

DIY funds take direct interest

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DIY super funds' investments in bricks and mortar are at their highest levels since December 2008, and the growth shows few signs of stopping.

Research by self-managed super fund administrator Multiport found the \$430 billion DIY super sector's love affair with direct property is gaining strong momentum as trustees flock to less volatile assets amid uncertain sharemarkets.

Direct property allocation among Multiport's funds increased from 12.8 per cent in September last year to 14.5 per cent during the 2011 September quarter.

"As gearing within SMSFs continues to increase in appeal, perhaps exacerbated by current sharemarket uncertainty, trustees are turning to property and gearing," Multiport said.

CB Richard Ellis managing director of residential projects David Milton said he was experiencing this growth first hand through recent apartment sales.

Two weeks ago, he sold more than 200 apartments at The Toga Group and LaSalle Investment Management's Macquarie Central project in Sydney's north-west – 15 of which were bought through DIY funds.

"Last year, it would have been less than half of that," he said. "They were buying particularly [apartments] under \$600,000 – that's where the majority of the demand is."

Yields were typically around the 5.5 per cent gross range, he said.

Colliers International's director of project marketing, residential, Curtis Field, said DIY funds were now a key target market for the agency, thanks to the surge in demand from the cash-rich investors.

"We're exposing our properties not just to marketing campaigns online and [the] press, but finding new channels through financial advisers and accountants who set up these funds," he said.

But Colliers said it was not having just a one-way dialogue with DIY super fund gatekeepers.

"Advisers and accountants are also chasing us for property because they've got clients saying 'we want to get into the market'," Mr Field said.

He has sold apartments from Winten Property Group's Belvedere development in North Sydney and from the Allure project in Dee Why to DIY funds this year. Mr Field expects sales to pick up in 2012.

WLM Financial Services adviser Matthew Walker said conversations around direct property buys were becoming common with clients, thanks especially to the tax office's decision to ease borrowing and renovation rules.

While many clients continue to buy properties in areas they are familiar with, trustees are also looking at regional areas to chase higher yields. "The Hunter, Newcastle . . . part of the story is around the demand [for housing] from the resource booms," he said.

The jump in sales was no surprise to Monique Sasson Wakelin, managing director of Wakelin Property Advisory.

Trustees, like the rest of their investor peers, are typically more familiar with real estate than they are with other investment asset classes. "This is particularly pertinent in this climate," she said.

But there are two key risks which could leave DIY investors in a lurch. The first is financial risk – trustees need to ensure there is sufficient cash flow to fund borrowing and other holding costs.

The other less obvious danger is asset selection, where investors risk holding a white elephant if they buy in low growth areas with limited rental income. "You have to have an articulated investment strategy," she said.

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Apartments appeal . . . Colliers International has sold units in the Belvedere in North Sydney to self-managed superannuation funds.