

Singaporean investors hungry for a piece of the Australian housing market

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In glamorous five star hotels across Singapore every weekend, property investors are lining up to buy a slice of the Australian dream.

Cashed up investors are piling into packed presentations at venues such as the famous St Regis hotel about shiny apartments being built from Sydney to Melbourne. Newspaper ads spruiking waterfront developments are commonplace.

“Buy where the local Australians are buying,” says one ad in Singapore's *Straits Times*.

Singaporean investors are being lured by a combination of new, prohibitive taxes on second homes in the island state, record low interest rates, a strong currency and promises of attractive returns from Australian developers.

“Singaporeans are hungry for Australian property,” says Adam Sparkes, director of sales at property developer Crown Group International, which has \$3.5 billion in development sites across Australia.

The Singaporean sales pitch comes amid increased focus over offshore buyers snapping up local property. This is stoking fears that prices in an already heated market could be pushed up further.

Foreign investment now accounts for about 13 per cent of turnover in the Australian real estate market, according to UBS economist Scott Haslam. He says offshore investment in housing nearly doubled over the past year – most of which came from China.

Even so, there is often confusion about what offshore buyers can do. Under Australia's foreign investment laws, non-residents are permitted to buy newly built dwellings – after gaining Foreign Investment Review Board approval – but cannot buy established homes.

The latest available figures from the FIRB for the 2012-13 financial year, rank Singapore is the fourth-biggest source of foreign funds invested in Australian real estate, with about \$2 billion spent. China was the biggest, with almost three times that much.

Adam Sparkes expects Singaporeans to make up as much as 10 per cent of its client base by next year, and Singaporean desire to get a foothold in the Australian market has spurred it to open an office on the Asian island.

"All the right factors are in Singapore," said Brian Eng, a foreign real estate manager at Singapore real estate firm Jalin. "A strong exchange rate, a robust economy and a love for the Australian lifestyle."

New laws introduced in the city state last year slug a 15 per cent tax on second homes.

The tax was designed to prevent first home buyers in Singapore, where land is restricted, from being completely forced out of the market. The rules do not apply to properties purchased offshore.

And while Chinese investors may still be the most significant foreign presence in the Australian property market, developers and property industry executives say Singaporeans are emerging as serious players.

Brian Eng believes the connection has as much to do with emotional ties as it does financial incentives.

“Singaporeans have a love affair with Australian properties, they've studied there before, worked in these cities.” Mr Eng said. “It reminds them of good times, it's not uncommon for them to stay and work in Australia for 10 years after they have finished their studies.”

Still, prospective buyers are also being told to do their due diligence.

Misleading ads used to spruik Sydney

Singapore-based property author Vina Ip is concerned that the rosy picture painted by Australian developers in glamorous presentations at the St Regis hotel is tainted by rental guarantees and other incentives.

"I always warn people to actually go to see the properties themselves, go for a trip and see where its located, talk to the landlords and see if the rental return is actually that good," Ms Ip said.

Some ads include location pitches that could best be described as generous.

The presentation for Mirvac's Harold Park complex in Glebe, though not to scale, gives the impression that the site of the former trot raceway is bigger than the large Sydney suburbs of Leichhardt and Annandale combined. It also points out it is conveniently located next to the harbour foreshore. As most in the inner city suburb know, access to the harbour can be tricky.

Another ad on Singapore property site, Jalin, for Australand's Botanica complex in Lidcombe describes it as being in Sydney's inner west.

By most definitions, Lidcombe falls well to the west of the boundaries of the cosmopolitan suburbs of the inner city Sydney.

Offers of exclusive access also abound.

"Only available to Singapore investors through IP Global, exceptional terms" an ad for Brisbane development Newstead Towers read last week – just one of a number of similar offers across the Australian east coast.

Australian properties advertised in Singapore come with guarantees of a minimum 6 per cent annual rental return and a waiving of stamp duties and legal fees. By most measures, however, these figures represent a premium to the market.

Rental yields in apartments in Melbourne and Sydney ranged between 4.8 and 5 per cent in the March quarter, according to property listing business Domain.

"A 6 per cent guarantee would indicate a top up from the developer," said Domain senior economist Andrew Wilson.

Tim Lawless, a director of property research firm RP Data notes a yield of 6 per cent "is well above market".

"When the guarantee period expires, in all likelihood, the purchaser will be left holding an asset on a lower yield," he says.

The developers offering such guarantees, including Kokoda Property in central Melbourne, Newstead in Brisbane and their Singaporean agent, Reapfield Property Consultants, all declined to comment.

Even so, these risks haven't deterred Singaporean investors.

"In Singapore if you get a 2 to 3 per cent rental return it's considered very lucky," says Singaporean property author, Vina Ip. This makes the 6 per cent return on Australian properties look attractive, she adds.

Low rates attracting buyers

But apart from the big ticket promises of Australian developers, and the new, big taxes on investment properties, there are other reasons for the interest from Singaporean investors.

Singaporeans seeking to buy in Australia are able to borrow at significantly lower interest rates than their local counterparts.

ANZ's Singapore unit is currently advertising a standard variable interest rate of 1.17 per cent. By contrast, ANZ Australia's standard variable interest rate currently sits at 5.88 per cent.

This interest rate differential looks likely to continue, with the Singaporean Central bank setting the cash rate in June at 0.21 per cent, compared with Australia's target of 2.5 per cent. At the same time, the Singapore dollar and Australian dollar have traditionally traded in a relatively tight range, minimising currency risk.

With Australian banks targeting foreign investors, a federal parliamentary inquiry this week raised questions about the checks they are conducting on overseas buyers.

ANZ bank and Macquarie Group were asked to provide details to a broader House of Representatives economics committee inquiry into residential housing. The banks were asked what steps they took to ensure various foreign investment rules were followed.

Little effect on first home buyers

Print Article: Singaporean investors hungry for a piece of the Australian housing market

While there are lingering concerns that offshore interest in property could be pricing out first home buyers, many say this just doesn't reflect reality.

“Most first home buyers buy established, rather than new, dwellings; the first home buyer's average purchase price of \$328,000 is far below the price point of most foreign purchases,” UBS' Mr Haslem says.

At the same time Reserve Bank research which found that first home buyers' degree of competition with foreign buyers was “likely to be fairly small”.

“We're empathetic to the plight of first home buyers,” says Jessica Darnbrough, from mortgage broker Mortgage Choice.

“But the reality is that at the end of the day, new properties are a good thing for the construction sector.”

New properties aren't just coming from Australian developers. Singapore is bringing its own developers to town, with construction giant Hiap Hoe building two of Melbourne's CBD's largest developments, Marina Tower in Melbourne's redeveloped Docklands area and another on Lonsdale St.

As long as the prohibitive conditions on the purchase of second homes exists in Singapore and the economic climate remains favourable, Ms Ip believes that Singaporeans will continue to look to Australian property as an investment haven, spurred on by generous rental guarantees from hungry Australian developers.

“They have no choice but to look overseas,” Ms Ip says.

This story was found at: <http://www.smh.com.au/business/property/singaporean-investors-hungry-for-a-piece-of-the-australian-housing-market-20140725-zsvj9.html>