

An investigation on the emerging housing rental market in a studentified village in Guangzhou: a new institutional economics perspective

Xu Yuxuan¹, He Shenjing¹, Qian Junxi²

1. School of Geography and Planning, Sun Yat-Sen University
2. Institute of Geography, School of GeoSciences, University of Edinburgh

【Abstract】 The emergence of housing rental market in communities undergone studentification is an unique phenomenon in China's urbanization process. The positive and negative externalities of this phenomenon are coexisting, and significantly transforming urban social, economic, and spatial structure. Using Nanting Village in Guangzhou Higher Education Mega Center as study case, this research attempts to understand the emerging housing rental market in the studentified village from a new institutional economics perspective. The research shows that, under the background of studentification, housing rental in Nanting Village is complex phenomenon. Two types of leases, short term rental (including daily rental) and long-term rental coexist. We observed a unique pattern and high flexibility in the relationship between supply and demand. Formal institutional arrangements at all government levels have not been fully implemented, therefore the constraints of formal institutions are not palpable. In the meantime, a number of informal institutions are formed, and some of them are even against the formal institutions. In order to reduce transaction costs and maximize their profits, villagers employ various strategies, e.g. building houses illegally; avoiding rental agents; selling properties during the peak rental season. In addition, in the pursuit of minimizing transaction costs and maximizing rental income, an informal agreement on housing rental price was formed through a tacit process of price-testing between landlords. Throughout the housing rental process, different stakeholders, including students, villagers, and administrative departments, have demonstrated different patterns of rent-seeking behavior.

【 Keywords 】 Housing rental market; New Institutional Economics; Studentification; Guangzhou

1. Introduction

At the end of the 1990s, the number of students within the British higher education sector has rapidly increased because of the expansion of higher education industry. However, a national policy on the supply of student housing is absent. As a result, more and more students have been accommodated in established communities, or dispersed to different parts of towns and cities (Smith, 2008). Darren Smith defined the process in which students swarm into private rental housing communities as studentification. Compared to the large-scale capital-led gentrification process, studentification features lower levels of economic capital. Student housing is mainly supplied by small investors, through the re-commodifying of 'single-family' flats or the repackaging of existing private rented housing. Because of the limitation of economic capital, student housing is often in multiple occupation (HMO)(He et al., 2011). Studentification brings significant social, economic, cultural and spatial changes to the city, especially the structure of urban housing stock (Hubbard, 2009; Smith and Holt, 2007). But, it should be noted that in different contexts, the manifestations, the meanings and the effects of studentification are different (He et al., 2011) . Thus, Hubbard emphasizes that the costs and benefits of studentification need to be assessed on a context-specific basis (Hubbard, 2008).

Studentification describes the process that students occupy private housing stocks. Therefore, housing rental is the key to the process. There are many studies on housing lease in the Third World. Researches show that the forms of landlordism in urban low-income settlements in the third world are diverse. Their reproduction, conservation and dissolution are linked to different influences exerted from external and internal parameters and can occur

simultaneously (Kumar, 2009). Even though the rental housing scene in South African is similar to the one in other Third World cities in many ways, difference exists. Few South African landlords build accommodation, and they just offer space to tenants to build their own shacks (Gilbert et al., 1997). However, there have been limited academic studies of housing lease in China. The management of rental houses, the development of the housing lease market, the law issue about housing lease and the price, on the other hand, are more talked about issues.

In China, the majority of floating people rent and live in urban villages known as “chengzhongcun”. Some scholars introduced the concept of “informal housing” to discuss the formation and development of the housing market in urban villages. Due to the lack of government intervention and regulation, informal markets spontaneously form in urban villages (Liu et al., 2010). The research shows that institutions, market, society and many other factors affect the informal housing market in urban village. While, the urban-rural dual system and the failure of public policies are the fundamental causes of the booming of informal housing. The rural-urban system creates a vacuum of state regulation in urban villages, and the vacuum in turn makes room for the performance of market forces. Different stakeholders, such as the government, villagers, village collectives, external population and cooperative builders promote the supply jointly, acting with different roles and functions(Liu et al., 2010; Wu and Xue, 2011; Zhang and Rong, 2009; Zhao and Yan, 2012a, b). In-depth research on micro-level operations of housing lease in urban village is uncommon. Tian (2011)explores the farmers’ decision-making behavior under the constrains of the zhajidi system and housing construction system . The height and the number of storeys

of residential building are strictly controlled in rural China. The endowment of the house available for renting had little effect on renting decisions, but it significantly impacted on the potential area for renting supply(Tian et al., 2011). Zhang(2009) explores the status quo of migrant workers' rental housing in Dagang Town, Panyu District, Guangzhou. The research shows that nearly 60% of rental houses were without real estate license. It means that an established institution regulating the provisions of the rental building has not been fully implemented(Zhang and Rong, 2009). A research on Shenzhen also shows that the government regulations that control housing development of urban village is ineffective, no matter how the regulations develop(Wang et al., 2009). Even though these existing studies take institutional backgrounds into account, they focused exclusively on formal institutions, while informal institutions and institutional innovation are excluded. What's more, the actually existing practices of rental housing is ignored in these studies.

Based on the conception of "institution" and the theory of "transaction cost" , this study explores the institutional background of housing lease, analyses the informal institutions and institutional innovation during the rental process, and discovers the actual practices in housing letting and rental and the roles of various stakeholders.

In China, with the improvement of living standards, the contradiction between the monotonous services that the campus can provide and the students' increasingly diverse needs for consumption becomes an increasingly prominent. Resources in campus have failed to meet the individualized needs of students. Some students move out of campus and rent in communities nearby, thus leading

to the process of studentification. In UK, student housing market shares a number of common characteristics, but the localized impacts are varied (Rugg et al., 2002). In American college town, the student rental area often known as the student ghetto develops with the development of economic, the change of politics and students' consumption and cultural tendency (Gumprecht, 2006). In the case of China, studentification often happens in a particular type of urban settlement that evolved from rural villages, known as urban villages, and stimulates the development of an informal housing rental market and the emergence of a petty rentier class(He and Liu, 2010; He et al., 2011; He et al., 2011). The effects of universities and college students' housing consumption on the evolution and development of urban space have invited some attention from several scholars, such as Feng Jian & Wang Yongmei(Feng and Wang, 2008), He Shenjing and so on(He et al., 2011). However, no research examined in-depth the production of housing rental market caused by college students. Owe to the cultural capital that students hold and the seasonal fluctuation of their housing demands, the students' housing behavior is different from migrant workers living in urban villages. Student housing rental are in diverse forms, they require specific cultural and entertainment facilities. There are complicated rent-seeking strategies and institutional innovation in student housing lease market. In Darren Smith's opinion, student housing supply is featured by the maximizing of the benefits that investors or homeowners pursue(Smith, 2005) . That is to say, the studentification process implies the investors' concerns of transaction costs and the constraints and limitations of urban systems. Thus, bringing together the concept of "institution" and the transaction cost theory in the new institutional economics, the perspective in this research is not only conducive to a comprehensive understanding of the process of studentification and its impacts,

but also conducive to exploring the institutional environment and actual practices in housing lease in urban villages. In addition, a joint analysis of market, government and private individual is rendered possible in the new institutional economics(Tan, 2011). In addition, China is a society without an established tradition of doing contracts, thus informal institutions can explain many phenomena in Chinese social life, especially in urban village which is only partly incorporated into the system of urban governance.

2. Institutions and the transaction costs

2.1 Institutions

“The new institutional economics” was first proposed by Oliver E. Williamson. “Property” and “transaction costs” are the theoretical cores, and perspectives developed in this school aim at discussing the effect of institutional structure and institutional change on economic efficiency and economic development(Lu, 2007) . North defines institutions as a guide to human interaction. Institutions define and limit the set of choices available to individuals. Institutions may be created, or they may simply evolve over time(North, 2008) . T.W. Schultz, on the other hand, considers institutions as behavioral rules, including the guidance for social, political and economical behaviors(Schultz, 2005) . In Masahiko Aoki’s opinion, institutions restrict the strategic interactions of the participants via a self-enforcing system, and are constantly reproduced by the actual decisions under the continuously changeable environment. Also, institutions are endogenous and objective, both restraining and assisting human behavior(Masahiko, 2001).Institutions are either formal or informal. Formal institutions include political (and judicial) rules, economic rules, and legal

contracts. Informal institutions include customs and practices, as well as cultural and ethical norms(North, 2008).

According to the previously mentioned definitions, this study considers institutions as a series of rules controlling human behavior, including formal and informal institutions. The formal institutions refer to the formal act of statutory laws, common laws and regulations practiced by the government at all levels. The informal institutions refer to the customs, the standards of behavior and self-disciplines from human action of the majority.

2.2 Transaction costs

“Transaction” is the relationship between people, and the transfer of ownership between individuals. It is the core study object of New Institutional Economics in West. There is not a unified understanding of “transaction costs” since Coase proposed this idea in 1937(Da, 2011) . First, transaction costs is regarded as the costs involved in finding relative price, particularly the costs of negotiations and signing contracts(Coase, 1937). Later, Coase develops the concept to include the costs of discovering whom it is that one wishes to deal with, informing people that one wishes to deal, conducting negotiations leading up to a bargain, drawing up the contract, undertaking the inspection needed to make sure that the terms of the contract are being observed, and so on(Coase, 1961). Willison underlines that transaction costs consists of ex ante and ex post types. The first refers to the costs of drafting, negotiating, and safeguarding an agreement. The second is the costs of problem solving, haggling, the setting up and running of organization supporting the contract, and the bonding(Williamson, 1985) . The Transaction School pioneered by the University of Washington and represented by Steven. N.

Cheung and North, extended the definition of transaction costs to the entire range of the human system. Steven. N. Cheung argues that transaction costs include all costs even in processes which are not directly situated in material production. North believes that transaction costs include all costs of the long-standing interpersonal relations. It follows this concept which was initially used to characterize macroscopic processes have been extended into the explanation of microscopic behaviors. Therefore, transaction costs is seen as a broad concept, and its definition has not been uniform(Da, 2011; Lu, 2007).

This study examines the costs involved in the operations of various types of economic systems, with the belief that transaction costs exists in processes which are not directly situated in material production As for housing lease, transaction costs are mainly reflected in the following three aspects, namely system costs from following or breaking the rules, the costs of information from releasing rental information and decision-making costs from making a decision about how to run the rental business.

3. Case study

3.1 Nanting village

Nanting village is located in the southwest of Xiaoguwei island, north to the Pearl River, west to Guangzhou Academy of Fine Arts (GZAFA), and east and north to Guangdong University of Technology (GDUT). Nanting Road divides the village into two parts, the east half and the west half. Nanting has ever been a land of abundance, covering the area of 24.2ha, with a population of 3025. According to the initial plan, Nanting should have been wholly demolished for the Higher Education Mega Center. But the demolition was tenaciously resisted. As a result, the village was persevered, as one of the 4 villages persevered in the Higher Education Mega Center(Yi, 2011).

Nowadays, there are so many students live in Nanting that huge changes happened in the spatial structure, the economic, the culture and many another aspects of the village, especially in the housing rental market due to the location close to Guangzhou Academy of Fine Arts. The west part of the village has been almost exclusively occupied by students. In other words, Nanting has become a typical studentified community. On the other hand, Nanting village is also a typical case of urban villages (cheng zhong cun). The land ownership system of urban villages is different from that of the city. Students are seasonal population with no fixed income but special cultural orientations, while the villagers normally are less educated and culturally distanced from the students. All of these contribute to the spatial division between the urban villages where the students cluster and where the migrant workers cluster.

3.2 Methodology

This paper is based on fieldwork in Nanting village carried out from March to April in 2012. All data come from in-depth interviews with 10 people, including a lobby crew of a hotel, two landlords, a villager who has no rental house, a villager who has rental houses, three students, a village guard and a proprietress of an art shop, all of whom are different actors in the process of housing lease. This research aims to cast insight into the status quo of housing lease, to understand the operation and practice of the rental process, the institutions, the rent-seeking behaviors and the roles of various actors in the process.

4. Studentification and housing lease in Nanting village

4.1 Studentification in Nanting village

Nanting village is an ideal place for arts training institutions owe to its location adjacent to Guangzhou Academy of Fine Arts, the lower costs compared to the downtown and the artists' tradition to seek remote places from the hustling city center. Form 2007, there were many training institutions coming into the village and it also attracted large numbers of students. It was reported that 600 students lived in village-built apartments in 2011(Chen, 2011). What's more, with the development of average living standards, university students are not satisfied with the dormitories the college supplies and the monotonous service that the

campus provide. They ask for more diversified resources in campus. Because of the limitation of economic capital, villages close to the campus become the best place for students. Nanting attracts more and more students, especially the students study in GZAFA and GDUT. In 2007, there were 372 university students living in Nanting. Nearly all of them study in Guangdong University of Technology or Guangzhou Academy of Fine Arts. 3% of them do business in Nanting, while 97% of them only rent a flat in Nanting(Zhang, 2007). Huge changes take place in Nanting while hundreds of university students and thousands of art trainees come to study and live there.

4.2 Housing lease in Nanting village

Students are seasonal and floating population, and have limited economic capital and special preferences for living conditions. All of these lead to the complex housing lease in Nanting Village. The two types of leases, short rental (include daily rental) and long-term rental coexist and each type of rentals reach its peak in different times.

Student couples constitute a special group. There is no independent common living space for them in schools' collective dormitories. In order to lead a life together, many student lovers and couples move to Nanting at Friday and Saturday. It leads to the peaks of short rentals and the price of housing renting also rises slightly. Also, during the periods of some important professional qualification examinations, a lot of examinees swarm into the university center leading to another peak of housing lease in Nanting. The price is thus dependent on the scale of the examination and the location of the examination venues.

Ordinary college students rent for a long term during March to July and September to January. One of the interviewees said that students from GZAFA always rent a single room while students from GDTU always share a room with a classmate or his/her lover. It is related to the major the students study. Most of students from GZAFA are majors in art-related subjects, having a high demand for living environment, prefer quiet environment to create a better space for creative work. So they tend to rent a room independently. While students from

GDTU live in Nanting for better services and more consumer options, but they have limited economic capital. So they tend to share a room with others.

The second half of every year is the art training period. During that time many middle school students come to the village for art training. Their lease term ranges from half a month to 3 months. To reduce spending most of them share a room with other two or three students. Some even live in the dormitories the training institution supplies. The price also rises slightly at this time.

“The bosses of training institutions will sublet the houses to training institutions as dormitory at summer holiday. “

Interview with the 1st respondent

Table 1 The Housing Lease in Nanting Village

TIME		Needs groups	Needs style	Demand supply	Price
The first half of the year	Friday & Saturday	Students couples	Daily rental	≈	+
	At other time	University students	Long-term rental	>	0
The second half of the year	Arts training period	Arts trainee	Long-term rental	<	+
	Large-scale			>>	+++++
The examination period	Small-scale	Examinee	Daily rental	Depend on the location of the examination hall and the scale	0

Note: "0" indicates the normal price. "+" indicates the price rises slightly.

5. Housing lease: an interpretation based on new institutional economics

5.1 Formal institution

In order to regulate the housing lease market, governments at all levels establish a series of regulations (Table 2). Even though some are not related to housing lease directly, they still restrain and affect the process of housing lease. <Guangzhou Housing Lease Regulations> is the most important one that directs housing lease in Nanting village.

Table 2 Formal institutional arrangements at all levels of government

level	Basic systems	Related systems
The Nation	Housing lease management regulations	Property law
	Urban real estate intermediary services regulations	Land management law
	Security regulations of rental house	Property management regulations
Guangdong Province
	Guangdong Housing lease regulations	Guangdong property management regulations
	Guangdong Security regulations of rental house	Guangdong planning ordinance
	Guangdong Security regulations of floating population's rental house	Management regulations of floating population in Guangdong Province
Guangzhou
	Guangzhou Housing lease regulations	Guangzhou rural real estate property registration regulations
	Guangzhou security regulations of temporary staff rental house	Guangzhou land use for villagers' residential construction regulations
	Guangzhou real estate intermediary services regulations	Guangzhou village construction regulations
		Guangzhou house safety regulations
		Management regulations of floating population in Guangzhou

Theoretically speaking, institutional arrangements are the foundation of housing lease. However, the research found that all interviewees know very little about the institutional arrangements. The community service center holds some activities to make these formal policies more widely known but their efforts are more often than not fruitless. Villagers, landlords and tenants don't care about the formal institutional arrangements and have no passion for getting familiar with them as well.

"The Floating Population Management Center would organize some activities, and I have once taken part in the education activities. But there were few people and I have forgotten what they had told before."

Interview with the 7th respondent

It is found that the implementation of formal institutional arrangements is flexible and contingent. Some regulations are implemented perfectly such as fire fighting system. Some are totally ignored. Some are partly implemented such as population inspection system.

In fire safety, the Floating Population and Rental Management Office of Panyu District makes some mandatory requirements. For example, cooking in bedrooms is forbidden. There is no kitchen in the house used for short-term lease, and the landlord also asks the tenant not to cook anything in the room. Even though kitchenware is not supplied in the house for long-term lease, there is a small space between the bedroom and the toilet which can be used as *ad hoc* kitchens.

Besides, gas heaters are not allowed in the village. No gas heater is found and all rental estate uses solar energy heaters or electric heaters.

“All the places I have ever lived use electric heaters instead of gas heaters. Hot water is provided all day long.”

Interview with the 8th respondent

“We use the central water heater. 24-hour supply.”

Interview with the 6th respondent

According to the registration regulation, both the tenant and the landlord should timely go through the housing lease registration formally. However, except rental contract no more formal procedure is gone through in fact. As to floating population, a floating population registration form must be filled with when they rent a house. As a matter of fact, the landlord just simply checks out the tenant's ID card or any other identity certificate like student card.

“All we do is to sign a contract with them and pay some deposit. That's all.”

Interview with the 2th respondent

“I have been a landlord for 5 years, but I never used this form (the floating population registration form).”

Interview with the 5th respondent

As for inspection system, several departments are included, such as the public security organs, the industrial and commercial bureau, the planning bureau and so on. Yet the inspection system is not fully put in place. Interviewees said it was usually simply fire inspection. We used “housing lease” as the keyword, and searched for relevant information in “administrative information column” of Xiaoguwei District Office Website in October 23, 2012. There were 9 pieces of news about housing lease in Nanting village. By analyzing these 9 pieces of news, it is found that from May 2006 to December 2011, there were only three actions undertaken in Nanting housing lease management. When it comes to the “three fights” and “two constructions” (san da liang jian), governance on housing lease is strengthened. By the end of October 23, 2012, there are 6 actions taken on housing leasing, and 3 of them focused on rental houses let on daily basis. From these, we can conclude that inspection system is implemented selectively, and governance is insufficient, especially before 2012.

“Fire inspection is more common.”

Interview with the 6th respondent

Table 3 the Lets Governance in Nanting Village from 2006

Time	Management Content
Sep. 2012-Oct. 2012	Check uncover of lets
Aug. 31,2012	Security, Hotel(short-term rental)
Jul.13,2012	License
Jun.20,2012	Gas safety
Jun.8-14,2012	Hotel(short-term rental)
Dec.14,2010	Fire safety
Aug.26-29,2008	Property management training
Apr.26,2006	The floating population, Check uncover of lets, lets license

Data resource: Xiaoguwei District Website http://xiaoguwei.panyu.gov.cn/zhengmu_dt.asp

Thus, it can be seen that a series of formal institutions are established by all level of governments, however, many of them are not implemented effectively in practice. Institutions are adopted selectively. Whether the institution comes into play or not is dependent on the severity of the government’s enforcement. Because there are a lot of anti-fire measures adopted, fire safety system plays very well. However, many other institutions are simply sidestepped.

Table 4 the Result of the formal institutions

Institution	Content	Implementation
Fire system	Bedroom and kitchen should be separated	In full operation
Registration system	Gas hot-water heaters are not allow Both the tenant and the landlord should timely apply for housing lease registration	Completely not implemented
Inspection system	the public security organs, industrial and commercial bureau, planning bureau and so on	Partly implemented

5.2 Informal institutions

According to the formal institutions, the so called hotels in the villages are illegal. In other words, the short-term rental houses in Nanting are illegal. Nevertheless, this kind of hotels is popular in Nanting with the pursuit of the landless peasants for profits and the students' needs of housing. A reticence or acquiescence in this matter been reached between villagers who build, landlords who operate rental housing illegally and student tenants. It becomes the informal institution supporting the survival of the short-term rental houses in Nanting village.

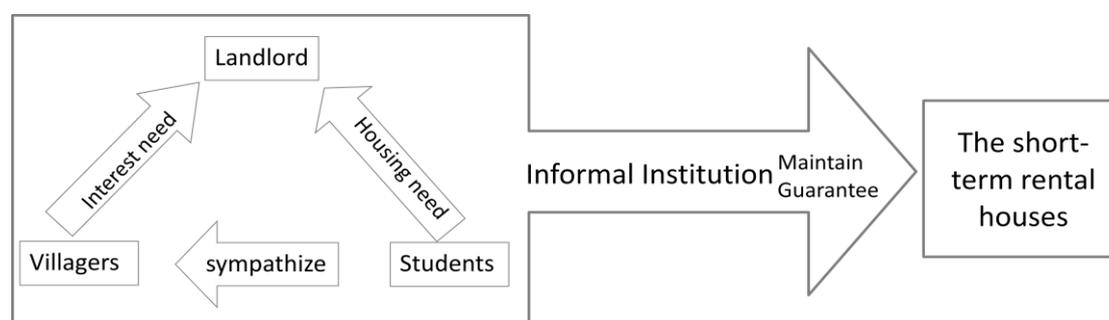


Figure 1 the Informal Institution of the Short-term Rental Houses

During some large-scale professional exams, for example the civil servant recruitment examination, the supply of daily rental houses in Nanting cannot meet the demands. The price is doubled several times, and a shared rule of pricing also comes into being in the village. It will be explained in detail later. Although the price is at the same level as the regular hotels outside the university center, examinees live in Nanting for convenience.

“The price at usual is 60 or 70yuan, but it rises to 250yuan during the examinations. And it is said that no landlords can make a discount.”

Interview with the 9th respondent

5.3 Analysis of transaction cost

5.3.1 Institutional cost

It is known to all that a lot of procedures must be transacted before building a house. It might be a red tape matter and time-and money- consuming. Whereas there are a lot of buildings without going through any formal procedures in Nanting village, especially some built in recent one or two years. Skipping procedures save time to a large extent. What’s more, the building can be completed before busy seasons when the price is higher and the demand is bigger. It is easy to hunt for tenants and there is less bargaining. As a result, the transaction cost is reduced.

5.3.2 Information cost

Housing agencies are important bridges for information collection and information circulation. And it can reduce the time cost of the landlords. Generally speaking, agents will appear when the housing market is matured to a certain extent. Housing lease market is mature enough in Nanting, but surprisingly there is no presence of letting agencies. To advertising their houses, villagers and landlords generally spread handbills in colleges, stick the advertisement on all kinds of public columns and put the housing information on websites. Walls plastered with adverts are here and there in the village. After searching “housing lease in Nanting village in university center” in Baidu website on October 23, 2012 , we see that there are 103,000 search results.

“Students contact and visit us by themselves without any intermediaries.”

Interview with the 7th respondent

“We go to the schools to hand out the handbills, or release the information on the websites. There are more and more free websites designed for housing information in university center. The staffs of the websites always come and ask us whether we want to put our housing information on his/her websites. “ NO.1 interviewee

Interview with the 1st respondent



Figure 2 A Wall Plastered with Adverts in Nanting



Figure 3 Parada De Autobus Plastered with Adverts in Nanting

According to our observations, most of Nanting villagers have no formal jobs, especially the middle-age and older villagers. Time is a rich resource for them and it means the transaction cost of for spending time is considered to be very low. And it is a kind of hidden cost which is hard to feel concretely for villagers. On the contrary, the involvement of housing agencies would produce some apparent extra costs. The cost of housing agents is higher compared to putting information on website which costs nothing as well as handbill distribution.

5.3.3 Decision-making cost

During the professional certification exams, landlords adjust the price according to the scale and the location of exams. Some landlords indicated that they would spy the prices of the other landlords for reference by calling them and pretending to be a student. Therefore, the prices in the village are normally at the same level. It can be said that a shared institution of pricing has come into being without any vocal contacts between the villagers. It is also the result of the landlords' pursuit of minimized transaction costs and maximized interests of rent. On the one hand, the scope of clients is narrowed if it's overpriced and it would lead to unnecessary bargaining, resulting in higher transaction costs. On the other hand, it is considered to be unruly market behavior if housing is underpriced, leading to bad reputation, or the peer's revenge (the 8th interviewee mentioned, but it wasn't confirmed by villagers and landlords). To

balance inter-landlord relations, landlords tend to set the price on the same level. The “price universality” is an agreement resulting from the landlords’ pursuit of market and interests, and different from universal pricing based on formal agreement. *“The price reaches 250yuan a room during the exams, but it is only 60 or 70yuan at usual. Discount is no allowed.”*

Interview with the 8th respondent

Moreover, some experienced landlords would transfer their business in the peak season of September if they want to quit the business for various reasons. More people want to join in the housing lease market in the peak season and the housing price is higher, both of which lead to lower transaction cost.

“When it comes to the next year, no one wants to take it over.”

A student who has ever run a hotel in Nanting, graduated from GDUT.

5.4 Rent-seeking behavior of the relevant administrative departments

Not only have the above informal institutions contributed to the survival of the illegal short-term rental houses, but also the rent-seeking behavior of the relevant administrative departments, mainly the police. According to the current regulations, the landlord would be detained for 15 days if he was found running short-term rental house at first time. And he would be sentenced if he was discovered again.

“They masquerade as students, dressing with plain clothes. It is impossible to defend themselves effectively. “

A student who has ever run a hotel in Nanting, graduated from GDUT.

“There are investigations public or concealed. Public investigations are carried out by the staffs of the rental management center who are dressed in uniform when they are working. They take care about the long-term rental and ask the landlord to show the tenancy registration. Usually there is no problem. While the private investigations are conducted by police who are dressed as students, collecting evidence about who operate daily rental. The landlord would be detained for 15 days if he/she was found operate short-term rental houses at first time, but would be sentenced if he was found again. He/she can continue the business after the

detention, or can hire someone as scapegoat for the police also have no sense about who is the real landlord.”

Interview with the 1st respondent

The police do not go into who is the real landlord seriously, which makes some space for rent-seeking behavior of themselves and the violator. Violators can hire scapegoats to escape the detention, which also brings the police some interest. The student studying in GDUT has quitted his housing lease business in Nanting. He advises to those who want to do the business in university center that friendly relationship with the police is necessary for such business.

“If a couple runs a hotel and one of them has been arrested, the other one is still able to take over the business. However, if you were a student, it is troublesome unless you hire a scapegoat.”

A junior student from GDUT who has once run a hotel in Nanting

From this, it can be judged that rent-seeking behavior exists in the public security department who is the administrative directive. It is the key reason why there are so many illegal hotels in Nanting and why the landlords dare to advert the daily rental housing so openly.

6. Conclusion and discussion

Studentification affects significantly the city's social, economic, cultural and spatial processes. And the effect varies in different places. Taking Nanting Village in Guangzhou Higher Education Mega Center as study case, this paper focused on explaining the housing lease phenomenon in the studentified community from the perspective borrowed from the new institutions economics, revealing the mechanisms of the housing lease in studentified community.

The research shows that because of the special urban and rural dual system and the collective management which is over-reliant on the stock company (Zhao and Yan, 2012a), formal institutional arrangements at all levels of government have not been fully implemented, therefore the constraints of the formal institutions are not remarkable. What's more, a number of informal institutions are formed,

and some parts of them are contrary to the formal institutions. These informal institutions become the base and the guarantee of the booming of the housing lease market in Nanting village. In order to reduce transaction costs and maximize the economic interests of their own, the villagers built houses illegally, skip the housing agencies, and transfer their business to others during the peak seasons. In addition, in the pursuit of the minimized transaction costs and the maximized the interests of rent, the shared rule of pricing also comes into being through the landlord detecting the prices of the other landlords during the professional certification exams. In the housing rental process, each stakeholder has a certain rent-seeking behavior. From this perspective, it can be said that the villagers, landlords, students and the relevant administrative departments are all interest groups to a certain extent, jointly protecting the development of housing lease market in Nanting village.

There is no doubt that housing lease in Nanting, especially the short-term rental, is rational on some degree. On one hand, it is related to the housing needs of students. On the other hand, it is the pursuit for interest of the farmers who have now little farmland. As a process featured by rationality and unlawfulness, can it be legalized? To explore a new model of redeveloping the urban villages, whether it can be allowed to develop leased housing under some necessary guidance in studentified communities instead of the single solution of forbidding?

It is no common for Chinese university students to live in campus because of the collective dormitories that the school provides. But there are a huge number of “xiaopiao” live in urban villages. Special housing phenomenon caused by the students has not yet been examined extensively by academics. Few studies take the institutional background and the behavioral choices of the stakeholders into account. Hence, this study fills the gap to a certain extent. In addition, housing lease in studentified community is a unique geographical phenomenon in the urbanization process in China. The positive and negative externalities are coexistent. And it affects significantly the city’s social, economic and spatial fabrics. Therefore, the mechanisms of the housing lease in studentified communities must be well known before us taking actions about it. Based on the

new institutional economics perspective, this study concentrates on the practices of housing lease in Nanting village, a typical studentified community. It provides empirical descriptions of the practices and governance of housing lease in a rural community subject to rapid urban change.

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