

A rebound after jittery start in July

September 8, 2007
SMH

WITH the 2006-07 financial year wrapped up, the key themes for listed property trusts included continued overseas expansion, a focus on managing risks such as currency and interest rates, and expansion of wholesale funds.

But as the results flowed to investors the jittery sharemarkets in July gave the trusts a shake. They have staged a rebound, prices and returns having improved last month.

Maxim Asset Management says its Maxim Property Securities Fund returned +6.99 per cent, after fees and expenses, last month compared with +7.81 per cent from the S&P/ASX 300 Property Accumulation Index.

For the quarter ended August 31, the Maxim fund has returned -0.66 per cent, outperforming the index by 1.45 per cent.

"Notwithstanding the outperformance over the month, the property trust sector still lags the broader market over the quarter, half year as well as over the last 12 months," said Maxim's managing director, **Winston Sammut**.

"All of the property sub-sector's returns were in positive territory in August, with the leaders providing the highest return of 10.1 per cent, whilst the commercial trusts brought up the rear with a return of 1.8 per cent for the period."

After market weakness in July, property trusts rebounded last month as investors "shifted focus to more defensive assets", encouraged by solid results in the company reporting period, he said. Investors were seeking refuge in "sound defensive plays", and the leading stocks were the greatest beneficiaries.

JP Morgan's property team says in a report to clients that in listed property trusts the search for growth continues. The sector is pioneering new areas to deliver the highest possible growth and returns, it says.

In the latest reporting season, the broker says, the trusts have increased risk through: buying assets offshore; creating new funds management trusts; increasing their development books; and having increased levels of debt, unseen before in the sector.

Trends included retail sector sales being surprisingly higher, despite interest rate rises, and signs of improving office rents and low vacancies in Sydney. Rents in Perth and Sydney were growing more strongly than in decades.