



Foreign buyers may be cause to pop the cork

Why, oh why, aren't there more men like this one? I met Simon Mehegan, a parent at my children's Melbourne school, at a function late last year and liked him immediately. Not only was he good-looking, bright, witty and dynamic, he was also an attentive husband *and* was offering to volunteer as a rare father on the school parent committee.

He runs a property development company, something about which he maintains a sense of humour despite – or maybe because of – the radioactive treatment his sector received from banks and investors through the global financial crisis years.

But that's all changed. A low Australian dollar last year and increased interest in local property among foreign buyers is enabling Mehegan to pop a few more Laurent-Perrier corks than in recent years.

His boutique residential firm, Monson Property, now has projects selling well at Port Melbourne and St Kilda, and is about to launch another at Essendon.

So buoyed is Mehegan by the market's up-tick that he's already on the hunt for new sites within five kilometres of Melbourne's CBD, which he hopes to secure within the year. His search is timely. New research from HSBC reveals Australia has become one of the most appealing property markets, particularly among affluent Asians. Some of this is said to be a byproduct of Canberra's Significant Investor Visa program which provides wealthy foreigners with an Australian visa in exchange for a \$5 million investment.

While that money is not able to be directly invested in property (it's channelled into approved share or property funds, or government and state bonds), the visa program is expected to have flow-on benefits by encouraging our new rich residents to make investments elsewhere.

Most of the visa applicants since the program began in November 2012 have been from China, and their capital is expected to fund what some have described as Australia's next "boom" from growth in Asia.

"It could help us fund much-needed infrastructure projects," HSBC's chief economist for our region, Paul Bloxham, told *The Australian Financial Review*.

The bank's head of mortgages, Alice Del Vecchio, says the economy will get a boost from strong ongoing foreign property investment, which will help increase housing supply by stimulating construction. Yet despite their apparent interest, the Chinese rate Australia behind other destinations as the preferred place to park their cash, according to HSBC's research. Only 9 per cent have invested here, three times less than in the US (23 per cent). Australia is the preferred destination for offshore property investment among wealthy Indonesians, while Malaysians and Singaporeans rank Australia second.

Del Vecchio says Australia's appeal to these people lies in its proximity,

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Alice Del Vecchio, HSBC

high-quality education and lifestyle, reflecting recent HSBC research into expat attitudes in the region, which consistently presents Australia as a top country to live in among expats.

"Seventy-one per cent of expats believe Australia provides a higher quality of life than the US and UK," Del Vecchio says.

Australia's appeal also extends to its community links with Southeast Asia.

"One third of Australia's international students are from South Asia, many of whom stay long-term to work or reside," she says. "We know from our customer base a large proportion of international mortgages in the past year have been located

near universities."

Sadly for Mehegan, future investment from affluent Asians is likely to be directed towards smaller property markets such as Queensland and the ACT instead of Victoria and NSW, according to HSBC.

Of those looking to buy in Australia in the next year, 23 per cent are targeting Queensland and 21 per cent the ACT, compared to 17 per cent in Victoria, 15 per cent in NSW and 14 per cent in Western Australia.

"Sydney and Melbourne have the highest house prices nationally and have seen prices rise by 13 per cent and 7 per cent respectively," Del Vecchio says. "Cities like Brisbane may provide investors with a better entry point into the Australian property market given house prices have lifted there by only 3.8 per cent."

The accessibility of universities, Queensland holiday homes and the large, stable public service sector in Canberra is probably cause for excitement among Asian investors as well, she says.

In the end, many of us will probably win out. "The increased flow of investment into Australia can be a catalyst for increased construction and property development which can support the economy rebalance away from the mining sector," she says.

Mehegan says Australians developers are actively targeting those funds for use as working capital and to buy more stock so they can pipeline projects through the business.

"The approved [investment] funds receiving these investors' money are shopping around for local investment opportunities to support," Mehegan says. He's in negotiations with one Chinese investor keen to see his full commitment directed into some sort of property arrangement.

"We're the product, and someone's selling us into their investment trust," Mehegan says. "You can never count your chickens before they hatch, but it would be good if it comes off. Five million dollars in one chunk is a fair bit of money."

I'd say. He'd be able to move on to the Krug with that.