

B&I Capital

LISTED REAL ESTATE
OCTOBER 2026

B&I Capital AG
+41 44 215 2888
contact@bnicapital.com

Key Messages

Returns

After the Nasdaq peak, US REITs returned +322% vs. -50% for the Nasdaq (Mar 2000 to Mar 2007).

Sentiment

Fund managers are a net 22% underweight real estate, among BofA's most extreme positions.

Valuation

Asian REITs trade 10–20% below long-run averages; US REITs at a c.5% NAV discount.

Supply is falling

Construction costs and rates make new starts uneconomic; Sydney office rents c.30% below feasibility.

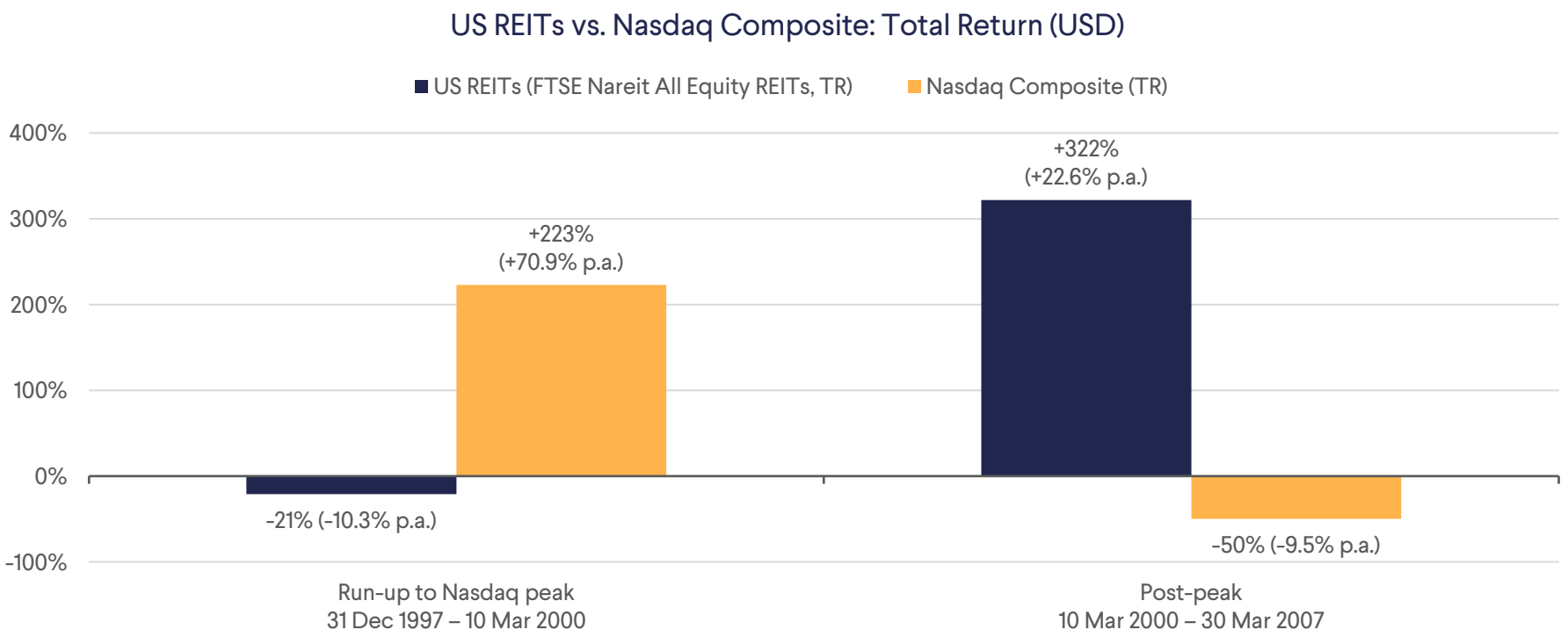
Rents are rising

HK Central +3.3% QoQ; Tokyo vacancy 1.85% with rents +13.7% YoY.

Leverage is contained

US debt ratio 34.4% with 4.5x cover; +50bps costs Asian REITs c.1–2% of earnings.

REITs After the Tech Bubble



Source: B&I Capital, Nareit, FTSE Russell, Nasdaq (October 2026)

Run-up to the peak

US REITs fell 21% while the Nasdaq rose 223%, Dec 1997 to Mar 2000.

After the peak

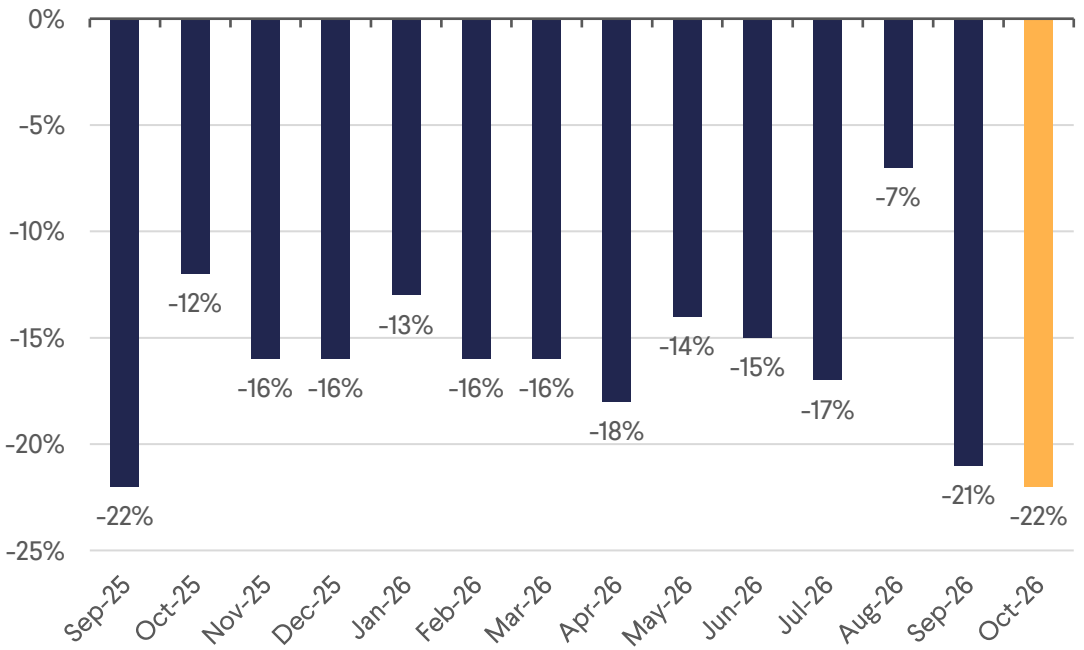
REITs returned +322% (22.6% p.a.) as the Nasdaq fell 50%, to Mar 2007.

The lesson

Entry point drives returns: buy the asset class when it is unloved.

Investor Positioning: Echoes of 1999

Net % of Fund Managers Overweight Real Estate



Source: BofA Global Fund Manager Survey (October 2026)

Valuation: Then and Now

	Feb 2000	Today	Long-run avg.
US REIT price vs. NAV	-20%	c.-5%	c.+5%
US REIT yield less 10Y UST	+2.3pp	-1.3pp	+0.9pp
J-REIT price vs. NAV	n/a	‹0.9x	c.1.0x
REIT price/book: AU, SG, JP	n/a	c.0.85–0.9x	c.1.05x

Source: B&I Capital, Green Street, Nareit, UBS, Jarden, SMBC Nikko (October 2026)

Positioning

Real estate a net 22% underweight; tech the most overweight since 2020.

US

NAV discount attractive but far shallower than 1999; yield gap below average.

Asia

Valuations 10–20% below long-run averages, near the lows of the past decade.

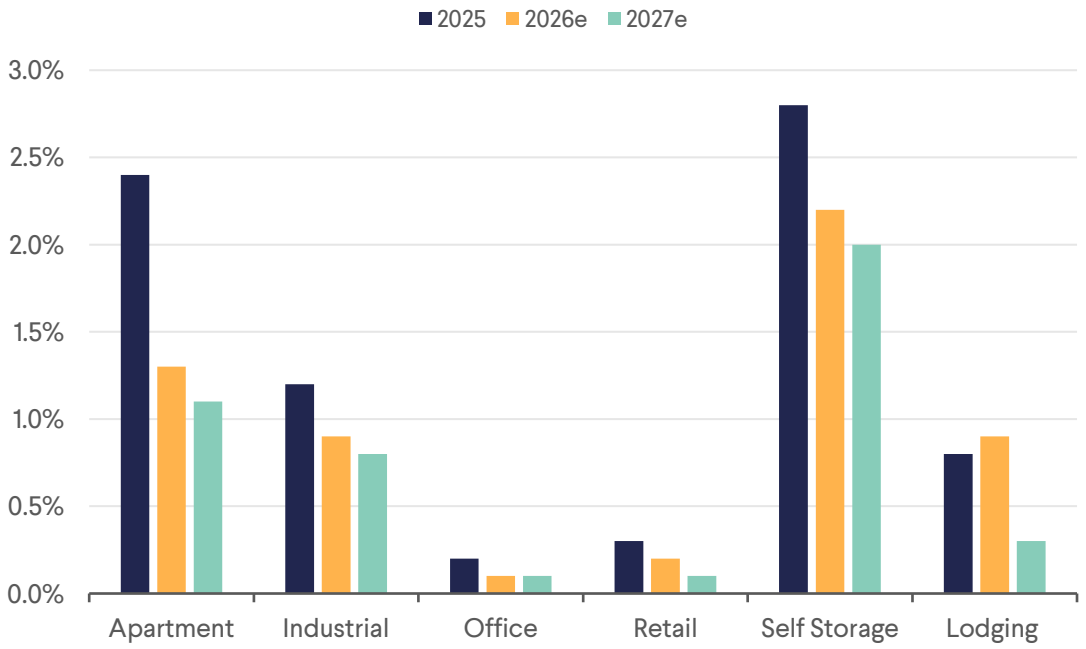
SUPPLY

New Supply Is Falling

Construction costs and higher rates make new development uneconomic at current rents. Existing landlords own assets that cannot be replaced at today's prices.

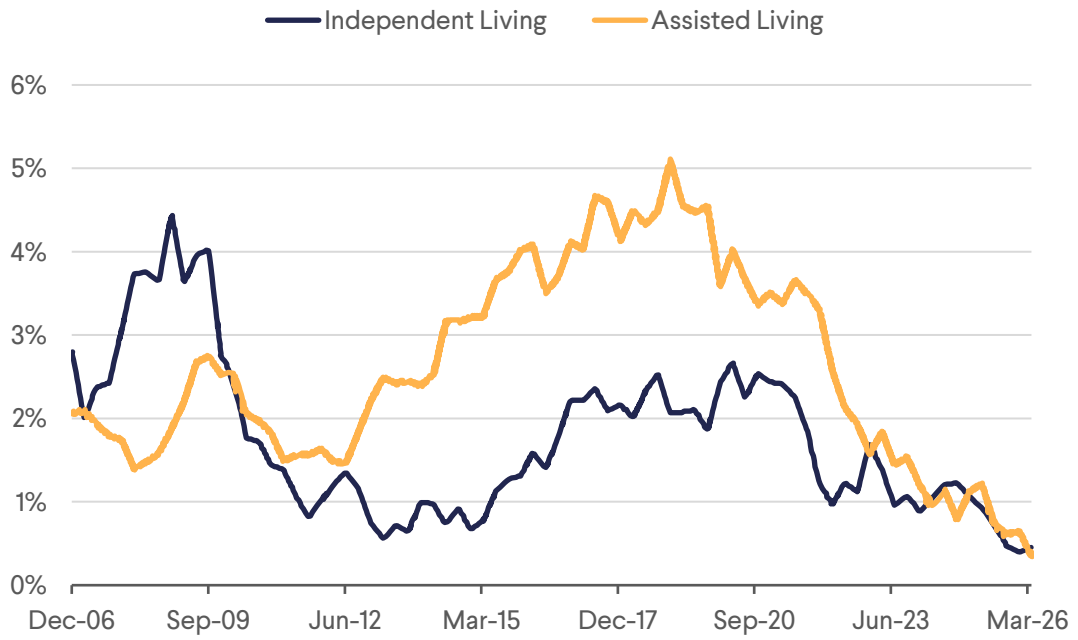
Declining Physical Supply in the US

New Supply as Percentage of Total Inventory



Source: BMO, NIC, RealPage Market Analytics (July 2026)

Limited New SHOP Supply Despite Demographic Tailwinds



Source: National Investment Center for Senior Housing (May 2026)

Supply has peaked

Share of inventory falls again in 2026 and 2027 across apartments, industrial, storage and lodging.

Senior housing undersupplied

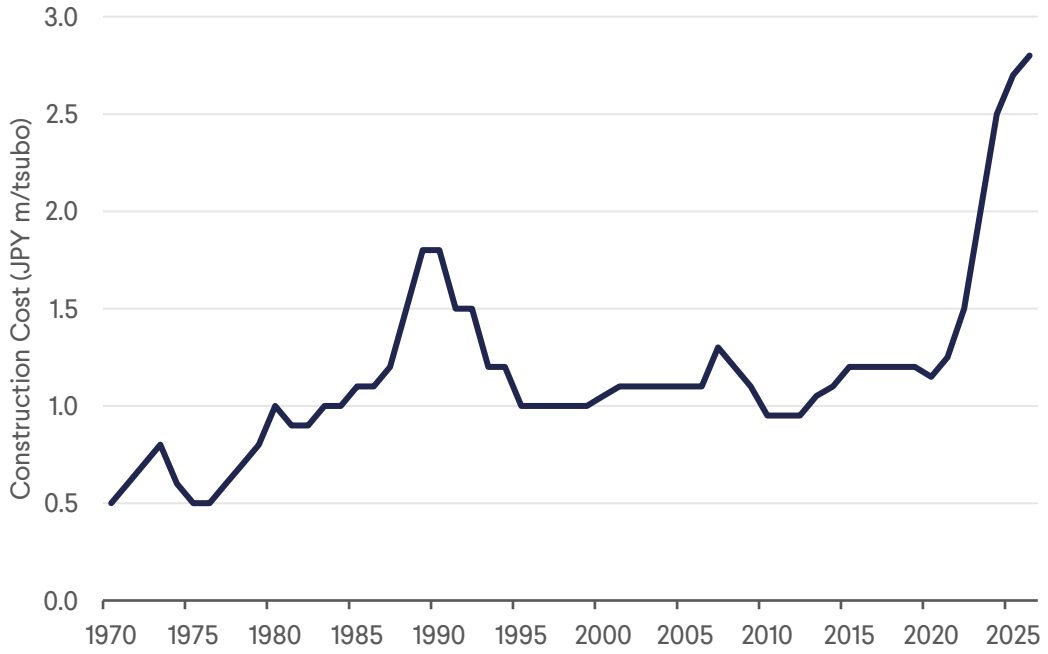
Starts stay low despite the demographic tailwind, giving landlords pricing power.

Development is uneconomic

Higher rates, tighter bank lending and costlier labour, materials and energy.

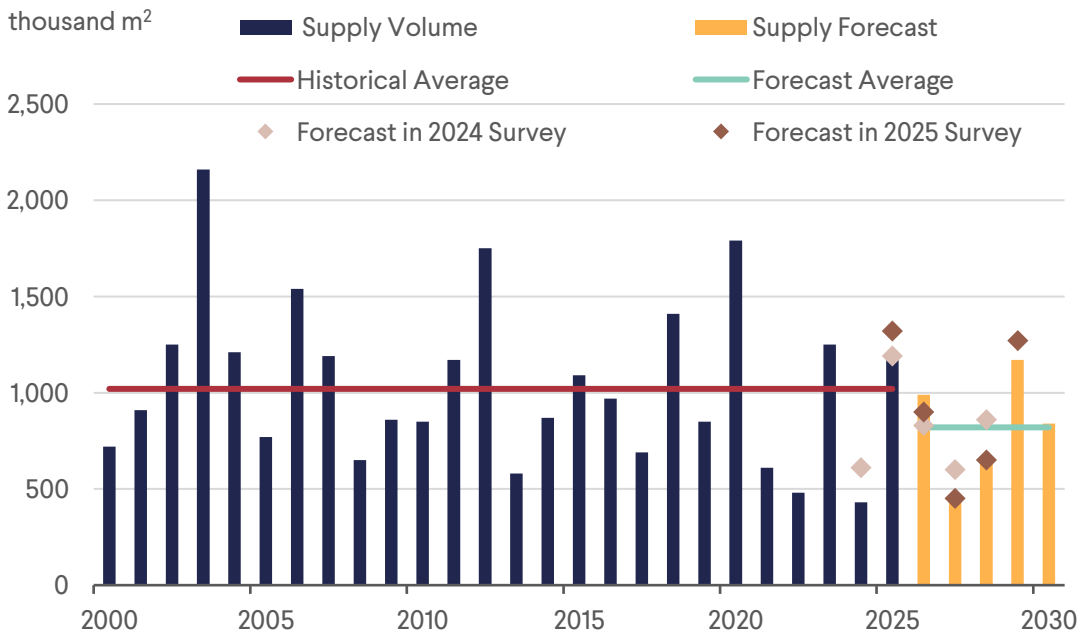
Construction Costs Limit New Supply in Japan

Construction Cost in Japan



Source: Mizuho (August 2026)

Tokyo Office Supply



Source: Mori Building (May 2026)

Costs at a record

Japanese construction costs are the highest since 1970, and labour is short.

Projects pulled

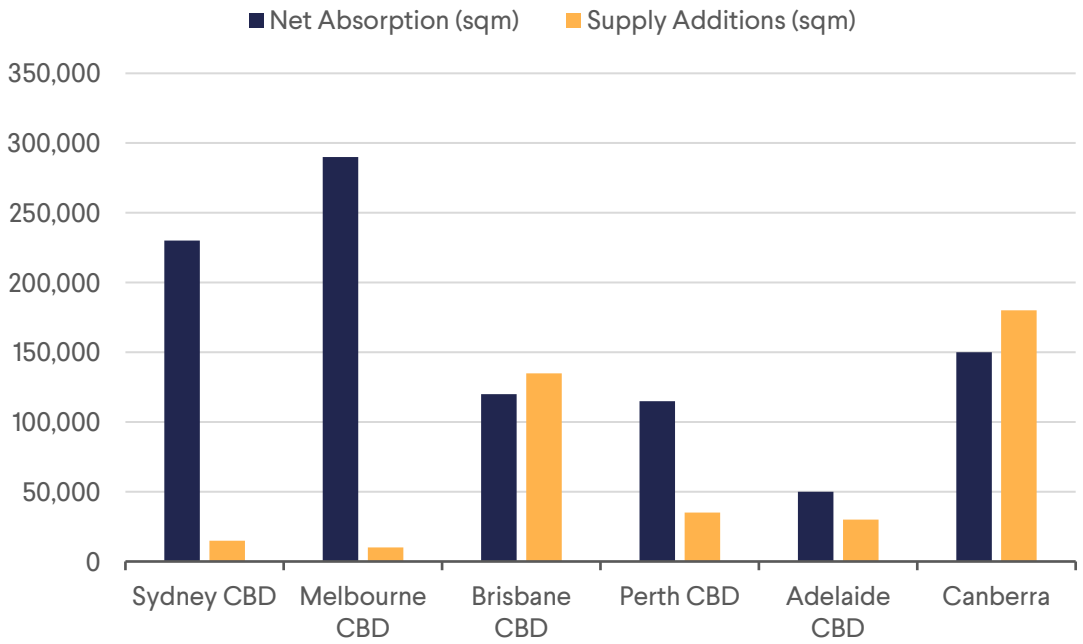
New office, hotel and logistics developments are tapering, delayed or cancelled.

Landlords benefit

Rents must rise well above today's levels before new supply pencils.

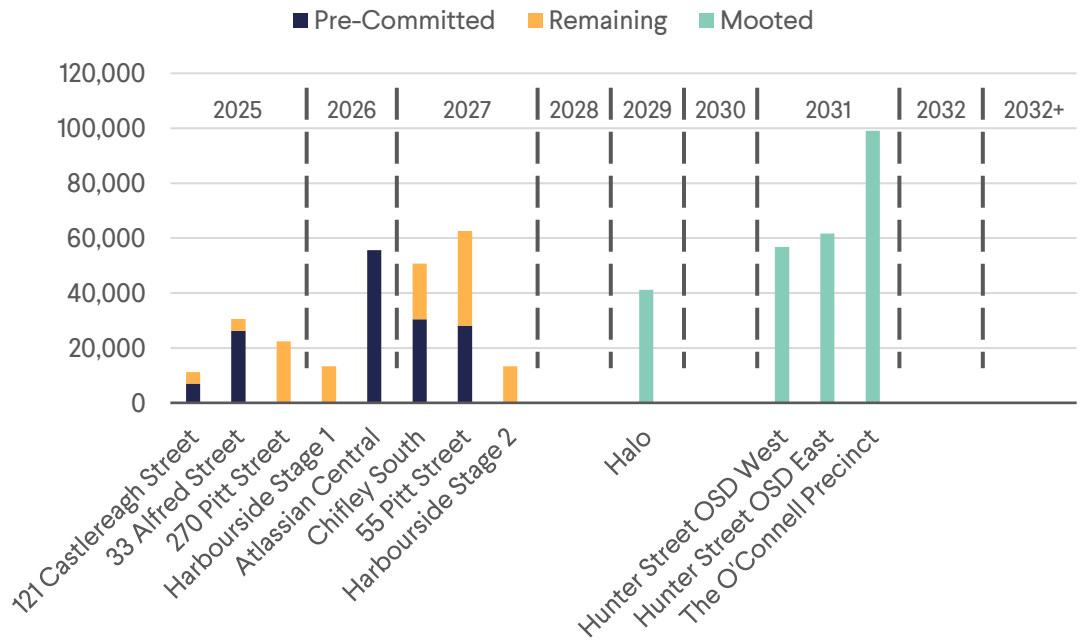
Australia Office: Supply at Historic Lows

CBD Office Markets Absorption & Additions, 2025–2029



Source: JLL (July 2025)

Sydney CBD Office Market Development Pipeline



Source: JLL (July 2026)

Five lean years

New CBD office supply is historically low; mooted 2029+ projects are unlikely to start.

Rents below replacement

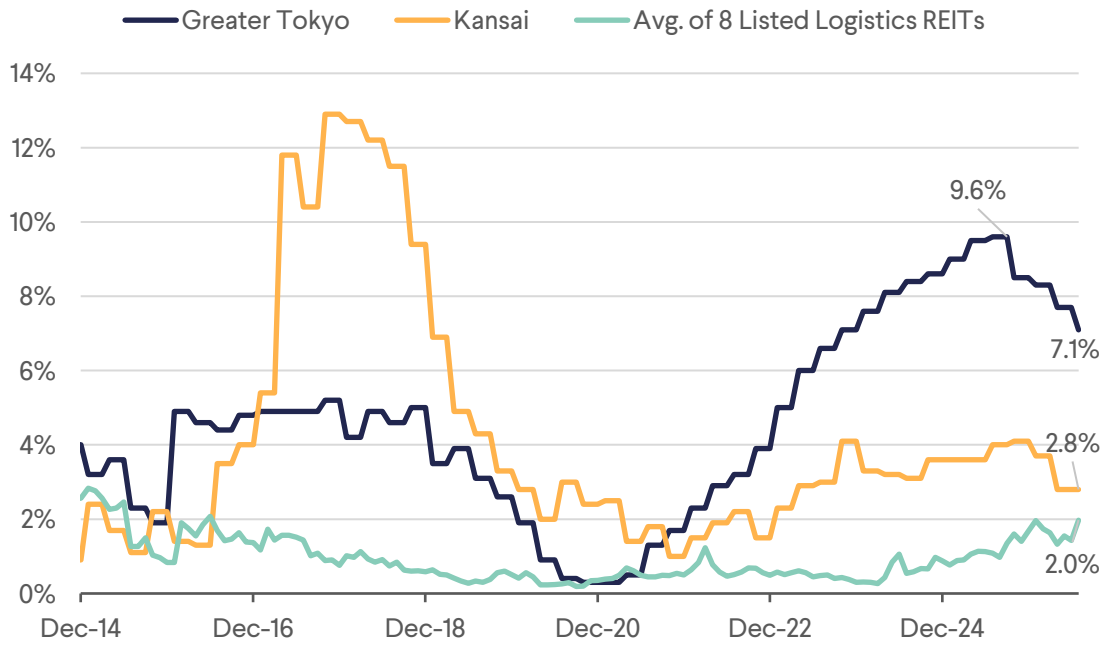
Sydney face rents are c.30% short of what new development needs.

Vacancy is concentrated

14% of Sydney and Melbourne CBD buildings hold 54% of vacant space.

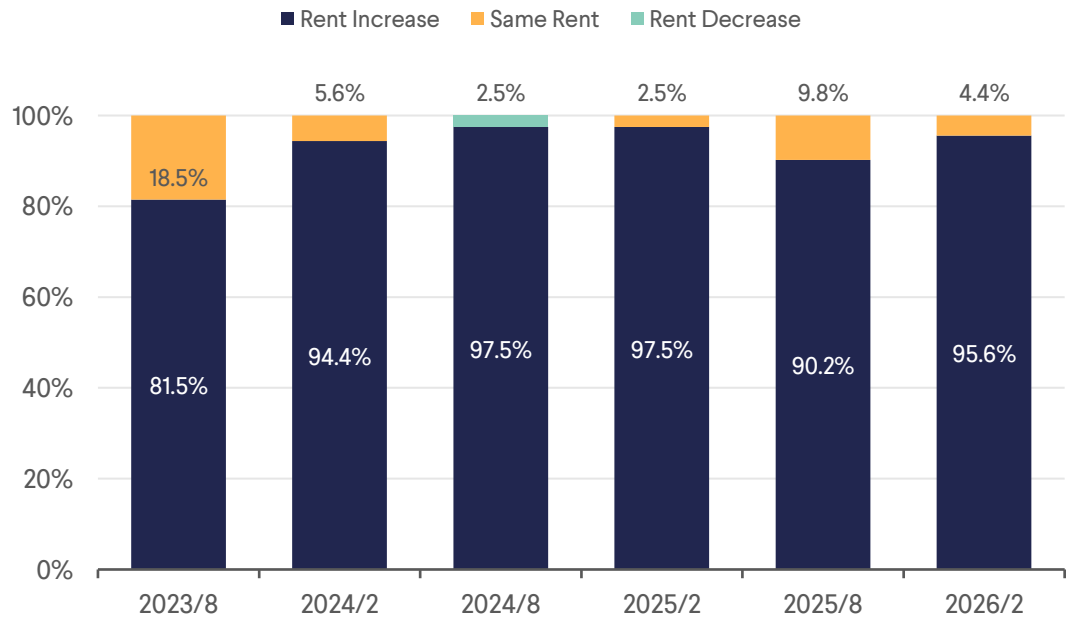
Japan Logistics: Listed REITs Beat the Market

Vacancy in Listed REITs vs. Market Vacancy



Source: B&I Capital, K.K. Ichigo Real Estate Service, REITs data (July 2026)

Rent Change on Lease Expiry at LaSalle LOGIPORT REIT



Source: LaSalle LOGIPORT REIT (April 2026)

Market vs. REITs

Greater Tokyo vacancy peaked at 9.6% (now 7.1%); listed logistics REITs sit at 2.0%.

Rents still rising

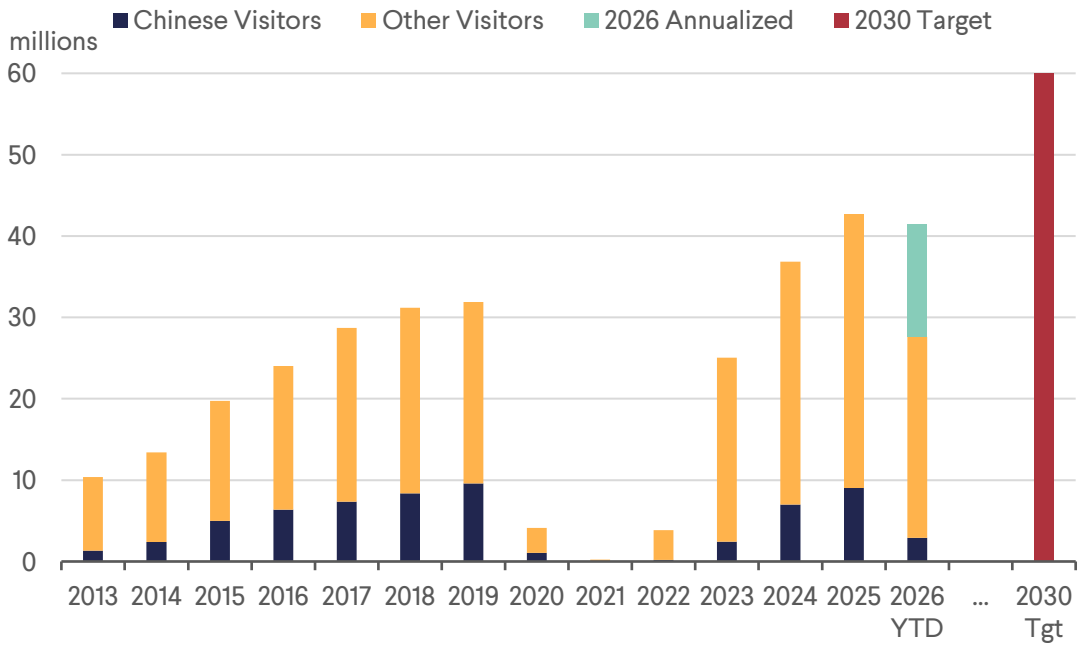
Mid-to-high single-digit increases; 95.6% of LOGIPORT expiries renewed higher.

High bar for new supply

New starts need JPY 6,500+/tsubo vs. c.JPY 4,000 to cover build cost alone.

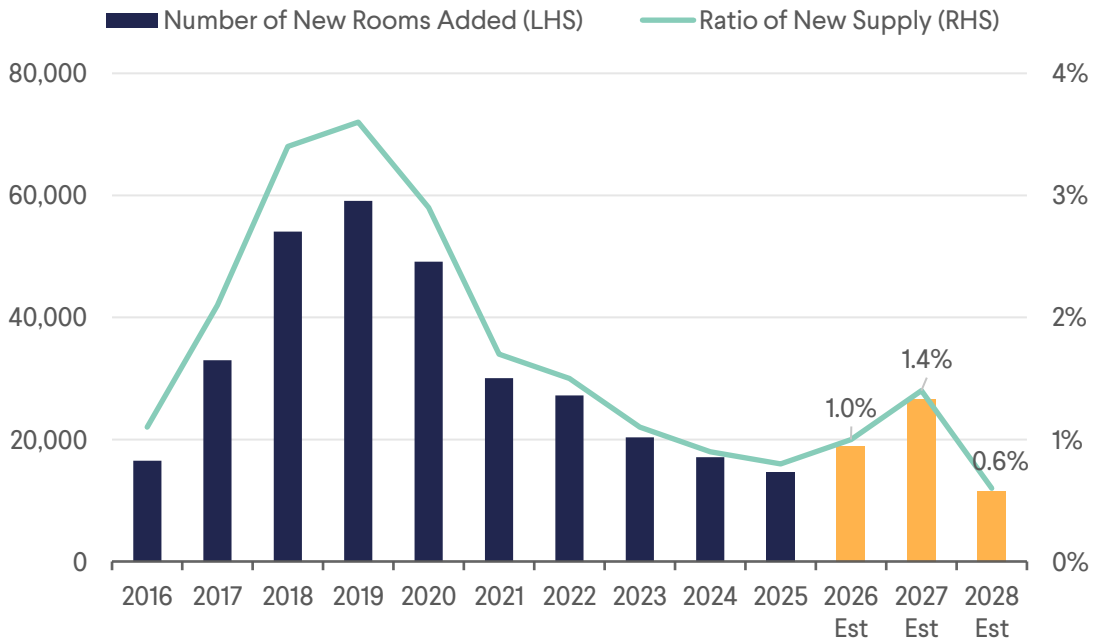
Japan Hotels: Visitors Outgrow New Rooms

Visitor Arrivals to Japan



Source: B&I Capital, Japan National Tourism Organization (June 2026)

Japan Hotel Supply



Source: Japan Hotel REIT (August 2026)

Record demand

42.6m arrivals in 2025, +34% vs. 2019; tourist spending a record JPY 9.5tn.

Target needs c.7% p.a.

Reaching the 60m goal by 2030 implies c.7% annual growth from 2025.

Supply c.1% p.a.

New rooms in 2026–28 vs. 3.4–3.6% of stock in 2018–19.

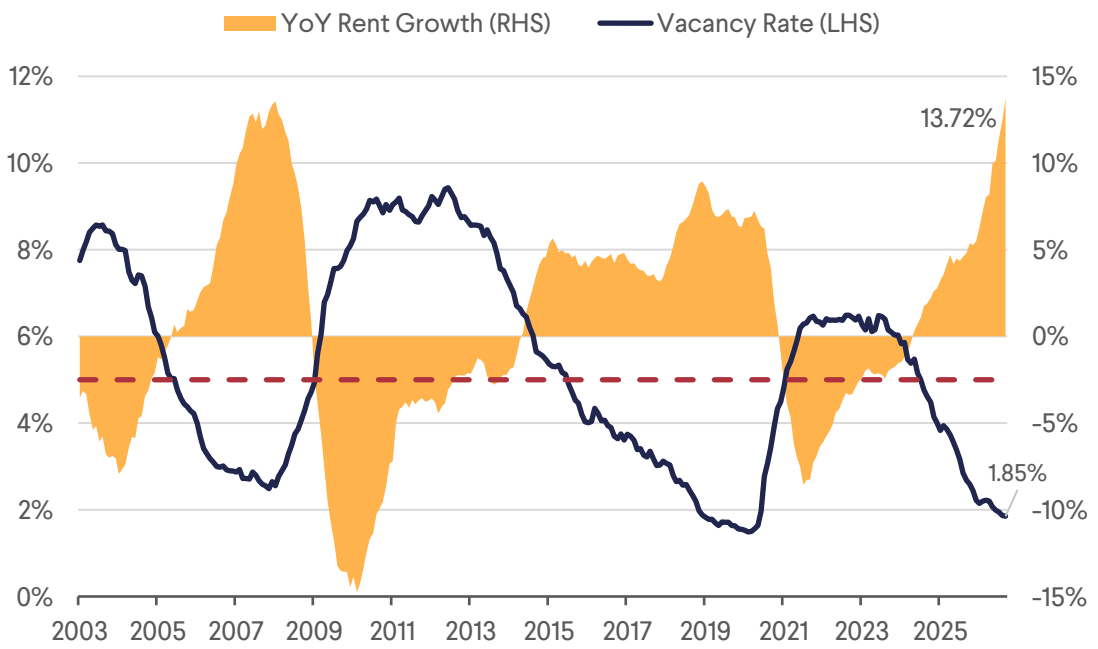
RENTS

Rent Growth Is Accelerating Where Supply Is Tightest

Tokyo and Marunouchi office, HK Central, Japan logistics renewals, Japan residential and hotels stand out. Not universal: Australian and US Industrial, where rent growth has slowed.

Tokyo Office: 1.85% Vacancy, Rents +13.7%

Central Tokyo Rent Growth and Vacancy



Source: Miki Shoji (September 2026)

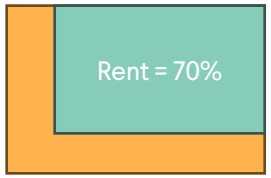
Tokyo Rents vs. London and New York

		Class A	Class B	FX
Tokyo	JPY/tsubo/mth	70,000	40,000	-
London	GBP/sqft/year	200	100	200
New York	USD/sqft/year	200	150	150

Converted to JPY/tsubo/mth

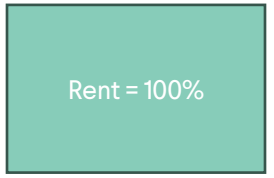
Class A	Class B
70,000	40,000
136,780	63,619
145,414	104,833

Tokyo



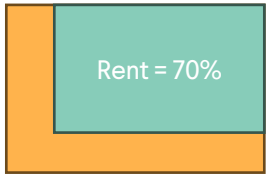
Owner pays fixed asset tax (including CAM)

New York



Tenant pays fixed asset tax (including CAM)

London



Tenant pays fixed asset tax (excluding CAM)

Source: Mizuho, Miki Shoji, Cushman & Wakefield, JLL (August 2026)

Tightest in years

Vacancy 1.85% and rent growth 13.7% YoY, with limited supply through 2028.

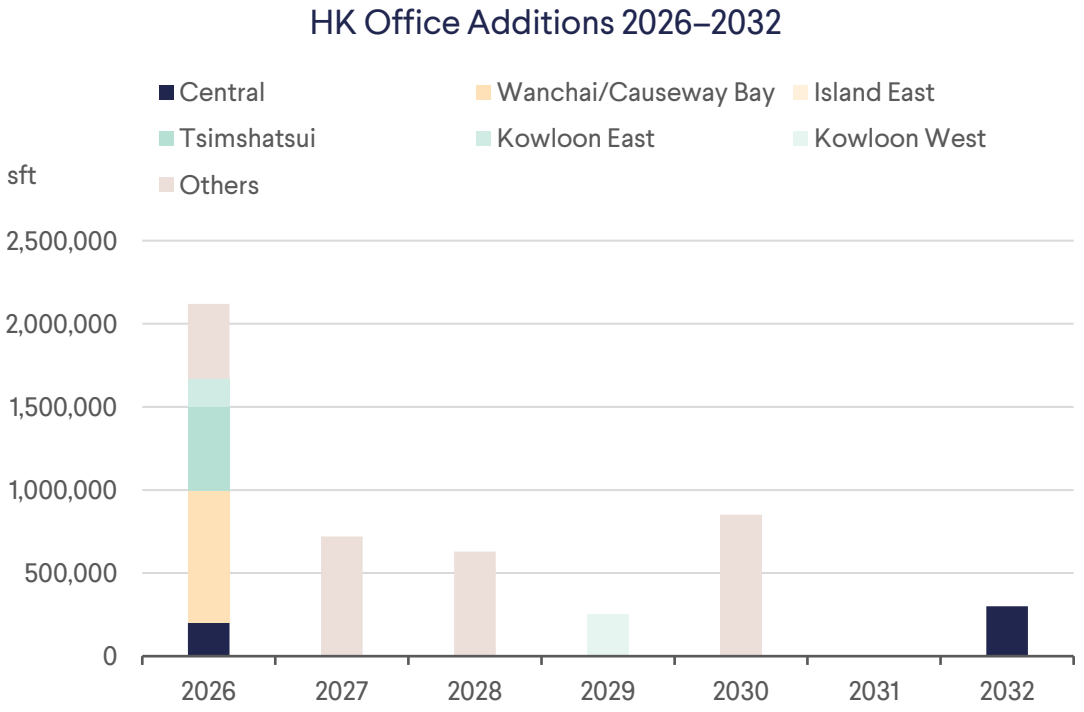
Demand is broadening

Strength is spreading from new prime towers across grades and locations.

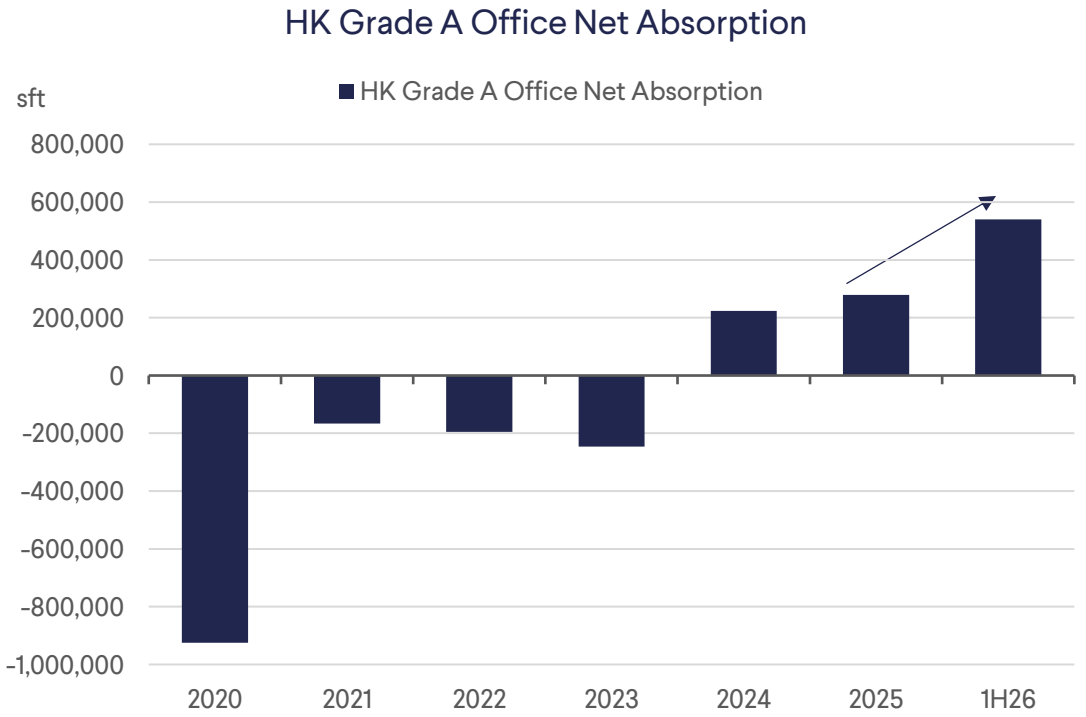
Still cheap globally

Class A rents are about half New York and London on a like-for-like basis.

HK Central Office: The Turn Has Come



Source: Savills (January 2026)



Source: DBS (July 2026)

Rents accelerating

Central office rents +3.3% QoQ in 2Q26, led by prime buildings.

Demand is back

Net absorption positive since 2024 on IPOs (+165% in 2025) and hedge fund expansion.

Little new supply

Central adds little new space over the next six years.

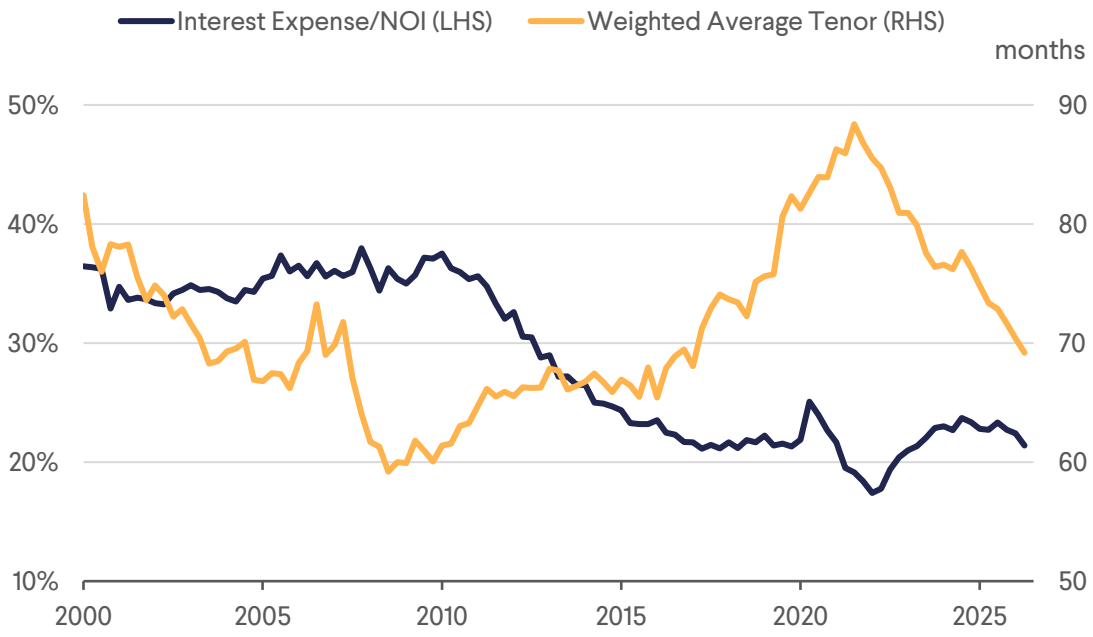
LEVERAGE

Balance Sheets Are Not the Problem

Debt ratios near historic lows, long tenors and high hedging mean higher rates filter through to earnings slowly, at c.1–2% per 50bps.

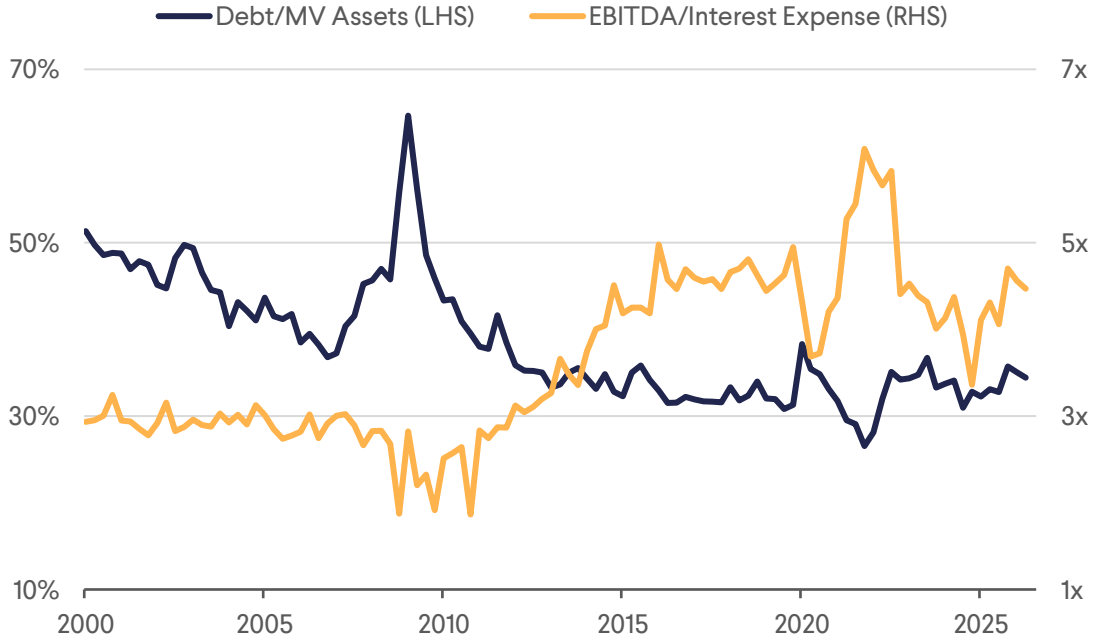
US REITs: Balance Sheets Are Not the Problem

US REITs: Interest Burden and Debt Tenor



Source: Nareit (Q2 2026, August 2026)

US REITs: Leverage and Interest Cover



Source: Nareit (Q2 2026, August 2026)

Low leverage

Debt 34.4% of market value with 4.5x interest cover (2Q26).

Light interest burden

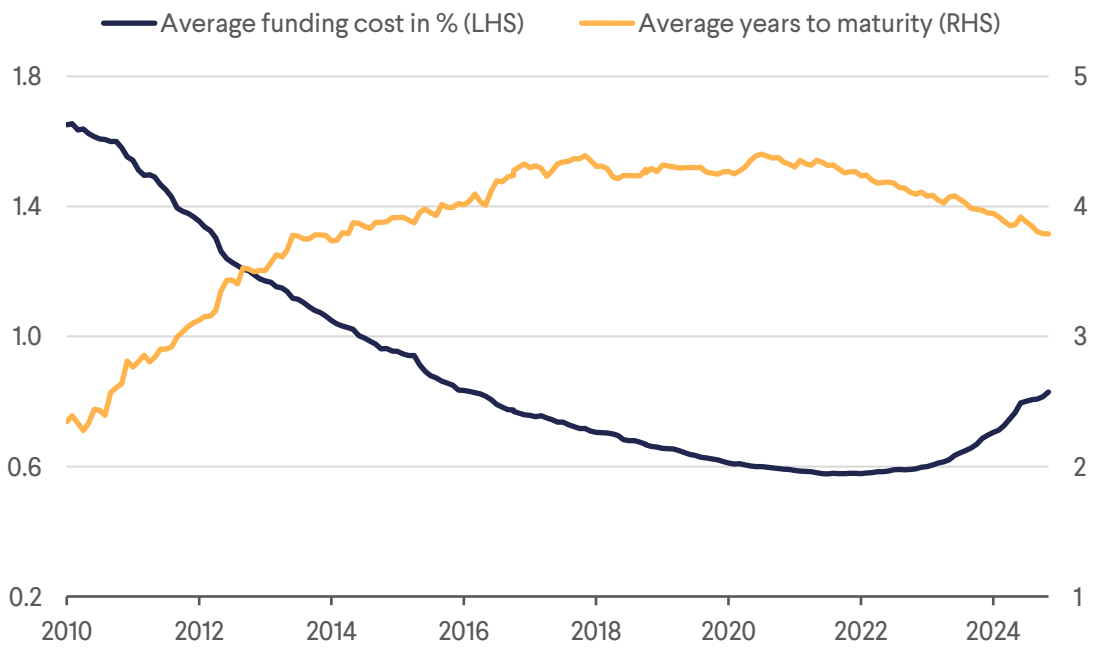
Interest is c.22% of NOI vs. c.35% before the GFC; tenor near 70 months.

Risk overstated

Higher rates raise the cost of capital, but balance sheet risk is lower than feared.

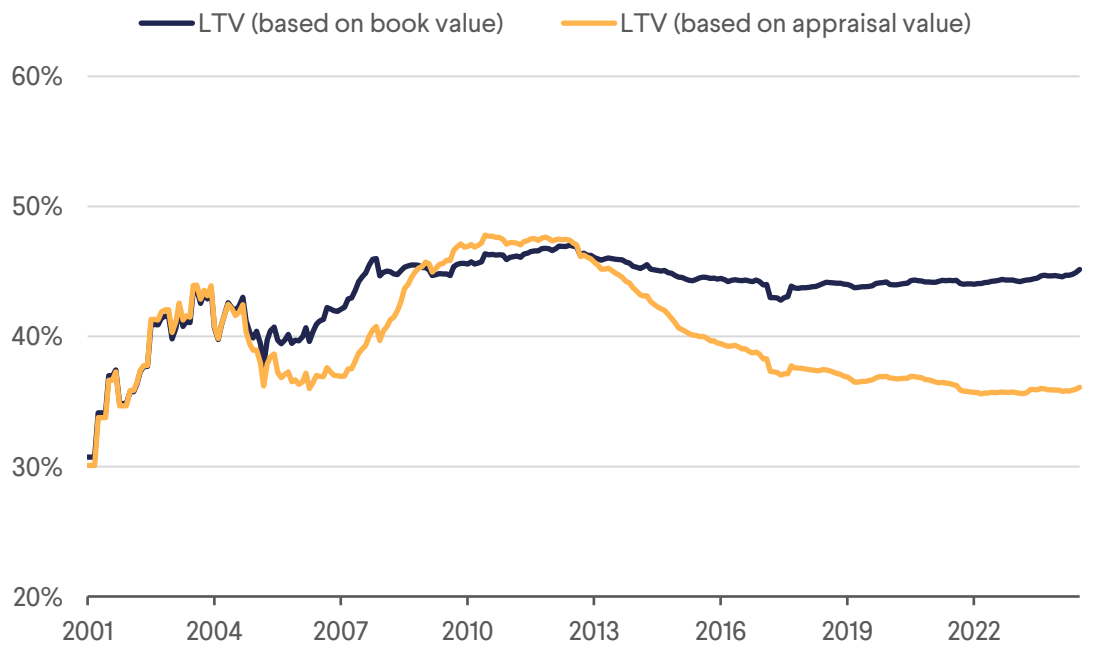
J-REITs: Rate Rises Filter Through Slowly

J-REITs Funding Terms



Source: B&I Capital, SMBC Nikko (August 2025)

J-REITs Loan to Value



Source: B&I Capital, SMBC Nikko (June 2025)

Spreads stable

Credit remains readily available at long tenors as base rates rise.

Slow pass-through

Over 80% fixed, c.4-year maturities: +100bps costs c.8% of DPU in total, c.1% per period.

Conservative LTV

LTV on appraisal value is c.36%, near a two-decade low.

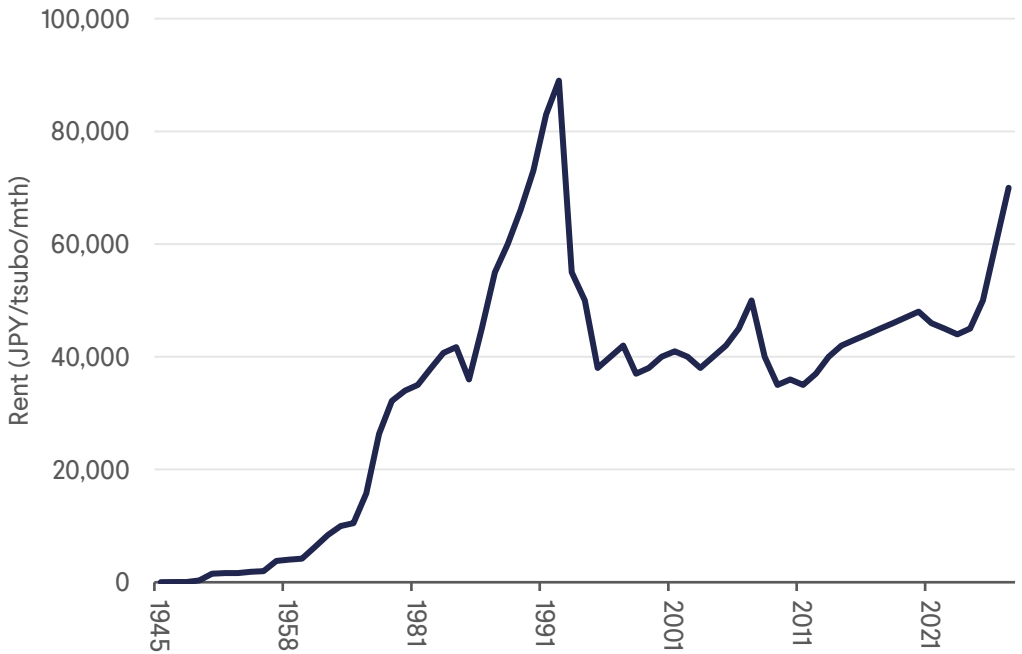
Mitsubishi Estate: Rent Growth Outruns Interest Cost

Mitsubishi Estate (8802): Refinancing Cost vs. Recurring Income

Recurring Operating Profit (JPY bn)	FY3/26A	FY3/27E	YoY Δ
Commercial Property	68.7	60.0	(8.7)
Marunouchi Property	97.5	110.0	12.5
Residential	46.3	55.0	8.7
International	7.1	25.0	17.9
Investment Management (normalized)*	15.0	15.0	0.0
AD&E / RE Services	12.6	10.0	(2.6)
Other / Eliminations	(31.9)	(30.0)	1.9
Total Recurring Operating Profit	**215.3**	**245.0**	**29.7**
Est. incremental interest cost p.a. (Interest rate 0.5% -› 2.5%)			**(6.0)**

Source: Mitsubishi Estate, B&I Capital
*Excludes one-off negative swing in incentive fees in FY3/26, assume no growth in FY3/27

Marunouchi Office Rent



Source: Asahi Shimbun until 1992, after 1993 Mizuho estimations (August 2026)

Cost is small

Refinancing c.JPY 300bn adds c.JPY 6bn of interest, c.2.5% of recurring OP.

Marunouchi covers it

Marunouchi alone adds JPY 12.5bn of profit; vacancy is below 0.5%.

More rent to come

New developments elsewhere already exceed JPY 100k/tsubo.

A-REITs: +50bps Costs c.1% of Earnings

Ticker	Gearing D/A (%)	Cost of Debt (%)	Hedged Debt (%)	FFO Growth FY26 (%)	+50bps: Impact on FY1 (%)	+50bps: Impact if Unhedged (%)
Dexus Convenience	30.6	4.8	66	0.0	1.4	4.2
GDI Property	33.0	5.7	80	3.0	0.8	3.9
Mirvac Group	24.1	5.7	66	3.1	1.2	3.7
Scentre Group	35.5	5.4	89	4.9	0.6	5.6
Stockland	22.7	5.3	65	4.4	0.9	2.6
Average	29.2	5.4	73	3.1	1.0	4.0

Source: B&I Capital, FactSet, MQ Research

Hedging works

+50bps cuts FY27 earnings by c.1%, vs. c.4% if debt were unhedged.

RBA near its peak

75bps of hikes this year; a weaker labour market may force a pause.

Funding costs easing

Bank margins down 30bps in six months; GMG and CHC geared below 20%.

S-REITs: Hedged Debt and a Low Base Rate

Ticker	Gearing D/A (%)	Cost of Debt (%)	Hedged Debt (%)	Avg. Maturity (Years)	DPU Growth FY26 (%)	+50bps: Impact on DPU 2026 (%)
CICT	38.6	3.2	74	4.0	2.1	2
CapitaLand Ascendas	39.0	3.5	75	3.1	2.3	2
CapitaLand Ascott	37.7	2.9	78	3.4	0.4	3
FCT	40.3	3.5	81	2.9	2.8	2
Digital Core	37.1	3.5	85	3.7	1.4	1
NTT DC REIT	32.5	3.9	70	2.5	3.2	1
PREIT	33.4	1.6	93	3.0	16.6	1
Average	36.9	3.2	79	3.2	4.1	2

Source: B&I Capital, UBS Research

Mostly hedged

79% hedged; +50bps cuts 2026 DPU c.1–3%.

Low base rate

SORA has fallen to c.1.2% on strong capital inflows.

Growth beats cost

PREIT DPU +16.6% in FY26 far exceeds any interest increase.

Disclaimer

This is promotional material. The current document is intended for information purposes only and shall not to be used as recommendation or offer to buy and/or sell shares. This presentation has been prepared by B&I Capital AG (Talacker 35, CH–8001 Zurich) with reference to the B&I Global Real Estate Securities Fund and the B&I Asian Real Estate Securities Fund (hereafter referred to as "the Funds").

The Funds are domiciled in Liechtenstein. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3, 3bis and 3ter CISA. In Switzerland, the Representative is LLB Swiss Investment AG, Claridenstrasse 20, CH–8002 Zurich, whilst the Paying agent is LLB (Schweiz) AG, Zürcherstrasse 3, CH–8730 Uznach. In respect of the units distributed in Switzerland, the competent Courts shall be at the registered office of the Representative in Switzerland. The Prospectus, the Key Investor Information Document, other applicable documents as well as the annual reports may be obtained free of charge at the office of the Swiss Representative.

While the greatest effort has been made to ensure the accuracy of the data, no liability lies with the authors for any inaccuracies that may be present. This document, the ideas and themes it puts forward must be considered confidential and are not to be duplicated or distributed to any third party without the express consent of the managers of the Funds.

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements. **The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be a reliable guide to future performance.**

This presentation does not take into account individual investment objectives, your financial situation or particular needs. It does not purport to contain all the information needed to evaluate the Funds. Prospective investors should make their own independent evaluation of an investment in the Fund and conduct their own investigations and analysis. Units of the funds may not be offered, sold or otherwise transferred within the United States or to or for the account or benefit of US persons (as defined in the United States Securities Act 1933).

In the United Kingdom this document is communicated only to persons who have professional experience in matters relating to investments and who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Any investment or investment activity to which it relates is available only to such persons or will be engaged in only with such persons. Persons who do not have professional experience in matters relating to investments should not rely on it.

Source: London Stock Exchange Group plc and its group undertakings, including FTSE International Limited (collectively, the "LSE Group"), European Public Real Estate Association ("EPRA"), and the National Association of Real Estate Investment Trusts ("Nareit") (and together the "Licensor Parties"). © LSE Group 2025. FTSE Russell is a trading name of certain LSE Group companies. "FTSE®" and "Russell®" are trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. "Nareit® is a trade mark of Nareit, "EPRA®" is a trade mark of EPRA and all are used by the LSE Group under license. All rights in the FTSE EPRA Nareit INDEXES or data vest in the Licensor Parties. The Licensor Parties do not accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The Licensor Parties do not promote, sponsor or endorse the content of this communication.