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**REAL ESTATE INVESTMENT, DEVELOPMENT POTENTIAL OF CHINA'S INLAND CITIES  
IS ON THE RISE:**

**ULI'S *Mainland China Real Estate Markets 2012* Sees Trend Away from Some Major  
Coastal Cities**

ASIA PACIFIC (May 18, 2012) - China's emerging inland cities such as Chengdu, Wuhan, Xi'an, and Changsha are gaining attention for real estate investment and development opportunities, a trend that suggests a pullback from some of China's mature coastal markets that are perceived as overbuilt, according to a new report released today from the Urban Land Institute (ULI).

*Mainland China Real Estate Markets 2012: ULI Analysis of City Investment Prospects* is the second annual report on China cities, and gauges investment and development prospects for 28 of China's largest markets over the next 12 months. It includes seven with populations exceeding 8.5 million; 20 with populations ranging from 1.6 million to 6.4 million and one – Sanya – with less than 750,000. The top ranked city for investment possibilities was Chengdu, followed by Shanghai, Hangzhou, Wuhan and Shenzhen. Chengdu also scored the highest ranking for development potential, reflecting its appeal to corporations seeking to relocate operations from more expensive coastal sites, notes the report.

Unlike some of the other major coastal markets, Shanghai and Shenzhen continue to draw investors because they are perceived as offering a high quality of life, the report says. "In their assessment of cities' prospects, respondents clearly took into account the quality of life the cities provide. In an increasingly competitive labor market, with cities jockeying for position with respect to being able to recruit talent, a city's ability to retain graduates from local universities is critical to its overall industrial competitiveness," the report says. It points to the inland city of Hangzhou as drawing investors with its beauty and its lakefront location, giving it an advantage over cities that are perceived as having persistent environmental problems.

In general, the report notes, inland markets have become increasingly competitive due to a policy shift by China's central government that over the past decade directed investment away from coastal hubs and toward the less-developed interior. In addition, as more inland markets have become hubs for information technology, they are much better positioned as employment centers that appeal to young, well-educated talented workers, it notes.

*Mainland China Real Estate Markets* is based on a survey undertaken in the first two weeks of March 2012 that included responses from nearly 180 land use professionals; more than half of whom are based in Mainland China, with the remainder based primarily in Hong Kong. The second in an annual series of China cities published by ULI, the report released suggests that a guardedly optimistic view is prevalent in China among practitioners looking past the immediate uncertainty that continues to affect the global economy.

“Overall, survey respondents and interviewees did not express concern for the medium-to-longer-term outlook for China's economy, although some parties state they would be more cautious about investing in projects in (industry) sectors or geographies that are heavily exposed to the vagaries of China's foreign trade and external economy,” the report says. Other high-ranking cities for investment prospects include: Chongqing, Nanjing, Qingdao, Beijing, and Changsha. In terms of development prospects, cities receiving high ranks in addition to Chengdu were Shanghai, Wuhan, Chongqing and Changsha. On a regional basis, the Southwest emerged as a clear favorite in the survey with respect to the ranking of investment and development prospects. Other regions attracting positive sentiment: East China and Central China.

Overall, the retail and industrial/distribution sectors throughout China received the most recommendations to buy property – rather than hold or sell – followed by apartment residential, office and hotel sectors. In addition, survey respondents showed much interest in niche or emerging market opportunities. With China's aging population soaring, senior housing and retirement communities received the highest rating among niche sectors for investment prospects. Affordable housing was rated second, with interest fueled by the central government's mandate that China's cities increase their stock of lower-cost housing; and serviced apartments rated third, reflecting increased demand for business-class hotels and

apartments. Resort development was rated fourth, with interest growing in weekend “getaway” properties. Two niche markets that do not yet exist in China – housing targeted at younger people and self-storage warehousing – drew interest from survey respondents as areas that will emerge as China’s property markets continue to evolve.

Steps taken in 2010 by the central government to constrain soaring housing prices and curb what it perceived as unsustainable growth in the residential market has caused larger developers to increase the commercial component of their portfolios, while cash-strapped and smaller developers are increasing the volume of commercial properties they are selling to offset declining residential sales, the report states. “Financially strong China developers, as well as overseas and domestic financial institutions and funds, have started to find opportunities in the correction that has been taking place in China’s urban residential markets since early 2010. These opportunities are beginning to surface in the form of more chances to acquire development sites or stakes in already launched development projects,” it says.

“With the results of the survey released today, we hope to help educate individuals and organizations who are looking to invest in China over the coming months and years,” stated John Fitzgerald, Executive Director, Asia Pacific, ULI. “Throughout China and Asia Pacific ULI is committed to helping land use professionals better understand the local markets in which they operate and it is committed to providing a forum dedicated to the responsible use of land.”

**NOTE TO REPORTERS AND EDITORS:** To interview a ULI member with expertise in China’s real estate markets, please contact Trish Riggs, [priggs@uli.org](mailto:priggs@uli.org), 1-202-624-7086 (U.S.) or James Hacking, [James.Hacking@bluecurrentgroup.com](mailto:James.Hacking@bluecurrentgroup.com); +852 2967 8982 (Asia Pacific).

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### **About the Urban Land Institute**

The Urban Land Institute ([www.uli.org](http://www.uli.org)) is a global non-profit education and research institute supported by its members. Its mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Established in 1936, the Institute has nearly 30,000 members worldwide representing all aspects of land use and development disciplines.