

China's Housing Market: A Policy Assessment and Outlook for Wood Consumption

Under China's centrally planned economic system, the housing industry was considered a non-productive sector. As a consequence, investment in housing was lacking. Urban housing was treated as a form of social welfare that was the responsibility of state-owned enterprises. Since economic reforms began in 1978, however, China began a process of radical structural change. In particular they are developing the legal, administrative and regulatory framework to support a market economy. CINTRAFOR is developing a report that reviews these changes in China's housing market, including an analysis of the effects of these changes on wood consumption. The report will be available in October 2001.

Many housing reforms have been introduced since 1987 when the Chinese government granted control of a plot of land in Shenzhen to a real-estate developer. This first policy change, which transferred property rights from government to a private party, was followed by many other policies to promote privately-owned housing. A multi-layered housing policy has been introduced to allow people of varying income levels to afford their own houses. This policy includes extending mortgage loans to improve the affordability of urban housing and eliminating certain taxes to stimulate construction. The government aims to: (1) reduce its burden to provide and maintain housing through its state-owned enterprises, (2) detach employees from work units and associated housing benefits, and (3) increase an individual's equity in home ownership. The purpose of this study is to provide an overview of China's current housing policies and associated problems and to determine what opportunities exist to increase wood consumption through promoting construction techniques that lower home building costs and increase the use of value-added wood products in home decor. Many of the opportunities for wood housing construction occur in rural areas, whereas many of the opportunities for value-added products are in urban centers.

Some facts included in the CINTRAFOR report include:

- Average living space has grown from 4m² in the 1980s to 9 m² by 2000. The goal is to reach 12m² by 2010.
- There are two housing markets in China, an open market and a state-owned market. Housing prices in the open market are generally too high for the average urban resident. As a result, there is an oversupply of newly-built homes. Conversely, rents for state-owned properties are too low and cannot be adjusted without significant wage reforms. These wage reforms are critical for the success of the housing sector reforms.
- Housing reforms generated \$80 billion in new housing-related spending in 1998 (9% of GDP) and \$150 billion in 1999.
- Disposable income has increased by an average of 6% in urban areas over the last 5 years, and 5.4% in rural areas.
- Rising incomes among China's emerging middle class, many of whom still live in accommodations provided by their employer, have pushed up spending on furniture and interior decoration.
- China's furniture industry output has increased nearly 40% annually since 1986.

