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How China's Government Supports Outbound Investment

May 2015

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CHINA REAL ESTATE INTELLIGENCE 中国房地产观察

PRESIDENT XI JINPING WELCOMES YOU

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- You are here because the Chinese government wants you to be here

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- You are here because the Chinese government wants you to be here
- Not just because they gave you a visa

PRESIDENT XI JINPING WELCOMES YOU

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- 
- A photograph of President Xi Jinping waving with his right hand. He is wearing a dark suit, a white shirt, and a patterned tie. The background shows a crowd of people, some in uniform, and a building. The image is overlaid with a semi-transparent grey box containing text.
- You are here because the Chinese government wants you to be here
 - Not just because they gave you a visa
 - But because they want their citizens to buy homes in your country

3 WAYS CHINA'S GOVERNMENT SUPPORTS OVERSEAS INVESTMENT

1. The government supports outbound investment in homes – by relaxing regulations
2. They support outbound investment in stocks – by setting up Stock Connect
3. They support outbound investment by sending state-run companies overseas



3 YEARS INTO A NEW APPROACH

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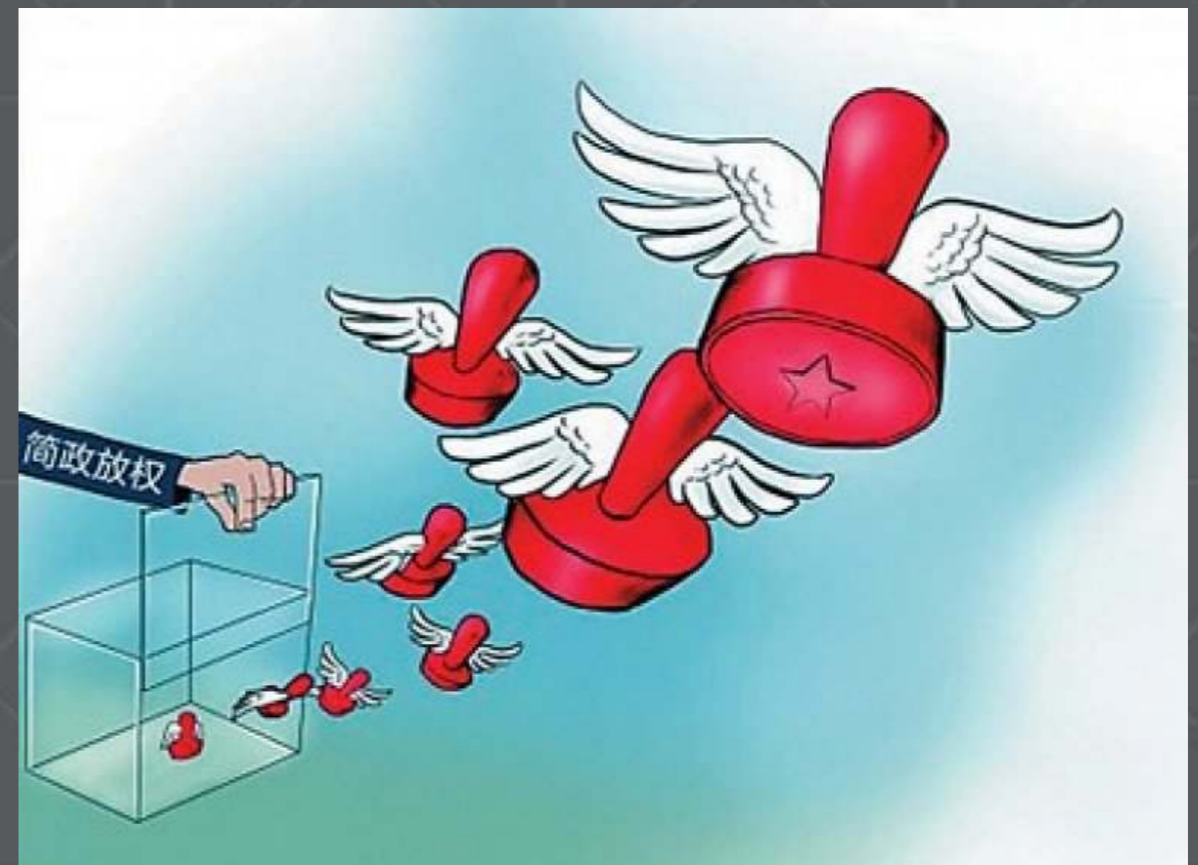
- In the last 3 years China's government has changed its mind.
- Instead of restricting outbound investment, it now encourages outbound cashflows
- Rules on international investments have changed for institutions, companies, and individuals



GOVERNMENT GETS OUT OF THE WAY

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- Previously, companies had to get approval from three different bodies to invest overseas
- Individuals couldn't move more than \$50k overseas in a year
- Most institutions were forbidden from investing overseas



LEGAL AND PRACTICAL SUPPORT



- Now those three different government agencies have all relaxed regulations
- Many of China's biggest state-owned enterprises are making overseas acquisitions.



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- 2014 – Shanghai FTZ allows individuals to invest overseas
- 2015 – Government announces individuals will be able to invest up to \$2M overseas

Legal Changes Since 2012

- Today – the WSJ says China's state council is planning to remove limits on overseas purchases of stocks, bonds, and homes
- Watch for this to be formally announced next month

GREENLAND GROUP GOES ABROAD



- Greenland Group has bought 13 projects in 7 global cities in last three years
- Shanghai-based SOE is China's biggest seller of homes
- State-run firm planning more projects in North America, Europe, Australia and Asia



DALIAN WANDA BUYS \$15M GLOBALLY



- Asia's richest man, Wang Jianlin, has committed \$15 billion to overseas investments since 2012
- Has taken on real estate development projects in Los Angeles, Chicago, New York, London, Sydney, Madrid and more
- Also bought US theatre chain AMC for \$2.6 billion



CHINESE NOW LEADING INVESTORS

- Investment from China into the US totalled \$12 billion in 2014
- China committed to investing \$27.7B in Australia last year, surpassing the US with \$17.5B
- Almost half of Chinese investment into Australia was into real estate, groups like Fosun are investing in Germany, Italy and Greece



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- Many of these billionaires are looking for growth opportunities, as much as cash preservation

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- This group of ultra-high net worth individuals (UHNWI) ranks behind only the US, and is gaining fast
- Many of these billionaires are looking for growth opportunities, as much as cash preservation
- They are accustomed to high yielding real estate investments

CHINESE UHNWI SEEKING OPTIONS

- China's finance industry has not kept up with its wealth
- Only options for wealthy individuals have been:
 - Real estate
 - Bank accounts and trusts
 - Domestic stock markets



CHINA WANTS TO DIVERSIFY

- The government wants to tame market swings
- Economic planners want investors to become more sophisticated
- Senior leadership wants to reduce role of bureaucracy in spending foreign exchange
- The politburo wants to rebalance foreign investment away from US Treasury bills



STOCK CONNECT IS ONE NEW OPTION

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- Allows mainlanders to invest in HK stocks (and vice-versa)
- Launched in November 2014
- Led to doubling in share transactions
- Sent Hang Seng Index up by 17 percent to a seven-year high
- Shows government's comfort with cross-border flows



CHANGE IN POLICY FUELS HOME SALES



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- Overseas home buying by Chinese has already reached historic levels
- And you should be ready for more

REAL ESTATE NATURALLY APPEALS



- Chinese are accustomed to buying apartments in China
- Many of their friends are now buying homes overseas
- It's common to have family members who have studied overseas
- Education and citizenship opportunities add to the appeal



OVERSEAS REAL ESTATE IS PROMOTED

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- Lifting restrictions helped creates China's home buying trend
- Chinese bought \$5B in NYC commercial property in the last two years
- Chinese companies are already developing more than \$3b in London housing



Most Chinese Real Estate Investment Now Overseas



- Chinese real estate companies invested more overseas last year than in China
- Big developers increased their overseas acquisitions 46 percent in 2014
- This means more sales of homes to Chinese



CHINESE SWAMP INVESTMENT VISAS

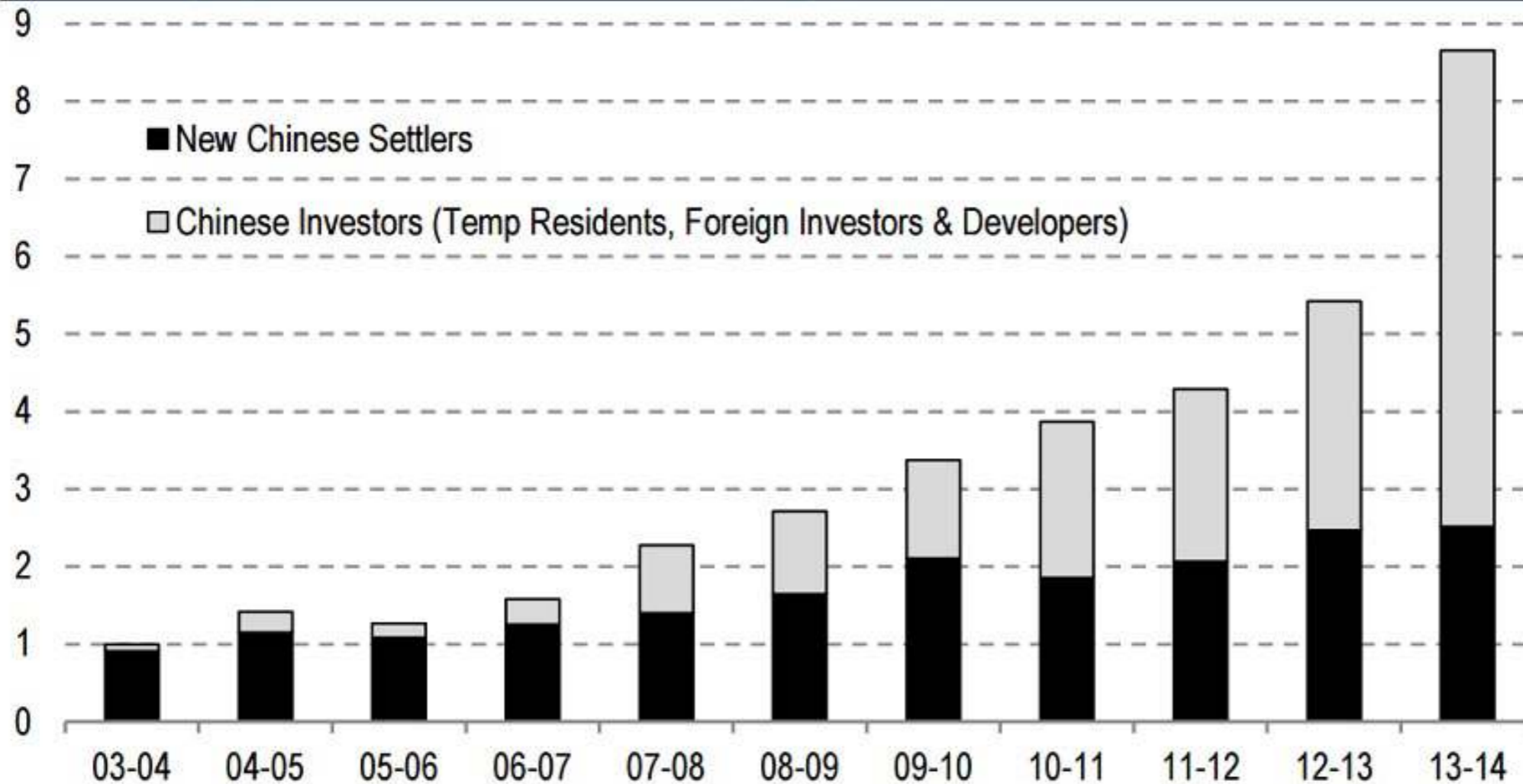
- 85% of EB-5 applicants last year were from China
- Canada cancelled its previous investor visa program after it built up a backlog of applicants – 99% from mainland
- 90% of applicants for Australia's investment visa scheme are from China
- 80% of investor visas in Portugal are from the mainland



CHINESE POWERING AUSSIE MARKET

The Chinese property boom Down-under accelerates

Chinese buying of Australian Residential Property (A\$bn)

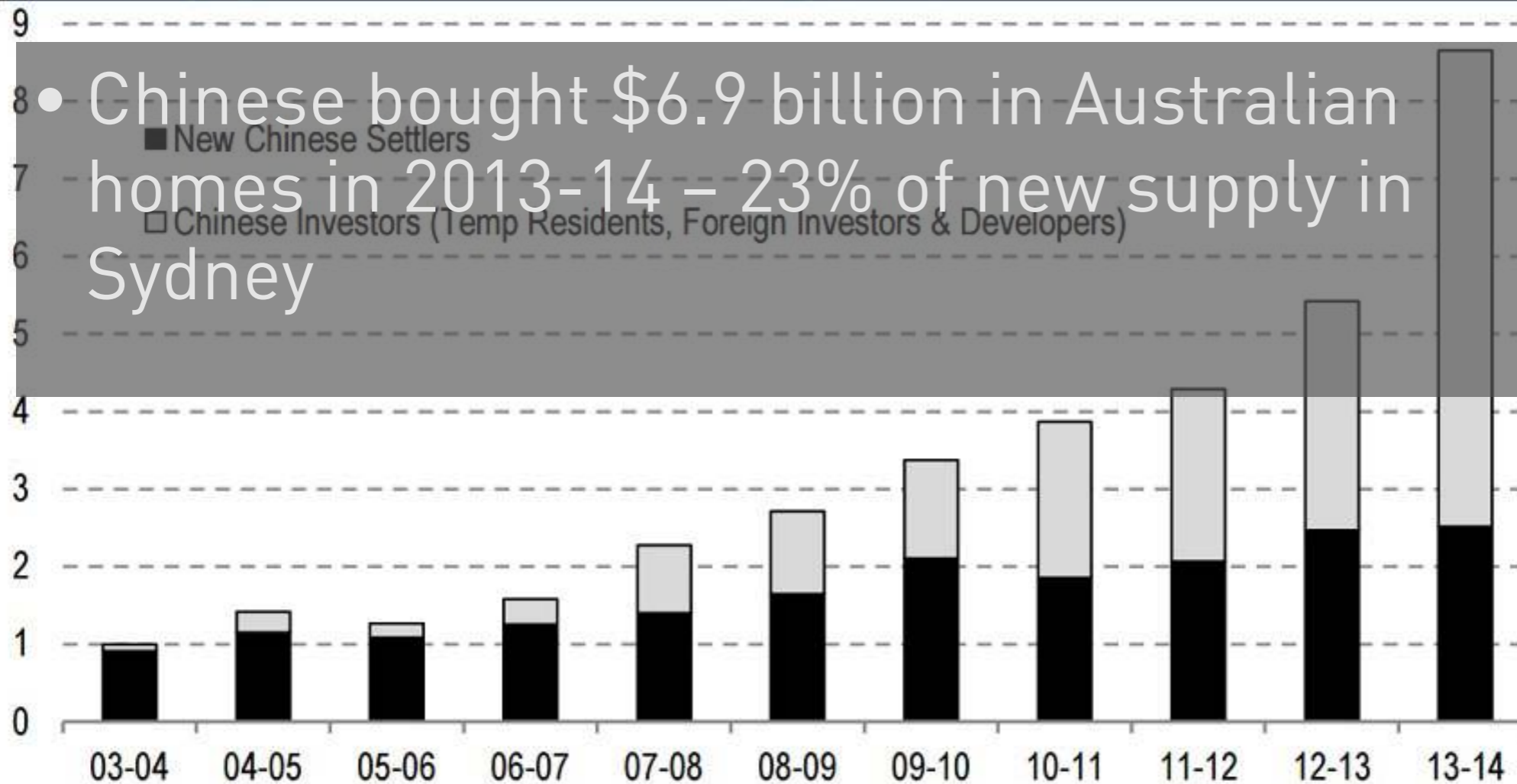


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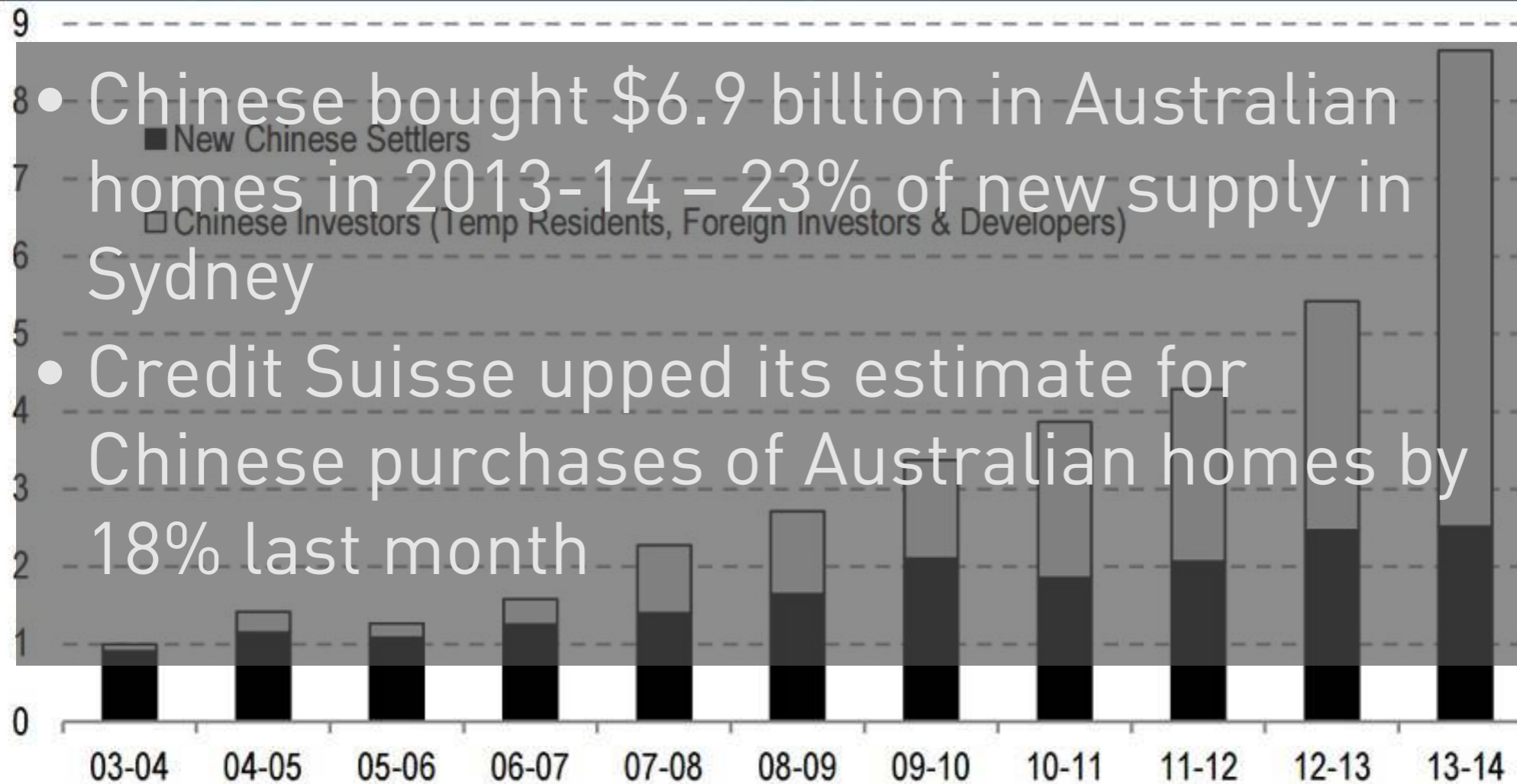


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- Chinese bought \$6.9 billion in Australian homes in 2013-14 – 23% of new supply in Sydney
- Credit Suisse upped its estimate for Chinese purchases of Australian homes by 18% last month

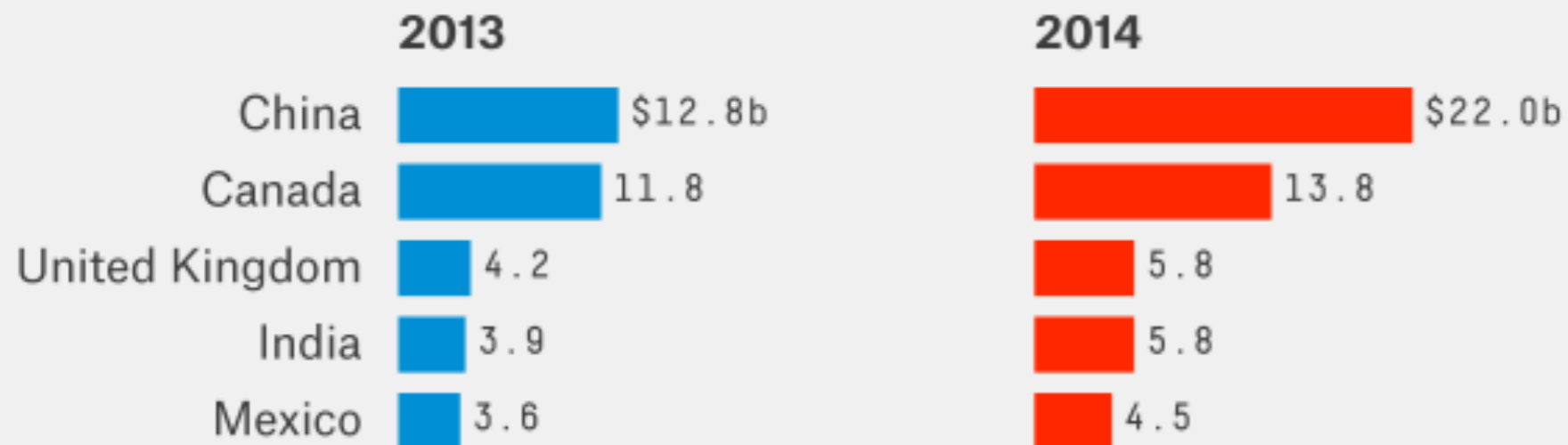
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AUSTRALIA JUST AN EXAMPLE

- Buyers from Greater China spent \$22B on US housing in 2013-2014 FY, up 72%

Sales of U.S. Real Estate to Foreign Buyers

By country of origin



- Flow of overseas homebuyers should increase
- Will spread to more countries and cities

WATCH FOR MORE POLICY CHANGES

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- China has set a goal of making the RMB convertible
- China's government objective is to make the country a global financial player
- New rules on individual capital outflows should be implemented later this year



STAY TUNED FOR MORE GOOD NEWS

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- Watch where the big developers are going
- Some regions will benefit more than others
- Look for cities with large Chinese communities or big universities
- And keep watching the news for changes in policy





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ANY QUESTIONS?

- Keep up on all the news at www.mingtiandi.com