

Authors:

Alex Moss
 Director Real Estate
 Research Centre
alex.moss.1@city.ac.uk

Nicole Lux
 CRE Debt Research
nicole.lux@city.ac.uk

Alex Skouralis
 Research Assistant
alex.skouralis@city.ac.uk

©Bayes Business
 School



Monthly Real Estate Monitor – January 2022

This month at a glance

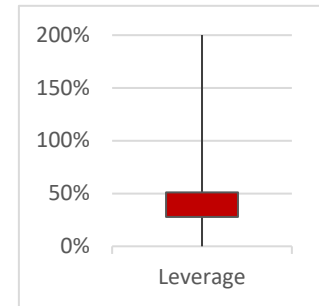
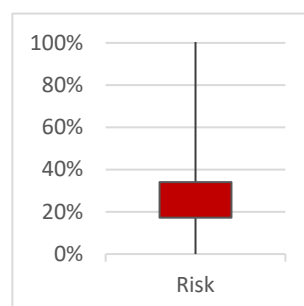
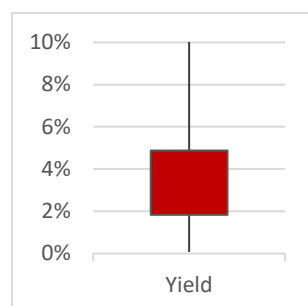
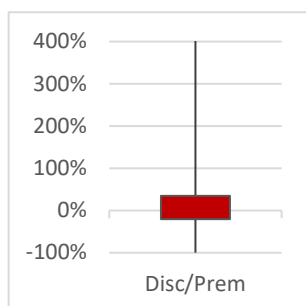
Sentiment		Factor Analysis		Valuation		Market Structure	
Analyst recommendation	→	Small vs Large	↑	Discount to NAV	→	Systemic risk	→
Sector Relative	→	Value vs Growth	→	Dividend Yield	→	Demand M&A	↑
Sector Absolute	↓	High vs low LTV	↓				

Factor analysis

The year kicked off on a negative note for our universe of real estate stocks showing an equal- return of -1.1%, albeit outperforming the overall EPRA index and the overall equity market which lost c.3%. The key momentum indicator we use (10m MA) is just positive but appears to be at an inflection point. In terms of factor analysis, size was a negative contributor, with large at (-2.5%) underperforming small (+0.25) and explaining why our universe outperformed a market-cap-weighted index. Mixed results on value vs growth with low yield (growth) and high discount (value) performing best, although it should be noted that against a background of rising interest rates low leverage outperformed high leverage stocks. The underperformance of stocks with high sustainability ratings reflects the overlap with larger companies, although interestingly stocks with lower governance scores were -3.7% in January. Valuations were broadly unchanged, but we would expect more movement as we enter the results season shortly.

Value – Yield & PTB	1m return	Volatility	Size (Market Cap.)	1m return	Volatility
High Div Yield (upper quart)	-1.2%	24.1%	Large	-2.5%	24.5%
Low Div Yield (lower quart)	0.9%	24.9%	Medium	-1.2%	24.1%
Discount (lower quart)	0.5%	54.4%	Small	0.2%	25.3%
Premium (upper quart)	-1.0%	22.6%	Micro	-0.7%	67.8%
ESG	1m return	Volatility	Leverage & Benchmarks	1m return	Volatility
High Sustainability	-2.0%	25.0%	Watch (upper quart)	-1.9%	55.2%
High Governance	-0.7%	20.7%	Low (lower quart)	-0.8%	34.2%
Low Sustainability	-1.0%	22.5%	EPRA (FF-MCap weight)	-2.8%	14.8%
Low Governance	-3.7%	35.0%	Bayes Benchmark (Equal weight)	-1.1%	35.1%

Monthly benchmark: Min, max, lower and upper quartiles



Equity indicators

There were marginally more downgrades (27) than upgrades (24), concentrated on the smaller stocks and not related to any specific market or sector change of view. Continuing evidence of public to private and M&A activity in the market, although this is now being balanced with some IPOs, targeting specific niche sectors. Following last year's successful Life Science REIT debut, GCP have announced the intention to float of a CoLiving REIT in the UK. Against a backdrop of full pricing in the favoured sectors the lowly rated retail sector was the best performer aided by a small but noticeable shift in sentiment.

Analyst recommendations – Equity tables - upgrades & downgrades

Largest upgrades				Largest downgrades			
Name	Score change	1m return	Rating	Name	Score change	1m return	Rating
Sagax AB	2.0	-9.9%	3.0	Corem Property Group	-2.0	-17.7%	3.0
Solon Eiendom ASA	1.0	-0.3%	5.0	Altarea	-1.0	-5.7%	4.0
Echo Polska Properties NV	0.7	-3.8%	3.0	Fonciere INEA	-1.0	2.6%	4.0
Eurocom Properties NV	0.6	12.4%	3.6	Amasten Fastighets AB	-1.0	-2.3%	3.0
Platzer Fastigheter AB-B	0.5	-11.2%	4.5	Ascencio	-0.7	-0.9%	3.7

Source: Bayes Business School, Bloomberg

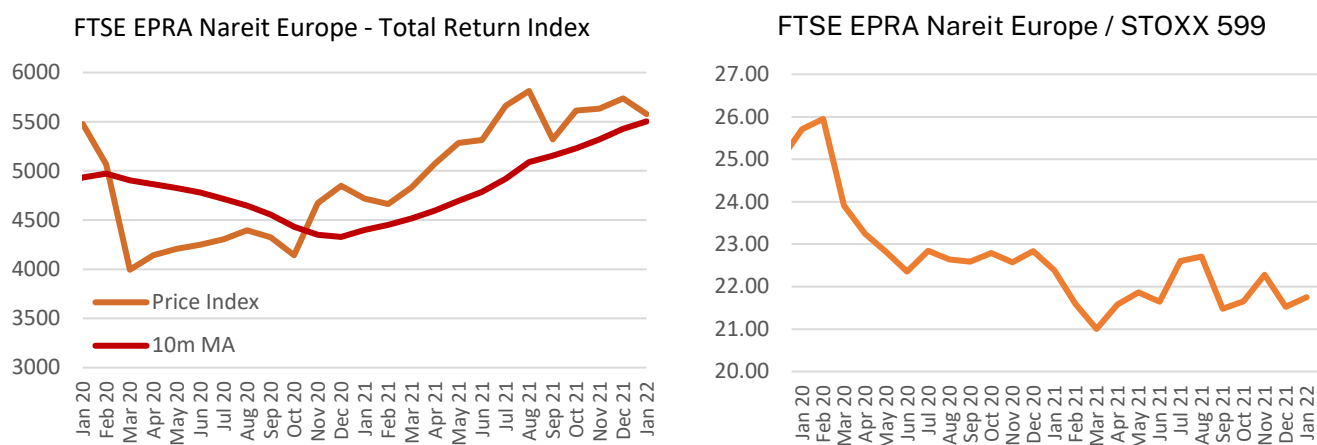
Subsector analysis

The new year started with negative performance in most sectors, especially infrastructure and storage saw underperformance.

Style	Factor	Yield	LTV	Analyst Opinion	1m Perf	Volatility
1	Cities	1.8%	24.3%	3.0	1.4%	19.8%
2	Diverse	3.9%	38.2%	1.8	-1.3%	32.5%
3	Meds	3.7%	34.3%	4.5	-3.4%	21.6%
4	Resi	3.5%	41.5%	2.5	-0.9%	26.9%
5	Sheds	2.9%	39.2%	2.9	-5.2%	97.4%
6	Shops	4.5%	53.1%	2.4	3.1%	33.6%
7	Infra	1.6%	29.7%	3.7	-4.8%	32.7%
8	Workspace	3.7%	34.4%	2.2	-1.6%	26.1%
9	Storage	2.0%	23.4%	3.8	-7.9%	23.4%
10	Travel	1.6%	49.0%	1.7	-5.3%	28.3%
Bayes Benchmark		3.7%	40.4%		-1.1%	35.1%

Source: Bayes Business School, Bloomberg

Figure 1. Equity indices



Source: Bayes Business School, Thomson Reuters Datastream

M&A announcements

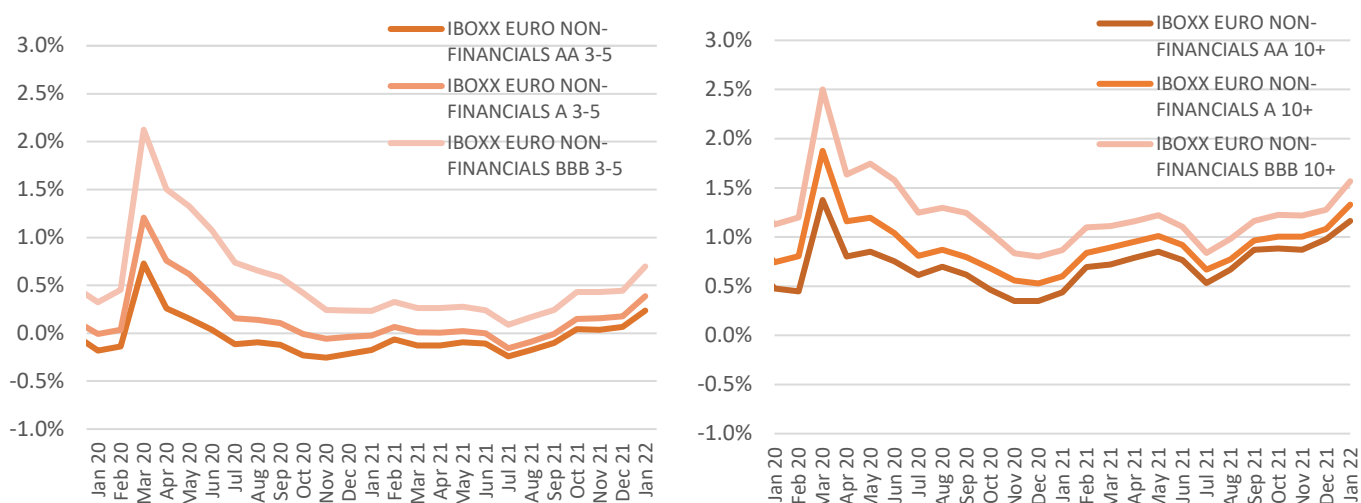
Announce Date	Target Name	Acquirer Name	Total Value (million) (€)	Payment Type	Deal Status
23 December 2021	Healthcare Activos Yield Socimi SA	Consortium,CBRE Group Inc,TFL Trustee Co Ltd,Durham County Council Pension Fund	217.32	Cash	Pending
21 January 2022	Trastor Real Estate Investment Co	Piraeus Financial Holdings SA	237.98	Cash	Pending
21 January 2022	Trastor Real Estate Investment Co	Piraeus Financial Holdings SA	N/A	n/a	Pending
31 January 2022	VIB Vermoegen AG	DIC Asset AG	1408.54	Cash	Proposed

Source: Bayes Business School, Bloomberg

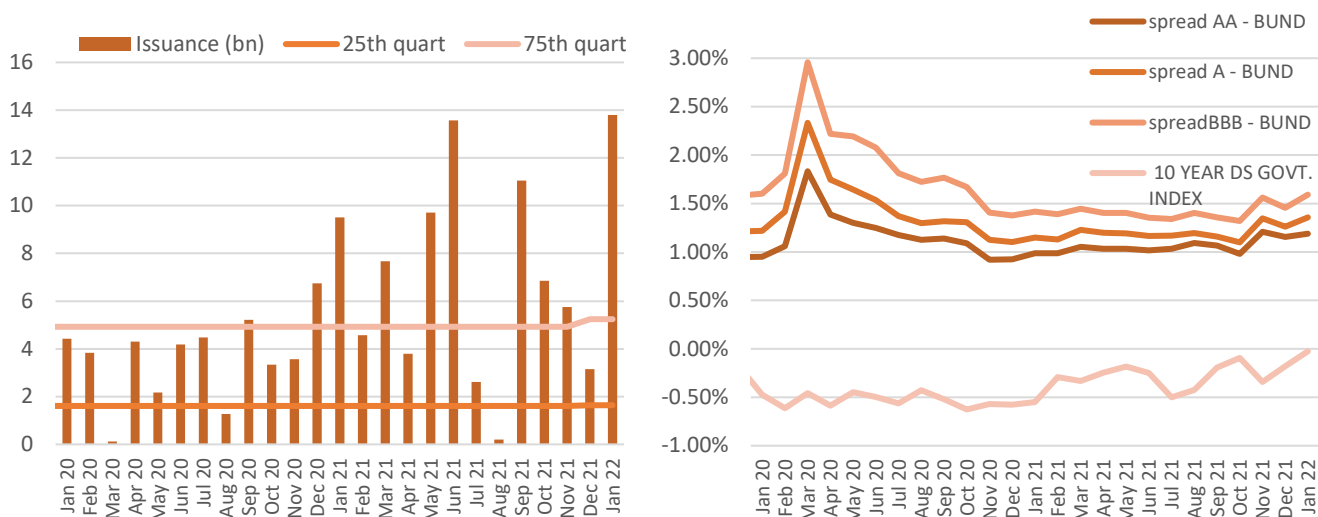
Debt sentiment

BUND spreads continued to narrow at the start of the year 2022 and BUND yield ended at -0.03% in January. The AA – BBB yield curves have followed this trend, pushing up possible risk premiums for real estate debt. Issuance for the European bond market was strong in January with €13.8bn of new bonds.

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)

January total debt issuance started strong with 35 new bonds and €13.8bn in total issuance volume. The rated universe grew by 9 new bonds (€4.3bn) with an average rating of BBB. Largest issuer was LEG Immobilien a large German housing provider. Green bond issuance as €4.7bn, main providers VGP and CTP NV, both concentrated in logistics properties.

Issuer	ISIN	Cpn	Maturity	Out. € million	Moody's rating	Trading price	Issue date
CPI Property Group SA	XS2432162654	1.8%	14/01/2030	700	Baa2	96.7%	14/01/2022
LEG Immobilien SE	DE000A3MQNQ2	1.5%	17/01/2034	500	Baa1	98.4%	17/01/2022
CTP NV	XS2434791690	0.9%	20/01/2026	700	Baa3	99.4%	20/01/2022
Gecina SA	FR0014007VP3	0.9%	25/01/2033	500	A3	98.8%	25/01/2022
LEG Immobilien SE	DE000A3MQNP4	0.9%	17/01/2029	500	Baa1	98.3%	17/01/2022

Source: Bayes Business School, Bloomberg

Debt market performance

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

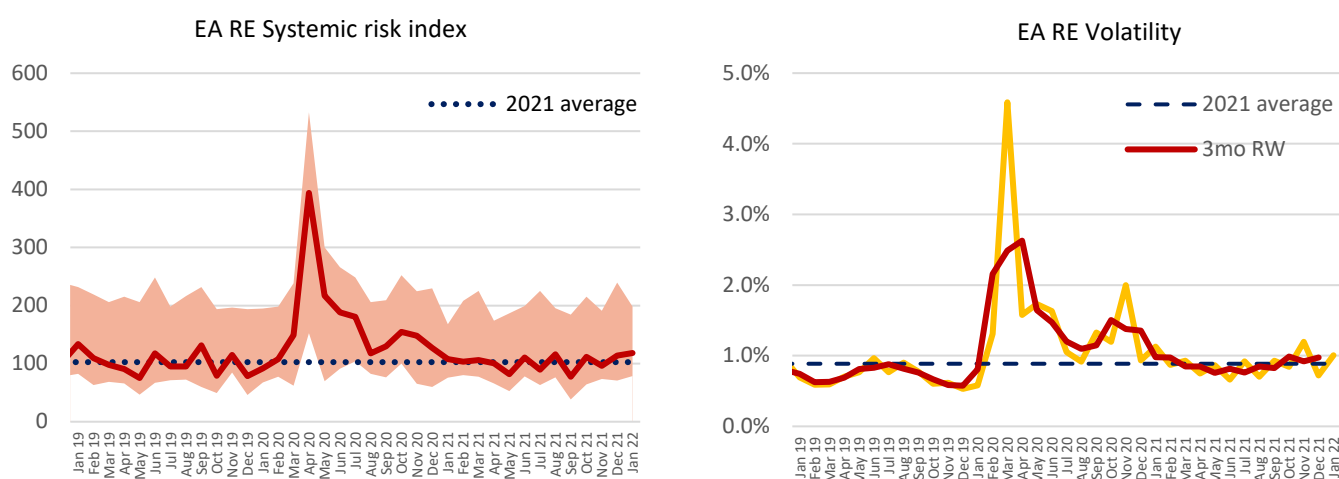
Issuer	ISIN	YTM	Coupon	Maturity	Maturity years	Rating	Benchmark	spread
Haya Real Estate SA	XS1716821936	29.6%	5.1%	15/11/2022	0.8	Caa1	BB 3-5*	28.7%
Flamingo Lux II SCA	XS2324523666	5.8%	5.0%	31/03/2029	7.2	Caa1	BB 7-10*	4.8%
Flamingo Lux II SCA	XS2324523583	5.8%	5.0%	31/03/2029	7.2	Caa1	BB 7-10*	4.7%
MAS Securities BV	XS2339025277	5.3%	4.3%	19/05/2026	4.3	Ba1	BB 3-5*	4.4%
CPI Property Group SA	XS2231191748	5.7%	4.9%	04/05/2080	58.3	Ba1	BB 10+*	4.1%

Source: Bayes Business School, Bloomberg

Euro Area real estate sector: Market indicators

The systemic risk index captures the exposure of the Euro Area financial system to the Real Estate market. The Omicron variant caused distress in the stock markets in the end of 2021. In January 2022, systemic risk index increased slightly compared to a month ago and remains 17% higher than the 2021 average, at 118 points (2000 base year). The pattern is similar to the 2020Q4-2021Q1 period when the Delta variant dented optimism over economic recovery. Euro Area Real Estate volatility exhibits similar signs of mild distress since has increased to 1.01%, 9bps compared to the last trimester and it is 14.8% higher than 2021 average.

Figure 3. Real Estate systemic risk and volatility



Source: Bayes Business School, Thomson Reuters Datastream

Disclaimer: The opinions and commentary in the report are those of the author(s) and not necessarily those of Bayes Business School. The report is based on publicly sourced data. The report should not be relied upon as a basis of financial investment. The report's authors and publisher accept no responsibility, whatsoever, on decisions based on the report, which should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice.