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The Future Development Direction of Public Rental Housing Security in China

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ABSTRACT
China has established a comprehensive and multi-tiered affordable housing system, with public rental housing (PRH) as its cornerstone. An analysis of the evolutionary trajectory of the PRH system reveals that its provision modality has transitioned from in-kind allocation in its nascent stage to monetary subsidies in the new era, aligning with historical trends and developmental imperatives. Moreover, this shift has been further reinforced by the expanding coverage of eligible beneficiaries and the growing diversification of housing needs.

KEYWORDS
Public rental housing; In-kind allocation; Rental subsidies; Policy trajectory

1 Introduction

Housing has long been a critical issue in safeguarding people's livelihoods across nations. From the founding of the People's Republic of China to the post-reform era, the housing conditions of Chinese citizens have undergone a remarkable transformation—from “insecure shelter” to “secure occupancy”—significantly improving residential welfare. In 2009, to address the housing challenges faced by the “sandwich class”, the Chinese government introduced the Public Rental Housing (PRH) policy, marking the official launch of nationwide PRH development.

Today, China has established a comprehensive, multi-tiered affordable housing system, with PRH as its cornerstone. A retrospective analysis reveals that the provision modality of PRH has evolved from in-kind allocation in its early stages to rental subsidies in the new era, aligning with historical trends and developmental imperatives. However, the question remains: What trajectory will this evolution follow in the future? This warrants further scholarly exploration.

2 Literature Review

Public Rental Housing refers to a form of subsidized housing characterized by regulated construction standards and rent levels. It primarily targets eligible urban households with lower-middle incomes facing housing difficulties, newly employed individuals without housing, and migrant workers with stable urban employment. The government assumes ultimate responsibility for ensuring housing security by providing both physical housing units and rental subsidies, while enforcing stringent eligibility criteria and exit mechanisms. In recent years, scholars both domestically and internationally have conducted extensive research on public rental housing (PRH) policies. These studies have examined various aspects, including supply models, allocation mechanisms, rent pricing, and property management of PRH. Additionally, some scholars have critically analyzed existing challenges in PRH policy implementation and proposed improvement strategies.

For instance, Xie Dan conducted a comparative study between China's PRH system and Singapore's HDB model, suggesting that the government should emphasize substantive eligibility criteria, address subletting issues (“tenants not occupying leased units”), and strengthen enforcement of exit mechanisms. Zhang Juanjuan identified deficiencies in China's PRH exit mechanisms from legal, managerial, eligibility, and operational perspectives, offering corresponding policy recommendations. Through quantitative analysis of PRH admission standards across 40 Chinese cities, Ma Xiulian et al. found that most cities adopt an inclusive approach toward local residents while maintaining residual welfare principles for migrant populations.

With accelerating urbanization and population growth, PRH policies will assume even greater significance in the future. Therefore, continued research and practical refinement of PRH systems remain imperative. This paper specifically investigates recent PRH policy developments through the lens of allocation modalities.

China's public rental housing system has evolved through four distinct phases: the Low-Rent Housing period, the Dual-Track Operation period (coexistence of low-rent housing and PRH), the Integrated Operation period (merger of both systems), and the current Unified PRH Operation period. This institutional evolution has been accompanied by significant shifts in allocation methods - beginning with exclusive in-kind allocation during the Low-Rent Housing era, transitioning to primarily monetary subsidies with supplementary in-kind provision during the Dual-Track phase, reversing to mainly in-kind allocation with secondary monetary support in the Integrated period, and ultimately adopting full monetary subsidies in the current Unified phase. This progression not only demonstrates the historical trajectory of China's PRH system but also reflects its developmental logic, showcasing the government's continuous efforts to optimize housing security mechanisms through policy refinement and market integration.

The Low-Rent Housing Period (1999-2009) marked the foundational decade of China's public housing system. The institutional framework was formally established in 1999 when the former Ministry of Construction issued the《Urban Low-Rent Housing Management Measures》. Facing acute housing shortages, the government adopted a supply-side approach, mandating both public institutions and state-owned enterprises to develop low-rent housing units distributed through in-kind allocation.

A pivotal policy shift occurred in 2003, transitioning from exclusive in-kind distribution to a hybrid model prioritizing monetary subsidies (huobi peizu) while retaining limited in-kind provision. This approach was codified in the 2007《Low-Rent Housing Security Measures》, which stipulated: “Primary assistance shall be delivered through rental subsidies to enhance housing affordability for low-income families, while cities with severe shortages may supplement through new construction or acquisitions to maintain in-kind inventory.”

Statistical records from November 2007 reveal systemic inadequacies: of approximately 10 million eligible low-income households nationwide, merely 8% received housing assistance. This coverage gap exposed the limitations of physical housing distribution in meeting demand, while the compensatory monetary subsidy system—though pragmatically necessary—failed to resolve the fundamental supply-demand imbalance. The decade thus demonstrated the challenges of transitional housing policies in addressing rapid urbanization pressures.

2.2 The Dual-Track Operation Period (2009-2013)

China's accelerated urbanization during this phase triggered massive rural-to-urban migration, creating unprecedented housing demands from both traditional low-income urban residents and the floating population. In response to these challenges, the government launched nationwide public rental housing development in 2009 through key policy documents. The subsequent 2010 “Guidelines on Accelerating Public Rental Housing Development” formally established China's dual-track housing system, where low-rent housing and PRH operated concurrently under different allocation mechanisms. During this period, low-rent housing continued its existing hybrid model that prioritized monetary subsidies (huobi peizu) with supplementary in-kind provision, serving registered urban low-income families. Meanwhile, PRH adopted a primarily in-kind allocation approach complemented by monetary assistance, specifically targeting the “sandwich class” - those who couldn't afford commercial housing yet were ineligible for either affordable purchase housing or low-rent programs. The system underwent further refinement in 2012 when the government standardized PRH operations, establishing comprehensive regulations covering application procedures, waiting lists, tenancy management, exit mechanisms, and legal liabilities. This shift to emphasize in-kind allocation over monetary subsidies in PRH distribution represented a strategic adaptation to demographic pressures, significantly alleviating housing stress among vulnerable urban populations during China's critical urbanization phase.

2.3 The Consolidation Period (2013-2014)

This two-year phase marked China's strategic integration of its public housing systems. By the time the PRH system was established, local governments had developed a comprehensive array of housing security options including affordable purchase housing, low-rent housing, PRH, price-capped housing, group-purchase housing, and resettlement housing. To enhance management efficiency and distribution equity, authorities initiated a consolidation process between PRH and low-rent housing programs. In December 2013, the Ministry of Housing and Urban-Rural Development issued the “Notice on the Consolidated Operation of Public Rental Housing and Low-Rent Housing,” mandating nationwide unification of these programs under the PRH framework starting from 2014 while maintaining the existing allocation approach that prioritized in-kind provision with supplementary monetary assistance. The 2014 implementation guidelines detailed the transition: original low-rent housing subsidy funds would be redirected to support qualified low-income families renting in the private market, while eligible households renting government-owned PRH units would receive rent reductions instead of duplicate subsidies. The consolidated system preserved its supply-side structural reform focus, enabling diversified sourcing through multiple channels such as new construction, renovation, mixed-development projects, acquisitions, long-term leases, and collective land utilization. This integration created a unified yet tiered PRH system that optimized resource allocation while ensuring orderly and equitable distribution. By combining housing inventories and establishing flexible supply mechanisms, the reformed system better addressed the housing needs of urban low-to-middle income groups through a coordinated approach that balanced government oversight with market-based solutions during China's critical housing policy transition period.

2.4 The Unified Operation Period (2016 onward)

Marking a significant policy evolution, China entered its fourth phase of public rental housing development in early 2016 when the General Office of the State Council issued the “Several Opinions on Accelerating the Cultivation and Development of the Housing Rental Market.” This document established a new guiding principle emphasizing “the establishment of a housing system that equally values both purchasing and renting, while improving a rental market system primarily driven by market forces with government providing basic safeguards.”

Under this framework, the PRH allocation mechanism underwent fundamental transformation - shifting from direct provision of public rental units to primarily offering rental subsidies. This strategic adjustment aimed to enhance beneficiaries' housing consumption capacity and facilitate their access to housing security through the rental market. The subsequent “Guidelines on Improving Rental Subsidy Work for Urban Housing Security Families” further institutionalized this transition by clearly stipulating basic principles, specific policies, and supervision mechanisms for the subsidy program. Authorities mandated that local governments develop or revise implementation plans according to local conditions, ensuring smooth execution of the subsidy system. This shift to monetary subsidies (huobi peizu) as the dominant form of assistance represented a rational policy adaptation based on practical circumstances, contrasting with previous phases' emphasis on physical housing allocation while maintaining the complementary role of in-kind provision within China's maturing housing security system.

3 Policy Direction and Trends

In recent years, the coverage of public rental housing (PRH) has progressively expanded—from urban low-to-middle income groups and migrant workers to various talented professionals and recent university graduates. This broadening eligibility has revealed diversified demand patterns among different beneficiary groups.

Academic research indicates that housing security needs are significantly influenced by individual and family structure characteristics, substantially affected by social identity factors, and indirectly shaped by mobility patterns. Distinct preference variations exist among subgroups: locally registered disadvantaged households prioritize unit space, soundproofing, amenities, and in-kind allocation; rural migrant groups emphasize school/medical facilities and short rental payment cycles; young demographics like recent graduates value transportation access, commute time, property management, community environment, and particularly favor monetary subsidies.

China has now established a comprehensive, tiered PRH-dominated housing security system capable of meeting the essential housing needs of urban low-to-middle income groups. This achievement provides the foundation for shifting the policy focus from supply-side to demand-side interventions. With basic housing security needs being addressed, the PRH system is transitioning from a “poverty-alleviation” model to a “development-oriented” approach—establishing sustainable market-based mechanisms through monetary subsidies. Consequently, this paper concludes that future PRH provision will predominantly adopt monetary allocation as its primary form.

4 Conclusion

The public rental housing system serves as a pivotal mechanism in addressing urban housing challenges across China. Local authorities should adopt a pragmatic approach in determining the appropriate allocation method—whether prioritizing physical housing units or monetary subsidies—based on comprehensive evaluations of regional housing market dynamics and demographic characteristics. This adaptive implementation strategy must remain responsive to evolving socioeconomic conditions while steadfastly pursuing the fundamental policy objective of ensuring adequate housing for all citizens. The ultimate measure of the system's effectiveness lies in its capacity to not only provide shelter but also enhance the overall quality of life for beneficiaries. As China's urbanization process continues, the public rental housing program should maintain its flexibility to accommodate emerging housing needs while preserving its core mission of serving vulnerable populations. Future policy refinements would benefit from ongoing assessments of implementation outcomes across different regions and demographic groups.

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