

# Property Sector Wrap

## March 2019

A review of listed and unlisted property funds activity for March 2019

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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 2019

In this month’s report we review the quarterly performance of the listed sector as well as run through our usual monthly review of the listed and unlisted property sectors.

### A-REITs deliver strong returns in March 2019 quarter

The A-REIT indices outperformed the broader equities market during the March 2019 quarter with the S&P/ASX A-REIT 300 Accumulation Index delivering a 14.4% total return. Total 12-month returns for the index are tracking at a very 25.9%.

### Index Returns – March 2019 Quarter

Index - Total Return	Quarter	Yearly
	(3months to Mar 19)	(12months to Mar19)
All Ordinaries	9.7%	6.7%
S&P/ASX 200	9.5%	7.3%
S&P/ASX 200 Accumulation	10.9%	12.1%
A-REIT 200 Accumulation	14.8%	26.2%
A-REIT 300 Accumulation	14.4%	25.9%

Source: IRESS, as at 29 March 2019

The following table shows the total returns for the 28 securities within the A-REIT 300 index. The top performing security, Charter Hall Group, delivered a stellar 38.4% total return during the quarter and an 84.9% total return on a rolling 12-month basis.

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

Code	Security	A-REIT 300 Weighting	Total Return Quarter ended March 2019	Total Return Year ended March 2019
CHC	Charter Hall Group	3.23%	38.4%	84.9%
GMG	Goodman Group	18.28%	25.6%	61.8%
MGR	Mirvac Group	7.37%	22.8%	33.2%
DXS	Dexus	9.63%	20.0%	42.2%
CQE	Charter Hall Education Trust	0.65%	18.9%	32.3%
ARF	Arena REIT	0.56%	16.7%	34.9%
GPT	GPT Group	8.33%	16.3%	36.4%
ABP	Abacus Property Group	1.64%	13.8%	12.5%
VVR	Viva Energy REIT	1.43%	12.9%	34.0%
CMW	Cromwell Property	1.89%	12.4%	10.6%
CIP	Centuria Industrial REIT	0.61%	11.5%	30.7%
GOZ	Growthpoint Property	2.27%	11.0%	32.9%
URW	Unibail Rodamco Westfield	3.25%	10.9%	NA
SGP	Stockland	6.66%	9.4%	2.2%
SCG	Scentre Group	16.04%	8.2%	13.1%
CLW	Charter Hall Long WALE REIT	0.97%	8.2%	24.3%
CMA	Centuria Metropolitan REIT	0.67%	7.3%	18.8%
RFF	Rural Funds Group	0.58%	7.3%	6.9%
AVN	Aventus Group	0.92%	7.1%	11.8%
BWP	BWP Trust	1.84%	5.9%	29.8%
ADI	APN Industria REIT	0.34%	5.6%	19.9%
CQR	Charter Hall Retail REIT	1.43%	3.8%	28.2%
SCP	SCA Property Group	1.72%	3.5%	19.5%
GDI	GDI Property Group	0.57%	3.0%	19.3%
INA	Ingenia Group	0.55%	2.5%	12.6%
HPI	Hotel Property Investments	0.36%	1.6%	10.5%
NSR	National Storage	0.93%	0.6%	19.3%
VCX	Vicinity Centres	7.28%	0.0%	14.6%

Source: IRESS, as at 29 March 2019

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### Recent Reports:

- [GDI Property Group \(ASX: GDI\): Initiation of Coverage](#)
- [Centuria Industrial REIT \(ASX: CIP\): Initiation of Coverage](#)
- [GARDA Diversified Property Fund \(ASX: GDF\): 1H19 Results](#)
- [GDI Property Group \(ASX: GDI\): Results 1H19](#)

## Market Data

### Index Performance

Indices Total Return Performance

Index	Dec-18	Jan-19	Feb-19	Mar-19	% Movement			
					1 Month	3 Month	1 Year	Calendar YTD
All Ordinaries	5,709	5,937	6,253	6,262	<b>0.1%</b>	9.7%	6.7%	9.7%
S&P/ASX 200	5,646	5,865	6,169	6,181	<b>0.2%</b>	9.5%	7.3%	9.5%
S&P/ASX 200 Accumulation	58,710	60,981	64,627	65,101	<b>0.7%</b>	10.9%	12.1%	10.9%
A-REIT 200 Accumulation	48,566	51,562	52,467	55,730	<b>6.2%</b>	14.8%	26.2%	14.8%
A-REIT 300 Accumulation	48,510	51,400	52,324	55,487	<b>6.0%</b>	14.4%	25.9%	14.4%

Source: IRESS, as at 29 March 2019

The listed Australian property indices outperformed in March with the S&P A-REIT Accumulation index increasing 6.2%, compared to the broader S&P/ASX 200 Accumulation index which grew 0.7%. The Australian 10-year Bond compressed 32 bps to 1.78% and the US 10-year Bond yield compressed 31 bps to 2.41%.

At its March 2019 meeting the RBA held the cash rate at 1.50%, the same level it has been since August 2016.

### Market Data

Month Ending	Dec18	Jan18	Feb19	Mar19
AUS 10 Year Bond Rate	2.3208	2.2408	2.1035	1.7795
US 10 Year Bond Rate	2.6836	2.6288	2.7159	2.4059
RBA Cash Rate	1.50	1.50	1.50	1.50
A-REIT Yield	5.08	4.78	4.72	4.72
AUDUSD	0.70	0.73	0.78	0.71

Source: IRESS, as at 29 March 2019

### Bond Yields & Spreads

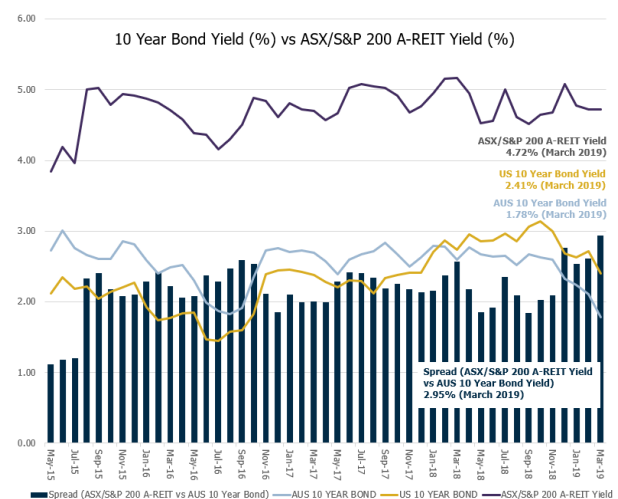
The yield on the Australian government 10-year bond finished the month at 1.78%, while the trailing distribution yield on A-REITs finished at 4.72%.

As a result, the spread between the two finished at 2.95%

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 0.263.

In the US, the Federal Open Market committee (FOMC) have held their view for interest rates to remain stagnant. Interest rates continue to remain at 2.5%.

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



Source: IRESS

## Listed A-REITs

Top 5 Monthly Total Return – March 2019

	Code	Name	Month Total Return
1	CHC	Charter Hall Group	16.7%
2	SGP	Stockland	10.0%
3	SCP	SCA Property Group	9.5%
4	ARF	Arena REIT	7.8%
5	MGR	Mirvac Group	7.0%

Source: IRESS, Total Return includes distributions

Bottom 5 Monthly Total Return – March 2019

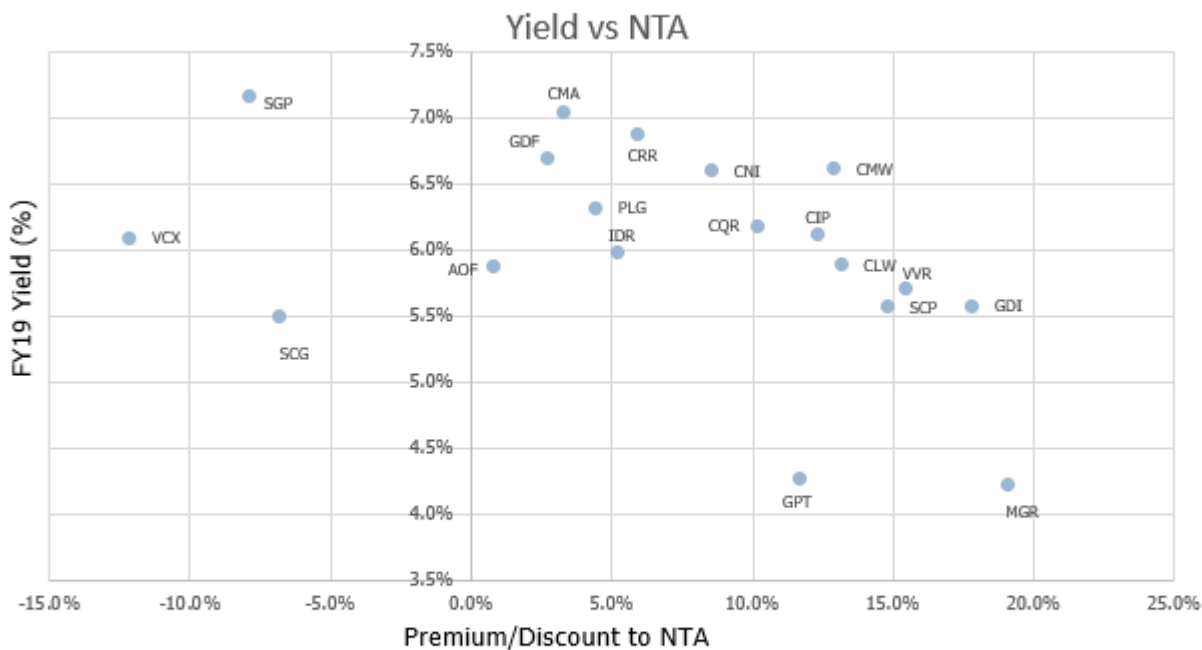
	Code	Name	Month Total Return
1	TGP	360 Capital Group	-4.8%
2	BWF	BlackWall Limited	-4.4%
3	GDF	Garda Diversified Property Fund	-3.3%
4	BWR	BlackWall Property Trust	-1.3%
5	GDI	GDI Property Group	-1.1%

Source: IRESS, Total Return includes distributions

The top performing property security in March was Charter Hall Group (ASX: CHC) which grew 16.7%

The worst performing security in March was 360 Capital Group (ASX: TGP) which decreased 4.8%.

Yield vs Premium/Discount to NTA



Note: **CHC** is trading on a 3.4% yield and Price/NTA premium of 168.8%.  
**GMG** is trading on a 2.2% yield and a Price/NTA premium of 187.7%.

Source: Core Property, company announcements, IRESS

## Unlisted Property Funds

During March 2019, unlisted property funds recorded numerous assets being placed on the market of above \$1.5B. The largest transaction was the sale of 25% interest of MLC Centre from the GPT Group to the Dexu Wholesale Property Fund.

The following is a rundown of some key events in unlisted property funds during March 2019.

### Activity

- The unlisted **GPT Wholesale Office Fund (GWOFF)** has become the sole owner of 2 Southbank Boulevard, Melbourne VIC. The \$7.8B fund exercised its pre-emptive rights to acquire the stake held by Frasers Property Australia for \$326.2M which represents a 5 per cent yield. The 38-storey tower offers 55,000 sqm of prime office space and recently underwent refurbishment in 2018. The office building is anchored by AusNet services which renewed its lease till 2030.
- **The Dexu Wholesale Property Fund** will increase its ownership of the MLC Centre, Sydney NSW to 50% (from 25%) following the exercise of its pre-emptive rights. The additional 25% interest will be acquired for \$400M.
- **Elanor Investor Group** has established the **Fairfield Centre Syndicate** to acquire the Neeta City Shopping Centre in Sydney's Fairfield. The sub-regional shopping centre was purchased for \$85.3M at a 7.8%. The price represents a discount to the previous sale price of \$86M in 2006.
- **Primewest** will set up the **Primewest Ellenbrook Trust**, in order to undertake 3 retail development projects in Ellenbrook WA. The projects include two large format retail centres and a neighbourhood shopping centre, with a fund term of 10 years with a target IRR of 12% p.a.
- **Acure** has established the **Northwest Plaza Trust** to acquire the neighbourhood retail centre known as Northwest Plaza located in Everton Park, near Brisbane QLD. The centre is anchored by Woolworths. The Fund Manager is forecasting an initial distribution of 8.9%, a 5-year average distribution of 8.7% p.a. and a projected IRR of 10.3% p.a.
- **AMP Capital Diversified Property Fund** has placed 3 industrial and logistics assets on the market with a combined price expectation of \$110M. The properties which were acquired from JP Morgan Asset Management in 2016 have a WALE of just over 7 years and a combined net passing income of \$5.85M. The asking price reflects a 5.3 per cent yield.
- **Charter Hall Direct Diversified Consumer Staples Fund** has sold a warehouse located in Melbourne's north for \$4M. The 2,179 sqm Campbellfield property which is currently leased to the salami maker Primo was sold on a yield of 6.6 per cent.
- **Charter Hall Office Trust's** current development of the \$200M office tower at Wesley Place will become the new home for the Australian Federal Police Victorian State Office. The 22-storey office tower located at 140 Lonsdale Street will consist of 16,500 sqm of office space.
- **GPT Wholesale Office Fund** has exercised its pre-emptive rights to buy the remaining half share of 2 Southbank Boulevard. Co-owners Frasers property Australia has moved to divest their stake for \$342M. The acquisition by GPT, which has been approved by the board implies a 5 per cent yield.

## Appendix 1: A-REIT Activity – March 2019

The following is a summary of announcements by the major listed A-REITs during March 2019.

**ABP: Abacus Property Group**

- 20 March 2019 – ABP has announced the sale of Liverpool Plaza for \$46M.

**ADI: APN Industria REIT**

- No announcement.

**AOF: Australian Unity Office Fund**

- No announcement.

**AQR: APN Convenience Retail REIT**

- No announcement.

**ARF: Arena REIT**

- No announcement.

**BWP: BWP Trust**

- No announcement.

**CDP: Carindale Property**

- No announcement.

**CHC: Charter Hall Group**

- No announcement.

**CIP: Centuria Industrial REIT**

- 12 March 2019 – CIP announced the settlement of 16-18 Baile Road, Canning Vale, WA.

**CLW: Charter Hall Long WALE REIT**

- No announcement.

**CMA: Centuria Metropolitan REIT**

- 21 March 2019 – CMA declare quarterly distribution for March 2019 to be 4.358 cpu.

**CMW: Cromwell Property**

- 27 March 2019 – CMW announce confirmation regarding the potential acquisition of RDI in Europe.

**CNI: Centuria Capital Group**

- 22 March 2019 – CNI announced the receipt of the cash consideration from ESR for 19.5% stake in Propertylink Group (ASX: PLG).

**CQR: Charter Hall Retail REIT**

- No announcement.

**CQE: Charter Hall Education Trust**

- 26 March 2019 -CQE has announced the acquisition of 13 early learning centres and a \$120M capital raising.

**DXS: Dexus**

- 13 March 2019 – DXS has announced acquisition of the 50% interest in MLC Centre and issuance of convertible notes.
- 28 March 2019 – DXS has announced the confirmation of early stages of exclusive due diligence to acquire 80 Collins Street.

**GDF: GARDA Diversified Property Fund**

- 18 March 2019 – CFO Leylan Neep has resigned from the board and left GDF. David Addis has been appointed COO and commenced on this date.

**GMG: Goodman Group**

- No announcement.

**GPT: GPT Group**

- 4 March 2019 – GPT appoints Chris Barnett as the new Head of Retail.
- 13 March 2019 – GPT has entered an agreement with Dexus to sell its 50% interest in MLC centre for \$800M

**GDI: GDI Property Group**

- No announcement.

**GOZ: Growthpoint Property**

- No announcement.

**MGR: Mirvac**

- No announcement.

**PLG: Propertylink**

- 14 March 2019 – PLG announced the notice of compulsory acquisition.
- 21 March 2019 – PLG has been suspended from official quotation.

**SCG: Scentre Group**

- 20 March 2019 – SCG prices Euro 500M of senior guaranteed notes.

**SCP: SCA Property Group**

- No announcement.

**SGP: Stockland**

- 14 March 2019 – SGP has divested an additional \$143M of retail assets.

**TGP: 360 Capital Group**

- 26 March 2019 – TGP announces that it has received the final call option proceeds from Centuria (ASX: CNI) of \$20.3M.

**VCX: Vicinity Centres**

- No announcement.

**VVR: Viva Energy REIT**

- 5 March 2019 – VVR announced a security purchase plan that will be capped at \$10M and is not underwritten.



## Appendix 2: A-REIT Distributions

The following is a summary of recent and expected distributions for the listed A-REITs.

Distribution Calendar for A-REITs

Ex-Distn Date	Payable Date	Code	Name	Forecast/Actual distribution	Freq	Prior Distn – pcp (cpu)
11 Oct 18	14 Nov 18	AJD	Asia Pacific Data Centre Group	2.0	Special	NA
27 Sep 18	19 Oct 18	BWF	Blackwall Limited	2.1	HY	1.80
25 Sep 18	17 Oct 18	BWR	Blackwall Property Trust	5.0	HY	6.50
28 Dec 18	15 Jan 19	AOF	Australian Unity Office Fund	3.95	Qtr	3.9
28 Dec 18	7 Feb 19	ARF	Arena REIT	3.375	Qtr	3.2
28 Dec 18	27 Feb 19	AVN	Aventus Retail Fund	4.14	Qtr	4.07
28 Dec 18	31 Jan 19	CIP	Centuria Industrial REIT	4.6	Qtr	4.85
28 Dec 18	31 Jan 19	CMA	Centuria Metropolitan REIT	4.358	Qtr	4.525
28 Dec 18	14 Feb 19	CLW	Charter Hall Long WALE REIT	6.5	Qtr	6.5
28 Dec 18	15 Feb 19	AQR	APN Convenience Retail REIT	5.225	Qtr	4.88
28 Dec 18	22 Feb 19	CMW	Cromwell Property	1.8125	Qtr	2.085
28 Dec 18	21 Jan 19	CQE	Charter Hall Education Trust	4.0	Qtr	3.775
28 Dec 18	21 Jan 19	GDF	GARDA Diversified Property Fund	2.25	Qtr	2.25
28 Dec 18	8 Feb 19	ADI	APN Industria REIT	4.25	Qtr	4.1
28 Dec 18	24 Jan 19	TGP	360 Capital Group	1.0	Qtr	0.75
28 Dec 18	4 Feb 19	CNI	Centuria Capital	4.25	HY	4.1
28 Dec 18	28 Feb 19	DXS	Dexus	27.2	HY	23.7
28 Dec 18	1 Mar 19	ERF	Elanor Retail	4.65	HY	5.1507
28 Dec 18	5 Mar 19	LEP	ALE Property Group	10.45	HY	10.35
28 Dec 18	28 Feb 19	MGR	Mirvac Group	5.3	HY	5.0
28 Dec 18	29 Jan 19	SCP	SCA Property Group	7.25	HY	6.8
28 Dec 18	4 Mar 19	VCX	Vicinity Centres	7.95	HY	8.1
28 Dec 18	28 Feb 19	CQR	Charter Hall Retail REIT	14.28	HY	14.0
28 Dec 18	28 Feb 19	GDI	GDI Property Group	3.875	HY	3.875
28 Dec 18	26 Feb 19	GMG	Goodman Group	15.0	HY	13.75
28 Dec 18	28 Feb 19	GOZ	Growthpoint Property	11.4	HY	11.0
28 Dec 18	28 Feb 19	GPT	GPT Group	12.73	HY	12.3
28 Dec 18	1 Mar 19	NSR	National Storage REIT	4.5	HY	4.7
28 Dec 18	31 Jan 19	PLG	Propertylink Group	3.6	HY	3.6
28 Dec 18	28 Feb 19	SGP	Stockland	13.5	HY	13.0
28 Dec 18	22 Feb 19	BWP	BWP Trust	8.93	HY	8.78
28 Dec 18	28 Feb 19	CDP	Carindale Property	18.1	HY	20.1
28 Dec 18	28 Feb 19	CHC	Charter Hall Group	16.5	HY	15.6
28 Jan 19	28 Feb 19	ABP	Abacus Property Group	9.25	HY	9.0
28 Jan 19	28 Feb 19	VVR	Viva Energy REIT	6.82 – 6.92	HY	6.6
13 Feb 19	28 Feb 19	SCG	Scentre Group	11.08	HY	10.87
Early Mar 19	Late Apr 19	APD	APN Property Group	TBA	HY	1.25

Source: Core Property, company announcements

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