

**FOREIGN PLAYERS IN LOCAL MARKETS: GETTING
DEVELOPMENT RIGHT BY FDI ENTERPRISES - AN
INSTITUTIONAL ANALYSIS OF HONG KONG REAL ESTATE
DEVELOPERS IN CHINA'S URBAN LAND MARKET**

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Abstract

The real estate industry has been the second largest sector in China to fetch foreign direct investment (FDI) since her opening up in the economy in 1978. In past three decades, Hong Kong based developers have been regarded the greatest individual contributors of China's FDI inflow and urban landscape transformation.

This study aims to understand the involvement of FDI players in the real estate sector in relation to the property rights arrangement in China's urban land market. An empirical study has been carried out studying **310 urban development projects** conducted by **11 key HK based developers** in Mainland China, which cover more than **80%** of all FDI real estate development projects in China since the economic reform. The preliminary results indicates that FDI share holdings are on average 11% higher for projects surrounded by well-developed areas, to which the property right is better ascertained by the physical environment. Whereas the FDI share holdings are 3% less for projects which entail de facto development rights obtained by the sitting SOEs or work units, which would require their local partners to deal with problems like residual claims etc. The data also indicates a distinct growing tendency for HK developers to acquire land in newly launched CBDs, city fringe land and virgin lots in remote areas during the past five years, where property right is a less thorny issue compared with carrying out development in the conventional urban areas. The perceived strengths and significant weakness of HK developers, such as local experiences / practices in terms of relationship under formal / informal rules, regulations / implementation and taxation / levies, would be discussed by case studies from various perspectives.

Keywords: Hong Kong, Foreign Direct Investment and Real Estate.
