MARKET
RESEARCH

Global

Listed Real Estate

Emerging Markets

2024 Edition

FTSE EPRA Nareit Global Real Estate Index Series

September
2024

Table of Contents

AUTHORS

Dilek Pekdemir
Research Manager
d.pekdemir@epra.com

David Moreno
Indexes Manager
d.moreno@epra.com

Iskren Marinov
Senior Analyst: Indexes & Research
i.marinov@epra.com

Giovanni Curatolo
Junior Analyst: Indexes & Research
g.curatolo@epra.com

CONTACT

I. Introduction

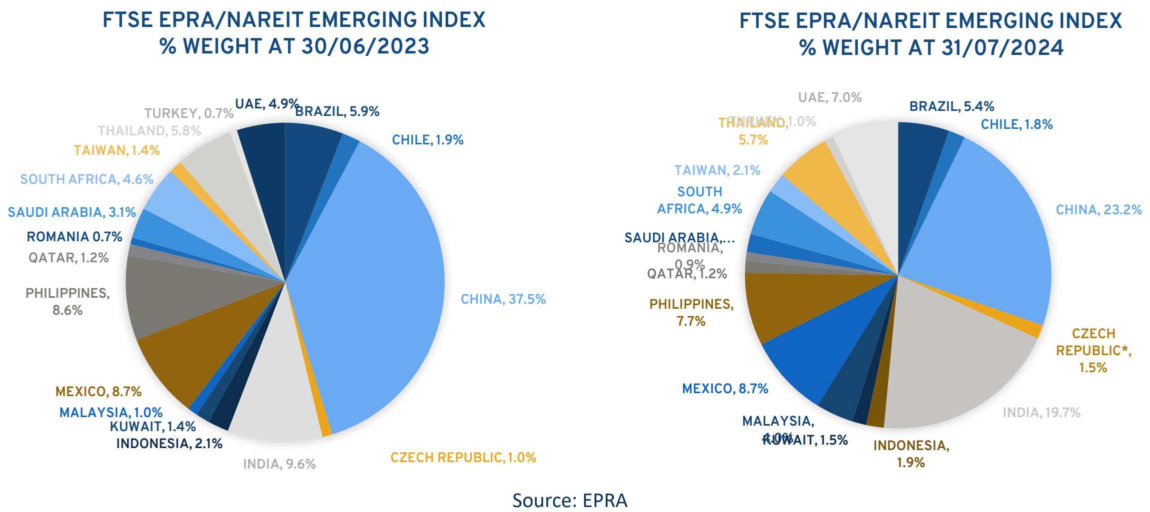
In this new edition of the Emerging Markets report, we look at the size and performance of the listed real estate markets in emerging countries, as well as at the key drivers and changes observed in the FTSE EPRA Nareit Emerging Index between summer 2023 and summer 2024 (section II and III). This time, Brazil and Greece are selected as case studies presenting their recent evolution, potential growth and impact of such growth in the broader merging index universe (section IV and V).

FTSE EPRA Nareit Emerging Markets Index size and composition

As of July 2024, the FTSE EPRA Nareit Emerging Markets Index comprises 128 constituents with a total free float market capitalization. of EUR 123,031 million. The Emerging Asia Pacific index counts 65 constituents (EUR 79,035 million in free float market capitalization), while the Emerging EMEA Index has 38 constituents representing a free float market capitalization of EUR 24,441 million. Finally, the Emerging Americas Index consists of 25 constituents with a free float market capitalization amounting to EUR 19,555 million.

During the last year, the weight of the Asia Pacific region saw a marginal decline in the FTSE EPRA Nareit Emerging Index, moving from 65.97% to 64.24%, while the Americas region remained almost unchanged at 15.89%, and the weight of the EMEA region reached 19.87% with a 2.29% increase. However, the composition by countries underwent a significant change with a strong drop in China, decreasing from 37.5% to 23.2%, mainly due to a negative performance with a -39.1% annual return and 4 deletions during the last 12 months, reflecting the crisis in the residential sector of the second largest economy in the world. Nevertheless, China remained in the first place, in terms of weight, followed by India which its weight increased from 9.6% to 19.7% and showed the opposite trend with an outstanding annual return of 67.64% and 4 additions in the last 12 months. The top five countries is completed by Mexico (8.7%), the Philippines (7.7%) and the UAE (7.0%) while South Africa dropped from 4th place to 6th place with a weight of 4.9%.

FTSE EPRA NAREIT Emerging Markets Index: Weights by country



Source: EPRA

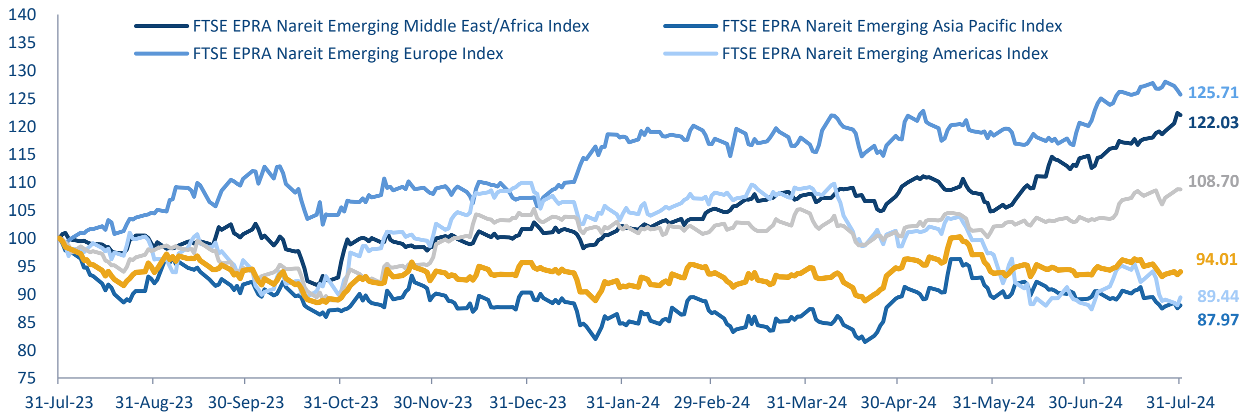
II. Comparative performance

In terms of comparative performance, it is worth bearing in mind that the currency used for the whole FTSE EPRA Nareit Global Real Estate Index series is the EUR. This means that fluctuations of local currencies play a crucial role in the Index performance, especially in the FTSE EPRA Nareit Emerging Markets Index, where volatility is traditionally higher than in developed markets (DM), due to less diversified economies, lower liquidity, and some restrictive regulations.

During the last 12 months, the FTSE EPRA Nareit Emerging Index showed a negative annual return of 5.99% and 1.74% YTD return (as of July 2024), mostly affected by the high interest rates in several economies around the globe. Looking at the regions, the Emerging Europe Index was the top performer over the last 12 months with a total return of 25.71% (17.21% YTD), highly benefiting from the renewed dynamism of the industrial and retail sectors in Central Europe and Turkey, while the Asia Pacific region was the bottom performer with -12.30% (-1.74% YTD), again significantly affected by the strong decline experienced by the Chinese homebuilders and real estate developers.

Additionally, the FTSE EPRA Nareit Emerging Americas Index also suffered from the high interest rates in all three countries in the index (Brazil, Chile and Mexico), posting annual return of-10.56% during the last 12 months (-18.62% YTD). Simultaneously, the Middle East & Africa region outperformed with an annual return of 22.03% last year (20.08% YTD), supported by resilient economic growth and optimism of lower interest rate expectations in Europe which might boost investment in the region.

FTSE EPRA Nareit Emerging Markets Index: Regional Performance



Source: EPRA Research

During this year, the effects of currency volatility were less visible. The total currency effect in the FTSE EPRA Nareit Emerging Markets Index, was –1.05% YTD, compared to –1.27% YTD during the same period in 2023 (as of July 2024). In the FTSE EPRA Nareit Emerging Markets Index, 7 out of the 18 currencies appreciated against the EUR YTD, as of July 2024. The Brazilian real was the currency with the strongest depreciation against the EUR(-13.99%), followed by the Turkish lira (-9.82%), and the Mexican peso (-7.77%). On the other hand, most currencies in the Middle East & Africa displayed a positive currency effect with an appreciation against the EUR, 2.58% for the KWD, 2.56% for ZAR, and 2.04% for QAR.

It is worth recalling that the Chinese constituents have exposure to three different currencies (see the table below): the Hong Kong dollar, the Singapore dollar, and the Chinese CNY. In total, the weight of these three currencies on the FTSE EPRA Nareit Emerging Markets Index amounts to 23.2%, which can be decomposed as follow: 21.9% from the HKD, 0.8% from the SGD, and 0.5% from the CNY. As a consequence, the fluctuations of the Hong Kong dollar have a significant impact on the FTSE EPRA Nareit Emerging Markets Index.

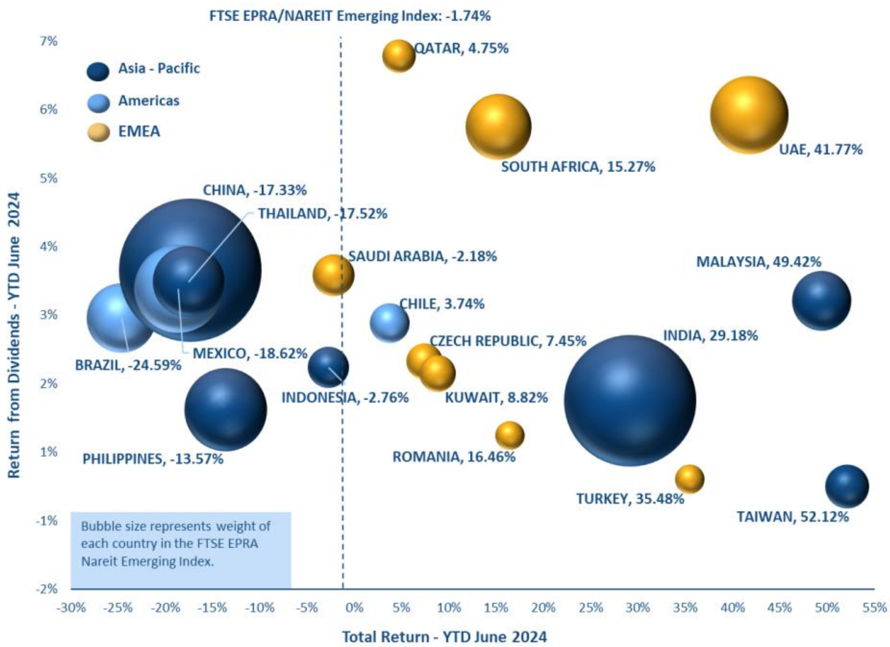
Emerging Markets: Equity Markets vs Listed Real Estate and Currency Effects (YTD July 2024)

Country *	RETURN FROM DIVIDENDS	PRICE RETURN in EUR FTSE EPRA Nareit EMERGING INDEX	Total Return in EUR FTSE EPRA Nareit EMERGING INDEX	% WEIGHT in the FTSE EPRA Nareit EMERGING INDEX	DIV. YIELD (y/y) at 31/07/2024	CURRENCY PERFORMANCE VS EUR *	CURRENCY EFFECT ON THE INDEX	YTD TR Equity Market **(Local Ccy)	YTD TR Equity Market in EUR	LRE Outperfomance vs Equity Market
BRAZIL	2.45%	-27.05%	-24.59%	5.40%	2.58%	-13.99%	-0.76%	-5.03%	-18.32%	-6.28%
CHILE	2.39%	1.36%	3.74%	1.76%	2.62%	-5.99%	-0.11%	6.71%	0.32%	3.42%
CHINA	3.16%	-20.49%	-17.33%	23.17%	6.59%	1.92%	0.44%	6.34%	8.38%	-25.71%
CZECH REPUBLIC	1.82%	5.63%	7.45%	1.45%	3.14%	-3.15%	-0.05%	13.02%	9.46%	-2.01%
INDIA	1.25%	27.93%	29.18%	19.71%	1.95%	1.44%	0.28%	22.07%	23.82%	5.36%
INDONESIA	1.74%	-4.50%	-2.76%	1.87%	2.02%	-3.45%	-0.06%	-1.41%	-4.82%	2.06%
KUWAIT	1.65%	7.18%	8.82%	1.48%	1.45%	2.58%	0.04%	6.20%	8.95%	-0.12%
MALAYSIA	2.71%	46.71%	49.42%	3.97%	3.17%	2.05%	0.08%	18.34%	20.77%	28.66%
MEXICO	2.88%	-21.50%	-18.62%	8.74%	4.54%	-7.77%	-0.68%	-7.46%	-14.65%	-3.97%
PHILIPPINES	1.12%	-14.69%	-13.57%	7.73%	1.27%	-3.27%	-0.25%	6.54%	3.06%	-16.63%
QATAR	6.28%	-1.53%	4.75%	1.23%	6.07%	2.04%	0.03%	-7.06%	-5.16%	9.91%
ROMANIA	0.74%	15.72%	16.46%	0.93%	0.61%	-0.06%	0.00%	0.00%	-0.06%	16.52%
SAUDI ARABIA	3.08%	-5.27%	-2.18%	1.94%	6.57%	1.99%	0.04%	4.41%	6.49%	-8.68%
SOUTH AFRICA	5.24%	10.03%	15.27%	4.89%	10.59%	2.56%	0.13%	9.23%	12.02%	3.25%
TAIWAN	0.00%	52.12%	52.12%	2.10%	1.13%	-4.92%	-0.10%	20.79%	14.85%	37.27%
THAILAND	2.99%	-20.50%	-17.52%	5.69%	3.54%	-2.30%	-0.13%	-5.81%	-7.97%	-9.54%
TURKEY	0.11%	35.37%	35.48%	0.96%	1.72%	-9.82%	-0.09%	43.41%	29.33%	6.15%
UAE	5.42%	36.35%	41.77%	6.98%	4.00%	2.03%	0.14%	3.09%	5.18%	36.58%
FTSE EPRA Nareit Emerging Index	**2.77%**	**-4.51%**	**-1.74%**	**100.0%**	**4.34%**		**-1.05%**	**7.69%**	**6.77%**	**-2.55%**
Emerging: Weighted Average								**7.69%**	**6.77%**	**-2.55%**

*Currency performance for China combines HKD, SGD and CHN. For India, it combines SGD and INR. For Indonesia, it combines SGD and IDR
**Equity markets are represented by the Thomson-Reuters TR Index for each country.
Source: EPRA Research & Refinitiv

Looking at a country performance in terms of YTD returns in EUR, the top five performers (as of July 2024) were Taiwan (52.1%), Malaysia (49.4%), the UAE (41.8%), Turkey (35.5%), and India (29.2%). On the other hand, the worst performers were Brazil (-24.6%), Mexico (-18.6%), Thailand (-17.5%), China (-17.3%), and Philippines (-13.6%), where the currency depreciation played an important role, particularly in for LATAM countries. In addition, it is worth to mention that the top three countries for returns from dividends were all located in the EMEA region, with Qatar as the top one (6.3%), followed by the UAE (5.4%), and South Africa (5.2%), where in the last two cases, the markets are mainly dominated by REITs.

FTSE EPRA Nareit Emerging Index: Country Performance

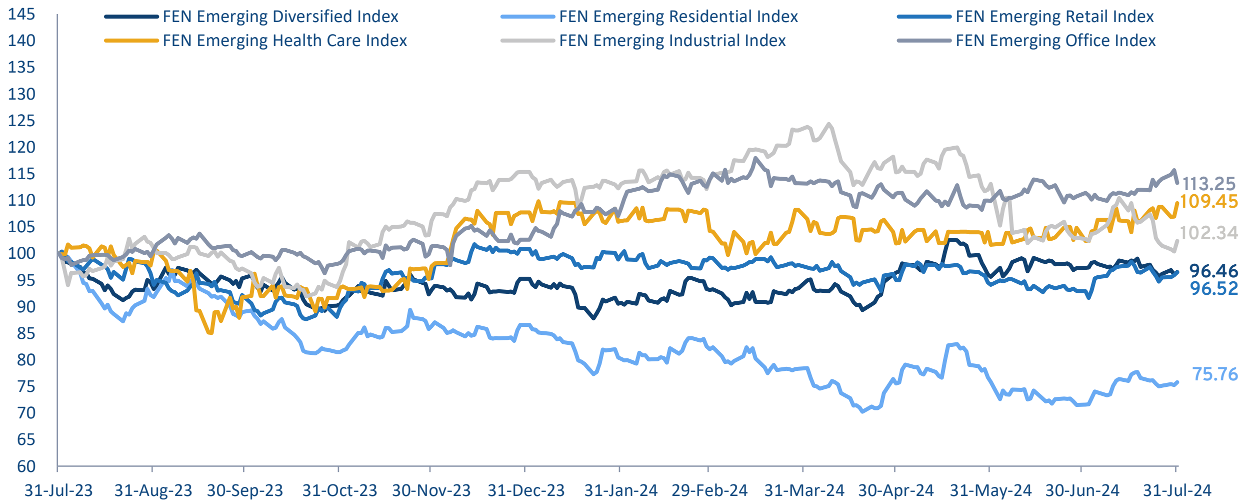


Source: EPRA Research

When comparing the YTD returns in EUR of listed real estate and general equity markets, in 10 out of the 18 markets, the listed property companies outperformed the stock markets, with the top three performers being Taiwan (37.3%), the UAE (36.6%), and Malaysia (28.7%). However, the weighted average performance was negative, due to the significant weight of China, where the real estate companies underperformed the general equity market by 25.7%.

Finally, in terms of sectors, the best performers in the FTSE EPRA Nareit Emerging Index from July 23 to July 24 were Office (13.25%), Healthcare (9.45%), and Industrial (2.34%), while Residential (-24.24%), Retail (-3.54%), and Data Centres (-15.55%) were the bottom performers.

FTSE EPRA NAREIT Emerging Markets Index: Sector performance



Source: EPRA Research

III. Case study I: Brazilian REITs and potential inclusion in the FTSE EPRA Nareit Indexes

A quick look at the Brazilian economy and the real estate market

Brazil is Latin America's largest economy, and one of the BRIC1 countries which were identified two decades ago as potential dominant global economies by 2050. While the country has underperformed in recent years, it remains projected to be among the world's top 10 largest economies, continuing to contribute to the BRICs vision (Goldman Sachs, 2022).

Since 2017, Brazil has demonstrated significant economic resilience despite global challenges such as the COVID-19 pandemic and geopolitical conflicts. The government has made progress, particularly in fiscal and trade policies, achieving a degree of macroeconomic stability, a crucial precondition for higher growth. However, public debt remains a constraint. The economy has shown signs of growth and improved geopolitical and institutional stability which is made Brazil one of the most secure investment environments in Latin America. The post-pandemic economic rebound was bolstered by resilient domestic demand and decreasing inflation, which created room for further monetary easing. Despite this progress, high public debt requires the swift implementation of the newly established fiscal framework and further structural reforms (OECD, 2023).

Although the economy decelerated in the second half of 2023, leading indicators indicate a gradual recovery in early 2024. GDP growth was 1.8% in 2023 and it is projected to grow by 1.9% in 2024, and 2.1% in 2025. Driven by robust employment growth, minimum wage increases, and diminishing inflation, household spending is expected to be the main engine of growth. However, external uncertainties are likely to keep private investment subdued throughout 2024 (OECD, 2024).

Inflation, which steadily declined throughout 2023, saw a slight uptick in early 2024, moving further away from the 3% target. Nonetheless, the overall trend suggests a decline over the year, with inflation expected to be 4.0% in 2024 and 3.4% in 2025. In response to the declining inflation, the Central Bank of Brazil (BCB) has eased monetary policy, lowering the policy rate. Following a 25-bps rate cut in May, the BCB maintained the interest rate (Selic) at 10.5% in its August[2] meeting. The Committee decided to pause the

[1] BRIC (Brazil, Russia, India, and China) describes the foreign investment strategies grouping as rising economic power which could become among the most dominant economies by 2050. Source : https://www.goldmansachs.com/our-firm/history/moments/2001-brics
[2] The first cut was August 2023 from 13.75% to 13.25%: https://www.bcb.gov.br/en/monetarypolicy/interestrates

easing cycle due to uncertainties in the global and domestic scenarios, which could impact the exchange rate and inflation dynamics. It is also highlighted that future policy adjustments will depend on improvements in economic growth and inflation (BCB, 2024).

Brazil's ratings are supported by its large and diverse economy, strong external finances, resilience to shocks, and low share of foreign-currency debt. However, they are constrained by macroeconomic vulnerabilities, particularly the uncertain prospects for reducing large fiscal deficits.

Rating Agency	Rating	Outlook	Last Update
S&P	BB	stable	19 Dec 2023
Moody's	Ba2	positive	1 May 2024
Fitch	BB	stable	27 June 2024
DBRS	BB	stable	28 Jul 2023

Source: https://www.worldgovernmentbonds.com/credit-rating/brazil/

The real estate market in Brazil is benefiting from these improved macroeconomic conditions, which are stimulating demand for real estate investments and incentivising financing for development projects. This is driving growth and liquidity in the market. Brazil's strong economic performance in 2023, and favourable prospects for 2024, are further boosting the real estate sector, particularly amid initiatives from President Lula's government, including the securitization of housing loans and the use of securitized products to finance real estate projects[3].

The expanding middle class and urbanisation trends are fuelling demand for housing and infrastructure developments. Demographic shifts and changing lifestyles are driving demand coming from Brazilian homebuyers and foreign investors for residential properties, especially in key urban centres such as São Paulo and Rio de Janeiro, which are the country's main luxury markets. Moreover, the government's focus on affordable housing initiatives and urban renewal projects, such as "*Minha Casa, Minha Vida*" and "*Casa Verde and Amarela*"[4] are creating more opportunities for developers and investors to tap into the growing demand for housing solutions.

As the Brazilian real estate market regains confidence, demand for residential properties, commercial spaces and investment opportunities is rising. This signals a favourable environment for growth and expansion, generating optimism among real estate investors.

Brazilian REITs: Evolution, current context and potential growth

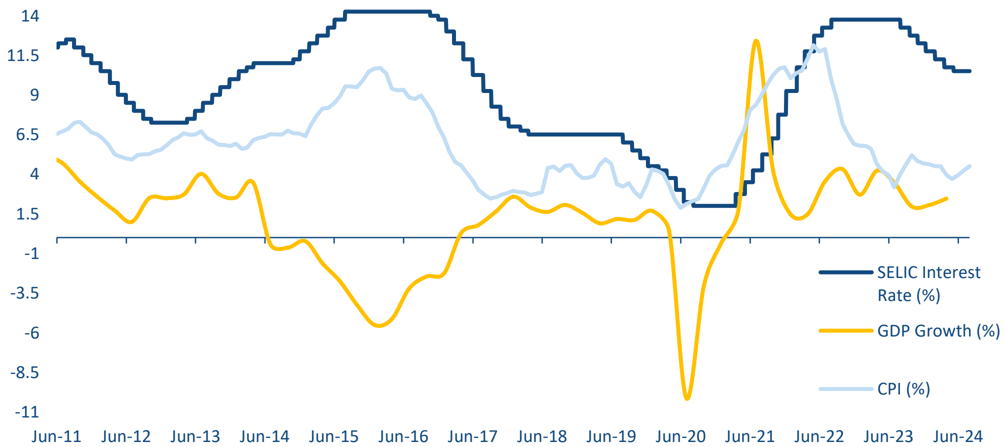
The Brazilian REIT regime, locally named as "Fundo de Investimento Imobiliário" (FII), can be defined as an *Invest Fund* type structure, where all the entities covered by this legal status have to be structured as funds, managed by an authorized asset manager, and are regulated by the local financial authorities. This REIT regime was established in 1993, initially covering only unique-asset funds with limited liquidity and transparency. In 1999 and 2005, the government introduced some reforms to create a specific fiscal treatment aimed at supporting the growth of the local market, therefore planting a second seed that would boost all the real estate assets, investment vehicles and asset managers.

Between 2015 and 2019, the government introduced two additional reforms focused on increasing disclosure and transparency of all the funds, as well as defining more specific legal responsibilities for the funds and the managers. These reforms provided fund managers with the capacity to declare the fund insolvent or bankrupt under certain conditions, and to then apply for the re-structuring legal process that would protect the rights of all the investors, thereby reducing the uncertainty during economic downturns and improving the stability of the property markets in the eight economy of the world.

[3] Brazil seeks real estate market boost as Lula pushes for growth (March, 2024)
[4] The *MCMV* programme is Brazil's first nationwide house building programme. It was launched in 2009 with the aim to build 3.4 million new homes across Brazil and later replaced by *Casa Verde and Amarela*, bringing advantages to those who want to purchase their first house : https://www.gov.br/cidades/pt-br/assuntos/materias/programa-minha-casa-minha-vida
https://www.minhacasaminhavidarj.com.br/en/conheca-o-programa

Simultaneously, from an economic point of view, the period between 2016 and 2020 was characterized by a long interest rate cut cycle, which the central bank's policy rate (SELIC), was reduced by 1,200 bps, dropping from 14% to 2%, while inflation and GDP mostly remained stable before the pandemic, thus creating a positive context which boosted the expansion of the REITs market.

Relationship Between GDP Growth, Inflation (CPI), and SELIC Interest Rate (2011-2024)*



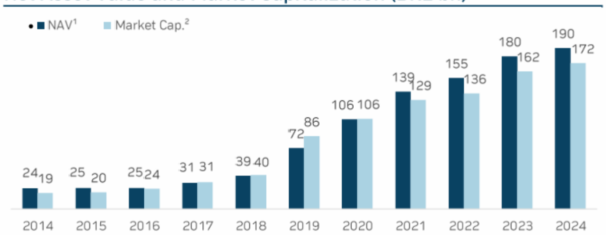
* GDP data only available as of Q1 2024

Source: EPRA Research

Brazilian market is quite diverse in terms of property types, assets and strategies, and it is mainly dominated by retail investors (currently more than 2.5 million of individuals). As of July 31, 2024, the universe of Brazilian FIIs is classified under the REIT framework comprised 955 funds with diverse mandates and objectives, including 534 listed in the local exchange (B3) and 421 non-listed, representing BRL 190 Billion in net assets and BRL 172 Billion in market capitalization (EUR 21 Billion and EUR 28 Billion respectively).

Number of Listed REITs

Net Asset Value and Market Capitalization (BRL bn)



[1] Considers REITs with trading history only

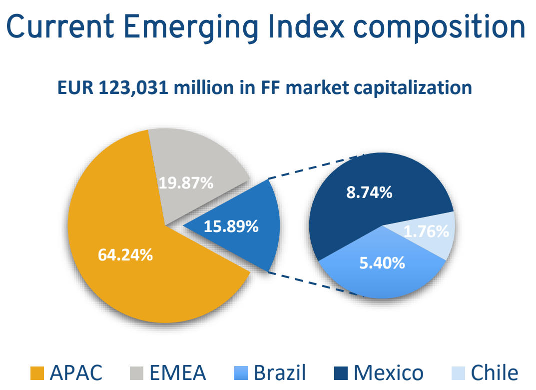
[2] Market value considering a maximum gap of 22 trading days

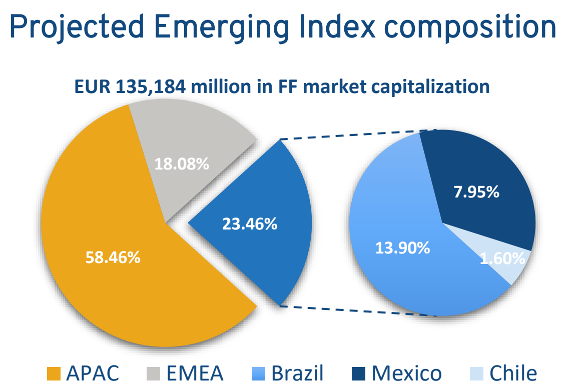
Source: Hedge and B3 Monthly Bulletin – May 24

Among this large pool, 284 funds listed on the Brazilian stock exchange were selected by EPRA based on the availability of information concerning size, assets under management, and nature of their investment mandates. From this group, 103 funds were further chosen on the basis of the minimum size criteria for inclusion in the FTSE EPRA Nareit Emerging Index, which amounted to EUR 49.4 million as of July 31 2024 (0.30% of the free-float market capitalization of the index – EUR 16,475 million).

As mentioned, the Brazilian REIT regime is quite flexible when it comes to variety of investments, allowing Brazilian funds to invest in not only "traditional" investment properties, but also in fixed income securities, and other funds. However, for a fund to be eligible for inclusion in the index series, it must invest the majority of their assets in real estate properties, which is aligned with most of the REIT regimes' regulations worldwide. Out of the 103 funds screened, 53 have as their main investments real estate income producing properties, for a total market capitalization of EUR 12,153 million (and an average of EUR 210 million). Assuming the funds meet the liquidity criteria for inclusion in the FTSE EPRA Nareit Emerging Index, these would have to report audited annual accounts and management report in English. Currently, this criteria, along with the difficulty in identifying and classifying the nature of the funds, stands as the main barrier preventing Brazilian FIIs from becoming part of the index.

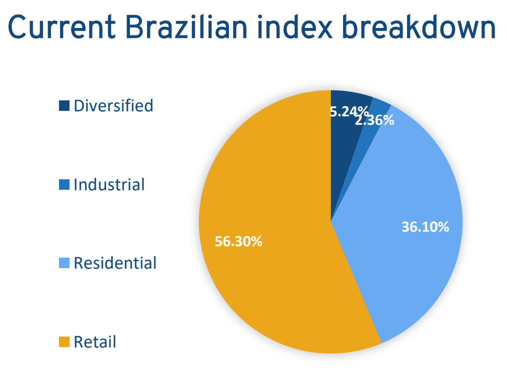
Hypothetically, if all the above conditions were to be overcome, the potential impact on the broader emerging index would be quite significant. The inclusion of these funds would not only increase the index market capitalization substantially, but would also contribute to increasing the diversification within the index. As of July 31, 2024, the index's market capitalization amounted to EUR 123,031 million. With the addition of the eligible funds this would increase by 9.88%, reaching a total market capitalization of EUR 135,184 million. The composition of the index, in terms of nationality, would change as illustrated by the graphs below. The weight of Brazil would increase by 8.5%, and this would increase the geographical exposure to emerging Americas, shifting from an historical overexposure to Asian countries that has dominated the emerging index in the past ten years.

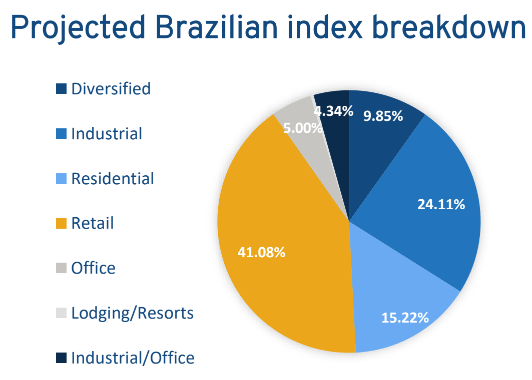




Source: EPRA Research

In terms of sector composition, the inclusion of the screened Brazilian REITs would increase the exposure to more traditional real estate sectors, such as industrial and retail (respectively 36% and 32.8% of the potentially included funds), and overall improve the diversification of the Brazilian index as illustrated in the following charts:





Source: EPRA Research

Last but not least, by overcoming the language barrier posed by reporting in Portuguese, the funds would become part of the eligible universe of the largest listed real estate benchmark in the world, with approximately EUR 277 billion of assets under management (AUM) benchmarked against the FTSE EPRA Nareit Global Index series, which would represent a great opportunity to gain exposure to more international investors, as well as overall promote the expansion of the Brazilian REIT market (FIIs).

IV. Case study II: Greece and recent trends

The Greek economy and real estate market

Following the solid economic performance in 2023 (2.0%), GDP growth is expected to pick up slightly in the forthcoming period, fuelled by rising employment, real wages, and robust tourism inflows. After facing several crises in the 2000s, the Greek economy has shown resilience and growth. Greece has rebounded well from the COVID-19 crisis, generating strong employment growth. Increasing investments and exports, government support measures, the implementation of the Greece 2.0 Recovery and Resilience Package[5] and the reforms of the past decade have supported the economy. GDP growth was 2.1% in Q1 2024 and is projected to grow by 2.2% in 2024 and 2.3 in 2025, above the Eurozone average (EC, 2024).

Inflation stands at 3.0% as of July, lower than the same period of the previous year (3.5%) but still higher than the Eurozone average (2.6%). Despite the government measures aimed at curbing rising prices, tighter labour market conditions exert upward pressure on prices. Indeed, employment growth has slowed, but the employment rate and labour shortages remain historically high. Inflation is expected to continue declining but at a slower pace, returning to a target of 2.1% by the end of 2025.

The Recovery and Resilience Package and ongoing improvements in bank resilience are expected to support investments despite tight financial conditions. However, the main challenges facing the Greek economy include the need to strengthen productivity and achieve fiscal adjustment due to high debt levels. The general government deficit is expected to shrink further (from 4.1% of GDP in 2022 to 1.2% in 2024) and the public debt ratio is set to continue its downward trend, having fallen from 193.6% in 2021 to 160.7% in 2023. It is projected to be 150.6% of GDP by 2025 (OECD, 2024).

With the renewal of the government mandate with a majority after the national elections in June 2023, it is expected that the country's economic stability will be strengthened, facilitating the implementation of reforms, and bringing the economy closer to an upgrade by credit rating agencies to investment-grade level. S&P is the first among the "big three" rating agencies to upgrade Greece to investment grade since the country's debt crisis in 2010, a move expected to significantly boost market confidence in the Greek economy and attract investments (Cushman & Wakefield Proprius, 2023).

Rating Agency	Rating	Outlook	Last Update
S&P	BBB-	positive	22 Apr 2024
Moody's	Ba1	stable	18 Sep 2023
Fitch	BBB-	stable	1 Dec 2023
DBRS	BBB (low)	stable	11 Sep 2023

Source: https://www.worldgovernmentbonds.com/credit-rating/greece/

The Greek real estate market has rebounded strongly from the economic crisis of the last decade, undergoing significant changes in recent years as the country's economy has stabilized and shown signs of growth. The market has seen considerable activity in development and investment, driven by both major international and local investors, as well as by occupier demand for better-quality space across all sectors.

As the Greek economy recovered, there has been a sharp increase in net foreign direct investment in real estate over the last 5 years. A key factor contributing to this rise is the *Golden Visa program*[6], which has helped stimulate the housing market. Residential market activity has been particularly strong in key cities like Athens and Thessaloniki as well as islands such as Crete. To maintain financial stability for Greek citizens, the government recently announced changes to the Golden Visa program including raising the minimum threshold for eligible real estate investment from EUR 250,000 to EUR 500,000 in selected areas.

Since 2018, the Greek real estate market has experienced a substantial increase in activity from both foreign and domestic players. This often in partnership led to the consolidation of the fragmented real estate market and a shift on asset ownership from over-leveraged, unsophisticated and non-institutional investors

[5] https://greece20.gov.gr/en/
[6] It is launched in 2013 offering residency to non-EU investors who purchase properties that meet certain criteria.

(including private individuals, family businesses, the Greek state, Greek banks and NPL portfolios) to sophisticated, well-funded and professionally managed investors. The key real estate players are fuelling demand for standardization, professionalism, accreditation, and transparency with REICs being particularly active among the current players, alongside developers and international funds (KPMG, 2023).

The Greek Listed Real Estate Market

As of June 30, 2024, the Greek real estate market comprises 12 listed companies with a total market capitalization of EUR 4.25 billion. This includes 9 REITs with a market capitalization of EUR 2.75 billion and 3 non-REITs with a market capitalization of EUR 1.5 billion (see the REIT and Non-REIT table below). However, access to the market is limited due to a lower free float, which stands at EUR 1.184 billion, representing just 26% of the total market capitalization.

ICB Subsector	Name	Market Cap (EUR m)
Diversified REITs	PRODEA REAL ESTATE INVESTMENT	1,941
	NOVAL PROPERTY	341
	TRASTOR REAL ESTATE INVESTMENT	234
	BLE KEDROS REIC	149
	ORILINA PROPERTIES AEEAP	127
	PREMIA SA	97
	INTERCONTINENTAL INTERNATIONAL	25
Retail REIT	TRADE ESTATES REAL ESTATE INVESTMENT	197
Office REIT	BRIQ PROPERTIES REAL ESTATE	66
Real Estate Operating Company	LAMDA DEVELOPMENT SA	1,191
Real Estate Development	DIMAND SA	158
	KEKROPS S.A.	26

Source: EPRA Research

From April 1, 2004, to March 31, 2016, Greece was part of the FTSE EPRA Nareit Developed Index universe. During this period, three companies: Babis Vovos, Lamda Development, and Eurobank Properties REIT (which was renamed Grivalia Properties REIC in 2014), were included in the FTSE EPRA Nareit Developed Greece Index.

However, following the Greek debt crisis, FTSE Russell downgraded Greece to an Advanced Emerging Market due to restricted market accessibility, deteriorating financial market quality, and economic and political instability.[7] As of September 2021, after the deletion of Lamda Development, Greece has no longer any constituents in the FTSE EPRA Nareit Emerging Markets Index.

Recent IPOs and main trends in the Greek listed real estate market

The Greek real estate market is characterized by cautious optimism, driven by strategic expansions, a couple of successful IPOs, and a strong focus on sustainable investments during 2024. The market's growth potential remains high, particularly in sectors like logistics, green offices, and urban regeneration, which are expected to continue attracting both domestic and international investors.

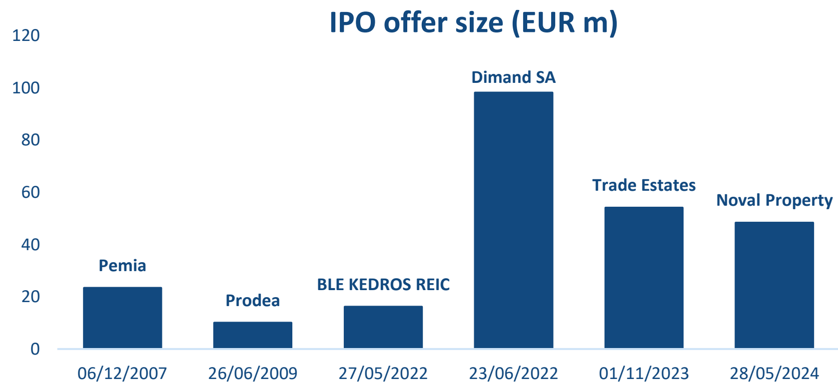
IPOs

Noval Property, a Greek real estate investment company successfully completed its IPO in May 2024. The company aimed to raise up to EUR 43.47 million through this public offering to fuel its growth plans. The maximum price for the new shares was set at EUR 2.82 each.[8] The funds raised from the IPO, along with existing resources, were earmarked to support Noval's expansive EUR 340 million investment program, which includes the development of a substantial "green" real estate portfolio. This portfolio features key

[7] FTSE Russell announcements on the equity country classification changes
[8] IPO details here

projects such as urban regeneration initiatives, green office buildings, and logistics centres, with the long-term goal of growing the portfolio's value to nearly EUR 1 billion.

BriQ Properties REIC, a real estate investment company in Greece, went through a significant period of growth and restructuring in 2024, marked by the completion of an important IPO. The key event for BriQ in 2024 was the acquisition of 17 properties from Intercontinental International REIC (ICI) for approximately EUR 60.6 million, which significantly expanded BriQ's portfolio to 42 properties by mid-2024. [9]Total value of real estate portfolio rose to EUR 224.1 million, representing a 50.5% increase compared to the previous year. This expansion was fuelled by both acquisitions and ongoing investments in logistics, office and hotel properties. Additionally, BriQ focuses on sustainability, investing in energy upgrades across its properties, including the installation of photovoltaic systems. The company also completed the development of a new office building in Kallithea, Athens, and a logistics centre in Aspropyrgos.



Source: EPRA Research

Widespread adoption of green building practices

A number of real estate companies have been incorporating green building standards into their portfolios. This includes obtaining certifications like LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment Environmental Assessment Method) for new developments and major renovations. Listed real estate companies have been investing in energy-efficient technologies across their portfolios. This includes the installation of photovoltaic systems, energy-efficient HVAC systems, and advanced building management systems. These upgrades are part of broader efforts to reduce carbon footprints and align with EU sustainability goals.

Urban regeneration

Urban regeneration has become a cornerstone of real estate development in Greece, with large-scale projects transforming old industrial areas into mixed-use developments. Noval Property, for example, invested in the regeneration of the former Kodak factory on Kifisias Avenue, aiming to create a multi-purpose cultural, commercial, and residential hub.

Greek real estate companies have focused on redeveloping obsoleted urban areas, transforming them into vibrant mixed-use districts that combine residential, commercial, and recreational spaces. Projects such as the regeneration of the old airport at Ellinikon by Lamda Development stand out as flagship developments. This project, one of the largest urban regeneration projects in Europe, aims to create a smart, sustainable city with green spaces, energy-efficient buildings, and cutting-edge infrastructure.

Focus on mixed-use properties

Greek real estate companies are focusing on mixed-use developments comprising of retail, office, and residential spaces. This trend is driven by a growing demand for urban living environments where people can live, work, and entertain within close proximities.

[9] BRIQ IPO source

Boom in logistics real estate

The growth of e-commerce and the need for efficient supply chain management have fuelled a surge in demand for logistics and industrial real estate. Companies like Trastor REIC and Prodea Investments have expanded their portfolios to include logistics parks and warehouses.

Main challenges for inclusion in the FTSE EPRA Nareit Global Index and potential country reclassification

Among the 12 companies mentioned, the majority have consistently failed to meet the FTSE EPRA Nareit size criteria for entry, which requires 30 bps of the free float market capitalization of the relevant index.[10] The remaining companies have not passed the liquidity test. Over the past several years, only 1 company has been tested for EBITDA (after it had passed the size and liquidity requirements), but it has not succeeded to pass the test.

Potential for country reclassification to a developed status

Since 2016, Greece has been classified as an Advanced Emerging Market by FTSE. The most significant obstacle currently is the speculative-grade rating assigned by FTSE. However, at the end of 2023 and the beginning of 2024, two major credit rating agencies upgraded Greek government bonds to investment-grade for the first time in 13 years.

S&P was the first to upgrade Greece to investment-grade status, doing so in October 2023. The rating agency also assigned Greece a BBB- rating, with a positive outlook, reflecting the country's improved fiscal situation and economic prospects. Fitch upgraded Greece's government debt to investment-grade status in December 2023, assigning it a BBB- rating. As of 30 June 2024, Moody's, is still rating Greece at Ba1, which is just below investment grade (refer to the table on page9). However, FTSE Russell has not yet included Greece in its latest list of countries under consideration for an upgrade to Developed status[11].

The classification process involves ongoing assessments of market accessibility, regulatory environment, and economic conditions. Although Greece has made substantial progress, the reclassification to Developed market status requires meeting a comprehensive set of criteria, which FTSE Russell continues to monitor.

V. Conclusions

Despite having faced significant challenges in the past ten years, both Brazil and Greece have shown remarkable resilience and progress within their economies, which has translated into a fostering environment for the listed real estate sector to further develop in.

The potential inclusion of the Brazilian *"Fundos de Investimento Imobiliário"* in the FTSE EPRA Nareit Emerging Index could mark a significant milestone. Not only would the index grow in terms of size by adding approximately EUR 12 billion in market capitalization, but also the inclusion of those funds would allow them to access a diverse array of global investors which would support the growth of the broader Brazilian real estate landscape.

In Greece, steady GDP growth, combined with government reforms and increased foreign investments, have allowed the country to stabilize its economy in the past twenty years. The Greek real estate sector has particularly benefited from this Greek economic rebound, especially with "Golden Visa" programme. This, combined with all the other efforts undertaken by the country to bolster economic growth, could help overcome even more barriers for investors, thereby further increasing foreign investment and financial stability.

In conclusion, both countries have a significant potential for future growth, and this could create more opportunities for investors looking to diversify their portfolios by investing in diverse and growing properties companies from these two emerging countries.

[10] FTSE EPRA Nareit Ground Rules
[11] FTSE Classification of Equity Markets – FTSE Equity Country Classification Interim Announcement March 2024

VI. Bibliography

- Goldman Sachs (2022) The path to 2075 – Slower global growth, but convergence remains intact.
- OECD (2023) Economic survey Brazil 2023.
- OECD (2024) Economic outlook, volume 2024 issue 1.
- The Banco Central do Brasil (2024) Inflation report June 2024.
- European Commission (2024) Economic forecast May 2024: Greece.
- OECD (2024) Greece economic snapshot May 2034.
- Cushman&Wakefield Proprius (2023) Market Beat Greece Industrial Q3-2023.
- KPMG (2023) The Future of real estate sector overview, new developments and forces of transformation.