

Cash, property still leading the way

By Karina Barrymore



Where your money goes ... residential property and cash are the most popular investment classes, a study has found / File

CASH and residential property, Australia's two most popular investments, have proved the strongest performers in today's volatile markets, outstripping almost every other asset class and super fund.

According to an analysis of investment returns, residential property has offered the highest total returns during the past three years and cash has come in second place for the past five years.

While the global financial crisis and the economic downturn have taken their toll on sharemarkets, managed funds and commercial property, Australia's love affair with residential property and cash have paid off.

Most residential landlords are still sitting on a strong capital gain, while other assets have fallen by up to 40 per cent.

Landlords also have the added benefit of rising rental income as population demand for housing continues to increase.

Even those often-criticised risk-free cash investors are sitting pretty, enjoying some of the strongest returns for the past five years.

Independent superannuation research company Super Ratings said it was no surprise that cash had performed well.

"In almost all time periods cash is in front; however, these investors have missed out on the big upturn of the past few months," Super Ratings chief operating officer Nathan [Macphee said](#) yesterday.

"When you look at the last three months there has been quite a profound upturn across all the investment options except for cash.

"I guess what it shows is that people need to invest in the option that suits their risk profile, which means they have to decide if they can survive a downturn like the one we have had," Mr Macphee said.

"If they can't survive for a couple of years in a downturn, then the lower-risk cash option is more appropriate.

"However, if they are investing for the longer term - and the majority of investors are - then they should be able to withstand a downturn."

During a five-year time-frame, the balanced superannuation option was almost on a par with the cash performance, he said. However, balanced super funds have the potential for much greater growth, while cash has limited growth ahead.

"Australian shares are still a shining light. They were down nearly 40 per cent but they are still the strongest performer over five years.

"If your thinking is long-term, then five years is just a blip compared with 30 or 40 years of investing," Mr Macphee said.

Residential property has also been a stand-out, led by continued demand from both investors and owner occupiers for housing, Portfolio Management Services director Jock Bing said.

"We have a serious shortage of residential property in this country; in fact, we're the only country in the world to have a net shortage of accommodation for both buyers and tenants," Mr Bing said.

"Residential property has proved to be the mainstay of a large number of investment portfolios, and there is a very good reason for that: over the years, property has made a lot of money for many, many investors.

"Even in this downturn, prices have held up remarkably well, and rental income is still increasing."

According to financial adviser Glenn Fairbairn, from Hewison & Associates, the key to successful investing is having a spread of investments.

"The data highlights that different asset classes perform at different stages of the investment cycle. This does not mean that one asset class is necessarily better than the other," Mr Fairbairn said.

"Research shows that spreading your investments reduces volatility and can provide higher long-term results."