



**HD Special taxes considered by parliamentary inquiry into foreign real estate investors**

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Earlier this year, Federal Treasurer Joe Hockey tasked the House of Representatives Economics Committee with looking into the issue of foreign ownership of Australian real estate.

A key theme of the inquiry to date has been the lack of data on exactly how much real estate is owned by non-residents and temporary residents.

The latest Foreign Investment Review Board (FIRB) figures for the nine months to March show approvals jumped 93 per cent to a record high of \$24.9 billion, or about 13 per cent of total Australian real estate turnover.

At a previous hearing, the FIRB said its data could not be relied upon as a complete measure of foreign purchases, as it only measures approvals - some of these approvals do not translate into sales but, on the other side of the ledger, some foreign buyers flout the rules by failing to seek approval and thus do not show up in the figures.

Friday's hearing received various estimates from property industry figures that appear to show that these two factors currently roughly cancel out, making the latest FIRB data roughly accurate.

"In Melbourne we're at 15 per cent that would sell to foreign investors requiring FIRB, in Sydney we're 12.5 per cent and in Brisbane we're around 5 per cent," said Justin Brown from global real estate agency CBRE.

"For the financial year 2012-13, 13 per cent of our sales we're taken up by foreign buyers," concurred Meriton's national sales direct James Sialepis.

"Funnily enough it's actually down from 22 per cent the financial year before."

First home buyers have 'no guts, no money' says Triguboff

Meriton's founder Harry Triguboff, who has been developing apartments for around 50 years, says demand for real estate has generally eased off a little over the past couple of months.

"In the last two months the prices have not gone up, they've stopped," he told the committee members.

"It's not a mad rush to invest in property here by the foreign people."

Mr Triguboff was critical of the focus of the inquiry on foreign buyers, saying local government approvals processes, state fair trading departments and a requirement for underground car parks all played a large role in pushing up apartment prices.

He says there are actually very few people being locked out of home ownership by current prices, especially with interest rates finally being lowered to what Mr Triguboff sees as reasonable levels.

"The young ones that can't **buy** in the area they want, it's not many people by the way," he argued.

"They talk a lot. Why they talk a lot? Because they would like to **buy** cheap and sell dear, but they haven't got the guts and they haven't got the money."

Mr Triguboff also says that foreign investment is positive for locals because it boosts the supply of homes for them to rent.

"People are given places where they can rent, because even though the foreigner might own the **apartment**, the person renting is a local person," he added.

Apartments built for foreign investment

The issue of foreign investment in **residential property** is heated because people are concerned that Australian residents, and first home buyers in particular, are being priced out of the market.

At just over 12 per cent of owner-occupier loans being issued, and less than 8 per cent of the overall home loan market, the proportion of first home buyers is around record lows.

However, the Reserve Bank's head of economics Christopher Kent says it is likely that foreign **property** buyers are actually helping to boost the supply of new apartments, which may keep a lid on further price rises.

"Liaison suggests that often what's happening is a foreign developer is managing to get pre-approvals from foreign buyers, so something that hasn't yet been built," he explained.

"The foreign buyers say, 'Yes, we'll build in that development', and that has helped to get certain large projects off the ground which might not otherwise have been proceeded with in recent years."

However, real **estate** research **firm** RP Data's Tim Lawless says the current prevalence of foreign investment in certain inner-city areas, especially in Sydney and Melbourne, means much of the **apartment** supply that is being built may not suit most local first home buyers.

"I think that stock that's being built in the \$500,000 to \$600,000 mark, it is being built very purposely for foreign investment, I think you'll find, and there'll be quite a difference between what a first home buyer would be seeking and what a foreign investor will be seeking," he told the committee.

"So you're probably looking at one to two bedroom units max, with a very small square meterage, whereas a typical first home buyer for example would be seeking something more substantial, probably with a larger area."

Foreign buyer taxes?

Committee chair, Liberal MP Kelly O'Dwyer, repeatedly asked witnesses about what the possible effects of a special tax, fee or increased stamp duty on foreign buyers may be.

CBRE's Justin Brown said an increase in charges for foreign buyers in cities including Singapore and Vancouver had changed the investment preferences of international real **estate** investors.

"We have seen increased demand for Australian product [housing] when Singapore tightened its reins and when Vancouver tightened its reins," he observed.

The RBA's Dr Kent was less emphatic.

"I can't speak for the bank as a whole, [but] would it have an impact? One would imagine at the margins that it would," he responded.

The fact that both Liberal and Labor members of the committee asked witnesses about the possibility of special charges being imposed on foreign buyers shows it is under consideration.

Such a move would make domestic political sense in that it would raise extra revenue and dampen overseas **property** demand without affecting Australian voters.

However, it might face a backlash from local companies that are rapidly expanding overseas with **Chinese** language real **estate** websites and sales tours advertising Australian properties.

The more certain outcome of the committee's inquiry appears likely to be recommendations that extra data be collected around whether buyers are citizens, permanent residents, temporary residents or overseas investors.

RP Data's Craig Mackenzie says he has a relative simple cost effective suggestion of how to do it.

"More data about the **purchaser** - including their nationality, their residency status - could be captured at the time the **property** is transferred," he said.

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