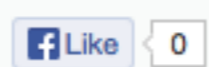




## Considerations Before Investing in Chinese Real Estate



China's economic growth has fueled its [real estate market](#). But before investors jump into the fray of the foreign market, it's important to know the facts about [acquiring Chinese property](#).

### 1. Non-residents Can't Purchase Chinese Real Estate

An important point for those looking for overseas investment properties: Anyone who wants to invest in Chinese property must be ready to move there.

"According to [government] regulations, individual foreign buyers need to demonstrate that they have worked in China for at least a year and are buying the residence for self use," says Anthony Couse, managing director in the Shanghai office of global real estate consultancy Jones Lang LaSalle.

**“Potential foreign investors must not underestimate the pace at which cities in China are developing.”**

— Anthony Couse, managing director in the Shanghai office of Jones Lang LaSalle

### 2. The Government Owns All Land

The capitalist elements of its economy make it easy to forget that China is a communist country. Although property ownership is common, in China "ownership" means one has obtained the right to use the land, not own it. "All land is owned by the government," says Regina Yang, head of research and consultancy in the Shanghai office of global real estate consultancy Knight Frank. Land for residential use is typically leased to property owners for a period of 70 years, Yang says. "After that, whether or not ownership will revert back to the government is uncertain."

### 3. Bigger Cities May Be Safer Foreign Investments

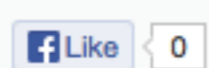
The Chinese government ranks cities into "tiers" based on their population size and gross domestic product (GDP). According to Yang, Tier-1 cities (e.g., Beijing, Shanghai, Guangzhou and Shenzhen) and Tier-2 cities (e.g., Chengdu, Chongqing, Hangzhou, Suzhou and Nanjing) are the best international real estate investments because they have:

- [Large expatriate populations](#)
- High security
- More government regulation
- Well-developed infrastructure
- International airlines
- High density of amenities (e.g., retail, food and beverage, hotels)
- Higher-quality developments with professional property management

Within cities, preferred neighborhoods change rapidly. "Potential foreign investors must not underestimate the pace at which cities in China are developing," Couse says. "For more opportunistic investors, a good starting point is to familiarize themselves with the city's master planning blueprint, figure out which of the many ambitious development goals are most credible and align themselves accordingly."

If an individual does find the right opportunity to purchase an overseas investment property, he or she can employ strategies to mitigate the risk of currency fluctuations when making a down payment or ongoing mortgage payments. For example, people who want to own a home abroad can set up a bid through an online foreign exchange service, which enables a buyer to target a specific exchange rate or a range of exchange rates. If the desired rate becomes available, the online foreign exchange service will execute the transaction - thereby helping the foreign buyer capture a preferred exchange rate for his or her down payment on Chinese real estate.

Like all foreign investments, real estate in China offers many potential risks and many possible rewards. Therefore it is best for investors to proceed with caution and realistic expectations. "China's residential market remains in a relatively early stage of development ... making it an attractive mid- to long-term investment channel," Couse says. "However, investors should not expect to achieve the same kind of returns seen in previous years."



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