

APAC PROPERTY PERFORMANCE MONITOR

Second Quarter 2021

IN A NUTSHELL

- The ANREV Asia Pacific All Funds Index registered levered total returns of 10.1% in the second quarter of 2021 (12 months trailing), the highest in two years.
- Private real estate in Australia and Japan lagged the public market in the recent quarter as better than expected economic growth buoyed financial markets.
- Wide dispersion across the sectors with industrial remained the standout outperformer. Total returns for the retail sector in Asia Pacific turned positive for the first time since 2019 with asset level returns of 3.5% (12 months trailing).

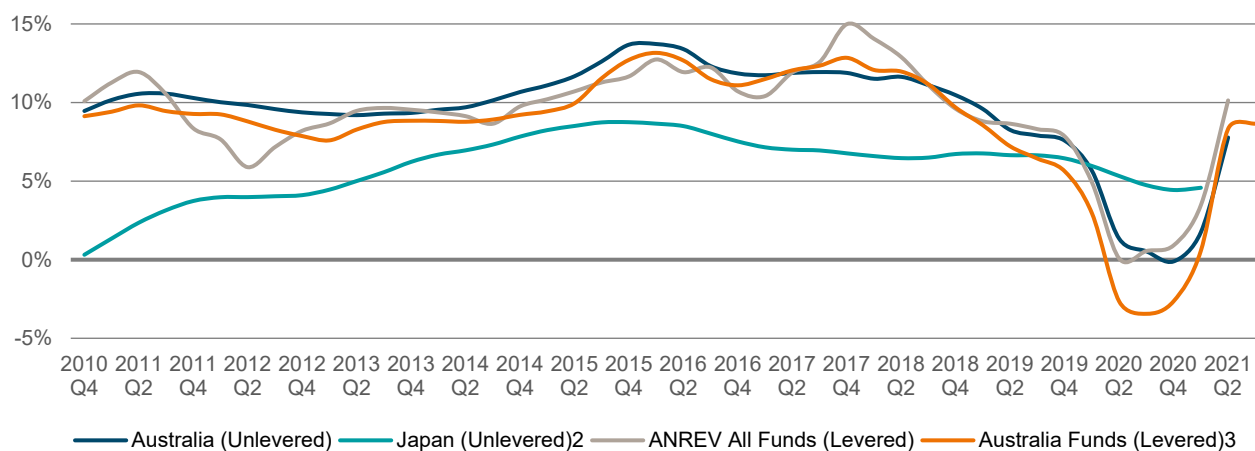
Private Real Estate Performance

- In the second quarter, fund-level levered total returns for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index registered a total return of 10.1%, an increase from 3.5% in the previous quarter (12 months trailing).
- Asset-level returns in Australia as measured by the Property Council of Australia/MSCI Australia All Property Index strengthen to 7.8% (12 months trailing) in Q2 2021, a considerable improvement from the 1.7% recorded in the previous quarter. The industrial sector's total return was the strongest in history. Office returns improved while total returns for retail properties turned positive for the first time since 2019.
- Private real estate in Australia underperformed broad equities and listed real estate market in the second quarter but outperformed bonds, buoyed by the better-than-expected GDP and employment growth. Notwithstanding, the recent lockdowns across Australia is expected to weigh on growth outlook in the short term.
- As of August 2021, total monthly returns post fees for unlisted funds in Australia were above the ten-year average for two months in a row (8.7%). Total returns for office specialist funds have remained resilient despite rising vacancies and subdued workplace occupancy. Meanwhile, total returns for retail specialist funds remained positive as rent collections stabilize.
- In Japan, private real estate underperformed the public and listed real estate on a 12-months trailing basis in Q1 2021 (preliminary) but remained ahead of bonds.

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PRIVATE REAL ESTATE TOTAL RETURNS¹ (12 Months Trailing)

¹ In local currency. ² 2021 Q1 numbers for Japan are preliminary figures as of September 2021. ³ 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 September 2021.
 Past performance is not indicative of future returns. Source: MSCI, as of 30 September 2021. 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	
	2Q 2021	2Q 2021	2Q 2020
Private Real Estate – Asset Level ¹	3.0%	7.8%	1.3%
Broad Equities (large cap)	7.7%	24.0%	-10.9%
Bonds	1.7%	-0.9%	4.5%
Listed Real Estate	8.9%	28.5%	-24.6%
10-Year Govt Bond	1.5%	1.5%	0.9%
6-Month OIS ¹	0.0%	0.0%	0.1%
CPI	0.8%	3.8%	-0.3%

RECENT PERFORMANCE TRENDS (Japan)

	Quarter	12-Months trailing	
	1Q 2021	1Q 2021	1Q 2020
Private Real Estate – Asset Level ¹	1.3%	4.6%	6.0%
Broad Equities (large cap)	8.3%	39.3%	-11.8%
Bonds	7.7%	-18.7%	14.6%
Listed Real Estate	12.8%	26.2%	-16.4%
10-Year JGB	0.1%	0.1%	0.0%
12-Month TIBOR	0.2%	0.2%	0.1%
CPI	0.8%	0.0%	0.0%

¹ In local currency. Note: 2021 Q1 numbers for Japan's Private Real Estate are preliminary figures as of September 2021.
 Source: The Property Council of Australia/MSCI Australia All Property Index, ARES Japan Property Index, Bloomberg, Reserve Bank of Australia, Oxford Economics. As of September 2021. 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) recorded a marked improvement in Q2 2021, registering a total return of 9.3% (12 months trailing).
- At the property level, income returns improved slightly (4.6%) while capital returns, turned positive for the first time since Q1 2020 (3.5%).
- The index composition continues to shift, as retail's share declined to 32% from 42% just two years ago. Most of the sector's lost share has been replaced by industrial and office, both of which have seen strong capital value growth.
- Unlevered annual total returns for direct real estate in Japan registered a steady return of 4.6% in Q1 2021 (preliminary). Across the sector, dispersion of performance is the widest since 2015. Industrial sector remained the standout performer while hotel properties suffered from the impact of the COVID-19 crisis. Over the trailing 12 months, residential performance remained steady while office returns weakened.

RETURNS BY PROPERTY TYPE AND REGION

		Annual Returns ¹							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 (Q2 21) ¹										GAV (bn)	Funds	
	APAC All Funds	9.3%			4.8%	7.5%	8.5%	6.5%	4.1%	3.4%	\$93.9	21	
	Asset-level Returns (Q2 21) ¹										CV (bn)	Properties	
	Type	Office	7.5%	4.3%	3.0%	8.5%	10.3%	10.5%	8.1%	2.7%	3.4%	\$43.0	
		Retail	3.5%	5.1%	-1.5%	-1.7%	2.5%	5.9%	5.4%	6.4%	1.9%	\$28.6	
		Industrial	21.3%	4.6%	16.0%	15.1%	13.4%	12.5%	9.9%	2.1%	3.3%	\$15.6	
	Others	10.2%	2.7%	7.3%	7.9%	9.7%	10.6%	8.5%	5.6%	3.4%	\$2.6		
	APAC All Properties	8.2%	4.6%	3.5%	5.3%	7.5%	8.8%	7.2%	3.3%	2.7%	\$90.4	627	
Japan	Asset-level Returns (MAR 21) ²										CV (tm)	Properties	
	Type	Office	4.2%	4.2%	0.0%	6.1%	6.4%	5.7%	5.6%	1.7%	5.5%	JPY 4.4	483
		Retail	3.0%	4.5%	-1.5%	4.4%	5.1%	6.0%	5.5%	1.1%	4.2%	JPY 0.6	97
		Industrial	7.2%	4.7%	2.5%	6.6%	7.0%	7.6%	5.8%	1.4%	3.0%	JPY 1.0	74
		Residential	6.3%	4.5%	1.8%	7.1%	6.9%	7.3%	5.2%	1.1%	3.6%	JPY 1.0	550
		Hotel	-0.2%	3.0%	-3.2%	3.2%	5.2%	8.2%	6.0%	6.7%	6.7%	JPY 0.3	97
	Japan All Properties	4.6%	4.3%	0.3%	5.7%	6.1%	6.2%	5.8%	1.4%	4.6%	JPY 7.7	1,390	

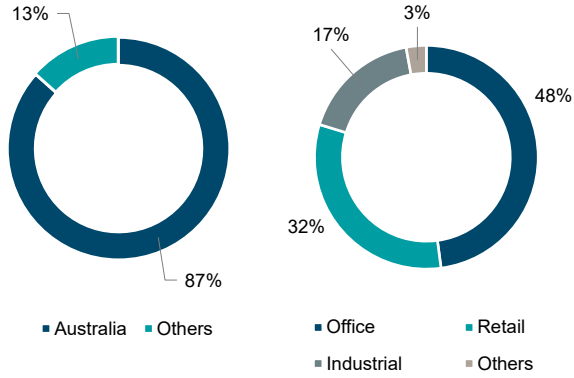
Note: ¹ In USD ² In JPY. Japan's asset level returns are preliminary figures as of September 2021.

Source: MSCI Global Quarterly Property Fund Index (Asia Pacific), ARES Japan Property Index. As of September 2021. Past performance is not indicative of future returns.

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APAC MARKET CAPITALIZATION

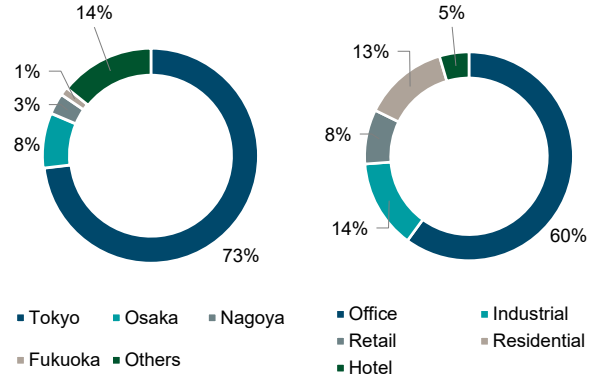
Index market value: \$93.9 billion
Property count: 627



Note: Others include Japan, South Korea, New Zealand.
Source: MSCI Global Quarterly Property Fund Index (Asia Pacific).
As of September 2021.

JAPAN MARKET CAPITALIZATION

Market value: JPY 7.7tn
Property count: 1,390



Note: Based on preliminary figures as of September 2021.
Source: ARES Japan Property Index.

Important Information

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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