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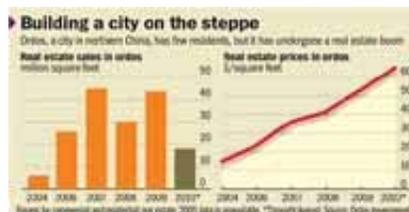
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**In China, they're building 'ghost cities'****New cities coming up have no people. The building boom is led by frenzied investors, not migrating workers**

David Barboza

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Ordos, China — By many measures, this resource-rich city in northern China is a fabulous success.

It has huge reserves of coal and natural gas, a fast-growing economy and a property market so sizzling hot that virtually every house put up for sale here is immediately snapped up. There is just one thing largely missing in the city's extravagant new central district: people.

Ordos proper has 1.5 million residents. But the tomorrowland version of Ordos — built from scratch on a huge plot of empty land 15 miles south of the old city — is all but deserted. Broad boulevards are unimpeded by traffic in the new district, called Kangbashi New Area. Office buildings stand vacant. Pedestrians are in short supply. And weeds are beginning to sprout up in luxury villa developments that are devoid of residents.

"It's pretty lonely here," says a woman named Li Li, the marketing manager of an elegant restaurant in Kangbashi's mostly vacant Lido Hotel. "Most of the people who come to our restaurant are government officials and their guests. There aren't any common residents around here."

City leaders, cheered on by aggressive developers, had hoped to turn Ordos into a Chinese version of Dubai — transforming vast plots of the arid, Mongolian steppe into a thriving metropolis. They even invested over \$1 billion in their visionary project.

But four years after the city government was transplanted to Kangbashi, and with tens of thousands of houses and dozens of office buildings now completed, the 12-square-mile area has been derided in the state-run newspaper China Daily as a "ghost town" monument to excess and misplaced optimism.

As China's roaring economy fuels a wild construction boom around the country, critics cite places like Kangbashi as proof of a speculative real estate bubble they warn will eventually pop — sending shock waves through the banking system of a country that for the last two years has been the prime engine of global growth.

Just Tuesday, China surprised analysts by slightly raising a benchmark lending rate, apparently to dampen speculation in the property market. But within China, analysts doubt the small increase in lending rates will slow the incredible building bonanza that is reaching even remote regions, like this one.

Analysts estimate there could be as many as a dozen other Chinese cities just like Ordos, with sprawling ghost town annexes.

In the southern city of Kunming, for example, a nearly 40-square-mile area called Chenggong has raised alarms because of similarly deserted roads, high-rises and government offices. And in Tianjin, in the northeast, the city spent lavishly on a huge district festooned with golf courses, hot springs and thousands of villas that are still empty five years after completion.

It might all seem mere nouveau riche folly were it not for China's national goal of moving hundreds of millions of rural residents to big cities over the next decade, in the hope of creating a large middle class. But determining if the Ordos-style expansion and re-engineering of old cities is being driven by smart planning or propelled by speculative madness is a prime challenge for Beijing policy makers.

Fearing inequality and social unrest, China's national government has struggled to rein in soaring property prices and stem the threat of inflation, even as ambitious local officials continue to draw up blueprints for new megacities.

And if government-run banks balk at providing more loans to developers, underground, gray-market lenders are only too happy to step in.

Patrick Chovanec, who teaches business at Tsinghua University in Beijing, says the building boom is driven by frenzied investors — not the housing needs of millions of migrating workers.

"People are using real estate as an investment, as a place to store cash — they treat it like gold," Professor Chovanec said. "They're stockpiling empty units. This is going on in cities of virtually every size."

But here in Ordos, in north China's sparsely populated Inner Mongolia region, there is little second-guessing. Cranes are everywhere, as construction moves ahead on a \$450 million financial district in Kangbashi, a site that will feature six high-rise office towers.

"This is a city of the future," Li Hong, a government official, said during a recent tour of Kangbashi.

But the future has not yet arrived, despite Li's best efforts to persuade a visitor otherwise. NYT

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