



Residential property wins

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Residential property investment is the highest performing asset class over the last 20 years according to latest research, and one way to access it is to buy into pooled residential property funds.

Lee Hughes, analyst at property research specialist **Atchison Consultants**, predicts that there will be an increasing demand for residential property funds as more people realise the benefits of investing in the asset class even though they do not necessarily want to buy the actual property.

Drawing on several sources of the performances of the different asset classes, residential property returned nearly 12 per cent in the 20 years to September, closely followed by shares, which returned just over 11 per cent over the same period.

Hughes said that demand-and-supply conditions in the domestic market has made it difficult or not practical to buy investment property so the alternative to tap into the asset class' long-term growth profile is through pooled residential property funds.

"Although today's market is subdued, the fundamental case for residential property investment remains strong. The Australian rental market currently has the lowest vacancy rates in over 20 years...capital appreciation, resulting from the demand-supply imbalance in the market, will also benefit existing investors," said **Hughes**.

Hughes highlighted that the deficit of housing supply relative to demand has rapidly increased since 2006.

"A shortfall of nearly one year's demand currently exists which is expected to rise as housing demand is stimulated by government policy and population growth. Undersupply not only affects first home buyers, but also investors seeking new opportunities," he said.

In June last year, [Financial Standard reported](#) that Government-backed agency, the Defence Housing Australia (DHA), manages a \$7 billion residential property portfolio. Around 20 per cent of the portfolio is equity funded, while the government owns a \$1.5 billion stake. The vast majority of the portfolio is privately funded by retail investors.