

China is experiencing continued housing market boom after the housing market was formed in 1990s. In this paper, we characterize this continued boom in urban China with two indices, one is affordability, and the other is investment return from housing. Both results of these indices show that the boom is not as volatile as what we have thought. The market boom is mainly due to the expansion of market scale. We analyze causes of this continued boom in both demand side and supply side. We derive an equation for real house prices as an inverted housing demand function, then, estimate this housing demand function. For the supply side, from the cost function of developers, we analyze the behavior of developer and the affects of the government policy (such as land supply and adjust of interest rate) on the housing market. We calculate the fundamental price of land and house in whole country and some regions (cities), and then analyze the character short run price change of house, show if there is a bubble in housing market in urban China.