# PRESS RELEASE

## Adding property stocks to the real estate investment mix strongly boosts returns, new research shows

**Paris, September 05 –** Real estate portfolios that blended stocks with non-listed investments generated 50% superior returns over the past decade compared with those with no listed property sector allocation, new research presented at the European Public Real Estate Association's (EPRA) annual conference in Paris on Thursday showed.

A real estate investor with a 30% allocation to the international listed sector had a total return of 91% from June 2003 to June 2013, according to fund performance data compiled by consultants Consilia Capital. That compares with a 61% total return from UK non-listed real estate over the same decade, the study showed.

**Alex Moss, Consilia Capital Managing Director said:** "Our findings show how investors are missing out on superior returns by having no exposure to the listed sector. It is surprising that many institutions and investors treat the listed property sector as part of their equity allocation and that so few take an integrated approach for their real estate portfolio. We found plenty of evidence, however, to make us confident that significant changes are afoot."

A separate survey compiled by Consilia and **Andrew Baum** of **Property Funds Research** showed that 46% of respondents treat the listed property sector separately from their real estate portfolio. Just 14% have an integrated team spanning listed and non-listed or direct real estate investments, while 39% outsource management of their listed property allocation.

The survey's respondents said their annual performance reviews discourage investment in the listed property sector because of short-term share price volatility, which may be correlated with other equities. This is the biggest obstacle to using quoted companies in building a real estate portfolio, even though these securities generate long-term returns that match their objectives, the survey showed.

The parallel study's breakdown of the performance of the different fund types revealed, however, a surprisingly marginal diminution in returns from a listed property exposure during the height of the market dislocation of the Global Financial Crisis.

A combination of UK non-listed real estate funds with a 30% international listed real estate allocation returned 2.2% less than pure non-listed property funds from July 2007-June 2009. During the four preceding years this same approach delivered an outperformance of 22%, while from August 2009 to June 2013, it would have enhanced returns by 13%.

Respondents to the survey, notably defined contribution pension schemes, are warming to listed real estate because of the liquidity that stocks provide. Other attractions of the sector are much easier portfolio diversification, either by property sector, country or globally, while investing in quoted companies also involves lower transaction costs, the survey showed.

**Consilia's Moss said**: "Using listed real estate as part of a broader property allocation strategy is gaining momentum. Most significantly, the UK's National Employment Savings Trust has made a landmark decision that promises to channel billions of pounds of fresh investment into the listed property sector in coming years."

NEST will earmark one fifth of total investment to Legal & General's Hybrid Property Fund, which currently invests 30% of its assets in a global real estate equity fund. Established as part of reforms introducing automatic enrolment to UK workplace defined contribution pension schemes, NEST indicates that its assets under management will swell to GBP 150 billion by 2030.

Click here for full report: www.epra.com/research

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**Note to editors:**

Consilia compiled its performance data from a sample of U.K. unlisted real estate funds and actively managed global listed real estate securities funds.

The Consilia-Property Funds Research survey was based on responses received from 56 organisations, 40 of which were asset managers. The balance of 16 responses came from investors, self-managed pension funds, sovereign wealth funds, endowments and consultants.

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