

Chinese millionaires pick Seattle as No. 2 place in the world to live, survey shows

This year, Seattle surpassed San Francisco as the second place in the world where Chinese millionaires most want to live. But critics say the threat of foreign investors could worsen Seattle's already exclusive market.

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If you could pick anywhere in the world to live, where would it be?

For a lot of Chinese millionaires, the answer is: Seattle.

On a wish list of global destinations, Seattle has surged into the No. 2 spot for well-off folks in China who are hoping to relocate, according to a new report.

Each year, Shanghai-based Hurun Research surveys hundreds of Chinese millionaires who are either thinking of leaving, have already begun the emigration process or have recently made the move. About 12 percent picked Seattle over any other place this year. Los Angeles, the top choice for about 18 percent, is No. 1.

Seattle has been steadily rising up the rankings since debuting as the sixth-most-desired immigration destination in 2014. This year, we knocked San Francisco out of the No. 2 spot.

The survey respondents are affluent — they have an average net worth of about \$3 million — but not among China's superrich. So value is a top priority for them, and that helps explain Seattle's appeal, says Dean Jones, owner of Realogics Sotheby's International Realty, who estimates that half of his home sales in select Eastside markets are to buyers from China.

"They believe property appreciation (in Seattle) is in the first few innings of a long run," he said. While Vancouver and San Francisco are very attractive,

they're also a lot more expensive. In comparison to other West Coast cities, Jones says Seattle is a bargain.

Four of the top five cities are on the West Coast — New York is the exception — and the proximity to China is part of the appeal.

“Seattle has numerous airlines flying direct routes at a fraction of the time and cost of some other gateway markets,” Jones said.

The great majority of his clients are looking to make Seattle their home, and they find a lot to love in this area: temperate climate, natural beauty and excellent schools, to name just a few.

“It’s misplaced to suggest it’s all just capital and no heart,” Jones said. “It’s basically their version of the American dream. It’s a life better lived.”

But Jones acknowledges that there are also buyers who are interested only in investment.

“There are different profiles,” he said. “There are people buying for financial safe harbor and investment yield.”

And that’s troubling to Cary Moon, an urban planner and engineer who is one of the front-runners in the hotly contested Seattle mayoral race.

Like the other top candidates, Moon has made housing affordability a centerpiece of her campaign — she calls the situation in Seattle an “emergency.” And one of the forces driving up prices, she says, is nonresident investors.

“Can we block speculation? We need to put in the disincentives where we can,” Moon said. She has proposed a tax, yet to be determined, on unoccupied investment properties.

Vancouver, where many locals complain of investors buying homes and letting them sit empty, instituted a tax on unoccupied properties earlier this year. Homes that are deemed vacant are subject to a 1 percent tax on the assessed value.

Moon acknowledges that we don’t know the extent of speculation in the Seattle market because the data doesn’t exist — and collecting it might not be an easy task. She proposes, as a first step, looking at utility bills to find the number of properties consuming zero electricity.

Vancouver also took this approach in a study released last year. To many people's bewilderment, the city found that only 1 percent of single-family homes are vacant, and concluded that empty homes are not behind the soaring prices there. But that hardly settled the debate. The methodology of that study had various limitations, and critics say it overlooked a significant number of unoccupied properties.

Dan Bertolet, senior researcher at the Seattle public policy think tank Sightline, agrees with Moon that we need to collect data on empty homes. But he questions whether it's a major factor in escalating home prices here.

"I think our main disagreement is she seems to think it's already a big problem in Seattle, but I don't see any data to support that," he said. "So I think it's premature to be proposing implementing new taxes in the first 100 days of office, as her plan says."

But Moon counters that it's widely accepted by economists that housing is now being used as a commodity around the world in all high quality-of-life cities, and there's no reason to think Seattle is an exception. She adds that even a small amount of speculation — less than 10 percent, Moon estimates — can have a big ripple effect.

"If it takes inventory off the market, that shifts the prices up at every level," she said. "So as people move here, there's no place to purchase, so they are forced to rent, and pay higher and higher rents. That pushes them harder to buy a house, which raises prices further."

Moon is careful to point out that she is not proposing a tax simply on all foreign buyers, like the one imposed last year in Vancouver.

"If folks are moving here, welcome. Period. If you want to live here and be part of the community, we'll make space for you," she said. "But the degree to which people are using real estate as a commodity — not for living in — that's the activity I want to understand better and block."

The new survey of Chinese millionaires reveals a high level of interest in the Seattle market, which is hotter than any other market in the country and hasn't seen prices rise as fast since the 2006 bubble. But whether they are following through with a home purchase here is another story. The Seattle Times reported on Tuesday a coinciding drop in foreign home sales in general across Washington in the past year, according to the National Association of Realtors.