

Industry Insights

Construction & Property

Sector Overview

[China is the world's biggest construction market](#) and residential property is a major driver in China's economy. With an increasingly affluent population and a government urbanisation policy which aims to have 60% of China's population living in cities by [2020](#), China looks set to retain a booming construction and property market. In urban areas, the home ownership rate is estimated to be 90%. Household investment continues to be a popular means to store wealth, and most homes are purchased with [savings rather than credit](#). In Australia, Chinese property investment was the largest source of foreign investment in 2015-2016, with Chinese investors injecting [31.9 billion](#) into the economy.

Market Outlook

The Chinese economy looks set to cool in the [second half of 2017](#), which will impact the construction and property industries. Recent PRC government regulations have sought to restrain the housing market with regulations to tighten housing purchases. In Australia, Chinese demand for investment property remains high, but has been met with PRC capital controls and Australian financing restrictions. Within China, industrial production saw an uptick in the [first half of this year](#), which correlated with retail sales and fixed asset investments, which are commonly used a proxies for infrastructure project spending.

Current Issues

- > The China-Australia Free Trade Agreement has opened up new investment opportunities in China for architecture, health and aged care. Changes to service industry regulations now allow aged care providers to set up a business without a Chinese joint venture partner.
- > The [Belt and Road Initiative](#) is a long term strategic and economic campaign by China to connect overland and maritime trading routes throughout the Asia Pacific. In the central Asian 'belt' segment China is investing heavily in infrastructure such as power stations, bridges,

roads, railways, ports and telecommunications systems. The initiative is set to make a big economic impact in Asia Pacific development, with large scale infrastructure projects forecasted in over 70 countries. With more research and planning, Australian industries could tap into the construction and engineering demand that the initiative will provide.

- > Moving beyond residential property investment, China's view of Australia as a "food bowl" could see new opportunities in construction of manufacturing facilities either in Australia or in secondary facilities in China.

Key News

- > In positive news for the property and construction industry, China's State Council has [removed a number of restrictions on foreign investment](#) for its 11 Free Trade Zones. From July 10, 2017, restrictions on foreign investment in mining, manufacturing and transportation industries will be lifted.
- > Chinese investment into Australia is being dampened by current [capital controls](#) limiting the amount of RMB citizens can transfer out of China. In Australia, Chinese investors face scrutiny from the Foreign Investment Review Board (FIRB) and banks. The PRC government is additionally cracking down on frivolous investment abroad, and is also discouraging foreign property investment.

- > It is projected that property investment will cool [beginning in August](#) when housing purchasing curbs come into place.

Market Entry

[AustCham Shanghai](#) is the largest Australian Chamber of Commerce in Greater China, with a network of over 400 Australian and Chinese members, including Australian construction and property providers such as the Lendlease, Hassell and Aveo. [Reach out](#) to see how your business can take advantage of China's property and construction story.