



Property exposures update

March quarter 2016

The Australian Prudential Regulation Authority ('APRA') has recently released its latest quarterly property exposure data for domestic and foreign Authorised Deposit-taking Institutions ('ADI's').

Insights...

Overall exposure to property

| | |
|--------------------|--------------|
| Quarter-on-Quarter | Year-on-Year |
| +1.9% | +8.5% |

- Aggregate exposure increased slightly, with an expansion in commercial lending partly offset by lower growth in owner-occupied residential.
- Despite slight growth in residential investor exposure, after two quarters of contraction, there was still a 0.5% reduction in relative exposure.

Commercial sector

| | |
|--------------------|--------------|
| Quarter-on-Quarter | Year-on-Year |
| +2.9% | +7.4% |

- Office and retail property exposure hit new peaks again this quarter.
- Industrial funding contracted slightly.
- Aggregate commercial exposure now exceeds the previous peak exposure in March 2009 (+1.2%).
- Growth in exposure to land subdivisions fell slightly to 5.4% vs 6.3% for the last quarter, with Y-on-Y growth still strong at 23.2%.
- Growth in exposure to Other Residential expanded (4.0% vs 2.8% for the preceding quarter). Y-on-Y growth is still strong at 17.9%.
- Exposure to tourism property increased markedly (+8.7%).
- Impairments decreased significantly, having increased in the preceding quarter due to data revisions.
- Specific provisioning reduced in dollar terms by 21% but remained stable at 38% of reduced impairments.

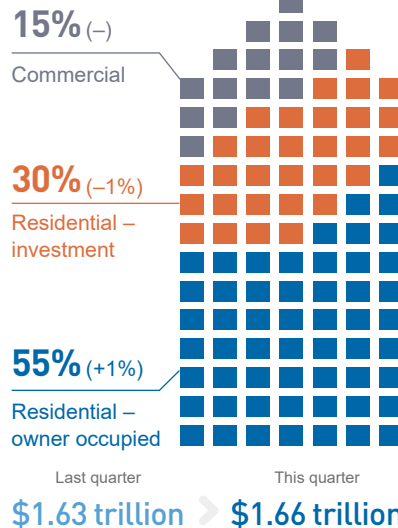
| | | |
|-------------------|------------------|---------------------|
| Impaired exposure | % total exposure | Specific provisions |
| -21% | 0.4% | -21% |
| Decrease | Decrease | Decrease |

Residential sector

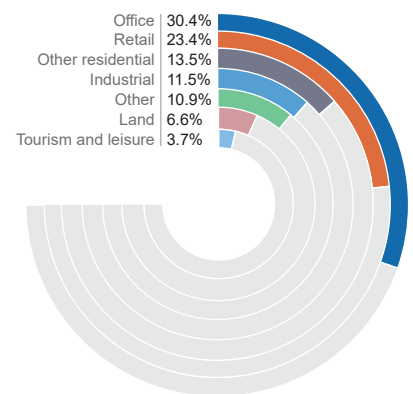
| | |
|--------------------|--------------|
| Quarter-on-Quarter | Year-on-Year |
| +1.7% | +8.7% |

- The March quarter typically generates the lowest number of new loans, albeit the number of loans held and total exposure continues to increase.
- Owner-occupier loans still dominate at 64% of overall residential exposure.
- Following recent measures to dampen growth in investor loans, exposure remained essentially static this quarter and for the preceding 12 months.

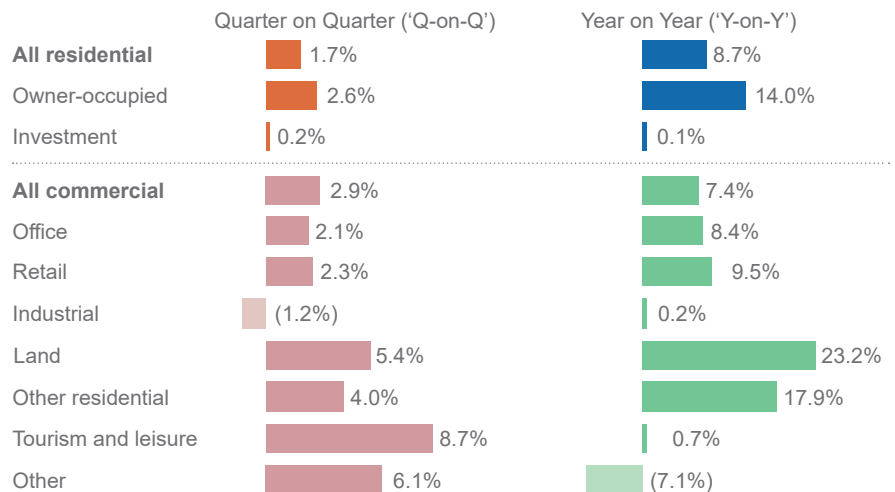
Aggregate property exposure



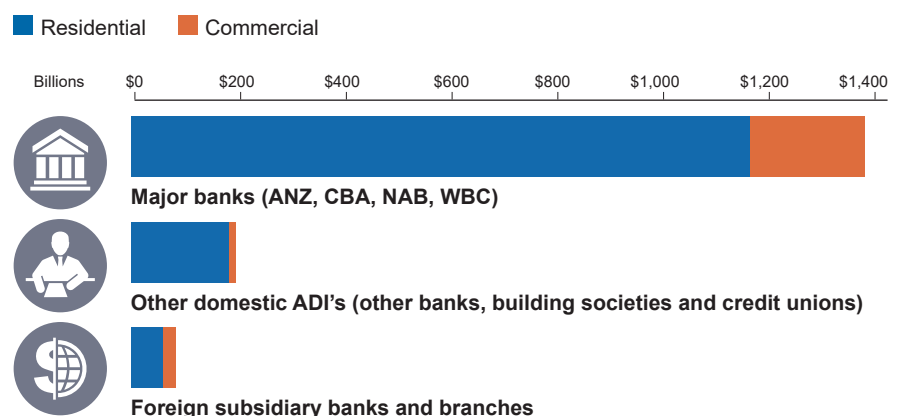
Commercial property exposure by sector



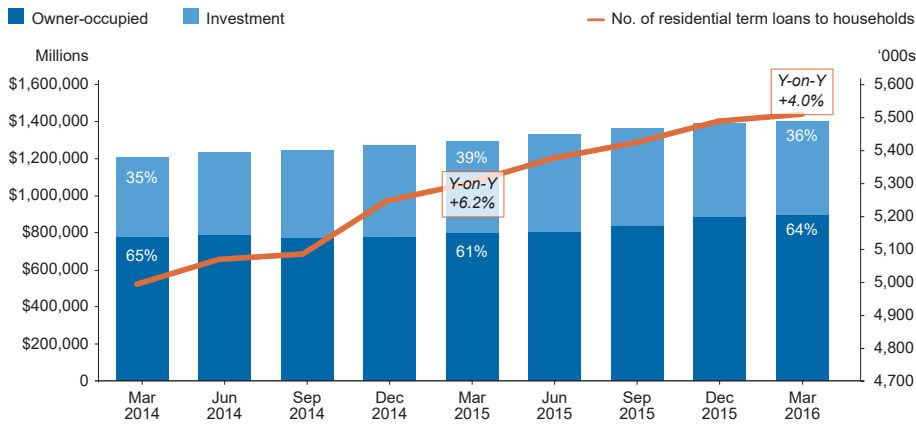
Change in property exposure by sector



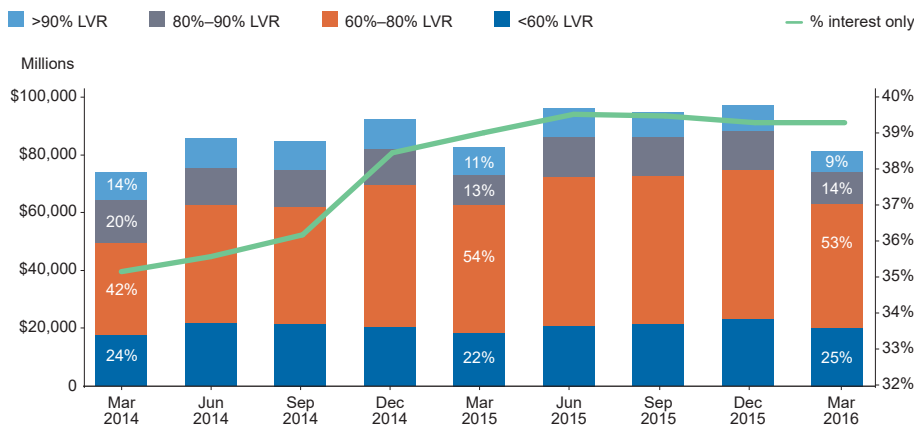
Property exposure by lender group



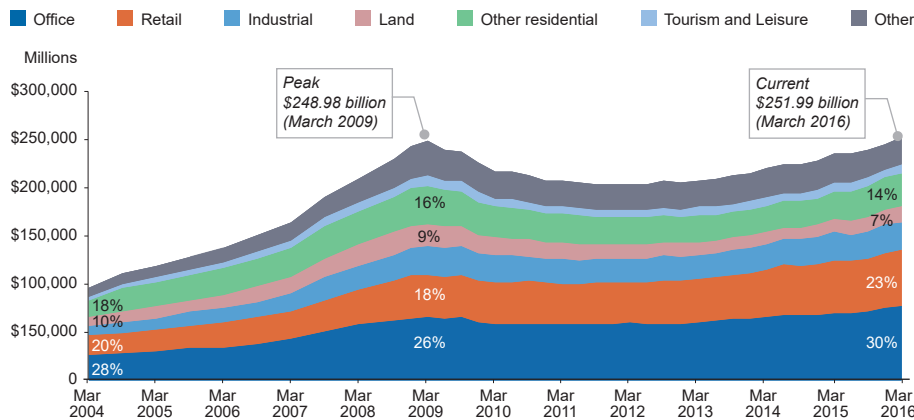
Aggregate residential property exposure by type



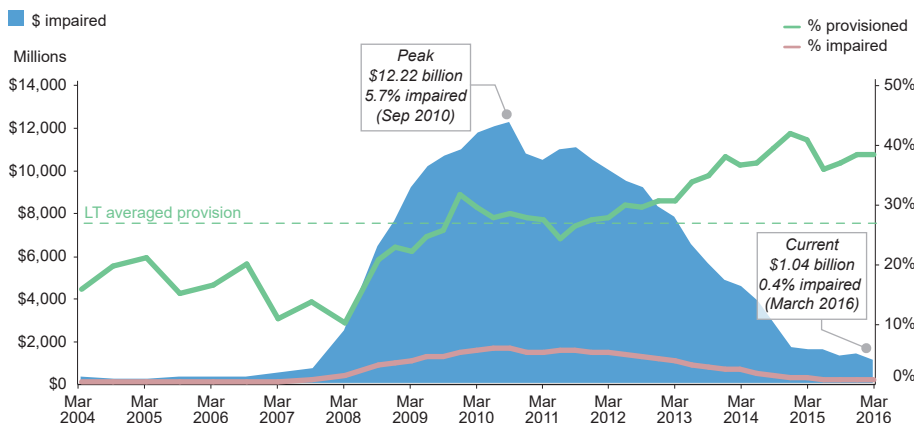
New residential loans approved per quarter by LVR



Commercial property exposure by sector



Commercial property impairment



Revisions

Four institutions resubmitted data to APRA, each of which changed previous statistics by at least 10% and \$100 million.

Further information

APRA's "Quarterly ADI Property Exposures" contains information on ADIs' commercial property exposures, residential property exposures and new housing loan approvals.

Further information including explanatory notes and an extended glossary can be found at:

apra.gov.au

Notes

Commercial property sectors:

Land

Land development/subdivisions.

Other residential

Excludes loans to individuals or families, loans to private family companies or trusts for owner-occupation.

Other

All other loans for the acquisition of commercial property not included in remaining categories.

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