

SE RealEstate
HD **Asian invasion just hot air**
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If you believe what you hear from some excitable commentators, every capital city in Australia is under attack from billionaire **Chinese** investors, who fly over from Beijing for the weekend, **buy** up properties and then head home to plan where to spend their next \$50 million.

The claim is that they are pushing **property** prices through the roof and leaving Australian families homeless.

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Much of the hype is based on anecdotal evidence from real **estate** agents about high numbers of "Asian buyers" bidding at auctions. Real **estate** agents are no doubt well aware of what is happening on their turf, but unless they have some numbers on actual foreign citizens buying **residential property**, it is dangerous to make generalisations.

The numbers being reported, include that **Chinese** investment in Australian **property** tripled between 2007 and 2012; and \$4 billion in foreign real **estate** investment was approved by regulators in 2010-11.

These are misleading, as they do not differentiate between **commercial** and **residential** real **estate**.

Commercial includes factories, farms, office blocks and retail outlets, which cost much more than an average three-bedroom house in the suburbs. A good example is the Sydney Opera House car **park**, which went to market last year with a potential \$80 million price tag.

Colliers International director of investment sales Steam Leung identified **commercial** real **estate** as the most popular investment choice for foreign buyers.

"We're receiving interest across a range of asset classes from farmland and wineries through to retirement, **hotel**, retail and large office building assets," Mr Leung said. "The most common are seeking **commercial** offices and **residential** sites." **Residential** real **estate** has different rules. Foreign investment in **residential property** is regulated by the Foreign Investment Review **Board** (FIRB), which outlines the government's policy as follows: "Foreign investment in **residential** real **estate** should increase Australia's housing stock ... the policy seeks to channel foreign investment in the housing sector into activity that directly increases the supply of new housing and brings benefits to the local building industry and its suppliers ... all **residential** real **estate** applications are considered in light of this overarching principle." Under FIRB regulations, foreigners can only **buy** a new dwelling, which must be **purchased** directly from the developer and cannot have been previously occupied for more than 12 months; a vacant block of land for **residential** development, and construction must commence within 24 months of approval; or vacant land for the development of multiple dwellings.

The only way foreign investors can **buy** an established **property**, is if they knock it down and develop multiple residences on the **site**.

If the **property** is uninhabitable, they can replace it with a single residence. In either case, the properties cannot be rented out prior to redevelopment.

Because foreigners can only **purchase** brand new or off-the-plan, we can assume the “Asian packed” auctions of established houses in Chatswood, Eastwood and Epping are actually auctions full of Australians, who happen to have Asian ancestry.

If you have been granted residency or citizenship in this country, you should be able to **buy** a home or investment **property**.

Modern Sydney is an ethnically diverse city. I am yet to hear anything about Italian buyers in Leichhardt, the British in Bondi, or the Vietnamese uptake of affordable homes in Cabramatta.

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