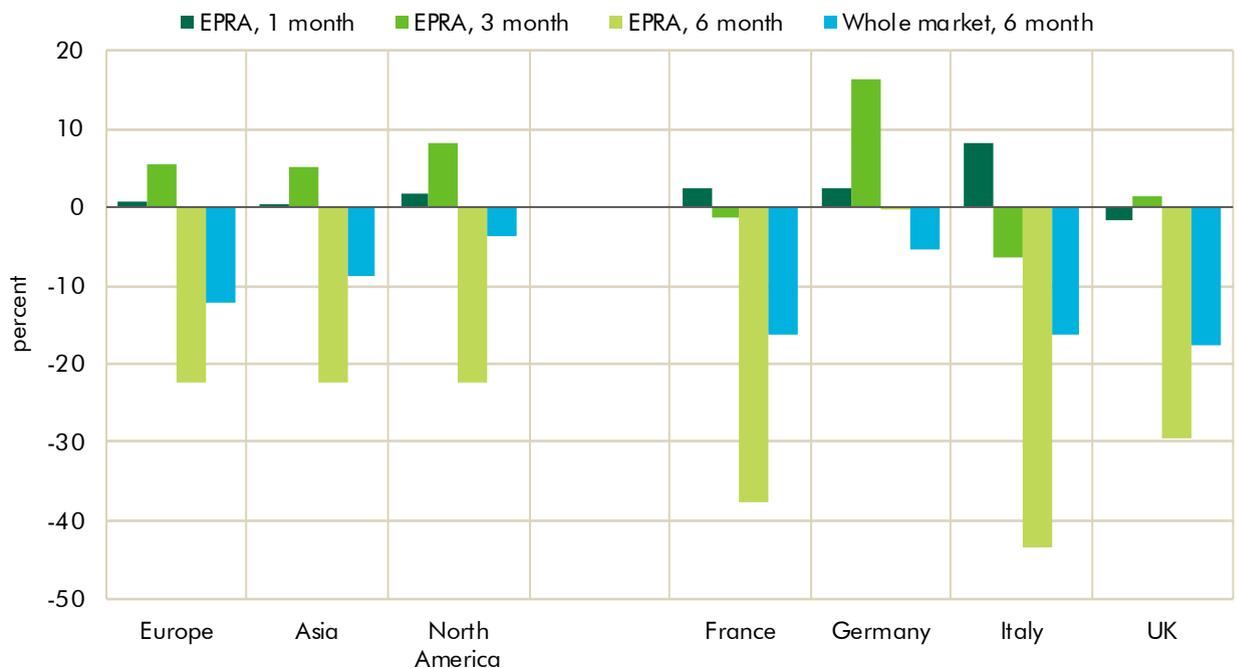


**EMEA CAPITAL ADVISORS**

**Public Equity**

Public markets reacted swiftly to Covid-19, with the bulk of corrections coming in the first quarter of 2020. Consequently performance in the last one and three months (see Figure 1), as markets have regained composure and factored in swifter broader economic recovery than was initially assumed, has been none too shabby, and those investors who in the immediate aftermath of the sell-off looked to tactically increase their allocations to listed real estate will have fared well. EPRA indices for Europe, Asia and North America saw gains of 5.4%, 5.0% and 8.0% respectively in Q2 2020; within Europe the biggest improvement was seen in Germany, at 16.2%, but most other major markets saw only marginal change. On a six month basis – so incorporating the poor performance of Q2 – real estate stocks are down a little over 20% in the three major global groupings, and real estate as a whole is generally under-performing wider stock market benchmarks. Once again, Germany has bucked this trend; flat REIT prices have out-performed the -5.6% decline on the DAX

**Figure 1 Real estate versus wider equity market performance, H1 2020**



Source: EPRA, Macrobond. (Note: Whole market indices used are EuroStoxx 50 (Europe ex UK), Hang Seng & Nikkei 225 (Asia), S&P 500 (North America), CAC 40 (France), DAX (Germany), FTSE MIB (Italy), FTSE 100 (UK)).

It is tempting to declare a pattern whereby REITs fare better in absolute and relative terms (versus wider equity benchmarks) according to the effectiveness of Government policy response. This makes intuitive sense – better response equals less (stringent or lengthy or both) lockdown equals greater use of real estate. However, while the expected pattern seems to play out in some cases – for example, lower relative under-performance of Europe compared to the US and the strength of Germany versus the weakness of other major European markets – it does not in others – for example, Asia’s under-performance is greater than Europe’s and the UK’s under-performance is less than France and Italy’s. Individual REIT performance is therefore likely as much a driver of differentiation as macro issues, and indeed the mix of favoured / unfavoured sectors within national level aggregates could be a significant factor; Germany’s resilience is driven by its higher weighting to residential whereas higher exposure to retail has caused weakness in UK, France and Italy.

We could not conclude without speaking of retail, and arguably the most significant (if not altogether surprising) news of the quarter – the collapse into administration of UK shopping centre specialist Intu, as legacy debt issues finally provide insurmountable. Creditors are now running the show, and the market for prime (and slightly less prime) shopping centres will be tested in the not too distant future, at which point there should be a resolution of the sometimes divergent views on where values truly sit.

**Contacts**

For more information, please contact our Capital Advisors team:

**Richard Dakin**

Global Head  
Capital Advisors  
t: +44 (0)20 7182 2030  
e: richard.dakin@cbre.com

**Mark Evans**

Executive Director  
EMEA Equity Placement  
t: +44 20 7182 2964  
e: mark.evans@cbre.com

**Paul Coates**

Executive Director  
Debt and Structured Finance  
t: +44 20 7182 8050  
e: paul.coates@cbre.com

**Clarence Dixon**

Executive Director  
Loan Services  
t: +44 20 7182 2917  
e: clarence.dixon@cbre.com

**Paul Robinson**

Executive Director  
Alternative Investment  
t: +44 20 7182 2740  
e: paul.robinson@cbre.com

**Anthony Martin**

Executive Director  
Investment Advisory  
t: +44 20 7182 2466  
e: anthony.martin@cbre.com

**Tim Ryan**

Executive Director  
Real Estate Investment Banking  
t: +44 20 7182 2775  
e: timothy.ryan@cbre.com

**Graeme Rutter**

Executive Director  
Investment Advisory  
t: +44 20 7182 2700  
e: graeme.rutter@cbre.com

**Graham Barnes**

Executive Director  
Corporate Finance  
t: +44 20 7182 2516  
e: graham.barnes@cbre.com

**Dominic Smith**

Senior Director  
Research  
t: +44 20 7182 2369  
e: dominic.smith@cbre.com