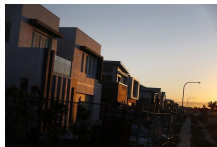


SE World
HD **Australia Looks to Tighten Regulations on Foreign **Property** Buyers; Move Aimed at Stemming Surging Housing Prices**
BY By James Glynn
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SYDNEY—Australia proposed strict new rules to control rising home sales to foreigners, a trend that is putting **property** prices out of reach of many first-time buyers and is politically hazardous for Tony Abbott's conservative government, whose support is slipping.

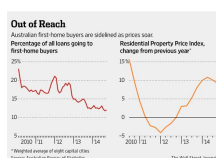
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A government committee assigned in March to probe overseas purchasing of Australian **property** issued recommendations Thursday. These included stiffer penalties for those breaching current rules, amendments to migration laws to detect offenders, and better resources for the foreign-investment watchdog to police foreigners' home-buying activity.

The move is aimed partly at stemming several years of surging **property** prices that have sparked public concerns about the affordability of houses and apartments. The worry is that foreign money from places like **China** and Southeast Asia is being channeled into Australian **property** out of sight of regulators.

The rules on **property** buying by foreigners were strengthened four years ago to restrict **purchases** to new dwellings only as a way to increase housing stock. Temporary residents were allowed to **buy** established homes, but required approval from the foreign-investment regulator, and then to sell them when leaving the country.

The committee made 12 recommendations for change. These include a cleanup of government procedures to help uncover illegal home buying, penalties for breaches of the current framework, punishments for third parties involved in rule-breaking, and law changes to ensure the immigration department informs the foreign-investment watchdog when a person leaves the country after their temporary visa expires.



The Foreign Investment Review **Board**, or FIRB, received sharp criticism in the report for failing to monitor illegal home **purchases** by foreigners. Lawmaker and committee head Kelly O'Dwyer noted that for several years, the FIRB had carried out no prosecutions, nor taken any action to force people in breach of the current rules to sell their properties.

"I regard the current internal processes at the Treasury and FIRB as a systems failure," Ms. O'Dwyer said in the report. "There have been no prosecutions since 2006 and no divestment orders since 2007. Suggestions that this is due to complete compliance with the rules is simply not credible."

She added that Australia needed more accurate data on foreign **purchases** of houses and apartments, and called for a national register to help monitor a buyer's residency status.

There is little hard evidence on the extent of foreign **purchases**, but National Australia Bank estimates they accounted for 16.8% of all new-**property** sales in the third quarter, a figure expected to rise to 17.3% next year.

Brian White, chairman of Ray White **Group**, one of Australia's biggest real-**estate** agents, said there had been a spike in foreign buying over the past couple of years.

"This is the first time there's been a significant investment by foreigners in **residential property**—it's unusual," he said. But he said the government should be wary of pushing back too hard, since a bigger housing supply was vital to a growing population.

Australian house prices have risen dramatically in recent years, with the cities of Sydney and Melbourne leading the gains. Record-low interest rates have fed speculative **residential-property** buying among Australians themselves, but anecdotal evidence points to the growing participation of foreign buyers—especially from **China**.

Housing affordability is a hot-button political topic in Australia, where first-time buying is near-record lows. House prices are up by about 10% from last year, and prices in Sydney have risen by closer to 15%.

The central bank is also worried about escalating house prices, even though the momentum has eased in recent months. The reserve bank has described the speculative buying as unbalanced and potentially dangerous to a fragile economic recovery. The central bank and the banking regulator will soon announce measures to combat the jump in lending to **property** investors, which has recently accounted for about half of all new mortgage lending.

Write to James Glynn at james.glynn@wsj.com

ART	Reuters New million-dollar homes are pictured under construction at sunset in southern Sydney on Aug. 14, 2014.
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