

To : ForeignInvestmentConsultation@treasury.gov.au
From: Claire Sargent
Date : 20 March 2015

Please accept the following as a contribution to **the Consultation Paper** into Australia's foreign investment framework particularly as it applies to residential real estate.

After much thought I have decided to contribute to this conversation following our family's and friends' recent experiences in buying and attempting to buy homes. My decision was strengthened after listening to a media interview with an Australian fellow who is in some way connected with "international buyers", in his case specifically Asian buyers. He stated with a smile that he expected international Asian buyers to increase their purchases of Australian homes in Melbourne and Brisbane in 2015 by about 15-20%. He assured listeners that's this was not in any way affecting first home buyers in Australia or indeed the Australian housing market.

This is an outright fallacy and should not be permitted to be disseminated unchecked. And if they are international buyers are they adhering to the rules and regulations imposed by the Government?

There are supposed to be prohibitions and restrictions for non-residents and temporary residents purchasing an existing home and all purchases, whether new or existing dwellings, are supposed to be screened by the Foreign Investment Review Board (FIRB). It is clear that investment is climbing rapidly.

Yet it is also clear that there is no accurate data that tracks foreign investment in residential real estate. The Government is unable to quantify investment - where it comes from or whether that investment is being appropriately applied under Australian regulations. This is not a subject about which we should be guessing. A national register of land title transfers that records the citizenship and residency status of all purchases of Australian real estate is required immediately, and for compliance to be retrospective.

It is also clear that FIRB as the "watchdog" is toothless and seemingly unprepared to act to enforce the regulations. Why? What exactly is FIRB doing? There have been no court actions taken since 2006, not one divestment order issued in recent years, and not one government sale of illegally acquired property. Is it suggested that there have been NO illegal purchases? Nonsense. It is certain that properties have been, and are being, illegally obtained; without an active watchdog this unsound practice will continue unabated. The result is that property prices are inflating exponentially. Just look at real estate price data records for an illustration.

Here are just a few examples. Be assured that other friends' adult children have similar stories to tell. If it is in any way helpful I can give further detail. I realise that in giving the detail as I do below it may be construed that I am complaining about a single category of international buyer. That is not so, I am concerned about all international buyers who are investing in Australian properties but who do so illegally and to the detriment of the Australian population who still aspire to the Great Australian Dream.

My daughter and her new husband tried to purchase a home in the Glen Iris- Ashburton area for over a year. Regularly houses were quoted at \$100-150,000 less than the reserve price but then went way over reserve on the day. On a number of occasions they were under bidders to Asian buyers. Regularly it was a bidder who rolled up in a car at the last minute and didn't even go through

the house. Real Estate agents joked that it was hardly worth having open for inspections as regularly the buyer had never been through the property.

One time a man went up to the auctioneer just before the auction and I heard him ask if there was time for him to return to his hotel and get the cash for the deposit. We are talking here about a sum of \$130,000+ that he had, in cash, in his hotel room safe.

It is so obvious that these purchasers do not reside in Australia. They are here to buy up Australian land for investment; you only need to attend a few auctions or talk to some respectable real estate agents to understand this clearly. Perhaps you could talk to the "International Buyer's Agent" that many firms have employed.

A friend told me that at a recent auction he attended a bidder called out "Stop the bidding. I want to know that all the bidders are permitted to bid under Australian laws." I was told that 6 bidders melted away.

Another friend's daughter was struggling to buy a flat somewhere, anywhere, in the eastern suburbs. She was continually being outbid at auctions by Asian buyers who blind Freddy could see were overseas investors. Finally she was the highest bidder for a 2 bedroom flat in Doncaster, permitting her the right to negotiate for a successful purchase. She entered the property with her parents and began negotiations. However during this process the auctioneer kept "popping outside"; it turned out he was going outside to negotiate with another couple. Then he came in and told her that if she didn't up her bid by \$20,000 (to \$620 000), he had an "international buyer" outside who would. She decided to up her bid and agreement was reached. She began signing the contracts and her father wrote out a cheque for the deposit. As she was completing her signatures on the contract the vendor's brother came out of another room and said that the contract would not go ahead because he has been negotiating (using sign language and writing down numbers) out of the bedroom window with an Asian couple who did not speak English. The new price was \$650.000. The auctioneer made himself scarce and did nothing to assist the situation. My friend's daughter was overwhelmed and began dry retching, she ran outside and saw the successful gazumpers laughing and pointing at her. Our friends contacted the Real Estate organisation - they couldn't have cared less.

This friend's other adult son is also looking for a home to buy in yet another part of Melbourne and is experiencing exactly the same problem. We have two other friends whose children with young families are in exactly the same situation in other Melbourne suburbs.

Whenever we are out and conversation turns to buying a home the stories are endless - and very concerning. If you haven't heard them then you aren't listening.

I thought that it may assist you to have some recent examples of what is actually happening out there in the suburbs. These are not isolated examples and not restricted to one or two distinct areas of Melbourne. It is unconscionable that there is no action being taken. Action is needed before it is too late to retrieve the situation. It seems that no one cares what is happening to our city or our country - well not enough to actually do something, or even to ensure that rules that currently exist are being followed.

I am extremely worried on behalf of this, and the following generations, of prospective younger buyers. I feel that the Government's approach is so short sighted and leaves Australians unprotected by the government body supposed to be overseeing these purchasers and purchases. Real estate

agents and overseas buyers are the only winners. Vendors are not in reality benefiting as they just have to pay more for whatever they move into.

Further, recent large developments in our area are going ahead, despite it being an historical precinct and despite the strong objections of the council and residents. It is well known that if you want something approved then you only need to make application to VCAT. Thanks to VCAT these overseas developers can build a significant development, throw out the requirements that all others must adhere to (parking requirements etc) , then take their profits back overseas after despoiling the heritage area, leaving residents to deal with the fallout of the increased traffic and the visual eyesore for ever more.

I am also concerned with the sell-off of Australian farming regions to overseas interests. These lands should be farmed by Australians so it can be Australia profiting from the sale of the food products exported. This lack or foresight will perhaps lead to a lack of food product in this country as the product is exported.

See also <http://www.theage.com.au/domain/-13kkzr.html> , now these investors can get Australian residency so they can keep buying up without worrying about any pesky regulations.

There should be a significant financial penalty for breaches of the foreign investment regulations as well as penalties to other parties who assist a foreign investor to breach the regulations. These penalties should be commensurate with the value of the property and be retrospective if contrary to the regulations which existed at the time of purchase. The gains from illegally bought property should be forfeited to the Australian taxpayer. Australian buyers should have the same access to the purchase of any property. Property owned by temporary residents should be sold on their departure from Australia and if not a financial penalty applied.

Further the FIRB should be funded by the users, not the Australian taxpayer who is already getting fleeced by the ability of the overseas investor to purchase the very ground beneath their feet.

Regards
Claire Sargent