

# Real Estate Finance & Investment

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## Century Bridge Expands Chinese Resi Development Reach

**Century Bridge Capital** has invested \$60 million of equity in two joint venture residential real estate developments in Zhongshan and Wuxi, China, that have a total value of \$282 million. “These projects are both directly in line with our long-term strategy targeting middle-income residential developments in Tier 2 and 3 cities across China,” said **Jeff Tucker**, chief operating officer. “There is strong demand for middle-class housing, so typical characteristics we look for include a growing and thriving middle class and well-located properties in infill sights with significant surrounding infrastructure.”

Century Bridge is basing its strategy off of China’s major urbanization trend. Indeed, 15 to 20 million people per year, totaling 100 million people by 2020, are projected to relocate from rural to urban areas, Tucker said. This will spur demand for residential housing across China’s approximately 45 tier 2 and 3 cities.

“The mistake many make in looking at China, especially in real estate, is in assuming it is one market,” Tucker said. “Like the U.S., China has many individual markets, each with distinctive characteristics. The key is to take a step back and correctly assess where the value is on a city and submarket level. Our strategy is very specific, so our team in Beijing can focus on these markets on a case by case basis.” He noted property prices in China can vary between markets and the differences can be as vast as those between San Francisco and Dallas.

Both **Dongfu Real Estate Development Company**, investing in the Zhongshan Ouya Project, and **Jingrui Holdings**, investing in the Wuxi East Station Project, are first time partners for Century

Bridge. The company seeks professional development partners in China that are regionally focused with an expertise in a targeted city. “Since we entered China in 2006, we’ve taken a macro, long-term view. That takes time, patience and confidence that the middle class in China will continue to grow at a significant rate.” Tucker said, noting Century Bridge took the first two years to build a team and attract local talent as part of establishing its presence before its first investment in 2008.

The developments, which comprise 2,500 residential units, bring Century Bridge’s exclusively China-focused private equity real estate fund, *Century Bridge China Real Estate Fund*, to four total projects. “China is sufficiently large and unique from other Asian countries, so we believe specialization is important and don’t want to dilute our focus by investing in other countries,” Tucker said.

Tucker anticipates more investment activity this year in line with the \$30-80 million equity investment range the fund targets. Thus far it has invested a little more than 80% of its more than \$170 million of total committed capital from 11 institutional investors from the U.S. and Europe.

In the two recent investments, Century Bridge used less than 30% debt in its capital structure with local Chinese banks providing construction loans. “We like a low debt strategy from risk mitigation standpoint,” Tucker said. In terms of financing for buyers in China, roughly a third buy on an all cash basis and another third uses the minimum equity requirement by law of 30%; the remainder uses mortgages in between.