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PRESS RELEASE

Australian Property Still Performing Strongly, while Build-to-rent has Proven itself Globally

The Property Council/IPD Australian All Property Index measured 11.9% to Q2 2017

Sydney – August 30, 2017 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, recorded an annual **11.9% total return** for Australian property to June 2017, according to the The Property Council/IPD Australian All Property Index, which was released Friday.

The total return indicates that performance in the Australian commercial property market has stabilised in recent quarters. Though still strong, this performance represented a step down from June 2016, when the total return was 13.4%.

- Both income return (down from 5.6% to 5.0%) and capital growth (6.6% to 5.6%) decreased between June 2016 to June 2017.
- Office markets outperformed, driven by strong capital growth in Sydney (10.9%) and Melbourne (5.8%). Office markets in Perth continued to soften, with negative annual capital growth of -2.7%, but Brisbane showed positive growth of 1.9%.
- Strong market movements in Sydney office rents have not translated into higher income returns for investors as capital growth has continued to outpace income growth. Valuations are however clearly reflecting changing rental assumptions.
- Super & Major Regional Shopping Centres were the only retail subsector with a higher return than for June 2016, with some of the largest shopping centres changing hands over the past year.
- The Hotels and Healthcare segments were still performing very strongly, showing total returns of 22.8% and 25.1% respectively.
- As tightening cap rates and lack of stock have fueled demand for other none core property options, build-to-rent has seen a major surge in Australia. Residential is now a well-established core sector globally; MSCI measures $A319bln in total, of which $A106bln is in the United States.
- For the 11 markets where MSCI measures residential real estate, annualised income returns range from 3.3% (UK) to 5.7% (Canada) over the last 14 years, with the US sitting in the top half of the pack, averaging 5.2%.
- MSCI's analysis shows that build-to-rent residential could provide diversification benefits for Australian real estate investment portfolios. Global long term income returns on residential suggest that an acceptable level of yield could also be achieved in the Australian market.

Mitchell McCallum, Vice President, MSCI, said: "The results show markets have stabilised in recent quarters, although we continue to see strong growth, especially in the non-core sectors, with Healthcare showing a record annual total return of 25.1%."

"The limited scale that the non-core sectors currently offer in Australia has contributed to the interest we are now seeing in the build-to-rent sector as a viable option. MSCI's global property database illustrates that this is not a new idea, as it is a substantial sector in other global markets, making up 50% of MSCI's national database in the Netherlands, 23% in the US and 6% in the UK, to highlight a few. The lower yields have generally been offset by a strong capital growth profile. Over 14 years the residential sector has recorded a 7% total return on average across global markets."

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About MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest money managers, according to the most recent P&I ranking.

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