

## How a Chinese construction giant is planting a flag in New Jersey

By Joshua Burd

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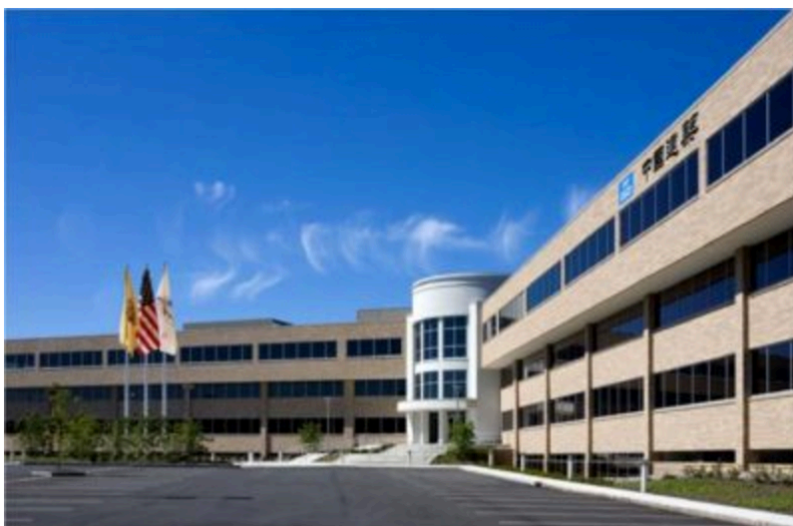
**A rendering of 99 Hudson in Jersey City – Courtesy: Perkins Eastman**

For a company that had been in the U.S. for nearly three decades, it was only about four years ago that the conglomerate known as China State Construction Engineering Corp. suddenly caught the attention of New Jersey's commercial real estate market.

That was when a subsidiary of the company, China Construction America, paid more than \$70 million to acquire a 325,000-square-foot office complex at 445 South St. in Morris Township. It was the company's first major acquisition in the greater New York area, despite having operated as a construction business here since 1985.

As it turned out, it was just a small sign of things to come.

The Jersey City-based company raised its profile in major way last year, when its subsidiaries broke ground on two condominium projects on the Jersey City waterfront, including a building at 99 Hudson St. that's slated to become the state's tallest building. And while it may appear to be a statement from a new player to the market, the construction giant has actually had roots in Jersey City for some 15 years.



445 South St. in Morris Township



Phillip Gesue

“We got to be very familiar with Jersey City and what was happening here,” said Phillip Gesue of Strategic Capital, the investment and development arm of China Construction America that is now building in the city. “And I think as soon as we started our real estate platform, which was informally about three or four years ago, we started looking in Jersey City for the right sort of opportunities.

“We probably had been looking here for a year or two prior to when we executed this deal,” he said, referring to acquisitions of 75 Park Lane and 2 Shore Drive North. “And this deal was very special in terms of the location: It’s not often that LeFrak sells a property, and we forged a relationship with them and we’re very fortunate.”

Gesue, chief development officer for Strategic Capital, said its parent company moved its headquarters from Lower Manhattan after the Sept. 11 attacks. But New Jersey was a natural fit, he said, noting the state’s history of immigrants from China and other countries.

It also works well as a place to kick off the company’s ground-up development platform, Gesue said. Both 99 Hudson St. and Strategic Capital’s project, Park and Shore, are for-sale multifamily developments, a decision that is based on several factors.

“Condominiums are a very sort of comfortable asset class for the Chinese — just generally, as a country or as an investor,” Gesue said. “It’s something that, from a risk standpoint, Americans have a much more difficult time with, but it’s very common to the Chinese psyche to invest money and to buy your own home. It’s definitely not a renting culture.”

The other major factor is the dynamic in Jersey City, where there is a massive wave of rental construction but not many for-sale projects. And, unlike Manhattan, which Gesue said is a more mature market, “you have people really believing in the trajectory” of Jersey City. The company, which is based at 525 Washington Blvd., broke ground last fall on Park and Shore, a 358-unit complex. The two-building project is scheduled to open for sales this year and start closings by late 2018.



Executives with Strategic Capital and China Construction America joined public officials last October for a groundbreaking at Park and Shore, a new condominium project in Jersey City. From left: Ning Yuan, president of China Construction America; Jersey City Mayor Steven Fulop; Shanjing Zhou, economic and commercial counselor of Consulate General of PRC in New York. — Courtesy: Strategic Capital

“Jersey City is really a growth and a redevelopment story,” Gesue said. “The prices here have been increasing at a pretty healthy and brisk pace year after year for the past five or six years.

“That paints a very positive picture for home ownership. And I think in the U.S. and, really, anywhere in the world, most people, when they’re thinking about buying a home, want to buy in a place where they feel like there’s going to be appreciation, building equity and building wealth.”