
PRESS RELEASE

Strong investment flows and buoyant IPOs may boost European listed real estate to 18% of global market by end-2015 – EPRA

London, September 24 – Europe's listed real estate sector may boost its share of the industry's global market capitalisation by nearly a third in the three years to the end of 2015, Philip Charls CEO of the European Public Real Estate Association (EPRA) said at the organisation's 2014 annual conference in London on Wednesday.

Strong international investment flows, a buoyant IPO market and a structural change in how institutional investors manage their property portfolios, could lift Europe's share to 18% of the market capitalisation of the global REIT market, EPRA's CEO predicted. The market capitalisation of the FTSE EPRA/NAREIT Developed Europe Index of listed property companies was EUR 145 billion at the end of August, or 15.65% of the global index. Europe's global market share increased last year by nearly two percentage points from August 2012, just prior to EPRA's annual conference in Berlin.

Philip Charls, EPRA CEO said: "Europe is back. EPRA predicted that the European listed real estate sector would turn around and was poised for a 'REIT Renaissance' from a low point two years ago, when it was steadily declining relative to the industry in North America and Asia. That has come to pass as investors have bet on the real estate recovery story and we've seen the strongest European property IPO market in 20 years. These factors have combined with new 'state of the art' REIT regimes in Spain, Ireland, and most recently in Italy. I now hope to be able to announce that we're well on the way to gaining a further 2% of global market share at next year's EPRA annual conference."

Robust global equity markets and investors' hunt for yield from strong dividend income-producing REITs have played a key overall role in rising property stocks worldwide. In addition, a change in investment strategy within institutional real estate portfolios suggests that a fundamental shift is also occurring towards greater listed real estate allocations, particularly in Europe.

Academic research is increasingly demonstrating that institutional investors can generate consistently superior returns by integrating listed real estate into their property investment allocations alongside non-listed real estate funds, compared with portfolios without a blended approach.

EPRA-sponsored research shows that a 70/30 blended portfolio of non-listed real estate funds and property stocks – the allocation targeted by the UK's giant NEST pension fund -- generated a 13.6% outperformance in returns over the June 1998 to June 2013 period compared with holding non-listed funds alone. For the decade to June 2013, a blended portfolio achieved a 38.7% outperformance, while for a five-year period the difference was more than five-fold in favour, again, of the blended approach, the research revealed.

The surge of both institutional and retail investment flows into listed real estate can also be seen in the jump in global assets in exchange traded funds (ETFs) linked to benchmark FTSE EPRA/NAREIT real estate indices. At the end of July 2014, global assets under management in these equity tracker funds stood at USD 10 billion, a 30% rise over USD 8.4 billion at the same point a year previously.

Philip Charls concluded: “EPRA has been steadily increasing its research, government lobbying and investor outreach capabilities in Europe and further afield, culminating in the opening of offices in London and Hong Kong – for the fast-growing Asian investor market – last year. This work to present the positive attributes of the industry and spur its expansion is for the long-term and may not always be visible to the market; but it is very effective in helping to reap real benefits for companies, as the European listed sector continues along its growth path.”

ENDS

About EPRA

The European Public Real Estate Association – is the voice of the publicly traded European real estate sector. With more than 200 active members, EPRA represents over EUR 300 billion of real estate assets and 90% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index. Through the provision of better information to investors, improvement of the general operating environment, encouragement of best practices and the cohesion and strengthening of the industry, EPRA works to encourage greater investment in listed real estate companies in Europe.

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