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HD **Meet the facilitators**
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Connections

Chinese and south-east Asian investors are spending more money on **property** in Australia than ever thanks in large part to the work of intermediaries, writes Samantha Hutchinson.

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Monika Tu ran a successful **company** importing computer accessories for 20 years before realising that the assistance she had been giving to **Chinese** friends trying to find homes in Australia was a business opportunity in its own right.

A fast-talking extrovert with a penchant for designer threads and an Australian permanent resident since 1992, the Shenzhen-born businesswoman had been acting more and more as an informal go-to point for what seemed like every **Chinese** family wanting to move to Sydney.

Chinese friends wanted to know where to **buy**, what schools to send their children to and which agents were known for delivering a good service. Also, did she know if there were any houses on the waterfront with five bedrooms they might like?

Her **company** Black Diamondz **Property** Concierge opened in early 2009, and has turned over more than \$100 **million** in **property** sales in the past 18 months. It has also been linked to some of the most high profile, and highest grossing sales in Sydney to **Chinese** buyers.

Tu is the first to admit that what she does isn't rocket science, but is adamant that she is in a position to deliver a service to **Chinese** and south-east Asian clients and local agents and vendors that few are able to deliver. "I've been here long enough to understand both cultures," she says. Good connections

A solid contact book also sets her apart. A former employee of **China's** Department of Foreign Affairs, she describes herself as having a "high profile" in **China**, with a "good connection" to the government and across various industries – a network furnishing her with a steady flow of well-heeled clients in search of good education, clean air for their families and a secure investment. "Doing business in **China** is all about relationships, it's about contacts and trust; and in the same way normal people might not trust car salesmen or real **estate** agents at first, once you build that trust, everything else comes easily," she says.

Tu stands out as one of the many players that have positioned themselves to take advantage of the wave of **Chinese** and south-east Asian buyers rewriting the course of Australian **property** history.

The most recent figures available from the Foreign Investment Review **Board** show **Chinese property** investment during the 2011-2012 financial year was worth \$4.2 **billion**, with **China** the third-biggest foreign investor in the domestic **property** market, behind the US (\$8.16 **billion**) and Singapore (\$5.7 **billion**).

Sydney trophy home Altona at Point Piper **sold** in May 2012 for \$53 **million** to **Chinese** businessman Xiuzhen Ding. Another Point Piper waterfront home owned by Seven executive Bruce McWilliam **sold** in April for \$33 **million** to Forbes Rich Lister and Cubbie Station buyer Qiu Yafu.

In Melbourne this week, private **Chinese** investor Fu Wah International **Group** snared one of the country's prime **hotel** sites, the **Park** Hyatt Melbourne for \$135 **million**, continuing a wave of Asian-**lead** investment.

The **sale** comes in the wake of a string of deals to offshore investors at blisteringly high prices, including **Chinese** developer Greenland's \$45 **million purchase** in October of a four-hectare parcel at Flemington Racecourse for a future high-rise development which could have an end value in excess of \$500 **million**. Title lasts forever

The opportunity to own land outright on a freehold title, rather than the standard 70-year leases granted in **China**, is one reason why developers are choosing to **buy** land in Australia. "It's simple, you **buy** the **site** and don't lose the title – ever," managing director of developer Antaeus, Stanley Lei says.

Having no caps on the number of properties an individual can **buy** in Australia is also another incentive.

Families living in Beijing are restricted to owning just two apartments. "Policies like this have driven **Chinese** locals to outside **China** to invest," Lei says.

Clean air and a relatively pristine natural environment is another drawcard, as is Australia's range of universities – well-respected in global standings, according to CBRE **residential** head David Milton.

"The investors I see are typically following their children who went to uni here, but once they get here they see it as a great place to live and a safe place to invest," he says, adding: "this wave of investment is hardly a new thing.

"The **Chinese** have always invested in Australian **property**, but the biggest change is what used to be quite a small investment is now turning into something big."

Tu sees herself as a bridge between two cultures and describes her role in the **property** business as being as much about cultural orientation as being an intermediary. "I think I know how to help. I've had the experience from finding friends' houses and I am an investor myself. I was a new migrant and I help new migrants."

The buyer: Matthew Xu

Chinese-born Australian resident Matthew Xu (pictured above) was one of the hoards who snapped up apartments in **Chinese** developer Greenland's **residential** tower midway through construction on the **site** of the former NSW Water **Board** headquarters in Sydney's CBD.

An accounting graduate from Xi'an in **China**'s north-east and now studying towards his CFA (Charter Financial Analyst) exams, Xu paid around \$1.05 **million** for a two-bedroom **apartment** in what is slated to become Sydney's tallest **residential** tower.

It is his fifth investment **property**.

Xu arrived in Australia in 2009 after an aunt in Sydney suggested he try out for a Masters of Finance at the University of New South Wales. He arrived on a student visa but quickly found the combination of fresh air, green open space and range of great job opportunities was a compelling proposition to make a life in Australia. Better value to **buy**

He became a permanent resident and embarked on his first **property purchase** as soon as he could to avoid paying what he found exorbitant rents.

"It was so expensive ... I realised it would be better value to **buy** as soon as I could," he says. He now owns apartments in Little Bay, Macquarie Fields, Burwood and Rhodes in addition to the recent **purchase** in Sydney's CBD.

Xu has bought some of the apartments on his own. Other apartments, including the one in the city, were funded with help from his parents, who run an agricultural business in **China** and invest in equities. They are happy to invest in Australian **property**, he says, because it's a much more secure investment than **property** in **China**.

"**Property** prices have gone up so much in **China** and a lot of people think there is a bubble," he says. "I think it's actually safer to invest here and I can get a good return."

Affordability is also an issue, Xu says, adding that an **apartment** in Beijing equivalent to his central Sydney flat would cost around \$2 **million**.

"The prices are too high," he says of Beijing. "And people are scared in a few years the prices will go down a lot." A lower Australian dollar has also made investment more attractive.

His parents are unlikely to ever move to Australia but now that he's married and working as an accountant, he's here to stay.

"It's a beautiful country here, and the environment is so much better. **China** has really bad air quality and terrible pollution. It makes a big difference." SH

The new deal

Local agents have long accepted that Ferraris and a protracted negotiation process are par for the course when dealing with Asian **property** buyers. But a new crop of buying and selling practices, including "net-to-vendor" agreements, are ruffling feathers.

A number of high-profile exchanges have been negotiated using the net-to-vendor model, which builds an additional "facilitation" fee into the **sale** price, agents say.

A Sydney-based agent speaking on the condition of anonymity says he has seen instances where an intermediary involved in the deal will demand an introduction fee, taken either out of the agent's commission or as a proportion of what the vendor receives.

In these agreements, the fee is shared between the buyers' agent and the numerous lawyers, accountants and in-betweens who put the deal in train by introducing a prospective buyer.

It's a practice some local agents call "unconscionable".

"I'm not sure how practices like that fly in Europe or Asia but, frankly, I think it's just taking advantage of buyers," said one agent. "I mean, they're paying a substantial margin to these groups, and the higher price may not necessarily be reflected in the value of the home." Vendors are missing out too, he says, and are receiving less than they should for saleable, good-quality **property**.

Other local agents say they understand the custom and are prepared to play ball, arguing it takes a lot of people to convert a businessman, living in one of **China's** industrial cities and pondering an investment in Australian **property**, into a buyer signing a deed of exchange.

"I think some people forget these clients are living thousands of kilometres away and, in many cases, have never visited Australia," an agent in Sydney's eastern suburbs said. "It can take a lot of work and numerous introductions to get them to the point where they're seriously thinking about a **purchase**, not to mention time spent building trust." SH

The local developer: Anne Bi, B1 **Group**

Almost 25 years after arriving in Brisbane as a student, where she slept in the corridor of a crowded house, Anne Bi (pictured right) has built the tallest **residential** tower in Parramatta, NSW, and is midway through construction of a \$200 **million** project with 210 apartments in Sydney's Burwood.

A Beijing-born Australian citizen, Bi turned her first dollar in the early '90s buying and running a **Chinese** restaurant in Brisbane. She **sold** the restaurant two years later, taking the profits back to **China** to start a micro-brewery, before returning in 1995 as a permanent resident.

"It's great weather and a great environment, and I thought it was a good place for my kids," she says.

Bi's business portfolio includes **property** and manufacturing interests in **China**, and fast-food chain Thai Noodlist in Sydney's CBD. While her foray into **residential** development came comparatively late in life, she says development was always her goal.

"When I first came here, I slept on a timber floor. I wanted to live in a big house and to build buildings so that people could have their own. Everyone wants their own home – it's part of **Chinese** culture."

Bi bought a **site** in Parramatta's Church Street on the eve of the global financial crisis in 2007 and began building in 2010. Early funding for the \$70 **million** project came from the Arab Bank of Australia, which came on **board** when local banks knocked her back.

She now gets funding from a combination of the big four local banks. A number of **Chinese** "friends", whom she declines to name, have also helped, but she is adamant the money is not from **Chinese** banks.

She likes Australia for the regulatory certainty and transparency that she says don't exist in **China**. "The government is supportive here ... whatever the law says, you have to follow it. It's not the same in **China**."

Offshore buyers make up less than 10 per cent of sales in B1's buildings in Parramatta and Burwood. "If you're building a good product, local buyers don't care if the developer is Asian, Singaporean, Malaysian or whatever. They think you're all on the same level, and they're just as supportive," Bi says.

The offshore developer: John Yuan, 88 Construction and Stanley Lei, Antaeus

Builder John Yuan and developer Stanley Lei cut their teeth running large-scale construction and development projects throughout **China** and Canada, but in Australia, they're only just getting started.

88 Construction is the local building arm of Shanghai developer Heng's Corporation, which has built Shanghai's High Court and other major projects across all **property** sectors in **China**. Antaeus is Heng's local development arm.

The two groups have completed about 150 townhouses and apartments in Sydney, between Parramatta, Strathfield and Killara, and have almost 200 townhouses in the pipeline in Adelaide and Sydney, with more to come. 88 Construction prefers **Chinese** banks for funding, allowing them to borrow against the **group's Chinese** portfolio.

Antaeus chooses local banks, which know the local market better and are happy to take on more risk, Lei says.

Alongside the good, natural environment, high-quality education, and a growing economy, Lei lists regulatory certainty as the key drawcard for Asian-based developers.

Certainty and transparency are also prized by buyers, he says. "They're actually coming to Australia because they want to deal with a business environment where everything is transparent ... where companies have to file accounts every year."

Yuan says the broader **company** feels they can rely on Heng's customers in **China** to **buy** the brand in Australia.

"Our buyers feel comfortable with the product in **China** and so they like it in Australia ... they like to come back to us," he says. SH

The agents: Mark Manners and Richard Simeon

Fresh off the plane from the Shanghai Luxury **Property** show and from opening a Shanghai office, Sydney agent Mark Manners knows why **Chinese** buyers have their eyes on Australian **property**.

"I was there when the pollution count got up to 600 [micrograms per cubic metre].

"The smog was orange. It made your eyes water and tasted gritty in your mouth," he says.

Alongside business partner Richard Simeon, the Mosman-based **property** veteran has **sold** more than \$100 **million** in **residential property** to **Chinese** buyers in the past 18 months. With a new business and online portal targeting buyers outside Australia, Manners reckons they're on track to better that performance. "We recognise at the top-end – from \$5 **million** – the **Chinese** are very good buyers for quality **property**. For homes over \$10 **million**, locals just aren't looking," he says.

Offshore buyers are harder to pre-qualify, he says. "Groups turn up and you don't know who the buyer is".

Apart from opaque identities, offshore buyers have a multitude of needs: agents to drive them round, show them schools and offer a more, personalised service. "But it's worth it", Manners says.

"There's a limit to how much the local market will pay. You have to have an international strategy to attract buyers, and local vendors are already in touch because they know it too." SH

The dealmaker: Mark Wizel, CBRE

Melbourne-based agent Mark Wizel has **sold** \$937 **million** in inner-city **commercial** and **residential property** to **Chinese** and south-east Asian developers in the past 30 months. Two deals sealed before Christmas will add more than \$60 **million** to the total.

On the Wednesday before Christmas, Wizel showed a Singaporean developer, World Class Land, around the Southbank **hotel** and **residential** tower Australia 108. WCL lodged a non-refundable \$500,000 deposit for the **site** by 7pm, and after three days of due diligence, the deal closed for \$42.3 **million** on Christmas Day.

It's a swift move, but Wizel says it's the sort that local developers need to expect more of as interest from **Chinese**, Malaysian and Singaporean investors grows. "Everyone looks at recent **sale** prices and says 'this is an abnormal market', but that's no longer the case. This is a normal market. Developers need to realise if you can't compete, you're going to be left out."

Asian investors typically prefer sites which are already built, or those which already have development approval. Once they've got them in their sights, they're prepared to bid particularly hard for them.

"I think local developers could find themselves pushed out further and further from the CBD ... these new investors have got the money, and I haven't seen anything like it," he says. SH

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