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Flock to Australian Property

The strong Australian dollar has done little to cool overseas demand for real estate as foreign cash seeks out a lucrative home in the nation's residential property market.

Real estate agents say overseas-based bidders are increasingly common at auctions around the country, with the resulting additional demand stoking already rising clearance rates and prices.

John Bongiorno, director of Marshall White & Co, in Melbourne said international buyers had typically made up 5 to 10 per cent of sales, a figure that had recently risen to about 15 per cent. And the dollar's rise had not yet dampened demand.

Mr Bongiorno said his overseas clientele was "predominately mainland Chinese", some of which adopted a fly-in, fly-out approach to house hunting.

"We have people who fly in on a Saturday morning for auctions and will fly out the same day," he said. "They'll just arrive in Melbourne specifically for the auction."

Marshall White & Co has forged alliances with immigration services firms in China to promote local property.

Further north, the rising demand from Asia, especially China, is even more pronounced.

Tina Edwards, sales manager at Brisbane-based Yong Real Estate, which caters to local and international Asian buyers, said investment from China had "really soared recently".

She said the surge may have peaked at as much of 90 per cent of the transactions handled by the firm, with the Aussie dollar's recent jump above 90 US cents (about 6.2 yuan) deterring some buyers.

But Ms Edwards also said temporary lull may also reflect the shortage of suitable properties to sell after a period of sustained demand.

Real estate agents credit the overseas demand as contributing to rising home prices, which have increased nationally 8.1 per cent in the first nine months of the year, according to the RP Data-Rismark Index released today.

Changed rules

Australia's run-up in house prices is far from unique, with markets as far-flung as London, Singapore and mainland China itself reporting rapid rises in recent months.

The local market, though, has also seen a jump because of a relaxation in the rules covering foreign investment in Australia's property market since April, agents say.

A spokesperson for Assistant Treasurer Nick Sherry said despite the rule changes the FIRB rules were designed to spur the creation of additional housing supply rather than add to affordability problems.

"Foreign non-residents are still prohibited from owning existing dwellings in Australia," he said. "They can only purchase a new dwelling or build one from scratch."

Temporary residents are only allowed to purchase one existing dwelling, he said "and only if they will live in it."

Nonetheless, the recent FIRB rule change redefined "new dwelling" to mean unsold property rented out for 12 months or less.

The changes also allow foreign companies to buy established dwellings for use of Australian-based staff.

Chinese investments on the rise

Keeping tabs on the size of inbound property investment is difficult. But looking at the most recent data from the Foreign Investment Review Board in Canberra, covering the 2003-04 to 2007-08 period, China-sourced investment approvals rose to a share of 3.3 per cent of the total foreign investment, up from just 0.4 per cent at the start.

While analysts say the proportion has risen further, the increase over that period "is illustrative of the increased role of Chinese and other Asians in the Australian property market," said George Bougias senior economist strategic research at Charter Keck Cramer.

Under one of the rule changes, temporary residents became exempt from notifying the proposed acquisitions of established residential real estate for their own residence, or for new property or vacant residential land.

In practice, buyers' advocates and real estate agents report wealthy Chinese buyers purchasing homes and units near schools where their children are enrolled.

Brett Draffen chief of development for property developer Mirvac said the property developer saw "improving" interest coming out of China in two areas of the Australian market.

Mr Draffen said the trends were so far not "massive" nor "across the board" but were dependent on the types of residences offered to foreign investors.

"In the \$400,000 to \$600,000 band we've seen a slight increase," he said. At the other end of the range, wealthy Chinese were looking at "de-risking" their holdings of assets in their home country by moving money abroad, including into Australian property.

Scott McGeever, director of Brisbane-based buyers advocate Property Searchers, said some Chinese buyers have been attracted to Australian property as a way to ride both the gains in the surging dollar and the value of the property itself.

As long as the value of the dollar didn't fall dramatically - or the yuan suddenly strengthen - "if they bought and sold it for the same price ostensibly, well, they'd make money off of it because of the currency," he said, adding that his firm didn't serve those investors.

Asia and beyond

Rich Harvey managing director of Sydney-based Property Buyer said he had a couple clients pursuing such strategies, although investment in Australian properties was also of interest to investors from other parts of the world.

"It's about the timing of entry and exit for your currency play, which you can overlay with a property play and do very well out of it," said the buyer advocate, who serves Australian and international clients.

These types of investors typically held the property for three years, as opposed to the minimum of five years most investors prefer, Mr Harvey.

The rise in investor interest from China reflects Asia's emerging status as an engine of world growth. More wealth gives Asians more options for investment, which in turn translates into more interest in property, education and business relationships with Australia.

The number of settler arrivals from China, defined as the arrival of people entitled to permanent residence entering the country, rose 14.9 per cent - the third fastest growth of any source - to 14,035 people, in the 2007-08 year, the Department of Immigration and Citizenship.

New Zealand, United Kingdom, India all ranked ahead of China in the number of settler arrivals, the data shows.

Affordability worries

Nonetheless, the impact of the new investment has raised questions about housing affordability for would-be owner-occupiers.

One Melbourne real estate agent, who asked not to be identified, privately worried about what the Chinese demand would do for the chances of local buyers.

He said the topic was a constant subject within the real estate industry, although few agents wanted to question a trend that generated financial benefits for them.

In his view, "the rising Australia dollar has not impacted at all the demand from Chinese," he said, estimating that currently in Melbourne about 40 per cent of properties over \$1 million in the inner suburbs were being sold to Chinese and Indian investors.