



Global REITs Trends for Consideration

10 November 2015

Anton Lawrence

**ATCHISON
CONSULTANTS**



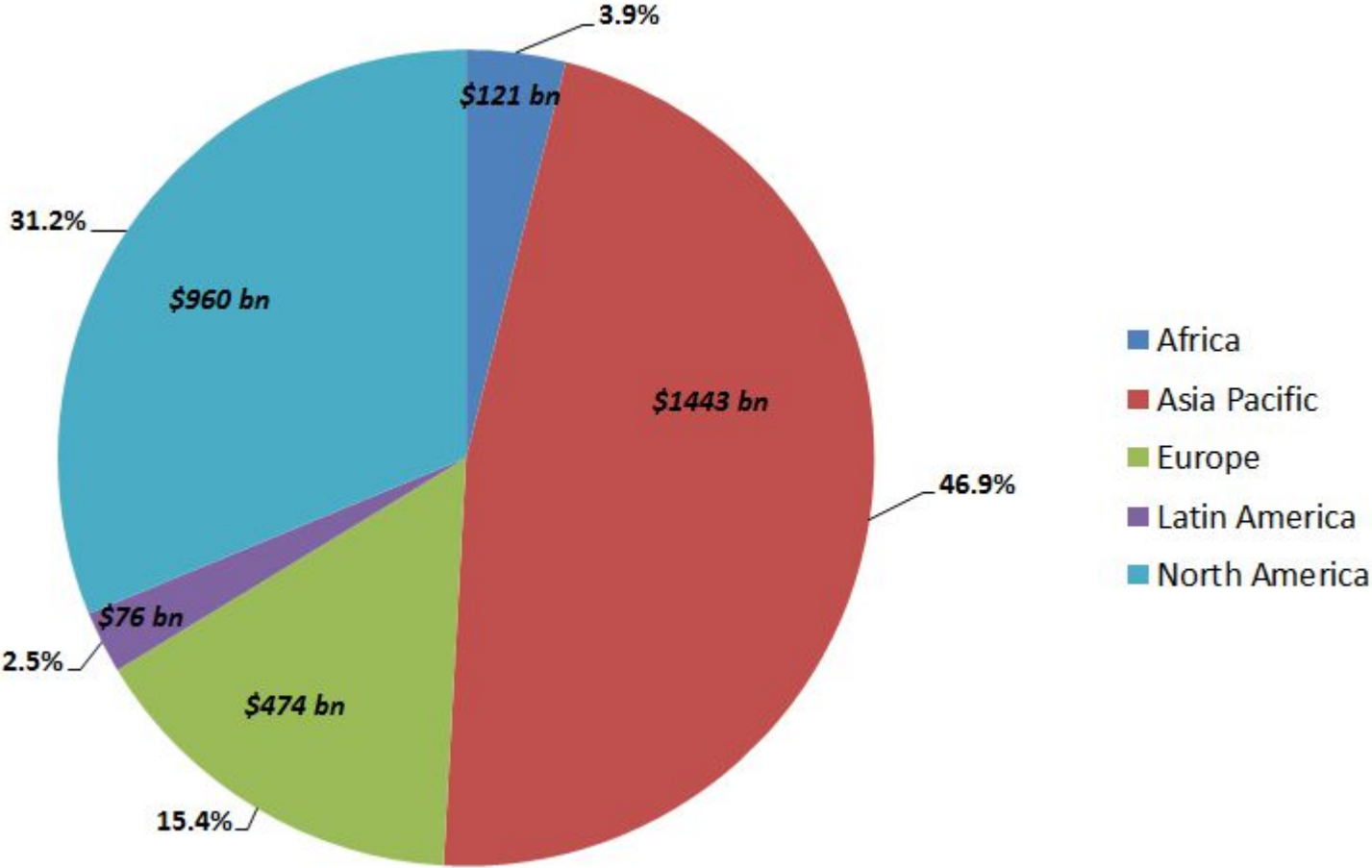
Secular Trends

Secular

“An adjective used to describe a long-term time frame, usually at least 10 years”

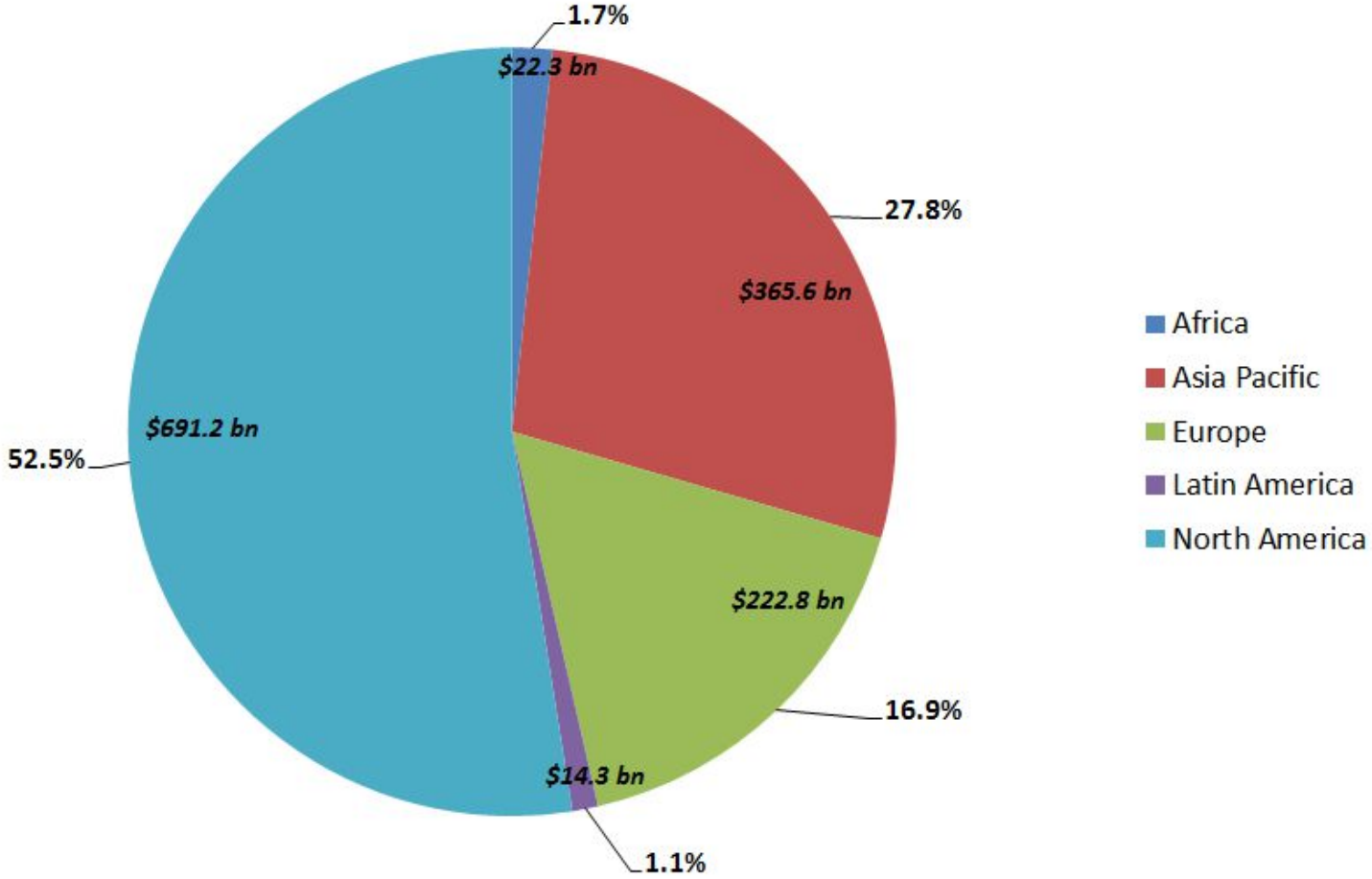
Important for investors to identify secular trends in markets, not just short-term trends, if they wish to outperform

Global Listed Real Estate Size of Regional Markets



Source: UBS (2015)

GREIT Universe Size of Regional Markets



Source: FTSE EPRA/NAREIT (2015)

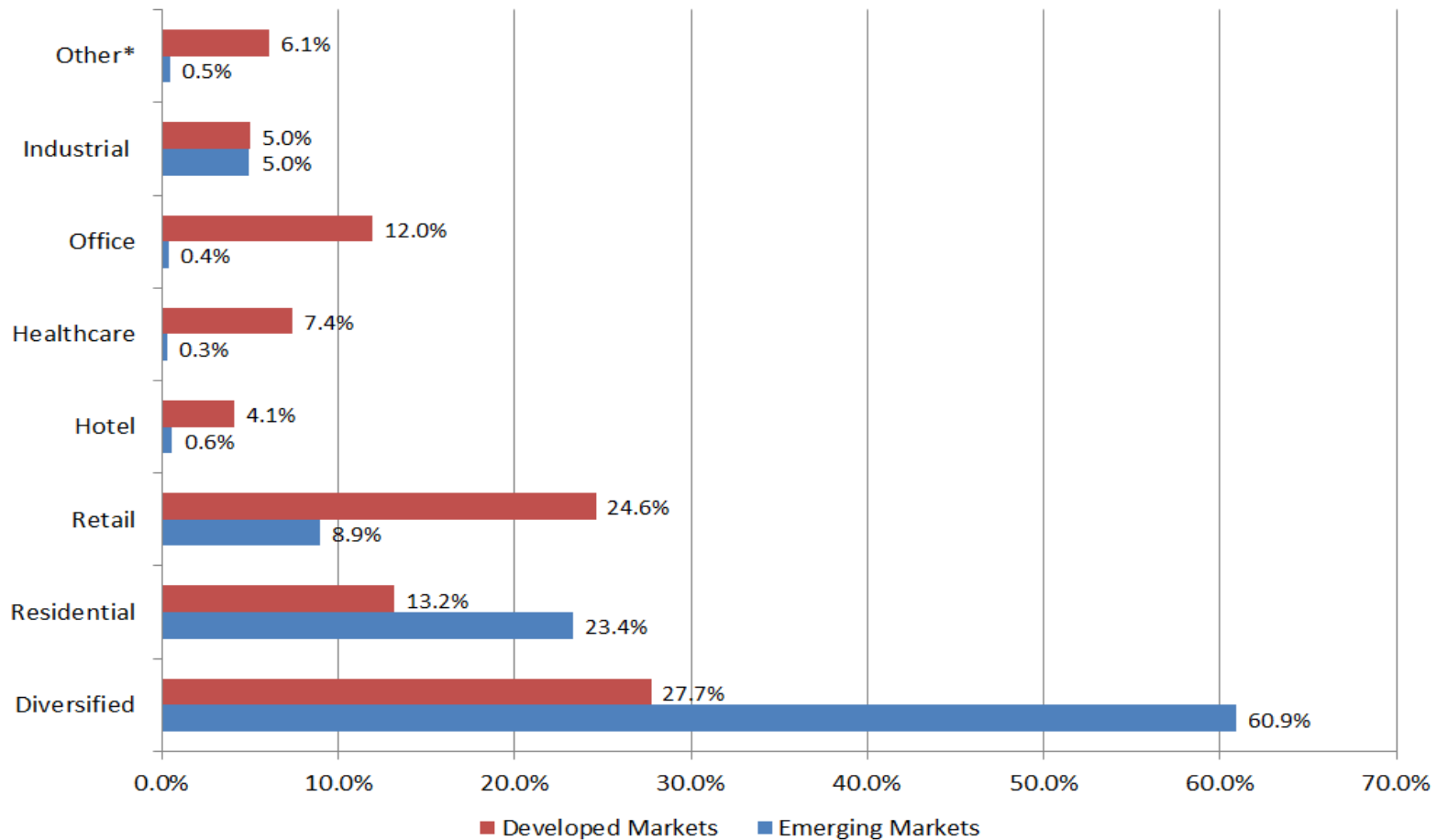
REIT Legislation - Update

<p>Developing Economies with Legislation and REITs</p> <ul style="list-style-type: none"> Ghana (1994) Brazil (1995) Turkey (1999) Taiwan (2003) Malaysia (2005) Nigeria (2010) Mexico (2011) Thailand (2012) Pakistan (2013) 	<p>Developed Economies with Legislation and REITs</p> <table border="0"> <tbody> <tr> <td>United States (1960)</td> <td>Bulgaria (2005)</td> </tr> <tr> <td>Netherlands (1969)</td> <td>Germany (2007)</td> </tr> <tr> <td>Australia (1970)</td> <td>UK (2007)</td> </tr> <tr> <td>Canada (1994)</td> <td>Italy (2007)</td> </tr> <tr> <td>Belgium (1995)</td> <td>New Zealand (2007)</td> </tr> <tr> <td>Greece (1999)</td> <td>Finland (2013)</td> </tr> <tr> <td>Japan (2000)</td> <td>Ireland (2013)</td> </tr> <tr> <td>Korea (2001)</td> <td>South Africa (2013)</td> </tr> <tr> <td>Singapore (2002)</td> <td>Dubai (2014)</td> </tr> <tr> <td>France (2003)</td> <td>Spain (2014)</td> </tr> <tr> <td>Hong Kong (2003)</td> <td></td> </tr> </tbody> </table>	United States (1960)	Bulgaria (2005)	Netherlands (1969)	Germany (2007)	Australia (1970)	UK (2007)	Canada (1994)	Italy (2007)	Belgium (1995)	New Zealand (2007)	Greece (1999)	Finland (2013)	Japan (2000)	Ireland (2013)	Korea (2001)	South Africa (2013)	Singapore (2002)	Dubai (2014)	France (2003)	Spain (2014)	Hong Kong (2003)	
United States (1960)	Bulgaria (2005)																						
Netherlands (1969)	Germany (2007)																						
Australia (1970)	UK (2007)																						
Canada (1994)	Italy (2007)																						
Belgium (1995)	New Zealand (2007)																						
Greece (1999)	Finland (2013)																						
Japan (2000)	Ireland (2013)																						
Korea (2001)	South Africa (2013)																						
Singapore (2002)	Dubai (2014)																						
France (2003)	Spain (2014)																						
Hong Kong (2003)																							
<p>Developing Economies with legislation but no REITs</p> <ul style="list-style-type: none"> Chile Costa Rica Indonesia Israel Philippines Puerto Rico India China* 	<p>Developed Economies with legislation but no REITs</p> <table border="0"> <tbody> <tr> <td>Hungary</td> <td>Luxembourg</td> </tr> </tbody> </table>	Hungary	Luxembourg																				
Hungary	Luxembourg																						

**under consideration*

Source: UBS (2015)

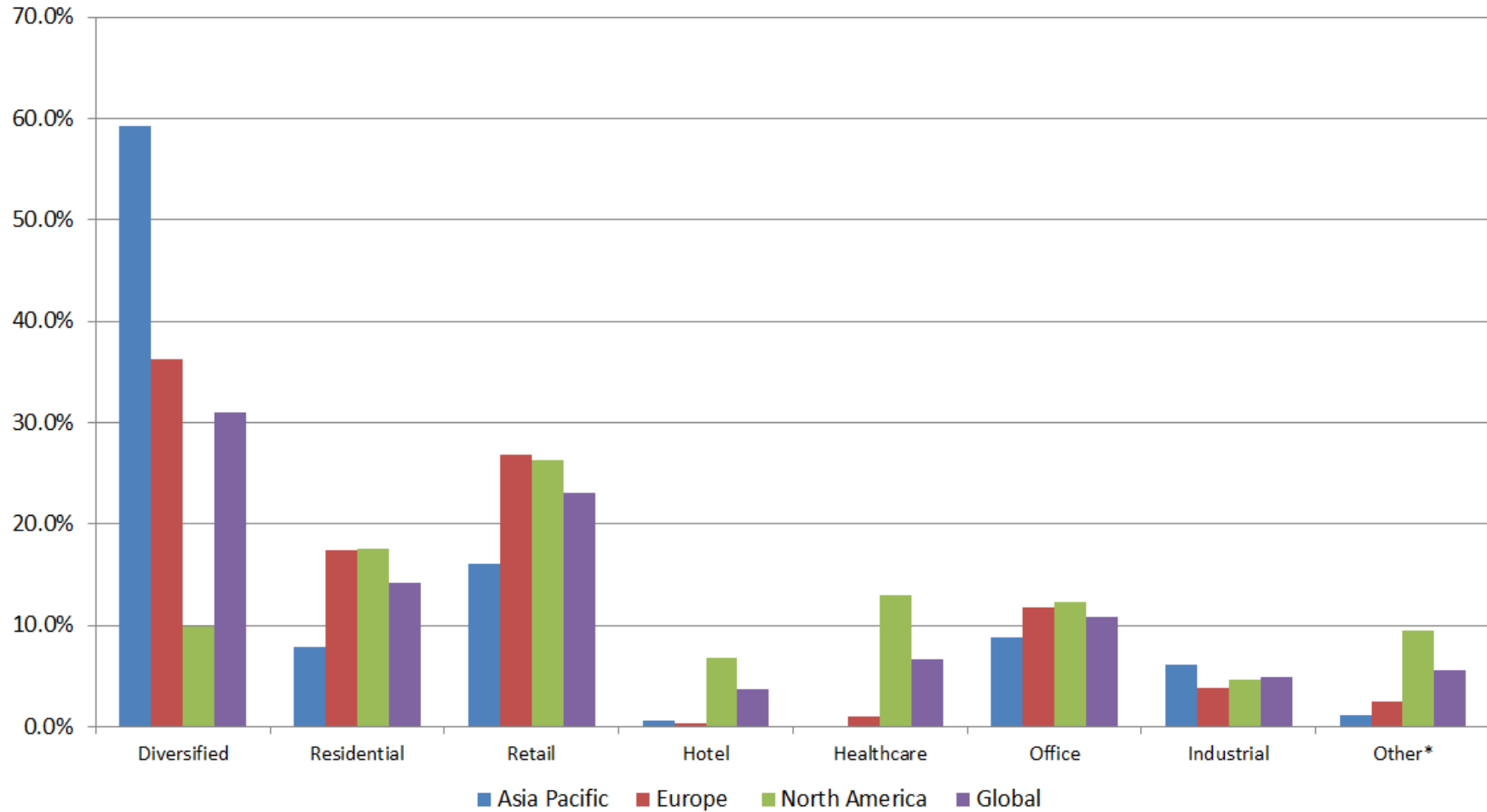
Global REIT Developed and Developing Markets Sector Breakdown



*Other includes self storage

Source: FTSE EPRA/NAREIT (2015)

Global REIT Regional Sector Breakdowns



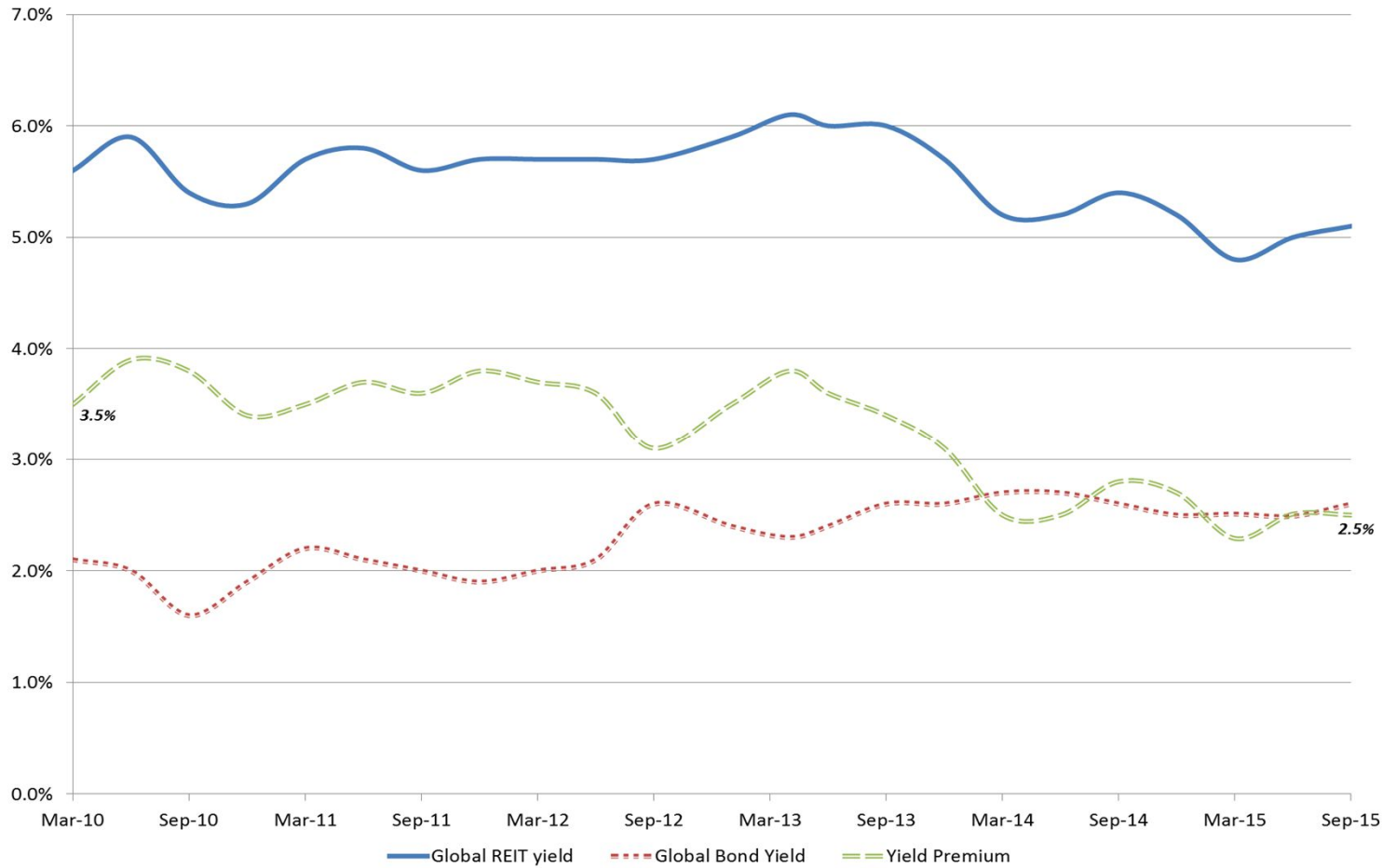
*Other includes self storage

Source: FTSE EPRA/NAREIT (2015)

ATCHISON

CONSULTANTS

Global REIT Yield vs Global Risk Free Rate



Source: UBS, Citi (2015)

**ATCHISON
CONSULTANTS**



Key Secular Trends

- Demographic change

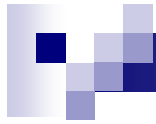
- Ageing West
- Ageing North Asia

- Technological change

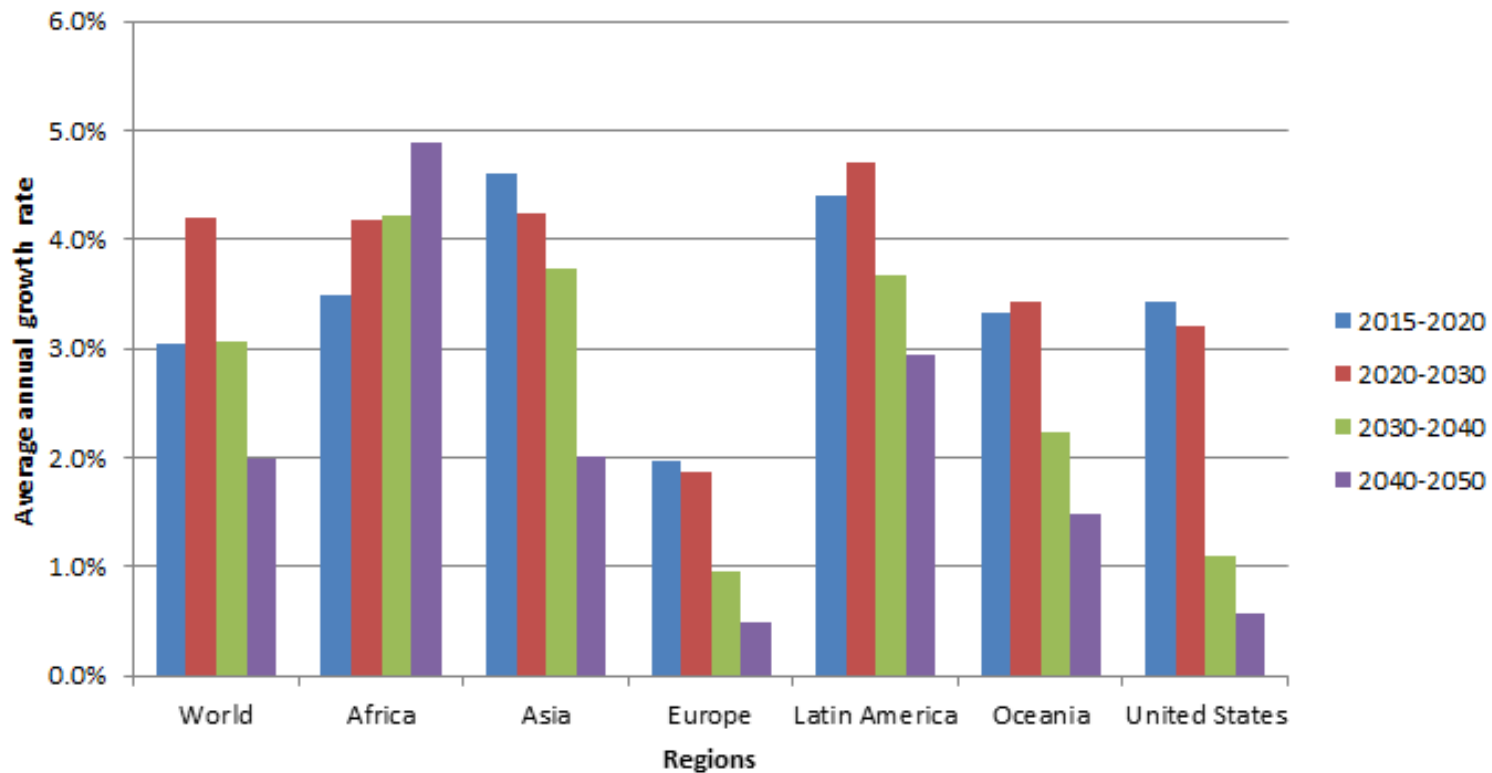
- Advancement
- New industries leads to new tenants / contraction of old ones
- Market disruption

- Social change

- Civil unrest



Population 65+ Growth Rate



Source: United Nations (2015)



Why Are These Issues Important?

For investors, manager insight is measurable

- Have managers identified the secular trends relevant to their investable universe?
- How have they incorporated this insight into their sector and geographic allocations?
- Can they demonstrate outcomes where their insight proved to be correct, and where it didn't?
- Are managers' adjusting their sector and geographic limits in line with the changing investible universe?



Changing REIT Universe - Asia

Broader base of REITs across continent.

- Concentration (Korea)
- Sovereign risk (China)
- Developer heavy focus (Hong Kong)
- Office, retail and industrial opportunities to grow (ex. Japan)
- Data / call centres (office sub-sector) an opportunity
- Cultural / business practices an impediment in several markets



Changing REIT Universe - Europe

- Social upheaval due to economic restructuring
 - Investors should query managers on whether variation of liquidity limits for REITs is required
- Opportunities for REITs in retirement and healthcare
 - If standardised operation legislation can be maintained within EU umbrella
- Demographics limiting growth prospects for traditional REITs outside core regions within UK, France, Germany, Netherlands (office only)



Changing REIT Universe – North America

- Retirement and healthcare REITs to emerge as dominant sectors
 - Incentives from Govt. to drive private funding
- Technology driven real estate
 - Data centres and suburban office park assets in California and North East
- Government, research and finance sector in northern I95 corridor – Tri-state, Boston, D.C.
- Apartment REIT sector focus on southern Florida, Texas, California – attractive yields



Before investing we wish to learn...

- Whether REIT managers have found a way to account for demographic, technological and social change.
- Whether REIT managers understand the outcomes.
- Whether REIT managers are taking action to reflect the secular trends.



Before investing we wish to learn...

- Do REIT managers understand the ‘just in time’ economy?
- Priority of road, rail, air, communications infrastructure
- Do REIT managers account for environmental standards
- Whether REIT managers account for a REITs technology focus in its asset management platform



Conclusion

- Look for Global REIT Managers who can do ‘top-down’ as well as they do ‘bottom up’
- The big trends will have some unexpected consequences for GREIT returns
- Previous assumptions of sovereign risk between different regions and countries may not apply in the future



Disclosures, licence and contact details

STATEMENT OF ANALYST INTEREST AND CERTIFICATION, WARNING AND DISCLOSURE

Analyst Interest and Certification:

The Analyst(s) may hold an investment in any products discussed in this presentation. Atchison Consultants does not consider such holdings to be sufficiently material to compromise the information presented. The Analyst(s) certifies that with respect to content covered: (1) all of the views expressed accurately reflect his or her personal views; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this presentation.

Warning (General Advice Only):

This presentation contains recommendations and advice of a general nature and does not have regard to the particular circumstances or needs of any specific person who may read it. Investors should assess either personally or with the assistance of a licensed financial adviser whether the Atchison Consultants recommendation or advice is appropriate to their situation before making an investment decision. The information contained in the report is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. Atchison Consultants does not accept any liability, whether direct or indirect arising from the use of information contained in this report. No part of this presentation is to be construed as a solicitation to buy or sell any investment. Atchison Consultants does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect any of the information contained in this presentation. The performance of any investment in this presentation is not a representation as to future performance or likely return.

Disclosure (Commissioned Research):

Atchison Consultants may or may not have received a fixed fee and/or travel expenses for the presentation and or presentation material. Atchison Consultants has no direct or indirect interest in the success or otherwise of any investments referred to in this presentation.

ATCHISON CONSULTANTS

Atchison Consultants was established in 2001 by Ken Atchison and consists of a team of investment professionals with extensive experience in all aspects of financial markets. The principal focus of the business is the provision of advice and analysis across all components of managing investment portfolios by financial institutions, superannuation and insurance funds and investment managers. Primarily this involves property, or real estate, investments and related mortgage investments. Atchison Consultants' services and capabilities cover two distinct areas being asset consulting and investment management consulting, with a focus on the property asset class.

Licence

TAG Asset Consulting Group Pty Ltd (ABN 58 097 703 047), trading as Atchison Consultants, is the holder of Australian Financial Services Licence Number 230846.

Contact Details

Atchison Consultants

Address:	Level 3, 155 Queen Street, Melbourne, Victoria 3000
Phone:	03 9642 3835
Mobile:	0425 754 731
Fax:	03 9642 8886
Email:	ken@atchison.com.au
Website:	www.atchison.com.au