

European Real Estate Securities

The European real estate market, as represented by the FTSE EPRA Nareit Developed Europe Real Estate Index, had a total return of -0.5% in the first quarter (in euros, net of dividend withholding taxes).

Investment Review

European real estate stocks were lackluster overall in a mostly positive quarter for real estate markets globally. The North America and Asia Pacific regions gained, as did the U.K., while continental Europe, which has seen some setbacks in virus containment, declined. Although government bond yields rose sharply in the quarter amid increased inflation concerns, real estate generally benefited from investor optimism around economic recovery prospects, with the U.S. bolstered by vaccine rollout progress and the passage of a \$1.9 trillion stimulus package.

The U.K. (3.0% total return¹) rose as economic recovery expectations lifted some of the market's more beaten-down property types. Outperformers included a retail landlord that owns shopping centers located in London's West End. A student housing operator also advanced, aided about optimism regarding in-person university reopenings (albeit on a qualified basis) and a nearing of an end to the company's rent discounts. Some industrial companies saw relatively modest gains.

Germany (-7.2%) underperformed, in part due to declines in

Index Performance (€)	
	Linked Index ⁽¹⁾
Q1 2021	-0.50%
1 Year	20.08%
3 Year	2.58%
5 Year	2.72%
10 Year	7.28%

(1) Linked Index: FTSE EPRA Nareit Developed Europe Real Estate Index through 05/31/2004 and FTSE EPRA Nareit Developed Europe Real Estate Index EUR - NET following.

Data quoted represents past performance, which is no guarantee of future results.

This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index and index performance does not reflect the deduction of fees, expenses or taxes.

Periods greater than 12 months are annualized.

some apartment owners. Belgium (-0.2%) and Switzerland (-0.6%) also struggled. Winners included Austria (15.2%). The Netherlands (8.0%) also advanced, lifted by gains from retail landlords.

Elsewhere of note, Spain (7.5%) outperformed, lifted by diversified landlords. In Sweden (-4.1%), office and logistics company Castellum withdrew its bid for Norway-based Entra, but later acquired 2.3 million additional shares of the company, taking its ownership stake to over 10%. Castellum also sold a tranche of its industrial portfolio to Blackstone for 4.8 billion Krona (€430 million).

Investment Outlook

Real estate securities appear well positioned for the year ahead. Just as COVID upended the listed real estate market in 2020, we think REITs could be a prime beneficiary of widely available vaccines—progress in the U.K. has been particularly encouraging—and continued economic expansion. Low interest rates and increasing fiscal spending globally could help to accelerate this process. REITs have historically delivered their strongest returns—both in absolute terms and relative to broader equities—in the early stages of economic recoveries. Today, valuations relative to the broad market and fixed income are at historic lows. In addition, REIT dividends have remained durable and offer attractive yields in today's low-interest rate environment.

Index Characteristics	
	FTSE EPRA Nareit Developed Europe Index (EUR Net)
Discount to NAV	-15.5%
Discount to DDM	-13.4%
Dividend Yield	2.9%
Price/Cash Flow (2021E)	21.1x
Cash Flow Growth (2021E vs. 2020)	7.5%
Cash Flow Growth (2022E vs. 2021E)	8.8%
5-Year Cash Flow Growth	5.5%
Total Market Capitalization	€313.1B
Weighted Average Market Cap.	€8.9B
Number of Holdings	105

Source: Cohen & Steers.

Characteristics are market capitalization-weighted averages of estimates for companies in the FTSE EPRA Nareit Developed Europe Index (EUR Net) and are subject to change over time.

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Our portfolios are focused primarily on secular growth themes and defensive businesses. Current positioning is more differentiated by property sector and individual security than by country, based on the common drivers impacting property types across the region. We like logistics, health care and self storage, which tend to be more defensive and have structural growth characteristics. We are also overweight German residential based on strong demographics and housing demand. By contrast, we are underweight offices, although we have recently added to names that look attractive from a relative value point of view. We have increased our overall retail allocation to closer to neutral by adding to continental Europe retail landlords with premium-quality shopping center assets.

(1) All country returns in this commentary are in local currencies.

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Index Performance by Country

	Q1 2021		YTD 2021	
	Local	EUR	Local	EUR
Europe	-1.50%	-0.51%	-1.50%	-0.51%
Austria	15.15%	15.15%	15.15%	15.15%
United Kingdom	3.02%	8.20%	3.02%	8.20%
Netherlands	8.02%	8.02%	8.02%	8.02%
Spain	7.54%	7.54%	7.54%	7.54%
Ireland	3.32%	3.32%	3.32%	3.32%
Norway	-2.21%	2.11%	-2.21%	2.11%
France	0.06%	0.06%	0.06%	0.06%
Belgium	-0.24%	-0.24%	-0.24%	-0.24%
Italy	-1.53%	-1.53%	-1.53%	-1.53%
Switzerland	-0.60%	-2.81%	-0.60%	-2.81%
Sweden	-4.12%	-5.95%	-4.12%	-5.95%
Finland	-6.89%	-6.89%	-6.89%	-6.89%
Germany	-7.15%	-7.15%	-7.15%	-7.15%

Source: Cohen & Steers.

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The FTSE EPRA Nareit Developed Europe Real Estate Index - net is an unmanaged market-capitalization-weighted total-return index, which consists of publicly traded equity REITs and listed property companies from the Europe region, and is net of dividend withholding taxes.

Index Source: London Stock Exchange Group plc and its group undertakings, including FTSE International Limited (collectively, the "LSE Group"), European Public Real Estate Association ("EPRA"), and the National Association of Real Estate Investments Trusts ("Nareit") (and together the "Licensor Parties"). © LSE Group 2021. FTSE Russell is a trading name of certain LSE Group companies. "FTSE®" and "Russell®" are a trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. "Nareit®" is a trade mark of Nareit. "EPRA®" is a trade mark of EPRA and all are used by the LSE Group under license. All rights in the FTSE EPRA Nareit Global index(es) or data vest in the Licensor Parties. The Licensor Parties do not accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The Licensor Parties do not promote, sponsor or endorse the content of this communication."

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