



## Précis Paper

### Foreign Real Estate Investment in Australia

An interesting discussion about the policies regulating foreign real estate investment in Australia and the cultural and political norms at play.

#### **Discussion Includes**

- Regulatory framework in Australia
- Impact of regulation on the urban environment
- The links between foreign investment and migration
- Public resistance to foreign investment
- Impact of overseas legal and taxation decisions on Australia
- The changing role of professionals
- Changing migration trends

## Précis Paper

### Foreign Real Estate Investment in Australia

1. In this edition of BenchTV, Dr Dallas Rogers (Senior Lecturer, Faculty of Architecture, Design and Planning, University of Sydney) and Dr Shanti Robertson (Senior Research Fellow, Institute for Culture and Society, University of Western Sydney) discuss the regulation of foreign real estate investment in Australia and their latest research into this topical policy area.

#### Trends in Foreign Investment in the Australian Real Estate Market

2. Dr Rogers explained that his research shows that the regulatory environment is one small part of what is happening in global real estate investment. The current regulatory scheme in Australia is such that foreign investors can buy a house so long as they or their children (who are studying in Australia) plan to live in the house.
3. Both presenters noted that Australians tend to think about foreign property investors in an abstract way, as overseas-based individuals who are buying properties in Australia and thereby forcing property prices up. However, the reality is more complex. Foreign real estate investors have diverse motivations, and investors may choose to buy real estate in Australia for any of number of reasons, including wanting to move into a house in the future; having a house that their children can live in when studying in Australia; or in order to rent the property.
4. Thinking about the investors in financial terms, foreign investors are often members of the "new middle class", a group who may have different motivations for investing than ultra-high wealth individuals (or the "super rich"). The middle class tend to be more focused on migration or education for their family. The evidence shows that Sydney attracts more capital from the new middle class. The geography of where capital lands is also important. Dr Rogers explained that foreign investment tends not to come into a city in a uniform way – there are pockets of investment in certain locations, depending upon the preferences of the foreign investors.
5. It is also useful to consider what the people do who invest in Australian real estate. Are they foreign investors coming to live in Australia? Are they studying at an Australian institution? Are they simply buying from their home country? Do they intend to stay in Australia, and what are their long-term plans? If it is a long-term migration plan, how will these people coming into the cities change the urban environment? Dr Rogers advised that when taking into account these considerations, we must stop thinking about foreign investment as a

"moment in time" investment, but rather must consider the long-term impact of capital flows.

#### The Links Between Foreign Investment and Migration

6. The research conducted by both presenters pushes back against the stereotype of foreign real estate investors as ultra-high worth individuals who are absent from the city in which they invest. Dr Rogers noted that investors tend to be thought of in terms of independent categories, such as the foreign investor, international student, or temporary migrant. However in reality, an investor may occupy all of these identities, and therefore various regulatory regimes, including migration, education and investment, are interconnected.
7. One key point that Dr Robertson noted was the fluidity of some migration pathways, and how some short-term migration pathways become long-term. For example, some international students who enter the country during high school stay in the country for university, and then obtain post-study work visas. This means that people may stay in the country for 10 years on temporary visas. One consequence of this is that the natural transitions to adulthood, such as buying property, also apply to these individuals who remain in Australia on a medium to long-term basis. People temporarily in Australia can purchase property as a primary place of residence, and many of the reasons why non-Australians buy property in Australia will be similar to the reasons why Australians buy property.

#### Public Sentiment about Foreign Real Estate Investment

8. There is a long history of alienating Chinese investments in relation to land and real estate in Australia, and recent popular sentiment about foreign real estate investment has been overwhelmingly negative. Land and real estate play an important part of the Australian psyche, and any threat to our claim to land goes to the core of the Australian identity.
9. The foreign investment legislation in Australia typically does not deal with homes, but other large assets such as infrastructure and large businesses. Dr Rogers noted that the politics becomes complicated when this type of regulatory regime is applied to a person's home.
10. Dr Rogers conducted research to gauge popular sentiment about Chinese investors, measuring the views of Sydney-siders against (1) where they get their news about foreign investment from; (2) their housing status; and (3) their knowledge about the foreign real estate investment system. The results showed that almost half of the people surveyed would not welcome Chinese investors in their suburb. Interestingly, people who were actively looking for a home had less negative views about Chinese investors.

11. However there is clearly still significant hostility to foreign investment. The biggest factor that determined views regarding foreign and Chinese investment was people's views about multiculturalism. Dr Rogers explained that cultural anxieties are the biggest drivers of concern about foreign investment. This has led to some policy pushback in response to political concerns, however the regulatory system has been left largely unchanged following a Parliamentary inquiry into the area, and there seems to be bipartisan support for foreign investment overall.

### The International Landscape

12. The increase in foreign real estate investment, and its ties to other areas, has led to burgeoning industries in a range of professional services, including real estate agents, migration consultants, education consultants, and lawyers. Dr Rogers described global real estate expos which occur all over China, and which link up education, real estate and visa regimes. Real estate agents in Sydney now often have educational arms attached to their business.
13. Regulatory settings in different places, and the rise and fall of global markets, all intersect. What happens in foreign real estate investment in Australia can have a flow-on effect to what happens in other parts of the world, such as Vancouver.
14. Just as the global real estate industry now advises clients on a variety of aspects such as migration and education, lawyers will also need to know about the motivations for buying in Australia in order to properly advise their clients, and must have knowledge of educational and migration regulations, both in Australia and overseas. Similarly, lawyers will have to be across current policy changes. For example, policy changes in relation to visas for parents could potentially impact upon foreign investment in real estate, and lawyers will need to keep up-to-date on these developments. Other key areas of interest for foreign investors include superannuation, tax and health policy.
15. Dr Robertson also noted that foreign investment is implicated in the changing nature of migration. Whereas historically, people from move in one direction – from one country to another – in today's globalised world, it is possible for people to maintain family life and businesses across different cities in the Asia-Pacific region, moving back and forth between different countries. This has been facilitated by advances in technology which enable communication across countries. Going forward, Dr Robertson considered that we will see an increase in this type of migration which contrasts with our historical conceptions of long-term settler migration, and people will increasingly craft lives that transcend borders.



## **BIOGRAPHY**

### Dr Dallas Rogers

Senior Lecturer, Faculty of Architecture, Design and Planning, University of Sydney

Dallas' research and teaching focuses on the relationships between poverty, wealth, urban planning and governance in global cities. He leads the multi-institutional and multi-disciplinary Global Real Estate Project (GREP), which undertakes relational examinations of housing poverty and wealth in global cities. He publishes on a range of topics related to this area and has secured nationally competitive grants and completed research projects for local and state government and the private and non-government sectors. Dallas has also won a prestigious Australian Federal Minister's Award for housing research. His recent books include a monograph on 'The Geopolitics of Real Estate: Reconfiguring Property Capital and Rights' and an edited book on 'Housing in 21st-Century Australia: People, Practices and Policies'.

### Dr Shanti Robertson

Senior Research Fellow, Institute for Culture and Society, University of Western Sydney

Shanthi was awarded her PhD in International Studies from RMIT University in 2009. She worked as a lecturer in Global Studies and researcher at the Globalism Research Centre at RMIT University until she joined the Institute in 2013. Her research interests are broadly around the social and cultural consequences of globalisation, with a specific focus on transnational migration, citizenship, multiculturalism and urban social change within the Asia-Pacific region. Shanthi is currently working on an ARC DECRA project on temporality, mobility and Asian temporary migration to Australia.