

**INTENSIFYING STATE INTERVENTION IN
CHINA'S LAND AND HOUSING MARKETS**

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Executive Summary

1. China's housing reform is fraught with problems relating to the overheated private housing market, the lack of social housing, and the housing affordability problem of 70% of its total urban population. These problems have led to great social grievances in recent years.
2. More efforts are thus required to improve the market efficiency of the private sector, housing affordability of the majority and social housing provision for its poorest citizens. Since 2010, the central government has adopted a series of regulations and measures to alleviate such problems and social discontent.
3. The *Notice on Issues Related to Further Regulation of the Real Estate Market* released on 26 January 2011 provides further implementation targets and details to the 2010 measures in terms of the supervision and accountability system of local governments, construction of social housing, housing mortgage limitations, housing purchase limitations, participating cities, etc.
4. These draconian cooling measures have put the brake on the land and housing markets, particularly in some large cities with relatively faster economic growth. Dramatic decreases in the number of transactions and adjustments in prices were registered.
5. Social housing development had been depressed until the late 2000s. The 2010-2011 intervention focuses on not only the administrative and monetary regulations, but also the reconfiguration of housing structure in the private and public sectors.
6. In March 2011 the National Development and Reform Commission announced plans to construct 36 million units of social housing from 2011 to 2015 to address social discontent and to stimulate GDP. The follow-through and management of such social housing projects may pose a big challenge to the government in the coming years.

7. The central government has indicated at the 2011 Central Economic Working Conference that it will not go slow on its cooling measures in 2012 to maintain a reasonable level in housing prices.
8. Overall, the 2010-2011 state intervention has effectively curbed the overheated housing market, particularly in some large cities that implemented purchase-limitation measures.
9. However, from an economic perspective, strong administrative intervention (e.g. purchase-limitation) might not be a pertinent long-term tool to regulate the housing market and hence alternatives are needed.