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# Stats: Lending after the storm

by Abel Riototar

*Figures show the changing appetite of lenders*

As the banking sector recovers from the perfect storm created by APRA restraints, the royal commission and the final Hayne report, lenders are looking to grow their loan books and develop new products for the changing market, according to Stamford Capital's 2019 Real Estate Debt Capital Markets Survey.

Over 100 lenders participated in the survey described as "a barometer of lending sentiment and an early identifier of market trends".

They included major and non-banks, private lenders and second-tier banks. The report found that lenders overwhelmingly believe the housing market is going down – a jump of 50% on last year.

They also foresee an interest rate decline in 2019 that could sustain the residential sector.

"The presales hurdle is now a barricade in the market, and this is where we are witnessing one of the biggest divides between bank and nonbank lenders. It is no surprise that non-bank lenders are continuing to gain momentum," said Stamford's executive director, Michael Hynes.

"Lenders are definitely looking to find their feet in this rapidly changing landscape, and typically the non-bank lenders are nimbler at this as they are not governed by APRA."

# Press Clipping

**41%** of lenders looking to develop new products in 2019/20

**50%** think royal commission will negatively impact banks' commercial lending

**65%** expect APRA to boost oversight of non-bank sector

**75%** expect non-banks to increase appetite for construction loans

## FROM ZERO TO 100

The pressure to meet presales targets is now one of the biggest obstacles to gaining access to bank capital that developers face: 84% of major and second-tier banks require 60–100% presales, compared to 34% of non-bank lenders requiring zero presales.

**Presales hurdle becomes a barricade**

**56%** of lenders say the commercial property investment market has peaked

**27%** say it's in decline

**83%** think the residential development site market is now in decline

**59%** up from last year

**85%** believe residential apartment and housing markets are now in decline

**50%** up from last year

Source: Stamford Capital Australia, *2019 Real Estate Debt Capital Markets Survey report*

## HELLO ICR, GOODBYE LVR

Interest cover ratio (ICR) has replaced loan-to-value ratio (LVR) as the preferred metric for bank credit assessments, and 60% of term-debt lenders want an ICR of 1.5x or higher for investment lending. Interestingly, 15% of all lenders, 24% of which are non-banks, are prepared to look at financing at 1x ICR or less.

**Interest cover ratio: What lenders want**


Source: Stamford Capital Australia, *2019 Real Estate Debt Capital Markets Survey report*

## STILL ROOM FOR GROWTH

Despite weakening market sentiment and the banks' rigid criteria, 73% of survey respondents are considering increasing their loan book, down from 92% last year. However, one in two lenders expect their loan margins to remain unchanged.

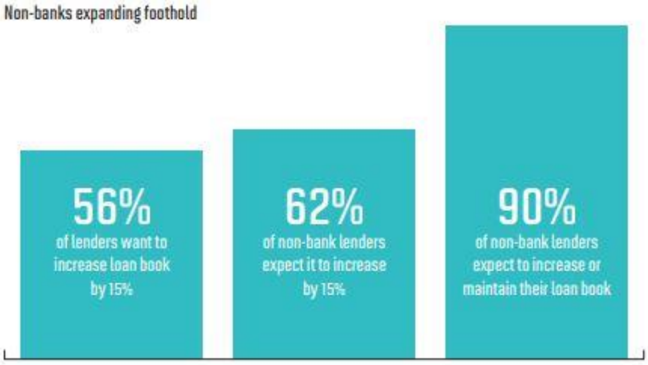
**Loan margin expectations**


Source: Stamford Capital Australia, *2019 Real Estate Debt Capital Markets Survey report*

## TIME TO CONSIDER NON-BANKS

The over-10% loan book increase expected by respondents "may sound optimistic, but it's likely to be driven by the number of non-bank lenders who entered the market over the last 12 months", said Stamford Capital executive director Michael Hynes. He advised anyone concerned about presales to start looking at alternative providers.

**Non-banks expanding foothold**




Source: Stamford Capital Australia, *2019 Real Estate Debt Capital Markets Survey report*