

FINANCIAL REVIEW

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HD **Foreigners look to city fringe**
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Overseas buyers are starting to look beyond apartments in Melbourne's CBD to suburbs like Richmond, Abbotsford and South Melbourne, pushing up prices in the city's inner ring, developer Sam Tarascio says.

In comments that suggest the distinction between the offshore and local market – a line the **property** industry is keen to promote – is blurring, the managing director of Melbourne-based Salta said that while predominantly Asian offshore buyers have concentrated on purchasing **property** in the city centre, they are becoming familiar with other areas like the city fringe and are starting to realise the opportunities in those places.

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"As you become more familiar, you tend to expand your horizons. I think that is happening a little bit in Melbourne," Mr Tarascio said in an interview with The Australian Financial Review.

"In the past, because of the interest in overseas buyers predominantly for the CBD, there wasn't that competition from overseas buyers in that inner ring. That's now starting to occur."

If not good news for would-be first-home buyers in the inner suburbs, it is positive for the **company**, which last week unveiled its completed 500-unit Green Square development in Abbotsford.

Melbourne **apartment** prices are rising and additional offshore competition is likely to push them higher.

Mr Tarascio said properties had increased \$1000 per square metre from the average figure of \$8500 per square metre for which they **sold** in that development two years ago.

The much promoted distinction that offshore investors were buying inner city high-rise apartments while local buyers were buying lower-density apartments in the inner and middle rings was no longer the case, he said.

"It's starting to blur," he said.

Offshore investor expansion into the fringe is, in part, a result of fewer suitable development sites in the CBD. as seen in the \$17,125 a square metre paid last month for a Southbank **site** in Melbourne.

Mr Tarascio's comments come as the Real **Estate** Institute of Australia urged the government not to tamper with investment rules around **property purchases**. In a submission to a parliamentary inquiry into foreign investment in **residential** real **estate**, the institute has dismissed the influence of foreign buyers in the established home market – and their effect on first-home buyers – as "negligible".

An increasing offshore focus on fringe areas did not mean an end to **purchases** of inner-city apartments, said Mr Tarascio, who recently returned from a trip to Kuala Lumpur, Singapore and Shanghai. His trip – intended to understand the motivation of offshore **purchasers** that has driven the growth of CBD apartments – left him convinced that demand for Australian units was strong.

While demand was strong from families wanting to **buy** accommodation for a child going into the Australian education system, investors were also attracted because it was a less risky market in Australia, he said.

Buying apartments is riskier in all three of those cities because buyers are required to make progress payments. If the developer fails, that money is lost.

Not only was this a risk for the **purchaser**, but it made banks reluctant to lend, he said.

"Could I convince myself to **buy property** in those markets and why would I **buy property** when I could **purchase** in the Melbourne market or Australian market generally?" he said. "I couldn't convince myself."

The most likely advantage of buying would have been the capital growth from those properties, but efforts by authorities in **China** and Singapore to quell the demand driving that capital growth, by limiting the number of properties investors could **buy** or imposing tax obligations, were reducing that benefit, he said.

"It is quite an advantage of buying in Melbourne to buying over there."

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