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## **The Role of Urban Villages in China: Case study from Shenzhen**



## Master of Science thesis

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### Abstract

Concerning the role of urban village in the rental market, early renewal damages the immigration of the lower income groups, thus affect the supply of the primary labor force. Therefore, a right time of urban village renewal play an important role in labor flow which is a critical attribute to economy growth.

Previous studies mostly focus on the urban planning and social problems in these areas. But this thesis will regard the urban villages as an indispensable part of the housing market especially in the transitional stage of Chinese economy which indicates a suitable renewal policy of urban village.

In order to research on the role of the urban village, the sample analysis of urban village in Shenzhen is made. The thesis will evaluate the urban village's role in different sectors, i.e. local government, house owner, tenant and the real estate developer, aiming to find a suitable justification to the urban village existence in current transitional society in China.

The role of urban village is common problem in China and other emerging economies since the urban village is an inevitable phenomenon in the rapid urbanization. In the circumstance of low social welfare society, the urban village solves an exceptional part of housing problem.

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# **1. Introduction**

## **1.1 Background**

The thesis is delivered under the background of rapid urbanization in transitional China. Since local governments reinforce the effort on the real estate construction, the rare resource of the land spurs the reconstruction of the urban villages. But the renewal construction is far from meeting the satisfaction of all the immigrants since the density of households is comparatively lower than urban village. In the other hand, the booming of house price limited the incentive of buying for ordinary people accompanying with a large share of house buying for the speculative purposes. For those who cannot afford for owning a house, the rent market is the only choice. And for the low-income immigrants and newly graduated students, the urban village is their best choices.

Due to the grey regulation of urban villages, the urban village houses have lots of disamenities comparing to the well-planned commercial houses. Therefore, the rent level in there is competitively lower than the nearby commercials real estate. However, mega cities like Shenzhen have huge number of urban village housing units in the rental market. The role of urban village renewal is common problem in China and other emerging economies.

Following the fiercely debates on whether the urban village should exist, China has a lot of work to do in dealing with the house removal in urban villages. Concerning the important role in the rental market, the early renewal will damage the immigration of the lower income groups, thus affect the supply of the primary labor force. And a right time of urban village renewal play an important role in labor flow which is a critical attribute to economy growth. Therefore, it is meaningful to evaluate the urban village's role in different sectors, i.e. local government, house owner, tenant and the real estate developer.

## **1.2 Aim**

The thesis aims to find a suitable justification to the urban village existence in current transitional society in China. The thesis also tries to find the rent level difference

correlated to the entire market in order to clarify the importance of the lagging in rental market.

### **1.3 Method**

In order to research on the role of the urban village, this thesis looks into the role of urban villages by doing cases study in Shenzhen, a newly built mega cities in front of Chinese economic reform. The sample analysis of house owners and tenants in New Yulong Village is made. On the argument of whether the urban village should be renewed, questionnaires with tenants and interviews with the owners of urban village housings will be made. In order to find the rent level difference correlated to the entire market, a basic mathematical analysis will be used.

### **1.4 Disposition**

The research problem is the role of urban village in current stage. To answer this question, firstly, we look into the history of urbanization in order to find an indication for the emergence of the urban village and the role of urban village in the historical urbanization. Secondly, the urban renewal policy will be researched in the developed area. Thirdly, the sample analysis of house owner and tenant is made. Lastly, the role of urban village renewal will be discussed based on the China's reality especially the transitional economy.

### **1.5 Limitation**

The thesis evaluates the role of urban village from the different sectors' views, thus the concentrative and intensive research on specific group is limited. In order to make an in depth research, each interest group could be clarified into individual study.

## **2. Literature on the urban village renewal**

### **2.1 The history of urbanization**

First, we look into the history of urbanization. Davis (1955) indicates that the urbanization as a whole began in 1800, and the process occurs in industrial countries as well as the less-developed nations in Africa and Asia which accompany with the rise in consumption standard. Borchert (1967) argues that the technology and immigration is the source of metropolitan creation in America which reflected on the production and information education system. And the pressure of greater adaptability and more control conflicts throughout the process.

In American, Schlesinger (1940) finds that the city expands in size and wealth before the Industrial Revolution when population booms to grow and different cities compete for the dominant status according with the “urban problem”. He also foresees the distinction between urban and rural will become blurred comparing to the traditional ways of lives in those areas. On the urbanization of rural America, Bishop (1967) indicates the value of the residents in rural area becomes the same as the urban area which plays an important role in urbanization process.

Unlikely, Yeh and Xu (1984) find the Chinese government tries to control or keep the rate of urbanization which dominates the urbanization process. In this circumstance, the private property right plays an important role in different context. The intervention of government in the urbanization process can produce positive interaction with urban planning, but in the other facet, the control of the pace of urbanization will cost management inefficiency and the unequal circumstance of the competition.

### **2.2 The theory of urban renewal**

The urban renewal problem occurs corresponding to the historical development of some disadvantaged area, but the government intervention is inefficient in regulation. Davis (1960) analyzes the causes for the blighted areas which have poor property values in urban area. The government intervention is challenged since the deterioration of blighted areas will inevitably be replaced by intensive use. Therefore, the inefficiency could be solved only by given sufficient time. And the profitability oriented strategies is questionable and with all kinds of limitations. The renewal



program should entitle with purposes and afterwards the government could regulate it using tax and debt limits. But in most cases, the local governments bear the most portion of the loss.

The urban renewal theory also can be applied to the different strategies of the renewal. Schall (1976) applies the Pareto efficiency method to examine the different goals against the positive strategies. He finds different equilibriums under different ownerships. But split ownerships i.e. not permanent private or government controls strategies will cost neighborhood inefficiency or post-renewal deterioration. In Hong Kong's situation, under the rule "minimum intervention with maximum support", government acquired the private-sector-led urban renewal which encourages the renewal of rural area into the urban city (Ng, 2002).

### **2.3 The concept of urban village**

The concept of urban village will firstly be elaborated since the terminology has lots of explanation based on different context. Gans (1962) use the urban village for the first time in order to distinguish with the urban jungle. It refers to the ethnic immigrants settle down in urban area but still remain their non-urban culture in the area. But urban jungle is the nom to describe the mal-developed area with varied social problems e.g. crime, and prostitution. Aldous (1992) introduced the urban village to UK for the first time and it refers to well designed, mix-used and sustainable area that captures the community commitment. Franklin and Tait (2002) review the history of urban village concept in urban planning and sociology perspectives. They find it is hard to fix a definition of urban village since diversity of villages emerges in urban area and millennium village i.e. the village in new era could be more appropriate to describe them.

In China, the urban village refers to village in city (Chongzhongcun) in most researches. For instance, Wang et al (2009) characterize the urban village as informal housing and industrial development. Deng and Huang (2003) use the semi-urbanized villages regarding the illegal construction of housing in those areas. In Chinese government reports, urban village (Chengzhongcun) is always accompanied with the Penghuqu which some of the area is crowded with one-flat only and poorly decorated houses, even no concrete wall and ceilings.

Urban villages emerge with urban sprawl which is different from the slums due to the location and government regulation. The urban village generates from difference property rights of urban and rural in China. In rural areas, land is owned collectively by farmers and they can build their own dwellings in limited piece of land. On the other hand, commercial housing belongs to urban land regulation which is different from rural areas. Only the real estate companies have the right of building houses.

The conflict emerges when the former rural areas become the urban area and aborigines develop dwellings in large scale with the incentive of booming housing price. In both cases, either the farmers in rural areas or former farmers in urban villages cannot sell their real estate due to the limited property right. The only way to benefit is to rent out due to the farmers dwelling policy restriction. Some of the flats are rent out for industrial uses; however, most of them are for housing purpose. This is the origination of urban villages in China.

### 3. The planning and land-use policy debate in China

#### 3.1 The history of land-use change in China

The land-use policy reform can be divided into two stages which differentiate in the year 1978. Before 1978, the nationalization dominates the land ownership. More explicitly, the land was regarded as the most important family asset before 1949 when the PR China was built. Then the land was gradually owned by the national government through confiscation and purchase from individuals aiming to reach an equity goal. In 1953, the private ownership of the land ceased after the land reform. Housing problem was solved by the *Danweis* which land was authorized by the state. This type of system lasts till even now since in some state-owned *Danweis*, people still can get their own house at a lower cost.

Actually, the dominated system land-use policy was influenced by the Open-up policy in 1978. After 1978, land-use was entitled with land rights transfer, taxation, fees, farmland protection, land administration and regulation (Tang, 1989). The land market finally formed. In 1998, the government announced the commercialization of the housing market, the land-use structure formed as followed.

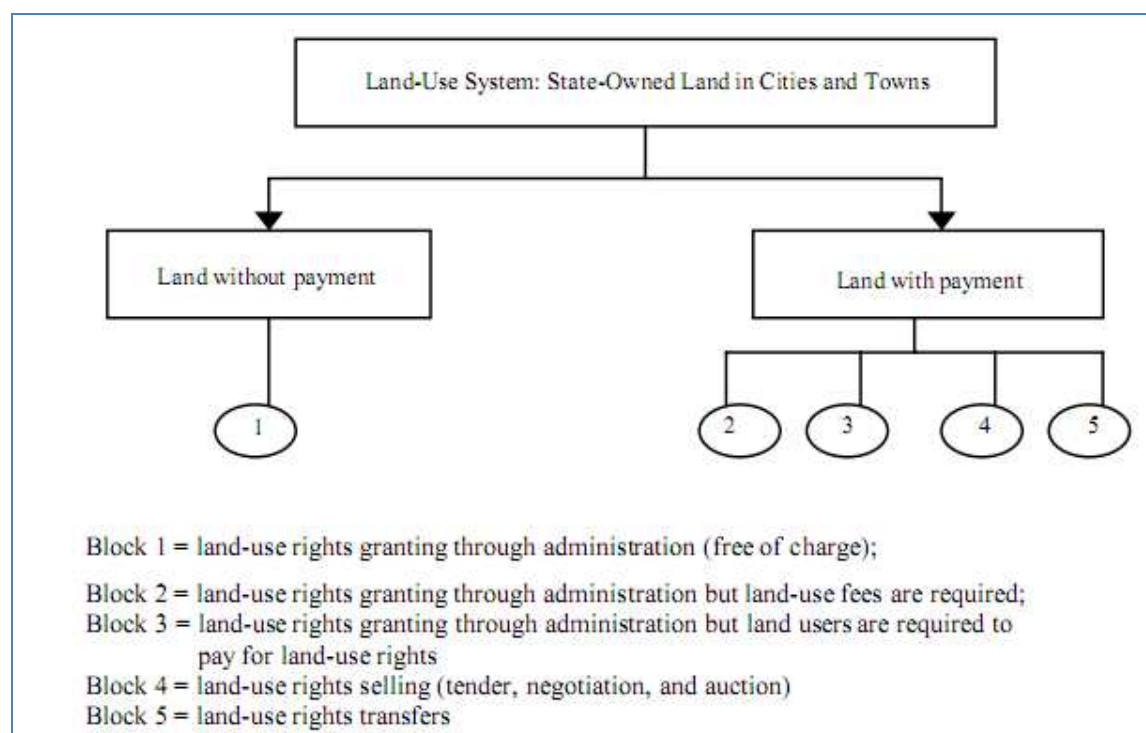


Figure 1: Land policy reform in China: assessment and prospects (Ding, 2002)

The historical land policy reform in China is different in channels. The land without payment dominates the early stage of real estate development. Most of the people rely on this channel to solve the housing problem. The land with payment dominates the nearing couple years of real estate development. The local governments create the land fiscal policy since the payment of land transfer booms recently.

### **3.2 The land acquisition and public requisition in urban area**

Nowadays, land-use right selling is the main road for the developers if they want to build a project to sell in the open market. The city planners usually nominate a piece of land for certain purpose use. The land will be acquired in the name of the government. If for the public use purpose, the public requisition effort will be used.

The problem occurs when the acquisition or public requisition is not a market activity. Usually, the compensation is far below the market value of the land and negotiable. In some cases, the actor who enforces requisition is not the government but the developer. The game will be played between the developer and the aborigines. If aborigines move out early, the compensation is always lower than the one who insist to get higher compensation. In some extreme cases, the urban removal is messed up with death accident for compensation i.e. some people fight for the property using their lives especially in the booming housing price. Therefore, urban renewal sometimes in China becomes the tragedy.

### **3.3 The impact of urban-rural dual system land-use policy**

The direct impact of urban-rural dual system land-use policy is the urban village. The urban village (*Chengzhongcun*) or village in city refers to the undeveloped or semi-urbanized village in the city. Urban villages emerge when the urban sprawl strengthens. Normally, those areas that are fringes to city become the slums without the governments' regulation in developed countries. In China, large cities like Shenzhen which experiencing a rapid urbanization spur the urban villages in large scale.

The urban village generate from the difference of urban and rural property right in China. In the rural area, the land is owned collectively by the famers and they can apply for the limited piece of land for building their own dwellings. But farmers cannot sell their land unless the local government announcing to acquire the farm

land for public or commercial purpose. They are compensated with amount of money which is much lower than the market value. Local governments benefit from the price difference which can be recognized as the leading resources of fiscal income. For the property right of commercial houses, 70 years of usage right is attached.

The commercial houses belong to the urban land regulation which is totally different from the rural areas. Individuals do not have the right to develop the land. Only the real estate companies have the right of building houses. When the urbanization process becomes rapidly fast, the conflict emerges. The former rural areas become the city area, and aborigines take the chance to develop the dwelling in large scale. The density and the height of the buildings become higher and higher. Local people call them “Kiss Building” since people from nearby flat can kiss each other through the windows.

The purpose for the aborigines developing the buildings is not as same as the farmers i.e. own dwelling. They want to commercialize the buildings since they cannot consume all the spare rooms. But they do not have the right to sell them due to the farmers dwelling policy restriction. The only way to deal with those rooms is to rent out. Some of the flats can be rent out for industrial uses; however, most of them are rent out for housing purpose.

## **4. The urban village in Shenzhen**

### **4.1 The land-use change in Shenzhen**

Being China's first special economic zone, Shenzhen is a coastal city to the north of Hong Kong. Before 1978, the city is just a rural village which people lived on the fishing. It can be recognized as the rest bay for the fishermen. The land is owned by the local fishermen collectively. After 1978, the village gradually expanded and ruled out the agriculture and fishing industry.

On the frontline of Chinese Open-up policy, Shenzhen enforced the "Land management reform in the special economic zone" in 1979 which authorized publicly owned land can be leased to developers by auction and bidding with a maximum term of lease at 50 years. And the lease is renewable through renegotiation. Furthermore, leaseholders can sell, assign, and transfer to another. Those real properties are also allowed to be rented or mortgaged. This proposal allows real estate market transactions in the city for the first time.

### **4.2 The history of urban village in Shenzhen**

The urban village develops with rapid urbanization. The Open-up policy stimulates the FDI from Hong Kong and other areas. Factories and infrastructures boom in the new city areas. The aborigines have to find their own way of living since the neglect of the local government. As the immigrants emerge in the new city, the food production in the farmland is no longer as profitable as apartment renting. Wang et al (2009) describe the development of urban village into three stages.

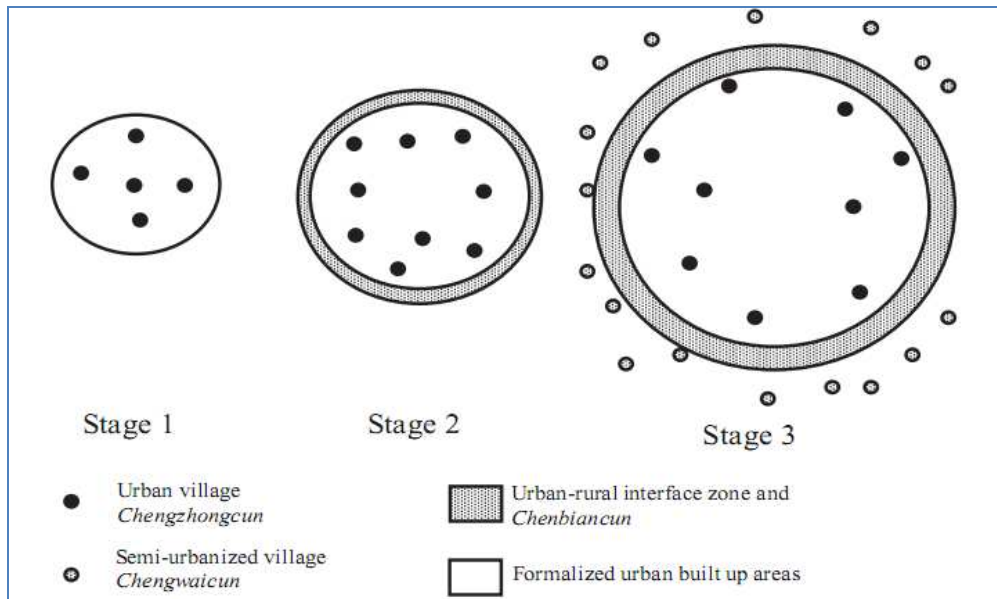


Figure 2: Urbanization and Informal Development in China: Urban Villages in Shenzhen, (Wang et al., 2009)

The total area of urban village housing in 2004 is 9,204 hectares with total private-owned dwelling of 307,000, 44% of which are constructed after 1999 (Shenzhen City Urban Village Redevelopment Planning Working Group, 2004).

In 2009, the municipal government announced the cancellation of the inner-custom and outer-custom area differentiation. The big-Shenzhen plans will inevitably change the structure of the urban village in Stage 3. After 2009, Shenzhen announces the farewell to the rural area which is the first city that departs from the farmland economy. The social status of village people in and out of custom boundary is the same.

### 4.3 The regulation of urban village in Shenzhen

In late 1970s, since the municipal government paid most of the effort on the development of new area for the new factories and immigrants, they merely had any plans or control of the aborigines. As the urban village aborigines shifted their efforts from food production to renting housing and numbers of urban villages emerged, municipal government issues lots of control on the size and numbers of houses.

In 1982, the municipal government issued “Provisional Regulation on Village Household House Building and Land Use in Shenzhen SEZ”. In 1986, stricter control on the village housing in area was enforced at 40 square meters per person. In 1993,

standard adjustment on the village resident household issued. In 2001, the municipal government legislated the unauthorized housing. And in 2005, a 5 year plan for the urban village reconstruction is conducted which dominate the process of urban renewal.

( 10,000 m<sup>2</sup> )

	Luohu	Futian	Nanshan	Yantian	Baoan	Longgang	Total
<b>Demolish Land Area</b>	30	40	80	30	410	300	890
<b>Demolish construction Area</b>	80	130	200	40	400	300	1150
<b>Reconstruction Area</b>	145	190	365	110	1030	750	2590
<b>Residential Construction Area</b>	100	125	310	90	920	670	2215
<b>Office Construction Area</b>	15	35	20	5	10	5	90
<b>Commercial Construction Area</b>	30	30	35	15	100	75	285
<b>Integrate Construction Area</b>	570	540	520	60	860	820	3370

*Table 1: 2005-2010 Urban Village Redevelopment Area Control*

#### 4.4 The redevelopment of urban villages in Shenzhen

As the city expands rapidly, the argument on the redevelopment of urban villages occurs in order to shift the pressure of booming house price. In a traditional view, urban villages are crowded, dirty, and with lots of flowing labors. It is hard to secure the social stability in the villages. If there is little cost of urban renewal, mostly governor and property developer will support the urban renewal of the villages.

Goal	Definition		Models	
Self reconstruction	Unmarketization		All by Government	Model1
			Co. Ltd set by the Village dominates	Model2
Real Estate Development	Marketization	Complete Marketization	The real estate company developed by itself	Model3
		Semi-marketization	Government supervised, developer operated and Co. Ltd participated	Model4
			Corporation between Co. Ltd and real estate company	Model5

*Table 2: The different models for the urban renewal*

The redevelopment of the urban village differentiates in five models. The first model is all depended on the government power in the village which occurs in the early age of reconstruction. The model 2 relies on the decisions made by the village owners. This kind of model is a good compensation for the not so rich government sectors. And they are happy to see the change in the old, dirty areas. But the weakness is the finance of the village owners. Complete market solution is by the real estate removal



e.g. Tianbei Village is a good choice for all parties since the efficiency of the removal. But this kind of model requires too much of the developer. The last two models rely on the cooperation between the developer, village companies and the government sectors. They are popular since the coordination of the different interest groups. Of course, the last two models are hard for implementation since every party require more and spend less.

What we should figure out is urban village housing market's characteristics and judge when the redevelopment progress occurs is efficient. The demand side as well as the supply side of urban village rooms should be clarified.

## 5. The Case study in New Yulong Village

The New Yulong Village is typical city village in urban-rural interface zone which experiences conflicts and redevelopment program by people who live in the Village in Shenzhen. The urban village in urban-rural interface zone has a vivid name of mosaic parcels which denotes that land belonging to one unit but encircled in another. This kind of land use is different from the traditional urban villages in Shenzhen in different facets.

	Traditional Urban Villages	Mosaic Parcels
Property owner	Aborigines	Immigrants
Property Right	Cannot Defined as Illegal	Illegal in Law
Location	In the Downtown of City	Fringe to City
Social Statue	Disadvantaged Group in Economy and Politic	Business Men and Workers from other cities
Community	Rely on the Consanguinity	Separate, came from all over China
Usually Conditions of Renewal	Accept 1:1 and above Compensation of Nearing Land	Accept Money Compensation partially
Corporation	One Committee	No Conjunction

*Table 3: The differences between the traditional urban villages and mosaic parcels*

In order to verify or describe a vivid picture of urban village development process, and to testify a suitable removal role of the urban village, the research is conducted. This research is delivered during the late December of 2010 and the middle of the April of 2011.

The case study can be divided into four parts. Firstly, the historical review of the development of New Yulong Village. It will be focus on the land property transfer and the regulation of the Village. On the other hand, what responses people in the Village released to the regulation. In this part, the secondary data and the primary data collected from the house-owner interviews will be used. Secondly, a questionnaire was conducted within the village which aims to screen the living condition and their attitude towards the change of the Village. Thirdly, upon the questionnaire, the structure of the tenant will be researched in a more intensive way. The structure of the tenant is a direct way to look into the future development of New Yulong Village. Lastly, the typical consumers i.e. the tenants in the Village will be

evaluated in order to find the function of the urban village in Shenzhen. After those studies, the physical and emotional fulfillment of urban village is rolled out.

### 5.1 The history of New Yulong Village

New Yulong Village located in the north of Luohu District which is connected to Longgang District and very close to the old city center (Luohu) and new city center (Futian).



Figure 3: The communication of New Yulong Village

In the administrative perspective, New Yulong Village was named as well as Qingshuihe Sub-district Administration Office when Luohu District took over the administrative right. The New Yulong is located in the bottom of the two beautiful mountains, Jiujieding and Fenghuangling which are in the west side. For this reason, the Village is called “the only urban village in the city oxygen bar”. Honggang Road which is main road express to Longgang city center is located in the east side. To the south side of the Village is Shenzhen People’s Army Hospital and to the north side of the Village is the Yulong Concrete Rubbish Comprehensive Utilization Centre. In the range of two kilometer, there exists Qingshuihe Logistic Centre and Bagualing Industry Park. The industry park used to be a key part of transferring industry from Hong Kong.

Before October 8, 2003, the village was a grey regulation area since the historical administration vacancy. The village is in the boundary of Luohu District and Longgang District which is also the water reservation area. The residential water usage in Luohu originates from the Jiujieding Mountain and Fengling Mountain. But these two mountains are under the regulation of Longgang District. The land use

conflict between the Luohu and Longgang existed in the area. Therefore, villages like Yulong had been in administrative blankness for a long time.



Figure 4: the interception regulation of mosaic parcel in New Yulong Village

The local residents in the Yulong Village experienced a long time of anarchic state of social production. Unlike other regular villages in Shenzhen, the Village had no committee and joint producing group. Under the conditions of anarchy, the residents in the Village made their living by renting out low quality room. Usually those rooms were roughly built by themselves. And they themselves did small business in the village such as the trading cigarettes, wines and vegetables.

The emerging labor pool in clothing and electronic industries increased the demand of low price renting rooms in Shenzhen. People in the Village witnessed the commercial chance of the rental market of housing. They gradually expanded their renting area by building houses. The building density in the Village became increasingly high. The empty regulation in the Village before 2003 caused disorder of construction of the buildings. And there was no autonomous group to coordinate between them.

Due to the density and air pollution problem, the rent level in the village was competitively low. The disordered space utilization caused inefficient land use. The buildings were built closely one by another. Furthermore, the rubbish utilization centre which locates to the north released air pollution. The smelly air used to be an important dis-amenity factor in the area. Even though, there were many tenants there

comes from all over the country. And the price of rent was the key factor when they choose to live there.

The weakness of regulation caused social disorders and high density of building reversely increased the difficulties of community maintaining. The social problem occurred when the interests in the Village conflicted with each other. People live in the cities came from different part of China. They usually had little education when they were young. The circumstance sometimes was a ghetto. Different gangs of people sit together, fighting for the existence. Drugs, alcohols and prostitutes always existed together. The criminal syndicates had their reason of emergence. On the physical side of the community, the public facilities usually had low level of maintaining. Therefore, the rubbish was thrown away all over the vacancy space.

In October 8, 2003, the Luohu District took over the administration of Yulong Village and the regulation of the Village improved step by step. In order to distinguish with the previous area definition, the name was changed into New Yulong Village. Simultaneously, the Qingshuihe Sub-district Office was built which was the upper administrative bureau of the New Yulong Village. The Office proposed to introduce a professional property management company to enforce the schedules. In January 1, 2005, the Yangguang Property Management Company was built. The Company created a “Hotel Administrative Model” of renting houses aiming to tie the Village to the tourism chain.

Till the end of 2010, the New Yulong Village has 0.8 square kilometer which possesses more than 350 buildings and 8519 sets of rooms or apartment. The residential construction area reaches 300,000 square meters. Some of them are under the construction, but other ones are ceased due to the government regulation. There are 400 local people and 25,000 other people live there. One primary and middle school and two kindergartens open in the crowded buildings. All of the schools and the kindergartens are owned by the private sectors.

The buildings in the village usually have storey of seven to ten, using as the residential and commercial space. Most of them are used for renting purpose. The percentage given by the official regulative office reaches 95%. And the renting sector, for the most part, is for residential purpose. The first floors the buildings are usually

for commercial purpose. There are 341 sets of private owned shops. The categories of the commercials are food, restaurant, medicine, community hospital, haircutting, recycling, small and middle size market, second hand goods, and bar.

In order to create a circumstance of living area rather than a “sleeping city”, the regulator built some entertainment and sport facilities. On the top of the area, it has a culture and sports center which has a standard football playground, four basketball and three tennis playgrounds. In the morning before 9:00 am, those facilities are free of charge for public use. Afterwards, they are run for commercial purposes which can compensate for the maintaining fees. Also, there is one stage for the collective activities usage. Recently, the Yulong Park was open next to the playground.



Figure 5: Photograph of the official landscape in the village, taken by author in 2011



Figure 6: Screen-Grasp from Sougou map, taken by author in 2011

## 5.2 The interview with house owner in urban village

In order to increase the understanding of construction of the Yulong Village and the government regulation, interviews with the house owners are made. The interviews are taken by face-to-face talk or telephone call. The topics are on the history of construction and the reflection on the government regulation. Three property owners accepted the interviews, two of them by face-to-face talk and third one was made by telephone.

The property owners went to Shenzhen in 1980s and began to construct the building in different periods of time after they settled down. They all came from the Chao-Shan District which is to the northwest of Shenzhen. People lives in Chaozhou and Shantou are famous for their talents of doing business. They are trained to trade since they were young. They came to Shenzhen to doing small business in Luohu District. They found the place was blank area and began to settle down there. The houses they built firstly were made of woods and they thought it was a temporal residential location. Luohu's rapid development was out of their expectation, and land use in the downtown Luohu became less and less. At that time, Luohu District was the only area

called “City”. Finally, they found no place to develop except the hill side of the mountain. They chose to build houses in the Village since they went to Shenzhen in early 1980s.

Although they began to build house since early 1980s, the most part of the existing buildings were constructed after 1990. Since the change in the technology and expand in market demand, those buildings built in 1980s almost reconstructed afterwards. The interviewee of the owners built the existing dwellings in 1996, 2003 and 2009 respectively. The booming of the construction was in the period of 1995 to 2005. This ten year of construction was also the tight regulation of the urban village construction. But the illegal construction i.e. conflicts with the government regulation in size and height still went on even the penalty fees were charged. One interviewee started the decoration of the building after the cease of the construction in 2007.

On the fund for the construction, they have their own way to finance the construction. Most of the house owners in the Village raised money from different sources. Some of them collect money and resources together and share the property right of one same building. Since the legal procedure, they cannot fund themselves from the bank loan. Sometimes they tended to the underground money resources so as to fill the cash flow gap.

The regulations of the urban village were changing overtime as well as the owners’ reflections towards them. In the beginning of the construction in 1980s, the government had no specific rule on the regulation, the buildings were randomly constructed. As the expansion of the demand and supply, the buildings became high and intensive. The government sector recognized the disorder of the sprawl. They made rule or standards in the construction acreage per capita and per household. But the enforce effort was not strong since the unclear regulation. And the penalty of the out of plan constructions still could not stop the construction.

The situation of construction which catching up with the new rules enforcement was not improved before 2003. After that, the owners of the unfinished building still got the chance to complete the project if they could handle the government relationship properly. One owner in the interview had been told to stop construction in 2005, but



in 2010, the building was decorated and open to rent out. The permission was up to the relationship with the government officials.

The house owners in the village are complex and their way of lives are out of the Village. They live outside the Village, and usually have their own business. Some of them do the investment in stock and real estate, and others just live on the rent income from the Village. Most of them hire their relatives to manage the renting affairs and spare one apartment for them to live.

Upon the future regulation of the construction, they thought there was no worried about the tighter rules. The Village is stable in some mean. There is no extra place for them to go on with the future construction except some unfinished building. Therefore, the future regulation on the urban village in Yulong will be on the existing market. When it comes to the potential removal of the building, they are quite optimistic. Since the market removal compensation level reaches their expectation.

The service in the village is correspondent to rent level of the apartment. Although the Luohu District government named the Yangguang Property Management Company as the facility manager of the Village, the service is hard to come up with tenants' needs. Reversely, they have to pay the rent tax to the government. On the improvement of the service, the owner of the building referred to the security and recycling system. The local police station arranges the tenant registration rule. Every tenant in the Village should be registered. The social safety has been secured by point to point and person to person management system. They call this system "Hotel Management System".

### **5.3 The questionnaire analysis of the tenants**

The tenant analysis is an important factor to exam if the New Yulong Village is a temporal dwelling for them. In order to find the real living situation and background of the tenants, a questionnaire was designed and 89 valid samples were calculated. The samples were randomly chosen by street intervening i.e. they were stopped and finished the questionnaire by chance.

The New Yulong Village is known from mouth to mouth and the way people find the rooms is usually from the bulletins. From the questionnaire, the 63% of the interviewees knew the Village from their friend i.e. they usually have the own

relation circles. On the ways they found the rooms, more than half of the interviewees targeted their dwellings from the bulletins in the Village. From the characteristics of the people knowing Yulong, The Village usually has its narrowed customers group. But this group of people is sufficient for maintaining the sustainable rent periods.

People lives in the Village usually are young and in their early stage of careers. The questionnaire shows that 28.09% of them are between the age of 26-30, and more than half the tenants are in the age 20 to 30. Most of the tenants in the Village work in the private owned companies or do their own business which possesses 86.12% of the total samples. On the industries they work in, the manufactures and IT are a little more popular which take 29.21% and 13.48% respectively. The data shows that they are in the primary period of career which stands for the future of the city.

Since they are young in age and fresh in career, they live in the Village since the lower price of the rent. More than half of the interviewees chose price as their primary reason to live there. The other reason is the location of the village which takes shorter time to go to work since 58% of them work in Futian District. And some of them chose friend circle i.e. community as the primary reasons, but none of them chose physical environment of their primary reasons. The potential of reasons of choice rely on the amenities of the village.

The interview shows a negative attitude towards the facilities of the Village. The attitude of unsatisfied and fare ordinary possess 85% of the interviews. This can be verified by the years they live in the Village. They live in the Village for 1 to 4 years which take nearly 58% of the tenants. They merely live in the Village for more than 4 years i.e. about only 9% of them live in there for 4 years plus. This can also be verified by the years they live in Shenzhen which 84% of them are below 4 year. In contrast, when asking the sequencing of moving out, the work changing takes the most part, reaching 85%. And the salary takes only 13% of the reasons. They background of these result is they get used to the Village.

The wealth character of the tenant is low income and consuming. The monthly family income depends on the family members. If the family lives in the Village is single person only the monthly salary are mostly in the range of 2000-5000, and families with two persons and above usually distributed in the range of 8000-12000. These

ranges of family income take 36% and 26% respectively. More than 60% of their consuming is on the food and social activities. 63% of them do not have the house buying experience and 33% have one house or apartment in their hometown which can be reflected by the loan paying takes 16% of tenants as their primary family expense. Among all the investment channels, the deposit, real estate asset and stock take the most part of the financial tools.

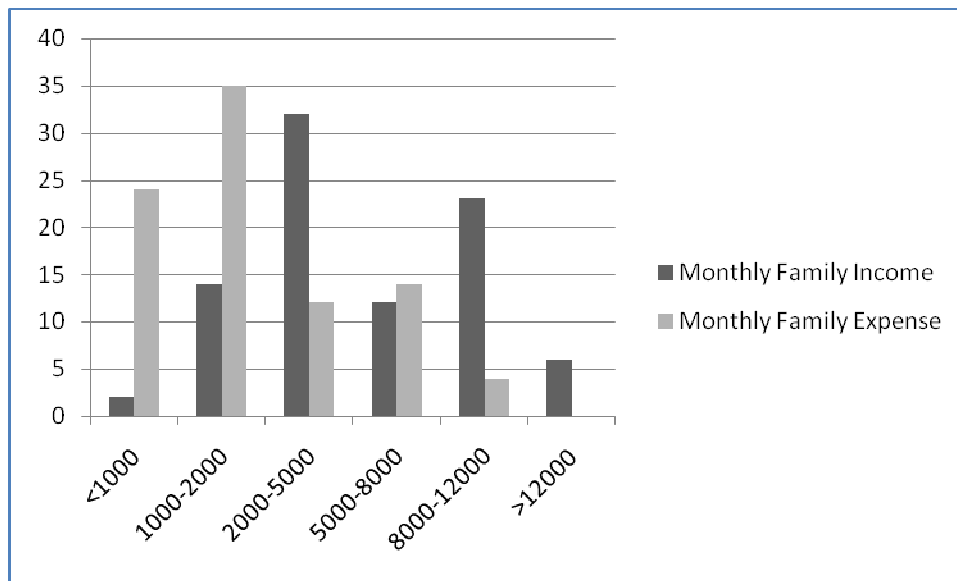


Figure 7: the income and expense of family per month

The tenant structure calculated by the municipality shows a rough distribution the categories which confirm the analysis above. The ordinary work forces take 60% of the tenants, white collar for 20%, business men for 10%, property owners for less than 1%, and others for 9%. In these people, most of them are passively chosen to live in the Village due the budget restriction. And only few of them are initiatively chosen to live in there. The amenities in the village should be improved so as to absorb more people living in this community. Of course, if the facilities improve as well as the rent price. Therefore, the equilibrium relies on the market.

#### 5.4 Sample analysis of the tenant

The samples were chosen due to the representativeness of different groups. Three samples tenants are researched. The first sample tenant is a 22 years old young man which represents the new generation of labor force in China. The second sample is a middle age man in his 36 which represents the old Shenzhener which went to

Shenzhen in early age. The last sample is selected which represent family tenants in the New Yulong Village.

The first sample is a young man who recently came to Shenzhen for new job opportunity. He is in his qualifying period in an IT company. The new job seekers usually have their own limited budget to cut the cost of vacancy period. The labor market is to the south of the Village, about 3.5 miles away. There is no other place can overcome the beneficial of location and cost of rent.

The young man chose to live in the Village because the location of the room and the less default risk for moving out before the expiration the contract. The 22 year old man lives alone in a 24 square meter room with small kitchens and bathroom. He signed 6 months contract with the house owner since the 3 months contract is 10% more in price. He pays one month rent for deposit and one month rent for the following month. H pays the owner for 900 RMB at the first time. If he move out of the in the following 6 months, he could not get the refund of the deposit.

On the future plan of his dwelling place, he has a neutral attitude towards the moving out. It all depends on the location of the workplace. Since he cannot buy an apartment in nearing five years due to the budget restriction, he will move according to the job changing. Luckily, he has no burden of marriage and the rest of his family, his parent, is in his hometown Sichuan.

The second sample is a 37 years old man who works in a chain tailor shop. He has just an education that equal to primary school and came to Shenzhen in 1998 referencing by his colleague and relative. He bought 4 apartments in Shenzhen and his home town Ganzhou, a city in another province next to Guangdong. Two are in the Ganzhou and the other two in Longgang District in Shenzhen. He released one apartment in Lonngang in 2008 when Chinese real estate market experienced the biggest crush down in the history. But he still benefit from two times of the original price of the apartment neglecting the rate of inflation. The latest buying the activities was in Ganzhou with half commercial loan, which he thought he could no longer concentrate his career and life in Shenzhen.

He began to think of the family and future arrangement for his rest of life and he thought he could not sustain the expense of living if all his four member family in

Shenzhen regarding the education expense of the two kids. Therefore, he chose to spend rest of his life with the family in Ganzhou. And the other members of his family are in Ganzhou.

He chose to live in the Yulong Village due the price of the rent. Although he has his own apartment in the Longgang, but he rent it out for 1750RMB per month and rent the 18 square meter single room in Yulong for 450RMB per month which he could spare 1300RMB as the extra income every month. The location is the second choice for living in the village since he works in downtown Futian. Every month, he collects the one day per week holiday into a certain period and goes back to his home in Ganzhou. The second sample of the tenant is a typical tenant who stands for the city gap and discrimination of the registration of residence. They work in Shenzhen but cannot enjoy the social welfare of this city. At last, the social pressure will drive them out of the city.

He will definitely not leave the Yulong village because of the low price and his job location. Now he is the manager assistant of the tailor shop and does quite well in his business affairs. Once he has a chance to promote to be the manager of another shop in Zhuhai, another big city in Guangdong, he refused to move because of his customer relations are mostly in Shenzhen.

The third sample of the tenant is a three members family who seeking their position in immigration city. The husband is a manager in a private logistic company. His wife is a typical housewife who charges the daily chores and raising their 5 years old boy. Unlike the second sample, the couple got high education in the university and had foreseeing future. They plan to buy an apartment in near future.

The primary reason they choose to live in New Yulong Village is the low price advantage. Actually, they can afford for a better apartment in downtown or in Longgang, but the house buying plan drive them back to the Village. Furthermore, with the same price they cannot rent a better apartment with 68 square meters.

When it comes to the future plan of the moving out, they come referring to the hardness of moving furniture i.e. they get used to the environment of the apartment and the Village. It is a burden to move from one place to another. When the boy gets older, they will move to a district that has better education condition.

	<b>Sample 1</b>	<b>Sample 2</b>	<b>Sample 3</b>
<b>Years in Yulong</b>	1	5	3
<b>Family Member</b>	1	4 (but live alone)	3
<b>Room Area in m2</b>	24	18	68
<b>Dominate Reason</b>	Price	Price	Price
<b>Willingness to Move</b>	Neutral	Negative	Negative

*Table 4: The characteristic of the sample analysis*

### 5.5 The lag of rent price of urban village in rental market

The sample analysis above mostly refers to the lower price of rent in the Village correspondent to the weak amenities. In this part, the rent price of residential market and the price in New Yulong Village are compared to see the gap between the New Yulong Village and the total residential market in Luohu.

Since the rent price in the New Yulong Village has no official statistic department to regulate. The data was collected from the official regulation department. The government sector which is in charge of the renting market give the referencing price of renting property. The following data is the updated information of the referencing price in 2010.

<b>Type</b>	RMB/m <sup>2</sup>		
	<b>With Elevator</b>	<b>Without Elevator</b>	<b>Single Flat</b>
<b>Yulong</b>	25	18	18
<b>Luohu Average</b>	32.40	21.68	19.23
<b>Spill Over</b>	22.85%	16.98%	6.40%

*Table 5: The rent of New Yulong Village comparing to Luohu total residential market*

The data shows that the average price in three different types of room is much higher comparing to the same type of rooms in New Yulong Village. The total average spill over of the Luohu residential market is 15% more than the rent in the Village. And the rooms with elevators indicate a 23% higher, 17% for rooms without elevator, and 6.40% more for the single flat rooms. The single room indicates a tiny difference i.e. 6% lower in the Village because the amount of those rooms is rare in there. Therefore, the true average rent of the Luohu area is 20% more than in the Yulong.

## **6. Discussion**

### **6.1 The importance of urban village in the urbanization process**

The urban villages, no matter the traditional ones or mosaic parcels, were produced by the quick urbanization process. The aborigines in the villages experienced great suffer from the reform. Now they finally find their way of life in the management of the properties. More and more graduate from all over the country rush to the cities like Shenzhen, the situation becomes complex. The urban villages construct an elastic space for the rapid change in quick urbanization process so that the social crisis postponed for the future adjustment.

Firstly, the urban villages spare out a way for the elder farmers or immigrants to live on with sufficient resources. Those villagers who experienced removal in early age usually have little support after they move to new place. The removal activity is just like a game between the time and money. The survivals who insist on their own benefits usually get the better living condition since the compensation gets higher and higher. On the other hand, people that live in villages like Yulong have lots of property asset in hand.

Secondly, the new immigrants which reflected on the first sample have a temporal dwelling in big cities. The villages play a springboard function in the social cognition. When the social welfare system is district restricted, the mainstream of the society will neglect the care of the new fresh. Urban villages can supply a method to solve the gap filling. The rent is lower and the rent period is more tangible than ordinary apartments.

Thirdly, the government sector could concentrate on the economy improvement if the urban villages can solve their problem by themselves. No matter the government oriented or the real estate company oriented reconstruction, the government sector should play an intermediate role in the process. The urban village is no longer the same situation as the situation 10 years ago. They are complex in social interest distribution.

## **6.2 The conditions of urban village renewal**

Since different kinds of interests conflicts in the urban village regulation, the renewal of the villages rely on the security of social welfare in all interests groups. In the current stage, the social welfare still cannot cover all the groups in the villages.

In the view of tenants, the condition of urban village removal is the support from government so that they are not edged by the rapid growth society. The support from government is normally not only the economic assistance but also the detailed service by the government that can guide them to integrate into the new environment. For the tenants like the Sample 2, the education discrimination of education and retirement backup are the keen concerns that led him get out of the city like Shenzhen.

On the other hand, the property owner of the house should be secured by the compensation. In the house owner interview, they are willing to remove the building if they can be compensated with the market price of the construction area. The market price of the nearing project reaches 18000 RMB per square meter. Regarding the high density of the building, no real estate company can benefit from the reconstruction of the urban village if the compensation is based on the market price. Actually, the market price compensation is just a ticket to the removal. If the government sector could use other tools to secure their lives, they will definitely get involved in the reconstruction. For instance, the government sector can help them to build their own business in other fields.

Furthermore, the government sector should put their efforts into the intermediation activities. If the removal of the urban village is not profitable, the government sector should compensate real estate companies to enforce the removal. And how they will transfer those large amounts of tenants on the urban villages is another problem for them to tackle with. If it is just on the supply side of housing, the government sector can build welfare house or public renting houses for the existing demand. But in current situation, the welfare housing is far behind the demand side of the market. They will definitely not create extra new demand of welfare houses from urban village removal.



### **6.3 The proposal timing of urban village renewal**

The proposal timing of urban village renewal can be generated from the conditions discussed above. Four groups, the tenants, the property owners, the government sector and the real estate companies, should prepare sufficiently so that people live in the villages would move out of the places initiatively. The incentives that create by those four parties together will lead to the smooth urban renewal.

The sufficient preparations in property owners rely on the shift of their effort in urban village property management to the others fields of entrepreneur. They have the original assets for them to expand the investment scope. The management of the property is not as profitable as other kinds of business, for instance, many of the owners invest on the real estate asset around the country.

The government sectors carry the most important part of the role since they have to master the plans of all groups. They should provide sufficient welfare house for the tenants to move, create an equal competition environment for the property owner and compensate on the unprofitable business for the real estate companies which enforce the removal and reconstruction.

For the real estate companies, most of them have no experience of creating a profitable model towards high density urban village renewal. The previous urban village renewal mostly were carried out in early 2000s, the situation develops as the rapid urbanization process. Therefore, a new model of corporation should be created on the current situation.

Lastly, the tenant choice is the allocation of the plan delivery. Their attitude towards the renewal is the keen factor since they are the terminal consumers of the product, i.e. the rooms. If they thought they were an indispensable part of the city, they would definitely be willing to move to a better community rather than constructing a family in other cities as what the Sample 3 did.

After the circumstance is created, the renewal plan can be carried out. Any insufficient factor will lead to passive renewal which creates fatal danger for all parties. When the preparations are sufficient, the process of urbanization will become mature and benefits for all groups.

## **7. Conclusion**

### **7.1 The benefit of urban village in current stage**

The urban village plays an elastic role in rapid urbanization process. Firstly, it supplies a temporal dwelling for the lower income family. Or they can act as a strategic asset saving tools for industrial families i.e. they spare the extra money for other real estate investment. Secondly, it is good channel for the property owners in the village to earn their livings in current stage. Thirdly, it provides a proper way to help the government sectors solve the welfare housing problem so that they can concentrate on the new city expansion.

### **7.2 The role of urban village**

The role of urban village relies on the development of urbanization. The booming period of urbanization create the urban village problem. It will not vanish if the pace of the urbanization slows down. At the time when tenants, property owners, government sectors, and the real estate companies are prepared to move initiatively, the renewal process could be carried out. Till now, it is not a foreseeing future for the right time to renew since the urbanization of Shenzhen and rest of the cities are in the peak of urbanization process. The government sectors just begin to build welfare houses in large scale and the real estate companies still do not know the right beneficial model for constructing them. And the rent level in urban village is competitively lower than the market price of commercial houses which absorbs lots of tenants. Therefore, the role of urban village it plays is still a treasure for all parties.

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## Appendices

### I. Questionnaire for the Tenants

#### On the New Yulong Village

1. The Way Know New Yulong Village  
Internet Introduction from Friends Others\_\_\_\_\_
2. The Number of Year Live in the Village  
Minus 1 1 - 2 2 - 3 3 - 4 4 - 5 5 - 6 Plus 6
3. The Way to Find the Apartment  
Bulletin Board in the Village Internet Introduction from Friends  
Others\_\_\_\_\_
4. Rooms of the Apartment  
One Two Three Four Five Plus 5
5. Squire Meter of the Apartment  
Minus 20 20 - 40 41 - 60 61 - 80 80 - 100  
101 - 120 Plus 120
6. The Length of the Rental Contract in Month  
0 - 3 4 - 6 7-12 13 - 24 25 - 36 Plus 36
7. The Sequencing of the Reasons Choose to Live in the Village (Using 1-7, 1 for primary reason)  
Price Location to Work Place Payment Community Facilities  
Communication Education for Kids Environment Others\_\_\_\_\_
8. The Attitude towards the Living Facilities in New Yulong Village  
Unsatisfied Fare Good Excellent
9. The Potential Reason Sequencing to Move out of the Village (Using 1-7, 1 for primary reason)  
Higher Salary Job Location Changing Buying own Apartment Marrying  
or Having Owing Baby Others\_\_\_\_\_

#### On the Individual Details

10. Gender  
Male Female

11. Age  
Minus 20 20 - 25 26 - 30 31 - 35 36 - 40 41 - 45  
46 - 50 51 - 55 Plus 55
12. Location of the Work Place  
Futian District Luohu District Nanshan District Yantian District  
Baoan District Longgang District
13. Work Institute  
Government & Research Institute State - owned & Collected - owned Corporation  
Multi - national Corporation Private Company  
Entrepreneurship Others\_\_\_\_\_
14. Work Industry  
Manufacture Real Estate Financial IT and Communication Trade  
Lawyer Medical Media Design Post & Electricity Government  
Education & Research Art & Performance Others\_\_\_\_\_
15. Family Member  
Single Two Three Four Five Plus 5
16. Family Income per month  
Minus 1,000 1,000 - 2,000 2,000 - 5,000 5,000 - 8,000 8,000 - 12,000  
Plus 12,000
17. The Number of Year Live in Shenzhen  
Minus 1 1 - 2 2 - 3 3 - 4 4 - 5 5 - 6 Plus 6
18. Family Expense per Month  
Minus 1,000 1,000 - 2,000 2,000 - 5,000 5,000 - 8,000 8,000 - 12,000  
Plus 12,000
19. The Sequencing of Consuming Activities (1-7, 1 for the highest part)  
Food Clothes Communication Residential Social Activities  
Cosmetics Loan Payment Others\_\_\_\_\_
20. The Entertainment of Daily Life  
Shopping KTV Fitness Reading Online Chatting & Games TV Program  
Others\_\_\_\_\_
21. The Times of House Buying Activity  
None One Two Three Plus Tree
22. The Way of Investment and Finance

Deposit Funds Stocks Pleasure Metals Pleasure Metals  
Commercial Insurance Real Estate Others\_\_\_\_\_

## **II. Interview Outline for House Owners**

1. When did you come to Shenzhen?
2. When did you construct the building in Yulong Village?
3. How did you fund the construction of the building?
4. What other kind of income do you have except rents from the apartments?
5. What would you comment on future regulation of the New Yulong Village?
6. Are you willing to remove the building with market price compensation?
7. How would you recommend on the improvement of service in the Village