

JULY 2011 – SEPTEMBER 2011

The expected return on Listed Property investments is generally greater than Fixed Interest or Cash but they are considered more risky as returns can rise and fall substantially. Listed Property securities generally comprise properties such as offices, hotels and shopping centres as they are usually more liquid (i.e. easier to cash in) than residential property, as they're listed on the share market.

Quarter Review

The S&P/ASX 200 Property Trust Accumulation Index was down 8.01% for the quarter. The market remained dominated by global economic news, primarily driven by the risks of a global slowdown and European sovereign debt concerns.

The Australian Dollar, relative to the US Dollar, fell approximately 11%, as concerns about a China slowdown weighed on the market.

The office sector was the best performing sector for the quarter, while stocks fell 3.15%. The highlight of the quarter was the announced bid for Charter Hall Office REIT by the Charter Hall Group and a consortium of investors. The fundamentals continue to improve in Sydney and Melbourne as net effective rents have risen during the year and the leasing environment has remained favourable, with supply largely in check.

The industrial sector fell 16.9% for the quarter, primarily led down by Goodman Group (GMG). GMG has development exposure across Asia, as such when fears of the global slowdown hit the market the stock pulled back significantly, falling over 18%.

The diversified sector fell slightly more than the market, falling 8.3%. GPT has been one of the earlier companies to adopt a buy-back program as the company still sees significant upside in its stock price. It was the best performer of the quarter.

Retail property stocks outperformed the index, falling 6.9%. Charter Hall Retail REIT was the best performer within the group, posting a -2.19% return for the quarter after posting solid earnings results.

Outlook

Some fund managers continue to believe the office sector will outperform as the stocks offer the largest discounts to intrinsic value. These fund managers also expect this valuation discount to be closed through a combination of improving fundamentals and a strong transaction market. They also continue to like the steadiness of the retail sector although they note growth opportunities may be somewhat limited.

A note from our legal team

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S&P/ASX 200 Property Trust Accumulation Index

