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FOUR DOLLARS

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Asian Investment Rising in Los Angeles

Office towers and hotels are being purchased.

By VERNE G. KOPYTOFF

JAPANESE investment in the top hotels and office towers in Los Angeles soared during the 1980's and then crashed with the real estate market in the early 1990's. Now, Asian investment is once again increasing, mainly from Taiwan, Hong Kong and Indonesia, driven partly by bargain real estate prices here and political uncertainty at home.

In the last three years, Asian-based companies have bought at least 15 buildings in the Los Angeles area, each priced at more than \$10 million, according to the Financial Capital Investment Company, which helps Asians buy American property. Analysts and Asian buyers say these transactions — which the company says total nearly \$450 million — reflect Asia's growing prosperity and a belief that Southern California's struggling commercial property market has hit bottom.

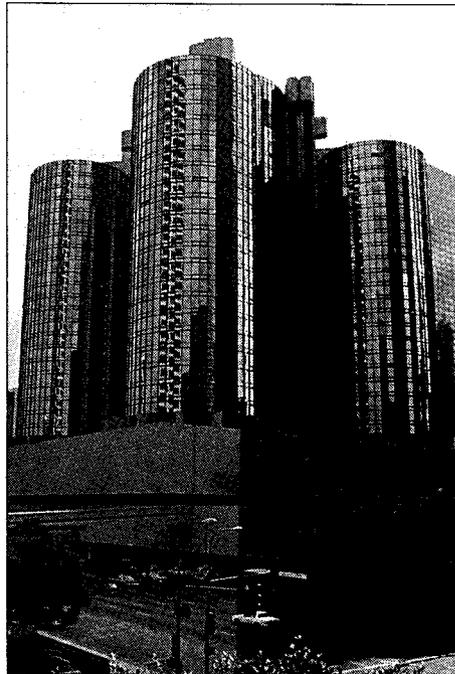
For instance, a Hong Kong-based syndicate, B. W. Hotels, bought the luxury Regent Beverly Wilshire in February for a reported \$100 million. The landmark 275-room, 12-story Beverly Hills hotel, featured in the film "Pretty Woman," is near the chic shopping street Rodeo Drive.

"We think Los Angeles has turned around in hospitality," said Ambrose Cheung, president of B. W. Hotels. "It is now on the upswing. We think the real estate situation is positive. It's about coming in at the right time."

For years, Taiwanese entrepreneurs have been major investors in small-scale projects like shopping centers, warehouses and apartment buildings in the Los Angeles area, and they typically have focused on those communities with a large Asian presence. But Randall J. Lee, an Asian economic consultant with Lilly Enterprises here, said the new wave of Asian investment was increasingly of a larger scale.

"We are going to continue to see the mom-and-pop guys buying the small shopping centers," Mr. Lee said. "But we are beginning to see the bigger players, their equivalent of Goldman Sachs."

In the Chinese style, many investors are low profile, which makes tracking sales difficult, said Richard Alter, managing director of Financial Investment Capital. He



said investors typically formed a syndicate, paid in cash and focused on second-tier properties like midsize office towers and business-class hotels that do not draw as much attention or attract as much competitive bidding.

"We try to go after some properties that the big Wall Street firms would not go after," Mr. Alter said. "Size makes a difference. We go for commercially viable properties, but not the Statue of Liberty. We don't want to pay for the marquee value."

Real estate brokers and Asian investors here say the recent interest in Los Angeles real estate is partly a product of confidence in Southern California's improving economy and partly an example of bottom fishing. Investors are capitalizing on real estate values that are down nearly 50 percent from their peak in the late 1980's after years of recession coupled with cutbacks in the defense sector.



Photographs by Michael Tweed for The New York Times

A Japanese firm took a 70 percent loss when it sold the Biltmore Hotel (above) to a Hong Kong chain; Westin Bonaventure (left), is owned by a Taiwan-based company.

Despite the city's budding recovery, downtown is suffering from a glut of office space and hotel rooms. Office vacancy rates downtown have hovered near 20 percent for some time, according to the Los Angeles County Economic Development office, while the area's hotel occupancy is 59.9 percent for the year through June, according to PKF Consulting, a hotel industry advisory service.

ON the other hand, downtown is regarded as having a solid market base since there are only a few convention-sized hotels. And the city's center is being considered as a site for a new sports arena, which could help revitalize the area.

"Asian buyers are getting great bargains on all these properties and they sense that there is great economic potential here," said Jack Kyser, chief economist for the county's economic development office.

Those companies selling big properties bought during the boom years are generally losing millions of dollars in the process. In a few cases, the losers are Japanese companies, part of a multibillion-dollar divestment of their American assets.

For example, TAT Los Angeles Ltd., one such Japanese company, bought the ornate, 11-story, 663-room Biltmore Hotel and its adjoining 22-story office tower for a reported \$219 million in 1989 and then sold it in June to Hong Kong-based Regal Hotels at a 70 percent loss. Many Japanese companies bought American property with borrowed money, and now their banks are demanding payment.

Peter Zen, a director of the Taiwan-based Forward Time Corporation, which paid nearly \$50 million last year for Los Angeles' largest hotel, the 1,368-room, glass-faced Westin Bonaventure Hotel and Suites, said property in Los Angeles is relatively inexpensive compared with many Asian cities. He said land in Los Angeles could cost only \$300 a square foot, versus \$2,000 a square foot in Taipei.

Moreover, he said, many Asian investors regarded the United States as a safe haven for capital, especially in light of recent events in their home countries. For instance, Indonesian protesters clashed with the police in Jakarta in July. At the same time, Taiwan is frequently swept by fears of invasion from China and the British colony of Hong Kong is 10 months from reintegration with mainland China.

"The United States is a country where you don't have to worry about expropriation, or that the government is going to topple every day," Mr. Zen said.

But, he added, there is a trade-off to

investing in Los Angeles versus Bangkok or Kuala Lumpur. Profits are generally lower in Los Angeles, and its land values are expected to increase much more slowly than in Asia's prospering cities.

"You can't compare Los Angeles to the Far East, where you have a lot of upside," Mr. Zen said. "Here, it's very stable. You turn out some earnings every year."

Asian companies often do not get involved with the demands of owning industrial space, and instead focus on office towers and hotels, which are considered to be easier to operate. Frequently, Asians hire an American company to manage the property.

Since profiting from significant short-term property appreciation in Los Angeles is unlikely, many Asian buyers say they have a longer-term commitment to their acquisitions, at least for the near future. As a result, many investors plan property improvements to attract business.

FOR example, the Biltmore Hotel, built in 1922, will get a \$10 million to \$20 million renovation. The Regent Beverly Wilshire will get 100 new suites on five vacant floors in roughly 18 months.

"Suites, bungalows and villas are in very high demand," Mr. Cheung said. "These are the rooms that can command a very high rate from the entertainment, performing arts, and fashion industries."

Asian real estate buyers generally cited an increasing familiarity with the United States, either through their own education here or that of their children, as a major investment factor. Asian companies are focusing most of their purchases on New York and North America's major Pacific cities, all of which are easily reached from Asia and have large Asian communities. Los Angeles County's Asian population in 1995 was estimated at 907,000 by the state Department of Finance.

"These investors go where there are more Asians and more infrastructure," Mr. Alter said. "That makes them more comfortable than in Salt Lake City or Cleveland."

Mr. Lee said investment in Los Angeles real estate should increase as wealth spreads to more Asian countries. In particular, he said companies from mainland China, some of which have already participated in a few medium-sized deals in Los Angeles, should be a growing source of capital.

"A lot of people don't realize that there is a lot of wealth being created in China," Mr. Lee said. "Before it was the government people, now it's the entrepreneurs." ■