Comments on Housing Markets in China: Getting the Facts Right

Xiaobo Zhang
Peking University


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Comments on
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Peking University
Two Best Papers on China’s Housing Market

- China’s high and rising housing price has received great attentions from policy makers, academics, and ordinary people. However, there are many myths on China’s housing market in large due to lack of data and solid empirical analyses.

- These two papers will become seminal papers in the field.
Home Price-Income Ratio

Based on China family Panel Studies (CFPS) Survey in 2012
Very High Home Ownership

• According to our CFPS survey:
  1. 90% household owned at least one home in 2012 (12% owned more than two or more).
  2. Even in big cities, such as Shanghai, the rate of home ownership was as high as 81%.
  3. Housing wealth accounts for more than 70% of family wealth in China.
Share of Housing Wealth in Total Family Wealth by Province

CFPS 2012
Basic facts about sex ratio imbalance

- Sex ratio for age cohort 5-19 used to be balanced
  - 2000: 1.08 (std dev 0.07)
    - 1 in 14 young men cannot marry
  - 2005: 1.12 (std dev 0.07)
    - 1 in 10 young men cannot marry

- Why the imbalance?
  - Ultrasound B
  - “One child policy”
  - Preference for son
SURVEY SHOWS MEN’S MOTHERS-IN-LAW PUSH UP HOUSE PRICES, LESS THAN 20% WOULD ACCEPT SONS-IN-LAW WHO CAN ONLY RENT

没房不嫁女

• 2010/03/08 来源：中国经济时报
http://msn.china.ynet.com/view.jsp?oid=63869864
In rural areas, a new home is a necessary condition for marriage

- Having an unmarried adult son is looked down in villages.
- 87% of marriage is within home county
- A new home, wedding cost and bride price can easily cost more than 10 years of family earnings.
2010, Guizhou
New Homes in Remote Villages in Guizhou
On the vertical axis is the ratio of housing value to household income in 2005, averaged over all cities that had the same value of sex ratio (up to a basis point). The housing value refers to either sale price or construction cost computed from a 20 percent random sample of China 1% Population Survey in 2005.

Wei and Zhang (2012)
Home Value-Rent Ratio and Sex Ratio

On the vertical axis is the ratio of housing value to rent in 2005, averaged over all cities that had the same value of sex ratio (up to a basis point). The housing value refers to either sale price or construction cost computed from a 20 percent random sample of China 1% Population Survey in 2005.
Allow Rural Home to Transact in the Market (交易权)

• Two rats theory

• Advantages:
  – Lower urban housing price
  – Stimulate population mobility