

# GLOBAL PROPERTY MARKETS

**SIMON FAIRCHILD, Executive Director, MSCI**

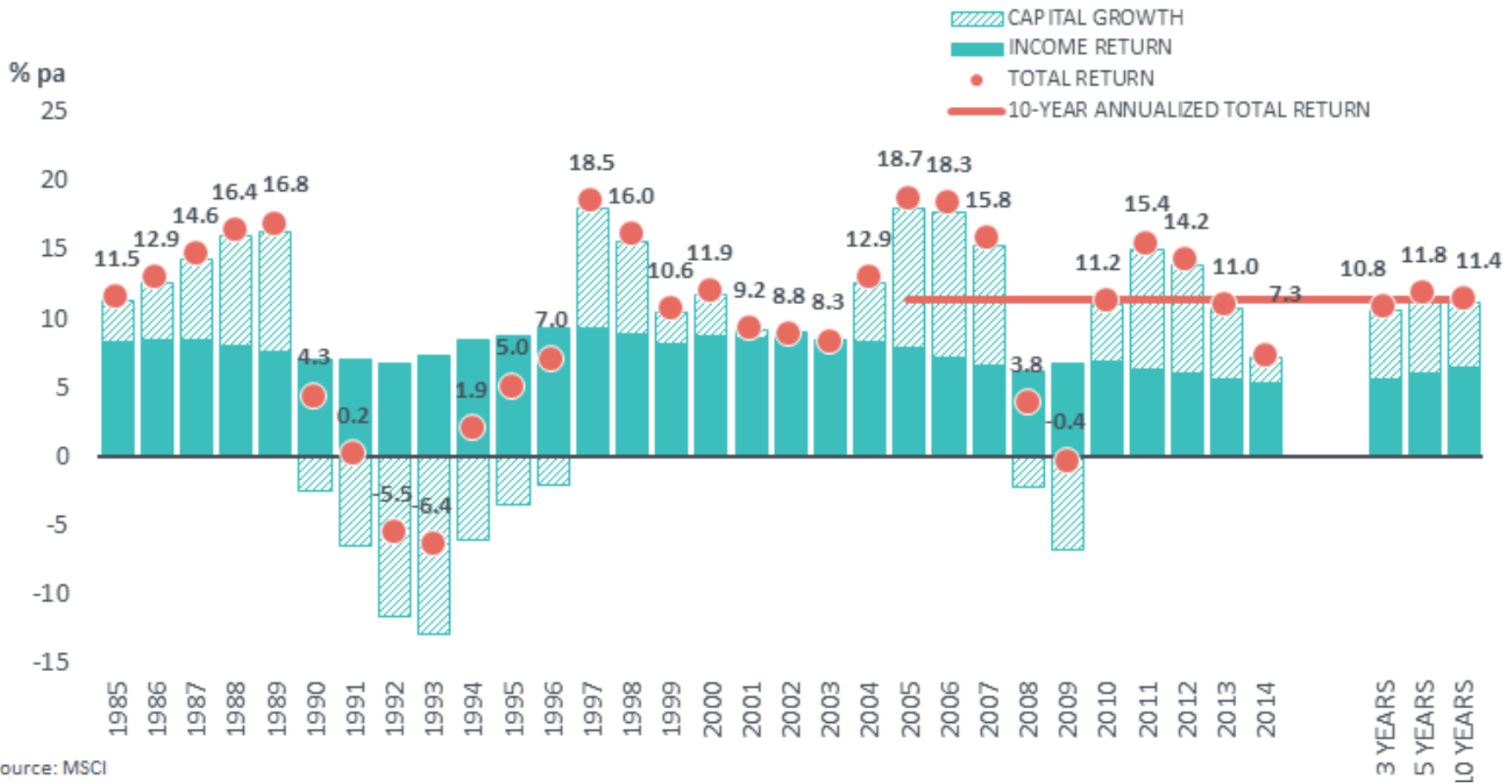
**JAMES HARKNESS, Vice President, MSCI**

December 2015

# REALPAC/IPD ANNUAL TOTAL RETURNS CYCLE

## CANADA — TOTAL RETURNS

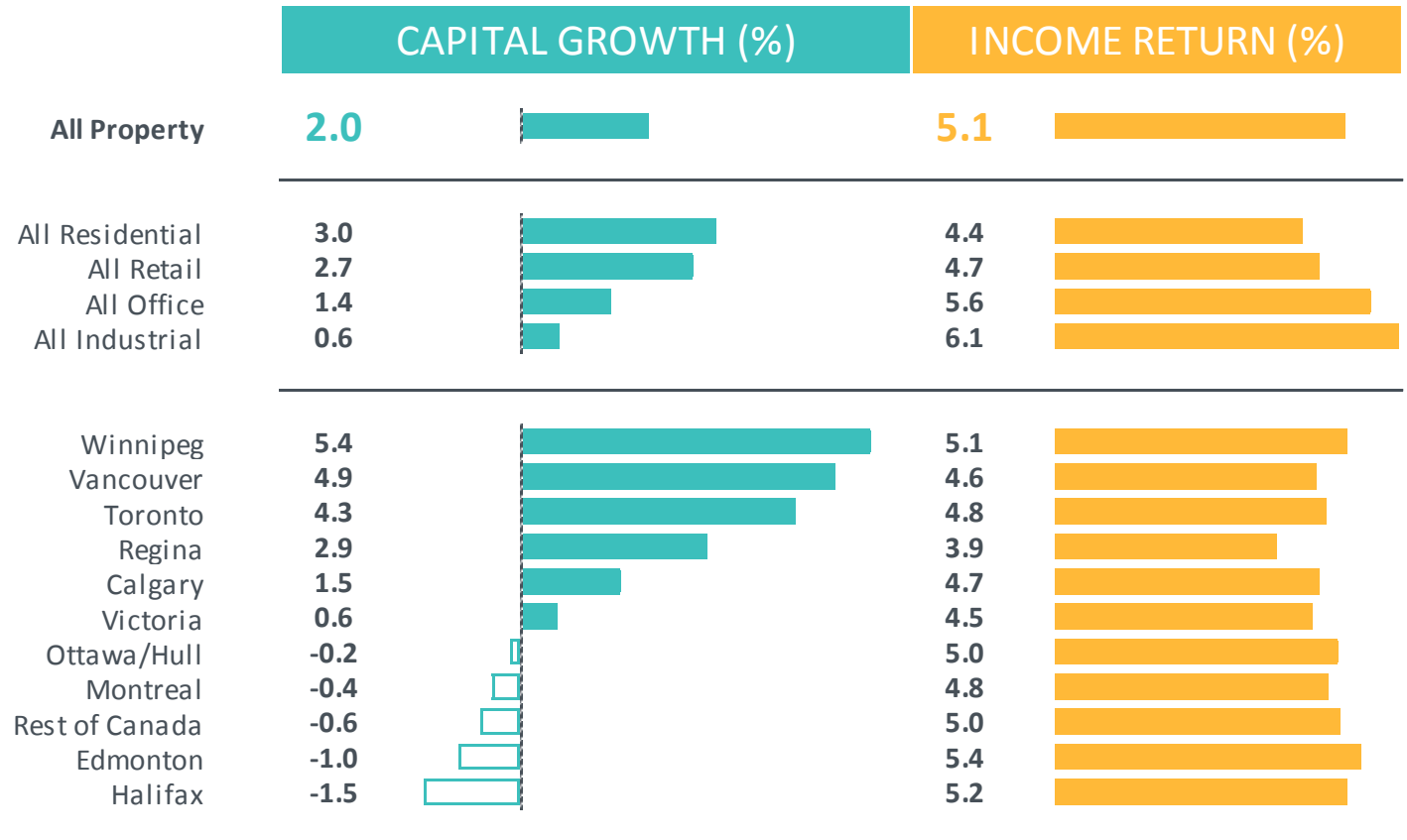
STANDING INVESTMENTS



Source: MSCI

# VALUES NOW FALLING IN 5 MARKETS

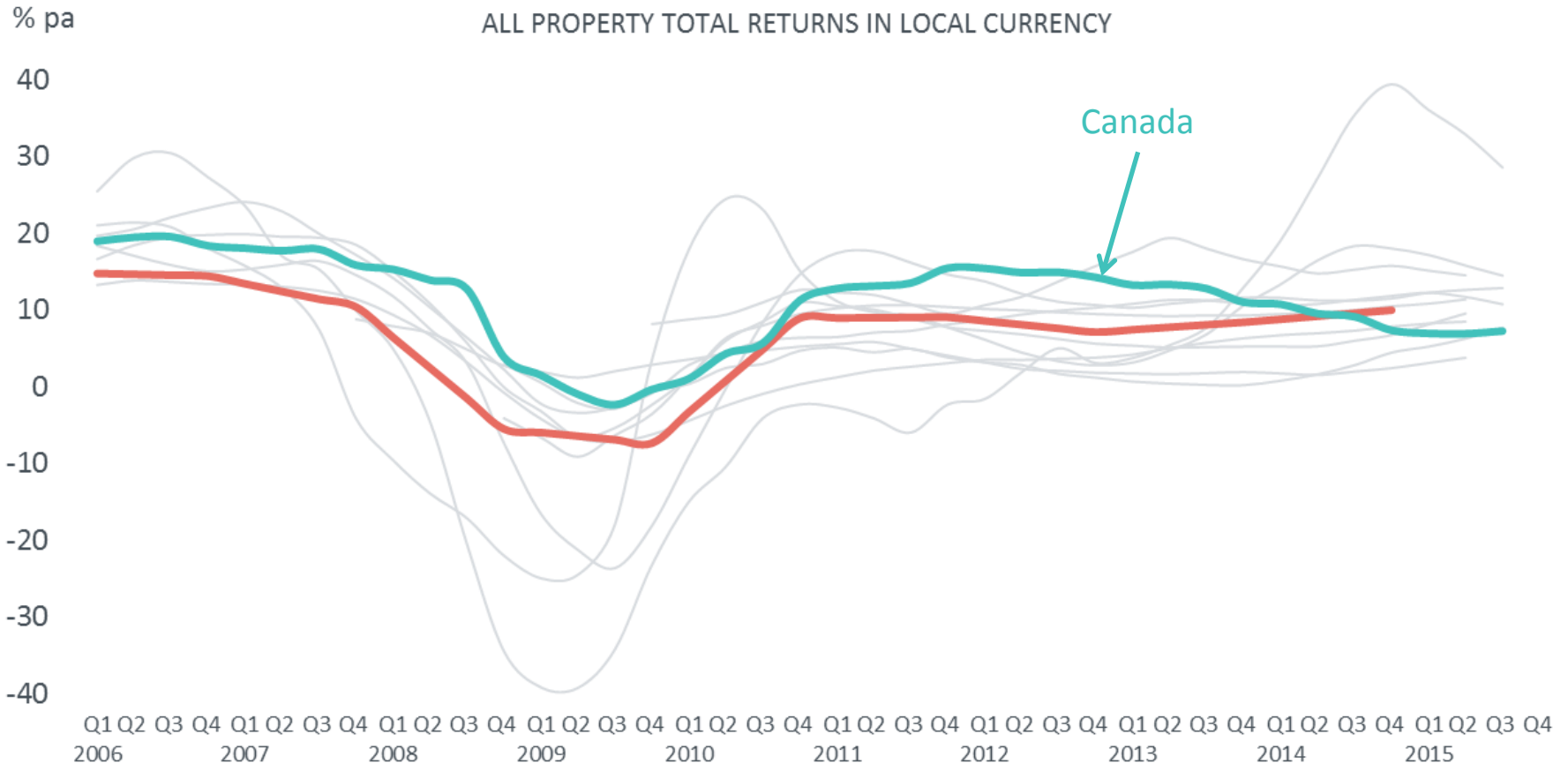
## Q3 2015 COMPONENTS OF CANADIAN TOTAL RETURN BY PROPERTY SECTOR AND GEOGRAPHIC SEGMENT



Source: MSCI

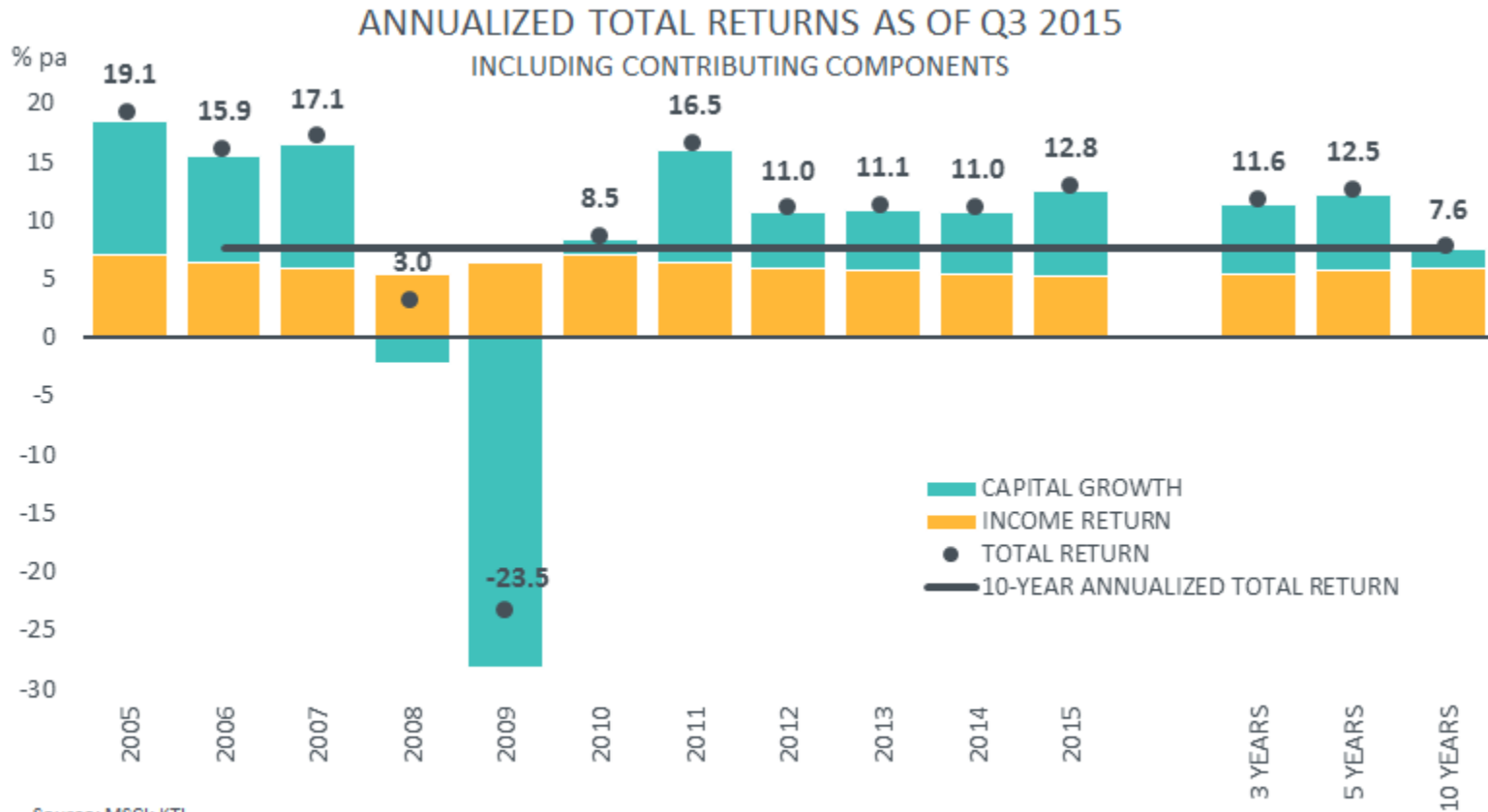
# CANADIAN CYCLE IS DIVERGING

ANNUALIZED TOTAL RETURNS FOR COUNTRIES WITH HIGH-FREQUENCY APPRAISALS  
ALL PROPERTY TOTAL RETURNS IN LOCAL CURRENCY



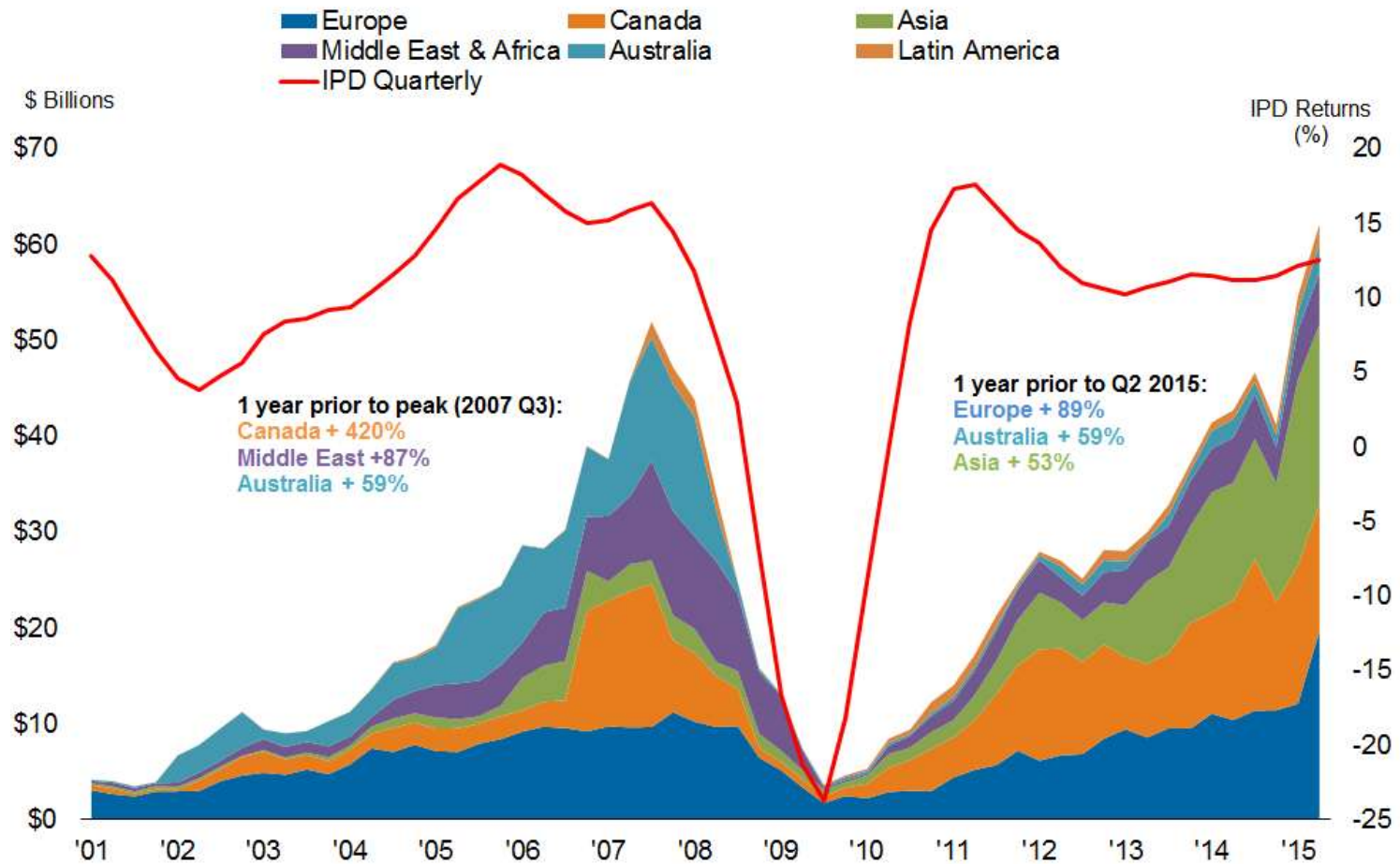
Source: MSCI Note: The latest total returns are shown at a quarterly frequency for Australia, Canada, Ireland, Japan, Netherlands, New Zealand, UK, and US, and at a semi-annual frequency for France, Italy, and South Africa. The IPD Global Index is annual. Where data are less than quarterly, intermediate periods are shown as mid-points.

# US UNDERSTANDABLY ATTRACTIVE TO CANADIAN INVESTORS...



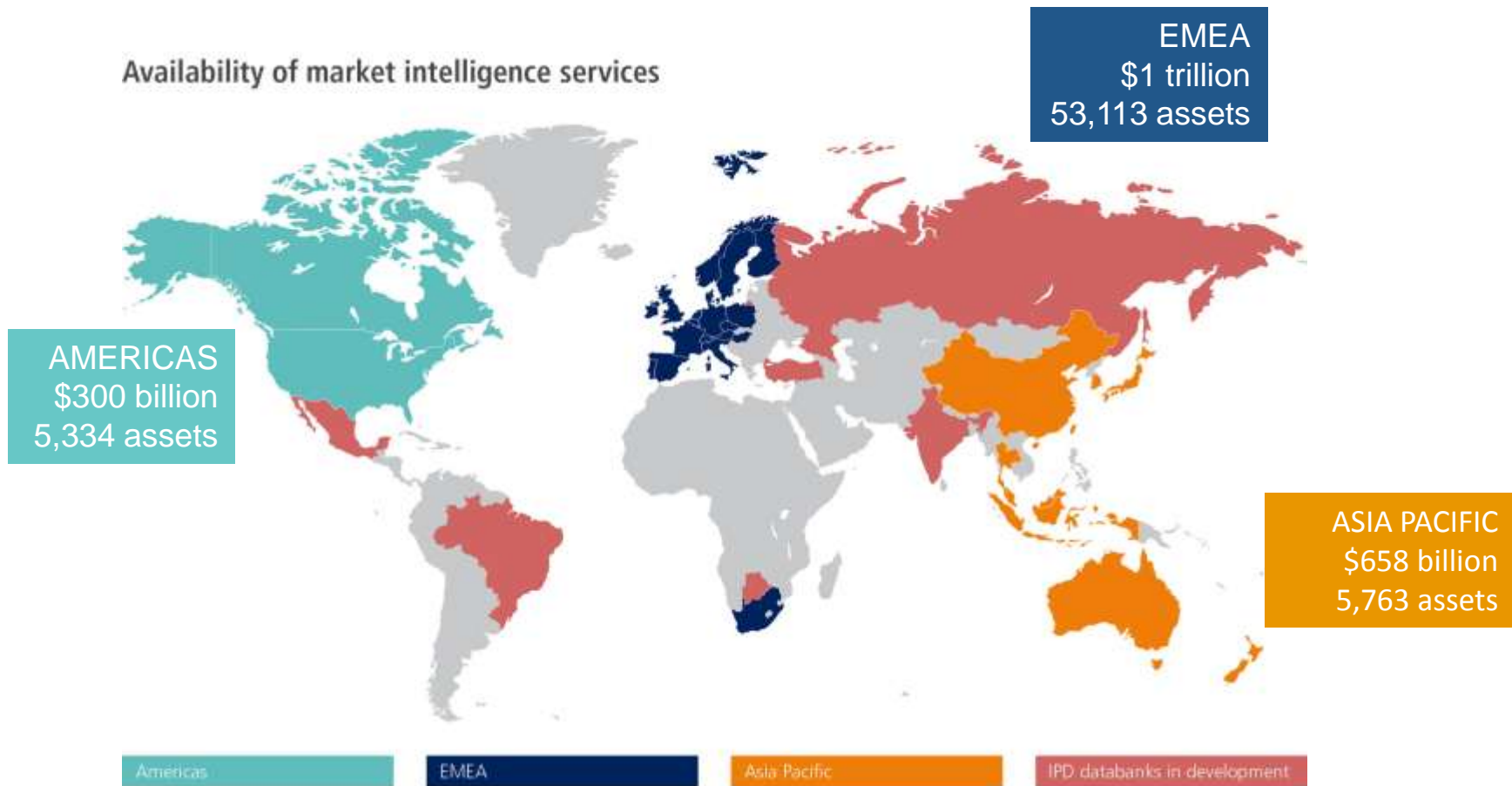
# WHO IS GOING TO BE CAUGHT OUT THIS TIME ROUND?

FOREIGN INVESTMENT IN THE USA REAL ESTATE MARKET, AND REAL ESTATE PERFORMANCE, 2001-2015h2



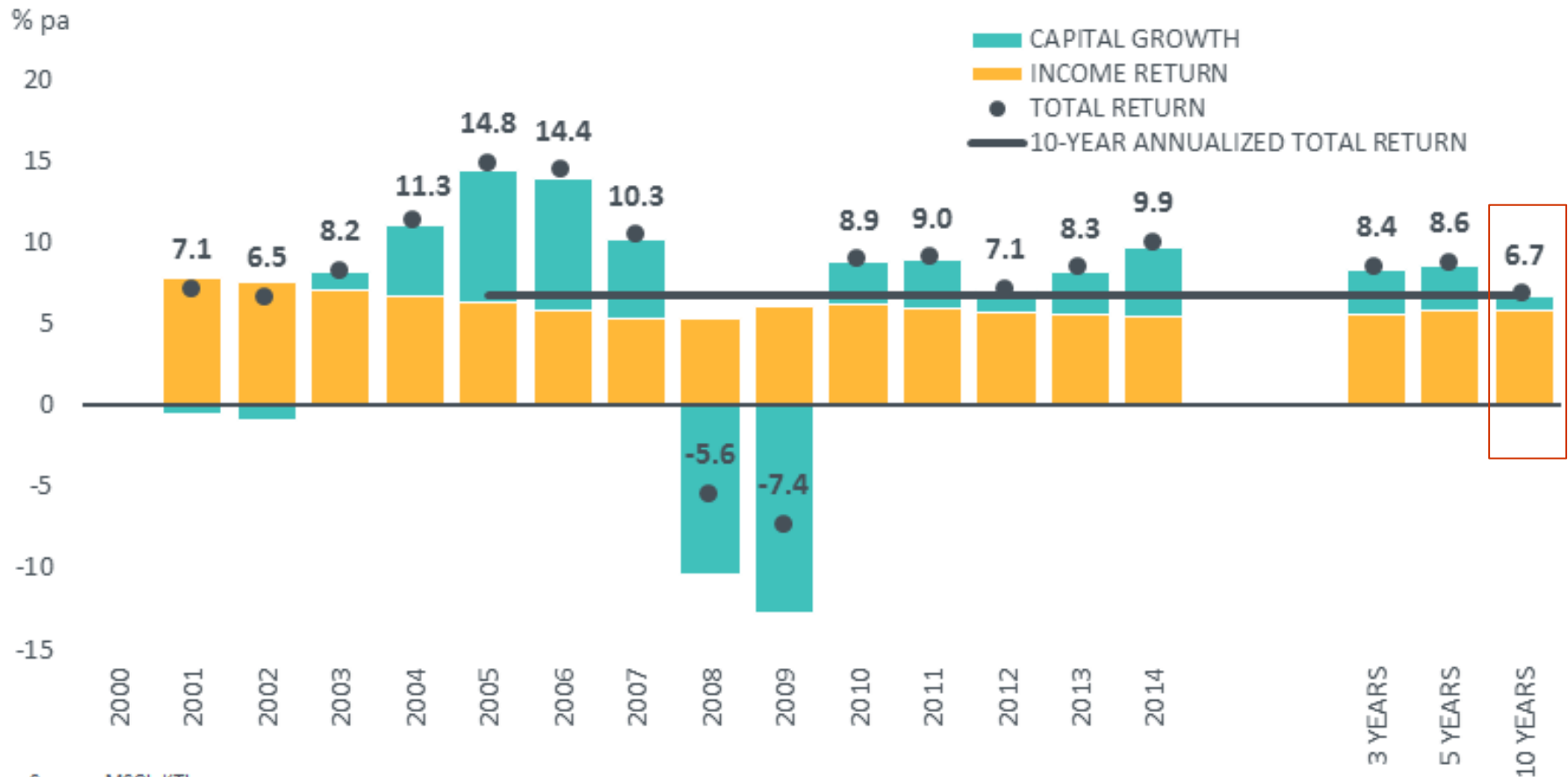
# IPD COLLECTS PERFORMANCE DETAILS FOR 70,000 ASSETS VALUED AT CLOSE TO \$2TN ACROSS 30 COUNTRIES

Availability of market intelligence services



# GLOBAL TOTAL RETURN EXPECTATIONS....

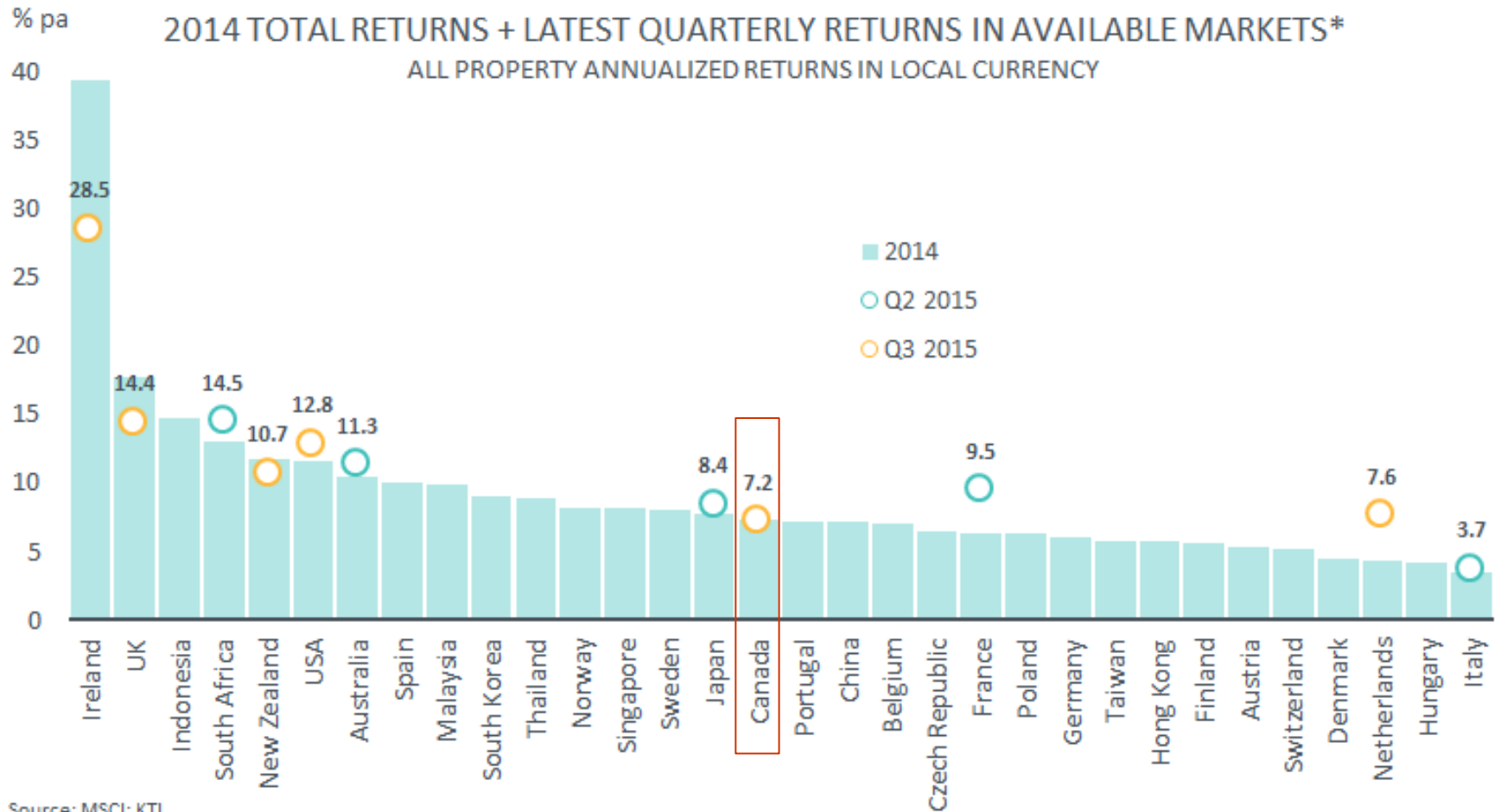
GLOBAL ALL PROPERTY TOTAL RETURN HISTORY  
INCLUDING CONTRIBUTING COMPONENTS



Source: MSCI; KTI



# POSITIVE MOMENTUM CONTINUES IN 2015 \*

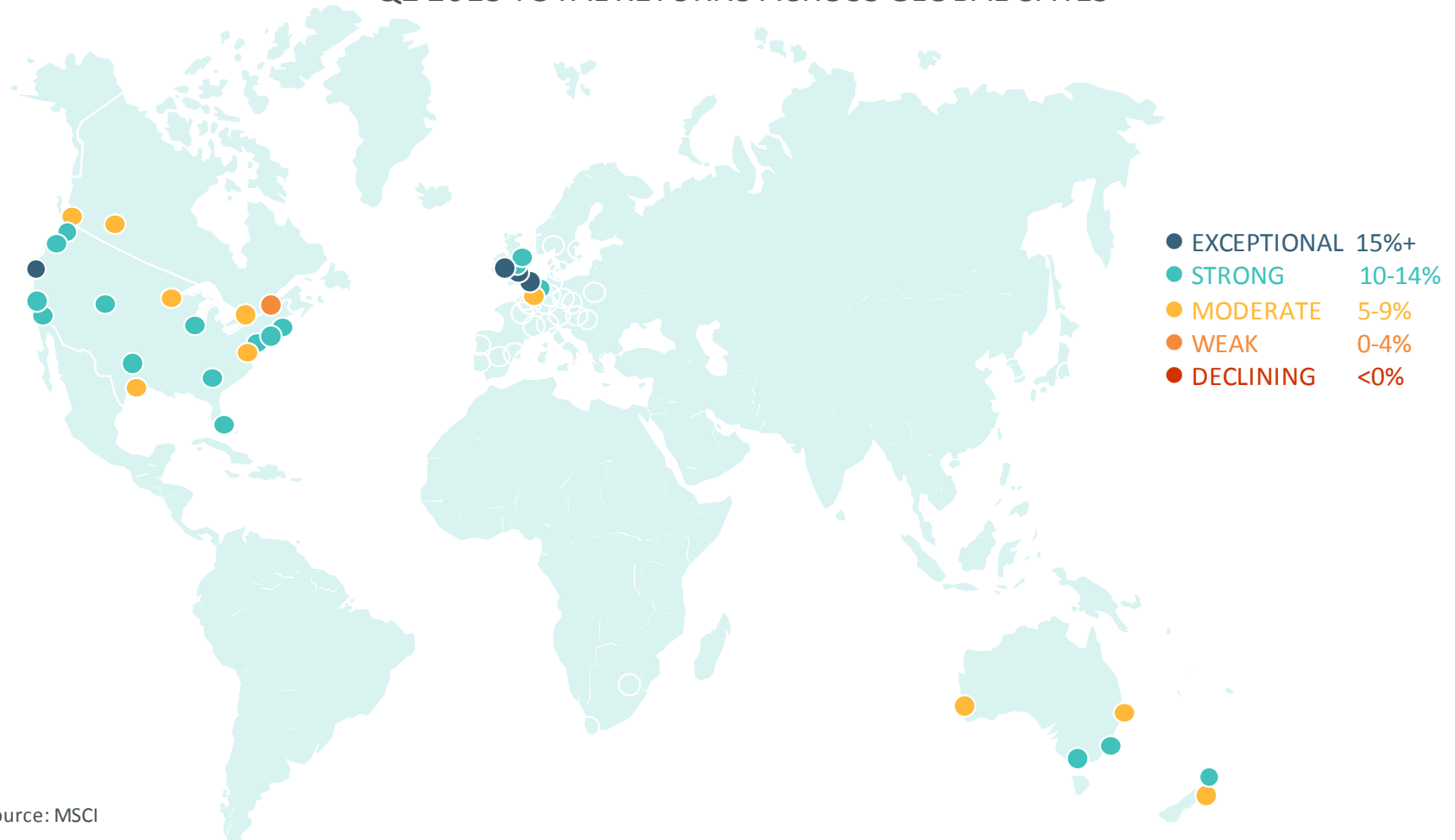


Source: MSCI; KTI.

\*Note: Based on annual samples through 2014. Results from higher frequency samples shown where available.

# RETURNS IMPROVING, BUT AT DIFFERENT PACE

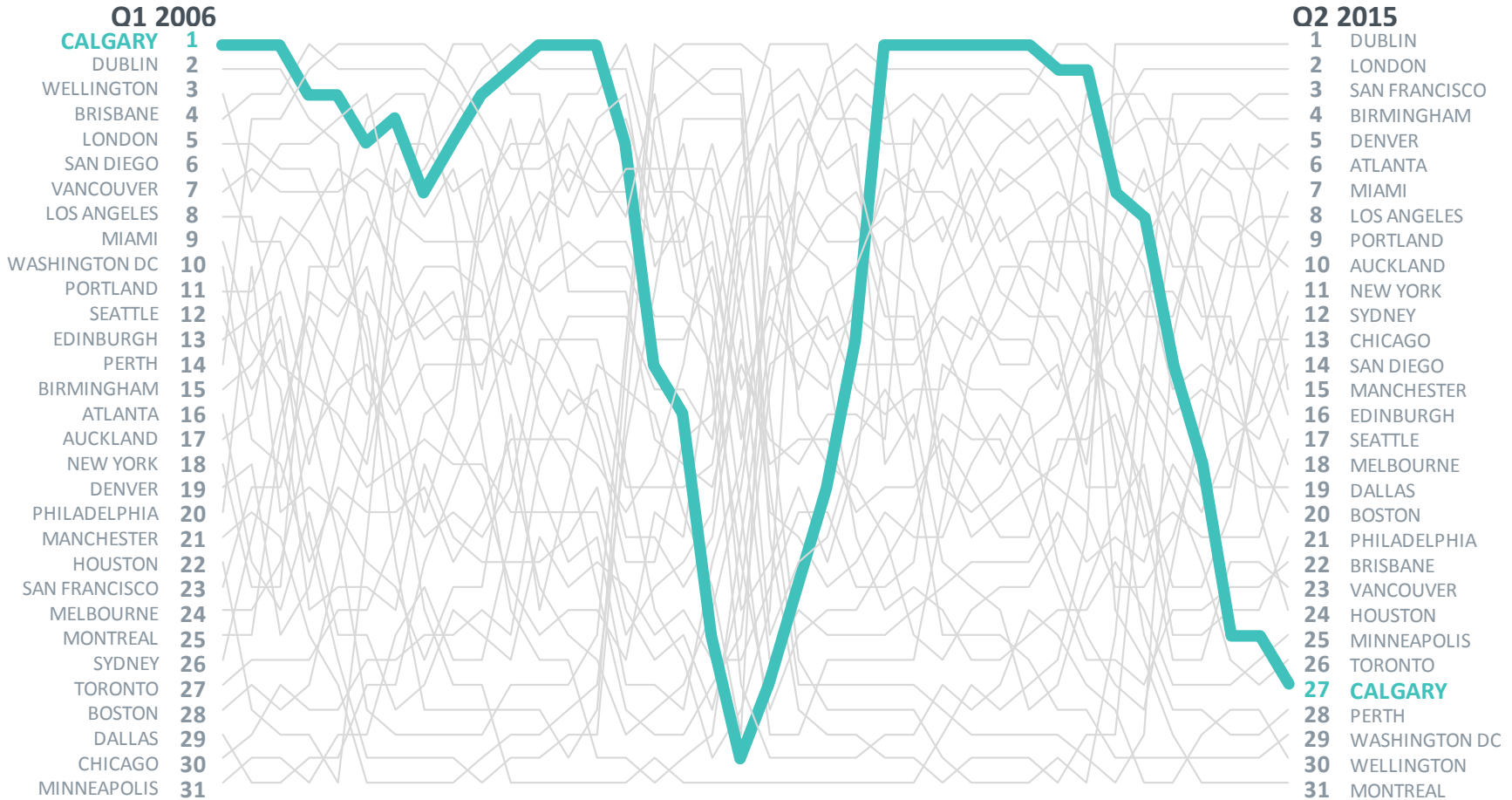
Q2 2015 TOTAL RETURNS ACROSS GLOBAL CITIES



Source: MSCI

# CALGARY ON THE WANE

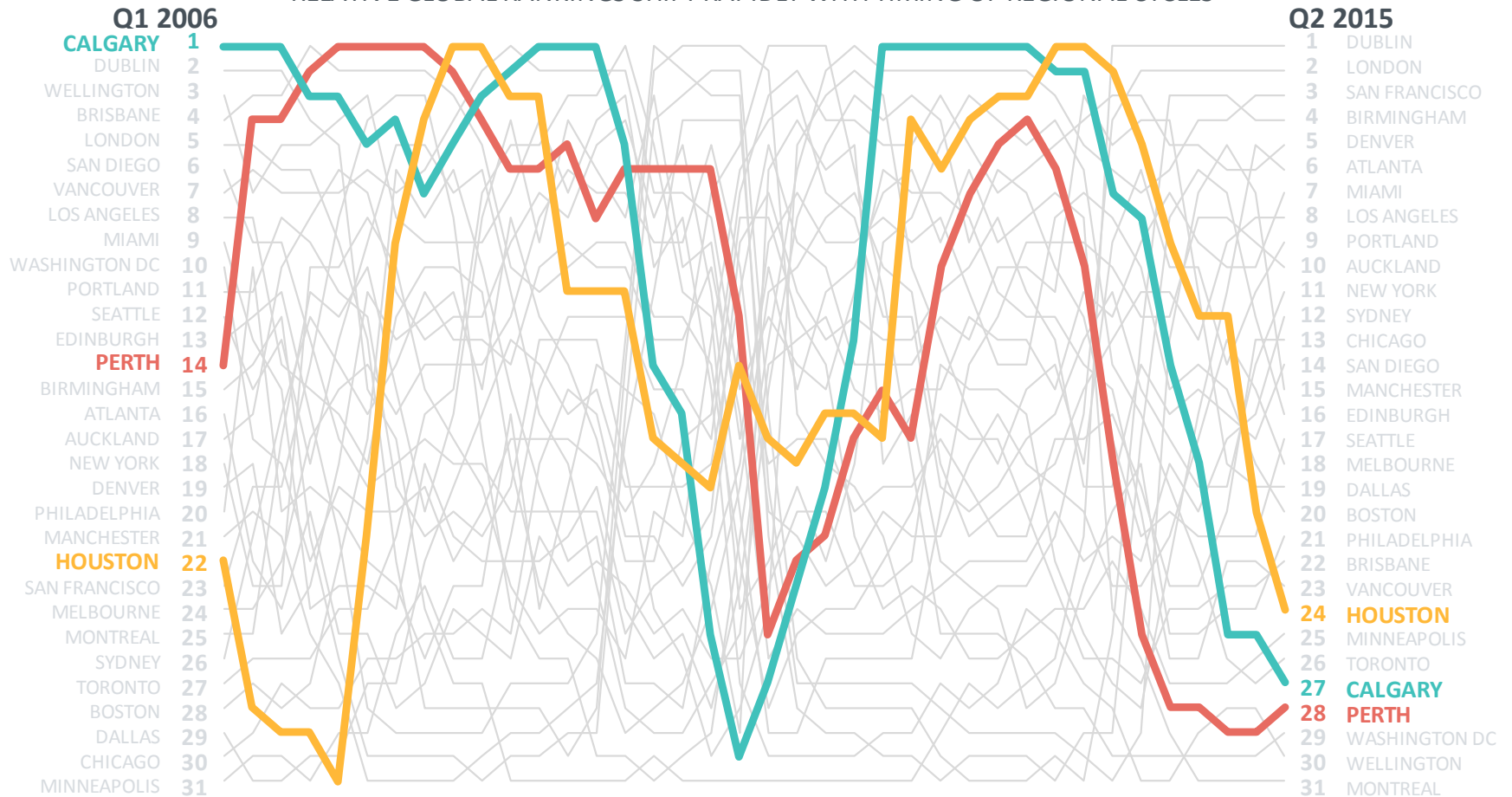
ALL PROPERTY TOTAL RETURN RANKINGS FOR SELECTED GLOBAL CITIES SINCE Q1 2006  
 RELATIVE GLOBAL RANKINGS SHIFT RAPIDLY WITH TIMING OF REGIONAL CYCLES



Source: MSCI

# ...MUCH LIKE OTHER CITIES RELIANT ON COMMODITIES

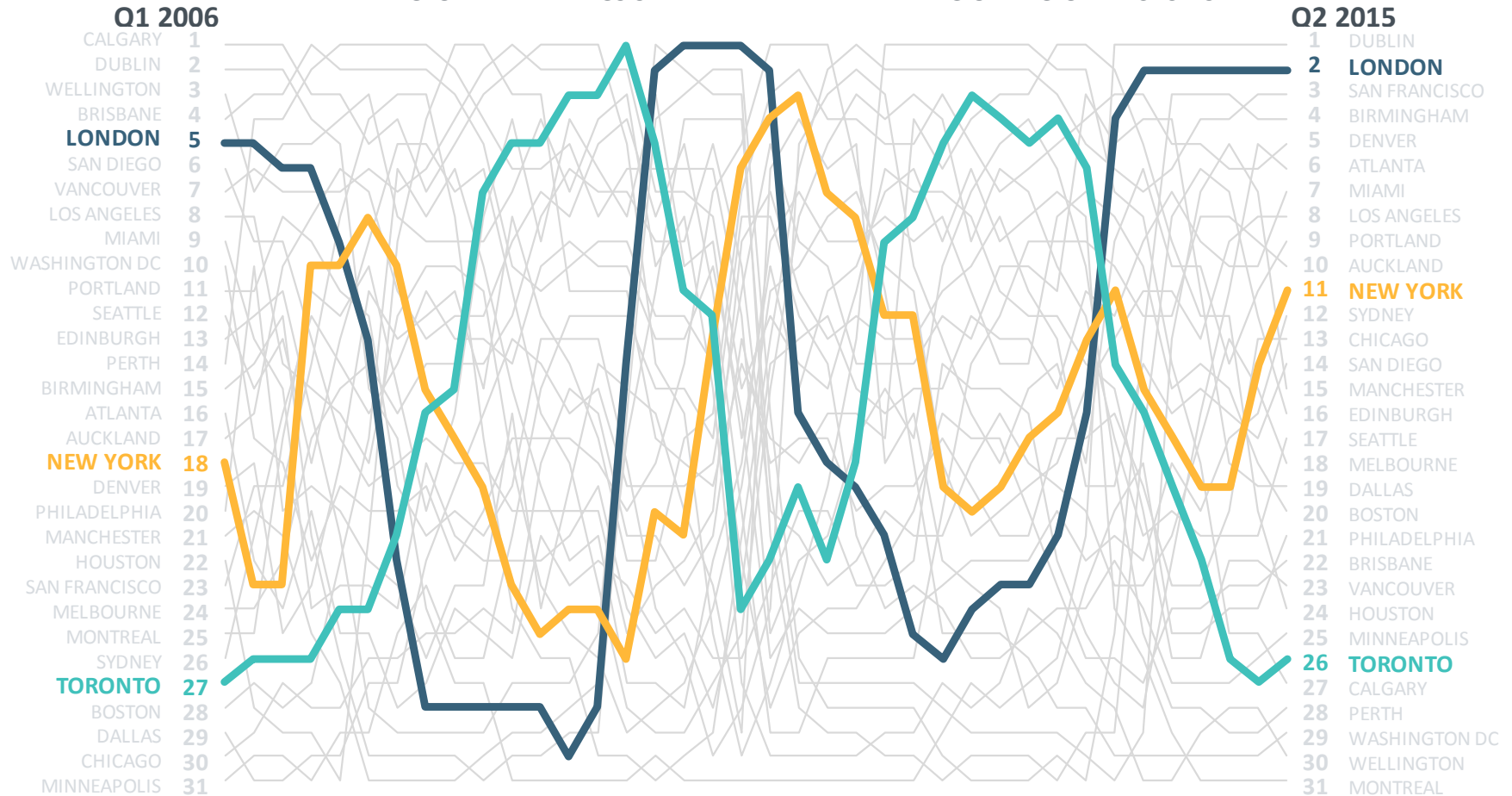
ALL PROPERTY TOTAL RETURN RANKINGS FOR SELECTED GLOBAL CITIES SINCE Q1 2006  
RELATIVE GLOBAL RANKINGS SHIFT RAPIDLY WITH TIMING OF REGIONAL CYCLES



Source: MSCI

# FINANCIAL CENTERS A LITTLE MIXED

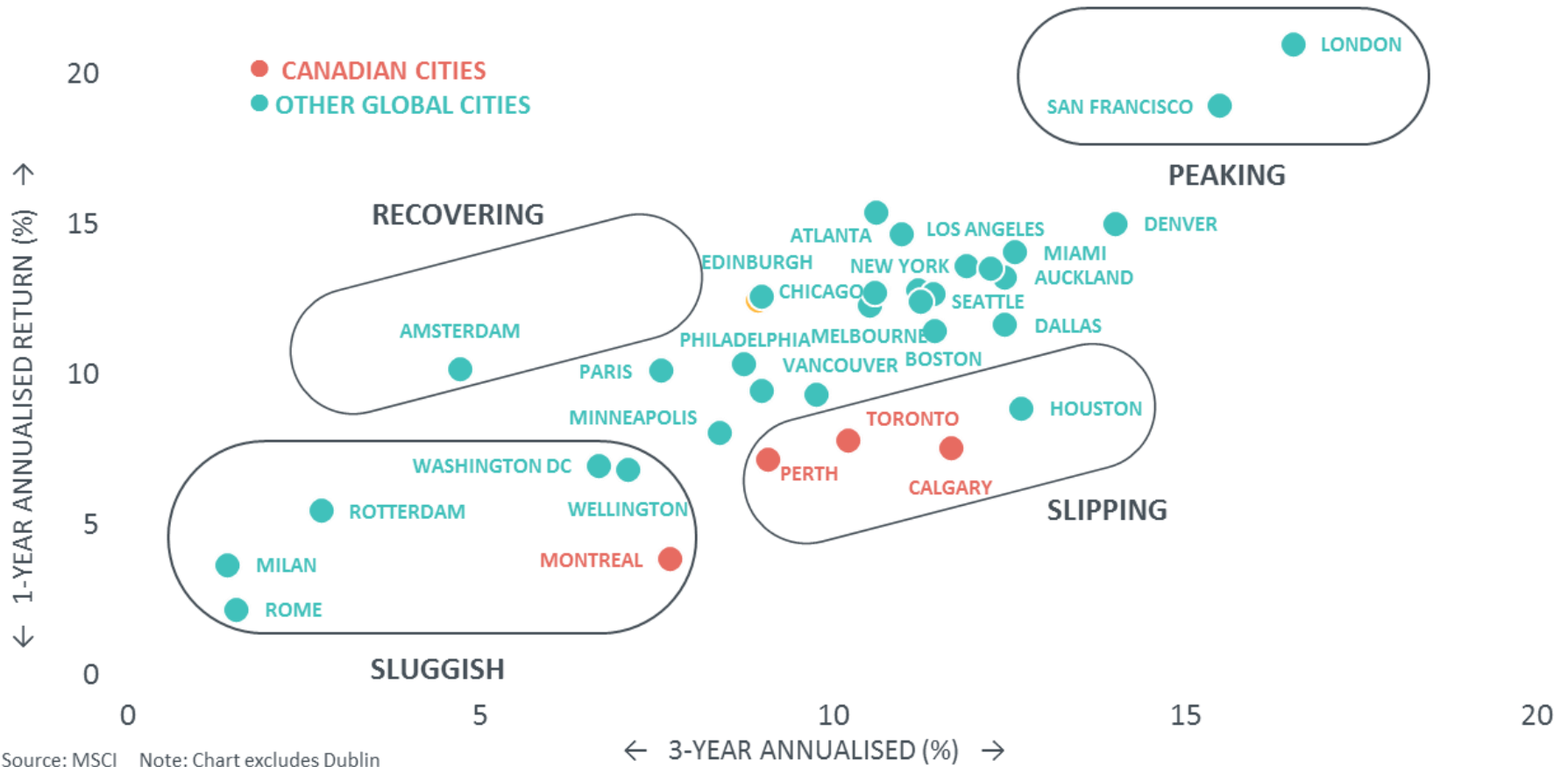
ALL PROPERTY TOTAL RETURN RANKINGS FOR SELECTED GLOBAL CITIES SINCE Q1 2006  
 RELATIVE GLOBAL RANKINGS SHIFT RAPIDLY WITH TIMING OF REGIONAL CYCLES



Source: MSCI

# WHERE ARE THE CITIES IN THE CYCLE?

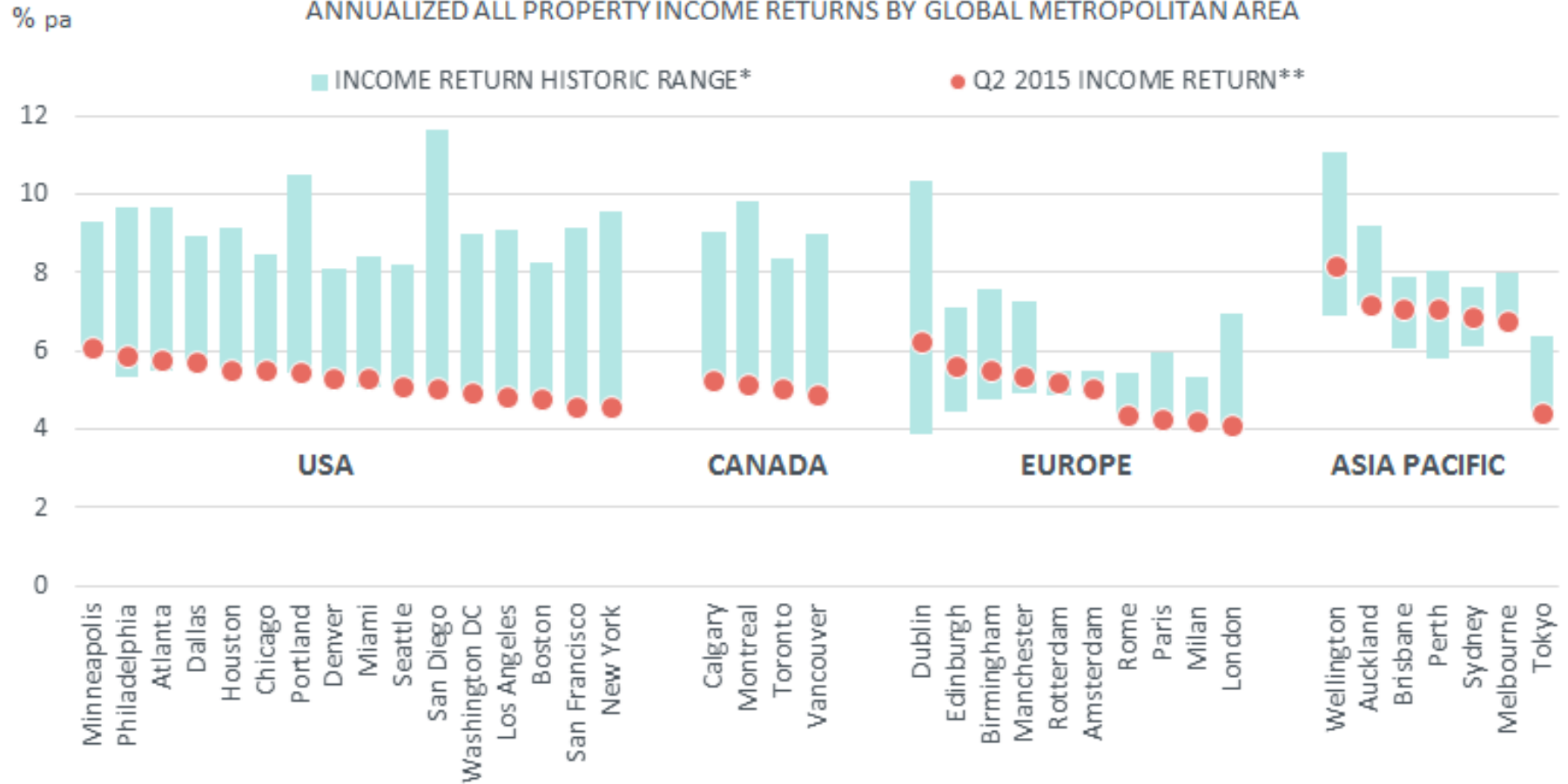
TOTAL ALL PROPERTY RETURNS AS OF Q2 2015  
1-YEAR PERFORMANCE vs 3-YEAR ANNUALISED



# INCOME RETURNS ARE LOW: PRICES ARE HIGH

## RANGE OF INCOME RETURNS SINCE 2000

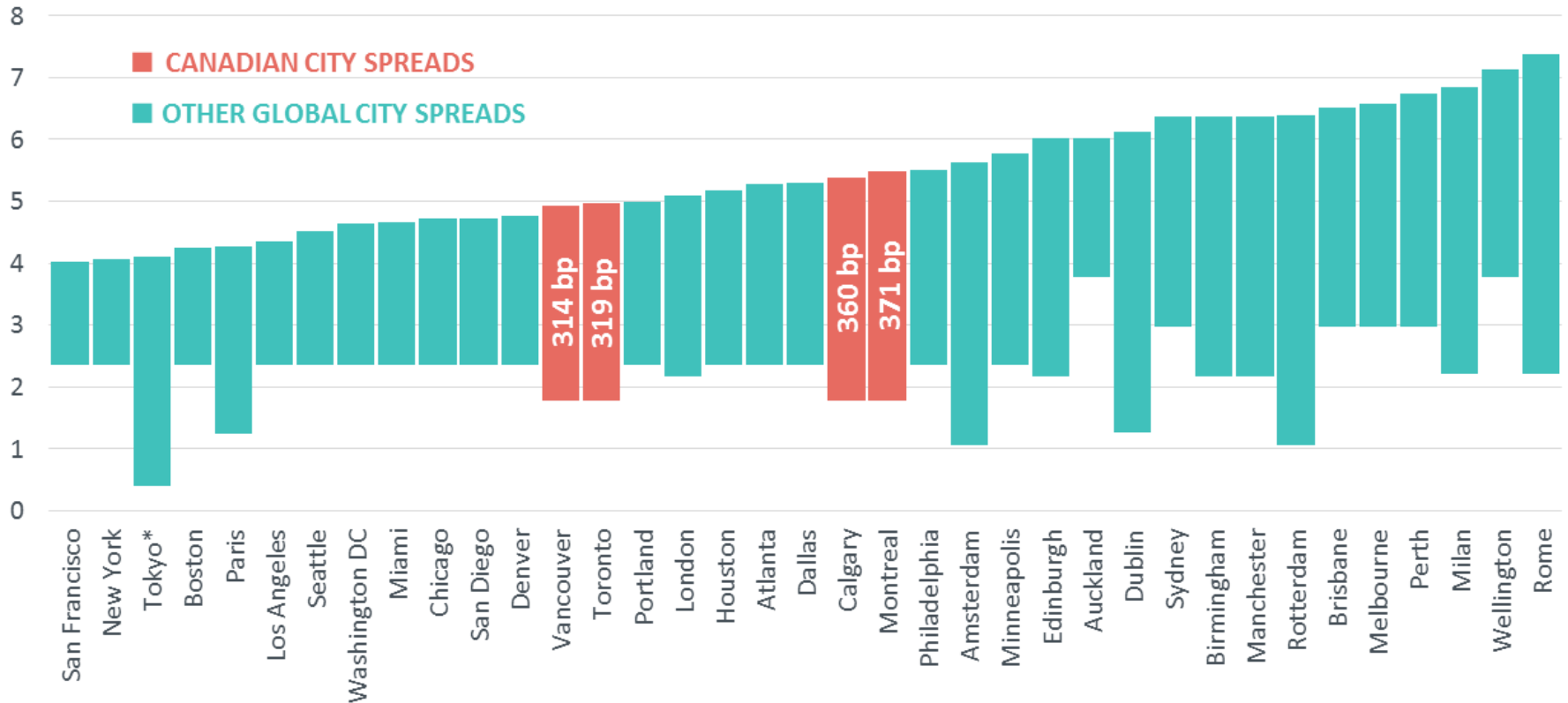
ANNUALIZED ALL PROPERTY INCOME RETURNS BY GLOBAL METROPOLITAN AREA



Source: MSCI \*US, Canada, Ireland, New Zealand, Australia since 2000; UK, 2001; Japan, 2003; Italy, 2007; France, Netherlands, 2008. \*\*except Tokyo which is Q1 2015

# SOME CITIES VERY FIRMLY PRICED

RELATIVE PRICING AT Q2 2015 FOR SELECTED GLOBAL CITIES  
SPREAD BETWEEN ALL PROPERTY LOCAL YIELD & 10-YEAR NATIONAL BOND RATE



Note: All property yields shown here follow local market conventions and practices and may not necessarily be consistent across all markets.

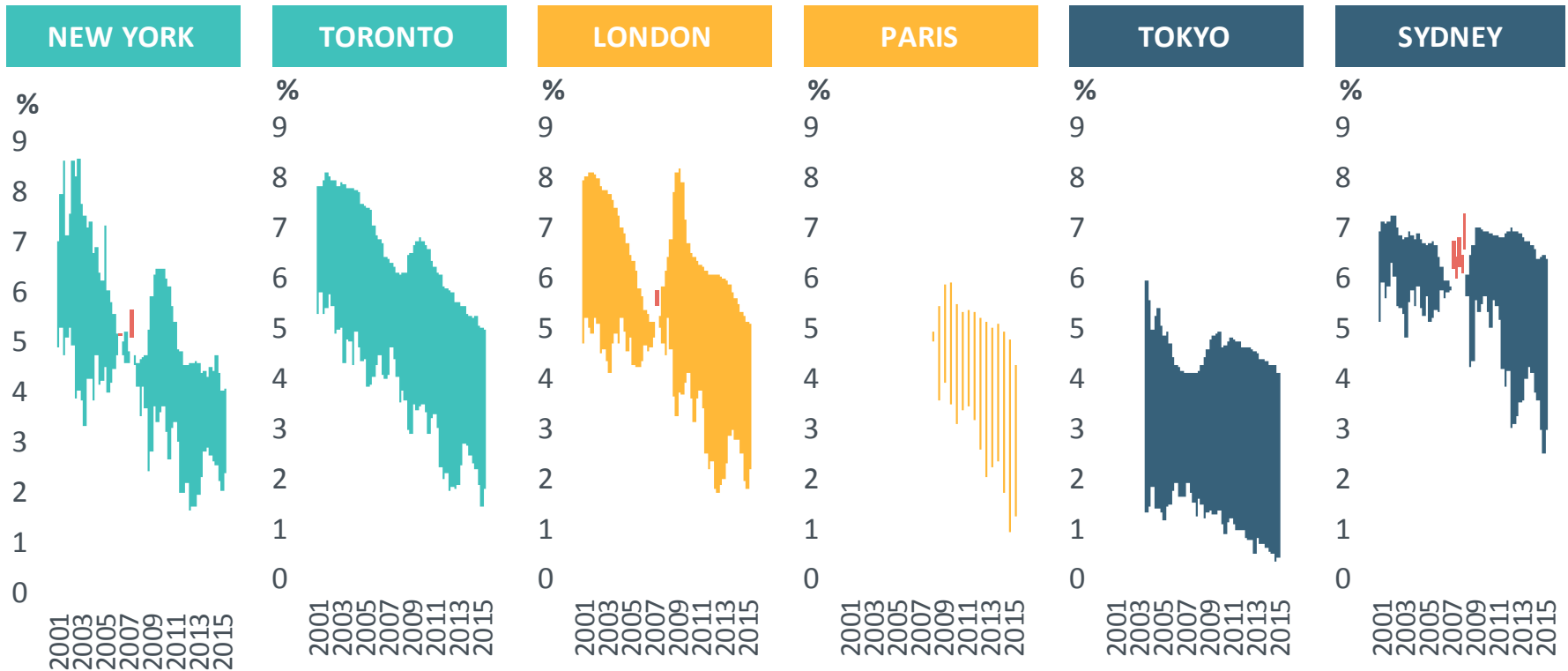
\*Tokyo as of Q1 2015

Source: MSCI; OECD



# PREMIUMS AT 'TYPICAL' LEVELS

RELATIVE PRICING TRENDS FOR SELECTED GLOBAL CITIES THROUGH Q2 2015  
SPREAD BETWEEN ALL PROPERTY LOCAL YIELD & 10-YEAR NATIONAL BOND RATE



Note: All property yields shown here follow local market conventions and practices and may not necessarily be consistent across all markets.

Negative spreads are shown in red where applicable.

Source: MSCI; OECD

# REAL ESTATE HAS BECOME MORE AGGRESSIVELY PRICED, GLOBALLY

YIELD SPREAD vs INCOME RETURN AT A GLOBAL LEVEL



Note: Spreads based on difference between income return and average annual USD LIBOR, 12-month maturity.

Sources: MSCI; ICE Benchmark Administration (IBA)

# CONTACT US

## AMERICAS

**Canada** + 1 416 687 6284  
**US** + 1 212 804 3900

## EUROPE, MIDDLE EAST & AFRICA

**UK** + 44 20 7336 9200  
**France** + 33 1 58 05 36 90  
**Germany** + 49 691 3385 999  
**Netherlands** + 31 88 328 22 00  
**Spain** + 34 917 610 271  
**South Africa** + 27 11 656 2115  
**Sweden** + 46 8 400 252 30

## ASIA PACIFIC

**Australia** + 61 2 9248 1900  
**Japan** + 81 3 5211 1455

[msci.com](https://www.msci.com)