

Property Sector Wrap

December 2020

A review of listed property funds for the
December 2020 year end

Dinesh Pillutla
Managing Director
dinesh.pillutla@coreprop.com.au

Selwyn Chong
Head of Research
selwyn.chong@coreprop.com.au

Contents

1.	December 2020 year end performance	2
2.	Market Data	3
3.	Disclaimer & Disclosure	4

About Core Property Research

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.

IMPORTANT NOTICE

This document is published by Core Property Research Pty Ltd ACN 620 084 880 (Core Property). Core Property is an Authorised Representative (Authorised Representative No. 1280479) of Core Property Research Holdings Pty Ltd ACN 633 170 751 (AFS License No. 518320) (Licensee). No representation is made by Core Property or the Licensee as to the accuracy or completeness of the contents of this document, and no responsibility or liability is accepted by Core Property or the Licensee for any errors, misstatements in or omissions from this document which arises from any use of or reliance on this document.

For further information, please refer to the Disclaimer & Disclosure notice at the end of this document.

Property Sector Wrap – December 2020

A-REIT's wild ride in 2020

The listed A-REIT sector underperformed against the broader market during 2020, impacted by the uncertainty of COVID-19 on rent collections. The S&P/ASX 300 A-REIT Index delivered a total return of -4.6%, compared to the wider S&P/ASX 300 index which delivered a total return of +1.7%.

Core Property has ranked 43 the key property securities based on their total return for the 12 months to 31 December 2020. The table also shows the capital gain from the security price in addition to the distribution yield for the calendar year.

The table shows the divergence of returns for A-REITs in 2020 with total returns ranging from -51.3% to +43.7%. Only 17 of the property securities delivered a positive return for investors, with 26 delivering negative returns.

The top performing stocks belonged to fund managers which have a demonstrated track record for growth and were able to continue to do so during 2020 despite the pandemic. Goodman Group (ASX: GMG) delivered a +43.7% return for investors, Charter Hall Group (ASX: CHC) delivered +36.1% and Centuria Capital delivered +20.8%.

Many of the specialist A-REITs also delivered positive returns through the pandemic, a reflection of their resilient income streams. This includes A-REITs tenanted by hardware stores with BWP Trust (ASX: BWP) delivering +17.4%; petrol/convenience retail with Waypoint REIT (ASX: WPR) at +8.3% and APN Convenience Retail REIT (ASX: AQR) at +7.7%; and childcare centres with Arena REIT (ASX: ARF) at +6.0% and Charter Hall Social Infrastructure REIT (ASX: CQE) at +5.3%.

The weaker performing stocks included A-REIT's with a high exposure to discretionary retailing. Unibail-Rodamco-Westfield (ASX: URW) delivered a total return of -51.3%, Vicinity Centres (ASX: VCX) delivered -34.2% and Scentre Group (ASX: SCG) delivered -24.5%.

Non-discretionary retailers fared a bit better, although still delivering negative returns – Charter Hall Retail REIT (ASX: CQR) delivered -9.2% and SCA Property Group (ASX: SCP) delivered -1.6%.

So what does 2021 hold in store for A-REITs? Core Property expects that an uncertain economic environment will likely drive a continued reweighting into safe haven stocks which have resilient income streams to support distributions.

However, if economic conditions improve in the short term, we may see a widespread recovery across the board - and the possibility for some of 2020's underperforming stocks to stage a strong comeback in 2021.

Figure 1: Total Return for the 12-months ended 31 December 2020

Code	Name	Capital Gain	Distribution Paid	Total Return
GMG	Goodman Group	41.4%	2.2%	43.7%
CHC	Charter Hall Group	32.8%	3.3%	36.1%
CNI	Centuria Capital	16.5%	4.3%	20.8%
BWP	BWP Trust	12.8%	4.7%	17.4%
HMC	Home Consortium ¹	12.2%	3.1%	15.3%
HPI	Hotel Property Investments	2.8%	6.1%	9.0%
WPR	Waypoint REIT	2.6%	5.7%	8.3%
NSR	National Storage REIT	4.1%	4.0%	8.1%
AQR	APN Convenience Retail REIT	1.4%	6.3%	7.7%
PWG	Primewest	3.4%	4.2%	7.6%
RCT	Reef Casino Trust	3.8%	3.2%	7.0%
ARF	Arena REIT	1.1%	5.0%	6.0%
CQE	Charter Hall Social Infr. REIT	0.6%	4.7%	5.3%
ADI	APN Industria REIT	-1.4%	5.9%	4.5%
	All Ordinaries	0.7%	2.9%	3.6%
APD	APN Property Group	-5.6%	7.8%	2.2%
	S&P/ASX 300 Index	-1.1%	2.8%	1.7%
	S&P/ASX 200 Index	-1.5%	2.9%	1.4%
INA	Ingenia Group	-0.8%	2.0%	1.2%
AVN	Aventus Group	-3.9%	4.1%	0.2%
CIP	Centuria Industrial REIT	-6.5%	5.4%	-1.2%
SCP	SCA Property Group	-5.6%	4.0%	-1.6%
ERF	Elanor Retail Property Fund	-5.6%	3.6%	-1.9%
	S&P/ASX 300 A-REIT Index	-7.5%	3.6%	-4.0%
	S&P/ASX 200 A-REIT Index	-8.0%	3.4%	-4.6%
SGP	Stockland	-9.5%	4.7%	-4.8%
ECF	Elanor Commercial Property Fund	-14.9%	8.3%	-6.6%
GDF	GARDA Property Group	-12.0%	5.4%	-6.6%
IAP	Irongate Group	-13.9%	5.9%	-8.0%
TOT	360 Capital REIT	-15.2%	7.1%	-8.1%
CQR	Charter Hall Retail REIT	-14.1%	4.8%	-9.2%
CLW	Charter Hall Long WALE REIT	-15.5%	5.2%	-10.2%
GOZ	Growthpoint Property	-15.9%	4.8%	-11.1%
GDI	GDI Property Group	-18.0%	5.3%	-12.7%
LEP	ALE Property Group	-17.8%	3.8%	-14.0%
MGR	Mirvac Group	-17.0%	2.5%	-14.5%
DXS	Dexus	-19.7%	4.5%	-15.2%
TGP	360 Capital Group	-19.8%	3.6%	-16.2%
ABP	Abacus Property Group	-19.4%	2.5%	-16.9%
CDP	Carindale Property	-19.5%	2.0%	-17.5%
GPT	GPT Group	-19.6%	1.7%	-18.0%
CMW	Cromwell Property Group	-26.0%	6.4%	-19.6%
AOF	Australian Unity Office Fund	-25.1%	5.1%	-20.0%
COF	Centuria Office REIT	-26.2%	5.9%	-20.3%
SCG	Scentre Group	-27.4%	3.0%	-24.5%
ENN	Elanor Investors Group	-27.0%	1.8%	-25.2%
VCX	Vicinity Centres	-35.5%	1.4%	-34.2%
URW	Unibail-Rodamco-Westfield	-54.4%	3.1%	-51.3%

Note 1: HMC includes a return of 9.6% as a result of investors receiving shares in HDN in November 2020. Source: IRESS, Core Property

Market Data

Index Performance

Indices Total Return Performance

Index	Sep-20	Oct-20	Nov-20	Dec-20	% Movement			
					1 Month	3 Month	1 Year	Calendar YTD
All Ordinaries	6,009	6,133	6,742	6,851	1.6%	14.0%	0.7%	0.7%
S&P/ASX 200	5,816	5,928	6,518	6,587	1.1%	13.3%	-1.5%	-1.5%
S&P/ASX 200 Accumulation	64,608	65,856	72,581	73,460	1.2%	13.7%	1.4%	1.4%
A-REIT 200 Accumulation	48,801	48,621	55,062	55,294	0.4%	13.3%	-4.6%	-4.6%
A-REIT 300 Accumulation	49,190	49,054	55,369	55,703	0.6%	13.2%	-4.0%	-4.0%

Source: IRESS, as at 31 December 2020

The listed Australian property indices underperformed the market in December with the S&P/ASX 200 A-REIT Accumulation index increasing 0.4%, compared to the broader S&P/ASX 200 Accumulation index which increased by 1.2%. Over the quarter, the Australian 10-year Bond yield increased 181 bps to 0.9715% and the US 10-year Bond yield increased by 235 bps to 0.9173%.

Over the quarter, the RBA cash rate reduced to 0.10% (from 0.25%).

Bond Yields & Spreads

The yield on the Australian government 10-year bond finished the month at 0.9715%, while the trailing distribution yield on A-REITs finished at 3.40%. As a result, the spread between the yields has contracted significantly to 2.43%.

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 -0.145.

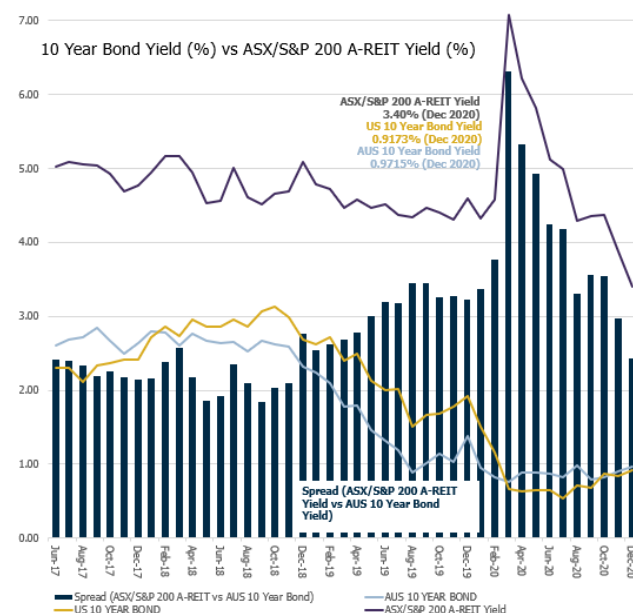
In the US, the Federal Open Market committee (FOMC) have held the target range at between 0 - 0.25%.

Market Data

Month Ending	Sep-20	Oct-20	Nov-20	Dec-20
AUS 10 Year Bond Rate	0.7905	0.831	0.899	0.9715
US 10 Year Bond Rate	0.6824	0.8771	0.8431	0.9173
RBA Cash Rate	0.25	0.25	0.10	0.10
A-REIT Yield	4.35%	4.37%	3.87%	3.40%
AUDUSD	0.7166	0.7029	0.7343	0.7695

Source: IRESS, as at 31 December 2020

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



Source: IRESS

Disclaimer & Disclosure

Core Property has received a fee from the Manager for researching the product(s) which has then been subject to a detailed review and assessment by Core Property and its analysts to produce this report. In compiling this report, Core Property's views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers for review.

The company specified in the Report (the "Participant") has provided Core Property with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Core Property believes are reliable, no responsibility or liability is accepted by Core Property for any errors, omissions or misstatements however caused.

Any opinions, forecasts or recommendations reflects the judgement and assumptions of Core Property as at the date of publication and may change without notice. Core Property and the Participant, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

This publication is not and should not be construed as, personal financial product advice, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information (general financial product advice) only. Neither Core Property nor the participant is aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives. Investors should obtain a copy of, and consider the PDS/ Information Memorandum, which can be obtained by contacting the issuer.

This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Core Property. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. Core Property and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Core Property and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Core Property discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any). However, under no circumstances has Core Property been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.coreprop.com.au/Public/Disclaimer>.

For more information regarding our services please refer to our website www.coreprop.com.au.

