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Business

Global property deals stall as coronavirus keeps China money at home

- Chinese buyers spent US\$13.4 billion on US homes in 2019, the most from any foreign country even as purchases plunged amid trade war
- Property agents are facing the same problems from Singapore to Vancouver with hundreds of millions of Chinese effectively quarantined

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Property for sale in California where home prices hit a record high in May 2018. These days, Chinese buyers that drove global property prices are staying at home with their cash amid the viral outbreak. Photo: AFP

Eric Marrus, a real estate broker at Compass in New York, walked through a US\$7.5 million (HK\$58.5 million) town house in Manhattan’s Lenox Hill neighbourhood 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 is 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 US and other countries that rely on Chinese buyers face a looming crisis as deals languish and potential purchases are delayed indefinitely.

Chinese buyers spent US\$13.4 billion on US 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 per cent 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 per cent of her clients are Chinese. With flights cancelled, 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.



A couple looks at buildings from a hill on November 1, 2019, in Athens. Some 5,300 permits have been issued since Greece launched its golden visa scheme in 2013 of which more than 3,400 were snapped up by Chinese investors. Photo: AFP

There are more lights on these days in the wealthy Orange County neighbourhoods south of Los Angeles that are favoured 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 per cent of his clients are from China. “It used to be, out of every street, you’d have three to five empty houses.”

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 are 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.

Elsewhere, from Vancouver to Singapore, property agents are facing the same problems as their counterparts in US that rely on Chinese buyers: With hundreds of millions of Chinese effectively quarantined, it is hard to sell real estate.

“People were planning to do open houses in early February and obviously the turnout wasn’t as good,” said Jerry Huang, an agent in Vancouver. “Many investors aren’t planning to come at all, just to follow rules.”

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 (US\$4.3 million) flat near the glitzy Marina Bay Sands casino and shopping centre. 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 have had to shelve their purchase until a later date," said Foo, who estimates sales involving Chinese clients have dropped by 20 per cent.

Back in California, Toll Brothers, 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.

For Silverback Development, which is building a 13-storey condo property near Manhattan's Gramercy Park, the virus has complicated several facets of business. Flat 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 counter-tops for the Gramercy project, which could boost costs by as much as 30 per cent.

"We are 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 cannot take that risk."

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