APPENDIX - Residential Property Related Media Articles

Hong Kong Slaps New 15% Property Tax on Foreign Buyers to Cool Market

Residential News » Asia-Pacific Edition | By Alex Finkelstein | October 29, 2012 2:00 PM ET

Hong Kong

Under growing pressure from residents who can't afford home purchases, the Hong Kong government has finally moved to avoid a price-bubble crash by imposing a 15% tax on home purchases made by foreigners.

Additionally, to discourage speculation, the government also raised special transaction taxes by up to 20% on properties sold within three years of their purchase. The old rule covered a two-year sale period. These additional taxes also will continue to apply to local and non-local property owners.

Foreigners are defined as non-permanent residents. The new rules also apply to local and non-local companies as buyers.

The new Hong Kong law follows Singapore's move in December 2011 when it imposed a 10% tax on residential property purchases by foreigners to stabilize the housing market.

Hong Kong operates with its own set of laws and institutions, including a separate currency, even though it is a legal part of China. One Hong Kong dollar equals $0.1290 US.

Property prices in Hong Kong have doubled over the past four years, largely due to historically low interest rates and strong foreign demand. According to some Hong Kong Realtors, prices are up 20% in the first nine months of this year, breaking a record reached in the 1997 property bubble.

At the same time, the city's economy shrank by 0.1% in the second quarter from the first three months. The government has forecast gross-domestic-product growth this year at 1% to 2%.

Mainland Chinese investors have been among the most aggressive speculators, buying up properties that would give them higher returns on re-sales. By some local brokerage estimates, they accounted for about 37% of the total value of newly built apartments sold in Hong Kong in the second quarter.
Hong Kong Financial Secretary John Tsang announced the new measure Oct. 26. The law became effective Saturday, Oct. 27. The bulk of real estate deals in Hong Kong are done on the weekend.

"This is an extraordinary measure introduced under exceptional circumstances," Tsang said in his prepared statement.

Although some Hong Kong Realtors fear the new law will trigger home price drops of up to 10% in some sectors of the city, London-based Barclays disagreed. In its report today, Oct. 29, the bank forecast a drop in transaction volume but little or no price corrections over the short term.

Centaline Property Agency Ltd, the city's biggest realtor by market share, told the media Sunday residential property transactions in the city's 10 major private housing complexes fell 43% over the weekend from the previous week.

Ricacorp Properties, also a major Hong Kong brokerage, said its sales dropped by 46% immediately after the Oct. 26 announcement.

Hong Kong property stock prices also fell Monday. Henderson Land Development Co. Ltd dropped by 7%; Sun Hung Kai Properties Ltd. down 6%; and estate agent Midland Holding Ltd. down 16%.

The Wall Street Journal reported "The Hong Kong government's latest moves come just days after the city's de facto central bank sold nearly US $2 billion worth of the local currency to defend its peg to the dollar, a sign of the capital influx from the new round of U.S. credit easing that some analysts fear could affect real estate."

http://www.worldpropertychannel.com/asia-pacific-residential-news/hong-kong-property-tax-john-tsang-hong-kong-home-market-centaline-property-agency-ltd-6228.php

smh.com.au
The Sydney Morning Herald

First home buyers squeezed as investor borrowing hits record levels

Glenda Kwek
Published: December 10, 2013 - 3:46PM

First-home buyers continue to struggle to enter the housing market even as it grows, as investors take on record levels of home loan borrowing.

First home buyer loan approvals fell to a new record low in Victoria while lifting slightly in NSW in October, the Bureau of Statistics reported today.

Nationally, home loan approvals for owner-occupiers rose a seasonally adjusted 1 per cent in October to 52,305, taking the annual growth rate to 13.3 per cent.

Across Australia, first-home buyer activity as a proportion of total borrowers lifted off the record low of 12.5 per cent in September, but remain subdued at 12.6 per cent in October.

First-home buyers made up 11.7 per cent of new housing loan commitments in Victoria, the lowest proportion since records began in 1991.

The previous record low was 12.2 per cent the month before.

First-home buyer activity improved slightly in NSW in October, lifting to 7.4 per cent for the month from an all-time low of 6.8 per cent in September.

Investors fuel loan values

The overall value of home loans lifted by 4.1 per cent in October to $26.5 billion, driven by a strong rise in investor activity.

The value of loans for investors jumped 8.2 per cent for the month to reach $10.3 billion - the highest level on record. Owner-occupied loans grew by 1.7 per cent.

The lift in investor activity was a “significant step-up ... worthy of further monitoring”, Westpac senior economist Matthew Hassan said, adding that the value of home loans to investors rose by an annualised pace of 47 per cent over the past six months.

Housing construction finance expanded by 1 per cent in October.

“Combined with strong growth in building approvals in recent months, low interest rates and house price gains are supporting a solid cyclical upturn in housing construction, and are likely to further support housing construction activity in the year ahead,” ANZ property analysts David Cannington and Paul Braddick said in a note.

RBA keeping close eye

The Reserve Bank has been looking for a rise in activity in non-mining sectors such as housing construction to fill the gap left by an expected fall-off in resources investment.

Analysts said the bank's current easing monetary policy, which has seen the cash rate fall to a record low of 2.5 per cent, had helped to stimulate the recent activity in the housing market.

"Prior cuts to the cash rate are still making their way through the economy. This means that the upturn in housing activity still has some way to run," Commonwealth Bank economists Diana Mousina and Gareth Aird said in a note.

The growth in investor activity in the housing market - along with soft business conditions and slightly weakening business sentiment, according to a monthly NAB survey released today - could be of concern to the central bank, Citi economists Paul Brennan and Josh Williamson said.

"The RBA needs to hope that pent-up demand for established homes, which is pushing up house prices, particularly in Sydney, will run its course over the next few months," the economists said in a note.

"There are some early signs that increased supply is capping auction clearances, though at very elevated levels."

Economists have said that the RBA has had to balance its desire for a lower exchange rate with the housing market boom. Further cuts to the cash rate could risk overheating the residential property market.

This story was found at: ***http://www.smh.com.au/business/the-economy/first-home-buyers-squeezed-as-investor-borrowing-hits-record-levels-20131210-2z34u.html***

The Sydney Morning Herald

Squeezed at home, wealthy Chinese are sold on Sydney

Author: Lucy Macken PRESTIGE PROPERTY WRITER IN SHANGHAI
Date: 14/12/2013
Words: 835
Source: SMH
Publication: Sydney Morning Herald
Section: News
Page: 9

Tiffany Liu, 27, is a Shanghai socialite and marketing executive who wants to buy a house in Sydney by the water and in the coolest neighbourhood. Her budget is between $2 million and $5 million.

Jack Yin is the head of property development company Brandmont, based in Hebei province. He is looking for investment opportunities that could double as a small holiday home for his family and friends. He is coy about his budget.

Ms Liu and Mr Yin were joined this week by about 6000 similarly cashed-up shoppers **at** the Luxury Properties Showcase in Shanghai to browse some of the world's most expensive homes. Of the 70-odd agencies spruiking real estate, eight were from Australia.

The estimated $20,000-plus cost to Sydney agents to meet and greet potential buyers makes sense when you consider those invited are only a small fraction of China's rapidly growing middle class: 160 million people **at** present and 320 million by 2022, according to accountancy firm IMA China.

"This is a great opportunity for Australia but it won't be without its challenges," said Michael Clifton, Austrade's senior trade commissioner in Shanghai.

Fuelling the appetite for overseas real estate are the increasingly stringent rules limiting home ownership in China to curb the country's property boom.

Some of the measures include cutting home ownership from two houses to one for each single adult and a 20 per cent capital gains tax on property.

Adam Wu, chief operating officer **at** China Business Network, was **at** the showcase to look **at** investment opportunities on behalf of high-net worth clients and private equity firms.

"It is China's private individuals who are the biggest investors in Australia," Dr Wu said. "Our personal savings are the highest in the world.

"We have private savings worth $US10 trillion and that money needs to be invested somewhere, and the property restrictions to only one house for each family makes Australian property an attractive option."

The evidence of that spending is everywhere. There are the two highest trophy home sales this year to Chinese buyers, both on the waterfront **at** Point Piper, of $52 million for Altona and $33.5 million for the Bang & Olufsen house. Then there is the speed **at** which many of our apartment developments are selling, the latest being a 66-storey tower on Bathurst Street by China's state-owned developer Greenland. Of the 250 apartments that went on sale in the Greenland Centre last weekend, 241 sold that first morning, 95 per cent of those to Chinese buyers, half of them from overseas.

Commercial real estate also has its attractions. This week the Chinese developer QY Group bought a potential development site on Yurong Street, East Sydney, for $11 million, through Knight Frank's Alex Tsaoucis.

Daniel Yong from the Shanghai office of Auton Investment says much of China's foreign investment is about people securing their wealth in a safe, stable environment, with the added benefit of potentially leveraging that investment into an emigration strategy either now or later.

"The government changes the rules all the time and that makes rich people nervous about any new rules governing their money," Mr Yong said.

At present, the Chinese government limits foreign currency exchange to $US50,000 a year, although education and medical treatment are two exceptions. The many loopholes mean that limit has not dented China's response to Australia's Significant Investor Visa and its minimum $5 million outlay on complying investments.

There have been 239 applications for the 188 visa, of which only 15 have been approved by the Immigration Department.

The appeal of local education institutions has long helped the real estate market, particularly neighbourhoods that boast some of the best-performing state and private schools, and that traditional market is also expected to grow.

China is the largest source country for foreign students in Australia. Figures show the number of student visa applications rose 22 per cent in the 2012-13 financial year.

Jan Kot, general manager of China's largest real estate search website Juwai.com, said their overseas property searches have consistently ranked Australia as the second most popular country for property searches throughout this year, after the United States.

And then there is China's pollution. Britta Battogtokh, who was last year named Miss Mongolia and is the director of international relations **at** one of the country's largest construction companies, ECC Construction, said Mongolia's air pollution problem is just as bad as China's during the winter months, November to March.

For Ms Liu, it is not so much about capital return, education, securing her savings in an overseas investment or even the cleaner air. Like her Versace sunnies and designer leather dress, a Sydney pad is just the latest must-have acquisition.

Ms Battogtokh is in Shanghai on behalf of the Mongolian government and a few high net worth clients to look **at** overseas investment opportunities that will also specifically offer families a place to retreat to from the pollution in winter.

"These investments aren't for emigration purposes. Our pollution problem is so bad, these clients want to send their family away during winter so they don't get sick."

Lucy Macken flew to Shanghai courtesy of Black Diamondz Property Concierge.

Foreign property investment and the Chinese factor

Posted by Unconventional Economist in Australian Property at 7:16am on January 17, 2014

By Martin North. Cross Posted from Digital Finance Analytics Blog

One factor which is driving the residential property market, especially in the major centres of Sydney, Melbourne and Perth is a rise in overseas purchasers. They may be Australian residents, overseas purchasers buying property for investment through an approved development, or locals acting for overseas purchasers, who are attracted by the sustained house price growth and relative economic stability. China is often identified as a major source for potential purchasers.

Foreign Residential Property Investment is subject to the regulations as stipulated by the Foreign Investment Review Board (FIRB). The overarching principal is that foreign investment in residential real estate should increase Australia's housing stock and all applications are considered in light of this. To quote them:

Residential real estate means all land and housing that is not commercial property or rural land. In that regard, 'hobby farms' and 'rural residential' blocks are residential real estate. Temporary residents need to apply if they wish to buy an established dwelling. Only one established dwelling may be purchased by a temporary resident and it must be used as their residence in Australia. Such proposals are normally approved subject to conditions (such as, that the temporary resident sells the property when it ceases to be their residence). Temporary residents cannot buy established dwellings as investment properties, but can buy established dwellings for redevelopment. Temporary residents need to apply to buy new dwellings in

Australia. Such proposals are normally approved without conditions. Temporary residents need to apply to buy vacant land for residential development. These are normally approved subject to conditions (such as, that construction begins within 24 months).

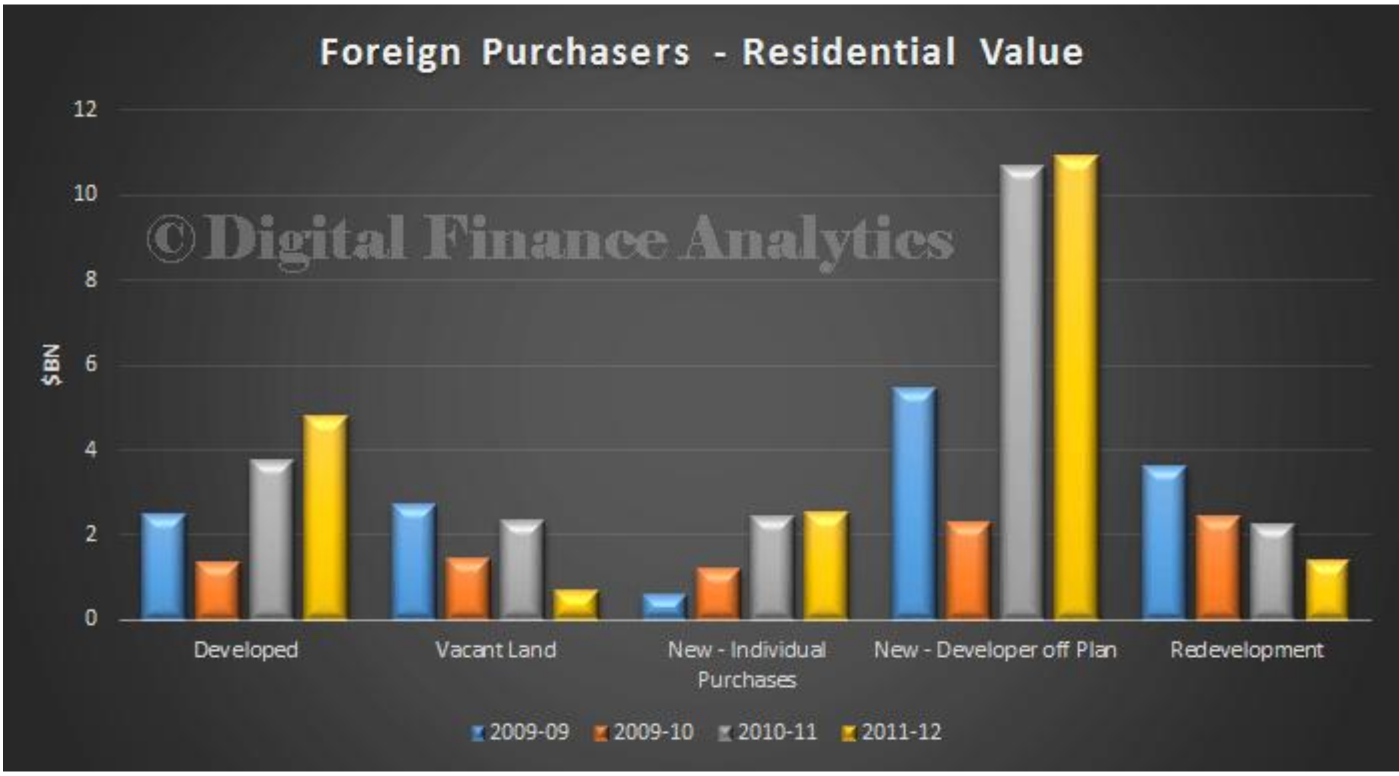
Foreign persons that operate a substantial Australian business need to apply to buy established dwellings to house their Australian based staff. Such proposals are normally approved subject to conditions (such as, that the foreign person sell the property if it is expected to remain vacant for Six months or more).
Non-resident foreign persons need to apply to buy established dwellings for redevelopment (that is, to demolish the existing dwelling and build new dwellings). Proposals for redevelopment are normally approved as long as the redevelopment increases Australia's housing stock (at least two dwellings built for the one demolished) or where it can be shown that the existing dwelling is derelict or uninhabitable. Approvals are usually subject to conditions. Non-resident foreign persons need to apply to buy new dwellings in Australia. Such proposals are normally approved without conditions. Non-resident foreign persons need to apply to buy vacant land for residential development. These are normally approved subject to conditions (such as, that construction begins within 24 months)

Residential Real Estate was freed up in 2009, although in 2010 changes were made to remove an earlier exemption that currently applies to temporary residents buying residential real estate in Australia. This ensures that temporary residents need to notify the Treasurer before buying residential real estate in Australia. Short-term visitors such as tourists, business people and those here for a medical procedure are not temporary residents.

But overseas students studying in Australia may purchase. In addition, foreigners may apply to redevelop a second hand dwelling. Development must increase the number of dwellings and no rental income can be obtained from the existing dwelling prior to demolition. Such redevelopments are required to demolish the existing dwelling and commence construction of the new dwellings within 24 months in line with vacant land.

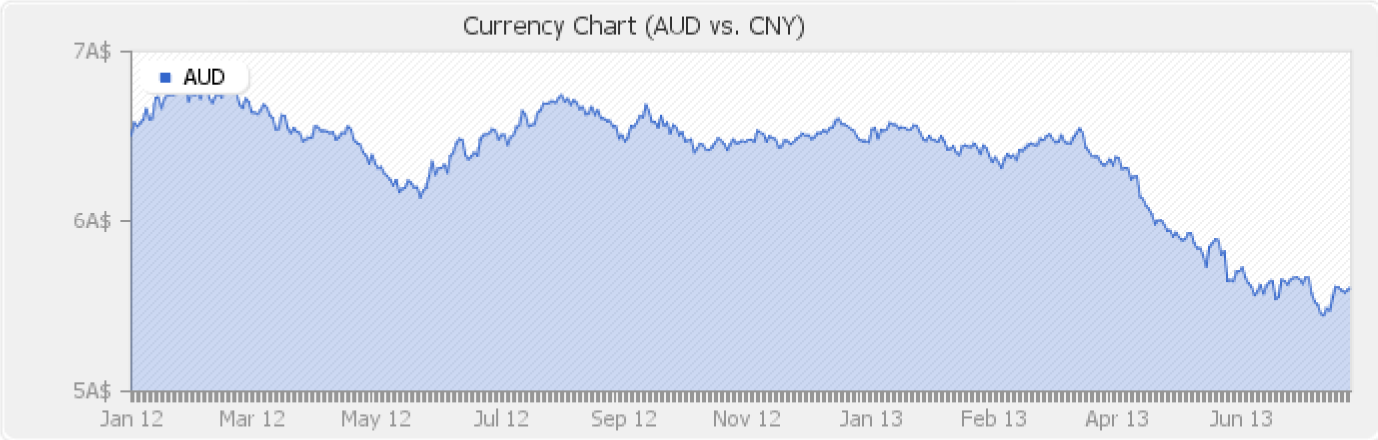
Under existing laws, developers are able to sell 100% of their developments to non-residents.

According to the FIRB Annual Report 2011-12 overall Residential Property Investment by overseas parties grew from $14.92bn in 2008 to $19.70bn in 2012, with $10.92bn from 70 Developer off the plan projects, (235, $5.48 in 2008). This shows a significant rise in custom development targeted at overseas markets. Portals like Investorist offer the opportunity for overseas investors to view property projects for sale in Australia.

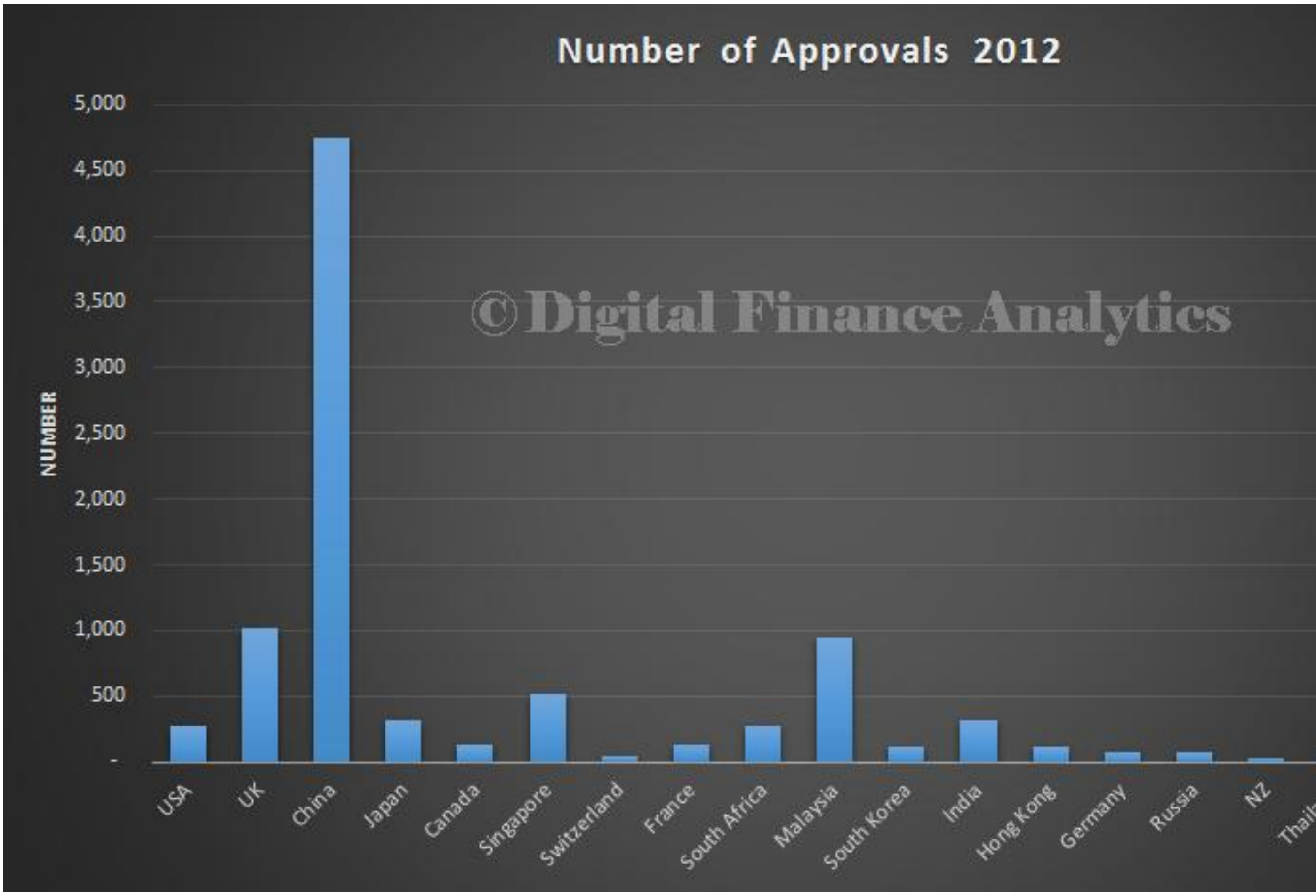


Some argue that this is going to become a significant force driving the market higher, and it will continue to displace local first time buyers, given the sheer numbers of for example Chinese buyers who face Chinese Government restrictions at home and significant savings. Bear in mind the size of the Chinese population, as one indication each year 7 million students graduate from Chinese universities with degrees!

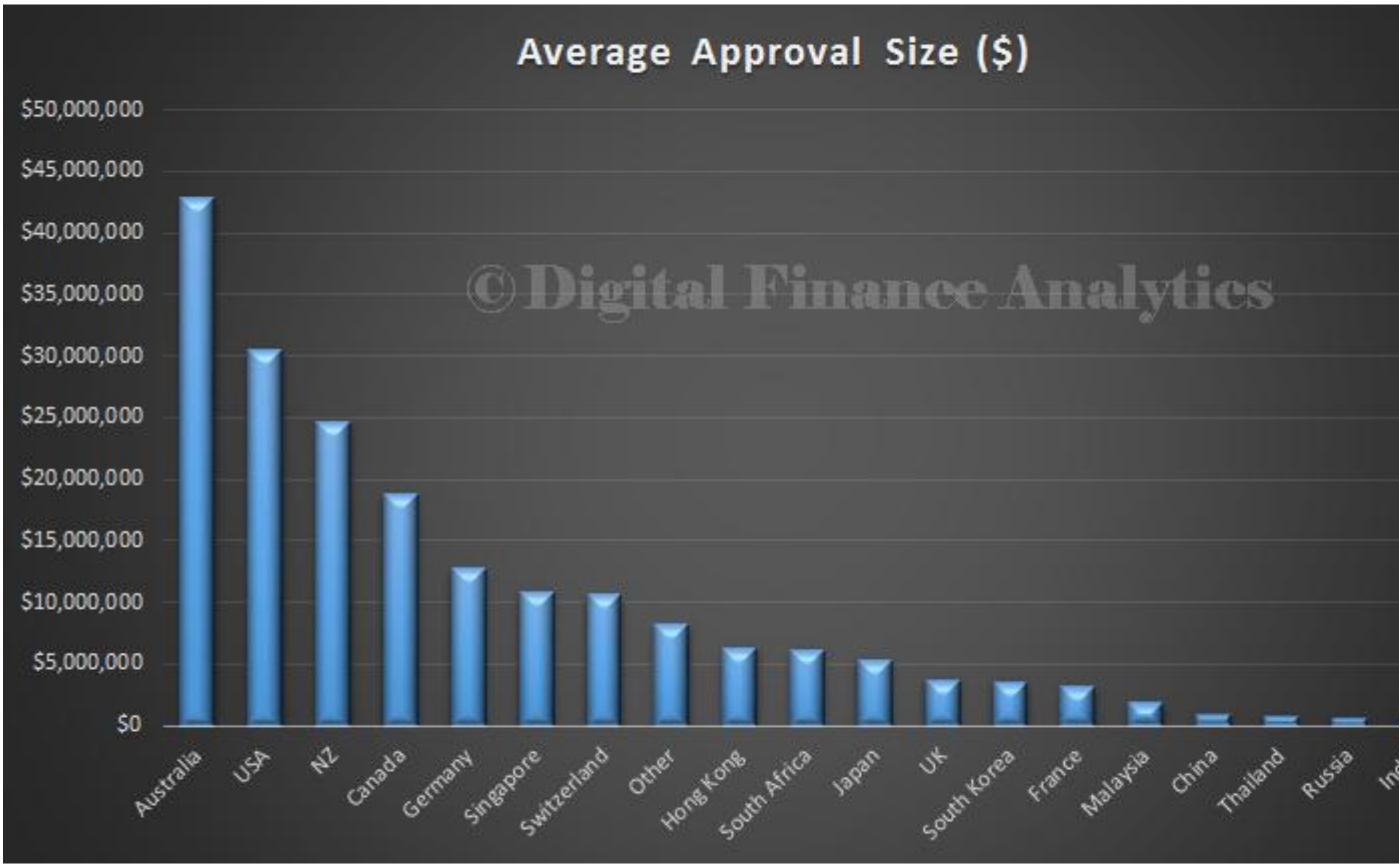
One factor to watch is the exchange rate, Here is the 2 year view from dollars.com. As the AU dollar falls against the Chinese Yuan, the purchasing power of investors from China will improve.



There is no good data source for the number of overseas purchasers buying property, other than the 2012 FIRB data. Interestingly, China registers as the highest number of FIRB approvals (though FIRB does not adequately separate out different types of investment), so this may be deceptive.



The average transaction from China is in the order of $800k, which looks more like the price of a house/unit to me. The Australian approvals are most likely to be the construction on approved residential tower blocks, like we see being built at Hurstville, or Wolli Creek in Sydney.



So far as I can see, good data is not captured at the point of purchase. Even if it were, it would be complex. To illustrate this, we looked back over our surveys and identified the following scenarios:

- Australian residents from overseas buying units off plan in a number of city suburbs, across Sydney, Melbourne, Brisbane and Perth for own occupation and investment. Many of these will be pre-approved by the developer with FIRB.
- Australian citizens buying property in their own names, using money from family or friends overseas, for investment. No FIRB approval needed.
- Overseas investors purchasing via an Australian company structure. Many need FIRB approval.
- High-Rollers from overseas purchasing up-market property for residential use. Many need FIRB approval.
- Overseas companies buying Australian land and existing property for development. FIRB approval required.

We also see the reverse by the way:

- Australians buying property overseas, in markets including Spain, Italy, UK, for investment

We are essentially becoming part of a more globalised property market and it is unlikely this will change. Given what we know about the state of the market, and that locals are being priced out by other purchasers, including investors and overseas purchasers, we need to be wary of these current trends – so I think the Chinese Factor is a critical issue. With limited supply, continued overseas investment in our market will drive prices higher, that is, until conditions change. If China caught an economic cold, it is possible we would see a reversal in property fortunes in Australia, so we are probably more leveraged to China through property than we know or realise.

I would advocate capturing more comprehensive data so we can at least get a handle on overseas property investments. I do not think we are able to stop globalisation, but we need to understand the implications a whole lot better.

http://www.macrobusiness.com.au/2014/01/foreign-property-investment-a-k-a-the-chinese-factor/

Stop rich overseas investors from buying up UK homes, report urges

Rightwing thinktank proposes curbs on non-EU residents to open up more of housing market to Britons

- Toby Helm, political editor
- The Observer, Sunday 2 February 2014 08.27 AEST

Rich pickings: the entrance to Kensington Palace Gardens in London. Photograph: Alastair Grant/AP

Radical plans to stop rich overseas residents who live outside the EU buying British houses – as well as tight restrictions on them acquiring "newbuild" properties as investments – will be published in a report by a leading rightwing thinktank on Monday.

Free-market organisation Civitas castigates government ministers for allowing wealthy foreign investors to stoke a property boom that it says is driving up prices and locking millions of UK citizens out of the housing market.

The plans would prevent the likes of Roman Abramovich, owner of Chelsea football club, or other Russian oligarchs from adding to their multimillion-pound UK portfolios. They also aim to stem a flood of investment from countries such as China, Malaysia and Singapore.

Concerned that many middle and lower earners are being forced to pay high rents in London because they can't afford to buy, Civitas calls on ministers to adopt a scheme similar to one operating in Australia, which ensures that no sale can take place to overseas buyers unless they can show that their investment will add to existing housing stock.

Such a system would mean that no existing home could be sold to a buyer from outside the EU, and that such buyers could acquire newbuild homes only if their investment led to one or more additional properties being built.

The report, called *Finding Shelter*, cites statistics showing that 85% of prime London property purchases in 2012 were made with overseas money. Estate agent Savills found that last year £7bn of international money was spent on "high-end" London homes, with just 20% of that spent by UK citizens. Two-thirds of homes bought by people from overseas were not purchased for owner-occupation but as investments.

Civitas says the problem is not confined to the top end of the market and that overseas buyers are also acquiring less expensive newbuild homes. It says that over the past two years only 27% of new homes in central London went to UK buyers, while more than half were sold to residents of Singapore, Hong Kong, China, Malaysia and Russia.

"The UK property market is being used as an investment vehicle by the global super-rich – and increasingly the simply well-to-do," the report says. "The inflationary impact of this extra cash is good news for property owners – until they want to trade up the housing ladder.

"It is good news for estate agents on commission, who report with glee every pulse and surge in the market. But it is not good for those already being priced out at the bottom."

Overseas investment, it adds, is also "distorting housebuilding priorities, with developers disproportionately attracted to high-value developments while ignoring the undersupply at lower levels of the market."

Oligarchs including Abramovich and former Yukos Oil vice-president Konstantin Kagalovsky have bought London properties, with Belgravia, Knightsbridge, Kensington and Chelsea their favourite hunting grounds.

Under Australia's scheme, all foreign non-residents and holders of short-term visas have to apply to the Foreign Investment Review Board if they want to buy property. Its rules state that they can do so only if their investment leads to an increase in available dwellings.

Civitas says that if a similar scheme were adopted here, people from outside the EU would be able buy a newbuild property only if they had invested in a building scheme.

In last year's autumn statement the chancellor, George Osborne, announced that he was closing a loophole that had allowed foreign investors to make huge profits on sales of UK homes by avoiding any capital gains tax. Civitas says that move, while a step forward, is unlikely to deter them, because the booming British market remains so attractive.

Labour recently announced a series of measures to boost housebuilding and deter foreign investment in London, including changing the rules so that newbuild homes have to be marketed to Londoners first, rather than sold off-plan to investors around the world. It also plans to double council tax for homes left empty and will end another loophole that allows overseas owners to cut their tax bills by claiming their properties are "second homes" and furnishing them with minimal items such a single table and chair.

Sadiq Khan, the shadow London minister, said: "London is in the middle of a severe housing crisis, yet there are around 50,000 empty homes across the city. It's complete madness. We must stop housing that's built as family homes being used instead as a piggy bank for the world's wealthiest people.

"We urgently need to build more affordable housing in London, but unless all new homes are made available for Londoners to buy, they won't help solve the crisis."

smh.com.au
The Sydney Morning Herald

Shunned Chinese buyers to turn from Canada to Australia

Patrick Commins
Published: February 24, 2014 - 2:20PM

Canada's government recently made an abrupt decision that could have repercussions for Australia's already overvalued residential property market.

Canadian Finance Minister Jim Flaherty on February 11 announced that a 28-year-old visa scheme designed to attract wealthy foreigners to the country would be axed, effective immediately.

Under the now defunct Immigrant Investor Program, as long as you had a cool $C1.6 million ($1.6 million) in net assets, then all you needed to do was lend the Canadian government $C800,000 for five years on an interest-free basis and you were assured permanent residency for you and your family and a fast-track to citizenship.

The decision raised some eyebrows, not least because preceding the decision there had been growing chatter that the country's already expensive housing market was being inflated even further by a wave of wealthy Chinese entrants into the country, and in Vancouver in particular.

At the time the immigration scheme was axed, there was a backlog of 65,000 applicants, of which 45,500 were mainland Chinese – and 80 per cent of those were bound for the province of British Columbia, according to analysis by the *South China Morning Post*.

Indeed, *The Economist* rates Canada's residential property market as one of the world's most expensive. The magazine's analysts say housing is 76 per cent overvalued against long-term averages on a rental basis – the highest among the 23-country league table – and 31 per cent against disposable incomes.

The ratio of Canadian household debt to GDP has risen to almost 100 per cent, and has grown at the fastest rate in the world since 2006, according to the World Bank. In April 2012, the former governor of the Bank of Canada, Mark Carney – now the head of the Bank of England – warned of the risks of foreign capital inflating the housing market.

More buyers to look in Australia

Canada may seem like a long way away but any move by Canadian authorities to reduce the risk of a potential bubble and subsequent burst should be welcomed by Australian investors, says Tyndall Asset Management's head of fixed income, Roger Bridges.

The country's housing market is one on a list of "low probability, high impact" events the bond strategist is keeping an eye on.

That's because while our local lenders have little direct exposure to Canadian banks, the similarity between our two economies could cause a fresh wave of risk aversion among global investors, many of whom already believe our property market is a bubble ready to pop.

Of course, rich foreigners can only push up prices at the margin, and usually only in specific areas; low interest rates have helped fuel Canadian demand for mortgages, against the background of an economy that avoided a GFC-inspired recession thanks to its heavy emphasis on commodity exports.

All this might be sounding familiar to Australians, particularly those who have been house hunting in Sydney, where anecdotal evidence suggests auctions in some areas have been heavily attended by wealthy Chinese buyers willing to pay lofty premiums.

And the decision by Canada to restrict access to such rich individuals can only boost interest in our market.

Research by HSBC Bank suggests more than one-third of affluent Asians own overseas property, and that our market is the number one destination for further investment. Of the wealthy mainland Chinese surveyed by HSBC, 9 per cent owned property in Australia, while of the respondents from Hong Kong, 10 per cent did.

Of the rich Indians surveyed 18 per cent owned Australian property, 19 per cent of Indonesians and Singaporeans, 26 per cent of Malaysians, and 5 per cent of wealthy Taiwanese.

But while home buyers may complain, it’s great news for local property developers, such as the listed Australand.

It revealed in its annual results on February 17 that it sold about 15 per cent of its residential developments to offshore investors in 2013, primarily mainland Chinese, almost double the historical average of 8 per cent.

The sales were made through its Hong Kong office, which Australand opened some 10 years ago. The company said it expected demand from that segment to remain at the same level in 2014.

But on the evidence of growing overseas interest in grabbing a slice of the Australian dream, that may be a conservative view.

This story was found at: ***http://www.smh.com.au/business/china/shunned-chinese-buyers-to-turn-from-canada-to-australia-20140224-33ca8.html***

Singapore's foreign real estate investment curbs won't be relaxed anytime soon

Feb 25, 2014

Source : Global Property Guide

The Singapore government's measures to cool down the property market have succeeded, but it is too early to relax them, said Finance Minister Tharman Shanmugaratnam while unveiling the 2014 national budget in the Singapore parliament recently.

The government increased the additional buyer's stamp duty (ABSD) on private and public housing for foreign real estate investors from 10% to 15% in January, 2013. Foreign buyers pay ABSD, introduced for the first time in December, 2011, in addition to the standard stamp duty rates. These rules are also applicable foreigners on long-term passes (called "permanent residents"), but they pay at a lower rate of 5%. ***Singapore residents have also been brought under ABSD's ambit, having to pay 7% ABSD when buying their second home.***

The stability of Singapore government and the country's robust economy has attracted large numbers of foreign investors. The government is not engineering a hard landing, added Shanmugaratnam, but given the increase in prices in recent years, it was too early to start relaxing.

"Our cooling measures are aimed to moderate the market and prevent the property prices from getting too far out of line with incomes...The government will continue to monitor the property market and adjust the measures when necessary," the minister said.

The government recently also raised the minimum cash down payment for individuals applying for a second housing loan to 25%, from the previous 10%.

The government also introduced a Seller's Stamp Duty on industrial properties for the first time, to discourage speculative activity in the industrial market.

The government's policies are partly a response to low interest rates.

"The restrictions were imposed as the continued buoyancy of the property market reflects the very low interest rate environment and continued income growth in Singapore," said the Inland Revenue Authority of Singapore. "These factors supported a record level of housing transactions, particularly from investment demand. ***Housing prices have also shown signs of reaccelerating in recent months. Price increases, if not checked, will run further ahead of economic fundamentals and raise the risk of a major, destabilising correction later on."***

http://www.globalpropertyguide.com/news-Singapores-foreign-real-estate-investment-curbs-wont-be-relaxed-anytime-soon-1828

Chinese buyers to invest $44b in Australian real estate: analysts

By business reporter Michael Janda
Updated Wed 5 Mar 2014, 4:25pm AEDT

Global investment bank Credit Suisse expects Chinese nationals to sink around $44 billion into Australian residential real estate over the next seven years.

Combining what information is available from the Foreign Investment Review Board, Department of Immigration and Bureau of Statistics to estimate Chinese residential property investment, the bank puts it conservatively at more than $5 billion per annum.

The Credit Suisse report estimates that Chinese investors and newly arrived immigrants have spent about $24 billion on Australian property over the past seven years.

Given the restriction on non-permanent residents forcing them to buy newly built properties, Credit Suisse estimates that Chinese buyers are currently purchasing around 12 per cent of new homes in Australia.

However, the report's authors say that buying is concentrated in Australia's two largest cities, meaning that an estimated 18 per cent of new dwellings in Sydney and 14 per cent in Melbourne are being purchased by Chinese nationals.

The level of Chinese buyers in other markets is estimated to be 7 per cent or lower.

> A generation of Australians are being priced out of the property market. Many face a lifetime of renting.
>
> Credit Suisse report

While Chinese buyers are still a relatively small proportion of the overall property market - especially since non-permanent residents cannot buy established homes - the report's authors say they have a large influence on prices.

"The marginal buyer of Sydney and Melbourne real estate has changed, as have the drivers of property prices," the report observed.

Translated from economic jargon, a "marginal buyer" is the bidder that trumps everyone at an auction, when most think the price has gone too high.

Such buyers, even if a minority, often set a benchmark for expectations in the market - 'my neighbour got X, Y, Z, so I want X, Y, Z plus one', being a mentality in rising property markets that real estate agents are only too familiar with.

The analysts point out that Sydney is fourth and Melbourne fifth in Demographia's list of the least affordable cities for home prices relative to incomes - only Hong Kong, Vancouver and San Francisco rank higher.

However, they warn the increase in Chinese property investment could worsen this situation.

"While Australia has some of the most unaffordable housing in the world, further strong Chinese demand can push prices even higher," they forecast.

"A generation of Australians are being priced out of the property market. Many face a lifetime of renting."

Home prices decoupled from incomes

Credit Suisse says the existence of a significant number of cashed-up foreign investors has the potential to decouple home prices from the normal factors that restrict them, such as local income levels.

"The emergence of the global property investor means that valuation methods like house price to local income ratios are becoming obsolete," the report states.

> While the differences in recent house price and wage inflation in Sydney has not been as extreme as London just yet, we think the two cities have plenty in common.
>
> Credit Suisse report

"Residents of central London have known this for some time. Many of which are well paid investment bankers but are still struggling to buy in the capital where many of the owners are wealthy individuals from the Middle East, North Africa and other parts of Europe."

The Credit Suisse analysts warn Sydney residents, in particular, that they may be headed for the same fate.

"While the differences in recent house price and wage inflation in Sydney has not been as extreme as London just yet, we think the two cities have plenty in common," they observed.

"In both cities property rights are protected. Both cities are in transparent democracies and within an overnight flight away from less democratic countries with less transparent governments. And both the UK and Australia have their borders open to new immigrants, especially if they are rich."

However, the point of the Credit Suisse report is not to warn of the danger of local residents being priced out of their home cities, but rather to highlight investment opportunities.

The obvious one being property developers, which the investment bank says are already increasingly reliant on Chinese buyers.

"Australand and Mirvac have noted that foreigners (primarily Chinese) are buying 10 to 20 per cent of new supply. Meriton (unlisted) has stated foreigners (mostly Chinese) are buying 12 to 15 per cent of its apartments," the report noted.

"We don't discount the possibility of a Chinese entity taking over an Australian developer."

The Credit Suisse analysts say that building materials makers, banks and real estate advertisers are also good bets while the inflow of Chinese property investment continues growing.

They say the bank already holds Mirvac, CSR, National Australia Bank and Fairfax (owner of the Domain real estate website) in its long-term portfolio.

http://www.abc.net.au/news/2014-03-05/chinese-buyers-to-invest-44-billion-dollars-in-australian-real-/5300494

Insider: Foreign property investor rorts "prevalent"

Posted by Houses and Holes in Australian Property at 4:02am on March 21, 2014

From the ABC: http://www.abc.net.au/news/2014-03-19/insiders-warn-property-rules-rorted/5332338

Bill Fuggle, the head of financial services at global law firm Baker MacKenzie, says Australia has greater restrictions than many comparable countries.

"If we compare ourselves to our peers in places like New Zealand, the US, Canada, UK … those countries have very little restrictions," he said.

"By contrast, if you want to buy an established property you essentially have to be a resident here."

Foreign investors can only buy newly-built properties, which is the Government's way of boosting construction.

But there is scepticism with some real estate agents suspecting that rules are being bent.

Ballard Property Group's Bill Bridges sells multi-million-dollar established homes in Sydney's eastern suburbs and says he has seen a big jump in interest.

He says he always asks whether paperwork is in order and "the main answer to that is they say 'Well, we'll take care of that, that's not a problem'".

Mr Fuggle says buyers can easily circumvent the rules by getting a resident to buy property on their behalf.

"And that would be very difficult to detect and I think it would be quite difficult to police … anecdotally it seems to be a relatively prevalent activity," he said.

Australian banks are also allowed to offer products which facilitate foreign nationals to circumvent the rules.

To qualify for residency under the Significant Investor Visa program, $5 million must be invested in Australian Government approved products for four years.

Real estate is not an approved product.

But Macquarie Bank is lending the $5 million back to investors, which Mr Fuggle says can then be legitimately put into real estate.

“Proceeds of that loan are essentially unregulated money so they invest that wherever they like,” he said.

…Banking analyst Martin North says this shows regulation is weak.

“I’m not sure that the policing is that real. It’s a process that everybody goes through but if you think about the 6,000 applications they receive every year, are they really going to look at every one?” he said.

…Figures from FIRB can be more than a-year-and-a-half out of date by the time they are released, and Mr North says they lack crucial detail.

“The FIRB numbers will record as a single application 100 new units being built on a site but that’s counted as one application and yet there are a whole bunch of individuals buying those properties,” he said.

“We don’t actually have data of the number of people who actually buy under one of those umbrella approvals.”

…The lack of information is fanning fears in the community, according to the Australia China Business Council’s Jim Harrowell.

“I would hope that this committee, although the terms are very general, will actually get to the facts,” he said.

http://www.macrobusiness.com.au/2014/03/insider-foreign-property-investor-rorts-prevalent/

Housing bubble fears: property prices could fall 10 to 20 per cent

Christopher Joye
Published: April 1, 2014 - 2:56PM

Analysis

Property price drops of 20 per cent?

Most experts don't believe a collapse of the property market is imminent - though the auction market is cooling, reports National Domain Editor Stephen Nicholls.

The $4 trillion Australian housing market is now overvalued by at least 10 per cent. Every day, valuations get more stretched. Indeed, Australia is just months away from having the most expensive residential property market in history.

Anyone with exposure to the banks, which account for one-third of the sharemarket's value, or to housing, should be focused on two questions.

Widening gap: Housing prices have outpaced wage growth over the past 12 months. *Photo: Fiona Morris*

When will a bona fide bubble emerge and how steep are the price falls likely to be when borrowing costs are normalised?

After calling a housing recovery at the start of 2013, we warned that the Reserve Bank of Australia's decision to slash its cash rate to a record 2.5 per cent low in August – opening the door to never-before-seen 4.8 per cent mortgage rates – would fuel double-digit house price inflation that risked blowing a destabilising bubble.

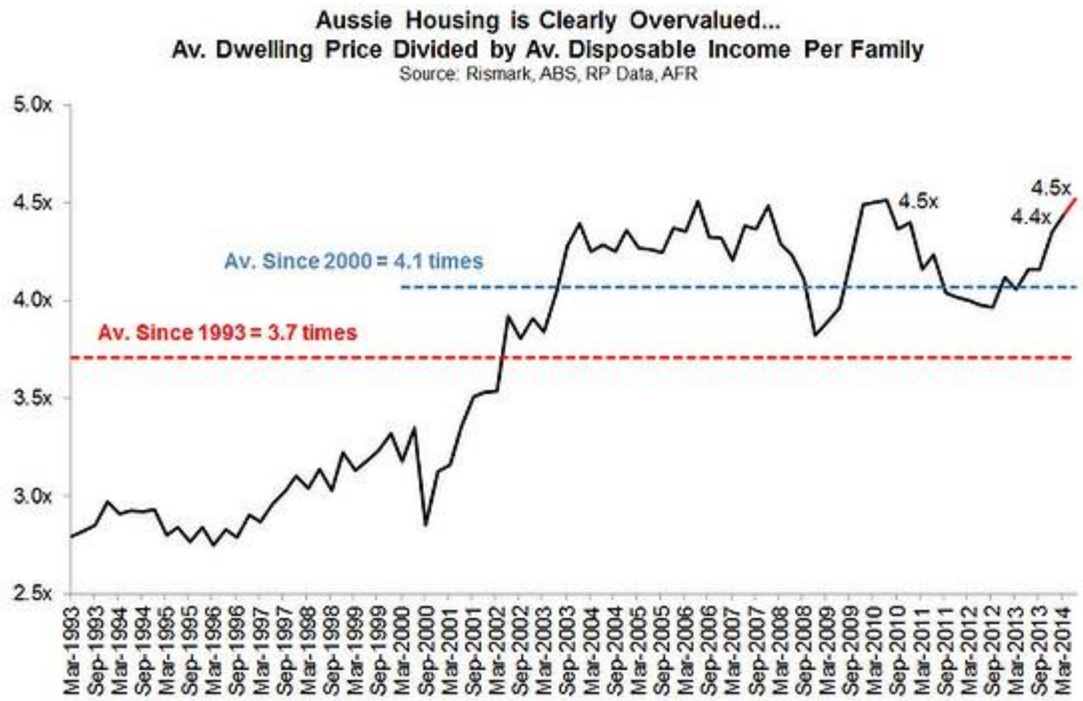
At the time, we argued the housing market was already "priced for perfection" – home values could not afford to outstrip incomes for any sustained period. Our worry was that if national prices expanded at, say, a 10 per cent annualised pace for six to 12 months, or more than triple wages growth, Aussie homes could become dearer than fundamentals warranted.

The Melbourne market has jumped by 15 per cent over the past 12 months. *Photo: Jessica Shapiro*

So it has proved. Australian dwelling prices have jumped more than 10 per cent over the year to March 2014. In Sydney and Melbourne, which make up 55 per cent of the metropolitan population, home values leapt by 15 per cent and 11 per cent, respectively. Yet disposable incomes per capita only rose by 1.7 per cent over 2013.

According to a valuation benchmark regularly cited by the RBA – Australian house prices divided by family incomes – the asset class is three months from piercing the valuation peaks touched in June 2006 and June 2010. After both episodes, home values fell: by 6.1 per cent in 2008 and 6.6 per cent in 20011-12 according to RP Data.

The high-water marks set in 2006 and 2010 for the ratio of average dwelling prices divided by average disposable incomes per family is 4.5 times. When this newspaper started sounding alarm bells last year the ratio was 4.1 times. Taking the latest price data and assuming recent income growth rates, we get a price-income ratio of 4.4 times as at end March 2014. That is, 1.7 per cent off the peaks. Valuations are already 10 per cent above the average since 2000 and 20 per cent beyond than the benchmark since 1993.



Speculative activity on the rise

And there's no evidence the boom is abating. In 2014, national auction clearance rates have consistently punched above 70 per cent – echoing the 2009 ebullience induced by low rates and the government's first time buyers' bonus. Speculative investment activity, boosted by self-managed super funds, is also on the rise. The RBA observed last week: "the share of households favouring real estate [as their wisest place for savings] has risen to a level approaching the early 2000s property boom".

The RBA is expected to leave the cash rate unchanged tomorrow. *Photo: Rob Homer*

Notwithstanding ultra-low borrowing costs, the proportion of people nominating "paying down debt" as the best thing to do with their savings is back at pre-global financial crisis levels. In contrast to the first-time buyer craze in 2009, the current boom looks more like 2002-03. Investors make up the largest share of new loan approvals in Sydney since that time. The proportion of owner-occupiers using "interest-only" loans has crept up to over one-quarter, and buyers with deposits less than 10 per cent of their property's value make up a remarkably high 15 per cent of all loan approvals (after slumping to almost 10 per cent in the GFC).

While sticking to its line that there's nothing to worry about, the RBA conceded this week that "there are indications some lenders are using less conservative serviceability assessments . . . and signs of an increase in high-LVR lending among some institutions".

Acknowledging a burgeoning bubble is awkward for the RBA given the conflicts between its monetary policy objective, which requires super-low rates, and its "financial stability" mandate, which is tasked with preventing imbalances, like destructive bubbles, being induced by abnormally cheap money. The governor has also questioned the merits of "macro-prudential" policy, which are tools that limit lending, suggesting rate hikes might be the best tonic. To get the discounted variable mortgage rate back to normal, which is around 6.6 per cent, the RBA would have to lift borrower repayments by 30 per cent. If inflation becomes an issue like it was in 2007, home owners could face variable rates over 8 per cent. Either of these outcomes would likely induce significant price corrections as buyers cut expectations of capital gains, which are being biased upwards by current experience. When prices do start sliding, it is not inconceivable that we could see unprecedented 10 to 20 per cent losses across the board.

This has ramifications for home owners and investors in the banks, which are, on average, leveraged 25 times and only need a circa 5 per cent fall in the value of the assets held on their balance sheets – 60 per cent of which are home loans – to have their equity capital wiped out. My message is: buyers beware.

smh.com.au
The Sydney Morning Herald

Struggling London home buyers blame foreigners for price surge

Published: April 4, 2014 - 11:05AM

Cheryl Coyne shouted "No more homes for millionaires!" with protesters dressed as pirates outside London City Hall this week. Inside, Mayor Boris Johnson was approving a plan by Hong Kong's Hutchison Whampoa to build as many as 3,500 homes close to where she lives.

"These are the kind of homes that local people will never be able to afford," said Coyne, a 63-year-old semi-retired schoolteacher who wore a striped shirt and a skull and crossbones neck scarf. "There are thousands of people in the borough who need homes, and instead they're building flats for multimillionaires."

The UK capital's status as a magnet for wealthy foreign home buyers is helping to drive prices in many areas beyond the reach of most Londoners. That's putting pressure on politicians and developers to convince locals that they haven't been forgotten in the rush to court overseas investors.

Foreign-born buyers made 69 percent of central London new- home purchases in the two years to June, with 28 per cent living outside the UK, broker Knight Frank said in October. London house prices increased 18 per cent in the first quarter from a year earlier, the most since 2003, Nationwide Building Society said on April 2.

"There is a head of steam building where people are seeing this situation, which is so blatantly unfair, and want firm action to be taken," Darren Johnson, chairman of the London Assembly's housing committee, said by phone. Speculation "does nothing for London whatsoever other than push prices up even further."

More competition

Developers have refocused their sales efforts on local buyers in response to criticism of their efforts to market some homes exclusively abroad. They have stopped short of closing the door on foreign investors.

Battersea Power Station, the derelict brick landmark on the south bank of the River Thames that featured on the cover of Pink Floyd's "Animals" album, is one of London's largest and most talked-about housing developments. When the project's Malaysian owners sold the first 866 homes in just three days in January, more than half went to foreign buyers. The second phase of more than 200 apartments goes on sale in London only on May 1.

Residents preferred

Rob Tincknell, chief executive officer of the Battersea Power Station Development Co., said in an interview that the company's staff called all 13,000 people who registered to buy the project's 3,500 homes and intends to give preference to those who said they intend to live in the homes they buy.

"The power station is a London building that people feel very passionate about and it would be totally wrong to have it sold off to people who are just storing cash in the UK and not living there," he said. "On a more practical level, we have a lot of interest. We have buyers."

Hutchison's development, known as Convoys Wharf, is in a neighbourhood founded by King Henry VIII as a dockyard in 1514. It includes 15 per cent affordable housing, or about 525 homes, according to a filing with the Greater London Authority. That's below the 50 per cent target set by the local council.

In a report to the authority, Hutchison said it couldn't provide more affordable homes and remain viable, according to the filing. Daniel Prior, a spokesman for Hutchison at Brunswick Group, declined to comment on the project.

Safe investment

Foreign investment in London property took off after the financial crisis in 2008 as a weaker pound, economic instability from Europe to Asia and record-low returns on fixed-income investments prompted wealthy buyers to search for assets that would hold their value.

Increasing numbers of Britons were left out of the market as banks restricted mortgage lending and unemployment increased.

Spending by non-British investors spread from luxury properties in neighbourhoods such as Chelsea and Knightsbridge to new houses and apartments as builders used advance sales, many to buyers from Asia, to finance projects amid tight lending for development.

A main reason for the local backlash: two-thirds of foreign buyers are investors rather than owner-occupiers, broker Savills said in November. Home prices in the city, fuelled by government mortgage-assistance plans such as Help to Buy, climbed to a record of £362,699 in the first quarter, Nationwide said. That was more than double the national average of £178,124 pounds.

Prices soar

In December, a group of 11 UK homebuilders, including Barratt Developments, Taylor Wimpey and Telford Homes, agreed to stop giving overseas residents the first shot at buying London homes sold before they're built. They agreed to offer properties at home and abroad at the same time.

"This really coincided with some of the negative press that was coming out about selling overseas and people leaving homes empty," Telford chief executive officer Jon Di-Stefano said in an interview at the time. "It's actually quite expensive to market overseas and the reason people are doing it is because they need to make early sales in order to increase what they're building."

For Adam Haycroft, a 29-year-old copy writer living in Hornsey, north London, availability won't make a difference if prices keep rising.

"We've cut things as hard as we can; we're sharing a flat, we're sharing a room," he said in an interview. "Even with that, we save about £1,000 a month and every time we reach what we think is a milestone, we look at the prices in London and realize we just can't get close to buying anything."

No help

Programs such as Help to Buy "just fuel the fire by pushing prices up further," Haycroft said. "They need to actively cool the market." There has been a significant increases in mortgages available above 75 percent of the value of the home purchased, the Bank of England said in a report today.

Johnson, the London mayor, faces a balancing act as he courts foreign investment on travels to countries including China and Kuwait while trying to assure voters that he's sensitive to their concerns.

In a statement released by the Homebuilders Federation, Johnson praised the decision to stop offering property abroad first. He also called foreign investment a "long-standing and necessary part of any global city's housing market."

It's too early to tell whether changes in marketing will have a substantial effect on the proportion of foreign buyers in the capital. In some of the most expensive areas, the market is changing by itself.

British comeback

UK buyers accounted for almost half of sales in the boroughs of Kensington & Chelsea and Westminster in 2013, up from 43 percent in 2012 and 37 percent the year before, as high prices reduced demand and an improving global economy provided more safe investments for foreign investors to choose from, broker Hamptons International said on March 31.

Londoners complain that much of the new development in the city includes apartments that only foreign investors can afford. Luxury-home developers, which often sell 30 percent of apartments abroad to finance construction, plan to build more than 20,000 properties in the capital with a value of about 50 billion pounds in the next decade, Mark Farmer, head of residential property at EC Harris, said in a November report.

The UK government has taken steps to increase the tax burden for luxury homes and properties owned by foreign buyers through companies. The Treasury has to be "vigilant" as prices rise, Chancellor George Osborne said today.

Even with those measures, developers will focus on building skyscrapers packed with apartments for investors because the U.K.'s housing polices favor them, Danny Dorling, author of "All That is Solid: The Great Housing Disaster," said in an interview.

Government subsidies

Landlords benefit from tax breaks, among them the ability to offset mortgage-interest payments and the costs of maintaining the property against income tax paid on rent. Those subsidies are worth £13 billion a year to investors, according to the advocacy group Intergenerational Foundation.

Owners of UK properties can increase rents in line with demand, unlike cities such as Berlin, where landlords must link rents to an index published by the government and also face limits on increases following an upgrade to the property. That helped push London rents up 11 per cent between May 2005 and May 2013, according to the Office for National Statistics.

There are no restrictions on the type of property a foreign investor can buy in the UK In Australia, by contrast, non-residents are unable to buy existing homes and can only invest in property that adds to the housing stock. The council tax system also makes little distinction for the costliest homes. The owners of one £50 million home in Westminster will pay just £1,354 this year, with the top tax bracket starting with homes worth more than £320,000.

Tenants' rights

London's housing boom started with luxury properties and spread to family homes, "pricing British people out of the market," David Green, chief executive officer of research group Civitas, said in an interview.

"If you want to solve the London problem, you begin by improving tenants' rights and make becoming a landlord less lucrative," Dorling said. Introducing rent controls similar to Berlin's and creating more council tax bands would "scare overseas buyers because they won't get these huge profits."

Coyne, the protester at City Hall, expressed her exasperation with politicians as they prepared to approve apartments that she says local people earning any less than £40,000 a year would be unable to afford. The average full-time salary in Lewisham was £29,800, according to 2011 data from the council, the most recent available.

"Ships were built here that went all over the world and already a huge anchor at the top of the high street has vanished because of this process," she said. "We need that number of homes, but we don't need this kind of homes."

Bloomberg

This story was found at: ***http://www.smh.com.au/business/world-business/struggling-london-home-buyers-blame-foreigners-for-price-surge-20140404-362my.html***

smh.com.au
The Sydney Morning Herald

Australia's house prices 'flashing red', debt to income ratio at record levels

Christopher Joye
Published: April 4, 2014 - 11:12AM

Australian household debt has hit a record 177 per cent of annual disposable income while housing valuations are "flashing red", according to Barclay's chief economist, Kieran Davies.

"House prices now equate to 4.3 times annual income and 28 times annual rent, both within a fraction of their historic highs," Mr Davies said.

Sky is not the limit: Barclays chief economist Kieran Davies has concerns about Australia's housing market. *Photo: Nic Walker*

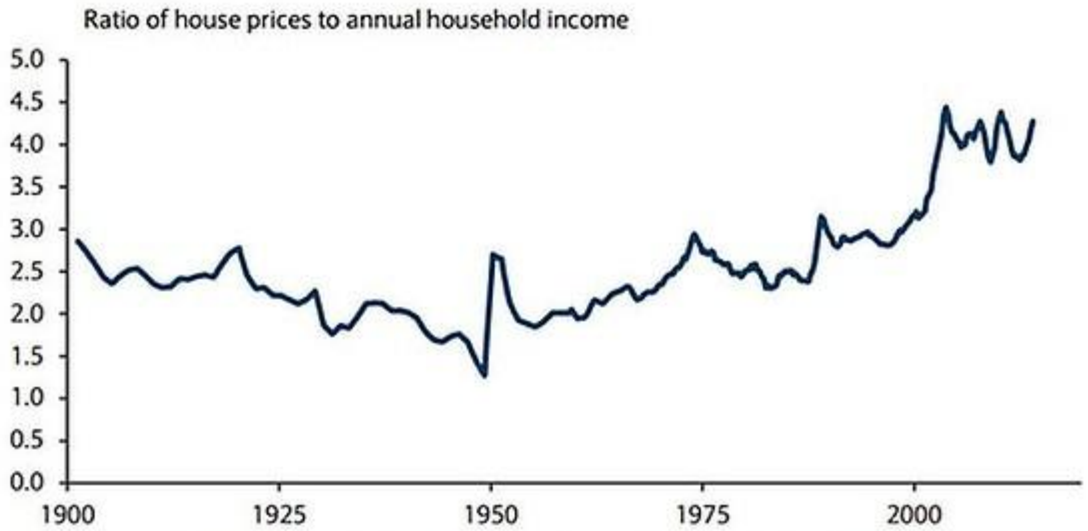
The respected former treasury economist believes the RBA is "worried about the strength of the housing market, where the evolution from recovery to boom has brought jawboning by the governor into play."

"We're paying more attention to house prices and credit than the currency to see if the RBA changes its mind on macro-prudential tools [which limit lending growth] to gauge if housing strength could trigger a rate rise this year."

In March RBA governor Glenn Stevens warned "we need to be alert to the possibility that the past year of strong rises in dwelling prices leads people to assume that this is the norm".

FIGURE 4

Home prices are almost back at their all-time high as a share of household income



Source: Australian Bureau of Statistics, Real Estate Institute of Australia, RP Data-Rismark, Stapledon, Barclays Research

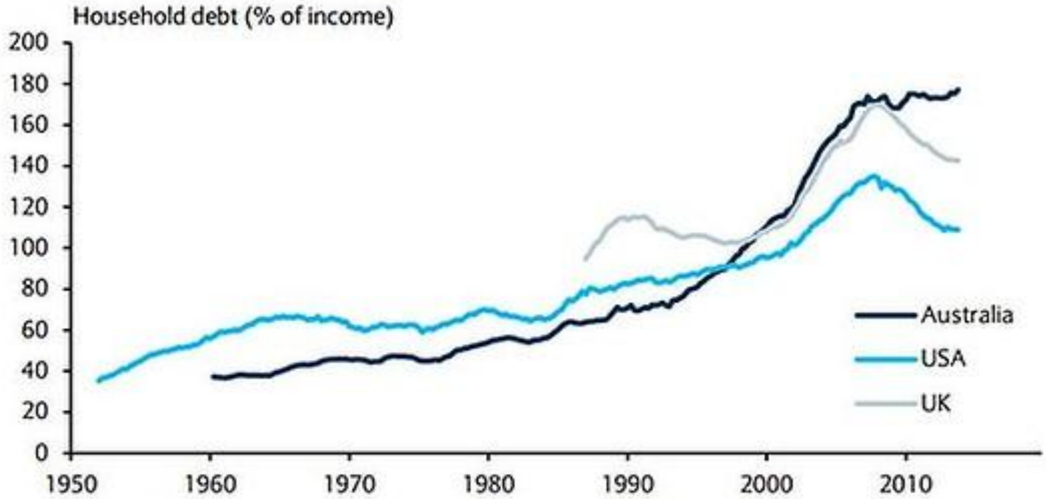
"Were such an assumption to lead to increasing speculative activity, accompanied by a renewed increase in household leverage with all the associated risks to the housing market ... that would be unwelcome," Mr Stevens said.

Australian house prices leapt almost 11 per cent over the 12 months to 31 March to record levels in absolute terms, with capital gains of 15 per cent experienced in the nation's largest city, Sydney.

Using ABS data on total Australian household liabilities and incomes, including small business debts that are excluded from similar RBA metrics, Barclays found that the ratio of household debt to disposable incomes has hit a record of 177 per cent.

FIGURE 6

Gearing has started to increase again and is now at a record 177% of income



Source: Australian Bureau of Statistics, Bloomberg, Reserve Bank of Australia, Barclays Research

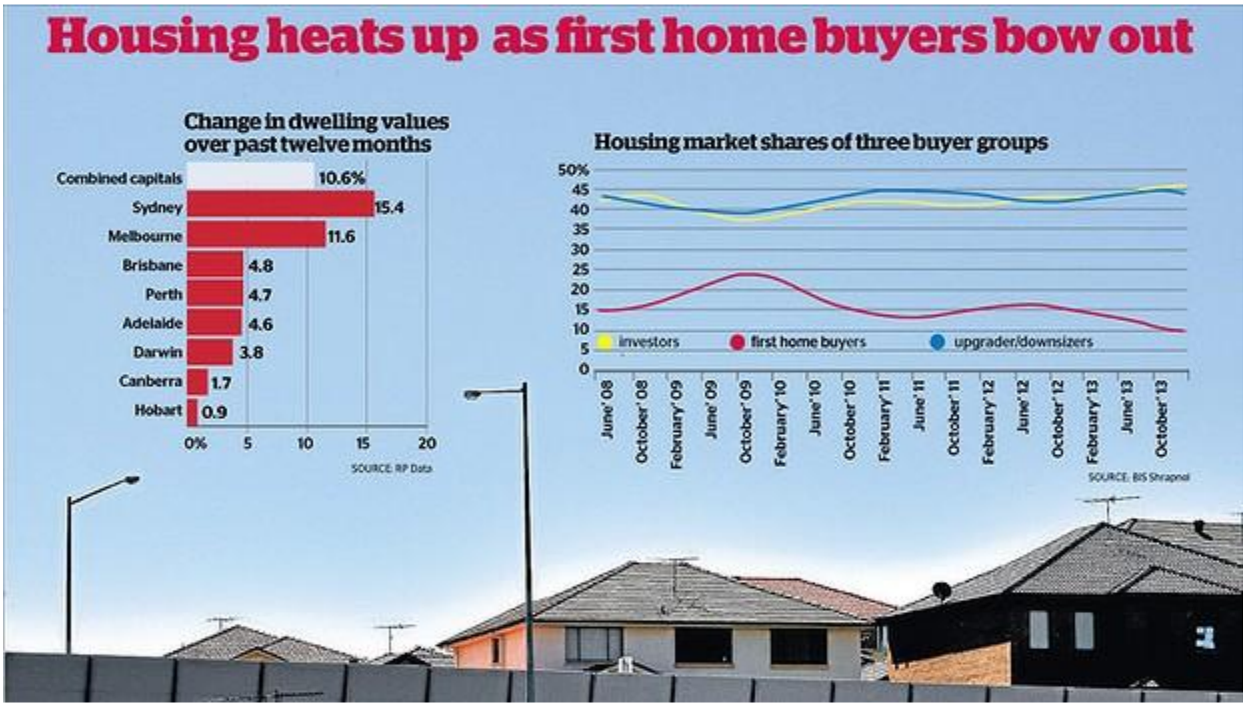
"This is up from a recent low of 173 per cent and exceeds the previous high of 175 per cent reached in 2010," Mr Davies noted.

In striking contrast to consumers in the US and UK, Australian families have boosted debt relative to incomes since the 2008 crisis. The RBA put the household debt to income ratio at 149 per cent in December, just a touch off its 153 per cent peak in 2006.

smh.com.au
The Sydney Morning Herald

Boom threatens the great Australian dream of a home

Michael Bleby
Published: April 5, 2014 - 8:08AM



Many prospective first home buyers feel they 'would be chasing constantly rising prices.'

At the age of 29, Nicole Haddow moved back home to save for a house deposit. For the author and social media manager, moving back in with her parents after four years of renting wasn't easy, but was a necessary trade-off to try to get a foot on the bottom rung of a property ladder that was getting higher and higher off the ground.

"It just seemed that I would be chasing constantly rising prices," she says. "The longer I waited the bigger the deposit I would have needed. I bit the bullet and went home."

Nicole Haddow has just bought her first home after returning to live with her parents to save for a deposit. *Photo: Ken Irwin*

In February, Haddow succeeded in purchasing a two-bedroom apartment in Mordialloc in bayside Melbourne. But in a country in which fewer and fewer young people are buying houses, she is an increasing standout.

Home ownership among her age bracket of 25 to 34-year-olds dropped to less than half (47 per cent) in 2011 from more than two-thirds (61 per cent) just three decades earlier in 1981, census figures show.

This is just one strand of a changing and increasingly complicated housing market - one that Reserve Bank governor Glenn Stevens last week confirmed was going through a "boom".

His use of the word in a speech in Hong Kong raised eyebrows, while the central bank's decision this week to keep its benchmark rate on hold at a record-low 2.5 per cent - even as house prices have continued their upward gallop - caused others to warn of a bubble.

On Friday, Barclays chief economist Kieran Davies said Australian household debt had hit a record 177 per cent of annual disposable income and that house prices were equal to 4.3 times annual income and 28 times annual rent, within a "fraction" of their historic highs.

And figures out earlier this week reinforced the strength of the market, with RP Data figures showing Sydney's median house value soared 15.6 per cent in March from a year earlier.

In Melbourne, which this weekend experiences its second straight "Super Saturday" with more than 1000 properties going to auction, values rose 11.6 per cent on the year. Both were above the national median figure of 10.6 per cent.

Even Stevens, who explicitly said the market was not in bubble territory, this week chose to warn that investing in housing was not a "sure bet" and that prices could fall, as they have done in Sydney over the past decade.

But Stevens and many others are, in fact, counting on the housing boom and the construction industry it drives to keep things ticking over as the economy's resource-fuelled sugar hit subsides.

Planning approvals for new houses - a leading indicator of construction to come - slipped in February after a surge in January, but remained 23 per cent above their number a year earlier.

Amid this flurry of activity, profound changes are taking place in Australia's housing market, sparking a debate about who buys property and how they buy it.

A growing population, changing household structures and signs of a greater appetite for renting, rather than buying, are all changing the ways we think about housing.

Some are choosing to forgo the great Australian dream of the family house on the quarter-acre block in exchange for a shorter commute and closer proximity to urban centres with better-paying jobs and opportunities.

As Stevens said, a bubble is unlikely. More housing stock is needed to make up for a decade of underinvestment in the country's largest city, Sydney - whose 4.4 million residents made up one-fifth of the total population in 2011 - and to accommodate the predictions for a national population that the ABS says could nearly double to 40 million by 2060.

But debates are also raging about whether tax incentives, most notably negative gearing, actually draw productive investment that helps build new housing, or whether they just push up the price of existing housing stock, to the benefit of those fortunate enough to already own property.

Home ownership across the whole population has slipped over the past two decades - to 67 per cent in 2011 from 70 per cent in 1991 - and the representation of first home buyers in the Australian housing market has also been falling. As of January, first home buyers accounted for just 10 per cent of the housing market, less than half of the 24 per cent they represented in October 2009, figures by research company BIS Shrapnel show.

Over the same period, investors (both local and from overseas) as well as people upgrading to a bigger property or downsizing (such as baby boomers who are selling the family home and getting an apartment) were buying more properties.

The introduction of the GST in 2000 under John Howard dampened first home buyer purchases while the first home buyer grant, given a boost in 2009 by Kevin Rudd's government as a part of wider efforts to stimulate the economy in the wake of the global financial crisis, turbocharged it.

"There's been a secular trend from something like 20 per cent to more like the 15 per cent we would regard as normal now," says BIS Shrapnel associate director Kim Hawtrey. "But it's currently 10 per cent."

Affordability is one reason for the trend.

House prices have grown more expensive relative to incomes. Another is the issue of deposits. As Haddow points out, rising prices would have meant the deposit she needed to secure a mortgage - about 10 per cent in her case - kept going up.

But housing affordability isn't just a problem for middle-class Australia. Concern about a lack of affordable housing has prompted a Senate inquiry - due to report in June - on the regimes of incentives, planning and funding that currently affect the supply of affordable housing for the country's most vulnerable and less well-off.

One key part of this is negative gearing, that almost uniquely Australian habit of permitting housing investors to offset their income made elsewhere with losses they make on a property investment.

Two years ago Paul Farley bought a one-bedroom apartment off the plan in a complex in Melbourne's St Kilda. Rather than living in it, the professional property manager chose to rent another one in the same complex.

"I could pay rent for the one and negatively gear the other," he says. "If you had two identical flats, you're better off not living in your own, but renting one." Critics, such as Aussie Home Loans boss John Symond, say negative gearing, along with capital gains tax and other discounts, inflates property prices and should be phased out.

Not so, Hawtrey counters. Any capital going into housing should be welcomed. "I don't see negative gearing as the problem, as it generally increases supply by attracting capital into the property asset class as opposed to other asset classes," Hawtrey says.

Economist Saul Eslake is also scathing of tax benefits, along with the direct handouts that take the form of first home buyer grants, saying that without removing the blockages that continue to restrict the growth in housing supply, they are misguided and damaging fiscal tools.

"The ostensible benefits of those policies have in effect been expropriated by the people who owned homes at the beginning of the 1990s," Eslake says. "What government policy has done has been to inflate the demand for housing by giving more money to buy it with, whilst local governments have constricted the supply of housing through their urban land use and planning policies and by changes in the way they charge for the provision of suburban infrastructure."

It is clear, however, that something will need to be done and a day of reckoning may yet come in the property investment market for Australians.

Eslake says that with more than 1 million taxpaying and voting Australians enjoying negative gearing - a long-established feature of the economy - no politician will dare take it away. It would be easier, he says, for a federal government to simply stop new people adopting the measure.

"If you say it's too hard to take the benefits away from people who have entered into it in good faith, doesn't mean you have to continue extending it to all others in perpetuity," he says.

The nature of Australian property investment is changing in any event, but not in ways many people imagine.

The burgeoning self-managed super fund industry insists that it is not distorting the market.

DIY funds have increased their exposure to property over the past four years - but as of December last year just 3.57 per cent, or $19.4 billion of the $543.4 billion held by SMSFs were in residential real estate.

In fact, SMSF exposure to commercial property was three times as great, at almost $64.9 billion - and has grown even faster than residential investment - principally because of the tax benefits that commercial properties get from depreciation.

Nor is it the case that overseas investors are taking over the country. While the value of approvals of residential real estate by the Foreign Investment Review Board grew last year to $5.4 billion - up from $2.9 billion a year earlier - this was less than 3.2 per cent of the $185 billion Australians borrowed from banks to finance residential real estate purchases in the same time.

If the cash, rather than bank loans, Australians used to buy housing is added to the total, the foreign investment becomes even smaller by comparison.

"That's swamped multiple times by the amount Australians put in," Eslake says. "For the most part, it's people in their 40s and upwards who are driving the upward pressure on prices."

Another change is creeping into the housing market, however. The inevitable move towards more dense living in urban areas - as people choose to move up, rather than out - is driving a proportionately greater investment in apartments than ever before.

While detached houses have traditionally accounted for two-thirds of new house commencements, with high-rise and townhouses making up the rest, that proportion has been shrinking and is likely to be closer to between 56 and 44 per cent, research company Macromonitor says.

Over the next decade, so-called other dwellings - not stand-alone houses - are expected to make up a larger share (37 per cent) of commencements than previously (32 per cent from 2000-01 to 2009-10). In NSW the proportion of high-rise and townhouse dwellings will rise to 57 per cent of all commencements over the next decade, driven by Sydney's push towards infill development and higher-density living near existing infrastructure.

At the same time, the proportion of people settling for apartment life as long-term renters is growing, as is the case in Europe, where people rent and have less of their personal wealth tied up in property. This trend will change the nature of property investment into a more professional game, and less of a mums-and-dads game than it has been in the past.

"The traditional people who bought their first flat as an investment and have had it for 30 years - the mums and dads - is changing considerably to more astute investors who have a portfolio of shares, or investments or property altogether, and they look at it as an investment product far more," says Little Residential chief executive Phil Meggs, whose company seeks to tap that trend by developing apartments, selling them and then managing them for investors.

The world of property has changed in Australia from the market it once was. As the retiring baby boomers live longer than their own parents and hold onto their dwellings for longer, as the population grows and as inefficiencies hold up the development of new properties, the way Australians live and pay for that accommodation will change.

For many people, this will simply mean not owning property, as their parents' generation did.

"I'm surprised there isn't more anger among young people about the way in which the housing system has been rigged against them by their parents," Eslake says. "Perhaps young people are getting their revenge by refusing to move out of their parents' homes!"

Haddow, for her part, is staying with her parents for a few more weeks to boost her savings before she joins Australia's dwindling ranks of owner-occupiers. This weekend, hundreds more people will flock to auctions hoping to join those ranks. The current boom - as declared by Stevens - means it may well be harder than ever.