



June 2023

Global REITs – The real estate value play

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Significant global experience and an established investment management platform

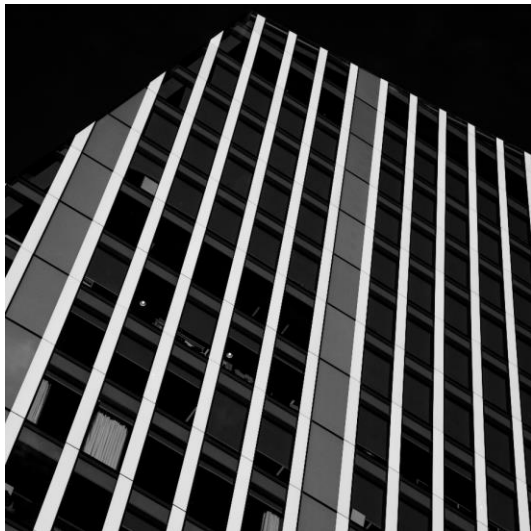
\$14bn*

ASSETS UNDER MANAGEMENT

29

EMPLOYEES

Global REITS



\$13,700m AUM

A-REITS



\$725m AUM

Domestic Real Assets



\$60m AUM

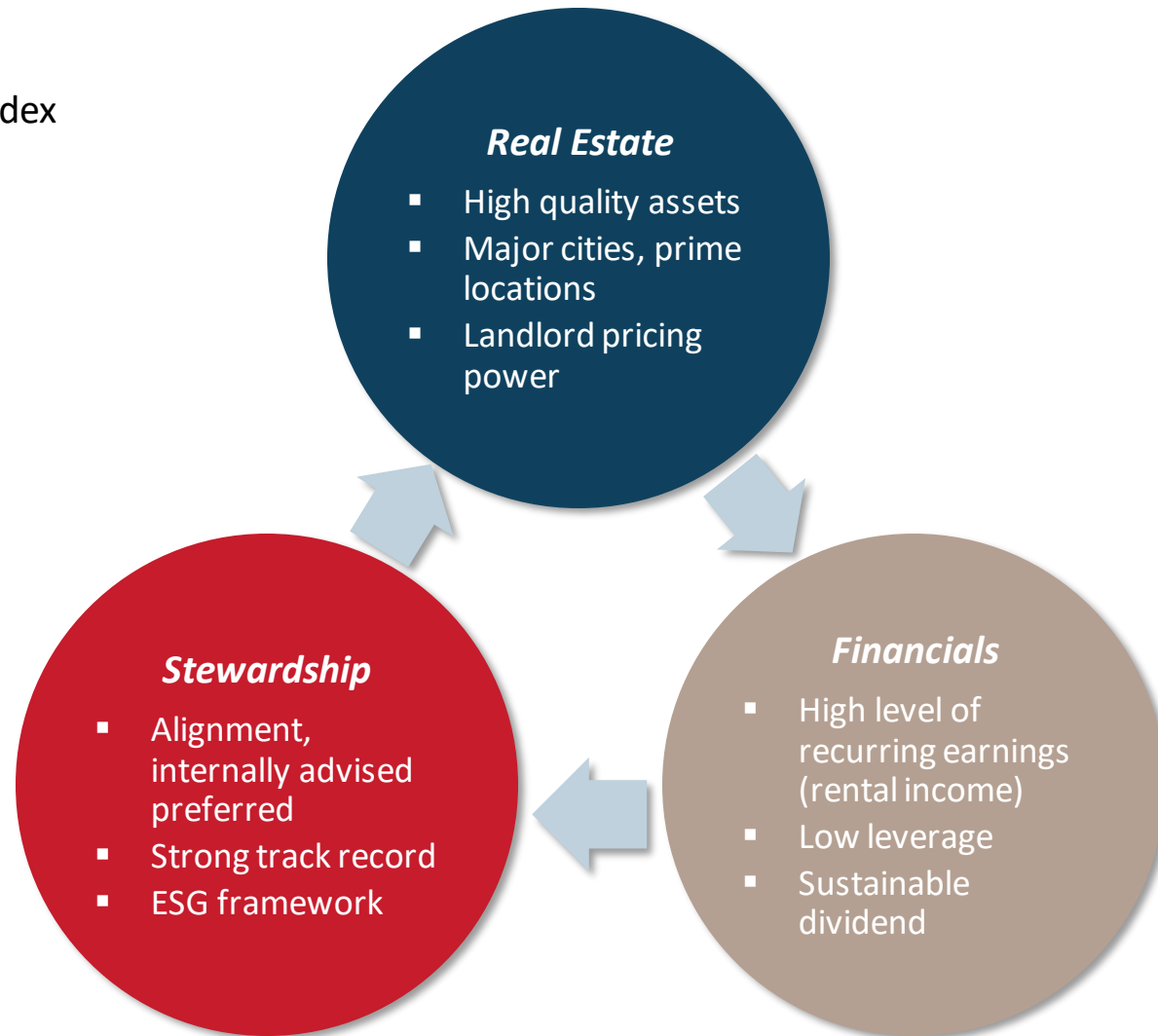
Global Listed Infrastructure



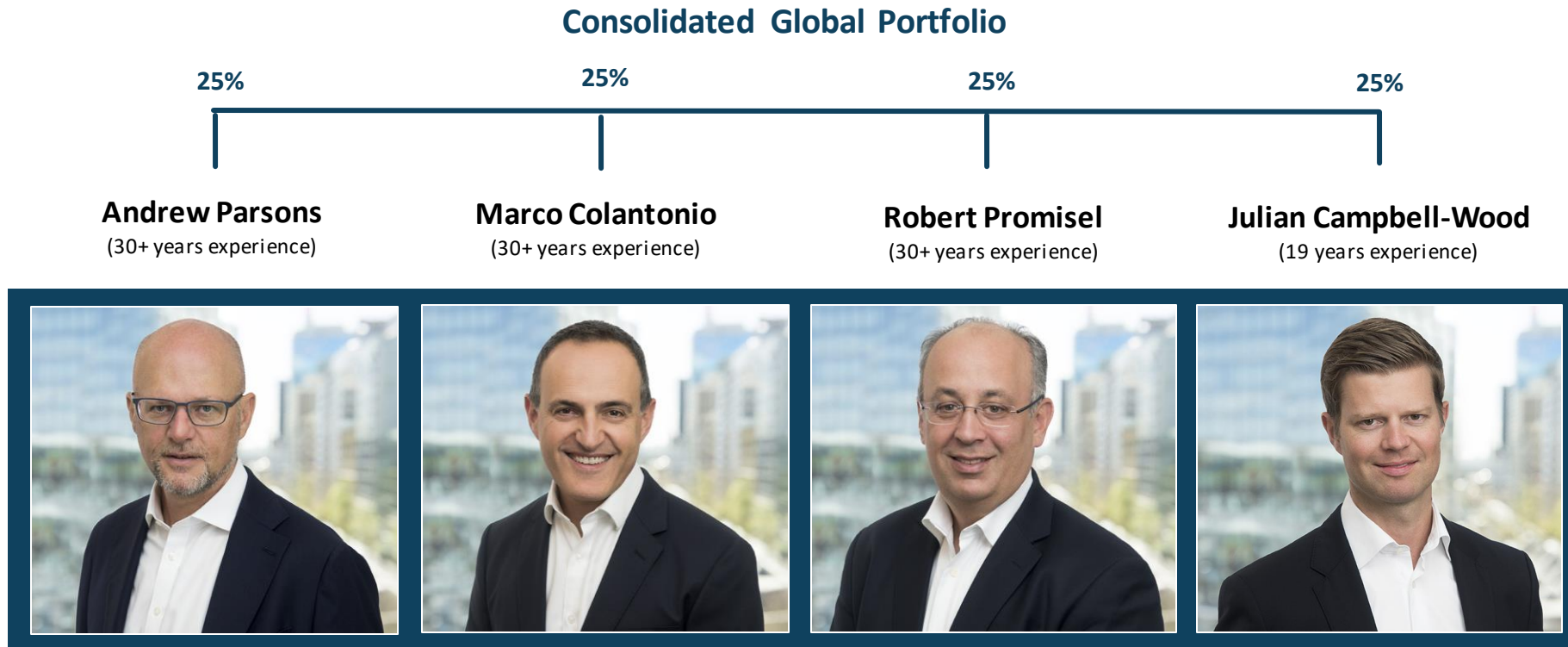
\$15m AUM

*AUM as at April 2023 for all strategies

- Focus on underlying real estate, not an index
- Most cashflow for least risk
- Avoid permanent impairment of capital



- Promotes long-term style consistency
- Encourages peer review and cross-sector debate
- Reduces key-person risk/ensures talent retention
- 29 years average industry experience



A \$1.5 Trillion Wall of Debt Is Looming for US Commercial Properties

Debt burden weighs on commercial real estate sector

Top Australian real estate investment trusts have issued \$75bn of debt and could be exposed if a credit crunch hits locally, according to a top investment bank.

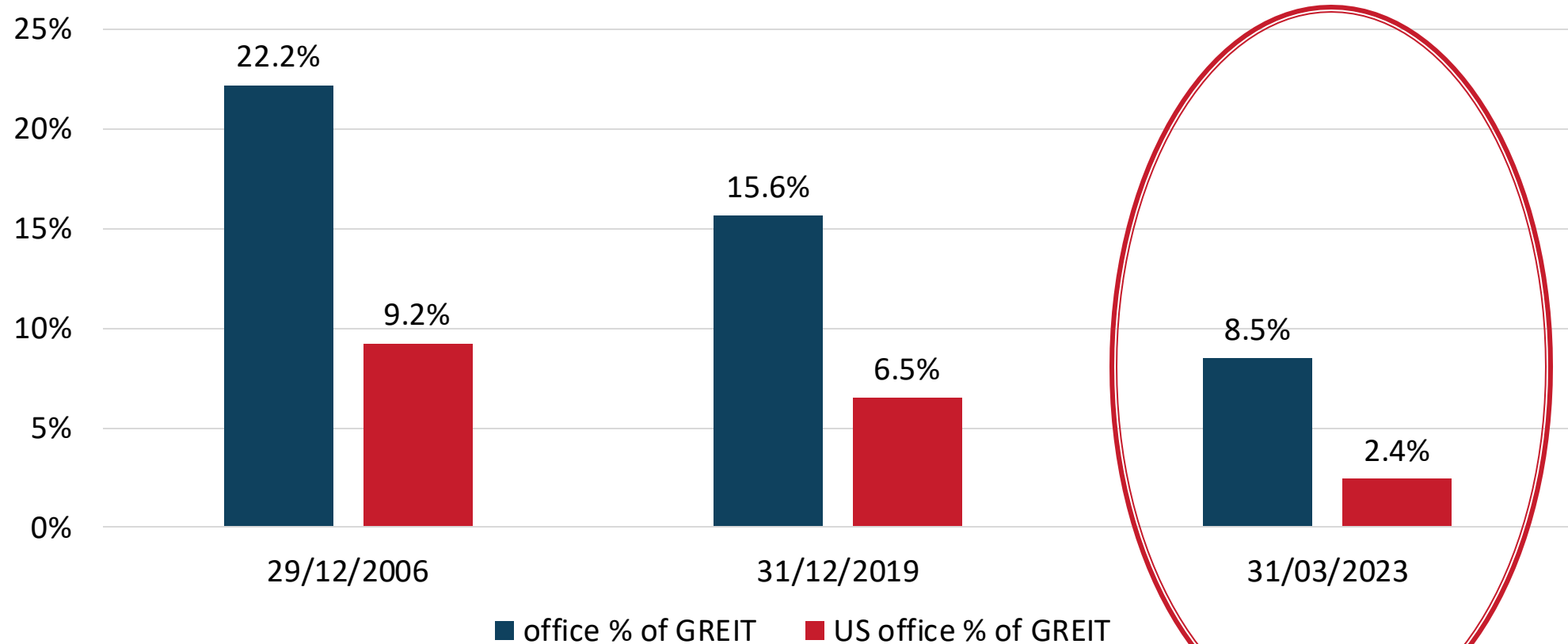


CRE's distress moment is here

Office Landlord Defaults Are Escalating as Lenders Brace for More Distress

Short sellers step up bets against office owners on bank turmoil

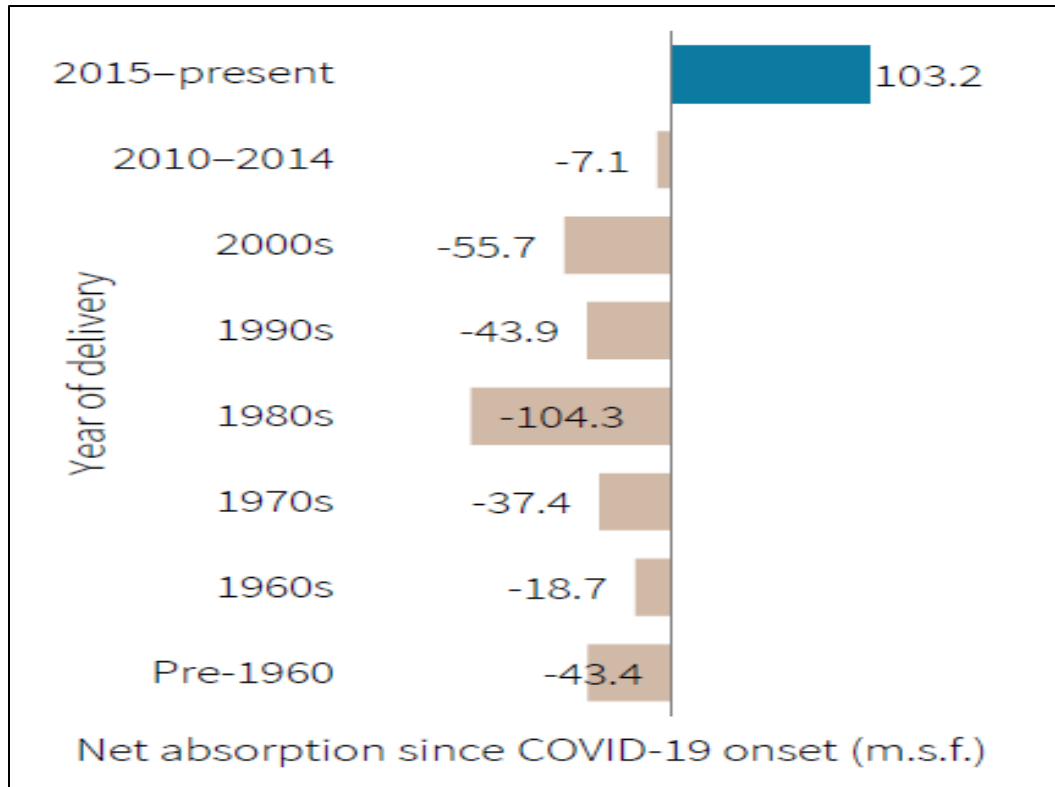
De-listed: Office REITs as % of Global REIT Index



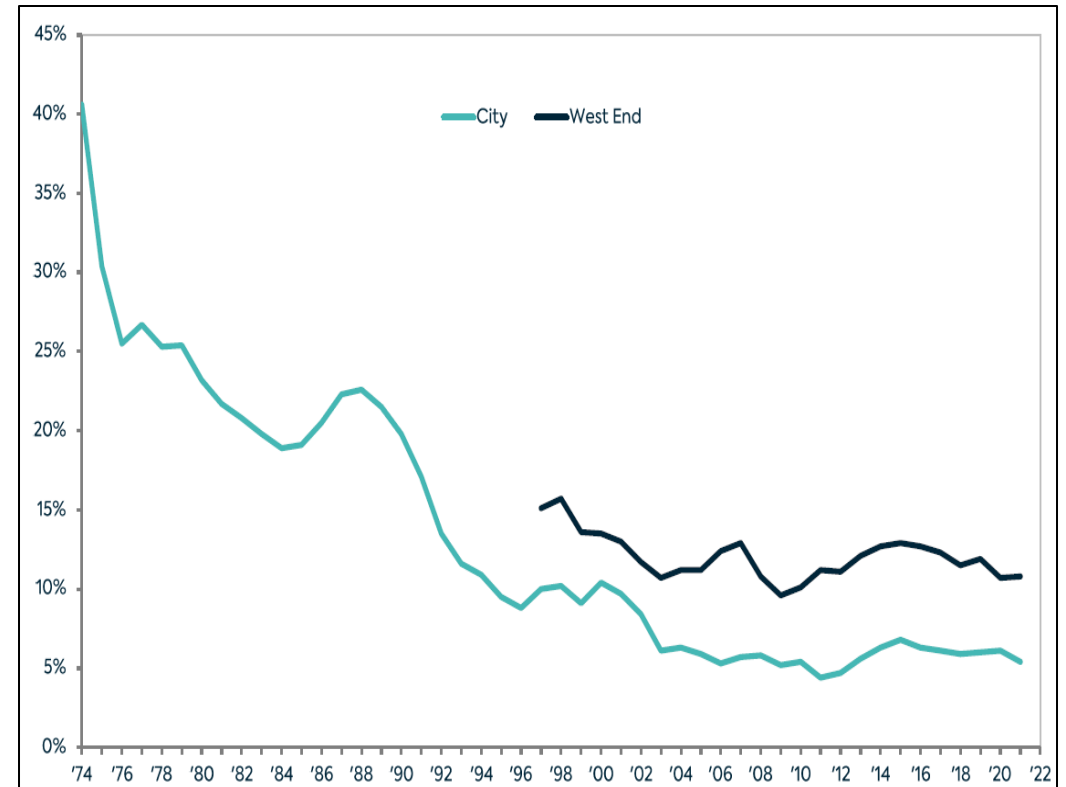
Source: Factset, Resolution Capital. Note office sector excludes Life Science specialists Alexandria (ARE) and Biomed (BMR). 04/2023

- Flexibility, Amenity, Location, Sustainability

U.S. office market leasing by building age



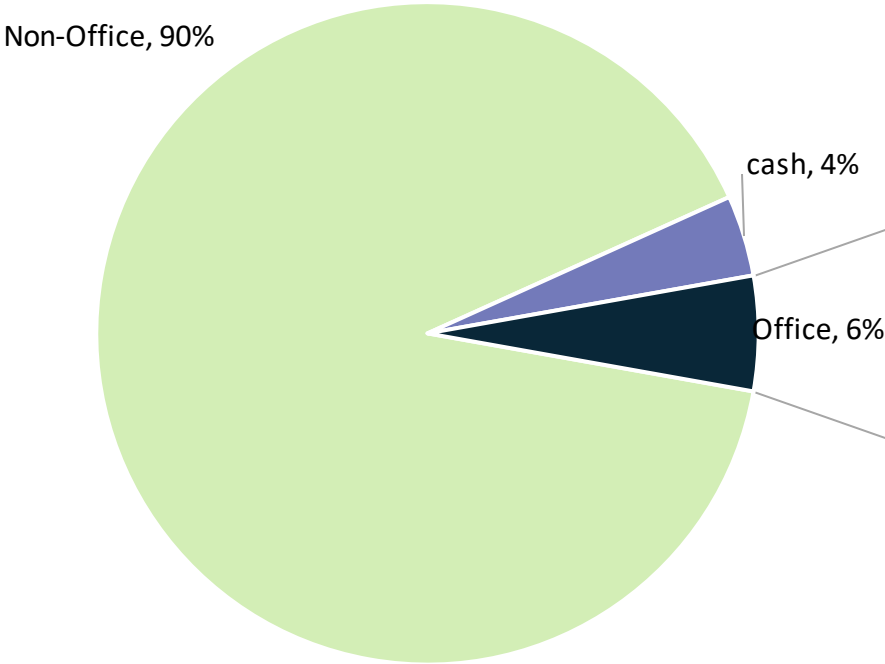
It's not about the rent
Rent as % of Salary Costs (London)



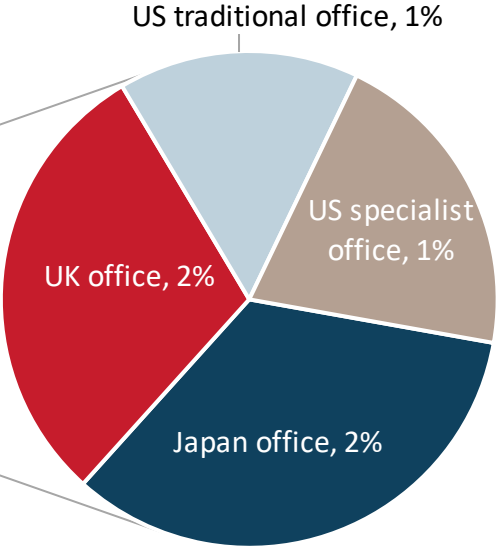
Source: JLL Research Q1 2023

Source: Great Portland Estate, ONS, PMA

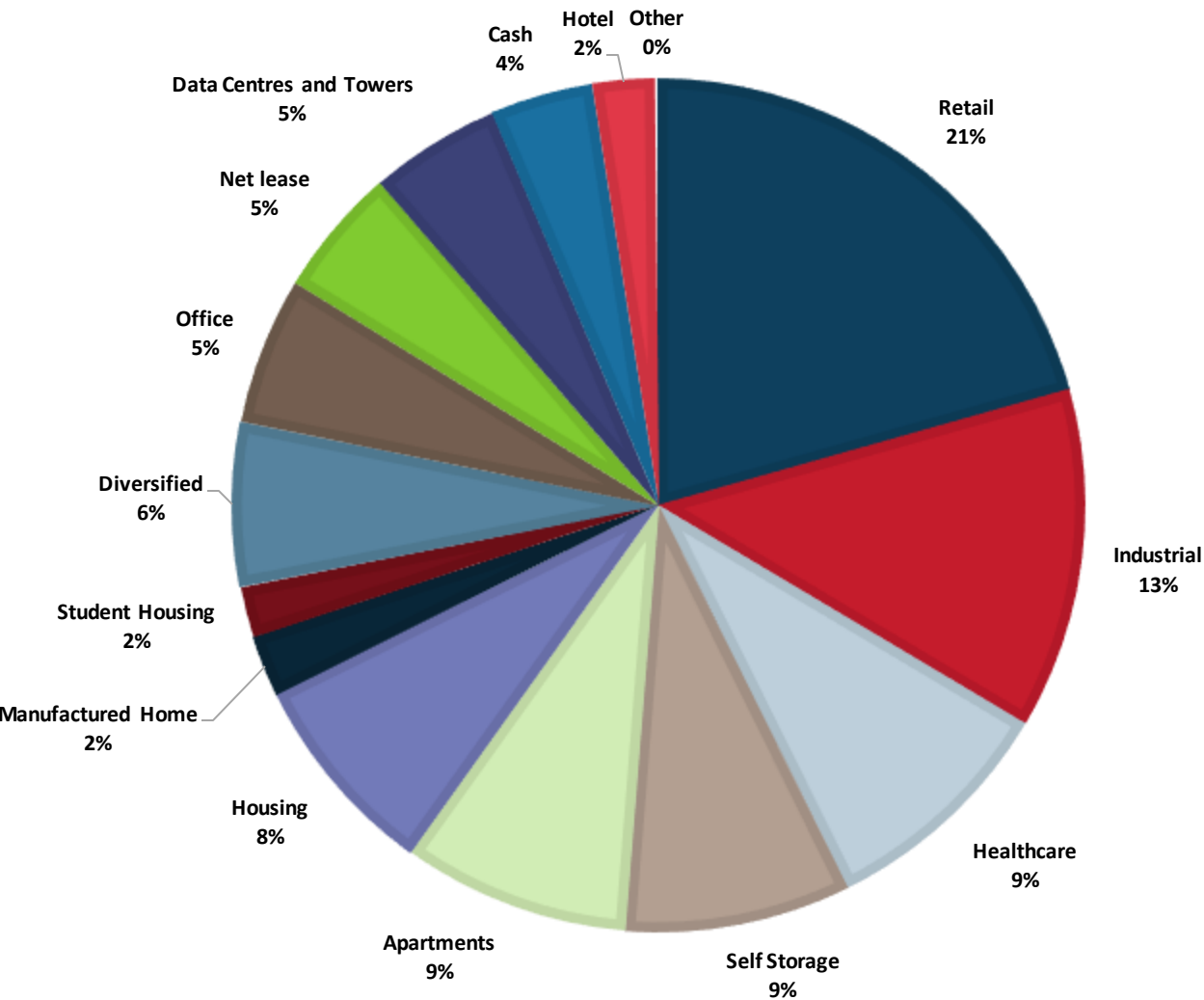
ResCap GREIT Portfolio









ResCap Office Exposure



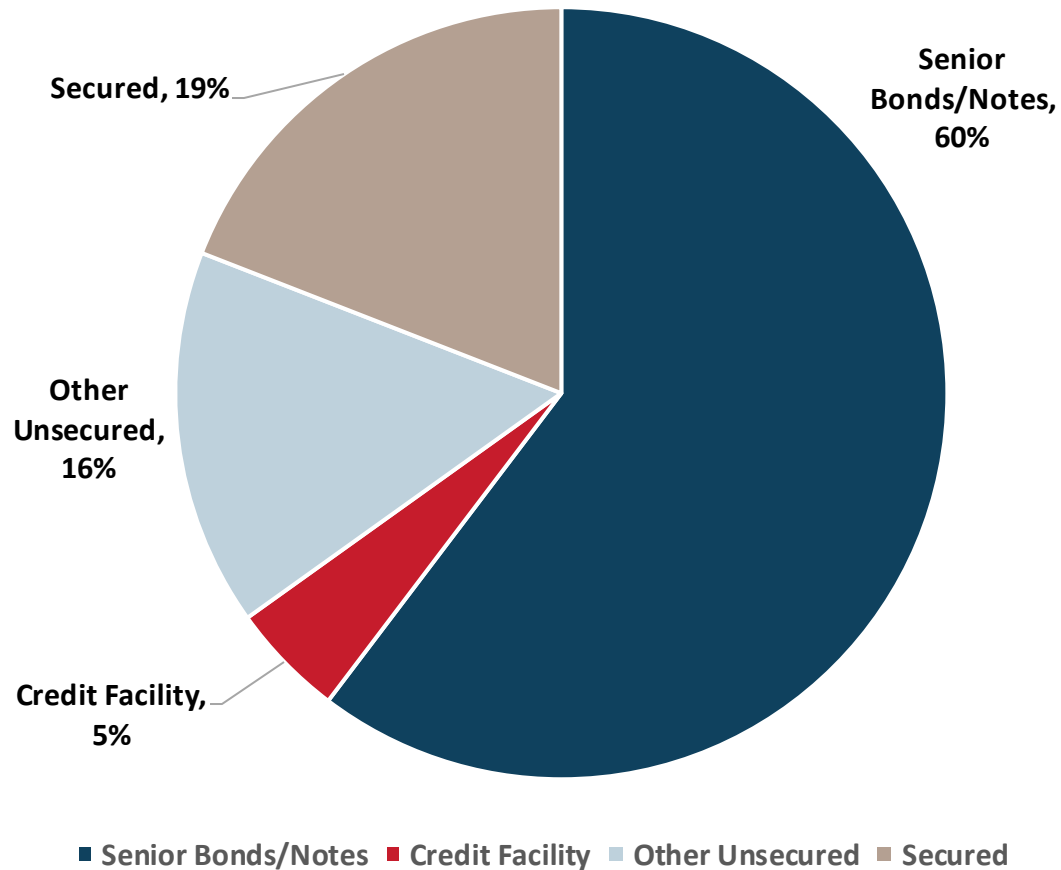
Source: Rescap, April 2023



Key Sectors	Drivers
 Convenience retail	Necessity: Servicing high frequency non-discretionary consumer needs
 Housing	Affordability: Single-family rental demand, age 55+ communities, student housing
 Logistics	E-commerce: efficient distribution, last-mile delivery
 Health Care	Demographics: Life science research, patient care, assisted living, skilled nursing
 Self storage	Flexibility: de-cluttering to store belongings, small business inventory
 Data Centres	Digitisation: Cloud computing, working from home, IT outsourcing

Source: RescapPortfolio 28/4/2023

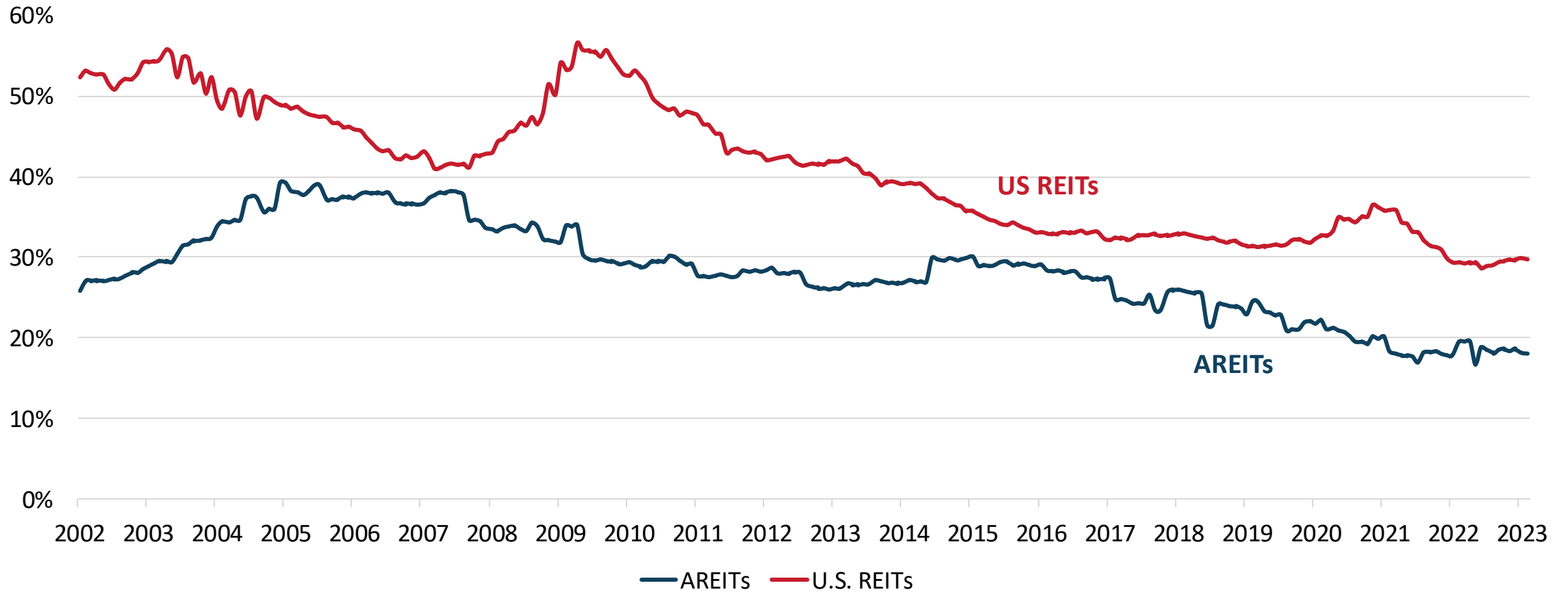
U.S. REIT Debt Composition



- Diversified sources: Debt Capital Markets, CMBS, Life Co's, GSE's, Banks
- Limited exposure to secured mortgage debt/US regional banks
- Investment Grade Ratings → U.S. REITs primary funding senior unsecured bonds
- Manageable debt maturities: 2023: 4.5%, 2024: 9.5%
- Modest Development exposure/Covered Dividends

Source: Factset, Rescap, Company data. April 2023

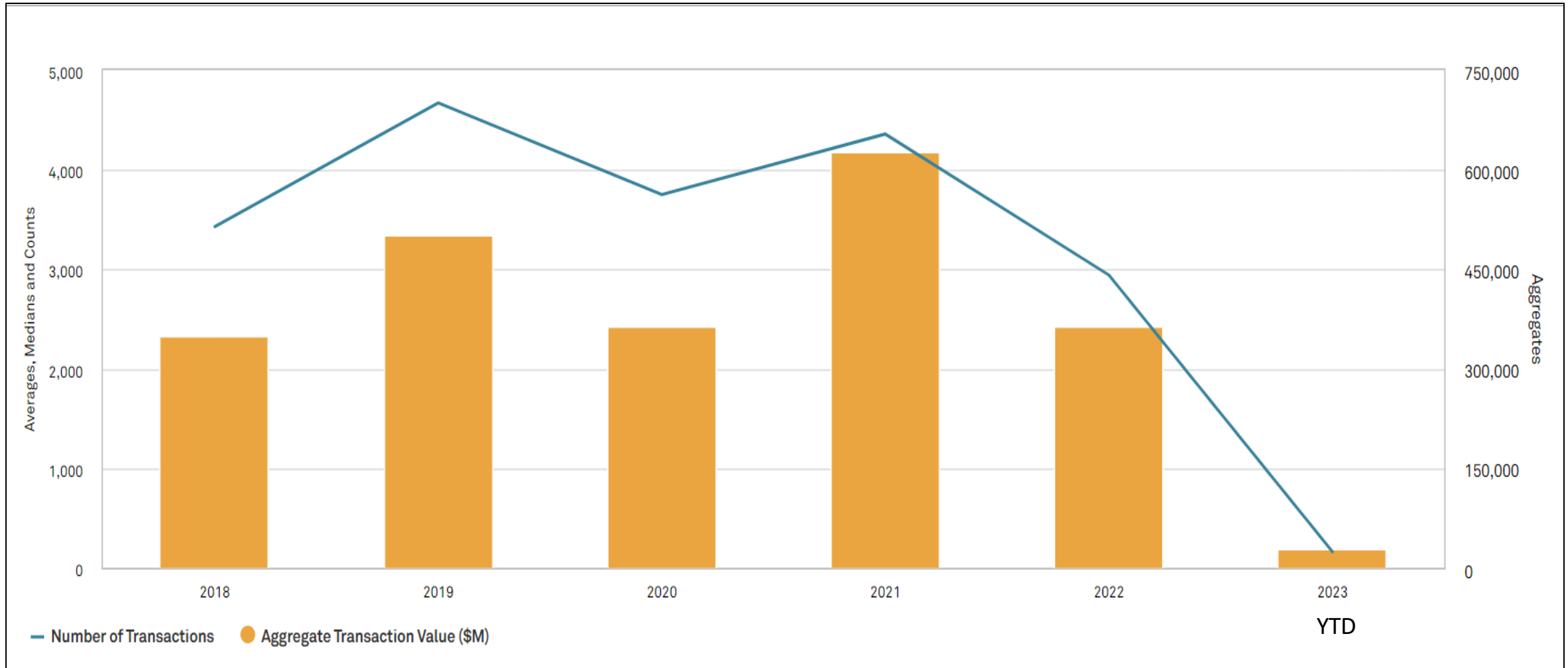
Net Debt / Gross Asset Value (LTV)



Source: U.S. REITs: Greenstreet Research; A-REITs: UBS

Market Conditions

Global Real Estate Transactions



Source: Capital IQ

Low/negative interest rates fueled strong private real estate inflows... until 2022

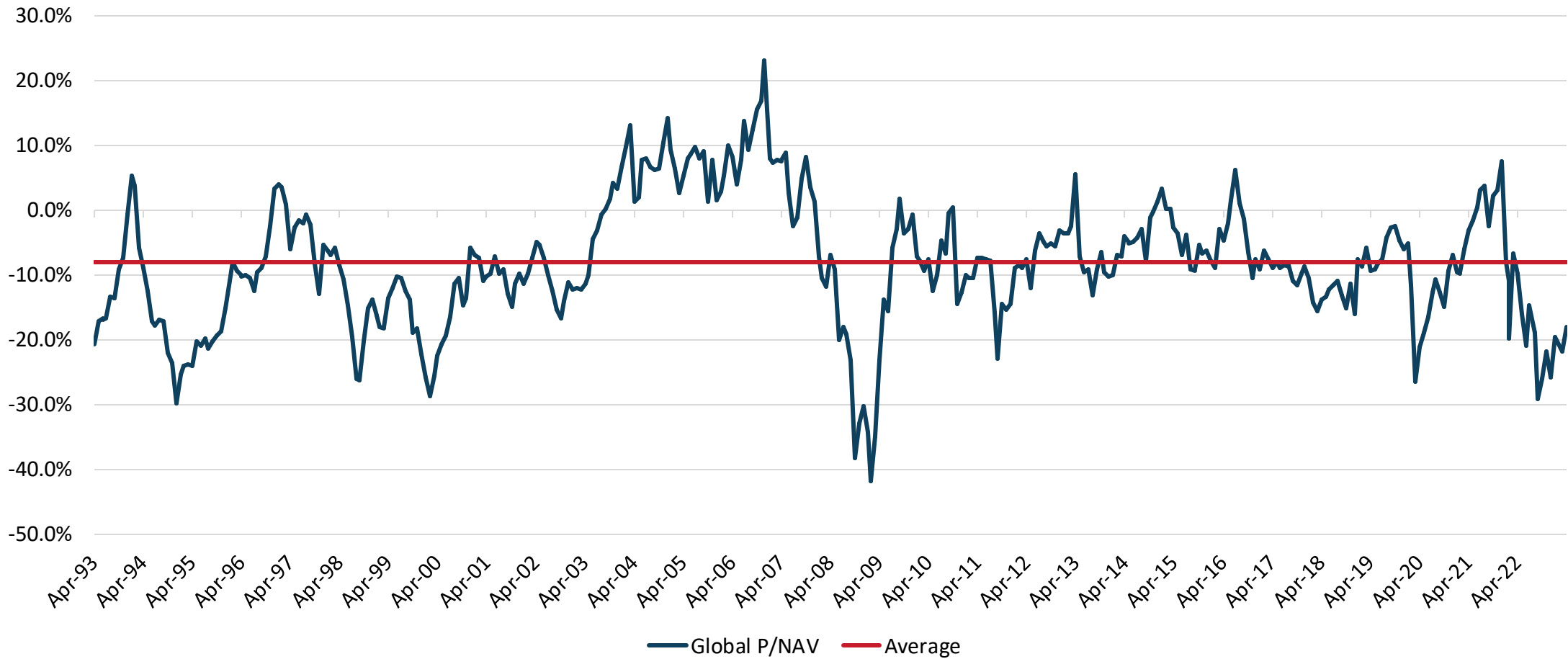
→ *Unlisted gating redemptions: UK unlisted trusts, Starwood, Blackstone, Blackrock, AMP ...*

- Typically occurs when credit markets seize-up, transaction volumes fall, and real estate values materially lag higher hurdle rates: eg 1990's, GFC, Brexit, 2022+
- 2022/23 REIT market drawdown exacerbated by liquidity needs of real estate investors
- Listed vs Unlisted real estate: no fundamental difference in cash flow
→ price and value will converge

“... it is self-deception to tell yourself that you have suffered no shrinkage in value merely because your securities have no quoted market at all”

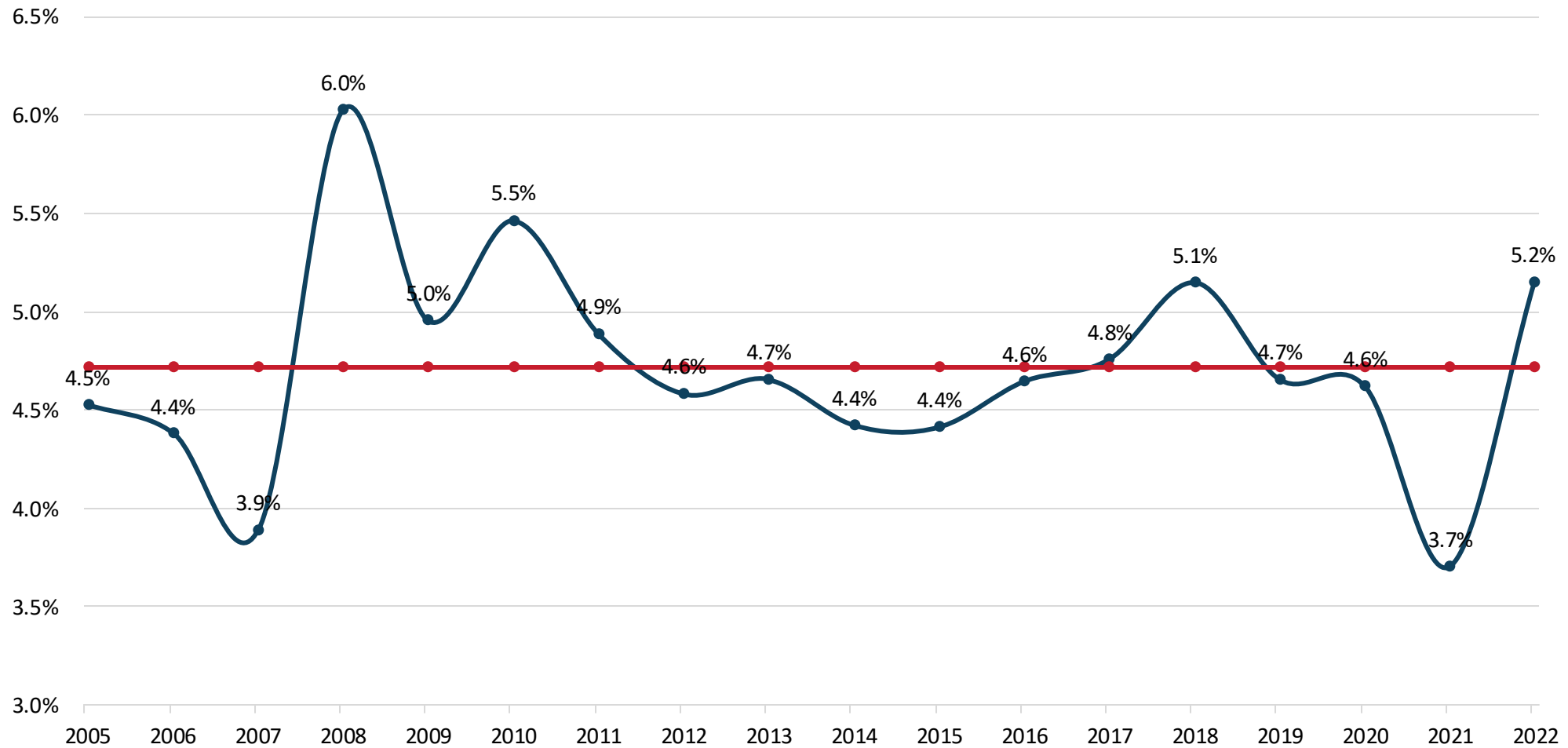
Benjamin Graham

Global REITs - Price to Net Asset Value



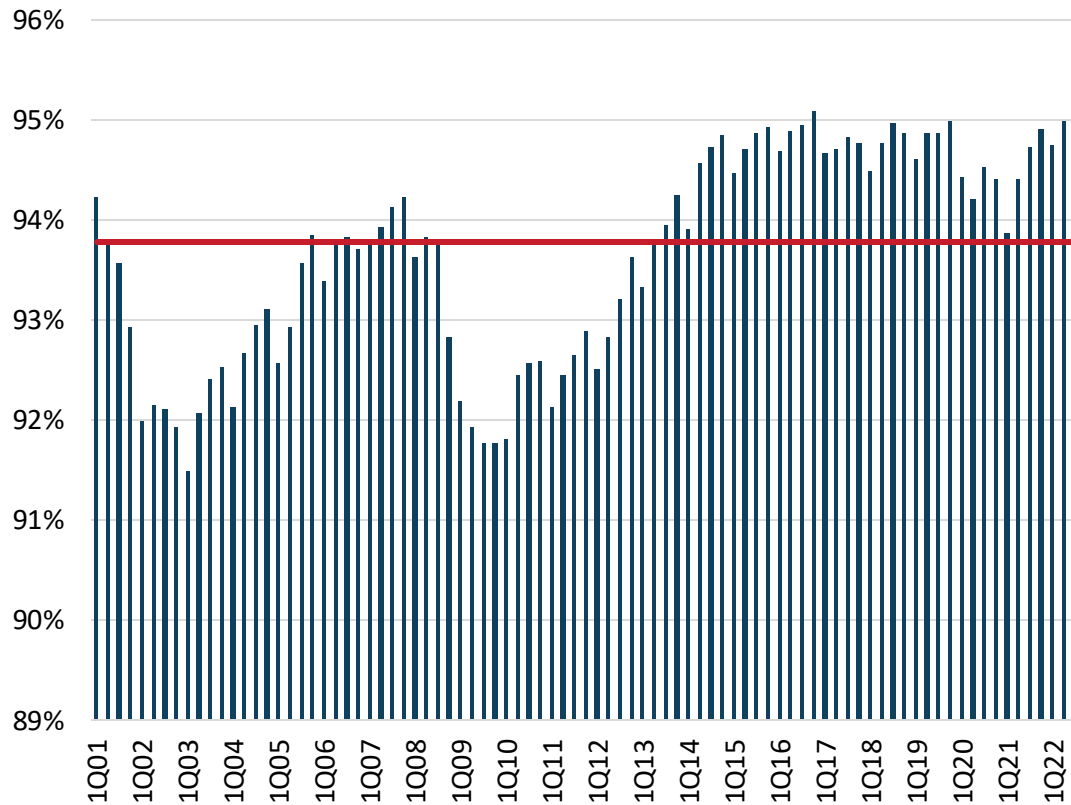
Source: Rescap, UBS Research April 2023

Global REITs - EV Yield CY 2005 - 2022



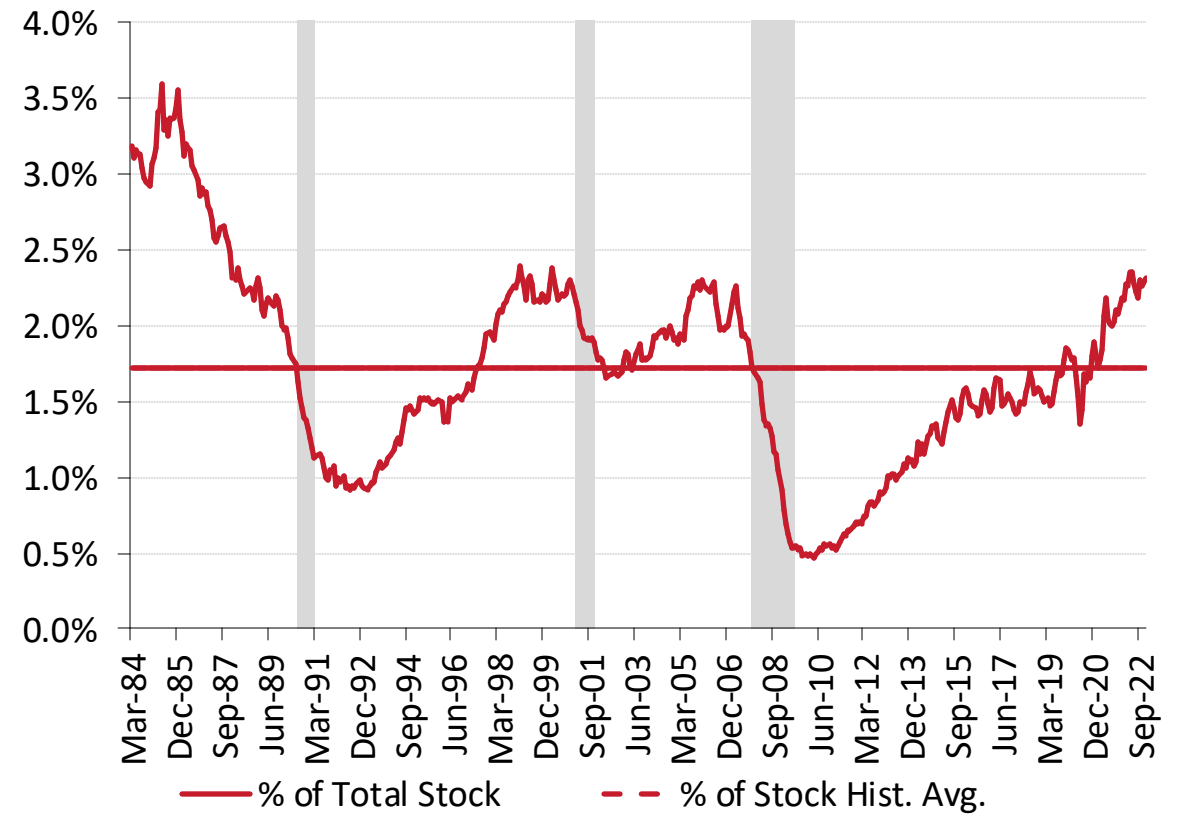
Source: Factset, FTSE EPRA NAREIT Developed, EV yield - trailing 12m EBITDA to periodic EV. 05/2023

Quality Platforms
U.S. REITs: Record High Occupancy



Source: Citi Research 9/2022

Moderate Supply
U.S. Aggregate Construction Starts as % of Inventory



Source: Citi Research 12/2022

Global Hedged Portfolio as at 30 April 2023

Stock	Sector	Listing	% of portfolio *
Prologis	Industrial	US	8.3%
Invitation Homes	Single Family Residential	US	7.0%
Equity Residential	Residential Apartments	US	5.6%
Realty Income	Triple Net Retail	US	5.0%
Welltower	Healthcare	US	4.3%
Public Storage	Self-Storage	US	3.9%
Federal Realty	Mixed-Use Retail	US	3.6%
Equinix	Data Centres	US	3.4%
Vicinity Centres	Retail	Australia	3.2%
Kimco Realty	Strip Retail	US	3.2%
Total			47.5%

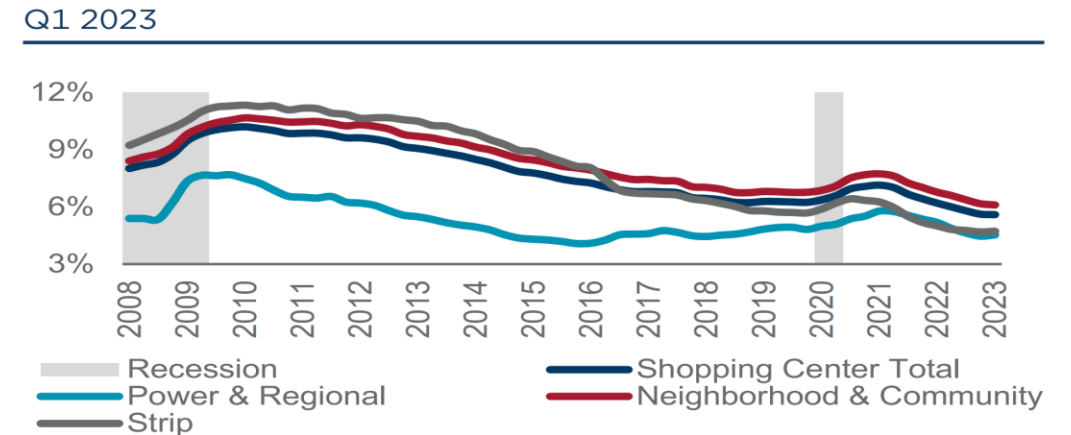
*Top 10 holdings by weight

Note: The holdings identified do not represent all of the investments purchased, sold or recommended for client accounts during the period.

Case Studies

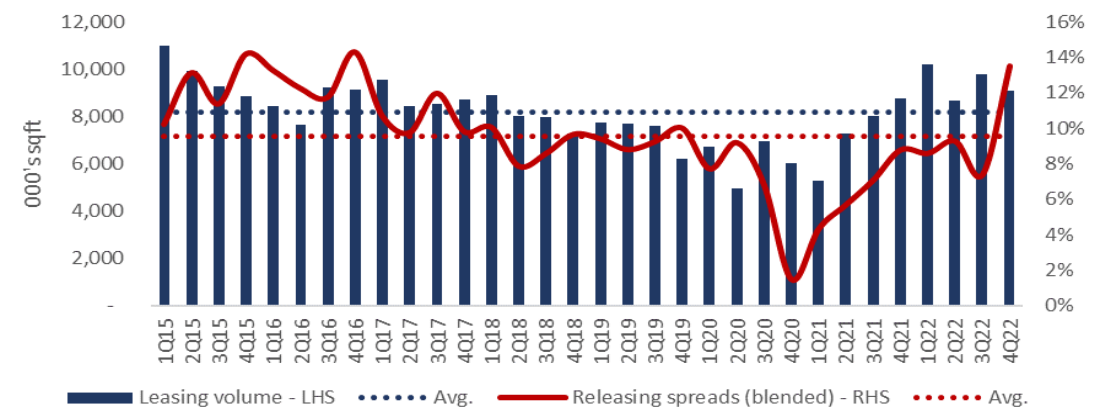
- Clicks’n’Mortar: Physical store has re-emerged as central to retailer omni-channel strategies
- 1Q23 trends robust tenant demand, but recession risk looming
- U.S. “open-air” strips stronger than malls
 - Convenience + Non-discretionary Retailers
→ resilience during downturns
 - Growth categories: retailers going “off-mall”, health&beauty, pet care, Quick Service Restaurants
 - Shoppable distribution centers → ecommerce logistics hub, profitable last mile delivery
 - Minimal new supply, robust leasing demand
→ low vacancy, above avg releasing rental spreads

U.S. Strip Centre Vacancy at 15-year Low



Source: CoStar, Cushman & Wakefield. 10/2022

U.S. Strip REIT Leasing Volumes & Releasing Rent Spreads



Source: Company Data. 12/2022

Note: represents data reported by BRX, FRT, KIM, REG, ROIC, SITC, and UE

- High-quality ~US\$14bn shopping centre portfolio
- Concentrated affluent urban markets: D.C., San Jose, LA, Boston, Miami
- Proven mixed-use development capability

Retail, office, residential, hotels

→ improves quality, creates value, drives returns

- Long-tenured management, cycle-tested, strong capital allocation track record
- 55-year history of delivering dividend growth
 - 7% CAGR
- Healthy balance sheet: Net-Debt/EBITDA 6x¹
 - 85% of debt fixed/hedged

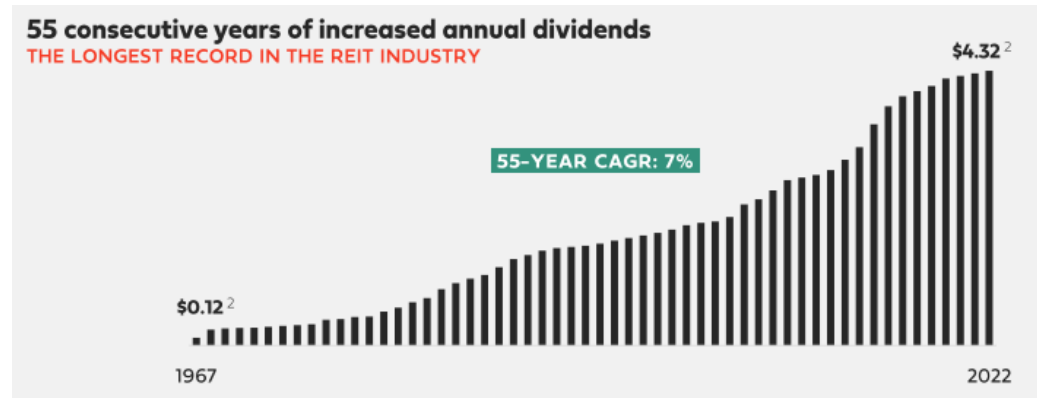
Santana Row, San Jose
Retail / Office / Residential



CoCo Walk, Miami
Retail / Office



Dividend Growth History



1) Adjusted for forward equity
Source: Resolution Capital and Company data



Assembly Row, Boston

\$1bn mixed-use urban development incl. retail, office, boutique hotel, residential with further development opportunities.

28-acre site in burgeoning life-science cluster, 15 min subway-ride to Downtown Boston

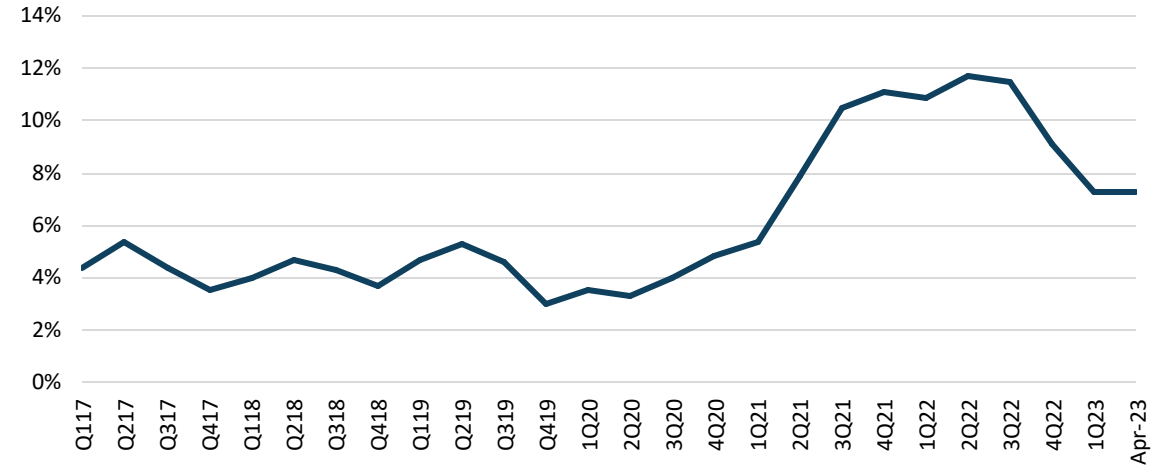
...After completion 2022 (with more to come)



- 83,000 free-standing rental homes, US\$27bn enterprise value
- Atlanta, Florida, Phoenix, California, Carolinas, Seattle, Texas
- Created out of GFC sub-prime bankruptcies
- Benefitting from WFH/bulging ‘sunbelt’
 - Portfolio occupancy 97.8%
 - Superior Growth: population, jobs, wages
 - Housing shortage
- Sound balance sheet:
 - ~30% loan to value (Net Debt/EBITDA 5.5x)
 - Limited debt maturities < 2026



INVH Rent Growth



Source: Company data, 05/2023



Source: Company data, 09/2022

This is illustrative only and not a recommendation to buy, sell or hold.

Invitation Valuation vs Build and Buy (US\$)

INVH implied value per home \$335,000

Land cost per lot	>\$100,000
	+
Construction cost (Avg INVH size 1,875 sq ft x construction cost \$150/sq ft)	\$270,000
	=
Replacement Cost	>\$370,000

Median Home sales price in INVH markets >\$400,000

INVH Metrics

- Implied Net Rental Yield: 5.1%
- ~ 5% Rent growth ≥ Inflation
- 2023F FFO per share growth >7%
- Dividend Yield 3.5% (70% payout)

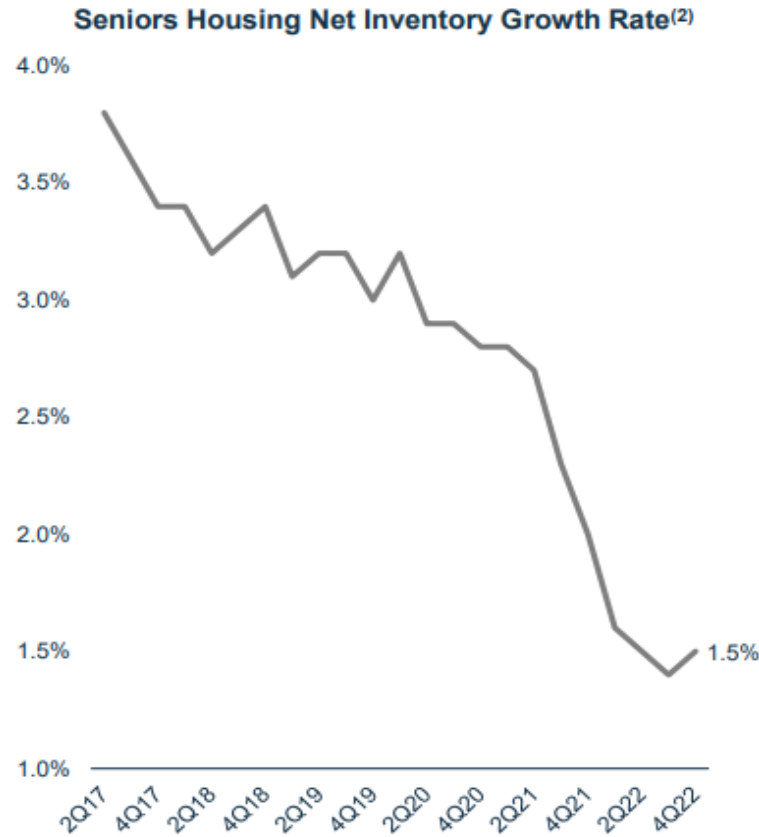
Trading at

- 10% discount to replacement costs (no development profit margin)
- 15% discount to median home sales prices

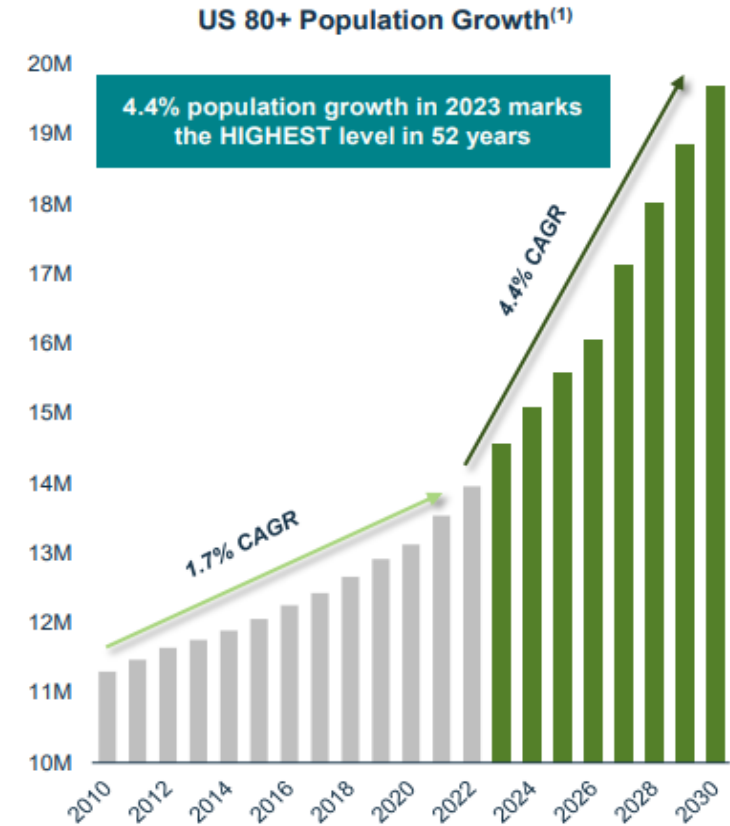
This is illustrative only and not a recommendation to buy, sell or hold.

- Seniors housing supply declining sharply
- Constraints on construction finance / higher construction costs
- Over 80's population growth 2.5x U.S. average
- Prospective tenant pool for seniors housing is growing at ~3x the rate of new supply growth

→ Solid outlook for occupancy, revenue and earnings growth



Source: MAP 99 NIC MAP Vision, Welltower 02/2023

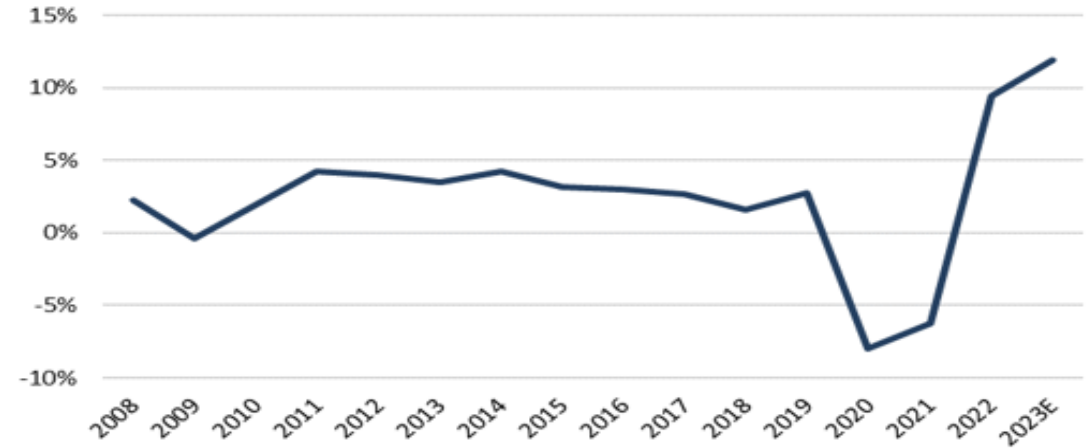


Source: Organisation for Economic Co-operation and Development, Welltower 02/2023

- Diversified U.S. healthcare REIT: seniors housing (65%), medical office (25%) and post-acute care
- US\$53bn enterprise value
- ~2,000 properties across the U.S., Canada, UK
 - ~87% of rental income generated in the U.S.
- Strong Occupancy recovery following COVID impact
- Supply/Demand imbalance due to aging demographics / limited new supply outlook
- Sound balance sheet
 - 33% LTV, 6.3x ND / EBITDA



WELL Same-Store Rent Growth



Source: Welltower Company Filings, 12/2022



Source: Welltower Company Filings, 12/2022

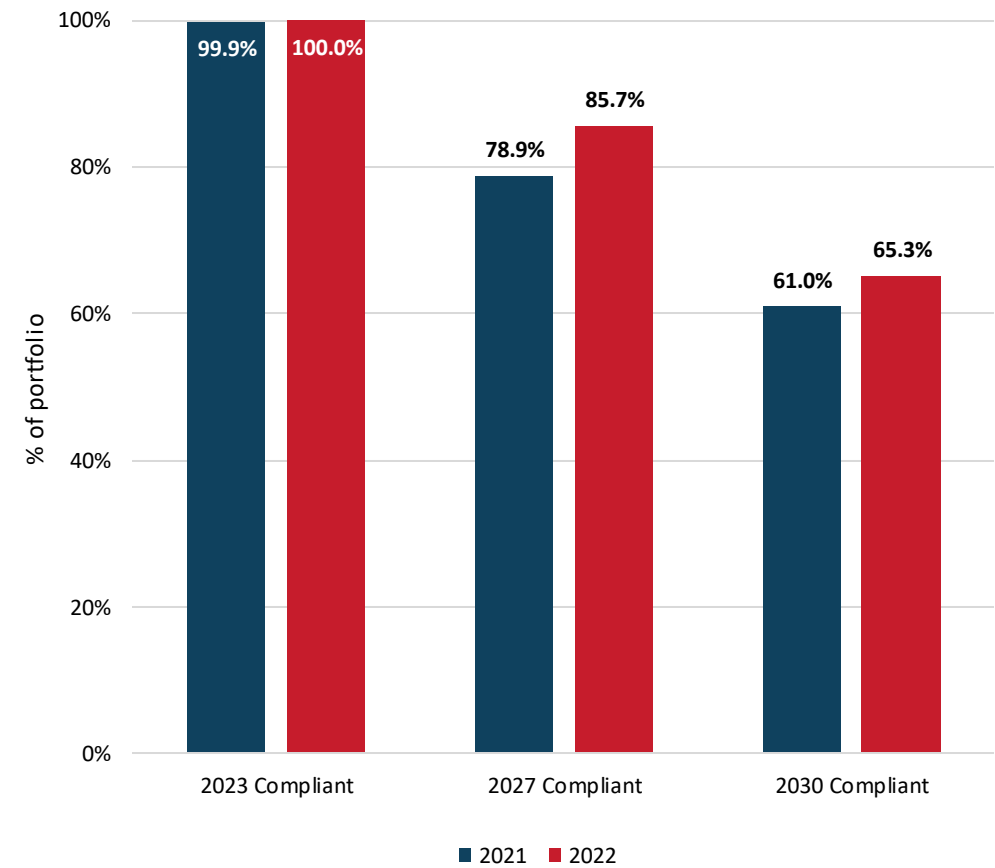
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Sustainability Case Study – Derwent London

- UK EPC regulatory game changer
 - non-compliant buildings cannot be leased or sold
- Derwent (DLN) West End London Office REIT
 - £5.4bn, 510,000m² portfolio, 95% occ
 - Leader in sustainability/building regeneration
 - Focus on improving performance of “brownier” buildings
- Net Zero 2030 targets
 - Operational and Scope 3 emissions
 - Strong tenant engagement
 - Embodied (building structure) carbon reduction
- Solar power gen on owned land (Scotland) to supply 40% of managed portfolio electricity consumption

→ Positioned to take market share, increase cashflow resilience

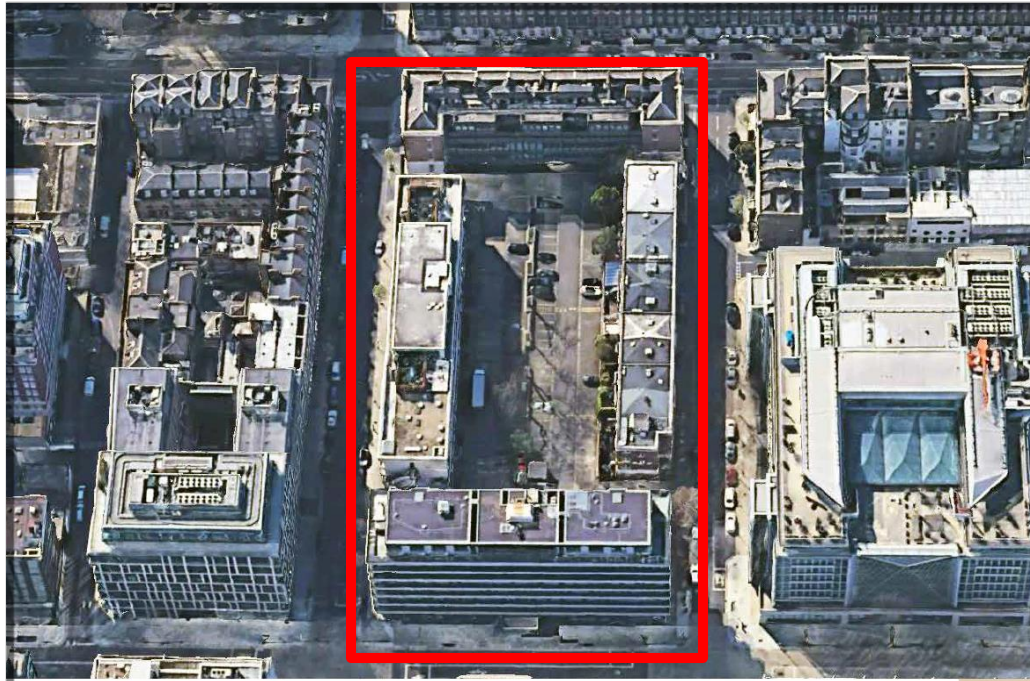
Proportion of portfolio that is compliant with future Minimum Energy Efficiency Standard requirements



Source: Derwent London, 2023

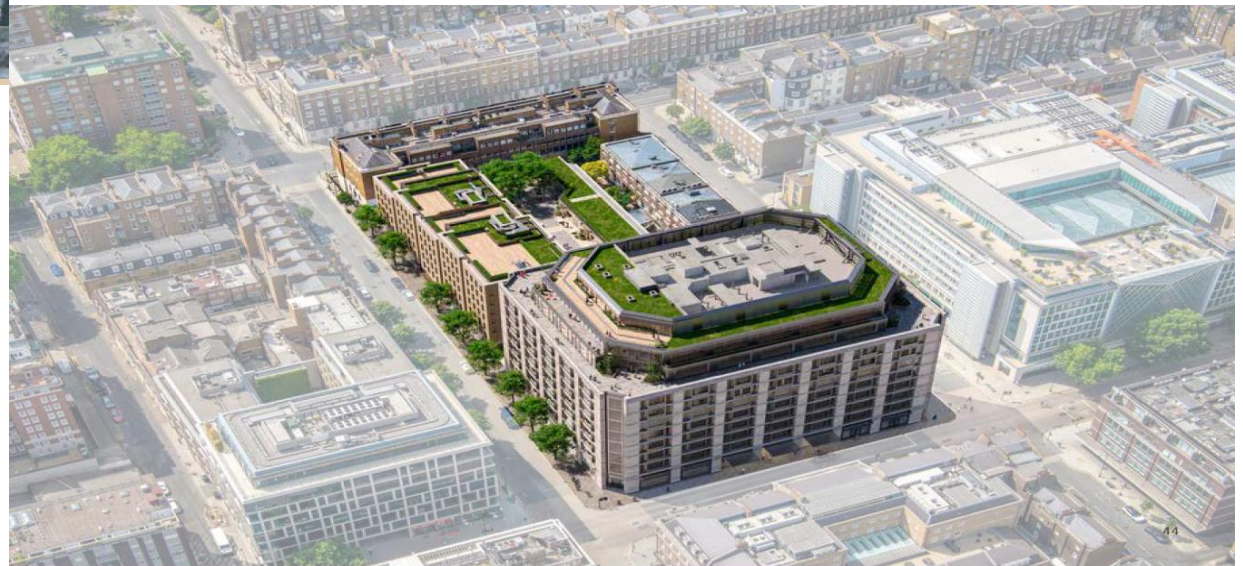
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Before



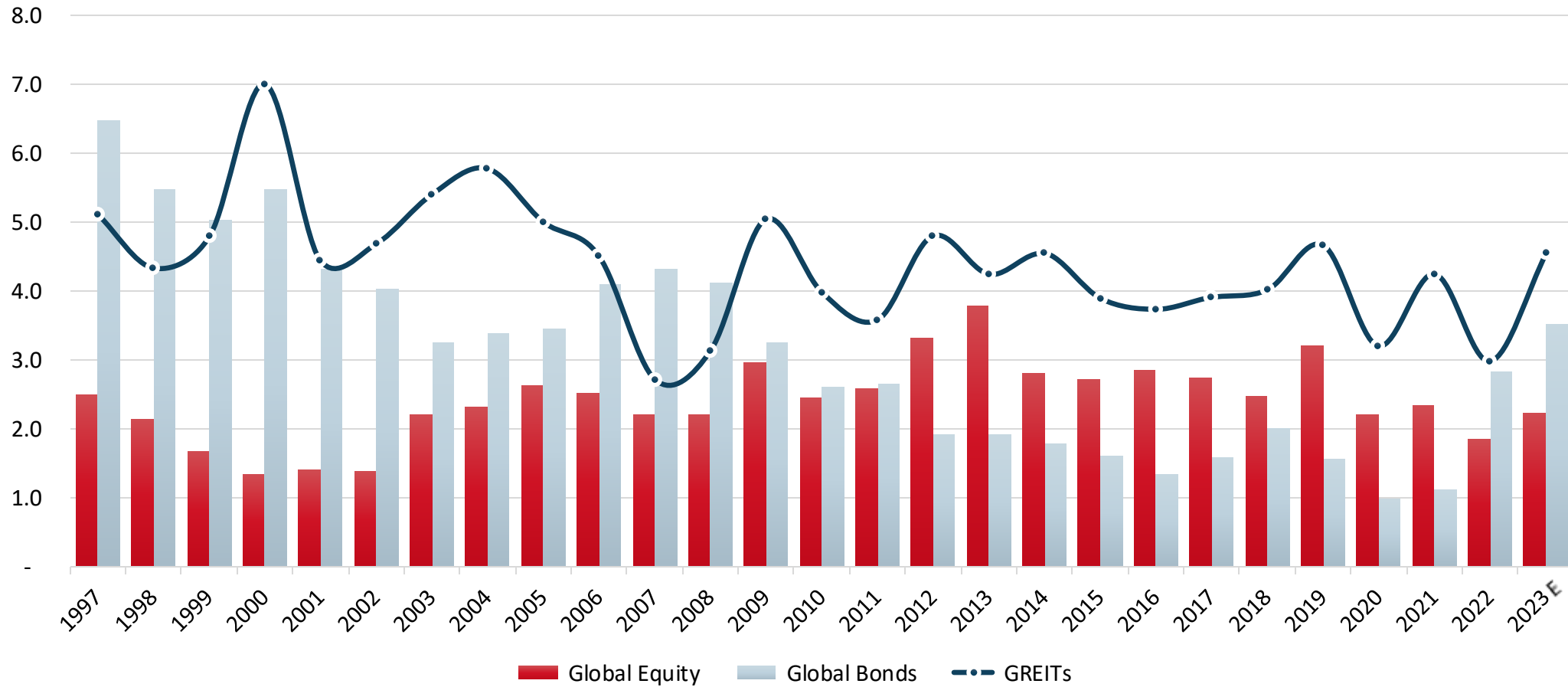
- Existing 1970's 143,000 sq ft office
- New 298,000 sq ft (+108% floor area)
 - Office, retail, resi, affordable housing
 - 2025 completion
- PIMCO pre-leased 49%
 - 15 yr lease @ record rent £103sq ft

...after



- Net Zero Carbon
 - All renewable electric (ie no gas)
 - Openable windows
 - Smart building monitoring and controls

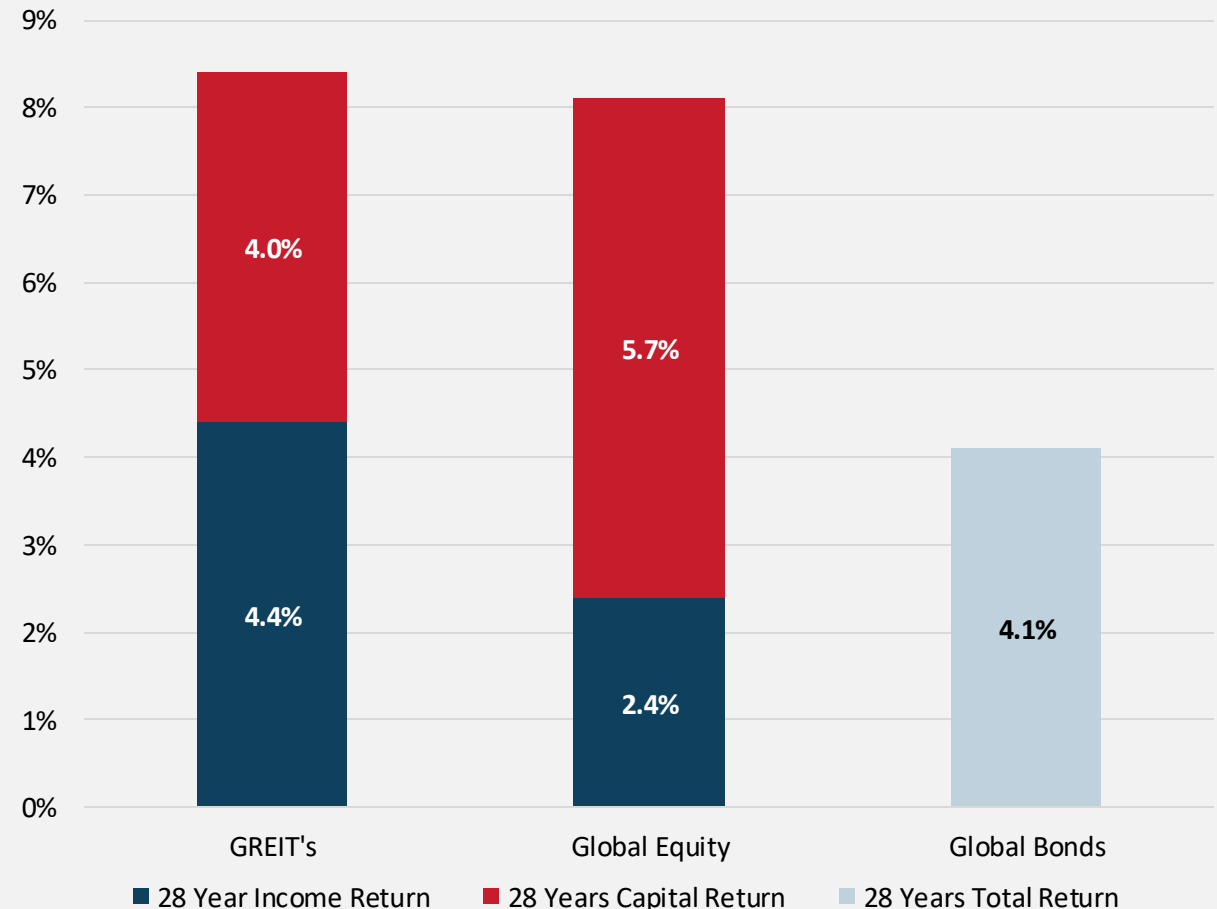
Annual Income Profile Global REITs, Equities & Bonds



Source: Rescap, Factset GREITs: FTSE EPRA Nareit Developed Index; Global Equity: MSCI World Index; Global Bond: Bloomberg Global Aggregate Index Yield, 2023 estimates are index yield estimates and current yield-to-worst for Global Bond index

- Select liquid global real estate portfolio
- Growing cashflows (Inflation hedge)
~5% earnings growth
- Best in class management platforms
 - Above avg portfolio occupancy
 - Sustainability + technology leadership
 → Superior real estate performance
- Strong capital structures
 - Moderate leverage, investment rated
 - Limited short/medium term refinance
 - Sustainable dividends
 → Positioned to take advantage of distress
- Value Play: Trading below unlisted market

Building Wealth in your portfolio 28 Year Total Return of REITs v Equities v Bonds



As at 30 April 2023, AUD returns
 GREITs- FTSE EPRA Nareit Developed Index, Global Equity – MSCI World Index, Global Bonds- Bloomberg Global Aggregate Bond Index
 Illustrative only and not a recommendation to buy or sell any asset type.

Fund Performance as at 30 April 2023 - Compound Annual Returns (After Fees)

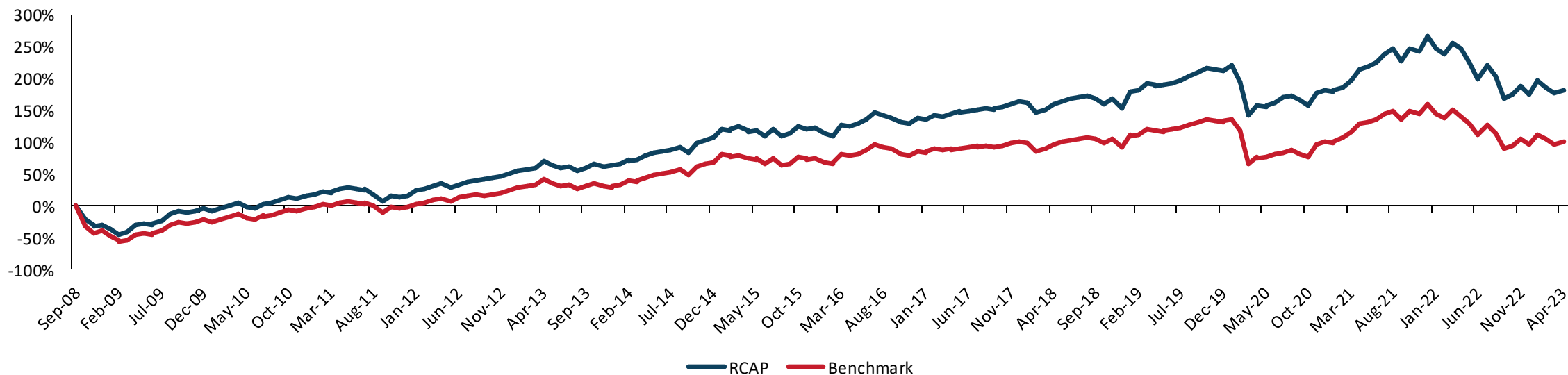
RCAP	Quarter %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.	Since Inception# % p.a.
Fund (Net)^	-5.0	-18.6	3.2	1.6	3.2	5.2	7.4
Benchmark*	-5.5	-16.4	4.3	0.5	1.6	3.5	4.9
Excess Return	0.5	-2.2	-1.1	1.1	1.6	1.7	2.5

#30 September 2008.

^Returns are expressed after deducting tax and investment management fees.

*Benchmark was UBS Global Real Estate Investors Index (AUD Hedged) Net TRI to 31 March 2015. From 1 April 2015 FTSE EPRA/NAREIT Developed Index (AUD Hedged) Net TRI.

Cumulative Performance Since Inception



Source: Resolution Capital, as at 30 April 2023

Note - Fund returns are post-management fees and post withholding tax. The Fund's Management Fee is 0.80% p.a. on the net asset value of the Fund and the Performance Fee is 20% of the Fund's outperformance of the benchmark net of the management fee and expenses. Past performance is no guarantee of future results. Investment returns shown are unaudited and compiled based on internal information that is believed to be accurate. The portfolio returns assume the reinvestment of distributions.

Debt Metrics	
Net Debt (excluding cash)/EBITDA	6.0x
Debt/GAV	28%
Floating Rate %	14%
Average Debt Term	6.6 years
Average Debt Cost	3.2%
Secured Debt %#	~19%

Source: Resolution Capital's Swordfish Database

^Metrics based on weighted average of stock positions in the portfolio

Global Unhedged Strategy as at 30 April 2023

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Do you foresee any potential liquidity concerns in your clients' portfolios?