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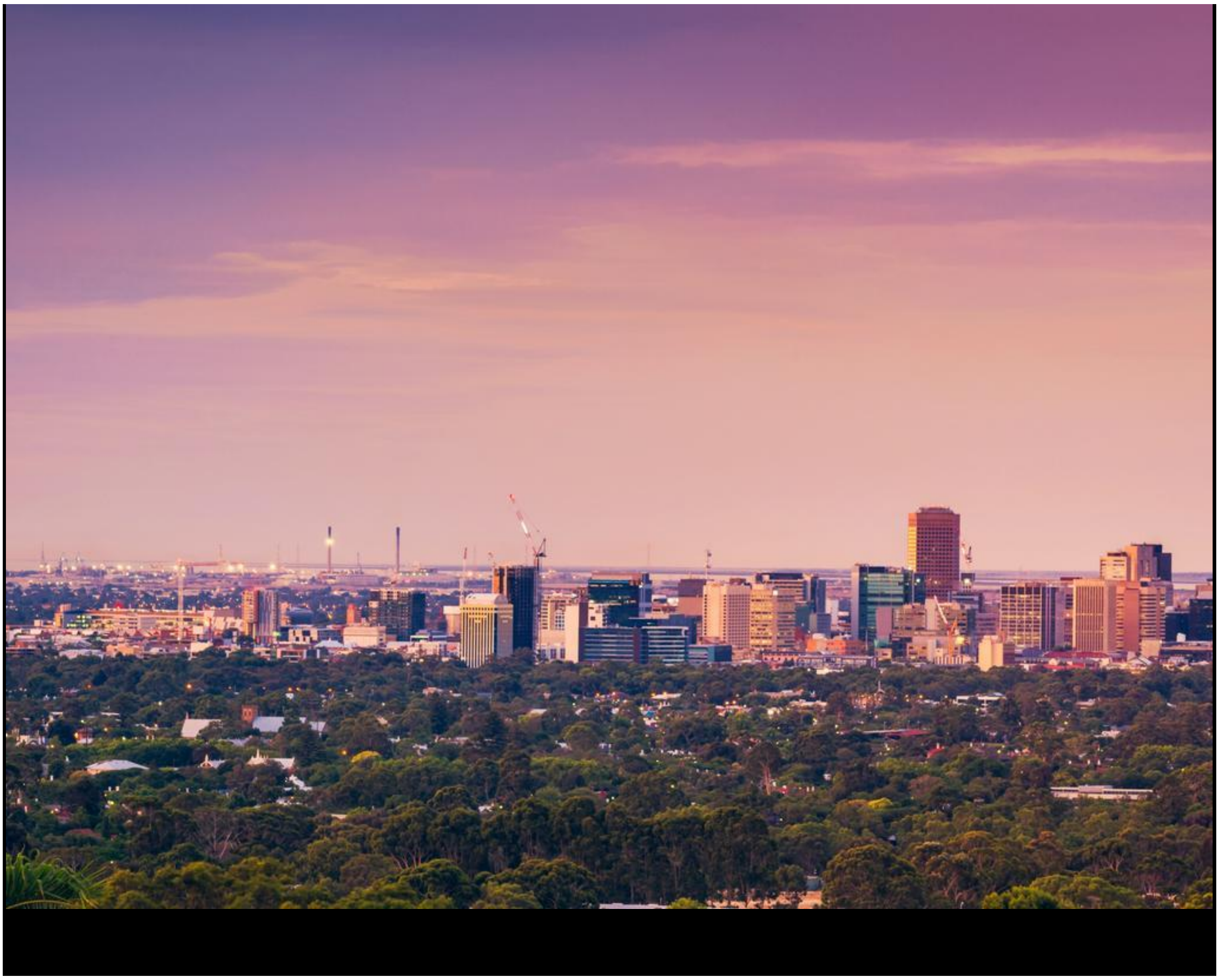

Eastern states stats don't apply to SA claims report

Richard Evans, The Advertiser
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As Australia's banking sector continues its recovery from the royal commission and resulting Hayne report, pre-sale requirements continue to constrain residential development with lenders looking to size up loan books and develop new products says a new real estate survey from a national finance broker.

But, claims Stamford Capital (SA) director, Adam Miller, the stats in its 2019 report are heavily weighted to major eastern states and don't reflect current market conditions in South Australia.

"While so far we seem to have dodged the residential market downturn experienced in the eastern states, Adelaide does share the same level of caution toward the retail sector. Business confidence is at an eight year high, yet funding for retail projects is tight and dependent on tenant precommitment," he said, citing recent Business SA/William Buck and BankSA surveys showing SA business confidence at levels not seen since 2010.

More than 100 active lenders participated in the annual Stamford national survey, from major trading banks and non-bank lenders to super funds and second-tier trading banks. Overwhelmingly, the sentiment is that the national residential apartment and housing market is in decline say 85 per cent of respondents, up from just 50 per cent in 2018.

Despite weakening market sentiment on a national level and rigid lending criteria for banks, the survey revealed that 73 per cent of respondents are looking to increase the size of their loan book, down from 92 per cent last year.

A whopping 90 per cent of non-bank lenders expect to increase or maintain their loan book size with 62 per cent indicating they expect increasing by 15 per cent.

"Non-bank lenders are growing in terms of volume and appetite in this market, while banks have pared back adding further fuel to the fire in an already dynamic commercial finance sector," said Mr Miller.

Stamford Capital (SA) director Adam Miller. Pic supplied by Stamford Capital.

However, the non-bank sector may soon face greater restrictions on lending criteria reducing their competitive edge – with 65 per cent of survey respondents saying they expect APRA to increase oversight.

But while lenders remain cautious about market risks, the survey revealed many are developing innovative ways to cater to investor demand with 41 per cent of respondents looking to introduce new products in 2019/20.

Build-to-rent is a firm favourite new product with more than half of respondents looking to introduce loan facilities catering to this market, with 36 per cent focusing on investment loan products and 34 per cent on stretched senior debt investment products. Crowd-funding is unlikely to make an impact in Australia with only 9 per cent of respondents viewing it as a credible commercial lending option.

The outlook is not entirely bleak with increasing flexibility for investors who conform.

“All lenders are competing for quality investment applications to replace their construction loan books so investors are tipped to come out on top and those with strong credit profiles will get competitive finance deals,” Mr Miller said.