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GREETINGS...



We wanted to wish everyone a happy holiday season and new year. Currently, we are working with Chinese companies and investors in the Greater China region, who are interested in acquiring both residential and commercial property in the US. We hope you enjoy our latest company newsletter.

Sincerely,
Aaron Schechter and Frances Chou

HOT TOPICS...

Update on Chinese Investment in US Real Estate...

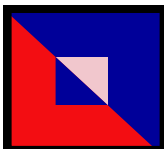
In the last few years, the number of Chinese investors investing in US real estate has seen a dramatic increase, largely on the residential side, but also on the commercial real estate side as well. According to the National Association of Realtors, Chinese and Hong Kong buyers accounted for US\$9 billion in US residential sales for the year ended in March 2012, up 89% from 2010, behind only the Canadians among foreign buyers. With the Chinese government placing restrictions on multiple real estate purchases



in China, in an effort to cool China's housing bubble, and their limited number of investment options, Chinese buyers are attracted to the low interest rates in the US, discounted prices and a safe harbor for their money. The favorite locations for residential purchases include New York, Los Angeles, San Francisco and Miami. The residential properties are rented out as investments, used as second homes or used for their children to live in while attending US schools.

In a new wrinkle, a mainland Chinese developer, Xinyuan Real Estate Co., whose company is also listed on the New York Stock Exchange, recently acquired land in Williamsburg, in the New York borough of Brooklyn, for their first development in the US; a 216-unit condominium project. Xinyuan paid approximately \$54 million for the site, and plans to spend about \$200 million on development, building mostly upscale 3 bedroom units. Hoping to tap into the hot demand from Chinese investors, the company plans to sell about 40% of the units it builds to mainland Chinese buyers.

In terms of commercial real estate, although the size of Chinese investments in the US still pales in comparison with investments by other countries, and has not poured into US real estate as some experts predicted, it has been growing steadily. Additionally, official figures



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HOT TOPICS (Continues)...

do not take into account money that Chinese investors may have with private equity funds such as Blackstone to invest in US properties. Also not included in official figures, is the continued emergence of state-run Chinese banks to invest their money in commercial real estate. Late last year, in one of the largest loans by a single lender in New York since 2008, the state-run Bank of China lent \$800 million to refinance a building on Park Avenue housing JPMorgan Chase and Major League Baseball. In one current deal that is being negotiated, Lennar Corp., a major US home builder, is in talks with state-run China Development Bank for about a loan of \$1.7 billion to transform two former San Francisco naval bases into huge housing developments. Through deals like these, the Chinese government seems interested in diversifying their foreign exchange reserves beyond holding US Treasuries. Thus far, Chinese investment seems to have been welcomed by city officials as a boon to local economies.

REAL ESTATE BUZZ...

Apartment Investors Bullish on 4 Western US Cities...

In recent months, we have seen an increase in requests from mainland Chinese buyers to acquire apartment buildings in the US. As a result of that interest, we wanted to share the latest information from a recent report by Jones Lang LaSalle third-quarter 2012, regarding increased investment in the West Coast cities of Seattle, Phoenix, Los Angeles and San Diego. These cities saw a total combined apartment transaction volume of \$4.6 billion as of September.

Seattle's apartment market is expected to outperform much of the US over the next 3 years, with the Seattle area showing slow but steady growth in the coming year. Seattle's transaction volume through September was \$1.03 billion. Private-equity buyers accounted for 57% of the investor composition, and institutional capital represented 23%. The Seattle metro area added 13,800 jobs.

Phoenix ranked third in the US in total dollar volume of sales through September, with transaction volume of \$1.65 billion. Cap rates have fallen an average of 30 basis points since 2011. Private investors have lead the acquisition landscape. Rental demand has been strong, with vacancy rates dropping significantly since 2009. In the past year, Phoenix added 33,000 jobs.

Apartment fundamental improved in Los Angeles with consistent gains since 2009. The apartment sector is expected to continue to rebound as economic growth moves at a modest pace. In the past year, Los Angeles added 6,100 jobs. Los Angeles ranks fifth in the US in total dollar volume of apartment sales with \$1.47 billion in transaction through September 2012. Developers and owner/operators make up three-quarters of the investor composition.

Sales volume in San Diego increased 34% on average each year since 2009. Cap rates in the market have compressed, dropping 1% on average since 2009. The apartment transaction market totaled \$492 million, and 93% of investor composition was through private equity. San Diego has added 28,000 jobs.