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ULI: Growing Interest in China Even as Debt Rises

By *Erika Morphy*

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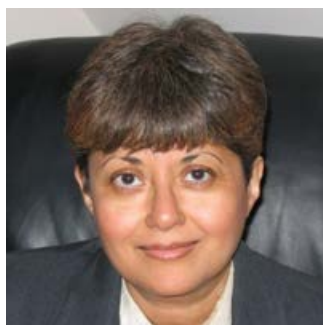
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Haley

WASHINGTON, DC-Developer interest in China is surging, a new report from **the Urban Land Institute** finds. In fact, it continues despite growing fears of a property bubble, spreading to less well-known cities like Chengdu and Chongqing. Indeed, the ULI report finds that development opportunities in these cities could prove to be more lucrative than those available in most cities in Europe and the United States.

Fears that there is a property bubble burst brewing in the country are not unfounded, **Usha Haley**, chaired professor of international business at **Massey University** in Auckland, New Zealand, tells GlobeSt.com. Continued investment, as is often the case, involves the balance of short term and long-term risk.

The danger lurking in the future is that these investments are based on shadow financing and equally unprecedented levels of borrowing from China's big four banks, according to Haley. Those banks—the Bank of China, Industrial and Commercial Bank of China, China Construction Bank and the Agricultural Bank of China--are all pouring money into the provincial and municipal governments. "So in the medium to long term this high-level of unaccounted for borrowing will affect not just China's growth," says Haley, "but also global growth and stability in our interconnected economy."

In the short term, though, developers in China are still building, the ULI survey reports. The top ranked city for investment possibilities was Chengdu, capital of Sichuan province in the southwest, which scored 6.57 on a scale of one to nine (nine being highest). Chengdu was followed closely by Shanghai (6.33), Chongqing (6.23) and Beijing (6.22).

"My research has shown that, yes, China's second-tier cities are experiencing an unprecedented boom in fixed asset investment, including construction of buildings and manufacturing facilities," Haley says. "These investments advance the goals of municipal and provincial government officials."

Other cities in the survey received favorable ratings of between 5.65 and 6.16. These cities included Nanjing, Wuhan, Dalian, Qingdao, Tianjin, Wuxi, Shenzhen, Suzhou, Hangzhou, Guangzhou, Changsha and Shenyang. Sixteen cities were evaluated all together.



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These numbers contrast a more dismal mindset for the US and Europe, where no city received a score above six.

On a sector basis, the retail and industrial/distribution industries received the most "buy" recommendations. The multifamily and hotel and office sectors followed.

The report, called China Cities Survey, builds on the Emerging Trends in Real Estate report published each year by ULI and PricewaterhouseCoopers. For a copy of the report, visit [the ULI website](#).

Categories: Mid-Atlantic, Infrastructure, Development, Washington, DC



Erika Morphy Washington, DC reporter Erika Morphy goes deep inside the DC power scene to explore the link between Capitol Hill and your assets. Erika Morphy has been a financial journalist for 20 years. She's been covering the capital markets for ALM since 2004. Contact Erika Morphy.

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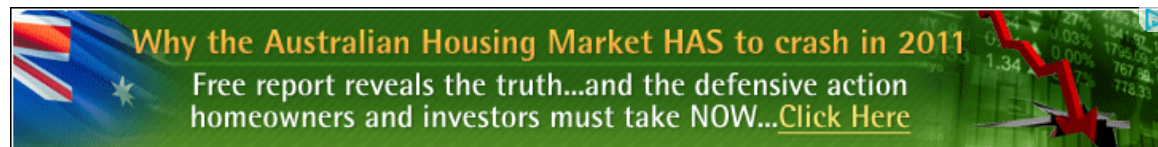
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