REITWAY GLOBAL
Redefining Investment in Listed Property

Reitway Global Property Fund

- The GPR 250 was up 3.12% for the month.
- The portfolio returned 1.93% for March.
- Fund positioning remains roughly the same (quality, value, structural trend riders, and blend between offensive and defensive), with a slight uptick in risk appetite.

Marius du Preez, March 2024

Market Commentary

A seesaw month saw the portfolio return 1.93% but gave away the outperformance we had built up over the benchmark for the quarter thus far and ended the quarter down -0.29% against the benchmark. The benchmark was up 3.12% for the month.

The index was kept in check by its largest region, the United States. The US makes up roughly 73% of the index and certain of its sectors in the US could not keep up with the returns from other regions. Specifically, some of the smaller regions of Europe added to the month's returns for the index. These were Spain (+12.26%), France (+8.73%) and Belgium (+6.69%). The standout region for contributing to the Index return for March was arguably Australia. Australia makes up 4.30% of the Index and delivered 7.83% for the month. Hong Kong was the worst performing region, down -13.57% for the month.

In the US not all was bad compared to the rest of the world and certain sub-sectors did assist in keeping the region's head up. Apartments, almost 12% of the index delivered 5.37%. Certain of the names in this sub-sector were up over 11% and the largest name, AvalonBay Communities (AVB) was up 5.79% for the month. Regional Malls were also strong, making up 4.24% of index, delivering 6.89%. Part of this sub-sector is Simon Property Group (SPG) which is part of our portfolio and delivered 7.01% for the month.

Apartments saw a strong month relatively speaking but the outlook seems a little bleaker. The sub-sector's leasing has been very strong and have trended ahead of some analysts' expectations. There seems to be a slide in occupancies expected and even further rent cuts in the sub-sector while rates stay elevated, and the consumers continue to be held under pressure. The growth expected in the apartments space for the next 5 years is estimated to be 1.8% compounded annually and the return it provided during the month as a sub-sector might have been slightly unexpected. On top of starts declining and deliveries likely to remain challenging until 2026, this space seems like a daunting task to pick strong performers from.

US Industrial was a sub-sector that did not perform well during March, down -0.53% and makes up 13.53% of the Index. PLD, the largest listed REIT in the world and largest single stock of the Index was down -1.56%. The industrial sector which has been strong since the onset of the Covid pandemic is seeing some headwinds in the near to medium term future. New supply coming onto the market continues to exceed incremental demand in most US markets. Landlords pricing power is slowly diminishing as vacancy rates have climbed higher. The sector is also looking fairly expensive relative to other sectors and we see a deceleration in the sector from these various headwinds noted. The only exception to the pricy label given to the sector would be Cold Storage which is screening as cheap.

In the US, inflation numbers were announced on the 12th of March and inflation came down 0.1% yoy to 3.8%. The consensus expectation however was for it to come down to 3.7% and the market started losing interest in REITs for a few days. The inflation data keeps staying sticky and unwilling to go down even with rates at the highest it has been in multiple decades. The Fed Funds rate is currently sitting at 5.50% and was held steady during the Fed's meeting on the 20th of March, together with some strong words from the Fed that left a sour taste in the months of investors and the asset class took its second negative turn for the month. It appears the wait is to continue for good news regarding the start of rate cuts which has been at the current level since the last increase in July 2023.

In 2024 it seems as though elections are in everyone's mind. 64 countries (Plus the European Union) will go to the polls this year, which equates to almost 50% of the global population. Among the countries having elections includes the United States, The Russian Federation, the United Kingdom, North and South Korea and India. That together with an increasingly uncertain outlook of markets from political uncertainty, geopolitical tensions and sticky inflation is impacting the Global Real Estate market in a negative way. Historically REIT have outperformed global equities past the last rate hike, but this has not (yet) played out.

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

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