

It's important that the Inquiry considers the evidence presented in the Bloomberg / Fairfax article below. It 100% validates and supports my submission, particularly the following points made in my submission:

- Demand from China for Australian property is continuing to increase rapidly
- The Significant Investor Visa is being misused as a loophole to enable foreign purchases of established Australian homes, contrary to bipartisan foreign investment policy. For the Inquiry to ignore this major loophole would be to ignore a significant aspect of the problem being inquired into
- Foreign purchases represent a substantial percentage of the overall market, and an even larger percentage of various market subsegments
- The slowing Chinese property market is accelerating purchases of Australian property, underscoring my point that a sharper fall in that market will cause a stampede in our market

Could you please:

1. pass this on to those who need to see it.
2. confirm that the Inquiry is monitoring news articles such as this because there have been several articles with important evidence since I lodged my submission.
3. confirm whether the report will be made public immediately in October?

Thanks in advance.

Pat

## Chinese rush for Australia's homes is here to stay

[#1 article on The Age on 6/8/14]

August 6, 2014 - 11:24AM

<http://www.smh.com.au/business/chinese-rush-for-australias-homes-is-here-to-stay-20140806-100vnc.html>

Chinese investors have overtaken Americans to become the biggest foreign buyers of property, bolstering demand for new projects. *Photo: Bloomberg*

Ausin Group (Finance), a company that offers property and mortgage broking in Australia to Chinese buyers, expects to sell two-thirds more homes and to double the amount of loans it arranges for buyers as demand from mainland China surges.

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The company forecasts \$1.5 billion in sales of new residential properties in the year ending June 30, compared with \$900 million over the previous 12 months, said Ausin's Sydney-based managing director, Joseph Zaja. The value of mortgages the company arranges through Australian banks is expected to climb to \$500 million in the 2015 calendar year, he said.

Ausin is benefiting from surging demand from China, where the housing market is faltering. Chinese purchasers overtook Americans to become the biggest buyers of real estate in Australia in the 12 months through June 2013, plowing \$5.9 billion into commercial and residential property, a 42 per cent increase from the previous 12 months.

"I don't see the trend slowing down," Zaja said. "It's here to stay."

### **New Developments**

Ausin sources projects from local developers, including Stockland and Mirvac, marketing them through its 11 offices in China, Zaja said. The average price of the properties Chinese buy in Australia is \$630,000 according to the company.

When Zaja and a partner based on the mainland, whom he declined to identify, first set up Ausin in 2009, banks would only finance developments where less than 30 per cent was sold to overseas buyers, he said.

"Now, that's up to 100 per cent in some cases," he said. "The larger banks had the view that overseas buyers were a much higher risk than local buyers. But we've been able to provide them with statistics that less than 1.5 per cent of all our purchasers cannot complete" their purchases.

Ausin last year began operating as a mortgage broker, and now arranges home loans through local banks for about 93 per cent of its buyers, Zaja said. The average borrowing is 70 per cent of a property's value, or about \$440,000.

The company, which also offers immigration services to Chinese wanting to move to Australia, is setting up a fund targeting those from the mainland applying for a Significant Investor Visa, Zaja said. The visa allows foreigners investing at least \$5 million in Australia to qualify for residency. Chinese nationals accounted for 91 per cent of applications and 86 per cent of grantees as of the end of June, according to the office of the assistant minister for immigration and border protection.

### **Immigration Surge**

Ausin has seen a 300 per cent increase in demand for its immigration services over the past six months, the company said in a release last week.

Concerns by locals that overseas investment, particularly from China, is driving up property prices and reducing affordability has prompted a parliamentary inquiry into foreign buying of domestic real estate. The report from the inquiry will be released in October.

Overseas purchasers bought 10.2 per cent of new properties in the quarter ended June 30, falling from a record 13.9 per cent over the first three months of the year, according to surveys of real estate professionals by National Australia Bank. They accounted for 7.2 per cent of purchases of existing properties, compared with 9.5 per cent earlier.

Home prices across Australia's state and territory capitals rose 10.2 per cent over the year through July from a year earlier, according to RP Data-Rismark. Sydney and Melbourne led the gains, with values climbing 14.8 per cent and 11 per cent respectively.

In China, real estate is the biggest short-term risk to the economy, said Markus Rodlauer, mission chief for China at the International Monetary Fund. Authorities are trying to avert a collapse of the real-estate market after data showed housing prices fell in 55 of 70 cities in June from May, the most since January 2011 when the government changed the way it compiles the statistics.

**Bloomberg News**