# Reitway Global Property Fund

- The GPR 250 produced a return of -4.56% (USD)
- The Reitway Global Property Fund was down 4.34%, performing slightly better than our benchmark
- REITs expect an improved supply-demand environment in the back half of the year

*Marius du Preez, January 2024*

## Market Commentary

It was inevitable that some of the November and December gains that were made (+19.4%) had to be given back at some point in time. The portfolio was down -4.34% in January, just a little better than the benchmark for the month, down -4.56%.

China Evergrande has been ordered into liquidation by a Hong Kong court after it failed to restructure $300B of debt owed to banks and bondholders. The share price plummeted by almost 21% on the back of the news before it was suspended from trading. One of the liquidators said it was their top priority to ensure that "as much of the business as possible is retained, restructured, and remains operational." The recognition by Chinese authorities of offshore creditors' claims to mainland assets remain an overhanging question mark.

The Fed's Beige Book presented a window into the American economy's real estate sector. Market participants highlighted that little has changed to the lull in transaction and construction acitivity, with no visible cracks in the sector as of yet. The pickup in REIT unsecured issuance seen thus far in 2024 is a hopeful sign of increased deal volume and activity.

Blackstone's bullishness on the private real estate sector continues to augment, foreshadowing confidence building in the space. The private real estate giant (~$330B in AUM) praises the confluence of a potential rate hiking cycle end and lower construction starts. In their latest earnings call, Blackstone conveyed the belief that real estate values have bottomed. They will continue to be active with their ~$65B in dry powder. Subsequent to the joint venture with Digital Realty in December, Blackstone acquired Tricon Residential, the third largest publicly traded single-family REIT, at an enterprise value of ~$7.5B.

Earnings season thus far has delivered little in terms of shock and awe, which has been good for market nerves. As always, the big industrial bellwether, Prologis, kicked off proceedings. Little new incremental information was given, and the company triggered no surprises in Green Street's *Surprise Index.* Supply completions in the sector are at an all-time high and tenant demand remains lukewarm. The REIT expects an improved supply-demand environment in the back half of the year.

Redefining Investment in Listed Property

Crown Castle (CCI) was very topical over the last two months due to the activist campaign launched on the company by Elliot Investment Management. CCI's earnings release, however, was rather mellow. Although no new updates were given on the strategic and operational review of its fibre business, the company did report an acceleration in new leasing activity after several quarters of sluggish performance for this unit. The search for a new CEO continues.

Although the risks around the monetary and economic cycle have become more balanced, we still exercise caution and do not yet find ourselves in the soft-landing camp. The que for the other shoe to drop is now, and the length of the fall is anyone's guess.

For the Fed, the dynamic remains the same: striking a balance between speed and level, both of which continues to be more luck and art than science. Moreover, at the end point sits the questions of when to start and when to stop that at best will get guestimates, rather than answers.

Fund positioning remains roughly the same (quality, value, structural trend riders, and blend between offensive and defensive), with a slight uptick in risk appetite.

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