

Conditions align for Australian property "perfect storm"

Xinhua | By Agencies

After almost a decade of relentless foreign investment, the bang of Australia's mining boom may have finally popped - and as the smoke clears, a resurgent property market has revealed itself as the next quarry for foreign investors.

The strength of Australia's housing market has amazed observers, resolutely standing tall, while competitors such as France and the United States have been battered by the global financial crisis.

According to China-based property analyst Marcus Lin with Sunrise Property Group (SPG), Australia avoided a similar fate due to critical structural factors that will only strengthen in the medium to long term.

"Obviously Australia enjoys lifestyle factors environment, education, stability that create diamond hard fundamentals, but the buoyancy of the market is almost guaranteed by an ongoing housing shortage and a booming population, these are supported by core factors that ensure investment returns."

Lin said these factors include a rapidly growing population; strong overseas migration; Mortgage interest rates have been at record low; Australian household sizes are shrinking and stricter lending standards than in the US

2013 has already seen remarkably high auction clearance rates in Sydney and Melbourne, what Australian Property Monitors (APM) senior economist Andrew Wilson believes are the best indicator not just of how much the market has improved, "but of future activity".

"It has been a buyers' market for years; now it is at last again becoming a sellers' market.. It is the strongest start to a year we have had since 2010." Wilson said.

More than just a safe haven, the Australian property market has continuously outperformed Australian stock and bonds.

Andrew Martin, joint Managing Director of Investment Bank Moelis & Co, told Xinhua that Aussie real estate had proven itself to be inoculated against global financial shivers.

Australian real estate has experienced very strong historical performance, enjoying total returns averaging ten percent for the past 10 years.

Moelis's new Australian Property Visa Fund is gathering a 500 million Australian dollar war chest with which it will invest directly in Australian real estate.

"The market is ripe for foreign buyers.. the quality of life here provides the market with a confidence that continued to deliver returns throughout Asia economic crisis and even the global financial crisis in 2008," he added.

James Sialepis, National Director of Sales for Meriton, told Xinhua that 15 percent of Meriton's sales are to overseas buyers.

"Many overseas buyers from China for example consider Sydney to be relatively cheaper than the cities of Beijing or Shanghai.. Higher rent returns, lower vacancy rates and a lack of quality supply give them confidence that prices will continue to strengthen." he said.

Meriton last week secured two development sites worth in excess of 120 million Australian dollars in Sydney's Mascot and Olympic Park which will result in some 1,400 apartments.

Sialepis said sales have been 'extremely strong.'

"Key market fundamentals are now aligning perfectly. Enquiry is high, rents are increasing, vacancy rates are low, interest rates are falling and prices are rising.. We recently sold out of 2 brand new developments in Arncliffe and Brisbane." he said.

In a recent speech to the Australian Property Council, Duncan Calder, a partner with KPMG, highlighted the other significant driver of growth in Australia's resurgent property sector - China.

"The fact that properties in Karratha and Port Hedland (mining investment regions) can fetch rentals of more than \$1,000 a week shows the indirect impact of China's demand for resources on our property sector."

Australia's Foreign Investment Review Board (FIRB) figures show that investment approvals for Chinese investment increased three fold from \$1.5 billion in 2008 FY to \$4.1 billion in 2011 FY.

Calder said the significance of this massive contribution from China to the well-being of Australian families is not well understood.

"Independent research undertaken by the Australia China Business Council (ACBC) last year shows that on average, Australian household benefits to the extent of over \$250 per family per week.

"China is already propping up so many pillars of our economy: resources, education, tourism and increasingly, agriculture.

"In fact, real estate was the second largest investment sector for China. China was the second largest foreign investor into our property sector after the UK."

Part of Moelis' plans to set up an Australian asset management arm is the establishment of the Australian Property Visa Fund, which is dedicated to holders of the new '888' Significant Investor Visa.

The Significant Investor Visa allows holders and their immediate family to work, study or travel to and from Australia over four years.

Visa holders can also apply for permanent residency if they meet the requirements.

"I think the combination of the visa and investment in Australian real estate is going to yield a strong flow of investors," Martin told Xinhua.

"It's very clear there is a strong demand for Australian real estate from high-net-worth investors in Asia."

Australian property developers have been touting the new visa facility throughout Asia.

Several property agencies including Ray White have actively promoted sales of Australian properties in Indonesia.

"We conduct property fairs monthly to promote our Australian- developer partners," Ray White Indonesia COO Sari Dewi Sari said recently.

Among the agency's partners is Sydney-based Crown International Holdings Group, which aims to book over 100 million Australian dollars in sales from Indonesia.

"We are finding outstanding growth in the Asian market for property in Sydney that has been going for years and it is still increasing. The biggest [buyers] actually come from China" followed by Indonesians, Crown's director for sales and marketing, Haig Conolly, said.

Now, with the introduction of the ' 888 Significant Investor Visa', another perfect storm scenario has been created. Interest has already been significant, with reports of more than 200 expressions of interest in the new visa.

This translates into potentially 1 billion Australian dollars in capital inflows through the program not withstanding the other wealth that migrants bring with them.

<http://www.globaltimes.cn/content/770373.shtml#.UWOpmVeweSp>