

FOREIGN INVESTORS 2016 GUIDE

FINDING A WAY THROUGH THE MAZE OF A TIGHT DEBT MARKET IN AUSTRALIA

While Australia remains an attractive destination for foreign investment, offshore developers must grapple with the reality that financing even sound projects will come with its fair share of challenges. So what are the key issues underpinning these obstacles, and how can the process be made more straightforward? We consult Brae Sokolski, CIO of respected commercial real estate debt and investment specialist, MaxCap Group and Mark Pomeroy, CEO of leading development and project management firm, Pomeroy Pacific, for the answers.

TAE: To paint the picture for us, how would you sum up the debt market for 2015 and what are your expectations for the property debt market for 2016?

BRAE: 2015 was an incredibly volatile year for the debt market. It was very much business as usual for the first half of 2015 with banks conservative but actively lending, and developer and investor confidence remaining high. However, mid-way through the year, the situation changed dramatically with further implementation of Basel III capital adequacy reforms in Australia through the Australian Prudential Regulation Authority (APRA). APRA's role is to regulate banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies. Banks were instructed by APRA to hold more capital against real estate loans. We estimated that an additional \$20 billion to \$30 billion was imposed on capital ratio allocations against commercial real estate mortgages. Consequently, we witnessed major banks being unable to satisfy the pent-up demand for housing debt and, therefore, a scramble by developers to seek alternative sources of capital.

As a result and to ensure developers could still have their projects funded, many developers have had no choice but to reach out to alternative sources of capital in the face of a tightened debt market. This alternative source of first mortgage capital is increasingly being provided by institutions such as super funds and private equity investment managers and we expect this new "Fifth Pillar" of capital to continue during 2016 and remain a permanent addition to development funding options. The process of securing legitimate alternative sources of finance will be crucial this year for the viability of the industry as a whole and more broadly supporting Australian economic activity that is largely underpinned by the housing and construction industries. Whilst traditional bank funding will remain an option for developers with a local track record and existing bank relationships, compared to many of the deals in the past, the funding process will be more protracted and additional equity will be required.

For us at MaxCap, we will remain, as we always have, at the vanguard of change in with respect to bringing innovative finance solutions such as institutional non-bank capital into the Australian market.

TAE: What role can the bond market and foreign banks play to alleviate a shortage of project funding in Australia?

BRAE: To date, the bond issuance market for real estate development is not a viable proposition in Australia as it is in the United States. In relation to foreign banks, particularly since the GFC, these institutions have been lukewarm to re-enter, continuing to focus on their local markets. For foreign banks, there are also other, stronger work-out opportunities waiting for them in Europe and the US.

TAE: What is the situation for off-shore developers seeking local funding for projects in Australia?

BRAE: Unfortunately, the current lending climate generally works against offshore developers. Banks have a limited level of capital and adopt a position of favouring existing Australian clients over new and unproven prospective customers. Having said that, there is a degree of open-mindedness towards the right kind of project with a solid project team and a developer with a clear and convincing strategic vision in Australia.

TAE: So what can MaxCap offer developers seeking capital for projects in Australia? Why not apply directly to the banks?

BRAE: It is paramount to structure an application with the view of getting it right from the start. You only have one chance to make a first impression and it is therefore critical that the bank is satisfied with your application on day one to avoid trying to go back to the bank after they have already cast doubt over elements of an application. "Retro-fitting" an application after an initial rejection simply doesn't work. What we do with our clients from the outset is to get the narrative correct regarding



the strategy and building blocks of an application and establish the right consultants and partners with strong integrity and acceptance by lending institutions. From this point, we leverage our high-level relationships with the banks and also have a contingency plan in place in the event we need to access alternative sources of capital.

TAE: If we may address the next question to Mark Pomeroy. Mark, how important is it to present the right credentials to bankers and what contribution can Pomeroy Pacific make towards this end?

MARK: The success of any project is often most greatly influenced by the decisions and considerations made by a developer at the beginning of a project. As such, having regard to the finance-related issues from the outset is critical and will often influence the development strategy from the outset. When commencing a project for a client, our initial focus is on understanding and solving full life cycle project risks that could prevent our client from meeting their project objectives and or the funding requirements. We then work backwards to anticipate and resolve potential challenges before they become real problems. When it comes time to consider funding, it provides the banks with the confidence that project risks have been well-managed and provides a bank greater confidence to lend. We can do that for clients because of our considerable experience across many kinds of property projects and the relationships we enjoy in this market. For offshore developers new to Australia, there is a raft of issues we can help with to make the process less painful and protracted than it should be. As Brae stated, there is a finite amount of funding available for projects



Mark Pomeroy, CEO of Pomeroy Pacific

in Australia, and therefore, we owe it to our clients to give them the greatest chance of success in a tight market.

TAE: With banks' lending policies tightening and the availability of funding diminishing for development projects, what significant trends do you see emerging?

BRAE: Firstly, we will see a proliferation of second mortgage finance which requires less equity from a developer and adds an additional layer of funding to a project. MaxCap is one of the Australian industry's largest providers of second mortgage funding, amongst other structured finance solutions.

Secondly, I believe that in this evolving debt environment, we are going to see more banks sell down their position on any one transaction. For example, an Asian bank could partner with a local Australian bank in a \$100 million first mortgage facility in order to spread the risk on an otherwise highly credit-worthy project. What I expect to see this year is a greater complexity of debt and co-mingling of capital. From the developer's side, we will see more joint ventures where, for example, foreign developers can partner with local developers to add additional funding credibility to an already strong project.

TAE: With China experiencing economic turbulence and Australia being its largest trading partner, to what extent do you think there will be ripple effect into local property markets?

MARK: From the commentary of my clients and those within our circle, we are of the view that the current economic instability in China is giving Chinese investors more impetus to move towards more stable environments for capital, such as Australia. The real question then becomes what effect any new limitations imposed by the Chinese government will have on restricting outbound capital flow. I think that the property asset class will only become more attractive in the face of continued volatility in the equity markets.

TAE: Have you observed a slowdown in Chinese activity into Australia real estate projects?

MARK: From a business perspective, we have seen no slowdown in capital outflows what-so-ever. The rate of new Chinese clients we are seeing is still increasing. Chinese developers and investors are still buying real estate and have an appetite to develop. The big question for us is whether the banks will tighten their policy

2016年海外开发商投资指南 揭露银行信贷紧缩背后的原因,为广大开发商指点迷津。

澳大利亚一直是海外开发商青睐有加的投资胜地。时下机遇与挑战并存,摆在海外开发商面前的一道共同的难题:项目融资难度越来越大。就如何解决这个难题,我们荣幸采访了MaxCap Group的首席投资官Brae Sokolski先生与Pomeroy Pacific(庞墨里太平洋有限公司)的首席执行官Mark Pomeroy先生。

TAE:请您简单概括2015年债务市场的情况;以及您对于2016年的市场预期。

BRAE:2015年的债务市场波动非常大。2015年上半年一如既往,银行放贷虽然比较谨慎,但借贷活动依旧活跃,开发商和投资者信心充足。2015年中期,随着澳大利亚金融监管局(APRA)推行第三版巴塞尔协议,情况发生了巨大的变化。(澳大利亚金融监管局是对银行、保险公司、养老基金、信用机构等金融组织实施监管的政府机构)。金融监管局要求银行持有更多资金。我们估计,需要200亿到300亿澳币来维持资本对商业地产贷款的比率。目前各大银行均无法满足市场的借贷需求,面对日益紧缩的债务市场,开发商需另觅项目筹款方式,例如澳大利亚养老金、私募股权基金等。这些非传统的融资方式,我们称之为"第五支柱"。预计2016年,开发商会越来越多地利用非传统的途径募集资金。那么如何合法地通过非传统渠道获得资金对整个房地产业的发展以及澳洲经济的走势意义重大(鉴于房地产市场对整个澳洲经济的重要性)。需要指出的是,对于在澳洲市场经验丰富的开发商来说,传统的银行借贷依然是不错的选择,但估计申请时间会比以往更长,开发商需要垫付更多的现金。对于MaxCap来说,我们将一如既往地关注澳洲借贷市场的变化,积极地在澳大利亚推动非传统的借贷模式,解决广大开发商融资难的问题。

Brae Sokolski, CIO of MaxCap Group



TAE:为了缓解市场上项目资金的短缺,债券市场和外资银行应扮演什么样的角色?

BRAE:澳大利亚并不像美国一样,可以大规模发行房地产债券。外资银行(特别是自全球金融危机以来)对于进入澳大利亚市场兴趣并不是很大。外资银行更看好在欧洲和美国的投资机会。

TAE:具体的来说,境外开发商在澳洲融资面临哪些挑战?

BRAE:目前的贷款环境对境外开发商并不是很有利。银行持有资本有限,较之在澳洲没有开发经验的开发商来说,银行往往偏向老客户(在澳洲有丰富开发经验的客户)。话虽如此,如果新开发商致力于在澳洲长期发展,开发策略清晰、明了,项目团队实力雄厚,银行也会根据实际情况,评估放贷条件。

TAE:那么MaxCap能为开发商募集资金提供什么样的帮助?

BRAE:给银行的第一印象是非常重要的。申请贷款前,做好充足的准备是先决条件。如果初次申请被拒,开发商将相当被动。如果MaxCap参与项目融资,我们会制定融资战略、确定申请步骤,与信用机构认可的、优秀、诚信的顾问团队合作非常重要。MaxCap将利用与各大银行的良好关

regarding the ratio of foreign versus local purchasers permitted on off-the-plan product. By way of example, typically banks will allow approximately 20-30% of apartment sales to be sold to off-shore purchasers. The amount of foreign purchasers permitted per project is regulated by the Foreign Investment Board Approval (FIRB) and this allowance underpins the presales matrix of many projects as it speeds up the rate in which projects can meet their pre-sale requirements and consequently qualify for debt funding. With the current volatility in China, if banks were to downwardly adjust this allowance, it will become more difficult to meet minimum pre-sale requirements and would in turn result in a slowdown in supply, due to the implications this would cause securing project funding.

TAE: Bringing the topic back to domestic issues, there has been continued press about an oversupply of apartments in Melbourne. What is your take on the situation?

MARK: The question of over-supply is very complex and should not be simplified for the purpose of creating headlines. There may be some short-term oversupply in the near future in particular market segments, but the true measure we should be focusing on is the rate of absorption. Readers should be aware that since the state government introduced interim height controls in September of last year, we have not been aware of any new applications having yet been approved under these controls. This means that projects already on the way will be absorbed in due course as the rate of supply slows. Your readers should be encouraged to stick to property fundamentals, so their chances of making mistakes are significantly reduced. If I am advising a client right now, I would be encouraging them to seek a site close to public transport with quality amenity. This enables us to help our clients package a project with an appropriate design and realistic pricing given the location, in order to lead to sales success.

TAE: Finally, to both of you, please summarise the essence of a well-conceived, successful project which satisfies the requirements for local funding.

BRAE: From a finance perspective and addressing your readers who are based overseas, offshore developers who do not have a 'bricks-and-mortar' presence and experience in Australia will be 'marked down' by local banks. What local banks want to see is that the off-shore developer is fully committed to entering the market with the correct strategic approach. This means engaging the right consultant teams and an ability to demonstrate a detailed understanding of the market. This is the first test. Get that right and you are on your way.

MARK: Brae talks about getting the right team of consultants in place, and I would go even further than that. The off-shore developers' rationale for investing in Australia must go beyond quick-fire profits as banks want to know that you have a genuine interest in developing a brand and reputation in the Australian marketplace. As such, embracing the Australian way of development, which the banks and market are familiar with, also becomes an important ingredient to success. My advice is to have clear direction for a long-term vision, engage the best consultants in the industry and develop trusting relationships so that your team will work with you to mitigate risk and drive success, brand and profit.



TAE's Richard Wong and Grace Lim interview Brae Sokolski, CIO of MaxCap Group and Mark Pomeroy, CEO of Pomeroy Pacific

系,服务于客户。我们也会制定"应急计划",以防我们需要其他的资本来源。

TAE:庞马可(Mark Pomeroy)先生,为了顺利获得银行贷款,您的公司是如何协助客户的?

MARK:俗话说,好的开始是成功的一半。我认为任何项目的成功都取决于最初的策略。因此,从项目一开始就考虑资金筹措等相关的问题是非常有必要的。众所周知,庞墨里为客户提供的是"一站式"服务,我们会在项目一开始全盘考虑项目的难点与风险,用"倒退法"——发现项目潜在的问题以及如何解决这些问题,这样就可以做到防患于未然。就项目融资来说,合理规避项目风险,给银行借贷的信心很重要。庞墨里多年项目开发与管理项目的经验以及业界良好的口碑,能为客户解决各种燃眉之急。

新进入澳大利亚的开发商面临各种挑战,尽早考虑项目的融资问题,聘请优秀的项目开发经理公司管理,可以让整个过程不再那么费心费力。正如Brae所说,目前信贷市场可用的资金量有限,优秀的顾问团队仍是信用机构所看重的因素之一。我们(庞墨里)旨在为客户解决融资难等问题,协助客户成功交付项目。

TAE:随着银行放贷活动日益紧缩,市场上有其他的融资方式吗?

BRAE:首先,我认为会有更多的抵押贷款再融资活动,MaxCap也是这方面的专家。除此以外,银行将减少借贷风险,例如,澳洲本土银行可能会与亚洲银行合作,共同放款1亿澳元,分摊借贷风险。预计2016年,项目融资方式会趋于复杂。此外,海外开发商也可与澳洲本土开发商合作,提高项目的融资能力。

TAE:作为澳大利亚最大的贸易伙伴,中国经济放缓,会对澳洲房地产市场产生什么样的影响?

MARK:在跟客户、行业同仁交流后,我认为中国经济放缓溢出效应有限。目前中国经济增速放缓反倒是鼓励了中国人海外投资,特别是像澳洲这样的,投资环境健全的国家。有关中国政府正采取越来越多的措施来遏制资本外流的评论也引起了我们的高度关注。面对中国股市的震动,海外房产投资不失为个良好的选择。

TAE:您是否已经注意到中国放缓了在澳洲投资房产的节奏?

MARK:从我们的观察来看,中国的投资脚步并没有放缓。庞墨里中国客户人数仍在增加。中国开发商、购房者依然络绎不绝。目前的主要的问题是银行是否会对楼花海外销售与本地销售的比率提出更苛刻的要求。目前银行允许项目20%-30%可以在海外销售。如果银行缩减海外销售的比率,项目将很难达到预售的目标,进而难以满足项目贷款的需求。

TAE:目前盛传墨尔本公寓住房市场已基本饱和。您对此有什么看法?

MARK:供求是个复杂的经济学问题,媒体不能为了博得读者眼球,将其简单话。总的来说,短期来看,在某些细化的市场上,可能存在供大于求的矛盾,但真正衡量因素是市场吸收率。众所周知,自从州政府去年九月在CBD地区推出(临时)高度控制。新规下,还没有任何项目获得批文。从某种程度上说,由于供给放缓,有助于加强市场对产品的吸收能力。悉心分析房地产市场的经济学原理将有助于理解市场走向。如果要我现在为客户提供建议,我会鼓励他们寻找交通便利、基础设施优良的地块,这是在目前竞争激烈的市场上,项目大卖的先决条件。

TAE:最后,请两位概括一下如何能够成功为项目融资?

BRAE:我想告诉贵杂志的海外读者,对于首次在澳洲开发的海外投资者来说,如果您在澳洲还没有实体公司,缺乏开发经验,向澳洲本土银行借贷将非常困难。银行看重的是海外开发商在澳洲长期开发的意向、正确的开发策略等。组建优秀的开发顾问团队、对市场的深入了解都是非常重要的。

MARK:Brae刚刚谈到组建优秀的顾问团队,我将进一步阐述这点。澳洲本土银行想看到的是海外开发商在澳洲市场创立自己的品牌、提高公司的声誉,而不是一味地走捷径,追求短期利润。除此以外,海外开发商需要遵守澳洲本土的法律法规,尊重澳洲本土的开发方式等。我的建议是海外开发商探寻适合自己的长期发展战略,组建优秀顾问团队,加深与顾问团队的关系,规避项目风险的同时,最大化项目利润,迈向成功。