



Australian Unlisted Property Funds signal a turnaround in the property investment cycle: Dec 2009 quarterly return delivers positive news

Australian unlisted property funds delivered a positive 0.1% total return for the December quarter according to the Mercer/IPD Australia Pooled Property Fund Index. This is the first positive quarterly return that has been recorded since August 2008.

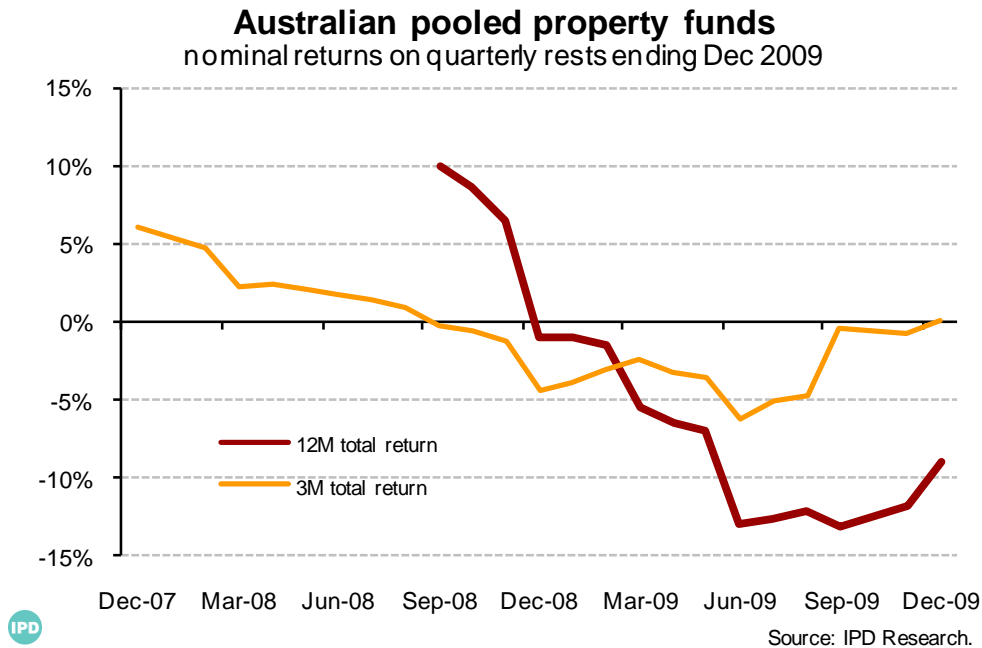
Over the year to December 2009, total return was -9.0% after gearing and fees. Recent investment return performance indicates a slowing in the write-downs in property valuations. With the majority of valuations occurring in the June and December quarters, the 0.1% quarterly return for December is a significant improvement on the returns for the June 2009 quarter at -6.3% and December 2008 quarter at -4.5%.

While on an annualised basis investment performance is still posting negative returns, it is showing signs of improving. This is highlighted in Figure 1 with rolling annual returns tracing out the property investment cycle. Clearly, returns have improved after reaching a trough in the cycle around mid 2009 with annual returns averaging -13%. This improvement is consistent with positive signs emerging from the macroeconomy, evidence of stabilising space market fundamentals and an easing in cap rate softening.

Dr Anthony De Francesco, Managing Director of IPD in Australia and New Zealand said “The recent quarterly numbers suggest that the Australian unlisted property funds are showing early signs of recovery. Importantly, the unlisted property sector appears to be moving beyond the trough of the property investment cycle”.

Across unlisted funds, the dispersion of annual returns was wide ranging from -0.8% to -25.3% with a median value of -9.3%. A complete table with individual fund returns is contained in the Australian PPFI (Pooled Property Fund Index) report.

Figure: 1



Notes to editors:

The Mercer/IPD Pooled Property Fund Index is part of a family of international fund level indices covering Australia, the UK, Italy, Germany and Europe. IPD thanks all fund constituents for the support provided in the development of this publication.

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