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HD **Offshore residential development interest**

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Offshore investors significantly ramped up their spending on existing residential property in 2012-13, the latest Foreign Investment Review Board (FIRB) report shows.

In total the FIRB granted 5101 approvals to buy existing property worth $6.36 billion, up more than 50 per cent on the $4.18 billion in approvals granted 2011-12.

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NSW and Victoria accounted for nearly half of all existing residential investments made by buyers with temporary residence status; figures also showed that Chinese investors surpassed the US and Singapore as the largest buyers of Australian residential and commercial real estate.

Kevin Stanley, principal of property economics consultancy Deep End Services, said the latest figures suggested changes in foreign investment patterns, principally, that Asian investment in luxury waterfront residential property in Sydney and Melbourne may have "had its moment".

"The 2012-13 rise in existing dwelling investment suggest there was a shift towards the luxury end of the market.

"Asian investors are quite opportunistic. They invested in the luxury market when prices were lower, but once they go up they look elsewhere for better value."

Mr Stanley said seeking better value might take the form of greater appetite for off-the-plan apartments and vacant land to build new homes, with approvals rising for both of these categories in 2012-13. "There will still be appetite for luxury property, but it will be more stable in 2014," Mr Stanley said.

The FIRB report showed a steep drop-off in the number of apartment projects developers were looking to sell in bulk offshore (down from 70 to 50); this suggested greater appetite from local investors for new apartments. "Local investors don't show up in the FIRB numbers, but we know investment loans are at an all-time high, "Mr Stanley said.

The pick-up in demand for vacant residential land was particularly strong – more than doubling in value to $1.39 billion; there was also a rise in the number of vacant commercial property approvals (from 80 to 85) for likely conversion to residential use.

"This shows that overseas developers with appetite for residential development are coming into the market," said Tony Crabb, head of research at Savills. "Residential developers are just starting to move into the market. We're at the very beginning stages of that. They're showing greater confidence and sophistication."

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