PRESS RELEASE

Listed real estate performance mirrors direct property after 18 months - EPRA/MSCI research

Brussels, May 23: It takes about 18 months for an investment in listed real estate to shed the influence of the general equities market and to start mirroring the performance of the companies' underlying portfolio, new research by MSCI for the European Public Real Estate Association (EPRA) concludes.

Medium- to long-term ownership of listed real estate provides investors with much higher liquidity and lower costs than direct property investments once the background price volatility caused by the general equities market fades, the study shows.

EPRA Director Indices & Research, Ali Zaidi, said: "The matched-sample analysis adds to the evidence that European listed real estate generates the returns of direct property over the long term and confirms that listed real estate should be an integral component of investors overall property portfolio strategy."

MSCI researchers Bert Teuben and Ian Cullen examined the relationship over time between the performance of the properties held by 19 European listed real estate companies and the volatility of their share prices.

This is the first time that a large sample of listed company portfolios has been assessed in depth, since previous studies commissioned by EPRA have looked at the correlation between the performance of assets, fund vehicles and equity indices. The MSCI research demonstrates how investors can analyse performance at an asset, vehicle and security level to support better allocation and selection decisions.

The main conclusions of the research study, entitled '*Listed and Private Real Estate: Putting the Pieces Back Together*,' were:

- There are strong correlations across asset, vehicle and security, particularly over three- and five-year periods. These suggest that long-term investors are able to use listed real estate companies as part of their overall real estate portfolio strategies.
- When aggregated to a single composite, the 19-company matched sample still produced a close fit between the security and asset level results. Underlying asset level returns were clearly the main performance driver over the longer term. Vehicle/financial factors were also important especially in phases of weak or strong overall equity performance. Over shorter (annual or quarterly) periods, stock market sentiment had a hefty impact on return volatility.
- At the highest level of aggregation, asset, vehicle and equity headline index performance trends were broadly synchronised over the longer term. The relationship appeared to be stronger for UK companies than for their continental European peers.
- Over shorter measurement periods – of up to around 18 months – the cost of the increased liquidity provided by listed real estate in a property investment portfolio comes in the form of additional volatility. Beyond this 18-month window, the research reveals how the performance track records for listed real estate – at both company and market levels – converge ever more closely with those of corresponding directly held assets as the benchmark period approaches the three- and five- year milestones.

It has long been clear that low correlations between listed and direct real estate over short time horizons have posed a challenge for institutional investors seeking to understand the sources of risk and return in their property portfolios. At the bottom line this new research has been able to show that the longer a listed real estate investment is held, the more that investment delivers the performance and risk profiles of the underlying direct real estate.

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About EPRA

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. With more than 220 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 365 billion of real estate assets and 93% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index. 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, improvement of the general operating environment, promotion of best practices and the cohesion and strengthening of the industry.

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