



HD Chinese investors drive Australian property boom

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Property prices in Australia's major cities are booming, driven by record low interest rates and strong demand from overseas buyers.

The average house price in Sydney and Melbourne has risen by more than a third over the last year.

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According to the latest survey from RP Data and Rismark, Sydney's median house price has ballooned to \$824,000, which is a record high.

Melbourne's median house price sits a little lower at \$697,000 while Brisbane's has risen to \$509,000.

The record high prices have triggered concerns the market may be headed for a bubble.

Australian workers' incomes aren't keeping up with the rise, which is leaving the market open for a rising number of wealthy overseas investors.

According to a recent , Chinese buyers are currently pouring more than five billion dollars a year into Australia's residential market.

The bank says close to a fifth of new properties in Sydney were sold to Chinese investors this year.

Chief executive of McGrath Estate Agents, John McGrath says the current level of interest from Chinese buyers is quiet remarkable.

"The Chinese buyers have been around for some time in Australia but the surge in activity in the last twelve months is somewhat unprecedented," he said.

"I haven't seen such interest from an offshore market in thirty years. My thirty years in real estate anyway."

China experiencing property boom

Some analysts suggest the reason behind China's appetite for Australian real estate is that it's experiencing a housing bubble of its own.

The value of new home sales surged 27 per cent in 2013 year on year.

National investment in real estate development rose nearly twenty per cent.

According to a recent investment bank report, the richest one per cent of Chinese households is estimated to own about a third of residential property.

As that runs out investors are looking further afield.

Australian first home buyers forced out

There are concerns that foreign interest in Australian residential property is pushing up prices, making it harder for local first home buyers to enter the market.

A recent study by property research group Knight Frank, places Australia fifth among the world's most overpriced housing markets.

A **property** market is deemed correctly valued when local incomes are just high enough to **buy** or rent an average **property**.

By that measure, Australia sits only below Norway, Canada, Belgium and New Zealand.

Senior Economist with Australian **Property** Monitors, Dr Andrew Wilson says recent growth in some Australian capital cities can't continue.

"We're starting to see some early signs of affordability barriers starting to emerge in the market," he said.

"We've had very strong prices growth in Sydney over the past 12 months and this really is unsustainable."

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