



Property trusts back on radar

Erica Thompson

PROPERTY trusts are down, but not out, after being slammed by the global credit crisis, a Brisbane property specialist says.

Shares in the listed property sector have fallen heavily after the debt woes of one of its biggest players, Centro, sparked fears other companies with high gearing levels would be squeezed out of business.

But some analysts believe property trusts, which until recently were one of the best-performing asset classes, have been oversold and now represent good value.

"It is fair to say there were some funds managers out there who did not take a long-term position on their debt and the market is being unforgiving for that," says Jenny Hutson, founder of merchant bank Wellington Capital. She also was chairman of S8, which was sold to MFS.

"But I think we're going to see a real separation of property trusts that are very well positioned and those that are not. The strong will get stronger and the weak will disappear."

Ms Hutson, who was named Queensland's 2007 Businesswoman of the Year, says well-managed property trusts still deserve a



SELECTIVE . . . Jenny Hutson says some property trusts are good value.

place in a diversified portfolio.

"For a modest investment, and by that I mean \$2000 or more, people can have exposure to commercial and industrial property that would otherwise be beyond their reach," she says. But investors need to be

picky about the type of trusts they invest in.

As a report by analysts at The Intelligent Investor highlighted last year, many listed trusts have actually become "financial Frankensteins", having moved away from simple property ownership and into riskier activities.

A further tightening of credit conditions and a downturn in the US housing market could see more blood-letting in the sector.

Ms Hutson says it's important to back operators that have the skills and the capacity to buy right, manage debt exposure and maintain modest gearing.

"We are moving into a different environment without question. The interest rate rises that we've seen do impact the listed and unlisted property space, but those funds that have seen the interest rate rise coming (and locked in at a low rate) represent stunning value," she says.

Ms Hutson is guest speaker at this Thursday's Girls Learning About Money (GLAM) event. Tickets \$30.

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