

GO CHINA – WUHAN

Celebrating in style

RENEWAL

Plans for rejuvenation project shock locals by its sheer scale, writes David Powell

When Wuhan officials began contemplating marking the centennial of the 1911 Xinhai Revolution, they decided to do so in style. The celebration included a redevelopment of the area between the City's East Lake and Shahu Lake, transforming the site into "a landmark project whose opening would coincide with this date", according to Steven McCord, the Shanghai-based local director of research for Jones Lang LaSalle.

"When the plan came out, people were shocked by the scale," recalls Du Jinsong, the head of China property research at Credit Suisse Group AG, who attended college in Wuhan. A key part of the project is the Chu River and Han Street



The Chu River and Han Street development includes a 1.5km-long pedestrian mall alongside the newly-created Chu River. Photo: ImagineChina

development, which includes a 1.5km-long outdoor pedestrian mall alongside the newly-created Chu River, a canal that now links the two lakes.

The area is a far cry from its previous incarnation as "a dormitory housing area for a heavy machinery factory plant," Du says. Early stages of the project involved resettling more than 13,000 households.

The project is part of a larger initiative in which "local planners, including the Wuhan Planning and Development Institute, have been shifting development from Hankou

to Wuchang in the last few years," says Daan Roggeveen, a Shanghai-based architect.

In addition to retail outlets, the street includes the Han Show Theatre, a movie culture park and what is billed as the largest cinema in China, with 15 screens and 3,000 seats. Han Street also stands out for its architecture, which includes an approximation of European architecture that might have existed a century ago.

The area is still a work in progress and construction continues on the office and residential space that will eventually complement the retail

area. Because of the unfinished construction and the fact that the street has been open less than a year, the jury is still out on whether the project has been a success. Early positive reviews from consumers come partially because China's growing middle class "is looking for places where they can hang out that have a nostalgic feel" with modern amenities, Roggeveen says.

Mid-term success will hinge on consumer retail demand, with Du forecasting that "Wuhan in the next 24 months should still see 15 to 20 per cent growth in terms of retail consumption".



Steven McCord

Company at the heart of city

David Powell



A WIS plant. Photo: ImagineChina

No single firm better epitomises Wuhan's claim as China's "city of steel" than Wuhan Iron and Steel (WIS), the world's fifth-largest producer.

Steel is metaphorically and literally at the heart of Wuhan, with "the main steelworks site located right in the city centre, well-placed to receive raw materials by river and to make deliveries to local markets", says Roger Emmott, managing director of Roger Emmott Associates, a London-based metals sector consultancy. WIS so dominates the city's make-up that as many as one in five people in

Wuhan are on the payroll, although only a fraction are directly involved in making the product.

Wuhan's steel industry has blossomed with the country's growth, driven in particular by the construction industry, which "accounts for about half of all steel demand in the country by many estimates", Emmott says.

Growth has been organic, but companies, such as WIS, are also pushing to grow by purchasing domestic and international companies. "The name of the game seems to be 'acquire or be acquired'," according to Andrzej

STEEL

Kotas, CEO of industry news and information portal www.steelonthenet.com.

With largely imported iron ore having doubled in price, WIS reported a net profit for the first half of this year that plunged to 134.98

million yuan (HK\$165 million) from 1.23 billion yuan last year.

In response to sluggish demand, the company is expanding the industries in which it operates, transforming what had been internal functions for employees into business ventures. WIS has its fingers in a staggering array of pies, operating everything from karaoke parlours to kindergartens.

As for its core industry, WIS must overcome challenges that include locking down its supply chain and "securing supplies of iron ore through the acquisition of assets in Madagascar and Liberia", Emmott says. Prospects have brightened by government efforts to jumpstart the economy, but the effect may not be felt for another quarter.