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Real Estate

Luxury Real Estate Hit by Scare With Chinese Money Staying Home

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- ▶ Spread of outbreak creates headwinds for property markets
 - ▶ High-end deals are taking a hit from Singapore to New York
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Eric Marrus, a real estate broker at Compass in New York, walked through a \$7.5 million townhouse in Manhattan's Lenox Hill neighborhood last week, pointing his phone into every corner of the property.

He was conducting a virtual tour via WhatsApp for a Chinese couple unable to visit the home together because of coronavirus travel restrictions.

"Logistically, it's a nightmare," said Marrus, who gets about a quarter of his business from China, where the virus originated.

As the outbreak spreads, snarling travel across the world, real estate markets in the U.S. and other countries that rely on Chinese buyers face a looming crisis as deals languish and potential purchases are delayed indefinitely.

Chinese buyers spent \$13.4 billion on U.S. homes in 2019. That was the most from any foreign country, even as purchases plunged amid an escalating trade war and a crackdown on taking cash out of China.

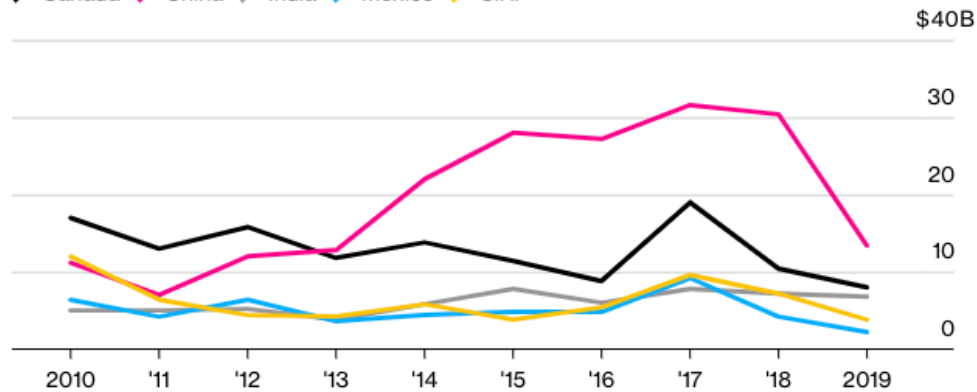
In California, where 34% of foreign purchases were from China last year, Keller Williams broker associate Coco Tan has taken to wearing a surgical mask to open houses and greeting clients with a wave rather than a handshake. Tan, who was born in China, said that normally about 25% of her clients are Chinese. With flights canceled, most have postponed visiting until after the summer, she said.

“I tell them that I have some nice properties that I saved for them,” Tan said.

Buyer Retreat

Foreign purchases of U.S. homes plunged last year, led by China

Canada China India Mexico U.K.



Source: National Association of Realtors
 Note: China includes Mainland China, Hong Kong and Taiwan. Estimates from 2010-2015 include some commercial transactions

There are more lights on these days in the wealthy Orange County neighborhoods south of Los Angeles that are favored by Chinese buyers, said Alvin Wang, an associate broker with Compass in Newport Beach. The homes are often used for estate planning and only occupied part-time. But these days, many Chinese are staying in California, waiting out the coronavirus quarantines and travel restrictions.

“Communities are a lot more populated,” said Wang, who estimates 85% of his clients are from China. “It used to be, out of every street, you’d have three to five empty houses.”

Sydney Surge

Half a world away in Sydney, the virus has boosted demand for luxury property, according to Monika Tu, founder of Black Diamondz, an Australian real estate company that caters to wealthy Chinese.

Many of her clients, who run businesses in China, have family in Australia. Some came to town for Lunar New Year and have extended their stays because of the outbreak. Now, they're buying homes, Tu said, adding that the weakness of the Australian dollar is another selling point.

"Australia is so close and so protected," she said. "People feel really safe here."

How long this surge of interest lasts may depend on the extent of the outbreak. Closed embassies are gumming up the processing of new "significant investor" visas -- the main route for ultra-rich Chinese to gain permanent residency in Australia and the right to purchase existing real estate.

Vancouver, Singapore

Elsewhere, from Vancouver to Singapore, realtors are facing the same problems as their counterparts in U.S. that rely on Chinese buyers: With hundreds of millions of Chinese effectively quarantined, it's hard to sell real estate.

Singapore is being hit especially hard -- Chinese nationals are the top foreign homebuyers in that market, especially for luxury properties.

Clarence Foo, a Singapore-based agent, had one Chinese couple looking to buy a S\$6 million (\$4.3 million) apartment near the glitzy Marina Bay Sands casino and shopping mall. They also wanted to scout for schools for their children because they plan to settle in the city-state.

They were set to visit in late January, but right after they booked their flight, Singapore's government banned China nationals to prevent the virus from spreading.

"They've had to shelve their purchase until a later date," said Foo, who estimates sales involving Chinese clients have dropped by 20%.

Back in California, Toll Brothers Inc., a builder that focuses on luxury homes, said last week that 11 closings were delayed in recent months because of the coronavirus.

California and the Seattle area reported new cases on Sunday. In New York, the second-biggest region for Chinese buyers, the city announced its first positive virus case as the global death toll surged past 3,000.

New York Problems

For Silverback Development, which is building a 13-story condo property near Manhattan's Gramercy Park, the virus has complicated several facets of business. Apartment buyers are reluctant to sign deals with the stock market in flux, while conversations with Chinese investors have stalled because moving money outside the country is challenging, said Josh Schuster, a principal at the firm.

On top of that, the company is searching for alternatives to Chinese building materials such as granite countertops for the Gramercy project, which could boost costs by as much as 30%.

“We’re nervous,” Schuster said. “What if the supply chain could cause delay to the delivery of our kitchens or stone materials? Without a real solution, I can’t take that risk.”

– *With assistance by Natalie Wong, Faris Mokhtar, Emily Cadman, and Peter Vercoe*