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CHINESE buyers are breaking rules governing the **purchase** of Australian homes, the head of the Real **Estate** Institute of Victoria has revealed.

Enzo Raimondo, CEO of the REIV, said foreign buyers were purchasing existing houses, demolishing them and rebuilding new, bigger homes in Balwyn, Glen Waverley and other eastern suburbs.

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This is against Foreign Investment Review **Board** rules that state foreign buyers may not **purchase** existing homes.

They can only **buy** and demolish existing houses if they subdivide the block and build two dwellings. Or they may knock over houses that are "derelict and uninhabitable".

But Mr Raimondo said: "There's certainly heritage-featured homes that are quite habitable that are being bulldozed for huge French provincials selling for multi, multi-millions, three million.

"It may well be that some of that doesn't comply with the FIRB rules. "It's been going on for some time now." He said it was "obvious the majority of buyers in a certain area (are) doing this".

Kelly O'Dwyer, member for Higgins, which takes in Glen Iris, Ashburton and Carnegie, said "there might be occasions where people might totally disregard the rules".

She is chairing a federal parliamentary committee reviewing foreign investment rules governing **residential** real **estate**.

Ms O'Dwyer said the review would investigate whether there were "distortions" in the market due to the operation of the rules. "Is it increasing dwellings for Australians or are existing properties being **purchased**, making it more difficult to **buy** homes?" she said.

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