

China Property Sector

Land supply reform to support multi land supplies in future

Minister of Ministry of Land and Resource: Exploring separation of ownership, qualification and use right of rural homestead; government will not be the only land supplier in future.

Mr. Jiang Da Wei, minister of Ministry of Land and Resource, expressed his views of land supply reform recently. Three noticeable points: 1) Exploring separation of ownership, qualification and use right of rural homestead; 2) unlocking rural homestead for property developers and operators; 3) corporations that are not property developers are allowed to provide their undeveloped lands to property market in order to increase home supplies.

Why the Minister expressed views of rural homestead recently?

We believe Mr. Jiang is preparing to enlarge land supplies at low cost for rental housing in 1st and 2nd tier cities. Currently, land cost is still relatively high and further reduce potential return of rental housing projects. Lowering land cost should be on top priority for rental housing development in future. We believe relaxation of rural homestead use right in certain areas near main cities should be the first step for enlarging land supplies for rental housing purpose.

Legislation is the key for relaxation of rural homesteads use right

Rural homestead is a result of land reform & collective economy in 1950s. Farmers are distributed of certain area of homestead for housing purpose (approximately 350 sq.m per household in 2005). Current Law of land management has stipulated that homestead is prohibited from trading, renting or transferring to other relatives or individuals; if farmers have left the collective economy entity to urbans, governments or the collective economy entities have right to collect and reallocate the homestead. Legislation should revise current Law of land management to separate the use right & ownership of homestead in order to rent or co-operate with developer for rental housing purpose.

How many rural homesteads in China?

According to Institute of Geographic Sciences and Natural Resources Research, there were 91.2 bn sq.m of site area of rural homestead in China in 2005. Beijing & Shanghai had 483 mn sq.m and 307 mn sq.m of site area of rural homestead in 2005, respectively. Currently land supply for rental housing in Beijing & Shanghai in next 5 years will be 13 mn sq.m and 3.4 mn sq.m, respectively. Therefore, rural homestead in Beijing and Shanghai can supply more than 37x over existing planned 5-year land supply of rental housing.

Long term mechanism of property market is progressing

We believe the rapid development stage of China property market has passed. Stabilization of property market is on top priority for government; rental housing is a crucial step of the stabilization. However, legislation will take long time to process and execution would be another barrier for rural homesteads development, due to rural homesteads in 1st and 2nd tier cities were redeveloped or had turned into private rental housing already. We believe rural homesteads supply will have some impact on suburban home sales. Regarding to implication on rental, we believe rental would decrease as land cost is lower. The impact on developers will be limited in short term, as legislation and execution are still on planning. For long term, rural homesteads will enlarge land supply and lower land cost for rental housing, positive for developers or rental housing operators.

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Figure 1: Total rural homestead area in 1996 and 2005

Province	Rural homestead area (bn sqm)		Change (%)	Province	Rural homestead area (bn sqm)		Change (%)
	1996	2005			1996	2005	
Nationwide	90.515	91.161	0.71	Henan	8.012	7.724	-3.59
Beijing	0.48	0.483	0.63	Hubei	3.924	3.964	1.02
Tianjin	0.437	0.475	8.7	Hunan	4.482	4.499	0.38
Hebei	5.268	5.448	3.42	Guangdong	3.51	3.592	2.34
Shanxi	2.559	2.691	5.16	Guangxi	2.512	2.556	1.75
Inner Mongolia	3.792	3.829	0.98	Hainan	0.664	0.663	-0.15
Liaoning	3.648	3.664	0.44	Chongqing	2.02	1.984	-1.78
Jilin	3.033	3.039	0.2	Sichuan	5.662	5.659	-0.05
Heilongjiang	4.145	4.178	0.8	Guizhou	1.818	1.851	1.82
Shanghai	0.285	0.307	7.72	Yunnan	2.241	2.344	4.6
Jiangsu	5.01	5.133	2.46	Tibet	0.12	0.116	-3.33
Zhejiang	1.964	2.012	2.44	Shaanxi	2.923	2.881	-1.44
Anhui	5.717	5.647	-1.22	Gansu	2.401	2.393	-0.33
Fujian	1.365	1.416	3.74	Qinghai	0.336	0.36	7.14
Jiangxi	2.384	2.359	-1.05	Ningxia	0.598	0.602	0.67
Shandong	6.758	6.654	-1.54	Xinjiang	2.446	2.637	7.81

Source: Chinese Journal of Agricultural Resources and Regional Planning

Figure 2: Rural homestead area per household in 1996 and 2005

Province	Rural homestead area per household (sqm)		Change (%)	Province	Rural homestead area per household (sqm)		Change (%)
	1996	2005			1996	2005	
Nationwide	386.19	361.43	-6.41	Henan	423.64	381.29	-10.00
Beijing	385.36	339.99	-11.77	Hubei	393.69	389.98	-0.94
Tianjin	385.86	396.34	2.72	Hunan	312.84	301.43	-3.65
Hebei	379.01	376.06	-0.78	Guangdong	262.69	233.10	-11.26
Shanxi	421.80	421.48	-0.08	Guangxi	298.84	259.21	-13.26
Inner Mongolia	1096.29	1089.58	-0.61	Hainan	652.70	589.24	-9.72
Liaoning	577.41	526.78	-8.77	Chongqing	284.98	276.03	-3.14
Jilin	863.79	792.01	-8.31	Sichuan	291.48	285.93	-1.90
Heilongjiang	971.53	845.82	-12.94	Guizhou	263.54	233.63	-11.35
Shanghai	229.93	276.22	20.13	Yunnan	286.19	267.14	-6.66
Jiangsu	331.51	322.14	-2.83	Tibet	334.48	287.95	-13.91
Zhejiang	183.54	164.26	-10.50	Shaanxi	429.50	408.73	-4.84
Anhui	457.43	419.51	-8.29	Gansu	560.02	516.04	-7.85
Fujian	224.83	207.69	-7.62	Qinghai	518.38	464.96	-10.31
Jiangxi	337.16	296.58	-12.04	Ningxia	764.78	642.44	-16.00
Shandong	340.85	324.55	-4.78	Xinjiang	1328.41	1178.12	-11.31

Source: Chinese Journal of Agricultural Resources and Regional Planning

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