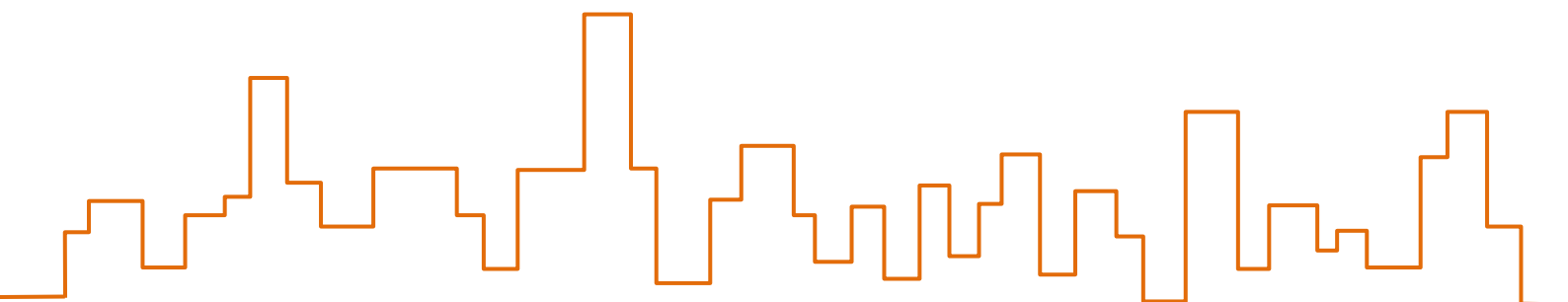


Annual Report on Development of Housing Market in China (2013-2014)

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Abstract

This report provides comprehensive and systematic analysis, forecast and evaluation on China's housing market in 5 aspects, including macro-background, market entity, market system, public policy and annual theme. It also comes out with some suggestions in accordance with relative policies. The content includes 1) forecast of the development and change of housing market from 2013 to 2014, based on the evaluation of the trend of housing market from 2012 to 2013; 2) quantitative evaluation of the development of the key fields in housing market by establishing China's housing index system; 3) analysis of the issues and challenges towards the coordinated and healthy development of housing market and relative fields as well as suggestions for relative policies; and 4) specific analysis of housing issues of migrants in urbanization and corresponding solutions.

The analysis on market from 2012 to 2013 indicates that 1) the housing price rises globally, and especially in the emerging economies; 2) the housing price rise in China is not alone, but it leads the trend; 3) endogenous deflation causes slow growth rate, and the economy with enough regulation tends to be steady; 4) weak demand inhibits the growth trend of inflation, but the food and housing price push the price of commodities up; 5) the industry concentration of real estate increases which results the quantity of company reduces gradually; 6) the business scope of real estate enterprise are large, and some central state-owned enterprises involve in real estate market; 7) the local government implements the "national five clauses", but it is difficult to reach the aim of housing price control of key cities; 8) the self-consumption demand panic promotes the sharp spike of housing price in big cities accompanied by obviously stagflation in small and middle-sized cities; 9) the rent rises continuously and rapidly, which causes the pressure of renting increase significantly; 10) for the whole land market keeps warmer, the planned and practical supply level and the trading volume increase drastically

on year-on-year basis, and the housing land increase significantly; 11) the markets of both development loan and personal mortgage are flourishing; 12) the urban indemnificatory housing work is implemented successfully as multi-channel financing, and it has taken the reconstruction of shantytowns as the core work; 13) house purchase quota policy is still implemented strictly, and the policy control generally turns to transform steadily; 14) differentiated tax policies carry out steadily, and the reform of real estate taxation is coming; 15) for the migrants are more than 30 percent of the total urban population, most of their housing conditions are not optimistic.

The prediction from 2013 to 2014 believes that: 1) the economy grows slowly, inflation slows, interest rate is steady and the trade is depress; 2) the global housing price keeps increasing, but the growth slows down; 3) the constructional and periodic characteristics of economic cycle in China is more significant, and it may keep increase in moderate speed; 4) the policy of “steady increase” may not change, but its effect may be weak; 5) the industry concentration of real estate increases further, and the enterprise competition will tend to focus on brand; 6) the real estate enterprises’ financing methods present diversified, and the portion of direct financing keeps on an increase; 7) the housing price in big cities may reach the short-term peak, and the decadent trend of real estate market in small and middle-sized cities will continue; 8) the rent will increase habitually, and the seasonal fluctuation of its growth will be great; 9) the trading volume of land may increase further, and its price may be steady in general but increase a bit; 10) the land supply in first-tier cities and core second-tier cities is comparative short, which may cause the land price increase continuously, but the land price in most second and third-tier cities is comparative steady.

The main challenges for constructing healthy and balanced housing market in China include: 1) there is serious overcapacity in some industries, and partial financing risk is hidden; 2) the management of real estate enterprise is

irregular, especially financial statement dressing and rent-seeking; 3) large real estate enterprise are keen to go abroad, and its investment risk can't be ignored; 4) the mortgage occupies high portion in the whole business of loan for banks, the credit risk of it can't be eliminated; 5) it's difficult to promote differential mortgage policy, and it lacks supporting financing system for indemnificatory housing; 6) financing risks of local governments accumulates, and the conflicts of land requisition sharpen; 7) administrative control distorts market signs, contradiction between supply and demand exists in housing market for a long time; 8) both the housing price and rent increase sharply, the wealth gap between tenant and homeowner increases; 9) the renter can't enjoy the due rights and there is mismanagement in intermediary market; 10) the land oligopoly tends to be serious, and is willing to push up land price; 11) the housing finance overfocuses on indirect financing market, robust tendency of housing credit market causes great pressure on regulation policies of the real estate sector; 12) the supervision of idle land implements not well and the project quality supervision needs to be enhanced; 13) the management level of indemnificatory housing is not clear, the qualification examination mechanism of indemnificatory housing is uncompleted, and the file management still has leak; 14) the allocation mechanism of indemnificatory housing is not developed, and the covering range of housing provident fund is limited and it has loopholes in actual usage; 15) the regulation accountability is not fulfilled, and the long-term mechanism of indemnificatory housing is still on paper but not in practice.

The report suggests to 1) maintain proper scale of investment under the lead of government, and continue to carry out prudent monetary policy; 2) complete relevant law, regulation, policy and system, and regulate real estate enterprise's operation behaviors; 3) reconstruct the decentralized fiscal system of local government, and optimize its performance assessment system; 4) weaken administrative control of housing price, and deepen the reform of

housing market; 5) complete the rental housing market, and maintain the legitimate right and interest of tenant; 6) increase the land supply in first-tier cities and hot second-tier cities properly, but reduce the land supply in third and fourth-tier cities; 7) enlarge the portion of direct financial housing market effectively, and prevent capital risk of real estate by technology of securitization; 8) expand the survival space for cooperative housing financial institution, and explore to construct effective supportive system for indemnificatory housing institution; 9) construct indemnificatory housing file system, and complete housing provident fund system; 10) reconstruct housing supply system of “safe habitation, healthy habitation, and happy habitation”, and promote long-term adjustment mechanism for housing market a.s.a.p.; and 11) reform the current land market system and housing market system, and enhance the payment capacity of immigrant by various methods.

(see contents listed above in the *Annual Report on Development of Housing Market in China (2013-2014)*, Social Science Academic Press, published in December, 2013)