

# Property Sector Wrap

## June 2020

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

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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 – June 2020

### A-REITs rebound resiliently over the June quarter

Following a tumultuous 1Q20 in which the S&P/ASX A-REIT 200 Accumulation Index fell 34.4%, the property sector has responded strongly, rebounding 23.3% over the 3 months to 30 June 2020. In the same period, the wider S&P/ASX200 Accumulation Index has increased a lesser 14.1%. Of all A-REITs, only four recorded a negative return for the period, with the lowest being a marginal 2.2% loss. Beyond this, Charter Hall is the best performer, recording a 37.1% return for the quarter. While performances have been consistent across all sectors, non-essential retailers have, in particular, rebounded strongly after their 1Q20 slump, implying that, perhaps, the March 2020 selloff was overdone.

### Index Returns – June 2020 Quarter

Index - Total Return	3 months to 30 June 2020
All Ordinaries	15.5%
S&P/ASX 200	13.8%
S&P/ASX 200 Accumulation	14.1%
A-REIT 200 Accumulation	23.3%
A-REIT 300 Accumulation	23.7%

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

Code	Security	Total Return 3 months to 30 June 2020
CHC	Charter Hall Group	37.1%
HPI	Hotel Property Investments	35.0%
INA	Ingenia Group	31.7%
AVN	Aventus Group	31.3%
ARF	Arena REIT	30.9%
SGP	Stockland	28.9%
GDI	GDI Property Group	26.8%
CQE	Charter Hall Social Infrastructure REIT	26.5%
GOZ	Growthpoint Property	25.0%
VCX	Vicinity Centres	23.8%
CIP	Centuria Industrial REIT	23.7%
SCG	Scentre Group	23.3%
COF	Centuria Office REIT	21.8%
GMG	Goodman Group	20.4%
BWP	BWP Trust	19.2%
NSR	National Storage REIT	17.4%
CMW	Cromwell Property Group	14.8%
WPR	Waypoint REIT	14.3%
ADI	APN Industria REIT	13.8%
ABP	Abacus Property Group	13.5%
CNI	Centuria Capital	11.7%
CQR	Charter Hall Retail	5.5%
RFF	Rural Funds Group	4.1%
MGR	Mirvac Group	-0.5%
SCP	SCA Property Group	-1.8%
DXS	Dexus	-2.1%
CLW	Charter Hall Long WALE REIT	-2.2%

Source: IRESS, as at 30 June 2020

## Market Data

### Index Performance

Indices Total Return Performance

Index	Mar-20	Apr-20	May-20	Jun-20	% Movement			
					1 Month	3 Month	1 Year	Calendar YTD
All Ordinaries	5,111	5,598	5,872	6,001	<b>2.2%</b>	17.4%	-10.4%	-11.8%
S&P/ASX 200	5,077	5,522	5,756	5,898	<b>2.5%</b>	16.2%	-10.9%	-11.8%
S&P/ASX 200 Accumulation	55,711	60,603	63,244	64,893	<b>2.6%</b>	16.5%	-7.7%	-10.4%
A-REIT 200 Accumulation	38,045	43,270	46,285	45,625	<b>-1.4%</b>	19.9%	-21.3%	-21.3%
A-REIT 300 Accumulation	38,103	43,319	46,374	45,810	<b>-1.2%</b>	20.2%	-20.7%	-21.0%

Source: IRESS, as at 30 June 2020

The listed Australian property indices underperformed the market in April with the S&P A-REIT Accumulation index declining 1.4%, compared to the broader S&P/ASX 200 Accumulation index which increased by 2.6%. Over the quarter, the Australian 10-year Bond yield increased 11 bps to 0.87% and the US 10-year Bond yield contracted by 1 bps to 0.65%.

Over the quarter, the RBA cash rate was held at 0.25%.

### Bond Yields & Spreads

The yield on the Australian government 10-year bond finished the month at 0.87%, while the trailing distribution yield on A-REITs finished at 5.11%. As a result, the spread between the yields has contracted significantly to 4.24%. The respective movements were expected, as the market continues to adjust to the impacts 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 -0.271.

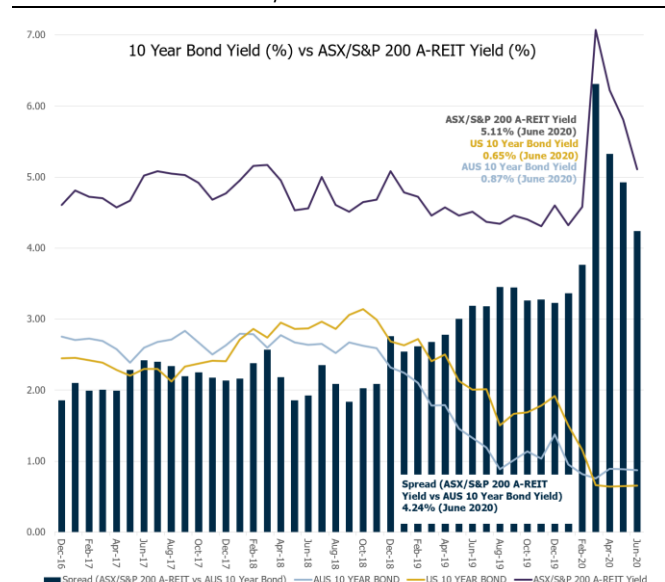
In the US, the Federal Open Market committee (FOMC) have held the target range at between 0 - 0.25%.

### Market Data

Month Ending	Mar20	Apr20	May20	Jun20
AUS 10 Year Bond Rate	0.7583	0.8906	0.8835	0.8690
US 10 Year Bond Rate	0.6585	0.6417	0.6502	0.6537
RBA Cash Rate	0.25	0.25	0.25	0.25
A-REIT Yield	7.07%	6.22%	5.81%	5.11%
AUDUSD	0.6139	0.6511	0.6669	0.6904

Source: IRESS, as at 30 June 2020

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



Source: IRESS

## Listed A-REITs

Top 5 Monthly Total Return – June 2020

	Code	Name	Month Total Return
1	BWF	Blackwall Limited	18.3%
2	ERF	Elanor Property	18.2%
3	CMW	Cromwell Prop	14.8%
4	AVJ	AVJennings Limited	10.7%
5	LEP	ALE Property Group	9.8%

Source: IRESS, Total Return includes distributions

Bottom 5 Monthly Total Return – June 2020

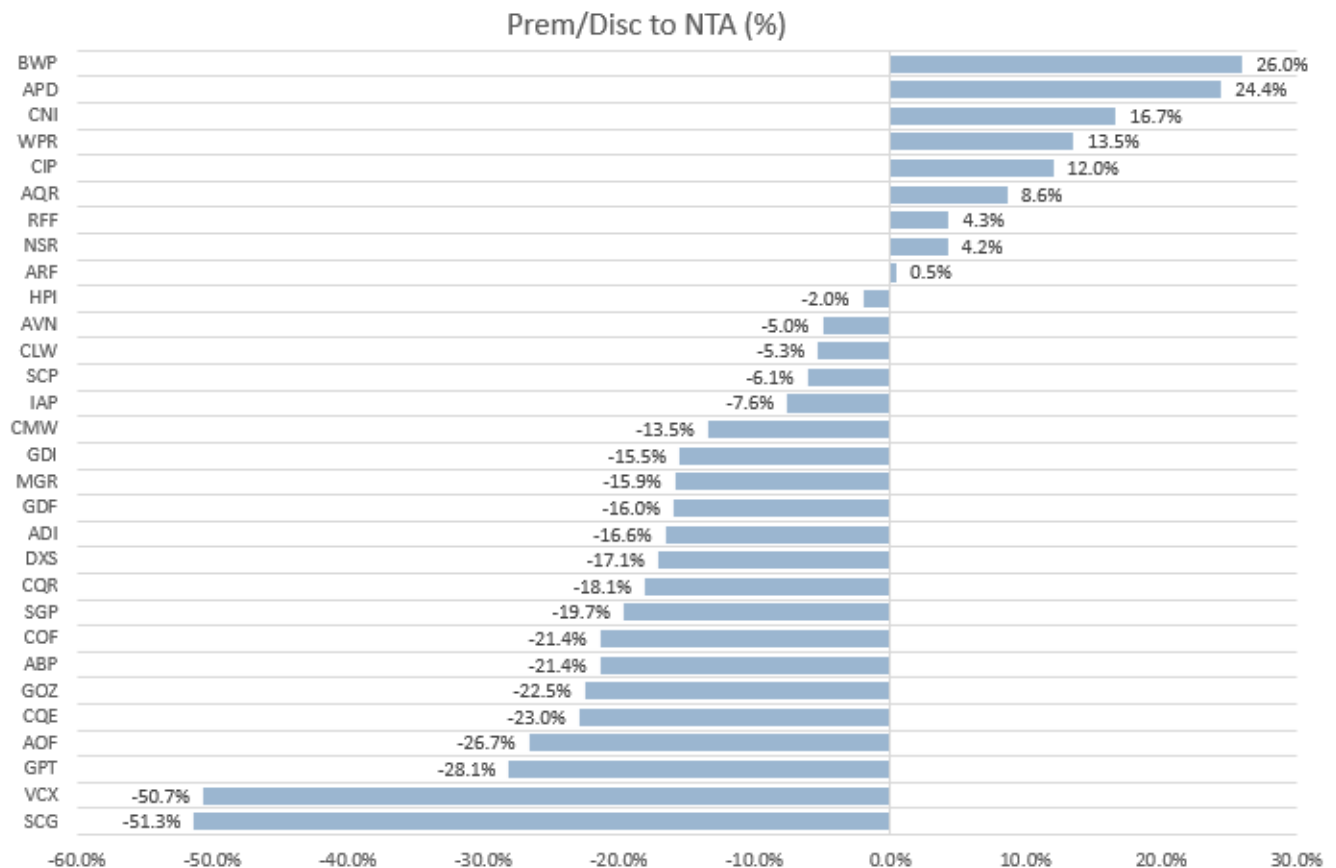
	Code	Name	Month Total Return
1	VCX	Vicinity Centres	-11.2%
2	ARF	Arena REIT.	-8.6%
3	MGR	Mirvac Group	-6.4%
4	SCP	SCA Property Group	-4.7%
5	CQE	Charter Hall Soc In	-4.6%

Source: IRESS, Total Return includes distributions

The top performing property security in June was Blackwall Limited (ASX: BWF) which increased 18.3%.

The worst performing security in June was Vicinity Centres (ASX: VCX) which decreased 11.2%.

Premium/Discount to NTA



Source: ASX, Core Property, based on closing price on 30 June 2020, and last reported NTA as at 31 December 2019

## Unlisted Property Funds

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

### Activity

- **APIL Group** launched a new offering for their existing **APIL Industrial Fund No. 1**. The Fund consists of a portfolio of 3 industrial properties across Australia and is seeking capital to acquire a further asset. The Fund is targeting distributions of 7.5% with an estimated end date of December 2027.
- **Primewest** launched an offering for its new **Primewest Agricultural Trust No. 1**. The Trust comprises a two-asset portfolio, with an intention to acquire more to reach \$100M in portfolio value. The Trust has attractive portfolio metrics and is targeting 7.5% distributions with an estimated term of eight years to June 2028.
- **Stirling Property Funds** relaunched an offering for the **Stirling Junction Fair Shopping Centre Fund**. The Fund comprises a single asset portfolio, the Junction Fair Shopping Centre, in NSW. The Trust is forecasted to maintain distributions of 9.0% with an estimated investment term of four years.
- **Charter Hall Direct Industrial Fund No. 4** along with **Charter Hall Prime Industrial Fund** have acquired a logistics property at 40-66 Lockwood Drive, Erskine Park, Sydney for \$115M.

## Appendix 1: A-REIT Activity – June 2020

The following is a summary of announcements by the major listed A-REITs during the June 2020 quarter.

### **ABP: Abacus Property Group**

- 4 May – Extended \$111M of syndicated and bilateral debt facilities by 12 months. Facility pricing is unchanged.
- 1 June – Announced a 9.05 cpu distribution for 2H20 taking FY20 distributions to 18.50 cpu total.

### **ADI: APN Industria REIT**

- 20 May – Announced a share buyback plan for up to 5% of securities on issue.
- 18 June – Announced a 4.15 cpu distribution for the June quarter taking FY20 distributions to 17.275 cpu total (previously 17.5 cpu).

### **APD: APN Property Group**

- 15 May – Announced a 2H20 distribution of 1.55 cpu bringing full year distributions to 3.15 cpu.

### **AOF: Australian Unity Office Fund**

- 19 June – Announced a 3.00 cpu distribution for the June quarter taking FY20 distributions to 15.0 cpu.

### **AQR: APN Convenience Retail REIT**

- 26 May – Announced (1) the acquisition of two properties, Coles Express Gatton, QLD and Coles Express Inverell, NSW collectively for \$10.2M, and (2) the completion of four fund-through development projects totaling \$19.8M. The transactions are not expected to affect FY20 distributions and FFO.
- 16 June – Announced a fully underwritten \$50M institutional placement and non-underwritten Security Purchase Plan for up to \$5M. The proceeds will be used to strengthen the balance sheet through repaying debt and funding acquisitions.
- 17 June – The institutional placement successfully raised \$50M at an issue price of \$3.20 per New Security.
- 18 June – Announced a 5.45 cpu distribution for the June quarter bringing FY20 distributions to 21.8 cpu.
- 25 June – Announced the planned sell-down of 6,666,667 AQR stapled securities held by Puma Energy Australia Ventures B.V. for \$3.30 per security.

### **ARF: Arena REIT**

- 2 June – Announced an equity raising comprising a fully underwritten \$50M institutional placement, and non-underwritten Security Purchase Plan of up to \$10M. The proceeds of the equity raising will be used to provide capacity to pursue further social infrastructure property investments.
- 19 June – Announced a 2H20 distribution of 6.85 cpu, bringing FY20 distributions to 14.0 cpu.

### **AVN: Aventus Group**

- 12 May – Announced the resignation of Brett Blundy as a non-executive director
- 1 June – Announced the appointment of Ray Itaoui to the Aventus Board as a non-executive and independent Director.
- 17 June – Announced that AVN had unconditionally exchanged on a 31,470 sqm development site adjoining Epping Home \$11.5M from Kaufland Australia. The completion of the acquisition is due for late July 2020.
- 23 June – Announced a 2.35 cpu distribution for the June quarter bringing full FY20 distributions to 11.915 cpu.

### **BWP: BWP Trust**

- 24 June – Announced a 2H20 distribution of 9.27 cpu, bringing full year distributions to 18.29 cpu.

### **CDP: Carindale Property**

- 22 June – Announced the omission of a final distribution for the period ending 30 June 2020.

### **CHC: Charter Hall Group**

- 14 May – Provided a market update for 3Q20. Highlights include (1) FY20 distribution and earnings guidance reaffirmed, (2) CHC's resilience to COVID-19 impacts with 9.7% of tenants classified as SMEs under the National Cabinet Commercial Code and (3) slight slowdowns in fund inflows and transaction activity.
- 22 June – Announced a 18.22 cps distribution for 2H20 bringing full year distributions to 35.72 cps.

### **CIP: Centuria Industrial REIT**

- 19 May – Announced the successful completion of its recent Unit Purchase Plan, raising approximately \$8.3M.
- 12 June – Announced the inclusion of CIP into the S&P/ASX200 index effective from market open 22 June 2020.
- 19 June – Announced a 4.675 cpu distribution for the June quarter, in line with previous guidance of 18.7 cpu.

### **CLW: Charter Hall Long WALE REIT**

- 11 May – Announced the revaluation of a number of co-owned properties representing 45% of CLW's portfolio by value. Overall CLW recorded a flat net valuation movement across the revalued properties with no changes in capitalization rates.

- 23 June – Announced a 7.20 cpu distribution for the June quarter bringing full year distributions to 28.3 cpu.

## **CMW: Cromwell Property**

- 21 May – Announced the settlement of a sale of a 50% stake in 475 Victoria Avenue, Chatswood to a private fund managed by BlackRock for \$120M.
- 4 June – Announced a 1.875 cpu distribution for the June quarter bringing FY20 distributions to 7.50 cpu.
- 23 June – ARA Asset Management Limited (ARA) announced an intention to make a proportional off market takeover bid to acquire 29% of all Cromwell stapled securities not held by ARA for \$0.90 per security. CMW advised its securityholders to take no action in relation to the Offer.
- 24 June – Advised Cromwell securityholders to reject the ARA Proportional Offer once made.

## **CNI: Centuria Capital Group**

- 5 May – Acquired a 19% stake in New Zealand's Augusta Capital at NZ\$0.55 per share.
- 15 June – (1) Announced an intention to make a full takeover offer to acquire the remaining shares in Augusta Capital for NZ\$130M. The Offer proposes consideration of NZ\$0.20 in cash and 0.392 of a Centuria Stapled Security in exchange for each Augusta share. The Implied Offer Price of NZ\$1.00 represents a 46.0% premium to the closing price of Augusta shares on 12 June 2020. (2) Proposed an equity raising of up to ~51M securities.
- 19 June – Announced a final distribution of 5.20 cpu for FY20, bringing full year distributions to 9.70 cpu.
- 29 June – Made a full takeover offer for all Augusta Capital Limited (NZX: AUG) shares that CNI does not currently own.
- 30 June – Announced an intention to vary the Offer to NZ\$0.22 in cash plus 0.392 Centuria stapled securities.

## **COF: Centuria Office REIT**

- 19 May – Secured a new seven-year debt facility from Credit Agricole increasing undrawn debt levels to \$131.5M.
- 19 June – Announced a 4.45 cpu distribution for the June quarter. The distribution is in line with FY20 guidance of 19.8 cpu.
- 2 July – Provided a portfolio performance and valuation update. Highlights include (1) resilient portfolio revaluations on 13 of 23 properties with an estimated decrease of 1.1% on prior book values, and (2) robust rent collections averaging 89% for the June quarter.

## **CQE: Charter Hall Social Infrastructure REIT**

- 30 April – Announced the sale and settlement of 26 New Zealand childcare properties for NZ\$36.9M
- 4 May – Announced the undertaking of an Equity Raising comprising a fully underwritten institutional placement for \$100M, and a non-underwritten Unit Purchase Plan for ~\$15M.
- 5 May – Announced the successful completion of the institutional placement raising \$100M at an issue price of \$2.20 per unit.
- 1 June – Announced the successful completion of the Unit Purchase Plan raising approximately \$23.1M.
- 19 June – Announced a 3.475 cpu distribution for the June quarter, bringing FY20 distributions to 16.0 cpu.

## **CQR: Charter Hall Retail REIT**

- 25 May – Announced the successful completion of CQR's Unit Purchase Plan announced 27 April 2020, raising approximately \$29.5M at an issue price of \$2.90 per unit.
- 24 June – Announced a 10.0 cpu distribution for 2H20 bringing full year distributions to 24.52 cpu.

## **DXS: Dexus**

- 4 June – Announced the settlement of the acquisition of a 50% interest in Rialto Towers, 525 Collins Street, Melbourne on behalf of a Joint Venture with GIC previously announced on 6 April 2020.
- 16 June – Announced a 2H20 distribution of 23.2 cps bringing full year distributions to 50.2 cps.
- 24 June – DXS announced (1) that it has conditionally exchanged contracts to sell 45 Clarence Street, Sydney for \$530M, and (2) that its property portfolio has remained resilient throughout the quarter – a revaluation of 107 of 118 assets has resulted in a total decrease of 1.2% on prior book values.

## **GDF: GARDA Diversified Property Fund**

- 28 May – Announced a distribution of 1.8 cpu for the June quarter, bringing FY20 distributions to 8.55 cpu.

## **GDI: GDI Property Group**

- 1 May – Announced the extension of a Principal Facility from \$140.0M to \$210.0M, and reaffirmed FY20 distribution guidance.
- 17 June – Announced a distribution of 3.875 cpu for 2H20, in line with FY20 forecasts of 7.50 cpu.

## **GMG: Goodman Group**

- 7 May – Provided an operational update; reaffirmed guidance for earnings and distributions
- 23 June – Announced a final distribution of 15.0 cpu bringing full year distributions to 30.0 cpu.

## **GPT: GPT Group**



- 9 June – Provided an independent revaluation of seven directly held retail assets as at 31 May 2020, which saw a net 8.8% reduction on the 31 December 2019 book value. Distribution guidance for FY20 will coincide with the release of financial results in August 2020.

#### **GOZ: Growthpoint Property**

- 19 May – Announced the negotiation of a new \$100M debt facility split into two equal tranches of five and seven years. The facility is priced lower than the Group's weighted average code of debt and brings GOZ's underdrawn debt lines to \$345M.
- 23 June – Provided an operational update demonstrating GOZ's resilience to COVID-19 with ~94% rent collection over the June quarter. A 2H20 distribution of 10.0 cpu was announced bringing the FY20 total distribution to 21.8 cpu.

#### **MGR: Mirvac**

- 24 June – Announced a 2H20 distribution of 3.0 cpu bringing full year distributions to 9.1 cpu. The distribution is expected to be paid on 14 September 2020.
- 24 June – Provided a preliminary revaluation of 63 assets for 30 June 2020 which saw a 2.8% decrease on the 31 December 2019 book value.

#### **RFF: Rural Funds Group**

- 2 June – Announced a 2.7118 cpu distribution for the June quarter, bringing full year distributions to 10.8472 cpu.

#### **SCG: Scentre Group**

- 11 May – Provided an operational update for the March 2020 quarter.
- 20 May – Announced a US\$1.5B (AU\$2.3B) debt issue in the United States market comprising (1) US\$750M 5.7 year fixed rate senior guaranteed notes with a coupon of 3.625%, and (2) US\$750M 10 year fixed rate senior guaranteed notes with a coupon of 4.375%.

#### **SCP: SCA Property Group**

- 13 May – Announced the successful completion of a Unit Purchase Plan announced on 7 April 2020, raising approximately \$29.3M.
- 23 June – Provided an operational update for the four months to June 2020 and announced a 2H20 distribution of 5.0 cpu resulting in a full year distribution of 12.5 cpu.

#### **SGP: Stockland**

- 30 April – Announced the settlement of the acquisition of the undeveloped portion of 'The Gables' previously announced 16 March 2020.
- 13 May – Provided a market update for 3Q20.
- 22 June – Announced an estimated 2H20 distribution of 10.6 cpu resulting in a full year distribution of 24.1 cpu. The actual distribution will be confirmed in August 2020.
- 22 June – Provided preliminary independent external valuations for SGP's entire Commercial Property portfolio for 30 June 2020. Draft valuations indicate a reduction in the portfolio book value of approximately 6%.
- 22 June – SGP announced the intention of Mark Steinert, to retire as SGP's Chief Executive Officer and Managing Director.

#### **TGP: 360 Capital Group**

- 13 May – Announced the launch of the 360 Capital Credit Income Fund, an unlisted fund that will invest in middle market private credit opportunities in Australia and New Zealand.
- 23 June – Announced a 1.00 cpu distribution for the June quarter.

#### **WPR: Waypoint REIT**

- 23 June – Announced a 7.41 cpu distribution for 2H20 bringing full year distributions to 14.60 cpu.

#### **VCX: Vicinity Centres**

- 6 May – Provided an operational update for the March 2020 quarter.
- 1 June – Announced an equity raising comprising a fully underwritten institutional placement to raise \$1.2B, and a non-underwritten Security Purchase Plan to raise up to a further \$200M.
- 2 June – Announced the successful completion of the institutional placement raising \$1.2B.

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