

Real Estate and the Chinese

How to successfully work with Chinese real estate investors

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Chinese citizens are the top foreign buyers of homes in the U.S. According to a recent report by the National Association of Realtors (NAR), Chinese buyers have been the top foreign buyers of U. S. residential property for three straight years. As a group, they surpass top buyers from Canada, the U. K., Mexico, and India. Between April 2016 and March 2017, Chinese buyers purchased more than 40,500 housing units—this is a 40% increase compared to the same period the year before. The units purchased between April 2016 and March 2017 were worth a total of \$31.7 billion. This is a 16% increase compared to the purchased value between April 2016 and March 2016. Texas, Virginia, Florida and Indiana have become top destinations in 2017 because Chinese buyers are looking beyond just California and New York.

Besides buying residential properties, according to Rosen Consulting Group, Chinese investors acquired at least \$17.1 billion in commercial properties. Although 70% of investments are concentrated in the New York, Los Angeles and San Francisco areas, the remaining volume of investment has spread throughout the rest of the country.



According to Forbes' 2017 billionaires list, 565 billionaires are from the U.S. and 387 are from China. Most of the Chinese billionaires are from the real estate industry (117), manufacturing (94), and technology (68).

The comparison chart, (below) between China and the United States will help gain some basic information on China.

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Area of Comparison	People's Republic of China	United States of America
Population	1,403,500,365 (2017)	324,459,463 (2017)
Population Growth	0.43% (2017)	0.71% (2017)
Land Area	9,596,961 square km	9,525,486 square km
Largest City	Guangzhou – 44.3 millions	New York – 23.7 million
GDP (nominal) per capita	\$8,404 (2017)	\$59,845 (2017)
Real GDP Growth Rate	6.58% (2017)	2.31% (2017)
Expatriates	110,000 Americans	3,794,673 Chinese
Armed Forces	2,843,000	1,347,300
Ethnic Groups	91.6% Han Chinese/55 recognized minorities	77% White/13% African American/18% Hispanic/6% Asian/4% Native
Labor Force	907.5 million	158.6 million
Medium Age	37.3	37.9

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If one is interested in expanding one's business venture with the Chinese investors, it is important to understand the Chinese in these three areas:

- 1) Cultural Influences
- 2) Cultural Understanding
- 3) Business protocol working with the Chinese

Cultural Influences

The difference between the West and the East cultures can be summarized in three areas. They are (a) ways of thought based on religious, ethical and traditional beliefs, (b) social and business practices and (c) legal tradition and systems.

Ways of thinking ultimately determine whether a deal will be made or not. It defines structured social roles, determines decision making processes, influences investment objectives, and informs what a real estate broker is expected to do. Social and business practices include face-saving behaviors, nonverbal communication, use of lawyers and contracts,

expectation of agent loyalty, and proper use of personal contacts. Legal tradition and systems outline expectations about rights of ownership and attitudes toward using attorneys. One must study the history and culture in more depth if one is interested in doing business with Chinese investors. The Chinese will do business with those they know and trust.

Chinese investors' behaviors and beliefs come from religious influences such as Confucianism, Taoism, Chinese Buddhism, and Islam. These religions influence how one will behave, act, work, and negotiate.

These religious beliefs that also help form Chinese traditional cultural values include courtesy, wisdom, benevolence, righteousness, harmony, loyalty, honesty and filial piety.

Cultural Understanding

This area of discussion in my "Real Estate and the Chinese" course covers Feng Shui, Numerology and Zodiac and Chinese New Year customs. Feng Shui is an ancient philosophy of art and science developed over 3,000 years ago in China. It is the balancing of energies in human occupied space to assure health and good fortune. 80% of Hong Kong's 7 million Chinese use Feng Shui on a daily base. Feng Shui is the Chinese art of placement. Chinese feel their lives are magically linked to their environment; certain places are better, luckier and could affect a person. Feng Shui maintains that if a person changed and balanced his surroundings, he could balance and improve his life. The concept of Feng Shui is based on Taoist

philosophy "yin" and "yang". There are three schools of Feng Shui: Form School (Intuitive Approach), Compass School (Compass Approach), and Flying Stars School (Environmental Approach).

Business Protocol Working with the Chinese

Introductions tend to be formal. It is important to use official titles, if possible. For instance, Chinese wives do not generally take their husbands' surnames. Do you know the difference between a Japanese bow and a Chinese bow? Learn how to exchange business cards correctly. This means presenting your card so they can read it. Chinese do not use their hands when speaking and therefore knowing hand gestures are important. How do you negotiate with the Chinese? Gathering together for a meal is often common in working with the Chinese. Will business be discussed during the meal? Where should one sit? Should one use chopsticks during the meal? It is common for the Chinese to bring a gift with them to a meeting. Acceptable gifts for the Chinese includes T-shirt of US sport teams, pens, or local crafts. Clocks and handkerchiefs are examples of inappropriate gifts.

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