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# Super changes pushing SMSFs into unlisted property trusts


Melissa Kingham from SCP alongside Greg Malempre of Location IQ outside the Katoomba Marketplace mall.
**Alec Smart**

by **Larry Schlesinger**

Pending changes to superannuation rules and a clampdown on lending to self-managed super funds is driving investors into unlisted retail property trusts, according to the head of funds management at mall landlord SCA Property Group (SCP).

ASX-listed SCP recently launched its second unlisted fund holding two malls, the Woolworths and Big W-anchored Katoomba Marketplace in the Blue Mountains and the Dan Murphy's-anchored Mittagong Shopping Village in the NSW Southern Highlands.

The fully occupied malls have a combined value of $55.1 million and are forecast to deliver an annual distribution of 7 per cent, with most of the income coming from long-term leases to Woolworths.

Seeking to raise $29.5 million for the new SCA Unlisted Retail Fund 2 (alongside $27 million of bank debt), SCP fund manager Melissa Kingham said the majority of commitments to date had come from SMSF investors.

"The minimum investment is $25,000, but the average investment from SMSFs has been $70,000," Ms Kingham told the *Australian Financial Review*.

"With changes to superannuation and banks restricting loans to SMSFs, unlisted retail property has become an attractive alternative for SMSF investors," she said.

She added that demand was also being driven by a lack of suitable investment vehicles, with the tightening of cap rates across convenience-based malls making it harder for fund managers to find suitable properties.

From July 1, a new $1.6 million cap on tax-free savings held in a super pension account takes effect. Balances above that amount must remain in the accumulation phase and are subject to tax (15 per cent on earnings and 10 per cent tax on capital gain).

Jordan George, SMSF Association head of policy, said recently released draft legislation would make it more difficult for SMSFs to undertake borrowing to finance investments in residential or commercial property.

"The key [draft measure] restricts the outstanding value of a loan included in a SMSF member's total super balance. So if its $1.6 million or more, the member can't make any more after-tax contributions to super, which impacts their ability to service the loan. So borrowing becomes more difficult and banks are less likely to lend," Mr George said.

"If SMSF members are adjusting their investment behaviour according to the draft amendments, we will see them looking at alternative investments and going to property trusts to get similar asset exposures," Mr George said.

SCP engaged retail property consultants Location IQ to compile data on demographics, trade areas and retail catchments to help source suitable investments.

Location IQ director Greg Malempre said both malls in the new fund were situated in relatively well-established areas where there was limited competition from other retailers and with a tenant mix that could not be easily replicated.

"They are likely to always be popular, meaning future income flows should be consistent," he said.

SCP, spun out of Woolworths in 2012, owns a $2.2 billion portfolio of 79 convenience-based retail shopping centres.

The A-REIT branched out into funds management in 2015 with the launch of its first unlisted retail property trust holding five malls divested from its listed parent.

SCP is selling non-core assets into private vehicles to free up funding to grow its listed portfolio of Woolworths and Coles-anchored malls. "Our plan longer term is that every year we will launch one or two more lots of unlisted funds," Ms Kingham said.

The latest SCP fund received an AA investment rating from analysts Property Investment Research (PIR).