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Maras lashes banks over no risk loans

Des Ryan

PROMINENT Adelaide property developer Theo Maras has challenged the banks to "come of age" and start taking some risks with investments in Adelaide's future.

Maras, the founder and chairman of the Maras Group, says the banks are so risk-averse that the city's retail and residential growth is being hampered.

"At the moment the financial institutions, all of them without exception, are saying we want a return but we don't want to take any risk," he told *Indaily* from his office in the East End.

"Now hang on, everybody in this world has to take a measured risk."

Maras said the banks were dragging behind the state government and the Adelaide City Council, which were overhauling the planning system to encourage higher density city living, mixed retail-office-apartment projects and better design.

"If you want the state to move, you've got to be able to have capital by which you can actually move ahead," he said.

"There's no point in saying, we'll lift the heights, we'll bring in people, we'll do this, we'll do that; and the financial institutions turn around and say, well, we can't lend money because it's outside of our risk zone.

"You can't be held to ransom by any one party. Because if you can't get the financial part right, what's the point in planning anything?"

BankSA announced last week that its deposits had surged by 8 per cent to a record $10 billion, a reflection of customers seeking safe and secure returns in uncertain times.

However, total lending increased by only 3 per cent, with two thirds of it in home loans.

"If BankSA has got record deposits, every other bank has got record deposits because they are all in the same business, they all lend at the same rate and they all buy at the same rate," Maras, 65, said.

"Why don't they put that money out? They do, they put it out, but where they put it out is at very low-risk ventures.

"It's about risk compared to return."

He gave the example of a developer who might want to build an apartment block, on which the banks will offer to lend so long as 70 per cent of the apartments are sold off the plan.

If 70 per cent were pre-sold the developer would already have the money to fund the project and then not need a loan, he said.

"If they were to say, you sell 50 per cent and we'll fund it, there's a risk but it's a measured risk. You can get on with it."

Maras' gripe with the financial institutions was one of three factors that he said were warning signs for Adelaide's future development when everything else was so positive given the financial "grunt" promised by mining for decades to come.

A second issue was not to over-reach in setting population growth targets for the city.

"I'm hearing numbers like we've got to have 50,000 people in town in a short period of time. Don't talk about 50,000 because if you don't reach that it looks as if you failed.

"Just talk about 10,000 in the next five years and achieve that. Then go to the next stage. So overshooting is a danger symbol."

The third factor that irked him was the endless political games that meant whatever the government proposed was immediately opposed by the Opposition, both federally and in SA.

"That is diabolical. That is not putting our country first. That's putting ourselves first. That sort of thing has got to stop. It doesn't matter at what level, it doesn't matter what issue, this is happening day in and day out."

Maras, who is also chairman of the Rundle Mall Board, said Australia was doing "exceptionally well" compared to economically-battered Europe, the UK and the US.

From his perspective as a developer, he said major global retail brands were looking at Adelaide in particular as a place to open new shops.

"For the very first time what I've been able to see is a range of major tenants who have never looked at Australia seriously but are now looking at Adelaide very, very seriously and are committing to come to Adelaide. The top end, the internationals."

As for residential development, he said the city had to provide a mix of accommodation that was affordable for people from all levels.

For Maras, who has been involved in commercial and retail property investment and development for over 30 years, the East End Precinct remains a mixed-use template for the rest of Adelaide to follow.

In the 1980s he was a partner in Mancorp, which won the tender to redevelop the southern side of Rundle Street East; and the Liberman Group headed by Max Liberman got the tender to build residential apartments on the original site of the Adelaide Fruit & Produce Market.

"It was well thought-through; it was medium to high density, not in height but just in numbers on the plot of land; and it was very, very affordable," Maras said.

"It gave opportunity to the buyer to make a dollar and gain a dollar; and it's always held its place in the market exceptionally well. There's never been a time in the East End where property values have gone down."

He said Max Liberman took an investment risk in times that were also economically hard; and the banks back then were not making the billions of dollars they are now.

Maras said the banks today were getting it easy because of a lack of competition.

"Although they're saying it's hard to make money, how hard is it to make money when each bank is making billions of dollars profit in a country where you've got 24-or-25 million people?

"If we're serious about it, why don't we measure the profit the banks are making per capita in this country to what the international banks are doing overseas? That's the equation that we've got to set."