

Foreign buyers now on full currency alert

Matthew Cranston

If you think choosing when to buy a house is difficult, spare a thought for expatriates and overseas investors who have the added burden of picking where the Australian dollar is headed.

This time last year the Australian dollar had dropped 30 per cent from a high of US98¢. A week later, after bottoming out, it surged and has since risen more than 50 per cent in value against the US dollar.

Other overseas investors have watched the Australian dollar do the same against their currencies such as British sterling, the Hong Kong dollar and the Chinese renminbi.

Former investment banker turned buyers' advocate Chris Curtis said where currency fluctuations really mattered was for top-end property such as the \$10 million to \$20 million mansions in Sydney's Wolseley Road at Point Piper.

"The bigger the outlay, the greater the likelihood of the currency playing part of it," Mr Curtis said.

"I had one expat who was buying a \$6.75 million free-standing house at a time when daily currency movements meant the loss or gain could have been about \$100,000 a day."

Another investor who bought a \$3 million off-the-plan apartment in the Hyde building in Sydney's CBD signed a contract when the Australian dollar was about US78¢ but he still hasn't settled.

If he settles now, he could lose \$500,000. If he waits it could get even worse.

In the expatriate stronghold of Singapore, TD Securities senior strategist Annette Beacher said that, with tightening interest rates in Australia, the Australian dollar could go even higher.

"Our renewed tightening cycle expectations and bearish US dollar view prompted a fresh base case of expecting the Australian dollar to reach US95¢ by mid-2010, and cannot rule out spikes to parity with the US dollar," she said.

Colliers International's director of residential Murray Wood said the rising Australian dollar had blunted interest in the residential market.

"If overseas buyers are converting their currency into Australian dollars now, then their budgets for buying a house will have certainly changed," he said.

"The 25-year-old information technology expat who fell out of the UK during the global financial crisis



Robert Ding says Asians will still buy because 'they love the freehold land'.

Photo: MARIKA DOBBIN

— his pockets are probably empty and will have to realign his budget." Kay & Burton director Ross Savas, operating in Melbourne's blue ribbon suburbs of Toorak and South Yarra, which have enjoyed a

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Kay & Burton's Ross Savas

flurry of buying from Asian investors keen to capitalise on homes, is also seeing the interest turn.

Mr Savas said the renewed strength of our dollar meant the trend was unlikely to continue.

"In the long term it will not encourage the rate of foreign investment that we have enjoyed in the last 12 months if the Aussie dollar keeps rising. However, Australia's advantage is that we are still seen as a safe country, still good value."

Close by in the Melbourne suburb of Balwyn, Jellis Craig agent Robert Ding knows overseas investors are more reluctant now.

"I think the Asian buyers are more cautious. They are slowing down at the moment and they have stopped being aggressive and silly with their money," he said.

"When the Australian dollar was at 65¢ things were different. The Australian dollar does affect their decision but they will still buy because of the security of land in

Australia; they love the freehold land." Some investors were lucky and bought homes when the Australian dollar sank this time last year.

Mr Wood said: "If they had bought just a few months ago even, they would have already picked up a 15 per cent gain on the Australian dollar's appreciation."

Unlike the big commercial property trusts, which have to hedge their bets to protect income streams from their shopping centre rents or office tower leases, many offshore residential buyers will buy a house for themselves or their family to live in and need only pick one entry point.

"I think their decisions are more lifestyle than yield," Mr Curtis said. "I think emotion drives it, more than currency."