

APAC Property Performance Monitor

Third Quarter 2023

IN A NUTSHELL

- Fund-level levered total returns (12 months trailing) for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index fell to -1.4% from -0.2% in the previous quarter.
 - Private real estate in Australia underperformed broad equities, bonds and listed real estate market on a 12-month trailing basis in Q3 2023 while Japan real estate continued to deliver positive returns in Q2 2023.
 - The decline in regional real estate returns is mainly attributable to negative capital returns, particularly in the office and retail sectors while industrial returns remained relatively strong.
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Private Real Estate Performance¹

- In the third quarter of 2023, fund-level levered total returns (12 months trailing) for real estate in Asia Pacific as measured by the ANREV Asia Pacific All Funds Index fell to -1.4% from -0.2% in the previous quarter.
- Asset-level total returns (12 months trailing) in Australia as shown by the Property Council of Australia/MSCI Australia All Property Index declined from 1.1% in Q2 2023 to -0.9% in Q3 2023. Across all the sectors, industrial returns remained the highest at 5.1% while offices delivered negative returns of -4.8%.
- Net total returns post fees (12 months trailing) for non-listed real estate funds in Australia remained negative at -7.2% in December 2023, compared to -4.4% in the previous quarter.
- Unlevered total returns (12 months trailing) for direct real estate in Japan moderated by 36bps in Q2 2023 to 5.1%, led by the residential, industrial and hotel sectors while the retail and office sectors lagged behind.
- On a 12-month trailing basis, private real estate registered weaker returns compared to the previous quarter, with Australia real estate underperforming other asset classes such as broad equities, bonds and listed real estate markets in Q3 2023, though Japan real estate continued to deliver positive returns in Q2 2023.

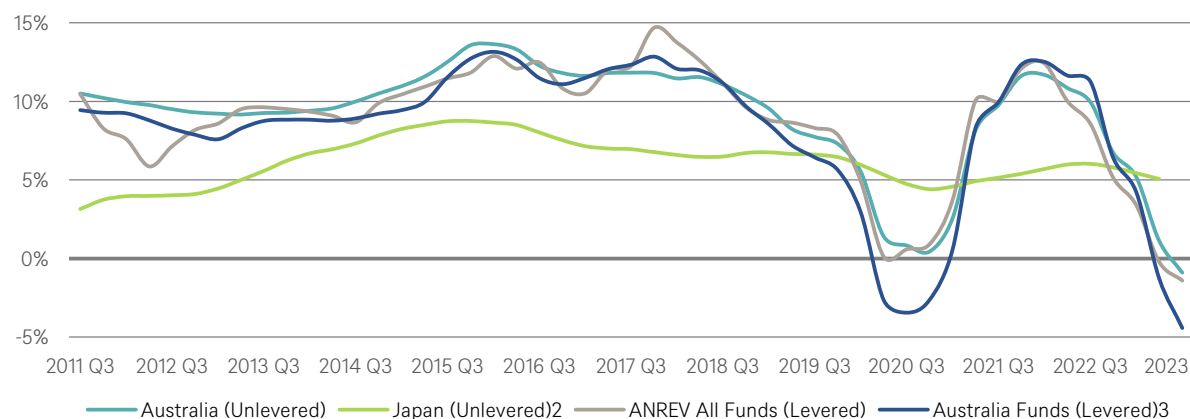
¹ Past performance is not a reliable indicator of future returns.

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PRIVATE REAL ESTATE TOTAL RETURNS¹ (12 Months Trailing)

¹In local currency. ²2023 Q2 numbers for Japan are preliminary figures as of December 2023. ³Total return 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 January 2024.
 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	
	3Q 2023	3Q 2023	3Q 2022
Private Real Estate – Asset Level ¹	-0.3%	-0.9%	9.9%
Broad Equities (large cap)	-2.1%	8.9%	-11.7%
Bonds	-0.5%	1.5%	-12.7%
Listed Real Estate	-3.6%	7.4%	-24.6%
10-Year Govt Bond ²	4.2%	4.2%	3.7%
6-Month OIS ²	4.3%	4.3%	3.3%
CPI	1.2%	5.4%	7.3%

RECENT PERFORMANCE TRENDS (Japan)

	Quarter	12-Months trailing	
	2Q 2023	2Q 2023	2Q 2022
Private Real Estate – Asset Level ¹	1.2%	5.1%	6.0%
Broad Equities (large cap)	14.2%	22.3%	-3.7%
Bonds	1.8%	-0.2%	-3.0%
Listed Real Estate	4.3%	-5.3%	-8.5%
10-Year JGB ²	0.4%	0.4%	0.2%
12-Month TIBOR ²	0.2%	0.2%	0.2%
CPI	0.9%	3.2%	2.3%

¹In local currency. ²Figures represent annualized yield. Note: 2023 Q2 numbers for Japan's Private Real Estate are preliminary figures as of December 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 January 2024. 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) declined in Q3 2023 to -2.1% compared to 0.4% in Q2 2023.
- Year-on-year total returns for the underlying assets within the MSCI Global Quarterly Property Index (Asia Pacific) were driven by income returns (4.3%) while capital returns remained negative (-4.8%).
- The industrial sector's annual total returns moderated to 4.7% in Q3 2023, lower compared to Q2 2023 (6.9%). Office returns declined further from -1.8% to -4.8% while retail moderated from 1.9% to 0.9% in the same period.
- Unlevered annual total returns for direct real estate in Japan (12 months trailing, preliminary estimates) eased from 5.4% in Q1 2023 to 5.1% in Q2 2023. Across the property types, total returns were led by residential (7.4%) followed by industrial (7.1%). Office and retail performance lagged 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 (Q3 23) ¹										GAV (bn)	Funds
	APAC All Funds	-2.1%			6.0%	4.5%	7.7%	6.2%	4.7%	6.4%	\$92.3	22
	Asset-level Returns (Q3 23) ¹										CV (bn)	Properties
	Office	-4.8%	4.2%	-8.7%	3.7%	5.5%	8.7%	7.2%	4.2%	6.1%	\$39.5	177
	Retail	0.9%	5.4%	-4.3%	4.5%	0.7%	4.7%	5.3%	6.0%	5.7%	\$18.7	126
	Industrial	4.7%	3.5%	1.2%	15.9%	14.4%	13.1%	10.4%	4.9%	6.7%	\$24.5	358
	Residential	6.4%	3.1%	3.3%	6.0%	-	-	-	-	-	\$2.7	36
Others	0%	3.6%	-3.5%	8.4%	8.1%	10.6%	8.1%	5.6%	7.3%	\$1.5	27	
	APAC All Properties	-0.7%	4.3%	-4.8%	6.5%	5.3%	7.8%	7.0%	3.8%	5.0%	\$86.9	724
Japan	Asset-level Returns (Q2 23) ²										CV (trn)	Properties
	Office	3.6%	3.8%	-0.2%	4.4%	5.3%	6.0%	4.7%	1.3%	5.2%	JPY 12.2	1,251
	Retail	3.8%	4.5%	-0.7%	3.4%	3.9%	5.4%	4.6%	1.7%	4.0%	JPY 3.9	570
	Industrial	7.1%	4.2%	2.9%	7.8%	7.1%	7.8%	6.7%	1.2%	2.8%	JPY 6.4	614
	Residential	7.4%	4.2%	3.2%	7.3%	7.3%	7.5%	5.7%	0.9%	3.5%	JPY 5.1	2,409
	Hotel	5.0%	4.2%	0.9%	3.1%	3.3%	8.0%	6.3%	6.8%	6.4%	JPY 1.9	351
	Japan All Properties	5.1%	4.1%	1.0%	5.3%	5.5%	6.5%	5.1%	1.2%	4.3%	JPY 30.8	5,558

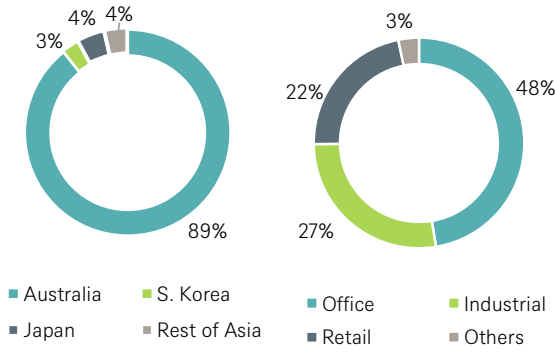
Note: ¹ In USD ² In JPY. Japan's asset level returns are preliminary figures as of December 2023. Capital Value (CV) and property count based on all funds in JPI universe as of December 2023.

Source: MSCI Global Quarterly Property Fund Index (Asia Pacific), ARES Japan Property Index. As of January 2024. Past performance is not indicative of future returns.

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APAC MARKET CAPITALIZATION (MSCI)

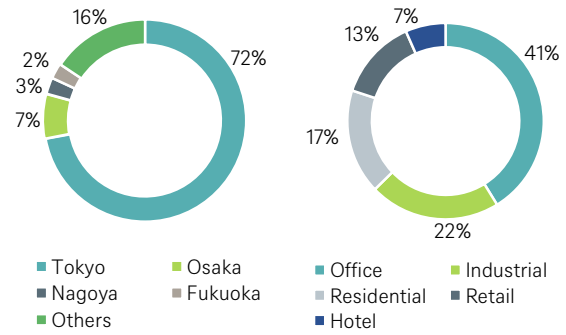
Index market value: US\$86.9 billion
 Property count: 724



Source: MSCI Global Quarterly Property Fund Index (Asia Pacific).
 As of January 2024.

JAPAN MARKET CAPITALIZATION (ARES)

Market value: JPY 30.8trn
 Property count: 5,558



Note: Based on all funds in JPI universe as of December 2023.
 Source: ARES Japan Property Index.

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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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