Real Estate

Global Real Estate Securities

Quarterly Update

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Third quarter • October 2019

Themes

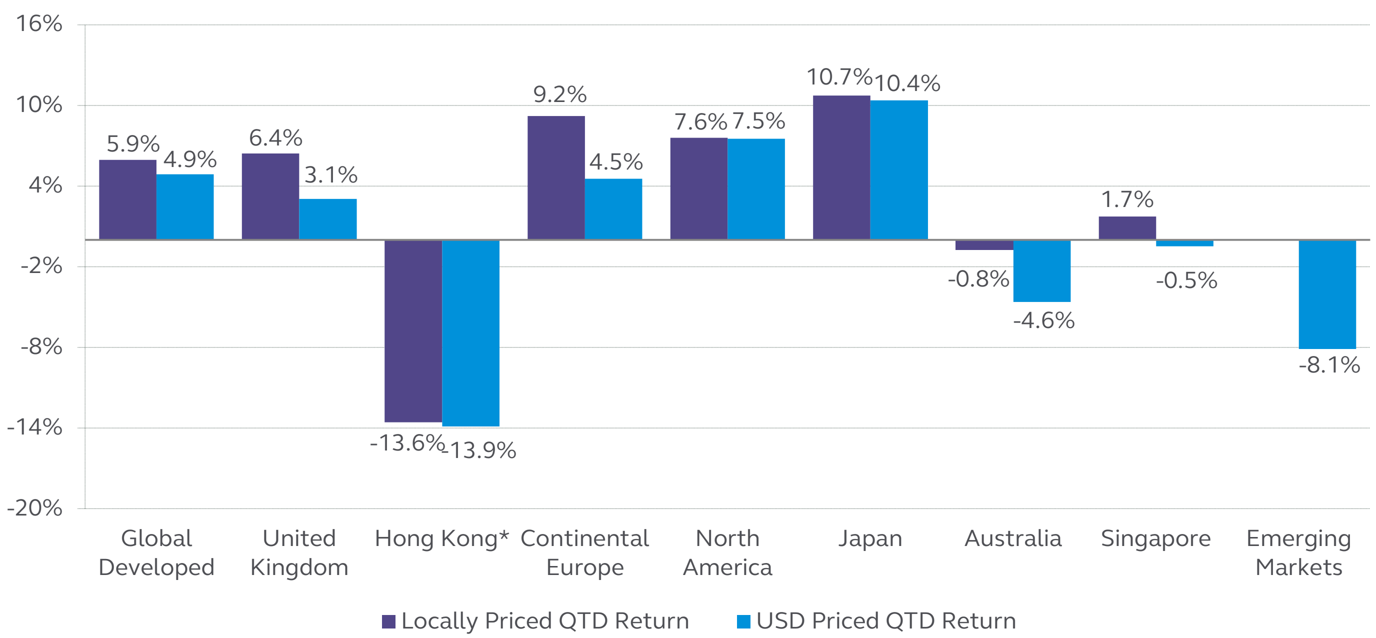
- REITs outperformed equities and bonds.
- Renewed concerns over trade and decelerating global economic data favored defensives despite large swings between risk on/off during the quarter.
- Lower volatility stocks extended their outperformance from the previous quarter, reflecting continued investor caution.

Global REITs gained 4.6% over the third quarter, outperforming global equities (as proxied by the MSCI World) and global bonds (proxied by the JPM GLOBAL BOND INDEX) which gained 0.7% and 1.1% respectively. The trade truce from the second quarter was short lived. By late July the United States was threatening additional new duties which would result in tariffs covering all goods the U.S. imported from China last year, if eventually implemented.

Lower volatility stocks continued to outperform strongly, suggesting still limited risk appetite despite the announcement of a resumption of talks in early September which sparked a late quarter rally. Global PMIs continued to fall through the quarter with U.S. consumer data also beginning to show signs of deceleration towards quarter end. U.S. long term bond yields ended the quarter roughly 30 bps lower.

APAC real estate (-0.6%) delivered the weakest returns, weighed down by the ongoing turmoil in Hong Kong (HK)* and weaker regional currencies against the USD. In HK, the peaceful protests against the botched extradition bill escalated into violence with damage to property, closure of transport infrastructure and multiple injuries. No surprise that HK property stocks were pummeled across the board. Japan outperformed on safe haven defensive flows with JREITs posting the strongest returns within the region. Australia and Singapore both saw profit taking after strong performance in the first half of the year. Both regions were also hurt by adverse currency movements with the AUD/SGD falling circa 4% and 2% against the USD during the quarter respectively.

Exhibit 1: Global Real Estate Total Returns by Region • Third quarter 2019



* This denotes Hong Kong SAR (China)

Source: FactSet, FTSE EPRA/NAREIT. Returns represent the FTSE EPRA/NAREIT Developed Index, by region. Emerging market returns represented by the FTSE EPRA/NAREIT Emerging Index. Local returns are not available for emerging markets. Returns are shown as gross and does not represent any investment strategy or reflect fees, taxes, or expenses. Investors cannot invest directly in an index. Past performance is not a reliable indicator of future performance.

Principal REIT Global Portfolio Managers

Kelly Rush, CFA:
35 years investment experience; MBA, University of Iowa

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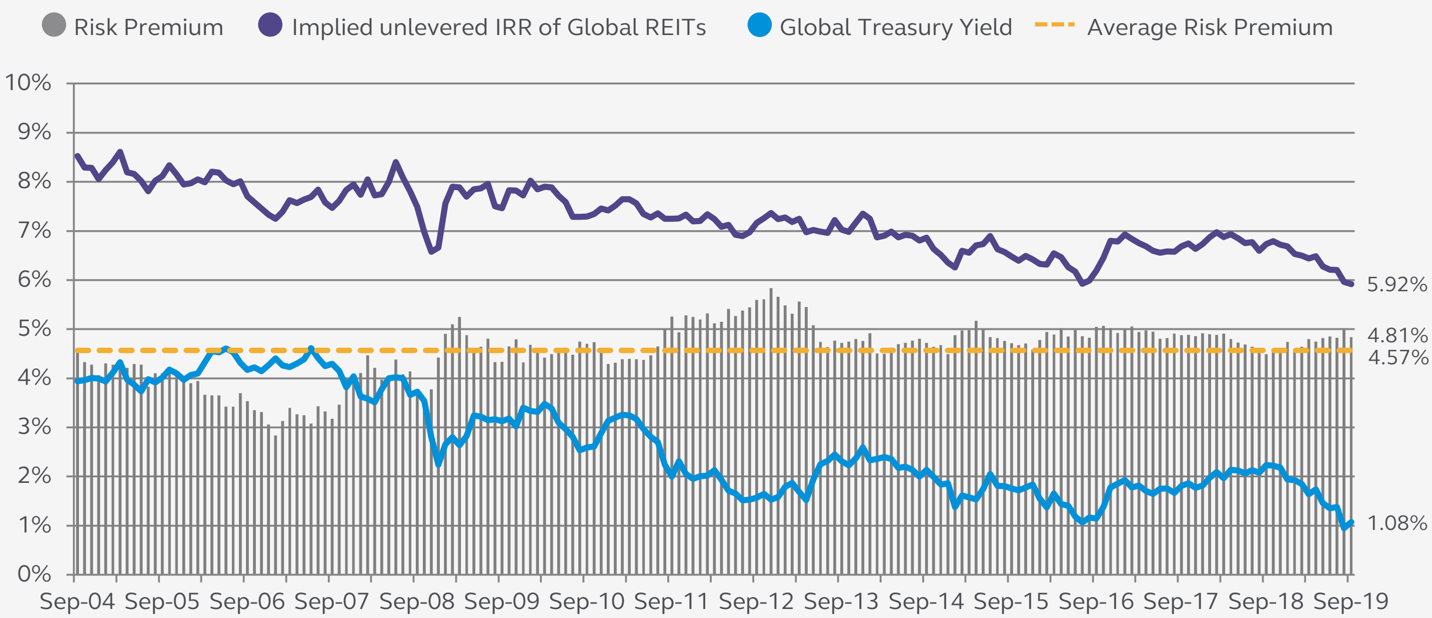
Simon Hedger:
41 years investment experience; MBA, University of New England

The Americas region (7.6%) was the best performer with most of the real estate outperformance against broader equity indices coming in August as interest rates plunged. A clear preference for defense was also visible in sector level performance with investors favoring those with long duration cash flow streams or more limited economic sensitivity. Data centers were the strongest performers and benefited from a combination of less economic sensitivity and increased M&A speculation on rumors that Cyrus One is exploring strategic options after receiving interest from a potential suitor. Health care and residential owners also outperformed given more needs-based demand drivers. On the opposite end, malls and hotels were again notable laggards and posted negative returns. Malls continued to suffer from an elevated store closing environment while hotels trailed due to heightened economic sensitivity and signs of softening business transient demand.

Europe returned 4.0% with currency weakness weighing down USD returns. The pound and the euro lost 3.4%/4.6% respectively during the quarter. The United Kingdom was the main drag, with the extreme views of incoming Prime Minister Boris Johnson exacerbating the Brexit-related economic and political uncertainty and weighing on business confidence. On the Continent, manufacturing activity continued to slow despite still healthy consumer confidence and retail spending. Within the UK, student housing, industrial, and office outperformed, with the latter supported by lack of new supply in recent years. Continental outperformance was once again driven by industrial stocks and the more defensive Swiss and Belgian real estate companies. Retail was the main underperformer yet again in both the UK and the Continent. Countries with large retail exposure, such as the Netherlands, Italy, and France were among the weakest.

Exhibit 2: Unlevered Return Expectations of Global REITs vs. Global Treasury Yields

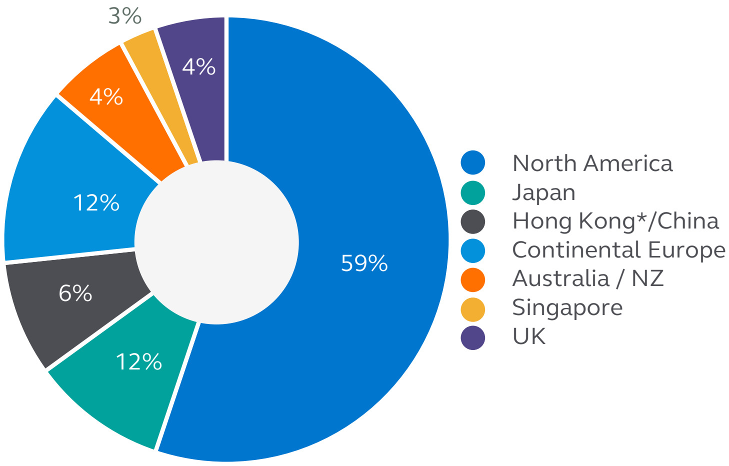


We utilize an internal rate of return (IRR) methodology as a proxy for implied unlevered return expectations, which we believe can be helpful to investors for assessing real estate valuation levels. Implied unlevered IRR of Global REITs is a measure of the internal rate of return of real estate that is priced (implied) into real estate stocks. It is derived by calculating the discount rate whereby the stock price at a given time equals the net present value of expected future cash flows from real estate assets. Proprietary model output is based upon certain assumptions that may change, are not guaranteed, and should not be relied upon as a significant basis for an investment decision. The Global Treasury Yield is calculated as a weighted average 10-year yield based on each company's country's historical weight in the FTSE EPRA/NAREIT Developed Index. Chart does not represent any investment strategy or reflect fees, taxes, or expenses. Investors cannot invest directly in an index.
Source: Principal Global Investors, FactSet, IBESS, Worldscope. As of 30 September 2019.

Global dashboard

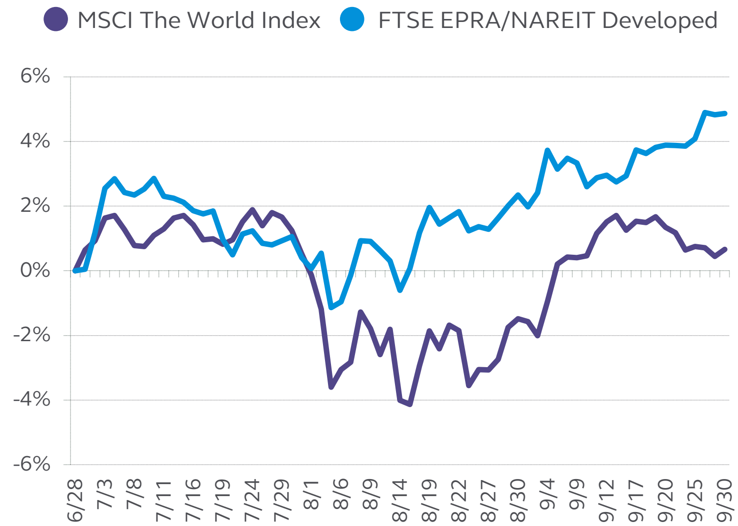
Market performance

Exhibit 3:
FTSE EPRA/NAREIT Developed Regional Split



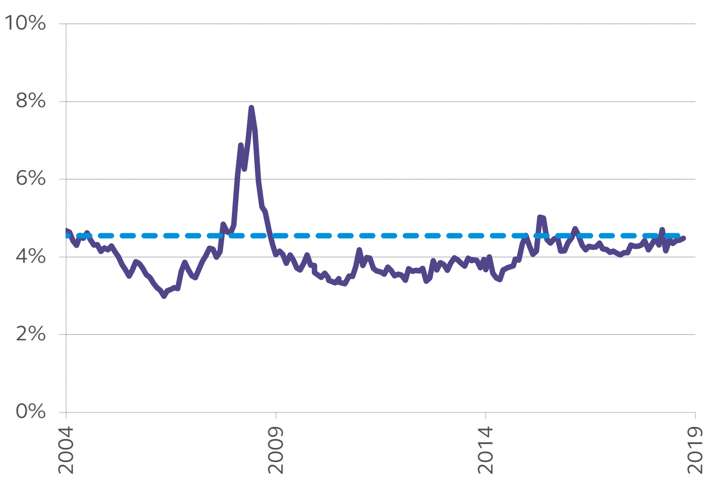
* This denotes Hong Kong SAR (China)
Source: FactSet FTSE EPRA/NAREIT.

Exhibit 4:
FTSE EPRA/NAREIT Developed vs. MSCI World



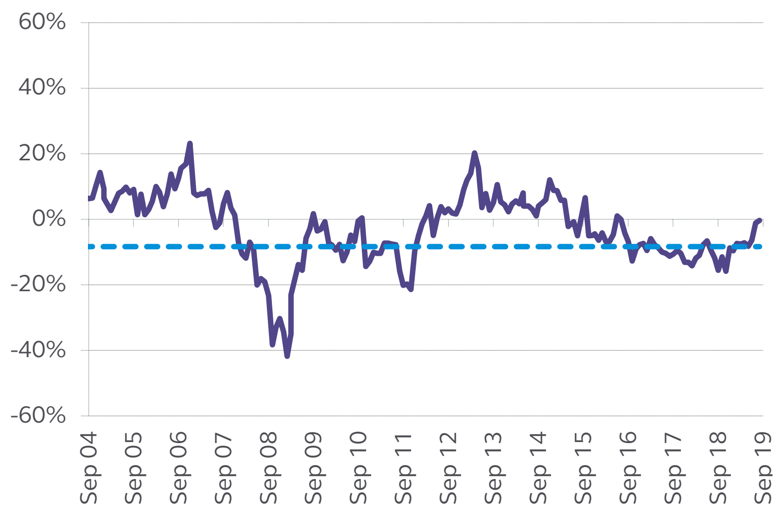
Source: FactSet, FTSE EPRA/NAREIT, MSCI. All data in US$.

Exhibit 5:
Global Real Estate Securities Dividend Yield



Source: Principal Global Investors, FactSet, IBESS.

Exhibit 6:
Global Real Estate Securities Price to NAV



Source: Principal Global Investors, UBS, FactSet, IBESS.

As of 30 September 2019
Returns represent the FTSE EPRA/NAREIT Developed Index, by region. Does not represent any investment strategy or reflect fees, taxes, or expenses. Investors cannot invest directly in an index.

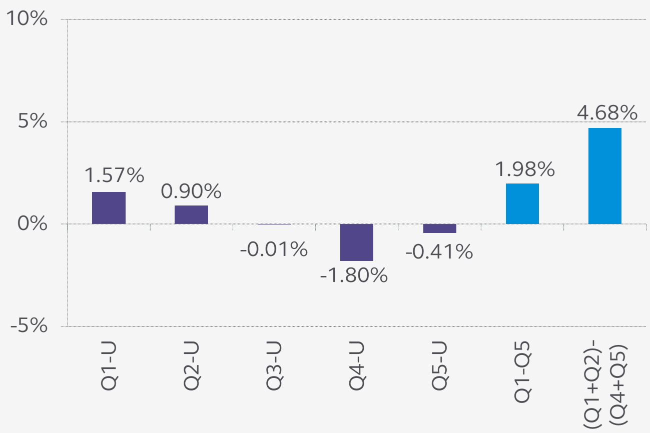
The potential for profit is accompanied by the possibility of loss.
Past performance is not a reliable indicator of future performance.

Global dashboard

Third-quarter style analysis

Exhibit 7:
Total Return by Dividend Yield

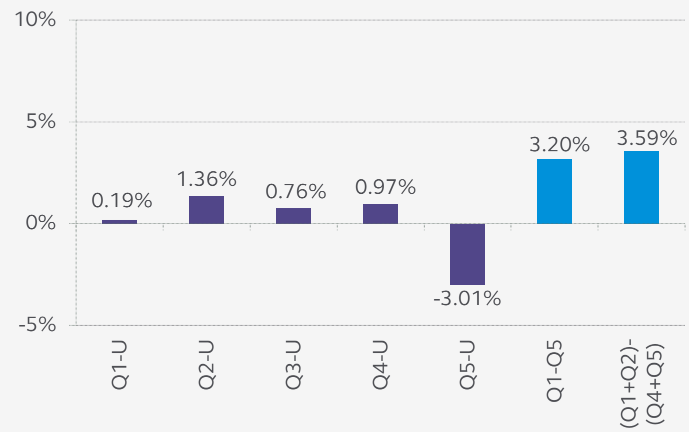
Lower yielding stocks outperformed



Note: Q1 = Lowest yield, Q5 = Highest yield; U=Universe mean

Exhibit 8:
Total Return by Market Capitalization

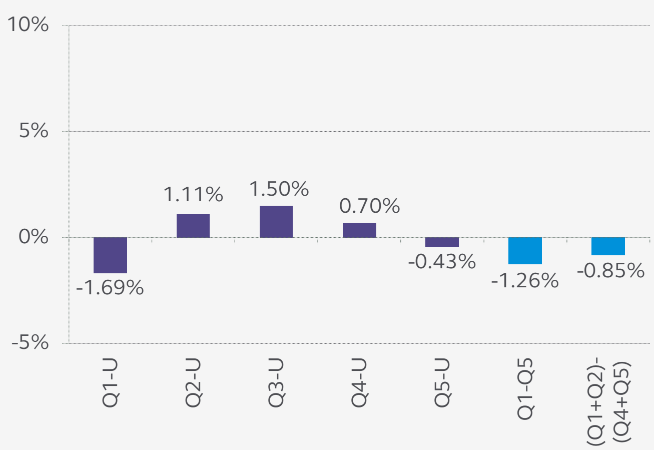
Larger market cap stocks outperformed



Note: Q1 = Largest market cap, Q5 = Smallest market cap; U=Universe mean

Exhibit 9:
Total Return by Debt to Total Capital

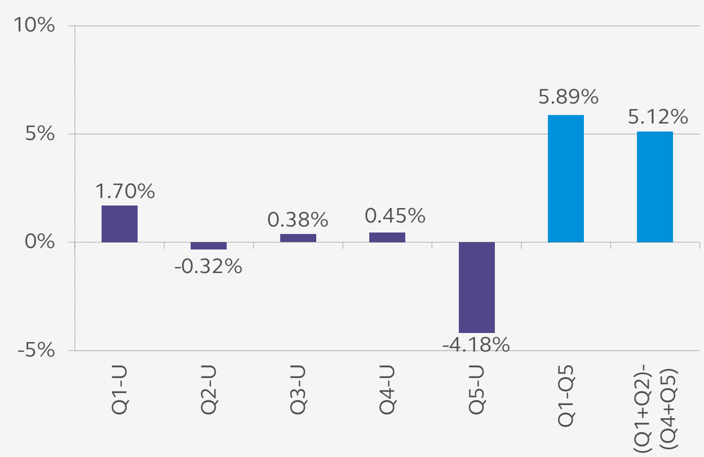
Higher levered stocks modestly outperformed



Note: Q1 = Lowest leverage, Q5 = Highest leverage; U=Universe mean

Exhibit 10:
Total Return by 100-day Standard Deviation

Lower volatility stocks strongly outperformed



Note: Q1 = Lowest deviation, Q5 = Highest deviation; U=Universe mean

Source: Principal Global Investors, FactSet, Worldscope, FTSE EPRA/NAREIT. Universe is all securities in the FTSE EPRA/NAREIT Developed Index. Quintiles based on equal number of securities. Does not represent any investment strategy or reflect fees, taxes, or expenses. Investors cannot invest directly in an index. As of 30 September 2019.

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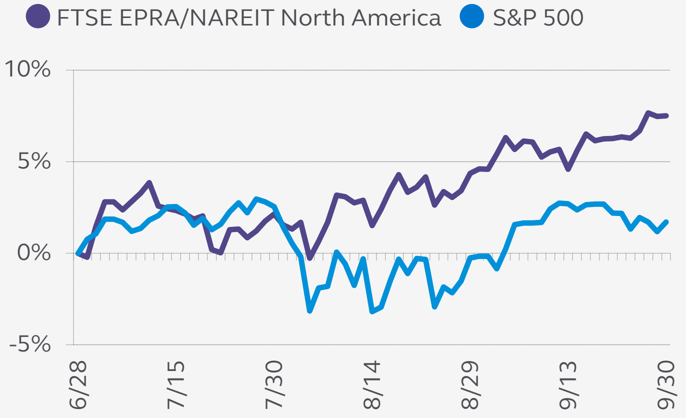
North America

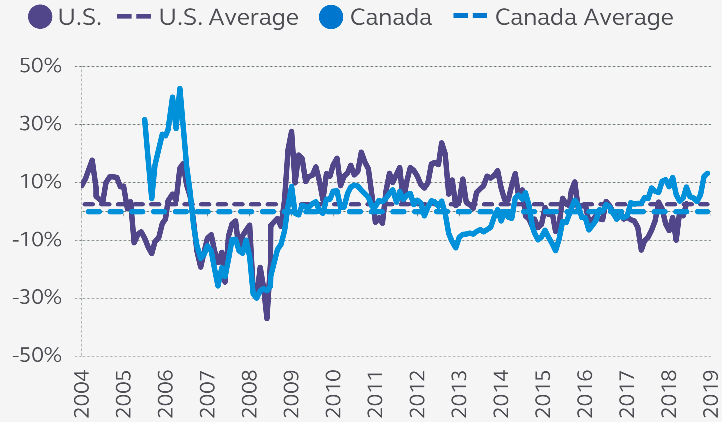
Exhibit 11:
Real Estate Securities vs. General Equities Performance



Source: FactSet, FTSE EPRA NAREIT. All data in US$.

Exhibit 12:
U.S. and Canada Price to NAV*

*Includes all securities in the investable universe



Source: Principal Global Investors, UBS, FactSet, IBESS.

Summary Return Data	(in US$)	Summary Return Data	(in CAD)	(in US$)
S&P 500	1.7%	FTSE EPRA/NAREIT US	9.0%	7.6%
FTSE EPRA/NAREIT North America	7.5%	FTSE EPRA/NAREIT Canada	7.5%	6.1%

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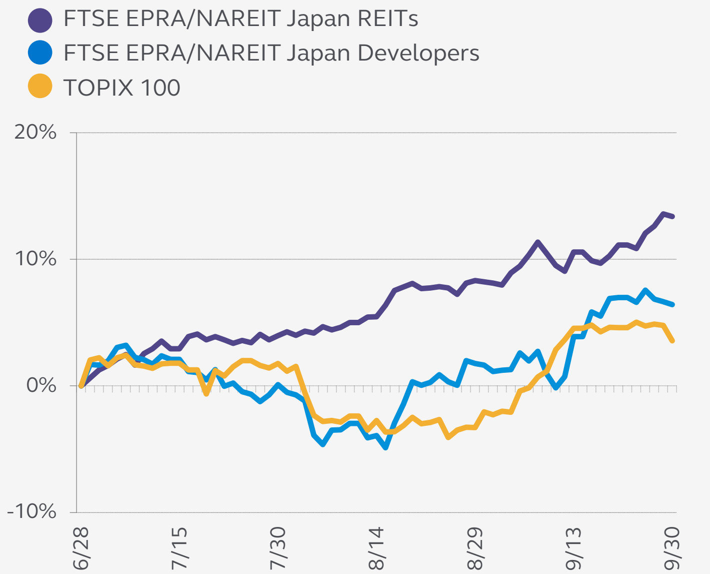
The FTSE EPRA/NAREIT North America Real Estate Index gained 7.5% in the third quarter, easily outperforming the S&P 500 Index which returned 1.7% as markets digested dynamic trade headlines and volatile (albeit declining) long term bond yields. Within the region U.S. and Canadian property owners rose 7.6% and 6.1% respectively.

The Federal Reserve cut interest rates for the first time since 2008 in response to slowing global growth and trade uncertainty. Although U.S. employment, retail sales, and housing data remained healthy, leading economic indicators continued to slow and the inversion of the yield curve had investors fearful that odds of a recession were increasing. Erratic U.S.-China trade headlines also caused unease. After a short-lived truce, the U.S. announced an expanded list of tariffs on imports at higher rates that was met with retaliatory measures from China. Recent negotiations have resulted in increased optimism for an interim deal, but structural and enforcement issues remain important sticking points. Absent a deal, expanded tariffs are set to take effect by year end. Trade uncertainty and signs of slowing global growth triggered the Federal Reserve into action with two rate cuts during the quarter. Markets expect additional easing in efforts to sustain the expansion and also to prevent the U.S. dollar from strengthening too much. Defensive positioning generally outperformed during the third quarter notwithstanding a sharp rotation into cyclicals/value from momentum/growth during the middle of September following oversold conditions and a modest upward reversion in bond yields. Canadian economic data showed some improvement which left the Bank of Canada on hold as they assess the economic impact of a broader global slowdown.

Real estate stocks rallied as investors flocked to defensive positioning with most of its outperformance coming during the month of August as interest rates plunged lower. Long term bond yields fell by roughly 32 bps during the quarter, but August saw a dramatic 52 bps decline to near 1.5% before moving higher again in September. A clear preference for defense was also visible in sector level performance with investors favoring those with long duration cash flow streams or more limited economic sensitivity. Data centers were the strongest performers and benefited from a combination of less economic sensitivity and increased mergers and acquisitions speculation on rumors that Cyrus One is exploring strategic options after receiving interest from a potential suitor. Health care and residential owners also outperformed given more needs-based demand drivers. On the opposite end, malls and hotels were again notable laggards. Malls continued to suffer from an elevated store closing environment while hotels trailed due to heightened economic sensitivity and signs of softening business transient demand. Multifamily and industrial owners continued their outperformance in Canada during the quarter as positive immigration/consumption trends and limited new supply deliveries keep fundamentals tight for these landlords. Retail and health care were laggards as fundamentals remain challenged.

Japan

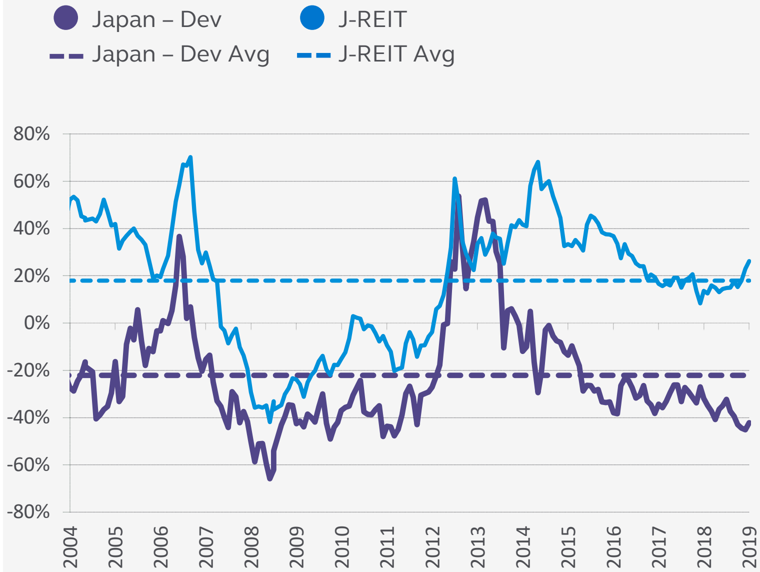
Exhibit 13:
Real Estate Securities vs. General Equities Performance



Source: FactSet, FTSE EPRA/NAREIT, TOPIX. All data in yen.

Exhibit 14:
Price to NAV*

*Includes all securities in the investable universe



Source: Principal Global Investors, UBS, FactSet, IBESS.

Summary Return Data	(in yen)	(in US$)	Summary Return Data	(in yen)	(in US$)
TOPIX 100	3.5%	3.2%	FTSE EPRA/NAREIT JREITs	13.4%	13.0%
FTSE EPRA/NAREIT Japan	10.7%	10.4%	FTSE EPRA/NAREIT Japan Developers	6.4%	6.1%

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The broader Japanese equity index, as proxied by the Topix 100, rose (3.2%) for the quarter but underperformed both Japanese developers and Japanese REITs. Ongoing trade tensions and concern over a China slowdown weighed on market sentiment. The yen strengthened in the first half of the quarter, but weakened again mid quarter from the second quarter, as the back up in bond yields sparked improved risk appetite. The Bank of Japan continued to stay put on its existing monetary policy trajectory but indicated a possible review of its policy in October amid a continued sluggish economic environment and subdued inflation numbers, which are well below their 2% target. The upcoming value-added tax (VAT) hike is not expected to impact the consumer as significantly as in 2014 (the last time the VAT was raised) due to additional support measures the government has granted.

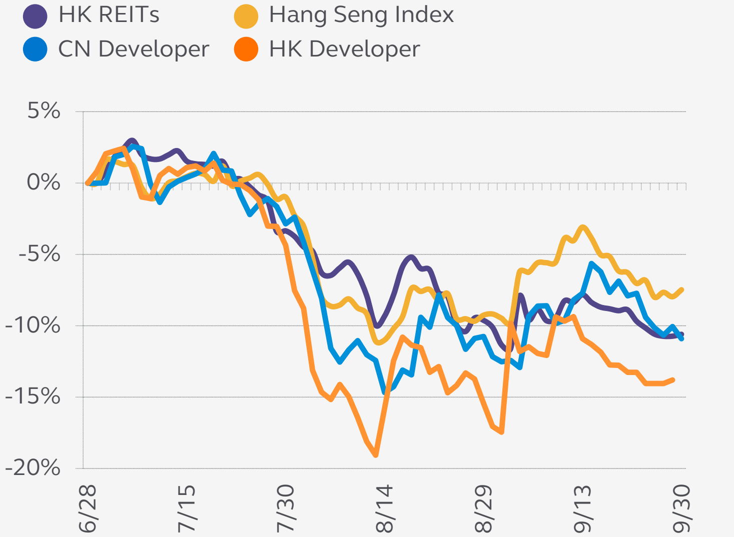
Japanese developers (6.1%) slumped early during the quarter, driven by rotation into defensives. This trend reversed following their first quarter results in the beginning of August when most developers showed continued strong business results. Mid-cap names outperformed the larger developers. Unizo, a smaller real estate company in Japan became target of a rare hostile takeover battle amid very depressed valuation levels and that drove a rally amongst other potential small-mid cap takeover candidates.

Japanese REITs (13.0%) ended the quarter higher, outperforming both general equities and Japanese developers. The outperformance was due to heightened risk aversion which saw continued flows into defensives and declining 10-year Japanese bond yields that increased the attractiveness of REITs especially for domestic life and general insurance companies. Foreigners were mostly net sellers during the quarter. Public offering activity continued as higher premiums supported accretive acquisitions and were generally well-absorbed.

Hong Kong SAR (China)

Exhibit 15:

Real Estate Securities vs. General Equities Performance

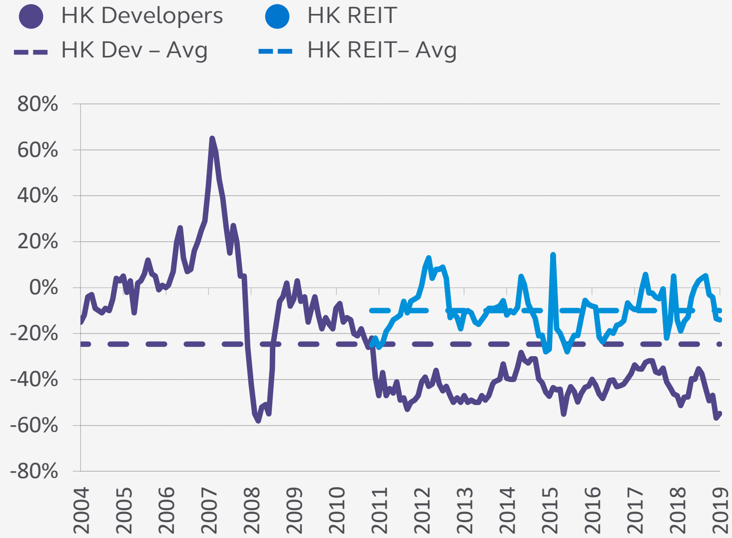


Source: FactSet, FTSE EPRA/NAREIT, Hang Seng. All data in HKD.

Exhibit 16:

Price to NAV*

*Includes all securities in the investable universe



Source: Principal Global Investors, UBS, FactSet, IBESS.

Summary Return Data	(in HKD)	(in US$)	Summary Return Data	(in HKD)	(in US$)
Hang Seng Index (HSI)	-7.5%	-7.8%	Hang Seng REIT Index	-10.6%	-10.9%
Hang Seng Property Index	-12.2%	-12.5%	China Developers	-10.9%	-11.2%
			Hong Kong* Developers	-13.8%	-14.1%

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Peaceful demonstrations against the extradition bill in June have evolved into a large pro-democracy movement marred by violence, vandalism and infrastructure disruptions. Protestors led widespread strikes across the city and caused disruptions to Hong Kong International Airport on several occasions. On Sept 4th, Chief Executive Carrie Lam officially withdrew the extradition bill, but the initiative failed to bring the protest movement to an end.

Hong Kong* developers traded weak and underperformed the Hang Seng Index during the quarter. Prolonged protests have taken a toll on homebuyer sentiment and some developers are deferring residential launch plans. Sino Land has slated three high-end residential projects for launch in 2H19 but is adopting a wait-and-see approach towards timing the launches. On the other hand, Sun Hung Kai has proceeded with its mid-to-high end residential launch of Cullinan West Phase 3 at a discounted pricing, contributing to strong sell-thru rates. Since the start of the quarter, the Centa-City Leading Index (CCL) of secondary residential prices has corrected 3%. Reflecting the cautious sentiment among developers, developers' dividend payout post reporting season has generally been below consensus expectations.

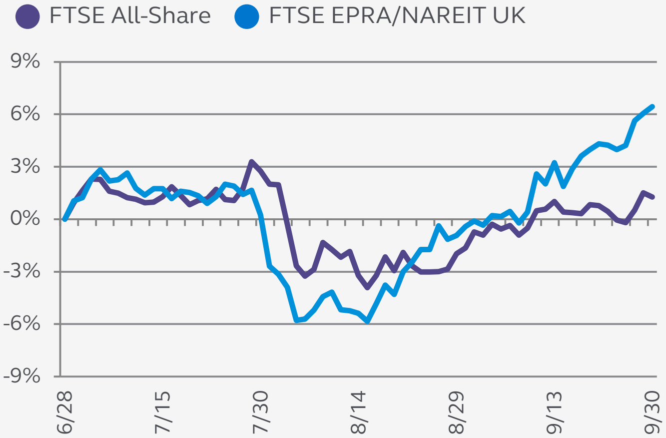
Continued trade tensions between the U.S. and China, as well as operational disruptions from protests, have weighed on retail landlords. The Chinese yuan weakened 3.8% against the U.S. dollar during the quarter, translating to lower inbound tourism spending in Hong Kong*. Retail landlords have guided for their tenant sales growth to be in the negative low to mid-teens in July and August. Overall, Hong Kong retail sales growth declined sharply by 11.4% in July after contracting 6.7% in June. Swire Properties has offered rental concessions to tenants at its Pacific Place Mall, the first instance of rent concession offered by a retail landlord. Office landlords traded weak but outperformed retail landlords. Leasing demand remains subdued amidst a soft macro backdrop. Hong Kong's* Finance Secretary noted the possibility of a technical recession in the third quarter and downgraded Hong Kong's* GDP growth forecast from 2-3% to 0-1% for 2019.

Hong Kong Real Estate Investment Trusts (REITs) outperformed developers and landlords on lower bond yields and buyback support. 10-year Hong Kong* bond yields declined by 21 bps to 1.22% at the end of the quarter. Link REIT resumed buybacks in the quarter and has acquired 0.5% of outstanding shares this year.

* This denotes Hong Kong SAR (China)

United Kingdom

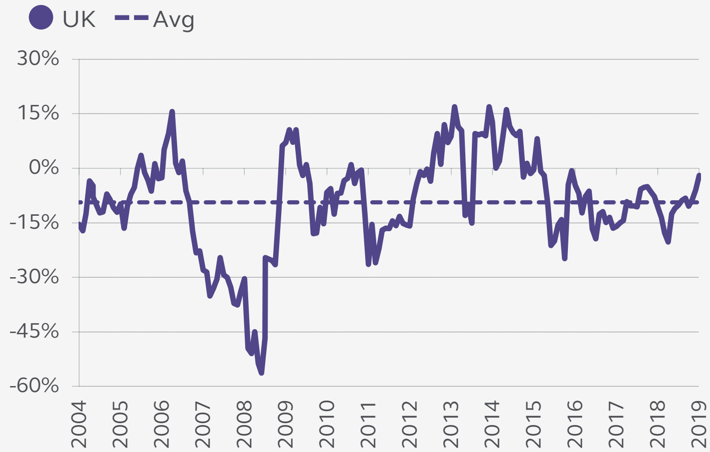
Exhibit 17:
Real Estate Securities vs. General Equities Performance



Source: FactSet, FTSE EPRA/NAREIT, FTSE. All data in GBP.

Exhibit 18:
Price to NAV*

*Includes all securities in the investable universe



Source: Principal Global Investors, UBS, FactSet, IBESS.

Summary Return Data	(in GBP)	(in US$)	Summary Return Data	(in GBP)	(in US$)
FTSE All-Share	1.3%	-1.9%	FTSE EPRA/NAREIT Developed Europe Ex-UK	8.0%	4.5%
FTSE EPRA/NAREIT UK	6.4%	3.1%	FTSE EPRA/NAREIT Developed	8.3%	4.9%

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In the third quarter of 2019 the FTSE EPRA/NAREIT UK Index returned 3.1%, outperforming the FTSE All-Share Index which lost -1.9% and bonds which returned 1.2%. The British pound weakened further against the U.S. dollar and British property stocks underperformed their continental European peers, with only UK student housing beating the continental benchmark return.

Following Theresa May's resignation as Prime Minister, the Conservative Party members chose Boris Johnson as her replacement. Having campaigned on his willingness to pursue the hardest of no-deal Brexits, the new Prime Minister's extreme views and actions, in particular, his controversial decision to prorogue Parliament for five weeks (which the Supreme Court subsequently unanimously ruled to be illegal), rapidly polarized Parliament and led to him losing his majority. Another election or referendum is expected in the fourth quarter as the most likely way to break the current impasse. This heightened the economic and political uncertainty caused by Brexit even further and business investment fell to yet another new ten-year low, with the tensions surrounding global trade also weighing on confidence.

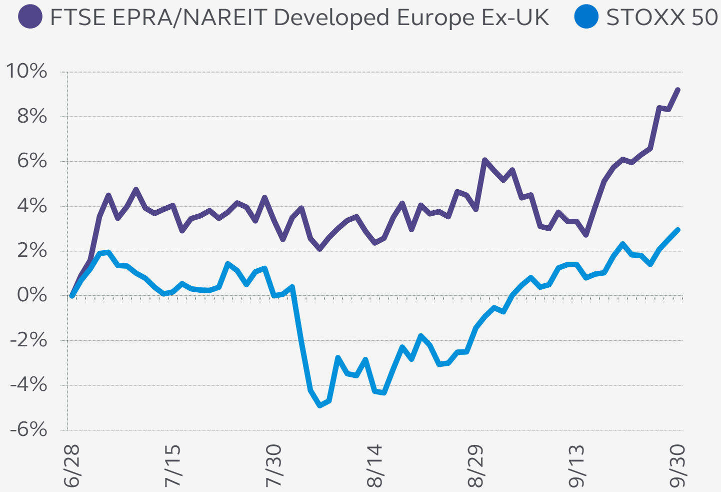
The best performing sectors in the UK over the third quarter were student housing, offices and industrial. Student housing was strongest, boosted by an announcement that from next year the government plans to allow new foreign students to work for up to two years after graduation. Offices were buoyed up by the lack of new supply over the last few years leading to very low vacancy and robust rents in the prime London office market. Industrial property continued to benefit from retail's woes and the associated restructuring of supply chains. The sector has also been one of the few winners from Brexit as the high uncertainty about future trading relationships has increased the demand for contingency-related stockpiling.

The retail and diversified sectors continued to underperform, but at least returns were positive this quarter. Store closures and bankruptcies continued to rise, while falling investment values and a lack of buyers further dampened confidence. The cyclical and structural forces rocking the sector show no sign of abating yet.

Although returns in the more defensive health care, self-storage and housing sectors remained positive, these sectors underperformed over the quarter as investors turned more aggressive and rotated into riskier sectors.

Continental Europe

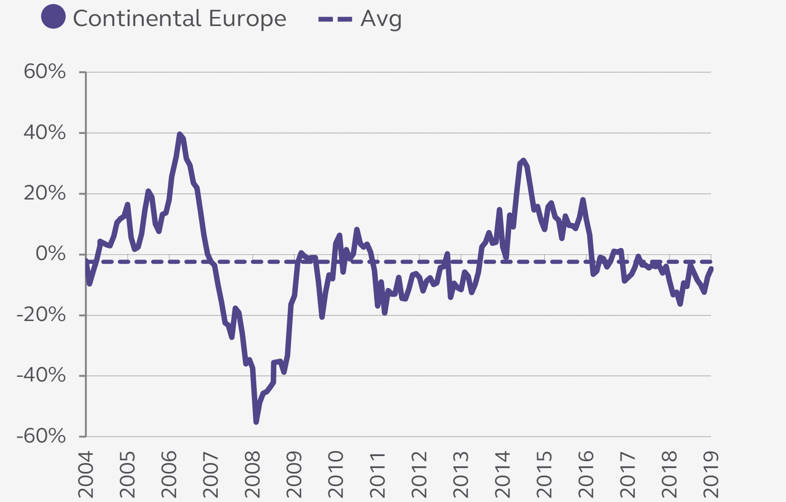
Exhibit 19:
Real Estate Securities vs. General Equities Performance



Source: Factset, FTSE EPRA/NAREIT, STOXX. All data in EUR.

Exhibit 20:
Price to NAV*

*Includes all securities in the investable universe



Source: Principal Global Investors, UBS, FactSet, IBESS.

Summary Return Data	(in EUR)	(in US$)	Summary Return Data	(in EUR)	(in US$)
STOXX 50	3.0%	-1.7%	FTSE EPRA/NAREIT Developed Europe ex-UK	9.2%	4.5%
FTSE EPRA/NAREIT UK	7.6%	3.1%	FTSE EPRA/NAREIT Developed	9.5%	4.9%

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The FTSE EPRA/NAREIT Developed Europe ex-UK Index returned 4.5% over the third quarter, thus outperforming both the Euro STOXX 50 Index which fell -1.7% and the bond market which returned 1.2%. The euro, Swedish krona and Norwegian krone all weakened against the U.S. dollar.

Both the European and global economies weakened further over the quarter. While services have so far been more resilient in Europe, manufacturing continued slowing, with Germany particularly weak. Despite falling business sentiment and sliding leading indicators, so far consumer confidence and retail spending has been more robust. Last quarter's political turbulence in Italy ended surprisingly quickly as a new coalition government was quickly formed after Salvini's League party withdrew their support from the previous coalition government. While the new coalition of centrist parties should be more stable, Matteo Renzi's unexpected break from the Democratic Party may introduce instability despite his promise to continue supporting the government. In Spain, elections will be held on November 10th after five months of negotiations failed to form a new coalition government.

Given the deteriorating economic environment, escalating trade conflicts and political turbulence, the European Central Bank (ECB) followed through on its earlier commitment to ease at its September meeting, cutting its deposit rate by 10 bps to -0.50% while introducing deposit tiering to help banks, restarting quantitative easing and introducing longer term TLTROs. The ECB also committed to not raise interest rates until inflation approaches its target level. Given the current inflation outlook this implies that the first interest rate hike is still some years away.

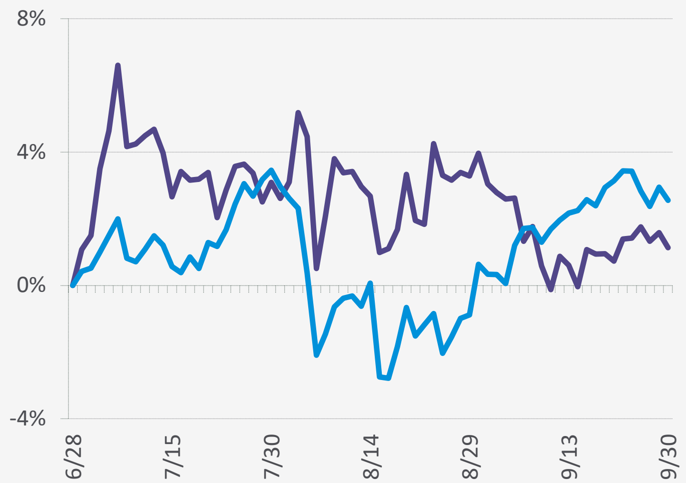
Retail property was again the weakest sector over the quarter, with growth in both rents and values still slowing due to the rise of online retail taking market share, thus squeezing retailers' margins and profitability. The rise in perceived risk and falling growth has caused investors to require a higher starting yield on investments. Countries with large retail exposures such as the Netherlands, Italy, and France underperformed over the quarter.

Companies owning industrial property continued to deliver good returns, benefiting from the sharp rise in demand for modern logistics warehouses and last-mile distribution, and high development margins. Swiss and Belgian stocks also outperformed as investors sought refuge in these more defensive countries as fears about the economic outlook rose. Sweden delivered the highest returns, buoyed up by continued strong growth in almost all segments of its property market.

Australia

Exhibit 21:
Real Estate Securities vs. General Equities Performance

S&P ASX 300/Property Trusts
S&P ASX 300

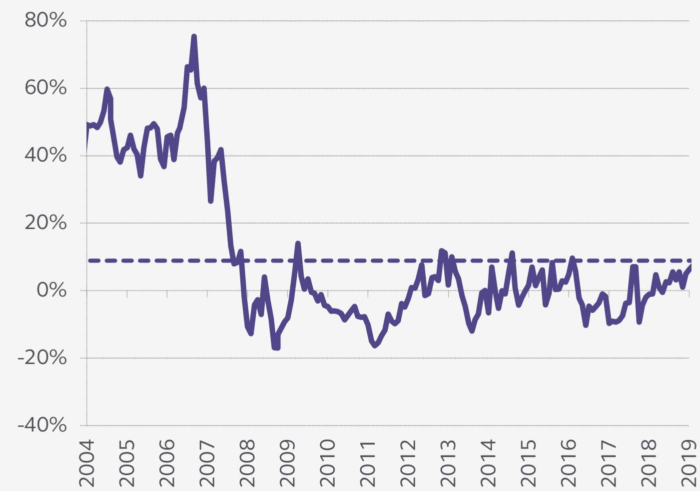


Source: FactSet, ASX. All data in AUD.

Exhibit 22:
Price to NAV*

*Includes all securities in the investable universe

Australia
Avg



Source: Principal Global Investors, UBS, FactSet, IBESS.

Summary Return Data	(in AUD)	(in US$)	Summary Return Data	(in AUD)	(in US$)
S&P ASX 300 Index	2.6%	-1.4%	FTSE EPRA/NAREIT Developed Asia	3.5%	-0.5%
S&P ASX 300 AREIT	1.1%	-2.8%	FTSE EPRA/NAREIT Developed	9.1%	4.9%

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Continuing its underperformance from the previous quarter, Australian REITs (AREITs) lagged the general market in the third quarter of the year. AREITs (as measured by the S&P/ASX 300 AREIT Index) underperformed the broader market (as measured by the S&P ASX 300 Index) in the third quarter by 1.4%. AREITs largely outperformed in July and August on the back of lower bond yields before giving back that outperformance and more as bond yields rebounded and drove a sharp rotation out of defensives into cyclicals in September.

In July, the Reserve Bank of Australia (RBA) delivered its first back-to-back rate cut since mid-2012, taking the cash rate to a new all-time low of 1.0%. After recently cutting rates by 25 bps in June, the RBA delivered another 25 bps rate cut in July. The RBA subsequently kept rates on hold in August and September but maintained a conditional easing bias; the RBA's emphasis has widened beyond domestic factors, with its focus around global growth and other central bank monetary policies growing. The Australian dollar weakened -3.9% over the quarter, ending at A$0.68 against the U.S. dollar.

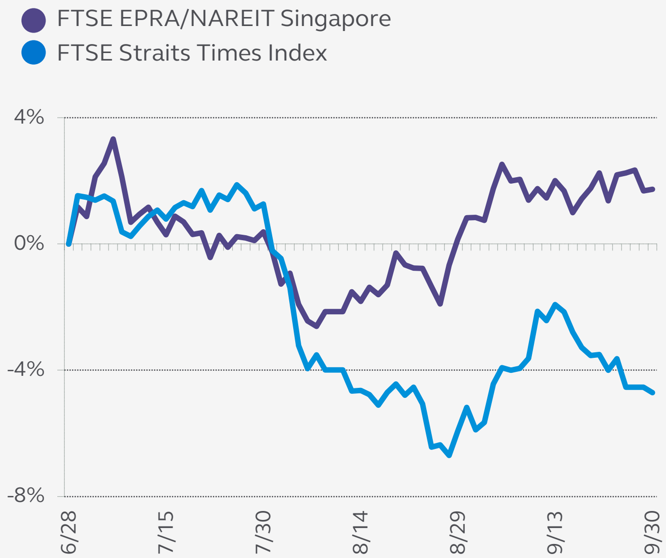
The 10-year Australian government bond yield moved sharply lower in the third quarter, spending most of August below the cash rate. Bond yields moved sharply lower in July, reaching an all-time low of 0.89% at the end of August. Yields subsequently rebounded to 1.19% in mid-September before weakening once again into quarter-end. For the third quarter, 10-year yields ended the period 36 bps lower at 0.96%, roughly in line with the 1.0% cash rate.

AREITs reported fiscal year 2019 results during the quarter, with the Industrial and office sectors performing well, residential showing signs of bottoming and retail remaining weak. The office and industrial sectors generally showed positive rental growth and continued cap rate compression. Meanwhile, the residential sector showed signs of having bottomed, but the outlook remains cautious. On the other hand, the retail sector continued to show weakening growth trends and cap rates on lower quality retail assets began to expand, negatively impacting valuations.

The third quarter of 2019 saw a reversal in performance from prior quarters, with retail outperforming and office and industrial underperforming. Retail benefited from a broad rotation out of momentum into value. Conversely, office and industrial were negatively impacted on the other side of that same trade. The performance of the latter was further exacerbated by Goodman Group's exclusion from the FTSE EPRA/NAREIT Developed Index towards the end of September, which saw the name underperform during the quarter.

Singapore

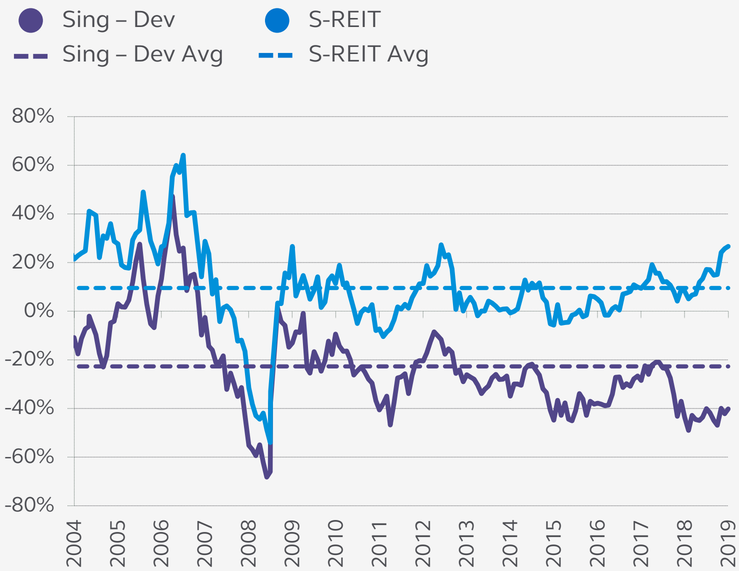
Exhibit 23:
Real Estate Securities vs. General Equities Performance



Source: FactSet, FTSE EPRA/NAREIT, FTSE Straits Times. All data in SGD.

Exhibit 24:
Price to NAV*

*Includes all securities in the investable universe



Source: Principal Global Investors, UBS, FactSet, IBESS.

Summary Return Data	(in SGD)	(in US$)	Summary Return Data	(in SGD)	(in US$)
FTSE Straits Times Index	-4.7%	-6.8%	FTSE EPRA/NAREIT SREITs	2.1%	-0.1%
FTSE EPRA/NAREIT Singapore	1.7%	-0.5%	FTSE EPRA/NAREIT Asia	1.7%	-0.5%
			FTSE EPRA/NAREIT Developed	7.2%	4.9%

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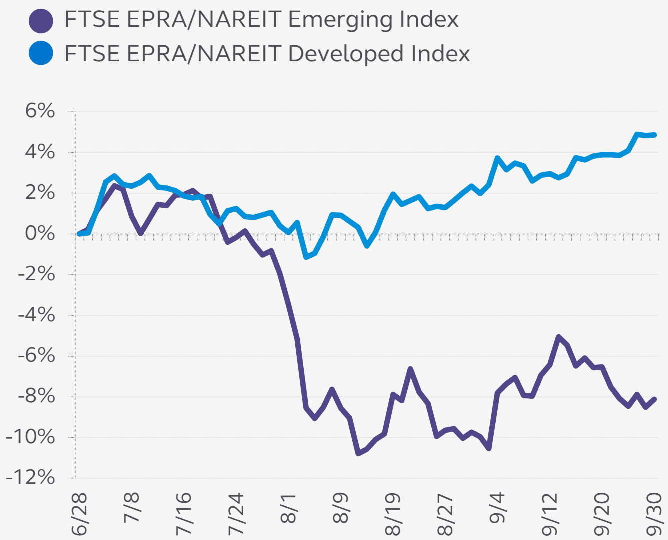
Real estate stocks outperformed the broader FTSE Straits Times Index by 6.3% during the third quarter, building on their second quarter gains as concerns over global growth and trade tensions mounted. The more defensive SREITs outperformed developers. The 10-year Singapore government bond yield fell 35 bps to trough at 1.64% mid quarter, before rebounding to end the quarter at 1.72%.

SREITs continued to take advantage of the thirst for yield with 7 fundraisings totaling S$1.72 billion during the quarter including a S$750 million IPO by Lendlease Global Commercial REIT. The fundraisings were multiple times oversubscribed with investors attracted by the approximately 3% accretion on average from acquisitions funded by the proceeds. The degree of accretion has only increased with many SREITs now trading at significant premiums to book value. All the deals performed strongly in the aftermarket. Despite the backup in bond yields near quarter end and the rotation out of defensives into value, SREITs remained well supported. The quarter also saw the listing of the third U.S. office REIT (Prime US REIT) on the Singapore Exchange. With higher initial yields on many of these offshore REITs, they tend to attract captive liquidity from the large pool of high net worth and regional funds based out of Singapore.

The higher beta Singapore developers lagged SREITs marginally. City Developments (CDL) outperformed peers by 3.3%. Government data released in July showed Singapore residential prices rose unexpectedly by 1.5% in the second quarter to hit their highest level in five years, after a 0.7% fall in the first quarter and 0.1% fall in the fourth quarter last year. As a reflection of firm sentiment despite the cooling measures, sell through rates in the luxury market have continued to hold up better than expected. During the quarter CDL also announced that its offer for Millennium & Copthorne had been declared unconditional, having received 58% acceptances for the 35% in total of M&C shares it does not already own. M&C is likely to be delisted in October. This was another supportive factor for CDL's share price.

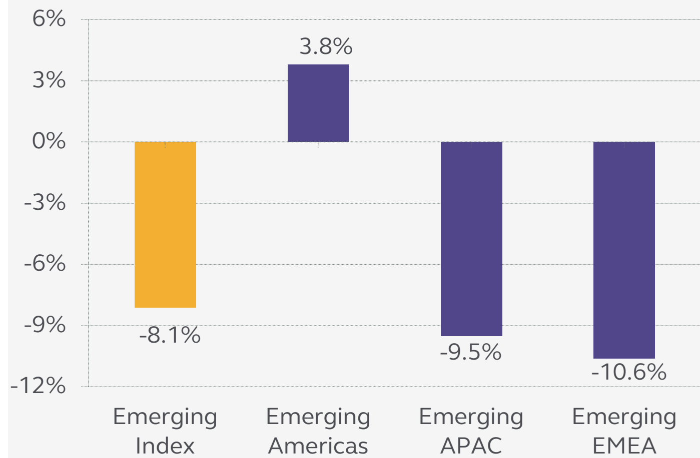
Emerging Markets

Exhibit 25:
FTSE EPRA/NAREIT Emerging vs. Developed



Source: FactSet, FTSE EPRA/NAREIT. All data in US$.

Exhibit 26:
Emerging Market Total Returns by Region



Source: FactSet, FTSE EPRA/NAREIT. All data in US$.

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Americas Emerging

The FTSE EPRA/NAREIT Emerging Americas Index returned 3.8% in U.S. dollar terms for the quarter with Mexico handily outperforming Brazil as they returned 9.2% and -0.4% respectively, both in U.S. dollars. While the Mexican peso was little changed over the quarter, the Brazilian real further depreciated against the USD. Mexico is emerging as a beneficiary of U.S.-China trade tensions as more companies consider adding/shifting production there instead of China, yet slowing U.S. growth and Mexican leading economic indicators are foretelling further softening in economic growth. This led to outperformance of Mexican FIBRAs owning industrial and diversified properties. The Brazilian Central Bank cut the Selic policy rate to 5.5%, a historic low on tepid and falling inflation expectations and disappointing economic growth. The market expects the rate to be cut to 4.75% by year end and around 4.0% in early 2020, which would result in the real policy rate being just above zero.

Europe, Middle East, and Africa (EMEA) Emerging

EMEA emerging real estate stocks delivered a US$ net total return of -10.6% in the third quarter of 2019, close to the FTSE EPRA/NAREIT Global Emerging Market index return of -8.1%. The South African rand weakened but the Turkish lira was stable, despite economic growth slowing sharply in both countries over the quarter. In September the Turkish central bank cut the 1-week repo rate by 3.25% to 16.5% and another 1.0% cut is expected in October. This action boosted Turkish property stocks, making them the strongest performers globally over the quarter. Property stocks in the rest of the region were more lackluster. South African real estate was weakest, hurt by a weaker currency, slowing economy, and weak property market.

Asia-Pacific (APAC) Emerging

APAC emerging real estate stocks continued their underperformance against their developed market peers falling -9.5% during the quarter. China developers were once again the largest drag as it became clear that the government remains determined to control the flow of credit towards the sector and property is unlikely to be used as a tool to stimulate the economy. Renewed trade concerns continued to weigh on the Chinese yuan which broke through the psychological 7 yuan to the USD mark. The weak yuan and trade uncertainty also hurt the trade sensitive ASEAN emerging markets, whose currencies are closely correlated with the yuan. ASEAN developers lost between 5-10% during the quarter.

Important Notes

Risk Warnings
Investing involves risk, including possible loss of principal. Potential investors should be aware of the risks inherent to owning and investing in real estate, including: value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk. All of these risks can lead to a decline in the value of the real estate, a decline in the income produced by the real estate and declines in the value or total loss in value of securities derived from investments in real estate. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.

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Glossary of Indices

The FTSE EPRA/NAREIT Global Real Estate Index Series is designed to represent general trends in eligible listed real estate stocks worldwide. The index series is designed to reflect the stock performance of companies engaged in specific aspects of the major real estate markets/regions of the world - Americas, EMEA (Europe, Middle East and Africa) and Asia. The following indices in this report are part of FTSE EPRA/NAREIT Global Real Estate Index Series for the specific named regions:

- FTSE EPRA/NAREIT Developed Index
- FTSE EPRA/NAREIT North America
- FTSE EPRA/NAREIT US
- FTSE EPRA/NAREIT Canada
- FTSE EPRA/NAREIT Japan
- FTSE EPRA/NAREIT JREITs
- FTSE EPRA/NAREIT Japan Developers
- FTSE EPRA/NAREIT UK
- FTSE EPRA/NAREIT Developed Asia
- FTSE EPRA/NAREIT Singapore
- FTSE EPRA/NAREIT SREITS
- FTSE EPRA/NAREIT Asia
- FTSE EPRA/NAREIT Emerging Index
- FTSE EPRA/NAREIT Emerging Americas
- FTSE EPRA/NAREIT Emerging APAC
- FTSE EPRA/NAREIT Emerging EMEA
- FTSE EPRA/NAREIT Emerging Brazil

S&P 500 Total Return Index is an equity index that tracks both the capital gains of a group of 500 widely held stocks often used as a proxy for the stock market and assumes dividends are reinvested back into the index.

TOPIX 100 is an index that measures stock prices on the Tokyo Stock Exchange. This capitalization-weighted index lists all firms that are considered to be under the 'first section' on the TSE, which groups all of the large firms on the exchange into one pool. The second section groups all of the remaining smaller firms.

Hang Seng Index is one of the earliest stock market indexes in Hong Kong*. Publicly launched on 24 November 1969, the HSI has become the most widely quoted indicator of the performance of the Hong Kong* stock market.

Hang Seng Property Index To better reflect the price movements of major industry sectors of the market, HSI constituent securities are grouped into Finance, Utilities, Properties, and Commerce and Industry Sub-indexes.

Hang Seng REIT Index provides a market benchmark for REITs listed in Hong Kong*. The dividend yield of the REIT Index is relatively higher compared to other equity indexes due to the generally higher dividend payout ratio of REITs.

The FTSE UK Index Series is designed to represent the performance of UK companies, providing market participants with a comprehensive and complementary set of indices that measure the performance of all capital and industry segments of the UK equity market. The FTSE All-Share Index represents 98-99% of UK market capitalization, the **FTSE All-Share index** is the aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap Indices.

STOXX 50 provides a Blue-chip representation of super sector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

S&P ASX 300 Index is extensively used as a performance benchmark index. The index is highly liquid, float-adjusted and includes up to 300 of Australia's largest securities by float-adjusted market capitalization.

FTSE Straits Times Index is represents 98% of Singapore market capitalization, the FTSE All Share index is the aggregation of the FTSE ST Large, Mid and Small Cap indices.

MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market. With 67 constituents, the index covers about 85% of the Brazilian equity universe.

* This denotes Hong Kong SAR (China)