

# Property Index

Quarterly Investment Option Update

30 September 2018

## Aim and Strategy

The strategy aims to provide returns that track the S&P/ASX 200 A-REIT Index with net dividends reinvested. Exposure to Australian listed property will be attained through the use of low-cost index-focused investment managers.

## Investment Option Performance

To view the latest investment performances please visit [www.amp.com.au](http://www.amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Property and infrastructure
<b>Suggested investment timeframe</b>	7 years
<b>Relative risk rating</b>	High
<b>Investment style</b>	Passive

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Listed property & infrastructure	100
Unlisted property & infrastructure	0
Cash	0

## Market Review

Australian listed real estate made a positive return during the period, the S&P/ASX 200 A-REIT Accumulation Index finishing up by 1.86%.

The ongoing strength of the premium end of the retail property market was demonstrated by Scentre Group's acquisition of 50% of the Westfield Eastgardens mall in the affluent Eastern Suburbs of Sydney. The capitalisation rate of 4.25% is as low as that of the Bondi Junction mall, where the income per household level is 11% above that of Westfield Eastgardens' catchment area.

However, the challenge posed by the longer-term trend towards online shopping was reflected in the first half-year 2018 earnings results that were released by The Scentre Group during the period. This showed lease renewal spreads falling to -2.7% and new deal spreads falling to -6.6% as retailers continue to rationalise their estates and attempt to negotiate more advantageous rental contracts with their landlords.

The strength of the Australian office market was illustrated by Colliers International's latest Office Demand Index which showed a 25% increase in demand for space in the second quarter, relative to the first quarter. This strength was further illustrated during the period when Dexus exchanged contracts to acquire 60 Collins Street, Melbourne for A\$160.0 million and entered into an agreement to acquire the adjoining 52 Collins Street for A\$70.0 million. It intends to build a 35,000 square metre prime grade office space.

Residential prices continue to weaken, especially in the Sydney and Melbourne markets, which saw the steepest gains over recent years. The Sydney market saw a 1.2% fall in the second quarter, while Melbourne fell by 0.8%, meanwhile auction clearance rates remain little above 50% in the two cities. This suggests ongoing price weakness as mortgage interest rates drift upwards, banks under regulatory pressure to tighten lending criteria, Australians remain highly indebted and investment buyers appear to have largely withdrawn from the market.

## Outlook

A low interest environment and a generally robust macro-economic outlook are likely to continue to support reasonable returns in the Australian commercial listed real estate market. However, companies exposed to the retail market are likely to continue to disappoint as they struggle to adjust to changing consumer habits, changing market dynamics and disruptors entering the market. The residential markets in the east coast capital cities are likely to have peaked as high levels of personal debt, tighter lending standards and the absence of wage growth are expected to keep the market subdued.

## Availability

Product name	APIR
CustomSuper	AMP1524AU
Flexible Lifetime - Allocated Pension	AMP1536AU
SignatureSuper	AMP1548AU
SignatureSuper - Allocated Pension	AMP1560AU
AMP Flexible Lifetime Super	AMP1524AU

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