

Media Release

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Listed Property Trust Survey finds funds management now a significant driver of the Sector in 2007

The 2007 BDO Kendalls Listed Property Trust Survey has found that the funds management operations of unlisted vehicles have been the main driving force behind growth in much of the sector over the past 12 months.

The Survey, now in its 13th year, also found that trusts are also becoming more innovative and diverse in terms of their structuring and assets; many diversifying from traditional property assets into areas such as pubs, childcare facilities, retirement villages, and even vineyards.

A sign of increasing consistency of the top performers in the sector is that six of the top 10 trusts in the 2007 survey were also in the top ten in the 2006 survey.

These entities range in size from small-medium up to large cap trusts; proving that size is no barrier to strong performance in the sector.

Sebastian Stevens, Director of BDO Kendalls' Corporate Finance Division in Sydney said, "The 2007 results show a continuation of the evolution of listed property trusts that has characterised the sector for a number of years."

"Trusts are becoming more innovative and diverse in terms of their structuring and assets, with many now looking to Europe, the United States of America and Japan to locate their assets."

The results of the 2007 survey show that trusts that have positioned themselves over the past five years to take advantage of this evolution have performed the best. They are typified by having adopted new structures to suit the diverse appetite and risk profiles of different investors.

The top three ranked trusts in the survey are:

1. Charter Hall Group
2. Aspen Group
3. ALE Property Group

All three are non-traditional property trusts that have grown remarkably over the last five years. The top two, Charter Hall Group and Aspen Group both have innovative funds management operations, with portfolios which have increased by over 100% over the year.

Furthermore, all trusts in the top ten can be said to have taken an innovative approach – either in the form of their assets or location of operations.

Listed Property Trust sector performance

The Listed Property Trust sector performed exceptionally well in the six months to 31 December 2006. In fact, it was the best performing sector in the Australian market for that period. However, in the six months to 30 June 2007, the Listed Property Trust sector underperformed the market, recording a negative capital return. The sector's performance was significantly impacted in the second half by subprime and housing concerns in the US and increasing interest rates. Despite this, there were some spectacular one year returns recorded by some trusts; for example, Trinity Group returning 141%.

Gearing

Mr Stevens said that the analysis conducted on the 2007 survey results show that there has been a fall in average gearing from 42.1% to 41.1%. Significantly, this represents the first fall in gearing in the 13 year history of the survey, and reflects the increasing relevance stapled trusts have - with their higher proportion of intangible assets and lower gearing levels.

Global trends in the sector

Given the saturation of the sector in the mature Australian market, Australian Listed Property Trusts continue to invest overseas. Europe and Japan were the preferred overseas investment destinations during 2007. REITs were introduced in UK on 1 January 2007 and into Germany in May 2007. Both, however, have underperformed since their introduction.

“The Australian market continues to be amongst the world's most developed and sophisticated, providing Australian trusts with the ability to take advantage of global investment opportunities,” said Mr Stevens.

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