

Related CEO Jeff Blau Says Chinese Real Estate Investment Is Drying Up

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Amid mounting fears that the recent downturn in China's economy could **hurt investment** in US real estate, the developer behind the country's **largest mixed-use project ever**—which has been backed in no small part by Chinese investment—said it's time to **start looking elsewhere** for funding.



Addressing an Urban Land Institute New York forum yesterday, Related Cos CEO **Jeff Blau**—whose firm's Hudson Yards project raised \$600M via Chinese EB-5 investors – told audiences, “we should be **looking at other places** for capital over the next couple of years.”



“If you talk to Chinese investors, they don't see any problems with the economy and **they basically think everything is fine**,” Jeff says. “But if you ask the State Administration of Foreign Exchange, which is basically the equivalent of the Federal Reserve, they're thinking about **limiting currency controls** and outbound capital flows to address some of the current concerns. I think it's a hint of **what's about to come**.”

(Snapped: **Mitch Roschelle**, of PwC; **Jeff Blau**, speaking; Himmel + Meringoff Properties principal **Leslie Himmel**; and CBRE vice chairman **Darcy Stacom**)



On another side—and in another city—yesterday morning at *Bisnow's* Real Estate Finance event in Washington, DC —Madison Marquette CIO **David Brainerd** was bringing audiences up to speed on *The Wharf*, a **\$1.78B development** his company is building in a JV with PN Hoffman that also raised funds from Chinese investors.

Having helped lead financing of the **second-largest mixed-use project in the country**, David gave a picture of how hungry Chinese EB-5 investors have

the country, David gave a picture of how hungry Chinese EB-5 investors have been for American real estate. When Hoffman-Madison Waterfront went looking for \$90M of mortgage debt equity, they had to **fight investors off** with a stick.

“With that package, it was pretty easy to raise the money,” David, snapped next to Associate of Foreign Investors in Real Estate CEO **Jim Fetgatter**, says. “At one point, we were raising **about \$1M a day.**”

David described EB-5 as a “**Wild West**,” while also citing the benefits. The program was extended a year by Congress in 2015, but as the Chinese economy teeters, the **appetite could shrink.**



At the forum in New York, two of the city’s largest foreign investors debated the value of EB-5 investment. This panel, featuring **Brian Ward**, newly appointed CEO of Trimont Real Estate Advisors; **Tom Arnold**, head of Americas real estate for the Abu Dhabi Investment Authority; **Erik Horvat**, Fosun Property

Holdings managing director; and **Dean Shapiro**, SVP of US investments with Oxford Properties Group.

Tom called EB-5 a “**cheap ticket**” to US citizenship and says it was “up there with **global warming and abortion**” with how controversial the program has become.

Meanwhile, Dean, a partner on Hudson Yards, praised EB-5 as “a **highly effective funding mechanism** for high-profile projects” and says for many years it was underutilized.

As for the New York panel’s other optimists, Darcy says, “I still think we have plenty of people that **can fill the void** [of Chinese investors].”

But even as Darcy cited such alternatives as Canadian, **Middle Eastern** and pension fund interests, Leslie **wasn’t as convinced**, suggesting that a slump in luxury apartment sales to foreign buyers could **push down prices** in the office market.

And this could prove **especially problematic** when it comes to Chinese investors. Blau said that among the bids Related received from around the world earlier this week for the first Hudson tower, **none were from China.** “We got probably 10 bids to recap, but no Chinese,” he said.

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