

Glossary

Accrual accounting:

Revenues and expenses are recorded as they are earned, regardless of whether cash has been paid or received.

Acquisition Cost:

Costs of acquiring an asset which includes the purchase price plus other costs required to ready the asset for use including stamp duty payable and any other expenses incurred by the purchaser (eg Due diligence costs).

AFV:

Assessed Fair Value is the net present value of 5 years cashflow discounted to establish PIR's fair value.

Alpha:

Value-added from active management over passive investing.

Amortisation Period:

The period of time a loan is calculated over (and repaid).

Anchor Tenant:

Generally the largest tenant(s), who attract other tenants and customers to a shopping centre.

Ancillary Tenant:

A tenant not core to operations, for example, that rents a space on a building's roof one or upper level for signage or communications.

ASIC:

The Australian Securities & Investments Commission. ASIC enforces and regulates company and financial services laws to protect consumers, investors and creditors.

Ask:

The lowest price at which a market participant is willing to sell their securities.

ASX:

Australian Securities Exchange.

Basis points:

One basis point is 1/100th of 1 percent. 1 per cent is equal to 100 basis points. Generally used to define differences in yield.

BBSY (Bank Bill Swap Bid Rate):

A benchmark interest rate quoted by Reuters Information Service. The BBSY is typically used by financial institutions involved in interest rate swaps and related transactions.

Bear Market:

A prolonged period of falling security prices.

Benchmark:

A standard by which something can be measured or judged. Often used as a synonym for Index.

Beta:

A measure of an asset's sensitivity to an underlying index or factor. For example, an asset with beta of 1.2 would be expected to return 12 percent if the market returned 10 percent and -12 percent if the market returned -10 percent. Beta is computed as an asset's correlation with the index times the ratio of the asset's standard deviation to the index's standard deviation.

Bid:

The highest price offered to purchase securities in a market.

Bond:

An IOU (debt security) issued by a government or corporation that pays a stated rate of interest and returns the face value on the maturity date.

Book Value:

The value of an asset as recorded in a company's books, representing its cost plus any additions, less depreciation. The book value is often different from the current market value.

Bottom-Up Approach:

An investment strategy that emphasizes finding individual companies which are expected to outperform the index return, before considering broad economic trends.

BSX:

Bendigo Stock Exchange.

Bulky Goods:

A retail warehouse-type operation, such as a large hardware, furniture, or whitegoods store. Generally a stand-alone unit, normally selling bulky brown or white goods to the public.

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Bull Market:

A prolonged period of rising security prices.

Business Park:

A building that provides a mix of office and light industrial premises not normally located in the core CBD of a city.

Capitalisation Rate:

Used by Valuers as a means of determining market value of a property. Using this method, market value will normally be net income from the property divided by the cap rate.

Cash rate:

Term defined by the Reserve Bank of Australia (RBA) as the interest rate which banks pay or charge to borrow funds from or lend funds to other banks on an overnight unsecured basis. Also known as the interbank overnight rate. The RBA calculates and publishes this cash rate each day on the basis of data collected directly from banks. Also taken to mean the interest rate which financial institutions pay to borrow or charge to lend funds in the money market on an overnight basis.

Cash rate target:

A target for the cash rate or overnight interest rate. Specified by the Reserve Bank of Australia, it is a tool in monetary policy.

Central Business District (CBD):

The major commercial area of a city, normally providing offices, retail malls, arcades and strip shops with a central post office and central public transportation hub.

Commercial Property:

Investment property intended for use by all types of retail and wholesale stores, office buildings, industrial, hotels and service establishments. May also refer specifically to office property.

Community Centre:

A shopping centre containing a minimum of one discount department store or two supermarkets.

Convexity:

In a fixed income security, convexity measures the way duration and price change when interest rates change.

Cum-Distribution:

Entitlement to distribution. Securities are said to trade cum-distribution in the time period in between declaration of the dividend and the last day to register for the dividend, after which the securities become 'ex dividend'. Securities bought in the cum-distribution period entitle the buyer to receive last declared dividend or distribution (which is the next distribution to be paid) with the price of the securities usually reflecting the amount of the distribution on a time adjusted basis. Securities sold during the cum distribution do not entitle the previous owner to receive the last distribution prior to the sale.

Depreciation:

A method of allocating the cost of a physical asset over its useful life, which represents a loss or write-off in the value of an asset, caused by deterioration, obsolescence, or both. There are levels of depreciation set by the tax office for property assets. These depreciation levels, when applied, can pass on tax advantages to unitholders in the form of tax-advantaged income distributions, set against other related income.

Derivative Security:

A security, such as an option or a futures contract, whose value is derived from the value of the underlying asset.

Discounted Cash-Flow Method (DCF):

A valuation method that accounts for differences in the timing of cash flows, by discounting these cash flows to their present values. The principle is that one dollar today is more valuable than one dollar tomorrow.

Distribution:

Income emanating from a trust, similar to a dividend from a company.

Distribution Reinvestment:

A Trust may offer its unitholders a DRP facility whereby they can purchase more Trust units in lieu of their cash distribution entitlement.

Dividend:

Represents the income paid to shareholders of a company. Many of the stapled securities that are a part of the LPT Sector pay a dividend for the corporate component and a distribution for the Trust component.

DPU:

Distribution Per Unit

DPS:

Distribution Per Security

DRP:

Distribution Reinvestment Plan.

Effective Rent:

Rental payments less concessions or incentives offered by the landlord.

Equivalent Yield:

The income return on the property. If the property has been purchased then this is net of any acquisition costs or impending rent reviews. It is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received. Usual practice for equivalent yields is to assume rent received annually in arrears and on gross values including prospective purchasers' costs.

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Ex-Distribution:

The time period in which the buyer of a security is not entitled to an already-declared distribution. An investor buying an LPT on the ex-dividend date or afterwards, will not receive the recently declared dividend with the seller retaining this dividend.

Franking Credit:

Used in a dividend imputation system and represent the portion of a dividend to which a company has already paid taxation. Shareholders then include the grossed up amount of the dividend (pre tax) and then have their income tax payable calculated using that grossed up dividend. Franking credits are then used to offset tax payable.

Freehold: (or an estate in fee simple)

The highest form of private real estate ownership (although subject to eminent domain) and is for an unlimited duration. An owner can use the land (and improvements attached to the land which to all intents and purposes become part of the land) in any way subject to the usual environmental, building, zoning use, mining and other controls established by Local, State or Federal Government.

Fund of Funds (Property Securities Fund):

Fund which invests in other funds in the same fund family, instead of or in addition to investing directly in equity, fixed income or other types of investments.

Futures Contract:

A contract that has uniform terms concerning price, quantity, and expiration and that obligates the seller to pay the value of the contract to the buyer at a prespecified date.

GDP:

Gross Domestic Product. Is the total value of all goods and services produced within a country in a given time period (usually a calendar year).

Gearing:

There are many variations of this ratio. PIR calculates it as total interest bearing liabilities divided by the total assets of the LPT. Where possible total interest bearing liabilities and total assets of entities owned by the LPT are included, as opposed to the net assets of these entities.

Gross Lettable Area:

GLA, is the measurement of the total building area of retail and industrial properties.

Ground Lease:

This is a lease that gives the right of use and occupancy without ownership of land, normally allowing for improvements (such as buildings or fixtures) to be placed on the land, paid for and provided by the tenant.

Hedge:

A strategy used to offset investment risk. In investing, hedging involves the purchase of an offsetting position, such as a put option or futures contract, to guard against the risk of a market decline. Often used as a defensive strategy in portfolios investing in non-domestic securities to reduce the negative effects of unfavourable moves in currency exchange rates.

Historical Yield:

The yield on an investment based on the end of period price, but using distributions or dividends previously paid over the relevant period.

Hi-Tech Industrial:

Properties containing office space or Research and Development Laboratories that comprise at least 40% of lettable area.

IMF:

International monetary fund – an organisation of 185 member countries. Among other aims it was established to promote international monetary co-operation, and provide temporary financial assistance to countries. Related to the World Bank.

Index (Stock Index):

Is a means of measuring returns from and performance of a portfolio of selected investments. The S&P/ASX200 Index, or the S&P/ASX200 Property Trusts Accumulation Index were created for the ASX, and are designed to act as a proxy for the overall performance of the larger vehicles in the market or sector. An accumulation index measures returns from both income and capital gain, and assumes income is reinvested. In general, indices may be calculated in different ways for example a Value Weighted index is one in which each stock affects the index in proportion to its market value. The above mentioned Indices are Value Weighted.

Indexing:

A passive portfolio management strategy that seeks to match the composition, and therefore the performance, of a selected market index.

Inflation:

A measure of the change in the general level of prices. A proxy is generally taken to be the change in the consumer price index.

Inflation target:

Preferred range for the rate of inflation. It's a guidance tool for monetary policy. Australia's inflation target is between 2%-3%.

Initial Yield:

The annualised property income expressed as a percentage of the property value.

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Internal Rate of Return (IRR):

The discount rate at which the net present value of an investment is equal to zero. This represents the total rate of return generated by an investment over its life or a given timescale, taking into account sale and purchase prices and all cash flows associated with the holding.

IPO:

Initial Public Offering. A company's first offering of securities to the public under a prospectus or PDS.

Lease:

A grant of the possession of property to last for a fixed or ascertainable period and usually with the reservation of a rent.

Leasehold:

A right to possession and use of land for a fixed and limited period of time. The lease agreement creates this right.

LPT:

Listed Property Trust. A property trust that is listed on the ASX. Now commonly referred to as Real Estate Investment Trusts (REITs).

Major Regional Centre:

A shopping centre incorporating at least one department store, one supermarket, one mini-major and 150 specialties. Has a GLA >50,000 sqm.

Market Capitalisation:

The value of an LPT as reflected in its stock market price. It is calculated as current price multiplied by units on issue.

Market Price:

The price actually paid for a property. It differs from market value in that it is an accomplished fact, whereas market value remains an estimate until provided. For LPTs, it can also refer to the most recent trading price on the ASX.

Market Rent:

The rental that would apply to a property if space were offered on the open market.

Market Value:

The highest price estimated in terms of money that a property will bring if exposed or sold in the open market, allowing a reasonable time to find a purchaser who buys with knowledge of all the uses it currently has as well as potential uses and assumes a willing buyer and willing seller.

Mean Reversion:

The notion that asset values revert to an average value or to an equilibrium value. Thus, if an asset's price is above its equilibrium value the presumption of mean reversion is that the asset's price will eventually decline to its equilibrium value. Similarly, if the price is below its equilibrium value the presumption is that the asset's price will eventually rise to its equilibrium value.

MER:

Management Expense Ratio is the amount of fees charged by the Manager divided by the total assets of the trust. This generally includes all ongoing fees. Such as fund management fees, trustee fees and custody fees.

Mini Major:

A retailer with a large national chain that occupies a smaller NLA than the major stores eg Rebel Sport, Sanity, Autobarn.

Moving Annual Turnover (MAT):

Gross sales for all contributing retailers represented in a shopping centre over a progressive 12 month period.

MTN:

Medium Term Note.

N/A:

Not Available.

N. App.:

Not Applicable.

NAB:

Net Asset Backing. Net assets divided by the number of securities on issue

NAV:

Net Asset Value. Total assets minus total liabilities.

Neighbourhood Centre:

A local shopping centre comprising a supermarket and specialties. GLA <10,000 sqm.

Net Absorption:

The difference between space leased and space supplied over a set time period.

Net Income:

Income of the Trust that is available to be distributed as calculated under the Trust Deed.

Net Rental Income:

Gross rental income less property expenses.

Net Lettable Area:

The floor area of the building upon which a lease can be created and for which rent can be charged. Used to refer to tenancy areas in office buildings, and office and business parks. Normally measured from the internal finished surfaces of permanent external walls and permanent internal walls but excluding features such as balconies and verandahs, common use areas, areas less than 1.5 m in height, service areas, and public spaces and thoroughfares.

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Net Tangible Assets:

See NTA.

Non-Renounceable rights:

The holder of the rights does not have the ability to sell on the ASX.

NTA:

Net Tangible Assets. Total assets minus total liabilities minus intangible assets.

Occupancy Costs:

Rentals paid and other outgoings incurred.

OECD:

Organisation for Economic Co-operation and Development. Organisation that represents 30 countries with a commitment to a market economy. Among other aims, it seeks to encourage economic growth and financial stability among member countries.

Option:

An option is the right either to buy or to sell a specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date. An option which gives a right to buy is a call option, and an option which gives a right to sell is a put option.

Outgoings:

Gross annual rental adjusted for outgoings is equivalent to net rental. Outgoings may include rates, taxes, insurance, light, power and fuel, maintenance of lifts, caretaking, repairs and maintenance.

Passing Rent:

The actual rent currently being obtained from a property, which may or may not reflect market rent.

Passive Management:

A portfolio management strategy that seeks to match the composition, and therefore the performance, of a selected market index. Also referred to as Indexing.

Pcp:

Previous corresponding period.

PIR Valuation:

PIR's estimate of the fair value of a stock. Our valuation is based on a present value calculation of the expected future distributions generated by the individual trust.

Placement:

An off-market issue of units to sophisticated investors generally institutions.

Portfolio Turnover (Velocity):

A measure of the trading activity in a fund's portfolio of investments -- that is, how often securities are bought and sold by the fund. Also known as velocity.

Power Centre:

Most often anchored by national or regional "category killer" stores. They range between 25,000 sqm and 75,000 sqm and are dominated by large anchor tenants with few, if any, in-line tenants. They feature value oriented stores, often with bulk products and a "no-frills" atmosphere.

Product Disclosure Statement:

A PDS is the offer document that contains information inviting investment in the securities of an ASIC-registered investment scheme. A PDS generally contains financial and other information about the company and its operations as well as risk and risk mitigating strategies.

Price to Earnings Ratio (P/E Ratio):

A method of valuing stocks, calculated by dividing the closing price of a company's stock by its annual earnings per share. Growth stocks tend to have a high P/E ratios compared to income stocks.

Property Trust:

A property trust is a vehicle for investors to purchase an interest in a portfolio of real property assets. Investors in property trusts typically receive regular rental income through distributions and any capital gains on the assets are also passed on to investors through the trust. There are two main types of property trust – a Real Estate Investment Trust (REIT), which is a pooled investment whose units are listed on the Australian Stock Exchange. Unlisted Property Trusts on the other hand are not listed on an exchange.

RBA:

Reserve Bank of Australia. Australia's central bank.

Redemption:

The sale of units by the unitholder. In terms of unlisted property trusts, refers to the process of selling units back to the trust.

Regional Shopping Centre:

A shopping centre incorporating at least one major department store, a supermarket and ≥ 100 specialties. GLA > 30,000 sqm.

REIT:

Real Estate Investment Trust. A global term for a corporation or trust that pools the capital of investors to purchase and manage income generating property (equity REIT) and/or mortgage loans (mortgage REIT). REITs are traded on major exchanges just like stocks. They are also granted special tax considerations.

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Refurbishment Activity:

A refurbishment of part or all of a building, usually involving replacement of facades, lifts and other major services and where the space removed from the market for at least six months.

Renounceable rights:

The holder of the rights has the ability to sell on the ASX.

Rental Income:

Rent paid by, and outgoings recovered from, tenants. (Gross Rent has the same meaning.)

Responsible Entity (RE):

A public company holding an Australian Financial Services Licence who has been authorised by the Australian Securities & Investments Commission to operate a registered managed investments scheme.

Reversionary yield:

The anticipated yield, to which the initial yield will rise once the rent reaches the estimated rental value.

Right of First Offer:

ROFO. Holder of the ROFO has the right to be made an offer BEFORE offers from others are considered.

Right of First Refusal:

ROFR. Holder of ROFR has the right to make an offer, after offers from others are considered.

Right of Last Offer:

ROLO. Right to match the highest offer made to the seller, to acquire a property or property interest.

Rights Issue:

An issue of new shares or units to existing unitholders on a pro-rata basis. The price paid may be a discount to current market price. For example a one for three rights issue entitles the unitholder to buy a unit for every three held. Renounceable rights can be traded during the life of the right and non-renounceable rights cannot be traded.

Securities:

A financial instrument, which is a claim over an asset or a future income stream. Examples are bonds and shares.

Securitisation:

The packaging of cash flow producing assets into a marketable security. The process where mortgage backed securities (in the form of bonds) are sold directly into the capital markets.

Site Coverage Ratio:

Percentage of total site area occupied by the existing building.

Split Trust:

A trust, which offers different classes of units, each offering different forms of return. Typically they may consist of Growth, Income or Ordinary units.

Sqm:

Measurement of square metres or m².

Standard Deviation:

A commonly used statistical measure of historical volatility or risk of a security. In the context of investment returns, it measures the extent to which returns deviate from the mean (average) return.

Stapled Security:

When the unitholder owns a unit in the Trust and a unit in the attached Company, which cannot be separately traded.

Strip Shopping Centre:

A shopping centre, divided into a number of individual units, running along a main street, with each shop being entered from the footpath typically without commonality of ownership.

Sub-Regional Centre:

A shopping centre with a discount department store, a supermarket and 40 specialities. GLA >10,000 sqm.

Super-Regional Centre:

A shopping centre incorporating at least two department stores, two mini-majors, two supermarkets and ≥250 specialities. GLA >85,000 sqm.

Switching:

The ability to convert units in a split trust into another class of units in the same trust.

Syndicate:

A joint agreement by a group of investors who pool their funds to purchase and hold a property for a given amount of time. Normally administered by an RE (if registered with ASIC) with ownership vested with a custodian on behalf of investors.

Tax Deferred:

Portion of distributions that are income tax advantaged due to depreciation on plant and equipment or other allowances, such as establishment costs, nevertheless the cost base of units for calculation of capital gains must be reduced by the amount of tax deferred income received.

Terminal Yield:

The capitalisation rate applied to an investment's final year cash flow, in order to produce an anticipated sale price for discounted cash flow valuations.

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Top-Down Approach:

An approach to investing in which the investor first looks at general trends in the economy and then chooses specific industries and particular companies that will benefit from these broad trends.

Tracking Error:

The difference between the returns achieved on an index-based portfolio of assets and the performance achieved by the index it follows. Tracking error measures the standard deviation of the excess returns of a portfolio of securities compared to its benchmark.

Trust Deed:

A writing or document signed, sealed and delivered, setting out the terms of an arrangement.

Trustee:

One who beneficially holds property on behalf of another under a trust.

Turnover (velocity):

The number of units in a particular stock traded on the ASX over a period of time. Also used to mean the dollar value of sales at a retail site.

Unitholder or Holder:

The person for the time being registered under the provisions of the Trust Deed as the Holder of a Unit in the Trust and includes persons jointly registered.

Unit Trust:

A pooled investment, where a number of investors buy units in a trust which is promoted and managed by a professional investment manager. Each investor owns a unit, (or a number of them) the value of which depends on the value of those assets owned by the trust.

Unlisted Property Trust:

An investment trust vehicle that may undertake one or more public offers to raise capital (equity and/or debt) for the purchase of property and operation of a trust. Life expectancy governed only by mandated 80 year maximum.

Unitholder Purchase Plan:

The UPP allows unitholders to purchase a limited number of additional units in the trust at a discount to the market price.

Vacancy:

The part of a property that is not subject to a current lease.

Weighting:

The proportion of different types of asset classes in a portfolio. If a portfolio has more than the normal or commonly accepted or currently provisioned proportion of a particular asset, it may be referred to as being overweight in that asset.

Wholesale Property Trust:

An unlisted property trust that invites investment from 'sophisticated' (non-retail) investors via an excluded offer.

Yield:

Is expressed as a percentage and is simply the ratio of net income from an asset to value of the asset. In terms of property trusts it can be calculated as distribution divided by market price, multiplied by 100.