

# **Two Sides of a Success Story in China's Burgeoning Housing Market: Factors behind the Surge in Housing Consumptions and Homeownership over the Late 1990s**

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## **Abstract**

China's emerging housing market, as a critical element of ongoing economic reforms, has drawn increasing academic research and policy discussions. The complete abandonment of the socialist housing allocation system in the late 1990s, marked as a turning point of the housing reform, has led to a dramatic growth in homeownership and housing consumptions throughout urban China. This is remarkable given the lack of a comprehensive housing finance system, the absence of a secondary housing market, and unsecured property rights in China.

This article, with the recently available Chinese Census data, examines the changing dynamics of China's burgeoning housing market, housing heterogeneity in China and its four autonomous municipalities, and the factors behind the rapid growth in homeownership and housing consumptions over the late 1990s.

By looking at changes between two points of time, this study reveals a significant improvement in housing facility, living arrangements, and floor spaces in just five years. Housing reform has been a success story in several fronts, as it improved urban living quality, provided a key support for the national economy, invigorated residential constructions, broadened access to urban housing, and transformed housing from a public good to something closer to a commodity.

Although it is not fully clear yet how much progress was due to the stark reform measures undertaken, it is clear that housing distribution system has changed in a fundamental way. Housing distribution becomes much more reliant upon educational level and occupational status. People with high occupational status and educational level has seen unprecedented improvement in their housing conditions. People on the other end of the spectrum, however, have experienced almost flat trajectories in their housing improvement. As a result, housing

disparities are rapidly widening in almost all accounts, and can sometimes be polarizing.

As observed in many other transitional economies, officials or those who were in power in the socialist system have maintained their advantages and reinforced their power in the new system by transferring their social status into a more tangible form – housing. Regional disparities are also evident, as a result of institutional differences in the reform measures undertaken.

The drastic changes in the housing sector are used as a manifestation of the phenomenal socioeconomic changes as a result of economic reforms over the past two decades. Reform is successful in increasing distributional inequality as a way to introduce market-based incentives and improve productivity. While the market is in the making, demographic and institutional factors instead of economic factors are more relevant in housing distribution and residential behavior. The progress in China's housing reform holds important lessons for other transitional economies.