Chapter 2

Foreign investment proposals

Foreign investment proposals

This chapter provides an overview of, and statistical information on, applications considered in 2009-10.

Features of the FIRB statistics

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

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

- The data does not cover foreign investments below the various monetary and percentage thresholds that apply under the FATA and the Policy. Nor does the data cover follow-on investments to expand the capital stock of existing foreign-owned businesses (both in existing areas and into related areas). See the FIRB website, www.firb.gov.au, for the current thresholds.

- The figures are based on the assumption that investment funds will be sourced from overseas. The extent to which approved investment proposals will actually be funded externally and therefore result in foreign capital inflows depends not only upon whether they are implemented, but also upon the proportion that is financed from foreign sources. Some (and in some cases all) of the proposed funds to be invested may be contributed by Australians, for example, where they are in partnership with foreign interests or where the investment is financed from existing Australian operations.

- The source of funds identified in the Board's statistics does not necessarily imply the country of control. For example, if a company has a single substantial shareholder, the country of that shareholder is recorded, or if a company's shares are widely held, the country of domicile/incorporation is recorded.

- The data does not necessarily reflect a change in foreign ownership as, in some cases, both the target and the purchaser are defined as a foreign person under the FATA.
- Acquisitions of diversified company groups are classified into a single industry sector according to the major activity of the group, for example, in a diversified mining company with interests in various minerals. Acquisitions of real estate to be used for purposes incidental to the main business activity of the purchaser are classified according to that activity.[3]

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

- they include proposals that are approved in a given year but which are not actually implemented, or could be implemented in a later year, or over a number of years;
- they include approvals for multiple potential acquirers of the same target company or asset;
- they are inherently irregular and can be skewed due to very large investment proposals;
- major liberalisations of the Policy that have occurred since the mid-1980s have acted to reduce the number of proposals, 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 thresholds for the calendar year 2005 of $800 million and $50 million (indexed annually) for United States investors from 1 January 2005;

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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 increase 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; and

  - the introduction of changes in 2009 and 2010 to the screening arrangements for temporary residents purchasing residential real estate;

- changes to other government policies and legislation may have had an effect on proposed foreign investment, such as:

  - the removal of foreign ownership restrictions in the media sector in April 2007; and

  - changes in immigration policies that control the number of temporary resident visa holders which largely determines the level of foreign investment in developed residential real estate;

- the implementation of a new case management system (known as FIMS) in December 2005 significantly improved data collection accuracy. FIMS allows a more detailed analysis of proposed foreign investment, as reflected in improvements to the statistics presented from the 2005-06 Annual Report onwards. While the data in that report and subsequent reports is consequently more accurate, caution is necessary in making inter-year comparisons involving data from earlier years;

- reporting procedures for proposals involving financing arrangements were amended in 2005-06. Although they continue to be included in the statistics (in the number of approvals), the proposed acquisition cost and development expenditure are not recorded in FIMS for proposals such as lending arrangements where there is not expected to be an equity investment flow into Australia.[4] This has affected the value attributed to proposed investment in the finance and insurance industry; and

- prior to 2005-06, proposals involving share acquisitions were recorded as conditionally approved on the basis that the proposed acquisition was to proceed within 12 months. In FIMS, such proposals are no longer recorded as conditionally approved.[5]

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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.

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

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

Applications considered

This section analyses all investment proposals that were finalised (approved, rejected, withdrawn or exempt) during 2009-10, irrespective of the date they were submitted.[6] Corporate reorganisations are included here (78 in 2009-10), whereas they are excluded from the analysis of approved investment provided later in this chapter.[7]

The number of applications considered during 2009-10 was 4,703, which is 19 per cent lower than the 5,821 in 2008-09. Table 2.1 provides a breakdown of the number of applications considered over the last six years, according to the outcome of proposals.

Of the 4,401 applications **approved** in 2009-10 (18 per cent lower than the 5,352 approvals in 2008-09), 1,729 were approved subject to conditions and 2,672 without conditions being imposed. All but two 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 three proposals were **rejected** in 2009-10 (three in 2008-09), representing less than 0.1 per cent of all proposals considered. All of these rejected proposals were related to real estate acquisitions.

In 2009-10, 167 proposals were **withdrawn** by the applicants, representing a 51 per cent decrease on the 341 withdrawals in 2008-09 and representing less than 4 per cent of the total applications received. In 2009-10, 51 per cent of withdrawals involved real estate proposals. Many of these withdrawals resulted from applicants submitting several concurrent or a series of applications (often for properties that were to be auctioned

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

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

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 2009-10, 132 proposals were determined to be **exempt** compared with 125 in 2008-09. 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 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: 2004-05 to 2009-10 (number of proposals)

Outcome	2004-05 No.	2005-06 No.	2006-07 No.	2007-08 No.	2008-09 No.	2009-10 No.
Approved unconditionally	1,127	1,386	1,520	1,656	2,266	2,672
Approved with conditions	3,233	3,800	4,637	6,185	3,086	1,729
Total approved	**4,360**	**5,186**	**6,157**	**7,841**	**5,352**	**4,401**
Rejected	55	37	39	14	3	3
Total decided	**4,415**	**5,223**	**6,196**	**7,855**	**5,355**	**4,404**
Withdrawn	287	373	629	521	341	167
Exempt	182	185	200	172	125	132
Total considered	**4,884**	**5,781**	**7,025**	**8,548**	**5,821**	**4,703**

Note: Figures include corporate reorganisations (78 in 2009-10).

Applications decided

This section analyses all proposals that were approved (either with or without conditions), or rejected during 2009-10, irrespective of the date they were submitted. Corporate reorganisations are included.

The number of applications decided during 2009-10 was 4,404, 18 per cent fewer than in 2008-09. This reflects to a significant extent the increase in the screening threshold to $219 million in September 2009 and the introduction of changes in 2009 and 2010 to the screening arrangements for temporary residents purchasing residential real estate. The value of decided applications was $139.5 billion in 2009-10, or 23 per cent lower than in 2008-09. Some of this decline can be explained by several large investments in 2008-09 and some is attributable to the screening threshold change. Table 2.2 provides a breakdown of proposed investment according to the outcome of decided applications for the corresponding period provided in Table 2.1.

Table 2.2: Applications decided: 2004-05 to 2009-10 (proposed investment)

Outcome	2004-05 $b	2005-06 $b	2006-07 $b	2007-08 $b	2008-09 $b	2009-10 $b
Approved unconditionally	60.4	72.5	140.3	162.6	135.9	125.3
Approved with conditions	59.1	13.3	16.1	29.3	45.5	14.2
Total approved	**119.5**	**85.8**	**156.4**	**191.9**	**181.4**	**139.5**
Rejected	0.0	0.0	0.0	0.2	0.0	0.0
Total decided	**119.5**	**85.8**	**156.4**	**192.0**	**181.4**	**139.5**

Note: Totals may not add due to rounding.
‘0.0’ indicates a figure of less than $50 million.
Including corporate reorganisations (78 in 2009-10).

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 shows a continued decrease in the number of applications decided in the real estate sector in 2009-10. Chart 2.2 shows that the estimated proposed investment in the real estate sector declined in 2009-10 as did the estimated proposed investment in the non-real estate sectors. These declines, particularly in the real estate sector, may represent changes to the administration of the system more so than changes to any underlying foreign investment trends. Further discussion of developments in the real estate sector is provided on pages 28-33.

The decrease in the value of applications decided in the non-real estate sectors in 2009-10, shown in Chart 2.2, may be explained by several large investments in 2008-09 and the screening threshold change. However, it may also be explained by actual decline in investment in particular sectors as a result of the global financial crisis. Sectoral changes are discussed in greater detail in the next section.

Chart 2.1: Applications decided 2004-05 to 2009-10 — number of proposals

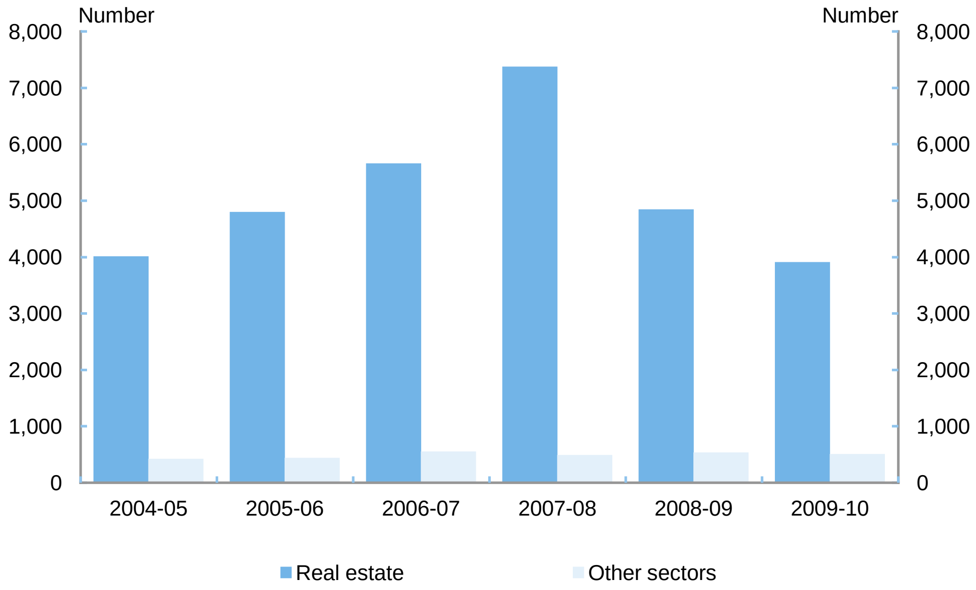
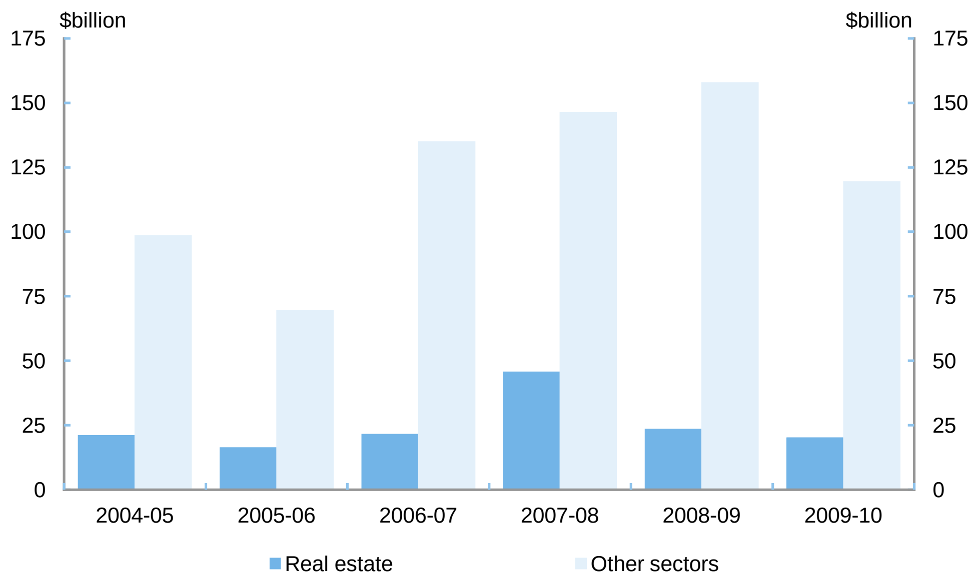


Chart 2.2: Applications decided 2004-05 to 2009-10 — proposed investment



Approvals by value

This section analyses applications approved during 2009-10 (excluding corporate reorganisations). Table 2.3 depicts approvals by the value of proposed investment for 2006-07 to 2009-10. There was a decrease in 2009-10, compared with 2008-09, across all categories except those proposals where the value exceeded $2 billion, but less than $5 billion.

Overall, there were 18 per cent fewer approvals in 2009-10 compared to 2008-09. Table 2.3 shows that this was mainly as a result of the differences in the two categories below $50 million. The overwhelming majority of approvals in these categories relate to real estate (because of the screening thresholds) which supports the view expressed above that the decline in the number of approvals in 2009-10 was largely due to changes to the screening arrangements for temporary residents purchasing residential real estate.

There was also a 23 per cent decrease in the value of proposed investment in 2009-10, compared with 2008-09. Again, there were declines in the value of approvals in the two categories below $50 million, as a result of the real estate changes. In addition, the value of approvals in the category above $5 billion declined considerably, but this may be explained by several large investments in 2008-09 when there were five investment proposals valued in excess of $5 billion (average value of $12.2 billion) while only one investment in 2009-10 (valued at $13.2 billion). By comparison, in 2007-08 there were also five proposals above $5 billion, but their average value was only $7 billion.

Table 2.3: Total approvals by value and number 2006-07 to 2009-10

	2006-07		2007-08		2008-09		2009-10	
Value of proposal	No.	$b	No.	$b	No.	$b	No.	$b
< $1 million	4,598	2.24	5,906	2.99	3,925	1.94	3,402	1.55
≥ $1 million & < $50 million	1,142	8.6	1,463	10.8	1,000	9.0	611	5.2
≥ $50 million & < $100 million	108	7.5	123	8.9	116	8.1	94	6.8
≥ $100 million & < $500 million	158	32.2	195	41.8	172	36.2	154	34.7
≥ $500 million & < $1 billion	43	28.4	53	36.7	36	25.0	35	22.9
≥ $1 billion & < $2 billion	11	16.3	20	25.3	15	20.6	14	18.2
≥ $2 billion & < $5 billion	4	12.2	10	30.2	7	19.5	12	37.0
≥$5 billion	5	49.0	5	35.2	5	60.9	1	13.2
Total	**6,069**	**156.4**	**7,775**	**191.9**	**5,277**	**181.4**	**4,323**	**139.5**

Note: Totals may not add due to rounding.
Excludes corporate reorganisations (78 in 2009-10).

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

Chart 2.3: Total approvals by value 2006-07 to 2009-10 — number of proposals

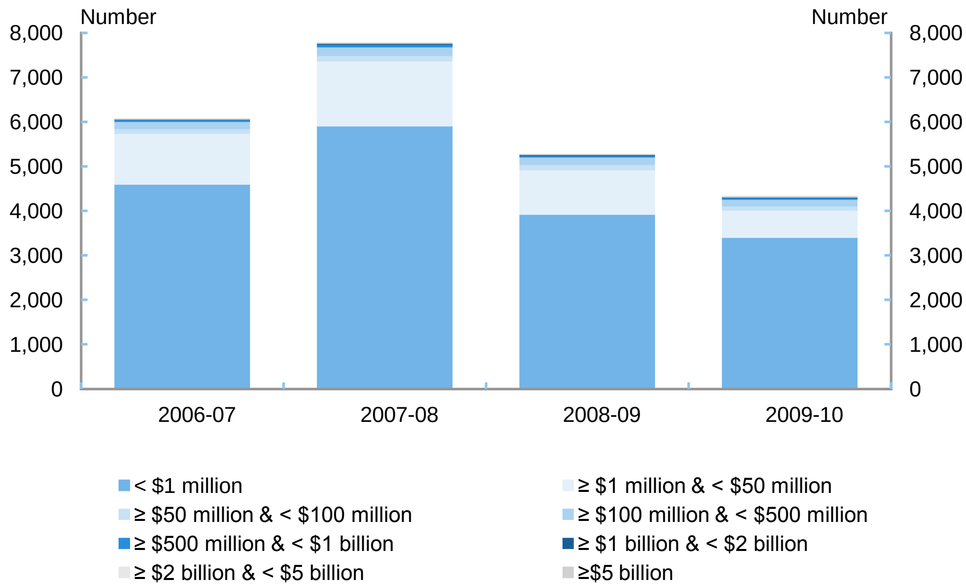
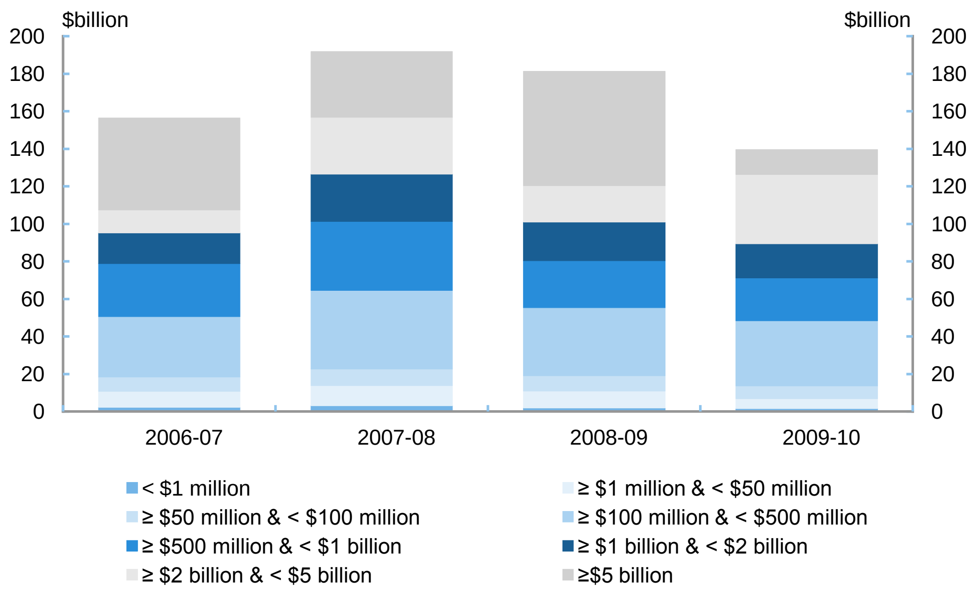


Chart 2.4: Total approvals by value 2006-07 to 2009-10 — proposed investment



Approvals by sector

Table 2.4 lists applications approved in 2009-10 by industry sector. Chart 2.5 depicts the sectoral distribution of approved proposed investment in 2009-10. Corporate reorganisations are excluded. Most of the proposed investment is attributable to acquisition cost. The skewing of the foreign investment data towards acquisition costs reflects the fact that the FATA applies to acquisitions of interests in, and not to the expansion of, existing businesses. The real estate sector's development figures predominantly reflect the estimated expenditure on construction on vacant land. Bearing in mind the limitations of the Board's data, the figures show that, during 2009-10:

- There was a decrease in the value of investment in all sectors in 2009-10 when compared to 2008-09. Most sectors saw a decrease in both the number of investment proposals and the total value of investment, which is to be expected given the raising of the screening threshold and changes to the real estate policy;

- Mineral exploration and development was the largest industry sector by value of approvals, with approvals totalling $80.9 billion ($90.6 billion in 2008-09). While the value of investments in this sector decreased by 11 per cent from the previous year, the total number of investment proposals increased from 164 to 248. Therefore, there was a higher volume of lower value investments in this sector this year compared to 2008-09; and

- Other significant sectors by value of proposed investment were: real estate, with approved investment of $20.0 billion ($23.4 billion in 2008-09); manufacturing, with approved investment of $16.2 billion ($19.1 billion in 2008-09); and services, with approved investment of $14.0 billion ($31.7 billion in 2008 09).

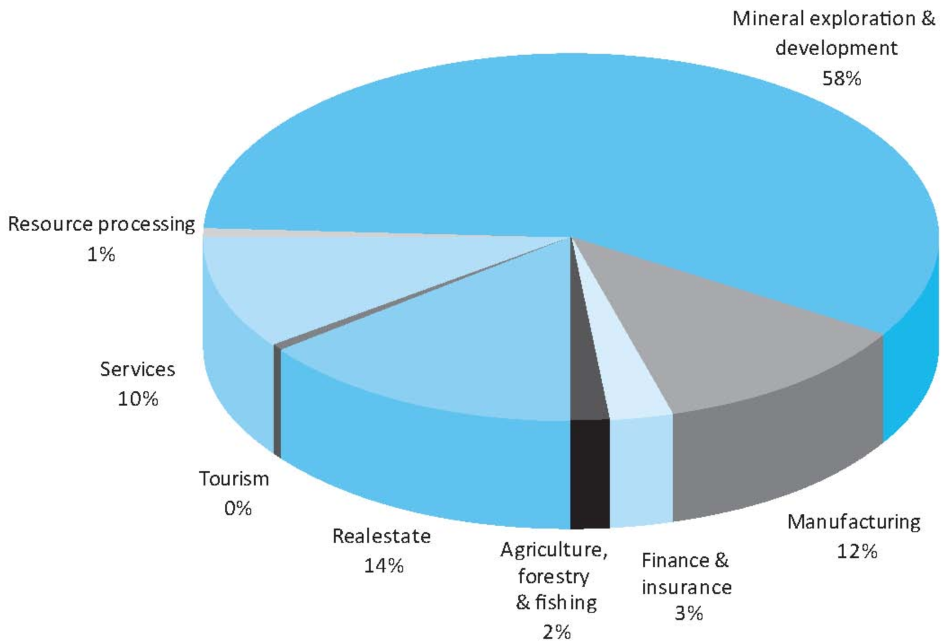
Table 2.4: Total approvals by industry sector in 2009-10

Industry	Number of approvals	Acquisition cost $b	Development expenditure $b	Proposed investment $b
Agriculture, forestry & fishing	17	2.33	-	2.33
Finance & insurance	33	4.20	-	4.20
Manufacturing	46	16.25	-	16.25
Mineral exploration & development	248	80.92	-	80.92
Resource processing	5	0.33	0.75	1.08
Services	69	13.99	0.00	14.00
Tourism	8	0.71	-	0.71
Real estate(a)	3,897	18.67	1.34	20.01
Total	**4,323**	**137.41**	**2.09**	**139.50**

(a) Proposed investment in the real estate sector includes off-the-plan approvals provided to real estate developers and approvals for annual programs. Further details are provided in the section on real estate on page 28.

Note: Totals may not add due to rounding.
'-' indicates a figure of zero.
Excludes corporate reorganisations (78 in 2009-10).

Chart 2.5: Total approvals by value by industry sector in 2009-10 — proposed investment



Note: Totals may not add due to rounding.

Agriculture, forestry and fishing

Proposed investment in the agriculture, forestry and fishing sector decreased by value in 2009-10, while the number of proposals increased. Seventeen proposals were approved with a total value of $2.3 billion, compared with twelve approvals in 2008-09 with a total value of $2.8 billion. Of these approvals, eight involved total investment of $100 million or more.

Finance and insurance

During 2009-10, 33 proposals were approved in the finance and insurance sector with proposed investment of $4.2 billion, compared with 60 proposals and $10.9 billion in 2008-09. There were 11 proposals approved which involved investment of $100 million or more (23 in 2008-09), of which one involved proposed investment of $1 billion or more. The decrease in the number and value of proposals in the finance and insurance sector can be partly attributed to a higher than trend number of transactions during the global financial crisis in 2008-09 where banks and insurance companies globally sought to recapitalise.

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

Manufacturing

The manufacturing sector saw a decrease in the number and value of proposals approved in 2009-10. There were 46 proposals (12 per cent less than the 52 proposals in 2008-09) and proposed investment of $16.2 billion (15 per cent less than the $19.1 billion in 2008-09). Eighteen proposals involved total investment of $100 million or more in 2009-10. Four proposals involved total investment of $1 billion or more.

Table 2.5: Manufacturing sector approvals in 2009-10

Industry	Number of approvals	Acquisition cost $b	Development expenditure $b	Proposed investment $b
Chemical, petroleum & coal products	2	2.88	-	2.88
Electricity & gas	17	2.55	-	2.55
Food, beverages & tobacco	8	2.82	-	2.82
Water sewerage and drainage	5	5.13	-	5.13
Transport equipment	7	0.21	-	0.21
Machinery & equipment	2	0.55	-	0.55
Other(a)	5	2.12	-	2.12
Total	**46**	**16.25**	**-**	**16.25**

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

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

Mineral exploration and development

Proposed investment in the mineral exploration and development sector decreased by 11 per cent, from $90.6 billion in 2008-09 to $80.9 billion in 2009-10. However, a total of 248 proposals were approved compared with 164 in 2008-09, representing an increase of 51 per cent. There were 92 proposals involving total investment of $100 million or more, including 18 for $1 billion or more (compared with 15 for $1 billion or more in 2008-09). These 18 proposals accounted for a combined proposed investment of $51.4 billion (64 per cent of the proposed investment in this sector).

Table 2.6: Mineral exploration and development sector approvals: 2006-07 to 2009-10

	2006-07		2007-08		2008-09		2009-10	
Industry	No.	$b	No.	$b	No.	$b	No.	$b
Metallic minerals								
- Bauxite	-	-	3	12.38	4	0.60	4	2.92
- Copper-gold	37	2.84	24	11.26	25	8.05	51	23.21
- Iron ore	13	1.17	25	8.89	30	27.19	42	23.02
- Nickel	5	5.27	10	3.05	9	0.40	13	1.72
- Uranium	12	1.75	8	1.26	15	1.68	18	4.93
- Zinc-lead-silver	3	0.19	6	5.56	5	0.19	9	0.17
- Other	9	1.19	12	3.45	12	0.38	10	0.38
Coal	35	5.67	39	11.47	33	15.69	60	17.14
Oil & gas	15	13.24	31	4.52	23	35.08	29	6.76
Other(a)	12	0.96	15	2.45	8	1.36	12	0.68
Total	**141**	**32.28**	**173**	**64.27**	**164**	**90.62**	**248**	**80.92**

(a) Comprises: services to mining and exploration; and non-metallic minerals.
Note: Totals may not add due to rounding.
'-' indicates a figure of zero.

Resource processing

There was a decrease in proposed foreign investment in the resource processing sector, with five approvals in 2009-10, compared to ten in 2008-09. Total proposed investment was $1.1 billion ($1.8 billion in 2008-09).

Services

Proposed investment by number of proposals and value in the services sector decreased in 2009-10. The number of proposed investments declined by 48 per cent, from 132 in 2008-09 to 69 in 2009-10. Similarly, the value of the proposed investments in services declined by 56 percent, from $31.7 billion in 2008-09 to $14 billion in 2009-10. There were 31 proposals involving proposed investment of $100 million or more, including three of $1 billion or more.

Table 2.7: Services (excluding Tourism) sector approvals: 2006-07 to 2009-10

	2006-07		2007-08		2008-09		2009-10	
Industry	No.	$b	No.	$b	No.	$b	No.	$b
Construction	12	2.30	13	12.53	14	1.67	12	1.67
Communications	27	9.19	24	5.43	25	9.45	12	2.91
Health	15	6.55	14	6.14	11	1.47	4	0.65
Property & business services	16	1.83	13	2.92	20	2.67	5	0.52
Trade(a)	13	1.74	16	2.35	9	0.44	5	0.92
Transport(b)	23	6.31	15	5.14	43	14.64	23	5.08
Other(c)	10	1.01	14	1.22	10	1.33	8	2.25
Total	**116**	**28.93**	**109**	**35.72**	**132**	**31.67**	**69**	**14.00**

(a) Comprises retail and wholesale trade.
(b) Comprises: air transport; rail transport; road transport; water transport; and services to transport.
(c) Comprises: education, museum and library services; storage; entertainment and recreational services; defence; personal services; and other community services.

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

Tourism

Total proposed foreign investment in the tourism sector declined by 33 per cent in 2009-10, to $0.71 billion, from $1.06 billion in 2008-09. Three proposals involved proposed investment of $100 million or more (five in 2008-09).

Real estate

Changes to foreign investment policy — residential real estate

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

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 seeking to purchase an existing property in Australia have been brought within the FIRB notification, screening and approval process. Temporary residents are also required to sell established properties when they depart Australia and foreign non-residents are required to develop vacant land within 24 months of purchase.

8 Press release from the former Assistant Treasurer, the Senator Nick Sherry, 24 April 2010.

The implementation of these changes to the administration of residential real estate screening means that comparisons of data from 2010 for this category with data for previous years are affected by these policy changes.

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

Proposals in real estate in 2009-10

The total number of approvals in the real estate sector decreased from 4,827 in 2008-09 to 4,323 in 2009-10, or by 10 per cent. Total proposed investment in real estate decreased from $23.4 billion in 2008-09 to $20.0 billion in 2009-10.

Changes in reported proposals were affected by changes to the administrative arrangements for residential property and do not give a comparable view of investment activity in this sector. Acquisitions of residential real estate decreased from $14.9 billion in 2008-09 to $8.8 billion in 2009-10. The number of residential real estate approvals decreased from 4,715 to 3,723 in 2009-10. The value of acquisitions of commercial real estate increased from $8.5 billion in 2008-09 to $11.2 billion in 2009-10. (This category is not affected by the change in policy on 24 April 2010). Of the increase in commercial real estate proposals, $2.0 billion was for existing commercial property, which increased from $5.2 billion in 2008-09 to $7.1 billion in 2009-10. There was also an increase in the value of approvals for annual program acquisitions from $1.6 billion in 2008-09 to $3.3 billion in 2009-10.

Residential real estate

Developed

During 2009-10, 654 proposals were approved for the acquisition of **developed residential** real estate, a 73 per cent reduction from the 2,457 that were approved in 2008-09. This was due to the changes in administration of residential real estate screening in April 2009 and April 2010. For the initial three quarters of 2009-10 there was no requirement for FIRB notification for temporary residents who intended to acquire residential real estate. However, the requirement for notification was reintroduced in April 2010.

The category of developed residential real estate consists primarily of temporary residents in Australia acquiring existing residential property as their principal place of residence.[9] Proposed investment approved totalled $1.4 billion, a 45 per cent decline from the $2.5 billion in 2008-09. Much of this decline in value can be attributed to

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

changes in notification requirements for temporary residents, with the value of proposed investment decreasing from $1.8 billion in 2008-09 to $0.8 billion in 2009-10. Therefore, temporary residents account for 90 per cent of the decline in value in this category.

Table 2.8: Investment in residential real estate by type of expenditure and number of proposals approved from 2006-07 to 2009-10

	2006-07		2007-08		2008-09		2009-10	
	No.	$b	No.	$b	No.	$b	No.	$b
Residential								
Developed								
- existing residential property	2,986	2.21	4,015	2.97	2,450	1.81	647	0.81
- annual programs	5	0.13	13	0.44	7	0.68	7	0.56
Sub-total 'Developed'	*2,991*	*2.34*	*4,028*	*3.41*	*2,457*	*2.49*	*654*	*1.38*
For development								
- vacant land	1,378	2.87	1,667	3.93	988	2.72	1,010	1.44
- new dwellings								
- individual purchases	838	0.48	1,043	0.66	954	0.60	1,937	1.20
- developer 'off-the-plan'	238	5.81	324	9.49	235	5.48	22	2.30
Sub-total 'new dwellings'	*1,076*	*6.29*	*1,367*	*10.15*	*1,189*	*6.08*	*1,959*	*3.50*
- redevelopment	59	0.37	103	1.61	73	1.06	92	0.34
- annual programs	10	1.63	6	1.34	8	2.58	8	2.11
Sub-total 'For development	*2,523*	*11.15*	*3,143*	*17.02*	*2,258*	*12.43*	*3,069*	*7.39*
Total residential	**5,514**	**13.49**	**7,171**	**20.43**	**4,715**	**14.92**	**3,723**	**8.77**

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

For development

In 2009-10, 3,069 proposals were approved for acquisitions of **residential real estate for development** (including eligible redevelopment), which represented a 36 per cent increase on the 2,258 approvals in 2008-09.[10] However, the value of proposed investment in this category decreased by 41 per cent to $7.4 billion ($12.4 billion in 2008-09). This was due to changes in developer advance 'off-the-plan' approvals for new dwellings as developments containing less than 100 properties were no longer eligible. There was a corresponding increase over the same period in the number of individual new dwelling applications.

The *vacant land* category consists primarily of individual blocks of land purchased for single dwelling construction. It also includes broadacre land for residential subdivision and multiple-dwelling residential developments (such as townhouses and units). In

10 The acquisitions of house and land packages, where construction has not commenced, are treated as vacant land for development rather than falling within the new dwellings category.

2009-10, 1,010 vacant land proposals were approved (a 2 per cent increase on the 988 proposals in 2008-09).

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. If a developer is given approval, individuals need not apply for approval. There are no restrictions on the number of off-the-plan dwellings in a new development which may be sold to foreign persons, provided that the developer markets the dwellings locally as well as overseas (that is, the dwellings cannot be marketed exclusively overseas).

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

In 2009-10, 1,937 new dwelling proposals from individuals were approved, involving acquisition costs of $1.2 billion (compared with 954 proposals and $0.6 billion in 2008-09). There were 22 advance off-the-plan approvals to developers covering sales in new multi-unit residential developments (compared with 235 in 2008-09). This corresponded to a reduction in approval value of 58 per cent, down from $5.5 billion in 2008-09 to $2.3 billion in 2009-10.

Developed property for *redevelopment* involves the acquisition of existing property for the purpose of demolition and construction of new residential dwellings. The number of redevelopment proposals increased by 26 per cent with 92 approvals in 2009-10 (compared with 73 in 2008-09). The proposed investment associated with these approvals was $0.3 billion in 2009-10 ($1.1 billion in 2008-09).

Commercial real estate

Developed

In 2009-10, there were 113 approvals to purchase **developed commercial** real estate (for example, shopping centres, office buildings and warehouses), an increase from the 71 approvals in 2008-09. The associated proposed investment was $8.6 billion which is an increase from the $5.8 billion proposed investment in 2008-09. This data reports only part of the total foreign investment that would have occurred in commercial real estate as some acquisitions, including of non-vacant, non-heritage listed commercial property valued below $50 million are exempt.

For development

During 2009-10, there were 61 approvals to purchase **commercial land for development**, compared with 42 approvals in 2008-09. These approvals involved proposed investment of $2.6 billion, which represented a 5 per cent reduction on the $2.8 billion total proposed investment reported for 2008-09.

There were no rejections of proposed acquisitions of developed commercial property or commercial real estate for development by foreign persons in 2009-10 (none in 2008-09).

Annual programs

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

In 2009-10, a total of 31 annual programs were approved with proposed investment of $6.0 billion, compared with 19 annual programs and proposed investment of $4.9 billion in 2008-09. The increase of $1.1 billion on the 2008-09 proposed investment was accountable by: an increase of $0.9 billion for developed commercial property, an increase of $0.8 billion for commercial land for development and a decrease in the value of annual programs in the residential sector of $0.6 billion.

During 2009-10, seven annual program approvals involved acquisitions of developed residential real estate with proposed investment of $0.6 billion (seven approvals to the value of $0.7 billion in 2008-09). Such approvals generally involve foreign mining companies acquiring housing for employees in rural areas. Eight approvals were made for the purchase of vacant residential real estate for development (eight in 2008-09) involving proposed total investment of $2.1 billion, representing a decrease from the $2.6 billion in 2008-09.

Table 2.9: Investment in commercial real estate by type of expenditure and number of proposals approved from 2006-07 to 2009-10

	2006-0		2007-08		2008-09		2009-10	
	No.	$b	No.	$b	No.	$b	No.	$b
Developed								
- existing commercial property	46	3.35	85	13.78	70	5.2	107	7.11
- annual programs	4	1.23	5	2.73	1	0.60	6	1.51
Sub-total 'Developed'	50	4.58	90	16.51	71	5.75	113	8.62
For development								
- vacant commercial property	39	2.58	86	6.71	39	1.73	51	0.79
- annual programs	9	0.74	7	1.85	3	1.02	10	1.83
Sub-total 'For development'	48	3.32	93	8.56	42	2.75	61	2.62
Total commercial	98	7.90	183	25.07	113	8.50	174	11.24

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 investment. During 2009-10, New South Wales was the main location of proposed real estate investment with 28 per cent of the total amount approved (compared with 17 per cent in 2008-09), followed by Victoria and Queensland which accounted for approximately 14 per cent and 9 per cent respectively (compared with 15 per cent and 24 per cent in 2008-09).

Table 2.10: State distribution of proposed investment in real estate in 2009-10

		Residential		Commercial		
	Number of	Developed	For development	Developed	For development	Total
Location	approvals	$b	$b	$b	$b	$b
Various(a)	69	0.52	2.02	3.82	1.83	8.19
NSW	910	0.21	1.74	3.35	0.33	5.63
VIC	1,801	0.24	2.19	0.18	0.12	2.73
QLD	548	0.21	0.96	0.29	0.30	1.76
WA	368	0.15	0.43	0.59	0.04	1.21
ACT	31	0.01	0.01	0.31	-	0.32
SA	139	0.03	0.03	0.09	-	0.15
TAS	21	-	0.01	-	-	0.01
NT	10	-	-	-	-	0.01
Total	**3,897**	**1.38**	**7.39**	**8.62**	**2.62**	**20.01**

(a) Comprises approved proposals where the investment is to be undertaken in more than one state or territory.
Note: Totals may not add due to rounding.
'-' indicates a figure of zero to less than $5 million.

Approvals by country of investor

Proposed investment in 2009-10 by selected country, disaggregated by sector, is shown in Table 2.11. The US was again the largest source of proposed foreign investment in Australia. The other major sources of foreign investment were the United Kingdom (UK), China, Japan, and Switzerland.

Approved investment from the US fell by 1 per cent from $39.6 billion in 2008-09 to $39.1 billion in 2009-10. Proposed investment was primarily in the mineral exploration and development sector, accounting for 64 per cent of total US investment. The US was also the leading nationality for foreign investment in the services sector, accounting for 48 per cent of investment in that sector.

The UK was Australia's second largest investor in 2009-10 with $28.6 billion. Investment in the mineral exploration and development sector accounted for $22.2 billion, representing 77 per cent of total UK investment in Australia.

China was the third largest investor in 2009-10 with total proposed investment of $16.3 billion. The majority of this proposed investment was in the mineral exploration and development sector, accounting for $12.2 billion and representing 75 per cent of that country's proposed investment.

Japan was the fourth largest investor in 2009-10, with $6.0 billion. Of this proposed investment, $2.0 billion or 33 per cent was in the mineral exploration and development sector. Japan was the leading source of foreign investment in manufacturing in 2009-10, with proposed investment accounting for 19 per cent of total proposed investment from all sources in this sector and 52 per cent of Japan's total proposed investment.

Table 2.11: Approvals by country of investor in 2009-10 — industry sector

Country (a)	Number of approvals(f)	Agriculture forestry & fishing $m	Finance & insurance $m	Manufacturing $m	Mineral exploration & development $m	Real estate $m	Resource processing $m	Services $m	Tourism $m	Total $m
US	142	659	732	2,350	24,985	3,369	218	6,753	11	39,077
UK	410	322	650	574	22,172	2,264	105	2,358	200	28,644
China(b)	1,766	-	-	198	12,186	2,421	760	717	-	16,282
Japan	72	150	350	3,149	2,011	368	-	-	-	6,028
Switzerland	37	-	1,288	2,020	1,115	497	-	966	-	5,885
NZ	24	95	-	380	5,073	45	-	238	-	5,831
Canada	52	-	-	-	4,453	375	-	941	-	5,769
Netherlands	37	1	-	183	2,598	936	-	55	-	3,772
Germany	74	1	307	1,619	75	1,247	-	491	-	3,739
Singapore	320	228	330	19	193	2,113	-	169	440	3,491
Sth Korea	49	-	-	-	1,730	1,165	-	-	-	2,896
Hong Kong	47	35	-	500	718	404	-	110	-	1,768
India	86	-	-	-	1,443	53	-	-	63	1,559
Malaysia	524	499	-	168	-	612	-	79	-	1,358
Brazil	8	-	-	-	1,264	3	-	-	-	1,267
Other(c)	234	292	82	80	35	287	-	-	-	776
South Africa	149	-	-	-	39	497	-	161	-	697
France	54	-	149	-	242	34	-	30	-	456
Other ASEAN	222	-	-	29	298	123	-	-	-	449
Sweden	9	-	-	-	-	397	-	-	-	397
Other EU	69	-	-	36	178	49	-	6	-	270
United Arab Emirates	6	45	-	-	-	11	-	205	-	261
Not allocated(d)	22	-	-	-	-	2,300	-	-	-	2,300
Sub-total	*4,413*	*2,326*	*3,888*	*11,305*	*80,808*	*19,571*	*1,083*	*13,277*	*714*	*132,971*
Australia(e)	78	-	315	4,942	115	439	-	720	-	6,532
Total	**4,491**	**2,326**	**4,203**	**16,247**	**80,922**	**20,011**	**1,083**	**13,998**	**714**	**139,503**

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 excluding Australia.

(d) The investment identified as unallocated includes investments in commercial real estate by property trusts which have a range of foreign investors including pension funds, superannuation funds, and equity funds.

(e) Comprises proposals where the investment is from more than one country, such as in joint venture arrangements.

(f) These figures indicate the total number of proposals in which investors from the particular country have an interest. Those involving investment originating from more than one country count as one proposal for each of the countries concerned.