

THE VALUE OF APPROVALS FOR CHINESE INVESTMENT IN AUSTRALIAN PROPERTY DOUBLES

Once more Chinese applications ranked highest as the largest potential source of foreign investment in Australian property in 2014-15; whilst Victoria stretched out ahead of NSW to attract the most investment applications in proposed residential property for development.

April 2016

Proposed foreign investment in Australian residential and commercial property was up 30%; recording \$96.9 billion in 2014-15 and represented 49.8% of all investment approvals.

China's total property approvals tallied \$24.4 billion in 2014-15 (up 97% over the year), followed by the United States with \$7.1 billion.

Total investment in developer off-the-plan property was \$28.7 billion; almost double the previous year.

Proposed investment in new residential property for individuals rose 86% to \$14.4 billion in Australia, which comprised of **20,551 approvals** in 2014-15.

The Foreign Investment Review Board (FIRB) Annual Report for 2014-15 was released on 8 April 2016. According to the report, the FIRB approved a total of \$194.6 billion worth of proposed investments across all industry sectors that fall within the scope of Australia's Foreign Investment Policy.

Residential (at 31.2%) and commercial (at 18.6%) property represented 49.8% of all proposed foreign investment in 2014-15. Growth was recorded at 30% over the year to reach a total of \$96.9 billion.

Continuing to drill down into the property sector, approvals for Chinese nationals to purchase Australian residential and commercial property tallied \$24.4 billion in 2014-15.

This was up 97%, from \$12.4 billion in 2013-14. As shown in Figure 1, other active countries included the United States (at \$7.1 billion), Singapore (\$3.9 billion), Malaysia (\$3.4 billion) and the Republic of Korea (\$2.5 billion).

A large component of residential FIRB approvals in 2014-15 included proposed investment in property for development totalling \$49.3 billion. Estimating proposed investments include the aggregation of estimated acquisition costs, development costs and costs of both the establishment and development in the case of new businesses.

FIGURE 1
Total Value Of Property Approvals By Country Of Investor
Residential & Commercial, 2014-15

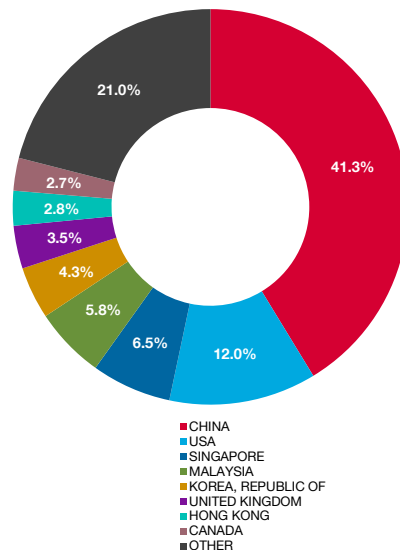
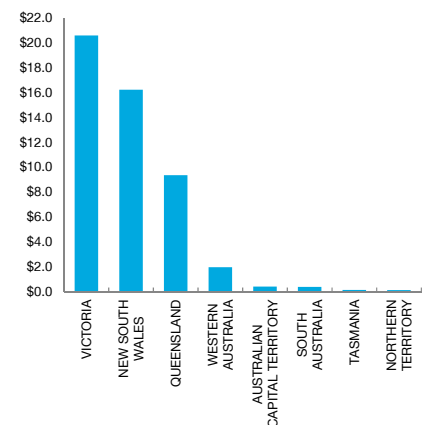


FIGURE 2
Distribution Of Proposed Investment In Residential Property For Development
\$ billion, 2014-15



Source: Knight Frank Research, FIRB Annual Report 2014-15

As illustrated in Figure 2, Victoria led the states and territories, with \$20.6 billion approved, closely followed by New South Wales with \$16.2 billion. Other significant approvals were in Queensland (totalled \$9.4 billion) and Western Australia at \$2.0 billion.



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Only countries specified by FIRB are represented

Source: Knight Frank Research, FIRB Annual Report 2014-15



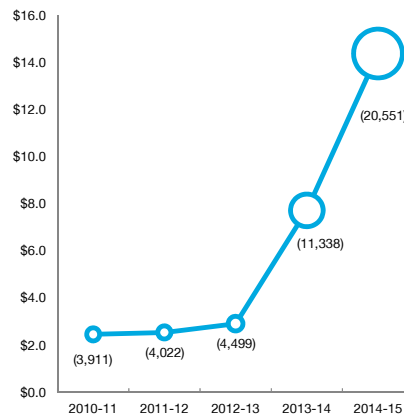
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Non-residents of Australia are currently limited to purchasing new or off-the-plan (OTP) property with a fee payable on application to FIRB. Total investment in developer OTP property was \$28.7 billion in 2014-15, almost double the \$16.4 billion over the previous year.

Proposed investment in new residential property for individuals rose 86% to reach \$14.4 billion in Australia, which comprised of 20,551 approvals in 2014-15. This was up significantly on 2012-13 when investment approvals were \$2.9 billion and 4,499 individual purchasers were approved, as shown in Figure 3.

As a comparison, over the financial year of 2014-15, approvals for existing commercial property actually fell 10% to \$28.5 billion.

FIGURE 3
Investment In New Residential Property—Individual Purchases
\$ billion total value & (number of proposals)



Source: Knight Frank Research, FIRB Annual Report 2014-15

Changes to Legislation for Foreign Investors in Australia

From 1 December 2015, all foreign investors must pay a fee before their foreign investment application will be processed and stricter penalties have been ramped up by the Australian Taxation Office for those who breach the rules. The fee structure is stated in Table 1 and penalties are detailed in our [Insight report](#).

For Victoria, including the capital city of Melbourne, this fee is in addition to the state-based 3% duty payable on the purchase price, and the annual absentee tax of 0.5% on the property value for foreign owners who leave their property vacant for extended periods throughout the year.

TABLE 1

Fees Payable by Foreign Investors, Residential Property

Based on Property Value, AUD

\$1 million or less	Over \$1 million
\$5,000	\$10,000 then \$10,000 incremental fee increase per additional \$1 million in property value

Source: FIRB

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