Alceon lends $600m, welcomes APRA's shadow banking oversight

Trevor Loewensohn, Managing Director of Alceon which has lent $600 million in non bank loans to developers in 2017.

by **Matthew Cranston**

New rules allowing Australia's banking regulator to gather more information about shadow bankers has been received with approval from lenders such as Alceon which itself has lent $600 million to developers this year.

While the new rules on data collection are aimed at non-authorised deposit-taking institutions who mostly lend to retail mortgage borrowers, the powers also extend to those lending to developers – an area where the banks have started to leave a huge gap in funding because of capital adequacy requirements.

Alceon's Trevor Loewensohn, who has overseen at least 15 deals this year averaging around $35 million for apartment developments in Melbourne, Sydney, Perth and Brisbane, said he was happy to see further oversight of the lending market but regulators needed to be careful about overreaching.

"They do need to develop a more comprehensive understanding of the whole picture – interest rates and borrowing is a much smaller part of the overall picture than everyone is led to believe," Mr Loewensohn said.

"The whole attack on shadow lending is part of the solution but it's probably not worth all the effort given it's such a small part of the market."

Non-bank lenders account for about 6 per cent of Australia's financial system, but the Reserve Bank of Australia has indicated that it is monitoring that part of the sector. Under the new rules, shadow banks – that is, lenders that do not take deposits, and are not accredited as Authorised Deposit-taking Institutions (ADIs) – will have to register under the Financial Sector Data Act. Submissions on the draft Bill close on August 14.
Mr Loewensohn said that while he was aware of some rapid growth in lending, the non bank sector still played a crucial role in keeping the system healthy.

"Don't get me wrong, there has been a lot of purchasing that some people might describe as 'hot'," Mr Loewensohn said, "But I think on balance the non-ADIs are helping the system."

"If you think about a market like Brisbane where there is some oversupply, as settlements come up and buyers can't be helped by banks then you need non-banks to fill in. No one wins if there is a 'collapse'," he said.

"However the regulators and the banks have to ease that down slowly or it could hurt a lot of people."

Loans to property investors grew at their slowest rate in nine months in May official figures showed last week. At the same time, building approvals for apartments in three months to May fell 28 per cent as banks withdrew financing for development. Citi analyst Paul Brennan said at the time that the slow-down would continue.
"We expect further corrections in the approvals of both [NSW and Victoria] as APRA's tightening measures continue to bite, especially for investors and interest only borrowers, and as oversupply conditions continue to develop in selected markets as the large pipeline of apartment construction is completed."

Alceon's Mr Loewensohn warned that a lack of finance could prevent further building at a time when there was still real demand – a situation which could see house prices rise.

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