

## China Residential Real Estate: The 'Big Four'

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The Big Four are **Beijing, Shanghai, Guangzhou and Shenzhen**. Why? It is because these 4 cities occupy or account for a significant portion of the overall China real estate market. The following are some numbers for reference (the data and information have been obtained from published sources including the web, and are based mainly on 2001 figures):

- A) In terms of **Total Value of 'Commodity' \* Real Estate Sold** = the Big Four account for approximately 40% of value, or close to RMB 200B (China Currency, roughly RMB 8.30 = US\$1.00).
- B) In terms of **Total Value of Commodity Residential Real Estate Sold** = the Big Four account for roughly 45% of value, or around RMB 170B.
- C) In terms of **Total Residential Floor Space in square meters (m2) Being Constructed** = the Big Four occupies close to 28% of it, or 166,260,000 m<sup>2</sup> (1 m<sup>2</sup> = 10.76 ft<sup>2</sup>).
- D) In terms of **Total Residential Floor Space in square meters (m2) which construction is Newly Commenced** in year 2001 (part of the above figure) = the Big Four constitute around 20% of the total, or around 59,000,000 m<sup>2</sup>.
- E) In terms of **Total Residential Floor Space in square meters (m2) Completed** in year 2001 = the Big Four accounts for roughly 18%, or 41,950,000 m<sup>2</sup>.
- F) In terms of **Total Residential Floor Space in square meters (m2) Sold** in year 2001 = the Big Four accounts for around 25%, or 47,030,000 m<sup>2</sup>.
- G) In terms of rough **GDP Per Capita Per Annum** (the national average is around US\$1,000) = Beijing is US\$3,000, Shanghai is US\$4,500, Guangzhou is US\$4,400 and Shenzhen is around US\$4,900. All these are way above / larger than the national average by several times.
- H) In terms of the rough **Average Price Per Square Meter Floor Area** (RMB / m<sup>2</sup> floor area) = Beijing is RMB 4,600 / m<sup>2</sup>, Shanghai is around RMB 3,400 / m<sup>2</sup>, Guangzhou is RMB 4,200 / m<sup>2</sup> and Shenzhen is RMB 4,800 / m<sup>2</sup>. The national average for commodity residential real estate is around RMB 2,020 / m<sup>2</sup> floor area. Hence, again, the Big Four' s averages are 2 or many more times over the national average.

As a preliminary observation via dividing each city' s GDP Per Capita figure by the Average Price Per Square Meter Floor Area of the respective city, and assuming all other factors being equal, Shanghai is the most affordable among the four cities (with a ratio of 11), with Guangzhou and Shenzhen following after it (with a ratio of 7). Beijing is the least affordable (with a ratio of 5).

Thus it seems people / purchasers in Beijing are willing to use more of their income to acquire one unit of floor space, and one reason may be due to Beijing having the smallest “average bedroom space per person” , or 10.80 m<sup>2</sup> / person. Shanghai has 11.40 m<sup>2</sup>, Guangzhou has 13.30 m<sup>2</sup>, and Shenzhen has 17.40m<sup>2</sup> per person. The presumption is that given all things being equal, purchasers in Beijing may be a bit more eager in upgrading their homes from a home and comfort angle.

\*Commodity real estate = private market real estate.

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