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Urban Developer
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Capital Supply Tipped to Exceed Demand



Lenders are lining up to provide capital on new projects as the property industry suddenly becomes an attractive prospect, a swift turnaround on the situation six months ago.

Both bank and non-bank lenders are trying to take advantage of the real estate market, granting more opportunities for developers, however capital supply could outpace demand, according to Stamford Capital Australia.

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Stamford's Great Re-Set Report surveyed more than 100 lenders on the eastern seaboard and found 82 per cent expected to increase their loan books this year.

This could have a big impact on the market borrowing as margins decrease, lending criteria ease and optimism in the sector continues.

Despite the amount of capital available, this might not be enough to keep up with buyers who have also **flocked** to the market with loan commitments close to **all-time highs**, according to the Australian Bureau of Statistics.

Government incentives, interest rates and a lack of stock have also pushed house prices up, improving the outlook for developers and lenders.

Having played a cautious game in 2020, many residential developers are now racing to launch stock so they can meet this extraordinary market demand," the report said.

"For smaller quality developments in good locations, pre-sales may no longer be an issue."

Stamford Capital joint managing director Michael Hynes said that in 2020 the underlying uncertainty was real but that these results indicated a big swing back.

"I think this year is going to be as interesting as real estate can get," Hynes said.

"I've never seen so many lenders operating in the market.

"With easier pre-sales, banks are materially more affordable and there's a capital-savvy combination emerging with mezzanine debt."

The report found the pandemic increased the flow of liquidity, unlike the 2008-09 global financial crisis, and there were no signs the volume of capital was slowing.