

Analysis of real estate market in Shenzhen

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Abstract. Since the reform and opening up, Shenzhen's population has increased greatly and its economic growth has accelerated, which has driven the development of the real estate market. It is worth noting that Shenzhen's housing market and real estate development have received a lot of attention. At the same time, there are some problems in Shenzhen's housing market, which hinder the high-quality development of the housing market. At present, the housing market in Shenzhen has a high price and a strong investment demand. Some targeted solutions are needed to promote the sustainable development of the housing market. This article provides some enlightenment.

Keywords: Real estate market; Shenzhen; Enlightenment.

1. Introduction

China's real estate situation from the current situation of my country's real estate market development, a market-oriented mechanism has been initially formed, but compared with developed countries, there is still a gap in terms of system construction and consumption concepts. In terms of the construction of the real estate market system, our country has mastered land resources, and the real estate market cannot be fully market-oriented, and the poor liquidity of the land market has brought great limitations to the free adjustment of the market; secondly, the real estate supporting policies are still incomplete, with the reform of the housing system, my country's housing supply has gradually shifted to the market-oriented allocation of commercial housing; third, my country's current real estate market has a shortage of investment and financing channels, and the development of the securities financial market is insufficient. The close relationship between real estate and capital and the shortage of investment and financing channels have led to a lot of speculation. In the real estate consumption market: due to the relatively late implementation of the commercial housing system reform and the influence of our traditional concepts, there are many immature places in our country's real estate consumption behavior. Developed countries have basically formed different grades of real estate demand markets, and the tertiary market is relatively developed. In my country, the supply of housing is still in short supply, and young people's housing requirements are in place in one step, which leads to a relatively insufficient development of my country's tertiary market. At the same time, real estate development has a trend of high-end development, mainly to meet the needs of high-income groups in the society. This further deepened the contradictions in the market. Due to the existence of a large number of rigid demands, my country's real estate market is generally a market in short supply. At the same time, due to the lag in the constraints of the real estate system, there has been a deviation in the structure of the real estate market, and speculative demand has not been effectively suppressed. Facing the severe form of real estate in our country, it is very valuable to study and analyze the real estate market.

At present, the research on the interaction between the real estate industry and the regional economy at home and abroad mostly focuses on the performance of the regional characteristics of the real estate industry, the regional differences of real estate, the impact and contribution of real estate investment to the development of the regional economy, etc. The "coordination" in the book is not clearly defined, and there is also a lack of normative systematic research on the determination of this coordination relationship, economic performance and how to guide and promote the simultaneous development of the real estate industry according to different regional economic development conditions. In view of this, this paper first discusses the mechanism of the coordinated development of the real estate industry and the regional economy, and then establishes the coupling coordination degree model of the two. The mechanism of action, and the degree and type of coordinated development of real estate industry and regional economy in four hot cities are compared and

analyzed, in order to provide some reference and reference for the coordinated development of real estate industry and regional economy in other regions.

Housing markets across developed metropolises are facing a similar problem of expensive housing costs that continue to rise. A house is not only a necessity but usually the largest expense for most families and individuals, particularly in densely populated cities like Shenzhen, a special economic zone in the south of China. Shenzhen's GDP exceeded 3 trillion yuan in 2021 along with a total population of 17.6816 million people. In 2021, the average housing prices in Shenzhen is 71,209 yuan per square meter, the highest among Tier 1 cities in China, such as Shanghai's 66,901 yuan/sq m, Beijing's 63809 yuan/sq m, and Guangzhou's 46145 yuan/sq. Unsurprisingly, in 2019 housing ownership rate in Shenzhen is only 23.7% according to "White Paper on the Real Estate Market of the Guangdong-Hong Kong-Macao Greater Bay Area". Shenzhen's high GDP, innovative companies, and rapid economic development continue to impact the cost and affordability of housing but I believe there are possible steps that the government can take to address this problem [1-4].

2. The problems in Shenzhen's real estate market

Shenzhen's GDP reached 1 trillion in 2010 to over 3 trillion yuan in 2021, developing in step with innovative Fortune 500 companies are headquartered in Shenzhen such as Huawei, BYD, Tencent, and Ping an Insurance Group Company. Individuals have benefited as well, with Huawei currently employing over 200,000 people with an average annual salary of about 700,000 yuan. The high salary made Huawei continue to attract the world's top experts and talents, pushing per capita disposable income of Shenzhen residents to 70,847yuan, among the highest in China. High income increases people's purchasing power and greatly increases the quantity of demand in the housing market. The convergence of high-tech companies creates jobs for people and attracts people to Shenzhen. According to the census data, At the end of 2019, the permanent population of Shenzhen was 13,438,800. At the end of 2020, the permanent resident population was 17.6338 million, and the registered population during the same period was 5.8458 million, ranking first in the country. Shenzhen ranks third in the country's most attractive cities in 2021 with a net inflow of 11.78 million, Shenzhen's household registration system is more open. Settling in Beijing requires continuous payment of social insurance for 7 years or more, and the payment of pension, medical, unemployment, work-related injury, and maternity insurance should comply with the relevant regulations of Beijing's social insurance, which is much longer than is required in Shenzhen. In addition, the points-based application system for household registration in Beijing is also far more difficult than in Shenzhen. Therefore, high talents who come to Shenzhen can settle down earlier, and buy a house, which strongly increased the demand for houses. With the opening of the national two-child policy in 2016, the population has continued to increase. Families need to improve and upgrade their living conditions, further increasing demand for houses. The house prices increased from 50,270 yuan/ sq m in 2019 to 71,209 yuan/ sq m in 2021. However, the rapid development in GDP and the high net flow with open registration has increased the quantity of demand in Shenzhen. According to the distribution of land supply in 2021, the area of Shenzhen is only 1998 square kilometers but with 50% ecological green land, 30% commercial and industrial land, and only 20% reserved for residential use. The proportion of residential land in Shenzhen is the lowest among all first-tier metropolises in the world. The limited area in Shenzhen makes the quantity of supply in the housing market less than the quantity of demand. Data from the Shenzhen Real Estate Information Platform shows that in 2018, the supply and demand ratio of Shenzhen's property market was 1:1.2. The imbalance between supply and demand creates a shortage of houses, further exacerbating the high housing prices. Since the housing market is an oligopolistic market, real estate companies will negotiate to set the quantity of supply at the maximized profits, but this is less than the socially optimal quantity, resulting in dead weight loss. Therefore, the government needs to adjust this market failure through policies.

With the development of the real estate industry, many people also purchase additional houses as investments. Because of the rapid rise in house prices, buyers have hoarded houses, which reduced

the supply of houses on the market and pushed already high prices even higher. A house, as a necessity which should primarily be used to live in. The house should not have financial attributes, otherwise it will have a great impact on the economy. Consumption depends on disposable income and expensive housing prices empty the wallets of citizens. Some people need to use most of their income to pay off their mortgages, while others need to save most of their income for buying a house. The decline in disposable income will lead to a decline in the level of consumption, which in turn will cause great harm to the stable development of the national GDP. Therefore, the government should strictly control this, and the government needs to establish relevant policies to eliminate the financial attributes of houses, thereby suppressing the vicious circle caused by speculating and selling houses.

3. Conclusions and solutions

There are several possible solutions for high housing prices. First, establish a price ceiling for all housing sold in the Shenzhen market. Since the housing market is an oligopolistic market, producers will set prices at the market equilibrium point in order to maximize their profits. Producers can also transfer all consumer surplus to producer surplus through price discrimination. Price ceilings can expand producer surplus, so, setting a price limit for a house is very important. For example, the average price of a house in Qianhai, Nanshan is 104,250 yuan per square meter while the price-controlled house in the 03 block of the third development unit in Guiwan area is 92,000 yuan per square meter. Lower housing prices can reduce the pressure from housing difficulties for many families and at the same time promote consumption power, and increase GDP. Second, shared property housing is derived through the method of shared property rights where the government transfers the "use right" of part of the property rights it holds to the first-time homebuyers, so as to reduce the pressure on their purchase of houses, and the government and the people work together to solve housing difficulties. The applicant should have full capacity for civil conduct, and the applicant family members include both husband and wife and minor children. If a single family applies for purchase, the applicant should be at least 30 years old. The applicant family should meet the city's housing purchase restrictions and no family member has a house in the city. A family can only purchase one set of Shared property housing. Those who meet the above qualifications can apply for co-ownership housing and buy a house at a lower price, which can lead to lower prices of second-hand houses in the surrounding area, so as to better solve the problem of high house prices. Through the above two solutions, the problem of high housing prices where most citizens cannot afford can be directly addressed.

Another problem that exists in the housing market is buying a house for speculation purposes, and I have three solutions for this problem. First, increase the loan interest rate for buying a second or more house. For example, when buying a first house, the loan interest rate is 3.5%, and the second house interest rate is increased to 6%. That means the first 5-yuan million house, minus the 800,000 yuan down payment, will need to pay 4 million yuan plus an additional 140,000 yuan in interest, while the second home will need to pay 240,000 yuan in interest. The cost of people who want to rely on the house to invest also increases greatly. Increase in cost means less profit, people who want to make a profit from flipping property will give up. Second, increase the down payment ratio for buying a second or more house. For example, the down payment ratio for the first house is 30%, while the requirement for a second house increases to 70%. A 5-million-yuan house requires a down payment of 1.5 million for the first purchase, and a down payment of 3.5 million yuan for the second purchase. In this way, it can curb the speed of real estate speculators to buy houses, so that their capital chain can be broken, so that they have no money to hoard houses. Increasing the down payment ratio can also greatly increase the investment difficulty and risk of speculating and selling houses. An expensive down payment will make investors consider whether it is worth taking the risk. Third, increase the taxes due on the sale of a property. For example, the transaction tax for the second house is 10%. If the house is sold for 5 million, then a tax of 500,000 will be charged, and only 4.5 million

will be received. This can completely prevent the behavior of speculating and selling houses, reducing profits and create lower housing prices and more stable housing market turnover.

Overall, a house is a necessity of life and a guarantee for people's lives. The problems in metropolitan housing market are where most of the world's population lives and needs to be addressed. Rising house prices force people to save most or all of their wages to buy a house or pay off their mortgage, which directly affects the city's GDP. Those buyers who purchase houses for investment and speculation go against the spirit of treating housing for living. The government needs to pay attention to this important issue and create policies to control the real estate market, such as the establishment of a price ceiling and the development of co-ownership housing to alleviate the problem of high housing prices, increasing the loan interest rate, increasing the down payment ratio and increasing the tax on the sale of a property for buying and selling additional houses. Only in this way can the sustained and steady future growth of GDP and people's living standards be maintained, in and out of houses.

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