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Wealthy investors back off property

Direct investing key trend

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High net worth investors are shifting away from investing in property in favour of direct shares, a new report has found.

The Investment Trends 2010 High Net Worth Investor report found between 2009 and 2010 the proportion of total assets held in residential investment property by wealthy investors shrank by 4 per cent from 25 per cent to 21 per cent.

In the same time period, direct share investments increased from 28 per cent to 32 per cent.

Investment Trends chief operating officer Tim Cobb said the change is a significant re-writing of portfolios rather than a forced sell-down.

"Both the property market and the share market have been relatively flat so this change is clearly the result of actual property sales rather than just being changes in asset valuations," Cobb said.

He said other findings in the report suggest the rebalancing isn't over, with high net wealth investors on average stating 17 per cent of their wealth should be in residential investment property and 40 per cent in direct shares.

"One of the results of the global financial crisis is that high net worth investors are planning ahead. They are taking opportunities to sell, as and when they can get a fair price, rather than take the risk of illiquidity or a forced sale if they need cash in a few years for their retirement," he said.

The report also found 57 per cent of high net wealth investors would like more advice than they currently receive.

In 2010, the investor segment spent $1.1 billion on primary investment advisers and around $2 billion on overall financial advice.

The report is based on a detailed online survey of 1,967 wealthy individuals between November and December 2010.

The survey included 1,135 individuals with portfolios between $1 million and $2.5 million, 528 with portfolios between $2.5 million and $5 million, 216 with portfolios between $5 million and $10 million and 88 individuals with portfolios between $10 million and $60 million.