

Rise of Homeownership in China: Insights from a Life Cycle Analysis*

Jiahao Jiang[†]

September 22, 2025

Abstract

Between 2010 and 2015, China's urban homeownership rate rose by 8.3 percentage points. This paper investigates the sources of that surge using a general equilibrium overlapping-generations (OLG) model with life-cycle housing tenure choice. By embedding fixed-payment mortgages into an OLG framework, the analysis evaluates reductions in down-payment requirements, declines in mortgage rates, the emergence of online real-estate platforms, and the expansion of subsidized affordable housing programs. Key features of the model include the dual role of housing as both a consumption good and an investment asset, as well as tenure choices made by heterogeneous agents. Calibrated to Chinese data, the model shows that in the short run, reductions in mortgage rates and targeted subsidies are the principal contributors to the homeownership surge. A cut in mortgage rates raises ownership by 4.5%, while the expansion of affordable housing programs increases it by 4.9%.

Keywords: Overlapping Generations Model, Housing tenure choice, Mortgage Policy, Affordable Housing

JEL Codes: C68, E21, R38

*I extend my greatest thanks to my advising committee, Eric Young, Leland Farmar, and Eric Van Wincoop. I also extend my thanks to seminar participants at the University of Virginia Macro workshop. All errors are my own.

[†]University of Virginia, jj8au@virginia.edu