On the perfection of China's Long-term Rental System

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Abstract: Since 2015, the central government has made great efforts to promote the policy of "simultaneous rent-purchase". Local governments and financial institutions have strongly supported the long-term rental industry, which has been valued by major investors with considerable profits and good development momentum. But after more than six years of development, the industry is in turmoil. For example, some leasing enterprises withdraw from the market in the form of capital chain fracture, which has brought a lot of negative influence to the whole lessor, lessor and society. In view of the deficiencies in macro management, this paper, from the perspective of policy support, promotes the long-term rental system to play a role in management mode, operation mode, capital management and other aspects. After comparing the existing system, the author puts forward some suggestions to promote the standardized operation of long-term rental market.

Keywords: Long-term rental, Capital chain, Security guarantee, The policy system.

1. Long-term Rental Development Background

Long-term rental, as the name implies, is to give the inability to buy long-term rental housing, for a lot of people who have just entered the workplace and struggle abroad to provide a residence. In January 2015, the Ministry of Housing and Urban-Rural Development issued a guideline on Accelerating the Cultivation and Development of the Housing rental market, which stated that efforts should be made to establish multiple channels and develop the rental market template. Since the promulgation of the guidance document, the development of long-term rental industry has ushered in a period of rapid development and growth, providing convenience for residents.

The emergence of long-term rental, from the prologue, enjoy a broad market. In 2018, a total of 67 investment and financing events related to long-term rental apartments took place, and the financing amount increased by nearly two times compared with 2017, reaching 15.742 billion yuan. From 2015 to 2019, the number of long-term rental apartment enterprises exceeded 3000, and the number of long-term rental apartment increased by 100%[1].To sum up, the demand for existing houses and new houses is very hot, and the long-term rental market will face a substantial growth.

According to the report on the work of the Government, during the 14th Five-Year Plan period, we will further promote a new people-centered urbanization strategy, develop and strengthen city clusters and metropolitan areas, and raise the urbanization rate of permanent residents to 65 percent. These contents not only indicate that there will be a larger population flow phenomenon during the 14th Five-year Plan period, but also indicate that long-term rental will play a greater role in the housing demand of new citizens and have a broader market prospect.

The development background of long-term rental housing is that when China's urbanization momentum is fierce and large-scale development, most people flock to cities, and the difficulty of buying a house increases the difficulty for them to settle down. The development of long-term rental can not only improve the quality of rental itself, but also improve the rental experience. The development of rent system can alleviate the contradiction between supply and demand of the whole housing market to a certain extent, help to increase the effective supply of the rental market, improve the supply and demand structure of the rental market, and promote the harmony of the whole environment of the housing market.

2. The Existing Long Rental Chaos

The 2021 Report on the Work of the Government clearly pointed out that China currently faces housing difficulties for new citizens and young people, so it is necessary to standardize the development of the long-term rental market and reduce the tax burden of rental housing. In just a few years from the emergence of long-term rental in 2015, there have been many industrial disturbances. Problems such as capital chain interruption, second-hand turnover and price gouging are common in leasing enterprises[2]. How to better regulate the development of the long-term rental industry is not only a real estate market problem, but also a livelihood plan. According to the survey, we can initially summarize the chaos in China's long-term rental industry, including the following aspects:

2.1. There Is No Standardized Market Order

In the actual market operation, there is no lack of long-term rental renters to take "high in low out "" long in short pay "" rent loan" and other operating methods. Such risk-taking can lead to broken capital chains and unjustified evictions. Individuals or rental companies may hoard a large number of houses in preparation for the so-called "good time" to drive up rents and disrupt the market order[3].

2.2. The Housing Supply Imbalance in Some Cities

The Report on China's Housing Demand points out that China's population will flow into first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen in the process of urbanization, which directly leads to higher rental prices, shorter rental housing contracts, and worse housing size environment. For a time, the contradiction between supply and demand in the long-term rental market has existed for a long time in the above first-tier cities and cities with rental
difficulties, and there is a lack of macro modulation measures and market regulation behaviors.

2.3. The Balance of Public Services Is Blocked by Funds

The Chinese government has not announced the final impact of long-term rental housing inventory explosion on the market. Judging from the financing amount and management scale of relevant enterprises, the loss of long-term rental housing inventory explosion to the whole society will surely exceed 100 million yuan [4]. If the capital problems of the long term rental industry are not regulated and handled from the source, and new planning or management modes are adopted, the long term rental industry will face security risks for a long time.

From this point of view, China should further strengthen policy support and improve relevant systems and mechanisms, carry out full research from consumers, enterprises, market economy, society and other aspects, and make concerted efforts in multiple fields to finally meet the needs of standardized development of long-term rental market.

3. Comparison of Long-term Rental Policies

Through research shows: different countries for long rent or similar to the lease of the building, adopted different policy system and support policy, contrast long rent policy and development status of existing in our country, the practice of the following three aspects, the author thinks that can combine with our country real estate market and land policy changes, perfect, become long rental industry policy of our country.

3.1. Specialization of Management Institutions

According to 2015 RENTAL statistics in the United States, 46.7 percent of rents are managed by property managers and property service providers. Due to Japan's high aging population and high number of houses, about 65.2 percent of the houses are owned by individuals who are fully entrusted by the owners with long-term operating management facilities. It can be seen that long-term rental apartments operated by professional institutions have precedents and consensus in the world, and are gradually accepted and recognized by the market [5].

3.2. Granting Financial Subsidies

In 2019, 16 cities, including Beijing, Changchun, Shanghai, Nanjing, Hangzhou and Fuzhou, were included in the pilot phase of central financial support for housing market development. In 2020, eight cities were selected, including Tianjin, Shijiazhuang and Taiyuan. In 2020, the Ministry of Housing and Urban-Rural Development will encourage construction banks to provide 300 billion yuan in loans over three years and involve enterprises in the development of affordable housing.

3.3. Providing Convenience on Land

Beijing, Shanghai and other places have taken steps to expand rental housing supply, such as using collective work Spaces and renovating commercial Spaces. The draft of the 14th Five-Year Plan clearly stipulates “independent rental apartment land planning”. According to expert analysis, this means that urban space supply should continue to tilt toward rental housing in the future, so as to better guarantee the demand for rental housing from the source.

4. Summarize the Suggestions

By studying the historical background, existing chaos and advanced policies of long-term rental housing development in China, the author believes that long-term rental housing policy in China can be improved from the following aspects.

4.1. Promote the Construction of Professional Institutions, Manage the Market Atmosphere, and Improve the Construction and Operation Mechanism of Long-term Rental Housing

Encourage the creation of professional leasing companies or platforms to provide standardized guidance to owners and landlords. In addition to companies or leasing platforms, competent departments have also been set up to monitor and manage the long-term leasing market and strictly crack down on acts infringing on tenants' interests. Departments to strengthen cooperation and docking with the real estate information service platform, set up the leasing service system based on digital technology, improve the credit rating system, leasing information submitted, trading and to monitor the whole process of online, dynamic disposition of credit institutions and staff, strictly prevent hoarding houses, increase the rent and other illegal trading.

4.2. Increase Tax and Tax Support, Unblock Financing Channels, and Encourage Enterprises to Participate in Construction and Operation

Problems such as large investment, low income and difficult fund balance affect the enthusiasm of market participants in building rental apartments. "Whether it is new construction or renovation, companies involved in the construction and operation of long-term rental housing face high costs and low return on investment, and political support is very important."Qiu Zhenguang has a profound understanding of this [6].Liu Hongyu, director of the Real Estate Research Institute of Tsinghua University, believes that commercial banks and other financial institutions should be encouraged to provide special loan support to provide multi-channel, institutionalized long-term financing channels for reconstruction and new rental housing. We will improve the capital supervision system for long-term rental housing operators, correct risky business practices of rental housing enterprises, prevent systemic financial risks, and ensure the healthy and normal operation of the industry.

4.3. Provide Collection Countries, Increase Effective Housing and Give Priority to New Groups of Citizens

We will strengthen overall policy planning and guide municipalities to take measures in light of local conditions, focusing on the development of rental housing in the basic service sector. The concentration of floating population in cities can increase the supply of affordable housing such as collective agricultural rental housing and public rental housing, and promote long-term rental housing in different markets according to market conditions, so as to ensure the choice of tenants and meet the rental needs of various groups,
especially middle- and low-income groups. Communities will be guided to implement strategies such as income tax reduction and housing income reduction, and residents will be encouraged to lease vacant apartments for a long time through legal leasing agencies, so as to increase tax reduction and exemption, and activate potential housing resources.

5. Conclusion

Improving long-term housing policy is not only a new opportunity for the development of China's real estate industry, but also a new topic in the new era. All citizens must study and work together. It can be expected that the new idea of improving long-term leasing policy can bring more success to the new era and new journey, and truly serve the masses.

References


