



California Builder
Client: EMC Creative
September/October 2008

Go West! Far West! Chinese Homebuyers Turn to California-Style Designs

What's the luxury housing market like in China," asks Colleen Edwards, smiling. "It's California Tuscan goes to China."

When China's new wealth goes house shopping "they want to re-create success," says Edwards, CEO of Danville-based EMC Creative—a strategic communications firm for homebuilders, land development companies, and master-planned communities. She recently toured a number of residential developments in several Chinese provinces.

"There is so much money and such great desire to have what looks best from the West," Edwards explains. "There is no sense of adapting to place or local needs. The wealthy Chinese want residences that recreate successes, especially from the West Coast—from California.

"I was struck with how little customization is done for the Chinese market, because there is little market research," she notes.

Established Success

Edwards' guide for the trip was a friend and associate Chip Pierson, principal and general manager of Dahlin Group Architecture Planning, headquartered in Pleasanton. In 2001, Dahlin Group recognized a growing opportunity and opened a marketing office in Beijing, which was grown to a full-service firm with staff of 40.

"The U.S. is so flat right now in terms of new projects and when I went through a list of California-based architects, I found almost everyone is doing projects in China," says Edwards.

50 oak court · suite 201
danville · ca 94526
t. 925.837.9380
f. 925.838.2613

660 mission street · suite 440
san francisco · ca 94105
t. 415.354.9440

emccreative.com

“I wanted to get a sense of what was going on there, how they were doing things, and what opportunities there might be for American firms. Dahlin Group has an office in Beijing, which has worked on communities across china, and having Chip Pierson show me around would permit me to see master planning in several locations, rather than just one building or one project.”

Surprising Differences

Edwards returned from China with comparative observations on master-planned communities, marketing, and how business is done.

“In China, the planned communities are all residential. In the U.S. to get things to pencil out, there invariably has to be at least some consideration give to include a mixed-use component. We think about place making-how people will put down roots- when communities are designed. In China, there’s no sense about “where.” The buyers of these luxury homes are escaping the urban crowd. It’s a Chinese version of urban flight.

“No one speaks English-they don’t have to. Business is transacted visually so be prepared with a PowerPoint and most importantly, a translator. There is no master message in marketing residential developments. The billboards don’t look like the Web site, the printed materials are different, there’s no sense of integration or synergy in terms of marketing. The signage in China is all phone-number based whereas here we drive everything to a Web site.

“Architectural styling and design concepts from California are very suitable for the Chinese sensibility. We don’t have to go through the feng sui exercise, because we design that for everybody already. In design, it’s all about reflecting their financial success. It’s all about the glamour. The Chinese so want it now! In these communities there are sound walls, non-traditional landscaping, and shutters. It’s not Chinese, it’s California – West Coast. But it’s what they want,” notes Edwards.

Western Sensibilities

Pierson, who has worked with Chinese developers for more than seven years, agrees. “The Chinese are stridently European in their taste for residential design. Here’s an example: In



every moment counts

Beijing there was a subdivision that was a reproduction of the Forbidden City - right next to other developments that were Western and called 'Napa Valley' and 'Orange County'. Here's the irony: the Europeans bought the homes in the Forbidden City and the Chinese live in the Western-style developments with West Coast names."

Edwards, whose firm is based near San Ramon in the East Bay, laughs when she points out, "One of my favorite discoveries during our trip was a development called San Ramon- part of a master-planned community in Chengdu designed by the Dahlin Group. Sounds as if the Chinese 'San Ramon' community is right next door."

Among other surprises for Edwards was *mao pei* — the Chinese tradition of buying the unfinished shell of a residence and completing the interior after purchase. "There is a luxury development called Shanghai Rose Gardens, built by the Shanghai Greentown Development Company, where the shells are priced at the equivalent of \$9 million. It is not unusual for a homebuyer to easily spend another \$2 million to finish the inside. But the lot itself is sold completely landscaped."

Return to Luxury

Money, and plenty of it, has been driving the Chinese luxury market, notes Pierson. "But the concept of single-family homes in China is relatively new- or at least a return to something that Chinese families haven't had for generations."

Another part of the Chinese housing boom equation, he adds, is that many of the residential developers are people who have made their money in other business endeavors. "They provide the money and pass on the designs. And in some cases, they make huge profits," Pierson adds.

China's development during the past 30 years has seen its economic position leap-frog from isolation to a position as one of the world's largest economic engines. A critical economic policy change was the Chinese government's shift away from providing housing. This allowed the government to pass along the financial burden to private ownership and simultaneously create a spectacular residential building industry. And although residential construction has slowed somewhat this year from the frenetic pace of recent years, average annual housing starts for the past five years have been more than 20 million per year.

Massive Demographics

China has nearly four times the population of the United States and most Chinese are urban dwellers. Incredibly, there are more than 200 Chinese cities with a population of one million or more, compared with just nine in the United States. More than 75 percent of the population lives in urban multifamily housing, and one third of Chinese city dwellers live in high-rise apartment buildings. Low-density housing, which includes high-end luxury homes, built for China's newly minted wealthy and a small, but growing number of expatriates living there, account for less than one percent of urban housing.

While the luxury market reflects growing individual wealth in China, the demand for affordable, high-density housing remains the national priority. "In 2006, the government ordered 70 percent of high-rise units be 930 square feet or smaller, to insure affordability," says Pierson.

Edwards and Pierson agree that foreign firms wanting to do business in China must establish the relationships that have traditionally been at the center of Chinese business. "It takes time," notes Pierson. "I'm glad the Dahlin group has been in China for seven years, because there is a builder or developer makes the decision to embark on the business development in China, it's just as important to have their own house in order and running smoothly, so to speak, back in the United States."