

Full house: how property pressures impact intercultural relations



The rise of Chinese real estate investment is unsettling both the federal government's geopolitical aspirations and inter-cultural relations on the ground in Australian cities.

The pro-foreign investment stance must be accompanied by education about its risks and benefits, policies to improve housing affordability and strategies to protect intercultural community relations in Australia.

There is bipartisan support for foreign investment in residential real estate. But the politics of non-white

citizens purchasing real estate is a highly charged cultural issue in Australia that is linked to national housing identities such as the great Australian dream of homeownership¹.

¹ Rogers D. (2016) *The Geopolitics of Real Estate: Reconfiguring Property, Capital and Rights*, London: Rowman & Littlefield International.

In a recent study² we found there are high levels of public concern and discontent about foreign investment amongst Sydneysiders.

Sydneysiders are living in a city where the cost of living is extremely high. Participants in our study identified a range of factors that they believed contribute to rising house prices in Sydney, with the most commonly identified factor as foreign investment. This was twice as likely to be selected than domestic factors such as negative gearing and the purchase of one's own home.

The majority of participants did not believe foreign investment should be permitted in Sydney, and more than three in four agreed that foreign investment was driving up house prices in Sydney. In line with this, just under two thirds did not think foreign investment should be encouraged and more than half believe that the government is not effectively regulating foreign investment.

These views run counter to the federal government's policy in regards to foreign investment. Furthermore, our study³ found that members of the general public in Australia misidentified ethnic Chinese Australian citizens who were buying Australian real estate as being "Chinese bidders" and "Chinese nationals". The rise of Chinese real estate investment is unsettling both the federal government's geopolitical aspirations and inter-cultural relations on the ground in Australian cities.

In terms of the foreign investment context, the Australian government noted recently that the quantitative data on foreign real estate investment is unreliable and patchy in Australia⁴. Notwithstanding these data problems, according to some of the more reliable data sources, taken here from the Foreign Investment Review Board (FIRB), Chinese investment in residential and commercial real estate increased from \$2.4 billion in 2009/10 to \$24.3 billion in 2014/15. This is an increase of over 900 per cent with China being one of the largest sources of foreign real estate capital in Australia during the 2009 to 2015 period. Reportedly, Sydney has received more Chinese investment in residential real estate than any other Australian city⁵, with Asian foreign

investors accounting for 9.4 per cent of purchases of new dwellings in New South Wales (NSW) in the fourth quarter of 2015⁶.

Chinese immigration has a deep cultural history

The cultural politics of foreign real estate investment became more visible when the federal government's geopolitical commitment to Asia was entangled with the media reports linking Chinese investors with increasing property prices and corruption. This was particularly the case with the commentary associated with the 2014 *Parliamentary Inquiry into Individual Foreign Investment in Residential Real Estate*⁷.

Much of the contemporary data on Asian investment is focused on Chinese capital flows into or out of Australia, and is collated from national or real estate industry quantitative data⁸. This positions Chinese investment largely as an abstract issue of foreign

capital flow through a local asset class – in this case real estate – with little consideration of the far more complex historical, cultural, and demographical implications that China and Australia must address on-the-ground.

For example, some analysts⁹, lending support to the federal government's pro-Asia geopolitical

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position, argue that Australia is in a unique position with respect to Asia, because more "than 8 per cent of Australia's population was born in Asia. This is a much higher percentage than in other Anglophone countries such as the US (4 per cent) and the UK (2 per cent) ... Asian Australians bring with them linguistic skills, social networks and cultural knowledge, which can enhance links between Australia and Asia. But their role and contribution is insufficiently recognised."

² Rogers D, Wong A and Nelson J. (2017) *Public Perceptions of Foreign and Chinese Real Estate Investment: Intercultural Relations in Global Sydney*. Australian Geographer

³ Rogers D, Lee CL and Yan D. (2015) *The Politics of Foreign Investment in Australian Housing: Chinese Investors, Translocal Sales Agents and Local Resistance*. Housing Studies 30: 730-748, 2015.

⁴ Rogers D and Dufty-Jones R. (2015) *21st Century Australian housing: New frontiers in the Asia-Pacific*. In: Dufty-Jones R and Rogers D (eds) *Housing in Twenty-First Century Australia: People, Practices and Policies*. Aldershot: Ashgate.

⁵ KPMG (2016). *Demystifying Chinese Investment*. KPMG and University of Sydney.

⁶ National Australia Bank. (2016) *NAB Residential Property Survey: Q4 2015*. Sydney: National Australia Bank, 2016.

⁷ House of Representatives Standing Committee on Economics. (2014) *Report on Foreign Investment in Residential Real Estate*. Australia Government, Canberra.

⁸ Buckley P, Clegg J, Cross A, et al. (2010) *The determinants of Chinese outward foreign direct investment*. In: Buckley P (ed) *Foreign direct investment, China and the world economy*. Basingstoke: Palgrave Macmillan, 81-118. 2010.

⁹ Ang I, Tambiah Y and Mar P. (2015) *Smart Engagement with Asia: Leveraging language, research and culture*. Melbourne: ACOLA.

The need for frequent political reinforcement of these cultural, language and geopolitical links is important in Australia. Indeed, the cultural history from the early nineteenth century of the Chinese diaspora in Australia is replete with moral panics and fears of an “Asian invasion” or “Chinese takeover”¹⁰. Large numbers of immigrants from China were attracted to goldfields in the states of New South Wales and Victoria from the 1850s, and the Chinese population in Australia grew from a very few in 1841 to 38,000 in 1861. Questions about moving Asian labour and capital through land have been central to the resistance to Chinese migrants in Australia ever since¹¹. The Australian government has been officially dealing with racism, immigration and land disputes in relation to Chinese immigrants since the gold rush era. This history shows that a

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racial politics that sought to change the way the Chinese migrants moved and used their labour or capital through Australia's colonised land – land first stolen from Indigenous peoples – has long been central to white Australia's claims to land in Australia.

Despite and at times in the face of the periodic revival of a marginal but nonetheless familiar troupe of anti-Asian “invasion”

or “takeover” discourses, significant migration from China occurred from the early 2000s. Between 2001 and 2011 182,836 or 57.3 per cent of all China-born immigrants came to Australia, and in 2014 there were 447,370 China-born people living in Australia, accounting for 1.9 per cent of the country's total population¹². Australia's skilled migration and foreign student programmes were important drivers with many Chinese international students gaining permanent residency in Australia following their tertiary studies. Chinese international students

continue to be an important consideration within contemporary analyses of the rise in Chinese investment in Australian real estate¹³.

The Chinese diaspora is increasingly mobile throughout the Asia-Pacific region. Not only are they a powerful force in the real estate market as property consumers, many within this cohort act as middle-men or women through their roles as global investment lawyers, accountants, and real estate agents to facilitate the movement of people and money from Asia to Australia¹⁴.

These new Chinese investors and migrants have complicated cultural identities and nation-state allegiances and they are engaged in international real estate practices that transcend static cultural stereotypes. For example, much changes about the cultural identity of a typical Chinese foreign student living in an Australian house that was purchased with foreign capital as they finish their studies and move toward becoming a nationalized Australian. In this hypothetical case, the money that was used to purchase the real estate will always be foreign, but the cultural identity of the investor is always in flux. Thus, recording the timeframe over which a dwelling is owned as well as the mobility of the investors and their money are important for understanding foreign real estate investment in Sydney.

Within this context our research explored Sydneysiders' perceptions of foreign investors in Sydney, with a particular emphasis on Chinese investors. While there is an assumption in public policy and media rhetoric that there is a high level of public concern about foreign investment, there is surprisingly little data that examines public perceptions. In our study we were interested in whether the dominant voices in this debate represent broad public views about this issue. Understanding public perceptions could inform how governments regulate and journalists report on foreign investment.

¹⁰ Jayasuriya L and Pookong K.(1999) *Asianisation of Australia?: Some Facts about the Myths*, Melbourne: Melbourne University Press.

¹¹ Rogers D. (2016) *The geopolitics of real estate: Reconfiguring property, capital and rights*, London: Rowman & Littlefield International. And Rogers D. (2016) *Uploading real estate: Home as a digital, global commodity*. In: Cook N, Davison A and Crabtree L (eds) *Housing and Home Unbound: Intersections in Economics, Environment and Politics in Australia*. London: Routledge, 23-38.

¹² Department of Immigration and Border Protection (2016) *Country profile: China*. Australian Government. Canberra.

¹³ Robertson S and Rogers D. (2017) *Education, Real Estate, Immigration: Brokerage Assemblages and Asian Mobilities*. *Journal of Ethnic and Migration Studies*.

¹⁴ Rogers D. (2017) *Becoming a super-rich foreign real estate investor: globalising real estate data, publications and events*. In: Forrest R, Wissink D and Koh S (eds) *Cities and the super-rich: real estate, elite practices and urban political economies*. Basingstoke: Palgrave Macmillan. and Rogers D. (2016) *Uploading real estate: Home as a digital, global commodity*. In: Cook N, Davison A and Crabtree L (eds) *Housing and Home Unbound: Intersections in Economics, Environment and Politics in Australia*. London: Routledge, 23-38.

Public Perceptions of Asian Real Estate Investment and Investors

In 2015 we conducted an online survey with 899 residents in the Greater Sydney region to examine their beliefs about foreign and Chinese residential real estate investment. A majority of Sydney-siders responding to our survey expressed concern about foreign investors and foreign investment. Over half of all participants (55.9 per cent) disagreed that foreign investors should be allowed to purchase residential real estate in Sydney. Less than one in five (18 per cent) agreed that foreign real estate investment should be permitted. The resistance to foreign investors and investment was coupled with perceptions that foreign investment and investors are driving up real estate prices and making it harder for Australian citizens to compete in the local housing market. More than three in four participants (77.9 per cent) agreed with the statement "Foreign investment is driving up housing prices in greater Sydney". When inversely framed, as "Foreign investment has no impact or very small impact on greater Sydney's housing market" more than two-thirds of participants disagreed with the statement. Only a small proportion of our participants disagreed that foreign investment was implicated in increasing real estate prices (6.2 per cent), or agreed

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that foreign investment had no or minimal impact (11.3 per cent).

These concerns about foreign investors and investment were consistent with participants' views about the government's foreign investment policies. A little over half (63.4 per cent) of participants disagreed that the "Government should encourage more foreign

investment in greater Sydney's housing market". Only 12.3 per cent of participants agreed with this statement. These figures stand in strong contrast to the federal Government's geopolitical position to encourage foreign investment¹⁵. However, over half of the participants (52.2 per cent) disagreed that the government has regulated foreign residential real estate investment effectively; with only 16.7 per cent agreeing that government regulation was effective.

¹⁵ Report on Foreign Investment in Residential Real Estate (2014). Canberra: Australia Government (House of Representatives Standing Committee on Economics).

We were also interested in Sydneysiders perceptions of Chinese investors buying properties in their locality. Survey participants were presented with the statement "I welcome Chinese foreign investors buying properties in my suburb". Almost half (48.6 per cent) of our participants disagreed with this statement, compared to just 16.1 per cent who welcomed Chinese investors. On the issue of Chinese investment in other asset classes, such as agricultural assets, 67.6 per cent of participants agreed with the statement that "I am concerned about growing Chinese investments in Australia in areas other than housing (e.g. agricultural land, infrastructure or other type of investment)" compared to only 8.8 per cent who disagreed with the statement.

This shows more research is also need across the different investment types (e.g. residential and commercial real estate) and geographical scales (e.g. large agriculture land sales and the relatively more contained urban concentrations of residential real estate investment in cities).

Conclusion

If the federal government wants to court foreign investment, then better education about the possible risks and benefits is needed. Increasing Asian real estate investment is having an impact on inter-cultural relations on the ground in Australian cities. Our findings suggest that the pro-foreign investment stance must be accompanied by strategies to protect intercultural community relations in Australia. To understand the politics of foreign and Asian real estate investment a more holistic approach to understanding the issue is needed. This should include the intersection of domestic investment, foreign investment and housing affordability concerns. Indeed, if the federal government wants to continue to protect intercultural community relations in Australia they need to: (1) better educate the public about the cultural, urban and financial costs and benefits of foreign investment; and (2) address the housing affordability problem.

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