

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 96

Topic: FIRB requested Real Estate Proposals – 2010-11

Hansard Page: Wednesday 30 May 2012, page 58-59

Senator WILLIAMS asked:

Senator WILLIAMS: That answers my next question. Can you give me the main reasons why FIRB rejected 42 real estate proposals in 2010-11? Why was that?

Ms Reinhardt: Usually the largest reason is that applicants do not satisfy the conditions that are required for purchase. For example, a non-resident might wish to purchase existing residential property, and in order to secure the market for Australians we have limited rules around what foreign residents can buy. So, new development properties rather than an existing property.

Senator WILLIAMS: So, the 42 rejected were basically—

Mr Murphy: They may have got it wrong. What we are saying is that there are rules to enable foreign investors to buy off-the-plan units. Because of issues in terms of housing markets, there are rules against foreign investors buying existing residential property.

Senator WILLIAMS: So, those 42 rejections were existing residential property, were they?

Ms Reinhardt: I cannot guarantee they were all that situation. That is likely to be a large majority of them. We can get more detail on notice.

Senator WILLIAMS: Why would you reject them? What was that reason you gave?

Ms Reinhardt: If they do not satisfy the actual requirements under the act.

Mr Murphy: That is the rule.

Ms Reinhardt: They might want to buy an existing property in Sydney and they will put in an application, but we will say, 'Unfortunately, you cannot buy that house.'

Mr Murphy: If you are a temporary foreign resident, you can buy a house, but you need to sell it when you leave the country.

Senator XENOPHON: Within how many months?

Mr Murphy: It is probably within 12 months.

Senator XENOPHON: You have leeway?

Mr Murphy: Yes. If you do buy and ignore us, you can be forced to divest and sell that property. In the past legal action has been taken against people to force them to sell, which is not a happy circumstance.

Answer:

In the 2010 – 2011 42 real estate purchases were rejected by the Foreign Investment Review Board. Of the rejected purchases in 2010-2011, 37 were a result of the applicant not having the required

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residency status to acquire the proposed real estate type. Four cases related to companies wishing to acquire established residential real estate for investment purposes. One case related to a temporary resident proposing to acquire vacant land without developing the land within the timeframe stipulated as a condition of no objections.