News Release

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31% of Australian development site sales in 2018 to Chinese

- Chinese developers purchased $1.3bn worth of Australian residential development sites in 2018
- Of the 31% of sites snapped up by Chinese developers, sites suitable for low-density living (houses) rose from 29% in 2017 to 41% in 2018
- The report also found that almost 11% of all new apartments built in 2018 were by Chinese developers, with this share projected to rise to 22% in 2021 for the major Australian cities.
- Knight Frank's latest report, ***Chinese Developers in Australia – Market Insight 2019***, coincides with Chinese New Year on Tuesday, 5 February

Knight Frank's latest report, ***Chinese Developers in Australia – Market Insight 2019***, has found that 31% of Australian development sites in 2018 were bought by Chinese developers who purchased $1.3 billion worth of Australian residential development sites in 2018. This figure was down from $2.02 billion in 2017, or one-third of all site sales.

Of all Australian sites purchased by Chinese developers and investors in 2018, 41% were suited to low density (single dwellings or landed properties) – up from 29% in 2017 and just 2% in 2013.

According to **Knight Frank's Head of Residential Research, Australia Michelle Ciesielski,** over the past five years, Chinese developers have significantly ramped up their presence building landmark residential towers around the world – including along the skyline of the Australian east coast.

"Chinese developers and investors purchased $1.3 billion worth of Australian residential development sites last year. This was down substantially from the $2.02 billion recorded a year earlier, although the share of total sales fell only slightly from 33% - reflecting a wider, slower-paced market."

Ms Ciesielski said there is no denying Chinese developers have met with challenges throughout this time.

"From the Chinese government attempting to moderate capital outflow, to locally, the impact when major domestic banks restricted lending to offshore borrowers which limited the ability to rely on deep databases with clients familiar with projects in their home towns – all of this has had an impact on Chinese outbound investment.

"In addition, changes to Foreign Investment Review Board (FIRB) rules and the Australian Prudential Regulation Authority (APRA) encouraging stricter lending practices for investors cooling off-the-plan presales, not to mention the introduction for state-based surcharges – all current challenges also being faced by local developers."

According to **Knight Frank's Partner, Head of Asian Markets, Australia Dominic Ong,** the majority of Chinese developers who have entered the Australian landscape are settling in for the long haul – now diversifying their portfolios to adapt to local market trends.

"Over the past year, the likes of Zone Q, China Poly Group, Yuhu Group and Aqualand have increased their exposure to office assets and this trend is likely to continue in 2019.

"In addition, Chinese developers are shifting weight towards lower-density residential with 41% of sites purchased suiting low-density in 2018 – up from 29% in 2017," said **Mr Ong.**

The report also found that almost 11% of all new apartments – out of 5,160 apartments built in 2018 – were by Chinese developers, with this share projected to rise to 22% in 2021 for the major Australian cities.

According to **Ms Ciesielski**, these new apartments were concentrated on the major east coast cities of Brisbane, Sydney and Melbourne.

"This includes those projects which have already commenced, and those with development approval which are currently being marketed. With current headwinds heading into 2019, the likelihood of all projects proposed by Chinese developers going ahead over the next couple of years is diminishing, except those with an exceptional product.

"Projects submitted for development approval and those already with approval, but not yet having started marketing campaigns, tend to taper off substantially for Chinese developers – with less than 6% of total projects in the pipeline.

"Going forward, developers – both Chinese and local – must hold realistic expectations following a residential market in correction mode after a lengthy period of significant growth. It will be imperative proper time is allocated to strengthen their position in the market for when the time to proceed arrives," concluded **Ms Ciesielski**.

For further information, please contact:

Rebecca Sands, Director, PR & Communications, Australia
Rebecca.Sands@au.knightfrank.com +61 416 119 858

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Notes to Editors

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