

INTERNATIONAL
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Los Angeles drawing real estate investors from Korea after lifting of overseas cap

By Jacob Adelman
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LOS ANGELES

Choung Yang Suk just bought a condominium in the city's Koreatown district — far from her home in South Korea — and plans to retire there in a few years to be near her two grown children.

Choung is among a growing number of Koreans scooping up real estate in the United States and elsewhere after the overseas investment cap in their country was lifted.

Koreans are expected to invest nearly \$2 billion in U.S. residential property in 2006, up from \$1.27 billion in 2005, when such investments were mostly limited to large Korean corporations, said Brian Shaffer of the International Real Estate Trade Organization.

Koreans could spend at least \$4 billion worldwide on overseas homes in 2007 as a result of the changes made in May that allow an individual to make as much as \$1 million in foreign investments, analysts said.

Many of the purchases are being prompted by the strength of the Korean won against foreign currencies and by the economic and political stability offered in some other nations, analysts said.

Much of the money will likely be directed to U.S. cities with large Korean populations, including San Francisco, New York and Atlanta, to take advantage of lower home prices stemming from the weakening U.S. housing market.

Observers said the lion's share of the money will be invested in Los Angeles, which has one of the world's largest Korean populations outside the Asian nation.

"It could very well release a tidal wave of investment into Southern California, particularly Koreatown," said Peter Morrison, a demographer with the Rand Corp. research organization, who has studied home-buying patterns among immigrant groups.

Investors are snatching up the property as long-term investments or as future homes for themselves.

For Koreans with family members in Koreatown, buying homes in the district two miles west of downtown Los Angeles is a particularly attractive proposition.

The five-square-mile swath features hundreds of Korean-owned businesses. Few English language signs are visible along its wide boulevards.

"Koreatown is very convenient for me since I only speak Korean," Choung said through an interpreter. "This is where my people live and I can go to the market or shops without speaking English."

Southern California also has an abundance of banks and brokers catering to Koreans to aid the purchases.

One Koreatown-based lender, Wilshire State Bank, created a special division for overseas borrowers and has closed its first mortgages since the investment caps were lifted, a bank executive, Gene Sheen, said.

Sheen met the borrowers at investing seminars he stages in Korea.

Until May, Korea enforced tight investing rules to stem capital flight after the Asian financial crisis of 1997. Only large firms and individuals with special permits could buy property abroad.

But with South Korea's currency, the won, now near nine-year highs of about 930 to the dollar, government officials have decided to encourage Koreans to spend money abroad, hoping to take some air out of the currency to benefit exporters.

In 2007, Korean officials intend to allow citizens to invest as much as \$3 million in overseas property.

If President Roh Moo Hyun gives his approval, caps would be dropped altogether by 2009.

That could free up even more potential buyers for the roughly 1,500 condominium units now on sale or planned in Koreatown as part of a mini-construction boom.

Many of the units are part of high-rises resembling condo complexes in South Korean cities.

Choung Yang Suk bought her unit for nearly \$600,000 at the Mercury condominium complex, where about 10 percent of the 80 units sold so far have been bought as a direct result of the eased investment caps, said Oliver Unaka, a spokesman for the real estate agency Forest City Enterprises.

The Martin Group, developers of the 1100 Wilshire building in nearby downtown Los Angeles, has sold about 40 units to Korean buyers since the investment caps were changed, said Ki Ryu, a director for the company.

Planners have overseas Korean investors in mind as they map out future condominium projects in Koreatown.

The Shin Young Group, a Korean construction giant, has started developing its first U.S. project in Koreatown and sees Korean investors as likely buyers for the units at its 40-story 3670 Wilshire project, said Justin Kim of Millennium Enterprises, a partner on the project with the Korean company.

Koar Wilshire Western, which is developing the 22-story Solair Wilshire project atop a Koreatown subway station, has approached a Korean real estate company about marketing its 186 condominium units in Korea, a company executive, Bruce Rothman, said.

Developers said their Korea-based customers so far have arrived through word of mouth among Koreans here and back home, or through advertisements placed on the Web sites of Los Angeles-based Korean-language newspapers.

Rothman said his company is still unsure how aggressively to pursue potential customers in Korea, many of whom

would have to be convinced to spend hundreds of thousands of dollars on properties they've never seen in person.

"Are you selling sight unseen, or are the potential buyers from Korea going to come to the United States to pound the pavement?" he said. "Nobody is quite certain how to do it yet."

Indeed, Sheen, the banker, said Koreans are unlikely to embrace foreign property until they see those investments paying off for their neighbors.

But once they do, he said, the Korean trade in U.S. real estate could be brisk.

"This is a big opportunity," he said.

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