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How China's property boom is costing young lovers — and Australia

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By Cindy Huang

Buying an apartment is proving more expensive in China's main cities than Sydney or Melbourne, which is bad news for young Chinese people who are expected to own property before they marry.

A Chinese real estate agent once told me the country's real estate boom should be attributed to all the Chinese mothers who refuse to let their daughters marry men who do not own property.

No matter how fast China is urbanising, the traditional idea of getting married before starting a career will significantly affect Chinese society.

Wentao Li, 30, is from Henan province. He says his parents started to build a wedding house on their farmland for him when he was 18.

“In my village, if you do not have a house, you cannot find a wife,” he says.

The 'three necessities' for a wife

The prerequisite for marriage for Chinese men has traditionally been thought to be the ownership of “three necessities”.

In the 1970s, the three necessities were the ownership of a bicycle, a watch, and a sewing machine. Ten years later, it was a fridge, a TV and a washing machine. In the 1990s, Chinese men required an air-conditioner, a computer, and a DVD player.

“Nowadays the three necessities have evolved to an apartment, a car and a good amount of savings in the bank. But property is a priority.”

Mr Li's parents paid for 80 per cent of his house, which cost 200,000 yuan (\$41,270) in 2009, while Li paid the rest from his earnings in Beijing.

Li married a local woman in 2013, but has almost never lived in his wedding house.

He chose to stay in Beijing and rent an apartment so he could access better job opportunities and a larger income.

Earlier this year, Mr Li decided to move with his wife and two kids to Zhejiang province in the south of China, because the cost of renting in Beijing is now more than he can afford.

Buyers eye off Australia

China's property prices continue to skyrocket, although in the last few months, growth has slowed thanks to tighter controls by city governments.

Beijing, Shanghai and Shenzhen are the three most expensive cities. The average price of real estate in Beijing was 67,951 yuan (\$14,000) per square metre in December 2017. If you want to buy a decently sized apartment with two bedrooms at 100 square metres, you would pay 6.8 million yuan (\$1.4 million).

“High prices have led many Chinese people to expand investments in real estate markets in Australia, Canada and America.”

Uncertainty also drives people to look offshore. Under Chinese property law, buyers own their apartment but the land stays the property of China, with purchasers only having land-use rights for 70 years. What happens after these rights expires is not clear under the current policy — it doesn't make for very secure investment.

Nevertheless, Chinese people rush to buy property, driven by fear and speculation around future price increases.

“People under 40 are the main property buyers and more than 90 per cent of young Chinese get financial help from their parents.”

The “help” is usually their parent's life-savings. In this way, home ownership marks not only the buyer's social status but their parents' as well.

A hierarchy of cities

Real estate agent Guoguang He enjoys her single life in Beijing, but the price of property has pushed away her dream of becoming a Beijing resident.

“I will never afford to buy an apartment in Beijing,” she says.

Instead, Ms He, 23, has decided to buy an apartment in Tonghui in Inner Mongolia.

“I think it is necessary to invest in real estate when you are young,” she says. “I can get an apartment for a good price of 5,000 yuan (\$1030) per square [metre] in the downtown of my hometown.”

The price in third or fourth tier cities ranges from 4,900 yuan to 7,500 yuan per square metre. It's the back-up option for young Chinese people from the big cities.

“Even if I own an apartment, I won't consider marrying a man who does not own an apartment,” she says. “It is a premise of marriage.”

'Home loan slaves'

Some Chinese celebrities and entrepreneurs advise young people to focus on further education and career goals. They tell them to enjoy life instead of becoming “home loan slaves”.

Chairman of Alibaba Group Jack Ma says young people should not give up their dreams to purchase property, and that the price of real estate will drop in eight years.

Shuai Zhang, 31, works for a US media company in Beijing. He rents an apartment for 4,500 yuan (\$918) per month, and his average commute time is half an hour.

Like many educated Chinese, Shuai would rather spend his money on travelling, going to concerts and other activities he enjoys rather than trading his lifestyle for a house purchase.

“The price of apartments in China is unreasonably high compared to overseas, considering the average income. It is very sick psychology that marriage is based on property,” Zhang says.

“But Chinese love to follow others. I do not think it is right to use parents' money to buy an apartment either.”

Shuai said he would not consider buying a home but will continue to rent in future.

Outdated 'urban passport' system

Chinese President Xi Jinping has said that “houses are for living in, not for speculation”. The central government has started encouraging renting to cool down the price of real estate.

But China's strict household registration system — known as hukou — has led residents to prefer buying to renting.

“Started in 1954, hukou is a kind of urban passport, which determines the holders' access to public services based on their birthplace.”

It means citizens who have rural or secondary or tertiary city hukou are not entitled to all public services while renting in Beijing or Shanghai.

China has started to reform this outdated system, yet it is not enough to solve the current problems for migrant workers.

“Recently the Chinese government has given renters in 12 major cities — including Beijing, Shenzhen and Nanjing — the same access to education and social service as home owners.”

Whether the price of the property will drop in China remains uncertain. But the new policy should help some young professionals who are not ready to buy homes for marriage.

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