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Melbourne Apartment glut a threat to financial stability and an influx of Chinese money into the property market is shifting the risks in the banking system

APARTMENT GLUT A THREAT TO FINANCIAL STABILITY, WARNS RESERVE BANK AUSTRALIA

Melbourne Apartment glut A glut of inner city apartments and an influx of Chinese money into the property market is shifting the risks in the banking system, the Reserve Bank has said in its semi-annual health check of the financial sector.

In its most extensive warning yet of the “indirect” risks facing the property market, the Reserve Bank’s Financial Stability Review warned that the supply of new apartments in major metropolitan cities could “weigh on prices and rents,” which could reduce the income of property investors and make it harder for them to sell. Reports the Australian Financial Review ,Jonathan Shapiro



“With the demand for apartments softening in some areas ... and households facing tighter access to credit, settlement failures might increase,” the RBA said. The Reserve Bank raised concerns about the “significant and increasing” role of Chinese investors in the Australian property market, which is said presented “indirect risks” to the financial sector.

However, recent data has shown that apartments in central Melbourne are being resold at a discount of up to 30 per cent of their off the purchase plan price, an indicator that 20,000 apartments under construction, the 19,000 approved apartments and 30,000 dwellings awaiting approval were weighing on prices.

Read the full article here: <http://mortgageeproperty.com/melbourne-apartment-glut-a-threat-to-financial-stability.html>

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