



More buyers are expected to find it harder to obtain loans. PHOTO: BLOOMBERG

Failed settlements present a 'big risk'

Michael Bleby

A sluggish recovery from the COVID-19 pandemic poses the biggest threat to the property market, development industry professionals say.

The number of buyers able to settle on home purchases could fall as the industries they work in fail to recover and they remain on subsidies such as JobKeeper.

People in industries most affected by the pandemic, such as air travel and international travel, were unlikely to see their income recover by September and would struggle to get financing for new purchases or to follow through on committed purchases, developers told an industry audience yesterday.

"The big risk to industry is settlements," Ashley Williams, the managing director of Melbourne-based Evolve Development, told an Urban Development Institute of Australia webinar.

The federal government's \$1500-a-fortnight JobKeeper wage subsidy, which has kept many people's jobs open even as their company's revenue has collapsed, will end in late September. But by the time this was due to happen, "a large" percentage of the workforce would be in industries that would suffer long beyond that, Mr Williams said.

"The result is, unfortunately, going to be less consumers, buyers in the market," he said.

Lendlease's Victorian head of residential development and urban regeneration Tom Trevaskis said buyers'

difficulties in getting funding were already slowing settlements.

"We've settled about 150 apartments this month and about 250 land parcels over the last four to six weeks," he said. "And we're seeing most of those come through in a four-to-six-week period. It's been pretty good to date, but probably that settlement process has been more protracted than what we're used to 12 to 18 months ago. And I think that will be the new norm going forward."

Emma Woodhouse, Salta Properties' chief operating officer, agreed.

"The reality is we've got some really challenging times ahead," Ms Woodhouse said. "Sentiment is really down."

The industry needed further stimulus measures to boost demand for new housing and a surge in inquiries since the announcement of the federal government's \$25,000 HomeBuilder subsidy program was a good sign.

But its effectiveness was limited to boosting construction on already titled lots rather than the development of new land lots, Mr Trevaskis said.

"It's really about signing up a contract pre-December and putting the slab down in the first quarter of next year, so that's [limited to] the titled stock on the ground or stock that is under way, rather than new starts from a development perspective," he said.

Inquiries for the HomeBuilder grant are increasing but mortgage brokers said they were yet to get any borrower across the line because of delays on the part of the state and federal government in releasing details on how to access the money.



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