

HD Home away from home Down Under

BY Bloomberg

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Buyers from the **Chinese** mainland acquire Australian **property** for the education of their children and a better environment, reports Bloomberg

Ausin **Group** (Finance) Pty, which offers **property** and mortgage broking in Australia to **Chinese** buyers, expects to sell two-thirds more homes and to double the amount of loans it arranges as demand from the **Chinese** mainland surges.

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The **company** forecasts A\$1.5 billion (\$1.4 billion) in sales of new **residential** properties in the year ending June 30, compared with A\$900 million over the previous 12 months, Sydney-based Managing Director Joseph Zaja said in an interview on Tuesday. The value of mortgages the closely held **company** arranges through Australian banks is expected to climb to A\$500 million in the 2015 calendar year, he said.

Ausin is benefiting from surging demand from **China**, where the housing market is faltering. **Chinese purchasers** overtook Americans to become the biggest buyers of real **estate** in Australia in the 12 months through June 2013, plowing A\$5.9 billion into **commercial** and **residential property**, up 42 percent from the previous 12 months.

"I don't see the trend slowing down," Zaja said. "It's here to stay."

Real **estate** is the biggest short-term risk to the **Chinese** economy, Markus Rodlauer, mission chief for **China** at the International Monetary Fund, said last week. Authorities are trying to avert a collapse of the real **estate** market after data showed housing prices fell in 55 of 70 cities in June from May, the most since January 2011 when the government changed the way it compiles the statistics.

The **Chinese buy** in Australia to educate their children and to live in a clean environment, CLSA Asia-Pacific Markets economist Andrew Johnston wrote in a report on Wednesday. Mitigating economic risk is also a higher priority for **Chinese** investors than returns, he said.

Ausin sources projects from local developers, including Stockland and Mirvac **Group**, marketing them in **China** where it has 11 offices and 280 staff, Zaja said. The average price of the properties **Chinese buy** in Australia is A\$630,000, according to the **company**.

Developers including Lend Lease **Group**, Mirvac and Goodman **Group** will benefit from the surge in **apartment** projects resulting from the demand, according to CLSA.

When Zaja and a partner based on the **Chinese** mainland, whom he declined to identify, set up Ausin in 2009, banks would only finance developments where less than 30 percent was **sold** to overseas buyers, he said.

"Now, that's up to 100 percent in some cases," he said. "The larger banks had the view that overseas buyers were a much higher risk than local buyers. But we've been able to provide them with statistics that less than 1.5 percent of all our **purchasers** cannot complete their **purchases**."

Ausin last year began operating as a mortgage broker and now arranges home loans through local banks for about 93 percent of its buyers, Zaja said. The average borrowing is 70 percent of a **property**'s value, or about A\$440,000, according to Ausin.

Ausin has a client who buys about 10 properties through the **company** every year and now owns about 40, Zaja said. The client has been able to negotiate a better rate and a higher loan amount, he said.

The **company**, which also offers immigration services to **Chinese** wanting to move to Australia, is setting up a fund targeting those from the mainland applying for a Significant Investor Visa, he said. The visa allows foreigners investing at least A\$5 million in Australia to qualify for residency.

Chinese nationals accounted for 91 percent of applications and 86 percent of grantees as of the end of June, according to the office of the assistant minister for immigration and border protection.

For **Chinese** seeking to emigrate, Australia is second only to Canada, which in February implemented restrictions on foreign investment and immigration, Johnston wrote.

"Some 45 percent of the 70 million people in the top income bracket in **China** express an intention to emigrate," Johnston said.

Ausin has seen a 300 percent increase in demand for its immigration services over the past six months, the **company** said in a release last week.

Concerns by locals that overseas investment in Australian real **estate**, particularly from **China**, is driving up prices and reducing affordability has prompted a parliamentary inquiry into foreign buying of domestic **property**. The report from the inquiry will be released in October.

Overseas **purchasers** bought 10.2 percent of new properties in the second quarter, falling from a record 13.9 percent in the first quarter, according to National Australia Bank Ltd.

These buyers accounted for 7.2 percent of **purchases** of existing properties, compared with 9.5 percent earlier.

Home prices across Australia's state and territory capitals rose 10.2 percent over the year through July from a year earlier, according to the RP Data-Rismark Home Value Index. Sydney and Melbourne led the gains, with values climbing 14.8 percent and 11 percent, respectively.

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