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HD **2014: Year of the Chinese developer**

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Kim Hawtrey, associate director at analysts BIS Shrapnel, has christened 2014 the Year of the Chinese Developer.

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"There is an X-factor in every cycle, and the X-factor in this cycle is the Chinese developer and the Chinese consumer," he says. "That is what is providing the high octane boost to this housing recovery."

In 2012-13 the Foreign Investment Review Board approved the purchase of $5.9 billion of Australian real estate by Chinese buyers. By number, it is a fraction of the real estate sold across Australia each year. But the buying is concentrated in certain markets, is high profile, and is politically charged.

It could also grow dramatically, or stop abruptly, depending on what happens in an economy, and a society, utterly different to that of Australia.

Credit Suisse research analyst Hasan Tevfik estimates the Chinese are buying 18 per cent of all new housing in Sydney and 14 per cent of Melbourne's.

"While Australia has some of the most unaffordable housing in the world, further strong Chinese demand can push prices even higher," he wrote.

"China is getting richer: there are currently 1.1 million Chinese that can easily afford to buy an apartment in Sydney. We estimate the number will rise by 30 per cent by 2020. This should support a further $44 billion of Australian residential property purchases over the next seven years."Short or long-term?

For Dr Hawtrey, the big question is whether this is cyclical shift, like the vivid but short-lived Japanese buying of the early 1990s, or a structural trend for the 21st century.

"We see grounds for believing this is a semi-permanent feature of the Australian market, particularly in Sydney, Melbourne and Brisbane," he says.

The shift has been underpinned by the intervention of Asian developers, like the China-based Greenland, in the inner cities of Sydney and Melbourne.

Leading analyst, and principal of Deep End Services, Kevin Stanley, estimates the Asian developers now have a pipeline – from site acquisition to construction – of 33,000 apartments.

With the Asian developers have come the Asian financiers. Many of the checks put on projects by the Australian banks no longer apply.

Whether long or short-term, this is a trend that needs to be understood.

If only because at some point the **Chinese** buying, and the impact on prices, will touch the Australian psyche.

Late last year the internet carried the story of a Melbourne auction conducted in Mandarin. Impossible to confirm, and strictly illegal, it touched many already struggling to **buy** a home.'Further engagement'

FIRB chairman, investment banker Brian Wilson, visited **China** last May to "further the **board**'s engagement with officials and potential investors".

His **board** could also further its engagement with Australians. (He claims it is, in his report.)

Even the experts find the FIRB annual report, released last week for 2012-13, tardy, lacking in meaningful detail and hard to reconcile with their own experience. In particular they tell nothing about the flow of credit. Local citizens could be buying with money from that $US7 trillion ($7.8 trillion) pool of **Chinese** shadow banks.

Hawtrey says the FIRB numbers give only part of the story. Tony Crabb, the research director of real **estate group** Savills, says the FIRB's numbers on approvals to **buy commercial property** are irreconcilable with Savills numbers on the actual investment in 2012-13.

Which is not to say they are wrong. Just that Crabb would like to know what is being counted. "The report throws up more questions than it answers," he says.

Deep End Services' Stanley says the broad FIRB numbers do not help market understanding, particularly of the link between offshore buying and price rises. "The FIRB should be able to release data on a finer geographical basis, then you could compare prices and make some conclusions," he says.

"This is one area where Australian **property** is not as transparent as it needs to be."

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