

# A-REITs

## Fact Sheet



ASX

AUSTRALIAN SECURITIES EXCHANGE

Australia has long been a nation with a unique passion for property investments. For more than 40 years, Listed Property Trusts (LPTs) now known as A-REITs (Australian Real Estate Investment Trusts) have provided investors with an opportunity to diversify their portfolios into this asset class.

### What are A-REITs?

A-REITs are traded on ASX and allow investors to buy an interest in a professionally managed and diversified portfolio of commercial real estate. Investors gain exposure to both the value of the real estate the trust owns, and the regular rental income generated from the properties. A-REIT investments may include the following types of real estate:

- Office buildings
- Industrial estates
- Retail shopping centres
- Hotels and pubs and
- International (US, Asia, Japan and Europe)
- Multi sector (diversified)

In some instances the trust that owns the property assets may be joined with another entity such as an associated company that undertakes other activities. These activities may comprise funds management, development or construction for example.

Such entities are referred to as 'stapled securities', and while they are two separate entities they cannot be traded separately. Depending on the nature of the associated company's activities, the risk profile of the stapled entity can vary from a passive income to higher risk profile.

### How do A-REITs work?

The fund manager selects the investment properties and is responsible for all maintenance, administration, rentals, and improvements. Most property trust managers include properties across a diversity of geographic regions, lease lengths, and tenant types.

Returns from A-REITs are generated from income and capital growth. Income is generally distributed quarterly or half-yearly while the on-market price may increase as the value of the underlying properties increase over the long-term.

REIT managers are able to borrow to fund activities. However, the cost of debt and its refinancing can influence performance over time.

### A-REIT market capitalisation on ASX



# ASX A-REITs

## What can A-REITs achieve for you?

### Regular income / capital growth

The distribution yields on A-REITs are made either quarterly or twice yearly, allowing investors to regulate their cash flow. Apart from distributions, A-REITs also offer the opportunity for capital growth though they have long been viewed as stable income style investments.

### Diversification

A-REITs invest across a range of properties in a wide variety of geographic regions, lease lengths and tenant types to decrease investor risk. Investments in A-REITs can therefore be used to further diversify an investment portfolio, providing a greater degree of balance.

### Liquidity

A-REITs can be bought and sold during ASX trading hours via any stockbroker on ASX and through accredited financial planners, with the proceeds of sales received in three days. Unlike most property investments, part or all of your A-REIT holdings can be sold at short notice.

### Low cost exposure to real estate

A-REITs offer access to the property market with professional investment management at a relatively low transaction and management cost.

### Taxation advantages

Due to the unit trust structure used by most A-REITs, including the unit trust component of stapled securities, income or distributions paid to investors are untaxed when paid. The investors will still have to pay tax at such time as they are accessed following the filing of their tax returns.

A-REITs also have access to tax concessions like depreciation (capital) allowances, while some of the tax associated with the rental income earned by the A-REIT can be deferred.

The tax-deferred component can be up to 100% of the total income distribution. This portion is passed through to investors, meaning you are not liable to pay tax on this portion until the trust is sold. The tax-deferred component reduces the cost base and capital gains are calculated on the new cost base. This can lead to attractive results net of tax.

## Buying & selling A-REITs

The features of ASX listing include:

- Easy and immediate access to the A-REIT of your choice as purchases and sales are conducted during ASX trading hours
- Flexibility to use 'limit orders' to buy and sell at prices you specify
- Information on your investment is available through daily newspapers and websites
- Transactions are settled in three days (T+3)
- Should your transaction (or holding) be subject to fraud or insolvency of your ASX broker during the T+3 period, the National Guarantee Fund may cover losses of up to \$100 million
- REITs are subject to supervision through initial and on-going ASX requirements

You should obtain independent advice from a professional adviser prior to making any financial decision. ASX offers a broker referral service via [www.asx.com.au/findabroker](http://www.asx.com.au/findabroker)

## For Additional Information

- Consult your adviser or visit the REITs section on [www.asx.com.au/areits](http://www.asx.com.au/areits) for investor education, product details, research, performance figures, news and prices.
- Contact ASX customer service on 131 279 or email [info@asx.com.au](mailto:info@asx.com.au)

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