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Chinese Investment in UK Property

Why Do Chinese Investors prefer the UK?

为什么中国投资者更喜欢英国？

2020

rw-invest.com



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Introduction

介绍

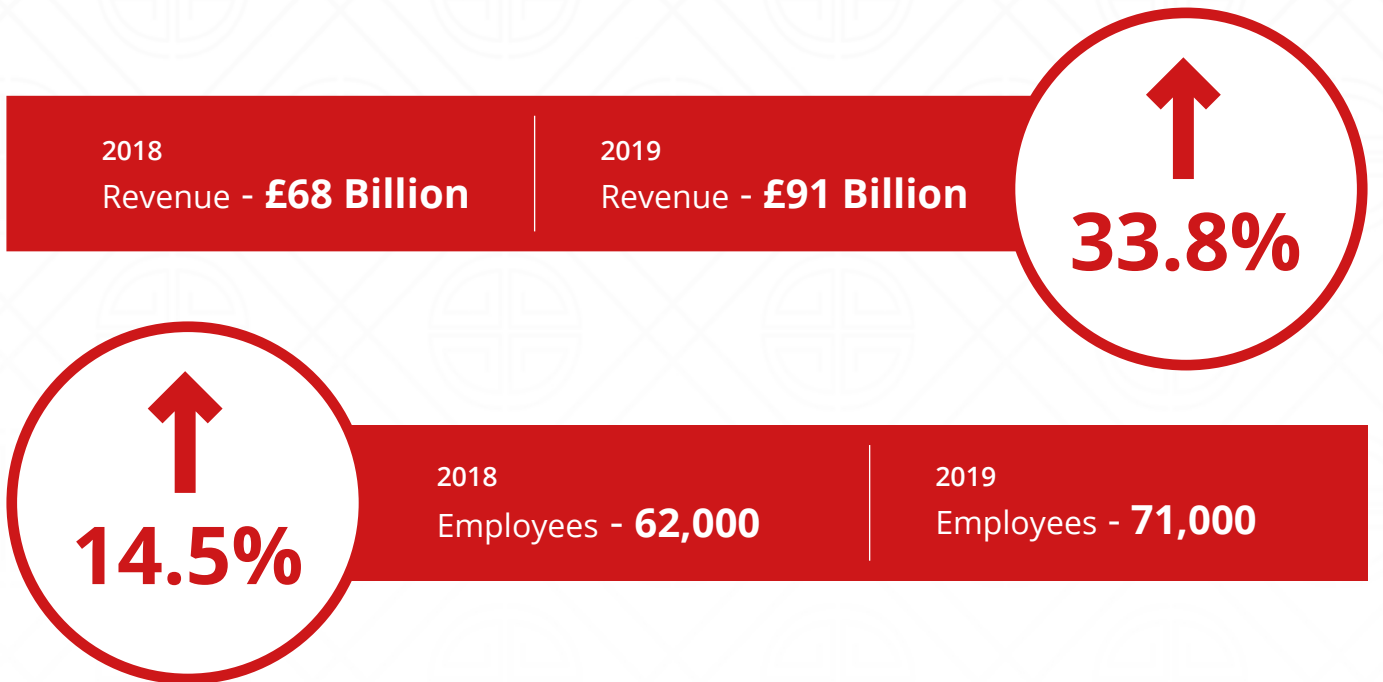


In 2015, then Chancellor, George Osborne remarked, "no economy in the world is as open to Chinese investment as the UK." While his words were no doubt designed to impress potential investors, the stats support the fact that Chinese investment in UK property is vast. Chinese investors have sunk around £50 billion into UK industries in the past decade. But why the UK? There are several key reasons why Chinese investors and Chinese property investors flock to the UK and its major cities. In this guide, we will discuss why Chinese investors choose UK real estate, what they look for in the property industry and why investment in London is decreasing amid the North West's rise.

Chinese Impact on UK Economy

中国对英国经济的影响

You may be surprised to learn how much impact china has on the UK economy. In 2019, there were around 800 Chinese companies in the UK, which employed a whopping 71,000 people. Their revenue was equally colossal, totalling £91 billion. Comparing this to 2018, it's clear that more and more Chinese investors are choosing the UK for their money. In 2018, Chinese companies in the UK earned a still sizeable £68 billion, but it is substantially less than 2019's figures. Likewise, in 2018, Chinese companies employed 62,000 people, which is 9,000 less than in 2019.



These stats show a consistent growth of Chinese investment in UK areas from Chinese investors. Moreover, in 2016, Chinese investment in UK property and property purchases totalled around £1 billion. Overall, the total amount invested from Chinese investors in the UK amounted to £8.63 billion. This was a year on year increase of 12.5%. Similarly, in 2017, £3.69 billion was spent on commercial real estate in London, which was up from £2.69 billion in the previous year. Property purchases from foreign buyers are starting to rocket.

Even Brexit and Covid-19, two colossal events that shocked the UK economy, have not been enough to deter Chinese investment in UK property. In July 2020, Chinese international property portal Juwai.com recorded a 213% increase in enquiries for UK property. This followed a dip between April and June during the arguable height of the pandemic. In Q1 2020, Juwai.com found that Chinese buyers made 9.5% more enquiries for British property than the year prior. Experts believe this increase was because many Chinese investors thought Covid-19 would be restricted to just China, and hence wanted to escape the area and identified the UK as the ideal haven. However, come Q2 2020, the virus had spread globally, so it was unnecessary to leave to foreign countries. This resulted in a decrease in enquires for UK property of 54.1%. Of course, as both countries weathered the storm of Covid-19 and began emerging from lockdown laws and restrictions, interest sky-rocketed. Similar numbers were also seen after the Brexit referendum. Juwai.com also recorded a boom in interest, with enquiries increasing from 30% for UK property to 40% in the four weeks following the referendum.

“...the wallets of Chinese property investors [...] explains why the boost in interest for overseas property is so significant.”

China is undoubtedly an economic powerhouse. It is the second-largest wealth market in the world and has the largest number of people in the top 10% of global wealth distribution. Likewise, it is home to 2.3 million high-net-worth-individuals, or HNWIs, (an individual with no less than \$3 million in investable wealth), and 26,700 ultra-high-net-worth-individuals (a person with \$30 million in investable wealth). Despite this wealth, though, the country, like all others around the world, was heavily impacted by the virus, which makes the increase in demand after the initial Covid-19 wave quite surprising. After all, China was essentially ground zero for the virus crisis. But while China was the first to enter Covid-19 measures, it was also the first to leave, and this has led to the economy recovering incredibly well. The BBC reported strong growth in trade for China, while other countries are struggling. China's exports rose by 9.9% in September, with imports growing by 13.2%. While this increase will eventually level out to more expected numbers, it does show that there is still plenty of money in the wallets of Chinese property investors and explains why the boost in interest for overseas property is so significant.



What Do Chinese Property Investors Look For?

中国房地产投资者想要什么？



All the numbers here are staggering, but why do Chinese property investors choose the UK? Why don't they select economic powerhouses like the US or other European countries like Germany or France? There are several reasons experts believe Chinese interest in UK areas are so great, and the UK is now considered the ideal location for Chinese property investors. First and foremost, it is crucial to understand precisely what motivates Chinese investment in UK property. Research from Juwai.com outlined exactly what Chinese investors look for in a property.

83% of Mainland Chinese people intend to educate their children overseas

83%

61%

61% of affluent Chinese people buy international real estate for investment diversification

61% of rich Chinese people buy real estate abroad to live in

61%

37%

37% purchase overseas property as their primary residence

56% of China's HNWI's have either migrated or intend to

56%

4%

4% of wealthy Chinese people invest in international property for rental income

28% of wealthy Chinese people invest in the US for rental income

28%

So, what do these statistics show us? These numbers tell us that Chinese investors are looking abroad for education, they want to diversify their property portfolio, and they may want to live in the country they purchase a property from. Also, they don't necessarily always buy to let. These numbers highlight precisely why the UK is ideal for the investment, as British properties meet all the criteria for foreign investment.



Affordability and Student Accommodation Key for Chinese Investors

中国投资者的负担能力和住宿生的关键



The deteriorating relationship between the US and China, with an ongoing trade war, has led to many Chinese investors looking elsewhere to take their money. Despite a contentious relationship emerging between the UK and China (UK banning Huawei from the UK's 5G networks by 2027), Chinese investors still see the British properties as ideal. Firstly, the UK offers excellent rental yields. While rental income isn't necessarily the be-all-end-all for Chinese investors, they may want to rent out their properties while not living there. Investors can get average yields of 6-8% in the UK as opposed to 2-4% for Chinese residential properties in Shanghai.

"...the UK also offers cheaper tax rates compared to other western countries like the US."

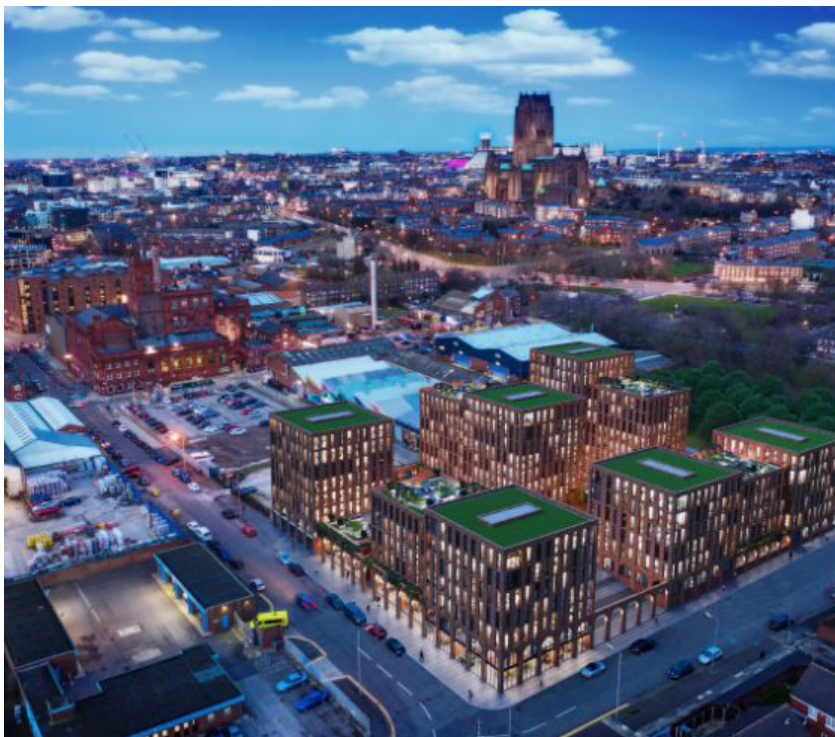
Money is always an important factor for investors, no matter how much they have. This makes the UK ideal. Currently, the exchange rate of GBP is attractive, and the UK also offers cheaper tax rates compared to other western countries like the US. Regarding events that impact the UK economy like Brexit and Covid-19, Chinese investors see excellent opportunities. Not only do they get more bang for their buck in times of a weak pound, but they also know the UK will be looking to grow their economy post-Brexit. With these factors, the number of UK tier-1 investor visa applications by HNWI's from China has risen by 32% compared to 2019. In fact, according to the Hurun Chinese Luxury Consumer Survey 2020, HNWIs are putting 12.5% of their wealth into overseas assets, and spectacularly London is ranked as the most popular destination. Overall, the impact of Covid and Brexit has caused a weak pound which is incredibly attractive for foreign investors.

6 - 8%

Average UK Rental Yields

Average Shanghai Rental Yields

2 - 4%



Another economic factor that has sparked an increase in activity is the Stamp Duty Tax holiday. In the UK, those buying a property in the UK pay a Stamp Duty Land Tax. However, in July 2020, it was announced there would be a holiday for this tax. It meant that those buying a second home only need to pay tax on properties with a value of over £500,00. Buy to let investors, on the other hand, will pay 3% tax on a property up to the same amount. On average, it meant that investors could save £4,500, with some able to save up to £15,000. The stamp duty holiday is set to end in March 2021, which has prompted action from overseas buyers to take advantage of the opportunity before it passes. Furthermore, in April, new legislation is set to take place, which will place an additional 2% on stamp duty for non-UK buyers. This has resulted in investors who are currently able to purchase property to do so instead of waiting.

Along with the economic factors, many Chinese investors are purchasing property for the express purpose of housing their children while they study in the UK. Research by Chinese private education company Kai Tak has found that the UK is the number one choice for Chinese students. There are currently over 120,000 Chinese students studying at UK universities, which is a 34% growth in the last five years. In November 2020, over 7,000 Chinese students flew into Manchester for their studies highlighting a very current trend of interest in North West universities. Since 2014, the number of Chinese student's at UK universities has grown from 89,540 to 120,385. These numbers have been boosted further after the UK government extended post-study overseas student work visas to two years.

“There are currently over 120,000 Chinese students studying at UK universities, which is a 34% growth in the last five years.”



Overall, the level of Chinese investment in UK property is on the rise. For residential property, mainland Chinese buyers accounted for 3% of purchases on properties worth over £1 million in 2013. However, in 2019, this was at 13.4%. In fact, in three London areas (Kensington, Chelsea and Westminster) Chinese buyers spent £500 million on residential property in 2019.

Hong Kong UK Property Investment Set to Increase

香港英国房地产投资将增加

It's not just mainland China investing in the UK, though, as Hong Kong buyers are also emerging and showing interest in the country. The UK government recently launched a special visa offering permanent citizenship after five years for around three million people living in Hong Kong. Under current laws, those holding a BNO (British National Overseas) passport can visit the UK for up to six months without applying for residency visas. However, from January 2021, passport holders from Hong Kong and their immediate dependents will be able to apply for residency visas with the view to achieving permanent residence. The Financial Times has already reported that the UK is the top overseas market for Hong Kong buyers. With this new influx of potential UK citizens, Hong Kong and Chinese investors will continue to flock to the UK. Hong Kong UK property investment will undoubtedly continue to increase.

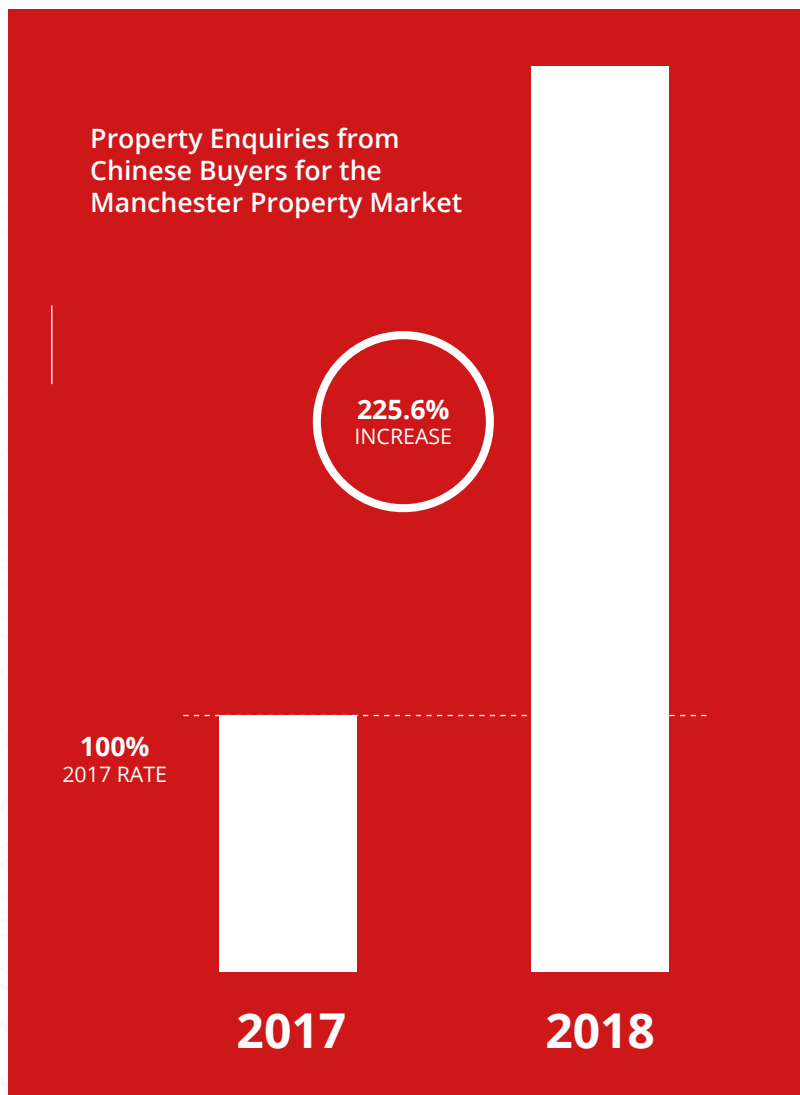
“The UK government recently launched a special visa offering permanent citizenship after five years for around three million people living in Hong Kong.



North West Ideal for a Foreign Buyer

英国西北部是外国买家的理想选择

London residential property is traditionally seen as the hub for Chinese investment in UK property; however, in recent years, many investors have started to focus on the North West due to excellent property prices. Liverpool and Manchester are incredibly popular for Chinese students. As mentioned earlier, over 7,000 students flew into Manchester in their studies. Also, one in five students studying at the University of Liverpool is Chinese. A decade ago, the university created a new university near Shanghai. Called the Xi'an Jiaotong-Liverpool University, the university runs degree courses which see students visit Liverpool for two years. Overall, the venture is reportedly expected to grow to 30,000 students. This influx of students studying in the North West, along with the regions incredibly competitive rental yields and property prices, have seen interest in the area rocket. In 2018, the New Statesman found that enquires from Chinese buyers for the Manchester property market increased by 225.6% in January compared to the same month the year prior. Chinese investment in Liverpool is also high, with the same report finding a 160% increase in enquiries for the housing market. Consequently, Central London and the wider London area saw a 48.5% drop in residential property enquiries. It seems investment in London is starting to decrease, while trends point to the North West being a buy to let hotspot.



It's clear to see why an overseas buyer, both living domestically and abroad, would consider the North West and the UK property market. The Liverpool property market is home to some of the best performing postcodes for high rental yields, with yields of up to 10%. Likewise, the Manchester housing market is also booming with yields of up to 7.6% according to The Landlord Link. House prices in the area are also incredibly attractive, with exceptional capital growth predicted over the coming years. Savills recently updated its industry-renowned UK house price forecast. It found that UK house prices in the North West are set to increase by 27.3% over the next four years – that's 7% higher than the predicted UK national average. Central London and wider London residential property is no longer the commodity it once was. It seems now is the best time for an overseas buyer to invest in the North West and the UK property market.

Overall, the UK housing market is seen as a far more exciting venture for investors than the Chinese residential market. There has been a noticeable increase in Hong Kong and Chinese investors looking towards UK properties, particularly those housed in the North West.



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If you are a Chinese Property Investor looking for investment opportunities in the UK housing market, RWInvest is the company for you. We are an award-winning property investment company with over 15 years' experience in buy to let investment. We have state-of-the-art properties available in hotspots like Liverpool and Manchester. If Parliament Square in Liverpool, and Merchant's Wharf in Manchester interest you, contact our expert sales team to learn more and see all of our investment opportunities in the UK housing market.

If you are a foreign buyer from China, be sure to check out our investment guides to foreign investment in the UK, and download a VPN to get the full user experience on our website.

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DISCLAIMER

This guide to Chinese investment in UK property was last updated in November 2020. The fact and figures presented here may be outdated depending on the date you read the guide.