



HD Fears locals being priced out of market by foreign investment

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Australia currently has some of the toughest rules for foreigners to **buy residential property**, but industry insiders say cheating is prevalent. Data on who's buying what is also sketchy, making the Government's inquiry into foreign investment in real **estate** a tough task. The House Economics Committee has just released the terms of reference for its inquiry into foreign buyers.

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The House Economics Committee has just released the terms of reference for its inquiry into foreign buyers.

It was launched in response to fears that locals are being priced out of the market by cashed up foreigners.

Business reporter Elysse Morgan.

ELYSSE MORGAN: Foreign buyers are being blamed for the heat in the **property** market. This is despite having some of the toughest rules in the developed world.

BILL FUGGLE: If we compare ourselves to our peers in places like New Zealand, the USA, Canada, the UK, those countries have very little, if any, restrictions on foreign investors.

ELYSSE MORGAN: Bill Fuggle is head of financial services at global law **firm** Baker & McKenzie.

BILL FUGGLE: By contrast, in Australia, if you want to **buy** an established **property**, you essentially have to be resident here.

ELYSSE MORGAN: Foreign investors can only **buy** newly-built properties, which is the Government's way of boosting construction. But there's scepticism. Real **estate** agents suspect that rules are being bent.

Bill Bridges, from Ballard **Property Group**, sells multi-million dollar established homes in Sydney's eastern suburbs. He's seen a big jump in interest, and says he always asks buyers whether their paperwork is in order.

BILL BRIDGES: The main answer to that is they say 'well, we'll take care of that, but that's not a problem.'

ELYSSE MORGAN: Mr Fuggle says buyers can easily circumvent the rules though, getting a resident to **buy property** on their behalf.

BILL FUGGLE: And that would be very difficult to detect, so I think it's quite difficult to police that, and anecdotally it seems to be a relatively prevalent activity.

ELYSSE MORGAN: Australian banks are also allowed to offer products which facilitate foreign nationals to circumvent the rules. To qualify for residency under the significant investor visa program, \$5 million must be invested in Australian government-approved products for four years.

Real **estate** is not an approved product, but Macquarie Bank is lending the \$5 million back to investors. Mr Fuggle says that money can then legitimately be put into real **estate**.

BILL FUGGLE: The proceeds of that loan are essentially unregulated money, and so they can then invest that in a more natural way as to whatever suits their investment style. So if they do want to invest directly into real **property**, they can do that.

ELYSSE MORGAN: The Foreign Investment Review **Board** is responsible for making sure people are playing by the rules. It didn't find one problem last year. Banking analyst Martin North says that shows regulations are weak.

MARCUS NORTH: Well I'm not sure that the policing is that real. I mean, it's process that everybody goes through, but if you think about the 6,000 applications that they receive every year, are they really going to look at every one?

ELYSSE MORGAN: The Government inquiry will examine the policing of the rules, and it will also be looking at the economic benefits of foreign investment. But it's very difficult to get cold, hard facts on who's buying what, for who, and what purpose.

A recent report on **Chinese** investment by Credit Suisse estimates that the **Chinese** are currently purchasing more than \$5 billion-worth of Australian **residential property** per year, and a further \$44 billion will be spent over the next six years. This was all based on information pieced together from the Foreign Investment Review **Board** - or FIRB - the Department of Immigration, and the Bureau of Statistics. Figures from FIRB can be more than a year and a half out of date by the time they're released, and Martin North says they lack crucial detail.

MARTIN NORTH: The FIRB numbers will record as a single application a set of units - let's say a hundred units being built on a new **site** - but that's counted as one application, and yet there are a whole bunch of individuals buying those properties.

Now we don't actually have data on the number of people who actually **buy** under one of those umbrella approvals.

So again, it's very hard to pin down the numbers.

ELYSSE MORGAN: Submissions to the inquiry are due by Friday, May 9.

BRENDAN TREMBATH: Elysse Morgan.

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