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# **China's Housing Financialization and Urban Young Adults' Accessing Homeownership**

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## Abstract

Housing is one of the basic needs of people. After the outbreak of the global financial crisis in 2008, urban housing prices around the world soared, and urban young adults with independent housing needs but low affordability were facing difficulties in acquiring housing. The housing crisis of urban young adults has become a prominent manifestation of the general housing crisis. However, for urban young adults in China, access to homeownership is still a common choice for them to gain a foothold in the cities they live in.

Inspired by the housing crisis of urban young adults, this thesis wants to explore the allocation of housing resources and residents', especially urban young adults' accessing homeownership. To do that, this thesis combines the theory of housing financialization with the shift in housing attributes, which include social welfare, commodity and financial good, to analyze the reform of China's housing system.

After the analysis of history, it proposes that urban housing in China has complex multiple attributes, including social welfare, commodity, and investment goods, and its attribute composition changes with the reform of related policy systems. The changes in housing attributes have been affecting the supply of housing resources through the exercise to allocate housing resources and the subject of allocation. Three main factors can be found in this process to influence the acquisition of homeownership in China: labor market characteristics, institutional and household characteristics, and household assets with housing finance characteristics.

In the empirical analysis part, based on the social survey data of CHFS and CGSS, this thesis uses a binary logistic model as the benchmark model to further explore the changing trends and patterns of urban young adults' accessing homeownership. The analysis found that the current spatial differences have become one of the most influential factors affecting the accessing of homeownership among urban young adults. And the higher the degree of comprehensive economic and social development of the cities, the lower the possibility of urban young adults to be homeowners. In terms of accumulation factors, the paths and relative importance of intergenerational accumulation on accessing homeownership for young people has changed due to the process of housing financialization, and the intergenerational accumulation of assets has become more important for accessing homeownership than other aspects.

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In the last part, the thesis concludes with five key findings and further explores the issues related to housing financialization, housing attributes and housing equity. In addition, it argues that the discussion of housing attributes is important for the operationalization of housing financialization as a theoretical aspect; housing financialization should be considered as an objective and realistic factor; the multiple attributes of housing itself, as well as its proper value and use should be highlighted. At the same time, housing financialization has enhanced the asset attributes of housing, affecting the asset accumulation of households for at least two generations, and to some extent widening the development gap between urban regions; the rural-urban or urban-urban migrations and the urban young adults have become the major vulnerable groups in the urban housing market.

Due to data limitations, the analysis of the spatial disparities in this thesis and the mechanism of the relationships between housing attributes and urban young adults' accessing homeownership are rather crude. Further exploration of pathways, through which housing attributes affect the accessing homeownership of urban youth, may be done through qualitative research methods at smaller scales.

**Keywords:** Housing Financialization, Housing Attributes, Homeownership, Spatial Differences, Intergenerational Accumulation

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# 1 Introduction

## 1.1 General background

Housing is one of the basic needs of people. However, the significance of housing is not only to provide a place to live, but also to carry out many social functions such as social interaction, economic assets, lifestyle and provide sense of belonging. Bearing various and changing attributes, the division of use value and exchange value is one of the common ways to analyze attributes of housing. The use value of housing is reflected in its role as a space for people to live and work in. Factors such as living area, facilities, location and environment not only affect residents' well-being, but are also closely related to social interaction, children's education and household consumption behavior (Bian & Liu, 2005; Sun & Zheng, 2013). Besides, housing also has stable exchange value and investment attributes, making it an important commodity and asset (Madden & Marcuse, 2016). For households and individuals, the asset attributes of housing are concentrated in home ownership. In China, housing equity accounts for 70% of the total assets of residential households (Xie & Jin, 2015), and the location in which housing equity is owned and the use of financial leverage directly affects households' economic capital accumulation (Wu, et al., 2016; Mu, et al., 2022).

The expansion of speculative real estate investment at the global level, starting in the 1990s, and housing credit, on the one hand, enabled more residents to own homes and, on the other hand, reinforced the attributes of housing as a financial instrument (Garcia-Lamarca & Kaika, 2016), the phenomenon of "financialization of housing" began to receive attention. The "financialization of housing" is considered to be the dominance of the financial attributes derived from housing and its credit over its use (Madden & Marcuse, 2016), which is reflected in the reconfiguration of the logic of the functioning of the housing market, its objectives, and the behavior of its participants in a financial manner (Aalbers, 2019). In this process, urban residents with home ownership ceased to be mere users or citizens of housing (citizens) and became investors in the city, and housing credit became a real estate lever for citizens to invest in the city (Garcia-Lamarca & Kaika, 2016). However, frenzied housing investment pushed up housing prices. Especially since the global financial crisis in 2008, factors such as tightened credit policies have caused housing affordability to decline, and housing market crises have occurred in various countries (Xu, et al., 2015).

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In the face of high housing prices, depressed labor markets, and tightened credit policies prevalent across countries, the housing challenges of young cohorts living in urban areas epitomize the housing crisis. It is increasingly difficult for young people with short working lives and low affordability to afford decent housing that supports independent living, and even more difficult to afford to purchase homeownership on their own (Druta & Ronald, 2017; Xu, et al, 2015; Hochstenbach, 2018; Huang, et al., 2021). However, at the stage of life when they are living independently from their parents, working outside the home, getting married and starting a family, and becoming parents, urban young adults generally have a need to acquire independent housing (Mu, et al., 2022; Tocchioni, et al., 2021; Bayrakdar, 2019). In this context, renting rather than buying has become the choice of more young people, homeownership rates among urban young adults have declined, and the 'Generation Rent' phenomenon has emerged in cities across Western countries (Richard, 2018; Clark, 2019; Hochstenbach & Arundel, 2021).

However, also in the face of urban housing crisis, young people in China's cities appear to be more enthusiastic about acquiring homeownership. While urban youth in Europe and the United States are generally delaying the age at which they acquire homeownership, urban youth in China are acquiring homeownership at a younger age and have a relatively high rate of homeownership, with 70% of millennials owning homeownership by the age of 20 to 30 (Mu, et al., 2022; HSBC, 2017). On the one hand, in Chinese society and culture, housing is a prerequisite and foundation for marriage and family, and under the influence of the concept of "marriage house" (*hunfang*), there is a strong correlation between young people entering marriage and acquiring homeownership (Mu, et al., 2022; Hu & Wang, 2020). On the other hand, currently, "emptying six pockets" and purchasing a home with the efforts of young couples and the help of both parents are common.

But behind the higher homeownership rates of China's urban youth cohort, housing inequality continues to deepen. First, institutional and historical factors continue to influence the housing access of young people. In the context of high population mobility, the "double dual structure" brought by the urban-rural household registration (*hukou*) system and regional development imbalance greatly restricts non-local household registration holders, especially rural youth, from acquiring housing ownership in large cities (Mu, et al., 2022; Fang, 2020). Second, urban space itself is an important factor in fixing and widening housing inequality due to the obvious differences in economic and social development, housing markets, and housing policies

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between cities (Mu, et al., 2022; Cui, et al., 2020). Although the importance of spatial elements has been emphasized, few studies have quantitatively analyzed urban socioeconomic and housing market factors and youth access to homeownership. In addition, the influence of socio-cultural factors, such as gender, marital choice, and being only child, all influence young people's motivation to acquire ownership housing and the resources they can access to support it (Cui, et al., 2020; Mu, et al., 2022).

Behind these factors, the financialization of housing has created a broader constraint, namely high housing prices that bring high barriers to the housing market. In the context of high housing prices, young people find it difficult to obtain housing on their own efforts, and the cumulative effects of birthplace effects and intergenerational support overlap, resulting in the transmission and widening of housing inequality (Cui, et al., 2022; Christophers & O'Sullivan, 2019). For youth, access to homeownership is itself influenced by both macro-institutional policies and micro-household contexts.

## **1.2 Research aim and research questions**

In the above context, this thesis aims to understand China's housing system reform and policy changes, and the housing access of young people, by taking the relative changes in the attributes of housing itself. The focus is on how different institutions and policies, in the process of "financialization of housing", assign social welfare value, commodity value and investment value to housing at the macro level, thus affecting the access to homeownership of young people at the micro level. Besides, this thesis further explores the impact of spatial disparities and accumulation effects on the access to homeownership for young people in the context of housing financialization.

This research theme fits into the analytical perspective of housing financialization, which is simultaneously framed in terms of both macro-institutional changes and micro-household decisions. The major research question is that in the process of housing financialization, how does the changing attributes of housing affect young adults' accessing homeownership in urban China? Furthermore, how does the attributes of housing change during China's housing financialization process? What roles do institutional factors play in the housing financialization? And what roles do individual and family choices play in this process? In the process of housing financialization, what are the changing patterns of major factors that influence the young adults' accessing



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homeownership in urban China? And what roles so accumulation mechanism and spatial factors play in young adults' accessing homeownership in urban China?

### **1.3 Societal relevance**

From the practical perspective, this thesis explores the factors influencing the access to homeownership of youth groups, which can help identify the housing disadvantaged groups among youth at the level of urban differences and individual family characteristics. Second, the identification of housing attributes can provide inspiration for the positioning of subsidized housing and its policy design, with a view to providing useful references for China's housing security policies, especially housing and social welfare policies for youth groups.

In addition, the analysis of housing attributes and how they change will help to understand the interests and stakeholders behind Chinese urban housing. It may contribute to the in-depth understanding of China's housing reform and housing financialization as a dynamic process, and help to understand housing policies from the perspective of balancing different attributes of housing. This thesis hopes to discuss and reflect on the financialization of housing, calling on society and the government to pay attention to the real meaning behind the different attributes of housing, and to adhere to the policy orientation of housing without speculation, so that urban housing can truly provide the use value for various groups of residents in cities to meet their needs for survival and development.

### **1.4 Academic relevance**

From the theoretical perspective, the thesis attempts to extend the discussion of housing financialization in the context of China's housing system. On the one hand, the thesis adopts a perspective that combines the macro-level institutional, urban space and micro-level household and individual homeownership to examine the dynamic impact of the housing financialization process on the homeownership of the youth group.

On the other hand, there is a research gap that the changing attributes of housing in the process of financialization has been almost neglected by existing literature, which concerns financial credit on household and individual accessing homeownership from a static perspective. This thesis introduces the distinction between housing attributes into the discussion of housing financialization, and describes the institutional factors

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and changes in housing allocation rights in the financialization process through the analysis of the dynamic changes in housing attributes.

In addition, this thesis emphasizes attention to the impact of housing financialization on spatial differences, and considers the impact of housing financialization on housing equity and urban development in the context of regional space.

## **1.5 Reading guide**

This thesis is divided into six chapters and organized as follows:

The first three chapters analyze and explore the existing literature. The first chapter describes the research background of this thesis, i.e., the youth housing crisis brought about by the process of housing financialization, and also introduces the main research perspectives, research significance and innovation of this thesis.

The second chapter is a literature review, which introduces the theoretical background of housing financialization, as well as the existing studies on housing attributes and concerns about the acquisition of homeownership by young people, pointing out the basic attributes of housing in the perspective of housing financialization, and providing theoretical references for the analysis in the following chapter.

Chapter 3 describes "Housing Reform and Housing attribute Transformation in China", which provides a specific institutional context for the discussion of housing attribute transformation in the context of housing financialization. This chapter reviews the history of housing reform in China in conjunction with the theoretical analysis of housing financialization and housing attributes in Chapter 2, and identifies three major stages of housing attributes, institutional changes, and reforms. By analyzing the corresponding changes in the right to allocate housing resources and allocation subjects in each stage, it tries to specify the influence of institutional changes and housing attributes on residents' acquisition of homeownership, and provides analytical support for the refinement of the conceptual framework of housing attributes affecting residents' acquisition of homeownership in the later chapter.

Chapter 4 is the research design, which is divided into three parts: conceptual framework and formulation of research hypothesis, data, and research methodology. In the conceptual framework section, based on the theoretical analysis in Chapter 2 and

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the institutional background analysis in Chapter 3, this thesis summarizes the intrinsic correlation among three factors: housing attributes, housing allocation, and intergenerational accumulation within households, and proposes their influential paths on the acquisition of homeownership by young people in the period of housing financialization. Based on the conceptual framework and the characteristics of housing attributes in the period of housing financialization, this thesis proposes corresponding research hypotheses. The data section introduces the basic information on China Household Finance Survey (CHFS) and the Chinese General Social Survey (CGSS) used for the later empirical analysis, the sample selection, and the basic information on the main variables. The research method section introduces the binary logistic model used in this thesis, the extension of the model and the validation ideas.

Chapter 5 is the empirical analysis, which mainly applies CGSS and CHFS data to two aspects: 1) changes in housing attributes during the period of housing financialization and the acquisition of homeownership of urban youth groups; 2) spatial differences and intergenerational accumulation as the main mechanisms affecting the acquisition of homeownership of urban youth in the current period. The results of the empirical analysis basically echo the research hypotheses in Chapter 4.

Chapter 6 is the conclusion and discussion section, which firstly summarizes the main findings of this thesis including the multiple attributes of urban housing in China, the relationship between housing attributes and the acquisition of homeownership of residents, the factors influencing the acquisition of homeownership of the youth group, and spatial differences and accumulation effects as the main mechanisms influencing the acquisition of homeownership of the youth group. Second, based on the findings of this thesis, this thesis discusses the theoretical and practical aspects of housing financialization, and emphasize the importance of multiple housing attributes in housing policy and housing regulation. Finally, the research gaps of this thesis and the possibilities for future research are pointed out.

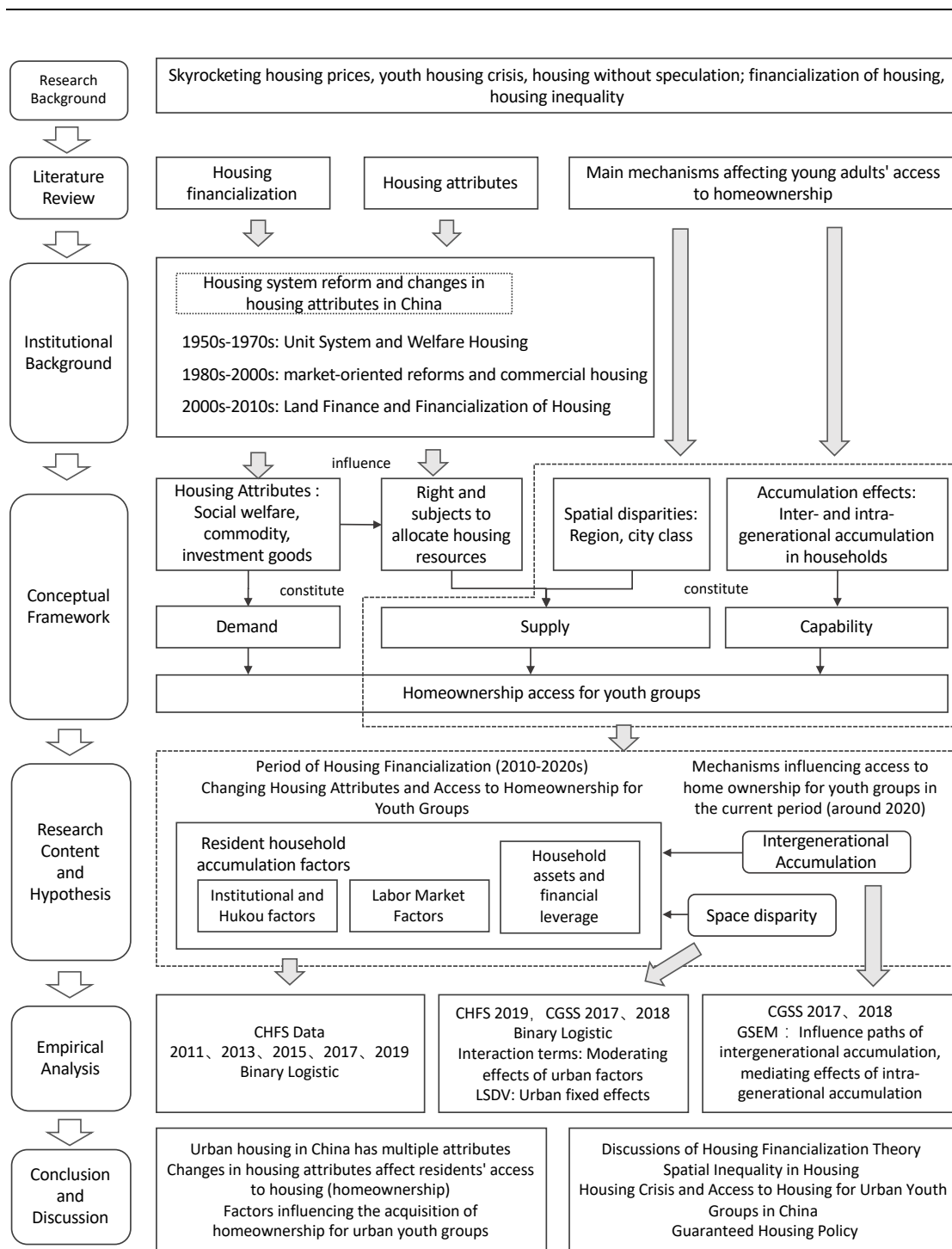


Figure 1: Framework of the thesis

## 2 Literature Review

### 2.1 Housing Financialization

#### 2.1.1 Defining financialization

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Financialization is a concept that involves multidisciplinary perspectives, and the inquiry of financialization involves the spheres of economics, sociology, political science, and geography. The attention to financialization in the field of economics has long been mostly based on the exploration of Keynesian, Marxist and other political economy, and since the 2010s, it has also received attention from mainstream economics research. In contrast, financialization studies by scholars in non-economics disciplines are mostly grounded in interdisciplinary political economy or involve post-structuralism and cultural economics (Aalbers, 2019). Thus, the concept of financialization has been understood mainly from the perspective of economics and political economy, but there are also narrower and broader categories.

From the view of economic, Krippner (2005) followed Arrighi's (1994) definition of financialization and focused on the expansion of the financial sector and its penetration into the non-financial sectors. Krippner argued that financialization is distinguished from commodity markets as a "profit accumulation model primarily through financial channels, rather than trade and commodity production" (Krippner, 2005: 174). Zhang and Yang (2021) defined financialization as "the role of financial activities in the economy and financial institutions in enhancing the profits and wealth of financial markets and financial participants" (Zhang & Yang, 2021).

Also, from an economic perspective, Li and Zhu (2020) summarize the three-fold connotation of financialization at a broader level: 1) the penetration, intermingling, and even substitution of the financial sector to other non-financial sectors; 2) describing the change in the behavior of microeconomic agents, such as individuals and firms, from a long-term cost-profit orientation in the product market to a short-term investment-return orientation in the financial market. This is accompanied by an increase in risk and uncertainty; 3) the impact of financialization is multidimensional, not only limited to the economic sphere, but also involving social, political, and cultural spheres, thus triggering a society-wide transformation (Li, and Zhu, 2020).

Furthermore, Aalbers (2019) extends the understanding of financialization to a more ambitious context by proposing a conceptual definition of financialization as "the increasing dominance of financial players, markets, practices, metrics, and narratives at different scales, leading to a structural transformation of economies, firms (including financial institutions), states, and households " (Aalbers, 2019: 4). In addition, he summarizes seven themes in the study of financialization, including 1) financialization as a recurring historical process that marks the decline of hegemonic power; 2) the

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financial services revolution, i.e., the rise of non-bank financial institutions and the increasing importance of leverage and fees in banks' business models; 3) the financialization of the economy in a narrow sense; 4) non-financial firms' financialization; 5) financialization as assetization; 6) financialization of the state and (semi-)public sector; and 7) financialization of households. He also pointed out that all these elements are interrelated and interdependent and should be discussed as different dimensions of the complex phenomenon of financialization rather than as different definitions (Aalbers, 2019).

In general, the existing literature has focused on a macro-level understanding of financialization, which requires more empirical and operationalized conceptual interpretations. In contrast, this thesis explores financialization in a broader sense, understanding it as a process that involves micro-level activities such as individuals and households, as well as macro-level activities such as cities and countries, with key features including the expansion of financial approaches, value orientation, and subject-objects to non-financial areas and their gradual and progressive dominance, emphasizing the transformative nature of outcomes or the transformation brought about by financialization.

### **2.1.2 Housing financialization and housing commodification**

Housing financialization refers to the financialization of the housing sector, focusing on the process of financialization transformation of the housing sector. According to Madden and Marcuse (2016), housing financialization is the "increasing power and importance of actors and firms involved in profit accumulation through the use and trading of money and financial instruments in the housing sector " process. In the Chinese context, Wu et al. (2020) understand it as the process by which housing is transformed from "a non-tradable good into a tradable commodity and then into a highly liquid investment asset". The meaning of housing financialization includes "absorbing household savings, leveraging development finance, and stimulating monetary value creation" (Wu, et al., 2020: 1488). As a similar concept, housing assetization is considered as one of the stages that housing begins to have the attribute of an asset, with the potential to preserve and increase its value. While housing finance refers to the activity of financing through financial instruments such as housing credit and housing fund in the process of housing construction, development and circulation. Comparatively, housing financialization is a broader process, and housing finance is the means and elements of housing financialization realization.

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Another concept related to the financialization of housing is the commodification of housing. Both housing financialization and commoditization focus on the value/exchange attributes of housing, but emphasize different aspects respectively. Commodification emphasizes the creation of value through production flows, while financialization emphasizes the expansion of value through asset appreciation. Madden and Marcuse (2016) take a critical perspective to discuss the phenomena of commodification and financialization of housing in a Western context. They argue that housing is inherently dual in nature as a commodity, both as a use good and as a carrier of value. But the commodification of housing is "a conflict between the pursuit of profit and the residential use of housing" (Madden & Marcuse, 2016: 15), resulting in the economic value of housing gradually dominating its social use as a place to live. Excessive commodification of housing is an "extreme way in which housing is dominated by real estate", which means that "all physical and legal structures of housing - buildings, land, labor, property rights --are turned into commodities." The financialization of housing is one of the reinforcing factors of the over-commodification of housing (Madden & Marcuse, 2016: 15).

In addition, housing commodification can also be seen as an important part of the process of housing financialization, and Wu et al. (2020) argue that the discussion of housing commodification and assetization is inseparable from the discussion of housing financialization in the Chinese context. Housing financialization is "a broader financial outcome of housing commodification, involving asset values, financial sources, and financial impacts" (Wu, et al., 2020: 1488). However, the transformation of the attributes of housing itself in this process, and its impact on the meaning of housing equity and the acquisition of housing equity by residents, remains to be discovered.

### **2.1.3 Housing financialization on family and city scales**

At the micro level, housing financialization is related to individual and household housing needs, development needs, social relationships, family structure, property security, and access to social benefits. Aalbers (2019) considers housing financialization as an important theme related to household financialization (Aalbers, 2019). Household financialization refers to the fact that households are expected to think in financial terms and take risks that would otherwise be taken by financial professionals (Martin, 2002). As a result, citizens are redefined as consumers and even further redefined as financial assets or cash cows (Allen & Pryke, 2013). In the context of welfare reconfiguration in Western countries, the economic security and welfare of

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individuals and households is increasingly dependent on financial markets rather than on fiscal transfers from the state, and investment in housing assets is dependent on a household asset-based welfare (Doling & Ronald, 2010).

Some countries are more committed to supporting the loan market than to directly supporting homeowners, which leads to an intensification of the exchange value of housing. And by overemphasizing exchange value over use value, the financialization of housing can also change the social relations of households (Fields, 2017). In the Chinese context, Li and Zhu (2020) argue that the financialization of the housing sector is reflected at the resident level in the use of financial instruments when purchasing a home and in the emergence of housing as the most important asset of the household. During the phase of rapid real estate price increases, households participating in the real estate market achieve a rapid increase in housing wealth, especially those who make full use of financial leverage instruments such as home mortgages and financing, and their wealth grows more rapidly, and the wealth gap between different households is likely to widen further (Wu, et al., 2016).

Much of the research related to housing financialization in the Western context has focused on the promotion of housing credit and property securitization (Wu, et al., 2020), but housing financialization itself is rooted in a historical and institutional context that has different specific manifestations in different countries (Aalbers, 2017). In the context of China's relatively low housing credit rate and high savings rate, scholars such as Wu (2020) argue that housing financialization is embodied in China as a way for the state to achieve its overall economic development goals by transforming housing from a use good into a financial asset (Wu, et al., 2020). Some studies continue this line of thought by focusing on changes in macro-institutional, policy, and economic characteristics, exploring the relationships between housing, land system, financial system, and urban construction in the context of financialization (Wu, et al., 2020; Li & Zhu, 2020; Wu, 2021; Wang, 2021; Chen, 2022; Li, et al.) Other studies have focused on the micro level, mostly on how individuals and households use financial instruments such as housing credit and housing fund to increase their housing assets, and how housing financialization affects individuals' and households' housing decisions (Yang & Zhang, 2021; Li, et al., 2021).

At the macro level, housing financialization is part of a broader process of land financialization and is an element of urban financialization (Wu et al., 2020), and thus an understanding of housing financialization cannot be separated from an



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understanding of the land system, urban economic and social development goals, and financial markets. Wu et al. (2020) see financialization as an important component of China's development model, and Housing is a strategy that has been carefully engineered into the overall financialization process. In China, due to the privatization of social housing and the underdeveloped social rental housing system, housing financialization is mainly related to housing ownership, which involves the assetization of housing. In turn, housing is closely related to land, and an understanding of housing assetization needs to be built on a broader process of land financialization and assetization (Wu et al., 2020).

However, considering that housing financialization is a multi-level process involving macro and micro levels, most of the above studies focus on macro or micro levels respectively, and the correlation of factors between different levels remains to be explored. In the following section, an attempt will be made to explore housing attributes so that the broader and macro process of housing financialization can be broken down and can be applied to policy analysis.

## **2.2 Attributes of housing**

### **2.2.1 General discussion of attributes of housing in China**

Housing attributes refer to the nature of housing itself (Hu & Chen, 2008), and the exploration of housing attributes is the basic topic of housing research (Wu & Fan, 2021). At present, there are few studies that address attributes of housing in China though some discuss concentrate on the duality between social and commodity attributes of housing (Hu & Chen, 2008) and the discernment between consumption and investment attributes extended from housing as a commodity (Deng & Zhu, 2009; Yang, 2018; Zhang, 2021). These studies are partly grounded in the division of commodity attributes in economics, focusing on both consumption and investment attributes of housing as a commodity.

There are also studies emphasizing the multiple nature of housing attributes, such as Lin and Lu (2017), who classify housing attributes into four aspects: social attributes, commodity attributes, property attributes, and investment goods attributes; and Wu and Fan (2021), who explore the triple physical, economic, and social attributes of housing as a living space, asset carrier, and rights credential. However, studies involving the division of multiple attributes generally lack attention to the association between different attributes of housing and lack systematic theoretical exploration. Only a few

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studies have systematically classified and discriminated housing attributes on a theoretical basis. Zhang, et al. (2020), inspired by the value realization of consumer goods in the theory of consumption stratification, analyzed housing as a consumer good, and classified its attributes into four aspects: housing attributes, belonging attributes, rights attributes, and investment attributes, to explore the impact of housing consumption stratification on social stratification.

In addition, few studies have focused on both the multiple and shifting nature of housing attributes. Some studies emphasize that housing attributes have transformed during the process of housing market reforms, but ignore that housing has multiple attributes at the same time (Wu, 2019). Most of the studies that focus on the multiple nature of housing attributes adopt a static perspective of a certain period or historical stage to observe housing attributes, and only a few focuses on the changing nature of housing attributes (Zhang, et al., 2020; Zhang, 2021). To address the difficulty of a both systematic and dynamic perspective, the next section attempts to differentiate the basic attributes of housing from the perspective of the process of financialization and to explore the implications of each of them.

### **2.2.2 Housing as a social welfare**

In the theory of housing financialization, the gradual transformation of housing from a non-financial good to a financial good implies a shift in housing attributes. Some of the studies and discussions of housing as a financial investment good and commodity have been covered in the previous section on the overview of financialization and commoditization of housing. This section focuses on housing attributes as the beginning of financialization, i.e., housing as social welfare. In the context of the reconfiguration of the Western welfare state, housing is seen as an asset-based benefit. That is, the state encourages individuals to accumulate assets by acquiring homeownership, thereby reducing residents' dependence on the state welfare system (Doling & Ronald, 2010).

In China, the social welfare attributes of housing can be understood in two ways. First, before the housing market reform, in the context of the public ownership economy and the work unit system, urban housing was entirely as a social welfare within a redistribution system, with the state and units allocating urban housing resources (Bian, et al. 1996; Wu, 2010; Wu, 2017). In contrast, under the current household registration system in China, homeownership is directly tied to social welfare in the city: for people who are not born in the city they live in, only the acquisition of homeownership gives

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them the opportunity to have a resident hukou in the city where they live and thus have complete access to local social welfare and public services such as education and health care (Wu & Wei, 2018).

From the above analysis, combined with the reality of China's housing system reform and the theory of the housing financialization process, three main housing attributes can be distilled: social welfare attributes, commodity attributes and financial investment product attributes. These three attributes correspond to the institutional characteristics of different stages of financialization, which will help the later analysis of the financialization process in China's housing system reform and the factors affecting housing acquisition.

## **2.3 Major mechanisms affecting young adults' accessing**

### **homeownership**

#### **2.3.1 Spatial disparity**

The spatial disparity that mentioned in this thesis refers to the influence of "spatial opportunity structure" on the accumulation of housing resources among young people on the one hand, and the differentiation of housing market and the expansion of socio-spatial disparity brought by the financialization of housing on the other. First, spatial factors such as geographic location and regional environment themselves affect individual access to resources, development opportunities and resource accumulation, thus leading to inequality in individual resource possession. According to Weber (1978), different geographic spaces themselves contain different "life chances" and resources, providing various possibilities for individuals to develop their expertise and transform their wealth into capital. Both the neighborhood effect and the birthplace effect also emphasize that life space itself influences individuals' access to resources and opportunities, thus affects individuals' economic and social status, wealth accumulation, and other aspects.

In addition, Mu, et al. (2022) used the "spatial opportunity structure" theory to explain the influence of inflow and outflow places on the housing choice of the mobile population. This theory emphasizes that at different spatial scales, such as neighborhoods, cities, and regions, there are differences in educational resources, job opportunities, and policy systems in different areas, resulting in different opportunity

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structures that affect individuals' access to education, jobs, and resources (Mu et al., 2022).

It has been noted that under China's urban-rural dichotomy, residents living in rural areas do not enjoy urban housing benefits and thus are relatively backward in terms of access to urban housing resources and housing wealth accumulation (Wang, et al., 2020). Since 2000, a large number of migrant people have entered cities from rural areas, and young people who were born in rural areas or have rural hukou have difficulty accessing social benefits such as quality education and public housing in cities, and do not have resource and accumulation advantages in housing acquisition in cities.

And regional differentiation exists not only between urban and rural areas, but also between cities of different classes. In the context of widening regional development disparities and increased inter-city population mobility, housing access for mobile youth groups in cities is strongly associated with both outflow and inflow locations (Mu, et al., 2022). In addition, housing financialization will further widen the housing market disparities between different cities and regions. In the context of housing financialization, the marginal cost of additional investment through debt is lower for individuals and firms than the cost of land for investment in other cities. Thus, in the pursuit of maximizing the return on investment, capital will be further concentrated in a few major cities rather than spilling over to other regions (Li & Zhu, 2020). Although studies have focused on urban-rural differences and inter-city differences, the relationship between differences in the degree of financialization and housing equity acquisition in different cities remains to be explored. This thesis will attempt to explore how urban youth's access to homeownership varies between cities with different characters of housing financialization.

### **2.3.2 Accumulation mechanism**

The accumulation effect, also known as the "Matthew effect", refers to the accumulation of advantages or disadvantages of a group over other groups in society over time (Chen, 2017; Yang & Zhang, 2021). There are two mechanisms for the accumulation effect, one of which is proposed by Merton, in which inequality among individuals grows dramatically over time as the life course evolves due to differences in their initial positions in the social structure, emphasizing individual agency in social change. Another model is Blau and Duncan's "status acquisition model", which considers social inequality due to differences in individual traits brought about by

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innate factors. Chen (2017) argues that because of the transfer of resources between parents and children in the family, this accumulation effect not only exists within generations but also can be extended to intergenerational. Thus, considering the intergenerational resource accumulation effect presupposes the existence of intergenerational transfer of resources and intergenerational support from parents to their children.

Under the housing crisis, intergenerational support from parental families has become an important condition for access to housing and homeownership for youth groups around the world, as housing prices are too high for youth groups to afford housing expenses on their own. For the United Kingdom (Coulter, 2018), Sweden (Öst, 2012; Christophers & O'Sullivan, 2019), the Netherlands (Hochstenbach & Boterman, 2017), the United States (Lee, et al., 2020), Australia (Cook, 2021), and China (Cui, et al., 2021; Yu, 2021) have found that parental homeownership and parental financial support have important effects on young children's homeownership acquisition. In addition, some parents help their young children solve their housing challenges by allowing them to live in their own homes. The proportion of youth aged 18-34 living with their parents has generally increased in Europe following the economic crisis (Lennartz, et al., 2016).

In China, intergenerational resource accumulation also greatly affects the housing access of young people. The impact of intergenerational accumulation of parents' families on children's housing acquisition can be divided into direct and indirect aspects: the direct impact is mainly in the form of intergenerational support such as providing their own housing for their children to live in, contributing to assist their children in purchasing housing, and gifting their children's housing; the indirect impact is reflected in the economic and social status of parents' families affecting adult children's socioeconomic status, intra-generational accumulation capacity, and willingness to acquire housing ownership (Chen, 2017; Cui, et al., 2021; Huang, et al., 2020; Cui, et al., 2020).

In addition, the socio-economic status of the parents' family has a significant impact on the quality of the living environment of the youth group (Zhang, et al., 2019), and even forms the socio-spatial segregation of the youth group's residence (Hochstenbach, 2018). Considering the special context of China's housing system reform, studies focusing on intergenerational resource accumulation mostly treat housing as social welfare and explore the increasingly important role of the family in

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the allocation of housing resources from the perspective of the welfare distribution system and the three subjects: the state, the unit, and the family (Chen, 2017; Cui, et al., 2021). However, considering that welfare attributes are not always the most dominant feature of housing, this exploration ignores the important impact of intergenerational accumulation on the equity of housing resource allocation in the context of financialization.

## **2.4 Conclusion of Literature Review**

This section identifies the concept of housing financialization that underpins this paper. It points out that the concept involves both macro-policy and micro-individual levels and has the connotation of a dynamic process. This section also attempts to distinguish between the social welfare, commodity, and financial investment properties of housing in terms of the process of housing financialisation. Finally, based on existing research focusing on the perspective of young people's homeownership, it is proposed that this paper attempts to include spatial and intergenerational factors in the analysis under the perspective of financialization and housing attributes.

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## **3 China's Housing System Reform and Changing Housing Attributes**

This chapter reviews the history of housing reform in China from the perspective of housing financialization, sorts out the characteristics of housing attributes in different institutional contexts and under different stages of reform, and tries to identify the main factors affecting residents' access to housing at different stages, considering the changes in the right to allocate housing resources and the subjects of housing resource allocation implied behind housing attributes. At the same time, the combing in this chapter also provides background information for the analysis of the complex attributes of urban housing in China at present, and lays the foundation for the conceptual framework of the empirical analysis below.

### **3.1 1950s-1970s: Work units System and housing as a social welfare**

#### **3.1.1 Housing as social welfare in the context of working unit (Danwei) system**

After the founding of People's Republic of China, urban housing in China was mainly publicly owned, and as part of social welfare under the work unit system, its investment, construction and repair were mainly the responsibility of the state and the units. From 1956, after the socialist transformation, investment in new urban housing mainly came from the state. By the eve of the comprehensive housing reform in 1990, private investment in new housing in Shanghai accounted for only 2% (Bian, et al., 1996). The management of these publicly owned housing units was mainly in the hands of government real estate management departments and units, i.e., they were divided into two types: directly managed by the state and self-managed by the units. According to the results of the 1985 housing census, the proportion of unit-owned dwellings to all dwellings reached 58.1% (Bian, et al., 1996). It can be considered that units were one of the most dominant and direct management subjects of urban housing in China in this period.

In addition, the units also hold the important link of housing allocation. Until the reform and opening up, housing for urban workers was allocated by the state and the units, and housing built by the state was systematically allocated to the units, which in turn allocated it to the workers on behalf of the state. Only those urban residents who were not affiliated with any unit or whose units did not have sufficient capacity to meet

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the housing supply were assisted in arranging their housing by the local housing management department, the "housing bureau" (Fang, 2020). Under the housing allocation model, which is characterized by low rents and in-kind welfare housing allocation, urban unit workers with housing needs can only turn to their work units (Bian, et al., 1996). As part of social welfare in the allocation system, housing allocated to employees by their units could not be bought and sold, and employees did not own property rights, thus housing at this stage had only use attributes.

### **3.1.2 Housing access for residents during the period of unit system**

Housing differences among urban residents during the period of work unit system were small and mainly reflected in housing conditions such as house size and facilities, while housing differences mainly originated from unit differences and individual political resources. In the case of public ownership based on need, generally speaking, units arranged housing according to the actual living needs of employees such as family size and marital status (Bian, et al., 1996). However, due to the limited government finances during the planned economy, the allocation of resources for urban housing in China showed a "differential pattern", i.e., units with a dominant position in the state power system also had an advantage in accessing housing resources (Liu & Mao, 2012; Hu, 2012). The type of ownership, administrative level, size of the unit, and whether it is supported by the national strategy all affect the unit's access to housing resources (Fang, 2020).

Within the work unit, factors such as one's position, administrative status, length of service, and political connections have in fact influenced housing access more than the actual demand of residents (Huang, 2003). 1983's "Regulations of the State Council on Strict Control of Urban Housing Standards" stipulates "strict control of residential floor area standards" and divides housing into four categories and specifies the residential area corresponding to different administrative levels. The State Council's "Regulations on Strict Control of Residential Building Standards in Cities and Towns", promulgated in 1983, "strictly control residential building area standards", divides residential buildings into four categories and specifies the residential area corresponding to different administrative levels. Among them, the first and second category of residential housing for general workers, the average floor area per set of 42 to 45, and 45 to 50 square meters, respectively. Three types of residential applies to county and department-level cadres and intellectuals of the corresponding level, with an area of 60 to 70 square meters. The fourth category of housing is applicable to



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department and bureau-level cadres and corresponding senior intellectuals, with an area of 80 to 90 square meters.

Overall, urban housing during the work unit system period mainly presents social welfare attributes, and its redistribution as social welfare and housing access are closely related to political rights. Workers who worked in the core units of the system, had higher ranking positions, party membership, and other characteristics were more likely to have access to better quality housing during this period. Housing inequality, on the other hand, existed mainly between the vast majority of the masses and a small number of "political elites" or "power elites" (Yang & Zhang, 2021).

## **3.2 1980s-1990s: Housing marketization and housing as a commodity**

### **3.2.1 Institutional preparation for Housing Marketization, 1978-1998**

Under the public ownership of housing, the state concentrated its limited resources on production, making it difficult to meet the growing demand for housing construction by relying solely on government finances. After the reform and opening up, China began to implement a series of housing market reforms in order to improve the living conditions of residents and reduce the financial burden. The basic idea of the reform is to "change the system of housing construction investment by the state and the unit to a system in which the state, the unit, and the individual bear a reasonable burden; change the system in which each unit constructs, distributes, maintains, and manages housing to a system of socialized and specialized operation; and change the way of distributing housing benefits in kind to a way of distributing monetary wages based on the distribution of labor " (State Council, 1994).

The period 1979-1998 can be regarded as the first stage of housing commercialization reform, in which the state encouraged residents to acquire homeownership by privatizing public housing and allowing the purchase of commercial housing. First, the "three-three system", in which the state, the unit, and the individual each bear one-third of the cost, was used to sell new houses on a nationwide pilot basis, and urban housing regained its exchange value and some of its commodity attributes. In July 1994, the *Decision of the State Council on Deepening the Reform of the Urban Housing System* (Guo Fa [1994] No. 43) (hereinafter referred to as "the Decision") was issued, encouraging urban workers to purchase public housing in their units. It stipulated that the fundamental purpose of the reform of the urban housing system is "to establish a new urban housing system that is compatible with the socialist market

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economy system, to realize the commercialization and socialization of housing; to speed up housing construction, to improve living conditions, and to meet the growing housing needs of urban residents. The basic contents include establishing a system of affordable housing supply and a system of commercial housing supply, a housing provident fund system, clarifying property rights, developing a housing credit system, establishing a standardized real estate market, and promoting the development of the real estate industry and related industries (State Council, 1994). Considering the housing provident fund system as an important feature of China's housing financialization, marking the state's direct involvement in the process of housing financialization (Chen & Wu, 2022), the 1994 Decision laid the necessary foundation for future housing financialization.

However, despite the relatively clear goal of commercialization reform and a series of policies, the public ownership-based urban housing system did not undergo a fundamental transformation until the late 1990s. In fact, most urban workers during this period could hardly afford to purchase housing with their salary income alone, and needed to resort to unit subsidies in order to purchase unit-allocated housing at a lower price (Wu, 2017). As a result, the area of housing sales was very limited, and the enterprises still had to bear a large number of subsidies for employees to purchase housing, and the income from housing sales was not enough to support the construction of new housing, and a housing market that could realize capital circulation was not formed (Fang, 2020). Although the commodity attribute of housing at this stage is mainly reflected in the exchange of money, the supply side of housing is still dominated by the state, and residents who have full homeownership can enter the market only after five years of occupancy (State Council, 1994), so a complete housing market has not been established, and social welfare and living space are still the main attributes of housing in China's cities and towns. With the incomplete commercialization of housing, the housing level of China's urban residents is still far from meeting demand, with only 9.3 m<sup>2</sup> of housing area per capita in urban areas in 1998 (Fang, 2020), and housing reform still needs to continue to advance.

### **3.2.2 The reform of Land System and Tax-sharing System**

As an important part of China's overall economic system reform, the housing system reform was not isolated. 1980s-1990s, tax sharing reform and land system reform laid the foundation for the continuation of housing commoditization reform, and

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also had a profound impact on the transformation of housing commoditization and financialization.

In 1994, China carried out a tax-sharing reform, which redefined the types of taxes between the central government and local governments and greatly changed the revenue structure of local governments. After the reform, local governments had to find new sources of revenue because VAT (value added tax), the main source of revenue, was drastically reduced, but at the same time fiscal expenditure responsibilities increased (Zheng & Shi, 2011). In terms of taxation, local governments began to shift to relying on business tax, which is mainly from the construction and tertiary industries, and because the construction industry is again the most important source of business tax revenue, local governments began to actively promote large-scale land development, infrastructure and real estate construction (Sun & Zhou, 2013).

At the same time, the reform of the land system provided a new channel for local government revenue, making local governments significantly more active in real estate development. 1986 saw the promulgation of the Land Administration Law of the People's Republic of China, which was first amended and revised in 1988 and 1998 respectively, clarifying China's dual (double-track) land ownership system: rural land belongs to village collectives, urban land belongs to the state, and the municipal and county governments exercise land rights on behalf of the state. As a result, local governments have the right to expropriate, develop, and grant agricultural land and have a monopoly on the supply of urban construction land (Sun & Zhou, 2013). In addition, the 1998 Constitutional Amendment legalized the transfer of the right to use state-owned land for a fee, and the Land Management Law, which was amended in the same year, stipulates that "the state may expropriate or requisition land for the needs of public interest in accordance with the law". As a result, a nationwide land market began to be established.

Under the dual land system, local governments can obtain urban land through administrative allocation or expropriate agricultural land at a lower price, and obtain high land concession revenue by granting urban land use rights. Since then, land concession fees have become an important source of income for local finance, and land operation has become an important channel for financing urban construction (Liu, 2018). The local government's enthusiasm for urban development and real estate construction has also contributed to the establishment of the housing market and the transformation of housing commercialization.

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### 3.2.3 Housing reform and housing commodification in 1998

Against the background of the urgent need to meet the housing needs of urban residents internally and the Asian financial crisis externally, the State Council issued *the Circular of the State Council on Further Deepening the Reform of the Urban Housing System and Accelerating Housing Construction* (Guo Fa [1998] No. 23) in 1998 (hereinafter referred to as the "Circular"). With the guiding principle of "accelerating housing construction, promoting the housing industry as a new economic growth point, and continuously meeting the growing housing needs of urban residents", the State Council proposed to "stop the allocation of housing in kind from the second half of 1998, and gradually implement the monetization of housing allocation", and "develop housing finance, and develop the housing market to meet the needs of urban residents. In addition, the reform objectives of "developing housing finance and cultivating and regulating the housing transaction market" were proposed. Since then, the share of public housing in China's urban housing has declined rapidly, from 84.81% in 1988 to 15.54% in 2002 (Wu, 2019), and the proportion of urban residents living in public housing fell from over 60% in the mid-1990s to less than 10% in 2005 (Chen & Wu, 2022).

The Circular marks the formal transformation of China's urban housing supply from a system of in-kind rationing under welfare distribution to a monetized housing market, with housing beginning to take on full commodity attributes. At the same time, the Circular stipulates the basic principle of reforming "new housing system and old housing system", which means that there are "two markets" for housing supply after the reform, that is, the so-called "dual-track system". This means that the reformed housing supply has "two markets", or the so-called "two-track" reform approach. The stock of shared housing and publicly or semi-publicly owned housing funded by the state or units, such as "affordable housing", form an "internal market", and transactions in the internal market are still offered to unit employees at a discount or subsidized price below the market. The internal market is still open to unit employees at a discount or subsidized price below the market (Fang, 2020); instead, households are divided according to income, and those with higher incomes purchase and rent market-rate commercial housing (State Council, 1998), i.e., the "external market" for housing.

### 3.2.4 Housing commodification and access to housing for residents

The formation of the "external market" has opened up new channels for the allocation of housing resources, some units have gradually lost the right to allocate

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housing, the power of housing allocation has gradually shifted to the market, the housing welfare system has become more linked to cities and individuals, and the influence of human capital and economic capital on housing access has been relatively enhanced (Bian, et al., 1996; Hu, 2012). However, the existence of the "internal market" perpetuated the welfare attributes of housing to a certain extent, and accordingly, the impact of the unit system on housing allocation was fixed with the gradual spread of housing ownership. On the one hand, considering that in the early 1990s, 90% of urban households still had direct ties with state-owned enterprises, the unit system still played a crucial role in the distribution of housing and the creation of housing inequality (Bian, et al., 1996), and housing was not completely separated from the state redistribution system. On the other hand, the process of privatization of public housing essentially guarantees the vested interests of those who have housing (Hu, 2012). In the early 1990s, the government gave subsidies to residents who rented public housing to purchase the public housing they lived in, and the purchase subsidies were closely related to the length of service and political status of family members (Fang, 2014).

Studies have explained the distribution of housing resources after the market-oriented housing reform mainly from two perspectives: the "market transformation theory" and the "continuity of power theory". The "market transformation theory" argues that the reforms introduced market-based mechanisms into the allocation of housing resources, and that the power to control housing resources shifted more from the redistribution system to market transactions, while individuals' access to housing resources was more dependent on market competitiveness and payment levels. The "continuity of power theory" argues that the redistributive power in the market-oriented reform has continuity, and political power is transformed into economic resources, so that political elites still have the most advantage in the housing market (Bian & Liu, 2005; Hu, 2012). Both of the above theories are supported by research findings and are considered controversial. However, from the perspective of the transformation of housing attributes in the process of housing financialization, since the commoditization of housing does not imply the disappearance of welfare attributes, and the transformation process in which commodity attributes are enhanced and welfare attributes are relatively weakened is dynamic, the two views are not mutually exclusive.

In general, at the stage of unit system reform and housing commercialization development, housing inequality still occurs mostly between the general public and a few "redistributive elites", and managerial and professional elites with more power capital have advantages in terms of housing area, housing quality, and ability to

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purchase housing, and households with high professional status have significant advantages in terms of homeownership rate (Bian & Liu, 2005). In this period, although the acquisition of homeownership of residents began to be influenced to some extent by economic capital and educational human capital, the influence of the accumulation of political capital in the context of work unit system still cannot be ignored.

### **3.3 2000s-2020s: Land Finance and housing as an investment product**

The process of housing commercialization has greatly contributed to the spread of home ownership among urban households in China, reaching 90% by 2005 (Chen & Wu, 2022), making home equity the most important component of household assets. The boom in the housing market has further driven the transformation of housing financialization, the main drivers of which can be divided into two levels: at the macro level, land finance has gradually become an important support for local finance, real estate development has become an important engine of urban economic growth because housing, which depends on land, is more flexible and better able to absorb social capital (Wu et al., 2020), and housing has become an important policy tool to cope with the financial crisis. At the household level, housing as an investment product has become the first choice for residents due to the immature investment market and limited choices (Wu et al., 2020), and with the reform of the unit system, public services and social benefits are tied to homeownership, owning homeownership has become more and more important to residents.

#### **3.3.1 China's "housing financialization" transition**

First, the transformation of China's housing financialization is driven by the demand for urban economic growth, i.e., urban development in the context of land finance. After the tax-sharing reform, the dependence of local government revenues on land and real estate development has deepened, and the auction and listing system for operating land, which was introduced in 2003, stipulates that all revenues from land concessions go to local governments, thus opening the curtain of local government land management, and in that year, the proportion of national land concessions to government revenues reached a historical peak of 25% (Liu, 2018) In August 2003, the State Council issued *the Circular on Promoting the Sustainable and Healthy Development of the Real Estate Market* (Guo Fa [2003] No. 18), which further clarified the direction of housing marketization and increased credit support for housing consumption. Between 2005 and 2007, the national average sales price of new

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commercial housing increased by 12.6%, 6.2%, and 16.9%, respectively, making the real estate industry a pillar industry of the national economy and an outlet for local governments to realize land concession revenues (Liu, 2018).

In addition, the aggressive monetary policy and loose credit conditions under the financial crisis further promoted land financing by local governments and accelerated the financialization of housing. After 2008, in response to the global financial crisis, the central government released 4 trillion yuan in funds to stimulate finance, while relaxing the conditions of land mortgage financing to support local economic development. To expand revenue, governments at all levels set up land mortgage financing platforms, gradually shifted from relying on land bidding for concession revenue to using land as leverage for financing, and increased investment in real estate and various types of infrastructure (Liu, 2018). At that stage, real estate development and residents' home purchases were highly dependent on financing and borrowing, while real estate prices experienced rapid increases (Wu, 2019). Since then, the process of housing financialization in China has deepened until 2017, when the central government put forward the policy requirement of "no speculation in housing".

### **3.3.2 Housing financialization and access to housing for residents**

At the household level, the financialization of housing has also deepened along with the development of the housing market. With the establishment of the secondary housing market, homes with full ownership can be bought and sold with almost no restrictions. Given the immature development of all other investment goods markets in China, the housing market became the preferred channel for residential households to invest (Chen & Wu, 2022). During this period, the massive influx of China's mobile population into cities brought about massive housing demand, which, together with government control of residential land supply, further stimulated residents' housing investment demand and exacerbated the oversupply in the housing market (Liu, 2018). Increasing housing prices brought about the expansion of housing asset values, generating housing wealth effects that offset the debts associated with the acquisition of equity housing (Li & Zhu, 2020) and further stimulated residents' housing investment behavior. Due to higher housing prices and large market price increases in first- and second-tier cities, residents need to rely on housing mortgages to afford the purchase of equity housing (Guo, et al., 2016), and typical characteristics of household-level housing financialization emerge. This process has seen residents who owned housing equity earlier enjoy direct dividends from the housing wealth effect in the process of

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rising housing prices, widening the housing wealth and social gap with residents without equity.

But even in the financialization stage, housing attributes in China remain complex. Land finance ties housing to public services in a financial way based on the land system, condensing public services or social benefits in the form of value in homeownership (Zhao, 2014). It is the complex and composite attributes of housing that make homeownership more important to residents in urban China, and the rate of home ownership among residents has not decreased due to high housing prices (Zhang, et al., 2020). However, existing studies have mostly isolated knowledge of the process of housing financialization, focusing on the impact of financial factors on the acquisition of homeownership from a static perspective, lacking consideration of the complex attributes of housing and their changes.

### **3.4 Changing attributes of housing in different periods**

Summarizing the analysis above, this part will attempt to propose the reform process of China's urban housing system under the perspective of financialization, considering the changes in housing attributes.

In the process of financialization, the changes in the attributes of urban housing in China stem from the different values assigned to it by institutional changes. According to the above, the financialization of housing in China has gone through three main phases: the unitary phase, the housing market reform phase, and the financialization phase.

Housing in the unitary stage belongs to social welfare within the redistribution system, with the state as the center of power and control of housing resources, and the unit as the intermediary for managing and distributing housing resources (Wu, 2010). In this period, the power to allocate housing resources was mainly in the hands of the state and the unit, and residents' access to housing was directly related to the individual's work unit, political status, hours of work, and other characteristics.

During the period of market-oriented housing reform, with the dismantling of the unit system and the establishment of the housing market, housing gradually became a commodity that could be bought and sold through the market using money, with a corresponding weakening of welfare attributes. The role of the unit in the housing allocation system gradually became less prominent, but for residents working in state-



owned enterprises, institutions, and government departments that are closely tied to the "system," the unit still plays an important role in housing access. At the same time, residents with high incomes and high labor market values are beginning to acquire housing through the market.

In the 2000s, especially since the 2008 financial crisis, the financial attributes of housing began to be highlighted due to the tax sharing system, land finance, housing provident fund, housing credit, and the loose monetary and credit policies under the financial crisis. As its investment value is highly sought after in the process of financialization of housing, housing prices have soared and the threshold for residents to obtain housing has been increasing, with the accumulation of certain household assets and the use of housing credit becoming common conditions for purchasing housing. At the same time, the social welfare associated with housing began to be widely valued due to the overlap of factors such as the mobile population and the household registration system, which can be seen as a continuation and transformation of the welfare attributes of housing under the current institutional constraints. Housing in this period had the attributes of finance, commodity and social welfare at the same time.

The analysis in this chapter can unify China's housing reform with the process of housing financialization and summarize the corresponding characteristics of the institutional background of housing reform, the transformation of housing attributes, and the changes of housing allocation rights and allocation subjects. Accordingly, the factors influencing residents' access to housing can be summarized as institutional and hukou factors reflecting the characteristics of political power, labor market factors reflecting the characteristics of economic income, and household assets and housing finance factors reflecting the characteristics of household accumulation and utilization of financial instruments. The specific correspondence is shown in Table 1.

**Table 1: Summary of the characteristics of the elements at each stage of the housing reform process (summarized by author)**

| <b>Time</b>                                  | <b>1950s-1980s</b>          | <b>1980s-2000s</b>                              | <b>2000s-2020s</b>                                  |
|--|-----------------------------|---|---|
| <b>Periods</b>                               | Housing as a welfare        | Housing as a commodity                          | Housing Financialization                            |
| <b>Policies and Institutional Background</b> | Work unit system, household | Housing market reform, land reform, tax sharing | Housing market improvement, land finance, household |

|   |   |   |  |
|---|---|---|--|
|   | registration system   | system reform, work unit system reform  | registration system reform   |
| <b>Housing Financialization Features</b>                            | No housing financialization   | Housing market formation and initial completion of commercialization, laying the institutional and market foundation for financialization | Housing begins to become a financial good with financialized characteristics   |
| <b>Major Housing Types</b>  | Work units' public housing  | Commercial housing, affordable housing  | Commercial housing, affordable housing   |
| <b>Housing Attributes</b>   | Social welfare  | Commodity, social welfare   | Commodity, investment good, social welfare   |
| <b>Housing Production and Distribution Subjects</b>                 | State, unit   | Market, unit, state   | Market, state, unit  |
| <b>Factors Influencing Residents' Access to Housing (ownership)</b> | <u>Institutional and</u><br>Hukou factors<br>Work unit<br>Position level<br>Resident household registration | <u>Labor Market Factors</u><br>Wage income<br>Education level<br>Occupational status<br><u>Institutional and hukou factors</u>            | <u>Household assets and housing finance</u><br>Household assets<br>Housing credit<br><u>Labor market factors</u><br><u>Institutional and hukou factors</u> |

Combining the above analysis, this thesis argues that China's housing system reform can be understood as a state-led process of housing financialization. During this process, as the public ownership system shifted to a market-based system, the attributes of urban housing in China also underwent a series of changes, with its main characteristics gradually shifting from a social welfare attribute of providing housing to a commodity and an investment good. In this sense, the right to allocate housing has been gradually expanded from "within the system" to "outside the market", and the subjects involved in housing production and allocation have also become more extensive, extending from the state and units to market subjects.

Accordingly, this thesis argues that the institutional context has influenced both housing attributes and the production and distribution relationships of housing resources, and that the distribution rights and subjects of housing resources also reflect

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the attributes of housing to a certain extent, considering the distribution links that are more closely related to residents' access to housing. On this basis, the next chapter will further considers the factors affecting residents' homeownership acquisition in terms of supply and demand to propose a theoretical framework for data analysis.

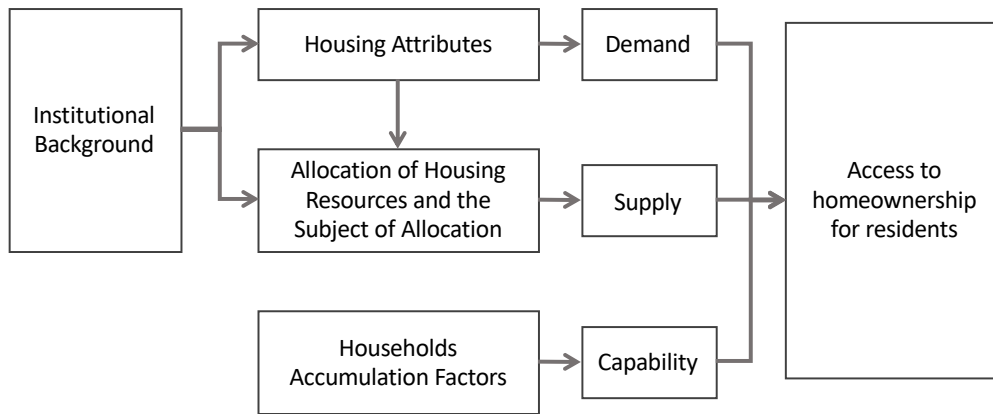
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## 4 Theoretical Framework and Methodology

### 4.1 Theoretical Framework

In conjunction with the institutional analyses above, this part first introduces the underlying supply and demand relationships to consider residents' access to housing property rights. First, from the demand level, housing is not only a household consumer product with physical space, high economic value and use value for residents, but also a complex of tenure relations. Housing owners can obtain economic returns and realize the value of their investment goods through rent, mortgage, and appreciation, and also obtain necessary living services, public services, and social security through factors such as urban household registration system and housing space location (Zhang, et al., 2020). Residents' willingness to acquire housing is closely related to the multiple attributes of housing, and thus homeownership influence residents' demand to acquire homeownership.

Second, changes in the right to allocate housing resources and the subject of allocation on the supply side, in turn, determine the dominant group in the market for urban housing by influencing the threshold of housing access. Although some studies have argued that the beneficiaries of housing reforms remain those with higher political status or better economic conditions (Logan et al., 1999; Bian & Liu, 2005; Hu, 2012), some studies have also shown that housing market reforms have reduced individual housing differences between residents inside and outside the system (Hu, 2012), with highly educated, high-occupational status and high- The higher-educated, high-professional status and high-income groups have more advantages in the post-reform housing market compared to the general population (Wu, 2019). It can be argued that the transfer of housing allocation rights has, to a certain extent, changed the way and subject of housing resources supply, thus affecting residents' access to homeownership. Finally, the accumulation factors of residents' households determine their corresponding ability to acquire urban housing, but this ability is corresponding to the housing demand caused by housing attributes and the corresponding supply mode of housing resource allocation in order to form effective demand, thus affecting residents' acquisition of homeownership.



**Figure 2: Relationship between institutional context, housing attributes, housing resource allocation, and residents' access to homeownership**

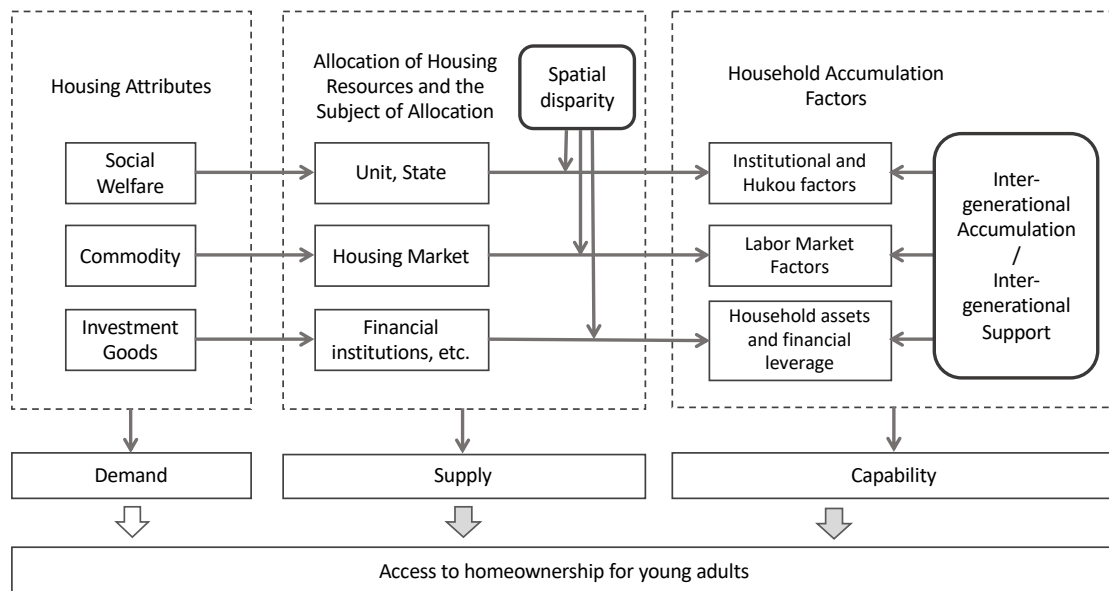
## 4.2 Hypothesis

This section further concretizes the conceptual framework above and applies it to the analysis of homeownership acquisition of youth groups in the period of housing financialization. The main research content is divided into two parts: first, the changes in housing attributes and the main factors affecting the acquisition of homeownership of the youth group during the period of housing financialization; second, the main influencing mechanisms of the current acquisition of homeownership of the youth group. Considering the research timeliness and data availability, this thesis focuses on the housing financialization period from 2010 to 2020s, and the current period mentioned in the context refers to the period around 2020.

Starting from the specific attributes of housing, there is a correspondence between the characteristics of housing allocation rights reflected in them and the accumulation factors at the household level in housing allocation. First, the social welfare attributes of housing are reflected in the legacy of the unit system and the "internal market" on the one hand, such as the guaranteed housing for civil servants and affordable housing for unit employees (Fang, 2020). Thus, young people in government departments, institutions, state-owned enterprises, and other "institutional" groups have more advantages in acquiring homeownership than other young people, which is the first level of the housing welfare attributes at the household level. On the other hand, the social welfare attributes of housing are also derived from the urban household registration system, which binds public services to homeownership, and the possession of an urban household registration is required for complete access to basic public services such as compulsory education and medical insurance in the housing location

(Zhang, et al., 2020; Mu, et al., 2022). In addition, some cities require homebuyers to have a local urban hukou. Therefore, among the group of youth living in cities, those with urban hukou have more advantages in acquiring homeownership, which is the second layer of housing welfare attributes at the household level.

The influence of market factors on housing allocation is reflected behind the commodity attributes of housing, and thus labor market characteristics such as education, occupational status, and income can influence to some extent the access to housing ownership in the commercial housing market for young people. People with high income, high occupational status, and high education have more advantages in the commercial housing market (Wu, 2019). In addition, the financial attributes of housing need to be reflected through the housing market. While the most important players are no longer the commodity market agents, but the government and financial sectors that provide housing finance and credit instruments, such as housing fund management centers and banks (Zhang, et al., 2020). One of the main manifestations of financialized housing in terms of households is the high dependence of residents on borrowing and financial leverage for home purchase. Consider the soaring housing prices brought about by financialization, the increased threshold for purchasing ownership housing, and the increasing reliance on household asset accumulation rather than individual labor income.



**Figure 3: Factors and mechanisms influencing the acquisition of housing equity for young people in the stage of housing financialization**

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Considering the above-mentioned corresponding correlations between housing attributes and the accumulation factors of residential households, combined with the characteristics of changes in housing attributes during the period of housing financialization, the first four hypotheses of this thesis are proposed:

**Hypothesis 1:** Based on the analysis of the institutional background of the housing financialization stage in Chapter 3, this thesis argues that the current housing in China's cities is characterized by the attributes of social welfare, commodity and investment goods at the same time, and thus the institutional and hukou characteristics, labor market characteristics, household assets and housing financial leverage characteristics of the youth group have all influenced their access to homeownership since 2010.

**Hypothesis 2:** Due to the deepening of the work unit system reform, the influence of institutional factors on the acquisition of homeownership of the youth group tends to decrease during the stage of housing financialization.

**Hypothesis 3:** Considering factors such as household registration system reform and large-scale population movement, urban hukou has a positive influence on the acquisition of homeownership of the youth group, but its trend of change is difficult to determine.

**Hypothesis 4:** In the financialization stage, the influence of labor market characteristics on the acquisition of housing equity for the youth cohort remains, but is weaker compared to the influence of factors such as household assets and housing financial leverage characteristics. Considering that time is an important influencing factor pulling apart the difference in asset accumulation of the youth group, higher education level, i.e. longer years of education, may have a negative effect on the acquisition of housing equity for the youth group.

On the basis of the multiple attributes of housing and their changes, the impact of spatial differences on urban housing supply is further considered. First, the process of housing market reform, housing policies, and the level of housing market development itself vary across cities (Wu, 2019; Zhang, et al., 2020). These inter-city differences can further influence the prerequisite factors for youth to obtain housing ownership by affecting the structure of local housing resource supply, which leads to differences in the characteristics of the dominant group of housing ownership across regions. Second, the financialized housing market has amplified the spatial differences between cities by exerting financial leverage and pursuing investment yields, and the continuously

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pushed up high housing prices have increased the difficulty of purchasing housing with equity (Yang & Zhang, 2021; Li & Zhu, 2020; Cui, et al.) Accordingly, hypotheses 5 and 6 of this thesis are proposed:

**Hypothesis 5:** Due to the differences in housing policies and housing market development levels in different regions and cities, there is an effect of different cities on the acquisition of homeownership for the youth group.

**Hypothesis 6:** By region and city class, youth groups in eastern regions and first-tier cities with higher levels of economic development and higher housing market prices are less likely to acquire homeownership.

Considering the effect of accumulation effect, the acquisition of homeownership for the youth group in the financialization stage mainly depends on their degree of capital accumulation. The intra-household accumulation factors can be divided into two aspects: intergenerational accumulation from the parental family and intra-generational accumulation that manifests itself in the youth's own economic and social characteristics. It has been pointed out that intergenerational accumulation has become a non-negligible factor in youths' acquisition of homeownership during the financialization stage (Cui, et al. 2021; Yang and Zhang, 2021; Chen, 2017). Intergenerational accumulation affects the youth group's access to homeownership through direct and indirect paths. The direct path includes parents' provision of housing for their children, gift of equity housing to their children, or direct financial support such as purchase money or loans when acquiring a home. The indirect path includes factors such as parents' home ownership status and parents' economic and social status, which further influence children's home ownership acquisition by influencing their willingness and financial ability to purchase a home (Cui, et al., 2021; Mu, et al., 2022; Zhang, et al., 2019). Combining the above analyses, the hypotheses of this thesis regarding the accumulation effect are proposed:

**Hypothesis 7:** Intergenerational accumulation and parents' intergenerational support for their children during the stage of housing financialization have important effects on the acquisition of homeownership for the youth group. While in the period of housing financialization, parents' economic and social status can still indirectly affect their homeownership acquisition by influencing their children's economic and social characteristics.



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### 4.3 Data

The individual and household data of the youth group used in this thesis are obtained from the China Household Finance Survey (CHFS) and the Chinese General Social Survey (CGSS). Both databases are based on individuals and households as sampling units respectively, and are representative at the provincial and national levels, as well as containing information on cities and regions, which can meet the basic needs of data analysis in this paper.

Among them, CHFS is a nationwide sampling project conducted by the China Household Finance Survey and Research Center of Southwest University of Finance and Economics, which mainly collects information about household finance at the micro level. The project has been successfully implemented five times in 2011, 2013, 2015, 2017 and 2019 respectively, and its total sample is distributed in 1481 communities in 29 provinces and 367 counties (districts and county-level cities), covering 40,011 households and 127,012 individuals, which is representative at the national, provincial and sub-provincial city levels. Since the CHFS data have good representativeness and continuity in terms of household housing assets, this thesis focuses on using the survey data to analyze the changes in factors affecting the acquisition of homeownership among the youth group since 2011, in order to explore the relative changes in housing attributes and their effects during the financialization process.

CGSS is a comprehensive social survey project executed by the China Survey and Data Center of Renmin University of China, which has been conducted annually since 2003 and covers multiple levels of society, communities, households, and individuals. It uses a multi-order stratified PPS random sampling method with a sample of 12,000 individuals in 100 county-level units plus 5 metropolitan cities across China, covering a total of 480 villages/residential committees. The CGSS data are suitable for exploring the impact of intergenerational accumulation effects on the acquisition of homeownership in the youth cohort due to the inclusion of information on respondents' parental households during their adolescence. This thesis mainly uses the CGSS data of 2017 and 2018 in the empirical evidence for the analysis.

In addition, this thesis also involves spatial data on city level. Among them, the specific prefecture-level city information of CHFS data is not available, and thus the city-specific analysis cannot be performed. However, the publisher of CHFS data added

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regions as geographic variables. Though it's a bit generic, spatial analysis can still be conducted within certain limits. According to the standards of the National Bureau of Statistics, the sample is divided into four regions: East, Central, West, and Northeast, according to the provinces in which the sample is located. 2019 CHFS data also adds information on the city hierarchy, dividing cities into three tiers: first-tier, second-tier, and third-tier and below. The first-tier cities include 15 "new first-tier cities" such as North, Shanghai, Shenzhen and Chengdu and Hangzhou; second-tier cities include Hefei, Kunming and 30 others; and the rest are third-tier cities and below. Other city-level economic, social and demographic data in this thesis are obtained from the China City Statistical Yearbook, and house price data are based on publicly available data on the Internet.

To be further specific to urban areas, the sample selection in this paper is limited to the urban areas within cities. This is done by limiting the qualifying nature of the administrative unit to a residents' committee rather than a villagers' committee in the household and individual sample selections.

#### **4.4 Key Variables**

This thesis focuses on youth groups in urban areas, and youth households and whether youth individuals own home ownership are the two main dependent variables of interest in this thesis. Based on the UN definition of youth groups, this thesis selects youth aged 18-40 years old in the survey year as the study population. Since the specific variables of the two sets of analyzed data, CHFS and CGSS, are not exactly the same, the sample selection, main factors involved, key variables and relevant statistical characteristics of each of the two data sets are introduced below.

First, because CHFS uses households as the subject of housing information, the dependent variable in this thesis is selected as "whether the young households are homeowners", and the sample is limited to households in urban areas with household heads aged 18-40 years. To reflect the changes in housing attributes, based on the conceptual framework above, this thesis classifies the influencing factors affecting the acquisition of housing equity by young households into five aspects, including basic characteristics of household head, labor market characteristics, institutional and household characteristics, household assets and housing finance characteristics, and spatial characteristics. Although the spatial information available for parsing is not site-specific, household profiling based on urban categories and regional divisions can be

satisfied since the sample bears household information and representative at the city category, regional level.

Among them, basic characteristics of household heads include gender, age and marital status of young household heads, which are mainly used as control variables. Labor market characteristics include the years of education and annual household income of the household head. Institutional and household characteristics include whether the household head works in government departments, institutions, and state-owned or collective enterprises that are closely related to the institution, as well as whether the household head is a member of the Communist Party and whether he or she has an urban resident household registration. In terms of household assets and housing finance characteristics, the total household assets other than housing are chosen to represent household assets, while housing finance is represented by total housing liabilities, including housing credit and loans, considering that housing itself accounts for the major part of household assets in China.

The spatial characteristics are divided into two main aspects, firstly, the division into four major regions representing the regional development differences in China, namely, east, central, west, and northeast. However, because there are adjustments in the classification of specific variables in each year, in order to keep the analytical model consistent, the spatial regions are uniformly divided into east, central, and west in each year in this thesis, and the northeast in 2017 and 2019 is classified as central. The second is the classification of city classes, which represent the differences in the comprehensive economic and social development status of cities. The basic information of specific variables is shown in Table 2.

**Table 2: Basic information of CHFS youth family sample by year**

| Variable name   | 2011<br>(N=1668)     |      | 2013<br>(N=4688) |      | 2015<br>(N=5920) |      |
|---|----------------------|------|------------------|------|------------------|------|
|   | %/<br>mean           | Std. | %/<br>mean       | Std. | %/<br>mean       | Std. |
|   | <b>Homeownership</b> | 0.82 | 0.38             | 0.79 | 0.41             | 0.83 |
| <b>Basic Characteristics of the Head of Household</b> |                      |      |                  |      |                  |      |
| Gender (female=1, male=2)                             | 1.36                 | 0.48 | 1.34             | 0.47 | 1.32             | 0.47 |
| Married   | 0.87                 | 0.34 | 0.82             | 0.39 | 0.83             | 0.37 |
| Age   | 32.83                | 5.42 | 32.37            | 5.52 | 32.71            | 5.24 |
| <b>Labor market characteristics</b>                   |                      |      |                  |      |                  |      |
| Years of education                                    | 12.23                | 3.51 | 12.44            | 3.57 | 12.71            | 3.52 |
| Annual household income (take logarithm)              | 10.12                | 2.52 | 10.48            | 2.33 | 10.58            | 2.51 |

|   |      |      |       |      |       |      |
|---|------|------|-------|------|-------|------|
| <b>Institutional and hukou characteristics</b>              |      |      |       |      |       |      |
| Work within the system                                      | 0.16 | 0.37 | 0.26  | 0.44 | 0.27  | 0.45 |
| Party membership  | 0.11 | 0.32 | 0.11  | 0.31 | 0.16  | 0.37 |
| Urban hukou   | 0.65 | 0.48 | 0.58  | 0.49 | 0.60  | 0.49 |
| <b>Household assets and housing finance characteristics</b> |      |      |       |      |       |      |
| Total household assets other than property (take logarithm) |      |      | 12.93 | 1.59 | 12.33 | 1.79 |
| Total housing debts (take logarithm)                        | 2.41 | 4.12 | 0.76  | 1.36 | 0.65  | 2.73 |
| <b>Regional space</b>                                       |      |      |       |      |       |      |
| East  | 0.59 | 0.49 | 0.51  | 0.50 | 0.60  | 0.49 |
| Central   | 0.24 | 0.42 | 0.25  | 0.43 | 0.19  | 0.39 |
| West  | 0.17 | 0.38 | 0.24  | 0.43 | 0.21  | 0.41 |

**Continued Table 2: Basic profile of the CHFS youth family sample by year**

| Variable name   | 2017 (N=4047) |      | 2019 (N=3619) |      |
|---|---------------|------|---------------|------|
|   | %/<br>mean    | Std. | %/<br>mean    | Std. |
| <b>Homeownership</b>  | 0.79          | 0.41 | 0.80          | 0.40 |
| <b>Basic Characteristics of the Head of Household</b>       |               |      |               |      |
| Gender (female=1, male=2)                                   | 1.24          | 0.42 | 1.29          | 0.45 |
| Married   | 0.79          | 0.40 | 0.85          | 0.36 |
| Age   | 33.49         | 4.87 | 33.34         | 4.94 |
| <b>Labor market characteristics</b>                         |               |      |               |      |
| Years of education  | 13.32         | 3.47 | 12.99         | 3.44 |
| Annual household income (take logarithm)                    | 11.26         | 1.68 | 11.21         | 1.63 |
| <b>Institutional and hukou characteristics</b>              |               |      |               |      |
| Work within the system                                      | 0.28          | 0.45 | 0.27          | 0.45 |
| Party membership  | 0.15          | 0.36 | 0.18          | 0.39 |
| Urban hukou   | 0.59          | 0.49 | 0.57          | 0.49 |
| <b>Household assets and housing finance characteristics</b> |               |      |               |      |
| Total household assets other than property (take logarithm) | 12.02         | 1.59 | 12.14         | 1.47 |
| Total housing debts (take logarithm)                        | 3.76          | 5.72 | 4.13          | 5.85 |
| <b>Regional space</b>                                       |               |      |               |      |
| East  | 0.53          | 0.50 | 0.43          | 0.50 |
| Central   | 0.12          | 0.33 | 0.18          | 0.38 |
| West  | 0.24          | 0.42 | 0.29          | 0.46 |
| <b>City rating</b>  |               |      |               |      |
| First-tier cities   | 0.53          | 0.50 | 0.41          | 0.49 |
| Second-tier cities  | 0.20          | 0.40 | 0.16          | 0.36 |
| Third-tier cities and below                                 | 0.27          | 0.44 | 0.43          | 0.50 |

The analysis of the CGSS data focuses on the effect of intergenerational accumulation factors, with the dependent variable being whether the respondent personally owns homeownership. The independent variables are divided into two main dimensions: intra-generational accumulation and inter-generational accumulation. Referring to the existing studies analyzed earlier, the intra-generational accumulation factors in this thesis include the respondent's own education, job, party membership and income. In this thesis, the number of years of education is chosen to represent the level of education; the work dimension includes three aspects: occupational status, whether or not they are employers, and whether or not they work in the system. Among them, occupational status uses ISEI International Socioeconomic Index (ISEI), which is converted from ISCO-08 International Standard Classification of Occupations. Party membership refers to whether the respondent is a member of the Communist Party; household status refers to whether the respondent's household is a non-farm household at the time of the survey; and income is measured using the logarithm of annual personal income.

Among the intergenerational accumulation factors, parental [?] socioeconomic status mainly includes three dimensions: education, work, and party membership, and the highest level among both parents is considered. Education takes the longest years of schooling of their parents; parents work position refers to the work of the parents when the respondent was 14 years old, including the highest professional status of the parents, at least one parent being an employer, and at least one parent working in the system; paternal party membership refers to at least one parent being a member of the Communist Party. Hukou status at birth refers to the location of the hukou at birth as urban.

In addition, respondents' personal life course factors such as gender, age, and marriage and are also related to their home ownership status, which are included as control variables in this thesis, with age divided into four groups of 18-25, 26-30, 31-35, and 36-40. After excluding school students and invalid responses on home ownership status, the total number of valid samples for CGSS data in 2017 and 2018 was 3520, and the basic information of each variable is shown in Table 3.

**Table 3: Basic information of CGSS youth sample in 2017 and 2018**

| Variables                      | Mean or % | Std. |
|--------------------------------|-----------|------|
| <b>Dependent variable</b>      |           |      |
| Respondents have homeownership | 0.49      | 0.50 |

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|   |         |        |
|---|---------|--------|
| Number of homes owned by the respondent             | 0.60    | 0.73   |
| <b>Independent variable</b>                         |         |        |
| <b>Personal characteristics (control variables)</b> |         |        |
| Gender (female=1, male=2)                           | 1.51    | 0.50   |
| Age groups  |         |        |
| 18-25   | 0.20    | 0.40   |
| 26-30   | 0.26    | 0.44   |
| 31-35   | 0.26    | 0.44   |
| 36-40   | 0.28    | 0.45   |
| Married   | 0.64    | 0.48   |
| <b>Labor market characteristics</b>                 |         |        |
| Years of education                                  | 13.01   | 3.45   |
| Respondents' occupational status                    | 37.49   | 25.50  |
| Respondent is an employer                           | 0.04    | 0.20   |
| Respondent's annual income (taken as logarithm)     | 9.76    | 3.58   |
| <b>Institutional and hukou characteristics</b>      |         |        |
| Work within the system                              | 0.23    | 0.42   |
| Party membership                                    | 0.11    | 0.31   |
| Urban hukou   | 0.60    | 0.49   |
| <b>Intergenerational accumulation factor</b>        |         |        |
| Highest years of parental education                 | 11.69   | 14.90  |
| Highest parental occupational status                | 28.39   | 21.54  |
| At least one parent is an employer                  | 0.03    | 0.16   |
| At least one parent works in the system             | 0.32    | 0.47   |
| At least one parent is a member of the Party        | 0.16    | 0.37   |
| Urban hukou at birth                                | 0.35    | 0.48   |
| <b>Urban characteristics</b>                        |         |        |
| <b>City rating</b>                                  |         |        |
| First-tier cities                                   | 0.42    | 0.49   |
| Second-tier cities                                  | 0.26    | 0.44   |
| Third-tier cities and below                         | 0.33    | 0.47   |
| <b>Economic demographic characteristics</b>         |         |        |
| Gross regional product per capita (in logarithms)   | 11.53   | 0.46   |
| Urban population size                               | 1094.26 | 881.35 |
| <b>Housing market characteristics</b>               |         |        |
| Current year average housing price (take logarithm) | 9.85    | 0.92   |
| Housing price to income ratio                       | 0.24    | 0.14   |

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## 4.5 Methodology

### 4.5.1 Baseline model: binary logistic regression

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The baseline model in this thesis is used to explore the factors influencing the acquisition of homeownership by young households. The dependent variable "whether young households are homeowners" is a dichotomous variable and a binary logistic model is used for analysis and comparison. The model is set up as follows.

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 C_i + \beta_2 L_i + \beta_3 S_i + \beta_4 A_i + \beta_5 R_i + \varepsilon \quad (1)$$

In model (1), the dependent variable  $P_i$  denotes the probability that the respondent youth household has housing ownership,  $\beta_0$  is the intercept, and  $\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  are the coefficients corresponding to the independent variables. Among the independent variables,  $C_i$  denotes the basic characteristics of the respondent youth household head such as gender, age, and marital status;  $L_i$  denotes the labor market characteristics including the household head's years of education and annual household income;  $S_i$  denotes the institutional characteristics including institutional work, party membership, and resident hukou;  $A_i$  denotes the characteristics of household assets and liabilities; and  $R_i$  denotes the regional characteristics of east, central, and west.

Due to the variability in the specific variables that can be provided by different data sets, the baseline model was adjusted with reference to the specific variables of the CGSS data:

$$\ln\left(\frac{O_i}{1-O_i}\right) = \beta_0 + \beta_1 c_i + \beta_2 l_i + \beta_3 s_i + \beta_4 f_i + \beta_5 u_i + \varepsilon \quad (2)$$

where the dependent variable  $O_i$  denotes the probability of housing ownership among the youth interviewed. Among the independent variables,  $c_i$  denotes the basic characteristics of the respondent youth household head such as gender, age, and marital status;  $l_i$  denotes labor market characteristics including the household head's years of education, annual personal income, and occupational status;  $s_i$  denotes institutional characteristics including institutional work, party membership, and resident hukou;  $f_i$  denotes cumulative factor characteristics such as parents' socioeconomic status and hukou at birth; and  $u_i$  denotes urban class, urban socio-demographic factors and urban housing market characteristics.

#### **4.5.2 The impact of spatial disparity: urban rank as a moderating variable and urban fixed effects**

To examine the effect of spatial differences on homeownership acquisition, this thesis expands on the baseline model (1) by including city class as a moderating variable in the model for cross-sectional analysis. Firstly, the effect of city class

difference on homeownership acquisition is examined, and the categorical variable  $U_i$  denotes city class, where first-, second- and third-tier cities are added to the model as dummy variables to obtain model (3). Model (4) then further adds the product term of city class and other variables according to model (3) to test the moderating effect of city class. The expressions of models (3) and (4) are as follows:

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 C_i + \beta_2 L_i + \beta_3 S_i + \beta_4 A_i + \beta_5 R_i + \beta_6 U_i + \varepsilon \quad (3)$$

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 C_i + \beta_2 L_i + \beta_3 S_i + \beta_4 A_i + \beta_5 R_i + \beta_6 U_i + \mu_1 X_i U_i + \varepsilon \quad (4)$$

Since the housing market in each city is relatively independent and the impact of spatial differences on homeownership acquisition cannot be fully captured by distinguishing only city classes, the LSDV (Least Square Dummy Variable Model) approach is considered to set up a fixed effects model (5) to obtain an estimate of the heterogeneity of city groupings. where  $\lambda_i$  denotes the unobservable variable that varies with city. The model is set up as follows:

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 C_i + \beta_2 L_i + \beta_3 S_i + \beta_4 A_i + \beta_5 R_i + \beta_6 U_i + \lambda_i + \varepsilon \quad (5)$$

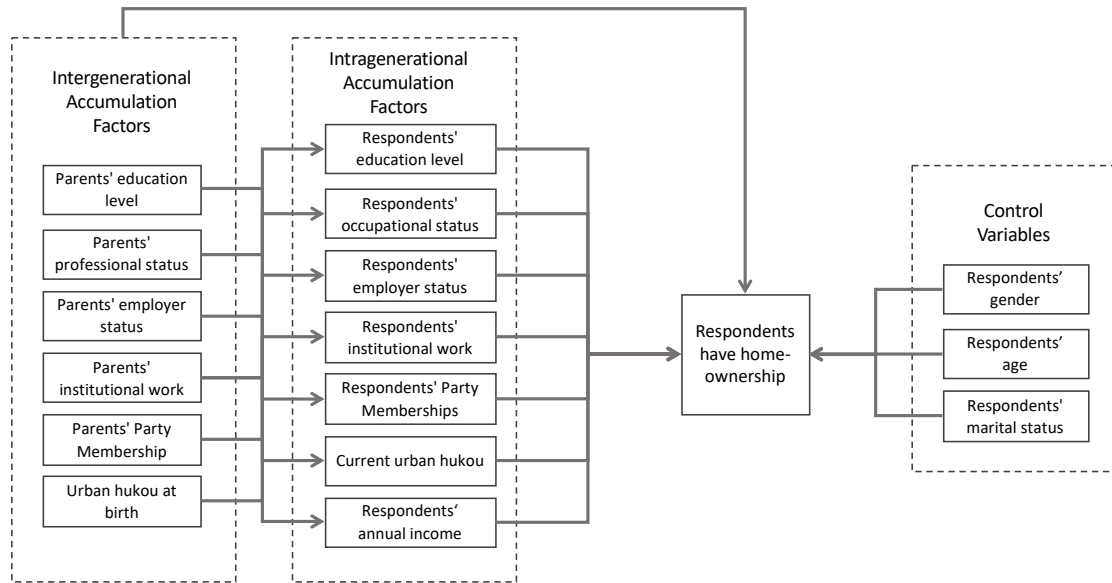
To further examine the impact of city-related factors, this thesis uses CGSS data from 2017 and 2018 combined with urban housing market and economic-demographic factors for further analysis. On the basis of the baseline model (2), city level, including gross regional product per capita, and population size are first included in model 2-1 to examine the influence of urban economic and social factors. After that, the average urban housing price and house price to income ratio are included in model 2-2 and model 2-4, respectively, to examine the influence of urban housing affordability factors.

#### 4.5.3 Effect of accumulation effects: Generalized Structural Equation Model

To investigate the effects of intergenerational and intragenerational accumulation effects on the acquisition of homeownership in the youth group, this thesis uses structural equation modeling to verify the path of the effects of intergenerational accumulation. Since the explanatory factors are dichotomous variables and both mediators and explanatory factors contain categorical and dummy variables, this thesis uses a generalized structural equation model that can handle categorical variables for analysis. The model is constructed on the basis of the benchmark model (2), and considering factors such as data availability, the main concern is to verify primarily whether the economic and social status characteristics of the parent can influence the acquisition of homeownership through the economic and social status of the offspring.



The specific variable relationships are shown in Figure 4, where the arrows indicate the path and direction of influence.



**Figure 4: Generalized structural equation model variable relationship diagram**

The conceptual framework, data, and methods described in this chapter will be used below to analyze the following topics:

- 1) Changing attributes of housing and young adults' accessing homeownership
- 2) Spatial inequality and young adults' accessing homeownership
- 3) Intergenerational support and young adults' accessing homeownership

## 5 Data Results

Using the conceptual framework, data and research methodology described above, this chapter presents the main findings and preliminary conclusions of the sub-thematic data analyses.

### 5.1 Changing attributes of housing and young adults' accessing homeownership

Table 4 presents the effects of various factors on the acquisition of housing equity by urban youth households in 2011, 2013, 2015, 2017, and 2019. Overall, urban youth's labor market characteristics, institutional and household characteristics, and household assets and credit characteristics are significantly correlated with youth household ownership of housing equity, and hypothesis 1 is tested. The correlations and significance of the effects of specific factors differed by year.

**Table 4: Regression results of binary logistic model for factors related to homeownership among young households**

| Independent Variables                                 | 2011                 | 2013                | 2015                 | 2017                 | 2019                 |
|---|----------------------|---------------------|----------------------|----------------------|----------------------|
| <b>Basic Characteristics of the Head of Household</b> |                      |                     |                      |                      |                      |
| Gender (female=1, male=2)                             | -0.522***<br>(0.000) | -0.183*<br>(0.174)  | -0.301***<br>(0.000) | -0.168***<br>(0.001) | -0.101<br>(0.343)    |
| Married   | 0.820***<br>(0.000)  | 0.076<br>(0.576)    | 0.757***<br>(0.000)  | 0.514***<br>(0.000)  | 0.552***<br>(0.000)  |
| Age   | 0.048***<br>(0.003)  | 0.066***<br>(0.000) | 0.037***<br>(0.000)  | 0.071***<br>(0.000)  | 0.076***<br>(0.000)  |
| <b>Labor market characteristics</b>                   |                      |                     |                      |                      |                      |
| Years of education                                    | -0.094***<br>(0.001) | 0.151***<br>(0.000) | -0.014<br>(0.315)    | -0.059***<br>(0.002) | -0.064***<br>(0.001) |
| Annual household income (take logarithm)              | 0.068***<br>(0.009)  | 0.078***<br>(0.001) | 0.016<br>(0.301)     | 0.089***<br>(0.003)  | 0.055*<br>(0.083)    |
| <b>Institutional and hukou characteristics</b>        |                      |                     |                      |                      |                      |
| Work within the system                                | 0.350<br>(0.126)     | 0.294**<br>(0.021)  | 0.370***<br>(0.000)  | 0.267**<br>(0.020)   | 0.034<br>(0.796)     |

|   |                     |                      |                     |                      |                      |
|---|---------------------|----------------------|---------------------|----------------------|----------------------|
| Party membership  | 0.687***<br>(0.005) | -0.041<br>(0.776)    | -0.094<br>(0.420)   | -0.232*<br>(0.069)   | 0.046<br>(0.757)     |
| Urban hukou   | 0.269<br>(0.136)    | 0.006<br>(0.957)     | 0.184**<br>(0.037)  | 0.422***<br>(0.000)  | 0.307***<br>(0.005)  |
| <b>Household assets and housing finance characteristics</b> |                     |                      |                     |                      |                      |
| Total household assets other than property (take logarithm) |                     | 1.313***<br>(0.000)  | 0.460***<br>(0.000) | 0.283***<br>(0.000)  | 0.355***<br>(0.000)  |
| Total housing debts (take logarithm)                        | 0<br>(omitted)      | 0.607***<br>(0.000)  | 0<br>(omitted)      | 0.350***<br>(0.000)  | 0.423***<br>(0.000)  |
| <b>Regional space</b>                                       |                     |                      |                     |                      |                      |
| Central   | 0.373**<br>(0.039)  | 0.654***<br>(0.000)  | 0.064<br>(0.539)    | 0.467**<br>(0.016)   | 0.602***<br>(0.000)  |
| West  | 0.133<br>(0.545)    | 0.615***<br>(0.000)  | 0.052<br>(0.579)    | 0.252**<br>(0.025)   | 0.536***<br>(0.000)  |
| _cons   | -0.384<br>(0.507)   | 14.802***<br>(0.000) | 5.518***<br>(0.000) | -5.548***<br>(0.000) | -6.433***<br>(0.000) |
| N   | 1108                | 4688                 | 5,599               | 4,047                | 3,619                |
| Wald chi2   | 96.56               | 831.39               | 655.93              | 449.83               | 370.74               |
| Log likelihood  | -587.26             | -1302.61             | -2241.45            | -1523.65             | -1290.07             |
| Pseudo R <sup>2</sup>                                       | 0.081               | 0.4616               | 0.1623              | 0.2623               | 0.285                |

Note: Relatively Risk Ratio (RRR) in parentheses, \*, \*\*, \*\*\* denote  $p < 0.1$ ,  $p < 0.5$  and  $p < 0.01$  respectively

The relationship between years of education of young household heads and household ownership of home ownership in labor market characteristics shifted from a significant positive correlation in 2013 to a negative correlation in 2015-2019. In particular, the correlation is insignificant in 2015, after which it turns significantly negative and the correlation coefficient increases slightly from -0.059 in 2017 to -0.064 in 2019. This implies that young households with higher years of education of the household head are less likely to own home equity, and this trend is further strengthened. Possibly because among people of the same age, more years of education implies less time to work and accumulate household assets through work, and thus a relative disadvantage in the housing market, Hypothesis 3 is partially tested. In addition, the significance in the relationship between annual household income and housing equity acquisition fluctuates across years, with a weaker significance in 2019 and a non-significant positive correlation in 2015, but still a positive correlation overall.

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Among the institutional and household characteristics, the head of household working in the institution and having housing ownership have a significant positive relationship in the data of 2013, 2015 and 2017, but the positive relationship is not significant in 2011 and 2019, and the correlation coefficient is only 0.034 in 2019, much lower than 0.370 in 2015 and 0.267 in 2017. From the model since 2013 The results show that the relationship between working in the system and housing equity acquisition tends to weaken. The correlation between the party membership of the head of household and the acquisition of homeownership is seen to have a significant positive relationship only in 2011. Thereafter, 2013, 2015 and 2017 have negative correlations and only 2017 has a significant negative relationship and 2019 has a positive but insignificant correlation. Overall, it can be concluded that the positive association between party membership and housing ownership acquisition for the youth group is weakening, and hypothesis 2 is verified.

Regarding household characteristics, the possession of urban resident household registration by the head of household has a positive relationship with homeownership acquisition, and the significance tends to increase. 2011 and 2013, the positive correlation of resident household registration is not significant; in 2015, the positive relationship of resident household registration is significant at the 95% level with a correlation coefficient of 0.184; in 2017 and 2019, the correlation coefficients are 0.422 and 0.307, and the significance level reaches 99%. It can be concluded that the positive association between having a residential household and acquiring housing ownership is getting stronger. Overall, the association between institutional factors and housing equity acquisition for the youth cohort tends to weaken, but the correlation of the household registration factor is increasing.

Among the characteristics of household assets and liabilities, both total household assets excluding housing and total housing liabilities have a significant positive relationship with homeownership acquisition, and the correlation coefficients of both have a decreasing trend with homeownership acquisition. the correlation coefficients of total household assets excluding housing are 0.283 and 0.355 in 2017 and 2019, respectively, compared with 1.313 and 0.460 in 2013 and 2015 There is a decrease, indicating that the correlation between household asset accumulation other than housing and home ownership has decreased. This may be partly due to the increased share of housing in household asset accumulation, and partly due to the fact that the threshold for acquiring housing equity exceeds the level of asset accumulation of the average household. The item of total housing indebtedness is hidden in both the 2011

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and 2015 models due to covariance issues, but the correlation coefficients are 0.350 and 0.423 in 2017 and 2019, respectively, which are also lower than 0.607 in 2013. It can be seen that the correlation between total housing credit and housing equity acquisition has also decreased, which may be related to the state's policy of no speculation on housing credit ratio, interest rate and amount of restrictions adjusted.

In addition, control variables including basic characteristics such as gender of household head, marital status, age, and regional spatial characteristics are significantly correlated with home equity acquisition for young households. Among them, in terms of gender, household heads are more likely to own housing equity than females, but the significance of this difference and the correlation coefficient have a decreasing trend, indicating a decreasing trend in the influence of gender factors. The correlation coefficient of age on housing equity acquisition has increased in the 2017 and 2019 models compared to previous years.

In terms of regional space, young households in the central and western regions are more likely to have homeownership compared to the eastern region. The correlation coefficients for each year show that young households in the central region are more likely to have homeownership than those in the western region. The model results from 2015 to 2019 show that the significance of regional differences tends to increase.

In terms of correlation coefficients, the factors that have the greatest influence on homeownership among young households are regional spatial characteristics and household asset and liability characteristics, respectively. Among the three major categories of factors corresponding to the social welfare, commodity and investment goods attributes of housing, the correlation coefficients of household asset and liability characteristics are significantly higher than those of labor market characteristics and institutional and household characteristics. Accordingly, it can be argued that in the stage of housing financialization, the financial investment goods attribute overtakes the commodity and social welfare attributes as the most prominent attribute of urban housing in China, which is consistent with the inference of Hypothesis 3.

## **5.2 Spatial inequality and young adults' accessing homeownership**

### **5.2.1 The influence of regional and city-level factors**

Table 5 shows the regression results of four logistic models for the relationship between urban class factors, urban fixed effects, and youth household homeownership

acquisition in the 2019 CHFS data. All four models have quasi-R2 greater than 0.3 and p-values of 0.000, which can be considered as high joint significance of all coefficients of the entire model.

**Table 5: Logistic regression model results for city rank factors and city fixed effects in 2019**

| Independent Variables                                       | Model 3             | Model 4-1           | Model 4-2            | Model 5              |
|---|---------------------|---------------------|----------------------|----------------------|
| <b>Basic Characteristics of the Head of Household</b>       |                     |                     |                      |                      |
| Gender (female=1, male=2)                                   | -0.050<br>(0.641)   | -0.054<br>(0.614)   | -0.070<br>(0.522)    | 0.004<br>(0.972)     |
| Married   | 0.478***<br>(0.001) | 0.490***<br>(0.001) | 0.497***<br>(0.001)  | 0.483***<br>(0.005)  |
| Age   | 0.072***<br>(0.000) | 0.072***<br>(0.000) | 0.071***<br>(0.000)  | 0.072***<br>(0.000)  |
| <b>Labor market characteristics</b>                         |                     |                     |                      |                      |
| Years of education  | -0.039**<br>(0.047) | -0.038*<br>(0.059)  | -0.038***<br>(0.057) | -0.033<br>(0.223)    |
| Annual household income (take logarithm)                    | 0.089***<br>(0.005) | 0.091***<br>(0.005) | 0.091<br>(0.005)     | 0.109***<br>(0.005)  |
| <b>Institutional and hukou characteristics</b>              |                     |                     |                      |                      |
| Work within the system                                      | -0.052<br>(0.691)   | -0.044<br>(0.738)   | -0.323<br>(0.134)    | -0.071<br>(0.671)    |
| Party membership  | -0.014<br>(0.927)   | -0.029<br>(0.848)   | -0.122<br>(0.605)    | -0.037<br>(0.828)    |
| Urban hukou   | 0.314***<br>(0.005) | 0.339***<br>(0.003) | 0.193<br>(0.266)     | 0.393***<br>(0.002)  |
| <b>Household assets and housing finance characteristics</b> |                     |                     |                      |                      |
| Total household assets other than property (take logarithm) | 0.394***<br>(0.000) | 0.404***<br>(0.000) | 0.393***<br>(0.000)  | 0.435***<br>(0.000)  |
| Total housing debts (take logarithm)                        | 0.428***<br>(0.000) | 0.429***<br>(0.000) | 0.427***<br>(0.000)  | 0.446***<br>(0.000)  |
| <b>Regional space (East as benchmark)</b>                   |                     |                     |                      |                      |
| Central   | 0.354***<br>(0.004) | 0.521***<br>(0.008) | 0.332<br>(0.007)     | -1.647***<br>(0.000) |
| West  | 0.338***<br>(0.007) | 0.690***<br>(0.000) | 0.329***<br>(0.009)  | 4.668***<br>(0.000)  |
| <b>City Rating (first-tier cities as benchmark)</b>         |                     |                     |                      |                      |
| Second-tier cities  | 0.556***<br>(0.000) | 0.892***<br>(0.000) | 0.352***<br>(0.101)  | -1.235***<br>(0.000) |
| Third-tier cities and below                                 | 0.972***            | 1.199***            | 1.150***             | -3.945***            |

|  | (0.000)               | (0.000)               | (0.000)               | (0.000)               |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Interaction items</b>                           |                       |                       |                       |                       |
| Central Region* second-tier Cities                 |                       | -0.616 <sup>*</sup>   |                       |                       |
|  |                       | (0.063)               |                       |                       |
| Central Region* third-tier Cities and below        |                       | -0.194                |                       |                       |
|  |                       | (0.495)               |                       |                       |
| Western Region*second-tier Cities                  |                       | -0.644                |                       |                       |
|  |                       | (0.133)               |                       |                       |
| Western Region* third-tier Cities and below        |                       | -0.610 <sup>**</sup>  |                       |                       |
|  |                       | (0.028)               |                       |                       |
| Working in the system*first-tier cities            |                       |                       | 0.270                 |                       |
|  |                       |                       | (0.330)               |                       |
| Work in the system*second-tier cities              |                       |                       | 0.861 <sup>**</sup>   |                       |
|  |                       |                       | (0.028)               |                       |
| Party membership*first-tier cities                 |                       |                       | 0.188                 |                       |
|  |                       |                       | (0.549)               |                       |
| Party membership*second-tier cities                |                       |                       | 0.172                 |                       |
|  |                       |                       | (0.714)               |                       |
| Resident household registration* first-tier cities |                       |                       | 0.168                 |                       |
|  |                       |                       | (0.464)               |                       |
| Resident account*second-tier cities                |                       |                       | 0.294                 |                       |
|  |                       |                       | (0.341)               |                       |
| <b>Urban fixed effects</b>                         |                       |                       |                       |                       |
|  |                       |                       |                       | Yes                   |
| _cons  | -7.797 <sup>***</sup> | -8.054 <sup>***</sup> | -7.808 <sup>***</sup> | -7.201 <sup>***</sup> |
|  | (0.000)               | (0.000)               | (0.000)               | (0.000)               |
| N  | 3,619                 | 3,619                 | 3,619                 | 3,619                 |
| Wald chi2  | 384.2                 | 382.91                | 388.64                | -                     |
| Log likelihood                                     | -1257.2147            | -1252.8663            | -1252.4006            | -1040.101             |
| Pseudo R <sup>2</sup>                              | 0.3032                | 0.3056                | 0.3059                | 0.3738                |

Note: Relatively Risk Ratio (RRR) in parentheses, \*, \*\*, \*\*\* denote p<0.1, p<0.5 and p<0.01 respectively

Among them, Model 3 focuses on the effect of city class factors on the acquisition of housing equity for young households. The results show that compared to Tier 1 cities, youth households in both Tier 2 and Tier 3 and below cities are more likely to own homeownership. The coefficient of influence is 0.056 for Tier 2 cities and 0.972 for Tier 3 and below cities, and in contrast young households in Tier 3 and below cities are most likely to own housing equity. This is consistent with the inference of Hypothesis 4 and may be related to the lower housing prices in lower tier cities and the lower threshold for purchasing home ownership housing.

Model 4-1 interacts city class with regional space and finds that second-tier cities in the central region and third-tier and lower cities in the western region have a weakly significant negative correlation with housing equity acquisition. Model 4-2 examines the moderating effect of urban class on institutional and household characteristics. After adding the interaction term of city class and institutional household characteristics, the effect of resident household, central region is no longer significant. The results show that working in the institutional household head in Tier 2 cities has a significant positive relationship with having housing ownership, which is not the case in Tier 1 and Tier 3 cities and below. This indicates that the housing market is influenced by the unit system differently in different classes of cities at this stage, and the influence of unit system and institutions on housing allocation is more prominent in Tier 2 cities compared to Tier 1 and Tier 3 and below cities.

Model 5 examines the city fixed effects among the factors influencing young households' access to housing ownership, and the results show that there are significant differences in the likelihood of young households owning housing ownership in different cities. This difference may come from a combination of the city's level of economic and social development, the level of housing market development, and housing policies, the specific factors of which will be explored in more detail in a later section.

### 5.2.2 Influence of urban housing market and economic-demographic factors

Table 6 presents the results of binary logistic models of urban housing market and economic-demographic factors and youth home ownership, which were validated using mainly CGSS data for 2017 and 2018 with data from the China Urban Statistical Yearbook.

**Table 6: Results of binary logistic model of urban factors and youth homeownership**

|   | Model<br>2-1 | Model<br>2-2 | Model<br>2-3 | Model<br>2-4 | Model<br>2-5 |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Labor market characteristics</b>             |              |              |              |              |              |
| Years of education                              | 0.031**      | 0.029**      | -0.271*      | 0.008**      | -0.027       |
| Respondents' occupational status                | 0.004**      | 0.004**      | 0.038**      | 0.001***     | 0.010***     |
| Respondent is an employer                       | 0.778***     | 0.760***     | 0.287        | 0.252***     | 0.426        |
| Respondent's annual income (taken as logarithm) | 0.047***     | 0.045***     | 0.026*       | 0.011***     | 0.033**      |
| <b>Institutional and hukou characteristics</b>  |              |              |              |              |              |
| Work within the system                          | 0.052        | 0.049        | 0.078        | 0.004        | 0.026        |



|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Party membership                                    | 0.348**   | 0.350***  | 0.854     | 0.098**   | 0.412     |
| Urban hukou   | 0.504***  | 0.529***  | 1.679*    | 0.141***  | 0.636***  |
| <b>Personal characteristics (control variables)</b> |           |           |           |           |           |
| Gender (female=1, male=2)                           | -0.341*** | -0.328*** | -0.304*** | -0.097*** | -0.321*** |
| Age groups (18-25 as benchmark)                     |           |           |           |           |           |
| 26-30   | 0.646***  | 0.653***  | 0.622***  | 0.128***  | 0.641***  |
| 31-35   | 1.007***  | 1.010***  | 0.974***  | 0.240***  | 1.003***  |
| 36-40   | 1.507***  | 1.504***  | 1.472***  | 0.401***  | 1.500***  |
| Married   | 0.873***  | 0.873***  | 0.877***  | 0.229***  | 0.877***  |
| <b>Urban characteristics</b>                        |           |           |           |           |           |
| <b>City Rating (first-tier cities as benchmark)</b> |           |           |           |           |           |
| Second-tier cities                                  | 0.404**   | 0.422**   | 0.439**   | 0.091     | 0.246     |
| Third-tier cities and below                         | 0.510**   | 0.468*    | 0.465*    | 0.082     | 0.115     |
| <b>Economic demographic characteristics</b>         |           |           |           |           |           |
| Gross regional product per capita (in logarithms)   | 0.150     |           |           |           |           |
| Urban population size                               | 0.000*    |           |           |           |           |
| <b>Housing market characteristics</b>               |           |           |           |           |           |
| Current year average housing price (take logarithm) |           | 0.229**   | -0.008    |           |           |
| Housing price to income ratio                       |           |           |           | 0.412*    | -1.933    |
| <b>Interaction items</b>                            |           |           |           |           |           |
| Years of education*average housing price            |           |           | 0.030*    |           |           |
| Occupational status*average housing price           |           |           | -0.003*   |           |           |
| Employer*average housing price                      |           |           | 0.037     |           |           |
| Working in the system*average housing price         | 0.000     |           |           |           |           |
| Party membership*average housing price              |           |           | -0.054    |           |           |
| Annual income*average housing price                 |           |           | 0.000***  |           |           |
| Urban hukou*average housing price                   |           |           | -0.119    |           |           |
| Years of education* housing price to income ratio   |           |           |           |           | 0.241**   |
| Occupational status*housing price to income ratio   |           |           |           |           | -0.026**  |
| Employer*housing price to income ratio              |           |           |           |           | 1.019     |

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|  |                       |                       |        |        |                       |
|--|-----------------------|-----------------------|--------|--------|-----------------------|
| Working in the system*housing price<br>to income ratio |                       |                       |        |        | 0.130                 |
| Party membership*housing price<br>income ratio         |                       |                       |        |        | -0.353                |
| Annul income* housing price income<br>ratio            |                       |                       |        |        | 0.000 <sup>*</sup>    |
| Urban hukou*housing price income<br>ratio              |                       |                       |        |        | -0.576                |
| _cons  | -4.597 <sup>***</sup> | -4.875 <sup>***</sup> | -2.470 | -0.131 | -1.991 <sup>***</sup> |

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Note: Relatively Risk Ratio (RRR) in parentheses, \*, \*\*, \*\*\* denote  $p < 0.1$ ,  $p < 0.5$  and  $p < 0.01$  respectively

As can be seen from Model 2-1, all labor market characteristics, institutional and household factors and control variables are significant after adding the city level and economic and social characteristics factors, except for respondents working in the system. Among them, compared to Tier 1 cities, Tier 2 cities and Tier 3 and below cities have a significant positive relationship with respondents' homeownership ownership, and the correlation coefficient for Tier 3 and below cities is 0.510, which is larger than that of Tier 2 cities at 0.404, indicating that, given the same posterior causal factors and control variables, respondents in Tier 2 cities and Tier 3 and below cities are more likely to own homeownership compared to those in Tier 1 cities, and Tier 3 and below are more likely than those in Tier 2 cities.

For housing affordability, Model 2-2 and the inclusion of the average urban housing price alone show that the average urban housing price is positively and significantly related to both homeownership and home ownership among youth. Model 2-3 includes the interaction term of average housing price and the posterior causality factor, and the coefficient of the effect of average housing price changes from positive to negative, but the model fit is poor. Model 2-4 adds the urban house price to income ratio factor separately, and the results show that the house price to income ratio has a significant and positive relationship with homeownership among youth.

According to Model 2-5, after adding the interaction term between house price to income ratio and posterior factors, the posterior factors that are still significantly related to youth home ownership include respondents' urban household registration, their own income, and occupational status; the correlation coefficient of house price to income ratio factor changes from positive to negative, but is no longer significant. In contrast, the interaction terms of house price to income ratio and years of education and occupational status are positively and negatively significantly correlated with youth

housing ownership, respectively. It indicates that the higher the house price to income ratio, the higher the education level and lower the occupational status of the respondents, the more likely they are to have housing equity.

### 5.3 Intergenerational support and young adults' accessing homeownership

Table 7 presents the results of the analysis of the equation model of intergenerational accumulation on the structure of homeownership ownership for the youth group, which was validated using the 2017 and 2018 CGSS data. Overall, the results of the two models with youth homeownership and the number of youth homeownership as explanatory variables do not differ significantly.

**Table 7: Results of generalized structural equation modeling of the effect of accumulation factors on homeownership of youth groups**

| Dependent Variable             | Independent Variables                         | Path coefficient |  |
|--------------------------------|---|------------------|--|
| Respondents have homeownership | Gender (female=1, male=2)                     | -0.321***        |  |
|                                | Age groups (18-25 as benchmark)               |                  |  |
|                                | 26-30   | 0.638***         |  |
|                                | 31-35   | 0.945***         |  |
|                                | 36-40   | 1.422***         |  |
|                                | Married                                       | 0.866***         |  |
|                                | <b>Intragenerational accumulation factors</b> |                  |  |
|                                | Respondents' years of education               | 0.024**          |  |
|                                | Respondents' occupational status              | 0.003'           |  |
|                                | Respondents are employers                     | 0.751***         |  |
|                                | Respondents work in the system                | 0.085            |  |
|                                | Respondents are Party Members                 | 0.287**          |  |
|                                | Respondents' own income (take logarithm)      | 0.046***         |  |
|                                | Respondents have urban hukou                  | 0.559***         |  |
|                                | <b>Intergenerational accumulation factors</b> |                  |  |
|                                | Maximum years of parents' education           | 0.000            |  |
|                                | Highest parents' occupational status          | 0.002            |  |
|                                | At least one parent is an employer            | 0.157            |  |
|                                | At least one parent works in the system       | 0.080            |  |
|                                | At least one parent is a Party Member         | 0.069            |  |
| Urban hukou at birth           | -0.278***                                     |                  |  |

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**Respondents' years of education**

|   |          |
|---|----------|
| Maximum years of parents' education     | 0.010*** |
| Highest parents' occupational status    | 0.019*** |
| At least one parent is an employer      | 0.664**  |
| At least one parent works in the system | 0.817*** |
| At least one parent is a Party Member   | 0.889*** |
| Urban hukou at birth                    | 1.670*** |

**Respondents' occupational status**

|   |          |
|---|----------|
| Maximum years of parents' education     | 0.010    |
| Highest parents' occupational status    | 0.200*** |
| At least one parent is an employer      | -1.519   |
| At least one parent works in the system | 2.493**  |
| At least one parent is a Party Member   | 3.300*** |
| Urban hukou at birth                    | 4.836*** |

**Respondents are employers**

|   |        |
|---|--------|
| Maximum years of parents' education     | 0.004  |
| Highest parents' occupational status    | 0.007  |
| At least one parent is an employer      | 0.555  |
| At least one parent works in the system | -0.088 |
| At least one parent is a Party Member   | 0.249  |
| Urban hukou at birth                    | -0.307 |

**Respondents work in the system**

|   |          |
|---|----------|
| Maximum years of parents' education     | 0.004    |
| Highest parents' occupational status    | 0.002    |
| At least one parent is an employer      | -0.468   |
| At least one parent works in the system | 0.360*** |
| At least one parent is a Party Member   | 0.613*** |
| Urban hukou at birth                    | 0.497*** |

**Respondents are Party Members**

|   |          |
|---|----------|
| Maximum years of parents' education     | 0.004    |
| Highest parents' occupational status    | 0.004    |
| At least one parent is an employer      | 0.249    |
| At least one parent works in the system | 0.634*** |
| At least one parent is a Party Member   | 0.710*** |
| Urban hukou at birth                    | 0.138    |

**Respondents' annual income (taken as logarithm)**

|                                      |          |
|--------------------------------------|----------|
| Maximum years of parents' education  | 0.006*   |
| Highest parents' occupational status | 0.010*** |
| At least one parent is an employer   | 0.127    |

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|                                     |   |          |
|-------------------------------------|---|----------|
|                                     | At least one parent works in the system | 1.040*** |
|                                     | At least one parent is a Party Member   | 0.276*   |
|                                     | Urban hukou at birth                    | 3.167*** |
| <b>Respondents have urban hukou</b> |   |          |
|                                     | Maximum years of parents' education     | -0.001   |
|                                     | Highest parents' occupational status    | 0.006*   |
|                                     | At least one parent is an employer      | -0.837** |
|                                     | At least one parent works in the system | 0.340**  |
|                                     | At least one parent is a Party Member   | 0.284    |
|                                     | Urban hukou at birth                    | 0.480*** |

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Note: Relatively Risk Ratio (RRR) in parentheses, \*, \*\*, \*\*\* denote  $p < 0.1$ ,  $p < 0.5$  and  $p < 0.01$  respectively

Among the intergenerational accumulation factors, being an urban hukou at birth had a significant negative relationship with both home ownership and the number of homes owned. Among the factors such as parents' economic and social status, none of the factors had a direct and significant correlation with the explanatory variables, except for the highest occupational status of parents, which was significantly and positively correlated with the number of housing titles owned by the respondents. Among the intra-generational accumulation factors, respondents' years of education, occupational status, employer status, party membership, income, and urban hukou were all significantly and positively related to home ownership. Among them, the respondents' being employers has the most significant effect on homeownership ownership, with its coefficients of 0.249 and 0.751 on the number of homes owned by the respondent and homeownership ownership, respectively.

Although intergenerational accumulation factors do not have a significant direct relationship with homeownership among youth, the paths of influence show a strong correlation between intergenerational accumulation factors and intra-generational accumulation factors, except for the respondent being an employer, and the path models have high explanatory power. Among the remaining factors that are most correlated with housing ownership, respondents having an urban household is significantly and positively correlated with being born with an urban household and having at least one parent working in the system, with path coefficients of 0.48 and 0.34, respectively; it is significantly and positively correlated with the highest occupational status of parents, but the correlation is not strong, with a path coefficient of only 0.006; and it is significantly and negatively correlated with having at least one parent as an employer, with a path coefficient of -0.837. Respondents' party membership was significantly and

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positively correlated with their parents' party membership and institutional jobs. Respondents' income was significantly and positively related to all antecedent factors except parental employer status, with the strongest influences being urban hukou at birth and at least one parent working in the system, with correlation coefficients of 3.167 and 1.04, respectively.

In addition, respondents' years of schooling were significantly and positively related to all intergenerational accumulation factors, with the strongest correlations being urban hukou at birth, party membership of parents, and at least one parent working in the system, with path coefficients of 1.670, 0.889, and 0.817, respectively. Factors significantly related to respondents' occupational status included urban hukou at birth, party membership of parents, party membership of parents, and at least one parent working in the system. At least one parent works in the system and the highest occupational status of the parents. Respondents' working in the system was significantly and positively associated with at least one parent being a Party member, at least one parent working in the system, and urban hukou at birth.

However, overall, the effect of parents' economic and social status on children's access to housing ownership is not significant, and thus hypothesis 7 cannot be inferred to hold. This may be related to hypothesis 4 because during the financialization stage, household asset accumulation overtakes other individual economic and social characteristics as the most important influencing factor. Although parents' economic and social status has a significant impact on children's economic and social status, this indirect route of intergenerational transmission does not result in effective intergenerational accumulation of assets due to the decreasing relative importance of institutional and household factors, labor market factors, etc., and thus does not have a significant impact on the acquisition of housing equity for the youth group.

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## **6 Conclusions and Discussion**

### **6.1 Conclusions**

#### **1. China's urban housing has multiple attributes influenced by institutional design**

Since the 1980s, urban housing in China has undergone a process of financialization, a process that has given urban housing multiple attributes of social welfare, commodity and financial investment goods. Among them, the social welfare attributes originated from the unit system under collective ownership, and housing, as social welfare for unit workers, was partially retained in the form of subsidized housing and affordable housing during the process of housing system reform. The commodity attribute of housing originated from the housing market reform, after which the majority of residents could only purchase commodity housing in monetary form through the housing market. The financial investment attributes of housing stem from more complex institutional factors, including the dependence of local finance on land and real estate development, the release of monetary liquidity by the state through the housing market, and the use of housing as the preferred investment tool for residential households. Overall, urban housing in China today has a complex set of multiple attributes, and the composition of these attributes has changed in response to reforms in the relevant institutions.

#### **2. Changes in housing attributes can affect residents' access to homeownership**

Based on the analysis of the background of China's housing system reform, this thesis argues that changes in housing attributes affect the supply of housing resources through the right to allocate housing resources and the subject of allocation, while directly or indirectly affecting residents' demand and ability to acquire homeownership. From the demand side, the social commodity attributes and investment attributes of housing are directly related to residents' use and investment demands. Under the household registration system, the binding of homeownership and public services makes residents need to acquire public services such as education and medical care through owning homeownership. The above factors determine that housing attributes will directly affect residents' willingness and demand to obtain homeownership. From the supply side, housing attributes affect the right to produce and allocate housing resources and the subject of allocation. The respective roles played by the state, units, market, and financial institutions in the housing allocation system actually set the

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institutional, economic, and asset accumulation thresholds for residents to obtain homeownership. Residents and their families need to have the corresponding ability conditions to form an effective demand and thus have the possibility to acquire homeownership.

### **3. Factors influencing the access to homeownership for urban youth groups are closely related to changes in housing attributes**

Considering the three main attributes of housing, the main factors influencing the access to homeownership for the current urban youth group in China include three aspects: labor market characteristics, institutional and hukou characteristics, and household assets and housing finance characteristics. The importance of these factors is consistent with the housing attributes that correspond to them. The data analysis in this thesis shows that during the financialization stage of housing, the investment goods attribute overtakes social welfare and commodity as the most significant attribute of urban housing. Correspondingly, household assets and housing financial factors become one of the most significant factors influencing the acquisition of homeownership for the youth group, while the relevance of labor market factors, institutional and hukou factors show a decreasing trend.

### **4. Spatial disparity is an important factor affecting access to homeownership for urban young adults**

Although the differences between cities are complicated and cannot be simply generalized to a few factors, spatial differences have emerged as one of the most influential factors affecting access to homeownership for urban young adults. In terms of city rank, the higher the rank of the city where the youth groups live, the less likely they are to obtain housing equity. In terms of region, youth groups living in the most developed cities in the eastern China are relatively the least likely to acquire homeownership. Overall, the higher the level of comprehensive social economic development, the less likely the young adults are to own homeownership in cities.

### **5. The impact of housing financialization has shifted the path and importance of intergenerational accumulation in influencing the access to homeownership for urban young adults**

Based on the analysis of the 2017 and 2018 CGSS data, this thesis argues that housing financialization further limits the intergenerational accumulation pathway of homeownership acquisition. Although there is still a significant intergenerational



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transmission effect of parents' socio-economic status on children's socio-economic status, there is hardly a significant positive effect on young children's access to homeownership. It cannot be assumed that indirect intergenerational transmission of economic and social status has an impact on housing access for the youth group. Considering that studies have noticed that asset accumulation in parents' households, as well as direct financial help from parents to their children, have significant effects on young adults' access to homeownership in current period (Yang & Zhang, 2021; Cui, et al., 2021). This thesis suggests that this may indicate housing financialization makes intergenerational accumulation and support of assets have become more important than indirect intergenerational transmission of socio-economic status in terms of access to homeownership.

## **6.2 Discussion and implications**

### **6.2.1 Discussions related to the financialization of housing and housing attributes**

#### **1. discussion of housing attributes is important for the operationalization of housing financialization theory**

Under the financialization theory, the concept of housing financialization means the process of gradually transforming housing from a non-financial to a financial product, which itself implies the consideration of housing attribute changes. In the context of China's urban housing reform, the transformation process of housing from a complete social welfare good to a financial investment product, i.e., the financialization of housing in the Chinese institutional context, this thesis emphasizes the importance of focusing on housing attributes. On the one hand, since the change in housing attributes is itself embedded in the concept of housing financialization, the focus on the change in housing attributes is a return to the essence of housing and avoids the risk of conceptual generalization of the discussion of "housing financialization" in different institutional contexts. On the other hand, discussing housing financialization in terms of more easily measurable and comparable "housing attributes" partly answers the call of scholars such as Aalbers (2019) to further extend the conceptual definition of housing financialization to an operational definition.

#### **2. The financialization of housing should be considered as an objective and practical factor**

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Some critical perspectives argue that the discussion of financialization mostly contains positive responses to neoliberalism and the expansion of market mechanisms and financial power, of which housing financialization is an important part, and some studies tend to generalize the concept (Aalbers, 2019). To distinguish it from Western institutional systems, Wu (2021) and others argue that housing financialization in China is a governance tool and strategy for the state to achieve its governance goals, and emphasize the dominant role of the state in the financialization process (Wu et al., 2020; Wu, 2021; Chen & Wu, 2022). Beyond this, however, related discussions lack a more nuanced consideration of the consistency between the state and the city, and between government subjects at different scales. The focus on dominant power subjects in the financialization process, although necessary, fails to break away from the limitations of macro-level discussions (García-Lamarca & Kaika, 2016).

Beyond the macro mechanisms at the political economy level, housing financialization should be considered as an objective and realistic factor. This thesis argues that, based on a relatively clear delineation of the concept, financialization is an interpretable and observable phenomenon on a certain scale, such as on state, city or household level. While similar phenomena do not share the same contexts, mechanisms, and paths between different regions, a common discourse framework allows different contexts, mechanisms, and paths to be analyzed and compared, for example, between different countries or cities. Therefore, through the analysis of social survey data, this paper hopes to demonstrate that housing financialization, within a prescribed conceptual framework, exists in today's Chinese cities as an objective phenomenon. The analysis of the relative changes in different attributes of housing and the relative importance of different factors affecting the acquisition of homeownership by young people can be seen as an exploration of the extent and boundaries of housing financialization in different dimensions. Thus, this analysis is also a description of housing financialization as an objective and realistic factor.

### **3. The financialization of housing does not mean that housing has become a financial investment with a single attribute, but that it should be seen as having multiple attributes and its proper value and use**

This thesis examines the attributes of housing in China's urban areas from the perspective of the housing system. Although the financialization of housing has become a real factor at this stage, and the property of investment goods is an important characteristic of urban housing, housing itself also has its own properties for public

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policy makers. This is an important guideline for China's real estate policy. In the subsequent reports of the 19th and 20th National Congresses, the policy positioning of "housing is not for speculation" was repeatedly reaffirmed, emphasizing the return of housing to its residential properties. Insufficient understanding of the multiple attributes of housing and one-sided emphasis on one aspect of its attributes will lead to a structural imbalance between supply and demand in the housing market and increase the accumulation of financial risks (Lin, Y., and Lv, P., 2017). Thus, studies with multiple classifications of housing attributes have been conducted, mostly suggesting improvements for housing supply-side reform, real estate market regulation, and guaranteed housing policies, emphasizing the need for governments to balance the different attributes of housing and focus on the implementation of its social aspects attributes. The return of housing attributes or the concern for its social welfare attributes is the responsibility of relevant policy makers and implementers, who need to consider urban housing equity issues in depth and give attention to the housing disadvantaged groups.

### **6.2.2 Discussions related to financialization of housing and housing inequality**

The issues of widening regional development gap, social stratification, and housing crisis brought by housing financialization have made social equity a difficult topic to bypass when discussing housing financialization.

First of all, the attention of the sociological field on housing reform and housing financialization has mostly fallen on the discussion of housing assets and social stratification. Homeownership and household housing assets have become important factors influencing social stratification (Wu & Wei, 2018), and the commodity attributes of housing and housing consumption itself have an impact on residents' social class identity and social stratification (Zhang, et al., 2020). At the stage of financialization, the rapid rise of housing prices drives the expansion of housing wealth effect, and the superposition of housing stratification and income stratification intensifies the social stratification in the city (Wu, 2019). According to the discussion in this thesis, housing financialization highlights the asset attributes of housing, and as the most important asset component of Chinese residential households, homeownership greatly affects the asset accumulation of residential households and even the households of their children.

Second, the financialization of housing has to some extent widened the development gap between urban regions. On the one hand, due to the segregation of

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housing markets between cities, the housing market prices in cities that first enter the financialization stage rise rapidly, and the difference in the degree of financialization can lead to large differences in housing market prices in different cities, which can also have an important impact on the access to homeownership of residents in different cities. According to the empirical findings of this thesis, such differences exist significantly both among eastern, central and western regions and among first-, second- and third-tier cities. And due to the existence of large-scale population mobility, different urban origins and cities of residence affect the relative threshold level of residential homeownership acquisition, which in turn affects residential households' housing assets accumulation.

From the data analysis in this thesis, it can be found that the comprehensive degree of urban economic and social development is negatively related to the likelihood of housing equity ownership among the youth group, which may lead to several considerations. First, considering that cities with higher levels of economic development have more mobile populations, is it possible that a higher proportion of mobile young people have a lower probability of owning home equity? Second, is the higher probability of homeownership among young people in developed cities related to the lower proportion of local young people in the cities? Third, do young people with home ownership prefer to stay in the location of their home ownership housing? Does the low rate of homeownership among young people in cities with higher levels of economic and social development imply that the proportion of young people who eventually stay and live in these cities is low? Are these cities not the ultimate home for young people to settle in?

Combining the above points of discussion, it can be found that the mobile population and the youth group have become the main vulnerable group in the urban housing market. Much research has been done to point out that the mobile population, as the main housing disadvantaged group, has not yet received focused attention from China's guaranteed housing policies. This thesis calls for housing security policies to also pay more attention to the housing problems of mobile youth groups in large cities with high levels of economic development.

### **6.3 Reflection**

This thesis attempts to analyze the changes in housing attributes from the theory of housing financialization, but the analysis of housing attributes is still conceptualized,

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generalized and inferred only from the macro-theoretical and institutional levels, and its measurable definition and empirical support are not yet sufficient.

Second, in the conceptual framework constructed in this thesis, the correspondence between housing attributes and housing allocation rights and allocation subjects is abstracted and then simplified, and cannot reflect the complex dynamic power relations behind them. The complex social subjects and power relations involved in the urban housing system still need to be explored in depth through actual cases.

Third, the conceptual framework established in this thesis has a more limited understanding of space. Due to the availability of data, only macro spatial level, i.e., the analysis of differences between different regions or classes of cities, can be conducted, and the measurement of spatial differences is cruder. Considering different spatial scales, the impact of spatial differences on housing access is also reflected between different regions within cities; considering the specific factors implied by spatial differences, the economic and social development of cities, the characteristics of built environment, and the development of housing market are to be further explored.

Fourth, the social survey data used in this thesis are not designed for the study of homeownership and housing attributes, and the questionnaire has limited coverage of related contents. Due to the influence of data collection and sample scope, the data analysis in this thesis is limited, and the analysis of the relationship mechanism between housing attributes and homeownership of youth is rather sketchy.

Finally, because the research design of this thesis uses social survey data for analysis, which involves a large spatial scale, and because spatial differences themselves are important factors of inquiry, this thesis fails to provide a more solid empirical support for the study through reasonable research or case studies. In the future, it may be possible to explore the mechanisms and paths of housing attributes and housing financialization at the micro level that affect the acquisition of homeownership for urban youth through qualitative research methods from smaller scales such as within a single city or comparison of a few cities.

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