

The impact of privatization of public housing on housing affordability in Beijing: An assessment using household survey data

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Abstract

Housing affordability has long been on the agenda of China's policy makers. Imperfections in the housing system and growing disparities in income and wealth have been central to the problem of affordable housing. Housing reforms in China led to the creation of a market-oriented housing system, but also increased economic and social stratification. This article considers the effect of privatization of public housing on the problem of housing affordability in Beijing. We draw on a household survey to assess affordability for households according to occupants' family structures, educational attainments and employment status, using a 'residual income' approach. The implications for policies designed to improve housing affordability are discussed.

Keywords

Beijing, housing affordability, public housing, privatization, residual income

Introduction

Privatization of public housing has been one of the most significant market-oriented economic reforms in China. It has introduced market-based incentives and built household wealth. At the same time, it has created a unique pattern of social stratification and laid the foundation for growing housing inequality. Wealth inequality in China, measured by the Gini coefficient, was 0.55 in 2002, compared to 0.45 in

1995, a rapid increase in a short period (Li and Zhao, 2007). The increase in wealth inequality has been largely explained by the sale of public housing to its residents at below market value since the 1990s, which has benefited households unequally

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