A HOME DOWN UNDER

Southeast Asians catching up with the Chinese in investing in ‘low-risk’ Australian property market
Foreign investment in Australia’s property market is booming. Investors, many of them from Southeast Asia, are pouring billions of dollars into new housing developments across the country. And with the Australian dollar seemingly in free fall over the past year, demand is sure to continue.

While many Australians would consider the term “foreign investor” and “Chinese investor” interchangeable when it comes to property – and Chinese investors do still account for the lion’s share of purchases – investment from Southeast Asia is growing fast.

According to an Australian parliamentary report on foreign property investment, released in November, approved investment in residential and commercial real estate from Singapore totalled US$2 billion in 2012-2013, the fourth highest of any country, and up from about US$1.7 billion five years earlier.

The big climber in the region, though, is Malaysia. Approved investment from there in 2012-13 totalled US$1.6 billion, the sixth highest. Five years earlier, just US$268 million came from Malaysia.

Separately, a survey by HSBC last year found that Australia was the most popular market for Indonesian investors and the second most popular with Malaysians.

“Australia has a reputation for
a stable economy with a growing property market, with the value of the market steadily increasing,” said Gennadi Kazakevitch, deputy head of the economics department at Monash University’s business school in Melbourne. “Therefore, it is a perceived high-return, low-risk market.”

Australia’s market is friendly to foreign buyers who want to invest in new housing – often off-the-plan apartments in capital cities. Non-residents, however, cannot buy an established dwelling, though a lack of monitoring means people are finding ways around this.

Ian Jordan, national president of the Australia Malaysia Business Council (AMBC), has monitored the increasing investment from Malaysia and expects it to continue.

“Many markets around Asia, including Singapore and Hong Kong, have tightened lending parameters as well as increasing duties. People still love property and want to invest, so offshore becomes the focus,” he said.

Jordan has noticed two types of Malaysian investor in the retail end of the market.

The first is the owner/occupier, a Malaysian-based investor who buys a residence for their children to live
in while they study abroad and who may eventually move to Australia to retire. The other group is “mom and dad investors” buying primarily on yield and expectation of capital growth, he said.

The Australian dollar has fallen from US$0.94 in September, to a five-year low of US$0.77 earlier this month. In 2011, it reached a high of $1.10. There are concerns that this will further encourage foreign investment, driving up already high property prices and locking Australians out of the market.

Australian Prime Minister Tony Abbott played to these concerns earlier this month. “I’m a friend of
foreign investment, but it has to come on our terms and for our benefit,” said Abbott, whose speech came at a time when his leadership was being challenged and he was fighting for survival.

“The government will shortly put in place better scrutiny and reporting of foreign purchases of existing homes so that young people are not priced out of the market.”

Rising prices in Australia often go hand-in-hand with talk of a housing bubble. But the idea that foreign investment has the potential to put the “Australian dream” of home ownership out of people’s reach is debatable.

Monash’s Kazakevitch said that the inflow of foreign demand was theoretically a factor in increasing prices.

“How ever, it is difficult to measure the magnitude of this impact in comparison with
A plot of land in Sydney’s newly-developed beachside suburb of Green Hills has sold fast. – Reuters
A man waits at a bus stop next to a sign advertising bank interest rates for home loans in Sydney. Investor interest has pushed housing prices in Sydney and Melbourne to the point where most first-time home buyers are widely seen as priced out of the market. – Reuters
other factors affecting supply and demand,” he said.

Housing, he said, was becoming less affordable in metropolitan areas. “But it is a very complex issue where expectations of a particular level of lifestyle are difficult to separate from unaffordable housing necessity. Meanwhile, public perception tends to single out the foreign investment factor as the easiest reason to blame.”

The parliamentary report noted that Australia’s framework for foreign investment in residential real estate is appropriate and “at least comparable to that in many other countries”.

Jordan, from AMBC, believes that because foreign investment is not solely driving the market, the government should keep a cautious approach to regulation.

“At this point I would suggest that too much of a knee jerk reaction could harm the greater economy as we move away from mining reliance,” he said.