

Attention:

The Manager
International Investment and Trade Unit
Foreign Investment and Trade Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir / Madam,

I wish to make a comment on the consultation paper "Strengthening Australia's Foreign Investment Framework". Having considered the content of the consultation paper, I believe that simply strengthening the current framework does not go far enough to address challenges faced by Australian home buyers.

As opposed to buying shares in a company, residential real estate is something that all Australians aspire to owning. We keep hearing that the challenges in Sydney in particular are due to a supply problem, which is driving up Sydney prices. I fail to comprehend how opening up our real estate market to foreigners will drive supply. While the proposed enforcement of the current framework is a step in the right direction, I believe that most Australians will agree that allowing foreign buyers into the market actually puts increased pressure on prices for the simple reason that there is a significant increase in demand. Whether it be new dwellings or established homes, I am absolutely opposed to these policies. Any dwelling that a foreigner buys is one less dwelling that an Australian citizen or permanent resident buys. We need to look after the welfare of Australians first. In a recent study, it was found that foreigners make up at least 9% of the property market:

<http://www.abc.net.au/news/2015-03-18/analyst-estimates-9pc-foreign-buyers-in-property-market/6330052>.

This proportion will no doubt grow unless strong action is taken. Additionally, continuing the existing laws allows proceeds from international crime or money laundering to be hidden in assets:

<http://www.afp.gov.au/media-centre/news/afp/2013/march/federal-and-state-law-enforcement-partnership-dismantles-international>

<http://www.macrobusiness.com.au/2015/02/hit-squad-targets-dodgy-foreign-property-investors/>

The current framework allows the following (taken from the FIRB website):

Non-resident foreign persons:

1. Non-resident foreign persons cannot buy established dwellings as investment properties or as homes.
2. Non-resident foreign persons need to apply to buy new dwellings in Australia. Such proposals are normally approved without conditions.
3. Non-resident foreign persons need to apply to buy vacant land for residential development. These proposals are normally approved subject to conditions (such as, that ongoing construction begins within 24 months).

Temporary residents:

4. Temporary residents may acquire one established dwelling only and it must be used as their residence (home) in Australia. Such proposals normally meet with no foreign investment objections subject to conditions (such as, that the temporary resident sells the property when it ceases to be their residence).
5. Temporary residents are not permitted to buy established dwellings as investment properties.
6. Temporary residents need to apply to buy new dwellings in Australia. Such proposals are normally approved without conditions.

7. Temporary residents need to apply to buy vacant land for residential development. These applications are normally approved subject to conditions (such as, that ongoing construction begins within 24 months).

Regarding Point 1: I have seen evidence in my area that non-resident foreigners have indeed been purchasing established homes and demolishing them to build luxury homes. The established homes have not required demolition, however this has been common practice to satisfy point 3. While this creates activity for the building industry, it simply swaps an older house for a luxury house and drives up the price of established homes. Supply is not increased. The new house can then be sold to another foreigner and many of them are keeping them and "land banking". I know of one house in Hurstville Grove, NSW which is empty all year around. Occasionally, the owners who are from China, visit Australia for a holiday. There appear to be many more in the Hurstville area and throughout Sydney also.

Regarding Points 2 and 3: What purpose does an application to the FIRB serve when the applications are "normally approved without conditions?" Whether it's a new home or a block of land, selling these assets to a foreigner deprives an Australian the opportunity to purchase or build a dwelling. Analysts agree that there is increasing interest from countries such as China to purchase local real estate. The Canadian government has abolished the significant investor visa, saying that under this policy, house prices were being inflated. All of those prospective foreign buyers have now turned their sights to Australian real estate, where the competition is now ever so fierce, particularly in Sydney. The demand from China has grown so significantly that it has prompted local real estate agencies to open offices in major cities in China.

The problem of allowing even temporary residents to acquire Australian real estate is that technically the property may continue to remain under foreign ownership. This is achieved by foreigners selling to other foreigners.

With all of these policies, it remains quite clear that the only people who benefit from such transactions are real estate agents and selective developers. Even local developers have to compete against foreign buyers. First home buyers, upgraders and local investors are all having to compete with foreign money and even cheaper credit.

I would propose that residential real estate is only sold to Australian permanent residents and citizens. All persons buying property should be required to produce proof of residency or citizenship. Temporary residents (for example, international students) should rent, not purchase properties. Having a strong rental market will assist local investors. In the suburb of Hurstville where I live, there are some apartment buildings which are owned almost exclusively by foreigners. Instead of wasting tax payers' money on subsidising first home owner grants, why not restrict foreign purchases? With "unconditional approval" of new properties (especially apartments), foreigners are competing particularly with 1st home buyers. The housing stock is quickly being sold, at times within hours, to overseas buyers. In general, foreign buyers tend to be wealthy. Many of them are purchasing properties for their children while they are studying in Australia. Of course, average Australian families cannot compete with the budgets of wealthy foreigners.

I do not support foreign ownership of residential real estate in any shape or form as it is placing additional pressure on a market which is already generating much heat and inflating a property bubble. Housing affordability has become a nightmare to the average Australian. Most Australians DO NOT support foreign ownership of local real estate. If in doubt, ask local MPs of parliament to consult their electorate.

If the government does decide to continue with this farcical situation, then I would advocate that much greater stamp duties are applied to foreigners (this is done in countries such as in Singapore). This would raise much needed revenue to the government and cool an overheated housing market.

Yours faithfully,
[Name Withheld]