

China – A Few Interesting Projections

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In the course of projecting and analyzing a range of probable financial and real estate scenarios on China, we have come to realize several interesting points. We have listed some of these for reference:

1. Maintaining a (relatively) high rate of economic growth of say 9-10%, especially in the first 50 years of the 21st Century, is vital to China in becoming a significant global economic power. Assuming that most developed nations would have a much lower overall rate, China might reach a Gross Domestic Product (GDP) level which would match that of the USA in around 40 years, i.e. the average Chinese would be earning 1/5 as that of an average American based on the current population ratio of 5 to 1 respectively. Should the rate of growth drop by 1.5-2.5%, a USA-matching GDP would appear much later in around 80 years or would even have to wait till the 22nd Century.
2. The 3 major metropolitans, namely Beijing, Shanghai, and Guangzhou, would offer their residents an opportunity to attain a USA-matching GDP/Capita level in around 60 years' time based on a 9-10% growth rate.
3. Based on the high growth rate and using the simple comparative technique (described in the last issue), the likely (hypothetical) price for an average 800 square foot private residence (geared to the average local residents, not Hong Kong or foreign buyers) in the major metropolitans is in the HK\$200,000 - \$300,000 region and may increase to HK\$2M – 3M in the next quarter century, assuming the necessary improvements in the financial, legal, and business infrastructures would have been achieved by then, thus implying a relatively good potential investment return.
4. Assuming successful population controls, China could increase its urban population from the existing 25% to 50% toward the end of the 21st Century, thereby implying tremendous growths for existing cities and the creation of new ones, based on the concept that urbanization is needed to achieve higher and better economic results though there must be sufficient economic local and/or global demand and justification for the expansion and birth of such cities.

Please note that the above analysis is still on-going and that the intent is to formulate rough projections of various scenarios (high, medium, low etc.) in order to contemplate the many “what-if” questions.