

Property Observer

Significant Investor Visa – a new source of capital?

By Ming Niu – Atchison Consultants

In November 2012, the Australian Government introduced a Significant Investor Visa (“SIV”) for migrants as prospective permanent residents who invest \$5 million into complying investments in Australia for a minimum period of four years. Complying investments include Australian government bonds, ASIC regulated managed funds and direct investment into Australian proprietary companies. This initiative has brought opportunities and challenges in Australian property.

Opportunity

SIV will draw capital flows into Australia. Under the new visa scheme, the Australian government expects to attract 700 new residents annually and \$3.5 billion in complying investments. As the majority of SIV applicants to date are Chinese, known for their keen interest in Australian property investments, it is reasonable to expect that a sizable portion of SIV funds will flow into the property market, with estimates of \$2 billion p.a. of new capital. On a cumulative basis this is material for a total commercial property market valued at \$700 billion. Investors may participate in property investment syndicates, which purchase existing properties or participate in property development projects.

With the aid of advisors and Australian fund managers arranging financial affairs for migration purposes, SIV applicants will gain an initial exposure in Australian investments. As familiarity and trust between SIV applicants and Australian fund managers grow, participation in wider investment products is possible with additional savings from SIV applicants. Although the initial \$5 million from successful SIV applicants is committed to complying investments, excess funds are not restricted. Australian fund managers will be in a strategic position to build long term relationships with SIV clients, providing holistic solutions for their financial needs.

Table 1 shows current SIV statistics from the creation of this visa on 24 November 2012 to 31 October 2013 which provides support for the target of 700 new residents annually.

Table 1: Significant Investor Visa Key Indicators - 24 November 2012 - 31 October 2013

Indicators	
Expression of Interests (EOIs) submitted:	825
Invitations issued:	631
Applications lodged:	498
Primary visas granted:	65
Applicants from China:	91%

Applications on hand (31 Oct 2013)	422
- Less than 3 months:	41.2%
- 3-6 months:	38.6%

Source: Department of Immigration and Border Protection

Converting SIV investors into a viable funding source for property investment or development lies with the development of syndicates which will include a number of SIV investors. Property syndicate managers will need to accommodate a number of investors from different cultural ethnicity and business practices.

Another challenge of SIV funding lies with the liquidity of funding. The SIV legislation requires the applicant to have \$5 million invested into complying funds for four years. This exceeds most development project lifespans. SIV Investors may switch within four years, as long as the switch is done within 30 days into another complying fund.

SIV poses as an opportunity for raising capital into property syndicates. Property syndicate managers will need to acknowledge and manage the unique nature of SIV investors in order to tailor solutions around this initiative.

Ming Niu is an analyst at Atchison Consultants