

# APAC PROPERTY PERFORMANCE MONITOR

## First Quarter 2022

### IN A NUTSHELL

- \_ Fund-level levered total returns for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index generated a total return of 12.7% (12 months trailing) in Q1 2022, the highest since Q2 2018.
- \_ Private real estate in Australia outperformed broad equities and bonds but lagged slightly behind the listed real estate market in Q1 2022 (12 months trailing).
- \_ Asset-level returns within the MSCI Global Quarterly Property Fund Index (Asia Pacific) continued to see industrial outperforming by a wide margin (25.3%), followed by office (9.6%) and retail (7.2%) on a 12-month trailing basis.
- \_ Unlevered total returns for direct real estate in Japan improved by 40bps in Q4 2021 to 5.4% (12 months trailing) underpinned by the outperformance of the industrial and residential sector.

## Private Real Estate Performance

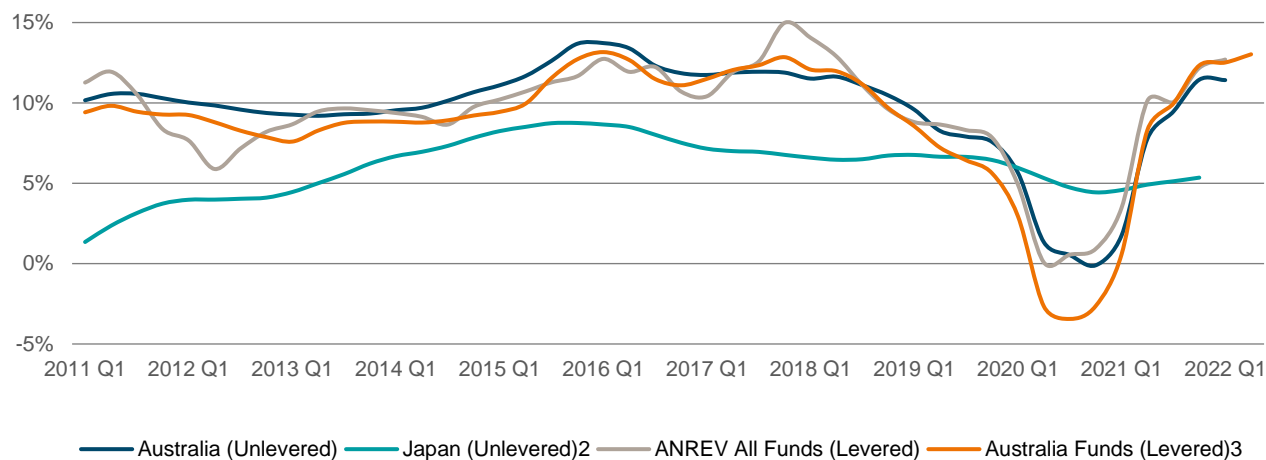
- \_ In the first quarter of 2022, fund-level levered total returns for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index generated a total return of 12.7% (12 months trailing), the highest since Q2 2018.
- \_ Asset-level returns in Australia as shown by the Property Council of Australia/MSCI Australia All Property Index remained stable at 11.4% (12 months trailing) in Q1 2022. Industrial sector's total returns remained the highest across all the sectors although has moderated slightly in recent quarter. Office returns were resilient while the retail sector continued its recovery trend buoyed by the easing of the pandemic restrictions.
- \_ As of May 2022, total returns post fees for unlisted funds in Australia were 13.0% (12 months trailing)<sup>1</sup>, above the ten-year average. Total returns for office specialist funds have edged up slightly as workplace occupancy improved. Meanwhile, total returns for retail specialist funds continued to strengthen on the back of improvement in operational metrics and cash collection rates.
- \_ Unlevered total returns for direct real estate in Japan increased by 40bps in Q4 2021 to 5.4% (12 months trailing) driven by the outperformance of the industrial and residential sector.
- \_ On a 12-month trailing basis, private real estate in Japan outperformed bonds but trailed the broad equities and listed real estate market.

<sup>1</sup> Past performance is not a reliable indicator of future returns.

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PRIVATE REAL ESTATE TOTAL RETURNS<sup>1</sup> (12 Months Trailing)

<sup>1</sup> In local currency. <sup>2</sup> 2021 Q4 numbers for Japan are preliminary figures as of July 2022. <sup>3</sup> Total return NAV post fee in local currency  
 Source: The Property Council of Australia/MSCI Australia All Property Index, ARES Japan Property Index, ANREV All Funds Index, MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index. As of July 2022.  
 Past performance is not indicative of future returns. Source: MSCI, as of July 2022. Past performance is not indicative of future returns. It is not possible to invest directly in an index.

## RECENT PERFORMANCE TRENDS (Australia)

	Quarter	12-Months trailing	
	1Q 2022	1Q 2022	1Q 2021
Private Real Estate – Asset Level <sup>1</sup>	1.9%	11.4%	2.1%
Broad Equities (large cap)	0.7%	10.4%	33.8%
Bonds	-6.5%	-6.2%	-2.1%
Listed Real Estate	-7.7%	13.5%	39.6%
10-Year Govt Bond	2.5%	2.5%	1.7%
6-Month OIS <sup>1</sup>	0.4%	0.4%	0.0%
CPI	2.1%	4.5%	1.1%

## RECENT PERFORMANCE TRENDS (Japan)

	Quarter	12-Months trailing	
	4Q 2021	4Q 2021	4Q 2020
Private Real Estate – Asset Level <sup>1</sup>	1.5%	5.4%	4.4%
Broad Equities (large cap)	-1.9%	10.4%	4.8%
Bonds	-2.6%	-2.9%	-19.3%
Listed Real Estate	-0.3%	15.8%	-16.9%
10-Year JGB	0.1%	0.1%	0.0%
12-Month TIBOR	0.2%	0.2%	0.2%
CPI	0.2%	0.1%	-0.1%

<sup>1</sup> In local currency. Note: 2021 Q4 numbers for Japan's Private Real Estate are preliminary figures as of July 2022.  
 Source: The Property Council of Australia/MSCI Australia All Property Index, ARES Japan Property Index, Bloomberg, Reserve Bank of Australia, Oxford Economics. As of July 2022. Past performance is not indicative of future returns.

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## MSCI Global Quarterly Property Fund Index (Asia Pacific) and ARES Japan Property Index Performance

- Total fund level returns for the MSCI Global Quarterly Property Fund Index (Asia Pacific) continued its recovery trend in Q1 2022, registering a total return of 13.4% (12 months trailing).
- Year-on-year total returns for the underlying assets within the MSCI Global Quarterly Property Index (Asia Pacific) were driven by capital returns (7.3%) while income returns remained steady (4.2%).
- Performance was highly uneven across the sectors with industrial outperformed by a wide margin (25.3%), followed by office (9.6%) and retail (7.2%).
- Despite the outperformance of the industrial sector, returns have moderated compared to the previous quarter by 280bps in Q1 2022 as capital returns softened amidst rising bond yields and higher borrowing cost.
- Unlevered annual total returns for direct real estate in Japan (12 months trailing) improved slightly to 5.4% in Q4 2021 (preliminary). Across the sector, total returns in the industrial sector were the strongest (8.3%) followed by residential, producing total returns of 7.7% (12 months trailing). Hotel returns continued to recover (1.9%) while office returns were higher than the previous quarter (4.7%).

### RETURNS BY PROPERTY TYPE AND REGION

		Annual Returns <sup>1</sup>						Standard Deviation		Descriptive Statistics			
		1 Year			3 years	5 years	10 years	Since Inception	10 years	Since Inception	Value	Number	
		Total	Income	Capital									
Asia Pacific	Fund-level Returns (Q1 22) <sup>1</sup>										GAV (bn)	Funds	
	APAC All Funds	13.4%			6.0%	7.7%	8.8%	6.8%	4.2%	2.5%	\$107.3	23	
	Asset-level Returns (Q1 22) <sup>1</sup>										CV (bn)	Properties	
	Type	Office	9.6%	4.2%	5.3%	8.1%	9.9%	10.4%	8.2%	2.7%	2.5%	\$45.0	
		Retail	7.2%	4.7%	2.3%	-0.8%	2.2%	5.8%	5.6%	6.3%	1.3%	\$28.3	
		Industrial	25.3%	3.9%	20.7%	17.6%	15.4%	13.4%	10.6%	4.2%	2.6%	\$21.3	
	Others	13.7%	3.1%	10.3%	10.1%	10.0%	11.4%	8.9%	5.6%	2.7%	\$3.2		
	APAC All Properties	11.8%	4.2%	7.3%	6.2%	7.7%	9.0%	7.5%	3.4%	1.9%	\$99.2	666	
Japan	Asset-level Returns (DEC 21) <sup>2</sup>										CV (trn)	Properties	
	Type	Office	4.7%	4.2%	0.5%	5.5%	6.1%	5.8%	5.5%	1.5%	5.4%	JPY 6.0	597
		Retail	2.9%	4.5%	-1.7%	3.8%	4.6%	5.9%	5.3%	1.5%	4.1%	JPY 2.7	355
		Industrial	8.3%	4.5%	3.8%	7.0%	7.0%	7.7%	6.4%	1.4%	2.9%	JPY 3.7	391
		Residential	7.7%	4.4%	3.3%	7.3%	7.1%	7.4%	5.7%	1.0%	3.6%	JPY 2.9	1,343
		Hotel	1.9%	2.3%	-0.4%	2.0%	3.7%	8.1%	5.5%	6.9%	6.6%	JPY 1.4	218
	Japan All Properties	5.4%	4.2%	1.2%	5.4%	5.9%	6.4%	5.7%	1.3%	4.5%	JPY 17.5	3,087	

Note: <sup>1</sup> In USD <sup>2</sup> In JPY. Japan's asset level returns are preliminary figures as of July 2022.

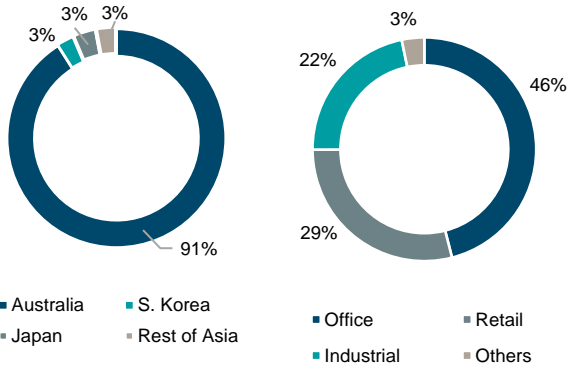
Source: MSCI Global Quarterly Property Fund Index (Asia Pacific), ARES Japan Property Index. As of July 2022.

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### APAC MARKET CAPITALIZATION (MSCI)

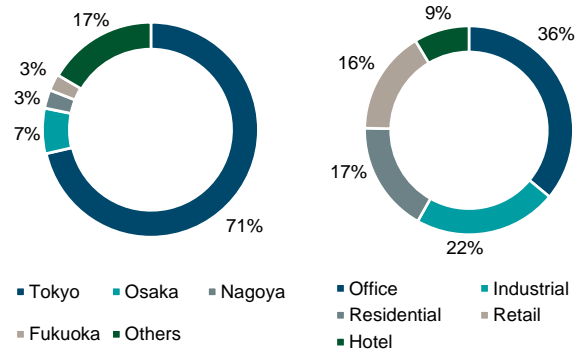
Index market value: \$99.2 billion  
Property count: 666



Source: MSCI Global Quarterly Property Fund Index (Asia Pacific).  
As of July 2022.

### JAPAN MARKET CAPITALIZATION (ARES)

Market value: JPY 17.5trn  
Property count: 3,087



Note: Based on preliminary figures as of July 2022.  
Source: ARES Japan Property Index.

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### Japan

**ARES:** ARES Japan Property Index is the index calculated from the universe of income-producing properties owned by core real estate funds mainly for institutional investors provided by The Association for Real Estate Securitization.

**MSCI Real Estate:** MSCI is a leading provider of real estate performance and risk analysis, providing critical business intelligence.

**Broad Equities (Tokyo Price Index, TOPIX):** An index that measures stock prices on the Tokyo Stock Exchange (TSE). This capitalization-weighted index lists all firms that are considered to be under the 'first section' on the TSE, which groups all of the large firms on the exchange into one pool.

**Bonds (Nomura Bond Performance Index):** The NOMURA-BPI is widely used by institutional investors in Japan and other countries as a benchmark for measuring bond performance. The index reflects the performance of the entire secondary market for publicly offered, fixed-income bonds issued in Japan.

**Listed REIT (TSE REIT Index):** The Tokyo Stock Exchange REIT Index is a capitalization-weighted index based on all REITs listed on the Tokyo Stock Exchange.

**12-month TIBOR:** The Tokyo Interbank Offered Rate is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Tokyo wholesale money market.

Sources: ARES, MSCI, Bloomberg, Nomura.

### Australia

**MSCI Real Estate:** MSCI is a leading provider of real estate performance and risk analysis, providing critical business intelligence.

**Broad Equities (S&P/ASX 200 Index):** The S&P/ASX 200 Index is recognised as the investable benchmark for the Australian equity market, it addresses the needs of investment managers to benchmark against a portfolio characterised by sufficient size and liquidity.

**Bonds (S&P/ASX Australian Fixed Interest Index):** S&P/ASX Australian Fixed Interest Index is a broad benchmark index family designed to measure the performance of the Australian bond market, which meets certain investability criteria. The index is split across investable investment grade, Australian dollar denominated bonds issued in the local market with maturities greater than one year.

**Listed REIT (S&P/ASX 200 A-REIT Index):** S&P/ASX 200 A-REIT Index provides investors with exposure to Australian Real Estate Investment Trusts (A-REITs).

**6-Month OIS:** An Overnight Index Swap (OIS) is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the Australian wholesale money market.

Sources: MSCI, Bloomberg, Reserve Bank of Australia.

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