

## ⬇️⬆️ ⬆️⬆️ TOP STORY FOR THE WEEK 27 Sep - 1 Oct 2021 AREITs earnings yield update – August 2021

**Melbourne, Australia 1 Oct 2021.**

BY CHRIS OWENS, ANALYST, ATCHISON CONSULTANTS

Australian real estate investment trusts (AREITs), as represented by the S&P/ASX 200 AREIT Index, returned 6.3% in the month ending 31 August 2021. AREITs outperformed the S&P/ASX 200 return of 2.5% over the month.

Over the 12 months to August 2021, AREITs posted a total return of 30.8%, outperforming the S&P/ASX 200 return of 28.1%. Recovery from the depths of falls in 2020 prompted by the pandemic is reflected in this performance.

### Sector Performance

Table 1 below shows the performance of AREITs for various periods ending 31 August 2021.

**Table 1 – S&P/ASX 200 AREIT Accumulation Index Performance: Total Returns (31 August 2021)**

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
<b>Total Return</b>	6.3	12.5	25.4	30.8	8.7	6.6
<b>Volatility</b>				24.3	29.3	23.0

Source: S&P/ASX 200 AREIT Accumulation Index (2021)

Over the 3 years and 5 years to the end of August, the sector produced total returns of 8.7% and 6.6% per annum respectively. Sector returns in August were led by Retail AREITs at 9.4%, followed by Diversified AREITs at 8.0%, Office AREITs at 3.7% and Industrial AREITs with 2.3%.

Table 2 below shows the income performance of AREITs for various periods ending 31 August 2021.

**Table 2 – S&P/ASX 200 AREIT Accumulation Index Performance: Income Returns (31 August 2021)**

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
<b>Income Return</b>	0.5	2.0	2.0	4.1	4.2	4.5
<b>Volatility</b>				2.2	2.0	2.0

Source: S&P/ASX 200 AREIT Accumulation Index (2021)

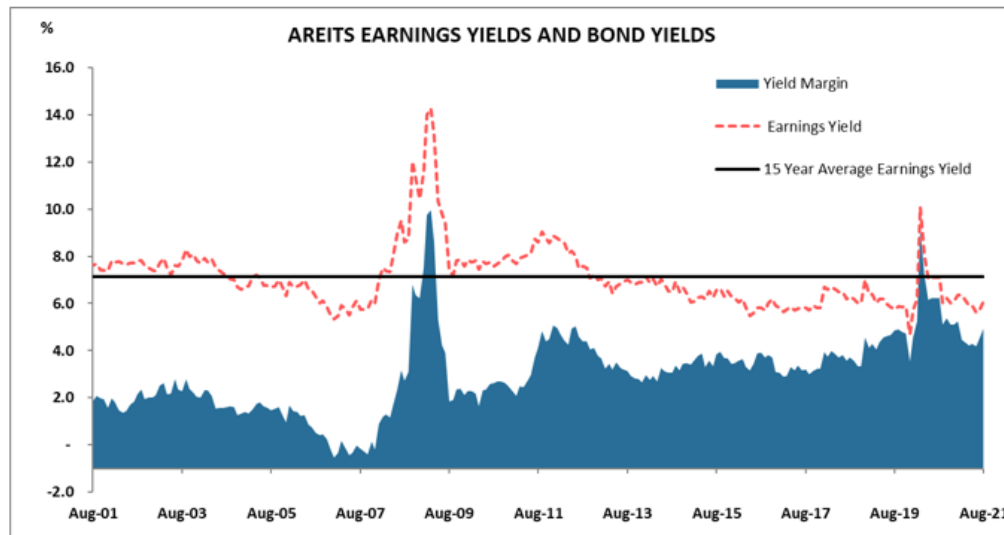
[Click here to this week's other latest stories](#)

**Disclaimer:** YieldReport is independent of any product provider and receives no commissions or fees from any products described herein. The information contained within this report is based on information that YieldReport Pty Ltd (Authorised Representative of Sequoia Asset Management AFSL 341506) believes to be reliable however its accuracy and completeness cannot be guaranteed. This report contains general advice only and is made without consideration of any specific client investment objectives, financial situation or needs. Accordingly, the reader should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Those acting upon such information do so entirely at their own risk. If you are seeking to acquire a specific financial product or security, you should obtain a copy of and consider a Product Disclosure Statement ("PDS") or Prospectus for that product before making any decision. © Yield Report 2021

The income component of the total return was 4.1% for the 12-month period to August 2021. Annual volatility of income returns was 2.2%, which is low when compared with other asset classes. AREITs were trading at an earnings yield of approximately 6.1%, significantly higher than yields of both cash and Commonwealth Government bonds. The spread of the earnings yield over the 10-year government bond yield increased to 4.9%.

Changes over time of the spread between the earnings yield of AREITs and the 10-year government bond yield are shown in Chart 1.

Chart 1— AREITs Earnings Yields Compared to Bond Yields



Source: RBA, UBS (2021)

## MARKET REVIEW

Property sectors suffered materially from the repercussions of the pandemic and government responses. Disruption was primarily felt in the hotel, office and retail sectors. Travel collapsed, remote working increasing significantly and online sales were stimulated by store closures.

Continuing lockdowns for over 50% of Australia are still inhibiting major sectors. Despite this, the recovery of earnings from the depths in 2020 has been strong. Retail sales have recovered in periods when lockdowns have been lifted. Leasing in the office sector has recovered, although incentives remain high and will continue. Industrial property, which has been a beneficiary of lockdowns, has experienced continued high occupancy and rental growth. Residential property has been buoyant as interest rates have been reduced materially by the Reserve Bank and the Federal Government's HomeBuilder package.

A recovery in rents and the resultant growth in distributions has been evident in REITs, despite continued lockdowns. Mirvac increased distributions from 9.1 cents to 9.9 cents for the year to June 2021 while Stockland increased distributions from 24.1 cents to 24.6 cents over the same period. GPT increased distributions for the six months to June to 13.3 cents from 9.3 cents in the previous corresponding period. Even some retail REITs have begun recovering. Vicinity and Scentre Group increased distributions from 7.7 cents to 10.0 cents and zero to 7.0 cents respectively, reflecting reduced uncertainty.

Revenues in the Healthcare, childcare, self-storage and service-station sectors have all demonstrated resilience. Additionally, the childcare sector has been aided by government payments. National Self Storage increased its distributions over the year to June 2021 from 8.1 cents to 8.2 cents while Arena Social Infrastructure increased distributions from 3.725 cents to 3.95 cents over the same period.

[Click here to this week's other latest stories](#)

**Disclaimer:** YieldReport is independent of any product provider and receives no commissions or fees from any products described herein. The information contained within this report is based on information that YieldReport Pty Ltd (Authorised Representative of Sequoia Asset Management AFSL 341506) believes to be reliable however its accuracy and completeness cannot be guaranteed. This report contains general advice only and is made without consideration of any specific client investment objectives, financial situation or needs. Accordingly, the reader should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Those acting upon such information do so entirely at their own risk. If you are seeking to acquire a specific financial product or security, you should obtain a copy of and consider a Product Disclosure Statement ("PDS") or Prospectus for that product before making any decision. © Yield Report 2021