China’s Urban Housing Revolution

from socialist work units to gated communities and migrant enclaves

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# Two ‘Housing Revolutions’

<table>
<thead>
<tr>
<th>Maoist ‘Socialist Revolution’</th>
<th>Neo-Liberal ‘Capitalist Revolution’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction of housing policy and market shift</td>
<td>Gradual change from private rental housing to public rental housing</td>
</tr>
</tbody>
</table>
Outline

• Socialist welfare housing
• Housing reform 1980s and 1990s
• New housing provision system and the market
• Housing inequalities and migrant housing
• Recent policy development
• Future prospect

• Note: while most photos were from research fieldwork, a few of them came from secondary sources.
Traditional housing

- No rural urban differences
- Simple structure, single/two storeys
- Local materials
- Private ownership/Rental
- Poor quality and low standard (3 m²/person)
Toward a Socialist Welfare Housing Provision

• Nationalization
  – Confiscation/Taking over: 1949-50
  – Rent control in the private sector
  – Socialist transformation: 1957-1977

• Public Housing from 1953 to early 1990
  – Work Unit – public sector employers
  – Municipal Housing Department
Housing in 1981

- Municipal: 29%
- Private: 18%
- Work Unit: 53%
Problems of Welfare Housing

• Lack of investment, housing was seen as consumption
• Shortage and overcrowding: 3 m$^2$ floor space per person
• Unequal distribution: cadres/workers
• Poor neighborhood conditions
• Inefficient use of land
Housing System Reform from 1981

• Policy Ideas - Privatisation
  – From welfare service to commodity
  – From public rental to private ownership
  – From state investment alone to shared costs by state, employers and more importantly individual households
Stages

• **1981-1991**: Local experiments in selected cities

• **1991-1998**: Comprehensive implementation in all urban areas

• **Since 1998**: consolidating reform and regulating urban housing market
Main Reform Measures

- **Sale** of public sector housing to sitting tenants (privatization in work units)
- Special **savings** system: Housing Provident Fund
- **Rent** reform: rent increase in public sector
- **Commercialization** in maintenance and management
- Support for **affordable housing** – built cheaper housing for sale
New Provision System Proposed in 1998

- Commercial housing – 15%
- Affordable housing – 70%
- Social rental housing – 15%
Policy Shifted after 1998
Support for home ownership

• Commercial property developers emerged as the main housing providers in cities and towns after the Asian Financial Crisis.

• Soon after 1998, housing policies focused on providing support for home ownership for the middle and high income families through different financial arrangements.
# Housing Units Completed 1999-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>All dwellings built (1000)</th>
<th>Luxury apartment and cottages</th>
<th>Government supported affordable housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units (1000)</td>
<td>As % of all housing</td>
<td>Units (1000)</td>
</tr>
<tr>
<td>1999</td>
<td>1,946.4</td>
<td>44.0</td>
<td>2.3</td>
</tr>
<tr>
<td>2000</td>
<td>2,139.7</td>
<td>59.9</td>
<td>2.8</td>
</tr>
<tr>
<td>2001</td>
<td>2,414.4</td>
<td>72.2</td>
<td>3.0</td>
</tr>
<tr>
<td>2002</td>
<td>2,629.6</td>
<td>97.8</td>
<td>3.7</td>
</tr>
<tr>
<td>2003</td>
<td>3,021.1</td>
<td>108.5</td>
<td>3.6</td>
</tr>
<tr>
<td>2004</td>
<td>4,042.2</td>
<td>144.9</td>
<td>3.6</td>
</tr>
<tr>
<td>2005</td>
<td>3,682.5</td>
<td>135.3</td>
<td>3.7</td>
</tr>
<tr>
<td>2006</td>
<td>4,005.3</td>
<td>139.6</td>
<td>3.5</td>
</tr>
<tr>
<td>2007</td>
<td>4,401.2</td>
<td>159.4</td>
<td>3.6</td>
</tr>
<tr>
<td>2008</td>
<td>4,939.2</td>
<td>144.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>33,221.6</td>
<td>1106.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Sources: NBSC, China Statistical Yearbook 2007 (Table 6-42), 2009 (Table 5-42), www.stats.gov.cn
Change in Housing Conditions

• From over 80% public rental in 1981 to over 80% homeownership 2010
• Average construction floor space per person had reached 30 square metres by 2012.
• Many urban families now live in purpose built housing - flats.
Features of the New System

- Housing delinked from employment, and independent housing estates became the norm of living in cities
- Very different standards in different estates
- Access depending on affordability
- Similar social/economic group live together
- Controlled access and gated communities
- Estate management services with high costs
- Strong private property rights (complicated by state ownership of land)
New Problems

• **Price** inflation and instability (often in short waves of fast increase and slowdowns)
• **Affordability** problems of the young
• **Inequality**, social segregation, increasing gap between the rich and the poor
• **Sustainability** and environmental costs, urban sprawl and land shortage
Housing Price Change in Beijing

Who want to control housing price?
Central government; Young persons, new employees, low income groups

Who want house price to rise?
Property developers Local governments Home owners/and investors
## Ratio of average housing price to annual salary

<table>
<thead>
<tr>
<th>Year</th>
<th>Beijing</th>
<th>Shanghai</th>
<th>Tianjin</th>
<th>Guangdong province</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>25.1</td>
<td>16.2</td>
<td>16.4</td>
<td>19.4</td>
</tr>
<tr>
<td>2003</td>
<td>15.8</td>
<td>16.4</td>
<td>11.5</td>
<td>13.5</td>
</tr>
<tr>
<td>2004</td>
<td>14.4</td>
<td>17.2</td>
<td>12.2</td>
<td>13.4</td>
</tr>
<tr>
<td>2005</td>
<td>16.2</td>
<td>17.6</td>
<td>14.2</td>
<td>15.6</td>
</tr>
<tr>
<td>2006</td>
<td>16.5</td>
<td>15.4</td>
<td>14.6</td>
<td>15.8</td>
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<tr>
<td>2007</td>
<td>20.9</td>
<td>16.5</td>
<td>15.1</td>
<td>17.2</td>
</tr>
<tr>
<td>2008</td>
<td>18.7</td>
<td>14.0</td>
<td>12.3</td>
<td>15.5</td>
</tr>
<tr>
<td>2009</td>
<td>20.6</td>
<td>19.1</td>
<td>13.5</td>
<td>15.7</td>
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</tbody>
</table>

### Housing Inequality

<table>
<thead>
<tr>
<th>1949-76</th>
<th>housing</th>
<th>standard</th>
</tr>
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<tbody>
<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Average</th>
<th>housing</th>
<th>floor Space</th>
<th>in urban</th>
<th>area is about 30 m²</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Poor rural</th>
<th>Migrant</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Low</th>
<th>Income</th>
<th>Group</th>
<th>Housing</th>
<th>Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

- Average housing floor space per person has increased substantially.
- Distribution among the urban residents is however very unequal.
- The distinction between the rich/middle class and migrant workers is very striking.
Household per capital income in Shanghai: the rich vs the poor

Note: Data between 1990 and 2003 show contrasts between the average incomes of the lowest 10% and the highest 10% of the official survey sample; data from 2004 show the differences between the bottom 20% and the top 20% of income groups. This in fact reduced the visual gap between the very rich and the very poor.

Data Source: Shanghai Statistical Yearbook from 2003 to 2011
Housing for Migrant Workers

• Huge numbers of migrants: over 220 million
• Taking up all sorts of hard works
• Receive relatively very low wages
• Excluded from social and welfare services, including housing
• Most of them live in informal housing in the urban villages
Living Condition of Migrant Workers

• Private rental in the ‘urban villages’
• Housing floor space for migrants is much smaller
• High density/older generation buildings with poor internal and external design
• Lack of modern facilities, green/open space.
Migrant Enclaves in Chongqing
Urban Village in Shenzhen

Overcrowding and High-density: ‘kissing’, ‘shaking hands’ buildings
High-rise, High Density
Are these estates sustainable?

A solution for:
• Land shortages
• Huge demand

But, how about:
• Changed tastes and preferences in the future; slow down economic growth; new perception of rural-urban relation and environmental concerns
Recent Policy Changes

• CCP aims for ‘a comfortable society’ by 2020.
• One of the main target is housing: ‘住有所居’ – all residents should have a place to live.
• This involves the promotion and protection of ‘Basic Housing Rights of all people’.
• Central government has been busy to draft the first housing act.
‘Comfortable Society’ and ‘Basic Housing Right’

- Municipal governments are responsible to help and assist poor and low income families to acquire and live in a reasonable quality housing whether or not their financial power allows them to do so.
Affordable Housing (Economic and Comfortable Housing Scheme)

Commercial development for sale, but with:
- free land allocation
- reduced government charges
- controlled investment returns (3%)
- loan to developers from special housing provident fund
- control on construction standards (size)
- targeted to low to middle income groups
- control on resale in the market (within a limit of time).

<table>
<thead>
<tr>
<th>Number of person in households</th>
<th>Maximum annual household income (1000 yuan)</th>
<th>Maximum average per capital housing floor space (m²)</th>
<th>Maximum total household asset (1000 yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the eight inner urban districts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>22.7</td>
<td>10</td>
<td>240</td>
</tr>
<tr>
<td>2</td>
<td>36.3</td>
<td>10</td>
<td>270</td>
</tr>
<tr>
<td>3</td>
<td>45.3</td>
<td>10</td>
<td>360</td>
</tr>
<tr>
<td>4</td>
<td>52.9</td>
<td>10</td>
<td>450</td>
</tr>
<tr>
<td>5 or more</td>
<td>60.0</td>
<td>10</td>
<td>480</td>
</tr>
<tr>
<td>In suburban counties: the Daxing County example</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>21.0</td>
<td>10</td>
<td>150</td>
</tr>
<tr>
<td>2</td>
<td>33.7</td>
<td>10</td>
<td>230</td>
</tr>
<tr>
<td>3</td>
<td>41.8</td>
<td>10</td>
<td>300</td>
</tr>
<tr>
<td>4</td>
<td>48.6</td>
<td>10</td>
<td>380</td>
</tr>
<tr>
<td>5 or more</td>
<td>52.4</td>
<td>10</td>
<td>400</td>
</tr>
</tbody>
</table>

Affordable housing estate in Beijing: Huilongguan (from 1998)
Social Rental and Housing Subsidy for the Urban Poor

- **Mean tested** and linked to city poverty line

- **Strict entry and exit policy**

- **Direct provision** of public housing (supportive mechanism). From available housing stock to qualified families for a rent determined as a proportion of the family’s dispensable income.

- **Rent subsidy** (preferred), determined by the basic housing standard and the income level of the household

### Qualifying conditions for government supported rental housing in Beijing in 2008

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6.96</td>
<td>7.5</td>
<td>150</td>
</tr>
<tr>
<td>2</td>
<td>13.92</td>
<td>7.5</td>
<td>230</td>
</tr>
<tr>
<td>3</td>
<td>20.88</td>
<td>7.5</td>
<td>300</td>
</tr>
<tr>
<td>4</td>
<td>27.84</td>
<td>7.5</td>
<td>380</td>
</tr>
<tr>
<td>5 or more</td>
<td>34.8</td>
<td>7.5</td>
<td>400</td>
</tr>
</tbody>
</table>

Income: equivalent to 580 yuan per person per month; include the income of the previous 12 months of all family members, also include salaries, bonus, various subsidies, interests of savings.

Assets: include properties, cars, shares, investments and bond, savings, and loads to others.

Beijing City recently introduced two other types of housing which also have some social support elements:

- Commercial housing with a control of the sale price (限价商品房), and
- Public rental housing for migrant workers (公租房).

Diagram:

- Luxury apartments and cottage housing
- Fully priced commercial housing
- Government supported affordable housing
- Social Rental and Housing Benefits
- Controlled price commercial housing
- Public rental housing
Push by the Central Government

Social Housing Target for 2011-2015
The 12th Five Year Plan

• 36 million social and affordable housing units
  – 10 million unit in 2011
  – 10 million unit in 2012
  – 16 million unit from 2013-2015

• This target was divided and allocated to municipal governments. The completion of this target was made a political criteria in evaluation of local leaders and their performance.

• At the end of 2011 it was reported that more the 10 million units were started.
Housing and People Mismatch

• Great housing demand in cities
  – Only 50 % of Chinese population are urban. Urbanisation has been taking as a main strategy for future development.
  – Many urban houses were bought by rich families as investment.

• Huge housing stock, some good quality detached houses, lie empty in rural areas
The Future

• While the demand is strong and the huge building programme will continue, the future of housing system in China depends on government’s answers to the following two questions:
  
  – Should housing be homes for the ordinary people or investment for a few?

  – What kind of urbanisation should China have? A good mix if large, medium and small cities and towns or highly concentrated in a few super conurbations?
Further readings