

Australian Bureau of Statistics (ABS): Submission to the House Economics Committee inquiry into foreign investment in residential real estate

The ABS data on foreign investment in real estate

The ABS publication *Balance of Payments and International Investment Position, Australia* (cat. no. 5302.0) provides detailed quarterly balance of payments tables on current, capital and financial transactions, including seasonally adjusted, trend and chain volume measures of the current account. It also provides a complete international investment position statement with details of the level of investment, investment flows and associated income. Detailed information is also provided on Australia's foreign debt. It includes longer term historical series (available at www.abs.gov.au), exchange rates, analytical ratios, analytical comment, graphs of principal aggregates as well as articles of interest and a list of such articles published in recent related publications.

International investment statistics published by the ABS in the *Balance of Payments and International Investment Position* publication are compiled under prescribed frameworks defined by the International Monetary Fund's *Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)*.

Foreign investment in real estate is recorded in the Australian Bureau of Statistic's *Balance of Payments and International Investment Position publication* as a component of direct investment in equity as prescribed by the BPM6 and is not identified by ABS publications as a separately published series.

When land located in a territory is owned by a foreign entity, a notional resident unit is identified for statistical purposes as being the owner of the land. Because land and buildings produce rental services the notional unit is usually an enterprise. A notional unit is also identified for a lease of land, or buildings, or land and buildings together by a non-resident for long periods. This notional resident unit is considered a quasi-corporation and is treated as the owner of any buildings, structures, and other improvements on that land that belong to the same non-resident owner. The non-resident is treated as owning the notional resident unit, rather than owning the land or structures directly. This treatment is designed so that land and other natural resources are always assets of the economy in whose territory they are located. Otherwise, the land would appear in another economy's national balance sheet.

The normal ownership threshold for influence or control under the Framework for Direct Investment relationships (FDIR) is applied.

Both in terms of dissemination and collection practices, it is not possible to dissect the available information to define values for foreign investment in real estate, either at the total level, or the split between residential and commercial real estate. This is a consequence of the methodology used to collect and compile these estimates.

Collection and compilation of foreign investment in real estate

The ABS maintains transparency in its compilation practices in order to make aware of assumptions and the limitations of usability of its published data.

As there is no appropriate source for the collection of data on foreign investment in real estate, the ABS series in relation to foreign investment in real estate is compiled using a combination of ABS collected and estimated data.

A quarterly *Survey of International Investment (Form90)* is sent to those Australian domiciled units engaging in significant foreign transaction activity. Only businesses with investment activity above certain value thresholds are included in the *ABS Survey of International Investment* and hence, some low value investments are not accounted for through collected data. Regardless, foreign holders of real estate are treated in accordance with the BPM6 as notional units, to maintain physical stock as an asset of Australia, and there is no physical enterprise located in Australia that can be surveyed.

Estimated data is derived mainly from media reports with considerations of variables that move estimates of real estate such as Prime yields for capital cities, Capital value indicators of Australian capital cities, World borrowing rates and Property trust yields.

The ABS has undertaken reviews of its real estate estimates in the past and will undertake further reviews in the near future to find appropriate sources for data gaps in the real estate estimates.

The way forward

The ABS focuses on the need for strong source data to assist in meeting high quality aggregate data requirements for fiscal and monetary policy needs and therefore, is not in a position to provide an evidence base for detailed analysis of foreign investment in residential real estate.

The ABS has considered, among a range of possibilities, the Foreign Investment Review Board (FIRB) as a potential source of information. However, to meet the requirements and constraints of the BPM6 framework the ABS would require more information than there is publicly available through FIRB. Detailed information on actual investment by country of investor would assist in meeting data gaps in the ABS's foreign investment in real estate estimates.