



The State of the Retail Market

Scott Morgan

**Australian Direct Property Investment Association
PRRES Industry Day 20 January 2009**

State of the Market...

“We are living through the type of wrenching financial crisis that comes along only once in a century”

Alan Greenspan 2 October 2008

“When something important is going on, silence is a lie.”

Abe Rosenthal

New York Times Editor

Who is ADPIA?

❖ The Peak National Body representing Direct Property Investments

- 79 Member Organisations and growing by the week
- Strong Marketing and PR focus and well as cross promotion with other Industry Associations
- Promoting and enhancing professionalism of its Members
- Advocacy and Policy development on behalf of its Members with Government and Industry
- Developing Industry Research and Education programs (both membership and general public)
- Facilitating interaction between Members for their mutual benefit

The ADPIA History

- ❖ A 10 year growth story
- ❖ Current Network:
- ❖ Membership of 79 Major Companies
 - 42 Fund Managers representing \$60 billion of Unlisted Property FUM (retail and wholesale funds)
 - 37 Advisory Members from Legal, Accounting, Insurance, Specialist Consulting and support industries
- ❖ Information network of over 800 people from Member and non-Member companies
- ❖ Rapidly growing market presence and awareness

ADPIA Members

Fund Managers	Fund Managers	Advisory	Advisory
Alba Capital Partners	FKP Funds Management	AET	Middletons Lawyers
ANZ Investment Bank	Heathley Asset Management Limited	Apex Property Consulting	Minter Ellison
APN Funds Management Limited	IFC Capital Limited	Australian Pacific Exchange	Moore Stephens Melbourne
Aspen Group	Japara Holdings	Barrington & Co	nabCapital
Austcorp Funds Management	Key Capital	BDO Corporate Finance	Napier & Blakeley
Austock Property Investments	Keybridge Capital Limited	BDO Kendalls (VIC)	Nexia ASR
Australian Property Growth Fund	LMW Invest Pty Ltd	Bellrock Broking Pty Ltd	Piper Alderman Lawyers
Australian Unity Funds Management	MAB Corporation	Big Switch Projects	Property Investment Research
AV Management	Macquarie Direct Property	DLA Phillips Fox	Sandhurst Trustees Limited
Babcock & Brown Australia	Mirvac PFA Limited	Freehills	Standard & Poor's
Barrington & Co	NHLS & Co Limited	Gadens Lawyers	Suncorp Property Finance
Becton Investment Management Ltd	Opus Capital Group	General Security Australian Insurance Brokers (GSA)	Thinc Projects
Brookfield Multiplex Capital	Orchard Funds Management	Grenroc Advisory Partners	Thomson Playford
Centro Properties Group	Primespace Property Investment	Graystone Advisory	Trust Company
Century Funds Management	Questus Funds Management	Hall and Wilcox	WHK Greenwoods
Charter Hall	Real Estate Capital Partners	Henry Davis York	Young & Connell Lawyers
Clarence Property Corporation Ltd	Reed Funds Management Ltd	Investec Bank (Australia)	
Cromwell Property Securities	Salta Funds Management	Lonsec Property Research	
Denison Group Pty Ltd	Stockland Funds Management	Madgwicks Lawyers	
Dexus Property Group	Viento Group Limited	MacPherson & Kelley Lawyers	
Drapac	Westpac Funds Management	McMahon Clarke Legal	

ADPIA's Focus on Key Issues

Date	Key Issue
September 2008	ADPIA submits to ASIC on the treatment of superannuation funds as wholesale clients or sophisticated investors
August 2008	ADPIA submits to ASIC regarding the proposed new disclosure regime for unlisted property trusts
August 2008	ADPIA admitted to the Federal Government's Industry and Consumer Advisory Panel which provides guidance to the Financial Services Working Group May 2008. ADPIA involved in submission to Federal Treasury regarding proposed changes to the trading trust provisions of Income Tax Assessment Act 1936
March 2008	ADPIA submits to the Offices of State Revenue and the Federal Government in relation the draconian stamp duty regimes
March 2008	ADPIA submits to ASIC seeking class order relief to simplify the amendment of constitutions by fund managers in certain circumstances
October 2007 to January 2008	ADPIA submits to ASIC regarding fee disclosure regulations and engages ASIC in further discussions

Conference 2009



THE PERFECT STORM

When Property and Debt Markets Collide

Annual Conference 2009
Sheraton Noosa Resort and Spa
March 22 - 24



THE PERFECT STORM

When Property and Debt Markets Collide

We will negotiate this Perfect Storm with insights from leading commentators and industry experts, including **John Hewson**, Chairman of GSA, **Peter Barnes**, Head of Property, CBA and **David Rees**, Head of Research, Australia, Jones Lang LaSalle.



The Serious Stuff

Draft Plenary Program

23/03

Monday 23rd - Asking the Questions

- What's the Weather? - Forecasting the Economic Environment
- Discover your Inner Debt and How to Refinance
- The Perfect Storm - Surfing or Wipe-Out? - Panel Discussion
- Sink or Swim? How Do We Raise Capital in the Storm?
- Round Table Discussions on the Practical Issues Facing the Sector

24/03

Tuesday 24th - Looking to the Future

- Is it Still Raining? The Outlook for Real Estate
- After the Storm - Picking up the Debris. Opportunities for Buyers
- Surfing Classes for the New Decade. Business Strategies in Challenging Times
- ADPIA Update What we are doing for you

Sponsors

2009 ADPIA Annual Supporter



2009 ADPIA Association Sponsors



Property as an Asset Class

Three Retail Perspectives:

1. Retail Market – Financial Planners and their Clients
2. Fallout for Funds Under Administration
3. Retail Realities

A new Ice Age

Issues

- ❖ *Unit Pricing*
- ❖ *Fund Raising*
- ❖ *Gearing*
- ❖ *Sector Consolidation*





Retail Market

Financial Planners and their Clients

In these Uncertain Markets....

***What do the
Financial Planners
Say?***

What do the Financial Planners Say?

Simon Davis

**Financial Planner /
Practice Owner (Brisbane)**

Professional Investment Services

***“We’re not putting anything into
the unlisted sector...we don’t
consider anything [is] valuable”***



What do the Financial Planners Say?

Anthony Blythe

**Financial Planner /
Practice Owner (Albury)**

Professional Investment Services

Anthony Blythe

“Confidence levels... [are] on the low side for property in general.....”

I’m still a great believer that property as an asset class still has a place.....”



What do the Financial Planners Say?

Chris Saunders

Group CEO

Premium Wealth Management

***“...the financially engineered products
have certainly come into trouble.*”**

***...I think [the planners] are looking for
open transparency now....”***



In Summary...

- ❖ *Transparency*
- ❖ *Simplicity*
- ❖ *Communication*
- ❖ *Credibility*



Fallout for Funds Under Administration

SuperTrends

- ❖ Australia Funds Management Industry \$1.6 trillion of which \$1.2 trillion in superannuation – 4th largest in the world
- ❖ Highest average balance @ \$65k per account
- ❖ Largest component is Platforms: Funds Under Administration \$380 billion up from \$333 billion in 2006
- ❖ Total flows into super 2007 \$100bn: SMSF \$60bn – fastest growing sector – high weighting to real estate

Source: Rainmaker (2007), APRA (June 2008)

Source: Morningstar (June 2008)

Fallout for FUM

- ❖ PIR predicted inflows to unlisted sector to halve in 2008
- ❖ ADPIA Member Survey in May:
 - “No one is really investing in Property at the moment, with an 8% cash rate, that is where the money is going”*
- ❖ 65% of ADPIA Members expected to be under budget

Platforms Under Pressure

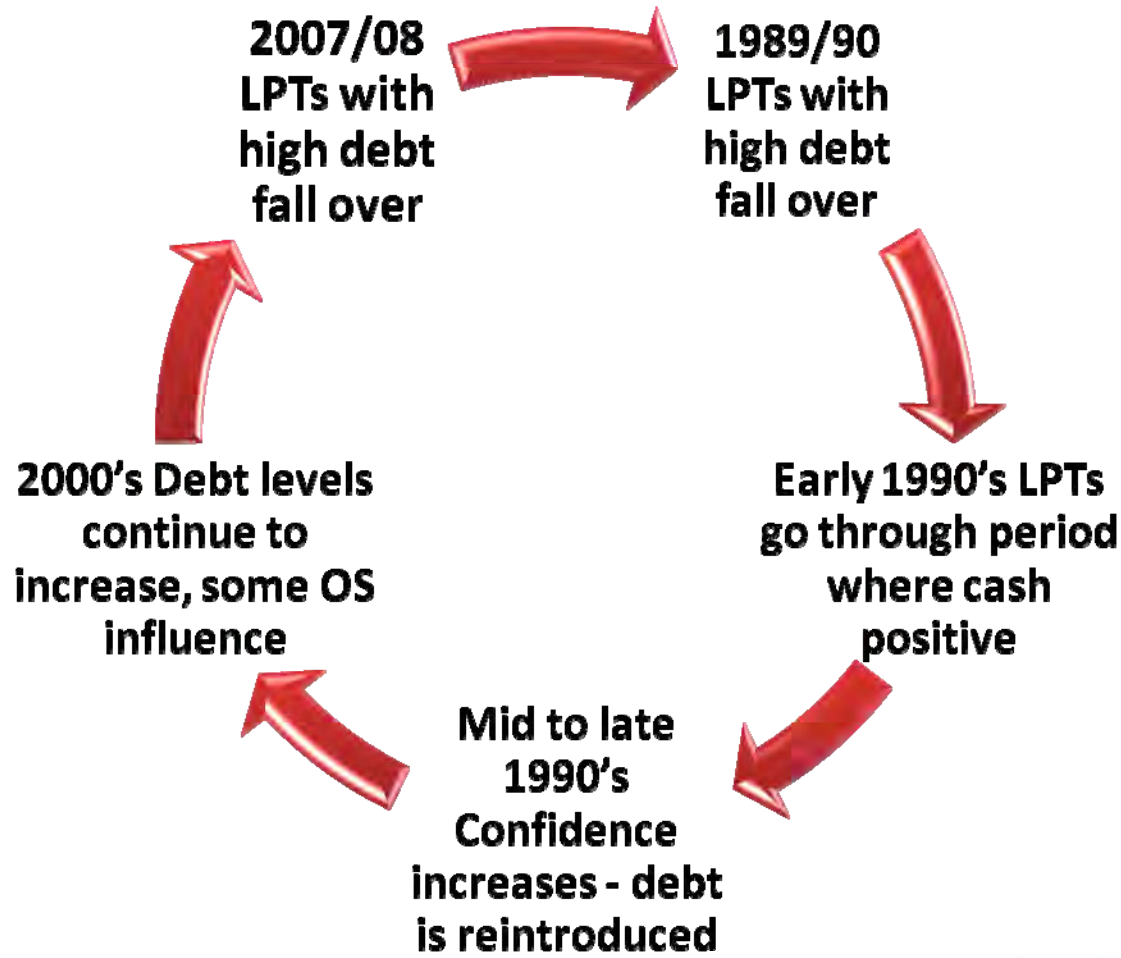
- ❖ Platform Funds Under Administration fell by \$42.5 billion in the six months to June 2008
- ❖ This was despite annual net flows to June 2008 of \$24.8 billion
- ❖ On the Macquarie Wrap the allocation to property is dropping as a percentage of FUA
 - 08/06: 11.8%; 08/07: 12.35%; 08/8: 9.93%
- ❖ Are planners moving away from platforms?

Source: Morningstar (June 2008)

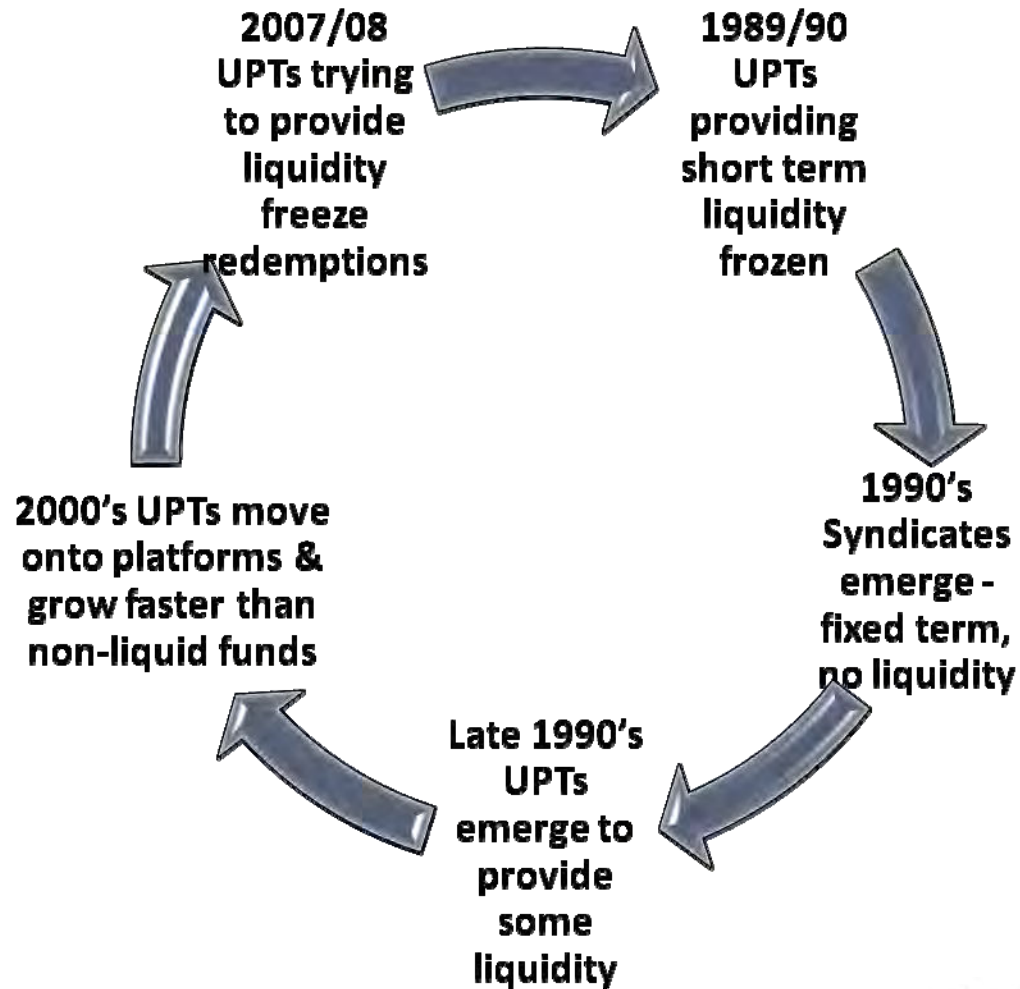


Retail Realities

The LPT / Debt Cycle



The Liquidity Cycle for UPTs



❖ What is the Market after?

- Back to Basics
- WYSIWYG – Closed end with set strategy
- “Ownership” of the assets
- Capital guarantee

❖ What we need to achieve....

- Gearing levels < 40%
- LIMITED liquidity (agreed formula)
- Re-education of Fund Managers, Planners & Clients



Thank you