

## Asian markets lead urban growth

Opportunities for development and management skyrocket as population increases

by Darnell Little

In the next 20 years, the world's urban population is expected to reach 5 billion. By 2030, more than 60 percent of the globe will be urbanized, with Asia fueling the growth of individuals leaving rural areas for larger cities: Between now and 2025, the Asian continent's urban population is expected to rise by 60 percent.

### CHINA TOWNS

Urban migrations are happening across India, Vietnam, Thailand, Japan and South Korea. But the biggest seismic shifts are being felt in China, which is experiencing an unprecedented human migration from its rural areas to the cities.

"China is undergoing the biggest urbanization movement in human history" said Tarun Khanna, a business professor at Harvard University. "There's a social revolution that is occurring alongside the country's economic revolution."

China's current urban population is 560 million. The United Nations estimates that from now until 2020, about 20 million people a year will leave China's rural areas for the big cities. The Chinese government wants a 70 percent urbanization rate in the next 30 years, translating into 1.1 billion people living in the country's cities.

China's rigorous shift toward urbanization is creating major opportunities for real estate investors and

developers. The rise in urban population is expected to create a need for an additional 6 billion square meters of housing by 2020 as well as a need for additional office and retail space and other land and infrastructure development to accommodate the population growth.

For foreign investors, the potential is huge. Tim Johnson, a partner with NBBJ, a global architecture and design firm, specializes in large-scale urban Asian design and has become well acquainted with urban development in China.

"The challenges are constantly changing," Johnson said. "We spend a lot of time traveling there and meeting our clients to try to clearly understand the cultural differences we might have. And knowing that we are being hired to bring Western ideas to the country, we want to make sure that those are

appropriately assimilated to fit the cultural needs of the country."

One of Johnson's current projects is developing an urban hub for downtown Dalian, China's second-largest commercial seaport.

Ground recently broke on this mixed-use development, expected to bring 6.6 million square feet of new commercial space into Dalian by 2010. NBBJ's vision is to create a downtown area with residential, office, retail, hotel and recreation space that will include five sculptural towers on a five-story retail base. The 70-story Dalian Center Super Tower One will reach 1,235 feet, just 15 feet shorter than the Empire State Building.

"We call it the urban oasis," Johnson said. "Knowing we're in a dense urban environment, with millions of people, we wanted to bring the natural mountain experience into an urban environment."

### SONG OF THE SOUTH

One of the most rapidly urbanizing countries in the world today is South Korea, according to a United Nations report. By the end of 2007, nearly 81 percent of South Korea's 48 million people were living in cities, up from 57 percent in 1980. This urbanization rate is not only one of the highest in all of Asia, but is nearly the same as the rate in the United States, and greater than the rates for European countries like France and Italy.



Photo: NBBJ

The 70-story Dalian Center Super Tower One in Dalian, China, will stand 1,235 feet, just 15 feet shorter than the Empire State Building.

“South Korea is one of the most densely populated places in all of Asia,” said KyoungWan (Patrick) Nam, CPM®, of Acres and Dollars, LLC in Seoul, Korea. “The real estate activity is incredible. It’s one of the most active markets in the world.”

Easily the most ambitious real estate project undertaken to date in the country is the planned New Songdo City in Incheon, South Korea. The project, estimated to cost more than \$25 billion, broke ground in 2004 and is scheduled to be completed by 2014. When finished, New Songdo City will be home to 65,000 people and 300,000 workers.

Located 40 miles southwest of Seoul and 25 miles from the North Korean de-militarized zone industrial area, New Songdo City is being built on the site of General Douglas MacArthur’s 1950 landing in Incheon during the Korean War. The project is a joint venture between developer Gale International and Korean steel manufacturer POSCO E&C.

Designed to be an international business district, Songdo will have 50 million square feet of office space, 30 million square feet of residential space, 10 million square feet of retail space, 5 million square feet of hotel space and another 10 million square feet of open public space.

The design for Songdo has borrowed generously from other major cities across the world. Songdo will have 40 percent green space with a system of pocket parks based on the parks in Savannah, GA, canals like in Venice, and a large central park similar to New York’s. There will also be museums, an aquarium and a golf course.

To further its status as a global business center, Songdo will deal in multinational currency and English



Located 40 miles southwest of Seoul and 25 miles from the North Korean de-militarized zone industrial area, New Songdo City is designed to be a thriving international business district with millions of feet of office, residential, retail and hotel space.

Photo: Gale International

will be the primary language promoted in the district. Songdo will be the first free economic zone in South Korea, where foreigners can own land, operate schools and hospitals, and companies can receive Korean tax exemptions.

### TOKYO DRIFT

Asia’s most mature urbanized economy, Japan, has an urbanization rate of more than 65 percent. Leading the way within Japan, Tokyo’s population is expected to reach 10 percent of the entire country in 2020, while that of the metropolitan area is expected to reach 30 percent, according to Yasunori Yamamoto, CPM, of Fujipro, Inc. in Tokyo.

The large population concentration in Tokyo area began around 1996, due to the fall of land prices following the Japanese economic bubble’s implosion, Yamamoto said. One can still purchase a family-type condominium for a little more than \$400,000 in the middle of Tokyo—about half the price of the bubble period.

Also, Yamamoto said, the younger Japanese generations are increasingly attracted to the conveniences of inner city Tokyo, such as the hospitals, education, entertainment and shopping, resulting in population concentration.

Indeed, Tokyo is currently undergoing a construction boom that is rapidly remaking entire neighborhoods. More than a dozen skyscrapers are scheduled to go up over the next few years in the city’s various business districts.

The recently opened Tokyo Midtown Complex, developed by Tokyo based real estate firm Mitsui Fudosan, also features the Tokyo Midtown Residences, a 410 rental-unit building, a Ritz Carlton Hotel, a medical center, a museum, a convention hall and various retail outlets.

Taking up more than one million square feet, Tokyo Midtown Complex has reserved 40 percent of its area for green space, with the 140 trees removed during construction being replanted.

Asia’s spectacular urbanization rates are expected to continue well into the next two decades. Containing 60 percent of the world’s population, Asia presents both a challenge and an opportunity to real estate developers and future managers as the massive shift of people from rural areas to cities continues, demanding creative approaches to the challenges of dense urban living. □

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