

Prospects of China's Real Estate Market

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Abstract. The outlook for the expansion of China's real estate business is a popular topic of conversation. In 1980, Comrade Deng Xiaoping recommended that the housing reform should follow the path of commercialization; by 1998, the commercial housing system had been formally implemented. Throughout the past 24 years, China's real estate market has endured periods of prosperity, depression, and crisis. The purpose of this essay was to assess the goods and financial status of key Chinese real estate companies and provide more precise solutions to difficulties. Due to the rapid economic development of China's real estate business, some regions refer to the real estate economy as a bubble economy, and it is crucial to examine the industry's trends and demands. Excessive housing costs, over-development, overwhelmed individuals, and other issues require immediate resolution. In this post, we will give real estate sector proposals based on China's national conditions, including government-guaranteed low-rent housing, affordable housing, etc. Propose a new sort of community to alleviate the strain on the populace and resolve a portion of the subsistence issue. Considering the issue from the standpoint of development, the demand potential for Chinese real estate is enormous, and the development potential is vast.

Keywords: Real estate industry; Trend research; Livelihood issues; Government policies.

1. Introduction

1.1 Background

Urbanization is a crucial link in economic development from the perspective of the global urbanization process. The effects of urbanization are an ever-increasing urban population, a lack of urban housing, and a rise in urban housing prices. This underlying link between supply and demand has led to a steady increase in property prices in China. The majority of individuals cannot afford housing costs in major cities. Considering China's underlying national conditions, the working class constitutes a bigger share of the population. The majority of today's graduates and office professionals are particularly concerned with housing concerns. The real estate industry, which supports the livelihoods of a great number of people, must be strengthened immediately. The essence of the establishment of New China is to ensure that commoners have sufficient food and clothing without having to worry about their livelihood. The nation could be shook if the real estate issue is not handled correctly.

1.2 Related research

Dipasquale and Wheaton coupled fundamental economic expertise with a unique viewpoint on the real estate market. It studies residential and non-residential real estate markets from both macroeconomic and microeconomic viewpoints, as well as the government's role in real estate markets. Providing the necessary skills and approaches for readers to comprehend the operation of urban real estate markets [1]. Sun highlighted that financial risks in the real estate industry are crucial to the existing market's smooth functioning. On the basis of the practical development of the risks, it enumerated the current situations of financial risks in the Chinese real estate market and attempted to construct the standard system and the parameter model of the national financial risks in the real estate using the method of factor analysis, concluding with some solutions to prevent the risks [2].

In 2003, Hui and Yu conducted research on the property price bubble in Beijing and Shanghai. Inferring the existence of a bubble from (abnormal) interactions between house prices and market fundamentals. Combining standard econometric approaches, i.e., Granger causality tests and generalized impulse response analysis, with the reduced form of housing price determinants, this

research presents an upgraded framework. As a result, there is a property price bubble in Shanghai in 2003 [3]. Shi and Liu presented the rapid growth of the real estate markets (both in terms of quantity and property appreciation rates) in Chinese towns over the past two decades and give a laboratory to explore certain crucial issues that cannot be evaluated using data from mature economies. Political conditions distinguish the Chinese real estate market from those of other nations [4].

Burdekin and Tao asserted that large sums of money were pumped into the country's stock and real estate markets in 2009, at the same time that China's bank lending increased. Using data from 1999 to 2011, possible relationships between lending activity, real estate prices, stock prices, and inflation are studied. In addition to evidence of the cotermination of stock prices and housing prices, we find empirical evidence supporting the notion that housing prices have responded to increases in liquidity and lending rates. On the basis of causality tests and VAR estimations, the increase in property prices in China appears to have a consistent effect on the country's overall inflation rate [5]. Gabrieli et al. utilized a state-space model to evaluate whether or not a real estate bubble exists in China and its contributing reasons. The model estimates a fundamental price for Chinese real estate based on supply and demand using a Kalman filter with macroeconomic and time series real estate statistics as inputs. Then, to determine the presence of a housing bubble, the gap between fundamental real estate price estimates and actual prices is calculated. Particularly after 2010, when the deviation ratio becomes significantly bigger and reaches a peak of 80% in 2012, we can see indicators of a bubble. Compared to other research, estimates of overvaluation are often significantly higher [6].

Li intends to evaluate and categorize the many factors that influence real estate values in various regions. In the theoretical portion, prevalent factors on real estate prices are addressed with reference to relevant literature. In the empirical portion, the econometric model is developed to test the geographical variation of real estate price influencing elements. Then, models of public housing systems and examples of real estate bubble collapses from around the globe are selected for study and application to Chinese real estate development [7]. Liu and Chen intended to Since the 1990s, China's real estate market has grown dramatically and consistently. Academic and policy circles have been highly concerned about the potential that China's surging home prices have created a major housing bubble that could burst and hurt the country's financial system and economy in the future. This article explores the historical expansion of China's real estate market, defines the real estate boom, and analyzes its relationships with individuals, enterprises, local governments, and the financial sector [8].

According to Shao et al., the rapid growth of China's real estate industry is a result of the country's rapid urbanization; nonetheless, certain problems are beginning to emerge. This study will analyze the relationship between urbanization and the development of real estate utilizing the documentary research method and the current status of the real estate market. I will also suggest some solutions for the development of real estate, including extending financing alternatives, clarifying land ownership rights, strengthening macrocontrol, and enhancing rules and regulations [9]. In recent decades, the real estate business has been one of China's primary economic growth drivers, according to Wang. However, there has not been a great deal of historical research highlighting the shifting market structure and main players in this business. The research discussed two important industry players—state-owned enterprises and publicly traded real estate companies—as well as the 40-year evolution of China's real estate market structure. The chapter highlights the institutional complexity of the real estate market and examines the interplay between China's urbanization, the changing structure of the sector, and the likely future of significant real estate corporations [10].

1.3 Objectives

This article will study housing prices and per capita earnings in major cities and provide solutions based on China's particular national circumstances. The study will introduce three sections: the existing status of people renting, the cost of housing, the availability of loans, and certain types of houses that appear capable of resolving this issue. In addition, this essay will describe the new

community concept, which aims to cut housing costs so that more workers may afford to purchase a home.

2. Situation description

2.1 Current situation for residential housing

Buying a home in China, housing, and other problems trouble the populace. This article analyzes three cities, including the capital of China, Beijing. Qingdao, the new city, and Zibo, the regular city. These three cities are representative examples of the three home price categories. In Beijing, the annual per capita income is \$27,407, while the average property price is \$8,820 per square meter. The annual per capita income in Qingdao is \$17,200, and the average house price is \$2,402/m². In Zibo, the average yearly per capita income is \$12,928 and the average house price is \$1,241/m². Even if only a 30% down payment is required, it is a substantial sum for a recently employed young guy. As stipulated by China's newly enacted Marriage Law in 2021, if the guy in the marriage contributes the down payment and the woman and the man jointly repay the loan, the house will eventually belong to the man if the woman makes no contribution. Only previously repaid loans and their appreciation are available to women. Due to this rule and traditional Chinese custom, many women demand a dowry of tens of thousands of yuan and a house before marriage. This causes increasing numbers of young people to be stressed. Likewise, residences in China are protected by property rights, and due to the country's high population density, their average size is approximately 100 square meters. If two generations of adults lived together, there would be terrible overcrowding and a significant decline in quality of life.

2.2 Category commercial housing, shared property housing, low-rent housing

The Chinese government proposed the "low-rent housing" program in 2006 in response to the "inability to rent" problem. The term "low-rent housing" refers to low-cost rental accommodation, with an average rate of approximately RMB 1 per square meter in some third-tier city. In some big cities such as Shanghai, the price of "low-rent housing" is not cheap. This policy appears to resolve many people's issues. However, only a few people can afford to rent low-rent homes. Due to overly low pricing and inadequate facilities, many young people reject low-rent apartments. Second, fewer individuals fit the low-rent standards. First, you must have a hukou that is older than five years, and second, you must submit proof of income in order to qualify for a rental. In fact, many young individuals in large cities lack local hukou, and their incomes do not fulfill the requirements for low-rent housing. Additionally, co-ownership housing is a poor option. Co-ownership housing, as the name implies, involves the government and the buyer sharing the cost of housing building. In the contract, the amount of monies allocated by both parties and the rights and responsibilities assumed in the future withdrawal procedure are mentioned; The government will repurchase when quitting assured housing, and homebuyers can only recover a portion of their own assets to realize the program's closure. According to Beijing's shared property housing policy, the government can acquire the property rights of individuals, and non-hungry persons can acquire the government's property rights. When reclaiming property rights, the government examines factors such as prices. Individuals who sell property rights may not receive the price they desire. Second, although co-ownership housing appears inexpensive, there are not many price advantages. Using a community as an illustration, the personal property rights are 55% and the completely furnished house price is 29,000 yuan per square meter, which appears to be 40% less than the surrounding housing costs. RMB per square meter. In this situation, the pricing advantage has vanished.

3. Problems

There are numerous issues with renting a home in the present day. Using the most fundamental economic concept of supply and demand to explain, as China's urbanization advances, the urban

population density and housing demand will increase. Increasing numbers of individuals will be unable to purchase a home. The government has enacted a number of laws to ensure the well-being of its citizens, including purchasing restriction regulations and household registration policies, among others. Pre-sale homes can also cut housing prices, but homebuyer risk is greater, and there have been numerous "unfinished constructions" in recent years. Consequently, the unique community described in this research can effectively address the current issues.

It is impossible to separate China's national policy from the unique real estate status quo in China. Before 1998, urban Chinese households relied on housing distribution, and purchasing commercial housing posed no difficulty. Consequently, the Chinese real estate market can be separated into four distinct time periods. There are four distinct phases in the Chinese real estate market.

The initial cycle, 1987 to 1990. In the 1980s and 1990s, China's real estate sector expanded. In 1985, the restructuring of the urban economic system gave rise to the real estate business. Although real estate investment and transaction volume have grown significantly, they have not yet achieved the level of maturity. As a result of the 1987 paid transfer of land use rights in Shenzhen, the real estate market began to rebound and experienced a modest increase in 1988. Beginning in 1989, the state has implemented a series of macro-control measures, including the tightening of monetary resources, the reduction of expenditures, and the thorough management of real estate firms. The industry of real estate has been affected.

The second cycle spans from 1991 to 1996. During this time period, the market was booming. In several major cities and coastal areas, real estate has become an investment product. In 1992, following 14 congresses and the tremendous growth of the national economy, the general public had the opportunity to purchase real estate. Before this circumstance, the government had a policy whereby workers were allotted residences or apartments. In 1993, there are property price bubbles in growing cities like Shenzhen. Consequently, the price of real estate decreases in 1996. From 1988 through 1993, this cycle has a broad market range.

The third cycle spans the years 1997-2004. After 1997, production entered a phase of recovery and a new development cycle cycle. In 1998, China began reforming its housing system, and commercial banks began offering mortgage loans and other housing-related services. These strategies to support the prosperity of the real estate market progressively began to play a role.

The fourth cycle, 2005 until the present. The quick increase in real estate prices in 2007 is directly correlated with the rapid expansion of individual housing and the short-term success of the domestic stock market. In 2008, however, the national trend of growing property prices appeared to diverge, with some major cities leading a significant fall. In the third quarter of 2008, the central bank's report on monetary policy indicates that the real estate market continued to adjust, the trade volume of commercial housing declined dramatically, and house values began to collapse. Changes in the real estate market have resulted in a drop in the growth rates of real estate development investment, new house building, and land acquisition, as well as a considerable slowdown in the growth rate of commercial real estate loans. In this cycle, the fluctuations of growth and real estate adjustment occur alternately, and the cycle rises in waves.

4. Solution

As China's real estate industry has developed under the labels of "high-level," more individuals are unable to afford to purchase a home due to the excessively high price of real estate. The amount of green space in many areas reaches 50 percent or even 70 percent. It is, however, an unneeded waste. Customers must pay for the additional green space. Additionally, there are some useless analogues, such as a gym and a swimming pool. Many individuals need these types of entertainment facilities; nevertheless, many workers are overworked and lack the energy to engage in physical activity. It is unjust for them to be required to pay for these useless items. In addition, the public share system imposed a significant burden on the citizenry. For instance, a family acquired a property that was 100 square meters per person, but the actual size of the residence was only 80 square meters, with the

remaining 20 square meters being used for elevators and corridors. The massive amount of public funding allocated to affordable housing is extremely improper. In addition, the communal property must be maintained and pruned, and these costs will be included in the price of the home. When people cannot afford the necessities of life, large cities will lose workers.

A solution to this issue would be for a number of real estate developers to construct residences with the bare minimum of amenities and furnish them as "the simplest flat" for people to live in.

Subdivisions should be separated into several categories, such as luxury and affordability. The so-called inexpensive home is the primary selling argument for cost effectiveness. If they do not break government regulations, real estate developers will construct as many homes as possible in a given location. Thus, more office workers will be able to purchase their own homes.

The story of Hong Kong's "coffin room" was extensively spread in mainland China from an early age. Someone previously determined that Shanghai's average office worker could not afford to purchase a home for life. Many families consisting of three or four generations live together. To return to a historical perspective, the new China was founded because the citizens of the old society had no food and no shelter. If this issue of livelihood is not tackled effectively, it will lead to social instability.

5. Conclusion

Based on the historical process of China's real estate growth and the current state of the real estate sector, this paper proposes a novel approach - compressing needless housing costs as much as possible to fundamentally resolve the issue of excessive housing prices. Government should pay attention to this issue and provide some specific policies for those kinds of community. All real estate land has regulations such as how much green space it should have, however, in those community, the regulation can be loose. Extremely high housing costs will result in grave social issues. In addition, this article predicts that there will be a moderate fall in real estate values in the future, but not a significant decline. According to the most fundamental idea of supply and demand, the real estate sector is always one in which demand exceeds supply.

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