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MEDIA RELEASE

NO OVERSUPPLY IN SIGHT AND INSTITUTIONAL INVESTORS CONTINUE TO MOVE INTO AUSTRALIAN COMMERCIAL REAL ESTATE DEBT: EXPERT PANEL

MELBOURNE, AUSTRALIA, April 29 2016 – Speaking at MaxCap Group’s annual thinktank forum last night, the panel including Grocon Executive Chairman Daniel Grollo, business commentator and financial journalist Alan Kohler, Charter Keck Cramer’s National Executive Director - Research, Robert Papaleo, and Partner and CIO of MaxCap Group, Brae Sokolski, debated the state of the property market and the Australian economy.

MaxCap Managing Director Wayne Lasky shared his concern of the risk of self-fulfilling prophecies materialising because of the fragile nature of confidence, and misrepresentations in the press about fundamentals underpinning the market, particularly regarding new apartment stock.

“There exists the *potential* for an oversupply, and there is a *potential* that history will repeat itself and we will continue to experience an undersupply of housing”, he said.

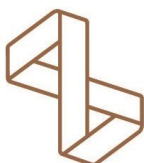
Mr Kohler was positive with respect to the market, likening the supposed looming property bubble to “a storm in a teacup”.

Mr Sokolski added that national population data is another reason the oversupply argument has no basis; “migration rates mean that we need to construct 330,000 new dwellings each year for the next few decades, and we are currently only constructing 230,000 – that is a 100,000 short-fall year on year”.

The sentiment was echoed by Mr Grollo and Mr Papaleo who stated that although the industry is creating housing stock supply at unprecedented levels, it does not necessarily translate directly into an oversupply; especially given increasing investment in Australian real estate from Asia, particularly China whose influence was forecast to be far-reaching.

Moderator Tom Elliott asked the panel how future projects would be funded given APRA increasingly limiting Bank lending in construction funding. Sokolski agreed, commenting that a major funding gap was now evident and likely to increase for the foreseeable future.

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Sokolski signalled that a “tectonic shift” in debt markets was underway, and that it will come in the form of institutional capital, “Australia’s \$2 trillion superannuation sector is a natural source of real estate debt given the struggle of fixed interest in a low interest cycle and given the scalability of this asset class”, he said. Interest is increasing further afield with offshore pension funds demonstrating an appetite to fund the right projects.

MaxCap recently announced it had partnered with a major Australian superannuation fund with the capability to provide development funding of up to \$150m per project, and were well progressed with global capital partners. These funding lines won’t come close to filling the funding gap.

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About MaxCap Group

MaxCap Group is an Australian leader in commercial real estate debt and investment and has managed in excess of \$4bn of commercial mortgages. The Group is an established investment manager for a number of major institutional and private funds.

Complementing the investment management business is a strong national pipeline of CRE debt investment opportunities including development and investment facilities for many of the industry’s largest and most respected commercial real estate players.

Funding solutions for borrowers includes whole loans, senior debt (first mortgage and uni-tranche loans) as well as second mortgages and preferred equity facilities.

