

Residential property: Sexy again!

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After being badly burned at the share markets, investors are now turning to Australia's residential properties to make up for their losses according to an expert.

Andrew Donnelly, chief executive of global investment firm Whiterock Capital Partners said investors are now looking for tangible assets like residential properties and away from exotic products such as collateralised debt obligations or the securitisation of anything that generates a fee.

"Australian residential properties are becoming increasingly attractive for institutions seeking long-term, low-risk cash flows," said Donnelly. "We have been inundated by global funds and institutions wanting access to Australian residential property assets. Investment firms across Asia, Europe and the US are under pressure to diversify their investment portfolios and residential property is the safe port in this financial storm."

Donnelly said speculators generally consider residential property to be boring. "It is not a sexy story, but these days, boring is beautiful. Capital preservation is imperative and high returns come second. Residential has become more popular as it retains its value," he said.

He pointed out that residential property is the highest performing asset class over the last 20 years returning nearly 12% in the 20 years to September 2008, closely followed by shares which returned just over 11% over the same period.

"We still see a market that is extremely stable, especially when you look at the comparative falls in the US and UK. The fundamental case for residential property investment remains strong. The rental market has the lowest vacancy rates in over 20 years and capital appreciation, resulting from the demand-supply imbalance in the market, is attractive to investors," said Donnelly.

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