

FINANCIAL REVIEW

SE **Property**
HD **Free access for China after FIRB lifted**
BY Larry Schlesinger and Matthew Cranston
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Chinese investors will get almost unfettered access to Australian **commercial** real **estate** under new Foreign Investment Review **Board** rules that form part of the **China**-Australia Free Trade Agreement.

Under ChAFTA, private **Chinese** investors will be able to **buy commercial property** up to a value of \$1.078 billion - well above any **commercial** investment to date - without requiring FIRB approval, putting them on an even footing with US and New Zealand investors.

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The current **commercial property** screening threshold is just \$54 million.

Changes to the **commercial property** screening threshold were confirmed by a spokesman for the Department of Foreign Affairs and Trade. They bring **commercial property** FIRB rules in line with private business investments screening thresholds under ChAFTA.

Existing arrangements for the screening of foreign investment in **residential** real **estate** remain unchanged.

While FIRB did not block any foreign investment proposals in 2012-13 and just 13 real **estate** proposals in the previous year, **Property** Council of Australia chief executive Ken Morrison said the significant raising of the threshold would encourage more investment "in any case". "It's certainly a good thing."

Mr Morrison said ChAFTA would create a two-way flow of investment despite **Chinese** government's restrictions on **property** ownership.

"It will create opportunities for Australian **property** developers and **property** service providers. The amount of construction under way in **China**, presents a huge medium-term opportunity," he said. However, he said, restrictions on **Chinese** land ownership - typically 40 to 50 year leaseholds for **commercial property** and 70 years for **residential property** - would play on investors's minds, while issues of transparency and the certainty of law still made real **estate** investment in **China** difficult. But, he said, the framework of the ChAFTA would create "more evenhanded access for Australian investors". "More investors will have a second look at **China** and investigate opportunities," he said.

Michael French, partner at Norton Rose Fulbright Australia, said lifting the FIRB screening threshold for **commercial property** investment was a positive step forward. However, he said, changes to enable the government to screen investment proposals in agricultural land valued from \$15 million and agribusiness from \$53 million could be seen as a negative step by **Chinese** private investors.

Minter Ellison corporate lawyer Matthew Hibbins, who has worked in **Hong Kong** on cross-border deals, said: "In the last 18 months we have seen a trend of increasing investment in Australia from the **Chinese** private sector across a range of assets classes.

"The liberalisation of Australia's foreign investment rules for the **Chinese** private sector will unlock significant investor interest from this sector in **commercial** real **estate** and Australian business generally," he said.

Baker & McKenzie's head of **China Group** in Australia John Mollard, who spent seven years in **China**, welcomed the new changes. He said they levelled the playing field with other recently signed FTAs.

Key points **Chinese** investors will be able to **buy property** up to \$1.078b, equal to US or NZ. Ken Morrison of the **Property** Council says ChAFTA would generate a two-way flow, despite **China's** restrictions.

IN ireest : Real Estate | icre : Real Estate/Construction

RE china : China | austr : Australia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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