

SE TheNation
HD **Foreign buyers add 10pc to home prices**
BY Rick Wallace
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UNLAWFUL foreign buying of established houses is rife in Melbourne, as well as other capitals, and is adding a 10 per cent premium to prices that is crushing the hopes of local buyers, leading buyers' agents have revealed.

They also say authorities don't understand the impact foreign buying is having on affordability.

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Responding to reports in The Australian that foreign buyers were sidestepping Foreign Investment Review **Board** regulations and purchasing fixed homes in Australia, veteran Melbourne buyer's agent David McRae said **Chinese** and Malaysian investors often beat his clients at auction.

"We regularly get knocked off by certain sections from overseas and money is not an object to them," Mr McRae said. "We don't expect to win when I come up against people from Malaysia or **China**." The tacit acceptance of foreigners sidestepping the law to **buy** existing **residential** real **estate** in Australia has become an open secret in the **property** sector, as vendors and their agents look to lock in capital gains and therefore are not anxious to blow the whistle.

The main loophole in the regulations is the clause allowing temporary residents, such as foreign students, to **purchase** established **property** to live in for the duration of their stay. Evidence suggests these temporary residents are acting as proxies for their parents or other relatives in mainland **China** and elsewhere.

The FIRB and the **property** industry claim criticism of foreign buyers is misdirected at ethnic **Chinese** who are actually Australian citizens.

Mr McRae said it was easy to tell when buyers were unlawful foreign investors purchasing in their sons' and daughters' names because you could see them talking to their parents on the phone throughout the auction.

Another giveaway was when agents were writing down the bids to keep non-English speakers apprised of the progress at auctions. The **property** sector and regulators have been trying to convince a parliamentary inquiry into the issue, which is holding a hearing in Melbourne on Friday, that it is not a serious problem.

But Mr McRae said authorities — including the Reserve Bank — were wrong to assume that foreign buyers were not pricing locals out.

"Let me tell the Reserve Bank: it is a problem and it's going to become a much bigger problem if they don't do anything about it because the local population is being priced out," he said.

"These guys really don't understand the impact that it is having." He also took aim at claims from the industry that foreign buyers were solely focused on high-end homes, saying a wave of foreign investment in Melbourne's east had added a 10 per cent premium to prices and the knock-on effect would be felt in surrounding areas.

Another long-time agent, David Morrell, said the FIRB's enforcement regime was akin to "being slapped with a wet lettuce". "The rules are so lax — it's wrong," he said. "I think the FIRB have a fair job ahead of them." The FIRB, which has not prosecuted anyone for breaching foreign **property** investment laws since 2010, has declined to comment.

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