

INTERPRETING CHINA'S SEVENTH NATIONAL POPULATION CENSUS

DEMOGRAPHIC CHANGES WILL HAVE SIGNIFICANT IMPLICATIONS FOR CHINA'S REAL ESTATE MARKET

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INTRODUCTION

China's once-a-decade national population census is a formidable undertaking designed to reveal the makeup of the world's most populous nation. The data it generates – including ages, occupations, residency status and education levels – is a prized commodity for central government, informing policy and processes for the years ahead. The seventh such national census was conducted through November and December of 2020, with preliminary results released by the National Bureau of Statistics on May 11, 2021, and presented at a briefing conducted with the State Council Information Office.

Among the census findings presented at the preliminary results briefing, some key data points indicate that important demographic changes are occurring within China.

Firstly, the national population has continued to grow, reaching 1.41 billion in 2020. But the annual growth rate has slowed notably, to just 0.53% over the past ten years. That's compared to 0.57% for the period from 2000 to 2010, and may be the slowest growth rate since the 1950s.

The population is also ageing, with citizens aged 60 and above now accounting for 18.7% of the total, up 5.44 percentage points from 2010. In contrast, the proportion of the working-age population, in the 15-59 age group, fell by 6.79 percentage points. However, there are also more young people, with the number of children aged up to 14 growing by 1.35 percentage points.

Family sizes have continued to fall, to an average of 2.62 people, down from 3.1 people in 2010. This is primarily attributable to greater working mobility and more young

people living separately from their parents. Gender-wise, the male-female imbalance has shown a slight improvement, with the gender ratio (males per 100 females) at birth adjusting to 111.3.

More people are moving to cities, resultant from the sustained drive towards urbanization. City-dwellers now account for 63.89% of the total population, up by 14.21 percentage points from 2010. In real terms, that equates to a rise of 236 million people in the urban population, and a fall of 164 million in the rural population.

Migration towards the more economically developed regions and city clusters is also evident. Eastern regions have experienced population growth of 2.15 percentage points in the last ten years, to now account for 39.93% of the nationwide population. Western region populations have grown by 0.22 percentage points and central areas have contracted by 0.79, but, in northeast China, the population has fallen by a quite significant 1.2 percentage points.

Finally, education levels are rising, with 154,670 people per 1 million now attaining a university education, compared with 89,300 in 2010. And the illiteracy rate has fallen sharply, from 4.08% to 2.67%, testament to concerted educational program efforts.

These census findings have important implications for the future of China's national and economic development, central government policy making, and commercial real estate. In this report we distill out four key takeaways for the China CRE market.

1.

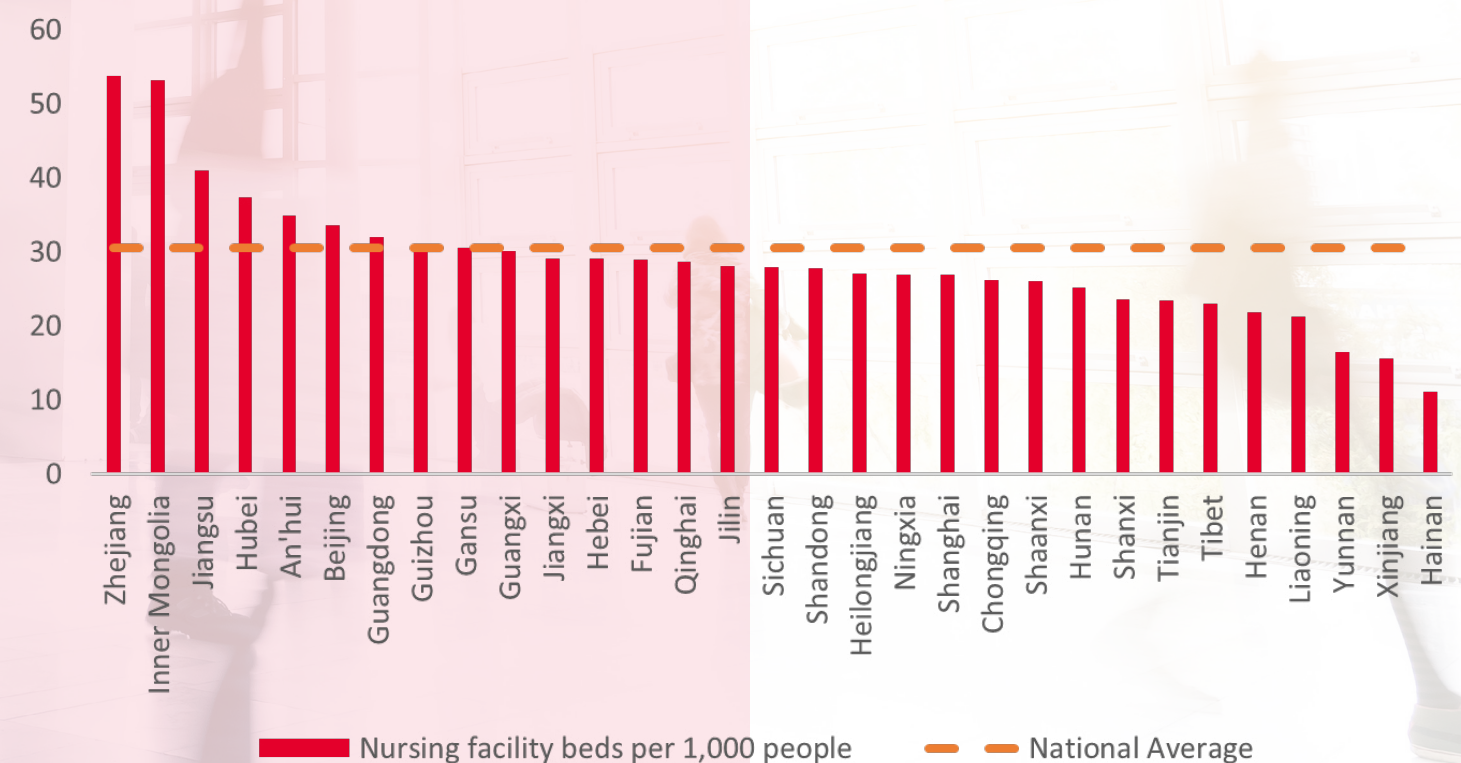
Demand for retirement housing and aged-care facilities is set to grow exponentially

According to United Nations criteria, China has already entered the realm of an ageing society. The number of people over 60 years old in the country has now reached 264 million, representing 18.7% of the total population. Among them, those aged 65 and over account for 13.5%. And this figure is only set to expand further. Predictions show that China's population of over 65s will reach 300 million by 2035, accounting for 20.6% of the total population. Yet there is a huge gap in care facilities for this growing senior community. In 2019, China had a national average of just 30.5 nursing facility beds per 1,000 older people, compared with

around 50 beds in more developed nations. This growing need, coupled with new and higher level demands from the coming retirement of the first batch of truly middle class citizens, will result in explosive growth in the retirement accommodation and aged-care facility sectors. Cooperation between real estate developers and medical and healthcare service providers should provide a further catalyst for growth in the sector.



Chart 1: Nursing facility beds per 1,000 people by province, municipality and autonomous region



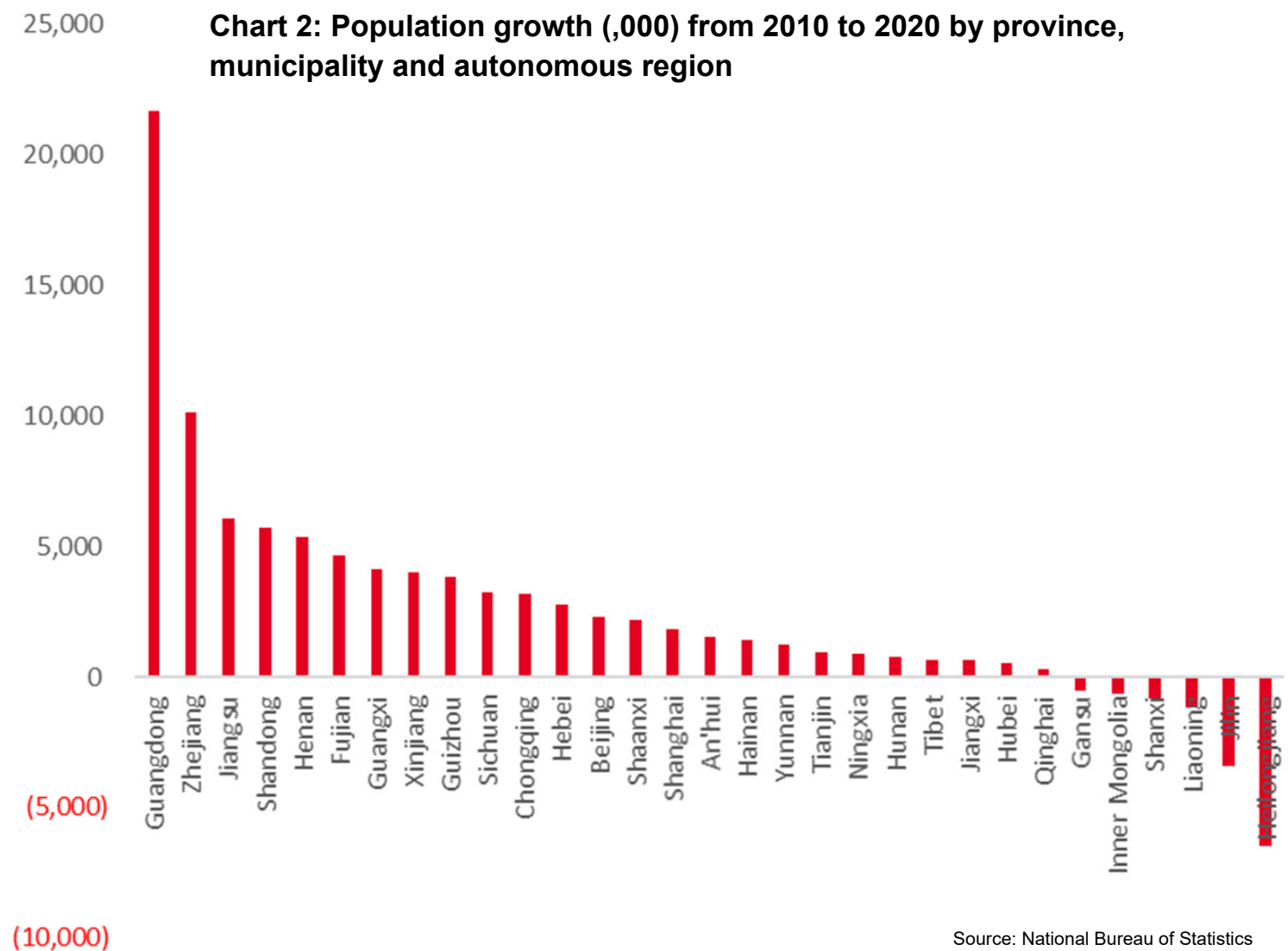
Source: National Bureau of Statistics, Cushman & Wakefield Research

2.

Population shifts and urban agglomeration will drive further development of intercity high-speed rail and urban rail transit networks

In the past ten years, China’s population has undergone a gradual yet distinct geographical shift to the east. Eastern regions have seen populations grow 2.15 percentage points since 2010, while the northeast has experienced a population fall of 1.2 percentage points. In quantitative terms, the east’s population has grown by nearly 46 million in the past decade – around the total population of Spain or Argentina – while more than 13.5 million people have relocated away from the northeast. Economic factors have been the primary drivers of this shift, with the eastern region attracting population inflows due to its stronger growth and more vibrant economic environment, together with more advanced development of urban clusters.

Chart 2: Population growth (,000) from 2010 to 2020 by province, municipality and autonomous region



Source: National Bureau of Statistics



Looking ahead, the planned implementation of inter-provincial urban agglomerations and city clusters, in the east and nationwide, is set to accelerate, earmarked as a key development trend. Intercity and urban rail transportation are both assigned central roles in this future socioeconomic planning. High-speed rail travel continues to grow in popularity and is envisaged as the primary transportation linkage between future city groups. Demand for urban rail transportation, facilitating the flow of people and logistics within cities, must also be met. We can see a fully developed intercity and urban transit network as an infrastructure investment priority for China. There will be significant knock-on benefits for real estate, spurring further development of office, retail, logistics and residential markets across core cities.

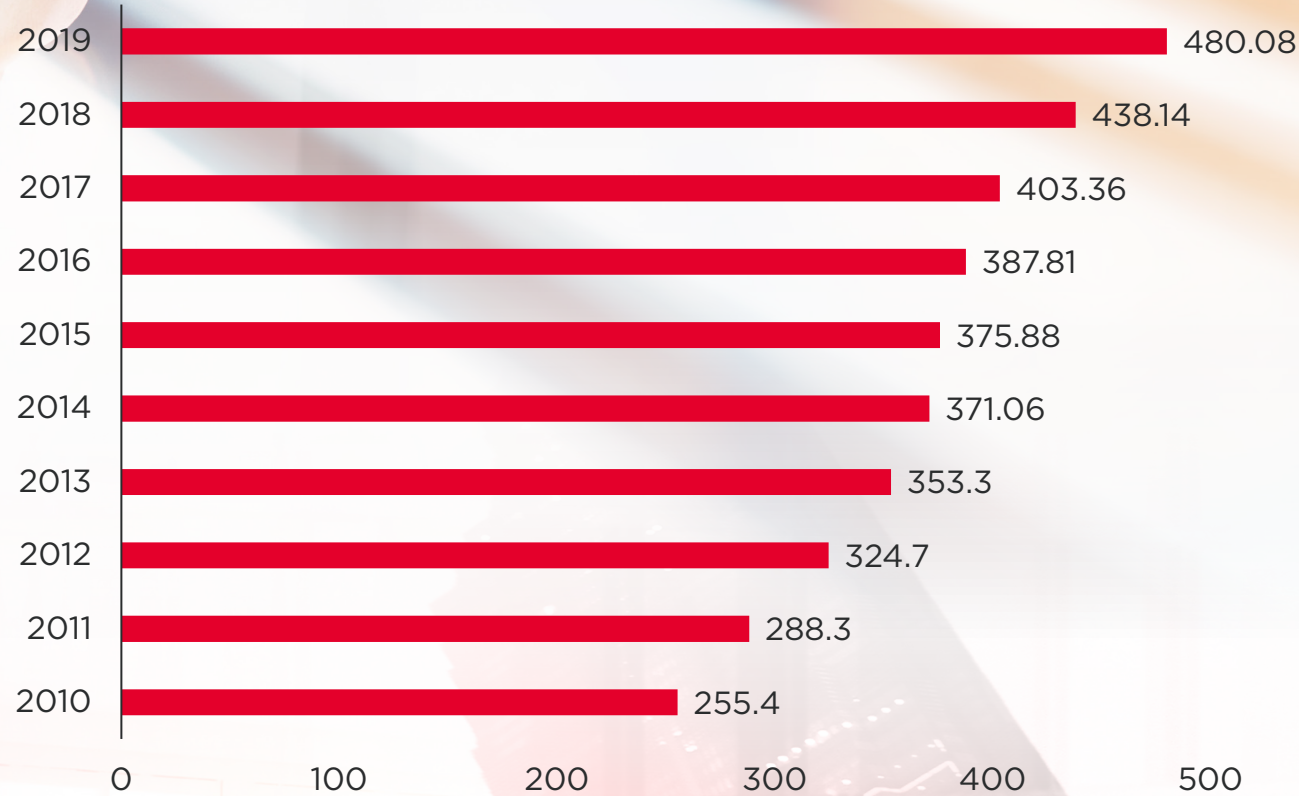
3.

A disappearing demographic dividend amplifies attention on technology and innovation

The fall in the size of China's working-age population, down to 63.35% of the total population in 2020 from 70.14% in 2010, has meant a loss of 67 million workers and the disappearance of a once-powerful demographic dividend. This alone mandates a shift in China's long-term economic direction, away from labor-intensive industrial endeavors and towards technology intensive fields. Indeed, the 14th Five Year Plan places more emphasis on technology and innovation than at any previous time, placing the sector front and center in China's future industrial policy. The expansion of nationwide higher education is critical to achieving this goal, and China has made great efforts in the past decade. The number of people earning a college degree per 100,000 persons has risen to 15,467 from 8,930 in 2010, a 72% improvement. Meanwhile, numbers working

in research and development fields jumped to 4. 8 million from 2.5 million in 2010, up 88%. This uplift in education levels has provided the talent guarantee that China needs to pursue its economic transformation. The ramifications for the country's real estate markets are significant, with ongoing expansion of the tertiary industry driving growing demand for office space. China's total Grade A office stock reached 64.48 million square meters in 2020, up from 19.65 million square meters in 2010, with average annual net absorption of 1.95 million square meters. Looking ahead, the prioritization of technological innovation and the digital economy is expected to provide an even more sustained boost to the nation's office property market.

Chart 3: Number of personnel working in research and development (million)



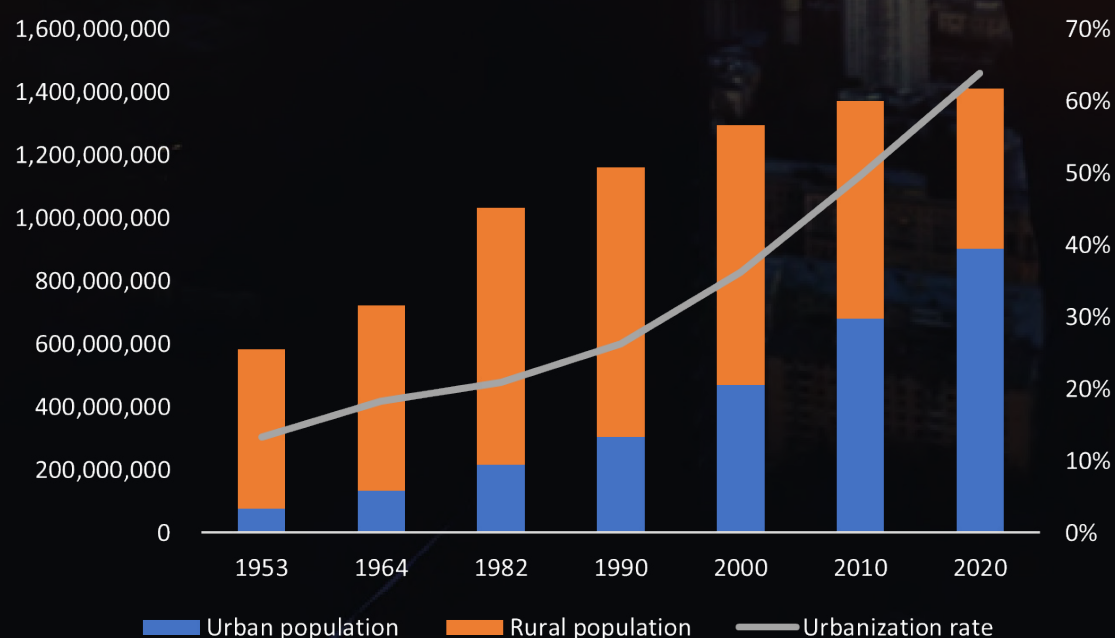
Source: National Bureau of Statistics

4. Urbanization will remain an important driver of economic stability and long-term development

China's urbanization rate rose to reach 63.9% in 2020, up from 49.7% in 2010. In the past decade, an average of 20 million people have moved from rural areas into cities every year. The 14th Five Year Plan period does point to a lower rate of continuing urbanization to prevail, possibly to give pause for thought following the experience of the COVID-19 pandemic. However, there is still considerable room for growth to achieve the eventual target of a stable urbanization rate of 70%. A likely scenario could still see more than 15 million people moving to cities every year.

Under this premise, population inflows will spur the development of regional economies in retail consumption, housing demand and urban infrastructure improvements. The central government's 'new urbanization' strategy calls for a more people-orientated approach, more integrated rural and urban planning, and an action plan for urban renewal. We can expect urban networks such as transportation and communications to become better connected, while bigger labor markets and improvements in productivity and innovation will bring greater economic opportunities for core cities, in turn benefitting regional real estate markets.

Chart 4: Urbanization trends by national population census



Source: National Bureau of Statistics

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