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Monthly Real Estate Monitor – December 2021

This month at a glance

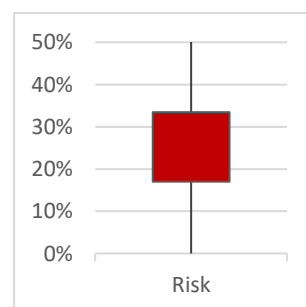
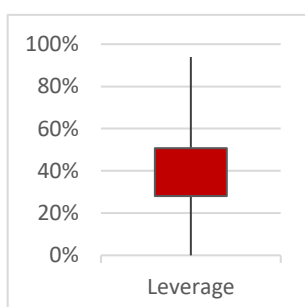
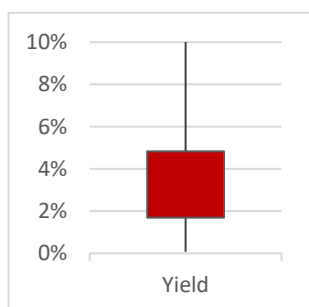
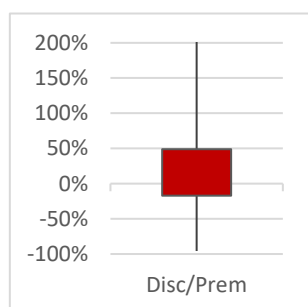
Sentiment		Factor Analysis		Valuation		Market Structure
Analyst recommendation	↑	Small vs Large Value vs Growth	↓	Discount to NAV	→	Systemic risk
Sector Relative	↓	High vs low LTV	→	Dividend Yield	→	Demand M&A
Sector Absolute	↑		↑			

Factor analysis

A positive month for listed real estate with our universe of 339 real estate stocks showing an equal weighted return of 1.7%, although it should be noted that this was against an overall European equity market which gained >5% in the period so relative performance was poor, although the key momentum indicator we use (10m MA) remained positive. This month again there was a lot more focus on individual stocks which led to a mixed picture in terms of factor analysis. As a result, large caps (3.1%) outperformed small caps (+1.9%), but underperformed mid-caps (+4.0%). Value as measured by discount once again outperformed growth but high yield underperformed low yield. In terms of non-financial (i.e. ESG) ratings there was little difference between sustainability ratings with high governance marginally outperforming low governance. In terms of valuation the overall dividend yield across our sector remained unchanged at 3.6%.

Value – Yield & PTB	1 mo return	Volatility	Size (Market Cap.)	1 mo return	Volatility
High Div Yield (upper quart)	0.7%	25.5%	Large	3.1%	25.0%
Low Div Yield (lower quart)	3.5%	25.4%	Medium	4.0%	23.5%
Discount (lower quart)	3.2%	35.6%	Small	1.9%	26.1%
Premium (upper quart)	2.1%	22.2%	Micro	-2.4%	50.5%
ESG	1 mo return	Volatility	Leverage & Benchmarks	1 mo return	Volatility
High Sustainability	1.9%	24.4%	Watch (upper quart)	1.5%	39.8%
High Governance	-0.2%	23.2%	Low (lower quart)	1.0%	33.8%
Low Sustainability	2.0%	19.3%	EPRA (FF-MCap weight)	1.9%	14.8%
Low Governance	-1.3%	59.4%	Bayes Benchmark (Equal weight)	1.7%	31.1%

Monthly benchmark: Min, max, lower and upper quartiles



Equity indicators

Continuing last month's trend, there was a 2:1 positive/negative recommendation change ratio with 24 upgrades and 12 downgrades, and the strong level of M&A activity announced continued, reflecting the weight of capital awaiting deployment in the sector. This month saw upgrades to retail and hospitality names, and downgrades to logistics and long income stocks.

Analyst recommendations – Equity tables - upgrades & downgrades

Largest upgrades				Largest downgrades			
Name	Score change	1m return	Rating	Name	Score change	1m return	Rating
Varia US Properties AG	1.0	13.8%	4.0	Deutsche Industrie REIT AG	-0.8	-1.7%	3.4
Echo Polska Properties NV	0.7	0.0%	2.3	Toivo Group OYJ	-0.5	3.9%	2.0
Pierre & Vacances	0.5	5.5%	3.3	Warehouses de Pauw	-0.2	3.0%	3.8
Town Centre Sec PLC	0.5	10.6%	5.0	Alstria Office REIT-AG	-0.2	0.5%	2.8
Cibus Nordic RE AB	0.5	18.0%	3.3	Supermarket Income REIT	-0.2	1.4%	4.8

Source: Bayes Business School, Bloomberg

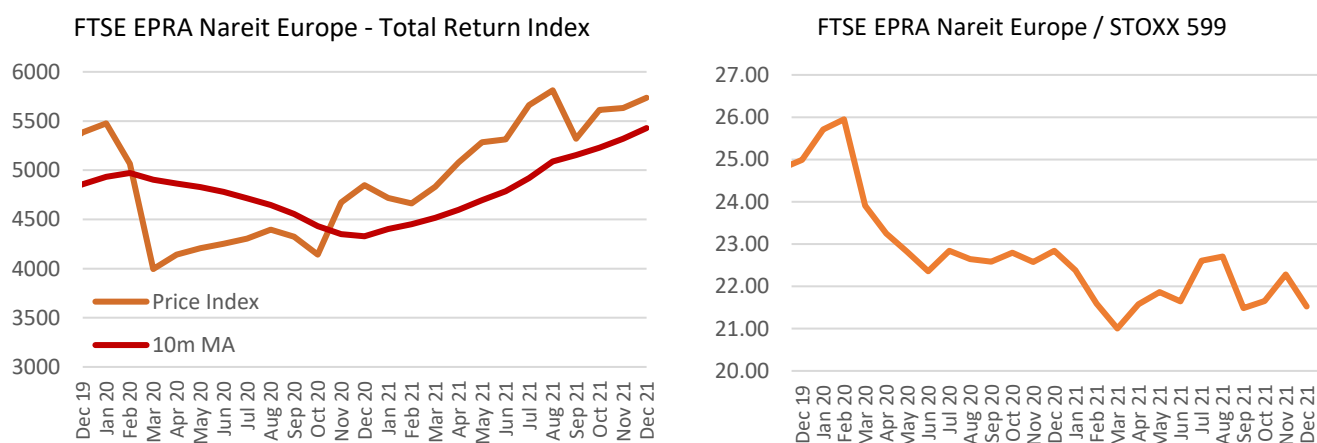
Subsector analysis

The continuing theme of a slow but gradual rotation away from highly valued logistics towards lower valued shops and travel related stocks continued this month. Storage was again the star performer and the worst performing sector Sheds (-1.0%).

Style	Factor	Yield	LTV	Analyst Opinion	1m Perf	Volatility
1	Cities	1.8%	24.3%	3.0	3.5%	20.8%
2	Diverse	3.7%	38.5%	1.9	1.0%	30.2%
3	Meds	3.3%	34.3%	4.6	2.2%	21.2%
4	Resi	3.3%	41.5%	2.5	2.8%	27.1%
5	Sheds	2.7%	38.2%	3.0	-1.0%	67.2%
6	Shops	4.6%	40.2%	2.4	2.4%	28.2%
7	Infra	1.7%	29.7%	3.7	1.2%	35.9%
8	Workspace	3.6%	34.6%	2.2	1.8%	26.4%
9	Storage	1.8%	24.5%	4.0	6.1%	22.7%
10	Travel	1.6%	49.0%	1.7	4.7%	29.3%
Bayes Benchmark		3.6%	38.4%			31.1%

Source: Bayes Business School, Bloomberg

Figure 1. Equity indices



Source: Bayes Business School, Thomson Reuters Datastream

M&A announcements

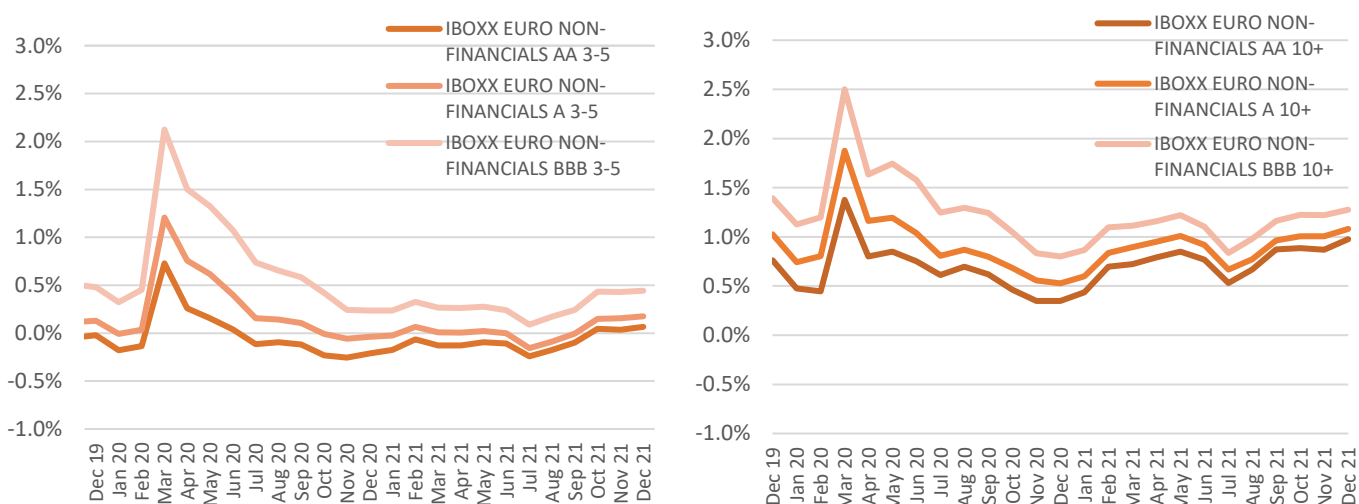
Announce Date	Target Name	Acquirer Name	Total Value (€ million)	Payment Type	Deal Status
01 Dec 2021	Brack Capital	LEG Immobilien SE	1,222	Cash	Pending
03 Dec 2021	IMMOFINANZ AG GXP German	CPI Property Group SA	3,895	Cash	Pending
08 Dec 2021	Properties AG	Paccard eight GmbH	N/A	Cash	Proposed
16 Dec 2021	BoStad A/S	Foreningen AP Pension	N/A	Cash	Pending

Source: Bayes Business School, Bloomberg

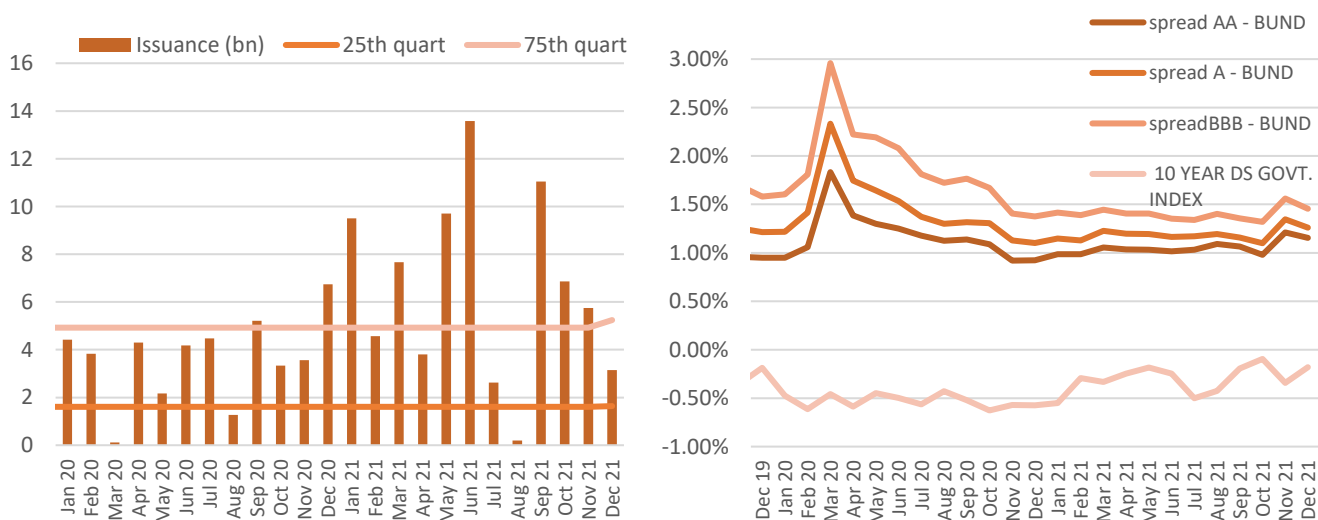
Debt sentiment

After the spread to the BUND widening in November, BUND yields have narrowed again over December by 16bps. The BUND yield ended at -18bps in December. The AA – BBB yield curve has remained largely unchanged with a minimal widening of yields between 2 -8bps. Total new EUR bond issuance for December reached €3.1bn compared to €5.7bn in November.

Figure 2. Corporate bond credit curves, IBOXX Euro Non-Financials



Source: Bayes Business School, Thomson Reuters Datastream



Source: Bayes Business School, Thomson Reuters Datastream

Related documents:

- [Bayes Monthly Monitor Methodology](#)
- [Bayes CRE Lending Report Year-end 2020](#)
- [Bayes CRE Lending Report Mid-Year 2021](#)

New debt issuance (rated bonds)

December total debt issuance was strong with 29 new bonds (€3.1bn), only two of them were counted as rated bonds. A total of 2 bonds were regarded "green" bonds, issued by Nassauische Wohnungs- und Entwicklungsgesellschaft mbH. Strongest issuance came out of Germany. A number of three REITs issued bonds, Aroundtown, CPI Property Group and DIC Asset AG.

Issuer	ISIN	Cpn	Maturity	Out. € million	Moody's rating	Trading price	Issue date
Sinochem Offshore Capital	XS2408454077	0.8%	25/11/2025	500	A3	99.7%	25/11/2021
CPI Property Group SA	XS2427033167	1.5%	27/01/2031	100	Baa2	96.4%	30/12/2021
Batigere Grand Est SAHLM	FR0014006UB7	1.5%	15/12/2051	30	A2	99.1%	15/12/2021

Source: Bayes Business School, Bloomberg

Debt market performance

Several bonds close to maturity are trading at a large discount.

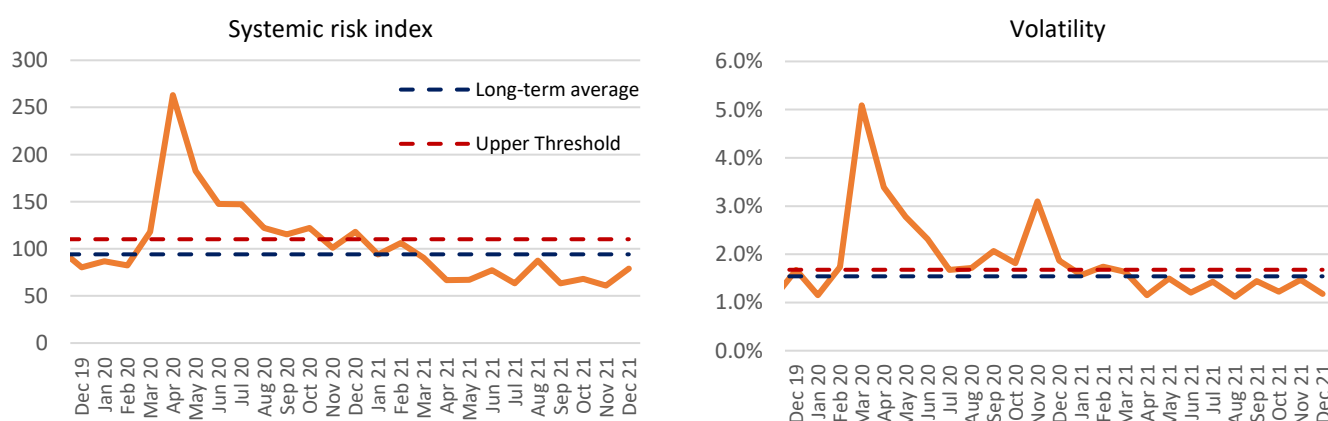
Issuer	ISIN	YTM	Coupon	Maturity	Maturity years	Rating	Benchmark	spread
Haya Real Estate SA	XS1716821779	30.7%	5.3%	15/11/2022	0.9	Caa1	BB 3-5*	29.9%
Haya Real Estate SA	XS1716821340	29.8%	5.3%	15/11/2022	0.9	Caa1	BB 3-5*	29.0%
MAS Securities BV	XS2339025277	5.4%	4.3%	19/05/2026	4.4	Ba1	BB 3-5*	4.6%
Flamingo Lux II SCA	XS2324523666	5.4%	5.0%	31/03/2029	7.2	Caa1	BB 7-10*	4.3%
PHM Group Holding Oy	FI4000507876	4.1%	4.8%	18/06/2026	4.5	B2	BB 3-5*	3.3%

Source: Bayes Business School, Bloomberg

UK real estate sector: Market indicators

The systemic risk index captures the exposure of the UK financial system to the Real Estate market. Up until November 2021, systemic risk was fallen sharply due to the reduced COVID-19 related uncertainty. However, the new SARS-CoV-2 variant (Omicron) resulted in turmoil in the stock markets and higher systemic risk in the end of 2021. In December, systemic risk index increased by almost 30% compared to last month's estimation and just above the 2021 average. The pattern is similar to the 2020Q4-2021Q1 period when the Delta variant dented optimism over economic recovery. So far the evidence suggests that the magnitude of the shock is weaker driven by the cautious optimism over the new variant that is less likely to need hospital care compared with previous variants. In line with that, the UK Real Estate market index increased by 0.17% in December the volatility remained relatively low at 1.3% in the last quarter of the year.

Figure 3. Market indicators



Source: Bayes Business School, Thomson Reuters Datastream

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