HD **Home and away**

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Property investment in and out of Asia rises on the back of **Chinese** and regional buyers' interests

Property markets in Asia are starting to feel the impact of **China**'s new rich, and it is not hard to see why, analysts say.

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As lending tightens for second and third homes in the mainland, **Chinese** investors are now looking overseas. At the same time, developers seeking higher returns on their investments are looking beyond **China**, too.

According to **Chinese** real **estate** portal Juwai.com, the United States remains the **lead** destination for **Chinese** investors, followed by Australia and Canada. Thailand, Malaysia and Singapore are the only Southeast Asian countries included in Juwai.com's top 10 preferred destinations of **Chinese** investors.

Jeffrey Gao, **China property** analyst with Nomura Securities, says that as growth starts to slow in **China**'s **property** market, investors are looking overseas.

"Developers in **China** are finding it tough to get financing for new projects," he says. "As a result, margins are being squeezed. The more wealthy **Chinese** are now looking overseas to invest in **property** where yields and prices are very attractive."

Louis Kuijs, chief **China** economist at the Royal Bank of Scotland, says added reasons for **Chinese** investors moving offshore are the "cooling off of the domestic real **estate** sector and a less bullish outlook for it".

"Cooling measures at home have driven investors in the **Chinese** mainland to search for opportunities outside of **China**," says Lee Lay Keng, director and regional head of research with DTZ, a **property** services provider.

Property consultantcy Jones Lang LaSalle says **Chinese** investors spent $7.6 **billion** on global real **estate** last year, an increase of 124 percent over 2012.

"The outbound trend continues to increase," says David Green-Morgan, global capital markets research director for Jones Lang LaSalle. "We believe it could easily surpass $10 **billion** in 2014, as evidenced by (the Oct 6) deal with Anbang Insurance buying the Waldorf Astoria **Hotel** in New York for $1.95 **billion**."

Real **estate** is benefiting from the easing of restrictions in **China** on outbound investment, according to Green-Morgan.

"Many **Chinese** investors have never had the opportunity to invest overseas before, so they are looking at a range of opportunities," he says.

He explains that real **estate** investment is something investors have been doing in **China** for many years. Going overseas is, therefore, a natural extension.

"Australia and Malaysia are two countries where we see a substantial amount of Chinese investment, particularly into residential development," Green-Morgan says. "Australia has also seen quite a flow of commercial investment, but these two countries stand out at the moment."

Kuijs from RBS says that apart from investing in the more traditional markets such as the US and the United Kingdom, Chinese investors are also buying in Asia.

China, however, is not the only country in the region investing in global real estate.

Asia's real estate investors are extending their geographical boundaries to include the US, Australia and countries in Europe as they pour increasing amounts of money from their home markets into markets around the world, according to Colliers International's latest white paper, "Riding the Next Wave of Asian Buying Spree".

"Whereas they traditionally focused on their home country or region, the total value of their investments elsewhere in the world has grown continuously in recent years, from around $1 billion at the beginning of the century to more than $30 billion in 2013," the paper says.

From January to September this year, the total volume of Asian business has been worth about $30 billion, says Simon Lo, executive director for Asia research and advisory at Colliers International, a global real estate company. Of that amount, some $7 billion came from China, he says.

"The actual number should be much higher than this if we include the sales and purchase by developers and acquisition of non-real estate companies that may include significant real estate assets."

Lo cites a number of reasons why Asian investment capital is going outbound: "Different economic cycles between Asia and the Western world, geographical diversification, better yields and investment returns, and the relaxation of government regulations on overseas investments."

Investors from Hong Kong, the Chinese mainland and Singapore have been the region's biggest buyers of real estate outside Asia, and they are set to remain key sources in the next few years, according to analysts.

They say more Chinese investors are set to jump on the bandwagon, simply because they now feel more comfortable about venturing their capital into overseas real estate markets.

According to Colliers, Asian investors are no longer limited to residential property investments.

"Whereas Asian investors concentrated on residential opportunities when they started buying overseas in the past, the gradual economic recovery and growing investment demand have begun to increase the popularity of commercial real estate," says Colliers in an article on its website.

"In fact, offices have now become the favorite sector among Asia outbound investors. Statistics show their percentage increased from 45 percent in 2001 to 60 percent in 2013."

Thailand, Malaysia and Singapore have become major draws for investors, not only in residential but commercial real estate as well, according to analysts. They say the political unrest in Thailand has done little to dampen investor interest in property in the "Land of a Thousand Smiles".

Thailand is now the sixth most popular destination in Asia for Chinese property buyers, according to data published by Juwai.com. "Thailand is currently getting a lot of attention from investors in many countries, and China is certainly no exception," the website says.

The impact of the introduction of the ASEAN Economic Community in 2015 is thought to be one driving factor for Chinese buyers in Thailand, allowing them wider access to Association of Southeast Asian Nations markets through the purchase of Thai property.

ASEAN envisions the AEC as a single market and production base in the region.

"A small number of real estate agencies in Thailand now have Chinese-speaking staff to cater to the increasing number of inquiries they are receiving from mainland and Hong Kong buyers," according to Juwai.com.

In Singapore, buyers from China are holding up in a tough market, analysts say. Lee from DTZ says the city-state's political stability, ease of doing business, strong currency and transparent legal framework are also important factors that attract Chinese buyers and developers.

"For example, Chinese developers have been increasingly active in the tender for GLS (government land sales) sites in Singapore - because the process is transparent and there are no barriers to entry for foreign developers."

Lee says some of the Chinese mainland buyers investing in Singapore "have business links here or are planning to send their children here for education".

"They are attracted by the similarity in the culture with our majority Chinese population, and Singapore continues to offer a stable and secure environment for their investments."

Malaysia's growing attractiveness to Chinese investors is essentially influenced by the same factors as Singapore.

"Malaysia hosts a vast Chinese community and has policies that attract foreign buyers, so it has become a new investment destination," Zhang Yuliang, the chairman of State-backed Greenland Group, told Reuters.

Last year, Chinese institutional and retail investors poured $1.9 billion into Malaysian real estate, exceeding the $867 million invested in Hong Kong and $1.8 billion invested in Singapore, according to real estate consultancy Savills.

Zhang also told Reuters that Malaysia's stable economic growth, large population demand in Johor Bahru - the southern city where the Greenland Group is investing - its proximity to Malaysia's major cities and Singapore, as well as the country's established immigration policies, are reasons for the company to invest.

Luxury residences in Malaysia sell for between $2,300 and $5,600 per square meter, much lower than $27,600 to $33,700 in Singapore and $43,700 to $53,500 in Hong Kong, Reuters said, citing data from real estate consultancy Knight Frank. Average rental yields are also more attractive in Malaysia, at 4 to 6 percent compared to 3 percent in Singapore and 2.5 percent in Hong Kong.

In Australia, Chinese investors are being blamed for forcing up property prices, mainly in Sydney and Melbourne, although there is no evidence to support those claims.

A survey by HSBC Bank found that more than one-third of affluent Asians own overseas property and Australia is their number one destination.

Of the wealthy mainland Chinese surveyed, 9 percent owned property in Australia, while 10 percent of the respondents in Hong Kong had acquired Australian property. Among those surveyed in Singapore, the corresponding figure was 18 percent, and Malaysia, 26 percent.

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