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THE RESIDENCE SUPPLY IS SURPLUS OR SHORT?

— — comment upon new pattern of supply relationship and policy direction

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The Residence Supply Is Surplus Or Short?

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Twenty years ago , An Hungarian scientist and economist published his well known SHORT ECONOMISIN, he thought that shortage was one of the basic problems of socialist economy. One of the most important aims in the course of the socialist economy system reforming was getting rid of the shortage , examing the shortage situations was the important symbol of inspecting reforming progress degree .

The real estate in China has spent his 20 years` rapid development and he has realized this ERA`S city and town dwelling objection ahead of five years . In the year of 90`s , residents in China cities and towns not only have adequate food and clothing but also enjoy a relatively comfortable life

The change of the expending proportion of the food consumption to total consumption of residents in China cities and towns (the Engel Coefficient)

year	1978	1988	1993	1997
the Engel coefficient	0.58	0.51	0.50	0.46

How to evaluate the supply and demand status of city residence market under the new situations and direct the policy`s making has important significance .

The views on the conditions of the supply of residences according to the phenomenon of the commercial house vacancy at a high rate

In recent years, the phenomenon of the commercial house vacancy has been very serious. From the year 1994 to 1997, at an average rate of 29 percent a year in the country .The vacant house in guangdong province is over 9 million square meters .

These dwellings can not be digested completely at present, because we can not force the consumers to accept the merchandise that they do not like. This is the ineffective supply in the residence market , in another word is surplus phenomenon . In the residence market , not only the products are surplus but also the market ability . In the year of 90`s , the increase of developing companies are far over the ones that commercial houses are completed and sold . Large companies are not enough to work while small companies have nothing to do . This phenomenon is very popular.

Even some production elements have different degree`s surplus . For example , the land ,in guangdong reserve land , the useful part is 78500 hectares , occupied but not to be used is about 15900 hectares . The construction land by altering the old cities is 6000 hectares .

The present overstock is the surplus of bottom consuming level at the stage of having adequate food and clothing. People take it as their productive objections to solve having dwellings or not, the surplus of structure of the past supply consistence and today's demand structure inconsistency and the surplus that the original fund house and the warfare house are not adapted for private money house. These kinds of surplus do not represent that the buyer's market has formed . The commercial residence building overstocks seriously and at the same time the phenomenon is difficult to find is conspicuous too .The appearance of holding money to buy is serious. The marketable house is short .

The residence market began to become short and demand exceeded supply from 1970`s to 1980`s. Solving the problem of having dwellings or not at the stage of having adequate food and clothing is transiting to solving the problem of dwellings at the stage of relatively comfortable life. Shortage corresponds with the new demand under the market-oriented economy condition. The requests of the consumers to the dwellings and the target of the market production are obviously different at the different consuming stages .

From the above, we can see that the status between supply and demand at present China residence market is out of the balance of supply and demand and also a kind of existing side by side of ineffective supply and not enough effective supply . This is historic change from having adequate food and clothing to relatively comfortable life in China .

The analysis of the market demands of residences according to the phenomenon that there is not a active market

In 1998, impelling the residence became the consuming point at issue and economy growth point is a crux step that country tried to keep national economy increase 8 per cent . In the first half of the year in 1998, the dwelling market was full of action and excitement too however from the whole point of view the market is not satisfactory. The effective demand in the dwelling market was not enough .

In order to encourage the consumption, from 1996 May until now, the bank has got the interest of deposit money and bank loan down for six times, however, the deposit money number of resident in the towns and cities is still increasing. Most of the people are not happy to future income and their consumption desire is not strong .

In fact, the potentialities in China town and city's residence market is great. From the year 1998 to 2000, the potential house need will be nearly 620 million square meters every year , from the year 2001 to 2010, the potential demand will be 980 million square meters every year .

The family consumption potentialities are very big, the dwelling consumption is obviously lower compared with other family expenses. We have to make an explanation in distribution system, dwelling system and sense of consumption about great potential market ability, inadequate payment ability from the point of microcosmic and the big gap contradiction

what insufficient general need composed from the point of macroscopic .

The potentialities of residence market in China city and town from 1998 to 2010 unit:10000 sq.m.

	1998-2000	Average	2001-2010	Average
The demands of residents who have not house	5757			
The demands of objective	19186		351000	
The demands of enhancing the rate of complete sets of house	39780		157650	
The demands because of the population's increase	111281		421200	
The demands because of the family's increase	9377		52950	
The forecast of total demands	185381	61793	982800	98280

The expending proportion of consume of the residence and fuel to total consume of a family unit: %

China cities and towns	China countryside	Below 1000 U.S. dollar	1001 to 4000 U.S. dollar	4001 to 10000 U.S. dollar	10001 to 20000 U.S. dollar	Above 20000 U.S. dollar
7.7	13.9	11	10	14	15	18

The expending proportion of consume of the residence and fuel to total consume of a family in developed country

	America	Japan	Korea	Singapore
Years	1992	1992	1994	1992
Proportion	18.3	20.2	12.3	10.2

The consume proportion of residences of China compare with developed country at the same level of GDP per people

	year	GDP per people	The expending proportion of residence to total consume
China's cities and towns	1996	750	7.7
France	1960	545	9.3(1959year)
Britain	1960	664	13.8(1958year)
Germany	1960	665	10.8(1959year)
Japan	1965	782	9.83

The expending proportion of residence consume in eight developing country

	Year	GNP per people	The expending proportion of residence to total consume of a family
Tanzania	1971	104	15.9
Honduras	1975	384	13.6
Malaysia	1971	380	13.3
Toggles	1975	163	12.8
Sri Lanka	1976	229	10.5
India	1976	141	7.6
Thailand	1976	379	7.1
Sudan	1974	283	6.6

The expending proportion of residence in some countries whose coefficient is between 0.45 to 0.5

	Year	Coefficient	The proportion of residence consume
Romania	1980	0.456	10.8
Algeria	1978	0.456	13.1
Portugal	1974	0.478	10.5
Botswana	1980	0.482	12.6
Paraguay	1964	0.487	16.4
Haiti	1970	0.489	7.9
Burma	1974	0.491	10.4
Egypt	1975	0.497	8.8
Guyana	1977	0.50	20.0
Average			12.1

Facing the surplus of ineffective supply and insufficient effective supply, the big gap between great potential demand and inadequate effective demand has formed complicated imbalance of supply and demand this is a king of new pattern of supply and demand compared with before .

The policy objectiv of initiating the market of real estate

From the year 1989 to 1990, the economic resurgence after low tide mainly depended on large investment however it does not work any more now. The market conditions changed a lot.

This big change of supply and demand show that; firstly, the potential demand of the residence market and capacity is still large because of increasing cities and relatively low dwelling level in the cities and towns. the demand in domestic market is the leading force that real estate keeps up. in China , it is still the dominant reason to develop the economy an a very large population country that the economy increases rapidly; secondly, the era that productive forces push the market forward and the growth way of quantity enlarging pattern have come an end. the times of restraining, restricting and accelerating the market by the market's demand has started. The hinge that real estate keeps up has transferred to the consuming field from productive field and investment field. Making sure to get rid of the barrier that potential need is transferred to the effective demand, strengthening the people's pay ability of residence, guiding the

effective supply by valid demand, checking the invalid supply and gradually leading the residence market to buyer's market, all of these above should be the policy direction under the new pattern of the relationships between supply and demand. At present, it is the right time to carry out this policy.

Through the direction above, we determined some aims, they include: stimulating the consumption starting the market by both depending on investment and stimulating the consumption, encouraging the circulation, clearing the policy of consuming restrictions, reducing the tax fee in the circulation field, setting up the perfect dwelling supply system, selling and renting which the latter one's important significance lies in satisfying the residence demand of income difference; in productive field, implementing the land public bidding and auction system absolutely, rigorously enforcing the clauses of public bidding and auction, strengthening its administration and opening the second land market as soon as possible instead of abolishing the license of developing market .

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