

Warnings of more Westpoints

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THE Australian Property Institute warned yesterday that there could be more Westpoint-style collapses on the horizon.

API's NSW division president Tom Webster said the Westpoint structure was not unique.

Conceivably, mortgage-backed trusts, especially those that incorporate mezzanine finance, could get into difficulty, he added.

Westpoint's financial problems emerged last December, leading to its collapse in February, owing more than \$300million to about 4000 investors.

The institute, an industry body that includes property valuers, said that about 70 per cent of respondents to its latest six-monthly survey on the property market regarded fringe mortgage-backed trusts with "moderate to major concern".

Some concerns related to the need to increase the disclosure by financial planners and developer-sponsored funds, and also the need to increase disclosure of the quality of the loans by the funds.

Mr Webster said a key issue was valuation of the funds' property assets.

He urged the regulators to tighten the rules on disclosures to make these trusts more transparent.

API research committee chairman Phil Bennett said that it was important to disclose the value of property as it stood today. This was critical as it enabled investors to compare it with the expected end value of a property.

He added that in some instances valuations used in prospectuses were 12 months old.

Mr Bennett also said that it was important that trusts should draw the attention of small investors to the assumptions on which valuation was based.

"The investors should have all available information that could have an impact on their investment-decision process," Mr Webster said.

He said that the Australian Securities and Investments Commission had started to take a stronger role in matters of disclosure.

The survey also covered a property market outlook with respondents, including valuers, funds managers, analysts and property financiers, expecting the commercial markets in Sydney, Brisbane and Melbourne to show short to medium term growth.

The Sydney and Melbourne CBD markets were likely to further improve over the next two years, while Brisbane was expected to peak next year.

Respondents expected the industrial markets in Sydney, Melbourne and Brisbane to continue at, or near,

peak levels for the next two years.

The survey found that retail property had peaked, and that a downturn was likely over the next two years.

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