

APAC Property Performance Monitor

Second 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 dipped to 9.7% (12 months trailing) in Q2 2022.
 - Private real estate in Australia and Japan outperformed broad equities, bonds and listed real estate market on a 12-month trailing basis in Q2 2022 and Q1 2022 respectively.
 - Asset-level returns within the MSCI Global Quarterly Property Fund Index (Asia Pacific) continued to see industrial outperforming by a wide margin (20.0%), followed by office (8.8%) and retail (7.6%) on a 12-month trailing basis.
 - Unlevered total returns for direct real estate in Japan improved by 30bps in Q1 2022 to 5.7% (12 months trailing) underpinned by the outperformance of the industrial and residential sector.
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Private Real Estate Performance

- In the second quarter of 2022, fund-level levered total returns for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index declined to 9.7% (12 months trailing).
- Asset-level returns in Australia as shown by the Property Council of Australia/MSCI Australia All Property Index moderated to 10.5% (12 months trailing) in Q2 2022. Industrial sector's total returns remained the highest across all the sectors albeit trending lower compared to the previous quarter. Office returns have eased while the retail sector continued its recovery trend buoyed by the resilient consumer spending.
- As of July 2022, total returns post fees for unlisted funds in Australia were 11.5% (12 months trailing)¹. Total returns for office specialist funds weakened as workplace occupancy fell amidst the Omicron wave.
- Unlevered total returns for direct real estate in Japan increased by 30bps in Q1 2022 to 5.7% (12 months trailing) driven by the outperformance of the industrial and residential sector.
- On a 12-month trailing basis, private real estate in Australia and Japan outperformed broad equities, bonds and listed real estate market in Q2 2022 and Q1 2022 respectively.

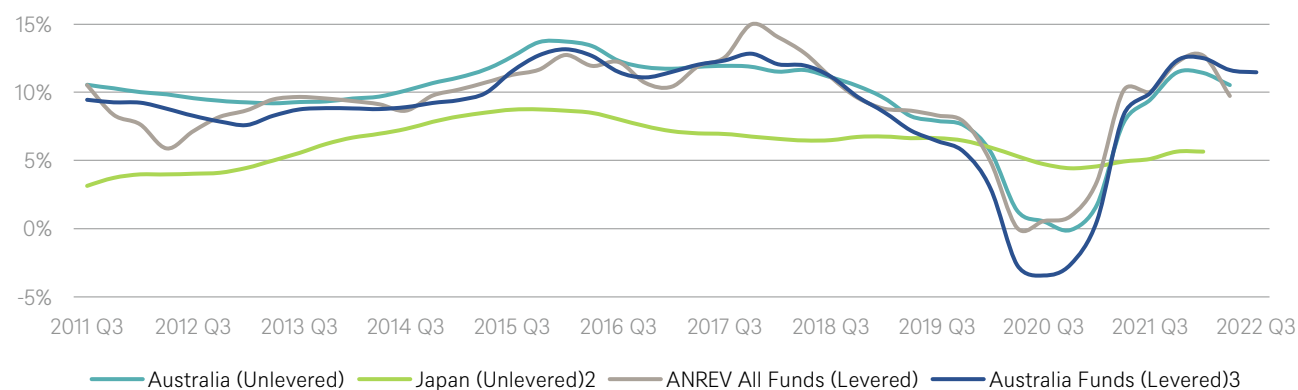
¹Past performance is not a reliable indicator of future returns.

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Private Real Estate Total Returns¹ (12 Months Trailing)

¹ In local currency. ² 2022 Q1 numbers for Japan are preliminary figures as of September 2022. 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 2022.

Past performance is not indicative of future returns. Source: MSCI, as of September 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	
	2Q 2022	2Q 2022	2Q 2021
Private Real Estate – Asset Level ¹	2.3%	10.5%	7.9%
Broad Equities (large cap)	-12.4%	-10.2%	24.0%
Bonds	-4.4%	-11.8%	-0.9%
Listed Real Estate	-18.9%	-15.4%	28.5%
10-Year Govt Bond	3.8%	3.8%	1.5%
6-Month OIS ¹	2.2%	2.2%	0.0%
CPI	1.8%	6.1%	3.8%

Recent Performance Trends (Japan)

	Quarter	12-Months trailing	
	1Q 2022	1Q 2022	1Q 2021
Private Real Estate – Asset Level ¹	1.6%	5.7%	4.6%
Broad Equities (large cap)	-2.3%	-0.4%	39.3%
Bonds	-3.4%	-16.3%	-20.4%
Listed Real Estate	-3.1%	-0.5%	26.2%
10-Year JGB	0.2%	0.2%	0.1%
12-Month TIBOR	0.2%	0.2%	0.2%
CPI	1.0%	0.1%	0.0%

¹ In local currency. Note: 2022 Q1 numbers for Japan's Private Real Estate are preliminary figures as of September 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 September 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) moderated in Q2 2022, registering a total return of 11.2% (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 (6.4%) while income returns remained steady (4.1%).
- Performance was highly uneven across the sectors with industrial outperformed by a wide margin (20.0%), followed by office (8.8%) and retail (7.6%).
- Despite the outperformance of the industrial sector, returns have moderated compared to the previous quarter by 530bps in Q2 2022 as capital returns eased amidst rising borrowing cost.
- Unlevered annual total returns for direct real estate in Japan (12 months trailing) improved to 5.7% in Q1 2022 (preliminary). Across the sector, total returns continued to be led by the industrial sector (8.3%) followed by residential, producing total returns of 7.6% (12 months trailing). Hotel returns continued to improve (2.5%) while office returns were higher than the previous quarter (5.2%).

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 Net Returns (Q2 22) ¹										GAV (bn)	Funds	
	APAC All Funds	11.2%			6.0%	7.5%	8.8%	6.8%	4.2%	2.3%	\$101.2	24	
	Asset-level Returns (Q2 22) ²										CV (bn)	Properties	
	Type	Office	8.8%	4.1%	4.5%	7.7%	9.5%	10.3%	8.2%	2.7%	2.3%	\$43.7	
		Retail	7.6%	4.6%	2.9%	-0.3%	2.2%	5.7%	5.6%	6.3%	1.3%	\$27.2	
		Industrial	20.0%	3.8%	15.7%	17.7%	15.5%	13.5%	10.6%	4.3%	2.4%	\$21.4	
	Others	13.6%	3.1%	10.2%	9.9%	10.5%	11.1%	8.9%	5.6%	2.4%	\$1.6		
	APAC All Properties	10.8%	4.1%	6.4%	6.3%	7.5%	8.9%	7.5%	3.4%	1.7%	\$93.6	686	
Japan	Asset-level Returns (MAR 22) ³										CV (trn)	Properties	
	Type	Office	5.2%	4.1%	1.2%	5.5%	6.1%	5.9%	5.4%	1.4%	5.3%	JPY 4.3	473
		Retail	3.0%	4.5%	-1.5%	3.6%	4.5%	5.8%	5.2%	1.6%	4.1%	JPY 0.8	126
		Industrial	8.3%	4.5%	3.8%	7.1%	7.0%	7.8%	6.3%	1.3%	2.9%	JPY 1.2	84
		Residential	7.6%	4.4%	3.3%	7.2%	7.1%	7.4%	5.7%	1.0%	3.6%	JPY 1.0	564
		Hotel	2.5%	2.8%	-0.3%	1.8%	3.6%	8.1%	6.1%	6.9%	6.6%	JPY 0.5	116
	Japan All Properties	5.7%	4.2%	1.5%	5.4%	5.9%	6.4%	5.7%	1.2%	4.4%	JPY 8.2	1,464	

Note ¹Net of fees in USD. The fund-level index includes the effect of leverage, fund management fees and cash balances ²In USD ³In JPY. Japan's asset level returns are preliminary figures as of September 2022.

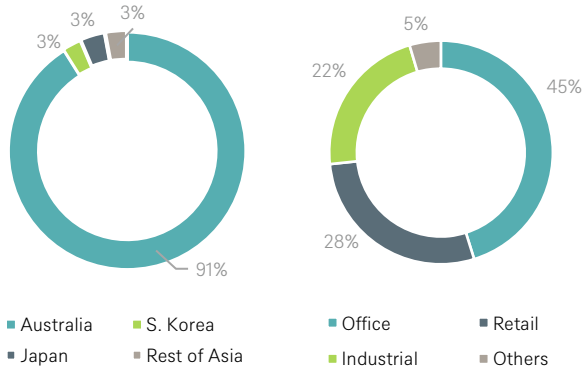
Source: MSCI Global Quarterly Property Fund Index (Asia Pacific), ARES Japan Property Index. As of September 2022.

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APAC Market Capitalization (MSCI)

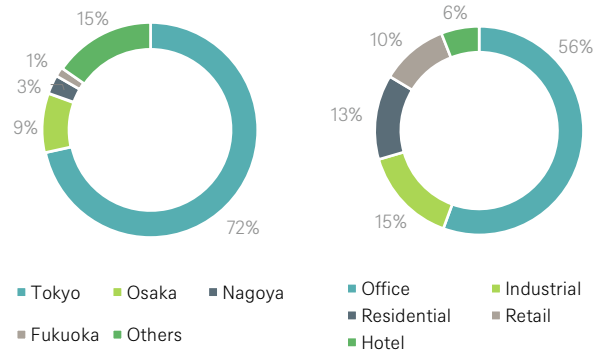
Index market value: \$93.6 billion
 Property count: 686



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

Japan Market Capitalization (ARES)

Market value: JPY 8.2trn
 Property count: 1,464



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

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ARES Japan Property Index: 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 under the 'first section' on the TSE, which groups all 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

Private Real Estate (The Property Council of Australia/MSCI Australia All Property Index): The Property Council of Australia/MSCI Australia All Property Index measured the unlevered total returns of directly held standing property investments in Australia. Returns are denominated in Australian Dollars (AUD).

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.

MSCI Global Quarterly Property Fund Index (Asia Pacific): MSCI Global Quarterly Property Fund Index (Asia Pacific) measures the performance of unlisted open-ended pooled real estate funds in Asia Pacific, with a core or core-plus investment mandate. The fund-level index includes the effect of leverage, fund management fees and cash balances. The asset-level index performance is unlevered and deduct property but not fund management fees. All returns are in USD.

MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index: MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index represent the performance of Australia based open-ended commingled real estate funds for Wholesale (Institutional). Returns are denominated in Australian Dollars (AUD).

ANREV All Funds Index: ANREV All Funds Index measures the net asset value performance of Asia Pacific non-listed real estate funds on a quarterly basis. Performance is measured net of fees and costs. All returns are in USD.

Sources: MSCI, ANREV.

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