Foreign Investment in Residential Properties

This newsletter has arisen from a number of questions from agents when they have been attending CPD (thanks Jenny from Manly) and in particular one agent who had a sale hanging on this issue (no names but you know who you are) and it fell over because the solicitor for the purchaser had failed to consider the foreign investment implications for the purchaser. As a result, we have researched the requirements of the Foreign Investment Review Board (FIRB) in relation to the purchase of properties in New South Wales by foreign investors.

Adequate housing is one of life’s basic necessities, making Australia’s housing stock an inherently valuable national asset. Like our other major assets in the mining and agricultural sectors, foreign investment poses a potentially serious threat to Australia’s residential housing stock if strict rules aren’t put in place. For this reason the Australian government established the Foreign Investment Review Board (FIRB). The FIRB reviews foreign investment proposals against the national interest on a case-by-case basis. This flexible approach protects Australia’s interest whilst ensuring that beneficial investment is not refused.

In regards to residential real estate, it is the Government’s policy that foreign investment should actively increase Australia’s housing stock. Basically, the policy channels foreign investment in the housing sector into activity that directly increases the supply of new housing (such as new developments of house and land, home units and townhouses) and brings benefits to the local building industry and its suppliers. To achieve this aim, the FIRB has established rules for foreign investment which we have distilled down to the main points below.

- Non-resident foreign persons cannot buy established (2nd hand) dwellings as investment properties.
- Non-resident foreign persons need to apply to the FIRB to buy new dwellings in Australia. Such proposals are normally approved without conditions.
- Non-resident foreign persons need to apply to buy vacant land for residential development. These proposals are normally approved subject to conditions (such as, that ongoing construction begins within 24 months).
Investment in residential properties by temporary residents has also been more strictly regulated since changes to the rules in April 2010. The main rules are as follows:

- Temporary residents can buy one established dwelling only to live in (see below) and they may buy new dwellings, or vacant land to build new dwellings, because these latter purchases increase the available housing stock in Australia.

- Temporary residents need to apply if they wish to buy an established dwelling. Temporary residents may acquire one established dwelling only and it must be used as their residence (home) in Australia. Such proposals normally meet with no foreign investment objections subject to conditions (such as, that the temporary resident sells the property when it ceases to be their residence).

- Temporary residents are not permitted to buy established dwellings as investment properties.

- A ‘new dwelling’ is a dwelling which is being purchased directly from the developer and has not been previously occupied for more than 12 months in total.

- Temporary residents need to apply to buy new dwellings in Australia. Such proposals are normally approved without conditions.

- Temporary residents need to apply to buy vacant land for residential development. These applications are normally approved subject to conditions such as, that ongoing construction begins within 24 months.

Traineeships

Start the new year by having your staff trained in business, finance and property.
You may be eligible for $4000 in government funding
Contact Stephanie for details.
1300 88 48 10

Happy Chinese New Year!
We have been advised by the NSW Office of State Revenue that foreign investors pay the same rates of Land Tax as Australian Residents. If you require further information regarding land tax and how it is assessed it can be located on the OSR website www.osr.nsw.gov.au under the section ‘frequently asked questions’.

If you are an agent dealing with foreign investors or temporary residents, it is vital that you are familiar with these restrictions. You may have to refer your clients to the FIRB to make an application, or even fill out an application on their behalf. But always refer them back to their solicitor to have the matter considered as part of the purchase process.

‘Til next time,

Wishing you every success in your business ventures,

Rosy Sullivan

From our office…….. Our fabulous Kelly (Program Co-ordinator) or better known in the office as “the row captain” is turning 21 next week. She joined us when she was 17 after completing her HSC. She has since successfully gained two qualifications in business and real estate in addition to her busy workload. We have watched her develop into a very competent, highly efficient and beautiful young lady. We wish her well for her BIG birthday and please come back to work on Monday.

We also have good news that John Sullivan is recovering well from his ear surgery. He had his ear canal reconstructed and a skin graft undertaken on the internal ear. So watch out to all students – John will now be able to hear all your comments and groans when you are attending trust accounting and finance training!!

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