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Pivoting to pole position: An interview with Jean-Pierre Hanin

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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

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Update from Dominique Moerenhout

At the time of writing, all eyes are turned to Ukraine and ways we can help in what has now become the biggest humanitarian crisis on our continent. I salute EPRA members who step up with practical solutions and financial aid to support refugees. As millions of people flee their homes and temporary solutions are being put in place in neighbouring countries, a long-term housing plan will be desperately needed. The UN refugee agency has initially predicted that up to four million people could flee, while the European Commission says it could be as much as seven million.

The urgency for comprehensive, affordable rental housing solutions has been already heightened by the pandemic. Demand is continually growing, and the deficit between housing required and available supply is increasing in most markets. In this context, private investors, such as social housing REITs, will have to play a crucial role in meeting housing needs across Europe. In this edition, Paul Bridge, CEO of Social Housing at Civitas, and Marc Brisack, CEO of Inclusio, give their insights on how European listed real estate can be part of the solution.

The situation in Ukraine, as well as inflation and interest rates, will undoubtedly continue to have repercussions on the global economy and financial markets. We will therefore dedicate the afternoon sessions of the EPRA Annual Conference to a strategic take on various 'what if' scenarios and how we can plan for them. The event will take place in person in Paris on September 6-8, and I hope to see many of you there. Registrations are open via our website, and sponsorship packages are also available. For more information, contact our team at conference@epra.com.

Furthermore, I would like to remind you about the second edition of the EPRA Executive Programme for listed real estate professionals organised in partnership with INSEAD on their campuses in Fontainebleau in June. Enrolment is ongoing and our team at education@epra.com can provide you with more details.

I also want to take this opportunity to warmly thank Méka Brunel, former CEO of Gecina, for her tenure as EPRA Chairwoman. It was undoubtedly a difficult period, marked by the COVID-19 crisis, so I am therefore particularly thankful for her outstanding leadership, vision and commitment during these unprecedented times. In parallel, I am very pleased to welcome the nomination of Pere Viñolas Serra, CEO of Colonial, as Chairman for the years 2022-2024 as I have no doubt he will seek to further expand on the work that our association has been doing for the sector and our members.

Finally, as always, I would like to welcome our newest members: Aurora Eiendom, Equinox, K2A and Life Science REIT. •

In this issue

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Pivoting to pole position

An interview with Jean-Pierre Hanin, CEO at Cofinimmo

Jean-Pierre Hanin, Chief Executive Officer at Cofinimmo

"Cofinimmo is achieving a significant and unique transformation. In a short space of time, the teams put in a huge effort to evolve from a business mainly focused on the office space to a European leading healthcare real estate player," explains Jean-Pierre Hanin, Chief Executive Officer of Cofinimmo.

Indeed, the company has been on quite a journey since its founding in 1983. After establishing itself as a leader in office real estate next to other small diversifications, the company decided to pursue a new path which ultimately led to it becoming a juggernaut in the European healthcare space.

Jean-Pierre Hanin outlines Cofinimmo's journey, saying that "back in 2005 we were largely office focused, but then we decided to invest in a small nursing homes portfolio, being at that time the first Belgian REIT investing in that asset class". From this point on, Cofinimmo continued to make further investments across Europe's expanding healthcare sector, which propelled it to its position as Belgium's premier listed REIT. Today the company owns a property portfolio worth over EUR 5.7 billion – out of which EUR 3.8 billion is in healthcare – representing a total area of nearly 2.5 million m². That makes it the largest listed Belgian company in terms of volume of direct investments in the real estate segment.

The genesis of Cofinimmo's decision to pursue opportunities in the healthcare real estate segment was based on solid long term fundamentals and an early realisation there were fewer high-value opportunities in the office sector, where the brand had traditionally been strong. "The principle governing our diversification strategy was to find the next generation of growth after the office sector, which we realised was already quite mature back then," he explains.

This approach has caught on, which has not escaped the Chief Executive's attention. Jean-Pierre Hanin mentions that "since then, a lot of others have followed. Cofinimmo was a pioneer in identifying this segment as being a sustainable one to invest in". Its extensive activity across Europe will have undoubtedly caught the eye of others, with the organisation now operating in Belgium, France, the Netherlands, Germany, Spain, Finland, Ireland, Italy and the United Kingdom.

However, it is important to stress that Jean-Pierre and his team have not neglected to upgrade and valorise their other portfolios in their pursuit of healthcare growth. He outlines this, saying: "Our strategy is to consolidate our leadership around healthcare in Europe while having a prime office portfolio focused on the Brussels Central Business District. This is then supplemented by being opportunistic in our distribution network properties. These three elements embody our current core strategy – 'caring, living and working' – together in real estate."

HEALTHCARE INSIGHTS

All of this has given the company a hugely interesting insight into the outlook for a sector that has been brought sharply into focus by the past two years' pandemic.

Healthcare, Jean-Pierre explains, is a very specific and unique sector, different to all other sectors for myriad reasons that those who do not fully understand it might miss. To start with, there is the fact that it involves so much collaboration between the public and private sector at different levels, which can be a sensitive topic given the vital importance of the health sector. This is then complicated by the fact that you can have several different public agencies with overlapping responsibilities at local, regional and intra-national levels. In addition, the sector has to evolve to sudden new challenges, such as continuing to provide high-quality services while still being affordable for society. As a long term real estate investor, Cofinimmo must understand and anticipate these trends.

The Belgian Chief Executive explains how this looks in practice for those operating in the sector: "You don't decide to build a facility as you do in the office or the retail sector. Your analysis must take the broader healthcare ecosystem into account. This includes understanding the dynamic of demography and availability of long term care in the area and the way a facility will fit in a broader network with other actors like clinics and hospitals."

On top of this, in a market like Europe, developers and investors must also navigate very different approaches between different geographies; the healthcare systems differ wildly among countries in terms of e.g. the way capacity is planned, care is financed, facilities shall be designed. As a result of this, the teams at Cofinimmo perform rigorous analysis before entering any new market, which consists of a "deep dive into the healthcare sector in that country's legislation, its financing, how it is structured and the operators".

While Jean-Pierre is open about the challenges of operating in the healthcare sector, he is also candid about the opportunities that it presents. Those who can navigate its complexities can be well rewarded for their efforts. "There will be many opportunities to help the evolution of the sector. We want to work very closely with the operators to help them to tackle this challenge. We have the firepower and can go along with these operators," he explains.

Much of this new opportunity will be driven by a renewed focus on improving the sector for its beneficiaries: the residents or patients. This must happen jointly by policymakers and health authorities across Europe. "The pandemic and some recent lights have demonstrated that the sector cannot be neglected, nor can it be considered in silos," he says. A crisis is always an opportunity to rethink the global approach to reach a transparent system balanced for all stakeholders, from the individual residents/patients, the operators – whether public, private or non-profit – to the real estate landlords and investors. Healthcare clearly needs more global and structured attention. However, there has been a longstanding need for further investment in many countries' health systems that predates the pandemic, and this will be compounded by Europe's ageing population.

According to the projection from the European Commission (Eurostat, September 2021), as from 2026 on the European population will start declining, whilst the share of elderly people will keep on growing. By 2050, the elderly population aged 65 years old and above will account for 30% of the total population from currently 20%. The very old population (≥ above 80 years old) will account for 11% of the total population, from currently 6%.

The Montoyer 10 project in Brussels CBD, for which a BREEAM Outstanding certification is aimed, is a perfect illustration of Cofinimmo's ambition to continue its sustainable growth

Cofinimmo decided to pursue a new path, which ultimately led to it becoming a juggernaut in the European healthcare space (here a nursing & care home in Oleiros, Spain, with BREEAM Excellent certification).

This will heighten demand for not only facilities like nursing homes but a range of elements of the healthcare real estate mix, both in cure and care segments.

A STRONG TRACK RECORD IN SUSTAINABILITY

Hanin's long career in the industry has given him a strong understanding of the external forces currently shaping the real estate sector and how these might play out. On inflation - arguably one of the biggest financial talking points of 2022, he believes a lot of its impact will depend on how rapid and high it is. He also "welcomes a moderate level of rise in interest rates, since negative interest rates are not sustainable and could not support sustainable growth".

Jean-Pierre is also a firm believer that sustainability is reshaping the sector for the good, saying that "climate change and the Green Deal will be much more important in the grand scheme of things than the takeaway from the COVID crisis".

When it comes to sustainability, the Chief Executive is eager to point out Cofinimmo's strong track record. "Every acquisition and portfolio is scrutinised from this perspective," he explains, describing how the team's rigorous analysis has been channelled into ensuring that the group is making a positive difference. Jean-Pierre continues that "we are undertaking to reduce the energy use of the portfolio by 30% by 2030 against 2017, which is in line with COP21 objectives". Beyond this substantial commitment, Cofinimmo has also been at the forefront of several other ESG initiatives, including the launch of sustainable bonds, which recently convinced Euronext Brussels to grant Cofinimmo its Sustainable Growth Award 2021.

Climate change, inflation, challenges facing the healthcare sector and the ongoing recovery from the pandemic present Europe's real estate industry with a rapidly changing landscape. In these circumstances, players need to adapt rapidly to secure returns and keep ahead of the competition. Under the helm of Jean-Pierre Hanin, Cofinimmo has shown it can adapt quickly and thrive – you wouldn't bet against them doing the same again. •

JEAN-PIERRE HANIN

Jean-Pierre Hanin is 55 years old. After a law degree (Saint-Louis and KUL, Belgium), he completed an LLM in the United States (Georgetown University, USA), followed by a Master's degree in tax management at Solvay Business School. He began his career in an international law firm and then joined the Lhoist group in 1998. He stayed there for 14 years, holding different positions, including CFO and CEO. In 2013, he moved to Etex as CFO before leading its largest division, Etex Building Performance. He joined Cofinimmo in February 2018 as a director before officially taking up the position of CEO in May 2018.

A force for good – social housing REITs can make a difference after COVID-19 and beyond

The COVID-19 pandemic put construction projects across Europe on hold for several months, with lockdowns preventing both the completion of existing projects and new ground from being broken. This was a challenge for vitally important areas of the real estate industry like social housing, which is responsible for meeting the housing needs of vulnerable people across the continent.

However, when discussing the challenges of the last two years with leaders from across Europe's social housing sector, this short-term disruption appears to not have had too severe an impact on its ability to deliver. Those operating in the industry report that despite some ups and downs in investment, they only experienced a temporary setback. Marc Brisack, CEO of Inclusio, highlights this by saying, "The pandemic caused very limited delays in the delivery of our projects. We only had one project for 40 units of affordable housing that experienced a two-months delay from the original delivery date."

Indeed, some sub-sectors of social housing have not felt much of a pinch at all, as Paul Bridge, CEO of Social Housing at Civitas, explains: "In terms of our own sub-sector – specialist supported housing for vulnerable adults with complex needs – supply has always been constrained, whilst demand continues to grow. The requirement for an experienced and specialised investor like Civitas, therefore, remains very strong."

PARTNERING FOR PROGRESS

Social housing has clearly come through the pandemic in good shape and has strong foundations for further growth. According to those leading the sector, REITs will have a big role to play in this as industry and policymakers look for ways to facilitate further expansion.

The role social housing REITs are expected to play in the delivery of homes in the sector is not fundamentally different to that which it did before the pandemic, but the broader economic changes ushered in by the last two years does mean that they will be relied upon much more heavily.

Antares is a project completed in 2021. Inclusio renovated an old office building in 79 affordable housing apartments in Woluwe St Lambert (Brussels).

The simple reason for this is that Europe needs more social housing, but at the same time, squeezed public purses do not allow for a great deal of direct government investment. The imbalance between supply and demand remains just as high as it ever was across much of the continent, and policymakers and housing authorities face continued calls from citizens to build more social housing. At the same time, additional borrowing for one-off spending initiatives like furlough schemes has pushed debt-to-GDP ratios up significantly, which leaves little in the pot for ambitious social housing projects.

Furthermore, the European Commission predicts that up to seven million people from Ukraine could seek refuge in the EU because of the Russian invasion. While this policy is categorically the right decision, it will put further strain on the continent's housing stock. Once these refugees are safely in the bloc, policymakers will need to consider increasing Europe's supply of residential housing.

Private investment – in the form of social housing REITs – presents an ideal solution to this problem. The deployment of private capital in the social housing sector will therefore be central to the provision of more state and local authority-owned homes.

Many players operating in the industry have demonstrated strong track records of public-private partnerships, which has sown the seeds for successful collaborations in the future. Paul Bridge says that "one such project is the homelessness work Civitas undertook in partnership with Barnet Council in North London at the time of the first national lockdown, which saw us repurpose three buildings into specialist accommodation for the homeless". Bridge continues that "this provided a number of beds to those who needed them most during this national crisis.

Civitas Social Housing asset in Folkestone, Kent.

Partnerships like these make financial and moral sense for the Government and local authorities to participate in, given they produce positive social impact at reduced financial costs when compared to putting people up in hospitals or other care settings."

Private sector involvement in social housing can also help upgrade the existing stock, which is just as important as building new homes. "It is obvious that large public bodies in social housing lack financial means to maintain and develop their existing stock," says Brisack. "A large number of housing units are therefore empty because they are 'unliveable'. A collaboration with dedicated REITS, even through long-term lease agreements, could bring a serious improvement to this situation."

To attract this investment, social housing REITs must appeal directly to investors and provide them with a compelling story about not just their returns but also their social purpose. Social housing REITs provide society with a lot of benefits, and it is important that this forms a large part of their narrative when it comes to communicating with would-be investors. Ultimately, social housing helps people with limited financial means and disabilities, which benefits society.

Social housing REITs can also offer a lower-risk profile as most of the contracts underpinning investments offer guarantees of the public sector supporting social rental agencies. Civitas' Bridge explains that reliable income streams should also give shareholders plenty of comfort that their well-intentioned investments will perform well too. "Using CSH as an example, the Company has its annual rent roll paid for ultimately through rent exempt housing benefits, with an average net initial yield above 5%," he says. Bridge continues that "together, leases with housing associations often last into the decades – 23 years in this case. The longer-term increase in the underlying value of the properties is also particular strength of social housing REITs."

BALANCING PROFIT AND PURPOSE

Industry leaders also report that there is a wider shift in the industry to one that places social purpose at its heart. While the sector has always had a positive function, the focus of social housing investment has for many years been primarily on high-yield rental housing, which delivers maximum return on investment.

The IMF has called for this balance to be redressed, and Inclusio's Brisack agrees with its call to action, though he highlights that a wider lack of housing compounds the pressure on the social sector to deliver homes to people. He says that "the prices of houses and apartments have significantly increased over the last few years, and it is getting more and more difficult for young professionals and young families to afford to buy a property in many cities".

Brisack continues that "the public authorities in Belgium, for example, don't have the financial means and the human resources to increase the supply of social housing. Dedicated social housing REITS can offer an interesting alternative provided they operate within a determined legal framework".

Bridge suggests that the IMF's observations apply more to the broader social housing sector, however, and argues that there must be a more specific focus on underserved areas of the social housing market as a priority. He explains that "our sub-sector is specialist supported housing, which is bespoke adapted housing for individuals with a range of complex needs who require high levels of personal care to live within the community. There is a chronic under-supply of this type of housing because it often must be adapted to a specific individual's needs. That is why the investment and expertise that Civitas brings is so important – it can't be addressed by the public sector alone."

The social aspect of ESG is just one element of the overall proposition, however, and while investor minds are paying increased attention to social causes, environmental considerations are just as important. There is a great opportunity to tackle environmental issues within the social housing sector, but it needs policymakers' encouragement. In the UK, for example, government grants can be made available when making environmentally-conscious improvements to social housing. On the continent, the European Commission has recently published its EU taxonomy scheme, which is meant to redirect investment into more sustainable activities. At the same time, it is working on the Social Taxonomy to further improve access to good quality housing.

Furthermore, in the context of increasing energy costs, it is very important to offer energy-efficient apartments to tenants who can struggle with bills. Brisack makes the point that "special attention has to be paid to insulation, heating systems and eventually the installation of solar panels. At the same time, since rents must remain affordable and are sometimes capped by the operators, it is challenging to allocate sufficient budgets with which to make environmental improvements."

Inclusio's partments in Woluwe St Lambert (Brussels). The Villa VIP can accommodate 8 to 10 people with disabilities living with a certain level of autonomy under the supervision of a 'caring couple'.

THE YEAR AHEAD

Both Paul Bridge and Marc Brisack predict that 2022 will be a significant year for the social housing REIT sector. Bridge suggests that there will continue "to be a strong and growing demand for secure housing with care for vulnerable and disabled adults, which Civitas is extremely well placed to fulfil." This, he predicts, will lead to increased investor enthusiasm for the sub-sector: "Increasing demand for properties will see increased investment in the sector, including a heightened focus on private and public sector partnerships across special supported housing and homeless accommodation."

Brisack also agrees that there will be a greater investor appetite for social housing REITs. He says that "as we are the only social housing REIT in the Benelux, many investors don't yet understand the type of contracts that we have the social rental agencies. However, we expect that the market will recognise more and more of our accomplishments."

With demand for low-cost housing and socially-minded investments looking like it is only set to grow across Europe, few could doubt that social housing REITs will be increasingly popular. •

MARC BRISACK

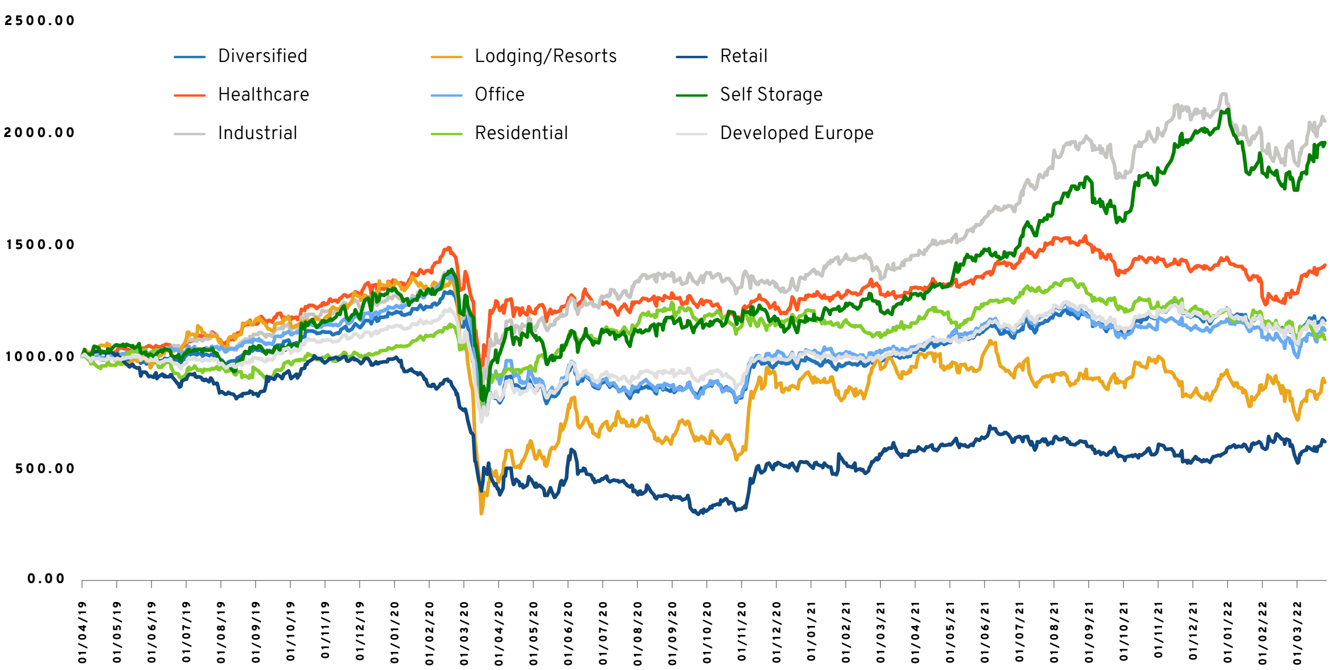
Marc is CEO of Inclusio since January 2021. He has been active for more than 20 years in the world of real estate in Belgium. He was CEO of the Belgian REIT Ascencio from 2009 to 2017 after having worked for AG Real Estate, Bernheim and Catella Codemer.

PAUL BRIDGE

Paul is the CEO of Social Housing at Civitas. He has worked in all aspects of social housing for over 20 years and is a senior industry figure. From 2008 to 2014, Paul was Chief Executive of Homes for Haringey, a registered provider, where he was responsible for 800 staff and 21,000 homes. For eight years prior to this, Paul was a Director at Hyde Group, a major G15 housing association, which provides homes and services to more than 95,000 customers.

Social housing Index focus

FTSE EPRA Nareit Developed Europe Index



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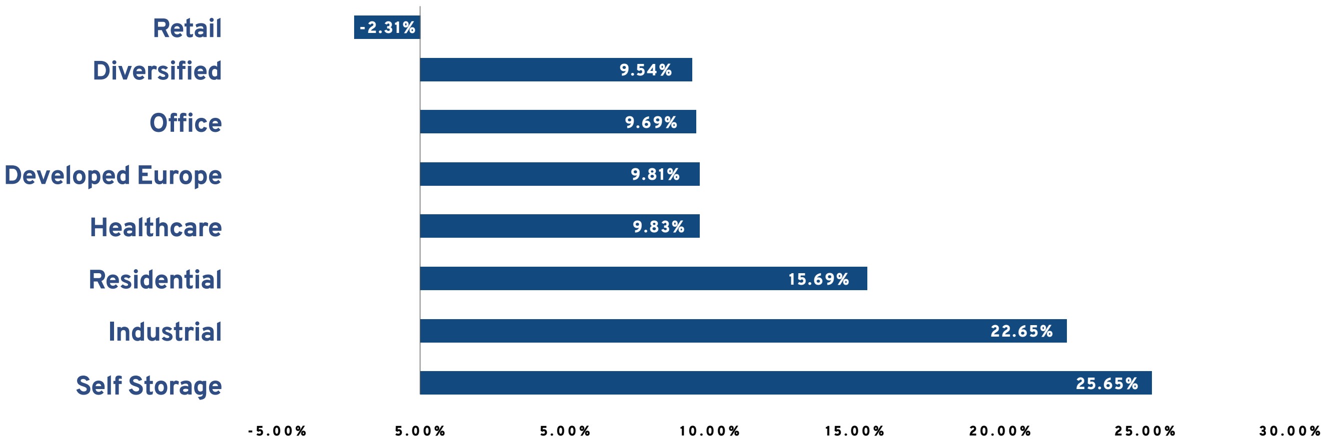


Dividend Yields

	YTD	1 YEAR	10 YEARS
Developed Europe	2.80%	3.45%	4.59%
Residential	2.97%	3%	1.43%

COMPANY NAME	COUNTRY	FOCUS	SECTOR	REIT	LTV	PREMIUM/ DISCOUNT TO NAV	TOTAL RETURN YTD
Civitas	United Kingdom	Rental	Residential	Non-REIT	34%	-0.19%	-8.37%
Inclusio	Belgium	Rental	Residential	REIT	N/A	N/A	-9.62%
Triple Point	United Kingdom	Rental	Residential	REIT	32%	-0.12%	6.75%
Home Reit	United Kingdom	Rental	Residential	REIT	N/A	N/A	-3.56%

Premium/ Discount to NAV

	DEVELOPED EUROPE	RESIDENTIAL
YTD - average	-11.20%	-12.36%
1 Year - average	-10.04%	-12.03%
10 Years - average	-8.74%	-4.77%

Loan-to-Value

	DEVELOPED EUROPE	RESIDENTIAL
YTD - average	36.76%	41.38%
1 Year - average	36.74%	39.84%
10 Years - average	38.75%	43.76%

Source: EPRA. Data as of 31/03/2022

Developing a unique global perspective

An interview with Andrew Parsons, Chief Investment Officer at Resolution Capital

The fact that Andrew Parsons is on the other side of the world could not be more apparent. The tropical flora of his New South Wales garden dominates his Zoom background as he enjoys the last of the evening sun. This is in stark contrast to the cold and dark February morning that Europe is experiencing.

While Andrew might be thousands of miles away, however, a discussion with him leaves little doubt that he is completely attuned to the latest developments in the European real estate market. "We base ourselves in Sydney, but we invest in the world," he explains.

Indeed, Andrew is frank about the advantages that being based in Australia can confer upon a globally-minded investor: "Being based here absolutely provides us with a different perspective. We are not on the ground hearing all about the latest deals, but that isn't our style; we are just trying to invest sensibly in outstanding platforms that have the people on the ground". This cool-headed and no-nonsense approach has served Andrew and the team at Resolution Capital well. Today, they have EUR 11 billion funds under management. The investment strategy, the Australian explains, is tailored to generate superior risk-adjusted returns by focusing on the quality and level of cash that underlying properties earn.

"What we are trying to do is identify best-in-breed managers with the best people on board," he continues. "We take the Henry Ford approach; we are not coming up with new strategies and products every five minutes. We keep a focus on excellence in what we are good at. We want to be in a position where we take our time, get it right, and are in an optimal position when it matters."

At a practical level, this manifests itself in investing in businesses with strong fundamentals in high-barrier property markets where landlords have pricing power. "We want a durable, predictable, reliable strategy," he points out, which is undoubtedly beneficial in uncertain times.

BOOM AND BUST DOWN UNDER

While Andrew's approach to investing is global, his outlook has been shaped by his extensive experiences in the Australian market. After starting out in stockbroking after university, real estate was initially an area that was bequeathed upon him rather than one he proactively pursued. Andrew explains that "they see what you are like, to begin with, and give you an area no one wants to cover. They gave me property that wasn't so popular at the time. In Australia in the 1980s, everyone wanted to cover wine, TV and newspaper stocks, the flashy entrepreneurs and, of course, mining."

This, it transpires, happened to be a very interesting time to wind up in the Australian real estate sector. The industry, which had gorged itself on generous leverage opportunities, soon found itself in a great deal of difficulty, which led to a crash and freezing of liquidity. Speaking of this, Andrew says that "the unlisted market was in dire straits. The only solution for many was to list and listed ultimately emerged as a powerful force." This shift towards a listed model provided investors with a strong footing in the market and the opportunity to gain exposure to a much broader range of real estate sectors.

Andrew and his team's investments in Australian REITs proved sound, and after establishing themselves as a leader in the domestic market, they decided to expand globally. Much of this, he explains, was driven by a broader appetite from Australian investors – who had previously been quite inward-looking – to take advantage of international opportunities.

In 2004, Andrew and his team left Lendlease to develop a new offering. According to the Chief Investment Officer, people didn't want something that resembled an index anymore; they wanted a concentrated portfolio. "At the time, most people in real estate were benchmark huggers, and we wanted to make ourselves stand out," he says. "To start with, we averaged less than 50 stocks and went with a multi-portfolio manager approach. It wasn't necessarily a new approach in general equities, but it was novel to REITs."

Resolution Capital has continued to both grow and innovate since its genesis. Andrew explains that the firm launched a new ETF in February, which is a result of growing client demands for straightforward and efficient ways to access global real estate markets. He emphasises that this is continued evolution rather than revolution, however, and simply augmenting what the firm already does.

DISCIPLINE WILL BE KEY

When talking about issues that investors should pay attention to this year, Andrew is clear that rising inflation and interest rates should be at the top of the list. According to the Australian investor, these challenges will be more significant because of previous monetary policy. "We are going to live with side effects of past economic and monetary policies for some time," he says. "The quantitative easing experiment distorted markets and interest rates, which together with the response to the pandemic, means there will be both long-term consequences and unforeseen secondary effect."

This will have repercussions for businesses in the real estate sector. He explains that "we don't pretend that we know how things will play out. However, one thing that is apparent is that these changing conditions could catch over-leveraged businesses out; many have acted like they are infallible, and the level of complacency over this has been unacceptable."

Resolution Capital will avoid investments in such businesses this year. According to Andrew, their focus will be on offering their investors access to brands like Big Yellow and Derwent London – both of whom he identifies as having appropriate leverage and discipline management.

While there are many causes for optimism in listed real estate markets this year, changing economic conditions are creating different challenges that the industry and investors have not had to navigate for some time. Andrew and the team at Resolution Capital's diligent and fundamentals-driven approach should serve them well, however, no matter where they are in the world. •

ANDREW PARSONS

Andrew is one of the founding members of Resolution Capital. Andrew has over 30 years experience in global financial and property markets. Prior to founding Resolution Capital Andrew worked for the Australian Stock Exchange, CS First Boston and Lend Lease, and is a past Chairman of the Property Council of Australia's Capital Markets Committee. Andrew is also a Fellow of the Australian Property Institute, and a Fellow of the Royal Institute of Chartered Surveyors.

Bidding farewell to Méka Brunel

Looking back to her ambitions when she took over the role in September 2020, Méka Brunel, former CEO of Gecina, tells us about the outcomes of her involvement as EPRA Chairwoman and shares some insights on the challenges ahead to be faced by her successor.

How will your Chairwomanship of EPRA be remembered?

Well, probably as a Zoom mandate due to the pandemic. More seriously, when I took up my position as Chairwoman, I wanted to put the EPRA at the heart of two major issues in our industry: the battle for female inclusion and the urgency of climate action.

Women represent more than 50% of humanity and can also be part of different minorities (ethnic, social, LGBTQ+, disabled, ...). I am grateful to the Board that we put the Diversity Programme, our mentoring programme, in place. The female inclusion of profiles is a formidable lever for fostering innovation and the global challenges we face. We cannot cut ourselves off from half of humanity to rethink our production models.

We must also highlight our collective work on corporate social responsibility and improving the EPRA Sustainability Best Practices Recommendations (sBPR). We are now working on the issues of governance of the EU Taxonomy, which might be a challenge and will also be a huge opportunity for our collective actions to preserve our planet.

Our industry can and does contribute positively to the transition for which all our economies and societies are expected to work.

When taking over the EPRA Chairwomanship, you named COVID-19, environmental transformation, metropolitanisation and digital revolution as some of the main challenges and trends in the listed real estate sector. How has this evolved during your tenure?

COVID-19 has urged us to question our relationship with time, space and nature. It is impossible to deny this. After decades of urban sprawl, cities will experience a new age of centrality and density at the heart of transport hubs and services. But also, of sobriety.

Indeed, we can no longer escape the imperative of environmental sobriety. Legislation reminds us of this. We must continue anticipating and taking the lead because there is no plan B; the earth is not one country.

Finally, the digitalisation and automation of many tasks have also accelerated, threatening administrative jobs and reinforcing the most qualified jobs and service jobs. Paradoxically, human relations are becoming even more essential, and our industry must adapt.

A word of advice for the next Chairperson?

The last few years have forced our industry to think about reinventing itself; they have led to questions about our practices and have ultimately helped us improve.

We are entering a different period, a dark period where uncertainty remains high, but we should not lose sight of the major issues. And I am thinking in particular of the climate emergency. Climate change is one of the biggest challenges of our times, and we must continue our transformation without wavering.

This is not advice but food for thought. And I wish all the best to my successor and also the Board and Advisory Board and, as such, the whole of the EPRA membership, existing or future. •

MÉKA BRUNEL

Méka Brunel is a business leader in the real estate industry. She is an ETP engineer and FRICS and has an Executive MBA from HEC. From 1996, she held a range of management positions at Simco, which later merged with Gecina. In 2006, she became Chief Executive Officer of Eurosic, before joining Ivanhoé Cambridge in 2009 as Executive President Europe. She has been a Director at Gecina since 2014 and was appointed as its Chief Executive Officer in January 2017. Fully involved in both community life and industry associations, particularly as Honorary President of the HQE-France GBC association, Vice-Chairwoman of the Palladio Foundation, Chair & Director of EPRA, Director of FSIF, Méka Brunel was appointed as a Director of Hammerson plc in November 2019. She was also President of the Greater Paris Metropolitan Authority's Development Board from October 2017 to April 2021. Méka Brunel has been honored with the title of Chevalier de la Légion d'Honneur. Lastly, Méka Brunel was named Professional of the Year in the 2013 and 2018 Pierres d'Or awards.

Exclusion of REITs in landmark international tax agreement

In late December, the Organisation for Economic Co-operation and Development (OECD) published detailed rules of a landmark reform to the international tax system ensuring that multinational enterprises (MNEs) will become subject to a minimum tax rate as of 2023. The OECD has confirmed that Real Estate Investment Trusts (REITs) are excluded from the scope and provisions of the new rules, which follows advocacy from EPRA and its partner associations across Europe.

The reform follows an agreement from October, where 137 jurisdictions representing more than 95% of global GDP agreed to the principles of the OECD proposal. The published rules define the scope and mechanism for the so-called Global Anti-Base Erosion (GloBE) rules under Pillar Two, introducing a global minimum corporate tax rate set at 15% for all companies, regardless of sector or industry. The minimum tax will apply to MNEs with revenue above EUR 750 million and is estimated to generate over EUR 130 billion in additional global tax revenues annually.

It has been EPRA's view from the beginning of the process that the uniqueness of REITs may require a tailored solution, and we highly appreciate the decision the OECD has taken for the REIT sector.

REITs are the guardians of our cities' high-quality assets, covering all types of real estate assets, from offices to retail and increasingly healthcare and retirement facilities. They are also great contributors to GDP and society as they represent hundreds of thousands of jobs in our continent. In Europe, no less than fourteen EU member states have introduced REIT legislation with an effective tax passthrough to incentivise real estate investment for institutional and retail investors.

The scope defines that so-called 'Real Estate Investment Vehicles' under certain tax neutrality regimes need to be carefully reflected. A specific definition was added to make it clear that REITs will fall under a list of excluded entities.

EPRA's Public Affairs department, together with partner associations in Europe and globally, provided expertise to the Pillar Two Rules, and the exclusion for REITs comes as just one out of a list of six excluded entities, showcasing the specific understanding of the listed real estate industry with its strong REITs sector has achieved among the OECD framework:

Article 1.5. Excluded Entity

1.5.1. An Excluded Entity is an Entity that is:

a. a Govemmental Entity;

b. an International Organisation;

c. a Non-profit Organisation;

d. a Pension Fund;

e. an Investment Fund that is an Ultimate Parent Entity; or

f. a Real Estate Investment Vehicle that is an Ultimate Parent Entity.

In partnership with PwC, EPRA conducted the first Total Tax Contribution study last year amongst its membership. The study has gathered evidence-based data that for every EUR 100 of turnover, an amount equivalent to EUR 32.8 is contributed to taxes.

The Pillar Two rules will become effective from the beginning of 2023. The European Commission published related legislation to implement the agreement among all 27 Member States consistently. EPRA will engage with the EU institutions to ensure the OECD proposals, agreed at a global level, are not diluted and the success of REIT regimes in Europe is maintained. •

TOBIAS STEINMANN

Tobias is the Director of Public Affairs at EPRA. Before joining EPRA, Tobias worked for the BASF Government Relations office in Brussels, representing the company's interests in the field of Innovation & Technology policy. Prior to that Tobias worked as Parliamentary Advisor and Head of office for a Member of the European Parliament, followed by a position as Consultant for Public Affairs in several areas of EU policy making.

Overview of the market players in real estate investment

The real estate investment industry is complex and diverse and plays a crucial role in every aspect of our lives by shaping our built environment. At the same time, real estate investors heavily contribute to economic activity, employment and the community we live in by actively investing in, developing, managing, maintaining and improving the real estate assets that facilitate our economic, business, and social lives.

Proper recognition of the distinct real estate market actors and the ability to correctly classify them is important in understanding the industry as a whole. These market players operate in a highly regulated industry under a framework of EU legislation, national parliamentary supervision and local financial markets regulators. It is important that policy-makers take account of all segments of the sector to better shape the regulatory environment to allow the property industry to thrive and serve society to the highest standards.

EPRA, in collaboration with PwC, has prepared a report that gives the reader an overview of the various actors in the property investment market, including listed property companies, REITs and funds. It aims to debunk some of the sector's perceived complexities and details the different investment and financing options available, including sustainable and green financing. It also provides an outline of the REIT regime and the real estate fund management function.

While there are complementary ways to invest in real estate, listed real estate, in particular, provides retirement security to millions of citizens by offering a highly competitive asset class to retail and institutional investors. It offers the tangible aspect of investing in the underlying bricks and mortar, but with the benefits of higher liquidity, diversification, long-term attractive and inflation-protected returns and dividend yields, in line with the highest ESG and transparency standards. •

ILONA MCELROY

Ilona is PwC's EMEA Real Estate Tax Leader and a Partner in PwC Ireland's asset management tax practice. Ilona specialises in providing tax consultancy services to the real estate sector and advises on the life cycle of investments from acquisition to exit. Ilona contributes to various working groups and real estate publications.

Real estate investing and uncertainty: The role and limitations of real estate

Zilong Wang, Nick Mansley and Colin Lizieri

Cambridge Real Estate Research Centre at the University of Cambridge

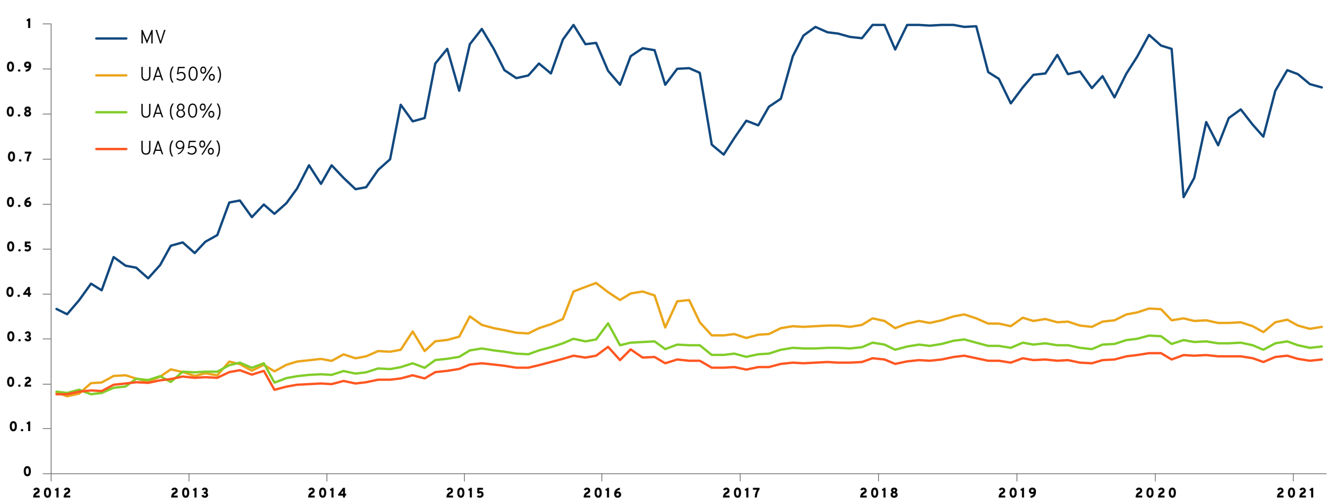
Professional investors care about the expected returns of assets and the variance (risk), and the covariances of those assets (which determines the benefits of diversification). Those parameters are the key elements of portfolio selection models. In practical applications of the classic mean-variance approach to mixed-asset portfolio selections, the risk and covariance parameters are typically estimated using historical data – calculating mean returns, standard deviations of those returns and correlations of returns across asset classes and use these as inputs to optimise asset allocation.

In so doing, it is assumed that the distribution of asset returns is certain and can be estimated using that historical information. As a consequence, the estimates of the distribution of asset returns are very sensitive to the choice of historical data. Thus, even with the same performance expectations, the optimal allocation of assets fluctuates over time depending on the choice of the historical period to estimate the risk (and covariance). Although the historical performance of European listed real estate and its historical correlation with traditional asset classes show how listed real estate may contribute to the performance and risk of a multi-asset portfolio, the classic mean-variance approach to determine the optimal allocation to listed real estate often results in extreme and unrealistic asset allocations that fluctuate significantly over time[1].

In practice, investors do not know the exact distribution of asset returns. Therefore, estimation of the return distribution using historical data contains estimation errors. It is more realistic to assume that investors form prior beliefs about all possible distributions of asset returns and are averse to the 'uncertainty' inherent in the actual future distribution. Thus, by considering estimation error and aversion to uncertainty, this study examines how the portfolio allocations in the listed real estate sector differ under the uncertainty aversion framework when compared to the classic mean-variance framework.

By comparison to the standard mean-variance approach, optimal allocations to listed real estate show much greater stability under the uncertainty aversion approach. This is illustrated in Figure One below, which shows the proportion of listed real estate in mixed-asset portfolios and how this varies over time using the classical MV approach (the blue line) and the uncertainty aversion approach (with three different degrees of uncertainty) to estimate optimal investment mix.

Figure 1. Optimal allocations to listed real estate, anchored windows



Source: Authors' calculations

[1] For this study we have assumed no forecasting ability and that expected returns, variance and covariances are based on historic performance.

Our study uses four asset classes (European listed real estate, European stocks, European government bonds and commodities) to form portfolios over time. Figure 1. shows the optimal allocations to European listed real estate over time using anchored windows (where the expected return, correlations and risk are based on the full available performance history to that point from 2002 – adding new information as it would have become available to investors). The blue line indicates the traditional 'optimal' allocations to listed real estate under the classic mean-variance approach. The orange, green, and red lines indicate the optimal allocations to listed real estate under the uncertainty aversion approach with various degrees of uncertainty. The red line has the highest degree of uncertainty and shows the greatest stability in optimal allocations to listed real estate.

An important implication of the more stable asset allocations over time is the major reduction in the need for portfolio rebalancing with an implied reduction in transaction costs. Although the optimal allocation to listed real estate under the uncertainty aversion approach is still higher than the observed allocation of institutional investors (suggesting that they should perhaps increase their real estate holdings), the allocation conforms more to professional practice and produces more feasible allocations than the simplistic mean-variance approach.

Table 1. reports the out-of-sample performance of our estimated optimal allocations[2]. Compared to the portfolios constructed using the mean-variance approach, there are significant reductions in the volatility of the portfolios constructed using the uncertainty aversion approach. The portfolio return does fall somewhat. However, the return-risk ratios (measured by mean return-to-standard deviation ratio) of the uncertainty aversion portfolios are higher, indicating superior risk-adjusted return performance[3].

Table 1. Out-of-sample performance, anchored windows

	MEAN	σ	MEAN ÷ σ
Mean-Variance	0.50%	3.90%	0.1294
Uncertainty Aversion (50% confidence interval[4])	0.36%	2.45%	0.1463
Uncertainty Aversion (80% confidence interval)	0.36%	2.38%	0.1497
Uncertainty Aversion (95% confidence interval)	0.35%	2.34%	0.1503

Note: σ indicates standard deviation.

Investors should be cautious to avoid over-allocation to the sector relying on historical information alone. A transition from a period of strong returns in the listed real estate market to a period of weak returns would lead to a significant reduction in the target allocation to listed real estate if uncertainty aversion had not been considered, forcing investors to bear substantial rebalancing costs and to sell into a falling market. Uncertainty aversion portfolios are more stable over time and deliver a higher return/risk ratio.

Given the heterogeneity in the performance of listed real estate among different European countries over different periods, an investor could form a portfolio including listed real estate from many countries. Since the uncertainty aversion approach gives us relatively stable allocations over time (even with many assets), the model will give us modest shifts in allocations in listed real estate from one country to another over time.

The results of our multiple country analysis (UK, France and Germany) show a modest shift in listed real estate allocation from France to Germany after 2016. Thus, another implication of the uncertainty aversion model is that it permits dynamic allocation of funds into the listed real estate sector with superior performance without generating extreme allocations and avoiding significant rebalancing costs. •

ZILONG WANG

Zilong Wang is a senior research associate at the Real Estate Research Centre at the University of Cambridge. He has a PhD in Finance and Risk from the University of Nottingham and a BSc in Maths and Economics from the London School of Economics. He lectures on finance and research methods and has conducted research and modelling across real estate, bond markets and equity markets. He has worked on research projects funded by EPRA, IPF, INREV, ANREV, etc.

[2] That is, we use historical information to shape the asset allocation then measure the subsequent performance of the portfolio. For detailed method of constructing the out-of-sample performance indicators, please check the full version of the report available on the EPRA website.
[3] Although the results coincide with the literature, this does guarantee that the uncertainty aversion approach always yields a higher out-of-sample return/risk ratio.
[4] A high level of confidence interval indicates a higher degree of uncertainty.

Working from home and commercial real estate

Evidence from the stock markets

Working from home (WFH) caused huge disruption to working patterns as a result of lockdowns in the early stages of the Covid-19 pandemic. Workplace mobility in Berlin, London and Paris went down by more than 80% between February and March 2020, according to Google Mobility data. However, the effects of WFH are not yet understood. The reaction on stock markets can serve as an early indication of investors' expectations about the real impacts on WFH.

In a recent article 'Work from Home and Commercial Real Estate – Evidence from Stock Markets' published in the EPRA journal, professor Stanimira Milcheva and research fellow Lingshan Xie from UCL assess how WFH exposure of real estate investment trusts (REITs) in Germany, France and the UK affected their performance. The authors find that WFH exposure through their property portfolio or through their tenants leads to significantly negative abnormal returns for REITs independently of their domicile, sector specialization or CBD exposure. Their results suggest that investors perceive WFH alone to negatively affect real estate company valuations, controlling for a host of idiosyncratic and systematic risks. REIT portfolio composition matters to determine to what extent a company will be more or less impacted by WFH when calibrating with the tenants who will be more likely to adopt WFH policies.

MEASURING WFH EXPOSURE

The novelty of this research constitutes in the way the authors measure REIT level WFH exposure. The authors use WFH announcements of major REIT tenants by manually extracting WFH news and announcements from Google search of keywords associated with WFH and tenant names. For each REIT, a tenant WFH intensity metric is calculated as the number of tenants announcing WFH to the total number of in-sample tenants on a given day.

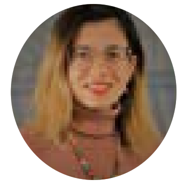
The authors also use other proxies of WFH exposure, such as central business districts (CBD) exposure and exposure to retail properties and office properties.

Table 1. summarises the results. If a REIT increases its exposure to tenants whose employees work from home by 1%, the daily abnormal return drops by 1.76%. Furthermore, a REIT that owns more office properties than the average REIT has a 0.3% lower daily abnormal return, which equates to a drop in the company's value of 9% in a month. REITs that have more than the average number of properties located in CBDs also perform worse.

Milcheva and Xie (2022) show that the negative effect on returns is not alone explained by high CBD exposure alone but by a combination of CBD exposure and WFH intensity. Similarly, while REITs with high retail exposure do not perform differently from other REITs, having above-median retail exposure in combination with high CBD exposure leads to underperformance. This suggests that investors perceive that the retail properties located in the CBDs will mostly suffer from WFH and not any office or retail property or REIT per se.

The authors find that investors do not have significantly different responses depending on REIT's domicile when anticipating the outcomes of WFH. Market expectations slowly absorb in valuations, as demonstrated by the limited net asset values (NAVs) response. •

STANIMIRA MILCHEVA



Stani is a professor in Real Estate Finance at UCL. She has advised government, non-profit organisations and industry organisations in the field of commercial real estate, affordable housing and infrastructure. Stani has published more than 20 peer-reviewed papers in leading field academic journals such as the Journal of Corporate Finance, Journal of Banking and Finance, Regional Science and Urban Economics, Journal of Real Estate Finance and Economics, Energy Economics. Her research has been recognised by competitive awards, including most cited paper, various research funding awards, best paper awards by RICS, Homer Hoyt Institute, Cushman and Wakefield. Stani is a research affiliate at the ESCP Institute of Real Estate Finance and Management and the UCL Centre for Finance.

LINGSHAN XIE

Lingshan is a PhD student at UCL. She works on infrastructure and real estate finance research using large datasets. She has presented at conferences organised by ARES, AREUEA, AsRES, ERES and IRES, and has been invited to give research seminars.

Table 1. A summary of main results

	DAILY ABNORMAL RETURNS						
Office exposure	-0.30% ***		-0.31% ***				
CBD exposure		-0.23% ***	-0.15% *	N			
Retail exposure				N		N	
Office exposure * CBD exposure			-0.14% *				
Retail exposure * CBD exposure				-0.26% *			
Tenant WFH intensity					-1.76% ***	-1.55% ***	-1.71% **
Retail exposure * tenant WFH intensity						-1.18% *	
Germany REIT							N
Germany REIT * tenant WFH intensity							-7.72% *

Note: Find more on how those results are estimated in the EPRA report by Milcheva and Xie (2022) 'Work from Home and Commercial Real Estate – Evidence from Stock Markets'. **'N' for not significant.** 'office/CBD/retail' is short for office-focused/CBD-focused/retail-focused portfolio respectively. It is a dummy variable that takes the value of one for a REIT that has a property portfolio with an above-median share of office/CBD/retail properties. p-values are denoted as *** for p<0.1, ** for p<0.05 and *** for p<0.01.**

EPRA launches the EPRA Developers Research Benchmark

Earlier this year, EPRA launched the EPRA Developers Research Benchmark, a non-commercial benchmark designed to allow its constituents to assess themselves against each other.

Over the past decade, the European listed real estate developers' sector has professionalised and has become a significant actor in the listed real estate universe.

Investors are seeking to increase their exposure to this sector, which benefits from structurally supportive fundamentals. Meanwhile, an increasing number of REITs and listed real estate companies are boosting their property development activities across the commercial real estate segment.

As of today, no benchmark is covering this sector, and residential developers are not eligible to join the FTSE EPRA Nareit Europe indices. Therefore EPRA initiated the creation of a Developers Research Benchmark.

The EPRA Developers Research Benchmark is initially comprised of 29 constituents from Belgium, Denmark, France, Germany, Ireland, Norway, Poland, Spain, Sweden and the UK, with a total free-float market cap of EUR 59.6 billion at inception (December 2021).

The threshold for inclusion in the EPRA Developers Research Benchmark is set at EUR 150 million in free-float market cap. Further requirements – such as the EBITDA, liquidity, reporting, geography and listing – can be accessed on the EPRA website. The Benchmark will be computed on a monthly basis and reviewed twice a year: in April, with end of March data, and in October, with end of September data. Two additional minor benchmarks (sub-indexes) have been launched in parallel, one of them focusing on homebuilders and the other one covering developers with free-float market cap of over EUR 500 million.

EPRA manages the Benchmark internally and is including a monthly high-level computation in its Monthly Market Review publication, available to all on the EPRA website. The underlying data can be requested from the EPRA team on-demand at research@epra.com. •

Achieving net zero through green investment

Recently the world has been experiencing extreme climate phenomena, from sudden forest fires in the US to flash flooding in the UK. But there is overwhelming scientific evidence showing that these 'natural' disasters are actually being instigated by human activity such as greenhouse gas emissions.

In the UK, real estate contributes to 42% of carbon emissions, and globally it's almost 39%. Therefore, the built environment sector has a significant responsibility to drive change to prevent global warming.

Following COP26, the UK has seen a positive shift in investment activity from global investors who are now making their investment decisions in conjunction with ESG principles. This not only helps to mitigate carbon risk but also helps the sector to deliver more sustainable assets.

The Government has set a target of 2050 to be net zero, with Scotland looking to achieve this by 2045. One of the key ways in which this can be delivered is by reducing the energy that buildings consume. This means that asset managers, occupiers and companies need to drive energy optimisation across both existing assets and new buildings, as well as identify ways to use on-site renewable energy and ensure offsite energy is procured from renewable-backed sources.

The UK, like many other countries across the world, is beginning to see shifts toward Modern Methods of Construction (MMC). There are several reasons for this, including the drive to achieve net zero through the delivery of real estate. Simply, MMC (particularly offsite manufacturing) significantly reduces the time and energy spent on site, which subsequently reduces pollution on site.

MMC can deliver up to 40% reduction in HGV movement, as well as reducing travel for staff who are more likely to be geographically concentrated around a factory. It's also common for materials in this sector to be reused, which increases lifespan and reduces waste.

Excitingly, the UK is becoming a hub for MMC innovation, so we hope to see future trends and shifts continuing to create a more sustainable investment market in the UK.

UKREiiF, The UK's Real Estate Investment & Infrastructure Forum, has a strong focus on sustainability – particularly net zero. This event, taking place in Leeds between May 17 and 19 this year, will be a showpiece for sustainable investment within the real estate and infrastructure sectors, with significant take-up from some of the world's largest investors in green, clean and sustainable projects. •

UMMAR HANIF

Ummar is Senior Investment Consultant at the UK Government Department for International Trade and the UK's Real Estate Investment and Infrastructure Forum (UKREiiF).

2022: An inflection point

Participants of the 2022 Insight event series in Paris, London, Germany and the Benelux region seemed to agree on a few points when it comes to the year ahead: the role of ESG in any portfolio, the comeback of retail and the perseverance of office. At the same time, they recognised that we are at an inflection point, with the end of the pandemic and rising inflation.

ESG AT THE HEART

ESG was at the centre of the discussions in all four locations, with participants agreeing that it is becoming a must-have for our sector. For those who lag behind, regulation will force them to keep up the pace or not be investable. Panellists recognised that more and more European listed real estate adopt decarbonisation strategies and net zero targets because this is what their tenants demand. Embedding ESG is no longer about preserving value but about higher rents and quicker occupancy.

European Union's initiatives in the ESG domain aimed at supporting financial markets to adopt more sustainable financial products have everyone's attention and will undoubtedly drive companies' and investors' strategies going forward. Participants raised their concerns about the EU Taxonomy putting too much emphasis on new constructions versus renovations. The latter is known to have a greater climate mitigation potential given the embodied carbon issue. Energy performance of buildings is one key aspect of a sustainable portfolio, and participants said we should also look into helping educate tenants' behaviour when it comes to energy usage, water consumption, waste management, etc.

THE OFFICE IS NOT DEAD

The shift to a working from home dynamic was swift, thanks to various technology solutions. However, this could not fully replace human interaction and in-person collaboration. Office demand has not really changed since the pandemic because space requirements are linked to peak occupancy, and we are witnessing a decrease in office density. Panellists in London agreed, however, that it is more about what the office can offer to the employees rather than a pure demand for space. Offices with short commute in prime locations with innovative social spaces and co-working arrangements will definitely lead the way.

As the endemic phase of the pandemic looms, it looks increasingly likely that the workforce of tomorrow will be hybrid where business operations allow. Occupiers will place a stronger emphasis on buildings' energy performance and healthy workplace features as they focus on employee health to preserve long-term productivity and retain talent.

NO RETAIL APOCALYPSE

The feared 'apocalypse' of retail did not happen – quite the contrary. While we are still experiencing slightly lower footfall compared to 2019 and early 2020, the recovery is clearly underway. At the same time, the average sales basket spend is higher than pre-Covid. When it comes to shopping malls, food anchors and leisure areas continue to be a strong means to create traffic and encourage people to stay longer. It is more than ever about experience and community-building rather than a simple trip to the shop.

With demand for retail parks especially strong, we are starting to see competitive tension back in that specific market. Retail operators are also becoming more innovative, with moves to flexible or turnover-based leases. This allows for the diversification of the tenant base by appealing to small and independent retailers and businesses, creating new experiences for shoppers. To put it simply, well-managed locations run by experienced operators in attractive catchment areas will continue to perform strongly.

IN CONCLUSION

Panellists agreed that going forward, inflation and interest rates will continue to be important topics for the European economy. With investors increasingly focusing on thematic investment, following trends such as an ageing demographic, urbanisation and omnichannel transformation, the industry's growth is expected to be primarily driven by the new alternative sectors. Self-storage, life-science, data centres and, to a certain extent, also cell towers are expected to gain in importance. The growth potential for Europe is huge, and everyone hopes it will come to fruition. •

Upgrading your knowledge of listed real estate

Following the successful launch of the inaugural Executive Programme for listed real estate practitioners in June last year in cooperation with INSEAD, EPRA partnered with Bayes Business School for a new online education programme.

The online programme, which was completed recently following a six-week module, was delivered by leading academics from the Bayes Business School (formerly the Cass Business School) as well as industry experts. Designed for property and finance professionals working for listed real estate firms, real estate private equity teams and equity/multi-asset/property analysts/fund managers, the programme's goal was to enhance participants' knowledge of real estate as an asset class.

The course provided a thorough understanding of the factors driving the valuations of the listed real estate sector, the direct property market and the stock market, explained the reasons behind any disconnect between public and private markets and explored the specific investment characteristics of listed real estate versus other equities from an asset allocation perspective.

Education programmes are now a fixture in EPRA's offer, and we are currently welcoming registrations for the second edition of the INSEAD Executive Programme – Strategy for Listed. The course, to be held in June in person at INSEAD's Fontainebleau campus, will focus on the latest trends affecting the listed real estate sector, as well as offer a unique masterclass devoted to ESG. For more information, visit our website www.epra.com/about-us/education-programme or contact us at education@epra.com •

EPRA-INSEAD

Executive Programme

2022 EDITION

Strategy for Listed Real Estate

Programme content

DAY 1

PROGRAMME OPENING AND WELCOME SPEECHES

- Strategic approach to ESG with guest speaker

Networking & dinner

DAY 2

STRATEGIC THINKING FOR REAL ESTATE PROFESSIONALS / DATA ANALYTICS TO TRANSFORM BUSINESSES

- The key challenges and effective strategies in the real estate sector, both in existing and new sectors/markets
- The fundamental strategy questions: Why, Where and How to grow?
- Digital transformation, Big Data, Data Analytics, recent trends and the relevance in the real estate sector
- Approaches and strategies to analyse data in order to augment decisions and transform businesses

Dinner & wine tasting with guest industry speaker

DAY 3

MASTERING THE LAST MILE / REPOSITIONING BUSINESS PORTFOLIOS AND DEFINING GROWTH STRATEGY

- Innovations in last-mile delivery and the future challenges/opportunities in distribution strategies, such as omni-channel management, drone deliveries, and emerging markets
- Strategic framework for last-mile distribution and its relevance also to firms who are not directly in the logistics sector, investors and advisors
- The challenges in defining business portfolios and firms' growth strategy
- The thematic investing trends affecting the real estate industry
- Adding value to new investments/businesses and creating synergies

Programme closing & certificates

Introduction

Held in partnership with INSEAD, the Executive Programme is a unique, intensive course that covers the latest trends affecting the listed real estate sector post pandemic, such as thematic investing, e-commerce and logistics, digitalisation and data analytics.

This in person programme will help participants develop effective business strategies to address challenges as well as identify opportunities for repositioning and future growth, especially in the context of the broader real estate industry.

Key benefits

- To enhance professional skills in order to develop more effective business strategies to address key challenges in their core markets, especially in the current highly volatile and uncertain business environment
- To enable real estate professionals to reposition their business portfolios and define the right growth strategy for their firm, taking advantage of thematic investing
- To equip participants with agile strategies to master the 'last mile' and improve their supply chain management
- To help participants use and analyse data in order to make decisions and take advantage of the digital transformation
- Last but not least, a unique opportunity to connect with attendees from across the listed real estate sector
- Participants will obtain an INSEAD certificate for the completion of the whole course

It's the first training of this kind in our industry and it answers a real need in the context of transformation. I would definitely recommend this training to colleagues!

Nicolas Broband
RESIDENTIAL
STRATEGIC

DATE AND LENGTH

1-3 June 2022
2 ½ days

LOCATION

INSEAD Europe Campus,
Fontainebleau, France

FEE*

€ 2,200 (VAT included)
* Lunches, coffee breaks, opening cocktail and closing dinner are included. Accommodation is excluded from the programme fee, however some rooms will be reserved by INSEAD, on campus or in the Fontainebleau area.

Arrival on the Fontainebleau campus	**June 1, by 1pm CET**
Programme start	**June 1, at 2pm CET**
Programme end & departure	**June 3, 5pm CET**

ACCOMMODATION COST

Per participant and per day **€ 155 - € 189 (VAT included)**

Prices defined herein may be subject to taxes according to national regulations applicable. In case of a no-show or modification of the Booking Confirmation of the participant less than 45 days before their arrival date, a cancellation fee will be applicable.

APPLY TO THE PROGRAMME

CLICK TO ACCESS THE REGISTRATION FORM

ABOUT EPRA

EPRA, the European Public Real Estate Association, is the voice of publicly traded European listed real estate sector. With more than 280 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 690 billion of real estate assets and 94% of the market capitalisation of the FTSE EPRA Nareit Europe Index.

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices and the cohesion and strengthening of the industry.

ABOUT INSEAD

Since 1967, INSEAD has led the way in delivering innovative and influential learning experiences for business executives around the world.

In today's rapidly changing business environment, we are not only embracing digital transformation and innovation, but also building on our strengths – including informed global perspectives, an exceptional faculty and flexible, forward looking educational practices – to take executive education to new heights.

Each year, more than 10,000 executives from leading international organisations attend over 50 open programmes. Operating from 3 campuses across Europe, Asia and the Middle East, and now a Hub in San Francisco, we provide transformational learning experiences that support your career growth at every stage.

PROGRAMME DIRECTOR

PHILIP MEYER-DOYLE

Professor Meyer-Doyle is professor of strategy at INSEAD. His expertise lies in the area of corporate strategy. His research explores the micro-foundations of strategy and superior firm performance. Before becoming an academic, Philipp worked in investment banking (M&A advisory) and private equity (Real Estate).

CONTACT US

To secure your place on the programme, contact:

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Global outreach pivots during the pandemic

EPRA and Nareit joined forces on a number of investor outreach initiatives throughout 2021. While usually in-person on both sides of the pond and in the Middle East, these exchanges were organised virtually last year.

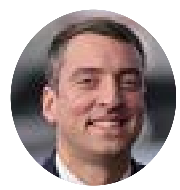
In January, Nareit organised several joint outreach meetings with large specialised listed real estate investment managers located in Boston, Chicago and New York. It is important we have an opportunity to inform these investment teams about what we are seeing in Europe through the index and the market, as well as raise their awareness of our activities. Some of the investment teams we have spoken to look at listed real estate globally. The outreach offers them a valuable resource to discuss the global market and for us to offer further European sector insights.

In December, it was EPRA's chance to organise a series of virtual meetings covering large pension schemes, investment consultants, specialist listed real estate managers and insurance companies in Europe. These collaborative initiatives present an important opportunity for EPRA and Nareit to leverage both organisations' research and industry perspectives to deliver a unified and coherent global perspective on listed real estate. We were pleased to hear some of Europe's largest pension funds increasing their listed real estate exposure, as well as taking on an advocacy role by speaking to their peers about the benefits of the asset class. We are able to supply insights, research and data on occasions like this and directly enhance the message they deliver. Such discussions also highlight the strength of these collaborative efforts as a means to grow the sector, one of the core pillars of our associations.

The eighth edition of the joint outreach initiative in Europe saw the investor outreach teams present one unified global presentation pack through shared data and research. It was clear the investors continue to be interested in understanding the price discrepancy between listed real estate share prices and underlying real estate valuations represented by unlisted portfolios. The hot topics from many of the conversations were inflation, ESG contribution and the impact of the pandemic on different real estate sectors. There was also notable interest in listed real estate returns relative to other asset classes, as shown through the updated CEM Benchmarking research.

Investors looking to adjust their portfolios by sector and geography and navigate increasing inflationary pressures, will be pleased to know that 2022 will present many opportunities to hear from both investor outreach teams. In March, Nareit travelled to London for the first round of in-person investor meetings in recent years. EPRA is looking to head to the US later this year for a series of investor meetings before welcoming Nareit, which we hope will be travelling to Europe in Q4. Given the strong appetite and growing interest for global listed real estate, we look forward to continuing our joint outreach efforts. •

SERKAN EROL



Serkan joined EPRA's Investor Outreach team in March 2019 from The Bank of New York Mellon, where he was an Account Manager for the Broker-Dealer & Advisory Services division. In parallel to his function, he was selected for the Brussels Talent Program class of 2018. Prior to that, Serkan worked for Bank of America Merrill Lynch as well as Euroclear in various client facing and Middle office functions in Brussels, Singapore and London.

Zoom in on PropTech projects

Meet the new Chairman of the EPRA PropTech & Innovation Committee

We met with Andreas Hoffmann, Head of Property at Cromwell European REIT and Supervisory Board member of the smart building PropTech Spaceti, winner of the global MIPIM Startup Competition in 2019. In November 2021, Andreas was appointed as the new Chairman of the EPRA PropTech & Innovation Committee.

What are your objectives as Chairman of the EPRA PropTech Committee?

It is an honour for me to succeed Marc De Bosscher as Chairman of the EPRA PropTech Committee, who successfully served this role for the first two years. I thank Marc for bringing the PropTech Committee up to where it is today, along with Iskren Marinov and Roxana Caba from EPRA, who have done a great job to organise the Committee events despite the COVID-19 pandemic.

I believe that my professional experience and background puts me in a good position to add value to the PropTech Committee as a facilitator of lively and productive interactions among the members of the Committee that represent a diverse range of companies from our industry. This will allow us to identify and discuss trends in PropTech and innovation that have the potential to transform the real estate industry. PropTech solutions are expected to play a vital role in the post-pandemic business environment, especially as an enabler for energy reduction and for greater focus on health & wellbeing in smart office buildings.

It is also on my agenda to create an environment where we look at and support initiatives that can harmonise practices and standards for real estate data at a European level. Last but not least, I plan for the Committee to meet and discuss promising solutions provided by PropTech companies from across the globe so that interested member companies can follow up with them for implementation projects. While there are thousands of PropTech companies out there, my priority would be for us to focus on solutions that offer proven use cases with a tangible return on investment.

Which activities will take place this year?

First and foremost, we plan for us to meet as much as possible face to face while we continue with the virtual events, which have proven to be so effective during the pandemic. As a start, we plan to organise several virtual sessions for our PropTech Committee members with short-listed PropTech companies on topics such as smart building technology, ESG data collection, tenant engagement and digital strategies.

In Q2, we aim to arrange for a committee meeting in Amsterdam with a visit of an innovation lab and a property tour of smart buildings. We will also meet local PropTech companies and organise a networking committee event so we can get to know each other better and facilitate best practice exchange.

From September 6-8, EPRA will host the annual EPRA conference in Paris. As part of the conference program, we will also arrange for a face-to-face committee meeting and property tours and a meeting of PropTech companies and other PropTech industry experts in an Innovation Hub.

ANDREAS HOFFMANN

Andreas joined the Manager of Cromwell European REIT (CEREIT), a EUR 2.4 billion real estate investment trust (REIT) listed on the Singapore Stock Exchange in January 2019. In his role as Head of Property, Andreas provides strategic direction for all portfolio and asset management functions across Cromwell's European teams for CEREIT's portfolio. Prior to joining CEREIT, Andreas was Managing Director, Head of Asset Management Europe ex Switzerland and a member of the European Investment Committee for 14 years and responsible for the asset management of a EUR 6 billion portfolio of commercial properties across 12 European countries. Earlier in his career in the year 2000, he founded an internet start-up with friends.

K2A: Tech at the service of climate

Student housing

K2A is a fast-growing green real estate company, active in all parts of the value chain, from the development of housing concepts to customer-focused management of completed apartments. K2A's goal is to become Sweden's first climate-positive real estate company as early as 2027. In 2021, K2A's portfolio increased from 2,950 apartments under management to more than 3,900 apartments, while the company's carbon footprint per square meter decreased by 24%.

One of the contributing factors was Hinderbanan in Gävle, the most recent of K2A's green student housing projects. Hinderbanan was recently nominated as one of the most innovative and sustainable student housing projects in Sweden in 2021. One of the key aspects of the process has been listening to the students and including their priorities in the design of the new property.

Therese Metz, Municipal Commissioner in the Gävle Municipality, is one of the people who appreciate the work being done by K2A: "In the Gävle Municipality, we plan to be climate neutral by 2035, in line with the ambitions of the Paris Agreement. This requires innovative and courageous companies that have the vision to see the opportunities presented by the climate transition. The construction industry accounts for a large share of climate emissions, and operators like K2A are therefore needed to challenge the norm and to think innovatively and sustainably."

Similar to all of K2A's newly constructed buildings, Hinderbanan is certified according to the Nordic Swan Ecolabel. Hinderbanan is constructed in timber, the only renewable – and one of the market's most climate efficient – building materials. The building was produced in the company's own factories in Gävle and Valdemarsvik, thereby minimising the amount of waste and reducing the climate impact.

Compared with a standard construction process using steel and concrete, the climate impact from the process of constructing a building in timber is 80 per cent lower, including the effect of the carbon stored in a timber-framed building.

Solar cell panels on the roof combined with energy storage power the climate-friendly geothermal heating system as well as the 'BoBil' electric carpool – a service appreciated among the tenants. The green benefits of Hinderbanan also contribute to the revenues generated by the project. The standardised factory production process has less impact on the areas surrounding the site but is also cost-efficient, less time consuming and comes with less risk than on-site production. The energy-efficient building reduces both environmental impact and electricity bills.

Furthermore, the electric carpool, combined with generous bike facilitates, reduces the need for tenants to own their own cars and for parking spaces, thus enabling more efficient use of the land. •

Electric car

EPRA new members in the spotlight

ADRIANO CARE SOCIMI

is a Spanish company operating under the Spanish REIT regime that has the main objective of creating a portfolio related to senior housing. Adriano is externally managed by Azora, a Spanish independent asset manager focused on real estate investments. Azora was founded in 2003 and has more than EUR 4 billion of assets under management.

AEDAS HOMES

is a new-generation real estate developer specialising in new-build residential properties. It was set up in 2016, and its shares are listed on the Spanish stock exchange. It sells sustainable, quality homes in the most sought-after locations. Excellent execution of its business plan and full delivery of its guidance have earned it a reputation as a hallmark player in the Spanish home development sector..

AURORA EIENDOM

is a real estate company specialising in shopping centres. Incorporated in 2021, the company owns five shopping centres in popular areas in Norway. The shopping centres are among the leading centres in their local markets. In addition to owning, operating, and developing leading shopping destinations, Aurora's vision is to build a future of retail by converging both digital and physical retail.

EQUINOX

is the first real estate company listed on the Ljubljana stock exchange. Equinox's real estate portfolio includes four first-class hotels and business property in the very heart of Ljubljana. It is the most centrally located real estate with a total area of over 68,000 m2 in Slovenia and is one of the largest real estate portfolios in the country.

K2A

is a green real estate company with a focus on long-term ownership and management of self-produced rental apartments. The company develops modern, surface-efficient and functional housing in Stockholm, Mälardalen and selected university and college locations.

LIFE SCIENCE REIT

focuses on capital growth whilst also providing a growing level of income by investing primarily in a diversified portfolio of UK properties that are leased or intended to be leased to tenants operating in the life science sector. Companies operating in the life science sector include, but are not limited to, those involved in the innovation, development and/or production of assets directly or indirectly for human health purposes.

PREMIA PROPERTIES

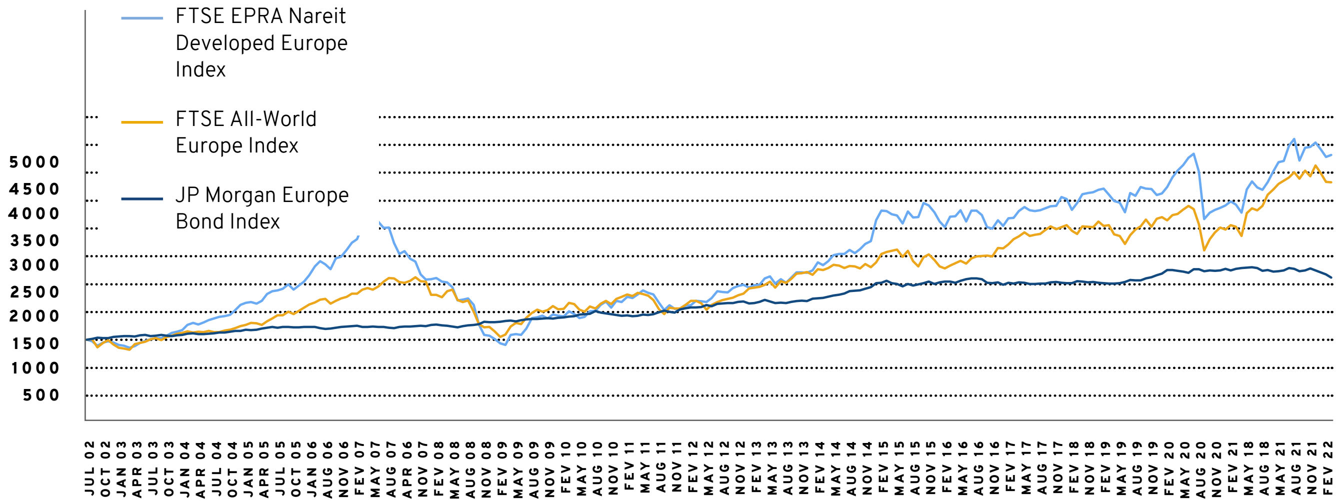
is a real estate investment and management company established in 1991. The Group's portfolio consists primarily of assets in the logistics sector, big-box commercial assets, assets in the social infrastructure sector and serviced apartments. The company's growth relies on the creation of a diversified property portfolio, in quality assets with durable in-place income that will generate capital appreciation for its shareholders.

STENHUS FASTIGHETER

is a real estate company that owns and manages public properties and commercial properties with a clear geographical focus on the Greater Stockholm region. Stenhus Fastigheter also works actively with existing and potential building rights within the current portfolio.

Index focus

Comparison of asset classes

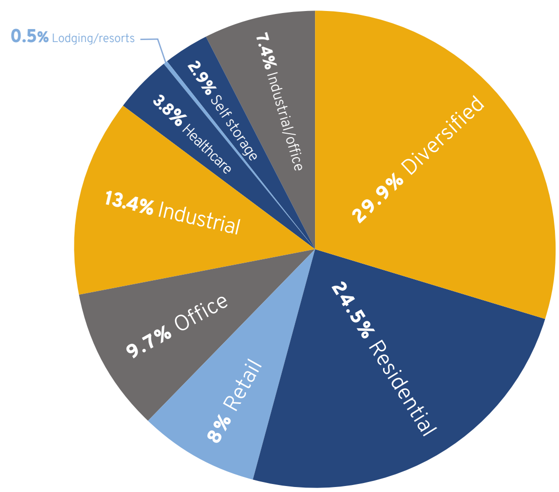


Value snapshot (March 2022)

* 1-year LTV value as of March 2022 and 10-year value as of 2012

DEVELOPED EUROPE	LATEST (MONTHLY)	YEAR TO DATE	1-YEAR	10-YEAR (LONG RUN)
Average Total Return (%)	0.88	-5.03	12.78	9.81
Average Premium/ Discount to NAV (%)	-10.43	-11.20	-10.04	-8.74
Loan-to-Value (%)*	36.76	36.76	36.74	38.75
Average Dividend yield (%)	2.92	2.85	2.79	3.65

Developed Europe Index sector share



Top 10 European performers (March 2022)

FTSE EPRA NAREIT GLOBAL INDEX							
STOCK NAME	COUNTRY	REIT STATUS	SECTOR	INVESTMENT FOCUS	PRICE RETURN MARCH 2022 (%)	DIVIDEND PAID MARCH 2022 (%)	TOTAL RETURN MARCH 2022 (%)
Hibernia REIT plc	IRE	REIT	Office	Rental	39.31	0.00	39.31
UK Commercial Property	UK	REIT	Diversified	Rental	16.16	0.00	16.16
Catena AB	SWED	Non REIT	Industrial	Rental	15.65	0.00	15.65
Cofinimmo	BELG	REIT	Diversified	Rental	12.72	0.00	12.72
Aedifica	BELG	REIT	Healthcare	Rental	12.65	0.00	12.65
NSI N.V.	NETH	REIT	Office	Rental	12.29	0.00	12.29
Impact Healthcare REIT plc	UK	REIT	Healthcare	Rental	12.11	0.00	12.11
Eurocommercial Properties	NETH	REIT	Retail	Rental	12.02	0.00	12.02
Schroder Real Estate	UK	REIT	Diversified	Rental	10.52	1.48	12.00
BMO UK Real Estate	UK	REIT	Industrial/Office Mixed	Rental	10.07	1.17	11.24

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