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Lending Finance Figures Justify Industry Calls for RuddBank

“The latest Lending Finance figures released today by the Australian Bureau of Statistics (ABS) provide strong justification for the introduction of the Australian Business Investment Partnership (ABIP)” said Urban Development Institute of Australia NSW (UDIA NSW) Chief Executive Stephen Albin.

The latest figures released today by the ABS for the month of February show the dramatic reduction in new construction finance since December 2008. Mr Albin said that, “while the latest figures show some minor improvement on the traditionally quiet month of January for new construction finance, lending is down more than 43 percent on the same period last year, and down more than 65 percent on July 2008”.

“The funding impasse for the property sector is becoming a serious problem for the Australian economy. It’s clear that lenders are winding back their exposure to investment in Australia and the impacts are being felt most heavily in the property sector. There is a clear need for the ABIP to inject some stability and much needed confidence into the property sector”.

UDIA NSW President Judy McKittrick said that, “many developers have commercially viable projects that will deliver thousands of new jobs that simply cannot secure new capital to get out of the ground. While the figures for February show minor improvement on the previous month, the lending conditions are prohibitive for the majority of projects. The banks are seeking very conservative loan to value ratios and practically prohibitive pre-sale commitments that have resulted in very few projects getting out of the ground. This is being reflected in the Lending Finance statistics and until we see some decisive action from the Government on this issue, the outlook remains very concerning”.

Ms McKittrick said that, “UDIA NSW is calling on the Rudd Government to extend the ABIP to residential sector, where funding constraints for new projects are undermining the success of the First Home Owners Grant to generate new development activity. These projects will generate activity, they will provide jobs, and they face significantly fewer risks in regard to the volatility of market values.”

Ms McKittrick said that, “the lack of available credit for new projects was having a significant impact on employment in the sector. Instead of creating jobs, developers are shedding staff because capital is just not available to invest in new projects. Expanding the Rudd Bank to major residential projects, provides a recognition of the robust fundamentals of market demand in the sector, strong links to job creation, and the opportunity for economic stability for Australian families through home ownership.”

UDIA NSW represents the leading participants in the urban development industry with over 550 member companies. A quarter of these members are based in regional NSW. UDIA NSW’s advocacy is focussed on three key themes for the development industry:

- affordability;
- investment certainty; and
- sustainability.

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