COHEN & STEERS
REAL ASSETS. REAL RETURNS.

Growth and Discounts in European Real Estate Securities

In an environment of slowing economic growth and low interest rates, we believe listed European real estate can offer an attractive, diversifying asset class with above-average current income and predictable growth, including within niche property sectors driven by powerful secular tailwinds.

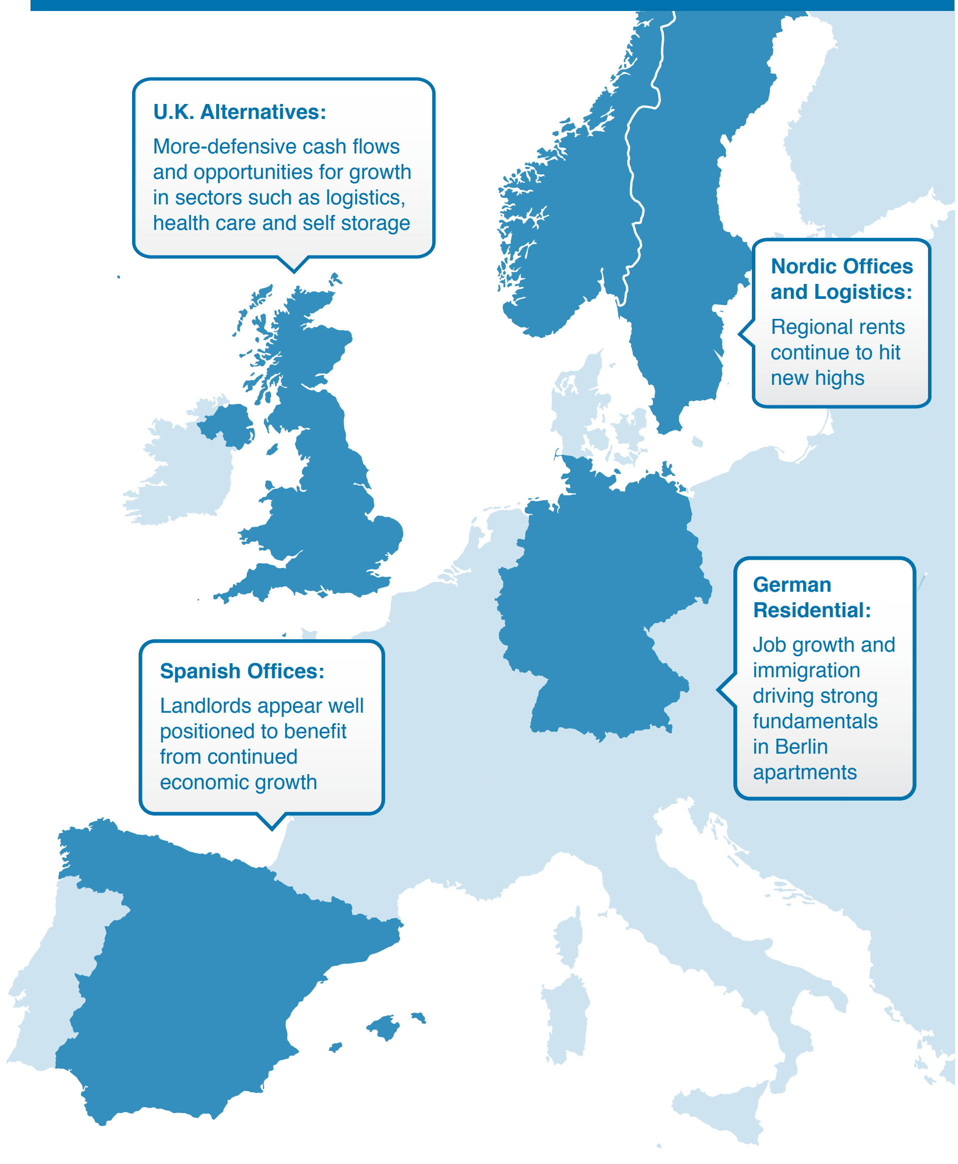
Wide Discounts to Spot NAVs

Factoring in conservative economic forecasts, we estimate European real estate companies are likely to generate nearly 6% annualized cash flow growth through 2020. Yet investors have seemed less willing to pay for growth as the cycle matures, resulting in compelling valuations. Based on our estimates, listed companies trade at an average 6.0% discount to private real estate based on NAV, with some high-quality companies at 15-30% discounts—disparities not seen in years. European real estate stocks also compare favorably with the broader listed global real estate universe, which trades at a premium to NAV.[1]

Careful Selection Remains Key

Still, an active approach remains critical, as we expect the differences between winners and losers to be substantial. Certain retail companies, for example, have large discounts that may be signaling a future decline in property values. We believe potential winners exist among companies operating in areas with favorable local property fundamentals and/or strong secular tailwinds. Herein, we highlight some of our favored themes at present.

Bright Spots in the Listed European Property Market



(1) At 28 February 2019. Based on Cohen & Steers estimates.

U.K. "alternatives." Despite being under a Brexit cloud, the U.K. can be a compelling source of opportunity when you look past the office and retail markets that have been pressured by the threat of separation. We are focused on U.K. sectors with more defensive cash flows and opportunities for growth through increased market share or acquisitions, providing potential insulation from a possible economic downturn.

Logistics—The rise of e-commerce and the need to fulfill last-mile delivery has created strong demand for industrial warehousing. Real estate companies that own logistics properties in highly populated urban areas should be particularly well positioned to benefit from this trend.

Self storage—The concept of off-site self storage is relatively new to local consumers, with only about 1% penetration in the U.K., compared with 9% in the U.S., and occupancy rates of around 70–80%, versus more than 90% in the U.S. We believe this creates the potential for rising occupancies that could pave the way for higher rental income.

Health care—Long-term leases can create highly defensive cash flows that could perform well against a challenging economic backdrop. Furthermore, consolidation in the sector could lead to beneficial synergies.

German residential. Germany is home to the world's largest publicly traded apartment owner, along with other listed companies that are benefiting from strong fundamentals driven by immigration and job growth. Although residential supply is increasing, it has not been nearly enough to meet demand, especially in Berlin. It is estimated that 20,000 new housing units are needed each year to meet new and pent-up demand in the city—yet the market has supplied only half that amount annually in recent years, which is helping to drive rents higher from a low base compared with other major European cities.

Spanish offices. Post the financial crisis, Spain has enjoyed one of the strongest recoveries in continental Europe, with its unemployment rate falling steadily from its 25% peak five years ago to about 15% at the end of 2018. In this time, office rents in Madrid's central business district (CBD) have increased 25–30%, tenant demand in Barcelona has exceeded expectations and housing prices across the country have risen about 30%. With GDP growth expected to remain in the 2.5% range, and room for unemployment to fall further, we believe CBD offices in both Madrid and Barcelona remain well positioned to see rising cash flows amid continued economic growth.

Nordic offices and logistics. Norway and Sweden have also seen above-average economic expansions since the crisis. Our preferences include Oslo and Swedish offices, where rents have continued to hit new highs. We also favor Sweden's logistics sector, which plays a key role in the delivery chain for exports, a large component of the country's economy and one that saw record-high monthly volumes in late 2018.

An Active Approach Can Add Value

We believe these types of opportunities highlight the importance of active management in approaching real estate investing. Our competitive advantage in this unique asset class is underpinned by the world's largest team of listed real estate portfolio managers, analysts and traders, dedicated to identifying trends and opportunities in property markets in Europe and around the globe.

A compelling investment case:

1. Attractive and growing income, with historic dividend yields often in excess of 4% in a region where government bond yields are generally close to zero
2. Attractive long-term total returns: Listed European real estate had an 8.8% annualized total return from 2001 through 2017, compared with same-period returns of 7.4% for global equities and 6.8% for private European real estate (based on indexes defined on page 3)
3. In general, better business models since the global financial crisis, with lower leverage, stronger focus on income, and shareholder value creation
4. Ease of access to attractive alternative sectors with strong secular tailwinds, including self storage, logistics, health care and student housing
5. Daily underlying liquidity, providing active managers flexibility to rotate portfolios through the cycle and potentially profit from tactical mispricing opportunities while maintaining diversification

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REAL ESTATE • The Original Real Asset

Index Definitions. *An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.*

Listed European real estate: The FTSE EPRA Nareit Developed Europe Real Estate Index is an unmanaged market-capitalization-weighted total-return index, which consists of publicly traded equity REITs and listed property companies from the Europe region. Global stocks: The MSCI World Index is a free-float-adjusted index that measures performance of large- and mid-capitalization companies representing developed market countries. Private European Real Estate: The IPD Pan-European Annual Property Index measures unlevered total returns of directly held standing property investments from one valuation to the next. The index tracks performance of 40,080 property investments, with a total capital value of EUR 768.5 / GBP 682.2 / USD 922.8 billion as of December 2017. Other sources: Office of Statistics Berlin-Brandenburg, OECD, Trading Economics.

Please consider the investment objectives, risks, charges and expenses of any Cohen & Steers fund carefully before investing. A summary prospectus and prospectus containing this and other information may be obtained, free of charge, by visiting cohenandsteers.com or by calling 800.330.7348. Please read the summary prospectus or prospectus carefully before investing.

About Cohen & Steers

Cohen & Steers is a global investment manager specializing in liquid real assets, including real estate securities, listed infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions. Founded in 1986, the firm is headquartered in New York City, with offices in London, Hong Kong and Tokyo.

We believe accessing investment opportunities around the world requires local knowledge and insight into specialized and regional markets. Cohen & Steers maintains a global presence through the following offices:

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