

Who's next, the market keeps asking

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AS THE property market absorbs the proposed \$4.2 billion offer for Multiplex and the \$6.6 billion bid for Investa Property Group, analysts are trying to work who will be involved in the next deal.

But, says Goldman Sachs JBWere, with a \$3 billion capital raising by Westfield hanging over the market, a significant sell-off in fixed interest markets in the US (and to a lesser degree domestically), and a 1.8 per cent sell-off in US real estate investment trusts, the domestic sector performed better than most expected during the week, easing just 14.6 points (-0.6 per cent) and slightly outperforming the broader market, which eased 0.95 per cent.

"Sector volumes (ex Westfield) were an above average \$511 million, which on a normalised basis (including Westfield) would equate to a near 50 per cent premium over the rolling three monthly average of \$480 million," the broker says.

Maxim Property Securities says in its May report that the listed property trust sector is heading for a busy period in the next few months thanks to the weight of money.

For the quarter ended May 31, 2007, the Maxim PSF fund rose 2.91 per cent whilst the property index gained 3.33 per cent.

"The LPTs outperformed the broader market (as measured by the ASX 200 Index) by 1.6 per cent over May whilst on a year to date basis the LPT sector has underperformed the broader equity market by 7.6 per cent," the Maxim report says.

"Over longer time frames, LPTs have outperformed the equity market by 8.8 per cent over 1 year, 1.2 per cent over 5 years and 2 per cent over 10 years.

"For the second month in a row, all the property sub-sectors provided positive contributions to the sector's overall return. The commercial sub-sector provided the strongest gain of 10.8 per cent, on the back of Morgan Stanley Real Estate Funds cash bid for all the units in Investa Property Group."

The report says the prospect of further merger and acquisition activity evolving in the sector was the major driving force at month end.

"With distributions to be paid at the end of June and the likely inflow of money from a number of general equity funds which, to date, have been underweight the sector, downside is considered to be limited."

Carolyn Cummins