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EXCLUSIVE

The Meaning Behind China's Recent Stock Slide

By Natalie Dolce | International

This China stock market crash is a wake-up call that one can't put all their eggs in one basket when it comes to managing and preserving wealth, says Qiu.

Part 1 of 2

SAN FRANCISCO—GlobeSt.com catches up with **Anton Qiu**, a principal and executive managing director of **TRI Commercial/CORFAC International** based in San Francisco, to assess the meaning behind China's recent stock market slide and its potential impact on US commercial property investment.

GlobeSt.com: For starters, give us a perspective on Chinese investment in the US.

Anton Qiu: In the first half of 2015, Chinese firms spent $6.4 billion on 88 Foreign Direct Investment transactions in the United States—the highest first half-year figure ever recorded and about 50% of the money was put into real estate. *(Source Rhodium Group China Report)*

The biggest deal was Anbang's $1.95 billion investment in New York's Waldorf Astoria hotel.

GlobeSt.com: A little more than a month ago China's stock market took a big hit—what happened?

Qiu: China stocks crashed and all Asian markets suffered major losses on "Black Monday" August 24. China's benchmark Shanghai Composite index declined 8.5% in a day—its biggest selloff since 2007—wiping out all gains made this year. Many companies, including some state-owned firms, fell by the maximum 10%. The index lost about 38% of its value since its June 2015 peak.

It also sparked market turmoil worldwide. Europe is the world's second largest economy and biggest trading partner with China; its stock markets declined 5% on the news, while Wall Street was crushed at the opening bell the following morning. Commodity prices fell into territories not seen since 1999. Oil fell to $39 a barrel—its low point since crude began its slide a year ago.

GlobeSt.com: You are originally from Shanghai and you do a lot of investment business with Chinese investors. After "Black Monday," was there an immediate impact on some of your deals?

Qiu: Before I address commercial property sales, one anecdotal observation I will make is that San Francisco housing prices appear to be stabilizing—we're seeing fewer bidding wars and sales actually closer to asking prices. Up in Napa, some of sellers of the high-end wine properties are beginning to discount prices. Bear in mind that about 15% of high-end residential sales in recent years have been to Chinese buyers—usually all cash. To me, this indicates that we may have reached a peak. My own deals weren't impacted though Black Monday did generate a few phone calls and emails from concerned investors.

Regarding China's stock market jitters and its impact on US commercial real estate—if anything, my personal view is that property investment will accelerate in the coming months and years because the wealthy upper-middle class and the ultra-high net worth families are now thinking about asset allocation, diversification and wealth/capital preservation more than ever before. This China stock market crash is a wake-up call that one can't put all their eggs in one basket when it comes to managing and preserving wealth.

GlobeSt.com: Are there any indications that Asian property investors in the Bay Area are beginning to pull back a bit?

Qiu: No, I see continued **strong demand and acceleration of investors' desire to invest** in almost all asset classes and the demand is from both individuals, family offices, as well as large corporations, tech companies, funds and SOEs (State-Owned Enterprises).

Check back with GlobeSt.com in the next day or two for part two of this Q&A, where Qiu touched on the scale of Chinese investment in the US, strategies, and whether or not we can expect any slowdown.