# 'Beer and skittles' lending era is over, says Bankwest boss

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The "beer-and-skittles" era of lending before the global financial slowdown will not return any time soon, with the property sector expected to remain under intense scrutiny from banks, a major WA lender has warned.

Bankwest's WA manager for property finance, Troy Leber, said property developers should not expect relief from tightened lending practices, with banks continuing to take a risk-averse view.

The property sector has been crunched by more stringent lending conditions after severe revaluations forced some property companies under.

Speaking last week, Mr Leber said banks were focused on managing existing debts rather than chasing new business.

"For those reasons you are facing a far less sales-orientated lender," Mr Leber said.

"Your relationship manager is being asked to have a very strong credit focus.

"He could spend his full day every day and not be hounded by his boss if he doesn't sell a cent, if all he does is make sure nothing goes wrong in his book."

The new lending landscape for property developers is a far cry from the loose practices before the global slowdown.

Before capital markets dried up and property values plunged, Mr Leber said banks lent like "drunken sailors in Singapore", driven by intense competition to grow their loan books by taking more risks, blowing out their loan-to-value ratios and financing land bank projects.

"So there was, for those reasons, a cultural drive for sales," he said.

"Banks wanted to get market penetration. They were all thinking at the same time 'you will get more profit through lending more money' and for that reason we were willing to accept greater levels of risk."

Numerous property companies, including landbank projects, have collapsed or been placed in the hands of the banks after failing to meet loan repayments.

The victims include the high profile SAS Global group of property companies that collapsed last year owing National Australia Bank and investors about $150 million.

KordaMentha partner Cliff Rocke, who has been appointed receiver for several failed companies recently, said the lack of transparency in some failed WA property companies made it difficult to identify problems early to find a solution.

Perth's property developers have been warned to expect intense scrutiny from their lenders, more aggressive negotiations over terms and conditions, and lower loan-to-value ratios.

(1)

Tighter lending means more equity required for deals, with loan-to-value ratios falling from boom time highs and a rise in syndication lending to spread risk of projects across different lenders.

"You are going to find a lot more scrutiny on the capabilities of the builder of the borrower . . . why? Because poor management is the main reason a company collapses," Mr Leber said.

"Yes, you will have a challenging relationship (with your bank) but it is not personal."

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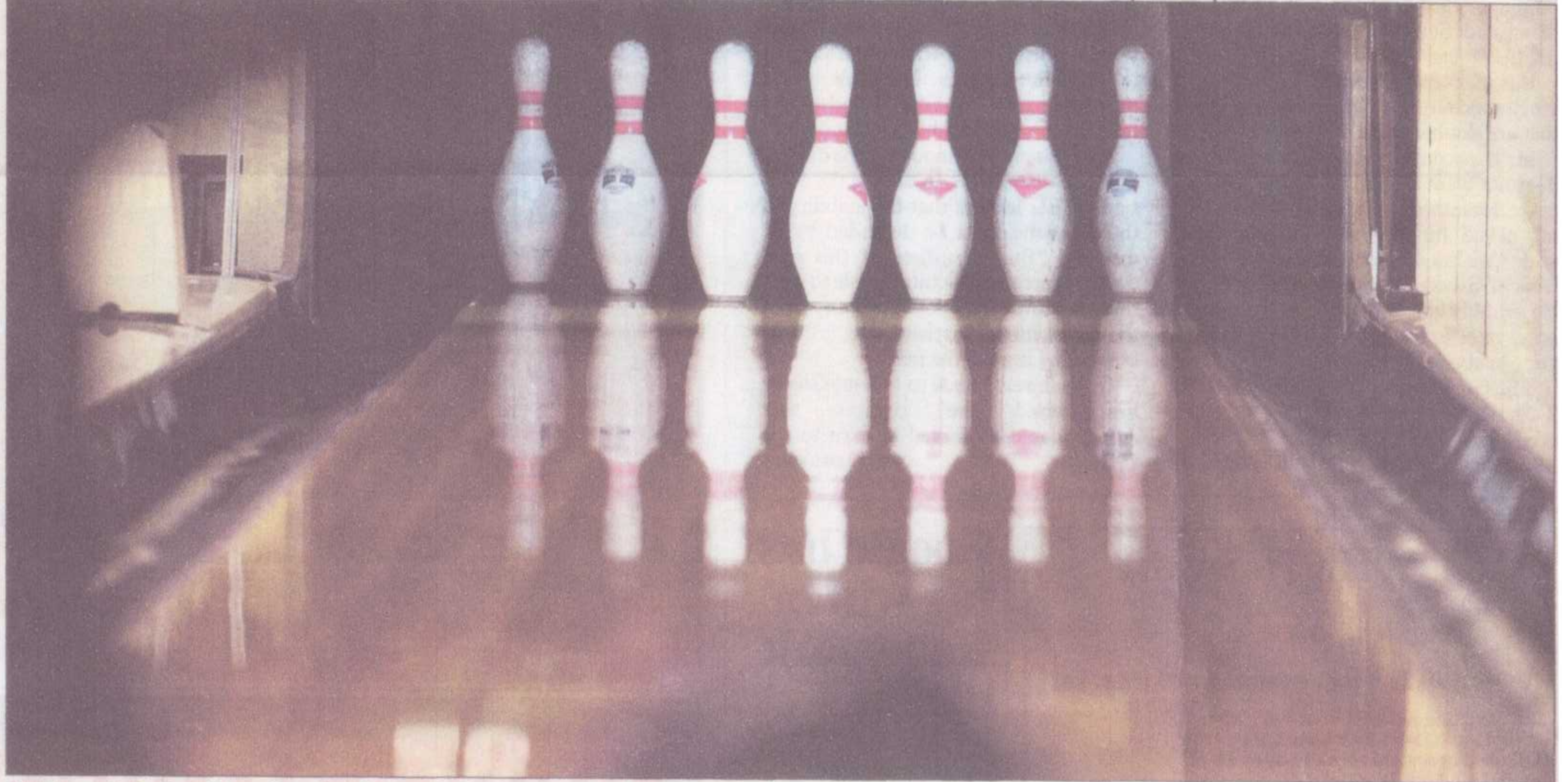

**Striking out: Banks will continue to follow strict lending practices for property developers, according to Bankwest's Troy Leber.**

## What should borrowers expect?

- More equity
- Stricter covenants
- Higher margins
- Challenged relationships

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