HD **Chinese to splurge $39 bn on Australian homes: study**

WC 414 words

PD 5 March 2014

ET 17:39

SN Agence France Presse

SC AFPR

LA English

CY

LP

Wealthy Chinese will pour Aus$44 billion (US$39.4 billion) into Australian real estate over the next seven years, potentially pushing prices in one of the world's most expensive housing markets even higher, a study said Wednesday.

Investment bank Credit Suisse used data from the Foreign Investment Review Board and other government agencies to estimate the amount of Chinese investment in Australian residential property at more than Aus$5 billion a year.

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"They purchased $24 billion of Australian housing over the past seven years; we forecast they will purchase $44 billion over the next seven, to 2020," it said.

As the Asian powerhouse becomes richer, the ranks of those who could easily afford Australian real estate will swell beyond the current 1.1 million people, with implications for Australian home-buyers, it said.

"While Australia has some of the most unaffordable housing in the world, further strong Chinese demand can push prices even higher," it said.

"A generation of Australians are being priced out of the property market. Many face a lifetime of renting."

Australia has one of the most expensive real estate markets in the world on a house price to income ratio, while median house prices in Sydney and Melbourne have risen by more than 30 percent since the global financial crisis.

Chinese investment is welcomed by the Australian government, although it has become a sensitive issue after rural politicians warned against selling valuable farm and mineral land to foreigners.

The Credit Suisse report found that Chinese buyers -- some of whom are restricted to buying only new homes -- bought 12 percent of new housing nationally per annum, an amount considered insufficient to drive prices up across Australia.

But because they are concentrating their buying in the east coast cities of Sydney and Melbourne -- where they are acquiring 18 percent and 14 percent of new supply -- they were a much more powerful force in these markets, it said.

The report said that the emergence of the global property investor meant traditional valuation methods -- such as the ratio of house price to local income -- were becoming obsolete.

"Residents of central London have known this for some time. Many of which are well paid investment bankers but are still struggling to buy in the capital where many of the owners are wealthy individuals from the Middle East, North Africa and other parts of Europe," it said.

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IPD Australia

PUB Agence France-Presse

AN Document AFPR000020140305ea35004ed

