CHINA'S HOUSING REFORM AND OUTCOMES

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Launched nationwide in 1988, the housing reform in Chinese cities has transformed the welfare-oriented housing system into a market-oriented system dominated by private home ownership. According to the 2007 Urban Household Survey, the rate of home ownership in Chinese cities had reached 82 percent, while two decades before, it was less than 20 percent (Huang 2004; Zhen 2007). China is becoming a nation of homeowners. Due to rapidly rising incomes and high returns on real estate investment during the recent housing boom, second- and multiple-home ownership is also emerging in Chinese cities, where housing shortages prevailed and public rentals dominated for decades. According to the State Statistical Bureau (SSB), about 6.6 percent of urban households owned two or more homes in 2002 (Chou 2003), and the percentage increased to 15 percent in 2007 (calculated using the 2007 Urban Household Survey data). Based on a small-scale survey in Beijing, Feng and Zhou (2004) estimated that about 24 percent of households owned second homes in 2002, and about 50 percent of households hoped to own second homes. Fueled by the provocative argument made by a well-known economist in China, Professor Yining Li, that second home ownership should be promoted to stimulate the economy, there has been a heated debate on second homes (e.g., Li 2002). Despite massive media coverage and anecdotal evidence, we know very little about second homes in Chinese cities. Yet second homes represent an important dimension of the increasingly severe housing inequality and have a significant impact on local economies (especially housing markets) and local communities; thus, they have important policy implications. It is the goal of this chapter to understand the patterns of second homes in Chinese cities.

Defining second homes can be difficult due to their transient and fluid nature. In general, a second home is a property owned or rented on a long lease as the occasional residence of a household that usually lives elsewhere; it is mainly for leisure use by household members or family and friends on a noncommercial basis (Coppack 1977). Thus, a second home is defined mainly based on its relationship to the primary home (e.g., is spatially separated from the primary home, used only occasionally), its tenure (owned or on a long lease), and how it is used (e.g., for leisure) rather than on the characteristics of the dwelling. In this chapter, a second home is defined as an owned dwelling that the owning household does not currently live in; the dwelling that the household currently lives in is called the primary home, assuming it is the household’s usual residence. This definition was determined by the following question in the survey used in this chapter: “Besides this dwelling, do you own additional dwellings elsewhere with partial or full rights?” Thus, we do not know the frequency of occupancy (whether it is for occasional occupancy), usage (whether it is for leisure-related self-consumption, for lease as an investment, or even unoccupied), or location (whether it is in a different city or area than the primary home). A second home could also be a third or even fourth home for some households. Owners of second homes in Chinese cities may own or rent their primary homes. This is different from the West, where owners of second homes usually own their primary homes but may rent with a long lease or own a second home. The conventional definition of second home (an additional home owned by homeowners) cannot fully describe the reality in China. Thus, the definition is expanded here to include additional homes owned by households regardless of their tenure (renting or owning) of their primary home. The concept of second home in this chapter is broader than that in the Western literature.

There are limitations with this definition of second home. For example, the current home or primary home that a household lives in at the time of the survey may turn out to be temporary or secondary. Because the frequency of occupancy or use of either current dwellings or additional homes is unknown, it is impossible to differentiate which home can be considered as a second home using the Western definition. Thus, this chapter assumes that the current dwelling a household lives in is its usual residence and primary home, and any additional dwellings it owns are second homes.

While the rich and noble in China have always owned second homes (Feng and Liu 2000), the massive second-home ownership by emerging middle-class Chinese households is a new phenomenon, mainly driven by the recent housing and economic reforms, which have led to rapidly rising incomes and changing lifestyles (higher private auto ownership, more leisure time, and a faster pace of urban life). Yet the

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1 Houses and apartments in China are sold with different bundles of property rights based on how households purchase their homes. If households purchase their houses from the market and pay market prices, they enjoy "full property rights," which include right of occupancy, right to extract financial benefits, right to dispose of the property through resale, and right to bequeath it to others (Davis 2003). If households purchased previously public housing or private housing at subsidized prices such as affordable housing (jingji shiyong fang), they have only "partial property rights," which means homeowners only have the right of occupancy and the right of use; they are not allowed to sell their homes on the market for profit within the first five years unless they pay the gap between the discounted and market prices.
practice of having a second home also emerges from the transitional housing system, in which the socialist legacy endures (Huang and Yi 2010). First, despite the official end of the provision of public housing in 1998 (State Council 1998), resourceful work units such as universities and ministries continue to provide subsidized housing (rental or owned) to their employees. Even if a household can afford or has already purchased private housing on the market, few people would say no to such subsidies in a society with extremely high housing prices and an increasing problem of affordability. It is not uncommon for people like professors and government employees to live in subsidized rental housing close to their workplace (and other services such as schools) for convenience and purchase another home in the same city for occasional use or investment. In addition, subsidized housing in the owning sector often offers partial property rights which makes it difficult for households to sell, and thus encourages second home ownership.

Second, the household registration (hukou) system, one of the most important institutions that defines a person's socioeconomic status and access to welfare benefits (Cheng and Selden 1996), continues to favor urban residents with nonagricultural hukou registered locally, while migrants with hukou (agricultural or nonagricultural) registered elsewhere are severely constrained in accessing subsidized housing, education, and medical services. When some cities allowed migrants to purchase houses and obtain a hukou status similar to that of local urban residents, such as the "blue stamp" hukou, many households rushed to capture the opportunity. At the same time, they continued to have access to collectively owned land in their home villages for housing construction; migrants often build or own houses back home for eventual return even though they now live and work in cities. Furthermore, good infrastructure and services are not distributed evenly across neighborhoods within the city. It is increasingly common for households to buy or rent another dwelling as a primary home, so that their children can attend a superior school nearby. All these factors have encouraged the rapid growth of second homes in Chinese cities. Yet we know virtually nothing about second homes in China. The existing literature on second homes has focused on the West and on leisure and recreation as the main driving force for second homes.

**Literature Review**

Since Coppock's pioneering work in 1977, there has been a large body of literature on second home ownership, mostly derived from leisure and tourism studies, rural studies, planning studies, and cultural studies. First, second homes as leisure consumption stand out in the literature. People purchase second homes to facilitate their leisure and recreational activities. While there is tremendous regional variation, most second homes are located in tourism or resort communities, scenic or rural areas; and in many regions, second homes have played an important role in the growth of the tourism industry (Davies and O'Farrell 1981; Tress 2002). Rising disposable income, widespread car ownership, changing lifestyles, retirement migration, counter-urbanization, and growing dissatisfaction with the "urban" environment are considered reasons for the growth of second-home ownership (Coppock 1977; Robinson 1990; Butler 1998; Paris 2006). There are signs of growth
in second-home ownership for leisure in London, Barcelona, and coastal cities (Paris 2006). Affordability, accessibility, and economic growth, as well as the beauty of a city's hinterlands and its proximity to a major city are identified as the key factors (Direct Line 2005).

A related factor is the opportunity for escape provided by a second home, especially in a foreign environment. Based on ethnographic analysis, Chaplin (1999) argues that second homes in rural France allow British urban residents to escape from the pressure of work, the everyday routine, and the commodification of post-industrial society to a place that provides a genuine break from urban life in Britain on one hand and commodified tourism products on the other hand. In other words, households look for housing services in a second home that their primary residence lacks; thus, a second home compensates for unmet housing needs in the primary home—the "compensation hypothesis." For example, people living in a high-density urban space such as Spain or Hong Kong are more likely to have a second home for a more spacious living environment (Modenes and Lopez-Colas 2007; Hui and Yu 2008).

Second, while second homes did not originate as investments, investment has become another important motivation for people to own them. Many scholars have argued that purchasing a second home is part of people's life planning and personal or family investment strategies (Coppock 1977; Hall and Muller 2004; Gallent, Mace, and Tewdwr-Jones 2005; Smith 2005). Typical second-home owners are middle- or old-aged with a mid- to high-household income (Paris 2006; Francese 2003). Second homes are often purchased with a view of eventual retirement, and there may be a phase of "semireirement" until the second home becomes unambiguously the first (Coppock 1977, 3). Then the former primary residence represents an asset that can be liquidated through sale or leased to generate an income stream. With growing mobility (both personal and of financial assets) and income in rich countries, there has been a massive expansion of leisure-related investment and consumption (Forrest 2005). Leisure second-home markets overlap seamlessly with housing markets, especially in cities, and the metropolitan second home is a distinctive leisure consumption that may offer potential for capital gains.

Third, with increasing globalization and rising transnationalism and mobility, the share of the population that lives and works in two or more places has also been growing. Improved access to transportation and communication due to globalization facilitates second home ownership (Kaltenborn 1998). Widespread access to the Internet and new ways of working from remote locations are considered driving forces for the next boom of second-home ownership in the United States (Frances 2003). Regional disparities in the economy and the housing market also encourage second-home ownership, especially cross-border second-home ownership, such as Hong Kong residents owning second homes in mainland China (Hui and Yu 2009). At the same time, a second home represents a permanent place in a rapidly changing world, serving as both a reaction to and a rejection of globalization (Kaltenborn 1998). Emotional or familiar attachment to a place is another reason people own second homes—for example, people owning second homes in their childhood environments (Kaltenborn 1997; Hui and Yu 2008).
Despite the rapid growth, the phenomenon of second homes in China is still in its early stages, and research has been sketchy. Increasing social stratification, paid leisure time, change in lifestyle, diminishing urban-rural differences, and the recent housing reforms all have driven the development of this phenomenon (Feng and Liu 2000). Furthermore, second homes can be owned by homeowners as well as renters of their primary homes (Huang and Yi 2010). Whether to have a second home and what kind of tenure to have for their homes are all part of the complex decision-making for the "housing portfolio" that households build; thus they have to be understood together. Both market forces and socialist institutions contribute to the consumption and tenure decision of multiple homes (Huang and Yi 2010). Specifically, the most important reason for people to own second homes was housing allocation from work units (26.6 percent), followed by having an additional home close to the workplace (21.9 percent), unsatisfactory living environment of the first residence (20.7 percent), inheritance from parents or other relatives (14.2 percent), investment (7.1 percent), and housing subsidies from work units during housing reform (9.5 percent) (Feng and Zhou 2004). In Haikou (Hainan Island), which experienced a speculative real estate boom, second homes emerged in a real estate bust and were actively promoted by the local government as a strategy to stabilize the housing market (Wang 2006; Xia 2001). In addition to increasingly mature housing markets, second-home ownership in Chinese cities is also an unintended consequence of socialist housing policies and institutions such as the subsidized sale of public rental housing and associated partial property rights, the continued provision of subsidized housing by work units, the persisting household registration system, and the lack of property tax (Huang and Yi 2011). Thus, the driving forces for second home purchases in Chinese cities are different from those in the West. Yet the vacation-oriented second home is emerging in resort cities like Haikou and Sanyan on Hainan Island (Xu and Bao 2006a; 2006b; Wang 2006). In Beijing, about 13 percent of second homes are used for leisure, recreation, or tourism (Feng and Zhou 2004). While the limited number of studies sheds some light on second homes in China, more research is needed for a better understanding of this.

A Conceptual Framework and Hypotheses

Due to the transitional nature of the housing system in Chinese cities, second-home ownership has to be understood in a different conceptual framework from that of the West. Second-home ownership in Chinese cities shares both similarities with and major differences from its counterpart in the West due to the coexistence of increasingly mature housing markets and unique institutions from the socialist legacy in China. First, after years of housing and economic reform, a housing market is emerging in China, though it is severely constrained by institutional factors. According to the 1 percent survey (the so-called minicensus conducted between censuses) carried out in 2005 by the SSB, only 8.1 percent of urban households were living in public rental housing, and 24.4 percent were living in privatized public housing, while the rest (two-thirds of urban households) were living in various
types of private housing. Thus, it should not be surprising that life cycle and affordability, the two main factors for second-home ownership in the West, are important in Chinese cities. Older and married people, larger households, and financially wealthier households seem to be more likely to own a second home—this is called the market hypothesis.

Second, despite the official end of public housing provision in 1998 (State Council 1998), large and resourceful work units such as major universities and government ministries continue to provide subsidized housing to their employees. In addition to subsidized rental housing, as in the socialist era, employees in resourceful work units can purchase housing at heavily subsidized prices from their work units. Even if households can afford to purchase or have already purchased housing from the private market, few would reject heavily subsidized housing. Subsidized housing is also convenient, as it is often built close to workplaces and other services such as schools. It is not uncommon for people to live in subsidized housing (owned or rented) and own a second home bought on the private market for occasional use or investment. According to Feng and Zhou (2004), housing allocation from work units is the most important reason people own a second home. The current allocation of subsidized housing more or less follows the socialist allocation system, in which people with political power are more likely to access subsidized housing. Households that can access or have already accessed subsidized housing—because of their high political status, such as high job rank or Chinese Communist Party membership, or because of their resourceful work units—seem to be more likely to own second homes. This is called the housing subsidy hypothesis. This extends the market transition debate initiated by Victor Nee (1989) regarding the importance of political or redistributive power to socioeconomic attainment in transitional economy to the consumption of second home.

Third, the hukou system, albeit under reform, continues to be an important institution that prevents migrants with hukou (urban or rural) registered elsewhere to access subsidized urban housing such as "low-cost rental housing" (lian zu fang), "public rental housing" (gong fang), "privatized public housing" (fang gai fang), "economic housing"(jingji shiyong fang), or, recently, "housing with controlled prices and unit sizes" (liang xian fang).² Many migrants continue to be considered outsiders even though they have lived and worked in cities for years and go

² There are different kinds of housing with government subsidies. Low-cost rental housing is heavily subsidized rental housing provided by the government and work units for the lowest income urban households (State Council 1998, No. 23). Public rental housing is subsidized housing provided also by the government and work units. Its allocation is often based on a set of nonmonetary factors such as job rank, seniority, marital status, and family needs (Huang and Clark 2002; Wang and Murie 1999), thus its tenants may come from different income groups. Privatized public housing is previously public rental housing sold to sitting tenants at lower than market prices. Because of subsidies during the sale, households often have so-called partial property rights, which constrains them from freely disposing and profiting from the housing. Economic housing is private housing with partial property rights, which is developed with government subsidies (e.g., cheaper land) and sold at government controlled prices (developers are allowed to have only a 3 percent profit rate) to urban low-medium income households. Housing with controlled prices and unit sizes is private housing with full property rights, but with government controlled prices and unit sizes (usually less than 90 m² floor space per unit), targeting the so-called sandwiched households who are not qualified for economic housing yet cannot afford commodity housing. In addition to household income, wealth, and existing housing conditions, local household registration is required to access subsidized housing.
back to their hometowns only for major holidays. Constraints such as limited access to medical and educational services also often force migrants to live a marginalized life in cities. Meanwhile, rural migrants continue to have access to collectively owned land in their home villages for housing construction, and urban migrants may be entitled to subsidized housing in their home cities if they qualify. Thus migrants often rent dwellings in the destination city and are somewhat forced to have another home in their hometown for eventual return. If not for the *hukou* system, most migrants would have settled more permanently in a city and would maintain only a home in that city. Under the current system, however, migrants with temporary *hukou* seem more likely to own second homes—this is called the *hukou hypothesis*.

Fourth, public goods vary in quality and are not distributed evenly between neighborhoods. Chinese households increasingly purchase a second home to access better public goods, particularly key public kindergartens and key public schools (zhongdian xuexiao). Good education has traditionally been considered a main path for people to move up the social ladder. With massive numbers of students fighting for limited educational resources, Chinese parents are determined to send their children to the best schools starting from kindergarten to help their eventual entrance to the best university. Yet, official residence and home ownership in the school district are often required for children to attend key schools. Thus households need to purchase a home close to key kindergartens and key schools so that their children can attend schools nearby and they often can avoid paying a large sum of money called an "endorsement fee" (*zan zhu fei*) or "school selection fee" (*ze xiao fei*). While some households have to sell their previous home in order to buy a house near key schools, many convert their previously primary home into a second home, either because they can afford to own two homes or because they are constrained to sell their previous home due to partial property rights. It is also common for households to rent an apartment close to key schools for a few years while owning another home elsewhere (now becoming a second home) because housing near key schools is too expensive for some households, or there may not be decent housing for sale. With everything else the same, households with school-age children seem more likely to own a second home—this is the *school hypothesis*.

In summary, the dynamics for second-home ownership in Chinese cities are shaped by both socioeconomic factors that are consistent with the Western convention and institutional forces that are unique to China, such as the persistent provision of subsidized housing, the discriminatory *hukou* system, and the uneven distribution of key schools. In addition to conventional homeowners owning a

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3 According to the 2001 Chinese Urban Labor Survey, migrants' mean duration of stay in cities is 5.26 years, although some have stayed for more than 10 years (Connelly, Roberts, and Zheng 2007).

4 The housing system in the countryside is different from that in cities. Rural households are entitled to a parcel of collectively owned land for housing construction, mainly for self-consumption (parcel size varies by household size and region). There are no government subsidies for housing development or consumption in rural areas.

5 Some good public schools in Chinese cities are given the status of "key schools" (zhongdian xuexiao), which allow them to recruit better students and receive more resources from the government.

6 Usually this kind of fee waiver is available only to homeowners in the school district. In some cities such as Beijing, a certain duration of residence or *hukou* registration in the school district (e.g., more than 3 years) is required to be qualified for these fee waivers.
second home, there is the unique phenomenon of renting a primary home and owning a second home, including at least the following scenarios: (1) renting public housing close to the workplace and owning a second home elsewhere in the same city; (2) renting private housing close to key schools and workplace and owning a second home elsewhere in the same city; (3) renting private housing in the destination city and owning a second home in the place of origin. This makes second-home ownership in China different and interesting.

Empirical Analysis

The China General Social Survey (CGSS) is a biannual national survey conducted by the Department of Sociology at Renmin University and the Survey Research Center at Hong Kong University of Science and Technology (HKUST). It aims to “monitor systematically the changing relationship between social structure and quality of life in urban and rural China” (DSRU and SRCHKUST). Based on the 2000 census data, the CGSS sampled about 10,000 households in 26 provinces and cities using a stratified, multistage probability sampling technique. The first survey was conducted in 2003; this chapter refers to the 2005 survey. The focus here is on the urban sample, excluding rural population, suburban farmers who have agricultural hukou registered locally, as they both can access collectively owned land for housing construction, and anyone whose occupation is in agriculture. The interviewees are treated as household head for the following housing analysis. The final sample has 5,705 observations. With the exception of table 6.1, which compares urban households with rural households and the nation, the focus is on this subset of the urban sample for the rest of the analyses.

In addition to basic socioeconomic information, the survey also collected information on current housing, such as tenure, floor size, housing structure, year of construction, and housing price or rent. Furthermore, it asked whether the household owns additional homes with partial or full rights elsewhere and the number, floor

<table>
<thead>
<tr>
<th>TABLE 6.1</th>
<th>Percentage of Households Owning Second Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban Households</td>
</tr>
<tr>
<td>Do not have second home (%)</td>
<td>88.2</td>
</tr>
<tr>
<td>Have second home (%)</td>
<td>11.8</td>
</tr>
<tr>
<td>One unit of second home</td>
<td>88.6</td>
</tr>
<tr>
<td>Two units of second home</td>
<td>8.9</td>
</tr>
<tr>
<td>Three + units of second home</td>
<td>2.5</td>
</tr>
<tr>
<td>Total (%)</td>
<td>100</td>
</tr>
<tr>
<td>Total N</td>
<td>6,098</td>
</tr>
</tbody>
</table>

source: Calculated using CGSS 2005.
size, and value of any additional homes. Thus CGSS 2005 gives us a good opportunity to study the phenomenon of the second home.

Nationwide, about 10 percent of households in China own second homes, and urban households are relatively more likely to own second homes (11.5 percent) than rural households (7.7 percent) (table 6.1). This is much higher than the level in Britain (3 percent); comparable to France (11 percent); but much lower than Sweden (25 percent), Norway (17 percent), and Spain (17 percent) in 1970 (Coppock 1977; Allen, Gallent, and Tewdr-Jones 1999), even though the definitions may be somewhat different. While the majority of second-home owners own only one unit of second home, more than 9 percent of second-home owners own two units of second home (11 percent among rural households), and about 2.5 percent of them own three or more units of second homes. This high level of second-home ownership is astonishing given the fact that a severe housing shortage and crowding prevailed and public rental dominated even in the mid-1990s (Huang 2003; 2004).

Overall, 22.3 percent of urban households rented, 76.7 percent of urban households owned their current dwellings (or primary homes), and 1.1 percent lived in another tenure form in 2005 (table 6.2). However, there are different types of rental (3.8 percent rented work-unit housing, 8.2 percent rented public housing provided by governments such as municipal housing bureaus, 10.3 percent rented private housing from other home owners) and home ownership (12.6 percent owned with partial property rights, 17.8 percent owned private housing inherited from the pre-socialist era or self-built housing, 46.3 percent owned with full property rights). The rate of second-home ownership varied significantly by the tenure of the primary home. Overall, about 22.6 percent of renters and only 8.1 percent of homeowners owned second homes. In other words, renters are much more likely to own second homes than primary-home owners, which seems to be counterintuitive. There are two main reasons for this interesting phenomenon. First, the inclusion of migrants' homes in their place of origin as second homes have contributed to the high probability of renters owning second home. The majority of the 36.7 percent of private renters who owned a second home are migrants. Secondly, the persisting provision of subsidized housing encourages renters to own second homes. For example, 14.7 percent of those who rented work-unit housing and 30.8 percent of those living in public housing with no rent owned a second home; both percentages are much higher than the average for homeowners (8.1). Also interestingly, 6.4 percent of people who purchased housing with subsidies (thus with partial property rights) owned second homes. While supporting the housing subsidy hypothesis, it is somewhat ironic that people living in public housing (rented or owned) owned second homes, which would not be expected in the West.

Considering the tenure of the primary home together with that of the second home, 17.4 percent of urban households rented their primary and only home, 70.4 percent owned their primary and only home, 5.1 percent rented their primary home but owned their second home, and 6.2 percent owned their primary and second homes (figure 6.1). Only the last group is similar to conventional second-home owners in the West; yet, even with this restricted definition of second-home ownership, the rate is still fairly high, especially considering China's recent history of a socialist housing system, which consisted mainly of public rental housing.
### TABLE 6.2
Tenure Structure and Second-Home Ownership Among Urban Households, 2005

<table>
<thead>
<tr>
<th>Tenure of Primary Home</th>
<th>Percentage</th>
<th>Proportion Owning Second Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent work-unit housing</td>
<td>3.8</td>
<td>14.7</td>
</tr>
<tr>
<td>Rent public housing</td>
<td>8.2</td>
<td>8.2</td>
</tr>
<tr>
<td>Rent private housing</td>
<td>10.3</td>
<td>36.7</td>
</tr>
<tr>
<td>Own private housing (inherited or self-built)</td>
<td>17.8</td>
<td>8.0</td>
</tr>
<tr>
<td>Purchased (partial property rights)</td>
<td>12.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Purchased (full property rights)</td>
<td>46.3</td>
<td>8.6</td>
</tr>
<tr>
<td>No rent (relative/friend’s housing)</td>
<td>0.4</td>
<td>10</td>
</tr>
<tr>
<td>No rent (public housing)</td>
<td>0.2</td>
<td>30.8</td>
</tr>
<tr>
<td>Other</td>
<td>0.5</td>
<td>28.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Rental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own two or more homes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Total sample size (N)</td>
<td>5,705</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Calculated using CGSS 2005.

### FIGURE 6.1
Tenure Structure of Primary and Second Homes in Urban China (percent)

- Rent primary home, own second home, 5.1
- Rent primary and only home, 17.4
- Own two or more homes, 6.2
- Others, 0.9

**Sources:** Created using CGSS 2005, and Huang and Yi 2010, figure 2.
TABLE 6.3
Second-Home Ownership by Region and City Type (Urban Households Only)

<table>
<thead>
<tr>
<th>Region / City Type</th>
<th>Own Second Home (%)</th>
<th>Rent Primary Home, Own Second Home (%)</th>
<th>Own Primary and Second Homes (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>11.5</td>
<td>5.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Eastern cities</td>
<td>13.3</td>
<td>5.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Central cities</td>
<td>8.6</td>
<td>3.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Western cities</td>
<td>10.8</td>
<td>6.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Municipalities and provincial capitals</td>
<td>8.8</td>
<td>4.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Other cities</td>
<td>13.2</td>
<td>5.9</td>
<td>7.3</td>
</tr>
</tbody>
</table>

NOTE: Chi-square test significant at 0.01 level.

There is also a regional difference in second-home ownership. As shown in table 6.3, households in eastern cities are more likely to own a second home (13.3 percent) than those in western (10.8 percent) and central cities (8.6 percent).\(^7\) Conventional second-home ownership—owning both primary and second homes—is also highest in the eastern cities (7.8 percent), followed by the central (5.1 percent) and western cities (4.2 percent). This is probably related to the higher level of household income in eastern cities. Households in western cities are more likely to rent their primary home and own their second home (6.5 percent), followed by eastern (5.3 percent) and central cities (3.5 percent). This shows that the degree of marketization in the housing system is probably not very high in western cities, and the socialist system persists. Households in smaller cities are more likely to own a second home (13.2 percent) than those in municipalities and provincial capitals (8.8 percent), and the former are much more likely to own both the primary and second homes than rent the primary home and own the second home than the latter. This is probably because of relatively cheaper housing in smaller cities.

On average, the second home tends to be larger and more expensive than the primary home. The average floor space of the homes of those who own both primary and second homes is 105 square meters for the second home and 79 square meters for the primary home; about 50 percent of second homes are smaller than primary homes, however, which shows that the floor space of second homes varies more significantly than that of primary homes. The median housing price is 110,000 yuan for second homes and 80,000 yuan for primary homes; about 43 percent of second homes are more expensive than primary homes.

Second-home owners also have different socioeconomic characteristics. As shown in table 6.4, people who own both primary and second homes are about the

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\(^7\)The boundaries for the Eastern, Central, and Western regions are the same as those defined by the Chinese government, in which the Eastern region includes three municipalities (Beijing, Tianjin, and Shanghai) and nine provinces (Liaoning, Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Guangdong, Guangxi, and Hainan). The Central region includes nine provinces and autonomous regions (Jilin, Heilongjiang, Inner Mongolia, Shanxi, Henan, Hubei, Hunan, Jiangxi, and Anhui), and the rest is the Western region (see map 7.4 in Veeck et al. 2007).
same as the average owners of one home in terms of age, household size, and marital status; yet they clearly have a much higher income, with a median household income of 30,000 yuan compared to 20,000 yuan. In contrast, people who rent their primary home and own their second home are younger (mean age 35.1) and more likely to be single and living alone or married with family elsewhere, yet surprisingly have the largest households. This is probably due to young migrants who are single but count family members back home as part of their household. They also have a higher household income (median 24,500 yuan) than those who have only one home (rented or owned). The result supports the market hypothesis, as second-home owners are clearly financially better off, though not necessarily older. In addition, households with school-age children (<16 years old) are significantly more likely to own a second home than those without (13.1 percent vs. 10.4 percent), supporting the school hypothesis.

Migrants’ temporary hukou status has proven to be important to their housing consumption (e.g., Huang and Clark 2002; Wu 2002), yet existing research has focused on primary homes only in that regard. Hukou status is also important to the

8 Sixteen is the cutoff point because the school system in Chinese cities allows high school students (16-18 years old) to choose their schools through testing, and students of that age are also old enough to take public transportation, so that living close to school is not as crucial as for families with younger children.

9 The difference is statistically significant at the 0.01 level.

### Table 6.4
Household Socioeconomic Indicators by Tenure (Urban Households Only)

<table>
<thead>
<tr>
<th>Socioeconomic Indicator</th>
<th>Rent Primary and Only Home</th>
<th>Own Primary and Only Home</th>
<th>Rent Primary Home, Own Second Home</th>
<th>Own Primary and Second Homes</th>
<th>Total</th>
<th>Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean age</td>
<td>41.4</td>
<td>46.3</td>
<td>35.1</td>
<td>44.9</td>
<td>44.8</td>
<td>5,657</td>
</tr>
<tr>
<td>Household size (number of persons)</td>
<td>3.1</td>
<td>3.4</td>
<td>3.9</td>
<td>3.7</td>
<td>3.4</td>
<td>5,657</td>
</tr>
<tr>
<td>Marital status (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single, live with parents/relatives</td>
<td>5.8</td>
<td>8.8</td>
<td>7.9</td>
<td>8.7</td>
<td>8.2</td>
<td>464</td>
</tr>
<tr>
<td>Single, live alone</td>
<td>14.8</td>
<td>0.9</td>
<td>20.3</td>
<td>3.4</td>
<td>4.5</td>
<td>255</td>
</tr>
<tr>
<td>Married, family located here</td>
<td>75.9</td>
<td>89.5</td>
<td>54.5</td>
<td>85.6</td>
<td>85.1</td>
<td>4,813</td>
</tr>
<tr>
<td>Married, family located elsewhere</td>
<td>3.5</td>
<td>0.8</td>
<td>17.2</td>
<td>2.3</td>
<td>2.2</td>
<td>125</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Household income in 2004 (yuan)</td>
<td>20,000</td>
<td>20,000</td>
<td>24,500</td>
<td>30,000</td>
<td>20,000</td>
<td>5,270</td>
</tr>
<tr>
<td>Median</td>
<td>20,000</td>
<td>20,000</td>
<td>24,500</td>
<td>30,000</td>
<td>20,000</td>
<td>5,270</td>
</tr>
<tr>
<td>Mean</td>
<td>24,765</td>
<td>26,487</td>
<td>37,484</td>
<td>50,650</td>
<td>28,194</td>
<td></td>
</tr>
<tr>
<td>SD</td>
<td>31,264</td>
<td>38,030</td>
<td>45,896</td>
<td>112,172</td>
<td>45,981</td>
<td></td>
</tr>
</tbody>
</table>


Note: SD = standard deviation
Second-Home Ownership by *Hukou* Status (Urban Households Only)

<table>
<thead>
<tr>
<th><em>Hukou</em> Status</th>
<th>Own Second Home (%)</th>
<th>Rent Primary Home, Own Second Home (%)</th>
<th>Own Primary and Second Home (%)</th>
<th>Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local urban residents</td>
<td>8.6</td>
<td>2.3</td>
<td>6.3</td>
<td>5,084</td>
</tr>
<tr>
<td>Urban migrants</td>
<td>31.0</td>
<td>24.4</td>
<td>6.6</td>
<td>316</td>
</tr>
<tr>
<td>Rural migrants</td>
<td>44.4</td>
<td>39.7</td>
<td>4.7</td>
<td>232</td>
</tr>
<tr>
<td>Other</td>
<td>16.0</td>
<td>12.0</td>
<td>4.0</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>11.4</td>
<td>5.1</td>
<td>6.3</td>
<td>5,657</td>
</tr>
</tbody>
</table>

Source: Calculated using CGSS 2005.

consumption of second homes (table 6.5). With home of origin considered as the second home, both urban and rural migrants (migrants with nonagricultural and agricultural *hukou*, respectively, registered elsewhere) were much more likely to own a second home than local urban residents (31.0 percent and 44.4 percent, respectively, vs. 8.6 percent). Not surprisingly, most migrants who own a second home rent their primary home. This is related to their high mobility and, more important, their temporary *hukou* status in cities, which under the current system constrains their housing access, especially to public and subsidized housing, and thus hinders their long-term settlement in cities. They are somewhat “forced” to own second homes in their place of origin for their eventual return. However, wealthier migrants who could afford it owned both a primary home and a second home. Urban migrants (6.6 percent) were more likely to own both primary and second homes than rural migrants (4.7 percent), but were similar to urban residents (6.3 percent). This supports the *hukou* hypothesis.

Despite three decades of market transition, people’s political power continues to be important in housing access and home ownership and the attainment of second-home ownership. According to table 6.6, people with high administrative rank or high technical rank and people with a party membership are more likely to own both primary and second homes than those with no rank or party membership. For example, 11.0 percent of those with an administrative rank of deputy chu (*fu chu ji*) or higher and 9.1 percent of those with an advanced or higher technical rank owned both primary and second homes, compared to only 6.2 percent of those with no administrative rank and 5.3 percent with no technical rank.\(^\text{10}\) In addition, 8.9 percent of party members owned primary and second homes, compared to 5.8 percent for those who were not party members. People with a high job rank and party membership seem to still hold privileged positions after almost three decades of reform. Those with no rank and those to whom rank is not applicable (such as people in the private sector) and no party membership are more likely to rent a primary home.

\(^{10}\) According to the Law on Civil Servants, civil servants are divided into different administrative ranks. From the highest to the lowest, the ranks include Prime Minister, Ministry level (*bu ji*) cadre, Bureau level (*si ji*) cadre, Department level (*chu ji*) cadre, Division level (*ke ji*) cadre, division members, and ordinary clerks and staff. With the exception of the last two ranks, each rank is further divided into regular (*zheng*) and deputy or vice (*fu*) level cadres.
and own a second home. The type of work unit also is important to second-home ownership. People who are affiliated with party, government, or state institutions; state-owned enterprises (SOEs) in a monopoly industry below the provincial level; joint-venture and foreign companies; and private or group enterprises (siyin he ming­gyin qiye) are the most likely (>10 percent), while those in SOEs in nonmonopoly industries are the least likely (6.6 percent) to own a second home.11 Everyone except people in private or group enterprises and joint-venture or foreign companies, who are more likely to rent a primary home and own a second home, is more likely to

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11 Monopoly industries include electricity, gas and water, geological survey and hydrology management, finance/insurance, real estate, medical and physical education, social welfare, education, art and media, movies/TV, research, government/party institution, railway and airline, postal service/telecommunication, oil/gas drilling and refining, and tobacco industries. The rest are nonmonopoly industries. We follow the categorization by Bian and Liu (2005).
own both primary and second homes. In other words, the housing subsidies hypothesis is strongly supported by the data, as people with high political status and those affiliated with resourceful public work units are more likely to own a second home. The fact that people in joint-venture or foreign companies and private or group enterprises are also more likely to own a second home supports the market hypothesis, as they tend to have higher wages.

**Conclusions**

Besides becoming a nation of homeowners, with more than 80 percent of urban households owning their homes (and almost universal home ownership in the countryside), China is experiencing a rapid increase in second-home ownership, with about 12 percent of urban households (whether they rent or own their primary homes) and 8 percent of urban homeowners owning second homes in 2005. Considering the fact that public rental still dominated and the housing shortage was acute even in the mid-1990s, it is quite astonishing that China has achieved such a high level of second-home ownership within such a short period of time. Interestingly, many second homes are owned by households who are renters of their primary homes, and who are currently living in subsidized housing. In addition to the increasingly mature housing market, unique socialist institutions such as the persistent provision of subsidized housing and the *hukou* system shape the patterns of second home ownership, although different elements of socialist institutions are playing out differently.

With the persistent *hukou* system, migrants continue to be discriminated against in the housing system. Despite their long-term residence in cities, they are not allowed to access subsidized housing and are considered outsiders who will eventually go back to their hometowns. Migrants' peculiar position in cities leads them to rent their primary home at the destination and own a second home at the place of origin. This tenure combination not only discourages long-term settlement in cities but also wastes land and housing resources. Thus, further reform of the *hukou* system is needed. In contrast to the disadvantaged position of migrants in the housing system, privileged urban residents who have access to subsidized housing often own second homes. This further aggravates increasing housing inequality in Chinese cities as low-income households do not have access to affordable housing with ever rising housing prices due in part to the large demand for second homes, while subsidized housing is often allocated to those who can afford second homes. Reform in housing access is needed to ensure that limited housing subsidies go to those in need, not those who can afford second-home ownership.

Finally, as second homes are becoming an important part of the housing system, local governments need to come up with better policies to regulate the provision and consumption of second homes. So far the Chinese government has mainly used financial tools such as higher down payment and mortgage interest rate to regulate the purchase of second homes (CBC 2007), which has not been very successful.\(^\text{12}\)

\(^{12}\) While the government changes its policy on mortgages for second homes constantly, in general, households need to pay at least 40 percent of their mortgage for down payment, and the interest rate for a second-home mortgage is often 10 percent higher than that for a primary residence (CBC 2007).
One reason is that many households purchase second homes with cash or savings, thus these financial tools have no impact on them. In addition, second homes are often purchased as a form of investment. With the lack of investment options, the volatile stock market, and high inflation rate on the one hand, and the ever increasing housing price and the rapid urbanization on the other hand, housing investment has become the main method of investment for many households. The lack of property tax further reduces the cost of maintaining second homes. Thus, more comprehensive housing and economic policies—such as offering more sound investment options, controlling housing speculation, regulating the overheated housing market, and collecting property tax on second homes—are needed to mitigate potential negative social and economic consequences to disadvantaged populations and communities.

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