

Research on the Controversy and Optimization Path of Rent Pricing Mechanism for Public Rental Housing: A Policy Analysis based on the Background of Concentrated Market Entry in Multiple Regions in 2025

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ABSTRACT

With the continuous advancement of urbanization in China, the housing pressure on new urban residents and young people has become prominent. The supply of public rental housing has entered a concentrated phase, and the rental pricing mechanism has sparked debates on fairness and sustainability. This paper focuses on the core issue: how to ensure the affordability of tenants while achieving sustainable operation of the project and addressing the conflicts of interests among multiple stakeholders. By using the methods of literature analysis and policy text comparison, and combining social justice, welfare pluralism and ecosystem theory to construct a three-dimensional analytical framework, this paper analyzes the structural contradictions in the current pricing mechanism. The research finds that rental governance needs to go beyond the administrative price limit thinking, establish a dynamic model of "benchmark rent + floating coefficient", promote the collaborative governance of the government, market, society and tenants, and introduce social workers to participate in demand assessment, rights advocacy and community mediation to enhance the inclusiveness and resilience of the system. The limitation lies in the lack of support from field interview data. In the future, qualitative research can be deepened by combining the practice of front-line social workers.

KEYWORDS

Public Rental Housing; Rent Pricing Mechanism; Social Justice; Welfare; Pluralism; Ecosystem Theory.

1. INTRODUCTION

Housing is the foundation of people's livelihood and an important prerequisite for a city's integration and development [1]. Since the reform and opening up, China's housing system has gone through a process from welfare housing allocation during the planned economy period, to commercialization exploration in the early stage of market-oriented reform, and then to the construction of a multi-level security system in the new century. Gradually, a dual-track housing supply pattern of "market + security" has been formed.

Against this backdrop, the "Opinions on Accelerating the Development of Affordable Rental Housing" was issued in 2021, marking the transformation of China's housing security system towards precision and inclusiveness. This policy clearly focuses its beneficiaries on new urban residents, young people and other groups - that is, those who work and live in cities but do not yet have the ability to purchase a house or do not meet the household registration access conditions, such as

migrant workers who have paid social security for less than three years and newly employed college graduates. This group is huge. According to the data from the seventh national census, the number of floating population in China has reached 376 million, among which about 60% are concentrated in big cities, and the housing pressure is particularly prominent.

At present, the construction of public rental housing has entered a stage of large-scale construction and concentrated deployment. According to relevant statistics, due to the concentrated entry of a large number of projects into the market in Chengdu, Hangzhou and other places, the price of ordinary rental services in the same area has decreased by more than 8% year-on-year. This not only reflects the positive role of public rental housing in stabilizing market rents, but also exposes the structural contradictions faced by its own pricing mechanism: on the one hand, it needs to maintain "affordability", and on the other hand, it must maintain the "sustainability" of the operating entity.

Therefore, this article focuses on the current hot topic - whether there should be an upper limit on the increase of rent for public rental housing? How should the proportion of the increase be reasonably determined? This paper attempts to explore the optimization path of the rent pricing mechanism for public rental housing in China through policy logic sorting, theoretical framework analysis and practical case comparison. In particular, from the professional perspective of social policy and social work, we focus on the fairness and justice, multi-party governance and individual development potential behind the system, striving to achieve the high-quality development goal of being "affordable, sustainable and predictable".

2. CONCEPT DEFINITION AND THEORETICAL FRAMEWORK

2.1. Definition of Core Concepts

2.1.1. Public Rental Housing

It refers to small-sized, low-rent housing units that are supported by government policies, invested in and operated by market entities, and rented out to eligible new urban residents, young people and other groups with temporary housing difficulties. Its core features include: non-household registration restrictions on access, rent lower than the market level of the same quality in the same area, unit size controlled within 70 square meters, and mainly utilizing existing land or house renovations. According to the "Opinions on Accelerating the Development of Affordable Rental Housing", this type of housing is a key link in China's current housing security system that ensures basic needs, wide coverage, and sustainability, aiming to alleviate the housing pressure on new employment groups and floating population in big cities.

2.1.2. Rent Pricing Mechanism

It refers to the institutional arrangements used in the operation of public rental housing to determine the initial rent level and subsequent adjustment range. The influencing factors include the income level of tenants, market income level, construction cost and location, etc. A reasonable pricing mechanism should take into account both tenant affordability and project sustainability, and it is a key tool for achieving fair housing distribution and effective resource allocation.

2.2. Theoretical Framework

2.2.1. Perspective of Social Justice: The Right to Housing is a Fundamental Human Right

John Rawls proposed the principle of "justice as fairness" in his "A Theory of Justice", emphasizing that social systems should give priority to safeguarding the interests of the most disadvantaged [2]. When applied to the housing sector, this means that public housing policies should not merely remain at the functional supply level of "whether there is a place to live or not", but should be dedicated to

eliminating systemic exclusion caused by factors such as income, household registration, and occupational identity.

In essence, public rental housing is a redistribution-based social policy tool. The rent setting for it must reflect the preferential protection for marginalized groups such as low-income workers, the floating population, and young people who have just entered the workforce. If the pricing is too high, it will go against the original intention of "affordability". If the price adjustment is frequent and lacks a negotiation procedure, it infringes upon the tenant's right to stable expectations and constitutes procedural injustice. Therefore, from the perspective of social justice, the design of the rental mechanism should follow three ethical principles: Substantive fairness: The rental level should be in line with the payment capacity of the target group to avoid "nominal low price but actually unaffordable". Procedural fairness: The rent adjustment process must be open and transparent, granting tenants the right to know, the right to participate, and channels for appeal. Intergenerational justice: Policy design should take into account the issue of long-term urban integration to prevent short-term and fragmented supply from intensifying the sense of "drifting".

This is precisely the concrete manifestation of the "people in the situation" concept advocated by the social work major - housing is not merely a physical space, but also the fundamental condition for an individual's dignity, sense of belonging and social participation.

2.2.2. Welfare Pluralism Perspective: Co-governance by Government, Market and Society

With the transformation of the welfare state model towards a "mixed welfare system", the welfare pluralism proposed by Rose (1986) has become a new paradigm for understanding the supply of contemporary public services. This theory holds that the provision of social welfare should not be solely borne by the government, but rather through the collaboration among the government, the market, families and social organizations to accomplish resource mobilization and service delivery [3].

When this perspective is applied to public rental housing, it can be seen that it has broken through the traditional welfare housing model of "fiscal coverage + unit allocation", and shifted to a new governance structure that is light in assets, heavy in mechanisms, and strong in coordination:

Table 1. Comparison of Rent Control Policies for Public Rental Housing in Typical Cities

Subject	Role positioning	Typical behavior
"Government	System designer and supervisor	Offer land discounts, tax breaks, and REITs channels
Market enterprise	Investment, construction and operation entities	Develop projects, receive reasonable returns, and improve service quality
Social organizations/social work institutions	Service intermediaries and supervisors	Assist in application review, carry out tenant capacity building, and reflect public opinion
Residents themselves	Rights holders and participants	Express demands, participate in hearings, and fulfill lease obligations

As shown in table 1, under this pattern, rent pricing is no longer a simple administrative instruction but the result of multi-party bargaining and negotiation.

2.2.3. Ecosystem Theory Perspective: The Interactive Network of Individuals, Families, Communities and Institutions

Brown-fin-brenner's ecosystem theory emphasizes that individual development is influenced by multi-level and interwoven environmental systems [4], including four levels of environmental factors: micro, meso, external and macro systems. The microsystem refers to the living environment that is

closely related to an individual. The Meso system refers to the connections and interrelationships among families, schools, friends and communities. The appearance system refers to the factors that an individual does not directly participate in but influence their life and growth. The macro system refers to the cultural, subcultural and social environments existing in the above three systems [5]. These four levels are demarcated by the direct degree of influence of the behavioral system on individual development [6]. Applying this theory to housing research can help reveal how rental changes affect individual well-being through layer-by-layer transmission.

Specifically, in the micro system: The increase in rent directly affects the family budget structure, which may lead to a decline in the quality of diet and a reduction in children's extracurricular activities; Meso-level system: An increase in commuting distance weakens employment stability, and a rise in community heterogeneity may trigger neighborhood conflicts. The outer system: Tightening of financial credit policies and fluctuations in the labor market have indirectly pushed up the pressure of renting. Macro system: The social culture of "buying a house first" intensifies tenants' identity anxiety and reduces their sense of identification with the system.

Therefore, merely lowering rents cannot completely solve the housing predicament. It is also necessary to promote cross-departmental reforms such as educational equity, mutual coverage of medical insurance, and expansion of the coverage of housing provident funds. And this is precisely the key area where social policies and social work work in synergy - the former formulates structural solutions, while the latter implements personalized support services.

3. REALISTIC PREDICAMENT

3.1. Policy Foundation and Implementation Differences

At the national level, the "Regulations on Housing Rental" only stipulates that the rent of guaranteed rental housing should be "lower than the market rent of the same quality in the same area", but does not specify the exact discount ratio or price adjustment rules. This blank space grants local governments considerable autonomy, but it also leads to a prominent phenomenon of fragmented policies in various regions.

Table 2. Comparison Table of Rent Control Policies for Public Rental Housing in Typical Cities

City	Rent cap	Adjustment cycle	Cost linkage mechanism	Is there a price increase circuit breaker
Shanghai	80%-90%	Three years	No	No
Guangzhou	≤85%	Dynamic evaluation	Yes(CPI+ salary)	No
Chengdu	70%-80%	Five-year lock	No	Yes (Implicit)
Liaoyang	≤90%	≤2 years	No	No

As shown in table 2, it can be seen that there are obvious differences among various cities in terms of the intensity of rent control and the frequency of adjustment. Some cities have adopted a strategy of "rigid cap + long-term lock", which, while enhancing tenants' sense of security, has compressed the space for operators to cope with inflation and rising maintenance costs. Some other cities have attempted to introduce an economic indicator linkage mechanism, which is more flexible but also increases policy uncertainty.

From the perspective of ecosystem theory, such regional differences lead to individuals facing completely different survival experiences under the same national system due to their different geographical locations, constituting a risk source of institutional inequality.

3.2. Concentrated Market Entry Intensifies Price Conflicts

From 2024 to 2025, the number of projects started to collect public rental housing across the country will remain at a high level, especially in new first-tier cities such as Chengdu, Hangzhou and Wuhan, where a large number of projects will be delivered and put into use in a concentrated manner. As public rental housing is usually located in areas with convenient transportation and industrial clusters, its large-scale release directly impacts the surrounding market-oriented rental market.

Take the High-tech Zone of Chengdu City as an example. In the first half of 2025, over 12,000 new units of guaranteed rental housing were added, mainly concentrated in the Software Park and Financial City areas, which led to a year-on-year decrease of 9.3% in the average price of ordinary whole rentals in the area. Although this has positive significance in curbing the excessive increase in rents, it also raises two problems: First, the profitability of market-oriented long-term rental apartments has declined, and some small and medium-sized operators have experienced a wave of lease terminations. Second, the public rental housing itself is confronted with the problem of pricing for renewal. After the first lease period ends, if the price is slightly raised according to the market level, it may be questioned as a "disguised price increase". If the original price is maintained, it will be difficult to cover the increasing property and maintenance costs year by year.

This contradiction reflects the imbalance of interests among various subjects under the framework of welfare pluralism: the government hopes that public rental housing can play the role of a "ballast stone", market enterprises pursue reasonable returns, while tenants expect long-term low prices. The lack of an effective negotiation platform has plunged the three parties into a zero-sum game.

3.3. The Contradiction between Tenants' Demands and Operational Pressure Has Become Prominent

According to the research, the "New Urban Residents' Perception of Housing Burden Research Report (2024)" issued by the School of Public Administration of Zhejiang University mentioned: "Among the surveyed young people, 58% believe that the rent pressure is 'very high', and the average rent-to-income ratio is 37.6%." However, at the same time, some market-oriented operation entities have reflected that after excluding fiscal subsidies, the net profit margin of public rental housing projects is generally below 2%, far lower than the average level of commercial real estate. Once they lose fiscal subsidies or financing support, they are very likely to fall into losses.

It is evident that the current rent pricing mechanism is in a fragile balance between "low-profit operation" and "high-expectation tenants", and an institutionalized solution is urgently needed.

3.4. Conflicts of Interest Demands among Multiple Subjects and Institutional Tensions

The pricing of rent for public rental housing is not only a technical issue but also a political process involving the coordination of interests among multiple parties. The tenant group generally expects "low prices + stability", especially in big cities with high housing prices, any price increase may trigger a strong rebound. Operators are under pressure to operate with meager profits or even losses. In the absence of long-term financing tools, they find it difficult to bear the risk of rising maintenance costs. Local governments, for the sake of maintaining stability, tend to adopt rigid price caps to avoid public opinion risks, but this may curb the willingness of social capital to participate. The central government, however, pays more attention to the sustainability of the system and fiscal security.

This mismatch of goals has led the current policy into a dilemma: excessive protection of tenants' rights and interests may make projects unsustainable, while complete indulgence of the market deviates from the original intention of protection. Therefore, the future reform direction should not be a single-subject decision-making process, but rather a "rent hearing and consultation mechanism" that encompasses tenant representatives, enterprises, experts, and regulatory authorities should be established to promote the transformation from a "command-control" management model to a "collaborative governance" one.

4. OPTIMIZE THE PATH

4.1. Establish a Dynamic Pricing Model of "Benchmark Rent + Floating Coefficient"

It is suggested that under a unified national framework, the "Guiding Measures for the Rent of Public Rental Housing" be formulated and a "double-layer pricing mechanism" be implemented: the rent of public rental housing = benchmark rent × floating coefficient. Among them, the benchmark rent is released by the municipal housing and urban-rural development department every two years, referring to the weighted average of market-based rents of the same quality in the same area. It is recommended that the value range be controlled between 75% and 85%. The floating coefficient is dynamically adjusted based on the following three indicators: the annual growth rate of CPI (weighting 30%); The average wage growth rate of on-the-job employees (weighting 40%); House maintenance cost index (weight 30%).

For instance, if the CPI in a certain area rises by 2%, wages increase by 5%, and maintenance costs rise by 4%, then the comprehensive fluctuation coefficient is approximately 1.038, allowing rent to increase by up to 3.8%. This not only reflects cost changes but also avoids sharp fluctuations. This move reflects procedural fairness in social justice: price adjustments are based on solid grounds and reduce subjective arbitrariness.

4.2. Implement Differentiated Regulation based on Regional Classification

Given the significant development gap among cities in our country, it is not advisable to set a uniform national standard in a one-size-fits-all manner. It is suggested that three types of regulation zones be divided according to the city's energy level:

Table 3. Comparison Table of Rent Control Policies for Public Rental Housing in Typical Cities

Category	Representative city	Suggested rent cap	Special Support Policy
Class I (Megacities/Super-large cities)	Beijing, Shanghai, Shenzhen	The market rent is 75% to 80%	Increase central government transfer payments and give priority to allocating REITs issuance quotas
Class II (Tier I and Strong Tier II cities)	Hangzhou, Chengdu, Wuhan	The market rent is 80% to 85%	Encourage the renovation of existing idle houses and reduce or exempt relevant taxes and fees
Class III (Small and Medium-sized Cities)	Liaoyang, Jiujiang, Mianyang	The market rent is 85% to 90%	Strengthen the interaction with industrial parks and implement a "work-residence balance" construction ratio

At the same time, within the same city, tiered pricing can also be implemented based on location, housing type, and supporting facilities to enhance the efficiency of resource allocation.

4.3. Establish a "Rent Increase Circuit Breaker Mechanism" and an Appeal Channel

To prevent individual projects from taking advantage of the situation to raise prices in a disguised way, a "dual control mechanism" should be established: First, an annual increase limit. Any single price adjustment for any project shall not exceed 5% of the previous rent. The second is the cumulative increase limit. Within five consecutive years, the cumulative increase shall not exceed 20% of the initial rent.

At the same time, an online appeal platform has been launched. If tenants believe that the price adjustment is unreasonable, they can submit evidence to apply for a review. A third-party professional institution will conduct an assessment and make a ruling to ensure the process is open and transparent. It is suggested that social workers be introduced as independent observers or mediators to assist in handling disputes and safeguard the right of expression of disadvantaged tenants.

4.4. Deepen the Supporting Reforms of "Equal Rights for Renters and Buyers" to Reduce the Sense of Relative Deprivation

Behind rent disputes often lies deeper identity anxiety and unequal rights. Even if the rent is low, if tenants still cannot enjoy basic public services such as education and healthcare, a psychological gap of being a "second-class citizen" will still arise.

Therefore, it is necessary to accelerate the implementation of the "equal rights for renters and buyers" policy, especially in aspects such as compulsory education enrollment, community governance participation, and housing provident fund withdrawal, to ensure that rental families and property owners enjoy equal rights. Only in this way can the sensitivity of tenants to rent changes be fundamentally alleviated and their sense of identification with the system be enhanced.

4.5. International Experience for Reference: From Germany's rent Brake to Singapore's HDB System

There have been mature practices in regulating the rent of affordable housing internationally. Germany has passed the "Mietpreisbremse", stipulating that the price of new leases shall not exceed 10% of the average rent of similar properties, and the increase within three years shall not exceed 15%. At the same time, an official Mietspiegel system was established to regularly update the guidance prices, enhancing the transparency of pricing. Singapore implements a universal public housing system. The monthly rent for low-income families renting public housing is only 10% to 20% of their income, and it ensures the precise allocation of resources through a strict application review and exit mechanism[7]. The US federal government, through the Low-Income Housing Tax Credit program, requires that at least 40% of the units in funded projects have a rent that does not exceed 30% of the family income. These experiences indicate that successful rent management not only relies on price restrictions but also requires a corresponding cost compensation mechanism and rights protection system. China can explore the introduction of "rent monitoring platforms" and "cost-benefit balance subsidy mechanisms" in pilot cities to achieve a transformation from administrative price caps to institutionalized regulation.

5. CONCLUSION

Guaranteed rental housing is not only a form of housing supply but also an important carrier for the modernization of the modern urban governance system. In the face of the rental pricing challenges brought about by the concentrated entry of multiple regions into the market in 2025, we can no longer

adhere to the traditional "administrative price cap" mindset, but should shift to a more refined, law-based and market-oriented comprehensive governance model.

This paper's research shows that the policy of guaranteed rental housing has achieved a structural leap in four dimensions: basic needs, quasi-public goods, fairness and sustainability. The future development direction should not be simply "lowering rents" or "letting the market go unchecked", but rather, on the basis of respecting the laws, a multi-party governance mechanism should be established with government guidance, market operation, social supervision and tenant participation.

Specifically, the rent pricing power should follow a four-level framework of the central government setting the bottom line, local authorities setting detailed rules, enterprises formulating plans, and the society being able to supervise, fully absorbing professional social work forces to participate in negotiation and assessment. Only in this way can the policy's original intention of "enabling young people to live with peace of mind, stay and develop well" be truly realized, and help Chinese cities move towards a more inclusive, resilient and sustainable future.

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