

THE TOP 5 SOUTHEAST ASIAN DESTINATIONS FOR LGBT CHINESE PROPERTY BUYERS

2018



This Juwai.com report examines the Southeast Asian destinations of Chinese international property buyers who identify as lesbian, gay, bisexual, or transgender (“LGBT”).

CHINESE INT’L PROPERTY BUYERS SPLIT BY LIFESTYLE

As Chinese international property buyers become more numerous and sophisticated, they are changing the way they evaluate and purchase overseas real estate.

In past years, Chinese property buyers often followed well-trodden paths to predictable gateway cities and even neighbourhoods. But, today, buying

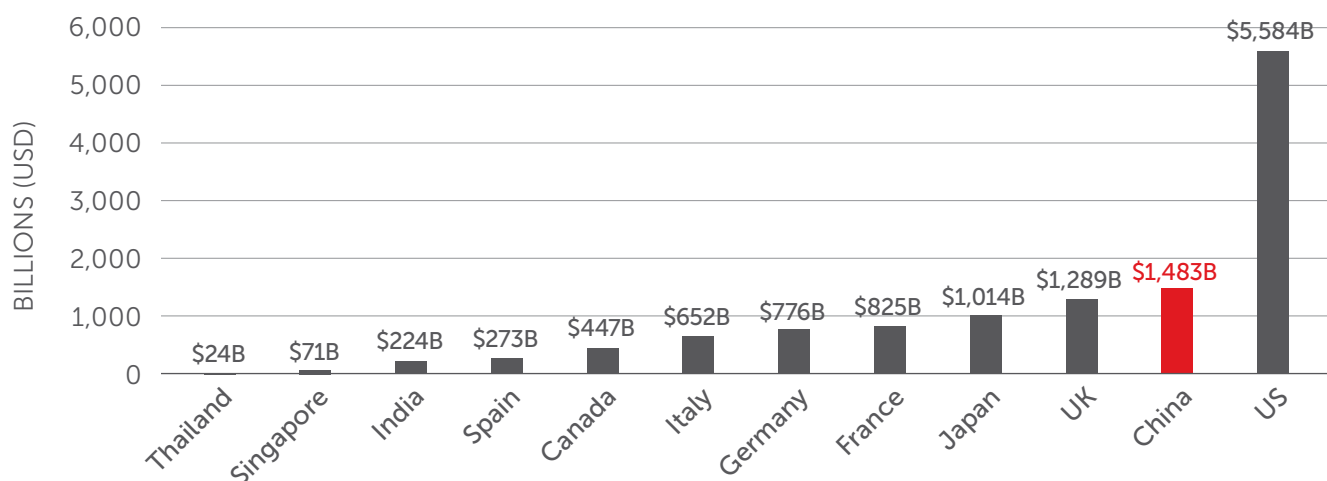
behaviour is splintering around criteria like life stage, personal values, and motivation. Niche groups of buyers are establishing their own preferences when it comes to international property investment, second homes, and immigration.

International property marketers who wish to successfully navigate

this changing landscape will need to segment the market and target their marketing efforts appropriately.

Investors who identify as lesbian, gay, bisexual, or transgender (“LGBT”) make up a particularly important, prosperous, and rapidly growing niche group.

ESTIMATED LGBT POPULATION SHARE OF TOTAL HOUSEHOLD WEALTH



© Juwai.com All rights reserved. Source: LGBT Capital: Estimated LGBT Wealth Chart (May 2016)
 Note: The Credit Suisse Research Institute estimates the distribution within and across nations of individual net worth, defined as the marketable value of financial assets plus non-financial assets (principally housing and land) less debts.

SIZE OF THE MARKET

China’s 90 million LGBT consumers¹ make up the world’s third-largest “pink economy”, together with Europe and the United States.

The Chinese LGBT social app BlueD has 40 million registered users, more than the 30 million boasted by international phenomenon Grindr.²

LGBT Chinese have strong spending power. Their aggregate annual purchases total US\$938 billion in 2017, more than triple the US\$300 billion of 2015.³ That makes the spending power of China’s LGBT community the third-largest and fastest-growing in the world.

By comparison, the spending power of the LGBT community in the U.S. rose from US\$933 billion to US\$965 billion during the same three years.⁴

Surveys show that the average monthly income of LGBT Chinese is five times larger than the national average. Their advantage in disposable income may be even greater because they do not have children.⁵

Higher incomes and disposable incomes also lead to higher levels of wealth over time. The Chinese LGBT population is believed to possess household wealth worth US\$1.5 trillion. That is more than their counterparts in

every other country in the world, bar the United States.⁶

Despite the size and wealth of this huge minority, it is often overlooked because of their lack of visibility in Chinese society. They are almost completely ignored by property marketers in popular investment destinations. But, Juwai.com believes the time is coming when marketing efforts tailored to this demographic become necessary for property marketers hoping to obtain a share of their US\$1.5 trillion in savings.

BUYING MOTIVATIONS



Despite their spending power, LGBT individuals face difficulties in their daily life in China. Homosexuality was officially classified as a mental health disorder in China as late as 2001. More than half of mainland Chinese gays report social prejudice and unfair treatment in China. 58% report

that their family's attitudes towards their sexual orientation is one of "complete rejection,"⁷ and only 5% feel comfortable enough to live publicly according to their sexual preference.

A respected university study estimates that 90% of Chinese gay men have

engaged in sham marriages to satisfy familial and societal pressure.⁸ One website dedicated to helping stage fake marriages, Chinagayles.com, says it has 400,000 users and has facilitated more than 50,000 marriages.

The case of a man in Henan province is an example of the pressures LGBT Chinese can face. After revealing that he was gay, the man's family committed him to a "conversion therapy" program which involved 19 days of beatings and being force-fed drugs.⁹

Overseas, however, many feel free to express their identities and affections openly with their life partners of choice. Heeseon Xu and Jesson Liu of Chongqing are an example. The two men feel repressed in their hometown. They told a journalist they are saving to buy a one-bedroom apartment in Thailand, where they can settle down and live openly.

UNIQUE CHARACTERISTICS

LGBT international property buyers invest differently than other Chinese for two primary reasons.

LGBT Chinese property buyers are not driven by the same needs as heterosexual families. They are less likely to have children, so buying a home for a son or daughter to live in while studying at a foreign university is seldom an important goal for them.

This is significant, given that education is a primary motivation for as many as three quarters of Chinese buyers in some popular first-world destinations. LGBT buyers are more likely to be buying a residence for their own use as a holiday home — whether it's a condo in a sprawling beach-side development in Phuket or a river-side high-rise in Ho Chi Minh city.

Second, there is a strong correlation between locations that Chinese visit as tourists and places where



they purchase property, whether for investment, immigration, or a second home. As much as LGBT Chinese are more likely to travel to gay-friendly or tolerant destinations, they are also

more likely to acquire property there. They want to own property in a place they can enjoy visiting or living in.

CASE STUDIES

To better understand how LGBT Chinese buyers make their purchasing decisions, Juwai.com conducted consumer surveys. Following are three case studies of survey participants who agreed to be featured. Pseudonyms are used.



SHANSHAN

Female, 24 years old, a law intern, now lives in Beijing

"I want to live with my girlfriend in a small villa in town, surrounded by everything. I value privacy, so the fewer people around, the better. She likes to cook for me, so she has high expectations for the kitchen area. I just want to have a swimming pool and enough space. Considering we hope to adopt a child in the future, it is even better if the home could have a children's activity area."



LEI LEI

Male, 38 years old, architect, now living in Shanghai

"My biggest wish is to move to a quiet pastoral area. I want to have a cat and a dog, plant flowers, and grow vegetables. The bedroom is the most important room because that is where we write romance. I hope the place has a huge home theater, because we like to watch movies together."

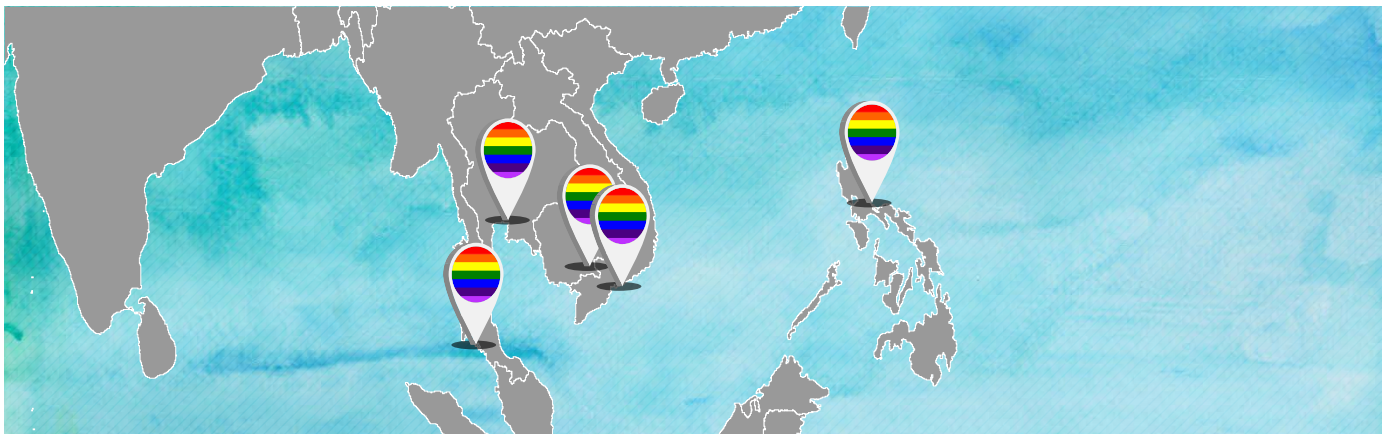


SHI SHI

Male, 26 years old, Ph.D. in psychology, currently living in Changsha

"I hope to live in the city center with my boyfriend, so that transportation is convenient. If the population density is low and the green area is high, that would be really good. A large outdoor space would be suitable for our daily activities."

TOP SOUTHEAST ASIAN DESTINATIONS



Southeast Asia contains five of the globe's top destinations for Chinese LGBT international property buyers. Three factors drive this buyer interest: tolerance, proximity, and affordability.

Southeast Asia is the location of a number of cities that, for cultural reasons, display tolerant attitudes towards LGBT individuals. Bangkok, Phnom Penh, Manila, Phuket, and Ho Chi Minh City are all well known

as tolerant or even welcoming to LGBT travelers and investors. This open-mindedness is grounded in local culture, but also stems from self-interest and a desire for beneficial international investment in any form.

The second reason Southeast Asia accounts for more than half of the top destinations for LGBT Chinese international property buyers is its relative accessibility and affordability.

Geographic proximity, significantly lower initial purchase prices, and lower monthly costs put these markets within the reach of larger numbers of buyers.

By contrast, in both mainland China and other traditional investment markets such as Hong Kong, Singapore, and Sydney, high prices, fees, and restrictions, are making real estate investment more difficult.

BANGKOK

Thailand is perhaps the most tolerant country in Asia, and Bangkok is known as Asia's gay capital.

Bangkok is viewed as a gay-friendly haven for Chinese tourists and property buyers. Same-sex sexual activity is legal in Thailand. Buddhist monks often officiate over same-sex marriages.¹⁰ Gay-oriented nightspots cater to Chinese tourists. Nearly a dozen travel companies offer gay-themed trips to Thailand. And local bar owners report they have added Chinese songs to their playlists.¹¹

At US\$4,500 per square meter, new luxury condominium apartments in Bangkok sell for one-sixth the price of similar homes in Hong Kong. Premium buyers can obtain larger homes, more central locations, and more premium fixtures in Bangkok than in Hong Kong or many other Asian and world cities.

Developers offer services such as gardens, fitness centers, and chauffeured Bentley limousines for residents' use. Thai developer Sansiri reports that Chinese buyers make up more than 80% of its foreign customers.¹²

For buyers in lower price brackets, Bangkok also offers new affordable



luxury condominiums starting in the US\$130,000s. That is among the lowest in any major city popular with buyers from mainland China.

Despite Thailand's weakened economy, Bangkok property looks like an appealing investment to LGBT Chinese buyers. Bangkok land prices have climbed 1000% over the past 30 years,¹³ and prices for central condominiums have doubled in the last five years.¹⁴

45% of our LGBT Chinese buyer inquiries in Bangkok are for the purchaser's own use and 13% are for holiday use, according to Juwai.com's consumer surveys.

Chinese demand for property in Bangkok is growing rapidly, especially among LGBT buyers. In the first half of 2018, Chinese property buyers had already made more enquiries for Bangkok real estate than in all of 2017.

PHUKET

Like Bangkok, the Thai city of Phuket is an appealing market for Chinese LGBT buyers seeking to fulfill both lifestyle and investment goals.

Phuket is one of the most popular beach holiday destinations in Asia for LGBT tourists. It features dozens of LGBT-oriented venues, especially in the Patong area. Each April, thousands come for Phuket's week-long pride festival.

LGBT buyers most commonly purchase new properties with rental guarantees provided by developers, or short-term stay rentals that they can also occupy while visiting Phuket. In smaller numbers, others come to live full-time.

"I have a lot of friends who don't feel safe in China and feel they need to hide. In Thailand, they don't have to worry," said Ji Chengfeng, a 37-year-old entrepreneur from Beijing, who

was visiting Phuket on one of his frequent holidays in the kingdom.¹⁵

In the wake of the Phuket boating disaster of 5 July 2018—in which 47 mostly Chinese tourists died—buying enquiries dropped to 17% of the long term average, but indications are that this fall will be temporary. Even after the decrease, enquiries for Phuket property in mid-2018 were at nearly twice the level of the same period in 2017.

MANILA

The LGBT lifestyle is tolerated in Manila. The Philippines was home to Asia's first gay pride parade in 1994. Today, the city boasts a vibrant gay nightlife and advocacy community.

Chinese investors of all sorts feel reassured about buying in the Philippines due to Rodrigo Duterte's overt courting of their nation on issues both political and economic.

Growth in the Manila market has been driven by the thriving business process outsourcing industry, which has also driven GDP growth. In the first quarter of 2018, annualized GDP grew at a rate of 6.8%, compared to 6.7% in 2017.

Prime residential prices in Manila have risen in each of the past three years, and rents have grown by 5% to 10% per annum.¹⁶

Starting prices are low by Chinese standards. A one-bedroom apartment listed on Juwai.com in Quezon City has a suggested starting price of about US\$62,000.¹⁷ LGBT interest in Manila property is high, and overall Chinese buying inquiries were up 122 percent in the first quarter of 2018, compared to the prior quarter.

PHNOM PENH

Cambodian culture is especially tolerant, and gay Chinese investors and expats in Phnom Penh consider it a sanctuary. Considerably less expensive or developed compared to Bangkok or Phuket, the city nonetheless offers a robust LGBT-oriented nightlife and hospitality industry. Phnom Penh is appealing both to visit and to live.

When it comes to real estate investments, Phnom Penh offers comparatively low property prices, strong economic growth, and a Chinese-oriented property industry. Nearly a dozen Chinese property developers are building or planning projects and most property showrooms have Mandarin-speaking staff.

Unlike nearby Thailand (where foreign buyers are limited to just 50% of any apartment building), foreigners may own the majority of units in a building. Because Cambodia is a key and eager participant in the Belt and Road Initiative, Chinese investors also reckon that investment in the country is viewed benignly by authorities in Beijing.

There are risks, however, including looming possible oversupply of new condo units and a thin rental market for the high-end condos that are so appealing to many Chinese buyers. Industry sources report that the Cambodian capital has 8,942 luxury apartments today, will have 22,828 by

the end of 2018, and about 30,000 by 2020.¹⁸ While inexpensive by global standards, these properties are well out of the reach of most Cambodians.

Chinese buyer demands are up 19% in the first half of 2018, compared to the prior half. Buyers are drawn to luxurious developments such as the Bridge,¹⁹ which offer rooftop pools, integrated gymnasium, reading lounge, sauna, playground, barbecue area, and an outdoor dining area at bargain prices by global standards. One-bedroom, pre-construction or off-the-plan apartments at the Bridge start at US\$132,000.

HO CHI MINH CITY

While Vietnam has recognised same-sex marriages since 2015, the society's conservative nature makes it unusual for most local gays to come out. For LGBT Chinese and other visitors and expats, however, the country is one of the most tolerant in Asia. No city exemplifies this more than Ho Chi Minh, which many consider one of the most progressive cities in Southeast Asia.

Chinese LGBT buyers believe investment prospects in Ho Chi Minh City are good. Property investments do not seem to be affected by recent

protests against Chinese influence over proposed economic zones.

The presence of a new subway and other infrastructure investments in the city cause property marketers to claim tremendous gains such as yields of 6% to 8% per year are likely over the next decade.

Buyers from Greater China make up about 25% of all foreign buyers²⁰, and foreigners can acquire up to 30% of new condominium projects. Premium residences in the central city are priced at about half the value of equivalent units in Bangkok, and less than 10%

of the cost of similar homes in Hong Kong. More affordably priced units can begin at less than US\$150,000.

Juwai.com data reveals that Ho Chi Minh City receives less investment than most of the others on this list, but demand has been growing since 2016. In the first half of 2018, Chinese buyers made 68% more buying enquiries than in the prior half.

A typical unit in Ho Chi Minh city is a one-bedroom, one-bath apartment in a new, luxury riverfront project for as little as US\$250,000.²¹

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