

# Xiaochanquan (China)

From Global Informality Project

By **Cinzia Losavio**, UMR 8504 Géographie-cités, University Paris 1 Panthéon-Sorbonne

The Chinese term *xiǎochǎnquán* (小产权) literally means ‘small property rights’ (SPR) or ‘limited/minor property rights’, but is generally understood as ‘small properties’. Contrary to what one might think, *xiaochanquan* is not a legal concept, but a grassroots way to refer to a recent, yet already widespread form of Chinese informal settlement, whose property rights are ‘smaller’ (weaker) than those of full commercial housing. *Xiaochanquan* designates housing built on collectively-owned rural land, mainly developed in ‘villages within the city’ (城中村, *chéngzhōngcūn*) and peri-urban areas. When purchased by ‘outsiders’ – individuals lacking the residence permit (户口, *hùkǒu*) for the place where the SPR housing is located – the transaction cannot be registered by the local government office nor granted legal titling.

The informal status of *xiaochanquan* is an outcome of the controversial development process of the land upon which it has been built. Since the beginning of the 1980s, a dual ownership system has been legally established in China in order to regulate its real estate market: urban land is owned by the state and rural land is collectively owned by villagers. Subsequent to the 1998 Land Administration Law, only state-owned land use rights became freely transferable and only state owned land could be allocated for construction development, while the use of collectively owned rural land remained under tight restrictions for transfers and construction. Therefore, only housing built upon urban land can be purchased or sold legally. In rural areas, housing property rights are inalienable and the only legal way to make collectively owned land available for construction is to convert its status to state-owned land through a land requisition process, which requires approval by the Land Resources Department, the Urban Planning Department

## Xiaochanquan 🇨🇳



**Location:** China

**Definition:** Informal settlements with limited property rights, built on collectively-owned rural land in ‘villages within the city’ and peri-urban areas

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**Author:** Cinzia Losavio

**Affiliation:** UMR 8504 Géographie-cités, University Paris 1 Panthéon-Sorbonne

and the Construction Department. Once legally converted, the land can be transferred to real estate developers for construction and sale, thus systematically excluding its previous owner from the land development process.

In the case of SPR housing, village committees and individual households bypass the formal conversion process and spontaneously proceed to land construction and sale. In this sense, SPR housing transactions generate an informal market, whereby exchanges are not recognised and protected by law (Shen & Tu 2014). According to regulations, collectively-owned land can only be used by individual villagers for the purposes of residence, agricultural production, township enterprises and village public facilities. Such subdivision of rural land use determines the three main types of *xiaochanquan*:

- resettlement houses (回迁房, *huíqiān fáng*) – housing built on village residential plot and sold by individual households to non-indigenous villagers;
- greenhouse-farm houses (大棚, *dàpéng fáng*) – housing built on agricultural land; and
- large scale housing compounds (统建楼, *tǒngjiàn lóu*) – uniformly constructed building, built on township enterprises' land or village public facilities' land, where construction and sale involve village shareholding cooperative companies that supply the land and real estate developers that finance the projects.



Small property rights housing on village residential plot in Zhuhai, Guangdong province. Source: Photo by author. © Cinzia Losavio.

Depending on SPR housing type, the building quality and layout vary considerably and can sometimes be more sophisticated than those of formal commercial housing, possibly due to the involvement of architects and designers. These professionals join the heterogeneous network of stakeholders including individual village households, villagers committees, village joint stock companies, real estate developers and others. As a recent study has revealed, even Chinese military actively contributes to the development of *xiaochanquan* housing market (He *et al.* 2019). Therefore, if compared to many informal settlements around the world, the informal nature of SPR housing cannot exclusively be associated with inadequate housing standards, poverty or the involvement of disadvantaged groups.

The SPR market primarily targets the Chinese 'sandwich group' (夹心层, *jiāxīn céng*), which

encompasses internal unregistered migrants as well as low- and medium-income families squeezed between the soaring prices of the formal real estate market and their ineligibility to highly restrictive social housing programs. By circumventing the land requisition process, *xiaochanquan* developers do not pay the land conveyance fee or any other taxes linked to it, significantly reducing the costs of development. SPR housing is sold at 40 to 60 percent of the formal commercial housing price (Cong *et al.* 2007; Wang & Sun 2014). SPR is perceived to be the only affordable option for homeownership for an estimated 71 million households, or 250 million people in China (Wang *et al.* 2014).

On December 31, 2007, the Central Committee of the Chinese Communist Party and the State Council used the expression “xiaochanquan” for the first time in an official document (the ‘2008 No. 1 Document’, China’s first, and therefore the most important, policy statement of the year), recognising it as a national issue. Because of its unregulated nature, official data on SPR housing are unavailable. However, scattered empirical research, local surveys and media reports have revealed the huge scale of the phenomenon. It is reported that by 2007, SPR housing could have accounted for at least 20 percent, or more than 6 billion of the total 33 billion square meters, of Chinese village/township housing construction area (Guo & Cai 2009; Paik & Lee 2012; Shen & Tu 2014). The city of Shenzhen (in Guangdong province) is considered to be China’s biggest SPR market and covering half of its total constructed area in 2012 (Guo & Cai 2009; Qiao 2017; Wang et al. 2014), compared to 30 percent of Xi’an, 20 percent of Beijing and Chengdu, and 15 percent of Zhengzhou (Tsao 2012). *Xiaochanquan* has spread across China, from Guangdong province, where between the late 1980s and early 1990s, despite the absence of a clear national jurisdiction on rural land, local governments endorsed the informal commodification of rural land to boost urbanization and economic development in special economic zones established in 1979 (Qiao 2015). Such initiatives played a dual role. On the one hand, the informal transfer of rural land served as an incentive to attract foreign and domestic capital and create companies; on the other, its informal development relieved local governments from the onerous role of providing housing to the millions of internal unregistered migrant workers.

The scale and endurance of *xiaochanquan* market invalidates the theory that an efficient market economy cannot form or exist outside a clearly defined property rights system (Barros 2016; De Soto 2000). The informal property rights do affect the property value of *xiaochanquan*, but do not seem to be less secure than formal property rights. Apart from being outlawed by the relevant land and housing regulations, SPR shares analogous development and sale mechanisms, stakeholders and assets with the formal housing market, functioning more as an extension to it rather than as its opposite side.

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