



# AUSTRALIA NEWS

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Significant Investor Visa  
Why investors are  
confused

Australian Population  
Market in need of more  
property

Taking it back to school  
Melbourne's, the Icon  
project

July 2013 issue  
first edition

# AUSTRALIA

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# A GAME OF THIRDS

A broader view on the factors affecting property investment

SO, YOU'VE SIGNED THE CONTRACT, HANDOVER IS COMPLETE, FINANCING IS IN PLACE, EVERYTHING IS LOOKING GOOD ON YOUR BRAND NEW, FIRST EVER PROPERTY INVESTMENT.

ANALYSE COUNTRIES THAT ARE EXPERIENCING HUGE CAPITAL GROWTH AND WHAT THE EFFECT WILL BE

Or perhaps you're an old hand and this simply marks another shrewd addition to your bulging property investment portfolio. However, whether you be an intrepid new explorer into the world of property investment, or have navigated the metaphorical four corners of the real estate world, before getting too carried away with how your property investment will perform, we must analyse the global economics and the affordability factors in each city which will help to give key indicators on the health of

environment the remaining 33 percent is allocated towards savings (the extra 1 percent can be allocated upon discretion). This is considered a balanced situation. When you get to the likes of Singapore, the property investors, real estate agents and speculators have inflated the market prices so much above the average income to the point where the average local can no longer afford to live comfortably. Accommodation costs now use up 70 percent and lifestyle remains at around 30 percent. Lifestyle will always be 30. People don't generally eat less, not travel or deprive themselves of all luxuries and leisure. However, they will sacrifice any attempt to make savings. This is a a bad state of affairs.

Continued on page....

the overseas investors essential guide

## IMMIGRATION

a matter of coming and going

## BUYING PROPERTY

with no deposit ? impossible !

## THE TWO-PRONGED

Purpose of a Property Investment



**FREE  
HOME OR  
OFFICE  
DELIVERY**

**UCHK SEMINARS**

lowest interest rates since 1959  
Says Scott O. Talbot

the overall economy and social circumstances in that area, thus revealing the likely outcome of your investment.

Many different elements and factors come into play that will have a long-term impact on both capital growth and rental returns.

To understand this better, let us analyse countries that are experiencing huge capital growth and what the effect will be in those countries.

A favourite example of mine is Singapore. Property values have been doubling or tripling in unprecedented surges. The pockets of investors have not been big enough

to fit the cash that has been flowing abundantly. The question only remains then to be asked, is it stable? Well, lets look at the example of the localised economic balance on the affordability scale. The average citizen earns \$50,000 a year, about a \$1,000 a week. In a balanced economy and social setting salaries are used equally in three areas. That is, 33 percent of income is used towards accommodation, a further 33 percent goes towards lifestyle and entertainment and in a truly balanced economic

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The essential guide for all overseas investors and immigration news

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# VISA

## DILEMMA

Since the inception of the Significant Investor Visa class toward the end of 2012, out of 400 or more applicants to date, only two have been approved by the Australian government. Clearly there is a way to succeed in the application process or the government would never have created the visa in the first place. The success or not of the application seems to depend on professional and sound advice.

The basic rules can be summed as per the following:

AU \$5 million invested in to a range of products, and crucially, validity of the \$5 million. In other words, does the AU\$5 million genuinely belong to the applicant? Is the source of those funds legitimate? Such antics as borrowing money from relatives to cover shortfalls or producing bank statements showing sudden transactions from unknown sources are a red flag for the Australian government.

Choosing which business investment to enter is no less of a difficulty for the visa applicants. There are many agents and brokers presenting opportunities to get involved with chicken farms, a distant relative's restaurant, car dealerships and an assortment of unusual business ventures. The difficulty for UCHK when approached by an investor inquiring about SIV is that there can never be a match on what the customer wants to invest in

nor a business opportunity that meets our strict due diligence and will pass as a recommended ongoing concern for the client. In the majority of the opportunities that have been presented, they are not ongoing concerns, they are inflated and are simply businesses that are in debt and are looking for any way out by selling to an investor looking for any way in.

Moreover, it is very difficult to match a business that is an ongoing concern and profitable venture in an industry that is familiar with the clients skill base (don't forget, whatever business you are buying, somebody has to run it). In a recent trade fair in Beijing an exhibitor was selling everything from chicken farms, pig farms, dairy farms, etc, as viable businesses for the visa. Whilst I come from a rural background and was naturally interested in these agricultural opportunities, I did wonder to myself how many of my wealthy Chinese clients would be keen on buying a chicken farm themselves, have ever even seen one, let alone would know how to run one.

Liken this to a restaurant for sell in prime location in Sydney. How many of my clients would be experienced restaurateurs in their natural environment, never mind in Sydney, Australia. So, before we get to the gate of opportunity for the significant investor visa, the first challenge is matching a client to a business opportunity that is not going to be a disastrous decision before

we even lodge the paperwork. We also have the question, will my clients financial health-check pass the scrutiny of the Australian government with regards to the source of the \$5m investment?

Notwithstanding the above, the SIV is a great opportunity and there are products that are perfectly structured, pre-approved, easy to understand and carry a fast-track from start to completion. UCHK recommends to its clients banking products, such as Credit Suisse. A large global institution has carefully structured a financial product that meets all the requirements of the Australian government. Available from UCHK, with this visa clients can invest with a clear understanding, know their returns, what is happening and the exit strategies.

Lets go back to the chicken farm, the restaurant, the car dealership, whatever the business opportunities are that people are thinking of. While best case scenario is that it may pass the approval test, the exit strategy will still be very difficult. Should you try to sell your shares or business, even recouping 50% of your initial investment would be a success as the agent had marked it up in the first place. When getting

in to a business investment for the simple purpose of obtaining a visa, getting out of and exiting the business venture will be three times as hard. Potential investors should also bear in mind the careful analysis of the Australian government on all submitted applications. A proposal to buy uncle Bob's cafe in Perth for \$3m when the business is patently worth much less will be seen straight through by the reviewing government officers.

On the other hand, the banking products that are available offer a clear path, guarantee of return, and an exit strategy. No advertising to buyers, no commissions or any of the other problematic circumstances of buying a business.

Overseas investors considering the SIV should contact their UCHK consultant to get more details and advice on this matter.

If you are contemplating a Significant Investor Visa application, use a trusted banking product, exclusive to UCHK. It will be secure, it will manage itself, will guarantee positive returns and gives you a definite time of duration, which you can use to plan how you will enjoy your grant to residence in Australia.

### SIGNIFICANT INVESTOR VISA DILEMMA BY MATTHEW FRANKLIN

#### WHY INVESTORS ARE CONFUSED AND REAL ESTATE AGENTS ARE BEING OPPORTUNISTS.

Is the Significant Investor Visa being sold as something that it was never

intended to be by its authors? Many real estate agents are touting the visa as the route to a passport and a lifestyle in Australia. As easy as the pitch may sound, the truth is rarely communicated to would-be applicants. In a recent presentation, federal representatives and immigration experts delivered a report on the SIV's success and clarified a lot of the misrepresentations that have been presented to overseas investors.

STUDENT  
WORK/BUSINESS/SPONSORED  
VISITOR  
INVESTOR  
RETIREMENT



- A MATTER OF COMING AND GOING

## WHO REALLY UNDERSTANDS THE RULES AND REGULATIONS REGARDING IMMIGRATION TO AUSTRALIA - AND WHY DOES IT MATTER?

While our company specialises in personal wealth creation through property investment, we take the issue of immigration seriously and strive to give our investor clients all the assistance that they need in this important and associated issue.

It has taken me by surprise at the importance of the topic of immigration and the direct relevance that it has to overseas property investment. At every UCHK event or seminar that we hold, no sooner than we've been talking about real estate investment than the subject of immigration crops up. I am usually met by scores of inquisitive questions on the subject hoping for definitive answers. Well, the issue is not that simple, and there are certainly no one-size-fits-all solutions. Each family and each personal set of circumstances are different. "How much does it cost? Who's eligible? Am I too old? What's the correct visa to apply for?" The questions always come thick and fast, the enthusiasm for the topic evident with many attendees seeking a better life abroad for themselves and their children. Sometimes a client, in their verve for the matter, offers a question and an answer at the same time. When I do answer, however, I let the clients know that various factors will affect the process; education, age, asset worth, health, and other elements.



IMMIGRATION - COMING AND GOING  
BY SEAN LIN

Whilst we have a designated team of immigration experts at our partner law firm Rigby Cooke who give the formal legal advice, the basic overview of what I tell my clients is that Australia welcomes all immigrants and visitors. A visa selected based on its criteria matching with the individual's circumstances is the pathway to an extended stay in Australia and potentially permanent residency - a passport.

I break it down to the clients, it comes back to some basic factors; your age, are you investing in the country, do you have any offences against your name, and based on these points, in the normal course of circumstances nearly everyone will get their desired result. Whilst Australia does not hand out passports like candy at the airport, contrary to some beliefs I've met - it seems that opinions and ideas about immigration and entry to Australia are as varied and diverse as are the people that hold them - usually visas are the pathway to a longer term residence.

Perhaps we need to understand why this is such a hot topic in the first place. 150 years ago Australia was where the British sent their convicts. A paradisiacal exile. Now it's an almost mythical like paradise for the new generations, with people from the four corners of the earth flocking to it for a higher standard of life. With all of the desirable elements that an individual or family would be looking for in a possible immigration destination; strong economy

with low unemployment, plenty of space, rich culture, safe society, an abundance of wildlife, nature, beaches and fresh air, the list goes on and on, and yet none of the less desirable factors that are affecting Europe and North America. As one lists all the positives and negatives for immigration to different countries, there's no surprise Australia is so popular.

So returning to the issue of immigration, some people think that a suitcase full of cash on arrival is the only way to get a passport. At the other end of the spectrum some people believe that work and study are the only two options for getting a visa. While these two reasons are good and valid for a visa application, there are many more choices available in the visa range.

There are essentially five types of visa with which to start this process, being the most common they are; Student | Work/Business/Sponsored | Visitor | Investor | Retirement. Of course these visas each have subcategories that cater to more specific needs of the applicant.

While looking at how to get to Australia, it should be said that Australia is a nation built on immigration. Almost half of the entire Australian population were either born abroad themselves, or have an overseas parent. The tapestry of Australian culture and lifestyle is rich and varied, reflecting the collage of many immigrants who now call Australia home.

The Australian Government apply the same principles to all applicants for visas and residence. Nationality and ethnicity are not factors. The government are aware that the natural birthrate of the average family has fallen by one child over the past decades to a current average of 1.8 children per family. This is below the level needed to maintain a population, hence the deliberate policy of immigration. Most countries in the developed world do not have this luxury.

Traditional migration havens such as the US, Canada and Britain are suffering from civil unrest, failing banks, high unemployment, a struggling economy and an overburden on ailing infrastructure including schools, hospitals and transport. On the contrary, in Australia a healthy wave of new immigrants each year has kept Australia at the forefront of industrial and economic output.

I recall at a recent seminar in Beijing, overhearing a conversation as our company CEO Scott O. Talbot listened to a client, Mr Li, who expressed his desire to send his child to university in Australia. Mr Talbot assured Mr Li that obtaining a student visa to Australia is like buying an airline ticket - it's that simple. He said: "Education is one of our major exports - we invite all international students, and Chinese students especially are always welcome as they are extremely hardworking and studious".

What was very interesting out of this conversation was that Mr Li's child was a mere one year old. He was planning roughly 18 years ahead.

These are the basic details that I give to my prospective clients. Of course, once they become a fully registered client then they have the opportunity to seek the expert advice from our legal counsel. If I hadn't already mentioned to them, I explain that UCHK clients are entitled to free visa and immigration consultation from our legal team.

# FRUIT OR NUT INVESTMENT?

After 25 years of meeting various types of entrepreneurial, intelligent investors, ranging from owners of car dealerships and factories, video producers, fund managers, and the like, it has become apparent to me that they all have a character trait in common.

By Scott O. Talbot



THERE ARE TWO MAIN TYPES OF INVESTOR WHEN IT COMES TO INVESTMENT IN REAL ESTATE.



**ACCORDINGLY, I BELIEVE THERE ARE TWO MAIN TYPES OF INVESTOR WHEN IT COMES TO INVESTMENT IN REAL ESTATE.**

My first example I like to call the Fruit Shop Investor.

Bill, an old investor friend of mine, started out with a fruit shop in small time suburbia. Through hard work he managed to build his empire in to a large chain of distributors of produce, and now supplies a range of hotels and restaurants with his quality food items.

He is undoubtedly an expert and master of his chosen trade, a fact undeniably stated by his success and wealth in his business environment.

Bill is an example of this Fruit Shop Investor.

I first advised Bill on property investment around 1998. Bill boasted of his past glories dabbling in the property and shares market. His method was to buy good property, make any needed improvements, and then resell it. With my advice Bill purchased a two-bedroom apartment in Carlton, initially to be used by his child while studying at Melbourne university.

His property investment ethos was the same as his attitude towards buying and selling fresh produce. He would buy the

freshest, ripest, most high quality foodstuffs, place it on the display shelf for all customers to see, and then he was obliged by the inherent nature of fresh food to sell it before it could rot before his eyes. So this mentality that had brought him great prosperity in the fresh produce industry was unknowingly applied to his behaviour towards his property investment strategy.

It took some convincing on my part before Bill would grasp that real estate would not rot on the shelves. The right property, bought at a good price, would not only retain its value but steadily increase in capital growth, unlike a three-day old banana on a 40 degree day.

Three years after Bill's initial acquisition and the child had finished at Melbourne University, I called to inform him of capital growth on the property in the region of AU\$200,000. Naturally Bill was delighted with this good news. So much so that he immediately instructed me to sell the apartment and cash in on the windfall!

This was a typical reaction from a Fruit Shop Investor. Said Bill: "That's great. Get me the money. I want to buy more property/buy a sports car/go on holiday..." or whatever his whim was at that time.

What he didn't realise was: He was exiting the market place, therefore incurring some capital taxes on the profits, and more importantly, Forgoing any future capital growth on the property.

By selling prematurely he was forfeiting a \$100,000 in capital growth over the following 2-3 years.

This explains the Fruit Shop Investor. They often make a healthy short-term gain on their investment, but they fail to reap the full financial benefits of holding on to and protecting their property assets. They operate through buying and selling, making the quick buck wherever they can, moving on. So while they make a decent profit as they go along, they own nothing because they constantly speculate and sell.

This moves me on to the other kind of property investor. These I call Squirrel Investors. A squirrel carefully gathers as many nuts as it can and stashes them away. It hoards. Most Australians are encouraged to see their long term wealth creation in this way. The goal is to accumulate wealth rather than trade wealth.

In contrast to Bill is another client from Singapore. Known to me as Lin, this friend's father is an excellent example of a Squirrel Investor and the benefits of that investment mentality.

Lin owns a prestigious property on Orchard Road in Singapore. His father originally bought the property 40 years ago, insisting that it would never be sold and so took legal measures to ensure it could not be sold by the family in the years to follow, even after his passing.

The property price was relatively little back then. Today it is worth in excess of \$30million. The rental income covers the mortgage repayments and the ability to extract the increase in capital growth of the property has made everyone in the family millionaires. All this from one single property. A great example of the rewards to a Squirrel Investor. The prudent owner could have sold in the 90's and made a huge profit. Rather he held firm and steadfast to retain the wealth, and now has the ability to call up his bank and in no uncertain terms state the property valuation at \$30million, the loan facility at \$5million, the rental returns are positively geared and servicing the loan, and request upwards of 60% on the equity of the property.

**THE WEALTH CREATION STRATEGY IS VERY SIMPLE. IT IS BUYING PROPERTY AND RETAINING IT BY NEVER SELLING, ONLY IN EXCEPTIONAL CIRCUMSTANCES, THUS HOLDING ON TO THE VERY MECHANISM THAT IS GENERATING THE WEALTH, NAMELY, THE PROPERTY.**

The Squirrel Investor has been doing this every 2 or 3 years for the last three decades, engineering a renewable income through the accumulation wealth strategy of buying and holding on to real estate assets.

UCHK Consulting outlines a clear path for existing and potential property investors to also learn about how to be a clever "Squirrel Investor", thus empowering them to achieve these phenomenal returns on their investment.

# A GAME OF THIRDS ...

Continued from page 2

## HOWEVER, THEY WILL SACRIFICE ANY ATTEMPT TO MAKE SAVINGS THIS IS A BAD STATE OF AFFAIRS.

This is the price paid for excessive capital growth that is not in line with sustainable growth of incomes and GDP.

Another good illustration is Beijing. Beijing has an un-natural, disproportionate level of affordability in the residential market, wherein the average income is 3,000RMB per month. Although possible to find accommodation for a third of that, 1,000RMB, the standard of quality is low. At that price you can only expect to get a room in a shared and overcrowded apartment and certainly in an older building. Now, the Chinese are experts at wisely saving away the pennies, a quality which is greatly admirable, but it must be difficult for many on the average income wage bracket to do so, such is the high living costs.

So if you understand this principle of thirds, and if 33 percent is available towards rent by the majority of the demographics in which your property sits, then for the landlord it will ensure a fair rental return on the property. If a person earns \$50,000, then \$333 a week would be their comfortable rental allowance. If you expect significantly more than this as a landlord then you are entering difficult waters of affordability for your customers. In Melbourne, the range of roughly \$333 per week is a per bedroom scale, so a two bedroom ought to be around the \$700 mark. If the property is renting higher then it is out of the price range of the majority.

Take in to account whilst we have the 33 factor, like the Goldilocks story of not too hot, not too cold, there is some flexibility to increase the accommodation cost to 40 or 50 percent. This should be the exception,

though, and not the rule.

While the Singapore investors have had remarkable capital growth and filled their pockets with cash, rent has been relatively low and unstable. The long-term damage to the property market will be that once capital growth has ceased and is in decline, investors will have decades of low rental returns.

Here are the keys to your new investment home. Our advice is to remember that less is more, and the nearer the property will rent at 33 percent of income, while still providing you excellent investment returns, the longer and more fruitful will those returns be.

Safe and prosperous investing!

### CITY RANKINGS

Top 25 cities: Cost of living ranking Mercer including rental accommodation costs

2012	2011	City	Country
1	2	TOKYO	JAPAN
2	1	LUANDA	ANGOLA
3	6	OSAKA	JAPAN
4	4	MOSCOW	RUSSIA
5	5	GENEVA	SWITZERLAND
6	7	ZURICH	SWITZERLAND
6	8	SINGAPORE	SINGAPORE
8	3	N'DJAMENA	CHAD
9	9	HONGKONG	HONGKONG
10	11	NAGOYA	JAPAN
11	14	SYDNEY	AUSTRALIA
12	10	SÃO PAULO	BRAZIL
13	12	RIODEJANEIRO	BRAZIL
14	16	BERN	SWITZERLAND
15	21	MELBOURNE	AUSTRALIA
16	21	SHANGHAI	CHINA
17	20	BEIJING	CHINA
18	15	OSLO	NORWAY
19	30	PERTH	AUSTRALIA
20	12	LIBREVILLE	GABON
21	17	COPENHAGEN	DENMARK
22	19	SEOUL	SOUTHKOREA
23	34	CANBERRA	AUSTRALIA
24	31	BRISBANE	AUSTRALIA
25	18	LONDON	UNITEDKINGDOM

## AUSTRALIA AGAIN COMES OUT ON TOP IN THE LATEST INDEX WHICH RANKS NATIONS AND THEIR LEVEL OF LIVING AND OVERALL SOCIETAL WELLBEING.

FOR THE THIRD CONSECUTIVE YEAR AUSTRALIA HAS BEEN WEIGHED AND MEASURED AMONGST ALL THE OTHER DEVELOPED ECONOMIES AND HAS BEEN ACKNOWLEDGED AS THE HAPPIEST NATION.

The OECD said regarding their findings: "Australia performs exceptionally well in measures of wellbeing, as shown by the fact that it ranks among the top countries in a large number of topics in the Better Life Index".

Perhaps we all have our own interpretations of what happy means. Personally, watching my favourite football team win a cup or having a walk in the park with my family are two immediate thoughts in response to the question 'what is happy?' It's almost certain that every individual has a different take on what makes them feel good about life.

However, when it comes to measuring the happiness of a nation, the Organisation for Economic Co-operation and Development take a slightly more tangible approach by focusing on aspects that effect every person in society. Measurements for the survey include criteria such as income levels, health, safety and housing. More than 30 countries were evaluated in the last Better Life study.

And not all of the factors that you would often associate with why Australia is such a desirable place, things like fresh, clean air, year-round sunshine and 50,000km of beautiful beaches were even a part of the formula.

What makes Australia so special? Well, it's a relatively young nation, but one that has seized an opportunity to build something special. It has all the right ingredients. Strong laws and government. An abundance of natural resources and vast amounts of land. Stunning natural beauty and wildlife. A combination of cultures from past and present coming from the Aboriginal people and the Europeans who came to settle. Best of all, the Australian government have continued to declare an immigration policy where those wishing to add to its growth through successful studies, investment or work are actively welcomed and sought after.

**Australia is a happy nation, as shown by the Better Life survey. But a nation in and of itself is an arbitrary term - it is the people who make the country. And that means that Australians, the people, are happy.**

### The World's Happiest Developed Countries:

1. Australia
2. Sweden
3. Canada
4. Norway
5. Switzerland
6. United States
7. Denmark
8. The Netherlands
9. Iceland
10. United Kingdom

# ASIA DESK

## RIGBY COOKE LAWYERS

The impressive thing about Australia's migration laws are that even though they are complex, the rules are stated in law.

BY DARREN MARX

In addition to our conveyancing services we are also able to assist in translating and negotiating commercial contracts.

Property Investment in Australia Rigby Cooke Lawyers is focused on providing you with superior service to ensure that your purchase process is a smooth and straightforward process.

From the moment that you purchase your property, Rigby Cooke will assign you a dedicated Asia Desk Manager, who will work with you throughout the entire process and guide and support you from your initial signing of the contract, through to your settlement and possession of your property.

Through A specialised Asia Desk, Rigby Cooke offers a broad ranging legal services for all property and conveyancing requirements.

As part of the UCHK team and to assist Asian property investors, Rigby Cooke Lawyers offers clients located in Asia a broad rang legal services for all property and conveyancing requirements. Through our specialised 'Asia Desk', Rigby Cooke offers expert assistance with property purchases as well as the associated tax, wills and immigration requirements .

With skilled staff who can correspond in Mandarin and Cantonese, as well as various Chinese dialects including Hainan, Hokkien and Teochew, Malay and English, the Rigby Cooke 'Asia Desk' is assisting many clients with all their property purchasing requirements providing expert guidance throughout the entire process.

In particular we specialise in offering oral and written advice in Chinese, Malay and English.

Headed by Sam Sen, our 'Asia Desk' is supported by the wider Rigby Cooke team, including the property and tax practices.

AUSTRALIA'S CLOSE PROXIMITY TO ASIA AND ITS STABLE POLITICAL AND ECONOMIC ENVIRONMENT MAKES IT AN ATTRACTIVE AND SECURE PLACE TO INVEST FOR ASIAN CLIENTS. AS A GROWING ECONOMY, AUSTRALIA'S CITIES ARE HOME TO A VARIETY OF COMMERCIAL, RESIDENTIAL AND INDUSTRIAL DEVELOPMENTS, OFFERING A CHOICE OF INVESTMENT OPPORTUNITIES.

TO EVALUATE OPPORTUNITIES CONFIDENTLY AND NAVIGATE THROUGH THE LEGAL LANDSCAPE, OVERSEAS INVESTORS NEED TO PARTNER WITH THE RIGHT ORGANISATION.

EXCHANGE OF THE CONTRACT WITH THE SELLER  
ASSISTING WITH QUESTIONS REGARDING A PURCHASE  
ENSURING THE DEPOSIT IS PLACED IN THE SELLER'S TRUST ACCOUNT AS REQUIRED BY LAW;  
PREPARING TITEL TRANSFER DOCUMENTS  
COMPLETING SETTLEMENT TO ENSURE THAT YOU BECOME THE REGISTERED OWNER.

# AUSTRALIA

## WELCOMES DIRECT CURRENCY TRADING OF THE RMB

She said developing regional markets to the benefit of Australian businesses was the aim of the Australia in the Asian Century White Paper.

BY CARL JETTA

Originally published by Australia China Connections

IN APRIL, AUSTRALIA AND CHINA ANNOUNCED DIRECT CURRENCY TRADING BETWEEN THE RENMINBI AND THE AUSTRALIAN DOLLAR.

The announcement of direct currency trading of the Renminbi between China and Australia was one of several coops of Australian Prime Minister Julia Gillard's visit to China in early April.

Direct conversion between the yuan and Australian dollar commenced on April 10.

Westpac and ANZ are the first two Australian banks to be granted permission by the People's Bank of China to start trading of the yuan.

Prime Minister Gillard said direct trading between the two countries was an important step forward in advancing the economic relationship between China and Australia.

"The development of direct trading between the AUD/CNY will over time help lower currency conversion costs, facilitate the use of CNY and AUD in bilateral trade and investment, and promote financial cooperation between our two countries," Ms Gillard said.

"As China continues to move its economy towards greater financial openness, Australia stands ready as a key trading partner to work with China and to bring our financial markets closer together," Ms Gillard said.

Mike Smith, ANZ Chief Executive Officer said direct trading between the Australian dollar and the Renminbi was a significant development in relations between the two countries and was an important boost for exporters and importers in both Australia and New Zealand.

"Given China is Australia's largest trading partner, our largest export market, our largest source of fee-paying students and tourists this agreement is timely and with

our new licence we look forward to offering direct settlement to our customers in both markets," Mr Smith said.

Gail Kelly, Westpac Group's Chief Executive Officer, said Westpac had long supported the development of direct trading between the Chinese yuan and the Australian dollar.

"This announcement is an important step. It helps make trade with China more efficient and contributes to Australia's opportunities in the Asian Century," Ms Kelly said.

Australian becomes the third country after the United States and Japan to have its currency directly converted to the RMB.

# AUSTRALIA

## WELCOMES DIRECT CURRENCY TRADING OF THE RMB

BY DAVID OLSSON

Originally published by  
Australia China Connections

Three big events in the last few months are set to define the Australia China relationship for the decades ahead.

The first was the signing of an agreement to allow for direct convertibility of the Australian dollar and the Chinese renmimbi (RMB).

This is significant not only because it will help Australian importers and exporters lower costs and minimize currency settlement risks when dealing with China, but also because it gives Australia a huge first-mover advantage to benefit from the introduction to the global economy of another significant currency – potentially with a financial market taps large and deep as that of Europe.

The second was the recent visit by Prime Minister Gillard and senior Ministers which resulted in an agreement to hold annual top-level exchanges between our respective leaders. This, along with the new energy coming out of several senior business leader dialogues, has created a platform and framework for new discussions and the creation of new relationships.

The other event was the arrival of Professor David Walker to take up his position as inaugural BHP Billiton Chair of Australian Studies at Peking University.

The Chair is an initiative of the Australia- China Council, the Foundation for Australian Studies in China, BHP Billiton, Peking University and the Australian Government.

It is the first high-profile, privately-funded Australian professorial position in China.

It acknowledges that greater educational engagement with China is vital to Australia's continued prosperity and the future of our young people and also provides a template for Australian business engagement in China.

Taken together I believe that these events and initiatives are representative of a new thinking about the nature of the bi-lateral relationship and provide a mechanism through which Australia can more clearly take control of its destiny.

The narrative around the relationship is changing.

Over the last 20 years, China has been seen as an "opportunity" for many Australian firms; a low cost manufacturing base which can provide competitively priced goods for the local market. From the Chinese side it has been a story of rocks and mines – Australia has been a reliable supplier of commodities and energy to fuel China's growth needs.

The ups and downs of the relationship have been largely managed by the deft hand of our Embassy and Consular staff with the benefit of visits by our political and business leaders. But all of this has been done without an overarching structure or understanding of what the future relationship might or should look like.

That is now changing. The last few months have been very exciting ones for Australians living in China. The smoggy skies of Beijing remain a worry, but the energy around the relationship is palpable. That fact has been keenly felt within our AustCham membership.

There are new conversations around the strategic imperative for Australia and China to forge a different sort of relationship – one which is underpinned by notions of partnership and collaboration.

Trade and investment is necessarily transactional, but growing regional inter-connectivity and inter-dependence requires a much keener awareness of what China's new growth model means for Australia in the years ahead. It also demands sharper thinking and more innovative business models to meet the challenges of a highly competitive market.

There is also an imperative for a sustained and consistent effort in deepening and strengthening our personal connections and becoming China-literate and China-ready.

None of this will be easy, but we now have the benefit of some ground-breaking initiatives and a more structured method of engagement. Properly managed this should ensure that Australia is not swept aside in the wake of China's rise.

This note will be my final note as Beijing Chairman. I step down in June after three years in the role. To all my colleagues and friends in China, it has been a privilege to have served on the Board and play a role in re-shaping AustCham to enable it to meet the challenges ahead. I will be moving back to Melbourne but in my roles at King & Wood Mallesons and the Australia-China Council will be a regular visitor to China.



AUSTRALIA IS AT THE CUTTING EDGE IN BUSINESS AND COMMERCE.

## BUSINESS INNOVATION

Built upon principles of stability, quality and long-term thinking, the Australian economy is in rude health. Naturally this leads to innovation in the market place. As a company in one sector has progressed this in turn has spurred on rival companies to innovate their products and services.



# THE TWO PRONGED PURPOSE OF PROPERTY INVESTMENT:



## CAPITAL GROWTH + RENTAL YIELDS

SOPHISTICATED INVESTMENT VARIES FROM COUNTRY TO COUNTRY. WHILE SOME ENJOY MODERATE CAPITAL GROWTH AND HIGH RENTAL RETURNS, SOME HAVE LOW RENTAL RETURNS THAT BARELY MEET THE COST OF THE PROPERTY BUT ENJOY EXCEPTIONAL CAPITAL GROWTH.

### SO WHERE DO WE FIND THE BALANCE?

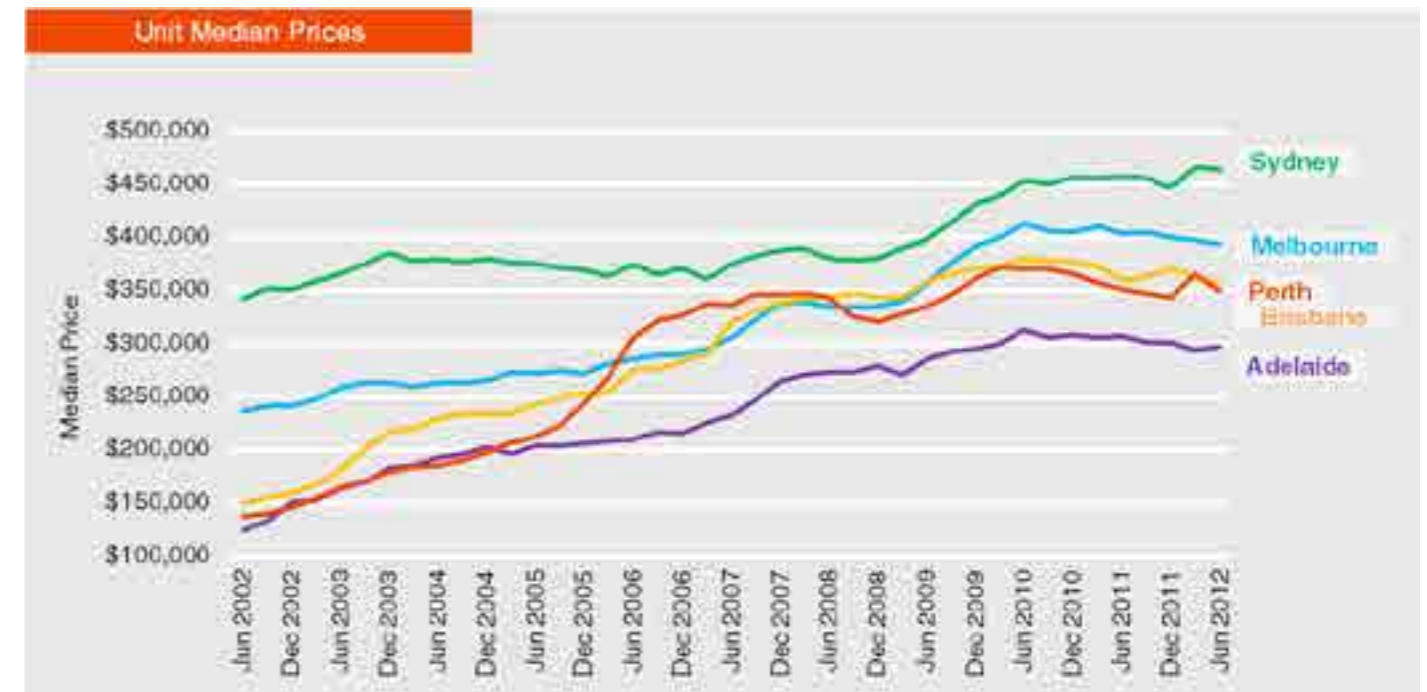
In an age where journalists are constantly under pressure from their editors to publish sensationalist headlines and capture readers attention, the facts can only be interpreted when you cut out the hype and opinion. Capital growth charts often show peaks and troughs that seemingly portray alarming losses, when in fact what occurred was huge growth tempered by a slight cooling. But that doesn't count for much if a journalist uses a percentage graph. The casual observer can easily be misguided and believe the hype.

In any case, what happens over a 12 month period has no relevance to an investors wealth and net worth over a five or ten year period. A two percent drop in value followed by a 10% rise in capital growth equals an overall increase of 8%. Some will only see the drop while a property investor clearly discerns an 8% gain and opportunity.



Real estate is not the stock market. There are predictable, seasonal, annual cycles in property values based on the weather alone. Couple this with public holidays and it's obvious that selling your property in the midst of winter on a public holiday will not attract as many buyers as the spring market with flowers blossoming in the garden. These stimuli can be calculated in annual and bi-annual fluctuations in the market but rarely affect the overall capital growth rate.

External influences such as behavioural reactions to global and financial news has a direct effect on the capital growth rate of Australian property. More to the point, this is just a behavioural reaction, "Europe is in financial crisis", riots in London "Spanish unemployment", war. All these elements are just behavioural reactions to global issues that have little or no relevance to the Australian property market. As an example, during the GFC while financial anarchy was devastating



most of the world, immediately preceding the demise of many financial institutions in Europe, the Australian property market experience and exceptionally high capital growth rate (against safe and normal capital growth rates) as the behavioural reaction of Australian and overseas investors immediately, again behaviourally, rushed to put their investments in the safety of Australian bricks and mortar investment.

Above are the figures that demonstrate the behavioural reaction to what would have been assumed to be a devastating set of circumstances, only benefit Australian investors.

This demonstrates Australia's resilience to global economic turmoil as a country of stable government, stable economic policy and opportunity, in stark contrast to a globally suffering economy.

And with Australian property providing such a stable and solid investment, the only question about the capital growth on your property is what to do with all the equity that builds up over time.

FROM A SAFE HAVEN DURING THE GFC UNTIL NOW, HERE ARE JUST SOME OF THE ONGOING REASONS WHY AUSTRALIAN PROPERTY HAS FLOURISHED WHILE OTHERS HAVE CRASHED:

- There are housing shortages. Supply and demand are monitored and controlled -
- Strong overseas migration and investment -
- Australian household sizes are shrinking, meaning more families and individuals want or need their own home -
- Mortgage interest rates are at record lows -

# TALK IS CHEAP

## WHEN IT COMES TO MONEY

THE **LOWEST INTEREST** RATES SINCE 1959 COUPLED WITH ACCESS TO PRIVATE BANKING PRODUCTS POSITIONS PROPERTY INVESTORS TO TAKE ADVANTAGE OF EASY FINANCE, WRITES LYNN CHINGCHONG, A UCHK PRIVATE WEALTH FINANCE CONSULTANT.



The love affair overseas investors have with Australian property is also shared by world banks. All Australian banks stand on a mountain of assets of bricks and mortar, as they represent solid, stable collateral on loans. Further to this love affair, world banks also have their foot in the door to lend on Australian real estate with multi-currency loans.

In Australia, the minimal deposit required is 10% as any employed person can obtain a 90% loan. Overseas investors can easily access, without any fuss, 80% loans from UCHK's Private Wealth Finance consultants.

UCHK Private Wealth Finance is an in-house finance broker with a 100% approval rate for overseas clients applying for Australian bank loans.

With hundreds of products and dozens of banks all competing for a stake in the investment loans market, it takes an expert to navigate and target the best options available, and to negotiate even better rates than what are openly published.

UCHK Private Wealth Finance has identified several products that are suitable for different types of investors. Clients of a certain net wealth will enjoy private banking, while small to medium size investors will benefit from the flexibility of retail products at very competitive rates.

Basic options are based on current rates:

80% loan variable at 4.78% AU\$ loan (suitable for anyone with minimal documentation and criteria for qualification, easiest option - no fuss)

90% loan variable loan (suitable for investors with multiple properties linking the equity of their existing properties to a new acquisition)

Offshore multi-currency loans\* are available at 60-70% LVR and can be obtained from all major banks at a rate between 1.2 and 1.8% interest rates

The private wealth finance representatives are members of the governing body for professional brokers, the MFAA (Mortgage & Finance Association



Cash rate	2.75%
Inflation rate	2.5%
Exchange rates [4 pm AEST, 26 Jun 2013]	
A\$/US\$	0.9269
TWI	71.3

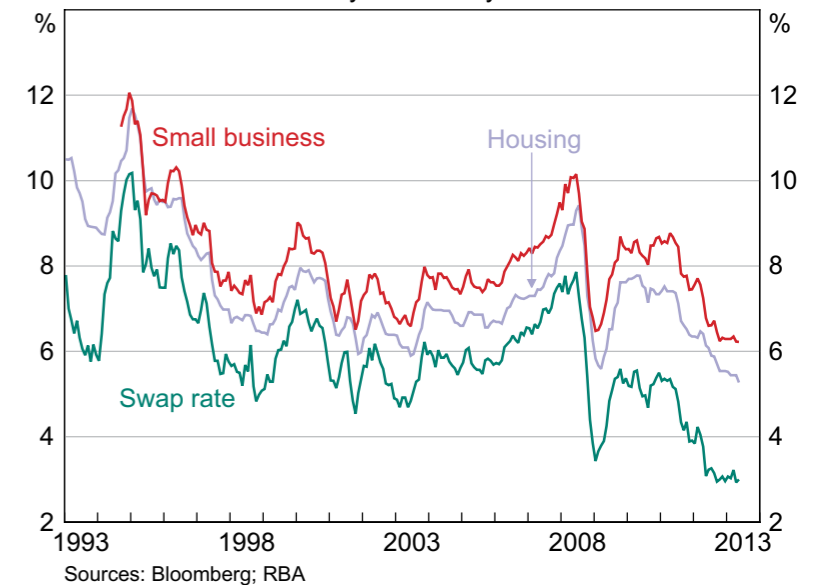
of Australia) and hold an ACL (Accredited Finance License) as required by ASIC and specialise in many financing options.

\*These forms of loans are available to premium clients wherein with deposit security and other terms and conditions, mortgages can be drawn down in US\$, HK\$, AU\$, or a combination of currencies and percentages. Whilst this is a significant rate saving compared to an Australian bank loan, investors must take in to account that the revenue from their investment property will be in Australian dollars and that servicing the interest on the loan will be in the currency (currencies) of the off-shore loan. Therefore a drop in the Australian Dollar is detrimental to servicing a US\$ loan. Whilst the predicted 10% drop in the AU\$ is on the surface harmful, a minimal of 3% savings on interest certainly can balance this loss of value.

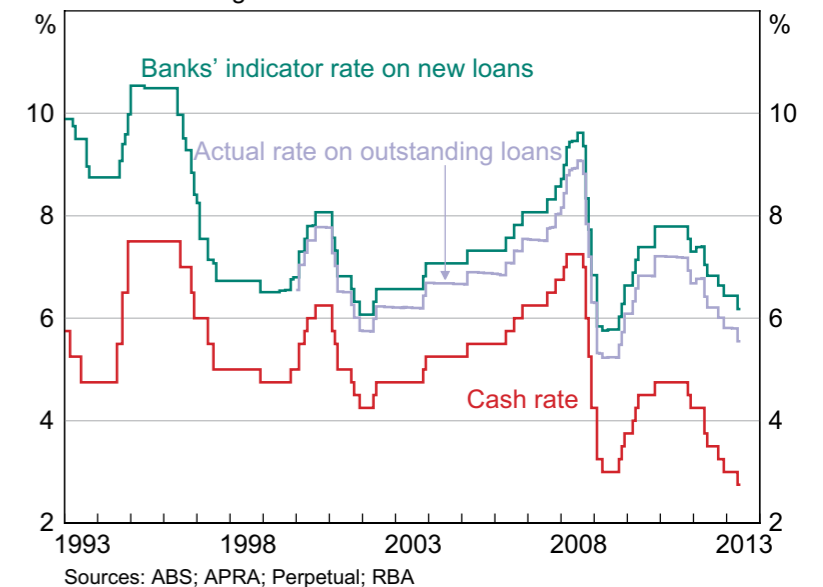
Clearly on the volume of financing that UCHK clients require our group has links to all the major banks so that our clients enjoy the best rates, service and investment.

Yanlin Liu (Lynn)  
Private Wealth Finance  
E: Yanlin.Liu@uchkconsulting.com

### Australian Fixed Interest Rates 3-year maturity



### Australian Housing Lending Rates Average interest rate on variable-rate loans



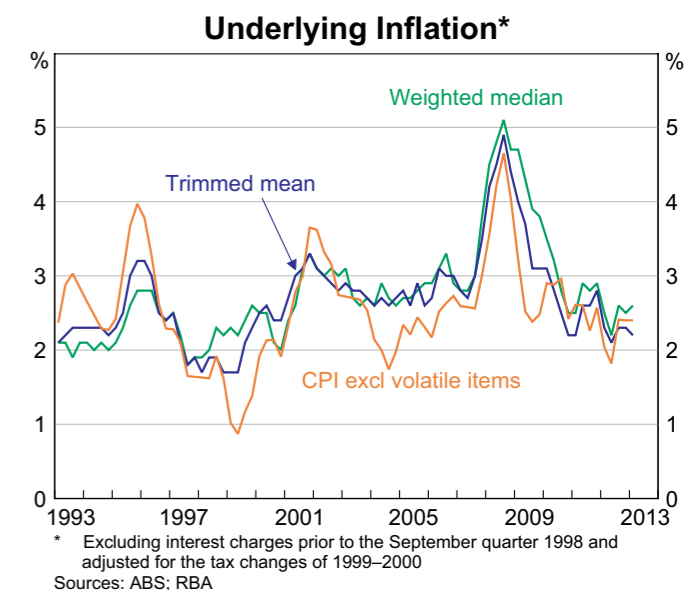
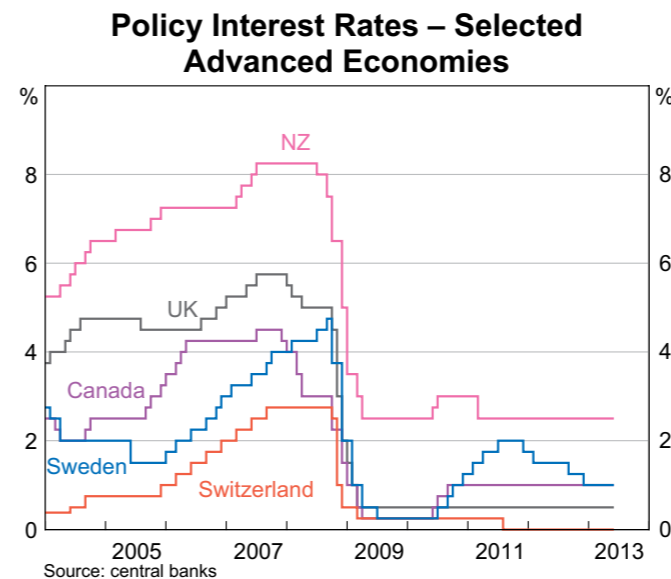
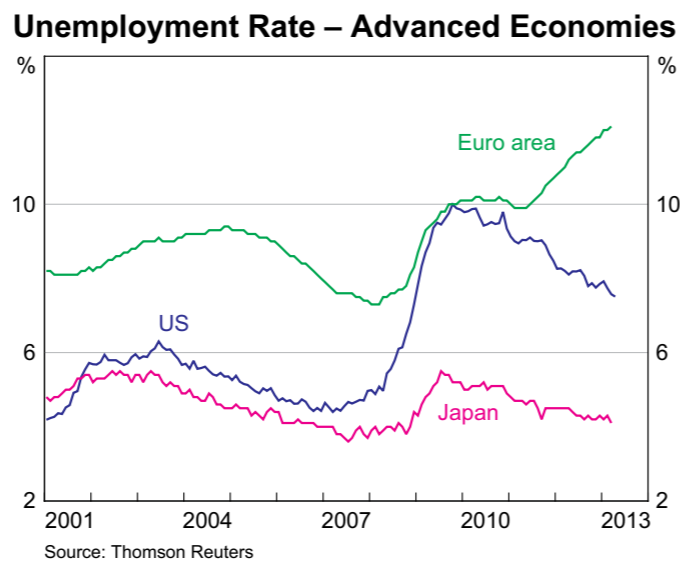
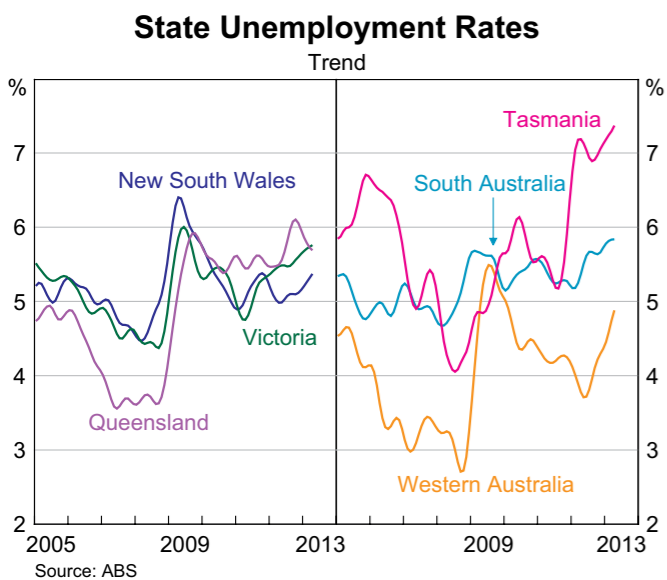
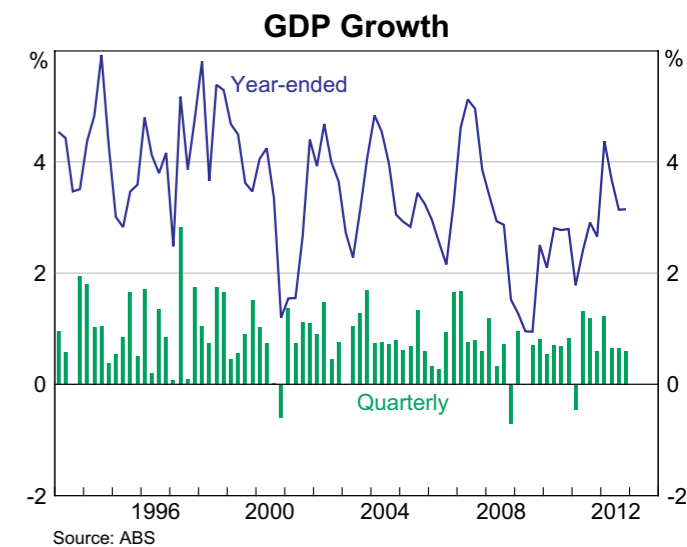
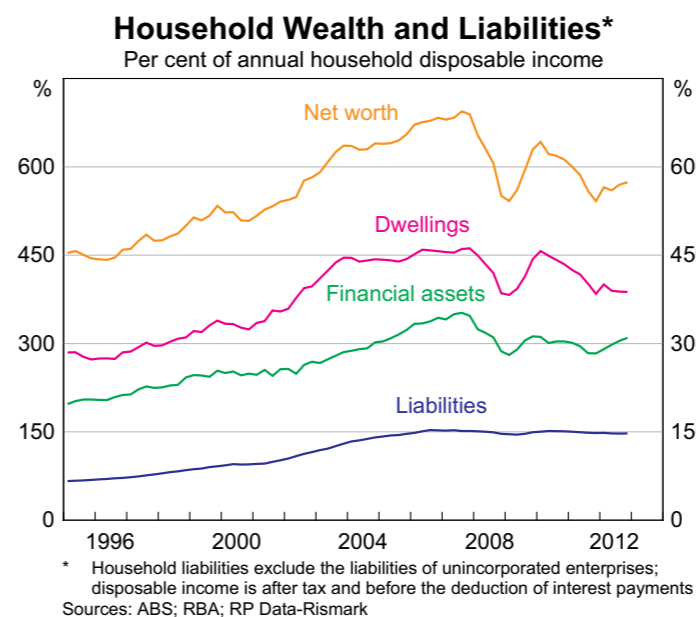
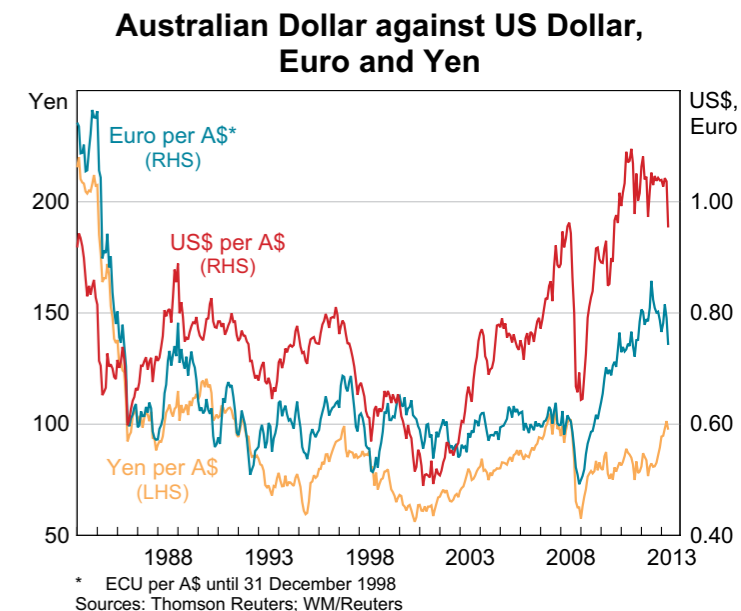
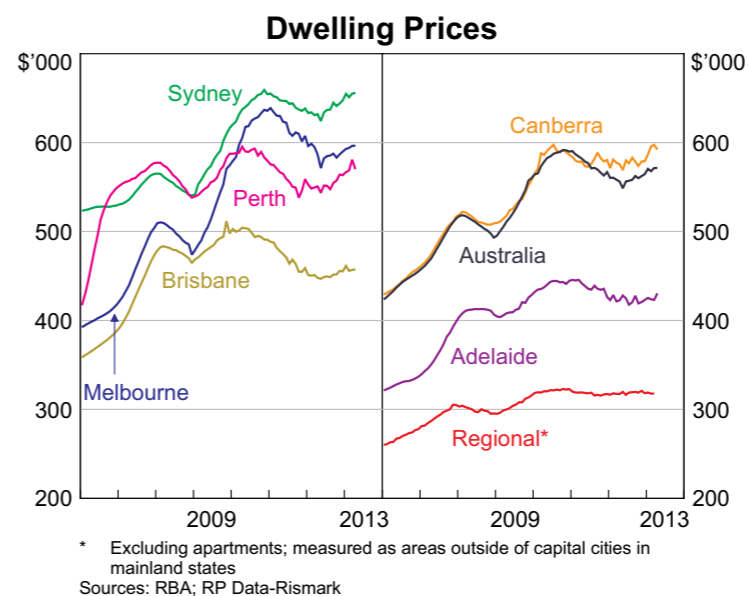
# AUSTRALIA ECONOMIC UPDATE

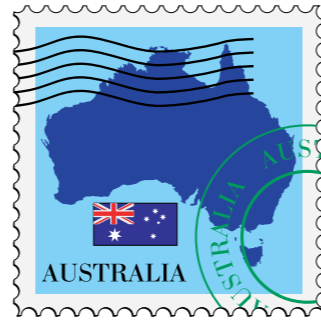
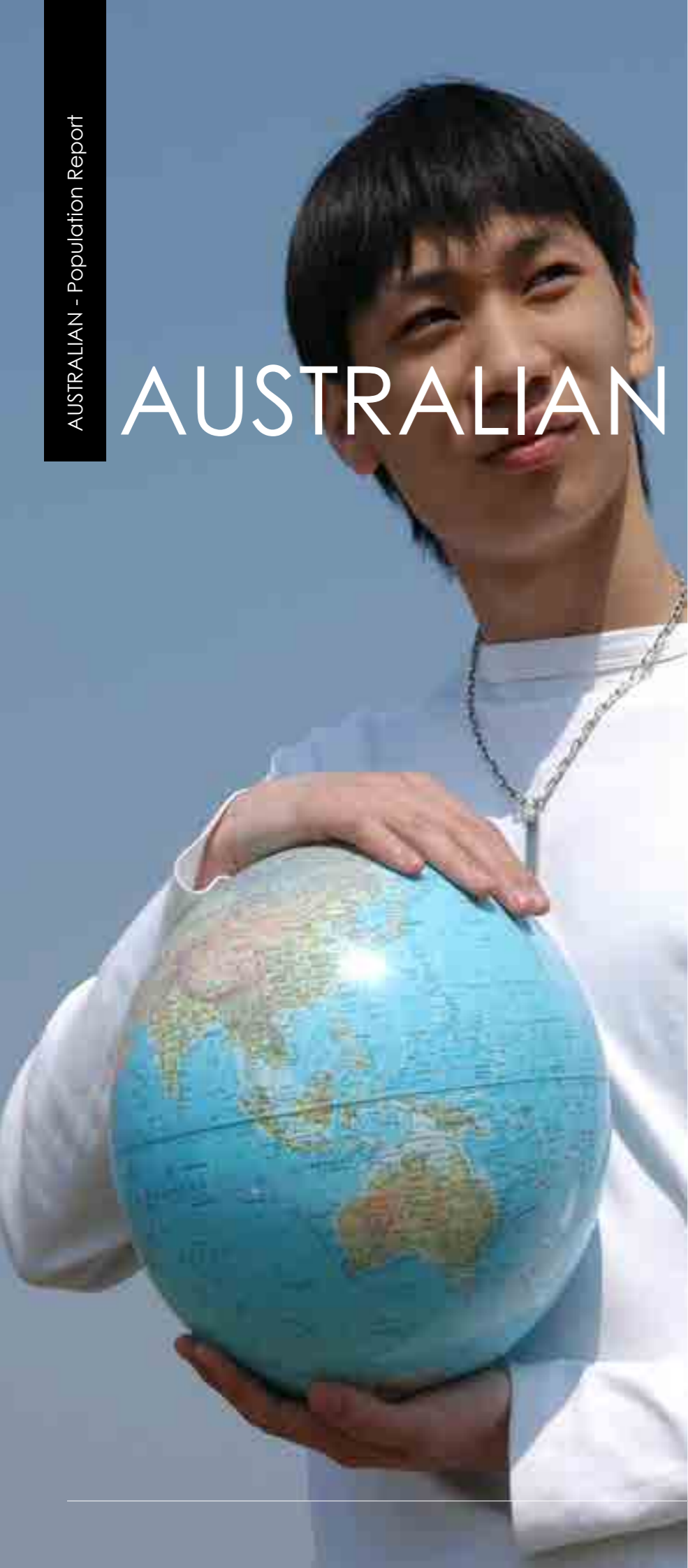
The Australian economy is one of the largest capitalist economies in the world with a GDP of US\$1.57 trillion.

The Australian Securities Exchange is the main stock exchange in Australia. Many of the world's largest companies, particularly in commodities, are based in Australia.

**WHILE MANY OF THE WORLD'S BANKS HAVE BEEN FAILING OR FACING VERY HARD TIMES, AUSTRALIA'S FINANCE SECTOR, BUILT UPON REGULATION AND PRUDENCE, HAS WEATHERED THE STORM BETTER THAN MOST OTHER COUNTRIES.**

Despite the global economic downturn Australia has maintained its AAA credit rating by financial evaluators, making it as of March 2013 one of only 8 countries to have a AAA rating from the three major global ratings agencies.





ONE BIRTH EVERY 1 MINUTE AND 43 SECONDS  
 ONE DEATH EVERY 3 MINUTES AND 34 SECONDS  
 A NET GAIN OF ONE INTERNATIONAL MIGRATION EVERY 2 MINUTES  
 AN OVERALL TOTAL POPULATION INCREASE OF ONE PERSON  
 EVERY 1 MINUTE AND 20 SECONDS

AUSTRALIAN REAL ESTATE MARKET IN NEED OF MORE PROPERTY AS THE AUSTRALIAN BUREAU OF STATISTICS ANNOUNCES AN HISTORIC MILESTONE WITH THE AUSTRALIAN POPULATION EXCEEDING 23 MILLION.

# AUSTRALIAN POPULATION ON THE RISE

Earlier this year Australia hit a new population landmark by reaching and then exceeding the 23 million level. Since records began the Australian population has had a year on year rise. With the notable exception of the years around World War I the population has climbed steadily and is forecast to continue upwards. Recent growth in the population has come despite a falling natural birth rate. The overall population has increased in spite of this mainly due to a pro-immigration policy used by the Australian government.

This policy is being demonstrated in 2013 with the announcement by the Australian Government that they intend to grant upwards of 200,000 working visa requests to skilled overseas workers this year. With many developed countries closing their doors on immigration, Australia is doing the opposite. So much of what Australia stands for is an open door policy to peoples of all nations looking to go and live somewhere better. It is noticeable that for a country of relatively small population in the global order, Australia has consistently punched well above its' weight in areas such as economics, cultural impact and sporting

achievements. Sometimes its worth reminding that geographically Australia is only marginally smaller than countries like the US or China, yet has a population of 23 million - about the same as Beijing!

Relatively small, the population has a dynamic, productive and progressive spirit to it. Anyone who has visited Australia can attest to the multiculturalism and open arms feeling each person receives whether they are simply visiting, starting studies or are there to roll up their sleeves and get to work.

Within the real estate market a healthy influx of new residents to Australia has given the industry a massive boost. While making it difficult for tenants to find the right home, it has produced a surge of demand. Supply is being kept tightly monitored and controlled by the government which means that the conditions are perfect for investment. Property investors are gaining huge rewards as they see all the assets in their portfolios in high demand to be rented or bought, all the while constantly accruing in capital growth.

Added to investors delight who already own property is the latest prediction which shows the anticipated number of new-build apartments in Melbourne as decreasing in the next 2-3 years, meaning only further demand.

A spokesman for the Real Estate Institute of Victoria: "From an investors perspective the strongest demand is for 3-bedroom houses in the inner city and in the middle suburbs. In both cases the average advertised rent is trending upwards".

UCHK Consulting CEO Scott O. Talbot believes now is the ideal time to purchase prime Australian property:

"At the moment buying Australian property is a win-win situation. The prices are still affordable and the standards are extremely high.

With immigration steady and demand going up, an investor, or family wanting to live or send a child to university, are making an entry in to probably the safest housing market in the world right now.

"Even during the global financial crisis Australia did not suffer the dramatic downturns that happened in the US and Europe. The Australian housing market is in good shape and represents the best option for foreign investment".



AUSTRALIAN POPULATION EXCEEDING 23 MILLION  
 INCREASE OF ONE PERSON EVERY 1 MINUTE AND 20 SECONDS

# CONUNDRUM DOWN UNDER HOUSING SHORTAGE -VS- POPULATION IN AUSTRALIA

BY SCOTT O TALBOT

Plenty of talk about Australia's housing shortage.

But what if the time comes when nobody's left to buy?

To understand why Australia didn't even get a cold during the [global financial crisis], and to this day stands at the top of the economic ladder, you have to understand the principles of making babies.

We don't have to look too far on the Internet for opinions, seminar spookers\* and doomsayers offering enlightenment and crystal ball advice on the Australian property market and opportunities. Without doubt, even industry experts are perplexed by the mixed messages and agendas of the contributors.

The truth of the matter is, understanding or predicting the Australian real-estate market is about making 'babies', and it is joined at the hip of immigration policies of the government, the mining sector, and the economic prosperity of the country-- not the opinions of realtors and seminar spookers.

On a recent business trip to Hong Kong, I caught up with an old friend and philanthropist-mentor from my days in New York City politics. A former Managing Director of Citibank, with US\$8 billion in his portfolio, friend with

the Buffett's, a board member of my charity and the type of person you look up to for high-level opinions and knowledge. I will refer to my friend as Steve.

Getting the topic of economic turmoil and the troubles of Europe and the USA out of the way, Steve in his loud American accent declared that 'there is nothing intelligent about [Australia's] economy or politics.' Slightly offended, but more curious to the contextual meaning of this statement, he continued explaining.

'Scott, to understand why Australia didn't even get a cold during the [global financial crisis], and to this day stands at the top of the economic ladder, you have to understand the principles of making babies.' As I did, I thought a few too many drinks, but he continued.

'You have three distinct economies in Australia,' he said. First economy is Mining. You simply scoop it out of the ground ship it to China and buy some merchandise back along with the rest of the world. You have so many resources in the ground that this will continue forever as long as the world consumes. China will still place its orders, and Australia will continue to profit from digging it out of the ground.

Second economy is Food. Australia is feeding the world. As everyone has seen in the press, China has been busy buying up farmland and over 50% of certain fresh produce in Singapore is from Australia. This is of no surprise to myself -- I was in Nanjing, China, recently and enjoyed an Australian steak, and tonight I am ordering home delivery in Beijing 'Aussie Lamb Chops'.

Third economy – if you ever have the pleasure of meeting Steve, you will appreciate some theatricals that coincide with the conversation – Steve picks up his beer and demonstrates Australia's third economy. 'No, it isn't beer,' he said.

He pours a tiny drop into his glass and states, 'Immigration. This, my friend Scott, is the most un-intelligent economic policy Australia has, that no other country in the world can produce.' (Pour in a lot or pour in a little – immigrants verses the beer demonstration.)

'You are making only 1.7 babies and as you know civilisation will soon be extinct if you're not making 2.8+ babies per year. You will not need to build new homes, schools, and shopping centres, you will be in an economic slide to disaster this century.'

'Your country has the space, infrastructure, climate, stable government, and great economy, [and it has] no guns and a quality life unique in the world.' Steve furthered: 'These positive attributes can be said about a few countries; however, where your country wins is your undeniable popularity. Walk down a street in any country in the world and ask a simple question: 'Today, we are handing out passports. Which country would you like to live, work and raise your family?'



The response is more likely: 'Australia.' 'This is the single most important 'un-intelligent' factor that secures your third economy.' Indeed, apply this knowledge into simple supply and demand controls and you have an economic weapon against any unforeseen localised or global economic crisis. Oversupply of cars or housing? Hand out some \$1 million - to \$2 million-dollar visas and watch them arrive by the plane load ready to buy your houses, cars and furniture, eat in your restaurants, and send their children to your schools. More consumers means productivity fixed in a flash.

That being said, Australia's economic policy is joined at the hip with immigration – open the immigration doors too widely, and you will have a boom-crisis on your hands that will overinflate every single market sector on simple supply and demand. Too much demand is probably your greatest economic concern. It needs to be a controlled, intelligent, sustainable growth policy, married to immigration.

Australia is a nation built on immigration. Nearly 50% of Australians are either born overseas or have a parent born abroad. It has become a leading country because many ethnic groups have enriched it culturally, socially and economically.



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