

China's Fosun eyes opportunistic UK property portfolio assembly

By James Wallace - Thursday, January 02, 2014 15:05

Fosun International, China's largest privately-owned company, has ambitions to establish an overseas direct commercial real estate portfolio centred around the two major world centres of capital on either side of the Atlantic – London and New York.

Speaking at a reception event held at Lloyds Chambers in the City last month to mark the completion of Fosun International's maiden UK commercial property acquisition, managing director Alain Chang told *CoStar News*: "London is one of the financial capitals of the world; some say even ahead of New York, it is a market that has a global appeal.

FOSUN 复星

"It also offers excellent education, lifestyle and the fact that the real estate market is very liquid. We hope to make large investments which eventually give us scale.

"To get to this point, we can do acquisitions one by one, or we can invest in an existing investor or portfolio. We are looking at different options."

Fosun International, owned by Chinese billionaire Guo Guangchang, acquired Lloyds Chambers, at 1 Portsoken Street, for £64.5m, financed by a £42m five-year Aviva Commercial senior loan, in a consortium assembled by US Treasury Secretary Jon Snow, Hank Paulson's predecessor.

CoStar News was first to reveal the consortium's acquisition in July last year.

Secretary Snow, who is also the current non-executive chairman of Cerberus Capital Management, was invited to be senior adviser to Fosun to help the Chinese multi-asset class investor expand its commercial real estate footprint overseas.



Snow teamed up with Mike Ryan, the developer behind The Ritz-Carlton Grand Cayman Resort in the Caribbean, and James Lapushner, the former head of the Morgan Stanley Real Estate investing business in Germany and the founder of Anacott Capital.

Ryan brings the development expertise, Lapushner sources the deals and arranges the financing, while Snow has an unrivalled contact book throughout the world's sovereign wealth funds. Between the three of them, a partnership has formed with Lloyds Chambers the debut transaction with Fosun International.

"Fosun is the first half of the equation," explained Snow. "The other half of the equation is Mike and James, who identified the Lloyds Chambers opportunity.

"Successful Chinese companies recognise that Chinese GDP growth is slowing and they need alternative opportunities.

"China is emerging as a major player in the world economy and they want to be seen as a major player in major parts of the world, and they want to be seen as sophisticated investors."

The consortium paid £64.5m for Lloyds Chambers – 15.9% lower than the £76.7m asking price when CBRE Loan Servicing, the special servicer of the defaulted securitised loan which financed the previous owner's acquisition, [brought the 193,450 sq ft City of London office back to the market](#) in January 2013.

Deceased Irish property investor Patrick Rocca acquired Lloyds Chambers in 2006 for £104m from Robert and Vincent Tchenguiz's Consensus Business Group, financed by Credit Suisse with the senior loan spinning into the Cornerstone Titan 2006 CMBS.

With five years remaining on the existing Aon lease, the consortium are expected to take their time redeveloping the asset. In the meantime the investors are keen to seek further opportunities both together and separately.

Chang told *CoStar News*: "We started looking into overseas markets in 2009.

"In the beginning we spent most time in the US, because that is where the crisis started. We spent some time understanding the reasons and the opportunities.

"We first starting paying attention to the UK market last year and we did actually evaluate different opportunities in London back then. This opportunity came up as a special situation.

"We follow the interests of Chinese consumers and investors, so the US was an important market for a lot of reasons: for business, leisure, education and immigration.

"But London also has become a market of interest, probably getting to be of a similar calibre. While US deals tend to be bigger, here in London the unit price seems to be higher.

"London is perceived as a strong market with high liquidity, to downsize is the market is constrained in terms of supply.

"We are opportunistic; we do not have a hard target. How much we do depends on opportunities, if we find the right opportunities we could do a large transaction – we could do much, much bigger deal than Lloyds Chambers.

"And if our balance sheet capital was not enough for such a deal we could arrange a syndicate through bringing in other capital partners, from China and beyond."

On the day the Fosun, Snow, Ryan and Lapushner consortium completed the purchase of Lloyds Chambers, Fosun International had its \$725m offer for 1 Chase Manhattan Plaza to JPMorgan accepted.

"These two monumental acquisitions strengthen our confidence in the recoveries of the US and UK," continued Chaing, "and we plan to make more investments in the coming years.

"We have observed a strong trend of Chinese investors wanting to deploy more capital in top overseas cities. Fosun is a growing asset management business and we believe we will be able to attract more third party institutional capital, alongside us, in markets like London and New York."

Snow, the 73rd US Treasury Secretary, added to *CoStar News*: "London is a magnet for capital, people and businesses.

"But also you've got one of the best judicial systems in the world – you protect creditors' rights. Capital is fundamentally a coward and it only goes places where it is treated well.

As for the future investment prospects for the Snow, Ryan and Lapushner partnership, Snow added: "We are opportunistic; we haven't worked out a long term game plan. We are not going to enter every auction; instead we are going to pick our battles.

"We have lots of contacts and friends in the sovereign wealth fund world, and they all have different investment strategies. If Mike and James come up with some London properties that look appealing, we know plenty of investors that we could show the assets to. And we hope to do more deals with Fosun too."

jwallace@costar.co.uk

