

Listed Property Trusts — Sector Update (June 1999)

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Bond Markets

US CPI numbers announced in mid May (0.7% for April) were higher than the 0.4% expected by economists. This rise followed the 0.2% rise in March. The annual rate increased from 1.7% to 2.3%. Australian bond yields reacted by rising on the back of expected rises in inflation.

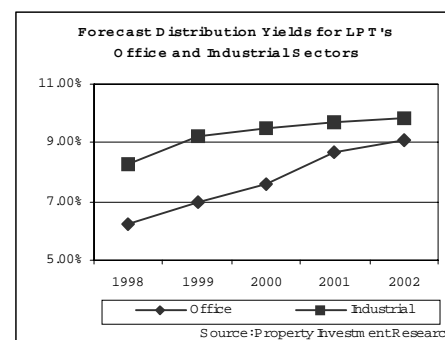
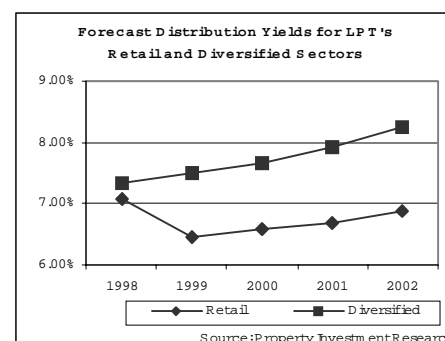
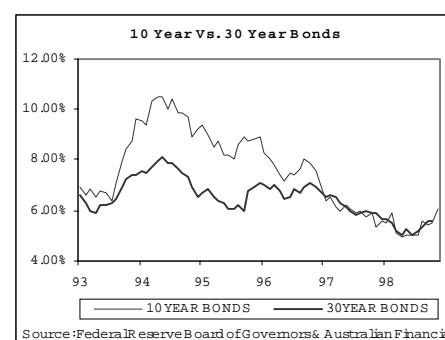
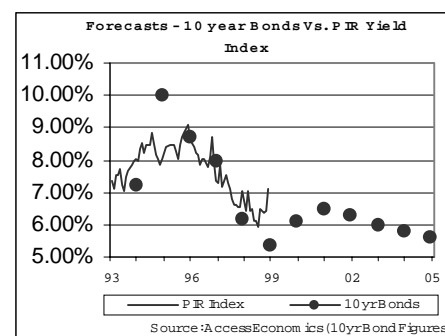
A market indicator of expected inflation, the difference between the nominal yield on government bonds and the real yield on inflation indexed bonds has risen since December 1998 from around 1.7% to 2.4% at present. This is indicative of increasing inflationary expectations in the bond market. Interestingly some Australian Fund Managers have been moving to increase their weighting to cash. The April 1999 cash weighting of Market Linked Pooled Funds was 9.5%, exceeding the asset weighted average of 8.5%.

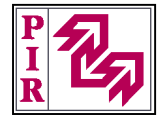
Over the month investors have continued their focus on the bond market with some expecting the 30 year US Treasury bonds to rise above 6%, despite the Federal Reserve keeping official interest rates on hold. Some market participants are speculating that the Fed will act on its new tightening bias by September 1999. A correction on Wall Street would have an impact on other equity markets around the world despite the fact that countries such as Australia have valuations which are less stretched. Recent NAPM Index in the US came in 2 points above market expectations at 55 reinforcing inflation concerns.

PIR concur with the view of Access Economics that Australian rates will be on hold through 1999 and mid 2000. Thereafter cash rates may climb off current lows. Access Economics are forecasting an increase in yields above our international peers in late 1999 or early 2000, peaking in 2001 at 6.5%, about the same time short-term rates peak. Bond prices are expected to average 5.7% until September and softening further to 6.1% by December 1999. Throughout the first quarter of 2000, bonds are forecast to yield 6.3%.

Property Trusts

The recent weakness in property trust prices has been a reaction to rising bond yields as well as general equity funds reducing their exposure to defensive stocks and increasing their weighting to resource and cyclical stocks. The Listed Property Trust sector has underperformed the All Ordinaries year to date falling 8.7%, compared with a rise in the All Ordinaries of 6.5%. Over May the Property Trust Accumulation Index fell 4.3% with the worst performing sub sectors being the majors (-6.4%) and retail (-6.1%) in particular WFT (-8.6%), GAN (-8.0%). The yield on 10 year bonds has increased to around 6.02% versus the PIR yield on trusts of 7.09%. Trusts are trading at a premium to their NTA of 8.97%, which is substantially down from the 16.20% premium in April.





Retail Sales

Retail sales for April, according to the Byvan-AFR Retail Sales Index was up 6 per cent on April 1998. The figures confirm a trend of larger regional centres substantially outperforming smaller neighbourhood centres. Regional centres recorded an average increase of 7.4% for April, while sub regional and neighbourhood centres saw an increase of only 3.5% for the month. Supermarkets in regional areas also posted significant 9.05% gains on the previous year; the increase for supermarkets in neighbourhood centres was just 3%. Specialty shops in regional centres showed growth of 5.4% compared with other specialty retailers experiencing growth of only 0.54% in April.

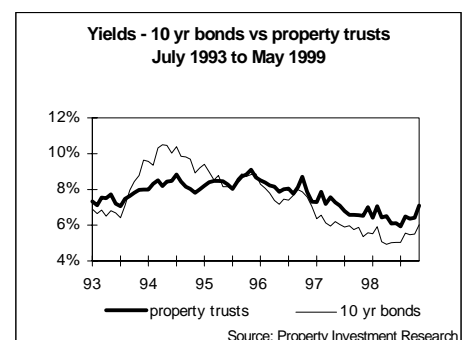
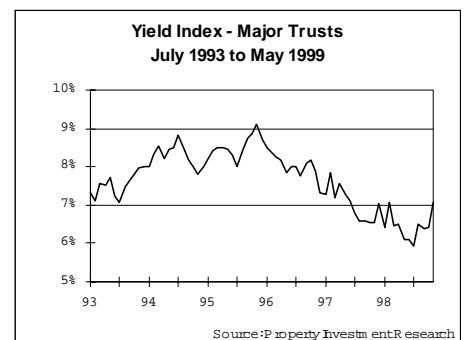
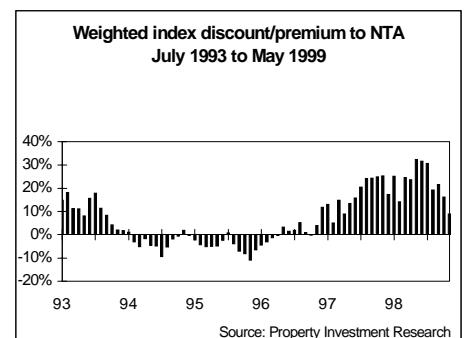
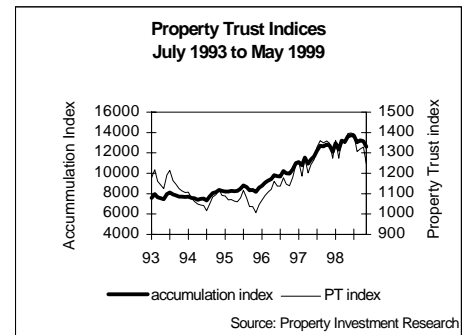
ABS figures also show robust retail spending. In particular the strength in the past 12 months has reflected strong gains in Victoria, up 11% and in NSW up 7.4%.

Update on US REIT Allocations

A survey by Goldman Sachs & Co found the target allocation for real estate by 26 of the largest pension funds in the US to be 7.6% but the actual allocation was only 5.8%. Given that pension funds control \$US 155 billion of real estate, according to a study by PricewaterhouseCoopers LLP and investment adviser Lend Lease Real Estate Investments, the Goldman survey implies that pension funds need to spend about \$US 55 billion to meet their benchmarks.

Recent trends indicate that some pension funds are buying majority stakes in properties from cash starved REITs and paying the REITs fees for managing the properties. Others are putting up the bulk of the money to help REITs finance acquisitions. For example JP Morgan Investment Management on behalf of its pension fund clients, is in discussions to provide up to 70% of the \$US 1.73 billion price for 14 malls being bought by the Simon Property Group Inc.

However with real estate markets experiencing their sixth consecutive year of rising prices it is hard to find bargains and many pension funds are investing in "opportunity funds" which aim for annual returns of 20% or more by investing in distressed properties and other high risk ventures.





Listed Property Trusts - 31/5/99

TRUST	ASX CODE	SECTOR	CURRENT PRICE (\$A)	MARKET CAP. (\$ mill.)	NTA UNIT (\$A)	PREMIUM/ (DISCOUNT) (%)	DIST. LATEST YEAR (cents)	YIELD LATEST YEAR (%)	TAX FR/DEF (%) (note 1)
ADVANCE PROPERTY	APF	DIVERS	1.47	673.44	1.53	-3.68	12.01	8.17	40.80
AJ INDUSTRIAL	AJS	INDUST	1.00	118.03	1.00	0.00	10.20	10.20	n/a
AJ OFFICE	AJO	COMM	1.69	287.51	1.99	-15.08	15.76	9.53	18.70
AJ RETAIL	AJR	RETAIL	0.83	283.06	0.85	-2.58	7.39	8.90	33.13
AMP INDUSTRIAL	AIP	INDUST	1.06	320.83	0.99	7.07	9.60	9.06	27.00
AMP OFFICE	AOF	COMM	1.16	585.80	1.11	4.50	8.25	7.11	28.75
AMP SHOPPING CENTRE	ARTCA	RETAIL	1.22	816.00	1.27	-3.94	8.55	7.01	n/a
AUST. COMMERCIAL	ACY	COMM	0.80	155.86	0.92	-12.75	9.05	11.31	n/a
AUSTRALIAN GROWTH (note 2)	AGH	COMM	0.59	134.96	1.01	-41.81	7.90	13.39	n/a
BT HOTEL GROUP	BHT	HOTEL	0.74	209.94	0.95	-22.11	8.30	11.22	33.00
BT OFFICE TRUST	BTO	COMM	1.32	499.69	1.46	-9.59	9.90	7.50	55.80
BT PROPERTY	BTP	DIVERS	1.74	379.58	1.81	-3.87	14.82	8.52	44.10
BT SYDNEY DEVELOPMENT	BTS	COMM	3.20	320.00	4.12	-22.33	13.47	4.21	n/a
BUNNINGS WAREHOUSE	BWP	RETAIL	1.15	151.80	0.98	17.35	6.77	7.85	32.00
CAPCOURT	CPY	COMM	0.91	280.11	0.90	1.45	6.50	7.15	31.04
CAPITAL PROPERTY	CPL	COMM	2.30	437.75	2.21	4.07	16.81	7.31	80.94
CENTRO PROPERTIES	CEP	RETAIL	2.67	503.24	2.27	17.62	21.60	8.09	n/a
COLONIAL FS COMMERCIAL	COC	COMM	1.61	230.85	1.96	-17.86	17.93	11.14	31.89
COLONIAL FS INDUSTRIAL	CIP	INDUST	1.77	324.89	1.80	-1.67	17.70	10.00	54.43
COLONIAL FS RETAIL	CMF	RETAIL	1.09	354.73	1.13	-3.54	10.40	9.54	26.92
COMMERCIAL INVESTMENT TRUST	CITCA	COMM	0.92	659.80	0.88	4.55	3.66	3.98	51.00
COMMONWEALTH PROPERTY OFFICE	CPA	COMM	0.95	518.18	0.98	-2.76	0.00	0.00	55.00
COUNTRYWIDE RETAIL	CWI	RETAIL	1.57	356.70	1.09	44.04	12.64	8.05	25.57
DARLING PARK - CONTRIB.	DPTCA	COMM	0.74	96.20	0.91	-18.68	5.90	7.98	100.00
FLEXI PROPERTY - ORDINARY	FPF	COMM	1.05	31.44	1.29	-18.69	12.00	11.43	100.00
FLEXI PROPERTY - GROWTH	FPFCP	COMM	0.11	4.45	0.17	-39.38	0.00	0.00	n/a
FLEXI PROPERTY - INCOME	FFFIN	COMM	0.95	26.30	1.12	-15.04	12.00	12.63	100.00
FLINDERS INDUSTRIAL PROP	FITCA	INDUST	1.02	181.97	0.96	6.58	5.37	7.02	32.70
GANDEL RETAIL	GAN	RETAIL	1.11	1146.56	1.05	5.71	8.24	7.43	31.27
GANDEL RETAIL - P. P.	GANCA	RETAIL	0.53	85.07	0.53	-0.74	3.44	6.48	n/a
GENERAL PROPERTY TRUST	GPT	DIVERS	2.50	3518.85	2.48	0.81	19.10	7.64	30.78
GPT SPLIT - GROWTH	GSTCP	DIVERS	0.25	14.33	0.74	-65.99	0.83	3.31	30.78
GPT SPLIT - INCOME	GSTIN	DIVERS	2.23	127.87	1.75	27.79	18.28	8.20	30.78
GLOBAL PROPERTY	GPY	DIVERS	0.18	29.27	0.23	-21.74	0.86	4.76	100.00
GOODMAN HARDIE INDUST	GHP	INDUST	1.22	182.60	1.11	9.91	10.58	8.67	19.52
GRAND HOTEL GROUP	GHG	HOTEL	1.53	127.87	1.69	-9.47	17.50	11.44	67.38
HOMEMAKER RETAIL	HRP	RETAIL	1.36	136.61	1.20	13.33	12.57	9.24	n/a
INDUST. PROPERTY TRUST AUST	IPY	INDUST	1.02	204.44	0.93	9.68	9.50	9.31	29.60
INDUSTRIAL INVEST TRUST	IIT	INDUST	1.48	214.60	1.49	-0.67	14.11	9.53	n/a
MTM ENT. - CONTRIB	MMECB	ENTERT	0.88	70.40	1.52	-42.11	16.70	18.97	27.02
MTM OFFICE -CONTRIB	MMOCA	COMM	0.80	66.63	1.06	-24.53	0.00	0.00	n/a
MIRVAC PROPERTY	MPT	DIVERS	1.62	581.89	1.39	16.55	11.59	7.16	36.30
NATIONAL MUTUAL	NMP	DIVERS	1.20	897.71	1.12	7.14	8.60	7.17	37.65
P.A. PROPERTY	PAT	DIVERS	1.93	48.83	2.36	-18.22	20.34	10.54	38.88
PALADIN COMMERCIAL	PDC	COMM	1.13	376.22	1.24	-8.87	9.60	8.49	100.00
PALADIN INDUSTRIAL	PID	INDUST	0.85	167.87	0.89	-4.71	8.80	10.35	14.69
PRIME CREDIT	PRP	COMM	1.11	481.91	0.99	12.12	10.44	9.41	38.20
PRIME INDUSTRIAL	PIP	INDUST	0.74	629.83	0.66	12.12	6.30	8.52	33.80
PRIME RETAIL	PRX	RETAIL	0.88	96.96	0.84	4.76	10.50	11.93	n/a
PROPERTY INCOME INVEST.	PII	INDUST	1.17	533.23	0.97	20.62	10.54	9.01	51.35
PROPERTY TRUST OF AUST.	PYT	INDUST	0.22	34.24	0.34	-37.13	1.72	7.98	63.30
PRUDENTIAL DEVELOPMENT	PRDCB	COMM	1.39	98.73	1.91	-27.23	0.00	0.00	n/a
SCHRODERS PROP FUND	SCH	DIVERS	2.45	1040.63	2.28	7.46	18.50	7.55	39.50
STOCKLAND TRUST GROUP	SGP	DIVERS	3.47	1395.10	2.60	33.38	25.20	7.27	18.62
SUNCORP PROP - CONTRIB.	SNPCA	RETAIL	0.47	32.90	0.81	-41.98	8.00	17.02	99.99
THAKRAL HOLDINGS GROUP	THG	HOTEL	0.60	293.76	0.66	-9.09	5.20	8.71	100.00
TRIPLECEE RETAIL	TCE	RETAIL	0.82	97.44	0.95	-13.68	9.40	11.47	69.34
TYNDALL PROPERTY	TPT	INDUST	0.39	41.75	0.50	-22.69	2.73	7.09	39.38
VILLAGE ENTERTAINMENT	VEP	ENTERT	0.98	156.80	0.98	0.00	9.80	10.00	52.30
WESTFIELD AMERICA	WFA	RETAIL	1.48	1338.75	1.41	4.96	11.80	n/a	n/a
WESTFIELD TRUST	WFT	RETAIL	3.08	4578.05	2.57	19.84	21.27	6.90	31.04
WESTPAC PROPERTY	WPT	COMM	1.55	510.33	1.63	-4.72	13.00	8.37	71.66

THERE MAY BE DISCREPANCIES CREATED THROUGH ROUNDING TO TWO DECIMAL PLACES.

note 1 - A proportion of distributions may be tax free or "tax deferred". This mainly results from the flow on of depreciation allowances. Tax deferred amounts are not taxed as income but as capital gain and therefore tax is not applied until disposal.

note 2 - Australian Growth Properties Ltd is a company which pays dividends.

NOTE: Yields shown are based on 1999 forecast distribution.

Advice should be sought on the future prospects for trusts prior to investing.

PRICES AS AT 31 May 1999