

3 Responses to “What if the China Housing Bulls are Right? Assessing Potential Commodity Demand from Urbanization in China’s Top 10 Residential Markets, 2011-2019”

1.



[Kam Wing Chan](#) 4 August 2011 at 9:58 pm #

One major assumed driver of this urban housing boom is the demand generated by new migrants from the countryside (another 350 million more people will be added to the urban population in the next 20 years. The majority of them will be from the countryside.) While those numbers may look alright, the presumed increase in housing demand is remotely a very distant dream (maybe not even one), given China’s current dual social structure. As I have pointed out in a recent opinion piece, “most migrant workers have little purchasing power that would position them even to dream of any decent housing in the city. Lots of them remain crammed into dormitories or consigned to the Chinese equivalent of slums, the “villages in the city,” where they must eke out their living on the urban fringes.” This group of new comers has nothing to do with China’s urban housing boom, other than by providing muscle power at building sites! Read my piece at <http://www.chinausfocus.com/political-social-development/in-the-city-but-not-of-the-city-the-myth-of-china%e2%80%99s-urbanization/>.

[Reply](#)

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[gabe](#) 9 August 2011 at 5:09 am #

Dear Prof. Chan-

We appreciate your engaged reading of our article and believe that you raise a number of interesting points that deserve serious consideration.

We wrote our piece from the “commodity demand” perspective, because China’s pressing shortage of arable land means that in general, cities will build upwards and not outwards to create new housing for migrants. The engineering realities of constructing multi-story residential buildings are similar, regardless of location. Thus, glamorous high-rise apartment buildings on the Bund in Shanghai, dormitories in Guangzhou, or lower-cost apartment towers for new arrivals on the outskirts of Zhengzhou will all likely have similar structural needs and thus need similar amounts of steel, concrete, copper, and coal on a per square meter basis.

Even if they are reluctant to change the hukou system, China’s leaders do not want Mumbai or Johannesburg-style shanty towns and will go to great lengths to ensure that new arrivals to the cities have some type of real brick and mortar housing. The Chinese government’s plan to spend nearly US\$200 billion on constructing affordable housing in 2011, as laid out by the Housing and Urban-Rural Development Ministry in March 2011, reflects a robust leadership-level commitment to making sure new urban arrivals have access to housing.

China’s affordable housing plans suggest that Beijing views a supply-side response as a critical component of its housing policy. This could help stimulate additional housing market segmentation in which developers continue serving middle-class home buyers, but also build much more lower-end housing that migrants can afford.

Companies around the world, from Coca Cola, to Nestle, to Tata have made billions of dollars in profits from figuring out how to unlock the potential of lower-income markets that many thought lacked the buying power to be worth considering. We see a real possibility that China’s homebuilders will, either by themselves, or in a partnership with the government, follow this route and help create housing that migrants can afford. This would fulfill the needs of China’s underhoused and drive additional commodity demand.

We welcome the opportunity to continue this discussion with you, as it is a fascinating aspect of China’s ongoing urban development.

Many thanks for your readership,

–Gabe & Andrew
Founders, China SignPost

[Reply](#)

2.



[Kam Wing Chan](#) 9 August 2011 at 4:11 pm #

You wrote: “China’s leaders do not want Mumbai or Johannesburg-style shanty towns and will go to great lengths to ensure that new arrivals to the cities have some type of real brick and mortar housing. The Chinese government’s plan to spend nearly US\$200 billion on constructing affordable housing in 2011,... reflects a robust leadership-level commitment to making sure new urban arrivals have access to housing.”

Well, I wouldn’t doubt that China’s leaders, like India’s, do not want to have Mumbai-style shanty towns, but, just like in India, they do exist – in China, they are called “villages in the city” and there are many and quite prevalent. UC Berkeley scholar Lan-chih Po has counted 138 of them in just one city, Guangzhou, in 2009, and they were home to over one million migrants, mostly from the countryside. Visit one if you haven’t, but you need to go beyond tourism places. I think they don’t look much different from shanty towns in Mumbai. (On this, check out an insightful piece written by journalist Shikha Dalmia: “China’s Beauty Problem”, at <http://reason.com/archives/2011/02/23/chinas-beauty-problem>.)

As to the rest of your paragraph, I am quite baffled. Where did you get the information that led you to infer that there is “a robust leadership-level commitment to making sure new urban arrivals have access to housing”? It is not a secret in China that the existing government-subsidized affordable housing in many Chinese cities (including units currently being built) is meant totally for low-income population with urban hukou, not for arrivals from the countryside (contrary to what you said), even though migrants are far poorer in general. In fact, such an unfair situation has prompted several scholars and others, including well-known economist Mao Yushi (on Aug 5), to openly plead to the government to include rural migrants in its affordable housing program (see, e.g. <http://news.dichan.sina.com.cn/2011/08/05/354696.html>)!