
Market Consultation

To: Market Participants
From: FTSE/JSE Indices
Date: 4 November 2024
Subject: FTSE/JSE All Property Index Expansion

1. Introduction

The methodology of the FTSE/JSE All Property Index (ALPI) has come under scrutiny from various portfolio managers in the property sector. The main theme has been to consider the inclusion of property companies that fall outside of the broader All Share Index (i.e. constituents of the FTSE/JSE Fledgling Index – J204). Due to the reduction in the number of All Share companies, together with the evolving dynamics of the listed property sector, there are a number of property companies that may be considered investable in a listed property mandate that are not currently included in the ALPI. The purpose of this paper is to propose an expansion of the ALPI methodology to de-link the eligibility criteria from the broader All Share benchmark.

2. Background

In 2016, FTSE/JSE published a [Market Consultation](#) which consisted of a proposal to decommission the SAPY (J253) and Capped Property Index (J254) and replace these two indices with three new property indices. The three new property indices include:

- The All Property Index (J803/ALPI) to serve as a broad benchmark for the overall listed property sector. It includes all eligible property companies in the All Share Index (J203).
- The Tradable Property Index (J800) to serve as product-focused index. It includes all eligible property companies in the Large & Mid Cap Index.
- The SA REIT Index (J805) which would serve as a specialist benchmark restricted to listed property companies with an SA REIT status.

Following the responses received to the Market Consultation, FTSE/JSE introduced the above-mentioned property indices in October 2017. However, feedback from The Regulator indicated that the Tradable Property Index could not be treated as a designated successor for the SAPY and that a ballot process would most likely be required to amend existing index products. As such, FTSE/JSE did not terminate the SAPY and PCAP indices at that stage.

Over the years, FTSE/JSE has observed more market interest in the ALPI compared to the J800 and J805. With the declining number of property companies in the ALSI, the constituents in the ALPI have reduced from 33 constituents at launch date in 2017 to 20 constituents currently. Over the same period, the number of constituents in the ALSI has reduced from 166 to 123.

The ALPI is designed to be referenced as an asset class benchmark for the listed property sector. There are some practical benefits to basing this benchmark selection on the All Share universe related to the size and liquidity of the constituents.

In particular, mandates that exclude off-benchmark allocations have become restrictive for efficient access to this sector, since a number of property companies outside of the All Share universe are nonetheless potential asset allocations for bespoke property funds.

3. Current Methodology

According to Section 4.5.15X of the [Ground Rules](#), the ALPI consists of all constituents of the FTSE/JSE Shareholder Weighted All Share Index (SWIX ALSI/J403), which belong to the ICB real estate industry 35. This means that when selecting the constituents of the ALPI, every SWIX ALSI constituent in the Real Estate Industry gets automatic inclusion into the ALPI. The index is capped quarterly at 15%. It is worth noting that although the Ground Rules specifically mention the SWIX ALSI, the All Share Index is identical to the J403 post Phase 1 of the Index Harmonisation project which was implemented in March 2024.

From the above paragraph, it can be noted that the first requirement of being in the ALPI is to meet the requirements of the SWIX All Share Index. The requirements are quite broad and mainly include:

- Free Float screen: a minimum global free float of 5%
- Minimum Size screen: an investable market cap that is 0.5% or greater than the investable market capitalisation of the FTSE/JSE Small Cap Index on review cut date
- Liquidity screen: non constituents must turnover at least 0.5% of their shares in issue, after the application of any free float restrictions, per month in at least 10 of the 12 months prior to a semi-annual review
- Cumulative Market Representation screen: eligible companies must rank within the top 98.5% of the index universe by full market capital value (i.e. before the application of any investability weightings)

The below table shows the 20 constituents that currently make up the ALPI:

Alpha	Instrument	Free Float	Liquidity	Benchmark	Index
NRP	NEPI Rockcastle N.V.	PASS	PASS	ALSI	All Property Index
SHC	Shaftesbury Capital plc	PASS	PASS	ALSI	All Property Index
GRT	Growthpoint Prop Ltd	PASS	PASS	ALSI	All Property Index
HMN	Hammerson plc	PASS	PASS	ALSI	All Property Index
SRE	Sirius Real Estate Ltd	PASS	PASS	ALSI	All Property Index
RDF	Redefine Properties Ltd	PASS	PASS	ALSI	All Property Index
FFB	Fortress Real Est Inv B	PASS	PASS	ALSI	All Property Index
RES	Resilient REIT Limited	PASS	PASS	ALSI	All Property Index
VKE	Vukile Property Fund Ltd	PASS	PASS	ALSI	All Property Index
LTE	Lighthouse Properties plc	PASS	PASS	ALSI	All Property Index
MSP	MAS P.L.C	PASS	PASS	ALSI	All Property Index
HYP	Hyprop Inv Ltd	PASS	PASS	ALSI	All Property Index
EQU	Equites Prop Fund Ltd	PASS	PASS	ALSI	All Property Index
ATT	Attacq Limited	PASS	PASS	ALSI	All Property Index
FTB	Fairvest Limited B	PASS	PASS	ALSI	All Property Index
SAC	SA Corp Real Estate Ltd	PASS	PASS	ALSI	All Property Index
SSS	Stor-Age Prop REIT Ltd	PASS	PASS	ALSI	All Property Index
BTN	Burstone Group Limited	PASS	PASS	ALSI	All Property Index
EMI	Emira Property Fund Ltd	PASS	PASS	ALSI	All Property Index
PHP	Primary Health Prop PLC	PASS	PASS	ALSI	All Property Index

Table 1: List of ALPI constituents as at November 2024

4. Proposed Methodology

The proposed methodology is aimed to keep the bulk of the All Property requirements as is, with the exception of the All Share requirement. This means that listed property constituents of the Fledgling Index (J204), which pass liquidity, would also qualify for inclusion into the ALPI.

The proposed change to the wording in the Ground Rules is in bold italics below:

4.5.15X. FTSE/JSE All Property Index (J803)

The FTSE/JSE All Property Index consists of all constituents of the FTSE/JSE ~~Shareholder Weighted~~ All Share Index **and FTSE/JSE Fledgling Index (that pass the liquidity requirement)** which belong to the ICB real estate industry 35. Constituent weights will be capped at 15% on a quarterly basis after the application of corporate actions. The capping methodology is detailed in appendix B (except for the capped percentage that may be different).

The below table shows 41 instruments that are listed on the main board which belong to the Real Estate Industry.

Alpha	Instrument	Free Float	Liquidity	All Share	ALPI
NRP	NEPI Rockcastle N.V.	PASS	PASS	ALSI	ALPI
SHC	Shaftesbury Capital plc	PASS	PASS	ALSI	ALPI
GRT	Growthpoint Prop Ltd	PASS	PASS	ALSI	ALPI
HMN	Hammerson plc	PASS	PASS	ALSI	ALPI
RDF	Redefine Properties Ltd	PASS	PASS	ALSI	ALPI
SRE	Sirius Real Estate Ltd	PASS	PASS	ALSI	ALPI
PHP	Primary Health Prop PLC	PASS	PASS	ALSI	ALPI
GTC	Globe Trade Centre S.A.	PASS	FAIL		
FFB	Fortress Real Est Inv B	PASS	PASS	ALSI	ALPI
RES	Resilient REIT Limited	PASS	PASS	ALSI	ALPI
VKE	Vukile Property Fund Ltd	PASS	PASS	ALSI	ALPI
LTE	Lighthouse Properties plc	PASS	PASS	ALSI	ALPI
HYP	Hyprop Inv Ltd	PASS	PASS	ALSI	ALPI
MSP	MAS P.L.C	PASS	PASS	ALSI	ALPI
EQU	Equites Prop Fund Ltd	PASS	PASS	ALSI	ALPI
ATT	Attacq Limited	PASS	PASS	ALSI	ALPI
FTB	Fairvest Limited B	PASS	PASS	ALSI	ALPI
FTA	Fairvest Limited A	PASS	FAIL		
SAC	SA Corp Real Estate Ltd	PASS	PASS	ALSI	ALPI
SSS	Stor-Age Prop REIT Ltd	PASS	PASS	ALSI	ALPI
BTN	Burstone Group Limited	PASS	PASS	ALSI	ALPI
EMI	Emira Property Fund Ltd	PASS	PASS	ALSI	ALPI
DKR	Deutsche Konsum REIT-AG	PASS	FAIL	FLED	
DIB	Dipula Income Fund B	PASS	PASS	FLED	Addition
EXP	Exemplar REITail Ltd	PASS	FAIL	FLED	
CRP	Capital & Regional plc	PASS	FAIL	FLED	
ACS	Acsion Limited	PASS	FAIL	FLED	
CPP	Collins Property Grp Ltd	PASS	FAIL	FLED	
OCT	Octodec Invest Ltd	PASS	PASS	FLED	Addition
SEA	Spear REIT Limited	PASS	PASS	FLED	Addition
SCD	Schroder European REIT	PASS	PASS	FLED	Addition
SAR	Safari Investments RSA Ltd	PASS	FAIL	FLED	
TEX	Texton Property Fund Ltd	PASS	FAIL	FLED	
BWN	Balwin Properties Ltd	PASS	FAIL	FLED	
APF	Accelerate Prop Fund Ltd	PASS	FAIL	FLED	
TMT	Trematon Capital Inv Ltd	PASS	FAIL	FLED	

Alpha	Instrument	Free Float	Liquidity	All Share	ALPI
APO	aReit Prop Limited	PASS	FAIL	FLED	
DLT	Delta Property Fund Ltd	PASS	FAIL	FLED	
REB	Rebosis Property Fund Ltd	PASS	FAIL		
REA	Rebosis Property Fund Ltd A	PASS	FAIL		
PPR	Putprop Ltd	PASS	FAIL	FLED	

Table 2: List of Real Estate Industry ordinary share listed in the main board as at the September 2024 Review. Companies highlighted in red are suspended

Of the 41 instruments above, 20 met the requirements of the ALSI and thus qualified for the ALPI. Under the new proposal, any company which is listed on the main board; belongs to the ALSI or Fledgling Index (J204) and meets the liquidity requirement, will automatically be included in the ALPI. In the above table, 24 securities met the requirements of the new proposal therefore an implementation thereof would result in the addition of four Fledgling constituents into the ALPI.

It is worth noting that due to the current design of the ALPI and the selection criteria that is based on the Real Estate ICB Industry, this index is similar to the existing Real Estate (JI0035) and SWIX Real Estate (JW0035) ICB Industry indices. The constituents are identical however the ALPI is capped at 15% quarterly where the two Real Estate Indices are not capped. Any index user who wishes to get exposure to the Real Estate companies in the ALSI, can therefore use the JI0035. Access to the JI0035 index data is already included in the All Share data subscription.

Table 3 shows the expected weight changes in the ALPI using the current methodology vs the proposed methodology, based on the four constituent additions referenced above. The combined weighting of the new constituents is in the region of 2.8%.

Constituent name	Current		Proposed	
	J803 Weight	Uncapped Weight	J803 Weight	Uncapped Weight
NEPI Rockcastle N.V.	15.74%	25.88%	15.72%	25.24%
Growthpoint Prop Ltd	14.31%	13.93%	14.30%	13.59%
Redefine Properties	12.22%	10.52%	11.74%	10.26%
FORTRESS REAL EST INV B	8.37%	7.20%	8.04%	7.03%
Vukile Property Fund	7.02%	6.04%	6.75%	5.90%
Resilient REIT Ltd	6.15%	5.30%	5.91%	5.17%
Hyprop Investments Ltd	5.76%	4.95%	5.53%	4.83%
Equites Property Fund	4.06%	3.50%	3.90%	3.41%
Sirius Real Estate Ltd	3.28%	2.83%	3.15%	2.76%
Attacq Limited	3.44%	2.96%	3.30%	2.89%
MAS PLC	3.21%	2.76%	3.08%	2.69%
Lighthouse Properties plc	2.69%	2.32%	2.59%	2.26%
SA Corporate Real Estate Fund	2.55%	2.20%	2.45%	2.14%
Fairvest Limited B	2.26%	1.94%	2.17%	1.90%
Stor-Age Property REIT	2.17%	1.87%	2.08%	1.82%
Burstone Group Limited	2.04%	1.76%	1.96%	1.71%
Hammerson Plc	1.69%	1.46%	1.63%	1.42%
Shaftesbury Capital	1.37%	1.18%	1.31%	1.15%
Primary Health Properties	0.76%	0.65%	0.73%	0.63%
Emira Property Fund	0.90%	0.77%	0.86%	0.75%
Dipula Income Fund (B)			1.45%	1.26%
Octodec Investments			0.69%	0.60%
Spear REIT Limited			0.64%	0.56%
Schroder European REIT			0.03%	0.03%

Table 3: Difference in weight between current methodology and proposed methodology

5. Impact of the change

The current implementation of the proposed methodology would introduce four new constituents to the benchmark, contributing around 2.8% of the new benchmark weight. Note that this also implies a once-off index churn of around 2.8% associated with implementing this change. Of this weight contribution, just over half is as a result of the largest addition, namely Dipula Income Fund (DIB). Interesting to note is that DIB's weight is higher than three of the ALPI constituents, namely Shaftesbury Capital, Primary Health Properties and Emira Property Fund. The only reason that DIB isn't in the ALPI is purely due to the constituent belonging to the Fledgling Index.

For index users who use the ALPI to define their investable universe, this brings an increase from 20 companies to 24, an increase of 20%. This will provide increased flexibility to portfolio construction. At the same time more listed property companies would gain access to index-based investors which may bring second round benefits to the industry.

6. Responding to the Consultation

The proposed implementation date for this proposal is in Q1 of 2025, effective with the March 2025 Quarterly Review.

FTSE/JSE requests feedback from market participants on the proposed changes included in this paper. Please provide us with your comments and suggestions by 17:00 on Monday 25 November 2024 to the following email address: indices@jse.co.za

FTSE/JSE would also like to meet with market participants to discuss any further comments, suggestions or concerns. Please contact the indices team should you wish to arrange a meeting in this regard. All feedback received by 25 November 2024 will be carefully considered before making any final decisions.