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Legislative policy environment as facilitator of foreign residential investment in Australia

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ABSTRACT

Significant changes to Australian foreign investment policy were enacted in December 2015 affecting how foreigners can purchase property. Therefore, it is timely to examine the role of legislative policy in supporting and shaping foreign investment in residential real estate. This paper contributes to the body of knowledge about the scale, extent and nature of foreign investment in residential real estate in several ways. First, legislative analysis reveals an emphasis on boosting new dwelling supply and on economic stimulus. Second, comparing Australian and international policies we show that some countries channel foreign ownership away from land and towards buildings only. Third, examining the scale of foreign investment in residential real estate since 2009 we show that while the number of foreign approvals has been rising, their value remained static. Fourth, our research reveals a changing investor profile over time in Australia. Additionally, on the Gold Coast, as in other capital cities in Australia, there has been a sectoral change with an increase in foreign property developers supplying dwelling product. The paper concludes with some key research recommendations to aid in understanding supply and demand from foreign residential property investors and the influence this has on property markets.

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Introduction

Globalisation has had widespread consequences for many countries. The resulting flows of people, knowledge and investments have fundamentally influenced cultures, lifestyles and economies. The United Nations Conference on Trade and Development (UNCTAD) notes that foreign direct investment accounted for USD$1.23 trillion globally in 2014, with forecasts this will rise to $1.7 trillion by 2017 (United Nations Conference on Trade & Development [UNCTAD], 2015). One factor influencing residential property prices and development is the increasing market share of wealth from within the Asia Pacific region. No longer is the opportunity for owning a foreign investment property the domain of high net worth individuals. Over one billion adults (21% of global population) belong to the

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global middle class, being those who possess wealth between USD$10,000 and $100,000, and China represents one-third of this class (Shorrocks, Davies, & Lluberas, 2014). The growth in wealth in emerging economies is driving foreign investment in property as these individuals seek to diversify and protect their capital. Coupled with this, unfavourable economic, taxation systems and home ownership rules in many Asian countries is pushing local investors to source foreign real estate opportunities instead (Paris, 2013; Rogers, Lee, & Yan, 2015).

Australia is an attractive destination for foreign investors due to a combination of perceived safety, steady political and economic environments, transactional transparency, relative proximity to Asia and offering strong lifestyle and educational opportunities (Robertson, 2013; Wong, 2016a). However, this investment is subject to Commonwealth government oversight. Changes to Australian foreign investment policy were enacted in December 2015. Therefore, it is timely to examine the role of Australia's legislative policy environment in supporting and shaping foreign investment in its residential real estate.

This exploratory research paper aims to identify contemporary legislative and regulatory frameworks influencing and shaping foreign investment in property within Australia with a focus on the State of Queensland's Gold Coast. In Queensland, foreign investment in residential property during the 2014 financial year accounted for approximately AUD$1.7billion (Department of Natural Resources & Mines, 2014) and increased by 25% in 2015FY to over $2.12 billion (Department of Natural Resources & Mines, 2015). Much of this investment is in the South East Queensland (SEQ) region, with Brisbane ($1.02b) and the Gold Coast ($592 m) dominating (Department of Natural Resources & Mines, 2015). The Gold Coast also presents an interesting case study for examination due to its international recognition as a world class tourism and lifestyle city, and its significant growth in foreign investors (Department of Natural Resources & Mines, 2015).

The paper commences by identifying the legislative and regulatory framework governing foreign acquisitions within Australia. The *Foreign Acquisitions & Takeovers Amendment Act, 2015*, and the Foreign Investment Review Board (FIRB) policies are examined together with relevant immigration policy. This legislation then is comparatively situated with other countries to examine factors influencing foreign investors in Australian residential real estate. We utilise a case study methodology of the Gold Coast to examine the scale and changing foreign investor profile. And set out a research agenda for researchers to redress the limited research examining foreign investment in residential real estate and address issues raised by our exploratory investigation.

Australia's legislative and policy framework

Foreign ownership and acquisitions are governed by the *Foreign Acquisitions & Takeovers Amendment Act, 2015*. The basic premise of this *Act* is that foreign persons – those natural persons (including corporations and trustees) not ordinarily resident in Australia – are required to obtain prior approval to acquire an interest in residential real estate, vacant land or to buy shares in an Australian urban land corporation or trust (Australian Government, 2016a; Foreign Acquisitions & Takeovers Amendment Act, 2015, Division 2, s.39). The approval is sought through and administered by the Foreign Investments Review Board (FIRB), who also provide recommendations to the Treasurer approving foreign investors and acquisitions.

This *Act* is the result of significant legislative review in Australia. On 1 December 2015 the *Foreign Acquisitions and Takeovers Imposition Fees Act 2015* and the *Register of Foreign Ownership of Agricultural Land Act 2015,* were enacted, introducing the most significant reforms to foreign investment frameworks in over 40 years. These changes provide for greater compliance and monitoring, with the Australian Taxation Office "tak[ing] over full responsibilities for enforcing residential real estate purchases by foreign citizens and existing criminal penalties have been increased" (Morrison, 2015). Additionally, "application fees have been introduced to ensure that Australian taxpayers no longer have to fund the cost of administering the system" (Australian Government, 2015a).

This *Act* aims to ensure that investment in residential real estate increases supply of new dwellings thereby supporting economic activity and job creation (Australian Government, 2016a). All foreign persons can apply to FIRB to purchase vacant residential land for development within 24 months, as well as newly constructed dwellings (*Foreign Acquisitions and Takeovers Amendment Act* s.74, s.95.4). In addition, temporary residents (with visas over 12 months) by virtue of s.95.1 and s.96.1 of the *Act* can apply to purchase one established dwelling that is to be used as their residence in Australia and which must be sold when it ceases to be their principal place of residence (Australian Government, 2016b) (Table 1).

There are limited exemptions to these rules. Australian citizens living abroad, New Zealand citizens, foreign nationals with an Australian permanent resident visa or foreign nationals purchasing as joint tenants with their Australian citizen spouse under Part 3, Subdivision D, s.35 and s.38 need not apply for investment approval (Australian Government, 2016c; *Foreign Acquisitions & Takeovers Amendment Act, 2015*). Additionally, a property developer may apply for an exemption certificate to sell new dwellings under s.57.1 of the Act in a development of 50 or more residences, to foreigners (Australian Government, 2016c; *Foreign Acquisitions & Takeovers Act, 1975* (Cth)). The new dwelling exemption certificate is granted to the developer upon the condition that the dwellings within the development are also marketed in Australia. This exemption is limited to "the value of all apartments that can be purchased by a single foreign investor to $3 million in the one development" (Australian Government, 2016d). Thus, an individual seeking to invest above this threshold would be required personally to apply for investment approval.

The Australian Government's strict immigration policy governing residency and visas also influences foreign investment. The significant investor visa (SIV) introduced in November 2012 is an initiative to encourage business investment from high net worth individuals (Department of Immigration & Border Protection, 2016a). Migrant investors may be eligible for a SIV if they invest AUD$5 million into complying investments for a minimum of four

Table 1. Effect of residency status on residential purchase.

Residency status	Type of purchase permitted
Temporary Residents (holder of a temporary visa that allows individual to remain in Australia for a continuous period of more than 12 months)	• New dwellings • Established dwelling to be used as residence, to be sold on cessation of residency • Vacant land, but must build on this within 24 months
Other foreign persons (an individual (corporation, trustee, government etc.) that is not ordinarily resident in Australia)	• New dwellings • Established dwelling for redevelopment, where the redevelopment genuinely increases the housing stock by at least one additional dwelling, and is completed within four years

Source: Foreign Acquisitions & Takeovers Act, 1975; Foreign Acquisitions & Takeovers Amendment Act, 2015.

years and live as a resident within Australia for a minimum of 40 days per year throughout this four years, before being eligible for a permanent visa (Department of Immigration & Border Protection, 2016a). As at 31 January 2016 more than AUD$6.14 billion was invested in complying investments from 1,228 SIVs, with 87.6% of all granted SIVs from China (Department of Immigration & Border Protection, 2016b). Complying investments are defined as significant investments in; venture capital and growth private equity funds which invest in start-ups and small private companies (at least AUD$500,000), approved managed funds investing in emerging companies listed on the Australian Stock Exchange (at least AUD$1.5million), and in managed funds such as ASX listed companies, Australian corporate bonds or notes, annuities and commercial real estate (up to AUD$3million) totalling the AUD$5million SIV threshold (Australian Trade & Investment Commission, 2016). Although direct investments in property are not considered a complying investment, often these individuals will invest in residential real estate as well. Enhancements to this visa subclass have resulted in the Government introducing the premium investor visa (PIV) in October 2014. The PIV is by nomination of Austrade on behalf of the Australian government and offers expedited permanent residency when AUD$15 million is invested in complying investments, with permanent residency occurring after 12 months and no residency requirements (Department of Immigration & Border Protection, 2016a). Encouragement of high net worth individuals and the ability to buy residency in Australia is a relatively recent legislative and policy shift.

International comparisons

Regulations and restrictions for foreign ownership vary significantly across jurisdictions (Table 2). Countries such as Japan, New Zealand, United Kingdom, United States of America and many countries in Europe have no restrictions on foreign investment in residential real estate (Global Property Guide, 2016). Other countries, such as Thailand, Singapore, Indonesia, Philippines and Vietnam, limit foreign investors to apartment/condominium style product with additional time or percentage ownership quotas (Global Property Guide, 2016).

The limiting of foreign ownership to building product enables the land to continue in local ownership. The built form is a depreciating asset, whilst land is a finite resource. Restricting foreigner's purchase of land seeks to equalise the difference of economic conditions between locals and foreigners. First, by ensuring land retains local ownership potential for improved local wealth is created. Second, displacement of local communities may be reduced or offset as foreign investors are restricted to built form. This is reinforced in countries where there are ownership quotas preventing wealthy foreign investors pricing locals out of the market, and the development of foreign owned enclaves.

However, a number of countries have open foreign investment strategies to encourage migration, economic development and diversity. The implementation and consequences of these foreign investment strategies vary significantly. Table 2 identifies that the United Kingdom has an open approach to foreign ownership. London has experienced a significant increase in foreign investors, particularly in wealthy inner London boroughs of the City of Westminster, Kensington and Chelsea (Wallace, Rhodes, & Webber, 2017). There has been an increase in new multi-owned residential property developments, which have settled over the last three years being sold to overseas investors, with buyers from Hong Kong,

Table 2. Overview of foreign investment restrictions in residential property.

Country	Conditions for foreigners
Australia	Can buy new property (both house and apartments), but not existing dwellings (unless temporary residents using as principal place of residence). Prior FIRB approval is required
China	No full ownership of residential property or land (usually buy 70 year lease). Must work or study in China for over one year. Hong Kong requires an additional 15% stamp duty
Thailand	Can buy freehold condominiums provided 49% of the building is not sold to foreigners, but no land (i.e. townhouses or detached dwellings)
Singapore	Cannot buy private residential property, but can buy apartments in approved buildings and must pay an additional 15% stamp duty
Indonesia	Cannot own freehold property. Can buy apartments but the property title remains with the developer
Vietnam	Can buy apartments (no houses) for a duration of 50 years
Malaysia	Can buy property valued over $330,000 with government approval
India	Non-resident foreigners cannot purchase property. Resident foreigners can buy property subject to caveats
Fiji	Cannot buy freehold land within town boundaries
Philippines	Can purchase condominium or apartments provide the foreign proportion within the building does not exceed 40%. Cannot buy land
Denmark, Canada	Require approval for investment in real estate
Switzerland	Require approval. Can only purchase one property and cannot sell within 5 years of purchase or rent out long term
Japan	No restrictions
New Zealand, United Kingdom, United States of America, many European countries (Germany, France)	No restrictions

Singapore, Malaysia and China dominating (Wallace et al., 2017). The statistics suggest that the perceived wealthy Middle Eastern and Russian oligarchies purchasing large homes within these locales are being surpassed by South East Asian investors purchasing properties, although predominantly in new apartment development stock. Interestingly, there is a slightly higher proportion of foreign owners purchasing these properties through company structures in the United Kingdom compared with local individuals. As Wallace et al. (2017, p. 12) note "Overseas company sales are not currently obliged to declare the beneficial owner of the property, and indeed pay large sums of tax (Annual Tax on Enveloped Dwelling) to avoid doing so." This has led to criticism that countries that have open residential foreign investment policies and that are not transparent are facilitating money laundering and proceeds of crime.

Australia has adopted a more moderate approach, allowing for foreign investment but channelling and monitoring this towards new residential dwellings to increase housing supply and transparency of ownership. Australia's close regulation of foreign ownership does not impede investment. Latest figures indicate that "Over the last four years the proportion of all residential real estate approvals for development has steadily increased and represents 85.4 per cent of all residential approvals in 2015–2016" (The Treasury, 2017). This suggests that the foreign investment policy, which seeks to attract investment to increase housing stock, is working as development approvals increase Australia's housing stock. Furthermore, the stable economic and political conditions, coupled with lifestyle and other factors, are pull factors facilitating continued foreign investment. So too are stable and rising housing prices throughout the last decade (Australian Bureau of Statistics [ABS], 2015).

Scale of foreign investment in Australian residential real estate

Australia averaged $166 billion per year in Foreign Investment Review Board approved transactions in the 2009–2015 period (Australian Government, 2015b). The number of foreigners seeking investment approval did suffer a small decline post the Global Financial Crisis (GFC), however, given the scope and scale of the GFC, this was a negligible softening which arguably reflects the perceived stability and strength of Australian assets.

Applications for approval to purchase in Australia increased 94% from 12,731 to 24,102 during 2013–2014 but only by 23% in value (Figure 1). This suggests a higher volume of smaller transactions, for example in the purchase of residential real estate, and may be the result of increased compliance with the foreign investment approval process. Specifically, approvals for investment in real estate constitute 97.5% of all approvals, reflecting 44.5% of the total value of investments (approximately AUD$74.6b). This would suggest that there were a small number of large value foreign investments, in the purchase of agricultural, mining or manufacturing industry sectors.

As outlined earlier, the *Foreign Acquisitions & Takeovers Amendment Act,* 2015 aims to increase dwelling supply while creating construction and other job opportunities (Australian Government, 2016a). Table 3 reflects this direction with an average of approximately 65% of all approvals over the five-year period being for new dwellings or their development. The “for development” category of real estate incorporates: vacant land on which dwelling construction must commence within 24 months; new dwellings already constructed; developer “off the plan” sales (usually of apartment/strata title style product); existing dwellings that will be subdivided and redeveloped with at least one additional dwelling; and annual programs (where an individual has an annual approval to purchase rather than specific to

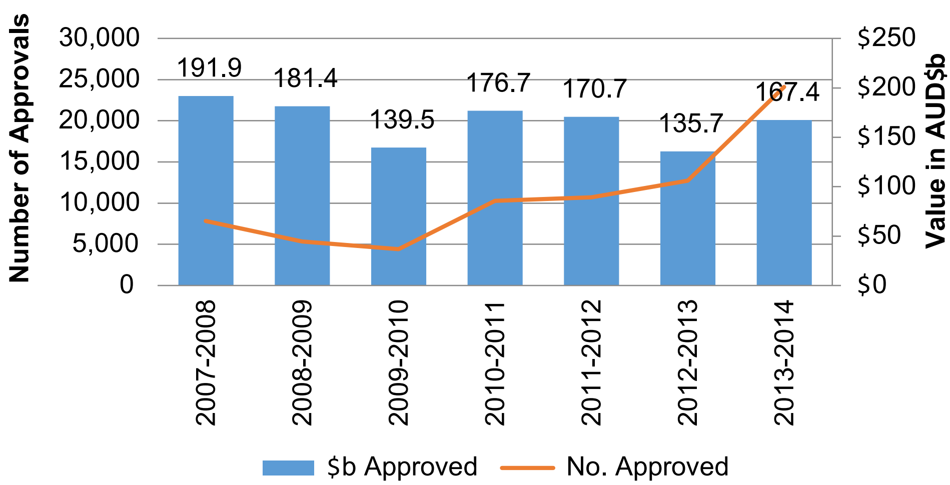

Figure 1. Foreign investment in Australia by approvals and value. Source: The Treasury, 2015.

Table 3. Residential real estate approvals by type and number approved.

	2009–2010		2010–2011		2011–2012		2012–2013		2013–2014	
	No.	$b	No.	$b	No.	$b	No.	$b	No.	$b
Developed										
Existing residential property	647	0.81	3881	3.57	3952	2.87	5091	5.42	7915	7.17
Annual programs	7	0.56	4	0.2	5	1.3	10	0.94	5	0.35
Sub-total developed	654	1.38	3885	3.77	3957	4.18	5101	6.36	7920	7.51
For development										
Vacant land	1010	1.44	1514	2.33	1518	0.68	1821	1.39	3150	1.74
New dwellings (individual purchases)	1937	1.2	3911	2.46	4022	2.54	4499	2.91	11,338	7.72
New dwellings (developer "off-the-plan")	22	2.3	65	10.08	70	10.92	50	5.73	103	16.38
Redevelopment	92	0.34	171	0.45	191	0.5	189	0.36	534	0.79
Annual programs	8	2.11	10	1.83	10	0.89	8	0.41	9	0.57
Sub-total for development	3069	7.39	5671	17.15	5811	15.52	6567	10.8	15,134	27.20
Total residential	3723	8.77	9556	20.92	9768	19.7	11,668	17.16	23,054	34.72

Note: The 2009-2010 figures were impacted by changes to the screening arrangements for residential real estate, as announced in April 2010.
Source: The Treasury, 2015, p. 28.

one property) (The Treasury, 2015). This reflects an average annual $77billion investment into new dwelling supply over this period.

Interestingly, these data align with the increase in higher density development approvals during the corresponding period (Figure 2). Residential higher density developments are usually apartment style product which is strata titled to allow multiple ownership of a building (Dredge & Coiacetto, 2011; Easthope et al., 2014; Johnston & Reid, 2013). The increasing supply of higher density developments is in response to government planning regulations for compact cities due to rapidly growing urban populations, housing affordability concerns and land availability (Lloyd, Fullagar, & Reid, 2016; Randolph, 2006). Easthope and Randolph (2009) note that strata title dwellings, in New South Wales particularly, is dominated by investor owners. Therefore, a residential high density dwelling cycle coupled with high levels of investor owners presents opportunities for foreign investment in these types of developments.

Table 4 shows that most residential foreign investment is targeted towards Victoria, New South Wales and Queensland. Each of these states has been experiencing a residential high density property development construction cycle. However, these numbers do not directly correlate with actual transaction values or total foreign investors, as the approvals of "for development" is granted to the developer for "off the plan" sales and not to individual purchasers. Foreign investors are able to purchase multiple lots within a development up until a total threshold of $3 million before they need to seek individual approval (Australian Government, 2016d; *Foreign Acquisitions & Takeovers Act, 1975* (Cth)). Additionally, there is no limit on the number of residential real estate investments a foreigner can purchase as long as they have approval from FIRB.

Foreign investment in Queensland

Residential property in Queensland has historically been attractive to foreign investors due to location, touristic opportunities and lifestyle factors. With short flight times to many

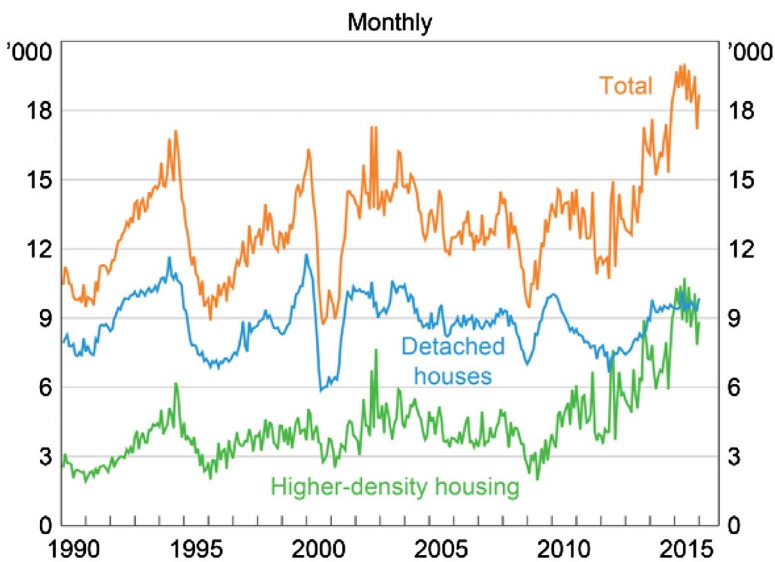

Figure 2. Private residential building approvels. Source: ABS.

Table 4. Approved residential real estate investment in 2012–2014.

	2013–2014				2012–2013			
	No. of approvals	Developed $b	For development $b	Total $b	No. of approval	Developed $b	For development $b	Total $b
VIC	10,042	3.59	10.41	14	4573	1.56	4.22	5.78
NSW	7814	2.83	10.39	13.22	3580	1.34	4.24	5.58
QLD	2940	0.72	2.81	3.53	1734	0.59	1.27	1.86
WA	1572	0.53	1.32	1.85	1267	0.46	0.43	0.89
SA	693	0.31	0.1	0.41	567	0.19	0.09	0.28
ACT	165	0.03	0.28	0.31	123	0.04	0.09	0.13
Various (multi state/ territory)	90	0.26	0.54	0.8	107	2.17	0.45	2.62
NT	46	0.02	0.55	0.57	30	0.01	0	0.01
TAS	66	0.02	0.01	0.03	44	0.01	0.02	0.03
Total	23,428	8.31	26.41	34.72	12,025	6	11	17.16

Source: The Treasury, 2014, 2015.

Asian countries, and with a diverse range of tourism destinations, high quality education and lifestyle experiences, the brand recognition of Queensland is high.

Queensland legislates for the collection of information on foreign ownership through the *Foreign Ownership of Land Register Act, 1988* (Qld). According to s17 and s18 of this *Act*, all foreign persons, agents for foreign persons, or trustees for a foreign person or foreign trust must lodge a form with the Department of Natural Resources and Mines upon acquiring an interest in land in Queensland (Queensland Government, 2013). During the 2015 financial year foreign interests invested approximately $2.14 billion into Queensland property markets (Department of Natural Resources & Mines, 2015). Currently, just over three per cent of land in Queensland is owned by foreign interests (Department of Natural Resources & Mines, 2015). Chinese investors have dominated Queensland's foreign investment (Table 5).

The value of Chinese foreign investment in Queensland has also grown rapidly, with over 373% growth in four years. According to Wong (2016b), Chinese investors are attracted by better investment fundamentals, freehold property rights, higher yields, more stable economic conditions and the ability to borrow up to 80% of the acquisition price. The Commonwealth Bank (2014) notes that foreign investors' preference for Australian residential properties did not always align with normal investment theories of supply and demand. Other lifestyle factors such investing in residential property for offspring to enhance their lifestyles or to access international education also appear to influence investment decisions (Savills, 2016; Wong, 2016b).

Foreign investment in the Gold Coast

The Gold Coast, located approximately 40 min south of the Queensland capital city of Brisbane, is an internationally renowned tourist destination. During the 2014–2015 financial year foreigners invested approximately AUD$592 million in the Gold Coast local government area, second only to the Brisbane local government area (AUD$1.02b) (Queensland Government Data, 2015). The Gold Coast – with an estimated 2016 population of 537,844 (Australian Bureau of Statistics [ABS], 2016) has the highest level of foreign ownership of land parcels in Queensland with approximately 7,094 land parcels registered as foreign

Table 5. Top six foreign acquirers in Queensland by total value.

2015–2014		2014–2013		2013–2012		2012–2011	
China	$872,519,760	China	$463,056,413	China	$323,098,009	China	$234,057,054
Singapore	$421,554,777	USA	$361,277,468	Singapore	$317,090,525	United Kingdom	$101,114,176
USA	$119,697,996	United Kingdom	$178,912,895	USA	$269,320,599	Japan	$83,594,379
Hong Kong	$111,991,864	Singapore	$157,976,714	Malaysia	$205,197,353	Singapore	$74,882,344
United Kingdom	$110,506,246	Malaysia	$67,739,317	Japan	$164,042,060	Korea, Republic of	$73,619,199
Malaysia	$68,367,946	New Zealand	$58,890,112	United Arab Emirates	$122,454,001	India	$71,094,950

Source: Department of Natural Resources and Mines, 2015, 2014, 2013, 2012.

owned, compared to 5,173 in Brisbane City with a far greater population of 1,131,191 (Department of Natural Resources & Mines, 2015).

Chinese investors also dominated the Gold Coast residential real estate market in terms of the total value of acquisitions (Figure 3). However, investors from the other Asian countries are also key purchasers of Gold Coast property. This contrasts with the balance of Queensland which has more diverse representation from a range of countries including the United States of America, United Kingdom and other European countries.

There has been a significant shift in the purchaser profile on the Gold Coast since the GFC (Table 6). New Zealanders have consistently invested but since the GFC there has been a steady decline in the number of lots owned by these investors. This is despite both Australian and New Zealand Reserve Banks tightening fiscal policies and reducing mortgage rates to stimulate spending (Murphy, 2011; Robinson, Tsiaplias, & Nguyen, 2015).

Over this same time period Chinese investment in the Gold Coast has increased significantly. As evidenced in Table 6, Chinese investors purchased 182 lots, representing three per cent of the total lots held by foreign investors. By 2015, Chinese investors had purchased 1,320 lots or 19% of all lots held by foreigners. All other countries of origin remained relatively stable through this period except for the decline in ownership of lots from New Zealand and the United Kingdom (Queensland Government Data, 2015). Interestingly, both of these countries were significantly affected by quantitative easing and poor economic conditions following the GFC.

Development supply of dwelling product in Australia is often speculative developer led stock, rather than built around consumer, particularly cultural, needs and wants. Historically, local information and contacts have acted to reduce property development risk and uncertainty (Coiacetto, Reid, & Leach, 2016). However, coinciding with the increase in Chinese

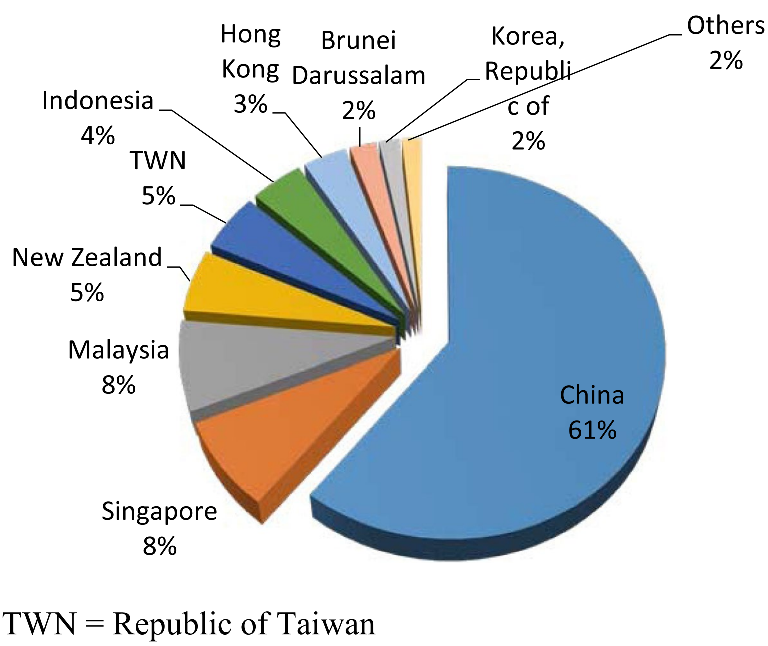

Figure 3. Value of foreign investment on the Gold Coast 2014–2015 by country of origin. Source: Department of Natural Resources and Mines, 2015.

Table 6. Total land parcels under foreign ownership on Gold Coast.

2015–2014		2014–2013		2013–2012		2012–2011		2011–2010		2010–2009		2009–2008	
	No. of Lots		No. of Lots		No. of Lots		No. of Lots		No. of Lots		No. of Lots		No. of Lots
China	1320	New Zealand	1044	New Zealand	1046	New Zealand	1095	New Zealand	1127	New Zealand	1167	New Zealand	1224
New Zealand	991	China	857	Singapore	650	Singapore	620	Singapore	611	Singapore	630	Singapore	677
Singapore	643	Singapore	642	China	634	Japan	596	Japan	600	Japan	608	Japan	633
Japan	546	Japan	608	Japan	571	China	495	UK	444	UK	466	UK	490
UK	388	UK	399	UK	413	UK	429	New Caledonia	414	New Caledonia	408	New Caledonia	368
New Caledonia	373	New Caledonia	385	New Caledonia	400	New Caledonia	411	China	360	South Africa	340	South Africa	299
Malaysia	350	South Africa	356	Korea, Republic of	375	Korea, Republic of	406	South Africa	356	China	262	Malaysia	253
South Africa	325	Korea, Republic of	304	South Africa	358	South Africa	356	Malaysia	276	Malaysia	254	USA	228
Korea, Republic of	235	Malaysia	302	Malaysia	283	Malaysia	285	Korea, Republic of	233	Russian Federation	223	China	214
Others	1923	Others	1854	Others	1704	Others	1782	Others	1782	Others	1674	Others	1666
Total	7094		6751		6434		6475		6203		6032		6052

Source: Department of Natural Resources and Mines, 2015, 2014, 2013, 2012, 2011, 2010, 2009.

foreign investment on the Gold Coast has been the rise of foreign property developers within the region. The global attention that the Commonwealth Games 2018 hosted on the Gold Coast is one factor attracting these foreign owned developers.

As at June 2016, there are approximately 60 apartment development projects in pre-sale through construction on the Gold Coast, with a further 33 active pending projects expecting to launch (Urbis, 2016). Several of these projects are being developed by foreign owned property development companies such as Sanbano, Ho Bee Investment, Niecon, Shino Development Group and SPG Investment Holding Limited, Wanda and Ridong (Urbis, 2016). All of these developers have existing databases that can be utilised in "off the plan" sales campaigns. Approval from FIRB for "off the plan" sales to foreign investors allows these developers to almost exclusively sell out their developments within their home countries, as long as they are also locally marketed, thus, the significant rise in Chinese foreign investors into the Gold Coast region.

Discussion

The key aim of Australian *Foreign Acquisitions & Takeovers Amendment Act, 2015* is to channel foreign investment into new residential product to stimulate the economy, as well as increasing Australian dwelling stocks. It is clear that this approach is contributing to the supply of housing stock with 85.4 per cent of FIRB approvals during 2015–16 being for residential developments (The Treasury, 2017). Thus, the *Act* should assist in addressing the AMP Capital (2017) forecast of a housing shortage, particularly in severely undersupplied markets such as New South Wales.

A significant opportunity of Australia's foreign investment legislation is the ability to sell product offshore, increasing "off the plan" sales that trigger project construction and financing benchmarks. As a consequence, the Australian property development sector views foreign investors as an extremely valuable source for marketing residential product. The Urban Development Institute of Australia (2014, p. 1) note that "the additional demand for dwellings created by foreign investors generates billions of dollars of economic activity and jobs in the construction and development industries, and also adds to Australia's dwelling stock". Access to foreign investors opens up residential real estate marketing campaigns to a wider target market enhancing the feasibility and profitability of many residential development projects.

Supplying new residential product has flow on effects to vacancy rates and affordability within local rental markets. Nationally, the residential vacancy rate, as at July 2017, is 2.4% and tighter at 1.7% on the Gold Coast (SQM Research, 2017). Tight vacancy rates contribute to increasing rental rates and limited choice for renters. Increasing supply of investor-owned stock to the market may correct this economic imbalance reducing rental rates. Reduced rental rates enable affordable dwelling options for renters but not for investors seeking yield dividends. However, little is known about the occupancy or use of properties owned by foreign investors in Australia. Therefore, an area for future research would be to determine the influence that this investor type is having on housing occupancy and tenure.

The influence of foreign investment upon property prices has attracted widespread media attention (Rogers, Wong, & Nelson, 2017). As a consequence, researchers and government have sought to understand the impact of foreign investment on residential prices. Rogers et al. (2015) note that media sensationalisation of foreign investment in residential real estate is facilitating Australian cultural xenophobia and misguided beliefs about foreign residential real estate ownership. They state “Chinese investors are being constructed in a range of new (i.e. online) and traditional (i.e. newspaper) media as compounding Australia’s affordable housing problem” (Rogers et al., 2015, p. 732). These views are replicated in other Anglo-sphere countries, where the Mayor of London launched a comprehensive inquiry into foreign ownership and unoccupied property. Despite these views, Wallace et al. (2017) found there is no correlation between foreign owners and a propensity to leave these properties vacant in London.

In Australia, Wokker and Swieringa (2016, p. 41) conclude “that foreign investment typically contributes between \$80 and \$122 to quarter price growth” in Sydney and Melbourne postcodes. This is marginal when considering the capital growth in dollar terms that was achieved in these postcodes during the same time period (2010–2015). This paper has demonstrated that since 2009 the volume of foreign investment approvals in Queensland and the Gold Coast has been rising, however, their individual value contribution has been stable. The density of the Gold Coast has channelled a significant portion of foreign investors into multi-owned property, such as townhouse and apartments. A challenge for researchers is the quality of and availability of data. FIRB data do not distinguish multi-owned property lots sold “off the plan”, thus approval given to a property developer to sell a residential development would not be quantified in volume and value until settlement took place. Additionally, the occupancy and use of these foreign owned residential properties is relatively unknown.

International touristic appeal of the Gold Coast has ensured that much of the foreign owned investment stock is potentially in the short-term holiday letting pool. However, the motivations around purchase and property investment decision-making of foreign investors warrant further research. Specifically, are foreign investors following investment fundamentals of supply, demand, yield and/or capital growth? Or is foreign investment in Gold Coast residential property an opportunity to balance investment diversity or to get cash out of home economies? Are foreign nationals using the Gold Coast for residential tourism purposes and to house family members whilst obtaining international education? Little is known about the interrelations of these factors.

Destinations such as the Gold Coast have also experienced an increase in foreign development companies working in the region. These foreign-owned property development companies have established reputations and project track records from within these foreign investment source regions. These property development companies are having a fundamental impact on the visual aesthetics and image of Australian cities. Particularly, internationally renowned touristic cities, such as the Gold Coast, are benefiting from iconic high-rise tower developments being added to the skyline. However, questions arise about the impact of increased competition within existing property development business models. Specifically, how will these foreign-owned property development companies perform outside of and distanced from the institutional networks within which they are normally embedded and operate (Henneberry & Parris, 2013)? How will they impact upon local development operators, including not only developers but also landowners and consultants?

Conclusion

Globalisation of investment funds and the search for greater or safer returns is resulting in a diversification and outflow of funds from individuals within countries such as China, Malaysia and other BRIICS countries. This exploratory research paper examined the foreign investment frameworks that facilitate investment in residential real estate in Australia and identified some key aspects of the nature of that investment. Foreign investment policies and aspects of immigration policies emphasise boosting new dwelling supply and on stimulating the economy. It remains to be seen whether Australia is unusual amongst countries, in doing this. Also, unlike some other countries, Australia does not attempt to channel foreign ownership away from land and towards buildings only.

Effective research requires reliable data. Accordingly, we recommend that Federal and State Governments redress the gap that currently exists in the collection of data on residential real estate investment. Whilst FIRB collects information on the approval process and the value of these approvals, the data are of variable accuracy. First, the review of the legislation highlighted that there were foreign individuals who had purchased residential property in Australia that contravened the legislation or who had done so without FIRB approval. Therefore, the regulators have acknowledged this shortcoming and have acted to rectify this. Second, property developers are able to obtain approval for "off the plan" sales over the whole development which will distort the data in terms of actual numbers and value of transactions. These sales contracts may also be rescinded should the purchaser not settle the contract. Third, individuals can purchase multiple investment properties which need to be factored into the data collection and analysis process.

Additionally, each of the states and territories treats the collection of information on foreign investors differently, if at all. Queensland is the most advanced in at least tracking through the *Foreign Ownership of Land Registry* foreign investors. The comprehensiveness of these could be assisted by including further information into this data collection process, however this would add a further level of bureaucracy to transactions. There is a need for the other states and territories to establish similar databases to track foreign owner transactions. These databases could then be cross institutionally monitored to ensure individuals and developers are complying with the *Foreign Acquisitions & Takeovers Amendment Act, 2015*.

This paper aimed to explore the legislative environment and requirements within Australia that facilitate foreign investment in residential real estate. Significant changes and tightening within these environments in December 2015 have necessitated this review. The research found that Australia adopts a moderate approach to foreign investment, which focusses these investments towards new dwelling construction to address concerns about housing supply and to stimulate the economy. To remain competitive countries need to attract high quality human and financial capital, which Australia has facilitated through the linking of immigration and investment thresholds. However, Australia's transparent real estate market and stable economy and government, as well as education opportunities and lifestyle are key drivers. This paper has highlighted that the data collection process needs to be refined to allow greater data integrity and interpretation of foreign owned residential investments. The use of an international touristic destination case, such as the Gold Coast, may influence why significant growth in foreign investors has occurred in this region. However, this posits a number of research agendas and questions which assist in understanding why foreign investors are motivated to invest in residential real estate in Australia. Heightened global competition to attract foreign direct investment necessitates the need for developing this research agenda if Australia is to retain and grow its share of the foreign flows of capital.

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