

China

– A Towering Landscape

By **John Bruder**

Managing Director of Treasury Holdings Ireland

The following article is adapted from an address by John Bruder at the Asian Property Conference

Among some of the incredible statistics relating to China is that space under development there is now greater than that under development in the rest of the world combined. It is also the fastest growing economy in the world for the last 30 years. The country intends to build 20 cities a year between now and 2020 while it plans to build 1,000 skyscrapers within the next three years.

Beijing, Shanghai and Qingdao, host city to the 2008 Olympic sailing events, are cities that are seeing some of the most spectacular developments.

The retail market on its own is promising huge growth, with over 1,000 new licences granted for foreign retailers in 2006,

equivalent to the total number granted over the previous 14 years. However, only 42 of the top 250 global retailers have yet established a presence in the country. China is the third largest market in the world for luxury goods and it's predicted that it will become the largest. Retail sales have increased by 17% and jewellery sales in the country have increased by a staggering 53%.

Shanghai is fast regaining its position as one of the world's leading cities. It is home to the world's largest harbour and the world's fastest train.

The Shanghai Office Market is expected to experience double digit growth per annum in the coming years and there is the added advantage of very low vacancy rates at 3.4%. The annual office rents per m² for Shanghai and Beijing are \$495 and \$412 respectively, a fraction of comparable levels in western cities. The high level of wages in Shanghai relative to China as a whole has fuelled double digit annual retail sales growth over the past four years.

Real estate demand in China is coming from rapid economic growth coupled with undersupply of all classes of real estate. It is hard to believe, but migration to urban areas is estimated to be in the region of 15 million to 20 million people a year. China is also the world's largest market for tourists, which in itself is driving demand for airports, hotels and serviced apartments.

The country is now the world's second largest economy and second largest trader. China is the largest Foreign Direct Investment recipient and its Stock Market is already the world's fourth largest.



Qingdao: where the 2008 Olympic sailing events take place.



Shanghai Centre City.

Economic forecasts suggest that China's GDP will increase by 500% between 2005 and 2025, while Russia is expected to see increased GDP figures of well over 300%. These growth rates are staggering when compared to growth rates of less than 50% for France, Germany, Italy, Japan and the UK.

Three of the world's top five companies are now Chinese, including Petro China which holds the number one position in

terms of market capitalisation. The country on its own uses 50% of global coal supplies and 40% of its iron ore.

A number of critical factors have driven China's growth, amongst them, Deng Xiao Ping's South China Tour in 1987, during which he declared that "to be rich is glorious". The WTO, urbanisation, globalisation and modernisation have all played a large part in the transformation.

WHY CHINESE REAL-ESTATE?

City	Annual office rents in US\$ per m ² (Total occupation cost) (1)	Real GDP % increase 2006 (2)
London West End	2,282	2.8
Central Tokyo (Inner)	1,568	2.2
London City	1,558	2.8
Hong Kong	1,251	6.9
Moscow	1,176	6.7
Mumbai	1,142	9.2
Dublin	996	6.0
Dubai	938	8.9
Rio	553	3.7
Shanghai	495	10.7
Beijing	412	10.7
Ho Chi Minh City	409	8.2

(1) Source: CBRE Global Rents, November 2006

(2) Source: OECD; Chinese National Bureau of Statistics; Government of Hong Kong SAR; General Statistical Office (Vietnam); National Statistical Institute (Brazil); Central Statistical Organization (India); Federal State Statistics Service (Russia); Ministry of Economy UAE (Dubai)

SOME INTERESTING STATS

- China supplies the world with 18% of its crude steel, 50% of its telephones, 40% of its fridges, 25% of its TVs and 75% of its cameras.
- China uses 50% of the world's coal; 40% of iron ore; 20% of steel, aluminium, copper and zinc. It is Coca Cola's 3rd largest market and more Bentleys are sold in Beijing than in any other city in the world at a cost of US\$1.2m each.
- There are 150,000 super rich with a net worth of >\$5m and 2m Chinese on a salary of >\$50,000
- Beijing has sufficient water resources to sustain a population of about 10 million, yet today it is home to 17 million residents and counting. ■