

## Real Estate Investment Trusts lift payouts above \$2.7b



Stockland has forecast a 4.1 per cent rise in its FY17 distribution payout. Erin Jonasson



by [Larry Schlesinger](#)

Australia's biggest real estate investment trusts lifted their final distribution payouts to \$2.7 billion this past reporting season as they met their earnings guidance.

Based on guidance for fiscal 2017, investors should expect a modest bump up in their payouts in 12 months' time with stronger earnings growth likely to be limited by a patchy economy, and the low-inflation environment, which will crimp operating income for those trusts that rely on CPI-indexed rent increases.

Trusts like Goodman Group and Stockland, with their ability to profit from development and collect commercial rents, lead the pack with forecast distribution growth of 6 per cent and 4.1 per cent respectively in FY17.

Stockland is also one of seven trusts in the benchmark S&P/ASX 200 A-REIT Index which gives unitholders the option to roll their distributions into new shares via an active distribution reinvestment plan (DRP).

### DRP tempting

Winston Sammut, managing director of Folkestone Maxim Asset Management, said the much lower cash rate would likely tip more investors into taking up the DRP offer

compared with a traditional fifty-fifty split between cash and shares.

But, he said, the number of A-REITs offering the reinvestment option was lower than in the past while the discounts on the pricing of the reinvestments was also lower than the average 2.5 per cent discount offered in the past.

"Fund managers and investors now generally consider DRPs on a case-by-case basis, taking into account the offered discount rate (with 2.5 per cent or higher being attractive) and whether the prospects for the entity continue to be sound thereby providing good support for the share price," Mr Sammut said.

Ken Atchison of Atchison Consultants said superannuation funds would reinvest distributions back into A-REITS and buy more securities as would the multi-managers like Colonial First State.

"Financial planners on platforms will tend to collect distributions from all sources and then decide where to invest. They will rebalance asset allocation using cash flow from income," Mr Atchison said.

Cheques should be in the post for most unitholders with most distribution payments due on August 31 or before.