

Property Observer

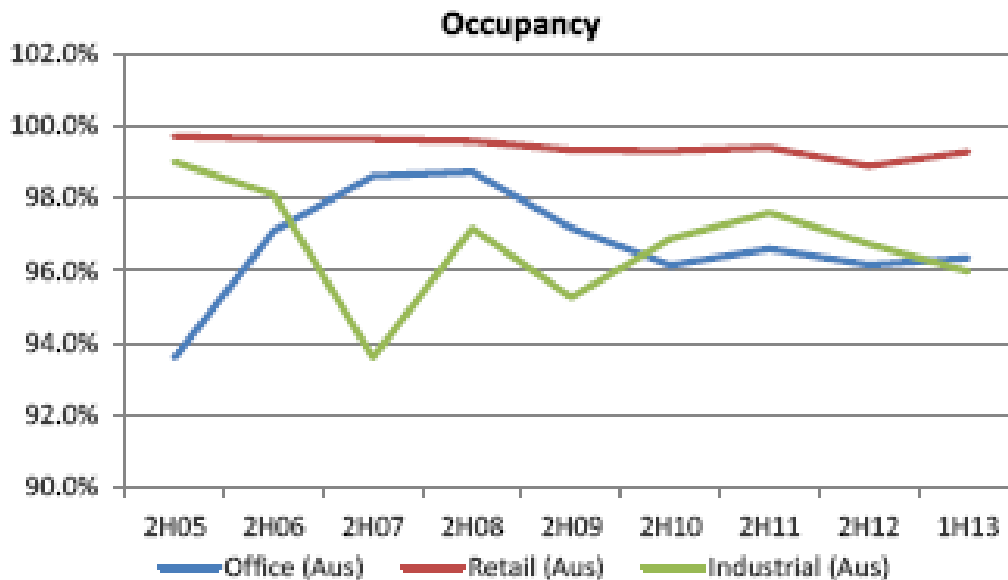
A-REITs deliver strong results and beat equities

A-REIT total returns were substantial over the year to 31 March 2013. Listed property returned 30.7% outperforming equities by 10.7%. Over three years listed property returned 11.7% p.a. Industrial property was the strongest performing sector over three years at 20.4% p.a.

A-REITs have differences in their composition and their property portfolios. Some specialise in sectors of the property market such as Westfield Retail Trust and Westfield Group in retail, Commonwealth Office Property Trust in office and Goodman Group in industrial. Diversified groups include GPT, Stockland and Mirvac. They have exposure in combinations of retail, office, industrial or residential development land.

Many of the highest quality assets are owned by these groups. Operating performance of the assets is strong as indicated in chart 1.

Chart 1: REIT portfolio operating performance



Source: Bell Potter Securities

Performance across the sectors was diverse over the three years to March 2013. Underperformance by the office sector over one year reflects recent dampening confidence in rental growth prospects. Retail has underperformed over three years reflecting fears of online retailing and subdued consumer confidence. Recovery has emerged in retail in the past year.

Table3 – Total Return periods to March

Sector	Year March 2011 %	Year March 2012 %	Year March 2013 %	3 years March 2013 % p.a.
Retail	4.4	2.0	28.0	10.9
Office	11.0	14.9	21.5	15.7
Industrial	12.5	6.8	45.2	20.4
Diversified	2.3	-3.1	34.0	9.9
Total	5.0	1.6	30.7	11.7

Source: UBS

Strong returns for industrial property reflected especially the performance of Goodman Group which has significantly expanded into North and South America and established alignments with major global real estate investors.

Diversified trusts underperformed over three years reflecting heavy exposure in retail property and in residential property development.

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