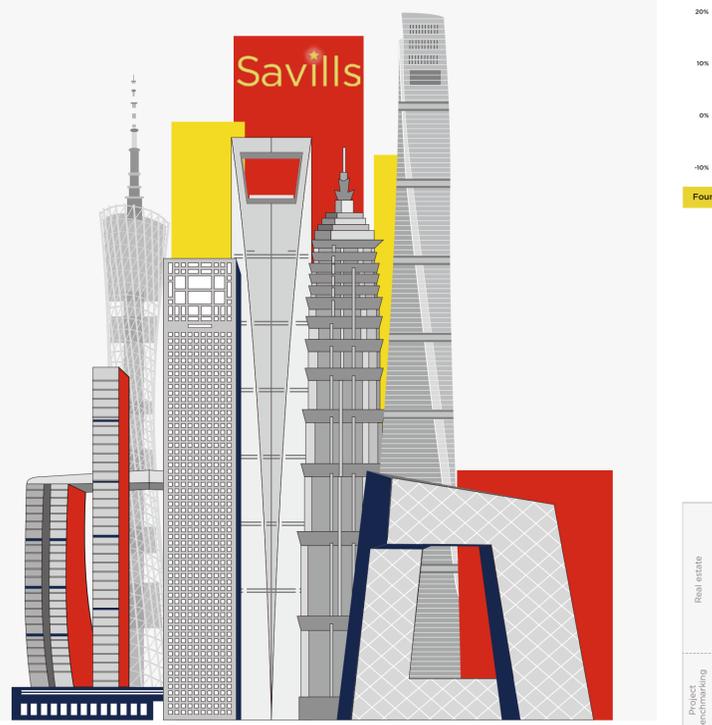
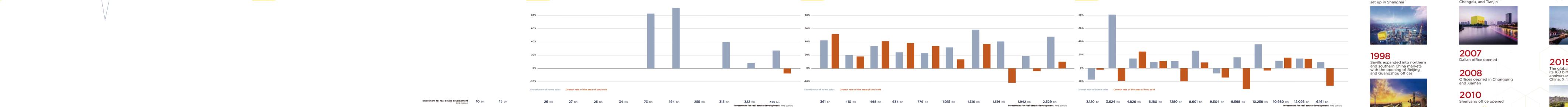
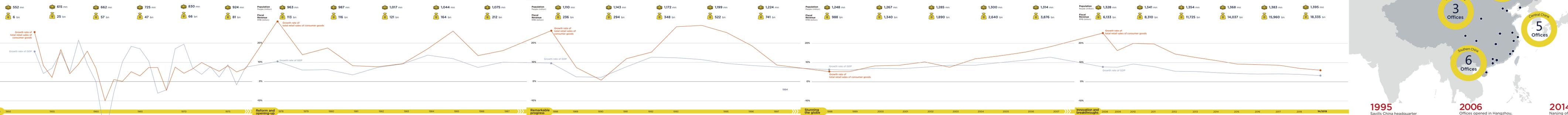


URBANISATION



Year	Event	Macroeconomy
1949	Foundation of the People's Republic of China	
1953-1957	The First Five-Year Plan focused on developing heavy industries	
1958-1962	Heavy industry remained core to strengthen national defense during the Second Five-Year Plan	
1966-1970	National defense and agricultural self-reliance during the Third Five-Year Plan	
1971-1975	A relatively complete industrial system and national economic system were established during the Fourth Five-Year Plan	
1978	Reform and opening up policy	
1980s	Differentiated policies to control the size of large cities, promote developing medium-sized cities, and actively develop small cities	
1990s	Opening up fourteen coastal cities	
1992	Price reform coming to a turning point amid national panic buying	
1997	Shanghai Stock Exchange and Shenzhen Stock Exchange were established	
1998	Asian Financial Crisis, The transfer of sovereignty over Hong Kong	
2001	China joined WTO	
2008	Investment in real estate development exceeded RMB1 trillion	
2010	The Shanghai composite index hit a record high of 6,543.04	
2015	The Chinese government announced a credit easing package	
2016	Forecast for economic growth lowered for the first time	
2017	Sunni-style structural reform: The two-child policy introduced	
2018	A pilot free trade zone to be built across Hainan Island; The integration of the Yangtze River Delta became a national strategy	
2019		



Year	Real estate	Project benchmarking
1953-1957	Agencize Reform Law of the People's Republic of China was launched to allow land ownership by peasants	New workers' village: Caoyang New Village, Shanghai
1958-1962	High-rise apartment buildings appeared in key cities such as Beijing and Shanghai	
1966-1970	Worker-peasant urban, urban-rural integration, and the development of more small and medium-sized cities/towns	
1978	Housing commoditisation taking effect	Transaction of private housing allowed
1980s	The first round of housing reform started	Land Administration Law issued
1990s	The implementation plan for strengthening the housing system reform in cities and towns, followed by Sino-US Property Rights Exchange	Wuhan real estate transaction market opened
1992	The urban land transfer system was officially implemented. The concept of affordable housing was first put forward. Property for affordable housing was launched in Shanghai	Shenzhen Xinxing Plaza was completed to be China's first 220 m ² skyscraper
1995	The State Council released the provisional regulations on the assignment and transfer of the right to the use of state-owned land in cities and towns	Shanghai issued the first housing provident fund loan
1998	The State Council issued 16 measures to expedite real estate reform in cities and towns	Shanghai Tomson Rivers set the standard of luxury apartments with the unit price of RMB10,000
2001	The State Council issued the Notice on Effectively Stabilising Housing Prices to regulate and cool down the real estate market for the first time	Shanghai was the first to implement the low-rent housing system
2003	Measures for the Administration of Housing Loans issued by the PBOC	Shanghai Plaza 66 opened as a luxury landmark in China
2004	The Measures for the Administration of Affordable Housing were formally implemented	Beijing's first land auction
2005	The State Council issued the Notice on Effectively Stabilising Housing Prices to regulate and cool down the real estate market for the first time	Shanghai Tomson Rivers set the standard of luxury apartments with the unit price of RMB10,000
2006	Measures for the Administration of Pre-sale of Urban Real Estate Administration Law of the People's Republic of China	Shanghai issued the first housing provident fund loan
2007	The central government decided to promote housing construction to boost domestic demand and drive economic development	Shenzhen Xinxing Plaza was completed to be China's first 220 m ² skyscraper
2008	The State Council issued the Notice on Effectively Stabilising Housing Prices to regulate and cool down the real estate market for the first time	Shanghai Plaza 66 opened as a luxury landmark in China
2009	Individual income tax was imposed on second-hand housing transfer	Shanghai was the first to implement the low-rent housing system
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2018	Measures for the Administration of Housing Loans issued by the PBOC	Shanghai Plaza 66 opened as a luxury landmark in China
2019	The State Council issued the Notice on Effectively Stabilising Housing Prices to regulate and cool down the real estate market for the first time	Shanghai issued the first housing provident fund loan

Savills China



- 1995**
Savills China headquarter set up in Shanghai
- 1998**
Savills expanded into northern and southern China markets with the opening of Beijing and Guangzhou offices
- 2001**
Shenzhen office opened
- 2006**
Offices opened in Hangzhou, Chengdu, and Tianjin
- 2007**
Dalian office opened
- 2008**
Offices opened in Chongqing and Xiamen
- 2010**
Shenyang office opened
- 2011**
Savills western China business platform was established, with Chengdu office serving as regional headquarter, Zhuhai office opened
- 2014**
Nanjing office opened
- 2015**
The global group celebrated its 160 birthday, and the 20th anniversary of its presence in China; Xi'an office opened
- 2018**
Offices opened in Wuhan, Changsha, and Hailou
- 2019**
Fuzhou office opened

Savills China

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Foreword

Robert McKellar
Executive Chairman of Savills Asia Pacific

The People's Republic of China (PRC) has made significant economic advances since its founding in 1949 and, as the world's second-largest economy continues to grow, it is becoming more intertwined with the rest of the world and pivotal to the global economy.

In this report, we review the key milestones of China's economic development and rapid urbanisation—referencing policy announcements, market information and economic data. After only 40 years of reform and opening-up, and just 20 years into the formation of the modern real estate industry, there is still tremendous untapped potential in China for greater urbanisation, advancement in industrial upgrading and growth in consumer markets.

The global economy is faced with several challenges and uncertainties at the moment—how China responds to these will determine its future. The innovative approaches, long-term vision and collective determination should stand the nation in good stead in the future.

China has drawn the world's attention as it steps onto the world stage and a more open and confident China should be able to achieve sustained and healthy growth and become an important source of global prosperity.

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1949-1977 Foundation

Due to the state of infrastructure in the early days of the PRC, overall construction became a top priority. The public construction boom saw not only construction in the major cities but also in the countryside, such as temples, schools, churches, former celebrity and official residences, which now can be seen in preserved heritage buildings in cities across the country.

The birth of Caoyang New Village, the first "new workers' village", and the subsequent mushrooming of such villages, all pointed to the promotion of national development through industrialisation. The achievements are also reflected in the higher ratio of output value of the secondary industry during the 1950s.

The following 20 years were defined by industrial growth. From heavy industry to national defense, a relatively complete industrial system was established. The government attached great importance to independent research and development, as was evidenced by the successful test of the first atomic bomb and launch of the first space satellite, Dongfanghong 1. Despite twists and turns, the potential for future economic growth was obvious. By the 1970s, the birth rate averaged 35 births per 1,000 population, a demographic dividend that greatly contributed to future economic growth.

Policy trends

In the early days of the PRC, the government was to quickly restore the national economic system and create conditions for subsequent economic growth. The Agrarian Reform Law of the People's Republic of China was the first law of the land since the founding of the PRC. It aimed to unlock rural productivity, draw on the steady development of primary industry and paved the way for further industrialisation.

In the nearly three decades from 1949 to 1977, China carried out four Five-Year Plans, a series of social and economic development initiatives based on a full consideration of major development goals, national economic productivity and the international environment, with industrial development at the core.

Following the successful First Five-Year Plan, the Second, Third and Fourth Five-Year Plans focused on developing the defense and heavy industries. Despite the bite of the Cold War, the Vietnam War, the cooling of Sino-Soviet relations and domestic problems, China made remarkable progress in industrial technology and infrastructure development.

The implementation of the Five-Year Plans made irreplaceable contributions to China's development. For example, the transportation construction in the First Five-Year Plan period extended China's road network to 250,000 kilometers, twice as before. Thirty-three new railways were built to extend the railway track mileage by 22%.

Urbanisation after liberation

In the early days of the PRC, development focus shifted from the countryside to the cities. As a result, buildings like schools and factories were built in the suburbs, and modern roads were extended. Investment was made to improve ruined buildings and infrastructure in response to the growing population.

Small steelmaking factories were built in large numbers in cities around the country, and small factories sprung up in old urban areas such as Hutong and Nongtang in the 1960s to meet industrial development needs. Meanwhile, the urban population in China grew rapidly, and urbanisation accelerated.

1978-1987 Reform & opening-up

1978 marks an important year in China's economic development. From that year on, reform and opening-up unleashed productive social forces, stimulated rapid economic development. The establishment of special economic zones and the development of commodity housing gave rise to the real estate market, introducing a new stage of urbanisation.

In the early days of reform and opening-up, ensuring and improving basic living conditions for citizens was paramount, with a focus on developing staff housing for enterprises and public institutions. With the establishment of coastal special economic zones, Shenzhen and Guangzhou became pilot cities for commodity housing development. The pilot efforts were then extended to other cities, creating real estate markets around the country.

Policy trends

In the first decade of reform and opening-up, the economic growth of coastal areas took off. The establishment of special economic zones, the opening of 14 coastal cities and the establishment of open coastal economic areas attracted a large number of industries and investment, contributing greatly to national wealth.

The modern real estate market started to take shape, driven by the commoditisation of housing in 1980, the lift of the ban on trading private houses in 1984, and the implementation of the land management law in 1987.

China made breakthroughs in the reform of the urban land system in the 1980s. The ideas of paid use of land and paid transfer of land-use rights had a profound impact on the subsequent development of the real estate market. The country's first paid transfer of state-owned land-use rights was made in Shenzhen—the first step in modern land resources development. Regional opening-up and land development among other factors doubled China's fiscal revenues in a decade, allowing for more funds for development and creating a virtuous circle of development.

Housing and consumption

The reform of the land and housing system had a far-reaching impact on urban planning and urbanisation—it enabled urban land to be allocated by the market. The housing systems and markets in most cities underwent radical changes in this decade. For example, cities still playing a key role in the consumption market, were increasingly failing to meet the evolving needs of consumers. When the first batch of self-service supermarkets with open shelves emerged in Beijing, they were instantly popular and started to affect the supply chain.

Most residential projects were small-scale developments in regional markets and multi-story houses. High-rise apartment buildings were concentrated in first-tier cities. New residential communities began to expand from the old city cores to the peripheries. Since the registered address of developers and development activities with nationwide influence.

While the distribution of staff housing improved the living conditions of urban residents, commodity housing started to appear in first-tier cities. Urban residents moved from courtyards into residential buildings, and residential compounds gradually became the mainstream model of urban living.

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1988-1997 Remarkable progress

Reform and opening-up started to deliver its benefits. In the ten years from 1988 to 1997, China's GDP grew at double-digit rates and, despite institutional changes, the average growth rate of the total retail sales of consumer goods hit a record high of 18.7%.

The growth of real estate investment also accelerated, with the total investment in development increasing more than tenfold during this decade. Due to the experimental nature of the overall market during this period, the real estate industry suffered from significant fluctuations. Along with the unprecedented market boom came inevitable obstacles, such as real estate bubbles in some cities. The overheated economy, including the real estate market, exerted some negative effects that prompted the government to step in to stabilise the market.

The advance of reform and opening-up injected impetus into the overall market, and cities started to take on a modern look driven by the development of the industrial structure, ushering in an era where prosperity coexists with challenges.

Policy trends

The five special economic zones became the fastest growing regions in China, playing a prominent role in driving economic growth. The development of Shanghai's Pudong New Area provided a successful model for the urbanisation across China. The growth of central cities in coastal areas also helped to boost urbanisation in the surrounding areas.

The launch of housing reform China ushered in an era of commodity housing. It was also then that overseas capital began to flow into the Chinese real estate market.

Overall, the policies during this period were mainly focused on supplementing and improving the previous basic policies. New programs such as the housing provident fund (HPF), mortgage loans, and affordable housing laid a foundation for future development. The government, perceptive to the challenges posed by a rapidly developing real estate market, issued several market management measures and the first round of regulations.

Housing

The housing market moved towards commoditisation and began to attract social attention, but housing was still mainly regarded as meeting the basic demand for self-living. The overall low income of residents meant there were few high-priced properties targeting the higher-income group. High-end properties were mainly sold to overseas Chinese, foreigners and expatriates.

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1998-2007 Stunning the globe

The Asian financial crisis caused huge fluctuations in the international monetary market. The crisis exerted little negative impact on China for its exchange rate had remained steady. Foreign enterprises operating in China, however, were subject to the stirrings in the international economic market.

Governments at all levels paid increasing attention to investment in fixed assets including real estate, which became one of the new growth points and pillar industries of the Chinese economy. The real estate markets in the four first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, were the first to be activated. Amid the wave of developers scooping up land and expanding into surrounding cities and towns, the national investment in real estate development exceeded RMB one trillion in 2003. Some famous benchmark commercial real estate projects were completed after 2000.

The modern structure of the core urban areas in China's major cities took shape during this period, thanks to the development of transportation. In cities across China, main roads gave way to flat or elevated highways. As connectivity improved with a greater reach and density of subways, new areas were opened up for retail developments, and small commodity wholesale markets or supermarkets were dawning on the main roads around the core areas.

Policy trends

The integrated development among regions and cities of various sizes gained greater momentum during this decade. National strategies—such as campaigns to "Open up the West" and "Revitalize the Northeast", and the "Rise of Central China" Plan—made positive contributions to the steady development of the national economy.

In 1998, the Notice on Further Deepening Urban Housing Reform and Accelerating Housing Construction was issued, marking a full shift of China's real estate industry to market-oriented operation. Welfare housing was cancelled, a sign that China entered the era of commodity housing.

Amid deepening housing reform and steady increase in personal income, commodity housing became the focus of consumption, sending housing prices on an upward trajectory until 2005 when the government launched a series of intensive market-cooling regulations. Throughout the first half of this decade, the policies were aimed at improving the system to lay a sound foundation for real estate transactions and investment. During the second half, adjustments were made to stabilise market sentiment and restrain price growth. By the end of this decade, the market had entered a new stage of development.

Housing

As the number of high net worth individuals (HNWIs) grew, so did their aspirations for a better life, which had much to do with higher-end living space. The low-density villas in central Beijing were well received in the market. Fine-fit apartments built by foreign developers, as well as high-quality property services, significantly improved the standard of living for staff housing tenants.

Street shops and local state-owned department stores still dominated the Chinese retail market, but international retail brands were also starting to emerge in first-tier cities. Local brands still dominated second-tier and other inland cities.

Overall, high-end residential products in this period were mostly launched in first-tier cities, especially in traditional core areas, to target HNWIs and investors. The design generally lacked in variety and taste.

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2008-2019 Innovation and breakthroughs

The global financial crisis in 2008, the Chinese economy has undergone dramatic growth. In terms of purchasing power parity, China was the world's largest economy in 2010. As the Chinese economy grows, though at a slower pace, the upgrading of traditional manufacturing industry and the transformation of the economic structure has become key economic focuses.

China's real estate market, after rapid growth, has entered a mature stage. With the increasingly mature market environment, core cities in China have become an important destination for international investors. However, the social and economic problems caused by the continuous rise of housing prices have also made the government more aware of the importance of ensuring housing affordability.

Due to the limited land resources, core cities have turned from incremental development to inventory upgrades, redeveloping former factories into cultural and creative parks, and dilapidated urban buildings into retail venues or hotels to match local culture.

Policy trends

Proactive fiscal and quantitative-easing monetary policies were launched as a response to the global financial crisis, benefiting infrastructure, science and technology and other industries, and creating development opportunities for state-owned enterprises. In recent years, policies were adopted to pursue steady economic performance, such as tax cuts to unleash business and market vitality, promote structural transformation, and the avoid excessive inflation.

Due to a lack of alternative investment channels, investors deployed a large amount of money in the property market. Caught between government regulations and market forces, the real estate market experienced several small cycles of adjustments, with prices rising periodically. The Central Economic Working Conference at the end of 2016 proposed for the first time that "houses are for living, not for speculation", which was widely regarded as a key tone-setting message. Policy regulation increasingly focused on establishing a long-term mechanism, as evidenced by stricter buying and lending restrictions, price caps, increases in social housing and support for developing long-term rental apartments.

Integrated development initiatives for regions such as Beijing-Tianjin-Hebei, the Yangtze River Delta, and the Greater Bay Area, are gaining momentum. Regional integration will contribute to a more efficient use of resources, help shape the new urban structure, and promote higher-quality economic development.

Housing

Significant progress in building technologies and standards has greatly improved the quality of newly-built housing. Buyers, more high-quality buildings are being built to international standards. Thanks to relatively standardised operations, Grade-A office buildings have become a key choice for traditional developers who seek to shift from strata-sales to holding, but also the investment target of domestic and foreign institutions.

New housing has more diversified features. Apart from location, landscape and other traditional factors, human resources, personalised architecture and interior design, club facilities and customised private services, low-carbon, energy-efficient building systems, more attention is paid to "soft" services such as diverse supporting facilities, and an ecosystem of varied spaces.

Collaborative working has also impacted traditional office buildings. As health and technology play an increasingly active role in people's lives, there is an increasing demand for flexible office space among employees and enterprises. In space design and projects, low-carbon, energy-efficient building systems can greatly reduce the impact society has on the natural environment.

Technology is also driving the transformation of traditional cities into smart cities. As big data, cloud computing, artificial intelligence and other technologies continue to mature, their benefits will materialise in the advancement of smart city ecosystems and the betterment of the living environment.

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The next Decade

The number of cities in China has roughly quadrupled over the past 70 years. As the international urbanisation and development continues to make best use of limited land resources has become the key topic of conversation.

The integration of large metropolises with their smaller neighbourhoods into regional city clusters will be one of the main drivers for urban and social development in the future. Large metropolitan areas can prove very appealing to the increasingly mobile talented workforce while also generating greater efficiencies and productivity by creating a larger labour pool and, consequently, has greater potential for continued growth. In addition, institutional reforms, in areas including land planning and public services, will help promote innovation and build economic momentum.

Thinking outside the box

As property markets continue to grow cities are in desperate need for better quality property and asset management. As buildings age and become outmoded investment is required to maintain or enhance property values through renovation and/or redevelopment. Market participants must embrace new ideas, such as the shared economy and digitally enhanced client interactions and data gathering & monitoring, as well as thinking outside of the box to provide innovative asset management solutions.

Traditional property investment returns are being squeezed, pushing more investors into the services sectors. The rise of e-commerce has increased the demand for warehouses and logistics space. Aging populations are creating long-term opportunities for senior housing projects and the advancements in technology will require significant investments into the development of cutting edge data centres. The government is developing regulatory frameworks to provide investors with clearer guidance and provide investors with greater confidence.

Tremendous changes have taken place in China over the past 70 years. From housing commoditisation to purchase restriction, from staff welfare housing to the housing security system, from hotel offices to Grade-A office buildings and traditional cultural retail areas began to tap into the potential of the tourism market, transforming themselves into the earliest hubs of shopping centres. Shopping centres in the centre of first-and second-tier cities were built to compete with traditionally department stores and gradually replaced them as the main retail type.

By the end of 2007, shopping centres accounted for nearly 90% of retail space in first-tier cities, and 50%-60% in second-tier cities. Large-scale shopping centres set out to attract a variety of retail formats and tenants through modern and open designs, thus delivering a brand-new shopping experience to consumers.

A time of change

Technological advancements are changing how people and businesses perceive the built environment and utilize spaces. In the development and management of projects, low-carbon, energy-efficient building systems can greatly reduce the impact society has on the natural environment.

As China shifts from explosive growth to slower growth as the market matures, the government and individuals are paying more attention to environmental protection, social welfare and cultural development. Only when a synergy is achieved between modern urbanisation and human development can real, sustainable development be realised.

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Conclusion

Tremendous changes have taken place in China over the past 70 years. From housing commoditisation to purchase restriction, from staff welfare housing to the housing security system, from hotel offices to Grade-A office buildings and traditional cultural retail areas began to tap into the potential of the tourism market, transforming themselves into the earliest hubs of shopping centres. Shopping centres in the centre of first-and second-tier cities were built to compete with traditionally department stores and gradually replaced them as the main retail type.

By the end of 2007, shopping centres accounted for nearly 90% of retail space in first-tier cities, and 50%-60% in second-tier cities. Large-scale shopping centres set out to attract a variety of retail formats and tenants through modern and open designs, thus delivering a brand-new shopping experience to consumers.

Overall, high-end residential products in this period were mostly launched in first-tier cities, especially in traditional core areas, to target HNWIs and investors. The design generally lacked in variety and taste.

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