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# Where Rich Chinese Are Stashing Their Cash: America's Hotels and Strip Malls

*As China's economy sputters, those looking to get their money out of the country find unlikely places to park their wealth*

By Craig Karmin

A small group of wealthy Chinese investors recently poured \$10 million into a luxury condominium project in New York's Westchester County. The redbrick building, set to open next year, will feature a pool and a roof deck offering sweeping views of the Hudson River.

None of the people bothered to visit the site before plunking down their money.

"It was a relatively easy deal," said Rick Singer, a New York real-estate investor who introduced the Chinese investors to the project's developer. "It gave the Chinese what they wanted."

The investors' objective, in part, was to move money out of China and into U.S. commercial property, said brokers who have arranged similar deals for wealthy Chinese in recent years.

That goal became more pressing over the summer, after a plunging stock market rattled investors and a sharply slowing economy prompted Chinese officials to devalue the nation's currency. Authorities beefed up enforcement of rules designed to keep money from exiting the country. Many wealthy Chinese worry that Beijing could strip them of their wealth or inflate away their savings by cheapening the currency further, brokers said. That motivates them to move large sums outside the country, ideally without drawing attention.

China has been the largest foreign holder of U.S. Treasuries since 2008, but more recently its buying interest in the U.S. has spread to Chinese companies and wealthy individuals. A Chinese insurer earlier this year paid \$1.95 billion for New York's Waldorf Astoria hotel—a record price for a U.S. hotel sale—after Chinese regulators relaxed rules for big insurers investing in overseas real estate.

Wealthy Chinese also have been eager to buy houses or apartments in the U.S. After a five-year spending binge, Chinese displaced Canadians as the top foreign buyers of U.S. homes for the 12 months to March, according to the most recent data from the National Association of Realtors.

While wealthy Chinese home buyers have pulled back on U.S. purchases in recent months amid the market turmoil at home, investors looking for commercial property have kept buying aggressively, brokers said. Many have centered on unlikely investments such as small office buildings, chain hotels and other nondescript properties in and around big U.S. cities, seizing an opportunity to place greater sums of money outside their government's reach.

Over the past couple of years, Chinese investors have acquired a strip mall near Long Beach, Calif., a Marriott hotel near Los Angeles International Airport and a waterfront office building on New York's Staten Island, according to property records, brokers and other parties in the deals. They have helped fund at least two big condo projects in Westchester County and

purchased large swaths of property in the Queens, N.Y., neighborhood of Elmhurst, according to the people and property records.

“It isn’t just about finding yield, but about parking their capital,” said Joshua Zegen, co-founder at New York-based Madison Realty Capital. His firm made a loan to the developer of a \$100 million luxury apartment development in Queens that counts wealthy Chinese among its investors.

Big Chinese companies have been piling into glitzy U.S. commercial property in recent years, paying record sales prices for the Waldorf Astoria and Baccarat hotels in New York and planning one of the tallest buildings in San Francisco. Those types of deals could suffer if the Chinese government continues an effort launched amid the stock-market rout to discourage companies from investing heavily abroad instead of at home.

China’s middle-class families, meanwhile, have received attention for their purchases of individual homes and condo units in U.S. cities. Those transactions could be cooling, too, brokers say, as Beijing tries to keep money from exiting the country. Individuals can invest up to \$50,000 a year overseas, and officials vowed to enforce those laws strictly following China’s stock-market plunge in the summer. Chinese shares have since recovered some of the lost ground.

Wealthy individual investors, by contrast, have long flouted the rules by sending capital to the U.S. through family and friends, wealth advisers and private bankers say. Some have export-oriented businesses, which pay them in dollars that they keep overseas through real estate and other investments. Data released Monday showed China’s foreign-exchange reserves fell in November to their lowest in more than two years, fueling concerns about Beijing’s ability to stem capital outflows.

If anything, said Katie Kao, a New York real-estate broker, the threat of additional capital controls—including a move by the Chinese government in September to tighten control over foreign-exchange transactions—could spur ultrawealthy Chinese to divert even more money to the U.S.

“They want to move faster and make more investments in the U.S.,” said Ms. Kao, who is also a founding president of the Asian Real Estate Association of America’s New York east chapter.

Determining the amount of U.S. commercial real estate owned by this group is tricky because they usually cover their tracks. As with many other wealthy buyers of U.S. real estate, Chinese like to transact through private companies or through a local partner.

New York developer Steven Wu, for example, has been the public face of a Queens residential project that tapped numerous high-net-worth investors from China to help buy the site for \$53.5 million, according to a person familiar with the project.

In other instances, wealthy Chinese investors pool their capital through a firm that buys property on their behalf. Hong Kong-based investment firm Joint Treasure International Ltd. last year sold an eight-acre site in Beverly Hills on behalf of a wealthy Chinese investor and other Asian investors for more than \$400 million, four years after buying it for about \$150 million.

Brokers say the impact of Chinese money is concentrated in certain metro areas. In New York, for example, neighborhoods with sizable Chinese communities are attracting a rising tide of money from wealthy mainland Chinese.

In Flushing, Queens, where people of Chinese and other Asian descent make up nearly half the population, commercial-property sales have totaled \$1.2 billion this year through November, according to CoStar. That is up 44% from the full year in 2014 and more than double the amount in 2013. The average price a square foot this year for these transactions is \$382, compared with \$234 in 2013, CoStar data show.

Chinese investors have been particularly aggressive bidders for commercial real estate on and around Queens Boulevard in Elmhurst. Over the past 18 months, Cushman & Wakefield made eight property sales along the street. Chinese investors had the winning offer six times, and were the runner-up bid the other two times, said Tom Donovan, vice chairman of broker Cushman's capital markets group.

“It is definitely impacting pricing,” said Mr. Donovan. “There are not enough buildings for sale, and with aggressive buyers coming in, it has had a good uptick in price.”

Some Chinese high-net-worth investors from Shanghai recently joined with New York investment firm Borland Capital Group in the \$40 million acquisition of 66 condo units in two of the tallest buildings in Westchester County: the Ritz Carlton in White Plains and Trump Plaza in New Rochelle.

Founder Brent Borland said the plan is to rent out the condo units for a period and then eventually put the units back on the market.

“When we look to exit,” he said, “our Chinese partners will have the ability to sell these units to buyers in China.”