

CHINESE RESIDENTIAL INVESTMENT: WILL IT BE BACK?

Q3 2021 - UNITED KINGDOM



Tantalising Signs That Capital Controls May Ease on China's US\$46.3 Trillion of Investable Assets

This year "there are more signs than ever" that China's tight capital controls are loosening, reports the Financial Times. Some analysts believe the controls that have served to keep China's immense household savings inside the country are being unwound step by careful step. One investment manager describing the moves said, "Liberalisation is happening in front of our eyes."

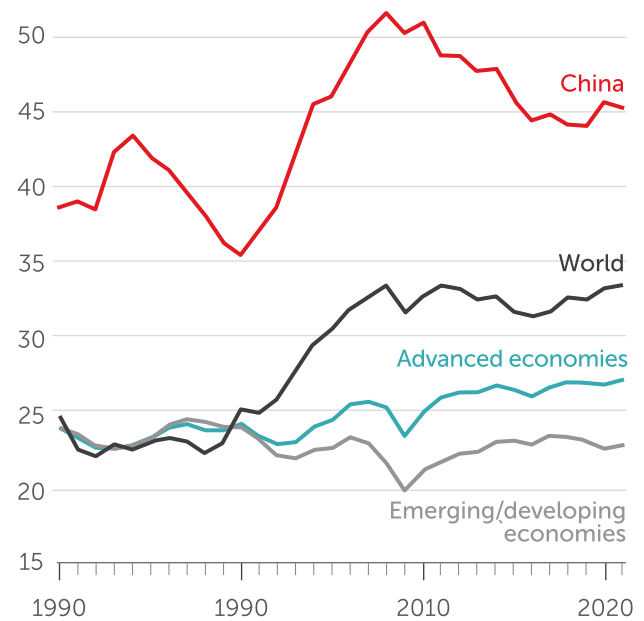
The government has approved record flows of money out of the country through an official investment quota. It is also launching its Wealth Connect program to enable households in southern China to invest overseas. For now, this opening focuses on equities investment rather than direct property investment.

The potential size of outbound investment is tremendous. HSBC estimates that Chinese households will possess US\$46.3 trillion of investable assets by 2025. (Equivalent to the entire US bond market.)

Likely, any opening will be gradual. Otherwise, Chinese wealth could overwhelm overseas markets. In one thought experiment, HSBC estimated that a mere 10 per cent of Chinese households investing an average of just \$50,000 abroad would mean a tidal wave of US\$2.4 trillion flooding into overseas markets.

China's savings rate is particularly high

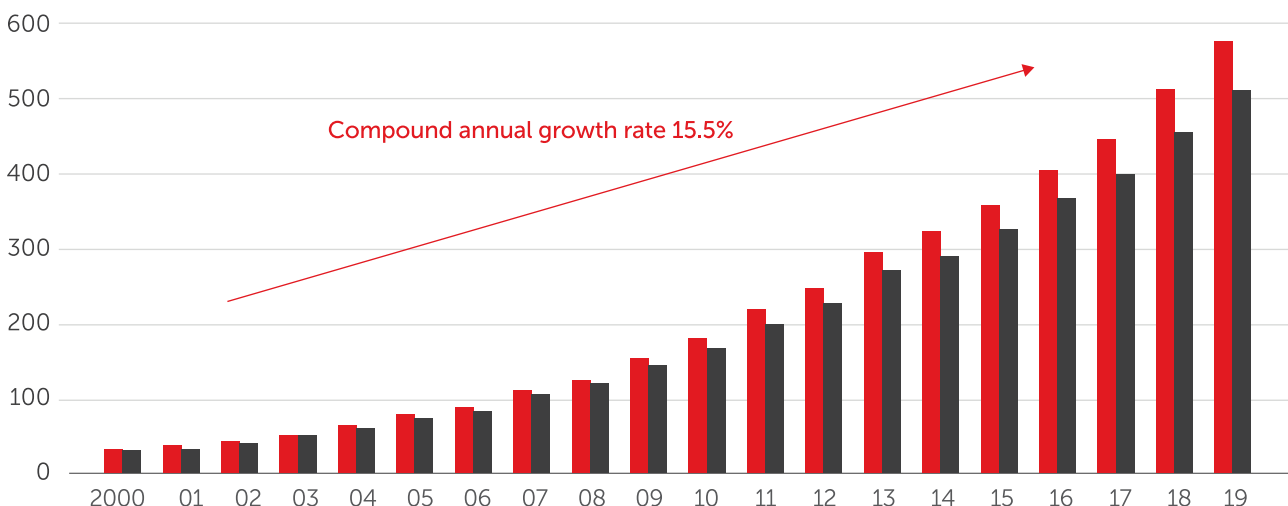
Gross national savings, as a % of GDP



Source: Juwai IQI, Financial Times, IMF

Households in China are getting richer

RMB tn



Source: Juwai IQI, Financial Times, HSBC

Education Still Highly Valued

What explains the relative stability of Chinese demand for UK property over the years? Very often, the explanation is education. The lure of a UK undergraduate or postgraduate education is the primary reason Chinese buyers wish to purchase property in the UK.

When a family decides their children will study in the UK, the country can become their primary focus in other ways, as well. For example, the UK becomes a natural destination for asset diversification, other investment, the pursuit of international commercial opportunities, vacations, and second-home ownership.

Nor has the pandemic affected the desire for a UK education. The 2021 edition of an annual survey of more than 2,000 Chinese students conducted by Hong Kong's Lingnan University found "no significant difference ... in students' plans to study overseas before, during, or after the pandemic."

The Lingnan University also found that the UK is preferred for 45.2% of Chinese students, second only to the USA's 50.8%. (Respondents could select more than one destination.)

Rounding out the top five destinations for students in this survey are Japan (19.1%), Canada (16.9%) and Germany (14.4%).

Lingnan University conducted the survey in June, which is before China's summer Delta variant outbreak.

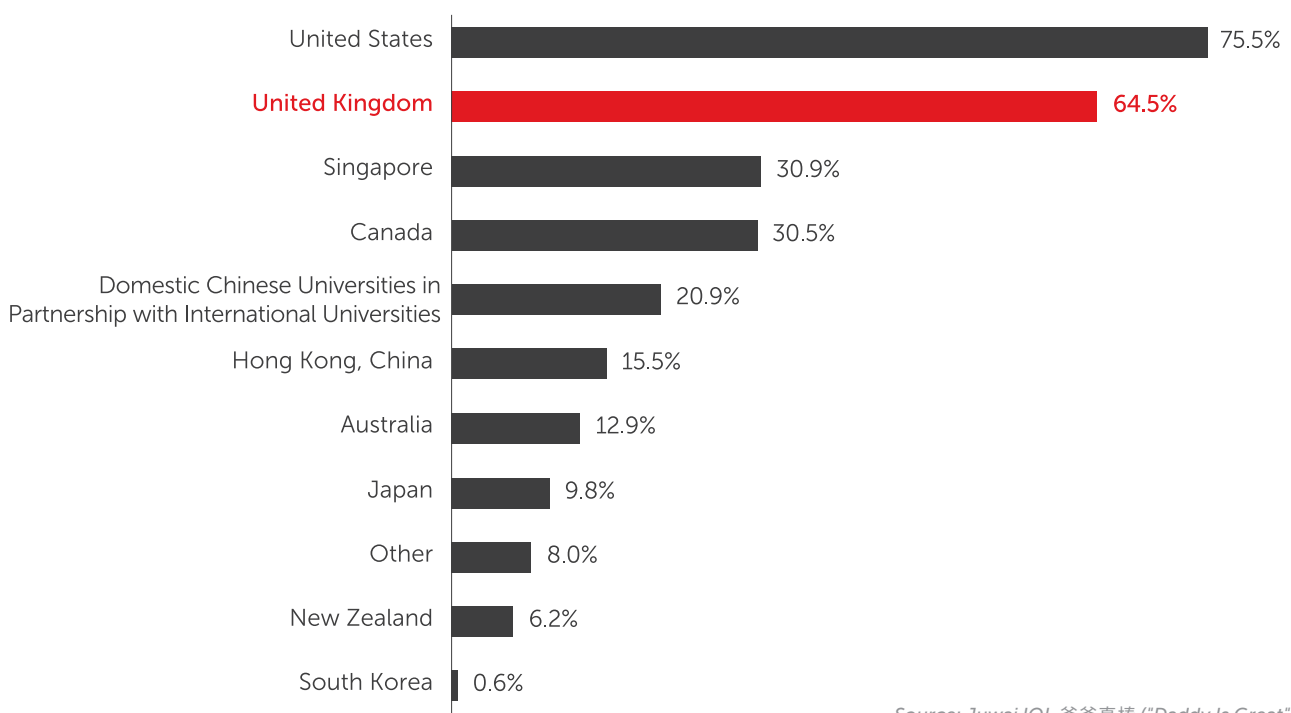
A similar survey in July, conducted by 爸爸真棒 ("Daddy Is Great"), a specialist Chinese education media outlet with 300,000 readers, found that 74% of families who responded still intend for their children to study abroad. Just 2% of respondents have given up on the idea since before the pandemic.

Again, the UK ranked as the second most popular educational destination for these families. 64.5% named the UK a preferred education destination, compared to 75.5% for the United States. (Here, too, respondents could choose more than one preferred destination.) Singapore, Canada and Hong Kong rounded out the top five.

Thus, after nearly two years of the global pandemic and more than twice that duration of Sino-US tensions, there is every reason to believe that Chinese families still highly value international undergraduate, post-graduate and language education in the UK. This is especially true of those in the upper quintile of income levels and parents who themselves studied overseas.

More than in some countries, Chinese families place great value on their children's education, as well as their overall growth and well being.

Chinese Families' Preferred Overseas Education Destinations (Survey participants may choose more than one)



Source: Juwai IQI, 爸爸真棒 ("Daddy Is Great")

NOTES

As this report is published only for general information, it is not to be relied upon in any way. We have used high standards in the preparation of the contents of this report, but no responsibility or liability whatsoever can be accepted by Juwai IQI, Juwai Limited or IQI for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Juwai IQI in relation to particular properties or projects.

ABOUT JUWAI IQI

It is our belief that business, values and results are inseparable. Values inspire trust, trust builds relationships and relationships drive growth.

Juwai IQI is the Asian real estate technology group that empowers residents of Asia to become residents of the world, transacted more than 17,000 properties in 2020 and advertises US\$4 trillion of property from 111 countries. We generate 12.9 million monthly active users.

The company offers real estate marketers an end-to-end marketing and sales solution that integrates its super-app, its IQI Global network of more than 21,000 real estate agents, and its online property marketplaces Juwai.com (international real estate portal in China) and Juwai.asia (Asia wide portal for global real estate). Follow Juwai IQI on Twitter, LinkedIn and Facebook and visit <https://www.juwaiiqi.com/>.

MEDIA CONTACTS

Dave Platter

Global Director of Public Relations and Communications

+61 432 814 888 | dave@juwaiiqi.com

Guangming Xu

China Public Relations Director

+86 139 1862 2682 | guangming@juwaiiqi.com

Debbie Pereira

Malaysia Public Relations Director

+60 16-233 4386 | debbie.pereira@juwaiiqi.com