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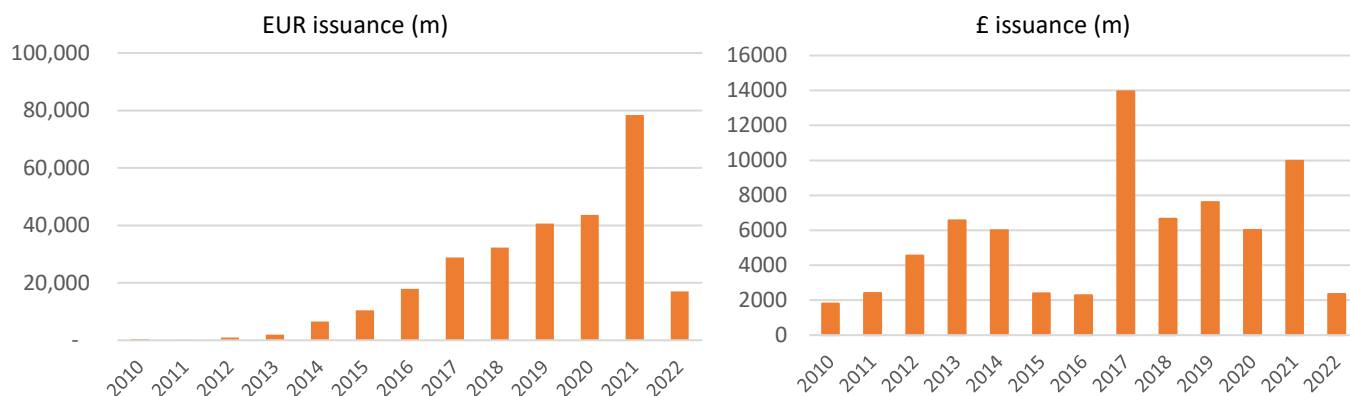
Monthly Bond Research

February 2022 at a glance

February Eur bond debt issuance went down to 10 new bonds and €3.2bn in total issuance volume. The rated universe was 4 new bonds (€1.8bn) with an average rating of A3. Prologis was the only issuer of a green bond. This compares to only £550m of new GBP bond issuance. Credit spreads to 10yr BUND increased across AA – BBB bonds by 40 – 50bps. With the interest rate rise in the UK credit spreads have moved significantly by 50 – 90bps.

Benchmarks	Feb 22	Previous month	Benchmarks	Feb 22	Previous month
10yr £ UK gilt	1.4%	1.3%	10yr € BUND	0.12%	-0.03%
10yr £ IBOXX AA	2.5%	1.8%	10yr € IBOXX AA	1.6%	1.2%
10yr £ IBOXX A	2.8%	2.3%	10yr € IBOXX A	1.8%	1.3%
10yr £ IBOXX BB	3.4%	2.5%	10yr € IBOXX BB	2.1%	1.5%

Source: Bayes Business School, Bloomberg



Source: Bayes Business School, Bloomberg

Public bond market (REITS) issuance Jan - Feb 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	0	-	0.0%	0	-	0.0%
3--5	4	1,750	1.0%	4	1,750	1.6%
5--7	3	1,500	1.5%	3	1,500	1.9%
7--10	3	1,700	1.7%	3	1,700	2.6%
10--15	2	1,000	1.2%	2	1,000	1.8%
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	1,457	7.8%	20	1,457	4.1%
2000 - 2004	21	3,249	5.9%	21	3,249	3.0%
2005 - 2009	24	6,014	4.9%	24	6,014	4.4%
2010 - 2014	78	19,272	4.2%	78	19,272	2.4%
2015 - 2016	25	3,758	1.4%	25	3,758	1.0%
2017 - 2019	89	27,509	1.5%	88	27,409	1.3%
2020	20	6,085	2.1%	20	6,085	2.7%
2021	30	9,450	2.2%	39	10,351	2.6%
> 2021	14	2,655	2.8%	14	2,655	2.8%

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	1.1%
2005 - 2009	4	39	3.1%	4	39	0.0%
2010 - 2014	49	7,912	2.6%	49	7,912	0.6%
2015 - 2016	121	25,205	1.5%	121	25,205	0.7%
2017 - 2019	462	90,522	1.4%	462	90,522	1.6%
2020	167	38,901	1.7%	167	38,901	2.6%
2021	217	69,902	1.4%	247	70,049	2.7%
> 2021	40	14,092	1.4%	40	14,092	2.1%

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	2.8%
AA	10	2,548	3.3%	10	2,548	2.5%
A	111	28,412	3.6%	111	28,412	2.6%
BBB	45	15,692	4.1%	45	15,692	3.3%
BB	6	2,650	3.3%	6	2,650	3.6%
B	0	-	0.0%	0	-	0.0%
C	3	563	4.8%	3	563	2.5%

Source: Bayes Business School, Bloomberg

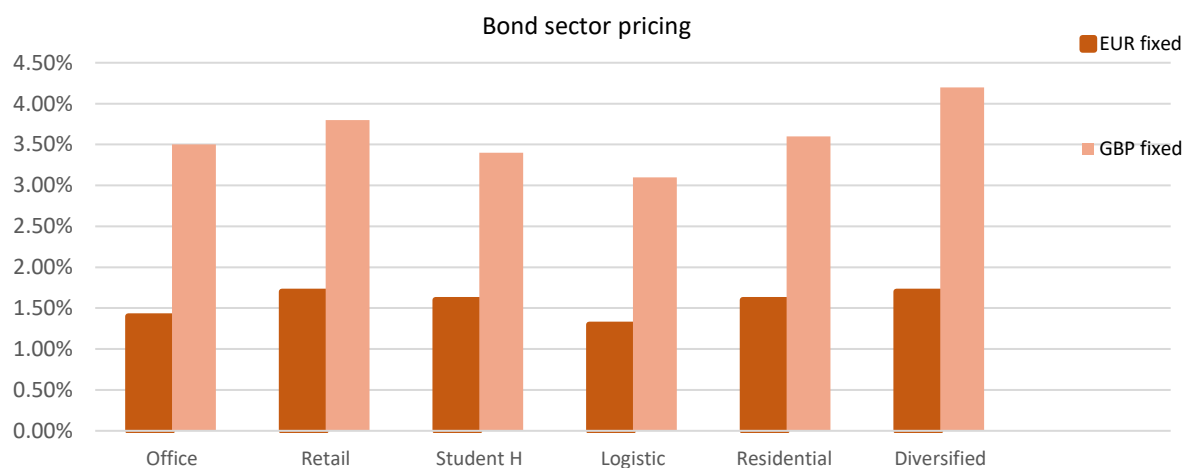
EUR fixed rate bonds by credit grade, €

rating group	No of obs	Total Amount Out. (million)	Coupon (weighted)	No of obs	Total Amount Out. (million)	YTM (weighted)
AA	0	-	0.0%	0	-	0.0%
A	105	33,591	1.1%	105	33,591	1.5%
BBB	158	74,702	1.5%	158	74,702	1.7%
BB	15	5,750	2.6%	15	5,750	3.2%
B	3	1,140	3.8%	3	1,140	4.8%
C	18	4,958	2.8%	18	4,958	9.6%

Source: Bayes Business School, Bloomberg

Bond sector pricing

Across UK and European bonds markets pricing for bonds issued by companies with logistics assets have achieved the lowest pricing followed by bonds backed by the office sector. Generally sector specialisation is paying off when it comes to clear market pricing which shows that diversified companies are more difficult to assess, hence achieving a wider pricing despite their diversification benefit.



Source: Bayes Business School, Bloomberg

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	9	1,400	0.8%	12	2,054	2.5%
AA	15	471	1.2%	18	568	2.5%
A	11	2,453	2.3%	10	500	1.8%
BBB	11	433	2.5%	12	490	2.3%
BB	6	275	3.5%	8	294	3.4%
B	4	69	3.6%	5	108	3.2%
C	21	274	1.5%	23	315	3.6%

Source: Bayes Business School, Bloomberg

Outstanding EUR CMBS by industry

Industry	EURO CMBS			GBP CMBS		
	No of obs	Total Amount Out. (million)	Coupon (weighted)	No of obs	Total Amount Out. (million)	Coupon (weighted)
office	40	886	1.5%	25	2,422	3.1%
retail	4	222	2.9%	24	774	3.4%
student	45	2,366	1.8%	45	3,211	1.7%
logistic	46	1,918	1.6%			
leisure				36	1,306	1.1%
supermarket				3	148	1.2%

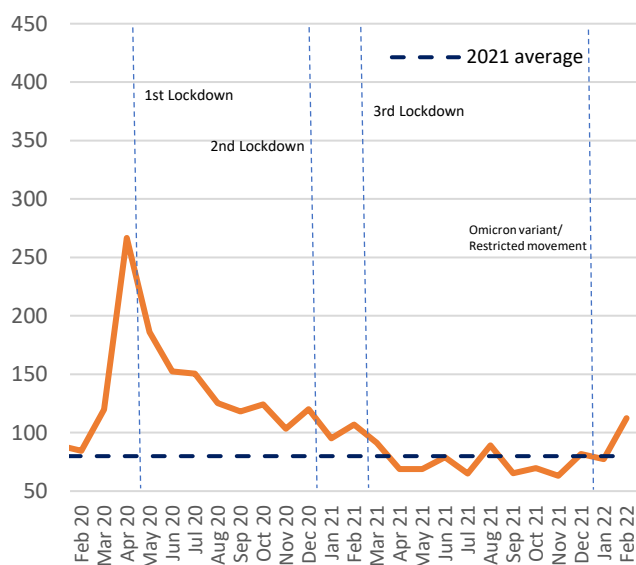
Source: Bayes Business School, Bloomberg

Systemic Risk in the Real Estate sector

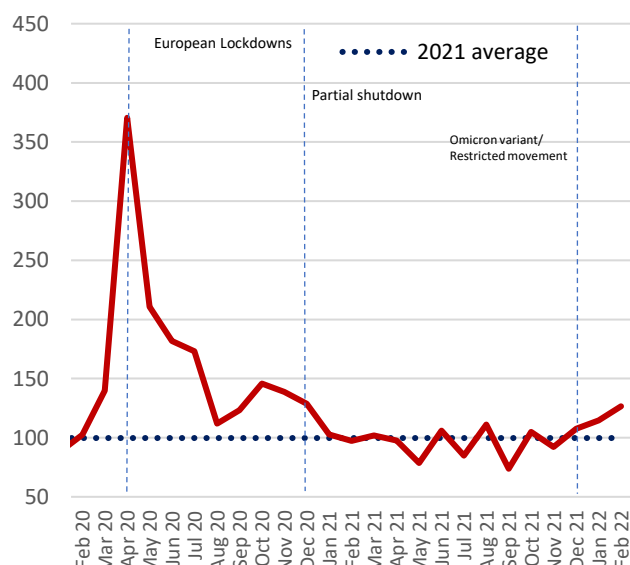
The systemic risk index captures the exposure of the financial system to the Real Estate market. Russia's attack on Ukraine caused distress on the global financial markets. Both the UK and Euro Area Real Estate benchmarks declined by 10.1% and 13.3% respectively. UK Real Estate volatility increased to 1.79% in the UK compared to 1.32% in January (35.5% increase) and to 1.44 for Euro Area (43% increase). The UK systemic risk index increased by 45% in a month reaching 112 points. Similarly systemic risk in the Euro Area Real Estate markets went up to 127 points, which is 31% higher than the 2021 average. In both regions, systemic risk indices reached the highest value since December 2020, when the SARS-CoV-2 Delta variant became the dominant strain in the continent.

Market indicators

UK RE Systemic risk index



EA RE Systemic risk index



Source: Bayes Business School, Thomson Reuters EIKON Datastream

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