

# The Sydney Morning Herald

SE **Commercial** realestate  
HD Foreign **property** demand buoys dollar  
BY Carolyn Cummins **Commercial property** editor  
WC 447 words  
PD 24 September 2014  
SN The Sydney Morning Herald  
SC SMHH  
ED First  
PG 25  
LA English  
CY © 2014 Copyright John Fairfax Holdings Limited.  
LP

The rise of foreign investment into the local **commercial property** market may have placed upward pressure on the value of the dollar, according to the Reserve Bank of Australia.

This comes as more properties are being earmarked for **purchase** by overseas investors, including GDI's \$129 million tower at 233 Castlereagh Street and DEXUS **Property**'s 201 Elizabeth Street, with the **China**-based Dalian Wanda **Group** said to be an interested party. These are earmarked for **residential** conversion, like the former Sydney Water **Boardsite** at Liverpool Street, being redeveloped by **China**'s Greenland **Group**.

TD

In its bulletin for the September quarter, the RBA says the cash inflows are still small relative to total capital inflows (\$93 billion in 2013), and the effect will have been mitigated to the extent that some foreigners financed their **purchases** by borrowing from domestic banks in Australian dollars, in part to hedge currency-related balance sheet risk.

But, the bulletin added, increased demand from foreigners has had several effects on **commercial property** markets.

"As noted by analysts, the strength in foreign demand has contributed to the recent increases in capital values, which have occurred even as leasing conditions have remained subdued," it says.

The report says the Foreign Investment Review **Board** revealed that the value of these overseas investment approvals has increased substantially in recent years, from \$11 billion in 2009-10 to nearly \$35 billion in 2012-13.

"Approvals to **purchase** established **commercial** properties increased most significantly, while approvals to invest in vacant land also increased from a low base," the RBA reported.

CBRE's head of research, Australia, Stephen McNabb, said Australia had attracted an above average share of capital primarily due to stable economic conditions, which have supported a higher interest rate and yield environment in comparison to other markets globally.

"Capital follows investment opportunity and Australia has stood out as a recipient of global funds due to strong growth in real asset accumulation while business investment in other markets stagnated," he said. "The associated growth in Australia's relative income saw a re-rating of prime rents in a global context in line with the stronger \$A. For instance, over the past decade, prime office rents (in \$US) in the Sydney CBD have doubled while many other established markets around the world have seen much less significant growth."

A new CBRE report shows that foreign investors have increased their balance sheet exposure to Australia by \$18.8 billion over the past 7½ years, with 68 per cent directed at office **property** and just over 29 per cent invested in retail assets.

CO rbkas : Reserve Bank of Australia | dwgrcl : Dalian Wanda Group Company Limited

**IN** i85 : Real Estate Transactions | icre : Real Estate/Construction | ireest : Real Estate | i8396 :  
Diversified Holding Companies | ibcs : Business/Consumer Services

**RE** austr : Australia | sydney : Sydney | apacz : Asia Pacific | ausnz : Australia/Oceania | nswals : New  
South Wales

**PUB** Fairfax Media Management Pty Limited

**AN** Document SMHH000020140923ea9o0004o