

Rural Housing Rental Rates in China

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Contributor: Li Huang, Minjie Zheng, Rongyu Wang

Through recognition and mastery of the regional differences and influencing factors of China's rural housing rental rates, we can better understand changes in the functional attributes of homesteads and deepen the reform of "separating rural land ownership rights, contract rights, and management rights" of homesteads. Accordingly, it can use village residence data from the China Labor-force Dynamics Survey to measure the degree of regional differences in rural housing rental rates at the province level and empirically analyze the influencing factors with villages (residences) as measuring unit. The study yields four main findings. First, rural housing rental behavior exists to varying degrees in the vast majority of provinces nationwide. Second, according to the spatial distribution pattern, rural housing rental rates are generally high in the eastern coastal region and low in the central, western, and northeastern regions, mainly reflecting unique characteristics of the eastern region. Third, although the level of economic development is important, it is not the only factor explaining regional differences in rural housing rental rates. Fourth, rural housing rental rates are mainly influenced by a combination of three types of factors: physiographic, socioeconomic, and village governance factors. Among them, factors such as proximity to suburban areas, the proportion of non-local permanent residents, annual per capita income, and village infrastructure conditions have significant positive effects, whereas factors such as distance from administrative centers, reliance on funding from the higher-level authority of the village committee, and the degree of harmony between villages and cadres have significant negative effects.

Keywords: homestead ; rural housing ; rental rate ; regional differences ; influencing factors ; policy implications

1. Introduction

For decades, the rural residential land system in China featured administrative allocation and rigorous land use regulation. Specifically, rural residential land resources were allocated by administrative command following the principle of egalitarianism, and rural households obtained rural residential land free of charge by virtue of collective membership ^[1]. However, each rural household was only eligible to possess one plot of rural residential land, the area of which should not exceed the officially set standard ^[2]. Moreover, the transfer of rural residential land between rural households and urban land users was strictly prohibited, whereas the transfer within rural households in the same village was only conditionally permitted ^[3]. In practice, rural households tended to occupy excessive plots and areas of rural residential land due to unpaid land use, a lack of village-level land use planning, and weak monitoring efforts ^[4]. Rapid industrialization and urbanization induced mounting rural-to-urban immigration, leaving a large amount of underused and idle rural residential land ^[5]. Furthermore, rural households were unable to gain property revenue and increase their income by transferring rural residential land due to the aforementioned regulation ^[6].

In this regard, from 2015 to 2019, the Ministry of Land and Resources, empowered by the National People's Congress, selected 33 county-level pilot areas in the eastern, central, and western regions of China for rural land reform that took rural residential land as one of its key targets ^[7]. The rural residential land reform aims at increasing land use efficiency and increasing rural income through leveraging market mechanisms and relieving administrative regulation. Since 2020, a new round of reforms for the rural residential land system has been launched in China, seeking stable progress and maintaining sufficient time-tested patience to establish a new institutional framework ^[8]. Particularly, rural residential land rentals are always conceived as a major reform task. In practice, however, rural residential land rentals show a significant regional divergence in China. In certain areas, the land rental market is active, and the rental rate strikes a fairly high point, while in other areas, the "thin market" ^[9] occurs with a relatively low rental rate. Thus, why does the above regional difference in rural residential land rental rates emerge?

A large body of literature has explored the determinants of the supply-demand relation in the rural residential land rental market worldwide. Most studies indicate that location exerts a profound impact on rural residential land rental rates ^[10]. Economic conditions are recognized as another salient factor ^{[11][12]}. However, given the collectively-owned land property rights regime in rural China, diverse functional attributes pertained to rural residential land deserve further investigation to

capture the underlying patterns of the observed regional differences across the country. Residential security remains the main functional attribute of rural residential land. Under the current “half-work, half-farming” livelihood model, based on the intergenerational division of labor in rural China, young adults move to the city while the middle-aged and older people still rely on rural residential land as means of production and living, providing financial support for their children to settle in the city ^[13]. More importantly, as farmers usually struggle to settle in urban areas, a viable option is required to enable their return to their hometowns, thus avoiding the phenomenon of shanty towns and the resulting social unrest that is common in large developing countries ^[14]. During the ongoing rural land marketization, the asset attribute of rural residential land is gradually manifesting. Especially in the new stage of high-quality development in China, rural residential land is not only an essential link to urban–rural economic cycle ^[15] but also an indispensable channel to drive the free flow of various production factors ^[16]. In the inner suburbs of cities or other areas with superior resource endowments, the redevelopment of underused and idle rural residential land can realize the optimal combination of production factors such as labor, land, industry, and finance ^[17], increase farmers' property income and boost both rural revitalization and urban–rural integration ^[18]. Moreover, in the outer suburbs of cities or other areas with large rural population outflow, the paid transfer of rural residential land use rights can provide capital accumulation enabling farmers to settle in urban areas ^[19]. To the best of our knowledge, the extant literature seldom illustrates the regional differences in rural residential land rental rates in the collectively-owned institutional setting of rural China, especially considering both residential security and asset attributes of rural residential land.

2. Rural Homestead System and Rural Housing Rental Behavior in China: A Brief Overview of the Institutional Background

2.1. The Birth and Evolution of the Planned Allocation System of Rural Homesteads

After its founding, New China set out to pursue the priority development of heavy industry and to implement the strategy of catch-up development. Therefore, rural areas were needed to provide capital, labor, and raw materials for the primitive accumulation of industrialization ^[20], realized through the “industrial occupation of agricultural profits.” In 1958, featuring “large in size and collective in nature,” a system of rural people's communes was established, uniting government administration with commune management. Under this system, the government directly controlled the operation of the rural economy through a near-absolutely even distribution system, a highly centralized labor and production management system, a complete monopoly on the unified purchase and sale of agricultural and sideline products, and intensive control over commune members' migration and choice of jobs ^[21]. Consequently, the commodity properties of rural factors of production, such as land, capital, and labor, were completely eliminated, and the government at all levels managed and regulated the various factors of production through directive and guiding plans.

In this historical context, rural housing land—which carried the dream of “homeownership”—was also subsumed into the basic framework of the planned economy during the People's Commune Movement. From 1949 to 1952, the period of land reform in New China, farmers enjoyed full ownership of land, and almost all farming households nationwide received land and property ownership certificates issued for household units. Homesteads, as part of rural private land, were equally protected by law. This framework of farmers' ownership of houses and homesteads continued during the subsequent period of agricultural cooperation from 1952 to 1958 ^[22]. It was not until the People's Commune period (1958–1983) that the private right to homesteads was fully supplanted by collective ownership of rural land. Issued in 1962, the *Regulations on the Work of the Rural People's Commune (Revised Draft)* mandated that all homesteads of commune members be returned to the commune, and that “all homesteads of commune members are not allowed to be rented or traded.” In 1963, the Central Committee of the Communist Party of China issued the *Notice on Some Supplementary Provisions on the Issue of Social Homesteads for Members of the Communist Party of China*. The notice contained more detailed provisions on homestead issues, stipulating that Communist Party members had the right to use but not own homesteads, as well as detailing the ways of applying for and acquiring homesteads on demand and without compensation. Thus, for farmers, the homestead ceased to be an important means of livelihood and only retained the attribute of residential security, with planned management of the homestead used to guarantee farmers' residential rights and the basic stability of the countryside². There were two important features of the management system of rural homesteads under the planned economy. First, it emphasizes the “planning” function of the state, whereby the state and the government allocate and distribute the means of production and living. Specifically, in the case of homesteads, the government set specific rules and rural collective economic organizations were responsible for implementing them. Second, “egalitarianism” became the guiding ideology for homestead allocation, eliminating the possibility of farmers profiting from homesteads and ignoring the different needs of individuals but ensuring that every farmer has a place to live ^[23].

After China's reform and opening up, the planned economy was gradually replaced by the market economy, and the single public ownership system progressed toward multiple ownership systems. However, the planned allocation system of homesteads has essentially persisted. Although a series of laws and regulations have been introduced to strengthen the management of homesteads, and a more comprehensive management structure has been established, relevant policies aim to curb the trend of non-agriculturalization of arable land and the expansion of homestead areas [24][25]. Even the *Property Law* promulgated in 2007 did not alter the planned allocation system of homesteads. Indeed, Article 153 stipulates that "the acquisition, exercise and transfer of the right to use homesteads shall be governed by the Land Management Law and other laws and relevant state regulations."

In summary, China's current system of homestead allocation and management was born in the planned economy period and has very strong characteristics of planned distribution: the law prohibits the individual transfer of the right to use homesteads; this right can only be acquired by applying for collective membership, which is subject to various legal constraints; before an administrative permit is issued, the village (township) government must examine and approve the application—which somewhat negates the ownership rights of rural collective economic organizations. Furthermore, homesteads can only be used as rural villagers' self-built houses, and still cannot be transferred outside the collective economic organization. The above arrangements of the homestead management system all aim at giving farmers basic housing security, thus achieving overall stability in rural society and ensuring that each farmer can fairly obtain a place to live in peace and security, in circumstances of scarce land resources.

2.2. Changes in the Functional Attributes of Rural Homesteads and the Proliferation of Rural Housing Rental Behavior

After the reform and opening-up, China's increasingly affluent farmers commonly pursued the aims of expanding their living areas and improving living conditions. Their enthusiasm for building houses manifested across the country, resulting in a counter-trend development pattern of decreasing rural resident population and rising rural housing area per capita. Qu and Zhu noted that this counterintuitive development pattern may be related to the changing functional attributes of homesteads. By conducting in-depth interviews and a questionnaire survey in three typical villages in Changsha (respectively representing urban, inner suburban, and outer suburban villages), they discovered that the residential security attribute of the homestead is weakening while the asset attribute is increasingly resurgent. In outer suburban villages, with a large number of surplus rural laborers moving to urban areas for work and business, a large number of homesteads have become idle. Meanwhile, in urban and inner suburban villages, the social security system offers significantly better coverage than in outer suburban villages, and some farmers have purchased urban commercial housing. It appears that rapid urbanization and increasingly frequent population movement between urban and rural areas have fostered the potential asset attribute of homesteads in urban and inner suburban villages. This trend will likely spread to homesteads in outer suburban villages as economic and social development continues [26].

The gradually emerged asset attribute of homesteads is particularly evident in the rental behavior of rural housing. Although the law prohibits farmers from renting out their homesteads, there is a general trend of farmers using their homesteads to build houses to rent in areas with superior location conditions and infrastructure facilities. Fang and Tian conducted a survey of villagers from 24 villages in Jianggan, Gongshu, Yuhang, and Binjiang districts of Hangzhou, located at the intersection of urban and rural areas. Their research revealed a relatively active rural housing rental market in the surveyed areas, with 62.8% of farmers renting out houses, an average total rental area of 163.33 m², and an average annual rental income of 29,900 yuan [27]. In Yin and Cai's random-sample survey of 411 households in eight urban villages in Wuhan, 14.4% of households engaged in housing rental behavior before demolition, and the average housing rental income per household was 4764 yuan/year [28]. Xuan's study of informal housing rental in villages and towns in the Pearl River Delta—the "factory of the world"—revealed that agricultural housing rental has effectively addressed the rental needs of tens of millions of migrant workers, while also compensating for the shortcomings of the formal housing system [29]. In the national reform of the three rural land systems launched in 2016, several pilot counties, such as Yiwu, Meitan, and Luxian, have introduced relevant policies to regulate the rural housing rental phenomenon and promote the growth of farmers' property income [30].

Nevertheless, with limited available data from studies using a large sample size and offering high credibility and wide coverage, both sides of the debate introduced earlier can find evidence from different regions and time periods to support their arguments on many basic questions, such as whether the rural housing rental phenomenon exists only in urban and suburban villages of the developed eastern coastal region. To bridge the differences in opinion and seek consensus on reform, this entry uses data from the CLDS database to empirically analyze the regional differences in rural housing rental behavior across the country and what factors influencing it. The study should provide more precise evidence to inform the governance and classification of homesteads.

3. Interpretation of Policy Implications

First, rural housing rental behavior is not limited to economically developed provinces and cities on the eastern coast but also exists to varying degrees in the vast inland provinces and cities of central and western regions. Therefore, when carrying out the top-level design of homestead system reform, it is necessary to fully consider the policy demands of central and western rural areas to realize the asset attribute of homesteads, giving rural residents throughout China the opportunity to increase their property income.

Second, there are currently wide regional differences in the rural housing rental rate, and the foundation and conditions for promoting reform of the homestead system vary between regions: in some provinces and municipalities, the rural housing rental market has developed to a certain scale; in others, that market is just beginning to develop. Consideration can be given to early and pilot implementation in some provinces and municipalities with relatively good conditions, so as to promote the reform of separating rural land ownership rights, contract rights, and management rights on a larger regional scale and at a higher level of policy coordination. This exploratory approach would help to accumulate experience and provide typical demonstrations for other Chinese regions.

Third, the development of a non-farm economy in rural areas, the inflow of non-local population, and the improvement of rural infrastructure are important driving forces for developing the rural housing rental market. With the continuous promotion of the rural revitalization strategy and the two-way flow of population between urban and rural areas, it is necessary to pay greater attention to the immediate housing needs of rural migrant workers and businesspeople, while also meeting the urgent demand of farmers to increase their property income. To this end, restrictions on the right to use homesteads should be moderately relaxed.

Fourth, in rural areas far from towns, there are vast areas that the urban housing rental market cannot cover. Fostering the rural housing rental market and promoting the construction of relevant support systems can effectively meet the real housing rental demand in remote rural areas and achieve functional complementarity with the urban housing rental market.

Fifth, as the owners of homesteads, village collective organizations are both the main body for formulating and implementing homestead management policy and the specific field for relevant stakeholders to play benefit games and interact with each other. Improving the democratization degree of village decision-making, creating harmonious relations between cadres and the masses, and enhancing the governance level of village organizations could all significantly foster the rural housing rental market, thereby increasing farmers' property income and effectively promoting the reform of separating rural land ownership rights, contract rights, and management rights of the homestead.

Although the debate on rural land issues in China is intense, there is a basic consensus that the continuous advancement of industrialization and urbanization have brought profound changes to the homogeneous small farmers of traditional rural China who live off the land, and that farmers are now highly differentiated in their involvement in non-farm economic activities ^[31]. It is now difficult to discuss peasants' rights, including land rights, in abstract terms using generalized conceptions of peasant, rural area, or peasant land ^[32], and it is necessary to discuss specifically and purposefully the land rights and rural area in question ^[33]. Based on this basic consensus, this entry used CLDS village residence data to empirically analyze regional differences in the rural housing rental rate and their influencing factors, aiming to provide a reference for locally appropriate and categorical reform of the homestead system. To deepen understanding of changes in the functional attributes of homesteads, future research should use household survey data collected from a larger sample, investigate more factors, and analyze the functional coordination between the residential security and asset attributes of homesteads. At the same time, it shouldn't provide a direct-action basis and a ready-made action plan for the rural land system reform in developing countries due to different basic land systems. However, different countries try to develop non-agricultural economies, attract a floating population, improve rural infrastructure, and enhance village governance levels by virtue of their natural geographical conditions, which yields universal guiding significance and policy reference value for cultivating rural land markets and further increasing farmers' property incomes.

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