Cover story

The new buy-to-let brigade from Beijing

London new-builds are proving hard to resist for buyers from China and South-East Asia. By **Susan Emmett**

Soaring demand from Chinese and South-East Asian investors for property in London has provided builders with a winning formula: book a room at the Mandarin Oriental in Hong Kong, quickly sell the first batch of homes off-plan and then raise cash fast to finance the rest of the build.

The weak pound, rocketing property prices in China and measures by the Beijing Government to limit speculation at home is driving Chinese investors to London at an unprecedented rate.

Such is the hunger for new flats in Central London that the developer behind Art House, a block of 114 flats within the 27ha King's Cross development, sold out of the first tranche of properties after just over three days of sales in Hong Kong and Singapore earlier this year. Knight Frank, the estate agent behind the launch, called it "the most successful exhibition ever".

But where does that leave the British buyer who wants to invest in property on his or her own turf?

Don MacAdam, a 54-year-old salesman living in Kingston, first registered his interest in the King's Cross scheme in 2008. Yet despite his persistent attempts to buy two flats in the development, Mr MacAdam missed out because the launch was held in Hong Kong, not in London.

The British investor had wanted to buy two flats at the start of the sales process, when prices are lowest. Yet short of jumping on a plane, there was nothing else that he could have done to get in early. He feels that he has been sidelined in favour of Chinese buyers and is frustrated that he will have to pay more when the scheme is launched in London in the autumn.

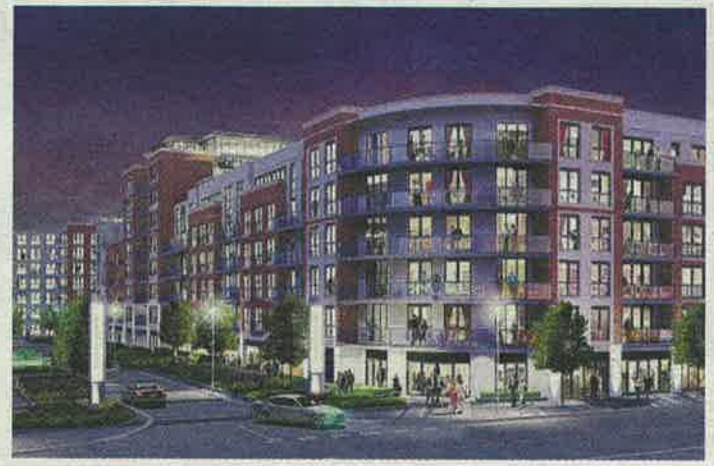
"We have a terrible housing crisis in London and yet the Government is allowing developers to sell to high-net-worth people halfway around the world," he said. "It should be illegal. Londoners should not be shut out of their own city."

Robert Evans, of the King's Cross Central Ltd Partnership, said that "several hundreds" had registered their interest in the scheme in London along with Mr MacAdam. Mr Evans would not reveal how many of the 114 one, two and three-bedroom flats were sold overseas, stating instead that "a good number of flats including the penthouses" had been kept back for the London market.

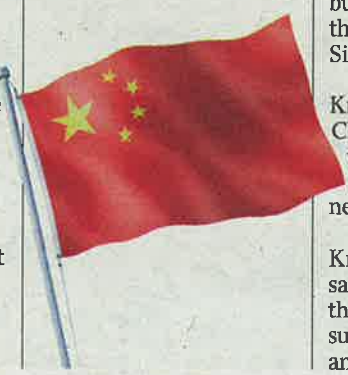
However, the developer admitted that London buyers would end up paying more than the average £700,000 that Chinese investors spent for a flat earlier this year.

According to Mr Evans, the choice of Hong Kong over London as a launchpad for big schemes is driven by the need to generate a large number of quick sales that are required by the banks as a condition for lending.

"There aren't many UK buyers who are willing to pay a deposit and exchange within a week. It would have been very difficult to conduct the same exercise in London," he said.



Clockwise from above: Baltimore Wharf; a Pan Peninsula apartment; and a computer image of Chelsea Creek



Sales of other London schemes, most notably Chelsea Creek, Pan Peninsula and Baltimore Wharf, have relied heavily on investors from South-East Asia. Research by Knight Frank shows that nearly 60 per cent of all new-build property recently sold in Central London went to Asian buyers. Investors from Hong Kong were the largest group, followed by Singaporeans and mainland Chinese.

Seb Warner, regional director for Knight Frank, said that steep price rises in China had made London property good value by comparison. "Investors will pay between £500,000 and £2 million for new flats in Zones 1 and 2," he said.

As a result of the growing demand, Knight Frank is rapidly expanding its sales team into mainland China to take the London market to buyers in new cities such as Wenzhou as well as Shanghai and Beijing.

Far East looks to the not-so-wild West

A group of wealthy Asian families has invested £14 million in a Victorian townhouse in Kensington, recently converted into luxury apartments. The flats are now available to rent and the price of a home at 3 Queen's Gate Place, with its high-tech gadgetry and luxe fit-out, is £1,500-£3,500 a week, depending on the apartment.

Chow Tai Fook Group, Wee Cho Yaw Family Group and David Chiu of Far East Consortium International have pooled their resources and are now looking for other properties to acquire in the centre of London and elsewhere. Its other notable overseas purchases include 9900 Wilshire Boulevard, in Beverly Hills, Los Angeles, acquired last October for $148 million (£92.63 million).

This was a bargain buy: the previous owners paid $500 million for the luxury condominium scheme in 2007.The property 3 Queen's Gate Place was developed by Northbeach Developments, which is headed by Adam Blaskey, formerly a City trader. In 2009, at the launch of the scheme, Mr Blaskey thought that a deal with a single investor was a possibility, although the flats were also for sale as separate units. Mr Blaskey said this week: "At a time when many Far Eastern economies are overheating and, following recent political and economic problems in the Middle East and North Africa, foreign investors understand London's safe-haven status and the long-term capital growth potential available."

Deidre Hipwell