

Australia Orders More Foreign Homeowners to Sell

Treasurer Joe Hockey vows to boost penalties as investigators probe 462 possible breaches by foreign home buyers

House prices in Australian cities, particularly in Sydney, have been skyrocketing, putting homeownership out of reach of many Australian citizens. ENLARGE

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SYDNEY—Several foreign owners of residential property across Australia have been ordered to sell as the government intensifies its crackdown on the abuse of homeownership laws by buyers from China and elsewhere.

Treasurer Joe Hockey said foreign investors have been ordered to sell six properties in the cities of Sydney, Brisbane and Perth. The homes are valued between 152,000 and 1.86 million Australian dollars (US\$112,768 and US\$1.38 million).

The orders could be the tip of the iceberg, with Mr. Hockey revealing probes have unearthed 462 possible breaches of foreign homeownership rules after the government ramped up its spending on enforcement in its May budget. The number of cases being investigated has more than doubled since the last estimate was given in June.

The treasurer said he expects more divestment orders will be announced soon, and promised to increase penalties for those who break the rules.

With skyrocketing house prices putting homeownership out of reach of many Australian citizens, the conservative government is under pressure to make housing more affordable, and rein in surging investor buying that some fear may push the market to unsustainable levels, causing a crash as the economy slows at the end of a long mining boom.

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The worry is that money from places such as China and Southeast Asia is fueling the housing problem. In April, Australia's Foreign Investment Review Board said China had overtaken the U.S. as the country's biggest source of investment from overseas, with a total of A\$27.6 billion last year. Real estate accounted for almost half of the money.

In March, the treasurer said he had ordered a Hong Kong-based buyer of a A\$39 million Sydney mansion to sell the property after investigators said it was purchased illegally.

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The latest divestment orders relate to properties owned by five investors from four countries, including China. Some had purchased property with Foreign Investment Review Board approval, but their circumstances changed and they failed to comply with divestment requirements, Mr. Hockey said. Others broke the rules at the outset by purchasing a property without approval, he said.

The investors voluntarily came forward to take advantage of an amnesty from criminal prosecution announced in May, Mr. Hockey said, and they now have 12 months to sell the properties. The treasurer said foreign investors had until Nov. 30 this year to voluntarily come forward under the amnesty if they had illegally purchased residential real estate in Australia.

The treasurer said he plans to introduce new legislation into federal parliament in the next two weeks that will increase penalties for foreign investors who break the rules.

Under the new regime, nonresidents illegally acquiring established properties will face a maximum fine of A\$127,500 or three years imprisonment. They will also stand to lose the capital gain made on the property, 25% of the purchase price or 25% of the market value, whichever is greater.

Third parties, such as real-estate agents and financial advisers, also may be prosecuted under the changes for assisting in an unlawful purchase.

Rules on property buying by foreigners were strengthened about five years ago to restrict purchases to new dwellings that would boost the country's housing stock, with the added benefit of spurring residential construction. Under those rules, temporary residents were allowed to buy established homes with approval from the foreign-investment regulator, but had to sell when their temporary visas expired.

Last year, a government committee recommended changes to the rules, including a cleanup of procedures to help uncover illegal home buying, penalties for breaches of the framework, punishments for third-party rule breakers and tweaks to ensure the immigration department informs the foreign-investment watchdog when a person leaves.

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