

Asians Find Attractive Buys in Britain and the U.S.

By ALEX FREW McMILLAN

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HONG KONG — Darryl Dong recently took his wife, Eva, to New York for a bit of shopping. He had heard there were some great sales. But Mr. Dong, a financier based in Hong Kong, was not looking for designer clothes.

Instead, he picked up a two-bedroom, two-bathroom condominium on Sutton Place, an exclusive street between midtown Manhattan and the Upper East Side, for \$2 million. He paid one-third less than the \$3 million asking price, the price that a similar unit in the building had sold for in 2007.

Mr. Dong is part of a stream of buyers based in Asia who have become increasingly active in Western real estate, particularly in Britain and the United States, snapping up properties at what they consider to be bargain-basement prices.

“Now is a truly opportune time to buy London, New York, L.A. — all these markets are totally thrashed,” Mr. Dong said. “It’s not cheap per se, but for executives in Hong Kong looking for a second home, you can’t do any better than that. These are all prime markets that you would move in and out of in business circles anyway.”

Asian buyers have accounted for 49 percent of the investment purchases in London over the last 12 months, according to research from the Knight Frank real estate agency. Asian investors spent £761 million, or \$1.2 billion, on property in the British capital, with investors coming from Hong Kong, mainland China, Singapore, Malaysia and other parts of Asia.

“While the market has returned to life after it pretty much shut down in 2008, current international investment demand is almost totally concentrated on London and is primarily coming from Asia,” said Liam Bailey, the head of residential research at Knight Frank.

Buyers say the weak pound, and the sense that London real estate is a secure investment, are the main attractions. And even though prices in the city have risen 22 percent in the 14 months that ended in May, prices in central London still were 32 percent off their peak in March 2008, in Hong Kong dollar terms.

Asian buyers favor central locations and properties near the Underground, Knight Frank says. For example, the extension of the Jubilee Line south of the River Thames is drawing Asians to Southbank and Canary Wharf.

Knight Frank says the Pan Peninsula development in Canary Wharf sold 110 units in Hong Kong and Singapore, at prices from £250,000 to £4 million, at an average of £800 per square foot. And developers like Barratt Homes, which is giving Asian buyers first opportunity to buy the 700 apartments in its £150 million Renaissance development near Greenwich, recently said Hong Kong and Singapore residents buy one quarter of all the homes it builds in London.

In the United States, buyers from China and Hong Kong are the fourth-most-active international purchasers, according to a report issued in June by the National Association of Realtors, following buyers from Canada, Mexico and Britain. The Chinese make up 8 percent but, with the British share slipping to 9 percent in recent years, they soon may be the most prominent buyers from outside North America.

For the 12 months that ended in March 2010, foreigners represented 4.5 percent of the buyers, who purchased \$907 billion in U.S. real estate during the period. The proportion actually could have been larger, but one-third of all potential international buyers were unable to complete their purchases because of financing problems. Ninety-two percent of all U.S. buyers get mortgages, while only 45 percent of foreign buyers do.

Danny Lim, another investor based in Hong Kong, also traveled to the United States this spring to vet property. During that trip he bought properties in Detroit; Las Vegas; Fort Lauderdale, Florida; and Miami, paying cash for homes to rent out and to hold for investment.

Mr. Lim, who was born in Indonesia but grew up in Australia, plans to target Phoenix and parts of California next. "We identified five areas that we thought had really good potential and also the ones that were the worst hit in the credit crisis," Mr. Lim, 34, said.

His company, The Creations Group, has established a small fund that is open to friends and family, and that so far has invested around \$1.5 million of its \$2 million in cash. If the venture is a success, he anticipates opening a larger fund to the public.

Working with local brokers, he targets lower-end housing a few streets away from good neighborhoods. But by stipulating that the properties be single-family homes, in good condition and producing a minimum rental income, he hopes to ensure a good return.

Other purchasers stick to high-end property. The median price paid by international buyers for U.S. property is \$219,400, according to the Realtors' survey, 27 percent higher than the median \$173,000 price for all sales, including American buyers.

Mr. Dong, 52, used the O'Neill Group, a company with operations in Hong Kong and the United States, to broker his purchase. He secured a 30 percent loan on his Manhattan purchase. But he says financing "wasn't an issue," just as he did not worry about getting the best price.

“My philosophy has always been as an investor, it’s nice to buy something at the bottom but don’t chase the bottom,” he said. The market “has gone down far enough that any time along now that you buy, it’s going to be a great deal.”

Mr. Dong is the global head of distressed-debt investments for PineBridge Investments, the former AIG asset management arm now controlled by Richard Li’s Pacific Century Group. He is putting his work experience to personal use. In addition to the Manhattan purchase, last year he bought a four-bedroom, four-bathroom home in Mill Valley, California, for \$2.5 million. He rents this out but eventually expects to use it as a home.

Mr. Dong, a Vancouver native, said he targeted the Bay Area and New York for personal reasons but would be equally upbeat about buying in London.

“How often does a confluence of circumstances create a situation where you have got a housing crisis, a global financial crisis, and in Europe you have got a debt crisis? That will never happen all at one time in our lifetime,” he said. “It’s a once-in-a-lifetime opportunity to buy in those places.”