

# Empirical Analysis of the Housing Affordability and Housing Supply in China

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In the last decades, housing prices in China experienced a rapid increase putting on considerable pressure on home buyers, which brought about a big concern on the housing affordability problem. While there has been a large body of literature on housing demand, limited process has been made in the study area of housing supply. The objective of this dissertation, which consists of six chapters, is to explore the housing affordability problem, to estimate the housing supply elasticity and its determinants, and to examine whether the housing supply varies by region and type in China. A reduced form model is used to estimate the housing supply elasticity nationwide, while the urban growth model is used to examine the variation in housing supply across regions and by housing type. Data used in this study mainly come from 31 provinces and 35 large and medium cities in China over the period 1998-2010. The main findings are as follows:

- 1) Despite family income has grown rapidly, the majority of the Chinese households are still suffering from the housing affordability problem.
- 2) Housing supply in China is less elastic comparing to other countries and land regulation plays an important role in affecting housing supply.
- 3) The elasticity of housing supply not only varies by region, but also differs by housing type to type significantly.

This dissertation links the housing affordability problem to the elasticity of housing supply. The result supports that the current housing affordability problem in China is somewhat caused by the less elastic housing market, where housing supply cannot raise quickly in response to demand increases. This dissertation also examines differences in housing supply across regions and by type, which can be referenced in the establishment and implementation of housing policies and programs toward growth in the housing supply.