



## MONEY DUE REWARDS:

**DAWSON & PARTNERS**  
FINANCIAL SERVICES

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### Property – Is it Good Value Now?

Following a difficult year on the world's share markets, many people are probably now feeling that direct investment in property is probably a safer choice to make when investing. Having personally followed the massive rises and falls of the last few months on the stock market, I can certainly see the benefit of something with a bit more price stability. But is property really a better investment, and does it represent good value for money right now?

The first point I want to make is that an investment in listed shares is certainly more volatile than an investment in listed property. This much is certain. In other words, the value of your investment jumps about a lot more when you are investing in the stock market. However, as long as you are in a position to "ride out" these sharp price movements, volatility in itself isn't really a reason to choose one investment class over another.

A second point that I think is relevant, is that for any investment, the entry price is very much a key factor in determining how that investment will perform. This is particularly important when comparing asset classes at a time like this, in that some types of asset have fallen a lot further than others, and therefore they may not represent equivalent value.

Take listed shares and listed property, for instance, which have fallen sharply, and are really "pricing in" a very pessimistic view of the economic outlook. If this pessimism turns out to be unfounded, there is a very real possibility that they will rally strongly in the not-too-distant future. This can be compared to direct property, which varies widely between regions and market segments, but generally hasn't fallen nearly as far. Accordingly, current direct property prices are really based on a much more optimistic economic outlook than the listed markets.

If this optimism is well founded, then current property prices may well be maintained, however if it is not, then there is a very real danger that they have further to fall. In this scenario, an investment made now would probably be a matter for regret, at least in the near term.

Ultimately, however, these investments should never be intended for the short term, and it is therefore the long term returns (i.e. seven years and more) which really matter. Using recent figures provided by Lonsec Ltd, we see that the ten year total historical returns are 10.2% p.a. for Australian equities as compared with 12.5% p.a. for direct property, as at 30 September 2008. At first glance, property would appear to be the better investment, however keep in mind the fact that this includes the vastly differing results for the last twelve months which I have been discussing.

Looking forward, Lonsec's 10 year forecasts (based on a recent survey of fund managers) show an expectation that this will be reversed, with Australian equities forecast at 9.5% p.a. compared with 8.0% p.a. for direct property.

The main point to remember in all of this, is that we should invest for the long term, and that our investment portfolios should always be properly diversified. In other words, we need to have a mixture of different types of assets, in order to spread our investment risks more broadly. This way, we are protected from unusual events which may only affect some sectors or asset classes. Speak to a professional advisor if you need assistance in achieving this.

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