



Chinese Investment in Australian Residential Real Estate

1. Domestic buyers are responsible for 85.2 percent and 91.3 percent of demand for new and established residential real estate, respectively.¹

2. Competition between foreign investors and first home buyers is extremely limited. The Reserve Bank of Australia explains: “Foreign purchases appear to be most concentrated in new rather than established dwellings, in higher- rather than lower-priced dwellings, in medium- and high-density dwellings rather than detached dwellings, and in inner-city areas of Sydney and Melbourne rather than other locations.”²

3. Foreign investors have not sidelined first home buyers. First home buyers outnumber foreign investors by a ratio of five to two.³

4. Foreign investment in residential real estate requires approval by the Foreign Investment Review Board. Since 2009-10, investors from China have accounted for 9.7 percent of foreign investment approvals in residential and commercial real estate. This compares with 11.3 percent from the U.S.⁴

5. Annual residential real estate turnover is \$270.5 billion.⁵ This is a huge amount. Yet the value of approved Chinese investment in both residential and commercial real estate is only \$5.9 billion.⁶ That is just 2.2 percent of total residential real estate turnover.

6. The growth in residential real estate prices began to accelerate at the end of 2012.⁷ Yet the share of foreign buyers in new and existing residential real estate demand did not change.⁸

7. In an Inquiry on Foreign Investment in Residential Real Estate, the House of Representatives Standing Committee on Economics concluded that, “...on balance it is the committee’s view that the benefits of foreign investment outweigh the negatives”. This is because, “The evidence points to a continuous lack of supply in Australia as a key driver of price increases. Importantly, foreign investment is regarded by industry experts as vital to increasing this supply. Rather than causing price pressures, the evidence suggests that foreign investments may actually help keep prices lower by increasing supply.”⁹ (emphasis ours)

¹ The figure is for Q4 2014. Source - National Australia Bank, 2015, *NAB Residential Property Survey: Q4 2014*. (NAB)

² Source – Reserve Bank of Australia (RBA), 2014, *Foreign investment in residential real estate*, p.11.

³ Source – NAB; Pascoe, M. 2015. The great first home buyer myth, *Sydney Morning Herald*, February 24.

⁴ The figure is from 2009-10 to 2012-13. Source – Foreign Investment Review Board, *Annual reports*. (FIRB)

⁵ The figure is for 2013. Source – House of Representatives Standing Committee on Economics, 2014. *Report on foreign investment in residential real estate*. (House of Representatives)

⁶ The figure is for 2012-2013. Source – FIRB

⁷ Source – Australian Bureau of Statistics (ABS)

⁸ Source - NAB

⁹ Source – House of Representatives, pp.86,88