

HD **Chinese** flood new **property** market

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Close to one-fifth of new properties in Sydney are being bought by wealthy **Chinese** investors and the flood of money is set to continue. Using data from the Australian Bureau of Statistics and the Foreign Investment Review **Board**, Credit Suisse estimates **Chinese** buyers account for 18per cent of new **property purchases** in Sydney, and 14per cent of the supply in Melbourne. This does not include older **residential property**. "A generation of Australians are being priced out of the **property** market. Many face a lifetime of renting," analysts Hasan Tevfik and Damien Boey said. Wealthy **Chinese** have **purchased** \$24billion of Australian housing in the past seven years, and Credit Suisse estimates they will spend \$44billion over the next seven years. There was \$17.2billion worth of approved **residential property** investment from overseas in the year to June 30, 2013, down from \$19.7billion in the previous period, according to the FIRB. Foreigners

must seek approval to **buy** established real **estate** and rural land, but can **buy** up to 50per cent of a new building "off the plan". Of the 2013 total, \$5.6billion was approved for **residential** properties in New South Wales. That number may seem large, but across the whole **property** market the effect dissipates. There is, on average, a 6per cent turnover annually in **property**, according to the Reserve Bank of Australia. The total value of Australia's **property** market is \$5.02trillion, according to the ABS, so yearly turnover in the housing sector is roughly \$360billion. **Chinese** buyers are spending \$5.4billion a year on Australian properties, Credit Suisse said, with the split relatively even between new settlers and others such as investors, developers and temporary residents. The rise in domestic house prices, while marginally affected by **Chinese** investors, is a result of low interest rates, increased affordability and domestic investors, not foreigners, said Deutsche Bank economist Phil Odonaghoe.

"The point that gets lost in this debate very often is that nobody focuses on the rules, which are pretty clear for a foreign investor. The principle that guides the FIRB policy is that foreign investment should increase the housing stock," Mr Odonaghoe said. **Chinese** investors may be pushing new house prices higher, which is locking out local first-home buyers, but they are not the reason for rises in established home prices, Mr Odonaghoe said. That doesn't bode well for first-home buyers who struggle to break into the market. First-home buyer activity, as a proportion of total borrowers, is near record lows at 12.7per cent, the ABS reports. In February, first-time buyers comprised less than 10per cent of all mortgages processed by broker AFG for the first time since June 2010. The numbers are most dramatic in NSW where first-home buyers were responsible for just 3.4per cent of AFG mortgages. Victoria's first-home buyers took out 10.3 per cent of mortgages, down from 17.1 per cent last February.

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