

Australian Property News

Property 'safe haven' attracts global funds

Posted on Wednesday, May 20 2009 at 3:35 PM

Australian residential property has joined gold as a safe haven for terrified and disillusioned equities investors, according to the chief executive of global investment firm Whiterock Capital Partners.

"Speculators consider residential property to be boring. It's not a sexy story," says Whiterock chief executive Andrew Donnelly. "But these days boring is beautiful."

"Capital preservation is imperative and high returns come second."

Donnelly says residential property is the highest performing asset class over the past two decades, returning nearly 12 per cent in the 20 years to September 2008, closely followed by shares, which returned just over 11 per cent over the same period.

"We still see a market that's extremely stable, especially when you look at the comparative price falls in the United States and United Kingdom," Donnelly says.

"Australian residential is becoming increasingly attractive for institutions seeking long-term, low-risk cash flows."

He says global funds and institutions are rushing into the Australian residential market, as investment firms in Asia, Europe and the United States are under pressure to diversify their investment portfolios.

"Residential property is the safe port in this financial storm," Donnelly adds.

"It's back to basics, away from exotic products such as collateralised debt obligations or the securitisation of anything that generates a fee. Stockmarket investors have a bloody nose. Investors want tangible assets like residential property."

Donnelly says investors need to stick to the fundamentals at the moment.

"If you're looking for the next hotspot, ask your bookie," he says.

"Investors are looking at the fundamentals of areas with strong infrastructure, population growth and employment – that's where the safe bet is in the coming years."

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