

## China - 12 months on from our longer WAN presentation (link)

### The impact of China's economy on UK architectural businesses

Last year, in the midst of Chinese yuan devaluations and a lot of negative UK press about the future role of China in the global economy alinea Partner, Mark Lacey, presented at the World Architecture News' Business Briefing examining how architectural practices were fairing in China and if China would continue to buy goods and services from UK architectural practices. Closer to home, we examined how Chinese investment into the UK had changed and what that meant to architectural practices and the wider construction sector.

Our hypothesis was that whilst growth was slowing, it still vastly outpaced the rest of the world and a real desire for UK assets remained, but there were threats to the property investment market as well as the global economy in general. Here, we have reviewed the data, a year on, to see what the impact has been.

China's stated intention to ban "oversized, xenocentric, weird" architecture doesn't seem to have stopped foreign architects from working within China. Amongst other projects, Zaha Hadid's Guangzhou Infinitus Plaza had its ground-breaking ceremony in November, and UK architects still appear to be pressing opportunities within the country. Within the UK, investment seems to be strong with a number of jointly funded major projects. We wonder how long before an acquisition is made of an established UK main contractor?



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### Chinese-partnered construction projects in the UK

The government published a portfolio of 13 projects within the Northern Powerhouse, to be showcased to Chinese investors as part of the Chancellor's annual meeting with the Chinese vice-premier. In total, the projects require £13bn of investment. In addition to this government push, part of the *UK-China Infrastructure Alliance*, includes a private sector *UK Infrastructure Academy* which is to be launched to "help train Chinese companies and officials on investment processes in the UK."

Chinese investors are already active across the UK in a variety of sectors, underpinning projects such as:



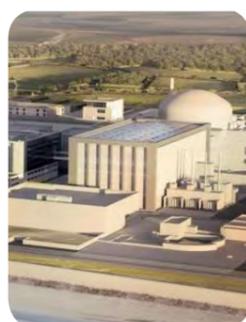
**Airport City Manchester**  
An £800m scheme in partnership with Beijing Construction Engineering Group, will offer high quality office premises to create a 'China Cluster', based around two campuses - Wuhan Square and Shenzhen Gardens - and will be supported by direct flights to Beijing.



**Wanda One Hotel and Residential Tower, Nine Elms**  
China's largest property developer managed to secure a £500m loan from China's Ping an Bank and therefore allow the development to proceed after previously stalling.



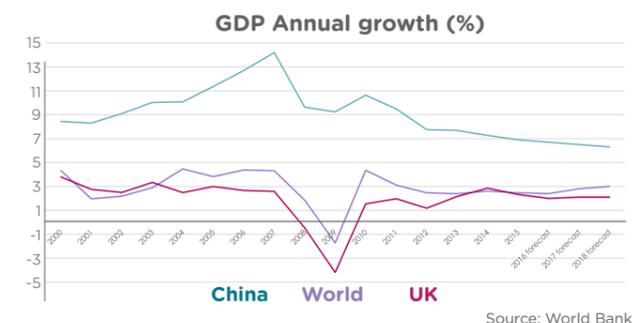
**Birmingham Station for HS2**  
Country Garden, a Chinese development company signed an agreement worth up to £2bn with Birmingham Council which will explore large-scale investment focused on regeneration surrounding HS2 and to deliver new housing stock.



**Hinkley Point C**  
After a brief intermission whilst Theresa May's government sought reassurances over the scheme, the French and Chinese financed nuclear project will go ahead and is expected to start generating electricity in 2025.

**GDP growth** in China is projected to continue to slow but it will continue to outpace average world growth and growth in the UK.

Whilst the official data continues to be contested, other data can act as a proxy for the general health of the nations economy. Retail sales grew 10.9% in September and the services sector, which makes up nearly 50% of GDP, grew by 8.4% in Q3 2016 whilst manufacturing slowed but still showed a growth rate of 6%.



### China's construction output

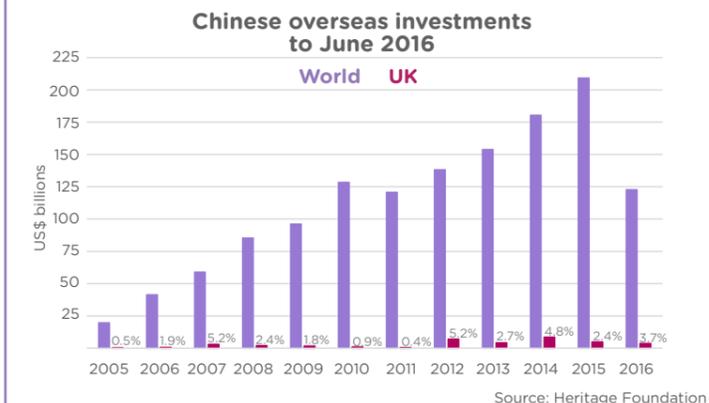
Fears of a property market bubble slowed construction growth in the first half of this year, but output growth remained significantly above that seen in the UK. In the third quarter, Chinese construction output grew 6% (down from 7.3% growth seen in Q2) whilst the total UK construction sector contracted by 1.2%.



**Global investment from China** has continued to grow, however, corporate investment into the UK appeared to slow in 2015. This year marked the start of an enhanced partnership between the UK and Chinese governments and enduring investments - covered by the UK press as £40bn of investment during president Xi's visit in late 2015.

2014 saw a number of high-value deals such as China Investment Corporation's (CIC) purchase of Chiswick Park from Blackstone for \$1,280m and Greenland Holding Group (the builder behind one of China's tallest towers) invested \$2bn in two London projects - the Ram Brewery and Hertsmere Tower in Canary Wharf.

The data below only covers the first half of 2016 and shows that the UK has already attracted 76% of the investment level seen in 2015, perhaps suggesting a resurgence.



### Chinese visas

The number of Chinese investors granted visas in 2015 fell 46% from the previous year but there were significant changes to this visa type in 2015. Visas for Entrepreneurs, which require a less significant cash quota, fell by less (22%).

