

Property Sector Wrap

June 2019

A review of listed and unlisted property funds activity for June 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 – June 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 June 2019 quarter

The A-REIT indices underperformed the broader equities market during the June 2019 quarter. The S&P/ASX A-REIT 300 Accumulation Index delivering a 4.1% total return, compared to the wider S&P/ASX 200 Accumulation Index which delivered an 8.0% return for the quarter. However, on a 12-month basis, A-REITs have outperformed with a 19.4% return compared to 11.5% from the S&P/ASX200 Accumulation Index. Mirvac was the top performer in the quarter with a 16.11% total return, while the top performer for the past 12 months has been Charter Hall Group with a 71.27% total return.

Index Returns – June 2019 Quarter

Index - Total Return	Quarter	Yearly
	(3months to June 19)	(12months to June 19)
All Ordinaries	7.0%	6.5%
S&P/ASX 200	7.1%	6.8%
S&P/ASX 200 Accumulation	8.0%	11.5%
A-REIT 200 Accumulation	4.1%	19.3%
A-REIT 300 Accumulation	4.1%	19.4%

Source: IRESS, as at 30 June 2019

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

Code	Security	A-REIT 300 Index Weighting	Total Return Quarter ended June 2019	Total Return Year ended June 2019
MGR	Mirvac Group	8.63%	16.11%	49.59%
GMG	Goodman Group	19.27%	13.71%	59.36%
CMA	Centuria Metropolitan REIT	0.70%	13.74%	21.41%
ABP	Abacus Property Group	1.67%	12.70%	13.66%
SGP	Stockland	7.01%	11.97%	11.99%
CLW	Charter Hall Long WALE REIT	1.13%	11.42%	20.56%
HPI	Hotel Property Investments	0.34%	9.63%	15.16%
INA	Ingenia Group	0.53%	7.28%	8.78%
CHC	Charter Hall Group	3.57%	7.13%	71.27%
CMW	Cromwell Property	2.10%	7.13%	10.30%
CQE	Charter Hall Education Trust	0.77%	5.75%	41.26%
VVR	Viva Energy REIT	1.42%	5.19%	24.98%
AVN	Aventus Group	0.86%	4.10%	9.63%
DXS	Dexus	10.03%	3.69%	38.85%
ADI	APN Industria REIT	0.37%	3.26%	15.47%
CIP	Centuria Industrial REIT	0.58%	3.19%	26.50%
RFF	Rural Funds Group	0.54%	2.47%	14.95%
GDI	GDI Property Group	0.52%	2.43%	13.37%
GOZ	Growthpoint Property	2.16%	2.07%	20.76%
NSR	National Storage	0.95%	2.04%	13.09%
BWP	BWP Trust	1.68%	1.27%	19.28%
GPT	GPT Group	8.34%	1.145%	26.67%
ARF	Arena REIT	0.55%	-0.22%	33.72%
VCX	Vicinity Centres	6.56%	-2.71%	0.73%
CQR	Charter Hall Retail REIT	1.35%	-2.91%	11.16%
SCG	Scentre Group	14.40%	-6.57%	-7.48%
SCP	SCA Property Group	1.56%	-6.65%	3.55%

Source: IRESS, as at 30 June 2019

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Recent Reports:

- [Planum Footscray Fund](#)
- [Cromwell Australian Property Fund](#)
- [Freehold Australian Property Fund](#)
- [Australian Unity Office Fund \(ASX: AOF\) – Takeover offer from Abacus and Charter Hall](#)
- [Australia Unity Office Fund \(ASX: AOF\) – Increased takeover offer from CHAB Office Trust](#)

Market Data

Index Performance

Indices Total Return Performance

Index	Mar-19	Apr-19	May-19	Jun-19	% Movement			
					1 Month	3 Month	1 Year	Calendar YTD
All Ordinaries	6,262	6,418	6,492	6,699	3.2%	7.0%	6.5%	17.3%
S&P/ASX 200	6,181	6,325	6,397	6,619	3.5%	7.1%	6.8%	17.2%
S&P/ASX 200 Accumulation	65,101	66,643	67,784	70,292	3.7%	8.0%	11.5%	19.7%
A-REIT 200 Accumulation	55,730	54,305	55,648	57,997	4.2%	4.1%	19.3%	19.4%
A-REIT 300 Accumulation	55,487	54,215	55,464	57,773	4.2%	4.1%	19.4%	19.1%

Source: IRESS, as at 30 Jun 2019

The listed Australian property indices outperformed in May with the S&P A-REIT Accumulation index increased by 3.7%, compared to the broader S&P/ASX 200 Accumulation index which grew by 3.2%. The Australian 10-year Bond compressed 12 bps to 1.32% and the US 10-year Bond yield compressed 12 bps to 2.01%.

At its June 2019 meeting the RBA cut rates to 1.25%. The previous cash rate of 1.5% was unchanged since August 2016.

Market Data

Month Ending	Mar19	Apr19	May19	Jun19
AUS 10 Year Bond Rate	1.7795	1.7890	1.4575	1.3245
US 10 Year Bond Rate	2.4059	2.5003	2.1307	2.0053
RBA Cash Rate	1.50	1.50	1.50	1.25
A-REIT Yield	4.46	4.57	4.46	4.46
AUDUSD	0.71	0.71	0.67	0.70

Source: IRESS, as at 30 June 2019

Bond Yields & Spreads

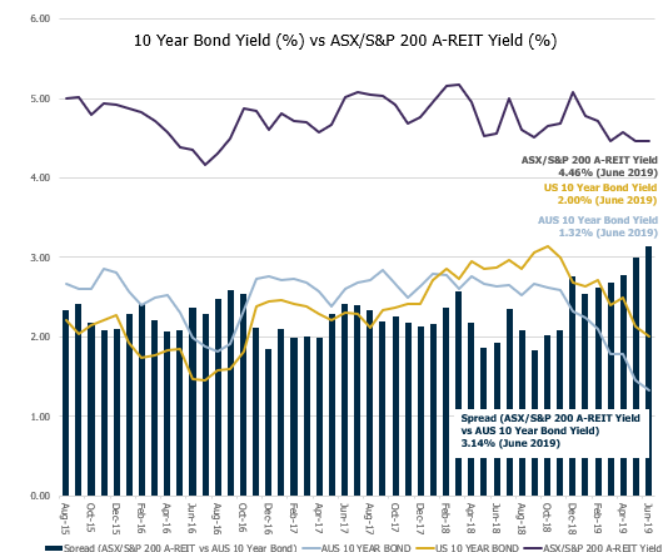
The yield on the Australian government 10-year bond finished the month at 1.32%, while the trailing distribution yield on A-REITs finished at 4.46%.

As a result, the spread between the two finished at 3.14%.

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 0.591.

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 2.4%.

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



Source: IRESS

Listed A-REITs

Top 5 Monthly Total Return – June 2019

	Code	Name	Month Total Return
1	CNI	Centuria Capital	16.3%
2	APD	APN Property Group	12.4%
3	GMG	Goodman Group	10.8%
4	LEP	ALE Property Group	9.6%
5	GCM	GARDA Capital Group	9.0%

Source: IRESS, Total Return includes distributions

Bottom 5 Monthly Total Return – June 2019

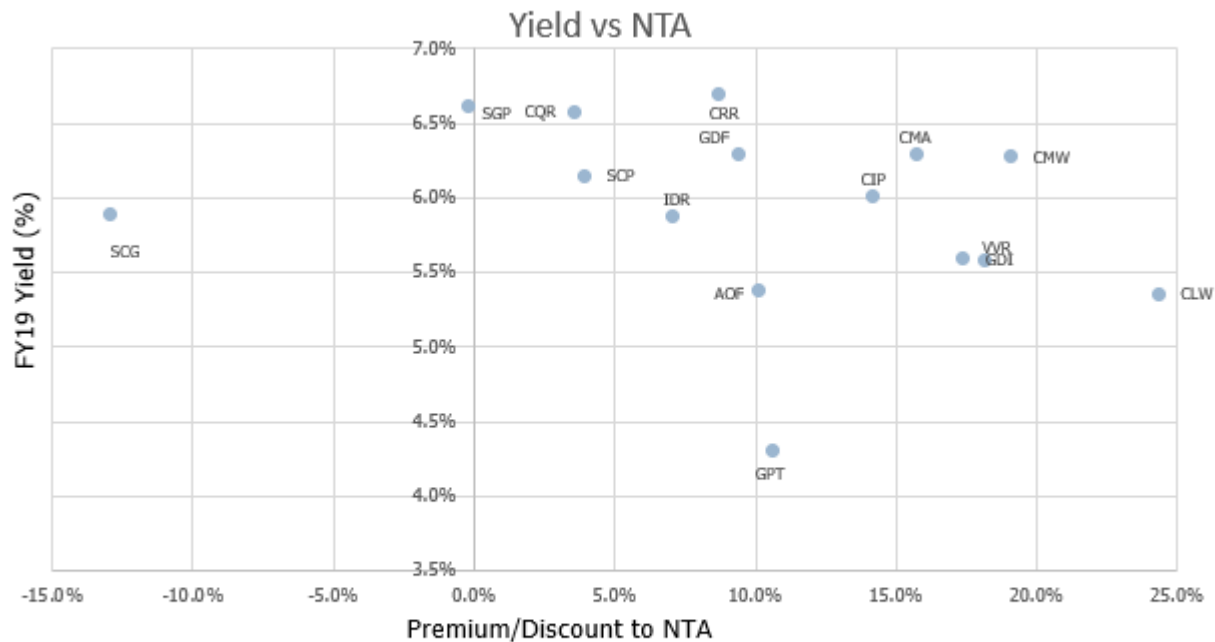
	Code	Name	Month Total Return
1	SCP	SCA Property Group	-5.6%
2	VCX	Vicinity Centres	-4.9%
3	SGP	Stockland	-3.8%
4	BWR	Blackwall Prop Trust	-3.6%
5	SCG	Scentre Group	-2.3%

Source: IRESS, Total Return includes distributions

The top performing property security in June was Centuria Capital (ASX: CNI) which increased 16.3%.

The worst performing security in June was SCA Property Group (ASX: SCP) which decreased 5.6%.

Yield vs Premium/Discount to NTA



Note: **CHC** is trading on a 3.2% yield and Price/NTA premium of 183.5%.
GMG is trading on a 2.0% yield and a Price/NTA premium of 223.9%.

Source: Core Property, company announcements, IRESS

Unlisted Property Funds

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

During June 2019, unlisted property recorder numbers assets being placed on the market circa \$600M. The largest transaction was the sale of 50% stake in the Zenith Centre by Centuria for \$438.2M

Activity

- **Elanor Investors' Fairfield Centre Syndicate** has completed the acquisition of Neeta City, a sub-regional shopping centre in Fairfield, NSW for \$85.3M. The centre was acquired on a passing yield of 7.8% with 24,750sqm of lettable area anchored by Woolworths and Big W. Elanor will co-invest in the syndicate alongside domestic institutional and private capital partners.
- **The Centuria Zenith Fund** sold its 50% stake in the Zenith Centre in Chatswood NSW. The office complex was co-owned with BlackRock and sold for a total price of \$438.2M. The Centuria Zenith Fund is expected to distribute the net proceeds of the sale to investors and wind down the fund following settlement. The Zenith Centre comprises two 21-storey A-grade office towers with net lettable area of around 44,000 sqm and is fully leases with a weighted average lease expiry of 4.3 years.
- **Centuria Capital** has announced the sale of a \$36.95M A-grade office asset in Brisbane's Cannon Hill. The two-storey commercial office building is located 6 km from the CBD with an NLA of 6,028 sqm. Sydney based wholesale fund manager, Aviator Capital acquired the property at a 6.75% capitalisation rate marking its third commercial asset in the Brisbane market. The building was initially bought in 2012 by Centuria and placed into Centuria 19 Corporate Drive Fund for \$23.3M. It is anchored by key tenants such as Optus, NAB and the Queensland State Government.
- **Moelis** has acquired 54 apartments for close to \$30M from Sydney developer Payce. The apartments, located within a 779-mixed use apartment complex in Sydney's Kirrawee, were acquired at ~25% discount to current values and are expected to be placed in an unlisted fund.
- **EG Real Estate** has launched the new **Australian Core Enhanced Fund**. This fund is an open-ended, diversified fund which targets the retail, industrial and office in Australia. The fund has equity committed from four investors giving them the firepower to deploy \$800M.

Appendix 1: A-REIT Activity – June 2019

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

ABP: Abacus Property Group

- 4 June 2019 – ABP has joined up with CHC in acquiring a 19.9% strategic interest in AOF.
- 4 June 2019 – ABP has announced with CHC of an all cash proposal to acquire AOF.

ADI: APN Industria REIT

- 13 June 2019 – ABP has announced the successful completion of the security purchase plan.

AOF: Australian Unity Office Fund

- 4 June 2019 - Announced that a consortium led by CHC and ABP had acquired a 19.9% interest in AOF.
- 4 June 2019 – Announced that they received an all cash proposal to acquire the remaining units on issue from the consortium led by CHC and ABP.
- 4 June 2019 – Announced that the gateway determination was received for the proposed development of 2 Valentine Ave, Parramatta
- 13 June 2019 – Announced the estimated valuations for June 2019
- 21 June 2019 – Announced a 3.95 cpu for the June period.

AQR: APN Convenience Retail REIT

- Announced a 5.225 cpu distribution for the June period.

ARF: Arena REIT

- No announcement.

BWP: BWP Trust

- 19 June 2019 – Announced a 9.18 cpu ordinary distribution and a 1.56 cpu special distribution for the June period.

CDP: Carindale Property

- 24 June 2019 – Announced an 18.1 cpu distribution for the June period.

CHC: Charter Hall Group

- 4 June 2019 – Announced a 19.9% strategic interest in AOF alongside ABP.
- 4 June 2019 – Announced an all cash proposal to acquire the remaining units on issue of AOF alongside ABP.

CIP: Centuria Industrial REIT

- 27 June 2019 – Announced the acquisition of 3 industrial assets and an equity raising in order to fund the transaction.
- 28 June 2019 – Announced the successful completion of the \$70M institutional capital raising.

CLW: Charter Hall Long WALE REIT

- 5 June 2019 – Announced the acquisition of two office properties and a 50% stake in a prime industrial property for a total consideration of \$206M
- 6 June 2019 – Announced the successful completion of a \$180M institutional capital raising.

CMA: Centuria Metropolitan REIT

- 20 June 2019 – Announced a 4.358 cpu distribution for the June period.

CMW: Cromwell Property

- 26 June 2019 – Announced a \$365M institutional capital raising.
- 27 June 2019 – Announced the successful completion of the institutional placement.
- 28 June 2019 – Announced a new 3 Year euro denominated syndicated facility agreement.

CNI: Centuria Capital Group

- 7 June 2019 – Announced that the divestment of the Zenith asset has generated in excess of \$9M in performance fees.

CQR: Charter Hall Retail REIT

- 13 June 2019 – Announced a 14.48 cpu distribution for the June period.

CQE: Charter Hall Education Trust

- 3 June 2019 – Announced the acquisition of the Brisbane City Council Bus Network Terminal.
- 21 June 2019 – Announced a 4 cpu distribution for the June period.

DXS: Dexus

- 21 June 2019 – Announced the settlement of 11 Talavera Road, Macquarie Park.
- 26 June 2019 – Announced a \$250M valuation uplift across the portfolio.

GDF: GARDA Diversified Property Fund

- 20 June 2019 – Announced a 2.25 cpu distribution per share.
- 24 June 2019 – Announced the acquisition of four industrial assets and the divestment of 747 Lytton Road, Murarrie for \$17.3M.

GMG: Goodman Group

- 14 June 2019 – GMG announces that they are now in the S&P/ASX20 Index.
- 24 June 2019 – GMG announces that a 15 cpu distribution per share.

GPT: GPT Group

- 18 June 2019 – Announced a 13.11 cpu distribution for the six-month period to June.
- 19 June 2019 – Announced an \$800M capital raising.
- 20 June 2019 – Announced the successful completion of the capital raising.

GDI: GDI Property Group

- 18 June 2019 – Announced a 3.875 cpu distribution per share for the June period.
- 27 June 2019 – Announced the revaluation of the portfolio with Westralia square increasing to \$285M (from \$255M).

GOZ: Growthpoint Property

- 19 June 2019 – Announced a distribution of 11.6 cpu for the six-month period to June.
- 19 June 2019 – Announced an upgrade to FFO guidance to at least 25.0 cpu from 24.8 cpu.
- 27 June 2019 – Announced a \$150M capital raising.
- 28 June 2019 – Announced the successful completion of the institutional capital raising.

MGR: Mirvac

- 3 June 2019 – Announced that it had entered into a binding agreement with developer, PDG, to acquire 490 completed build to rent apartments on a fund through basis.
- 13 June 2019 – Announced a 6.3 cpu distribution for the June period.
- 21 June 2019 – Announced that Boral has signed a property agreement to its Scoresby site in Victoria that will result in a new housing community and substantial new parklands.

SCG: Scentre Group

- 27 June 2019 – Announced the disposal of the Sydney CBD Office Towers to Blackstone Ltd and the commencement of a buy-back program.

SCP: SCA Property Group

- 12 June 2019 – Announced the revaluation of its portfolio, decreasing by \$6.1M.

SGP: Stockland

- 17 June 2019 – Announced the estimated distribution of 14.1 cpu for the six-month period to June 2019. This is in line guidance previously issued.

TGP: 360 Capital Group

- 11 June 2019 – Announced its intention to list the global digital infrastructure fund on ASX.

VCX: Vicinity Centres

- 7 June 2019 – Announced the estimated valuations of the portfolio to decline by 1.3%.
- 12 June 2019 – Announced a 7.95 cpu distribution for the June period.
- 21 June 2019 – Announced the pricing of \$400M of medium-term notes.

VVR: Viva Energy REIT

- 14 June 2019 – Announced a 7.18 cpu distribution for the June period.
- 24 June 2019 – Announced that Managing Director Margaret Kennedy will step down during the first half of 2020. Hayden Stephens will be appointed to the role of CEO.

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)
27 Jun 19	16 Jul 19	AOF	Australian Unity Office Fund	3.95	Qtr	3.90
27 Jun 19	8 Aug 19	ARF	Arena REIT	3.375	Qtr	3.20
27 Jun 19	30 Aug 19	AVN	Aventus Retail Fund	4.18	Qtr	4.07
27 Jun 19	9 Aug 19	CIP	Centuria Industrial REIT	4.6	Qtr	4.85
27 Jun 19	9 Aug 19	CMA	Centuria Metropolitan REIT	4.358	Qtr	4.525
27 Jun 19	14 Aug 19	CLW	Charter Hall Long WALE REIT	7.1	Qtr	6.8
27 Jun 19	30 Aug 19	AQR	APN Convenience Retail REIT	5.225	Qtr	5.0
27 Jun 19	23 Aug 19	CMW	Cromwell Property	1.8125	Qtr	2.085
27 Jun 19	19 Jul 19	CQE	Charter Hall Education Trust	4.0	Qtr	3.775
27 Jun 19	20 Aug 19	GDF	GARDA Diversified Property Fund	2.25	Qtr	2.25
27 Jun 19	23 Aug 19	ADI	APN Industria REIT	4.25	Qtr	4.25
28 Mar 19	10 Apr 19	TGP	360 Capital Group	3.0	Qtr	2.0
19 Mar 19	10 Apr 2019	BWF	Blackwall Limited	2.00	HY	1.90
18 Mar 19	9 Apr 2019	BWR	Blackwall Property Trust	5.00	HY	4.50
27 Jun 19	16 Aug 19	CNI	Centuria Capital	5.0	HY	4.1
27 Jun 19	29 Aug 19	DXS	Dexus	23	HY	24.1
27 Jun 19	30 Aug 19	ERF	Elanor Retail	4.32	HY	5.1611
27 Jun 19	5 Sep 19	LEP	ALE Property Group	10.45	HY	10.45
27 Jun 19	30 Aug 19	MGR	Mirvac Group	6.3	HY	6.0
27 Jun 19	30 Aug 19	SCP	SCA Property Group	7.45	HY	7.1
27 Jun 19	28 Aug 19	V CX	Vicinity Centres	7.95	HY	8.2
27 Jun 19	30 Aug 19	CQR	Charter Hall Retail REIT	14.48	HY	14.2
27 Jun 19	30 Aug 19	GDI	GDI Property Group	3.875	HY	3.875
27 Jun 19	9 Sep 19	GMG	Goodman Group	15.0	HY	14.25
27 Jun 19	30 Aug 19	GOZ	Growthpoint Property	11.6	HY	11.2
27 Jun 19	30 Aug 19	GPT	GPT Group	13.11	HY	12.61
27 Jun 19	5 Sep 19	NSR	National Storage REIT	5.1	HY	4.9
27 Jun 19	30 Aug 19	SGP	Stockland	14.1	HY	13.5
27 Jun 19	23 Aug 19	BWP	BWP Trust	10.74	HY	9.03
27 Jun 19	30 Aug 19	CDP	Carindale Property	18.1	HY	20.1
27 Jun 19	30 Aug 19	CHC	Charter Hall Group	17.2	HY	16.2
27 Jun 19	30 Aug 19	ABP	Abacus Property Group	9.25	HY	9.0
27 Jun 19	29 Aug 19	VVR	Viva Energy REIT	7.18	HY	6.99
13 Feb 19	28 Feb 19	SCG	Scentre Group	11.08	HY	10.87
27 Feb 19	15 Mar 19	APD	APN Property Group	1.25	HY	1.25

Source: Core Property, company announcements

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