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Needy EU Nations Woo Chinese Home Buyers to Ease Slump

By Henrique Almeida - Aug 22, 2013

Southern Europe's cash-strapped governments are courting wealthy Chinese homebuyers, seeking to bolster their battered real estate markets by offering visas to those who purchase prime properties.

Cyprus, [Greece](#) and Portugal are providing [resident permits](#) to foreign buyers, while Spain is about to adopt a similar measure. The chance to purchase a home at depressed prices in southern Europe and gain what's known as a golden visa is mostly being sold to Chinese investors, according to brokers.

"Property is what really attracts [China](#)'s rich," said Nuno Duro, a founding partner at Irglux, a unit of real estate agency [Fine & Country](#), in Cascais, Portugal. "With just half a million euros, high-net-worth Chinese investors will get a good return on their property investment and at the same time enjoy a handful of EU benefits they don't have in China."

Southern Europe is the latest target for rich Chinese homebuyers, who have been snapping up properties from [Vancouver](#) to [London](#) since 2010 as their wealth swells and China's government steps up a three-year campaign to cool home prices there. Cyprus, Portugal and Greece are hot spots for the newly affluent Asians, according to [SouFun Holdings Ltd. \(SFUN\)](#), owner of China's biggest real estate website and an organizer of overseas purchasing tours for Chinese seeking cheap properties and a chance to live in the EU.

Fast-Track Process

Greece and Cyprus offer fast-track permit processes for purchases of at least 250,000 euros (\$335,000) and 300,000 euros, respectively. Portugal's program has a minimum price of 500,000 euros.

While some wealthier European countries also grant special resident visas for investors, most require larger outlays and may not involve real estate. The U.K., for instance, [grants](#) special [visas](#) to individuals with at least 1 million pounds (\$1.6 million) to invest in the country.

Those policies aren't as attractive to wealthy Chinese as the incentives being offered in southern Europe, said Edmund Zhao, a real estate investor from China who spent 700,000 euros on an apartment in the coastal resort town of Cascais after arriving in Lisbon in April.

Zhao said he expects to receive his resident permit this month, which requires him to stay in Portugal for a minimum of seven days during the first year and 14 days every two years during the duration of his five-year visa. The visa will also let Zhao send any children he may have in the future to Europe's most prestigious schools, he said.

'Love It'

"I want to move there with my wife and parents as soon as possible," Zhao said in a telephone interview from Hangzhou, eastern China, where the 38-year-old lives with his wife. "I love it."

Buyers from mainland China typically look for immigration opportunities in southern Europe for their families because of the drop in real estate prices, said Wang Ning, a manager in the international property department at SouFun in Beijing. Some visas allow buyers to live and travel freely within Europe's borderless [Schengen Area](#), made up of 26 countries from [Finland](#) in the north to Greece in the south.

While some Chinese buy a place as an investment and don't live there, most are getting homes for personal use or to send their children to schools there, Wang said. Home prices in southern Europe are attractive compared with China -- 300,000 euros buys a 200-square-meter (2,150-square-foot) [villa](#) facing the sea, said Wang. That amount buys a 68-square-meter apartment in central [Shanghai](#), according to SouFun.

Euro's Depreciation

Europe's sovereign-debt crisis has also meant a depreciation of the euro, making real estate more affordable to Chinese buyers. The currency fell about 17 percent against China's [yuan](#) from the beginning of 2010 through the end of July.

Searches for Portuguese properties on [Juwai.com](#) rose more than threefold from January through April, said Andrew Taylor, co-chief executive officer of the Chinese real estate website aimed at international home shoppers. Interest in Cyprus, Spain and Greece increased as much as 108 percent in that time, Taylor said in an e-mailed response to questions.

Cyprus is already "booming with Chinese investors," said Nikolas Michalias, a property valuer at [G&P Lazarou](#) in Cyprus who spends half the year in China promoting golden visas tied to real estate investments. "Every day there are more than 20 Chinese nationals landing in Cyprus to search for property."

The island nation this year followed Greece, Ireland and Portugal in requesting emergency aid from the EU and the International Monetary Fund.

Diverging Economies

Though the euro area's economy came out of a record-long recession in the second quarter, parts of southern Europe remain stuck in the slump, with more than half of young people in Spain and Greece jobless. Meanwhile, the number of millionaires in China rose 4 percent from the previous 12 months to 2.8 million, the Hurun Research Institute said in June. Last month, new home prices rose the most since January 2011 in the Asian nation's four major cities on speculation the government will refrain from imposing tighter curbs.

In Spain, where the collapse of a decade-long property boom has sent home prices down about 30 percent, lawmakers are set to approve a measure that will allow investors to apply for a renewable two-year residence permit if they spend at least 500,000 euros on a property, purchase 2 million euros or more of government debt, put at least 1 million euros in a Spanish bank or pay that much to acquire stakes in Spanish companies.

Rapid Response

Spain received "almost an immediate response" from Chinese investors when it announced the visa proposal last year, said Pia Arrieta Morales, a director at DM Properties, a Christies International affiliate in the seaside resort of Marbella.

Demand from Chinese buyers for golden visas is just beginning to surface in places like Greece, which passed its law in April. Prime Minister Antonis Samaras visited China in May and announced that non-Europeans who invest in the property market could gain the right to live in Greece.

A Chinese man became the first foreigner to benefit from the program earlier this month, Greek newspaper Kathimerini reported Aug. 13. Local real estate company BuildUp said the deal was signed on Aug. 8, and the firm is working with a Chinese company to promote Greece's property market, according to Kathimerini.

"The visa legislation in Greece is still very recent and has so far had very little impact on the real estate market," said Ioanna Plakokefalou, general manager at [Hellenic Realty](#) in [Athens](#). "While we had some inquiries from Chinese and also Russian investors, their interest will depend on the political and economic situation."

Portuguese Villas

Alison Buechner Hojbjerg, a director at Quinta Properties, a real estate agency selling luxury villas in Portugal's southern Quinta do Lago resort, said the firm hasn't had as much success as hoped from the golden-visa program.

"Those kinds of investors may be looking to buy cheaper properties than the ones we are selling," she said.

A total of 102 golden visas have been granted in Portugal, mostly to Chinese investors, since the program began last year, according to data from the [Portuguese Immigration and Borders Service](#). Brokers like Luis Hortelao with Re/Max in Lisbon say that even with a 500,000 euro minimum, one of the few barriers to more Chinese homebuyers coming to Portugal is language.

"My Chinese clients often come to Portugal and hire a translator," Hortelao said. "They know exactly what they want: a modern property to rent out during their absence and a visa to travel in Europe."

Chris Liem, owner and principal of [Engel & Voelkers](#) in Hong Kong, said Portuguese real estate offers a better alternative than property in the U.S., the U.K., [Canada](#) and [Australia](#).

The benefits of buying in Portugal "far outweigh the investment costs," Liem said. "Particularly for high net-worth Hong Kong and mainland Chinese who are looking for higher economic returns, a stable investment, a lifestyle investment and easy access to EU benefits."

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