

Cash in on offshore recovery

While global listed real estate has already staged a strong comeback since March last year, property analysts say the sector still offers plenty of upside for South African investors looking for a currency hedge. Ian Anderson, chief investment officer of Grindrod Bank, says despite prices in global property, stocks have rallied more than 140% since March 2009, according to the MSCI US REIT index. The index remains more than 40% below its

2007 peaks. Anderson says that on a cash-earnings basis, global property stocks are currently offering investors an average income yield of around 5,7%, which is substantially higher than the 2,8% yield on the JP Morgan Global Government Bond Index (a proxy for bond yields) and cash, which is yielding 0% or a fraction of a percent in most developed markets. Anderson says that while the capital growth enjoyed over the past 12 months

is not expected to be repeated, the high-income yield offered by global listed real estate remains attractive relative to other asset classes. He notes that currency analysts are anticipating the rand to weaken against the currencies of developed markets after the 2010 FIFA World Cup, which means investors in global listed property can expect further capital appreciation coupled with income growth in the second half of the year and well into 2011.

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