



HD **Chinese property** investment to be examined as House Economics Committee reviews foreign investment laws

BY By finance reporters Rebecca Hyam and Michael Janda

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With **Chinese** investors spending almost \$6 billion in Australia's real **estate** market last financial year, the Federal Parliament's House Economics Committee is examining the laws governing foreign investment.

Australia has become among the most popular **property** investment destinations for **Chinese** nationals, .

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Sydney and Melbourne attract the most interest, with some **apartment** blocks in those cities 100 per cent owned and occupied by **Chinese** nationals.

A Credit Suisse report estimated that 18 per cent of new homes in Sydney and 14 per cent in Melbourne are being bought by **Chinese** buyers, with up to \$44 billion of investment expected in the seven years to 2020.

Liberal MP Kelly O'Dwyer is chairing the House Economics Committee and told Radio National Breakfast that occupancy will be a key issue for the investigation.

"I think what there's concern about is whether or not apartments are being occupied," she said.

"So whether or not it's fulfilling the original mandate to provide additional dwellings that can be **purchased**, in the end, by other Australian investors and home owners."

Most foreign buyers are limited to purchasing newly built dwellings, with the policy aimed at ensuring overseas money adds to Australia's housing stock and does not push up prices for locals.

However, if many of the new properties are left vacant, then extra housing is not available on the market and therefore foreign investment does not add to supply in the short term.

The Credit Suisse report also found **Chinese** buyers are becoming the "marginal **purchasers**" - that is the people willing to pay more than most, consequently pushing housing market price expectations upwards.

Small part of the market

However, the chief executive of real **estate** analysis **firm** RP Data, Graham Mirabito, says there are plenty of willing local **purchasers** at auctions and in private treaty negotiations and they are a much bigger factor driving prices up.

"\$4 billion or \$6 billion of **Chinese** investment in Australia in a market that is around \$250 billion worth of **property** got **sold** last year," he told the ABC.

"Whilst it is significant - around 2 per cent if you take those numbers - if you have a look at the amount of investors in the market, just Australian investors in the market, nearly 40 per cent of the new activity that's currently going on the moment is for investors."

Ms O'Dwyer says the original mandate for foreign investment in **residential** real **estate** was to increase dwelling stocks and add jobs in the Australian construction industry, and the inquiry will determine whether those aims are still being achieved.

"The Reserve Bank governor made some comments in the recent parliamentary oversight hearing of the Economics Committee, where he said all foreign investment does have an effect on prices," she said.

"We want to know though whether or not the current laws and the current framework is being properly adhered to and whether it is a truly distorting impact."

The Opposition leader Bill Shorten says he welcomes an inquiry into foreign investment rules related to **residential** housing.

"On something as hot button as housing we need to make sure that housing is not being - the price is not being forced up for purely just investment reasons and, rather, there should be some priority given to making sure that the middle class of Australia can be able to afford to enter the housing market," he told reporters.

"I'm never concerned by people buying houses in Australia to live in them. We need to make sure that housing prices aren't the phenomena of purely tax policy or other economic priorities."

Mr Mirabito says the most useful change would be data collection by FIRB from real **estate** agents, both to ensure compliance with the existing investment rules and to give a more detailed understanding of who is buying how much.

"There's been a lack of information and transparency around this for quite some time, and we need to have some reliable data to make informed decisions," he said.

NS ereal : Real Estate Markets | efdi : Foreign Direct Investment | e11 : Economic Performance/Indicators | e51 : Trade/External Payments | e511 : Capital Movements/Invisible Trade | ecat : Economic News

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