

Urban Development Issues in China's Cities: Part Two

Unit homes for low- to middle-income families as an alternative to expensive housing

“Are work-unit built homes a step forward or behind for low to middle-income families?”

Article from *Nanfang Zhoumo*, Southern Weekly, 17 May 2007

By Xu Zhong

Abstract: A study of the real estate market in China's major cities reveals that average home prices have progressively risen to over 10,000 yuan (€960) per square metre. In a market where home prices are constantly rising, middle- to low-income households are struggling to find housing. Work-unit housing, which had been on the decline for many years, is attracting attention once again and immediately raises certain issues. This article begins by tracing to the history of work-unit housing (particularly in Canton) and continues by examining different view points to shed light on the renewed debate surrounding this type of housing as a viable solution to the current housing problem.

The assignment of housing units in major Chinese cities like Beijing, Shanghai and Canton was stopped in the mid-1990s. Through successive reforms the housing system has become more commercialised and homes are now sold at market prices. The legal framework of today's system, however, allows certain exceptions. Depending on urban planning policy, and in the interest of maximizing available construction space, it is still possible to build collectively financed, co-op housing. In certain circumstances, a project to construct affordable housing may be fast-tracked to accommodate low-income households. Faced with rocketing real estate prices, some large state enterprises in the country's major cities are using unoccupied space on their premises to build housing, which is then offered to employees at below-market prices. Public authorities see this as a means of sidestepping the difficulties involved in acquiring a home, particularly for lower-income families.

Ten years after the liberalisation of the housing market, certain questions are arising about what is now common practice. The Association of Real Estate Professionals claims that under-priced work-unit housing will eat into the profits of real estate developers and brokers, and is unfair to employees of businesses that cannot offer that type of housing. From a work-unit point of view, these measures are a way of helping low-income families become homeowners and of keeping skilled employees, as well as a way of bringing down real estate prices. Others question whether in practice it is possible to guarantee low-income families access to this type of housing without

creating new inequalities.

A situation whereby large numbers of low-income families are denied decent housing will inevitably lead to controversial solutions as a means of dealing with the demand. The real issue at hand is how to find a middle ground in a system where one must either purchase real estate at market prices or acquire work-unit housing, and how to build a strong housing system that can satisfy the interests and needs of the majority.

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