

The Development and Prospect of Urban Housing in China

Ladies and gentlemen,

It is my honor to participate in the 2nd Asian Construction Forum in Tokyo and to make a presentation on behalf of the Ministry of Construction of the People's Republic of China. I think this forum will undoubtedly provide a very precious opportunity to enhance the regional dialogue and cooperation in promoting development and innovation of construction sector, which is important for regional sustainability. As China has experienced a housing boom due to steady urbanization, improvement of people's living standards during the past few years, the Chinese government, particularly my Ministry, is endeavoring to meet the increasing demands for affordable and quality houses, which has made remarkable achievements. Then I would like to introduce here the status and trend of urban housing development in China that has become a pillar of national economy.

I. The Development of Urban Housing

Since 1980 Chinese government has been engaged in carrying out a reform in dealing with the problems of the old housing system. In 1998, in-kind housing distribution was no longer practiced and individual housing consumption was promoted nationwide. Thus the new housing system was established, which accelerated the development of housing construction.

I.1 Housing development system adaptive to the market economy has been established on the whole.

I.1.1 Housing distribution

At the end of 1998, free housing distribution with low rent to employees provided by government and employers was replaced by housing distribution in money throughout the country. Housing subsidy

system was established under approval, according to which employees were handed out housing subsidies and encouraged to buy houses in the market. At present, the rate of individual purchase of commercial housing has reached 94.5% and individuals have become the major housing consumers.

I.1.2 Housing investment and supply

The government and employers no longer funded housing construction. Housing development mode of “unified planning, rational overall arrangement, comprehensive development, and coordinated construction” has been carried out and a tentative multi-level housing supply system has been set up. High-income families buy or rent commercial housing at the market price; medium- and low-income families purchase affordable houses; families with the lowest income rent the low-rent houses from the government or the employers. The government has taken measures, such as land allocation and supply, to lower the construction cost and to make great efforts to develop affordable housing so as to satisfy the housing demand of medium- and low-income families; it has also, by means of preferential policies in land and taxation, encouraged real estate developers to reconstruct dangerous and old housing in large areas.

I.1.3 Housing market

Open the secondary housing market. Lower the housing transaction and leasing rates repeatedly, encourage citizens to update their houses. A prospect of brisk housing transaction and simultaneous development of purchasing and leasing has been formed. At the mean time, make great efforts to develop and regulate real estate intermediate service and speed up housing circulation.

I.1.4 Housing finance

Encourage citizens to purchase houses with loans by lowering loan rates and extending payment deadline. Explore the advantages of housing provident fund system to the full and support housing purchase by the employees. By the end of this September, housing mortgage balance of commercial banks has reached 763 billion RMB, which accounts for 8.54% of the total loan balance and is 40 times of that at the

end of 1997; the balance of housing provident fund mortgage has reached 98.7 billion RMB.

I.1.5 Housing management

Abandon the old system of self-construction and self-management of units and promote a new, socialized, professional and market-oriented property management system. Property management companies exercise professional management to communities, which has played an active role in improving housing qualities of residents and maintaining the security and stability of communities.

On the whole, through the efforts in deepening the reform on housing distribution, investment, supply and management system, forging housing market system and developing housing finance, the old housing system was broken and the framework of a new system has been established. Market-oriented resource optimization and distribution is well under way.

I.2 Urban housing construction has maintained a rapid development.

In 1990, the total completed area of urban housing in China was 173 million square meters. In 2001, it reached 575 million (725 million with all townships included), 3.3 times of that in the early 1990's. From 1990-2001, the area of newly built housing has totaled 4.6 billion square meters, with an average annual completed area of 384 million square meters (about 60 million apartments). The fulfilled investment of urban housing construction has grown by 11.6 times, from 49.8 billion RMB in 1990 to 626.2 billion RMB in 2001, with an average annual investment of 314.5 billion RMB. During this period, from 1998-2001, the completed area of urban housing was 2.16 billion square meters, with an average annual of 540 million square meters; the fulfilled housing investment was 2,100 billion RMB, with an average annual of 526.5 billion RMB and an average annual growth of 13.3%.

With the rapid development of housing construction and real estate industry, housing and real estate, increasingly prominent in national economy, has become the pillar industry. The proportion of housing construction investment to GDP increased by 4%, from 3% in 1990 to 7%

in 2001; its proportion to investment in fixed assets grew by 6%, from 11% to 17%. The proportion of real estate development investment in GDP increased by 5.24%, from 1.37% in 1990 to 6.61% in 2001; its proportion in fixed assets investment grew by 11.44%, from 5.61% to 17.05%. Particularly in recent years, the annual growth of real estate developing investment has maintained to be over 30% of the total growth of investment in fixed assets, which has led to more than 1% growth of GDP each year and has made great contributions to stimulating domestic demands and promoting the economic growth.

I.3 The living conditions of urban residents have been greatly improved.

I.3.1 Rapid growth of housing area

In the cities of China, the housing construction area per capita has increased by net 7.6 square meters, from 13.4 square meters in 1990 to 21 square meters at the end of 2001, with an annual growth of 0.69 square meters. The average construction area for each household has reached 65 square meters. The average rooms for each household are 2.27. More than 60% families have 2-3 rooms, which basically satisfies housing demands.

I.3.2 Great improvements in functions of the newly built houses

Since 1990's, especially in recent years, great improvements have been made in construction quality, functional quality, environmental quality and the quality of necessary facilities of the newly built houses. With the growing proportion of the newly built houses in the total and the reconstruction of dangerous and old housing, the functions of urban housing have been improved to great extent.

I.3.3 Great increase of the private ownership rate of housing

In cities and towns, 80% of the households have got their own houses. For permanent families in urban area, the rate is over 70%. According to the investigation made by the State Statistics Bureau, the average housing capital of each household in cities is 109,400 RMB, which occupies 47.9% of the total family capital, the biggest portion of family assets in urban area.

II. Major Problems in Urban Housing Development

II.1 The living conditions are to be further improved. Inequality in housing is still a problem.

Compared with the developed countries and with the requirements of building the new phase of a moderately well-off society in an all-round way, the development of urban housing is still at a relatively low level and the housing functions are far from perfect. At present, the average per capita housing building area in Chinese cities equals 1/3 of that in America in 1980's and 1/2 of that in Germany and France; the average per capita room number is 0.75, less than 1/3 of that in America and only 1/2 of that in France and Japan. Besides, in cities, about 15% of the families has no independent kitchens or has to share kitchens with others; nearly 30% has no washroom or has to share washroom with others; almost 13% has no running water for drinking.

Inequality in housing is still a problem. Currently, for 12% of the households in cities, the average per capita housing building area is below 8 square meters; for 27%, the average per capita area is 8-16 square meters. The average room number of each household is 2.27 and the average per capita smaller than 1. In cities, 0.1% of the households have no house at all and 25% has 1 room only.

II.2 The reconstruction of dangerous and old housing remains an onerous task.

According to statistics in 2001, presently the area of dangerous and old housing of all kinds in cities and towns remains to be 150 million square meters, in which live more than 3 million families.

II.3 Backward housing production mode

At present, China lags behind in housing production mode, which still remains at the stage of extensive development. The proportion of scientific and technological devotion to housing development is 31.8%, much lower than 60%-80% in developed countries. China is backward

in housing production mode. According to statistics, the productive capacity of construction workers is about 30 square meters per capita each year, equaling 1/5-1/6 of that in developed countries. Construction energy cost occupies to 25% of the total energy cost, while the unit energy cost is 3-4 times of that in developed countries.

II.4 Laws and regulations on housing need to be perfected, the housing market expects regulation.

Over 80% urban residents own houses, it is urgent to provide legal protection of their ownership. Clear legal definitions are also needed to regulate and supervise the housing market and protect the fundamental housing rights of the residents.

III. The Prospect of Development

III.1 Market demand analysis

III.1.1 The GDP per capita in China expects to reach US\$1,000 this year.

The Engel coefficient has reduced to lower than 40%. According to international experience, housing consumption is in the phase of rapid growth.

III.1.2 Currently the housing area per capita in China is 21 square meters.

More than 48% residents wish to update their houses in recent years. Among them, 67% has already purchased houses from their employers. Compared with the daily increasing demand for housing of the people, housing development is in the period of rapid growth.

III.1.3 The urbanization rate in 2001 reached 37.7%. It is expected that the annual growth of urban population in the future will be about 20 million, therefore the increase of housing construction shall be maintained.

III.2 Providing housing for medium- and low-income families through multi-channels.

Focuses of the government:

III.2.1 To make great efforts to develop affordable housing.

To guarantee the supply of the allocated land for the construction of affordable housing, and to implement the policies to reduce or remit coordination expenses and all sorts of administrative expenses, hence the lower construction cost could be lower and meet the affordability of the medium- and low-income families.

III.2.2 To reinforce the low-rent housing system.

At present, the emphasis is perfecting cheap-rent housing system, guaranteeing funding and speeding up to solve the housing problems of the lowest-income families.

III.2.3 To regulate and develop housing construction through capital-raising and cooperation.

To encourage straitened enterprises and independent mineral areas to exploit the land at their disposition, predicated on the agreement with local city planning, to build houses with capital raised by employees. Thus the housing problems of employees could be solved in multi-channels.

III.2.4 To accelerate the reconstruction of dangerous and old housing.

The major dwellers in dangerous and old houses are urban residents with relatively low income, therefore greater support is called to the reconstruction of dangerous and old houses. The reconstruction could be pushed forward in different ways, like real estate development, the establishment of housing cooperation agency, etc.

III.3 To further implement reform measures of all kinds and perfect housing system.

III.3.1 To establish housing subsidy system and quicken the distribution of housing subsidies.

In regions satisfying the requirements, according to the regulations made by the concerned department, the original housing construction fund shall be transformed into subsidy fund as soon as possible. To establish housing subsidy system and quicken the distribution of housing subsidies.

III.3.2 To further enliven real estate market.

To further lower the marketing threshold of the existing housing. Rationally adjust the distribution of the benefits of the sold housing. To encourage residents to improve their living conditions by means of exchange and purchase.

III.3.3 To regulate and develop housing finance and perfect housing provident fund system.

To increase more housing mortgage choices. To perfect housing insurance policy, speed up the establishment of a nationwide housing mortgage guaranty system and develop sound mitigation strategies in dealing with mortgage risks so as to promote further development of housing mortgage.

III.3.4 To accelerate the socialization process of property management.

To carry out bidding system for property management projects, to guide the fee standard of property management by principle of “defining levels and grades, meeting the fee with the quality”. To regulate the development of property management and expand the scope of the trade.

III.3.5 To make economic and technological policies of the modernization of housing industry.

To enhance the fundamental and key technological research and improve housing standardization and professional technological policies; To carry out the systems of housing function confirmation, ministry appraisal, certification, mandatory elimination and limitation.

III.3.6 To Speed up the research and making of *Housing Law* and *Real Right Law*, and to perfect the legal system of housing and protect the legitimate rights of housing investors and property owners.

At last, I want to extend my thanks to the organizing committee for the forum who gives me the chance to share experience with you and who do a lot of work to ensure the success of the forum.

Thank you.