

INDUSTRY UPDATES

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

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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 outbound investment in **commercial** property 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**.

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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. About 90 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 invitations 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 Hertsmeare 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 \$360 million. 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.

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