ROCKY RELATIONS

Maria Petrakis

Some countries are turning against foreign buyers as soaring property prices become political

Sea cliffs at Vaucluse and Watsons Bay, Sydney, Australia.

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Built in 1890, the four-bedroom Victorian terrace house at 9 Kensington Road ticks a lot of boxes for the foreign buyers that Ross Savas, managing director at Kay & Burton, a real estate agency, sees regularly. Situated on one of Melbourne, Australia's, most desirable tree-lined streets, the property's grand façade, conservatory, stately garden, and proximity to top-tier schools are all factors contributing to its $A 8 million (US$5.4 million) price tag.

International buyers have been a mainstay for Kay & Burton, a business that has been selling high-end homes in Melbourne since 1938. Waterfront homes, private estates, newly built properties, and move-in-ready homes hold the most appeal, according to Savas.

"Australia's eastern seaboard cities in particular are seen as a refuge, offering a high standard of living with access to world-class restaurants, shopping, medical facilities, and schooling," he said. "In many ways, Australia is viewed as a 'promised land' for these international buyers."

But the selling points of 9 Kensington Road appeal to Australians as well, even if the price tag is out of reach for the average homebuyer. Mindful of a perception that cash-rich foreign buyers are pushing locals out of the market, Australia's government this year tripled fees for foreigners to buy existing houses and doubled taxes for those who leave dwellings vacant.

It's not just Australia. Attitudes toward foreign ownership of residential properties are shifting in many countries amid concern that local buyers are being priced out. New Zealand passed a law preventing foreigners from buying some residential properties in 2018. And in Canada, a two-year ban on foreign ownership, due to end January 1, 2025, has been extended to 2027.

As 70 countries held elections in 2024, wealthy people seeking properties abroad faced a global landscape of multiple moving parts, including restrictions on foreign buyers and holiday rentals, planning regulations, and property taxes, according to global real estate consultancy Knight Frank in its 2024 *Wealth Report*.

"As public debt escalates and housing affordability diminishes across advanced economies, policymakers are poised to scrutinize wealth and property even more, injecting another dimension into strategic considerations for ultra-high-net-worth individuals," Kate Everett-Allen, head of international and country research, wrote in the report.

Golden promise

Nations around the world have long tapped wealthy individuals' desire to buy properties away from their native land—to give their families a better education and lifestyle, to protect their wealth from high-taxing domestic regimes, and, sometimes, to hide ill-gotten gains from authorities.

Once the preserve of small island nations such as St. Kitts and Nevis, so-called golden visa programs—residency or citizenship in return for a certain level of investment, most often in property—became standard offerings in an increasing number of countries, thanks to the dollar inflows international buyers brought with them.

Greece, for example, launched its golden visa program in 2013 as it struggled to emerge from a debt crisis that threatened its euro area membership. Portugal has a similar arrangement for "non-habitual residents," who are taxed at lower rates.

But the programs in European Union countries such as Greece and Portugal also caused concern among authorities that citizenship and residency rights were being acquired by criminals and facilitating money laundering, a worry echoed in other countries around the world that had offered incentives to wealthy individuals to invest in property.

Spain announced in April this year that it would wind down its program; the European Commission, which considers citizenship-by-investment plans illegal under EU law, has taken Malta to the Court of Justice and challenged its program.

Yet even as some countries wind back incentives that drew foreign buyers—Singapore doubled the stamp tax paid by foreigners to 60 percent to ease housing pressures there—others are still trying to drum up business. Dubai is offering residency in the tax-free United Arab Emirates to those who invest in real estate, are entrepreneurs, or have specialized skills, such as doctors or software engineers.

Bank of Mum and Dad

A little farther up Kensington Road, in an apartment building at No. 10, a different cohort of would-be homebuyers recently slugged it out for sidewalk supremacy. An auctioneer tried to squeeze a few more thousand dollars into the selling price of a two-bedroom apartment.

"Home is here," he intoned, as he slapped his palm with rolled-up brochures and pointed at the latest bidder, listing the cafés, public transportation, and other advantages of the affluent inner-Melbourne suburb of South Yarra. The crowd applauded politely when the bidding closed, and a middle-aged man bought the apartment for his daughter—for $A 855,000, about $A 70,000 above the top asking price.

Housing woes cannot all be blamed on rich foreigners seeking homes, of course. A generation of Australians have ridden the wave of house appreciation since the 1980s, catapulting them into the ranks of the world's wealthiest, thanks to the equity in their homes.

According to Jones Lang LaSalle's second quarter 2024 report on apartments, premium suburbs close to the central business district of Sydney are experiencing strong demand for luxury boutique projects, driven by "downsizers" who are taking advantage of their substantial equity and are willing to pay higher prices.

Some are helping out their children. The "Bank of Mum and Dad" is where some younger Australians turn for help when they are unable to come up with the down payment on a home. They tap their parents' borrowing power to buy a property—as at 10 Kensington Road—or for help with a down payment to qualify for a mortgage, an amount that can now take more than a decade to amass, according to ANZ Bank research.

The ANZ data show that, across Australia, it is getting harder for first-time homebuyers to get into the housing market. The proportion of income required to service a new 25-year mortgage is at a record high of 50.3 percent; it takes 10.6 years on average to save for a down payment on a home.

Homeownership is central to what Australians believe it takes to build wealth. Assumptions about how much is needed for retirement are based on the notion of owning a home.

But the public discourse is increasingly fraught: the rising cost of housing means that younger, or more vulnerable, Australians find themselves struggling not just to buy a home but even to rent one.

"Foreign ownership is not a big part of the mess," said Alan Kohler, author of *The Great Divide: Australia's Housing Mess and How to Fix It*. "There isn't much foreign ownership of empty houses. The common thread may be [high] immigration versus low construction."

Australia's population hit 27.1 million on March 31, 2024, according to the Centre for Population's latest figures. Although annual population growth has slowed from a peak of 2.6 percent in July–September 2023, net overseas migration—the net gain or loss of population through immigration and emigration—was 510,000 in the year ending March 31, 2024, and 134,000 in January–March alone, contributing to strong growth in demand for housing.

More than 80 percent of new arrivals to Australia are renters, ANZ estimates. A cap on international student numbers imposed by the government in August was seen, in part, as an attempt to alleviate the pressure on the rental housing market.

In its latest statement on Australia, the IMF said a comprehensive approach is needed to address the significant housing supply shortfall, including more construction workers, relaxed zoning and planning restrictions, and reevaluation of property taxes (including tax concessions to investors).

Meanwhile, Jamie Mi, head of international sales at Kay & Burton, expects currency effects and the long-term value of Australian property to keep demand in the luxury market strong, despite the shift in attitudes.

"I haven't seen a significant drop in confidence among foreign buyers," she said. "Top-end buyers are less concerned with additional fees or taxes and remain focused on securing high-value assets."

Australia remains the top choice for wealthy Chinese buyers seeking an overseas property, according to Knight Frank.

Ultimately, though, Australia's housing mess isn't unique to Australia. "It's a global housing affordability crisis," said Kohler. "But each country is unhappy in its own way—and for its own reasons—to quote what Tolstoy said about unhappy families." F&D

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Hidden Fortunes

How dirty money distorts real estate markets

Chady El Khoury

Why are home prices skyrocketing beyond reach? It's not just inflation, low supply, or zoning laws—dirty money is part of the problem, too. Criminal networks, corrupt politicians, and tax evaders use global real estate as a safe place to park illicit wealth, driving property prices up in cities such as New York, Miami, London, and Dubai. By funneling billions through luxury properties, these secretive buyers contribute to housing bubbles that push local buyers out of the market.

The playbook is simple: instead of buying a $10 million penthouse directly, they use shell companies, trusts, and offshore accounts established by professional enablers to hide ownership. Developers rarely question the source of the money. As a result, entire neighborhoods—particularly in major global cities—fill up with high-end empty properties owned by anonymous entities. In London alone, foreign companies held £73 billion worth of properties in 2018, with about 90 percent of these purchases made by entities registered in tax havens, according to a paper by economists Jeanne Bomare and Ségal Le Guern Herry.

But it isn't a problem just for wealthy Western cities. In African cities, including Lagos, Nairobi, and Johannesburg, speculative investments create similar real estate bubbles. Weak regulations and informal housing markets make these regions attractive for questionable money, driving prices up and squeezing out local buyers.

Two decades ago, the international community prescribed that real estate agents, like banks, conduct due diligence and report suspicious transactions. Yet, unlike banks, those in the real estate sector are not held to strict anti-money-laundering standards consistently. Detection and enforcement remain weak globally. Efforts to close these loopholes are underway. Countries such as Canada and the US are exploring requirements for property buyers to disclose their true identity—the "beneficial owner." Public agencies should verify this ownership information and make it accessible to authorities investigating suspicious transactions when red flags arise. If privacy laws allow, making this information public would also enhance transparency.

Without more transparency and enforcement, real estate will continue to serve as a safe haven for concealing illicit fortunes, further distorting housing markets and making homeownership for ordinary people an even more distant dream. F&D

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