

Authors:

Alex Moss  
 Director Real Estate  
 Research Centre  
[alex.moss.1@city.ac.uk](mailto:alex.moss.1@city.ac.uk)

Nicole Lux  
 CRE Debt Research  
[nicole.lux@city.ac.uk](mailto:nicole.lux@city.ac.uk)

Alex Skouralis  
 Research Assistant  
[alex.skouralis@city.ac.uk](mailto:alex.skouralis@city.ac.uk)

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## Monthly Real Estate Monitor – November 2021

### This month at a glance

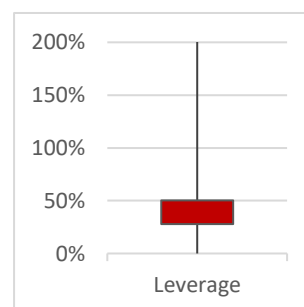
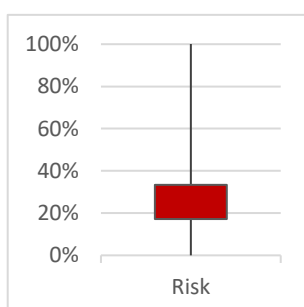
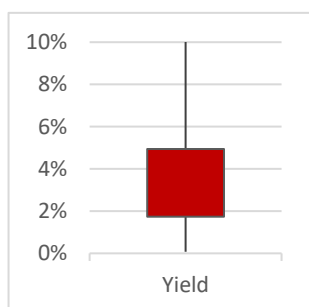
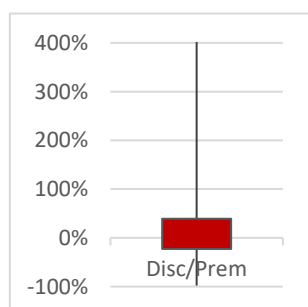
Sentiment		Factor Analysis		Valuation		Market Structure	
Analyst recommendation	↑	Small vs Large Value vs Growth	↑	Discount to NAV	↓	Systemic risk	↓
Sector Relative	↑	High vs low LTV	↑	Dividend Yield	↑	Demand M&A	↑
Sector Absolute	↑		↓				

### Factor analysis

A relatively flat month with our universe of 339 real estate stocks showing an equal weighted return of -0.6% compared to the EPRA market cap. weighted benchmark which was marginally positive. Encouragingly, however, there were 31 upgrades and 15 downgrades, the key momentum indicator we use (10m MA) remained positive, and there was a pickup in M&A activity. After recent months where we have seen significant beta movements with the large stocks leading the sector higher or lower, this month there was a lot more focus on individual stocks. As a result, large caps (-0.4%) underperformed small caps (+1.9%), value outperformed growth as high yield outperformed low yield. This month we have added two additional factors, sustainability, and governance. In line with the previous findings which showed value and small caps outperforming we saw that low ratings in both sustainability and governance outperformed those with high ratings this month.

Value – Yield & PTB	1 mo return	Volatility	Size (Market Cap.)	1 mo return	Volatility
High Div Yield (upper quart)	1.3%	25.9%	Large	-0.4%	25.1%
Low Div Yield (lower quart)	-2.3%	23.9%	Medium	-1.3%	23.8%
Discount (lower quart)	-4.5%	43.1%	Small	1.9%	26.8%
Premium (upper quart)	1.1%	21.6%	Micro	-2.8%	44.6%
ESG	1 mo return	Volatility	Leverage & Benchmarks	1 mo return	Volatility
High Sustainability	-1.4%	24.3%	Watch (upper quart)	-1.6%	32.7%
High Governance	-3.1%	18.2%	Low (lower quart)	0.1%	34.3%
Low Sustainability	0.2%	27.7%	EPRA (FF-MCap weight)	0.3%	14.8%
Low Governance	0.1%	34.0%	Bayes Benchmark (Equal weight)	-0.6%	29.8%

### Monthly benchmark: Min, max, lower and upper quartiles



## Equity indicators

We focus on two factors in particular -the most significant changes to analyst recommendations and the asset preferences in terms of performance. This month saw upgrades to several retail names although it is worth noting that none of their overall ratings are above 4.

## Analyst recommendations – Equity tables - upgrades & downgrades

Largest upgrades				Largest downgrades			
Name	Score change	1m return	Rating	Name	Score change	1m return	Rating
CAPITAL & REGIONAL PLC	1.0	0.3%	3.4	ATRIUM EUR. REAL ESTATE	-1.3	-1.0%	1.7
TOIVO GROUP OYJ	0.5	-8.5%	2.5	RENTA CORP RE SA	-0.7	-12.7%	3.7
DEUTSCHE EUROSHOP AG	0.3	-19.9%	3.8	CIVITAS SOCIAL HOUSING PLC	-0.5	-1.4%	4.5
KLEPIERRE	0.3	-9.1%	3.0	SAMHALLSBYGGNADSBOL	-0.4	10.9%	3.8
DEUTSCHE WOHNEN SE	0.3	-10.9%	3.2	OLON EIENDOM ASA	-0.3	7.6%	3.7

Source: Bayes Business School, Bloomberg

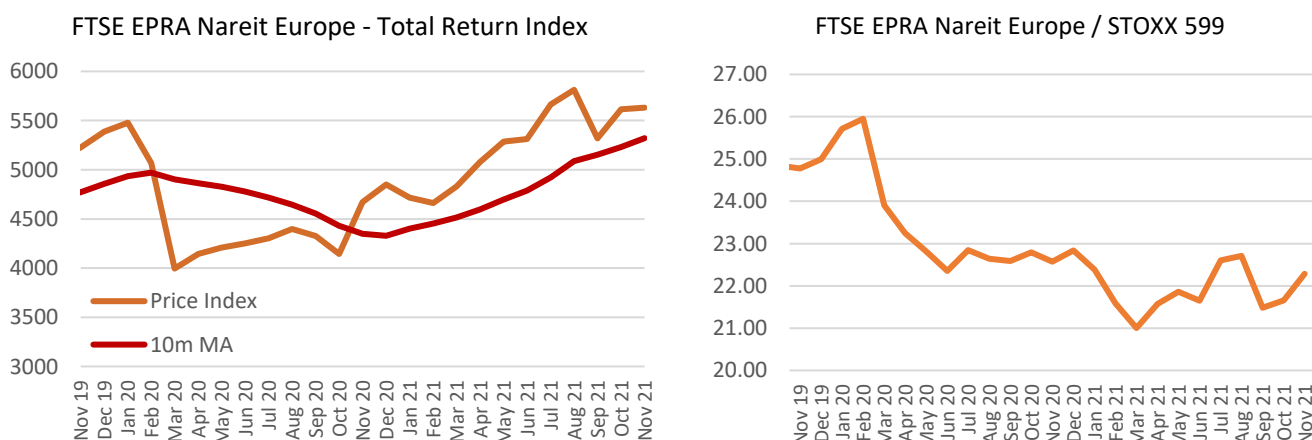
## Subsector analysis

Best performers again this month were storage and sheds with travel hit by negative sentiment about further Covid related restrictions.

Style	Factor	Yield	LTV	Analyst Opinion	1m Perf	Volatility
1	Cities	1.8%	24.3%	3.0	-1.2%	21.5%
2	Diverse	3.4%	38.0%	1.8	0.1%	30.2%
3	Meds	3.4%	34.9%	4.7	-1.9%	21.8%
4	Resi	3.4%	41.1%	2.6	-3.6%	27.6%
5	Sheds	2.8%	37.0%	3.2	3.6%	35.1%
6	Shops	5.1%	52.6%	2.3	-1.3%	33.7%
7	Infra	1.6%	29.7%	3.7	-4.4%	36.6%
8	Workspace	3.6%	35.6%	2.3	0.7%	26.5%
9	Storage	1.9%	24.5%	4.0	9.5%	23.1%
10	Travel	1.6%	49.0%	1.6	-8.8%	29.3%
Bayes Benchmark		3.6%	40.2%		-0.6%	29.8%

Source: Bayes Business School, Bloomberg

## Figure 1. Equity indices



Source: Bayes Business School, Thomson Reuters Datastream

## M&A announcements

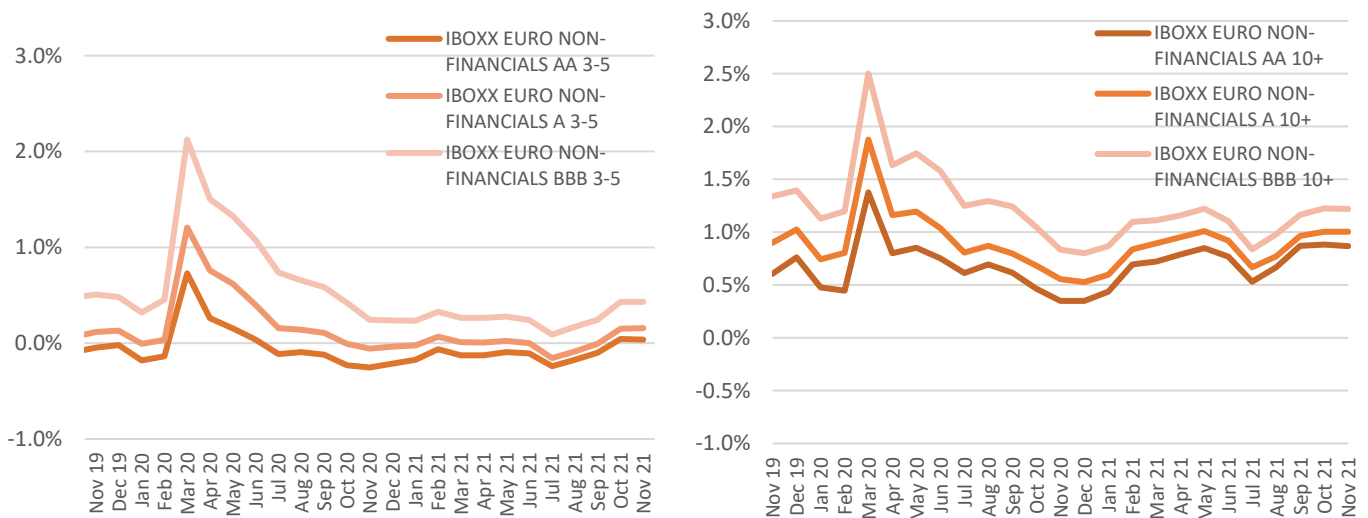
Announce Date	Target Name	Acquirer Name	Total Value (€ million)	Payment Type	Deal Status
01/11/2021	U & I Group PLC	Land Securities Group PLC	218.98	Cash	Pending
04/11/2021	Alstria office	Brookfield	4451.77	Cash	Pending
09/11/2021	Solon Eiendom	Samhallsbyggnadsbolaget i Norden AB Apollo Global Management Inc, Wecken	591.22	Cash	Completed
15/11/2021	DEMIRE AG	& Cie Holding GmbH & Co KG	774.66	Undisclosed	Proposed

Source: Bayes Business School, Bloomberg

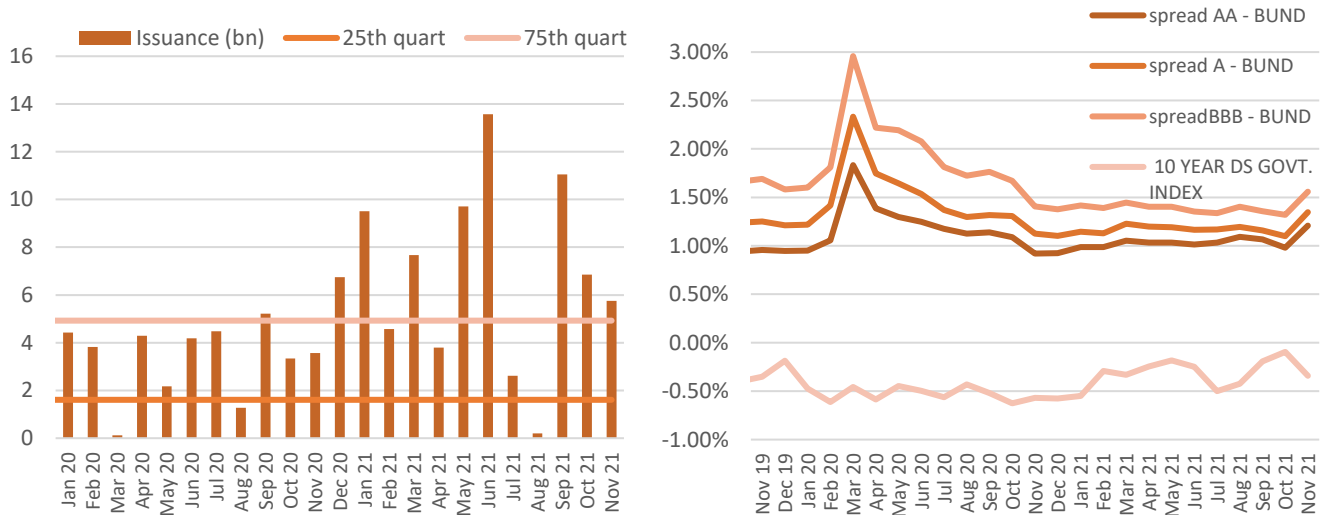
## Debt sentiment

Spread between the A and AA credit yield curve across different maturities is about 10bps, while spreads between A – BBB are approx. 30bps for shorter end of the curve to 20bps for the longer maturities. Spreads to the 10yr BUND widened due to -24bps change of the BUND between October and 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)

November total debt issuance was strong with 22 new bonds (€5.7bn), only three of them were counted as rated bonds. A total of 5 bonds were regarded "green" bonds, issuers were Axa Logistics, Via retail outlets, Lar Espana, and Belgium developer Immoel. German Housing company LEG Immobilien issued a new rated 10-year bond and acquired further assets from Adler Group. Polish logistics & warehouse developer MLP issued a short-term bond for €20million, but an important step for the Polish market.

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
LEG Immobilien SE	DE000A3MQMD2	1.0%	19/11/2032	500	Baa1	99.1%	19/11/2021
MLP Group SA	PLMLPGR00090	1.8%	17/05/2024	20	Baa3	100.0%	17/11/2021

Source: Bayes Business School, Bloomberg

## Debt market performance

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

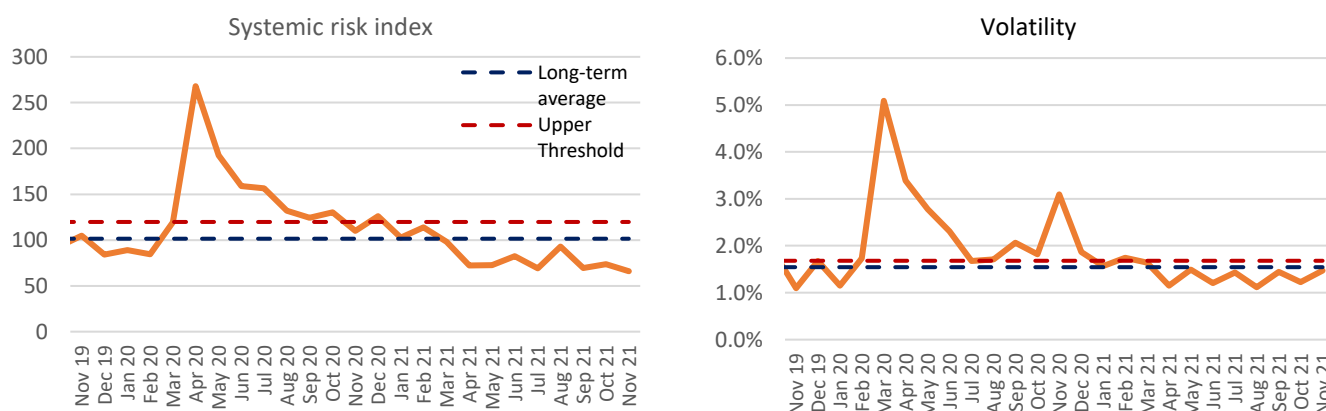
Issuer	ISIN	YTM	Coupon	Maturity	Maturity years	Rating	Benchmark	spread
Haya Real Estate SA	XS1716821779	26.1%	5.3%	15/11/2022	1.0	Caa1	BB 3-5*	25.5%
Haya Real Estate SA	XS1716821340	25.2%	5.3%	15/11/2022	1.0	Caa1	BB 3-5*	24.6%
Aggregate Holdings SA	DE000A3KPTS1	22.5%	5.5%	17/05/2024	2.5	Baa3	BBB 3-5	22.2%
Signa Development Finance SCS	DE000A3KS5S9	8.8%	5.5%	23/07/2026	4.6	Baa1	BBB 3-5	8.5%
Landev1 Sarl	FR00140058D3	6.6%	7.0%	20/03/2024	2.3	A3	A 3-5	6.6%

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. Since the COVID-19 related uncertainty has been reduced over the last months and the risk level has fallen sharply. In November 2021, systemic risk dropped by 10% compared to October and it is 40% lower than November 2020. However, the sample period does not capture the increased uncertainty followed the new public health risk from the new SARS-CoV-2 variant (Omicron). On 26 November 2021 (when WHO designated the new variant B.1.1.529 as a variant of concern) all Real Estate companies stock shares dropped by 2.56% (on average). The UK Real Estate sector Volatility is increased by 20% compared to last month, but it is only 0.06% higher than this year's average.

Figure 3. Market indicators



Source: Bayes Business School, Thomson Reuters Datastream

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