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Reassessing global property opportunities beyond 2012

Melbourne, Australia, 20 September 2012 –

Investors will need to reassess global property opportunities beyond 2012, according to Ken Atchison, Managing Director of Atchison Consultants, speaking at the recent Global Property Forum 2012 in Melbourne. The forum was hosted by Atchison Consultants in partnership with Franklin Templeton Investments who were sponsors for the sixth year and for the second time, The Trust Company

Delegates were provided with insights into key global trends and the prospects for Australian and global property investments, key investment opportunities and risks and how investors are capitalising on these opportunities.

Ken Atchison, Managing Director of Atchison Consultants opened the Forum and set the scene providing insights into the performance of property markets in the context of GDP growth. In particular, he noted that there is now clear analysis available showing for the first time the strong correlation between property returns and GDP growth globally.

Jack Foster, *Head of Real Assets, Franklin Templeton Real Asset Advisors* identified deleveraging, the economic slowdown, a lack of liquidity and distressed sponsors and investors as being the key themes characterising global property markets in 2012.

His outlook for regional markets included strong fundamentals in commercial real estate markets in the US, a negative outlook for the Eurozone over the next four quarters, as debt financing continues to be difficult to arrange and banks tighten refinancing requirements, and a slowing in Chinese real estate investment growth through to 2013 as China's central government tightening continues.

Co-Investments A Growing Opportunity

According to Jack, the developing trend of co-investing following the Global Financial Crisis presents new opportunities for investors globally. He highlighted the scarcity of capital, the changing investment environment and increased deal flow as being key drivers in the generation of the supply and demand for real estate co-investments. Distressed capital structures in Europe, the US and Japan, combined with significant economic changes in Asia ex-Japan balanced against fast growing countries in Central/Eastern Europe, South America and Asia are all contributing to the opportunity set driving this trend.

Direct or Listed?

Participating in a panel discussion, Andrew Cannane, *General Manager, The Trust Company*, underscored the shift in interest by big investors to unlisted wholesale funds, mainly due to the greater flexibility in sourcing capital, and a lower cost of equity capital than listed securities. Unlisted wholesale funds have risen to 29% of the sector, representing a total of \$82bn.

Andrew said: “We are continuing to see wholesale funds dominating the capital markets. They are representing the majority of buyers because they can move more quickly, have a greater flexibility in sourcing capital and currently a lower cost of capital.”

Interestingly, Andrew went on to explain how Australia is the third largest global destination for Canadian direct investment abroad and the largest destination for Canadian direct investment in the Asia Pacific region. He explained some of the drivers behind this inflow, including Canadian Pension Funds’ preference to manage their own money and invest directly rather than through managed funds or financial advisers to help keep costs down, have better control and lower fees.

“Canadian investors are looking for stable returns in the current low yield environment and are showing a strong interest in Australia given its proximity to Asian markets and, in particular, China,” Andrew said.

“On a relative risk weighting Australia is still a most attractive investment destination for investors; it is highly transparent, it has legal certainty and a 4.3 percent GDP growth.”

In contrast, Wilson Magee, *Director of Global REITs, Portfolio Manager, Franklin Templeton Real Asset Advisors*, commented that investing in listed real estate offers some long term as well as more immediate advantages for investors, with factors such as improving cash flows and demand improvements, muted supply in most markets, good balance sheets and low financing costs, and reasonable valuations all contributing to the case for listed property. Wilson cited the long term growth of global and US real estate securities as compared with stocks and bonds, as well as strong risk adjusted returns, as key benefits of real estate securities.

Asian growth focused on residential, retail and logistics

Nick Crockett, Head of Corporate Finance Asia-Pacific at Jones Lang LaSalle provided the forum an overview of the Asian real estate markets. He made particular comment about Asia leading global growth and that has an onward flow to the real estate markets through the need for development of middle market housing, provision of quality retail to meet the demand of the rising Asian consumers, quality logistics/warehousing to service the increased retail demand and offices to house growing Asian corporates. Whilst the markets are still growing and in general around the region there is rental and capital growth, due to the global slowdown, there is some downward pressure on office rents in the financial centres of Singapore and Hong Kong.

About Atchison Consultants

The principal focus of Atchison Consultants is the provision of advice and analysis across all components of managing investment portfolios by financial institutions, superannuation and insurance funds and investment managers.

Atchison Consultants' services and capabilities cover two distinct areas being asset consulting and investment management consulting with the latter focused on the property asset class.

About Franklin Templeton

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organisation operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management solutions managed by its Franklin, Templeton, Mutual Series, Fiduciary Trust, Darby and Bissett investment teams. The San Mateo, CA-based company has more than 60 years of investment experience and approximately USD\$731 billion in assets under management as of August 31, 2012. For more information, please visit www.franklintempleton.com.au

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Across the Group we provide wide-ranging advice and expertise in Personal Client Services including Estate Planning and Administration, Lifestyle and Executor Assist, Financial Planning, Personal Trusts, Charitable Trusts, Wealth Management and Health and Personal Injury services.

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