**Chinese Homebuyers Throw a Life Raft to the U.S. Housing Market**

From New York to Honolulu, Chinese homebuyers are swooping in to help salvage the U.S. housing market.

Indeed, California, Florida, New York, and even Hawaii have seen [a marked up-tick in home sales to Chinese buyers](http://www.bloomberg.com/news/2011-06-13/chinese-mount-global-homebuying-spree-as-governments-squeeze-local-markets.html) who are exporting their country's real estate boom to the United States, according to **Bloomberg News**.

Increased regulation at home and education and investment opportunities are chief among the reasons real estate in the United States - as well as the United Kingdom, Australia, and Canada - has piqued Chinese interest.

According to a survey by the National Association of Realtors, Chinese buyers accounted for 9% of foreign home purchases in the 12 months ended in March of both 2010 and 2011. That's up from 5% in 2009.

"The purchase restrictions in China drove them overseas, while they look for investments to counter the inflation," Mo Tianquan, founder and chairman of Beijing-based SouFun Holdings Ltd. - a company that runs China's biggest real estate Website and organizes buying excursions abroad - told **Bloomberg**. "Some of them will buy homes considering better education opportunities for their kids, while others look for immigration options."

Take Cupertino, Calif., for example. Sales of existing single-family homes in Cupertino rose 21% in the first quarter from a year earlier, largely due to an influx of Chinese shoppers who are making huge cash purchases.

"We're seeing a huge number of all-cash transactions, and most of those are from mainland China," Nina Yamaguchi, managing broker at Coldwell Banker's residential office in Cupertino, told **Bloomberg**. "The thing that draws the Asians here is the schools are so highly touted. Cupertino is certainly not beautiful. It doesn't have wonderful architecture."

Of course, education isn't the only reason many Chinese people are seeking abodes abroad. They're mainly concerned with the high prices and increasingly strict regulations they're finding at home, and looking for better investment opportunities.

### Bailing on the Bubble

China's housing market certainly seems to have gotten ahead of itself.

Goldman Sachs Group Inc. (NYSE: [GS](http://www.google.com/finance?q=gs)) said in a recent report that housing price increases have outpaced wage hikes by 30% in Shanghai and 80% in Beijing in recent years.

The value of homes sold in the first quarter of 2011 increased to $132 billion (860.7 billion yuan), driving overall property transactions 27% higher to $157 billion(1.02 trillion yuan), according to the Statistics Bureau.

Overall investment in China's real estate market rose 34% to $136.4 billion (885 billion yuan) in the first quarter.

Furthermore, UBS AG (NYSE: [UBS](http://www.google.com/finance?q=ubs)) economist Jonathan Anderson estimates that property construction alone accounted for 13% of gross domestic product (GDP) in 2010, twice the share of the 1990s. That means China's economy has grown increasingly vulnerable to a real estate bubble.

As a result, China's government over the past year has sought to cool the housing market by increasing regulation.

In January, Beijing raised the minimum down payment for mortgages on second homes to 60% from 50%. The government has also increased down payment requirements on homes that cost more than $770,000 (HK$6 million) and enacted China's first property tax.

However, the measures have had only a modest effect. Annual property inflation eased to of 4.2% in May - its slowest pace this year, but down only slightly from April's 4.3%.

And the value of home sales climbed 16% in the January-May period, as property investment rose 35%.

### An Investment Opportunity

Higher prices and tougher regulations at home may be the biggest reason many Chinese homebuyers have sought shelter overseas, but it's not the only reason. There's also an investment aspect.

"The majority of these buyers are not buying trophy properties, but cash flow as they understand fundamentals," Andrew Waite, publisher of [***Personal Real Estate Investor Magazine***](http://www.personalrealestateinvestormag.com/). "They are buying managed turnkey rental properties. One of my clients is selling about 25 homes a month to Asian buyers at an average price point of $60,000 with positive cash flow. They understand that rental real estate offers one of the few inflation indexed assets available with inflation-indexed income."

Indeed, one of the most popular properties among Chinese buyers is the Trump SoHo in New York. The Trump SoHo is a condominium hotel where the apartments are rented out as hotel rooms for more than half the year and owners share the revenue.

"Chinese love the Trump," Asher Alcobi, president and co-founder of Peter Ashe Real Estate, told **Bloomberg**. "Anything that has the Trump name is good."

Given the huge mark-up in Chinese real estate, even luxury properties in New York look like a bargain.

"From a price perspective, New York is actually cheap," Wei Min Tan, founder of Castle Avenue Partners, a group within New York's Rutenberg Realty that assists buyers from overseas, told **Bloomberg**. "Hong Kong is 50% more expensive than Manhattan on a square-foot basis."

Other pricey assets in Las Vegas and Honolulu have garnered a lot of attention as well, helping to stabilize home prices across the country.

And that help is desperately needed.

Sales of previously owned U.S. homes fell 3.8% month-over-month in May to an annual rate of 4.81 million units - the lowest level since November. Home resales were down 15.3% in the 12 months through May.

Meanwhile, the median price for a home fell 4.6% year-over-year to $166,500. That compared with a 6.6% decline in April