CHINA'S HOUSING POLICY IN THE 13TH FIVE-YEAR PLAN

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Executive Summary

1. The housing sector was given brief attention in the Guideline of the 13th Five-Year Plan; however, some relevant stipulations on population policy, urbanisation, government role, land, fiscal, taxation and financial systems are anticipated to have positive impacts on future housing development; the effect may take time to take place and many challenges remain.

2. The Guideline indicates that China is making a shift in its economy from investment-driven to consumption-oriented, and the nature of housing from an economic stimulator to a socio-economic concern in national development. Future housing development will focus on construction quality, inhabitants' living conditions and environmental sustainability.

3. Despite the brief mention, the Guideline does not suggest that housing is no longer important for China's future economic development. Housing prosperity remains essential for attaining 6.5% in gross domestic product (GDP) growth and ensuring social harmony.

4. Nevertheless, the contribution of housing development to future economic growth is expected to dip. In reality, the leadership is targeting a moderately thriving and stable housing market to sustain economic growth and social harmony.

5. To sustain housing prosperity, the leadership proposed to "accelerate *hukou* reform to stimulate housing consumption" to reduce the glut in the housing market, which is a drag to the growth in real estate investment and GDP. The 200 million rural migrants in the urban areas will constitute the major market for housing.

6. The leadership is apparently trying to stimulate housing consumption by *hukou* reform to invigorate the housing market, facilitate urbanisation and transform the economy.

7. Nevertheless, this proposal could have limited effect on alleviating the glut in low-tier regions as economy revival in such regions is likely the most effective way to attract population inflow and boost housing demand.

8. Overall, the supportive statements in the Guideline, together with the recent housing measures and official statements, are targeting at creating a friendly policy atmosphere for the development of a moderately prosperous housing market in the coming years.

9. However, a holistic economic climate is essential for a moderately prosperous housing development as an economic slowdown will affect capital and labour resources in the housing sector and the supply of construction materials; without steady employment and income increases, the housing market is out of the reach of many.

10. The role of the local government is also critical. Many local governments are struggling with their fiscal situations; they might not support the shifting role of housing in the consumption-oriented economy model as it could significantly reduce their fiscal income from the land sector.