

Chinese buyers cool on property, but only for now

Real estate

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The large crowds of Chinese buyers prowling at auctions during the peak of the recent Sydney and Melbourne residential boom have all but disappeared, but property agents and lenders say they have not gone away.

Chinese buyers featured prominently in the east coast boom of 2012 to 2016 but local banks' clampdown on foreign lending, China's capital transfer restrictions and the Foreign Investment Review Board's surveillance of rule-bending Chinese buyers have pushed many out of the Australian market in the past year. China's increased control on foreign exchange at the end of 2016 did not help.

Chinese property website AC-Property has experienced a 30 per cent fall in inquiries, and while Chinese interest was still high, the "time taken to commit" was longer, co-founder Esther Yong said.

Even the luxury market – where funding is generally not needed – has been hit hard.

Chinese luxury agent Housel's Michael Zhu said one of his clients, with strong credentials, took two months to clear his purchase of an \$8 million home with the FIRB. In the end, the vendor backed out of the sale. Mr Zhu said there had been a 20 to 30 per cent drop in clients.

But many potential buyers are preparing for the next round of investments in Australia, off-the-plan platform iBuyNew chief executive Mark Mendel said.

"Active investors are still keen to buy and they are educating themselves on finance opportunities outside the market. For the rest if the banks start lending again, they will be back tomorrow, 100 per cent," he said. "The desire to buy in Australia, to own clean air and blue skies, is very strong."

After all the big four banks stopped foreign lending amid claims of false mortgage documentation and unsub-

stantiated income sources, buyers sought alternative funding and tightened up their paperwork.

Many agents in China have hired extra staff to help buyers put their tax and income papers together, said off-the-plan apartment platform investor-founder Jon Ellis.

"One of the important things to note is the regimen for mortgage applications in China is different. For the average investors coming to Australia [for the first time], they weren't ready. But they are getting prepared," he said.

Individual Chinese buyers were also still using their \$US50,000 transfer quota to buy property, albeit at a slower pace, Mr Ellis said. A Chinese citizen can transfer up to \$US50,000 (\$66,000) out of China each year.

Others were using private lenders, foreign banks and vendor financing.

Private lender Development Finance Partners, which has received \$200 million in foreign loan applications, recently launched a credit line for foreign purchasers of off-the-plan properties. Up until late last year, private lenders have mostly funded developers rather than individual buyers of new property.

DFP lends up to \$5 million at interest rates of about 8 per cent for purchases in Melbourne, Sydney and Brisbane at a loan-to-value ratio of 65 to 70 per cent.

Other buyers who have struggled to get finance had used Treasurer Scott Morrison's "lifecycle" announced last year allowing foreign buyers to buy an off-the-plan dwelling when another foreign buyer has failed to reach settlement, Mr Ellis said.

Many have also sought out their relatives or friends to take over their contracts, Mr Mendel said.

Chinese platform Juwai.com chief executive Charles Pittar said it was important for Australia to look after this area of foreign investments.

"With Chinese growth continuing at 6 to 7 per cent we expect both the desire and the ability of Chinese citizens to purchase international property to increase in the years to come," he said.



In 2016, Chinese New Year fell in February, the biggest spending month for Chinese visitors to Australia. PHOTO: WOLTER PEETERS

Hotels and tourism operators prepare for year of the chook

Travel Chinese visitors are doing more, and spending more.

Fiona Carruthers

As the Chinese New Year approaches, tourism and hotel operators are confident spending by tourists will beat last year's \$548 million spend.

Over the past 12 months, the golden status Chinese guests spent a record \$9 billion on domestic travel, hotels and retail therapy – a figure Tourism Australia hopes to bump up to \$13 billion by 2020.

This year has been officially declared the China-Australia Year of Tourism (CAYOT) with the general managers of the six Chinese airlines operating direct flights between Australia and mainland China (including China Air and Southern China) committed to boosting tourist numbers both ways, plus putting on direct flights from lesser-known Chinese cities.

"The timing couldn't be better with the federal government announcing late last year the removal of restrictions on all air services between China and Australia," says Tourism Australia chief executive John O'Sullivan.

"Chinese New Year is a hugely important holiday and a period that traditionally provides a boost to our arrivals figures."

Little wonder, as the Year of the Rooster fast approaches on January 28, Australia's biggest hotel chain AccorHotels is celebrating the fact one in eight Chinese visitors to Australia now stays in one of its properties, which includes brands such as Novotel, Sofitel and Ibis.

"We've had our China Optimum Ser-

vice Standard in place since 2011 – and it's really paying dividends," says Kate Marshall, director of sales, international, for AccorHotels Australia.

Of all the things implemented under the standard, Marshall says the two most popular things with Chinese guests are including congee on breakfast buffets and leaving welcome kits translated in Mandarin in the room, which provide information such as restaurant opening times and smoking areas within the hotel.

In 2016, Chinese New Year fell in February – the biggest spending month of the year for Australia, with Chinese tourists contributing more than \$548 million in that one month alone.

This year AccorHotels Australia will be working hard to welcome more

Tourism Australia's O'Sullivan agrees, saying "a significant shift this year is away from the traditional group tours towards more free and independent travel, especially young Chinese".

Like many Australian operators, Accor to date has mainly catered for Chinese shoppers who buy whirlwind four-day packaged tours to Sydney or Melbourne that are tightly focused around Duty Free shopping. The groups usually comprise 20 people and the 3-star budget Novotel and Mercure brands can welcome 250 to 300 of such groups per month per hotel.

"The cost of these trips is low – and the Chinese travelling on them are focused on spending their money shopping because in China it's so hard to tell now if many luxury goods are real or fake, whereas they can have confidence shopping here that the products are authentic," says Marshall.

Now more Chinese travellers are contacting AccorHotels direct and looking to upgrade to one of their five-star Sofitel or Pullman brands, located in the CBD, followed by a regional visit to the Blue Mountains or Port Stephens in NSW, while self-drive around Margaret River is hugely popular in Western Australia.

For the past two years, Accor Hotels has also used direct channel booking, with a dedicated Chinese booking site, though bookings still mainly flow via the traditional C-trip site.

The Year of the Rooster symbolises fidelity and punctuality (queue-crowding rooster).

You can bet hotel and tourism operators, big and small, will be punctual in hanging the celebratory New Year lanterns, along with giving out red envelopes and letting off plenty of fireworks to appeal to their all-important Chinese clientele.

Chinese guests have spent a record \$9 billion in Australia in a year.

Chinese independent travellers, having achieved success with groups.

"The biggest shift we've seen over the past year has been more Chinese tourists seeking a higher quality experience," Marshall says.

"They are staying for longer, they're looking to book a higher star-rated hotel. And they're venturing out of the CBDs into more regions."

"The younger generation speak English with confidence and are far more comfortable with Western ways. In the past, group travel was a safety net. A lot of their parents had never even travelled before. Now the young ones want a more challenging experience – they want to go back to China with a bragging experience."



Chinese buyers are still very keen despite obstacles to investing in Australia.

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