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Monthly Real Estate Monitor – September 2021

This month at a glance

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

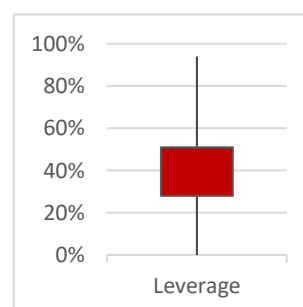
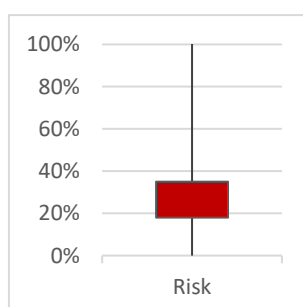
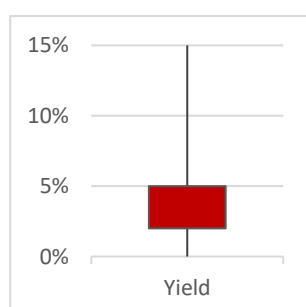
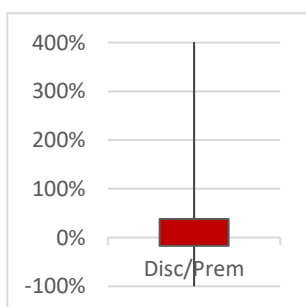
Factor analysis

A reversal of August's bounce, with our universe of > 350 European real stocks down -3% (Equal weighted basis) compared to the EPRA Index of -8%. In relative terms however, the sector performed better than the rest of the equity market. Large caps (-7.2%) were the worst performers, with small caps broadly unchanged. Also, high dividend stocks as well as firms trading at larger discounts underperformed. In terms of sectors storage (-9.3%) was the worst, giving back a lot of recent gains, as did Sheds (-6.0%). This maro driven decline disguised the fact that at the company there 22 upgrades compared to 13 downgrades. For a full explanation of the calculation and methodology for the indicators, see "Rationale and Methodology" document on the Centre website. *All data is sourced from Bloomberg unless specified otherwise.*

Value - yield	1 month return	Volatility	Size	1 month return	Volatility
Div Yield (upper quart)	-3.4%	23.8%	Large	-7.2%	27.7%
Div Yield (lower quart)	-2.1%	27.2%	Medium	-4.5%	24.7%
EPRA (FF-market cap weight)	-8.1%	15.3%	Small	0.4%	29.5%
Bayes Benchmark (Equal weight)	-3.2%	30.8%	Micro	-1.4%	42.7%

Value - NAV	1 month return	Volatility	Leverage	1 month return	Volatility
Discount (lower quart)	-4.4%	40.0%	Watch (upper quart)	-2.4%	25.7%
Premium (upper quart)	-3.5%	21.3%	Low (lower quart)	-2.3%	34.0%

Monthly benchmark: Min, max, lower (25th) and upper (75th) 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 the UK healthcare sector (PHP and Assura) and marginal downgrades to popular sector favourites TLG, Warehouses de Pauw and PRS REIT. In terms of analyst recommendations, the most popular sectors remain Meds (4.7 out of 5.0) sheds (4.0) and storage (4.0).

Analyst recommendations – Equity tables - upgrades & downgrades

Largest upgrades				Largest downgrades			
Name	Score change	1m return	Rating	Name	Score change	1m return	Rating
Globalworth	2.0	8%	5.0	TLG Immobilien AG	-1.0	-14%	3.0
VGP	0.3	-1%	4.3	H AG-B Platzer	-0.7	-1%	3.0
PHP	0.2	-10%	4.4	Fastighete Hold-B Warehouses DE	-0.5	-19%	3.5
Capital & Regional	0.2	-12%	2.4	Pauw	-0.3	-9%	4.0
Assura	0.2	-8%	4.1	Tritax Eurobox PLC	-0.2	-7%	4.0

Source: Bayes Business School, Bloomberg

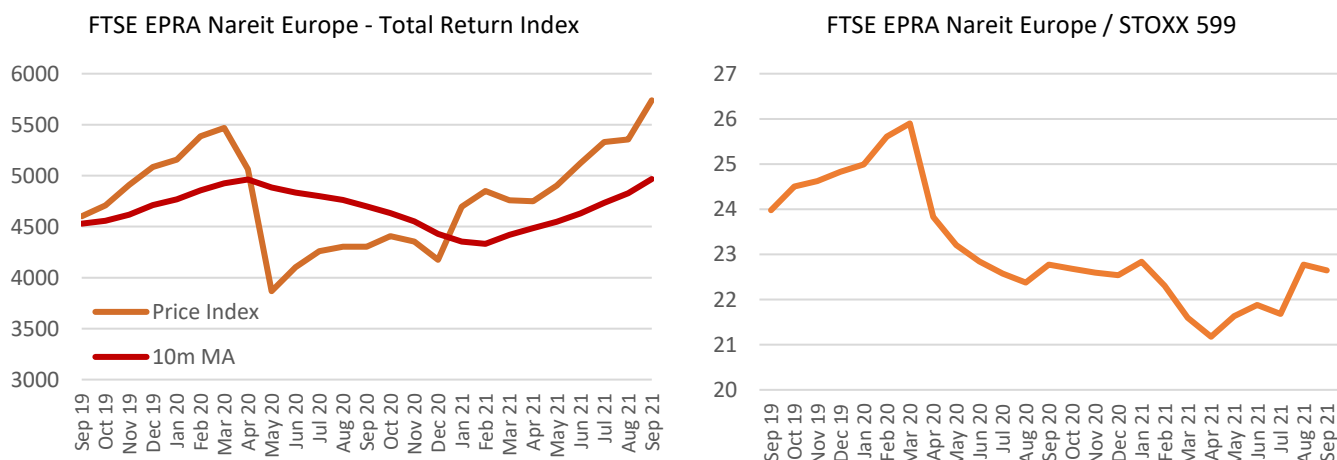
Subsector analysis

Besides infrastructure monthly performance was negative for all sectors with the overall benchmark showing a -3.2% return.

Style	Factor	Yield	LTV	Analyst Opinion	1m Perf	Volatility
1	Cities	1.5%	25.0%	2.8	-6.2%	29.2%
2	Diverse	3.8%	38.6%	1.8	-3.3%	29.6%
3	Meds	3.3%	35.4%	4.7	-4.0%	21.4%
4	Resi	3.3%	41.9%	2.5	-5.1%	28.1%
5	Sheds	3.1%	38.5%	3.0	-1.3%	34.2%
6	Shops	5.1%	39.4%	2.2	-2.7%	37.2%
7	Infra	1.5%	14.8%	3.0	2.0%	47.7%
8	Workspace	3.8%	35.3%	2.3	-1.6%	27.7%
9	Storage	2.1%	25.0%	3.9	-6.4%	23.3%
10	Travel	1.6%	48.4%	1.7	-2.8%	39.0%
Bayes Benchmark		3.7%	38.4%		-3.2%	30.8%

Source: Bayes Business School, Bloomberg

Figure 1. Equity indices



Source: Bayes Business School, Thomson Reuters Datastream

M&A announcements

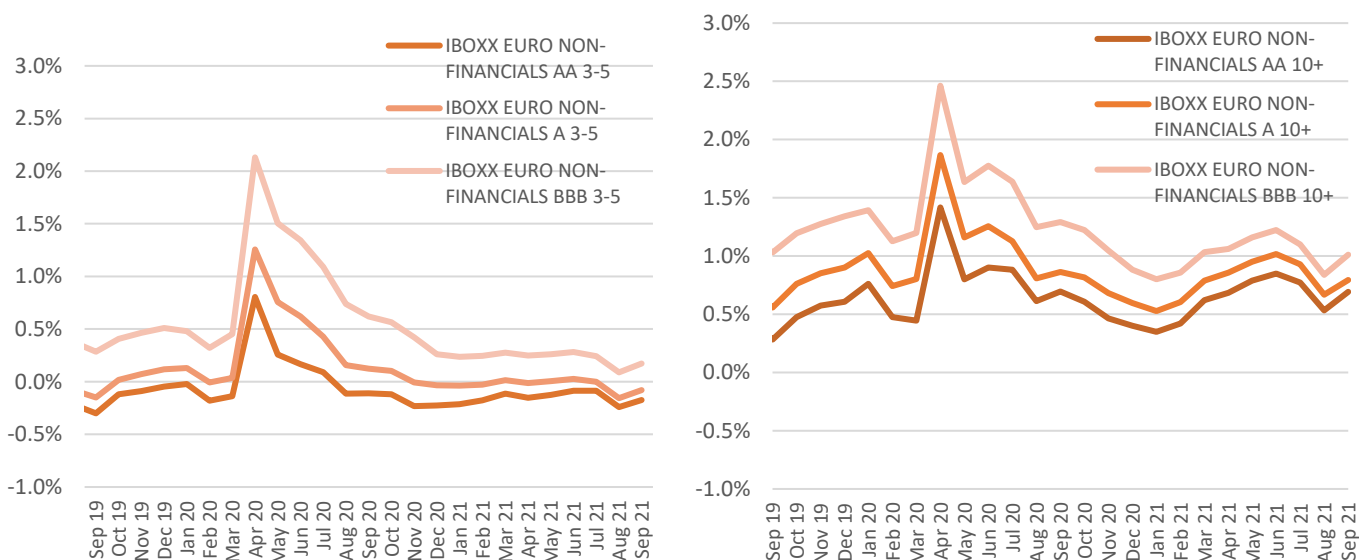
Announce Date	Target Name	Acquirer Name	Total Value	Payment Type	Deal Status
22/09/2021	GSW Immobilien AG	Vonovia SE	N/A	Cash	Proposed
07/09/2021	Columbia Property Trust	Pacific Inv Management Co	3485	Cash	Pending
03/09/2021	Drum Income Plus REIT	Custodian Reit PLC	57	Stock	Pending
16/08/2021	Norwegian Property ASA	Geveran Trading Co Ltd		Cash	Completed

Source: Bayes Business School, Bloomberg

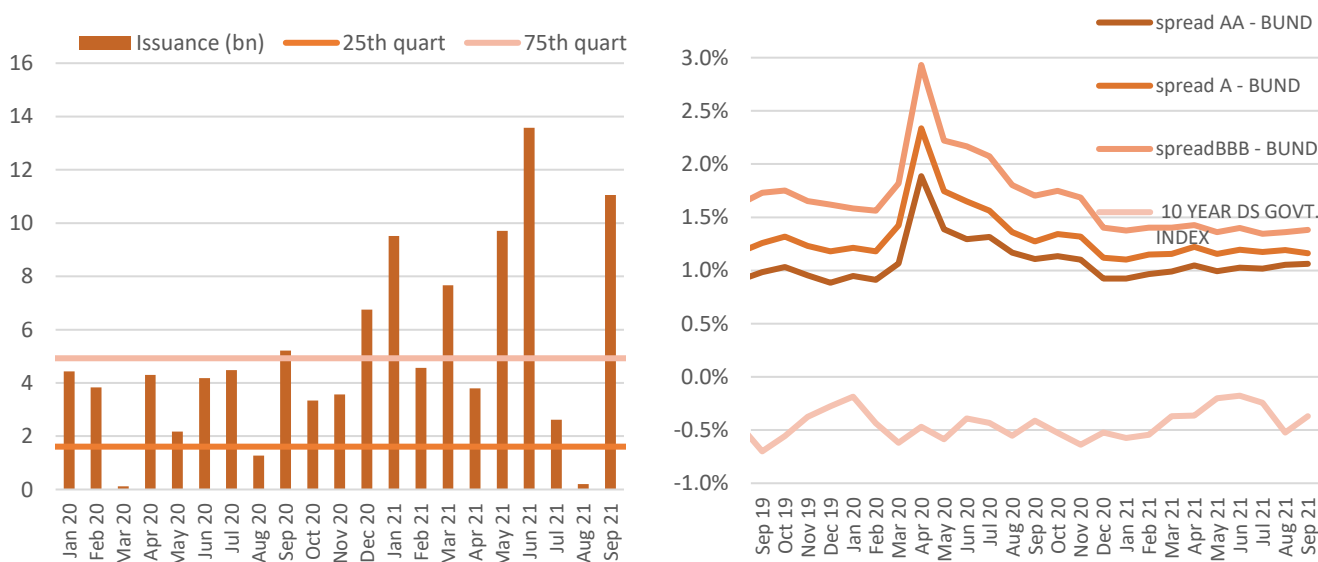
Debt sentiment

BBB 10+ spreads vs 10yr BUND narrowed slightly to 135bps from 140bps. Especially 10+ year bond yields have widened by 15-17bps since end of August across all credit grades. Short term AA bond yields are on longer negative since the beginning of September. The largest credit quality differentials with a spread of 30bps exit for BBB 7 -10yr bonds compared to 7-10yr AA or A.

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



Source: Bayes Business School, Thomson Reuters



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

Debt issuance was strong in September with €11bn (€5.2bn, 2020), of which two were declared as green bonds. Vonovia SA raised a total of €5bn in September. The combined weighted average maturity was 8 years.

Issuer	ISIN	Coupon	Maturity	Outstanding €million	Moody's rating	Trading price	Issue date
Vonovia SE	DE000A3MP4T1	0.00%	01/12/2025	1250.0	A3	0.99	01/09/2021
Castellum	XS2387052744	0.88%	17/09/2029	650.0	Baa2	0.97	17/09/2021
CTP NV	XS2390530330	0.63%	27/09/2026	500.0	Baa3	0.99	27/09/2021
CTP NV	XS2390546849	1.50%	27/09/2031	500.0	Baa3	0.98	27/09/2021
Public Storage	XS2384697830	0.50%	09/09/2030	700.0	A2	0.97	09/09/2021
Vonovia SE	DE000A3MP4S3	0.00%	01/09/2023	500.0	A3	1.00	01/09/2021

Source: Bayes Business School, Bloomberg

Debt market performance

Spanish residential real estate business Haya Real Estate with only 12 months till maturity and a non-investment grade rating currently trades at the largest discount resulting in a double digit YTM.

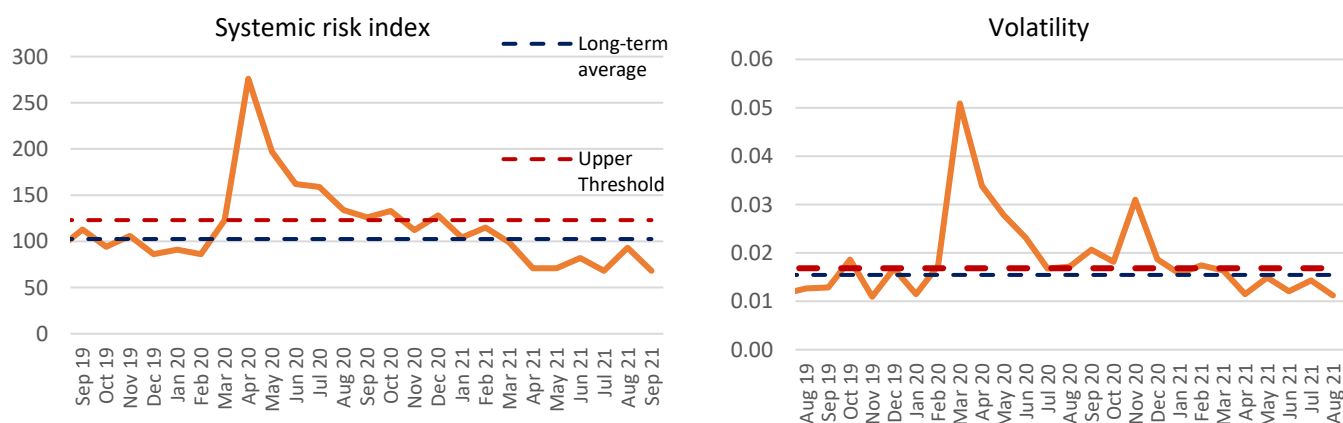
Issuer	ISIN	YTM	Coupon	Maturity	Maturity years	Rating	Benchmark	spread
Haya Real Estate	XS1716821779	23.8%	5.3%	15/11/2022	1.0	Caa1	n/a	n/a
Haya Real Estate	XS1716822231	23.2%	5.1%	15/11/2022	1.0	Caa1	n/a	n/a
CPI Property Group SA	XS2231191748	5.3%	4.9%	25/09/2158	137.0	Ba1	n/a	4.5%
MAS Securities	XS2339025277	5.0%	4.3%	19/05/2026	4.5	Ba1	BBB 5-7	4.7%
Adler Group SA	XS1652965085	4.9%	1.5%	26/07/2024	2.7	Baa2	BBB 5-7	4.6%

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. The COVID-19 related uncertainty has been reduced over the last few months and as a result the risk level has fallen sharply. The average systemic risk for 2021Q3 is 77 points, at the same level as 2021Q2, but decreased by 37% compared to the first quarter of the year. The UK Real Estate sector Volatility exhibits a similar pattern. In 2021Q3 volatility increased to 1.33 from 1.28 in Q2. However, both quarters are below 2020Q1-2021Q1 average.

Figure 3. Market indicators



Source: Bayes Business School, Thomson Reuters Datastream

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