Housing in China: State Governance, Market and Public Perception

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Abstract

Chinese house prices have been receiving huge coverage in both the domestic and the international media. Although the Chinese government has implemented many policies to control house prices, especially in the big cities, it is obvious that there is disequilibrium between demand for and supply of houses. Even though numerous housing policies have been put in place to overcome that, house prices in China are still rising. Many Chinese citizens from the low- and middle-incomes group find it difficult to purchase a house in the cities due to high house prices. This paper covers the current situation of the house prices in China, introduces the existing state of affairs about the Chinese housing market, explores a series of important reasons for high house prices, examines various public policies the Chinese government is using to control real estate, as well as reveals the citizens’ perceptions related to rising house prices. To gauge citizens’ perception of the current state of affairs in this
regard, a questionnaire survey was conducted to gather information with a final sample of 256 respondents from more than ten cities of different tiers in the different regions of China.

**Keywords:** China, house prices, real estate market, government policies, citizens’ perceptions

1. **Introduction**

China’s economy has rapidly expanded because of the “reform and opening” policy. With a fast-growing economy, competing well with the developed nations in the world, China has a gross domestic product (GDP) constantly above 7% for the last twenty years. With housing reform implemented and welfare housing distribution system abolished, the real estate sector in China has greatly expanded and today is the mainstay industry in the Chinese national economy.

Since 2003, the Chinese real estate prices have been rapidly increasing. The reasons behind this national phenomenon are the progress of the Chinese economy, the rapid development of urbanization and the government’s policies to motivate domestic demand. These reasons are why China is known as among the most vigorous and vibrant housing markets in the world. Nevertheless, the Chinese real estate is growing faster than the Chinese citizen’s income. In order to curb the rapid growth of investment in the real estate market, the Chinese government has taken some effective steps and directed the Chinese economy towards a healthier orientation.

The global financial crisis has slowed the growth of many industries and affected prices, including China’s house prices. After the financial crisis, the Chinese national economy eased and the housing market prices increased in the large- and medium-sized cities in 2009 (Ahuja, Cheung, Han, Porter and Zhang, 2010).
Government measures, for example the housing policies, are affecting the Chinese housing market.\textsuperscript{1} Increasing urbanization is one of the factors why the demand for housing is high. It is vital to note that improving old residential areas and the construction of low-quality housing do not really add to the quantity of housing supply.

Even though the rate of investment growth in China is decreasing, there is a steady growth of development and sales of the national real estate. During 2015, the national investment of real estate was 4.3995 trillion yuan, which rose 4.6\% a year ago. The National Bureau of Statistics (NBS) of China indicated in 2015 that the investment rate of the national residential housing in the first six months of the year was 4.6\% and this number dropped 0.5\% during the next half of the year. The investment of residence was 2.9506 trillion yuan\textsuperscript{2} and the increasing speed was 2.8\%, while the decreasing speed was 0.1\%.

Interestingly 67.1\% of the investment of residence was in real estate development. It can be concluded from the statistics which are provided by the Chinese government that the investment of national housing development and the price of housing are increasing. Hence, it is crucial that the Chinese government has to adjust the housing policy and finance system so as to lead the development of the housing market in a better direction.

NBS in 2015 has provided detailed information on the investment in the three regions of China. China has three officially demarcated regions: the eastern, western and central regions. The eastern region of China recorded the real estate development investment for the first half of the year as 2.5421 trillion yuan and this number had a 4.9\% increase as compared to the first half of 2014. The central region invested 8.854 trillion yuan, an increase of 3.6\% from the first half of 2014. A total of 9.670 trillion yuan was invested in the western region during the first half of 2015, a 4.7\% improvement from the first half of 2014.
There is strong evidence to show that there has been an increase in real estate development investment in China. The increase in investment in real estate is partly due to the increase in housing prices and effective public policies should thus be implemented by the Chinese government in this sector.

Many cities in China have experienced a growth of housing prices. The Beijing Bureau of Statistics indicated that the average price of a house in Beijing has increased from 2003 to 2012. The average price of a house in Beijing was 4737 yuan in 2003 and 20700 yuan in 2012. The price of a house in Beijing from 2003 to 2012 had increased by 337%. The Shanghai Bureau of Statistics has also shown an increase in the price of houses during the period from 2003 to 2012. The average price of a house in Shanghai in 2003 was 4670 yuan and the average price in 2012 was 13870 yuan. During this nine-year duration, the price of a house in Shanghai rose by 197%. There is a concern that the price of a house is higher than the average annual income of an individual citizen. Many Chinese citizens hope that the price of houses will be controlled.

The above shows that the current house prices in Chinese housing market are increasing and the continuously rising house prices are affecting the citizens’ livelihood. The Chinese government has the responsibility to deal with this situation and policies on housing need to be revised and improved.

There is a huge concern about the price of houses in China, and it is essential to consider the public responses to the development of house prices and housing policies in China’s housing market. The pertinent questions are: (1) What is the current housing market situation in China? (2) Why do China’s house prices continue to rise? (3) What are the governmental policies regarding the development of the real estate in China? (4) What are the public’s responses to the rise of house prices?
Answers to these questions are important not only for Chinese citizens who need to know and understand the current situation regarding the development of the housing market, especially as regarding why the prices of houses in China’s housing market are so high, but also for the authorities in the Chinese cities who are entrusted with responsibilities to further improve their respective cities’ residential policies by understanding the public policies implemented by the central government.

In this paper we wish to (1) introduce the existing state of affairs about China’s housing market; (2) explore reasons for high house prices in China; (3) introduce public policies the Chinese government is using to control real estate; and (4) to discover the government’s and citizens’ responses to the increase in house prices.

In terms of scope, this paper looks into the responses of the Chinese citizens regarding the house prices and the government’s policies in cities located at the eastern, central and western regions, including Beijing, Shanghai, Shenzhen, Tianjin, Xi’an, Zhengzhou, Lanzhou, Xianyang, Baoding, Xining, Harbin and Kunming. Some cities, such as Beijing and Shanghai, are particularly focused on for the purpose of this study. Some cities are representative. For instance, there are two reasons why Beijing is chosen for this study. The first reason is that Beijing is the capital of China. Beijing being the capital of China is therefore seen as the political and economic center of the country. It is easier for the authors to collect the necessary information for the study. The second reason is that Beijing has the largest population among cities in China. There are many people from different backgrounds living in the capital and thus the city provides the best opportunity to represent the entire population in China. On the other hand, Shanghai is of course the city of international and financial exchange center of the country. Although the Chinese government has been controlling the prices of real estate, many
Chinese citizens are still concerned about the high cost of buying a house there.

The Chinese government has stressed this issue many times in numerous government reports. The 2013 government work report illustrated that the government should heighten the provisions of the Chinese real estate market and reinforce the construction of government-assisted housing. The Chinese government needs to firmly curb the behavior of speculation. In order to stabilize housing prices and regulate policies of the real estate market, the government needs to promptly improve and perfect the accountability system.

In the following year, the Chinese government in the 2014 government work report gave a few statements regarding the current housing situation. The government would establish and perfect the mechanism to supply adequate housing. In order to ensure a house for every Chinese family, the government will construct more government-assisted housing and the government should execute it step by step. Governments at different levels should shoulder their respective duties. Over seven million government-assisted housing would be constructed and over 4.7 million houses would be built in the urban areas. The related supporting infrastructures would be constructed.

3. Housing System and Housing Policies in China

3.1. Development of Chinese Housing System

The housing system in China is different during different periods in China. There are three main periods that were vital for the Chinese citizens to get home ownership. The three periods are the period of planned economy (1949-1978), the transition to a market economy (1979-1997) and the complete transition to market-based housing construction (1998 till today). Understanding the history of housing
allocation is essential in understanding the present housing circumstances.

3.1.1. The period of planned economy (1949-1978)

When the Communist Party of China (CPC/CCP) took over China and established the People’s Republic of China (PRC) in 1949, the housing system in China was controlled by a highly centralized planning system as China entered the period of a planned economy. Under this system, the “market” was not in operation and did not work in distribution. The Chinese government operated and dominated the supply of consumer commodities including supply and distribution of houses (Ye, 2006).

According to Ye Jianping, a professor at the Department of Land and Real Estate of China’s Renmin University, there were some housing allocation arrangement then such as low rent to commensurate with low salary. During this period of time, the government provided subsidies and goods for distribution while funds of building houses came from the Ministry of Finance through the National Construction Funds (ibid.). There were no resources needed from non-governmental bodies.

Houses’ investment funds were funded by the government budget expenditure and distributed to various state-owned organizations. The state assigned houses to staff who had rights of possession, use and benefit, but they did not have the right of disposition. Those citizens who were allocated houses were given a choice to live in it or rent it, but the citizens were not the owner of the house as it belonged to the state. Meanwhile, residents were only asked to pay a nominal rent. Based on this fact, the state had to pay financial subsidy, for instance, maintenance fees and other expenditures of housing services.

Many factors determined an individual housing allocation, for example, which work unit he belonged to, how many years he has serviced for the work unit. Certainly, his degree and rank, family size,
and existing living area also decided one’s housing assignment. This led to unfairness and undesirable attitudes toward housing consumption. In fact, because of the growth of population and the development of economy, the government did not have the ability to provide enough houses to satisfy the great demand of households.

3.1.2. The transition to a market economy (1979-1997)

During the period of transition to a market economy (1979-1997), welfare houses of the state slowly changed to the provision of housing and this turned into the dominating market force. This period saw many changes in owning a house. It first started off by the government selling the houses to the citizens, encouraging the private sectors to construct houses. This was all done to reduce the influence of the government as the sole supplier of housing in China. This move was also done to diversify sources of funds in housing allocation and construction.

In order to stabilize the economy, private investment and ownership were encouraged by the government (ibid.). Funds were used to build a house which came from central and local government. Mortgage loans were offered by construction and commercial banks. The Chinese government started to implement experimental housing unit in some cities and encourage citizens to purchase their own house and get the home ownership. In addition, some commercial houses were built by the private sector, which were sold to high incomes and non-state employees.

3.1.3. The complete transition to market-based housing construction

(1998 - today)

From 1998 onward, the Chinese housing policy entered a new era in terms of housing allocation. There are diverse housing supply systems
and the criterion and regulation of housing trade markets. The Chinese government drafted a new document. The aim of this document was to establish a housing market based on changing prices, such as high-, medium- and low-income groups. If you had a high income, you could buy commodity housing. Others could buy welfare houses whereby the prices were limited by government. In fact, the market would play an important role to adjust to the residents’ housing demand (ibid.).

The government hopes the market can make an important impact in the housing market. In order to improve competition of the housing market, administration of the land right and transparency of the grant process, the Chinese government implemented new approaches to empower rights in 2002, which influenced lands’ prices and the changes of housing prices. The increase of houses’ prices is influenced by the market (Deng, Ma and Chiang, 2009).

The Chinese government started to formulate and implement policy in order to adjust and control the housing market. The central government decided to issue a announcement. In the notification, the reform of the urban housing system needed to be further deepened and housing construction needed to be accelerated. This notice forbade state-owned companies to construct or purchase houses for their staff. This reform accomplished the transition from welfare housing distribution system to market-based commercial housing system. In this situation, the housing prices increase quickly in the Chinese housing market.

3.2. China’s Current Housing Market Situation

China’s economy has rapidly developed since the early 2000s. According to Leung (2004), the economic growth is beneficial to property market’s development. Zhang et al. (2007) grasped that household income had an important and positive influence on housing prices from 2000 to 2004 in China’s 35 cities. In 2012, the World Bank
predicts that housing consumption of China will have continuous growth in the next twenty years. According to Carlos Garriga, Yang Tang and Ping Wang (2015), many developed and developing countries, including China, had undergone broad-scale housing booms over the past thirty years.

Chen et al. (2011) concluded that the increase of house prices has become a hot topic in China and the increase has influenced urban home ownership. House prices in Chinese cities have rapidly increased and it has become an increasingly troublesome problem in the urban residential market (Chiang, 2014). The Shanghai Statistics Bureau (2012) stated that the house prices have increased by 327% from 1999 to 2011.

Many people and organizations have attempted to stabilize the prices of houses (Chen et al., 2011). Overheated investment will bring some negative effects, such as boosting the prices of fundamental commodities. Due to these negative effects, the Chinese government changes policies to stabilize the fluctuation in house prices (Deng et al., 2009). The increasing price of houses in China for the past decade has caught the attention of the global economy and policy communities (Fang et al., 2016).

3.3. Reasons of High Housing Prices in China

Some factors can explain the hike of house prices in China. These reasons are well supported by previous studies done by researchers as well as various different institutions.

3.3.1. Market demand

After conducting a series of test among 10 cities in China, the China Central Bank (2006) mentioned that many households preferred to get home ownership as oppose to renting. According to them, 90% of
participants in Beijing and 62% of the overall participants in the study mentioned that they never considered renting houses.

To the Chinese, the house is the symbol for a family and owning a house is important as it shows that the family members are taken care of. The Chinese prefer to buy their houses rather than renting from others. If a house belongs to another, the tenants do not want to pay money for the decoration. If the house belongs to him then the house owner is willing to pay much money for decoration, even with loan from the bank. Therefore, the Chinese traditional way of thinking determines them to buy their houses. This may cause an increase of properties and facilitate house prices to grow.

The Chinese government encourages their citizens to own their own houses (Glindro et al., 2008). The Chinese government takes part in regulating the housing market, and foreign ownership is restricted. Due to the culture and the encouragement from the government, there is a huge demand for houses in the market.

During the 2008 economic downturn, the Chinese economy faced tremendous pressure yet the housing market in China was still on the rise. During this economy downturn, the four important cities, Beijing, Shanghai, Shenzhen and Guangzhou suffered a small drop in housing demand but recovered after the economic crisis. The housing prices in second-tier cities (autonomous municipalities, provincial capitals or commercial centers) and third-tier cities (important cities in their respective regions) continued to rise despite the Chinese stock market experiencing a sharp decline.

3.3.2. Market supply

According to China Construction Ministry (2003), the real estate industry in Beijing made a 73% contribution to the city’s GDP for that year. The Chinese economy develops fast and depends on the real estate
sector. In order to improve service performance and reach economy index target, Chinese local governments will develop the available lands for real estate purposes. This act will expand the market supply and the prices of houses will continue to rise so long as the real estate sector has a significant power for financial revenues (Fu and Lin, 2013).

A good example of a real estate policy is provided by the Shanghai local government that issues a special registration system. According to this system, whenever a person buys a house, the person will get the Shanghai “hukou” which is beneficial in terms of applying for health care and children’s education. Many people are willing to buy “hukou” for their children as they can enjoy good welfare and educational policies. Those children with “hukou” have a higher opportunity to enter good universities even if the scores are lower than other provinces. Using the system of “hukou”, the Shanghai government ensures that there is a continuous demand for market supply.

3.3.3. Urbanization and migration

After the reform and transformation of urban housing, urban housing market follows the regular pattern of supply and demand (Chen, Guo and Wu, 2011). Rapid urbanization in China has generated a largest migration. The migration starts from rural areas to urban areas. Migration is an important factor in housing consumption.

In the urbanization process, many Chinese leave the agriculture sector for the non-agricultural sector. Not only does it bring sufficient labor, but also bring the huge demand, in the form of increase of housing demand, and demand for fundamental infrastructure and medical facilities. According to Shaw (1997), housing is a necessary request for every family. Because of Chinese culture, the demand of housing is usually inelastic. Therefore, increasing urban population would cause a high demand of houses.
The level of urbanization is influenced by migration. The growth of urbanization in China depends on the rural-urban migration. The natural growth of urban population is the other kind of population growth. In other words, the number of the natural urban growth depends on the yearly birth and death rates in urban area (Zhang and Song, 2003).

The Chinese economic reform began in 1978 and this rapid development in the country’s economy has led to internal migration. On the one side, land policy and agricultural reform makes farmers leave the land. On the other side, the reform and opening policy makes the eastern regions richer and regional differences bigger. This migration of farmers has increased the population of the Eastern Region of China (Bhalla, 1990; Lyons, 1991; Chen and Fleisher, 1996; Fan, 1999).

According to the World Bank, two thirds of the poor families in China live in these western cities, which are far from the coastal areas that are the richest places. In order to get a higher income, many people from the western region of China choose to migrate to the eastern regions. This migration allows them to get a higher income and increases the demand of owning a house.

Land shortage is another reason for migration. Research has proven that land-use rights are more available for merchants. This is another reason why farmers in China’s Western Region migrate to Eastern Region (Zhang and Song, 2003).

The process of urbanization and the number of migration are always increasing. This is good for the housing sector. New people are joining the city and they demand for houses. Although this is good for the sector, the supply of houses does not satisfy the demand for houses. According to China National Statistic Bureau (2004), the population in the cities of Beijing and Shanghai has increased. Just in 2004, 370,000 people lived in Beijing, a 2.54% increase and 310,000 lived in Shanghai, a 1.81% increase. The increasing population is due to migration and urbanization.
The increase of population is too fast for the supply of houses. In the process, migration promotes economic development in the eastern coastal areas. On the other hand, migration expands demand for residential housing, including some fundamental constructions and commodities.

3.3.4. High disposable income

Fang et al. (2016) mentioned that the household disposable income in China has been increasing for the past two decades. This income growth has provided assurance to the increase of housing needs. The growth in the citizens’ income is due to the fast development of the Chinese economy. Fang et al. (2016) found that there has been a 9.0 % annual real growth rate on household disposable income.

However, some scholars like Wu Jing, J. Gyurko and Y. Deng (2010) have expressed that the Chinese have high expectations regarding the hike of housing price. The real estate market plays a significant role in Chinese economic development, as this market accounts for a big share in the national economy. A new house symbolizes an improvement in living standards. When their incomes increase, many urban families are willing to buy the second house to improve their living standards (Dreger and Zhang, 2010).

3.3.5. High savings rate

According to Chen and Yang (2013), urban household’s savings increase urban housing prices. As a result of an increase in savings in banks, the banks have to increase their loan to make profits. It is important for the banks to give more loans in order to loosen the credit condition.

Collyns and Senhadji (2002), Coleman, LaCour-Little and Vandell (2008), and Mian and Sufi (2009) all concluded that if bank credit
increases then it pushes the growth of housing prices. Tang (2014) thought the government carried out several policies to support the progress of the housing market. This may influence bank credit to increase and then to influence housing prices.

3.3.6. Huge wealth gap

According to the 2015 National Statistics Bureau, 10% of the wealthy Chinese have a total of 45% of national property as opposed to the poor who only have 1.4% of the property. Hence, a huge wealth gap between the rich and the poor exists in China. According to the 2006 living condition report issued by China National Conditions Research Association, 40% of Chinese citizens who have an annual income of 110,000 yuan have at least two sets of houses while 22% of them are planning to buy more houses in the future. According to the same report, the higher-income Chinese citizens see buying land properties as an investment, not as another place to stay. As a result of this, the housing price is constantly increasing.

3.3.7. Loose land policy

(a) Developments of land policy – The price of housing depends on the various housing policies in China. The Chinese government has a major influence in adjusting and controlling the price of land properties. This is partly due to the fact that the real estate sector affects the Chinese economy. The government has enforced many measures to control the growth of house prices. Different periods of China lead to different land policies.

(b) Changing land-use rights – In 1979, the Chinese Communist Party Central Committee and the State Council established the Special
Economic Zone to handle the various urban problems such as poor housing situations and inefficient resource distribution. The Special Economic Zone invited more foreign investment to the country with the main purpose of developing the Chinese international market. This period of time was slowly known as the Reform and Opening era.

Since 1979, there were many changes in terms of land-use rights, land tax, land management and land rules. The Special Economic Development Zones get a few business privileges, but it is only within the zone. An example of this special privilege includes the use of land for a specific period and after that the land would be returned to the government (Tang, 1989; Liu and Yang, 1990; Zhang, 1997).

In 1986, the Chinese government set up the Bureau of Land Administration. This bureau manages the allocation of land and monitors the execution of regulations regarding land-use policies. In 1988 the Chinese constitution regulated the ownership of land and land-use rights. This law was helpful for land market development until 1991 where the state allowed land users to transfer, rent and mortgage the land. Since then, land rights have started to become commercial and this system brought beneficial influences on the development of land, as well as governmental budget.

(c) Land management law – The Land Management Law was introduced in 1986 and amended in 1988. This law indicated that the land quota needs to be established every year and the land must be classified as agricultural, unused or converted agricultural to construction land. This law has to be followed by the citizens, companies and governmental sectors. The legislation agencies regulate that all land owners must be responsible for their lands and how the land is used for. This law promotes land to be used for construction.
(d) Land-use taxation – The Chinese government began to levy land-use fees for foreign companies in 1979. At first, fees were considerately low and this did not motivate the growth of the economy. In order to improve urban land use and enhance land management, the government introduced the Provisional Act of Land Value Increment Tax on State-owned Land in 1993. Taxpayers must pay a land value increment tax if they got a net profit through land-use rights transfer.

The land policy reform in China brought positive influence on the improvement of land use and has increased the development of real estate. Although there are many benefits from these policies, there are a few challenges that need to be rectified. The policy makers need to balance the demand and supply for land as there are unjust cases that emerge every now and then. Land development is good for the country’s economy while on the other hand, farmers are pressured to turn their agricultural land for the purpose of construction.

(e) Loose land policy – Land costs are a major part of housing prices and this increases the supply cost of the housing industry. It is important to comprehend the connection between real estate and land use, because it can help to interpret and forecast housing prices (Miller and Peng, 2006). If people master the relation between real estate and market of building land use, they could easily evaluate the housing industry (Ooi and Lee, 2006; Ooi, Sirmans and Turnbull, 2006). From this perspective, land policy is very important for housing prices. Land policies have a close relationship with housing prices. Easing land policies, developers and investor will reduce housing cost; it will boost the supply and further affect housing prices. The Chinese government introduced a new land policy in 2007. This policy mentions that the central government can control and use the urban and rural land for development.
On 31st August 2004, Ministry of Land Resource mentions that architectural land-use rights are granted through different forms, including tender, auctions or listings in China. These rules are named as the IAL system and the invitations are given to tenders. A local government declares a public sale, and then bidders take part in the auction at a certain date and location. This method for granting the right of land use is transparent. Listing refers to the local government issuing a notification about the exchanging land. Through this land policy, more and more developers choose to invest in the real estate. *China Yearbook*’s data show that the developers of real estate rise from 37123 in 2003 to 59242 in 2004, which represented a fast increase. Under this situation, supply in housing market will increase.

This land policy has influenced the connection between building and land prices. The high payment of land right is an important reason related to rapid rise in housing prices (Du, Ma and An, 2011). Thus, the loosening land policy is one of the important measures to influence housing prices.

### 3.4. Housing Policies in China

The Chinese government adjusted many housing policies to decrease the soaring housing prices and balance the demand and supply of houses. By narrowing the wealth gap, controlling land supply, and strengthening legal and financial system, the Chinese government can bring stability to the constant demand for houses. The next paragraphs will introduce the current housing policies used in China at the moment.

#### 3.4.1. Land policy

In June 2006, the MLR of China mentioned by the first day of 2007 the government will lower the country’s fast housing development as there is so much demand for houses. This was due to the fact that unused land
will be used for development. According to this new policy, if any enterprises allocated land for development, then they have to develop it in time. Otherwise the investor will pay the unused fee when the investors obtain the land after a year. This new land policy was then introduced to the Chinese public on November that year in the government’s effort to balance the demand and supply for land.

The Chinese government also faced a similar problem with the Chinese housing market during 2007. House prices were so high in 2007 and the supply of houses was not sufficiently available at that time. In order to bring stability, the central government introduced the Value added tax (VAT) on land trading. According to VAT, the minimum down payment for a house is 40% and the minimum mortgage rate also increases. This was used to interfere with the price of houses (Ahuja et al., 2010).

In 2008, the central government prohibited banks to hand out many loans for land buyers. The demand for houses started to decrease slowly and house prices started to stabilize. Only those who could afford a house will be able to pay the down payment for land purchase. Besides, the central government proposed the initial payment rates for many guaranties and increased the land supply for residential rather than non-residential purposes. As Zhu (2014) mentions, the lands are provided by the Chinese government, which are not for luxury houses and villas, but for big housing project for Chinese citizens and their families. He adds that the central government controls land provision for big housing projects so as to stable the balance of real estates.

3.4.2. Tax policy

The central Chinese government imposed higher property taxes to decrease the housing demand and increase the cost of construction. From 2007 onward, the transaction of a property has 5.5% tax on a house price
unit. This was a way for those who sold their houses to escape the hike on property tax. A few cities in China implemented this policy, and these cities were Beijing, Shanghai, Dalian and Shenzhen. This tax policy decreased the demand for houses (Stephen et al., 2007). The Chinese government also levied sales tax and income tax for second-hand house exchange. Through increasing tax for big size flat, the government hopes to limit the rich in buying more houses and to satisfy land use for low-income and middle-income affordable housing.

3.4.3. Affordable housing policy

From 2003 to 2006, the Chinese government intensified the market control and cooled down the housing market in this period. Chinese affordable housing is very significant for helping the low-income and medium-income families to buy houses. This kind of houses were constructed and sold by the local government at a minimum cost, and generally the price is below market prices (Ye and Wu, 2008).

Some economic programs were created to serve the low- and middle-income urban families. These programs helped the low and middle class to slowly pay for market-oriented houses. The local government provided low-cost land to economical housing developers in order to reduce taxes and build affordable houses for the low-income families in the suburban and rural areas. In the process, the local government prescribed the price lower than market housing, keeping a small profit (no more than 3 percent) (Deng, Shen and Wang, 2009).

The central government implemented the Housing Provident Fund (HPF) program to promote home ownership and to support affordable housing policies (Ye and Wu, 2008). This project comprised of 70 percent of employees in the urban regions, but the participation ratio varied. For example, in the coastal regions, the participation rate in Zhejiang provinces reached about 90 percent; in the central and western
regions, the ratio is less than 50 percent.

The original target of this fund was the low-income families, but there were a few slip-ups. Many higher-income families took an opportunity to penetrate the loopholes. To correct their mistakes, many local governments made a few adjustments to this fund. The candidate who is an adult over 30 years old has a three-year existing “hukou”. In addition, the family should meet the standards of housing, such as the income and asset condition being under the average annual income. Before applying for these funds, the applicant must first apply to the Municipal Affordable Housing Offices (MAHPO) for approval (Zhang, 2007 and Cai, 2009).

A housing act introduced by the Chinese government in 2007 mentioned that “every person in China can have a place to live”. According to this act, all citizens under the care of the government will be guaranteed basic houses. This policy states that all houses must not be smaller than 60 square meters. The government ensures that all citizens under their jurisdiction have a house to stay in (Hou, 2009).

The government makes flexible arrangements for affordable house (Wang, Shao, Murie and Cheng, 2012). The new policies mention that affordable housing can be rented. The new policy instructs joint ownership between the government and citizens regarding a piece of land. The basic housing provision system, including supply and management, would be set up and instructed by the Basic Housing Provision Act and related regulations.

3.4.4. Low-rent housing policy

The Chinese government has implemented a low-rent housing policy to assist the low-income citizens to pay for their accommodations and this policy is still continued up to this day (Ye and Wu, 2008). This low-rental housing policy is known as the Cheap Rental Housing (CRH)
program. This program is only for low-income family and not for those families who are migrating from rural to urban areas (Deng, Shen and Wang, 2009, 2011). Households must apply for a public-owned rental house. Only people are categorized into the criteria who can apply for this low-rent housing.

The first criterion is age or health situation – Chinese citizens who are older than 60 years old or they have chronic health issues. The second criterion is that the current house of the applicant is in a bad condition and the third criterion is the the person is being relocated (Wang and Murie, 2011). The government implemented the CRH program when in 2009 the Ministry of Housing and Urban-Rural Development of China (COHURD) mentioned that more than ten million citizens live with about ten square meters per person. This went against the central government act, saying that every house must not be smaller than 60 square feet.

In 2004, the central government published a announcement about Ways to Provide CRH for the poorest urban residents. Under this policy, the Chinese government would support low-rental housing with the annual budget. The central government regulated that every government needed to devote 5% of its net profit to the CRH program. Different places have different detailed standards for income limits or types of units, in order to avoid some negative aspects.

On May 22nd, 2009, the Chinese government issued a program called Cheap Rental Housing Guarantee Plan from 2009 to 2011. This plan indicated the Chinese government would spend three years to resolve buildings’ construction issues for low-income citizens. There are about 5.6 million citizens will stay in the new houses, and 1.9 million citizens will be given rental subsidies.

According to the Beijing Municipal Statistics Bureau (2011), low-income rental housing regulation is beneficial to about 40,000 families at
the end of 2009 and another 5266 households were added in 2010. From 2009 to 2010, the city constructed 4993 government-assisted housing units to be employed as low-income rental housing. Low-income rental housing has become a very significant measure to help low-income families, including vulnerable people (Wang, 2012). Thus, promoting low-income rental housing is necessary for the government. The COHURD (2010) introduced the Guidance to Speeding up Public Rental Housing to encourage affordable housing for the low-income households. The government built 19 billion flats during three years for low-income households to rent in 2013 (Zhu, 2014).

3.4.5. Financial policy

There was an oversupply of real estates in China during 2007 and this led to many companies going bankrupt. Many houses were vacant. This taught the Chinese government that over-spreading credit to the development of the housing industry would slow down the growth of the economy. Since then, the central government has been careful in controlling and adjusting the supply of and demand for houses (Ren and Wang, 2007).

China’s Ministry of Housing and Urban-rural Development (2006) stated that the Chinese government also provides housing provident fund for employers and employees. This policy has benefited 60% of all registered staff and employees in the cities. Through this, they can get low-interest mortgage loans from banks. In addition, the government implemented some credit policies, including adding the capitalization rate of housing development programs and limiting credit for development of the housing industry.

The Chinese government constrained housing investment through financial measures (Zhu, 2014). First is limiting loans to developers whose capital does not meet the standard. Second, if projects have been
vacant for more than three years, they are not permitted for a loan from commercial banks. If the household purchases a small-size flat, the down payment is 20% of the total housing price, but the down payment for a large flat is more than 30% of the total housing price. The government encourages people to resell current houses or to rent.

3.5. Summary

To summarize, the increasing housing price in China is influenced by many factors – imbalance between supply of and demand for housing, a huge wealth gap, urbanization and migration, high disposable income and saving rates. The Chinese government implements many policies to control and adjust the house prices. Policies such as affordable housing policy, low-rent policy and financial policies were implemented to provide the Chinese citizens with affordable houses.

4. People’s Perception of House Prices and Government Policies on Housing

Further to the discussion in the preceding section on the existing state of affairs about China’s housing market, possible reasons for high house prices in China and the public policies the Chinese government is seen to be using to control real estate, we move to explore the responses of the Chinese citizens regarding the house prices and the government’s policies in cities located in the country’s Eastern, Central and Western Regions. The criteria for city selection have been discussed earlier. We selected the participants of survey who were experiencing the various housing prices and policies and who were available at the time and place where the data were collected. The respondents who were in public areas were approached in order to answer the questionnaire. Our sampling size was 256 Chinese citizens from cities across the three
regions in China. The sample size consists of respondents who bought houses, who were in the process of buying a house and who were randomly assigned. The respondents of this study were teachers, professors, public officers, financial workers, company executives, self-employed people and students. The incomes of the respondents vary from the rich to the medium- and low-income groups. There were no special groups of respondents used for this survey as the purpose was to investigate the general opinion of the Chinese citizens towards the increased housing prices in China. We use the nominal scale\(^6\) to measure variables of demography, including gender, age, martial status, highest level education, job occupation, family monthly income, and situation of residential living. Analyzed using an ordinal scale, data collected in the third part of our questionnaire looks into the degree of understanding the housing policies.\(^7\)

The questionnaire is separated into four sections.\(^8\) The first section is about the demographics of the participants. The second section is related to the evolution of the Chinese property industry. It includes the factors or attributes that influence Chinese house prices such as market supply and demand, urbanization and migration, high disposable income, high savings rate, a huge wealth gap, land policy and so on. The third part also states housing policies of the Chinese government, for example, whether a loose land policy would lead to house prices rising faster, whereas with a strict policy to declining the housing prices. Tax policy and financial policies play important roles in adjusting and controlling house prices. The Chinese public responses to these policies and house prices are very significant for the study, because the result can offer advice for the government and citizens. The last section is an open question about the measures that are, hypothetically, felt should be implemented if one were a government official in a position to implement such measures.
4.1. Respondents’ Demographics

Table 1 Backgrounds of Participants

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>119</td>
<td>46.5</td>
</tr>
<tr>
<td>Female</td>
<td>137</td>
<td>53.5</td>
</tr>
<tr>
<td>Martial Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>73</td>
<td>28.5</td>
</tr>
<tr>
<td>Not married</td>
<td>183</td>
<td>71.5</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 to 30 years old</td>
<td>200</td>
<td>78.1</td>
</tr>
<tr>
<td>30 to 40 years old</td>
<td>42</td>
<td>16.4</td>
</tr>
<tr>
<td>40 to 50 years old</td>
<td>13</td>
<td>5.1</td>
</tr>
<tr>
<td>Above 50 years old</td>
<td>1</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Table 1 presents the respondents’ background in the survey. There are 256 respondents in the survey, 46.5 percent of the participants are males and the rest are females. For these respondents’ martial status, 28.5 percent among them are married. The majority of the respondents (71.5%) were not married.

More than two thirds of the respondents (78.1%) were aged 18 to 30 years old. 42 of the respondents (16.4%) were aged 30 to 40 years old, thirteen respondents were in the 40 to 50 years age group. There was only one respondent aged above 50 who answered the questionnaire. According to report in 2013 in the South China Morning Post, a Hong Kong English-language newspaper, the average Chinese citizen in the city takes on the first mortgage at 27; the average first-time home buyer
in Canada is 29 years old (Bank of Montreal), and the average age in Britain is 35.

**Table 2 Educational Level and Occupation of Participants**

<table>
<thead>
<tr>
<th>Highest Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>College and below</td>
<td>48</td>
<td>18.8</td>
</tr>
<tr>
<td>University/Bachelor</td>
<td>149</td>
<td>58.2</td>
</tr>
<tr>
<td>Master and above</td>
<td>59</td>
<td>23.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers (including college and university’s teachers)</td>
<td>17</td>
<td>6.6</td>
</tr>
<tr>
<td>Public Officials (governmental workers)</td>
<td>19</td>
<td>7.4</td>
</tr>
<tr>
<td>Self-employed People</td>
<td>13</td>
<td>5.1</td>
</tr>
<tr>
<td>Financial Employees</td>
<td>10</td>
<td>3.9</td>
</tr>
<tr>
<td>Corporate Executives</td>
<td>14</td>
<td>5.5</td>
</tr>
<tr>
<td>Workers in Companies</td>
<td>62</td>
<td>24.2</td>
</tr>
<tr>
<td>Students</td>
<td>89</td>
<td>34.8</td>
</tr>
<tr>
<td>Doctors</td>
<td>7</td>
<td>2.7</td>
</tr>
<tr>
<td>Others</td>
<td>25</td>
<td>9.8</td>
</tr>
</tbody>
</table>

Table 2 illustrates the levels of education of the participants and their occupations. About 58.2% of the participants enjoyed university education, followed by 23.0% of the respondents who had a master’s or higher level of education, while the remaining 18.8% had college or lower-level education. Students represented the largest number of respondents who participated in this study (34.8%), followed by workers in companies (24.2%). Other respondents worked as teachers (6.6%),
public officials (7.4%) and corporate executives (5.5%). Seven doctors responded to the questionnaire.

**Figure 1** Total Monthly Family Incomes (yuan)

Figure 1 illustrates the total monthly family income of the respondents. From the figure above, less than half of the respondents’ family income (47.35%) was between 5000 and 10000 yuan[viii]. About 30.13% of the respondents reported that their monthly family income was below 5000 yuan. 10.91% of the respondents listed their monthly family income between 10000 and 15000 yuan. Surprisingly a total of 11.6% of the respondents mentioned that their monthly salary was 15000 yuan and higher.
Table 3 Regions and Level of City Where Respondents Live

<table>
<thead>
<tr>
<th>Region</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Region</td>
<td>108</td>
<td>42.2</td>
</tr>
<tr>
<td>Central Region</td>
<td>91</td>
<td>35.5</td>
</tr>
<tr>
<td>Western Region</td>
<td>57</td>
<td>22.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier of City</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-tier cities</td>
<td>62</td>
<td>24.2</td>
</tr>
<tr>
<td>Second-tier cities</td>
<td>71</td>
<td>27.7</td>
</tr>
<tr>
<td>Third-tier cities</td>
<td>85</td>
<td>33.2</td>
</tr>
<tr>
<td>Fourth-tier cities</td>
<td>25</td>
<td>9.8</td>
</tr>
<tr>
<td>Fifth-tier cities</td>
<td>6</td>
<td>2.3</td>
</tr>
<tr>
<td>Sixth-tier cities</td>
<td>7</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Table 3 looks into the region where respondents live and the tier of the city. Among these respondents, 42.2 percent of them live in the Eastern Region in China, 35.5 percent live in the Central Region, 22.3 percent in the Western Region. The majority of the respondents (33.2%) live in third-tier cities while almost a quarter of the respondents (27.7%) live in second-tier cities. One quarter of the respondents (24.2%) live in the first-tier cities. 25 of the respondents or 9.8% live in fourth-tier cities, while the remaining 13 respondents live in fifth- and sixth-tier cities.

- About current house prices and trend, more than half of the respondents (66.0%) think that the prices of houses in their cities are too high and exceed the family income. However, a total of 28.1% of the respondents mention that although the price of houses is high, they still can get a loan from the bank.
With increasing income inequality since economic reform began, it is interesting to explore how different income groups perceive the problem of high housing prices. As Kate Hannan (2009) observes, the “approach to urban development now promoted by Beijing is being touted as an approach […] to be based on […] the ‘potential’ of many consumers, not just the particularly well-heeled urban market elite” in which the “particularly narrow self-interested ehavior (entrepreneurship) of real estate developers, financiers and local administrators is now to give way to sustaining national economic growth through the promotion of housing consumption that should include middle and lower income urban residents” (Hannan, 2009: 125). In view of the huge economic transformation that is undergoing in China and its volatile socioeconomic contradictions amidst expanding income gap, the perceptions of the younger generation and lower-income groups are particularly important. While it is a common perception across most income groups that the house prices are much too high and exceed the average family’s income and affordability, it is particularly obvious among those of the lowest income group (with monthly family income below 5000 yuan) and among those in the lowest age groups (below 40) and especially those below 30, while admitting our sample constraints taking into consideration the relatively smaller sample sizes of those in the categories exceeding 15000 yuan and those above 40 years old – with the sample mainly covering lower-income groups and those with age below 50 (similar consideration for our further analysis below). While the following charts of analysis do show the age group of above 50 years old, given that there is only one respondent it can be disregarded, and hence the focus is only on those below 50.
Figure 2 Perception of Current House Prices in the City by Total Monthly Family Income (% within Total monthly family income)

- Most respondents (57.40%) believe that the house prices will continue to rise, but such growth will eventually slow down. Such perception is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the youngest age groups (below 40). On the other hand, on the whole, 18% of the respondents mention that the prices of houses in China will continue to increase at a fast pace. A total of 24.6% of the respondents believe that the prices of houses in China will go down in the foreseeable future.
**Figure 3** Perception of Current House Prices in the City by Age

**Figure 4** Perception of trend of house prices by Total Monthly Family Income (% within Total monthly family income)

*Contemporary Chinese Political Economy and Strategic Relations: An International Journal 3(1) ♦ 2017*
Figure 5 Perception of trend of house prices by Age

- On reasons for high house prices, besides the 37.9% of the respondents who remain neutral regarding local government control, the majority of the respondents (34.8%) believe that the local governments loosening the house price can lead to high housing prices. At the same time, about 19.1% of the respondents strongly agree with this idea. Such complaint on government action is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the youngest age group (below 40 and especially below 30). As a whole, only a small percentage of respondents (8.2%) believe that local government are not responsible for the high housing prices in China, including 7.4% strongly disagree with it.
Figure 6 Perception of local governments loosening the housing price leading to high house prices by Total Monthly Family Income (% within Total monthly family income)

Figure 7 Perception of local governments loosening the house price leading to high house prices by Age

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An International Journal 3(1) * 2017
**Figure 8** Perception that the current high prices of houses in China are due to weak central government control by Total Monthly Family Income (% within Total monthly family income)

**Figure 9** Perception that the current high prices of houses in China are due to weak central government control by Age
• Half of the respondents (53.1%) mention that the current high prices of houses in China are due to weak government control. Such complaint against perceived government’s non-action is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the younger age groups (below 40 and especially below 30). As a whole, only a small number of respondents (10.2%) disagree that the current hike in house prices is due to government weakness. However, the remaining 36.7% of the respondents does not express agreement or disagreement with the notion that weak government control is the reason for the increase house prices.

• More that half of the respondents (57.4%) agree that urbanization and immigration is the cause for the current high house prices. Such perception is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the younger age group (below 30). As a whole, a small number of 25 respondents (9.8%) disagree with this statement of immigration and urbanization being the reason for the steep price of houses in China. A total of 32.8% of the participants stay neutral. This reflects the fact that China is experiencing the greatest migration from rural to urban areas since 1978.

• The majority of the respondents (71.5%) consider that speculation of individual investors is the cause of soaring prices of Chinese houses. Particularly strong grievance against such speculative activity as cause of rising house prices is prevalent among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the younger age groups (below 40). Only 8.2% of the respondents disagree that speculation of individual investor leads to high house prices. On the other hand, 36.3% of the respondents are not sure whether to agree or disagree with this statement.
Figure 10 Perception that urbanization and immigration is the cause for the current high house prices by Total Monthly Family Income (% within Total monthly family income)

Figure 11 Perception that urbanization and immigration is the cause for the current high house prices by Age
Figure 12 Perception that speculation of individual investors is the cause of soaring house prices by Total Monthly Family Income (% within Total monthly family income)

Figure 13 Perception that speculation of individual investors is the cause of soaring house prices by Age
Figure 14 Perception that the lack of supply of residential land is leading to high house prices by Total Monthly Family Income (% within Total monthly family income)

Figure 15 Perception that the lack of supply of residential land is leading to high house prices by Age
• Besides the large number of respondents (37.1%) who are not sure of their opinion regarding the lack of supply of residential land, a total of 93 out of the 256 respondents (36.4%) agree that the low supply of residential land is leading to high house prices. A small percentage of respondents (26.5%) disagree with this statement. Similar ambiguity is reflected in perception by income level and by age group.
• A major portion of the respondents (35%) agree that increased demand for houses in China is one of the factors for the high house price. A total of 16% disagree with this statement while only 4.3% of the respondents strongly disagree. The percentage of respondents who remain undecided is 26.2%.
• A total of 33.6% of the respondents agree that the government should ease the policies for housing loans while 9.0% strongly agree with this statement. A total of 16.4% and 6.6% of the respondents respectively disagree and strongly disagree with the easing of government policies on housing loans. About one sixth of the respondents (16.4%) remain undecided in this matter.
• On the other hand, a major portion of the respondents (29.3%) disagree with the notion that the lack of housing supply is the reason for the high house prices in China while 14.1% of respondents strongly disagree. A total of 27.3% of the respondents remain neutral on this. A total of 29.3% agree that the lack of housing supply is the reason for the increase in house prices while only a small number (2.7%) of respondents strongly agree.
• A total of 79.3% of the respondents agrees that the huge wealth gap is a reason for the increase in Chinese house prices. Such grievance against income inequality as affecting house prices is particularly obvious among those of the lower income groups (with monthly family income below 15000 yuan, 10000 yuan and 5000 yuan) and among those in the younger age groups (below 40 and below 30), though the relatively smaller sample sizes of those in the categories exceeding 15000 yuan and those above 40 years old need also to be take into consideration before deriving definite conclusions about determinants of social discontents. As a whole, only a small proportion of 8.6% of the respondents do
Figure 16 Perception that the huge wealth gap is a reason for the increase in Chinese house prices by Total Monthly Family Income (% within Total monthly family income)

Figure 17 Perception that the huge wealth gap is a reason for the increase in Chinese house prices by Age
not agree that the big wealth gap is the cause of the current situation. Only 5% of those who participated in this study remain neutral.

• A major portion (33.6%) of the respondents agree that the increase of disposable income leads to an increased in prices of houses in China. A total of 32.4% of the respondent are undecided on whether increasing savings rate leads to increase in house prices. A large number of respondents (35.5%) are indecisive about the land policy being related to the high house prices.

4.4. Intention to Own a House

• The majority of the respondents (44.54%) are currently renting a house or dormitory. Among the respondents, only 28.1% are staying in houses that they bought themselves, 14.51% stay in affordable and economical houses and 6.1% are living in welfare houses. A small number of respondents are either living in a villa (2.7%) or in a second-hand house (2.7%). Only a handful of respondents (0.8%) stay in government-assisted houses.

• There are five ways to get a house in China. Many of the respondents (30.9%) bought their houses through a loan from the banks while 27.3% of the respondents say that they bought their houses by themselves. Twenty-one respondents report that they got their houses through welfare distribution. A total of 61 of the respondents (23.8%) mention that their parents helped them to buy a house. A total of 9.8% share the fact that the house they currently stay in once belonged to their elders.

• Regarding the respondents’ purpose about buying a house, more than three quarters of the respondent (77.3%) mention that they bought a house to live in. Buying a house for marriage was the purpose of 12.5% of the respondents. Only a handful of respondents (0.78%) said they bought the house for both residential and commercial purposes, and a small number of respondents (1.6%) mention that they bought the house for investment purposes.

• On the determinants of buying a house, Table 4 indicates that nearly half of the respondents say not having a house only influences the convenience of living.
Table 4 Opinion on Importance of Buying a House and Consideration of Buying a House

<table>
<thead>
<tr>
<th>Whether being without a house influence daily life</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No influence</td>
<td>23</td>
<td>9.0</td>
</tr>
<tr>
<td>Only influences convenience for living</td>
<td>141</td>
<td>49.2</td>
</tr>
<tr>
<td>Influences marriage</td>
<td>93</td>
<td>36.3</td>
</tr>
<tr>
<td>Influences enjoying welfare policy</td>
<td>14</td>
<td>5.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Considering buying a house</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am ready to buy a house within five years</td>
<td>64</td>
<td>25.0</td>
</tr>
<tr>
<td>I am not sure; it depends on the trend of housing price</td>
<td>90</td>
<td>35.2</td>
</tr>
<tr>
<td>I want to buy a house, but I cannot afford it</td>
<td>79</td>
<td>30.9</td>
</tr>
<tr>
<td>I do not intend to buy a house</td>
<td>23</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Figure 18 Acceptable House Price per Square Meter
Not having a house influences the marriage life of 36.3% of the respondents, while 9% respondents mention that not having a house does not influence their daily life. The majority of the respondents (35.3%) mention that they are not sure about buying a house as it all depends on the current housing prices. About 30.9% of the respondents state that they want to buy a house, but they cannot afford to pay for the house. On the other hand, a quarter of the respondents are ready to buy a house in five years. A small percentage of respondents (9.0%) do not intend to buy a house.
• On factors to consider when buying a house, most of the respondents (77%) state that the factor to consider when buying a house is the traffic condition. Other determinants of buying a house are its price (74.6%), education (67.2%), location of the house (66%), land appreciation (51.2%) and housing policies (49.6%).
• On house affordability, Figure 18 illustrates the housing price that the respondents can accept. Four fifths (80.5%) of the respondents can accept square meter that costs below 10 thousand yuan. The price range of 10 to 20 thousand yuan per square meter is still acceptable to 13.3% of the respondents. Barely 5.9% of the respondents can accept the price range of 20 to 30 thousand per square meter while very few (0.9%) claim that 30 thousand and more is reasonable.
• On floor space, the majority of the respondents (70.3%) reports that a house that is 80 to 120 square feet is sufficient enough for living. Less than a fifth of the respondents (18.8%) express that they require a house that is within 120 to 160 square feet. Only 6.3% of the respondents say that a house under 80 square feet is all that is required, while 4.7% state that the house must be above 160 square meters.
• Table 5 shows that at least 53.3 percent of respondents whose monthly household income is below RMB5,000 yuan can afford house prices currently below RMB5,000 yuan. Those in the monthly household income group between RMB10 thousand to RMB20 thousand yuan are paying below RMB5,000 of
Table 5 Acceptable House Price by Monthly Household Income

<table>
<thead>
<tr>
<th>Monthly Household Income (yuan)</th>
<th>Below 10,000</th>
<th>10,000-20,000</th>
<th>20,000-30,000</th>
<th>Above 30,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>House price respondents can accept (yuan)</td>
<td>Below 5,000</td>
<td>53.5%</td>
<td>28.9%</td>
<td>8.3%</td>
<td>75.0%</td>
</tr>
<tr>
<td></td>
<td>5,000-10,000</td>
<td>33.3%</td>
<td>21.1%</td>
<td>50.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>10,000-15,000</td>
<td>8.1%</td>
<td>34.2%</td>
<td>33.3%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>15,000-20,000</td>
<td>0%</td>
<td>2.6%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>20,000-25,000</td>
<td>4.5%</td>
<td>5.3%</td>
<td>8.3%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>25,000-30,000</td>
<td>0%</td>
<td>7.9%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Above 30,000</td>
<td>0.5%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>198 (100%)</td>
<td>38 (100%)</td>
<td>12 (100%)</td>
<td>8 (100%)</td>
<td>256 (100%)</td>
</tr>
</tbody>
</table>

Note: As $\chi^2=4.626$, at df=1, $P$-value=0.031. Thus significant.

house prices, accounting for 28.9 percent. About 8.3 percent of those with the monthly household income group between RMB20,000 to 30,000 yuan can accept house price below 5000 yuan. 75 percent of the respondents whose monthly household income is above 30,000 yuan can afford below 5,000 yuan of house price per square meter. The results can support the conclusion that acceptable house price relates to their total household income.
Table 6 Demand for House Area/Floor Space by Monthly Household Income

<table>
<thead>
<tr>
<th>Demand for house area/floor space</th>
<th>Below 80 square meters</th>
<th>From 80 to 120 square meters</th>
<th>From 120 square meters to 160 square meter</th>
<th>Above 160 square meters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Household Income (yuan)</td>
<td>Below 10,000</td>
<td>10,000-20,000</td>
<td>20,000-30,000</td>
<td>Above 30,000</td>
<td></td>
</tr>
<tr>
<td>Below 10,000</td>
<td>5.1%</td>
<td>15.8%</td>
<td>0%</td>
<td>0%</td>
<td>16 (6.3%)</td>
</tr>
<tr>
<td>10,000-20,000</td>
<td>76.8%</td>
<td>52.6%</td>
<td>58.3%</td>
<td>12.5%</td>
<td>180 (70.3%)</td>
</tr>
<tr>
<td>20,000-30,000</td>
<td></td>
<td>41.7%</td>
<td>12.5%</td>
<td></td>
<td>48 (18.8%)</td>
</tr>
<tr>
<td>Above 30,000</td>
<td>15.2%</td>
<td>31.6%</td>
<td>12.5%</td>
<td>75%</td>
<td>12 (4.7%)</td>
</tr>
<tr>
<td>Total</td>
<td>198 (100%)</td>
<td>38 (100%)</td>
<td>12 (100%)</td>
<td>8 (100%)</td>
<td>256 (100%)</td>
</tr>
</tbody>
</table>

Note: As $\chi^2=25.925$, at df=1, P-value=0.00. Thus significant.

It should be noted that although some people have income less than other people, their might have much richer parents. Besides, some of them have performance pay, for example, sales people only have a low salary, but they have a high performance pay. Therefore, some people sometimes have low salary, but they can pay a higher house price.

• As shown in Table 6, respondents whose monthly household income is below 10 thousand prefer to choose house area from 80 to 120 square meters.
Table 7 Type of Housing Respondents Live in by Monthly Household Income (% in brackets)

<table>
<thead>
<tr>
<th>Monthly Household Income (yuan)</th>
<th>Below 10,000</th>
<th>10,000-20,000</th>
<th>20,000-30,000</th>
<th>Above 30,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of housing respondents live in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renting housing and dormitory</td>
<td>100 (50.5%)</td>
<td>14 (36.8%)</td>
<td>0</td>
<td>0</td>
<td>114 (44.5%)</td>
</tr>
<tr>
<td>Buying commercial housing by</td>
<td>49 (24.7%)</td>
<td>14 (36.8%)</td>
<td>7 (58.3%)</td>
<td>2 (25%)</td>
<td>72 (28.1%)</td>
</tr>
<tr>
<td>relying on oneself</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable and economical housing</td>
<td>26 (13.1%)</td>
<td>6 (15.8%)</td>
<td>4 (33.3%)</td>
<td>1 (12.5%)</td>
<td>37 (14.5%)</td>
</tr>
<tr>
<td>Welfare housing</td>
<td>14 (7.1%)</td>
<td>3 (7.9%)</td>
<td>0</td>
<td>0</td>
<td>17 (6.6%)</td>
</tr>
<tr>
<td>Villa</td>
<td>3 (1.5%)</td>
<td>0</td>
<td>0</td>
<td>4 (50%)</td>
<td>7 (2.7%)</td>
</tr>
<tr>
<td>Government-assisted housing</td>
<td>1 (0.5%)</td>
<td>0</td>
<td>0</td>
<td>1 (12.5%)</td>
<td>2 (0.8%)</td>
</tr>
<tr>
<td>Second-hand housing</td>
<td>5 (2.5%)</td>
<td>1 (2.6%)</td>
<td>1 (8.3%)</td>
<td>0</td>
<td>7 (2.7%)</td>
</tr>
<tr>
<td>Total</td>
<td>198 (100.0%)</td>
<td>38 (100.0%)</td>
<td>12 (100.0%)</td>
<td>8 (100.0%)</td>
<td>256 (100.0%)</td>
</tr>
</tbody>
</table>

Note: As $\chi^2 = 17.096$, at df=1, $P$ value=0.00. Thus significant.
Nevertheless, this same preference is obvious too for those with other monthly household income.

- On the other hand, as shown in Table 7, among respondents whose monthly household income is below 10,000 yuan, most of them (about 50.5%) are renting a house and dormitory, about 24.7% have purchased commercial housing by relying on themselves. 13.1% and 7.1% of the respondents are living in affordable & economical housing and welfare housing respectively.

  There are no respondents whose monthly household income is above 30,000 yuan living in rent and dormitory or second-hand house. This is a common phenomenon. Among the high household income group, 25.0% and 12.5% have purchase a commercial house or affordable and economical house. This is because at the beginning the Chinese government does not have detailed regulations about affordable and economical house, about who can buy this kind of houses.

  Among respondents whose monthly household income is between 10,000 and 20,000 yuan, the same proportion (36.8%) live in rent and dormitory or buy commercial house. Among this group, those who have purchased affordable and economical houses or welfare houses account for 15.8% (6 participants) and 7.9% (3 participants) respectively, and these percentages are less than those whose monthly household income is below 10,000 yuan.

- Impact of government’s housing policies on house prices, Figure 19 summarizes the fundamental measure to stabilize the house prices. The findings show that the respondents believe that the best ways to stabilize house prices in China are by adjusting several policies. These policies include tax (48.4%), loan (47.4%), land (45.3%), and finance (43.8%) policies. Other ways of stabilizing the prices of houses are by controlling the supply of and demand for houses (51.2%), regulating market policies (48.4%), putting forth affordable housing policies (43%) and implementing low rent policy (39.1%).

- Regarding public responses regarding the effectiveness of government policies for suppressing the housing prices, more than half of the respondents (51.7%)
Figure 19 Opinion on Most Fundamental Measures to Stabilize House Prices

It is interesting to note that government policies do not determine the price of houses in China. Such lack of confidence in immediate effectiveness of government action on suppressing rise in house prices compared to the opposite, favourable view and perception on future prospects is particularly obvious among those of the lower income groups (with monthly family income below 10000 yuan and 5000 yuan) and among those in the younger age groups (below 40 and below 30), though the relatively smaller sample sizes of those in the categories exceeding 10000 yuan and those above 40 years old need also to be take into consideration before deriving definite conclusions. As a whole, a quarter of the respondents agree that government policies effectively curb the house prices and maintain the status quo. The rest (28.3%) state that government policies influence the future prices of houses in China.
Figure 20 Perception that government policies are effective in suppressing house prices by Total Monthly Family Income (% within Total monthly family income)

Figure 21 Perception that government policies are effective in suppressing house prices by Age
• Regarding public responses to house prices, more than half of the respondents (56.5%) consider the salary when they work before they decide on buying a house. More than one quarter (27%) of the respondents will consider the location of the residential area before committing into buying a house. The high cost of buying a landed property is the motivation to work hard for 11.3% of the respondents in order to gather the necessary money to buy a house. Only 5.1% of the respondents are willing to pursue a higher education in order to get a high-paying job that can pay for a house.

• Regarding public responses to the newest housing policy, a large number of respondents (65.2%) occasionally hear about and understand the new housing policies in China. A total of 22.7% of the respondents state that they often read and understand the new housing policies introduced and implemented by the government. Only a handful of respondents (3.1%) read about the new housing policies every day while 23 respondents (9%) hardly know anything regarding the new housing policies.

• Regarding public perception of difficulties that the government is facing the majority of the respondents (29.7%) believe that contradiction between the shortage of land and the demand for land resources cause the governmental macroeconomic adjustment hard to control and adjust. About 26.6% consider contradiction between social justice and efficiency of market operation as the main difficulty to control and implement housing policy. Almost 21.9% of participants believe that a contradiction between supply of and demand for housing makes macroeconomic coordination difficult. Similarly, 21.9% of the respondents think that the contradiction of the goal between the central government and local government makes macroeconomic adjustment difficult. The findings illustrate public perception of the reason why Chinese government’s housing policies cannot achieve the best effect for controlling housing price. It is interesting to see that contraction between social justice and efficiency of market operation as hampering efforts of the government in controlling house prices is felt most acutely by the youngest age group (below
Figure 22 Perception of the difficulties that the government is facing in controlling house prices and implementing housing policy by Total Monthly Family Income (% within Total monthly family income)

Figure 23 Perception of the difficulties that the government is facing in controlling house prices and implementing housing policy by Age
30), while the findings among income groups are more ambiguous with the feeling found more acutely among those with monthly income below 5000 and those within 10000-15000 category, much more than those within the 5000-10000 category – a lack of conclusive evidence, as we observed before, could be partly attributed to variations in sample sizes among income categories.

- About opinion on steps taken by the Chinese government in controlling house prices, we find a quarter of the respondents mentioning that the central government should take advantage of tax policy to adjust consumption and benefit of housing. A total of 18% of the respondents state that the government must establish and improve laws and regulations. More than a sixth of the respondents (15.6%) say that more stringent differential housing credit should be implemented. Thirty-three of the respondents (12.9%) suggest that the government must adjust the structure of housing. About 11.7% of the respondents mention that the government has to establish systems of assessment and accountability. Twenty-two of the respondents (8.6%) say that effective financial policies must be implemented. The remaining 8.2% of our 256 respondents suggest that residential land should be increased.

After providing the demographic characteristics of the respondents, this section has proceeded to reveal the different perceptions and opinions of the respondents regarding house prices and the Chinese government’s housing policies. The findings reveal public perceptions and opinions about the current house prices and trend of house prices, reasons behind high house prices, determinants of purchasing a housing, housing affordability which includes the relationship between household income and house prices, the requirement about residential area, and the type of housing the respondents live in.

In addition, it also reveals public views of the impact of the Chinese government’s housing policies on house prices. It also shows public responses concerning house prices, governmental policies, the newest
housing policies and the difficulties of macroeconomic adjustment. Lastly it also presents some measures that the respondents want the government to implement or adjust.

5. Conclusions

Chinese house prices have been receiving huge coverage in both the domestic and the international media. Although the Chinese government has implemented many policies to control house prices, especially house prices in the big cities, it is obvious that there is disequilibrium between demand for and supply of houses. Even though numerous housing policies have been put in place to overcome that, house prices in China are still rising. The Chinese government cannot provide sufficient number of housing units for its citizens and this causes the house prices to continue to rise. Many Chinese citizens from the low- and middle-incomes group find it difficult to purchase a house in the cities due to high house prices. This paper covers the current situation of house prices in China, introduces the existing state of affairs about the Chinese housing market, explores a series of important reasons for high house prices, examines various public policies the Chinese government is using to control real estate, as well as reveals the governments’ and citizens’ response to increasing house prices. For this paper, a questionnaire was used to gather information regarding the opinion of the Chinese citizens. There are 256 completed questionnaires. The respondents were from different cities in the different regions of China.

5.1. Perception of the Current Situation of Housing Market in China

It was found that more than half of the respondents (60%) express the view that the house prices are too high and have exceeded their monthly income. According to Chen and Wen (2015), house prices have
experienced rapid growth in China, increasing faster than China’s aggregate income, and a study of 35 major cities in China found that average real house prices have grown at an annual ratio of around 17 percent for the past ten years, far exceeding the nation’s 10 percent average gross domestic product growth in the same period. More than half of our respondents (57.4%) believe that the price of houses in China will increase, but the increase will slow down.

5.2. Opinions on Reasons of High House Prices

The following are the respondents’ opinions on reasons why the prices of houses in China are increasing so fast. The first reason perceived is that the local government starts to ease the house prices. The housing sector has a close relationship with the growth of the economy. According to this view, if the local government eases house prices, their economic performance index will easily suffer. Therefore, compared to controlling the house prices, the local governments actually prefer to see the phenomenon of prosperity. The second reason perceived is weak central government control of the property market. Since the reform of housing system has been accomplished, the central government eases control of the housing sector. Being market-driven, house prices soar and the market fails to adjust the high house prices fast. The third reason perceived is the fast development of urbanization and immigration that leads to an imbalance relationship between demand for and supply of houses. Migration increases the demand for residential housing and therefore can influence prices (Garriga et al., 2016). Other reasons perceived also include real estate speculation by individual investors, lack of residential land, government easing housing loan, a huge wealth gap between rich people and poor people, rise in disposable income and savings rate and finally land policies introduced and implemented by the government.
5.3. Determinants of Purchasing a House

Our respondents indicate that factors such as location, land appreciation, education, policies on housing units, especially on housing prices, and convenient traffic are the reasons why they have decided to buy a house. For example, we mentioned that “hukou” can give Chinese citizens better welfare and education. If the Chinese citizens want to secure “hukou”, they can buy houses in these cities. Of course, people have to consider the housing prices when they want to buy houses.

5.4. Housing Policies in China

The Chinese government has introduced and implemented housing policies to lower the prices of houses. Policies such as land policy, tax policy, loan policy, financial policy, affordable housing policy, low-rent housing policy and market regulatory policy are implemented to balance the demand for and supply of houses and lower the housing prices. Although these policies have some influence on house prices, the government has to accept the fact that house prices are still rising. Therefore, strengthening housing policies are necessary. On the contrary, those policies which only have the form but are not effective need to be canceled. In addition, only 0.8% and 6.1% of the respondents are living in government-assisted housing and welfare housing respectively. Thus, the government needs to strengthen the implementation of theses policies and enable more low- and middle-income households obtain home ownership.

5.5. Public Perceptions and Responses

Half of the respondents believe that the Chinese government policies will influence the trend of house prices. Half of the respondents are still doubtful about the government’s role in implementing the current
housing policies. This is due to the fact that prices of houses in China are still skyrocketing.

In terms of responses to high house prices, a majority of the respondents will consider the salary when they find a job before they decide to buy a house. Almost one third of the respondents will consider the residential area. The Baidu encyclopedia (the Chinese search website) indicates that most first-tier cities such as Shenzhen and Guangzhou account for the top ten in high house prices. In such cities, the residential area becomes important consideration for some citizens with lower-than-average monthly household income.

In terms of public responses to the new housing policy, a large number of respondents occasionally hear about and understand the newest housing policies in China. Housing price is a hot topic among the people.

In terms of public perception of the difficulties that the government is facing in macroeconomic adjustment, the majority of the respondents attribute that to the contradictions between the central government’s goal and the local government’s goal. The shortage of land and the demand for land resources, social justice and efficiency of market operation, supply of and demand for housing which are difficult to coordinate are among the difficulties considered by the respondents. Because of these contradictions, some policies lose their effectiveness. For example, the central government wants to control housing prices, but the local government wants to accelerate the development of the housing industry and achieve the goal of performance.

Finally, most of the respondents offer some steps to control house prices. For example, taking advantage of tax policy to adjust consumption and benefits of housing is a good approach. In other words, the government can try to narrow the wealth gap through personal income taxation of the rich, and this will reduce the rich’s opportunity of
purchasing another house. Establishing laws and regulations on housing and implementing more stringent housing policies are necessary. Adjusting the structure of housing, increasing residential land, and establishing a system of assessment and accountability are feasible schemes. Only when different levels of governments shoulder this common responsibility, housing prices can be controlled.

5.6. Recommendations and Limitations

In conclusion, this study has demonstrated that the house prices are very high in China and the house prices exceed the average annual income of most people. In addition, the factors that contribute to higher house prices, as perceived by the people, have been identified. The Chinese government has implemented policies to control and adjust house prices, although some of these policies have failed to achieve the desired results.

Some recommendations can be given as follows. First, as shown in our findings, the higher the level of education of respondents, the higher monthly household income they have. Thus, the government should improve the level of citizen’s education in the long term. The findings reveal that education has a close relationship with income. Those respondents with higher education have higher income and thus can afford to buy houses even if the prices are high. The government should take the responsibility to improve the level of education. Secondly, the development of the housing market should rely on governmental policies. The government should implement effective measures to guarantee the welfare of the low- and moderate-income groups, for example, place-targeted policies which means promoting the development of urban villages. That is to say, the government should invest directly in buildings in urban villages or induce companies to construct affordable houses there by reducing taxes. This reduces the
housing cost for the poor who have migrated from backward areas to wealthy areas. This policy will enable more people to buy houses in cities. Although this policy is beneficial for low-income households, if people could not understand the policy they will not be able to enjoy the benefits from the policy. Therefore, to implement with higher effectiveness, it is important that the policies have to be known and understood by the people.

The third recommendation is that the government should have detailed standards or laws to prevent the speculative activities of individuals. Speculation of individuals will increase the house prices. Thus, the government should tackle this kind of problems in order to guarantee that every citizen can buy their own houses. The fourth recommendation is that the government should build more affordable housing, including welfare houses, government-assisted housing and low-rent housing. The fifth recommendation is that punishment and controlling mechanism should be strictly implemented. The sixth recommendation is to narrow the wealth gap and reduce poverty in order to enable more people to enjoy welfare and fairness in housing.

The data for this study were collected during the final four months of 2015. The opinions of the respondents might have changed after that in response to some new policies implemented. The policies discussed in this paper were all implemented before April 2016 and some new policies introduced by the government thereafter could be different from those highlighted and discussed in this paper.

In terms of sample, the findings could be more representative and accurate if the study had covered more cities and citizens. Furthermore, as we were using a quantitative approach, it might not have provided enough details regarding the opinions of the Chinese citizen compared to a mix of quantitative and qualitative methods. In this regard, housing investors and developers should have been covered in the study, because
they are treated as a main body in the housing market. Finally, the huge economic transformation that is undergoing in China and its volatile socioeconomic contradictions amidst expanding income gap have made the perceptions of the younger generation and lower-income groups particularly important for policymakers to take into consideration. However, besides the limitation due to variations in sample sizes across income categories and age groups (with the sample mainly covering lower-income groups and those with age below 50) that has posed some constraints in explanatory power and in deriving conclusions, space limitation also make a more detailed treatment of this important aspect beyond the scope of the present paper.

Notes

+ An earlier version of this paper was presented at the Conference on “Cross-Boundary Public Governance: Dialogue and Cooperation”, organized by the Chinese Association of National Competitiveness (CANC) in New Taipei City, Taiwan, 30th September 2016.

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dynamics in the Asia-Pacific: National identity, economic integration and political governance (edited special issue, CCPS, 2016), Crossing the Chinese frontier: Nation, community, identity and mobility (edited special issue, CCPS, 2015), China – State, public policy and society (guest edited special issue, CJS, 2014), June Fourth at 25: The quarter-century legacy of Tiananmen (edited special issue, IJCS, 2014), Taiwan: Democracy, cross-Strait relations and regional security (edited Focus issue, IJCS, 2014) and China: Developmental model, State-civil societal interplay and foreign relations (edited monograph, 745 pp. + xxi, ICS, 2013). His latest research projects include the Malaysian Ministry of Higher Education/University of Malaya High-Impact Research (HIR) Grant project “The China Model: Implications of the contemporary rise of China” (2013-2016, principal investigator) at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, and Suntory Foundation/University of Tokyo international research grant project “Beyond ‘China threat theory’: Dialogue with China experts on the rise of China” (2014-2015, Malaysian component). <Email: yeohkk@um.edu.my, emileyeo@gmail.com; website: http://emileyeo5.wix.com/emileyeo>

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1. The National Bureau of Statistics in 2012 indicated the house prices in many big cities such as Shenzhen and Guangzhou were consecutively down for the first four months of the year (Rothstein. 2012).

2. 1 yuan / 元 (Chinese currency Renminbi / 人民币) is equivalent to about US$0.147.

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3. 北京、上海、深圳、天津、西安、鄭州、蘭州、成陽、保定、西寧、
哈爾濱、昆明。
4. Deng Xiaoping ( 鄧小平 ) is the first leader to change the Chinese policies
and structure of the national economic system.
5. For the technique of convenience sampling, see Zikmund et al., 2010.
6. According to Sekaran (2003), measurement scales refer to ways to
distinguish different types of variables. The measurement depends on the
variables that are used for the analysis. The four types of data are nominal,
interval, ordinal, and ratio scale. Nominal scale is used by the researcher to
get personal messages or demographic information about the respondents.
According to Sekaran (2003), nominal scales are used by the researcher for
labeling variables, in other words, the researcher can classify items into
groups. Zikmund and other authors (2010) present a more clear-cut
definition of nominal scale as a type of data that represent the most basic
standard of measurement in which labels are distributed to a label for
distinction or category purpose.
7. Ordinal scales refer to non-numeric concepts like satisfaction, happiness,
and discomfort. Ordinal scale is fitted to measure these variables because it
can classify the qualitative differences in the label of interest and permit
for the ranking ordering of these classifications in a significant way
(Sekaran, 2003). In other words, an ordinal scale is a ranking scale.
8. Questionnaire (English translation of Chinese original):

Section A – Background of Respondents
(1) Your gender – ○ Male / ○ Female
(2) Your marital status – ○ Yes, I am married / ○ No, I am not married
(3) What’s your age? – ○ 20 to 30 years old / ○ 30 to 40 years old / ○ 40 to 50 years old / ○
Above 50 years old
(4) What’s your highest level of education? – ○ College and below / ○ University/Bachelor / ○
Master and above
(5) What’s your occupation? – ○ Teachers (including college and university’s teachers) / ○
Public officials (governmental workers) / ○ Self-employed people / ○ Financial employees / ○
Corporate executives / ○ Workers in companies / ○ Students / ○ Doctors / ○ Others
(6) What’s your total monthly family income (RMB)? – ○ Below 5,000 / ○ 5,000 - 10,000 / ○
10,000 - 15,000 / ○ 15,000 - 20,000 / ○ 20,000- 25,000 / ○ 25,000 - 30,000 / ○ Above 30,000

CCPS Vol. 3 No. 1 (April/May 2017)
(7) Where do you live in China? – ○ Eastern Region / ○ Central Region / ○ Western Region
Section B – Survey of Chinese Real Estate
(9) What’s your idea about the trend of house prices in China? – ○ Continuous and quickly to rise / ○ Continuous to rise but the speed will slow / ○ Begin to decrease dramatically / ○ Decline marginally
(10) What’s the current house price in your city? – ○ The price is much too high and beyond the average family’s income / ○ The price is high, but citizens can accept it, as citizens can loan from the bank / ○ The price is a little high / ○ The price is not high
(11) What are the reasons that lead to high housing prices?

<table>
<thead>
<tr>
<th>Reason</th>
<th>1 Strongly Disagree</th>
<th>2 Disagree</th>
<th>3 Neutral</th>
<th>4 Agree</th>
<th>5 Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local government loosening the housing policies</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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<tr>
<td>Weak central government control</td>
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<tr>
<td>Urbanization and immigration</td>
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<tr>
<td>Speculation of individual investor</td>
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<tr>
<td>Lacking supply of residential land</td>
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<td>○</td>
</tr>
<tr>
<td>Increasing demand of houses</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Government loosening housing loan</td>
<td>○</td>
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<td>○</td>
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<tr>
<td>Lacking supply of housing</td>
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<td>○</td>
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<td>○</td>
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<tr>
<td>Increasing of disposable income</td>
<td>○</td>
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<td>○</td>
<td>○</td>
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<tr>
<td>Increasing of saving rate</td>
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<td>Huge wealth gap</td>
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<tr>
<td>Government loosening land policy</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

(12) State the type of housing you live in now – ○ Rent and dormitory / ○ Renting housing and dormitory / ○ Buying commercial house by relying on oneself / ○ Affordable and economical housing / ○ Welfare housing / ○ Villas / ○ government-assist housing / ○ Second-hand housing
(13) What’s the way of getting the housing? – ○ Buying housing by oneself / ○ Work units allocate welfare houses / ○ The elder’s property / ○ Buying housing by loan / ○ Buying housing by relying on parents’ help
(14) If you do not have a house of your own, do you think it will affect your daily life? – ○ No influence / ○ Only influences convenience for living / ○ Influences marriage / ○ Influences enjoying welfare policy
(15) Are you considering buying a suite? – ○ I ready to buy the house within five years / ○ I am not sure, it depends on the trend of housing prices / ○ I want to buy, but I cannot afford it / ○ I do not intend to buy house
(16) What’s the purpose of buying a house? – ○ Resale and appreciate / ○ Living / ○ Marriage / ○ Both residential and commercial / ○ Others
(17) What are the determinants of buying residential housing?

<table>
<thead>
<tr>
<th>Determinant</th>
<th>1 Strongly Disagree</th>
<th>2 Disagree</th>
<th>3 Neutral</th>
<th>4 Agree</th>
<th>5 Strongly Agree</th>
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<td>Traffic</td>
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<td>Others</td>
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</tbody>
</table>
(18) How much house price per square meter that you can accept (RMB)? – ○ Below 5,000 / ○ 5,000-10,000 / ○ 10,000-15,000 / ○ 15,000-20,000 / ○ 20,000-25,000 / ○ 25,000-30,000 / ○ Above 30,000

(19) What’s the requirement about residential area? – ○ Below 80 square meters / ○ From 80-120 square meters / ○ From 120-160 square meters / ○ Above 160 square meters

Section C – Housing Policies of Chinese Government

(20) Do you think government policy to suppress the house prices is effective? – ○ Yes, it effectively curbs house prices and maintains the status quo of house prices / ○ No, it cannot play a determining role / ○ None, but it may influence obviously house prices in the future

(21) In housing policies, which do you think is the most fundamental measure to stabilise the house price?

<table>
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<tr>
<th></th>
<th>1 Strongly Disagree</th>
<th>2 Disagree</th>
<th>3 Neutral</th>
<th>4 Agree</th>
<th>5 Strongly Agree</th>
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<td>Adjust land policy</td>
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</table>

(22) What’s the impact on you from housing prices? – ○ Working harder / ○ Considering the wage when I get the opportunity of employment / ○ Choosing residential city / ○ Pursing better education

(23) Do you know the newest housing policy? – ○ Know nothing about it / ○ Occasionally hear something about it / ○ Often read some information about it / ○ Read this kind of information every day

(24) What are the difficulties that the government is facing in macroeconomic adjustment? – ○ Contradiction of the goal between the central government and local government / ○ Contradiction between the shortage of land and the demand of land resources / ○ Contradiction between social justice and efficiency of market operation / ○ Contradiction between supply and demand of housing

Section D – The Future of Governmental Adjustment and Control

(25) If you were a government official, what are the measures that you will take?

9. As this table shows, no matter who are in the high-income group and who are in the low-income group, most of them can accept housing prices below 5,000 yuan.

10. This kind of payment is, however, not permanent.

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