



Property exposures update

December quarter 2017

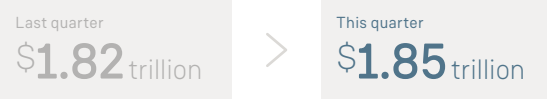
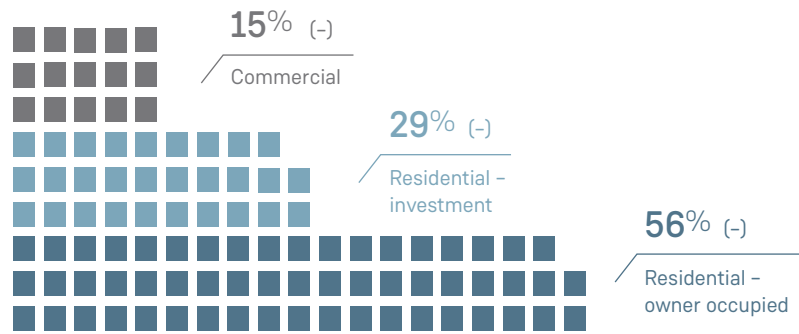
The Australian Prudential Regulation Authority ('APRA') recently released its latest quarterly property exposure data for domestic and foreign Authorised Deposit-taking Institutions ('ADI's').

Overall exposure to property

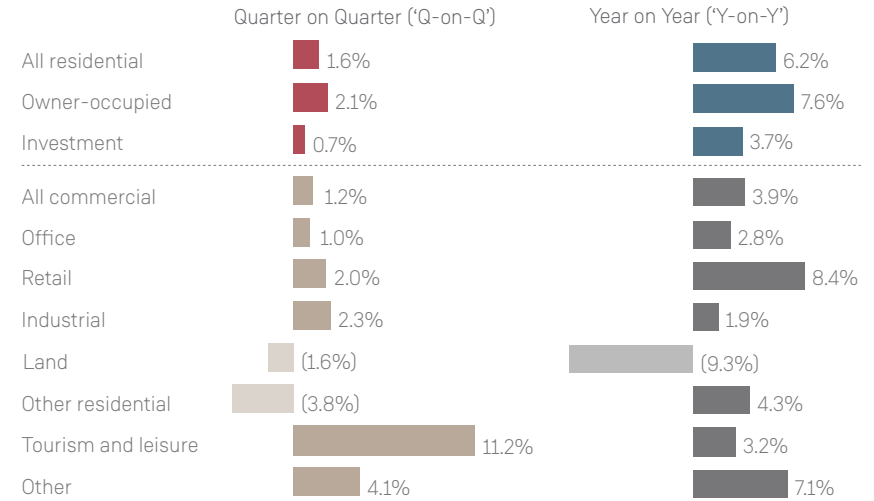
- Growth in overall property exposure remained subdued for the quarter.
- Growth in overall property exposure for the last 12 months was almost 2% below the preceding year to December 2016.
- Growth in exposure to owner-occupied residential continues to out-pace growth in residential investment and commercial property loans.



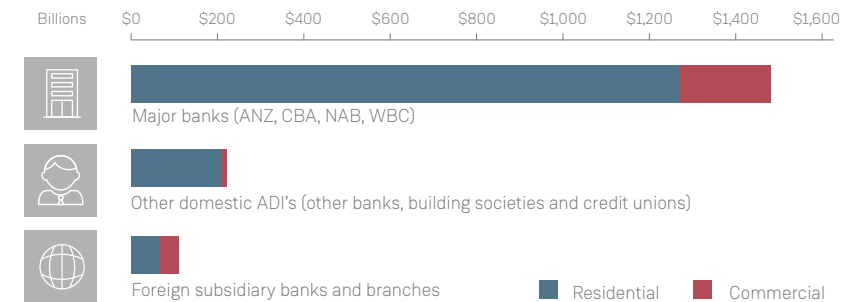
Aggregate property exposure



Change in property exposure by sector



Property exposure by lender group



Commercial sector

- Aggregate commercial property exposure continues to expand beyond the previous peak of March 2009 (now +8.7%), but at a lower rate than 12 months ago.
- Office, retail and industrial property exposure hit new peaks in the December quarter, though growth in tourism and leisure funding (+11.22%) was significantly stronger than office and retail growth
- Exposure to land subdivisions again declined for the quarter (-1.56%), down 9.3% for the year.
- Exposure to Other Residential declined more sharply for the quarter, though Y-on-Y growth increased to 4.3%.
- Growth in tourism and property funding sharply inclined for the quarter (+11.22%), up 3.2% for the year.
- Exposure to other residential (high density residential development) continued to increase for the quarter (+4.1%), increasing 7.1% for the year.
- Impairments continue to contract, both in dollar terms and as a percentage of total exposure.
- Specific provisioning slightly increased in dollar terms, sitting at approximately 44% of the reduced impairments..

Dec Quarter 2017

Quarter-on-quarter

+1.2%

Year-on-year

+3.9%

Impaired exposure

-8.0%

% total exposure

0.2%

Specific provisions

+0.9%

Dec Quarter 2016

Quarter-on-quarter

-0.3%

Year-on-year

+5.9%

Impaired exposure

+5.1%

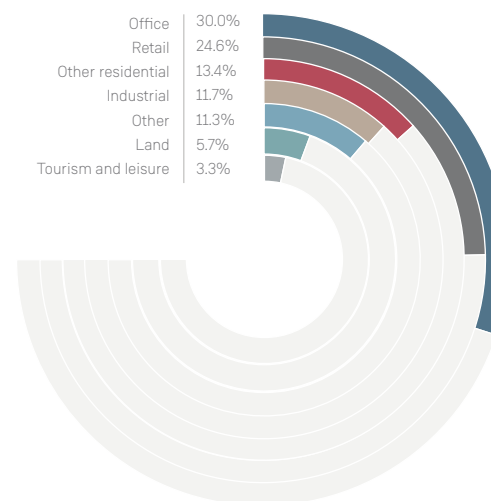
% total exposure

0.4%

Specific provisions

-4.8%

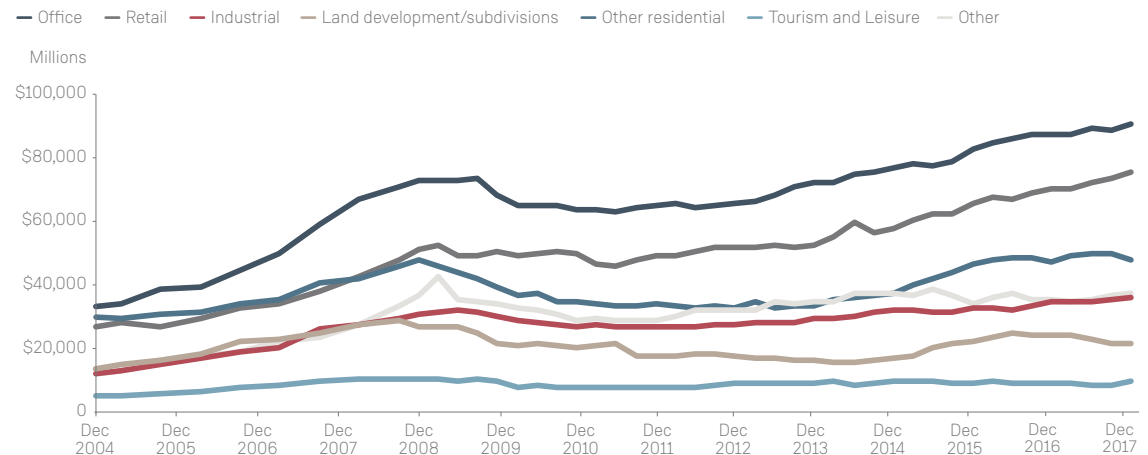
Commercial property exposure by sector



Commercial sector

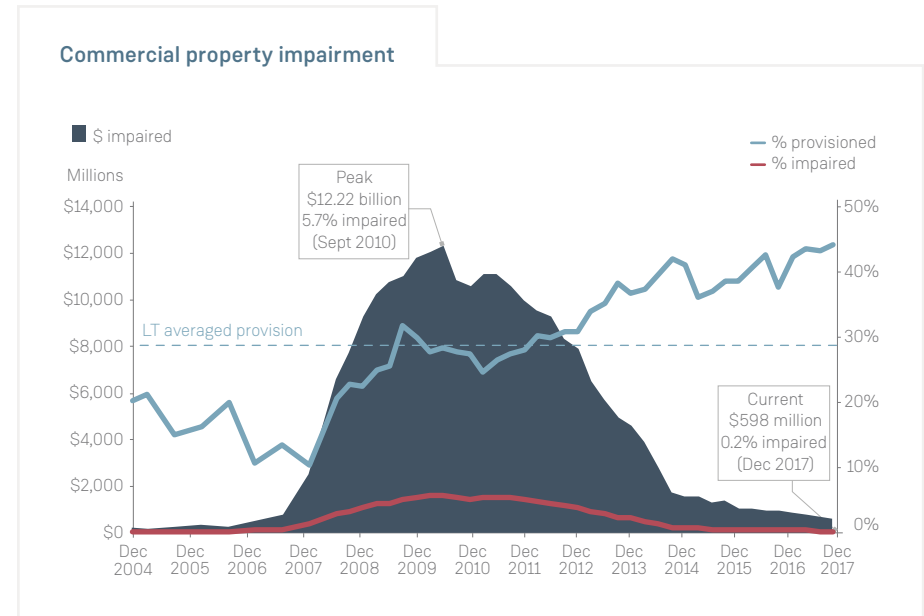
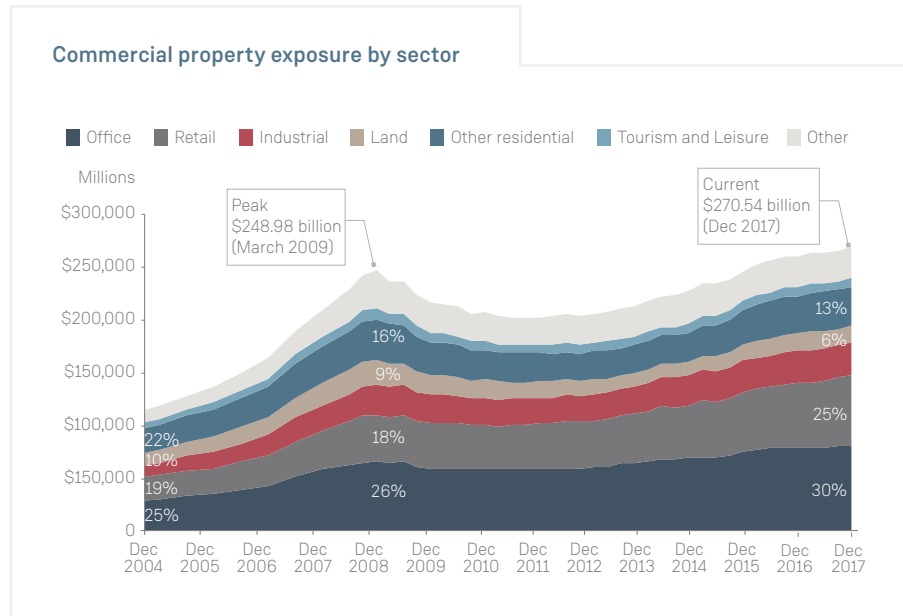
- Reported exposure limits reflect the aggregate of all exposure to commercial property, including drawn and undrawn commitments, as well as associated hedging.
- Whilst exposure limits in a number of commercial property sectors now appear to be stable or even contracting, the office, retail, tourism and other residential (higher density residential development) have continued to expand.
- In particular, reported exposure limits on tourism and leisure have markedly expanded, with 14.29% quarter-on-quarter growth.

Aggregate exposure limits by sector



Commercial sector

- The relative proportions of office and retail property exposure have increased since the previous peak, with the proportions represented by the other commercial property sectors having contracted correspondingly (industrial exposure portion has only contracted by 0.11% from the peak)
- Exposure to retail property is now 49% higher than at the March 2009 peak, significantly greater than the exposure growth in the office (24%) and industrial sectors (8%).



Residential sector

- The number of loans held and total exposure continues to increase, albeit at a slightly lower rate year-on-year.
- The RBA cash rate continues remain unchanged at 1.5% since August 2016.
- Owner-occupier loans still dominate at 65% of overall residential exposure.
- Measures to dampen growth in investor loans have slowed have slowed growth significantly and resulted in continued overall contraction of investor share of residential lending since peaking at 39% of exposure in the June 2015 quarter, following a period of expansion in investor loans.
- The share of exposure to interest only loans (32.7%) continues to rapidly decline from the September 2015 peak of 39.5%, with a 5.9% decline in value from the previous quarter. The share of new interest only loans has also rapidly declined.

Dec Quarter 2017

Quarter-on-quarter
+1.6%

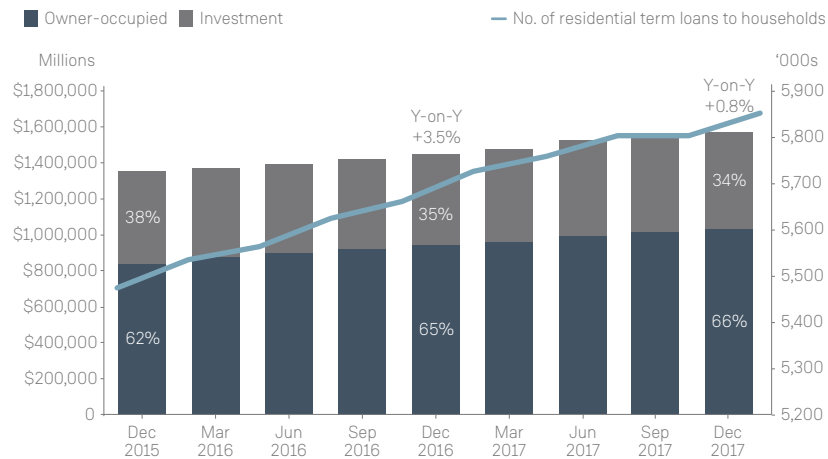
Year-on-year
+6.2%

Dec Quarter 2016

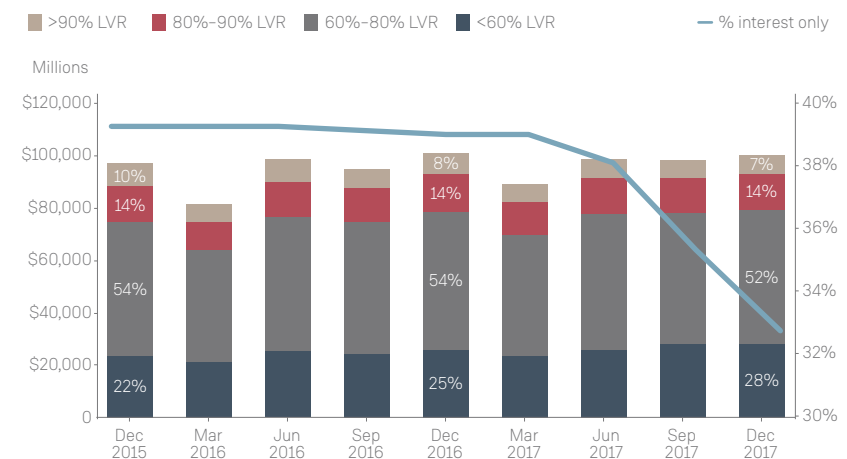
Quarter-on-quarter
+2.2%

Year-on-year
+7.9%

Aggregate residential property exposure by type



New residential loans approved per quarter by LVR



Notes

APRA Revisions December Quarter 2017

One institution resubmitted data to APRA, 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.

Commercial property exposure limits:

- The aggregate of all claims, commitments and contingent liabilities arising from on and off balance sheet transactions with the lender counterparty, i.e. includes outstanding balances and undrawn commitments.

KordaMentha Real Estate key contacts

Tom Davis

Partner | Melbourne
tdavis@kordamentha.com
+61 3 8623 3449

Paul Mirams

Partner | Sydney
pmirams@kordamentha.com
+61 2 8257 3067

Brad Bennett

Partner | Brisbane
bbennett@kordamentha.com
+61 7 3338 0242

Sam Woods

Director | Perth
swoods@kordamentha.com
+61 8 9220 9306

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Contacts

Melbourne

Rialto South Tower
Level 31, 525 Collins Street
Melbourne VIC 3000
Tel: +61 3 8623 3333
info@kordamentha.com

Townsville

Level 6
75 Denham Street
Townsville QLD 4810
Tel: +61 7 4724 9888
info@kordamentha.com

Singapore

16 Collyer Quay
#30-01
Singapore 049318
Tel: +65 6593 9333
sing.info@kordamentha.com

Sydney

Chifley Tower
Level 5, 2 Chifley Square
Sydney NSW 2000
Tel: +61 2 8257 3000
info@kordamentha.com

Gold Coast

S222 Oracle South
Level 2, 17 Elizabeth Avenue
Broadbeach QLD 4218
Tel: +61 7 3338 0230
info@kordamentha.com

Jakarta

Level 18
World Trade Centre II
Jalan Jend.
Sudirman Kav 29-31
Jakarta 12920 Indonesia
Tel: +62 21 3972 7000
info@kordamentha.com

Brisbane

Level 14
12 Creek Street
Brisbane QLD 4000
Tel: +61 7 3338 0222
info@kordamentha.com

Perth

Level 10
40 St Georges Terrace
Perth WA 6000
Tel: +61 8 9220 9333
info@kordamentha.com

New Zealand

Level 16
Tower Centre
45 Queen Street
Auckland 1010, New Zealand
Tel: +64 9 307 7865
nz@kordamentha.com

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