

Today's Topic **Asia Pacific REIT Market was resilient (March 2018)**

## A tag of war between long-term interest rate fall and stock market fall

### Point 1

#### REIT market in March was almost unchanged Equity market and long-term interest rate fell

- Asia Pacific REIT market in March 2018 was almost unchanged (local currency base) underpinned by fall of long-term interest rate despite weak equity market over concern on intensified trade friction between US and China.
- Singapore REIT market rose marginally supported by declining interest rate and expectation on economic recovery despite equity market consolidation.
- Also Hong Kong REIT market rose marginally as US interest rate hike which has a strong linkage to Hong Kong's monetary policy was within expectation.
- Australian REIT market was unchanged as fall in long-term interest rate offset fall of equity market.

### Point 2

#### Return of each country in JPY terms was patchy A\$ contributed negatively

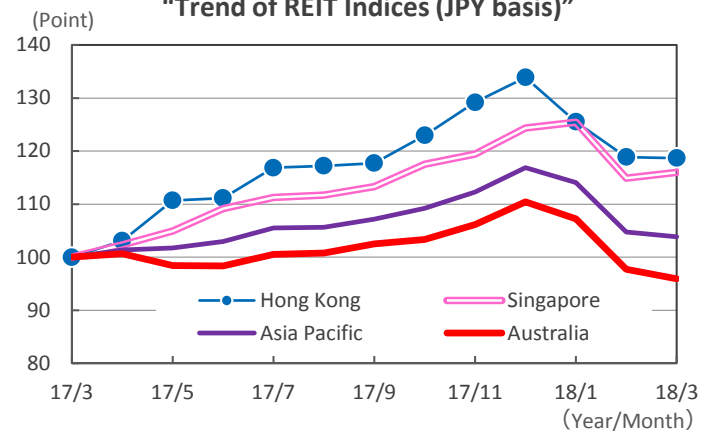
- In JPY terms, March 2018 return of Asia Pacific REIT market was patchy as Singapore rose +0.9% MoM, Hong Kong declined -0.2% MoM and Australian market declined -1.9% MoM.
- Australian dollar (A\$) and Hong Kong dollar contributed negatively as they were slightly weaker than JPY, while Singapore dollar contributed positively as it was slightly stronger than JPY.

"Percentage Change of Market by Country/Region"

Country/Region	Monthly Change		Yearly Change	
	Local Currency	JPY	Local Currency	JPY
Hong Kong	0.5%	▲0.2%	25.6%	18.7%
Singapore	0.4%	0.9%	14.2%	16.0%
Australia	0.0%	▲1.9%	▲0.1%	▲4.1%
Asia Pacific	0.2%	▲0.8%	6.9%	3.9%
Japan	▲0.5%	▲0.5%	▲0.9%	▲0.9%
USA	3.8%	3.5%	▲4.7%	▲9.1%
Global	2.7%	2.5%	▲1.5%	▲3.9%

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

### Future Outlook

#### REIT is interesting with its defensive nature under current uncertain market environment

- Investors are expected to maintain relatively cautious stance in equity investment as uncertainty over politics and economy such as trade friction between US and China are continuing. However, we expect that investors will be interested in REIT's defensive nature derived from stable rent income as long-term interest rate is stabilizing thanks to low inflation environment despite solid global economic growth. Investors are likely to prefer Asia Pacific REIT market relative to other major REIT markets as its dividend yield is relatively higher and financial condition is stronger.

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