

SE Business

HD Visa review to lure more Chinese rich Visa review to lure more Chinese rich More than 1 million Chinese can 'easily afford' to buy in Sydney. Photo: bloomberg

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A program that provides residency visas to Chinese and other millionaires with \$5 million to invest in Australia is set to be expanded.

The Abbott government is reviewing and plans to expand the significant investment visa program, which has granted four-year visas to 116 foreigners in just over a year.

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The review will seek ways of speeding up approvals and will consider expanding the assets the \$5 million can be invested in beyond bond and commercial property funds, possibly to venture capital and start-ups.

Assistant Minister for Immigration and Border Protection Michaelia Cash said the review could result in the introduction of permanent residency visas for investment migrants.

The review is unlikely to allow investment in houses and apartments because of the political repercussions from the fear of Australian buyers being squeezed out of the market.

Chinese are the biggest buyers of direct real estate in Australia, according to the Foreign Investment Review Board's latest tally of approvals. That has given rise to concerns about distortions in the market.

Reserve Bank governor Glenn Stevens said it was up to politicians to respond to community concerns about Asian investors buying Australian property, which he said was being driven by the region's wealth surge.

"Just as Middle Eastern and Russian money likes to have places in London, there's certainly a sense in which affluent people in Asia – it wouldn't just be China – like to have property in Australia," he said.

"[The] Chinese population ... have become quite affluent pretty quickly, and ... when that happens, one of the things they do is acquire assets in other places." Credit Suisse estimated there were 1.1 million Chinese who could "easily afford" to buy apartments in Sydney and could spend \$44 billion over the next seven years on Australian real estate.

Current Chinese investment in residential real estate is less than 2 per cent of the overall residential property turnover each year.

Credit Suisse expects a 30 per cent rise in potential Chinese investment. Under the Abbott government, the rate of special investment visas granted has increased. Since the program started in November 2012, only 28 visas were approved up to the 2013 election. There have since been 88 approvals – a tripling in half the time.

"We recognise there are significant implementation issues that are currently holding up the progress of this program and we want to get this review under way to send a clear message that Australia is open for business on this visa," Senator Cash said.

The Canadian government has just shut down a similar scheme after 28 years.

There are 46,000 applicants outstanding and there are some expectations the leftover might fuel demand for Australian visas.

Approved Australian special visas, 90 per cent of which went to **Chinese** investors, have resulted in more than \$580 million in investments. A further 486 applicants are being processed.

One of the most successful funds to have attracted such investment is the Moelis Australia **Property** Visa Fund.

Moelis managing director Andrew Martin said expanding the investment criteria and speeding up approval times would benefit Australia.

"There is a view that Australia has overvalued its visa but you have to remember this is aimed at attracting the sweet spot of genuine investors."

Mr Martin said there were **Chinese** investors who were buying \$400,000 homes in Portugal in order to gain Portuguese nationality and ultimately a ticket into the European Union.

"That is attracting a completely different calibre of people than Australia is with its SIV," Mr Martin said.

His fund has more than \$100 million in commitments and has already made its first **purchase** of a \$22 million shopping centre in the Yarra Valley.

Some SIV-compliant funds have established ways for new residents to invest in established **property**.

Aura Funds Management launched two funds last year and placed on its advisory committee John McGrath of John McGrath Real **Estate** and JLL's Asia Pacific chief operating officer, Albert Ovidi.

AFM managing director Avi Naidu said fears Asian investment into Australian **property** would inflate prices were unfounded.

"These are high-net worth people with at least \$5 million to invest. They're not interested in the first and middle home buyer market and that's where all the concern is," he said.

He agreed with Mr Stevens, who said it should not be "beyond our capacity" to serve Asian demand and local requirements for new homes.

"It goes to how welcoming we want to be to foreign investment generally," Mr Stevens said.

"With all due respect, this is a matter for our Parliament to manage."

The visa review was praised by venture capitalist Mark Carnegie.

He said the visas should provide more flexibility for **Chinese** capital to flow into Australian technology start-ups.

"Why should we treat **Chinese** capital any differently? My answer is come one, come all," he said.

"There is a giant vacuum that sucks up all the talent out of Australia and puts it Silicon Valley. In my mind we need to collaborate with **China** to change this."

The review follows comments made by the chairman of the Foreign Investment Review **Board**, Brian Wilson, who visited **China** last year.

"The visit [to **China**] included a focus on broadening our constructive investment dialogue into regions not previously visited, allowing for a more extensive appreciation of **Chinese** investors, their investment prospects and their understanding of our foreign investment regime," Mr Wilson said.

**RE** austr : Australia | china : China | sydney : Sydney | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | nswals : New South Wales

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