

Chinese tour groups go house-hunting in U.S.

The cash-rich visitors are looking for bargains in the plunging market. The trips are part of a broader trend of individuals and businesses in China seeking greater investment opportunities abroad.

By Don Lee and David Pierson
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Reporting from Shanghai -- Caravans of cash-rich Chinese in Hummers and Lincoln Navigators have been weaving through American neighborhoods in recent months, looking for foreclosures and other bargain properties to buy.

With housing prices crashing in the U.S., home-buying trips to America are becoming one of the more popular tour group packages in China. New U.S. visa rules for Chinese tourists and a loosening of foreign investment policies by China have made it easier for people such as Zhao Hongjun of Beijing to go house hunting across the Pacific.

The 48-year-old owner of a media company went on a two-week road trip through the U.S. last fall, visiting scenic sites and checking out properties from Los Angeles to New York. He's been following the swoon in prices ever since, and next month he's considering joining another prospecting group that is heading for San Francisco, Los Angeles and Las Vegas, three of the hardest-hit housing markets in the U.S.

Zhao's budget: \$1 million.

"L.A. is not bad; a lot of Chinese live there," he said, noting that he was interested in both apartments and houses.

The tours are a new twist on an old phenomenon.

Overseas Chinese have been buying Southern California properties for years. What's different now is that they are starting to do it in large groups and quite openly.

"Before, it was kind of private, a quiet thing among friends," said Jamie Lee, a Chinese American who runs the Los Angeles Convention and Visitors Bureau office in Beijing. "Now it's full-blown. . . . It's huge." Some of these groups "are talking about going every two weeks."

Chinese home-buying missions in the U.S. are part of a broader trend of individuals and businesses in China seeking greater investment opportunities abroad. This week government and business officials from China's southern Guangdong province will arrive in Los Angeles to create a regional chamber office.

Certainly, a wave of Chinese bottom fishers won't end the housing woes in Southern California, where by some measures the median price has sunk more than 40% since the spring and summer of 2007.

But it could help rev up sales in some places, including the UC Riverside area and the San Gabriel Valley, home to large Chinese American communities and mentioned by some potential buyers as places of interest.

Ling Chow, president of the San Gabriel-based Chinese American Real Estate Professionals Assn., says brokers and agents welcome the mainland tours -- anything to shake the doldrums of the market crash.

But Chow, who mostly serves mainland Chinese buyers, is more skeptical about any new wave of Chinese home buyers making a significant imprint. Unless they're willing to spend more than \$400,000, they'll probably be disappointed in the available homes. Chinese are culturally inclined to buy new homes and prefer high-achieving school districts, demands that drive up prices.

Chow said Chinese buyers' affinity for paying in cash will benefit them during the credit crunch. Many of her mainland clients have paid with cash, often for mansions and condos in Arcadia, where they can begin the immigration process or leave their college-age children to live alone.

The Chinese do have a lot of cash to spend. The central government holds the biggest stockpile of foreign reserves in the world, nearly \$2 trillion, most of it in dollars. And the Boston Consulting Group estimates that there were more than 391,000 millionaire households in mainland China last year, up from 310,000 reported the previous year.

Still, Beijing has been cautious about outward investment, given the uncertainties of the financial crisis and heavy losses that its sovereign wealth fund has sustained buying stakes in American financial institutions such as investment bank Morgan Stanley. In addition, China's economic growth has slowed sharply in recent months as the nation's exporters have been hurt by slumping U.S. demand, and China's own real estate market has been sluggish.

But home prices in the U.S. have fallen more sharply than in China, and many Chinese consider the American market highly alluring as a place to invest and live because of the United States' developed economy.

The purchasing tours in the U.S. grew out of similar trips by well-heeled Chinese back home.

Investors from Wenzhou and other entrepreneurial hot spots were known for chartering buses to visit such cities as Shanghai to shop for apartments. Now some of them are signing up with outfits like Soufun.com, the real estate website that is sponsoring the home-buying trip next month from Beijing to California and Nevada.

Liu Jian, chief operating officer at Soufun Holdings, said his group's tour would focus

...many other operating entities in Southern California. The group of tour buses focus on homes priced between \$200,000 and \$300,000, just at or below the median for Southern California. More than 300 people have registered for the trip, which could last 10 days and cost each person about \$2,200, excluding airfare.

"Many of them want to buy because they have actual needs to live there or for their children," Liu said. "They will hold the property for quite a long period."

James Chou of Coldwell Banker George Realty in Alhambra said he was preparing for several groups from China early next year, totaling up to 200 people. His firm will provide hotels and tour buses.

Chou said the potential investors were keen to see foreclosed homes, but he warned that it would be difficult to educate them about the home-buying process in such a short time. He said they had little understanding of single-family houses, coming from a country where most people live in urban apartments.

"I don't think they know much about the market here," Chou said.

Lee, of the L.A. Convention and Visitors Bureau, has mixed feelings about these *gou fang tuan*, Chinese for home-buying groups. On one hand, she says, they will be staying and eating and shopping in Los Angeles, pumping dollars into the local economy.

On the other hand, Lee has been working hard in China to publicize the biggest attractions of Los Angeles: its great weather, beaches, Hollywood and theme parks.

"I'm promoting tourism to L.A., but not to go to buy cheap houses," she said. "Are we that desperate?"

Mei Xinyu is ambivalent for a different reason. As a researcher for China's Ministry of Commerce, Mei doesn't want to see a rush of Chinese buying homes in the U.S. and getting burned.

"The housing price right now in the U.S. is fairly low already, but it's hard to say how long it will remain in the valley," he said.

Chinese investors, Mei added, should be careful to study the markets before plunging into them. In some places, they could face a backlash, just as there was when the Japanese went on a shopping spree in the U.S. during the 1980s. What's more, he warned, some American cities may not bounce back at all.

"China is still in the process of urbanization. It's unlikely to turn into ghost towns," he said. "But the U.S. is different."

Yuan Lixin says his group's tour to the U.S. is meant to address precisely that concern -- to give visitors a deeper understanding of the real life of America over 14 days, before they buy into the real estate.

"What we sell is the culture, American culture," said Yuan, a planning department official at Beijing Youth, a newspaper enterprise that has organized group tours to the U.S. since late 2006.

The tours didn't start out as home-buying trips, but while driving across the continent in luxurious SUVs, people couldn't help but take notice of "For Sale" signs outside houses, including those that appeared to be empty, Yuan said.

"In many cases, members would stop the car and actively ask about the house situation," he said.

"Now because of the financial crisis, ordinary people in China also are starting to make large purchases in the U.S.," Yuan said. "In the past, people who traveled to the U.S. might carry back a large luggage with American goods. It's just that this time, what they bring back are [papers showing] hundreds of thousands of dollars of a house."

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