

THE AUSTRALIAN EXCLUSIVE**Banks lose property development market share to private credit**
Centuria Bass Australian Property Development and Finance Index 2024 findings

- *Prompt decision-making, LVRs and risk discernment help bolster private credit growth in real estate sector*
- *70% of respondents increased private credit loans in past five years*
- *95% say higher cost of non-bank lending is offset by the advantages such as more flexible terms*

SYDNEY (Thursday, 7 November 2024) – Willingness to take on higher loan to value ratios, speed of decision making and growing risk aversion among major banks to fund mid-market property development is fuelling the rapid rise of private lending, according to research from Centuria Bass Credit (CBC).

The inaugural Centuria Bass Australian Property Development and Finance Index 2024, which surveyed 67 developers, investors, fund managers and brokers, revealed that 70 per cent of respondents had increased their level of private credit over the past five years.

According to the survey, respondents said 72 per cent of their loans are now sourced through private credit.

A further 95 per cent of respondents agreed that the higher cost of non-bank lending is offset by the advantages, the most important of which is faster decision making, followed by generally higher loan to value ratios and flexible terms.

Nick Goh, Centuria Bass Joint CEO, said property development debt market share has been shifting over the past decade but now the pace has picked up.

"There'll always be a place for banks at the lower risk end of the market where you've got well-capitalised developers who are operating with fairly conservative gearing," Mr Goh said.

"The banks will always support those borrowers, but that sector represents only a component of the industry, which is presently less active. Other borrowers are taking advantage of greater flexibility and higher risk appetite of private lenders to enable construction projects to start. This is a continuation of a trend in the development finance market that started in Australia, at least, post the GFC."

When asked "has borrowing from banks become harder?", 78 per cent of respondents said it is now more difficult to secure bank funding for projects. This compares with 19 per cent who said there had been no change.

David Stone, Head of Capital at Bathla Group, which has a significant development pipeline in the growth corridors of Sydney, says all its funding is provided by non-bank lenders.

"Our business is predicated on speed. The speed we can get an approval, the speed we can start construction, the speed we can complete projects and sell stock.

"For us, private credit is just so much faster and so much more flexible. Private Credit also allows you to lever a little higher. For those reasons, it makes sense."

The time it can take to get loan approval from banks is also a deterrent.

"The very long gestation period for an application means it can get to a point where credit parameters can change and you might find out that you've got to provide additional equity into a project or be subject to onerous conditions," says Stone.

"Whereas with private credit you're generally getting applications and approvals in a pretty condensed time frame so less likelihood for the deal metrics to change."

Bathla Group is based in Girraween, western Sydney, and develops across the residential spectrum - townhouses, apartments and subdivisions.

It has a significant development pipeline with multiple projects on the go at any time, primarily in Sydney's northwest and southwest corridors, but the business is also active in Victoria, Queensland and South Australia.

Centuria Bass was founded in 2016 and has since grown to c.\$2 billion in funds under management (FUM)¹. Since its inception, Centuria Bass has provided compelling returns for its wholesale investors on secured private credit loans.

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About Centuria Bass Credit

Centuria Bass Credit Pty Ltd (A.C.N. 606 680 353) (Centuria Bass Credit) is a leading, Australian investor and alternative asset manager offerings its products to institutional, wholesale and sophisticated investors. Specialised in providing real estate funding solutions to assist mid-sized companies, entrepreneurs, property developers and investors. Headquartered in Sydney, with offices in Melbourne and Adelaide, Centuria Bass Credit is the result of a joint venture between Bass Capital Partners and Centuria Capital Group in April 2021. The Centuria Bass Credit group of companies includes Bass Financial Services Pty Ltd (ACN 617 409 588 AFSL 499339).

www.centuriabass.com.au

¹ As at 30 June 2024.