

# US commercial property attracts new wave of Chinese capital

Shenzhen New World Group Co. with two Los Angeles hotels are looking to purchase other commercial real estate in the United States

Juan Yanez Carrera  
Reporting from Los Angeles

Within a period of one year, Chinese real estate giant, Shenzhen New World Group, has purchased two hotels in Los Angeles for \$150 million, showing a growing trust in recovery of the hospitality industry and the rising interest of Chinese investors in U.S. commercial property.

Thirteen months ago, Shenzhen New World Group acquired the 469-room Marriott Hotel in downtown Los Angeles at a substantial discount from its previous sale price as the country's hotel market continues to reel from recession woes.

Recently Shenzhen New World executives took control of the Sheraton Universal hotel at Universal Studios and planned to spend an additional \$5 million to renovate the Sheraton's pool area, meeting rooms and other private spaces.

Company spokesman Ming Yu said that the company was attracted to the Sheraton Universal because it is in the heart of Los Angeles near the Universal Studios Hollywood theme park.

The price of the Sheraton was not disclosed, but industry experts who tracked the deal said Shenzhen New World Group Co. paid about \$90 million for the 451-room inn overlooking Universal City.

That would make it a deep discount from the \$122 million that previous owner Lowe Enterprises paid for the hotel at the top of the market in 2007. The Los Angeles developer and landlord also spent \$25 million on improvements, but lost control of the property last year after the recession battered the travel business.

The sale of the 20-story hotel to Shenzhen New World marks the second local purchase for the mainland Chinese real estate developer, which bought the 469-room Los Angeles Marriott Downtown last year for an estimated \$60 million.

The Universal property will continue to be operated as a Sheraton, said real estate broker John Strauss, who represented court-appointed receiver Rim Hospitality, which took over Lowe's interest.

"There is clear evidence that the market has bottomed out," said Strauss, a managing director at real estate services firm Jones Lang

LaSalle.

Investors from mainland China, such as those from Shenzhen, are still less common than real estate buyers from Hong Kong and Taiwan, said real estate analyst Peter Slatin of Real Capital Analytics.

In 2009, hotel sales in Los Angeles County totaled less than \$50 million. Last year, the total leapt to \$350 million with sales of properties such as the Marriott and Hilton Checkers in downtown Los Angeles and the Sheraton Delfina in Santa Monica.

"We see the hotel business getting better in the next year or two," he said, "we are looking for other commercial real estate to purchase in the U.S., but not necessarily more hotels."

There is a tremendous amount of offshore capital seeking long-term real estate opportunities, primarily in the gateway markets of San Francisco, Los Angeles, Seattle and Honolulu," said real estate broker John Strauss.

Chinese investors should be among the leading buyers, said Butler of Jeffer Mangels Butler & Mitchell. "The strong yuan makes our properties kind of half-priced," he said, and the emerging Chinese middle class likes to travel.

Here are some other recent big deals: Shanghai SINB Group purchases 54 Acres in Mt. Pleasant, Wisconsin; Tianjin Pipe Company builds \$1 billion plant in Corpus Christi, Texas; Top-Eastern Tool invests \$39 Million in Seneca, South Carolina; Yuncheng purchases 6.5 acres to build new plant in Spartanburg, South Carolina; Chinese Company acquires vacant Northridge Mall in Milwaukee, Wisconsin; Beijing CHC Purchases White House Theatre in Branson, Missouri; Wanxiang Group constructs 40,000-sq ft solar panel facility in

Rockford, Illinois.

Unlike Japanese investors, who entered the US property market during the 1980s through high-profile acquisitions such as Rockefeller Center, Chinese investors are making forays into US commercial real estate though alternative, less-observable routes.

According to Real Capital Analytics data, which the Wall Street Journal recently used in support of an article on Chinese investment into US property, just \$62.6 billion of Chinese investment has occurred in US commercial real estate during 2010. In comparison, Canada accounted for \$1.8 billion over the same period.

Los Angeles Mayor Antonio Villaraigosa recently signed a non-binding agreement with the Investment Promotion Agency of the People's Republic of China. The mayor, who plans a trip to China later this year, said the memorandum of understanding encourages more economic activity between China and L.A.

Villaraigosa spoke to a group of Chinese business leaders in the ornate Tom Bradley Room at the

top of City Hall as he prepared to sign the agreement.

"Today both Los Angeles and China are taking a giant leap forward together to help these businesses reach great heights," the mayor said.

He offered few details on how the agreement would work, saying only that the city would encourage L.A. businesses to invest in China, and the Investment Promotion Corporation of China's Commerce Ministry would encourage Chinese businesses to invest in L.A.

"The sky truly is the limit for Chinese businesses like those that join us here."

Already, 40% of Chinese imports arrive through the L.A. customs district. The mayor also noted a recent decision by China Shipping to double the size of its facility at the Port of L.A.



## More and More Chinese Millionaires are Investing Overseas

Jarod Wang  
Reporting from Beijing

The 2011 Private Wealth Report, published by China Merchants Bank and business consulting firm Bain & Company, showed that the number of high net worth individuals in China exceeded 500,000 in 2010, 19 percent more than in 2009.

Those who have at least 10 million yuan worth of individual assets available for investment are defined as high net worth individuals. Among that group, nearly 60 percent are either considering emigration through investment overseas or are already finalizing the process.

Among those with at least 100 million yuan in individual

investment assets, 27 percent have already emigrated, and 47 percent are considering leaving China.

The report concluded that "investment migration" is becoming a trend on the mainland, highlighted by a 73 percent compound annual growth rate of those whose investments helped them immigrate to the US in the past five years.

The result is in line with statistics from another agency. According to the Beijing Entry & Exit Service Association, more than 1,000 people applied for investment immigration to the US in 2009, doubling the figure from 2008.

There are three major reasons behind rich people's immigration: a better education for children, safety of personal wealth and a preparation for retirement, the report showed.

According to Hurun Wealth Report 2011, China has 960,000 'millionaires' with personal wealth of 10 million yuan or more (USD\$1.5 million), up 85,000 individuals or 9.7% year on year.

In 2009, there were 825,000 millionaires,

Region	Number of 10-million-yuan millionaires	Percentage
Beijing	170,000	17.7%
Guangdong	153,000	15.4%
Shanghai	132,000	13.8%
Zhejiang	126,000	13.1%

growing last year to 875,000. China also has 60,000 'super rich' with 100 million yuan or more, up 9.0% on last year. Four out of five millionaires, for example, are thinking of sending their children to study overseas, with the US and UK as their preferred destinations.

A report by the China Youth Daily pointed out that, taking into account education and pensions, feelings of insecurity are the major factor prodding rich people to emigrate. Therefore, many of Chinese millionaires are interested in immigrating to another country.

Despite their huge wealth, many of them rely heavily on connections with authorities, but an administrative monopoly in China often puts them in a disadvantageous position in the market. Meanwhile, their connections with authorities make them easy victims of corruption charges and become targets of the public, the newspaper said.



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