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APREA Media Statement

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India's Major Real Estate Companies Top AsiaPac Markets in 2017

GPR/APREA AsiaPac Performance Snapshot

India's 113 percent total return for listed real estate companies topped all AsiaPac markets, according to the 2017 roundup of the ***GPR/APREA AsiaPac Performance Snapshot.***

The ***GPR/APREA Snapshot***, which is produced by the Asia Pacific Real Estate Association (APREA) and Global Property Research (GPR), tracks the performance of listed real estate securities across 12 AsiaPac countries and eight sectors.

"India's vigorous economic growth of around six to seven percent and rising middle class spending as well as relentless urbanisation are lifting developer earnings", said APREA CEO, Peter Verwer.

"2017 also witnessed an emerging sentiment that India's residential market has bottomed – at present, housing is more affordable than at any time since the beginning of the decade", Verwer said.

"Sale prices are increasing as inventories of newly constructed stock clears.

"In addition, local and international investors have noted the affordability and consumer incentives implemented by the Central Government of India", Verwer said.

APREA noted that buyer-friendly regulations, such as The Real Estate (Regulation and Development) Act [RERA] look to have boosted confidence in the marketplace.

"The RERA rules and other microeconomic reform programs have advantaged developers with sound balance sheets as there are expectations they will enlarge their market shares at the expense of poorly capitalised companies", Verwer said.

APREA also noted that there is rising institutional investor interest in the potential for India to become the next major country to launch real estate investment trusts (REITs).

"The prospect of REIT IPOs may have helped lift developer earnings expectations; however, this is more of a story to play out in 2018", Verwer said.

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Additional observations on the India real estate marketplace are provided by **Neel Raheja, President K Raheja Corp**

"The Real Estate Market last year underwent some structural changes.

“Introduction of Real Estate Regulation Act (RERA), insolvency and bankruptcy code, GST and demonetisation created some temporary disruptions.

“However these measures shall go a long way in making real estate an organised and institutionalised play, while fortifying investor and consumer confidence. These measures will also lead to a significant consolidation in the sector.

“The Governments focus on affordable housing, infrastructure development and enhancing industrial activity will also augment growth of the real estate sector.

“The past year saw huge participation from private equity investors in the sector especially into commercial assets; and 2018 is poised to witness increased activity both on the private and public side through IPOs, REITs, etc.”

Further observations are provided by **Mr Ramesh Nair, CEO & Country Head, JLL India**:

“The realty stocks in India have been performing well on account of investor confidence, increased institutional investment and the increased Private Equity activities in the sector. Therefore those companies with a strong commercial portfolio as well as robust construction pipeline have seen a good rally at the stock markets.

“The economic indicators for India have been pegged at a healthy 7% + GDP for the next two financial years. Along with end user confidence due to rising income levels should be a positive indicator for the development community. We have already seen an upward trend in demand which is expected to carry forward. Strong market sentiments allow developers to see investor confidence on the stock exchange as well.

“The residential construction activities have increased in the last few quarters mostly in locations where RERA implementation has happened. Added to that the government’s announcements in incentives towards building affordable housing has further helped developers have a clear plan. The capital values in most locations however have remained stable which is good for end users who want to enter the market.

“The Central Government’s initiative to increase per capital earnings and spends is spread across the various social classes that will impact rural and urban locations alike. We expect these to impact the growth of retail sector specifically as it will create opportunity for growth for both organised as well as unorganised sector.

“RERA is a good move that allows transparency in the marketing. Additionally, with buyers interest protected in brings confidence and boosts demand for residential property. For developers this means an uptick in demand allowing them to reduce supply overhang as well as sell fresh supply.

“The measures taken by the government to increase transparency in the real estate sector will take time to settle and create the desired results. Developers that were already listed with the stock markets with good market cap have definitely benefitted, we can expect more developers over the next few years we can expect more developers to raise their bar and look for public listings. Developers are also looking at REITs and preparing their portfolio for REITs listing.

“The Grade A office space across the region have been seeing steady demand. The recorded demand for 2017 across the top cities of India was recorded at approximately 29 million square feet which is expected to remain stable with an upward bias in the next two to three years. Contrary to that there was as slowdown in fresh supply of grade A office space further helping a firming up of rental values in key micro markets across top office locations.

“The REITs listing for India is a much awaited in India and the industry is hoping to see the first listings come in soon. The government and SEBI have cleared out the last few hurdles that of DDT and more recently SEBI allow such trusts to invest at least 50% stake in holding companies. SEBI has also proposed to provide additional avenues for listed entities to achieve minimum 25% public shareholding (MPS) requirements. With the changes in REITs and the carry forward of judicial reforms from the previous years, we can expect 2018 to finally see the first REITs listings and hope to see significant uptake of these investment instruments, giving India’s real estate sector a well - defined financial structure.”

Other GPR/APREA Snapshot findings:

Headline Results

- Singapore REITs topped AsiaPac REIT markets in 2017 as well as outpacing regional equity and bond returns (please see separate Singapore media statement for more details).
- At a regional level, AsiaPac equities and listed real estate posted the highest total returns in 2017.
- However, AsiaPac REITs continue to outpace AsiaPac listed real estate, equities and bonds over the long-term (10-years plus, please see attached chart), while composite equity and REIT asset classes were the best medium-term performers (five years).
- The outstanding REIT sector performers for 2017 were healthcare (27 percent total return), followed by hotel assets (22 percent total return).
- The long-term average annual income return delivered by REITs is 6.3 percent.
- The strongest country markets for listed real estate companies (as opposed to pure-play REITs) were India (113 percent total return), China (86 percent), Singapore (40 percent) and Hong Kong (39 percent).

- Indonesia (minus four percent), Japan (five percent) and Taiwan (13 percent) posted the lowest total returns for listed real estate in 2017.

- The best sector returns for listed real estate (as opposed to pureplay REITs) in 2017 were the residential sector (43 percent total return), diversified (30 percent) and healthcare (27 percent).

- A prototype index for China REITs (comprising China mainland assets managed in Singapore and Hong Kong REIT funds) scored a 25 percent total return in 2017, which means proxy China REITs ranked third, behind Singapore REITs (39 percent total return) and Hong Kong REITs (29 percent), but well ahead of Japan, Australia, Malaysia and Taiwan (please see separate media statement).

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Media assets:	http://www.aprea.asia/aprea-media-contacts-resources Please click **here** for the PDF version of the ***GPR/APREA AsiaPac Performance Snapshot – 2017 Roundup***		
Attachment (Annex A):	***GPR/APREA AsiaPac Performance Snapshot – 2017 Roundup*** *Charts*: Indexed Total Returns to 31 December 2017 (2002 to 2017) *Tables)*: GPR/APREA Composite REIT Country Index – Year-to-December 2017 GPR/APREA Composite REIT Sector Index – Year-to-December 2017		
Related media statements:	GPR/APREA Snapshot – 2017 Roundup How would a Chinese REIT market perform? Singapore and healthcare spotlight		
Note to editors:	APREA does not forecast market returns or comment on specific stocks. APREA can recommend market practitioners willing to offer forecasts in their own names for specific markets or sectors.		

About APREA

APREA is a not-for-profit organisation that represents the property investment industry in AsiaPac.

Its members include prominent real estate stakeholders, including pension, insurance and sovereign wealth funds, investment managers, family offices and developers.

APREA's goals are to:

- help open up and expand property investment markets by working with governments to improve business ground rules
- assist members connect to cross-border commercial opportunities
- forge a more informed, efficient, respected and transparent marketplace.

APREA's members operate across 18 countries and more than 100 property markets.

APREA currently hosts chapters in China, India, Japan, Australia, Malaysia, the Philippines, Singapore and Hong Kong.

About GPR

Global Property Research (GPR) is APREA's listed index partner. GPR provides services for leading financial institutions with top-of-the-line benchmarks. All GPR products derive from an extensive and unique proprietary database of global listed property and infrastructure companies.

About the GPR/APREA Index

The ***GPR/APREA AsiaPac Performance Snapshot*** tracks the dynamics of listed real estate securities (including REITs) across 12 AsiaPac countries and eight sectors, over multiple time horizons.

The listed real estate index comprises 423 constituents with a free-float market cap of USD 689 billion.

The REIT index comprises 162 constituents with a free-float market cap of USD 265 billion.

The indices are calculated in US dollars.

A summary of the index methodology is provided in the report.

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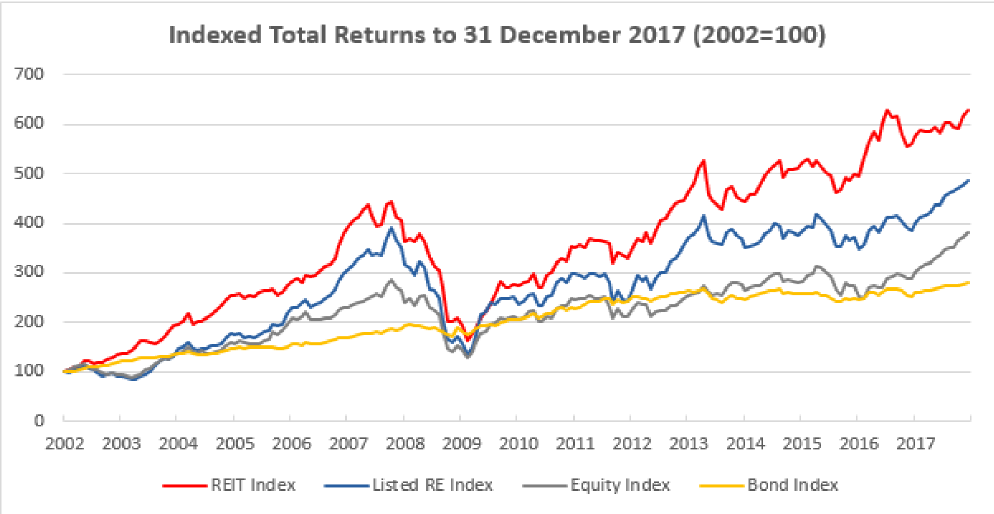
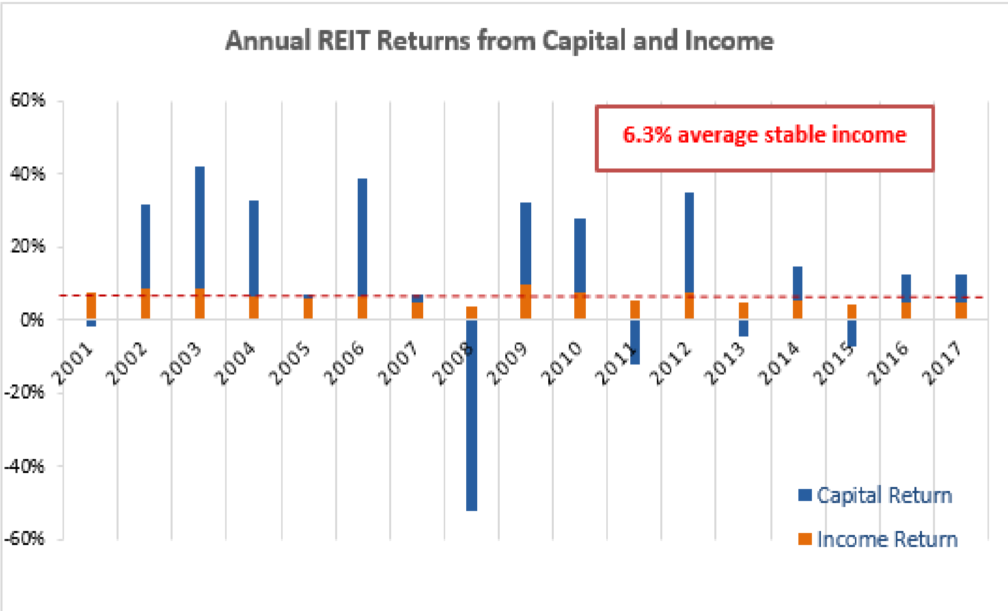
Annex A

REITs and listed real estate outperform equities and debt over the long term



REITs deliver stable income streams



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GPR/APREA Composite Listed Real Estate Country Index – Year-to-December 2017

% Total Returns (USD)	1yr	3yrs*	5yrs*	10yrs*
Australia	15.79	10.04	7.90	1.78
China	86.41	24.50	11.97	4.67
Hong Kong	38.58	10.31	7.86	4.93
India	113.31	20.95	9.72	-13.23
Indonesia	-4.23	-2.05	1.18	1.72
Japan	4.97	3.07	4.53	2.98
Malaysia	20.62	-0.20	0.50	4.10
New Zealand	16.87	7.03	8.98	8.07
Philippines	24.33	7.55	8.64	9.74
Singapore	39.54	8.70	4.28	4.48
Taiwan	12.99	3.45	3.24	7.90
Thailand	32.51	13.43	8.16	13.51

*Annualised compound growth

Listed Real Estate - Key Results

- The top-performing listed real estate market in 2017 was India, followed by China and Singapore.
- India and China also stood out on 3-year and 5-year basis.
- Thailand posted the best performance over a 10-year horizon.

GPR/APREA Composite Listed Real Estate Sector Index – Year-to-December 2017

% Total Returns (USD)	1yr	3yrs*	5yrs*	10yrs*
Diversified	29.80	10.42	6.72	2.97
Office	6.95	2.41	4.26	4.04
Residential	42.65	14.43	8.89	0.93
Retail	18.96	8.71	6.99	6.98
Industrial	21.94	5.66	5.74	7.47
Hotel	23.49	9.94	7.19	6.29
Healthcare	26.67	12.41	12.86	11.55
Other	23.43	12.46	-	-

Listed Real Estate – Sector Index Key Results

- The residential and diversified sectors were the top-performers in 2017.
- Residential and healthcare stood out on 3-year and 5-year basis.
- Healthcare was the best performing sector over a 10-year horizon.

GPR/APREA Composite REIT Country Index – Year-to-December 2017

% Total Returns (USD)	1yr	3yrs*	5yrs*	10yrs*
Australia	14.73	9.80	7.52	1.50
China**	24.51	-	-	-
Hong Kong	29.09	18.18	15.47	16.60
Japan	-3.56	1.49	6.34	3.97
Malaysia	21.88	5.78	2.76	9.27
Singapore	39.00	9.19	6.24	8.07
Taiwan	-0.79	-0.21	-0.39	7.39

*Annualised compound growth

**The China REIT index is an experimental addition to the series. It tracks seven REITs that hold assets located in China – four of which are listed in Hong Kong and three in Singapore. The total free float market capitalisation of these seven REITs is US$3.83 billion. At present, no entities listed on Mainland China bourses are included in the China REIT series as there is no official REIT framework in place.

GPR/APREA Composite REIT Sector Index – Year-to-December 2017

% Total Returns (USD)	1yr	3yrs*	5yrs*	10yrs*
Diversified	11.15	7.20	7.25	1.24
Office	7.41	6.12	6.80	3.97
Residential	3.34	4.42	7.92	8.60
Retail	16.27	8.28	7.44	7.70
Industrial	16.37	6.10	6.94	8.95
Hotel	22.28	5.76	7.60	-
Healthcare	26.67	12.41	12.86	11.55

REIT – Sector Index Key Results

- Retail REITs scored the highest total returns in December.
- Healthcare and hotel REITs were the top-performers in 2017.
- Healthcare also stood out on 3-year, 5-year and 10-year basis.

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