

# Another take on LPTs

June 16, 2008  
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## Financial Standard

While many investors have long thrown the listed property trust sector in the sin bin, a leading property expert said there's the odd gem to be found, particularly in the office sector.

**Ken Atchison**, founding principal of property research firm **Atchison Consultants**, told the audience at the recent Centre for Investor Education (CIE) conference in Melbourne that the LPT market offers "enormous buying value".

"A fall of 30 per cent to 35 per cent in the market means there is some definite value in this sector, especially when compared with the unlisted sector," he said. In a separate Financial Standard article, **Atchison** noted that both listed and unlisted property had similar returns over the past 20 years.

"Evidence of cumulative returns from both listed and direct markets indicates that, even after the falls, the cumulative return from both is similar over the past 20 years. This would indicate the degree of overvaluation of listed property in 2006 rather than projecting future falls in values of direct property."

The difference between yesterday's market and today is that investors have since recognised the undeserved premium on the stapled security component of a typical LPT.

"What we were seeing in the market was a lot more complexity with listed property trusts; more gearing, a funds management component, management fees, and even refurbishment, all of which were having a price-earnings multiple applied to them.

"With hindsight we can see that when the market was applying price-earnings multiples of more than 20 times then a traditionally conservative investment vehicle was really being aggressively priced, and in the end that wasn't sustainable."

Drilling further, **Atchison** highlights the office market as the one with the strongest potential for higher returns.

"We're seeing strong demand for office space, especially in Sydney and Brisbane, and that's going to drive rentals and yields," he said.

In short, **Atchison** argued that investors should not dismiss LPTs altogether, particularly with the economy predicted to have a solid run. "Overall, I'm not buying into the gloom and doom scenarios. Although the economy has come off a bit, Treasury and the Reserve Bank are still looking at 3 per cent plus growth, and that's not to be sneezed at."