

A Second Home for Affluent Chinese

WEALTHY buyers from mainland China, a rapidly expanding economy of 1.3 billion people, are increasingly turning to Manhattan for their luxury real estate purchases, brokers say.

In about two years, what was at first a trickle of inquiries has grown to a stream of freshly minted high-net-worth Chinese businesspeople hunting for condominiums for \$500,000 to \$10 million and up. The average purchase is a one-bedroom apartment for about \$1.45 million, said Pamela Liebman, the chief executive of the Corcoran Group.

Most of these buyers are seeking apartments for personal use, either as pieds-à-terre or as housing for children studying in New York. The majority of the sales fall at the lower end of the luxury spectrum, but in one case a parent spent \$20 million on an apartment for a daughter at college in Manhattan, Ms. Liebman said.

In general, Chinese buyers prefer condos to co-ops. "It's a fair challenge getting them to understand the co-op system," said Neil Palmer, the chief executive of Christie's International Real Estate, which last month opened an office in Hong Kong, adjacent to its auction house.

Most new buyers are not interested in properties as trophies, he said. "They focus on yes, I might want it for my own occupation, but they always ask where the investment rationale is for buying the property," Mr. Palmer said.

Prices in New York are a draw, especially when compared with those in other cities where wealthy Asians might otherwise have invested. Luxury properties here are about \$1,500 per square foot, while a comparable London flat is more than twice that, \$3,600 per square foot, according to the Knight Frank/Citi Private Bank 2010 Wealth Report. Comparable real estate in Hong Kong costs \$2,000 per square foot; in Monaco, \$4,300. Current exchange rates also work in favor of Chinese buyers. China's rapid development means there is more money than ever to invest in the United States. And newly relaxed banking regulations in mainland China make it easier for investors to move money out of the country, Mr. Palmer said.

"Foreign exchange restrictions have not been entirely lifted but loosened," he said. "There is more ability to move funds offshore effectively and perfectly legally."

The new Chinese buyers tend to prefer sleek glass boxes, like the Time Warner Center, that remind them of the gleaming new cities from which many of them come. Shlomi Reuveni, a senior managing director of Brown Harris Stevens Select, markets two such properties to Chinese buyers: the Laureate on the Upper West Side, and 15 Union Square West. A new building, 57 Reade, at Broadway and Reade Street in Lower Manhattan, will be pitched to the same customers when it goes on the market this fall.

According to Mr. Reuveni, these buildings have the amenities that wealthy Chinese are looking for, like swimming pools, fitness centers, concierge services, parking, pet spas and music rooms, along with high design and high-end finishes. The Laureate also has a 421A tax abatement that keeps common charges reasonable and enhances the perceived value.

“They gravitate toward high-end quality,” Mr. Reuveni said, “and the collective attributes of the buildings, aesthetics, design and the commitment to quality, give an image of everlasting value.”

Cash is the coin of the realm. Brokers estimate that 50 percent to 75 percent of transactions by Chinese in New York do not involve mortgages. Culturally, Asians are loan-averse, thinking that coming to the table with less than the asking price will reflect negatively on them, said Wei Min Tan, a principal of Castle Avenue Partners.

Some brokers are working to change that. The Corcoran Group plans to host a conference for prospective buyers in New York at which it will introduce them to bankers and initiate them into the process of obtaining a mortgage in the United States. Corcoran is owned by Realty, which has a network of 24,000 agents in China under various companies — including ERA, Century 21, Sotheby’s and Coldwell Banker — who can refer clients to Corcoran agents in New York.

To circumvent the language barrier, the companies interviewed for this article have staff members who are Chinese speakers. Mr. Tan of the Castle Avenue Group speaks Cantonese, Mandarin and the Hokkien dialect. Bond New York recently added a Chinese language page to its Web site.

Feng shui and other cultural preferences are a consideration. Michael Chen, the director of Asian market development for Bond New York, noted, for example, that Asian buyers do not want to live on the fourth floor (associated with death because in some dialects the word rhymes with death) and prefer the eighth floor (associated with luck and prosperity).

Beyond New York's financial advantage, the appeal to Asian buyers includes a large Chinese-speaking community in Manhattan and in the outer boroughs, as well as a lack of suffocating pollution.

"The quality of life is better," Mr. Tan said. "Work hours are better, and there is a better family and work/life balance."

And for many newly wealthy buyers, Manhattan real estate also represents security.

"Socially, economically and politically," said Mr. Reuveni of Brown Harris Stevens Select, "it is a safe haven that is a solid place to invest your money."