

Security and Risk

The security of the investment depends on the type of trust, the properties it holds and the trust's investment policy. For property securities trusts and unlisted property trusts these details should be outlined in the Product Disclosure Statement (PDS). Although these documents are lengthy and complicated, they should be fully understood before investing.

To assist in assessing the risk or security level consideration should be given to:

- the quality of the properties invested in or owned by the trust including location, condition, management and whether they have good long term tenants;
- the type of property in the trust, eg. residential, commercial, industrial etc;
- the frequency, accuracy and method of valuations;
- the spread of property within the trust, eg. trusts investing heavily in development or resort properties usually have higher risk;
- the type and quality of the property related securities, if any, and their spread across different companies;
- the amount of borrowings as some property trusts may borrow funds to invest. A high level of borrowings (gearing) increases the potential amount of capital gain or capital loss.

Investing With Safety

- Listed property trusts have a number of risk factors as they are affected by general stock market fluctuations as well as property market fluctuations.
- Unlisted property trusts are affected by property market fluctuations;
- While past performance may be used as a guide it is no guarantee of future performance.
- Property trusts should not be regarded as short term investments. Money required for ready access should not be used.
- As with any investment that offers capital growth, potential for capital loss also exists, and fluctuations have been in excess of 40%.
- Property trusts are considered higher risk investments. Investors should read the current PDS (unlisted trusts) or the most recent performance report (listed trusts) carefully before investing.
- Consider diversifying your investments over several markets.

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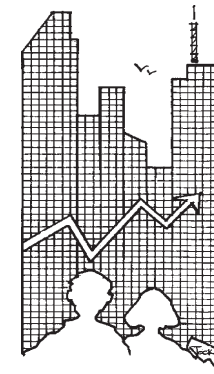
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Property Trusts



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Property Trusts

Property Trusts allow indirect investment in property by raising funds from investors to purchase property assets. They enable investors with relatively small amounts of money to have an interest in the property market.

The trust provides diversity by owning, managing and trading properties in many locations both locally and sometimes globally. The properties are mostly commercial (business) properties.

Listed Property Trusts (LPT)

Units in these trusts are listed on the stock exchange and are bought and sold through a stockbroker.

The unit price of these trusts is influenced by the perceived value of the buildings the trust owns and movements in the stock markets. The values can rise and fall. Often LPT's invest in only one type of property, eg. shopping centres, hotels, offices etc.

Unlisted Property Trusts (UPT)

Unlisted property trusts usually raise funds to buy or develop particular pieces of real estate and the trust closes to new investment when adequate funds are held. Units can then be bought and sold through the trust managers. Diversification is often limited and the investment less liquid. They are not listed on the stock exchange.

Property Securities Trusts (PST)

A property securities trust is an unlisted trust which pools investors money for investment in listed property related securities (shares and trust units). These investments offer potential income

and growth. The unit price of the trust is linked to stockmarket fluctuations but units are bought and sold directly through the trust manager, not a stockbroker.

Features

- Minimum investment varies between funds and can range from \$1 000 to \$5 000.
- Property trusts give you the opportunity to invest in a spread of property investments with only a small amount of money.
- Income payments may be reinvested, credited to an account or paid by cheque.
- Distributed income may have tax advantages.
- Potential for capital growth.

But Remember...

- Property trusts are not capital guaranteed. Values change with market variations and can rise or fall.
- Withdrawals from unlisted property trusts may be potentially difficult.
- Investors have no direct choice in the selection of properties.

Government Income Support

The full market value of the investment is counted as an asset for the assets test and is automatically reviewed in March and September.

Property trusts are assessed for the income test under the deeming rules.

For further details contact a Centrelink Financial Information Service (FIS) Officer or the Department of Veterans' Affairs.

Fees

- Unlisted trusts (including property securities trusts) may charge an entry fee of up to 5%.
- Listed property trusts incur brokerage charges to both buy and sell units.
- Annual management and trustee fees for property securities trusts and unlisted property trusts are charged on the fund balance. Fees vary from 1.5% to 2%. They are included in unit price calculations, so are deducted before returns are declared.

Taxation

This is a complex area and expert advice should be sought from a qualified tax consultant. Generally the following applies:

- Income is assessable for income tax purposes.
- Deductions for expenses and depreciation may reduce tax payable. Tax deferred income may also be provided, as advised in distribution statements. This may reduce the cost base for Capital Gains Tax (CGT).
- Imputation credits may be available from property securities trusts. This provides a tax credit to reduce personal tax liability.
- CGT may be payable upon withdrawal from property trusts purchased after 19 September 1985 or on income distributions as advised.

The fund should provide a tax statement each year to assist with completion of tax returns.