

Finding the Money

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Finding the Money

1. Where did it go?
2. Where is it now?
3. How to get it?



2003 – 2007

The Era of Cheap Money

- Large availability of debt
- Large amount of lenders
- High competition amongst lenders
- Low margins on loans
- High levels of gearing
- Reduction in loan covenants (eg presales, non recourse etc)
- Recognition of non-cash equity

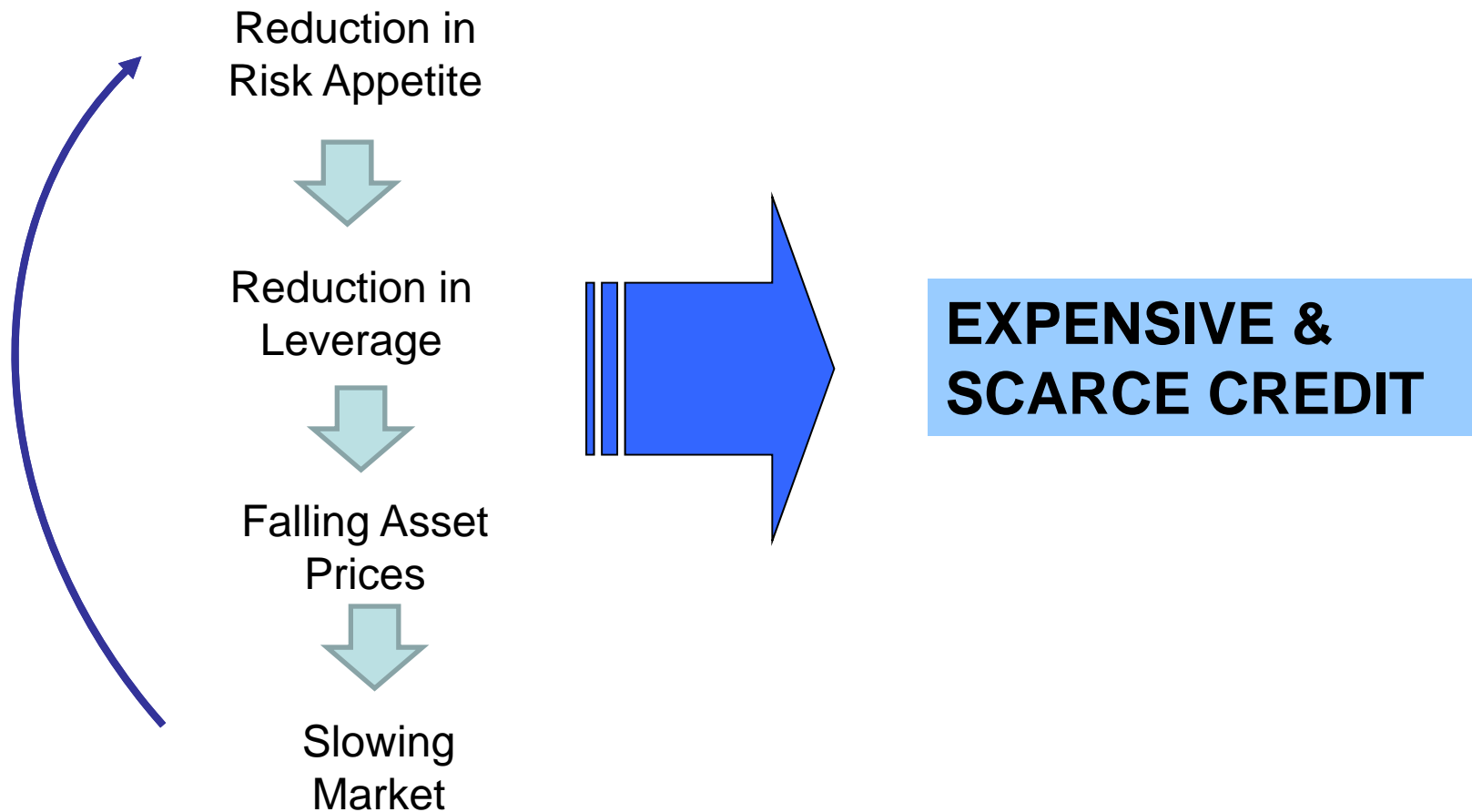


The Crunch

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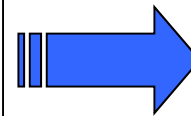
Where did the Money Go



Current Situation

Active Property Finance Lenders in 2007

<u>Majors</u> <ul style="list-style-type: none">• Westpac• ANZ• NAB• CBA	<u>Debenture Lenders</u> <ul style="list-style-type: none">• CityPacific:• MFS Premium Income Fund• Octaviar (formerly MFS)• Elderslie Finance• Hanover Finance• Asset Loans• First Capital.• Hastings Capital• Cymbis• Secured Mortgage Management Ltd• Donavan Oats Hannaford:• Bridgecorp• Westpoint• Fincorp• Seiza Capital• Australian Capital Reserve• Grenfell Securities
<u>Regional</u> <ul style="list-style-type: none">• Suncorp• Bank West• St George• Bank of Queensland• Bendigo• Adelaide Bank	
<u>Foreign</u> <ul style="list-style-type: none">• Bank of Scotland (BOSI)• Royal Bank of Scotland (RBOS)• Capital Finance• ING Bank• Investec	
<u>Mortgage Trusts</u> <ul style="list-style-type: none">• Perpetual• Australian Unity• Challenger Financial• Colonial First State• INGFM• Macarthur Cook• AXA	<u>Other</u> <ul style="list-style-type: none">• Babcock Brown• Macquarie• Valad• Allco• Investec• Gresham



Active Property Finance Lenders in 2009

<ul style="list-style-type: none">• CBA / Bank West• NAB• ANZ• Westpac / St George• Bank of Qld• Bendigo / Adelaide
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Construction Lending today

Typical: Senior Debt associated with Construction

	Pre GFC	Now
Gearing (% of cost)	Up to 85%	70 – 75%
Pricing	Margins of 1 – 2%	Margins of 3.5 – 5%
% of Completed Value	Up to 75%	60 – 65%
Presales	Low	Min 80% of debt covered by sales, Generally 100%

PLUS GREATER SCRUTINY



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Investment Lending

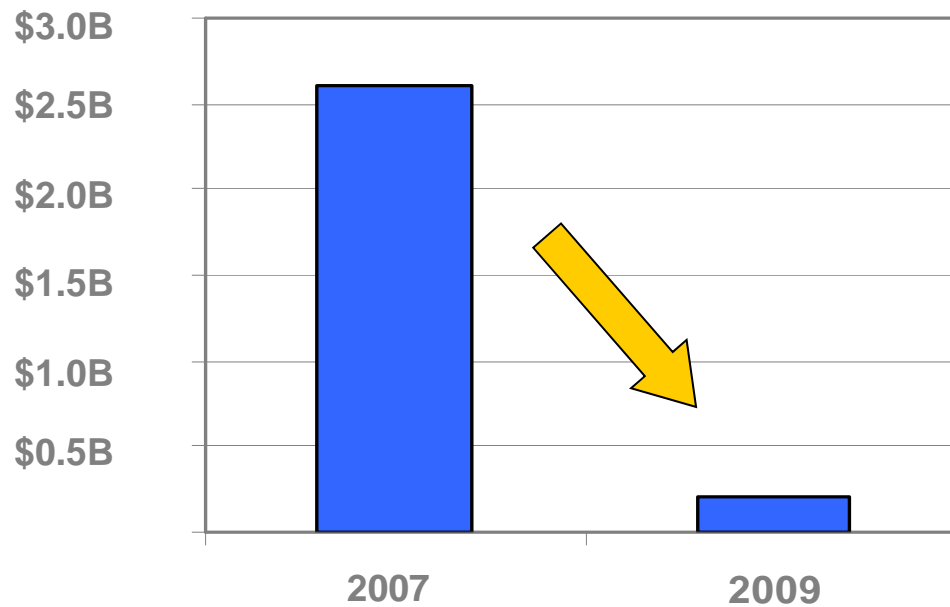
Typical Senior Debt attributes associated with Investment Lending

	Pre GFC	Now
Gearing (% of cost)	75 - 80%	60 - 65%
Pricing	Margins of 1 – 2%	Margins of 2.5 – 5%
Interest Coverage	1.2 – 1.4 times	1.5 – 2.5 times
Deal size	Unlimited	<\$20m preferred

PLUS GREATER SCRUTINY

Mezzanine Debt

Mezzanine Finance is virtually non-accessible in the current market.



Making Deals more Attractive



- Deal size <\$10m
- Residential projects with price points <\$600k
- Smaller stages to reduce presales requirements.
- Start sales and marketing early
- Provide comprehensive submissions to lenders
- Experience builder with strong balance sheet

The Future

- Overseas lenders may gradually return.
- More equity will be required to fund transactions.
- Mortgage trusts and regional lenders may enter the smaller end of the market.
- Government borrowing will keep interest costs higher.

Opportunities

- Return to fundamentals (good projects, good developers, good builders).
- Distressed assets for sale (opportunity to buy below replacement cost).
- Strong positive cash flows on investment assets.
- Stabilisation of construction costs.
- Reduced competition and scarcity of built product in the medium term.

Ashe Morgan Winthrop



- Largest commercial property finance advisor in Australia
- Located in Brisbane, Sydney, Melbourne
- Specialist teams of property professionals
- Arranged \$4 billion of debt in FY08
- Mezzanine and equity providers and arrangers

AMW Contacts

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