



Shanghai Housing Purchasing Restriction Policy

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Abstract. The background of this study is the rapid growth of China's population and the increasing demand for housing. In a big city like Shanghai, buying a house has become a very difficult thing. This result is because some people increase the average price of houses in the market by malicious speculation and hoarding, to improve their interests, which also leads to many residents being unable to buy their own houses. Through the research from Chapter 2 to Chapter 4, this article can better see that the existing housing purchase restriction policy can indeed promote the purchase demand and supply in Shanghai to a more balanced position. However, this paper believes that there are still some places in Shanghai's housing purchase restriction policy that can be improved and strengthened, such as adopting different policies for different regions of Shanghai, how to implement the purchase restriction at the same time and help the country achieve its goal (three child policy).

Keywords: Shanghai · Housing price · Restriction policy · Effect

1 Introduction

1.1 Background

With the rapid growth of China's population, housing demand is increasingly in short supply. Especially in large international trade cities such as Shanghai, GDP has always been the focus of great attention from the outside world. If buying a house has become a very difficult thing, residents will keep paying back their mortgage or renting a house, and some even have no fixed place to live. As the quality of life declines, GDP will also be affected. This result is because some people increase the average price of houses in the market by malicious speculation and hoarding, to improve their interests, which also leads to many residents being unable to buy their own houses. Therefore, the state launched a series of housing purchase restriction policies on January 31, 2011, aiming at different groups, occupations and even nationalities to stop this situation. In the next few years, the policy was adjusted and strengthened many times, but it was still not perfect. The purpose of this article is to analyze the effectiveness of the policy by studying the house price and purchase volume in Shanghai in recent years and put forward some suggestions on the house purchase restriction policy in Shanghai through the relevant policies of other countries, to ensure that each resident can have his own house.

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1.2 Related Research

Zhang et al. compared the monthly panel data of 58 cities in China to verify the chain reaction of HPR policy in neighboring cities. This study adds some new insights to the study of HPR policy, house price chain reaction and real estate market sentiment. These results also provide some enlightenment for the decision-making process of regional cooperation or coordination [1]. Zou et al.'s research shows that China's housing purchase restriction policy is a "non mandatory" policy. This study believes that the main factor to promote local governments to implement housing policies is the external pressure from higher-level governments [2]. According to the research of Li et al., due to curbing the excessive rise of house prices, the government has adopted a series of macro-control measures for the real estate market. The housing purchase restriction policy is one of the most stringent policies, which aims to curb the rapid rise of house prices by eliminating the investment demand for housing. In addition, the impact of high house price policy on house price has obvious spatial heterogeneity [3].

The research of Zheng et al. shows that since 2008, the continuous and rapid rise of house prices has increasingly become a worrying problem in most cities in China. In this regard, the government has strengthened the macro-control of house prices. The purchase restriction (HPR) policy is considered to be the most stringent regulation to cool the housing market by eliminating housing speculation. This result examines the spatial externality of high house prices on residential land prices in surrounding unregulated cities from the perspective of time and space. HPR policy tends to transfer the housing demand induced by regulation to neighboring cities without restrictions, resulting in an increase in the demand and price of residential land through inter city housing purchase [4]. Li et al. Observed that China's housing market is largely affected by the policies and measures of the central government. This study examines how the implementation and cancellation of house purchase restrictions affect the changes of house prices in major cities. Based on the data of 70 large and medium-sized cities from 2014 to 2015, the price evolution trend is evaluated by using the distribution dynamic analysis method based on flow probability map (MPP) [5]. Zhou's research result is that China's housing demand has increased sharply, leading to a surge in house prices, especially in first-tier cities. The ratio of house price to rent increased from 26.4 in 2007 to 45.9 in 2010. Prices continued to rise, and the government introduced a market adjustment in 2010, requiring the down payment ratio for the purchase of a second house to reach at least 40% (repeating policy II in 2007). At the same time, the profit tax rate of resale housing within five years of purchase was raised. The effect of a purchase restriction policy on restraining high house prices is not obvious and even plays a certain role in "pushing house prices" [6].

Lai's research result is that in 2010 China's government implemented the restriction policy to curb the real estate bubble. Using the comprehensive data of the real estate market in 70 cities. We found that the policy triggered a sharp decline in real estate prices and transaction volume. In cities with high dependence on real estate for fiscal revenue and economic growth, house prices fell sharply. However, the policy has no impact on the national construction boom, which implies that the policy is ineffective in correcting real estate [7]. Somerville, Wang and Yang's research the government has increased taxes or restrictive measures to reduce the demand of nonresidents for housing

to reduce the housing affordability caused by the rise of house prices. In 2010, China's local governments limited the number of houses that individuals can buy to study the effectiveness of these efforts. In the short term, compared with unrestricted areas, the restriction on non-self-occupied residents' house purchases has significantly reduced the activity level by about 40%. Over time, the number of house purchases can be better controlled. It can also reduce the activity level of outsiders. Reduce the phenomenon of excessive real estate speculation. This result is determined by user demand rather than the subsequent supply of land market and developers [8].

The results of Barth et al. show that China has performed much better in the global financial crisis than most countries, including the United States. This has led to excessive loans to individual home buyers and the rapid rise of house prices. Is there a real estate bubble in the major city of China? In the past decade, China's real estate market has indeed experienced extraordinary growth, accompanied by a sharp rise in residential real estate prices. This report examines whether the rapid growth of housing prices in the past ten years has represented a real estate bubble, and if so, whether the authorities can achieve a "soft landing" in the real estate market [9]. Gao's research result is that in the past 30 years, the people's Republic of China has successfully replaced the welfare-based urban housing system with a market-oriented housing supply plan. China has successfully expanded the housing ownership rate of urban residents and significantly increased per capita housing consumption. The real estate market has become one of the main pillar industries of national economic prosperity. The development of affordable housing has lagged behind the increasing demand for housing for a large number of low-income people, and the housing bubble has cast a shadow on the sustainable development of China's economy. The main reasons for these challenges include: the inefficiency of financial instruments regulating the housing market; The interests of the central government, local governments and real estate developers are scattered [10].

1.3 Objective

This paper mainly describes the specific policies of housing purchase restriction policy in Shanghai and points out the loopholes in the housing purchase policy. This article hopes these problems can be paid attention to and improved. The structure of the paper is to analyze the housing purchase restriction policy in Shanghai from different aspects. Firstly, it introduces the purchase restriction measures of house prices in Shanghai over the years. Those effects were achieved by limiting house prices. The advantages and disadvantages of house purchase restrictions for the real estate industry. What are the core issues of housing purchase restrictions? This paper can go to other cities or countries to learn some of their house purchase restriction policies.

2 Overview

Many people buy a lot of real estates and drive up their house prices. The bubble economy has emerged in the real estate industry. The government is trying to put an end to this situation. The government was able to control house prices at a reasonable level and issued relevant policies at the end of March 2011.

2.1 The Details of the Housing Purchasing Policy in Shanghai During the Period 2011 to 2020

In Shanghai, one household with registered residence in the city has their families buy a set of real estate if they marry. Within the first two years from the date of purchase. In this Municipality, the nonregistered residence households who have paid more than one year's income tax certificate or social insurance payment certificate have restricted the purchase of one apartment. For the registered residence resident families in the city with two or more housing units, their children can purchase a house after marriage. However, if the registered residence of one or more non-urban households is not provided, if they can not provide two years' registered residence in the city, the household income tax certificate or the social insurance payment certificate of one year or more shall be suspended from the city. Those who purchase houses in violation of regulations shall not go through real estate registration.

At the same time, there are also clear provisions for the loan requirements when purchasing houses. If a resident family purchases a second house with a loan from a commercial bank, the proportion of down payment shall not be less than 60%, and the loan interest rate shall not be less than 1.1 times the benchmark interest rate. For those who buy a second house to improve their living conditions, the down payment ratio of personal loans from the housing provident fund shall not be less than 60%, and the loan interest rate shall not be less than 1.1 times the benchmark interest rate. Strengthen the inspection of the implementation of differentiated credit policies, and investigate and deal with illegal loans.

2.2 The Change of Restriction Policy in 2021

The purchase restriction policy has been implemented since January 30, 2011, but has been supplemented and adjusted many times since then. The adjustment in 2021 is particularly intensive, including the most familiar three-year purchase policy for divorce implemented on January 21, 2021, and the gift purchase restriction policy implemented on July 23, 2021. Of course, in addition to these major changes, there are sometimes some small adjustments. For example, it was announced on November 9, 2021. For details, please refer to the previous article supplementary adjustment on purchase restriction. Although it has experienced many adjustments, the framework of the basic purchase restriction policy has not changed much. The gift purchase restriction policy is divided into gift family purchase restriction and gift family purchase restriction, which means that although the house has been given to others, the house is still included in the number of sets given to families. If the gifted family itself is in the state of purchase restriction, it will not be able to accept the property donated by others. In 2021, a new house lottery point system was also proposed. This policy adopts the scoring system to give priority to meeting the home purchase needs of families without houses. After the purchase, the buyers will have five points of household, registered residence, housing status, five years' purchase records and five social security payments in Shanghai. They will have a score and then be ranked according to the number of the random draw, which is more than 30%.

3 Effect of Price Restriction, Advantages and Disadvantages, and Core Issues

3.1 The Advantages and Disadvantages of the Restriction Policy

The advantage of housing purchase restrictions is to improve the real estate market to drive up the price of this phenomenon. In terms of policies, the government attaches great importance to the construction of housing price limits. The government has intensified the development of housing and introduced relevant policies on how to restrict the price increase. Meanwhile, it gives preferential rights to those who meet the housing purchase standards to purchase houses. In recent years, the geographical location of newly developed houses has begun to shift to the outer ring area. The development units have gradually accumulated a lot of experience in building houses and made progress in supporting facilities, green environment and other details. Paying more attention to its applicability has been greatly enhanced and helped. Therefore, the newly built houses are highly respected by young people, so that more young people who have just entered the workplace can buy the desired real estate through their efforts. This also allows more people to own their property in Shanghai.

The disadvantage of housing purchase restrictions is low efficiency. The construction of housing purchase restrictions is organized by the government and is inefficient. If the government comes forward directly, violated the principle of division of labor in limiting purchase building. Although come forward indirectly, the development business that undertakes in the middle does not regard assessment standards with economic benefit, achieving the optimal disposition of social resources hard. It is inconvenient for many families with many children or the elderly. Restrictions on buying a house make it impossible to buy another house even if there are many people in the family. Brought a lot of inconvenience in life.

Therefore, Shanghai's purchase restriction policy has advantages and disadvantages, but through the efforts of the government in recent years and strict control. The housing market has steadily improved. Let more people have houses to live in, the prices are reasonable.

3.2 The Core Issue of This Policy

No policy is perfect. In this paper, the core problem of Shanghai's housing purchase restriction policy is not detailed enough. Specifically, the purchase restriction policies in each region are unified. Because the economic level and development level of each region is different, the housing demand of residents in each region is also different. For example, Hongqiao belongs to the central area of Shanghai, is also a commercial center. People living in Hongqiao have better transportation and living conditions. Therefore, the implementation of the restriction policy is very effective, which can reduce the possibility of people selling or renting houses at a high price, and it is very difficult to have multiple houses in places where people flow so densely. However, some remote places in Shanghai, such as Songjiang District, have relatively less demand for houses, which gives some people the opportunity to speculate in real estate. Although the purchase of two or more houses requires higher fees and the interest on housing loans will become

higher, this can make up for the difference in the price of buying a house in the city center. Therefore, the house price in a community in Songjiang District is even more expensive than that in Hongqiao. I don't think it's fair to buy houses in Songjiang District. I don't think the price of houses in Songjiang District is the same as that of the school, so I don't think it's fair to buy houses in Songjiang District. I don't think it's even better to buy houses in Songjiang District.

In response to our country's three child policy and at the same time solve the problem of the continuous decline of fertility. It recommends that the government can relax the housing purchase restriction policy for families with three children. For example, they are allowed to buy more suites than non three child families, enjoy lower mortgage when paying off the mortgage, and even reserve some school district rooms for three child families. This can encourage more births and plan for the future of children.

4 Solution

4.1 Foreign Solutions

Many cities in China have implemented purchase restrictions. In many regions, restrictions on house purchases have been introduced in the real estate industry. They have stricter control, but they also have a good management effect. First-tier cities such as Beijing have also introduced purchase restriction policies such as Shanghai. As soon as this policy was introduced, it had obvious effects. According to the unified deployment of the State Council, Beijing's purchase restriction policy has been implemented for many years. The impact is obvious. The rigid demand for self-use accounts for more than 90% of the total demand. The average transaction price of new ordinary houses decreased by 7.6% year on year. The government also sets different house price standards according to the location of the house. Among them, the upper limit of the north area of the Fourth Ring Road is 38880 yuan and the upper limit of the south area is 34560 yuan; 32400 yuan in the north and 28080 yuan in the south of the fourth and fifth ring roads; 25920 yuan in the north and 21600 yuan in the south of the Fifth Ring Road; Outside the sixth ring road is 17280 yuan. This round of ordinary housing recognition standards has been gradually adjusted with the change in time. According to the principle of setting standards. It will be adjusted in time according to the changes in the Beijing real estate market and other conditions. The competent department will make timely adjustments according to the actual situation. In 2022, Beijing will continue to strictly implement the purchase restriction policy, further improve the purchase qualification examination mechanism, cooperate with other relevant departments to check the implementation of purchase restriction, and resolutely curb the demand for investment mode, according to an official of Beijing Municipal Commission of Housing and urban-rural development. At the same time, Beijing will adhere to the policy and improve differentiated tax policies.

4.2 Domestic Solution

As for the United States, in terms of house purchase qualifications, the United States does not restrict foreigners to buy houses in the United States, and there is no limit

on the number of sets. In terms of loans, foreigners can borrow to buy houses in the United States, but the application conditions are stricter than locals, and the maximum loan proportion is 60%. For foreigners, real estate below 300000 US dollars generally does not accept loans. There is an overseas buyer tax in Canada. The British Columbia government of Canada imposes an additional 20% real estate transfer tax on overseas buyers, and the Ontario government imposes an additional 15% real estate transfer tax on overseas buyers. Foreigners who buy houses in Canada can get up to 60% - 65% of the loans from banks. The loan interest rate is low, but now the loan conditions and loan interest rates are rising. In the UK, there are no restrictions on non-nationals in the purchase of housing and enjoy the same treatment as locals. There are no specific provisions on loans. Generally speaking, there are two restrictions on housing loans in the UK. In other words, the total loan amount is within 4–5 times the family's annual pre-tax income, and the loan proportion shall not exceed a certain proportion of the house price. Generally speaking, if the house price is 1 million and the loan proportion stipulated by the policy is 80%, you can borrow up to 800000.

4.3 ShangHai House Tax

We all know that the personal property tax in Shanghai has begun to be collected. Residents who buy houses in Shanghai are very concerned about the Shanghai property tax collection standard and want to understand the specific object of the property tax collection and collection standard customization, for the specific collection method and payment process are not particularly clear, today for you to explain in detail some property tax collection. In Shanghai, the objects of real estate tax are the houses newly purchased by Shanghai residents' families in Shanghai and belonging to the second or above houses of the residents' families (including newly purchased second-hand stock houses and newly built commercial houses); Newly purchased houses in Shanghai by non-Shanghai resident families. Shanghai's property tax standard is 60 square meters per person. The property tax is computed and paid according to 70% of the transaction price of the taxable housing market, and the applicable tax rate is 0.6%. The tax rate will be temporarily reduced to 0.4% if the market transaction price of housing per square meter is lower than 2 times (including 2 times) of the average sales price of newly built commercial housing in the previous year. The standard calculation formula for levying real estate tax: the annual payable real estate tax of taxable housing in Shanghai (yuan) = the taxable area of newly purchased housing (floor area) × the unit price of newly purchased housing (or the verified taxable price) × 70% × tax rate.

5 Conclusion

By studying the housing purchase restriction policy. This paper gives some suggestions to Shanghai, which can better solve the housing purchase problem. To increase the demand for housing, to avoid another foam economy in the real estate market. This article suggests that Shanghai can learn from other cities and countries. Further, improve the purchase restriction policy by combining the management of other cities. More middle-class families can buy their real estate in first-tier cities such as Shanghai. This policy

has also better-helped people to settle down in major cities. At the same time, the article has also achieved population management through the house purchase policy, because China is a country with a large number of people. House purchase restrictions help to better combat speculation and have long-term significance for social development.

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