

IPREO REGIONAL FLOW OF FUNDS SERIES

# Western Europe Real Estate Q4 2016

## Market Overview

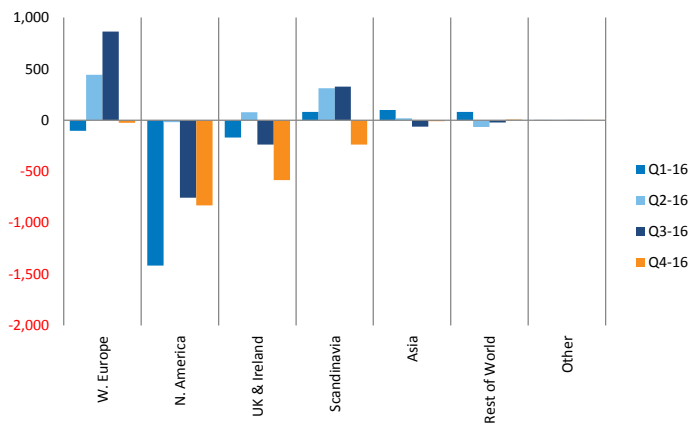
- Q4 2016 saw significant sales of equities across developed markets:
  - North America** registered equity sales of **-\$86.5B** driven by strong active investor sales. **Growth** sales (**-\$85.4B**) were double the last most recent high of **-\$40.2B** achieved in Q3 2015 and were also over 3 times higher than the preceding Q3 2016. **Value** sales (**-\$80.5B**) exceeded the last most recent high of **-\$63.7B** in Q4 2015 and were also over double the level of sales Q3 2016. Hence strong **Index** inflows of **+\$118.3B** were drowned out by active investment outflows.
  - Western Europe** saw relatively modest outflows of **-\$13.3B** (three times higher than the level of outflows for Q2 and Q3 2016).
  - UK** seeing outflows of **-\$39.4B** in Q4, three times the rate of **Western European** outflows & four times **UK** outflows in Q3.
- European** equities saw outflows of **-9.5%** for 2016 as a whole after **+12.0%** inflows in 2015 with **BlackRock** forecasting significant inflows in 2017 based on, "consensus expectations for 2017 European EPS growth showing double-digit earnings growth", and "on improving margins on the back of better macro backdrop, cost discipline, improvement in pricing power and weaker currencies."

## Sector

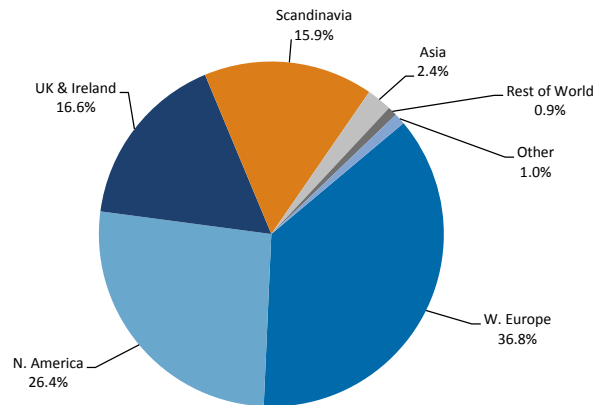
- Having started 2016 in positive territory, overall **WEU Real Estate** flows turned bearish in the second half of the year to close down **-\$773M** for the full year. Q3 to Q4 2016 for one saw outflows grow by a factor of more than 6x. 'We are moving from a growth to a value market – the end of quantitative easing, that we have touched the lows on bond yields, and the valuation high water mark for bond proxies – stocks that have been 'oh-so-comfortable' to be in. In October and November it became very uncomfortable to be in those stocks.' **John Bennett**, head of European Equities, **Henderson Global Advisors**.
- All **Real Estate** subsectors saw net outflows in Q4 led by **Property Management** firms (**-\$881M**) driven by selling in **Vonovia SE**, **Klepierre SA** and **Castellum AB**. **REITs** were the second most sold subsector with outflows driven by selling in **Axiare Patrimonio SOCIMI SA** and **Unibail-Rodamco SE**. **Real Estate Development** registered the smallest net outflows comparatively at just **-\$111M** with selling in **Conwert Immobilien Invest SE** and **Swiss Prime Site AG** driving net outflows.

## Institutional Investment Flow Highlights

Net Change (\$M Value) by Region

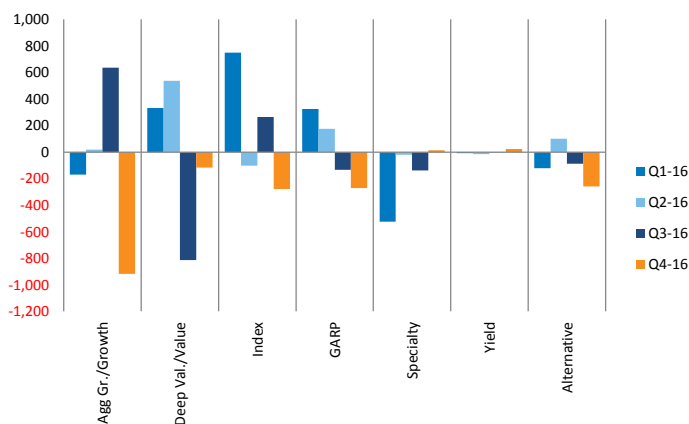


Ownership by Region

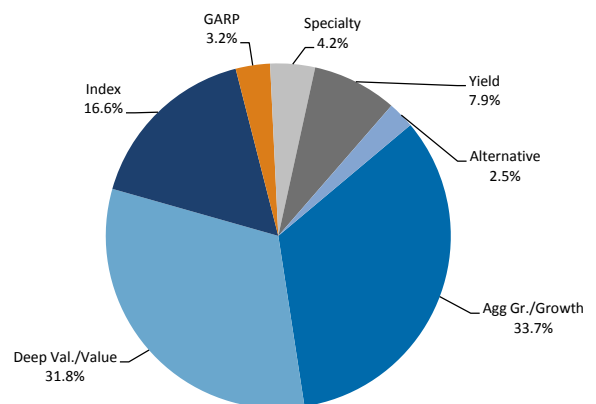


- North American** investors have been consistently net sellers of **WEU Real Estate** through 2016. The quarter under review was no exception with regional outflows accelerating to **-\$830M** to close 2016 down **-\$3.0Bn**. **Perry Corporation** for one exited the sector pulling **-\$185M**. **North American** selling of the sector was however also consistent across **WEU** were **North America** registered equity sales of **-\$86.5B** driven by strong active investor sales.
- From a peak of **+\$862M** in Q3 post-Brexit, **WEU** domiciled investor flows turned negative **-\$47M** in Q4. Sector outflows were however consistent with wider **WEU** investment flows which were modest outflows of **-\$13.3B** when compared to **North American** outflows over the same period.

Net Change (\$M Value) by Style



Ownership by Style



- The sector fell out of favour with virtually all investment styles in Q4 bar just two, **Yield** and **Specialty**, which recorded somewhat muted inflows, **+\$24M** and **+\$15M** respectively. **Aviva Investors France** skewed **Yield** flows in accounting for **91.8%** of inflows into the sector with the primary beneficiary being **German Residential Property** focused **LEG Immobilien AG**.
- Growth** investors turned decisively bearish on **WEU Real Estate** as top sellers in the last quarter of the year. US based **Growth** investors, **Principal Global Investors** and **Fidelity Management & Research Company**, drove a combined **-\$344M** in outflows from the sector in Q4.

## Top Invested Cities

| Country / City                          | Most Invested              |               | Activity    |            |
|---|----------------------------|---------------|-------------|------------|
|   | Total Equity Assets (\$mm) | Value (\$mm)  | (\$M)       | # Firms    |
| United Kingdom (London)                 | 1,787,558                  | 10,158        | -364        | 124        |
| Sweden (Stockholm)                      | 243,253                    | 6,828         | -203        | 54         |
| Netherlands (Amsterdam)                 | 152,262                    | 5,867         | -75         | 10         |
| France (Paris)                          | 308,417                    | 5,437         | 206         | 122        |
| Norway (Oslo)                           | 574,947                    | 5,014         | 38          | 18         |
| United States (New York)                | 1,728,619                  | 3,652         | -109        | 49         |
| United States (Boston)                  | 1,965,315                  | 2,412         | -211        | 22         |
| Belgium (Brussels)                      | 46,654                     | 2,116         | 108         | 9          |
| Canada (Montreal)                       | 99,260                     | 2,104         | 2           | 5          |
| Germany (Frankfurt)                     | 266,493                    | 1,940         | -110        | 31         |
| <b>Excludes Passive/Index Investors</b> |                            | <b>45,529</b> | <b>-717</b> | <b>445</b> |

| Country / City                          | Most Investors             |               | Activity    |            |
|---|----------------------------|---------------|-------------|------------|
|   | Total Equity Assets (\$mm) | Value (\$mm)  | (\$M)       | # Firms    |
| United Kingdom (London)                 | 1,787,558                  | 10,158        | -364        | 124        |
| France (Paris)                          | 308,417                    | 5,437         | 206         | 122        |
| Spain (Madrid)                          | 56,762                     | 618           | 1           | 60         |
| Sweden (Stockholm)                      | 243,253                    | 6,828         | -203        | 54         |
| United States (New York)                | 1,728,619                  | 3,652         | -109        | 49         |
| Finland (Helsinki)                      | 32,926                     | 1,065         | -22         | 36         |
| Germany (Frankfurt)                     | 266,493                    | 1,940         | -110        | 31         |
| Luxembourg (Luxembourg)                 | 23,085                     | 148           | -9          | 25         |
| Switzerland (Zürich)                    | 260,298                    | 1,552         | -47         | 24         |
| United States (Boston)                  | 1,965,315                  | 2,412         | -211        | 22         |
| <b>Excludes Passive/Index Investors</b> |                            | <b>33,810</b> | <b>-867</b> | <b>547</b> |

## Top Holders, Buyers & Sellers

| Top Holders                                | Country        | Style       | Turnover | Equity Assets (\$mm) | Value (\$M)   | Change (\$M) | % Port. | Chg  |
|--|----------------|-------------|----------|----------------------|---------------|--------------|---------|------|
| APG Asset Management N.V.                  | Netherlands    | Yield       | Low      | 136,973              | 4,834         | -49          | 3.5     | -1.0 |
| Norges Bank Investment Management (Norway) | Norway         | Value       | Low      | 523,296              | 3,935         | -14          | 0.8     | -0.4 |
| Caisse de dépôt et placement du Québec     | Canada         | Value       | Low      | 76,847               | 2,093         | 0            | 2.7     | 0.0  |
| AXA Investment Managers (Paris)            | France         | Growth      | Low      | 20,322               | 1,425         | 6            | 7.0     | 0.4  |
| MFS International (U.K.), LTD              | United Kingdom | Growth      | Low      | 49,420               | 1,304         | -40          | 2.6     | -2.9 |
| Länsförsäkringar Fondförvaltning AB        | Sweden         | Growth      | Low      | 1,823                | 1,239         | 20           | 68.0    | 1.6  |
| CBRE Clarion Securities, LLC               | United States  | Specialty   | Medium   | 15,602               | 1,057         | -45          | 6.8     | -4.1 |
| Thames River Capital, LLP                  | United Kingdom | Growth      | Medium   | 1,864                | 956           | -16          | 51.3    | -1.7 |
| Degroof Petercam Asset Management S.A.     | Belgium        | Growth      | Medium   | 9,971                | 883           | 60           | 8.9     | 7.3  |
| Lansdowne Partners (UK) LLP                | United Kingdom | Alternative | Medium   | 15,232               | 882           | 0            | 5.8     | 0.0  |
|  |                |             |          |                      | <b>13,592</b> | <b>-97</b>   |         |      |

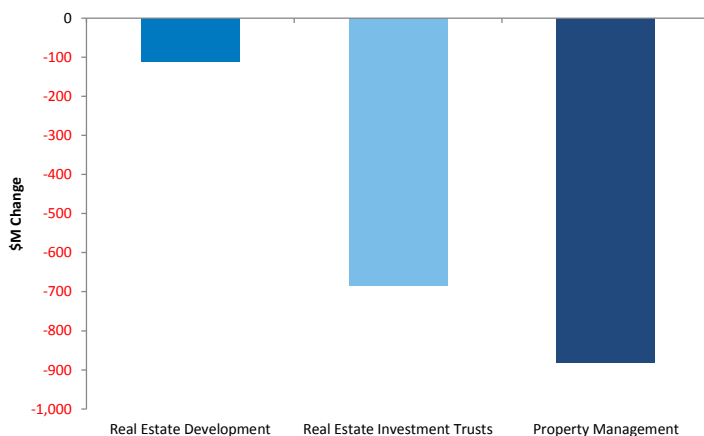
| Top Buyers                                    | Country        | Style      | Turnover  | Equity Assets (\$mm) | Value (\$M)  | Change (\$M) | % Port. | Chg   |
|---|----------------|------------|-----------|----------------------|--------------|--------------|---------|-------|
| Deutsche Asset Management Investment GmbH     | Germany        | Value      | Low       | 102,770              | 781          | 198          | 0.8     | 34.0  |
| Aviva Investors France S.A.                   | France         | Yield      | Low       | 4,574                | 334          | 151          | 7.3     | 82.7  |
| Standard Life Investments, LTD (U.K.)         | United Kingdom | Growth     | Medium    | 70,644               | 566          | 90           | 0.8     | 18.9  |
| BNP Paribas Asset Management (France)         | France         | Growth     | Medium    | 24,436               | 541          | 87           | 2.2     | 19.2  |
| PIMCO - Pacific Investment Management Company | United States  | Deep Value | Very High | 8,595                | 135          | 73           | 1.6     | 116.7 |
| Amundi Asset Management S.A.                  | France         | Value      | Medium    | 78,759               | 773          | 66           | 1.0     | 9.4   |
| Degroof Petercam Asset Management S.A.        | Belgium        | Growth     | Medium    | 9,971                | 883          | 60           | 8.9     | 7.3   |
| Cohen & Steers Capital Management, Inc.       | United States  | Specialty  | Medium    | 42,513               | 547          | 47           | 1.3     | 9.4   |
| BNP Paribas Investment Partners Belgium S.A.  | Belgium        | Value      | Medium    | 5,244                | 289          | 43           | 5.5     | 17.4  |
| Odey Asset Management, LLP                    | United Kingdom | Growth     | High      | 4,174                | 52           | 43           | 1.2     | 473.3 |
|   |                |            |           |                      | <b>4,902</b> | <b>858</b>   |         |       |

| Top Sellers                                 | Country        | Style       | Turnover | Equity Assets (\$mm) | Value (\$M)  | Change (\$M)  | % Port. | Chg    |
|---|----------------|-------------|----------|----------------------|--------------|---------------|---------|--------|
| Union Investment Privatfonds GmbH           | Germany        | GARP        | Medium   | 37,174               | 209          | -201          | 0.6     | -49.1  |
| Perry Corporation                           | United States  | Alternative | Unknown  | 85                   | 0            | -185          | 0.0     | -100.0 |
| Principal Global Investors, LLC             | United States  | Growth      | Low      | 84,622               | 231          | -184          | 0.3     | -44.3  |
| Fidelity Management & Research Company      | United States  | Growth      | Low      | 798,896              | 618          | -160          | 0.1     | -20.6  |
| BlackRock International, LTD                | United Kingdom | Value       | Medium   | 17,785               | 121          | -108          | 0.7     | -47.2  |
| SEB Investment Management AB                | Sweden         | Value       | Medium   | 28,739               | 534          | -94           | 1.9     | -14.9  |
| BlackRock Investment Management (U.K.), LTD | United Kingdom | Growth      | Low      | 306,489              | 849          | -85           | 0.3     | -9.1   |
| J.P. Morgan Asset Management (UK), LTD      | United Kingdom | Growth      | Medium   | 95,341               | 485          | -80           | 0.5     | -14.2  |
| UBS AG (Asset Management Switzerland)       | Switzerland    | Yield       | Low      | 101,789              | 454          | -77           | 0.4     | -14.4  |
| UBS Asset Management (Deutschland) GmbH     | Germany        | Value       | Medium   | 709                  | 22           | -74           | 3.2     | -76.8  |
|   |                |             |          |                      | <b>3,522</b> | <b>-1,248</b> |         |        |

- **London** hosts the largest group of **WEU Real Estate** equity but only marginally ahead of **Parisian** investors, 124 vs 122. However **London** controls nearly twice the sector equity to **Paris** of **\$5.4Bn**. Across these two investment centres, **London** was selling whilst **Paris** was buying the sector in Q4. **London** selling was **Growth** investor driven led by **J.P. Morgan Asset Management** whilst **Paris** buying was **Yield** investor driven led by **Aviva Investors**.

## Most Bought & Sold Sectors

## Most Bought & Sold Stocks



| BOUGHT Securities                | Industry                   | Change (\$M) |
|----------------------------------|----------------------------|--------------|
| LEG Immobilien AG                | Property Management        | 133          |
| D. Carnegie & Co AB (publ)       | Real Estate Development    | 113          |
| Lar Espana Real Estate Socimi S. | Real Estate Investment Tru | 46           |
| IWG PLC                          | Property Management        | 44           |
| Warehouses De Pauw CVA           | Property Management        | 35           |

| SOLD Securities             | Industry                   | Change (\$M) |
|-----------------------------|----------------------------|--------------|
| Vonovia SE                  | Property Management        | -431         |
| Axiare Patrimonio SOCIMI SA | Real Estate Investment Tru | -305         |
| Klepierre SA                | Property Management        | -210         |
| Unibail-Rodamco SE          | Real Estate Investment Tru | -148         |
| Castellum AB                | Property Management        | -134         |

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