

HD Concerns over **Chinese** investment in Australian homes "overblown"

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MELBOURNE -- A string of reports in Australian media have raised concerns that **Chinese** investors are buying too many homes and pricing local people out of the market.

Chinese buyers account for 18% of new home **purchases** in the state of New South Wales and 14% in Victoria, according to a report from Australia-based Credit Suisse analysts. The report estimates **Chinese** buyers to have bought up 24 billion Australian dollars (\$22.5 billion) in **residential property** in the past seven years and predicts they will **buy** nearly double that amount over the next seven years.

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Sydney-based Louis Christopher, managing director of **property** information **company** SQM Research, said that overseas investment in existing, rather than newly built, properties could become a problem. "The risk is that the prices rise beyond the actual income levels of the domestic population," he said.

Sydney-based Credit Suisse analysts Hasan Tefvik and Damien Boey wrote that **Chinese** buyers are currently purchasing more than A\$5 billion in Australian **residential property** a year, accounting for 12% of new supply. "We believe this demand will only increase as the **Chinese** become wealthier and the links between the two countries become even stronger."

Empty investments?

Those predictions, made amid speculation about the exact nature of the foreign investments, has triggered a Federal Parliament's House Economics Committee probe into whether foreign buyers of Australian **property** are actually living in the homes bought, as is required by law, or whether the properties are sitting empty, as investments.

"I think what there's concern about is whether or not apartments are being occupied," Kelly O'Dwyer, a Liberal member of parliament who is chairing the committee, told the Australian Broadcasting Corporation.

With the aim of increasing the supply of homes in the local market, Australia allows foreigners and temporary residents to **purchase** multiple newly built properties. Temporary residents can also **buy** existing houses, if they plan to sell them when their visas expire.

There were 12,025 approvals for real **estate** in the Australian financial year ended June 2013, up from 10,118 approvals in the previous fiscal year, according to the Foreign Investment Review **Board**. Despite the fears and frequency of articles about the subject in Australia's domestic media, the country's housing market has long been highly priced without pressure from overseas buyers, analysts said. The median home price in Sydney was a staggering A\$610,000 in February, up 14.1% over the year. In Melbourne it was A\$515,000, up 9.9% over the same time, according to RP Data-Rismark.

SQM's Christopher believes that the fear of foreigners as the single driving cause of rising home prices are "overblown."

"We have just too many other factors occurring such as low interest rates, a positive domestic economy where nominal gross domestic product is rising", he said. "We have a relatively low unemployment rate and a bit of depreciation in the Aussie dollar."

The Reserve Bank lowered Australia's cash rate to a record low of 2.5% in August 2013, and signaled as recently as March that "a period of stability in interest rates" would be the most prudent course.

"While there are some **Chinese** and other foreigners buying existing dwellings, I don't think it's happening en masse and I think we need to take it in the context of the number of properties being **sold**," Christopher said. Going by SQM Research estimates, the total turnover of Australian **residential property** last financial year was A\$240 billion, and approximately A\$150 billion of **commercial property transactions**.

In other words, the A\$5.9 billion in **Chinese property purchases** represented less than 1.5% of the total **property** market.

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