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foreign investor settlement risk is soaring, two-thirds of foreign apartment buyers walking away from Australian off-the-plan apartments.

# FOREIGN INVESTOR SETTLEMENT RISK SOARING



Two-thirds of foreign apartment investors are walking away from their off-the-plan apartment purchase in June, according to Maddocks Lawyers, foreign apartment investor settlement risk is soaring. Reported in the Australia Financial Review on August 3rd, 2016.

Foreign apartment investor, settlement risk is soaring following Australian banks refusing to lend to foreigners. Immediately after discovering 1,000's of fraudulent home loan applications by Chinese apartment investors, Australian banks have stopped lending to all foreign property investors.

Foreign investors are struggling to obtain financing from local banks and cannot get their money out of Mainland China.

The apartment credit crunch hasn't just effected foreign investors, the Urban Development Institute of Australia has also reported that 60% of property developers are struggling to access bank funding to complete projects. The supply of 220,000 apartments scheduled for settlement in the next 24 months is adding further concern to the foreign investor settlement risk.

In April 2016, The Australian Reserve Bank (RBA) announced concern regarding the number of Chinese foreign investors in the off-the-plan apartment market (estimated to be in excess of \$60 billion) as a significant and a key risk to the nation's financial stability.

The term "apartment settlement risk" is when a property investor has entered into a contract of sale to purchase an off-the-plan apartment from a property developer. Triggered by the current apartment banking credit crunch, foreign property investors are under duress as they cannot obtain finance to complete the contract of sale and are defaulting on the settlement date. As reported, two-thirds of foreign property investors will not settle and is referred to as "apartment settlement risk" as developers are increasingly rescinding contracts and reporting mammoth settlement defaults.

Date: August 5, 2016

Published by: Mortgagee Property Limited

Reporter: Scott O. Talbot

Category: Foreign Investor Settlement Risk

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