



FRIENDS OF
KU-RING-GAI
ENVIRONMENT INC.

FOKE • P.O. BOX 403 • KILLARA 2071 • TEL (02) 9498 1807 or (02) 9416 9007 • Fax (02) 9498 2553
www.foke.org.au Est. in 1994 in response to residents' opposition to McMansions in Ku-ring-gai.

18 March 2013

Memo:

For some time FOKE has been concerned about the impact of overseas investment in the residential market and its impact on housing affordability in NSW.

This correspondence and its attachments has been activated by the below email sent to Mr Paul Fletcher Member for Bradfield, Professor Patrick Troy AO Fenner School of Environment and Society, Australian National University, and Mr Kelvin Thompson Member for Wills.

We draw the information to your attention. Please particularly note the Report on page 4.

BACKGROUND:

EMAIL 2.3.2013 to Mr Paul Fletcher MP, copied to Professor Patrick Troy and Mr Kelvin Thompson MP

Mr Paul Fletcher MP
Member for Bradfield

Further to our concerns re housing affordability please find:

- Received from a FOKE member
There is a piece in today's Herald about overseas property investment in Australia.
Please see video with the Opera House <http://news.smh.com.au/>
- Excerpt from FOKE's latest newsletter (Jan Feb 2013)
- ***PLANNING IN KU-RING-GAI - OVERSEAS INVESTORS IN RESIDENTIAL MARKET****

The unlimited number of apartments an overseas investor can buy off-the-plan has impacted significantly on Ku-ring-gai. Two developers have constructed well over 20 large multi-unit-apartment-blocks in the municipality for this particular market. On completion, the great majority of the apartments are "For Rent" only, with many of them remaining vacant. There is growing concern that "locals," who are struggling to enter the housing market by purchasing their own home in which to live are finding it even more difficult to do so in the face of the unlimited "competition" from overseas interests and the lack of real housing choice.

The urban densification policy under which these apartment blocks (many of them charmless) are being constructed was not intended to provide financial opportunities for overseas investors. FOKE has been pursuing this issue for some time with Mr Paul Fletcher MP, Member for the Federal seat of Bradfield.

Regards
Anne Carroll

*** See Following pages for Questions and Responses**

Overseas Investors: Questions and Responses March 2013

Responses supplied by Members of FOKE Committee.

1. *How many dwellings are in the 'over 20 large multi unit apartment blocks'?*

Over 2,000 units. Please see below addresses and number of units for Ralan and Meriton

Addresses of properties in Ku-ring-gai being advertised (for sale or for lease) by Ralan Property Service

(Information from “Google” March 2013)

Roseville:

27-33 Boundary Street (62 units)
5-7 Corona Ave ? not yet ascertained
15-17 Corona Ave (46 units)
3-5 Nola Ave ? not yet ascertained

Turrumurra

1-3 Duff St (?units)
2-6 Warrangi St (59 units)
1215-1217 Pacific H'way
(30 units)
16-18 Boyd St (47 units)

Killara:

26-30 Marian St (32 units)
6-8 Culworth Ave (63 units)

Warrawee:

1-3 Cherry St (68 units)
1389-1397 Pacific H'way
(59 units)

Gordon:

726-730 Pacific Highway (45 units)
23-31 McIntyre St (38 units)

16-24 Merriwa St (47 units)
16-22 Dumaresq St (52 units)

Wahroonga:

1689-1693 Pacific H'way
(35 units)
2-6 Bundarra Ave (36 units)

Pymble

1155-1159 Pacific H'way (50 units)

Numbers of units from original development applications. **Unable to find 3 original applications.**

Meriton Properties in Ku-ring-gai (May 2011)

(Information from Development Applications published in North Shore Times)

Address	No of Units (approximate)	Remarks
1580-1596 Pacific Highway, Wahroonga	158	Application to Council November 2004
5-10 Sturt Place/Memorial Ave, St. Ives	200	Application to Council Nov 2006
220 Mona Vale Road, St Ives	45 (in original application)	Original Application by Mackenzie refused by Council Jan 2008). Now being advertised by Meriton
2-12 Avon Rd/ Pymble Ave Pymble	200	Government Site
4-14 Merriwa St/ 3-11 MacIntyre St, Gordon	149	Government Site
132-138 Killeaton St St Ives	298	Old monastery. Approved by Dept of Planning (Part 3a) May 2 2011

2. *What proportion do they comprise of the total multi-unit developments?*

“There have been approximately 6000 new units approved in Ku-ring-gai since 2004 -so 2000 would be a third of all new dwellings.”

3. *Are you sure they are all for 'rent only'?*

No, not all for rent.

As stated in original email “A great majority” - this refers, in particular, to the completed RALAN developments which show the “For Lease” sign on completion.

See example image page 5 “Killara 26-30 Marian St (32 units)” photograph A Carroll March 2013 showing Ralan “For Lease” sign in front of development.

4. *Do you know where the overseas property interests come from?*

To our knowledge - Chinese investors.

Please see below article from The Daily Telegraph March 18 2013

“Chinese investors buy up Sydney homes

- by: *By Jane Hansen*
- From: [The Daily Telegraph](#)
- March 18, 2013 9:23AM
- <http://www.adelaidenow.com.au/realestate/buying/chinese-investors-buy-up-sydney-homes/story-fndbmulp-1226599607346>

CHINESE investors inundating the local real estate market with billions of dollars are artificially inflating the price of apartments bought off the plan, analysts have warned.

As many as one in six off-the-plan apartments in Sydney are snapped up by mainland Chinese investors.

Michael Yardney from Metropole Property Strategists said local buyers may be caught out paying too much.

"Overseas investors are pushing up prices for off-the-plan properties. If they weren't making these sales, they would not be able to get the project off the ground. But on completion, the apartments are worth 7 to 12 per cent less than what the contract price was," he said.

According to the Foreign Investment Review Board's 2012 annual report there were 10,118 approvals in the real estate sector, double that of 2008. Residential real estate investment was worth \$19.7 billion, with the US and China leading the way.

James Sialepis, national director of sales for Meriton, said 15 per cent of all sales in projects such as VSQ North and EON in Zetland were going to mainland Chinese investors who face tough property investment restrictions in their own country. He said Meriton used marketing companies in China.

"They are a mix of investors and families who purchase because their children are here to study," Mr Sialepis said.

"I don't think we're artificially inflating prices, 15 per cent is only a small percentage."

Ben Stewart from CBRE, which marketed the The Residence at Hyde Park, said one in 10 of those apartments were sold to Chinese investors.

"The Chinese see great growth and a stable economy, and the main drive is their kids who will study here," Mr Stewart said.

Frasers Property, which is developing the Central Park apartments on Broadway, confirmed the majority of their off-the-plan sales were to Asians.

Andrew Taylor runs the Shanghai-based real estate portal Juwai.com, which directly markets Australian property to Chinese investors. He said the current interest was "just the tip of the iceberg".

"The real buying force are the upper middle class who earn around \$100,000 combined.

"They represent a huge market force and we predict 60 million buyers are about to hit the world," Mr Taylor said.

With Australian homebuyers cautious, foreign buyers rule the market, according to Mr Taylor.

Michael Yang, the founder of GiFang.com, which means "collect property" in Mandarin, said Chinese investors could no longer buy a second property in China without incurring massive taxes.

He said many Chinese investors also want to move here permanently. "I think migration is the No.1 factor to invest," Mr Yang said.

We have other weblinks and comments on this topic. Please see page 6 “Extract from FOKE Newsletter June 2011” full Newsletter attached

5. Were they given special treatment to get approval?

In Ku-ring-gai, not that we are aware of.

An article appeared in Sat SMH March 16 17 which refers to Ralan and a development in the North Sydney municipality <http://www.smh.com.au/nsw/residents-angry-as-developer-pays-up-and-flouts-height-rules-20130315-2g5zl.html>

The initial development application for the tower was approved in August 2010. The height controls in the council's Local Environment Plan allowed for the tower on the Pacific Highway at St Leonards to rise to 26 metres.

But the DA was sold and the new developer Ralan Group asked to nearly double that height and agreed to make a contribution to open space in Crows Nest. Councillors agreed to that and voted to send the planning proposal, with their backing, to the minister for his permission.

The Ralan Group refused to comment on the issue.

General manager of North Sydney Council Penny Holloway said the council favoured the height increase because "we believe the agreement will help us meet our strategic planning goals for this area by providing \$1.5 million towards expanding the Hume Street Park with a pedestrian link to Willoughby Road".



Above: For Lease RALAN “Killara 26-30 Marian St (32 units)” Image A Carroll March 2013

In Sydney we depend on Chinese buyers and Chinese buyers are both investors and owner occupiers. The money comes from China. If there are enough of them buying they create their own market BRW 4-10 March 2010... Triguboff in Sydney

Extract from FOKE Newsletter June 2011

“DEVELOPERS TARGET INVESTMENT MARKET.

IS THIS WHAT THE URBAN CONSOLIDATION POLICY INTENDED?

The following adds strength to the belief that much of the densification is directed at the overseas investment market rather than providing affordable, diversified housing for the domestic market. True it is, that much of the investment market will become rental stock, but given the pricing of the units it will not be rental stock that is generally affordable, nor provide for the diversity of accommodation either for the younger buyers with families or the downsizers.

“BUYERS STAY CLEAR AS DOLLAR BEGINS TO BITE”

“Chinese abandon Triguboff” Turi Condon Property Editor The Australian April 21 2011

“CHINESE buyers have deserted billionaire Harry Triguboff's Meriton Apartments, with sales to Chinese owners and investors dropping from 30 a week to 10 over the past month.”

“Mr. Triguboff said prices in the overheated Chinese property market were starting to fall, while the Australian dollar continued its stellar run, making Australian property increasingly expensive compared with China.”



“Mr. Triguboff, whose Meriton Apartments builds more than 1000 units a year, said:”

- *Chinese owners and investors had accounted for about 75 per cent of Meriton sales for the last two to three years.*
- *“The new apartment market relied on Chinese buyers.”*
- *“The Chinese, they are the only buyers I have. They are the only buyers anybody has..”*
- *“Our (real estate) market is the Chinese market, just like coal and iron ore..”*

The Australian April 21 2011

THERE ARE PRESENTLY 6 MERITON MULTI-UNIT SITES IN KU-RING-GAI TOTTALLING 1050 APPROX APARTMENTS.

RALAN

RALAN, another prominent developer in Ku-ring-gai, is also seemingly targeting the overseas investment market. Many of the units built for Stage 1 of the Ku-ring-gai Residential Strategy are being purchased off the plan by overseas investors ‘land banking’ these units for investment purposes. The following is an excerpt from an internet video which commences with a non English speaker and promotional views of Sydney (May 2011). It is followed by words to the following effect by the principal of Ralan:

“There is a lot of interest from Chinese people in purchasing Real Estate in Australia, most importantly in Sydney. For any Chinese person considering overseas Real Estate they have to take into account the stability of Australia, the stable economy that we have and the fact that historically the residential market, which is my area of expertise, has always shown great growth, decade after decade after decade. Yes we are very excited about the influx of Chinese investment into the Australian property market.”

THERE ARE PRESENTLY MORE THAN 15 MULTI-UNIT RALAN SITES IN KU-RING-GAI, WITH MANY UNITS PRE-SOLD OFF THE PLAN TO OVERSEAS INVESTORS. THE UNITS ARE THEN OFFERED AS RENTAL PROPERTIES. “

Please also find attached a sales promotional brochure from L J Hooker referring to stand alone homes.

Yours sincerely

Anne Carroll OAM
President

Some Weblinks

<http://www.propertyobserver.com.au/china-watch/chinese-apartment-buyers-retreating-from-australia-harry-triguboff>

<http://www.propertyobserver.com.au/economy/harry-triguboff-expects-deep-rate-cuts-fast-as-cooling-chinese-demand-weakens-economy/2011111352336>

<http://australianpropertyforum.com/topic/9167797/1/>

<http://findproperties168.net/20120312/28812.aspx>

<http://www.businessspectator.com.au/article/2011/7/12/australian-dollar/pivoting-chinas-prosperity?OpenDocument=&emcontent> Gottliebsen CD

Yesterday, I was yarning to Harry Triguboff, the largest apartment owner and developer in Sydney and a major player in Brisbane and the Gold Coast. He tells me that more than 80 per cent of the apartments he is selling in Sydney are bought by mainland Chinese buyers. There will be a similar pattern in Melbourne. The Sydney apartment market is down about 10 per cent but, without the Chinese buying, apartment prices would fall sharply leading to a significant decline in eastern states dwelling prices.

The Chinese have made a lot of money in China and want to have investment diversification in a stable country like Australia. They normally do not borrow from our banks. The Chinese use the apartments either for their children to occupy while they are students here, or they rent them.

The Chinese are also major purchasers of agricultural property.

Read more: <http://www.businessspectator.com.au/article/2011/7/12/australian-dollar/pivoting-chinas-prosperity#ixzz2NIorE700>

<http://www.businessspectator.com.au/article/2011/10/26/interest-rates/apartment-antics-hurt-australia?OpenDocument=&src=kgb>

There is no doubt that without the Chinese buying, at least in Sydney, apartment prices would fall to levels that would make it uneconomic to build apartments in inner suburban areas.

Read more: <http://www.businessspectator.com.au/article/2011/10/26/interest-rates/apartment-antics-hurt-australia#ixzz2NIqZjRHJ>
