



Changes in debt capital

ALTERNATIVE FUNDING PARTNERSHIPS

Property developers are having a difficult time when it comes to accessing project funding finance. Despite strong demand-side market fundamentals, including a growing population, low settlement defaults and a tight rental market, it is in some respects more difficult now to procure debt finance from the major banks than during the Global Financial Crisis period.

In anticipation of these considerable headwinds in sourcing debt for development projects, the team at MaxCap Group has been busy bringing innovative non-bank finance solutions to market. For example, MaxCap recently secured a mandate from one of Australia's largest superannuation funds to provide unitranche funding, also known as stretch senior debt.

There has been particularly strong demand for bespoke debt solutions for large residential developments in inner Sydney and Melbourne, and MaxCap is proud to have provided funding solutions to many new and returning borrowers over the FY16 period; MaxCap lent in excess of \$1.1bn across 47 transactions, through structured finance and first mortgage facilities, including unitranche solutions. This strong result and high transactional volume is set against a changing debt capital landscape in Australia — one that will continue into FY17.

The constrained lending market is primarily due to regulatory-driven factors. The Australian Prudential Regulation Authority (APRA) continues to impose increased capital adequacy ratios on the major banks, where the net effect has resulted in reducing their current exposure (83%) of a \$200bn commercial real estate debt market, and in turn placed downward pressure on Loan-To-Value (LTV) ratios. The major banks now face substantial challenges to maintain their current loan book levels, with aggregation limits to borrowers and geographic concentration restrictions making securing debt for high density apartment developments a difficult task, even for those with demonstrable experience. Developers are having to contribute a greater amount of equity on new developments. Consequently, MaxCap is already starting to see attrition among developers — it's becoming uneconomical for them to develop sites.

MaxCap Partner and CIO, Brae Sokolski maintains that "the market isn't being left to its own devices; it's really a case of regulators stepping in and decreeing that Australian bank lenders' portfolios are overweight in property. It's critical to understand that this is not just a challenge for new local and offshore entrants to the development industry, even established Tier 1 developers are struggling with a lack of access to debt finance."

However, in the midst of these challenging times there is positive news; institutional capital is beginning to flow into the Australian debt market to fill the void. Some of the world's most sophisticated global investors are now looking to Australia for strong risk-adjusted returns

in commercial real estate (CRE) debt — an investment strategy that is increasingly carving its place as a stand-alone asset class in institutional portfolios. MaxCap is leading the charge with a number of significant institutional mandates to provide alternative real estate debt solutions. This institutional capital is derived from not only Australian superannuation funds but also from offshore pension and sovereign wealth funds, as well as private equity investment managers and hedge funds.

It's very encouraging for developers to see this profile of alternative sources of lending in the marketplace, and as the major banks are at capacity, they are highly supportive of MaxCap to provide the much needed additional liquidity. Establishing non-bank institutional funding for CRE debt strengthens the system, creating a deeper, more competitive lending market.

Conjecture in the media is compounding the vicissitudes afoot in the debt capital landscape. There is no doubt that the market is experiencing unprecedented amounts of residential apartment supply but one has to look at the demand side and there is no evidence that points to the supply not being taken up. It's critical to remember that Australia's capital cities are coming off a very low base in terms of urban density levels compared to other global gateway cities, and certainly with Melbourne's population tipped to overtake Sydney's by 2030, the demand for housing is set to continue. This position is supported by Charter Keck Cramer's National Executive Director of Research, Robert Papaleo, who at MaxCap's Developers & Dealers Forum earlier this year, cautioned us to exercise a balanced perspective when drawing conclusions, "as by definition unprecedented supply does not signify that there is an oversupply."

It is clear that the process of securing alternative sources of finance will be crucial in the new financial year for the viability of the housing and construction industries — a large driver of the Australian economy. Whilst traditional bank funding will remain an option for developers with a strong local track record, compared to many of the deals in the past, the funding process will be more protracted and additional equity will be required.

With a pipeline of mandated transactions exceeding \$2.5bn, MaxCap remains highly confident in the sustainability of the Australian residential development sector and supportive of developers with a clear and convincing strategic vision.

MaxCap has offices in Melbourne, Sydney and Perth.

'Arc by Crown Group' development, located in the heart of Sydney's CBD.



债务资本环境迎来改变 呼唤替代性融资伙伴关系

房地产开发商在寻求项目融资资金时遭遇瓶颈。尽管需求方面的市场基本面仍然强势,然而随着人口增长、违约交割走低以及租赁市场紧缩,就某些方面而言,现在要想获得各大银行的债务融资比全球金融危机期间还要难。预料到为项目开发进行债务融资将遇到这些相当大的阻力,MaxCap团队正在努力向市场推出创新型非银行融资解决方案。

借贷市场受到的限制主要源于监管引发的影响。澳大利亚审慎监管局(APRA)继续要求各大银行提高资本充足率,而净效应已导致银行减少当前的房地产风险敞口,反过来又增加了贷款价值比率(LTV)的下行压力。目前,各大银行为维持其贷款规模水平面临重大的挑战,对借贷人和空间集中度的双重限制使得高密度公寓开发项目获得借款变得十分困难,即使是有充足经验的开发商也是如此。开发商必须为新开发项目提供更大数额的抵押资产净值。在这种情况下,MaxCap发现已经有开发商流失——开发新项目变得不划算了。

MaxCap合伙人兼首席投资官布雷·索科尔斯基(Brae Sokolski)坚持认为,"市场没有自主运行;事实上,是监管部门介入并判定澳大利亚银行贷款组合中房地产所占比例过重。关键要明白一点,这不仅对于当地和海外进入开

发行业的新成员是一个挑战,即使是已经获得成功的一级开发商也因为缺少债务融资而苦苦挣扎。"

然而,在这个充满挑战的时期,也不乏一些积极的消息:机构资本开始流入澳大利亚债务市场,填补这片空白。MaxCap携多个重要机构授权一马当先,提供替代性房地产债务解决方案。机构资本不仅来自澳大利亚的养老金,还来自海外退休金和主权财富基金,以及私募股权和对冲基金。

对于开发商而言,在市场上看到这一替代性融资方案是非常令人振奋的。而且,银行由于已经满负荷,因此也非常支持MaxCap提供急需的额外流动性。

房地产和建筑行业是澳大利亚经济的一大驱动力,在这一财年,想要在这个行业生存下去,获取替代性融资资源的程序将是关键。对于具有良好的本地记录的开发商而言,虽然仍然可以选择传统银行融资,但是与过去许多交易相比,融资程序将更为拖沓漫长,而且需要额外的抵押资产。

MaxCap拥有超过15亿澳元的已获授权融资管道,对澳大利亚住宅开发市场的可持续性非常有信心,如果您是房地产开发商,并拥有清晰、有说服力的战略愿景,MaxCap非常愿意为您提供支持。