

In recent years, Australian investors have become increasingly passionate about property as an investment. For the most part, however, investors have focused on residential property, but what about listed property trusts?

### What are listed property trusts?

A listed property trust (LPT) is a collective investment vehicle that owns a portfolio of real property. Listed property trusts are quoted on the Australian Stock Exchange (ASX), which allows investors to purchase an interest in a professionally managed portfolio of commercial real estate. Property trust managers invest in properties across a diversity of geographic regions, with varying lease lengths and tenant types. As at 31 December 2006, there were more than 70 LPTs listed on the ASX, with a combined market capitalisation of over \$149 billion.

### Advantages of listed property trusts

While history has shown that property has proven to be a good investment, residential property is only one way to access the property sector. LPTs can give you the peace of mind of knowing your money is invested in bricks and mortar, but at the same time offer additional advantages.

There are a number of advantages of LPTs over traditional residential property investments including:

- **Diversification** – We all know the phrase ‘don’t put all your eggs in one basket’. Well, the same principle applies to property investment. There is a significantly higher chance of an isolated event pressuring the value of a residential investment property compared with an investment in LPTs where the risk is spread across a number of properties. LPTs generally invest across a number of different property sectors such as office, retail and hotels—not just residential property. Given that these sectors do not perform in unison, this results in further diversification. Some LPTs also have exposure to international property, providing yet another level of diversification.
- **Liquidity** – Perhaps in the future you may need to sell your investment. While selling a residential property can take some time—finding an agent; advertising; negotiating the sale and settlement—the sale process with LPTs is significantly faster. LPTs are listed on the ASX, so selling an investment is as easy as placing an order with a stockbroker. Furthermore, instead of selling your entire investment, you can choose how much you liquidate. In comparison, with a residential investment property you need to sell the entire building.
- **Access to new opportunities** – LPTs provide investors with investment access to sectors of the property market once reserved only for the extremely wealthy. With the combined spending power of investors, LPTs invest in hotels, office towers and shopping centres. The price of these properties is generally well beyond the scope of the average investor.
- **Expertise** – LPTs are managed by property professionals. They are skilled at determining which properties offer the most value, both in terms of capital growth and income, negotiating on price, development, tenancing and ongoing maintenance. Whilst the key to investing in property is buying well, further value can be added through successful management.
- **Higher yields** – The average rental yield for a median residential property in Sydney over the 12 months to September 2006<sup>1</sup> was 2.7% (and that’s before any expenses were taken out). This compares with yields from LPTs that averaged over 5.8% over the same period (after fees).
- **No need to borrow** – With the Sydney Moving Annual Median house price close to \$520,800<sup>2</sup>, investing in residential property demands a significant capital investment and in most cases a large amount of debt. In comparison, the minimum capital investment required to gain exposure to the property market through LPTs with Perpetual’s WealthFocus platform is \$2,000 or \$1,000 with a savings plan.



- **No surprise bills** – With LPTs there is no additional expenditure required other than the initial investment. Water rates, council rates, strata fees, one-off special levies and property management fees are just a few of the bills that you might expect with a residential property.
- **No stamp duties** – When you buy a property, you incur a stamp duty that may run into several thousand dollars, depending on the sale price. In contrast, there is no stamp duty on buying shares in LPTs. To give you an estimate, the stamp duty on a \$520,000<sup>2</sup> investment property in NSW is currently more than \$18,920.

### How to invest in listed property trusts

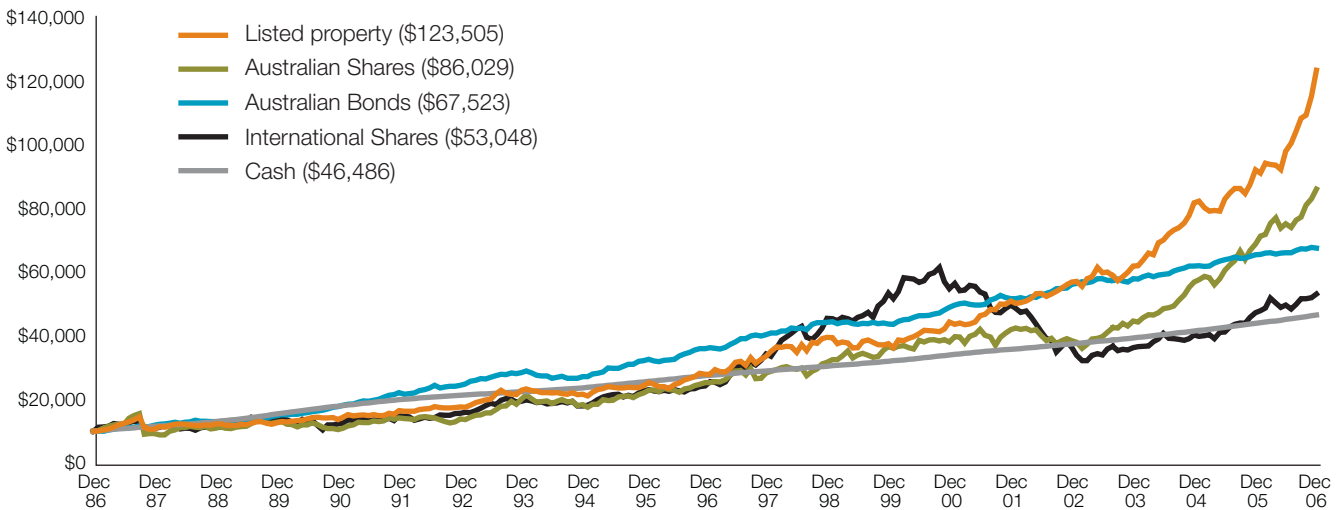
One way to gain a desired level of diversification, as well as to build a portfolio of property securities, is through the use of a property securities fund such as the Perpetual Property Securities Fund or the Perpetual Property Income Fund.

Property funds invest in LPTs, which invest in real estate. Property security funds invest in more than one LPT, providing greater diversification of assets as well as the comfort of knowing your money is being managed by professional investors.

Like investing in actively managed equity funds, property security managers attempt to provide higher returns than the market, adjusted for risk and fees charged.

The Perpetual Property Securities Fund invests in property trusts (including LPTs) and property related companies that are managed by experienced property professionals with a proven ability to deliver results with their investment strategies. The Perpetual Property Income Fund invests in listed property securities and unlisted property funds.

**Chart 1 – Listed property trusts is the strongest performing asset class over the past 20 years**



Source: Datastream. As measured by the Blended All Ordinaries Index. Post 31/3/2000 S&P/ASX All Ordinaries Accumulation Index. Prior to 31/3/2000 ASX All Ordinaries Accumulation Index; MSCI World ex Australia Accumulation Index \$A; UBSA Composite Bond Index; as measured by the Blended Property Trusts Accumulation Index. Post 30/6/2002 S&P/ASX 300 Property Trusts Accumulation Index. Between 1/4/2000 and 30/6/2002 it was the S&P/ASX 200 Property Accumulation Index. Prior to 1 April 2000 the benchmark was the ASX Property Trusts Accumulation Index; UBSA Bank Bill Index.

1 Latest figures from the Real Estate Institute of Australia, September 2006  
 2 Australian Property Monitors.

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The offer to invest in the Fund will be made in a copy of the relevant Product Disclosure Statement (PDS), issued by PIML. Anyone wishing to invest will need to complete the application form in the relevant PDS, which should be considered before deciding whether to acquire or hold units in the funds. For up-to-date returns, visit our website [www.perpetual.com.au](http://www.perpetual.com.au) or contact us.



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