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**THE SIGNIFICANCE OF EMERGING PROPERTY
SECTORS IN PROPERTY PORTFOLIOS**

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ABSTRACT

Property funds in Australia have over \$160 billion in assets, with office, retail and industrial property being the major property sectors contributing to these property portfolios. However, recent years have seen increased attention given to the property investment opportunities available from the emerging property sectors such as self-storage, healthcare, retirement facilities and leisure/entertainment. This paper will assess the significance of these emerging property sectors in property portfolios in Australia; particularly highlighting issues such as the current portfolio levels and the leading property funds in these emerging property sectors. An emerging sector LPT performance index is established and an emerging property sector risk-adjusted performance analysis carried out over 2002-2005, as well as the portfolio diversification benefits of the emerging property sector assessed.

INTRODUCTION

Institutional investors in Australia have largely traditionally concentrated on low-risk core property portfolios of office, retail and industrial properties, with non-core properties accounting for less than 5% of these institutional portfolios (Higgins, 2005). This sees Australian property funds having \$160 billion in direct property assets (PIR, 2004); for example, significant property portfolios include Westfield (\$32 billion), Colonial First State (\$21 billion), AMP Capital (\$14 billion) and Macquarie (\$10 billion) (PIR, 2004).

However, recent years have seen significant capital inflows available for property (eg: growth in superannuation fund assets), significant growth in LPTs, a shortage of quality local commercial properties and subsequent reduced yields (Blundell, 2005b). These drivers have seen LPTs seek international property investment opportunities (eg: US retail, US industrial, European retail) (Blundell, 2005a, 2005c; Larsen, 2005; Murdoch, 2004; Tan, 2004a, b), with international property currently accounting for 35% of LPT property assets (DB RREEF, 2005; Oliver, 2004), and these levels expected to increase to 50-60% by 2009 (Norris, 2004). LPTs have also become increasingly involved in non-property investment activities such as property development via stapled securities structures (Oliver, 2004; Tan, 2004c).

This mismatch between available funds and available core property assets in Australia has also seen institutional investors expand their focus beyond these traditional property sectors to consider both higher risk value-added property and opportunistic property (DB RREEF, 2005; Lowrey, 2005; Schuck and Howard, 2005). This has seen increased attention given to the property investment opportunities for enhanced returns available from the emerging property sectors, such as self-storage, healthcare, retirement, carparks, and leisure and entertainment (Blundell, 2003, 2004, 2005b, c; DB RREEF, 2005; Larsen, 2003, 2005) and from the property-related sectors such as infrastructure (Blundell, 2005a; DB RREEF, 2005). The retirement and healthcare sectors have also received additional institutional attention due to the demographic shift with the ageing population, which will see the population percentage over 65 years in Australia increase from 13% in 2006 to nearly 26% by 2045 (ABS, 2004; Blundell, 2003, 2004; Larsen, 2003).

Whilst only recently being considered in Australia, these emerging or non-core property sectors have been widely utilised by US REITs over the last ten years (Blundell, 2005b; NAREIT, 2005a, b). At September 2005, the US emerging sectors of healthcare, self-storage and speciality comprised 23 REITs and accounted for over US\$43 billion in market capitalisation, representing 14.5% of the equity REIT market (see Table 1) (NAREIT, 2005a, b). Some of these emerging sector REITs are amongst the largest US REITs (see Table 2); namely Public Storage (US\$8.7 billion; 7th largest US REIT), Plum Creek Timber (US\$ 7.0 billion; 11th largest) and HealthCare Property (US\$3.6 billion; 21st largest) (NAREIT, 2005a, b). Amongst these speciality REITs, the property sectors include timberland, communication tower sites, automotive retail property, movie theatre complexes, prisons and railways. In comparison, the largest traditional sector US REITs were Simon Property Group (retail; US\$16.4 billion), Equity Office Properties Trust (office; US\$13.3 billion) and Vornado Realty Trust (diversified; US\$12.2 billion) (NAREIT, 2005a, b).

The performance of the US emerging sector REITs over 1994-2005 is given in Table 3, with self-storage REITs seen to be the second best REIT sector on a risk-adjusted performance basis, as shown by the Sharpe index. The risk levels for these emerging sector REITs were above the risk level for the overall equity REIT sector and above the risk level for most of the traditional sector REITs. The US emerging sector REITs were also less highly correlated than the traditional sector REITs with the overall equity REIT sector, reflecting within-REIT sector portfolio diversification benefits, as well as the emerging sector REITs not being highly correlated with stocks (see Table 4), reflecting portfolio diversification opportunities. These analyses confirm the investment performance of these US emerging sector REITs; particularly compared to the traditional sector REITs.

Only limited research has been conducted regarding these US emerging sector REITs; typically for self-storage (MiniCo, 2005; Severino, 2005) and seniors housing (Lowrey, 2005). Similarly, in Australia, emerging sector research has only been a general property industry commentary (eg: Blundell, 2003, 2004, 2005 a, b, c; Larsen, 2002, 2005), addressing industry-specific issues (eg: self-storage) (Blackwell, 2005; Kennard and Blackwell, 2005; SSAA, 2005) or the role of emerging property sectors in a property portfolio (DB RREEF, 2005; Schuck and Howard, 2005). Importantly, these emerging property sectors have some different key features to the traditional property sectors for institutional investors to assess in formulating their property

portfolio strategies, including the operating business being linked with the property assets, difficulties predicting cashflows, a lack of consistent and long-term performance measures, small size of these niche markets, lack of institutional experience with emerging property sectors, the need for revised fund mandates to invest in these emerging property sectors, and whether these emerging sectors should be regarded as “property” or “property-related” (Blundell, 2003, 2004, 2005b; DB RREEF, 2005; Larsen, 2003; Schuck and Howard, 2005).

As such, the purpose of this paper is to rigorously assess the significance of these emerging property sectors in property portfolios in Australia; particularly highlighting issues such as the current portfolio levels and the leading property funds in the emerging property sectors. An emerging sector LPT performance index is established and an emerging property sector risk-adjusted performance analysis carried out over 2002-2005, as well as the portfolio diversification benefits of the emerging property sectors assessed.

METHODOLOGY

Emerging property sector funds profile

Over 580 individual direct property funds in Australia were reviewed to assess the significance of the emerging property sectors in these funds. Property funds were identified from PIR (2004a), as well as from recent annual reports and product disclosure statements (PDS). Details determined per emerging property sector fund were emerging sector, year established, fund type, number of properties, total assets and fund manager. This resulted in 69 emerging sector funds being identified across seven emerging property sectors, including self-storage (8 funds), retirement (12), childcare (7), leisure/entertainment (13), healthcare (12), carparks (4) and agriculture (13). Hotels and residential property funds were not assessed in this study.

Emerging property sector performance analysis

Monthly total returns were obtained from UBS (2005) for the three year period of November 2002 – October 2005 for the emerging sector LPTs listed on the ASX. Of the nine currently listed emerging sector LPTs, five have monthly returns over this three year period; namely Macquarie Leisure, Tourism and Leisure, MTM Entertainment, MFS Living and Leisure, Challenger Wine. Risk-adjusted performance analysis was carried out for each of these emerging sector LPTs, and compared to a number of traditional sector individual LPTs (eg: Stockland, GPT).

To assess the overall significance of the emerging sector LPTs, market cap-weighted and asset value-weighted emerging sector LPT performance indices were established using these five emerging sector LPTs available over this three year period of 2002-2005. The risk-adjusted performance analysis for the emerging sector LPTs was carried out and compared to the other LPT sectors (eg: office, retail, industrial etc) and the overall stockmarket. The inter-LPT sector correlations were used to assess the portfolio diversification benefits of the emerging sector LPTs.

EMERGING SECTOR FUND PROFILE

Table 5 presents the Australian property fund profile at September 2004 (PIR, 2004). Emerging sector funds were evident, with 54 funds accounting for 512 properties

valued at \$2.7 billion across seven emerging property sectors. The following sections provide an updated profile of the emerging property sector at October 2005.

Self-storage

Whilst traditionally being a sector for small investors and private companies (eg: Kennards, Millers, Storage King, National), self-storage has taken on increased importance in recent years, resulting from high density living, downsizing to smaller properties and businesses outsourcing their storage requirements. There are currently over 900 self-storage facilities in Australia, accounting for over 2 million m² of storage space; occupancy rates are over 82%, with the user profile being residential (75%) and business (25%) (Blackwell, 2005; Kennard and Blackwell, 2005; SSAA, 2005).

Recent years have seen increased institutional interest in self-storage (see Table 6A); particularly where the property fund has linked with an established operator in the self-storage sector; for example:

- * APN with National
- * Valad with Kennards
- * Abacus with Storage King,
- * Mariner with Millers
- * Quantum with Storage King

with a range of operational business models used, including lease structures, joint ventures and stapled securities.

This currently sees 8 property funds involving self-storage, accounting for 65 properties valued at \$408 million. An unlisted retail fund is the general property vehicle used, with Valad having incorporated their 24 self-storage properties into the Valad Property Group (LPT) portfolio (>\$500 million). Increased institutional involvement in this sector is expected as the sector consolidates and matures, although a lack of quality stock is a current concern.

In comparison, self-storage in the US has been more institutionalised in the last ten years (Severino, 2005), with over 41,000 self-storage facilities accounting for 1.65 billion ft² (MiniCo, 2005). The largest organisations in US self-storage are Public Storage, Extra Space Storage, Shurgard Storage Centres, U-Haul International, U-Store-It Trust and Sovran Self-Storage, with five of these top six self-storage players being REITs, and the top 10 self-storage players accounting for over 16% of the market (MiniCo, 2005). Equivalent UK leaders in self-storage include Big Yellow, Lok'n Store and Safestone.

Retirement

Whilst retirement and aged care has traditionally been the domain of church and charity organisations, recent years have seen increased institutional involvement in this sector (see Table 6A). Key drivers have been an ageing population (ABS, 2004), with baby boomer wealth seeing increased expectations regarding retirement facility quality and services.

This currently sees 12 property funds involving retirement facilities, accounting for 99 retirement properties/villages valued at \$528 million. The most significant property vehicles are the ING Real Estate Community Living Fund, involving an LPT with

\$146 million in assets in 40 Australian and US retirement facilities, as well as the Prime Retirement & Aged Care Property Trust (20 retirement facilities; \$166 million in assets) as an unlisted retail fund.

Further consolidation and expansion of the retirement sector is expected, particularly with the introduction of established property players diversifying into this sector and the establishment of partnerships between property fund managers and experienced developers in the retirement sector; eg: Primelife/Babcock & Brown/MFS and FKP/Macquarie. Issues regarding the preferred management structure (eg: deferred management fee system) are currently being evaluated (Blundell, 2004).

Childcare

Childcare facilities have attracted recent attention from a range of property funds; largely unlisted retail funds (see Table 6B). This currently sees 7 property funds involving childcare facilities, accounting for 406 childcare facilities valued at \$412 million. The largest funds were Childcare Property Fund (\$146 million) and Australian Education Trust (LPT; \$98 million).

Leisure/entertainment

The leisure and entertainment sector is the largest emerging markets sector (see Table 6B), with 13 property funds involving 198 properties valued at \$1.6 billion. A diverse range of leisure/entertainment property types are included, such as pubs, themeparks, marinas, bowling centres, theatres, caravan parks and tourist parks. The leisure/entertainment sector has made more substantial use of LPTs as the property investment vehicle, with Macquarie Leisure (\$353M), ALE Property Group (\$651M) and ING Real Estate Entertainment Fund (\$176M) being the most substantive vehicles. For example, Macquarie Leisure (\$353M) has a diverse portfolio comprising the Dreamworld theme park (53% of portfolio), six marinas (22%) and 46 bowling centres (25%). Similarly, the ALE Property Group (\$650M) has a portfolio of 107 pubs (hotel assets of Fosters) leased to ALH on 25-year leases. The leisure/entertainment LPT sector has also seen strong investment performance in recent years; although higher risk was evident in delivering these higher returns; see next section for performance analysis.

Healthcare

Along with the retirement sector, healthcare will take on increased importance with an ageing population. While the traditional healthcare facilities sector has been dominated by private providers (eg: Mayne, Ramsay, Healthscope) (Blundell, 2003), larger property funds have become increasingly involved. Currently, there are 12 property funds involved in healthcare facilities, with 31 properties valued at \$ 435M; see Table 6C. While property syndicates are the most widely-used property investment vehicle, the unlisted Australian Unity Healthcare Property Trust (\$179M; 9 properties) is the largest healthcare facilities investment vehicle.

Carparks

The carpark sector involved 4 funds (see Table 6C), involving 11 carparks with assets of \$242M. The Sydney Opera House carpark comprises the Mariner Infrastructure Trust No.1 portfolio.

Agriculture

In the agriculture sector, 13 property funds account for 57 properties valued at \$650M. These funds cover the areas of vineyards, almond plantations, beef cattle, cotton and horticulture. Whilst property syndicates have tended to be smaller single-property vehicles in agriculture, the more substantive property funds are the Challenger Wine Trust (LPT; \$281M; 34 vineyards) and the unlisted wholesale Colonial Agricultural Fund (\$208M; 8 beef cattle properties), with this unlisted wholesale fund typically used by superannuation funds seeking agricultural property exposure.

EMERGING SECTOR PERFORMANCE ANALYSIS

Analysis of individual emerging sector LPTs

At this stage, any performance analysis of the emerging property sectors needs to be based on the LPT market, as direct emerging property sector series are not available.

At October 2005, there were nine emerging sector LPTs, covering the areas of:

- leisure/entertainment (6): Macquarie Leisure, ALE Property Group, ING Real Estate Entertainment, Tourism & Leisure, MTM Entertainment, MFS Living and Leisure
- retirement (1): ING Real Estate Community Living
- childcare (1): Australian Education Trust
- agriculture (1): Challenger Wine Trust,

with a total market capitalisation of \$1,078 million, representing only 1% of the total LPT market capitalisation and only having two of these emerging sector LPTs included in the ASX 300 benchmark; namely Macquarie Leisure and Australian Education Trust.

Table 7 presents the risk-adjusted performance analysis over Nov. 2002-Oct. 2005 for each of these nine emerging sector LPTs, compared to a number of leading traditional sector LPTs with office, retail, industrial or diversified portfolios. Average annual returns are presented for one, three and five year periods, with not all emerging sector LPTs having been available for this full five-year period. Strong performance is clearly evident from Macquarie Leisure and the Tourism & Leisure Trust, with the emerging sector LPTs typically having a larger annual risk than the traditional sector LPTs. On a risk-adjusted basis, both of these emerging sector LPTs (Macquarie Leisure and the Tourism & Leisure Trust) are seen to significantly out-perform the traditional sector LPTs.

Analysis of emerging sector LPTs

Whilst performance indices are available for a number of LPT sectors (UBS, 2005), including office, retail, industrial, diversified, international and stapled security LPTs, an equivalent performance index is not available for benchmarking emerging sector LPTs. As such, to assess the overall significance of the emerging sector LPTs, two emerging sector LPT performance indices were established using the five emerging

sector LPTs⁽¹⁾ available over this three year period of 2002-2005. These performance indices were:

- (1) market cap-weighted emerging sector LPT index
- (2) asset value-weighted emerging sector LPT index,

with Table 8 presenting the risk-adjusted performance analysis of the emerging sector LPTs, compared to the other LPT sectors and the overall stockmarket.

The emerging sector LPTs gave significantly higher average annual returns over 2002-2005 than any other LPT sector and the stockmarket, although the annual risk for the emerging sector LPTs was higher than for most other LPT sectors and for the stockmarket. On a risk-adjusted basis (using the Sharpe index), the emerging sector LPTs significantly out-performed all other LPT sectors and the overall stockmarket. However, it should be recognised that this strong risk-adjusted performance by the emerging sector LPTs is significantly influenced by the high returns generated by Macquarie Leisure over this three-year period, as well as the substantive weighting for Macquarie Leisure in the emerging sector market cap-weighted and asset value-weighted indices.

To assess the portfolio diversification benefits of the emerging sector LPTs, Table 9 presents the inter-asset correlation matrix for the various LPT sectors and the overall stockmarket. The emerging property sector LPTs were seen to be less correlated with the overall LPT sector ($r = 0.32$) than any of the other LPT sectors with the overall LPT sector ($r = 0.66$ to 0.87), reflecting enhanced within-LPT sector portfolio diversification benefits by the emerging sector LPTs, as well as the emerging sector LPTs being more correlated with the industrial LPT sector ($r = 0.52$) than with the office LPT sector ($r = 0.24$) and the retail LPT sector ($r = 0.19$). The emerging sector LPTs are not highly correlated with the overall stockmarket ($r = 0.41$), with this correlation similar to that seen for each of the other LPT sectors with the overall stockmarket ($r = 0.26$ to 0.42).

Overall, these empirical results for the emerging sector LPTs confirm the strong risk-adjusted performance by the emerging sector LPTs over this 2002-2005 period and the portfolio diversification benefits available from these emerging sector LPTs.

CONCLUSION

Capital inflow into property funds has seen increased competition for quality local properties, as well as increased levels of international property in property portfolios. It has also recently seen property funds seeking opportunities for enhanced returns from the emerging property sectors such as self-storage, healthcare, retirement, carparks and leisure/entertainment properties.

Whilst some of these emerging property sectors are small niche markets in Australia (Blundell, 2005b) and their longer-term benefits are yet to be fully assessed (Blundell, 2004), property funds are now considering the added-value that these emerging

⁽¹⁾ Five emerging sector LPTs in the emerging sector LPT performance index are Macquarie Leisure, Tourism & Leisure, MTM Entertainment, MFS Living and Leisure, and Challenger Wine.

property sectors may bring to property portfolios. Issues that will have a key role in expanding the stature of these emerging property sectors are:

- increased market depth and maturity with further listed and unlisted vehicles
- increased investor confidence and experience in this sector
- more substantive emerging sector performance analysis, including a longer timeframe and an increased number of emerging sector funds
- developing suitable business models re: operating business (eg: retirement)
- more major property players effectively incorporating these emerging sectors into their property portfolio strategy; eg: Stockland and retirement properties
- establishing suitable joint ventures between property fund and development partners (eg: Primelife, Babcock & Brown and MFS re: retirement properties) and business operating units (eg: self-storage)
- potential consideration of other emerging property sectors such as golf resorts (eg: OFM Resort and Leisure Trust) and infrastructure (eg: James Fielding Infrastructure Fund),

with the emerging property sectors expected to take on increased importance in Australia as property funds seek future local opportunities for enhanced property portfolio performance. The risk-adjusted performance analysis for emerging sector LPTs has also clearly demonstrated its contribution and portfolio diversification benefits to an investment portfolio over 2002-2005, with this needed to be further assessed over longer timeframes to more fully assess the strategic contribution of the emerging property sector in a property portfolio.

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Table 1: Significance of emerging property sectors in US REITs: September 2005

Sector	Number of REITs	Market capitalisation (US\$)	Percentage in equity REIT index
Office	24	\$56.5B	18.8%
Retail	33	\$83.2B	27.7%
Industrial	7	\$20.4B	6.8%
Mixed office/ind.	7	\$10.5B	3.5%
Diversified	14	\$20.1B	6.7%
Residential	26	\$48.8B	16.3%
Hotel	18	\$17.6B	5.8%
Healthcare	11	\$15.3B	5.1%
Self-storage	5	\$13.3B	4.4%
Specialty	7	\$15.0B	5.0%
Total	152	\$300.6B	100.0%

Source: NAREIT (2005a, b)

Table 2: Major US emerging sector REITs: September 2005

Sector	Market capitalisation (US\$)
Self-storage REITs	
Public Storage	\$8.7B
Shurgard Storage	\$2.6B
Sovran Self-storage	\$0.8B
U-Store-It Trust	\$0.8B
Extra Space Storage	\$0.5B
Healthcare REITs	
HealthCare Property	\$3.6B
Ventas	\$3.3B
Health Care REIT	\$1.9B
Healthcare Realty Trust	\$1.9B
Nationwide Health Properties	\$1.5B
Senior Housing Properties Trust	\$1.3B
National Health Investors	\$0.8B
Omega Healthcare Investors	\$0.7B
LTC Properties	\$0.5B
Universal Health Realty Income Trust	\$0.4B
Medical Properties Trust	\$0.4B
Windrose Medical Properties Trust	\$0.2B
National Health Realty	\$0.2B
Specialty REITs	
Plum Creek Timber Company	\$7.0B
Global Signal	\$3.1B
Rayonier	\$2.9B
Capital Automotive REIT	\$1.8B
Entertainment Properties Trust	\$1.1B
Correctional Properties Trust	\$0.3B
Pittsburgh & West Virginia Rail Road	\$0.1B

Source: NAREIT (2005a, b)

Table 3: US emerging sector REIT performance: Q1: 1994 - Q3: 2005

Sector	Average annual return	Annual risk	Sharpe index⁽¹⁾
Office	16.7%	15.20%	0.85 (4)
Retail	16.6%	14.10%	0.91 (3)
Industrial	17.1%	13.95%	0.95 (1)
Residential	13.5%	12.80%	0.76 (5)
Diversified	11.9%	15.42%	0.53 (7)
Hotel	6.8%	27.36%	0.11 (9)
Healthcare	13.7%	19.09%	0.52 (8)
Self-storage	17.7%	14.73%	0.95 (2)
Specialty	4.9%	22.01%	0.05 (10)
Total	13.7%	13.43%	0.74 (6)

Source: Authors' calculations from NAREIT (2005a, b)

⁽¹⁾ Ranks based on risk-adjusted performance are given in brackets.

Table 4: US emerging property sector REIT correlations: Q1: 1994 - Q3: 2005

	Total	Self-storage	Healthcare	Specialty	Office	Retail	Industrial	Stocks
Total	1.00							
Self-storage	0.79	1.00						
Healthcare	0.77	0.74	1.00					
Specialty	0.58	0.48	0.31	1.00				
Office	0.88	0.71	0.61	0.52	1.00			
Retail	0.89	0.70	0.77	0.53	0.64	1.00		
Industrial	0.88	0.62	0.61	0.43	0.77	0.79	1.00	
Stocks	0.32	0.25	0.07	0.47	0.42	0.15	0.18	1.00

Source: Authors' calculations from NAREIT (2005a, b)

Table 5: Australian property sector funds profile⁽¹⁾: September 2004

Sector	Number of funds	Total assets of funds	Number of properties
Emerging sectors	54	\$2.7B	512
Healthcare	12	\$0.4B	31
Retirement	10	\$0.3B	65
Leisure	8	\$1.0B	124
Self-storage	3	\$0.1B	22
Childcare	6	\$0.3B	240
Carparking	2	\$0.2B	9
Agricultural	13	\$0.4B	21
Traditional sectors	458	\$150.2B	2,725
Office	170	\$21.4B	367
Retail	116	\$53.3B	705
Industrial	58	\$7.3B	323
Diversified	88	\$65.8B	1,257
Hotel	26	\$2.4B	73

Source: PIR (2004)

⁽¹⁾ Residential property funds (54 funds) and property development funds (11 funds) are not included

Table 6A: Emerging property sector fund profile: October 2005

Property fund	Year estab.	Fund type⁽¹⁾	Number of properties	Total assets	Fund manager
Self-storage (8 funds @ \$408M)					
APN National Storage PT	2003	URF	20	\$134M	APN
Mariner PT No. 2	2005	URF	1	\$29M	Mariner
Abacus Storage Fund	2005	URF	16	\$108M	Abacus
Valad Property Group ⁽²⁾	2004	LPT	24	\$114M	Valad
Storage King Granville	2001	DPS	1	\$4M	Quantum
Storage King Chatswood	1999	DPS	1	\$4M	Quantum
Storage King St Peters	2000	DPS	1	\$4M	Quantum
Storage King Lane Cove	1999	DPS	1	\$11M	Quantum
Retirement (12 funds @ \$528M)					
ING Real Estate Community Living Fund	2004	LPT	40	\$146M	ING
Prime Retirement & Aged Care PT	2001	URF	20	\$166M	Aust. Prop. Custodian
Village Life PT	2003	URF	23	\$55M	Westpac
Settlers Life PT	2005	URF	3	\$27M	SAITeysMcMahon
APN Retirement Properties Fund	1999	DPS	5	\$32M	APN
Abacus Retirement Living Trust	2005	DPS	2	\$24M	Abacus
Forest Place Clayfield Syndicate	1999	DPS	1	\$17M	FKP
Forest Place Cleveland Syndicate	1999	DPS	1	\$8M	FKP
Sunraysia Retirement Village Syndicate	1998	DPS	1	\$6M	Sunraysia
Grande Serviced Apartments	2000	DPS	1	\$27M	Becton
Syndicate No. 6 Comptons	1998	STS	1	\$15M	SAITeysMcMahon
Farrington Grove Retirement Estate	2000	DPD	1	\$5M	William Buck

Table 6B: Emerging property sector fund profile: October 2005

Property fund	Year estab.	Fund type⁽¹⁾	Number of properties	Total assets	Fund manager
Childcare (7 funds @ \$412M)					
Australian Education Trust	2003	LPT	142	\$98M	Peppercorn
Australian Social Infrastructure Fund	2001	URF	61	\$94M	Ceramic
Childcare Property Fund	2004	URF	138	\$146M	SAITeysMcMahon
JF Childcare Fund	2003	URF	31	\$27M	James Fielding
Childcare PT No.1	2001	URF	9	\$14M	DDH Graham
Childcare PT No.2	2002	URF	11	\$14M	DDH Graham
Childcare PT No.3	2002	URF	15	\$19M	DDH Graham
Leisure/Entertainment (13 funds @ \$1,569M)					
ING Real Estate Entertainment Fund	2004	LPT	15	\$176M	ING
Macquarie Leisure	1998	LPT	53	\$353M	Macquarie
ALE Property Group	2003	LPT	107	\$651M	ALE
MFS Living and Leisure Group	1999	LPT	3	\$10M	MFS
MTM Entertainment Trust	1998	LPT	1	\$21M	Babcock & Brown
Tourism & Leisure Trust	1997	LPT	1	\$23M	James Fielding
Stadium Australia Trust	1997	LPT	1	\$164M	James Fielding
Grant Samuel Laundry Pub Fund	2005	URF	4	\$70M	Grant Samuel
National Leisure and Gaming	2005	LPT	3	\$30M	NLG
JF Tourist Park Fund	2004	URF	1	\$17M	James Fielding
Aspen Parks Property Fund	2004	URF	7	\$34M	Aspen
Abacus Mariners Cove Trust	2000	DPS	1	\$7M	Abacus
Warwick Cinema Syndicate Trust	1999	DPS	1	\$13M	Westpoint

Table 6C: Emerging property sector fund profile: October 2005

Property fund	Year estab.	Fund type⁽¹⁾	Number of properties	Total assets	Fund manager
Healthcare (12 funds @ \$435M)					
Australian Unity Healthcare PT	1999	URF	9	\$179M	Australian Unity
Calan Healthcare Aust. PT	1998	DPF	3	\$59M	Calan
Essential Health Care Trust	2002	DPS	3	\$56M	SAITeysMcMahon
Pacific Private Property Trust	2000	DPS	1	\$24M	SAITeysMcMahon
PHC Darlinghurst	2001	DPS	1	\$11M	SAITeysMcMahon
Sydney Healthcare Trust	2002	DPS	8	\$60M	SAITeysMcMahon
MAB Healthcare Trust	2003	DPS	1	\$15M	MAB
MDRN Syndicate - Medical No. 1	1998	DPS	1	\$3M	MDRN
Quantum PD Syndicate No. 6	2002	DPS	1	\$1M	Quantum
Holland Park	1997	DPS	1	\$2M	SK Property
Havelock House PT	2002	DPS	1	\$21M	Becton
Merrylands Property Syndicate	2000	DPS	1	\$4M	Austgrowth
Carparks (4 funds @ \$242M)					
Mariner Infrastructure Trust No. 1	2004	DPS	1	\$90M	Mariner
International Parking Group	2003	UWF	8	\$135M	James Fielding
Macquarie St. Car Park Fund	2005	DPS	1	\$4M	SAITeysMcMahon
Herston Road Hospital Carpark Property Syndicate	1998	DPS	1	\$13M	NHLS

Table 6D: Emerging property sector fund profile: October 2005

Property fund	Year estab.	Fund type⁽¹⁾	Number of properties	Total assets	Fund manager
Agriculture (13 funds @ \$650M)					
Challenger Wine Trust	1999	LPT	34	\$281M	Challenger
Coonawarra Aust. PT	2003	LPT	1	\$16M	Coonawarra
Colonial Agricultural Fund	1997	UWF	8	\$208M	Colonial FS
Primary Infrastructure Fund	2004	URF	5	\$52M	SAITeysMcMahon
Conundrum Vineyards Unit Trust	1994	DPS	1	\$18M	SAITeysMcMahon
Specific Vineyard No. 3 Unit Trust	2001	DPS	1	\$11M	SAITeysMcMahon
Howcroft Unit Trust I	1998	DPS	1	\$14M	SAITeysMcMahon
Howcroft Unit Trust II	1999	DPS	1	\$11M	SAITeysMcMahon
Treviso Table Grape Unit Trust	2002	DPS	1	\$7M	SAITeysMcMahon
Treviso Table Grape Unit Trust No. 2	2003	DPS	1	\$11M	SAITeysMcMahon
Lake Powell Almond Unit Trust No. 1	2004	DPS	1	\$14M	SAITeysMcMahon
Carina Park Almond Unit Trust	1999	DPS	1	\$4M	SAITeysMcMahon
Carina Park Almond Unit Trust 2, 3 & 4	2001	DPS	1	\$3M	SAITeysMcMahon

⁽¹⁾ LPT = listed property trust; URF = unlisted retail fund;
DPS = direct property syndicate; DPF = direct private fund;
UWF = unlisted wholesale fund; STS = strata title scheme;
DPD = direct property development.

⁽²⁾ Self-storage is only part of the Valad Property Group portfolio.

Source: Authors' compilation from PIR (2004) and miscellaneous annual reports and PDS reports

Table 7: Emerging sector LPT performance: October 2005

LPT	Market cap (@ Oct. 2005)	Average annual return ⁽¹⁾			Annual risk ⁽²⁾	Sharpe index
		1Y	3Y	5Y		
Emerging sector LPTs						
Macquarie Leisure	\$354M	56.2%	62.5%	35.2%	21.2%	2.70
Australian Education Trust	\$108M	0.0%	NA	NA	NA	NA
ALE Property	\$207M	44.5%	NA	NA	NA	NA
ING Real Estate Community Living	\$162M	12.9%	NA	NA	NA	NA
ING Real Estate Entertainment	\$82M	9.7%	NA	NA	NA	NA
Tourism & Leisure Trust	\$19M	39.1%	53.7%	NA	26.9%	1.80
MTM Entertainment Trust	\$15M	30.4%	14.9%	13.4%	47.8%	0.20
MFS Living & Leisure Group	\$3M	-12.5%	11.9%	NA	119.4%	0.06
Challenger Wine Trust	\$128M	-2.0%	10.3%	NA	10.1%	0.50
Traditional sector LPTs						
Stockland	\$8.1B	10.9%	17.5%	17.9%	12.7%	0.96
GPT	\$7.9B	9.7%	17.9%	16.2%	14.2%	0.89
Mirvac	\$3.4B	-8.8%	4.9%	10.1%	18.7%	-0.02
Centro	\$4.6B	42.3%	29.6%	27.1%	17.1%	1.42
Macquarie CountryWide	\$2.1B	9.7%	15.6%	15.8%	11.4%	0.90
Macquarie Office	\$2.2B	8.8%	9.1%	11.4%	9.0%	0.42
ING Industrial	\$1.8B	16.3%	20.1%	19.5%	10.0%	1.48
Macquarie Goodman	\$5.2B	22.5%	25.3%	NA	15.2%	1.32

Source: UBS (2005)

⁽¹⁾ Not all emerging sector LPTs are available for full five-year period⁽²⁾ Annual risk is calculated as standard deviation of three year monthly returns

**Table 8: Australian emerging property sector LPT performance analysis:
Nov. 2002 – Oct. 2005**

Sector	Average annual return	Annual risk	Sharpe index⁽¹⁾
Emerging property: market cap-weighted	47.6%	14.78%	2.87 (1)
Emerging property: asset value-weighted	38.7%	11.90%	2.81 (2)
Office	9.7%	9.90%	0.45 (10)
Retail	18.1%	8.90%	1.44 (3)
Industrial	21.8%	11.10%	1.49 (4)
Diversified	13.7%	12.30%	0.68 (8)
International	12.2%	9.40%	0.74 (7)
Stapled security	11.9%	9.90%	0.67 (9)
ASX LPT 300	15.5%	8.20%	1.25 (6)
Shares	18.5%	8.80%	1.50 (3)

Source: Authors' calculations from UBS (2005)

⁽¹⁾ Ranks based on risk-adjusted performance are given in brackets.

Table 9: Australian LPT sector correlations: Nov. 2002 – Oct. 2005

	Emerging ⁽¹⁾	Office	Retail	Industrial	Diversified	ASX LPT 300	Shares
Emerging	1.00						
Office	0.24	1.00					
Retail	0.19	0.43*	1.00				
Industrial	0.52*	0.70*	0.36*	1.00			
Diversified	0.21	0.73*	0.40*	0.54*	1.00		
ASX LPT 300	0.32	0.80*	0.77*	0.66*	0.87*	1.00	
Shares	0.41*	0.42*	0.33*	0.36*	0.26	0.40*	1.00

*: Significant correlation (P<5%)

⁽¹⁾ Correlations are only presented using market cap-weighted emerging sector LPT index to be consistent with other market cap-weighted LPT indices