

CITY LIFE

China's Town

The priciest homes, the best schools, the hottest handbags: From Newbury Street to the waterfront, big-money Chinese buyers are spending millions. Are we cashing in or selling out?

by **BEN SCHRECKINGER** • 9/30/2014, 5:00 a.m.

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Li, whose name has been changed for this story because her husband still conducts business in China, began learning about the EB-5 investment program several years ago through a group on QQ—the Chinese equivalent of a Facebook group—of 600 Guangzhou residents vying to become U.S. residents. She and her husband settled on an investment in an Ohio Goodyear factory, which they've never visited. When it came time to find a place to settle, the family visited Los Angeles, but it felt a little too much like home. The city was big, Li says, and already full of Chinese people. Most important, she says, in L.A. “the school is like a Chinese school. Many, many students.” The better schools were either private or in areas outside of her price range. Instead, they chose to buy in Boston. In April she holed up at the Quality Inn next to their lawyer's office in Lexington, and started sending her son to elementary school there. After losing a fierce bidding war for a nearby property, she closed on the new three-bedroom in May, paying \$700,000 in cash.

Li says she is happy with the purchase. “I love Lexington very much!” she exclaims at one point in English. (And that's despite its climate. “So cold,” she says, and hugs her arms to her blue blouse when I ask her how she likes the New England weather.) Most of China's major cities have gone from backwaters to sprawling metropolises in just three decades, and Chinese buyers tend to have a taste for new construction—glass and steel. But as Chinese citizens spend more time in Europe, they're also acquiring a taste for older construction. Li says Lexington's historical town center reminds her of Germany, only with more-welcoming people. Of course, her appreciation of Colonial architecture only goes so far. “Chinese like feng shui, you know, so I changed some things,” she says. A living room door opened directly onto the staircase up to the second floor, a major no-no in the ancient Chinese tradition. It's been replaced with an empty expanse of wall.

Li begins praising the area's pristine environment and natural beauty, and as if on cue, her husband, Wei, walks in the front door, panting, sweat soaking through his untucked purple collared shirt. He's just had a ride on the Minuteman Bikeway, packing in all the outdoor recreation he can. Wei, 42, takes a seat to catch his breath and explains through a translator that he's on a cycle of spending three weeks in Lexington and two months in Guangzhou, where he still runs his medical-supply business. He says he's registered an LLC in Massachusetts and hopes to sell his wares in the U.S. as well. Then he breaks into English with a single word, laboriously pronouncing “healthcare.”

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strong economic anchor. Members of an aging society appreciate world-class hospitals like Mass General and Brigham and Women's. They view the Boston area as a green oasis compared with the smog-choked megacities they're leaving behind. Plus, Boston lacks California's mudslides and earthquakes.

ADVERTISING

The advertisement features a smiling man, David Ortiz, in a light blue shirt. The text 'JOIN US FOR GOOD' is prominently displayed in large, bold letters, with 'GOOD' in orange. An orange button with the text 'LEARN MORE' is in the top right. In the bottom right, it says 'David Ortiz' and 'EASTERN BANK PARTNER FOR GOOD' next to the Eastern Bank logo. In the bottom left, it says 'Member FDIC'.



Portrait by Jared Leeds

Like the couple in Lexington, Wayne Wang initially bought in Boston for his daughter's education, but now he's grown excited about making his own life here. An executive at a Dutch multinational, he talks to me via Skype from his Beijing apartment. He confesses he's had a soft spot for the city since childhood, when he would listen to the Boston Symphony Orchestra on the radio. His affections were confirmed several years ago when he asked a European colleague about America's best locales. "He said to me, 'Boston is a beautiful city.' But he warned me Boston has the accent," he adds, laughing. Undeterred by dropped Rs, Wang contacted Wellesley Realtor Patty Chen and toured several Boston properties in 2011, but didn't buy, a decision he came to regret, as property values here kept rising. He returned last year, and when a three-bedroom in Chestnut Hill came along, he jumped on it.

instead, Wang had to rent out the home—situated in an upscale Chestnut Hill community—to students.

Wang would like to spend some of his retirement years in Boston, taking in lectures at Harvard and MIT. “It feels safe,” he says. “You know? No air pollution, and no other problems.” In Beijing, the air is dirtier. “When it rains,” he tells me, “they say it’s like a laundry. When the wind blows, they say it’s like a dryer.” He also likes that Boston has a long history—an attribute that contributes to its image of stability. “A lot of people who choose to buy properties in Boston have the same intention as me. People who want money out of their properties go to New York, and those alcoholic people looking for better views go to California,” Wang explains through a translator, laughing. “And people for agriculture go to Texas.”

Who Turned Up the Heat?

This infusion of Chinese capital is fueling an already hypercompetitive residential real estate market. Over the past three years, as Chinese demand has accelerated, Boston’s median home value has gone up 26 percent, more than twice the nationwide rate of 12 percent. Over the past year, one-fifth of Coldwell Banker’s buyers in Boston have been foreign, of which the Chinese make up the largest percentage, says Pat Villani, president of the brokerage’s New England group. “For many years, we have talked about Chinese buyers coming into the market, because they started in New York quite a few years ago and made an enormous change on the New York market,” Villani explains. “Our market’s really been impacted over the past two to three years. It’s growing every year, and it’s making a difference.”

On a Sunday afternoon this past May, a young, well-dressed Chinese woman approached broker Susan Piracini during an open house at a Chestnut Hill penthouse. The woman, who identified herself as “Tammy” (“I think it was a fake name,” Piracini says), had a short, feather-back hairdo and manicured nails. She offered in perfect, though accented, English to buy the \$1.25 million property. She had a million in cash, and wanted to put the other \$250,000 on a credit card. Piracini told her that wouldn’t be possible, though she could get financing for the other quarter million. That plan fell through when it came time to do the paperwork. “She had no verifiable income,” Piracini recounts, “and she wouldn’t say how she just had a million dollars floating around.” So off Tammy went, presumably to a property she could afford with the cash she had on hand. “I had the feeling that this wasn’t the first property she bought here,” Piracini says, “because she said it used to be easier.”



Portrait by Jared Leeds

This wasn't the first time Piracini had encountered the Chinese gold rush. In 2011, she scored what might have been the easiest sale of her career. A Chinese cardiologist who had just cashed out his medical-device business for \$30 million was looking for a safe place to park his money (and a future off-campus crib for his five-year-old). A friend of his approached Piracini about the luxury condos at the new Longwood Towers, in Brookline. The cardiologist and his wife, both well dressed and in their thirties, dropped by exactly once. The cardiologist asked a few questions through his friend. His wife didn't speak at all. At the end of it, they paid the asking price, in cash: \$1.52 million for 1,540 square feet. It was the highest price per square foot paid for a condo in Brookline to date. The cardiologist didn't bother to fill it with a renter until this year.

In China, this flight of rich people and their cash has become a sore subject. By law, Chinese citizens are able to move only \$50,000 out of the country every year, but it's an open secret that many move millions, often by enlisting friends and relatives to transfer large sums on their behalf or masking the money as international business transactions. Boston real estate agents who work with Chinese buyers estimate that 80 percent or more pay for properties in cash. Chinese buyers also tend to waive standard contingencies. Many are in town only for a week or two, and eager to buy as quickly as possible.

government says it's looking into the allegations.

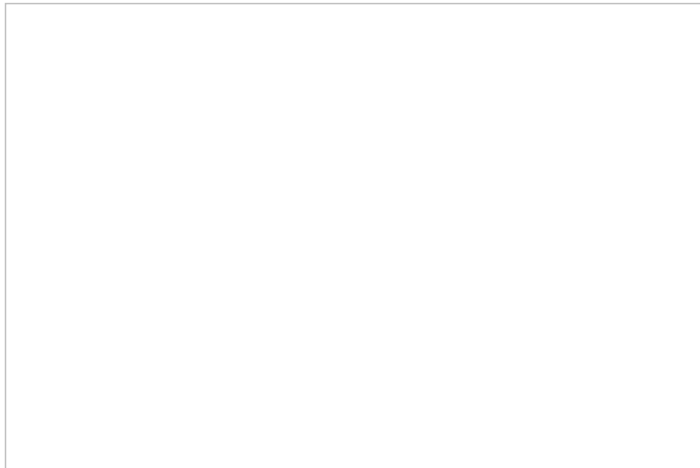
The day after CCTV aired its exposé of the Bank of China, I sat waiting for a local Chinese-born EB-5 lawyer as she dashed around her Lexington office. She was ignoring our appointment—in part because she had decided she wanted nothing to do with this article, and in part because prospective EB-5 investors were flooding her office with calls. When she did stop to give me the time of day, the lawyer, who declined to be identified by name because she did not want to damage her relationship with the Chinese government, explained that she'd seen an overnight spike in business. Rich Chinese were spooked by the possibility that the CCTV report meant the window for getting cash out of China was closing.

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