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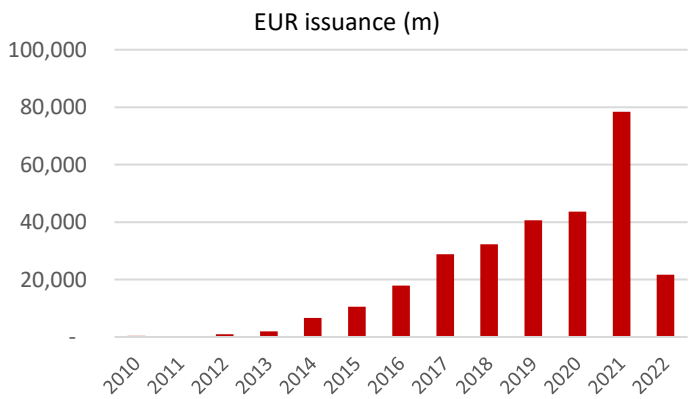
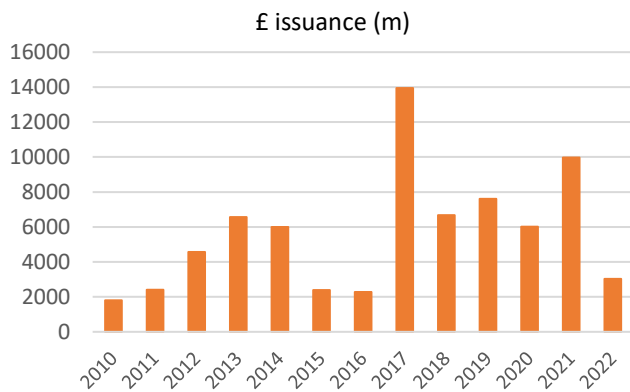
Monthly Bond Research

March 2022 at a glance

March EUR bond debt issuance went down to 17 new bonds and 4.6bn in total issuance volume of which €2.3bn (5 bonds) were green bonds. The rated universe was 5 new bonds (€3.3bn) with an average rating of A3 – Baa2. Issuance was concentrated on short term bonds (2-3years) with an average coupon of 1.9% for A3 – Baa2 credit. This compares to only £68m of new GBP bond issuance. The UK bond market has been struggling with increasing credit spreads and interest rates.

Benchmarks	March 22	Previous month		March 22	Previous month
10yr £ UK gilt	1.6%	1.4%	10yr € BUND	0.55%	0.12%
10yr £ IBOXX AA	2.6%	2.5%	10yr € IBOXX AA	1.7%	1.6%
10yr £ IBOXX A	2.9%	2.8%	10yr € IBOXX A	1.9%	1.8%
10yr £ IBOXX BBB	3.5%	3.4%	10yr € IBOXX BBB	2.2%	2.1%

Source: Bayes Business School, Bloomberg



Source: Bayes Business School, Bloomberg

Public bond market (REITS) new issuance Jan - March 2022

Fixed rate Euro REIT

Years to Maturity	No of obs	Total Amount Out. (million)	€ Coupon (weighted)	No of obs	Total Amount Out. (million)	YTM (weighted)
0--3	1	10	2.3%	1	10	2.6%
3--5	7	2,615	1.1%	7	2,615	2.1%
5--7	4	2,300	1.6%	4	2,300	2.3%
7--10	4	2,550	1.9%	4	2,550	2.8%
10--15	2	1,000	1.2%	3	1,500	2.1%
15--20	0	-	0.0%	0	-	0.0%

Source: Bayes Business School, Bloomberg

Summary public bond market (REITS, REOC & Other)

UK fixed rate bonds by vintage year, £

Vintage	No of obs	Total Amount Out. (in million)	Coupon (weighted)	No of obs	Total Amount Out. (in million)	YTM (weighted)
pre 2000	20	1,433	7.8%	20	1,433	4.4%
2000 - 2004	21	3,219	5.9%	21	3,219	3.3%
2005 - 2009	24	6,006	4.9%	24	6,006	4.7%
2010 - 2014	78	19,265	4.2%	78	19,265	2.6%
2015 - 2016	25	3,757	1.4%	25	3,757	1.2%
2017 - 2019	89	27,616	1.5%	88	27,516	1.5%
2020	20	6,085	2.1%	20	6,085	2.9%
2021	31	9,740	2.2%	39	10,341	3.0%
> 2021	12	2,432	2.8%	12	2,432	3.1%

Source: Bayes Business School, Bloomberg

EUR fixed rate bonds by vintage year, €

Vintage	No of obs	Total Amount Out. (million)	Coupon (weighted)	No of obs	Total Amount Out. (million)	YTM (weighted)
pre 2000	4	193	0.7%	3	183	0.0%
2000 - 2004	5	44	7.4%	4	34	1.5%
2005 - 2009	4	39	3.1%	4	39	0.0%
2010 - 2014	48	7,442	2.7%	48	7,442	0.9%
2015 - 2016	119	24,734	1.5%	117	24,730	0.9%
2017 - 2019	461	90,759	1.4%	461	90,759	1.9%
2020	165	38,800	1.7%	165	38,800	3.0%
2021	222	69,994	1.4%	247	70,312	3.0%
> 2021	56	18,707	1.5%	56	18,707	2.4%

Source: Bayes Business School, Bloomberg

UK fixed rate bonds by credit grade, £

rating group	No of obs	Total Amount Out. (million)	Coupon (weighted)	No of obs	Total Amount Out. (million)	YTM (weighted)
AAA	3	787	5.3%	3	787	3.0%
AA	10	2,521	3.3%	10	2,521	2.8%
A	103	26,391	3.5%	103	26,391	2.9%
BBB	44	15,639	4.1%	44	15,639	3.6%
BB	6	2,650	3.3%	6	2,650	3.9%
B						
C	10	2,488	4.4%	10	2,488	2.9%

Source: Bayes Business School, Bloomberg

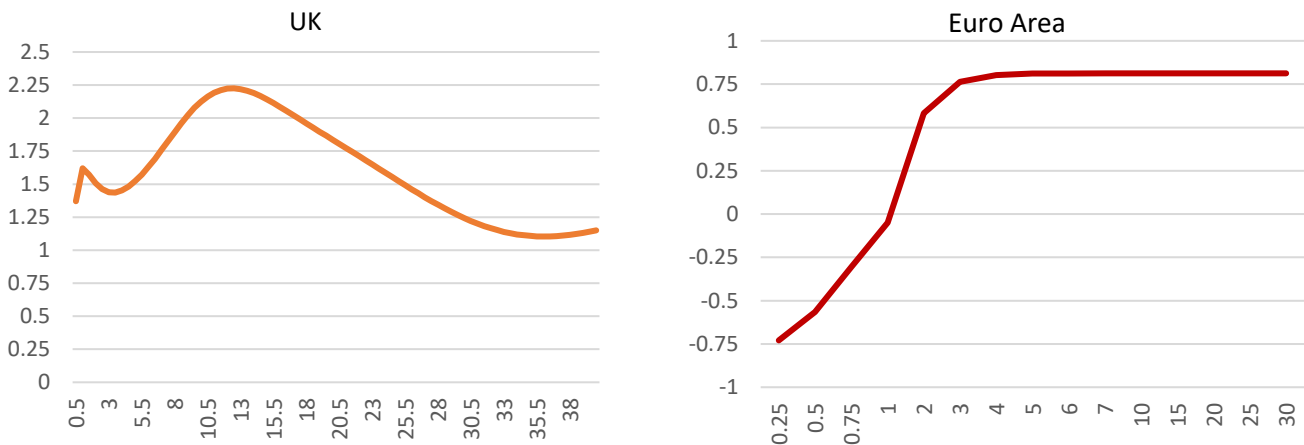
EUR fixed rate bonds by credit grade, €

rating group	No of obs	Total Amount Out. (million)	Coupon (weighted)	No of obs	Total Amount Out. (million)	YTM (weighted)
AA	-	-	-	-	-	-
A	106	34,914	1.1%	106	34,914	1.8%
BBB	141	68,272	1.5%	141	68,272	2.2%
BB	13	4,700	2.9%	13	4,700	3.8%
B	3	1,140	3.8%	3	1,140	4.6%
C	40	14,084	1.9%	40	14,084	5.5%

Source: Bayes Business School, Bloomberg

Government Bond Yield Curve

Since the interest rate increases by the BoE, worries and uncertainty of the near to mid-term future of the economy have caused a run on long-term bonds (inverted yield curve). With the ECB being slightly behind, since effect is currently only visible in the UK economy. On March 31, 2022, the 2-year Treasury yield and the 10-year Treasury yield officially inverted for the first time since 2019. This effect could be short term, but the longer the Ukrainian/Russian war will last, the higher the risk of a future recession which will effect Europe and the UK.



Source: Bayes Business School, Thomson Reuters Datastream

The values in the x-axis refer to number of years. The left hand side chart shows the UK Nominal Government Bond Yield and the left hand side chart the Euro Area average government bond yield curve.

CMBS issuance 2022

In 2022, €1.4bn of new CMBS bonds have been issued during February and March 2022. Cassia 2022, Italian Logistics, issued by BofA and Goldmann Sachs, Dutch CMBS DPF, and Pembroke Irish mixed property CMBS. In the UK CMBS issuance has been on hold since the interest rate rise by BoE.

Outstanding CMBS by credit grade

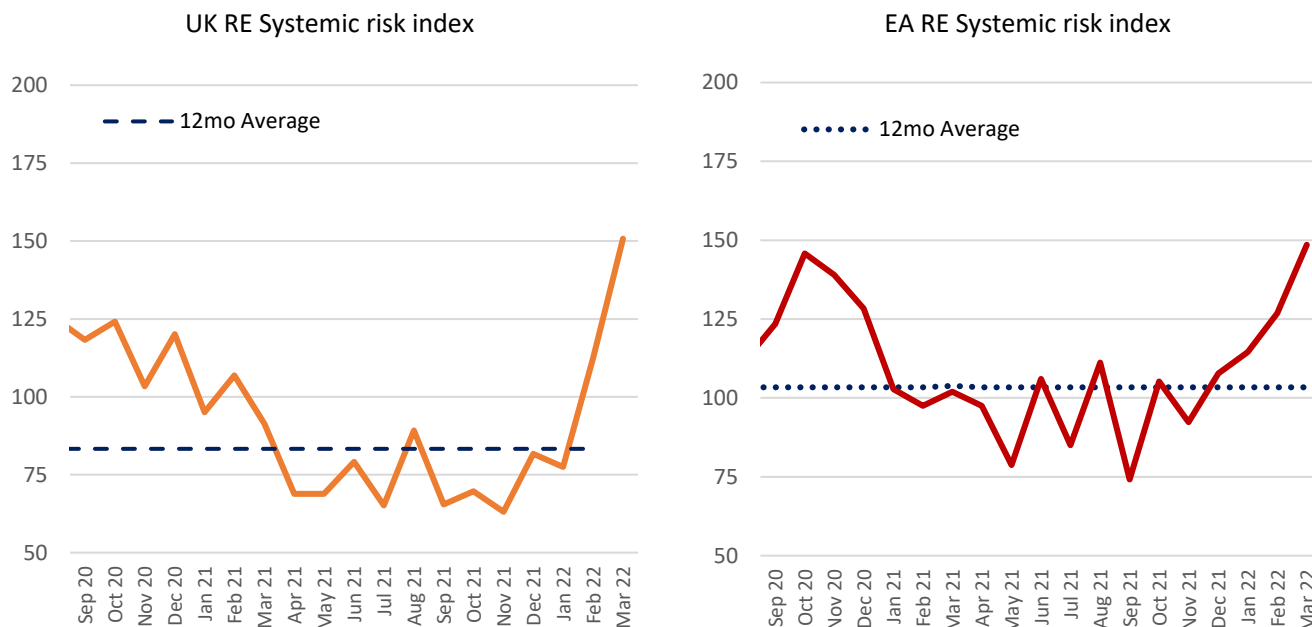
rating group	No of obs	Total Amount Out. (million)	Coupon (weighted)	No of obs	Total Amount Out. (million)	Coupon (weighted)
	EUR	EUR	EUR	£	£	£
AAA	11	1,607	0.8%	10	1,239	1.0%
AA	16	460	1.4%	16	358	1.5%
A	14	823	0.4%	9	260	1.7%
BBB	15	578	2.2%	12	371	2.2%
BB	8	370	2.6%	8	294	3.4%
B	4	68	3.6%	6	125	3.0%
C	27	2,304	2.2%	31	898	2.2%

Source: Bayes Business School, Bloomberg

Systemic Risk in the Real Estate sector

The systemic risk index captures the exposure of the financial system to the Real Estate market. The latest data suggests that the Ukraine-Russia conflict causes severe distress in the European financial markets. In March 2022, EA RE SR reached the highest point since the first lockdown in 2020Q2 and the 2016 Brexit referendum. The index is estimated at 148 bps, increased by 17% compared to February 2022 and 46% than a year ago. Real Estate sector volatility increased to 1.9%, the highest since 2020. Similarly, the systemic importance of the UK Real Estate sector increased by 33% and reached the highest value since the summer of 2020. The daily volatility of the UK RE portfolio exceeds 2%, when the 20 year average is just above 1.5%.

Market indicators



Source: Bayes Business School, Thomson Reuters EIKON Datastream

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