

Huge Chinese demand for ABP's £1bn London docks may double value

18 June 2013, 10:55 PM

At least 56 Chinese firms have shown strong interest to buy or rent London's £1bn Asian Business Port announced in late May by ABP (China) Holdings and London Mayor Boris Johnson. ABP Chairman Xu Weiping said the project could quickly increase in value.

ABP last month signed an agreement with the City of London authority to redevelop the 14-hectare Royal Albert Dock situated near London City Airport into a third business district alongside City and Canary Wharf. Bloomberg reported Xu telling a group of investors at a briefing on Monday in Beijing that demand for space is so huge that ABP will increase the target for the first phase to 100 buildings from the originally planned 60. ABP expects the project to be valued on completion at double the cost of construction and sees demand from Chinese firms with operations in Britain as well as an opportunity for them "to gather, share resources and interact."

Local Chinese media reported that Xu told the press conference that the first phase of the project will begin late next year and 80-100 buildings will be built within two years. Among them, he expects 30%-40% to be sold outright and the rest rented. ABP now sees the net asset value of its project rising to ¥14.9bn (€1.81bn) plus debt finance of €73m equivalent. The new complex as currently planned will comprise mainly office and retail property.

ABP started its business in the UK market in 2003, and its investment in the London project represents as one of the UK's largest inbound investments this year. ABP will inject 30% of the capital, while 30%-40% will be provided by private equity and trust funds, with the remainder in pre-sales. Royal Albert Dock was Britain's largest purpose-built dock when completed in 1880 in the heyday of the British Empire, and was the country's most modern dock, the first to use electricity and also equipped with cutting-edge cranes and steel winches that unloaded tobacco from the US and fruit and meat from continental Europe. But it fell into decline in the 1950s and closed in the 1980s. ABP has said the redevelopment will be divided into three phases, each requiring an investment of £200m to £300m.

The project is being undertaken together with UK listed group Stanhope and the Greater London Authority. Johnson said the transaction will provide a base to forge new trade links with China and other economies in the Asia-Pacific region, and his initial projections show it could be worth £6bn to the local UK economy and generate £23m yearly in business rates. The scheme is ABP's first development project in Europe and represents one of the first direct investments by a Chinese developer in London's property market. GLA picked ABP as its preferred developer last October. pie

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