

SE CommercialProperty
HD Tracking foreign funds a good step
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The public's concern about foreign investment in Australian **residential** real **estate** is summed up early in the report handed down by the parliamentary committee examining the issue.

"There is no accurate or timely data that tracks foreign investment in **residential** real **estate**. No one really knows how much foreign investment there is in **residential** real **estate**, nor where that investment comes from." The report itself supports the push for greater transparency. That was the glaring problem with the present system, which should have worked quite well but hopelessly failed to measure and monitor foreign **purchases**.

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The committee recommends retaining the current foreign investment framework applying to foreign **purchases** of **residential** real **estate**. The same existing restrictions on purchasing established dwellings would apply and foreign investment would be directed towards increasing Australia's supply of new housing.

But the processes within the Foreign Investment Review **Board** have to change. There's no point having a good framework without the capacity or willingness to enforce and monitor these rules. The committee recommends putting in place "appropriate processes for the purpose of audit, compliance and enforcement of the foreign investment framework".

The committee recommends introducing "a modest administrative fee to the current screening for all foreign **purchases** of **residential** real **estate**". That doesn't sound too restrictive or unreasonable, though admittedly that depends on the size of the fee.

More controversial will be the committee's recommendation that the government introduce civil penalties for breaches of the foreign investment framework. This includes penalties to the buyers themselves — probably calculated as a share of the **property** value — but also to any third party who knowingly assists a foreign investor to breach the framework. They also propose introducing a criminal penalty for third parties, including a maximum fine of \$85,000.

Given several real **estate** agents have set up **Chinese**-based websites selling established **property**, that's got to sting. It also runs the risk of appearing overly draconian. Ultimately, it depends on the size of the penalties: if real **estate** agents can still make a fortune from foreign clients and the penalty is small, then they will treat the threat of fines as merely the cost of doing business.

Where would these fines go? The committee recommends that they be directed towards the Treasury's Foreign Investment and Trade Policy Division to fund audit, compliance and enforcement activities. The committee proposed that Australia's foreign investment policy be amended to require temporary residents — who are allowed to **purchase** established **property** on a temporary basis — be required to sell that **property** within three months once it ceases to be their primary residence.

It also recommended that the federal government, combined with the states and territories, should establish a national register of land title transfer, which record the citizenship and residency status of all buyers.

From a transparency perspective, this is a clear step in the right direction. For this to work, the government needs to introduce a system that alerts them when temporary visas are about to expire.

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