

APAC Property Performance Monitor

Second Quarter 2023

IN A NUTSHELL

- Fund-level levered total returns for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index (12 months trailing) fell from 3.4% in Q1 2023 to -0.3% in Q2 2023.
 - Private real estate in Australia underperformed broad equities, bonds and listed real estate market on a 12-month trailing basis in Q2 2023 while Japan real estate performance remained relatively strong in Q1 2023.
 - The decline in regional real estate returns is mainly attributable to weaker capital returns, particularly in Australia where all sectors except Industrial recorded negative returns.
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Private Real Estate Performance¹

- In the second quarter of 2023, fund-level levered total returns for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index (12 months trailing) fell to -0.3% from 3.4% in the previous quarter.
- Asset-level returns in Australia as shown by the Property Council of Australia/MSCI Australia All Property Index (12 months trailing) moderated from 5.2% in Q1 2023 to 1.1% in Q2 2023. Industrial returns remained the highest at 6.9% across all the sectors albeit trending lower compared to the previous quarter.
- As of August 2023, total returns post fees for unlisted funds in Australia (12 months trailing) remained negative at -1.3%, compared to -1.2% in the previous month.
- Unlevered total returns for direct real estate in Japan (12 months trailing) moderated by 30bps in Q1 2023 to 5.5%. The residential and industrial sectors outperformed while the retail and office sectors lagged behind.
- On a 12-month trailing basis, private real estate continued to record positive albeit weaker returns, with Australia real estate underperforming other asset classes such as broad equities, bonds and listed real estate markets in Q2 2023 while Japan real estate outperformed in Q1 2023.

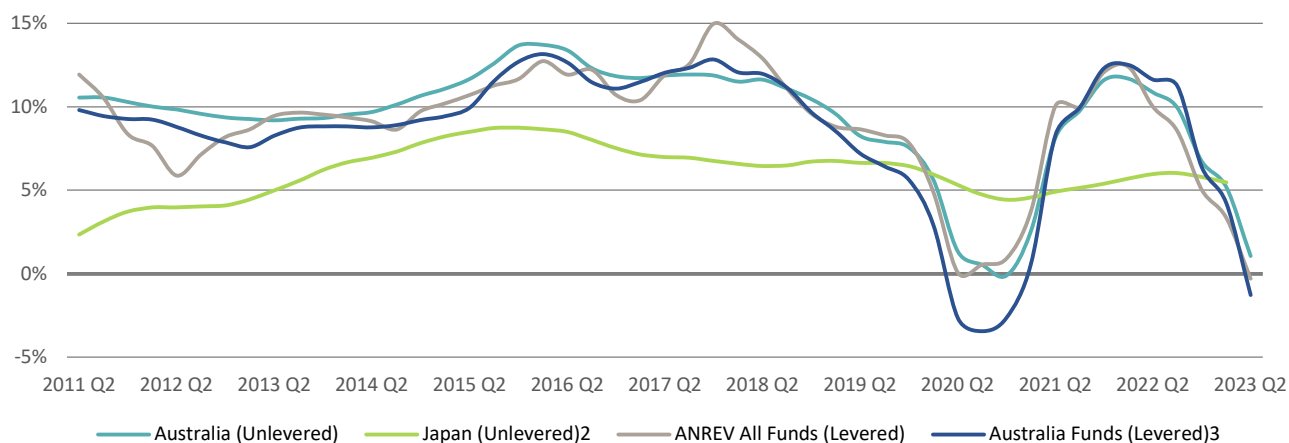
¹ Past performance is not a reliable indicator of future returns.

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PRIVATE REAL ESTATE TOTAL RETURNS¹ (12 Months Trailing)

¹ In local currency. ² 2023 Q1 numbers for Japan are preliminary figures as of September 2023. 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 2023.
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 2023	2Q 2023	2Q 2022
Private Real Estate – Asset Level ¹	-1.7%	1.1%	10.9%
Broad Equities (large cap)	0.4%	9.7%	-10.2%
Bonds	-3.2%	1.2%	-11.8%
Listed Real Estate	1.8%	3.1%	-15.4%
10-Year Govt Bond ²	3.9%	3.9%	3.8%
6-Month OIS ²	4.5%	4.5%	2.3%
CPI	0.8%	6.0%	6.1%

RECENT PERFORMANCE TRENDS (Japan)

	Quarter	12-Months trailing	
	1Q 2023	1Q 2023	1Q 2022
Private Real Estate – Asset Level ¹	1.2%	5.5%	5.7%
Broad Equities (large cap)	5.9%	2.9%	-0.4%
Bonds	16.5%	-25.7%	-16.3%
Listed Real Estate	-5.7%	-10.8%	-0.5%
10-Year JGB ²	0.3%	0.3%	0.2%
12-Month TIBOR ²	0.2%	0.2%	0.2%
CPI	0.2%	3.2%	1.2%

¹ In local currency. ² Figures represent annualized yield Note: 2023 Q1 numbers for Japan's Private Real Estate are preliminary figures as of September 2023.
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 2023. 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, 12 months trailing) eased further in Q2 2023 to 0.4% compared to 4.4% in Q1 2023.
- Year-on-year total returns for the underlying assets within the MSCI Global Quarterly Property Index (Asia Pacific) were driven by income returns (4.2%) while capital returns turned negative (-2.6%).
- The industrial sector's total return decelerated but remained positive at 6.9% in Q2 2023, a moderation compared to Q1 2023 (9.7%). Office performance turned negative from 3.0% to -1.7% while retail moderated from 5.3% to 1.9% in the same period.
- Unlevered annual total returns for direct real estate in Japan (12 months trailing) eased from 5.8% in Q4 2022 to 5.5% in Q1 2023 (preliminary). Across the property types, total returns were led by residential (8.2%) followed by industrial (7.6%). Retail returns continued to lag as capital returns remained negative.

RETURNS BY PROPERTY TYPE AND REGION

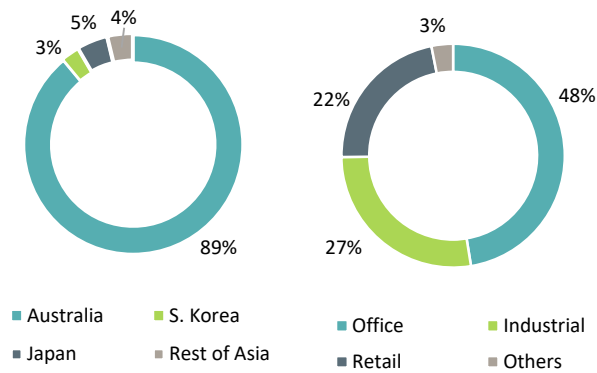
		Annual Returns ¹						Standard Deviation		Descriptive Statistics			
		1 Year			3 years	5 years	10 years	Since Inception	10 years	Since Inception	Value	Number	
		Total	Income	Capital									
Asia Pacific	Fund-level Returns (Q2 23) ¹										GAV (bn)	Funds	
	APAC All Funds	0.4%			6.9%	5.2%	8.1%	6.4%	4.3%	1.6%	\$95.6	22	
	Asset-level Returns (Q2 23) ¹										CV (bn)	Properties	
	Type	Office	-1.7%	4.2%	-5.6%	4.7%	6.4%	9.1%	7.5%	3.5%	1.7%	\$41.9	
		Retail	1.9%	5.3%	-3.2%	4.3%	0.9%	4.9%	5.4%	6.0%	0.9%	\$19.5	
		Industrial	6.9%	3.5%	3.3%	16.8%	15.0%	13.4%	10.5%	4.8%	2.0%	\$24.2	
		Others	2.4%	3.5%	-1.0%	9.1%	8.1%	10.9%	8.5%	5.5%	2.0%	\$4.3	
	APAC All Properties	1.5%	4.2%	-2.6%	7.0%	5.7%	8.1%	7.1%	3.6%	1.1%	\$89.9	706	
Japan	Asset-level Returns (Mar 23) ²										CV (trn)	Properties	
	Type	Office	4.2%	3.8%	0.4%	4.5%	5.5%	6.1%	4.8%	1.3%	5.2%	JPY 12.0	1,235
		Retail	3.7%	4.5%	-0.8%	3.3%	4.0%	5.5%	4.8%	1.7%	4.0%	JPY 3.9	548
		Industrial	7.6%	4.2%	3.4%	7.7%	7.1%	7.9%	6.8%	1.2%	2.8%	JPY 6.2	597
		Residential	8.2%	4.2%	3.9%	7.4%	7.4%	7.6%	5.7%	0.9%	3.5%	JPY 5.0	2,372
		Hotel	4.1%	3.7%	0.4%	2.0%	3.2%	8.0%	6.4%	6.8%	6.4%	JPY 2.0	355
	Japan All Properties	5.4%	4.1%	1.4%	5.2%	5.6%	6.5%	5.2%	1.2%	4.3%	JPY 30.3	5,452	

Note: ¹ In USD ² In JPY. Japan's asset level returns are preliminary figures as of September 2023. CV and property count based on all funds in JPI universe as of September 2023
Source: MSCI Global Quarterly Property Fund Index (Asia Pacific), ARES Japan Property Index. As of September 2023.
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APAC MARKET CAPITALIZATION (MSCI)

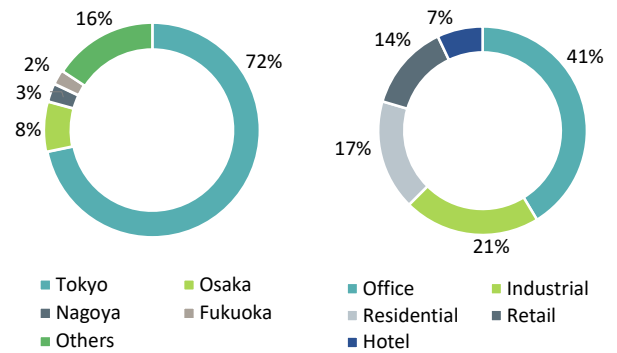
Index market value: US\$89.9 billion
 Property count: 706



Source: MSCI Global Quarterly Property Fund Index (Asia Pacific).
 As of September 2023.

JAPAN MARKET CAPITALIZATION (ARES)

Market value: JPY 30.3trn
 Property count: 5,452



Note: Based on all funds in JPI universe as of September 2023.
 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 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

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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