

## Wanda's troubles in Spain highlights need for Chinese firms to seek local expertise when investing overseas

Wanda says future of the historic Edificio Espana building is unclear after Madrid's new mayor blocks planned redevelopment

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In 2014 Dalian Wanda acquired the historic Edificio Espana, a landmark skyscraper located in the centre of Madrid. Photo: SCMP Pictures

Chinese property giant Dalian Wanda's flagship project in Spain has encountered controversy and unexpected resistance in the country, with analysts saying the case highlights the need for Chinese developers to hire local expertise to carry out due diligence before investing overseas.

The real estate and entertainment conglomerate owned by China's richest man Wang Jianlin has aggressively expanded globally in recent years.

As its first step in Spain, in 2014 it acquired the historic Edificio Espana building for €265 million (HK\$2.28 billion), a landmark skyscraper located in the centre of Madrid, aiming to renovate it into a complex including a luxury hotel and a shopping centre.

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The project hasn't made any progress over the past two years, but hit headlines recently when media reported that Wang complained he had been treated "like a dog" by the Madrid city government, citing local authorities' refusal to let Wanda demolish the building's facade before reconstructing.

Wanda denied the reports but said it was reassessing its plans for the project. In the latest development, Spanish media reported that Wanda was shutting down its Spanish office and seeking to sell the high-rise.

A senior staff member of Wanda said the project's future remained unclear but admitted that the company didn't originally foresee the policy risks that came about with the change in city government in Madrid.

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DAVID JI, KNIGHT FRANK

At first Wanda's investment was welcomed by locals who saw it as an opportunity to revitalise the area, but became mired in controversy last year when the developer proposed tearing down the whole building for safety reasons, instead of maintaining the original facade. The new mayor of Madrid said no to the proposal.

"Chinese developers need to do more home work before going overseas," said David Ji, head of greater China research and consultancy at Knight Frank.

"It is very important to find local expertise such as lawyers and a heritage consultant to conduct due diligence to help understand the local culture and political system. Some mainland companies may view this as time consuming and

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a waste of money, but it can eventually help save cost," Ji added.

Opened in 1953, the 25-story Edificio Espana was once the tallest building in Europe and many locals view it a "collective memory of the Spanish".

"It might be normal in China, but you need to know Europeans are repelled by words saying 'demolish the building but redevelop it as the same'. It is never the same," Ji said.

An Asian investor who has projects in Spain echoed the same point.

"Hiring the right person to make sure of smooth communication with local officials is the key," he said.