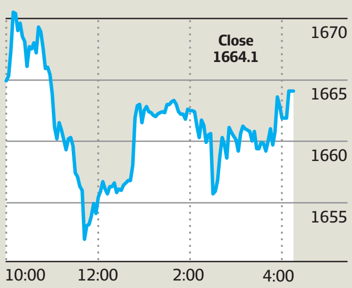
Inside

Property snapshot

S&P/ASX 200 REITs Tuesday (pts)



Best	Close ($)	Change (%)
GPT Gp	5.08	+1.80
Natl Storage REIT	2.43	+1.25
Centuria Capital	3.51	+1.15
Abacus Property Gp	3.58	+1.13
Charter Hall Retail	3.92	+0.77
Worst		
Vicinity Centres	1.765	-1.12
Unibail Rodamco Wfld	5.60	-1.06
BWP Trust	4.09	-0.97
Waypoint REIT	2.81	-0.71
Scentre Gp	2.90	-0.68

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Apollo lands on lender MaxCap

Exclusive

Michael Bleby

US giant Apollo Global Management has taken a half stake in non-bank lender MaxCap in a deal that gives the unlisted company a value of more than $300 million and which MaxCap's founders say will propel it to become the biggest company in Australia's commercial real estate credit market.

Neither Apollo, a $US471.8 billion ($634.4 billion) asset manager, nor MaxCap would comment on the value of the transaction under which founders Wayne Lasky and Brae Sokolski each sold down to a 25 per cent stake of the Melbourne-based company they founded in 2007.

But the deal, probably the country's largest to date in non-bank lending, shows global investors are keen to tap new opportunities as banks retreat from a sector into which they expanded after the GFC, but in which they lack the appetite or capacity to meet the increasingly complex financial services needs of real estate owners, investors and developers.

It will supercharge MaxCap's role in this country's $300 billion commercial real estate lending market, managing director Mr Lasky said.

"We see no reason to think why MaxCap with a strategic partner with the capability and capacity of Apollo backing us and the full weight of that ecosystem, why we cannot be challenging for leadership in the Australian commercial real estate lending markets," Mr Lasky said yesterday.

Wayne Lasky sees MaxCap having a bigger role in commercial real estate lending.

For Apollo, which acquired through its subsidiary Athene a 15 per cent stake in annuities provider Challenger for $720 million in July, the acquisition follows deals in the UK and US with businesses creating opportunities to deploy capital into real estate

It is seeking higher-yielding assets, and has been searching for some time for a suitable partner in Australia.

"In an environment where there just is no yield, there is no spread in publicly tradeable securities, the way to earn that excess return, that excess spread for our investors, is through direct origination platforms like MaxCap," Apollo co-president Scott Kleinman said.

"You have some embedded expertise to understand a particular market very well and can directly originate loans, as opposed to having to just go to the market and buy traded loans where all of that excess return has been traded out of the market."

The alternative asset manager's real assets allocation rose to 11 per cent of total assets under management in the June quarter from 9.6 per cent a year earlier.

The *Australian Financial Review's* Street Talk column reported in December that MaxCap had hired bankers at Grant Samuel to find a deep-pocketed partner.

The unlisted MaxCap, which industry sources said posted EBITDA earnings last year of more than $30 million, would probably be worth at least $300 million in a financial services sector with 10-times-plus price-earnings multiples.

The big four banks still account for about 70 per cent of the commercial real estate lending market but due to regulatory requirements such as holding more tier 1 capital on their balance sheets, their exposure would fall until it was about a 50-50 split with non-bank lenders – in line with the US market, Mr Lasky said.

The increased market share of non-bank lenders will also be boosted by the development of new products that alternative lenders would be better placed to develop, he said.

Apollo's partnership was not going to change MaxCap's strategy and the US giant's capital was not going to displace its relationships with existing investors such as domestic super funds and overseas pension funds, he said.

Price rises slow as lifestyle shift to the regions eases

Nila Sweeney

Demand for regional residential properties appears to be easing, with house prices in the regions growing at a slower pace since the start of the year compared to the capital cities, although the recent lockdowns could unleash a fresh wave of buying.

Experts say the lifestyle shift into the regions has moderated and affordability has deteriorated significantly for local buyers. Between January and August, house prices in regional NSW grew by 15.5 per cent, compared with Sydney's 22.5 per cent, CoreLogic data shows.

Similarly, regional Queensland house prices rose by 15.6 per cent, while Brisbane prices jumped by 16.8 per cent.

House prices in regional South Australia also recorded a slower 9.8 per cent growth over the same period, compared with Adelaide's 14.4 per cent gain.

Since the end of January, house values across the combined capitals have risen by 16.8 per cent while regional house values were up by 14.7 per cent.

Before the easing took hold, regional house values had recorded consistently higher rates of capital gain than those in the capital cities since April 2020.

CoreLogic research director Tim Lawless said with regional housing values rising faster than capital city markets through the housing cycle to date, many regional areas have experienced an erosion of their affordability advantage relative to their capital city counterparts.

"Incomes aren't keeping pace with the rise in housing values, especially for 'local' buyers in some regional markets who may not have the benefit of a big city income or equity from previous

Continued next page