

Chapter 2

Foreign investment proposals

Foreign investment proposals

This chapter provides an overview of, and statistical information on, applications considered in 2008-09.

Features of the FIRB statistics

While this chapter provides a useful source of data on foreign direct investment in Australia, the Board urges particular caution in the use of these statistics, including when making comparisons with earlier years as policy, data capture and reporting methodologies change over time. There are also substantial differences between the FIRB statistics and actual investment flows. The latter developments are more reliably captured by Australian Bureau of Statistics (ABS) data, which seeks to reflect more comprehensively investment transactions between residents of Australia and non-residents.

The statistics contained in this chapter do not measure total foreign investment made in any year, nor do they measure changes in net foreign ownership levels in Australia. Rather, they provide information on proposed investments that fall within the scope of the *Foreign Acquisitions and Takeovers Act 1975* (the FATA) and the Government's foreign investment policy (the policy). The monetary value attributed to an approved proposal is the amount advised by the applicants. It represents an estimate of the expected investment in that year and subsequent years that would result if the proposal is in fact implemented. The statistics therefore provide partial coverage of all foreign investments made and may include some transactions that do not actually proceed. Several points should be noted:

- The data does not cover foreign investments below the various monetary and percentage thresholds that apply under the FATA and the policy. Nor does the data cover follow-on investments to expand the capital stock of existing foreign-owned businesses (both in existing areas and into related areas). See the FIRB website, www.firb.gov.au, for the current thresholds.
- The figures are based on the assumption that investment funds will be sourced from overseas. The extent to which approved investment proposals will actually be funded externally and therefore result in foreign capital inflows depends not only upon whether they are implemented, but also upon the proportion that is financed from foreign sources. Some (and in some cases all) of the proposed funds to be invested may be contributed by Australians, for example, where they are in partnership with foreign interests or where the investment is financed from existing Australian operations.
- The source of funds identified in the Board's statistics does not necessarily imply the country of control. For example, if a company has a single substantial

shareholder, the country of that shareholder is recorded, or if a company's shares are widely held, the country of domicile/incorporation is recorded.

- The data does not necessarily reflect a change in foreign ownership as, in some cases, both the target and the purchaser are defined as a foreign person under the FATA.
- Acquisitions of diversified company groups are classified into a single industry sector according to the major activity of the group, for example, in a diversified mining company with interests in various minerals. Acquisitions of real estate to be used for purposes incidental to the main business activity of the purchaser are classified according to that activity.¹

The Board's statistics are also not a reliable indicator of foreign investment inflows because:

- they include proposals that are approved in a given year but which are not actually implemented, or could be implemented in a later year, or over a number of years;
- they include approvals for multiple potential acquirers of the same target company or asset;
- they are inherently irregular and can be skewed due to very large investment proposals;
- major liberalisations of the policy that have occurred since the mid-1980s have acted to reduce the number of proposals and thus limit comparability over time, such as:
 - the increase in the general asset threshold in 1999 from \$5 million to \$50 million, and again in December 2006 from \$50 million to \$100 million;
 - the increase in the offshore takeovers threshold in December 2006 from the general asset threshold (then at \$50 million) to \$200 million;
 - the introduction of thresholds for the calendar year 2005 of \$800 million and \$50 million (indexed annually) for United States investors from 1 January 2005; and

¹ Data has been compiled by reference to the *Australian and New Zealand Standard Industrial Classification* (ANZSIC 1993), except: newspaper printing and publishing are allocated to the services industry sector (ANZSIC 1993 classifies these under manufacturing); and tourism is recorded as a separate industry sector rather than being included with the other service industries.

- the introduction of changes in 2009 to the screening arrangements for residential real estate whereby persons who are temporary residents are not required to seek FIRB approval for certain residential real estate acquisitions (see the FIRB website www.firb.gov.au for more information);
- changes to other government policies and legislation may have an effect on proposed foreign investment, such as:
 - the removal of foreign ownership restrictions in the media sector in April 2007; and
 - changes in immigration policies that control the number of temporary resident visa holders which largely determines the level of foreign investment in developed residential real estate;
- the implementation of a new case management system (known as FIMS) in December 2005 significantly improved data collection accuracy. FIMS allows a more detailed analysis of proposed foreign investment, as reflected in improvements to the statistics presented from the 2005-06 Annual Report onwards. While the data in that report and subsequent reports is consequently more accurate, caution is necessary in making inter-year comparisons involving data from earlier years;
- reporting procedures for proposals involving financing arrangements were amended in 2005-06. Although they continue to be included in the statistics (in the number of approvals), the proposed acquisition cost and development expenditure are not recorded in FIMS for proposals such as lending arrangements where there is not expected to be an equity investment flow into Australia.² This has affected the value attributed to proposed investment in the finance and insurance industry; and
- prior to 2005-06, proposals involving share acquisitions were recorded as conditionally approved on the basis that the proposed acquisition was to proceed within 12 months. In FIMS, such proposals are no longer recorded as conditionally approved.³
- Changes to the real estate screening arrangements introduced in 2008-09 have affected the proportion of approvals that are subject to conditions (58 per cent of total approvals in 2008-09 compared with 79 per cent under the previous system in 2007-08). However, the value of proposed investment reported as being associated

² This is similar to the existing practice for corporate reorganisations.

³ Applicants are required to re-apply if the transaction has not taken place and they wish to proceed after the 12 month period has passed.

with the conditional approval category has significantly increased due to the very large investment amounts involved with such proposals.

The term 'proposed investment' is used widely throughout this report. Proposed investment is the aggregation of the following estimates:

- acquisition costs (including shares, real estate or other assets);
- development costs following the acquisition; and
- costs of both establishment and development in the case of new businesses.

Applications considered

This section analyses all investment proposals that were finalised (approved, rejected, withdrawn or exempt) during 2008-09, irrespective of the date they were submitted.⁴ Corporate reorganisations are included here (75 in 2008-09), whereas they are excluded from the analysis of approved investment provided later in this chapter.⁵

The number of applications considered during 2008-09 was 5,821, which is 32 per cent lower than the 8,548 in 2007-08. Table 2.1 provides a breakdown of the number of applications considered over the last six years, according to the outcome of proposals.

Of the 5,352 applications **approved** in 2008-09 (32 per cent lower than the 7,841 approvals in 2007-08), 3,086 were approved subject to conditions and 2,266 without conditions being imposed. All but five of the conditional approvals were in the real estate sector. Real estate conditions ordinarily imposed at that time include those relating to the period during which development must commence (increased from 12 months to 24 months from December 2008), requiring temporary residents to reside in and then sell established dwellings when they cease to reside in them, and reporting requirements.

A total of three proposals were **rejected** in 2008-09 (14 in 2007-08), representing less than 0.1 per cent of all proposals considered. All of these rejected proposals were related to real estate acquisitions.

In 2008-09, 341 proposals were **withdrawn** by the applicants, representing a 35 per cent decrease on the 521 withdrawals in 2007-08 and representing about the average level

4 Since proposals determined exempt were not included prior to 2005-06, the figures shown for prior years have been amended from those previously published to include these proposals.

5 The proposed acquisition costs and development expenditure are not recorded for corporate reorganisations.

over recent years of around 6 per cent of the total applications received. In 2008-09, 86 per cent of withdrawals involved real estate proposals. Many of these withdrawals resulted from applicants submitting several concurrent or a series of applications (often for properties that were to be auctioned and for which they intended to bid), and once one property had been purchased, subsequently withdrawing the remaining applications. In other cases, proposals were withdrawn because the investment was deferred or the applicant decided not to proceed for commercial reasons.

Foreign investors are encouraged to discuss all types of proposals with the Board's secretariat to ensure they are consistent with the policy. Where it is important to maintain commercial confidentiality, applicants may decide to withdraw and later resubmit complex proposals that require more than the standard 30-day examination period set by the FATA in preference to the issuing of an Interim Order, because such Orders are published in the Commonwealth of Australia *Gazette* and therefore reveal publicly the existence of the proposals.

During 2008-09, 125 proposals were determined to be **exempt** compared with 172 in 2007-08. Some applications received were determined to be outside the scope of the policy or the scope of the FATA, because they were exempted by the *Foreign Acquisitions and Takeovers Regulations 1989*. The existence of these particular applications reflects in part the requirement under the policy that foreign investors submit proposals if they have any doubt as to whether the proposals are notifiable.

**Table 2.1: Applications considered: 2003-04 to 2008-09
(number of proposals)**

Outcome	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	No.	No.	No.	No.	No.	No.
Approved unconditionally	995	1,127	1,386	1,520	1,656	2,266
Approved with conditions	3,452	3,233	3,800	4,637	6,185	3,086
Total approved	4,447	4,360	5,186	6,157	7,841	5,352
Rejected	64	55	37	39	14	3
Total decided	4,511	4,415	5,223	6,196	7,855	5,355
Withdrawn	319	287	373	629	521	341
Exempt	206	182	185	200	172	125
Total considered	5,036	4,884	5,781	7,025	8,548	5,821

Note: Figures include corporate reorganisations (75 in 2008-09).

Applications decided

This section analyses all proposals that were approved (either with or without conditions), or rejected during 2008-09, irrespective of the date they were submitted. Corporate reorganisations are included.

The number of applications decided during 2008-09 was 5,355 which was 32 per cent fewer than in 2007-08, and which reversed the increasing trend in applications decided in recent years (see Table 2.1). The value of decided applications was \$181.4 billion in 2008-09, or 6 per cent lower than in 2007-08. Table 2.2 provides a breakdown of proposed investment according to the outcome of decided applications for the corresponding period provided in Table 2.1.

Table 2.2: Applications decided: 2003-04 to 2008-09 (proposed investment)

Outcome	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	\$b	\$b	\$b	\$b	\$b	\$b
Approved unconditionally	58.9	60.4	72.5	140.3	162.6	135.9
Approved with conditions	40.1	59.1	13.3	16.1	29.3	45.5
Total approved	99.0	119.5	85.8	156.4	191.9	181.4
Rejected	0.1	0.0	0.0	0.0	0.2	0.0
Total decided	99.1	119.5	85.8	156.4	192.0	181.4

Note: Totals may not add due to rounding.
 '0.0' indicates a figure of less than \$50 million.
 Including corporate reorganisations (75 in 2008-09).

Charts 2.1 and 2.2 display the figures from Tables 2.1 and 2.2 to show the difference between applications decided within the real estate and non-real estate sectors⁶ (other sectors) by number of proposals and value of proposed investment.

Chart 2.1 shows that, by number, most of the applications decided were within the real estate sector. Chart 2.2 shows that, by value, most of the proposed investment occurred in non-real estate sectors.

Charts 2.1 shows the decrease in the number of applications decided in the real estate sector in 2008-09. Chart 2.2 shows that the estimated proposed investment in the real estate sector declined in 2008-09 but the estimated proposed investment in the non-real estate sectors continued to increase. As noted previously, the decline in real estate cases in 2008-09 largely reflected changes to the screening arrangements for residential real estate announced on 18 December 2008. Further discussion of developments in the real estate sector is provided on pages 28-36.

⁶ Analysis of approvals by industry sector is provided on pages 24-36.

Chart 2.1: Applications decided 2003-04 to 2008-09 — number of proposals

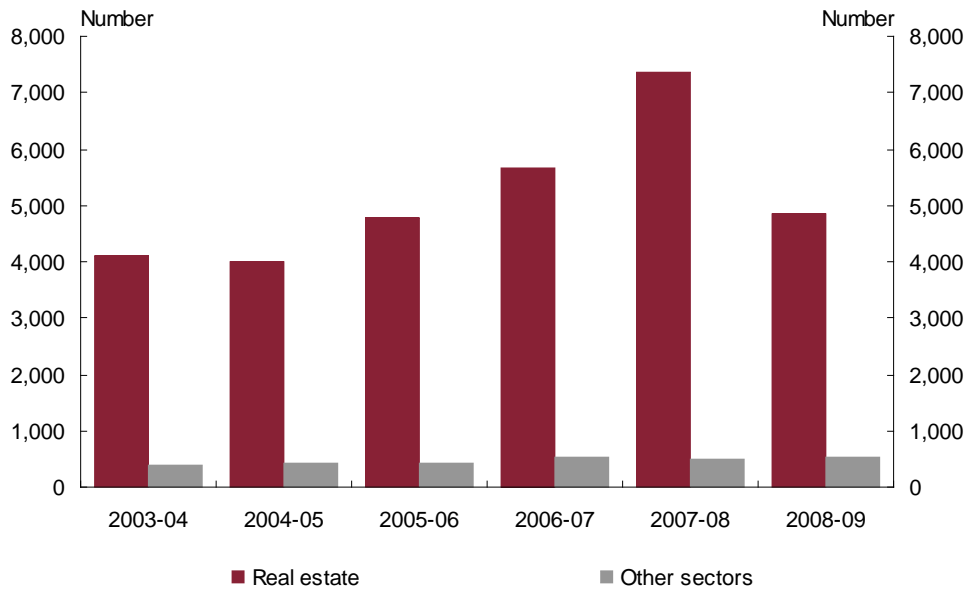
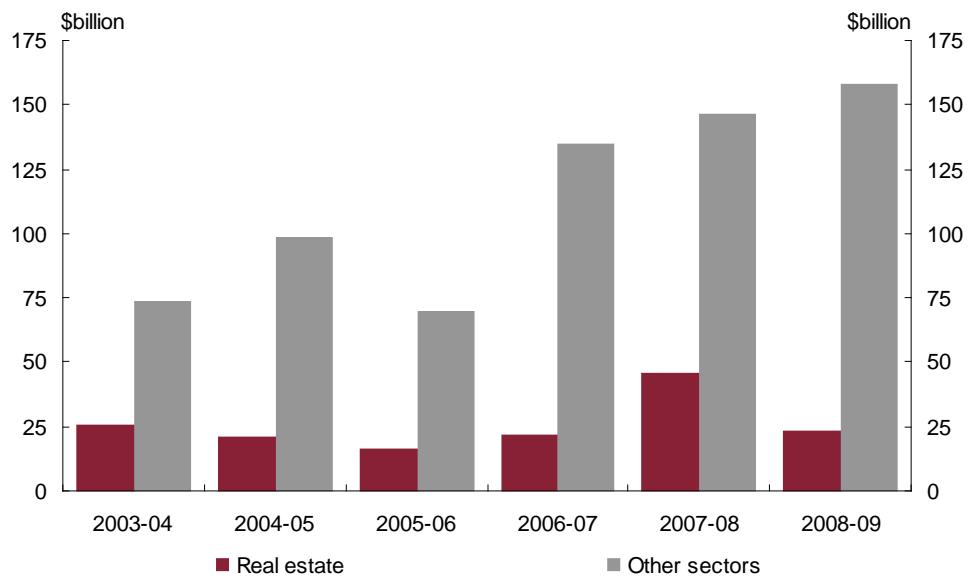


Chart 2.2: Applications decided 2003-04 to 2008-09 — proposed investment



Approvals by value

This section analyses applications approved during 2008-09 (excluding corporate reorganisations). Table 2.3 displays approvals by the value of proposed investment for 2005-06 to 2008-09. There was a decrease in 2008-09, compared with 2007-08, across all categories except those proposals where the value exceeded \$5 billion. Overall, there were 32 per cent fewer approvals with a 5 per cent decrease in proposed investment compared with 2007-08.

Table 2.3: Total approvals by value and number 2005-06 to 2008-09

Value of proposal	2005-06		2006-07		2007-08		2008-09	
	No.	\$b	No.	\$b	No.	\$b	No.	\$b
< \$1 million	3,955	1.8	4,598	2.24	5,906	2.99	3,925	1.94
≥ \$1 million & < \$50 million	892	7.4	1,142	8.6	1,463	10.8	1,000	9.0
≥ \$50 million & < \$100 million	105	7.3	108	7.5	123	8.9	116	8.1
≥ \$100 million & < \$500 million	112	25.5	158	32.2	195	41.8	172	36.2
≥ \$500 million & < \$1 billion	23	16.4	43	28.4	53	36.7	36	25.0
≥ \$1 billion & < \$2 billion	11	15.2	11	16.3	20	25.3	15	20.6
≥ \$2 billion & < \$5 billion	2	6.2	4	12.2	10	30.2	7	19.5
≥ \$5 billion	1	5.8	5	49.0	5	35.2	5	60.9
Total	5,101	85.8	6,069	156.4	7,775	191.9	5,277	181.4

Note: Totals may not add due to rounding.
Excludes corporate reorganisations (75 in 2008-09).

Charts 2.3 and 2.4 depict total approvals by value and number using the data provided in Table 2.3. The decrease in the number of approvals involving proposed investment of less than \$1 million can be seen in Chart 2.3, correlating with the decrease in real estate proposals shown in Chart 2.1.

Chart 2.3: Total approvals by value 2005-06 to 2008-09 — number of proposals

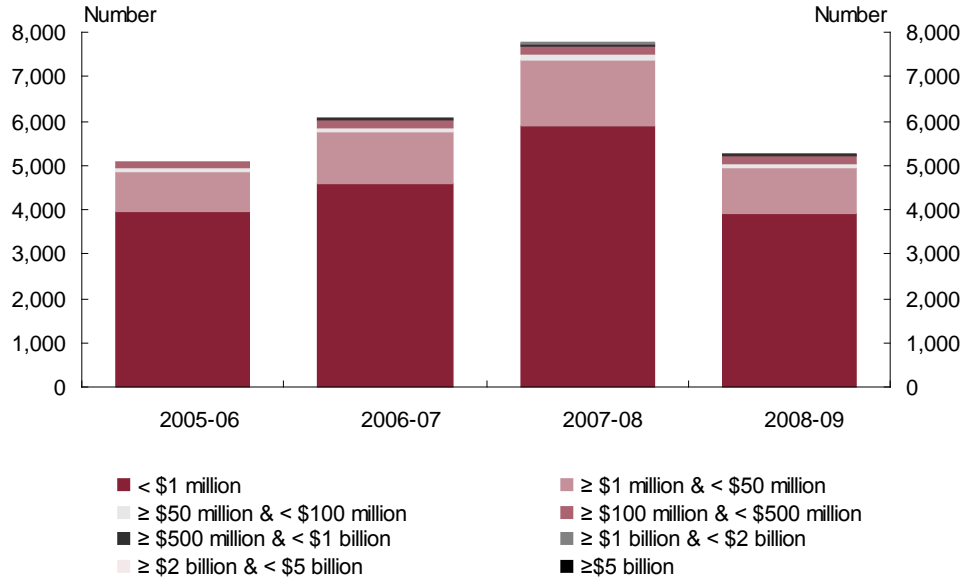
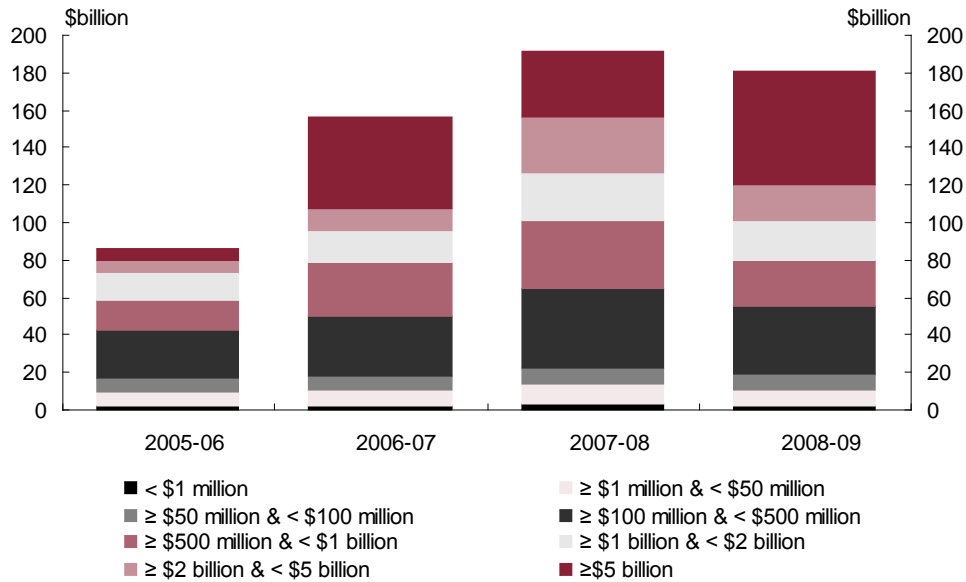


Chart 2.4: Total approvals by value 2005-06 to 2008-09 — proposed investment



Approvals by sector

Table 2.4 lists applications approved in 2008-09 by industry sector. Chart 2.5 depicts the sectoral distribution of approved proposed investment in 2008-09. Corporate reorganisations are excluded. Most of the proposed investment is attributable to acquisition cost. The skewing of the foreign investment data towards acquisition costs reflects the fact that the FATA applies to acquisitions of interests in, and not to the expansion of, existing businesses. The real estate sector's development figures predominantly reflect the estimated expenditure on construction on vacant land. Bearing in mind the limitations of the Board's data, the figures show that, during 2008-09:

- mineral exploration and development was the largest industry sector by value of approvals, with approvals totalling \$90.6 billion (\$64.3 billion in 2007-08); and
- other significant sectors by value of proposed investment were: services with \$31.7 billion (\$35.7 billion in 2007-08), real estate with \$23.4 billion (\$45.5 billion in 2007-08), and manufacturing with \$19.1 billion (\$31.3 billion in 2007-08).

Table 2.4: Total approvals by industry sector in 2008-09

Industry	Number of approvals	Acquisition cost \$b	Development expenditure \$b	Proposed investment \$b
Agriculture, forestry & fishing	12	2.78	-	2.78
Finance & insurance	60	10.87	0.01	10.88
Manufacturing	52	18.16	0.95	19.11
Mineral exploration & development	164	69.47	21.15	90.62
Resource processing	10	1.80	-	1.80
Services	132	31.32	0.35	31.67
Tourism	19	0.89	0.17	1.06
Real estate(a)	4,827	19.09	4.33	23.42
Total	5,277	154.38	26.97	181.35

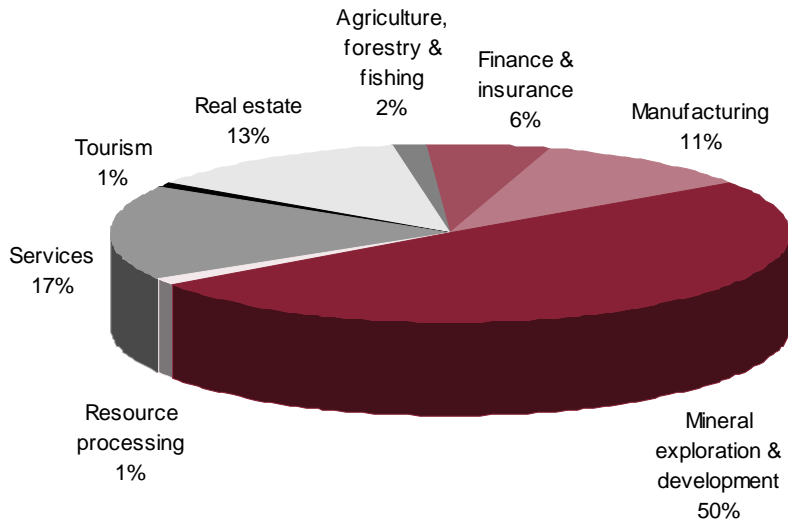
(a) Proposed investment in the real estate sector includes off-the-plan approvals provided to real estate developers and approvals for annual programs. Further details are provided in section on real estate on page 31.

Note: Totals may not add due to rounding.

'-' indicates a figure of zero.

Excludes corporate reorganisations (75 in 2008-09).

Chart 2.5: Total approvals by value by industry sector in 2008-09 — proposed investment



Note: Totals may not add due to rounding.

Agriculture, forestry and fishing

Proposed investment in the agriculture, forestry and fishing sector increased in 2008-09. Twelve proposals were approved with a total value of \$2.8 billion, compared with 11 approvals in 2007-08 with a total value of \$2.5 billion. Of these approvals, seven involved total investment in excess of \$100 million, including one involving estimated investment in excess of \$1.6 billion.

Finance and insurance

During 2008-09, 60 proposals were approved in the finance and insurance sector with proposed investment of \$10.9 billion, compared with 39 proposals and \$9.2 billion in 2007-08. There were 23 proposals approved which involved investment of \$100 million or more (13 in 2007-08), with two involving proposed investment of \$1 billion or more, accounting for \$2.1 billion (19 per cent) of the overall total. The increases in the number and value of proposals in the finance and insurance sector can be partly attributed to the global financial crisis where banks and insurance companies globally sought to recapitalise. This recapitalisation typically involved the provision of financial, including equity, support to financial institutions by foreign governments or their related entities.

As discussed on page 17, the proposed acquisition costs and development expenditure (and therefore the total investment value) are not recorded in the FIRB data base (FIMS) for proposals such as financing arrangements where there is not expected to be an investment flow into Australia.

Manufacturing

The manufacturing sector saw a slight increase in the number of proposals approved and a decrease in proposed investment in 2008-09. There were 52 proposals (8 per cent more than the 48 proposals in 2007-08) and proposed investment of \$19.1 billion (39 per cent less than the \$31.3 billion in 2007-08). Twenty proposals involved total investment of \$100 million or more in 2008-09. Five proposals involved total investment of \$1 billion or more, compared with four proposals in 2007-08.

Table 2.5: Manufacturing sector approvals in 2008-09

Industry	Number of approvals	Acquisition cost	Development expenditure	Proposed investment
		\$b	\$b	\$b
Chemical, petroleum & coal products	4	5.41	-	5.41
Electricity & gas	20	6.35	0.48	6.82
Food, beverages & tobacco	5	3.52	-	3.52
Machinery & equipment	6	0.95	-	0.95
Metal Products	4	0.20	-	0.20
Non-metallic mineral products	2	0.76	-	0.76
Other(a)	11	0.97	0.48	1.45
Total	52	18.16	0.95	19.11

(a) Comprises: miscellaneous manufacturing; water, sewerage and drainage; paper and paper products; and textiles.

Note: Totals may not add due to rounding.
 '-' indicates a figure of zero.

Mineral exploration and development

Proposed investment in the mineral exploration and development sector increased by 41 per cent, from \$64.3 billion in 2007-08 to \$90.6 billion in 2008-09, making it the largest industry sector by value of approvals. A total of 164 proposals was approved (compared with 173 in 2007-08), comprising eight to establish new businesses and 156 to acquire an interest in existing businesses. There were 60 proposals involving total investment of \$100 million or more, including 15 for \$1 billion or more (compared with 12 for \$1 billion or more in 2007-08). These 15 proposals accounted for a combined proposed investment in excess of \$72.6 billion (80 per cent of the proposed investment in this sector).

Table 2.6: Mineral exploration and development sector approvals: 2007-08 to 2008-09

Industry	Acquisitions				New businesses			
	2007-08		2008-09		2007-08		2008-09	
	No.	\$b	No.	\$b	No.	\$b	No.	\$b
Metallic minerals								
- Bauxite	3	12.38	4	0.60	-	-	-	-
- Copper-gold	24	11.26	24	8.03	-	-	1	0.02
- Iron ore	24	8.88	30	27.19	1	0.02	-	-
- Nickel	10	3.05	8	0.35	-	-	1	0.05
- Uranium	7	1.25	15	1.68	1	0.01	-	-
- Zinc-lead-silver	5	5.54	5	0.19	-	-	-	-
- Other	12	3.41	11	0.13	1	0.06	1	0.25
Coal	37	10.36	31	14.99	2	1.11	2	0.71
Oil & gas	31	4.52	20	15.95	-	-	3	19.13
Other(a)	15	2.45	8	1.31	-	-	-	-
Total	168	63.09	156	70.42	5	1.19	8	20.15

(a) Comprises: services to mining and exploration; and non-metallic minerals.

Note: Totals may not add due to rounding.

'-' indicates a figure of zero.

Resource processing

There was an increase in proposed foreign investment in the resource processing sector, with 10 approvals in 2008-09, compared to three in 2007-08. Total proposed investment was \$1.8 billion (\$0.2 billion in 2007-08).

Services

Proposed investment in the services sector decreased by 11 per cent, from \$35.7 billion in 2007-08 to \$31.7 billion in 2008-09. However, the number of proposals increased from 109 in 2007-08 to 132 in 2008-09. There were 60 proposals involving proposed investment of \$100 million or more, including three of \$1 billion or more.

Table 2.7: Services (excluding Tourism) sector approvals in 2008-09

Industry	Number of approvals	Acquisition cost \$b	Development expenditure \$b	Proposed investment \$b
Construction	14	1.40	0.28	1.67
Communications	25	9.45	-	9.45
Health	11	1.47	-	1.47
Other community services	4	0.96	-	0.96
Property & business services	20	2.67	-	2.67
Trade				
- Retail	4	0.19	-	0.19
- Wholesale	5	0.25	-	0.25
Transport				
- Air	19	4.79	0.04	4.83
- Rail	7	0.25	0.04	0.29
- Road	15	9.29	-	9.29
- Services to transport	2	0.24	-	0.24
Defence	2	0.26	-	0.26
Other(a)	4	0.10	-	0.10
Total	132	31.32	0.35	31.67

(a) Comprises: education, museum and library services; storage; entertainment and recreational services; and personal services.

Note: Totals may not add due to rounding.

‘-’ indicates a figure of zero

Tourism

Total proposed foreign investment in the tourism sector declined by 67 per cent in 2008-09, to \$1.06 billion, from \$3.2 billion in 2007-08, which was a peak in proposed investment in recent years (see Table 2.8 below). Five proposals involved proposed investment of \$100 million or more (three in 2007-08).

Table 2.8: Proposed foreign investment in the tourism sector 2004-05 to 2008-09

Outcome	2004-05	2005-06	2006-07	2007-08	2008-09
Number of approvals	54	57	68	38	19
Proposed investment \$b	0.72	2.80	1.50	3.20	1.06

Real estate

Changes to foreign investment policy — residential real estate

The changes to the administration of residential real estate screening implemented throughout 2009 mean that data in this report for this category cannot be compared to data for previous years. As the changes were implemented throughout the year, 2008-09 data will not provide a baseline for future years. The 2009-10 data will be the new baseline.

The relevant changes from a data perspective are:

- From 1 April 2009, temporary residents are exempted from notification of proposed acquisitions of established residential real estate for their own residence, new residential real estate and vacant residential land. In previous years, temporary residents accounted for around two-thirds of real estate applications.
- The pre-approval arrangements for off-the-plan sales have been discontinued and purchasers must now notify individually.

Further information relating to these changes can be found on the FIRB website at www.firb.gov.au.

Proposals in real estate in 2008-09

The total number of approvals in the real estate sector decreased significantly from 7,357 in 2007-08 to 4,827 in 2008-09, or by 34 per cent. The bulk of this reduction in proposals occurred in the last quarter of 2008-09 (April to June 2009) when the new screening arrangements for residential real estate became fully operational.

Total proposed investment in real estate decreased from \$45.5 billion in 2007-08 to \$23.4 billion in 2008-09.

Most of the decrease was in commercial property acquisitions which decreased from \$25.1 billion in 2007-08 to \$8.5 billion in 2008-09. The number of commercial real estate approvals also decreased from 183 to 113 in 2008-09. (These reductions are not related to the changes announced in December 2008). However, the 2007-08 year was marked by a significant increase in commercial real estate proposals and the 2008-09 figures are consistent with the long term trend.

The value of acquisitions of commercial real estate included \$5.2 billion for existing property (a decrease of \$8.6 billion from 2007-08) and \$1.7 billion for vacant land (a decrease of \$5.0 billion from 2007-08). The former included several large acquisitions of beneficial interests in managed investment funds with real estate property as assets. There was a \$3 billion decrease in the value of approvals for annual program acquisitions from \$4.6 billion in 2007-08 to \$1.6 billion in 2008-09.

Residential approvals decreased from \$20.4 billion in 2007-08 to \$14.9 billion in 2008-09, largely as a result of the administrative changes. Of the decrease in residential real estate proposals, \$1.2 billion was for existing dwellings which decreased from \$3.0 billion in 2007-08 to \$1.8 billion in 2008-09. There was a decrease in value of \$1.2 billion for vacant land and \$4.1 billion was for newly constructed dwellings.

Residential real estate

Developed

During 2008-09, 2,457 proposals were approved for the acquisition of **developed residential** real estate, a 39 per cent reduction from the 4,028 that were approved in 2007-08. This category consists primarily of temporary residents in Australia acquiring an established dwelling as their principal place of residence.⁷ Proposed investment approved totalled \$2.5 billion, a decrease of 27 per cent on the \$3.4 billion in 2007-08. Existing residential property approvals account for 73 per cent of the total value, with \$1.8 billion, the remainder, \$0.7 billion being approvals for acquisitions under an 'annual program' arrangement.

Table 2.9: Investment in residential real estate by type of expenditure and number of proposals approved in 2008-09

	Number of approvals	Acquisition cost \$b	Development expenditure \$b	Proposed investment \$b
Residential				
Developed				
- existing residential property	2,450	1.81	-	1.81
- annual programs	7	0.68	-	0.68
<i>Sub-total 'Developed'</i>	<i>2,457</i>	<i>2.49</i>	<i>-</i>	<i>2.49</i>
For development				
- vacant land	988	0.94	1.77	2.72
- new dwellings(a)				
- individual purchases	954	0.60	-	0.60
- developer 'off-the-plan'	235	5.48	-	5.48
<i>Sub-total 'new dwellings'</i>	<i>1,189</i>	<i>6.08</i>	<i>-</i>	<i>6.08</i>
- redevelopment	73	0.37	0.69	1.06
- annual programs	8	2.20	0.38	2.58
<i>Sub-total 'For development'</i>	<i>2,258</i>	<i>9.60</i>	<i>2.83</i>	<i>12.43</i>
Total residential	4,715	12.09	2.83	14.92

(a) The 'new dwellings' category was previously referred to as 'off-the-plan'.

Note: Totals may not add due to rounding.

'-' indicates a figure of zero.

For development

In 2008-09, 2,258 proposals were approved for acquisitions of **residential real estate for development** (including eligible redevelopment), which represented a 28 per cent

⁷ Includes a small number of approvals relating to foreign companies acquiring existing residential property for company employees to reside in.

decrease on the 3,143 approvals in 2007-08.⁸ Proposed investment decreased by 27 per cent to \$12.4 billion (\$17.0 billion in 2007-08).

The *vacant land* categories consist primarily of individual blocks of land purchased for single dwelling construction. It also includes broadacre land for residential subdivision and multiple-dwelling residential developments (such as townhouses and units). In 2008-09, 988 vacant land proposals were approved (a 41 per cent decrease on the 1,667 proposals in 2007-08), with proposed investment of \$2.7 billion (\$3.9 billion in 2007-08).

The *new dwellings* and *off-the-plan* category consists of applications by individuals to acquire newly constructed dwellings directly from developers and applications by developers to sell up to 50 per cent of new residences to foreign interests. If a developer is given approval, individuals need not apply for approval. Under the new screening arrangements there are no restrictions on the number of off-the-plan dwellings in a new development which may be sold to foreign persons, provided that the developer markets the dwellings locally as well as overseas (that is, the dwellings cannot be marketed exclusively overseas).

In 2008-09, 954 new dwelling proposals from individuals were approved, involving acquisition costs of \$600 million (compared with 1,043 proposals and \$662 million in 2007-08). There were 235 advance off-the-plan approvals to developers covering sales in new multi-unit residential developments (compared with 324 in 2007-08). This corresponded to a reduction in approval value of 42 per cent, down from \$9.5 billion in 2007-08 to \$5.5 billion in 2008-09.

Developed property for *redevelopment* involves the acquisition of existing property for the purpose of demolition and construction of new residential dwellings. The number of redevelopment proposals declined by 29 per cent with 73 approvals in 2008-09 (compared with 103 in 2007-08). The proposed investment associated with these approvals was \$1.1 billion in 2008-09 (\$1.6 billion in 2007-08).

Comparative data 2007-08 and 2008-09

The changes to residential real estate came into effect on 1 April 2009. Table 2.10 compares the number of investment proposals approved, and proposed investment, in residential real estate in the period 1 July 2007 to 31 March 2008 and in the period 1 July 2008 to 31 March 2009, when the same reporting requirements for residential real estate applied. Both the number of approvals and proposed value of investments were lower in the latter period. This may reflect the impact of the global financial crisis.

⁸ The acquisitions of house and land packages, where construction has not commenced, are treated as vacant land for development rather than falling within the off-the-plan category.

Table 2.10: Comparison of investment in residential real estate by expenditure and number of proposals approved in the period 1 July 2007 to 31 March 2008 and 1 July 2008 to 31 March 2009

	1 July 2007 - 31 March 2008		1 July 2008 - 31 March 2009	
	Number of Approvals	Proposed Investment \$b	Number of Approvals	Proposed Investment \$b
Residential				
Existing residential real estate	3,021	2.56	2,424	2.46
For development				
- vacant land	1,250	2.96	784	2.40
- new dwellings(a)				
<i>Sub-total new dwellings</i>	1,025	7.62	923	5.74
- redevelopment	78	1.21	53	1.06
- annual programs	5	1.01	6	2.17
<i>Sub-total 'For development'</i>	2,358	12.80	1,766	11.37
Total residential	5,379	15.36	4,190	13.83

(a) The 'new dwellings' category was previously referred to as 'off-the-plan'.

Note: Totals may not add due to rounding.

Table 2.11 shows the number of real estate approvals in the last quarter of 2008-09 (April to June 2009) when the new screening arrangements became fully operational.

Table 2.11: Investment in residential real estate by type of expenditure and number of proposals approved in the period 1 April to 30 June 2009

	Number of approvals	Acquisition cost \$b	Development expenditure \$b	Proposed investment \$b
Residential				
Developed				
- existing residential property	33	0.03	-	0.03
- annual programs	-	-	-	-
<i>Sub-total 'Developed'</i>	<i>33</i>	<i>0.03</i>	<i>-</i>	<i>0.03</i>
For development				
- vacant land	204	0.19	0.13	0.32
- new dwellings(a)				
- individual purchases	262	0.17	-	0.17
- developer 'off-the-plan'	4	0.18	-	0.18
<i>Sub-total 'new dwellings'</i>	<i>266</i>	<i>0.34</i>	<i>-</i>	<i>0.34</i>
- redevelopment	20	0.03	0.02	0.05
- annual programs	2	0.41	-	0.41
<i>Sub-total 'For development'</i>	<i>492</i>	<i>0.97</i>	<i>0.14</i>	<i>1.11</i>
Total residential	525	1.00	0.14	1.14

(a) The 'new dwellings' category was previously referred to as 'off-the-plan'.

Note: Totals may not add due to rounding.

'-' indicates a figure of zero.

Commercial real estate

Developed

In 2008-09, there were 71 approvals to purchase **developed commercial** real estate (for example, shopping centres, office buildings and warehouses), a 21 per cent reduction from the 90 approvals in 2007-08. The associated proposed investment was \$5.8 billion, about one third of the \$16.5 billion proposed investment in 2007-08. Of this, 27 per cent was attributed to the acquisition of beneficial interests in managed investment funds holding land assets that exceeded 50 per cent of its total assets, rather than direct acquisitions of legal title to the land. This data reports only part of the total foreign investment that would have occurred in commercial real estate as some acquisitions, including of non-vacant, non-heritage listed commercial property valued below \$50 million are exempt.

For development

During 2008-09, there were 42 approvals to purchase **commercial land for development**, compared with 93 approvals in 2007-08. These approvals involved proposed investment of \$2.8 billion, including \$1.5 billion in development expenditure. This represented a substantial reduction on the \$8.6 billion total proposed investment reported for 2007-08. However, it should be noted that 2007-08 was at a peak in recent years for investment in this type of real estate. The proposed investment in 2008-09 was more in line with the longer term trend in proposed investment in this sector.

There were no rejections of proposed acquisitions of developed commercial property or commercial real estate for development by foreign persons in 2008-09 (none in 2007-08).

Annual programs

The 'annual program' arrangements allow foreign persons to apply for an annual approval for real estate acquisitions up to a specified global monetary limit. Such an approval relieves them of the requirement to seek separate approvals for individual real estate acquisitions within the approved value and the approval year. Approvals are subject to the condition that applicants subsequently report on the actual acquisitions completed and any associated development.

In 2008-09, a total of 19 annual programs were approved with proposed investment of \$4.9 billion, compared with 31 annual programs and proposed investment of \$6.4 billion in 2007-08. The reduction of \$1.5 billion on the 2007-08 proposed investment was accountable by: a decrease of \$2.1 billion for developed commercial property, a decrease of \$0.8 million for commercial land for development and an increase in the value of annual programs in the residential sector of \$1.5 billion (reflecting an increase of \$0.2 million for developed real estate and \$1.2 billion for real estate for development).

During 2008-09, seven annual program approvals involved acquisitions of developed residential real estate with proposed investment of \$0.7 billion (13 approvals to the value of \$0.4 billion in 2007-08). Such approvals generally involve foreign mining companies acquiring housing for employees in rural areas. Eight approvals were made for the purchase of vacant residential real estate for development (six in 2007-08) involving proposed total investment of \$2.6 billion, representing a doubling of the \$1.3 billion in 2007-08.

The development expenditure associated with annual programs in the 'for development' categories did not always reflect the policy requirement applying during 2008-09 that at least 50 per cent of the acquisition cost is spent on development. This is because a number of approvals were for acquisitions of property which were not intended for development for various reasons, such as the land was to be acquired for use as:

- a 'buffer zone', for example, surrounding an existing mine or quarry; or
- a tree plantation, including as part of a 'carbon sinks' program.

As with advance off-the-plan approvals for developers, the Board's figures for annual program approval values overstate the likely extent of actual foreign purchases. The value of investment reported against annual program approvals represents the maximum amount the foreign person may acquire under the program.

Table 2.12: Investment in commercial real estate by type of expenditure and number of proposals approved in 2008-09

	Number of approvals	Acquisition cost \$b	Development expenditure \$b	Proposed investment \$b
Developed				
- existing commercial property	70	5.15	0.00	5.15
- annual programs	1	0.60	-	0.60
Sub-total 'Developed'	71	5.75	-	5.75
For development				
- vacant commercial property	39	0.24	1.50	1.73
- annual programs	3	1.02	-	1.02
Sub-total 'For development'	42	1.25	1.50	2.75
Total commercial	113	7.00	1.50	8.50

Real estate by location of investment

Table 2.13 provides details of proposed investment in the real estate sector, according to the state and territory location of the investment. During 2008-09, Queensland was the main location of proposed real estate investment with 24 per cent of the total amount approved (compared with 18 per cent in 2007-08), followed by New South Wales and Victoria which accounted for approximately 17 per cent and 15 per cent respectively (compared with 16 per cent and 21 per cent in 2007-08).

Table 2.13: State distribution of proposed investment in real estate in 2008-09

Location	Number of approvals	Residential		Commercial		Total
		Developed \$b	For development \$b	Developed \$b	For development \$b	
Various(a)	40	0.69	2.67	3.36	1.06	7.78
QLD	1,093	0.35	4.19	0.21	0.77	5.51
NSW	956	0.50	1.71	1.01	0.70	3.92
VIC	1,562	0.52	2.55	0.47	0.09	3.63
WA	672	0.27	1.08	0.29	0.03	1.66
SA	403	0.14	0.18	0.05	0.11	0.47
ACT	45	0.01	0.02	0.32	0.01	0.36
NT	20	0.01	0.02	0.04	-	0.06
TAS	36	0.01	0.02	-	-	0.03
Total	4,827	2.49	12.43	5.75	2.75	23.42

(a) Comprises approved proposals where the investment is to be undertaken in more than one State or Territory.

Note: Totals may not add due to rounding.
 '-' indicates a figure of zero to less than \$5 million.

Approvals by country of investor

Proposed investment in 2008-09 by selected country, disaggregated by sector, is shown in Table 2.14. The US was again the largest source of proposed foreign investment in

Australia. The other major sources of foreign investment were China, Japan, the United Kingdom (UK), France and Switzerland.

Approved investment from the US fell by 20 per cent from \$49.5 billion in 2007-08 to \$39.6 billion in 2008-09. Proposed investment was primarily in the mineral exploration and development and services sectors, accounting for 91 per cent of total US investment. The US was the leading nationality for foreign investment in the services sector, accounting for 51 per cent of investment in that sector.

China was Australia's second largest investor in 2008-09 with \$26.6 billion. Investment in the mineral exploration and development sector accounted for \$26.3 billion, representing 99 per cent of all Chinese investment in Australia. This was dominated by one proposed investment of \$19.8 billion, representing 74 per cent of the total Chinese investment.

Japan was the third largest investor in 2008-09 with total proposed investment of \$22.1 billion. Japan's principal sector for investment was the mineral exploration and development sector, accounting for \$17.3 billion and representing 78 per cent of that country's proposed investment.

The UK recorded the fourth largest amount of proposed investment in 2008-09, with \$20.3 billion. Of this proposed investment, \$7.3 billion or 36 per cent was in the mineral exploration and development sector. The UK was the leading source of foreign investment in the finance and insurance sector, with proposed investment accounting for 40 per cent of total proposed investment from all sources in this sector and 21 per cent of the UK's total proposed investment. During 2008-09 a number of foreign governments provided substantial financial support to various banks within their jurisdictions to ensure there was not a collapse of global financial markets.

Table 2.14: Approvals by country of investor in 2008-09 — industry sector

Country(a)	Number of approvals(f)	Agriculture forestry & fishing	Finance & insurance	Manufacturing	Mineral exploration & development	Commercial real estate	Resource processing	Services	Tourism	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
US	95	100	1,675	1,884	19,798	*	0	16,094	28	39,579
China(b)	57	-	43	82	26,254	*	162	54	5	26,599
Japan	46	238	541	3,311	17,329	*	353	336	-	22,108
UK	72	402	4,336	4,966	7,336	*	141	2,878	226	20,285
France	30	-	839	1,030	4,702	*	-	907	-	7,478
Switzerland	27	1	117	4,242	425	*	990	603	4	6,382
Canada	15	1,600	-	-	106	*	-	4,185	-	5,891
Germany	49	-	244	1,913	153	*	-	2,968	-	5,278
India	7	-	-	281	3,828	*	-	82	-	4,191
Malaysia	21	-	-	-	2,757	*	-	142	-	2,899
Netherlands	17	315	548	-	1,043	*	-	277	-	2,183
NZ	17	-	-	130	1,314	*	-	521	70	2,035
Singapore	25	-	1,154	182	108	*	-	414	176	2,034
Brazil	2	-	-	-	2,000	*	-	-	-	2,000
Hong Kong	10	-	-	38	1,225	*	-	500	-	1,763
Other EU	17	-	258	756	40	*	155	378	120	1,707
Thailand	9	-	-	-	1,115	*	-	-	155	1,270
Other(c)	16	-	48	176	104	*	-	-	204	533
South Africa	12	-	-	400	-	*	-	26	-	426
Sth Korea	14	-	-	-	350	*	-	-	-	350
United Arab Emirates	6	127	10	-	-	*	-	151	-	288
Other ASEAN	3	-	-	-	122	*	-	-	70	192
Not allocated(d)	1	-	-	-	-	8,500	-	-	-	8,500
<i>Sub-total</i>	<i>568</i>	<i>2,783</i>	<i>9,814</i>	<i>19,390</i>	<i>90,110</i>	<i>8,500</i>	<i>1,801</i>	<i>30,518</i>	<i>1,058</i>	<i>163,973</i>
Australia(e)	36	-	1,068	-	512	*	-	1,155	-	2,736
Total	604	2,783	10,882	19,390	90,622	8,500	1,801	31,673	1,058	166,709

Note: Totals may not add due to rounding.

'-' indicates a figure of zero, '*' indicates that the column total has not been broken down into individual countries.

See Notes on page 38.

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Notes applying to Table 2.14

- (a) Includes overseas territories.
- (b) China excludes Special Administrative Regions and Taiwan.
- (c) Other comprises all other countries excluding Australia.
- (d) The investment identified as unallocated includes investments in commercial real estate by property trusts which have a range of foreign investors including pension funds, superannuation funds, and equity funds.
- (e) Comprises proposals where the investment is from more than one country, such as in joint venture arrangements.
- (f) These figures indicate the total number of proposals in which investors from the particular country have an interest. Those involving investment originating from more than one country count as one proposal for each of the countries concerned.