

SE News
HD The breath of Chinese whispers
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SUNDAY EXPLAINER

A growing number of Chinese buyers are parking money in Australian houses but are they really responsible for pricing locals out of the market? Let's take a closer look, says Christina Zhou.

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■WHAT'S ALL THE FUSS ABOUT?

Increasing interest from Chinese buyers in Australian property is stirring up heated debate. They are snapping up off-the-plan apartments and making their presence felt at auctions of prestigious Melbourne properties - multimillion-dollar homes that are sometimes then left unoccupied or torn down. Some observers worry lax laws are encouraging land banking and asset hiding, at a cost to local residents and heritage.

Others say Chinese investors are driving up prices and displacing first-home owners or that buying expensive houses is a fast way for rich investors to gain permanent residence. Dog whistling, some scoff: the furore is anxiety about multiculturalism colliding with our national obsession - residential property.

■WHAT ARE THE RULES ABOUT WHAT FOREIGN INVESTORS CAN BUY?

Many pundits point out overseas investors can buy off-the-plan properties only with the Foreign Investment Review Board's approval.

But there are exceptions. Temporary residents can buy one established dwelling to live in, on condition they sell the property when it's no longer their residence. And temporary and non-residents can buy an established property for redevelopment, provided construction begins within two years.

Buying multimillion-dollar properties only to knock them down and rebuild is common near prestigious schools without heritage overlays such as Balwyn North and Glen Waverley.

For some Chinese families it's the only option to live in the area; others simply prefer new homes. And many of these buyers are locals who may be second or even third-generation Chinese.

■WHERE ARE THEY BUYING?

Overseas Chinese buyers typically target pockets of Melbourne, such as areas close to good schools, communities with cultural connections and residential growth zones.

Locals could find stronger competition in certain suburbs such as Box Hill, Balwyn and Glen Waverley.

But just like local buyers, offshore Chinese buyers can be split into different categories based on net worth, and this largely determines what and where they buy.

■ARE THEY PRICING LOCALS OUT OF THE MARKET?

Despite considerable media coverage of recent house price increases because of strong competition from **Chinese** buyers, the latest HIA-Commonwealth Bank Housing Affordability Report for the September 2013 quarter shows housing affordability was the highest since June 2002. **Chinese** and local buyers also typically target different properties. In the lower price ranges, many first home buyers are either looking for lifestyle or an affordable entry to the market; **Chinese** investors who **buy** off the plan are looking for a long-term investment. However, anecdotal reports suggest **Chinese** demand has contributed to rising prices in specific areas, such as Balwyn.

■WHY ARE THEY SETTING THEIR SIGHTS ON AUSTRALIA?

A combination of reasons, including education, migration and investment diversification. There also is no private ownership of land in **China**, with home buyers given 70-year leases.

Clean air and affordability are also drawcards.

Compared with major cities such as Shanghai, Australian real **estate** is a cheaper place to **buy** a **property** (large homes in a desirable location in major **Chinese** cities can easily cost up to \$10 million-plus).

The **Chinese** government is also actively encouraging citizens to **buy property** overseas to ease the heat in **China's property** market.

But while **China** may top the list of foreign investors in Australian **property**, data from Juwai.com, listings portal for **Chinese** buyers to find international **property**, shows **Chinese** buyers' top preference is the United States.

China poured \$5.9 billion into Australian **residential** and **commercial** real **estate** over the year to June 30, 2013, according to the latest Foreign Investment Review **Board** approval figures. But **Chinese** buyers bought \$8.2 billion worth of US homes in the 12 months ending March 2013, according to the National Association of Realtors.

■IS SOMETHING SINISTER GOING ON?

There is no doubt some **Chinese** buyers are moving their assets to Australia because of **Chinese** regulations limiting the quantity of **property** bought domestically and surveillance on citizens spending large sums of money.

But anxiety about **Chinese** investors as opposed to non-residents from other countries is perplexing.

According to Juwai.com co-chief executive Andrew Taylor, their numbers are increasing, but from a low base.

They have been catching up to investors from countries such as the United States and Singapore.

They surpassed them in the offshore buyer rankings only last year.

And while many in the **property** industry elsewhere spruik the idea that buying a mansion is a ticket to permanent residency this is not the case.

The Significant Investor Visa, that rewards complying investments of \$5 million Australian assets such as direct investment into Australian proprietary companies and government bonds, specifically excludes direct investment in **residential property**.

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