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Subsidized Rental Housing Project in Shenzhen's Urban Villages

A Marxist Political Economy Perspective

Tianao Guo

Department of Human Geography
SGEM08
Spring 2024

Examiner: Mads Barbesgaard
Supervisor: Ilia Farahani

Abstract

The subsidized rental housing (SRH) project is a recent public housing project in China, in which the Chinese government has attempted to improve the affordability and quality of rental housing in some major cities through marketized new constructions and redevelopment. However, it has caused massive displacement and significantly raised housing costs in Shenzhen's urban villages, with a questionable improvement in housing quality.

This study examines the progress of the SRH project in Shenzhen's urban villages and its impact on housing rent levels, and analyzes their political-economic determinants and constraints with Marxian land rent theory (MLRT). Through a Marxist political economy perspective, it highlights the introduction of the market mechanism and the actually existing private landownership as the root causes of the failure of the SRH project in providing affordable and high-quality rental housing in Shenzhen's urban villages. They allow apartment rental firms and landlords to demand differential rent I (DRI) and differential rent II (DRII), while the fall of absolute rent (AR) serves as the key condition of their profitability. However, the presence of AR has structurally limited the profitability of these firms compared to landlords, thus becoming a barrier to higher affordability and quality of SRH.

This study demonstrates the relevance of MLRT, particularly the AR category, in empirical studies on urban housing markets and housing rents, and provides a viable treatment of the relationship between land and housing rent and their institutional settings. It therefore potentially directs further empirical research on urban housing issues with MLRT in variegated institutional contexts among countries and areas.

Keywords: land rent, political economy, Marxism, housing, urban village

Word count: 18883

Acknowledgments

I would first like to express my gratitude to my supervisor Ilia, who gave me a lot of straightforward and to-the-point advice (as well as tacit knowledge in academia) and helped me figure out the intellectually challenging Marxian land rent theory and schedule my progress well. Your works and our in-depth discussions have inspired me greatly and brought to light the immense potential of Marxist geography. I hope to work with you again someday to revive Marxist urban scholarship together.

Thanks to my parents for funding my Master's studies in Sweden and my thesis fieldwork in Shenzhen. You always gave me unconditional material and mental support, although it was a bit challenging to explain what I was studying.

Thanks to Annie and Sigrid, my two best comrades in Sweden. You brought me into the world of left-wing politics here and gave me hope to get back into this game. Our discussions have opened my eyes to the anti-capitalist struggles worldwide and the immense power of the people, and have made me realize the importance of housing issues. Also, thanks to Björn and his communist group, as well as many friends I met at India Däck and Smålands Nation.

Thanks to Anders, Henrik, Mads, Martina, and Valbona, I have gained a lot of inspiration for my research in your courses.

Thanks to my classmates Anna, Daniele, Jordan, Lisa, Olivia, William, and other people in this HUGE program. I have had countless pleasant times with all of you. I am more than happy to know you all.

Thanks to the informants I met in Shenzhen. This study would not have been possible without your participation.

Finally, I owe so many thanks to Tao, my beloved, best friend and comrade. Thank you for all the unconditional love, support, and inspiration. Thank you for getting me out of a rut in my life and making this journey

possible. Thank you for taking the time to meticulously discuss each new idea with me and being my loyal reader and commenter. Thank you for being with me for the best time of my life. It is because of you that my intellectual journey is so meaningful. It is because of you that I believe the pursuit of a better world is worthwhile.

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Terms and Acronyms

AR: Absolute rent

BSL: Baishilong Zone 1

CMR: Class-monopoly rent

DR: Differential rent

DRCSZM: Development and Reform Commission of Shenzhen Municipality

DRI: Differential rent I

DRII: Differential rent II

FBSZM: Finance Bureau of Shenzhen Municipality

GOPGGDP: General Office of the People's Government of Guangdong Province

GOSCPRC: General Office of the State Council of the People's Republic of China

GOSZMPG: General Office of Shenzhen Municipal People's Government

HCBSZM: Housing and Construction Bureau of Shenzhen Municipality

HURDDGDP: Housing and Urban-Rural Development Department of Guangdong Province

MFPRC: Ministry of Finance of the People's Republic of China

MLRT: Marxian land rent theory

MR: Monopoly rent

NBS: National Bureau of Statistics

OCC: Organic composition of capital

OCCAC: Office of the Central Cyberspace Affairs Commission

PGNSDSZM: People's Government of Nanshan District, Shenzhen Municipality

PNRBSZM: Planning and Natural Resource Bureau of Shenzhen Municipality

PSV: Pingshan Village

SASACSZMPG: State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government

SBSZM: Statistical Bureau of Shenzhen Municipality

SCPRC: State Council of the People's Republic of China

SCSZMPC: Standing Committee of Shenzhen Municipal People's Congress

SEZ: Special Economic Zone

SONBSSZ: Survey Office of the National Bureau of Statistics in Shenzhen

SRH: Subsidized rental housing

SZNPCLGO: Shenzhen National Population Census Leading Group Office

SZMPG: Shenzhen Municipal People's Government

UPNRBSZM: Urban Planning and Natural Resource Bureau of Shenzhen
Municipality

YFN: Yuanfen New Village

1 Introduction

1.1 Research background

Since the time of Engels (1872), housing has been a key aspect in understanding the situation of the working class and the functioning of capitalism in the urban context. It is a major sphere in which the overall capital circulation shapes the urban space (Harvey, 2006), central site of social reproduction (Aalbers & Christophers, 2014; Madden, 2020; Smith, 1979), and mediator of class division and class unity (Berry, 1986). Some theorists viewed it as central to understanding the contemporary capitalist social orders (Aalbers & Christophers, 2014; Moreno Zacarés, 2024b). In the ongoing global urban housing affordability crisis, the growing share of housing expenditure in the overall income has been undermining people's substantial living conditions (Aalbers, 2015; Wetzstein, 2017). State interventions have taken different models in favor of or against social and public housing, but what they have in common is a significant gap between the discourses and strategies used to address the urban housing affordability crisis and their actual impacts on housing affordability (Wetzstein, 2017). It is therefore not difficult to understand the emergence of housing struggles that aim to establish housing as a fundamental right and/or seek alternatives to the housing market (Manning, 2021; Marcuse & Madden, 2016).

The subsidized rental housing (SRH) project, a recent public housing project in China, is an interesting case of state responses to the housing affordability crisis. The Chinese government has attempted to improve the affordability and quality of rental housing in some major cities through marketized new constructions and redevelopment (GOSCPRC, 2021). However, according to widely publicized media reports since June 2023, it has caused massive displacement and significantly raised housing costs in Shenzhen's urban villages, the city's working-class neighborhoods (Y. Chen, 2023; Fenghuang WEEKLY, 2023; Z. Li & Zhang, 2023; S. Wu, 2023). The process and driving factors of this project have not yet been researched, despite their importance for understanding the root causes and underlying

mechanisms of current housing problems of the Chinese working class and thus providing political-economic solutions and their potential contributions to the fundamental understanding of the global urban housing affordability crisis and its responses.

Despite the growing importance of housing in the dynamics of global capitalism, the theoretical connections between housing studies and political economy remain relatively weak (Moreno Zacarés, 2024b). Marxian land rent theory (MLRT)¹ “focuses on the fundamental basis of the changes in house prices” (Park, 2014, p. 107) and understands land and housing rent in relation to “the interplay of capitalist and spatial dynamics” (Ward & Aalbers, 2016, p. 1779) at larger scales, in particular, to “how capitalism acts upon and restructures the social relations of land” (Manning, 2023, p. 356). It thus links housing issues to the critical analysis of capitalist social relations as a totality. Politically, moreover, land rent categories in MLRT reflect different aspects of class struggle under capitalism (Manning, 2020). MLRT-based understanding of the land and housing rent relationships contributes to developing strategies for land and housing struggles, an integral part of the overall anti-capitalist struggle (ibid). Therefore, an MLRT-based analysis of the progress and effects as well as the political-economic drivers and constraints of the SRH project helps us to understand the underlying causes for this project and its necessary links to the entire Chinese capitalism.

1.2 Research questions

Two research questions can be drawn from this discussion:

- (1) How has the SRH project progressed, and to what extent has it provided affordable and high-quality rental housing in Shenzhen’s urban villages as it claimed?

¹ Land rent is also called “ground rent” in some literature, which has exactly the same connotation.

Why did the project produce rental housing as such, and if it underachieved its claimed goals of housing provision, what were the structural constraints?

1.3 Main arguments

This study argues that the SRH project has resulted in a housing rent increase and displacement in Shenzhen's urban villages, with questionable improvements in housing quality. It is structurally constrained by the introduction of market mechanisms in housing redevelopment and the historically formed landlordship in urban villages. They allow apartment rental firms and landlords to demand differential rent I (DRI) and differential rent II (DRII), while the fall of absolute rent (AR) serves as the key condition of their profitability. However, the presence of AR has structurally limited the profitability of these firms compared to landlords, thus becoming a barrier to higher affordability and quality of SRH.

1.4 Significance of the study

This study shows the relevance of MLRT in the explanation of urban development processes and urban housing issues. In particular, it applies Farahani's (2021) latest development of MLRT to demonstrate the explanatory power of DR and AR categories to urban redevelopment projects, case-specific institutional patterns, and the strategies and actions taken by state and non-state actors.

Although MLRT was developed in the agricultural context and under the assumption of advanced capitalism with the prevalence of land leasing for capitalist production (Fine, 1979), and its explanatory power in the urban context has long been questioned (Ball, 1977, 1985), this study proves its applicability in the contemporary urban context and more complicated institutional contexts such as the coexistence of state and collective land ownership in China, as well as place-specific social relations between actors such as urban village landlords and state-owned enterprises. It sheds light on the interplay of DR and AR in specific cases, and how the mode of rent

distribution in particular institutional contexts and social relations shape the strategies of state- and non-state actors.

This study also integrates macro-scale analyses of economic structures and micro-scale institutional structures in the research on the political economy of housing, by revealing the macro-scale economic driving force of micro-scale institutional and patterns. It views the case-specific institutional patterns and social relations between actors as the *background* and *conditions*, rather than the *determinants* of the functioning of laws of capital movements and the creation and appropriation of land rent both at the micro-scale and the macro-scale. In turn, these institutions and social relations are better understood and explained in relation to capital movements and rent dynamics.

1.5 Thesis outline

This thesis is structured as follows: Chapter 2 maps out the historical debate over the applicability of MLRT in the urban context and discusses the connotations of its key land rent categories, i.e. DRI, DRII, and AR. Chapter 3 describes and justifies the methods used in this study, describes the research area and the research implementation process, and discusses the ethical issues this study entails. Chapter 4 briefly introduces the institutional background of China's urban villages and the historical formation and changes of urban villages in Shenzhen, and identifies empirical gaps and tensions in previous studies on China's urban villages and rental housing markets. Chapter 5 describes the progress and outcomes of the SRH project in Shenzhen's urban villages and analyzes its impacts on housing rent levels in three investigated urban villages. Chapter 6 analyzes the micro-scale and macro-scale political-economic determinants and constraints of the SRH project with MLRT. Chapter 8 summarizes the main arguments of this study.

2 Theory

This chapter presents and discusses the theoretical framework used in this study. In the case of SRH, the housing rent level becomes the center of the debate, as the affordability of SRH is mainly measured by its housing rent level in comparison to the existing private rental apartments. Therefore, a theory that explains the creation and appropriation of urban land and housing rents, the determinants of their levels, magnitudes, and ceilings, and their roles in urban development and in particular China's urban villages, is to be addressed to explain the outcomes of the SRH project. MLRT is one of the theoretical attempts to provide a fundamental understanding of these issues (see 1.1) and will be the focus of this chapter.

2.1 Debates over the urban applicability of MLRT

Since the revival of Marxist thoughts in urban scholarship in the 1970s, the empirical applicability of MLRT in the urban context has been long debated over (Ball, 1977, 1985; Bandyopadhyay, 1982; Haila, 1990; Harvey, 1974; Manning, 2021; Park, 2014; Ward & Aalbers, 2016). For Haila (1990, p. 275), one of its major critics, MLRT directly derived from Marx's theory of land rent in the 1970s-80s had become "an article of faith rather than a dynamic tool for empirical research" and had little explanatory power to actually existing urban land and housing dynamics. In a more recent review of the debate, Park (2014, p. 100) similarly summarized that "the deficiency in the analytical approaches to the mechanism of land rent impeded further development of the theories and turned them in the direction of abstract discussion, without concrete empirical research".

Perhaps the most important critique of the urban applicability of MLRT in that period came from Ball (1985). For him, land rent categories in MLRT do not contribute to the analyses of "conflicts over rent appropriation and urban land use" (ibid., p. 513); on the contrary, these analyses are reduced to the identification of land rent categories. This is because the social relations between agents differ between urban and agricultural contexts, which results in different economic mechanisms of rent appropriation (ibid.). The

differences are, first, the use value of urban land relies on its relative location to other urban sites, which is under constant changes, while that of agricultural land is relatively independent; second, unlike the purely productive use of agricultural land, the urban built environment is often put to non-productive uses, e.g. residence and commerce (ibid.). Ball therefore asserted the inapplicability of MLRT in the urban context and turned to empirical studies of “social structures of building provision” (ibid., p. 515), which requires case-specific examination of “the economic roles of particular social agents, their influence on each other, and evaluating the factors which determine those economic mechanisms” (Ball, 1986, p. 455). For him, theories of land rent and capital accumulation are not completely irrelevant to empirical studies, but they “can provide only a starting point and/or means of exploration of the content of actual structures of building provision”, and “[p]articular historical situations created their own dynamics and they must be analysed specifically” (ibid., p. 458).

Fundamentally speaking, Ball’s dissatisfaction was MLRT’s failure to explain *all* particular conflicts over urban land rent (Ward & Aalbers, 2016). However, it does not logically lead to the ‘death’ of MLRT as he claimed (Ball, 1985, p. 523). Berry (2023) critiqued Ball’s above arguments that merely presenting the differences between urban and agricultural contexts does not prove the inapplicability of MLRT in the urban context. Ball’s core confusion, as Haila (1990) pointed out, was that he did not distinguish between a *universal* theory, which “is able to explain each and every detail of all phenomena of rent in all locations at all times” (p. 287), and a *general* theory, which “is applicable to...more than one instance” (ibid.) but does not intend to explain all the phenomena on its own. Thus, to deny the universality of a theory does not simultaneously deny its generality, and a general theory of land rent is still for scientific pursuit (ibid.).

However, Haila also rejected the historical materialist basis in the previous MLRT when she started to develop her own ‘unbiased’ general theory of land rent (ibid.). The alternative foundation of this theory was “generalizations about the behaviour of landowners” (ibid., p. 288).

Specifically, “[t]he tendency to uniform behaviour of landowners” (ibid.) that she identified was Harvey’s (2006) statement that “landowners increasingly tend to treat their property as a pure financial asset” (Haila, 1990, p. 288) while, different from Harvey, she treated it as “a testable hypothesis” or “a matter of empirical research” (ibid.) rather than an inherent tendency of capital movements. Given this, land rent “can have a coordinative function” (ibid.) by “play[ing] a crucial role in determining the user and the use of space” (ibid., p. 290).

Then, in contrast to Haila’s (1990) scientific pursuit yet in line with her preferred approach, the analysis of urban land rent moved into a period dominated by analyses of institutional settings and social relations in urban land and housing markets (Kerr, 1996; Ward & Aalbers, 2016). The particular social relations between actors and their strategies to realize their own interests became the key explanatory factors of the creation and appropriation of urban rents, while land rent itself as an analytically relevant category was largely disregarded (Park, 2014; Ward & Aalbers, 2016).

This micro-scale and institution- and relation-focused research orientation is consistent with Harvey’s (1974) concept of class-monopoly rent (CMR), defined as the economic return of a class that owns ‘resource units’ – in the urban context, land and housing – demand for releasing them (p. 241). The CMR level may appear arbitrary, as long as the landlord class has enough class power – more precisely, being able to make a good living without realizing CMR – and behaves in accordance with its class interest to realize it (ibid.). In another scenario, the speculator-developer class manipulates the scarcity of land and housing with political and institutional means, particularly through the state (ibid.). The realized CMR level is determined by the outcome of the struggle between the speculator-developer class and various housing consumers (ibid.). Therefore, the concept of CMR directs empirical studies on urban land and housing markets toward the examination of case-specific power dynamics between landowners, consumers, and other state and non-state actors involved.

In these CMR-influenced empirical studies, housing rent is explained as the outcome of power struggles between landlords and tenants mediated by the state, finance, race, and culture (Anderson, 2014; Anderson et al., 2022; Hochstenbach, 2022; B. Li, 2023; Tretter, 2009; Wyly et al., 2006). The income and wealth level of landlords are viewed as the economic privilege of the landlord class, giving them greater bargaining power for housing rent (Hochstenbach, 2022). Empirical studies also examined the variation of institutional embeddedments of the CMR incentive in a wide range of socio-spatial contexts, e.g. urban neoliberalization (Anderson, 2014, 2019), subprime mortgage and its underpinning economic theories and policies (Wyly et al., 2009, 2012), and competition amongst local governments under state landownership (Meng & Wu, 2020).

However, Farahani (2021) pointed out that CMR-inspired analyses of institutional settings and social relations were unable to provide a coherent structural understanding of urban development processes. This was entrenched in its underlying economic model, which is

“lack of analytical tools to measure and explain rent rates, ceilings, and magnitudes, lack of a dialectical analysis of macro and micro dynamics of rent creation and appropriation, lack of a historically contingent analysis of the movement of capital across sectors, lack of a consistently structural explanation of economic urbanization processes.” (Farahani, 2021, p. 61)

As an alternative that solves these theory and data anomalies, Farahani reintroduced the AR category in the analysis of “long-term, structural land relations under capitalism in a non-static fashion” (ibid., p. 172), where “the differential inter-sectoral profitability governs the rate and ceiling of land rents” (ibid., p. 173). His model used the endogenous intersectoral economic dynamics as a structural explanatory factor for land rent without appealing to exogenous landlord class power that causes structural incoherence in the explanation.

This model has so far received very few empirical applications. Farahani and Yousefi (2021) analyzed the macro-level structural drivers of the Iranian housing market, and in particular, the failure of a public housing project. Investments in public housing were driven by extremely high AR due to the low profitability of the manufacturing sector and the high profitability of the construction sector (ibid.). However, it lacks a detailed analysis of the relationship between macro-level AR driver and micro-level processes of the project as well as the strategies and actions of state- and non-state actors.

2.2 Research gaps

The studies on urban land and housing markets have been dominated by analyses of their institutional settings, which are exposed to a Marxist critique of the lack of a coherent explanation of rent levels, ceilings, and magnitudes as well as the detachment of the case-specific rent creation and appropriation processes from wider political-economic dynamics. However, despite the emerging theoretical defenses of the empirical applicability of MLRT in the urban context, there is still a limited number of empirical studies that apply MLRT to explain the determining factors of urban land rent under case-specific institutional contexts and social relations between actors, while understanding these institutional patterns and strategies of actors under macro-level structural determinants MLRT-based explanation identifies. This has undermined the explanatory power of MLRT *vis-à-vis* analyses of institutional settings in empirical studies on urban land and housing markets.

2.3 MLRT in the urban context

2.3.1 The source of land rent

Land rent is defined as “a payment made to landlords for the right to use land and its appurtenances” (Harvey, 2006, p. 330). In the Marxian political economy tradition, land rent is interpreted as the economic form of land ownership (Marx, 1976). Because of their monopolistic ownership of land, and in particular, the right to withhold their lands, landlords can appropriate capitalists’ excess profit generated from the extra productivity or price of land

products brought by the land (ibid.). In the agricultural and mining context, the natural attributes of land that can generate excess profits, e.g. fertility for agriculture and quality of deposit for mining, are objective and relatively stable (ibid.). In contrast, this objectivity and stability of the linkage between land attributes and excess profit hardly exist in the urban context. Nevertheless, it does not deny that monopolistic landownership does create rent in urban lands.

Land productivity is measured by the amount of the product of land. The product of urban land is usable space (Berry, 2023). It is more convincing than what Ball (1977, 1985) stated about building because, first, urban buildings can be used for production, circulation, and consumption, depending on capital flows through the built environment (Berry, 2023). If no institutional constraints are present, a building tends to switch to commercial or office spaces when capitalists investing in these uses can pay more rent depending on location and consequential excess profit. Moreover, usable space has higher homogeneity than buildings. Usable space can be measured by site and floor area (Berry, 2023), and the use value of the same area of space in different locations is more similar than that of buildings. Specific to the case of this study, usable space in urban villages has been historically used not only as residential space but also as industrial, commercial, or office space. This flexibility has been a significant advantage in its support of urban development (Zhao, 2014).

2.3.2 Two types of differential rent

DR is the excess profit from excess productivity due to the nature of the land occupied by landowners (Marx, 1976). Fine (1979) stressed that Marx's theory of DR is based on the competition within a sector. It entails the difference between individual values and market values and thus excess profit obtained by individual capitalists compared to the sectoral average rate of profit (Marx, 1976). It is logically prior to the competition between sectors and can historically occur in less developed capitalist economies which does not necessarily allow capital movements between sectors (ibid.).

Marx conceptualized two types of DR, DRI and DRII, in the agricultural context. DRI is from the excess profit yielded when an equivalent amount of capital is invested in different lands, some of which have relative advantages that lead to higher productivity, e.g. fertility and location (ibid.). In the urban context, this can be interpreted as the higher prices of usable spaces on a certain plot compared to others, when their building intensities are equal.

However, the levels of DRI in the urban context are a puzzle, as the relationship between the locational advantages of urban land and excess profit is not as stable as that between fertility and excess profit in the agricultural context. The locational advantages of urban land are largely subjective, depending on the spatial and economic development situations of its surrounding area (Farahani, 2021). It is nevertheless possible to make locations more objective by measuring their *accessibility* to goods, services, and amenities, e.g. public transport, jobs, schools, and green space. Higher accessibility can lead to higher prices of usable spaces and thus excess profits for capitalists. However, the accessibility of an urban site is highly time-sensitive and fluid. Investments in urban infrastructure and changes in the spatial distributions of economic activities and population constantly alter the accessibility of an urban site, even if no changes exactly take place there (Harvey, 2006). Another difference from the agricultural DR can be drawn from Ball (1977): With the same quality, usable spaces have a uniform value and different prices at different locations, while agricultural products have different values and a uniform price². Price fluctuations of usable spaces in certain urban areas thus directly affect the DRI levels there.

Therefore, although the source of urban land rent has no difference from agricultural ones (both are the monopolistic ownership of land), the mechanisms that determine their levels do differ: urban DRI is structurally affected by changes in spatial patterns at larger scales and is thus often external to production at a certain site while agricultural DRI is much less

² Different from this thesis, Ball argued that the product of urban land is buildings (see 2.3.1), but this argument holds true for both buildings and usable spaces.

affected by external spatial changes. Nevertheless, it can be assumed that plots in the same neighborhood have similar DRI levels (Clark, 2004). This is not difficult to understand as they have similar accessibility in relation to the rest of the city. This also indicates that neighborhood-level redevelopment that particularly improves the accessibility of plots in a neighborhood is likely to push up DRI levels there.

Another type of differential rent, DRII, is from the excess profit brought by successive investments with higher productivity in the same land (Marx, 1976). In the urban context, DRII is created by more intensive investments that produce more usable spaces on the same land or successive ones that improve existing usable spaces (Bryson, 1997; Jäger, 2003). Urban DRII gradually declines as the building and usable space deteriorate, but building renovation and interior redecoration will restore its level (Bryson, 1997).

DRI and DRII set limits on each other in the urban context (Clark, 2004). There is a normal intensity of investment on a building site by which capitalists yield the maximal profit (*ibid.*), and the excess profit of this investment sets the level of DRI. Occasionally³, an investment with above-normal intensity or more advanced technologies may yield an even higher excess profit, which can be captured by landlords as DRII (*ibid.*). This DRII can only be transient, as a DRII-yielding investment eventually sets a new normality of investment intensity in the neighborhood and drives up DRI (*ibid.*). At the city scale, however, the generation of DRII as such becomes the limit to DRI in marginal lands if the investment there is not as profitable as the DRII-yielding ones (*ibid.*). Shaikh (n.d.; cited from Farahani, 2021)⁴ explained DRI and DRII as two competing investment strategies, the magnitude of which determines whether capital invests in new lands or more intensively invests in already developed lands. This leads to a similar

³ Clark did not specify its conditions.

⁴ Farahani (2021, p. 198) cited it from his “[n]otes from Shaikh’s transcribed lectures on rent theory in the 1980s”.

conclusion in the urban context that the realization of DRI in new lands depends on the DRII level in developed lands, and *vice versa*.

2.3.3 Absolute rent

AR arises from the differentiated profitability between a rent-bearing sector (in Marx's conceptualization, the agricultural sector) and other sectors (Marx, 1976). The excess profit of the former compared to the latter can be appropriated by landlords as AR (*ibid.*). It functions at the macro-level – AR occurs in *all* lands where landowners are separate from capitalists that invest in them, in contrast to DR functioning at particular plots or neighborhoods. It is therefore added to the price of land products in all lands (Bruegel, 1975). Manning (2020) stressed that AR reflects the potential for the landlord class to withdraw land from the market. The existence of land ownership is a barrier to the equalization of surplus value and intensification of investments in agriculture (Marx, 1976). In other words, landlords capture this part of excess surplus value created in the agricultural sector *before* it enters the equalization process.

Nevertheless, landlordship cannot guarantee the existence of AR, as technological changes are always possible to drive down the organic composition of capital (OCC) in the agricultural sector. Although the leasehold capitalists lack this incentive (because their excess profits can always be appropriated by landlords), capitalists that own the land themselves receive excess profits from technological innovation and thus have this incentive. Granted, as Evans (1999) emphasized, landlords' demands for land rent is the precondition of the tendency of the lower agricultural OCC compared to industrial capital and not *vice versa*; however, the existence or abolishment of land ownership of a distinctive landlord class is contingent (Marx, 1976). Nothing in capitalism *necessarily* excludes capitalists from land ownership (although, because of AR, the landlord class does have the incentive to do so), and *once* an individual capitalist manages to own land, this incentive will emerge. Therefore, the existence of AR is historically contingent, which depends on the landlord class's power to maintain its land

ownership and the gap between the agricultural and industrial OCC affected by technological changes (whether endogenous or exogenous).

Notably, what differentiates the concept of AR from Harvey's (1974) concept of class monopoly rent is that the power of the landlord class does not create AR *on its own*. If investments in the agricultural sector do not yield an excess profit (whether because of lowered OCC or market turbulence), AR will hardly be captured by landlords as new investments are unlikely to take place without the expectation of an average rate of profit.

The relevance of AR in the urban context has been long debated. Some scholars have suggested the use of monopoly rent (MR) or CMR (as discussed in 2.1) instead of AR (Berry, 2023; Harvey, 2006; Moreno Zacarés, 2024a; Walker, 1974) or the analysis of particular institutional settings and social relations (Ball, 1977, 1985; Jäger, 2003) while some other insists on its urban relevance (Edel, 1976; Farahani, 2021; Kerr, 1996; Manning, 2020). Farahani (2021) pointed out that the acceptance or denial of AR in the urban context logically relies on the underlying competition model. Inspired by the monopolistic competition model, Harvey (2006) explained excess profits and rent levels by the exogenous power of the landlord class, which is logically incoherent with the concept of AR (Farahani, 2021). In contrast, the concept of AR is compatible with Shaikh (2016)'s real competition model (Farahani, 2021). The advantage of the latter lies in that it provides a logically coherent endogenous explanation of rent rates, ceilings, and magnitudes by the turbulent differentiation between the profit rates of the construction sector and manufacturing and financial ones, while the former has to appeal to particular power dynamics and institutional mediations exogenous to the inherent laws of capital movements (*ibid.*). Moreover, the former are exposed to a tautological error that the latter does not encounter: the power dynamics in the construction and real estate sectors are seen as explanatory of rents, while the level of rents in turn explains these power dynamics (Kerr, 1996).

If we accept the urban applicability of the AR category in favor of the real competition model, it becomes possible to discuss the conditions and

determinants of urban AR. Urban AR arises from the gap between the profitability of the construction sector and other sectors (Edel, 1976). It can be similarly inferred that the profitability gap between the property development sector and other sectors, if the former is a separate sector from construction, also gives rise to AR. Similar to the agricultural situation, it also requires a landlord class or sub-classes that own or control urban lands, thus setting a barrier to investments in these lands. Depending on particular historical backgrounds, they can be pre-capitalist landowners, other capitalist groups, speculative land investors, the state, etc. (ibid.).

The levels of AR constantly change with inter-sectoral dynamics. For Shaikh (2016) and Farahani (2021), the equalization of profit rates between sectors is a *tendency* rather than a static outcome of equilibrium. It means that the profit rates of different sectors constantly move around changing “centers of gravity” (Shaikh, 2016, p. 67). Without barriers to new investments in particular sectors, the average rates of profit of particular sectors fluctuate around the inter-sectoral average and are regulated by new investments entering those with higher rates of profit (ibid.). Therefore, the profitability gap between the real estate sector and other productive sectors, and thus the AR level, is under constant changes. These inter-sectoral dynamics govern the rent levels, magnitudes, and ceilings in particular cases at the macro-level and govern the interests, decisions, and actions of actors through particular institutional settings and social relations, though often in an indirect manner (Farahani, 2021).

3 Methods and data

This chapter discusses the methods used in this study and related ethical concerns. It adopts a case study strategy, within which document analysis and observation are used as main research methods. Ethical concerns include personal data protection, identity choice in observation, and the researcher's positionality. In addition, this chapter also introduces the research areas and the research implementation process.

3.1 Case study

The key research method of this study is case study. It is defined as “a qualitative design in which the researcher explores in depth a program, event, activity, process, or one or more individuals. The case(s) are bound by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time” (Creswell, 2014, p. 241). A case study “investigates a contemporary phenomenon...in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident” (Yin, 2018, p. 15). As discussed in 2.1, the institutional and social settings have a certain degree of impact on land rent, despite the unresolved controversies in their relationship. Therefore, the case study strategy applies to this study.

This study adopts what Yin (ibid.) called an explanatory case study strategy, whose focus is the explanation of “why certain sequence of events occur or do not occur” (Priya, 2021). This corresponds to the two research questions of this study, focusing on the impacts of the SRH project on the housing conditions in Shenzhen's urban villages as well as their causes and constraints. I seek the relationship between my empirical findings and theoretical framework and intend to provide empirical support for the latter with the former.

Case studies can draw evidence from multiple sources (Yin, 2018). In my case study strategy, two complementary data collection methods are used: document analysis and observation.

3.1.1 Document analysis

Document analysis is a particularly applicable and commonly used method in the case study research strategy (Yin, 2018). Documents can provide a case study with a wide range of background information, potential questions, and notable situations during the observation (Bowen, 2009). It is often used along with other qualitative methods for triangulation (ibid.), which increases the reliability of the research because “[o]nce a proposition has been confirmed by two or more independent measurement processes, the uncertainty of its interpretation is greatly reduced” (Webb et al., 1999, p. 3). In this study, most information on the institutional background of SRH and its progress before the fieldwork period and in unvisited urban villages can be easily obtained through document analysis, while the same information collection can be very difficult through other methods. In addition, data on the progress of the SRH project in visited urban villages and housing conditions there obtained through observation can also be triangulated with document data to gain higher reliability.

The disadvantage of document analysis lies in that, first, it may provide insufficient and biased data when used alone (Bowen, 2009). It is not specifically designed for case studies and reflects the emphasis and biases of the producers of documents (ibid.). Second, data in documents are likely to be manipulated for political purposes (White, 2010). They are why document analysis usually needs to be used in conjunction with other data collection methods.

3.1.2 Observation

Observation is defined as “a data collection strategy involving the systematic collection and examination of verbal and nonverbal behaviors as they occur in a variety of contexts” (Bottorff, 2004, p. 753). It entails the study and understanding of people in their natural environment (Baker, 2006).

My role in the observation can be categorized as what Gold (1958) said ‘observer-as-participant’, which performs more observation than

participation. It requires more formal observations, while the contact with informants is more brief and superficial (ibid.) The main reason for taking this role lies in the study's need primarily for factual information about the progress and outcomes of the SRH project, as well as data on objective housing conditions and housing rent levels, without the concern about the everyday lives and social interactions of the insiders. They are more likely to be willing to share the information with such an 'attentive stranger' than an insider (Pearsall, 1970). Thus, it is unnecessary to take more participatory roles in this study. On the other hand, the role of an observer-as-participant is preferred over that of a complete observer, as social interaction with informants such as landlords, apartment managers, firm staff, and tenants is necessary for acquiring the data needed. In the field environment of this study, data of the required type can only be obtained through active inquiry.

Additionally, observation is also used to collect data on housing rent and housing conditions. Data collected through observation can be quantitatively encoded through the use of standardized checklists (Angrosino, 2004). In this study, the housing rent and housing condition data of SRH, private rental apartments, and unfurnished rental apartments are encoded according to formulated rules, thus making the data aggregatable and comparable.

The disadvantage of this role lies in the potential misunderstanding between the researcher and the informants, as the former is exposed to an "inadequately understood universes of discourse" of the latter (Gold, 1958, p. 221). It is recognized that misunderstandings and misinterpretations of informants' motivations, perceptions, and feelings may occur, but they do not significantly affect the subsequent analyses, as they are primarily concerned with the economic mechanisms affecting housing rents rather than social and discursive ones.

3.2 Research area

The research area of this study is urban villages in Shenzhen. Three urban villages with ongoing SRH projects, Baishilong Zone 1 (BSL), Yuanfen New Village (YFN), and Pingshan Village (PSV) were selected as fieldwork areas.

Their locations in Shenzhen are shown in Figure 1. The reason for fieldwork area selection is that all of them have ongoing SRH projects while their locations, redevelopment progress, and participants are different and are thus suitable for comparison.

Baishilong Zone 1 is a part of Baishilong Village separated by a major road and metro line. It is conveniently located close to the mountain pass into Futian District, one of Shenzhen's central districts, and the Shenzhen North Railway Station where the high-speed railway stops, thus housing a large number of migrant workers who work in Futian District.

YFN was an ordinary urban village before 2018. What made it distinctive was its experimentation in urban village redevelopment since then, which was pioneering in the entire Shenzhen. It is now often viewed as a successful example of urban village redevelopment in Shenzhen, and its model has been promoted nationwide and heavily publicized by the official media (B. Song, 2024; Y. Wu, 2021; J. Zhang, 2023).

PSV is surrounded by the graduate schools of Peking University, Harbin Institute of Technology, and Tsinghua University, three top-tier universities in China, as well as several technology parks and business incubators where a large number of their alumni work. The village has long been a residential area for migrant workers and job-seeking graduates in the region due to lower rents than neighboring areas (Kang, 2023).

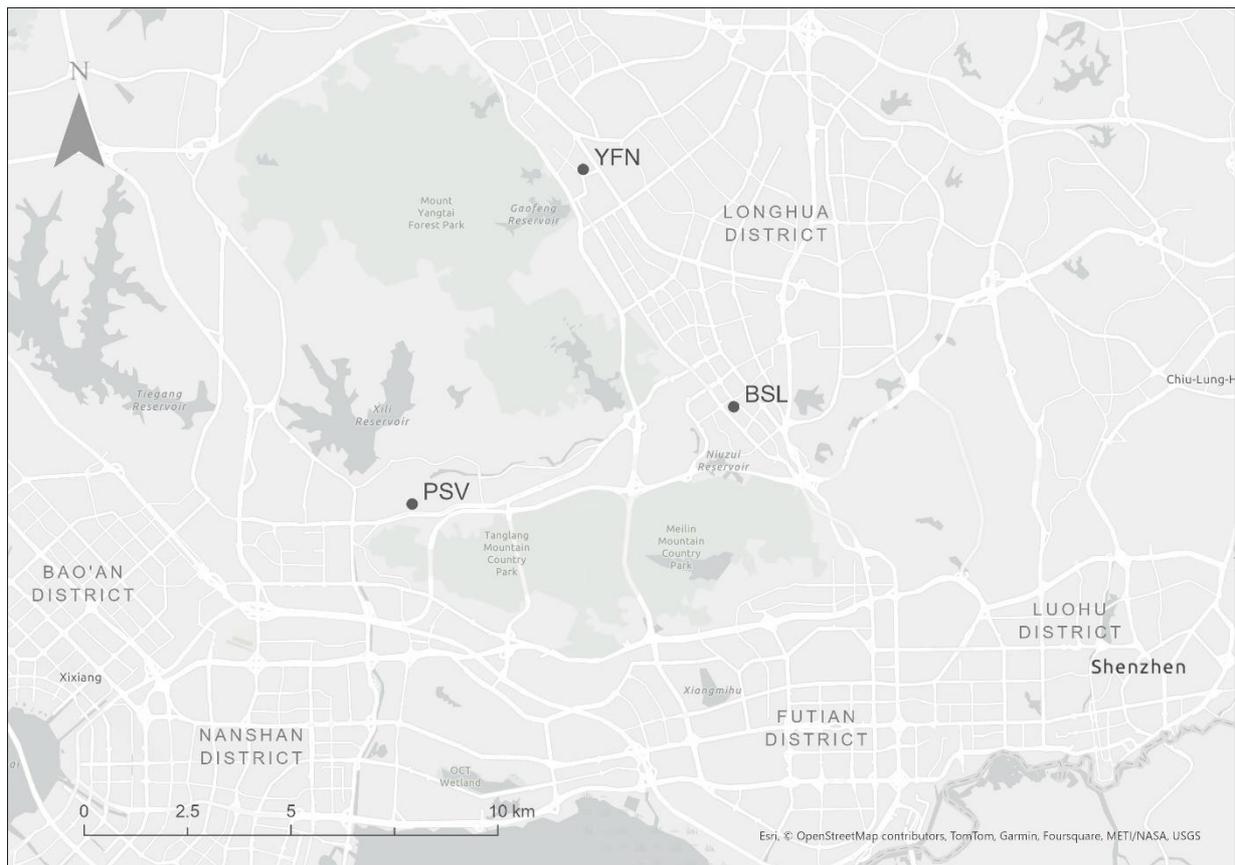


Figure 1. The locations of three urban villages for fieldwork

3.3 Research implementation

3.3.1 Use of secondary sources

In the use of secondary sources, factual information reported by the Chinese official media was adopted as far as possible. The official media here are defined as those on the latest version of the *List of Internet News Information Source Units* released by the central government in 2021, from which Internet news information service providers are only permitted to reproduce news (OCCAC, 2021). Factual information from official media is adopted when conflictive reports between official and non-official media are identified. Information from non-official media is only adopted when no official information is available on the issue.

It is recognized that the official media may deliberately reduce the reporting of negative information to achieve their propaganda objectives.

This, however, is the reason why this study mainly uses official media reports: If the problems have already been revealed by the analyses based on the information from official media, the actually existing problems can only be more severe.

3.3.2 Fieldwork implementation

Fieldwork was conducted from late-February to early-March in 2024 to collect rent and housing condition data and information on the progress of the project. Local landlords, apartment managers, salespersons (both SRH and private apartments), and real estate agents were reached out via mobile phone, and their phone numbers were collected from notice boards and tenancy advertisements in these urban villages. After successful contact, they were asked if they had any vacant studio flats for rental. If so, the vacant rooms were visited and photos of the room, bathroom, and balcony layout as well as window lighting were taken after getting permission. Window orientations were measured using a mobile phone's built-in compass. Housing rent, management fee, internet fee, and other charges were then inquired. Floor number and the existence of gate control and lift were observed during the visit and later noted down. In addition, I met three real estate agents in total when I was searching for informants in these villages. They actively showed me around the studio flats they were in charge of. The indoor data collection processes were the same as mentioned above. 156 pieces of housing rent data were collected in such a manner, including 49 private rental apartments and 107 SRH units.

Additionally, information on the progress and outcomes of the SRH project and previous redevelopment projects as well as perceived housing conditions, living experience, and conflicts between landlords, firms, the government, and tenants were collected through informal conversations with the informants met in the aforementioned data collection processes as well as tenants, shop staff, security guards, and construction workers confronted in these villages. These types of information were noted down in the field note afterward instead of on the spot according to my memory.

3.3.3 Field data processing

After fieldwork data collection, all the rent and housing condition data were codified in an MS Excel worksheet. The total cost of each apartment, as the sum of rent, management fee, internet fee, and other fees, was calculated in the worksheet. This reflects the fixed cost of the entire housing package. Notably, the internet fee was considered while water and electricity were not, as the former is fixed while the latter two are variable. The default internet fee was set as ¥80/month⁵, the average market price of 100Mbps broadband in the research area according to field observations, when the internet connection had to be installed by the tenant itself. In very rare cases where electricity and water were included in the rent, the total cost was deducted by ¥165⁶, the cost of 200kWh electricity and 5t water at the average market prices (¥0.7/kWh for electricity and ¥5/t for water⁷).

The buildings in three researched urban villages were manually digitalized into vector features in ArcGIS Pro according to satellite images and stored in an offline geodatabase specifically created for this study. They were then matched with fieldwork data by building numbers in reference to *Baidu Map* and *Amap*, two major digital map providers in China. Fieldwork data was manually filled into the attribute tables of vector feature datasets, whose structure was the same as the Excel worksheet.

For the following statistical analyses, two types of data were excluded: (1) The room has no windows or the windows receive no natural light. This type of apartment has significantly lower housing rents than others. (2) The estimated room areas are far above the average of studio flats in urban villages. This type of apartment has significantly higher housing rents than others. The rest of the data is used for statistics in Chapter 4.

⁵ Approx. 10.4 € (based on the exchange rate in April 2024; the same as below)

⁶ Approx. 21.4 €.

⁷ Approx. 0.09 €/kWh and 0.65 €/t.

3.4 Research ethics

3.4.1 Personal data protection

For the sake of personal data protection, no personal data was collected during the fieldwork. In particular, no personal data was recorded in the field note; all human faces were averted when taking photos; the original room photos were deleted after codification; all contact information of landlords and realtors was deleted after fieldwork.

3.4.2 Ethical concerns about researcher's identity in observation

In my field observations, I concealed my identity as a researcher and adopted the identity of a potential tenant. This covert identity has caused considerable ethical controversies, mainly regarding the invasion of privacy and the disobedience to the informed consent principle (Homan, 1980). This identity choice therefore needs to be defended.

Regarding the first concern, my identity choice did not lead to the invasion of privacy. In the urban village rental housing market, it is considered normal behavior for a potential tenant to ask the landlord about the housing rent and condition, visit the room and take photos. In order to make a rental transaction, landlords and apartment managers need to actively disclose this information to potential tenants. Indeed, not once during my fieldwork was I denied access to a room or denied permission to take a photo of it. On the other hand, as a new tenant who has just arrived in Shenzhen, it is also normal to ask for information about the city and urban villages from landlords and apartment managers. This information does not necessarily contain any information about the informants that may constitute privacy, and even so, it will not be recorded for the sake of personal data protection.

Regarding the second concern, if I strictly follow the informed consent principle in my fieldwork, the access to data and its validity will be significantly undermined, and my safety may not be guaranteed. Showing researcher identity may lead to landlords reporting false housing rents and

information about the progress of SRH projects, as well as their own experiences and motivations for their behavior. Moreover, this may alert and antagonize some of my informants, who may report me to the authorities with increasing hostility to critical research and researchers, especially to those from non-Chinese research institutes.

3.4.3 Positionality

I am a Chinese Han male whose hometown is in Northeast China, who grew up in Beijing, and who received academic training in China and Sweden. My non-local identity, or more precisely, northern-Chinese identity was easily identified through my Chinese accent, which made me naturally behave like and viewed as a typical young migrant in Shenzhen's urban villages. Shenzhen is a migrant city, so it is widely accepted and viewed as normal to speak Mandarin even though the native language for locals is largely Cantonese. Additionally, my Northeastern Chinese homeplace identity has helped me gain the trust of some informants and obtain more information. However, ethnical minorities in China, international researchers, and other types of researchers without a Chinese majority appearance or native Chinese language skills (either Mandarin or Cantonese) may receive particular attention, which possibly leads to difficulties in data collection.

As a strong young man, I was never concerned about safety issues when conducting fieldwork alone in urban villages and meeting male informants in confined spaces. However, this may become the concern of female (or other genders) researchers and affect their access to data. In addition, while SRH pricing is uniform, the gender, age, and hometown of potential tenants may influence housing rents quoted by some landlords or private apartment managers.

4 Case Background

This chapter introduces the historical and institutional backgrounds of urban villages in China and in particular Shenzhen, and identifies empirical gaps and tensions in previous studies on China's urban villages and rental housing markets.

Due to the novelty of the SRH project in China, no previous studies have specifically focused on it. Nevertheless, reference can still be made to a number of studies on China's urban villages, housing policies, rental housing markets, and housing rent.

4.1 Institutional background of China's urban villages and their rental housing markets

Generally speaking, China's urban villages, their rental housing markets, and the creation and appropriation of housing rent in them are viewed as a product of a historically specific set of institutions. Two key institutions are identified by most studies on this topic:

(1) *Dual land ownership*. As a fruit of the socialist revolution in the mid-20th century, China has eliminated private land ownership. All urban land in China is state-owned while rural land is collectively owned and managed by "village collective economic organizations or village committees" (Land Administration Law of PRC, 2019). All villagers thus had formally equal rights to collectively use and share the benefit from the land (L. Zhang et al., 2003), while the rural land transaction was prohibited. Moreover, although city- and county-level governments monopolized urban land supply, urban planning had only access to state-owned urban lands while being unable to access collective-owned rural lands unless paying high compensation for land expropriation (Tian, 2008; F. Wu et al., 2013). According to the Land Administration Law (2019), rural land must be first zoned as urban infrastructure, public facilities, or "tract development construction" in the land use planning and then approved by "the people's government at or above the provincial level" to be expropriated by city- or county-level

government. They have to pay “land compensation and resettlement subsidies” to villagers, although their levels are determined by the government themselves and often significantly lower than the market price of the land (Cartier, 2001; Hsing, 2010; Land Administration Law of PRC, 2019). This left a blank of land use planning on rural lands .

(2) *Rural land governance*. Housing sites (*zhaijidi*) were initially allocated to rural households based on their sizes, but urbanizing areas soon encountered a serious shortage of land, which caused the informal introduction of the market mechanism in land allocation, e.g. black markets, and rent-seeking (F. Wu et al., 2013). Due to the absence of centralized land use planning, individual villagers usually adopted return-maximizing land use strategies such as high-rise rental apartments (*ibid.*). On the other hand, the municipal government’s development control could hardly be enforced in urban villages because the municipality did not have jurisdiction over the village committees and the restriction was against the economic interest of the village collectives and individual villagers.

Under these general institutional backgrounds, *state entrepreneurialism* is the key concept in understanding the institutional background of China’s urban governance (Shin, 2009; F. Wu, 2018, 2020, 2023). Urban redevelopment projects are interpreted as one of the state’s elaborated means of long-term development goals, including but usually not prioritizing economic growth (F. Wu, 2015, 2018; Xu & Yeh, 2005). They are therefore not profit- or land-price-centered but planning-centered (F. Wu, 2018), which have to first serve strategic objectives such as the ‘modernization’ of the built environment (F. Wu et al., 2013), competitiveness-building (Xu & Yeh, 2005), and economic restructuring toward a ‘globalizing metropolis’ (F. Wu, 2016). This does not indicate that the state can dominate everything in the urban redevelopment processes; rather, as the resources necessary to implement these strategies have been decentralized, it becomes inevitable for the state to engage non-state actors, typically private capital, as well as market and financial instruments to achieve its strategic goals (F. Wu, 2018, 2020; F. Wu et al., 2022). This is politically ensured by the decentralized

administrative system that allows the local state to set rules that include or exclude market forces in urban development projects (Guo et al., 2018).

State entrepreneurialism has more explanatory power in explaining actually-existing state behaviors compared to simply regarding the state as the primary agent of capital accumulation through urbanization (e.g. Shin, 2009, 2016), as it better explains state behaviors that do not prioritize or directly facilitate capital accumulation. It highlights the state's active utilization and mobilization of market mechanisms and resources rather than passively following market trends (F. Wu, 2020). Nevertheless, it has to be recognized that the introduction of market instruments has to create opportunities for capital accumulation often through urban redevelopment, which further creates potential tension with the state's strategic objectives. The creation and appropriation of housing rent have to be understood in this tension. State-led urban redevelopment projects, whether prioritizing capital accumulation or other strategic goals, do create rent-capture possibilities for non-state agents such as real estate developers and indigenous villagers in urban villages, although this is often not what the state desires and therefore has to be actively sought and politically maintained through local power struggles with the state by these agents (Guo et al., 2018; F. Wu, 2016).

More specifically, the key determinant of housing rent levels in urban villages is viewed as *informality*, and more precisely, the ambiguities of property rights. The informality of urban villages "is created by the political economic institution that defines the development process and management of informal settlements" (F. Wu et al., 2013, p. 1920). Unregulated usage of largely informally allocated plots in the collectively owned rural land, combined with rapid potential land rent increase brought by state-invested infrastructural improvements, resulted in the mass construction of rental housing by indigenous villagers, either collectively or individually invested, for rent capture (Tian, 2008). Thus, it is because of informality that indigenous villagers were able to continually receive high returns from rental housing and far-above-average income levels (Y. Liu et al., 2010; F. Wu et al., 2013). Informality was therefore the key condition of their rent-seeking

that had to be politically maintained by villagers (Tian, 2008). Even if land expropriation turned out to be inevitable, some villagers still managed to struggle for extra compensation reflecting the rising potential land price (F. Wu et al., 2013; Zhao & Webster, 2011).

Empirical studies have examined the impact of informality on housing rent levels in urban villages. Free use of land contributed to lower rent levels of informal urban village housing ranging from 20% to 50% compared to formal properties (J. F. Li, 2004; cited from Tian, 2008). The use of recycled and substandard materials in the absence of building quality control also drove down building costs and rent levels (M. Zhang & Zhao, 2018). In addition, the possibility of urban village housing speculation and its potential rent uplift effect has been eliminated by its informality, as it has no formal property rights and is therefore excluded from the formal housing market (ibid.). Elimination of informality, such as state confirmation of property rights, typically results in housing rent increases (Lai et al., 2017; L. Wang et al., 2014; M. Zhang & Zhao, 2018).

On the demand side, the huge demand for urban village rental housing also stems from institutional discrimination against migrant workers (Y. Song et al., 2008). The key institution here is the *hukou* system, which divided citizens into agricultural (rural) and non-agricultural (urban) ones to control the population flow from rural areas to urban ones from late-1950s to early-1980s (Y. P. Wang et al., 2009). The restriction has been loosening throughout the market transformation from the 1980s, but *hukou* still limited one's access to public services at its location. Migrant workers, mostly with rural *hukou*, were therefore institutionally excluded from buying formal housing and public housing subsidies along with most public services in cities (W. Wu, 2002). They had to search for housing either in factory dormitories or in informal rental housing markets in urban villages created under the aforementioned institutions. Additionally, demands from new young migrants with higher incomes yet still unable to afford homeownership, necessarily brought by the economic restructuring in major cities, have been increasingly boosting renewal in urban villages and rent increases.

4.2 A brief history of Shenzhen and its urban villages

Shenzhen is located in the southernmost of China's mainland and Guangdong Province, the east bank of Pearl River, and the north to Hong Kong. It has the third-largest GDP and fourth-largest population in Chinese cities, with a GDP of ¥3460.4 billion⁸ and a 17.66 million population in 2023 (SBSZM, 2024; SBSZM & SONBSSZ, 2024). By the end of 2022, Shenzhen had 2,042 urban villages with approximately 319,000 buildings, 5,913,000 housing units, and 220,000,000 sqm of building spaces, accounting for more than 40 % of the city's total building stock (Peng et al., 2023).

Shenzhen was established in 1979 based on the existing Bao'an County, a poverty-stricken agricultural county and a major transit point for illegal migrants moving to Hong Kong (Ng, 2003). It was China's first Special Economic Zone (SEZ) for attracting foreign investments, technology, and business management modes as well as conducting institutional experimentation for the countrywide market reform (Zhu, 1996). Labor-intensive manufacturing industries from emerging private investments in the Mainland were first attracted to Shenzhen because of its tax incentives (15% corporate tax compared to 55% elsewhere) and then Hong Kong and foreign ones (ibid.). They attracted a great number of migrant workers from all over China because of higher wage levels and made Shenzhen a young migrant city (Ng, 2003). However, the SEZ government did not take any measures about affordable housing provision and other public services needed for migrant workers (Y. P. Wang et al., 2010).

The urban infrastructure soon fell behind the demand from burgeoning industries, so the municipal government established the first urban land market in 1987 to sell land use rights for rapid mobilization of financial resources, instead of free land allocation prevailing at the time (Hao et al., 2011). Appropriating land rent from foreign investors was of particular interest (Yeh & Wu, 1996). For the same financial reason, it only expropriated rural agricultural land and not residential land to avoid unaffordably high

⁸ Approx. 448,800,000,000 €.

compensations to villagers (ibid.). This allowed villagers to reconstruct their own houses as multi-story apartments and build new housing on the surrounding farmlands to appropriate housing rent from migrant workers in need of affordable housing, which was soon proven a far more profitable use of rural land than agriculture.

In order to limit the large number of rent-driven illegal housing constructions, Shenzhen introduced regulations in 1982 restricting the construction of new housing by rural residents. New residential land was only allowed to be allocated to local villagers (and not to those from other villages, urban residents, migrants from other provinces, etc.), and the base area of each household's housing plot should not exceed 80 sqm (SZMPG, 1982). Nevertheless, the need for housing from migrant workers was still skyrocketing, resulting in the intensification of new residential building construction on these rural lands (Hao et al., 2011). At the same time, new occupations of agricultural land for informal housing construction did not stop, as the SEZ government lacked effective regulatory measures (Y. P. Wang et al., 2010).

Although the government has subsequently repeatedly introduced new regulations in an attempt to restrict such informal residential construction (3rd SCSZMPC, 2001; SZMPG, 1986, 1992), it had no means to demolish most informal buildings that did not occupy planned roads, public facilities, or natural reserves. Therefore, each time the announcement of a new regulation was viewed as a *de facto* determination of property rights in informal residential buildings, resulting in a new wave of intensive and extensive construction in order to fix more housing rent returns before the implementation of new regulations (Hao et al., 2011; Y. P. Wang et al., 2010).

Shenzhen has nationalized all collectively-owned rural lands within its jurisdiction⁹, granted local rural residents urban *hukou*, and reformulated existing village committees as neighborhood committees, which were a

⁹ In 1992 within the SEZ and in 2004 in two newly developed districts outside the SEZ.

unique case in the entire China. (SZMPG, 1989, 1992, 2004). Nevertheless, it caused no change in the actual control of these lands, villagers were still the *de facto* landlords. This was because the membership and social relations of village organizations (whether named village committees or neighborhood committees) remain intact, and the government had little to do with most existing informal residential buildings due to the concern about mass displacement of migrant workers and possible subsequential labor outflow and social unrest. In two regulations established in 2001 and 2009, Shenzhen formally determined the property rights of most informal residential buildings in urban villages, only requiring villagers to pay a trivial fine compared to housing rent incomes and, for some buildings, 25% of the current price of state-owned land (3rd SCSZMPC, 2001; 4th SCSZMPC, 2009).

4.3 Empirical gaps and tensions in existing studies on urban village rental housing

Previous studies have successfully explained why China's urban village housing has been historically shaped as a commodity and a means of rent capture, which agents boosted and benefited from this commodification and rent extraction, and the *existence* of institutional mediation of its rent levels, magnitudes, and their historical changes. However, they failed to provide a structural explanation of the *extent* to which institutions affect housing rent levels in urban villages and their historical changes in relation to institutional changes. Apart from general descriptions of rent increases, the economic outcomes of institutional changes in urban villages and wider urban development reflected by rent changes remain unclear. This theoretical and empirical gap may be a reason for some studies on housing rent in urban villages (e.g. Lai et al., 2017; L. Wang et al., 2014; M. Zhang & Zhao, 2018) turning to neoclassical approaches, marked by the hedonic pricing model (Rosen, 1974), to measure the extent to which informality affects housing rent levels through regression analyses of empirical data on housing rent, while, as Rosen (ibid.) stated when establishing the model, giving up to provide any structural explanations of housing rent levels and their changes.

In this way, the wider economic dynamics affecting the rental housing market, such as the rise in land prices at the city level, can only appear as given exogenous factors and remain unexplained. However, the structural explanation of the economic outcomes of institutional changes is necessary even in the context of state entrepreneurialism. The state's use of the market to achieve its political and social objectives requires an understanding and subsequent expectations of the economic results produced by the market mechanisms under certain regulations, since the actions of non-state agents whom the state intends to introduce are directly affected by the market mechanisms rather than the arbitrary manipulation of the state (indeed, the state is incapable to do so either). That is to say, once market mechanisms are introduced, the state mobilization of agents can only be *indirect*. Only through the regulation of market conditions can the state regulate the actions of non-state agents in conformity with its own objectives, rather than through the direct control of the agents themselves. This indicates that a complete explanation of urban development must include an explanation of the functioning of market mechanisms *per se*, where state strategies and behaviors are introduced as *exogenous* factors. Whether state regulations exist or not and what regulations the state applies do not change the mechanisms but only change the *conditions* under which they function.

Empirically, therefore, analyses of institutional settings of urban village rental housing markets can only provide specific explanations that depend on micro-level power structures for particular cases, while failing to link the power dynamics in different cases together to provide more general explanations with logical coherence. This is reflected in that contradictory results are produced by similar institutional settings in different cities of China and even in different urban villages of the same city. For instance, for Liu and Wong (2018), the maintenance of informality in urban villages is the municipal government's strategy for reducing labor costs in a certain 'development phase'. When a higher 'development phase' is reached, the municipal government will eventually eliminate such informality under the pursuit of the 'modern image of the city' and land rent returns (*ibid.*).

However, while it may be the case in Beijing, Shenzhen appears to be quite the opposite. It also fails to link micro-level power dynamics in particular cases with wider political-economic dynamics. Urban village redevelopment is only linked to general urban development in the sense of state strategies, while the adoption of certain strategies, including urban village renewal, appears to be arbitrary. We can find nothing else to say other than an omniscient and omnipotent image of the state, even though it often finds nothing else to do with housing rent.

In short, analyses of institutional settings of the urban village rental housing market tell us the conditions under which the housing market as an economic system works, but they on their own fail to reveal *how* the system works under these conditions. This implies that an analysis of institutional backgrounds is necessary yet insufficient for understanding the functioning of any urban village rental housing market and the structural determinants of housing rent. A complete analysis of it must include both the institutional backgrounds and economic mechanisms. This does not presuppose that the institutions and the economy are separate realms, but is to say that only through economic mechanisms can institutions make an economic impact, while the functioning of economic mechanisms cannot be specified without their institutional settings.

5 Results

This chapter presents the main empirical findings of this study, including the institutional backgrounds of the SRH project, previous attempts at Shenzhen's urban village redevelopment, the progress and social outcomes of the SRH project, and the housing rent changes it brought to three investigated urban villages.

5.1 Institutional background of the SRH project

The concept of SRH was first introduced in the 14th national five-year plan in 2021. Under the general objective of establishing a “housing system with multi-principal supply, multi-channel guarantee, and combined rental and purchase” to “allow all people to have a place to live and a work-life balance”, it aimed to “solve the housing problem of disadvantaged groups and new residents” in “cities with high population inflow and high property prices” (SCPRC, 2021). Several institutional supports were suggested, including specific plans for rental housing land, mobilization of collective and working-unit-owned land and non-residential buildings, and fiscal, tax, and financial support (ibid.). It is important to note the difference between SRH and the existing public rental housing (PRH), which were designed as two complementary components of the entire housing guarantee system in China (see Table 1).

Table 1. Comparison between SRH and PRH

(Source: J. Chen et al., 2014; Chiu-Shee & Zheng, 2021; GOSCPRC, 2021; SCPRC, 2021)

	SRH	PRH
Targeted groups	New young migrants	Low-income locals
Conditions of access	Lack of home ownership; Working sectors; Education levels and expertise	Lack of home ownership; Local <i>hukou</i> ; Income level
Suppliers	The government, state-owned and private enterprises	The government
Supply mode	Mobilization of existing buildings and new construction	New construction
Rent levels (compared to the market level)	Slightly lower	Significantly lower
Room type	Furnished small apartments	Unfurnished or furnished large apartments

The following document by the State Council specified the means of developing SRH. Compared to the general five-year plan, it provided more detailed information on the background and implementation of SRH policies. Regarding the background, first, it emphasized SRH’s function of “alleviat[ing] the structural undersupply in the housing rental market” (GOSCPRC, 2021). Second, the targeted ‘disadvantaged groups’ were specified as “new urban residents [and] young people” (ibid.), implying that SRH’s main target group is young urban migrants. High housing cost was identified as the main barrier for young migrants to stay in big cities, which was unable to be solved in the current housing market structure. Third, its rent

level is “lower than the rent of market rental housing of the same quality in the same location”, with the standards and measurements of housing rent, quality, and location unspecified. In effect, it leaves the setting of these standards and measurements to local governments. Regarding the implementation, SRH was expected to “give full play to the role of the market mechanism” by “guid[ing] multi-body investment and multi-channel supply” with governmental support (ibid.). Therefore, the local state has to ensure the economic conditions from which capital can extract profit from SRH projects. In short, it left considerable discretion to the implementation of SRH projects for local governments, but the quantity of housing supply, rent levels, and firm profitability remained hard constraints.

Shenzhen has made so effective use of this discretion that its core objectives deviated from the central government’s intentions. In Shenzhen’s housing development plan, “stabilizing land prices, housing prices, and expectations” was designated as the core objective, repeatedly stressed in Articles 7, 18, and 50 (HCBSZM & DRCSZM, 2022), while it merely followed the objective of housing provision and work-life balance. This comparison shows that Shenzhen’s local specification of SRH policies was primarily orientated as a means of regulating the real estate market to maintain its profitability, despite the central government’s focus on the supply of housing as a use-value. Therefore, it became inevitable that Shenzhen mainly mobilized housing stock for SRH provision to avoid the potential impact of the sharp increase in housing supply on ‘land prices, housing prices, and expectations’. Indeed, almost all types of housing stocks were included in the range of SRH mobilization, whose measures include the renovation of “clearly titled non-residential stock”, “large-scale and high-quality upgrading” of urban village housing, and integration of “residential houses, business flats, dormitories in industrial parks and other clearly titled residential stock into SRH management” (HCBSZM, 2023a), while limited access was set to newly constructed SRH to isolate it from the commercial housing market.

Nevertheless, the housing supply for use value remained a pressing issue for Shenzhen and had to be somewhat addressed in its SRH project. Shenzhen

identified three main challenges for Shenzhen's housing development: "tension between housing supply and demand", "irrational housing structure", and "inadequate housing security" (ibid.). It recognized Shenzhen's poor housing quality, with a "high percentage of housing in urban villages and various types of dormitories, etc., with poor functionality and insufficient support facilities" (ibid.). Also, to be in line with the State Council's document, Shenzhen set the rent control line for SRH. The rent levels of all SRH were based on the "market reference rent for rental housing of the same quality and in the same area for the same period", measured by "professional organizations commissioned by municipal competent authorities" and "timely adjusted in line with market movements" by "municipal competent authorities" themselves (HCBSZM, 2023b). Despite its similarity with the definition in the State Council's document, it was apparently a problematic indicator, as the quality and area of different rental apartments can hardly be the same – indeed, never, to be strict – and the measuring criteria and processes were completely non-transparent and unscrutinized.

Shenzhen categorized SRH into two types, government-leased SRH and social-agent-leased SRH, with respective conditions of access and rent level regulations. Government-leased SRH has significantly lower rent levels set as 60% of the market reference rent, but its access was largely limited to employees of the public sector and a few government-supported enterprises, the former only accounted for 9.8% of the total employment in Shenzhen (He, 2023). A small portion of SRH has been leased directly to individuals, requiring that "the applicant possesses the conditions for approval of the introduction of talents as stipulated by the municipal people's government", typically met by highly educated young people with technical expertise (ibid.). This has *de facto* excluded the majority of low-income young migrants in need of affordable rental housing. On the other hand, the rent levels of social-agent-leased SRH, to which all SRH in urban villages belong, were closer to those in the rental housing. The regulation was set as no more than 90% of the market reference rent (ibid.). The access to this type of SRH, however, was almost unlimited: the only condition was that applicants did not own a

home in the corresponding district and had not yet rented other subsidized or public rental housing (ibid.), which was merely for arbitrage prevention. However, these regulations on rent levels were virtually null and void, as they only applied to nominal rents while leaving any other types of additional charge, e.g. management fee and service fee, unregulated. Thus, all that was required to bypass this restriction was some wordplay on rent charging, which was what SRH operators actually did (see 5.2.3). This issue did not escape the notice of policymakers and implementors, but they thought the actual housing rent of SRH was still under control and would not turn unacceptable even though it was not as low as the policy set. Officials from HCBSZM were confident that “the rents, in theory, should not go up” (Shenzhen Daily, 2023). The chairman of Anju Weitang acknowledged that “slight rent increases occur to a few housing stocks due to the high renovation cost”, but he believed that the degree of housing rent increase was under control, which “would not exceed 10% of the original housing rent” (Cai, 2023a). However, both of them focused on SRH itself while ignoring the potential impacts of SRH on the entire rental housing market in urban villages, whether unconsciously or consciously.

To make apartment rental firms profitable with (at least literally) regulated rent levels, Shenzhen had to use a variety of means to reduce the cost of SRH supply. SRH from renovated urban village buildings were required to enter into long-term contracts of not less than 10 years to establish a stable expectation of rent flow and suppress possible rapid rent increases. In PSV, firms were required to sign rental contracts with landlords for a minimum of 15 years, with the option to extend for an additional 5 years at the landlords’ discretion (Field note, 02/03/2024). On the other hand, Shenzhen granted various subsidies to firms participating in the SRH project. As an experimental city for SRH, Shenzhen received an ¥ 800,000,000¹⁰ special grant for rental housing market development from the central government in 2021 (FBSZM, 2022). A large portion of this grant was used

¹⁰ Approx. 104,000,000 €.

to subsidize firms that mobilize or construct housing for SRH, with a one-off cash subsidy of ¥ 800 and ¥ 300/sqm¹¹ respectively for new construction and renovation, and a continual subsidy of ¥1/sqm/month¹² throughout the operation (HCBSZM & FBSZM, 2021). Another option for firms was subsidies for development or operating loans from state-owned banks, with an amount of 30% of total interest (ibid.).

Despite various types of subsidies, the introduction of market mechanisms into SRH still had an outstanding benefit for Shenzhen: It saved a large amount of the public housing budget (see Graph 1). The average budget spent per public housing unit has been reduced by 2/3 in five years, from approx. ¥ 19,973¹³ in 2019 to ¥ 6,644¹⁴ in 2023 (FBSZM, 2019, 2023). In contrast to the declining public housing budget, the rental and living subsidies for new high-skilled migrants have increased from approx. ¥ 1,199,400,000¹⁵ in 2020 to ¥ 1,863,800,000¹⁶ in 2022¹⁷ (FBSZM, 2020, 2022). Shenzhen's choice to use its limited public housing budget primarily to subsidize the high-skilled labor required by its supported industries inevitably crowded out SRH's available funding, which in turn made the reliance on market instruments inevitable.

¹¹ Approx. 104 € and 39 €/sqm.

¹² Approx. 0.13 €/sqm/month.

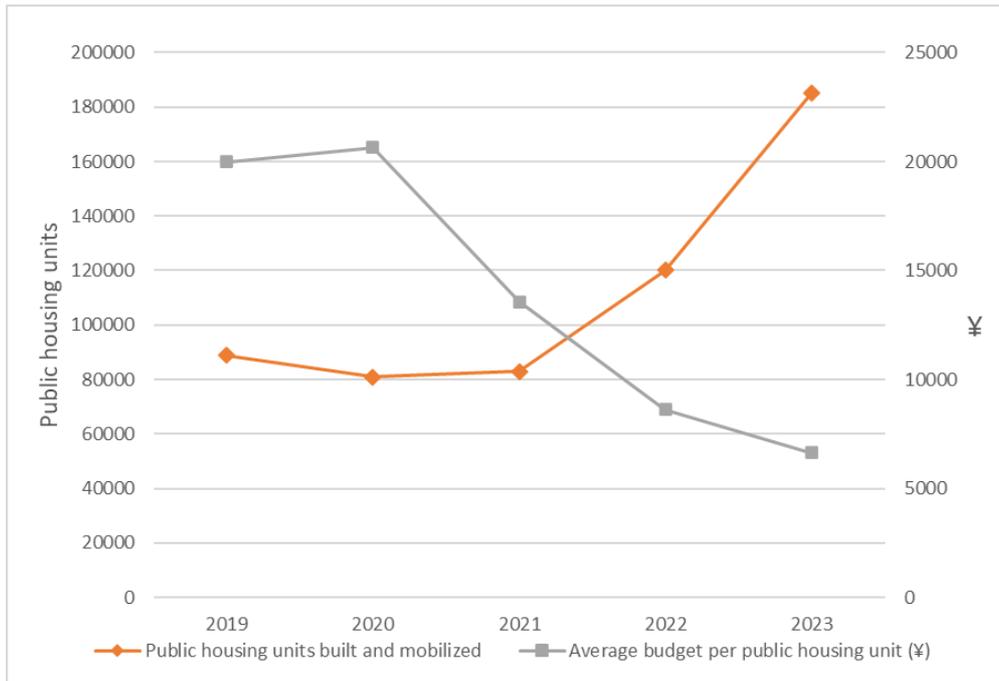
¹³ Approx. 2,596 €.

¹⁴ Approx. 864 €.

¹⁵ Approx. 155,922,000 €.

¹⁶ Approx. 242,294,000 €.

¹⁷ This data is missing in the budget documents for 2019 and 2023.



Graph 1. Number of public housing units and average budget per unit, Shenzhen Municipality, 2019-2023

(Source: FBSZM, 2019, 2020, 2021, 2022, 2023)

5.2 The progress of the project

5.2.1 Urban village redevelopment before the project

Aside from the support from new policies, the mode of SRH redevelopment in urban villages was not new. Private capital had already been deeply involved in urban village renewal years before the SRH project, where a large number of buildings were rented by firms for renovation as rental apartments, and firms profited from the gap between the rent of their new apartments and that of the original buildings.

A notable project of such was the *Wancun*¹⁸ project conducted by *Vanke*, a leading real estate enterprise in China mainly invested by the state-owned *Shenzhen Metro Group* since 2017 but also by private capital (China Vanke Co. Ltd., n.d.). In 2023, *Shenzhen Metro Group* was the major shareholder who held 27.18% of *Vanke*'s shares, and the rest were mainly held by private

¹⁸ Literally means “ten thousand villages”.

capital both domestic and foreign (China Vanke Co. Ltd., 2024). *Vanke* has heavily invested in acquiring and renting buildings in many urban villages, which has been extremely costly and was only made possible with its strong financial resources and other commercial real estate projects. For example, in an urban village in Futian District, *Vanke* acquired a 17-story building to run a rental apartment at the expense of 50 new apartments in its new development nearby, whose market rent was approx. ¥ 6000/month¹⁹ of each (Field note, 28/02/2024). In another urban village in the same district, it rented buildings from three landlords for a “uniform all-round upgrading” to “reduce safety hazards” and “provide a full range of professional services” (X. Zhang & Ding, 2017). This project was backed by the local state with its own goal of promoting a “comprehensive urban governance” since it had been long plagued by the “discrepancy between the image of the urban village and the city” (ibid.). Such support from the state was not surprising considering *Vanke*’s partially state-owned background.

However, this project caused a drastic rent increase of up to 75% in a year and thus displaced a large number of migrant workers (Weng, 2018). It even caused a political furor in June 2018, when a group of migrant workers at *Foxconn*, a major electronic assembly plant in Shenzhen, released a manifesto that criticized the rent increases and displacement caused by the project and called for government intervention (Anonymous Labor Representatives, 2018b). A flyer had begun to circulate in the *Foxconn* plant before this, complaining that housing rent had already taken a third of workers’ base salary and might even “double or triple after redevelopment” (Anonymous Labor Representatives, 2018a). Pressure from public opinion and migrant workers finally forced *Vanke* to pause all ongoing and prospective redevelopment projects in urban villages. In November 2018, it eventually canceled the entire project, and gradually abandoned many properties already under contract in the following year, even though additional compensation had to be paid to the landlords (Ji, 2019; Luo, 2018, 2019).

¹⁹ Approx. 780 €/month.

Another notable case of urban village redevelopment took place exactly in YFN. *Yuanjing Weitang*, controlled by the same stakeholders as *Ziroom* and *Lianjia*, two major private real estate brokerage firms in China, has been taking the lead in the renewal project there since 2018. This project, as a pilot for unified leasing in Shenzhen's urban villages, received strong support from the community- and street-level Communist Party committees. Indeed, *Yuanjing Weitang* was actively introduced by the community's Party organization and joint-stock company's "threading the needle" (Y. Wu, 2021). Apart from fulfilling the task of piloting the policy, another objective of the Party organization in promoting this project was to improve governance in the community and expand the Party's influence among young migrants. For the Party organization, "the public space [was]... an indispensable place to bring together young people" (ibid.). The 'Youth Home' of Communist Youth League, Longhua District was therefore located in YFN, conceived as a platform that "carr[ies] government services and connect[s] the Party's thoughts to the vast number of young people in urban villages" (Huang, 2021).

This project was soon set as the benchmark of urban village renewal in and beyond Shenzhen. It has even received a special grant of ¥23.3 million²⁰ from the central financial support for pilot housing rental market development (W. Chen, 2023). Perhaps due to the strong involvement of the Party organizations, no significant resistance against the project has been reported. However, the vast majority of tenants in YFN after the renewal were young migrants (Cai, 2023b), which might indicate a massive displacement of the original ones. *Weitang* also engaged in renewal projects in other urban villages such as BSL, but they were far less successful compared to YFN partly because of the lack of governmental support. In BSL, only a few landlords signed leasing contracts, and the built environment of the village was not significantly changed (Field note, 28/02/2024).

No matter whether politically contested or not, all these projects faced the same problem: profitability. For *Vanke*, the political furor was just a

²⁰ Approx. 3,030,000 €.

hiccup in the *Wancun* Project, and what actually led to the project's cancellation was its lack of profitability. Similarly, an executive of *Yuanjing Weitang* viewed apartment rental in urban villages as “a marginally profitable business”, for which “a gross profit of 8% and a net profit of around 3%” was acceptable (Wei, 2023).

There were two main reasons for their low profitability: On the one hand, the massive building renovation work was costly and made short-term returns impossible. During its years of operation, an anonymous real estate practitioner argued, “the *Wancun* project consistently [lost] money, and the cost of renovating the villagers' buildings [was] also part of the loss” (R. Li, 2019). *Vanke*'s renovation cost for each room was around ¥50,000²¹ (ibid.) and *Yuanjing Weitang*'s was over ¥2,000/sqm²² (Wei, 2023); considering this cost, these projects would need to operate for at least 8-10 years to make a profit (Fenghuang WEEKLY, 2023; S. Wu & Zhen, 2019). The slow progress of building renovation work also contributed to the lack of immediate rent returns, while *Vanke* still had to pay a significant amount of rent to landlords every month during the renovation period (Luo, 2018, 2019). On the other, landlords have demanded higher rent for new buildings and withheld their buildings under the expectation of future rent increases. Some landlords were holding on to their buildings because the housing rent would “go up whenever [they] want it to go up” (Weng, 2018), rather than being limited by long-term leasing contracts. Moreover, As *Vanke*'s demand for new buildings grew, landlords would have a greater bargaining power in housing rent levels (B. Chen, 2019; Weng, 2018).

5.2.2 *The progress of Unified Leasing (Tongzu) and displacement*

Shenzhen promised to construct and mobilize 400,000 apartments as SRH during the entire 14th five-year plan (2021-2025) (HCBSZM & DRCSZM, 2022). In January 2023, Shenzhen added an extra 200,000 SRH units to the target in order to “accelerate the solution to the housing problems

²¹ Approx. 6,500 €.

²² Approx. 260 €/sqm.

of new citizens, young people, etc.” (Dou, 2023). The SRH project in urban villages was named “Large-scale and Quality Improvement and Upgrading of Shenzhen Urban Village Subsidized Housing”. *Rencai Anju* Group²³, a state-owned enterprise in charge of public housing development in Shenzhen, co-founded *Anju Weitang* with *Yuanjing Weitang* for the advancement of the project. *Rencai Anju* held 51% of its stake to ensure state control, and *Yuanjing Mingchuang*, the parent company of *Yuanjing Weitang*, held 49%. In a public “mobilization meeting” on 28 Feb 2023, the new company was officially inaugurated and an operational guide was published detailing the requirements and priorities for SRH development (HCBSZM, 2023c; SASACSZMPG, 2023). *Rencai Anju* signed co-operation framework agreements with three districts to co-finance the establishment of district-level urban village redevelopment companies to promote the SRH project (SASACSZMPG, 2023). Five state-owned banks granted *Rencai Anju* an astonishing ¥ 500 billion²⁴ credit line specifically for SRH development (ibid.). They also granted it a lower loan interest rate compared to that of the previous *Yuanjing Weitang* due to the involvement of state-owned capital and policy support (Wei, 2023).

Launched with great fanfare, SRH redevelopment projects have been simultaneously progressing in many urban villages. In YFN and BSL, *Anju Weitang* rented a large number of new buildings in addition to existing ones before the consolidation with state-owned capital, also with more rapid progress than before. Buildings that have already been renovated by *Anju Weitang* were scattered throughout YFN, and renovation work has been fully completed as no construction sites were observed (Field note, 29/02/2024). In the northwest corner of BSL, several adjacent buildings have been transformed into SRH by *Anju Weitang*, with a shared kitchen, a reading room (see Figure 2), and a gym added in the public space on the ground floor (Field note, 28/02/2024). Although it did not take a large part compared to the total number of nearly 200 buildings in the entire BSL, it was still significant

²³ Literally means “talent settlement”.

²⁴ Approx. 65,000,000,000 €.

progress as *Yuanjing Weitang* had only rented a few isolated buildings before. Much of this progress was due to institutional support, with BSL's project identified as a benchmark for SRH development in Longhua District.



Figure 2. Public reading room set up by *Anju Weitang* in BSL
(Source: the author, 28/02/2024)

In PSV, the SRH project was part of the Pingshan Talent Town project and later Xili Lake International Science and Education Town, the technology and innovation center in Shenzhen's urban planning that aimed to "enhance Shenzhen's innovation-driven development capability" (PNRBSZM & PGNSDSZM, 2023, p. 1). SRH was designed as a means of attracting intellectual labor to the area, "prioritized for higher education teachers, researchers, [and] creative talents" (ibid., p. 12). It planned to completely transform the urban village, where 522 buildings of 615 landlord households were planned for unified leasing (Kang, 2023). *Shenhuitong*, a state-owned enterprise of Nanshan District, Shenzhen, was responsible for negotiating with landlords, signing leasing contracts, renovating buildings according to SRH standards, and handing them over to *Port Apartment* to operate the rental apartments (Field note, 03/03/2024). To accelerate the progress, the

government and *Shenhuitong* set up a large number of publicity boards in the village to remind landowners of the unified leasing policies and a bonus they could get by signing a leasing contract before May 2023 (Kang, 2023). These measures worked quite well – *Shenhuitong* successfully rented 60% of the planned buildings merely in early April, and eventually 491 buildings (94%) by December (Z. Chen, 2023; Kang, 2023). When I visited PSV in March 2024, there were still several prominent publicity boards at the main gate of the village promoting the unified leasing policies, although there were no longer bonuses.



Figure 3. Comparison between buildings after renovation (left side) and before renovation (right side) in YFN
(Source: the author, 01/03/2024)



Figure 4. Renovated buildings in PSV

(Source: the author, 03/03/2024)

Despite the overall success of building rental, the rent levels offered by these enterprises did not manage to satisfy all landlords. Although they were above the average market levels at which landlords rent on their own, the increases were still considered too slight to accept by some landlords, especially when taking all potential costs into account. A private apartment manager in BSL argued that SRH's rent increases were restricted by policies in the long-term leasing contract, while market rents would be likely to increase more rapidly and therefore SRH did not necessarily increase their returns in the long run (Field note, 28/02/2024). More importantly, a landlord in PSV pointed out that the reconstruction damages the inner structure of buildings (Field note, 02/03/2024). *Port Apartment* had to reduce the size of the rooms to make a profit without significantly increasing the housing rent level and therefore had to replace the original inner walls with new ones in accordance with the new layout. The original walls were high-quality "20cm-thick red brick solid walls", the landlord stressed, but *Port Apartment* would replace them with poor-quality plastic foam walls for cost control (ibid.).

These walls had a very short lifespan and thus could no longer be used after the leasing contract period. The landlord then had to remove them and rebuild high-quality durable walls again for future leasing, which would cost “almost as much as reconstructing the whole building”, let alone creating a lot of trouble (ibid.). Additionally, that no rent was yielded during the reconstruction period would cause a significant immediate loss to the landlord (ibid.).

Long-term uncertainty of SRH policies was another widespread concern among landlords. A landlord in YFN was concerned that they might be in trouble getting their buildings back after years of government tenancy, and would have to wrangle with the government and the companies (Field note, 29/02/2024). A landlord in BSL worried that SRH policies would be changing too fast for him to catch up, while the future changes would always be in the government’s favor (Field note, 28/02/2024). In addition, attachment to place was also a reason for keeping the apartments on their own. Another landlord in BSL had been living in their own apartment for years, feeling reluctant to leave their familiar village and live elsewhere, as well as to have their long-standing room decoration destroyed by the government (Field note, 29/02/2024).

Within these constraints, Shenzhen and its state-owned enterprises had to mobilize various social connections to fulfill the SRH mandate within the stipulated timeframe while controlling rental costs. In BSL, the rapid progress of housing mobilization relied on family connections between *Weitang*’s staff members and landlords. A landlord in BSL told me that *Weitang* had to find relatives of its leaders in the village, otherwise it would be hard to get a leasing contract at the rent level they could offer (Field note, 28/02/2024). In PSV, *Shenhuitong* tended to look for landlords who have delegated the management of their apartments to sublessors or managers, as their main concern was to gain returns from renting out their apartments rather than to maintain them well, as the aforementioned landlord in PSV did (Field note, 03/03/2024). Thus, merely a rise in housing rent was more likely to lead to a long-term lease.

The most immediate social outcome of the SRH project is the displacement of existing tenants. It has drawn broad attention that in Baimang Village, an urban village in Nanshan District renowned for low housing rents, some landlords signed leasing contracts with *Shenhuitong* and immediately forced existing tenants to vacate by the end of the month (Y. Chen, 2023). Due to the simultaneous redevelopment projects in surrounding urban villages, rental housing in urban villages suddenly fell short of supply (Y. Chen, 2023; S. Wu, 2023). Many other landlords, whether in urban villages under redevelopment or not, immediately raised rents in response to this surge in demand, leaving even more tenants displaced (ibid.). The street office released an urgent announcement declaring that it did not support the landlords' displacement actions, but the only things it could do about housing provision were to provide "relocation grants" that no one has reported receiving and to "sort out information on neighboring properties for the reference of residents who need it" (Z. Li & Zhang, 2023). This crisis forced *Shenhuitong* to pause the contracting for new buildings in this village for several months. In PSV, an apartment manager found that low-income tenants have been moving out over the past year of renovation, with mostly job-seeking students and white-collar workers in the nearby technology firms currently living in his apartment (Field note, 02/03/2024).

5.2.3 *The operation of SRH*

In official media reports, SRH was information transparent, reduced the exposure of tenants to fraud, and provided convenient services. Official newspapers emphasized the convenience and high quality of Talent Town in PSV, where "residents can move in turnkey, and the public amenities are excellent" (Zeng, 2023). However, field observations revealed the underachievement of housing quality compared to these claims.

Apartment quality issues were found in abundance in the new SRH. Cost-saving poor-quality renovation materials, as the landlord in PSV said, severely undermined the living experience in SRH. Many tenants reported very poor soundproofing in these apartments, which was hardly spotted when

first visiting the room (Field note, 28/02/2024, 02/03/2024). Besides, although the rooms have been tested for air quality by professional organizations before rental, according to two staff members in *Weitang*, some tenants were still concerned that formaldehyde emanating from the furniture in the newly decorated rooms might be hazardous to their health and therefore preferred older rooms (Field note, 28/02/2024, 01/03/2024). This contributed to low occupancy rates for some new apartments: according to an employee of *Port Apartment*, only a handful of tenants have moved into the entire building (Field note, 02/03/2024). In corroboration, it was shown on *Port Apartment's* APP that some high-rise apartments in PSV without lifts had some higher floors completely vacant (Field note, 06/03/2024).

Some layout issues have also been identified. In order to accommodate more residential units in a limited space and thus lower the renovation cost per housing unit, *Weitang* “weakened less utilized spaces such as separate kitchens and living rooms” (J. Zhang, 2023) in its layout design. According to the field data, 50% of investigated private rental apartments in YFN and BSL (the two with *Anju Weitang's* engagement in the SRH project) had separate kitchens, while *Weitang* apartments only had a shared kitchen in each village, causing considerable inconvenience for cooking (Field note, 28/02/2024, 01/03/2024). Although the use of induction cookers was not prohibited, the lack of exhaust hoods still made cooking extremely limited (Field note, 29/02/2024). There was also a lack of private or public space for drying clothes in *Weitang* apartments, which is essential in the humid climate of Shenzhen (ibid.).

In addition, the poor service has been a complaint from some tenants. When tenants called the apartment service there was often no answer, which was rare even in private apartments (Field note, 02/03/2024). Indeed, more prompt service compared to *Port Apartment*, or in the manager's words, “urgent to the urgency of tenants”, has become a major selling point for a private apartment rental firm in PSV (ibid.).

Some tenants feel cheated due to SRH's unsatisfactory quality and service and therefore decided to check out shortly after moving in. However, *Weitang* has devised complicated deposit return rules so that tenants who check out before the end of the tenancy would lose most of their deposit. Even if the tenant checked out on time, *Weitang* would make up all sorts of excuses to refuse the deposit refund (Field note, 01/03/2024). *Port Apartment*, on the other hand, conducted a harsh room inspection at check-out and fined anything broken or lost, often above its market price (Field note, 02/03/2024).

5.3 Impacts on housing rent levels

Table 2 shows changes in the housing rent levels of unfurnished apartments in all three urban villages between February and March 2024 compared to the reference rents of unfurnished apartments released by Shenzhen Municipality in 2022 (HCBSZM, 2022). The rent levels have increased with different magnitudes in these urban villages, and the rent increases in YFN (¥336, 52.6%) and PSV (¥224, 14.2%) were significantly higher than that in BSL (¥48, 3.8%). While rents in YFN are the lowest in both 2024 and 2022, the massive SRH project has led to the highest rent increases both in absolute value and percentage in two years. Its low rent level made the rent increase percentage significantly higher than that in the other two villages. In contrast, the rent increase in BSL was less pronounced due to a relatively small-scale SRH development. No evidence of correspondence between rent increases after SRH projects and rent levels of unfurnished apartments is found in the data, as the ranking of rent levels is PSV > BSL > YFN while that of rent increases is YFN > PSV > BSL.

Table 2. Market rent increase of unfurnished apartments in three urban villages, 2022-2024

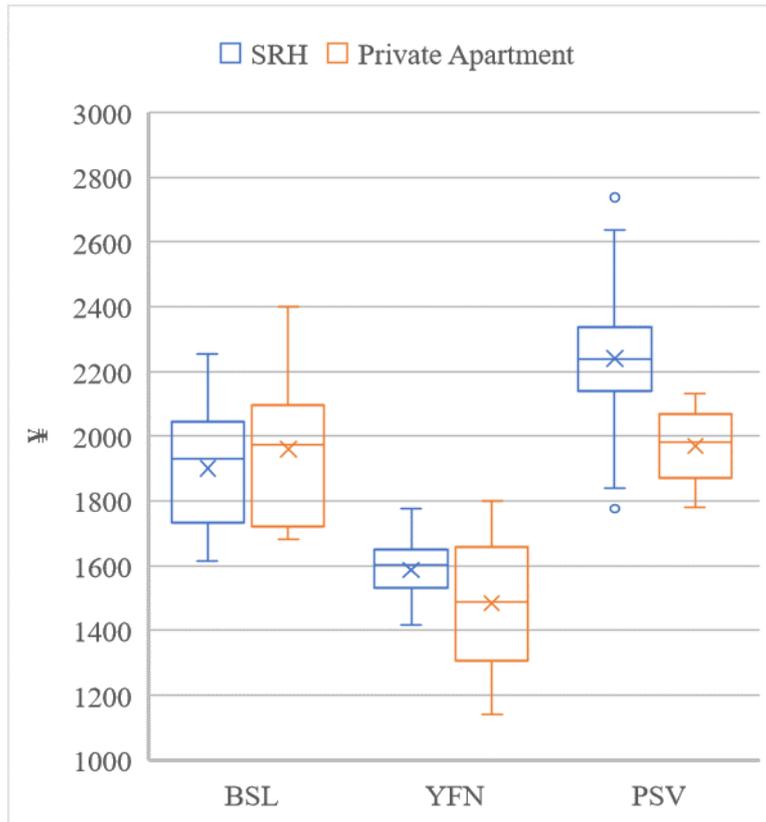
(Source: field data; HCBSZM, 2022)

	BSL	YFN	PSV
Market rent of unfurnished apartments in 2024 (median, ¥)	1300	975	1800
Reference rent in 2022 (¥)	1252	639	1576
Market rent increase (¥)	48	336	224
Market rent increase (%)	3.8	52.6	14.2

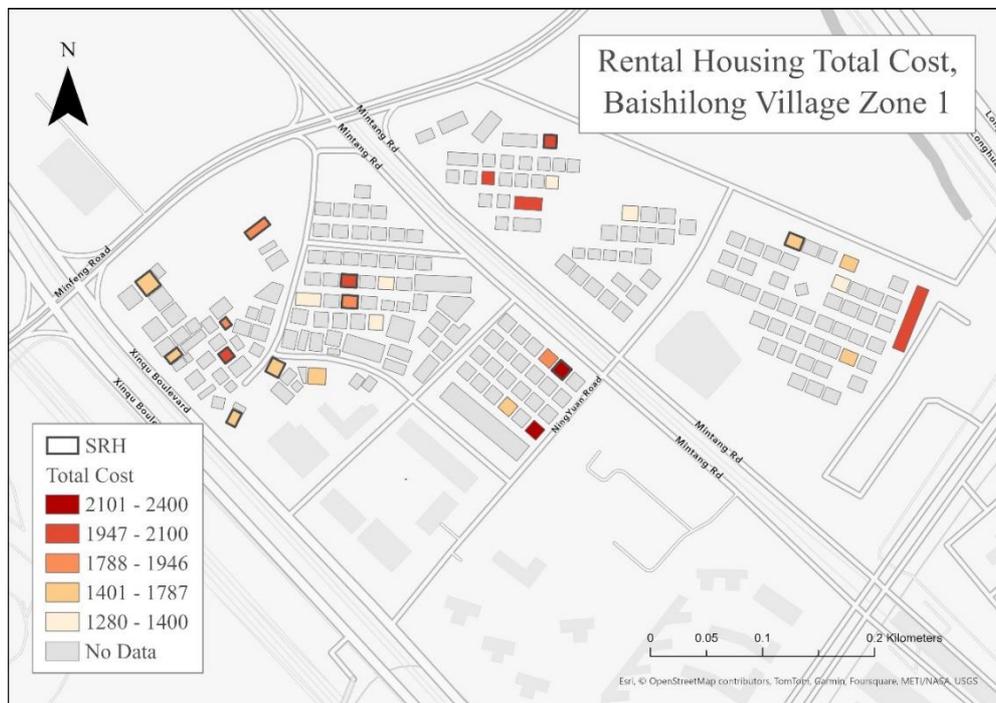
The total costs of SRH and furnished private apartments in three urban villages are compared in Graph 2. It is shown that the average total cost of SRH significantly outweighs those of private apartments in YFN (6.9%, ¥ 1586.3 to ¥ 1483.8) and PSV (13.7%, ¥ 2239.9 to ¥ 1970.0) while being slightly lower in BSL (-1.5%, ¥ 1900.3 to ¥ 1929.5). The distribution patterns of the total cost data are contingent, which are more dispersed in the SRH than in private apartments in PSV while being more clustered in YFN and showing insignificant differences in BSL.

Comparing the data between urban villages, it is found that the housing rent levels of unfurnished apartments have risen more in urban villages with larger-scale SRH redevelopment projects (i.e. YFN and PSV), and the total costs of SRH are higher than those of private apartments.

Regarding the spatial distribution of rent, none of the three urban villages shows a spatial relevance of rent levels (see Figure 5-7). It can be therefore assumed that the total cost is randomly distributed in an urban village. The total cost of a particular apartment is related more to its own attributes than its location in the urban village.



Graph 2. Comparison between the total costs of SRH and private apartments
(Source: field data)



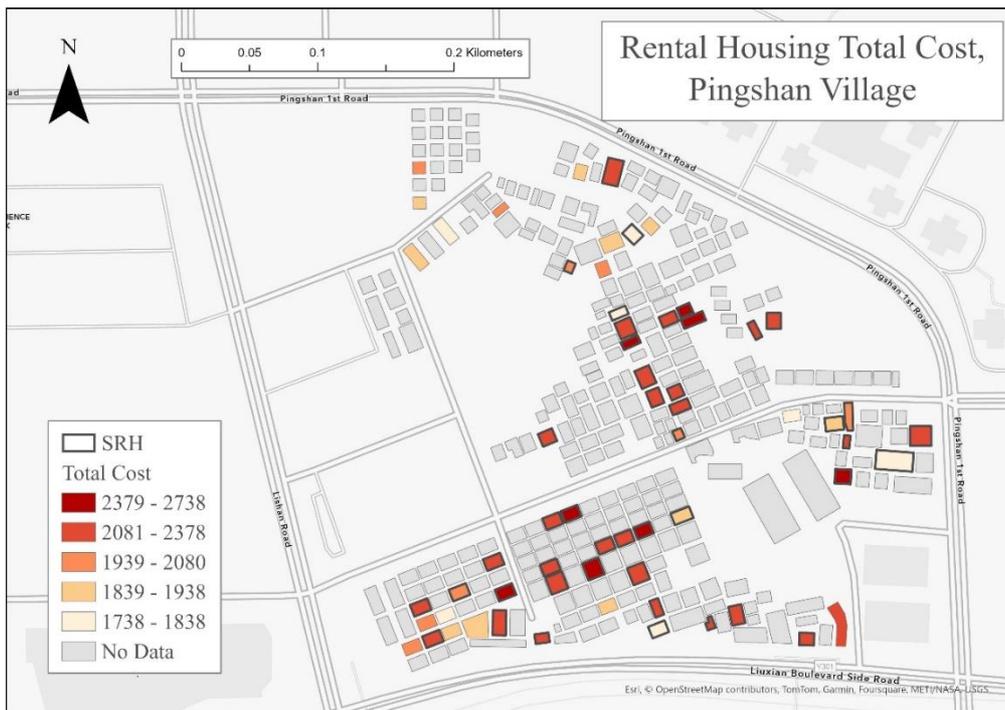
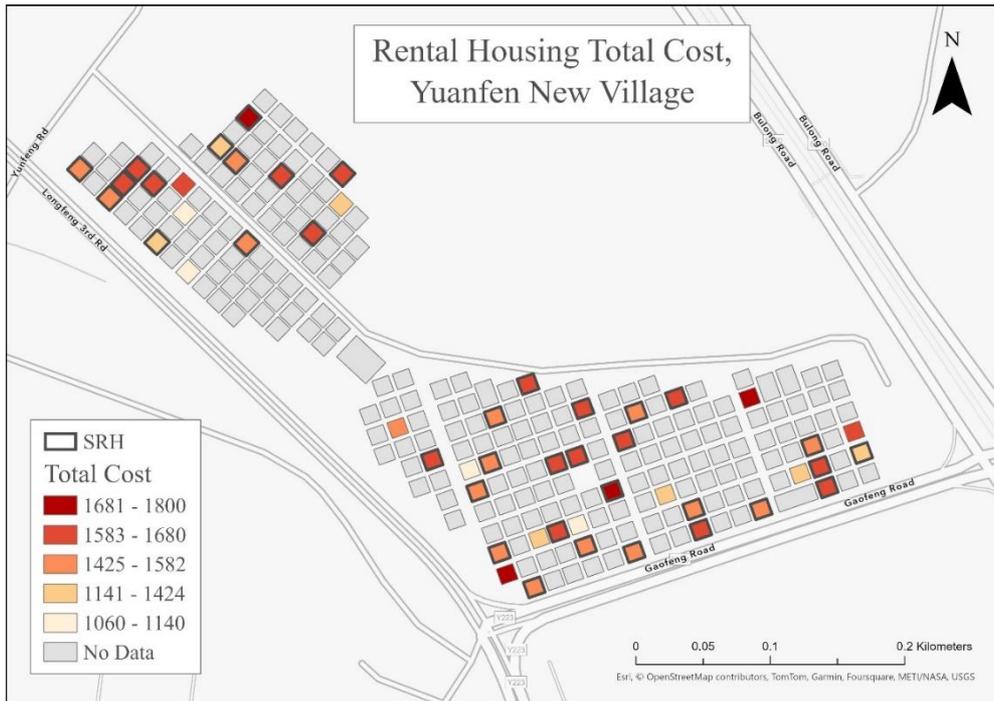


Figure 5-7. Spatial distribution of SRH and total costs in three urban villages²⁵

²⁵ If there are multiple pieces of data in a building, only that with the lowest total cost is mapped.

6 Analysis

In this chapter, MLRT is applied to analyze the structural determinants and constraints of the SRH project in Shenzhen's urban villages. MLRT-based analysis shows that DRI and DRII function at the micro-level while AR is at the macro-level, and their interplay under certain social relations and institutional backgrounds governs the progress and housing rent dynamics of the SRH project.

6.1 Micro-level factor: differential rent

Empirical evidence from three urban villages shows the functioning of land rent mechanisms. The impact of DRI is best shown in the comparison between the rent levels of unfurnished apartments, as they are not affected by DRII created by refurbishments of residential spaces. These rent levels are closely distributed in each urban village while differentiating between urban villages, in which the ranking of rent levels of all types of apartments is PSV > BSL > YFN. This ranking corresponds with their distance to the city center, the closer the distance, the higher the housing rent level. Therefore, equivalent investments in building generate more excess profits through higher housing rents.

As analyzed in 5.3, the comparison between three urban villages shows that the scale of the SRH project in an urban village corresponds to its DRI increase, while the spatial distribution of total costs in all these urban villages shows that building renovation in particular plots does not drive up DRI in adjacent plots. Therefore, DRI is determined at the urban village level and not at the plot level. This may be because SRH projects are not able to remodel the building structure and can therefore hardly improve some key housing attributes such as the lighting of the rooms, the environment around the building, and the urban village's location in the entire city, but some of the public spaces they added in the urban village did improve the accessibility of the urban village as a whole to services and amenities. Additionally, in the short term, huge demand for building rental from firms such as *Anju Weitang*

and *Shenhuitong* drastically drove up the housing rent levels of unfurnished apartments, and considering the case of YFN (where the renovation work has been completed), this impact was maintained in its following year.

The renovation of urban village buildings and the structural remodeling and decoration of their inner spaces have successfully increased DRII levels, which became the major source of returns for apartment rental firms. Since all existing urban village buildings in Shenzhen had already been built before 2009 (see 4.1.2), they have already undergone building obsolescence that reduced their DRII, which enabled building renovation to significantly recover their DRII levels. However, this recovery of DRII had to overcome the barriers of existing building layouts and tenants. The original building layouts were not specifically designed for the needs of young migrants and were therefore not conducive to the maximization of DRII, while the former tenants lacked purchasing power and were sensitive to housing rent changes, thus becoming the barrier to the realization of the maximal DRII. These barriers made investments in building renovation usually not feasible for individual landlords and firms in pursuit of higher housing rent returns. As the difficulties *Vanke* met in its *Wancun* project, building renovation requires a significant one-time investment and often leads to short-term loss of housing rent and displacement of tenants. In the SRH project, the financial subsidies and governmental support reduced the costs of overcoming these barriers, thus making such DRII appropriation viable.

However, it is also the firms' incentive of DRII maximization that made newly designed layouts of SRH unable to adequately meet the living needs of young migrants. Necessary residential spaces such as separate kitchens and spaces for drying clothes hindered the maximal extraction of DRII as they provide lower total housing rents compared to installing more housing units in the same area of usable space.

Regarding the distribution of land rent, although the increased DRI is partly allocated to landlords through higher rents of unfurnished apartments, their fixed increase rate in the long-term leasing contracts leads to the capture

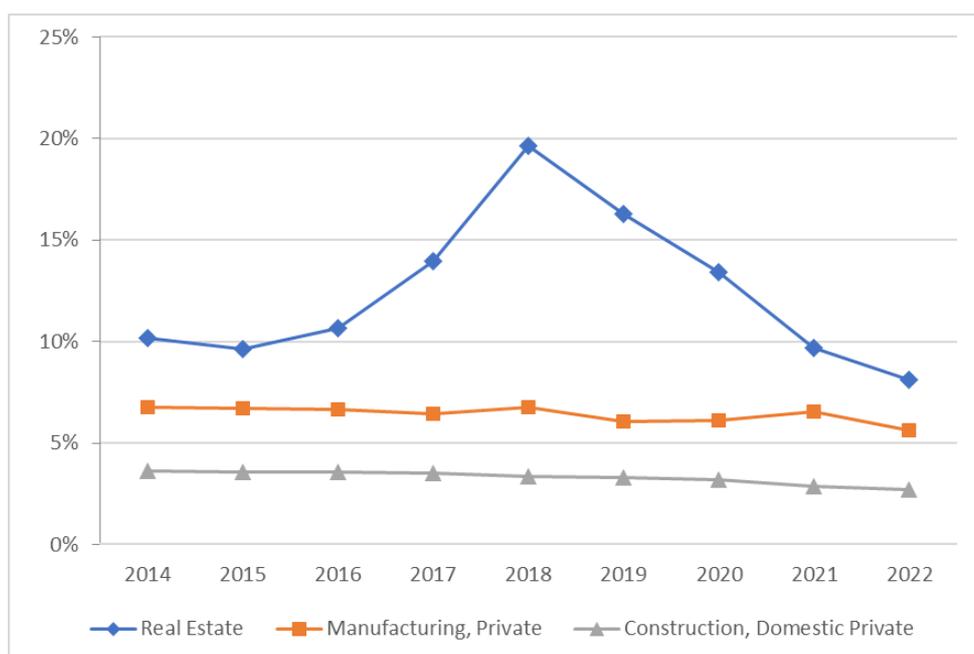
of possible sharp increases in DRI by firms. At the same time, it also means that the company has to bear the potential risk of future decline in DRI. On the other hand, DRII created through investments in apartment renovations is appropriated by firms during the leasing contract periods. However, DRII is substantially temporary – even if the use value created by these investments is not exhausted after the contract period, the DRII did not go to firms but was converted into DRI for the landlords. It therefore explains the low quality of the renovation work, as any use beyond the leasing contract period would become a subsidy to landlords, or even worse, as the landlord in PSV who cherished their buildings concerned, a barrier to future housing rent returns, rather than the returns of firms themselves.

6.2 Macro-level factors: profitability and absolute rent

The falling profitability of China’s real estate sector is the key macro-level booster of the SRH project. The average profit rate of China’s real estate sector has been long above that of the manufacturing and construction sectors (see Graph 3).²⁶ However, it has significantly fallen since 2018 and has already been close to manufacturing in 2021-2022. Incremental rates of profit are more revealing, as they can measure the rate of return on new investments in a sector (Shaikh, 2016). Despite the long-lasting far excess of the incremental rate of profit of the real estate sector than manufacturing, the former fell below -10% while the latter slightly increased in 2020 and 2021 (see Graph 4). This was mainly due to the falling profitability of commercial property development, as housing rental has always been taking a tiny portion in the profit composition of the real estate sector and did not significantly increase between 2018-2022 when the entire real estate sector’s average and incremental rates of profit fell (see Graph 5).

²⁶ According to NBS (2017), the real estate sector includes the development and sale of housing properties and does not include the construction of buildings (which belongs to the construction sector). Thus, a real estate company has to pay land rent to the government or housing rent to urban village landlords while a construction company does not.

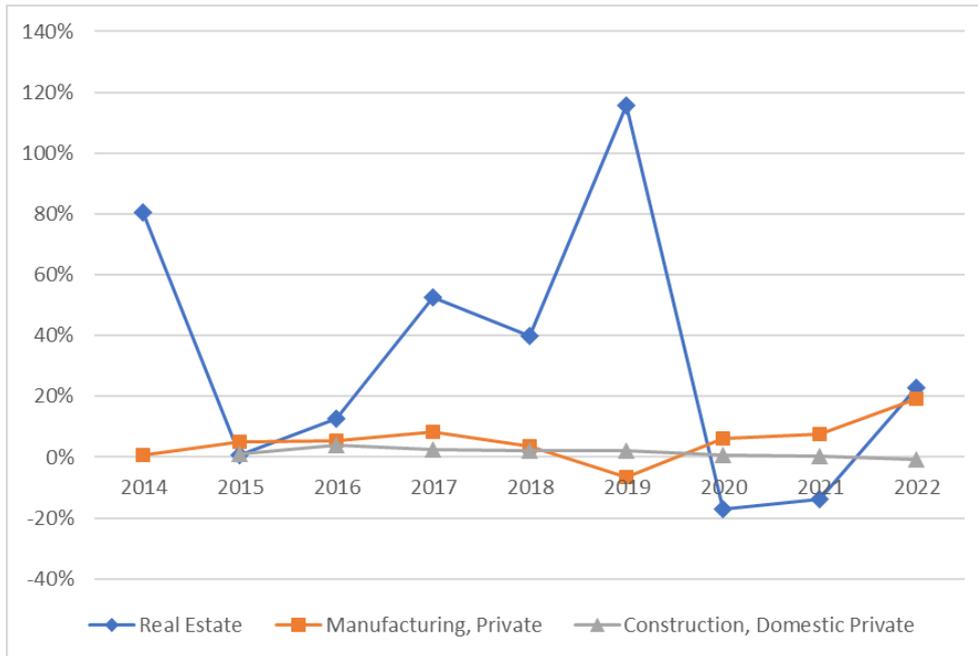
The profitability crisis in commercial property development²⁷ and the precarity of future profitability expectations drove property development capital to search for new spaces for maintaining its profitability, where a lower-than-before but not falling-behind one has become acceptable. Long-term rental apartment was exactly such a sub-sector with lower but more stable profitability for new investments. Despite the literal regulations on rent levels in SRH policies, it was easy for apartment rental firms to bypass them merely by revising their charging strategies. Moreover, the institutional supports increased the stability of return while reducing fixed capital investment and accompanied risks of devalorization. Therefore, apartment rental became a relatively feasible sub-sector for new investments in the real estate sector for real estate capital encountering a profitability crisis and searching for stable returns.



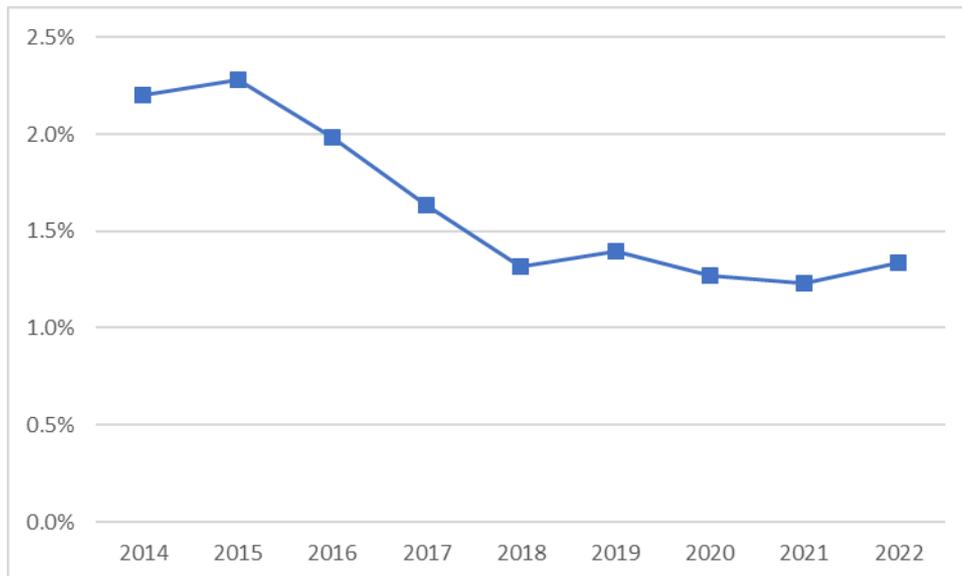
Graph 3. Average rates of profit, real estate, private manufacturing and domestic private construction, China, 2014-2022

(Source: NBS)

²⁷ The debt crisis of *Evergrande* received great attention and played a crucial role in this general trend, but *Evergrande* was not involved in urban village redevelopment projects. The discussion of the causes of this profitability crisis exceeds the scope of this study, but as the following analyses, the emergence of this crisis *per se* has a strong impact on the SRH project.



Graph 4. Incremental rate of profit, real estate, private manufacturing and domestic private construction, China, 2014-2022
(Source: NBS)



Graph 5. Percentage of income from housing rental in the real estate sector, China, 2014-2022
(Source: NBS)

Due to the extremely high incremental rates of profit of the real estate sector and thus its wide gap from that of manufacturing, China's urban land had a high AR in 2017-2019, which constituted a great constraint on new investments in urban lands at the macro-scale. However, the AR of urban land has been minimized since 2020, as new investments in the real estate sector have undergone a profitability crisis while the profitability of those in manufacturing bounced back from the 2019 bottom. Despite the falling AR, urban village landlords had nothing to do with their land ownership, as it was institutionally prohibited from trading. They could only lease out buildings and include the land rent in the rent for usable spaces. Thus, as long as landlords leased out their urban village buildings, the falling AR of urban villages was what they had to accept, although they always had the option of retaining the land and buildings themselves, whether for economic or non-economic motives.

However, the distinction between their decisions of building leasing and retainment had a structural and decisive impact on production and competition within the apartment rental sector. Since the source of AR is the separation of land ownership and capitalist use, no AR arises when landlords in urban villages construct their own buildings and directly lease usable spaces (in this case, unfurnished apartments) to tenants. AR emerges only when landlords lease their plots or usable spaces to capitalists for further production. This type of capital belongs to what Manning (2020, pp. 105-106) called the "capitalist tenant", who "pays rent in order to produce surplus value". Notably, different from companies that "produce... the commodity *home* on the rented land" (ibid., p. 110) in the American context, apartment rental firms such as *Anju Weitang*, *Shenhuitong*, and *Port Apartment* produced homes on the rented land *and* usable space due to institutional constraints. This only enabled them to capture DRII from incremental investments in the existing usable spaces, while they had to pay AR and DRI to landlords through rents of unfurnished apartments.

Therefore, AR forms a structural constraint of apartment rental firms investing in urban villages: if they have the same cost of production per unit

as landlords, they have to set higher housing rents compared to landlords in order to cover AR and profit, which constitutes a competitive disadvantage to landlord-run furnished apartments. Thus, the existence of AR and competition within the apartment rental industry together force apartment rental firms to lower their costs of production per unit and intensify DRII extraction. While these strategies would be viable and contribute to their competence even without AR, it is AR that made them urgent and indispensable. In contrast, DR does not constitute such a constraint as it does not result in the difference in housing rent levels when landlords lease unfurnished apartments to tenants or firms.

The comparison between the SRH project and previous urban village redevelopment projects further highlights the contribution of AR and distinguishes it from that of DR. Due to the high AR brought by the wide profitability gap between the real estate sector and manufacturing, landlords in urban villages could demand a higher housing rent in the redevelopment project before 2020, which significantly reduced the profitability of investments in urban villages by developers that usually invested in urban lands; in contrast, AR was minimized by the shrinking of that profitability gap, which led to higher profitability of investments in urban villages enough for overcoming rising DRI at the micro-level. Although some landlords did demand significantly higher housing rents, higher contracting rates in three investigated urban villages compared to previous redevelopment projects still have shown the macro-level governing of housing rent levels by AR.

Viewing from this perspective, the immediate reason for the landlords' wider acceptance of the SRH project than the previous urban village redevelopment projects is that it provided a short-term and micro-level DR fix for the landlords' loss of AR, as SRH significantly increased DRI at the urban village level, which could be appropriated by landlords without their own investments. On the other hand, the falling AR reduced the firms' expenses on rents of unfurnished apartments, which was the necessary condition of DRII appropriation through improvements of existing residential spaces. Therefore, the falling AR governed the actions of both landlords and

firms at the macro-level and became the key macroeconomic background of the SRH project.

AR also explains why private capital did not flood into the apartment rental industry in urban villages despite the rapid fall of profitability in the real estate sector. Through AR appropriation, landlords in urban villages became the main barrier to the excess profit of apartment rental firms and constituted a structural competitive disadvantage for them, thus making the industry not particularly attractive in its returns even when the profitability of the entire real estate sector fell. Therefore, this explains that all newly developed rental apartments as SRH had state-owned capital backgrounds, which had a non-economic incentive of implementing policies aside from the profit incentive that all capitals have, despite various subsidies and financial supports SRH received. It also explains that in some other urban villages, private capital usually merely applied their existing rental apartments as SRH to obtain subsidies rather than massively investing in new rental apartments. As long as the landlordship in urban villages exists, the lack of profitability perceived by apartment rental firms will be a structural feature of this industry instead of a temporary phenomenon.

6.3 Structural constraints of land rent on the SRH project

Shenzhen has so far attempted in its SRH project to provide affordable housing for young migrants without altering the historically formed and deeply rooted landlordship in urban villages or the capitalist operations of rental housing that inevitably demand profitability. Landlords and firms therefore shared the benefits from rent increases from both DRI and DRII newly created by the project. On the other hand, it was the falling urban AR since 2020 that became the key precondition for the project to progress in Shenzhen's urban villages. It broke the barrier to profitability of the apartment rental sector and made this project profitable for both landlords and firms.

However, the realization of all these land rent categories relied on finding tenants with higher purchasing power than before. Most previous tenants

chose to live in urban villages mainly because of their low housing rents and were therefore sensitive to housing rent changes and could hardly afford significantly increasing housing rents. The young migrants that SRH targeted were largely high-skilled white-collar workers in technology firms, whose incomes were able to afford the increased housing rents, but it could hardly be said that they have gained higher housing qualities and better living experiences. Therefore, the realization of rent was at the loss of tenants in need of the use value of housing, both young high-skilled migrants whom SRH was designed to benefit and other more disadvantaged migrant workers with lower incomes.

Whether it was Shenzhen's elaborated strategy under state entrepreneurialism or the profitability that real estate capital tried to regain in the apartment rental subsector, it had to end up with deficiencies in housing quality and services, less affordable housing rents for existing tenants, and displacement of low-income tenants. And it was these structural constraints Shenzhen never took steps to change that made such outcomes inevitable, regardless of the intentions of policymakers and all agents involved.

The above analyses have revealed the structural incompatibility between the need for affordable housing of urban residents and the motive for profit and rent of capital and landlords under market capitalism. In order to bring the objectives the SRH project claimed into reality, any efforts made by state or non-state actors within the current structures are bound to be in vain. Structural constraints must be overcome: On one hand, it is the actually existing landlordship in urban villages, which has been enabling the persistent capture of public wealth created by the collective labor in making the urban landscapes and state investments in urban infrastructures (Slater, 2017); on the other, it is the introduction of market mechanism that allows capitalist housing production in search for profit, prioritizing capitalists' own pursuit of surplus value over the people's need for the use value of housing. With a state landownership, China has great potential to overcome these constraints, but SRH is by its policy design fundamentally impossible to realize this potential.

7 Conclusion

This study examines the progress of the SRH project in Shenzhen's urban villages and its impact on housing rent levels, and analyzes their political-economic determinants and constraints with MLRT. Through a Marxist political economy perspective, it highlights the introduction of the market mechanism and the actually existing private landownership as the root causes of the failure of the SRH project in providing affordable and high-quality rental housing in Shenzhen's urban villages.

Despite the central government's policymaking objective of increasing the supply and affordability of rental housing, the SRH policies in Shenzhen were redirected primarily toward stabilizing the local real estate market. The market mechanism was introduced to allow state-owned and private capital to sign long-term leasing contracts with local landlords in urban villages and renovate entire unfurnished residential buildings as higher-quality rental apartments for young migrants. Despite the literal rent control in Shenzhen's SRH policies, the SRH project resulted in significantly higher housing rental costs than private furnished apartments in two urban villages among the investigated three, increased the housing rent levels of unfurnished apartments at the entire urban village level in all of them, and displaced existing tenants and caused housing shortages in more urban villages.

The main political-economic drivers and constraints are DRI and DRII at the micro-level, and AR at the macro-level. Their interplay under particular institutional backgrounds and social relations in Shenzhen's urban villages governs the progress of the SRH project. At the micro-scale, DRI and DRII explain the increase in housing rent levels in particular urban villages and buildings. Incremental housing rental costs include incremental DRI caused by the public facility and environmental improvements at the entire urban village level, and DRII caused by furnishings of indoor spaces at the particular plot and building level. The former was appropriated by landlords while the latter was by firms during the leasing contract periods and contributed to their profitability.

At the macro-scale, AR explains the increase in urban village rental housing costs at the municipal level and highlights the macroeconomic background of the SRH project. Due to the landlords' monopolistic right to land use and ownership of buildings, firms had to pay additional housing rents to landlords when they rent residential spaces to furnish and operate rental apartments, compared to landlords directly leasing unfurnished apartments to tenants or running furnished rental apartments themselves. The magnitude of this AR, however, was limited by the falling profitability of new investments in China's real estate sector (mainly commercial property development) and thus its shrinking gap from that of the manufacturing sector.

Similar or lower profitability of new investments in the real estate sector compared to manufacturing minimized the AR of urban land, so apartment rental became profitable and was able to afford micro-scale DRI increases despite its typically lower profitability compared to property development. This function of AR is better shown through the comparison between the SRH project and previous urban village redevelopment projects before 2020, where landlords could demand a high AR because of the extremely high profitability of new investments in the real estate sector compared to manufacturing, and thus made apartment rental not profitable.

Moreover, the existence of AR made the production cost of firm-run rental apartments structurally higher than landlord-run ones and forced firms to lower their production costs through cost control in the renovation and operation processes to gain an advantage in the sectoral competition, despite their inevitable undermine of housing quality and the living experience of tenants.

Taken together, the above analysis shows that the structural economic drivers of the SRH project in Shenzhen's urban villages are: On the landlord side, it provided a short-term and micro-scale DRI fix in compensation for falling DR, thus stabilizing the returns of urban village landlords; on the capital side, it opened up a possibility of return rate recovery through DRII appropriation for real estate capitals that had been undergoing a profitability

crisis, while the falling AR and policy supports made these capitals easier to overcome the barrier to DRII extraction. However, all these land rent categories had to be realized by finding tenants with higher purchasing power, which made the displacement of existing price-sensitive tenants and the introduction of typically skilled, white-collar young migrants structurally inevitable.

This study demonstrates the relevance of MLRT, particularly the AR category, in empirical studies on urban housing markets and housing rents, and provides a viable treatment of the relationship between land and housing rent and their institutional settings. It therefore potentially directs further empirical research on urban housing issues with MLRT in variegated institutional contexts among countries and areas.

Theoretical and empirical issues that are not adequately addressed yet relevant to the research questions of this thesis are: On one hand, the role of finance in the SRH project. As financial dynamics are not central to the cases in this paper, discussions of the financialization (of land and housing) literature are deliberately avoided despite its increasing relevance to the land and housing rent debates. Yet the exact impact of finance on the progress of the SRH project and housing rent is still to be further examined. On the other, the power dynamics in the policymaking and progress of the SRH project. They are viewed as the background and condition of land rent mechanisms theorized by MLRT in this study. However, what still needs further research are how specific strategies of state- and non-state actors are shaped by the pattern of interests determined by land rent mechanisms in the progress of the SRH project, and how conflicts between actors affect the realization of these interests.

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