

Central Business District Development in a Transition Economy – Case Studies of Guangzhou and Shenzhen, China

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Abstract

Since its implementation of economic reforms and open door policy, China has rapidly transformed itself from a socialist planned economy to socialist market economy. Guangzhou and Shanzhen are earmarked as the pioneering and experimental cities within the network of cities in Pearl River Delta Region in implementing various market reform measures. Taking advantage of its close proximity with Hong Kong and Macau, these two cities have achieved remarkable success in economic strength and become modernized commercial cities. Supported by the growth of tertiary industries such as finance, information technology, business and trading, property development in these two cities has also taken a rapid pace. CBD development can also be identifies. CBD development is a relatively new product within the development process of socialist China. Before the marketization reform, China's socialist planned economy implied that the state was responsible for resource allocation. There was no room for market adjustment. Commercial retail areas replaced the position of CBD as the urban centres.

When China adopted its open door policy and introduced market mechanism, the spatial structure of existing cities has begun to change. Business and trading activities outside the state planning process becomes increasingly important. Real estate industry began to take off. All these have led to a significant impact on the existing urban centres. CBDs began to emerge from these urban centres. This paper systematically review the process of CBD development in two major cities in Southern China, Guangzhou and Shenzhen, and identify the problems encountered in such development process and the future trends of CBD development in major cities in China.

Introduction

Since the launch of the Open Door Policy in 1978, China has enjoyed an impressive rate of economic growth and has now become one of the world's fastest growing economy. To a large extent, this rapid economic growth is spearheaded by the buoyant development in Southern China, especially the Guangdong Province. Since 1978, average annual GDP growth rate in the province was 13.9%, within which industrial growth reached over 20%. Notwithstanding the macroeconomic austerity programme imposed by the central government, the Guangdong Province still achieved a GDP increase at 18% in 1994. Annual growth rates of industrial and tertiary sector were 25% and 14.7%, respectively (Lau, P.K. 1996:2).

The Pearl River Delta Region (PRDR) is often considered as the most productive area in China. Between 1980 and 1992, for instance, average annual GDP growth reached about 18.5% and this was unmatched by most industrialising countries. In 1993, per capita GDP in the region was RMB10,319, compared to RMB4,938 within Guangdong Province and RMB2,684 nation wide (*Hong Kong Commercial Daily*, 10 July 1995).

Located in the middle coastal area of Guangdong Province, PRDR comprises Shenzhen and Zhuhai Special Economic Zones and a number of cities including Guangzhou, Foshan, Jiangmen, Zhongshan, Dongguan, Zhaoqing, Huizhou and Qiangyuan, and their subsidiary areas. The Region covers an area of over 47,000 sq. km., with a population of over 20 million people, accounting for over 43% of the total population in the Province.

Over the past two decades, rapid economic development in Southern China has imposed a strong beneficial impact on Hong Kong's economy. It is now a common knowledge that a geographical division of labour has emerged between the two places (Sit 1995, Sung 1995). PRDR has become the base for Hong Kong's labour extensive, export oriented industries while Hong Kong serves the important role as the financial and trading centre for the whole hinterland (Hong Kong Government Industry Department 1995). China and Hong Kong are each other's largest external investor, amounting to over US\$20 billion and US\$5 billion, respectively (Shen 1993, Pryor 1991).

Southern China relies heavily on Hong Kong's financial and business expertise to facilitate export of its industrial products to the world market and attracted foreign investment. For instance, the Guangdong Province represented some 40% of the national export and drew about 34.8% of total overseas investment (Lau, P.K. 1996:2). PRDR remains largely an industrial production region, with over 46 % of its gross total output in secondary (manufacturing) sector compared with only 39 % in tertiary sector in 1990. However, the latter figure was still below that of Pakistan and Thailand in 1980 (Liu et al, 1992:45). In general, tertiary industrial sector refers to businesses in communications, transport, insurance, finance, trade etc. These are the major users of office floor space. Efficient operations of this sector are important to the continued growth and industrialisation of the PRDR. However, the growth of this sector is seen to be lacking behind.

In recognition of this problem, the Chinese authority has laid down economic policies in promoting the development of the tertiary sector. (Sung et al 1992, Chen 1993, Xu 1993) The past 15 years have witnessed the unprecedented growth of service industries including finance, insurance, real estate, communication, etc in the tertiary sector. Between 1980 and 1990, for instance, these industries increased 45 times in term of output values and their contributions rose from 4% to 43% of total (Guangdong Statistical Yearbook 1993:29).

This has undoubtedly fuelled the emergence of Central Business Districts (CBDs) in major cities within Southern China. Apart from Hong Kong, Shenzhen and Guangzhou are two other key commercial-office nodes. Since the land reform in 1989, property development has been undertaken at a massive rate which significantly transforms the cityscape of these two Chinese cities. There exists major investment opportunity for commercial-office development in these two places. In Shenzhen, for instance, office floor space has risen over 3 times in capital values between 1986 and 1991 (Zhou 1992:90). In Guangzhou, the office market appeared quite promising in late 1980s due to shortage in floorspace supply and its traditional prime role as a trading port (Xu 1985). The high yield for office development attracted considerable developers' interests from both Hong Kong and overseas.

Concurrently, there are massive infrastructure improvement both within and without major cities in PRDR, mainly in terms of airport and port developments, utilities, highways and railway connection

with growth poles like Hong Kong (Clark 1993). These developments are clearly supportive to the increasingly closer economic integration between Hong Kong and Southern China. In the short run, Hong Kong's economic position is likely to be unaffected, if not further strengthened. In spatial sense, this will also lead to increased development pressures along the NW-SE axis of Hong Kong, especially the NW New Territories region. In the long run, infrastructure development will certainly improve the overall business environment in Southern China which is conducive to the emergence of CBDs in major cities such as Guangzhou and Shenzhen.

Study Objectives

It is today obvious that Hong Kong has an inseparable economic relationship with China. While there is considerable amount of research on industrialisation of PRDR and this relationship with Hong Kong, there appears to be few systematic analyses on the rise of CBDs and nature of commercial-office land uses within the major cities in PRDR. Questions such as, what role does the commercial-office land use play in the economic integration of Hong Kong and PRDR; what is the prospect of commercial-office development in PRDR in the light of China's increasing emphasis toward growth of the tertiary sector in Southern China; to what extent will this affect the niches of Hong Kong as the gateway to China, etc are important and should be addressed.

To study these issues, we propose to systematically review existing characteristics, broad land use pattern within the CBDs and nature of commercial-office land uses in two major cities in PRDR, namely Guangzhou and Shenzhen. It is also important to explore business strategies of commercial property developers in Guangzhou and Shenzhen and also examine the locational considerations and the operational problems encountered by the existing commercial-office users in these two cities.

2 Theoretical Overview

Key Issues

The term CBD may stand for two different phrases including (a) Commercial Business District or (b) Central Business District. These two phrases are often used as if they are equivalent. This stems from the common phenomenon that the capitalist city centres are always the concentration of firms and office employment in developed countries. CBD is the heart of a city, containing the hustles and bustles of city life. It is often regarded as the engine of city growth which can filter its impact on other parts of the city.

The following key questions are pertinent to this study of a CBD:

- Why and how does CBD occur?*
- What urban functions does a CBD perform in a city?*
- How is the land use structure in a CBD?*
- How is CBD related to other parts of a city?*
- What is the structural relationship among CBDs?*
- Are CBDs all the same in terms of the above? Does a CBD in a socialist city differ?*

This section reviews the theoretical explanations to the above questions. The last two questions are particularly important in setting the background to our study of CBDs in Guangzhou and Shenzhen within socialist China and its possible relationship with capitalist Hong Kong.

Theories of Urban Structure

There appears to be some common features in capitalist city development (Hamnett, 1981:87-89):

- a central commercial area
- surrounding industrial zones
- housing areas to be differentiated by social classes

This pattern has fascinated many researchers. Specifically, Land Economics, Human Ecological and Neo-Marxist theories are the major theoretical approaches in studying the urban structure of a city. They all focused their analyses on the internal dynamics of capitalist cities, but ended up with different explanations. In simple terms, Land Economics theorists and Human Ecological theorists seek to explain the phenomena in a city as outcomes of competitions which stem from decisions of individual, business and government. Neo-Marxist theorists, however, argue that the situations are results of political struggles, rather than simple economic forces (Schwab 1992, Chapter 9).

It is beyond the scope of this research to examine all these approaches in great details. The following sections only give a brief outline of these three perspectives, with special emphasis on their discussions on CBD development.

Land Economics Perspective

Land economists tend to argue that locations of particular land uses are determined by the interaction of demand and supply in the land market. Land use pattern in a city is a result of allocation of scarce land resources to different users under a competitive process. Generally speaking, land economists in their models assume that a city centre gives maximum accessibility and greatest economic significance. Land users can then compare their relative benefits and costs in selecting various locations vis-a-vis the city centre. It is argued that higher transport cost is incurred by locating further away from the centre; the users will thus be less able to pay higher land price/rent. A downward sloping bid-rent function can be derived showing the negative relationship between rent-paying capacity and location away from city centre. Different land uses have different bid-rent patterns which reflect their relative need and ability to stay near the city centre. These bid-rent functions form the basis of competitive process in allocating scarce land to various uses in an urban context (Von Thunen 1966, Harvey 1992, O'Sullivan 1993).

Human Ecological Perspective

Two University of Chicago sociologists, Park and Burgess (1925, 1967) were the forerunners in using the concept of human ecology to study the structure of city. The concept originated from Charles Darwin's theory of evolution of life species in the 19th century. Their main thesis is that city is a corollary of the survival of the fittest, which is analogous with the struggles of species in the natural environment. The struggle for existence in human community necessitates *competition* (for resources) as well as *symbiosis* (co-operation by division of labour). Without any external planning, a natural order will evolve naturally in an urban context. Spatial expression of this order becomes the urban land use pattern which gives locational distribution of various human settlements ranging from slums to well-off zones. *Ecological order* and *dominance* are two key concepts in this perspective. (Kleinberg, 1995:9) Burgess (1925) argued that the functional land use structure of a capitalist city can best be illustrated by a pattern of concentric zones, ie., Central Business District (CBD), Zone in transition, Working-class residential zone, Middle-class residential and Suburban commuter

Location of particular land uses in a city is largely considered as a matter of economic considerations. As Kleinberg (1995) argues:

'In the modern city, the central area of dominance typically is the area of highest land values. Dominance in the area is available only to a limited number of competitors in the urban system, specifically those who can afford the high land costs associated with such a point of advantage and also can make the most economic efficient or profitable use of the location. In most large cities, the central business district is such an area, and the dominant land uses are associated typically with major banks, corporate office buildings, department stores, theaters, and other leading business, commercial, or entertainment uses.' (Kleinberg, 1995:9-10)

In light of the rapid changes to cities, the human ecology approaches may become outdated. White (1987) proposed a model to describe the metropolis in the 21st Century. His model took note of improvement in transportation and its effects on suburbanization. Epicentres may rise at the periphery of city and become a centre at the suburb. Intensive development along major transport corridors to the city is another feature in the model. The core of the metropolis is the CBD which accommodates the key business and financial activities. White argued that the CBD sought to expand upward in terms of taller buildings rather than outward. Relocation of certain business activities such as warehousing to suburban centres tended to reduce the pressure of CBD in its further expansion.

Neo-Marxist Perspective

This perspective has its intellectual root in Marxist analysis of societal changes. In essence, urban development and its problems only reflect the underlying dynamics of the capitalist system of production. In this mode of production, *capital accumulation*, rather than ecological factors is the key in influencing the trajectory of city growth. Capital accumulation refers to the process of making profit by the capitalists and the use of such profit as capital to earn even greater profit. This is possible because the capitalists centralize the control of the means of production and they can maintain their dominance in exploiting other social classes. Urban development is seen as an outcome of political forces in terms of class conflicts, rather than economic forces; and these political struggles tend to benefit certain classes at the expense of others. Urban structure is a result of the developers' pursue for capital accumulation. In this process, developers can exert their power through a complex network of institutions involving government and financial sector. With their support, developers can influence on the market decisions and land use changes in the city. As Kleinberg 1995:32-33) argues,

'the spatial structure of the city is not simply an incidental result of technological change. Instead it is a consequence of purposive action by members of the capitalist class with an eye to stimulating the expansion of capital accumulation while maintaining their own dominant socioeconomic position. More generally, the power to shape the uses of space within and outside the city is a function of the power to dominate class relationships both politically and economically.'

Harvey (1973, 1982, 1985) sought to link Marxist understanding of capitalist society to explain urban spatial patterns. In his analysis, he emphasized the role of finance and shift of capital in restructuring urban landscape. He suggested that, as capitalist economy develops, industrial production will eventually reach a stage of overaccumulation. This is reflected in overproduction and falling rates of profit in the industrial sector. Under this situation, capitalists will seek to

switch their capital from industrial production (the 'primary circuit') to production of the built environment (factories, offices, housing: the 'secondary circuit'). This leads to the upswing of the property market which provides an outlet for capital and opportunity for profit making. For instance, vacant properties and dilapidated areas in the central cities will be developed for higher valued uses such as commercial-offices. Developers will also rely on the government to facilitate land use changes, particularly in ironing out obstacles in the process of development. However, this sort of capital switching will soon lead to another contradiction; it will lead to an oversupply of built facilities. Collapse of the real estate market may have adverse impact on the financial sector of the economy and increased social unrest. Vacancies of the properties increase. Nevertheless, restructuring of the urban form does improve the efficiency of commodity production in the primary circuit. The real estate market will improve only when there is another wave of capital switching. The whole process of overbuilding repeats again. Hence, according to Harvey, urban development is characterized by cycles of booms and busts.

Another neo-Marxist scholar, Castells (1977) has a different view. He considered that cities serve the economic function of collective consumption rather than production. They are the places where the labour force reproduces itself in terms of housing, education, and other social services. He argued that the capitalists are not interested in providing these services to the labour force and such provision has to rely on the state. Thus, the state performs the important role in mediating conflicts and contradictions inherent in the capitalist society. However, this leads to another contradiction in the form of fiscal crisis of the state. Castells (1983) points out that reduction in welfare provision will lead to urban social movement.

Commonality in Theoretical Perspectives

Although these three perspectives tend to give different theoretical discourses, there are a number of commonalities among them:

- The subject of their analyses is capitalist city.
- They are primarily economic theories of urban development. Economic factors constitute the key determinant in the nature and direction of urban changes (Kleinberg 1995).
- Urban development operates within the context of private property ownership. Pursuit of self interest and maximization of profits are the organization principles in city development process.
- Impetus of urban development comes from below and this reflects a relatively decentralized decision making process. The role of the state is comparatively restricted only to perform a facilitatory function.
- Inequalities, in terms of differentiation in development intensity, land value, infrastructure provision, housing and environmental quality, social class etc. is seen as an inevitable feature in the urban context.

Regarding the CBDs in capitalist cities, these theoretical perspectives tend to give the following common observation:

- CBD is defined by its centrality, accessibility and concentration of top end business employment within a city.
- CBD commands the highest land value and rent in an urban settlement.
- Intensification of land uses and development densities is most extreme in CBD than in other parts of the city.

- CBD dominates over other areas in terms of its physical, economic and symbolic significance.
- Competition of all sorts is likely to be the keenest within CBD. Any changes in the district will have ripple effects on its surrounding areas, for example, in terms of conversion of adjacent land uses, redevelopment of inner city areas, and displacement of residents.

Urban Development Under Socialism

The core question is: whether socialist cities have a distinctive urban structure which fundamentally differs from that in capitalist societies? Some researchers tend to agree. (French & Hamilton 1979, Haussermann 1996, Smith 1996, Szelanyi 1996). Others disagree (e.g. Enyedi 1996).

Hamilton's (1979) seminal work provides a simple model of socialist cities based upon his study of Eastern European countries. The several important zones are:

'(1) the historic medieval or renaissance core; (2) inner commercial, housing, and industrial areas from the capitalist period; (3) a zone of socialist transition or renewal, where modern construction is partially and progressively replacing inherited urban or relict-village areas; (4) socialist housing of 1950s; (5) integrated socialist neighbourhoods and residential districts of the 1960s and 1970s; (6) open or planted 'isolation belts'; (7) industrial or related zones; and (8) open countryside, forests, or hills, including tourist complexes.' (French and Hamilton, 1979:227)

Regarding urban growth, his analysis shows that:

'Broadly speaking, outward expansion of the city areas yields a concentric-zonal pattern, successive stages of building being readily recognisable in architectural styles and skylines. This pattern tends to 'overlay' a more sectoral or 'wedge-like' distribution of functional zones associated with particular site qualities, historic traditions, and major transport arteries. Fundamentally distinct, however, are the pre-socialist inner and socialist outer urban areas.' (French and Hamilton, 1979:227)

What factors lead to this distinctive socialist urban structure? Researchers tend to pinpoint two basic reasons: (1) property rights system, and (2) role of the state. (French & Hamilton 1981, Hamnett 1981, Haussermann 1996, Smith 1996, Szelanyi 1996).

Property Rights System

There is no private ownership of land and building in a socialist country. All real properties are nationalised and controlled by the state. Private real estate market is eliminated. There is no concept of land value. Uses of space and its allocation to particular users in a city are matters of the state. Decisions are made centrally.

Role of the State

A socialist state has a much greater power in directing urban development than its capitalist counterpart. With a highly centralized power structure, the socialist state can determine the 'functions of the city, the timing and extent of investments.' (Haussermann, 1996:215) The state needs to perform a stronger planning and co-ordination function. Decisions on these matters can be made centrally in accordance with the socialist goals which seek to eliminate class inequalities and exploitation.

French and Hamilton (1981:42) argued that, despite national differences, socialist planners tend to share in common certain theoretical ideals and actual methods in restructuring the cities and as such leading to 'a certain degree of uniformity in cities throughout the Soviet Union and Eastern Europe.' To summarize, the key characteristics in socialist cities are:

Dominant City Centre Requirement for a dominant urban centre is one major design principle of a socialist city. However, it is intended primarily to be a political centre which is artistically designed to accommodate 'a high concentration of publicly organized amenities... .. The absence of private real estate and other forms of private property allowed the city centre to become a place for the entire population and for public services.' (Haussermann 1996:222) It is a reflection of the philosophy of centralism inherent in a socialist system. Diversity of land uses and architectural design is less when compared with a capitalist centre. Socialist planners also seek to use the centre as cultural and tourist spots. (Hamnett 1981:89)

Pre-socialist Old Centre In analysing spatial structure of socialist cities, Hamilton (1981:106) noted a fundamental distinction between a pre-socialist centre and new socialist centre. The old inner city centre is inherited from the past history and tends to retain 'some - even much - of its former spatial and functional structure, physical appearance, and marked inter-zonal differentiation.' In contrast, the new city centre, which is developed in the 'outer urban area', is a socialist product in responding to the various demands in city expansion and economic growth. This centre is built with 'far more uniform in appearance, layout and standard equipment' to comply with the egalitarian principles of socialist system. (Hamilton 1981:107) The old city centre, which is often congested and run-down, is in need for revitalization. The process, however, is often slow and piecemeal.

Industrial Uses Another common feature is the proliferation of industrial land uses in socialist cities. This leads to a distinctive spatial pattern and urban social structure. According to French and Hamilton (1981:43):

'Everywhere, social segregation of the socialist city by *sectors* is absent or very greatly diminished, although in each city there is a tendency for some social segregation by apartment *building* to be found. In part, relative homogeneity of the occupation composition of the work force in industrial cities facilitates such uniformity. Nevertheless, in any *city* the low, largely nominal and relatively uniform rents for state-owned apartments mean that no part of the city is barred to any inhabitant or migrant on the grounds of cost, income, status, or race.'

Szelenyi (1996:296) argued that this extensive industrialization enables the socialist cities to be under-urbanized. Industrial production can be achieved with less urban population. Most workers remain to live in villages. The purpose is to enable resources to be reallocated from 'personal and collective consumption' - the 'non-productive' sphere - to industrial uses.

Use of Space and Development Intensity Socialist cities generally have a much flatter urban townscape in terms of the intensity of use of land. Smith (1996) argued that it is universally agreed that the degree of inequality is less than in capitalist cities and there exists large homogeneous zones in socialist cities. Szelenyi (1996:299-303) stated that socialist cities had less urbanism. This feature referred to the limited diversity and scarcity in urban services and lower density in the use of inner-city space.

Global Prospect of City Development

We now turn to discuss two important recent forces which have a significant impact on the future development of cities in the world. First, it is the breaking down of socialist ideology in governing society in most socialist countries. Second, it is the melting down of physical and man-made barriers segregating different countries leading to increasing globalisation of activities.

Downfall of socialism The fall of the Berlin Wall, followed by disintegration of the Soviet Union has led to unprecedented changes in the world order. Unlike the previous moment, we do not now have a bipolar world divided between two antagonistic power blocs, the capitalist West and socialist East. With the fall of the Soviet Union and unification of Germany, capitalism is said to have no competitor (Thurow 1996). Many of these ex-socialist East European states go capitalist in rebuilding their economies and get integrated with the western world. China becomes the remaining socialist polity. However, its adoption of open door policy and marketization strategy since 1978 exhibits important features not dissimilar to those in a capitalist state. The downfall of socialist doctrines has led to inevitable changes in city development. As Haussermann (1996) outlines the experience in Germany:

‘The state was no longer able to form cities according to its political ideology. The land that used to be public has been privatized and therefore the state has lost the material basis for its authority. The cities and suburbs are now in direct competition with each other, their financial resources determining their role. With reunification [of East and West Germany], these changes formally occurred overnight - but in reality they are developing step by step. Only slowly are the social and political institutions and spatial structures changing and adapting. And the human mentalities take time to adapt to the new situation. All these changes are most visible on the real-estate market, where land prices and new projects gain a speculative character. Given the release of property into the free market, such speculation could not be avoided. In fact ‘real-estate capitalism’ has been the first form of new economic activity, while in manufacturing hundreds of thousands of jobs have been lost.’ (Haussermann 1996:222-223)

The transition from socialist to capitalist urban form is expected to lead to the emergence of socio-spatial differentiation. Such a feature is common in a capitalist society but has been eliminated under the egalitarian principle of socialism. To what extent it will occur depends much on the specific background of the cities in question.

Globalisation Technological improvements in communication has led to a much smaller world. People, capital, commodity and information can move across different places in quicker speed and shorter time. Economies become more closely integrated than before. The state can no longer ignore its neighbours in formulating its national economic development strategy. In fact, the impact of such strategy can often go beyond the national boundaries. To protect its interest, national government now sees the need to establish greater co-operation with other states within a wider region, e.g. NAFTA, ASEAN etc.

Globalisation of world economy also enhances the role of multi-national corporations (Taylor and Thrift 1986). Technological advancement enables separation of control, production and consumption at different places. Large multi-national enterprises can now afford to have a number of production bases at dispersed locations in order to reduce production costs. Their investments create local employment and hence are important to the local economy . However, these production bases can be relatively footloose and this gives the enterprises a lot of bargaining power in demanding greater concessions from the national states. Autonomy of the

state in formulating national development strategy is somewhat eroded. Entry and exit of investment from these enterprises can create significant repercussions on the performance and growth of national economy (Smith 1987).

Another related issue is the globalisation of producer services . Producer services are defined to include '(1) specialized services needed by complex organizations for running a spatially dispersed network of factories, offices and services outlets; (2) the production of financial innovations and the making of markets, both central to the internationalization and expansion of the financial industry.' (Sassen 1991:5) Thus, these services cover both commercial (fee-earning) and banking (interest-bearing) capital which need to be internationalised so as to support the concomitant trend in global commodity production (Thrift 1986 and 1987). One major implication is a closer link between cities. Sassen argues (1991:324-7) that there is now a 'a global hierarchy of cities' within which New York, London and Tokyo are the Global Cities as the command nodes to co-ordinate transnational economic production.

Globalisation of commercial and banking capital also affects property development market and ultimately the urban structure. It is argued that there is now an integration between finance and real estate market (Bateman 1985, Logan 1993, Coakley 1994). Real estate provides a key investment channel for institutional investment funds. Investing globally enables these funds to create a portfolio of international property and hence diversify risks. Bateman (1985) argues that such investment favours spatial differentiation and the international migration of funds can lead to property cycles and disturbance in property market. Supply side financial factors are increasingly important to shape the property development activities. In this context, user demand and preference are no longer a useful explanation.

Internationalisation of producer services also leads to emergence of major cities as financial centres. These cities are what Thrift (1987) called the 'fixers' in global geography. These cities are formed by the clustering and concentration of transnational commercial organisations dealing in commodity, money, securities and services markets for the whole world. Daily transaction volumes in these markets of the financial centres can exceed the national financial capability of the national state. International financial centres always compete with each other and such a competition is taken seriously by national governments (Lee and Schmidt-Marwede 1993). Insofar as urban land development is concerned, two issues are relevant: (1) promotion of the city to perform the role of an international financial centre, though desirable, can lead to a 'discontinuity in the urban hierarchy' (Sassen 1991:165). In other words, its economic position can have little relationship within a national urban system of cities. Hence, there can be a great disparity in terms of urban form, standard of living, ways of life etc between this centre and the rest of its hinterland. (2) concentration of finance capital can exert significant impact on the urban structure. As Thrift (1987:209-210) argues:

'It is over the last 15 years that a truly international property market has come into being, one that relies on the activities of a select band of international real estate brokers to form a commodity market. This property market is mainly concerned with office buildings, although selected retail and industrial buildings and some expensive residential buildings can also be included. An irony of this market is that it is to a great extent concentrated on international and domestic financial centres. Thus the activities of commercial capital can form both supply and demand.'

Implications For This Research

CBD is a subject area worth to study in greater details. It is often the focal point of a city and its population. CBD contains a high concentration and a diverse range of high value activities. In capitalist cities, CBD is easily distinguishable by its centrality, easy accessibility and clustering of up market commercial organisations and tertiary employment. Its locations and subsequent development are largely the outcomes of decisions of the private sector rather than the state. Information is vastly collected, processed and disseminated in this area. Hence, CBD is a highly dynamic place with a fast pace of life. CBD creates a spatial form in which socio-economic and structural changes of a city can be easily detected. There is often a dependency relationship between CBD and the rest of the city. As the centre, CBD has a strong force of attraction. Changes within CBD can have knock-on effects on other parts of the urban area.

However, we have a startlingly different scene when we view the socialist city using the above perspective. First, there is no private ownership of land in the western sense. Second, decision making for urban development is centralized by the state. Third, resource allocation is under the central planning of the state. Hence, while there is still a centre in the socialist city, it does not perform the same functions as the western cities. It is often a political and administrative centre. Tertiary, commercial activities are curtailed as little allowance is made for commodity exchange. Neither does its city centre have the same urban form as capitalist CBD. Absence of land values enables the state to allocate land according to social and political needs instead of economic considerations. Egalitarian principles of the socialist ideology lead to deliberate attempts of the socialist state in reducing differentiation in the use of land.

However, with the downfall of socialism in Eastern Europe, unprecedented changes will bound to happen to the ex-socialist cities. Although China still adheres to the socialist ideal, its open door policy and economic reform strategies contain not dissimilar organising features of a capitalist society. It has achieved great success over the past two decades. China's transition to a developed society is unique.

China intends to build up its economic power quickly. Achievement of this objective relies on rapid development of its cities. As the world now reaches the information age, Chinese cities can potentially get the benefits of getting the latest technologies in their development. They can achieve a quantum lift from their previous backward position. Changes in urban form and structure can be revolutionary and disjointed, instead of evolutionary. We expect the impact at the centre of socialist cities will be particularly obvious and illustrating.

Within the current context of globalisation, urban development will bound to be influenced by international trends. One of the key forces we identify is the international migration of property investment fund. Its repercussions on local property development market are prominent. Influences from the global cities will increasingly loom as China gets closer integration with the capitalist world. However, on the other hand, being a socialist state, China would not give up its autonomy in controlling the civic society. How the Chinese government will react to the various pressures from the capitalist world is an interesting case to watch.

3 Case study of Guangzhou & Shenzhen

Guangzhou and Shenzhen in the Regional Context

The three cities, Hong Kong, Guangzhou and Shenzhen all fall within the Pearl River Delta Region inside Guangdong Province. Benefitting from the Open Door Policy since 1978, this region has become one of the most prosperous parts within the whole China.

There are several different ways in describing this area; each may have slightly different meanings. For instance, the area is sometimes referred as the Pearl River Delta Economic Region (or previously the Pearl River Delta Open Economic Area) (see Cheng & MacPherson 1995:1). This term was put forward in 1984 as an economic unit which is not the same as the geographical demarcation as the Pearl River Delta Region. This research is focused on the former concept.

Depending on the research orientation, different scholars may have different demarcations of the exact area of the PRD Economic Region. Two most common definitions of the area are:

- (1) The first definition covers eight Chinese cities including Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou and Jiangmen (e.g. Liu et al 1992, Sung 1995).
- (2) The second definition covers a total of ten Chinese cities including the above eight cities, plus Qingyuan and Zhaoqing (Cheng & MacPherson 1995).

Notwithstanding the differences in these two definitions, Guangzhou and Shenzhen are designated as the key foci within the area. The remaining part forms the economic hinterland of these two cities.

The most authoritative definition is given by the Guangzhou Municipal government in the 1995 Master Plan for Pearl River Delta Economic Region (*Hong Kong Commercial Daily* 10 July 1995). Here, the region refers to the areas covered by Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Jiangmen, Huizhou, Huiyang, Huidong, Boluo, Gaoyao, Sihui and the Duanzhou and Dinghu districts within Zhaoqing city. The whole region comprises a total land area of about 41,596 sq. km. Total population reaches about 20.56 million people. Unless otherwise specified, we adopt this definition of the Pearl River Delta Region in this research.

Relations With Hong Kong

Guangdong and Hong Kong has close social and economic relationship. Most of the population in Hong Kong are originated from Guangdong and speak the same local dialect. Many still have family relatives staying in various parts of the Province. Due to close spatial proximity, both places are subject to similar cultural influence through the mass media such as videos, radio and television broadcasts, newspapers and so on.

Economic ties are equally prominent. China is the largest trading partner of Hong Kong. In 1995, it accounted for about 35% of total trade value. It is estimated that more than 70% of this value came from Guangdong. Hong Kong has regained its position as the entrepot for China's export.

In fact, Hong Kong and China are each other's largest external investor. In 1995, the total investment value of Hong Kong in China amounted to about US\$80 billion which was about 60% of the total realised foreign direct investment. A large part of this investment went to the Guangdong Province. Much of this investment is in light manufacturing industries, particularly those engaging in outward processing. However, there is now a trend of diversification into other sectors such as hospitality and tourist business, infrastructure and real estate. Alternatively, China's investment in Hong Kong ranges from trading, wholesale and retail, transport, banking, real estate and so on. In 1994, the estimated total number of Chinese enterprises in Hong Kong was about 1,700. Total value of direct

investment was about US\$25 billion in 1995. It is envisaged that Chinese investment will play a much greater role in the territory after the unification in 1997.

Guangdong is also Hong Kong's major supplier of foodstuff and water. Nearly all food supply in Hong Kong is imported. About two-thirds of the drinking water in Hong Kong come from Dongjiang (East River).

3.1 CBD Development in Guangzhou

Introduction

Guangzhou was not emphasized as the national growth pole by the central government when the Communist Party took over political control in 1949. Lack of natural resources, weak heavy industrial base and its military defensive position restricted the support of central government for growth. Nonetheless, the development of Guangzhou was largely supported by many overseas Chinese. This external link has been further strengthened when China adopted its open door policy in 1978 and contributes greatly to the rapid development of the city. Guangzhou was one of the 14 Open Coastal Cities designated by the central government. Market reforms attract considerable investments from overseas Chinese.

Guangzhou Commercial Districts Overview

Early Commercial District - Dongfong Hostel

Guangzhou has all along been a commercial and trading city. It attracts lots of traders, tourists and merchants from abroad. As such, hotel services play an important function in the city. In the 50s and 60s, there were over 15 major hotels and hostels with a total building floor area of 160,000 sq.m. More modern hotels were completed in the 70s. The more prominent ones included Baiyun Hostel, Liuhua Hostel and Dongfong Hostel (New Block).

External trading activities were concentrated in the area with Dongfang Hostel as the focal point. This area was located around the Liuhua Lake area. Transport accessibility was the key contributing factor to its growth. To the north of Dongfang Hostel is the Guangzhou Railway (North) Station. In the 1970s, this was the major transport terminal in Southern China for local and overseas passengers to Guangzhou. Dongfong Hostel became the natural 'landing spot' and 'meeting place' for merchants and visitors. In the mid 1970s, another major facility, the Exhibition Hall of Chinese Export Commodities with 110,000 sq.m. floor area, was completed at the northern side of the Hostel. The annual national export trade fair was held there. This further strengthened the commercial position in this area. More commercial properties were developed within the street blocks bounded by Renmen Road North and Jiefang Road North, including the China Hotel in 1980s. The position of this commercial district is largely consolidated.

Guangzhou's Largest Modern Commercial District - Huanshi Road East

In the late 1980s, more office blocks were developed in other parts of Guangzhou, particularly the section along Huanshi Road East. This section is located to the east of the existing provincial government offices. More than 10 modern up-market hotel and office blocks are located within this district. The landmark buildings are two Grade A office blocks including Guangdong International Building and Guangzhou World Trade Centre. The former building has 63 storeys (200 m) and was one of the tallest in China in the early 1990s.

Other Potential Commercial Districts in Guangzhou

Dongfong Hostel area and Huanshi Road East are two major commercial districts within Guangzhou. These two areas are located within the inner city (old city) of Guangzhou. It is estimated that over 88% of the existing office stock is concentrated within these two commercial areas.

Coupled with the recent open door policy, the Guangdong Provincial Government has determined to turn Guangzhou into a major financial centre of Southern China. This policy has stimulated the continued growth of offices in the city. It is estimated that there are currently over 50 commercial office projects under construction in Guangzhou. Much of the floor space is in the process of pre-sale to the market. Completion of these projects is expected to add some 1.52 million sq.m. of office floor space. About half of these projects are located within the above two major commercial districts. The remaining ones are distributed in other potentially new commercial centres in Guangzhou. These new areas are discussed as follows.

Zhongshan Road Commercial Area Zhongshan Road is a major transport route running through the middle part of Guangzhou proper. It has traditionally been the largest commercial and retailing area within the city, particularly the areas earmarked by Beijing Road and Zhongshan Road Four and Five. High population density, congested environment and fully developed space are major obstacles preventing massive office redevelopment.

However, the construction of the first phase of Guangzhou underground railway, Metro Line No. 1 since December 1993 has led to a considerable transformation of this area. With a length of some 18.45 km, this railway will transverse the existing commercial area at Zhongshan Road and link it with the Tianhe commercial area to the east. It will eventually terminate at the Tianhe Railway Station which is the transport node for Guangzhou-Shenzhen and Guangzhou-Kowloon Railway Lines. Estimated number of daily passengers will reach 1.13 million. Accessibility of this area will be greatly improved when this Metro Line is completed in 1998. This has attracted considerable interest of property developers in office redevelopment in this area.

On the other hand, development of Metro Line No. 1 requires demolition of some existing buildings along its route. New developable land becomes available for new developments. According to government planning, commercial-office development will be undertaken above the station sites of the underground railway. Zhongshan Road area is planned to be a new commercial district. In 1996, over 20 projects were being planned along this Road and 16 of these contained office floor space. The average plot ratio of these projects was 12 and the highest can reach 18.63. Thus, a lot of new commercial office floor space will be provided.

Dongfeng Road Commercial Area Dongfeng Road has a length of 10 km and is a primary distributor for east-west movement in Guangzhou. To the west, it connects the Dongfong Hostel commercial area via Renmen Road North and Jiafang Road North. It runs past the Sun Yat-sen Memorial Hall in the middle section and links up the provincial and municipal government headquarters to the east. Dongfeng Road is one of the major improvement routes by the Guangzhou government. The road has been widened from 19.5 m to 44 m. Old buildings on both sides of the road were demolished and redeveloped accordingly.

Good accessibility and proximity to political centre of this area are two key attraction points for commercial property development. According to the town planning of Guangzhou, the whole length of Dongfeng Road will accommodate about 100 new public and commercial properties.

Some 40 projects have commenced since 1992 and 24 projects have been completed since 1995 providing some 260,000 sq.m. of floor space. Many of these new developments are office blocks.

Tianhe Business District Tianhe is located at the eastern fringe of Guangzhou and is designated by the government as the new growth area. The intention is to shift the direction of growth to this area which is endowed with lots of undeveloped vacant land. The total land area of Tianhe Development Zone is about 5.2 sq.km., and some 2.94 km of land is now under development.

The Tianhe Sports Stadium is the central point of this Development Zone. The inner ring around this Stadium is planned to be the future business and cultural centre of Guangzhou whereas the outer ring area will be developed for commercial and residential uses.

Tianhe Business District is an integral part of the inner ring area. It is planned to compose the most modern office, exhibition and conference properties in Guangzhou. At present, about 13 commercial office projects are being developed and pre-sold in the area. Some prominent buildings include Sky Central Plaza (80 storeys) providing 131,000 sq.m. of floor area, Jonsim Plaza of 126,000 sq.m. and Guangzhou International Trade Centre of 68,000 sq.m., respectively. These are all Grade A offices expected to be completed in or before 1997.

Government has made considerable investment and planning effort into this area. The planned underground railway will link Tianhe with the inner city of Guangzhou. Accessibility is expected to be improved further. At present, the Tianhe district is well connected by major trunk routes such as Huanshi Road, Zhongshan Road and Dongfeng Road with other parts of the city. The Tianhe Railway Station has already been open for use since 1996. It contributes to divert passengers from the existing Guangzhou North Railway Station. It is expected that when the Railway Station is fully functional, it will become the major transport node in Southern China.

In addition, to the south of Tianhe Business District, a new residential development, Pearl River New City, is under active planning. This massive residential project is planned to comprise a total land area of some 6.8 sq.km. Design population are 173,200 persons. Development period will take over 10 years. Under this planning, Tianhe District will be made a major new town within Guangzhou.

Commercial District Comparison

At present, Huanshi Road commercial district appears to provide the most comprehensive functions as a CBD in Guangzhou. In contrast, Dongfeng Hostel commercial district has a more limited scale and function as it inclines toward external trading. The other three areas are relatively new commercial districts. However, development has been extremely rapid in recent years. For instance, Dongfeng Road area section tends to specialize as an area of financial institutions. Zhongshan Road area remains a major shopping district with high population density and retailing activities. But, development in these two areas is somewhat restricted by the availability of land. In contrast, Tianhe district has abundant land supply and is planned to be a new urban centre in Guangzhou. It is believed that this district can provide a modernized and comprehensive function as a CBD in the future (Figure 1).

3.2 CBD Development in Shenzhen

Introduction

Shenzhen Special Economic Zone (SEZ) was set up primarily to attract overseas investment in supporting market reforms in China. Although Shenzhen SEZ has a short history, its development has been rapid. In more than a decade, urbanisation has transformed the area from a small fishing village into one of China's most modernised cities. Commercial areas are formed in strategic locations within SEZ, and they perform important economic functions within the Pearl River Delta Region.

Shenzhen's urban centres have close economic and geographical links with Hong Kong. At the initial periods, the built-up of Shenzhen relied on both the favourable economic policies agreed by the central government and capital injection from overseas investors. Luohu district at the border becomes a logical choice for location of the urban centre. This district is located right next to the border control point and is well served by railway. Up till now, this border point remains the largest and busiest travellers' gateway in China. Guang-Shen Railway is the strategic transport link to other major Chinese cities. Hence, it becomes obvious that commercial development was mostly concentrated in this transport node at the initial time.

Development of Shenzhen Commercial Districts

Initial Development

In 1980s, development of Shenzhen city centre at Luohu was still in a piecemeal fashion. Its development scale and supportive facility provisions were much primitive when compared with the Yuen Long new town in Hong Kong. Office development was lacking. Prestigious hotels were yet to be built. Thus, commercial accommodation was mainly found in some domestic premises. These premises were converted and leased to office users.

Such shortages in commercial floor space were quickly spotted. Development of offices, hotels and shopping space became highly attractive projects. Within a few years, many low-rise, dilapidated buildings along Renmen Road South and Jianshe Road near the Luohu border were redeveloped for high rise composite commercial blocks. These blocks formed the focus of the initial phase of Shenzhen CBD. In 1985, a landmark commercial building, Shenzhen International Trade Centre Plaza (SITIC Plaza) was completed in Renmen Road South. This building had 53-storeys (160m) and was the tallest building in China. It provided some 6 million sq.m. of office space and quickly became the agglomeration point of commercial activities. It also spearheaded conversions of its surrounding old properties for commercial development. As such, the Luohu commercial area kept its expansion along the axis defined by Renmen Road South and part of Shennan Road East.

Recent Development

Deng Xiaoping's 'southern tour' in 1992 created a very extremely positive attitude toward investment in China's economy. Economic activities in Shenzhen were inflated. Real estate market became very buoyant. Office development was largely concentrated in Luohu and Futian districts. Agglomeration bred further concentration. In 1995, it was estimated that 24 office projects were under construction in Luohu, 10 in Futian. Luohu remained the major CBD in Shenzhen with further expansion into Caiwuwei area. Futian district, especially along Shennan Road Central was another secondary commercial area in Shenzhen.

Luohu Commercial District Since establishment of SEZ, Luohu has all along been the commercial and retailing centre in Shenzhen. There has been a very high concentration of economic and social activities in this district. Convenient transport accessibility is another key feature in this area.

Commercial development is mainly located along Renmen Road South and Shennan Road East. SITIC Plaza is the landmark building. Other prominent office blocks include Shenzhen Development Centre Building, Tianan International Building and Bank of China Building, etc. Besides, there are also a number of up-market hotels. Due to limited supply of land in this area, only a few major projects are under construction. These include Shenzhen Kerry Centre, Carrianna Friendship Square etc. Luohu commercial district is estimated to have only 1 sq.m. of land. As the existing buildings are relatively new with a building age between 10-20 years, redevelopment opportunities become increasingly rare. It is now evident the existing CBD will expand along the east-west axis following Shennan Road and Jianbin Road. There is a chance that the future Luohu commercial district may meet up with the Caiwuwei commercial area toward the west.

Caiwuwei Commercial District This area is the financial and banking district. It is located to the west of Luohu and is the concentration of major banks in Shenzhen. It is estimated that a total of 2 national and 11 regional banking headquarters are established here. It is a rapid development area in the late 1980s. The landmark building in this area is Shun Hing Square which comprises 68 storeys (368m) and provides some 140,000 sq.m. of office floor space. The whole development enables the concentration of commercial, entertainment and tourist activities. It has greatly enhanced the image of the entire area. Development of this district has a much shorter history than Luohu. However, its office buildings are often built to the highest standards with comprehensive business facility provisions. Because its western fringe abuts the local government building, redevelopment toward this direction is restricted. Thus, we envisage that its future expansion will move toward the northern direction along Baoan Road South.

Futian Commercial District Futian district comprise two components, first Futian developed area and Futian new area. The latter is the government's planned future new city centre and is also called Futian Central District. The former refers to the existing built up area which is located at the western part of Shenzhen urban area. This is the linking district of Shekou and Nanshan with the Luohu proper.

Futian developed area is located along Shennan Road Central which is a key east-west transport route in Shenzhen. Traffic volume is high. Thus, since 1980, it has attracted investment from property developers for commercial development. Another facilitatory factor is the government policy to relocate industries from the urban area. Many old industrial lots were redeveloped for commercial development. In 1990s, more than 10 office blocks and a number of hotels have been completed in this area. Large scale retail activities are particularly active. In addition, this district also attracts the concentration of securities brokers along Zhenhua Road. Security trading becomes a trademark feature of this commercial district.

Futian Central District Commercial Area - Shenzhen's Future Centre Futian Central District comprises a total land area of 4.13 sq.m. This area is bounded by four major trunk roads including Binhe Road, Hongli Road, Caitian Road and Xinzhou Road. Shennan Road bisects this District forming the north and south portions. According to the local government's planning strategy, this district is intended to become the new centre of Shenzhen to perform business, cultural and administrative functions in the 21st century.

The southern portion is planned to be the commercial focus of the district. It will have 130 hectares of land and two 400m high office skyscrapers as the landmark structures. The surrounding office blocks will comprise some 240-270m. The whole CBD will provide some 5 million sq.m. of floor area and an employment of 198,000 people. At present, construction of

major roads and municipal facilities is underway. Because this district is the strategic growth area designated by the local government, this has attracted considerable development interest.

Features of Commercial Districts

Commercial property development in Shenzhen has a very short history. For instance, Luohu commercial district is built up in about 10 years time, Caiwuwei in several years. Urbanization process in Shenzhen probably reflects some common experience in modernization of Chinese cities. We will discuss below some key features.

Locations and subsequent development of commercial district are much influenced by the development of trunk routes in Shenzhen. Luohu border control and railway station provides the initial stimuli for commercial property development in the area. This forms the initial phase of CBD. Shennan Road activates the economy of the western part of Shenzhen such as Futian. This facilitates the spread of commercial activities and hence office properties into this area.

The whole process of office property development in Shenzhen exhibits two key features: first, a fast pace and second, a very high quality level. These are key contributing elements leading to rapid growth of Shenzhen SEZ.

The three existing commercial districts all show a similar pattern in terms of their expansion path. Commercial areas keep extending on a linear fashion along both sides of the major trunk routes. For instance, Luohu CBD is expanding along Renmen Road South and Shennan Road East. Caiwuwei and Futian business districts are extending along Shennan Road as the major axis of expansion. These trunk routes are key links with other cities and hence provide maximum accessibility for commercial property development. Development of linear shaped commercial land use is then followed by clustering of new development along minor linking roads. This will eventually result in a street block form of commercial development.

When the business districts become mature, retailing functions will often diminish. However, in Shenzhen, because large scale office enterprises are still lacking in number, hence the business districts also perform the role as the local commercial centres. To achieve a lower vacancy rate, property developers prefer to develop composite commercial development. The lower storeys are used for commercial, retailing purposes. The higher storeys will be used for office accommodation. This leads to a mix of commercial and office land uses within existing business districts in Shenzhen.

4. Conclusion

Comparative Studies - Guangzhou & Shenzhen CBDs

Since its implementation of economic reforms and open door policy, China has rapidly transformed itself from a socialist planned economy to socialist market economy. Guangzhou and Shenzhen are earmarked as the pioneering and experimental cities within the network of cities in Pearl River Delta Region in implementing various market reform measures. Taking advantage of its close geographical proximity with Hong Kong and Macau, these two cities have achieved remarkable success in economic strength and become modernized commercial cities. Supported by the growth of tertiary industries such as finance, information technology, business, trading and real estate, property development in these two cities has also taken a rapid pace. CBD development can also be identified. It is worth comparing CBD development in these cities because Guangzhou and Shenzhen are representative of old and newly developed cities,

respectively in China. Hence, CBD development exhibits different trajectories in these two cities. On the other hand, although it appears that they demonstrate some key features also found in capitalist cities, there are also crucial differences as they are socialist cities. We will examine these aspects in the following sections.

CBD Development Analysis

CBD is a relatively new product within the development process of socialist China. Before the marketization reform, China's socialist planned economy implied that the state was responsible for resource allocation. There was no room for market adjustment. Industrial production was all under state planning. Thus, commercial retail areas replaced the position of CBD as the urban centres. Within these areas, there was major concentration of medium to lower order, small scale retail shops, mixed within housing areas and handicraft workshops. These was largely the common land use pattern, often termed the old inner city areas, in major cities. Guangzhou was a typical example. Zhongshan Road – Beijing Road, Shangjiu Road – Xiajiu Road, and Shangti – Renmin Road South were three major commercial shopping districts in Guangzhou. Compared with the city centres in capitalist cities, their land use pattern, layout and townscape - spatial structure - are entirely different resulting in misuse of land and environmental issues.

When China adopted its open door policy and introduced market mechanism, the spatial structure of existing cities has begun to change. Business and trading activities outside the state planning becomes increasingly important. Real estate industry began to take off. All these have led to a significant impact on the existing urban centres. In the first instance, urban centre development was often triggered off by hotel construction. These hotels were built so as to provide accommodation to the increasingly large number of overseas businessmen moving into the cities. These hotels, especially those higher tariffs and up market ones, were the commercial focal points at the time when commercial office properties were often lacking. As real estate market becomes mature, commercial office buildings begin to appear in the vicinity of the hotels. Guangzhou's Dongfang Hostel, China Hotel, Baiyu Hostel etc. are notable examples. On the other hand, office development will also spread to existing retail districts and other new areas with good transport accessibility. Their scales tend to vary and may compete with each other. Over time, commercial districts which have developed to relatively large scale, with comprehensive commercial provision and convenient transport links will become the CBD. In Guangzhou, Huanshi Road East is the CBD which consolidates commercial, retail, hotel and tourist functions.

In contrast, Shenzhen was a new city established in 1979 under the market reform. It is a typical newly built city in China and its CBD development trend is quite different from that in Guangzhou. Although Shenzhen has a relatively short history, its urbanization is extremely rapid. The objective is to attract overseas capital to support China's modernization programme. Government's favourable policies in Special Economic Zone provides key impetus to its growth. Hence, within a short period, Luohu commercial district has been built up as the largest CBD in the city. This commercial district also carries out important economic function within the Pearl River Delta Region. As a new city in China, its development is much affected by market considerations. Thus, CBD in Shenzhen exhibits some typical features as in other capitalist cities:

- high accessibility
- centrality
- concentration of tertiary employment
- high land value/rent
- high density development
- keen competition

- expansionist

Key Features

Urban land reform and establishment of real estate market are two crucial factors leading to the emergence of CBDs and secondary commercial nodes in Guangzhou and Shenzhen. However, one contrasting feature between these two cities is that Guangzhou is a much older city than Shenzhen. Thus, urban development in Guangzhou has been influenced by both the processes of socialist and market economy and is more complicated than that in Shenzhen. Although development trend of CBDs in two cities exhibits similar features as in other western cities, we identify a number of key 'Chinese' features as follows:

Landmark Building When similar buildings or several prominent buildings are completed in one location and built up to a certain development scale, this node gradually becomes an attraction node. It will further attract agglomeration of other developments in its vicinity. Through these processes of attraction and agglomeration, a commercial district is eventually established. In our analysis on Guangzhou and Shenzhen, we notice that the earlier phase of CBD development was often earmarked by one or two landmark buildings. These buildings became the urban core in the cities. In Guangzhou, for instance, Guangdong International Building and Guangzhou World Trade Centre were two landmark Grade A office buildings around which Huanshi Road CBD is developed. Dongfang Hostel and China Hotel were another two landmarks which triggered off development of another CBD. Alternatively, in Shenzhen, Shenzhen International Trade Centre Plaza is the prominent building within the Luohu commercial district. Although other Grade A office buildings are developed in the later period, they still cannot replace the leading position of these landmark structures.

Role of Road Network Another key feature of CBD developments in Guangzhou and Shenzhen is that they all grow linearly along main trunk roads. Accessibility, in terms of both transport and communication of information, is crucial to the function of CBD. In China, telecommunication facilities are yet to be improved. Thus, transport accessibility becomes more important. Thus, property development often occupies strategic locations along transport routes within the city. This linear pattern of CBD development is particularly prominent in Shenzhen. Luohu CBD, Caiwuwei and Futian commercial districts all exhibit these spatial forms along transport routes. In contrast, CBD in western cities is often in block form. This spatial pattern enables a better use of inner land not directly served by major roads. Their commercial values are also higher than those in China cities (Figure 3).

Dumbbell-shaped Development Both Guangzhou and Shenzhen exhibit the simultaneous growth of dual-CBD. While the existing 'old' urban commercial centre is slowly expanding outward, a new CBD planned by the municipal governments is also under active development. A spatial structure of dual-centre is taking shape in these cities. For instance, in Guangzhou, Tianhe CBD is the new centre built outside the existing urban core. Major infrastructure investment in new Guangzhou railway station and Metro Line 1 has substantially improved transport accessibility of this area. Compared with existing Huanshi Road CBD, Tianhe is deliberately planned to be functionally stronger, larger and more comprehensive. The objective is to build it up to become commercial, trading, cultural, sports and exhibition centre in Southern China. On the other hand, Shenzhen government also plans to move the development emphasis from Luohu to Futian. Futian CBD is planned to become the future urban centre. Community and infrastructure developments are gradually completed and some office projects are put in use. Because of low sale prices, these office projects have attracted considerable market interest. It is clear that the municipal governments have invested substantially in these new CBDs.

However, we understand from overseas experience that CBD development is quite often determined by market factors and internal dynamics of city growth. Whether government planning can qualitatively divert the market trend and replace the role of old CBDs is yet to be further studied.

Office Property Market Analysis

China's open door policy has increased the national economic strength and led to major transformation of economic functions of major coastal cities. Commercial and business activities grow substantially supported by the increasingly prominence of tertiary industry. Demand for office property became evident since mid 1980s. High development yield and profit margin prompted many property developers to rush to develop office properties. Office supply increased tremendously. This over-optimistic atmosphere was put to an abrupt end by 1993 when the central government implemented the austerity policy. Real estate market immediately went into depression and the condition of over-supply became to surface. The following sections illustrate our consolidated analysis on the office property markets in Guangzhou and Shenzhen.

In 1994, the municipal government became aware of the overheated office development market and adopted immediate policy measures to control new office projects. However, the market was still filled by vast amount of newly completed office space developed during the 1992-1993 peak period. China's economy achieved successful 'soft-landing' in 1996. Bank credit lending began to relax slightly. Although some property developers decided to complete outstanding office projects to take advantage of the 1997 effect, the development scale was much smaller than previously.

Office Supply In early 1996, total office stock in Guangzhou was estimated to amount to about 400,000 sq.m. But by the end of 1996, office floorspace reached some 500,000 sq.m. It is estimated that by 1998, total office floor area will become 1.8 million sq.m. Compared with the estimated demand of some 1 million sq.m., there will be a vacancy of some 45% of office space. On the other hand, the office market in Shenzhen is expected to be even worse. In 1995, total office stock was about 1.83 million sq.m., with some 1.04 sq.m. unsold. It is estimated that between 1996 and 1998, the total office supply will be 2.3 million sq.m. By 2000, total office stock will reach 4.4 million sq.m. The vacant office space by then will amount to between 1.5 and 1.8 million sq.m. We therefore believe this oversupply condition will continue for the next 5 - 10 years.

Market Performance Office market performance is closely linked with the national economic trend. When the austerity programme was implemented in 1994, both office prices and rents began to drop. Vacancy rates increased and office sale volume contracted. National economy has begun to improved since 1997. Office properties with good geographical location and comprehensive facility provision tend to achieve remarkable sale performance. Some even achieved an overall sale ratio of 70%. In June 1997, for instance, average office sale prices in Shenzhen have increased 27.7% compared with end 1996.

Locational Distribution Location remains a key factor for favourable office development. In Guangzhou and Shenzhen, favourable locations refer to those existing old urban centres and the government planned new CBDs. In 1998, Guangzhou will have some 1.82 million sq.m. of office space. Of this, 89% will be located in Tianhe, Dongshan and Yuexiu districts. In Shenzhen, over 90% of the 79 new and underdeveloped projects in June 1996 were located in Luohu and Futian districts. From a planning perspective, there is a need to further strengthen

existing commercial districts and restrict speculative office developments outside these urban cores.

Yield Office development yields were extremely high in the early 1990s. However, yields began to fall when supply increased coupled with the dampening effect of the austerity policy. In Shenzhen, for instance, average office rental yields dropped from 20% in early 1990s to about 10% in 1994. In 1995, the yield was even lower than 8%. On the other hand, office rental yield in Guangzhou also dropped from 13-17% in 1994 to 12-15% in 1995. These were comparatively low when compared with about 20-30% yields in other Chinese cities such as Beijing and Shanghai. Capital flow is one key factor influencing property development process. Owing to poor market performance, overseas capital gradually moved away from the real estate industry. According to the statistics in Beijing, Shanghai and Guangzhou, overseas capital in property market decreased by some 30% in 1995 compared with 1994.

Building Quality Although both cities witness a rapid growth in office development, quality of buildings is yet to be improved. According to our questionnaire surveys, we found out some of the major limitations in office property development. Most prominent shortcomings are: (a) lack of public parking spaces within development, (b) lack of comprehensive facilities to suit modern business activities, and (c) poor quality of property management and maintenance.

Office Market Outlook

Pearl River Delta Region remains China's most active commercial market economic unit. Guangzhou and Shenzhen are two obvious landing spots for both inland enterprises and foreign companies. Hence, the office market in these two cities will much depend on the future economic growth of the Pearl River Delta Region. On the other hand, the successful unification of Hong Kong with China has further strengthened its links with Guangzhou and Shenzhen. Owing to high land and property prices in Hong Kong, many large enterprises have moved to backdoor, supporting operations to offices in Shenzhen and Guangzhou. This shift of economic activities creates demand for office properties in these two cities. This will help the absorption of existing vacant floor space. In addition, we witness the commencement of a new economic cycle coupled with the 'soft-landing' of China's inflated economy. We expect that this will create additional demand for office space.

One major problem faced by the municipal governments is the oversupply of office in these two cities. We believe this situation is unlikely to be improved until the turn of the Century. We expect the governments will on the one hand strictly control development of new office projects, while on the other hand stimulate office demand. These policies are intended to improve slightly the current market glut. However, poor investment yield and government policy restrictions have also deterred the influx of foreign capital in property development. High land prices and construction costs already result in low development yields. It appears that the loss of foreign capital will still continue for some years.

Guangzhou and Shenzhen have already established into two major commercial cities within the Pearl River Delta Region in China. Although many other Chinese cities are also building up their office stock, these two cities are still having a competitive advantage. There is no reason to believe that their economic positions will be under immediate threat by other cities in the near future. As many of these adjacent cities are interested in developing their own economic strength, it appears that overbuilding is inevitable unless certain degree of regional planning is put in place.

However, given the current market atmosphere, urban development will likely continue to be in a state of autonomy and flux.

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