

# MY LITTLE CHATEAUX IN BORDEAUX

Until recently, wealthy Chinese visiting France were happy to return home with a suitcase full of fine wines and French fashions. But now more and more mega wealthy mainland Chinese investors are actually buying a piece of France, everything from stylish Paris apartments to countryside chateaux and even vineyards.

WORDS GARRY MERCHANT

When some wealthy Chinese investors sample a fine Bordeaux that they like, they may not just buy a bottle, or a case. They may buy the entire property, chateau, vineyards and all. This has been a recent trend, as prosperous Chinese have been acquiring both commercial and residential real estate all across France.

While residential property in the capital, Paris, and more recently the glamorous Riviera, has been sought after for some time, interest has recently shifted to commercial property in the country's wine regions.

"At the moment, the two most popular types of properties with Chinese buyers are apartments in Paris and vineyards, particularly around Bordeaux," says Tim Swannie, director of Homehunts. The company sells luxury homes and investment properties throughout the entire south of France, as well as in Paris, the Alps, Monaco, Geneva and London. Prices for such properties generally begin at €1

million (US\$1.3 million).

"Paris has been popular for the past three to four years with the Chinese clientele, vineyards possibly the same amount of time," Swannie says. "In the past two years, we have seen a real increase in demand from Chinese clients for the Riviera." The company has two Mandarin-speaking Chinese women on staff specifically to help those clients.

In Paris, buyers want large, one-level apartments with river or garden views, parking and concierge service, says Tancred Lidbury, Christie's International Real Estate associate director of sales for Europe. "Trophy" houses with good ceiling heights are also in demand, for residents who want to entertain guests.

Most popular residential properties are in fashionable areas such as Avenue George V, Avenue Des Champs Elysees, the Concorde area and Avenue Montaigne, where some of the world's most deluxe residences are located, adds Lidbury. Sales are mainly to







individuals, although corporations are also starting to purchase residential property.

French luxury property specialist Philippe Benoit du Rey, managing director of Aruzzrealestate, has also been selling high-end property to wealthy Chinese buyers in recent years, including in county's sunny south. He now has a representative based in China. Property in France is relatively inexpensive compared to many major Chinese cities, but the life style in the Riviera, including Nice, Cannes, St Tropez and Monaco is considered especially desirable.

In 2010, the sale of a luxury villa with stunning sea views in Nice on the Cote d'Azur was the first recorded purchase from a Chinese national in the French Riviera, he says. France's safe, secure banking and notary system protects buyers, and the value of luxury villas on the French Riviera has never seriously suffered from any crisis.

The agent is seeing increasing interest from affluent Chinese, who are attracted by relatively low property prices in France's luxury market. He notes that properties sold to Chinese investors must be in good shape, as they do not want to do any repairs.

And realtors report that Chinese investors are looking at other types of high-end property as well. There is great interest in large private villas with country views, or with views of lakes or the sea.

Away from the capital and the coast, Christie's Lidbury notes the new

trend to wineries and chateaux. "The potential for wine making is always a plus, so houses with large land plots with vines are very appealing to those wanting to make a start in producing their own wines," he says.

China's recent passion for wine-drinking, which makes it Bordeaux's largest export client, is stimulating much of the interest in rural France. China passed the United Kingdom as the world's fifth largest wine-consuming nation at the end of 2011 and sales are forecast to grow to nearly 250 million cases by 2016, according to International Wine & Spirit Research. China and Hong Kong now make up Bordeaux's biggest export market, with a 35 percent share.

Recently, Chinese investors have purchased some 30 chateaux in this exclusive wine region, with perhaps 20 deals anticipated. The Chinese first started buying chateaux in Bordeaux in 2008, for private residences, tourist purposes or winemaking.

"The Asian market for wine has been growing exponentially over the past few years," says David Guillon, IFL (In France Limited) Castles and Vineyard Expert. IFL finds unique, luxury French properties for foreign clientele and investors, particularly Asian-based. It has worked in French property transactions for 13 years, at first in Europe and now in Asia, based in Hong Kong.

"The current interest in French vineyards from Chinese or Asian investors is definitely maturing," Guillon says. "It started with a general



Above: For wealthy Chinese buyers, the most popular properties are apartments in Paris (right) or villas with vineyards (above) or charming village houses (far right).







Many French chateaux boast their own wine cellars (right) charming and spacious country kitchens (below) and lavish European gardens (opposite page). Photos on this page Prestige Property Group; www.prestigeproperty.co.uk

interest in wine-tasting and learning about European culture, and then, for many of our clients, developed into a true passion for French culture and specifically, its wine and its gastronomy.” This passion has led to a desire to own the source. IFL managing director Somalina Nguon-Guignet notes that “The value of luxury property in France continues to increase steadily with annual growth estimated at between 5 and 10 percent. It is an excellent way to fend against inflation.”

Some 10,000 chateaux were built in the Bordeaux region, and IFL has sold 18 in the past 15 years to Asian buyers.

Some buyers are turning their chateaux and traditional sites into tourist attractions for visiting Chinese, with luxury guest houses or hotels, gourmet Chinese restaurants, tennis courts, French gardens and spas.

But other Chinese investors, eager to take advantage of their country’s growing love of wine, buy properties to control the supply. They are changing the whole distribution system of wine production as they export their product directly to China, the top export market for Bordeaux. Some Chinese chateau owners distribute 100 percent of their wine to the mainland – a sore point with locals.

Early in 2011, Chinese state-owned agribusiness conglomerate Cofco purchased Château Viaud, a 20-hectare estate in Bordeaux. The deal is intended to give it the means of production as well as distribution.

Maxwell-Storrie-Baynes, experts in Bordeaux vineyard real estate and an exclusive affiliate of Christie’s International Real Estate, has also seen a large number of Chinese clients over the past few years.



increase in vineyard activity. “We expect to see more vineyard purchases from China in 2013, as their passion for Bordeaux wine continues unabated and they make the most of the historically low prices per hectare in the region.”

Some French residents welcome Chinese and Asian investors buying up traditional vineyards and palaces, say industry experts. The new money helps to improve the vineyard and winemaking facilities, and results in better quality wine. They believe that these Asian acquisitions are good for France’s vineyards because Chinese investors are interested in the product, want to improve the wine and can afford to hire experts to work for them.

“We have encountered opposition on two or three occasions with some of the larger properties,” notes Homehunt’s Tim Swannie.

“Some of these businesses have been in the same families for generations, and therefore they are concerned that by selling to a foreign buyer, all of the wine will be exported,” he says. “Some owners have actually insisted that if they sold their property, then a certain percentage of wine must be sold in France in the future. They would go as far as not to sell if the buyer did not agree to these terms.”

The biggest problem for Chinese investors acquiring property in France is the logistics, including language differences and the translation of technical language. However, companies specialising in selling luxury real estate employ experienced French and Mandarin speaking lawyers to help wade through complex French bureaucracy. ▲

Typical of recent deals was the sale of the Château du Grand Moueys to the Hong Kong real estate conglomerate, NingXia Group. Annual production from the vineyard is up to 400,000 bottles of red, rosé, and white wines, which were once sold in Europe. The new owners expect to sell only 10 percent of the product in Europe, with the rest exported to China.

“It has been exciting to work with the Chinese over the past few months,” says Karin Maxwell, co-owner and sales director of Maxwell-Storrie-Baynes. “We constantly marvel at the size and scale of their distribution networks –something that I am sure is the envy of many European winemakers.”

Co-owner Michael Baynes says that the Chinese contribute to a significant