

Chinese ride to Royal Docks rescue

■ Chinese developer and Stanhope plan 3.2m sq ft scheme at desolate site

BY NICK JOHNSTONE

Offices spanning 600,000 sq ft form the first phase of a proposed 3.2m sq ft Chinese-developed scheme in east London's Royal Docks, which was unveiled this week by mayor of London Boris Johnson.

Self-contained headquarters buildings will be offered on leases of at least 150 years to Far Eastern banks, tech businesses and research companies under plans for Royal Albert Dock.

The 35 acre strip of land has been the subject of more than 80 failed masterplans over the past 30 years.

Chinese business park company Advanced Business Park was established 10 years ago in China and has teamed up with UK developer Stanhope. It has 18 months to obtain outline planning permission from Newham Council for the Terry Farrell & Partners-designed scheme.

It is then contractually obliged to complete the first phase within another two years, when it is allowed to take control of land for the next phase. A further four phases will follow, after which point Advanced Business Park would have the right to buy the entire 35 acre freehold.

The scheme is Advanced Business Park's first outside China (box, right). The developer aims to attract occupiers that are primarily financial services firms in growing economies that want to trade across time zones. It is likely to set aside around 10%, or 350,000 sq ft, for living space that could be occupied by globetrotting executives on short-term lets. The site is also expected to house a Chinese educational facility in addition to retail and leisure.

Wednesday's announcement of a development agreement with landowner the Greater London Authority came in the wake of press reports suggesting Advanced Business Park's track record in China was insufficient for such a large-scale UK project.

The GLA, advised by Deloitte Real



Royal variety: developer aims to attract financial occupiers to 3.2m sq ft scheme and will provide living space for globetrotting executives

unusual and will differentiate the scheme from others on offer." Blakeway confirmed the GLA would not permit Advanced

Estate, is thought to have required that Advanced Business Park sets aside at least the site's value – around £15m at the current market rate – as security, in case the development fails to materialise. Johnson's officers require a scheme to be developed in 10 years.

The property industry is sceptical about the site's long-term potential because of its remote location, compared with other London business destinations such as the City, Canary Wharf and West End, in addition to the fact that the nearby London City airport would restrict building heights.

The headquarters buildings would instead be "groundscrapers" that would take advantage of Chinese businesses' appetite to own and brand their offices.

Rick Blakeway, deputy mayor for housing, land and property, said the airport would, in fact, give the site greater connectivity and that banks based across China were looking for "greater exposure" to London.

"There's clearly a risk for Advanced Business Park here, but at least half of the office accommodation will be on the basis of long lease agreements," he said. "The developers feel that is

Business Park to wait for prelets and could require elements of the scheme to be speculatively developed. The first phase, for example, would need to be constructed immediately.

Other bidders, such as Muse and St Modwen, are thought to have proposed more traditional, prelet-driven models.

Of Advanced Business Park's track record, Blakeway said: "They're a serious organisation that's making a significant investment."

Daniel Lovatt, assistant director at Deloitte Real Estate, which advised both parties on the deal, said the selection of Advanced Business Park and Stanhope demonstrated the area's "international appeal".

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Property Week spoke to Xu Weiping, chairman of Advanced Business Park, about the scheme

What made you come to the Royal Docks?

Royal Albert Dock has been under-used for nearly 50 years and, until recently, east London was falling behind other parts of the capital. The Royal Docks enterprise zone status also demonstrates to us that there is real commitment from the authorities to see delivery on the Royal Albert Dock site.

To what extent is there proven demand from Asian occupiers?

There is strong interest from some Chinese banks, insurance companies and professional services firms and companies with an interest in the UK or Europe.

We have done extensive market research in China and there is clear demand for such a development. We have received expressions of interest from a significant number of potential occupiers, from a range of sectors, including finance.

How will the development be funded and how will the lease structure with tenants work?

It is being financed by equity from our developments in China, private equity, commercial bank loans and presold units. Our business plan allows for a range of different types of occupiers, including a mix of leaseholders and freeholders.

What do you make of criticism about your track record in China?

We're disappointed about the coverage, but we'd urge detractors to actually come and have a look at our schemes – the evidence speaks for itself.

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Watch an interview with Rick Blakeway (left), deputy mayor for housing, land and property, and view a flythrough of the scheme with Xu Weiping (right) at propertyweek.com/multimedia/pw-tv

