

# With Yuan in a Nosedive, Chinese Investors Are Looking Overseas

International real estate seen as safe haven as currency continues to weaken post Brexit

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The latest round of yuan devaluation has sparked Chinese investors to look overseas again.  
ALEX SEGRE/GETTY IMAGES

Gary Gong, 37, a jeweler-turned-internet entrepreneur in China, has been trying to sell one of his apartments in Shanghai for the past couple of weeks. His goal is to use the proceeds to buy a home in the U.S., preferably in New York or Boston.

“I have been contemplating the sale for a while,” Mr. Gong said. “But the devaluation of yuan post-Brexit really prompted me to take action.”

With this latest round of yuan devaluation triggered by Brexit, many upper-middle-class Chinese again are turning their attention to investment opportunities overseas. The majority of them see real estate in the U.S. as a safe haven.

Sally Mak, managing partner at New York Wealth Planning Group Wealth, which also has offices in Hong Kong and Shanghai, said that since Brexit, she has seen a surge of inquiries from Chinese high-net-worth individuals looking for ways to reallocate their assets.

“The consensus among my Chinese clients is that the yuan is bound to lose more value,” Ms. Mak said. “The devaluation definitely adds to their anxiety, so they feel it is urgent to transfer their assets out of China.”

## **YUAN LOST 2.5% SINCE BREXIT**

Since the Brexit referendum on June 23, the Chinese yuan has been in freefall, losing about 2.5% against the U.S. dollar so far. The People’s Bank of China is allowing the yuan to weaken further in hopes of stimulating the country’s export and economic growth.

This comes after two previous rounds of yuan depreciation in less than 12 months. During the stock market selloff last August and January, the yuan lost 3% and 1.9% of its value, respectively.

The yuan’s rapid devaluation has caused massive capital outflow — between \$700 billion and \$1 trillion in 2015, according to data compiled by Bloomberg Intelligence. The Beijing government has since adopted a series of measures to try to stem the flow.

Nevertheless, many upper-middle-class Chinese, fearful that their wealth will shrink even further, are determined to move money out of the country.

## **INVESTORS IN WEALTH-PRESERVATION MODE**

“Wealth preservation is a major motivation for Chinese individuals to buy homes abroad, so that they can hedge against whatever happens in the Chinese economy,” said Steven McCord, head of research for North China at JLL, a real estate services and investment company headquartered in Chicago.

While Mr. Gong acknowledged that the timing for trading his Shanghai apartment for a U.S. home is not perfect, he does not want to wait any longer.

“The home prices in Shanghai and other Tier 1 cities skyrocketed from 2014 to 2016. The bubble could burst any time now,” he said.

His apartment, the third one he purchased in premium locations around Shanghai, had an annual return rate of 70%. Even with the tremendous profits off his properties, Mr. Gong said that the money will go farther outside of China.

“I can have better life quality moving to the U.S.,” he said.

## **WEIGHING ALL THE OPTIONS**

As an agricultural products exporter, Charles Li, 57, who splits his time between Shanghai and Long Island, N.Y., has been closely watching the fallout from Brexit. But

he is taking his time in deciding how to hedge against the impact of the yuan's devaluation.

"I don't want to make any business decisions out of panic," he said. "These days, we have more options as to where to put our money."

Ann Lee, an adjunct economics professor at New York University and author of the book "What the U.S. Can Learn From China," said she believes the Chinese yuan will continue to stay low in value as long as the U.S. dollar and Japanese yen remain strong.

In the meantime, Chinese buyers will continue to look for bargains, like London real estate. "It is also very possible the money will move to either France or Germany if a new financial capital is created" after Brexit, she said.

However, the inability to move money out of China in bulk might deter Chinese investment in U.S. property. The Chinese government prevents individuals from sending more than \$50,000 out of the country every year.

This has increased interest in a different type of investment. Ms. Mak said she is seeing more high net worth individuals exploring life insurance policies. "They can make a yearly installment of \$50,000 and have a decent insurance benefit," she said.

## **REAL ESTATE REMAINS A DRAW**

As for Mr. Gong, real estate remains an attractive investment opportunity for many in China.

"The yuan's devaluation has actually increased Chinese foreign investment in real estate as a flight to safety and better returns elsewhere, and the prospect for stable returns in the U.S. is high," said Richard DeNapoli, chief trust officer with Coral Gables Trust in Florida and former chairman of the Florida Real Estate Commission.

However, for some, the devaluation of the yuan is sorely felt.

William Durfee, a real estate agent with Los Angeles-based Gibson International who specializes in the Marina del Rey and Westwood areas, said that for the first time, so far this year, he has seen no Chinese buyers.

"With the devaluation of yuan, down went Chinese investors' purchasing power," he said. "The luxury condo apartments with amenities they expect to buy, they can no longer afford."