

Chinese Go on Global Homebuying Spree

As Local Markets Tighten

On a sunny Saturday in early June, Larry Zhou strolled the floor of a property exhibition in [Hong Kong](#), wondering whether it was time to buy another home -- not in the city, where residential prices have soared 50 percent in the past two years, but maybe in Thailand or Malaysia.

"My wife and I have been thinking about investing outside of the country since we already own an apartment in [Shanghai](#)," Zhou, a 38-year-old civil engineer, said in an interview at the Hong Kong Convention & Exhibition Centre before wrapping up a business trip and returning home. "I've known people in Shanghai who like to bring their money and invest in Hong Kong properties, but I think Hong Kong is way too expensive."

The two-day event that lured Zhou and 3,000 others is one way that [China's](#) blossoming wealthy and middle classes are finding investment properties and second homes around the world -- exporting a real estate boom that has driven up prices 26 percent in Shanghai last year and 28 percent in Beijing, and bolstering markets around the world. In cities with established Chinese populations, like Sydney, [Singapore](#), and [San Francisco](#), Asians on homebuying tours meet brokers such as Betty Chan, who markets herself on her website as "Las Vegas' #1 Chinese Lady Real Estate Broker."

Investors are grabbing everything from \$68,000 foreclosed condominiums in Florida to \$2 million beachfront villas in Vietnam, a buying spree fueled by China's surging wealth that mirrors the country's expanding influence in markets for gold, oil and food. The search for overseas property accelerated in the past seven months as the governments in Hong Kong and Beijing imposed purchasing and financing limits, steps that are starting to cool off domestic markets

Driven Overseas

Buyers from China have come to international property investing much later than their counterparts in Hong Kong, who are wealthier and have a more easily convertible currency.

"The purchase restrictions in China drove them overseas, while they look for investments to counter the inflation," said Mo Tianquan, founder and chairman of Beijing-based [SouFun Holdings Ltd. \(SFUN\)](#), which runs China's biggest real estate website and organizes buying excursions abroad. "Some of them will buy homes considering better education opportunities for their kids, while others look for immigration options."

Hong Kong on June 10 intensified its efforts to curb property prices, requiring buyers of homes costing more than HK\$6 million (\$770,000) to increase up-front payments. For properties of HK\$10 million or more, the down payment will be 50 percent.

Surcharge for Outsiders

Foreign buyers must deposit an additional 10 percent, a change made as demand from China rises. Borrowers whose income is primarily from outside Hong Kong will need to make the higher down payment unless they can demonstrate a “close connection” to the city, such as working for a local employer or having immediate family there, the Hong Kong Monetary Authority said.

The government on Nov. 19 increased stamp duties on homes sold within six months of purchase and mandated higher down payments on those costing HK\$8 million or more. Hong Kong, which broker [Savills Plc \(SVS\)](#) says is the world’s most expensive place to buy an apartment, reported the number of home-sale transactions fell for a fifth straight month in May amid rising mortgage rates.

As global economies recover following the collapse of Lehman Brothers Holdings Inc. in September 2008 and the ensuing financial crisis, more investors in Hong Kong are willing to explore newer, riskier markets in their quest for higher returns, said Michael Piro, director of sales at Indochina Land, the real estate division of Indochina Capital Corp., Vietnam’s third- largest investment firm.

Across Asia

The company is resuming sales of properties to Hong Kong buyers after a two-year hiatus and plans to target them for its new luxury development in the Con Dao islands off the southeast coast of Vietnam, Piro said.

[Banyan Tree Holdings Ltd. \(BTH\)](#) sold villas priced from \$750,000 to \$3 million at an event in March showcasing properties in Bangkok and Phuket in Thailand, Bintan in Indonesia and Lijiang in China, according to Dan Simmons, vice president at the Singapore-based firm’s Banyan Tree Residences & Laguna Property unit.

In Sri Lanka, which was last year named the [New York Times](#)’ top travel destination, beachfront land is being acquired by foreign investors who have poured into the country since the end of almost 30 years of civil war in 2009, said Sue Fitzgerald, whose firm, Property Perfect Solutions, is marketing Karooda Properties’ Thona Bay resort on the eastern coast of the Indian Ocean island nation. Hong Kong residents, who account for 70 percent of Fitzgerald’s clients, are buying there in the hope of getting more for their money than they do at home, she said.

Vietnam Villas

Resort developers often sell individual villas, many before they're completed, with guaranteed returns over a specified number of years. A buyer can stay at the property and use the resort's amenities free of charge for a certain number of days a year, with the developer or an outside company renting it out for the owner at other times.

Indochina Land's most recent sale, to a buyer from Hong Kong, was a \$2 million villa at its Nam Hai beachside development in the city of Hoi An on Vietnam's central coast, Piro said. The 3,000-square-meter (32,000-square-foot) property features a 348-square-meter house with three bedrooms and a swimming pool.

For buyers from China, the investing drive shifted into high gear after the government stepped up efforts to prevent real estate bubbles in cities such as Shanghai and Shenzhen.

Deflating the Bubble

China lifted the minimum down payment for second-home purchases to 60 percent from 50 percent in January, after 19 straight months of price increases. The government also set [interest rates](#) for second-home mortgages at no less than 110 percent of benchmark rates while mandating that those who sell within five years of purchase pay full transaction taxes.

China's home prices rose at a slower pace in major cities in April even as they quickened in smaller ones. The government last month said it won't ease property curbs and ordered local officials to continue to implement measures to control prices. The value of home sales climbed 16 percent from January to May, while property development investment rose 35 percent.

"A lot of mainlanders have come into Hong Kong, buying into luxury and mid-priced properties and pushing prices up, and the government has imposed restrictions to curb the market," said Fitzgerald of Property Perfect, who is based in Hong Kong. "You wouldn't buy here at the moment. People are looking at more interesting markets, they're looking for places where they can build, where they can buy-to-let, and where they can retire."

[London Beckons](#)

One such place is London, where education, language and Britain's weak currency have combined to make the capital the leading city in [Europe](#) for Chinese residential real estate buyers, according to Yolande Barnes, research director at Savills, the U.K.'s largest publicly traded property broker.

"It's quite a recent phenomenon," she said. "They have been much more of a force after 2009, and in common with a lot of overseas buyers, that's the result of favorable exchange rates."

The pound has lost about a fifth of its value against the Hong Kong dollar since the U.K.'s housing market peaked in the third quarter of 2007.

In 2008, none of the 82 million pounds of overseas transactions in London's Canary Wharf and Docklands areas for existing homes involved Chinese buyers, according to London-based Savills. Last year, they accounted for 40 percent of the 100 million pounds of property acquired by foreign investors. Residential prices in prime central London rose 2 percent in the first quarter from the previous three months.

College Town

Chinese families are increasingly sending their children to the U.K. for college, with around 100,000 students in the country last year, said Jennet Siebrits, head of U.K. residential research in London at [CB Richard Ellis Group Inc. \(CBG\)](#), the world's largest commercial-property broker. That compares with 4,000 in 1999.

London has four of the world's top 100 universities, one more than its nearest rival, New York, according to a survey compiled for the London-based Times Higher Education magazine.

At [Barratt Developments Plc \(BDEV\)](#), the U.K.'s largest homebuilder by volume, 42 percent of the residential units it sold in London this year through May were to overseas customers, all of whom were Chinese, said Gary Patrick, regional sales director at the London-based company.

For the Chinese, where you buy in London depends on how long you've been wealthy, said Barnes of Savills. Second- and third-generation Hong Kong residents gravitate toward prime central London locations like Knightsbridge, Mayfair and Kensington, while the newly rich look in Canary Wharf and the Docklands.

In the Wings

"It's the established Hong Kong billionaire versus the newly wealthy multimillionaires of China who might be buying foreign property for the first time," Barnes said.

Even as London heats up, some Chinese and other investors are looking farther afield in Europe, according to Tim Murphy, founder and chief executive officer of IP Global, a Hong Kong-based real estate advisory firm.

"Investors are looking at a number of markets outside of the U.K., including [Germany](#), Italy, Spain and Turkey, all of which are only six to 12 months away from really flourishing with opportunities," Murphy said in an e-mail.

Istanbul is especially promising, with prices rising and “a strong economic outlook, a growing tourism industry, low interest rates, great location and growth in housing loan volumes,” he said.

[Vancouver](#), Silicon Valley

In North America, moderate weather, good schools and established Chinese communities are drawing buyers to cities such as Vancouver, which had the third-highest housing costs among English-speaking cities worldwide in 2010, according to Canada’s Frontier Centre for Public Policy. Hong Kong and Sydney were first and second.

Sales of detached homes, townhouses and condominiums in metropolitan Vancouver climbed 32 percent in March from the previous month, and were just below a record for the month of 4,371 transactions set in 2004. The median price of a detached house in greater Vancouver rose 13 percent in 2010 to a record C\$774,000 (\$792,000) from C\$685,000 at the end of 2009, according to the Real Estate Board of Greater Vancouver.

In the U.S., Chinese buyers have helped support home sales and prices in Silicon Valley and Hawaii, while they are an increasing presence in Las Vegas and New York, according to local brokers. They accounted for 9 percent of U.S. home purchases by foreigners in the 12 months ended in March of both 2010 and 2011, up from 5 percent in 2009, according to a survey released in May by the National Association of Realtors, a Chicago-based trade group. That’s second to Canadians, who accounted for 23 percent of international sales.

Prices Climb Back

Sales of existing single-family detached houses in Cupertino, [California](#) -- where [Apple Inc. \(AAPL\)](#) is based -- rose 21 percent in the first quarter from a year earlier, and the median home price climbed 2.1 percent to \$1 million, putting it 13 percent below its 2007 record, according to DataQuick, a San Diego-based provider of real estate statistics. Nationally, prices on comparable properties are down 37 percent from the peak in 2006.

California residential resales and median prices also rose in Palo Alto, where Facebook Inc. is based and which is adjacent to Stanford University; in Mountain View, where Google Inc. has its headquarters; and in Sunnyvale, Atherton, San Carlos and Los Gatos, according to DataQuick.

It’s almost impossible to find two-to-four-unit apartment buildings to buy in Cupertino partly because of high demand from non-U.S. buyers, primarily Chinese, said Jim Carter, a real estate agent at Interio Real Estate Services in Los Altos, California.

Circumventing Currency Rules

"If the son or daughter doesn't have enough money, what happens is the parents or grandparents from China will help them fund the deal," he said. "In most places, it's all cash. They just transfer the money, like, boom."

The annual limit for Chinese citizens to buy foreign currencies is \$50,000, according to China's State Administration of Foreign Exchange. It's an obstacle many can get around.

"Most of these buyers are rich and they have their trade companies or rep offices in Hong Kong, Kuala Lumpur or Singapore," said Larry Hu, a Shanghai-based director of the residential department for Knight Frank LLP. "Those places don't have currency controls, so they can pay via their companies' offshore accounts."

Value of Schools

At Coldwell Banker's residential office in Cupertino, "we're seeing a huge number of all-cash transactions, and most of those are from mainland China," said Nina Yamaguchi, managing broker. "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."

Yamaguchi estimates that about one-third of her firm's recent residential deals have been all cash, primarily at the two ends of the market -- the most expensive properties and distressed sales.

"I've been managing this group of people for over 17 years and we've always had a strong Asian demographic, but now it seems even more so," Yamaguchi said.

Checking new listings the third week of May, she saw a house for sale in near-mint condition located in the Prospect High School district. Meanwhile, about a mile (1.6 kilometers) up the road, a smaller house in worse shape listed for \$350,000 more because the owner would qualify for Lynbrook High School, which scores higher on the state academic performance index, she said.

Hawaii Bound

"You can almost guarantee that the buyers of the smaller, more expensive house are going to be Asian," she said. "What tends to happen is older white people retire because they can get so much more for their house, and the younger Asian demographic moves in."

Hawaii is attracting a growing share of China's emerging millionaires with its golf courses and hotels, as well as luxury vacation homes, said Patricia Choi of Choi International in Honolulu.

"I could tell a marked difference" in client referrals during a three-week trip to China in April, compared with a trip last year, she said.

In Waipahu, northwest of Honolulu on the island of Oahu, sales of existing single-family detached houses rose 1.8 percent in the first quarter from a year earlier, and the median price climbed 5.7 percent to \$512,500, 12 percent below the record in 2007, according to DataQuick.

While Honolulu sales fell 4.8 percent last quarter, the median price rose 1.1 percent to \$720,000, putting it 18 percent below its peak.

"The luxury market continues to be strong, with low inventory," Choi said.

Betting on Vegas

"The big thing is they can buy fee simple land," said Choi, referring to private ownership. In China, the government owns all the land. "That is an important factor that will create more interest in buying properties here and will be reflected in the price they're willing to pay."

In Las Vegas, where prices plunged 58 percent from their 2006 peak, broker Chan said she saw a big increase in buyers from China as news spread of the city's low-cost homes. Nevada had the highest rate of foreclosure filings in April at one per 97 households, according to RealtyTrac Inc., an Irvine, California-based data seller.

Chinese entrepreneurs with import-export, engineering, medical-device, cell-phone manufacturing and restaurant businesses are buying vacation homes, homes for children who attend school in Las Vegas and income property, said Chan, who is originally from Hong Kong.

"The No. 1 reason is the price," she said. "They don't flip. Chinese like to keep."

New York

The Chinese are usually in a hurry when they shop, often buying at least two houses per visit, paying cash because they don't have time to take out a mortgage, Chan said.

"They don't mind spending \$1 million or \$2 million here," she said. "But they aren't building. Last year, a group came to start a project. They looked around, did calculations and decided it's not really worth the effort. Now in China, they can make more money."

In New York, interest among Chinese buyers has picked up noticeably since January, about the same time the government in Beijing issued new restrictions on second-home buying, according to Asher Alcobi, president and co-founder of Peter Ashe Real Estate, a New York brokerage specializing in luxury properties.

Trump Appeal

One of Alcobi's Chinese clients recently closed on two units at [Manhattan's](#) Trump SoHo, 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," Alcobi said. Anything that has the Trump name is good."

High-net-worth buyers are looking in Manhattan because property prices in China and Hong Kong are already at bubble levels, said Wei Min Tan, founder of Castle Avenue Partners, a group within New York's Rutenberg Realty that assists buyers from overseas.

"From a price perspective, New York is actually cheap," he said. "Hong Kong is 50 percent more expensive than Manhattan on a square-foot basis."

While Chinese buying has provided a welcomed boost to struggling U.S. cities, there has been a backlash in [Australia](#), long a magnet for Asian immigrants. The federal government introduced rules in April 2010 requiring temporary residents to seek approval to buy existing property and sell when leaving. Buyers living overseas can purchase only newly built housing.

Shut Out

The changes, which reversed a 2008 easing of restrictions on foreign investments in property, came after local homebuyers and real estate groups blamed demand from overseas investors, particularly Chinese, for inflating prices. Values rose 5.8 percent in 2010 after soaring almost 14 percent in the previous year, government statistics show.

"There's a whole field of Chinese buyers wanting to buy, but they can't purchase existing properties here anymore," said Garth Turnbull, property consultant at City Residential in Melbourne. "There are some sales to parents whose children are studying here. That used to be just part of the market, but now it's basically all that's left."

As buyers living in China turn to new properties to comply with the rules, companies including Meriton Pty., Australia's biggest apartment developer, have benefited.

“Our sales are determined by the Chinese,” said Harry Triguboff, founder and managing director of Sydney-based Meriton, which gets about 15 percent of its sales from Chinese buyers. “They’re the ones who’re buying. They’ve been buying from me for the past 40 years, but they’ve become more important in the last few years.”

Florida Foreclosures

Australian house prices declined in the first quarter by the most since 2008, the statistics bureau said last month, as rising interest rates and natural disasters kept homebuyers on the sidelines even as homes listed for sale climbed to a two-year high.

Back at the housing exposition in Hong Kong, David Lau is pitching condominiums in Apopka, Florida, about 15 miles north of Orlando, Florida, that his client acquired during the subprime-mortgage crisis. An 800-square-foot unit is going for \$68,000, down from the original price of \$129,000.

“The prices we’re selling them at are below cost,” said Lau, executive director at Singapore-based property agency Roof Real Estate Group Pte. “Most of the people who’ve checked out our booth are locals, but we’re also aware of the huge buying power of mainland Chinese buyers. That’s why our next stop is going to be Guangzhou.”

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