

APAC Property Performance Monitor

First 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) moderated from 5.0% in Q4 2022 to 3.4% in Q1 2023.
- Private real estate in Australia and Japan outperformed broad equities, bonds and listed real estate market on a 12-month trailing basis in Q1 2023 (Australia) and Q4 2022 (Japan), respectively.
- Asset-level returns within the MSCI Global Quarterly Property Fund Index (Asia Pacific) in Q1 2023 continue to see industrial outperformed albeit at a more moderate pace (9.6%), followed by retail (5.2%) and office (3.0%) on a 12-month trailing basis.
- Unlevered total returns for direct real estate in Japan (12 months trailing) eased by 20bps in Q4 2022 to 5.8%. Across the property types, residential and industrial were notable outperformers, returning 8.1% and 7.8% respectively.

Private Real Estate Performance¹

- In the first 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) eased to 3.4% from 5.0% 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 6.7% in Q4 2022 to 4.6% in Q1 2023. Industrial sector's total returns remained the highest at 8.9% across all the sectors albeit trending lower compared to the previous quarter.
- As of May 2023, total returns post fees for unlisted funds in Australia (12 months trailing) eased slightly to 3.4% from 3.8% in the previous month.
- Unlevered total returns for direct real estate in Japan (12 months trailing) moderated by 20bps in Q4 2022 to 5.8%. The residential and industrial sectors outperformed while the retail sector lagged behind.
- On a 12-month trailing basis, private real estate in Australia and Japan continued to record positive returns while other asset classes such as broad equities, bonds and listed real estate markets posted negative returns in Q1 2023 (Australia) and Q4 2022 (Japan), respectively.

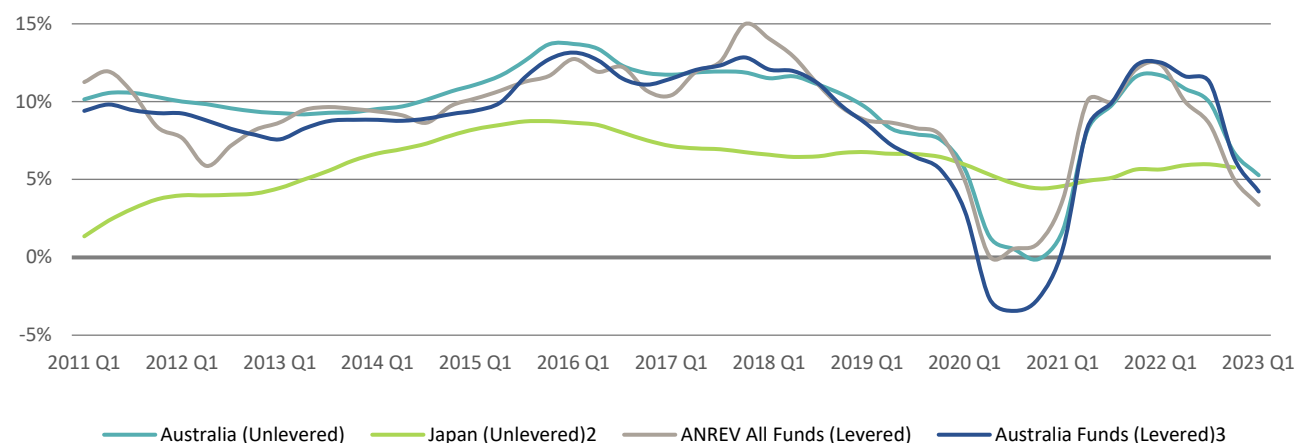
¹ Past performance is not a reliable indicator of future returns.

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PRIVATE REAL ESTATE TOTAL RETURNS¹ (12 Months Trailing)

¹ In local currency. ² 2022 Q4 numbers for Japan are preliminary figures as of June 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 June 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	
	1Q 2023	1Q 2023	1Q 2023	1Q 2022
Private Real Estate – Asset Level ¹	0.6%	5.3%	5.3%	11.7%
Broad Equities (large cap)	2.0%	-4.3%	-4.3%	10.4%
Bonds	5.1%	-0.1%	-0.1%	-6.2%
Listed Real Estate	-0.2%	-17.8%	-17.8%	13.5%
10-Year Govt Bond	3.5%	3.5%	3.5%	2.5%
6-Month OIS1	3.6%	3.6%	3.6%	0.4%
CPI	1.4%	7.0%	7.0%	5.1%

RECENT PERFORMANCE TRENDS (Japan)

	Quarter		12-Months trailing	
	4Q 2022	4Q 2022	4Q 2022	4Q 2021
Private Real Estate – Asset Level ¹	1.3%	5.8%	5.8%	5.4%
Broad Equities (large cap)	3.0%	-5.1%	-5.1%	10.4%
Bonds	-15.5%	-51.3%	-51.3%	-2.9%
Listed Real Estate	-2.6%	-8.3%	-8.3%	15.8%
10-Year JGB	0.4%	0.4%	0.4%	0.1%
12-Month TIBOR	0.2%	0.2%	0.2%	0.2%
CPI	1.1%	4.0%	4.0%	0.9%

¹ In local currency. Note: 2022 Q4 numbers for Japan's Private Real Estate are preliminary figures as of June 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 June 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 Q1 2023 to 4.4% compared to 6.4% in Q4 2022.
- 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 edged lower (1.0%).
- The industrial sector's total return decelerated but remained positive at 9.6% in Q1 2023, a moderation compared to Q4 2022 (11.5%). Office performance slid from 4.7% to 3.0% while retail moderated from 6.6% to 5.2% in the same period.
- Unlevered annual total returns for direct real estate in Japan (12 months trailing) eased from 6.0% in Q3 2022 to 5.8% in Q4 2022 (preliminary). Across the property types, total returns were led by residential (8.1%) followed by industrial (7.8%) (12 months trailing). The retail sector continued to lag due to negative capital returns.

RETURNS BY PROPERTY TYPE AND REGION

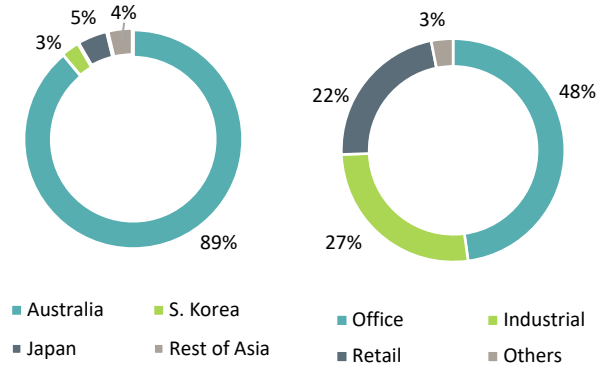
		Annual Returns ¹						Standard Deviation		Descriptive Statistics			
		1 Year			3 years	5 years	10 years	Since Inception	10 years	Since Inception	Value	Number	
		Total	Income	Capital									
Asia Pacific	Fund-level Returns (Q1 23) ¹										GAV (bn)	Funds	
		APAC All Funds	4.4%			6.4%	6.2%	8.5%	6.6%	4.3%	1.8%	\$98.3	22
		Asset-level Returns (Q1 23) ¹										CV (bn)	Properties
	Type	Office	3.0%	4.2%	-1.1%	5.7%	7.8%	9.7%	7.8%	3.1%	1.8%	\$43.5	
		Retail	5.2%	5.2%	0.0%	2.0%	1.4%	5.3%	5.6%	6.2%	0.9%	\$20.4	
		Industrial	9.6%	3.4%	6.0%	17.3%	15.5%	13.6%	10.6%	4.8%	2.1%	\$24.1	
		Others	6.6%	3.5%	3.1%	10.1%	9.4%	11.3%	8.8%	5.2%	2.1%	\$4.5	
	APAC All Properties	5.3%	4.2%	1.0%	6.5%	6.6%	7.3%	7.3%	3.5%	1.2%	\$92.6	708	
Japan	Asset-level Returns (Dec 22) ²										CV (trn)	Properties	
	Type	Office	4.9%	3.9%	1.0%	4.7%	5.7%	6.1%	5.0%	1.1%	5.2%	JPY 6.7	633
		Retail	3.7%	4.5%	-0.8%	3.3%	4.1%	5.5%	4.9%	1.7%	4.0%	JPY 2.8	366
		Industrial	7.8%	4.2%	3.6%	7.5%	7.1%	7.9%	6.9%	1.3%	2.8%	JPY 4.1	403
		Residential	8.1%	4.3%	3.9%	7.2%	7.4%	7.6%	5.7%	1.0%	3.5%	JPY 3.3	1,466
		Hotel	4.1%	3.3%	0.8%	1.4%	3.3%	8.1%	5.8%	7.0%	6.5%	JPY 1.5	218
	Japan All Properties	5.8%	4.1%	1.7%	5.2%	5.7%	6.5%	5.3%	1.2%	4.4%	JPY 19.2	3,314	

Note: ¹ In USD ² In JPY. Japan's asset level returns are preliminary figures as of June 2023.
Source: MSCI Global Quarterly Property Fund Index (Asia Pacific), ARES Japan Property Index. As of June 2023.
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APAC MARKET CAPITALIZATION (MSCI)

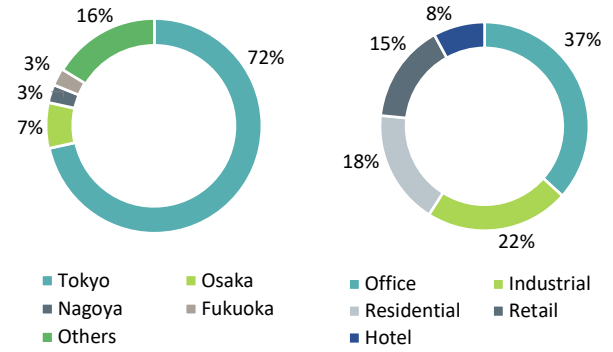
Index market value: \$92.6 billion
 Property count: 708



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

JAPAN MARKET CAPITALIZATION (ARES)

Market value: JPY 19.2trn
 Property count: 3,314



Note: Based on preliminary figures as of June 2023.
 Source: ARES Japan Property Index.

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Japan

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

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

Broad Equities (Tokyo Price Index, TOPIX): An index that measures stock prices on the Tokyo Stock Exchange (TSE). This capitalization-weighted index lists all firms that are 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.

Real Estate Research Team

Office Locations

Chicago

222 South Riverside Plaza
34th Floor
Chicago
IL 60606-1901
United States
Tel: +1 312 537 7000

Frankfurt

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: +49 69 71909 0

London

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom
Tel: +44 20 754 58000

New York

875 Third Avenue
26th Floor
New York
NY 10022-6225
United States
Tel: +1 212 454 3414

San Francisco

101 California Street
24th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Singapore

One Raffles Quay
South Tower
20th Floor
Singapore 048583
Tel: +65 6538 7011

Tokyo

Sanno Park Tower
2-11-1 Nagata-cho
Chiyoda-Ku
18th Floor
Tokyo
Japan
Tel: +81 3 5156 6000

Teams

Global

Kevin White, CFA
Global Co-Head of Real Estate Research

Simon Wallace
Global Co-Head of Real Estate Research

Americas

Brooks Wells
Head of Research, Americas

Liliana Diaconu, CFA
Office Research

Ross Adams
Industrial Research

Sharim Sohail
Property Market Research

Europe

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe

Tom Francis
Property Market Research

Siena Golan
Property Market Research

Rosie Hunt
Property Market Research

Carsten Lieser
Property Market Research

Martin Lippmann
Head of Real Estate Research, Europe

Asia Pacific

Koichiro Obu
Head of Real Estate Research, Asia Pacific

Natasha Lee
Property Market Research

Hyunwoo Kim
Property Market Research

Seng-Hong Teng
Property Market Research

AUTHORS



Koichiro Obu
Head of Real Estate Research, Asia Pacific



Seng-Hong Teng
Property Market Research

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