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THE CIRCULATION OF WEALTH

THE CREATION OF URBAN VALUE IN CHINA: THE CASE OF THE MODERNIZATION OF QUJING CITY IN YUNNAN

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Abstract

This article proposes an analytical framework around the concept of urban value creation in order to gain a transversal understanding of the various interactions between urban planning, the strategies of urban modernization and growth through the development of the local real estate market, and the local financial system. This framework comes from a reflexive and evolutive methodological research approach both based on existing literature and empirically founded. The urbanization process of the fourth-tier city of Qujing in Yunnan province can illustrate China's "landed urbanization", i.e. the value creation resulting from government strategies for growth and modernization based on land and real estate commodification. Such local government policies have been enabled due to a demand for urban property that has largely resulted from an investment rationale: both residential and non-residential properties have come to be seen as financial assets by the urban population. We argue that the construction of urban value can be approached through the strategies of four groups of actors that all demonstrate the behavior of an investor, based on conventions about the increase of urban value through economic growth and urban modernization. These four groups of actors are individuals, the local government, real estate companies and financial institutions, all of which are involved in the search for urban rent.

Key words:

Real estate
Urban value
Growth strategy
Financial asset
Fourth-tier city
China

INTRODUCTION

There has been a huge increase in land and real estate prices in Chinese cities in the fifteen last years. What is the meaning of this; how did it happen?

This article proposes an analytical framework around the concept of urban value creation in order to gain a transversal understanding of the various interactions between urban planning, the strategies of urban modernization and growth through the development of the local real estate market, and the local financial system. This framework comes from a reflexive and evolutive methodological research approach both based on existing literature and empirically founded (Yin, 2003; Peck, 2003). The article builds on what has been learned from case studies of the real estate processes and building production in the fourth-tier city of Qujing in Yunnan province, and demonstrates how this contrasts with the existing research of critical urban geographers into the connections between real estate, capital and state.

These connections have been developed around local government growth strategies based on the commodification of land for urban projects. Thanks to institutional and fiscal empowerment, local governments can raise substantial revenues from the commodification of land. This land leverage is so important that some authors speak about the land-driven model of China's urbanization (Lin, 2014; Hsing, 2010), which for some has become the basis of a new regime of accumulation (Wu, 2014). This local empowerment has gone hand in hand with a rise in entrepreneurialism as the urban government becomes the "market agent". In short, the urbanization process has come to be seen through the lens of land commodification, with debate focusing around the Chinese characteristics of certain local growth coalitions between the local government and real estate companies, some of which are state-owned.

Some links are still missing and thus prevent a broader understanding of China's urbanization process. Capital, for example, is not only a matter of public finance. The privatization of both property development and ownership has strongly impacted on the financial system, and this raises the question of specific financing channels.

We posit that the urban development process of Qujing illustrates "China's landed urbanization" (Lin, 2014), i.e. the value creation resulting from government strategies for growth and modernization based on land and real estate commodification. Such local government policies have been enabled due to a demand for urban property that has largely resulted from an investment rationale (Hu, 2013). We will show that housing, as well as non-housing property, has become a main alternative financial asset for the urban population (Wu, 2014). We argue that the construction of urban value can be approached through the strategies of four groups of actors that all demonstrate the behavior of an investor, based on conventions (Orléan, 2011) about the increase of urban value through economic growth and urban modernization. These four groups of actors are individuals, the local government, real estate companies and financial institutions, all of which are involved in the search for urban rent.

This article is divided into two sections. The first develops the proposed analytical framework to deal with the processes between real estate, state and capital and urban value creation in China. The second section implements this framework to the fourth-tier city of Qujing in Yunnan province.

1. AN ANALYTICAL FRAMEWORK TO DEAL WITH THE ISSUE OF URBAN VALUE CREATION IN CHINA

The proposed analytical framework starts with updated reflections of urban geographers in China, who show that land and real estate development have played a major role in China's ongoing urbanization. We argue, however, that a better understanding of the urbanization process and of the relations between real estate, state and capital needs to address three other issues: (i) the business models of real estate companies, (ii) individuals as urban property purchasers and (iii) the role of the local financial system in financing city production. Putting together the rationales of four groups of actors – local government, real estate companies, urban residents and financial institutions – we develop the idea that they all have a common interest in the increase of urban value through modernization and growth strategies.

1.1 Land, Real Estate and Public finance : Economic Growth and Urban Entrepreneurialism in China

During the 2000s, real estate markets and, more globally, the urbanization process, were related to the institutional and political issues and changes that had been in play since the 1980s. Land and property reforms have been the main drivers for the development of real estate markets in China (Li, 1999; Ding and Knaap, 2005) and, consequently, for a new urbanization and growth strategy based on significant private investments (Li and Ge, 2004; He and Wu, 2009), together with huge public infrastructure investments as a result of the 2008–2009 economic stimulus plan in particular (Deng et al., 2011; Lafarguette, 2013). As real estate has a decentralized decision-making process, many scholars have emphasized the role of the local government in real estate and debated the Chinese characteristics of the so-called "urban entrepreneurialism" that has been taking place there (He and Wu, 2005 and 2009; Wu, 2010; Cartier, 2011; Zhu, 2011).

Extensive studies now suggest that China's urban development has been land-driven (Lin, 2009 and 2014; Hsing, 2010), replacing the state-led industrialization that had been the basis of capital accumulation since the 1990s and transforming the country into a new space of accumulation through the extension of market mechanisms into housing and land development (Wu, 2014). This land-driven model can be conceived as a process of "state power reshuffling, urban land development and local finance [that] have become interconnected and have reinforced one another to drive the growth and transformation of Chinese cities" (Lin, 2014: 1818). The specific connections between real estate, state and capital and city growth strategies are closely related to the development of local growth coalitions (Zhu, 1999), where the city is both a fiscal and an investment product.

1.1.1 Land-driven urbanization: land as a “free” fiscal tool

The rise of land as a primary source of local capital accumulation and political leverage can be rooted in the decentralization of power and responsibilities that have gone along with a fiscal imbalance between central and local governments (Wong, 2013).

In China, local urban governments are responsible for land commodification and urban planning. The current legal basis for the land market allows the exchange of land use rights; the land use rights granted by local governments in various fields (offices, hotels, shopping centers, etc.) are recognized as quasi land ownership rights that can be exchanged, reassigned, leased or mortgaged for land and real estate property in urban areas (Li, 2005; Zhu, 2005). The first way in which rights to use state-owned land are granted is through administrative allocation (*huabo*) to non-profit users free of charge (typically for public purposes such as infrastructure and real estate projects, including schools, hospitals, economic development zones, roads, etc.). The second way is through a public land market (conveyance, or *churang*), where the land is sold for a limited period of time to real estate companies for private uses (70, 50 and 40 years respectively for residential, industrial and commercial property).

However, in this decentralized empowerment, local governments suffer from the unequal distribution since 1994 of fiscal resources, since they face most of the burden of the costs of urbanization (Tsui, 2011; Wong, 2013). Land commodification was quickly identified as the main parameter under municipal control (Hsing, 2010) and was then able to be integrated into ‘extra-budgetary funds’ (see Wong, 2013 for details) that are the result of a practical compromise between central and local governments to compensate for the insufficient ordinary budget revenues (Aglietta and Bao, 2012).

As a result of political empowerment in the matter of land commodification, the dependence on land transfers (land conveyance fees) and various taxes on urban land (notably the land value-added tax) has increased for Chinese cities since the 2000s. With the boom in land and real estate markets these recent years, this “free” use of land leverage can represent half of the total local revenue (Ding, 2005; Henderson, 2009; Tang et al., 2011; Gaulard, 2013).

1.1.2 City growth as an investment product for “urban growth coalitions”

Whether in the case of a neoliberal or an authoritarian local state (Peck and Zhang, 2013), the land leverage used by local governments accompanies the development of a specific urban governance. Chinese cities can be seen as places designed to maximize the interests of a small, powerful elite. ‘Local growth coalitions’ (Zhu, 1999), some of which are state-owned enterprises, gather together local governments and developers, and have become key features of local real estate processes in China (He and Wu, 2009; Cartier, 2011). These coalitions have a common interest in fulfilling national urbanization policies that aim towards (rapid) economic growth through the physical transformation of the urban landscape.

First, real estate and urban development are key elements of both political decentralization and central state control. For city leaders to have successful careers, they need to be able to

implement urban growth that translates into growth in the annual GPD, in fixed asset investments and in the development of the built environment (Henderson, 2009). This view of economic growth is reinforced by objective of urban modernization and of the improvement of the city's position in the Chinese urban hierarchy.

Second, the local–national urbanization policy has boosted the local real estate industry, which has become one of the major sectors of the local economy (Zhang, 2005), also creating jobs in the auxiliary industries (e.g. steel, cement and housing outfitting sectors). The converging vision and interests of local governments and real estate companies have led to rapid urban (re)development, with the construction of numerous megaprojects, such as high-tech parks, new central business districts (CBD), shopping malls and urban districts. The construction of the city also means increased competition between cities for private and foreign investments with the help of subsidized infrastructure and other benefits going with land purchases (He and Wu, 2009; Zhu, 2011).

Third, local markets are based on close and personal relations to local governments. Local governments are turned into landowners, regulators, planners and even developers: they can organize, orientate and manage the city's growth by selecting the access to land to real estate companies, as well as by affecting their profits expectation through land prices and building conditions (especially capacity ratio: *rongji lu*). Differentiations are to be made according to a firm's status (privately or state-owned), size, and whether it is local or not. Land commodification mechanisms such as auctions, tender or listing (*paimai*, *zhaobiao*, or *guopai*) tend to favor the developers and urban projects that pay the highest prices. However, such market mechanisms don't exclude personal arrangements (Tsing, 2010; Li and Li, 2011). Profits from land conversion and development are often made as a result of low compensation offered to existing residents, to the detriment of farmers especially in the case of the extension of the urban territory (Lin, 2009). In short, the real estate markets of Chinese cities are still characterized by distortion in land allocation and the importance of local negotiation (Cartier, 2002; Zhu, 2004a and b).

City development can be conceived as a fiscal tool for local governments and as an investment product for the local growth coalitions mentioned earlier. The process of urban growth directly benefits local governments, since real estate development has become a significant source of local revenue. Similarly, for real estate companies, the attractiveness and profitability of the local real estate market is closely related to the locally implemented urban modernization policy.

1.2 Three missing links: Property Developers' Business Models, Buyers and Rationalities of Financial Institutions

A better understanding of urban growth strategies based on the existing processes around real estate, state and capital in Chinese cities would need to broaden the analytical lens and address three other issues: the role of developers, the buyers' rationale for property purchases and the local financial system.

1.2.1 The property developers and their business models

The literature on Chinese urbanization emphasizes the strong relationships between local governments and real estate companies; it also highlights the entrepreneurial role of the state. However, the specific role of the real estate industry has not yet been addressed in more depth (except for Fung et al., 2006) while in Western countries the intrinsic dynamics of real estate markets have been examined since the 1990s. Scholars emphasize the key role in the market of real estate developers and their specific 'business models' (Haila, 1991; Healey, 1992 and 1998; Fainstein, 1994 and 2001; Guy and Henneberry, 2000). The literatures propose strategies for responding to existing demand and competing effectively with new products on the market. In this regard, Charney (2001) indicates three areas in which real estate developers may create supply: location, sector (residential, commercial, industrial or business) and property (new or existing buildings).
Urban production and ownership have been privatized in China since 1998. Since then, real estate properties have become commercial products for both state-owned and privately owned real estate companies, who invest in the growth of the city, and whose profits depends on the local government's requirements as well as on the demand for residential and non-residential property.
The rapid evolutive process of China's urbanization creates a corresponding demand in the local market to which real estate companies need to adapt; in order to do this, they need to innovate. The pace of innovation is thus closely related to local government policies for modernization and new kinds of urban products. In short, in response to differences from one place to another due to local specificities such as competition or pace of urbanization and economic growth, developers need to develop investment strategies and adapt their business models.

1.2.2 The buyers' rationales: urban property as a financial asset

While the privatization of ownership since 1998 has undoubtedly contributed to the development of the housing market, it has also introduced new opportunities for households, as privatized housing property has become a more "liquid asset" for urban residents (Wu, 2014). Property may be bought either for self-use or as an investment, and as a result, it is important to consider both cultural and institutional factors in the demand for housing

property in China (Hu, 2013).
Housing property in China can be viewed in two ways. On the one hand, it can be related to certain Chinese cultural values in the sense that it is important for every household or family to possess its own place to live in. In addition, for some of the rural population, a second urban property is a condition for gaining access to the urban *hukou*[1]. On the other hand, housing property in China is also considered as an alternative financial asset to guarantee bank loans. Furthermore, real estate is seen as a form of protection against inflation as well as a way of compensating for the absence of or low level of social protection (thus it can provide for retirement and healthcare).
This speculative rationale has been widely acknowledged, and the role of property demand has been approached on a macro scale by scholars, through property prices, rates of savings, wages and GDP correlations (Wu et al., 2012; Li et al., 2013). Potentially, the demand for residential property is large in China for both demographic and migration reasons. However, there is still a need for a better understanding of property demand, of the urbanization process in urban areas, and of specific investment rationales (see in particular Coulson and Tang, 2013).

1.2.3 The financing of the city: from public finance to the local financial system

Within the land-driven urbanization model, the interdependent connection between real estate, state and capital in China has been analyzed through public fiscal finance by the majority of scholars of urban studies. The commodification of land is undoubtedly important for an understanding of the financing of the city, since it opens up primary real estate markets. However, the privatization of construction and ownership of urban property leads to other important issues relating to the financing of China's urbanization. For instance, the mortgage market is a direct result of the development and the privatization of real estate markets (Gibson, 2008).
China's financial system includes both standard and non-standard financial sectors (Allen et al., 2012). The standard financial sector is still bank-centered, since financial markets as well as other financial intermediaries (insurance companies, pension funds, etc.) play a secondary role in the financing of China's economy. China's banking system is politically dependent. It is mainly controlled by the four largest state-owned banks, whose main source of revenue is based on a combination of restricted interest rates on deposits and high interest rates on loans[2]. These banks finance economic sectors and (large) state-owned firms favored by the central government.
In addition to the standard financial sector[3], a variety of alternative financing channels exist. These channels have supported the growth of a "hybrid sector" (Allen et al., 2012) composed of non-state, non-listed firms (privately or individually owned) and other firms partially owned by local governments, such as township-village enterprises.
These two financial sectors have various interconnections (Elliot and Yan, 2013). For example, due to a restriction on bank loans since 2010, the development industry has turned to alternative financing circuits such as trust companies and private funds. At the same time, trust companies have also begun to partner banks, in order to help the latter to work around

the limits they face on maximum deposit rates. Trusts invest in various sectors and businesses, including real estate, through loans or equity shareholding. They also offer 'wealth management products' to individual investors, including shares in bank loans. Thus the investor receives revenue from the loans, minus various fees to the bank and the trust company, which are still well above the permitted maximum deposit rate.

The local financing platforms are another significant financing channel for the production of Chinese cities. With the central government's 2008–2010 economic stimulus plan of 4 trillion RMB, local governments were encouraged to use local investment companies to bypass budget law in order to borrow and invest in urban development (Wong, 2013; Lafarguette, 2013). The creation of such platforms turned viral and is at the origin of the explosition of local debts[4]. In this mechanism, where land is mortgaged for local loans, there are still some doubts regarding whether these massive investment incentives corresponded with "real" needs and consequently with revenues.

The effects of monetary policy and financial regulations on real estate and local debt, and on urban production in general, have so far been addressed only on a macro-economic scale (Deng et al., 2012; Lafarguette and Zhou, 2013; Wang et al., 2014). The links to a more "grounded" urbanization process are still under-researched. In particular, there is no study on the relation between the financial system and the existing processes at work in local real estate markets in China.

1.3 Urbanization as a Convention of Urban Value

The proposed comprehensive analytical framework intends to broaden the links between real estate, capital and state in order to deal with the various interrelated issues of local real estate market processes and price increases in the Chinese context. Price increases are organized in China, since they are based upon a national urbanization and modernization policy that is one of the major drivers for economic growth. In this, we posit that all of the interrelated institutional reforms – land use rights, privatization of urban construction, homeownership and monetary, fiscal and financial regulations – that have enabled the commodification of land and real estate have introduced an investor's rationale about the urbanization process in China.

We argue that the land-driven urbanization of China must first be completed by considering the specificity of the demand for property. The search for property as a financial and more liquid asset is a major trigger that has driven the whole process of the commodification of land and real estate. Without this investor's rationale for property, the production of Chinese cities would not have been so rapid or have continued for the same length of time. The specific rationale of demand impacts directly on the production of the whole city. Four groups of actors – individuals, the local government, real estate companies and financial institutions – share a *convention of urban value increase* resulting from urban modernization and economic growth, and each has a different interest in urban rent.

1.3.1 A financial convention based on value increase

The reflections of Orléan (2011) about “value and financial convention” are very useful in order to understand the process of the increase of value and to extend this to the real estate and urban fields. According to Orléan, the economic value of a good is the quantity of money that can be obtained in exchanging this good. However, contrary to the neoclassical approach, where money is conceived as a neutral good enabling transactions wherein prices dictate the value of a product, Orléan sees money as a social construct. First, the future is not foreseeable, and the market is an institution that enables the reduction of radical uncertainty. The main function of money is not to give the objective or fundamental value of a good, but to coordinate economic agents towards a shared opinion or convention about the value of a good. The market has therefore both a collective and auto-referential dimension wherein prices are decided by the opinion of the group. Second, money is a specific good to be desired in itself, and the issue consists in understanding how a good (e.g. real estate) is turned into money or a more “liquid asset”.

Orléan’s reflections have also been applied to financial markets. Financial markets are institutions wherein prices result from shared beliefs or conventions within the financial community and wherein liquidity consists in transforming individual bets on uncertain future revenues into immediate available values. In this context, the better investment or speculative rationale is to anticipate others’ behaviors: “the anticipation logic of each investor is determined, not from what he thinks about the intrinsic value of a financial asset, but from what he anticipates about the future evolution of its value. In other words, a rational investor would purchase financial assets if he anticipates the prices are going to increase” (Orléan and Diaz-Bone, 2013: 9). Consequently, what is important is information that can affect market opinion and prices as a result.

Some financial conventions revolve around economic sectors and activities that attract investors and make prices increase. The problem with this mimetic rationale is that it is based on an opposite relation between supply and demand: the demand for a financial asset causes it to increase in price, which in return drives demand and further price increase, leading to the formation of financial markets’ bubbles.

1.3.2 The convention on urban value increase

The same financial logic can apply to the commodification of land or real estate that eventually becomes a financial asset for property buyers. The four groups of actors – individuals, the local government, real estate companies and financial institutions – anticipate an increase in urban value due to active growth strategies implemented by local governments. In short, they all bet on urban rent.

The notion of urban rent is ambiguous (Theurillat et al., 2014). A distinction is to be made between profit on the one hand and rent on the other. Profit is the normal revenue of a capitalist who invests in a business, whereas rent is payment for the use of a house or flat (rental fee for the tenant and rental income for the landlord). Following Ricardo’s contribution to the issue of land rent, urban rent is an income which does not correspond to the remuneration of any work nor to the standard remuneration of capital invested in a business

(normal profit) or, in our case, in the purchase of a residential unit. Urban rent corresponds to the capitalization of localized economy based on the price of land, buildings and rents. In other words, the owner of a given property, let's say in the city center, can obtain a higher rent than the owner of another property (in the city's outskirts, say) without making any investment.

In a successful scenario, the four groups of actors can each benefit from various real estate incomes resulting from the general increase in the value of a city. The local government is the first to benefit financially and politically from land commodification. The more local governments sell land, they more income they gain, and the more property prices go up, the more expensive land can be sold for. Individuals also benefit; they purchase housing for either self-use or speculative purposes and, either through rental income or resale, expect an increase in the urban value. This then directly impacts on the profitability of real estate companies, who can enjoy a relatively secure market demand. Finally, banks as well as other local and alternative financial institutions are involved in the growth of the city and have a direct interest in the increase of urban value. Loans to developers, buyers or local governments can be lucrative financial assets and represent good shares for the local financial system.

2. THE CONVENTION OF MODERNIZATION TO INCREASE THE URBAN

This section implements the analytical framework to the fourth-tier city of Qujing in Yunnan province. Figure 2 at the end of this section gives an overall view of the interrelations of the four groups of actors, who have a common interest in the increase of urban value through modernization and growth strategies. Methodology issues related to an in-depth case study of Qujing are first pointed out, before highlighting the interdependences between the local government, the real estate companies, financial institutions and property buyers in the current new phase of the real estate market. The importance of real estate market and properties for the local financial system is also then highlighted.

2.1 Case Study: Methodology Issues

The focus on economic and financial issues made this research even more difficult to carry out in the Chinese context. Such issues belong to the strategic sphere of firms and of the state and, what's more, real estate in China is an important source of local corruption (Zhu, 2012). The varying land and real estate revenues of local government are difficult to evaluate, not only because of there are some 'extra-budgetary funds' but also because there is a lack of accountability either in terms of budgeting or investment (Wong, 2013). Moreover, it is impossible to access the real estate investment policies of regional (state) banks (such as loans to households, development companies and the City of Qujing) since all of this is not public information.

To deal with such issues and to gain access to economically and politically "hot" financial

data, I used the following methodology approach. Two first exploratory interviews with a local real estate magazine manager ('Qujing fangdi chan') in December 2013 and the in-depth analysis of all of the issues of the magazine since its creation in 2009 (15 issues from March 2010 to March 2014) enabled me to identify and focus on eight ongoing innovative and high-value urban projects. This proxy through concrete projects was used as a lens through which to examine the local real estate market since its 'privatisation', say 1998-2000.

These innovative and symbolic projects for the modernization and growth of Qujing city (Table 2**)** involved five of the six largest local real estate developers and three non-local ones (Table 3). Nine interviews were conducted with sales or development managers of real estate companies involved in the projects and one was conducted with the manager of the sixth largest local company. Interview questions focused on the interrelated organizational and institutional aspects of the project development processes, such as interactions with the local government (selection and purchase of land, types of urban projects, etc.), the economic model of each project (land and unit prices, sale to individuals, ownership of non-residential property, market analysis and sales marketing) and the strategies of real estate firms (previous and future real estate projects) as well as, to some extent, the financing channels (bank loans and own or alternative external funds).

The information gathered was reinforced by the contents of the magazines and by presentations of some of the urban projects and some of the real estate companies. I also used various documents featuring urban projects, in particular those that had been prepared for the Qujing real estate exhibition that has taken place annually since September 2009 (land and total constructible surfaces, capacity ratio, average prices per m^2, types of use, year of development and sale, etc.). Finally, I was able to access the annual reports (2010–2013) of a local real estate consultancy company that had gathered official data on the local real estate markets.

A second set of nine interviews completed during the same period (March–April 2014) reinforced this first focus on large developers. In order to better analyze customers' needs and investment behaviors, three interviews were conducted with managers of brokerage companies, one of which was local, while the other two were Soufun and Sina, the largest brokerage companies in the country. The local government's urban planning and growth policy were approached through public documents (urban and land use plans) and two interviews with high public officers who agreed to give fiscal and public financing details. This was the result of personal contacts with officers from the city tax department and economic bureau. Further contacts were established with the owners of two local real estate companies and two bank managers (one from one of the top four state banks, the Industrial and Construction Bank of China, and the other from Qujing Bank). In interview they gave details about the way they carried out property business, about their investment policy in real estate and about loan conditions for developers, households and local governments.

I was able to observe and better understand the evolution of the city's landscape thanks to three years of living in Qujing (from Sept 2011 to July 2014), which followed a first stay of six months in 2001, with several short stays in-between. I also benefited from the help of my wife who is from Qujing and used the *guanxi* of friends and family members in order to establish contact with people.

2.2 The Current Phase of the Local Real Estate Market : The Commodification of high-value Urban

The development of the real estate market and the price increases in Qujing are closely related to the urbanization and modernization policy of the local government. The current period since 2010, considered as a 'turn to quality' (QJRE, 2011-4), corresponds with a new phase of development and growth in the city, of which the main tool is the new Qujing City master plan[5]. This came into force in August 2005, with a key objective of increasing the population of Qujing Qilin district (651 315 in 2004) to one million inhabitants by 2020. In order to accommodate this growth in population, the urbanized surface is to be tripled, from 27.5 km^2 in 2004 to 100 km^2 in 2020 (Table 1). As a significant industrial center, the city also aims to reinforce its economic position as the second city in Yunnan province by becoming a regional metropolis and a communication hub for neighboring provinces (Guizhou, Sichuan)[6].

TABLE 1 : QUJING DEMOGRAPHIC, ECONOMIC AND REAL ESTATE DATA

Qujing Qilin district: 1442 km^2	2002	2004	2006	2008	2010	2011	2012	2013	2020
Total population	**626'535**	**651'315**	**665'720**	**689'012**	**740'747**	**705'062**	**713'357**	**758'000**	**1'000'000**
Urban residents	230'129	235'301	243'114						
Rural residents	396'406	416'014	422'606						
GDP (RMB billion)	**8.89**	**11.34**	**17.25**	**24.47**	**31.5**	**37.01**	**42.9**	**49.43**	
Sector 1	0.58	0.69	0.84	1.18	1.37	1.65	1.83	2.01	
in percent	*6.52*	*6.08*	*4.87*	*4.82*	*4.35*	*4.46*	*4.27*	*4.07*	
Sector 2	5.37	6.47	10.79	15.45	19.39	23.01	26.85	30.82	
in percent	*60.40*	*57.05*	*62.55*	*63.14*	*61.56*	*62.17*	*62.59*	*62.35*	
Sector 3	2.94	4.18	5.62	7.84	10.74	12.35	14.22	16.6	
in percent	*33.07*	*36.86*	*32.58*	*32.04*	*34.10*	*33.37*	*33.15*	*33.58*	
Net annual income for urban residents (RMB)	7'245	8'425	9'795	13'258	16'712	19'398	23'243	25'810	
Net annual income for rural residents	2'613	2'999	3'528	4'540	5'569	6'747	8'116	9'658	
Land and real Estate data									
Fixed asset capital investment (RMB billion)	1.67	3.78	6.37	11.04	19.28	24.11	23.14	29.85	
Investment in property development projects (RMB billion)	0.72	1.31	n.a.	n.a.	5.61	n.a.	7.35	7.31	
Urbanized surface (sq.km.)	24.5	27.5	32.2	37	56	61	66	67.9	100
Number of real estate firms			68	73	92	97	97	97	
Area of construction (sq.m.)						4'234'000	5'070'000	6'480'000	
Area of achieved construction (sq.m.)						2'135'000	3'310'000	3'970'000	
Total investment for achieved property			0.74	2.81	5.09	5.93	7.96	9.97	
Area of property sales (sq.m.)						2'496'000	2'681'000	2'288'000	
Volume of property sales (RMB billion)						8.24	9.08	8.84	

Source: Qujing Qilin district government website : http://www.ql.gov.cn

Qujing City center	2009	2010	2011	2012	2013
Land market: auctions sale					
Residential use land area (sq.m.)	**824'007**	**784'805**	**1'246'063**	**553'627**	**946'076**
Number of transaction				21	18
Total price (RMB million)	571.3	480.6	1'564.6	1'548.1	1'475.8
Average price /sq.m. (RMB)	693	612	1'256	2'796	1'560
Commercial use land area (sq.m.)	**428'882**	**15'613**	**181'435**	**195'494**	**181'126**
Number of transaction				2	8
Total price (RMB million)	580.6	75.3	156.9	167.8	155.6
Average price /sq.m. (RMB)	1'354	4'820	865	859	859
Industrial use land area (sq.m.)				**351'000**	**422'300**
Number of transaction				6	9
Total price (RMB)				109.8	18.8
Average price /sq.m. (RMB)				313	444
Total land area (sq.m.)				**1'100'121**	**1'549'502**
Property market : residential and commercial use property in the market					
Land area (sq.m.)			7'902'666	9'742'666	7'556'000
Ground floor area (sq.m.)			13'383'500	17'668'500	18'068'800
Number of constructed units			76'021	90'347	106'983
Number of units for sale			58'374	62'667	n.a.
Average price / m^2 (RMB)	2'850	3'200	3'640	3'814	4'088

Source: Lisking annual reports 2010-2013

2.2.1 The modernization policy: an investment tool for urban value increase

The current city master plan implies a reorganization of all urban functions and land use, mainly by differentiating between residential, non-residential (industrial and commercial) and mixed-use areas. The eight urban projects correspond to three types of new and higher-value property products and result from the implementation of this political "new phase" of economic growth. The projects also correspond to a spatial division of the local real estate market into local and non-local developers. This new step in Qujing urban development involves specific arrangements regarding land purchase and development conditions.

New mixed-use urban projects based on high commercial value and international brands have been developed by large local developers. The first four "hopsca" (hotel, office, park, shopping, convention and apartment) and the first cultural tourism project in the city are new and modern areas for consumption and leisure activities, and function as drivers for the modernization of the city center and for the creation of urban poles.

The companies' Xiongye "Jindu guoji" and Ansha "Wanhe guoji" projects are large, highly symbolic urban projects of the new modernity in the city center. Based on an open space the size of a whole district (86 666 m^2) for the former and on a smaller, more closed and compact space (26 666 m^2) for the latter, they are both mixed-use projects that consist of commercial buildings, offices, hotels and high-end apartments. Both projects intend to change the image of the city through the construction of the two highest towers in the city (218 m and 180 m) and give the city center new large commercial and leisure activities areas (>100 000 m^2). For these two very symbolic and innovative urban projects, various arrangements about the conditions were previously settled between the local government and the real estate companies.

Negotiations regarding Ansha's project began as early as 2006. The main buildings in this well-situated area are a school for agriculture, residential buildings that are falling apart and industrial waste sites. Ansha managed to purchase this plot of land after rebuilding at its own costs the school in the northern zone of the city[7]. The city master plan stipulated a mixed-use occupation, and the construction of new buildings in-situ to relocate the existing inhabitants. This was a direct result of the Xiongye project, where the inhabitants protested at the low compensation for relocation[8]. Finally, for a cheaper land price (8 million RMB/mu in 2012 compared to 8.5 million RMB/mu for the Xiongye project in 2010), the local government imposed the construction of 43 floors instead of 40 in the highest tower (in a CBD that also includes a five-star hotel). This meant additional construction costs for Ansha, due to the extra reinforcement needed for the underground basement.

The city-owned Qilin real estate company is running another large project – Qilin jiacheng – that will create a new urban pole for the 58 residential districts and 32 state offices currently located in the southern zone of the city[9]. This very large plot of land (1 million m^2) was bought in 2005[10]. The initial idea was to develop residential districts that mirrored the largely traditional market of the company. However, this large and central plot of land came to be seen as a means of centrality for the rapidly developing southern part of the city, and it was thus decided to create a mixed-use urban area that would be developed in three phases. The residential districts that have already been built, and the hotel area surrounding the large central public park (which was bought for a "good" price as it was for public use (133 333 m^2,

including a lake)), will be completed by the ongoing construction of a commercial and leisure activity center and a office areas tower (a 27-floor tower).

The undergoing urban "international plaza" project is the fifth and last part of a large residential district (284 000 m^2) developed on an agricultural plot of land at the eastern fringe of the city center since 2005. This first residential, commercial and leisure activity space (seven towers including hotel and office areas) of the private company, Shengshi jinhua, will directly benefit from the demand of 5 000 apartments (which the company itself will build) as well as from the other surrounding and recently constructed districts.

The ongoing urban project of an ancient-style city is the first tourist spot to be developed in Qujing. It is supported by the governments of both Yunnan province and Qujing city as the first project based on the local culture, *cuan*. The plot of land for this "city" is 363 000 m^2 in size and partly occupied by a village. It was acquired in 2008 by the real estate company Feilong, and an agreement was facilitated by the City of Qujing between the company and the mayor of the rural community. A cash compensation for each household was used to rebuild a new and compact village next to the mixed-use project that included a residential district of 48 villas, a tourist "ancient city" and a hotel and spa. Support from the local government also enabled the relocation of the tourism and food bureaus. Feilong first directly benefits from the help of these two bureaus to select and attract restaurant and other well-known food chains located in similar tourist resorts in other regions or provinces. The site also benefits from the public marketing campaigns created by the Department of Tourism. Another large cultural tourism resort based on the same concept of the construction of an ancient city is expected to be constructed right next door by a Hong Kong-based real estate company. This eastern part of the city will thus become an urban pole for local culture, integrating itself into the City master plan[11].

Three further projects involved the development of three new luxury villa districts based on high environmental value, in the outskirts of the city. The companies in charge of these projects were two of China's top ten real estate companies, Henda (Evergrande) and Bi gui yuan (BGY: Country Garden), and the regional player Minda. While the development of the first part of Minda's luxury villa district was conditioned by the payment of an annual rent of 2 million RMB (for a 25-year period) for a self-financed and managed sport facility, the two top national developers could purchase, free of constraint, the plots of land they had chosen.

All of these large and symbolic urban projects are considered the most innovative and high-value products in the city. Using large land spaces (>50 000 m^2), they are considerable investments (>1 billion RMB), especially for local players. Consequently, only large developers could financially bear their cost. Being part of the city master plan, they are all investment products since they correspond to the objective of improving urban value by orientating the real estate market from a primarily residential supply for middle-class people to new urban needs based on a new phase of city growth. In this, the local government strategy has been to make the real estate market attractive to external investors. The interest of the two top ten national players was considered both as a marketing opportunity not to miss and a way of improving the quality of the local residential market.

TABLE 2 : MAIN FEATURES OF THE EIGHT INNOVATIVE AND SYMBOLIC CURRENT URBAN PROJECTS IN QUJING

	Mixed-use urban project based on retail				Cultural-tourism urban project	Luxury residential urban projects		
	Jindu Guoji 金睹国际	**Wan he guoji 万和国际**	**Qilin jia cheng 麒麟嘉城**	**Shengshi**	**Jiang jun zhen 将军镇**	**Jin lin wan 金麟湾**	**Qujing Bi gui yuan 曲靖碧桂园**	**Henda mindu 恒大名都**
Urban project description	Hopsca: shopping center, one 51 floors-tower with office (5 grade) and hotel areas (3-5 stars) and 3 residential towers of 37 floors (middle-class and high-end apartments)	Hopsca: 2 shopping malls, 1 CBD (in a 180 m tower: 43 floors) and 8-10 residential towers (high-end apartments)	Hopsca: large-scale mixed-use urban project which will be the urban ploe for the southern zone of the city.	Hopsca: shopping and entertainment center ; 1 CBD (5 grade office areas) tower and 1 hotel tower and 5 residential towers (middle-class apartments)	Cultural-tourism project with the construction of a "ancient city/palace" with restaurants, shops and entertainement activities (tea houses& bars, cinemas and KTVs)	Luxury residential district: villas and 10 floors buildings (high-end apartments) with a community center (5 stars hotel, spa and sports activities)	High-end residential district. Contruction in two parts. The first part has villas and a public square with shopping areas, sports and community center and two 15 floors buildings. The second part will be with villas and residential towers (12 - 35 floors)	High-end residential district: villas and 10-20 floors buildings (high-end apartments)
Localisation	City center	City center	Southern zone of the city	Eastern ring of the city center	Eastern zone of the city	Southern zone of the city	Southern zone of the city	Western zone of the city
Real estate company	Local company: Xiongye real estate	Local company: Ansha real estate	Local state-owned company: Qilin real estate	Local company: Shengshi jinhua real estate	Local company: Feilong real estate company	External company: Minda real estate	National large company: Bi gui yuan (Country Garden)	National large company: Henda (Evergrande)
Other information	The skyscaper will be the fifth highest in Yunnan province (218 m and 51 floors) Bai Sheng (Parkson) is expected to be the main commercial owner and manager for the main part of the shopping center	The undergoing first part consist in building residential buildings (some of them being for the existing residents in the city district Gingko, the Kunming-based commercial manager brand is expected to run one of the large shopping mall	The total surface area has 1'000'000 m^2 (1500 mu) and is divided in 5 parts: 1. Residential area (3000 units in towers) of 200'000 m2 2. CBD (1 tower of 5 grade office) of 50'000 m^2 3. Commercial and leisure activities district (shopping mall, rrestaurants, 1 cinema and 2 KTVs) of 200'000 m^2 4. Hotel district 5. Public space: square and pedestrian zone (133'333 m^2) & garden and lake (130'000 m^2)	This mixed-use project complete the construction of a quite large residential district (for the middle-class) on a plot of land of 426 mu in total	This "ancient city" is part of a large "hopsca" project at the scale of the district with a villas'district (completed) and a planned hotel and entertainment district (one 5 stars district and smaller private ones; tea and wellness houses)	This district is the 4th part of the 5th part project of the large luxury district. The total land surface area bought by Minda is 5'441'333 m2 (8182 mu).		
Project milestones: opening sale and expected date of completion	Opening sale: 06.03.2013 End 2014	First part under development Opening sale: spring 2015	Opening sale: June 2010 End 2014	Opening sale: 14.09.2014 End 2015	Opening sale: 18.05.2013 (1st part: villas district); Ongoing construction for the ancient city Summer 2015	Opening sale: end 2013 End 2014	Opening sale: 15.06.2014 (1st part) Summer 2014 (1st part)	Opening sale: 02.05.2011 End 2014
Technical datas								
Land surface area	26'300 m^2 (40 mu)	86'666 m^2 (130 mu)	1'000'000 m^2 (1500 mu)	44'913 m^2 (67.73 mu)	363'000 m^2 (545 mu) 35'091 m^2 for the villas district	98'640 m^2 (147.96 mu)	346'000 m^2 (520 mu)	416'666 m^2 (625 mu)
Ground floor area	420'078 m^2 120'000m^2 shopping area 160'000m^2 residential area	800'000 m^2	586'000 m^2	262'000 m^2	about 400'000 m^2 21'500 m2 for the villas district	57'232 m^2	410'000 m^2	800'000 m^2 25'000m^2 of lake area
Proportion of green surface area	11.20%	25.10%	50%	35%	25% (villas district: 35.3%)	58%	35%	40%
Total construction ratio (rong juli)	11.5	6.7	1.6	4.5	1.07 (villas district: 0.61)	0.6	1.03	1.75
Total of units (zong hulou)	1874 (apartments only)				48 villas	185 villas		5300 villas and high-end apartments
Main financial datas								
Total investment (RMB)	2.5 billion		5 billion		1.6 billion		2.2 billion	2 billion
Price of land	400 million (10 million RMB/mu)	1.105 billion (8.5 million/mu)						
Price of units (RMB/m2)	5'300-7'800 (apartments) 12-66'800 (retail area)		4'200 (average price for apartments) 10-67'000 (retail area)	3'500-6'000	15'000 (average price) for villas	9'000-20'000 for villas	16-20'000 for villas from 4400 for apartements	4'900 (average price) for apartments and 8-10'000 for villas

TABLE 3 : MAIN CHARACTERISTICS OF THE SIX LARGEST LOCAL REAL ESTATE COMPANIES IN QUJING

Real estate company	Dongsheng real estate	Qilin real estate	Ansha real estate	Xiongye real estate	Shengshi jinhua real estate	Feilong real estate
Status	state-owned	state-owned	private-owned	private-owned	private-owned	private-owned
Date of creation	1993 and 2002 (as a limited company)	1999 and 2005 (as a limited company)	1999	2002	1998	2002 (before, it was a retail company)
Company branches	1) Dongsheng hotel 2) Dongsheng property management 3) Dongsheng construction enterprise 4) Dongsheng pawnbroker company and dongsheng microcredit company 5) Dongsheng bijouterie 6) Dongsheng restaurant 7) Dongsheng landscaping company Dongsheng real estate is a main shareholder of the state-owned Yunnan feng mao electricity company	1) Qilin property management 2) Qilin construction enterprise	1) Ansha construction enterprise (2001) 2) Ansha property management (2003) 3) Ansha hotel management (2011; management of 3 non-owned hotels and 1 owned hotel) 4) Ansha microcredit company (2005) 5) Ansha brokerage company (2005)	Xiongye real estate company is a spin off of Xiongye cement company. The group created in 1985 has several branches: 1) Xiongye cement company 2) Xiongye "jin cheng": management of the self-owned shopping mall 3) Xiongye printing company 4) Xiongye Kunming hotel	1) Shengshi jinhua property management 2) Shengshi jinhua garden company (management of tea houses and restaurant) 3) Shengshi jinhua construction enterprise (2008) 4) Shengshi jinhua green spirit engineering (2010)	Feilong real estate is part of Feilong group: 1) Feilong property management 2) Feilong retail company 3) Feilong electric company 4) Feilong machinery company
Developed projects	***Residential districts*** : *Northern zone* : 7 districts ***Residential and commercial districts*** : *Northern zone* : 1 district *East of city center* : 2 districts	***Residential districts*** : *Southern zone* : 5 districts *East of city center* : 2 districts	***Residential districts*** : *East of center* : 3 districts *West of center* : 1 district *Western zone:* 5 districts *Northern zone:* 1 district ***Thermal baths district*** : 1 district (Ansha sheng shui wan in Malong)	***Residential districts*** *City center* : 3 districts ***Residential and shopping mall district*** : *City center* : 1 (jincheng bai huo & xiongye jia yuan: mixed-use residential and retail&leisure activities)	***Residential districts*** : *East of center* : 2 districts *Western zone* : 1 district	***Residential districts*** : *City center* : 2 districts *North of city center* : 1 district ***Shopping center*** : *City center* : 1 (Feilong da sha) ***Shopping street*** : *City center* : 1 (feilong wenhua shang mao cheng)
Main current projects	***Residential and mixed district:*** *Northern zone:* 1 **(** dongsheng plaza)	***Hopsca*** : Southern zone: 1 (Qilin jicheng) ***Residential and mixed district*** : East of city center: 1 (Qilin jiayuan chaoshangjie)	***Residential and mixed districts*** : *North west of city center* : shi wu cheng (residential towers and shopping street); kang he yan (residential center for elderly people, health and sport center; shops) *Western zone* : zhu yu cheng *Jinhong, Xishuangbanna* : yulin shenti yana (residential buildings, hotel, shopping street) ***Resort*** : "da guo ziw" in Malong (villas and high-end apartments; leisure activities and wellness center) ***Hopsca*** : *City center* : wanhe guoji *Western zone* : chengshi chuntian	***Hopsca*** : *City center* : jindu guoji	***Hopsca*** : *East of city center* : 1 (shengshi jinhua international plaza) ***Residential districts*** : *Western zone* : 1 (phoenix garden) *Kunming area* : 1 (guolin feng huan hu pang: high-end villas district)	***Cultural-tourism project*** : *Eastern zone* : 1 (jiangjun zhen)
Market strategy	Local market	Local market	Local and regional market (Malong and Jinhong)	Local market and regional market (Xunwei city: residential district)	Local and regional market (Kunming: high-end villas district)	Local market

SOURCES: OWN COMPILATION BASED ON COMPANY WEBSITES AND QUJING REAL ESTATE MAGAZINES

2.2.2 The improvement of the traditional economic model: green value and Leisure facilities

The development of the first district of luxury villas turned out to be a success for the originally non-local player Minda. As the southwestern part of the city next to the hills was planned for high-end residential districts as an extension of the first two villa districts previously developed (2005–2010), Minda planned to make use of the natural landscape with its forest and hills. It developed the first ever Mediterranean-style villa district, next to a man-made lake and a small Western-style shopping street opposite to the sport and conference centers[12]. An international kindergarten in partnership with a Hong Kong school was also part of the main advertising claim for residents. Properties on this preserved and quite remote location finally appeared on the market at the same time as the other luxury residential area developed by the national real estate company, Henda (at the beginning of 2010).

This parallel project of Henda was an opportunity for Minda to settle a higher price (12 000 RMB/m^2) than Henda (8 000–10 000 RMB/m^2), due to its better location (the Henda project is located just next to a chemical factory) and better infrastructure facilities. Minda quickly sold out the 150 villas by the end of 2010 and, thanks to its success, could go on developing other districts. With a primarily “word of mouth” marketing strategy, Minda has now become a well-known regional brand. While its two previous projects were guaranteed and paid in advance, Minda’s investment strategy is now focused on only one project and consists in changing the style of the villa districts[13], on step-by-step improvement of the buildings’ design (inside and outside) and of facilities (a golf course, a new leisure center with swimming pool, a restaurant, a community center and a five-star hotel) and service management for residents based around a concept focused on sport and natural environment[14]. This investment strategy has followed the evolution of the company, which has grown from its original small team and now has its own in-house architecture and design department that has recently been working with offices in Shenzhen and Shanghai to develop French-style houses and flats as well as some custom-made villas based on an open and natural environment (instead of a fenced garden), which makes Minda the first company to do so in Yunnan.

The business model of the two national players, Henda and BGY, also consists in constructing high-end residential districts, with both villas and high-rise buildings (15 to 30 floors), within a green environment. Green spaces with lakes and gardens, sport facilities, a high level of service management and infrastructures for children (such as an international kindergarten) allow the companies to advertise their residential properties as “five-star houses in a garden”. Moreover, within a national-scale investment policy and specific focus on second- to fourth-tier cities, they both have an integrated business model which is based on a quick process from land purchase to construction and from marketing to sales.

However, while the first part of the French-style villa project located in the western part of the city was quickly constructed and sold (2009–2010), Henda’s other plans for the project, including the construction of a man-made lake and high-rise buildings, have since been delayed due to a lack of customers[15]. For BGY, however, the construction of their Californian-style standard district, right next to several of Minda’s villa districts, started just ten days after the contracts for the land were exchanged in August 2013, and the first part was on the market in June 2014.

Henda was the first in the city to construct models of outfitted and furnished villas and flats to show to customers who were used to buying based only on architectural plans. BGY then also did this, as well as launching an active marketing and publicity campaign in order to improve the standard presales process through enabling customers to preregister, and giving them VIP cards during the development phase. This enabled BGY to earn extra cash and granted certain advantages to the customer[16].

Minda's luxury districts in a totally green environment and the recent arrival of two large national companies doing the same have reinforced a trend towards the development of residential districts in a green environment and in proximity to facilities for residents. The southern part of the city and the area located next to the existing villa districts has now become a high-quality residential area of around ten districts for the middle and upper-middle classes.

2.2.3 A change of economic model for local developers: mixed-use projects as innovative investment products

For large local developers, the four new mixed-use urban projects corresponded to a change of economic model, since all but one (Xiongye) are experienced in large, expensive, more sophisticated and risky non-residential property products. These mixed-use urban projects, based either on retail or tourism, correspond to a change in the core business of developers. Contrary to the residential market, where property is sold to individuals[17], developers become real estate owners and commercial managers with an economic long-term involvement, since they keep a part of the total surface area (Figure 1).

Depending on the company's diversification strategy and financial situation as well as on the commercial mix positioning, an estate can be divided into sections, most of which may be owned by the developers and the rest of which can be sold to individuals. Thus such mixed-use projects can be seen as investment products for developers, based on a new type of cash-flow management.

In the case of two projects, large shopping spaces are expected to be leased to (i) large commercial brands, either national or international, in food supply (Wal-Mart for Qilin), clothing or electronics or (ii) multi-brand commercial distributors, such as the international player, Parkson (for Xiongye), or the regional one, Gingko (for Ansha, based in Kunming). While these tenants act as economic drivers, the developers are commercial owners and managers, and receive a regular rental income for a 15- to 20-year period. For large retail groups, average monthly rental prices range from 15 to 100 RMB/m^2 [18]. The rest of the retail surfaces (40% and 20% of the retail areas of Qilin and Xiongye shopping malls respectively) are sold to individuals for a period of 40 years, bringing in further revenue for developers. They can sell smaller shops at higher prices per square meter, with current sale prices ranging from 12 000 to 68 000 RMB/m^2, depending on the brand, surface area and location. Such retail surfaces are often subleased to smaller retail brands (most of the commercial operators and tenants are affiliated to retail groups) through rental contracts with developers that usually last five years[19]. These latter commercial managers can also expect some

regular income based on the difference between rental fees paid to the owners and the income received from the retail tenants and owners. Retail leases to tenants are on average 200 to 800 RMB/m^2 per month, and shop owners can expect a minimum of 4% yield.

The same system of selling and subleasing to individuals exists for some high-end apartments which are located just below the space occupied by a hotel and which are turned into hotel residences (Xiongye, Shengshi and Ansha real estate companies' projects). Individuals can sublet their apartments to the hotel for a fixed annual rental income, which includes 15 or 30 days of free use per year. In addition, hotel areas can be sold (Qilin; expected for Ansha), let (expected for Feilong) or even self-managed (expected for Shengshi). High quality ('5 grade') office areas are sold to individuals and firms. As for high-end and middle-class apartments and villas, they are built and quickly sold to individuals in order to obtain cash for the development of the remaining, more time-consuming part of the urban project. Xiongye sold high-end apartments at 7800 RMB/m^2; Qilin sold apartments aimed at the middle classes for 4200 RMB/m^2, and Shengshi expects to do the same for 3500–5000 RMB/m^2; while Feilong sold its villas for 15 000 RMB/m^2).

The economic model of the current new mixed-use urban projects for these four local large players is based on the construction and division of the city rent based on a new commercial supply. While the existing commercial rent in the city is based on traditional shopping streets and a few shopping centers, large and well-known national and international brands, combined with leisure activities, are expected to cover a larger commercial scope and to correspond to the plans for improved facilities for the city and regional population (Table 4).

TABLE 4 : THE CURRENT MODERN SHOPPING AREAS IN QUJING

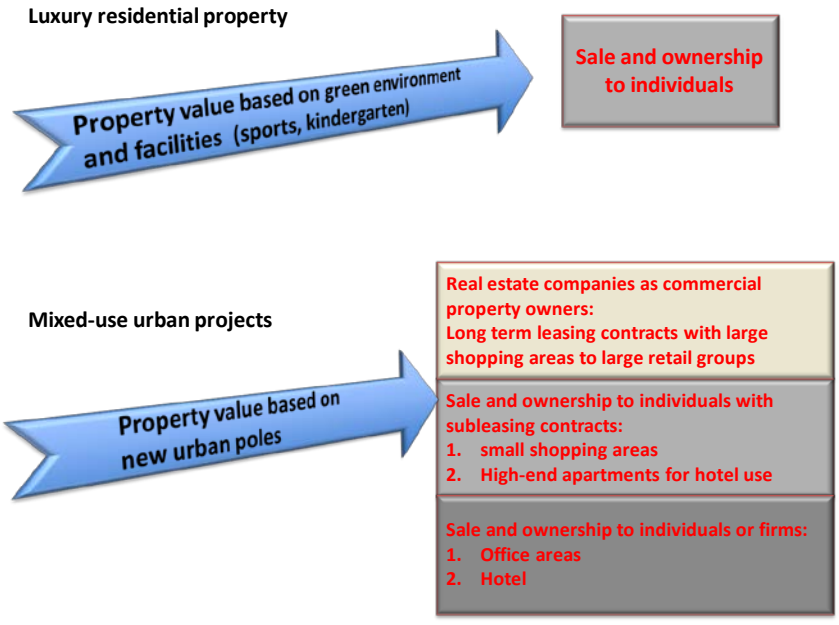
Retail market in Qujing	Surface area (m2)	Opening date	Retail mix	Retail surface for sale/let (m2)	Monthly rent (RMB/m2)	Sale price (RMB/m2)	Occupancy rate	Location
Shopping centers								
qujing baihuo dalou	2'500	2000	low-mid	n.d.	n.d.	n.d.	n.d.	city center
diandong shangchang	7'500	2004	low-mid	20-200	40-180	5-35'000	80%	city center
feilong shangye	4'000	2006	low-mid	n.d.	n.d.	n.d.	n.d.	city center
Shopping malls								
qujing xin bai da	10'000	2007	middle	n.d.	14-25% on shop income	no sale to individuals	n.d.	city center
qilin shangye guangchang	50'000	2009	middle	50-300	60-400	7-70'000	90%	city center
zhongtian gouwu zhongxin	30'000	2009	mid-high	45-300	60-400	24-65'000	100%	city center
jincheng baihuo	18'000	2010	mid-high	20-450	80-200	10-38'000	86%	city center
mo er gouwu zhongxin	15'000	2010	mid-high	n.d.	n.d.	n.d.	n.d.	city center
caifu zhongxin	80'000	2011	mid-high	40-500	n.d.	n.d.	n.d.	West of city center
huasheng guoji	12'000	2012	low-mid	n.d.	n.d.	n.d.	n.d.	city center
shidai guangchang	30'000	2012	mid-high	n.d.	80-150	n.d.	n.d.	southern zone
Hopsca								
jindu guoji (Xiongye RE)	100'000	expected 2015	mid-high	50-300	n.d.	12-66'800	n.d.	city center
qilin jiacheng (Qilin RE)	200'000	expected 2015	mid-high	70-300	n.d.	10-67'000	n.d.	southern zone
wanhe guoji (Ansha RE)	n.d.	expected 2017	high	n.d.	n.d.	n.d.	n.d.	city center
shengshi guoji (Shengshi	n.d.	expected 2016	mid-high	n.d.	n.d.	n.d.	n.d.	East of city center

SOURCE: OWN ELABORATION BASED ON SOUFUN INTERNAL DOCUMENTS

In terms of market positioning as well as architecture and design, developers need to have a more market-oriented approach to the various types of markets and corresponding products (retail, office, leisure and residential areas). With a focus on international brand mix positioning, Ansha aims at luxury and Xiongye and Qilin are positioned in 'high' commercial offer. The commercial value rests upon the construction of "a city within the city" with pedestrian areas, modern shopping and leisure activity areas around a central "international" public square (*guoji plaza*) and sky scrapers that offer accommodation for residents and businesses while also functioning as symbols of the city. Certain famous international brands in food supply (such as Wal-Mart and Carrefour) and clothing (Zara, Gap, H&M) are expected to be the commercial drivers for the whole project. National well-known brands (Giordano and Baleno for clothing; Sunny and Gomei for electronic devices) as well as smaller brands in small shops are completing the shopping malls; restaurants, including some international brands (such as Pizza Hut and KFC), and leisure areas (with, for example, karaoke bars and cinema) are also part of the commercial mix.

As the second largest city in Yunnan, Qujing is undoubtedly a good location for international commercial brands that have a market expansion strategy within the numerous regional-scale cities in the country. Lots of international and sought-after brands are already known in the city (such as Only, Jack & Jones and McDonald's as well as those mentioned above); negotiations with such brands were conditioned by market analysis conducted by developers and confirmed by in-house analysis or local knowledge of the retail market[20]. As this was the developers' first experience of large non-residential projects, they had to rely on specialized firms for economic and financial services or for technical and design work (such service providers are often based in Kunming, Shenzhen or Shanghai, and sometimes even located in the USA; the latter was the case for the Feilong cultural city project).

FIGURE 1 : ECONOMIC MODELS FOR RESIDENTIAL AND MIXED-USE PROJECTS



OWN ELABORATION

2.2.4 New urban projects as new investment products for individuals

In the 2000s, increased demand among individuals for housing property (for both self-use and investment purposes) meant large profits for local developers (30% net profits on average, and even 50% in some cases). This “golden decade” was boosted by the city’s new master plan and the active growth strategy of the local government. The period 2005–2010 saw the development of middle-class residential areas on empty agricultural spaces in the outskirts and suburbs of the city, based on an urbanization objective mainly leveraged by the city’s integration of surrounding villages and townships into the city territory[21]. The first villa districts[22] and residential towers (>25 floors) appeared next to the standard districts of 6- to 10-floor buildings.

Urban residents who benefited from free or very cheap apartments as state employees (working in administration and factories) were the first to buy extra apartments. More recently, attracted by the improvement of amenities (green spaces and car parking) in districts located outside the core city center, many middle-class households in Qujing have bought at least one extra apartment in addition to the one they own in the city center, mainly to be near the ‘good’ schools that are centrally located. The city government has also encouraged people from elsewhere to settle down in Qujing[23]. The non-local demand has thus been quite significant (10–15% per year since 2010), with people coming either from the Qujing Municipal area or from Kunming and the neighboring province of Guizhou. 30% to 50% of the flats in four newly developed residential districts built in the city center in 2010 and 2011 were purchased by Kunming residents, with the districts close to the railway station being especially popular (QJRE, 2011-4). This can be seen as resulting from the good economic prospects of the Qujing area, and from the increasing real estate prices in Kunming, along with restrictions introduced in 2011 that permit people to buy no more than two flats in Kunming. With real estate prices being comparatively low in 2008 according to Qujing second rank for the provincial GDP, buyers can expect some increase in real estate prices, even in the short term (in 2008 and 2013, the average price was 2850 and 4088 RMB/m^2 respectively. See Table 1).

The targeted clientele of the three recent luxury villa and high-end apartment districts consists of upper-class and wealthy people from the Qujing urban area as well as from other places (mainly Kunming, Sichuan and Guizhou). This local and regional clientele is largely made up of directors, general managers and head managers in large local, often state-owned, industries such as tobacco, chemistry, agribusiness, the van and truck industry, energy and coal mining. There are also many private owners of local retail shops and coal mines (Yunnan is known for having lots of “mei lao ban”, people who have made their fortune in the coal industry). Further clients include high public officers, for whom real estate has become a major investment. Such purchases can reap reasonably impressive profits on resale due to the increasing real estate prices. Alternatively, properties may be purchased simply in order to maintain their value and as a shield against inflation for the buyer. In the case of Minda’s districts, half of the 600 existing villas are still empty. This could reinforce the fact that these purchases are seen as investments.

While the luxury villas and high-class apartments in the new top-class districts can be seen as both self-use and investment products, the new mixed-use urban projects are seen as new investment products for individuals. While large retail and leisure activity spaces are rented by large national or international retail groups, smaller retail and hotel spaces (such as shops and hotel apartments or rooms) are sold and subleased to individuals. By investing in property, rather than more “traditional” investment in shops and shopping centers, individuals externalize the economic risk to real estate companies that must find the commercial operators. Individuals can expect a regular rental income as well as an increase in the property value in the medium term due to the presence of large groups as key drivers of the new shopping centers.

Overall, well located retail areas are sought-after investment products, and the success of the commodification of new retail products within large modern shopping centers depends on the balance between the outsourced economic risk and the investment remaining profitable to the individuals. For retail property investments, individuals expect a minimum of 5% income per year

2.3 Land and Real Estate as significant financial assets for the Local financial System

The urban production in Qujing is financed through a local financial system, based first on banks and second on other financing circuits, where land and real estate assets can be both mortgages and investments.

2.3.1 The financing of the city: the close relation between local government, developers and local banks

The objective of the urbanization and modernization of the City of Qujing is based on close relationships with local branches of the main state banks. In 2012, the 2009 agreement between the City of Qujing and the Industrial and Commercial Bank of China was renewed to enable the City to implement the 12th local five-year economic and urban development plan and to support the local real estate market (QJRE, 2012-9). Thus banks finance the government's local urbanization policy, directly through investments in public and infrastructure and indirectly through bank loans to real estate companies and households.

Encouraged by the national economic stimulus plan of 2008–2009, the City of Qujing was able to borrow money from local branches of large state banks to finance various public expenditures such as the new sports and exhibition centers, urban roads and connection to the neighboring city of Malong. Due to the important leverage effect of the total borrowing mortgaged mainly on land, the local state financing and investment companies (*rongzi gongsi* and *touzi gongsi*) issued corporate local bonds through banks at the interest rate of 7–8%. In parallel, through these companies, Qujing City was able to borrow capital, but at a more expensive rate (10–12%: 8% to individuals and 1–4% to the trust and the bank), through trust financing (from Yunnan Xintou gongsi, the only trust company in Yunnan, as well as from two other Beijing-based trust companies).

Major local developers have tended to be the favorite customers of the local branches of large national state banks, since they are considered as secure and profitable clients (Yeung, 2009). Due to their specialization in building and developing the country, the three national banks (Bank of China, Industrial and Construction Bank of China and China Construction Bank) offer lower interest rates on loans compared to private banks (notably Shenzhen Merchants' bank and Kunming Fudian bank) and the local state-owned Qujing commercial bank. Even within a more competitive bank market, where loan conditions are negotiated[24] and where land and other real estate properties are seen as backing assets, the major local developers would have good access to bank loans with favorable rates. The reasons for this are outlined below.

First, the six largest local developers (Ansha, Qilin, Minda, Dongsheng, Feilong and Shengshi) are all in a good financial situation. They are the main builders of the city and, in the 2000s, earned considerable profits. More recently, they also had successful sales of very large residential projects (two districts for Ansha and Qilin, and one for each of the others). They all have some land in reserve for further projects and can also guarantee bank loans with the assets of other companies, for example through affiliated branches within a group. Xiongye and Feilong are part of industrial groups with regional activities that are closely

related to or directly supported by the state (cement and medical chemistry, and electric material and machinery respectively). Another way of guaranteeing loans is through their micro-credit companies. Ansha and Dongsheng, for example, own their own micro-credit companies (‘dai kuan gongsi’).

Second, the development of mixed-use projects as innovative real estate products in the city represent for banks a means of diversifying bank investments to commercial and other real estate sectors, such as leisure & entertainment activities, hotels and resorts for tourists, and office areas. This consequently reduces the dependence of banks on the residential property market. Moreover, these are top-priority urban projects supported by the local government: Qilin and Dongsheng are local government real estate companies, the cultural tourism project of Feilong has the direct support of the city government, and Ansha and Xiongye are involved in projects that are symbolic of the city’s modernization as a whole.

Finally, the development projects of large local developers are a more secure and profitable bank investment in terms of housing mortgage loans. Buyers of housing or retail areas who need bank loans have to go to the particular bank with which the developer has a business agreement.

In the 2000s, local banks supported the middle-class purchases of residential properties. Since 2010, however, due to the increase in real estate prices in large cities in China, residential mortgage conditions have changed: while the deposit required on a house used to be 20% of the full value, it is now 30%, and this increases for the purchase of a second residential unit. Furthermore, the acquisition of a third residential property is now prohibited to individuals. However, no limitations have been made for commercial mortgages when buying retail areas or hotel property.

The 2010 national restriction on bank loans seems to have impacted most on smaller developers, who either have to fulfill tougher conditions (especially with regard to guarantees and the mortgaging of assets) or to turn to other banks, like the Agricultural Bank of China and local rural/cooperative banks. These have the highest rates due to their specialization in rural business, but less strict bank loan conditions. Some developers, however, have taken advantage of a current national policy that supports SMEs and consumption activities. By opening a business related to consumption, such as a poultry or pork farm, developers can obtain bank loans at favorable rates, which may then be used for real estate business.

2.3.2 The financing of the city: alternative financing circuits

For developers, own funds still represent the main financing channel, even before bank loans. First, developers organize the collection of money from customers as early as possible, before the completion of the construction and therefore before the official sale opening day[25]. The total amount that they need to raise can then be completed through other capital sources within a group. This financing through internal channels has been an important leverage for some real estate companies. Minda’s owner made a fortune in agribusiness before financing the purchase of the first plot of land for its luxury villa district, while Huatai, a local state-owned electricity company, developed its first residential district in 2013 by using funds from its industrial activities. Similarly, Xiongye and Feilong were industrial companies before setting up their real estate branches.

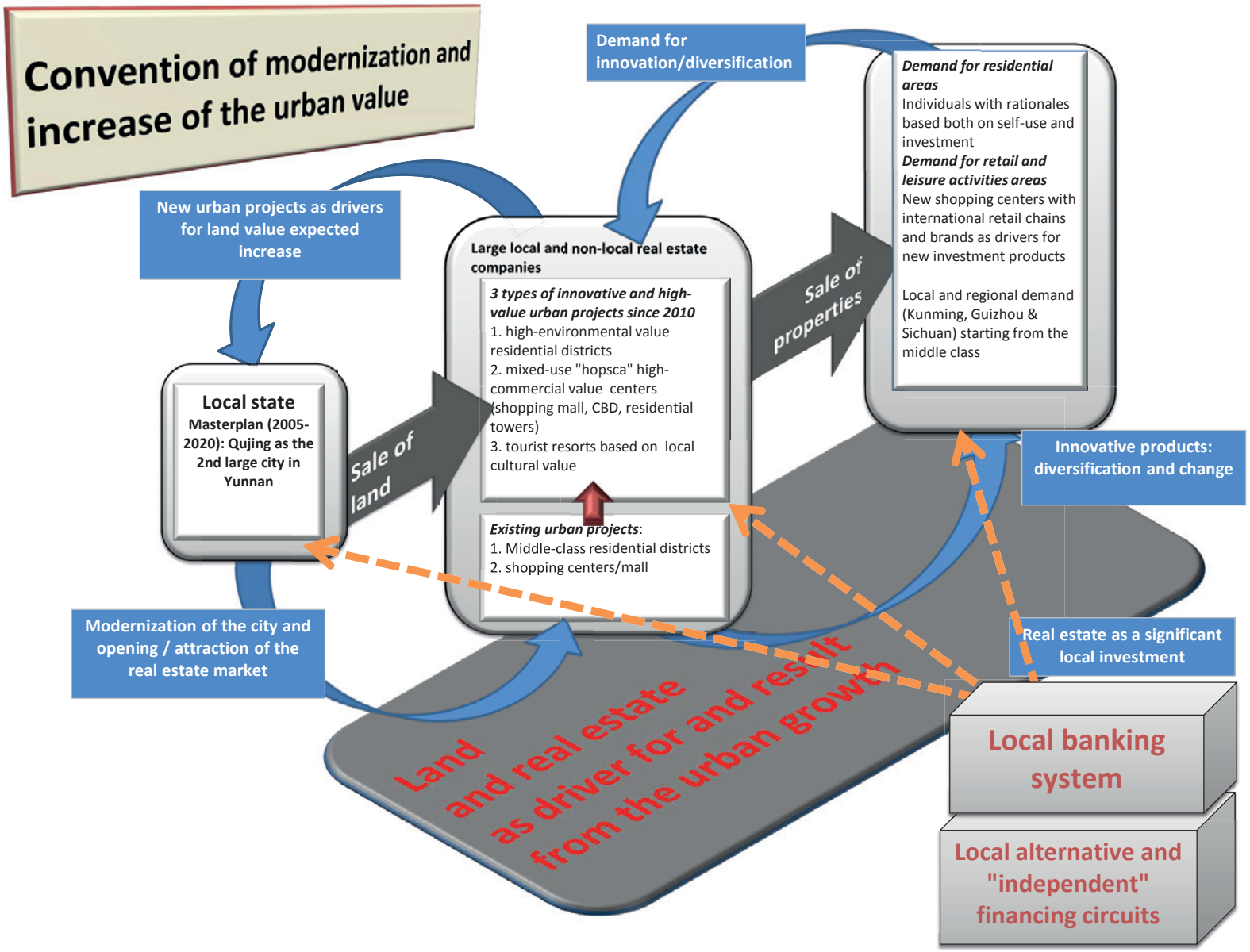
Private loans (*gaoli dai*) with high interest rates (>15–20%) from micro-credit companies or individuals, as well as project partnerships (*ru gu*) between real estate companies or with other private investors, are also ways of financing for small and medium real estate companies involved in relatively small property projects (large local real estate companies can access less expensive bank loans).

The two private and pure real estate companies, Ansha and Shengshi jinhua, both started with a successful project that was non-bank financed. Ansha in particular has experienced rapid development; the construction of ten residential districts began in 2005, and five property projects in Qujing are currently ongoing (Table 3). While the other local players are focused on the local property market, these two have recently started to invest in the property markets of other cities. Thus Ansha developed two tourist resorts in the neighboring city of Malong and in Xishuangbanna, and Shengshi acquired land near Kunming on which to develop a villa district. Dongsheng, a local state-owned real estate company, received 100 m of land in 2003, from both sides of the road, in return for constructing an 8 km main road from Qujing to the northern satellite city of Zhanyi. Since then, Dongsheng has developed several residential projects (seven residential and three mixed residential and commercial districts) and has sold plots of land to other developers along this road, which has increasingly become the axis for the development of northern city districts.

Such private–public arrangements have often been used in the construction of public infrastructure such as school or sport centers. Based on an “equivalent exchange” agreement (*deng jia jiao huan*), public infrastructure financed by a real estate company is usually compensated by a plot of land for the same value. Through a “right of management” agreement (*jing ying quan*), the real estate company that finances the building of a public infrastructure receives in exchange the management rights and certain fees paid by the users (see Minda, above).

During the 2000s, if the price of a piece of land was based on official auctions, local real estate companies benefited from various arrangements regarding tax collection, especially for land value added tax, which was very expensive. While it could amount to 60% of the net sale, in these cases it was reduced to only 1% or 2%. This could be seen as indirect support for local property development projects or even as compensation for selling flats or villas at discounted prices to public employees, either privately or through an agreement between developers of residential districts and public agencies.

FIGURE 2 : THE ANALYTICAL-INTERPRETATIVE FRAMEWORK FOR DEALING WITH REAL ESTATE PROCESSES IN CHINESE CITIES



CONCLUSION

By focusing on the interwoven real estate processes in the fourth-tier city of Qujing, the proposed analytical-interpretative framework gives a global view of “China’s landed urbanization” (Lin, 2014). The government’s growth strategy is based on a convention of modernization and urban value increase, and results from behavior shared by four groups of investors (Figure 2): the local government, developers, individuals and financial institutions. These groups all share a convention about the urban value increase resulting from the modernization and economic growth policy.

The local government is leading city growth and the development of the local real estate market. Through the commodification of land and urban planning, it influences the price and the pace of production of the city, and is the first to benefit from land and related incomes that are contributing to the general increase of annual fixed assets and investments as well as of local GDP. An increase in urban rent accompanies the modernization of the city and the development of urban projects that should correspond to urbanization phases and the evolution of needs for housing, retail or office spaces. This directly impacts on the profitability of real estate companies as well as on the sustainability of urban growth.

The priority in the 2000s was to build residential areas in Qujing. Since 2010, the priority has been to start a new phase of city growth by creating new urban poles and improving the value in order to reach the 2020 objective of one million inhabitants, reinforcing its position of second metropolis in Yunnan province. In addition to the existing commercial streets and the few shopping centers, new large-scale “hopsca” developed by local players are playing their part in modernizing the city commercially and increasing its economic attractiveness. The development of three villa districts of high environmental value, by one regional and two of the top ten national real estate companies, has also helped to improve the value of local residential property.

In this changing environment, local real estate companies in particular need to adapt their business models to demand, market or government pushed. When developing mixed-use urban projects, they are property owners of variable proportions of the retail areas and are thus direct investors in urban growth (and, more specifically, in commercial rent). Since the implementation of the new City masterplan in 2005, the real estate processes and price increases have only been positive in Qujing. This positive circular trend has been driven by the need of urban middle-class households to construct their patrimonial assets. Through either rental income or reselling, they can expect an increase in urban value which has started to rest upon new and more sophisticated real estate products, in either the residential or mixed-use sectors.

Land and real estate assets have also been both the driver for and the results of the local financial system. On the one hand, they can be used as backing assets for bank loans by local governments, real estate companies and households. On the other hand, they are an important source of income for banks and various other local financial institutions, for example through real estate investment by local industrial firms and private lenders. To some extent, local state support for real estate may explain why the restriction policy on development loans hasn’t really been successful in recent years: as major clients of local banks for bank loans and other financial

services, local governments also directly support local real estate companies seeking bank loans (Wei et al., 2013).

In this “game” based on the search for urban rent, the “winners” are the first to develop innovative products that enable the diversification of investments for the upperclass in particular. What will the next step be for the local property market? With the multiplication of residential districts (from middle class to high-end) as well as the construction of social housing by the City of Qujing (QJRE, 2013–11) over the last four years, the housing market has slowed down this year for the first time since the privatization of housing in 1998. The same process has started in the retail market, and four new commercial mixed-use projects and shopping plazas have been planned or developed since 2013. Yet commercial rent is not much stretchable and will quickly reach some kind of oversupply. The same possibility exists for the two neighboring cultural tourism resorts as well as for two others, located 25 km away. Qujing seems to entering a new phase of urbanization that will be more difficult to manage for all four stakeholders.

While we do not claim that the case study of Qujing has a generalizing scope, it can illustrate the real estate processes and the urban value increase experienced by the majority of Chinese cities in recent years. Many third- and fourth-tier cities in China differ from Qujing in that they are not integrated into national and international labor and capital channels, but are based on industrial clustering and intensive labor from rural migrants or on foreign investments. These differences of course impact on the forms and processes of urbanization in those cities (Wu, 2012). Development and urbanization strategies thus tend to be regionally or more locally organized. Yet the focus on the local scale doesn’t mean that processes happen in a closed system. The case of Qujing can illustrate how some national urbanization policies, for example in terms of land and property commodification, capital, and demand, are actually handled in specific local contexts. To some extent, it shows the current and well debated issues around the regulation of real estate and the political antagonism between “local growth coalitions” (local governments, developers, banks and property owners/buyers) and the central state.

While this framework does not permit generalization, it is not solely specific to Qujing either. The real estate market of a city may be influenced by several complex processes, such as interrelation with the national and international scales. First, some cities are becoming priority investment areas for large national and international players, such as top Chinese developers and large national (trusts and funds) and international investors (private property funds). Second, some cities can be integrated into national and even global value chains, which means the presence of national and international firms’ headquarters. Moreover, local governments may have policies to attract large national and international players to invest locally. No doubt, all of these elements help boost real estate markets.

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[1] A *Hukou* is a record in the system of household registration required by law in China. There are two kinds of hukou, urban and rural, according to the place of birth and family's origin. This system original aim was to prevent / control the migration of rural population to cities since rural migrants have no right to access to public education and healthcare when settling down in cities.

[2] In China, banks benefit from a combination of a ceiling on interest rates for deposits (their main source of funding) and credit quotas set by the Chinese central bank, which allow banks to charge higher lending rates for loans.

[3] Such alternative channels (called self-raised funds in the national official statistics) include non-bank financial intermediaries (trust companies, private equity funds, micro-credit firms), internal financing, trade credits (micro-credit firms) and various forms of coalition among firms, investors and local governments.

[4] In 2013, there were more than 6000 local investment firms where the local government's participation was backed up mainly by land assets, representing half of the local public debt in China (Lafarguette and Zhou, 2013). This enabled the banks to issue corporate bonds that could be sold to individuals.

[5] The Qujing municipality (Qujing Shi) is composed of 9 counties, including Qilin county. Qujing city, called "Qujing zhongxin chengqu", is the capital of the whole Qujing municipality.

[6] A fast train line from Kunming to Shanghai is currently under construction, financed by the state and expected to be in operation by 2017. It has a good motorway connection to Kunming and Guizhou province, and will improve the centrality of the city and its position as a gateway to the eastern provinces of China (12th five-year plan of the Yunnan province 2011-2015). It will be possible to get to Kunming or Changshui International airport within 20 minutes.

[7] This arrangement also stipulated that if this purchase could not be completed by Ansha, the local government would refund only 30% of the cost of the construction of the school.

[8] Inhabitants of this district – some of which were public officers – used their relations to protest at the province level administration in Qujing and Kunming. They finally managed to improve the original cash compensation.

[9] There are 32 state offices, local, provincial and national, including, for instance, the Court of Justice, the national tax office, the police headquarters, Qujing TV and the local head office of China Mobile.

[10] The two city-owned Qilin and Dongsheng real estate companies became officially private, with limited partnership status, in 2005 and 2002 respectively.

[11] In the current 2005–2020 city master plan, the city territory is divided into four districts and three urban poles (north, south and west) in addition to the city center. However, nothing is planned for the eastern zone, which is composed of rural land and villages.

[12] Negotiations with the city's government ended with a first purchase of 600 mu (400 000 m^2) in 2006 for 300 000 RMB/mu (180 million RMB in total), a price three times more expensive than the land for the first villa district bought by Yangguang real estate company in 2004 and originally 3 km away (now, due to the recent extension of the district, it is located right next door).

[13] In 2010 and 2011, after the success of the first district, Minda bought 1.7 million m^2 and 3.3 million m^2 respectively. By now, 2 million m^2 have been used to further develop two other recent villa districts, one based on a Californian style (16 000 RMB/m^2) and the other based on a "French-noble" style (20 000 RMB/m^2).

[14] In 2012, Minda received a prize (200 000 RMB) from the city and provincial governments for constructing the first “city in the mountains” using the natural landscape and hills and preserving the good lowlands for agricultural needs.

[15] The villas in the Henda project have sold out, but the sale of apartments is still going on (with the introduction of some discounts in 2014: 3000–4000 RMB/m^2 vs. 5500 RMB/m^2 in 2011). The fact that Henda has only half succeeded can be explained by the poor location of the project, as it is next to some pollutive chemical factories. When Henda purchased the land, however, the City of Qujing said that these factories would be quickly removed.

[16] If buyers register during the presales phase, they can benefit from some bonuses: for example, they can buy customer cards that have double value on the purchase day. In addition, there is a 2% to 4% discount on cash payments. Since the beginning of 2014, every month and especially during festivals, BGY has organized events such as shows and barbecues, for which customers can buy VIP cards (costing from 50 000 to 2 million RMB and worth 30% to 50% more on the day of purchase).

[17] After selling the project, developers remain involved with the management of the facilities. All developers consequently have a management department for each district, with annual costs paid by residents (for security, bin collection, cleaning, utilities, and so on).

[18] There are three main types of commercial rent in China. The first is a fixed, negotiated annual rent. The second is based on turnover. The third is a mixture of fixed and turnover-based rent, with a minimum fixed rent and a proportion that depends on turnover. For instance, Wal-Mart pays a fixed monthly rent of 100 000 RMB for its 8800 m^2 supermarket in the city center.

[19] More concretely, although individuals have the choice of buying and investing in different commercial surfaces like clothing, electronic tools or food, with prices varying according to sector, location of the shopping center and location within the shopping center, they are not able to choose the specific tenant name or brand.

[20] At the start of the development phase in 2010, real estate company Qilin began negotiations with Wal-Mart. The first master plan of the shopping center and the market analysis were prepared specifically for this negotiation, which lasted two years. The market prospects of Qujing and, more specifically, of the southern part of the city, were confirmed by a second market analysis by a Shenzhen-based firm (the condition was the potential for at least 5 000 clients a day within 10 km). The negotiations with Wal-Mart impacted directly on the technical and commercial design of the shopping center: First, the final master plan was based on the hopsca model. Second, the agreement with Wal-Mart was the trigger to attract other famous retail firms and brands, such as KFC and Gomez as well as the IMAX cinema group. It was also used as a strong marketing argument in the development and sale of the whole project.

[21] Besides reorganizing the rural territory near to Qujing City, administrative changes also aim to create a larger metropolitan area that includes other pre-existing districts. In 2011 and 2012, the capital towns of the two neighboring counties of Zhanyi (12 km north) and Malong (25 km west) became the two main cities of a newly formed metropolitan area, “zhujiangyuan da chengshi”, which has a total surface area of 5968 km^2 and a total population of 1.26 million:

http://www.qjup.cn/index.php?m=content&c=index&a=show&catid=31&id=2067

[22] The first villa districts in Qujing were developed by two external developers, Guanfang and Yangguang. They both bought agricultural land partly occupied by villages in the first southwest ring of the city center. These two original peripheral villa districts have been developed from 2005 up to now as both real estate companies finished the third part of their projects that meanwhile changed. Guanfang opened a five-star hotel in 2008 and recently constructed a series of buildings with 8–10 floors. Yangguang also extended its villa district with 8- to 10-floor buildings. These first two villa districts were considered as a model for local

large developers like Shengshi and Dongsheng, who also constructed villas with green spaces and car parking places, in the western and northern areas respectively.

[23] The only mentioned restriction concerns the fact that non-locals must have paid local taxes if they want to obtain a mortgage loan from a local bank, which consequently means a minimum of one year's stay in Qujing. The city government has also developed a proactive policy to attract new residents, in particular from northern provinces based on the moderate climate of the region. In 2014, Qujing City was for the sixth time ranked amongst the ten "best places to live in China" (http://news.qujing.fang.com/2014-12-01/14274724.htm).

[24] The usual negotiable loan interest rates can vary between 5 and 10%, for a maximum period of 3 years and a maximum sum of money going up to 70%.

[25] Regulations have changed in order to protect buyers from dishonest developers whose purpose was to collect money and then to escape without completing the construction. Since 2010, presales must take place after 1/3 of the project has been built. Developers also need to apply for a presales permit and to register the sale officially for public information. In some cases, however, developers have organized informal presales events *during* the development phase, where they issue customer loyalty cards that grant customers discounts on their purchase during the official sale opening day.