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High returns forecast for active managers

By Sara Rich

DELIVERING comparatively high returns despite falling yields combined with above-average capital growth has placed actively-managed commercial property investments among those in the fastest growing asset class field.

This ability to generate higher total returns means active managers of commercial property are best placed to win investor support during the coming year, according to Century Funds Management managing director John McBain.

"A lot of the people who only came to commercial property ... for its yields are starting to rediscover the basic principles that long-term property investors have always followed," McBain said.

"That is that, across the full cycle, commercial property is very good for yield, but a key strength during times of lower yields is the ability to maximise capital growth through actively managing the assets."

This can be done by repositioning the building or changing its original purpose by carefully choosing which industry to rent it out to based on trends in the suburb in which it is located.

McBain claims that unlike yield, which is largely a function of the asset and property market, asset growth can be greatly influenced by the investment manager.

"It's that ability to undertake real bottom-up management of the assets that means active management approaches make more sense in commercial property than in any other asset classes," McBain said.