

The problems and suggestions of real estate development: Evidence from Shanghai

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Abstract. The development of real estate not only affects the sustainable development of economy and society, but also is closely related to people's life. China's real estate development has received a lot of attention, especially in big cities. Taking the real estate in Shanghai as an example, this paper deeply analyzes the possible problems in the development of Shanghai real estate, including the high housing price and the fact that the house has become a financial product. We found that limiting the number of purchases and investigating buyers' sources of finance could help ease Shanghai's housing problems.

Keywords: Real estate development; Shanghai; Problems.

1. Introduction

A house is a necessity and a sky-high housing price is one of the biggest problems. This paper will take Shanghai, the most populous city in China, as an example to talk about the housing problem.

Shanghai is a special city. First of all, it is the general situation of Shanghai's economic development. According to the Shanghai profession, in 2021, the total GDP of Shanghai will exceed the 4 trillion-yuan mark, ranking first among all cities in China, with an increase of 8.1%. There are also many large companies in Shanghai, such as SAIC Motor Corporation Limited, Bank of Communications Co., Ltd., Greenland Holding Group Co., Ltd., etc. This also caused a lot of the population to flow into Shanghai. According to the data of the seventh census, the permanent resident population of Shanghai is 24.8709 million. Compared with 2010, the number of people increased by 1,851,700 in ten years, an increase of 8.0%, with an average annual increase of 0.8%. In addition, Shanghai has a relatively loose settlement policy and relatively small restrictions on house purchases, which also increases the competition in the real estate market and the trend of higher and higher house prices. Therefore, Shanghai can be a good inspiration for other cities.

2. Problems in Shanghai's housing market

There are several problems with the houses in Shanghai. The first is the high housing prices. Several reasons can account for the high housing prices in Shanghai. One is the imbalance between supply and demand. Shanghai has a resident population of 25 million. According to statistics, "Shanghai will have a population of 24.89 million in 2021, with a land area of 6,340 square kilometers." According to the official data of 2016, including Chongming Island, the total housing area in Shanghai is 776 million square meters, and Chongming Island covers an area of over 1,000 square kilometers, which cannot be developed as required. Generally speaking, the high housing price is not due to the small land area, but the low proportion of residential land supply. There are many big companies in Shanghai, in which many people work, so the average wage in Shanghai is high, the purchasing power is strong, the competition is fierce, the demand is high, the supply is low, and the price of housing prices is rising.

The other reason is that Shanghainese are very particular about the location of their houses. For the development of their children, they will spend a lot of money buying houses in the school district, which also makes the houses in some special locations very expensive. Therefore, the higher the housing price, the more people will buy it, and the more people will buy it, the higher the housing price will be. The impact of this is that many people will spend a lot of money on houses, but there are not many new houses in Shanghai, so the money is used on second-hand houses, and the cost of money will not to increase economic growth. Except for using money to buy houses, that is, spending

less money on other consumer goods, the profits of productive industries will become less and less. In the long run, many companies will not survive, and the economy will be negatively affected.

The second problem with houses in Shanghai is that houses are treated as financial products. It is believed that housing prices will continue to rise, because of the strong rigid demand for houses. People use this as an investment, they believe that the house will keep its value, and their investment has no worries. Even if house prices rise, people will buy houses. The conclusion is that the demand is inflated, the housing price rises and speculation affects the development of the entire economy. Real estate speculation is a typical example of houses being used as a financial product. Choosing a place in a city that will develop in a few years, such as building subways and shopping malls. Then one's financial resources are not enough, usually a family or a group. They will communicate with real estate developers, negotiate, and settle the just-needed units such as from 90 square meters to 120 square meters. That is to say, I will buy all the houses of this type currently on sale, but the price must be lower than the market price by more than 10%. Developers are very willing because, in this way, the funds can be returned all at once.

Then, through the media and intermediaries in the city where they are located, various information about price increases will be sent out. For instance, the city government issued a document to plan what to do, and to build a subway to give people the urge to buy a house. Next, various platforms for buying a house will release information about the house being in high demand and sold out. Therefore, this can create a very appealing atmosphere. In the end, many investors who used to hold multiple properties saw that the house prices in the market continued to rise, so they followed up the price of the house. At this time, the real estate speculators will sell their houses and make a big profit

3. Conclusions and implications

I summarized three methods for taking care of this issue. The first is to build the accommodation reserve. The inhabitant populace of Shanghai is colossal, however, the city covers an area of 6,340.5 square kilometers. Apart from the land to be developed and the developed non-private land, there is not much livable land in Shanghai. From the past land supply information, the inventory of private land is generally small, and the accommodation benefits that can be addressed are restricted. According to the point of view of the lodging organic market, the market interest for new lodging is more prominent than the stock, and occupants' energy for lodging buys can undoubtedly prompt rising house costs.

Lodging needs are not satisfied. For instance, the total supply of private land in Shanghai from 2009 to 2019 was 88.06 million square meters. With a plot proportion of 2.0 and the private building area of 30 square meters, the private land provided from 2009 to 2020 can meet the lodging needs of 5.87 million individuals. Based on the plot proportion of 3.0 and the private building area of 25 square meters, the new stockpile of private land in 2009-2020 can meet the lodging needs of 10.57 million individuals. Along these lines, the interest in the new real estate market will be reduced, and lodging costs will be generally lower. However, this measure cannot solve all the problems of high accommodation costs.

The second is to restrict the land cost by class and the house cost by district, such as prices for houses in schools, transportation hubs and some prosperous areas.. These houses are more competitive than others because these houses give the occupants an advantage. This also makes many people compete for this kind of house, and the price is getting higher and higher. Therefore, in order to limit this situation, the government should regulate the price of this kind of housing, so that it cannot continue to compete endlessly, which will eventually lead to excessive housing prices.

The third solution is to give a guide price. This method is relatively simple. Most people do not know the real price of a house, but as capitalist real estate developers, they will raise their house prices slightly for profit. At this time, there should be a guide price to guide people to buy a house correctly. For example, if the price of a lot is 30,000 per square meter, then a 100-square-meter house is 3 million yuan. Then people will have a good feeling and will not buy a house with a serious

premium. At this time, real estate developers will also be forced to lower house prices to ensure their own interests. The national bank reported on January 20th this year that the financing cost of housing loans decreased. This is the first time in 21 months that the National Bank has reduced the financing cost. Affected by this news, the contract financing costs of five housing companies at different time points are generally lowered. Many banks in Shanghai, including Industrial and Commercial Bank of China, Agricultural Bank of China, and China Construction Bank, have reduced their housing loan financing costs by 5 premise focuses.

“Shanghai’s most memorable home advance financing cost has commonly dropped from 5% to 4.95%, and the subsequent home credit has dropped from 5.7% to 5.65%. %.” “Accepting that the main advance is 1 million yuan, the home loan is 30 years, the head and premium are equivalent, and the bank adds focuses unaltered: after the home loan financing cost is decreased to 4.95%, the complete revenue is 921,571.99 yuan, and the regularly scheduled installment is 5337.7 yuan, which is around 11,000 yuan, not exactly the past absolute premium.” For around 30 yuan less. Impacted by the decrease in contract loan costs, the National Bureau of Statistics declared the value changes of newly-built and recycled houses in 70 urban areas in the main month of 2022.

The commercial cost of commercial private buildings recently built in Shanghai has increased by 0.6%. It is easy to see that one of the well-known methods for managing lodging costs is to change the cost of housing loans. In the expert release of the VIP Journal, an article named Credit and Housing Prices: The Impact of First Home Loan Interest Rates on my nation's Housing Prices was distributed. This relationship focuses on the detailed final reasoning, that is, for every 1% increase in the cost of the first housing loan, the growth rate of urban accommodation costs will decrease by 0.67%. This further confirms that it can essentially affect the cost of the housing market by influencing the guideline of the financing cost of the primary home credit by monetary establishments. In summary, it is the solution to the first problem

The subsequent inquiry houses are utilized as monetary rules. There are two techniques. The first is to restrict the number of houses you can purchase. For land examiners, the number of houses is simply popular. At this point, when forced as much as possible, the number of excellent houses acquired by the examiners will continuously diminish, and the possibility that they will bring cash will also decrease. At the point when their own advantages have been truly harmed for quite a while, an ever-increasing number of individuals will decide to stop the land hypothesis industry. At the point when such pessimistic feelings keep on spreading among the general population, land examiners will ultimately be lowered in the downpour of history. The house will likewise be in the groove again and will not turn into a monetary instrument.

The second method used to solve this problem is to find out the source of funds of the house buyer. Real estate speculators and ordinary consumers have different ways of buying houses. The down payment source of ordinary consumers is their own deposits, and most of the money used by these real estate speculators to buy houses is micro-loans or other means. In this way, when buying a house, real estate inquiries about the source of funds for house buyers can screen out a lot of real estate speculators. This is also a way to organize the house into a financial product.

To sum up, this is my explanation and solution to the two problems of real estate in the city of Shanghai. The solution to high housing prices is to increase housing supply, limit land prices by category and housing prices by region, carry out price guidance and control loan interest rates. For the second question-the house is considered a financial product. Two solutions are to limit the number of house purchases and investigate the source of funds for buyers. I believe that these measures will solve the real estate problem in Shanghai.

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