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Listed property delivers returns

Surpasses bonds and cash but not equities

Roy Cokayne

SOUTH African listed property outperformed both bonds and cash in delivering total returns of 8.4 percent last year but failed to surpass equities for the first time since 2009.

Bonds returned a mere 0.6 percent and cash 5.2 percent.

Norbert Sasse, the chairman of the SA Reit Association, said yesterday that listed property was the top performer of the four traditional asset classes over the past 15 years and had outperformed equities by 6.4 percent a year. However, he said equities outperformed listed property last year for the first time in five years, with a 21.4 percent total return.

Sasse highlighted the ability of listed property to produce inflation-beating income growth, adding that over the past 15 years listed property had outperformed bonds by 13.3 percent a year.

Robust investor appetite for listed property was reflected in the sector raising about R18 billion in equity last year compared with R11bn in 2012 and R16bn the year before.

He said all existing real estate investment trusts (Reits) were also able to raise the equity they required, with most oversubscribed.

He is bullish about the sector's performance in the year ahead, believing it would continue its growth and increase its representation on the JSE. "The end of the year brought a wave of consolidation, which should continue in 2014. We expect to see a few mergers from allied funds while some smaller listed companies are becoming takeover targets."

Sasse also believed South African Reits with offshore holdings were in a good position to outperform this year. "With yields in some offshore territories better than local markets, and a soft rand, the listed sector will be eyeing international investment opportunities."

Ian Anderson, the chief investment officer at Grindrod Asset Management, said there was tremendous value in the listed property sector and forecast that some of the second-tier listed property funds were likely to be the target this year of consolidation.

He cautioned investors about the potential negative consequences of investments in offshore equities because of what had happened previously to the rand after periods of rapid depreciation, with it rapidly reversing that trend.

He said listed property remained a sound alternative this year to cash and long bonds, forecasting property stocks would beat consumer price inflation by at least 5 percent over the next five years. "Equities could do the same but won't necessarily perform as well as listed property."

Keillen Ndlovu, the head of property at Stanlib, believed there was a place for listed property in investment portfolios ahead of cash and bonds because listed property offered growing income while cash and bonds did not. "This is one of the major reasons why listed property has outperformed cash and bonds over time and we expect this trend to continue in the medium to long term."

He added that 2013 had been a challenging and extraordinary year for the sector but listed property companies continued to deliver distribution growth that met expectations and, in some instances, was even higher than analysts had forecast.