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HD **Chinese ready for $12bn buy spree**

BY FLORENCE CHONG, INVESTMENT

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The effects are already being felt in local markets

MORE than $US11 billion ($12bn) is expected to flow out of China and into property worldwide this year with the $63 million purchase of the TAB building on Sydney's city fringe the latest in a rash of local deals.

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Auswin TWT Developments, the Sydney-based arm of a mainland Chinese family company, has purchased the property and plans to develop 250 apartments on the site. The company, which develops in China and Singapore, also has projects in St Leonards on Sydney's north shore. The appetite of Chinese investors for offshore real estate has surged from $US8bn in 2012.

US research firmReal Capital Analytics found that in Europe Chinese investors spent a total of E3.05bn ($6.7bn) in 2013 -- up from E978m in 2012 while in North America investment surged to about $US2.5bn last year from less than $US500m in 2012.

Despite the sharp increase, Chinese investment globally was still modest, compared with the total global capital flow into property of $US550bn last year, according to Alistair Meadows, Jones Lang LaSalle's Singapore-based head of international capital group, Asia Pacific.

``Chinese capital will become a permanent feature of the global real estate markets,'' Mr Meadows said.

Chinese funds were from several sources -- sovereign wealth funds; state-backed Chinese institutions such as insurers; high-net-worth individuals and real estate developers.

Yolande Barnes, head of world research with London-based Savills, said the biggest international property buys

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of last year were dominated by Chinese names.

Among the buyers were Hong Kong-listed Chinese groups: China Overseas Holdings, Evergrande Real Estate Group and China Resource Land.

"You look at the sellers and you've got JPMorgan, Goldman Sachs, Prudential, GE and CBRE Investors. The old world institutions are sellers today," Ms Barnes said.

The catalyst for the dramatic rise in Chinese outbound investment has been the introduction of the Chinese government's ``go global'' policy, which has enabled and encouraged offshore investment from all sectors of the Chinese economy during the past 18 months.

The latest change came last May when Beijing relaxed rules restricting investment by insurance companies, allowing them to buy real estate overseas.

Marc Giuffrida, CBRE executive director, capital markets, based in Singapore, estimated that Chinese insurance companies alone have up to $US14bn to spend on overseas property.

The first insurer to venture offshore was Ping An, which bought the Lloyds Building in London last year for pound stg. 260 million.

Chinese investment would take another step up this year with a number of deals already struck in January, Mr Meadows said.

JLL was involved in Greenland Group's purchase of the Ram Brewery site in Wandsworth, southwest London. The Chinese developer also has plans to build apartments on a 3700sq m site in Canary Wharf, London's financial district. The combined end value of the two projects is pound stg. 1.2 billion ($2.2bn).

Greenland is planning a 70-storey apartment block in central Sydney and has a $US1bn investment in a central Los Angeles mixed-use development.

In London, China Investment Corp has agreed to buy the Chiswick Park business estate, west London, from Blackstone for pound stg. 800m.

And also in January China's richest man, Wang Jianlin, founder of Dalian Wanda, unveiled plans to invest up to pound stg. 3bn in regeneration projects in Britain.

Mr Meadows said Dalian Wanda has bought commercial real estate, development land in the US and Sun Seekers luxury boat business, also in the US.

China's largest developer, China Vanke, has formed a joint venture with Tishman Speyer Properties to undertake the construction of two condominium towers in San Francisco, on the US west coast.

Mr Giuffrida said Chinese developers and investors could no longer get the same returns in their home market.

A dollar invested on the Shanghai or Shenzhen stock exchanges three years ago was now worth 8 per cent to 25 per cent less, Mr Giuffrida said.

In contrast, the NAREIT Real Estate Index rose 8.5 per cent across the same period.

``Global property is providing the returns which they can't get at home.''

Mykolas Rambus, Singapore-based founder and chief executive of Wealth X, a research group on the world's ultra high net worth individuals, said China was at the beginning of a second wave of wealth creation.

Unlike the first wave, when wealth was generated from property development/investment and manufacturing, the second wave would come from entrepreneurs owning successful technology and services companies (such as online merchant Alibaba, valued at more than $US150bn).

``If you are a manufacturer in China and have made a lot of money, it may be wise to diversify to other geographies. They start with property because it is their passion and it is also a comfortable investment for individuals,'' Mr Rambus said.

``It is a necessity, then, for them to look at multi homes, not just for leisure's sake, but for risk mitigation.''

China analysts familiar with domestic politics told The Australian that life could be dangerous for the very rich in a communist country.

Policies could change quickly, and wealth and ostentatious consumption were frowned on.

``If a Chinese businessman has made $30m, he will almost immediately want to get at least $10m out of the country,'' said a Hong Kong-based China analyst.

According to Wealth X, China has the second-highest number of billionaires in the world after the US. China's 157 billionaires have a combined net worth of $US384bn. This does not include the many thousands of ultra high net worth Chinese who have more than $US30m.

``The **Chinese** investors are targeting core office assets in gateway cities,'' said Mr Meadows, adding that capitalisation rates in London and New York were between 4 per cent and 5 per cent.

But **Chinese** investors were prepared to pay a price to invest in these markets.

Cap rates in Sydney and Melbourne were 1-2 per cent higher and while they might not be global gateways **Chinese** investors were still interested because of the relatively higher yields, Mr Meadows said.

CBRE's Mr Giuffrida said **Chinese** buyers were also fanning out to secondary locations: Manchester and Birmingham in Britain; Frankfurt and Munich in Germany; Houston and Seattle in the US.

In Australia, they were looking beyond Sydney and Melbourne to other capital cities and regional cities.

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