

**ATCHISON
CONSULTANTS**

**Investment Report
Direct Property -
Key Findings**

**Performance Analysis
10 Years and 25 Years to December 2014**

April 2015

Level 3, 155 Queen Street
Melbourne, VIC 3000
Phone: 03 9642 3835
Fax: 03 9642 8886
Mobile: 0425 754 731
E-mail: ken@atchison.com.au
www.atchison.com.au

Analysis of the performance of property and the other major investment assets available for investors has been undertaken over 10 and 25 years to December 2014.

Major asset classes include:

- Direct Property
 - Retail
 - Office
 - Industrial
- Australian shares
- Overseas shares
- AREITs
- Residential property
- Australian fixed interest
- Cash
- Managed funds

Total returns and volatility of total returns after costs and fees and before tax over 10 years and 25 years to December 2014 are shown in the following table.

Total Returns and Volatility of Total Returns and Inflation

Asset Class	10 Years to December 2014			25 Years to December 2014		
	Return (% p.a.)	Volatility (% p.a.)	Real Return (% p.a.)	Return (% p.a.)	Volatility (% p.a.)	Real Return (% p.a.)
Australian Shares	7.4	14.0	4.7	9.2	13.3	6.5
Overseas Shares	5.4	12.6	2.7	6.1	14.1	3.4
Residential Property	6.8	4.0	4.1	9.1	4.3	6.4
AREITs	1.9	18.6	(0.8)	8.5	14.0	5.8
Fixed Interest	6.4	3.1	3.7	8.5	4.1	5.8
Cash	4.9	1.0	2.1	6.0	1.2	3.4
Managed Funds	6.3	7.2	3.6	8.0	6.9	5.4
Direct Property	9.1	3.6	6.3	7.4	3.6	4.7
Retail Property	9.0	3.1	6.3	10.1	2.4	7.5
Office Property	9.0	4.2	6.3	5.9	4.5	3.2
Industrial Property	8.4	3.8	5.7	8.8	3.7	6.1
Inflation	2.7	0.5		2.7	0.5	

Source: S&P/ASX, MSCI, REIA, CBA, UBS, RBA, PCA/IPD

CPI returns over 10 years and 25 years to 31 December 2014 was 2.7% p.a.

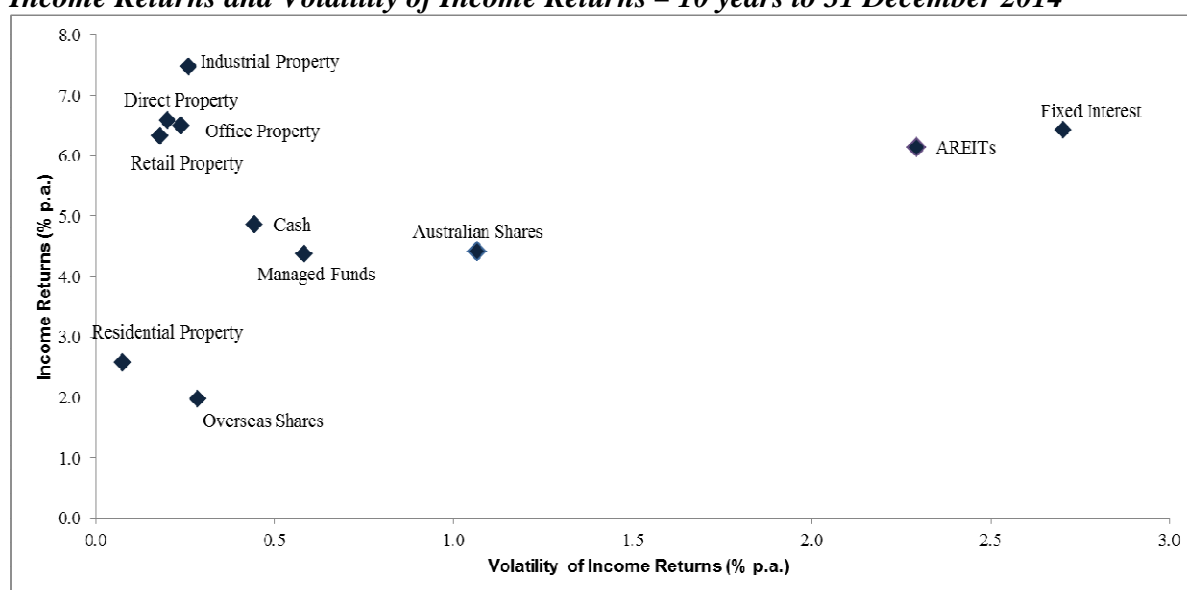
Direct property produced the highest total returns over 10 years to 31 December 2014 at 9.1% p.a. Retail property produced the highest total returns over 25 years to 31 December 2014 at 10.1% p.a.

AREITs produced the lowest total returns over 10 years to 31 December 2014 at 1.9% p.a. Office property produced the lowest total returns over 25 years to 31 December 2014 at 5.9% p.a.

Retail, direct and industrial property sectors have provided at or below median volatility of total returns over 10 years and 25 years to December 2014. Retail property produced strong real total returns of 6.3% p.a. over 10 years and 7.5% p.a. over 25 years.

Income Returns and Volatility of Income Returns over 10 years to 31 December 2014 are shown in the following chart.

Income Returns and Volatility of Income Returns – 10 years to 31 December 2014



Source: S&P/ASX, MSCI, REIA, CBA, UBS, RBA, PCA/IPD

Over 10 years to December 2014, industrial property followed by direct, office and retail property have provided high levels of income returns of 6.3% p.a. or greater and low volatility of income returns. AREITs provided high income returns of 6.1% p.a. with higher volatility of income returns than direct property. High and sustainable income has considerable attraction for investors who seek consistent absolute returns.

Analysis of the key attributes of major investment assets has been undertaken in the reports. Key attributes include the following:

- Total return
- Variability of total returns
- Real total returns
- Income returns
- Variability of income returns
- Returns for variability – Sharpe Ratio
- Downside risk
- Prospect of negative annual returns