

## INDUSTRY UPDATES

**HD** Investors eye Aussie **property** safe-haven

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SYDNEY -- The consistency in Australian **property** has begun to shore-up the relative dearth in **mining** investment as foreign buyers doubled their injection of capital into **residential property**, according to the latest figures from Australia's Foreign Investment Review **Board** (FIRB).

While the global financial crisis (GFC) curdled global **property** confidence, Australia's powerhouse **property** market reaped the benefits with overseas investment rising more than sevenfold during the global financial downturn.

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Anxiety over Australia's need to transition from a two-speed economy driven by **mining** and resource investment appeared to have been confirmed with the FIRB revealing **mining** investment slipped 12.6 percent between 2012 and 2013, so the latest FIRB data will go far to assuage what sectors can take up the strain.

The FIRB data shows total foreign investment (FI) in Australia plummeted 20.5 percent to A\$135.7 **billion** (\$121 **billion**) in 2012-2013, while **property** investment surged.

The FIRB says that offshore and foreign buyers, rather than withdrawing from the Australian market, broke records in purchasing 5,091 established homes worth A\$5.5 **billion** (\$4.9 **billion**) last financial year, compared with just 647 properties worth A\$810 **million** (\$723 **million**) in 2009-10.

Off the plan new apartments and homes worth A\$2.9 **billion** (\$2.58 **billion**) -- doubling the previous recorded data three years earlier were **sold** to offshore investors last financial year, with a Canberra-based Director of Sunrise **Property Group** Richard Grainger telling Xinhua that Australian **property** was just about on par with **gold** as a global safe haven.

"The FIRB data suggests that the established home sales were in Melbourne and Sydney, where predominately sophisticated and well-informed **Chinese** buyers have been targeting properties close to major capital (Brisbane, Canberra, Melbourne and Perth CBD's) and on Sydney's inner west and northern shores.

"It's such a solid, reliable, high-return investment that provides a tactile, joyful return, beyond dollars that **Chinese** buyers invested almost A\$6 **billion** (\$5.36 **billion**) over the last financial year. Its hard to argue with that level of confidence." Grainger said.

The release of the long-awaited FIRB data on foreign investment provides a revealing insight into the diversion of foreign capital into the local **property** market, as well as the relative failure of local developers to grasp the momentum.

While foreign investment turned to purchasing vacant land (doubling in 2012 - 2013 to A\$1.4 **billion**) barely 50 new **property** projects -- estimated to be valued at A\$5.7 **billion** (\$5.09 **billion**), were given FIRB approval to be **sold** directly to foreign buyers off the plan -- half the value approved the previous year.

In fact, overall investment in real **estate** dropped surprising 12 percent last year, to A\$34.8 **billion** (\$31 **billion**) for **commercial property** and A\$17.2 **billion** (\$15.3 **billion**) for **residential**.

Richard Grainger said despite limitations on foreign buyers directed investors to **buy** off the plan -- without regulatory hindrance -- but can only **purchase** established housing "if they are temporary residents, use it to house Australian-based staff or plan to demolish a home for redevelopment."

Speaking to News Limited, Colliers International's Asian director of investment sales, Steam Leung, suggested **China's** restrictions to owning more than one investment **property** was drawing attention to Australian real **estate**, while the lack of options in developments was highlighting including vacant land.

"Wealthy **Chinese** who want to **buy** a **property** for long-term investment cannot **buy** (more than one) in their own country," Mr Leung told The Australian.

"They are also very keen to **buy residential** sites to develop themselves, in areas that are close to train stations, good schools and universities."

In step with the FIRB announcements, the National Australia Bank (NAB) slashed its fixed interest rates across several terms to their lowest level in more than 20 years.

NAB on Monday lowered the new two-year rate to NAB's existing four-year rate as the lowest it has been in more than 20 years.

**Group** Executive of Personal Banking Gavin Slater told Xinhua NAB was now ahead of all other major Australian banks on one, two, three, four and five-year package fixed home loans.

"We have seen increased demand for fixed-rate home loans in the past 12 months, so we know many home owners are looking for certainty, whether they are investors or first home buyers, and NAB is offering that through these market-leading fixed home loan rates."

John McGrath, founder and chief executive of McGrath **Estate** Agents, told Xinhua that while many **purchases** were associated with education and people migrating to Australia.

"Investing in Australian **property** is the very definition of win- win: its an intelligent investment that secures a foothold in relative paradise, while ensuring easy passage into the Australian market and the Australian way of life."

Richard Grainger, whose boutique **property** platform, Sunrise **Property Group** (SPG), services exclusive **Chinese** buyers said the reliability, beauty and practicality of Australia was incentive enough, regardless of regulatory changes.

"Much has been made of **Chinese** investors and the Significant Investor Visa, however, the fact is that the take up rate of these visas has been very low in Australia and only a handful of visas have actually gone through. That may change with the restrictions announced by Canada on their investor visa and the noises being made to limit these visas in the USA."

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