



**HD** **Sorting of Australia's tough foreign property rules 'prevalent', insider warns**

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Australia has some of the toughest rules for foreigners to **buy residential property** but industry insiders say sorting is prevalent.

Data on who is buying what is also sketchy, making the Government's inquiry into foreign investment in real **estate** a difficult task.

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The House Economics Committee, which was launched in response to fears that locals are being priced out of the market by cashed-up foreigners.

Bill Fuggle, the head of financial services at global law **firm** Baker MacKenzie, says Australia has greater restrictions than many comparable countries.

"If we compare ourselves to our peers in places like New Zealand, the US, Canada, UK ... those countries have very little restrictions," he said.

"By contrast, if you want to **buy** an established **property** you essentially have to be a resident here."

Foreign investors can only **buy** newly-built properties, which is the Government's way of boosting construction.

But there is scepticism with some real **estate** agents suspecting that rules are being bent.

Ballard **Property Group**'s Bill Bridges sells multi-million-dollar established homes in Sydney's eastern suburbs and says he has seen a big jump in interest.

He says he always asks whether paperwork is in order and "the main answer to that is they say 'Well, we'll take care of that, that's not a problem'".

Mr Fuggle says buyers can easily circumvent the rules by getting a resident to **buy property** on their behalf.

"And that would be very difficult to detect and I think it would be quite difficult to police ... anecdotally it seems to be a relatively prevalent activity," he said.

Australian banks are also allowed to offer products which facilitate foreign nationals to circumvent the rules.

To qualify for residency under the Significant Investor Visa program, \$5 million must be invested in Australian Government approved products for four years.

Real **estate** is not an approved product.

But Macquarie Bank is lending the \$5 million back to investors which can then be legitimately put into real **estate**.

The Foreign Investment Review **Board** (FIRB), which is responsible for making sure people are playing by the rules, did not find one problem last year.

Banking analyst warns regulation is weak

Banking analyst Martin North says this shows regulation is weak.

"I'm not sure that the policing is that real. It's a process that everybody goes through but if you think about the 6,000 applications they receive every year, are they really going to look at every one?" he said.

The Government inquiry will examine policing of the rules and look at the economic benefits of foreign investment.

But it is very difficult to get cold hard facts on who is buying what, for who and for what purpose.

A recent report on **Chinese** investment by Credit Suisse estimates that the **Chinese** are purchasing more than \$5 billion of Australian **residential property** each year.

Based on information pieced together from the FIRB, Department of Immigration and the Australian Bureau of Statistics, the report estimates a further \$44 billion will be spent over the next six years.

Figures from FIRB can be more than a-year-and-a-half out of date by the time they are released, and Mr North says they lack crucial detail.

"The FIRB numbers will record as a single application 100 new units being built on a **site** but that's counted as one application and yet there are a whole bunch of individuals buying those properties," he said.

"We don't actually have data of the number of people who actually **buy** under one of those umbrella approvals."

Lack of information fanning fears

The lack of information is fanning fears in the community, according to the Australia **China** Business Council's Jim Harrowell.

"I would hope that this committee, although the terms are very general, will actually get to the facts," he said.

The inquiry is also assessing whether construction has benefitted from pushing investors toward new stock, which Mr Harrowell says is certainly the case.

"There's no doubt that some **apartment** blocks are being built now because of this demand ... that wouldn't otherwise be built," he said.

Regardless of the inquiry's findings, Mr Fuggle says there will be no let-up in the money pouring out of **China** and into Australia.

, which must be received by Friday May 9.

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