

# FINANCIAL REVIEW

SE Companies and Markets  
HD **Foreign buyers welcome**  
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WC 627 words  
PD 12 May 2014  
SN The Australian Financial Review  
SC AFNR  
ED First  
PG 32  
LA English  
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Australia's peak real **estate group** is urging the federal government not to tamper with foreign investment rules, and says the much-hyped effect of offshore home buyers on prices has been exaggerated.

Instead, foreign buyers play a vital role in increasing the supply of new housing through a preference for off-the-plan **purchases**.

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The Real **Estate** Institute of Australia has dismissed the influence of foreign buyers in the established home market as "negligible".

Offshore investors, including those from Asia, got the keys for a mere 0.1 per cent of dwelling stock in 2012-13.

The REIA makes a frank assessment in its submission to the parliamentary inquiry into foreign investment in **residential** real **estate**, which closed to submissions last week.

It is the one to become public from the inquiry, which is chaired by lower house MP Kelly O'Dwyer, whose blue ribbon seat of Higgins covers some of Melbourne's most prestigious **property** markets, such as Toorak and South Yarra.

"First home buyers are buying different stock to foreign investors," REIA chief executive Amanda Lynch told The Australian Financial Review.

"The preference for first home buyers is very clearly existing housing. Foreign investors are buying new properties off the plan."

Typically, offshore investors **buy** off-the-plan apartments in higher price categories. In the established market, foreign buyers are active in the higher brackets, so they are unlikely to be competing with the average **purchaser** or first-time buyers, the REIA found. 'Beat-up' about **Chinese** investment

The REIA chief said there had been a "beat-up" about foreign investment, with most attention on **Chinese** buyers in the **residential** sector. By comparison, US and Canadian investment combined into all Australian real **estate** – **commercial** and **residential** – outweighed total **Chinese** investment.

"There is a fear factor, of being taken over by foreign investment. When we look to the facts that argument does not stand up," Ms Lynch said.

"It's very much an emotive response which is all part of this beat-up. There's a lot coverage about Asian investors. We're keen to have a reality check."

Under current guidelines, foreign investors can **buy** new homes and off-the-plan dwellings, while temporary residents can acquire an established home to live in. The Foreign Investment Review

**Board** approved \$17 billion worth of applications to **buy residential property** in 2012-13 in a market with a turnover of over \$300 billion.

The REIA found that a "major contributor" to rising house price and declining affordability is the undersupply of housing.

"Unless supply is addressed the gap between supply and demand is forecast to widen to 375,000 dwellings by 2015," it said.

Much recent analysis of Australia's housing shortage was conducted by the National Housing Supply Council, until it was axed by the Coalition government when it took office last year.

Sydney agent John McGrath has backed the call to keep Australia's **residential** markets open to offshore investors, as other strong markets such as London and New York are. Mr McGrath said there was "no doubt" **Chinese** buyers had an impact on prices in a certain, limited Sydney localities, but "in the rest of Sydney, it's had very little impact."

In Melbourne, Jellis Craig agent Peter Vigano, who works the wealthy eastern suburbs, said the significant investment visa program had led to a resurgence in **Chinese** investors.

"There's a lot of **Chinese** coming in for one or two days, buying and then flying back off."

The REIA has recommended more stringent enforcement of the foreign investment rules and tougher penalties for breaching them. It has called for heavier fines for temporary residents who fail to divest **property** when they leave the country.

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<b>NS</b>	e1121 : Home Sales/Housing Affordability   ereal : Real Estate Markets   e11 : Economic Performance/Indicators   ecat : Economic News
<b>RE</b>	austr : Australia   sydney : Sydney   apacz : Asia Pacific   ausnz : Australia/Oceania   nswals : New South Wales
<b>PUB</b>	Fairfax Media Management Pty Limited
<b>AN</b>	Document AFNR000020140511ea5c00027