

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Department/Agency: Australian Prudential Regulation Authority

Question: 176

Topic: Inner city apartment market

Reference: Written

Senator: Ketter, Chris

Question:

1. The RBA's October 2016 Financial Stability Report contains a section devoted to the banks' exposure to the inner-city apartment markets. What is APRA's view of the current conditions in the inner city apartment market?
2. Is APRA concerned with the banks' level of exposure to this market?
3. Routine regulatory data disclosures do not require banks to report their exposures by geographic region. Does APRA have a view on whether in the interests of appropriately assessing risk that the banks should be obliged to?

Answer:

1. APRA has been working with the ADI industry to improve home loan and commercial real estate underwriting standards. This improvement applies to all such lending, rather than to any particular geography. However, APRA has been conscious of the potential impact of substantial new supply of new inner-city apartments, and has been seeking to ensure lenders are alert to the risks this may pose.
2. APRA has been focussed on the heightened level of risk with housing markets generally, and particularly inner city apartment markets, and has sought to ensure banks are actively managing their exposure to the inner-city apartment market, and have in place appropriate limits and management reporting.
3. The collection of regular statistics imposes a cost on industry. In determining regular data collections APRA seeks to balance costs to industry against information for supervision. Given APRA is able, in need, to secure geographic information from individual ADIs, outside our regular statistical collections, it has not considered it necessary to impose the resultant extra cost on industry. In the longer term, the RBA's loan level collection on securitised home loans will provide some additional information on geographic concentrations.