

Report highlights benefits of direct investment in property

INVESTING in direct property is more profitable over the long-term than using listed trusts, according to a new survey.

The Australian Direct Property Investment Association's (ADPIA) *Investment Performance Report*, from research and consulting group Atchison Consultants, says returns over the five years to June 2009 for direct property were 9.8 per cent, against a negative 8.6 per cent for real estate investment trusts (REITs).

The president of ADPIA, Linden Toll, said despite the volatility of the past two years, traditional property benefits of strong total returns and low risk remained.

"Direct property provided returns of 10.1 per cent over 10 years and 6.9 per cent over the past 20 years," Mr Toll said.

"It also provided income returns of 6.7 per cent per annum over 10 years and 6.9 per cent over 20 years. Importantly, once again it did this at the lowest level of volatility and lowest downside risk of any investment.

"Direct property reduces negative annual returns in diversified portfolios. Evidence is clear that the inclusion of direct property in diversified investment portfolios can reduce the chance of negative annual returns in the portfolio. When negative

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Linden Toll, ADPIA

returns are avoided it is less likely the investors will take inappropriate defensive investment decisions as a response and will focus on longer-term objectives."

Mr Toll said secure income streams from

sound tenants with leases structured for growth in rental income provided investors with stability.

The study also shows investors should be increasing property allocations from 5 per cent of portfolios to between 10 per cent and 20 per cent in balanced, growth and high-growth portfolios.

The managing director of Atchison Consultants, Ken Atchison, said for a while REITs produced strong returns for investors but "what we now know is that these structures were unsustainable".

Carolyn Cummins