

## Analyzing the housing rental model of “rental with right”

Xiaofang Sun

Guangdong *University of Finance & Economics*, Guangzhou, China, 510320.

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*Abstract: At present, the supply and demand of housing in China is unbalanced, and residential housing is in short supply for a long time. The fixed housing rental model and imperfect housing leasing management system has led to the development of China's housing rental market lag far behind the development of the housing market. To summarize the current policy on housing rental, and analyze housing new policies of “rental with right”, this paper adopts the research way of theory and positive to analyze what effect will “rental with right” have on the current housing lease model and the development of the rental housing market. The new deal of “rental with right” not only has practical significance for the cultivation and development of China's housing leasing market, but also has far-reaching significance for the healthy development of the real estate market.*

*Keywords: Residential housing, rental with right, the real estate market, the housing rental market.*

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### 1. INTRODUCTION

With the continuous development of our social economy, the level of urbanization increase gradually. More jobs and employment channels occur because of good capacity of industrial integration and the development of urban economy. Large employment population increased significantly because of a large number of rural people flock to the city. As the population increasing and the size of the population expanding, demand for housing has also increased. [1] The housing market is booming, however, housing prices have also been growing. Many medium and low-income people still have no ability to buy housing, so that renting becomes their first choice. Then the housing rental market grows. Since China implements the system of monetize housing distribution in 1998, the real estate market has gradually developed into a three-tier market for housing sale market, housing rental market and affordable housing market. These three markets are unevenly developed. The sale housing market develops fastest and becomes the main body of the housing market. The affordable housing market has also achieved some development in recent years. Only the rental housing market has lagged behind, becoming a short board in the housing market.[2] The housing rental market and the housing sale market are two important components of the housing market system. The balanced

development of the two markets will inevitably promote the smooth operation and healthy development of the housing market.[3]

It is necessary to develop the housing rental market to ensure the balanced development of the three-tier market. The diversification of the housing rental model and perfect housing rental management system are so important that they can effectively guarantee the benign development of the housing rental market. So far, governments at all levels have introduced a series of policies to improve and manage the housing rental market to ensure its stable development. In 2015, China state council first proposed that “To meet the housing needs of the new citizens is the main starting point, and the housing system which combines buying and renting, market allocation with government guarantees should be established ” in “Some views on deepening the new-type urbanization construction”. [4] At the same time, the national 13th five-year plan outline further clarifies that establish the housing system for renting and purchasing so as to deepen reform of the housing system.[5] At this point, the government has advocated that rent and sale are equally important, and this is a major new initiative to promote and ensure the development of the housing rental market.

In July 2017, Guangzhou announced “The working plan of accelerating the development of the housing rental market in Guangzhou”, putting forward to guarantee “rental with right”, giving the children of the lessee who are qualified the benefits of public services such as nearby admission.[6] Subsequently, in September 2017, the Shanghai municipal government introduced “the implementation opinions on accelerating the cultivation and development of the municipal housing rental market”, detailing that residents of permanent housing in Shanghai enjoy basic public services.[7] The important move “Rental With Right” will be some impetus to the housing rental market and the housing sale market. At the same time, it has become a hot topic of discussion among experts and scholars that whether the policy of "rental with right" will really solve the problems such as the housing rental market's lagging behind and the unbalanced development of the real estate market. This paper analyzes the policy of “rental with right” and compares it with related policies In the past years. Aiming at the problems of housing rental market in China, I analyze and study the housing leasing model with theoretical and empirical method. So as to determine the development path of a diversified housing rental model based on “rental with right” and to seek the long-term mechanism of the benign development of the rental housing market.

## **2. ANALYSIS OF THE NEW DEAL “RENTAL WITH RIGHT”**

### **2.1. The promulgation of “rental with right”**

In June 2016, the general office of the state council issued “a number of views on accelerating the cultivation and development of housing rental market” clearly stating that It's equally important to rent and sell and it's important to deepen reform of the housing system and further promote the development of the housing rental market.[8] Guangzhou municipal government

issued the “notice of printing and sending work programme of Guangzhou municipal people's government office on the development of the housing leasing market in Guangzhou”(notice below), Its core content can be summarized by “rental with right”.

The so-called “rental with right” is to guarantee the rights and interests of both parties and to support the lease of living, giving the children of the lessee who are qualified the benefits of public services such as nearby admission. [9] It means that the children of the lessee and the children of the person who buy the house shall enjoy the same rights and interests as the same as the public service.

## **2.2. “Rental with right” gives tenants different rights and interests than other rental models**

At the present stage, there are four main categories of housing leasing category and lease mode in China. They are state-owned housing leasing model, collective ownership of all rental modes, Personal ownership of housing rental mode and government-subsidized housing rental model. Among them, state-owned housing refers to the housing that is invested or purchased by state-owned enterprises or institutions. The property rights (the right of ownership, the right of disposal and the right to earnings) of the home are owned by the state before it is sold. The tenant is only entitled to the rights and interests of the housing during the lease term. Collectively owned houses are houses invested or purchased by the urban collective ownership units, in which all the houses of the army and all the houses of the village included. The tenant is only entitled to the rights and interests of the housing during the lease term. Owner-occupied housing is a housing built or purchased by individuals or households. The right of ownership, the right of disposal and the right to earnings shall be returned to the property owner. The tenant is only entitled to the rights and interests of the housing during the lease term. Government-subsidized housing means that the government provides them with a social security housing in order to solve the problem of housing difficulties in low - and middle-income families. Also the tenants are only entitled to the rights of housing during the lease term.

Before the new deal, no matter which type of housing lease, the tenant is only entitled to the rights and interests of the housing in the lease term and no other subordinated interest in the leased premises.

“Rental with right” not only give the children of the lessee who are qualified the benefits of public services such as nearby admission, but also give them the rights and interests of all other public services. So the new deal gives the tenants more equity, which is different from the housing rental policy of the past years. This means that person who have Guangzhou registered permanent residence or hold a talent green card but without real estate can depend on “Rental with right” to ensure that their children have access to education as the children of homebuyers. The new deal puts a certain amount of pressure on housing prices in the district , reduces the rigid demand caused by the education problem and alleviates the education problem of the children of the non-homeowners. At the same time, it can promote the development of the

housing rental market and stabilize the housing rental market and the housing sell market. It can create a certain guiding role and significance to establish long-term mechanism of real estate market.

### 3. THE DEVELOPMENT TREND OF THE RENTAL HOUSING MARKET UNDER “RENTAL WITH RIGHT”

#### 3.1. Its role and significance to the development of the rental housing market

The housing rental market is an important part of the real estate market and an important channel to solve the housing problem. It requires the coordinated development of real estate market and rental market to solve the housing problem of urban residents. A better housing leasing management system and a diversified model of housing leasing are more conducive to the development of the housing rental market and can solve the housing problem more effectively. It can be seen that “rental with right” is a great innovation in the housing leasing model, a breakthrough in the diversification of the housing rental model, and a weathervane for establishing long-term mechanism of housing rental market. Different from our country, the foreign housing rental market is more popular than the housing market, especially in the European developed countries. Germany, for example, has a 47.5 percent share of housing leases. As shown in table 1, the rate of homeownership in some countries is calculated.

Table 1. housing ownership rate in some countries unit: %

Country	Home ownership rate	Country	Home ownership rate
The United States	62.9	France	65.1
Japan	61.9	Germany	52.5
UK	64.8	China	90.0

Source: according to relevant information

As can be seen from table 1, the proportion of foreign housing leasing is far beyond our country. China's housing rental market lags far behind some developed countries abroad. We should draw on the experience and strengths of the foreign housing rental market, and also develop the housing rental market in China with multiple channels and models. “Rental with right” is a further step on the basis of "rent and sale", which complements and improves the tenants' rights and interests. It enables the tenants' rights and interests to be protected by policy, which has greatly promoted the development of the housing rental market. The role and significance of its development in the housing rental market are mainly reflected in the following aspects: firstly, the child of the lessee shall have the same public service interest as the same as the child of buyer. Secondly, it is beneficial to the development of long-term mechanism of housing leasing market. Thirdly, more non-homeowners will be encouraged to

become tenants, which help to reduce the stock of existing homes. Fourthly, it is conducive to stabilizing the current high housing prices. Then, it is conducive to the improvement of the management mode and system of the housing rental market. What's more, it is beneficial to meet the different needs of the residents. At last, it will promote the healthy development of the housing rental market and the development of the real estate market. The promulgation of "rental with right" is not only a bellwether for housing rentals, but also encourages more homeless people to rent. It can let more people choose to rent house because of this, which not only have a positive effect to the stable of city's real estate market housing prices, but also play a very important role in urban land supply, urban stock room use, inventory digestion and so on. [10]

### 3.2. Analysis of housing situation in a district of Guangzhou before and after "rental with right"

In July 2017, after Guangzhou's housing lease policy of "rent with right" was put forward, the rental of residential buildings in Guangzhou's high quality school districts was favored. I conducted a survey and analysis of the fixed number of housing units in a certain area of Guangzhou before and after the "rent and purchase right" issue, as shown in table 2.

Table 2. housing situation in a district of Guangzhou before and after the promulgation of "rent with right" unit: %

Category	Proportion (before promulgation)	Proportion (after promulgation)
Live unit room	35	16
Home ownership	20	30
Live with their parents	16	10
Rent a house	20	34
Others	9	10

Source: according to the information of Guangzhou housing and urban-rural development committee

From the data in table 2, it can be seen that the proportion of renters rose from 20% before the promulgation to 34% after the issuance of the "rent with right", up 70%. The share of homes purchased has risen from 20% to 30%, up 50%. It shows that the new policy of "rent with right" in Guangzhou has effectively promoted the development of the housing rental market and expanded the ratio of lessee, and also promoted the development of the housing market.

## 4. THE IMPACT OF THE NEW DEAL ON THE HOUSING RENTAL MARKET

In July 2017, Guangzhou issued the new policy of "rent with right " for the first time, then followed suit, Shanghai, Beijing, Wuhan and other cities also have larger the strength of the echo, all corresponding issued relevant policy [11]. The new deal gives the children of the

lessee the same access and enjoyment of public service as the children of the buyers. It must also stand up to the special conditions of our country and the test of the special real estate market environment. The "rent with right" will also bring some impact to the market while promoting the healthy development of the housing rental market and the diversification of the housing rental model, which is embodied in the following aspects: In the first, a strong incentive to rent houses will inevitably increase housing rents. It will result in a shortage of rental housing for a school district when a large number of tenants concentrate on renting a school district. Secondly, the new era of housing lease investment is coming. There will be a new era of housing lease investment, if the "rent with right" is truly implemented in a comprehensive and untargeted effective mechanism to ensure the benign development of the real estate market. The impact of investment behavior at that time was far greater than the investment impact of the housing market. At last, Home ownership will decline. With the advent of the housing rental era, housing rents have risen sharply, and more and more government agencies and specialized leasing enterprises have participated in the process. This not only increases the pricing power of housing rent, but also decreases the housing ownership rate, resulting in the imbalance of the development of the housing rental market and the housing market.

In a word, no matter "rent with right" is in order to promote the benign development of the housing rental market, or in order to solve the housing problems of the different needs of residents and housing stock, it is necessary to establish a long-term mechanism of real estate market development.

## **5. SUMMARY**

In general, the "rent with right" policy has its positive meaning. The purpose of "rent with right" is to support the demand for leasing and expand the demand for the housing rental market. It also helps to reduce the current housing stock market and promote the development of residential leasing mode diversification, what's more, a positive measure to promote the healthy development of the housing rental market and the real estate market. It makes the tertiary housing market of housing rental market, housing sell market, housing security market a balanced development. In the face of this special unbalanced real estate market, it is more important to vigorously promote the new policy of "rent with right" and to avoid its possible impact. Only in this way, it can more conducive to promote the diversification of the housing rental model and the healthy development of the rental market, and more conducive to establishing a long-term mechanism for the development of the real estate market.

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