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Investment Strategy - Real Assets

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Risks remain for REITs despite sell-off

But Europe looks to have priced in more risks to CRE than US

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CRE faces a credit crunch, but REITs have already seen quite a sell-off

We recently wrote about the credit crunch risk to commercial real estate. However, in terms of implications for listed real estate, this is a market that has already corrected significantly, both since COVID and in response to higher rates.

Still downside risks remain, both to underlying prices and incomes

Still, downside risks remain. Lower structural demand for retail and office and some correction in underlying CRE prices may be priced in, but we could see a downward price spiral if forced sales pick up. And cyclical pressure on rental income.

Europe has priced in more stress vs US; Asia has scope to bounce

Leaning on the findings of the recent RICS Global Commercial Property Monitor, we find that Europe appears to have priced in more CRE stress than the US, where credit tightening is accelerating. There is scope for a bounce in Asia listed RE.

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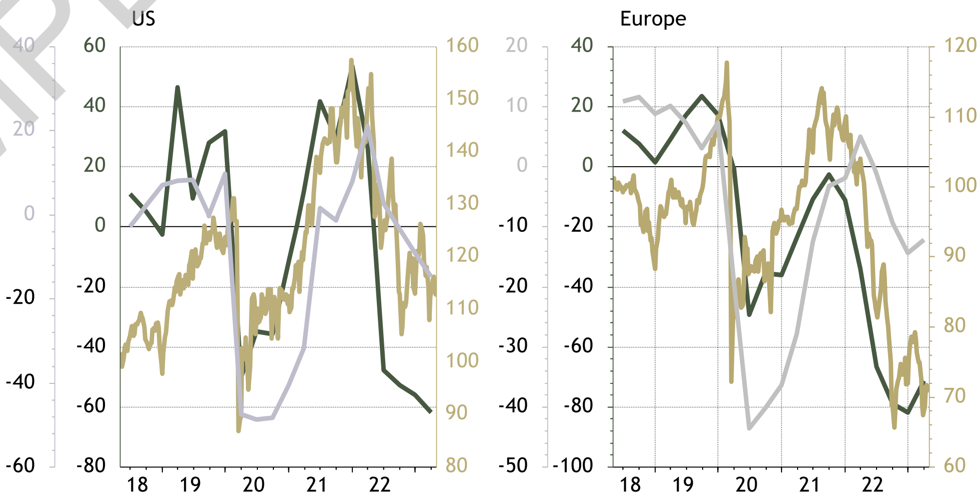
Key Chart: CRE stress may be more fully priced into Europe vs US REITs



Source: ASR Ltd. / Refinitiv Datastream / RICS

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