

APRIL 2011 – JUNE 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 0.51% 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 Aussie Dollar, relative to the US Dollar, posted another solid quarter, rising approximately 3.80%.

The office sector was the best performing sector for the quarter, returning 8.08% for the period. Tenant demand looks to be returning, evidenced by recent leasing activity showing reduced incentives and prime vacancies tightening across most markets.

Commonwealth Property Office Fund, CPA, was the best performing office stock, up 12.48% as the stock continued to rebound from an overly discounted valuation, which was the result of a poorly received equity raising late last year.

The industrial sector returned 6.39% for the quarter. BWP

Trust was the top performing stock up 10.13%, rebounding strongly from a disappointing first quarter. Investors continue to like the industrial stocks as they, primarily the Goodman Group (+5.82%), should be a direct beneficiary of global growth.

The diversified sector rose 0.12%. Dexus Group was the top performer in the group, returning 6.54% as investors continued to desire office and industrial exposure.

Retail property stocks were the worst performers for the quarter as the stocks fell 3.23%. The sector was overshadowed by softer retail sales data. The worst performer in the group was Westfield Group Australia which fell 7.28% in the quarter.

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. These fund managers also believe the industrial sector offers an attractive investment.

A note from our legal team

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S&P/ASX 200 Property Trust Accumulation Index

