Streets ahead

The investment case for property stocks remains compelling **despite a lower growth outlook**

The JSE's R146bn listed property sector has posted another solid performance over the past 12 months, making more money for investors than general equities, cash or bonds.

So there's a good chance that property stocks will again trump other asset classes for calendar 2011. Last year property stocks notched up a total return of an impressive 30%, followed by general equities at 19%, bonds at 15% and cash at 7%.

WHAT IT MEANS

- **Listed property set to outperform equities**
- **High demand for secure income streams**

Figures from Catalyst Fund Managers show that for the 12 months to the end of October property stocks delivered a more muted 9,6%, albeit still slightly ahead of general equities at 9,4%. Bonds and cash lagged at 7,71% and 5,88% respectively.

The picture looks a little different for the first 10 months of 2011. Bonds and listed property share the lead with a total return of around 8%, while cash and general equities have delivered less than 5% over the same period.

However, listed property's 7,69% average return for the year to date masks a significant performance gap between individual counters. In fact, the difference between the best and worst performing property stocks from January to October this year is a staggering 131%. The Resilient group's opportunistic hybrid play, Fortress Income Fund B, was the sector's winning stock over the 10-month period with a total return of 85%. That's in stark contrast to hotel fund Hospitality B, which ended at the bottom of the pile with a total negative return of -46%. Others among the sector's top five best performers are Capital Property Fund (17%), Fortress A (17%), Acucap Properties (15%) and SA Corporate Real Estate Fund (14%).

Granted, listed property is not expected to repeat 2010's stellar performance but the sector could still breach the 10% total return mark this year, as jittery investors continue to gravitate towards income-generating assets.

Property analysts say listed property returns have been supported by increased money-flow from investors who previously preferred general equities or fixed income vehicles like cash or bonds.

"The key attraction of listed property is its relatively high and, more importantly, growing income yield," says Catalyst investment manager Paul Duncan. He notes listed property is currently trading at a forward income yield of around 8,3%, which compares favourably with the 8% yield-to-maturity on the 10-year government bond. In addition, property stocks have the ability