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Chinese, Japanese Investors: 1980s vs. Today

By [Carrie Rossenfeld](#) | Los Angeles



LOS ANGELES—**Chinese investor** interest in US real estate is growing day by day, and it's reminiscent of a few decades ago when the Japanese had a strong investor presence here. **Greg Karns**, a partner with **Cox Castle Nicholson** here, tells [GlobeSt.com](#) that there are both similarities and differences between the two groups and the two time periods.

Karns: "The Chinese are buying lots of different properties – they don't have to be trophies."

Karns, who was working with Chinese investors with another firm back in the 1980s, says the current wave of

Chinese investor interest in US real estate—particularly in western markets like Los Angeles and San Francisco—differs considerably from the wave of Japanese investment in our country back then. "There were a few things that were similar. In the '80s, just as we have now, both the Japanese and Chinese economies were firing with all cylinders and currencies were increasing in value. In the '80s, you saw the yen go from 300 to the dollar down to 80 or less to the dollar, and you saw a loosening of monetary control, which allowed for greater overseas investment."

In both scenarios, there was encouragement from the foreign banks to invest in the US market, but "one of the big differences was back in the 1980s, if you looked at the 10 largest banks in the world, probably eight of them were from Japan," says Karns. "I know from experience that the banks weren't just helpful, but responsible—very actively encouraging their customers to borrow and buy things in other places, especially in the US."

Japanese banks had more of a stronghold on investors because of their banking prowess and the size and power of their banks back then—which informed investments greatly. "Back in the 1980s, the Japanese investment model was to be buying at the high end of the spectrum," says

Karns. “They were buying trophy properties, corporate-brochure-type properties—and working with the biggest, most expensive lawyers and consultants they could find. It was a mindset to pursue that sort of model. ”

While the Chinese don’t have the same sort of banking power today that the Japanese had in the 1980s, Chinese banks are beginning to catch up to the Japanese and help the Chinese people invest here. “The Chinese are buying lots of different properties—they don’t have to be trophies,” says Karns. “The Chinese like to make money, and they can buy things that are more nondescript. In the last year, we’ve seen the profile of property types the Chinese are buying picking up. They’re more active in Downtown L.A., whereas they were content for a long time in the Chinese neighborhoods like Alhambra, West Covina and the east side of Downtown L.A. Now, they’re spreading out because there’s more and more activity.”

Coming out of a recession, where there’s not much product available and there’s a lot of capital chasing too few deals, foreign investors can be at a disadvantage because they aren’t as familiar with the territory as the locals are. This can cause them to overpay in order to compete with the locals, or to chase deals that aren’t as highly desirable. “That’s been unfortunate—it’s like any investor going into a foreign market because real estate is very regional. So you start with a couple of strikes against you to compete with the locals and know how to do these deals.”

Stay tuned for an update to this story in which Karns makes predictions for Chinese investments in Los Angeles and San Francisco for 2014.