AMP Capital mall fund posts $517m loss

Nick Lenaghan
Property editor

AMP Capital's shopping mall fund has turned in a $517.8 million loss after hefty portfolio write-downs because of the pandemic disruption, as the investment house struggles to bring under control ructions across its investment management business.

The release of the $3.6 billion fund's financial result through the corporate regulator coincided with another dramatic development for its ASX-listed parent, AMP, as news broke yesterday of the imminent departure of its chief executive Francesco De Ferrari.

While the AMP Capital Shopping Centre Fund's overall return for the 2020 year of negative 15.7 per cent is no worse than its many peers, the result comes amid a period of turmoil for the investment manager, which is fighting off an attack on another of its property funds and which is under pressure to retain its investment mandates.

Adding to the drama, AMP is on a tight deadline to lock in a $1.35 billion deal that would hand New York-based Ares Management a 60 per cent stake in AMP Capital's private markets business.

AMP Capital's retail property fund holds stakes in prominent shopping malls, including the Macquarie Centre and Westfield Warringah in Sydney, along with Indooroopilly in Brisbane.

The 2020 result deepened the $103.1 million loss it posted a year earlier, with much of the carnage sheeted home to the COVID-19 disruption. Property revenue fell as rent waivers and deferrals were allowed for tenants, while it booked a $397 million write-down on its portfolio.

"The COVID-19 pandemic has significantly impacted the operations of the group, as well as the operations of certain tenants," the fund's financial statement noted.

By comparison, however, the fund's overall return bettered the MSCI/Mercer benchmark for unlisted retail funds of negative 16 per cent.

Still, the result comes as the investment house battles to retain control of the $5 billion AMP Capital Diversified Fund, whose unitholders are due to vote next month on a rival offer to merge with a $10 billion Dexus-run fund.

In an effort to secure support from its investors, AMP Capital has promised to cut management fees and tip as much as $800 million in fresh capital from its parent, AMP, into the diversified fund.

The battle for the diversified fund is just one of several sore points across AMP Capital's $28 billion real estate business.

Multibillion-dollar investment mandates with Sunsuper and Swiss Re are being wound up, while at the same time there is disquiet around the $7 billion AMP Capital Wholesale Office Fund as well.

Threat to the future of start-ups


Tech centres such as Silicon Valley have long seen housing affordability problems.

Michael Bleby

The lack of rental housing priced affordably for lower income workers puts at risk the development of start-ups and innovative businesses that depend on a cohort of young and educated – but not necessarily wealthy – workers, and those providing the basic services supporting such businesses, according to an industry think tank.

Without policies to ensure the continued provision of affordable rentals – those costing less than 30 per cent of household income – workers such as nurses, police and teachers would be priced out of the local market and graduates and other younger workers in those businesses would struggle, a new report for the Affordable Housing and Urban Research Institute says.

"Are we constraining technological growth by not building in affordable housing?" said University of Sydney professor and lead report author Nicole Gurran. "The answer is yes, because of younger workers and postgraduates."

Tech centres such as California's Silicon Valley have long suffered from housing affordability problems, a consequence of drawing a large population of highly paid workers who can pay ever-increasing amounts for housing.

Lendlease's $21 billion deal with Google in 2019 to develop up to 15,000 homes in the San Francisco Bay area marked one effort by the technology giant to ease the problem it partly created.

But without policies to ensure the continued provision of affordably priced and secure long-term rental housing – such as through City Deals agreements between local, state and federal authorities – plans to develop technology or innovation precincts that counted on gathering people to collaborate would face hurdles, Professor Gurran said.

"Whenever we invest in new infrastructure or are planning for population growth, we have to embed an affordable housing strategy," she said. "That means social housing [for lowest income people], but for lower income workers, it's going to look more like a secure long-term rental option that is targeted to [them], so they're not squeezed out of the market, preferably long-term lease to provide secure housing."

AHURI research shows the shortage of private rental dwellings for people in the second quintile of earners – those earning between 21 per cent and 40 per cent on the income band – now stands at 173,000. Sydney is the worst affected, with the shortfall at 60,000 homes and 71 per cent of all people in this lower income band paying rent that is deemed unaffordable.

Competition for housing in undersupplied markets would raise prices even of lower-priced rental properties, the report said.

Lendlease puts unfinished Wilton estate on market

Larry Schlesinger

Lendlease has put the balance of its Bingara Gorge housing estate in Wilton in the Macarthur region, south-west of Sydney, up for sale in what is likely to be one of the biggest residential land offerings this year.

It comes to market after state-owned Chinese developer Poly's sudden decision in September last year to abandon a $300 million acquisition of the estate and its 18-hole golf course following a directive from Beijing.

Up for sale this time is 112 hectares of developable land with the capacity to yield almost 900 lots. Price expectations are understood to be in excess of $200 million.

The estate is expected to generate interest from some of the country's biggest developers including Mirvac, Satterley, Stockland, Frasers and the Perich family.

Situated on the Hume Highway about 80 kilometres south of Sydney and 30 kilometres north of Wollongong, Bingara Gorge is part of plans to develop 15,000 homes around the Wilton Town Centre by 2040.

Wilton forms part of Western Parkland City incorporating Liverpool, Greater Penrith and Campbelltown-Macarthur, which is a focus of state infrastructure development around the new Western Sydney Airport and aerotropolis at Badgerys Creek, due to begin operating by 2026.

Lendlease has developed around half of the 450-hectare masterplanned estate since its launch in 2008. The estate has a total capacity for 1800 housing lots. Lendlease has also built a retail village, primary school and community facilities.

It got its foothold at Bingara Gorge in 2005 when it signed a development agreement with local landowner Bradcorp.

"In line with our capital management strategy, we regularly review our capital position across all projects," a Lendlease spokesman said. "As part of this review, we're taking the opportunity to bring the Bingara Gorge development in Sydney's south-west to market.

"Bingara Gorge continues to trade as normal, with around 79 new lots coming to market as part of the latest Woodlands release in the next few months."

Biggin & Scott Land and Colliers have been appointed as joint agents to market the estate via an invitation-only expressions of interest campaign. They both declined to comment.

The Australian Financial Review reported in September last year that Poly had abandoned a late-stage deal with Lendlease, amid China tensions.

Byron boom heads up, prices double

Martin Kelly

Byron Bay's property boom has headed 60 kilometres up the coast to the Casuarina-Kingscliff area, with prices rising by $100,000 a month since Christmas while the cost of land near the beach has doubled in the past 12 months.

Seven beachfront lots in the $400 million Casuarina development that recently sold for up to $2.01 million would have fetched around $1 million a year ago, according to local agents.

Nick Witheriff from LJ Hooker Kingscliff said resales of beachside lots in Casuarina had been performing just as well, citing a block of land bought for $575,000 in December 2019 which settled last week for $1,075,000.

Mr Witheriff said the reason was simple – there is no zoned land left.

Meanwhile, the region is just 15 to 20 minutes from Coolangatta Airport, does not have Byron Bay's traffic congestion – yet – and there's more infrastructure coming, including the Tweed Valley Hospital.


Prices for these beachfront lots at Casuarina north of Byron Bay recently fetched up to $2 million – double what they would have sold for a year ago.

He said much of the demand was coming from interstate – part of the regional property push – with more than 50 per cent of properties purchased in the final release of 70-plus lots at Casuarina coming from Sydney, Brisbane or Melbourne.

"Prices are moving up quite quickly. In some cases we've been seeing increases of $100,000 a month this year for properties under $2 million," Mr Witheriff said.

"There's no zoned land left, it's all agriculture, all farmland, and buyers in this market are moving as quickly as they can."

Demand is only going to increase before the new hospital opens in 2022, Mr Witheriff said, although he believed the market would settle with steady longer-term annual growth of 8 per cent to 10 per cent.

Casuarina developer Peter Fahey, managing director of Clarence Property, bought the 21-hectare site in 2012 for $6.5 million from Consolidated Properties Group. He is now evaluating bids for a 4000sq m "super lot" approved for apartments adjacent to the recently sold beachfront blocks. Industry insiders predict the land will net $8 million.