

The realistic predicament and development path of China's real estate development under the background of policy regulation

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Abstract: China's real estate market is undergoing macro-adjustment of various policies. It is imperative to develop the real estate industry with high quality. It is of great practical value to strengthen the research on the real estate industry. Therefore, this paper systematically analyzes the main stages of real estate reform and development, and probes into the difficulties and challenges in the development of the real estate industry under the background of policy regulation. The present study finds that although China's real estate has developed rapidly with the support of the government, it also has many problems and practical difficulties faced by the development of real estate. Finally, based on the analysis, this paper puts forward some targeted suggestions, aiming to be helpful to the sustainable development of the real estate industry.

Keywords: Real estate; Realistic dilemma; Development path; China.

1. Introduction

With the development of China's economy and the continuous improvement of residents' income levels, great changes have taken place in China's real estate market. Especially since China's economy and society entered a new normal, the Chinese government has many new requirements for the development of real estate. In fact, for a long time, due to multiple reasons such as enterprise investment and household consumption, residents have a great demand for the real estate market, and China's real estate market has become overheated. This is not only reflected in the rising of real estate prices and investment but also in the continuous growth of land finance, which leads to the real estate industry becoming a highly expanded part and industry in the process of China's economic development. China's real estate market has attracted much attention. In recent years, both residents and the government have put forward many requirements for the healthy and sustainable development of the real estate market, and more and more scholars and decision-making departments are concerned about the development of real estate. China's real estate market is in urgent need of reform and innovation, thus promoting the real estate industry to be more standardized.

The development of the real estate market is an important factor in China's high-quality economic growth. Real estate is not only pertinent to the speed and quality of economic growth but also closely related to people's livelihood and the real economy (Cai et al., 2020; Gong et al., 2022). The purpose of this paper is to deeply analyze how China's real estate can achieve a standardized and healthy development under the background of policy regulation, which is of great significance for improving the quality of China's economic development and promoting the transformation and upgrading of industrial structure in the new era. For a long time, China's real estate market has been in a relatively distorted state due to the development orientation of local governments and residents' speculation. In this process, a large number of enterprises have transferred their productive investment and R&D innovation funds to the real estate industry, and a large number of residents' property has been used to purchase real estate, which ultimately leads to the high housing prices in China. China's real estate development is obviously interfered with by the government. In order to obtain rich economic benefits and tax revenue, local governments have been encouraging real estate development. Therefore, regulating the development of China's real estate market is inseparable from the government's policy regulation. Based on this, this paper sorts out the important stages of China's real estate reform, and on this basis, this study also analyzes the real dilemma of real estate development under the background of policy regulation and puts forward some suggestions.

The possible contributions of this paper mainly include the following aspects. First of all, although many studies have analyzed the important role of China's real estate development in the process of

industrialization and urbanization, there is no systematic analysis of the realistic predicament and development path of China's real estate development. At present, China's real estate market is faced with multiple policy constraints, and its own development is hindered. The transformation and upgrading of the real estate industry have become a common concern of academia and decision-making departments. Secondly, from the perspective of the study, based on the background of policy regulation, this paper sorts out the important stages of China's real estate market reform, analyzes the institutional causes and development process of real estate development, and helps to provide a research framework and analysis perspective worthy of reference for follow-up research. In addition, the present study provides important policy enlightenment for the current real estate reform in China. This paper finds that although China's real estate development has achieved economic growth in a short period of time, it also brings many risks and problems. At present, real estate enterprises are also facing many challenges. It is necessary for the government, enterprises, and residents to take measures to promote the healthy development of the real estate.

2. The Main Stages of China's Real Estate Reform and Development

2.1 The period from 1998 to 2002

Around the 21st century, with the development of China's socialist market economy, the market-oriented reform of real estate has been continuously promoted. Among them, the most obvious change was the housing commercialization reform in 1998, which broke the constraints of the planned economy on the real estate market. In the planned economy era, the government's management of the real estate is in the form of welfare housing distribution or distribution according to work. It also takes the form of unit welfare and allocates it to individual housing. In 1998, the notice issued by the State Council on further deepening the reform of the urban housing system and speeding up housing construction clearly pointed out that it was necessary to accelerate the marketization of real estate and improve the efficiency of resource allocation. This marked the official start of the comprehensive reform of China's real estate market and the continuous evolution of real estate in the direction of the market economy, which directly gets rid of the constraints of the planned economy in the past, and became two important points in the development of China's real estate. With the commercialization and market-oriented reform of the housing market, the number and price of real estate transactions have been increasing, which has effectively promoted the development of China's real estate market.

2.2 The period from 2002 to 2007

Since 2003, the marketization of land transfer has further promoted the development of real estate marketization, especially since the reform of land bidding, auction, and listing, which has made land transfer more standardized, significantly improved the government's management level of land, and has important practical significance for promoting the healthy and sustainable development of the real estate market. It is worth noting that since the reform of land bidding and auction, China's real estate transactions and investments have been more rapid. This is because the reform of real estate marketization has encouraged more real estate developers and enterprises to participate in real estate investments, and the real estate market has become more and more active. In this process, the central government also delegated the land use index to local governments. In particular, in order to balance the regional economic gap, local governments have obvious differences in the control of land use indicators in different regions, which eventually leads to the differentiation of the real estate market and development situation in different regions of China. On the one hand, the eastern region has obtained relatively few land use indicators, and the land prices and real estate prices have risen rapidly. On the other hand, the central and western regions have gained more land use indicators, and the rising rate of house prices and land prices is relatively slow.

2.3 The period from 2008 to 2016

Since 2008, the global financial crisis has had a significant impact on the economic growth of all countries in the world, and China's economic development has also been negatively affected. After the financial crisis, in order to maintain a high GDP growth rate, Chinese governments at all levels have produced obvious downward pressure on the economy and economic growth pressure. In this process, in order to cope with the increasing economic pressure, local governments sped up the development of real estate to cope with the pressure of economic growth and meet the demand of economic growth. As the real estate industry becomes the pillar industry of the regional economy, local governments mobilize resources in the region to invest in real estate. For example, local governments speed up the construction of new cities and increase investment in the real estate market. These new towns and real estate developments often bring about the development of transportation, housing, commerce, infrastructure, etc., which helps to improve the economic pressure of local governments but also leads to the excessive development of the real estate market, resulting in the phenomenon of overcapacity. At this stage, the pressure of real estate destocking has gradually increased, which has become an important factor affecting the stable development of China's economy.

2.4 The period from 2016 to the present

Since 2016, as China's economy has focused more on high-quality development, more attention has been paid to real estate destocking and capacity reduction, and the pressure and task of real estate destocking in various regions are relatively large. With the proposal and implementation of the concept of "housing without speculation", the Chinese government insists on building a healthy and standardized real estate market, which points out the direction for the sustainable development of China's real estate industry. The local government has given more constraints to the real estate market by planning financial credit and land transfer and thus promoted the transformation and upgrading of the real estate market. Therefore, departments closely related to the real estate industry have introduced various policies and carried out a number of reforms in real estate sales and land transfer, and China's real estate market and real estate industry have gradually returned to the normal track. At this stage, the real estate speculation industry has obviously decreased, and the economic performance of some real estate enterprises has been impacted, but the broad masses of the people have gained more benefits. The concept of "housing without speculation" will become an important direction for the development of China's real estate industry at present and in the future.

3. The Real Dilemma of the Real Estate Development under the Background of Policy Regulation

3.1 Three red lines

The three red lines are important measures taken by the government to strengthen the supervision and financing constraints of real estate enterprises. Specifically, they tighten the three standards of financing of real estate enterprises, so as to control the debt growth of the real estate industry and promote the destocking of real estate enterprises. Actually, before the proposal of the three red lines, the cost and requirements for real estate enterprises to obtain loans were not high, because local governments often hoped to support the development of real estate enterprises through financial credit, so as to obtain rich economic benefits and land transfer income. As governments at all levels strengthen macro-control over the real estate market, especially the proposal of the three red lines, real estate enterprises may suffer some impacts, and it is difficult to obtain stable and reliable financial support from banks and financial structures, which may directly affect the daily business activities of real estate enterprises. Therefore, after the implementation of the three red line policies, the government and financial structure will not only improve the requirements of real estate enterprises but also strengthen the supervision of financing, investment, and land development activities of real

estate enterprises. Regarding real estate enterprises, they must also speed up their own transformation and upgrading, so as to cope with the increasingly complex internal and external environment.

3.2 The more salient contradiction between supply and demand of real estate

At present, the development of the real estate market is in a relatively saturated state, and there are some contradictions between supply and demand. On the one hand, the excessive supply of real estate in the early stage led to a serious overcapacity in the real estate industry, and huge inventory pressure existed in different regions of China to varying degrees. Meanwhile, the real estate industry is still expanding. It is worth noting that the early real estate enterprises were attracted by huge profits and adopted the strategy of blind expansion. As China's economy gradually enters a new normal, the downward pressure on the economy is increasing, and the consumer demand is relatively weak, resulting in the overall supply of real estate in China exceeding the demand. At the same time, the imbalance between regional real estate supply and demand is also an important part of the contradiction between real estate supply and demand. The eastern region shows a developed economy and a large population, and the demand for residential and commercial housing is very strong. Real estate development still has a lot of potentials. However, due to the influence of land use indicators and government control, the development of the real estate market in the eastern region cannot be supported by land and policies. Correspondingly, the population loss in the central and western regions is serious, but there are more land use indicators, and the existing real estate destocking pressure is also relatively large. Therefore, the contradiction between supply and demand in the real estate market in different regions is more prominent.

3.3 The increasingly strict government control and constraints

With the Chinese government insisting on high-quality development and sustainable development, the existing real estate industry reform is being carried out step by step. Therefore, in the stage of high-quality economic development, it is inevitable for governments at all levels to strengthen macro-control of real estate. In addition to the three references mentioned above, governments at all levels will put forward higher requirements for the sustainable and healthy development of the real estate market from the aspects of fiscal and taxation policies, land transfer, and household consumption. At present, many local governments have issued laws, regulations, and policies aimed at the regional real estate market, severely cracked down on illegal and criminal activities in the real estate market, and adopted a series of measures to restrain real estate speculation. In terms of financial credit, for a long time, financial institutions, mainly banks, tend to invest loan resources in the real estate industry, thus seeking rich investment returns. With the increase of the three red lines and other government constraints, it is more difficult for the real estate industry to obtain credit resources from financial institutions. It can be seen that the increasingly strict government control and restraint will cause difficulties for the development of the real estate industry.

4. Real Estate Development Path under the Background of Policy Regulation

4.1 The government level

The real estate market is closely related to people's livelihood and social stability, and it is inseparable from the government's policy support. On the one hand, as the local government has paid attention to some negative impacts brought by land finance and land transfer in the past, there will be more and more government policy constraints on real estate in the future. Although land transfer in China is operated by bidding and auction at present, it has not been completely market-oriented in the specific operation process, and it is still affected by government intervention. Therefore, the government should further promote land transfer in a more transparent environment. On the other hand, the Chinese government should introduce more policies to promote the development of the real estate industry in a high-quality direction, and comprehensively use financial means to regulate the daily operation of the real estate market and enhance the sustainable development level of the real

estate market. Local governments should properly handle the relationship between state-owned enterprises, financial structures, and the real estate industry, promote the coordinated development of various industries and real estate, and actively construct a healthy and sustainable enterprise relationship.

4.2 The enterprise level

Under the background of policy regulation, real estate enterprises should actively consider their own transformation, upgrading, and sustainable development. First, real estate enterprises should reduce over-investment. For real estate projects that are being invested or planned to be invested in the future, special attention should be paid to risk prevention and control and economic efficiency to avoid some major market risks. Secondly, the real estate industry should strengthen its integration and development with the real economy, especially the cooperation and exchange with the manufacturing industry. Obviously, the development of the manufacturing industry cannot be separated from the support of real estate, because the real estate industry can provide necessary factories and land for the manufacturing industry, and the integration of real estate and the manufacturing industry can achieve mutual benefit and win-win. At present, many manufacturing industries have gone from reality to emptiness, transferring their own investment to the real estate sector, which has increased the performance of enterprises in the short term but lost the long-term benefits of enterprises. In addition, real estate enterprises should fully combine the regional development stage and the actual situation to make a reasonable layout. In the future, there will be huge housing demand and commercial demand in the eastern region. Real estate enterprises should strengthen investment in a planned way according to the government's policies and regulations to meet the living needs of the people in the eastern region. The demand for real estate projects in the central and western regions should pay attention to the assessment of income and risk, and prevent the uncertainty of income caused by excessive investment.

4.3 The resident level

The healthy development of the real estate market is inseparable from the strong support of residents. Residents' consumption is an important driving force for the development of the real estate market and provides the necessary support for the development of the real estate industry. Residents are also the main interest groups directly related to the real estate market. It can be seen that the healthy development of the real estate market is very important for residents. With the gradual advancement of the central government's principle of "housing without speculation", housing investment at the individual level will also be subject to some constraints. In fact, there are still some people who are keen on real estate speculation, and government departments need to strengthen supervision to prevent individuals from driving up the real estate market, resulting in inflated real estate prices. At the same time, residents should invest rationally, avoid blind investment and over-investment, and cannot just consider the economic benefits and ignore the high risks of real estate. Residents should adopt diversified investment strategies, allocate more funds to finance, the real economy, and other aspects, improve the efficiency of capital use, and make due contributions to the development of the real estate market.

5. Conclusion

China's real estate development provides important support for economic growth and social progress, and real estate is an important industry that pays attention to the national economy and people's livelihood. In the process of accelerating China's high-quality development, the reform and stability of the real estate industry can not only improve the quality of China's economic development, enhance the efficiency of resource allocation and promote the upgrading of industrial structure, but also help improve public services and residents' living standards. However, it must be acknowledged that the development of real estate industry is a complex project related to real estate enterprises,

governments, residents, and other subjects, and it is very important to coordinate the interests of all subjects and share resources. Not only that, China's real estate reform will inevitably touch the interests of some industries and departments, so the risks and challenges of reform must exist. It is necessary to make active preparations, scientifically assess the risks and challenges of real estate reform and development and minimize the difficulties and risks caused by policy uncertainty, so that it can lay a foundation for the overall stability and sustainable development of China's economy and society.

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