

SE Local
HD **Economic fears tipped to drive new wave of Chinese investment**

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TIGHTENING credit conditions and uncertainty over the economic outlook in China will drive another wave of Chinese money into Australian real estate, says former investment banker Bill Moss.

Fears of a wealth tax in China would also push investment offshore. "Money flows out every time you have a problem in a domestic economy," he said.

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Mr Moss, who spearheaded the Macquarie Group's move into apartment development in China in the mid-1990s, predicted housing affordability would grow in political prominence in Australia.

However, foreign investment also brought benefits, he said. "On one side, more construction stimulates the economy, with construction having one of the biggest multiplier effects, particularly in creating jobs."

State governments would reap benefits in stamp duty while investment would also flow into commercial and industrial property and the hotel and tourism sectors, which had been hard hit after the global financial crisis.

In the housing sector, heavy offshore investment created a false market, operating outside the fundamentals of local demand and supply. "It's a house of cards," Mr Moss said.

Chinese buyers spent \$5.4 billion on Australian residential property last financial year, according to investment bank Credit Suisse. In a report earlier this month, the bank estimated 18 per cent of Sydney's new apartments and homes were sold to Chinese buyers, while in Melbourne the figure topped 12 per cent.

Chinese buyers spent \$24bn on Australian housing during the past seven years, according to Credit Suisse, which forecast they would purchase \$44bn during the next seven years.

The bank expects the investment to flow deeper into the Australian economy. "As long as Australia remains open for business, we expect our companies should also benefit from the next stage (of Chinese investment)."

Developers, building material companies, banks and property websites would see Chinese investment. "We don't discount the possibility of a Chinese entity taking over one of these companies," the bank said.

Mr Moss, who has called on state governments to levy an extra 5 per cent stamp duty on foreign investors in a bid to ease housing affordability, expects to see more wealthy Chinese investors.

Most mainland Chinese purchases of Australian residential property have been under \$1 million, Mr Moss said. However as more sophisticated investors sought to move money out of China, funds would flow into luxury residential, and commercial and industrial real estate.

CO mcqbnk : Macquarie Group Limited

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