



Property exposures update

September quarter 2017

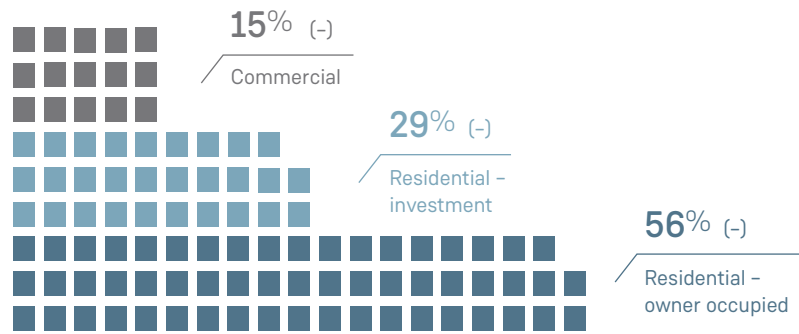
The Australian Prudential Regulation Authority ('APRA') recently released its latest quarterly property exposure data for domestic and foreign Authorised Deposit-taking Institutions ('ADI's').

Overall exposure to property

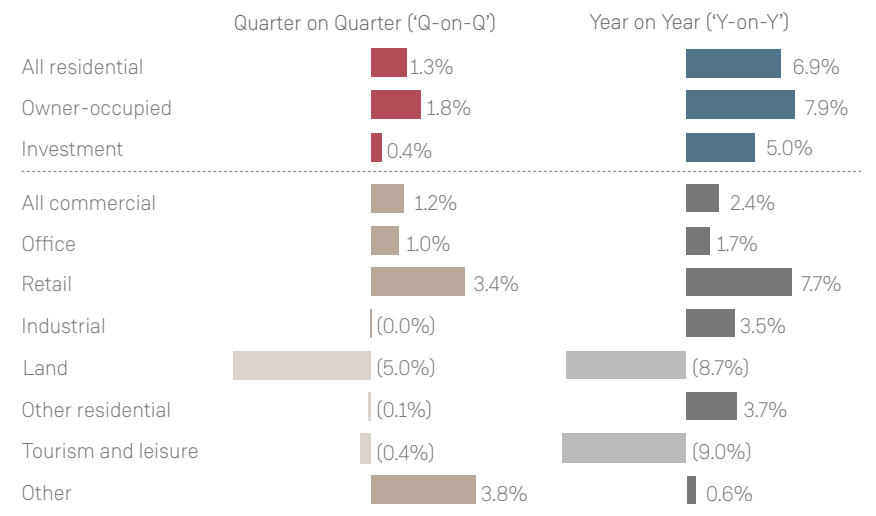
- Growth in overall property exposure remained subdued for the quarter.
- Growth in overall property exposure for the last 12 months was almost 2% below the preceding year to September 2016.
- Growth in exposure to owner-occupied residential continues to out-pace growth in residential investment and commercial property loans.



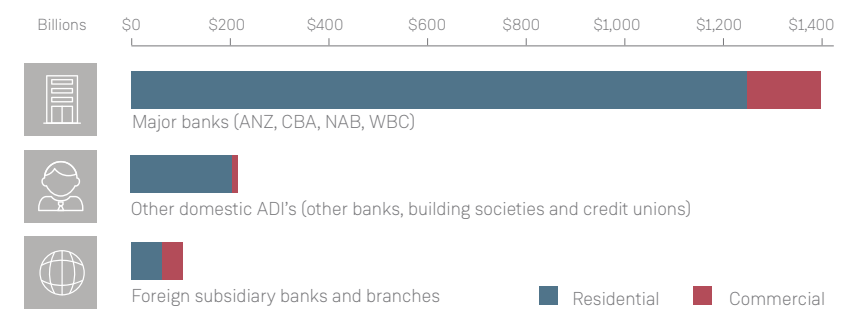
Aggregate property exposure



Change in property exposure by sector



Property exposure by lender group



Commercial sector

- Aggregate commercial property exposure continues to expand beyond the previous peak of March 2009 (now +7.3%), but at a much lower rate than 12 months ago.
- Office and retail property exposure hit new peaks again in the September quarter, with retail lending growth strongest.
- After peaking in the December 2016 quarter, industrial funding remained static, having eased off slightly in the June 2017 quarter.
- Exposure to land subdivisions declined sharply again for the quarter (-5.0%), down 8.7% for the year.
- Growth in exposure to Other Residential remained static for the quarter, with Y-on-Y growth much reduced at +3.7%.
- Exposure to tourism property contracted slightly for the quarter (-0.4%) and is down 9.0% for the year.
- Impairments continued to contract, both in dollar terms and as a percentage of total exposure.
- Specific provisioning also contracted in dollar terms, sitting at approximately 43% of the reduced impairments.

Sept Quarter 2017

Quarter-on-quarter

+1.2%

Year-on-year

+2.4%

Impaired exposure

-9.6%

% total exposure

0.2%

Specific provisions

-0.4%

Sept Quarter 2016

Quarter-on-quarter

+1.6%

Year-on-year

+8.7%

Impaired exposure

-9.6%

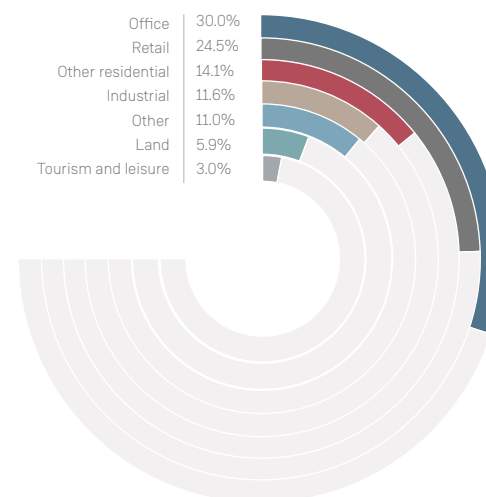
% total exposure

0.3%

Specific provisions

+1.7%

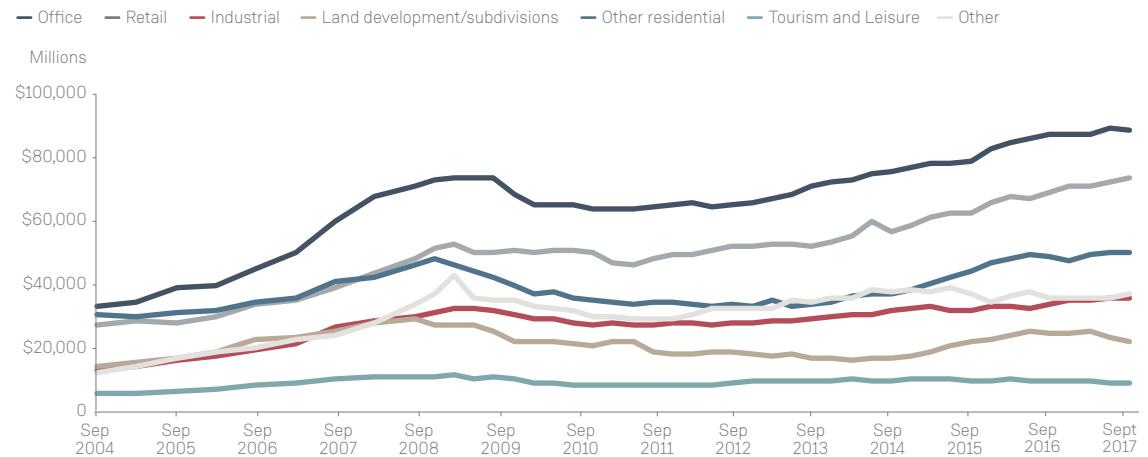
Commercial property exposure by sector



Commercial sector

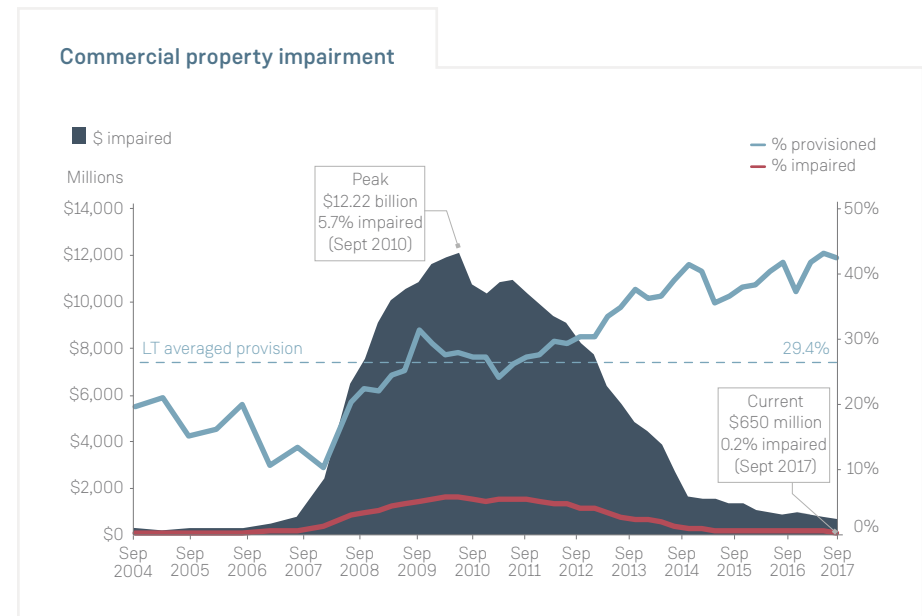
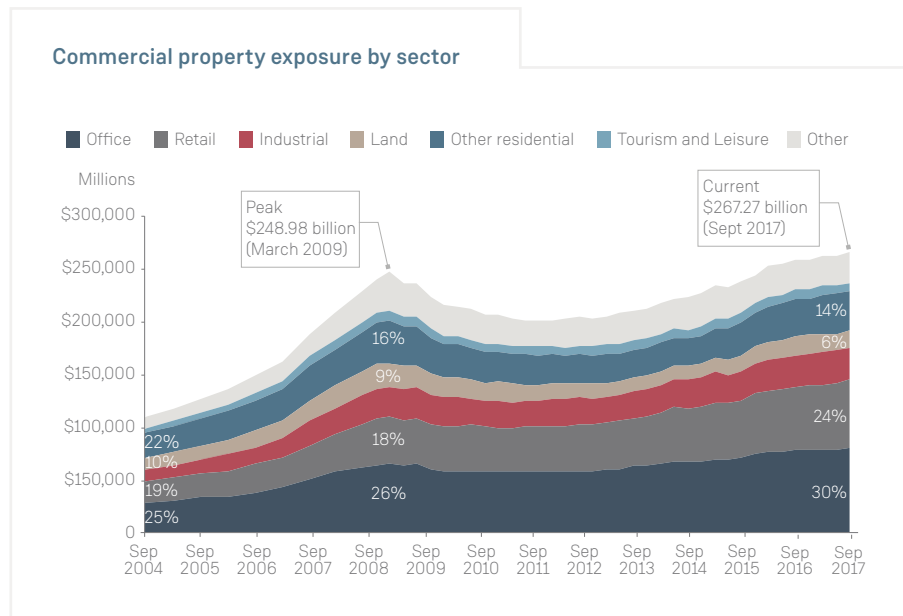
- Reported exposure limits reflect the aggregate of all exposure to commercial property, including drawn and undrawn commitments, as well as, associated hedging.
- Whilst exposure limits in a number of commercial property sectors now appear to be stable or even contracting, the office, retail and other residential (higher density residential development) sectors have continue to expand.
- In particular, reported exposure limits on lending to retail property continue to expand, notwithstanding emerging concerns of a future structural shift in the retail sector.

Aggregate exposure limits by sector



Commercial sector

- The relative proportions of office, retail and industrial property exposure have all increased since the previous peak, with the proportions represented by the other commercial property sectors having contracted correspondingly.
- Exposure to retail property is now 46% higher than at the March 2009 peak, significantly greater than the exposure growth in the office (23%) and industrial sectors (5%).



Residential sector

- The number of loans held and total exposure continues to increase, albeit at a slower rate.
- The RBA cash rate has now remained unchanged at 1.5% since August 2016.
- Owner-occupier loans still dominate at 65% of overall residential exposure.
- Measures to dampen growth in investor loans have slowed growth significantly and resulted in an overall contraction in the investor share of residential lending since peaking at 39% of exposure in the June 2015 quarter, following a period of sustained expansion in investor loans.

Sept Quarter 2017

Quarter-on-quarter
+1.3%

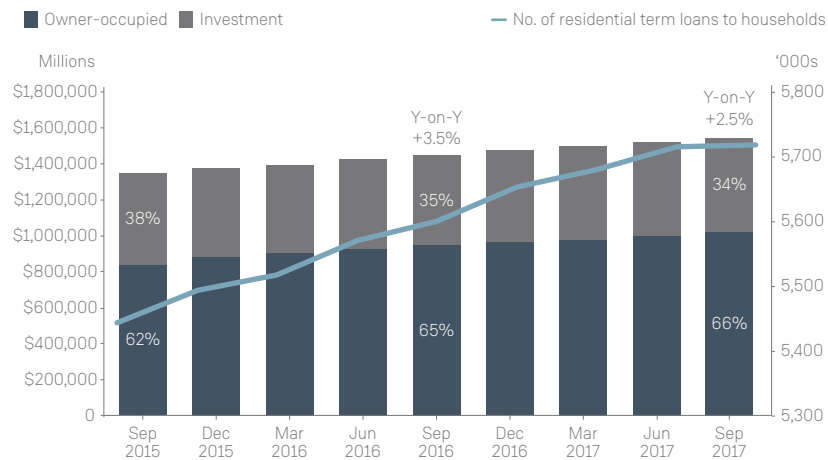
Year-on-year
+6.9%

Sept Quarter 2016

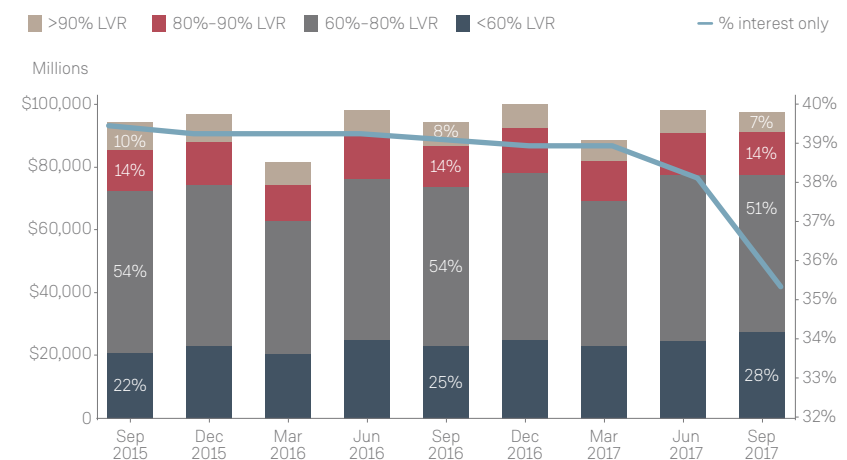
Quarter-on-quarter
+1.7%

Year-on-year
+7.9%

Aggregate residential property exposure by type



New residential loans approved per quarter by LVR



Notes

APRA Revisions September Quarter 2017

Two institutions resubmitted data to APRA, which changed previous statistics by at least 10% and \$100 million.

Further information

APRA's 'Quarterly ADI Property Exposures' contains information on ADIs' commercial property exposures, residential property exposures and new housing loan approvals.

Further information including explanatory notes and an extended glossary can be found at:

apra.gov.au

Notes

Commercial property sectors:

- **Land**
Land development/subdivisions.
- **Other residential**
Excludes loans to individuals or families, loans to private family companies or trusts for owner-occupation.
- **Other**
All other loans for the acquisition of commercial property not included in remaining categories.

Commercial property exposure limits:

- The aggregate of all claims, commitments and contingent liabilities arising from on and off balance sheet transactions with the lender counterparty, i.e. includes outstanding balances and undrawn commitments.

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