



**Kicking off:
Chinese Real Estate Investment into the Midlands
3 November 2016**



This was a **Birmingham China Business Forum** event hosted by **Weightmans**. An audience of around 40 people attended with a mix of backgrounds from the professions, industry and post-graduate students to property entrepreneurs and developers. Three speakers presented and an engaged discussion followed. The issues covered were:



Richard Brown, former Development Director of Grand Central Birmingham, outlined where Birmingham is currently in relation to real estate investment and projects, and the opportunities for growth that exist. He outlined the Birmingham City Council Big City Plan, including Smithfield, HSBC relocation to Arena Central next year, HS2, NEC and

the M42 corridor. He commented that the potential second runway at Birmingham Airport could be bigger news for the region than HS2. There is currently a local plan going through which will involve a green belt discussion, likely to open up further land for residential and regeneration purposes. Richard also touched on PRS deals which have already happened in London, but only starting to take off now in Birmingham. Given the housing shortage of around 2,000 a year this definitely presents an opportunity. Price growth is good, 7% a year and house prices surpassed 2007 prices last year. Around Brexit, Richard noted there was an element of caution, but this was not to be overstated, as output was still strong.

Yifeng Li, a Chinese entrepreneur based 6 years in the UK, illuminated the audience as to why Chinese people like to invest in real estate in the UK. He started with some background about real estate investment in China, the industry having started in 1978 and only picking up from 1998 to 2003. In the period 2003 to 2013 huge gains were made by some



people as the industry took off and Yifeng showed the audience pictures of a property launch event that looked more like a crowd waiting to get into a popular football game! Yifeng commented that it was in the Chinese nature to like to invest in property, just like its' in British people's nature to like Fish 'n' Chips and as this opened up to Banks and Mortgage Brokers there was more ability to do so.

He also commented on the political context in which property investment needs to operate in China. Yifeng then moved on to look at Chinese investment in the UK, such as the Chinese Government investments at the Hinckley Point nuclear power plant, the Country Garden's proposed £2bn investments in Birmingham and other large multi-million individual investors, as well as Banks and Insurance Groups. He concluded by asking the audience to discuss what factors would attract individual investors from China.

Haydn Rogan Tax Partner at **Weightmans** provided some valuable explanations as to what the relevant property taxes are in the UK, the recent changes made by the Government over the last 5 years or so and the reasons behind these – essentially driven to capture off-shore buyers' transactions and purchase of second homes. Haydn emphasised the need to consider putting residential investment into a corporate structure due to the tax changes, whilst being careful around the "Enveloping Annual Charge". The merits of each structure needs to be considered on its facts, and as Haydn pointed out, tax like any other cost in your appraisal needs to be factored in at an early stage.



There then followed an interesting discussion from the audience emerging from which was a consensus that now was the real time of opportunity for investment in greater Birmingham. This would involve businesses in addition to real estate, the obvious example being the ownership of 4 major football clubs in the West Midlands being owned by Chinese. The

discussion highlighted the need for Chinese would-be investors in real estate to be aware of the local context, for instance, where bidding for a Council owned property it is necessary to know the players and their expectations, as well as to fulfil strict criteria. Professional advice is always key and hence the need to build those professional relationships. **Birmingham China Business Forum** presents the ideal opportunity to network with the professionals and build those relationships so that we can all work together for mutual benefit in the future.

Zo Hoida, Weightmans LLP
4 November 2016

See www.ecbf.org.uk for further information on Birmingham China Business Forum and England China Business Forum