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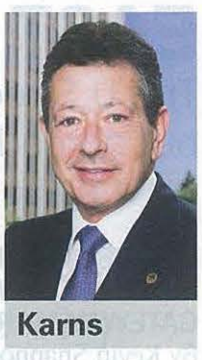
overseas experience than some of their counterparts in Asia Pacific, these heavyweight Chinese funds have yet to make a significant direct investment in the U.S., but have recently emerged as prospective buyers, partnered with local advisors. This was clearly evident in some of the larger core offerings in West Coast gateway markets in 2013.

Kevin Shannon, Vice Chairman and Managing Director, CBRE

GOOD FORTUNE FOR CHINESE INVESTORS IN CALIFORNIA

By Greg Karns

Chinese investors are purchasing greater and more diverse U.S. commercial real estate assets, and many pundits believe this is merely the front end of what will be a significant, extended and sustained wave of Chinese investment. There is support for these predictions. According to the Rhodium Group, which tracks Chinese investments in the U.S., the Chinese pumped $6.5 billion into U.S. business investments in 2012. Half of that found its way into commercial real estate, with the bulk landing in California. While the precise volume of incoming Chinese investment capital is always difficult to accurately calculate, by all accounts 2013 investment levels easily exceeded those impressive figures. When you factor in the closings of two additional high-profile commercial real estate deals in Los Angeles this past January, there appears to be no slowing down in 2014. As their appetites for U.S. investment increases, the profile of the Chinese investor — as well as investment preferences — have also evolved.



Karns

Chinese buyers used to closely mirrored other foreign investors — targeting income properties (with a penchant for hotels) in gateway cities like San Francisco and Los Angeles. This investor profile could as easily describe the Japanese wave of investment in the '80s, as well as the Taiwanese investors of the '90s. The past decade has brought a steady and significant stream of Chinese capital from investors seeking permanent immigration status in the U.S. through investment in job-creating enterprises. Suddenly, pools of EB-5 capital showed up in hotel transactions, assisted living and skilled nursing deals and other job-intense real estate investments. With the flexibility to come into a deal as subordinate debt or even equity, EB-5 funds became a hot commodity in the recession years when traditional U.S. real estate lenders were on hiatus.

We've seen a new Chinese investor arrive on our shores over the past year, however. Chinese real estate developers are investing increasing sums into U.S. construction and development opportunities. Unlike their more passive or immigration-driven predecessors, these new investors are in the real estate business. Most are developers of significant commercial real estate projects in China, and they're seeking to expand their core holdings and know-how into the U.S. markets through strategic joint ventures and acquisitions. Their activity first garnered major attention with the announcement of the China Vanke-Tishman Speyer venture in San Francisco last year. The activity culminates, at least for the time being, with the Oceanwide purchase of the Fig/Central site and Greenland's acquisition of the Metropolis site in Downtown Los Angeles earlier this year.

There is no shortage of explanations for this wave of Chinese investment, and they all likely hold some degree of merit. Some claim the wealthy Chinese are attracted to American secondary schools and universities. Others point to concerns about China's politics, inflation, currency devaluation and even pollution to explain Chinese overseas investment activity. Some see Chinese companies investing in the U.S. to obtain needed management and technology capabilities. Others think large Chinese investors are looking for safety, stability, and exposure to diversified currencies and returns.

The simplest explanation, however, may also prove to be the most accurate: Chinese investors are investing in the U.S. and other overseas real estate markets now simply because they can. The Chinese government is allowing, and even encouraging, this overseas investment. Perhaps the objective is to diffuse the massive real estate bubble that's been building up in China by allowing Chinese investment capital that would otherwise be invested domestically to flow out of China. The Chinese government's complicity seems undeniable. The purchase of the Metropolis site by Greenland, a state-owned enterprise, is an indication of the extent of Beijing's support for these types of U.S. investments, and state-owned Bank of China is now the largest foreign lender in U.S. commercial real estate transactions.

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>
> *— Greg Karns*

The majority of Chinese real estate investments have taken place in the more familiar gateway cities that already have large Chinese businesses and communities in place. There is also evidence, however, that Chinese investors are looking to other regions for new opportunities. Last year WH Group (formerly Shuanghui International Holdings) acquired North Carolina-based Smithfield Foods, Sinopec (also known as China Petrochemical Group) invested in oil and natural gas projects in Oklahoma, Alabama and Mississippi, while Dalian Wanda Group purchased Kansas City-based AMC Entertainment.

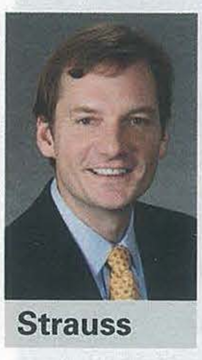
On the real estate front, China Vanke is reportedly interested in Boston, due in part to its sizeable Chinese population, while the Gaw Capital fund intends to target assets in innovation centers like Portland and Austin. An affiliate of GreenTree Hotels has recently become keen on acquiring more assets as well. China-based Elite Investment Fund made its first joint venture investment this year in a multifamily development in Los Angeles, and plans to deploy more than $1 billion into U.S. real estate transactions. In fact, some analysts contend that Chinese direct investment into U.S. real estate pales when compared to indirect investments through private equity funds. China State Administration of Foreign Exchange invested $500 million into a Blackstone fund, while the China Investment Corporation, China's main sovereign wealth fund, has invested billions into large private real estate funds.

The factors that could derail this investment train are as varied as those responsible for its existence: policy shifts (both in China and the U.S.), geopolitical concerns, fluctuating exchange rates and a lack of experience and familiarity in highly competitive markets. Even with this in mind, most people seem to agree this current wave of Chinese overseas investment is just getting started. In fact CBRE China estimates that Chinese real estate investors will pump $178 billion into overseas real estate in the years to come. If that is even close to correct, then we are truly at the forefront of a veritable tidal wave of Chinese investment capital.

Greg Karns, Partner, Cox, Castle & Nicholson

FIVE REASONS CHINESE CAPITAL WILL CHASE HOTELS IN 2014

By John Strauss



Strauss

Chinese buyers may not be brand new to the scene, but their drive to purchase real estate in 2013 was unprecedented — and it's just the tip of the iceberg for this growing phenomenon. This past year, Chinese investors broke records, bringing their global commercial real estate investments across all property types to $7.6 billion, a rise of nearly 125 percent, according to Jones Lang LaSalle (JLL) research. Of this $7.6 billion, $3 billion was allocated toward real estate investment in the United States.

Historically, there has always been a presence of Asian capital seeking major hotel assets in gateway cities. This is particularly true among West Coast markets. These investors were well-established, opportunistic capital sources, typically based in Hong Kong and Singapore.

However, following the Great Recession in 2008 and 2009, we saw the emergence of mainland Chinese capital knocking on the door for U.S. real estate opportunities. During this time, there was limited domestic equity available, and these investors became crucial buyers, especially in the beginning of 2010. At the trough of this new real estate cycle, a Chinese investor acquired two key LA-area hotels: the Marriott Downtown (the soon-to-be Hyatt Regency Los Angeles Downtown) and the Sheraton Universal. Since then, and particularly in 2013, we saw a significant rise in hotel transaction volumes from Chinese investors, reaching more than $270 million in California this past year. Recent high-profile transactions, including the Marriott Torrance, Sheraton Gateway LAX, and Doubletree Berkeley, highlight this new wave of capital actively pursuing hotel investment opportunities.

Chinese investment in the U.S. hotel market is gaining momentum, due in large part to five key factors:

1. Economic Recovery

Chinese investors will continue to take advantage of a stabilizing economy and strong hotel operating fundamentals like rising occupancy rates and growing pricing power. RevPAR continues to increase, interest rates remain historically low and attractive cap rates are creating an ideal environment for them to place their dollars.

2.Excellent Syndicator Relationships

Joint-venture partnerships and syndicator relationships have evolved over the past several years. U.S.-based investors and Chinese buyers have developed trusting working relationships with asset managers, attorneys and other hospitality industry professionals, and are now buying properties on a more streamlined basis.

3. The Appeal of Hotels

Hotels are a unique class of commercial real estate. They offer a certain level of comfort to Chinese investors due to the cash-flow opportunity presented from the operations component of the business. Hotels offer a long-term hedge against inflation and a long-term growth prospect to foreign buyers seeking more stable investments.

4. Competition for Assets

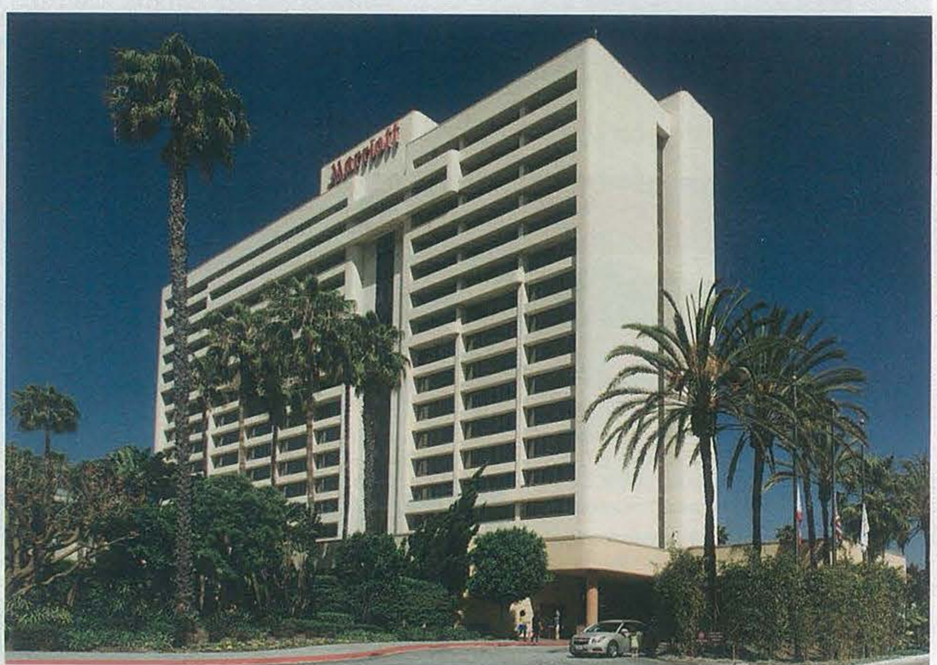
Hotel properties are also popular among REITs and domestic private equity. An influx of Chinese capital seeking core hotel assets is raising the bar — and price — for competition among all players in the market. According to JLL's Hotel Investment Outlook, new room additions will trend upward but remain slightly below long-term average, and we are seeing less availability of construction financing in the West Coast hotel market for 2014. Chinese investors will continue to aggressively seek to acquire a limited number of hotel properties

5. Appetite for Risk

As demand grows, it also diversifies. In the past, Chinese investors bought trophy assets in gateway markets and while this remains true, they have acquired a desire to diversify. A new wave of Chinese investors is starting to look at 3.5 and four star properties that sit adjacent to primary markets such as suburban Chicago or secondary markets including Atlanta, Houston and New Orleans.

The trend of Chinese capital coming to the United States shows no sign of slowing. Not only will transaction volumes grow, but we will also see an increasing number of active Chinese investors in the market ranging from entrepreneurial to more mainstream companies. In the California hotel market, we anticipate $500 million to transact during 2014 — reaching the same robust level as 2013 and likely surpassing it.

John Strauss, Managing Director, Jones Lang LaSalle Hotels & Hospitality Group



Recent high-profile transactions by Chinese investors include the Marriott Torrance across from the Del Amo Fashion Mall in Torrance, Calif.