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Melbourne developers warn of impending economic disaster



Boom to bust? Developers are concerned policy changes will kill their businesses.



by [Larry Schlesinger](#)

Melbourne's development community has come together in a show of force to rally against bank and state government policy decisions threatening the viability of their industry.

On Thursday afternoon, about 60 of the city's most powerful residential developers filed into a room in the swanky Westin Hotel on Collins Street in the CBD. Nearby, dozens of cranes hover over their high-rise development projects.

Those who attended the meeting covered every sector and segment of the development community from big listed players like Lendlease and Mirvac to the major private developers including Central Equity, ISPT, Metro Property Development, Gurner, BPM, Salta, Salvo and Little Projects.

A big block of attendees were Asian developers led by Malaysian giants SP Setia (which recently paid a record \$101 million for the Telstra development site in the CBD) and UEM Sunrise, state-owned Chinese developer Poly Real Estate and CEL Australia, the local arm of Singapore-listed Chip Eng Seng.

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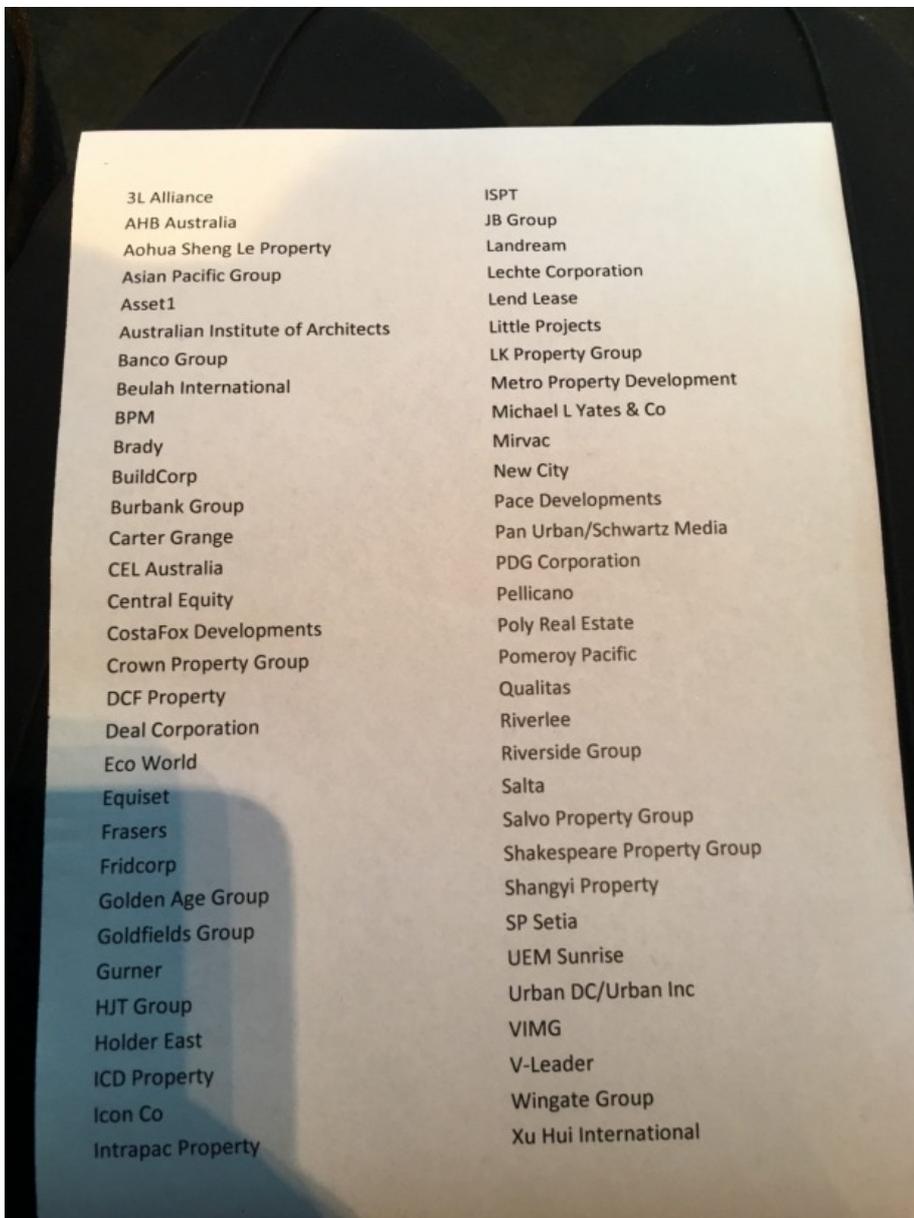
Danni Addison: Policy decision could damage the economy

The main items on the agenda: The sudden [pullback by the major banks from lending to foreign buyers](#) and new taxes imposed on foreign buyers in Victoria from July 1, including a 7 per cent stamp duty surcharge.

Developers fear this could lead to a surge in settlement defaults and send apartment values plummeting.

Danni Addison, CEO of the Urban Development Institute of Australia, told the *Australian Financial Review* there was great concern about the impact of numerous policy decisions on the property development industry and the economy.

"The industry has come together as one voice to tell the government about the real economic impact their decisions are having on the ground," Ms Addison said. She said the UDIA and the Property Council will seek meeting with the state government to voice these concerns.



The full list of attendees. supplied

One developer who attended the meeting told the *AFR*: "Banks without any communication have stopped lending almost straight away to foreign buyers.

"You don't need to be Einstein to know what the ramifications are, given tens of thousands of people will settle on their apartment purchases over the coming months. We need liquidity back into the market.

"If you have a 100 apartments, and sell 30 of them to foreign buyers and 90 per cent of these don't settle, this will be disastrous for sentiment - construction is the number one economic activity in Victoria," he said.

The meeting was chaired by developer Clement Lee, whose Riverlee is undertaking a \$250 million-plus waterfront residential and retail development at North Wharf on the Yarra and David Kobritz, managing director of private developer DealCorp.

Melbourne buyer's agents Secret Agent calculated that a [typical CBD apartment default could leave a developer \\$100,000 out of pocket](#) if they were forced to re-sell an apartment in the secondary market.

[Listed broker Mortgage Choice warned this week](#) that lenders were discreetly imposing tough new borrowing conditions that are reducing the amount property

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