

Mr Patrick Bright
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Committee Secretary
Standing Committee on Economics
House of Representatives,
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Parliament House,
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To whom it may concern,

I own a Sydney based real estate buyer's agency, which has been operating since 2001. Over the last 13 years I have represented hundreds of clients and purchased more than \$500 million worth of property for home buyers and investors.

As an Australian citizen I am greatly concerned about the current FIRB policy. It allows foreigners to purchase:

- up to 100% of a new development that has FIRB approval;
- as many new properties as they like;
- established housing with few restrictions.

The question must be asked as to why the government has a policy in place that effectively imports additional pressure onto our housing market when the Housing Industry Association statistics consistently show that Australia has an undersupply of housing to meet the current demand which is already contributing to strong price rises.

The two main concerns I have with the current policy are that it's inflationary and that it will create a generation of renters which will result in other knock on social issues down the track.

There is no doubt that under the current arrangement we are seeing prices being pushed up higher and faster than they otherwise would be without foreign buyers thereby creating an inflationary effect; this is particularly

evident in my home town of Sydney however statistics clearly show it's happening in other states as well.

Over the past decade, in particular since 2008 when the FIRB laws were changed to their current state, I have experienced increasing competition as a result of foreign buyers in the real estate market when buying established property.

The National Australia Bank Quarterly Australian Residential Property survey statistics on foreign investment clearly correlate with my experiences with results consistently showing an increase in foreign investment. The latest quarterly survey released in April this year found "A big pick up in foreign buying activity was noted in the market for new property (especially in Queensland) and for established housing (especially in NSW). In terms of total demand, foreign buyers now account for just over 1 in 7 new properties and around 1 in 10 established homes."*

As a nation we have prided ourselves on giving all Australians a fair go. In contrast this current situation is pricing many would be Australian home buyers and investors seeking to secure their future out of the market. It is forcing many to rent now who would otherwise like to purchase and I strongly believe this has already started to increase the percentage of generation X and Y who will never buy a property diminishing for many the great Australian dream of owning their own home.

The flow on effects of the current policy must also be examined as we are likely to see a larger percentage of these generations become far more financially dependent on the government come retirement having not established the financial security of buying and paying off their own home.

Financial modelling for self funded retirees or retirees who need to rely on the age pension has the assumption that they have paid off their home. If they are still renting then it's likely they will require an additional million dollars in super or other investments (be that cash, shares or property) to fund their rental costs, for the rest of their lives. If they don't then it's highly likely they will be dependent on some form of government housing or additional government financial support to pay their rent.

It's well understood that once families are dependent on welfare it often becomes generational. Clearly more people being dependent on Government financial support is not in Australia's short or long term interest.

My recommendations for adjustments to the policy are that:

1. The percentage of property allowed to be sold to foreigners must be reduced to a less inflationary level of under 10% for each individual new development;
2. Limits need to be put in place as to how many properties any given individual foreigner or corporations that are controlled by or have common foreign shareholders can purchase.
3. Remove the ability for foreigners to be able to purchase established property as this does not add to the housing market or boost the construction industry in any way, it just increases competition for Australian citizens and permanent residents.

These improvements would still allow for some degree of foreign investment. It would also give Australian citizens who just can't compete with wealthy foreigners the opportunity they deserve to enter the Australian property market as a home buyer or as an investor seeking to secure their own financial future so they will be less dependent on government when they retire.

Please contact me if you require further information.

Yours sincerely,

Patrick Bright
EPS Property Search Director

9 May 2014

* sourced from <http://business.nab.com.au/quarterly-australian-residential-property-survey-q1-2014-6136/>