

Housing the Super-Rich

Observations



Stephen Thompson
Customer Relations
Manager
TuanJu Investment
Management

December 2006 in Harbin, China's most northern city, 25 degrees below zero; an enormous outdoor hoarding advertises Harbin's most luxury housing development on the city's best bit of real estate, overlooking the Songhua River, Harbin's best scenery and fengshui. "We are going to create a luxury apartment brand here. It is much easier to increase the price at the top end of the market than in the middle", the manager told me at our first meeting.

Nothing appeals more to the rich than property. Everyone needs a home, but for the rich property represents much more: lifestyle, status, investment, entertainment, a place to hang oil paintings, display antiques, enjoy fine food and wine, park the big car, or maybe even the family yacht. There is only one other thing which can compete with residential property and that is land; but in China, there is no private land market yet.

Here at "our" mansions, showroom apartments are huge, with wide panoramic views of the Songhua River, where residents can skate in winter and ride their yachts or power boats in summer. Apartments include libraries and enormous bathrooms with river views and huge hydro massage tubs- the decadent Roman penchant for bathhouses has found new life in China.

Furnishings and decorations are impeccable, there is advanced smart security and remote control technology, and all materials and equipment are top of the line, from bridge-grade cement and bullet proof glass to Finnish imported elevators, water and air purification and dust collection systems. The advanced water treatment system was installed following the shock pollution of the Songhua river last year, to ensure that whatever happens to the municipal water supply, the tenants will have access to water "so pure it could be used for direct intravenous transfusion", according to the advertising. No matter how bad local pollution gets, the residents will

be protected. But the extravagance goes further; even the underground car park is decked out in imported Turkish marble, to the same standard as the sumptuous marble clad first floor lobby.

Five minutes walk away, at another new residential development, you can buy an apartment, also overlooking the river, for a third of the price. The difference in price illustrates a peculiarity about the Chinese luxury goods market: the attraction of luxury is often directly proportional to the price. Customers who want exclusivity get it by buying what others can not afford to buy.

The interest in exclusivity has two reasons, paradoxically sometimes in contradiction to each other; a desire to display and show off wealth, and a wish for secrecy, privacy and security; buyers sometimes have both in mind. They want to show off their success to their friends but keep it away from the prying eyes of the government, kidnappers and thieves. They are not interested in value for money because they do not want to share their living space with the ordinarily affluent. Buyers know that at luxury residences such as this one they will be sharing their lobby with only the very rich; and very few of them at that. There are only 120 apartments in the block and all are luxury. The residential complex nearby has 900 apartments of different sizes, which means that the residents will be a mixed bunch.

At "our" mansions each residence has two private lifts, which are controlled from within by residents and which do not stop at intermediate floors; there is one lift for residents and another for the housekeeper, who has a separate entrance and independent living quarters. The security staff who guard the building are all ex-military men. The block is protected by infrared sensors, and apartments are protected internally by movement sensors and smoke detectors in case of burglary or fire.

There are two important qualities which allow luxury accommodation to justify their status; the best possible location, and the best quality of building materials, installations, elevators, etc. Here, the dust collection system is manufactured by a French company, it has the latest smartcard technology, the cement is suspension bridge grade; everything is of superlative quality. As the climate in the north swings from one extreme to the other, there is under floor heating, and extremely thick glass windows, plus an air filtering system for those months when it's too cold to open the window installed in all apartments.

All the above would not be out of place in luxury residences in Western Europe, however our show apartments would be considered flashy to the point of vulgarity. In China the rich are not interested in being discreet, they want to flaunt their wealth; their property must be obviously expensive.

Luxury property showrooms like these are stuffed full of expensive, gold and silver plated furnishings, porcelain and chandeliers, much of it imported from Italy. Floors and Romanesque pillars are Turkish marble, carpets are thick, expensive Persian, and upholstered furniture is heavy, gold braded, with lashes of silver gilt. Chandeliers with artificial candles drip more gold. There are ornamental baroque fireplaces and gaudy clocks. A cacophony of patterns and motifs compete for the attention of ones eye, making ones head spin, but there's no denying the wealth of money on display; this is what the customer wants and the customer is always right.

Sales staff are carefully chosen for their looks and impeccable Mandarin, there is even an expat sales consultant to add a touch of international class. Many of the

customers are concerned about the price and quality of the apartment management service. To reassure them, an English butler was specially hired, formerly employed in the service of one of the Queen of England's palaces, to ensure that world-class service is provided, based on the finest traditions of English domestic service. But the Butler decided that Harbin was too cold, and changed his mind about coming, and I was embarrassed to overhear the manager telling his customers that I was the butler who had worked for the queen.

Chinese are increasingly superstitious and it is hard to market apartments on floors 4, 7, 13, 14, and 18 for these numbers have negative associations. 8, 28, and 38 are popular and command a premium.

The luxury residential construction business is booming, even where the property market is showing weak overall growth. Shanghai has Tangcheng Yiping, Beijing has Kunlun Apartments; every second-tier city has at least one luxury residential development priced at 50% above the market rate to appeal to the local elite. And while China booms, this group will continue to get faster than the rest. Money makes money. Much of the recent stock market bonanza will find its way into property.

The luxury residential construction market is not yet open to wholly owned foreign enterprises as yet, but Morgan Stanley has 60 staff in Shanghai sourcing property deals, for example buying shares in property companies before IPO, or renovating disused properties. And there are obvious opportunities for furnishing, air and water filtration equipment, decoration and accessories. Foreign interior designers and architects will be more in demand in future, as tastes develop and mature. ■

PROFILE

The ever-increasing complexity of the rapidly growing and changing real estate market in China has resulted in a need for market research to correctly identify customer profiles, as well as existing and potential new trends. Founded in 2001, Shanghai TuanJu Investment Management Company handles real estate marketing for real estate property development companies; its speciality is in customer profiling, identifying and targeting specific market sectors, particularly for the luxury and elite residential apartment segment. TuanJu's previous real estate development projects include prime residential developments in Harbin, Xi'an, Hefei, Shenzhen, Chongqing and Nantong.

CONTACT

Stephen Thompson | Customer Relations Manager | Shanghai TuanJu Investment Management Company | Universal Mansion, Unit 2404, Block A | 172 Yuyuan Road | Shanghai 200040 | P.R. China
Tel: +136 7176 1107 | E-mail: stephenthompson@hotmail.com