

Investing in **Australian Real Estate**

LOOKING TO DIVERSIFY YOUR INVESTMENT PORTFOLIO? TRY AUSTRALIA. PROPERTY IS ONE OF THE EASIEST INVESTMENT OPTIONS OPEN TO MALAYSIANS IN AUSTRALIA. JUST LIKE OTHER INVESTMENTS, DO INVESTIGATE BEFORE YOU BUY. THE FOLLOWING ARE SOME OF THE FACTORS THAT INVESTORS SHOULD CONSIDER WHEN INVESTING.

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Excellent Opportunity

High Returns On Investment

High capital returns of around 10% per year or more have been achieved and realised in the past few years due to strong fundamentals. According to research by the Real Estate Institute of Western Australia (REIWA), median-house prices in Perth increased from about \$40,000 in 1978 to about \$80,000 in 1988; to about \$140,000 in 1998; to about \$260,000 in 2004; to about \$480,000 in 2010.



High Rental Demand
High Rental Yield

Strong demand, coupled with tight supply, ensures Australian properties in key cities enjoy low vacancy and high rental yield. For example: Perth's average rental vacancy rate was less than 1% in early 2007 and about 4% in June 2010. According to REIWA, the median unit rent increased from \$140 per week in Sept 2003 to \$340 per week in June 2010 while median house rent increased from \$180 per week to \$380 during the same period. Western Australia - where mining booms are still going on - the GDP and rental demand are higher compared to other states in Australia. Moreover, Western Australia was not much affected by the 1997 and 2008 global financial crises.

Stable Property Market
Stable Growth in Price

The Australian property market is unlike the Asian property market, which is more volatile and risky. Enjoying long, stable and steady growth makes Australian property a stable and sound investment choice.

Safe Investment
Established and Transparent Legal and Buying Processes

Since it emulates the British system, Australian property investment offers one of the safest yet easiest buying processes in the world.

Stability
Economical and Political

With its strong economic situation, the Australian property market is expected to enjoy stable growth rates over the years.

Strong Population Growth
Plus Rising Income

Strong population growth, migration rates plus rising income ensure that demand for housing outpaces supply and are driving factors for property prices to sustain stable growth over the years.



Living Conditions

Top Migration Choice

Australia, with its excellent climate, unspoilt beaches, and fantastic and healthy lifestyle makes it a top migration and retirement destination. If one is planning to migrate to Australia in the future, it is especially more crucial to invest now while the price is affordable and attractive. Investors should also consider all the added tax benefits.

Infrastructure

Key Financial and Educational Institutions

Australia has some of the best financial and educational institutes which attract expatriates, students and investors. The inflow of these groups will ensure the growth of the property market.

Getting 70% Loan from Australian Banks is Easy

The applicant basically needs to provide two years of income tax submissions, three months of salary statements plus a letter from the employer to confirm his employment and salary (Malaysian income is acceptable). The installment repayments (monthly, weekly etc.) can be deducted automatically from any of his Australian bank accounts which can be opened by showing his passport and driving license. The same bank account can be used to receive his rental income. Some banks offer investors housing loan schemes which require servicing of interest only for 5 years or longer. The loan is based on one's income and not his age. Examples of 60-year old applicants getting a 70% loan for 20 years are very common.

Property Management

Licensed property management agents typically charge 10% (in Western Australia) or around 6% (in Victoria) of rental as management fee. Their duties include advertising for tenants, signing rental agreements on your behalf, collecting your rent and depositing the rental into your Australian bank account, and arranging for repairs and property inspection. You can buy landlord protection insurance for about A\$250 per year to cover uncollectable rent and

Capital Gains Tax

All gains derived from sales of landed property attract capital gains tax in Australia. If one owns the property for more than 12 months, then the gain is first discounted by 50% for an individual taxpayer, while the balance of the capital gain is then taxed at following rates (for the financial year 2010/2011):

FOR A NON-TAX RESIDENT, THE RATES ARE:

0 to A\$37,000	at 29%
A\$37,001 to A\$80,000	at 30%
A\$80,001 to A\$180,000	at 37%
A\$180,001 and above	at 45%

FOR TAX RESIDENTS, THE RATES ARE:

0 to A\$6,000	at 0%
A\$6,001 to A\$37,000	at 15%
A\$37,001 to A\$80,000	at 30%
A\$80,001 to A\$180,000	at 37%
A\$180,001 and above	at 45%

The following type of expenses are either tax-deductible from your yearly annual income or can be carried forward to contra with property gain tax:

INTEREST ON LOANS TAKEN

- 2.5% 'depreciation' on building cost (roughly 70% of selling / buying price of a property)
- Yearly return air ticket from Malaysia to Australia plus reasonable hotel and transport charges
- Property rental agent's fee
- Other incidental expenses like advertisement, insurance, inspection fee, repair etc.

damage of the property by tenants and natural causes.

Buying and Selling Property

One can buy and sell property in Australia through faxes etc., simplifying the process. However, foreigners can only buy new property. The lawyer or licensed settlement agent can always courier the legal documents for you to sign in Malaysia. The whole process of transfer of land title, application and disbursement of loans from the bank, etc. takes about

four to six weeks only.

Thus, it is quite clear that there is potential for an astute investor to diversify his portfolio by venturing into the Australian property market. ■

Tony Ong is Managing Director, Cheng & Co Australia Pty Ltd, which provides services and advisory in Australian property investment, migration to Australia, and taxation/accounting to Malaysians with businesses in Australia, particularly in Perth.