

# Property Sector Wrap

## March 2020

A review of listed and unlisted property funds  
for the March 2020 quarter

Dinesh Pillutla  
Managing Director  
[dinesh.pillutla@coreprop.com.au](mailto:dinesh.pillutla@coreprop.com.au)

Selwyn Chong  
Head of Research  
[selwyn.chong@coreprop.com.au](mailto:selwyn.chong@coreprop.com.au)

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The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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## Property Sector Wrap – March 2020

### A-REITs struggle in 1Q20 from COVID-19 impacts

Following a strong calendar year 2019 in which the S&P/ASX A-REIT 200 Accumulation Index delivered a strong 19.4% total return, the impacts of COVID-19 in 1Q20 have erased the gains with the index falling 34.4% in the 3 months to 31 March 2020. In the same period, the wider S&P/ASX200 Accumulation Index has fallen 23.1%. Of all the A-REITs, only Rural Funds Group has delivered a positive return for the year, with a marginal 0.1% return. Beyond this, Goodman Group is the best performer, recording a 9.5% loss YTD. Non-essential retailers seem to have been hit hardest, as Vicinity Centres, Scentre Group and Aventus Group having recorded the worst performances in 1Q20, delivering losses of 58.4%, 56.2% and 47.5% respectively.

### Index Returns – March 2020 Quarter

Index - Total Return	3 months to 31 March 2020
All Ordinaries	-24.9%
S&P/ASX 200	-24.0%
S&P/ASX 200 Accumulation	-23.1%
A-REIT 200 Accumulation	-34.4%
A-REIT 300 Accumulation	-34.3%

### A-REIT 300 Total Returns (including distributions, assumed reinvested)

Code	Security	Total Return 3 months to 31 March 2020
RFF	Rural Funds Group	0.1%
GMG	Goodman Group	-9.5%
VVR	Viva Energy REIT	-13.5%
NSR	National Storage	-13.9%
BWP	BWP Trust	-14.5%
SCP	SCA Property Group	-15.0%
CLW	Charter Hall Long WALE REIT	-18.9%
CIP	Centuria Industrial REIT	-20.8%
DXS	Dexus	-22.3%
CNI	Centuria Capital	-25.9%
CQR	Charter Hall Retail	-27.2%
ADI	APN Industria REIT	-27.7%
CMW	Cromwell Prop	-30.3%
HPI	Hotel Property	-30.7%
INA	Ingenia Group	-32.5%
MGR	Mirvac Group	-34.3%
ABP	Abacus Property Group	-35.0%
GDI	GDI Property Group	-36.6%
CHC	Charter Hall Group	-38.1%
GOZ	Growthpoint Property	-39.3%
ARF	Arena REIT	-40.5%
CQE	Charter Hall Social Infrastructure REIT	-41.3%
COF	Centuria Office REIT	-41.7%
SGP	Stockland	-45.2%
AVN	Aventus Group	-47.5%
SCG	Scentre Group	-56.2%
VCX	Vicinity Centres	-58.4%

Source: IRESS, as at 31 March 2020

## Market Data

### Index Performance

Indices Total Return Performance

Index	Dec-19	Jan-20	Feb-20	Mar-20	% Movement			
					1 Month	3 Month	1 Year	Calendar YTD
All Ordinaries	6,802	7,121	6,512	5,111	<b>-21.5%</b>	-24.9%	-18.4%	-24.9%
S&P/ASX 200	6,684	7,017	6,441	5,077	<b>-21.2%</b>	-24.0%	-17.9%	-24.0%
S&P/ASX 200 Accumulation	72,445	76,056	70,210	55,711	<b>-20.7%</b>	-23.1%	-14.4%	-23.1%
A-REIT 200 Accumulation	57,967	61,653	58,657	38,045	<b>-35.1%</b>	-34.4%	-31.7%	-34.4%
A-REIT 300 Accumulation	58,001	61,654	58,764	38,103	<b>-35.2%</b>	-34.3%	-31.3%	-34.3%

Source: IRESS, as at 31 March 2020

The listed Australian property indices outperformed the market in April with the S&P A-REIT Accumulation index rebounding 24.9%, compared to the broader S&P/ASX 200 Accumulation index which increased by 14.9%. The Australian 10-year Bond contracted by 6 bps to 0.76% and the US 10-year Bond yield contracted by 49 bps to 0.66%.

Over the quarter, the RBA cut rates twice to 0.25%.

### Bond Yields & Spreads

The yield on the Australian government 10-year bond finished the month at 0.81%, while the trailing distribution yield on A-REITs finished at 7.07%. As a result, the spread between the two widened significantly to 6.26%. The high spread is considered to be temporary, as A-REIT yields are expected to reduce in future months as a result of the impact of COVID-19.

The correlation between the Australian government 10-year bond and the ASX/S&P 200 A-REIT Yield (monthly) for the past 2 years is -0.044.

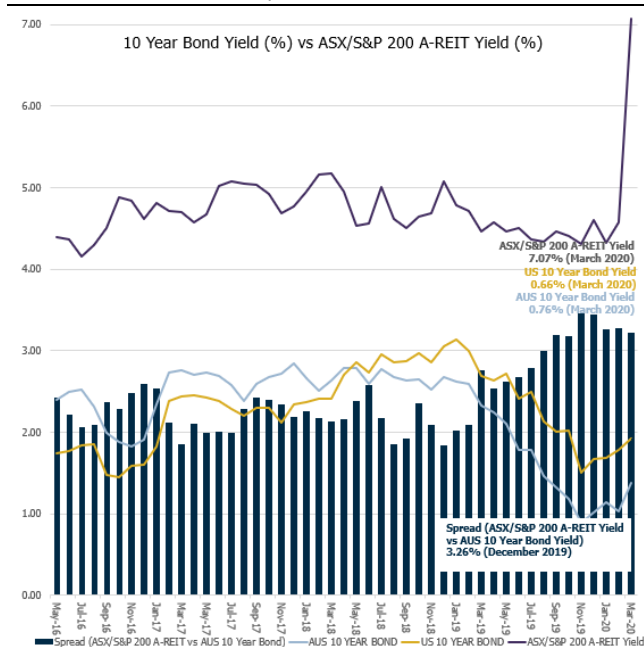
In the US, the Federal Open Market committee (FOMC) have lowered the target range to 0 to 0.25% considering the impacts and persistence of COVID-19.

### Market Data

Month Ending	Dec19	Jan20	Feb20	Mar20
AUS 10 Year Bond Rate	1.3746	0.9530	0.8181	0.7583
US 10 Year Bond Rate	1.9184	1.5018	1.1543	0.6585
RBA Cash Rate	0.75	0.75	0.75	0.25
A-REIT Yield	4.61%	4.32%	4.58%	7.07%
AUDUSD	0.7016	0.6687	0.6509	0.6139

Source: IRESS, as at 31 March 2020

### 10 Year Bond Yields vs ASX/S&P 200 A-REIT 200 Yield



Source: IRESS

## Listed A-REITs

Top 5 Monthly Total Return – March 2020

	Code	Name	Month Total Return
1	RFF	Rural Funds Group	-0.4%
2	BWP	BWP Trust	-11.6%
3	AVJ	AVJennings Limited	-12.7%
4	VVR	Viva Energy REIT	-15.4%
5	GMG	Goodman Group	-19.2%

Source: IRESS, Total Return includes distributions

Bottom 5 Monthly Total Return – March 2020

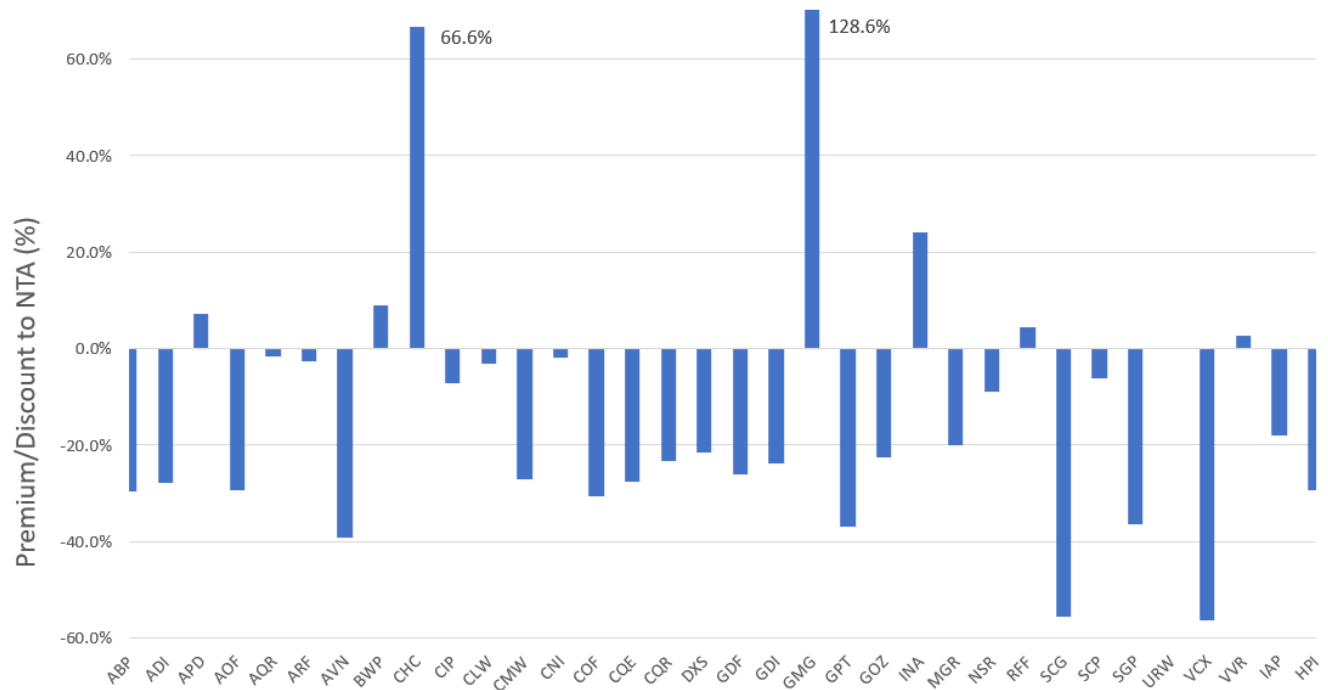
	Code	Name	Month Total Return
1	SCG	Scentre Group	-54.8%
2	VCX	Vicinity Centres	-52.1%
3	CDP	Carindale Property Trust	-51.9%
4	URW	Unibail Rodamco Westfield	-49.0%
5	AVN	Aventus Group	-47.2%

Source: IRESS, Total Return includes distributions

The top performing property security in March was Rural Funds Group (ASX: SCG) which decreased 0.4%.

The worst performing security in March was Scentre Group (ASX: SCG) which decreased 54.8%.

Premium/Discount to NTA



Source: Core Property, based on company announcements

## Unlisted Property Funds

The following is a rundown of some key events in unlisted property funds during March/April 2020.

### Activity

- **MPG Funds Management** has launched a new offering for their existing **MPG Regional Cities Property Trust**. The Trust consists of a portfolio of 11 government and social infrastructure properties across Australia and is seeking capital to acquire a further 2 assets. The trust has an estimated end date of April 2025.
- **Castlerock** has acquired a primary Queensland State Government office building for \$92.8M. The asset serves as a regional headquarters for the government leased until 2025. It is being held in the Austlink Property Trust No.2 Fund.
- **Primewest** is seeking to launch an offering for their new **Primewest Media Trust**. The trust comprises a single asset portfolio, the Seven West Media headquarters, with attractive portfolio metrics. The trust has an estimated investment term of seven years.
- **KM Property Funds** has launched their new **Thynne Street Property Fund**, which provides investors with an opportunity to invest in a government-leased office property in Bruce, ACT. The initial fund term is expected to be 6.2 years.

## Appendix 1: A-REIT Activity – March/April 2020

The following is a summary of announcements by the major listed A-REITs during March/April 2020.

**ABP: Abacus Property Group**

- 23 March – Withdrew guidance for FY20 earnings and distribution growth.

**ADI: APN Industria REIT**

- 19 March – Announced a 4.375 cpu distribution for the March period.
- 3 April – Withdrew guidance for FY20 earnings and distribution growth.

**AOF: Australian Unity Office Fund**

- 24 March – Announced a 4.0 cpu distribution for the March period.
- 16 April – Withdrew guidance for FY20 FFO guidance and revised FY20 distribution guidance to 15.0 cpu
- 17 April – Announced the DA approval for the 2-10 Valentine Avenue property.

**AQR: APN Convenience Retail REIT**

- 19 March – Announced a 5.45 cpu distribution for the December period.

**ARF: Arena REIT**

- 23 March – Deferred the distribution for the March period and withdrew guidance for FY20 earnings and distributions.

**AVN: Aventus Group**

- 24 March – Announced a 1.065 cpu distribution for the March period and withdrew distribution guidance for FY20.

**BWP: BWP Trust**

- 23 March – Withdrew guidance for FY20 distributions.

**CDP: Carindale Property**

- 20 March – Withdrew guidance for FY20 distributions.

**CHC: Charter Hall Group**

- 25 March – Announced that CHC had received the Charter Hall Office Trust (CHOT) performance fee of \$148M.

**CIP: Centuria Industrial REIT**

- 20 March – Announced a 4.675 cpu distribution for the March period.
- 3 April – Reaffirmed FY20 distribution guidance and revised FFO guidance to 19.1 – 19.5 cpu (previously 19.6 – 19.9).
- 9 April – Announced a fully underwritten institutional placement to raise \$130.0M, and non-underwritten Unit Purchase Plan to raise ~\$10.0M.
- 14 April – Announced the successful completion of the institutional placement.

**CLW: Charter Hall Long WALE REIT**

- 13 March – Announced a 7.10 cpu distribution for the March period.
- 23 March – Announced the completion of The Glasshouse, 45-61 Waterloo Road, Macquarie Park and reaffirmed earnings guidance for FY20.

**CMW: Cromwell Property**

- 25 March – Announced a 1.875 cpu distribution for the December period and announced the suspension of its distribution reinvestment plan.

**CNI: Centuria Capital Group**

- 26 March – Reaffirmed FY20 earnings and distribution guidance

**COF: Centuria Office REIT**

- 20 March – Announced a 4.45 cpu distribution for the March period.
- 3 April – Withdrew FY20 FFO guidance and reaffirmed FY20 distribution guidance.

**CQE: Charter Hall Social Infrastructure REIT**

- 11 March – Announced the appointment of Ms Kate Melrose as an Independent Director of the RE for CQE
- 20 March – Announced a 4.45 cpu distribution for the March period.

**CQR: Charter Hall Retail REIT**

- 19 March – Withdrew its Unit Purchase Plan announced on 20 February 2020.
- 20 March – Withdrew FY20 distribution and earnings guidance.
- 27 April – Announced an institutional placement to raise \$275M, and a Security Purchase Plan to raise \$25M.

**DXS: Dexus**

- 26 March – Withdrew FY20 guidance and associated assumptions.

- 6 April – Announced the establishment of a new Joint Venture with GIC that has exchanged contracts to acquire a 50% interest in Rialto Towers, 525 Collins Street, Melbourne, for \$644M.

**GDF: GARDA Diversified Property Fund**

- 12 March – Announced a 2.25 cpu distribution for the March period.
- 8 April – Withdrew FY20 distribution and earnings guidance.

**GPT: GPT Group**

- 19 March – Withdrew FY20 distribution and earnings guidance.
- 30 April – releases 3Q Operational update

**GOZ: Growthpoint Property**

- 26 March – Withdrew FY20 distribution and earnings guidance.

**MGR: Mirvac**

- 18 March – Withdrew FY20 distribution and earnings guidance.
- 30 April – releases 3Q Operational update

**SCG: Scentre Group**

- 20 March – Withdrew FY20 distribution and earnings guidance.

**SCP: SCA Property Group**

- 25 March – Withdrew FY20 distribution and earnings guidance.
- 7 April – Announced a \$250M fully-underwritten institutional placement and a \$50M non-underwritten Unit Purchase Plan to eligible unitholders in Australia and New Zealand.

**SGP: Stockland**

- 16 March – Confirmed the exchange of contracts with Celestino Developments for the acquisition of the undeveloped portion of 'The Gables', with Stockland purchasing the project for \$415M.
- 23 March – Withdrew FY20 FFO and distribution guidance.

**TGP: 360 Capital Group**

- 25 March – Announced a 1.0 cpu distribution for the March period

**VCX: Vicinity Centres**

- 19 March – Withdrew FY20 earnings and distribution guidance.



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