

Private lending soars as big banks pull back

Su-Lin Tan

The big four banks' tightening of funding to property developers and home buyers has created a \$68 billion private lending market, Aus-China consultancy Basis Point's non-bank lending conference has revealed.

In this new, lucrative space, returns for private lending deals run as high as 30 per cent depending on the nature and structure of the deal, lenders at the conference said.

About 300 developers, agents and buyers desperate for funding, as well as private lenders with funds, cash, lines of credit, mezzanine packages and even crowdfunding solutions, met last Thursday in Sydney.

Sydney-based private lender Development Finance Partners has \$400 million in applications from foreign buyers looking for funds to settle their property purchases, mainly apartments. The group is looking to raise

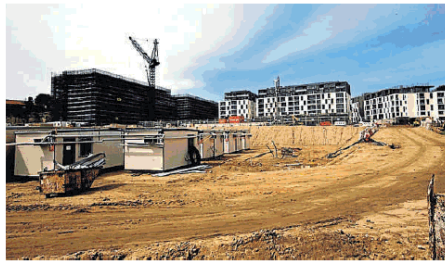
monies to fund the entire pool. Applications have come from all the major cities, stretching from North Sydney to Bentleigh and Carnegie in Melbourne, the group said.

"It's a very big problem, it's a huge problem," director Matthew Royal said. "There is a large pool and there is no competition. We just have to raise the funds, put out the information memorandum and that's it."

"And they will not default, we have not seen any evidence of that. They are getting the money and settling."

Additionally, the group would mainly fund apartment settlements in strong housing areas that would guarantee good returns.

"We agree that there will be a glut of apartments and prices will fall, but it will not apply generally across property markets ... the problem can be sheeted home to three principal factors: location, the type of units being built and pricing of those units at



Returns for private lending deals run as high as 30 per cent. PHOTO: NIC WALKER

launch," managing director Baxter Gamble said.

The company is looking to provide funding to retail buyers at a 60 per cent loan-to-value ratio, at an 8 per cent to

8.5 per cent interest rate. Mr Royal said funders looking to provide loans to developers and apartment buyers included hedge funds, mezzanine lenders and mortgage trusts.

Other funders include wealthy property developers who were interested in investing in the mezzanine space.

These developers were finding it difficult to find value in direct acquisitions. Instead they were "happy to invest where someone else has taken the risk".

Melbourne-based private lender Zank & Co. will also lend \$50 million a month to apartment buyers. It will raise funds from wealthy overseas investors mainly from Hong Kong.

Funds will be raised once each monthly pool has run out.

In contrast, SIV fund manager SumoSIV was setting up a fund with investments from local investors, south-east Asian and Chinese investors to provide development finance.

While they were more flexible than banks, non-bank lenders including SumoSIV would not accept all deals, director Vincent Lim said. Each deal would be assessed according to its risk.

Youlu taps retail investors for development finance

Su-Lin Tan

Chinese entrepreneurs have set up and launched crowdfunding application "Youlu" to raise funds from retail investors for property development and construction finance.

With construction and development lending from the big four Australian banks grinding to a halt, many property developers have sought lending from private lenders but now an avenue to "crowdfund" capital from retail mums and dads has emerged with Youlu.

The private lending space is increasingly lucrative and has grown to about \$68 billion as revealed at Aus-China consultancy Basis Point's non-bank lending conference last Thursday.

The "app", which means "there is a way" in Mandarin, is available to only iPhones, and has also attracted private lenders such as Melbourne-based Zank & Co, which is planning to use the app to raise monies.

Zank & Co, which previously raised monies from only institutional overseas lenders, now owns a retail licence to raise \$50,000 from each retail investor, in Australia or overseas, although amounts smaller would be considered. It will use the funds raised to provide a spectrum of loans including residential loans to apartment buyers and development finance.

Zank & Co has advertised a 12 per cent return on investment for investors during a 12-month \$50,000 loan term.

Other money-raisers were offering a 10 per cent return on a 24-month \$50,000 loan.

"Youlu has a due diligence process to verify the investor through their bank accounts," Zank & Co managing director Conghan Hu said.

"There is a know-your-client process in place."

The application can be downloaded but fundraising would not commence until the end of October.

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Auction 11am Wed 26 Oct, Melbourne

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Sydney Auction 11am Tues 25 Oct
Maitland NSW Rent: \$395,000 pa*
Nth Richmond NSW Rent: \$300,000 pa*
Rydalmere NSW Rent: \$220,000 pa*

Melbourne Auction 11am Wed 26 Oct
Cranbourne VIC Rent: \$350,000 pa*
Name Warren VIC Rent: \$260,000 pa*
Hobart North TAS Rent: \$245,000 pa*
Newnham TAS Rent: \$240,000 pa*

Simon Staddon Scott Meighan
0413 640 851 0413 630 709

*Approx

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12-20 Edward Street (Sturt Highway)

- Dominant Bulky Goods precinct in NSW's largest inland city with 94,021 catchment
- Long-term 5 & 7 yr. parent company leases + 5 yr. opts.
- All three tenants occupied premises since built in 2007
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- Significant tax depreciation benefits
- Net Income: \$585,000 pa*

Auction 11am Tuesday 25 October, Sydney

Simon Staddon Dean Venturato
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- 20 + 5 + 5 year lease to Affinity Education to 2042
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Auction 11am Wednesday 26 October, Melbourne

Jamie Dewe Adam Thomas
0410 350 273 0418 998 971

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