

INDUSTRY UPDATES

HD Outbound deals lift **commercial** realty

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Outbound investment in **commercial property** rose more than 200-fold from 2008 to June 2014, reaching a total of \$33.7 billion during the period, a report said on Oct 22.

The United States was the top destination for investment from the **Chinese** mainland, followed by the United Kingdom, **Hong Kong**, Singapore, Australia and Malaysia, according to the research by Cushman & Wakefield, the world's largest private **commercial** real **estate** services **firm**.

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"**Chinese** investors prefer developed and mature markets in Asia, North America and Europe," said Ted Li, national director of capital markets, **China** at Cushman & Wakefield.

Most of **China's** investments in US **property** are concentrated in the "gateway cities" in the eastern and western coastal areas as well as the Great Lakes region.

Xinyuan Real **Estate** Co Ltd, a Nasdaq-listed **Chinese property** developer, for instance, just opened the **sale** of its first **residential** project in New York, with a total investment of \$250 million.

"Two-thirds of our **apartment** will be **sold** to local customers while the remaining one-third will be for **Chinese** customers," said John Liang, executive vice-president of Xinyuan Real **Estate**.

Snapping up high-quality land parcels in New York, according to Liang, will be a major challenge for the **company** to develop further projects in the city.

Going forward, investors are increasingly diversifying their asset choices and spreading their investments across the US, Li from Cushman & Wakefield said.

The UK is the first choice for **Chinese** real **estate** investors in Europe, with London alone accounting for 62.7 percent of the European total.

"Southeast Asia is a favorite destination as well, due to its proximity to **China** and the strong presence of ethnic **Chinese** communities," Li said.

"In Singapore, **Chinese** investors prefer to invest in offices, whereas in Malaysia, land development is the preferred vehicle. Many **Chinese** developers view the Iskandar Malaysia development zone as having huge potential for growth given its close proximity to Singapore," Li said.

Mark Suchy, director of investment and capital markets, east **China**, Cushman & Wakefield said New York City, Los Angeles, San Francisco, London and Sydney are the top investment destinations for **Chinese** outbound investment in the West, while cities like Seattle, Dallas, and Melbourne will become more relevant as **Chinese** capital increasingly taps these "second-tier" destinations. "We see a variety of fundamental forces driving **China's** outbound investment trends," said Suchy.

Domestic restrictions on home **purchases** as well as the cooling **property** market conditions at home are pushing many investors to diversify to developed countries, where signs of economic recovery and prospects of asset appreciation promise more attractive returns.

"Supportive government policies for enterprises to expand overseas, the strengthening of the renminbi, and the desire of **Chinese** firms to internationalize are fueling the capital outflows," said Suchy.

Meanwhile, private enterprises and individual investors are the key driving force, with office buildings by far the most preferred **property** type, the research said.

Cushman & Wakefield's analysis showed that while State-owned enterprises and private firms each contributed around 50 percent of the total value of outbound real **estate** investment from 2008 to June 2014, private enterprises and individual investors accounted for a larger share of the number of deals.

A variety of investors - including large private developers, State-owned banks and insurance firms, sovereign wealth funds and high-net-worth individuals - are jumping into foreign **property** markets.

Between 2008 and June 2014, office buildings were by far the most preferred **property** type, accounting for over 48 percent of aggregate investment. Office investments experienced a spike in 2013, reaching \$8.4 billion - greater than the total for all other asset classes of \$7.4 billion that year.

CO xinyan : Xinyuan Real Estate Co., Ltd.

IN icre : Real Estate/Construction | i501 : Building Construction | iconst : Construction

NS ereal : Real Estate Markets | e11 : Economic Performance/Indicators | ecat : Economic News

RE usa : United States | china : China | austr : Australia | malay : Malaysia | uk : United Kingdom | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | eecz : European Union Countries | eurz : Europe | namz : North America | seasiaz : Southeast Asia | weurz : Western Europe

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