Redefining Investment in Listed Property

Reitway Global Property Fund

- The GPR 250 produced a return of -5.92% for the month.
- The Reitway Global Property Fund delivered -7.29%.
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Marius du Preez, April 2024

Market Commentary

Global REITs fell back in April and were down -5.92% for the month. The Portfolio was down -7.29% mainly driven by our out of benchmark selection stocks in Data Centres and Tower REITs and exposure to countries like Canada (-7.67%) and Australia (-9.14%).

The Industrial sector in the US was hit hard with Prologis, the largest component of the benchmark (over 10%) and the largest REIT in the world, delivering -21.63%. Global REITS made its steady way down for the month until mid-month when it started picking its head up for the buildup to PCE data being release close to month end.

US CPI was announced on 10 April for the March 2024 YOY data and CPI came in at 3.5%, slightly above the 3.4% market expectation and the market reacted negatively. This is the 3rd straight month of CPI increases and is on top of the 3.2% increase in February. The US Core PCE Price Index, which is the Federal Reserve's preferred gauge to measure inflation was also released on 26 April for the March 2024 YOY reading and rose by 2.8%. The figures came in above market forecasts of 2.6% but it is the lowest reading since March 2021.

It is now, according to some market participants at least, very possible that European central banks my cut rates before the US Federal Reserve. Such conclusion was draw from a more dovish tone by European central banks and slightly softer-than-expected data received in April. This may be supportive to for instance German residential names which are included in the portfolio.

The industrial sector earnings releases saw a fair swing in momentum from being one of the standout sectors to one with softening tenant demand. Prologis, who reported their earnings on the 17th of April materially reduced their own 2024 forecasts for same-property NOI growth. Their explanation was tenants prioritising cost management and opting to better utilise the additional gross leasable area (GLA) secured during the post-pandemic boom for anticipated demand not materialising. This is also a reflection of a more subdued reality on the ground and is consistent with the slowdown in US GDP growth data observed.

Some action in the European market saw Shurgard Self Stroage (SHUR) expand its UK footprint by striking a recommended cash deal with one of its peers, Lok'nStore Group PLC worth around GBP 378m. The merger is expected to lead to some job cuts and the shareholders of Lok'nStore are set to receive GBP 11.10per share, which would mark a 2.3% premium to the targeted company's all time high closing price of GBP 10.85 on January 2022. The merger will enable SHUR to increase its footprint in the Southeast and Manchester regions which it called "the two most attractive target markets outside of London".

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In the US, Apartment Income REIT Corp. (AIRC) is noted to be going private. In an all-cash transaction valued at $10bn, Blackstone Real Estate Partners X will take AIRC private in its largest ever apartment portfolio acquisition. The bidder will be acquiring all the outstanding AIRC shares for $ 39.12 per share, which also includes the assumption of debt.

According to Blackstone global investment manager, real estate values are bottoming which is driven by a healthier cost-of-capital environment and lower supply growth. The ECB is the only one of the three major central banks in Europe that met in April and they held rates constant as expected. Despite this, it was still a volatile month for rates and credit spreads. The Bund, US Treasury and Gilt curves shifted upwards materially over the month with some slight bear steepening in each case. The UK 10-year Gilt yield expanded by 42 bps, leading the UK real estate sector 2.8% lower. US Treasuries moved 48 bps during the month and impacted REIT sentiment in the market negatively. The US 10-year yield was sitting at 4.69% at month end.

Fund positioning remains roughly the same (quality, value, structural trend riders, and blend between offensive and defensive), with a slight uptick in risk appetite due to optimism growing in markets awaiting the first rate cut announcements.

If you would like to set up time to speak to us or for more information on any of our funds please contact oliviat@reitwayglobal.com / 082 676 6115 or laurend@reitwayglobal.com / 060 587 5086