Who are More Likely to Own Non-primary Residences: Evidence from China Health and Retirement Longitudinal Study

Rui Yao, University of Missouri
Shan Lei, West Texas A&M University

Housing prices in China have been increasing at high rates over recent years. According to National Bureau of Statistics of China, the average residential housing price has increased from 26 thousands yuan per square meter in 2004 to nearly 60 thousands yuan per square meter in 2014 (National Bureau of Statistics of China, 2014, 2015). However, the growth in housing prices significantly exceeded household income growth. In 2013, the average residential house-to-income ratio was nearly 8.5 in major Chinese cities. This has caused concerns about the possibility of a housing bubble (Wu et al., 2012). Many researchers have studied the housing bubble formation in China. However, the major contributing factor of housing bubbles: non-primary residence ownership has received little attention.

This study contributes to existing literature by investigating factors related to non-primary housing ownership in China. In this study, we define the primary home as the current dwelling in which a household lives, which could be either rented or owned. We consider households who lived with their relatives as renters as well. Any dwelling that households owned in addition to the current dwelling was considered as non-primary residences. Thus, households were considered as non-primary residence owners regardless of whether they rented or owned their primary residences.

For primary residence owners, results showed that households who have at least one son were more likely to own non-primary residences compared to the families who have only daughters (odds ratio=1.3). This finding confirmed our hypothesis about wedding houses and was also consistent with previous research that house’s role of increasing men’s competitiveness in the marriage market and it was a social norm that men’s family provided the wedding house. Our findings also showed that households, who had kids younger than 18 years old, were more likely to own non-primary residences (odds ratio=1.6). Additionally, households who reported an above average household economic status were 2.8 times as likely to own non-primary residence, compared with households who reported to have below average household economic status. This finding echoed with previous research that people’s higher self-confidence in their economic status was associated with a higher probability to invest in houses out of investment purpose.

For primary residence renters, having a local town or local county hukou affected the ownership of non-primary housing positively (odds ratio=1.7 and 1.6 compared with households with no local hukou). These local people rented the primary residence for various reasons.

Our findings provide insights about ways to help Chinese households avoid making mistakes in their housing consumption and investment portfolio allocation, as well as the importance of expanding financing and investing channels in China.

References

1Associate Professor, Department of Personal Financial Planning, 239A Stanley Hall, University of Missouri, Columbia, MO, 65211, USA. Phone: 573-882-9343. E-mail: YaoR@missouri.edu.
2Assistant Professor, Department of Accounting, Economics & Finance, West Texas A&M University Box 60809, Canyon, TX 79016, USA. Phone: 806-651-2513. slei@mail.wtamu.edu.