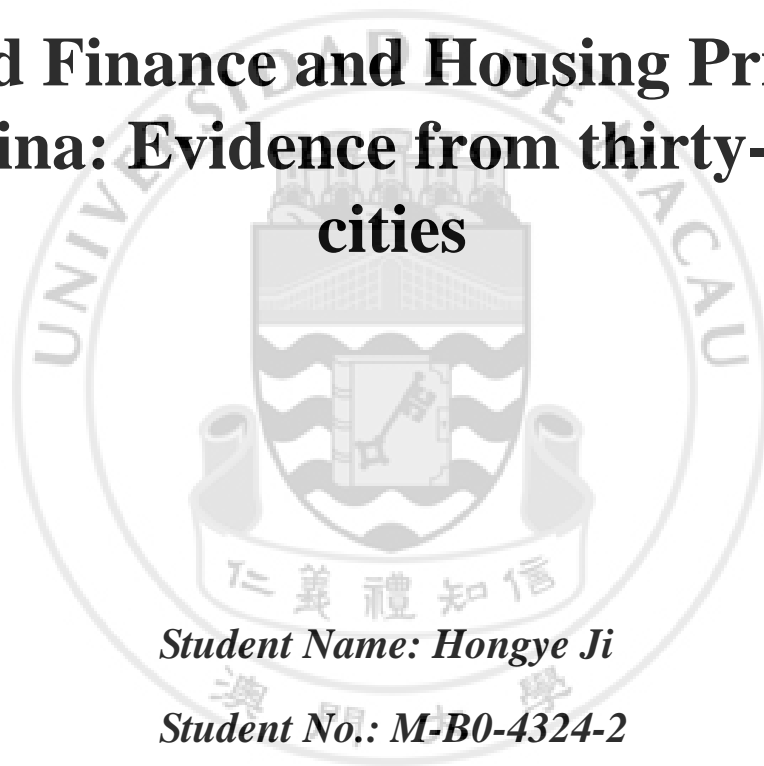


University of Macau
Faculty of Business Administration
Master of Science in Finance Program

**Land Finance and Housing Price in
China: Evidence from thirty-five
cities**



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Table of Contents

Acknowledgments.....	1
Table of Contents.....	2
Abstract.....	4
1.Introduction.....	5
2.Literature Reviews.....	8
2.1 Determinant of housing price.....	8
2.2 The relationship between housing price and land price.....	10
3.The evolution of housing and land market.....	13
3.1 Overview of China's Housing Reform.....	13
3.2 Overview of the evolution of Chinese land policy.....	17
3.3 Local government actions under current land supply system.....	21
4. The relationship between housing and land price.....	22
4.1 Rule of Granger causality test.....	23
4.2 Unit root test.....	24
4.3 Co-integration test.....	24
4.4 Result of Granger causality test.....	25
5. The impact of land finance on housing price changes.....	27
6. Conclusion and policy suggestion.....	32
References	35
Figure 1.....	38

Figure 2.....39

Figure 3.....40

Figure 4.....41

Figure 5.....42

Table 1.....44

Table 2.....45

Table 3.....46

Table 4.....47

Table 5.....49

Table 6.....50

Appendix.....51



Abstract

Over the last two decades, China's housing market has developed from government-controlled to a market-oriented sector. With the rapid pace of urbanization, China's major cities have experienced skyrocketing land and housing price. Real estate sector has hence become the key engine of China's economic growth in the last decade. Whereas being a monopoly of land supply, the Chinese government, especially the local governments are one of the largest beneficiaries in this process. The land conveyance revenue has actually turned to be one of the most important fiscal resources for local governments. This phenomenon is usually termed as "land finance". In this paper, we analyze the incentive of local governments in real estate market and examine its impact on the housing price. Using a panel data covering 35 large Chinese cities for the period between 1999 and 2010, we empirically find that there is a dynamic linkage between land price and housing price. Moreover, the urban residential housing price fluctuations are closely related with land-finance. This study will help to enrich our understanding of local governments' behavior under the present fiscal system, and provide fresh eyes for understanding the development of China's housing market.