Housing policy, market intervention and provision of affordable and social housing in Shanghai

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China’s Policy-induced housing cycles: the 2015-7 upturn is not across-the-board.
Future shortage: Land purchased by housing developers fell from 443.3 million m$^2$ in 2010 to 220.3 million m$^2$ in 2016
Shanghai’s Successful regeneration and expansion: China’s future international financial Centre
Shanghai’s housing prices

Average house price in Shanghai and whole of China

Yuan/m²

Shanghai

China

Shanghai’s housing prices: Most expensive districts

- London: £23,690/sq.m.
- Shanghai: £16,642/sq.m.
Shanghai is the second most expensive city in 2016

Price earning ratio

- Shenzhen: 36.57
- Shanghai: 21.97
- Xiamen: 21.91
- Beijing: 19.32
- Fuzhou: 16.37
- Zhuhai: 14.49
- Hefei: 12.63
- Nanjing: 12.53
- Tianjin: 12
- Shijiazhuang: 11.8

Price earning ratio
The analytical framework
Induced and imposed institutional changes

MACRO CONTROL POLICIES

**An induced institutional change** (bottom-up) is voluntarily initiated, organized, and executed by an individual, a legal entity or a group of individuals in response to profitable opportunities. It results in modification or replacement of an existing, or the emergence of a new, institutional arrangement.

**An imposed institutional change** (top-down) is introduced and executed by governmental orders or parliamentary laws to respond to beneficial opportunities to government or simply to redistribute existing incomes among different groups.

The National Housing Investment Market (**NHIM**) is an institution formed by the agreement and interactions of developers, local governments and investors, with mainly informal rules such as business conventions and practices, and culture and values.

Source: Lin, 1989; Zhang, 2012, Feng at al. 2014; Cao, 2017
Evolution of Shanghai’s housing policy (1)

• 1991: *Shanghai took the lead* in Housing Reform and housing market development

• 1998: Shanghai Poverty Relief Homes Programme concluded:
  – For families with per capita living floor area below 4 m²

• 1998: National housing policy shift: last train for welfare housing and a three-tier housing provision system:
  – Market housing for the rich
  – Affordable housing (Economic and Comfortable Housing, or ECH) for the majority
  – Low Rent Housing for the poor

• 2000: Low Rent Housing provision: leading the country
  – New provision for 18,000 households by 2005
Evolution of Shanghai’s housing policy (2)

• 2003: National housing policy shift: replacing ECH with ordinary market housing
  – 2003 debate: Central Bank v State Council

• 2005: Central government imposition of Macro Control on the housing market
  – 2003-4: Shanghai market housing price inflation: 60%
  – 2003: NIMH: Investment purchase of new homes in Shanghai city centre: 40%
  – 2004: Shanghai housing investors trading pre-sale contracts
  – 2005: Shanghai Municipal Government imposing 5.5% transaction taxes
  – 2005: Central Government imposing Shanghai control measures nationwide
Evolution of Shanghai’s housing policy (3)

- **2008:** Shanghai Government’s affordable and social housing provision (ASH)
  - New LRH provision: 30,000 households
  - Existing LRH: 0.8 million households
  - Redevelopment: 1.2 million households
  - Two 10 million m² affordable housing provision cancelled

- **2009 onwards:** response to 2007 National ASH policy
  - 4 vehicles: LRH, ECH, PRH (public rental housing), Relocation housing
  - LRH: to benefit 130,000 households
  - 11 ASH bases : 300,000 units
  - Migrants with the right papers included
  - Shanghai took the lead in ECH or Shared Ownership Housing

- **2010:** fighting NHIM – purchase restrictions
  - Not lifted since
Boyayuan housing estate, an shared ownership ECH estate in Shanghai
Can Shanghai take the lead again?

- 2015-2016: housing price inflation - 45.5% in Shanghai
  - 2017: prices controlled; but for how long?
- Population: 24.2 million (14.4 million with Hukou, 9.8 million without)
- Home buyers driven out of Shanghai administrative borders
- Land shortage: reaching the limit for sustainability
- Housing policy cores: 2+3+4
  - 2: market + ASH
  - 3: owner-occupation + local residents (with Hukou) + ordinary market housing
  - 4: LRH, ECH, PRH, Relocation housing
## Raising the bar

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Dencentralisation?
Conclusions

• Shanghai was a housing policy leader, but is now a follower.

• Market affordability could further deteriorate once price inflation returns.

• Competitor cities taking advantage of Shanghai’s affordability problem.

• ASH provision needs new thinking.

• Innovation and reforms: housing tax, alternative to purchase restrictions, new towns, decentralisation, strategic alliances on transport and ASH provision.