

FINANCIAL REVIEW

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HD **Foreigners illegally buy trophy homes**
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Real **estate** agents and **property** lawyers are willingly helping foreign investors to illegally **buy** prestige homes in Melbourne and Sydney, says buyers' agent David Morrell.

Mr Morrell said foreign buyers without the Australian residency requirement to own existing **property** and who did not speak English were buying up big land banks in blue-chip suburbs such as Toorak and Hawthorn while the Foreign Investment Review **Board** took no action.

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Mr Morrell likened the powers of the FIRB to "a slap in the face with a wet lettuce". He said **estate** agents, whom the FIRB relied upon to report foreign buyers flouting the rules, were looking the other way in return for higher commissions.

"The lawyers are also getting something out of it, so they're not going to dob in their clients," he said.

In his submission to the FIRB, Mr Morrell said the problem was most severe at the top end of the market (homes priced above \$10 million) and those priced between \$1.5 million and \$3.5 million in the inner cities.

He said **Chinese** nationals were buying homes at 20 per cent to 30 per cent premiums to the local marketplace, causing a domino effect where other vendors believe their properties are worth more, meaning local buyers cannot compete.

"At a recent Toorak auction, where the reserve was exceeded by 30 per cent, there were three **Chinese** nationals competing, neither spoke English or understood the process and literally just kept their hands in the air."

But he said a proposal to impose extra stamp duty charges on foreign buyers of real **estate**, which was reported in AFR Weekend, being considered by a parliamentary committee examining housing affordability would have no impact on the activity. "Foreign buyers will just wear it as a cost. It won't sway them." Harsher penalties

Rather, he said, FIRB rules needed to be enforced and there needed to be much harsher penalties for those that break the law. He also called for agents and lawyers to be disqualified and banned if they facilitated illegal deals.

Both the **Property** Council and the Housing Industry Association said they strongly opposed extra stamp duty charges being imposed on foreign buyers because ultimately Australian home buyers and the construction sector would suffer with few projects proceeding.

Nick Proud, the PCA's director of its **Residential** Development Council, said foreign investment played a critical role in leveraging additional housing into the domestic **residential** market.

"Every new home that a foreign investor **purchased** enabled up to four other homes to be built for Australians," he said.

"We have run the FIRB numbers and have worked out that foreign buyers have created between 15,000 and 20,000 homes for Australian buyers this year alone."

HIA chief executive Graham Wolfe said foreign investors were assisting in the creation of new house and land estates. "They should not be treated any different to local buyers," Mr Wolfe said.

"We should be enabling supply, not imposing a new tax when up to 44 per cent of the cost of a new house and land package is due to taxation," he said.

CBRE's Victorian director of city sales Mark Wizel, who sells many development sites to Asian buyers, warned against "knee-jerk reaction" from state or federal governments.

"There are a vast number of families out there that have Asian developers to thank for holding our development market together in the years following the GFC," Mr Wizel said.

"Builders, bankers, building suppliers, architects, engineers not to mention the government themselves, via taxes and levies, have all been fuelled by increased appetite from off shore developers in our capital cities.

Key points Agents and lawyers helping overseas buyers flout the rules to bank commissions and fees. **Chinese** buyers adding premiums of up to 30pc in blue-chip suburbs.

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