

Today's Topic **Solid Asia Pacific REIT Market (August 2018)**

## Market continues to focus on defensive nature of REITs

### Point 1

#### All 3 Major Asia Pacific REIT markets rose despite global uncertainty

- In August 2018, all 3 major Asia Pacific REIT markets rose in local currency basis despite uncertainty such as weakening EM market currencies triggered by trade friction and Turkish Lira fall remained.
- Singapore REIT market rose slightly despite weaker stock market caused by trade friction and confusion of EM markets, as investors favored its defensive nature.
- Hong Kong REIT market rose as investors favored stable long term interest rate trend.
- Australian REIT market rose due to long term interest rate fall thanks to Reserve Bank of Australia (RBA) maintaining its policy rate at historically low level and flight of quality triggered by uncertainty over Turkey.

### Point 2

#### Declined in JPY terms Currency played negatively for JPY investors

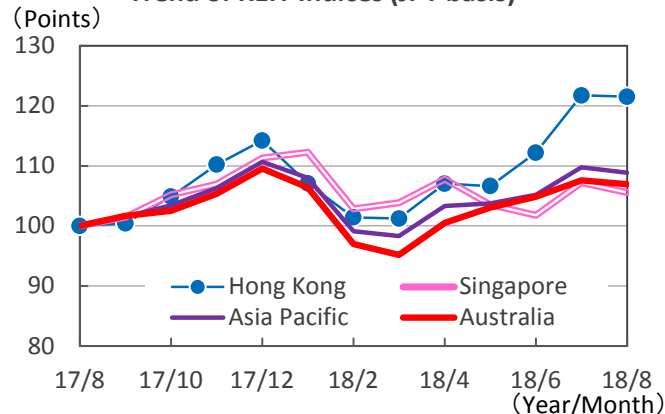
- In JPY terms, August 2018 return of Asia Pacific REIT market declined -0.8% MoM. Singapore, Hong Kong and Australia declined -1.5%, -0.2% and -0.6% MoM, respectively, underperforming each of their local currency based performance.
- In August, JPY strengthened against Asian currencies due to concern over trade friction and emerging market confusions. Hence, currency factor contributed negatively to the JPY investors.

“Percentage Change of Market by Country/Region”

Country/Region	Monthly Change		Yearly Change	
	Local Currency	JPY	Local Currency	JPY
Singapore	0.1%	▲1.5%	5.7%	5.6%
Hong Kong	0.8%	▲0.2%	21.0%	21.5%
Australia	3.1%	▲0.6%	16.4%	7.0%
Asia Pacific	1.9%	▲0.8%	14.3%	8.9%
Japan	▲0.4%	▲0.4%	8.5%	8.5%
USA	3.2%	2.2%	6.9%	7.7%
Global	2.1%	0.9%	7.8%	7.5%

(Note) Country/Region Sub-indices of S&P Developed REIT Index (incl. dividend). 1 Year Change is from Aug. end 2017 to Aug. end 2018.  
(Source) SMAM, based on FactSet data.

“Trend of REIT Indices (JPY basis)”



(Note) Country/Region Sub-indices of S&P Developed REIT Index (incl. dividend) From August end 2017 to August end 2018. Indexation as at August end 2017 = 100.  
(Source) SMAM, based on FactSet data.

### Future Outlook

#### REIT remains interesting with its defensive nature under current uncertain market environment and with its solid earnings results

- Asia Pacific REITs market is expected to remain solid due to its defensive nature under current uncertain market environment due to trade friction and solid earnings results. Valuation of Singapore REIT market has a room to be upgraded due to (1) rise of rent fee and (2) expansion and quality improvement of portfolio. Hong Kong REIT market is expected to keep its solid trend thanks to improvement in business sentiment. Australian REIT market is expected to continue growing as financial environment is stable, however, the impact of change of the Prime Minister to the monetary policy needs to be watched.



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