

Financial Review -

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Australian banks out, foreign banks in, for residential development



by [Matthew Cranston](#)

Australia's major banks are tightening lending to certain residential apartment developers and areas they suspect are oversupplied but Asia-based banks are jumping in and increasing their exposure to the sector.

The Australian Prudential Regulation Authority shows foreign banks have increased their exposures to residential development by \$663 million in 12 months to June.

In Brisbane, where the [Reserve Bank of Australia warned of an oversupply last Friday](#), the latest \$200 million apartment tower to begin construction is backed by Japanese bank Sumitomo Mitsui Banking Corporation.

Developer Consolidated Properties' Don O'Rorke said the domestic banks were not competitive enough.

"We went with the Japanese bank because they had better commercial terms than the domestic banks," Mr O'Rorke said, "They had lower establishment fees, lower interest rates and they were more flexible on the amount of required presales and number of offshore buyers."

In the year to June this year the major banks actually showed an increase in exposure to residential development, but developers, bankers and financial intermediaries say the brakes have gone on in the last few months.

Noticeable change

Established developer Cavcorp's Damien Cavallucci said there had been a noticeable change.

"The banks are trying to naturally separate the developers with track records from those who are part-time developers."

In Sydney Stamford Capital's Domenic Lo Surdo said banks were tightening up on lending to particular types of developers.

"We are seeing the emergence of domestic banks looking at certain areas more carefully and they are certainly looking more closely at the quality of developers," Mr Lo Surdo said, "That also includes foreign groups looking to get started here – the banks have openly told us they won't be supporting a lot of that."

Malaysia's biggest bank Maybank recently provided the debt for developer Fajarbaru Group and Beulah International for a new apartment project in Doncaster in Melbourne's eastern suburbs. The domestic banks were not present.

Commonwealth Bank of Australia denies cutting out certain geographies.

"While Commonwealth Bank understands there are markets that have significant supply in the pipeline, no geographic areas are closed for us in relation to residential property development," a CBA spokesman said.

"What we focus on to determine our risk appetite is a combination of the quality of the project sponsor and the various deal parameters."

NAB and ANZ declined to comment and Westpac neither confirmed nor denied such shifts. "We have a dynamic view on market risk across all asset classes and jurisdictions and adjust our approach accordingly," a Westpac spokeswoman said.

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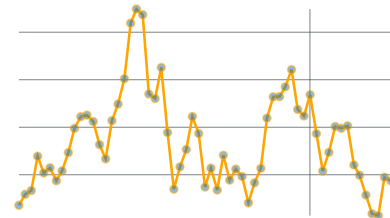
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