CITY OF LONDON
Investment Management Company Limited

International and Emerging Real Estate Semi-Annual Outlook

November 2021*

Overview

The Transition from "P"s to "E"s

As the pandemic becomes endemic, the world is learning to live with the virus thanks to high vaccination rates in developed and several EM countries. Mobility has largely recovered while valuations and the latest earnings of international real estate have nearly attained the pre-pandemic level. High excess savings in DM continue to support economic expansion and boost real estate earnings in 2022. In contrast, expected monetary tightening may cap a further re-rating in real estate in certain countries.

Global ex-US listed real estate prices rose over the past six months, in line with the performance of broader equity markets. Global real estate investment also delivered a remarkable turnaround: total transaction values in Q1-Q3 this year exceeded those of the same period in 2019.

Two transitions are taking place that should benefit US-based investors choosing to diversify into international real estate in 2022. First, increasing evidence suggests that the **pandemic** is becoming **endemic**, and that the world is learning to live with the virus with effective vaccination- and treatment strategies. All developed countries outside the US have caught up with and surpassed the US in terms of total doses administered per capita, as they suffer less from misinformation and vaccine scepticism. That, in turn, makes international office and retail properties less vulnerable to COVID outbreaks and mobility disruptions than the US.

Second, a transition from a **pricing** recovery to **earnings** growth may occur in H1 2022, leading to further upside in real estate prices. Fed tapering and monetary tightening by several central banks in 2022 may result in higher bond yields, limiting further re-rating in real estate pricing/valuation. Nonetheless, high excess savings may continue to support robust economic growth and real estate earnings. Indeed, consensus expects a 4-5% GDP expansion in the US and Europe and above 2% growth in Japan in 2022, significantly above the long-term potential.

Bottom-up fundamentals and valuation also favour international real estate. While the valuation of international real estate is near the end-2019 level, the P/B ratio of the US real estate is 15% above, with the forward P/E ratio 30% above. Meanwhile, the latest quarterly earnings of international real estate are close to the pre-COVID level while the US earnings are still 14% behind. Overall, international real estate seems more attractively priced than its US counterpart.

Office and retail: The value of office properties in the Eurozone, Australia and Singapore has markedly surpassed the level two years ago. The largest jump in mobility is behind us, but the demand recovery should continue for office and retail properties in H1 2022, driving down vacancy rates. Still, the decline in vacancy rates may be a gradual process. First, hybrid working is here to stay across many industries in DM. Second, a significant amount of new office space is expected to come onto the market for the next two years. Third, a large number of low-quality offices and malls will continue to struggle to find tenants.

Residential: Residential property prices have experienced strong growth since the onset of the pandemic. But the momentum may moderate in H1 2022 as mortgage rates will pick up amidst interest rate hikes.

Industrial: Tailwinds for industrial properties will likely continue to prevail on the back of high excess savings, elevated consumer demand, a solid manufacturing expansion and the proliferation of e-commerce players. Rents are accelerating globally while the vacancy rate dropped below 5% in DM.

Market Strategy

EM is gradually catching up with DM in vaccinations, although significant gaps remain in Southeast Asia, Eastern Europe and Africa. Meanwhile, EM real estate has never been as cheap relative to DM in its history. The outlook for EM may improve as property policies are marginally easing in China while more EM countries are expected to achieve their vaccination targets in H1 2022. Overall, we move **EM** to *overweight* due to improving outlook (particularly in China) and the cheapness of the real estate sector.

Among DM, we remain *overweight* the **Eurozone** and **Australia** given high vaccination rates, excess savings and robust domestic demand. We also trim the *underweight* in **Hong Kong** as border restrictions might be loosened in H1 2022. In contrast, we downgrade **Japan** to *underweight* as the economy remains in the doldrums given the lack of new sizable stimulus by PM Kishida. We also keep the UK underweight as the Bank of England is expected to tighten monetary policy earlier and faster than other major DM central banks. Finally, we remain *neutral* in **Singapore** as valuations seem in line with the real estate outlook.

Allocation Breakdown

		-2	-1	0	+1	+2
Eurozone	–				■	
Japan	↓		■			
UK	–		■			
Australia	–				■	
Hong Kong	↑		■			
Singapore	–			■		
EM	↑				■	

Note: Up/down arrows indicate a positive/negative change in our asset allocation compared to the previous semi-annual outlook. A dash indicates no change.

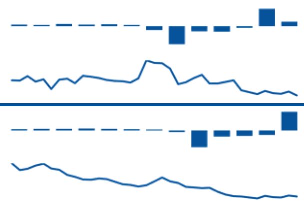
Source: CLIM

**The publication reflects asset performance up to 31 October, 2021, and macro events and data releases up to 12 November, 2021, unless indicated otherwise. Data about mobility and footfall are from Google, while data about real estate rents, net absorption and supply are from JLL.*

Europe

Neutral

Fast vaccination and booster programs should temper the impact of outbreaks on real estate this winter.



	3Y history	Latest	
EZ GDP, % yoy		3.7	Q3
EZ div yield, %*		3.5	Oct
UK GDP, % yoy		23.6	Q2
UK div yield, %*		2.6	Oct

**Based on the FTSE EPRA/NAREIT Indices.* *Source: Bloomberg*

Eurozone (Overweight)

Economic activity has surprised on the upside amid fast vaccinations, steady re-openings and increased mobility. The value of office properties is markedly higher than in 2019 while rents for retail space have bottomed out. Looking ahead, growth may moderate as the initial phase of reopening is largely behind us and new restrictions may take place in light of rising daily cases in Germany and Eastern Europe. Still, the economy has become resilient against new COVID-19 outbreaks thanks to high vaccination rates. High excess savings should lengthen the robust recovery, with GDP expected to grow by 4% in 2022 after a 5% jump this year. Meanwhile, policy uncertainties may fade in Germany when a coalition government is formed.

Market Strategy: Valuations and the latest quarterly earnings of the real estate sector have recovered to the pre-pandemic level. Office and retail properties may face temporary setbacks this winter amidst rising cases. However, robust domestic demand and accommodative monetary policy are conducive to further upsides in real estate. We remain *overweight*.

UK (Underweight)

The UK enjoys as high a vaccination rate as the Eurozone, but the economic picture is mixed. Retail sales declined over the past few months, while Brexit seems to have tempered the recovery in the office sector.

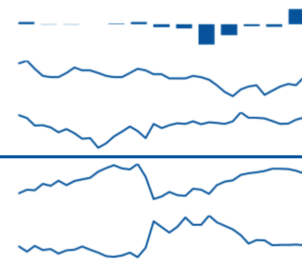
The Bank of England appears notably more hawkish than the European Central Bank, and it could start the hiking cycle as soon as December. The policy rate is expected to reach 1% by end-2022. Residential property prices jumped by 10.6% yoy in August, but the momentum may moderate amid monetary tightening.

Market Strategy: Quarterly earnings of UK real estate have rapidly improved this year, reaching the mid-2019 level. Nonetheless, the P/B ratio has risen to 1.1x, notably higher than 0.8x in mid-2019. Hence the market seems to have priced in the expected recovery in 2022, while monetary tightening may limit a further re-rating. Overall, we maintain a smaller *underweight* in the UK.

Japan

Underweight (↓)

Despite accelerating vaccinations, the Japanese economy remains weak, limiting the recovery in the real estate sector.



	3Y history	Latest	
GDP, % yoy		7.6	Q2
CPI, % yoy		0.2	Oct
10y JGB yield, %		0.1	Oct
NAREIT Japan*		-1.1%	Oct
Dividend yield, %		3.4	Oct

**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

Japan accelerated the vaccination rollout after a slow start in H1. Still, 2021 has been marked by repeated COVID-19 outbreaks, states of emergency and lockdowns. The economic recovery has been lacklustre at best, as stagnating services activity offsets the manufacturing expansion. Indeed, until the most recent month (October), the services PMI had been in contractionary territory since the onset of the pandemic. Consensus has revised down GDP forecast for this year to 2.4% yoy, recouping only half the loss in 2020. Inflation data also reflect the caution of domestic consumers: core CPI contracted by 0.8% yoy in September. While the rest of the world is worried about inflation risks, Japan struggles with deflation.

On the political front, the incumbent Liberal Democratic Party won the general elections with a reduced majority. New Prime Minister Kishida vowed to curb domestic inequality while lacking policies to boost long-term growth.

Office properties were also affected by weak demand. The value of Tokyo offices dropped by 8% yoy in Q3 while rents declined by 12%. The vacancy rate also picked up due to the negative net absorption.

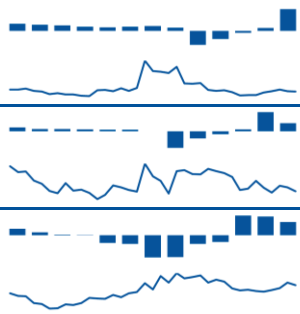
The Bank of Japan remains highly accommodative given the lack of inflation. The residential sector benefits from monetary easing, as housing prices have increased by 7% since the end of 2019.

Market Strategy: The forward P/E ratio of Japanese real estate has recovered to the pre-pandemic level. Monetary policy is not a concern, and domestic long-term interest rates are anchored at a low level. Nonetheless, the earnings outlook of the real estate sector is clouded by weak domestic demand and the lack of new growth-friendly policies. Therefore, we move Japan to *underweight*.

DM Asia ex-Japan

Neutral

Real estate may be less sensitive to new restrictions in 2022 as COVID strategies in the region evolve.



	3Y history	Latest	
AU GDP, % yoy		9.6	Q2
AU div yield, %*		5.3	Oct
SG GDP, % yoy		6.5	Q3
SG div yield, %*		3.9	Oct
HK GDP, % yoy		5.4	Q3
HK div yield, %*		5.3	Oct

**Based on the FTSE EPRA/NAREIT Indices.* *Source: Bloomberg*

Australia ***(Overweight)***

Daily cases reached a record high, but Australia abandoned the zero-Covid strategy as nearly 70% of the population were fully vaccinated. The recent outbreak had a limited impact on economic activity as services PMI quickly moved back into expansionary territory in October. Office values have surpassed the 2019 level despite elevated vacancies.

Market Strategy: The P/B and forward P/E ratios of the Australian real estate sector have risen closer to the pre-pandemic level while the latest quarterly earnings have surged above. We remain moderately *overweight* Australia, though rising cases represent a downside risk.

Singapore ***(Neutral)***

Consensus expects the economy to grow above the pre-COVID level by the end of 2021 on the back of strong external demand. Nonetheless, daily cases reached a new record in October, resulting in new restrictions and a marked decline in mobility. Meanwhile, the central bank tightened monetary policy in light of rising inflation.

Market Strategy: Valuation and earnings of the real estate sector, as well as local long-term interest rates, have recovered to end-2019 levels. We remain *neutral* Singapore as the market is in line with our expectations that mobility will soon recover due to high vaccination rates.

Hong Kong ***(Underweight)***

Consumption and economic activity remain notably below the level before the 2019 social unrest. In contrast, residential prices have been relatively resilient due to low interest rates. The border could reopen with Mainland China in H1 2022, though no timeline has been confirmed.

Market Strategy: Tight border restrictions hinder the hospitality sector while office values are 30% below the 2019 level. Overall, real estate earnings are still 50% below the pre-COVID level. We remain cautious about Hong Kong real estate, though trimming the *underweight* as travel restrictions could be relaxed in 2022.

Emerging Markets

EM countries have sped up the vaccination rollout over the past six months. However, the intra-EM vaccination gap has widened, suggesting a differentiated outlook for office and retail properties in H1 2022. Meanwhile, Fed tapering and domestic monetary tightening suggest upside risks to local long-term interest rates, tempering the re-rating of the real estate sector in those countries, particularly residential properties. Industrial real estate enjoys structural tailwinds from the boom of e-commerce.

The worst of the pandemic has passed in DM where fast vaccination significantly weakened the link between infections and deaths this year. In EM, the most challenging moments were markedly more recent. Daily confirmed deaths peaked in Q2 for Brazil and India, in Q3 for ASEAN, Mexico and South Africa, and only tentatively now for Russia and Central and Eastern Europe.

EM countries on average have been closing the vaccination gap versus DM since June. But the intra-EM gap has widened. China and the UAE, for instance, enjoy higher vaccination rates than even DM, followed by Malaysia (on par with the average rate of Western Europe) and Brazil (higher than the US). In contrast, South Africa, the Philippines, Indonesia and Eastern Europe substantially lag due to vaccine shortages, logistics challenges and/or vaccine hesitancy. The significant vaccination gap suggests varying levels of vulnerability among EM countries against future outbreaks and lockdowns. More specifically, we expect China, the Middle East, Latin America and Malaysia to be less vulnerable to new restrictions and mobility reduction in H1 2022, conducive to a steady recovery in retail and office properties.

Inflation and monetary policy pictures also vary markedly among EM. For instance, the generous fiscal stimulus in 2020, current supply constraints and currency depreciation have pushed annual inflation to double digits in Brazil, leading to highly aggressive monetary tightening – 575bps cumulative increases in the SELIC rate this year alone with more hikes expected to come. Facing 6% annual inflation, the Mexican central bank also increased the policy rate, though the pace has been notably more gradual. The Reserve Bank of India has started to drain liquidity from the market, while the South Africa Reserve Bank is expected to start hiking soon given 5% inflation. By contrast, inflation is relatively well contained in ASEAN, leaving the central bank in no hurry to tighten. And the People's Bank of China is in easing mode given disinflation and slowing real estate investment. Therefore, monetary policy is another differentiating factor for EM. Low mortgage rates amidst the economic recovery are conducive to a robust residential property market in regions with accommodative monetary policy.

Meanwhile, industrial real estate continues to boom. In light of the huge success of e-commerce firms in DM, capital has been flowing into EM, first into China, India and the Middle East, followed by Latin America and ASEAN, aspiring to replicate the likes of Amazon and eBay in EM. That, in turn, boosts demand for industrial properties.

Market Strategy

We combine the macro and sectoral dynamics with real estate earnings and valuations to arrive at our allocation recommendations. The Chinese real estate sector, for example, has never been as cheap compared to its own history, more than pricing in the current property downturn. India, in contrast, has enjoyed a substantial rally in Q3, making the real estate sector highly expensive relative to trailing and expected earnings.

EM Allocation Breakdown

		-2	-1	0	+1	+2
China	↑					■
Philippines	↓	■				
Thailand	↓			■		
Malaysia	↑				■	
Indonesia	↓	■				
India	–	■				
Brazil	–		■			
Mexico	–				■	
South Africa	↑				■	
UAE	–			■		

Note: Up/down arrows indicate a positive/negative change in our asset allocation compared to the previous semi-annual outlook. A dash indicates no change.

Source: CLIM

To summarise, we increase the overweight in China while being underweight in India on the remarkable divergence in valuations and policy directions (easing in the former, liquidity draining in the latter). While reopenings may support ASEAN real estate in the near term, we upgrade **Malaysia** to *overweight* and keep the **Philippines** and **Indonesia** *underweight* for the medium term, due to the striking vaccination inequality in the region. We take profit in **Thailand** and move it to *neutral*, while upgrading South Africa to a moderate *overweight*, as the latter looks more attractive given the robust earnings and its relative cheapness. Finally, we keep **Mexico** at a moderate *overweight* on the back of superior US growth, while leaving the **UAE** at *neutral* given that its expensiveness reflects elevated energy prices and the recent turnaround in the residential property market.

China

Overweight vs EM

> *The real estate sector has more than priced in the Evergrande saga and the current property downturn.*

	3Y history	Latest	
GDP, % yoy		4.9	Q3
CPI, % yoy		0.7	Oct
10y govt yield, %		3.0	Oct
NAREIT China*		-24.5%	Oct
Dividend yield, %		8.1	Oct

**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

The economy is moderating due to higher commodity costs, the contraction in real estate investment and weaker-than-expected consumption during local COVID-19 outbreaks. Consensus has slightly revised down growth forecasts but still expects an 8.1% expansion in GDP this year. Monetary policy remains accommodative as core CPI inflation is at 1.2% yoy. The central bank reduced the bank reserve ratio in Q3 – freeing up liquidity from the banking system – and is expected to reduce it further in Q1 2022.

The liquidity problem of Evergrande – the most indebted real estate developer in China – had triggered fears about a "Lehman Moment" in China and contributed to the current property slowdown. This fear proved to be overdone as the developer repaid the USD bond interest at the end of the grace period and resumed its construction projects. Still, some small developers may face refinancing difficulties over the next few months given elevated offshore bond yields, tight bank lending policies and caution amongst homebuyers. Meanwhile, residential real estate investment will remain weak in H1 2022 as developers recoup cash and hesitate to invest under the debt deleveraging policy.

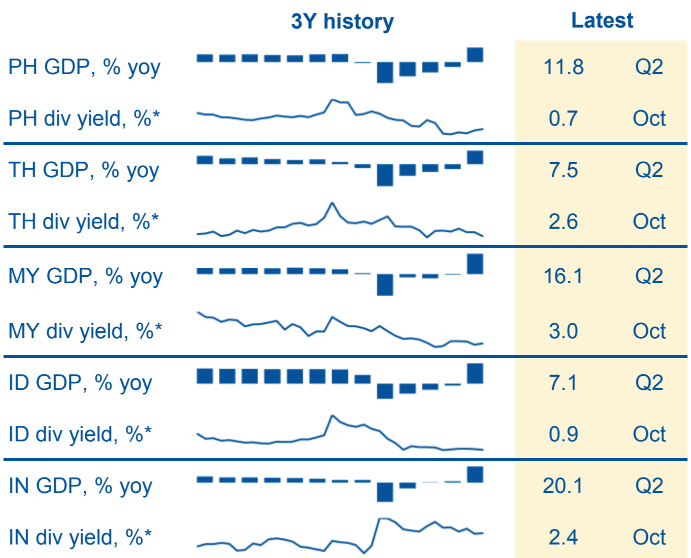
Beyond the residential sector, industrial real estate enjoys strong demand as online retail sales jumped 18.5% yoy in Q1-Q3 following robust growth in 2020. Logistics net absorption jumped by nearly 70% yoy in Q3. Meanwhile, prices of office properties are stabilising in Tier-1 cities on the back of improving absorption rates. The retail sector also faces strong demand as average occupancy in new supply stood at 92%.

Market Strategy: Real estate valuations have dropped to historical lows amidst the Evergrande Saga, tight financing conditions and weaker sentiment among homebuyers. While offshore bond yields remain elevated and a few small developers face a heightened risk of default, borrowing costs for investment-grade developers have stabilised, and there is little sign of a systemic crisis. While housing prices have slowed, the correction may be less severe than previous downturns thanks to lower inventory and government efforts to stabilise prices. Therefore, we think the fear is overdone and remain *overweight* China vs. EM.

South & Southeast Asia

Underweight vs EM

Low vaccination rates hinder the recovery in the economy and the real estate sector, though most central banks in the region remain accommodative.



**Based on the FTSE EPRA/NAREIT Indices.* *Source: Bloomberg*

The Philippines ***(Underweight)***

The third wave of COVID-19 has passed in the Philippines. Rising mobility supports the retail sector while private consumption was better than expected. In contrast, approximately 20% of employees remain cautious and work from home, the highest percentage in EM.

A low vaccination rate remains the biggest risk as only a quarter of the population are double-vaccinated. Consensus expects 4.4% growth in GDP this year, less than half of the contraction in 2020. In light of the slow recovery, the central bank maintains the policy rate at 2%, a historical low. Residential property prices are gradually recovering but still nearly 10% below the previous peak.

Market Strategy: The quarterly earnings of the real estate sector are still more than a third below the pre-pandemic level. Given the low vaccination rate, the sector will likely struggle again if infections pick up in the future. Therefore, we increase the *underweight* in the Philippines vs. EM. Within the Philippines, retail properties look more attractive than offices as the latter struggle with oversupply.

Thailand ***(Neutral↓)***

Thailand's record in fighting COVID-19 was shattered in H2 when daily cases surged over 20K in August before gradually declining. Mobility has edged towards the pre-pandemic level since August, but the office vacancy rate remains 50% higher than the historical average. Meanwhile, the country just reopened its borders to vaccinated tourists. Consensus expects merely 1% growth in GDP this year after a 6% contraction in 2020. Economic growth may accelerate in 2022 as vaccinations sped up recently and the central bank remains accommodative.

Market Strategy: The stock prices and the P/B ratio of Thai real estate have recovered to the pre-pandemic level, while quarterly earnings are still 16% below. The recovery ahead seems to have been priced in, and hence we move Thailand to *neutral* vs. EM.

Malaysia ***(Overweight)***

Malaysia significantly accelerated its vaccination rollout in H2 after a lacklustre start in H1. The country enjoys the highest vaccination rate in EM ASEAN, on par with the EU. That should lead to a more robust recovery in mobility and spending. Meanwhile, the central bank remains dovish and maintains the interest rate at the historical low of 1.75%.

Market Strategy: The office and residential property market faced a downturn since the onset of the pandemic due to structural oversupply and the health crisis. However, a cyclical upturn may occur in 2022 on the back of the fast vaccination and low interest rates. The P/B ratio is marginally below the pre-pandemic level and has room to re-rate. Hence we move Malaysia to *overweight* vs. EM.

Indonesia ***(Underweight)***

Mobility has reached the pre-pandemic level, supporting the retail sector. High commodity prices also benefit exports. Nonetheless, the country is ill-equipped for another outbreak in the future as dose shortages and logistical challenges have led to slow vaccination. Consensus expects 3.7% GDP growth this year, notably below the 5% rate before the pandemic.

Market Strategy: The Indonesian real estate sector suffered from the repeated strict lockdowns in the urban area: the latest quarterly earnings are only at 25% of the pre-COVID level. Yet, the trailing P/B ratio is 23% higher, suggesting expensiveness. Hence we increase the *underweight* in Indonesia vs. EM. Within Indonesia, residential properties look attractive given the accommodative monetary policy and steadily rising property prices.

India ***(Underweight)***

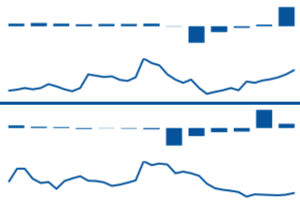
The COVID-19 situation is improving in India, aiding the recovery in the retail sector. Mobility has reached the pre-pandemic level, while prime office vacancy rates are similar to the historical average. Meanwhile, the central bank has started draining liquidity from the inter-bank market.

Market Strategy: Indian assets registered a strong rally in Q3 due to optimism around the reopening. But the pandemic has left a dent in profits: the quarterly earnings of the real estate sector are still 42% below the pre-COVID level. Nonetheless, the residential stock prices and the P/B ratio are more than 30% and 15% above the end-2019 levels, respectively. Therefore, we are *underweight* India vs. EM. That said, Indian prime offices look attractive on unchallenging valuations and recovering rents.

Latin America

Neutral vs EM

Monetary tightening and elevated bond yields temper the upside for LatAm real estate.



	3Y history	Latest	
BR GDP, % yoy		12.4	Q2
BR div yield, %*		4.4	Oct
MX GDP, % yoy		4.6	Q3
MX div yield, %*		6.1	Oct

**Based on the FTSE EPRA/NAREIT Indices.* *Source: Bloomberg*

Brazil *(Underweight)*

The COVID-19 situation is improving in Brazil as the vaccine rollout continues apace. However, President Bolsonaro faces criminal charges due to his poor handling of the health crisis, weighing on his already low approval ratings. Facing strong political headwinds, the government attempted to launch additional fiscal stimulus, at the risk of breaching the spending cap and exacerbating inflation fears. To combat high inflation (10% yoy) and increasing fiscal risks, the central bank has aggressively increased the SELIC rate and will probably continue to do so over the next few quarters. High inflation has also eroded households' purchasing power, leading to stagnating retail sales and the failure for housing prices to keep up with inflation.

Market Strategy: The Brazilian real estate sector is at a trailing P/B ratio of 0.8x, cheaper than its 7-year average (1.1x). Nonetheless, aggressive monetary tightening suggests upside risk in local bond yields, weighing on real estate valuation. Inflation risks, fiscal risks and political uncertainty also adversely affect the currency. We remain moderately *underweight* Brazil vs. EM.

Mexico *(Overweight)*

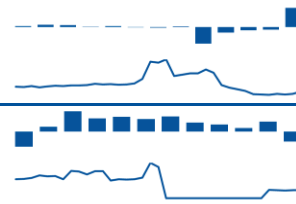
The US economy remains robust as suggested by the latest PMI data, supporting Mexico's exports and demand for industrial real estate. Rising mobility should also support retail properties. In contrast, offices in Mexico City still face elevated vacancies and declining rents. Meanwhile, the central bank has been gradually increasing the policy rate (100bps since June 2020) due to the above-target inflation.

Market Strategy: Mexican real estate is at a trailing P/B ratio of 0.6x - notably below the pre-pandemic level (0.8x) – while the trailing P/E ratio is also near a 7-year low. Interest rate hikes remain a headwind for Mexican assets, but the pace of tightening will likely be gradual. Meanwhile, foreign demand remains robust, supporting the real estate sector. Hence we remain *overweight* Mexico vs. EM.

Middle East and Africa

Overweight vs EM (↑)

The significant decline in COVID-19 infections supports a continuing recovery of the real estate sector.



	3Y history	Latest	
ZA GDP, % yoy		19.3	Q2
ZA div yield, %*		6.7	Oct
AE GDP, % yoy**		-3.5	2020
AE div yield, %*		2.4	Oct

**Based on the FTSE EPRA/NAREIT Indices.*
***12 years of annual GDP.* *Source: Bloomberg*

South Africa *(Overweight↑)*

Daily COVID-19 cases dropped to an 18-month low in South Africa and visits to retail venues have surged past the pre-pandemic level. Most people are back to the office, though the office vacancy rate remains high. PMIs also suggest improving economic activity, in line with consensus expectations that GDP will soon recoup most of the losses from last year. Still, the slow vaccine rollout remains a key problem, making the country vulnerable to future outbreaks. The South African Reserve Bank increased the policy rate by 25bps in November, the first hike in 3 years.

Market Strategy: The recent recovery has benefitted the real estate sector, as the latest quarterly earnings are 50% above the pre-pandemic level and profits from the retail sector surprised on the upside. Yet, stock prices are still 20% below. Meanwhile, the P/B ratio is 0.6x, cheaper than the 0.8x at the end of 2019. The market seems to have under-appreciated the resilience of the real estate sector. Hence we move South Africa to *overweight* vs. EM.

United Arab Emirates *(Neutral)*

The UAE has fully vaccinated close to 90% of its population - faster than any other country in this report – and daily cases stay at a very low level. The economic recovery has picked up speed as suggested by the strong PMIs. Aided by Expo 2020, visits to retail and recreational venues have gone beyond the pre-pandemic level while most people are back to the office. Elevated commodity prices and increased oil wealth have boosted the residential property market, with transaction volume and per-square-meter prices surging past the 2019 level.

Market Strategy: While the latest quarterly earnings of the real estate sector are still 40% below the pre-pandemic level, stock prices are 20% above. The trailing P/E ratio is at a six-year high, with the P/B ratio at a 3-year high. This expensive valuation reflects the fast recovery of the property market and the success of the UAE's fight against COVID-19. Hence we are *neutral* the UAE vs. EM.

KEY ECONOMIC AND FINANCIAL INDICATORS *(All data shown are as at November 5, 2021 unless otherwise stated)*

		Macroeconomic Data													Market Performance and Forecast					
		% change on year ago																		
		Annual Real GDP	Quarterly Real GDP QoQ*	Industrial Production	Consumer Price Index	Broad Money (M2/M3) ***	Budget Balance % of GDP 2021F**	Current Account Balance	Unemployment Rate	Currency vs $ 2021 Latest	Currency vs $ 2020 Year ago	Short-Term Interest Rates	10-Year Government Bond Yield	Sovereign Rating S&P	% FTSE EPRA/NAREIT EM Capped Index	Stock Market (FTSE EPRA/ NAREIT) US$	Change since 12/31/2020 US$	Change since 12/31/2020 Local	Dividend Yield	2021 P/E Forecast**
		%	%	%	%	%		$ Bn	%			%	%		Oct. 31, 2021	Oct. 31, 2021	%	%	%	
Overweight	CHINA	4.9	0.8	3.1	0.7	8.3	-5.1	326.6	3.9	6.4	6.6	1.1	2.9	A+	19.04	4079	-26.9	-28.3	8.9	3.7
	MALAYSIA	16.1	-7.8	-0.7	2.2	4.7	-6.7	17.3	4.5	4.2	4.1	1.5	3.5	A-	3.61	1508	-6.2	-2.8	3.3	18.4
	MEXICO	4.6	-0.9	5.5	6.0	9.2	-3.2	-26.5	4.2	20.4	20.3	5.4	7.3	BBB	7.68	126	-2.5	-0.4	6.3	11.1
	SOUTH AFRICA	19.3	1.2	1.8	5.0	4.8	-7.2	71.6	34.4	15.0	15.4	5.3	9.9	BB-	8.78	1727	25.1	28.5	9.1	8.5
Neutral	CHILE	18.1	4.2	-0.7	6.0	10.2	-7.9	-3.3	8.6	809.8	756.1	0.5	n.a.	A	1.47	2090	-34.8	-25.5	1.0	19.9
	KUWAIT	1.2	4.9	n.a.	3.2	-2.9	-8.3	22.2	n.a.	0.3	0.3	1.3	n.a.	A+	1.50	n.a.	n.a.	n.a.	n.a.	n.a.
	RUSSIA	10.5	39.1	6.8	8.1	8.2	-0.5	89.2	4.3	71.3	76.2	8.5	8.2	BBB-	0.34	3423	n.a.	n.a.	0.0	54.7
	THAILAND	7.5	1.6	-1.3	2.4	4.9	-5.3	-13.1	1.9	33.0	30.6	0.6	1.9	BBB+	8.15	8611	12.1	24.1	2.6	17.8
	TURKEY	3.1	3.6	9.7	19.9	17.0	-3.6	-23.0	12.0	9.7	8.1	22.5	19.3	B+	0.73	559	-29.3	-7.7	n.a.	n.a.
	UAE	1.7	n.a.	n.a.	-0.5	-0.9	-1.2	21.0	n.a.	3.7	3.7	0.4	n.a.	n.a.	6.35	4792	36.7	36.7	n.a.	13.2
Underweight	BRAZIL	12.4	-0.2	-3.9	10.3	7.8	-5.9	-20.7	13.2	5.5	5.4	3.7	11.8	BB-	5.72	691	-33.7	-29.5	3.0	13.7
	INDIA	20.1	-52.3	11.9	4.4	9.7	-9.5	11.5	n.a.	74.1	74.1	4.9	6.3	BBB-	10.05	1119	47.7	50.6	2.6	35.9
	INDONESIA	3.5	6.3	0.4	1.7	6.4	-5.6	-1.4	6.3	14265.0	14078.0	3.5	6.0	BBB	2.58	1060	2.0	4.9	0.3	20.6
	PHILIPPINES	12.0	n.a.	534.6	4.6	8.2	-8.8	7.1	8.9	50.1	48.2	2.0	5.0	BBB+	13.93	6124	-12.2	-8.2	0.9	27.8
	USA	4.9	2.0	4.6	5.4	8.0	-13.1	-715.0	4.6	1.0	1.0	0.2	1.5	AA+	n.a.	8099	19.1	19.1	2.7	54.4

*Note: S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate. **Bloomberg consensus forecast. ***M3 is used. M2 is used if M3 is unavailable. Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.*

Source: Bloomberg, CLIM, FTSE

KEY ECONOMIC AND FINANCIAL INDICATORS *(All data shown are as at November 5, 2020 unless otherwise stated)*

		Macroeconomic Data												Market Performance and Forecast					
		% change on year ago																	
		Annual Real GDP	Quarterly Real GDP QoQ*	Industrial Production	Consumer Price Index	Broad Money (M2/M3) ***	Budget Balance % of GDP 2021F**	Current Account Balance	Unemployment Rate	Currency vs $ 2021 Latest	Currency vs $ 2020 Year ago	Short-Term Interest Rates	10-Year Government Bond Yield	Sovereign Rating S&P	% FTSE EPRA/NAREIT Global ex-US Index	Stock Market (FTSE EPRA/ NAREIT) US$	Change since 12/31/2020 US$	Change since 12/31/2020 Local	Dividend Yield	2021 P/E Forecast**
		%	%	%	%	%		$ Bn	%			%	%		Oct. 31, 2021	Oct. 31, 2021	%	%	%	
Overweight	AUSTRALIA	9.6	2.8	-1.5	3.0	7.8	-6.5	51.2	4.6	0.7	0.7	0.1	1.8	AAA	7.67	3772	10.2	14.5	5.3	15.3
Overweight	EMERGING MARKETS	10.5	n.a.	7.0	3.7	n.a.	-4.8	500.6	5.7	1734.8	1678.1	4.4	3.9	n.a.	15.95	2641	-13.4	-13.4	5.5	6.3
Overweight	EUROZONE	3.7	9.1	5.1	4.1	7.4	-7.6	393.0	7.4	1.2	1.2	0.1	0.1	n.a.	14.54	3156	1.5	7.4	3.7	16.9
Neutral	CANADA	4.1	-1.1	18.3	4.4	5.4	-5.7	-7.3	6.7	1.2	1.3	0.3	1.6	AAA	6.22	9799	37.4	33.9	3.4	n.a.
Neutral	SINGAPORE	6.5	0.8	-3.4	2.5	3.9	-2.2	68.7	2.6	1.3	1.3	0.4	1.8	AAA	6.47	3816	6.0	8.4	5.1	18.5
Neutral	SWEDEN	2.5	3.6	1.0	2.5	12.7	-2.7	34.4	8.8	8.6	8.6	-0.1	0.2	AAA	5.60	32974	36.0	41.9	2.0	21.8
U/W	HONG KONG	5.4	0.4	5.6	1.4	-1.9	-4.2	71.1	4.5	7.8	7.8	0.1	1.4	AA+	9.84	3502	6.2	6.7	5.4	10.7
U/W	JAPAN	7.6	2.0	-2.3	0.2	3.8	-8.5	195.5	2.8	113.5	105.5	-0.1	0.1	A+	20.00	4087	8.2	18.8	3.2	17.9
U/W	UK	23.6	23.9	3.7	3.1	9.3	-9.5	-70.8	4.5	1.3	1.3	0.2	0.9	AA	9.77	1701	21.0	22.4	2.8	29.6
U/W	USA	4.9	2.0	4.6	5.4	8.0	-13.1	-715.0	4.6	1.0	1.0	0.2	1.5	AA+	n.a.	8099	33.3	33.3	2.7	54.4

*Note: S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate. **Bloomberg consensus forecast. ***M3 is used. M2 is used if M3 is unavailable. Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.*
Source: Bloomberg, CLIM

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