

FINANCIAL REVIEW

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HD **Inquiry into home buying by foreigners**
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A powerful parliamentary body will consider whether tough new restrictions are needed on foreign investment in housing despite industry warnings supply could collapse if access is tightened.

Amid widespread community unease over claims **Chinese** buyers are artificially driving up prices in parts of Sydney and Melbourne, the inquiry will look at whether rules and policies are adequately spurring investment in much-needed new dwellings.

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The release came as a prominent **property group** said supply of new units in Sydney would collapse by as much as 30 per cent if offshore buyers were excluded in any way from buying apartments off the plan.

The chairman of the committee, Kelly O'Dwyer, said the inquiry was not focused on investors from any country in particular and would take a "very broad and holistic approach" to whether current settings were delivering the best possible outcomes for Australia.

Terms of reference for the House of Representatives economics committee probe show the hearings will seek fresh evidence on whether foreign investors are "directly increasing" the supply of housing and bringing benefits to local builders and suppliers.

"The over-arching principle of Australia's foreign investment policy, as it applies to **residential property**, is that the investment should increase Australia's housing stock," the committee said in a statement on Wednesday.

Some economists and real **estate** experts have warned a rise in investment from Asia threatens to do little more than drive up prices, effectively reducing affordability for local residents. But recent data suggests there has been a significant surge in planned investment into new dwellings, particularly apartments in the major cities. Foreign investment drives supply "If it weren't for foreign investment, there'd be 25 to 30 per cent less **property** on the market in Sydney," CBRE **residential** marketing head David Milton said.

Fewer international buyers would result in fewer pre-sales, which would have a rolling effect on lead times for developers and higher holding costs, ultimately dampening supply, Mr Milton said.

Ms O'Dwyer said this week the inquiry was not designed to be an anti-**Chinese** inquisition, vowing it would not be "whipped up into a frenzy."

Reserve Bank of Australia governor Glenn Stevens this month said it was up to politicians to address any community concerns about Asians buying **property**.

Colliers International said **Chinese** buyers had bought almost \$6 billion worth of **property** in the 12 months through June 2013, and were buying almost one in every five new homes.

Foreigners are generally blocked from buying established dwellings as investment properties or homes, however temporary residents can apply to **buy**. Despite those rules, the committee said there had been concerns "raised periodically" about foreign investment.

Other aspects to be considered include the economic benefits of foreign investment and how Australia's foreign investment framework compares with other countries.

The committee will accept submissions until May 9.**READ NEXT: Property** probe not anti-**Chinese**: Coalition

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