

**The 5<sup>th</sup> Atchison Consultants Global Property Forum**

**October 2011**

The Forum provided a comprehensive review of the global property industry and generated robust discussion about the prospects for the coming year. Presentations from Atchison Consultants, Franklin Templeton Real Estate Advisors, Future Fund and The Trust Company set the scene for an absorbing and wide ranging forum for the senior representatives of the institutional investment community in the audience.

Investment opportunities in developed and developing markets including China and Brazil were identified and explained, particularly those sectors positioned to benefit from the substantial urbanisation and transfer of wealth. In the United States, it was the more economically diverse coastal markets with positive population characteristics which were favoured, as were opportunities in accessing direct property through the acquisition of bank debt. The healthy fundamentals in Asia Pacific are underwriting Hong Kong and Australia in particular.

The definition of core property across all markets has widened over time as opportunities thin out, however a renewed focus is developing around the traditional values of core property – strong income profile with prudent gearing.

The listed property securities markets are now seeing improving rental revenue and earnings growth with stabilised distributions. Balance sheets are generally robust and positioned to take advantage of opportunities in a direct property market not overburdened with excess supply. Current yields are making some listed property entities attractive buying, particularly with higher than average spreads to long term bond rates.

Investing offshore should be accompanied by thorough due diligence, not only of the underlying markets, but also of investment partners. As property is priced locally, local knowledge is critical to successful investment. Control of the exit proposition of any foreign directly held investment was an important consideration with assumptions on growth expectations reasonably conservative. Transparency and high quality governance protocols were identified as key criteria.

Foreign direct investment into Australian property has been active over the past 12 months mostly into core office and retail assets. The Managed Investment Trust legislation is making a significant difference to after tax returns for overseas-based investors. Overseas investors with a long term horizon are establishing local platforms and partnerships with local groups.

Overall, discussion was positive about the opportunities and confident in prevailing strategies with any caution centred on the potential impact of European debt crisis and lacklustre global economic growth.