



PR & Media Helen Hull
16 Thesiger Court, Deakin ACT 2600
Phone 0419 642 961 | Fax 02 6285 2444
www.reia.com.au | media@reia.com.au

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CARE NEEDED WITH RISKY LENDING RESTRICTIONS: REIA

The Real Estate Institute of Australia has urged caution in the actions of regulators and banks to limit bank lending in an attempt to dampen investor demand for property in Sydney and Melbourne.

“Whilst warnings about interest-only loans and over committed borrowers might be justified in some circumstances it does not mean all interest only loan borrowers should be penalised and outlawed,” Real Estate Institute of Australia President Malcolm Gunning said.

“The cumulative impact of the collective action of APRA, ASIC and individual banks could well be sledgehammer when only some fine tuning was required.

“We need to be careful that we don’t constrain the building and construction sector that has kept the Australian economy growing following the decline in the mining sector. Anecdotal evidence suggests that this is a real risk and the “expert opinions” we are being bombarded with daily can quickly become a doomsday prophecy.

“The actions of regulators and banks to restrain the surge of property investment in the two major capital cities are reacting to what we see in the rear vision mirror. The data being acted on is lagged. We need to consider what is happening in the market place at the moment and what the combined impact of the measures will have – none of which will be apparent for some time to come.

“Market information from our Sydney and Melbourne member agents suggests that there are signs of a slow down. The leading indicators tell a very different story to the lagged historical data.

“We need to be careful that an overreaction to the investor led Sydney and Melbourne property markets doesn’t threaten the health of the national economy”, Mr Gunning concluded.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia. For further information or to interview REIA President Malcolm Gunning please contact Helen Hull at media@reia.com.au or 0419 642 961.