Chapter 2

Foreign investment proposals

Foreign investment proposals

This chapter provides an overview and statistical information on applications considered in 2010-11. It provides information on proposed investments that fall within the scope of Australia's Foreign Investment Policy (the Policy), including under the *Foreign Acquisitions and Takeovers Act 1975* (the FATA). The Policy and the FATA can be accessed through the FIRB website, www.firb.gov.au.

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

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

Features of the FIRB statistics

Methodological and data caveats

While this chapter provides a useful source of data on proposed foreign direct investment in Australia, the Board urges particular caution in the use of these statistics, including when making comparisons with earlier years.

- There are also substantial differences between the FIRB statistics on proposed investments and actual investment flows. The latter 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. They may provide partial coverage of all foreign investment made. They are inherently irregular and can be skewed due to very large investment proposals and multiple proposals for the same target.
- Data capture and reporting methodologies change over time.
- Data presented for earlier years may also have been revised since last published.
- Proposed investment amounts for earlier years are not adjusted for inflation or currency movements.

- 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 from outside of Australia and 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 proposed investment 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 or incorporation is recorded. The source may also reflect the location of an investment manager who operates independently of interest holders in the acquirer.
- The data does not necessarily reflect a change in foreign ownership as, in some cases, both the target and the purchaser are foreign persons.
- The proposed investment of an approved proposal is the amount advised by the applicants or the best estimate based on the available information. It represents an estimate of the expected proposed investment in the 12 months from the approval unless the approval is granted for a longer period (if the proposal is in fact implemented).
  - Where an approved acquisition is a part of an offshore acquisition, the proposed investment figure is calculated based on the share attributable to the approved acquisition.
  - Where amounts are in a foreign currency, this is converted to Australian dollars based on the exchange rate at the time of the decision.
- The statistics may include some transactions that do not actually proceed. They include:
  - proposals that are approved in a given year but which are not actually implemented in that year;
  - approvals for multiple potential acquirers of the same target; and
  - approvals for shares of units where only a portion of the intended shares or units may be acquired.

- Acquisitions of diversified company groups are classified into a single industry sector according to the major activity of the group, such as, 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.[3]

Policy scope and changes

The breadth of the data reflects the requirements of the Policy at the time. The data does not cover foreign investments below the various monetary and percentage thresholds that apply under the Policy and the FATA. 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.

Furthermore, policy and legislative change can have a considerable impact on the continuity of data. For instance, changes in the Policy that have occurred since the mid-1980s have affected the number of some types of proposals, limiting comparability over time. These changes include:

- 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 the higher $800 million threshold (indexed on 1 January each year) for United States investors from 1 January 2005;
- the harmonisation in 2009 of the four lowest thresholds for private business investment to a single threshold of $219 million (indexed on 1 January each year);
- the abolition in 2009 of the requirement for private investors to notify when establishing a new business valued above $10 million;
- the introduction of changes in 2009 and 2010 to the screening arrangements for temporary residents purchasing residential real estate;

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3 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 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.

Administrative practices

Changes in administrative practice (for example, data collection and recording practices) and application requirements have also impacted on data comparability. Examples of this include the following:

- 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.
- 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.[4] This has affected the value attributed to proposed investment in the finance and insurance industry.
- 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.[5]

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

5 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, unless they were granted approval for an extended period.

Applications considered

This section analyses all investment proposals that were finalised (approved, rejected, withdrawn or exempt) during 2010-11, irrespective of the date they were submitted. Corporate reorganisations are included here (80 in 2010-11), whereas they are excluded from the analysis of approved investment provided later in this chapter.[6] Corporate reorganisations occur across a range of sectors, including real estate.

The number of applications considered during 2010-11 was 10,865. Table 2.1 provides a breakdown of the number of applications considered over the past six years, according to the outcome of proposals.

Of the 10,293 applications **approved** in 2010-11, 5,687 were approved subject to conditions and 4,606 without conditions being imposed. All but four 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, requiring temporary residents to reside in and then sell established dwellings when they cease to reside in them, and reporting requirements.

A total of 43 proposals were **rejected** in 2010-11 (three in 2009-10), representing less than 0.4 per cent of all proposals considered. All except one of these rejected proposals were related to proposed real estate purchases.

In 2010-11, 390 proposals were **withdrawn** by the applicants. Of these, 67 per cent involved real estate proposals. Many of the real estate related withdrawals resulted from applicants submitting 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. In some circumstances, business proposals may be withdrawn and re-submitted in order to extend the statutory deadline, particularly if there are concerns about the issuing of an Interim Order, the details of which would be published in the Commonwealth of Australia *Gazette*.

During 2010-11, 139 proposals were determined to be **exempt** compared with 132 in 2009-10. Some applications received were determined to be outside the scope of the Policy or the scope of the FATA, because they were exempt under the *Foreign*

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

Acquisitions and Takeovers Regulations 1989. The existence of these particular applications reflects FIRB's advice that foreign investors submit proposals if they have any doubt as to whether the proposals are notifiable.

Table 2.1: Applications considered: 2005-06 to 2010-11 (number of proposals)

Outcome	2005-06 No.	2006-07 No.	2007-08 No.	2008-09 No.	2009-10 No.	2010-11 No.
Approved unconditionally	1,386	1,520	1,656	2,266	2,672	4,606
Approved with conditions	3,800	4,637	6,185	3,086	1,729	5,687
Total approved	**5,186**	**6,157**	**7,841**	**5,352**	**4,401**	**10,293**
Rejected	37	39	14	3	3	43
Total decided	**5,223**	**6,196**	**7,855**	**5,355**	**4,404**	**10,336**
Withdrawn	373	629	521	341	167	390
Exempt	185	200	172	125	132	139
Total considered	**5,781**	**7,025**	**8,548**	**5,821**	**4,703**	**10,865**

Note: Figures include corporate reorganisations (80 in 2010-11).
The 2008-09 to 2010-11 figures were impacted by changes to the screening arrangements for residential real estate, as announced in December 2008 and April 2010.

Applications decided

This section analyses all proposals that were approved (either with or without conditions), or rejected during 2010-11, irrespective of the date they were submitted. Corporate reorganisations are included.

The introduction of changes in 2009 and 2010 to the screening arrangements for temporary residents purchasing residential real estate has significantly impacted the comparability of the data across years in this section. Table 2.2 provides a breakdown of proposed investment according to the outcome of applications decided for the corresponding period provided in Table 2.1.

Table 2.2: Applications decided: 2005-06 to 2010-11 (proposed investment)

Outcome	2005-06 $b	2006-07 $b	2007-08 $b	2008-09 $b	2009-10 $b	2010-11 $b
Approved unconditionally	72.5	140.3	162.6	135.9	125.3	145.7
Approved with conditions	13.3	16.1	29.3	45.5	14.2	31.0
Total approved	**85.8**	**156.4**	**191.9**	**181.4**	**139.5**	**176.7**
Rejected	0.0	0.0	0.2	0.0	0.0	8.8
Total decided	**85.8**	**156.4**	**192.0**	**181.4**	**139.5**	**185.5**

Note: Totals may not add due to rounding. '0.0' indicates a figure of less than $50 million.
Including corporate reorganisations (74 in 2010-11,including 8 in the real estate sector).
The 2008-09 to 2010-11 figures were impacted by changes to the screening arrangements for residential real estate, as announced in December 2008 and April 2010.

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 sectors (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.

Chart 2.1: Applications decided 2005-06 to 2010-11 — number of proposals

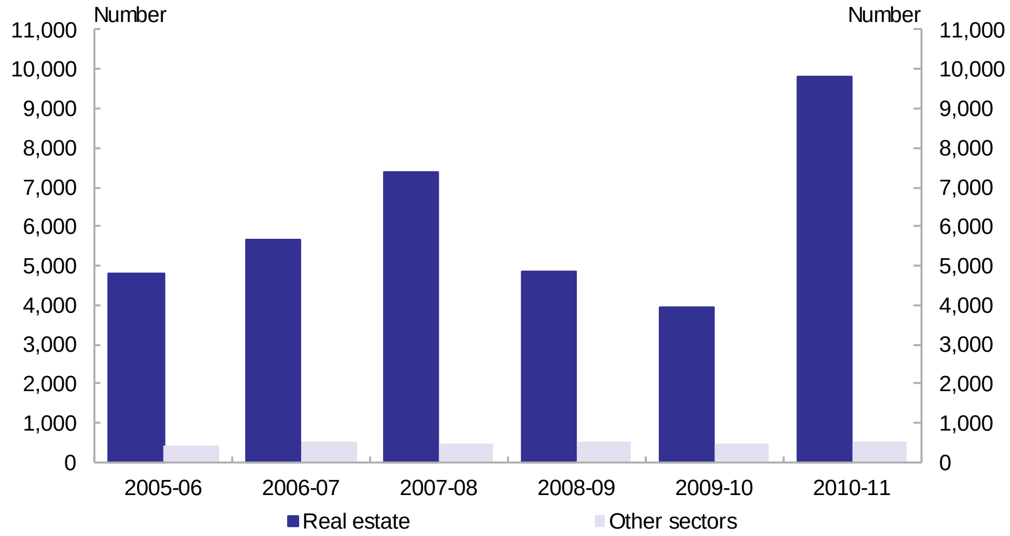


Chart 2.2: Applications decided 2005-06 to 2010-11 — proposed investment

Note: The 2008-09 to 2010-11 real estate figures were impacted by changes to the screening arrangements for residential real estate, as announced in December 2008 and April 2010.

Approvals by value

This section analyses applications approved during 2010-11 (excluding corporate reorganisations). Table 2.3 shows approvals by the value of proposed investment for 2007-08 to 2010-11.

The overwhelming majority of approvals in the categories below $50 million relate to real estate (because of the screening thresholds). The significant differences in recent years in these numbers were largely due to changes to the screening arrangements for temporary residents purchasing residential real estate in 2009 and 2010.

Table 2.3: Total approvals by value and number 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
Value of proposal	No.	$b	No.	$b	No.	$b	No.	$b
< $1 million	5,906	2.99	3,925	1.94	3,402	1.55	8,417	4.45
≥ $1 million & < $50 million	1,463	10.8	1,000	9.0	611	5.2	1,400	7.2
≥ $50 million & < $100 million	123	8.9	116	8.1	94	6.8	108	7.7
≥ $100 million & < $500 million	195	41.8	172	36.2	154	34.7	218	49.7
≥ $500 million & < $1 billion	53	36.7	36	25.0	35	22.9	36	23
≥ $1 billion & < $2 billion	20	25.3	15	20.6	14	18.2	24	32.2
≥ $2 billion & < $5 billion	10	30.2	7	19.5	12	37.0	14	41.9
≥ $5 billion	5	35.2	5	60.9	1	13.2	2	10.5
Total	**7,775**	**191.9**	**5,276**	**181.4**	**4,323**	**139.5**	**10,219**	**176.7**

Note: Totals may not add due to rounding.
Excludes corporate reorganisations (74 in 2010-11).
The 2008-09 to 2010-11 figures were impacted by changes to the screening arrangements for residential real estate, as announced in December 2008 and April 2010.
Excludes corporate reorganisations

Approvals by sector

Table 2.4 lists applications approved in 2010-11 by industry sector. Chart 2.5 shows the sectoral distribution of approved proposed investment in 2010-11. Corporate reorganisations are excluded (74 in 2010-11). 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 (however, in recent years development expenditure has not always been collected for vacant land proposals, primarily due to a simplification of the residential real estate application forms). Bearing in mind the limitations of the data, the figures show that, during 2010-11:

- There was an increase in the value of investment in 2010-11 when compared to 2009-10 in finance and insurance, real estate, resource processing and services.

- Sectors where there was a decrease in the value of investment in 2010-11 when compared to 2009-10 were agriculture, forestry and fishing, manufacturing, mineral exploration and development, and tourism sectors.

- The mineral exploration and development sector remains the largest industry sector by value of approvals, although proposed investment has decreased from 2009-10.

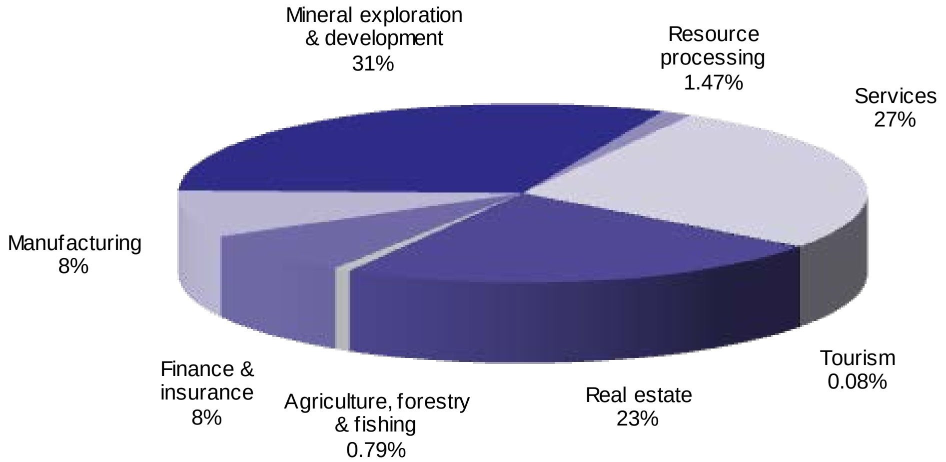
Table 2.4: Total approvals by industry sector in 2010-11

Industry	Number of approvals	Acquisition cost $b	Development expenditure $b	Proposed investment $b
Agriculture, forestry & fishing	17	1.38	-	1.38
Finance & insurance	32	13.74	-	13.74
Manufacturing	50	14.90	0.01	14.91
Mineral exploration & development	222	54.86	0.04	54.90
Resource processing	7	2.59	-	2.59
Services	117	47.50	-	47.50
Tourism	3	0.14	-	0.14
Real estate(a)	9,771	34.59	6.92	41.51
Total	**10,219**	**169.70**	**6.97**	**176.67**

(a) The number of approvals and proposed investment in the real estate sector in 2010-11 were impacted by changes to the screening arrangements for residential real estate, as announced in April 2010. Proposed investment includes off-the-plan approvals provided to real estate developers and approvals for annual programs. Further details are provided in the section on real estate starting on page 29.

Note: Totals may not add due to rounding.
'-' indicates a figure of zero.
Excludes corporate reorganisations (74 in 2010-11).

Chart 2.3: Total approvals by value by industry sector in 2010-11—proposed investment



Note: Totals may not add due to rounding.
The real estate sector was impacted by changes to the screening arrangements for residential real estate announced in April 2010.

Agriculture, forestry and fishing

Proposed investment in the agriculture, forestry and fishing sector decreased by value from $2.3 billion in 2009-10 to $1.4 billion in 2010-11, even though the number of proposals stayed constant, at seventeen.

Finance and insurance

During 2010-11, 32 proposals were approved in the finance and insurance sector. This is one less than the 33 proposals approved in this sector in 2009-10. However, proposed investment increased, from $4.2 billion to $13.7 billion.

Manufacturing

The manufacturing sector saw an increase in the number, but a decrease in the value, of proposals approved in 2010-11. There were 50 proposals (46 proposals in 2009-10) and proposed investment of $14.9 billion ($16.3 billion in 2009-10).

Table 2.5: Manufacturing sector approvals in 2010-11

Industry	Number of approvals	Acquisition cost $b	Development expenditure $b	Proposed investment $b
Chemical, petroleum & coal products	3	1.32	-	1.32
Electricity & gas	31	9.89	0.01	9.90
Food, beverages & tobacco	7	2.39	-	2.39
Water sew erage and drainage	1	0.00	-	0.00
Transport equipment	2	0.01	-	0.01
Machinery & equipment	4	0.53	-	0.53
Other(a)	2	0.76	-	0.76
Total	**50**	**14.90**	**0.01**	**14.91**

(a) Comprises: non-metallic mineral products; and paper and paper products.
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 decreased from $80.9 billion in 2009-10 to $54.9 billion in 2010-11. However, the number of approved proposals only fell slightly, from 248 proposals to 222 proposals.

Table 2.6: Mineral exploration and development sector approvals: 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
Industry	No.	$b	No.	$b	No.	$b	No.	$b
Metallic minerals								
- Bauxite	3	12.38	4	0.60	4	2.92	1	0.01
- Copper-gold	24	11.26	25	8.05	51	23.21	42	13.74
- Iron ore	25	8.89	30	27.19	42	23.02	29	3.22
- Nickel	10	3.05	9	0.40	13	1.72	2	0.29
- Uranium	8	1.26	15	1.68	18	4.93	15	4.54
- Zinc-lead-silver	6	5.56	5	0.19	9	0.17	4	1.87
- Other	12	3.45	12	0.38	10	0.38	14	1.21
Coal	39	11.47	33	15.69	60	17.14	66	22.95
Oil & gas	31	4.52	23	35.08	29	6.76	37	4.56
Other(a)	15	2.45	8	1.36	12	0.68	12	2.51
Total	**173**	**64.27**	**164**	**90.62**	**248**	**80.92**	**222**	**54.90**

(a) Comprises: services to mining and exploration; and other non-metallic minerals.
Note: Totals may not add due to rounding.

Resource processing

Proposed foreign investment in the resource processing sector[7] more than doubled from the proposed investment of $1.1 billion in 2009-10 to $2.6 billion in 2010-11, while the number of approvals increased from five to seven.

Services

Proposed investment by number of proposals and value in the services sector increased from 2009-10. The number of approved proposals increased from 69 to 117 in 2010-11 and proposed investment increased from $14.0 billion to $47.5 billion in 2010-11.

7 The sector includes activities that through processing value add to natural resources. For example, cotton ginning, flour and sugar milling, smelting and refining of mineral resources, abattoirs and wood chipping.

Table 2.7: Services (excluding Tourism) sector approvals: 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
Industry	No.	$b	No.	$b	No.	$b	No.	$b
Construction	13	12.53	14	1.67	12	1.67	12	18.94
Communications	24	5.43	25	9.45	12	2.91	26	3.51
Health	14	6.14	11	1.47	4	0.65	17	6.79
Property & business services	13	2.92	20	2.67	5	0.52	10	1.65
Trade(a)	16	2.35	9	0.44	5	0.92	6	2.29
Transport(b)	15	5.14	43	14.64	23	5.08	30	11.68
Other(c)	14	1.22	10	1.33	8	2.25	16	2.65
Total	**109**	**35.72**	**132**	**31.67**	**69**	**14.00**	**117**	**47.50**

(a) Comprises retail and wholesale trade.
(b) Comprises: air transport; rail transport; road transport; water transport; and services to transport.
(c) Comprises: entertainment and recreation services; other community services; and restaurants and clubs.
Note: Totals may not add due to rounding.

Tourism

Proposed investment in the tourism sector in 2010-11 was $0.14 billion, down from $0.71 billion in 2009-10. The number of approved proposals dropped from eight to three.

Real estate

Changes to the Policy — residential real estate

As of 24 April 2010, temporary residents residing in Australia are no longer exempted from notification of proposed acquisitions of established residential real estate for their own residence, established residential real estate for the purposes of redevelopment, new residential real estate and vacant residential land. Temporary residents were previously exempt from April 2009 under the changes announced in December 2008.

The changes were introduced to ensure 'investment in Australian real estate by temporary residents and foreign non-residents, is within the law, meets community expectations and doesn't place pressure on housing availability for Australians'.[8]

The changes mean that all temporary residents and foreign non-residents seeking to invest in Australian real estate have been brought within the notification, screening and approval process. Temporary residents may seek approval to acquire

8 Press release 'Government Tightens Foreign Investment Rules for Residential Housing', Statement by the former Assistant Treasurer, Senator the Hon Nick Sherry, 24 April 2010.

one established dwelling only to be used as their residence. No objections are raised subject to the condition that they sell the property when it ceases to be their residence. Temporary and foreign non-residents are required to commence development on vacant land within 24 months of the date of approval.

Guidance Notes released by the FIRB provide further information relating to real estate and the eligibility criteria. These are available on the FIRB website, www.firb.gov.au.

Proposals in real estate in 2010-11

Approved investment in real estate was $41.5 billion in 2010-11 (compared with $20.0 billion in 2009-10). These figures were affected by changes to the Policy and administrative arrangements for residential property and in no regard do they provide a comparable view of investment activity in this sector.

Residential real estate

Developed

The category of developed residential real estate consists primarily of temporary residents in Australia acquiring one existing residential property for use as their residence in Australia.[9]

For development

Acquisitions of **residential real estate for development** include a number of categories.

The *vacant land* category consists primarily of individual blocks of land purchased for single dwelling construction. These are normally approved subject to conditions (such as, that construction begins within 24 months). It also includes broadacre land for residential subdivision and multiple-dwelling residential developments (such as townhouses and units).

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 100 per cent of new residences to foreign interests (this

9 Also includes a small number of approvals relating to foreign companies acquiring existing residential property for company employees to reside in.

previously only permitted developers to sell up to half the new residences to foreign interests). Applications from individuals are normally approved without conditions. If a developer is given approval, individuals need not apply for approval. Provided that the developer markets the dwellings locally as well as overseas (that is, the dwellings cannot be marketed exclusively overseas), the developer may sell up to all the off-the-plan dwellings in their new development to foreign persons.

With off-the-plan approvals for developers, the 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 foreign persons may acquire under the program.

Developed property for *redevelopment* involves the acquisition of existing property for the purpose of demolition and construction of new residential dwellings. These are normally approved as long as the redevelopment increases Australia's housing stock (at least two dwellings built for the one demolished) or where it can be shown that the existing dwelling is derelict or uninhabitable. Approvals are usually subject to conditions (such as, that construction begins within 24 months).

Table 2.8: Investment in residential real estate by type of expenditure and number of proposals approved from 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
	No.	$b	No.	$b	No.	$b	No.	$b
Residential								
Developed								
- existing residential property	4,015	2.97	2,450	1.81	647	0.81	3,881	3.57
- annual programs	13	0.44	7	0.68	7	0.56	4	0.20
Sub-total 'Developed'	*4,028*	*3.41*	*2,457*	*2.49*	*654*	*1.38*	*3,885*	*3.77*
For development								
- vacant land	1,667	3.93	988	2.72	1,010	1.44	1,514	2.33
- new dwellings								
- individual purchases	1,043	0.66	954	0.60	1,937	1.20	3,911	2.46
- developer 'off-the-plan'	324	9.49	235	5.48	22	2.30	65	10.08
Sub-total 'new dwellings'	*1,367*	*10.15*	*1,189*	*6.08*	*1,959*	*3.50*	*3,976*	*12.54*
- redevelopment	103	1.61	73	1.06	92	0.34	171	0.45
- annual programs	6	1.34	8	2.58	8	2.11	10	1.83
Sub-total 'For development'	*3,143*	*17.02*	*2,258*	*12.43*	*3,069*	*7.39*	*5,671*	*17.15*
Total residential	**7,171**	**20.43**	**4,715**	**14.92**	**3,723**	**8.77**	**9,556**	**20.92**

Note: Totals may not add due to rounding.
The 2008-09 to 2010-11 figures were impacted by changes to the screening arrangements for residential real estate, as announced in December 2008 and April 2010.

Commercial real estate

Developed

Foreign persons acquiring an interest in **developed commercial** real estate (for example, shopping centres, office buildings and warehouses) that is valued at more than the applicable monetary threshold are required to notify and get prior approval before purchasing.

For development

Foreign persons need to apply to buy or take an interest in **commercial land for development**, regardless of the value of the land. Such proposed investment is normally approved subject to development conditions, such as the land must be developed within five years of the acquisition and the equivalent of at least 50 per cent of the purchase cost must be spent on the development.

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. Applicants are also required to comply with the standard requirements that would apply under the Policy for the type of property that is to be purchased. For example, vacant land must be developed within the required timeframe.

Table 2.9: Investment in commercial real estate by type of expenditure and number of proposals approved from 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
	No.	$b	No.	$b	No.	$b	No.	$b
Commercial								
Developed								
- existing commercial property	85	13.78	70	5.2	107	7.11	114	9.65
- annual programs	5	2.73	1	0.60	6	1.51	8	3.50
Sub-total 'Developed'	*90*	*16.51*	*71*	*5.75*	*113*	*8.62*	*122*	*13.15*
For development								
- vacant commercial property	86	6.71	39	1.73	51	0.79	79	2.09
- annual programs	7	1.85	3	1.02	10	1.83	14	5.35
Sub-total 'For development'	*93*	*8.56*	*42*	*2.75*	*61*	*2.62*	*93*	*7.44*
Total commercial	**183**	**25.07**	**113**	**8.50**	**174**	**11.24**	**215**	**20.59**

Note: Totals may not add due to rounding.

Real estate by location of investment

Table 2.10 provides details of proposed investment in the real estate sector, according to the state and territory location of the proposed investment.

Table 2.10: State and Territory distribution of proposed investment in real estate in 2010-11

		Residential		Commercial		
	Number of	Developed	For development	Developed	For development	Total
Location	approvals	$b	$b	$b	$b	$b
Various(a)	69	0.83	1.60	7.11	5.22	14.75
VIC	4,398	1.32	7.98	1.79	0.14	11.23
NSW	2,598	0.83	4.24	1.52	1.02	7.61
QLD	1,273	0.30	2.18	0.97	0.52	3.97
WA	812	0.28	0.92	0.58	0.27	2.05
ACT	129	0.03	0.09	0.92	0.25	1.28
SA	432	0.16	0.13	0.10	0.03	0.42
TAS	44	0.01	0.01	0.16	-	0.18
NT	16	0.01	0.00	-	0.00	0.01
Total	**9,771**	**3.76**	**17.15**	**13.14**	**7.45**	**41.51**

(a) Comprises approved proposals where the proposed 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.
The number of approvals and proposed investment in the real estate sector in 2010-11 were impacted by changes to the screening arrangements for residential real estate, as announced in April 2010.

Approvals by country of investor

Proposed investment in 2010-11 by selected country, disaggregated by sector, is shown in Table 2.11. The United States was again the largest source of proposed foreign investment in Australia. The other major sources of proposed investment were the United Kingdom, China, Canada and India. Canada and India replaced Japan and Switzerland in the top five sources of proposed investment.

Table 2.11: Approvals by country of investor in 2010-11 — industry sector

Country(a)	Number of approvals(e)	Agriculture forestry & fishing $m	Finance & insurance $m	Manufacturing $m	Mineral exploration & development $m	Real estate(f) $m	Resource processing $m	Services $m	Tourism $m	Total $m
US	189	38	1,017	4,337	1,808	3,404	-	16,985	-	27,590
UK	1,004	189	1,679	595	5,551	4,610	25	2,734	-	15,383
China(b)	5,033	4	558	416	9,758	4,093	132	16	-	14,976
Canada	112	104	-	-	9,317	807	-	4,666	-	14,894
India	320	-	-	2,000	8,929	163	-	168	-	11,260
Singapore	536	1	3,606	1,639	688	1,487	1,750	59	76	9,306
Spain	18	-	-	-	2,344	407	600	4,398	-	7,750
Switzerland	52	150	-	-	711	455	-	6,089	-	7,405
Japan	120	-	1,335	1,202	2,913	598	-	590	-	6,637
Germany	126	-	376	1,865	232	1,128	-	1,048	-	4,649
France	82	-	-	1,270	911	45	-	1,149	-	3,376
Thailand	33	-	-	250	2,566	13	82	-	63	2,973
Russia	65	-	-	-	2,561	245	-	-	-	2,806
Malaysia	896	-	-	355	461	1,863	2	103	-	2,784
Sth Korea	90	-	420	-	1,445	497	-	-	-	2,362
Netherlands	62	-	27	-	-	1,691	-	571	-	2,289
New Zealand	32	-	-	757	1,110	64	-	163	6	2,100
Hong Kong	97	13	-	-	1,383	404	-	-	-	1,800
United Arab Emirates	10	-	-	-	-	1,088	-	407		1,495
South Africa	347	-	-	-	372	826	-	-	-	1,198
Other(c)	1,341	123	285	1	1,425	11,873	0	1,622	0	15,331
Sub-total	*10,565*	*623*	*9,304*	*14,685*	*54,485*	*35,763*	*2,591*	*40,769*	*145*	*158,364*
Australia(d)	176	758	4,435	230	419	5,750	-	6,732	-	18,325
Total	**10,741**	**1,381**	**13,739**	**14,915**	**54,904**	**41,513**	**2,591**	**47,501**	**145**	**176,689**

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

Notes applying to Table 2.11

(a) Includes overseas territories.

(b) China excludes Special Administrative Regions and Taiwan.

(c) Other comprises all other countries not in the largest 20 countries based on total proposed investment approved, as well as proposed investment approved which cannot be attributed to a country, including developers granted approval for off-the-plan developments.

(d) Comprises proposals where an Australian controlled investment manager acting on behalf of an investor operates independently of the interest holders in the investor, or an Australian investor(s) jointly intends to make a proposed investment with a foreign investor, or jointly establish a new business with a foreign government related entity or entities.

(e) 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.

(f) The number of approvals and proposed investment in the real estate sector in 2010-11 were impacted by changes to the screening arrangements for residential real estate, as announced in April 2010.