

Big Chinese developer plans apartment-and-retail complex in Hollywood



Bob Chamberlin / Los Angeles Times

LOS ANGELES, CA - SEPTEMBER 22, 2015: Jason Zhu of Gemdale USA and Charles Tourtellotte of LaTerra survey the neighborhood from the balcony of the site in Hollywood near Sunset and Western where they will combine forces to build a a \$125 million mixed-use housing project on SEPTEMBER 22, 2015. (Bob Chamberlin / Los Angeles Times)

One of China's largest developers plans to build a \$125-million apartment and shopping complex in Hollywood — marking the expansion of mainland Chinese builders in the Los Angeles area beyond downtown and Beverly Hills.

Gemdale Corp., which has constructed some of the largest residential communities in China over the last two decades, has formed a partnership with LaTerra Development of Los Angeles to erect a six-story residential and retail complex on Western Avenue near Sunset Boulevard.

It is the first Southern California project for Gemdale, and Hollywood's perceived glamour played into the decision to build there.

"Everybody loves Hollywood because of movies," said Jason Zhu, chief executive of Gemdale USA. "This seems like a very promising area."

LaTerra is a private company that specializes in building urban housing and has projects in the Los Angeles neighborhoods of Silver Lake and Glassell Park, among others.

By contrast, Gemdale, based on the mainland in Shenzhen, is listed on the Hong Kong stock exchange and has built more than 30,000 condominiums in 25 Chinese cities in 2013 alone, the company said.

Its move into Hollywood comes after other large Chinese developers, including Greenland Group, Oceanwide Real Estate Group and Shenzhen Hazens Real Estate Group Co., have started work on billions of dollars worth of new condominium, hotel and retail projects near Staples Center.

Wanda Group, another Chinese firm, is set to build a \$1-billion condominium and hotel complex in Beverly Hills on the former site of a Robinsons-May department store on Wilshire Boulevard.

Gemdale sees opportunity in Hollywood beyond the glitz: Demand for rental housing is growing there as the community has transformed in recent years into a hub of businesses that meld entertainment, technology and digital media — and hire lots of younger workers.

For example, video-streaming service Netflix, which has started making its own television shows, will move its Southern California headquarters from Beverly Hills to Hollywood late next year in an expansion that will nearly triple its office space in the region.

"Now the job base is more diverse. Netflix is not Paramount Studios," said Paul Darrow, an apartment sales broker at Marcus & Millichap who is not involved in the development. "People who were living with their parents and taking those unpaid internships are now getting jobs."

That jobs growth has made the Hollywood apartment market the most improved for landlords in Los Angeles County over the last year, according to the brokerage. Vacancy fell to 3.4% in the second quarter, and average monthly rents rose 5.3% to \$2,187 from a year earlier.

Gemdale and LaTerra plan to appeal to young workers by keeping units small enough to be affordable to renters who can pay about \$2,000 a month. They intend to build more than 200 apartments over street-level shops at 1350 N. Western Ave.

The 4-acre site has an empty three-story office building that was formerly home to entertainment post-production firm Deluxe Laboratories. The new apartment building and a parking structure will rise on a parking lot next to the office, which will be upgraded and rented to new tenants as part of the project, said Charles Tourtellotte, chief executive of LaTerra.

Construction should start on the garage by the end of this year, he said, and the entire project should be finished by early 2018. An outstanding question is the exact number of units. The plan is to build as many as 254, more than typically would be allowed on the property, by setting aside 21 apartments for "very low-income" residents, Tourtellotte said. Developers can be rewarded when they include affordable housing in a project.

Gemdale's announcement of its project is the first since the recent slowdown in the Chinese economy and dramatic losses on the country's stock exchange prompted worries that the tidal wave of Chinese investment in Los Angeles might come to a halt.

Simone Liu of Wells Fargo Advisors in Beverly Hills, who gives investment advice to Chinese clients, said the opposite dynamic appears to be in play.

"After what happened in China, people are looking for ways to diversify their portfolios," he said "They feel like the U.S. is more transparent and there are more opportunities in the real estate market here."

Gemdale's Zhu said Los Angeles has special appeal to Chinese visitors and investors.

"The first place many people come to in the United States is Los Angeles," he said. "It's very famous in China."

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