

Real estate sector slowly rises from the ashes

There was a great deal of volatility in the global markets in the third quarter, including in the real estate space which ended the period in positive territory. During Q3, economies slowly started to open, but with big differences, leading to positive consequences for the sector. Despite the risk of asset inflation further ahead, the central banks' message now is that interest rates will remain low for longer, which is clearly positive for the real estate sector.

The sector continues to become more polarised between segments which is reflected in the huge NAV spreads. The market continues to try to assess the correct value of underlying assets and is currently pricing in uncertainty about the future outcome in certain segments. During the quarter, this spread started to narrow, particularly in the office segment where we have increased portfolio exposure. An increased number of people are now returning to work from the office. It is too early to say how this will pan out going forward, but the office as a workplace will certainly continue to exist. This longer-term perspective is also confirmed by several transactions in the listed office space by private equity firms.

Activities during the quarter

We initiated a position in Canadian Allied Properties Real Estate at a good discount. Allied specialises in operating and developing urban office

space near Canadian central business districts at lower occupancy costs than traditional skyscrapers. It also owns three urban data centres in Toronto. We also initiated a new holding in Japanese office operator Hewia Real Estate, which is present in several cities but primarily in Tokyo where it is redeveloping the financial district. The company has a great deal of unrealised value within its portfolio, trades at a deep discount and has an interesting and dynamic ownership structure.

Office is a sector that has been overly punished during the pandemic. One reason is that the working from home trend has been extrapolated as a future disruptor. We believe these fears are overstated in relation to the pricing of the sector. The other reason is the risk of a prolonged recession that will hurt commercial real estate and all other sectors. It is more important than ever to be selective when it comes to stock picking.

Despite a very attractive valuation, we sold out of New York based office landlord SL Green to invest in other more promising office names. During the quarter we also exited Japanese housing developer Sekisui House since we believe they are in a less attractive segment in Japan than Heiwa going forward. This was confirmed by negative guidance that came after we had sold out. We also exited our Brazilian housing developer MRV.



Foto: Unsplash



Foto: Shutterstock

Best and worst contributors

The best performer in the quarter was Keihanshin Building with its significant exposure to strong performing data centres. The domestic activist Strategic Capital also increased its stake to 9.4%, sending a strong signal to the company that they approve of the proposals to enable value to be crystallised, something we also support. The pan European operator Shurgard Self-Storage contributed positively in the period after delivering a solid report, acquiring several building permits and being included in the EPRA index.

The worst contributor in the quarter was Hong Kong conglomerate CK Asset Holdings after the company cut its interim dividend, mainly as a result of UK pub chains and hotels suffering on the back of the pandemic. Other recurring income remains resilient so far, but the performance of the hospitality segment will have a close correlation to the further development of the pandemic. Meanwhile the founder and largest owner continues to buy shares at very discounted levels. CA Immobilien, the Austrian office operator, also suffered along with all other office companies. The company delivered a decent second quarter report despite the circumstances.

Strong long-term prospects for real estate

Volatility is likely to persist during the fourth quarter with the upcoming US election, evolving economic outlook and ongoing pandemic. Most of the reporting announced during the quarter was solid in terms of occupancy, rental collections and balance sheets. These fundamentals provide comfort for the future if we assume we have passed the worst peak in the pandemic. The real estate landscape is constantly evolving, now more than ever with changing consumer patterns, rapid technology development and the declining need for physical workspace. Regardless of where these trends will take us, it is more important than ever to be selective when stock picking. SKAGEN m2 continues to focus on companies that we consider to be resilient in trend-driven subsegments and with good cash flow generation and balance sheet structure. The long-term prospects are positive, given all the economic stimulus and continued low interest rate environment. However, real estate will not be immune to the challenges caused by the deteriorating macroeconomic environment.

SKAGEN m2 investerer i en aktivt forvaltet og diversifisert portefølje av finansielle instrumenter utstedt av selskaper eller utstedere som har sin virksomhet rettet mot fast eiendom over hele verden. Målet er å gi andelseierne best mulig risikostjert avkastning over tid. Fondet passer for investorer som har minst fem års investeringshorisont.

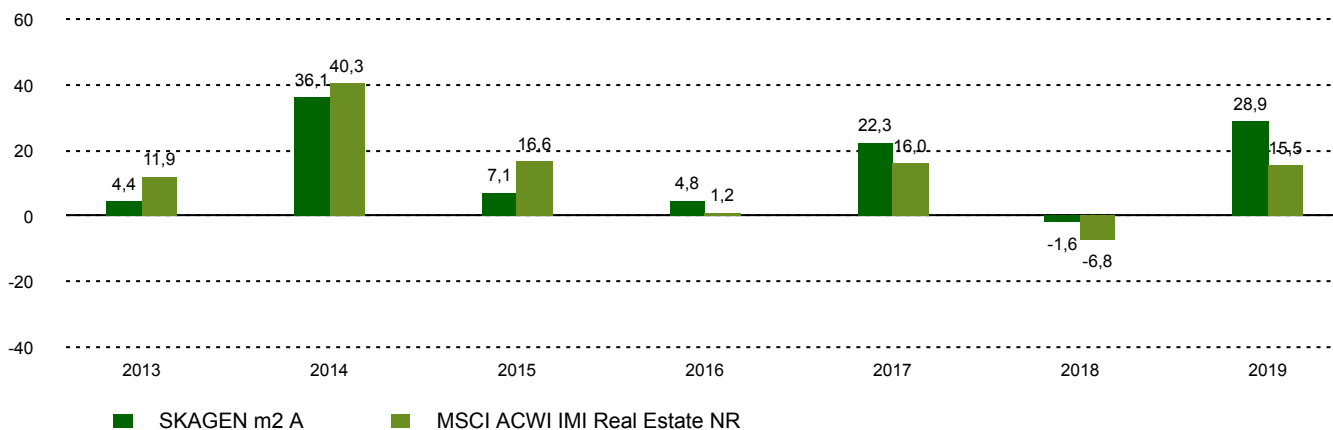
Historisk avkastning

Periode	SKAGEN m2 A	Referanseindeks
Siste måned	4,9%	5,3%
Hittil i kvartal	-0,1%	0,7%
Hittil i år	-11,0%	-8,9%
Siste år	-4,8%	-8,9%
Siste 3 år	7,2%	1,7%
Siste 5 år	9,2%	4,6%
Siste 10 år	n/a	n/a
Siden start	10,7%	10,2%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	31.10.2012
Morningstarkategori	Eiendom, Indirekte - Global
ISIN	NO0010657356
NAV	223,75 NOK
Årlig forvaltningshonorar	1.50%
Totalkostnad (2019)	2.68%
Referanseindeks	MSCI ACWI IMI Real Estate NR
Forvaltningskapital (mill.)	1737,26 NOK
Antall poster	30
Porteføljeforvalter	Michael Gobitschek

Avkastning siste 10 år



I perioden 11.07.2017 – 30.09.2019 var referanseindeksen MSCI ACWI Real Estate IMI ex REITS

Bidragstere i kvartalet



Største positive bidragstere

Navn	Vekt (%)	Bidrag (%)
Keihanshin Building Co	4,32	1,02
Shurgard Self Storage	4,16	0,58
LEG Immobilien AG	4,97	0,55
Catena AB	5,58	0,53
ESR Cayman Ltd	1,59	0,41



Største negative bidragstere

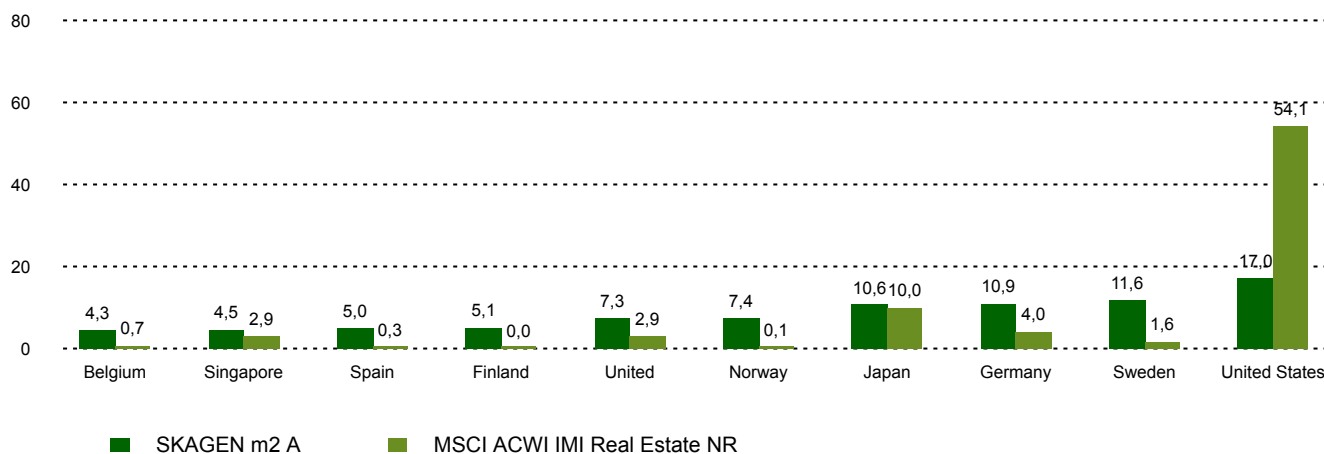
Navn	Vekt (%)	Bidrag (%)
CK Asset Holdings	2,73	-0,62
CA Immobilien Anlagen	4,46	-0,55
Aroundtown SA	2,85	-0,44
Equity Residential	2,62	-0,42
Switch Inc	2,50	-0,35

I NOK for alle andelsklasser

10 største investeringer

Navn	Sektor	Land	%
Catena AB	Real Estate	Sweden	6,0
Keihanshin Building Co Ltd	Real Estate	Japan	5,4
EQUINIX INC	Real Estate	United States	5,2
KOJAMO OYJ	Real Estate	Finland	5,1
Self Storage Group ASA	Industrials	Norway	5,0
LEG Immobilien AG	Real Estate	Germany	4,9
Shurgard Self Storage SA	Real Estate	Belgium	4,3
CA Immobilien Anlagen AG	Real Estate	Austria	4,3
Mitsui Fudosan Co Ltd	Real Estate	Japan	4,2
Grainger PLC	Real Estate	United Kingdom	4,0
Samlet vekting			48,4

Landeksponering (topp 10)



I perioden 11.07.2017 – 30.09.2019 var referanseindeksen MSCI ACWI Real Estate IMI ex REITS

Kontakt



+47 51 80 39 00



kundeservice@skagenfondene.no



SKAGEN AS, Postboks 160, 4001 Stavanger

Viktig informasjon

All informasjon er basert på mest oppdaterte tall tilgjengelig. Med mindre noe annet er opplyst, vil avkastningsdata være relatert til andelsklasse A og vises etter fradrag for honorarer. Forvaltningskapital per utgangen av forrige måned. All informasjon er fremstilt av SKAGEN AS (SKAGEN) med mindre noe annet er opplyst. Alle SKAGENS aksje- og obligasjonsfond har dansk risikomerking gul. Historisk avkastning er ingen garanti for fremtidig avkastning. Fremtidig avkastning vil blant annet avhenge av markedsutviklingen, forvalterens dyktighet, fondets risikoprofil og forvaltningshonorar. Avkastningen kan bli negativ som følge av kurstap. Du kan laste ned mer informasjon fra våre nettsider eller vår lokale representant, herunder tegnings- og innløsningsblanketter, fondsprospekter, nøkkelinformasjon (KIID), forretningsvilkår, årsrapporter og månedlige rapporter. Vurderinger er basert på porteføljeforvalterens syn på et gitt tidspunkt og kan bli endret på ethvert tidspunkt uten nærmere varsel. Rapporten må ikke oppfattes som en anbefaling om å kjøpe eller selge finansielle instrumenter. SKAGEN fraskriver seg ethvert ansvar for direkte- og indirekte tap samt utgifter pådratt i forbindelse med bruk av eller forståelsen av innholdet i rapporten. Ansatte i SKAGEN vil kunne eie finansielle instrumenter utstedt av selskaper som er omtalt i rapporten eller som fondene har i sine porteføljer. Fondets referanseindeks er MSCI ACWI Real Estate IMI ex REITS Net total return index USD. Før 11.07.2017 var det MSCI ACWI Real Estate IMI.