

# China's Urban Housing Revolution

*from socialist work units to gated communities  
and migrant enclaves*

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# Two 'Housing Revolutions'

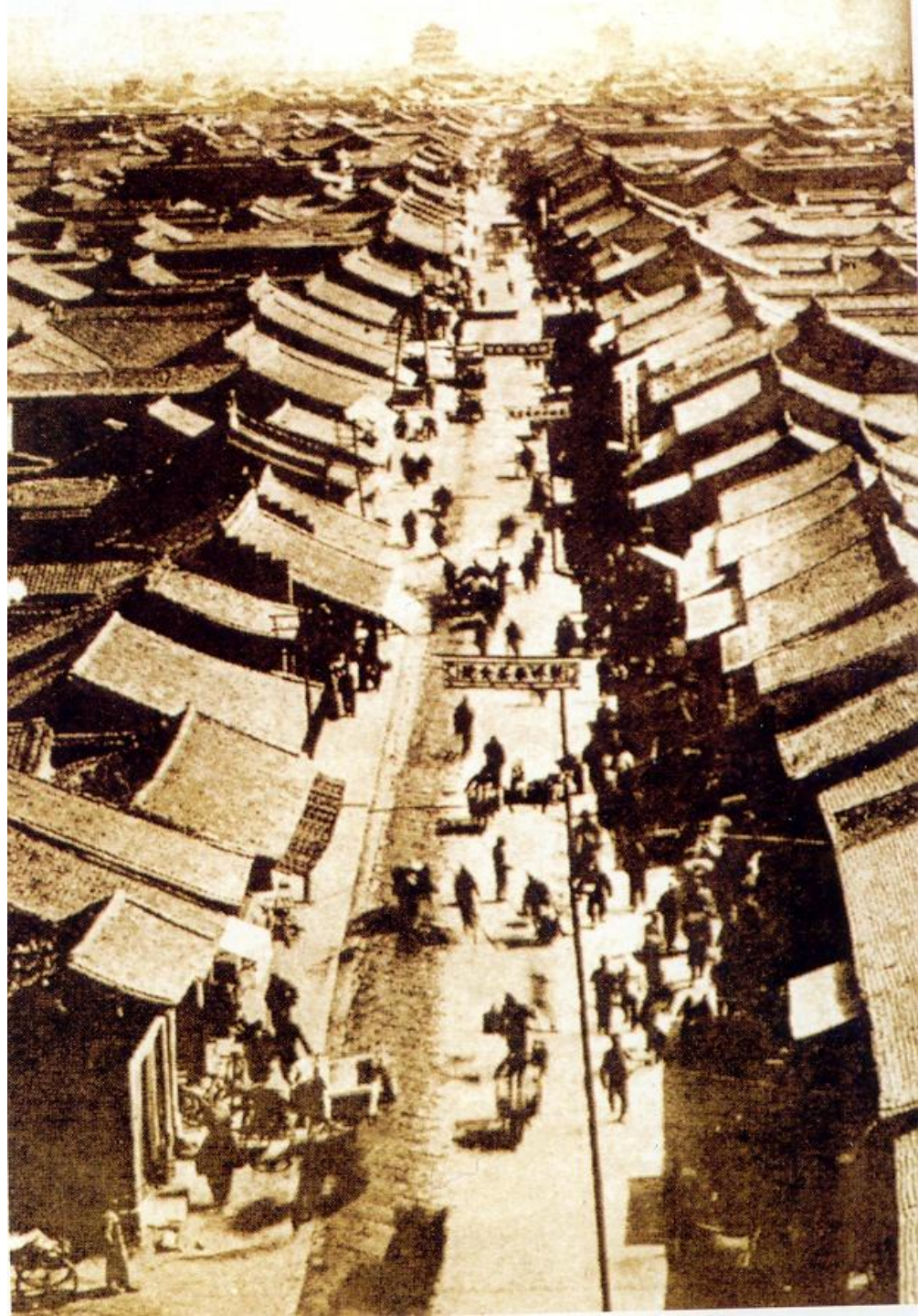
	<b>Maoist 'Socialist Revolution'</b>		<b>Neo-Liberal 'Capitalist Revolution'</b>			
	<b>1949-1956</b>	<b>1956-1976</b>	<b>1977-1991</b>	<b>1992-1998</b>	<b>1998-2007</b>	<b>2008-</b>
<b>Direction of housing policy and market shift</b>	Gradual change from private rental housing to public rental housing		Gradual change from public rental and work unit ownership to private family ownership		Toward a market dominated home owning urban society	Addressing housing affordability problems; and moving toward a mixed ownership housing system.

# 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 m<sup>2</sup>/person)

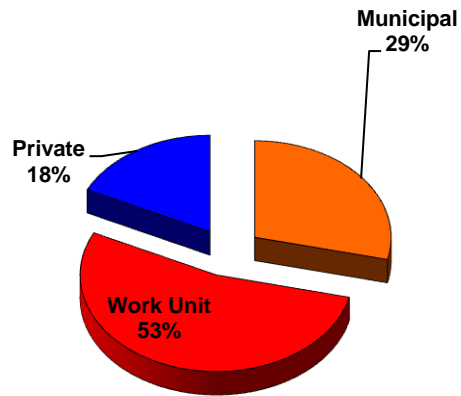




# Toward a Socialist Welfare Housing Provision

- 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



# Problems of Welfare Housing

- Lack of investment, housing was seen as consumption
- Shortage and overcrowding: 3 m<sup>2</sup> 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

Year	All dwellings built (1000)	Luxury apartment and cottages		Government supported affordable housing	
		Units (1000)	As % of all housing	Units (1000)	As % of all housing
1999	1,946.4	44.0	2.3	485.0	24.9
2000	2,139.7	59.9	2.8	603.6	28.2
2001	2,414.4	72.2	3.0	604.8	25.0
2002	2,629.6	97.8	3.7	538.5	20.5
2003	3,021.1	108.5	3.6	447.7	14.8
2004	4,042.2	144.9	3.6	497.5	12.3
2005	3,682.5	135.3	3.7	287.3	7.8
2006	4,005.3	139.6	3.5	338.0	8.4
2007	4,401.2	159.4	3.6	356.6	8.1
2008	4,939.2	144.6	2.9	353.8	7.2
<b>Total</b>	<b>33,221.6</b>	<b>1106.2</b>	<b>3.3</b>	<b>4,512.8</b>	<b>13.6</b>

Sources: NBSC, China Statistical Yearbook 2007 (Table 6-42), 2009 (Table 5-42),

[www.stats.gov.cn](http://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)



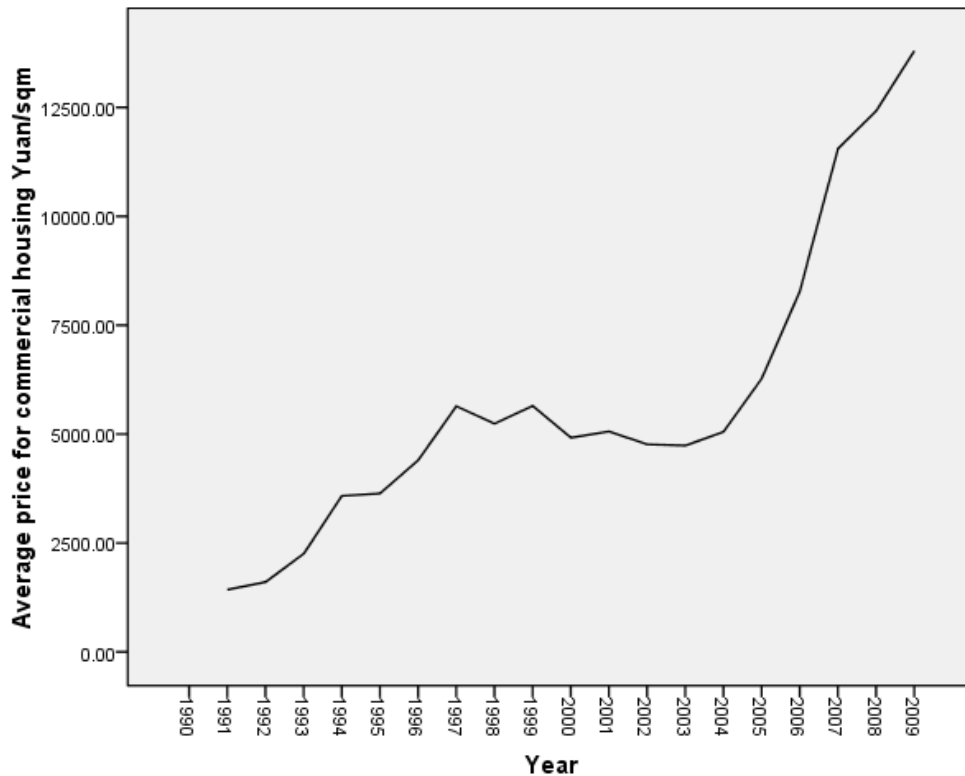




# New Problems

- **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

	Beijing	Shanghai	Tianjin	Guangdong province
2000	25.1	16.2	16.4	19.4
2003	15.8	16.4	11.5	13.5
2004	14.4	17.2	12.2	13.4
2005	16.2	17.6	14.2	15.6
2006	16.5	15.4	14.6	15.8
2007	20.9	16.5	15.1	17.2
2008	18.7	14.0	12.3	15.5
2009	20.6	19.1	13.5	15.7

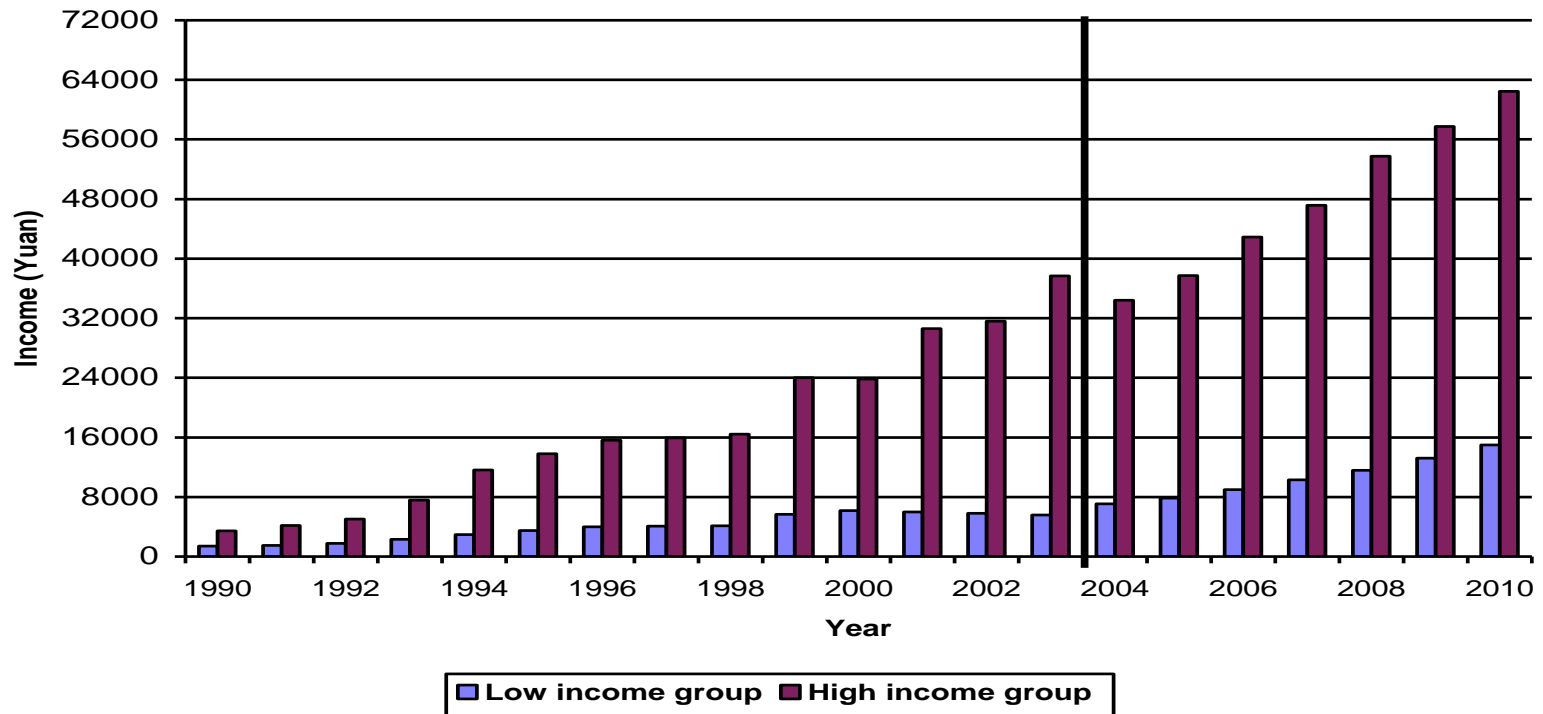
*Sources: NSBC, 2001, 2004, 2005, 2006, 2007, 2008, 2009 and 2010.*

# Housing Inequality

1949-76	housing	standard			
Average	housing	floor Space	in urban	area is	about 30 m <sup>2</sup>
Poor rural	Migrant	Housing			
Low	Income	Group	Housing	Standard	

- 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).

## Qualifying Conditions for Affordable Housing in Beijing in 2008

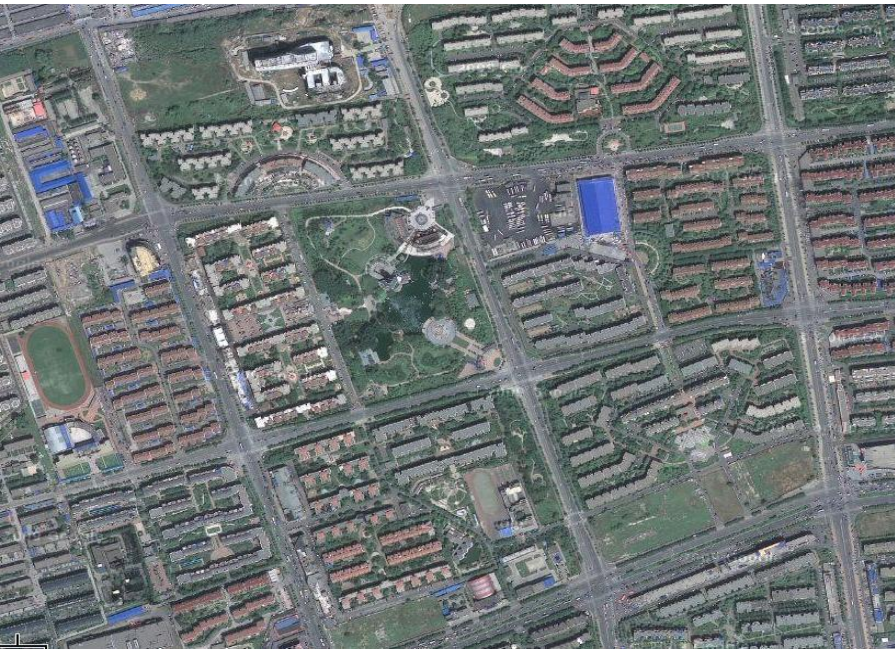
Number of person in households	Maximum annual household income (1000 yuan)	Maximum average per capital housing floor space (m <sup>2</sup> )	Maximum total household asset (1000 yuan)
In the eight inner urban districts			
1	22.7	10	240
2	36.3	10	270
3	45.3	10	360
4	52.9	10	450
5 or more	60.0	10	480
In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

*Source: Beijing Municipal Construction Commission et al, 2007.*

# 回龙观文化居住区总平面示意图



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

Number of person in households	Maximum annual household income (1000 yuan)	Maximum average per capital housing floor space (m <sup>2</sup> )	Maximum total household asset (1000 yuan)
1	6.96	7.5	150
2	13.92	7.5	230
3	20.88	7.5	300
4	27.84	7.5	380
5 or more	34.8	7.5	400

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.

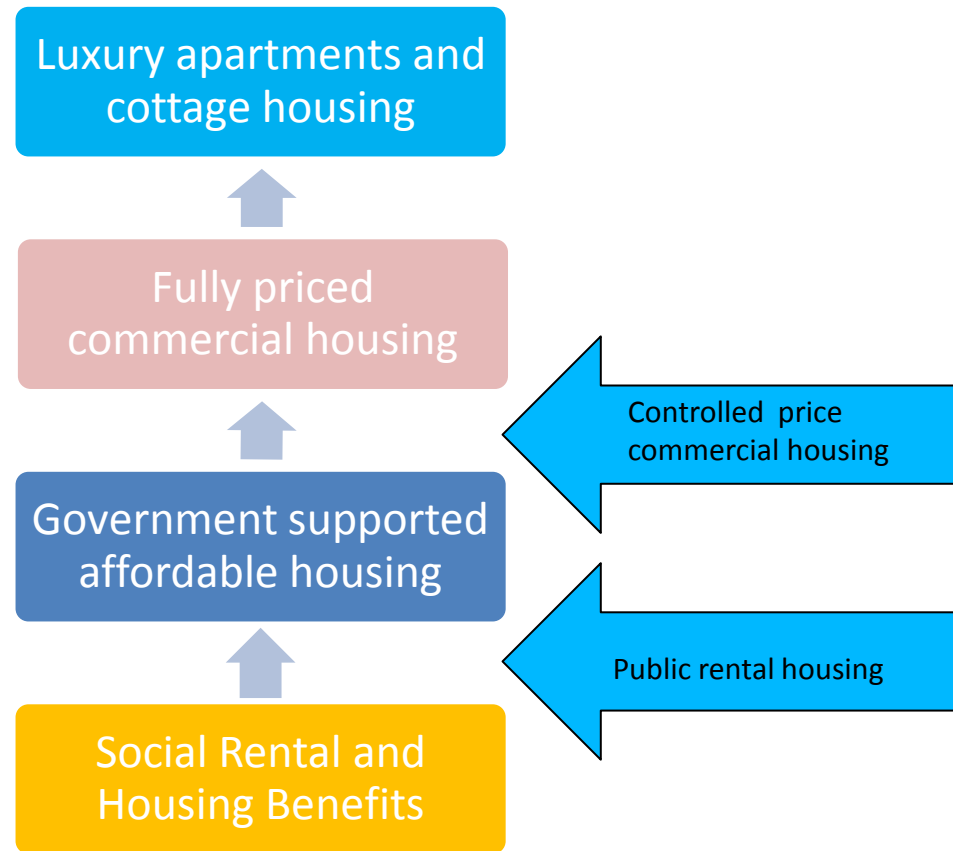
Source: *Beijing Municipal Construction Commission et al, 2007.*

# Basic Housing Provision

## Other Schemes

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).



# Push by the Central Government

## Social Housing Target for 2011-2015

### The 12<sup>th</sup> 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 of large, medium and small cities and towns or highly concentrated in a few super conurbations?

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