

Property Index

Quarterly Investment Option Update

31 December 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

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Listed property & infrastructure	100
Unlisted property & infrastructure	0
Cash	0

Market Commentary

Australian listed real estate finished just slightly down on last quarter, during a period when most risk assets, including most global listed real estate, experienced significant market weakness, following signs of slowing global economic growth. The S&P/ASX 200 A-REIT total return index returned -1.91% for the period.

The strength of the Sydney office market was highlighted by Charter Hall Group's announcement that it had acquired the freehold of Chifley Tower at 2 Chifley Square for A\$98.5 million. The property can accommodate additional floor space, thus creating longer-term development opportunities. In other events, the retail real estate-focussed Scentre Group announced its third quarter 2018 earnings update, which reconfirmed forecast growth of approximately 4% in funds from operations and announced a 2% increase in its distribution forecast. Despite the challenges in the retail market it announced a 99.5% occupancy rate and the opening of four redevelopments that exceeded A\$1 billion.

Housing Industry Association data shows that tighter bank lending standards are impacting owner-occupier loans, which fell by 3.8% in September and are now 13.5% lower than the same time last year. These trends were reflected in Sydney and Melbourne residential market weakness, shown by auction clearance rates of 40.9% and 44.9% respectively in the second weekend of December, which serves as the final data point of 2018.

Outlook

A low interest rate environment and a generally supportive macro-economic outlook are likely to continue to support reasonable medium-term returns in the Australian commercial listed real estate market. Retail property faces the challenge of e-commerce and changing customer habits. Well-located centres that offer an attractive leisure environment are likely to grow earnings faster than commoditised peripheral venues. The office market continues to benefit from strong business confidence and global investor interest; hence it appears reasonably well positioned to absorb upcoming additional supply in the major capital cities. Residential markets in the east coast capital cities are likely to be the worse affected with tighter bank lending standards, increased supply, high levels of personal debt, falling immigration and the absence of wage growth all impacting valuations.

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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