



# CHINESE INVESTORS

# SHOULD CONSIDER INVESTING *in* CHICAGO

BY ANN TRANDAI

When Chinese investors think of investing in the U.S.A., they often think of New York, Washington, D.C., San Francisco or Los Angeles. However, Chicago is a hidden treasure that many Chinese have not discovered. Last January, Chinese President Hu came to the U.S.A. Chicago was the only city outside of Washington, D.C. that he visited, to highlight the importance of cooperation between Chicago and China. Following him on the trip were over 400 Chinese business delegates. In the end, over 30 Chinese companies signed partnership agreements to collaborate with American companies.

Earlier this year, the Beijing Language and Culture University Press Group (BLCUG) contacted me. They wanted to buy property to distribute Chinese BLCUG textbooks, Chinese cultural products, and Chinese language training. I spent a weekend to find locations for them; they offered and closed within six weeks - it was a cash deal. Their new office is called Phoenix Tree Publishing and is located at 5660 North Jersey in Chicago.

Over the years, I've learned that this is a typical real estate transaction with many Chinese investors. They come as tourists, look at properties over the weekend, make a cash offer, and close within two months. For the past few months, I have been working with a Chinese lawyer in Chicago on several EB-5 deals to offer green cards in exchange for making a \$500,000 investment in the U.S.

The EB-5 Visa program is a direct route to permanent residency for investors and their families. The beauty of this program is that it allows Chinese investors

to bring their children to the U.S. to go to school, receive all the benefits of permanent residency, and develop and run their own business. They can also travel back and forth from China every three months to operate their business within the first five years. The program allows my client to stay two and a half years in the U.S.A. out of the first five years. Many Chinese people would like to visit their children or vacation in America, but many have failed the tourist visa interview. Therefore, this EB-5 program attracts many Chinese investors. In the last fiscal year, about 3,000 Chinese applied for investor green cards in the U.S. - up at an 83% compound annual rate from 2007's 270 applications.

This is a very clever way to make both parties better off -- the U.S. gets capital to boost the economy and wealthy Asian investors get a safe place to park their money. Additionally, Chinese members of the extended family can enjoy much greater political freedom. Above all, they value real estate as the best investment.

Some Chinese investors are frustrated by a legal system that does not allow them to own land. Instead, the Chinese government leases the land to its citizens and lets them purchase the property. And the threat of losing the lease on the land jeopardizes the investment. For the wealthy Chinese, it's all about the children, getting them better educated and providing them a place to live without worrying about the government taking it away.

One interesting thing to notice is that their government is urging them to invest overseas to diversify foreign-exchange holdings and develop business partnerships to improve the country's leverage in international affairs. In the U.S., investors can own the land and the home and can pass them onto their children.

For the 12 months ending in March of 2012, the National Association of REALTORS estimates that international sales accounted for \$82.5 billion, or 9% of the total U.S. residential real estate market. Canada led the way with 24% of this international business, followed by China (11%), Mexico (8%), and the U.K. and India rounding off the top five (6% each). Many foreigners invest in the U.S.A. for solid returns, investment security, citizenship and residency, diversification, owner's rights, and for the quality of education. With the financial crisis and high rate of distressed sales, foreigners have more incentive to buy, given the value these homes present. The housing market continues to see ups and downs, but the median price remains relatively flat.

U.S. commercial real estate continues to see more challenges due to strict lending practices, vacancy increases, and declining property rents and sale prices. Thus, buyers who pay in cash are favored.

According to the 20<sup>th</sup> annual survey of the Association of Foreign Investors in Real Estate (AFIRE), members said that this year they would most likely invest in apartment buildings. This is the fourth consecutive year multi-family real estate has topped the list. Of all the types of U.S. commercial real estate, the multi-family sector has not only recovered from the 2007 real estate slump, but rents and occupancy rates are even stronger than before. Respondents said they would invest more in U.S. commercial property if the fundamentals of rent and occupancy growth were stronger.

A survey conducted by the Bank of China and the Hurun Report found that 46% of Chinese with assets worth more than 10 million yuan (\$1.6 million) were considering moving abroad. Another 14 percent had already begun the process. Many said they were seeking a better education for their children and cited concerns about the security of their assets in China. Many of the country's wealthiest citizens have made their money in China's construction and property sectors, as well as a growing domestic retail market. But the rigid education system, rising living costs and widespread corruption have led many to look for homes abroad.

## WHY CHICAGO? EDUCATION, BUSINESS AND CULTURAL DIVERSITY

Chicago is home to U.S. President Barack Obama; the international talk show host Oprah Winfrey; 30 Fortune 500 companies, including Boeing; and great boarding high schools. Among the 40 Chinese businesses in the Chicago area, there are: Wanxiang America Corp, an auto-part warehouse and solar panel plant headquarters in Elgin; Goldwind, a wind-energy generator company; Yuanda, a maker of glass products; and Huawei, a telecommunications business. Many Chinese companies decided to build facilities in Chicago because it is centrally located among a number of markets.

Furthermore, real estate in the Midwest, especially in Chicago, has been very stable.

Chicago is a free trade zone, a major convention designation, and home of four major financial exchanges. There's also easily accessible public transportation, railroads, and airports with direct flights to any major city worldwide. Additionally, it has private sectors of over 4.5 million people, over

## CHICAGO: ACCESSIBLE BY AIR



132 language groups, 70+ consul generals, and numerous universities.

Chicago is at the center of one of the largest trading areas in the world: the east-west nexus joining the markets of Europe and Asia and the north-south nexus of NAFTA. Also, the combination of its location in the central time zone and non-stop passenger air services means that you can fly to nearly any U.S. city and return on the same business day.

Chicago is within a four-hour flight of all major North American business destinations and less than ten hours from major European business centers. On top of that, its international airports have twelve daily non-stops to Japan, Korea and China. The airports are a non-stop global gateway to 65 international and 149 domestic business centers.

Chicago is the leading intermodal container handler in the Western Hemisphere, with more than twice the volume of Los Angeles and more than five times that of New York.

Therefore, Chicago should be considered as a top prospect for real estate investment in the U.S.A. **are**

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