EPRA
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REAL ESTATE ASSOCIATION
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Icade's plan to emerge from the pandemic

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VBARE Iberian Properties

SWEDEN
Atrium Ljungberg
Castellum
Catena Fastigheter
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CASS Business School
CBRE Clarion Securities
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CLS Holdings
CMS
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Derwent London
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Deutsche Bank
Ediston Property Investments
Empiric Student Property
EY
GCP Student
Globalworth
Goldman Sachs International
Grainger
Great Portland Estates
Green Street Advisors
Hammerson
Hansteen Holding
Harworth Group
Helical plc
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ICAMAP
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Inland Homes
Intu Properties
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Janus Henderson Investors
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Urban & Civic
Urban Logistics REIT
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Cohen & Steers Capital Management
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Fidelity Management & Research
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W. P. Carey
Zell-Lurie RE Center at Wharton

* Welcome to our newest members

Working with and for our members

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, improvement of the general operating environment, 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

Update from Dominique Moerenhout

Welcome to the September edition of the EPRA Industry Magazine. Clearly, this first half of the year has been disrupted by an unprecedented economic and social crisis. All our members, in every sector, have been severely affected. Nevertheless, I think we can all be thankful for how resilient our industry has been, and I remain hopeful that we will experience a V-shaped recovery in the upcoming quarters. In May 2020, Oxford Economics and EPRA published a comprehensive study on the likely recovery trajectories. You can read a condensed overview of the report in this edition.

Alongside the economic shock that the listed real estate (LRE) sector has been experiencing in the recent months, I am very proud of the great solidarity many property companies have demonstrated to support local communities and medical staff. I am optimistic this impetus will be a turning point in the launching of more social actions together with the major environmental priorities we are already tackling.

In these unusual times, Investor Outreach is hard to undertake, but we continue to meet investors virtually to reinforce the messages about the numerous benefits of investing in LRE and update them on the expected fast recovery. You can discover more about investor sentiment in our interview with Guy Barnard, Co-Head of Global Property Equities at Janus Henderson Investors. Guy says: “Investing only in listed property is an enormous advantage. […] We can very quickly access niche areas of the market that present great opportunities for income and growth without having to own and operate physical assets.” Clearly, the crisis has accelerated trends as well as brought up opportunities, and this is the key message that we underline in our Investor Outreach.

On a different note, I would normally be welcoming you all in person at our EPRA Annual Conference, but this year it will, exceptionally, be held virtually from September 7 to 11. In addition to this extraordinary format and programme we have created for you, this event will be marked by the Chairmanship handover from Rolf Buch, Vonovia CEO, to Méka Brunel, Gecina CEO. I would like to sincerely thank Rolf for his outstanding leadership and achieving the objectives he had set for EPRA during his tenure. I am also delighted to welcome Méka as our new Chairwoman, who I know, amongst other themes, is committed to diversity and inclusion. I have no doubt she will seek to expand on the work our sector has already started.

Finally, as always, I would like to welcome our newest members: Amot Investments, DVI Group, Nyfosa and REIT-Adviser.•

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Les Quinconces - forêt urbaine

Recovery starts with our people: Icade's plan to emerge from the pandemic

Speaking from Icade's offices in Paris, CEO Olivier Wigniolle sets a fine example as a man driven to get his business back to work. Despite the majority of Parisians still working from home, as the country's lockdown restrictions are gradually eased, Wigniolle is sat suited at his desk, ready for work.

At the time of speaking, Icade was allowing a maximum of 35% of its workforce to come into the office, with a view to having 100% back by July.

For Wigniolle, getting his staff back into the office was about much more than just a return to the status quo. "For me, Icade's success is a product of its people. It is the culture within the organisation that drives us forward; it is what makes us stand out," Wigniolle says. "We must work together to propel Icade out of this crisis. I believe we are stronger together, so it is vital that we do this as a team."

Wigniolle is all about people, and this is not just inside the organisation. He is clear that focusing on people must be a philosophy at the core of how Icade operates as a real estate developer, with the social in Environmental, Social and Governance (ESG) underpinning Icade's approach.

"Maintaining success in areas such as green initiatives is essential for all real estate developers, however, it is becoming increasingly important to consider ways developers can make a difference to the societies in which they operate," says Wigniolle.

And it is this focus on social initiatives that, Wigniolle insists, won Icade its bid to build a third of the Olympic village for Paris 2024. "We won this bid because of our commitment to ESG. The development will be carbon neutral and, more importantly, 10% of the jobs will go to local people who are out of work.

"It is obviously pleasing to have won a project with such international significance, but for me, it is the ability to give the project considerable local significance that makes it quite special."

Wigniolle is very clear that Icade's social commitments are about more than simply winning new business, and are a fundamental part of the business' future, post-COVID-19. "The coronavirus outbreak will only serve to increase the scrutiny put on companies for what they give back to society. What this means for us is that it must become the foundation of what we do, not simply a box-ticking exercise."

Wigniolle clearly sees people as an essential part of Icade's emergence from the crisis; however, he is not ignorant of the considerable challenges

Olympic and Paralympic Village in Saint-Ouen-sur-Seine - Les Quinconces

Origine, Nanterre ©arnaudsabatier.com

the business will face in the coming months and even years.

The majority of Icade's portfolio is made up of commercial office real estate; a sector hit hard by the move to working from home. It also has a growing healthcare real estate portfolio that was focused on expansion into Europe – something that came to an abrupt halt with lockdowns enforced across the continent.

Wigniolle, however, struck a positive tone when considering the future of commercial property after coronavirus. "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty," Wigniolle said, quoting Winston Churchill, with whom he finds inspiration in these uncertain times.

This is not empty rhetoric. Wigniolle agrees there are very different challenges to be addressed in both the office and the healthcare sector. He is as clear that the business sees this as two very different opportunities to grasp.

OFFICE AND HEALTHCARE: AN ECONOMY IN FLUX

In 2019, Icade laid out its strategy for its commercial office and healthcare portfolios: to become the market leader in the Paris region and greater France in the commercial office sector and become a leading player in the European healthcare sector.

Wigniolle remains steadfast in his commitment to this strategy; however, he does accept that the approaches could not be more different. "For offices, it will all be about change: how we adapt what we have and evolve our designs to become more convenient. For healthcare, however, it is about more of the same."

Icade's commercial office portfolio is the backbone of the business, with more than EUR 9.1 billion of existing assets in greater Paris and other regional cities in France, and another EUR 2.2 billion of office projects in its development pipeline.

Wignolle is clear that the challenge the sector faces will be making offices more convenient for employees. "We must ask ourselves how we can make employees happy to come to these offices, what we can offer on top of the premises themselves. The last few months have shown people what it is like to not to have to commute to work, to spend more time with their families. We cannot ignore the fact that the office has to start to offer more," Wigniolle says.

And this is not just a consideration for Icade's future developments but also how it can change its current spaces to better suit the needs of its occupants. Wigniolle does not shy away from the fact that this could have implications for Icade's current portfolio, which includes three towers in La Défense, Paris' major business district.

"La Défense must be prepared to embrace change. It cannot continue in its current form as there will simply not be the required demand," says Wigniolle. "Instead, we must begin to consider how we can create spaces that offer a mixture of residential, retail, leisure and office. Our offering must become more diverse."

It is easy to understand why he feels this way. As the appetite for working from home grows, even if this is just a couple of days per week, the need for large corporate headquarters will likely decrease. Instead, companies will have to look to make offices more local, perhaps moving closer to the homes of its occupants or dividing up operations across multiple suburban centres, for example.

While the commercial office sector's future will be defined by change, for Icade's healthcare business, Wigniolle is keen to continue building on the resilience it has shown during the crisis.

As it stands, Icade's healthcare subsidiary currently has 156 healthcare facilities in France, Italy and Germany. With a value of EUR 5.3 billion, the sector makes up 26% of Icade's portfolio yet represents phenomenal value, accounting for 30% of the entire business cash flow.

Wignolle is in no doubt that the strategy for Icade Santé must remain focused on growth – not just of French assets but also for opportunities in neighbouring Germany, Italy and Spain for bolstering its healthcare portfolio, which continues to provide investors with attractive returns.

And it is the people at Icade's disposal that gives Wigniolle such confidence in its approach. "What we provide our clients is a wealth of experience, existing resource and access to the healthcare sector in multiple markets," explains

Park View, Villeurbanne

Wigniolle. "Yes, it's a competitive market, but I do believe we offer the complete package."

The appeal of growing Icade's presence in the healthcare sector is not simply due to its competitive advantage but that it is also an extremely attractive market to have a foothold in.

"For investors seeking increased exposure to the stable returns on offer in this sector, there are few comparable offerings," Wigniolle says. "When compared with other sectors, the risk of investment is low, and the returns are high. What's not to like?"

It would be fair to say that the strategies for Icade's healthcare and commercial office portfolios couldn't be more different; however, for Wigniolle it is clear that they are united by one common goal: to continue driving Icade forward. •

OLIVIER WIGNIOLLE

Olivier Wigniolle was appointed Managing Director of Icade in March 2015 by a unanimous decision of the Board of Directors. He is also an appointed member of the Management Committee of the Caisse des Dépôts Group. Prior to that, he was CEO of Allianz Real Estate France and a member of Allianz Real Estate's Executive Committee.

Offices are adapting, not dying

Belgium's Befimmo, Germany's alstria, Spain's Merlin and the UK's British Land are all here to stay in the commercial office space, but they may look a little different in a year or two.

The European office sector has felt the full force of the COVID-19 outbreak. Since lockdowns were enforced back in March, many workforces have undergone a largely successful move to working from home. With many offices empty or operating at reduced capacity, questions are being asked about the future of the sector. Is the time of the office over? Is working from home the new normal?

Although it is impossible to predict the sector's long-term future and the impact COVID-19 will have ten years from now, it is clear that, in some areas, businesses are beginning to respond. What will be fascinating to watch is how businesses interpret the need for change, how they then choose to adapt and, ultimately, whether we will see long-term winners as a result of these actions.

alstria's Kastor Tower in Frankfurt

For some leaders, the future is one of structural upheaval as populations choose to live in different ways, changing how urban landscapes and systems function, and as offices are adapted or located to fit into this totally new environment. Some leaders remain steadfast in their view that we are not experiencing a watershed moment in the future of the office sector; it is but another cycle of its ongoing evolution. And others believe that the future of the sector lies simply in diversifying their offering to accommodate a growing variety of tenants whose work needs and habits have changed.

For British Land, for example, flexible tenancy offerings are one way in which developers will look to meet these changing needs of tenants. The business' Storey offer "provides a flexible workspace that meets the needs of those looking for a flexible lease in a modern environment," says the firm's CFO, Simon Carter.

It's a similar story at Befimmo. The business is developing its coworking offer with partner Silversquare, and CEO Benoît De Blieck is clear that "from this crisis comes great opportunity" to develop this part of its business.

For De Blieck, however, it is about more than just flexible tenancy offerings; he believes that structural change is coming to the cities themselves. This may affect how businesses function and, more specifically, where people and businesses choose to work. "Developers will have to come to terms with the fact that tenants will be after smaller head offices combined with satellite locations," he says. "We may also see growth in office space in more peripheral cities and areas."

David Brush, CIO of Merlin Properties, echoes this sentiment. "We will inevitably begin to see a more decentralised workforce. This doesn't simply mean everyone is working from home, but they may be working closer to home.

Flexible leases and location changes aside, what happens inside the office could be set for a shake-up too. Office operators will have to implement protocols to ensure spaces are biosecure in recognition that social-distancing may well be around for some time.

"Offices must come to terms with utilising their spaces differently. Densely populated offices will become a thing of the past," according to David Brush, CIO, Merlin Properties. Something that Befimmo believes will also be incredibly important moving forward.

De Blieck and Brush's views come as no surprise. For many, the coronavirus has shown that flexible and home working is preferable with commutes eliminated altogether, in many cases saving considerable time and money. Moving forward, employers will have to consider the growing reluctance for long commutes amongst employees, and office developers and landlords must take this into account.

For Oliver Elamine, alstria's CEO, however, these changes in worker preference are a force to be considered. He is clear that they have been accelerated but, importantly, were not caused by the coronavirus. "There is no doubt that remote working will be a necessary part of office portfolios in the future. However, we should not confuse the effects of the current health crisis with the economic downturn it is causing."

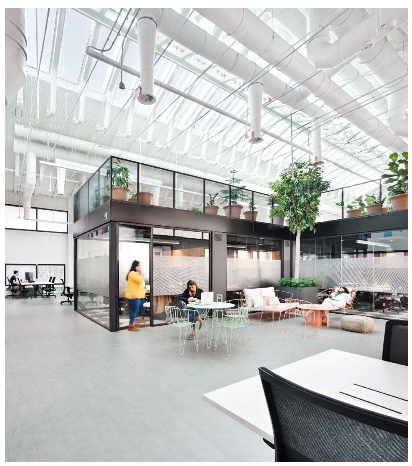
"Social distancing, de-densification and fear of public transport will fade away with the memory of the pandemic," he says. "Offices are a cyclical asset, and our focus is on managing the impact of the recession on tenant demand."

And the foundation of this argument is sound, at least. The offices being built today are different from the offices being built five years ago and, therefore, it is not a surprise that the future office will be different as well. "Remote working is an additional important variable we need to consider. We will adapt. Adapting to the ever-changing nature of the demand is what we do."

What is clear from these different outlooks, however, is tenant requirements lie at the heart of the office sector. As these become more specific, it will be the businesses that have built trusting relationships with their customers that will be best placed to thrive post-COVID. For Carter, customer retention will be a product of these relationships, "strengthening stakeholder relationships has always been of the utmost importance," he says. "It is what makes our places better and significantly increases the likelihood of retaining customers."

It is an unavoidable truth that the office sector is in need of change. COVID-19 has shown that remote working can work and that the makeup of our offices cannot stay the same. And yet, it seems clear that the office is here to stay. "The office is an essential part of the company culture. For many, it is the relationships that we have built in the office that have led to our success in working away from it," Carter points out. COVID-19 has not brought about the demise of the office; it has accelerated trends that may ultimately lead to an industry that is more responsive to its customers' needs. •

Befimmo's ZIN Project in Brussels



Merlin Properties' LOOM Salamanca in Madrid

British Land's Broadgate Circle in London

BENOÎT DE BLIECK

Benoît De Blieck was appointed Managing Director of Befimmo in 1999 and of its subsidiary Fedimmo in December 2006. Prior to that, he was a member of the management committee of Bernheim-Comofi SA (then a subsidiary of Groupe Bruxelles Lambert), responsible for international real estate development from 1992 to 1999.

DAVID BRUSH

David Brush is co-founder and CIO of Merlin Properties, a Spanish diversified REIT with more than EUR 12.7 billion of assets. Prior to co-founding Merlin, he served as Managing Partner at Brookfield Property Group, responsible for the firm's real estate investing activities in Europe. He has more than 35 years of experience as a real estate professional, both in the US and Europe.

SIMON CARTER

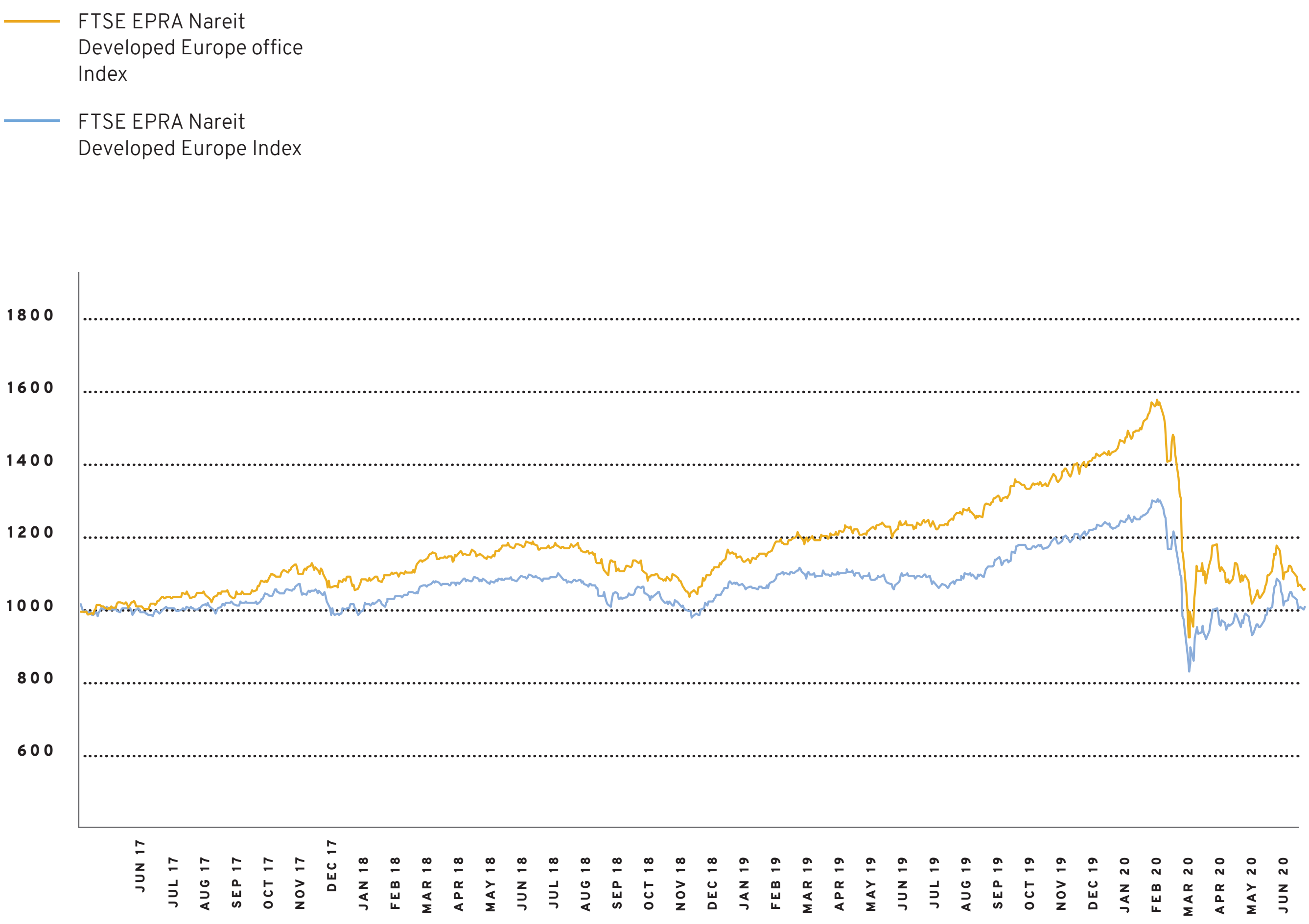
Simon joined British Land in 2018 from Logicor, where he was CFO from January 2017. From 2015 to 2017, he was Finance Director at Quintain. Simon previously spent more than ten years at British Land, working in financial and strategic roles. Simon has also worked for UBS and Arthur Andersen.

OLIVIER ELAMINE

Olivier Elamine is one of the founding members of alstria office REIT-AG, becoming CEO of the company in November 2006. Prior to the founding of alstria, he was a founding Partner of NATIXIS Capital Partners Ltd. (NCP; formerly IXIS Capital Partners) from 2003 to 2006.

Office: Index snapshot

3-year performance: Developed Europe Office Index vs Developed Europe Index



DEVELOPED EUROPE OFFICE (EUR)	LATEST (MONTHLY, JUNE 2020)	YEAR TO DATE	1 YEAR	3 YEAR
Total Return	-3.92%	-29.00%	-14.51%	2.54%
Premium/Discount to NAV (average)	-32.60%	-21.70%	-15.49%	-13.33%
Loan-to-Value (%)	30.22%	-	35.50%	32.74%
Dividend Yield (average)	3.85%	3.33%	3.18%	3.12%

Office: Index EPRA's constituents' assets

Offices owned by EPRA Index constituents

● FTSE EPRA Nareit Developed Europe Index

CONSTITUENTS	NATIONALITY	INVESTMENT FOCUS	SECTOR	OFFICE SECTOR SHARE	MARKET CAP (MLN EUR) JUNE 2020
Befimmo	BELG	Rental	Office	100%	1,428.90
Alstria Office	GER	Rental	Office	100%	2,526.41
Entra	NOR	Rental	Office	100%	2,464.50
Workspace Group	UK	Rental	Office	100%	1,761.94
Helical	UK	Rental	Office	93%	491.57
Dios Fastigheter	SWED	Rental	Diversified	93%	874.60
Inmobiliaria Colonial	SP	Rental	Office	91%	4,971.66
NSI	NETH	Rental	Office	89%	691.89
Green Reit	IRE	Rental	Office	89%	1,266.04
Derwent London	UK	Rental	Office	87%	3,887.98
Hibernia REIT	IRE	Rental	Office	85%	1,007.75
FABEGE	SWED	Rental	Office	83%	4,375.06
Ca Immobilien	OEST	Rental	Office	82%	3,004.81
Wihlborgs Fastigheter	SWED	Rental	Diversified	80%	1,958.15
Gecina	FRA	Rental	Office	80%	9,754.86
Klovern	SWED	Rental	Diversified	78%	1,038.73
Regional REIT	UK	Rental	Office	76%	505.30
Kungsleden	SWED	Rental	Industrial/Office Mixed	73%	1,583.35
Great Portland Estates	UK	Rental	Diversified	71%	2,074.39
Icade	FRA	Rental	Diversified	66%	5,968.24
DIC Asset	GER	Non-Rental	Diversified	66%	732.25
PSP Swiss Property	SWIT	Rental	Diversified	64%	4,713.49
Allreal	SWIT	Rental	Diversified	61%	2,407.78
TLG Immobilien	GER	Rental	Diversified	59%	2,663.74
Aroundtown	GER	Non-Rental	Diversified	54%	8,177.70
Hemfosa Fastigheter	SWED	Rental	Diversified	53%	1,392.97
Leasinvest Real Estate	BELG	Rental	Diversified	51%	610.44
British Land Co	UK	Rental	Diversified	51%	5,712.17
Nyfosa	SWED	Rental	Industrial/Office Mixed	49%	924.68
Merlin Properties Socimi	SP	Rental	Diversified	48%	5,656.17

Interview with Peter Praet, former Chief Economist, European Central Bank

The economic impact of COVID-19 has been tremendous. What are your thoughts on the global response, a second wave of the virus and the next steps for Europe?

Firstly, the necessary confinement measures have brought the economy to a halt. But, at the same time, the economic policy response has been unprecedented. It has been fast, comprehensive and consensual. It is hard to overstate the importance of state support and intervention, which has certainly staved off what could have been an economic collapse.

State-backed income support schemes, central bank liquidity provision and lending support to companies have been successful so far, but the strength of the recovery remains quite uncertain. Clearly, the risk of a second outbreak remains a significant threat, and for a genuine normalisation to return, one will have to wait for better therapies and a vaccine. While a second wave will likely be better managed, the economic consequences would be considerable, given the fragile state of the economy.

As for Europe, the next steps, beyond deconfinement, must focus on a successful and sustainable recovery. It is essential that governments seize the opportunity to reform and modernise vast swathes of the economy. Public money should now be mobilised to this end.

What do you think Europe should be focusing on with its EUR 750 billion Next Generation EU fund?

There are very few positives that can be drawn from this deadly pandemic: it has created an environment whereby Europe can accelerate change towards carbon neutrality, refocus on revitalising the single market and invest heavily in infrastructure and digitalisation. This is the objective of the Next Generation EU fund, as the European Union has set out.

The majority of the investment vehicle will be allocated to helping member states transition to a green and digital future. There are a number of initiatives the Next Generation EU fund will target, but the investment in European infrastructure, including the refurbishment of our existing buildings to make them more carbon-neutral, and the digitalisation of our economy will sit at the heart of it. This investment, if done properly, can have a huge positive impact on the property sector through advancement in green tech and renovations.

Only time will tell how successful the implementation of the Next Generation EU fund will be and how aligned all member states are, but the message appears to strike the right chords, for the time being at least.

Beyond this investment fund, what reforms do you think the EU can undertake?

The EU needs to complete the Capital Markets Union (CMU). It is clear to me that the public sector will not have the resources to respond to the unprecedented need for investments. Today, the fragmented capital markets in the EU and insufficient equity financing put the EU at a disadvantage at a time when structural changes are indispensable.

Capital will likely become increasingly stretched in the coming years and reforming the capital markets will provide access to much-needed capital for many companies. It is well known that the EU is nowhere near the United States when comparing capital market structures. This crisis has presented the EU with the perfect opportunity to usher in changes that can help spur innovation and help companies digitalise and invest in the industries of the future.

The CMU reform has been underway since 2015 and is not something that we can bring in overnight, but an enduring political will and need for access to capital due to the pandemic certainly presents us with the opportunity to accelerate its adoption. The time is ripe to re-shore capital markets onto the continent and revamp them for the twenty-first century.

Europe needs to urgently tackle obstacles to an efficient allocation of savings. It needs to simplify existing rules, reduce legal uncertainty from the different application and enforcement of rules, improve access to information and incentivise the use of new digital technologies. I also think that a targeted review of existing legislation and high compliance costs is needed.

What do you think the legacy of the virus will be in the coming years?

The pandemic has made us collectively poorer. GDP is not set to recover to pre-COVID levels for at least two years. Public debt will increase by at least 20 percentage points of GDP, and there will be increased competition for scarce resources, creating a challenging social and political environment.

On the other hand, in a context of weak inflationary pressures, monetary policy is expected to remain very accommodative, facilitating the management of public debts. The main issue then will be how best to channel public resources efficiently to support the needed structural changes.

One does not experience an economic shock such as this one without scars. But if managed properly, this crisis too shall pass. And hopefully, with it, we will witness a more forward-looking Europe that has mobilised its energy in creating a more resilient and climate-friendly future for all. •

PETER PRAET

Peter Praet was Executive Board member of the ECB and its Chief economist from 2011 to 2019. From 1999 to 2000 he was Chief of Staff of the Minister of Finance of Belgium, after which he was appointed Executive Board member of the Central bank of Belgium.

ESG: Rallying for solidarity momentum

Like countless other sectors, the COVID-19 crisis has struck the listed real estate (LRE) companies and the broader real estate sector in an unprecedented way. After the pandemic was declared by the World Health Organization in March 2020 and when the sanitary crisis was at its peak a couple of weeks later in Europe, no one could have imagined the long-run economic and social struggles that would be endured in the following months.

Numerous financial and non-financial consequences for the property companies have stemmed from the decreed lockdowns in the vast majority of the European countries. Shops were closed, with rent payments postponed for many retail tenants. Offices became empty following governments' guidelines to work from home. And lingering doubts have taken hold of investors for an undetermined period.

In addition to these direct gaps in earnings, the fundamental changes that COVID-19 has brought in the way we live, work and shop will undoubtedly shift the landscape of the more traditional real estate sectors in the upcoming years.

However, amid aggravations of financial, medical and social situations within the European countries and their population, the LRE sector has revealed a previously unseen momentum of solidarity with numerous corporations and companies launching invaluable social initiatives to support communities.

The majority of these initiatives were designed to provide immediate relief to the first-impacted population, thanks to the direct use of properties. Medical staff benefitted from student dorms and hotel rooms to stay in closer to their workplace to avoid bringing the virus back home and infecting members of the family. These spaces have also welcomed women and children victims of domestic violence, which has drastically increased during the confinement. Other spaces, such as shopping malls, offices and parking spots, were made available to health and charity associations to welcome food hubs, mobile blood banks and transfusion units.

In addition, unprecedented financial support was raised all over Europe with no less than EUR 5 million donated to local charities and non-profit organisations. This assisted their fight against COVID-19 by providing medical materials, such as masks, and enabling them to distribute food to the homeless and fragile population.

Partnerships and active collaborations with social associations, as well as the launching of new funds, have also seen the light of day, enabling work on the long-term – and sometimes still invisible – impacts of the pandemic. Focusing on employability by supporting disadvantaged students' training and scholarships or creating new inclusive community spaces are in the pipeline for several property companies.

In this difficult time, property companies have not only stepped up in fulfilling their responsibilities for supporting their vulnerable tenants by renegotiating leases and reallocating spaces; they have also brought vital contributions to suffering communities.

The LRE sector has heard and responded to the rallying calls of European governments. The 'S' of Environmental, Social and Governmental (ESG) has undeniably prevailed over this first half of 2020. And one can be confident that this impetus of unity will become a turning point of a prolonged trend, alongside other major environmental priorities. •

The COVID-19 crisis in Europe: Impact on Listed Real Estate and expected recovery

The propagation of the coronavirus across the planet has had a disruptive effect in several sectors of the world economy, including real estate. Following the COVID-19 emergency, a new economic crisis has emerged, accelerating some trends already underway in the property markets while also creating some new drivers that will likely define the post-crisis recovery.

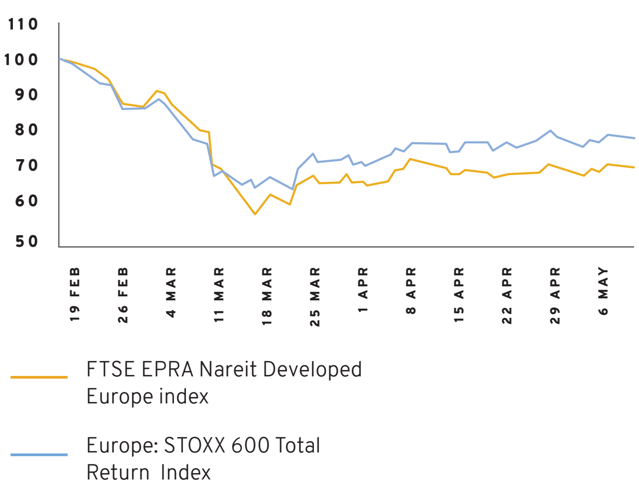
To improve our understanding of this crisis and help us define a clear view of the recovery, Oxford Economics developed a comprehensive study on the impact of the COVID-19 crisis on the European listed real estate (LRE). The research seeks to explore all the major underlying trends and drivers of this economic crisis, comparing them with those of other major crises to understand how this recovery may be different in nature from other economic recoveries experienced in the sector. Here we explore the most important points of the study, highlighting the reasons for expecting the recovery to be much more dynamic and shorter than in previous crises.

Most financial analysts, real estate professionals and institutional investors agree on taking February 20, 2020, as the 'official starting date' of the COVID-19 crisis in the western economies. On that day, most equity and listed real estate indexes started experiencing the direct impact of the virus spreading around the world. The S&P 500 exhibited seven consecutive days of losses up until February 28, 2020. The STOXX 600 also extended red numbers for seven trading sessions (non-consecutive) up until March 2, 2020. And the FTSE EPRA Nareit Developed Europe index (EPRA Index) turned negative six times (non-consecutive) in the same period. During the last week of February, the total return on Euros for the three indexes was –12.59%, -12.24% and -11.55% respectively – something not seen in more than ten years, and only comparable with the global financial crisis (GFC).

LISTED REAL ESTATE PERFORMANCE DURING THE COVID-19 CRISIS

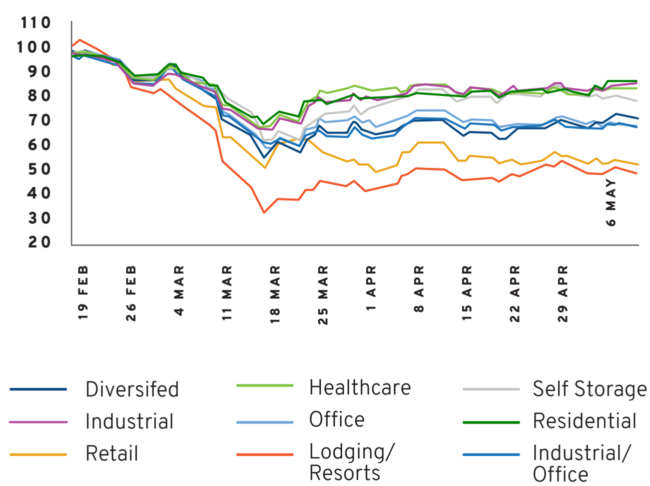
Performance of European listed real estate vs. broad stock market during the Covid-19 outbreak

Daily Total Returns Index value
Feb 19, 2020 = 100*



Performance of European listed real estate by sub-sector during the Covid-19 outbreak

Daily Total Returns Index value
Feb 19, 2020 = 100*



** Pre-crisis peak*
Source: Oxford Economics/Haver Analytics/EPRA

This was just the beginning of a negative trend in most of the capital markets across the world. The increased volatility, pushed by the daily news of an increase in the number of infections, was only partially countered by announcements of several governments and central banks implementing urgent measures to support economies in such an exceptional period.

The term 'unprecedented', if superficially overused, is certainly correct in this context. Nearly every economy on the planet was almost completely frozen, simultaneously and in a way that has never been experienced before, including during the World Wars. Yet perhaps the most 'unprecedented' difference between this crisis and others before it was the speed and conviction with which economic stimulus was deployed.

The response by many economic authorities saw stimulus packages activated in a few weeks where, in previous crises, these took months and even years to be developed. And it is this response that could be the difference between the lethargic recoveries global economies have experienced in the last decades and what many hope will be a speedy recovery this time, relatively speaking.

Such a unique crisis has several ways of impacting the listed real estate industry. Some are positive, and others are negative, depending on the property subsector. With so many factors at play, the data provides rich comparisons with previous crises, such as the Eurozone crisis in 2011 and the GFC between 2008 and 2010, in order to forecast the type of recovery that we may expect.

In cooperation with EPRA, Oxford Economics published the report 'IMPACT OF THE COVID-19 CRISIS ON EUROPEAN LISTED REAL ESTATE'[1] in May 2020. This report explores different angles of this crisis and comes with a clear conclusion:

Under the Oxford Economics' baseline scenario of a V-shaped economic recovery in Europe, the EPRA index should come back to pre-crisis levels in 2022.

At first glance and out of context, this might look a bit pessimistic and could generate some concerns about the listed real estate industry. But putting it into perspective, it is quite the opposite. A recovery that took eight years following the GFC might take less than 26 months this time. Let us explore the main reasons Oxford Economics proposes for this.

ECONOMIC POLICY RESPONSE

In the short term, after months of lockdown, the recovery will be highly influenced by the re-opening process and news around new contagions and treatments for the virus. However, the economic policies designed by the governments to face what is expected to be the largest recession in post-war history[2] will play a key role in the medium and long term.

The European Central Bank (ECB) and other central banks in the region have launched a huge expansion of their quantitative easing (QE) programmes. National governments have launched fiscal packages of various sizes, including measures directly aimed at supporting the real estate industry and its tenants, such as mortgage and rent holidays, loan guarantees and direct lending.

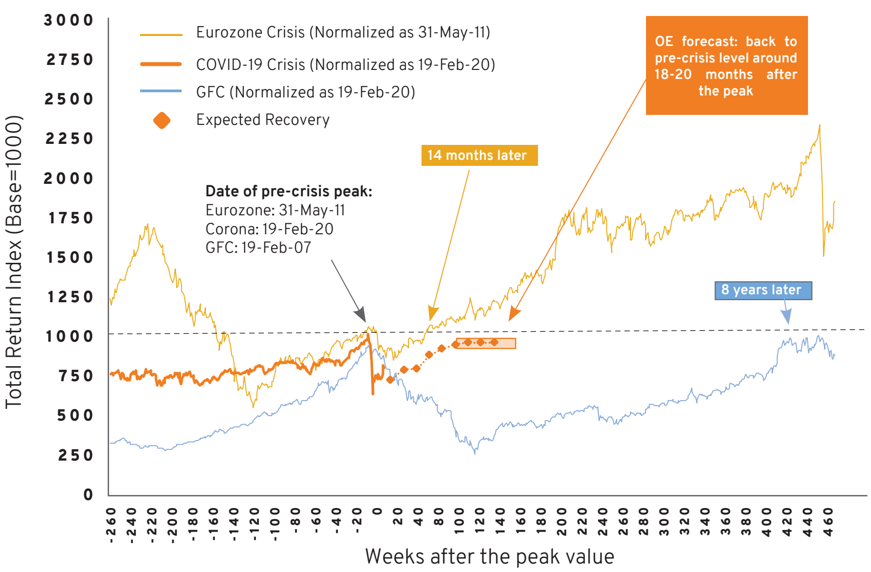
However, fiscal measures in Europe are less pronounced than in other regions. Discretionary fiscal spending in the Eurozone averages 1.9% of GDP compared to 9% in the US and 6.9% in Japan. Then not just credit but more spending will be needed. The announced European Recovery Fund of at least EUR 500 billion will certainly help equilibrate the balance in the coming months, supporting the V-shaped economic recovery in Europe.

THE HEALTH OF PROPERTY COMPANIES

Real estate companies earned valuable experience during previous crises. In the last decade, most companies have made large efforts to improve their debt profile, extending their debt maturity, reducing leverage, increasing the relative proportion of the non-current liabilities and reducing the proportion of floating rate debt. In fact, in the last few months, several companies have actively raised more capital (EUR 8.2 billion in debt and EUR 2.3 billion in equity up until June 20, 2020)[3].

In sharp contrast to GFC, they are not motivated by debt covenants or liquidity stress but by expansion plans and acquisitions. It seems that many landlords are looking at the current crisis as an opportunity rather than a threat.

FTSE EPRA Nareit Developed Europe Index
Historical Evolution: Back to precrisis levels



[1]Available for all EPRA members here: https://www.epra.com/research/market-research
[2]Oxford Economics expects GDP in Western Europe to have contracted over 10% in H1 2020.
[3] Source: EPRA Monthly LTV Monitor. Data by S&P Global.

IMPACT ON PROPERTY SECTORS

The COVID-19 crisis has had different effects across the property sectors; some are more resilient to the effects of this crisis and might actually be boosted in the coming years by the changes the virus has brought into our lives. Then, it is likely to see sectors such as industrial, healthcare and self-storage coming to pre-crisis levels in the coming months, while some others will face a much longer recovery.

Industrial and logistics is one sector benefitting from the current situation. This segment of the industry has been expanding its operations to accommodate the increased demand for e-commerce services, transforming and expanding warehouse operations in an effort to adapt to new and reshaped supply chains.

On the other hand, lodging and resorts could face some challenging years ahead since tourism looks set to undergo major change. Retail is likely to be one of the most affected, although non-discretionary stores and supermarkets are currently benefitting.

Residential remains resilient, although this may soon give way to increased lease defaults as government job retention schemes are wound down. In the long run, increased home-working may dampen urbanisation rates and slow down associated growth of housing demand in major cities, also affecting demand for office space, although there is space for a potential offset as public health concerns demand greater square footage per person.

In healthcare, the outlook remains positive, with governments viewing the sector as essential infrastructure and public opinion demanding more investment into it. Finally, self-storage could face a slower expansion following a lower urbanisation rate, although the sector remains undersupplied with a positive medium-term outlook.

When looking at the economic environment and the health of the property companies, the sector as a whole has a promising outlook for the coming years. It opens new opportunities for investors that would like to increase their exposure to an asset class that certainly enhances portfolio diversification under any economic scenario[4]•

REAL ESTATE SECTOR	LONGER-TERM IMPACT OF THE CRISIS (3+ YEARS)	IMPACT RELATIVE TO PRE-CRISIS TREND
Residential	Increased home-working may dampen urbanisation rates and associated growth of housing demand in major cities. Online education could be more widely embraced, reducing demand for student housing. International mobility may also be constrained for an extended period.	Slower
Retail	The crisis may hasten the long-term decline of brick-and-mortar stores, with the rise of e-commerce being accelerated.	Slower
Office	Longer-term, the increase in home-working may dampen demand for office space. A potential offset may be a reversal of the densification trend as public health concerns demande greater square footage per person.	Slower
Industrial	More positive longer-term outlook as the sector benefits from tailwinds including reshoring of manufacturing capacity and a shift away from "just-in-time" supply chains. Warehousing will also benefit from faster growth in e-commerce.	Faster
Healthcare	Outlook remains positive, with governments viewing the sector as essential infrastructure.	Natural
Self-storage	Slower rate of urbanisation represents a potential headwind to the sector. But Europe's self storage sector remains undersupplied.	Natural
Lodging	International tourism flows are likely to take 3-4 years to recover to pre-crisis levels, leaving permanent scars on this sector. Markets with a low share of domestic tourism are likely to be most at risk.	Slower

Source: Oxford Economics

[4]*Listed Real Estate in a multi-asset portfolio: A European perspective. Oxford Economics. (2019)*

Liquidity the key amidst structural change in Europe

"I believe in active management," says Guy Barnard, Co-Head of Global Property Equities at Janus Henderson. "Listed real estate (LRE) is an asset class in which active managers should be able to beat passive strategies."

This may sound like the mantra of a real estate fund manager's marketing team, but for Barnard, who has managed two global property equities funds and a European-focused fund for more than a decade, there is far more to this than sceptics might believe.

His strategy has nothing to do with timing the market or other worldly instincts that dictate game-changing investment calls. Instead, he and his team of eight take advantage of the liquidity provided by LRE to access portions of the property world that are responding to structural change faster and with greater focus than direct and passive investors.

Arguably, following months of COVID-19 lockdown across Europe, how investors and industries respond to change has never been more important. "There were a number of major trends, such as home working and e-commerce, that were already underway. The virus has accelerated these to an extent that nobody could realistically have predicted."

But this is not a problem for the veteran investor. It may change the asset or the sector makeup of his funds, but the strategy remains the same. "As a team, we strive to be forward-looking," explains Barnard. "We consider how people live, work and spend time today, how that might change in the future and what that means for the long-term attractiveness and demand for different assets."

A focus on structural changes to the property market has certainly paid off so far. Barnard credits "structural tailwinds" for the outperformance of both of his funds across all significant time horizons.

And it is ready-access to these areas of the market that is the key to Barnard's outperformance. "Investing only in listed property is an enormous advantage, and I can't see why it isn't more widely acknowledged. We can very quickly access niche areas of the market that present great opportunities for income and growth without having to own and operate physical assets. This level of agility is enormously important for us."

For a study in the importance of agility, investors need look no further than how the sector allocation in Barnard's funds has changed over the past decade. In particular, the difference between his allocation following the global financial crisis (GFC) and the coronavirus crisis highlights the stark nature of how different crises can create entirely different opportunities.

"Ten years ago, half of my funds were retail real estate," says Barnard. "This was shortly after the GFC, which was disruptive in terms of creating uncertainty but didn't actually change how the market was structured. There was a cyclical office market, retail was stable, and a balance of the two smoothed returns over time."

"COVID-19 has had the same panic effect but is actually a very different crisis. Real estate businesses are, generally, far stronger financially this time; but the virus has forced us to live in a different way, and the aftermath might result in a significant change that asset owners and operators will have to adapt to. Rather than behaving a little differently in the same paradigm, asset owners and operators may have to completely reassess how the sector works for and serves its people."

Barnard is quick to stress that this is not the end of office and retail. Instead, a transitional period in these sectors could well see quality companies flourish while others fall by the wayside. This presents great opportunities for an active fund manager, as long as the right companies can be found.

Fortunately, this is easier in European listed real estate than in broader equities, for example. "We have the ability to get to know a smaller number of companies in greater detail, and this is a big advantage. Generalist investors get to know a little about lots of companies and then try and make sector or thematic calls. In a world where governments and central banks are behaving unusually, this is hard to do well."

Instead, Barnard and his team get to know their market well and find, increasingly, that real estate owners are asset operators; the passive approach to managing property is gone. "As a result, we look for people or businesses who have an open dialogue with their current and potential tenants and can react to the changing needs of the client. We look to invest in people who are reacting to structural change in a positive way, which mirrors our own investment outlook."

For a manager who has found success moulding his portfolios to take advantage of change, the current economic upheaval at the hands of the coronavirus could well spell an even longer period of outperformance for his funds. He just needs to find some owner-operators that are prepared to tack with the changing of the wind. •

GUY BARNARD

Guy Barnard has been Co-Head of Global Property Equities at Janus Henderson Investors since 2014. He is also a Portfolio Manager responsible for managing the Global Real Estate Equity and Global Property Equity strategies. Guy joined Henderson in 2006 as an analyst and became a fund manager in 2008 and deputy head of Global Property Equities in 2012. Before Henderson, he worked for UBS in financial control.

Mutual recognition of European REITs can help the Commission achieve its Capital Markets Union goals

The European Capital Markets Union (CMU) has been a priority for the European Commission (EC) since 2015, aiming to achieve better integration and cross-border investment opportunities while reducing inequality and increasing prosperity. Yet there are vital elements of the CMU that require development in order to achieve its objectives. Among the most important is mutual recognition of investment regulation in European listed real estate (LRE) or, more specifically, real estate investment trust (REITs) regimes.

There are 14 REIT regimes in Europe, which provide a legal and tax framework for LRE investments in member states. However, these regimes are siloed from one another, often meaning that French or German REITs may not benefit from the Belgian REIT regime in the way Belgian companies can. Coupled with ineffective withholding tax procedures, a German or Belgian investor would not receive the same tax treatment of investments in Spanish REITs, presenting a true/real barrier to investment. A successful and integrated market would mean that investors across all REIT jurisdictions would be permitted common freedoms and benefits.

In principle, this is sound. But, to understand how the same treatment of European REITs would practically help achieve the objectives of the CMU, it is important to understand the underlying issues the CMU sets out to address.

UNDERLYING OBJECTIVES OF THE CMU

The recent report by the High-Level Forum (HLF) on the CMU, published in June 2020, provides a useful outline of the underlying objectives of the CMU, some but not all of which are set out below:

1. Increasing resilience of the EU economy
2. Providing for an adequate retirement
3. Improving access to investment products for long-term needs
4. Leading globally on sustainability

It is to these four principles that a set of actions to stimulate the growth of LRE in Europe (or EPRA recommendations on REITs' growth) can provide the greatest positive impact.

INCREASING RESILIENCE OF THE EU ECONOMY

One of the key principles of the CMU is to make the EU economy stronger. The idea is to ensure there is full access to a broader set of economies, a deeper pool of capital and a wider range of assets and asset classes to ensure good investment opportunities can be taken advantage of, benefitting investors, economies and communities alike while avoiding shocks.

Currently, the REIT regimes are siloed, which means that the benefits of each regime are rarely available outside of its own jurisdiction. It is great that the REIT regimes exist, but it is not helping achieve the CMUs goal of resilience because, at the moment, a German property business is unable to access the benefits of the Belgian REIT regime, making investment less attractive and acting as a lag on the flow of capital and diversification between these markets.

The solution to this is to simplify tax frameworks as they currently exist. As it stands, tax frameworks developed by member state REIT regimes provide favourable conditions to keep investment capital and benefits within that member state. Reworking these rules and encouraging greater cross-border investment in LRE can be enormously beneficial to overall resilience in Europe.

ADEQUATE RETIREMENT AND INVESTMENTS FOR LONG-TERM NEEDS

One of the goals of the CMU is to make appropriate assets and asset classes available to all types of investor to ensure that retirement provision is adequate for Europe's ageing population. To do this, ready access to investments that are appropriate for the longer-term (e.g. risk-adjusted return assets) is important.

As it stands, Europe's pension provision is reliant on savings accounts; yet interest rates have been at or near all-time lows for more than a decade, heavily affecting savers' ability to grow capital to provide for their retirement income. New avenues of long-term capital growth are needed, and it is only fair that retail investors are given as much choice as possible.

At present, it is acknowledged that property investments are a vital portion of a long-term investment or retirement portfolio, and a lot of insurance companies and pension funds are invested in LRE. Yet, much of Europe's property can only be accessed by institutional investors, private property companies, etc. If the CMU is trying to provide wider access to assets appropriate for long-term and retirement investors, then it must make property investments more easily available to all investors.

REITs are the only way to democratise property investment and make them available to all types of investors. Mutual recognition of REITs in Europe would further increase this access and help the CMU achieve its goal.

LEADING GLOBALLY ON SUSTAINABILITY

The CMU sets out to lead globally on sustainability, and with the climate emergency now firmly at the top of the political agenda, the EC should look to integrate all forms of business and investment that actively promotes and rewards sustainable practices.

REITs, by their nature, are businesses in perpetuity and, as a result, face enormous shareholder scrutiny over sustainable business practice and reduction in energy and carbon use. By encouraging mutual recognition of REITs and with it the growth of the REIT market, the EC can build an environment in which property companies play a major role in improving sustainability.

At present, the EU is currently not on track to deliver the EUR 11.2 trillion required to meet its 2030 energy policy targets. But the biggest gap within this target relates to investment in energy-efficient buildings. LRE provides a significant contribution to financing energy efficiency while providing more sustainable choices for investors. A simplified and fully integrated CMU framework that recognises and facilitates greater cross-border investment in LRE could encourage more investment in energy-efficient buildings and drive a renewed focus towards the sustainable finance agenda.

REITS FOR A BETTER EUROPEAN FUTURE

Given the current global environment, long-term nature of investment in the property sector and its importance to the European economy, it is our view that there is both a need and the scope for facilitating a simplified legislative framework on withholding tax in the CMU. Together with a clear recommendation for the mutual recognition of European REITs, the European energy policy targets could also be achieved. •

Rolf Buch, CEO of Vonovia, passing on EPRA Chairmanship

Looking back to his ambitions when he took over the role in September 2018, Rolf Buch, CEO of Vonovia, tells us about the outcomes of his involvement as EPRA Chairman and shares some insights on the challenges ahead to be faced by his successor, Méka Brunel, CEO of Gecina.

How will your Chairmanship of EPRA be remembered?

The re-appraisal of the EPRA BPRs and, more specifically, the implementation of the new Net Replacement Value (NRV), Net Tangible Asset (NTA) and Net Disposal Value (NDP) must be one of the biggest highlights. This was the first major review for sixteen years, and the landscape of the listed real estate (LRE) had considerably changed in that time.

It took a lot of discussions and debates between the different stakeholders and countries, but we are confident that these new BPR guidelines are the right ones.

Also, the launching of the EPRA sBPR Database in September 2019 was a major step in the LRE companies' environmental, social and governmental (ESG) disclosure. This first-ever ESG digital dataset for the listed sector provides consistent and reliable environmental information for the whole industry and also the investors.

Finally, the renewal of the index partnership with FTSE ensured this important relationship is secure for another five years and that the leading global benchmark is maintained.

So overall, I am sure the significant improvement in EPRA financial and non-financial reporting and greater transparency over these past two years will leave a mark.

Did you achieve all your objectives for EPRA?

One major achievement for the sector was definitely Solvency II. EPRA attaining the lowering of capital requirements from 39% to 22% for insurance companies investing in equities was a breakthrough, giving fresh incentive for them to invest in LRE. We were also very pleased to see the Portuguese Government introducing the REIT regime in early February 2019.

From a more EPRA-focused point of view, my main ambition was to achieve a better sense of cooperation and communication between the members and other market stakeholders. At the end of 2018, EPRA organised its first Corporate Access Event, which has, since then, become a bi-annual meeting for fifty or so investors and member property companies. In this regard, the membership survey conducted in 2019 highlighted how valuable our events are to our members, and that EPRA should keep focusing on networking activities.

Last but not least, EPRA has attracted no less than forty-five new members since September 2018. So, needless to say, the Association has gained in significance and visibility in recent years.

What is the most pressing issue currently facing EPRA?

The COVID-19 crisis is, for sure, the most challenging and urgent issue the sector is now facing with its negative effects on real estate valuations. Nevertheless, it's crucial that we keep focusing on long-term and sustainability goals. So, EPRA must continue its efforts in favour of initiatives and actions in line with the European Green Deal and the financing of a green transition.

What is the best piece of advice for Méka Brunel on the EPRA Chairmanship?

I really enjoyed my time as EPRA Chairman, and I know Méka will too. I can't think of any useful advice for her; she is a genuine expert in this industry, and she is well prepared to support EPRA in the upcoming challenges and to keep up the quest for cooperation, transparency and diversity. •

ROLF BUCH

Rolf Buch has been CEO of the Management Board of Vonovia SE since April 2013. He is a member of the executive board of the German Association of German Housing and Real Estate Companies (GdW), vice president of the German central real estate committee Zentraler Immobilien Ausschuss (ZIA) and the German Association for Housing, Urban and Spatial Development.

A new wind for diversity and inclusion will blow on EPRA

After three years as an EPRA Board member, Méka Brunel, Gecina CEO, is now taking the reins of the EPRA Chairmanship. Her ambitions of a more inclusive sector will not fall behind the urge to tackle the hurdles now shaking the real estate industry.

How do you see the role of EPRA Chairwoman?

It is an honour to succeed Rolf Buch as Chairman of the EPRA. Rolf has done an incredible job. I would like to warmly thank all the board members for their confidence. A Chairwoman must create dynamics and set priorities for the coming period. I will gladly put my energy and experience at the service of the EPRA members with the help of my colleagues of the Board. Thanks to the EPRA team under the leadership of Dominique Moerenhout, I know that EPRA is in good hands and I will continue to learn a lot from them as well as from the members.

What do you expect your priorities for EPRA to be in this position?

I wish to foster exchanges and cooperation between our current and future members, listed companies and investors, to support the transformation of our sector and pave the way towards the harmonisation of our practices and standards at a European level.

We need to share our best practices with each other to respond to the challenges posed by the COVID-19 crisis and the major trends that are shaking up our industry: the metropolitanisation and appeal for centrality and mixed-use areas; and the deep transformation of our economies through the digital revolution and the climate emergency.

Uniquely for an EPRA Chair, you come from an investor background, given your time at Ivanhoe Cambridge. What different aspects do you think your experience on the buy-side might bring to your leadership of EPRA?

EPRA is a great platform for promoting the transparency of information and fluidity of exchanges between listed real estate companies and investors. Understanding the expectations of the investor community is always appreciated when you are running an operational company and vice versa. Mutual understanding is crucial for the times ahead with all the headwinds we will face.

You are the first woman Chair of EPRA and were instrumental a few years back in launching diversity initiatives. How do you think you can help improve diversity across the industry during your time as EPRA Chair?

EPRA should be a driving force for improving diversity and inclusion. It is something I want to embody. The diversity 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. The issue of gender diversity is part of the more global challenge of the transformation of our organisations, as well as global diversity (skin colour, origin, culture, disabilities, ...). This will give us a chance to create unity through diversity.

What would you like to see changed in the European listed market, if possible, during your tenure as Chairwoman?

Our industry has a historic opportunity to accelerate its environmental transformation. The health crisis we are experiencing in 2020 is global, as is the environmental challenge. It sounds like a warning in the face of the coming climate crisis.

Employees, who are also consumers, are becoming uncompromising on climate issues. Soon, it will be very difficult to lease an office building that is not virtuous and continuously improving on these issues. This is more than ever a transformation we have to work on and accelerate together. I need to say though that EPRA has been working hard on that side for years. Maybe what we lack is a greater sharing of rules in our countries, enabling us to enforce our capacities in these matters and create more human inclusiveness. •

MÉKA BRUNEL

Méka BRUNEL first joined Gecina, the Euronext listed REIT with French office and residential assets, as Executive Director of Strategic Development in 2003. She was then appointed Chief Executive of Eurosic, the office REIT, in 2006, and became the European President of Ivanhoé Cambridge Inc in 2009. Méka has been a Director at Gecina since 2014 and was appointed as its Chief Executive Officer in January 2017. She was appointed a Director of Hammerson plc in November 2019.

Harnessing TCFD Recommendations required now to mobilise capital for listed real estate to fight climate change

In recent years we have seen investors keen to channel their capital into companies actively managing climate risks increasingly scrutinise the real estate industry over its commitment to reducing carbon emissions. Environmental, Social and Governance (ESG) data disclosure has since become critical to the property industry's investor relations conversations.

For this reason, we created the EPRA Sustainability Best Practice Recommendations (sBPR) reporting framework in 2011 to give the listed real estate (LRE) sector a set of standards by which property companies could be compared fairly against one another on their ESG performance. The standards have been well received by the industry and investors, and we have seen consistent uptake from our members, who are keen to show their good work in this space.

But, when it comes to reporting climate risk, in particular, and its implication on financial performance, we are seeing an increasing demand for climate-related information from the investment community. As proof of this, the investment community came together to develop Task Force on Climate-related Disclosures (TCFD) Recommendations in 2017. This is critical for anyone advising on or executing information disclosure in the sector.

The growing importance of these metrics cannot be ignored – more than 350 investors with nearly USD 34 trillion in assets under management (AUM) have backed the recommendations, alongside 800 private and public sector companies and 36 central banks and supervisors. Soon, property companies that do not report against these could begin to fall behind.

Yet, the burden of TCFD reporting has been difficult to accommodate for many businesses as climate-related disclosure also requires integration into formal risk management, governance processes and business financial planning. Therefore, EPRA has developed Enhancing Transparency with the TCFD guidance.

The report serves a practical guide for the industry, showing examples of businesses who have done this well before and their approach to integrating climate assessment, monitoring and management into business activities. These practices vary to some degree based on an organisation's specific characteristics, including its size, structure and operating context. Furthermore, this guide, which is primarily focused on disclosure, aims to help companies remodel their existing sBPR reporting to make it fit for purpose for TCFD reporting.

Ultimately, we are trying to enable more our membership, and the wider real estate sector, to comply with the TCFD recommendations in the most efficient way possible. A more transparent sector is a more attractive sector to investors, and a more comparable landscape can only lead to increasingly impactful ESG and climate action in listed real estate. A more common implementation of TCFD reporting can be a key driver in this, and so uptake is extremely important.

The very fact that TCFD recommendations were developed demonstrates that the investment community was abundantly aware of the risks posed by climate change a long time ago. Investors have shown they want to be able to assess companies' climate-related governance, strategy, risk and metrics since this is what allows them to better understand the risk associated with their investments.

Implementing the recommendations, therefore, allows real estate players to show they are in a position to respond and manage climate risks in the short, medium and long term. It is a critical step in making the sector more attractive to long-term investors and more competitive as an asset class.

The current COVID-19 crisis has only served to elevate the importance of sustainability commitments. On the one hand, it's clear that both this pandemic and climate change have their roots in the world's current economic model; on the other, this crisis demonstrates that quick and sweeping actions are possible. Governments, international institutions and businesses have to urgently play their part in the fight against climate change.

And for the listed real estate sector, large-scale mobilisation of capital is necessary in order to transition to a low-carbon future. Yet only the disclosure of transparent and consistent information on climate-related risks and opportunities will drive this capital into the sector. This is not a compliance issue but a critical operational imperative.

Considering the ongoing economic uncertainty as a result of COVID-19, the need for new capital may be greater than ever as the industry considers if and how it must adapt to a society undergoing great change. Much of the continent is currently experiencing a significant economic downturn, so the commercial property industry's role in promoting growth is vital. We cannot, therefore, see improving the transparency of reporting and the sector's recovery and growth as independent of one another. The former will be essential to the latter.

It is important, however, that companies take a long-term view when it comes to adopting the TCFD recommendations. Companies must look to integrate climate risks and opportunities into their business strategy, and the reporting process can be foundational in this. This means investing in the appropriate resource to ensure that reporting is prioritised and done properly.

Climate change and related risks will be at the forefront of investors thinking for many years to come. Through this guidance, we can help build a common way for the sector to report on climate-related issues that can demonstrate the true value of the listed real estate industry during times of change. •

ESG and Impact Investing: In hindsight, it might seem obvious

In 1988, a McKinsey paper declared that a business is a value delivery system and that delivering superior value to customers was at the heart of successful business strategies.

Over three decades later, delivering value to your customers seems to be a business maxim that has been evident all along. Today more than ever, it is increasingly apparent that neither the company nor the customer exists in isolation and that, even if unwittingly, we are all stakeholders in our communities, in the environment and in the world that we inhabit.

In the future, it may be nothing more than common sense that great property investments are built on a stakeholder-centric approach of delivering superior value to a wider group that includes, but is not limited to, tenants and shareholders.

Whilst we are still a long way from social or environmental impact being rational business goals, there is a growing interest in investments that can deliver more than just financial returns. Inflows to Environmental, Social and Governmental (ESG) funds from British investors have multiplied by thirty-five since July 2017.

Boathouse, Lichefield

Oak House, Birmingham

Historically, some have assumed there has to be a trade-off between financial returns and improving ESG and impact criteria, but a growing body of evidence suggests that this is not the case and actually the reverse might be true.

In more than 2000 peer-reviewed academic studies, only 10% found there was a negative relationship between corporate financial performance and ESG criteria. In real estate, more than 70% of the studies pointed to a positive relationship between performance and ESG metrics.

Furthermore, research by Morningstar and MSCI has concluded that investments with strong sustainability indicators have outperformed their broader market counterparts in recent market downturns. Behaviour during the recent downturn suggests that investors are alive to this resilience. As of Q1 2020, there has been a 41% year-over-year increase in inflows to sustainable funds, despite an extraordinary level of volatility and market drawdowns. The Triple Point Social Housing REIT, which provides much-needed homes to vulnerable people with care needs who have their rent funded by the state, is a case in point. The company received 100% of its Q1 rent, and its share price is higher than it was at the start of February this year.

The need for economic stimulus against the backdrop of an unprecedentedly sharp economic downturn has increased calls to use this as an opportunity to accelerate a transition into a greener economy. Nearly a third of Germany's EUR 130 billion stimulus package will be dedicated to green initiatives, such as building energy efficiency upgrades, subsidies for electric vehicles and developing renewable energy infrastructure. It is increasingly likely that the UK may follow in Germany's footsteps, as there is mounting pressure from business leaders and the public for the country to take a similar approach to its recovery plan.

Park View Apartments, Wolverhampton

The coronavirus pandemic has had a profound impact on society and the Real Estate industry by changing the way that we work, consume, and interact with the built environment. It is hard to tell how many of these changes will be transient, but all the evidence suggests we are moving towards a world where governments, institutions and individuals expect investments to deliver more than financial returns.

The future might bring an outsized demand for those that can deliver superior value to stakeholders, the environment and society – and, eventually, it might seem that this was evident all along. •

MAX SHENKMAN

Max is Head of Investment at Triple Point Investment Management and is responsible for all direct investments into property, with a focus on social and affordable housing. Max was one of the first equity fund managers to invest directly in social housing. Since 2015, he has deployed more than GBP 500 million into properties throughout the UK that have helped to unlock better tenant outcomes for vulnerable people unable to afford market rents.

PropTech: Increased priority for EPRA members, survey shows

EPRA conducted its first-ever PropTech survey at the beginning of the year, with almost 50% of the EPRA property company members participating. The survey aimed to better grasp the preparedness of the listed sector in Europe in terms of adoption of technologies and their progress towards digital transformation. In general, the responses are encouraging as a great number of listed companies are focusing on their digital agenda and increasing the technical awareness and knowledge of their staff.

In total, 71 participants from 16 countries took part in the survey. While 49% of the companies have a dedicated person in charge of digitalisation and innovation, less than a third have a PropTech strategy in place (fig 1); however, almost 30% are developing one. On the other hand, more than two-thirds of those surveyed have already used the services and products of PropTech companies (fig 2), and above a third have also invested in PropTech start-ups.

The EPRA property company members are mostly interested in technologies that would assist them in the areas of property management, energy consumption and decreasing the carbon footprint of their assets (fig 3). The technologies that companies think would benefit them most span the Internet of Things, digital ecosystems and Big Data.

The survey will be repeated next year to grasp the progress companies have made towards digitalisation. The next edition of the survey will also take into consideration the impact of COVID-19 on the adoption of PropTech solutions by real estate companies. •

FIGURE 1

Does your company have a digital strategy in place?

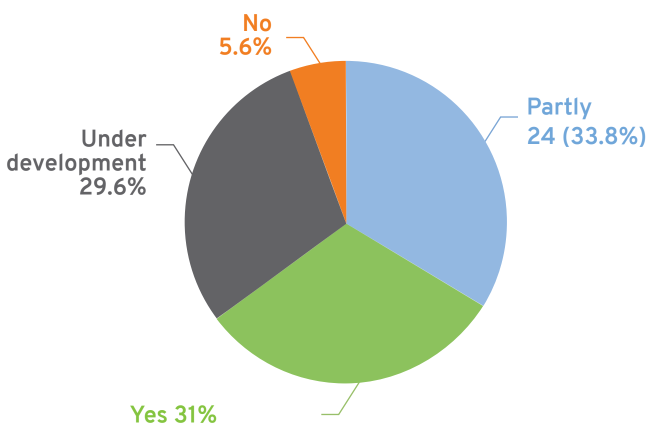


FIGURE 2

Are you using the services of a Proptech company or a starup?

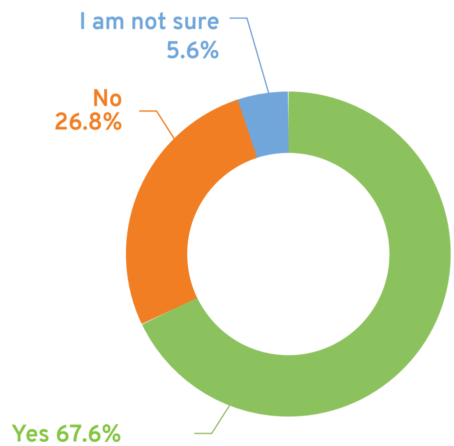
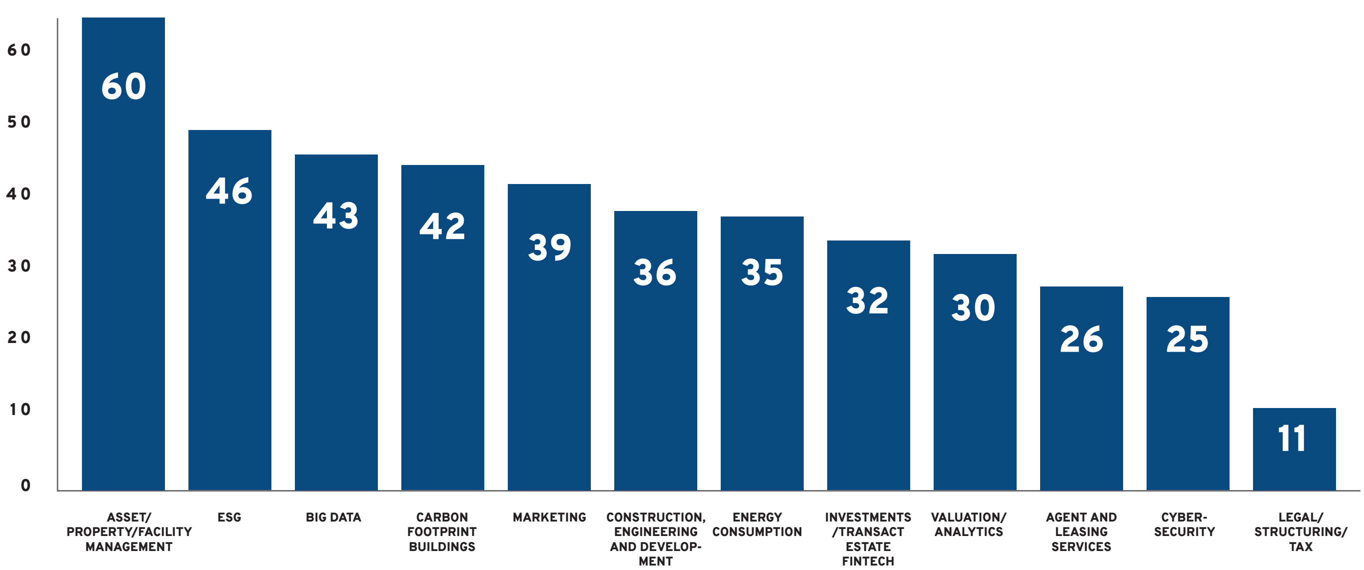


FIGURE 3

Areas of interest of listed property companies (more than one response)



Unique problems need unique solutions

* Des solutions uniques pour des enjeux uniques

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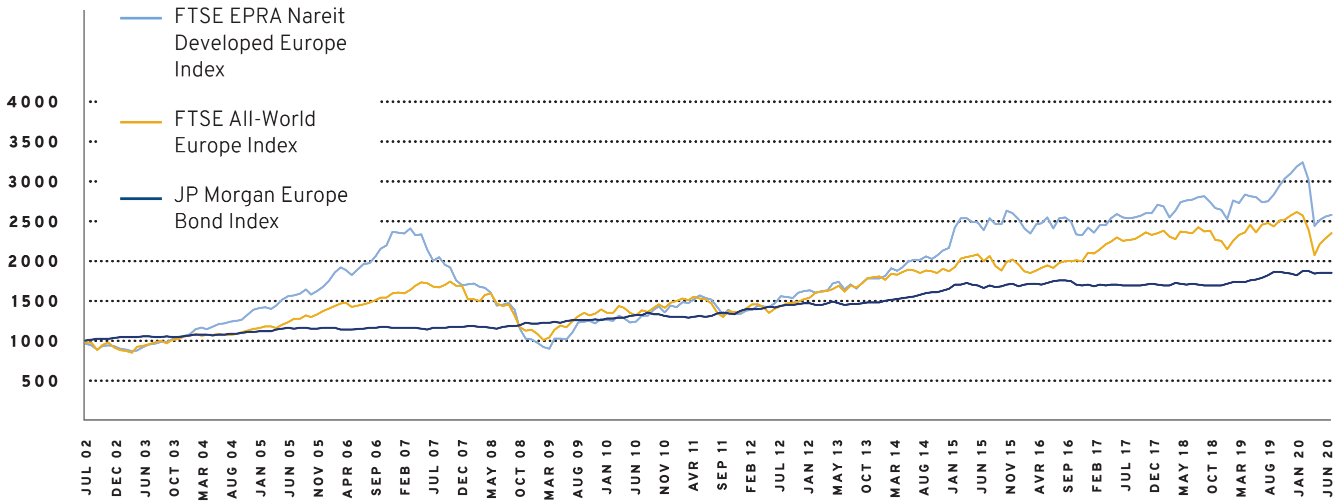
Index focus

Comparison of asset classes

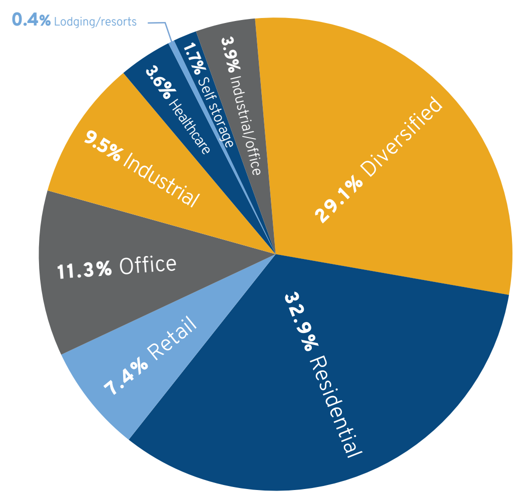


Value snapshot (June 2020)

* 1-year LTV value as of October 2018 and 10-year value as of 2009

DEVELOPED EUROPE	LATEST (MONTHLY)	YEAR TO DATE	1 YEAR	10 YEAR (LONG RUN)
Average Total Return (%)	1.02%	-21.08%	-6.44%	9.10%
Average Premium/ Discount to NAV (%)	-26.44%	-22.70%	-16.30%	-8.90%
Loan-to-Value (%)*	37.26%	36.71%	36.69%	39.84%
Average Dividend yield (%)	4.47%	4.26%	4.11%	3.78%

Developed Europe Index sector share



Top 10 European performers (June 2020)

FTSE EPRA NAREIT GLOBAL INDEX							
STOCK NAME	COUNTRY	REIT STATUS	SECTOR	INVESTMENT FOCUS	PRICE RETURN JUNE 2020	DIVIDEND PAID JUNE 2020	TOTAL RETURN JUNE 2020
Samhällsbyggnadsbolaget i Norden	SWED	Non-REIT	Diversified	Rental	26.33	0.80	27.13
Covivio	FRA	REIT	Diversified	Rental	22.51	0.00	22.51
RDI REIT	UK	REIT	Diversified	Rental	20.09	0.00	20.09
NewRiver REIT	UK	REIT	Retail	Rental	17.60	0.00	17.60
Wereldhave Belgium	BELG	REIT	Retail	Rental	14.11	0.00	14.11
Tritax EuroBox	UK	Non-REIT	Industrial	Rental	13.33	0.00	13.33
Leasinvest Real Estate	BELG	REIT	Diversified	Rental	10.90	0.00	10.90
Vastned Retail	NETH	REIT	Retail	Rental	5.79	4.73	10.52
Carmila	FRA	REIT	Retail	Rental	9.32	0.00	9.32
Hammerson	UK	REIT	Retail	Rental	9.05	0.00	9.05

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