Building a New Shanghai: Past and Future of Shanghai’s Housing Developments

Han Zheng

Lying on the west coast of the Pacific, at the mouth of the Yangtze River, Shanghai enjoys an indisputably advantageous location. It covers an area of 6,300 square kilometers and, with a permanent population of approximately 13 million, it is the most populous city in China.

Shanghai’s people have built the city’s reputation as a center of creativity and commerce, yet it is this great population that puts constant pressure on the city’s housing and basic infrastructure. Coupled with a historical lag in housing and infrastructure development, the rapid growth of Shanghai’s population has brought many problems. Much of Shanghai was built in the last century, and it has been estimated that as much as 60% of the city’s buildings are now structurally poor. These buildings lack basic amenities and are located mostly in less desirable environments, presenting the city with a heavy task of renovation.

Like many cities in other developing countries, Shanghai was for a long period pressed by three “headaches”—crowded housing conditions, congested traffic, and pollution, with crowded housing in poor environments being by far the greatest problem. According to one survey in the mid-1980s, about half of the 1.8 million households in the city proper experienced difficulties in housing conditions and 216,000 households occupied an average of less than 7 square meters of floor space per person. Many young couples have no place of their own to live in when they get married; often three generations or two couples in a family share one room, and many others live in crude housing without even the most basic sanitary facilities.

These problems persist, even though in the eyes of the Chinese, proper shelter is a necessary prerequisite to living and working in peace and contentment. While many factors contribute to the housing problem, the historically rigid system of unified building and the block distribution of residential housing funds deserve the most blame.

The Shanghai government began to reform the housing system in the 1980s, encouraging institutions and enterprises to build housing with their own funds to improve housing conditions for their staff. Each year since 1986 the government has selected and carried out a set number of projects closely tied to residents’ living conditions, and the municipal government has paid great attention to housing development. As a result, the speed of housing construction has increasingly matched economic and population growth.

Transformation of Shanghai’s Outlook
The central government’s decision in the early 90s to open up Shanghai’s Pudong region on the eastern bank of the Yangtze river offered Shanghai a rare opportunity for development. The city government seized the chance, intensifying its reform drive and putting the city’s social and economic endeavors on a fast track to development. The Pudong region is now one of the biggest and most dynamic Special Economic Zones in China. As a result, the city’s economy has sustained two-digit growth since 1992. By the end of 1998,
Shanghai’s per capita income had reached US$3,400. Shanghai’s real estate sector has hence risen rapidly, while housing development and the renovation of old neighborhoods have considerably progressed, thanks to the new practice of paid transfer for land-use rights and the reform of the old housing system. The foreign capital from land leasing has promoted not only the renovation of the old urban sections but housing development in the new districts as well. The new policy, combined with the huge demand for housing and the city’s favorable location have attracted businessmen both in China and from abroad to invest in the local real estate sector, leading to a sharp increase in the quantity of developed housing.

Driven by policy effect and market interest, housing supply has grown rapidly since 1994. From 1994 to 1998, completed residential quarters totaled 66 million square meters, more than was constructed in the 40 years between 1950 and 1990, and averaged 13.2 million square meters each year (nearly 200,000 apartments). Housing development has mainly been financed by entrepreneurs, with the supply on the market being mostly commodity housing. Upscale commodity housing, regular commodity housing, and economy housing have catered to the needs of different consumer groups. In the meantime, the Shanghai government has launched a massive renovation drive and many thousands of local residents have moved from their old and crowded rooms to new and larger apartments.

Housing development is closely associated with the development of roads and the improvement of the natural environment. Together, the three make up an organic whole. In the mid-1980s and particularly since the beginning of the 1990s, the Shanghai government has devoted a great deal of attention to infrastructure construction and environmental improvement. This has led to a profound change in the physical outlook of the city and a leap in the living standards of its residents.

These changes have attracted the attention of many visitors from abroad, including President Clinton, who praised Shanghai for its unique dynamism. The per capita floor space of downtown dwellers has risen by a large margin—from 12 square meters in the early 1990s to nearly 20 square meters today. A significant number of new residential neighborhoods in beautiful environments with all kinds of amenities have emerged, extending in all directions from Shanghai proper but particularly concentrated in the city’s immediate outskirts. Thanks to the greater attention paid to the environment, greenery coverage in the newly completed residential blocks has surpassed 30%. Two new metro lines are due to be completed soon, and the Oriental Pearl Line, a light rail that will link up many residential neighborhoods, is under construction. The middle section of the elevated Yan’an Road, Shanghai’s main east-west transportation artery, scheduled to be open to traffic in October 1999, will signify the completion of the network of elevated roads in downtown Shanghai. By then, residents will have access to both a ground transit system and a rail transit system with large capacity and high speed.

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Waves of Housing Reforms
By and large, Shanghai has bid farewell to the time when housing was in severe shortage, though there are, for the time being, still a number of people who live in
Those were the days

poor housing conditions. In fact, housing, like many other commodities, is becoming a buyer’s market. A look at the history of housing development in developing countries tells us that Shanghai is currently in a transitional period from alleviating housing shortage through boosting supply, to improving living quality and the environment. The key to success is to effect a fundamental change in the housing distribution scheme.

The city implemented its first round of housing reforms in 1991, when a special housing fund was set up, rents for public housing were raised, and families were encouraged to buy the public housing they were renting at a preferential rate. These housing reform policies have also brought about a significant change in residents’ perception of housing ownership, a greater awareness of housing as a commodity, and a willingness to use financial instruments when purchasing housing. By the end of 1998, some 720,000 apartments had been purchased by renters. Today, it is more common for individuals to buy their own housing on the market with loans. According to statistics, housing loans totaling 18.8 billion yuan had been made to individuals by the end of 1998 (which included both policy loans drawn from the provident fund started in 1992 and commercial loans started in 1993). The sale and purchase of public housing on the market by individuals have increased the private housing ownership to 36% in the city.

The upcoming second round of housing reform will primarily stress the reform of housing distribution. The Standing Committee of the Shanghai Municipal People’s Congress has already passed The Guideline on Further Housing Reform in the Urban Districts and Rural Townships of Shanghai, which unequivocally calls for an end to free housing and a transition to the commercialization of housing. Since the housing issue has many complications, however, the reform will be implemented gradually.

Future Aspirations

In China today, housing constitutes the single largest investment for the average local resident in his or her lifetime. As Shanghai housing reform progresses, individuals will make up the major consumer group on the housing market and will demand a higher quality of housing, more housing functions, and better environments. Housing should not simply be shelter; it should also give people enjoyment and meet the needs of future development, which is exactly what the municipal government is aiming for.

The city government is set to achieve four highs for housing in the 21st century Shanghai: high goals, high-level design, high-quality construction, and a high-standard of management, in order to create an environment in which we can live harmoniously with nature. The Central Government has stressed the importance of the housing sector as a future stimulus for the economy. By taking this housing reform as an opportunity, Shanghai will bolster demand for housing and accommodate market demand to raise its residents’ housing conditions and further improve the environment. Meanwhile, we will continue our effort to establish a social security system that helps all the residents of Shanghai realize their dream of owning a nice and comfortable home by 2010.

All of Shanghai’s leaders have attached great importance, and devoted painstaking effort to housing development. Together, I am confident that we will transform Shanghai into a more beautiful and cosmopolitan city for our people.