

An Overview of China's Real Estate Price Index¹

With the deepening development of China's social and economic reform, the purchases of city and township residents have increased dramatically. New construction of offices, shopping centers, apartments, and hotels has been uninterrupted. Residential properties have been purchased as any other commodity. As housing has been becoming more market driven, the interiors of apartments have been upgraded. In order to adapt to this change, and to reflect changes in housing prices, the National Bureau of Statistics of China established the real estate price survey system in 1997. The real estate price index covers 35 large and medium-sized cities, and is compiled quarterly.

China's real estate price statistics include:

1. Housing sale prices, including both sale prices of newly-built houses and second-hand houses;
2. Rental price, which refers to the market rents of various types of houses, including rents for residential properties (social and subsidised houses, low-rent houses, common houses and high-end residential buildings) and non-residential properties (office buildings, buildings for commercial use and buildings for other purposes);
3. Land Transaction Price, which is defined as the actual price paid by developers or other construction units for land use rights. It covers the transaction price for residential land, industrial land, commercial land and other land prices. It excludes follow-up of development costs, taxes, various handling charges and compensation for demolition. The land transactions mainly include auctions, public bidding, listing sales, transfer in market and mortgage, etc.

On this basis, the National Bureau of Statistics of China compiles and publishes, with quarterly periodicity, the price index for land transactions, housing sales and housing rentals.

After 2000, with China's rapid socio-economic development and improving living standard of the population, the real estate market has started to increase dramatically. As a result there was an increased demand for real estate price statistics. To provide a fuller picture of the changes in the real estate market, the prices of real estate management were also integrated into real estate statistics in China.

The price of real estate management refers to price/fee which the property management enterprise charge to the owners for services provided. The services include repairing, maintaining, managing housing and related supporting facilities or sites, and for maintaining environmental health and order in the area of concern. In accordance with the Service

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Contract of Property Management these property management services and prices could relate to residential buildings, office buildings and commercial buildings.

After 2005, the proportion of residents who buy houses was in rapid growth and the real estate market was in rapid development. As the same time housing prices have been increasing and had an increasing influence on economy, society and living standard of the population. This was of increasing concern. In order to develop more appropriate macro-economic policies, control price development and to prevent speculative actions in the housing market, a more comprehensive real estate price index was needed. Therefore, the scope of real estate price statistics was expanded to 70 large and medium-sized cities in China, whose real estate transactions accounted for more than 70% of all transactions in the country. The prices are collected at the municipal district level. The respondents include the real estate administrative departments at all levels of government, such as Housing Administrations, Land Offices, real estate trading centers, real estate enterprises, operating units for real estate, property management enterprises, relevant enterprises and institutions, social organizations and some residents. The key-point survey is used in conjunction with a typical survey. With regard to the method, the survey combined the statements (listed prices) with on-site price collection by a surveyor. The selection of survey units is based on the following principles that should ensure representativity and reliability of real estate price indices:

1. Representativity. The survey units, which are large and powerful, account for a high proportion of the local turnover, and remain active under stable operating conditions, should be selected to ensure the reliability and continuity of data. Factors relating to big construction projects should also be taken into account when selecting survey units.
2. Diversity. Different types of business registers should be taken into account. As property registration can take place at different places, the enterprises were divided, and prices collected from the following types of economic units: state-holding, joint ventures and foreign-funded enterprises.
3. Purpose. Give consideration to the real estate projects for various uses. The group of newly-constructed buildings should include prices for economic and suitable houses, common houses and high-end residential buildings, office buildings, buildings for commercial use etc. Factors, such as location, structure, size, etc. should be taken into account.
4. Geographical coverage. In order to reflect diversity in the types of properties in different locations, real estate projects at different geographical location should be taken into account when selecting survey units. As there are huge disparities, transaction prices and rents should be diversified by geographical location,

The housing sales price should be reported monthly, and the prices for rental, property

management and land transactions should be reported quarterly. The price collection is carried out every month, and the quarterly prices are calculated as three month averages. All of them are calculated as a weighted average by using the chained Laspeyres formula.

At present, China's real estate price statistics reflect the trend of development and changes in housing prices as a whole. There is, however, room for improvement in several areas.

- (a) Firstly, in recent years, with the rapid development of China's economy, the housing prices rose fast, especially in some large cities such as Beijing, Shanghai, where the housing prices rose much faster. On the other hand, there was a considerable discrepancy between the housing sales price index which is compiled using the existing method and people's general perception. The validity and reliability of the housing sales price index has often been questioned by the public. One of the basic requirements of the price index is that the goods observed in the base and current period are homogeneous and comparable. However, the housing as a special commodity, which is characterized with heterogeneity and non-continuity. These characteristics make it more difficult to obtain a base-period price. From the above, the compiled price index cannot fully reflect the range of rises in housing prices. Therefore, the existing price collection practice, as well as calculation methods, are worthy of improvement in several areas. At present, a more appropriate price survey program is being studied in China.
- (b) Secondly, China is speeding up urbanization, and a growth in house purchasing is sweeping over cities in China. Nowadays, more than 80% of the households in the cities are homeowners. Therefore the changes in house prices have a direct impact on the daily life of ordinarily residents. Hence, demand to integrate house prices into Consumer Price Index (CPI) becomes stronger and stronger. At the moment, real estate prices are not directly included in CPI in China, as housing is not considered as a consumer good but as a part of fixed capital formation. This is consistent with 93SNA. China's CPI does however indirectly reflects the changes in housing cost through two subdivisions, that is, rental housing and owner-occupied housing cost. For the rental housing, rents for both publicly owned and private houses and other related expenses are regularly observed. Rent per square meter is a measurement unit. For the owner-occupied housing, the interest rate of housing loans, property management fees per square meter, repairs and maintenance costs and other expenses, are regularly observed during each reporting period.

The history of real estate price statistics in China is not very long; it is still in development stage and needs to be further studied and improved. I also hope that statistical counterparts in other countries and organizations can share with us their experiences and give us some useful hints.