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TOTAL returns from AREITs were significantly lower than from direct property and residential over 10 years, whilst industrial investments outperformed office and retail, according to Atchison Consultants.

According to Atchison's latest Investment Performance Report, AREITs delivered total return of 1.8% p.a. over the 10 years to December 2017. In comparison, residential and director property total returns were 6.4% and 7.6% over the same period, respectively.

The report found AREITs also had the highest volatility of 18.7% versus 3.3% and 2.9% for residential and direct property. AREITs real return was negative 0.5% compared to 4% and 5.2% for residential and direct property.

At the same time, Australian shares total return was 4%, cash was 3.6% and overseas shares was 6.2% over the 10 years.

The report said the lower return from AREITs was a result of significant set backs during the global financial crisis for the sector, which forced recapitalisation on dilutive terms.

Over the 25 years period, AREITs total return were higher at 8.4% compared to 9.3% for residential property and 9.5% for direct property. However volatility remains elevated at 14.4% compared to residential (4.1%) and direct property (2.5%).

Australian and overseas shares were equally volatile recording 13% and 13.2% respectively, whilst their total return was 10% and 7.1%.

Meanwhile in the commercial property sector, industrial achieved the highest total returns for both the 10 and 25 years period to December 2017.

Over 10 years, industrial property total return was 7.7% compared to office of 7.4% and retail of 7.3%.

Over the 25-year period, industrial property total return was 10.7%, ahead of retail with 10.3% and office with 8.7%.

Meanwhile income returns and volatility of income returns over 25 years to December 2017 shows direct property and all property sectors provided high income returns of 6.6% p.a. or greater.

AREITs provided a high income return of 6.8% p.a. with higher volatility of income returns. Overseas shares provided a low income return of 1.7% p.a. Similar income returns have been provided over 10 years.

Industrial, retail and office property also provided strong real income returns of 4.1% p.a. or greater and very low volatility of income returns over the 25 years period.

AREITs provided a strong real income return of 4.2% p.a. with higher volatility of income returns than direct property.

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