



26 SEP, 2019

Going up by the stairs: Lendlease's Kylie Rampa

Australian Financial Review, Australia

Page 1 of 2

Building blocks



The residential recovery will unfold over years, not months, while elsewhere in the property sector retail landlords need to embrace change to sustain sales, Lendlease's chief executive for property in Australia, Kylie Rampa says.

Property p31

Going up by the stairs: Lendlease's Kylie Rampa

Exclusive

Nick Lenaghan

The residential recovery will unfold over years, not months, while elsewhere in the property sector retail landlords will need to embrace change in order to sustain sales, according to Lendlease's chief executive for property in Australia, Kylie Rampa.

Ms Rampa's analysis comes ahead of her keynote speech to The Australian Financial Review Property Summit 2019 in Sydney today, when she will address how the commercial property sector will evolve over the next decade.

Her speech comes in the same week that Reserve Bank governor Philip Lowe signalled he may cut interest rates again as early as next Tuesday.

The lower interest rate, lower yield environment both here and globally has been a key driver for investment into sections of the commercial property market, notably office and industrial assets.

But at the other end of the property spectrum, stagnating consumption and stalled wage growth have weighed on the retail and residential sectors.

"We feel we are in the trough of the residential market. It is bottoming out," Ms Rampa said.

She cited Chinese capital controls, along with increased stamp duty and taxes for foreign purchasers as well as "a dislocation in the credit markets" following the Hayne royal commission as factors that had dragged on the market.

On the upside, low interest rates and improving affordability were factors that would help the recovery, she said.

"We think it will flow through over a period of time. We're not expecting a full recovery in a quarter.

"You start to get some price growth then you get some more activity, it all

starts building. It will take time. Over the next two to three years we think the market will continue to strengthen."

Some economists, including UBS's George Tharenou, are worried that the improving house prices are yet to trigger activity in the real economy through a lift in building approvals and land sales.

Last month, official figures showing home-building had contracted at its fastest pace in almost 19 years prompted JPMorgan economists to cut their GDP forecasts.

Ms Rampa was more sanguine.

"We always say 'you go up by the stairs and down by the elevator'," she said.

"It takes time for the credit market to come back. It is coming back but it is not back to where it was at the peak of the cycle."

In the office markets, which have enjoyed a bumper run in Sydney and

Melbourne in particular, the Lendlease property chief was confident there was more upside to come, with "continued price strengthening", amid strong occupancy, rental growth and demand from investors' capital.

She played down any concerns that the buoyant situations and demand for yield could lead to overpricing of assets, with institutional investors remaining "disciplined".

And it would be "foolish to write off the retail sector" she said, while acknowledging online spending would continue to increase.

"There will be winners and losers in the retail landscape," Ms Rampa said.

"Retail [landlords] have over a long period of time adjusted and morphed and they will have to look at what additional uses that they will need to incorporate into their centres to drive traffic and drive sales.

"It's a changing landscape."



26 SEP, 2019

Going up by the stairs: Lendlease's Kylie Rampa

Australian Financial Review, Australia



Kylie Rampa says the recovery is likely to be steady but slow. PHOTO: LOUIE DOUVIS