

# Property Sector Wrap

## November 2018

A review of listed and unlisted property funds activity for November 2018

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## 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.

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## Property Sector Wrap – November 2018

In this month’s report we take a look at whether large cap stocks do better than mid/small cap stocks over a number of periods (1, 3 and 5 years). We also run through our usual monthly review of the listed and unlisted property sectors.

### Performance of listed large cap vs listed small cap stocks

We reviewed 47 property securities’ performance and split our results between larger capitalised stocks (above \$1B market cap) and mid/smaller capitalised stocks (below \$1B market cap). Results were summarised for the 1yr, 3yrs and 5yrs total return to 30 November 2018 and assumes distributions are reinvested.

The results show that over the past 12 months the larger cap stocks have generally outperformed smaller cap property stocks. However, over the medium to long term (3yrs and 5yrs) the smaller cap property securities tended to deliver higher returns. Smaller cap property stocks also tended to have greater volatility of returns, highlighting the need for good stock selection when investing in the mid/smaller end of the market.

Total Return of Large Cap (\$1B+) and Mid/Small Cap (<\$1B) Property Securities

% Return	1 Year			3 Year			5 Year		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Large (%)	-14.9	26.9	<b>9.6</b>	0.4	86.9	<b>36.2</b>	28.5	143.5	<b>81.4</b>
Small/Mid (%)	-24.4	28.9	<b>4.4</b>	-14.1	151.5	<b>51.2</b>	-10.4	402.7	<b>109.9</b>
ASX/ S&P 200 (%)			<b>-5.1</b>			<b>3.1</b>			<b>1.3</b>
ASX200 A-REIT (%)			<b>-3.2</b>			<b>3.0</b>			<b>6.3</b>

Source: IRESS, Core Property

The table on the following page shows individual returns for the 47 property stocks we reviewed in the large cap and mid/small cap property sectors.

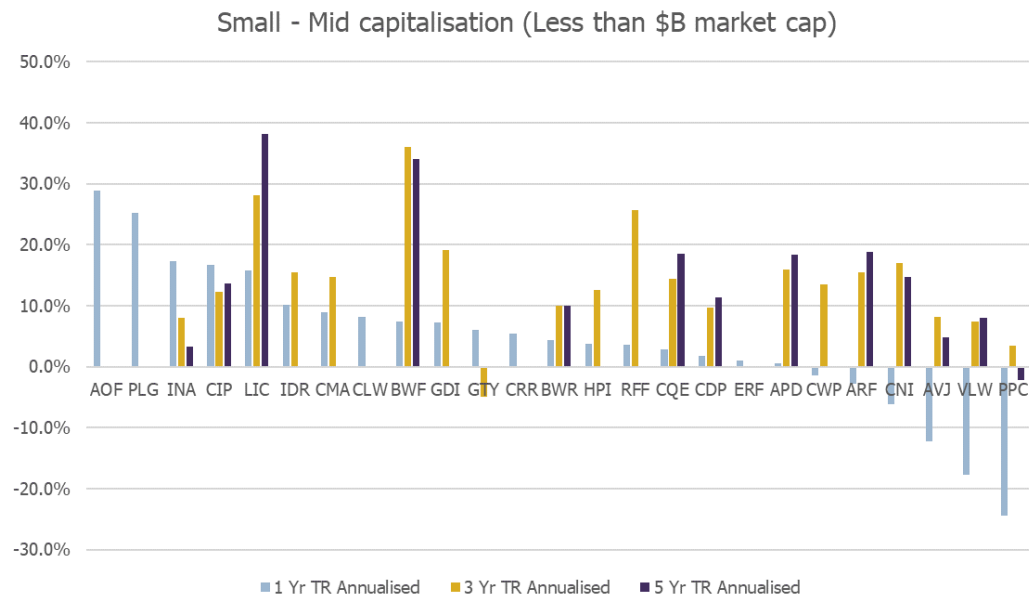
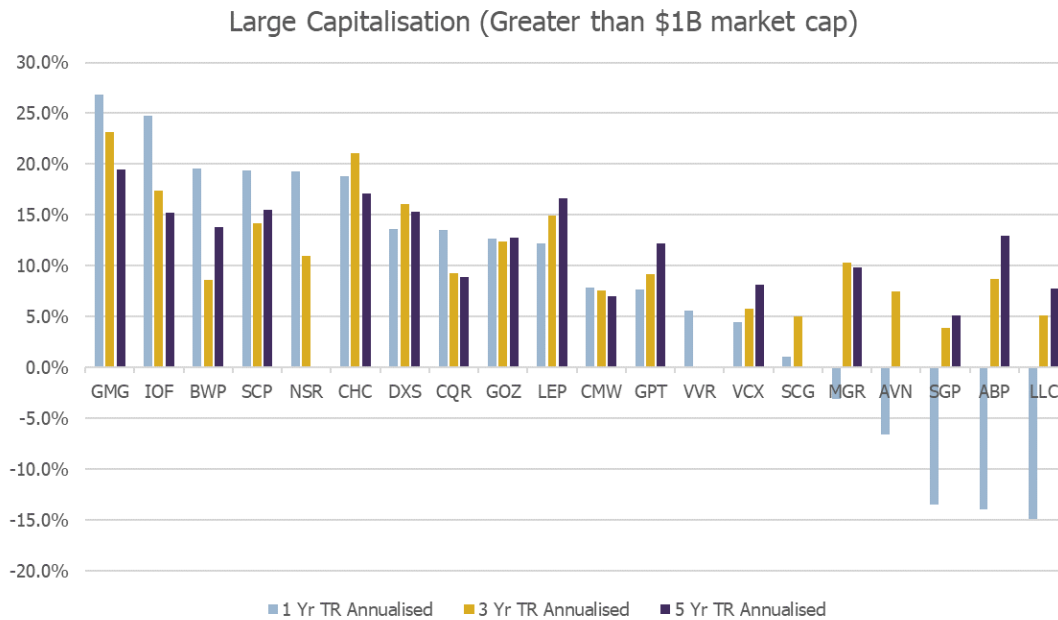
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### Recent Reports:

- [Centuria Metropolitan REIT \(ASX: CMA\) Acquisition of Hines portfolio](#)
- [Wingate Income Trust No.1](#)  
A fund providing investors with an opportunity to participate in Wingate’s proprietary secured debt investments.
- [Sumner Capital 117 Harrington Street Trust](#)  
A heritage office building in the heart of the Sydney CBD targeting average distributions of 6.2% over 5 years.

Total Annualised returns of each stock for 1-year, 3-year and 5-year periods



Source: Core Property, IRESS, Stocks covered: APD, ABP, AOF, ARF, AVN, BWF, BWP, BWR, CDP, CHC, CIP, CLW, CMA, CMW, CNI, CQR, CRR, CWP, DXS, ERF, CQE, GDI, GMG, GOZ, GPT, GTY, HPI, IDR, INA, INM, IOF, LEP, LLC, PPC, AVJ, VLW, LIC, MGR, NSR, PLG, RFF, SCG, SCP, SGP, VCX, VVR, WFD

## Market Data

### Index Performance

Indices Total Return Performance

Index	Jul-18	Aug-18	Sep-18	Oct-18	% Movement			
					1 Month	3 Month	1 Year	Calendar YTD
All Ordinaries	6,428	6,326	5,888	5,749	<b>-2.4%</b>	-10.6%	-5.1%	-6.8%
S&P/ASX 200	6,319	6,208	5,805	5,667	<b>-2.4%</b>	-10.3%	-5.1%	-6.6%
S&P/ASX 200 Accumulation	64,796	63,979	59,848	58,780	<b>-1.8%</b>	-9.3%	-1.0%	-2.7%
A-REIT 200 Accumulation	50,402	49,511	48,317	47,758	<b>-1.2%</b>	-5.2%	1.4%	1.2%
A-REIT 300 Accumulation	50,128	49,352	48,128	47,684	<b>-0.9%</b>	-4.9%	1.6%	1.5%

Source: IRESS, as at 30 November 2018

The listed Australian property indices outperformed in November with the S&P A-REIT 200 Accumulation Index falling 1.2%, compared to the broader S&P/ASX 200 Accumulation index which was down 1.8%. The Australian 10 Year Bond yield declined by 3.4 bps to 2.5911% and the US 10 Year Bond yield compressed 14.5 bps to 2.9924%.

At its November 2018 meeting the RBA held the cash rate at 1.50%, the same level it has been since August 2016.

### Bond Yields & Spreads

The yield on the Australian government 10-year bond finished the month at 2.59%, while the trailing distribution yield on A-REITs finished at 4.51%.

As a result, the spread between the two finished at 1.92%.

Since August 2015, the spread between the two has remained in the range of 1.86% - 2.59%.

The correlation between the Australian government 10-year bond and the ASX/S&P200 A-REIT Yield (monthly) for the past 2 years is 0.39.

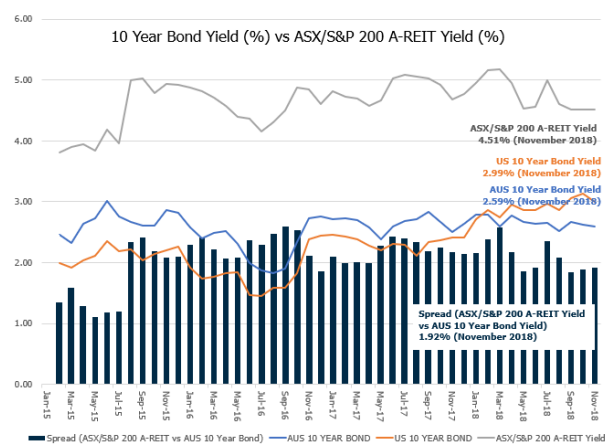
In the US, the Federal Open Market committee (FOMC) have held their view for interest rates to gradually increase, with the current targeted range of 2.00% - 2.25%. The FOMC has increased the range by 25bps each in June and March 2018.

### Market Data

Month Ending	Aug18	Sep18	Oct18	Nov18
AUS 10 Year Bond Rate	2.5202	2.6708	2.6248	2.5911
US 10 Year Bond Rate	2.8594	3.0587	3.1374	2.9924
RBA Cash Rate	1.50	1.50	1.50	1.50
A-REIT Yield	4.61	4.51	4.51	4.51
AUDUSD	0.72	0.78	0.72	0.73

Source: IRESS, as at 30 November 2018

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



Source: IRESS

## Listed A-REITs

Top 5 Monthly Total Return – November 2018

	Code	Name	Month Total Return
1	VP7	Velocity Prop Gp Ltd	16.7%
2	ARF	Arena REIT.	12.4%
3	RCT	Reef Casino Trust	8.9%
4	DXS	Dexus	7.9%
5	CQR	Charter Hall Retail	7.5%

Source: IRESS, Total Return includes distributions

Bottom 5 Monthly Total Return – November 2018

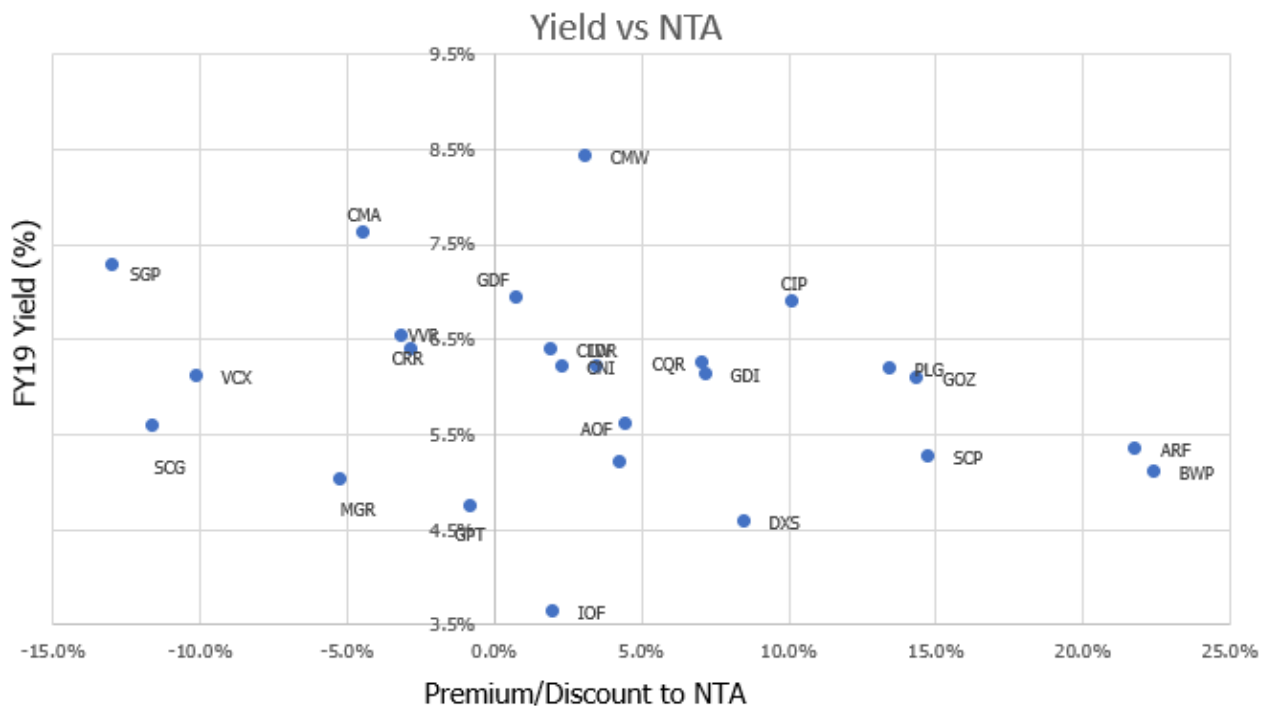
	Code	Name	Month Total Return
1	AVJ	AV Jennings Limited	-7.4%
2	PPC	Peet Limited	-6.7%
3	CWP	Cedar Woods Properties Ltd.	-6.2%
4	LEP	ALE Property Group	-3.8%
5	BWF	Blackwall Limited	-3.6%

Source: IRESS, Total Return includes distributions

The top performing property security in October was **Velocity Property Group (ASX: VP7)** which increased by 16.7%.

The worst performing security in October was **AV Jennings Limited (ASX: AVJ)** which was down by 7.4%.

Yield vs Premium/Discount to NTA



Note: **CHC** is trading on a 6.9% yield and Price/NTA premium of 83.0%.  
**GMG** is trading on a 2.7% yield and a Price/NTA premium of 120.9%.

Source: Core Property, company announcements, IRESS

## Unlisted Property Funds

During November 2018, unlisted property funds recorded major property transactions of around \$240M. The largest transaction was Elanor Investors Group which purchased Blackstone's Waverley Gardens shopping centre located in Melbourne for \$178M.

The following is a rundown of some key events in unlisted property funds during November 2018.

### Activity

- **The APN Nowra Property Fund** has successfully closed. The Fund holds a retail property located at 198 Princes Highway in South Nowra that is 100% leased to the Home Consortium Group. The lease has a remaining term of 13 years and benefits from a guarantee provided by Woolworths Limited. The Fund is forecast to provide a starting equity distribution yield of 7.80% pa to 30 June 2019.
- **The Australind Trust, a management arm of Acure Asset Management**, has announced that it is purchasing two retail properties known as The Village Australind Shopping Centre and Mardo Commercial Centre for \$39.43M at a net yield of 8.3%. The properties have a combined WALE by area of 10.3 years, with anchor tenants including, Coles, Aldi and Chemmart Pharmacy which together contribute 67% of the net income of both properties. Acure's Australind Trust is targeting a projected internal rate of return of 10.1%.
- **Australian Unity's Healthcare Property Trust** has acquired the Western Hospital in Henley Beach, SA for \$22.5M from a locally based consortium of individual clinicians and management who operate it. A further \$5.9M is expected to be put in for expansion works. The Trust now has \$1.52 billion in assets under management and is the largest healthcare property trust in Australia, with a pipeline of a further \$500M in development.
- **Heathley Asset Management** has acquired four units in the Chermside Medical Complex, 956 Gympie Rd, Chermside QLD for \$15.875M. The lots are expected to be held by a new stapled security consisting of four unlisted trusts, which is targeting an ASX listing in December 2018.
- The **Charter Hall Prime Office Fund** and the **Charter Hall Direct Office Fund** have agreed to sell 100 Skyring Terrace, Newstead QLD for \$250M. The funds are joint owners in the 24,665sqm office building which was completed in 2014.
- **Elanor Investors Group** have joined global real estate investment management firm Heitman to set up a new fund. This fund has made their first acquisition of Blackstone's Waverley Gardens shopping centre located in Melbourne for \$178M.
- **AMP Capital Diversified Infrastructure Trust** has partnered up with the University of Melbourne for a \$300M deal. AMP capital will develop and refurbish two facilities offering 954 beds for students at the Victorian University in return for the rental payments for the next 40 years.
- **Charter Hall Prime Industrial Fund (CHPIF)** have announced the completion of a \$600M capital raising that will be directed into developing out the existing land bank and enhancing current assets. It will also serve as a platform for future acquisitions of both industrial and logistic assets.

## Appendix 1: A-REIT Activity – November 2018

The following is a summary of announcements by the major listed A-REITs during November 2018.

### **AJD: Asia Pacific Data Centre Group**

- 2 November 2018 – NEXTDC Limited (ASX: NXT) has provided AJD with an unsecured \$29M short term bridging loan facility.
- 28 November 2018 – AJD held their 2018 Annual General Meeting.
- 29 November 2018 – Suspension from Official Quotation following the compulsory acquisition notices by NEXTDC.

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

- 13 November 2018 – AOF announced that the due diligence period of Starwood has been extended by two weeks. Given the proposal by Starwood AOF have also elected not to hold an Annual General Meeting
- 26 November 2018 – AOF announced that Starwood have revised their offer to approximately \$2.87 per unit from \$2.95 per unit.
- 28 November 2018 – The responsible entity of AOF, Australian Unity Investment Real Estate Limited have advised unit holders to reject the new proposal.

### **ARF: Arena REIT**

- 5 November 2018 – Payment of the September 2018 quarter distribution of 3.375 cents per stapled security
- 20 November 2018 – ARF held their 2018 Annual General Meeting which all resolutions proposed on 27 September 2018 were approved by securityholders.

### **BWP: BWP Trust**

- No announcements.

### **CDP: Carindale Property**

- No announcements.

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

- 7 November 2018 – Provided a market update and announced the successful completion of the Folkestone Acquisition.
- 15 November 2018 – CHC held their Annual General Meeting in which all resolutions were passed.

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

- 12 November 2018 – CIP has confirmed that it will not be proceeding with its takeover bid for PLG.

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

- 16 November 2018- CLW announced the completion of the security purchase plan as well as the \$60M institutional placement.

### **CMA: Centuria Metropolitan REIT**

- 1 November 2018 – CMA announced the successful completion of the accelerated non-renounceable entitlement offer. It provides a total equity raising of \$276M.
- 7 November 2018 – CMA announced the settlement of four office assets from a subsidiary of Hines Global REIT, Inc. It increases the portfolio to \$1.5B.

### **CMW: Cromwell Property**

- 21 November 2018 – Announced the total distribution in the September quarter per share of 1.8125 cents.

### **CNI: Centuria Capital Group**

- 1 November 2018 – CNI has announced today that it urges PLG to defer the Extraordinary General Meeting of PLG security holders on 15 November until there is more certainty in the Bid implementation agreement between PLG and ESR.

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

- 6 November 2018 – CQR announces the divestment of two lower growth assets for a total consideration of \$76.1M.

### **CRR: Convenience Retail REIT**

- 9 November 2018 – The distribution of 5.2250 cpu is payable on 14 November 2018. It includes a Fund Payment of 1.1967 cpu.
- 26 November 2018 – DXS announced the establishment of a JV with GIC for a wholesale logistics trust.

### **DXS: Dexus**

- 26 November 2018 – DXS establishes a JV with GIC for a circa \$2B wholesale unlisted logistics trust.
- 30 November 2018 – DXS announced the settlement of the seed portfolio of logistics properties for the JV with GIC.



## **FET: Folkestone Education Trust**

- 7 November 2018 – FET announced the completion of the acquisition by CHC. Folkestone Education Trust is now known as Charter Hall Education Trust and Folkestone Investment management Limited is now known as Charter Hall Social Infrastructure Limited.
- 19 November 2018 – FET now trades under the ASX code CQE.

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

- 12 November 2018 – GDF announced the acquisition of an 11,940 sqm industrial site at 1-9 Huntress Road in Berrinba, Queensland, for \$3M.
- 23 November 2018 – GDF held their 2018 Annual General Meeting where all resolutions were passed.
- 27 November 2018 – GDF settles its material litigation with Herron Todd White.

## **GMG: Goodman Group**

- 8 November 2018 – GMG announced a 1Q19 operational update with a reaffirmation of FY19 operating earnings per security of 50.0 cents.

## **GPT: GPT Group**

- No Announcements.

## **GDI: GDI Property Group**

- 15 November 2018 – GDI held their 2018 Annual General Meeting where all resolutions were passed.

## **GOZ: Growthpoint Property**

- 19 November 2018 – GOZ has announced the acquisition of an A-grade office asset being 100 Skyring Terrace, Newstead, QLD for \$250M
- 19 November 2018 – Announced an equity raising of up to approximately \$135M via a non-underwritten accelerated non-renounceable right offer and an institutional placement approximately \$117M.
- 21 November 2018 – GOZ announced the successful completion of the rights offer raising \$117M and held their 2018 Annual General Meeting.

## **IDR: Industria REIT**

- No Announcements.

## **IOF: Investa Office Fund**

- 6 November 2018 – IOF have announced the scheme meeting for 4 December 2018 in favour of the Scheme arrangement.
- 29 November 2018 – IOF to be removed from the S&P/ASX 200 on December 7, 2018 subject to final court approval of the scheme of arrangement.

## **MGR: Mirvac**

- 6 November 2018 – MGR announced the cancellation of stapled securities under the buy-back program which was announced on 8 February 2018.
- 16 November 2018 – MGR held their 2018 Annual general Meeting where all resolutions were passed.

## **PLG: Propertylink**

- 6 November 2018 – PLG announced an agreement with ESR on 5 November 2018 to extend the implementation period until the end of 9 November 2018.
- 12 November 2018 – PLG announced that it has entered into a binding Bid implementation Agreement with ESR Real Estate.
- 20 November 2018 – PLG announced to their shareholders that they should accept the takeover bid from ESR.
- 30 November 2018 – PLG held their 2018 Annual General Meeting.

## **SCG: Scentre Group**

- 7 November 2018 – SCG announced 1Q19 operational update with the completion of 41.1b of developments.

## **SCP: SCA Property Group**

- 21 November 2018 – SCA announced the successful completion of the unit purchase plan.

## **SGP: Stockland**

- 21 November 2018 – SGP announced the divestment of \$113M of retail town centre assets.

## **TGP: 360 Capital Group**

- 29 November 2018 – TGP held their 2018 Annual General Meeting.

## **VCX: Vicinity Centres**

- 1 November 2018 – VCX held their 2018 Annual General Meeting where all resolutions were passed.

## **VVR: Viva Energy REIT**

- No Announcements.

## 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	25 Oct 18	AJD	Asia Pacific Data Centre Group	2.0	Qtr	2.43
27 Sep 18	15 Oct 18	AOF	Australian Unity Office Fund	3.95	Qtr	3.9
27 Sep 18	8 Nov 18	ARF	Arena REIT	3.375	Qtr	3.2
27 Sep 18	23 Nov 18	AVN	Aventus Retail Fund	4.07	Qtr	4.05
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
27 Sep 18	26 Oct 18	CIP	Centuria Industrial REIT	4.6	Qtr	4.85
27 Sep 18	26 Oct 18	CMA	Centuria Metropolitan REIT	4.525	Qtr	4.525
27 Sep 18	14 Nov 18	CLW	Charter Hall Long WALE REIT	6.4	Qtr	6.5
27 Sep 18	14 Nov 18	CRR	Convenience Retail REIT	5.225	Qtr	3.25
27 Sep 18	23 Nov 18	CMW	Cromwell Property	1.8125	Qtr	2.085
27 Sep 18	19 Oct 18	FET	Folkestone Education Trust	4.0	Qtr	3.775
27 Sep 18	23 Oct 18	GDF	GARDA Diversified Property Fund	2.25	Qtr	2.25
27 Sep 18	9 Nov 18	IDR	Industria REIT	4.25	Qtr	4.1
Late Sep 18	Late Oct 18	TGP	360 Capital Group	1.0	Qtr	0.75
Late Dec 18	Late Jan 19	CNI	Centuria Capital	TBA	HY	4.1
Late Dec 18	Late Feb 19	DXS	Dexus	TBA	HY	23.7
Late Dec 18	Early Mar 19	ERF	Elanor Retail	TBA	HY	5.1507
Late Dec 18	Early Mar 19	LEP	ALE Property Group	TBA	HY	10.35
Late Dec 18	Late Feb 19	MGR	Mirvac Group	TBA	HY	5.0
Late Dec 18	Late Jan 19	SCP	SCA Property Group	TBA	HY	6.8
Late Dec 18	Late Feb 19	VCX	Vicinity Centres	TBA	HY	8.1
Late Dec 18	Late Feb 19	CQR	Charter Hall Retail REIT	TBA	HY	14.0
Late Dec 18	Late Feb 19	GDI	GDI Property Group	TBA	HY	3.875
Late Dec 18	Late Feb 19	GMG	Goodman Group	TBA	HY	13.75
Late Dec 18	Late Feb 19	GOZ	Growthpoint Property	TBA	HY	11.0
Late Dec 18	Late Feb 19	GPT	GPT Group	12.73	HY	12.3
Late Dec 18	Late Feb 19	IOF	Investa Office Fund	TBA	HY	10.15
Late Dec 18	Late Feb 19	NSR	National Storage REIT	TBA	HY	4.7
Late Dec 18	Early Mar 19	PLG	Propertylink Group	TBA	HY	3.6
Late Dec 18	Late Feb 19	SGP	Stockland	TBA	HY	13.0
Late Dec 18	Late Feb 19	BWP	BWP Trust	TBA	HY	8.78
Late Dec 18	Late Feb 19	CDP	Carindale Property	TBA	HY	20.1
Late Dec 18	Late Feb 19	CHC	Charter Hall Group	TBA	HY	15.6
Early Jan 19	Late Feb 19	ABP	Abacus Property Group	TBA	HY	9.0
Late Jan 19	Mid Feb 19	VVR	Viva Energy REIT	6.82 – 6.92	HY	6.6
Early Feb 19	Late 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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