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HD **FTA throws spotlight on the farm**

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Real **estate China**'s laws on foreign investment are similar to ours, but farmland remains a notable exception.

When radio host Alan Jones on Tuesday asked with trademark rage, "Can Tony Abbott**buy** a farm in **China**?" the Prime Minister fumbled before Jones provided the answer himself: "No."

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Thanks to this week's free-trade agreement between **China** and Australia, the threshold for formal approval when buying **commercial property** in Australia for **Chinese** investors has moved from $54 million to $1.08 billion.

Next week a parliamentary inquiry is set to recommend changes to the **residential** buying rules.

Foreign investment in **property** is a far more sensitive issue than foreign investment itself. Many have an opinion, but Mr Abbott's on-air pause shows a lack of understanding about how other countries set their rules.

Roughly speaking, foreign investment in **property** around the world is classified as urban **residential**, **commercial** or farmland.

In Australia the regulation is governed by the Foreign Investment Review **Board** (FIRB). Foreigners cannot **buy** existing houses or apartments unless they hold a valid visa, such as a work or student visa, and they have to sell up when they leave Australia. They can **buy** anything newly constructed.

Based on FIRB numbers,Core Logic RP Data's national research director, Tim Lawless, says that 4.6 per cent of investment is made by foreign investors, or 13 per cent by value.

But he believes the data does not capture the true levels of foreign **property** investment. "I don't think the rules will be changed; I think they will be monitored differently," he said at a Core Logic lunch in Sydney on Friday.

The **sale** price restriction is designed to "increase Australia's housing stock", but its effect has been ambiguous. Farmland in Australia can basically be bought or **sold** without FIRB approval for sales worth up to $248 million.

That figure rises to over $1 billion for buyers from the United States and New Zealand – and now **China**.

Across the Tasman, the converse is true. Anyone can **buy** or invest in urban **residential property** in New Zealand, regardless of nationality. There is a category of sensitive land, which applies to farmland but does not apply to **residential** land. **Chinese** investors buying properties is a political issue in New Zealand, with the Labour Party even introducing a policy to try and limit certain foreign **residential purchases**.

In France in 2012, there was public outrage as the Chteau de Gevrey-Chambertin, a 12th-century heritage building with a two-hectare vineyard, was snapped up by investors from Macau. France's foreign investment rules, now largely dictated by the European Union, mean that foreigners can **buy** established houses there.

However, the French, as is their wont, increased taxes on second homes in 2012 and are considering a further rise. Despite these open rules, **property** prices in France have been falling.

Britain has very few restrictions on foreign ownership of **property**. Both the US and Canada have no restriction on foreign ownership of real **estate**, although the **sale** will attract **transaction** taxes. But in some US states, residents' associations have the right to veto foreign buyers of **property** in their **estate** or development.

China's rules are, perhaps surprisingly, not that dissimilar to Australia's. A foreigner wishing to **buy** a house or **apartment** must obtain a certificate proving they have lived or studied in **China** for a year and are buying the house for personal use only.

They must also guarantee it is for personal use and make the **purchase** using their real name. If they want an investment **property**, they need to set up a foreign **company** to apply for an "operations certificate".

But Alan Jones was certainly correct: foreigners cannot **buy** farms in **China**.

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