REUTERS

HD	**China graft crackdown helps drive money into Australia property**
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SYDNEY, Aug 14 (Reuters) - More wealthy **Chinese** are moving their money out of **China** to invest in Australia's **property** market as a corruption crackdown in the world's second biggest economy gathers momentum, **property** consultants and lawyers said.

They said their clients had told them they had legitimate funds to invest but were concerned about being caught up in an investigation, which in **China** often delves into the affairs of dozens of associates of the main target, and losing that wealth.

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"What we see at the moment is that there are more **Chinese** who would likely send more money out of the country so they don't get caught up in this crackdown," David Green-Morgan, global capital markets research director at real **estate** services **firm**Jones Lang LaSalle (JLL), told Reuters.

It's one of the most visible signs of the fear being caused in **China** by President Xi Jinping 's 18-month-old drive against the pervasive graft that he says threatens the Communist Party 's survival, a fear that is even causing some officials to take their own lives.

Beijing's campaign has particularly targeted so-called "naked officials", the term for state employees whose spouses or children live overseas. Those officials are generally suspected by the party of using such connections to illegally move assets.

Ordinary **Chinese** citizens can legally transfer only $50,000 overseas each year, but vast sums leak out of **China** using a variety of loopholes, such as funnelling money through the **Chinese** territory of **Hong Kong**.

"The restrictions in **China** are becoming more onerous," Green-Morgan said. "That's triggered an increase in the amount of money that's looking to move out of **China** or probably is already outside of **China** and is looking to be spent."

SAFE HAVEN

Australian **property** has long been a popular choice for **Chinese** money - both legitimate and illegitimate - but the flow of investment appears to have accelerated of late.

According to Australia's foreign investment review **board**, **China** was the No.1 source of foreign capital investment into Australia's real **estate** in 2013. It received approvals to invest nearly A$6 billion ($5.58 billion) into the sector, up 41 percent from a year ago.

"They are worried so they are looking for a safe place," said a Sydney-based immigration lawyer, who is advising on setting up a new fund exclusively for **Chinese** investors and regularly travels to Beijing and Shanghai.

"They don't want returns, not necessarily. They want a safe place," he added.

China is expected to see an annual growth of 20 percent in outbound real **estate** investment in the next decade, up from $11.5 billion last year, **property** agent Savills has forecast.

That will help push Chinese demand in Australian property by 15 percent over the next 12 months, said Andrew Taylor, co-CEO of Juwai.com, the largest real estate portal that targets Chinese buyers looking abroad.

Such strong interest is likely to boost Australia's apartment construction, which is set to hit record levels by 2017 and remain elevated through to 2020, Brokerage CLSA said in a report this month titled "The Magic Dragon".

FAVOURED DESTINATION

Wealthy Chinese have long been pouring money into real estate in major cities in North America, Europe and Asia, including New York, London and Sydney.

But some of their favourite markets are becoming less attractive for Chinese investors: A 15 percent stamp duty introduced for foreign buyers in Hong Kong and Singapore, where cash-rich mainland Chinese had been blamed for driving up prices, has cooled interest, while Canada recently cancelled its Immigrant Investor Program, popular with wealthy Chinese.

Australia, in contrast, may ease rules on a visa scheme aimed at luring investment from wealthy Chinese after complaints that disclosure requirements are too strict, lawyers and migration agents have said.

Australia is now the second-most favoured destination for Chinese property buyers, behind the United States but ahead of Canada and Britain, according to Juwai.

Property investment into Australia provides an emigration option to Chinese buyers and can also establish a base for their children's education in an English-speaking country.

It also offers the kind of robust, independent legal system sought by those looking to shield their assets from the Chinese authorities.

"A somewhat more disturbing motivation for emigration and shifting capital out of China is that many are seeking protection of their wealth for both economic and political reasons," CLSA's Andrew Johnston said, without elaborating.

TIP OF THE ICEBERG

An Australian government inquiry into foreign residential real estate investment policy is due to report on Oct. 11, but consultants and researchers Reuters spoke to did not expect any rule changes that could hurt the construction sector.

Existing regulations restrict non-residents to buying only new-build property.

Chinese property developers have been aggressively investing abroad to cater to domestic demand and to diversify their assets in response to a cooling property market at home.

Hong Kong-listed Wanda Commercial Properties has set up a $1.6 billion fund to invest in Australian real estate, while China's Greenland Holding sold every apartment in a Sydney project last year within the first three hours for a total of 2 billion yuan ($325 million).

Century21 and Fairfax Media 's Domain.com, Australian real estate portals, have launched Chinese language websites, and REA Group recently announced that SouFun, a major real estate online marketplace in China, would carry Australian listings.

Australian developers are also flying to China to promote their properties.

"I think this investment is a tip of the iceberg," said Warren Duncan, director at real estate agent LJ Hooker. "It is such a small portion of developers and purchasers from China that have bought in Australia compared to the population of China. So, the trend will continue for a long time to come." ($1 = 6.1538 Chinese yuan) ($1 = 1.0757 Australian dollar) (Additional reporting by Clare Jim in Hong Kong; Editing by Alex Richardson)

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