



CHINESE INVESTMENT

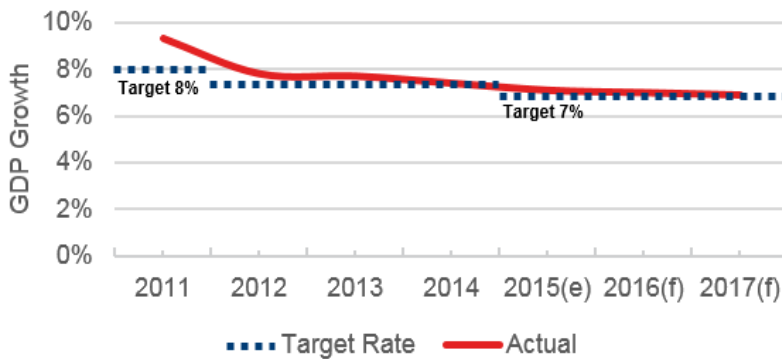
AUSTRALIA
2015



CHINA ECONOMIC OVERVIEW

In 2014, China's GDP growth stood at 7.4%. This was in line with expectations and the government's target rate of 7.5%. The growth rate has experienced a slowdown in recent years and is unlikely to reach the double digit growth it has experienced in the previous three decades.

This moderation in growth rate is desirable, both in the short and medium term views. Growth-supporting measures have been introduced at an accelerated pace in recent times, and the moderation in GDP reflects their short term effect. These policies seek to address the vulnerabilities that have come up since the global financial crisis. Over the medium and long term, this moderate growth is consistent with China's transition from a manufacturing, investment and exports based economy into one that focuses on services, consumption and domestic spending.



CHINA RESIDENTIAL PROPERTY

The Chinese private property market is newly emerging, with private property ownership only being available since the late 1980's. However, real estate investment now plays an important role in the country's economy, accounting for 15% of GDP in 2014.

Residential real estate has become a popular investment option as a way for high net worth individuals to store and accumulate wealth. However this preference for local real estate is now changing as other investment opportunities, particularly international real estate, develop.

Investors in the local residential property market are facing a number of challenges in 2015. The local residential market has entered a downturn and is facing a threat of oversupply with construction in recent years having run ahead of demand in some regions. New housing starts are likely to slow or contract in the near future and a likely reduction in investment is going to follow, which will in turn affect economic growth.

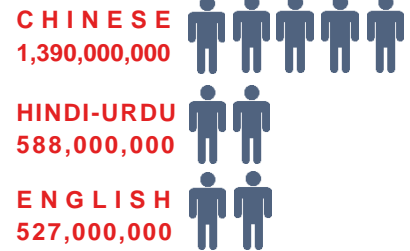
Combined with the market's responsiveness to government policy implementation and an uncertainty of demand and supply in the future, this creates additional risk for local real estate investors, who are now likely to consider international property investments in relatively safer markets, including Australia, the United Kingdom and the United States.

(e) – estimate (f) – forecast

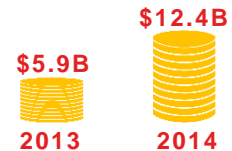
Source: Hurun Report, International Monetary Fund, PRDnationwide Research, Reserve Bank of Australia, Worldbank

KEY FACTS

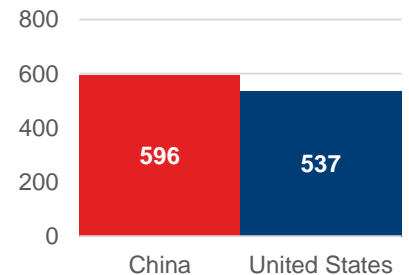
Chinese is the most widely spoken language with nearly 1.4 billion native speakers.



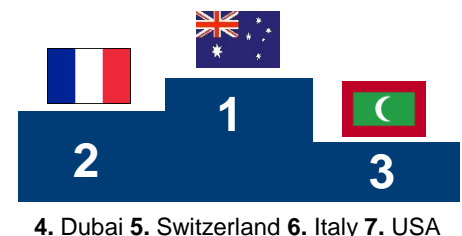
Chinese institutional investment in Australian real estate has grown over 110% in the past year, up to \$12.4B in FY2014.



China has recently surpassed the US and now has the most billionaires, creating an additional two billionaires every week.



Australia is the most popular international travel destination for China's millionaires. France and the Maldives round up the top 3.

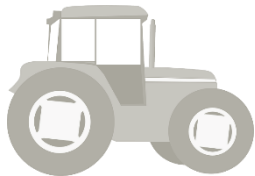


FOREIGN INVESTMENT INTO AUSTRALIA

Direct investment from overseas state and privately owned enterprises into Australia has shown significant growth in recent years. Total approvals reported by the Financial Investments Review Board totaled \$167.4B in FY2014. Of this, 16.5%, or \$25.7B came from Chinese investors.

Chinese investment growth in the Real Estate and Services* sectors is of particular interest, with growth recorded \$6.5B and \$5.8B respectively.

FIRB APPROVALS OF CHINESE INVESTMENTS



Agriculture Forestry & Fishing

2013	2014
\$328M	\$32M
-\$296M	



Finance & Insurance

2013	2014
\$23M	\$51M
+\$28M	



Mineral Exploration

2013	2014
\$8.3B	\$5.6B
-\$2.7B	



Real Estate

2013	2014
\$5.9B	\$12.4B
+\$6.5B	



Services*

2013	2014
\$291M	\$6.1B
+\$5.8B	



Manufacturing

2013	2014
\$957M	\$3.3B
+\$2.3B	



Overall

2013	2014
\$15.8B	\$27.7B
+\$11.9B	

While institutional investments in direct small scale residential properties is very limited, it is important to note that high net worth individuals are likely to follow in the major investors' footsteps.

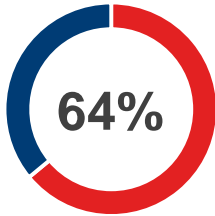
Real estate is the most popular investment choice for individuals; and Chinese institutional investment in Australian real estate has grown over 110% in the past year. Considering the state of the Chinese local property market and the overall attractiveness of Australian investments, this is a signal of continued growth into Australian real estate investment from Chinese high net worth individuals.

*Services sector includes Construction, Communications, Health, Property & Business Services, Trade, Transport, and excludes Tourism

Source: Australian Bureau of Statistics, Department of Immigration and Border Protection, Foreign Investment Review Board, Hurun Report, International Education Australia, PRDnationwide Research

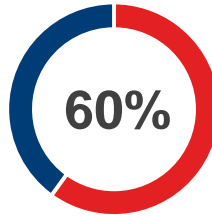
MOTIVATION FOR REAL ESTATE PURCHASES

Investment



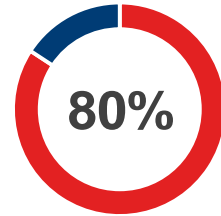
64% of high net worth and ultra high net worth Chinese individuals are already engaged in overseas property investment.

Emigration & Lifestyle



60% of wealthy Chinese individuals have strongly considered emigration due to lifestyle preferences.

Education



80% of Chinese millionaires are planning to have their child educated outside of China in order to compete globally.

WHY AUSTRALIA?

Due to its close proximity to mainland China, Australia is a highly popular choice for Chinese investors, immigrants and international students.

Investment

Institutional investors are leading the way when it comes to real estate purchases in Australia. Due its relative safety and higher possible yields, Chinese direct investment in Australia tends to be primarily focused on commercial real estate. In FY2014, 45% of Chinese overseas direct investment in Australia approved by the FIRB was aimed at real estate. High net worth individuals are likely to follow in the institutions' footsteps and continue investment in residential properties in Australia. This is attributed to Australia's stable economy, its low interest rates and expansionary monetary policies.

Emigration and Lifestyle

Australia is a widely popular choice when it comes to Chinese emigration. Due to its lifestyle offerings and close proximity to mainland China, it is one of the primary choice for relocation for wealthy Chinese individuals. As of 2014, the estimated residential population of Chinese born Australians was around 447,000.

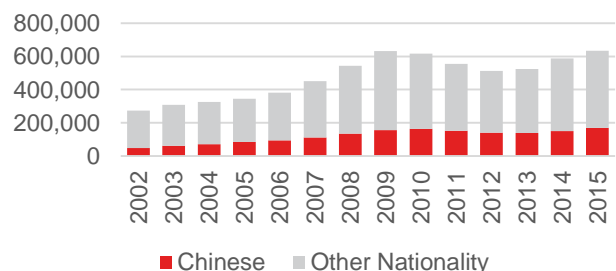
A key indicator of consumer sentiment is outbound travel which has increased 22% year on year. Australia's proximity to mainland China and appeal to tourists is visible with over 661,000 visitor visas granted to Chinese individuals in FY2015. There is an increase of 19.9% over the previous twelve months.

Education

The Anglosphere (US, UK, Canada and Australia) has proven to be the most popular choice when it comes to international students. Australia is expected to reach a new peak for international student enrolments. A total of 634,000 international students are estimated to be enrolled in Australian education institutions by the end of 2015. Of this, 169,000, or 26.7% are Chinese.

Interest in sending children overseas to study is 17% higher compared to the previous year.

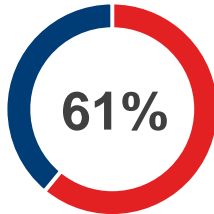
INTERNATIONAL STUDENTS*



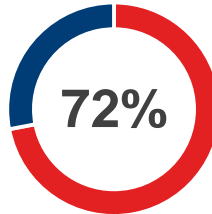
*Chinese International Student numbers are shown as a proportion of overall international student enrolment. 2015 data shows estimates only
Source: Australian Bureau of Statistics, Department of Immigration and Border Protection, Foreign Investment Review Board, Hurun Report, International Education Australia, PRDnationwide Research, Simon Henry – Juwai co-founder at Property Council of Australia Foreign Investment Event

CHINESE INVESTORS' AREAS OF INTEREST

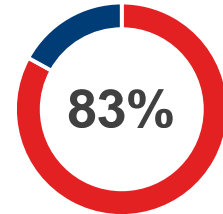
New York



London



Sydney



Chinese investors dominate over other international investors in a number of the world's most attractive residential property investment markets. 61% of international inquiries in New York, 72% in London and 83% in Sydney come from Chinese investors.

HAVE YOU HEARD OF JUWAI?

Juwai.com is China's largest and most renowned international real estate online portal. Its membership base has grown to 2.6 million unique monthly visitors and over 66,000 registered users with an average investment budget of \$2.6 million.

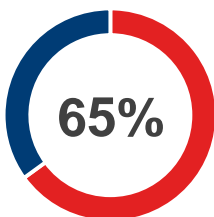
The portal was created with an emphasis on establishing a product that did not exist before in order to service a market that was undiscovered and unimpacted by competition. Juwai was created with a focus on a name that the Chinese could trust and could relate to. Red was chosen as the main colour as it is the most commonly associated with China, and the name was created from two Chinese words Ju – Wai, meaning "Life Overseas".

The company has offices in Hong Kong and Shanghai. Hong Kong is the central hub for business, it had to be chosen as an office location as the Chinese trust companies in Hong Kong. The Shanghai office's main focus is the Chinese consumer, it provides immediate access to interested Chinese investors. With Juwai being based in China, it is not blocked or slowed down by "the great firewall".

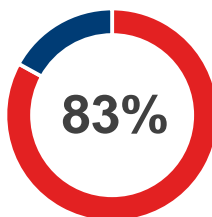
Juwai.com seeks to assist Chinese investors who are looking to invest in international real estate and to create real connections between Chinese investors and local agents in their desired markets.

PREFERRED SOURCE OF INFORMATION

Internet Preference



Internet Access



65% of affluent Chinese consider the internet as the primary and preferred source of information.

83% of affluent Chinese access the internet each day.

DID YOU KNOW

Simon Henry, co-founder and CEO of Juwai.com did not speak Chinese/Mandarin when he started the company.

Do not let the fear of not knowing the language hold you back from targeting the large potential of Chinese buyers.

CHINESE BUYERS: WHAT YOU NEED TO KNOW

- The market is not to just the 1.35 billion population of China; but also include the Chinese, Hong Kong and Singapore residents that are already property wealthy and are in the market to increase wealth.
- The one child policy has officially ended – this is important as 70% of Chinese household disposable income is spent on their children’s education.
- Chinese investors think long-term in regards to investment and their children’s education. They are likely to buy properties 10-15 years before their children will go to university.
- The people of China made 112 million outbound trips in 2014, increasing 22% year on year. This suggests that Chinese investors will potentially purchase more international properties as they travel more frequently.
- There are three categories of investors:
 - Mainland Chinese looking for international opportunities.
 - Chinese residents outside of China looking for international opportunities.
 - Residents of Chinese heritage living within a foreign country trying to find a local property.
- There are 63 million upper middle class Chinese, 2.8 million high net worth Chinese and an expected 220 million affluent Chinese by 2022.
- Up until the year 2000 less than 5,000 Chinese students studied overseas. In 2014 there were 560,000 in a single year. The main beneficiary of outbound education is the US, followed by Australia. 71% of Chinese students pay cash for their education.

HOW TO ATTRACT CHINESE BUYERS

- Commit to the idea (Chinese market) and take a long term strategic view.
- Know your target market through in-depth research, ensuring that you are receiving the best advice.
- Branding is definitely more important than the product itself to start with.
- Get the right partners – familiarize yourself with any Chinese clubs, groups and communities in your area; and attend social networking events hosted by them.
- People generally think of China as one country and one language but in reality it is better to think of China as being made up of 39 different countries that have their own cultural differences, dialects and values.

DESTINATION MARKETING

Destination marketing is the process of communicating with potential investors to influence their final purchase decision. It is important to articulate and communicate the value and competitive attributes of the local area within the larger context of the Australian market.

As most Chinese buyers are unfamiliar with Australian cities outside of Sydney, Melbourne and Brisbane, agents outside these markets have to ensure to use of “Australia” in their listing to confirm association with Australia.

A focus on the lifestyle and education provided by the greater area needs to be highlighted, and information on what the suburb offers that cities in China cannot should be emphasized such as: open spaces/parks, fresh air quality, spacious living spaces, and many others*.

DOING BUSINESS WITH CHINESE INVESTORS...

DO:



- Do promote the lifestyle and education opportunities in the area. These are important factors to Chinese investors.



- Do take an active part in small talk and be positive. Chinese people prefer to chitchat before turning to serious talks.



- Do use the number 8 in pricing. This is welcomed by Chinese culture as it is associated with wealth. The colors **RED** and **GOLD** also symbolize wealth.

DON'T:



- Do not use slang and colloquialisms. Avoid making jokes in business situations.



- Avoid using the number 4 when pricing a property, as it is considered unlucky, and largely associated with death in Chinese culture .



- Do not set up business breakfasts as they are not a part of the business culture. Business lunches and dinners however are popular in China.

ABOUT PRDnationwide RESEARCH

PRDnationwide's research division provides reliable, unbiased, and authoritative property research and consultancy to clients in metro and regional locations across Australia

Our extensive research capability and specialised approach ensures our clients can make the most informed and financially sound decisions about residential and commercial properties.

OUR KNOWLEDGE

Access to accurate and objective research is the foundation of all good property decisions

As the first and only truly knowledge based property services company, PRDnationwide shares experience and knowledge to deliver innovative and effective solutions to our clients.

We have a unique approach that integrates people, experience, systems and technology to create meaningful business connections. We focus on understanding new issues impacting the property industry; such as the environment and sustainability, the economy, demographic and psychographic shifts, commercial and residential design; and forecast future implications around such issues based on historical data and fact.

OUR PEOPLE

Our research team is made up of highly qualified researchers who focus solely on property analysis

Skilled in deriving macro and micro quantitative information from multiple credible sources, we partner with clients to provide strategic advice and direction regarding property and market performance. We have the added advantage of sourcing valuable and factual qualitative market research in order to ensure our solutions are the most well considered and financially viable.

Our experts are highly sought after consultants for both corporate and government bodies and their advice has helped steer the direction of a number of property developments and secured successful outcomes for our clients.

OUR SERVICES

Our research services span over every suburb, LGA, and state within Australia; captured in a variety of standard and customized products

We have the ability and systems to monitor market movements, demographic changes and property trends. We use our knowledge of market sizes, price structure and buyer profiles to identify opportunities for clients and provide market knowledge that is unbiased, thorough and reliable.



OUR SERVICES INCLUDE:

- Advisory and consultancy
- Market Analysis including profiling and trends
- Primary qualitative and quantitative research
- Demographic and target market Analysis
- Geographic information mapping
- Project Analysis including product and pricing recommendations
- Rental and investment return analysis

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