

# Shanghai Housing Towards the New Century

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## Part One : Housing Development in Shanghai

### 1-1 Three main stages and their characteristics

#### ***The first stage (from the beginning of this century to 1949): Construction of Lilong (Neighborhood) Housing***

Urban industrialization in Shanghai that started at the beginning of this century had brought about opportunities to both Chinese and foreign real estate developers. These developers cleared urban squatter areas for the construction of Lilong (neighborhood) housing, detached houses and apartments, which had since become the architectural style of typical Shanghai Housing. By the end of 1949, such housing accounted for a total of 20.36 million sq meters, 86.3% of the total housing stock (23.59 million sq meters).

The characteristics of such housing were represented by the scale and volume of the urban construction and its private development nature. In architectural terms, it preserved the courtyard housing style of the southern region of the Yangtze River while absorbing the European terrace style of housing. The buildings of such style in Shanghai enshrined the essences of both eastern and western architecture, and constituted to the unique Shanghai housing style with a reputation of "Architectural Museum of the World". The first generation of owners or tenants included businessmen and workers. With the growth of population, such housing had become overcrowded with tenants and this had resulted in poor living conditions and environment.

#### ***The Second Stage (from 1950 to the 80s): Government Built and Enterprises Invested Worker's Apartments***

To improve the living conditions of urban residents, the government and enterprises built a large number of worker's apartments through land resumption and clearance of shanty areas. According to the statistics of 1985, the total housing stock was 64.44 million sq meters, of which 33.38 million sq meters or 51.8 per cent were Lilong housing, detached houses and apartments. Worker's apartments built after the liberation of China in 1949 was in the amount of 27.3 million sq meters or 42.4 per cent of the total housing stock. The majority of worker's apartments were self-contained flats; only small part of them had to share common facilities.

Its characteristics included large-scale industrialized construction and uniform building style government and enterprises built residential areas. Workers and urban families were the major target households. The government and enterprises allocated the flats to their staff as welfare benefits at no cost in order to solve their housing problem. Owing to the limited amount of capital investment and the failure to formulate a good circulation of fund, long-term construction became a financial burden to government and the enterprises involved. The consequences had been shortage of housing and mixed feelings in the allocation of housing..

#### ***The Third Stage (since 90s): Commodity Housing Construction Mainly Built by Real Estate Developers***

With the activation of the real estate market, developers built a lot of commodity housing through land leasing. Taking the statistics of 1998 as an example, the total housing stock was about 173.05 million sq meters, including commodity housing of 50.37 million sq meters, or 29.1 per cent of the total housing production.

The characteristics of this stage: investment mainly made by real estate developing enterprises, and construction of small residential areas to meet requirements of modern living and standards. The traditional concept of "waiting, relying on and asking (the government for a flat)" has changed. Instead, housing consumption based on individual affordability has taken shape into a new idea of "improving the living condition in the market".

After a lapse of 50 years, particularly because of the efforts made by the government over the last two decades, and the involvement of real estate developers and enterprises, housing production in the last few years has remained stable at about 14-15 million sq meters per annum. The average living condition of urban households in Shanghai has been greatly improved (the table below shows the average living space per person).

Year	1952	1960	1970	1980	1990	1997	1998
Average.							
Living space (M <sup>2</sup> )	3.4	3.8	4.4	4.4	6.6	9.3	9.7

## 1-2 The current position of housing construction in Shanghai

The current position of housing construction in Shanghai can be described as “from quantity to housing qualities and environment”. Diversified housing needs have led to niche and rational consumption. The speed of housing construction will be gradual with a slight slow down in recent years. More effort will be put in the improvement of housing qualities and the living environment, and the renovation of old housing stock. In the process of housing renovation, more attention will be paid to the preservation of historic buildings and their surroundings. Detached houses, apartments and new neighborhood housing that have unique architectural features and are structurally sound will be preserved and maintained. Meanwhile, old neighborhood housing and worker’s apartments will be upgraded and renovated.

Year	1952	1960	1970	1980	1990	1997	1998
Residential investment (100 million yuan)	0.278	0.447	0.112	4.341	26.26	433.09	383.27
% in fixed asset production.	16.8	2.8	1.2	10.6	13.4	21.6	23.9
10 thou. M <sup>2</sup>	25.27	67.04	21.65	304.32	421.94	1684.2	1624.03

## Part Two : Shanghai’s Housing Target and Policy towards the New Century

### 2-1 The Target of a well-off Housing

The Shanghai municipal government has set the housing target for the year 2000, namely 10 sq meters living space per person and 70 per cent of self-contained housing units. The statistics in 1998 showed that the average living space per person reached 9.7 sq meters and the percentage of self-contained housing units was 68%. This implies that Shanghai is close to the year 2000 housing target. It is estimated that by 2000 the average living space per person would be 10.6 sq meters while the percentage of self-contained units would be 75%. A basic well-off living standard will be achieved by then.

The Shanghai municipal government is currently working on the “Tenth Five-year Planning towards the 21st Century”. It aims to achieve the housing target of 12.5 sq meters average living space per person and 85 per cent of self-contained homes by 2005; and 14 sq meters average living space per person plus 90% self-contained flats by 2010. By that time, the living conditions will be switched from the basic modern standard of one flat per family to the comfort standard of one room per person.

Housing construction will be real estate oriented. With the advance of science and technology, the latest technology, skills, materials and equipment will be widely adopted and promoted. Housing construction will evolve from a rough pattern to a refined pattern. A great variety of residential types such as garden, ecological, intelligent and energy saving housing with precise planning will scatter over the city. Great importance will be attached to the human factor, the creation of appealing living environment and the community culture.

### 2-2 Housing Allocation in Kind as Welfare Gives Way to Creation and Improvement of the Social Housing Sector and Housing Market System

To strategic housing targets in the 21st century, it is necessary to have good policies and mechanisms. The central government has decided in 1998 that housing allocation in kind as welfare would be terminated national wide and be replaced by housing allocation in monetary. The old system that the government and enterprises directly involved in all fields of housing investment, construction, circulation and consumption, has been changed through the establishment of the new housing system. Housing construction and management are on the right circulation track when they take into account the market and social conditions. Meanwhile, with the establishment of the new mechanism, more and more households will be the owners of their property. The government should take the following measures in order to protect the rights of the owners and households:-

#### - *Setting up of a grading and quality assurance system for housing*

This will reduce the risk of housing investment of residents and provide the latter with convenient after-

sale services.

- ***Improvement in housing stock circulation and opening of the secondary and tertiary markets***

Control of land stock allows the government to exercise macro-control in housing construction. Through the promotion of the real estate trade market, residents will have wide choices of suitable housing and realize housing consumption in a gradual way.

- ***Stringent legislation and law-enforcement measures to regulate the housing markets of finance, construction, transaction and management***

Housing market in Shanghai has a short history of ten years since it formally started at the beginning of the 90s. The market as a whole is still on the developing stage. Stringent legislation is needed to allow the market to operate under the principles of impartiality, fairness and openness.

- ***Establishment of a social security mechanism for low rent housing to cater for the housing needs of low income families***

In establishing the housing supply market, the government and society should be committed to improving the housing conditions of low-income families. The Shanghai municipal government has set up a municipal center for social housing supply recently. It is responsible for providing low-income families with state-owned rental housing. In the operation of this system, stringent approving and monitoring measures are adopted to verify the eligibility of the low and lowest income groups.

- ***Allow intermediary institutions to play positive roles***

Housing is a special commodity that needs professional knowledge in the activities of housing transactions, property right registration, property appraising and property management etc. It is not an easy job that everybody can deal with. It is necessary to have the real estate brokers and professionals or institutions to playing the bridging and communication roles.

## **2-3 Encourage housing consumption and boost the GDP growth**

The housing sector has represented a considerable proportion in GDP growth. The development of the housing sector and housing consumption will enlarge the other relevant sectors's development and thereby boost the GDP growth. In this connection, the central government has to promote housing sector as the new focus of consumption and economic growth.

The high housing prices in the market against the poor affordability of common people have posed severe problem that block the development of housing market. To solve the problem of great potential but poor effective housing demands, the following points should be noted:-

- Housing supply in the market should be diversified and multi-channels to meet the needs of different user groups at different stages of their housing consumption.
- The government should implement preferential policies to encourage more residents to have their own property and let tenants to purchase the state-owned housing in which they are living.
- Housing financial assistance and favorable policies should be established (including provident fund, commercial loan and combined loans). The proportion of provident fund contributed by individuals and units has increased from 10% to 12% and 14% (the amount of contribution equally shared by individuals and units). However, the demand for provident loan is so great that it needs to increase the contribution rate. As far as bank loans are concerned, their target customer has shifted from manufacturers to individuals. With the interest rate goes downwards, the gap between loan of the provident fund and commercial loan is becoming smaller.

In general, Shanghai will face new challenges and have new opportunities in its housing development towards the new century. The government, the society and individuals should fully play their respective roles in the development. With a market orientation and against the social and economic developments in Shanghai, and the current living standards, the housing sector will be the focus of GDP growth, as well as the heat of new consumption.

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