

The China property punt

Are you thinking of buying property in China? Then FCC stalwart Chris Dillon has the book for you. It's a fully comprehensive – and admirably comprehensible – guide to buying a home in China, including all the do's and don't's.

Jonathan Sharp reports.

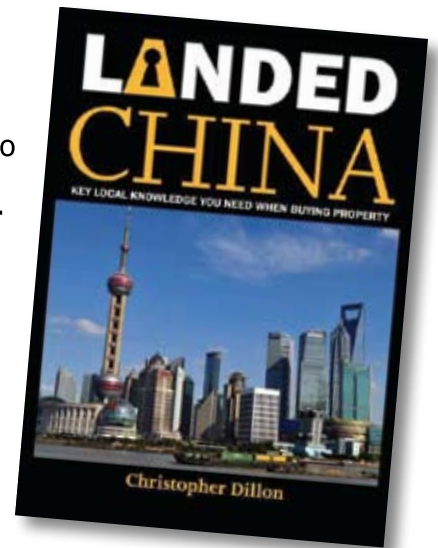
Chris Dillon doesn't actually recommend that you need nerves of pre-stressed concrete to buy into the Chinese property market. But his new book, "Landed China", the third in his well-received "Landed" series about buying homes in Asia, leaves readers in no doubt that venturing into one of the world's most volatile and idiosyncratic markets is not for the timorous. Just reading how the house market in Hainan Island has whipsawed – in 2010 it was up 48%, in 2011 down 28%, in 2012 90% of homes were vacant – could be enough to put the frighteners on anyone.

But while the book pulls no punches, it is much, much more than a litany of horror stories, informative, cautionary and sometimes laughable though they may be. It's a detailed but succinct primer on how you or your company should go about buying a home in the huge, immensely varied and above all tricky Chinese market. All aspects of such purchases are described and discussed, including where, and where not, to buy, the risk factors, how to decorate and renovate your home, where to find a mortgage, how insurance works and China's property tax regime.

There are chapters on the property market in China's Tier 1 cities of Beijing, Guangzhou, Shanghai and Shenzhen, describing the factors shaping the markets in those cities, their distinctive homes, and the neighbourhoods where expatriates live. In a fascinating chapter on the dynamics of the market we learn that China's cash-oriented society extends to real estate. As a result, since China's largest banknote has a face value of 100 yuan, it's not unusual to

see real estate transactions carried out with shopping bags full of cash.

Chris says: "The 'Landed' books were originally written for expatriates, but have been bought by investors, real estate agents and academics. I've also been surprised by the number of orders that are placed in Chinese or Japanese, from locals looking for a different perspective on their home market."



Chris Dillon pulls no punches.

The book includes case studies about expatriates who have successfully bought homes in China. However, one is inevitably drawn to those instances where supposedly straightforward transactions ended in tears. In a section tersely entitled "Scams", the book cites an example of a Beijing woman who was prosecuted for selling her apartment to two different buyers. The woman received a 10-year jail sentence and 10,000 yuan fine. She had to return the money paid by one buyer, while the other buyer kept the apartment.

The book cites so many pitfalls and problems, including China's famously capricious bureaucracy, corrupt contractors and vendors, the generous use of carcinogenic building materials such as asbestos, and even termite infestations, that one could easily be forgiven for forgetting the whole idea of venturing into such a minefield.

There is also the well-publicised issue of China's enormous industry devoted to producing counterfeit goods (like the 700 gas stoves branded as iPhones found in Wuhan in 2012). One particularly damning

verdict in Chris's book is: "Homes built between 1949 and the late 1990s are usually ugly, badly built and poorly maintained."

Yet highly sought-after residences, including those with heritage status, exist in many Chinese cities. Particularly desirable are the courtyard houses (siheyuan) in Beijing, shophouses (qilou) and villas in Guangzhou and townhouses (lilong) and art deco homes in Shanghai. Inevitably prices are high, and there could be a risk that your lovely home could be expropriated, falling prey to developers with something newer and supposedly better in mind.

For those with more bizarre tastes there is also China's surreal collection of themed towns – more or less faithful replicas of well-known Western scenic sites. How about a charming home in Thames Town, located in a Shanghai suburb and copied from Lyme Regis in UK, complete with red telephone boxes and a fish and chip shop? Or a US\$940 million copy of the entire Austrian town of Hallstatt, right down to its 1860 Protestant church? Villas in the Chinese copy of Hallstatt sell for up to five million yuan, more than in the original town.

Chris goes in some depth into the question of whether China is in the midst of a housing bubble.

"Like the central government, this author believes the threat of a bubble is real. But if you are an end-user who plans to live in China for the medium-to-long term, and have a reasonably secure job, the patience to endure the market's turbulence and a manageable debt load, you should be fine."

"Landed China" is packed with such a wealth of insight and eye-catching detail that it is a highly worthwhile read about this huge and complex segment of the Chinese economy even if the reader has not the slightest intention of negotiating the house-buying obstacle course.

But if you dare to tackle that course, then, as Chris stresses, do your homework. It's time-consuming but utterly crucial. "The rapid rate of change means that 'Landed' cannot be the last word on China's property market. But it will give you the background and resources to make a more informed and – I hope – more successful buying decision." **RC**

Landed China
By Christopher Dillon
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