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California Beckons Chinese Property Firm

By Eliot
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A Chinese real-estate firm known for its big investments at home is casting its net much farther afield, becoming one of the most aggressive property buyers in California.

China Oceanwide Holdings Group Co. and its chairman, Lu Zhiqiang, have poured hundreds of millions of dollars into U.S. West Coast commercial and residential real estate in the past two years, far from the company's traditional turf of projects in cities such as Beijing and Wuhan.

The buying spree shows how, amid a wave of foreign money coming into U.S. commercial real estate, Chinese investors often top the list.

After buying a site in 2013, Beijing-based Oceanwide is embarking on one of the largest developments currently under way in downtown Los Angeles: a three-tower complex of apartments, retail space and a hotel. In December, it announced it intended to build the second-tallest tower in San Francisco, a gleaming Norman Foster-designed 910-foot office building. It also paid \$41 million for a ranch in Sonoma County that can hold a winery.

Perhaps the most intriguing move: Mr. Lu has amassed an large amount of private residential property in the tony Silicon Valley town of Atherton.

Since 2012, Mr. Lu has purchased three giant mansions in Atherton, paying \$21 million, \$25 million and \$30 million, respectively, for 70 Barry Lane, 250 Atherton Ave. and 236 Park Lane, according to several people familiar with the sales. Collectively, the three properties have 19 bedrooms and 22 bathrooms, according to property-sales listings.

Then last spring, Mr. Lu tried to buy an even pricier home, offering \$41 million to buy the former home of Jim Clark, co-founder of Netscape, according to court records and a person familiar with the matter. The deal, however, fell apart and the house was sold to another buyer.

Oceanwide's dive into the U.S. is part of a diversification strategy, it has said of past buys.

U.S. property has become increasingly attractive to Chinese firms, which face a slowing Chinese housing market and see room for growth in the U.S.

Chinese investors bought a record \$3.9 billion of U.S. commercial real estate in 2014, nearly 1% of all commercial-property sales and the most of any foreign country other than Canada and Norway, according to Real Capital Analytics LLC.

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For Chinese companies, "there definitely is a strong interest to invest overseas," said Darlene Chiu Bryant, executive director ChinaSF, an organization that aims to promote Chinese investment.

Mrs. Chiu Bryant said that last year, she introduced Oceanwide to Northwood Investors LLC and TMG Partners, developers that were drawing up plans for two towers on a site south of that city's downtown. Ultimately, Oceanwide agreed to buy the site for \$296 million, more than twice what Northwood and TMG paid in 2013.

Similarly aggressive prices are being paid by Chinese investors in Atherton, a leafy town near Stanford University where the 1950s-style ranch homes on winding streets have gradually given way to rows of mansions that have attracted Chinese investors. Brokers say foreign buyers, mostly from China, represent more than 75% of the market for houses listed at more than \$20 million.

"Around 2011, that's when the floodgates really opened up," said Ken DeLeon, founder of DeLeon Realty, which specializes in high-end homes in Silicon Valley. Mr. DeLeon said developers have brought in feng shui consultants, and prices of homes are listed with more eights at the end, a lucky number in Chinese culture.

Some of the homes end up sitting vacant for much of the year, brokers say, used only when the owner visits the area.

This, in turn, has sparked concerns among some longtime residents.

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