

Property Sector Wrap

December 2019

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

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Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

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 – December 2019

A-REITs deliver strong returns in 2019 calendar year

The S&P/ASX A-REIT 200 Accumulation Index delivering a 19.4% total return for the 12 months to 31 December 2019, compared to the wider S&P/ASX 200 Accumulation Index which delivered 23.4% return for the year. Centuria Capital was the best performer for the year with an exception 84.7% total return. Over the past 12 months the fund manager has added around \$1.6B to its property platform, which now totals \$7.2B. Another top performer was Charter Hall Group, who grew its funds under management by around \$10B during the year. Charter Hall now has the largest property platform in Australia with funds under management at \$38B.

Index Returns –2019

Index - Total Return	12months to 31 December 19
All Ordinaries	19.1%
S&P/ASX 200	18.4%
S&P/ASX 200 Accumulation	23.4%
A-REIT 200 Accumulation	19.4%
A-REIT 300 Accumulation	19.6%

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

Code	Security	Total Return 12 months to 31 December 2019
CNI	Centuria Capital Group	84.7%
INA	Ingenia Group	69.6%
CHC	Charter Hall Group	54.0%
MGR	Mirvac Group	47.5%
AVN	Aventus Group	41.7%
SGP	Stockland	39.1%
CLW	Charter Hall Long WALE REIT	36.1%
CMA	Centuria Metropolitan REIT	30.3%
CIP	Centuria Industrial REIT	28.7%
GMG	Goodman Group	28.6%
CMW	Cromwell Property	26.1%
VVR	Viva Energy REIT	24.6%
ARF	Arena REIT	24.0%
GOZ	Growthpoint Property	17.2%
BWP	BWP Trust	16.2%
ABP	Abacus Property Group	15.8%
CQE	Charter Hall Education Trust	15.0%
GDI	GDI Property Group	15.0%
DXS	Dexus	14.9%
ADI	APN Industria REIT	12.9%
SCP	SCA Property Group	10.6%
NSR	National Storage	10.1%
GPT	GPT Group	9.8%
HPI	Hotel Property Investments	5.8%
SCG	Scentre Group	3.9%
VCX	Vicinity Centres	1.8%
CQR	Charter Hall Retail REIT	1.8%
RFF	Rural Funds Group	-5.3%

Source: IRESS, as at 31 December 2019

Market Data

Index Performance

Indices Total Return Performance

Index	Sep-19	Oct-19	Nov-19	Dec-19	% Movement			
					1 Month	3 Month	1 Year	Calendar YTD
All Ordinaries	6,801	6,773	6,948	6,802	-2.1%	0.0%	19.1%	19.1%
S&P/ASX 200	6,688	6,663	6,846	6,684	-2.4%	-0.1%	18.4%	18.4%
S&P/ASX 200 Accumulation	71,955	71,699	74,049	72,445	-2.2%	0.7%	23.4%	23.4%
A-REIT 200 Accumulation	58,547	59,273	60,640	57,967	-4.4%	-1.0%	19.4%	19.4%
A-REIT 300 Accumulation	58,425	59,226	60,567	58,001	-4.2%	-0.7%	19.6%	19.6%

Source: IRESS, as at 31 Dec 2019

The listed Australian property indices underperformed in December with the S&P A-REIT Accumulation index decreasing by 4.4%, compared to the broader S&P/ASX 200 Accumulation index which decreased by 2.2%. The Australian 10-year Bond expanded by 33 bps to 1.37% and the US 10-year Bond yield expanded 14 bps to 1.92%.

At its December 2019 meeting the RBA cut rates to 0.75%.

Bond Yields & Spreads

The yield on the Australian government 10-year bond finished the month at 1.37%, while the trailing distribution yield on A-REITs finished at 4.60%.

As a result, the spread between the two finished at 3.23%.

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 0.710.

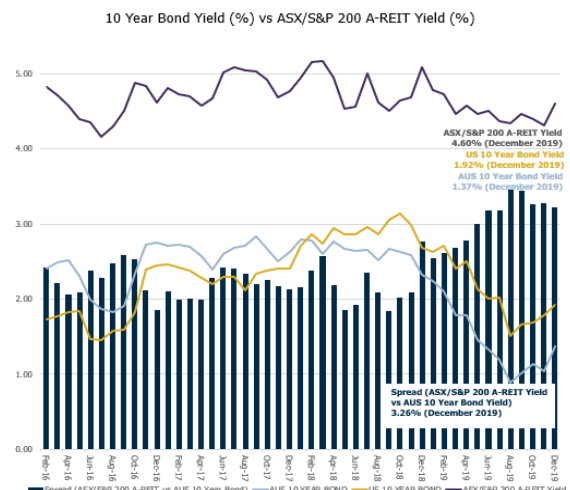
In the US, the Federal Open Market committee (FOMC) have lowered the target range to 1.50 to 1.75% considering global developments and muted inflation pressures.

Market Data

Month Ending	Sep19	Oct19	Nov19	Dec19
AUS 10 Year Bond Rate	1.0172	1.1388	1.0350	1.3746
US 10 Year Bond Rate	1.6656	1.6867	1.7801	1.9184
RBA Cash Rate	1.00	0.75	0.75	0.75
A-REIT Yield	4.46	4.40	4.31	4.60
AUDUSD	0.6760	0.6899	0.6752	0.7002

Source: IRESS, as at 31 December 2019

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



Source: IRESS

Listed A-REITs

Top 5 Monthly Total Return – December 2019

	Code	Name	Month Total Return
1	BWF	Blackwall Limited	10.8%
2	CNI	Centuria Capital	8.7%
3	ERF	Elanore Retail Property	6.7%
4	INA	Ingenia Group	5.5%
5	BWR	Blackwall Group	5.1%

Source: IRESS, Total Return includes distributions

Bottom 5 Monthly Total Return – December 2019

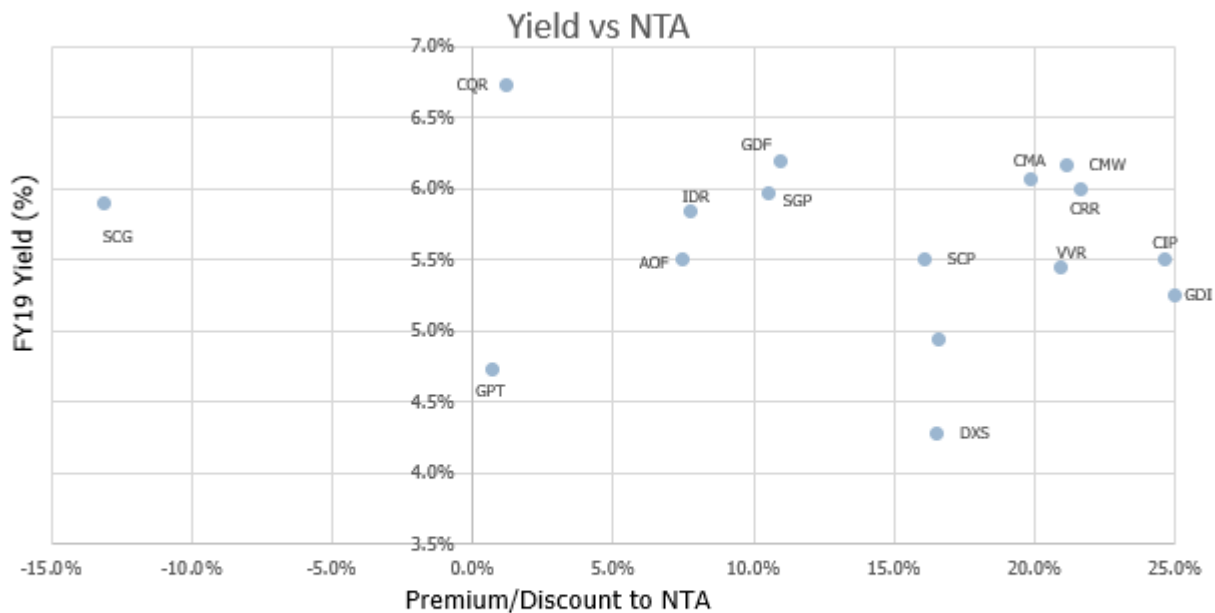
	Code	Name	Month Total Return
1	GMG	Goodman Group	-8.8%
2	CMA	Centuria Metro REIT	-6.8%
3	GPT	GPT Group	-6.8%
4	CIP	Centuria Ind REIT	-5.9%
5	BWP	BWP Trust	-5.9%

Source: IRESS, Total Return includes distributions

The top performing property security in December was Blackwall Limited (ASX: BWF) which increased 10.8%.

The worst performing security in December was Goodman Group (ASX: GMG) which decreased 8.8%.

Yield vs Premium/Discount to NTA



Note: **CHC** is trading on a 3.1% yield and Price/NTA premium of 190.1%.
GMG is trading on a 2.2% yield and a Price/NTA premium of 188.1%.

Source: Core Property, company announcements, IRESS

Unlisted Property Funds

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

Activity

- **GDI** has launched a new fund **GDI No.46 Property Trust**. The trust consists of a portfolio of 17 properties leased to car dealerships in five Perth metropolitan suburbs. The trust has no specified end date.
- Singapore based **SC Capital** has acquired Centuria's A-grade office tower for \$105.3M. This asset was held in the **Centuria 2 Wentworth Street Fund** after it was acquired in 2014 for \$45.1M.
- **Benlee Property Trust** has solve two commercial and warehouse properties in Brisbane Technology Park in Eight Mile Plains for \$13.3M.
- Investment manager **AMP Capital** will take over the student accommodation concession for Melbourne connect in a \$150M deal. The **AMP Capital Diversified Infrastructure Trust** will now run the student dorms for 42 years as part of a Lendlease-led consortium developing mixed-use project on the former Royal Women's Hospital site.

Appendix 1: A-REIT Activity – December 2019

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

ABP: Abacus Property Group

- 13 December – Announced a 9.45 cpu distribution for the December period.

ADI: APN Industria REIT

- 17 December – Announced the successful completion of its security purchase plan.
- 18 December – Announced a 4.375 cpu distribution for the December period.

AOF: Australian Unity Office Fund

- 18 December – Announced a 4.0 cpu distribution for the December period.

AQR: APN Convenience Retail REIT

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

ARF: Arena REIT

- 19 December – Announced a 3.57 cpu distribution for the December period.

BWP: BWP Trust

- 3 December – Announced the appointment of Ms Alison Quinn to its Board as a non-executive director.
- 9 December – Announced a 9.02 cpu distribution for the December period.

CDP: Carindale Property

- 20 December – Announced an 18.1 cou distribution for the December period.

CHC: Charter Hall Group

- 12 December – Announced a 17.5 cpu distribution for the December period.
- 12 December – Announced a \$1.25B of acquisitions and upgraded earnings guidance.

CIP: Centuria Industrial REIT

- 4 December – Announced the settlement of 32-54 Kaurna Avenue, Edinburgh Park SA.
- 11 December – Announced the acquisition of two industrial assets via a sale and leaseback with Arnott's for \$236M.
- 11 December – Announced a fully underwritten institutional placement to raise approximated \$154M to fund the acquisitions.
- 12 December – Announced the successful completion of the institutional placement.

CLW: Charter Hall Long WALE REIT

- 12 December – Announced the acquisition of a national portfolio of 225 long WALE convenience retail properties leased to BP Australia Pty Ltd and a strategic industrial property in Huntingwood, Sydney leased to Arnott's Biscuits for \$619M.
- 13 December – Announced the successful completion of placement and institutional entitlement offer to fund the acquisitions.

CMA: Centuria Metropolitan REIT

- 10 December – Announced the acquisition of NewActon Nishi Building in Canberra.
- 10 December – Announced a fully underwritten institutional placement to raise \$185M
- 11 December – Announced the successful completion of the full underwritten institutional placement.
- 20 December – Announced the settlement of NewActon Nishi Building.

CMW: Cromwell Property

- 23 December – Announced a 1.875 cpu distribution for the December period.

CNI: Centuria Capital Group

- 18 December – Announced a 4.5 cpu distribution for the December period.

CQR: Charter Hall Retail REIT

- 12 December – Announced a 14.52 cpu distribution for the December period.
- 12 December – Announced the acquisition of a national portfolio of 225 long WALE convenience retail properties lease to BP Australia Pty Ltd in partnership with CLW.

CQE: Charter Hall Education Trust

- 11 December – Announced a 4.175 distribution for the December period.

DXS: Dexus

- 13 December – Announced a \$656M uplift in valuations.
- 13 December – Announced a 27 cpu distribution for the December period.

GDF: GARDA Diversified Property Fund

- 18 December – Announced a 0.75 cpu distribution for the December period.

GMG: Goodman Group

- 11 December – Announced a 15.0 cpu distribution for the December period.

GPT: GPT Group

- 12 December – Announced a 13.37 distribution for the December period.

GDI: GDI Property Group

- 13 December – Announced a 3.875 cpu distribution for the December period.

GOZ: Growthpoint Property

- 18 December – Announced a 11.8 cpu distribution for the December period.
- 23 December – Announced the signing of a 25-year lease with the New South Wales Police Force.

MGR: Mirvac

- 10 December – Announced a 6.1 cpu distribution for the December period.
- 19 December – Announced a successful tender in a consortium with John Holland to deliver Sydney's Metro integrated station development at Waterloo.
- 24 December – Announced the acquisition of a development site at 7-23 Spencer St, Melbourne.

SCG: Scentre Group

- 6 December – Announced the acquisition of 50% interest in Garden City Booragoon, Perth for \$570M.

SCP: SCA Property Group

- 12 December – Announced an increase in the total value of investment properties by \$85.8M.
- 12 December – Announced a 7.50 cpu distribution for the December period.

SGP: Stockland

- 17 December – Announced a 27.6 cpu distribution for the December period.

TGP: 360 Capital Group

- 17 December – Announced a 1.0 cpu distribution for the December period
- 23 December – Announced a 19.99% strategic position in Velocity Property Group.

VCX: Vicinity Centres

- 3 December – Announced a 7.7 cpu distribution for the December period.
- 23 December – Announced the acquisition of 50% interest in Uni Hill Factory Outlets, VIC and the divestment of Lennox Village, NSW

VVR: Viva Energy REIT

- 19 December – Announced a 7.19 cpu distribution for the December period.

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