

# Chinese Broaden Real-Estate Horizons Beyond the Likes of New York, London

## Following Trade, Students and Tourists, and Finding Bargains, From Edinburgh to Miami Beach



WEI GU

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When it comes to new homes, Chinese property buyers are the most influential investors, and they're increasingly snapping up properties in second-tier cities with better prices and growth potential. Terence Tang of Colliers International tells Wei Gu which cities are becoming popular with Chinese buyers and why.

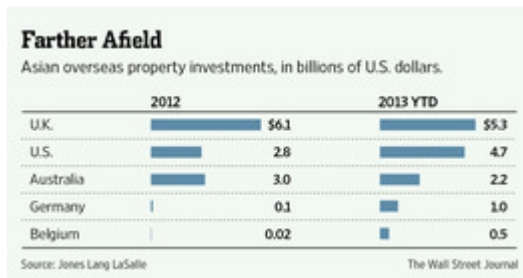
Chinese property buyers are going beyond their traditional markets in London, New York and Hong Kong to seek out bargains from Edinburgh to Miami Beach.

Real-estate-industry officials say they expect Chinese to step up their buying in such second-tier markets as they grow more comfortable investing abroad.

"Obviously Chinese tourists have been in New York and San Francisco, but now you see them in Miami Beach," said Eddy Martinez, a real-estate agent in Miami who has sold properties to Chinese buyers.

So while Chinese buyers still flock to major cities, with their stable, transparent, and highly liquid markets—the better to store new wealth—their interest in second-tier cities is rising fast. And for China's rising middle class, the more-modest prices are a draw.

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Among the hottest markets are Germany and Belgium. So far this year, German property purchases by Asian buyers—largely Chinese—are nearly 10 times what they were in all of 2012, according to real-estate firm [Jones Lang LaSalle](#). **JLL - 0.02%** Belgian property purchases, at \$453 million, are 20 times what they were last year.

Chinese developers and investors are following Chinese trade and student flows. Germany is China's biggest trading partner in Europe and hosts more students from China than from any other country, according to the German Federal Education Ministry. In May, Shanghai state-owned real-estate-investment giant Greenland Holdings Group opened a hotel in Frankfurt, its first in Continental Europe.

Inquiries from Chinese clients about countries like Portugal and Spain are up sharply, said Alistair Meadows, head of the international capital group at Jones Lang LaSalle. Property prices in Southern European countries remain at so-called distressed levels, and Chinese buyers are attracted by various programs offering visas in exchange for investments, including home purchases.



The Frankfurt skyline. So far this year, German property purchases by Asian buyers—largely Chinese—are nearly 10 times what they were in all of 2012, according to real-estate firm Jones Lang LaSalle. *Bloomberg News*

In the U.K., London still tops the list for Chinese property buyers, but the number of transactions there involving cross-border investors has dipped slightly this year, said Knight Frank, a London estate agent and global property consultancy. (It cites a lack of quality property to buy after a rush of foreign purchases.)

For clues about where the next wave of Chinese buyers is going, take a look at search results by [Juwai.com](#), a Chinese overseas-property search engine. It shows potential buyers looking in Newcastle, Plymouth and Edinburgh.

Interest in Edinburgh, as in Frankfurt, is being spurred by an influx of students. The number of Chinese students at Edinburgh University rose by 60% to 1,600 in 2012-2013. The city, seeking to boost its connections with China, hopes for a direct air link; China showed its love by sending two pandas to the city's zoo in 2011.

In the U.S., New York is still by far the top city for Chinese investor interest, followed by Los Angeles, Philadelphia, Detroit and Houston. Detroit? It is also on the list of cities showing the fastest growth in search requests, along with Honolulu; Charlotte, N.C.; Chicago and Austin, Texas. Bargain-hunting Chinese buyers have seen the stories trumpeting that forsaken homes in Detroit go for as little as \$1, and are gobbling up properties. On a larger scale, DDI Group, based in Shanghai, purchased two office buildings in the city's downtown for \$14 million.

Florida, though the furthest point from China in the U.S., has also been attracting Chinese investment—following Chinese tourism.

For those considering a home there, Florida's appeal includes that it is one of just a handful of U.S. states that doesn't impose an income tax. And prices are low: The state was one of the hardest-hit by the housing collapse.

Lin Jie, an executive at an Internet company in Shanghai, bought a four-bedroom house with a swimming pool in Orlando for \$140,000, half its precrisis peak. The Yale-educated executive felt prices in New York and Boston were too high, but he also was attracted by the idea of a real vacation home. Disney World is less than 20 minutes away from his house, and there are about eight amusement parks in the area.

"We don't expect this property to appreciate much," said Mr. Lin. "But it is nice to have a place that we and our friends can enjoy in the U.S."

Closer to home, Malaysia has emerged as a new popular destination for the Chinese. Prices are only 5% of what a comparable home in Hong Kong would cost, according to Knight Bridge. Second-home owners in Malaysia also enjoy easy visa entries. Guangdong property developer [Country Garden Holdings](#) Co. **CTRY** +3.08% has launched an ambitious project in Danga Bay on the southern tip of Johor state, right next to Singapore.

Historically, adventurous Chinese immigrants have gone everywhere in the world. This time will be no different. "Middle-class Chinese are now going to second-tier cities," said Thomas Lam, head of research for Greater China at Knight Frank. "These places offer higher growth opportunities because more people are doing that now."