

## Chinese buyers' new price point

*Seeking diversification, many investors are looking at cheaper units.*

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In recent years, Chinese buyers have snapped up some of New York City's priciest real estate, from the [\\$70 million penthouse at the Sherry-Netherland](#) to ultra-luxury condos at One57.

But there's a new wave of Chinese buyers starting to look for properties in Manhattan. And they are opting for smaller — and cheaper — units.

Some of these new Chinese investors, including wealthy factory owners in their 30s and 40s, are looking to diversify their portfolios into less-expensive real estate, according to brokers who work with Asian buyers.

"They're young entrepreneurs and they know a lot about Manhattan. They know it's a safe haven," said Bond New York's Terence Hsu, who has worked with clients who have amassed a net worth of \$10 million to \$15 million via China's still-strong manufacturing sector.

He added: "Even though there's a little bit of a slowdown in the Chinese economy, there's strength in manufacturing."

While Chinese buyers have been buying across the price spectrum in New York City for a while now, sources say there's a growing appetite for apartments under \$5 million. Developer Gary Barnett, who sold a \$47.4 million condo at One57 to a Chinese buyer, is one of the New York players looking to capitalize on this next batch of Chinese apartment hunters.

His new project, One Manhattan Square, on the Lower East Side, is made up of more than 800 condos in the \$1 million to \$3 million range and it will be [exclusively marketed in China, Malaysia and Singapore](#). The foundation is underway, and the project is set to be completed in 2019.

### **Cautiously optimistic**

In general, Chinese buyers in Manhattan have become more careful in the last few months. Buying habits shifted this summer, after the government tightened its policy on transferring money overseas, according to brokers.

The slowing Chinese economy as well as [the country's currency devaluation](#) have also made investors more risk-averse.

In addition, the Communist Party's crackdown on corruption has made the wealthy nervous about attracting attention.

"They're not reacting as fast as they were," said Michael Chen, an agent at CORE. "China and Taiwan are experiencing real estate slowing down, so they're concerned that will affect the market here in the U.S."

[Khashy Eyn](#), founder and CEO of [Platinum Properties](#), which manages 100 units for Chinese investors, said cash buyers, in particular, are aggressively buying smaller units between \$1 million and \$2 million. "They can afford a smaller unit with all cash," he said. This downshift is being seen elsewhere, too. Town Residential's Hannah Han said China's economic slowdown has prompted some of her buyers to put their New York buying plans on hold altogether — or to slash their budgets. She cited one client who was planning to spend \$8 million but dropped down to \$5 million after China's stock market plummeted in July.

"They think the economy is bad in China, so they are more cautious about how much money they're spending," she said.

But while buyers may be thinking smaller, they still believe in New York real estate.

"There are parents that have children here at boarding schools on the East Coast and they want to purchase a small condo in Manhattan so when they come, they have a place to stay," Han said. "There are also luxury condo buyers with two or three kids and they want a place to accommodate a pied-à-terre lifestyle."

### **Leading locations**

One thing that hasn't changed: Chinese buyers' preference for new construction in prime Manhattan locations and Chinese-centric outer borough neighborhoods like Flushing.

“Times Square may not be on the top of the list for local [buyers], but it could be for foreign buyers because it’s a landmark and they want to be associated with landmark locations,” Chen said.

At Grand at Sky View Parc, a new development condo project in Flushing where one-bedrooms start in the low \$600,000s, developer Onex Real Estate Partners told *The Real Deal* it sold \$85 million worth of condos during a single weekend in late October when sales launched at the second of three planned towers.

“There’s a big demand for this price point. It’s clear, just based on the velocity of sales that we’ve been doing here,” said David Brickman, a vice president at Onex. “In terms of the Chinese buyers, it’s not all about the \$10 million penthouse.”

Still, while they may not be plunking down \$10 million, they often purchase multiple units. “We had one person buy three big units — one to live in, one for family and one for investment,” Brickman said.

The abovementioned Grand, which is Phase II of the larger Sky View Parc project, will have 750 units total, with studios asking \$480,000 and one-bedrooms in the \$600,000-to-\$900,000 range.

According to Brickman, buyers are 90 percent Asian-American and predominantly Chinese. “Most of our buyers are domestic with local addresses, but they’re very connected to family and friends in China, so there’s definitely a segment of funds that are coming from China toward the purchase,” he said.