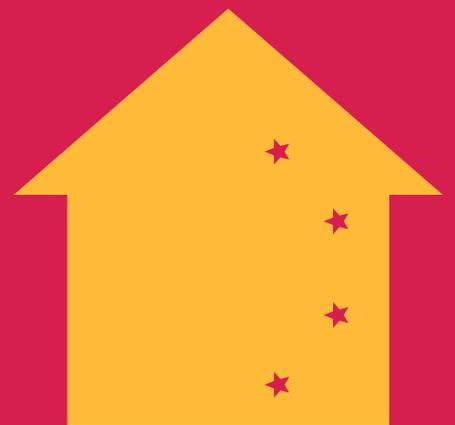


THE NEW STUDENT VISA:

WHAT THIS MEANS FOR
CHINESE BUYERS AND
MELBOURNE PROPERTY



MID-MONTH SPECIAL

New student visa saves Chinese parents \$360,000, could reignite property boom.

by Bin Rong

There was a lot more to celebrate on 1st June in China, Children's Day, thanks to the Australian government's new simplified student visa framework.

Children as young as 6 can now apply to study in Australia, and Chinese parents can expect to save around AUD\$360,000 by sending their children here.

In this extended bulletin, Secret Agent will clarify why this new visa is such good news for many Chinese parents.

What is the new student visa framework?

On 1st July 2016, the Australian government will introduce the new simplified student visa framework (SSVF). There will be only one student visa available to study in Australia - the subclass 500. This not only makes it easier to study in Australia, but it also allows more international students to enrol in local primary schools. Under the SSVF:

- all international students will now apply for a single Student visa (subclass 500), regardless of their chosen course of study
- all international students will be required to apply for their student visa online
- a new immigration risk framework will be used to guide the evidence of English language and financial capacity that a student needs to provide with their visa application.

Between the 7th and 9th of June, almost 9.4 million high school students in China face the most important exam of their lives: the National College Entrance Exams, or the Gaokao. This entrance exam is their only ticket into a Chinese college. To excel in the Gaokao, students in China have to spend 12 years of their childhood and teenage years studying diligently to outperform their 9.4 million strong cohort. Cheating leads to jailtime; failing leaves them with no degree and poor job prospects. No parent will allow this to happen to their child.

The high stakes and stress that fall on these students force many parents to seek alternatives for their children to receive a college education. Studying abroad, such as in Australia, has been a popular choice among wealthy parents in China. In a

major city like Beijing, exam attendance has halved in the past decade, from 126,000 in 2006 to 61,000 today. At the same time, the number of students studying abroad has increased dramatically. Now, the Australian government has made studying in this country \$360,000 more attractive.

The first thing that Chinese parents want to do is to send their kids to a good primary school, and to do this they have to live in the right school zone, just like how it works here. According to Lianjia, one of the biggest real estate websites in China, it will cost on average RMB ¥9,588,378 or AUD\$1,982,708 to buy a 110-130sqm 3 bedroom apartment in one of Beijing's popular public primary school zones (see Table 1).

Local students can study for free in these public primary schools. However, each intake is limited and parents must be able to afford the equivalent of a AUD\$2 million apartment in the school zone. The other option is for parents to send their children to the more expensive private international schools, whose tuition fees on average cost AUD\$43,648 (RMB¥211,080) per year in Beijing (see Table 2).

The new student visa in Australia provides a better and much cheaper way to study in a good primary school. The Victorian government, for example, charges about AUD\$10,660 (RMB¥51,552) for international students to study in a public primary school. Melbourne's private schools charge on average AUD \$23,744 annually (see Table 3). Chinese parents will end up with a 50% savings by sending their kids to the best private primary schools in Melbourne instead of Beijing's international schools.

After comparing recent property sales in some of our top performing public primary school zones, it was found that it costs AUD\$1,380,180 on average to buy a 656sqm house in Melbourne's school zones, compared to AUD \$1,982,708 (¥9,588,378) for an apartment in Beijing (see Table 4, following page).

So how does the total savings add up to \$360,000?

The cost of living in Australia would also have to be taken into consideration. The Department of Immigration and Border Protection has financial requirements that must be met in order to receive a student visa, which is a minimum spend of \$18,610 per adult and \$6,515 per child for each year they live in Australia. To calculate the total spendings for a Chinese parent and his or her child to reside and study in Australia, a 10% increase on tuition fees and 2.5% inflation on minimum living costs in Australia was assumed. The result is a staggering saving of AUD\$359,788 if Chinese parents chose to send their children to Australia instead of Beijing for primary school studies (see Table 5, following page).

Table 1

Average price of 10 recently sold apartments in top public primary school zones in Beijing (Tuition is free)

	RECENTLY SOLD PROPERTY PRICE AUD \$	RECENTLY SOLD PROPERTY PRICE RMB @ 4.836	APARTMENT SIZE (SQM)
BEIJING FIRST EXPERIMENT PRIMARY SCHOOL	\$2,100,910	¥10,160,000	110-130
ZHONGGUANCUN NO.1 PRIMARY SCHOOL	\$2,070,513	¥10,013,000	110-130
CHONGWEN PRIMARY SCHOOL	\$1,825,889	¥8,830,000	110-130
SHIJIA HUTONG PRIMARY SCHOOL	\$1,929,051	¥9,328,889	110-130
THE ELEMENTARY SCHOOL - RENMIN UNIVERSITY OF CHINA	\$1,987,179	¥9,610,000	110-130
AVERAGE	\$1,982,708	¥9,588,378	110-130

Source: Lianjia (bj.lianjia.com)

Table 2

Average tuition fees of top international schools in Beijing

	TUITION FEE AUD \$	TUITION FEE RMB @ 4.836
BEIJING CITY INTERNATIONAL SCHOOL	\$48,470	¥234,400
KEYSTONE ACADEMY	\$47,560	¥230,000
BEIJING JIALIAN SCHOOL	\$45,492	¥220,000
BEIJING VERITAS SCHOOL	\$39,289	¥190,000
BEIJING COLLEGIATE ACADEMY	\$37,428	¥181,000
AVERAGE	\$43,648	¥211,080

Source: China Education Online (www.eol.cn)

Table 3

Average tuition fees of top private primary schools in Victoria (2015)

	TUITION FEE AUD \$	TUITION FEE RMB @ 4.836
PRESBYTERIAN LADIES' COLLEGE, BURWOOD	\$24,920	¥120,513
HAILEYBURY COLLEGE, KEYSBOROUGH	\$26,385	¥127,598
CAMBERWELL GIRLS GRAMMAR SCHOOL, CANTERBURY	\$21,328	¥103,142
HUNTINGTOWER SCHOOL, MOUNT WAVERLEY	\$21,478	¥103,870
FINTONA GIRLS' SCHOOL, BALWYN	\$24,608	¥119,004
AVERAGE	\$23,744	¥114,825

Source: bettereducation.com.au

The majority of the savings comes from the difference in property price between Melbourne and Beijing's school zones, and this also applies to other major cities in China. The Australian government's intention for the new visa policy is to improve our economy by exporting our education to overseas students. In Secret Agent's opinion, under the current FIRB rules, the price of properties in good school zones will continue to accelerate. We could also see prime inner city properties start to become acquisition targets. Many of these period homes have been "off limits" to the foreign purchaser. This may no longer be the case.

If Chinese parents choose to send their children here for their studies, they will be considered as a temporary resident since they will remain in Australia for a continuous period of more than 12 months. Generally, temporary residents can purchase any residential real estate in Australia once they apply for and receive foreign investment approval. The downside is that they will have to sell the property within three months from when it ceases to be their principal place of residence. This makes off-the-plan townhouses the most attractive purchase to Chinese buyers, as they are cheaper and require less maintenance than big established houses. They can also be kept as an investment property once they leave Australia.

With all that's been said about the potential savings, it's a challenging transition for parents who decide to send their 6 year olds to an Australian primary school. Either or both parents have to make sacrifices to accompany their child to Australia and rebuild their life in the new country. But with Australia's low exchange rate, established Chinese communities, balanced education system, greater choice of schools and relatively easier college entrance exam (VCE), it remains an attractive opportunity for many wealthy parents. Even our clean air is an incentive to make the move; in China, air pollution is a serious issue that only worsens in winter due to coal burning. Here, our children play freely outdoors without worrying about damaging their health. All of these upsides make the decision for Chinese parents to enrol their children in Australian schools an easier one.

Any rational Chinese parent will start to rethink whether studying locally or in Australia can provide a better education and quality of life for their kids. Here, the best primary school education costs half as much compared to China. Fresh and good quality food is available at the doorstep. Children can enjoy the arts, sports and music, instead of dedicating their schooling years to a single college entrance exam.

A cleaner, safer and happier childhood is available to Chinese children here in Australia, with \$360,000 to spare. 💎

Table 4
Average price and land size of 5 recently sold properties in top public primary school zones in Victoria (2015)

	RECENTLY SOLD PROPERTY PRICE AUD \$	RECENTLY SOLD PROPERTY PRICE RMB @ 4.836	LAND SIZE (SQM)
BEVERLEY HILLS PRIMARY SCHOOL, DONCASTER EAST	\$1,103,000	¥5,334,108	646
SERPELL PRIMARY SCHOOL, TEMPLESTOWE	\$1,293,100	¥6,253,432	723
CAMBERWELL PRIMARY SCHOOL, CAMBERWELL	\$1,824,000	¥8,820,864	430
WEEDEN HEIGHTS PRIMARY SCHOOL, VERMONT SOUTH	\$1,273,000	¥6,156,228	709
GLENDAL PRIMARY SCHOOL, GLEN WAVERLEY	\$1,407,800	¥6,808,121	769
AVERAGE	\$1,380,180	¥6,674,550	656

Source: bettereducation.com.au, realestate.com.au

Table 5
Estimated cost of 6 years of primary school studies in Victoria for a Chinese international student and parent

	COST (6 YEARS)	
VICTORIAN PUBLIC PRIMARY SCHOOL TUITION (\$10,600 CURRENTLY)	\$82,248	10.00% increase per annum
LIVING EXPENSES FOR ONE ADULT	\$118,876	2.50% inflation per annum
LIVING EXPENSES FOR ONE STUDENT	\$41,616	2.50% inflation per annum
SCHOOL ZONE PROPERTY WITH 6585SQM OF LAND	\$1,380,180	
TOTAL	\$1,622,920	
AVERAGE PRICE OF BEIJING PRIMARY SCHOOL ZONE APARTMENT	\$1,982,708	
TOTAL SAVINGS FOR CHINESE PARENTS (COMPARED TO SENDING CHILDREN TO BEIJING PUBLIC SCHOOLS)	\$359,788	¥1,739,935
TUITION FEE DIFFERENCE BETWEEN AVERAGE TOP PRIVATE SCHOOL IN VICTORIA AND TOP INTERNATIONAL SCHOOL IN BEIJING	\$119,423	Over 6 years
TOTAL SAVINGS FOR CHINESE PARENTS (COMPARED TO SENDING CHILDREN TO BEIJING INTERNATIONAL SCHOOLS)	\$479,211	¥2,317,463

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The Australian Bureau of Statistics (abs.gov.au/census),
REIV (reiv.com.au/property-data/auction-results),
The Department of Human Resources, Google Maps,
Land Victoria (land.vic.gov.au), realestateview.com.au,
realestate.com.au, domain.com.au, Fairfax, Residex, various
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