

*The Impact of Housing Market Fluctuation and Housing Supply on the Housing Opportunities of Moderate- and Low-Income Households in 21st-Century Urban China: A Case Study of Ordos City**

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Abstract

Housing filtering is well documented in the West, but few empirical studies have applied this concept in China. Under the framework of housing filtering, this study investigates how the fluctuation of the commodity housing market affects the housing opportunities of moderate- and low-income households in Ordos City, China. The findings reveal that the excessive commodity housing supply is not helping moderate- and low-income groups during the housing boom period due to skyrocketing housing prices and low housing availability caused by multiple homeownerships of the rich. The burst of the housing market bubble in 2011 has favored moderate- and low-income groups, manifested by their increased purchases in the secondary housing market under decreasing housing prices. Nonetheless, the poorest households still face financial difficulties in purchasing commodity housing. Moreover, majority transactions in the secondary housing market involve medium-sized dwellings, suggesting that the

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supply of medium-sized dwellings is critical in facilitating the filtering process in Ordos City. This research argues that government intervention is needed to ensure the housing opportunities of the lower income groups. However, it is beneficial to discuss how market mechanisms such as filtering can be made effective to promote housing opportunities for the poor.

Human beings always seek improved housing if their current houses fall below their expectations or better housing opportunities emerge. As buildings deteriorate over the passage of time, current house owners may move to newer or higher quality dwellings and pass their current houses to the comparatively lower income groups. Consequently, the housing market sees an ongoing dynamic flow of transactions. The notion of “housing filtering”, which has long been discussed, depicts such a phenomenon. As the only market mechanism that increases the supply of dwellings that are more economical than newly constructed or modified houses, housing filtering is tightly related to the well-being of low-income groups.¹ In the West, housing filtering is often supported by market advocates as a part of neoliberal housing policies to improve housing affordability. Nevertheless, studies still question the efficacy of housing filtering for promoting housing affordability and opportunity for those on the lower end of the income spectrum.²

Compared to the West, the phenomenon of housing filtering is relatively new in China. Housing reform initiated in the 1980s has gradually introduced market mechanisms in both housing production and housing consumption in China.³ On the demand side, marketization of housing stocks has allowed citizens’ liberal housing choices,⁴ and private-market housing transactions are normal for Chinese households nowadays.⁵ On the supply side, commodity housing has become the dominant means of housing supply since the late 1990s when the state work units’ housing allocation system was abolished in 1998.⁶ Massive commodity housing development under the rapid urbanization process offers housing surplus for potential filtering in China. Meanwhile, the development of a secondary housing market has stimulated the exchange and circulation of housing stocks, resulting in an increased residential mobility.⁷ Consequently, it is reasonable to postulate that the phenomenon of filtering will become increasingly notable in China.⁸ Nonetheless, there is a limited progress on developing and applying the