Marketing Material*

July 2020/ Research Report

ASIA PACIFIC REAL ESTATE STRATEGIC OUTLOOK

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1 / Executive Summary

Since the outbreak of COVID-19 which began in late 2019, the disease has spread rapidly over the first half of 2020, resulting in a worldwide pandemic affecting over 190 countries with over 12 million infected cases and over 550,000 deaths (as of 9 July, 2020), with the number of cases continuing to rise.

The first few months saw a majority of countries across Asia Pacific tighten entry restrictions on incoming foreign arrivals and implement restrictions involving social distancing measures, business and retail operations as well as work from home arrangements. The resulting economic impact from these business disruptions is expected to be hugely negative in the first half of 2020, resulting in full year recessions for most economies, although authorities around the region have acted swiftly by introducing significant fiscal support and monetary easing to mitigate the downturn.

Compared to the United States and Europe, infection cases in Asia Pacific have been of a lower magnitude, resulting in the gradual lifting of restrictions in the region, although there has since been a recent resurgence in new cases in some countries. Nonetheless, looking forward points to some degree of optimism, with consensus expectations for a significant economic recovery from 2021 onwards as business operations normalize.

From a real estate perspective, the hospitality and retail sectors have experienced the most severe impact as tourist arrivals plummet and retailers reduce store operations. Heightened caution from businesses and telecommuting arrangements have also interrupted negotiations of new office leases and renewals, while logistics should continue to perform well underpinned by increases in e-commerce retailing orders. Meanwhile, lower transaction volumes and softer rents should lead to higher cap rates and a correction in capital values in the short term.

Nonetheless, it is important for investors to look beyond the current situation and focus on the region's long term fundamentals. Vacancy levels in key Asia Pacific markets such as Japan, Australia and Singapore currently remain low with disciplined supply pipelines, while longer term rental growth could be expected as the economic recovery materialises in the following years. Accommodative monetary policies and low interest rates, combined with available dry powder allocation to the region should provide strong support for an eventual recovery in capital values over our five-year forecast horizon.

APAC SECTOR HOUSEVIEW

	Summary Houseview	Comments
Industrial	Overweight	— Demand from e-commerce retailers should increase as some consumers prefer online retailing and avoid physical stores. Remain overweight in key hubs, including Tokyo, Osaka, Seoul, Singapore and top Australian cities.
Residential	Overweight	— Luxury residential is most exposed to an economic downturn while demand should be resilient for mid-market. The travel restrictions could be a stumbling block for cross border investors who have been the main driver of mega residential deals. Focus on major Japanese cities (Tokyo, Osaka).
Office	Neutral	— Space expansion or new relocation demand will likely be negatively affected due to the economic slowdown, while measured supply may mitigate the future vacancy risk in most major markets. Investment opportunities could arise amid lower price expectations from weak sellers during the market correction. Focus on Seoul (Gangnam), Sydney, Melbourne.
Retail	Underweight	— High street assets are expected to underperform while non-discretionary retail, such as grocery anchored assets, should perform relatively better. Store closures could accelerate in some markets. Apply a very selective approach.

Sources: DWS. As of June 2020. Past performance is not indicative of future results

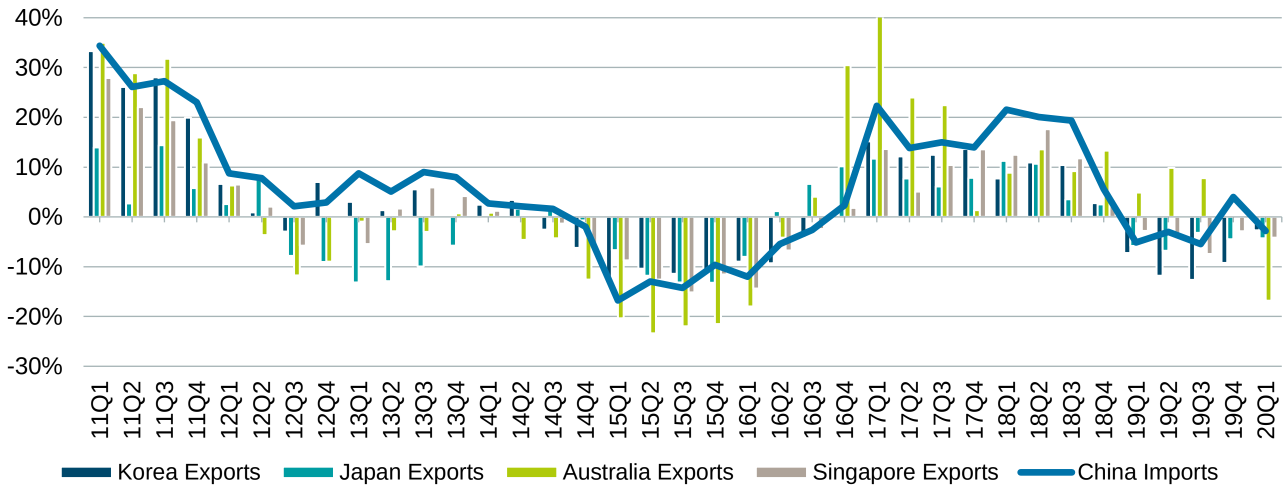
2 / Economic Update

2.1 Regional Economic Outlook

At the beginning of 2020, the outbreak of COVID-19 saw wide-scale closures of factories, non-essential businesses and retail shops globally in efforts to contain the virus outbreak. Since then, infection cases across Asia Pacific have declined sharply and appear to be stablising at lower levels as compared to the peak levels of the pandemic seen just a few months ago. Nonetheless, concerns abound that the reopening of economic activities could lead to a re-emergence of infection cases with preliminary signs of new emerging cases in local clusters in some countries such as China and South Korea.

Meanwhile, the negative economic impact within Asia Pacific is clearly visible, evidenced by sharp declines in manufacturing PMIs, exports and retail consumption across the region, despite some pick-up in levels following the reopening of economies. The first quarter of 2020 saw China's imports levels fall on year-on-year terms, after registering positive growth in the preceding quarter, while exports across the region continued to decline on weak external demand.

EXHIBIT 1: GROWTH IN ASIA'S EXPORTS AND CHINA'S IMPORTS (Y-O-Y %)



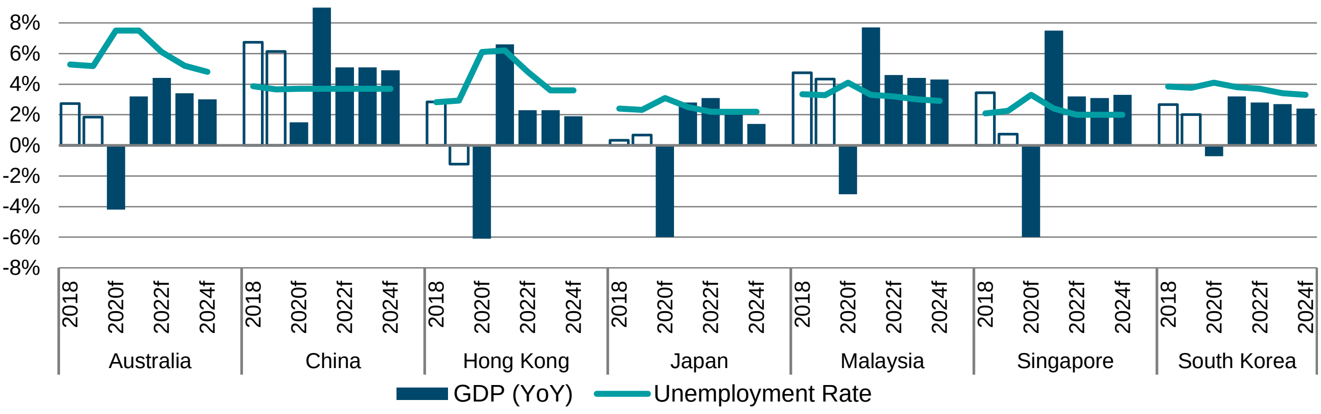
Source: DWS, Oxford Economics. As of June 2020. Past performance is not a reliable indicator of future returns.

While a high degree of economic uncertainty remains tied to the progression and successful containment of the coronavirus, the current general consensus points towards a sharp economic contraction of the global economy in 2020. According to the latest data from Oxford Economics[1], China is projected to see significant growth deceleration to 1-2% for this year, while other developed Asia Pacific economies including Japan, Australia, South Korea and Singapore are expected to fall into recession this year. Unemployment levels are also expected to rise to multi-year highs following disruptions to business activities and layoffs of workers, particularly in the most vulnerable industries including hospitality and retail-related businesses.

Nonetheless, the silver lining is that economic growth in 2021 is generally expected to be relatively robust, on expectations that regional economic activity recovers with some degree of normalization. China, which has so far shown relative success in its containment efforts of the coronavirus outbreak, is an example where a majority of the population has resumed work and daily living activities, while other Asia Pacific countries have also gradually reopened large parts of their domestic economies.

[1] Oxford Economics Database, June 2020

EXHIBIT 2: ASIA PACIFIC REAL GDP GROWTH & UNEMPLOYMENT RATES

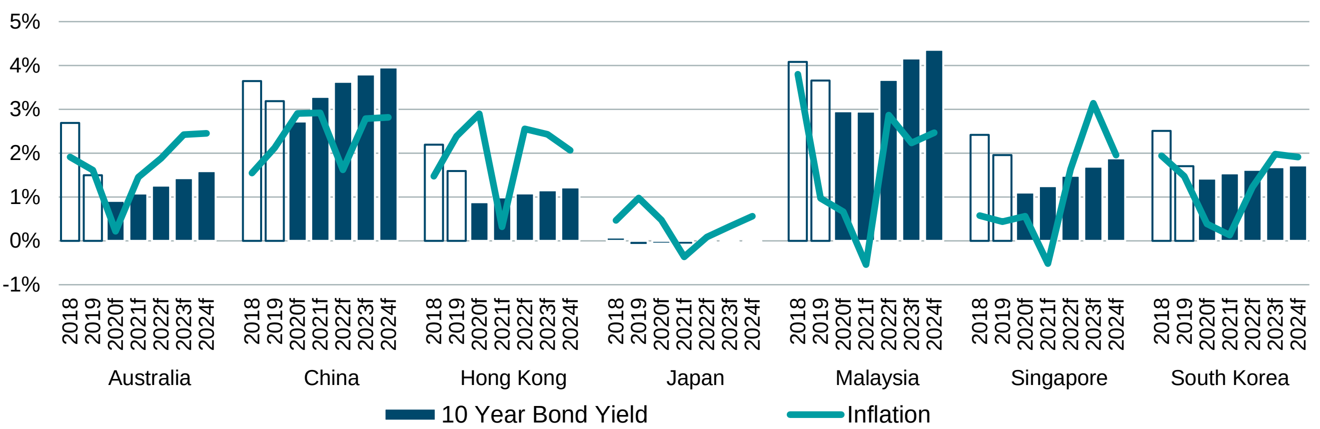


Notes: f = forecast. There is no guarantee the forecasts will materialize.
Sources: DWS, Oxford Economics, Bloomberg. As of June 2020

Inflation and Bond Yields

Since the beginning of the year, lower economic activity levels and weak aggregate demand have led to lower commodity prices and disinflationary pressures across the region. Inflation is expected to pick up gradually on the back of recovery in economic growth and consumption along with bond yields in the later years, albeit at a measured pace.

EXHIBIT 3: INFLATION AND LONG TERM INTEREST RATES



Note: f = forecast. There is no guarantee the forecasts will materialize.
Sources: DWS, Oxford Economics, Bloomberg. As of June 2020.

Monetary policy

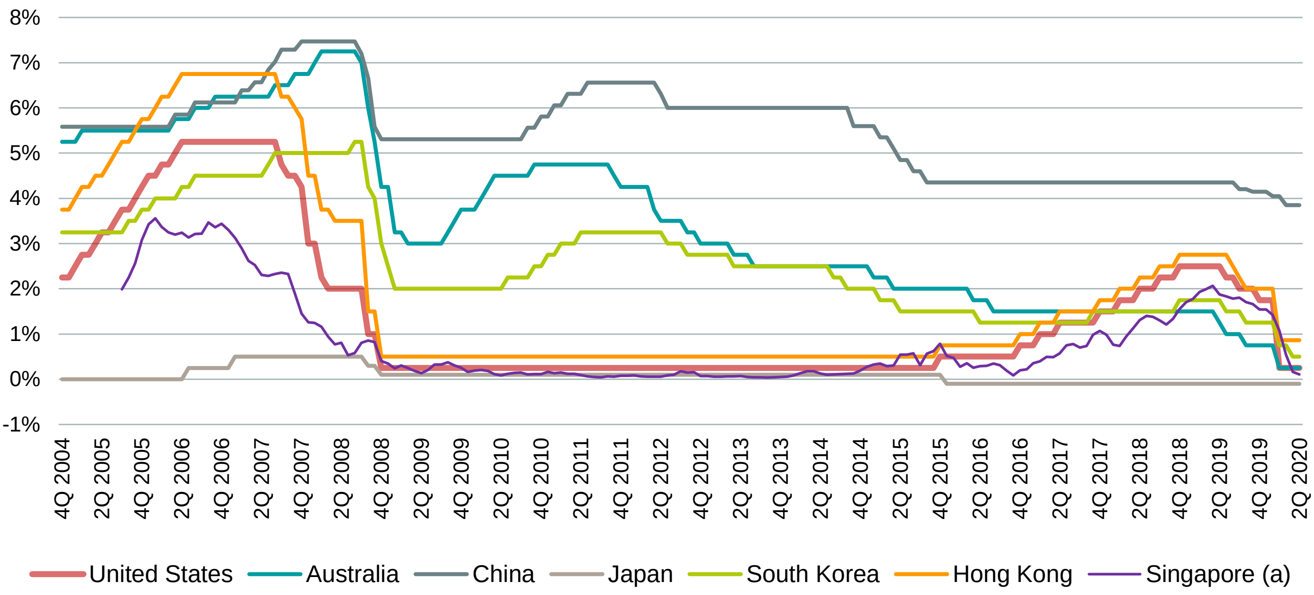
Meanwhile, governments in Asia Pacific have stepped up efforts to support their domestic economies by introducing multibillion-dollar fiscal packages ranging from direct cash handouts, wage subsidies to tax relief and loan-related support to households and businesses. Central banks in China, Australia and South Korea have also implemented rate cuts while joining others such as the Bank of Japan in quantitative easing measures to lower borrowing costs and elevate liquidity levels. Going forward, central banks in the region are expected to keep monetary policies supportive in favour of growth amidst rising uncertainties over external demand.

EXHIBIT 4: GOVERNMENT POLICY STIMULUS ANNOUNCED TO-DATE

	Fiscal / Financial Package (USD Billion)	% of GDP	Major Monetary Policies
China	950	7%	— Reduction of 50-100 basis points in Banks' Required Reserve Ratios. Additional cuts in medium term lending rate and reverse repo rates.
Japan	2,200	42%	— Pledge to increase purchases of ETFs at double the current rate and other risky assets including corporate bonds. — New loan program to extend 1-year zero rate loans to FIs.
Australia	180	13%	— Reduction of 50 basis points in Cash Rate. — Initiated 'QE' for the first time targeting purchases of risky assets including Treasuries and Repo.
South Korea	225	14%	— Reduction of 50 basis points in Base Rate. — Initiated 'QE' for the first time targeting Treasuries and Repos for three months.
Singapore	65	20%	— Targeted easing of Sing Dollar through exchange rate management against basket of foreign currencies.

There is no guarantee the forecasts will materialize.
Sources: DWS, Australian Treasury, IMF – Policy Responses to COVID-19. As of June 2020.

EXHIBIT 5: POLICY RATES IN MAJOR ASIA PACIFIC ECONOMIES



(a) Based on the Singapore domestic interbank overnight rate
Sources: DWS, Oxford Economics, Bloomberg. As of June 2020. Past performance is not indicative of future results.

2.2 Country Outlook

Japan: Japan entered into a recession upon the VAT hike in the fourth quarter of 2019. GDP growth is estimated to decline by 6% in 2020 due to the impact from the COVID-19 outbreak, followed by modest recovery of 2.8% in 2021. The ten-year Japan bond yield remained relatively stable at around 0% in the first half of 2020, with yields likely to remain flat in the near future. Core CPI was -0.2% in April 2020 and is expected to remain subdued due to weak demand.

South Korea: While South Korea is viewed as successful in containing the pandemic without enforcing lockdown, GDP output is forecasted to decline by 0.7% in 2020 to similar levels during the global financial crisis in 2009, before rebounding to 3.2% in 2021. The Bank of Korea cut interest rates twice by a total of 0.75% so far in 2020, lowering the base rate to 0.5% in May, and expected to keep the long-term bond yield continuously low in the coming years.

China: China's GDP growth is projected to slow down significantly to 1%-2% in 2020, though the country is among the first globally to lift lockdown restrictions and reopen its economy. Recent economic indicators suggest a recovery in business activities remains underway with a majority of the workforce and factory production gradually resuming operations. Nonetheless, deteriorating trade relations and geo-political issues with major western economies could pose headwinds to the economic recovery.

South East Asia: In line with the region, ASEAN economies are expected to experience recession in 2020 following economic disruptions from the large-scale lockdowns to combat the virus outbreak. Apart from Singapore, tourism dependent economies such as Thailand and Philippines are likely to fare the worst due to the proportionately larger impact of lower tourism expenditure, while Indonesia is expected to fare better due to its more domestically driven economy.

Singapore: Singapore's GDP is likely to decline significantly by 6% in 2020 due to the adverse impact felt in the tourism-related and exports-oriented sectors. The nation remains highly trade dependent, with improvements in global economic conditions likely to support a strong growth recovery in later years. Domestic interest rates remain highly sensitive to the U.S interest rate outlook, with benchmark borrowing costs having declined significantly this year as monetary conditions remain accommodative.

Australia: GDP growth is expected to shrink by approximately 4% in 2020, before bouncing back to 3.2% in 2021. Consumer spending and services exports are expected to remain a drag in the medium term while government infrastructure projects should provide some support. The Reserve Bank of Australia (RBA) is expected to maintain the cash rate at record lows of 0.25%. Headline inflation is likely to remain at the lower end of the RBA's target range given the considerable spare capacity in the labour market.

2.3 Risks to the Forecast

Worsening of COVID-19 Outbreak: Globally many countries have begun lifting restrictions to reopen their domestic economies, leading to a re-emergence of new infection cases in some localized areas. Significant downside risks remain if virus containment efforts prove unsuccessful, which could weigh on economic activity for a prolonged period of time and reduce demand for real estate usage.

Escalation of Geopolitical Risks / Trade Conflicts: Despite rising domestic consumption, Asia Pacific's economies remain highly dependent on exports. Risks involving global geo-political issues or trade relations persist, particularly the ongoing conflicts between the United States and China, ranging from trade tariffs to differing viewpoints in relation to Hong Kong. Any escalation in conflicts could directly reduce China's demand for industrial exports and adversely impact trade and economic growth across the region.

Rising Debt Levels: Prior to the outbreak of COVID-19, private and public debt in many countries across the region were already at or near peak levels. Expansionary fiscal and monetary policies implemented by various governments have helped support aggregate demand and mitigate the impact of near term economic shocks, however this will likely lead to a further build-up of debt and pose challenges to long-term economic growth.

3 / Strategic Real Estate Outlook[2]

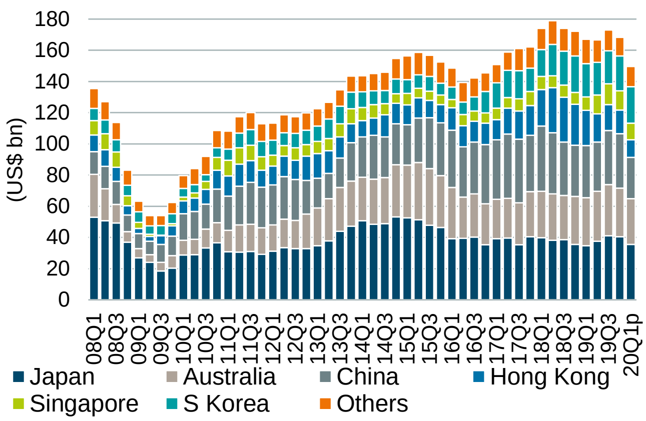
3.1 Capital Markets

Transactions

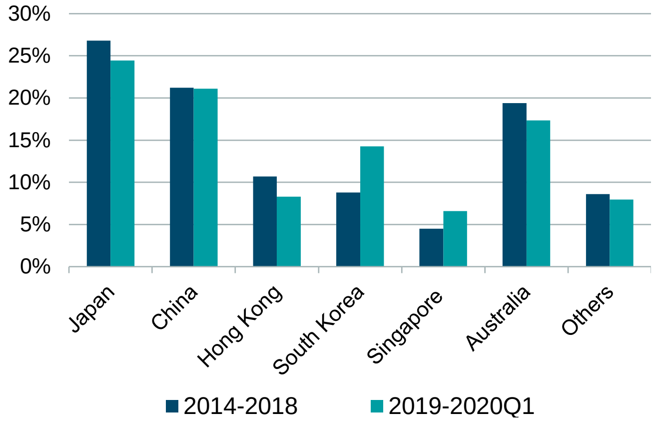
The outbreak of COVID-19 weighed on regional real estate activity with transaction volumes in Asia Pacific down 44% year-on-year (4Q rolling: -10%) in the first quarter of 2020. Japan, China and Australia remained the top investment destinations, while capital inflows into South Korea have strengthened significantly in recent years. Meanwhile, investment flows into Hong Kong slowed considerably with Chinese buyers receding as pro-democracy street protests gained momentum.

EXHIBIT 6: APAC REAL ESTATE TRANSACTION VOLUME BY COUNTRY

Volume By Country (Rolling 12Mth)



% Share of Total Volume in Asia Pacific

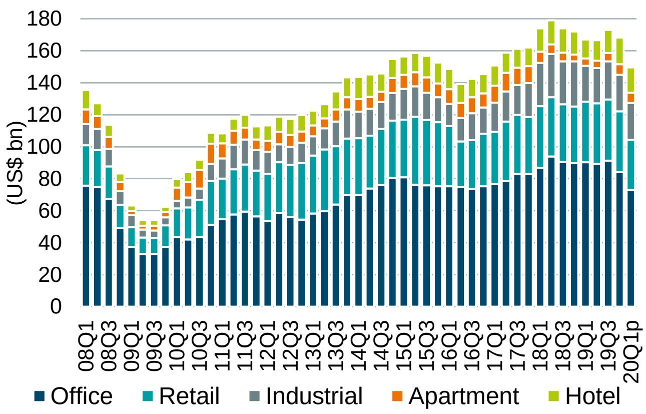


p = preliminary Note: Figures shown based on rolling 12-month period. Exclude land transactions. Past performance is not a reliable indicator of future returns.
Source: DWS, Real Capital Analytics. As of June 2020.

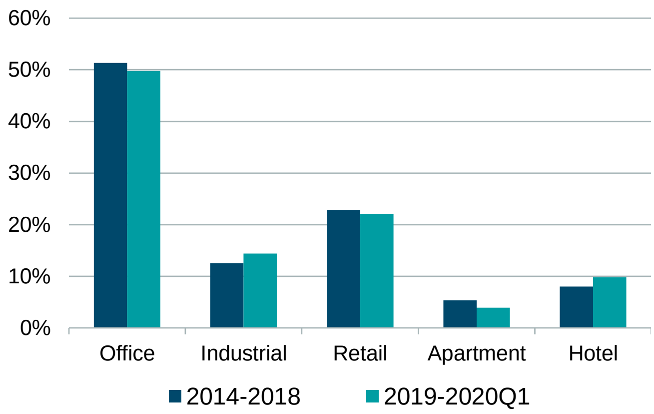
Since 2019, industrial and hotel assets saw a rising proportion of overall transaction volumes while the share of other sectors declined. However, the outbreak of COVID-19 dampened short-term investor interest especially for hospitality-related assets.

EXHIBIT 7: APAC REAL ESTATE TRANSACTION VOLUME BY SECTOR

Volume By Sector (Rolling 12Mth)



% Share of Total Volume in Asia Pacific

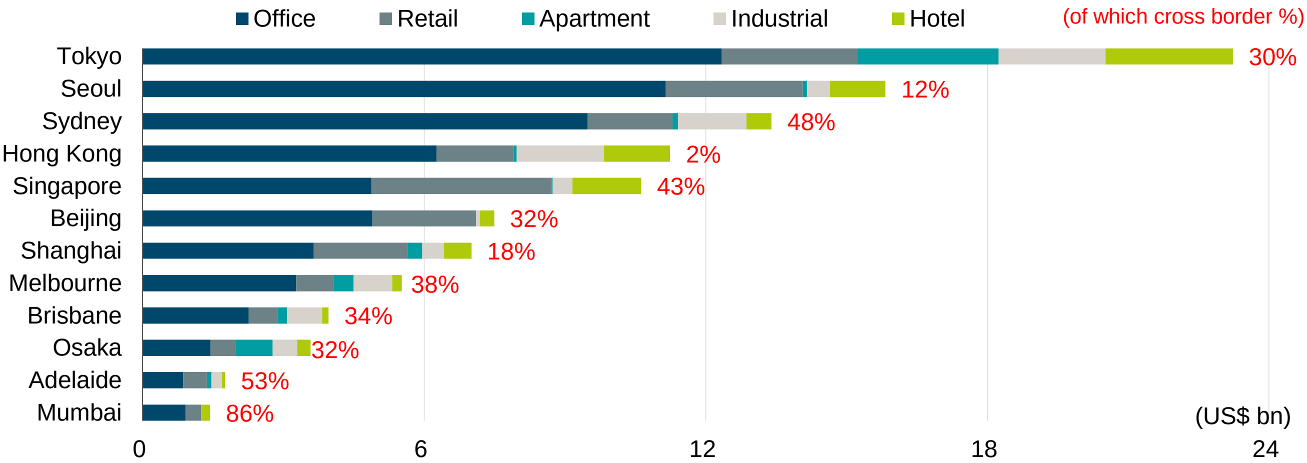


p = preliminary Note: Figures shown based on rolling 12-month period. Exclude land transactions.
Source: DWS, Real Capital Analytics. As of June 2020.

[2] DWS. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. There can be no certainty that events will turn out as we have opined herein. Past performance is not indicative of future returns. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect.

At the city level, Tokyo saw the highest investment volumes in the recent 12-month period till the first quarter of 2020, with Seoul and Sydney close behind. Meanwhile, Hong Kong saw lower transactional activity compared to previous years due to weaker investor sentiment arising from political issues. Cross-border investors constitute a major buyer group accounting for at least 30% of recent transaction volumes in Singapore, major Australian cities as well as Tokyo and Osaka.

EXHIBIT 8: COMMERCIAL REAL ESTATE TRANSACTION VOLUME BY CITY (12 MONTHS TO MARCH 2020)

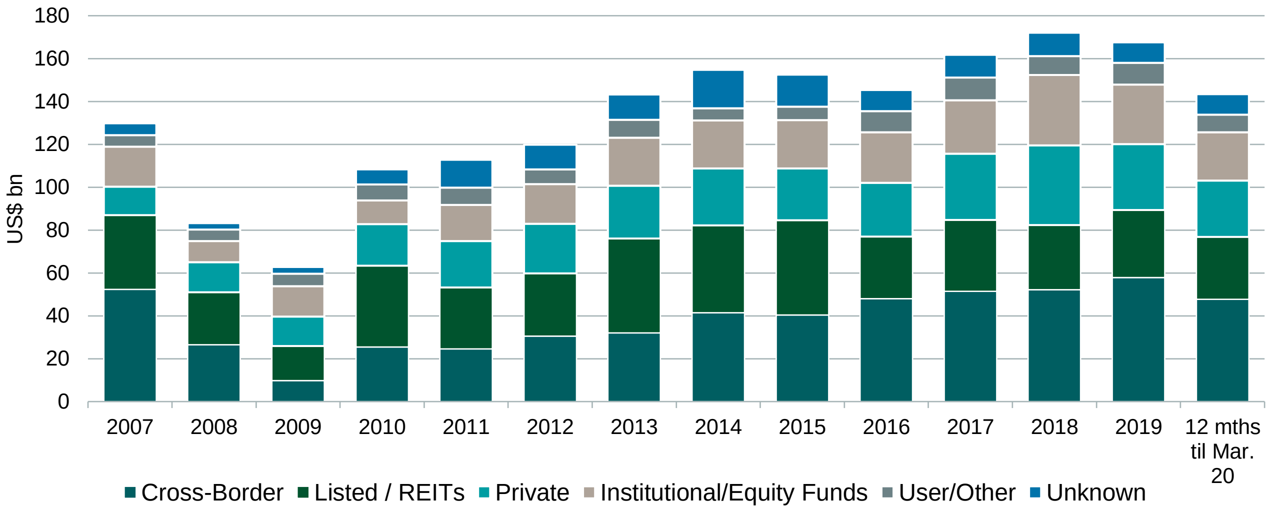


Note: Figures shown based on rolling 12-month period. Exclude land transactions.
Source: DWS, Real Capital Analytics. As of June 2020

Investor Profile:

In the recent 12 month period till the first quarter of 2020, cross-border investors remained active in the region, accounting for over 30% of transaction volumes in Asia Pacific, although travel restrictions in-place could weigh on their activity going forward. Listed Funds/REITs form the next largest buyer group in the region, accounting for 20% of transaction volumes, followed by private investors (18%) and institutional investors (15%).

EXHIBIT 9: COMMERCIAL REAL ESTATE TRANSACTION IN APAC (BY INVESTOR TYPE)

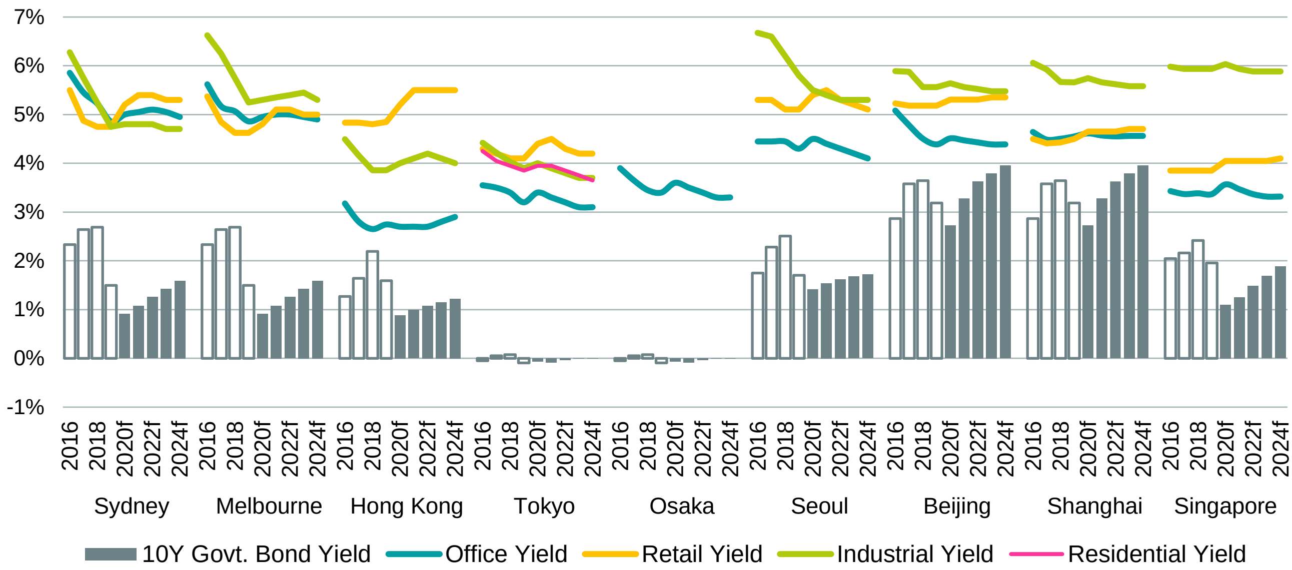


Note: Figures shown exclude land transactions.
Source: DWS, Real Capital Analytics. As of June 2020. Past performance is not a reliable indicator of future returns.

Cap Rate Trends

The trend of global and domestic capital chasing income producing office assets has contributed to cap rate compressions in previous years in some countries such as Japan, Australia and South Korea, while cap rates remain broadly flat in other markets such as China and Singapore. The weaker macroeconomic environment could pressure selling prices amid lower transactional volumes and lead to slightly higher cap rates in the short-term. Nevertheless, we expect low interest rates, continued capital flows and rising investor allocations into real estate to drive further cap rate compressions in the long run, particularly in the industrial sector underpinned by structural growth drivers.

EXHIBIT 10: CAP RATE / YIELD SPREADS RELATIVE TO BOND YIELDS



f = forecast. There is no guarantee the forecasts shown will materialize.
Source: DWS, Colliers, Miki Shoji, Oxford Economics, Bloomberg. As of June 2020. Past performance is not a reliable indicator of future returns.

Credit markets

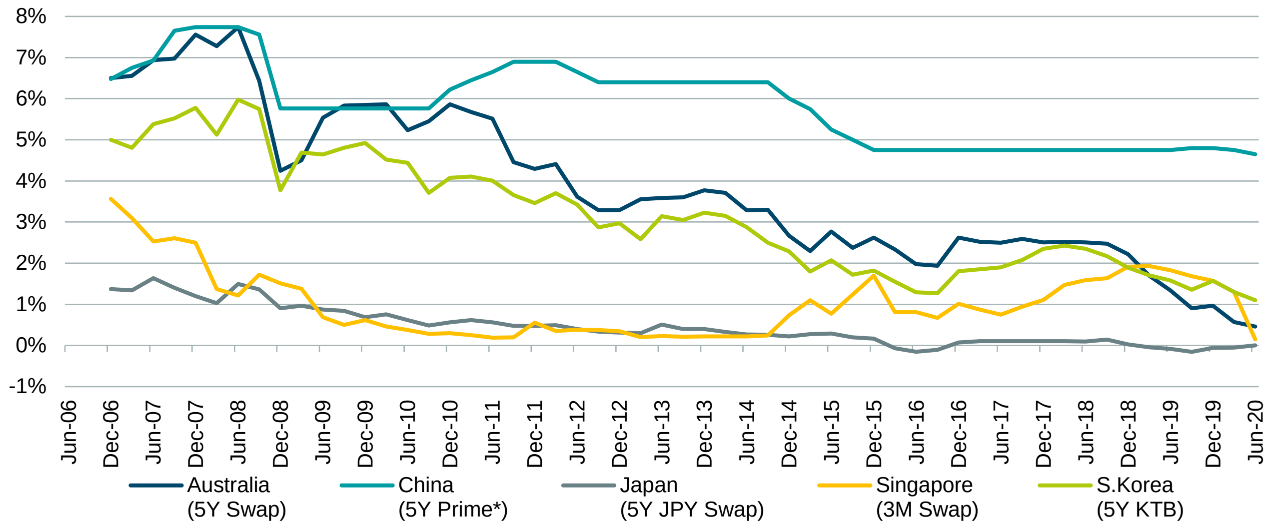
Due to a range of monetary easing policies including cuts in central bank rates, all-in financing costs across the region have fallen in the first half of 2020, leading to favourable financing conditions. With the exception of China and Hong Kong, office cap rate spreads over financing costs remain positive across core markets with the highest positive carry of circa 200-300 basis points in the Australian and Japan markets.

Exhibit 11: Typical commercial lending terms (Up to 5Y Swap)

Market	LTV (%)	Base Reference rate	Spread (bps)	Financing Cost (bps)
Australia	50-55%	5Y Swap Rate : 0.5%	150 - 180	200 – 230
China	50-60%	5Y Loan Prime Rate: 4.65%	100 – 185	565 - 650
Japan	50-60%	5Y JPY swap rate + TL spread: 0.2%	60 - 80	80 - 100
Singapore	50-60%	3M Swap Rate: 0.15%	150 - 210	165 - 225
South Korea	50-60%	5Y KTB: 1.1%	150 - 180	260 - 290

Source: DWS, Bloomberg. Base Reference Rates are obtained from Bloomberg. As at June 2020.
For illustrative purposes only. Lending terms above are indicative for core stabilized commercial assets and may differ from actual terms achieved for individual assets. Past performance is not a reliable indicator of future returns.

EXHIBIT 12: BASE REFERENCE RATES FOR COMMERCIAL LENDING



Source: DWS, Bloomberg. As at June 2020.
* Figures before Sep 2019 refer to the 1-5 year PBOC rate. Past performance is not indicative of future returns

3.2 Listed REITs

The massive scale of business disruptions is likely to negatively impact occupier and investor sentiment in the near-term. Given the time lag for transaction pricing and the question of data reliability on low deal volumes, the listed real estate space provides an alternative insight to investors' pricing expectations. The year-to-date performance of benchmark REIT indices in the region indicate forward expectations of declines in capital values of direct real estate in the major markets of Japan, Australia, Hong Kong and Singapore, albeit there have been signs of recovery following the pricing bottom in March. From a sector perspective, using the major J-REITs as a proxy, the listed Hotel and Retail REITs experienced the largest price declines over the past few months, while Logistics REITs have thus far emerged as the most resilient amid the market selloff.

EXHIBIT 13: APAC REIT PRICING TRENDS BY COUNTRY

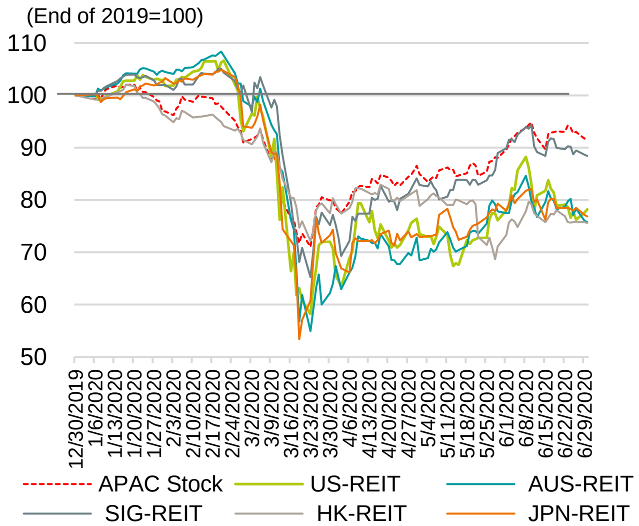
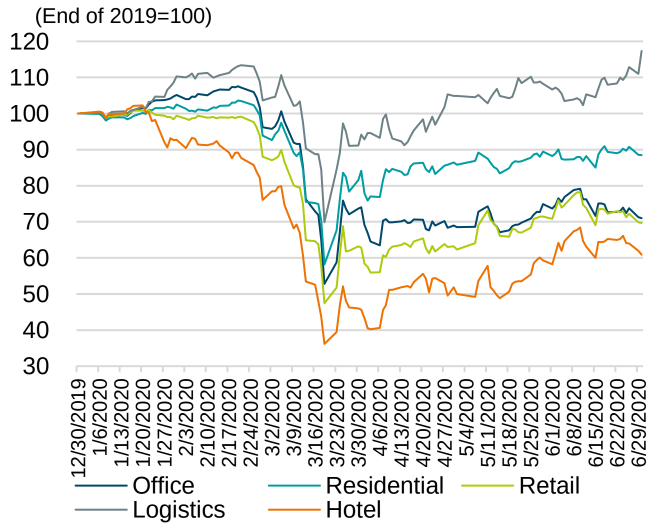


EXHIBIT 14: JAPAN REIT PRICING TRENDS BY SECTOR



Note: APAC Stock = MSCI AC APAC Index, US-REIT = FTSE EPRA/NAREIT United States, AUS-REIT = S&P/ASX 200 REIT, SIG-REIT = FTSE ST REIT Index, HK-REIT = Hang-Seng REIT Index, JPN-REIT = TSE REIT Index, Office = TSE Office REIT Index, Residential = TSE Residential REIT Index, Retail = Average of Japan Retail Fund, Frontier Real Estate Investment Corp., and Aeon REIT Logistics = Average of Nippon Prologis Fund and GLP J-REIT, Hotel = Average of Japan Hotel REIT, Hoshino Resorts REIT and Invincible Investment Corp.
Source: DWS, Bloomberg, As of June 2020. Past performance is not a reliable indicator of future performance.

3.3 Returns and Market Calls

The COVID-19 outbreak has created severe headwinds in the hotel and retail sectors, with significant declines in tourist arrivals while retailers experienced a considerable drop in revenues due to lower consumption spending. Commercial tenants in Singapore and South Korea received government support such as passing through of property tax rebates or income tax relief, while in Australia mandatory rental waivers and deferrals for commercial tenants affected by the coronavirus outbreak have been introduced. Regardless, retail landlords are likely to face cashflow pressures from rental abatements, rising tenant defaults and higher vacancies in their portfolios, with significant rental declines expected in lieu of low demand for retail space.

The negative impact is also likely to filter into the office sector over the next few quarters, as increased business uncertainty and telecommuting arrangements in-place reduce expansionary demand for office space. Early indications of lower leasing activities and asking rents have emerged, with corporate occupiers shelving expansion and relocation plans, prompting landlords to lower asking rents or increase rent incentives. Given the risks of rising business bankruptcies and weaker tenant profitability, office rents, being highly correlated to economic growth, are likely to face correction over the next 1-2 years.

Among the major sectors, we expect logistics to be the most resilient. Though the decline in manufacturing activity would affect some assets with higher exposure to trade activities, other logistics assets catering to domestic consumption may benefit from rising orders of online retailing as physical retail activities decline, which may accelerate the structural tailwinds of consumption-driven logistics. Meanwhile, the institutional residential sector (in Japan) is expected to be more stable, comprising more defensive leases to tenants with non-discretionary accommodation needs through recessionary periods.

Our updated summary market calls for the region is summarized in Exhibit 15:

EXHIBIT 15 : ASIA PACIFIC REAL ESTATE KEY STRATEGIES:

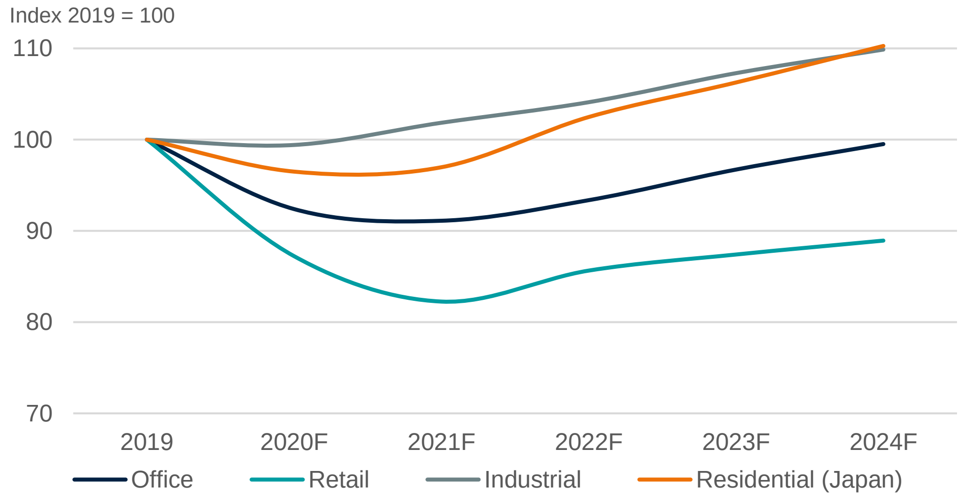
	Theme	Sector	Countries/Cities	Main Rationale
Core Strategy	Structural Growth Drivers	Logistics	Key hubs in Japan, S.Korea, Singapore and Australia (overweight)	High logistics income yields and stable rental growth underpinned by favourable demographic profile and rising e-commerce retail trends.
Core Strategy	Resilient Demand	Residential (Mass / Mid-tier)	Japan (overweight)	Demand for the affordable residential market is expected to remain resilient, supported by high occupancy and sustainable income, vis-a-vis luxury segment which is more exposed to an economic downturn.
Core Strategy	Cyclical Rental Recovery *(Entry after appropriate price adjustments)*	Office	Sydney, Melbourne, Seoul (Gangnam) (overweight)	Rental / capital value corrections expected in near term due to weak economic outlook. Key gateway cities in Australia are likely to lead strong rental recoveries over the longer term and are expected to continue to attract interest from domestic and offshore capital sources due to the premium relative to risk free rate.
			Japan, Seoul, Singapore, Brisbane (market-weight)	Seoul (Gangnam) could be more resilient during the downturn vis-a-vis other cities due to its positioning towards the growing technology sector. Longer term office fundamentals of core cities in the region remain supported by diversified corporate occupier base and limited supply pipelines.
	Theme	**Sector**	**Countries/Cities**	**Main Rationale**
Core Plus and Value Added Strategy	Active Asset Management	Office, High Street / Neighbourhood Retail	Japan, S.Korea, Singapore and Australia	Distressed sale opportunities of poorly managed assets at lower than intrinsic values present value add potential through refurbishment/re-positioning exercises. Taking on leasing risks for vacant or under-rented office properties.
Core Plus and Value Added Strategy	Forward Commitments	Office	Japan, S.Korea, Australia	Facilitate investments where access to core stock is increasingly limited. Potential for higher returns compared to investments in core stabilized assets. JV with strong local operating partners to mitigate development risks.
		Logistics	South Korea, China	Demand driven by rising e-commerce retail and consumption. Build-to-core strategies provide access to modern logistics assets in markets dominated by older obsolete stock. JV with strong local operating partners to mitigate development risks.

Sources: DWS. As of June 2020. Past performance is not indicative of future results

One of the key questions on investors' minds centers around the potential impact of the COVID-19 outbreak on real estate pricing. The near-term outlook certainly looks negative for asset prices, as the combination of rental declines and higher cap rates in lieu of lower transaction volumes amid uncertain market conditions could force weaker sellers to lower asking prices. Notwithstanding the negative outlook, recent monetary easing by central banks in the region has led to considerable declines in financing costs, providing a boost to investors' firepower.

Exhibit 16 provides our current regional pricing trend forecasts. While pricing pressures are expected in the near-term, a recovery in capital values is likely to set in later years as rents recover along with economic growth while investors refocus on the region's fundamentals amid low borrowing costs and bond yields supported by accommodative monetary policies. Among the sectors, we believe retail assets potentially face the most significant declines and slower subsequent recovery due to headwinds relating to COVID-19 and shifting trends towards online retailing, while logistics assets should fare much better in pricing trends underpinned by stable occupier demand and rental growth.

EXHIBIT 16: PROJECTED ASIA PACIFIC PRIME CAPITAL VALUE TREND

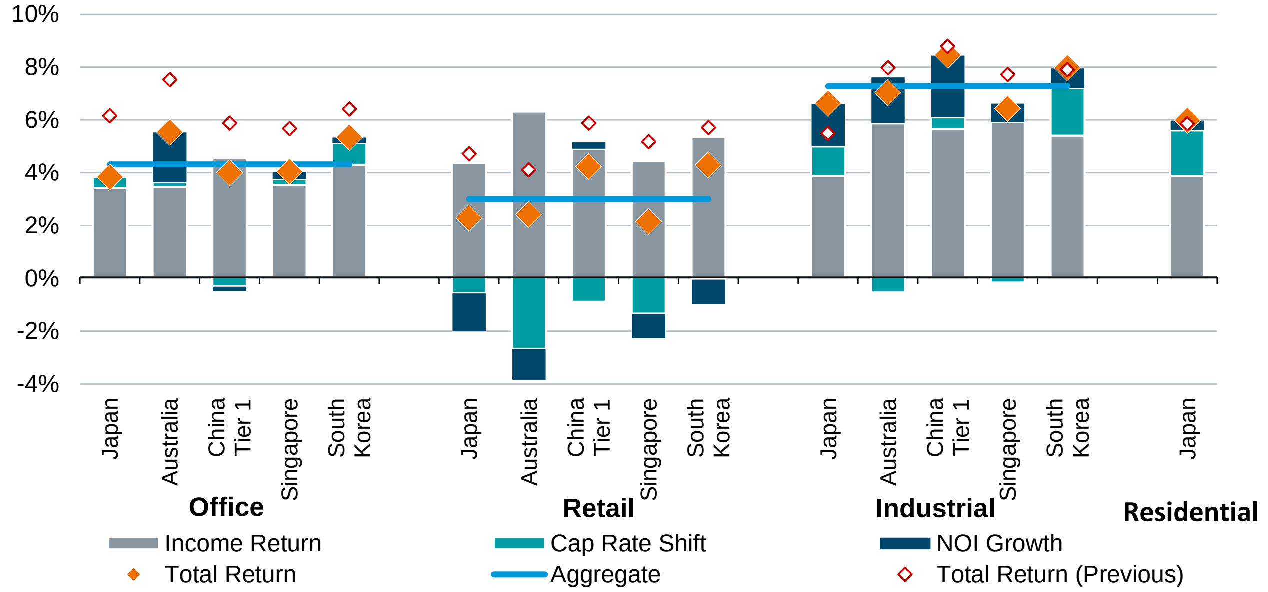


Note: f = forecast. There is no guarantee the forecast values shown will materialize. Figures shown are stock-weighted aggregate forecasts based on the following countries: Japan, South Korea, Australia, Singapore, China, Malaysia and New Zealand. Past performance is not a reliable indicator of future returns.
Source: DWS. As of June 2020

The current uncertainty in economic conditions and cross-border travel restrictions is expected to weigh on investor sentiment, with investors likely to remain cautious in the near-term. Nonetheless, investors should look beyond the current situation and focus on the region's long term fundamentals in the form of low vacancy levels and disciplined supply pipelines. Attractive opportunities should arise amid lower price expectations from weak sellers during the market correction, while an economic recovery should eventually materialize in the following years and lead a recovery in rental growth and transaction volumes, with further support from low interest rates and available dry powder allocation to the region by global investors.

Accordingly, we have revised our five-year total returns forecasts downwards. In our view, logistics will likely remain the best performing sector in Asia Pacific, followed by the residential sector (Japan). Lower returns from office and retail assets suggest that investors should be more selective and look for entry opportunities with appropriate pricing adjustments to boost returns.

EXHIBIT 17: PROJECTED ANNUAL TOTAL RETURN BY SECTOR AND COUNTRY IN ASIA PACIFIC, 2020-2024F



Note: f = forecast. Projected returns are based on compounded basis. There is no guarantee the forecast returns shown will materialize.
Source: DWS. As of June 2020.
Country returns are stock-weighted based on city level data[3]. As such, the performance and forecast shown represent hypothetical and simulated performance, which has many inherent limitations. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. No assurance is made that forecast returns will be achieved.

[3] Japan – Tokyo (All sectors), Osaka/Yokohama/Nagoya/Fukuoka (Office); Australia – Sydney/Melbourne/Brisbane/Perth/Adelaide; China Tier 1 – Beijing/Shanghai (All sectors), Guangzhou (Office & Retail); South Korea – Seoul.

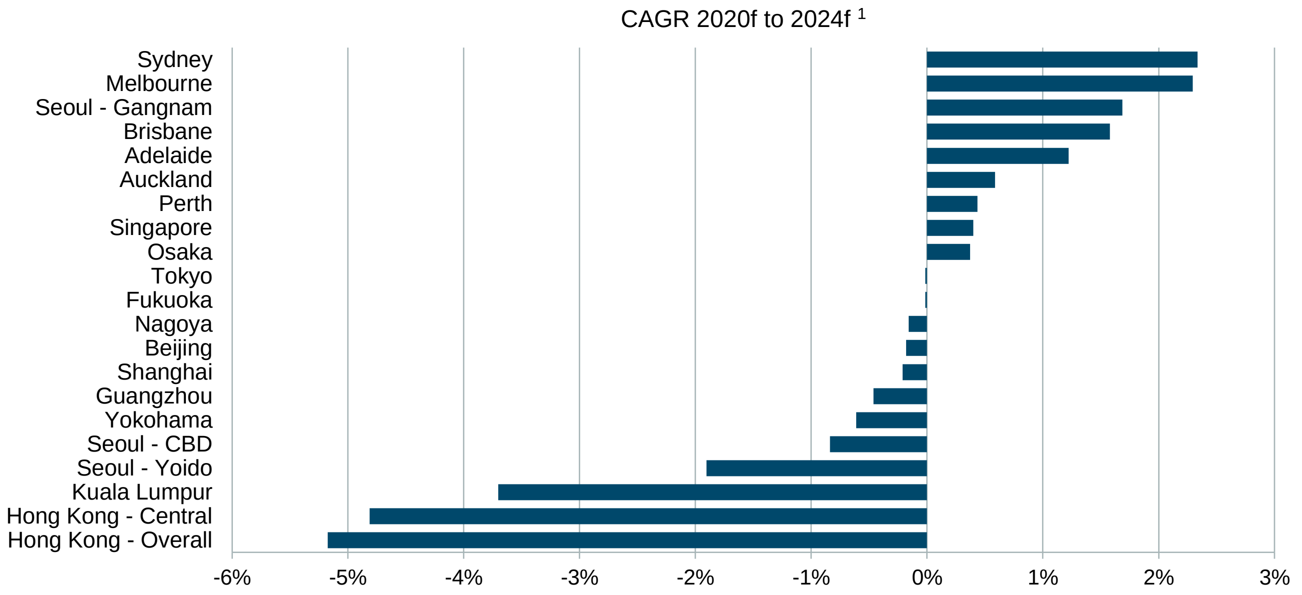
4 / Property Sectors and Returns[4]

4.1 Office

Outlook: As previously discussed in section 3.3, regional office markets are expected to experience a moderate correction from 2020 to 2021, in view of the weak macroeconomic outlook exacerbated by COVI9-19 outbreak. While some of the workforce is gradually returning to office space as restrictions ease, flexible working and work-from-home arrangements are likely to remain among the preferred mode for many employees at least for the near future. In particular, landlords with higher exposure to co-working or flexible work space would likely face stronger headwinds given higher vacancy risks from lower tenant switching costs as well as shorter lease terms compared to traditional office leases.

Still, regional office markets remain supported by healthy fundamentals with vacancy levels near historic lows while supply pipelines do not appear overstretched. We expect Sydney and Melbourne to emerge from the downturn with healthy rental recoveries after 2021, supported by a diversified occupier base. Seoul (Gangnam) is also likely to outperform other office markets given the strong and more resilient occupier base comprising technology-related companies. At the other end, some office markets are likely to face long-term structural challenges, such as Hong Kong (political issues) and Kuala Lumpur.

EXHIBIT 18: OFFICE SECTOR: PROJECTED RENTAL GROWTH (2020F – 2024F)

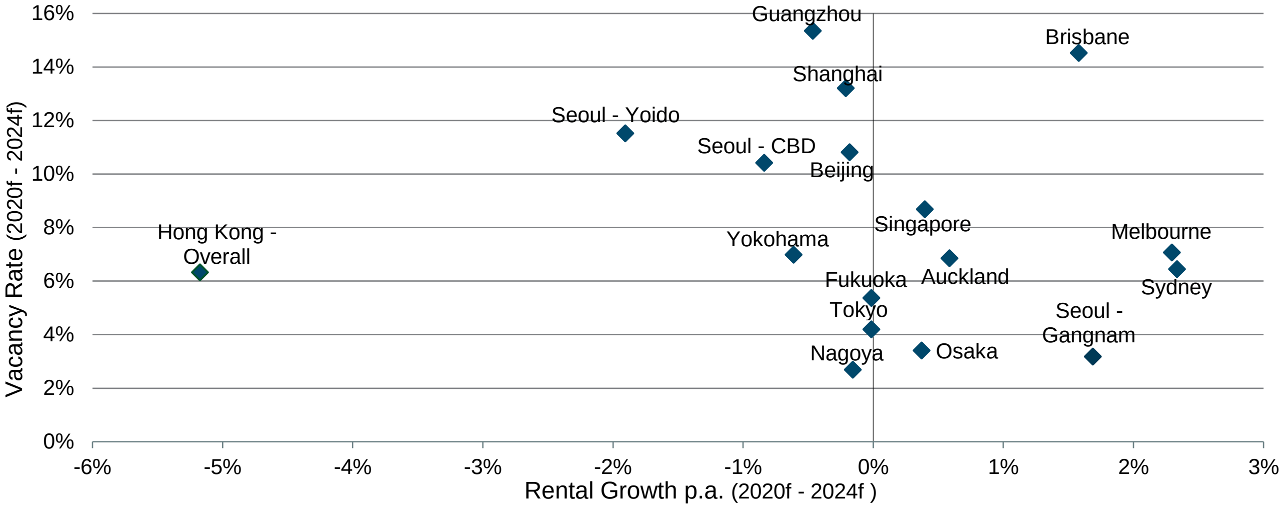


Note: f = forecast. [1] Projected returns are based on compounded basis. There is no guarantee the forecasts will materialize. All opinions and forecasts are based upon data at the time of publication of this article (January 2019) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation. Past performance is not a reliable indicator of future returns.
Source: DWS. As of June 2020.

Performance: We expect the APAC office sector to yield annual total returns of minus 3% to 7% annually through to 2024[5]. The core Australian cities of Sydney and Melbourne should continue to perform well, while office assets in Seoul (Gangnam) with a strong occupier profile would likely yield moderate returns underpinned by modest income yields. In Japan, regional cities including Osaka, Fukuoka and Nagoya continue to offer decent income and capital returns, combined with low local financing costs which equates to decent returns on a levered basis. On the other hand, we expect Hong Kong to underperform on the back of a significant rental correction which could drive down capital values.

[4] DWS. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect.
[5] DWS Forecasts, June 2020

EXHIBIT 19: OFFICE SECTOR: PROJECTED VACANCY RATE VS RENTAL GROWTH (2020F-2024F)

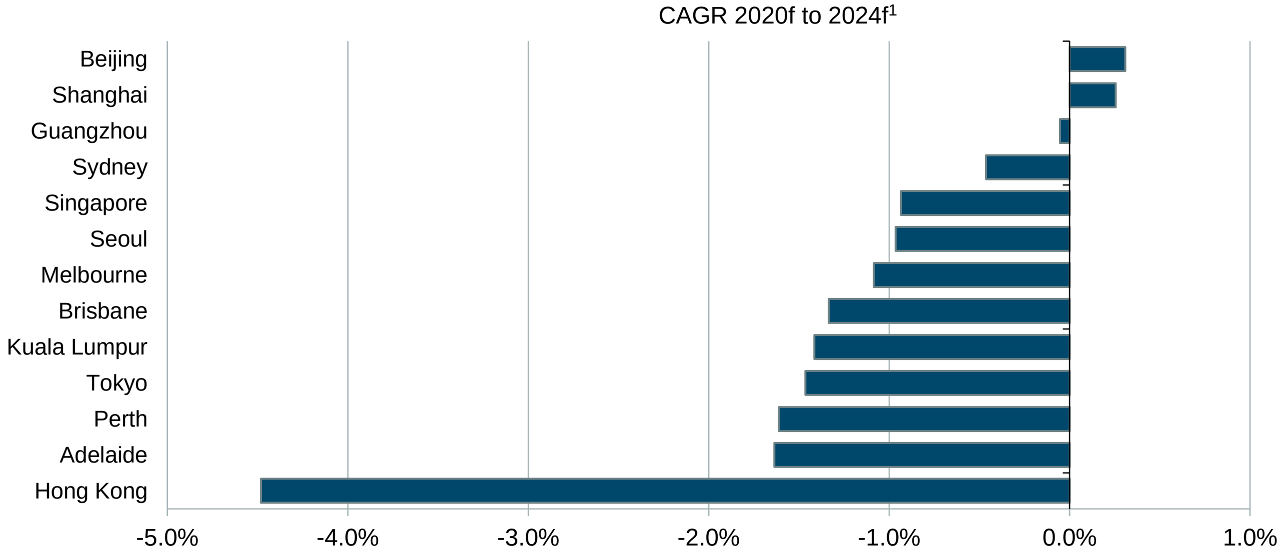


Note: f = forecast. There is no guarantee the forecasts will materialize.
Source: DWS. As of June 2020.

4.2 Retail

Outlook: The retail sector outlook certainly appears challenging, particularly in 2020 where retailers have to grapple with lower retail sales and store shutdowns as COVID-19 directly impacts consumers' spending in physical stores while boosting e-commerce based spending. With international travel restrictions likely in place in many countries, at least for the foreseeable future, the lack of foreign tourist arrivals and expenditure is expected to exert significant rental pressures, particularly for high-street shops and retail malls with heavy exposure to tourist spending. As importantly, the rise in e-commerce remains a major long-term driver in redefining the retail landscape in Asia Pacific. Regional retail markets are expected to face significant rental pressures which could extend till 2021, as landlords are likely to offer rental abatements and incentives to struggling retailers in efforts to minimize space vacancies.

EXHIBIT 20: RETAIL SECTOR: PROJECTED RENTAL GROWTH (2020F – 2024F)



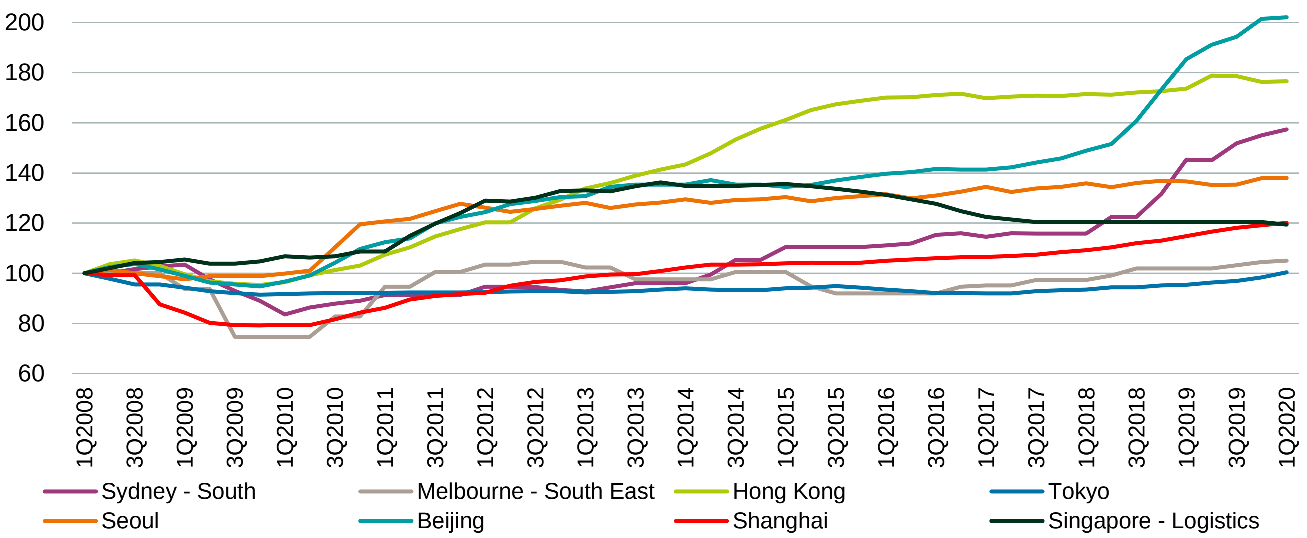
Note: f = forecast. [1] Projected returns are based on compounded basis. There is no guarantee the forecasts will materialize.
Source: DWS. As of June 2020.

Performance: Given the significant headwinds, we expect retail to underperform other sectors. Correspondingly, the divergent trend across different retail assets is likely to intensify with a "winner-takes-all" outcome, as well-located malls with strong positioning and good tenant mix continue to fare better while poorly-managed malls with weak or unclear positioning face survival risks unless significant repositioning or exit strategies are deployed. Suburban or neighbourhood malls anchored by non-discretionary segments such as staple food and daily necessities are also likely to fare better than prime high-street or malls which are more exposed to fluctuations in discretionary spending during economic downturns.

4.3 Industrial

Prime logistics space across the region continues to see healthy take-up driven by e-commerce and third party logistics providers, resulting in positive rental growth trends across the region. The availability of prime development land and quality modern warehousing facilities is critical for logistics markets undergoing modernization changes coupled with rising domestic consumption, particularly for locations such as Seoul and Tier-one cities in China where the majority of existing warehouse stock is older and obsolete.

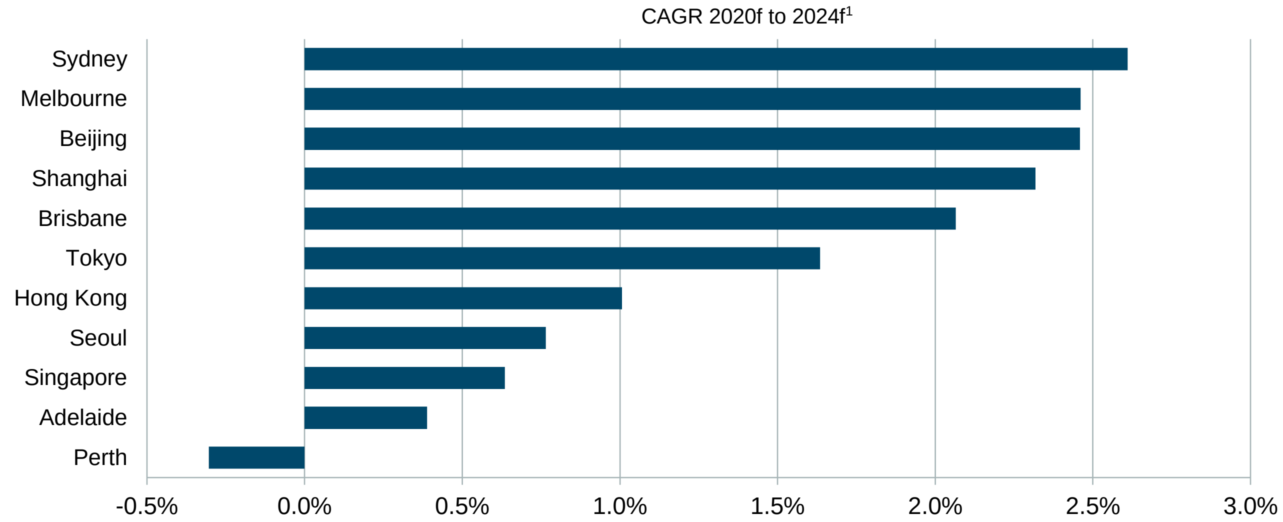
EXHIBIT 21: INDUSTRIAL SECTOR: NET RENT INDEX (BASE YEAR 1Q2008 = 100)



Source: DWS, Ichigo, Colliers. Data as of June 2020. Past performance is not a reliable indicator of future returns.

Outlook: The outbreak of COVID-19 had minimal impact so far on logistics demand in most of the Asia Pacific cities. This is particularly the case for those catering to domestic-oriented segments including e-commerce retailers and third party logistics (3PL). These segments benefited from higher online retail sales volumes during the past few months as physical store retailing declined due to mandatory or voluntary closures amidst the outbreak. Notwithstanding the likely short-term nature of the demand boost, long term structural drivers of rising logistics requirements and e-commerce retailing bode well for demand for good quality warehouses and should underpin moderate rental growth across most markets over the next few years.

EXHIBIT 22: INDUSTRIAL SECTOR: PROJECTED RENTAL GROWTH (2020F – 2024F)



Note f = forecast. [1] Projected returns are based on compounded basis. There is no guarantee the forecasts will materialize.
Source: DWS. As of June 2020.

Performance: Driven by higher income yields, strong underlying occupier demand and stable rental growth, the industrial sector has provided consistently higher returns than the office and retail sectors. It remains attractive over the next five years with projected total returns exceeding 7% for most locations in our coverage. Investors seeking access through forward funding commitments – often the most realistic approach to gain exposure to quality assets in certain markets such as China, and to a lesser extent, South Korea – need to consider development-related and transparency risks. Despite the relatively lower total return expectations, industrial assets in Tokyo remain attractive where we believe low bond yields will drive excess returns.

4.4 Residential

Amid the COVID-19 pandemic, it is noteworthy that the residential sector is increasingly gaining attention from global investors, due to its resilience in the down cycle. In contrast to other sectors suffering from the rapid decline of liquidity along with looming market uncertainties, the Japan residential sector continued to see healthy capital inflows in the first half of 2020, with the largest ever residential portfolio deal in Asia Pacific being transacted in the same period. Underpinned by high occupancy rates and affordable household incomes, the standard-type residential assets are proving their value in yielding stable cash flows during the market downturn, while high-end rent houses are more volatile with the majority let to expatriates or business owners. In Asia Pacific, Japan stands out as the only country with a mature, sizeable and institutionalized residential market where the average transaction volume in the last ten years amounted to US5$ billion annually, accounting for approximately 70% of total residential volumes in the region.

Transactional liquidity is backed by several listed residential J-REITs. As of May 2020[6], the residential sector accounted for 14.4% of the aggregate asset value of all listed J-REITs, compared to the retail (17.4 %) and industrial (16.6 %) sectors. Of over 1,700 assets held by all listed REITs across Japan, greater Tokyo accounts for 77% of aggregate value (of which Tokyo 23 wards account for 67%), followed by greater Osaka (10%) and greater Nagoya (5%). A majority of these assets are standard single/family types, though the asset grades vary by quality and location.

Increasingly, cross-border investors are becoming more active in large portfolio deals, further driving the market expansion and diversification. The share of cross border investments in overall residential transaction volume in Japan increased to 42% in 2019, compared to the historical ten-year average of 24.2%, and it is likely to rise further exceeding 50% in the first half of 2020, following the aforementioned US$2.8 billion residential portfolio deal involving cross-border investors.

[6] DWS, Association for Real Estate Securitization in Japan, May 2020

EXHIBIT 23: J-REIT AUM BY SECTOR

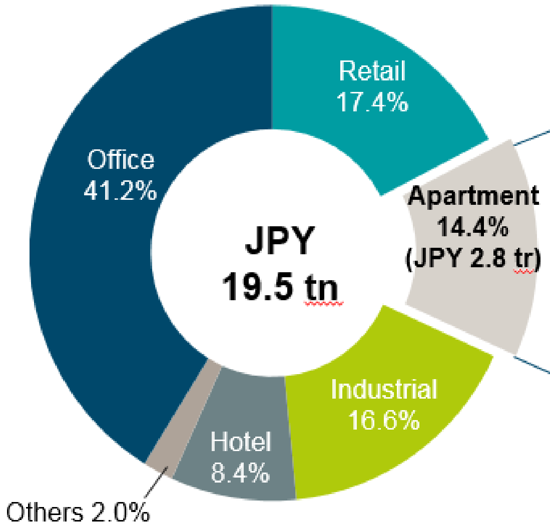
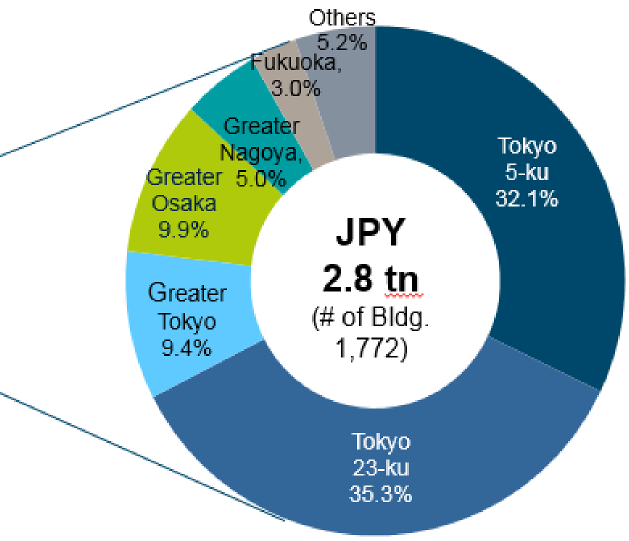


EXHIBIT 24: J-REIT RESIDENTIAL AUM BY REGION



Source: DWS, Association for Real Estate Securitization in Japan. As of May 2020.

Asset size tends to be relatively small in the residential sector, around JPY 1.6 billion or US$14 million per asset, and even smaller in regional cities, hence larger sized portfolio deals are strongly sought after by institutions, especially global investors. Since the sector requires heavy asset management involving tens or hundreds of individual tenants with frequent turnovers, many foreign investors form partnerships with local residential operators to outsource operational risks.

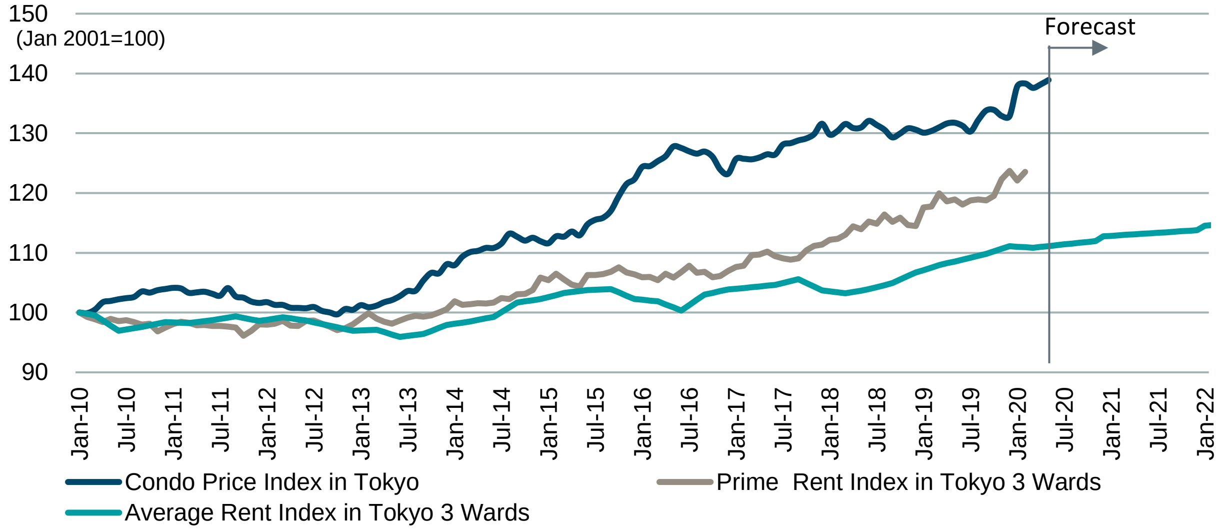
Outlook: The condominium unit price in Tokyo remains close to its highest level in two decades and this has helped sustain strong tenant demand in rental houses. The average for-sale condominium price per unit in greater Tokyo is around JPY60 million, or US$500,000, and a majority of potential first time buyers with affordability issues have little choice but to stick to rental houses. As such, leasing demand is expected to remain relatively strong in central locations in Tokyo with good access to public transportation. Vacancy rates stood at 3.4% in Tokyo and 2.7% in Osaka during the fourth quarter of 2019. Prime rents in the Central 3 wards in Tokyo grew 4.7% per annum over the last three years; rental growth for average assets in Tokyo was more modest at 2.1%, and almost flat in other regional cities in Japan.

Given the trend of rising prices of for-sale condominiums as well as the shift in business culture towards flexible working and work-from-home concepts, demand for quality for-rent houses should remain strong. On the other hand, soaring construction costs and land prices nationwide in Japan limit the profitability of new residential developments, which should mitigate oversupply risks, especially in the areas near city centres. As such, average rents may see moderate growth of around 1% per annum in the next five years, somewhat above inflation expectations of 0.3%.

Performance: Over the long run, the performance of the residential sector in Japan has been less volatile than other commercial sectors, while only Central Tokyo has experienced strong income growth to date. Residential total returns in Japan averaged 10% annually in the last five years[7]. Looking ahead, leasing demand for residential assets in Tokyo looks supported by elevated condominium prices and healthy social migration to urban areas. Over the next five years, annual total returns are forecast at slightly below 6%, driven mainly by income return and modest cap rate compression.

[7] DWS, CBRE, REINS, KEN, December 2019. Past performance is not a reliable indicator of future returns.

EXHIBIT 25: RESIDENTIAL RENT INDEX VS. CONDO PRICE INDEX (2001-2021F, 12 MONTHS ROLLING)



Source: DWS, Real Estate Economic Institute, LMC, Real Estate Information Network System, As of June 2020. Past performance is not a reliable indicator of future returns. There is no guarantee the forecasts will materialize. All opinions and forecasts are based upon data at the time of publication of this article (July 2020) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation. Past performance is not a reliable indicator of future returns.

5 / Risk Return Profile (office sector)[8]

It is insufficient to compare property-level total returns on a stand-alone basis without factoring the associated risks, especially in the Asia Pacific region where a significant divergence in market maturity and transparency persists. Several factors were considered in the computation of associated risks related to each submarket such as volatility, liquidity, transparency and the effect of obsolescence, along with domestic risk free rates. The associated risks were formulated using a combination of quantitative and qualitative modeling which have been integrated in our House View forecasts.

Exhibit 26 highlights the positioning of the various markets in reference to this framework. The total forecast returns on the vertical axis are plotted against associated risks on the horizontal axis for each office market. Returns are based on the same office sector forecasts outlined on Exhibit 18. A Market Neutral zone (shaded) is added to indicate the level of attractiveness of each market from a risk-return perspective (cities above this line are deemed more attractive and vice versa).

EXHIBIT 26: RISK RETURN PROFILE OF APAC OFFICE MARKET

Source: DWS, Oxford Economics, Colliers, JREI, CBRE, Cushman & Wakefield, Real Capital Analytics. As of June 2020.
Note: F = forecasts. There is no guarantee the forecasts will materialize.
Risk Scoring[a]: A greater risk score indicates higher levels of risks associated with each market. A range of risk factors were considered including the local risk-free rate, historical volatility of returns, level of market liquidity, real estate transparency level and capital expenditure requirements.

We categorize the major office markets into the following three groups:

Overweight: Core target markets include core cities in Australia and Seoul (Gangnam) where total return forecasts look favorable compared to their associated risks. These are among the most mature markets with a stable occupier base in the region. Core investors focused on income yields should center their portfolio investments mainly in these markets. This is broadly in line with our Core Strategy themes as outlined on page 13.

Market Neutral: Markets with a lower but nonetheless favorable risk-return profile. These cities are expected to see a gradual market rental recovery after a short term market correction with improving demand-supply fundamentals, such as Japan, Singapore, Brisbane and Seoul (CBD).

[8] Source: DWS. All opinions and forecasts are based upon data at the time of publication of this article (June 2020) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation.

Underweight: Markets where forecast returns lag associated risks on the back of low forecast returns, high risks or a combination of both. Hong Kong could post unfavourable returns due to a potential rental correction cycle combined with low income yields, while in Kuala Lumpur, demand-supply fundamentals remain largely in favour of tenants at the expense of office landlords due to extremely high vacancy levels. On the other hand, investments in China would require a higher hurdle rate due to the increased risks associated with a higher risk free rate as well as lower market transparency and other investment restrictions. These markets should be more suitable for value added strategies in line with "Active Asset Management" as outlined on page 13.

Despite favourable performance expectations in some markets there are other challenges and constraints that should be factored for commercial real estate investments which cannot be fully captured in the risk scoring computations, especially for cross border investors.

Currency hedging costs remain relatively expensive in Australia and South Korea for Euro-denominated investors and this can be an impediment for cross border investors when competing with domestic investors, despite favourable returns projections. In Japan, local investors and developers command the upper hand due to extremely cheap borrowing costs in the local debt market, whereas access to cheap capital is limited for foreign investors.

Foreign investors also face additional regulatory and compliance risks compared to domestic investors. In China, onshore holding structures with equity investments from foreign parties require the formation of foreign-invested enterprises (FIEs) or wholly owned foreign enterprises (WOFEs). Conversion of structures is required if the existing holding structure is not in either of these forms and is subjected to regulatory approval, which introduces regulatory uncertainties. Foreign investors also have to deal with the complexities of capital controls and taxation issues which pose considerable challenges to new foreign investors.

Therefore, it is critical for investors to find capable investment managers who have a good foothold in each of these markets when making investments.

6 / Overview of Key Asia Pacific Markets

COUNTRY REAL ESTATE OUTLOOK: JAPAN

Economy: The third largest economy in the world. GDP growth is expected to decline by 6% in 2020 due to the impact from the COVID-19 outbreak, followed by modest recovery of 2.8% in 2021. Ten-year Japanese government bond yields remained relatively stable at around 0% in the first half of 2020 and is expected to stay flat in the foreseeable future.

Real Estate Market: One of the largest real estate markets in the region. Good transparency with a well-established REIT market. Relatively healthy yield spreads attracting more cross-border investors, despite domestic investors remaining dominant due to the extremely low capital cost. Main Target Markets: Tokyo, Osaka, Nagoya, Fukuoka

Risks: Slower recovery of global trade and rapid increase of public debt level

Real Estate Performance Outlook 2020-2024f

Sector	Outlook	Summary View
Office	Neutral	- Space expansion or new relocation demand likely negatively affected due to the economic slowdown, while limited supply should well mitigate the future vacancy risk especially in key regional cities in Japan. Demand for flexible work style expected to increase.
Retail	Negative	- High street assets are expected to underperform in 2020 and possibly early 2021, while grocery anchored assets should perform relatively better instead, as people spend more time at home than dining out.
Industrial	Positive	- Rising demand in the logistics sector as consumers prefer online retailing to avoid physical contact in public. - Investment demand remains strong, as indicated by recent logistics REIT pricing trends which were least affected by the capital market fluctuations.
Residential	Positive	- Luxury residential is somewhat exposed to an economic downturn while demand remains resilient for the affordable residential market, underpinned by high occupancy and sustainable income.

EXHIBIT 27: ECONOMIC INDICATORS

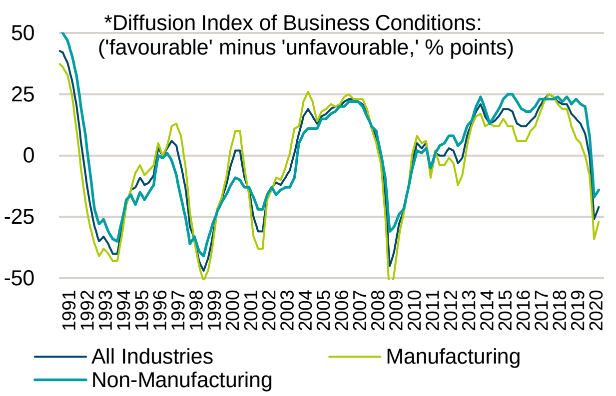
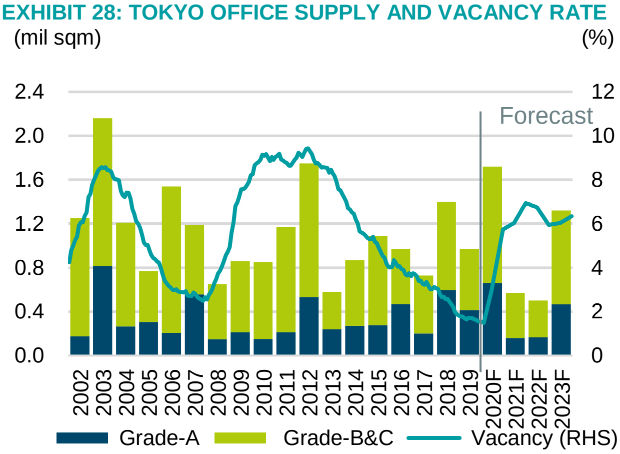


EXHIBIT 28: TOKYO OFFICE SUPPLY AND VACANCY RATE



Note: F = forecast. There is no guarantee the forecasts shown will materialize. *Percentage share of enterprises responding 'favourable' minus percentage share of enterprises responding 'unfavourable' over business conditions.
Sources: DWS, World Bank, Bank of Japan, Miki Shoji, Mori Building, Oxford Economics. As of June 2020.

Past performance is not a reliable indicator of future returns. All opinions and forecasts are based upon data at the time of publication of this article (July 2020) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation.

COUNTRY REAL ESTATE OUTLOOK: SOUTH KOREA

Economy: The fourth largest economy in the region (after China, Japan and India). Real GDP is expected to shrink by 0.7% in 2020, before rebounding back to 3.2% growth in 2021. The Bank of Korea cut interest rates twice by a total of 0.75% so far in 2020, lowering the base rate to 0.5% in May, and is expected to keep the long-term bond yield continuously low in the coming years.

Real Estate Market: The market has recently been upgraded from “semi-transparent” to “transparent” amid the ongoing modernization and institutionalization, supported by strong capital inflows from both cross-border and local investors including newly launched listed REITs and potential listings. Seoul, the capital city of South Korea, rose to the second largest transacted market across the Asia Pacific region in 2019, beating Hong Kong for the first time. Main Target Market: Seoul.

Risks: Slower recovery of global trade and geopolitical risks over the denuclearization of North Korea.

Real Estate Performance Outlook 2020-2024f

Sector	Outlook	Summary View
Office	Neutral	- Recovery momentum weakened in the entire leasing market, as hiring activities slowed and tenant expansion/relocation plans were deterred. Notwithstanding, rental growth in Gangnam is expected to remain robust in 2020 and beyond, backed by healthy office demand from the IT industry.
Retail	Neutral	- Both high street retail and shopping malls face declines in footfalls and sales volume, especially in the areas with high dependence on overseas tourist consumption. - In addition, the country’s big retailers announced their strategic focus towards e-commerce, posing a structural threat even to non-discretionary retail.
Industrial	Positive	- Logistics benefited from the strong momentum of leasing demand growth from e-commerce and parcel delivery industries, in part due to rigorous social distancing campaigns. - Concurrently, investment demand is getting a boost from the diversification of investor groups including listed REITs.

EXHIBIT 29: ECONOMIC INDICATORS

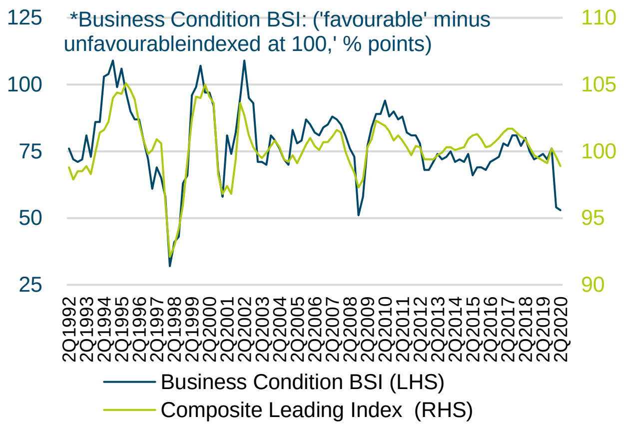
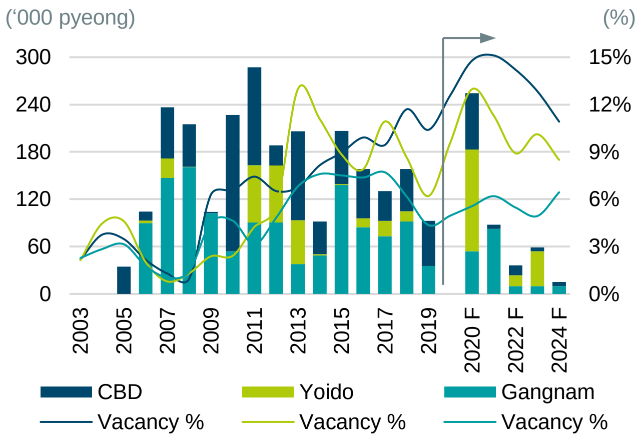


EXHIBIT 30: SEOUL OFFICE SUPPLY AND VACANCY RATE



F = forecast. There is no guarantee the forecasts shown will materialize. *Percentage share of enterprises responding ‘favourable’ minus percentage share of enterprises responding ‘unfavourable’ over business conditions.
Sources: DWS, World Bank, The Bank of Korea, Mateplus, Oxford Economics. As of June 2020.

Past performance is not a reliable indicator of future returns. All opinions and forecasts are based upon data at the time of publication of this article (July 2020) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation.

COUNTRY REAL ESTATE OUTLOOK: CHINA

Economy: China's GDP growth is projected to slow down significantly to 1%-2% in 2020, though a strong rebound recovery is expected in 2021 with the country among the first to reopen its economy. Meanwhile, deteriorating trade relations and geo-political issues with the major western economies could pose headwinds to the economic recovery.

Real Estate Market: China constitutes the largest real estate market in Asia though affected by modest albeit improving transparency levels. Domestic capital remains the predominant source of funds; foreign investor participation is limited to topTier-1 cities due to challenges from limited transparency, cash repatriation and taxation issues.

Risks: Export dependency risks to global demand, worsening of foreign relations with trade partners and build up of excessive corporate leverage.

Real Estate Performance Outlook 2020-2024f

Sector	Outlook	Summary View
Office	Negative	- Occupier demand has moderated in lieu of softer economic conditions, as firms turned more cautious with expansion plans. Leasing environment increasingly shifting in favour of tenants, particularly in Shanghai and Guangzhou with competition from new supply in both prime and decentralized areas.
Retail	Negative	- Majority of retail malls have re-opened following prior shutdowns, however anecdotal data points to business difficulties faced by smaller tenants, while long term challenges remain in the form of competition from rising e-commerce sales and new supply in decentralized areas.
Industrial	Positive	- Stable cashflows underpinned by growing occupier demand catering to domestic demand and high industrial yields in excess of 5%. Opportunities for foreign investors limited by a small pool of investable core assets.

EXHIBIT 31: ECONOMIC INDICATORS

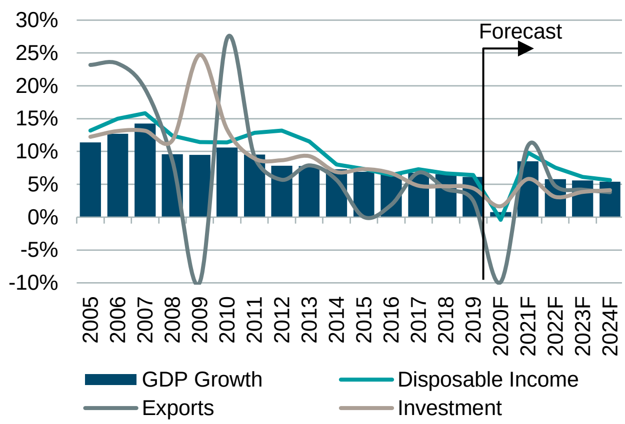
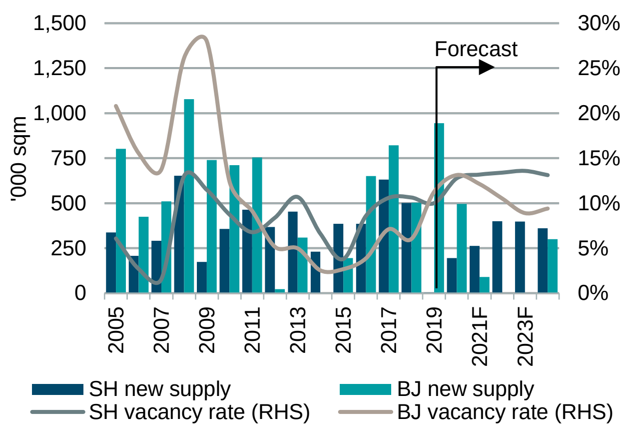


EXHIBIT 32: OFFICE SUPPLY IN BEIJING AND SHANGHAI



F = forecast. There is no guarantee the forecasts shown will materialize.
Source: DWS, Oxford Economics. As at June 2020.
Past performance is not a reliable indicator of future returns. All opinions and forecasts are based upon data at the time of publication of this article (July 2020) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation.

COUNTRY REAL ESTATE OUTLOOK: HONG KONG

Economy: Political and economic uncertainty have risen sharply on the back of the COVID-19 outbreak and renewed local civil unrest. GDP forecast is expected to decline by -6% in 2020 before picking up to 6.6% in 2021.

Real Estate Market: Strong transparency levels but lack of investment opportunities as institutional grade assets are tightly held by local developers and REITs.

Risks: Domestic political unrest and slowing demand from mainland China will likely remain a major drag on economic activity. The new national security legislation approved by the People’s Republic of China would have significant consequences for Hong Kong, particularly in relation to business and market confidence in the territory.

Real Estate Performance Outlook 2020-2024f

Sector	Outlook	Summary View
Office	Negative	- Increasing economic uncertainty and political outlook could see leasing demand weaken further while rental contraction is expected to extend to 2021. - Office investment activity slowed significantly as investors remain on the sidelines.
Retail	Negative	- Sharp deterioration in visitor arrivals and retail sales will likely exert further downside risk with rents expected to see a further correction in the medium term. Yields expected to decompress as investors turn cautious amid the gloomy outlook.
Industrial	Negative	- Leasing volumes are expected to be subdued with occupiers remaining cautious given the global economic uncertainties and weaker domestic retail outlook. The capital market will likely experience continued investment activity for assets with revitalisation potential.

EXHIBIT 33: ECONOMIC INDICATORS

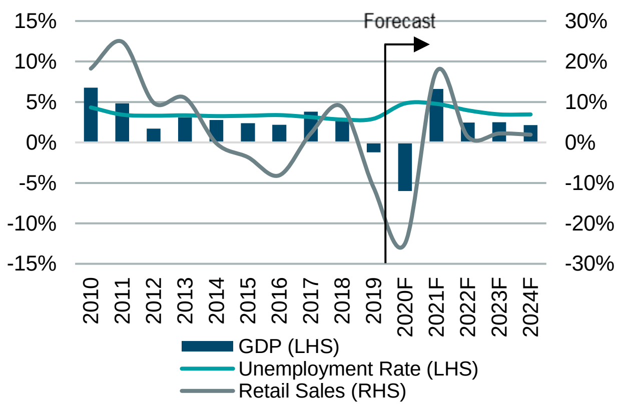
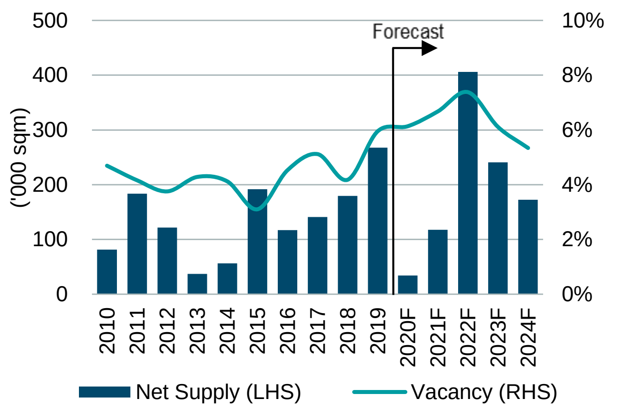


EXHIBIT 34: HONG KONG OFFICE SUPPLY AND VACANCY RATE



F = forecast. There is no guarantee the forecasts shown will materialize.
Sources: DWS, Hong Kong Rating and Valuation Dept, Oxford Economics. As of June 2020.
Past performance is not a reliable indicator of future returns. All opinions and forecasts are based upon data at the time of publication of this article (July 2020) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation.

COUNTRY REAL ESTATE OUTLOOK: SINGAPORE

Economy: The economy is expected to undergo a sharp contraction with GDP growth of -6% in 2020 due to the adverse impact felt in the tourism and exports-oriented sectors. However, improvements in global economic conditions could see a strong cyclical growth recovery averaging 4% from 2021 to 2024. Domestic interest rates remain highly sensitive to the U.S interest rate outlook, with benchmark borrowing costs having declined significantly this year as monetary conditions remain accommodative.

Real Estate Market: Strong transparency levels, highly liquid market. One of the largest REIT markets after Japan and Australia. High levels of foreign investor participation.

Risks: High export dependency risks to global demand and interest rate volatility from movements in global rates.

Real Estate Performance Outlook 2020-2024f

Sector	Outlook	Summary View
Office	Neutral	- Office vacancy rate likely to increase from multi-year lows of 4% seen in 2019 on the back of subdued economic activity although pipeline supply remain below historical 10-year average. Rent declines expected this year but likely to see stabilization in 2021 along with economic growth recovery.
Retail	Negative	- Prime retail faces significant headwinds from the absence of tourist arrivals and structural trends of rising e-commerce retail. Neighbourhood retail better positioned though retail sales have been significantly affected by lockdown restrictions and likely face steep rent declines in 2020.
Industrial	Positive	- Least exposure among all sectors to COVID-19 challenges, though export-oriented manufacturing and warehouse facilities could still face small rental declines in 2020. High industrial yields in excess of 6%. - Focus on logistics warehouses with underlying exposure to non-discretionary spending.

EXHIBIT 35: ECONOMIC INDICATORS

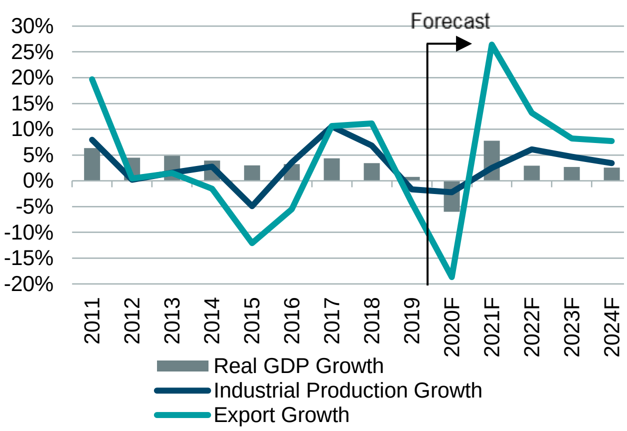
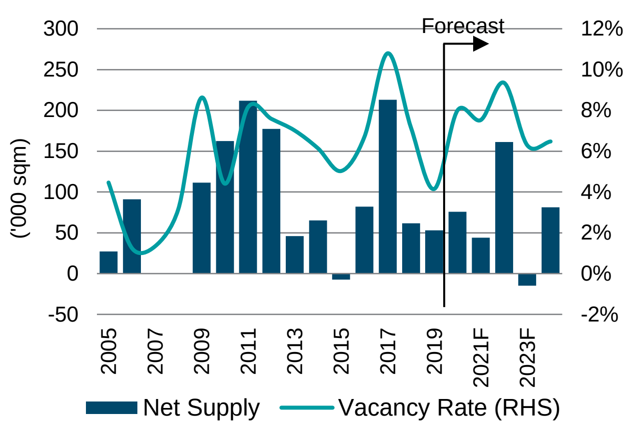


EXHIBIT 36: SINGAPORE OFFICE SUPPLY AND VACANCY



F = forecast. There is no guarantee the forecasts will materialize.
Source: DWS, Oxford Economics, Urban Redevelopment Authority of Singapore. As at June 2020.
Past performance is not a reliable indicator of future returns. All opinions and forecasts are based upon data at the time of publication of this article (July 2020) and may not come to pass. This information is subject to change at any time, based upon economic, market and other conditions and should not be construed as a recommendation.

COUNTRY REAL ESTATE OUTLOOK: AUSTRALIA

Economy: GDP growth expected to shrink by approximately 4% in 2020, before bouncing back to 3.2% in 2021. Consumer spending and services exports are expected to remain a drag in the medium term although unprecedented government spending should provide some support.

Real Estate Market: Strong transparency levels, highly liquid with a mature Australian REIT market. High levels of foreign investor participation. Main Target Markets: Sydney, Melbourne, Brisbane

Risks: Population growth which has been the major driver of the economy is expected to be impacted in the medium term as net interstate and overseas migration is unlikely to return to previous levels for some time. Slowdown in the global economy particularly a sharper than expected decline in the Chinese economy.

Real Estate Performance Outlook 2020-2024f

Sector	Outlook	Summary View
Office	Positive	- Office demand in Sydney and Melbourne expected to be negatively impacted in the short term due to the economic uncertainty. Although moderate yield expansion is anticipated in the medium term, the spread to risk free rates remains fairly wide and should soften the downside risk to pricing.
Retail	Negative	- Leasing conditions remained challenging and rental decline is expected to extend to 2021 with the majority of tenants seeking rental abatements due to the impacts of COVID-19. Yields are expected to record more notable decompression over the short-to-medium term as a result of weakened investor sentiment.
Industrial	Positive	- Demand from e-commerce, food logistics and transport sector expected to remain resilient. Yields to continue to be stable amid continued investors' interest. Prime industrial assets remained keenly sought after with increasing trends towards capital partnering and joint ventures.

EXHIBIT 37: ECONOMIC INDICATORS

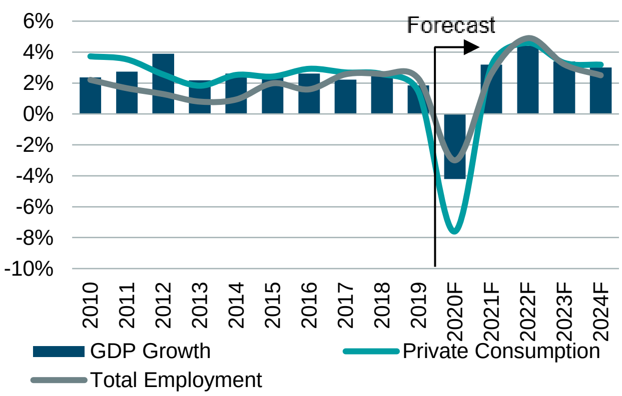
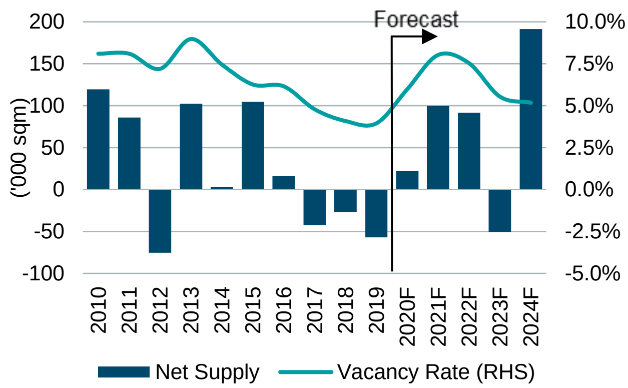


EXHIBIT 38: SYDNEY OFFICE SUPPLY AND VACANCY



F = forecast. There is no guarantee the forecasts shown will materialize.
Sources: DWS, Colliers, Oxford Economics. As of June 2020
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7 / Environmental, Social, and Governance (ESG) Outlook

The trend of environmental, social and governance investing has been increasingly relevant not just in the global context, but in Asia Pacific as well. Asian real estate corporations and portfolio managers have been notably raising their attention to sustainability performances and putting in-place execution strategies, as government pension funds, sovereign wealth funds and institutional investors increasingly commit to integrating ESG practices in their investment processes.

Based on the Global Real Estate Sustainability Benchmark (GRESB) survey, the regional average GRESB score for Asia improved from 66 in 2018 to 73 in 2019[9], highlighting the increasing commitments by real estate companies and funds to sustainability. Australia and New Zealand continue to lead the region with the highest performing score for the ninth consecutive year, with increasing focus on social sustainability such as tenant well-being and environmental sustainability particularly on achieving zero carbon emissions.

Since 2010, Australia had made mandatory rating disclosures of NABERS ratings and Building Energy Efficiency Certificates for large office spaces exceeding 1,000 square metres, with over 1,810 certified buildings as of 2019[10]. In Japan, 984 buildings (national-level) and 26,107 (prefecture-level) have been certified by CASBEE[11], while in South Korea, 197 buildings have been certified by LEED[12] and 14,781 buildings by G-Seed, the green building certificate initiated by the South Korean government[13]. In Singapore, about 3,000 buildings or about 40% of the current stock have undergone Green Mark Certification, while the government has targeted 80% of all buildings to be certified by 2030.[14]

Green and sustainability-linked financing has also gained favour in recent years with several major developers in Singapore having secured green loans to build greener buildings or refinancing existing green buildings.

Sustainability considerations are becoming an increasingly important and integral component of commercial real estate investment decisions. Investors should pay more attention to ESG investing, particularly in countries with higher proliferation of sustainability initiatives, for example Australia where office buildings with certified sustainability initiatives are the norm rather than differentiating factor.

[9] GRESB Global Real Estate Sustainability Benchmark 2019
[10] NABERS Annual Report 2018/2019
[11] CASBEE website, January 2020
[12] USGBC website, January 2020.
[13] G-Seed Homepage January 2020
[14] Building and Construction Authority Singapore, June 2019

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Investments in Real Estate are subject to various risks, including but not limited to the following:

_Adverse changes in economic conditions including changes in the financial conditions of tenants, buyer and sellers, changes in the availability of debt financing, changes in interest rates, real estate tax rates and other operating expenses;
_Adverse changes in law and regulation including environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
_Environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established;
_Changes in the relative popularity of property types and locations;
_Risks and operating problems arising out of the presence of certain construction materials; and
_Currency / exchange rate risks where the investments are denominated in a currency other than the investor's home currency.

An investment in real estate involves a high degree of risk, including possible loss of principal amount invested, and is suitable only for sophisticated investors who can bear such losses. The value of shares/ units and their derived income may fall or rise.

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