



Rear Window

— Rear Window

Hostplus reverses property write-downs

Just in time for the end of the financial year.

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Columnist



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It's been an uncertain few months for the property market. Millions are out of work, corporates are mothballing their offices, while our entire pattern of daily life shifts to keep us home, away from everyone else. Listed property plays have traded sideways for months.

But, for the credulous at least, here's some good news. Last Monday, industry superfund Hostplus, whose members mostly come from the decimated hospitality industry, revalued its property assets 6.8 per cent higher, to a unit price of \$2.0395.



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Members were told in March that after discussions with its investment managers and asset consultant, the assessment was reached that the Hostplus' unlisted property investments would "expectantly and realistically experience lower valuations in the current climate".

So, with the valuations now back to where they were in March, you would assume the crisis has been averted. Though not even Hostplus dares to argue that directly. Asked what precisely prompted the revaluation, a Hostplus spokesperson said the write-downs were the result of an interim director's valuation, while the write-up came from the fund's independent valuers. Whose precise reasoning was not shared with us.

What is immediately obvious is that the property portfolio's value rose substantially a mere two days before the end of the financial year. Hostplus was on June 29 able to boost the performance of its "balanced" fund ([in name](#) if [not asset allocation](#)) 2.1 per cent on a day the performance of its Australian equities component was 1.4 per cent lower. Year-on-year, the upgraded figures meant Hostplus' property valuations were perfectly flat. Not bad considering the greatest economic catastrophe in decades.

Given the importance of yearly fund performance league tables to inflows, this kind of valuation was rather helpful to Hostplus as it closed out FY20. To further incentivise such good if unlisted performance, [league tables like those run by SuperRatings](#) directly feed through to the investment teams' bonuses for the year.

Isn't it lucky Hostplus' independent valuers weren't nearly as pessimistic as its internal ones.

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