

# Beyond the bounce: The lasting index effect

Why inclusion in the FTSE EPRA Nareit Indexes continues to reshape company performance and investor confidence 20 years on

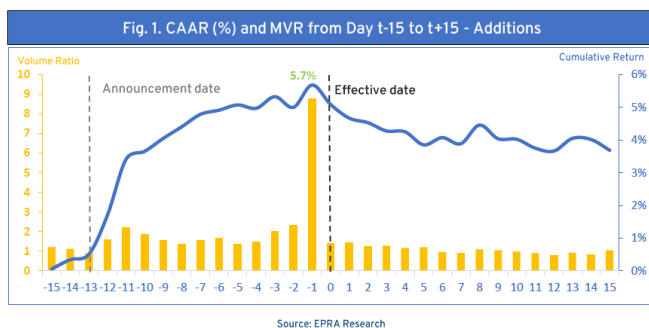


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## Two decades of progress

This year marks the 20th anniversary of the FTSE EPRA Nareit (FEN) Global Real Estate Index. Over the past two decades, the index has become the industry's compass, offering investors a transparent benchmark and companies a gateway to global visibility.

A new study from EPRA, Revisiting the Index Effect, provides timely evidence of just how powerful index inclusion has been for listed property companies in Europe. Analysing more than two decades of additions and deletions in the FEN Developed Europe Index, the paper highlights measurable benefits in pricing, liquidity, and investor reach. These findings underscore the broader role the index has played since its inception: a catalyst for performance, growth, resilience, and credibility in global real estate markets.



## The measurable impact of index inclusion

The research confirms that companies entering the index enjoy a distinct and positive “index effect.”

- **Price uplift:** In the days surrounding index announcement and implementation, newly included companies see strong outperformance, showing an average cumulative abnormal return (CAAR) of **+5.7%**. This reflects how investors quickly adjust their portfolio in anticipation to index changes and greater visibility.
- **Liquidity gains:** New additions observe how their trading volume surges, rising almost 9x on the effective date. But inclusion brings not only short-term trading spikes but also lasting increases in share turnover.
- **Country dynamics:** The impact is strongest in smaller markets. Belgium, for example, has seen CAARs as high as **+11.9%**, illustrating how index membership can elevate visibility where market depth is limited.
- **Size effect:** Smaller companies highly benefited. Firms with lower market capitalisation record the sharpest positive response, demonstrating how the index levels the playing field by connecting them with international capital pools.

By contrast, the study also shows the penalty of falling out of the benchmark. Deletions generate sharp downward adjustments, with an average CAAR of **-15.7%**, underlining the importance of maintaining eligibility.

## Liquidity, transparency, and investor confidence

Beyond price dynamics, the study reinforces a fundamental truth: liquidity is the lifeblood of listed markets. Index inclusion strengthens daily trading volumes and improves alignment with institutional investor expectations. Over time, this enhances stability, broadens the shareholder base, and makes companies more resilient to external shocks.

For investors, the implications are clear. Index membership is not just an administrative reweighting; it is a signal of credibility. For companies, it is a milestone that validates transparency, governance, and scale.

## The index as a barometer of resilience

Results from EPRA's paper echo the broader history of the FEN Global Real Estate Index. Over 20 years, the index has captured multiple economic cycles – from the global financial crisis and sovereign debt turmoil to Covid disruptions and the recent rate-hiking cycle. Yet through these shocks, listed real estate has proven resilient, delivering annualised returns that compare favourably with other asset classes and consistently outperforming government bonds.

The long-term record shows index membership compounds value. Companies gain visibility and liquidity, while investors access diversification and inflation-hedging benefits with daily tradability. In this sense, the short-term “index effect” is only the start of a bigger story: inclusion sets companies on a path to institutionalisation and long-term competitiveness.

## Why it matters today

The timing of this research is significant. With interest rates already decreasing in many markets and central banks signalling potential additional cuts, listed real estate is once again at an inflection point. Investor appetite for yield, stability, and inflation protection is returning, and the index is the natural conduit for this capital.

In this environment, inclusion in the FEN Developed Europe Index delivers three critical advantages:

1. **Credibility** – sending a signal to global investors about governance and transparency.
2. **Access** – opening doors to both passive and active capital flows.
3. **Resilience** – enhancing liquidity and reducing volatility in challenging conditions.

For smaller and mid-cap companies especially, the benefits are transformational. Index membership can improve their profile, reduce cost of equity, and position them to compete on a global stage.

## A platform for the future

As the index marks its 20th anniversary, the lessons are clear. For investors, index membership signals quality, far more than a passive allocation tool. For companies, preparing for inclusion should be a strategic priority achieved through free float, transparency, and alignment with international standards.

The FEN Global Real Estate Index has evolved with the industry, adding sustainability-focused indices and broadening into asset classes such as data centres, logistics, and self-storage. This adaptability keeps it aligned with structural forces reshaping real estate, from digitalisation to demographic change.

Twenty years on, the index is a globally recognised bridge between listed real estate and institutional and retail investors. The Revisiting the Index Effect study confirms that its benefits, visibility, liquidity, and performance extend far beyond the day of inclusion and endure across cycles. These hallmarks define not only the index's legacy but also its capacity to drive growth, innovation, and competitiveness in the decades ahead.

Scan here to read and download EPRA's paper on the Index Effect 2025



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