

Housing Resources and Mismatched Housing Needs in China

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In today's China, almost 90% of households own their own home. At the same time, more than 20% of Chinese households own several properties, which is higher than in many developed countries. Only fifty years ago, China was recognized for its communist welfare-oriented housing system, which distributed public rental homes to urban residents centred around their work unit, which was the mechanism through which citizens accessed not only housing, but also education, care for preschool children, and eldercare, thus giving women, in particular, the opportunity to engage more fully in waged work. In 1998, the government proclaimed the end of state involvement in allocating housing and, in the short period since, China has shifted from a society dominated by public renters to one of the countries with the greatest rate of homeownership.

property ownership

family practices

Chinese middle class

1. The Rise of Inequality Driven by Housing

The political step to privatize public housing started in the UK in 1980^[1](p.31) and was adopted by many former Soviet bloc countries that were transitioning from Soviet and state control to more outward-facing democracies^[2] (pp.71–73). Later in China, homeownership growth was brought about by selling existing public housing, both work units and then municipal housing stock to sitting tenants. It may be stated that the sale of work-unit dwellings offered the limited choice. However, for those high-grade workers whose accommodation was well-located in central neighborhoods, there was a considerable advantage^[3]. While the market valuations were not cheap, they were desirable properties in high-demand areas that had retained their market advantage^{[4][5][6]}. More recently, there has been enormous growth in homeownership, fuelled by a booming real estate market. In 2019, total sales of the real estate market reached almost CNY 16 trillion and accounted for nearly 10% of China's GDP^[7].

In a study by Wu et al.^[3](p.448), it is argued that “both socio-economic characteristics and socialist institutions contribute to current housing inequality”. State mechanisms, such as the hukou system, advantage those who have urban residency rights and militate against migrants and newcomers. Members of the Chinese Communist Party were more likely to be rewarded with larger housing units during the era of the state dominance of housing and were, therefore, economically advantaged in an era of privatization. Wu et al.^[3] also hypothesize that human capital, understood as educational attainment, was also likely to be rewarded with higher-grade housing allocations, which translates into windfall wealth accumulation now and, in modern China, possibly better-paid employment. Huang et al.^[6] reveal that many cities now offer housing subsidies to the educated and talented, which may reduce the purchase price of new housing by 50%, as well as the benefit of a local hukou.

2. The Mismatch between Housing Need and Supply

There is now a higher rate of multiple-property ownership in China among middle-income urban dwellers than in other developed nations^[6]. According to research by Huang et al.^[6], among owners of multiple homes, the dominant reasons for purchase were to house family members (40%); investment (30%), and for use as holiday homes (16%). Thus, it has been shown that purchasing a property can be a financial investment, can facilitate new lifestyle opportunities, or can increase the life quality of other family members.

As seen in other countries, such as the UK, households are increasingly pursuing residential property as an investment strategy and, thus, housing has become a means to securing and acquiring capital, rather than a place to live in dignity, raise a family, and prosper within a community. This is because it is valued as a commodity rather than personal habitation^[8]; in short, there has been a shift from use-value to exchange-value. A more professional and financialized investor mindset is forming, even when compared to the 2000s^[9]. Housing property ownership in China has become, as it has in many Western countries, a sort of private insurance against numerous life-course hazards, such as unemployment or poverty in old age, in addition to being part of a significant accumulation of wealth^{[10][11]}. While housing has played a unique role in mediating the movement of families, it also sits at the foundation of intergenerational inequality^{[10][11]}.

The research undertaken by Huang et al.^[12] argues that, now, a “Rent-Generation” is mirroring trends in the UK and elsewhere, and “millennials”, unable to finance homeownership, are postponing leaving home and forming partnerships^{[13][14]}. Notably, homeowners are also renting places to live. This is the outcome of a mismatch in housing demands in terms of space, time, and function^[12]. For example, young adults, who work in Tier 1 cities, such as Shanghai, maybe homeowners in their hometown because their parents bought them an apartment on the occasion of their marriage. The older parents leave their home to look after their grandchildren, and their adult children rent another home for them in the megacity.

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