

## A City's Stage of Development in China: Three Simple Observations

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The following are three 'quick and dirty' observations to help one determine the approximate nature of and the stage of (economic) development for a city, especially one related to an emerging economy such as China.

- 1. The Ratio of the Highest Price Per Floor Area to the Lowest Price Per Floor Area**  
= This mainly relates to the local residential market, and may include both private and government-subsidized sectors so long as the application is consistent. Also, it could be measured by net floor area, gross floor area, or whatever definition of floor area. Again consistency rules. Needless to say the unit of measurement can be m<sup>2</sup> or ft<sup>2</sup>. One may perhaps also use the highest and lowest sale prices but the ratio may then become overly astronomical if extreme high and low prices are included. Some judgement in terms of data inclusion is always called for. As to what range of ratios is considered normal, the author does not have any answers. Nonetheless, a ratio of less than 3 may indicate a lack of 'choices' and thus one may speculate its real estate market is not quite formed yet. 4 to 5 may indicate a market is starting to emerge while 6 to 12 seem to be typical for sizable cities with reasonably developed real estate markets. Anything way above 12 may not necessarily imply a good market as there could be huge gaps in income distribution. Again, the author wishes to stress the arbitrary nature of this foregoing categorization.
- 2. The Wine Index** = For most dinner occasions, especially the business-related ones, wine and liquor are a must. Nonetheless, what type / brand is used and how these are served etc may provide some clues on a city's / economy's stage of development. Roughly speaking, the major metropolitans such as Beijing, Shanghai and the like have progressed to using table wines (red and white). Also, not every host would insist that you drink a lot or do the bottoms up. The secondary tiered cities still serve you their best local liquor (and actually some of these are quite good albeit the alcohol level matches that of Vodka or more). Sometimes they do bottoms up but there is a noticeable difference now; they use very small glasses. Third tiered cities or the smaller towns – ditto plus bottoms up using normal sized glasses.
- 3. The Airport's Local to International Index** = the author hesitates to use the size and design of the airport because small cities may out of ego or whatever they fancy build overly large airports. Instead, the author would look at the airport's local flight and international flight operations. If both are more or less equal, assuming both being of a reasonable size, then it may imply the city economy contains a significant portion of international trade and / or investment. If these operations are unequal, meaning the local flight operations outweighing the international flight operation by a mile, then the city concerned may be more of a regional / local nature. Note however that this is not to say that only international cities are worth investing, as regional / local cities may also do very well.

The above are provided for interest only and are at best very rough indicators, though these are relatively easy and inexpensive to observe or spot. Individual projects and investment opportunities will require more professional input and assistance naturally.

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