HD **Developers still seem keen on outbound investment**

BY Zheng Yangpeng and Hu Yuanyuan

WC 611 words

PD 7 May 2014

SN China Daily-US Edition

SC CDUSDE

PG 15

LA English

LP

Chinese real estate developers' enthusiasm for the domestic market significantly cooled in the first quarter, but their interest in outbound investment especially in the residential sector stayed strong.

Although out bound investment in commercial propery was flat in the first quarter, investment in sites for residential projects surged 80 percent, according to JLL, an international real estate services and investment management firm.

TD

The surge in land acquisition was the major driver of total outbound investment, which expanded 25 percent to $2.1 billion. About $1 billion went into commercial property, and the other $1.1 billion went to residential.

The United States and Australian real estate markets attracted most of the capital from China in the first quarter. The US drew $732 million (up from $51 million in the first quarter of 2013),and Australia took $400 million (up from $100-million).

While the office sector continues to dominate as the preferred asset class among Chinese commercial real estate investors who are active overseas, there is an increasing appetite for residential development.

According to Wang Ying, general manager of Vantone Holdings Co Ltd's residential project in Taipei, many factors make outbound investment attractive for Chinese residents. These include comparatively low interest rates and down payments, as well as higher rents.

Vantone launched a residential project called Taipei 2011 three years ago. About90 percent has been sold, with 40 percent of the buyers from the Chinese mainland,45 percent local and 15 percent overseas Chinese.

"Joining hands with strong local partners is really important for Chinese property developers' overseas expansion," said Wang.

When Vantone entered the Taiwan market in 2011,it chose to work with a major local developer that has more than 30 years of experience.

"Last year, we received in vitations to cooperate with 35 local real estate firms to develop projects together," said Wang.

Of all Chinese residential property developers seeking an overseas expansion, Shanghai-based Greenland Holding Group Co has been the most active, with purchases of the Ram Brewery and Hertsmere House sites in London, together with sites in Los Angeles and Sydney.

In March, Greenland Group announced a 67,000 square meter Toronto project as its latest overseas real estate acquisition that will cost $360million. It's also announced deals in Australia, Malaysia, South Korea, Spain, Thailand, the UK and the US.The majority of these deals have been signed with in the last 12 months.

David Green Morgan, global capital markets research director at JLL, said that limited land in a few favored overseas cities kept many potential Chinese buyers from making actual purchases.

"There is enormous demand (in China).Many Chinese investors are looking for purchase targets. What holds them back is lack of free space," he said.

While Chinese outbound investment in real estate continues to be spread across the globe, most of the deals in the past quarter still took place in larger, gateway cities such as London, Sydney, Los Angeles and Chicago, according to JLL.

"My experience with my clients showed that they are good at doing homework. They were cautious in making decisions.

"But once they decided' this is a good project with good profitability prospects',they would pay whatever price the market demanded," Green Morgan said.

The return rate on these investments is not clear yet, as it takes years to build properties on purchased land. But he said there's a strong demand for apartments in cities such as London and New York, and prices there grew fast last year.

Contact the writers at zhengyangpeng@chinadaily.com.cn and huyuanyuan@chinadaily.com.cn

RE china : China | austr : Australia | usa : United States | taiwan : Taiwan | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | namz : North America

PUB China Daily Information Company

AN Document CDUSDE0020140507ea570000c