

**Chinese capital controls****Chinese foreign property investment at 4-year low amid clampdown**

Reduced flow now focused on greenfield development rather than finished buildings



China's Anbang Insurance Group has been an aggressive overseas purchaser, including New York's Waldorf Astoria Hotel © Getty

**Gabriel Wildau** in Shanghai NOVEMBER 22 2017

Chinese investment in foreign real estate hit its [lowest](#) in more than four years in the third quarter, highlighting how tighter capital controls are reshaping global asset markets.

Chinese insurers, banks and private-equity groups have emerged in recent years as among the most important bidders for prime office buildings and luxury hotels in London, New York, Sydney and other major cities.

But fears over [capital flight](#) and currency depreciation prompted Beijing to [clamp down](#) on a broad range of foreign dealmaking late last year.

Chinese outbound property investment was only \$2.5bn in the third quarter this year, the lowest since the fourth quarter of 2013, according to a new report from Cushman & Wakefield, a global real estate group. Such investment totalled \$18.2bn through the first nine months of the year, less than half of last year's record full-year total of \$38.3bn.

“The government’s increasing scrutiny on real estate investment activity, coupled with investor caution prior to October’s 19th party Congress meetings in Beijing, had a

dampening impact on overseas transaction volume,” James Shepherd, Cushman’s

managing director for greater China research, said in the report.

Total outbound investment in non-financial targets fell 42 per cent through the first nine months of the year to \$78bn, according to China's commerce ministry, which does not provide a breakdown by sector.

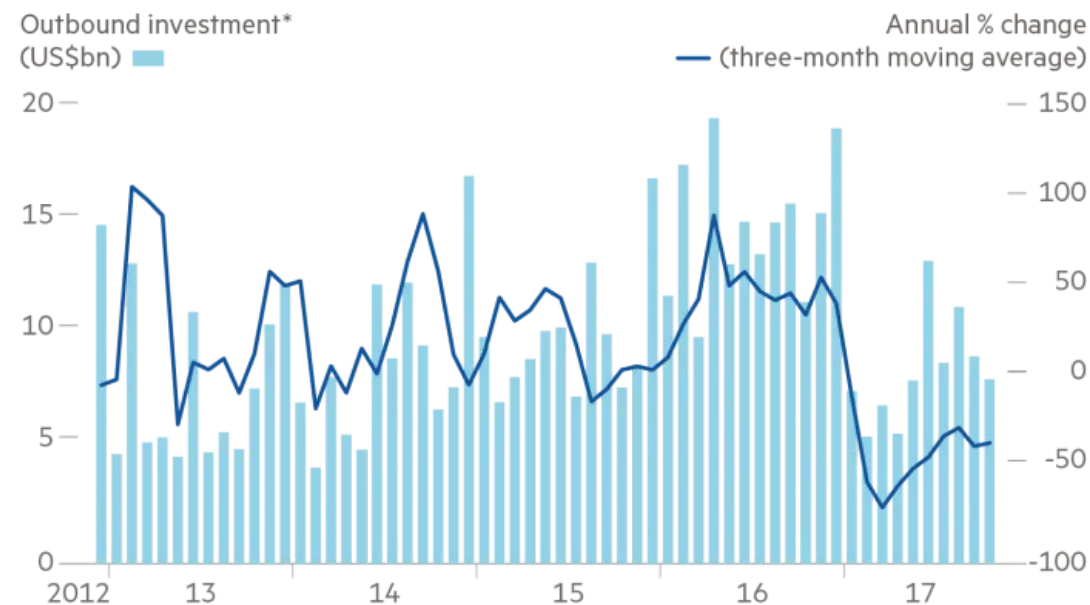
In June, the chairman of Anbang Insurance Group, which had been the [most aggressive](#) Chinese acquirer of foreign real estate, [disappeared](#) and is presumed to be in government detention.

The State Council, China's cabinet, in August published an [overall framework](#) for regulating outbound investment that consolidated and formalised [piecemeal measures](#) adopted over the previous year.

The framework classified investments as either "encouraged", "restricted" and "forbidden". Real estate and hotels were "restricted" along with entertainment and sports assets.

Within the reduced flow of overseas property investment, the balance has shifted away from completed buildings toward greenfield development. Development sites accounted for 58 per cent of all investment in the third quarter, up from a low of 10 per cent in the second quarter last year, while the office-buildings share fell from 71 to 28 per cent in the same period.

## China outbound investment has plummeted



\* Excluding financial targets

Sources: China Ministry of Commerce; CEIC

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Figures from both Cushman and the commerce ministry exclude house purchases by

individuals. Such investments are difficult to track because buyers generally do not seek government approval and often use [illicit channels](#) to obtain the necessary foreign exchange.

Analysts say that Beijing views greenfield investment as less speculative than buying finished buildings, while helping Chinese developers gain valuable experience [operating overseas](#).

In addition to greenfield investments, Cushman expects logistics and R&D centres to emerge as new growth areas for Chinese outbound property investment. Both are “encouraged” under the new framework. Logistics is also linked to another encouraged category, projects linked to the [Belt and Road Initiative](#), President Xi Jinping’s ambitious plan for infrastructure links between China and the developing world.

“The prevailing stance from the authorities leads us to believe that though real estate investment activity is under scrutiny, a favourable view might possibly be taken where projects target countries linked to the Belt & Road Initiative,” wrote Mr Shepherd.

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