EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

EPRA Magazine
ISSUE 80
SEPTEMBER 2025

20 YEARS OF THE FTSE EPRA Nareit Global Index

The power shift

Rethinking capital and value in a new centre of gravity

Highlights

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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

EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

The power shift

Rethinking capital and value in a new centre of gravity

Dominique Moerenhout, EPRA CEO

As we gather in Stockholm for another milestone EPRA Conference, we launch the 2025 edition of the EPRA Magazine. Framed by this year's theme – *The power shift: Rethinking capital and value in a new centre of gravity* – we reflect on the forces reshaping our sector and the opportunities emerging from this change. This year also carries particular significance, as we mark the 20th anniversary of the FTSE EPRA Nareit Global Index Series – a benchmark that, over the past two decades, has become the trusted global barometer for publicly listed real estate. From its inception, the index has reflected the strength, adaptability and evolving shape of our sector, captured cycles of challenge and growth while expanding to embrace new asset classes driven by structural shifts, from data centres to student housing and cell towers.

The journey of the past twenty years has shown that listed real estate delivers compelling returns, diversification, and liquidity, while also adapting to new realities. Even in the face of market volatility – whether during the global financial crisis, the pandemic, or the recent interest rate hiking cycle – the sector has demonstrated resilience. Now, with interest rate stability signalled by central banks, market sentiment is improving, and the sector is once again positioned to attract broader investor attention.

Sweden, our host country this year, is a fitting backdrop. Its listed real estate sector has long been recognised for its dynamism, equity investment culture and entrepreneurial spirit, qualities that have inspired models for success well beyond its borders. No wonder one of our Swedish members emerged as an *alpha* performer in recent research backed by EPRA – check out HERE on page 44 to find out who!

For EPRA, 2025 is a year of delivering on ambitious initiatives for our members and the wider industry. Our work with Milliman to ease unlocking of long-term capital has already yielded tangible results: Solvency II reform now allows insurers to apply the Long-Term Equity module to listed real estate, nearly halving capital requirements and levelling the playing field with direct investments. Our investor mapping project is sharpening our outreach to key pools of capital, while our dedicated engagement on housing policy is placing listed real estate at the centre of Europe's housing debate, highlighting our sector's potential to deliver affordable, sustainable homes at scale.

We are also taking a reflective look at the industry's own progress through the BPR rearview project, going back to the origins of one of EPRA's founding initiatives to understand its role today in transparency, benchmarking, and investor trust.

As always, our strength lies in the partnerships we nurture – from our long-standing collaboration with FTSE Russell and Nareit, to emerging coalitions like the newly launched Global REIT Alliance (GRA) that position listed real estate as a critical component of the global investment landscape.

Lastly, we extend a warm welcome to our latest members. Please turn to page 42 to learn more about them. Wishing you a fruitful EPRA Conference and encourage you to save the date for next year's edition, scheduled to be in Milan from 8 to 10 September 2026. And as we look ahead, let us keep in mind that the power shift is already underway and our sector has a leading role in shaping where the new centre of gravity will be! •

Dominique Moerenhout
EPRA CEO

IN THIS ISSUE

AI's Trillion-dollar Arms Race

On Barcelona's Zona Franca industrial estate, wedged between the city's ring road and the port, stands a mirrored glass-clad warehouse. It is a fittingly modern look for a new breed of data centre that will power what many anticipate will be the next technological revolution: artificial intelligence (AI).

CoreWeave, the AI cloud-computing infrastructure provider, announced in May it was moving into the 15 megawatt powered building developed by MERLIN Properties and Edged Energy to deliver its AI offering in southern Europe. Inside it is installing racks with thousands of the latest graphic processing units (GPUs) and a supercomputer built by NVIDIA, a historic shareholder.

CoreWeave rents out its servers to specialist laboratories and other enterprises for building large language models (LLMs), training the machine learning applications that underpin AI and then for AI inference, or applying the models to new data sets. The company listed in an initial public offering in March to fund its expansion.

"Europe is an important growth region for us, with some of the most promising AI labs and enterprises building in the region," said Mike Mattacola, CoreWeave's General Manager International. *"We've seen significant demand for the latest AI infrastructure and we've been scaling capacity aggressively."*

Having earmarked $3.5 billion last year to invest in computational power, or compute, in Spain, Norway, Sweden and the U.K., *"We're now investing beyond our original commitment - only one year into our European journey,"* Mattacola said.

THE CHATGPT MOMENT FOR AI

It was OpenAI's release of the ChatGPT chatbot for generative AI in November 2022 that propelled AI into public awareness, helping drive higher share prices of semi-conductor makers and the largest technology companies on speculation that they would reap the potential rewards. Since then, as many as a billion users around the world have deployed ChatGPT to produce content, manage information and automate processes.

There are dozens of other LLMs developed by the likes of Google, Alibaba, xAI, DeepSeek, Amazon and Anthropic, some with hundreds of millions of users themselves. Generative AI is evolving rapidly beyond text-only models, with the ability to generate images and provide voice and video outputs. Open-source models are also spawning a proliferation of applications produced by AI start-ups.

"When I talk to chief technology officers, CIOs and enterprises, their use (of AI) is so nascent today," observed Andy Power, CEO of Digital Realty, the listed Austin-headquartered company that over the past 20 years has become one of the world's largest data centre owners. *"The deep integration with business and everything we can do with agentic AI mean we're not even scratching the surface."*

"What's happening here is a ginormous opportunity. AI is a massive scale build-out. The chips are still coming off the line and being innovated. The buildings that support the chips are still getting built and there's no question there'll be volatility," he added.

AI depends on the compute of more powerful GPUs, which handle multiple calculations concurrently and are essential for AI algorithms. That contrasts with general purpose central processing unit (CPU) servers, which handle tasks sequentially. NVIDIA estimates that AI models with reasoning capabilities require 100 times more compute than earlier generation LLMs.

$6.7 TRILLION OF DATA CENTRE INVESTMENT BY 2030

To meet this demand, McKinsey & Co. estimates that there will need to be $5.2 trillion of investment in data centres worldwide by 2030, while an additional $1.5 trillion of expenditure is required for non-AI compute performed by CPUs for tasks such as web-hosting, cloud storage and email traffic.

To be sure, there are AI sceptics. Goldman Sachs's Head of Global Equity Research, Jim Covello, notably voiced doubts in a paper last year that AI will deliver a sufficient return on equity to justify the levels of investment.

He cited virtual reality, the metaverse and blockchain as examples of the *"tech hype cycle"* that involved lots of expenditure but delivered few real world applications. *"The big tech companies have no choice but to engage in the AI arms race right now, given the hype around the space and FOMO (fear of missing out), so the massive spend on the AI buildout will continue,"* he added.

QUESTIONING AI'S RETURN ON INVESTMENT

Moody's estimates that last year spending on additional data centre capacity by Amazon, Microsoft, Alphabet, Meta and Oracle alone totalled $211 billion, up 66% from a year earlier, largely as a result of AI infrastructure investment.

The credit ratings agency observed that these corporations *"have some of the strongest financial profiles globally"* with deep experience in operating data centres as single data centre tenant *"hyperscalers,"* as well as in-house technologies for their data centres, such as custom chips, hardware and software.

It noted in a research note published in May that Microsoft's annualised run-rate revenue from AI increased to $14 billion in the first quarter, while Amazon estimates it is experiencing a triple digit annual growth rate. In spite of these substantial revenues in such a short period of time, the risk for hyperscalers lies in *"the vast capital spending needed to build out AI infrastructure,"* Moody's noted.

Aside from these dominant occupiers of data centres, new cloud-based AI infrastructure specialists like CoreWeave, Crusoe and Lambda are looking to expand their footprint globally by taking up new data centres.

"We're seeing demand quickly move from training to serving models and applications," said Mattacola at CoreWeave. "*This means our customers are now shipping revenue and growing."*

Other sources of data centre demand are governments, which have committed to sovereign cloud projects to develop their own digital infrastructure for public services in their own language or according to local practices. They are now integrating AI into the functionality of these services. Elsewhere, certain AI labs are also looking to expand. For example, French LLM developer Mistral announced in March that it was going to open a new data centre on the outskirts of Paris.

EUROPE CLOSING THE GAP WITH THE U.S.

Digital Realty's CEO says Europe has lagged behind the U.S. by up to two years in deploying AI infrastructure partly because it is a *"challenging market to rapidly scale infrastructure."*

In contrast with the homogenous U.S. market, Europeans speak different languages, land availability is complicated by population densities, power supply is fragmented mostly across national markets, while the business environment is more regulated. U.S.-headquartered hyper-scalers started their AI roll-out in their home market, although the gap is narrowing rapidly, he says.

"You've seen a more European focus on being an active participant in the AI arms race and you're going to see a growing globalisation of AI infrastructure in Europe," he said. *"There's a greater focus than ever from the heads of these countries to make it easier to scale infrastructure for digitalisation and AI in their homelands."*

Digital Realty currently operates nearly 800 megawatts of data centres across 18 European markets. It has $3 billion of projects under way in the region that will add 250 megawatts of capacity, a portion of which are pre-leased mostly to hyperscalers for their AI expansion. Its European data centre footprint is currently primarily colocation data centres serving multiple tenants under one roof, in network dense facilities with multiple interconnected networks.

***"Europe is our shining star, the best part of our portfolio,"* Power said. *"Given its diversity of locations, its connectivity heritage and its incredible value proposition to customers. It's just an irreplaceable offering"* that is hard for competitors to replicate, he said.**

BARRIERS TO THE AI INFRASTRUCTURE BUILD-OUT

Green Street estimates there is already a shortage of data centre capacity in Europe to meet the burgeoning demand, with vacancy levels of 2%. Data centres overtook new energy infrastructure as the real assets sector offering the best overall prospects as well as the outlook for investment, income and development, according to PwC's 2025 Emerging Trends in Real Estate, Europe, survey.

Location of data centres is critical in accessing power as well as the quality of connectivity, which determines the speed at which a data transfer occurs following an instruction, known as latency. This becomes important for AI when LLMs enter their inference phase. A key reason behind why CoreWeave chose to open a data centre in Barcelona is because fast undersea cables land there, serving the Mediterranean basin and far beyond.

Building data centre capacity, however, requires substantial investment. Green Street estimated that construction and maintenance costs exceeded $11,000 per square metre in Europe last year. In spite of the expense, developers can nevertheless generate profit margins in excess of 50%, according to a May estimate by David Guarino, Green Street's Managing Director for Data Centers & Towers Research.

Data centres are also evolving rapidly because of the higher intensity of energy consumption by GPUs and the greater need for cooling, which in turn increase costs for new facilities and raises questions about obsolescence of existing centres.

"Data centre design is crucial to our ability to build to our design and performance standards and incrementally add more capacity for our customers," said CoreWeave's Mattacola. *"As rack densities increase this will only become more important. Data centre design is also a crucial enabler to offer the level of technical performance our customers experience on our clusters."*

The MERLIN Edged data centre in Barcelona receives power from renewable sources, has zero water consumption and its cooling system achieves efficiencies in power consumption. The centre has a 1.15 power usage effectiveness (PUE) ratio, which measures energy used relative to IT equipment energy usage. That compares with a European average of 1.46, according to the Uptime Institute.

EUROPE'S POWER SUPPLY CHALLENGE

Another critical challenge that will determine the pace of the projected AI infrastructure roll-out in Europe is access to power. While most data centres have back-up generators, the 10-hour blackout on the Iberian peninsula in April is a reminder of the vulnerabilities of Europe's grid.

McKinsey estimated in October that the growth in data centres demand will account for 5% of European energy consumption by the end of 2030 from around 2% today.

"Currently the entire European power ecosystem faces significant challenges in accommodating this growing demand," it said, pointing to the limited sources of renewable energy, land availability, power and equipment shortages and an insufficient pool of skilled manpower. *"Meeting data centre (power) demand will be important if Europe is to unleash AI's full economic potential,"* it observed.

Innovations in cooling systems mean data centres can be operated more efficiently. It is now possible to pipe chilled water to the back of GPU server racks or on top of the plates where the chips lie to dissipate heat more efficiently. Meanwhile, there are advances in cooling air more efficiently.

Power at Digital Realty said that in time there will be no distinction between AI and Non-AI data centres as is currently the case. In the first quarter Digital Realty leased a 100 megawatt building to be constructed for a hyperscaler that will be 50% air cooled and 50% liquid cooled, he said.

ENERGY EFFICIENCY AND SUSTAINABILITY

"This portends where we're going," he said. *"Things are going to become more intertwined – the AI is going to use the data in the cloud and these things are going to be connected very tightly and seamlessly."*

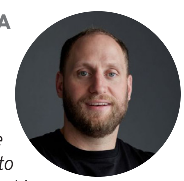
Efforts to make power thirsty data centres more energy efficient are matched by sourcing renewable energy. Digital Realty, which has pledged to reach net zero carbon emissions by 2030, has 1.5 gigawatts of contracted renewable capacity provided through eight separate power purchase agreements in Europe. It is also rolling out Hydrotreated Vegetable Oil (HVO) diesel back-up generators across its global platform.

"Yes, we want more power, but we also want more green power at the same time," the company's CEO said.

As the world leaves the analogue age, irrespective of how AI's future growth, development and adoption pan out, data centres will remain the cornerstone to the modern, digital economy.

"We are supporting mission critical infrastructure that is running hospitals, emergency rooms, ambulances, innovation, financial services, financial transactions - you name it," says Power of Digital Realty.•

MIKE MATTACOLA
GENERAL MANAGER, INTERNATIONAL, COREWEAVE



Mike Mattacola is responsible for growth and expansion into new markets, drawing on his previous role as Chief Operating Officer of Lambda. Previously he amassed more than 15 years of leadership experience at major corporations such as Johnson Controls and Terex Systems. His expertise includes global operations, strategy, transformation, and cross-functional leadership, consistently driving growth and innovation.

ANDY POWER
CEO, DIGITAL REALTY

Andy Power joined Digital Realty in 2015 as CFO, with a broad remit including overseeing operations, customer solutions and asset management. Previously he worked for 13 years as an investment banker, during which he forged close ties as Managing Director of Real Estate, Gaming and Lodging Investment Banking at Merrill Lynch, while advising Digital Realty on its IPO 2004 and subsequent public capital raises at Citigroup.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The Ascent of Non-Traditional Property Sectors

Andres Toome, Senior Analyst at Green Street

June 30, 2025

Non-traditional real estate sectors, defined as those outside the office, retail, industrial and multifamily space, have mushroomed in the U.S. REIT market to a point they are no longer considered *"alternatives"*. They made up only 20% of market capitalisation 25 years ago, but are now well above 50%. This comes on the heels of strong realised property level returns, the relative ease of raising new equity capital in the U.S. market, and the fall of retail and office sectors.

The experience has been less rapid in Europe as traditional sectors still dominate the listed market, although some markets such as the UK or Belgium have been quicker to adapt. That is not to say alternatives have not delivered strong returns in Europe. Quite the opposite. The property level total returns have bested traditional sectors by at least a couple percentage points annually, on average, over the past decade. Similarly, total shareholder returns have followed. This comes with the help of outsized NOI growth and relative cap rate compression from an institutionalisation wave once performance was tested through economic cycles. Looking ahead, non-traditional property sectors are expected to deliver superior unlevered returns for long-term buy-and-hold investors. Historically, they traded at premiums in the public domain more often than not. However, NAV parity has become the norm since 2022, tempering expectations of an imminent IPO wave in Europe.

Purpose-Built Student Accommodation (PBSA)

Purpose-Built Student Accommodation (PBSA) is a time-tested property sector in the U.K. and an emerging one in Continental Europe, accounting for 3% of European listed real estate market capitalization. Interestingly, it is an asset class where Europe has better representation compared to the U.S., following American Campus Communities' take-private in 2022. The student housing sector is benefitting from a rising higher education take-up globally as professional betterment is crucial in an increasingly competitive labour market, not least as artificial intelligence is threatening to steal the low-hanging fruits in terms of job opportunities. Uniquely, student accommodation is counter-cyclical as rising unemployment rates necessitate up- and re-skilling. Europe, and particularly the U.K., is in a prime position to increase market share in the global higher education arena. International student caps in Australia and Canada have left students looking for an alternative, while the hostile rhetoric in the U.S. could divert more students towards the Old Continent. Although there is an increasing anti-immigration rhetoric in Europe, the steps to curb student intake are milder in comparison.

Self-Storage

The self-storage sector (3% of European listed real estate market cap) has been an institutional asset class in the U.S. for decades, with the first sector-focused REIT IPOs already in the '80s. The European industry evolved from humble beginnings in the mid-'90s, but progress towards a deep, liquid and transparent market has been slow. Self-storage is a needs-based business, performing relatively well both in economic expansions and contractions. The customer base tends to be sticky once they become acquainted with self-storage's long list of use cases and its flexibility. It is a simple product that requires little capex, a coveted characteristic to achieve strong property level returns. However, as the product awareness grows in Europe it is imperative that developers curate a well-paced supply delivery to keep rental tension alive. Gaining exposure to this niche property type has been difficult in the direct market historically, but development activity and investment volumes are rising. Notably, self-storage is well represented in the listed market with three large, well-run platforms offering exposure across Europe and the listed companies are positioned to grow.

Hotel

The hotel sector is cyclical in nature, but investors get rewarded for this risk through a relatively high entry cap rate. The asset class has a favourable long-term growth potential given a structural consumer spending shift towards experiences. Even under tempered assumptions, the rising middle classes in Asia and Africa are set to boost demand for Europe, a must-see destination for aspiring travellers. There is a wide array of hotel groups in the European listed market, albeit many of them do not fall under the real estate umbrella given their asset-light strategies. What's more, asset-backed operational hotels are not appreciated by the public market. Such companies in the U.S. REIT market have long traded at NAV discounts. It does not seem to be any different in Europe, as the Dalata saga has exposed, with bid pricing well above where the share price was trading on a going concern basis. Meanwhile, leased hotels, *à la* Pandox and Covivio, seem to be better received given real estate dominant cash flows and less direct operational exposure.

The list of non-traditional sectors in the European public market goes on. The menu is even longer across the Atlantic, putting on display the potential for expansion. Many of these sectors are expected to deliver attractive risk-adjusted returns. For European listed investors to gain exposure, convincing private equity sponsors on the merits of an IPO exit is required. Such platforms could achieve premium pricing by following four simple tenets in preparation of floating: (i) simple structure, (ii) low leverage, (iii) management with strong capital allocation acumen, and (iv) sound corporate governance. Notably, there are several M&A case studies this year where REITs have put up a good fight against private equity, showcasing the REIT market's potential cost of capital advantage in a world with structurally higher interest rates.•

Andres Toome

SENIOR ANALYST, RESEARCH, GREEN STREET

Andres is the Pan-European sector head of residential, student housing, hotel and self-storage for Green Street. As such, he covers twelve listed European property companies, as well as 30 private markets across self-storage and various "beds" sectors.

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Global Real Estate Platform Director, Technology & Operations
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Tasty Returns and Critical Social Infrastructure

"Maasta se pienikin ponnistaa" is a common Finnish saying about how growth is possible from small beginnings. The same could be said of Cibus Nordic Real Estate, which originated in Finland and over seven years built a portfolio spanning the Nordic and Benelux regions, worth 2.4 billion euros at the end of March.

With a corporate slogan of *"converting food into yield,"* at the time of writing Cibus owned 640 properties leased to grocery chains and other tenants focused on essential goods and services.

"It's a simple story of fantastic assets that generate good returns," says Christian Fredrixon, who has been Cibus's Chief Executive Officer since January 2024. *"We have great tenants who are loyal to their store locations, creating a strong and stable cash flow which grows with inflation. We have expanded our footprint through M&A (mergers and acquisitions) when opportunities arise and then we consolidate."*

Cibus in January completed the acquisition of Forum Estates to expand outside the Nordic region for the first time. The purchase, funded through shares, loans and assumed debt, added 149 assets to its portfolio, mostly in Belgium, but also in the Netherlands and Luxembourg.

"We're not growing just for the sake of it. We're growing because we see accretive growth potential in our current markets but also in new markets," explains Fredrixon. Cibus is targeting opportunities in mainland Europe, where the ownership of grocery-anchored stores is fragmented and lags behind the more mature and competitive U.K. investment market for the asset class, he added.

STOCKHOLM LISTING SUPPORTS EXPANSION

Building the portfolio has been achieved through single asset or portfolio purchases, sale and lease back deals with occupiers and by forward-funding pre-let new stores constructed by developers. The company has no immediate ambitions to carry development risk on its balance sheet by driving growth organically, Fredrixon said, adding that *"the accretive returns we're getting from standing assets have been attractive enough."*

Fuelling growth has been access to capital through its listing in Stockholm, borrowing from European banks and by issuing bonds. Founded in November 2017, Cibus first sold shares in an initial public offering four months later on the Nasdaq First North to help purchase 123 properties in Finland from two funds managed by Helsinki-based

Sirius Capital Partners. The depth and liquidity of Stockholm's stock market is a magnet for the region's capital markets and is why Cibus established its head office there. In June 2021, its shares transferred to the Nasdaq Stockholm main market.

Grocery-anchored stores are one among the most favoured segments of the retail real estate sector by investors. This is due to the resilience and visibility of cashflows in a retail backdrop where ecommerce has reshaped the landscape for discretionary consumer spending. Cibus grows earnings capacity cashflow per share steadily, with an 8% increase in the first quarter of 2025 from a year earlier.

CONVERTING FOOD INTO YIELD

The portfolio generates a blended income return of 6.5%, exceeding the average interest rate for its bank loans and bonds, which was 4.2% as of the end of the first quarter.

With a portfolio still heavily weighted to the Nordic region – Finland accounts for 48% of the asset value – Cibus's tenants include major grocery chains Kesko, Coop, Tokmanni and Lidl. Rents are indexed to consumer prices on leases that typically have a rolling five-year extension after a 10 or 15-year initial commitment. The portfolio's weighted average unexpired lease including break term was 4.2 years (5.8 years without the three-year statutory Belgium break options) at the end of March.

Sweden does not have a real estate investment trust (REIT) regime, by which companies avoid corporation tax in return for distributing most of their rental income to shareholders. Cibus is a rarity in Europe's listed real estate sector, however, since it pays the annual dividend set at the shareholders' annual general meeting subsequently in monthly instalments.

Cibus raised 1 billion Swedish kronor (c. 90 million euros) in June in an oversubscribed rights issue to fund fresh acquisitions and repay some subordinated loans from the Forum Estates acquisition (12.2 million euros).

MANAGING INTEREST RATE COSTS

Debt has also powered growth and the company's net debt represented 58.7% of the value of its portfolio. That is high compared with the aggregated loan-to-value ratio of around 40% for Europe's listed real estate sector, as calculated by EPRA, although it is not uncommon in Nordic markets, where there is a greater tolerance of higher leverage. The loan-to-value ratio is also supported by Cibus's high-yielding

properties and the Net debt/EBITA forward looking ratio was 10.0 at the end of Q1 2025.

Cibus hedges 97% of its debt and uses both interest rate caps and swaps to give greater stability on its interest payments, a lesson from the 2022 spike in interest rates that led to a defensive rights offering. This is advantageous in a falling interest rate environment: a 2 percentage point increase in market interest rates would crimp earnings by and estimated 2.6 million euros annually, whereas an equivalent drop in rates would boost earnings by 7.7 million euros, Cibus estimates.

"We're a buy and hold investor in real estate and therefore we want to have tenants in the next 10 to 50 years," said Fredrixon. *"Our tenants are the largest chains in each country, so we stay close to them and we understand their business because we employ people who have been in the grocery business. That can differentiate us from some other types of investors . Our internal slogan is supermarket love."*

SUPERMARKET LOVE

While more than 90% of rental income is under net or triple net leases, meaning tenants are responsible for occupational expenses and property maintenance, Cibus says it is important to be responsive to tenant needs when problems occur, such as if a loading bay will not open, heavy snowfall is not cleared, the car parks are potholed or unsafe, he said.

Ensuring buildings are as sustainable as possible is another major customer demand since 79% have their own sustainability goals under the Science Based Targets Initiative. Clean energy supplies power and heating to Cibus's buildings and 73 of the properties have solar panels on the roof. Corporate Sustainability Reporting has been adopted voluntarily by Cibus ahead of the European Union deadlines.

Its efforts on sustainability enable Cibus to label its bonds as *"green"* and has won it EPRA's gold award for Sustainability Best Practices Recommendations for reporting (sBPR) on sustainability for the past two years.

Within the Environmental, Social and Governance (ESG) sphere, Cibus also emphasises the role of its stores as important social infrastructure as a place where people meet and buy necessities.

STORES AS SOCIAL INFRASTRUCTURE

"It's about mental health and communities, where supermarkets are a place to meet," notably in rural locations, said Fredrixon. *"One used to go to the cinema, the bank or the*

post office, the church or a community centre. In many places in the Nordic region, all of these are gone and what remains is the supermarket."

Store performance depends on the level of competition in the catchment rather than whether it is an urban or rural location, he observed.

Certainly tenants have their own social outreach initiatives, such us employing vulnerable people to help them integrate with the community or having designated slow check-outs where cashiers take their time to engage in conversation with customers, particularly the elderly.

To complement these and make a Cibus store the focal point in the community, the company works with tenants on initiatives such as the provision of charging points for e-vehicles, providing recycling facilities and click-and-collect lockers, making vacant space available for community use and even providing shaded kennels for dog-lovers who are shopping in the store.

Fredrixon's description of grocery stores as social infrastructure is not an overstatement for ESG marketing purposes. Indeed, stores in Finland are integral to the nation's contingency planning for emergencies. The Finnish government identified the need to have a functionally secure network of food stores across the country. By 2028 it plans to have 300 that are self-sufficient in electricity with strategic supplies on site to serve as distribution and assembly points in times of crisis.

Nordic countries have traditionally maintained strategic supplies of food and other essentials. The Covid-19 pandemic and Russia's invasion of Ukraine have heightened concerns in the Nordic region about preparedness. In October 2024 the Nordic Council of Ministers said governments would be cooperating more closely on contingency planning. Last year, Sweden sent each household a 30-page brochure *"In Case of Crisis or War"* with a checklist of provisions and equipment to have at home as well as listing places of refuge, depending on the emergency.

NORDIC PREPAREDNESS FOR CRISES

Fredrixon says the Nordic model on social infrastructure has far-reaching lessons for the rest of the retail real estate industry.

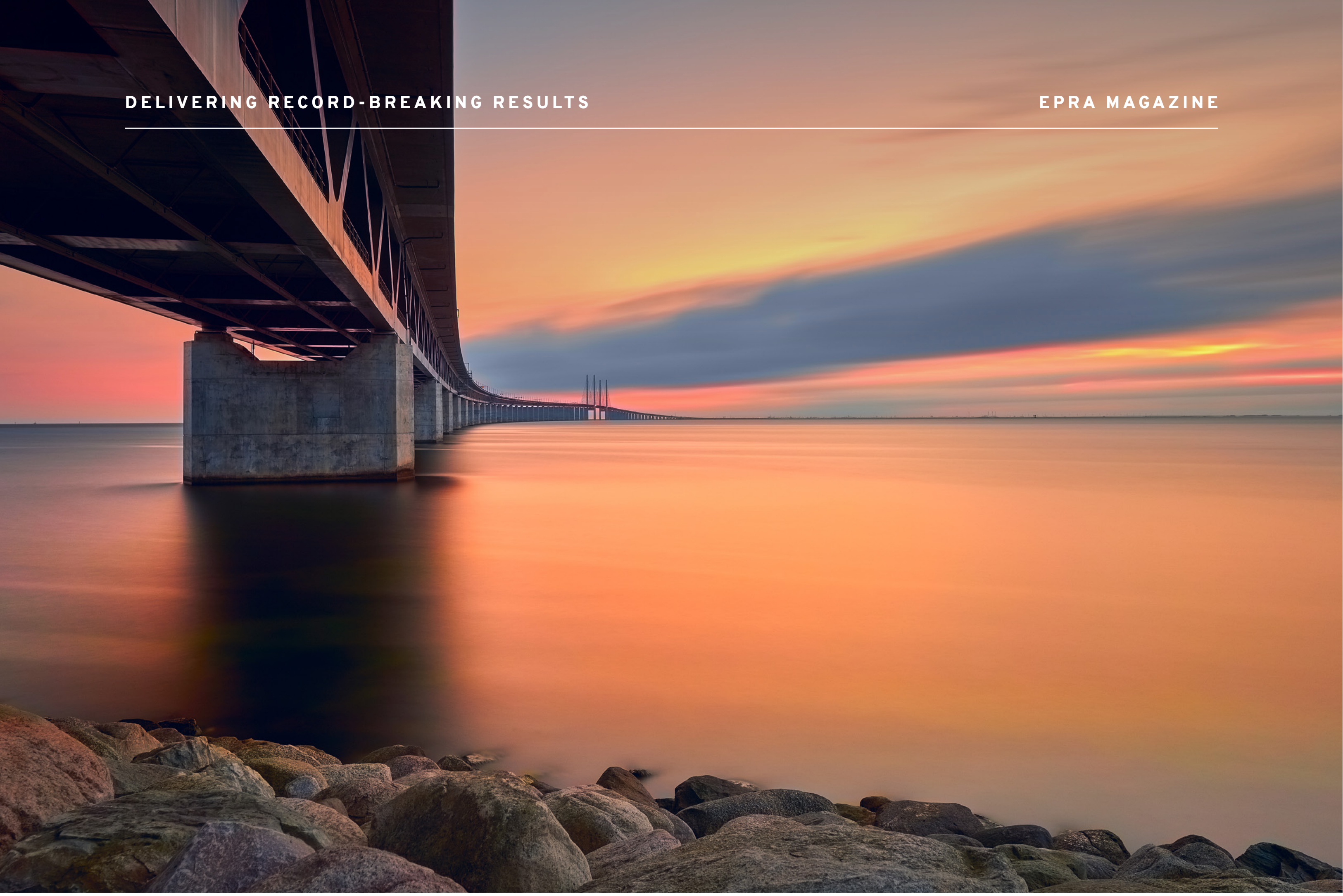
"A lot of work has been done around Europe on the 'E' and 'G' in ESG, but not that much has been done on the 'S' so far. There's more to be done there and not just because it suits our business model. It's about mental health and local communities," he said.

With its ambitions to continue on its growth trajectory to date, Cibus will bring to other parts of continental Europe many of those Nordic values and approaches to managing its real estate.•

CHRISTIAN FREDRIXON

CEO, CIBUS NORDIC REAL ESTATE

Christian Fredrixon has more than 20 years' experience in financial markets and real estate, with a focus on the daily-goods sector. He has held various Board roles, including representing AMF Pension in a real estate grocery JV with ICA. Serving as CIO for Vasakronan AB and for ICA Real Estate, his career began in investment banking in the UK, which took him to CLS Holdings and onto Catella as a Partner in corporate finance.



Delivering Record-Breaking Results

Six days after Danish and Swedish royalty joined July's festivities to mark the jubilee of the opening of the Öresund Bridge, which spans the strait separating the two countries, a real estate company in Malmö celebrated record-breaking results that reflect the long-term economic benefits catalysed by the iconic infrastructure project.

Wihlborgs Fastigheter reported its highest income, profit, property valuation and dividend payout to its shareholders. It also had an anniversary of its own: in the same quarter twenty years earlier, the company listed on the Stockholm Stock Exchange in an initial public offering, since when it has delivered a total return of 1,735% for investors, assuming they reinvested dividends.

Wihlborgs specialises in office and industrial properties in the region either side of the crossing, investing in clusters in the cities of Malmö, Helsingborg and Lund in southwest Sweden as well as Copenhagen. Öresund, as the area has become known, is the most densely populated in the Nordic region, with 3.9 million people living there, and has blossomed into a dynamic economic hub, accounting for around one quarter of the two countries' respective economies.

"We stick to what we do best, which is developing and managing workplaces that support the needs of the business community in the Öresund region," said Ulrika Hallengren, the company's Chief Executive Officer.

"Our goal is to be closer to our market than anyone else. And as long as we're in places with solid growth, a strong foundation in education and an inflow of people, there's a built-in engine for development. That strategy is in our DNA and it's one we intend to keep."

THE BRIDGE: ECONOMIC CATALYST

The crossing, which cost 30.1 billion Danish kroner (c.4 billion euros) to deliver and featured in acclaimed television crime drama series "The Bridge", consists of a tunnel to a man-made island from which the bridge curves to the Swedish mainland. The 15.9 kilometre link combines a motorway with a dual track railway line, opening in July 2000.

For the European Union the Öresund crossing is a poster child for how cross-border collaboration can unlock economic benefits. It estimated in a 2021 study that the crossing contributed 8.4 billion euros to the local economy and the increased mobility has plugged skills shortages on either side of the strait, with commuters, mainly coming from Sweden to Denmark, generating an estimated 6 billion euros of added value.

Öresundsinstitutet, an independent research body in the region, estimates that commuter rail traffic has climbed to more than 40,000 journeys per day, thanks to the 40-minute travel time between central Copenhagen and Malmö.

The crossing complements existing transportation infrastructure. Öresund is home to three airports, including Copenhagen's international terminal at Kastrup, while Helsingborg is Sweden's second largest container port. Work is underway to improve the rail links to northern Germany and the rest of continental Europe. All add to the importance of the region as a major centre for logistics. Industrial and logistics warehousing accounted for 13.5% of Wihlborgs' portfolio at the beginning of July.

HUB FOR LIFE SCIENCES AND TECHNOLOGY

The Öresund region is a technology hub with excellent innovation potential, world-class scientific infrastructure and a good environment for start-ups, according to the Organisation for Economic Cooperation and Development. It boasts the universities of Copenhagen, Lund and Malmö and the so-called Medicon Valley cluster, where there is world-leading expertise in developing asthma, diabetes, cancer and fertility treatments.

The region *"differs from other parts of Sweden and Denmark through its cross-border structure, strong knowledge economy and high concentration of public institutions and international companies,"* said the Wihlborgs CEO. *"The compact urban environments, where offices are located close to housing, amenities and green spaces, have become increasingly important since the pandemic."*

Among Wihlborgs' largest tenants are the municipalities of Helsingborg and Malmö, the pharma giant Novo Nordisk, insurer Trygg-Hansa, Sweden's tax and social insurance agencies, plus the universities of Lund and Malmö. The SEK2.14 billion of rental income generated in the first half represented a running yield of 5.6% for the portfolio at the end of the second quarter. The bulk of the company's SEK62.7 billion portfolio consists of offices with a heavy weighting towards Malmö, which accounts for just under 40% of all its assets. The dynamism of the area has persuaded various employers to relocate head offices from Stockholm,

including branches of the IKEA Group, such as its consumer credit provider Ikano Bank.

Wihlborgs has an active property management arm for tenants and in-house asset management capabilities. Last year it acquired the Värdshuset 2 office building above the Hyllie station in Malmö. It carried out a series of works which resulted in a 22 percent reduction in energy consumption.

FIVE STAR SUSTAINABILITY RATING

It is a case study of the initiatives that earned it a five-star ranking in October last year by Global Real Estate Sustainability Benchmark (GRESB), which rated it the top listed diversified property company in Europe (office/industrial).

The company aims to halve emissions it makes directly, indirectly and through its supply chain by 2030, and to have net zero CO^2 emissions by 2045.

"We work systematically on energy efficiency, sustainability certification and reducing our climate footprint," Hallengren explains. *"We've been consistent in integrating sustainability into the core of our business and strive to make a difference."*

"We have a strong emphasis on maintaining a high-quality, flexible and energy efficient portfolio. We continuously monitor the performance and relevance of our office properties and invest proactively, through upgrades, tenant adaptions or, in some cases, complete renovations."

She is sanguine about the future of offices, perhaps a reflection of a Nordic work-life culture where a flexible approach to working has long been accepted.

FAITH IN OFFICES

"Covid put the workplace in the spotlight and highlighted that an office is far more than just square metres and desks," she said. *"It's a place for innovation, collaboration, culture, well-being and identity. Employers which strike the right balance for their specific business become more competitive. Today our customers are more aware and thoughtful in how they place their spaces, which makes our work more dynamic and complex."*

With SEK3.13 billion of projects under way or planned, Wihlborgs still sees growth potential in the Öresund region. It is also opportunistic when situations arise, acquiring a portfolio of eight properties in its three Swedish city clusters from Granitor last year for SEK2.45 billion.

"By focusing on attractive sub-markets and continuously improving our portfolio, we can secure a stable and future-proofed growth," Hallengren said.•

ULRIKA HELLENGREN

CEO, WIHLBORGS

Ulrika Hallengren has been Wihlborgs CEO since 2018. She has more than 20 years of experience in project management and development as part of the delivery team and as a consultant. Prior to joining the company, she led the delivery of a synchrotron radiation research laboratory for Lund University for a joint venture in which Wihlborgs was a partner, subsequently joining the company in 2015.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Sweden's AP7 Adjusts Successful Investment Strategy

Changes are afoot at AP7, Sweden's largest state pension fund, which celebrates its 25th anniversary this year. On the face of it, it may not be obvious why the sovereign fund is adapting an investment strategy that has served it so well: AP7 generated an average 11.5% capital weighted return annually up to the end of 2024, a performance unmatched by its peers across the world.

At the heart of the changes are demographic challenges that will strain the finances of the Swedish state pension system. Added to this is a drive to manage assets more actively to match the country's commitment to achieving the Paris Agreement target of net zero carbon emissions by 2050.

The Stockholm based institution, which oversees 1.44 trillion Swedish kronor (130 billion euros) of assets, has started to build its own in-house investment capabilities, having outsourced asset management capabilities to external parties since its inception. It has begun to actively manage a climate transition portfolio of equity investments. In 2023 lawmakers authorised a broader investment mandate beyond AP7's Equity Fund and Fixed Income Fund, enabling it to invest in unlisted assets, like real estate, private equity and infrastructure.

Structural changes, such as the geopolitical environment, artificial intelligence, demographic and climate change, mean the organisation *"needs to do more research in-house and to be able to work with our portfolio in other ways,"* explains Lena Fahlén, AP7's Chief Investment Officer and Deputy CEO.

The entire Swedish premium pension system is maturing after 25 years and therefore underlines the importance to AP7 of understanding how allocation and investment decisions affect different generations. The country's changing demographics are also one perspective that will affect the pension system, even if the premium pension system is more resilient than the pay-as-you-go-system. One fifth of Sweden's 10.5 million-strong population is aged 65 or older and by 2040 their number is projected to increase by 23%. Life expectancy, already one of the highest in the world in Sweden, is growing and birth rates are falling to create a disproportionately smaller working population.

SWEDEN'S DEMOGRAPHIC IMPACT

In time, these will lift pension liabilities above assets for the pay-as-you-go system, meaning state income pension payments will naturally adjust. The last time this happened was in 2009, after the Global Financial Crisis. Sweden's pension agency projects that by 2050 the fully funded premium pension funds will shoulder 25% of state pension payments, compared with 8% today. This why the portfolio needs to evolve, says Fahlén.

"We had quite a simplistic setup for the fund," she said. *"The system has matured and we now have new legislation so that it is possible for AP7 to invest in alternative assets to create a more effective asset management."*

For the listed equity side, *"we're looking to insource more of the portfolio, since the AUM (assets under management) has grown substantially. We will also work more actively on our asset allocation and have recruited to our asset allocation and research team. We're at the early stages of an internally managed portfolio focused on climate transition. We are not a large organisation, but we are growing,"* she added.

INDEX-TRACKING EQUITY STRATEGY

AP7 offers savers six investment options with various combinations of holdings in its Equity Fund and Fixed Income Fund, depending on risk appetite. AP7's flagship option is Såfa, which is currently used by 5.7 million savers, featuring an equity portfolio composition that tapers after the age of 55 to a heavier weighting in fixed income.

As AP7's assets under management have grown 90-fold since its beginning, it has been able to lower fees, which currently stand at 0.04% for the Fixed Income Fund and 0.05% for the Equity Fund. That has also been possible through its passive investment strategy of tracking the MSCI All Country World Index of equities.

Working with asset managers BlackRock, UBS and Northern Trust, AP7 has used leverage to gain a 115% exposure to the index with shares of some 2,100 companies around the world, including the *"Magnificent Seven"* technology companies. Last year the Såfa investment option generated a 27.3% return.

"We've been leveraged, invested in a global portfolio and the Swedish krona has been weakening, so that's been a tailwind for us as well," said Fahlén. AP7 has delivered better returns than the other private alternatives in the premium pension component of the Swedish state pension *"which is important for us to keep that confidence in AP7 as the default option and the trust that we have today."*

Listed real estate is naturally part of the equity allocation, accounting for 1.8% of the Equity Fund portfolio and worth 1.2 billion Swedish kronor at the end of June.

ACTIVISM ON ESG ISSUES

As a state body, efforts to drive environmental, sustainable and governance issues are where AP7 is becoming more active as an investment manager.

AP7 voted in 3,565 of 3,582 possible general meetings of companies in which its funds own shares, acting within a framework with minimum requirements in transparency, corporate governance and diversity. AP7 is prohibited from voting in shareholder meetings of Swedish listed companies.

As part of its actions it blacklisted 110 companies from its investment universe last year, mostly coal and oil sand extraction companies. Elsewhere, it was involved with other investment managers in lawsuits with companies for alleged corporate governance violations, reaching settlements last year with Vivendi, Deutsche Bank/ Postbank, Qualcomm and General Electric, according to its 2024 annual report. At the end of last year there were 14 other legal cases in progress.

The pension fund manager has established a programme to build a transition portfolio representing 10% of the Equity Fund by the end of 2027. AP7 has partnered with Legal & General Investment Management to invest in companies lagging behind in their sustainability efforts and which have potential to transition successfully to the Paris Agreement goals. It is complementing this with its own in-house capabilities.

ESG considerations *"should be part of everything that we do and we have people in our teams who are specialised in these areas,"* Fahlén said. *"We want our investments to have a transition plan. We want the companies to become green or take them on that journey, which is why the transition work is important."*

CAUTIOUS APPROACH TO DIRECT REAL ESTATE

The 2023 mandate adopted by Swedish lawmakers allows AP7 to

invest up to 20% of its assets under management in unlisted assets, such as infrastructure and real estate.

Given the daily liquidity required, as well as handling the volatility of the equity markets, the allocation to the unlisted alternative assets *"will be well below 20%,"* AP7's Fahlén said. *"We are not in a hurry and we are working very closely with our Board on this."* As part of this work AP7 is looking at the contribution real assets can play in matching the long-term liabilities of paying out pensions to savers.

To date AP7 has acquired a 49.9% interest in the Urban Escape, a five building, mixed-use regeneration project in central Stockholm. Its partner is AMF Fastigheter, one of Sweden's largest property companies in Sweden and part of the AMF Group pension platform.

Maria Björklund, who joined AP7 from buffer fund AP3 in the fourth quarter of last year as portfolio manager for real estate, says the focus will initially be on direct investments in the Nordic region. There are no immediate plans to actively manage real estate through the listed sector, she added.

Sweden, the domestic market and the largest, most transparent one in the Nordic region, is, unsurprisingly a priority, with a vibrant transaction market with a healthy mix of activity by listed and private investors, she observed. Stockholm's office market has proved to be resilient, supported by Sweden's flexible work patterns that pre-date the Covid pandemic, unlike elsewhere in Europe.

"The prioritised sectors right now are office, residential and properties for public use, or social infrastructure," she said, adding that AP7 is exploring partnerships with other real estate platforms, depending on investment opportunities. AP7's investment approach is as *"long-term capital focused on scalable assets offering the opportunity for deploying capital over time."*

It will be interesting to see how real estate and its listed sector will feature in AP7's portfolio when it celebrates its 50th anniversary in 2050.•

SWEDISH PENSION FUND ORGANISATION

→ AP7 started in 2000, the result of pension reforms in response to Sweden's economic crisis in the early 1990s. These switched the state pension system to a defined contribution system, introduced a flexible retirement age and created notional individual pension accounts for each Swede based on their entire working life.

→ Sweden has a three pillar pension system with a core state pension, complemented by occupational pensions covering 85-90% of the population and supplemented by individuals' private pension plans. The state pension has a guaranteed payment for those who have not worked or are low income earners.

→ The state pension is a pay-as-you-go system, whereby payments to retirees are funded by those in work, who pay in 18.5% of their salaries, albeit with a contributions cap. Of this 16 percentage points is allocated to five "buffer" funds which manage the state system's income pension component. The buffer funds have a mechanism whereby pension payments adjust when liabilities exceed the value of assets.

→ The remaining 2.5 percentage points of salaries paid into the system pass to so-called premium pensions, where individuals have a choice between private providers vetted by the state or the state's own pension fund manager, AP7. If an individual makes no choice on their premium pension manager, AP7 is appointed by default.

LENA FAHLÉN

CIO AND DEPUTY CEO, AP7

Lena Fahlén joined AP7 in 2023 following a 20-year career at Handelsbanken, where she combined investment experience in various roles in capital markets and asset management with senior roles in research. After graduating from Stockholm University in 1998 she spent three years at Sveriges Riksbank, the Swedish central bank, as an economist before joining Handelsbanken's Asset Management arm.

MARIA BJÖRKLUND

REAL ESTATE PORTFOLIO MANAGER, AP7

Maria Björklund has specialised for more than 25 years in real estate, private equity and infrastructure investment, acting on behalf of pension funds and insurance companies. She joined AP7 from Swedish state buffer fund AP3, where was Head of Alternative Investments, having held portfolio management roles at AMF Insurance and Postens Pensionsstiftelse, Sweden's postal service pension plan.

SUSTAINALYTICS IBEX 35 CDP A GRESB REAL ESTATE SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION EPRA BPR GOLD EPRA sBPR GOLD

TRACKING THE SHIFT

CELEBRATING 20 YEARS OF THE FTSE EPRA Nareit Global Index

2025 marks the 20th anniversary of the FTSE EPRA Nareit Index. Over the past two decades, the FTSE EPRA Nareit Global Index has provided a comprehensive benchmark for publicly listed real estate companies and REITs worldwide. Covering developed and emerging markets across the Americas, Europe, and Asia-Pacific, the index reflects the performance of real estate securities across sectors such as office, residential, retail, industrial, healthcare, and increasingly emerging mega-trend sectors such as data centers, student housing and cell towers.

Since its inception, the index has experienced several distinct market cycles. Like all equities, during the 2008 global financial crisis, all real estate values fell sharply, and the index posted negative returns amid tight credit conditions and falling property demand. However, from 2009 to 2019, the index recovered strongly, benefiting from low interest rates, urbanization, and institutional capital flows into global real estate. Average annual total returns during this period ranged between 8% and 10%, depending on region and currency.

Listed real estate companies within the FTSE EPRA Nareit Developed Global and Developed Europe Index Series have, in many of the past 20 years, delivered higher annualised total returns than global equities and global government bonds. Due in part to the fact that partnership allows investors access to diversification of real estate assets with the added liquidity of listed markets.

Inevitably, there has been some volatility especially during Covid and the interest rate hiking cycle particularly in Europe. However, by mid2025, with central banks (including the ECB and Fed) signaling rate cuts, global listed real estate has seen a rebound.

In 2018 the The FTSE EPRA Nareit Green Index Series was launched to measure the performance of eligible real estate equities worldwide against their climate & sustainability goals. These indices provide a sustainability-focused extension to the FTSE EPRA Nareit Global Real Estate Index Series.

With emerging mega-trends such as aging society and the digitalisation of the economy the partners launched the FTSE EPRA Nareit Extended index in 2021 to capture these trends. Today, the Extended index series captures about $331 billion in investable market cap not included in the traditional FTSE EPRA Nareit Global index.

Over the long term, the FTSE EPRA Nareit Global Index has delivered annualized returns of around 7–9%. It remains a key barometer of global property market sentiment, offering diversification, liquidity, and inflation-hedging characteristics to institutional and retail investors alike.•

BARNEY COLEMAN
DIR OPERATIONS, EPRA

Barney is the COO at EPRA with over 25 years of Real Estate experience. Barney covers Index & Research, Data, Comms and Events at EPRA. He started his career as a general practice Surveyor training and practising in the Central London commercial property market in the 1990's. More recently his career has been property data related working on projects including as Chief Operating Officer in a Joint Venture Company with HomeTrack.

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Solving Europe's Housing Crisis

Europe's housing markets are under severe strain. There is a sharp shortage of available homes, much of the existing homes need investment to meet quality and energy efficiency standards, and housing costs have drifted far beyond what most households can afford[1]. In Germany alone, 2.6 million homes are needed by 2030, while only around 250,000 are being built each year.

While housing policy is primarily a national competence, the EU's role in internal market, social cohesion and environmental policy underpins EU actions in this sector. The European Pillar of Social Rights and the Renovation Wave Strategy sanctioned more EU action to specifically tackle the housing crisis. To align objectives and jointly formulate a policy roadmap that can be delivered over the next decade and beyond, the European Commission appointed[2] for the first time ever, a Commissioner whose responsibilities include housing. This role, taken over by the EU Commissioner Dan Jørgensen, includes putting forward the first-ever European Affordable Housing Plan, which the Commissioner announced would come in early 2026. EPRA's Public Affairs department met already with his cabinet to present our sector and potential beneficial role to play.

To support the Commissioner's work, a new Housing Task Force[3] has been set up as well as a Commissioners Project Group on Affordable Housing[4] which will see the collaboration of various Commissioners on the topic.

Based on its work done during past mandate, the European Parliament set up in December 2024[5] a new Special Committee on the Housing Crisis in the EU for a 12-months period. The committee is tasked with presenting a report with the objective to propose solutions for decent, sustainable and affordable housing in Europe which will be considered in the future European Affordable Housing Plan. Also here, EPRA's Public Affairs team has been meeting with key players from the Parliament's Committee to present the LRE sector as a crucial stakeholder to be considered for the upcoming report.

As the EU undertakes its work, EPRA set up a new Working Group dedicated to Housing. Several of its members[6] representing five EU countries and the UK worked together, EPRA Public Affairs identified and formulated 18 key policy recommendations to raise awareness on the potential offered by listed property companies to tackle the issue and to scale up delivery of homes that are affordable, inclusive and climate resilient.

Those members represent a wide variety of stakeholders active in the housing sector – from Belgium's listed company focused on student housing (Xior) to Germany's largest residential real estate company (Vonovia) through France's leading listed real estate group (Nexity) or Ireland's largest private residential landlord (IRES REIT) – with initiatives to be put forward at EU level.

Private capital is part of the solution and listed property companies are playing a tangible and growing role in addressing Europe's housing shortage and affordability crisis. With access to deep pools of institutional capital, long-term investment horizons, and strong ESG commitments, listed property companies are already delivering social values across several dimensions of the housing ecosystem. Their approach is grounded in sustained community development and neighbourhood-building. Their strategies prioritise stability, durability, and social impact over short-term returns, aligning more closely with public policy objectives around housing quality, infrastructure and urban resilience.

Together with our members, we are actively advocating towards the European Union institutions involved to implement a focused set of reforms across three strategic pillars: unlocking investment, aligning green regulation with housing delivery and leveraging the power of REITs to accelerate Europe's housing transformation.

Firstly, delivering affordable homes requires stable rules, faster permits, and financial tools that reflect the sector's capital intensity (e.g. a tax alignment and financial frameworks to enable greater private sector in housing delivery or the ease of procurement procedures for housings public private partnership). Real estate is a long-game industry, but investors are cautious due to regulatory fragmentation and planning delays.

Secondly, buildings are responsible for over 30% of the EU's carbon footprint,

[1] Europeans spend an average of 25% of their income on housing. Alarmingly, between 2010 and 2023, house prices in the EU rose by 48%, while rents increased by 22%. See: *European Environment Agency Report Addressing the environmental and climate footprint of buildings, September 2024 and Housing in Europe, 2024 edition*, Eurostat

[2] See: *Europe's Choice, Political Guidelines for the next European Commission 2024-2029*, 18 July 2024

[3] See: *President von der Leyen's mission letter to Dan Jørgensen*, 1 December 2024

[4] See: *Decision of the President of the European Commission on the establishment of a Commissioners' Project Group on Affordable Housing*, 7 January 2025

[5] See: *European Parliament decision of 18 December 2024 on setting up a special committee on the Housing Crisis in the European Union, and defining its responsibilities, numerical strength and term of office*

[6] See: *IRES REIT (Ireland), Covivio (France), Nexity (France), Cofinimmo (Belgium), Inclusio (Belgium), Xior (Belgium), Vonovia (Germany), Victoria Partners (Germany), Aedas Homes (Spain), Grainger PLC (UK)*

making the build environment the single largest contributor to environmental impact in the bloc. Decarbonising the operation of existing buildings is essential to meeting the EU's net-zero target by 2050. It is also key to delivering decent, affordable housing, where energy efficiency and access to renewables contribute directly to quality of life and long-term affordability. However, while listed property companies already embed top tier energy efficiency standards in their operations and play a leading role in upgrading Europe's building stock, the drive toward ever-higher performance thresholds must be balanced against the urgent need for affordable housing. High sustainability ambitions are important, but applying the most advanced standards across all projects can be cast prohibitive. A pragmatic and flexible approach that prioritises both environmental impact and economic viability is essential to avoid setting unrealistic and exclusionary expectations.

Finally, currently, more than 240 Real Estate Investment Trusts (REITs) operate across Europe, managing over EUR 326 billion in assets. They play a key role in upgrading the EU's building stock to meet the environmental targets while providing essential assets to the EU economy, including social and affordable housing. REITs are among the most effective and widely recognised vehicles for attracting institutional capital – particularly from pension funds – into the property market. However, the lack of harmonisation and mutual recognition among Member States limits the potential of REITs to benefit the European economy and its citizens fully.

Europe does not need to reinvent the wheel. Listed real estate companies are already proving that they can deliver on housing and being part of the solution – but they need the right EU framework to do more. EPRA's Public Affairs team will collaborate with clear proposals to the European institutions to develop a suitable environment which fits and promote the listed real estate.•

FOR FURTHER INFORMATION ON EPRA'S POSITION PAPER ON THE HOUSING CRISIS IN THE EUROPEAN UNION, INCLUDING CASE STUDIES:

JEAN-MARIE SIMON

EU POLICY MANAGER, EPRA

Jean-Marie is EU Policy Manager within EPRA. He is responsible for ESG and financial related policies. Since the beginning of his career, Jean-Marie developed an expertise in assisting all kind of stakeholders both private and public to raise their awareness on specific topics such as green finance, ESG, and digital.

Milliman

Listed Real Estate Gains from Solvency II Reform

Recent reforms to Solvency II have opened a new path for insurers, one that could make listed real estate a more attractive and capital-efficient investment, reshaping how long-term public equity is invested across Europe.

Over the past year, EPRA has worked intensively to assess and develop this opportunity. The headline figure is compelling: a capital charge reduction from 39% to 22% for qualifying listed real estate investments under the revised Long-Term Equity (LTE) submodule. The estimated impact from our project analysis is equally striking, with up to €100 billion in potential listed real estate inflows from insurers across Europe.

This is the story of how that opportunity came into focus, and what happens next.

In 2019, that began to change. Following advocacy by EPRA's Public Affairs team and further stakeholders like the EU insurance trade body, a new submodule was introduced: Long-Term Equity, or LTE. This lowered the capital charge for eligible long-term equity investments, including listed real estate, to 22%, making it more comparable to direct property and more appealing from a capital efficiency standpoint.

However, the initial LTE criteria were considered too rigid. Insurers pointed to two main barriers:

- The need to structurally ringfence light portfolios
- A strict five-year average holding requirement based on historic data.

Did You Know?

1 Solvency II governs over **€10 trillion** in insurance assets across the European Economic Area

2 The capital charge for listed real estate qualifying for the LTE module is **22%**, down from **39%**

3 **€2.3 trillion** in insurance AUM could benefit from the reform

4 A **5%** allocation to global listed real estate would represent a potential **€100 billion** inflow

A CLEAR SHIFT: FROM BURDEN TO OPPORTUNITY

Historically, listed real estate faced the same 39% capital charge as other equities under Solvency II, significantly higher than the 25% charge for direct property investments. This disincentivized insurers from investing in the asset class.

These conditions limited real world adoption. Through sustained engagement with EIOPA, the European Commission, and member insurers, EPRA pursued a second advocacy effort during the latest Solvency II review. The result: a further revision of Article 105a of the Directive, with two critical improvements:

1. Simplified Portfolio Requirements

Originally, LTE portfolios had to be *"identified, managed, and organised separately."* Now, they only need to be *"identified and managed separately."* This removes the burden of "ringfencing light."

2. Flexible Holding Period

Instead of proving a five-year average holding period with historic data, insurers now only need a forward-looking corporate policy stating intent to hold the equity exposure for five years or more.

These refinements are small in wording but substantial in impact, transforming LTE into a realistic and scalable path for listed real estate investment.

FROM INDUSTRY QUESTIONS TO ACTION

In September 2024, EPRA convened a roundtable with senior leaders from risk, investment, and regulatory teams at major European insurance groups. The aim was to explore whether recent changes to Solvency II made listed real estate more accessible for insurers. While the reforms were welcomed, insurers called for further analysis to understand whether the opportunity was truly material and how it could be practically implemented.

Following this request, EPRA approached several top tier pan-European consultancies. After a careful selection process, Milliman was chosen as the project partner.

WHY MILLIMAN

Milliman is one of the world's largest independent consulting, analytics, and actuarial firms. With a strong presence across Europe, the firm advises over 80% of the world's leading insurers, including 44 of the top 50 globally.

"By applying the Long-Term Equity module, the capital requirement for listed real estate is nearly halved, making it more comparable to direct real estate."

Sijbo Holtman
Senior Manager,
Milliman

FROM INSIGHT TO IMPLEMENTATION

The project has been structured into three core phases.

PHASE 1: SIZING THE OPPORTUNITY

To assess the market potential, Milliman conducted a targeted segmentation of the European insurance sector. The analysis eventually focused on standard formula insurers, excluding non-life companies due to their typically shorter liability profiles, which reduces the relevance of long-term investment strategies. It is important to also note that only firms with over €15 billion in assets under management were considered, ensuring that the implementation effort of the LTE module would be proportionate to their scale. This screening revealed approximately €2.3 trillion in potentially eligible assets. A conservative 5% allocation to listed real estate from this pool suggests an opportunity of up to €100 billion across all listed real estate regions.

"We believe there is a large opportunity for listed real estate resulting from the change in the SII regulation on the Long-Term Equity module,"

Job Prince
Principal
Milliman

PHASE 2: BUILDING THE BUSINESS CASE

The business case outlines the key features of listed real estate, its relevance to insurers, and the capital efficiency benefits under the LTE module, supported by a return analysis and qualitative comparisons with other asset classes. Importantly, it also includes an implementation roadmap detailing objectives, regulatory context, costs, and timelines. Insurance company internal model considerations are also addressed, with guidance on data use and potential calibration approaches for submodule public equity investments including listed real estate.

PHASE 3: DEVELOPING THE IMPLEMENTATION PLAN

The final project phase provides insurers with a concrete roadmap for LTE submodule adoption. Key elements include policy alignment, investment eligibility checks, reporting updates, and a clear governance structure to identify and manage investments.

WHAT COMES NEXT

With the initial project stages complete, EPRA has launched a targeted outreach campaign. Over 50 insurance companies across France, Germany, Italy, the Netherlands, Belgium, and Denmark are being contacted. The focus is on life and composite insurers using the standard formula, as well as internal model firms considering strategic alignment.

Alongside the insurers, EPRA is also engaging listed real estate companies, asset managers, and industry associations to support the broader outreach. Ensuring all market participants understand the benefits and mechanics of the reform is essential to long-term adoption.

SEIZING THE OPPORTUNITY

Whether you are a listed real estate company aiming to strengthen your institutional investor base, or an asset manager supporting insurer mandates, this is the moment to act.

If any of this project aligns with your goals, we are ready to support you. From materials and joint sessions to tailored briefings, EPRA is here to help.

Together, we can turn this policy shift into a meaningful reallocation of long-term capital from the insurance sector into listed real estate investments.

To explore next steps or request more information, contact us at IO@epra.com *or visit* www.epra.com•

SERKAN EROL

INVESTOR OUTREACH MANAGER, EPRA

Serkan joined EPRA's Investor Outreach team in 2019, following roles at BNY Mellon, Bank of America Merrill Lynch, and Euroclear across Brussels, Singapore, and London. He recently completed his Executive MBA at ESCP Business School and holds a BBA from Vesalius College.


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More info: www.cofinimmo.com

From the CSRD to the EPRA sBPR

In recent years, the European Commission (EC) has taken major steps to improve corporate sustainability reporting. The Corporate Sustainability Reporting Directive (CSRD), adopted in 2022, was a big part of that effort. It aimed to fix the gaps left by the previous rules (the NFRD), especially the lack of consistency, comparability, and scope in ESG disclosures. Under CSRD, the number of companies required to report on sustainability would jump from around 11,000 to nearly 50,000, with much more detailed and standardised requirements.

The CSRD introduced the concept of *"double materiality"*. Companies had to report not only how sustainability issues affect their business, but also how their operations impact people and the planet. The accompanying European Sustainability Reporting Standards (ESRS) were designed to make reporting more harmonised across sectors and to bring ESG on par with financial reporting.

But by late 2024 and early 2025, the EC began to reconsider this approach. Many businesses, particularly small and mid-sized ones, raised concerns about the complexity and cost of implementing the new rules. In response, the EC introduced the well know *"Omnibus simplification package"*, which significantly scaled back the CSRD. The rules will now only apply to the largest companies (but those with more than 1,000 employees!) and deadlines for implementation have been pushed back. Importantly for our sector, the EC also decided to cancel its plan to create mandatory, sector-specific reporting standards.

This is a major change from ambitious regulatory expansion to a more cautious and practical approach. The EC is still committed to sustainability reporting, but now wants to make sure the rules are more targeted, manageable, and cost-effective. For listed real estate, this recalibration is especially relevant, given the complexity of our assets and operations.

For EPRA and our members, these changes highlight the relevance of the **EPRA Sustainability Best Practices Recommendations (sBPR).** Before the CSRD existed, the EPRA sBPR were already helping the listed real estate sector report on ESG in a clear, consistent, and meaningful way. Since 2011, our framework, built largely on the GRI standards and developed with input from industry leaders and investors, has consistently provided listed real estate companies with a practical and sector-relevant ESG reporting approach.

With the EU now dropping sector-specific ESRS, and the simplification of the existing sector-agnostic ESRS, the EPRA sBPR fills a critical gap. It remains the main listed real estate-focused set of guidelines aligned with European policy goals. In 2024, we released the fourth edition of the EPRA sBPR, including a detailed comparison with the general ESRS. This helped our members prepare for CSRD and continues to offer practical guidance, whether they are still in scope or not.

Additionally, this year, we have carried out an analysis on the most reported sector-agnostic ESRS by EPRA Members, those that were under the original Wave 1 of the CSRD.

The simplification of CSRD also created a new situation for many EPRA members. Some companies that were originally preparing to comply with CSRD may now be exempt. While this relieves some of the regulatory pressure, it also brings uncertainty. Companies that had invested time and resources to align with the rules are now adjusting to a different landscape.

This makes consistent, sector specific guidance like the sBPR more important than ever, providing stability and direction amid shifting regulations.

Looking ahead, EPRA will continue to closely follow EU regulatory developments and ensure that the sBPR stays aligned with the Commission's expectations. We'll continue to prioritise the practical needs of our members, ensuring that ESG reporting translates into measurable performance and real impact.•

LOURDES CALDERÓN RUIZ
ESG MANAGER, EPRA

Lourdes embarked on her professional journey with EPRA in 2019, joining the Indexes & Research team and initiating her path in the listed real estate industry. In 2023, she transitioned to the Sustainability team, furthering her commitment to driving impactful initiatives in the industry within EPRA. Prior to joining EPRA, Lourdes worked at Kartesia (Brussels), monitoring 2 debt portfolios, and at Banco Santander S.A. (Madrid), contributing to key European regulatory projects. She holds a Master's degree in Law alongside a Business Diploma from ICADE – Comillas Pontifical University.

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EPRA Earnings Under IFRS: A Clearer Picture of Performance

The usefulness of an Alternative Performance Indicator (API) in the IFRS context. The case of "EPRA earnings" for European property companies

The study proposed by Disle C. and Janin R. aims to evaluate the relevance of a specific Non-GAAP metric, *"EPRA earnings"*, in the context of European REITs. Financial reporting practices in this sector are particularly noteworthy due to the dual influence of the IASB and European Public Real Estate Association (EPRA). Most European REITs, in accordance with IAS 40, choose to measure real estate assets at fair value—unlike under U.S. GAAP, which only permits the historical cost method. As a result, the income statements of European REITs may reflect unrealized gains or losses on property valuations.

EPRA introduced its own earnings metric arguing that fluctuations in the fair value of investment properties are largely transitory and therefore reduce the informativeness of IFRS earnings when it comes to assessing a REIT's core recurring performance and its capacity to pay consistent dividends. It is in this context that, in 2004, EPRA decided to promote the adoption of its Best Practice Recommendations (BPRs) by European REITs in order to make their financial statements *"clearer, more transparent, and more comparable across Europe."* EPRA considers EPRA earnings to be *"a key measure of a company's underlying operating performance and an indication of the extent to which current dividend payments are supported by earnings"* (EPRA, 2016). EPRA recommends that companies include in their reporting their reconciliations of EPRA metrics and IFRS measures, in line with ESMA and IASB (2019) recommendations.

The study analyzes a sample of 680 observations from 2011 to 2017, a period when EPRA earnings reporting became more widely adopted by European REITs, largely due to the influence of EPRA and the increasing adoption of its BPRs. Based on the idea that the more a performance measure enables the anticipation of future cash flows, including future dividends, the more relevant it is for share valuation, the authors conduct two tests to determine whether EPRA earnings provide more useful information than IFRS earnings. In the first test, they break down IFRS earnings into their main components: EPRA earnings, changes in the fair value of investment properties and other adjustments recommended by EPRA. Based on linear regressions, they find that EPRA earnings are more strongly associated with REIT operating cash flows and dividends at the one-year horizon than fair value adjustments. On this basis, the authors conclude that EPRA earnings have greater predictive power than IFRS earnings, and that the weaker predictive power of IFRS earnings is largely due to the inclusion of fair value changes in their calculation.

In the second test, they show that both IFRS and EPRA earnings are value relevant. However, based on linear regressions, they calculate that a one-unit change in EPRA earnings affects the share price three times more than the same change in IFRS earnings, which is consistent with a higher predictive ability of EPRA earnings. They also document that, when IFRS earnings are broken down into EPRA earnings, changes in the fair value of investment properties and other adjustments, both EPRA earnings and changes in the fair value of investment properties are informative. But a one-unit change in the fair value of investment properties affects the share price almost four times less, which is consistent with the lesser predictive ability of changes in the fair value of investment properties.

The managerial implications of the study are substantial. The results support the adoption of EPRA earnings as a standardised sector-specific measure that improves the transparency, comparability and usefulness of financial information for decision-making. By providing clearer insights into a firm's recurring profitability and dividend capacity, EPRA earnings enable managers and investors to better align performance assessments with strategic goals.

When investors have specific financial reporting expectations, and existing financial and accounting standards do not sufficiently support their investment decision, the publication of a standardized Non-GAAP performance measure such as EPRA earnings should be encouraged. However, for such measures to be truly useful in guiding investment decisions, two key conditions must be met. First, the organization responsible for defining the calculation methodology must have established its legitimacy and earned investors' trust. Since reliability is a crucial attribute for information to be relevant in decision-making, second, this reliability must

See: EPRA. (2016). Best Practices Recommendations Guidelines, November 2016.

See: ESMA. (2019). Report On the use of Alternative Performance Measures and on the compliance with ESMA's APM Guidelines.

be verifiable by a trusted third party. To date, although EPRA earnings must be presented reconciled with IFRS figures, current regulations do not require auditors to verify the EPRA performance measures. The authors suggest that EPRA earnings should be subject to a legal audit, or at least a limited review, in line with EPRA's own recommendations. They therefore call for changes in regulations to clarify the auditors' role and help improve the transparency of EPRA performance measures.•

According to DISLE C. & JANIN R. (2025), "L'utilité d'un Indicateur Alternatif de Performance (IAP) dans le contexte IFRS. Le cas du "résultat EPRA" pour les sociétés foncières européennes", La Revue de Sciences de Gestion, n°333, p.17.

RÉMI JANIN
ASSOCIATE PROFESSOR, GRENOBLE ALPES UNIVERSITY, GRENOBLE IAE GRADUATE SCHOOL OF MANAGEMENT (INP), CENTRE D'ÉTUDES ET DE RECHERCHES APPLIQUÉES À LA GESTION (CERAG), FRANCE

CHARLOTTE DISLE
ASSOCIATE PROFESSOR, GRENOBLE ALPES UNIVERSITY, GRENOBLE IAE GRADUATE SCHOOL OF MANAGEMENT (INP), CENTRE D'ÉTUDES ET DE RECHERCHES APPLIQUÉES À LA GESTION (CERAG), FRANCE

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Unlocking Capital Opportunities for Insurers and Pension Funds

Europe's listed real estate industry may be on the verge of a structural shit, both in terms of innovation and growth via strategic capital reallocation by insurance companies and pension funds. As institutions respond to new macroeconomic conditions, solvency regulation, and a growing demand for liquidity and ESG compliance, listed property companies stand to gain from a meaningful reweighting in long-term portfolios. For many real estate firms, this represents potential capital inflows and growth prospects. For insurers and pension funds, listed real estate may offer a scalable, transparent, and thematically relevant new opportunities to enhance returns, manage liability profiles, and strengthen ESG credentials.

THE INSTITUTIONAL INVESTMENT LANDSCAPE

Insurance companies and pension funds manage over **€17 trillion** in assets across Europe (EIOPA & OECD, 2024). Historically, these portfolios have leaned heavily on government bonds, investment-grade credit, and direct real estate holdings. However, this landscape is evolving. Persistent interest rate volatility, tighter spreads, and a greater need for liquidity and capital efficiency are forcing institutional asset allocators to reassess their exposures.

Recent allocations to real estate though all vehicles stands at around **7.8% for insurers** and **3.9% for pension funds** on average (EIOPA 2024 Insurance Statistics; EIOPA Occupational Pensions Report, 2024). But the majority of this exposure remains in **private or direct real estate**. Listed real estate, despite its many advantages, accounts for a fraction of institutional real estate exposure across Europe, representing less than **2% of total AUM** for insurers (EIOPA, 2024) and recently raging from 1.3% to 5.3% for pension funds (CEM Benchmarking, 2023)[1].

Rethinking Real Estate: The Listed Opportunity

For institutional investors, the characteristics of listed real estate match growing allocation priorities:

Liquidity, Speed and Hedging:

In a world where flexibility and rebalancing options are increasingly vital, listed property vehicles offer daily liquidity, as well as a wide range of vehicles for investing and hedging, including ETFs, mutual funds, futures, options and other liquid derivatives.

Transparency and Valuation:

Publicly traded REITs and property companies provide mark-to-market valuations, audited disclosures, compliance with financial reporting standards and standardized sector-specific financial and sustainability reporting[2].

Capital Efficiency:

Under Solvency II's standard formula, listed real estate may receive more favorable capital treatment compared to certain illiquid or alternative exposures, depending on the risk module applied.

Thematic Access and Diversification:

From logistics, life science and data centers to student housing, self-storage and healthcare, listed companies offer direct access to alternative real estate subsectors across several geographies, less visible in private markets (Oxford Economics, 2024). In the specific case of insurance companies[3] covered by EIOPA, EPRA has identified a strong home-bias in the aggregated real estate exposure across all types of instruments, much more evident in the real estate equity portfolio (below 2% of full AUM).

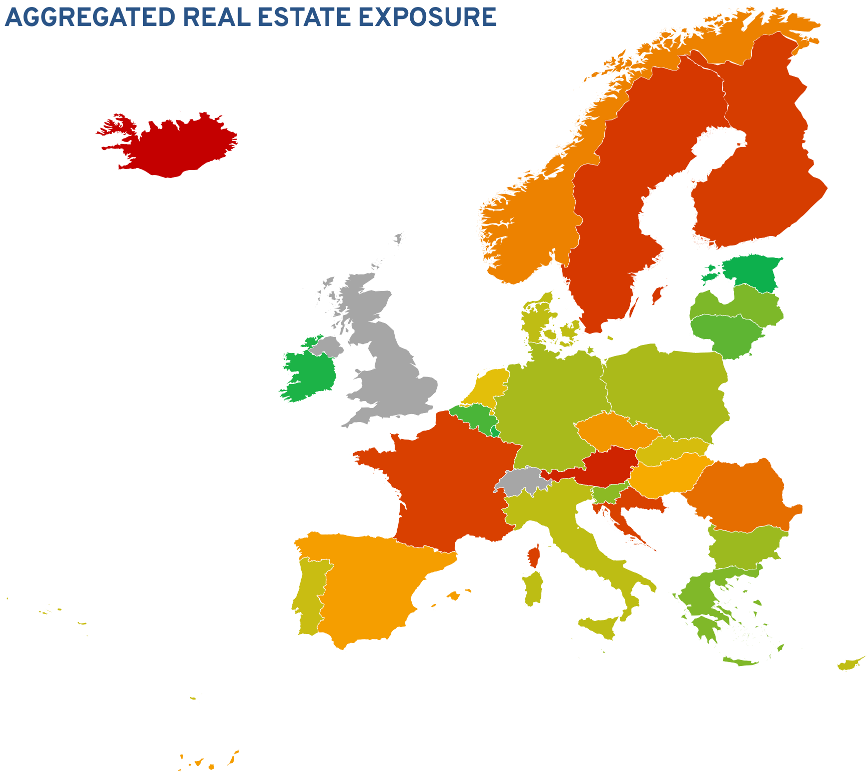
[1] Dutch, UK and Other European Funds.

[2] EPRA BPR and sBPR Guidelines.

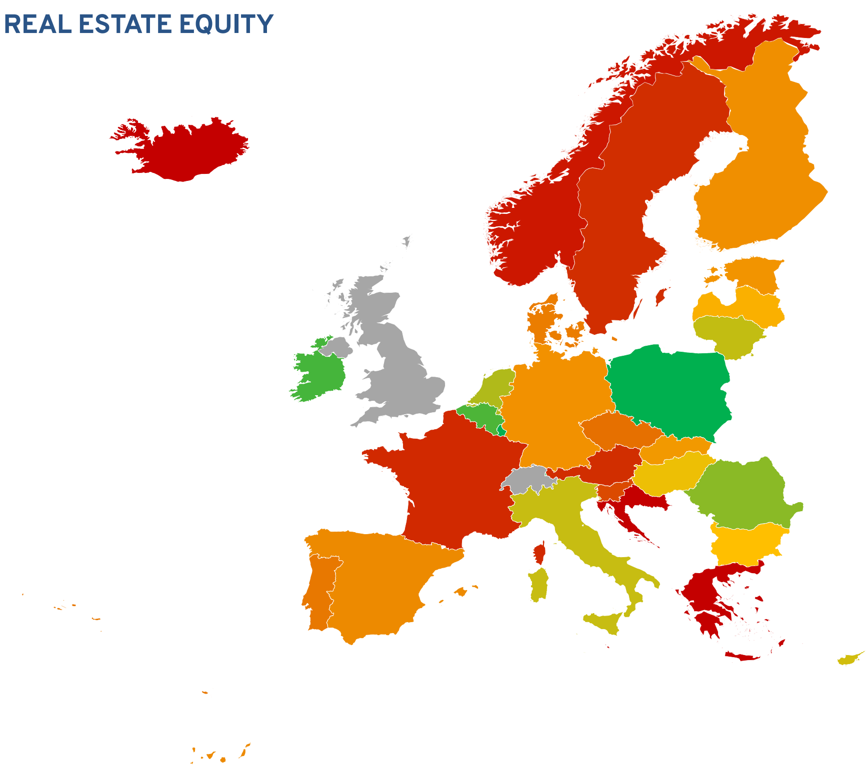
[3] The United Kingdom and Switzerland are not covered by EIOPA.

European Insurance Companies: Investments Local Concentration (Q4 - 2024)

AGGREGATED REAL ESTATE EXPOSURE



REAL ESTATE EQUITY



Source: EPRA Research, EIOPA's database as of December 2024

According to EPRA's own estimates, the total market capitalization of European listed real estate stands at **€433 billion** as of Q1 2025[4], with a growing representation of alternative sectors[5] and a well-diversified set of investment strategies, business models and geographical exposure.

PORTFOLIO THEORY MEETS ALLOCATION PRACTICE

In most institutional strategic asset allocation models, including mean-variance optimization, liability-driven investment (LDI), and risk budgeting, listed real estate can play a complementary role to both equities and fixed income.

Key advantages include:

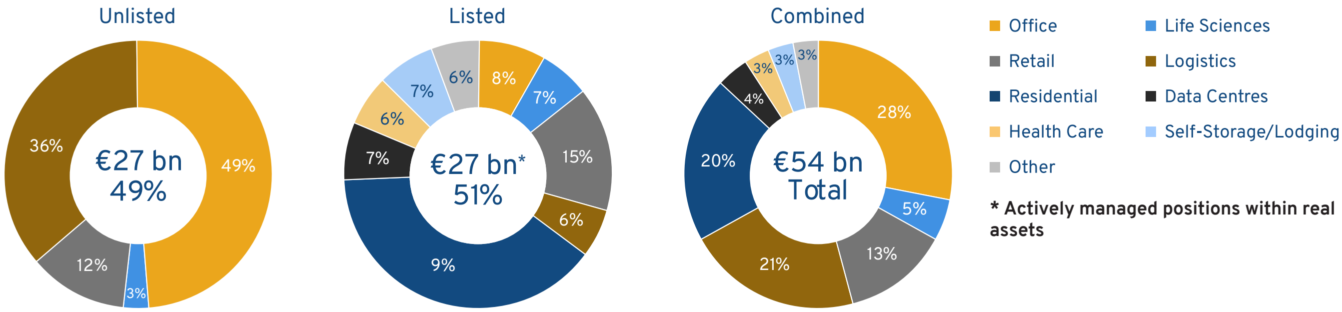
- **Low correlation** with traditional assets classes and high correlation with direct real estate (approx. 0.6-0.7) over long horizons.
- **Attractive yield profiles,** often above investment-grade corporate bonds, with **average dividend yields of 4.5–5.5%.**
- **Inflation hedging properties,** particularly in sectors with regular lease contract revisions and inflation-linked rents (EPRA Research, 2022).
- **Strong potential for completion and tactical allocations.** Public real estate stands as a powerful tool for completion and diversification strategies, in conjunction with allocations to direct, private and even existing listed real estate.

[4] EPRA TMT Report, March 2025.

[5] EPRA Alternative Sectors Report, July 2024.

Case Study: Norges Bank Investment Management (NBIM)

LISTED REAL ESTATE ENABLES EFFICIENT SECTOR DIVERSIFACTION AT PLACE



Source: EPRA Research, The role of listed real estate (LRE) for generalist investors, March 2025

If institutional investors were to align real estate allocations with model portfolios that recommend **9-11% in direct real estate,** with **5-8% in listed real estate** (Oxford Economics, 2024), the implications would be profound. A **1% reallocation** of institutional AUM from fixed income to listed real estate would equate to **€150–200 billion** in potential inflows, enough to significantly influence liquidity, pricing, and valuations across the sector.

POTENTIAL ACCELERATORS OF REALLOCATION

Several regulatory, market, and strategic trends are acting as catalysts for this capital migration:

1 Regulatory Adjustments

Solvency II refinements (2024 review) have clarified treatment of listed real estate assets under the equity and property risk modules, enabling insurers to assess capital charges more accurately. Meanwhile, IORP II compliance frameworks increasingly recognize the liquidity and transparency advantages of public markets.

2 Market Access and Product Innovation

The rise of dedicated listed real estate ETFs, mandates, and multi-asset funds has lowered the cost of entry. More importantly, European REIT regimes have matured, with improved governance and payout structures, making them suitable for large-ticket institutional mandates.

3 Sustainability and ESG Alignment

Several EPRA members report detailed ESG metrics, outperforming private peers on energy intensity, carbon disclosure, and GRESB participation. For pension funds bound by Article 8 and 9 SFDR classifications, listed vehicles provide ready-made ESG reporting infrastructure.

4 Visibility for Generalist International Investors

Investment companies and analysts/fund managers are now focusing on operational cash flow. This means that it is easier for LRE to fit into the generalists' screening process, which in addition to earnings growth has an emphasis on exposure to broader trends such as demographics, urbanisation, and technological change that impact all equities sectors including LRE (EPRA Research, 2025)[6].

5 Attractive Valuations

As of early 2025, listed real estate stocks in Europe trade at an average 20–25% discount to NAV. For institutions willing to take a medium-term view, this presents a rare entry point into high-quality assets at below-replacement cost.

CONCLUSION: A STRUCTURAL REALLOCATION IN THE MAKING

The convergence of regulatory changes, market access, thematic alignment, wider visibility and valuation appeal is bringing listed real estate into sharper focus for Europe's largest investors.

While challenges around volatility and macroeconomic changes persist, the structural case for increased institutional allocation is compelling.

For insurance companies and pension funds, listed real estate represents a pragmatic bridge between long-term exposure to real assets and the liquidity, transparency, and diversification needed in modern portfolio construction. For listed property companies, it signals a call to elevate standards, articulate strategies, and position themselves as reliable partners to capital.

In an environment where every basis point counts and strategic sustainable allocation drives long-term outcomes, the road from rebalancing portfolios to real estate transactions is expected to grow in the public markets.•

DAVID MORENO
INDEXES MANAGER, EPRA

David joined EPRA in 2016. He has a background in financial markets within financial institutions mainly as analyst for fixed income and corporate finance. CFA charter holder. He is Economist and Professional in Finance from Universidad del Rosario (Colombia) and holds a joint Master degree in Quantitative Economics and Financial Engineering from Université Paris I Panthéon-Sorbonne (France) and Universitá Ca'Foscari di Venezia (Italy).

[6] MOSS, Alex & GU, Yiging. *The role of listed real estate (LRE) for generalist investors.* March 2025.

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Liquid, Scalable, Built for the Cycle? The Answer is Listed Real Estate

Invesco's new research shows why LRE isn't a proxy for private markets—it's a power tool for portfolio performance.

In today's capital allocation strategies, real estate stands as a core pillar of diversification. But not all real estate exposure is created equal—or behaves the same. In its new research paper *Public vs. Private Real Estate: Portfolio Construction Considerations,* **Invesco Real Estate** unpacks the practical distinctions between direct property ownership and listed real estate investments, providing institutional investors with a sharper lens on portfolio construction.

The key message:

Public and private real estate share long-term alignment, but offer distinct advantages in the short to medium term.

Both deserve a place in a modern, diversified portfolio—and listed real estate offers unique flexibility and insight that institutional investors should not overlook.

Three Takeaways for Asset Allocators

1 NOT A PROXY—BUT A COMPLEMENT.

Listed real estate shouldn't be used as a short-term proxy for direct property valuations. Invesco's analysis of over three decades of data shows that while returns converge over longer horizons, short-term return drivers diverge sharply—especially during periods of market stress. This distinction enables better portfolio resilience when both exposures are used thoughtfully.

2 LIQUIDITY IS NOT OPTIONAL.

Where private markets provide control, public REITs deliver access. Listed real estate offers daily pricing, ease of trading, and low transaction costs—crucial qualities for portfolios navigating volatility, redemptions, or tactical rebalancing needs. For many investors, it's the only real estate exposure that can be scaled up or down without delay.

3 THE BENEFITS PERSIST OVER TIME.

Invesco's principal component analysis (PCA) demonstrates that listed and direct real estate exhibit different statistical return patterns—not just from equities, but from each other. This isn't anecdotal—it's empirical. The implication? Pairing them enhances diversification, especially in risk-aware strategies.

“Listed real estate moves faster—but that’s exactly what makes it useful.”

A tool for the whole cycle

Unlike direct assets, listed REITs offer continuous price discovery. Transparent pricing reflects real-time shifts in investor sentiment and market outlook. Over the cycle, this enables investors to make better-informed decisions, allocate dynamically, and maintain liquidity cushions without compromising real estate exposure.

Accessible scale, institutional quality

For investors without billions in discretionary capital, listed real estate offers something direct markets often can’t: accessibility. Building a diversified direct portfolio might require a commitment of $900 million or more—an obstacle for many. REITs, by contrast, enable instant sector and geographical diversification, high dividend yields, and exposure to core real estate assets—all without the operational burden.

Final word: From insight to allocation

This research from Invesco doesn’t pit public against private. Instead, it shows how the strengths of listed real estate—liquidity, transparency, diversification—complement long-term private exposure. Many investors tend to think of listed real estate as either a sub-category of the equity market, or a sub-category of real estate. Invesco’s report shows that listed real estate should stand as its own asset class. Asset allocators looking for both stability and optionality should embrace both listed and direct real estate, allocating strategically across the cycle.•

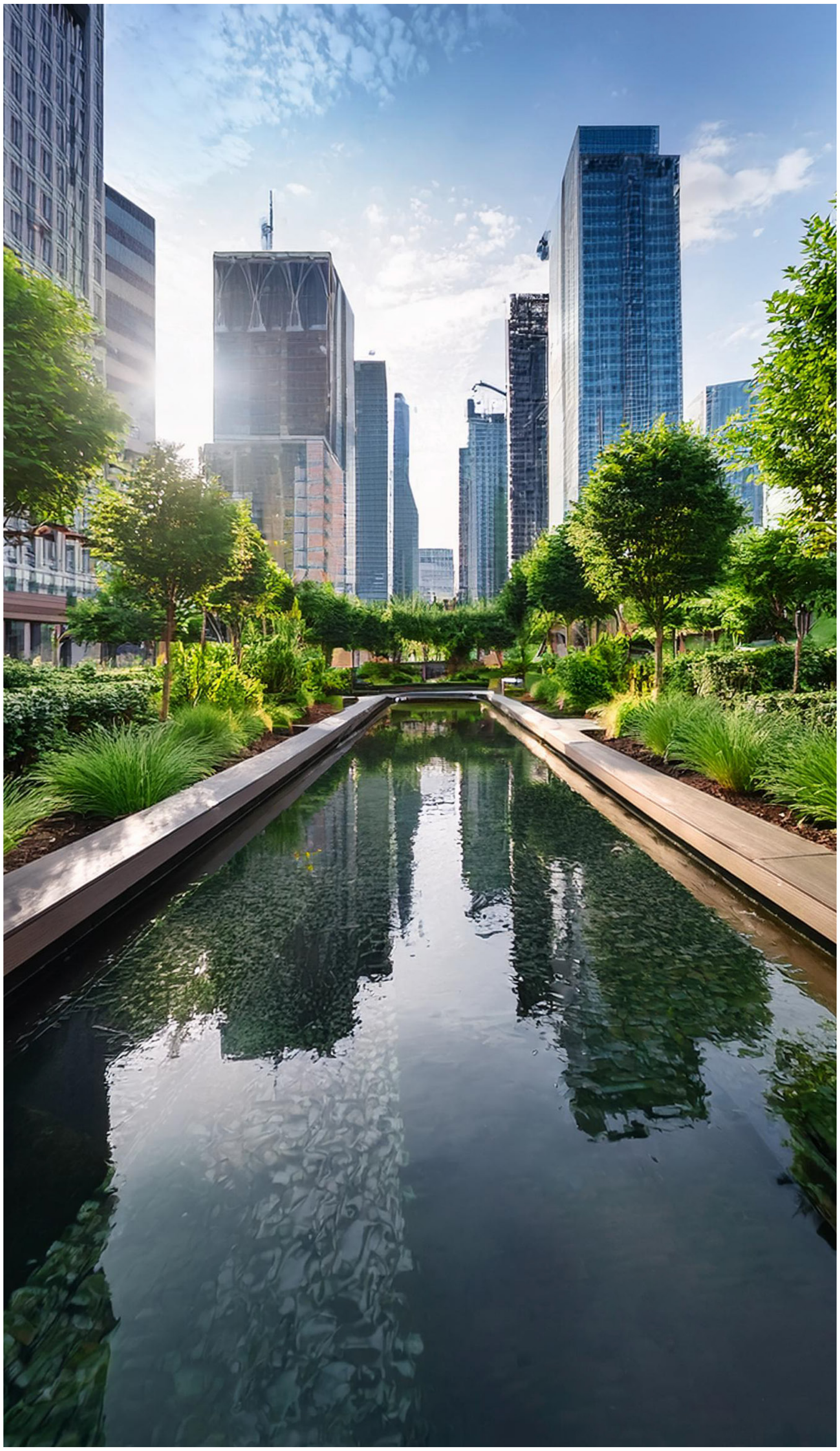
For more on this topic or to read the full research, access the piece here:

Mike Bessell
Managing Director and European and Global Investment Strategist at Invesco Real Estate - London

Matthew Hall
Senior Director, Research and Head of Data Analytics Europe at Invesco Real Estate - London

Kenneth Blay
Head of Research, Global Thought Leadership at Invesco - Boston

Climate's Cost



VULNERABLE EUROPE

Europe is facing the stark reality of physical climate risk. This past summer saw record-breaking heatwaves grip the continent, with Southern European temperatures soaring to an unprecedented 46°C.[1] This follows on from the devastating flooding in October 2023 that hit southeastern Spain. Such extreme events are not just short-term disruptions; as they become more frequent, intense, and unpredictable, they are having a growing impact on infrastructure, buildings and crucially, our communities. Real estate is not merely impacted by climate change; it stands as our front line of defence. The potential financial implications are vast, as JLL estimates that a staggering $580 billion (37%) of European commercial real estate (CRE) is located in the top 10 cities most susceptible to climate impacts (this includes major cities like Paris and Frankfurt).[2] This concentration of vulnerability demands attention to protect both human well-being and asset value. Ensuring lasting resilience will involve a re-evaluation of our entire real estate approach, one that relies on collaboration and concerted action from investors, owners, occupiers, lenders, and governments alike.

RESILIENCE AS THE NEW VALUE DRIVER

Climate considerations are reshaping Europe's property landscape. As transition risks already impact market dynamics, the surge in extreme weather events is making physical climate resilience a top priority for occupiers. Companies face mounting challenges from business disruptions, property damage, escalating insurance premiums, and workforce productivity losses. These factors are collectively driving a decisive shift in demand toward buildings engineered to withstanda climate threats. In fact, JLL data highlights this shift, revealing that 72% of EMEA CRE leaders now prioritise climate-resilient properties.[3]

[1]Source: https://www.bbc.co.uk/news/articles/c9dggnndx9xo

[2]Source: https://www.jll.com/en-uk/insights/from-climate-risk-to-climate-resilience

[3]Source: *Global JLL Future of Work Research*, 2024

Some 15-20% of European assets commonly face immediate actionable risk,[4] demanding new CapEx or even exit considerations. Proactive investors and owners are therefore responding by integrating physical climate risk assessments into standard due diligence. Leading investors are directly embedding climate-focused CapEx planning into their strategies, aligning risk mitigation and adaptation with decarbonisation goals. Combining net zero carbon (NZC) and adaptation in asset assessments offers more holistic future-proofing opportunities and can highlight significant efficiencies for future asset planning. Data from Climate X confirms that well-planned CapEx yields a substantial 15-20% improvement in long-term property value retention.[5] Collaboration between occupiers and owners is essential to effectively implement these plans and minimise disruption.

CITY LEVEL RESILIENCE AND NATURE BASED SOLUTIONS

The climate resilience of any specific real estate asset is not just about the building itself; it is intricately linked to the resilience of its surrounding environment and supporting infrastructure—think transport, power, water, and sanitation. For this reason, investors will inevitably place a higher risk premium on properties within cities frequently impacted by climate events, even if individual buildings appear robust.

Leading investors are already looking beyond isolated site locations, actively scrutinising the broader climate risk mitigation measures cities are undertaking. It is a strategic play: one that recognises that adaptation does not happen in isolation but through systemic support across the economic fabric. Paris, being among Europe's most vulnerable cities to climate impacts, is implementing solutions like installing insulation below its iconic zinc roofs and creating more green rooftop spaces to combat the urban heat island effect, directly preventing buildings from overheating. This highlights a significant opportunity for local governments to partner with investors, collaborating to create not just more resilient buildings, but truly resilient cities.

Not all climate adaptation measures require a large carbon footprint. Research consistently shows that nature-based solutions (NBS) are often more cost-effective and equally impactful in enhancing asset resilience. For instance, in urban environments most NBS deliver dual benefits, simultaneously combating both flooding and the urban heat island effects. Increasingly, developers and investors are leveraging these nature-based approaches, such as green roofs or gardens for natural shading, to effectively de-risk their assets and improve the human value proposition for occupiers.

BRIDGING THE ADAPTATION FINANCE GAP

The financial challenge of building resilience is undeniable, high costs and a lack of reliable data is often cited by real estate firms as major barriers to implementing adaptation. This is precisely where the sustainable finance sector must step up. Currently, less than 10% of sustainable finance is channelled towards climate adaptation, creating a critical funding gap.[6] To unlock the necessary capital, lenders must strengthen their sustainable finance frameworks to include climate adaptation activities, while both lenders and investors commit to more rigorous and detailed climate risk assessments. This will not only de-risk adaptation projects but also pave the way for innovative blended finance options, combining concessional capital like low-interest loans, grants, or guarantees with commercial investment.

CALL TO ACTION

Adapting to climate change and strengthening our collective resilience is not a task for any single entity. How costs and risks should be shared across private and public sectors is still an area for debate, however, it is clear unprecedented cross-sector collaboration is imperative. As Europe grapples with the escalating consequences of climate change, the real estate industry finds itself with an opportunity to redefine its value to society.•

SABRINA ANDREI
ASSOCIATE
EMEA
SUSTAINABILITY
CONSULTING,
JLL

WILLIAM HIRONSI
GRADUATE
EMEA
SUSTAINABILITY
CONSULTING,
JLL

[4]Source: https://www.climate-x.com/articles/industry/how-risk-impacts-property-value

[5]Source: Real Estate Climate Risk Adaptation Strategies | Climate X

Welcome to the Newest EPRA Members

COMPANY		CLASSIFICATION	COUNTRY
Property Companies			
ALTAREA	ALTAREA	Retail	FRANCE
blue square	BLUE SQUARE REAL ESTATE	Diversified	ISRAEL
Heba	HEBA FASTIGHETER	Residential	SWEDEN
hedge. INVESTMENTS	HEDGE BRASIL SHOPPING FUNDO DE INVESTIMENTO IMOBILIÁRIO	Retail	BRAZIL
HIAG	HIAG	Diversified	SWITZERLAND
INDURENT	INDURENT	Industrial	UNITED KINGDOM
INTEA.	INTEA	Diversified	SWEDEN
LIGHTHOUSE PROPERTIES p.l.c.	LIGHTHOUSE PROPERTIES	Retail	MALTA
milepro	MILEPRO SOCIMI	Industrial	SPAIN

COMPANY	CLASSIFICATION	COUNTRY
PRISMA PROPERTIES	Retail	SWEDEN
REALTY INCOME	Retail	USA
ROMANO SOCIMI	Residential	SPAIN
SVEAFASTIGHETER	Residential	SWEDEN
Investor & Other Members		
HOHENHEIM UNI		GERMANY
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LASALLE		USA
MEASURABL		USA
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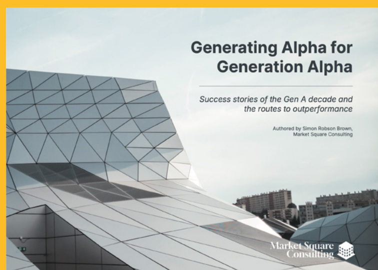
Scan to find out who are "The Famous Five"



TIME FOR A RETHINK. THE ROLE OF LRE FOR GENERALIST INVESTORS

BPR AWARDS 2025

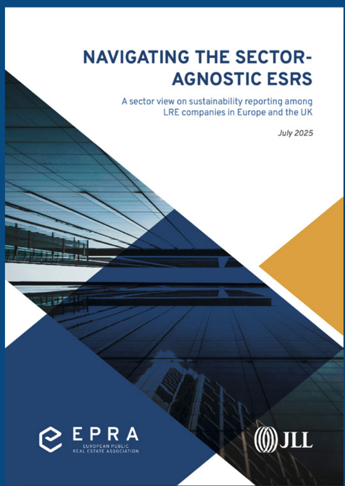
EPRA BPR MOST IMPROVED

sBPR AWARDS 2025

EPRA sBPR MOST IMPROVED

GLOBAL REIT SURVEY

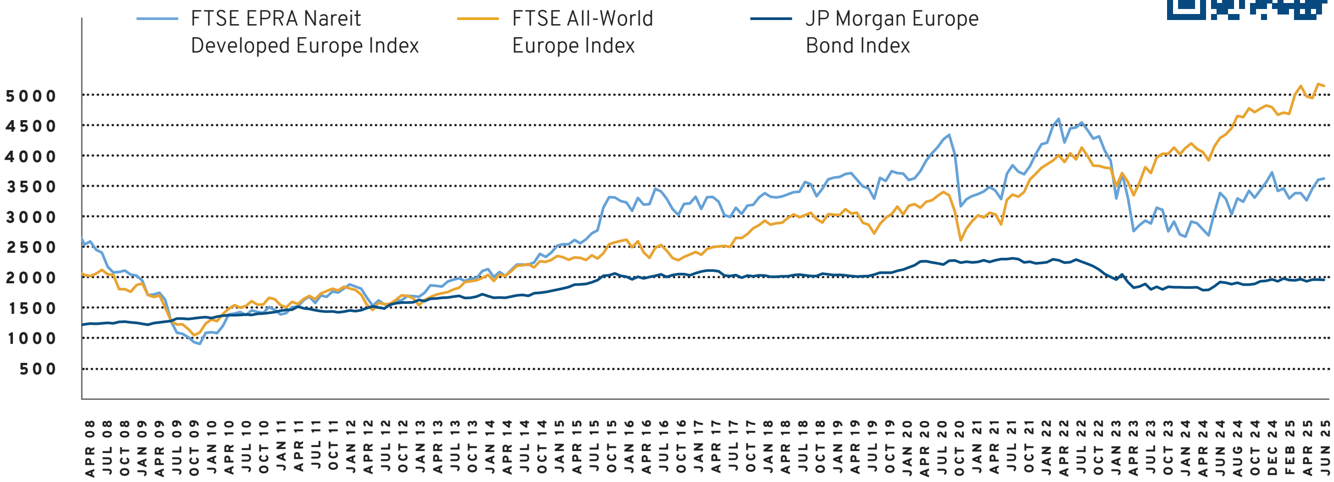
NAVIGATING THE SECTOR-AGNOSTIC ESRS



Index focus

SCAN TO VIEW
SEPTEMBER DATA

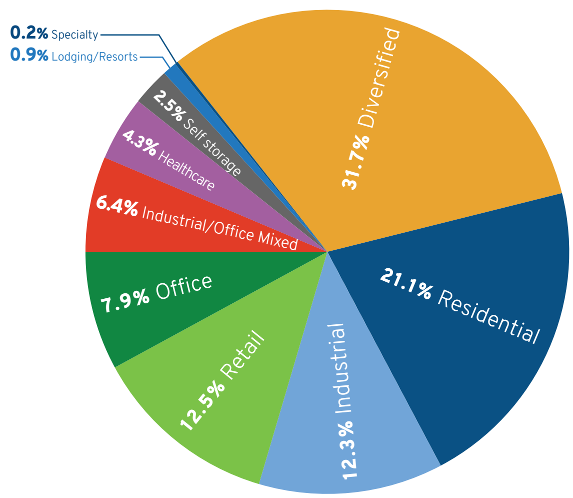
Comparison of asset classes



Value snapshot (June 2025)

DEVELOPED EUROPE	LATEST (HALF MONTH)	YEAR TO DATE	1-YEAR	10-YEAR (LONG RUN)
Average Total Return (%)	0.50%	9.91%	9.48%	17.22%
Average Premium/ Discount to NAV (%)	-25.52%	-28.30%	-26.64%	-17.70%
Loan-to-Value (%)	38.78%	39.00%	38.90%	37.35%
Average Dividend yield (%)	4.18%	4.17%	4.06%	3.78%

Developed Europe Index sector share



Top 10 constituents of the FEN Developed Europe Index by Mkt Cap (June 2025)

FTSE EPRA NAREIT DEVELOPED EUROPE INDEX				
STOCK NAME	**COUNTRY**	**REIT STATUS**	**SECTOR**	**INVESTMENT FOCUS**
Vonovia SE	GER	Non-REIT	Residential	Rental
Segro	UK	REIT	Industrial	Rental
Swiss Prime Site	SWIT	Non-REIT	Diversified	Rental
Unibail Rodamco Westfield	FRA	REIT	Retail	Rental
PSP Swiss Property	SWIT	Non-REIT	Diversified	Rental
Klepierre	FRA	REIT	Retail	Rental
LEG Immobilien AG	GER	Non-REIT	Residential	Rental
Land Securities Group	UK	REIT	Diversified	Rental
LondonMetric Property	UK	REIT	Diversified	Rental
Gecina	FRA	REIT	Office	Rental

Square de Meeus 23
1000 Brussels, BE
T +32 (0)2 739 1010

Find more information on **www.epra.com**
@EPRA_realestate

Editor & Production Manager
Roxana Caba

Comments & Suggestions
r.caba@epra.com

Design & Layout
ZN Consulting | **znconsulting.com**

Article Credits

AP7 Lena Fahlén
Maria Björklund

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