REITWAY GLOBAL
Redefining Investment in Listed Property

Reitway Global Property Fund

- The GPR 250 produced a return of -0.66% (USD)
- The Reitway Global Property Fund was flat for the month at -0.04%.
- Year-to-date we have generated a 0.82% gap between the portfolio and the benchmark

Marius du Preez, February 2024

Market Commentary

The portfolio was flat for the month of February (-0.04%), beating the benchmark which was down (-0.66%). Although we are down on a year-to-date basis (-4.38%) we have generated a 0.82% gap between the portfolio and the benchmark (-5.20%).

February saw many regions fall back but the United States stood resilient and was 1.00% up for the month. The UK (-7.9%) and Europe (-7.7%) were the negative outliers. Germany (-11.6%) and Belgium (-11.2%) were the worst performing countries in Europe and this was evident in the stocks in the portfolio from these countries. LEG (-12.22%) in Germany and WDP (-9.87%) in Belgium was the two worst performing names for February in the portfolio.

Segro, which is the largest UK REIT by market capitalisation, did a capital raise of GBP 900m to finance profitable growth opportunities within its development pipeline. The raise was increased from the original GBP 800m due to strong demand and the REIT's expectation of further opportunities to arise in the near future. The stock however was down for the month by -4.13%. At a certain point in time with the lead up to their results announcement for the year ending 31 December 2023 on 16 February the stock was down 7.7% but then managed to bounce back with strong results.

United Kingdom REITs went through a flurry of consolidations amongst which Tritax Big Box REIT Plc and UK Commercial Property REIT Limited reached an agreement where Tritax is to acquire the entire issued and to be issued share capital of UK Commercial at an exchange ratio of 0.444 newly issues Tritax shares per 1 UK Commercial share owned. This has created the UK's fourth-largest REIT with a combined market capitalisation of GBP 3.9bn assets.

There was also merger activity in the healthcare sector in the US where Healthpeak Properties Inc (PEAK) and Physicians Realty Trust (DOC) agreed to DOC shareholders to receive 0.674 newly issued shares of Healthpeak Properties Inc for each Physicians Realty Trust share they owned. The transaction closed around 1 March 2024 and the newly formed company y will trade under the name "Healthpeak Properties, Inc." and the ticker "DOC".

The global listed property market's mouth is watering on the expectation that central banks should start easing rates around the world in 2024. The question is not if but when and by how much. Consensus currently is that the US should start easing in the beginning of 2H24 but on a global level inflation is proving to be quite sticky. Central bankers are cautious in their announcements and selection of words so not to give the impression that cuts are eminent and create an expectation in the market.

US Regional malls have had some excellent results exceeding estimates which saw the sector perform very well in February delivering 6.75% driven by strong performance from Simon Property Group (SPG) specifically. We have seen more opening plans for retail stores than closures and tenant occupancy for SPG's portfolio increased 1.4% YoY. Mall and outlet same property NOI growth estimates remain strong and unchanged at 3.9% CAGR through to 2028, showing a good runway for the sector to grow.

The industrial sector in the US was also strong in February with a sector performance of 3.89% for the month. The juggernaut of the sector and the global REIT market, Prologis, drove the sector's performance with a strong return of 5.19%. It has a low cost of debt (Best in the sector) and an estimated annual Cash Same Property NOI growth rate of 7.9% through to 2028. Terreno also contributed to the sector performance with a return of 7.65%. Industrial in general is trading at premiums to their NAVs and have good balance sheets with relatively low leverage after some good performance over the past few months.

Europe was in the spotlight on the downside especially the German Residential sector and the Belgium Industrial sector. We saw LEG Immobilien, Tag Immobilien and Vonovia (German Residential) gasping for air to stay afloat this month. One of the German Residential co-CEO's came out with a statement claiming home prices could fall by as much as 30% below their 2022 peak and the market reacted by selling the sector down.

To put the sector in perspective, it has had its largest price drop in 60 years in 2023 and is currently trying to find its feet and position in the market with stagnant demand and elevated construction costs.

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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Performance figures quoted for the portfolio are from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Past performance referred to in this presentation is not necessarily indicative of future performance.

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