



## Home Truth

### The (real) CHINA SYNDROME

A lot is being said about the current (mainland) Chinese plunge on our property markets but there's been much less discussion around what's driving it and just where (and why) it might end.

So why is it happening at all?

Well the Chinese want out of China! They think the wheels have fallen off the country and now might be as good a time as any to get out.

Driving the exodus mindset is their belief that real Chinese GDP is less than half the official 7% figure; fears of implication in politically driven anti-corruption drives; concerns over their children's futures; fear of future health issues (and quality of treatment) from pollution and poor quality food; fears of great devaluations of their currency (partly realised these past few days); fears of a politically driven retracement of the capitalist path initiated by Deng Xiaoping; and the overriding fear of the exit doors (for themselves and their money) being inexorably slammed shut, trapping both in.

Australia as a destination appeals because it is largely secular, vastly underpopulated, developed, clean, resource rich, reasonably close, of a similar time zone, migration friendly, has genuine rule of law, is relatively non-corrupt, has a very generous social security system, and very good schools (the latter particularly important to the Chinese).

The growing uncertainty in China may not end well for the country and its people and whilst in the short term fallout from such uncertainty may prove a further boon for Australian property markets, longer term it may prove to be a very different story.

Chinese national buyers currently represent around 60% of the Sydney investment apartment market and (reliably) reportedly 80% of Melbourne's, both startling(ly concerning) numbers. Even if only one in three Chinese were prevented from getting their money out to invest, those markets would plummet.