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Australia super fund exposed to apartment oversupply, funding housing bubble. SMSF apartment glut purchases, Australian Super Funds financed major projects

AUSTRALIA SUPER FUND BUBBLE APARTMENT OVERSUPPLY

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The Australian superannuation industry is reported to be valued at over $2 trillion dollars and is the retirement nest egg for the entire Australia nation.

The apartment oversupply and correction is tipped to trigger an Australia-wide recession, is the Australian Superannuation Fund sector at Risk ?

It is well known that many of Australia's largest super funds have been funding the Australian apartment boom. Despite reaching out to APRA, it is unknown how many Super Funds and SMSF's have placed Australia's life savings at risk.

This could be two fold. Australian's love affair with property investment has also created a tsunami of Self Managed Superannuation Funds (SMSF) with individuals tapping into their life savings, leveraging their super funds to acquire large quantities of apartment type property investments.

After requesting detailed figures and supporting information via phone and email from the Australian Prudential Regulation Authority, APRA does not know the answer to this question (a serious failure) !

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The Australian economy has suddenly stalled during the September quarter with the greatest economic decline since the global financial crisis. Australian Superannuation Funds and Self Managed Super Funds are highly exposed to apartment over supply.

SEVEN CONDITIONS FOR A RECESSION

1. A high percentage of apartment investors with mortgages wouldn't qualify for their current loans under new rules recently implemented by APRA and the individual lending policies of Australian banks.
2. The Australian apartment glut and oversupply is estimated to be in excess of 230,000. A survey by Roy Morgan Research revealed that approximately 311,000 indebted Australians had no equity in their properties (negative home loan equity), with many property owners owing more to the bank than their homes are worth, adding further fuel to the Australian housing bubble risk. "With over 300,000 home borrowers having no real equity in their homes, this represents considerable risk to Australia's banking stability, particularly if home values fall or households are hit by unemployment," Roy Morgan's director of industry communications, Norman Morris, said.
3. The IMF recently reported the biggest risk facing the Australian financial system is the over supply of apartments and similarly Australia's house hold debt, the highest in the world.
4. According to the OECD, Australian household debt is 5th highest in the world and has increased in excess of the levels reached by countries where housing bubbles formed and burst, countries such as Ireland, Spain and the United States. Since the GFC of 2008, Australian household debt has doubled and is unparalleled in the world in excess of 130 per cent of GDP. Australian public debt peaked above 170 per cent of GDP during the Great Depression but household debt has never been remotely close to its present to current levels. In 2016, Australians are so highly leveraged with household debt that even a small decline in residential values will have harmful consequences.
5. Three Australian states have a higher than 20% unemployment and under-employment rate (combined), triggering an increase in the number home owners unable to meet their home loan repayments. According to the global credit rating agency Fitch Ratings. Dual-income households is identified as an Australian banking risk should repayments rise or employment conditions sour further based on their ability to service repayments.
6. Australian apartment construction levels are equivalent to 16 per cent of GDP and exceeds the 14 per cent level that Spain reached ahead of the collapse of the Spanish real estate sector and, that Australian house price-to-income ratios stand only behind Hong Kong.
7. The Australian apartment 'credit crunch' continues to gather momentum with Chinese off-the-plan apartment buyers unable to secure bank finance for off the plan apartment purchases. In 2016, Australian bank lending was frozen with overseas property investors (in particular Chinese) now unsuccessful in securing finance to complete off the plan apartment contracts of sale, creating settlement risk concerns for apartment developers.

Finally, a tsunami of Global uncertainty is pushing on Australia's outlook, with the "Trump effect" "Brexit" coupled with growing concerns over Australia's economic reliance on China's prosperity.