

# FINANCIAL REVIEW

SE **Property**  
HD **Chinese** investors still ambitious  
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Dalian In a magazine at a **hotel** in the northern **Chinese** city Dalian, there is a map charting the city's district, not much bigger than Brisbane.

In the ensuing 30 pages, there are 240 **residential** projects advertised for **sale**, eight to a page, each in a separate box like the betting table for a game of roulette.

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After crunching a few sums, it hits you that you are looking at more than \$120 billion in **residential** developments or about 20 times Lend Lease's Barangaroo project in Sydney.

A typical project is the 350,000 square metre Golden Sea with more than 3500 apartments spread over a few dozen high rise towers. They have all been built and are now for **sale** at \$1500 pa square metre (roughly 40 per cent of the average annual income of a Dalian resident).

The sheer scale of development in Dalian, and the risk associated with it, is unfathomable for many Australians.

Even experienced developers are blown away by its enormity.

Brisbane developer Don O'Rourke, who **sold** a Gold Coast **property** development to **Chinese group** Golden Horse Nine Dragon Lake Holdings, has recently travelled throughout **China** and was astounded at the growth and scale of development. Bogan's don't know

"If you are unaware of the sheer scale and speed of the **Chinese** developments, then you are now considered a bit of a bogan," O'Rourke says.

"Their capacity to bring about such massive supply is amazing. Their presence in Australia and ability to speculatively build hundreds of apartments will no doubt have an impact on our market and local developers."

These massive **Chinese** developers are already on their way, with local Dalian developer Wanda, owned by **China's** second richest man, having already committed \$1.7 billion to the Australian real **estate** market.

In an interview with the Development and Reform Commission of the Dalian government, there is mention of more expansion overseas.

"Because of the encouraging policy of the central government for private enterprises to go global, the overseas investment is expanding," the government's spokesman on trade says.

"Many enterprises from Dalian have begun to invest in other countries, including Australia."

In June, the central government issued a new policy helping to speed up the approval for overseas investment.

But when developers start to head offshore to find new markets, questions are inevitably raised about whether their own markets have cooled. There are most definitely some signs of this. City of lights

At 6 o'clock at night, the lights of the apartment towers in Dalian tell an interesting story.

In these seemingly endless mini-Manhattans, towers are fully lit and occupied. Then you can see the towers where there is a haunting absence of light, except for a few floors or a solitary red beacon on the top level.

Trying to work out the vacancy rate in Dalian, which was one of the first 14 Chinese cities to be opened to the outside world in 1984, would seem a fool's game.

Trying to establish the level of available supply would also seem fraught, and working out demand even more difficult, considering the influence of a socialist government that automatically takes over the ownership of the apartment 70 years after purchase.

Regardless of all these moving parts, not to mention the problems with the country's impaired loans (former US Treasury secretary Tim Geithner is now wheeling and dealing in this market), there are plenty of stakeholders who want to keep building big in China.

The vice-director of the Economic Development Bureau of Dalian Puwan New District, Sha Yankan, is waiting on final approval from the central government to build \$18 billion worth of infrastructure for a new city north of Dalian. It is one of 10 similar plans throughout China, and Sha Yankan is confident it will proceed. "The central government will support this and the central bank will give priority loans," he says.

And with all that can be seen so far in China, it's hard to resist believing him.

The author is in Dalian, China, as a fellow of the Asia Pacific Journalism Centre.

**IN** ireest : Real Estate | icre : Real Estate/Construction

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