falling under the OECD REIV's definition (i.e. high-cap REITs) that are established in country members of the OECD/G20 Inclusive Framework and that have recognised tax treaty benefits for a REIT regime from other country members of the OECD/G20 Inclusive Framework. This will include EU Member States with a REIT regime as well as the UK.

Both pathways are challenging, but in politics what matters is that the window of opportunity is there. If it is not there, it needs to be created. One of the positive results of the campaign has already become visible, as it has brought EPRA closer to its peers from the real estate, pension and insurance industries across Europe, and raised the profile and specifics of listed real estate with policy-makers we have not interacted with before. •

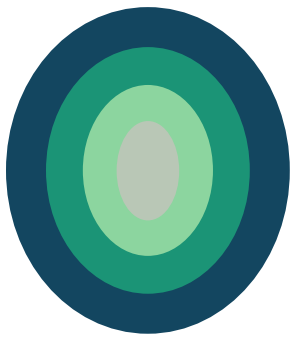
### TOBIAS STEINMANN, DIRECTOR PUBLIC AFFAIRS, EPRA



*As Public Affairs Director Tobias is responsible for giving the listed real estate sector a voice in legislative processes across the EU. Before joining EPRA, Tobias worked for the BASF Government Relations office in Brussels, representing the company's interest in innovation and technology. Prior to that Tobias worked as Parliamentary Advisor and Head of Office for a Member of the European Parliament, followed by a position as a consultant for public affairs in several areas of EU policy-making. Tobias holds a Bachelor (Hons) in Business Administration from Munich University of Applied Sciences and received a Master double-degree in European Studies from the Universities of Vienna and Krakow.*



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# It's not too late to look at the new #3 largest listed real estate market in Europe: Israel

A year ago we highlighted some interesting facts about the obscure and somewhat weird Israeli listed real estate market. Since then, we've learned more about this previously undiscovered market, part of the FTSE EPRA/NAREIT EMEA and Global Indices, where there are 100 listed property stocks with a total market cap of USD 45 billion, making it by breadth and depth one of the largest markets in Europe comparable to France or Germany or Sweden. Our understanding took a huge leap forward in April 2023 when we co-hosted with EPRA and the Tel Aviv Stock Exchange an investor deep dive visit. We were joined by 11 EPRA members from Europe and we heard from almost 20 listed property companies from Israel, CBRE, the Israel Securities Authority and IBI Underwriting.

**Among the questions on our mind were: why haven't we heard more about this before? And is it too late now and not worth learning about this 'new' sector opportunity?**

To the first point, a bit of historical context helps to understand how Israel crept up on us. It was not until 2010 that Israel entered the OECD – before then, the market was irrelevant to international institutional investors. Back then, the sector was smaller and international investors had (much) bigger problems to worry about, such as the eurozone debt crisis. Furthermore, the Israeli property sector (like the overall listed sector) was dominated by companies with multiple listed tiers, controlling shareholders and convoluted intercompany holdings.

## **BUT SINCE THEN, A FEW THINGS HAVE HAPPENED:**

- Around the same time as OECD accession, S&P added Israel to 'Europe' in its index groupings of developed markets, and MSCI added it to its global "Developed" series.
- Legislation was introduced in late 2019 that limited the multiple tier structures to two.
- Changes to corporate law during this period improved governance requirements (now among the highest in Europe)
- Fast growing GDP per capita in Israel crossed above the EU average in 2013 and is today at USD 55,000 and higher than Germany, France and the UK.
- The sovereign rating of Israel continued to improve – in 2018 reaching the 'High Medium Grade' level (AA-) which is today above Spain and compares to AA/negative for UK and France.
- The composition of the economy has dramatically changed, with high tech jobs in Israel representing about 10% of the total, up from less than half that in 2013. At 10% it's above every European country and R&D as % of GDP is now the highest in the world at more than 5%. Today we find a highly developed and advanced economy, with (at the time of writing) 32 listed companies with market caps over EUR 300 million and 10 with market cap over EUR 1 billion

We have all heard about the recent paradigm shifting Abraham Accords, which has the potential (and yes, it's still potential) to transform the geopolitical situation in which Israel has long found itself. And then there are the gigantic natural gas reserves discovered offshore a few years ago,

the largest reserves of any country in Europe except Norway, with a share of the proceeds going into a newly established SWF. Again, it is too soon to know whether and the degree to which this will change the macro story, but already the country has reached independence for its energy needs.



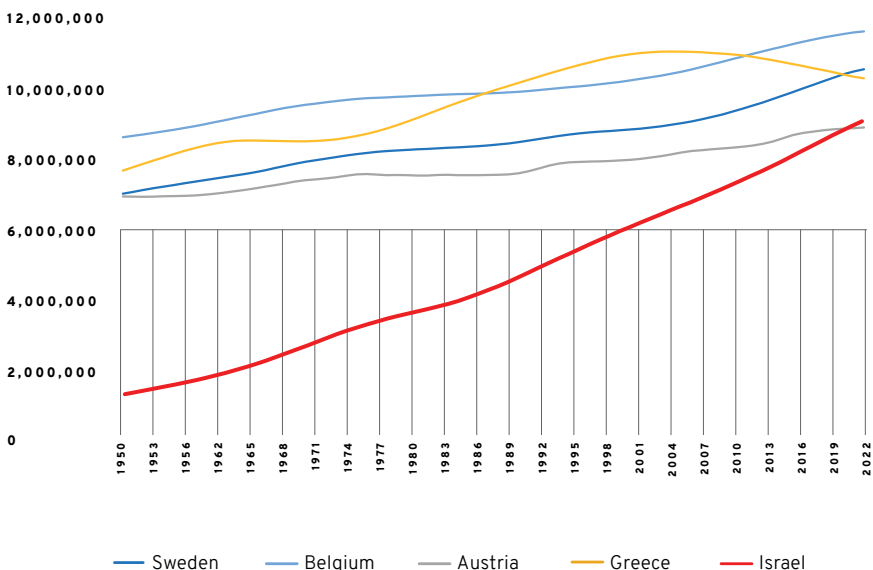
The chart below compares historic levels of population in Israel against similarly sized countries in Europe. Since 1950 the total population of Israel increased eight-fold. This compares to Sweden, Belgium, Austria and Greece, which experienced population growth of about 40% over the same

period. During this time, due to urgent necessity, Israel quickly and cheaply built residential accommodation. And now Israel's population density ranks with the Netherlands and Belgium (the top two in Europe) at around 450 per square kilometre of land (and don't forget Israel is largely

covered by desert), while birth rates and population growth overall remain the highest in Europe (about double the average). There's a national residential construction deficit (similar to European countries) of 50-70,000 units in Israel, but there is also an in-place stock that is largely old, poor quality and not where this high tech, high income population wants to live. This mismatch explains why the housing price index in Israel is up to 214 from the 100 level in 2010, the same as Austria, the next highest in Europe.

Where do things go from here in coming years? It's probably worth having a deeper look to find out. And the best part is, your research field trip to Tel Aviv to figure that out can be combined with a beach weekend... where do you find that in Europe? •

### Population by Year



### MARK ABRAMSON

Mark Abramson is an investment advisor to private equity, family offices and listed companies in the real estate sector in Europe.





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Global Real Estate Platform Director



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# The EPRA Investor Relations Committee update

The EPRA Investor Relations Committee (IR Committee) meets twice a year to promote the European listed real estate sector through investor meetings.

It has 14 members at present who are drawn from EPRA company member heads of Investor Relations. There is a selection process in place to ensure diversity of real estate sector, company geography and gender. Importantly, we require members to have an interest in actively participating at committee meetings, alongside a desire to assist in sector representation and development.

## THE IMPORTANCE OF BEING AWARE

One of the subjects the IR Committee has been exploring recently is Shareholder Activism. The purpose of this type of discussion is to inform, educate, engender conversation and consider best practice from an investor relations perspective. We were fortunate to receive a presentation on defence against activism by one of the major global investment banks. We broadly define shareholder activism as a way that shareholders attempt to influence a company's behaviour by exercising their rights as partial owners. It is clear that over recent years shareholder activism has increased in total capital deployed, as well as the number of campaigns mounted. We see this action within global listed real estate, alongside many other listed company sectors. There should be no doubt the main reason for any such campaign is to create shareholder value in the shorter-term.

Within the committee discussion, we explored the predominant campaign styles that have been used for more recent shareholder activism. The most popular campaign

subjects, in descending order, relate to perceived governance issues; shareholder concerns relating to company financing; demands for an improvement to company operations; a preference for company break-up; and requests for mergers and acquisitions (M&A). It was notable that campaigns are not restricted to small and medium-sized businesses, with large-cap corporate activism, ranging from EUR 20 billion through to EUR 100 billion+ market capitalisation, an increasingly popular focus.

## THE DRILL-DOWN TO LISTED REAL ESTATE

When we look more specifically at our sector, there are key themes and certain conditions to be aware of that can create momentum for shareholder activism campaigns. Investor relations should be sensitive to signals from the investment community during these circumstances. It is notable there is heightened sensitivity during periods of share price discounts relative to peers. Timing is also important and relevant in cases where there are proposed strategic transactions. Finally, some of the more common reasons for campaigns to be started within listed real estate relate to capital allocation and discussions surrounding unexpected and significant changes to the corporate plan.

## THE VALUE IN PREP

From an investor relations perspective, it is advantageous to have already thought through the necessary steps that would be needed to manage the business' external interactions, should such a situation become apparent. The company will respond more coherently by knowing in advance when, how and who are best-placed to respond. We considered some of the recent examples of shareholder activism outside the listed real estate sector and the timeliness of response was demonstrated as an important factor in leading to a more favourable outcome. The committee found one takeaway from the discussions particularly insightful, when it was suggested that, in such circumstances, the company itself should adopt its own activist mentality and behaviour.

## MORE SUBJECTS TO EXPLORE

The IR Committee intends to continue exploring important topics like this in upcoming meetings so that we are

able to inform the wider EPRA member IR community. Recurrent topics we also cover in the meetings include sustainability and associated specialist practitioner updates. There have also been several presentations to date made by heads of Investor Relations from other listed company sectors, which help the IR Committee to consider best practice and alternative ways of managing the function.

## TAKING LISTED REAL ESTATE TO NEW INVESTORS

Given the number of heads of Investor Relations from across Europe that we gather for our committee meetings, we also benefit from their attendance by offering meetings with local investors once a year. Our location is often a city that is not a main focus for company roadshows and we find the range of companies attracts local investors to come and learn more about the overall sector. At the most recent committee meeting in Madrid this May, we hosted a morning of investor meetings before holding the formal IR Committee. We have consistently received positive feedback from each of the cities we have chosen to date and we look forward to developing interest in the sector as we continue to take listed real estate on this journey.

It is always a pleasure to hear from aspiring IR Committee members so if you wish to join, and are willing and able to actively participate, please do not hesitate to reach out to one of the EPRA Investor Outreach team and contact [IO@epra.com](mailto:IO@epra.com).

### MATTHEW FLETCHER, DIRECTOR OF EUROPEAN INVESTOR OUTREACH, EPRA LONDON



*Matthew joined EPRA in 2013, moving from P3 Limited where he was Head of Investor Relations. After joining the Schroders graduate scheme, he qualified as a management accountant before joining SVG Capital as an investment analyst. Matthew gained extensive private markets and real estate business development experience at Cambridge Place Investment Management and Hermes GPE. He holds a French and Management BA (Hons) from King's College London and is a fluent French speaker.*



# Strategic focus on sustainable buildings: Navigating challenges and embracing opportunities

**Despite** the current economic situation, marked by a new post-Covid reality and ongoing war in Ukraine, Atenor remains confident regarding its two main pillars - its international presence and its commitments towards sustainability. While its international positioning provides further risk diversification, the main question remains: why had Atenor already committed to sustainable building practice way before this period began?

In this article, we will examine the potential risks of ignoring sustainability. What if we had persisted with the traditional approach to building "as we have always done"?

## ADDRESSING COMMERCIAL RISKS

With evolving market demands, buyers are increasingly prioritising new criteria, such as energy performance, mobility solutions, responsible material choices, and sustainability narratives. Neglecting these factors would render buildings obsolete upon completion, making them hard to commercialise. By focusing on sustainable building practices, Atenor ensures its developments are in line with market demands and remain attractive to potential market players. It must be noted that Atenor has been a long-term real estate developer, active for more than 25 years, and its goal is to remain a leading player by staying ahead of the evolving markets, the surrounding environment and thus prepared for rapid changes.

## ADAPTING TO REGULATORY CHANGES

European directives are shaping the regulatory landscape in Member States, with some already implementing measures, such as prohibiting rental indexation, or even rental renewal in the UK and France, for poor performing energy rated buildings. Additionally, the extension of the Emission Trading System (ETS) to buildings and transport will result in higher costs for fossil energy supplies. This will directly impact the Total Cost of Ownership of 'traditional buildings'. Having embraced sustainable building

practices, Atenor has managed to stay ahead of these regulations, minimising potential financial risks and ensuring compliance in the long term.

## ACCESSING FINANCING AND CAPITAL

The EU Green Deal's strategy aims to redirect capital towards green activities, making it challenging for projects which do not demonstrate sustainability compliance to secure financing.

By developing sustainable buildings, Atenor positions itself to attract funding from investors interested in sustainable, yet profitable, projects.

## MAXIMISE OPPORTUNITIES

The demand for Grade A buildings is expected to exceed the amount of newly available constructions and renovations, leading to a rise in capital values (green premium) due to scarcity. By anticipating regulations and integrating sustainable practices into our project designs, Atenor can respond to this growing market trend. Moreover, the real estate sector's ability to showcase the sustainability of its activities further enhances its appeal to investors.

## ATENOR'S APPROACH AND STRATEGY

Atenor's strategic turn towards sustainability is supported by its ambitious objectives and driven by Atenor's R&D team - Archilab. It consists of a team of professional urban planners who play a crucial role by analysing regulations, establishing guidelines, monitoring market trends, and facilitating knowledge-sharing among local teams. As a result, Atenor is proud that 92% of its projects already align with the EU Taxonomy criteria. Atenor's projects emphasise minimising environmental impact by preserving existing structures, integrating reused materials, and optimising sourcing practices. Additionally, Atenor proactively addresses climate change challenges by preventing overheating and extreme weather occurrences

with thorough risk analyses. While these initiatives may not always be immediately apparent, Atenor prioritises impactful actions that yield substantial environmental benefits. For instance, Atenor's decision to retain existing structures and utilise recycled concrete may not be flashy, but it leads to a significant reduction in waste generation, transportation requirements, and resource extraction.

## CONCLUSION

By giving priority to sustainable building practices, Atenor mitigates commercial risks, adapts to evolving regulations, accesses financing opportunities, and seizes the rising demand for sustainable properties in a fast-changing market. In the Global Real Estate Sustainability Benchmark conducted for 2022, Atenor obtained five stars out of five with the outstanding score of 96%. Out of the 1.780 participating companies, Atenor was recognized as 'Regional Listed Sector Leader Europe' and 'Global Listed Sector Leader' at world scale. Atenor will continue to deploy its commitment in order to remain progressive in this area. •

## GILLES VANVOLSEM - ESG MANAGER

*Over the past years, Gilles has devoted his efforts to collaborating with companies, guiding them towards a stronger sense of Corporate Social Responsibility*



*As a valued member of Archilab, Atenor's renowned centre of expertise focusing on technical, architectural, and sustainability domains, Gilles contributes his expertise to drive meaningful change. In his role as ESG Manager, Gilles undertakes the mission of establishing ambitious and pertinent ESG (Environmental, Social, and Governance) objectives. He works closely with Atenor's team, seamlessly integrating sustainability concepts into their projects. Gilles also assumes the responsibility of providing stakeholders with concrete evidence of the company's commitment to ESG aspects, ensuring transparency and accountability. Through his unwavering passion for sustainability and dedication to corporate responsibility, Gilles stands as a catalyst for positive impact, fostering a more sustainable future for both businesses and communities alike.*



# “We’re still getting there” - Global sustainability reporting



Since the start of the sustainability reporting movement over half a century ago, countries and organisations have been working to address sustainability issues. With the adoption of the Paris Agreement in 2015, market-driven sustainability reporting needs to be translated into mandatory regulatory requirements aligned with global climate goals. Since then, more than 130 countries have now set or are considering a target of reducing emissions to net zero by 2050 through legislative processes.

As sustainable reporting regulations have grown, interoperability and global alignment between regions have become increasingly important. This article highlights EPRA's perspective on the interoperability of major sustainability reporting standards and regulations relevant to the listed real estate (LRE) sector.

## INTERNATIONAL STANDARDS: GRI AND ISSB

From an international perspective, on the one hand we have the Global Reporting Initiative (GRI) Standards, which were first launched in 2000, and are the sustainability reporting standards most widely used. They enable organisations to understand

and report on their impacts on the economy, environment and people in a comparable way. They are mainly characterised by their impact materiality for a multi-stakeholder approach, and without being legally binding, they are currently used by 78% of the world's largest 250 companies. Hence, we could therefore say that GRI Standards use is becoming a common practice around the globe.

On the other hand, we have the International Sustainability Standards Board (ISSB), established in 2021 by the IFRS Foundation to set a global baseline that different jurisdictions can incorporate into their own rules. The first two sets of ISSB sustainability reporting standards will be effective as of January 2024 and they are focused on financial materiality from an investor point of view. This means we have two international standards, with different scope, audience, and materiality approach, making it more challenging to navigate through the jungle of sustainability standards. In response to that, the two organisations signed a Memorandum of Understanding in March 2022 to cooperate in the development of their sustainability standards. However, the outcome of one year of cooperation reveals that the focus is more

about respecting each other than cooperating for creating a common set of standards.

## EUROPEAN REGULATIONS: CSRD AND ESRS

From a European perspective, we have the Corporate Sustainability Reporting Directive (CSRD), which is now the main priority for almost everyone. This is a new sustainability reporting directive that came into force in January 2023, covering issues on Environmental, social and corporate governance (ESG), affecting private and public companies both in Europe and outside Europe. It also introduces for the first time in a regulation, the concept of double materiality. This means that companies should report the impacts of its activities and business relationships on the economy, environment, and people (impact materiality), as well as the sustainability impacts that can influence the enterprise value of the companies (financial materiality). The standards through which the CSRD is going to be implemented are named as European Sustainability Reporting Standards (ESRS) and are being developed gradually by EFRAG, but not independently. In July 2021, both EFRAG and GRI signed a cooperation



agreement to work together and develop the ESRS, trying to be aligned as much as possible. As a result, and from what we've seen so far, these two standards are very much aligned in terms of key principles and scope.

In terms of the materiality scope, even though strictly speaking the GRIs are focused on impact materiality, in practice, the impacts of an organisation's activities and business relationships on the economy, environment, and people can have negative and positive consequences for the organisation itself. These consequences can be operational or reputational, and therefore in most cases financial. So, understanding these impacts is a necessary first step in determining related financially material issues for the organisation. This is particularly relevant within the LRE industry characterised by its long-term benefits. As such, sustainability reporting is crucial for LRE companies' financial and value creation reporting.

Information made available through sustainability reporting provides input for identifying financial risks and opportunities related to the organisation's impacts and for financial valuation. So in the end, the double materiality is also implicitly requested under the GRIs and compatible with the CSRD. It's also important to mention that the European Commission and EFRAG are also working together with the ISSB to achieve as much

interoperability as possible between ESRS and ISSBs.

### LISTED REAL ESTATE INDUSTRY: EPRA SBPR

Within the LRE industry, more than a decade ago, EPRA published for the first time in 2011 EPRA's Sustainability Best Practices Recommendations (EPRA sBPR)<sup>1</sup> - a stakeholder-driven framework for LRE companies on ESG topics, allowing comparability among LRE companies and ultimately supporting LRE companies complying with sustainability reporting requirements.

EPRA sBPR are based on the GRIs (international coverage) and tailored to the LRE industry. In addition, they are in accordance with the Non-Financial Reporting Directive (NFRD) adopted in 2017, which is being substituted by the new CSRD explained earlier. Meaning that, EPRA sBPR have a solid global baseline adjusted to our industry needs and aligned to the main regulatory requirements. As such, EPRA sBPR will continuously be updated as the GRIs and CSRD evolve, always prioritising the binding requirements in case of any discrepancy. EPRA sBPR are meant to be the reference on sustainability reporting for LRE worldwide.

### LOOKING AHEAD

Over the past three years, some sustainability regulatory bodies

have joined forces to work towards defining compatible and common standards. Despite progress, there is still a need for a single set of global standards that address both financial and impact materiality and meet the transparency needs of stakeholders across jurisdictions.

The scale of the missed opportunity for global collaboration is immense, as disjointed sustainability reporting standards hinder the ability to address urgent global sustainability challenges effectively. It is crucial for regulatory bodies, industry leaders, and stakeholders to work together on a global scale, fostering communication and cooperation to establish a unified and effective sustainability reporting system that drives meaningful progress towards a more sustainable future. •

#### HASSAN SABIR, FINANCE & ESG DIRECTOR, EPRA



*Hassan graduated with an LLB from Queen Mary, University of London and holds an MBA from Rotterdam School of Management, Erasmus University. He has 18 years of work experience in finance, ESG & strategy including seven years in the listed real estate space.*

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- [GRI-25-years-history.pdf](#)
- [Interoperability between ISSB and EU requirements](#)
- [EC sustainable finance](#)

<sup>1</sup>Source: [https://www.epra.com/application/files/3315/0456/0337/EPRA\\_sBPR\\_Guidelines\\_2017.pdf](https://www.epra.com/application/files/3315/0456/0337/EPRA_sBPR_Guidelines_2017.pdf)

# Why I find European REITs compelling right now?



Anyone who knows anything about REITs likely knows they started out in the United States of America. The US had the first mover advantage in this realm, and it shows in the dominant, dominating positions its REITs have today.

There's Prologis (PLD) with its \$111.69 billion market cap, American Tower (AMT) with \$89.53 billion, Equinix with \$72.84 billion, and Public Storage with \$50.96 billion. That's an industrial REIT, a cell tower power player, a data centre operator, and a self-storage owner – proof that a variety of landlords have excellent opportunities to expand their operations and profits in the US market.

In my upcoming book, *REITs For Dummies* - due out in October - I explain how REITs came into official, legal existence “when President Dwight D. Eisenhower signed the REIT Act into US law on September 14, 1960.” This paved the way for demand to skyrocket, and not just in the US. There are over 890 listed REITs today around

the world with a market capitalisation of over \$1.9 trillion.

It's true that this started out slowly enough, taking several decades for most other countries to catch on. The Netherlands created their own REIT version in 1969, as did New Zealand. But in the former case, only five such entities exist today, indicating that the foundation there is lacking somehow. And in the latter, they're not really REITs per se. They're portfolio investment entities, or PIEs, in REIT clothing<sup>1</sup>.

As I write in *REITs for Dummies*, Australia joined the list in 1971, but that “marked the end of the global REIT expansion for a while.” In fact:

*“There were no more additions until 1993, when Brazil and Canada began their own programmes. This may have been because the United States was still trying to figure its own situation out. But since then, an average of one country per year (at least) has adopted the REIT concept as its own. You can find REITs on every single continent now – minus*

*Antarctica, the one that doesn't count when it comes to commercial real estate purposes. North America, Australia, Europe, Asia, South America, and Africa. They're all accounted for now.”*

Homing in on Europe specifically, here's the list of where they're allowed: the UK, France, Germany, Spain, Belgium, the Netherlands, Finland, Ireland, Italy, Greece, Bulgaria and Turkey. And Luxembourg, Lithuania, and Hungary are considering REIT legislation as I write this.

Again, there are countries that foster growth better than others. So I'm not saying to throw your money at every or any REIT in Europe (or elsewhere). With that said, I believe there's something to be said about the opportunity set. These REITs offer higher dividend yields and outsized growth potential compared to traditional asset classes. There are multiple examples that offer meaningful alternatives to long-term bond yields.

<sup>1</sup> Author's note: This doesn't mean they're not worthwhile opportunities to look into, only that there isn't 'official' REIT language on the New Zealand books. PIEs basically operate as REITs under a different name.

I particularly like the looks of sectors such as logistics, cell towers, healthcare, and self-storage – all defensive categories that boast structural growth characteristics. The residential sector is also appealing, mainly because it's extremely undersupplied, as is most rental housing across Europe.

I'm not the only one who thinks the continent looks good, for the record. US REITs like Realty Income (O), Medical Properties Trust (MPT), Simon Property Group (SPG), the aforementioned Public Storage, and W.P. Carey (WPC) have all been buying up European properties over the last couple of years. They like the attractive capitalisation rates and cheaper capital combined with the opportunity to diversify and hedge against US economic cycles.

I'll admit I mainly get my European real estate fixes through those internationally expanding US-based examples. Even so, I find it very

interesting that retail investors in Europe are underrepresented (with the exception of Belgium). Hopefully REITs in Europe will continue to learn from US REITs since they have become a battle-tested income alternative for sleeping well at night.

### What lessons can Europe learn from the US to attract more retail investors?

Finally, there is likely to be lots of legislation, probably to the point of overkill, to protect retail investors in the wake of the gating of non-listed RE because RE is illiquid....whereas ironically REITs are the most liquid investment. •

#### BRAD THOMAS

*Brad Thomas has more than 30 years' experience in commercial real estate where he has formulated a deep understanding of development, finance, and securities analysis. His extensive experience in the sector includes managing complex Real Estate Investment Trusts (REIT) portfolios, teaching and coaching REIT securities, conducting highly complex risk management policies, including portfolio stress testing, modelling broad reaching portfolio analysis, and driving shareholder value through extensive fundamental and value-oriented research. As CEO and Senior Analyst for Wide Moat Research, Thomas researches and writes on a variety of income-oriented investments with an emphasis on publicly traded REITs. He currently advises select family offices and institutional investors. Thomas is the editor of the Intelligent REIT Investor, a monthly subscription-based newsletter, with over 165,000 subscribers. He is a published writer and public speaker, writing regularly for Forbes and Seeking Alpha, where he is ranked #1 analyst. He has also been featured in Kiplinger's, US News & World Report, Money, NPR, Institutional Investor, GlobeStreet, Fox Business, CNN, Newsmax and TD Ameritrade. He has also written books on commercial real estate, including his new title The Intelligent REIT Investor Guide (Wiley). He is a frequent guest lecturer at Georgetown University, NYU, Penn State, and Cornell University.*



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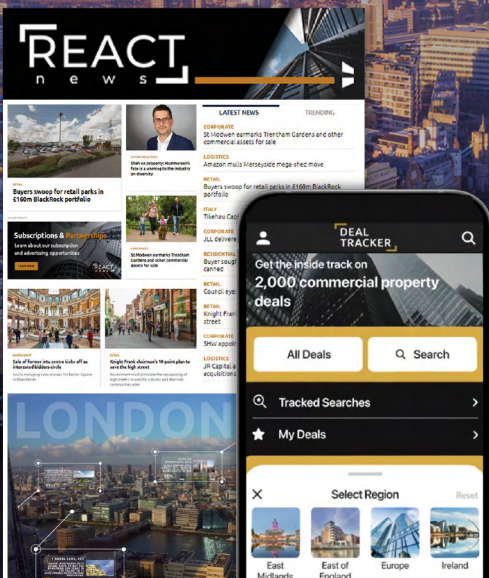
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# Driving EU Taxonomy - how WorldGBC and its European network are accelerating finance in the built environment

Earlier in 2023, World Green Building Council (WorldGBC) and the European Public Real Estate Association (EPRA) launched an important new collaboration to help align national efforts to comply with the EU Taxonomy – a cornerstone of the EU sustainable finance policy package, defining climate-friendly economic activities. The collaboration seeks to accelerate progress on decarbonising the construction and real estate sector, which is responsible for 40% of Europe's total energy consumption.

In a wave of sustainable finance policy reform, the European Commission released the EU Taxonomy. It establishes a framework to facilitate sustainable investment by tackling greenwashing in financial and corporate reporting. As a member of the EU Platform on Sustainable Finance from 2020-2022, WorldGBC's Europe Regional Network has helped develop the Taxonomy criteria.

As the EU Taxonomy is the first of its kind, its complexity is leading to confusion in the market. The Platform on Sustainable Finance observed issues with reporting requirements, as well as regulatory and data gaps. This leaves room for interpretation as to how to comply with the EU Taxonomy.

EPRA and WorldGBC's collaboration will help the construction, real estate and finance sectors navigate the Taxonomy, providing resources such as factsheets on national requirements to meet key criteria:

- What “‘Nearly zero energy building” (NZEB) -10%’ means in practice and how this can be calculated in different EU Member States.
- Shedding light on divergent methodologies of ‘Energy Performance Certificate (EPC) level A’ buildings, which are classified as sustainable in the EU Taxonomy when acquiring or owning buildings.

- Clarifying national requirements of ‘major renovations’ and how EU Member States address building demolition.

The collaboration builds on both organisations' efforts to enhance market-readiness to adopt and align to the EU Taxonomy requirements.

Together with 75+ Green Building Councils (GBCs) around the world, plus businesses, organisations and governments, WorldGBC is working to deliver on the ambitions of the Paris Agreement and UN Global Goals for Sustainable Development (SDGs).

In 2023, WorldGBC convened GBCs in a new Sustainable Finance Taskforce to amplify their collective efforts to scale finance for the transition to a sustainable built environment. Supporting the Taskforce are Foster & Partners, a leading global architectural firm, Saint Gobain, one of the world's largest manufacturers of energy efficient building products and Skanska, a major international contractor and developer.

The taskforce established the EU Taxonomy Working Group to support the implementation and ongoing development of the sustainability criteria for the built environment, in three main areas:

## BUILD CONSENSUS

Convene key stakeholders and a group of relevant sector experts from across the value chain to agree on national interpretation of Taxonomy regulation.

## BUILD CAPACITY

Provide simple introductory guidance and training materials on the EU Taxonomy.

## BUILD INFLUENCE

Continue to shape the evolution of the Taxonomy, strengthen our network's position of leadership on sustainable finance policy, ensure that the criteria are relevant for buildings, and that the

construction supply chain are aligned with global goals and practically implementable and understood by the industry.

These activities build on European GBCs ongoing work to align green building certification to the EU Taxonomy, provide third-party verification, convene national working groups (e.g. in Finland, France, Ireland or the Netherlands) and offer a wide range of resources to facilitate the implementation of the EU Taxonomy.

For example, several GBCs run third-party certification services of EU taxonomy aligned green buildings, accepted by financial institutions.

German Sustainable Building Council (DGNB) has developed an ‘ESG verification’ of the environmental criteria of the EU Taxonomy and its minimum social safeguards. The assessment can be carried out both in parallel with and independently of DGNB certification. For example,

Austrian Sustainable Building Council (ÖGNI) has performed about 800 “EU Taxo Checks”.

GBCs running BREEAM and LEED certification are updating their country-specific protocols and manuals to the EU Taxonomy, for example BREEAM NL v.06, BREEAM NOR v.06 or LEED protocols for reporting purposes for the European Taxonomy requirements (REV 0-2022) in Italy.

France's HQE certification for commercial buildings run by CERTIVEA now includes tools for a self-assessment and provides third-party verification, including at project development stage. WorldGBC's network is leading the way to instilling sustainable finance across the building and construction industry. A key strategy at the heart of this work is to foster strategic collaboration and direct exchange between leaders and stakeholders across the built environment and finance sectors.

## Geographical coverage of WorldGBC’s upcoming EU Taxonomy Catalogue, its Europe Regional Network (ERN) and its EU Taxonomy working group



To align the European built environment, real estate and finance sectors, WorldGBC is dedicated to enabling the implementation of the EU Taxonomy and ensuring it is fit for purpose. In partnership with EPRA, our network is developing a series of EU Taxonomy data and information packages covering the European continent that can be expected in October 2023 and will be available at [www.worldgbc.org/sustainable-finance/](http://www.worldgbc.org/sustainable-finance/).

**JULIE EMMRICH,  
SUSTAINABLE  
FINANCE LEAD,  
WORLD GREEN  
BUILDING  
COUNCIL**



*Sustainable finance is key to enabling systemic transformation towards a sustainable, emissions-free built environment. Julie brings her sustainable finance expertise to her role at WorldGBC, working with Green Building Councils and partners to drive industry and policy action on this crucial topic. Julie leads WorldGBC's newly-launched Sustainable Finance Taskforce, convening key stakeholders to enhance collective*

*learning and progress, advise on ways to build capacity amongst the industry, and influencing sustainable finance practices and policy implementation at a larger scale.*

*With a strong background in sustainable finance and climate policy, Julie has worked at the nexus of finance, research and policy. Before joining WorldGBC Julie worked in leading climate policy think tanks, particularly on sectoral transformations, sustainable finance, and the Sustainable Development Goals. Julie has a Bachelor's degree in International Business with a focus on international finance and a Master's degree in Environmental Sciences, Policy and Management, where her thesis on 'Tracking Climate Finance in the German Building Sector' garnered her the Swedish Foundation for Development of Building Energy Efficiency's 'Talent of the Year' Award.*

# EPRA's Membership Satisfaction Survey 2023



Following the latest world events – Covid-19, the Ukraine crisis, the current economic fallout, EPRA conducted its second survey of its members in June 2023 to hear membership's opinions on last year's performance, and future priorities.

The results of this year's survey reinforce the previous survey findings - the two main reasons for being an EPRA member are the events and networking opportunities, as well as the financial reporting guidance that the association delivers to its members (see fig 1), with sustainability activities came next on the list. According to investors, *EPRA has greatest value in networking events, connecting investor community with property companies and representing institutional investors in a very professional way.* Amongst the suggestions to improve, a few open

quotes highlighted that *efforts could be better directed towards:*

1. **Championing European listed real estate (LRE) globally among non-real estate investors,**
2. **Easing access to FTSE-EPRA-NAREIT indexes criteria and scope, and**
3. **Simplifying the financial BPR landscape.**

Overall, respondents believe that EPRA is achieving its mission (average score: 7.5 out of 10) and they value highly their membership experience (7.6 out of 10).

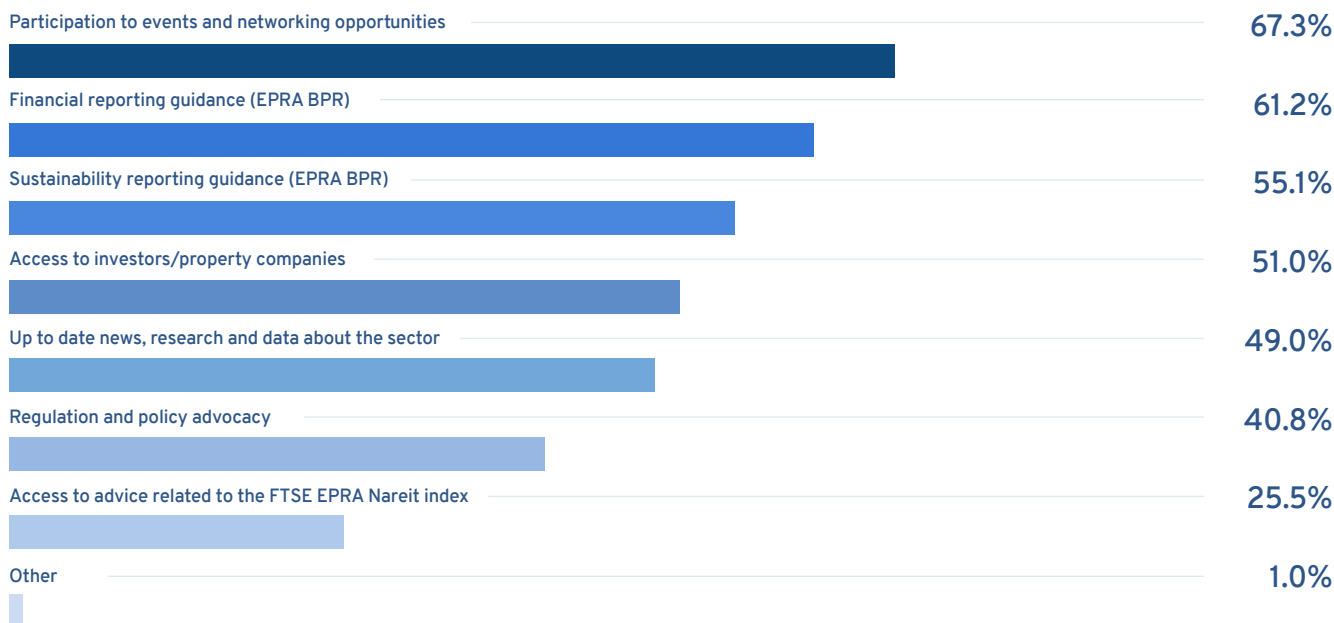
Asked what EPRA should be focusing on in the future, the majority of participants indicated two top priorities: educating and informing the investor community about listed real estate, and sustaining and creating opportunities for growth of the LRE market in

Europe. Another focus point should be: acting as a platform for relationship development and networking while also continuing to develop the EPRA financial and sustainability Best Practice Recommendations to help standardise the industry.

EPRA's secretariat received over 100 responses from its members, which represents roughly one third of EPRA members. Almost 75% of the respondents represent property companies, 18% are investors and 8% are consultants. In terms of seniority, over half of the participants were C-suite level.

If you want to know more about the survey or EPRA's membership, please contact Iskren Marinov, EPRA's Membership Manager. [i.marinov@epra.com](mailto:i.marinov@epra.com) •

Fig 1: What are the reasons for being an EPRA member?  
(multiple options possible)



# The EPRA - Bayes Business School Online Programme



We have developed, with leading academics from the Bayes Business School (formerly Cass), a six-week online course which will guide you through the noise of the equity markets and help you un-cover what is behind the movements in equity, bond and REIT markets.

The programme provides a thorough understanding of the factors driving the valuations of the listed real estate sector, the direct property market and the stock market. It explains the reasons behind any disconnect between public and private markets and explores the specific investment characteristics of

listed real estate versus other equities from an asset allocation perspective. The course is extremely practical in its approach and will use many case studies to illustrate the concepts learned.

The course has been designed for property and finance professionals working for both listed and unlisted real estate firms, real estate private equity teams and equity /multi asset/ property analysts/fund managers who are looking to enhance their knowledge of real estate as an asset class.

Each week there are pre-recorded

lectures, quiz questions to test your knowledge, online resources to provide context for the lectures, an online discussion forum, a portfolio competition, and a live webinar where Alex Moss, the module leader, will discuss with an industry expert how the concepts taught that week apply to their job. Previous panellists have included leading REIT fund managers, equity analysts, CEOs, and multi-asset managers, such as Méka Brunel, Philippe Le Trung, Olivier Elamine, Kieran Farelly, Chris Freemantle, Miranda Cockburn, Simon Robson Brown, Phillip Saunders and Hans Op 't Veld.

## What will you learn?

- How to value any listed real estate company globally.
- The factors influencing a company's share price.
- The different investment objectives and types of shareholders.
- The role of EPRA BPRs and Indices.
- The role of capital structure in valuation and the mechanics of fund raising.



## What did previous participants think of the course?

*“The ‘Understanding the REIT Price course’ was a great deep dive into REIT (Real Estate Investment Trust) Analysis, with easily accessible online content and engaging weekly topics accentuated by a wide range of industry guest speakers who provided outstanding insight into the world of real estate investing.”*

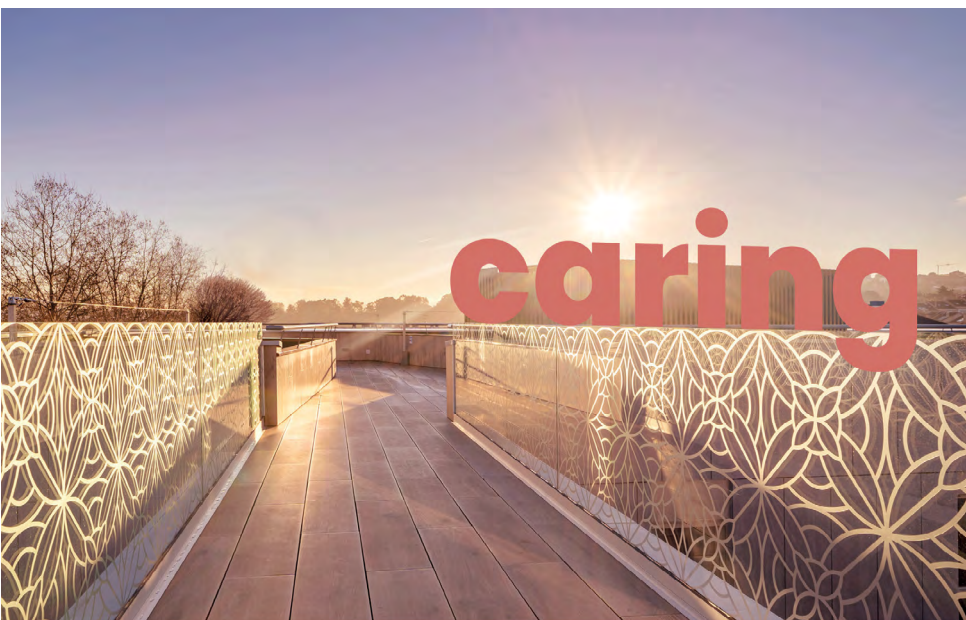
*“I thoroughly enjoyed ‘Understanding the REIT price’. Alex was a superb tutor, going through detailed material meticulously and the guest speakers were thought-provoking, resulting in a great learning experience. I have now been on two REIT specific courses, and this wins hands down.”*

**Edward James**  
Property Analyst  
Weybourne Limited

*“A particular highlight was the ‘Portfolio Challenge’ in which class participants were able to monitor and analyse real like market movements, which really aided in supplementing our learnings for the week”*

**Patrick Rooney**  
Investment Analyst  
Aventors Group  
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# SFDR matters: the case for listed real estate

The EU sustainable finance initiative forms part of the European Green Deal and embarks on financing Europe's transition to a more sustainable growth. In real estate terms, it should mean financing more energy renovations. But has this been achieved? And why does it even matter?

## CONTEXT

As part of the European Green Deal, in October 2020 the EU released a communication called 'A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives'. In this communication, they announced a plan to boost renovation of Europe's building stock to achieve climate neutrality. The objective is to at least double the annual energy renovation rate of residential and non-residential buildings by 2030, which is currently at around 1%. There are many factors that keep the energy retrofitting rate at such a low level. Some of them relate to market failures, some of them to challenging regulations (e.g. rent control), and some to insufficient financing incentives.

With the Energy Performance of Buildings Directive (EPBD) re-cast introducing EU-wide 'minimum energy performance standards', the pressure to renovate could drastically increase. In fact, the draft rules propose a minimum Environmental Product Classification - Detailed (EPC D) for commercial real estate as from January 2030, although the political negotiations are ongoing. At the same time, the Commission's proposal for a Nature Restoration Law seeks to ensure no net loss of green urban space by 2030, and an increase in the total area covered by green urban space by 2040 and 2050. What will this mean to new development projects or sufficient supply of affordable housing in Europe? We shall see, though it is safe to say that the EU sustainable finance framework's importance in facilitating capital flows in energy renovations has just increased.



## Sustainable Finance Disclosure Regulation (SFDR) drives the nature of Taxonomy's application

Let's now consider the EU Taxonomy, which brought to life a new classification system of environmentally sustainable investments. The EU Taxonomy defines specific real estate activities, such as acquisition and ownership, which under certain criteria are considered to be environmentally sustainable. It is, in fact, a very important tool which could drive investors' capital towards energy renovations. However, it is only relevant as far as it is being used by investors and that use is defined by the SFDR. Let me explain. The EU Taxonomy is used by both business and investment communities as listed property companies will be required to disclose their share of rental income from green buildings and also CapEx plans for energy renovations. While SFDR is an ESG-disclosure framework for investors, they still need to choose between three levels of disclosures: Article 6, Article 8 and Article 9. Such differentiation is based on the level of investors' ambition for sustainable investments. Although the SFDR is not

a labelling framework, we can often see from the market that products disclosing under Article 8 are referred to as light green products) and those products disclosing under Article 9 are known as dark green products. This is because the level of ambitions for Article 9 disclosure is higher. At the same time, the Article 9 disclosure requirements are more stringent because such products should consist of sustainable investments.

Here comes a concerning part - because investments in energy retrofitting have so far not been considered sustainable investment for the purpose of Article 9 disclosure. Neither the rental income of renovated buildings will be considered as green for the purpose of Taxonomy disclosure even if they meet Taxonomy's technical criteria defined for renovations under the climate change mitigation objective.

However, this sentiment is slowly moving and the European Commission is committed to a deep assessment of the SFDR framework to ensure greater stability, clarity and use of the framework to finance transition to a more sustainable economy in Europe. The listed real estate industry formed its SFDR Working Group and together sent an important set of recommendations to the European Commission.

## Here is what we asked for:

- To simplify the SFDR regime by removing the classification Article 8 & 9 and by creating a true and uniform ESG transparency regime posing the same disclosure requirements on all financial market participants.
- Based on such a uniform framework, the Commission may investigate the right approach on setting up minimum thresholds and labels for various types of sustainability related products.
- To review the existing SFDR framework to facilitate transition finance by incorporating more relevant indicators to support the disclosure of such sustainable transitions. A number of tools are in existence to enable listed real estate to plan its transition pathways, calculate performance and report on progress. One such tool, which was funded by the EU, is called the CRREM project.

### JANA BOUR, ESG POLICY & ADVOCACY MANAGER, EPRA



*Jana joined EPRA's public affairs team in August 2016 from BDO, an international network of public accounting, tax and advisory firms. She has a legal background with a strong specialisation in European Law (incl. European Property Law) gained at Maastricht University (NL) where she trained in EU negotiations (EIPA). Jana gathered political experience in the European Parliament and a pan-European association, UIPI – International Union of Property Owners, representing the interests of private property owners. At UIPI, she focused on the rental laws, tax regimes and planning policies which govern the private rented sector.*

To read the full EPRA letter, click here: [EPRA letter on SFDRs alignment with the EU Green Deal and the Renovation Wave strategy - June 2023 final.pdf](#) •

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# Interview with Méka Brunel, Palladio Foundation



Méka Brunel

**It seems that after stepping down from Gecina last year, you are quite busy at Foundation Palladio. What are the goals of this foundation?**

Foundation Palladio was created by the Real Estate industry in France in 2008, during the Global Financial Crisis, inspired by Bertrand de Feydeau, its chairman. The idea was to keep connected to the youngest people and their capacity of innovation through two main axes:

- scholarship for PhD and beyond
- and once a year a forum for speed-dating with HR leaders from large organisations.

Then in 2012 the Palladio Institute was created to give promising leaders across business a chance to follow a cycle on a dedicated urban topic. Each annual session is sponsored by a large political figure (mayors, ministers, regions chairs). The ongoing session is sponsored by the mayor of Brussels, Philippe Close.

**You are now chairing the University of the**

**City of Tomorrow at Palladio Foundation. Could you please give us more colour around Palladio and UVD?**

In 2019, as concerns about climate change and inclusiveness in cities was growing, the Université de la Ville de Demain (University of the City of Tomorrow) was launched and aimed to gather leading political, corporate and civil society representatives in a Chatham House formula for a 24 hour in person summit, to explore low carbon cities for all. Based on the model used by universities in Europe (ie Sorbonne in the 13<sup>th</sup> Century), questions are raised and debated seriously among the attendees to come up with a common and shared language in the first place.

The first summit took place in 2021 due to the pandemic. John Kerry was the guest of honour and pushed us to be courageous, generous and collective in order to tackle climate change.

Over the past year, we introduced 'collective actions' aimed at forming a coalition of diverse stakeholders. Our focus is on scaling up and replicating initiatives without relying on subsidies or new legislation.

Besides, we also accompany a majority of middle size cities facing issues, such as an ageing population, unemployment, criminality, vacated city centres, and through University in Situ bring them the possibility to meet with a large number of transversal actors wanting to support their transformation. We have accompanied as such Saint Dizier, Val de Reuil and this year Lourdes.

**Could you please give us some examples of these collective actions?**

The 'France Géonergie' collective

was initiated at the UVD by Celsius Energy, Aire Nouvelle, and BRGM to scale up the deployment of geoenery technologies in urban projects, enabling significant energy savings (around -70%) and reducing carbon emissions by nearly 90% for heating and cooling buildings. It is now part of renewable energies priorities of the French government.

Family pensions are buildings where homeless people can have their own room, their own key and access to services. This initiative has been accelerated thanks to Habitat et Humanisme, a french association, and many public and private actors at UVD have decided to join forces to open 10,000 new spots in France within the next five years.

20% of new or restructured buildings dedicated to Entreprise sociale et solidaire (ESS) initiated by Groupama Immobilier, BNP Paribas REIM and Café Joyeux.

And many others.

**The 3rd Summit took place on 6/7 of July. In a nutshell, what were the main highlights?**

This summit has taken place amidst geopolitical turmoil, an energy crisis, French riots and financial transformations. But rather than feel pessimistic, we have seen a fresh dive towards collective action, such as low-carbon financing, creating the first public-private investment fund for reforestation and a coalition to structure a French off-site building production industry.

The theme this year was 'Creative Frugality'.

We also have hosted three French cities and their mayors as a showcase for the future (Lourdes where we will have our next University in Situ, Saint Ouen and l'Île Saint Denis) and also a Ukrainian delegation of mayors thinking about rebuilding their cities

as sober and inclusive places. I would like to pay tribute to all these mayors who are all thinking of making their towns a great place to live.

## What is your message to EPRA members?

First of all I would like to thank EPRA for giving me the chance to explain what this movement is about. I am sure that we are all responsible for the transformations needed to tackle climate change and make our cities, where 70% of the global population live, attractive and sober.

I am humbled and lucky to have the chance to see so many dedicated people make good things happen at every level in our cities. Our methodology, which is quite unique in creating a place for exchange and transversal actions through recycling laws and money, is meeting global expectations. Special thanks to all our donors and their efforts. I'd also like to congratulate the small team at Foundation Palladio and UVD for all their initiatives and implications.

Please join the movement and let's create together the low carbon city of



## UNIVERSITÉ DE LA VILLE DE DEMAIN

Supported by the Palladio Foundation, the University of the City of Tomorrow (Université de la Ville de Demain) is a movement that enables an unprecedented level of cooperation between public actors, private actors, and civil society to help achieve a low-carbon city for all.

### THE UNIVERSITY OF THE CITY OF TOMORROW HAS THREE MAIN MISSIONS:

- ENLIGHTEN - inviting major French and international actors to debate urban issues: 'the disputatio'.
- ACT - scaling up and replicating initiatives with strong social

and environmental impact by encouraging cross-sectoral coalitions of actors (public, private, and civil society): 'the collective actions'.

- TRANSFORM - supporting mayors of cities facing significant urban challenges to accelerate their transformation through the mobilisation of urban actors: "the University In Situ."

Each year, the UVD brings together nearly 200 city decision-makers in a closed doors two-day summit (Chatham House rules) at Chantilly to collaborate on major urban transitions within a new model of shared governance. •



# Outstanding contributors to society? EPRA members are proof of a strong and impactful industry



On the occasion of our 2023 Conference, EPRA decided to reopen submissions for the Outstanding Contribution to Society Award competition. This competition was first launched in 2018 and it was a great opportunity for EPRA members to showcase their work towards enabling the communities they operate in to thrive by addressing different challenges.

Following a period of uncertainty with COVID-19 and the Ukraine crisis, EPRA called upon its members to submit their most recent projects aimed at creating a truly outstanding impact on society. We opened the competition with two main categories – social and environmental. During the submission period, we received entries regarding 42 amazing projects – 19 for the environmental category and 23 for the social category – each focusing on different challenges.

For the environmental category, the main issues tackled were: biodiversity loss/ conservation, water recycling, reducing greenhouse gas emissions, carbon emissions management, regeneration of life cycles, building rehabilitation, automation of facilities,

waste management, and reuse and recycling of materials.

Within the social category, members submitted projects aimed at addressing the following challenges: opportunities for disadvantaged social categories, bullying and cyberbullying, affordable education infrastructure and operations for the future, community building through art, early education about sustainability solutions, exclusion and isolation of people in difficulty, specialised mental health support, wellbeing and structural help, reducing developmental risks among children, reducing educational disadvantage, loneliness and poverty in old age, diversity and inclusion, refugees, and unemployment.

Taken together, these submissions are a prime example of what a major contributor the European Listed Real Estate sector is to society – even during times of turbulence and uncertainty. EPRA is extremely proud and grateful to its members for their active and voluntary efforts to make the communities where their businesses operate a better place to live, play, work and be cared for.

During the summer, a jury with no vested interest assessed the projects and under EPRA guidance shortlisted five finalists for both the environmental and the social categories. During the EPRA Conference in London, on 6 September, the finalists' projects and the process behind this award allocation will be presented on the main stage. Results will be publicly announced and the award winners will collect their physical awards on the day. •

**Keep an eye out for more news from EPRA about this initiative, and to find out the winners!**

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## **ROXANA CABA - EVENTS AND PROJECTS MANAGER, EPRA**



*Roxana joined EPRA from EurActiv, where she was responsible for events and marketing. She is a graduate in European Union Law from Leiden University in the Netherlands and also has an academic background in Communication Studies and European Public Administration.*

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PROGRAMME



# The EPRA-INSEAD Executive Education Programme

The EPRA - INSEAD Executive Education Programme – Strategy for Listed Real Estate is a unique educational programme aimed at developing the strategic thinking and managerial capabilities of real estate professionals, managers, and executives. The programme, which has been running at full capacity in each of the three years since its inception in 2021, has been developed and customised through a close collaboration between EPRA and INSEAD, based on the extensive input provided by numerous stakeholders in the European listed real estate sector. The programme content is updated, modified, and refined each year to integrate the most pertinent topics at the time and to account for the latest

challenges and opportunities for the European listed real estate sector. The programme combines relevant and highly interactive sessions led by INSEAD faculty with practical insights provided by high-profile executives from leading European listed real estate organisations, alongside many opportunities for participants to network, socialise, and have fun.

The content of the programme in its latest version, which took place at INSEAD's Fontainebleau campus in June 2023, focuses on how current trends and mega-trends create challenges and opportunities for European listed real estate organisations, and how they can address them effectively. In addition,

managers learn about effective strategic thinking in the context of the complex competitive real estate environment in Europe. They also explore effective strategies to power profitable growth and to reposition business portfolios, leveraging the latest relevant strategic frameworks and insights from leading firms from within and outside the real estate sector. Participants also learn how to embrace emerging technologies for their business success and use artificial intelligence (AI) and data analytics effectively to make better business decisions. Finally, participants also gain insights into effective supply chain management solutions, and especially how to master 'last mile delivery' challenges.



Members of EPRA INSEAD Executive Education Programme 2023 - "Strategy for Listed Real Estate "



Quotes:

*“Good balance between academia and business  
Very competent and interesting group of industry colleagues.”*

*“The professors/CEOs presenting have been amazing. So many good, clever and talented people with a lot of insights in real estate but also in other industries to help broaden one’s skillset. The workshops/cases have also been phenomenal.”*

*“The programme has been a huge ‘food for thought’ for me! So many issues have suddenly been retrieved to my attention and so many new topics have been added to the agenda. The diversity of the people participating (in terms of origin, job positions, size of companies, etc) was great! The programme was perfectly structured and performed, even in these adverse pandemic conditions.”*

*“Getting to network with other experts from the field and hearing about their insights through the facilitated discussions during the lectures, steered by the talented lecturers who knew which type of questions to ask and how to awaken discussion.”*

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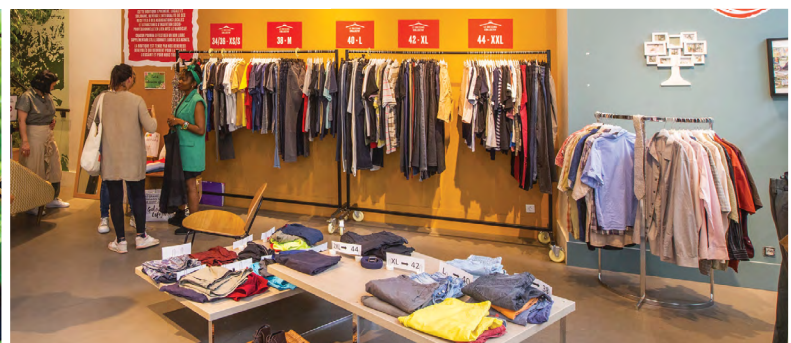


UNIBAIL-RODAMCO-WESTFIELD  
CREATING SUSTAINABLE PLACES THAT  
**REINVENT BEING TOGETHER**

As we make progress on our ambition to create sustainable places that Reinvent Being Together, URW is excited to launch the first **Westfield Good Festival**, an annual event taking place across the Group's 22 Westfield-branded centres in Europe. The Westfield Good Festival helps customers embrace circularity and sustainable consumption by combining guest experiences and activations while promoting the work of retailers, brand partners, NGOs and local community groups.

This year, we also expanded our **Westfield Grand Prix**, an annual competition now taking place in the UK, France, Spain, Germany and Austria, recognising and rewarding the sustainable retail champions of tomorrow.

Join us on our journey by visiting [urw.com](http://urw.com)





# Colonial

[www.inmocolonial.com](http://www.inmocolonial.com)

We have the right assets  
We have the right locations  
We offer the best experience



## Short list of new members

COMPANY NAME	MEMBERSHIP DATE	COMPANY DESCRIPTION
<b>Bankinter Logística SOCIMI</b>	12.06.2022	Bankinter Logística S.A., also known as Montepino, is a Spanish SOCIMI established in May 2021 through the acquisition of Montepino Logistics S.L. It is a leading real estate company in Spain, specializing in logistics assets. Montepino operates in the Spanish real estate logistics market, focusing on land acquisition, rental logistics projects, and asset management.
<b>Alternative Income REIT PLC</b>	16.06.2022	Alternative Income REIT plc is a UK REIT listed on the premium segment of the UK Listing Authority and the London Stock Exchange. It aims to generate an attractive and secure income for shareholders by investing in a diversified portfolio of UK properties, with a focus on alternative and specialist sectors. The company's portfolio consists of assets leased on long-term agreements, with the majority including rent review provisions tied to an index.
<b>EPIC Suisse AG</b>	24.06.2022	EPIC Suisse is a prominent real estate company in Switzerland, established in 2004. With a focus on long-term sustainability, the company has built a substantial real estate portfolio. Operating on the principle of "buy, build and hold," EPIC Suisse acquires promising properties, such as office buildings, logistics centres, and shopping centres. It invests in their development and optimisation, retaining them in its portfolio. Through long-term leases and diversification across geography and usage, EPIC Suisse achieves stable returns over an extended period.
<b>KMC Properties ASA</b>	5.07.2022	KMC Properties ASA is a listed real estate company based in Norway. Its primary business strategy revolves around investing in industrial and logistical properties, with a specific focus on the light industry and warehouse segment. The company's current portfolio is predominantly situated in Northern Europe. KMC Properties prioritises entering into long lease agreements with reliable partners to minimise financing costs and promote sustainability across the three pillars of ESG (Environmental, Social, and Governance). Additionally, the company strategically invests in properties that are vital to its tenants and serves as a preferred financing source for existing tenants looking to expand their facilities.
<b>Gravis Capital Management Limited</b>	9.08.2022	Gravis is a long-term focused investment firm that prioritises essential assets with lasting value. Their portfolio includes hospitals, schools, student accommodation, as well as emerging sectors like renewable energy, supported living, logistics, and data centres. Their investments generate predictable, long-term income through reliable cash flows. Gravis is specifically interested in assets that contribute to social and economic infrastructure.
<b>Miraval Holding</b>	17.08.2022	Miraval is a sustainable real estate developer based in Europe. Their focus is on constructing self-sufficient microcities in Latin America. Miraval's projects are known for offering high-quality housing, prioritising ESG principles. They aim to create iconic developments that strike a balance between location, design quality, construction, affordability, and urban planning.
<b>TPA Steuerberatung GmbH</b>	12.09.2022	TPA is a prominent tax consulting firm in Austria and a member of Baker Tilly International. They collaborate with Baker Tilly in Germany to form the Baker Tilly Europe Alliance within the Baker Tilly International Network. The alliance specialises in audit, tax, legal consulting, and financial advisory services for a diverse range of publicly traded and privately held real estate companies and funds. Baker Tilly International ranks as the 10th largest accounting network worldwide.
<b>Welltower</b>	27.09.2022	Welltower is a recognised leader in providing consistent, low-cost capital to fund health care infrastructure and real estate. They partner with leading seniors housing, post-acute care providers and health systems to fund innovative solutions designed to keep patients out of higher cost, higher acuity settings while delivering better treatment at lower cost.

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CoStar Group	2.10.2022	CoStar Group, Inc. (NASDAQ: CSGP) is a leading provider of commercial real estate information, analytics, and online marketplaces. Established in 1987, CoStar conducts extensive research to create and maintain the most comprehensive database of commercial real estate information. Their online services empower clients to analyse and interpret commercial property values, market conditions, and availability with unmatched insight. With headquarters in Washington, DC, CoStar Group has offices across the United States, Europe, Canada, and Asia, employing over 4,300 professionals, including the largest research organisation in the industry.
Wellington Management	11.10.2022	Wellington Management is one of the world's leading independent asset managers. Since our foundation in 1928, we have expanded from our headquarters in Boston to the main international and Asian financial centres, providing clients with local and global expertise.
Atenor SA	12.10.2022	Atenor is an European urban real estate development company listed on the Euronext Brussels market. Their mission is to address the changing needs of urban and professional life by implementing sustainable urban planning and architecture. Atenor accomplishes this through investments in large-scale real estate projects that adhere to strict criteria regarding location, economic efficiency, and environmental sustainability. The company is recognised as an international sustainable urban developer, aligning with the European taxonomy for sustainable activities and striving for the highest BREEAM and WELL standards.
Courbet SA	16.11.2022	Courbet SA is a turnaround real estate company specialising in the development and management of real estate assets. Led by owner Jean-François Ott, who has over 30 years of experience in real estate investment in various locations such as Prague, Berlin, Hvar, Warsaw, and Austin (Texas), Courbet focuses on investing in promising properties that require renovation and repositioning. Operating from key locations in Paris, London, Prague, and Austin (Texas), the company conducts its highly specialised business and uses these locations as springboards to explore surrounding regions for top-notch investment opportunities.
G-City Ltd	19.12.2022	G City, formerly known as Gazit Globe, is a leading global real estate company focused on developing and managing mixed use properties in the heart of major cities in North America, Israel, Europe and Brazil.
Millenium Hospitality Real Estate SOCIMI	4.01.2023	Millenium Hospitality Real Estate SOCIMI (MHRE) is a real estate vehicle specialising in high-quality hotel development and investment in prime locations in Spain and Portugal. They manage a significant portfolio of operational assets and focus on repositioning them for optimal performance. MHRE's core strategy involves acquiring and repositioning hotel assets, with a focus on urban areas and established tourist destinations. They prioritise high-quality tourism and aim for growth in average daily rates (ADR). Collaborating with renowned hotel chains and operators, MHRE creates unique projects to enhance their portfolio.
Prologis Inc.	10.01.2023	Prologis Inc. is a global leader in logistics real estate, specialising in high-barrier, high-growth markets. With a portfolio of properties and development projects spanning 19 countries, totalling around 1.0 billion square feet, Prologis is focused on owning, operating, and developing modern logistics facilities. Their diverse customer base of approximately 5,800 clients includes both business-to-business and retail/online fulfilment companies.
Graphisoft Park SE	10.01.2023	Graphisoft Park, named after its founding software company, prioritized architectural excellence and attracting high-quality talent. The focus was on providing a superior working environment, as rental costs were considered secondary to the value of skilled labour. This approach proved successful, with tenants who valued talent acquisition over price sensitivity being drawn to the park. Graphisoft Park became a model to emulate, reminiscent of Silicon Valley's appeal in California. Similar to the original Silicon Valley's allure compared to downtown San Francisco, Graphisoft Park consistently maintained close to full occupancy rates, with rents comparable to downtown areas.

COMPANY NAME	MEMBERSHIP DATE	COMPANY DESCRIPTION
<b>ALL IRON RE I SOCIMI</b>	1.02.2023	All Iron RE I Socimi is a real estate investment company specialising in acquiring and revitalising urban properties for short and medium-term accommodation; offering an alternative to traditional hotels. With a portfolio spanning multiple locations in Spain and Hungary, the company owns around 1,142 units, including serviced apartments and hostel rooms. Their strategy focuses on creating value through property investment and renovation, leasing them to operators. They prioritise technology to optimise operations, improve customer service, and maximise profitability.
<b>Berenberg Bank</b>	7.02.2023	Berenberg, the world's oldest investment bank founded in 1590, focuses exclusively on equities and operates offices in Europe and the United States. With a notable increase in transactions from three in 2010 to 122 in 2021, they primarily serve Mid-Cap issuers through investment banking services such as IPOs, capital increases, and sell-downs. Additionally, Berenberg offers market-related activities including research, corporate access, sales, and trading. Research is a key aspect of Berenberg's operations, as they maintain the largest independent equity platform in Europe.
<b>Empire State Realty Trust</b>	29.03.2023	Empire State Realty Trust, Inc. (NYSE: ESRT) is a leading real estate investment trust specialising in office, retail, and multifamily properties in Manhattan and the wider New York metropolitan area. Their portfolio includes the iconic Empire State Building, recognised as the "World's Most Famous Building." The recently renovated Empire State Building Observatory was honoured as the top attraction in the US and the third-best globally in Tripadvisor's 2022 Travellers' Choice Awards. ESRT prioritises healthy buildings, energy efficiency, and indoor environmental quality, boasting the lowest greenhouse gas emissions per square foot among publicly traded REIT portfolios in New York City. They manage approximately 8.9 million square feet of office space, 741,000 square feet of retail space, and 721 residential units across three multifamily properties. For more details, visit <a href="http://estreit.com">estreit.com</a> and follow ESRT on social media.
<b>Generali Real Estate S.P.A.</b>	11.04.2023	Generali Real Estate operates in various European markets through six platforms, each specialising in specific regions. These platforms provide portfolio management advice and comprehensive asset, property, and project management services at the local level. The regional teams have extensive knowledge of their respective markets, and the integrated business model and specialised corporate functions further enhance their capabilities by offering cross-border strategies and support. By combining local market expertise with centralised knowledge, Generali Real Estate effectively manages direct real estate investments and ensures high-quality services across its portfolio.
<b>Stendörren Fastigheter AB</b>	28.04.2023	Stendörren Fastigheter AB is a real estate company that owns, develops and manages premises that makes the difference. These are mainly for warehouses, logistics and light industry in the Greater Stockholm and Mälardal regions. The stone door has its origins in Kvalitena AB (publ). On April 10, 2018, the share was moved to Nasdaq Stockholm's list for medium-sized companies, Mid Cap. In 2022 the company received its first building permit for housing. Stendörren was also established itself in Helsinki. The company's portfolio increased to 148 properties with a total property value of SEK 12.4 billion at the end of the year.
<b>One United Properties</b>	3.05.2023	One United Properties stands as the leading green investor and developer of residential, mixed-use, commercial, and office real estate in Bucharest, Romania. Upholding a steadfast commitment to safe, energy-efficient, sustainable, and healthy building practices, the company has received numerous awards and recognitions for its exceptional performance in sustainability, energy efficiency, and wellness. The distinguished ONE brand is synonymous with quality, design, community, sustainability, and highly desirable locations.
<b>MELISRON LTD.</b>	11.05.2023	Melison is a leading commercial real estate company focused on premium retail and office properties in Israel. Our strategy is to develop spaces to meet our customers' changing needs and lifestyles. In retail, we focus on regional and local multi-let assets in tune with modern consumer lifestyles. Our portfolio of offices includes our three high-tech campuses and our distinctive standalone properties, offering attractive and well-managed environments.

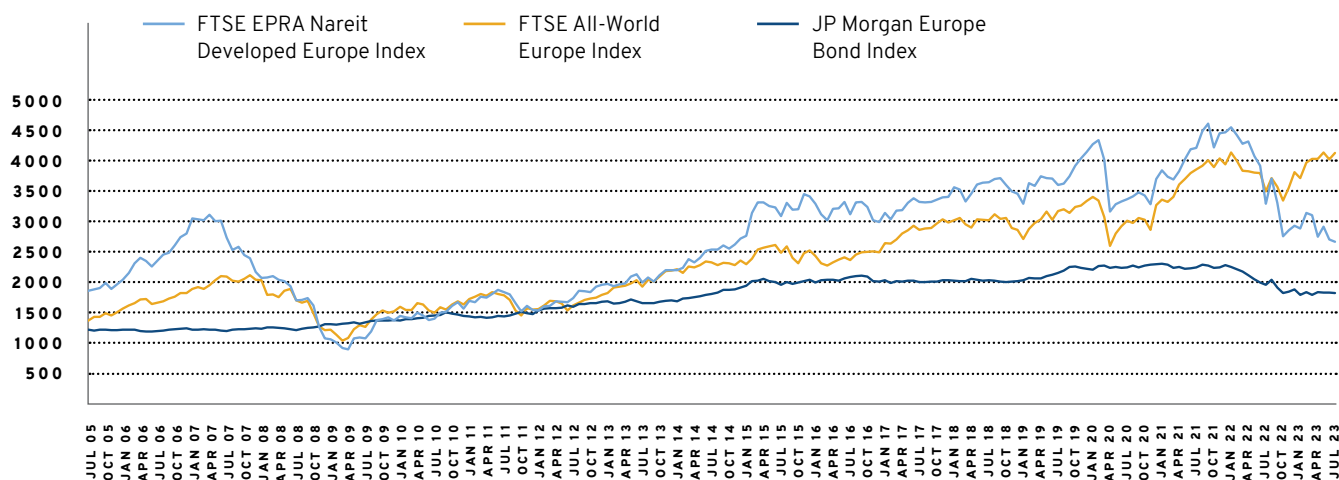
# Reimagining the future of work spaces

Spaces, like people, live, change and express the intangible through the tangible. Connecting them to the human being is essential to redefine inspiring experiences that transform the ordinary.



# Index focus

## Comparison of asset classes

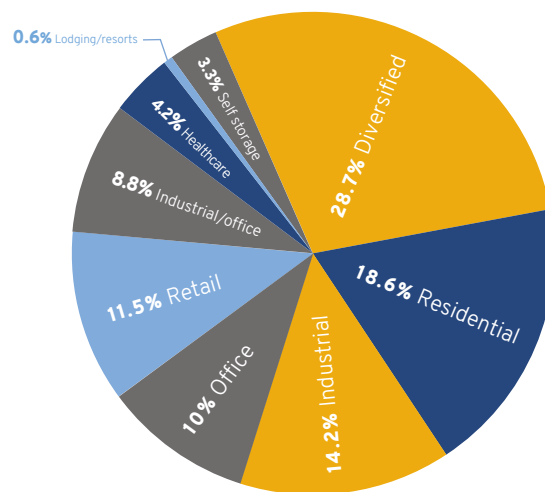


## Value snapshot (June 2023)

\*1-year LTV value as of October/2018 and 10-year value as of 2009

DEVELOPED EUROPE	LATEST (HALF MONTH)	YEAR TO DATE	1-YEAR	10-YEAR (LONG RUN)
Average Total Return (%)	-1.37%	-7.60%	-18.79%	2.71%
Average Premium/Discount to NAV (%)	-45.70%	-47.74%	-41.03%	-12.14%
Loan-to-Value (%)*	37.92%	37.41%	36.85%	37.99%
Average Dividend yield (%)	4.81%	4.81%	4.64%	3.66%

## Developed Europe Index sector share



## Top 10 European performers (June 2023)

FTSE EPRA NAREIT GLOBAL INDEX							
STOCK NAME	COUNTRY	REIT STATUS	SECTOR	INVESTMENT FOCUS	PRICE RETURN JUNE 2023 (%)	DIVIDEND PAID JUNE 2023 (%)	TOTAL RETURN JUNE 2023 (%)
Samhallsbyggnadsbolaget i Norden AB	SWED	Non REIT	Diversified	Rental	18.95	0.00	18.95
TAG Immobilien AG	GER	Non REIT	Residential	Rental	15.65	0.00	15.65
Deutsche Wohnen SE	GER	Non REIT	Residential	Rental	13.49	0.21	13.70
Pandox AB	SWED	Non REIT	Lodging/Resorts	Rental	12.65	0.00	12.65
Unibail Management	FRA	REIT	Retail	Rental	12.50	0.00	12.50
NewRiver REIT	UK	REIT	Retail	Rental	8.14	3.89	12.03
Lar Espana Real Estate	SP	REIT	Retail	Rental	11.20	0.00	11.20
Helical plc.	UK	REIT	Office	Rental	6.78	3.57	10.35
Dios Fastigheter AB	SWED	Non REIT	Diversified	Rental	10.25	0.00	10.25
Mercialys	FRA	REIT	Retail	Rental	10.13	0.00	10.13



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