FINANCIAL REVIEW

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HD **Hands off FIRB regulations – Fortey**

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Foreign Investment Review Board (FIRB) rules allowing developers to sell up to 100 per cent of new residences in approved projects to offshore buyers should not be tampered with, a prominent Melbourne project manager says.

Andrew Fortey, managing director of PDS Group, which works with a host of high-profile Asian developers, said any changes to the rules – due to be scrutinised as part of a House of Representatives inquiry – would be disastrous for the construction industry and the wider economy.

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PDS Group provides project management and development services for Malaysian group Mammoth, Singaporean-listed Hiap Hoe and Chinese-based Golden Sunrise, among others.

Offshore buyers account for around 40 per cent of their projects' sales.

Any changes to foreign investment rules could make markets such as Sydney, Melbourne and Brisbane less appealing to overseas developers.

"The Victorian construction industry would be a basket case without foreign developers.

"It would be highly detrimental to the Victorian economy" Mr Fortey told The Australian Financial Review.

Federal Treasurer Joe Hockey has asked the powerful House of Representatives Standing Committee on Economics to look specifically at whether foreign investment in real estate is being properly policed. Committee chairwoman, Victorian Liberal MP Kelly O'Dwyer, has expressed concerns about the level of occupancy in new apartments and questioned whether current rules fulfil the original mandate to provide additional dwellings that can be purchased by local buyers.

Figures complied by Oliver Hume Real Estate Group, show Asian developers have purchased more than 40 development sites around Melbourne in the past 24 months. "A structural change has taken place that will see this phenomenon continue over the near term," Oliver Hume national head of research, Andrew Perkins said.

"Our International Purchaser Index suggests that this is not restricted to inner city development sites – it's permeating through to the outer corridors as well," Mr Perkins said.

Luke Hartman, managing director of Metro Property Development, which has a $2 billion pipeline of projects under development in Brisbane, Melbourne and Adelaide said the company could work with quotas.

"But it would have to be a negative for the industry if there was a pull back in the proportion of apartments that can be sold offshore."

Mr Hartman said FIRB rules worked well and a change was unlikely.

"At the end of the day it's the banks that control how many apartments you can sell to overseas buyers, that's the biggest limiting factor, and its not a negative thing," he said.

"Having overseas buyers as part of your sales strategy, enables you to get the necessary sales and means more units get to be built."

In 2012-13, the FIRB approved 50 **residential** development projects worth $5.73 billion that could be **sold** to offshore buyers off the plan.

This was down on the 70 projects approved in the previous year.

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