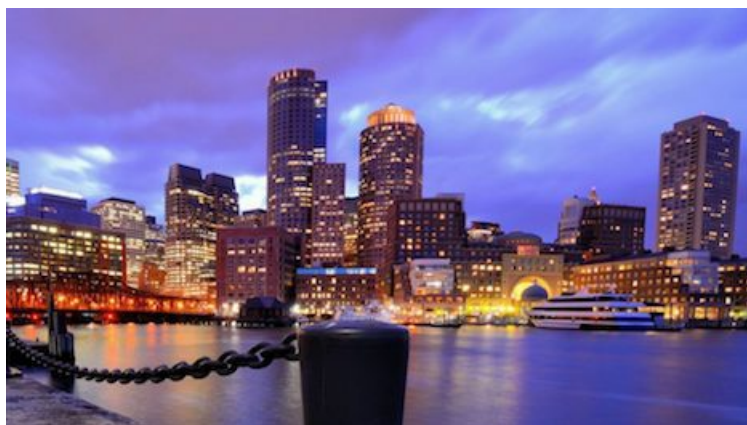


REAL ESTATE

Chinese segment to support newly constructed homes in US

December 26, 2017



Boston is a popular location for Chinese homebuyers in the U.S. Image credit: Otis & Ahearn

By BRIELLE JAEKEL

As the Chinese solidify their place as the top foreign buyers of United States real estate, new home construction is said to increase in 2018 due to the segments' interest in new-build housing.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Chinese consumers are the number one foreign buyer in the U.S. for real estate, with \$31.7 billion spent from the segment over the past year. According to real estate network Zillow, the U.S. construction market will start to focus on entry-level homes as well as luxury to cater to the Chinese segment.

"The American housing market enters 2018 in a stronger position than at any point of the past decade," said Aaron Terrazas, senior economist at Zillow. "A strengthening labor market has pushed many renters into homeownership and the homeownership rate has begun to inch higher.

"However, supply has not kept pace with demand, and new home building in particular has lagged, pushing prices steadily higher. New home building should increase in 2018, but inventory is likely to remain tight overall."

United States interest

The U.S. has still been feeling the effects of housing burst in 2008, but is on its way to recovery.

Chinese homebuyers are mostly interested in building or purchasing new homes, which has not been supported by the U.S. market since the burst. But over the next year, Zillow predicts this will likely shift to a ten percent increase by the end of 2018.

Silicon Valley and Boston are popular destinations for Chinese homebuyers; both are which are likely to see a price hike over the next year of 5.9 percent and 3.3 percent, respectively. The U.S. is likely to see an increase of 6 percent throughout 2018.

Based on the past year's job growth, highly ranked universities in the area and the Chinese population in the area, Zillow predicts that Atlanta, Sacramento and Pittsburgh are likely to join as top locations for homebuyers from China.

New York, Los Angeles, Boston and San Jose, CA are likely to hold their positions as locations of interest for

Chinese buyers.

Interest rates are also likely to increase over 2018, with Federal Reserve Chair nominee Jerome Powell expected vote to inflate rates throughout the next year.

The standard 30-year fixed mortgage interest rate is likely to remain historically low over all but is expected to jump from 3.7 percent to 4.5 percent by the end of next year.

Additional insight

High-net-worth individuals from China highly favor the United States for real estate purchases, with a positive sentiment shared across 66 percent of the demographic.

A white paper from Hurun revealed that almost half of high net worth Chinese individuals put stock into overseas investments with 75 percent of total investments. Wealthy Chinese consumers are also highly interested in Australia, Canada, the UK and Japan to place their top investments overseas ([see more](#)).

After a strong showing in the first quarter of 2017, Chinese cities have dropped from the leaderboard of top performing real estate markets around the world.

Knight Frank has released its quarterly Global Residential Cities Index, which ranks global cities based on the prices and performance of their residential real estate markets. Last quarter saw China dominating, but the country has undergone a deceleration of performance while Canadian cities surge ahead taking the top spot for Q2 ([see more](#)).

"For Chinese home shoppers in the United States, who have traditionally gravitated toward pricey coastal markets – namely Los Angeles, San Francisco, San Jose, Boston, New York and Seattle – there is likely to be less competition for higher-end homes but more competition for lower-end homes as U.S. shoppers face a squeeze from rising interest rates," Mr. Terrazas said. "But Chinese home shoppers are increasingly looking beyond these historic gateways to inland markets like Atlanta, Sacramento, Pittsburgh and Riverside.

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.