



Overseas investors, frustrated at CBD shortages, are turning their gaze to the high streets of suburbs such as Armadale.

Business

Overseas investors' gaze shifts from CBD to suburbs

Olga Galacho, Herald Sun

March 21, 2017 9:00pm

Subscriber only

“AGGRESSIVE” international buyers frustrated at the shortage of CBD stock are taking on smaller investors for assets in the suburbs, according to agents.

Offshore buyers have typically spent up to \$20 million outside the city but many are now lowering their sights to assets in the \$1 million bracket.

That’s putting them in direct competition with local buyers who use their self-managed superannuation funds to invest in commercial property, agents have said.

“Offshore investors are now on to pretty much anything in Melbourne,” according to Teska Carson’s Anthony Choi.

“They do their homework, they are astute investors, and they can also be quite aggressive purchasers when appropriate and that has been reflected in some pretty tight yields.

“They feel really secure about investing in Melbourne and it seems it will take more than a few changes to foreign investment rules to change that.”

From this year, investors who live overseas will pay higher rates of land tax, but Mr Choi does not believe this will be a sufficient deterrent.

Paul Osborne, a buyer’s advocate at Secret Agent, disagrees, saying that on top of the higher levy for absentee investors, those who buy with the intention to develop apartments will from July lose the ability to pass on stamp duty savings. “The Victorian Government is abolishing stamp duty rebates for overseas investors who sell off-the-plan apartments,” Mr Osborne told *Commercial Property*.



📷 A shop and dwelling at 645 Burwood Rd, Hawthorn East sold for \$1.2 million.

“Most foreign buyers of commercial property intend to develop dwellings on those sites but if they can’t offer free stamp duty, they may struggle to sell off the plan.”

This would serve as a big disincentive to purchasing the property in the first place, Mr Osborne said.

“Also from July 1, the Chinese Government is introducing stringent limits on how much their citizens can invest overseas ... it is going to get very difficult to get money out of the country.

“So, I think what you are seeing now is a bit of a rush to buy up and chase opportunities before the new rules come in,” Mr Osborne said.

Mr Choi has just sold two properties to offshore investors for less than \$1.5 million. Two strata titled shops at 6 & 7/1A Grange Rd, Toorak, went for \$670,000. A shop and dwelling at 645 Burwood Rd, Hawthorn East sold for \$1.2 million.

“They just love Melbourne. It’s as simple as that and that love affair has put Melbourne at the epicentre for offshore investment.

“They are not averse to smaller investments, which are usually in highly regarded locations and perhaps have some link to a previous purchase and/or family or friends.

“There has been a lot of offshore related investment in Melbourne property for a long time, but it has been more at the big end of town and/or development plays, but it’s now just about anything.

“That’s the difference and that is going to mean even greater competition.”

A report released this week by global asset manager Standard Life Investments projected Australia would be the preferred commercial real estate market across the Asia Pacific this year.