

Urban development issues in China's Cities: Part Two

Home ownership a difficult goal to reach if housing system is not improved

“The inequalities of a given society unavoidably affect its real estate market” – Sun Liping, in an article on the Tianyi web site, published July 6, 2006.

Abstract: In the first decade of the 21st century, people in every city in China, including Shanghai, Beijing, and Guangzhou, are confronted with real estate developers and agents. With market prices on the rise, these professionals have gained a bad reputation among the population, which accuse them of having lost all sense of ethics and social responsibility. This typically “Chinese” trend has not occurred in other countries, and is not even seen in other consumer sectors. The present article discusses this particular phenomenon in an attempt to uncover the realities of the housing market, and examines how the phenomenon is connected to broader issues in Chinese society by studying the problem from all angles.

Housing is unlike any other consumer product; it cannot be simply something on a list of items whose prices are determined by the market. If that were the case, many people would find themselves homeless and stripped of their dignity. Neither is it possible to see housing as a mere element of a welfare state or a last line of defence, given that the state budget cannot resolve all of the country's housing problems. Housing is a dual issue, in that it is both an instrument of the market and a form of social aid.

Solving the housing problem in China, however, has been reduced to the question of buying a home, which is “freely negotiable”. In simple terms, a home is put on the market and becomes a commodity offered by a real estate developer or agent. As a sales person, the developer will target high-income individuals with strong purchasing power, and will do anything to obtain the highest possible return on the investment. These free-market practices are criticized where housing is concerned due to the social nature of the sector. Due to the current conflict between customers and this sector, it cannot be compared with other types of activities.

To fully understand this problem, it must be examined in a more general societal context. Income

disparities are growing, deepening the divide between the rich and the poor. Inevitably, real estate developers and agents, who are the main suppliers of housing, actively seek out wealthy clients and limit the construction of affordable units. A widespread process of gentrification occurs which excludes middle-income consumers and even eradicates the basic definition of 'housing'. Real estate becomes an investment with a profit-oriented focus as well as a source of speculation. Income disparities in China are reflected in the country's real estate market, the structure of which cannot evolve unless it is preceded by a better distribution of income.

Also at issue are the extreme social and financial disparities between China's regions. Most of the country's economic, cultural and political resources, as well as job opportunities, centre around a few large cities. Consequently, foreign capital and investors, as well as migrant workers, concentrate there, causing housing prices to remain at artificially high levels. Nevertheless, there is always a buyer for this increasingly expensive housing.

To solve the problem at its source, the housing system must be adapted and structured to offer a range of products that suit the needs of the population. Different types of consumers could be able to choose the kind of housing they need from a range of possibilities. But who should provide this housing – the state or real estate developers? How could housing that is partly funded by the state be developed? How could a system be created in which housing is not merely another consumer product? The article does not go any further.

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