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HD **House prices raised by Chinese demand**  
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FINDING an affordable home in Sydney is only likely to get harder, with wealthy **Chinese** investors forecast to continue to pump money into Australian properties.

A generation of Australians is being priced out of the **property** market.

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There are currently 1.1 million millionaires in **China** who could easily afford properties in Australia's two most expensive markets, Credit Suisse says in a research note.

"A generation of Australians [is] being priced out of the **property** market. Many face a life- time of renting," Credit Suisse analysts Hasan Tevfik and Damien Boey said.

Using data from the Australian Bureau of Statistics and the Foreign Investment Review **Board**, Credit Suisse estimates the **Chinese** are buying 18 per cent of the new dwelling supply in Sydney, and 14 per cent of the supply in Melbourne.

Wealthy **Chinese** buyers have **purchased** \$24 billion of Australia housing in the past seven years, and over the next seven years an additional \$44 billion will be spent on **residential property**, Credit Suisse estimates.

"While Australia has some of the most unaffordable housing in the world, further strong **Chinese** demand can push prices even higher," the investment bank said.

That doesn't bode well for first-home buyers who struggle to break into the market. First-home buyer activity, as a proportion of total borrowers, is near record lows at 12.7 per cent of total loan approvals, according to the ABS.

First-time buyers in February comprised less than 10 per cent of all mortgages processed by mortgage broker AFG for the first time since June 2010.

The numbers are the most dramatic in NSW where first-home buyers were responsible for just 3.4 per cent of AFG mortgages, down from an already very low 4.5 per cent in February last year.

Over the last 12 months, **property** prices in capital cities have jumped 10 per cent, according to the RPData-Rismark home index.

The rise was most severe in Sydney, where prices rose 14.6 per cent, pushing the median house price to \$746,640.

**Chinese** buyers are currently spending \$5.4 billion a year on Australian properties, Credit Suisse said, with the split relatively even between new settlers and others, which include investors, developers and temporary residents.

"The combination of rising income levels, lower capital barriers and further ease of doing an international **property transaction** should ensure there will be even more demand from the **Chinese** in years ahead," the bank's analysts said.

The figures presented by Credit Suisse might even understate the true picture of **Chinese** investment in Australian **property**.

That's because there are alternative means to do so which fall outside of readily trackable measures of this trend, such as when a **Chinese** national provides the money for an Australian-based family member, friend or solicitor to **purchase** a **property**.

**NS**      areal : Real Estate Markets | e1121 : Home Sales/Housing Affordability | emhpr : Housing Prices | e11 : Economic Performance/Indicators | ecat : Economic News

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