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# Plain-Vanilla Real Estate Gains Clout With Chinese

Investors hunt for midtier residential properties, student housing, senior-living centers and skilled nursing homes


Chinese property tycoon Tian Ming, founder and chairman of Landsea Holdings, shows one of his new New York developments at the historic Biltmore Hotel in Los Angeles in 2014. *PHOTO: MARK RALSTON/AGENCE FRANCE-PRESSE/GETTY IMAGES*

By **ESTHER FUNG**

Updated Dec. 27, 2016 4:11 p.m. ET

Big institutional investors from China have grabbed headlines with flashy purchases of luxury hotels and condominiums in the U.S. in recent years, sometimes at record prices.

Now they are starting to shun trophy properties in favor of plain-vanilla assets that cater to middle-class consumers.

Among their favorites: midtier residential properties, student housing, senior-living centers and skilled nursing homes. Chinese investors also are looking outside the glamour cities of New York, Los Angeles and San Francisco to smaller cities.

The moves show how the voracious buying in recent years that pushed up prices of high-profile assets to record levels is now prompting foreign investors to think more strategically about the U.S. market.

Nanjing-based developer Landsea Group is building homes in Dublin, Sunnyvale and Walnut Creek in California and in Weehawken, N.J. Ten of Shenzhen-based China Vanke Co.'s 14 U.S. projects are focused on the middle-tier condominium market, some of them with rental units.

"Landsea's target markets are first-time and move-up home buyers, to whom it will offer single family and multifamily homes for various stages of the customers' lives," said John Ho, chief executive officer of Landsea Holdings Corp., the group's U.S. arm. The firm is building projects that will be sold primarily to the domestic market.

Grand China Fund is investing in a joint venture to build a 166-unit, 464-bed student-housing project near the University of Texas-Austin. *PHOTO: GFF ARCHITECTS*

While Vanke's first investment in the U.S. in 2013 is a joint venture with Tishman Speyer to build the Lumina, a luxury condominium project in San Francisco, the firm said it prefers to focus on building homes where there is a considerable buyer pool whose demand is necessity-driven and less volatile than the luxury segment.

"These simple and enduring principles have helped us focus away from the luxury market and investor-centric projects that carry higher potential risk," said Kai-yan Lee, managing director of Vanke Holdings USA.

Grand China Fund is investing in a joint venture to build a 166-unit, 464-bed student-housing project near the University of Texas-Austin. The Beijing-based fund had invested in 20 other housing-rental projects in eight cities around the country.

"Investing in student housing is a strategy we're taking in response to America's overheating market. The profit margins may not be especially high, but it's very stable," said Zhang Mingeng, chairman of Grand China Fund. He said Austin isn't a big city but has more than 10 universities and training institutes, with strong demand for and insufficient supply of student housing.


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Mr. Zhang said China's capital controls could prompt the fund to slow its U.S. purchases, but believes this situation is temporary.

The gateway cities in the U.S. still draw the biggest investments from

Chinese real-estate investors. But as airlines look to offer more direct flights from China to other cities such as Houston, Seattle and Atlanta, the shortened routes could propel further investments.

After seeing a rapid increase in wealth and insurance premiums in recent years, Chinese investors and insurers say they need to diversify their assets and are discovering other, less conspicuous ways to make money in real estate.

Health-care real estate, which isn't a major cash cow for property developers in China, is getting some attention from Chinese private-equity players and insurers. These investors aren't just eyeing steady, long-term financial returns from these assets given the aging population in the U.S. They also are looking to gain expertise from North America to bring back to China, focusing initially on services for seniors.

Cindat Capital Management Ltd. and Union Life Insurance Co. Ltd. are investing in a $930 million joint venture with health-care real-estate investment trust Welltower Inc. in a portfolio of 11 senior housing and 28 skilled-nursing care assets. Cindat and Union Life will own a 75% interest and Welltower the remaining 25%.

"Chinese insurers all believe there are strong synergies between senior care and their insurance policies," said Allan He, senior partner at Cindat Capital Management, adding that getting investment returns and management know-how "kills two birds with one stone."

Toledo, Ohio-based Welltower said Chinese investors took notice of its earlier-established partnerships with Canadian pension funds.

Chinese investors "are also looking abroad for opportunities to gain experience in and strategic insights about seniors housing, with an eye toward aging population growth and future demand in China," said Tom DeRosa, CEO of Welltower.

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