International Real Estate Securities

The international real estate market, as represented by the FTSE EPRA Nareit Developed Real Estate ex-U.S. Index, had a total return of –2.03% for the quarter (in U.S. dollars, net of dividend withholding taxes).

Investment Review

International real estate securities were modestly positive 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.

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% total return[1]), which tends to be among the more interest rate–sensitive countries, rebounded in March. The Netherlands (1.0%), aided by retail-oriented property 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

Index Performance (US$)

	Linked Index[1]
Q1 2024	-2.03%
1 Year	5.88%
3 Year	-5.80%
5 Year	-3.35%
10 Year	0.89%

(1) Linked Index: The linked benchmark is represented by the performance of S&P Developed ex-U.S. Property Index thru 6/30/09 then FTSE EPRA Nareit Developed ex-U.S. Real Estate Index (net of dividend withholding taxes).

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 ex-U.S. Real Estate Index
Discount to NAV	-14.1%
Discount to DDM	-2.0%
Dividend Yield	4.0%
Price/Cash Flow (2024E)	16.2x
Cash Flow Growth (2024E vs. 2023)	3.2%
Cash Flow Growth (2025E vs. 2024E)	4.9%
5-Year Cash Flow Growth	5.4%
Total Market Capitalization	$825.5B
Weighted Average Market Cap.	$10.7B
Number of Holdings	260

Source: Cohen & Steers.

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

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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 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	**4.59%**	**-0.19%**	**4.59%**	**-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	-0.25%	-5.60%	-0.25%	-5.60%
Singapore	-7.72%	-9.80%	-7.72%	-9.80%
Hong Kong	-13.89%	-14.07%	-13.89%	-14.07%
North America	**0.71%**	**-1.91%**	**0.71%**	**-1.91%**
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 ex-U.S. 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 excluding the United States and is net of dividend withholding taxes.

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