

FINANCIAL REVIEW

SE **Property**
HD **China** buying spree continues
BY **Property** observed Matthew Cranston
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Next year when the Foreign Investment Review **Board** reveals which country has invested the most in our **property** markets, expect **China** to again blow every other nation out of the water.

China became, for the first time, the largest source of foreign demand for Australian real **estate** in the fiscal 2013 with \$5.9 billion, and so far this year the indications are for that figure to be well and truly exceeded.

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If it isn't you can bet that suspicions around transparency will again be front and centre. Look at some indicators of the **commercial** market only. Real **estate firm** JLL is estimating that **Chinese** investment into Australia across office, industrial and retail **property** has been \$1.4 billion over the first 11 months of 2014.

That is roughly double (95 per cent increase) on last year's figure of \$717.5 million.

Much of that estimate is yet to include some massive deals that are likely to be finalised soon.

In the **Chinese** year of the horse, **Hong Kong** developer Golden Horse Holdings looks set to make the final big **Chinese purchase** of the year taking a seven-hectare parcel of industrial land in Sydney's Erskineville from Goodman **Group** for \$380 million.

That is not far behind Shimao **Property**, controlled by billionaire Hui Wing Mau, who bought an office tower in Sydney for \$390 million.

JLL's Paul Noonan, who was part of the team that negotiated that deal, has no doubt how much more **Chinese** money is likely to be on the way.

"This is just the tip of iceberg – and this is not like the Japanese in the 1990s because this is all cash – the Japanese used debt," Noonan says.

Late this year I found myself in an austere meeting room in the Liaoning provincial government headquarters in northern **China**.

Liaoning is a small province in terms of wealth compared with other **Chinese** provinces but I was astonished to see a one page document the government gave me detailing the amount of investment that small province had made in Australia.

The figure, checked twice with interpreters, was \$US193 million and ranged from hotels and **property** to a super yacht business. **Chinese Property** giant Wanda **Group** had started its business in that province before moving headquarters to Beijing. If it had included its committed investment in Australia you could have added another \$1.7 billion to the total.

Beyond **commercial property** the **Chinese** investment in **residential property** this year has also been substantial.

FIRB approved \$17 billion worth of applications to **buy residential property** in fiscal 2013 in a market with a turnover of over \$300 billion.

While the Real **Estate** Institute of Australia has repeatedly said that the influence of foreign buyers in the established home market was "negligible" there are plenty of people such as Liberal politician Kelly O'Dwyer who realise there is a lot more foreign investment going on in that market that escapes detection.

One place to find some unseen foreign investment in homes is through the significant investment visa. Around 90 per cent of the \$2.4 billion that has been invested through significant investment visas is **Chinese** and whilst that is tied up in numerous investments such as bonds and cash there is also plenty in special vehicles that **buy** both established as well as new homes.

While I have no doubt **China** will outpace other nations in the mantle for top real **estate** investor, it will carry a handicap in the form of outward bound capital restrictions and the recent crackdown on corrupt **Chinese** officials. And while the capital flows from **China** are big and growing rapidly there still needs to be some context around its impact on our markets.

There is \$90 billion invested by self-managed super funds in Australian real **estate**, making all the noise about **China** look a little far-fetched.

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