COHEN & STEERS

Global Real Estate Securities

The global real estate market, as represented by the FTSE EPRA Nareit Developed Real Estate Index, had a total return of –1.30% for the quarter (in U.S. dollars, net of dividend withholding taxes).

Investment Review

Global real estate securities were flattish in the quarter (in local currency terms) as investors focused on potential pivots in central bank monetary policy. On the heels of a strong interest rate–led rally in the fourth quarter of 2023, January saw profit-taking on concerns that markets had been too optimistic about the timeline of the Federal Reserve's policy easing. Global real estate securities then rose in March as interest rates moderated in various markets. The 10-year U.S. Treasury yield was volatile but ended higher for the quarter as investors remained highly attuned to inflation data and comments from the Federal Reserve.

In the U.S. (–0.9% total return[1]), real estate shares modestly declined for the quarter despite gains in February and March. Among retail-oriented property types, regional malls gained on strong performance from a high-quality mall operator that reported robust net operating income growth and occupancies. Shopping centers trailed despite evidence of solid leasing activity and occupancy growth. In the hotel sector, shares of one REIT gained on a better-than-expected 2024 outlook. Data center demand continued to outpace supply, as evidenced by limited vacancies. Strength in demand was underscored by robust recent results from a large chipmaker, whose flagship product is used in data center assets. Among residential property types, investors favored single-family homes over multi-family residences due to the former's relatively favorable supply profile. The manufactured home REIT sector lagged. Office REITs declined but outperformed, finding favor in March alongside other economically sensitive sectors. Health care REITs modestly outperformed U.S. REITs broadly. Performance within the sector was mixed, with notable dispersion among senior housing companies.

Logistics property types trailed on constrained demand. Industrial REITs underperformed; a large industrial index constituent has seen its occupancies tick lower year to date. The self storage REIT sector also lagged, as move-in demand remained weak on an absolute basis.

European real estate securities trailed, despite strong outperformance late in the quarter due to optimism around a shift in central bank monetary policy. In March, the Swiss central bank cut its benchmark interest rate in a surprise move on a reduced inflation forecast, making it the first central bank to pivot from its tightening policy stance. This appeared to drive optimism for more European central bank interest rate cuts to follow. Sweden (2.0%), which tends to be among the more interest rate–sensitive countries, rebounded in March. The Netherlands (1.0%), aided by retail-oriented property

Index Performance (US$)

	Linked Index[(1)]
Q1 2024	-1.30%
1 Year	7.41%
3 Year	-1.13%
5 Year	-0.21%
10 Year	3.05%

(1) Linked Index: The linked benchmark is represented by the performance of the FTSE EPRA Nareit Developed Real Estate Index. Prior to 12/31/06, the returns for the index are from the S&P Developed Property Index.

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

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.

Index Characteristics

	FTSE EPRA Nareit Developed Real Estate Index (Net)
Premium to NAV	1.5%
Premium to DDM	6.7%
Dividend Yield	4.1%
Price/Cash Flow (2024E)	17.1x
Cash Flow Growth (2024E vs. 2023)	3.3%
Cash Flow Growth (2025E vs. 2024E)	5.9%
5-Year Cash Flow Growth	5.4%
Total Market Capitalization	$1,863.0B
Weighted Average Market Cap.	$28.4B
Number of Holdings	362

Source: Cohen & Steers.

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

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types, defended well. In France (–0.5%), a bellwether retail-oriented company reported year-over-year growth in funds from operations that was above consensus. The company has continued to demonstrate its commitment to decreasing leverage via asset disposals. In the U.K. (–2.7%), the industrial and retail sectors outperformed, while office and self storage trailed. U.K. industrial sector demand appears to be generally returning to pre-Covid levels, with greater resilience than some feared.

Germany (–4.8%) trailed on weakness in residential companies. Spain (–5.2%) was weighed down by underperformance from an office REIT. Belgian listed real estate (–7.0%) was pressured, with particular underperformance among health care operators, which trailed on legacy tenant concerns (though they gained in March's rally).

The Asia Pacific region outperformed, though performance among countries was mixed. In Japan (14.4%), the Bank of Japan raised its policy rate in March for the first time in seventeen years. It also abolished yield curve control (YCC). Guidance was more dovish than the market expected, which led to further yen weakness and strength in the market. Developers were strong during the quarter, while J-REITs rebounded in March. In Australia (9.9%), listed real estate traded strongly up in March given the decline in long-term government bond yields globally and significant buy flows relating to the inclusion of Goodman Group in the FTSE EPRA Nareit Developed Index.

In Singapore (–7.7%), industrial REITs were hindered by rising interest rates during the quarter and weak full-year results. Office property types also trailed, while hotel and retail companies outperformed. In Hong Kong (–13.9%), market sentiment remained sensitive to China macro concerns and geopolitical risk. Many companies reported full-year 2023 earnings results; with an increasing focus on dividends and cash flow, companies that reported in-line earnings results and stable dividends outperformed, while those that cut dividends and/or had weak balance sheets lagged.

Investment Outlook

We believe global real estate offers attractive return potential relative to broad equities. An end to central bank tightening tends to be followed by notable strength in listed real estate performance. In addition, cash flows generally remain sound, and we anticipate healthy earnings growth in 2024.

We maintain a positive view of U.S. REITs, with a preference for assets with strong secular growth profiles and pricing power. Data centers should continue to benefit from strong demand for cloud computing and, increasingly, artificial intelligence. We see the residential sector benefiting from affordability issues in the for-sale market, which are leading to higher demand for rental housing, especially within single-family homes. However, elevated supply has made us cautious on Sunbelt multi-family markets. Within health care, we have a positive outlook on senior housing, where accelerating occupancy and pricing power are driving revenue growth higher.

We are underweight self storage, as demand remains subdued (due in part to muted housing activity). Within retail, we believe certain landlords with high-quality properties and strong balance sheets stand to gain market share over time. However, we are mindful of the impacts that elevated inflation and a potential slowdown in the jobs market could have on the U.S. consumer. We remain cautious toward offices as businesses reassess their future needs, although we have an allocation within the Sunbelt, which we favor over coastal locations.

We have a somewhat cautious view of European real estate securities, given concerns around growth prospects, though we have added on the margin as we've seen value opportunities. Our current positioning is differentiated more by property sector and individual security than by country, based on the common drivers impacting property types across the region. We like logistics and self storage, which tend to be more defensive and have structural growth characteristics. We also favor high-quality continental retail.

We see opportunities in Asia Pacific in countries with more favorable economic backdrops. Within Australia, we favor industrial, self storage and residential developers; we are cautious on retail and offices. In Singapore, we are positive on underlying hospital fundamentals and continue to favor retail, as sales remain above pre-pandemic levels, which we believe should lead to an increase in rents. In Japan, we favor developers with strong shareholder return potential, we continue to like hotels, and we are modestly overweight offices. We have been reducing our weighting in Hong Kong on concerns around a China macro slowdown.

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

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Index Performance by Country

	Q1 2024		YTD 2024	
	Local	USD	Local	USD
Middle East - Africa	**3.19%**	**1.08%**	**3.19%**	**1.08%**
Israel	3.19%	1.08%	3.19%	1.08%
Asia Pacific	**4.58%**	**-0.19%**	**4.58%**	**-0.19%**
Japan	14.38%	6.52%	14.38%	6.52%
Australia	9.92%	4.95%	9.92%	4.95%
South Korea	6.15%	1.55%	6.15%	1.55%
New Zealand	-0.49%	-5.90%	-0.49%	-5.90%
Singapore	-7.72%	-9.80%	-7.72%	-9.80%
Hong Kong	-13.89%	-14.07%	-13.89%	-14.07%
North America	**-0.86%**	**-0.95%**	**-0.86%**	**-0.95%**
United States	-0.92%	-0.92%	-0.92%	-0.92%
Canada	0.71%	-1.91%	0.71%	-1.91%
Europe	**-2.26%**	**-5.08%**	**-2.26%**	**-5.08%**
Netherlands	1.03%	-1.32%	1.03%	-1.32%
Austria	0.77%	-1.57%	0.77%	-1.57%
France	-0.51%	-2.82%	-0.51%	-2.82%
United Kingdom	-2.66%	-3.60%	-2.66%	-3.60%
Sweden	2.01%	-3.96%	2.01%	-3.96%
Switzerland	0.00%	-6.67%	0.00%	-6.67%
Germany	-4.75%	-6.97%	-4.75%	-6.97%
Spain	-5.20%	-7.40%	-5.20%	-7.40%
Ireland	-5.60%	-7.80%	-5.60%	-7.80%
Norway	-2.77%	-8.94%	-2.77%	-8.94%
Belgium	-6.97%	-9.14%	-6.97%	-9.14%
Finland	-10.48%	-12.57%	-10.48%	-12.57%
Italy	-34.14%	-35.68%	-34.14%	-35.68%

Source: Cohen & Steers.

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The FTSE EPRA Nareit Developed 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 developed markets and is net of dividend withholding taxes.

Important Risk Considerations: Investing involves risk, including entire loss of capital invested. There can be no assurance that the investment strategy will meet its investment objectives. Diversification is not guaranteed to ensure a profit or protect against loss.

Risks of investing in real estate securities are similar to those associated with direct investments in real estate, including falling property values due to increasing vacancies or declining rents resulting from economic, legal, political or technological developments, lack of liquidity, limited diversification and sensitivity to certain economic factors such as interest rate changes and market recessions.

Special risks of investing in foreign securities include (i) currency fluctuations, (ii) lower liquidity, (iii) political and economic uncertainties, and (iv) differences in accounting standards. Certain foreign securities may represent small- and medium-sized companies, which may be more susceptible to price volatility and less liquid than larger companies.

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