Research on the Impact of the Real Estate Economy on China's National Economy-- Taking the Comparison of Real Estate before and after the epidemic as an example

Sijia Zheng*, †

Beijing No. 8 Middle School, Beijing, 100037, China

*Corresponding author: thonv1071981@mail.wcccd.edu

Abstract. The importance of the epidemic's impact on investing in real estate and the National economy, and the changes in the real estate market in a short period, are directly related to whether the epidemic spread can be effectively controlled. If the epidemic is not alleviated, the property market will sleep; Once the epidemic has been largely controlled or eased, the real estate market will slowly recover. Eventually, once the epidemic situation stabilizes or even improves, the market will quickly recover, and the trading volume will increase to a certain extent. The text used the contrast demonstration method and the example demonstration method. And This paper aims to explore the outbreak's effects on China's real estate market, an examination of the sector's economic growth following the epidemic, and both long- and short-term changes. This paper suggests a real estate business growth plan in response to the pandemic based on the analysis.

Keywords: Real Estate economy; China; National economy; Epidemic.

1. Introduction

1.1 Research background

The commercial real estate industry in China, which is a tertiary business, focuses primarily on development, construction, operation, management, maintenance, decorating, and service. The real estate sector is quite significant. It can enhance the metropolitan setting and raise the happiness level of the populace. It may encourage economic expansion and boost the employment rate. Real estate has fueled several tertiary sectors, including handicrafts, construction, etc. Since the establishment of the People's Republic of China, the real estate sector has been crucial in advancing China's economic growth. To accommodate the rising urbanization and housing demands of the urban population, the urban housing system has undergone significant change and expansion, particularly since the 1990s.The real estate sector has greatly aided the expansion of China's national economy and the raising of living standards.

According to the National Bureau of Statistics' most recent report, the GDP in 2019 was 99086.5 billion yuan, of which the tertiary industry's GDP was 53423.3-billion-yuan, accounting for 53.916percentage points of the GDP and placing it top among tertiary industries in terms of contribution percentage [1]. The industry of real estate has a 6963 gross domestic product.1 billion yuan. It accounts for 13.034% of the gross domestic product of the tertiary industry and 7.027% of the gross domestic product, ranking fourth in the proportion of GDP contribution, second only to industry, wholesale and retail industry, and financial industry. From 2017 to 2019, the proportion of the real estate industry in the gross national product increased from 6.487% to 7.027%. The GDP of the real estate industry not only ranks among the top in the contribution rate of all industries to GDP, and its proportion is increasing year by year. It can be seen that the real estate industry is the focus and important engine of China's economic growth.

1.2 Literature review

Xia et al. present that the prevention and control of COVID-19 in China have been further consolidated, various external prevention and internal prevention and rebound measures have been further improved, and the restoration of production and living order nationwide has been carried out steadily. However, the epidemic's impact on China's social and economic development is unprecedented, and there are still many uncertainties in promoting the recovery of social and economic operations [2]. The epidemic has impacted China's economic development in the short term and brought uncertainty to restoring social and economic order. However, this does not mean that the epidemic's impact on China's social development is negative. Looking at the epidemic's impact on China's social development dialectically and rethinking in combination with the facts, we can find that the epidemic may bring new opportunities for China's social development in different aspects.

According to Zhang, the national urban survey's unemployment rate was 5.3% in January and 6.2% in February, up 0.1 and 0.9 percentage points month over month, respectively. Due to the Spring Festival, the jobless rate slightly increased in January. Due to COVID-19, there were more work stoppages and production stops at businesses in February than there were employees, and the unemployment rate rose dramatically [3]. Businesses reduced their hiring efforts during the outbreak, and there were not enough job openings on the market. Some willing job seekers seem to have been momentarily difficult to locate; others withdrew temporarily from the labor market because they were unable or unwilling to work.

Zhang Yi said that the epidemic's effects on employment are temporary and under your control. It should be underlined that the principles of long-term improvements have not changed, and China's economy has strong resilience, capacity, and flexibility. The labor market is in a position to continue to be steady. China's service sector has continued to grow quickly in recent years, and it will continue to be able to absorb more workers [3]. The breadth of entrepreneurship and innovation is still growing, as is the number of market participants. Additionally, it will keep acting as a "multiplier" to promote employment. Numerous rising economies are flourishing, and new avenues for employment and employment prospects are constantly and consistently opening up, adding to the number of jobs available. There is a strong economic underpinning for the job situation, which is still stable. The situation regarding the prevention and control of epidemics is improving, so a smooth return to work and production will be encouraged. Additionally, there will be a comeback in market demand, a gradual recovery in economic growth, a recovery in labor demand, and a gradual improvement in the employment situation.

Kan Mingfang also demonstrated the significance of the real estate sector to China's economy. To lessen the effect of COVID-19 on China's economy, the real estate sector's recovery strategy's success or failure is critical. The national blockade measures had an impact on the sector from supply and demand, which led to a dramatic decrease in the Chinese real estate market in the first quarter of 2020 [4]. From this perspective, the epidemic has done significant economic harm to China, and we must pay attention to this.

1.3 Research gap

The majority of academics have looked into how real estate brokerage affects China's economy, how important real estate is to the country's economy, and how these factors relate to one another. Contrarily, few mathematicians have examined how the real estate market has affected China's overall economy. One example is the comparison of real estate before and after the AIDS outbreak.

1.4 Research framework

This essay will first discuss how COVID-19 affected China's real estate market, then analyze how the market has changed economically since the epidemic, and finally discuss the long- and short-term changes the epidemic has caused in China's real estate market. Finally, this paper will discuss real estate businesses' development strategies in light of the epidemic.

2. Methods

2.1 Case analysis

Under the epidemic's influence, residents' willingness to buy real estate buildings has decreased because of instability. Residents' psychological activities and reactions illustrate the great impact of the epidemic on China's economy.

2.2 Comparative analysis

Compare the economic growth rate, the economic growth rate before and after the epidemic, the total GDP, the capital comparison of the consumer industry before and after the epidemic, and the traffic volume before and after the epidemic.

3. Results

3.1 The COVID-19'S effects on China's real estate market

Covid-19 has spread over the world since its emergence in January 2020 and is now a prevalent epidemic. The state put into place a highly stringent prevention and control program during this time to stop the virus's spread and guarantee the protection of people's lives. Shopping centers, restaurants, services, and other non-essential locations were shut down, which likely caused production and capital turnover issues for many businesses in our nation [5].

First off, production, sales, and real estate development and investment activities are the primary areas from which the effect of COVID-19 on the real estate business is examined. First, there has been a significant impact on real estate building and other related production activities based on human labor operations. Real estate, home development, and other production activities are referred to as real estate production activities. Real estate development was hampered during the outbreak because transportation in many areas of the nation was shut down, and the equipment needed to build homes couldn't be provided quickly. Additionally, the state forbade migrant workers from returning to work during the epidemic era, and real estate development activities came to a complete halt. Consequently, the epidemic has resulted in a lack of new construction in the field of real estate.

During the SARS period in 2003, all roads, railways, civil aviation, and water transportation were closed, as seen from the above figure. Both decreased significantly during the SARS period. According to this trend, the impact of novel coronavirus on traffic should be similar.x

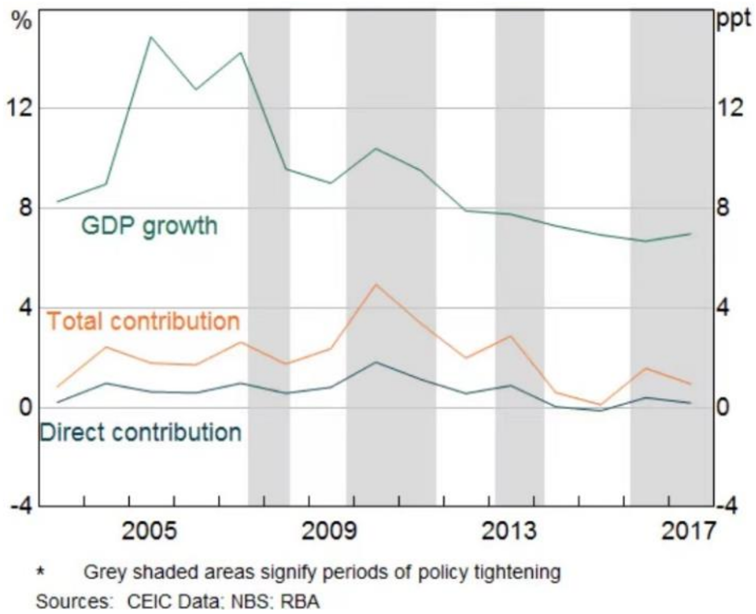

Figure 1. China's real GDP growth: Real estate investment contribution

Furthermore, fewer people were willing to purchase new building, which resulted in a sharp decline in real estate sales. There is a chance that some businesses that are affected by the outbreak won't have enough money to pay workers' paychecks in full or on schedule for the first quarter. The amount of money available to residents for discretionary spending and for housing purchases will both decrease. Due to limitations imposed by individual financial situations, residents' willingness to purchase homes will drop. Additionally, on-site sales are the predominant real estate sales strategy. Gathering activities are severely prohibited during the outbreak, and the sales office won't conduct any transactions.

3.2 Analysis of economic development of the real estate industry after COVID-19

This epidemic has brought people to a state of panic. The new epidemic has had a major impact on China's real estate industry's development, production and sales activities [6].

The first is the real estate market. During the epidemic period, some real estate enterprises actively explored and carried out online sales activities. For example, Evergrande launched online sales of "75% discount and unconditional refund of real estate sales". According to the figures released by Evergrande, nearly 50000 houses were sold in the first three days, with a revenue of 58 billion. Of course, the online operation is more about locking or storing customers, and the real signing must be offline. It is observed that there were not many real estate enterprises active online during the epidemic.

And other is how real estate businesses are doing. The financing of real estate firms for debt repayment is crucial given the delay in debt payments following the sale of homes. However, the funding options available to real estate businesses have considerably shrunk as of late. Debt repayment and insolvency are issues that many real estate businesses are now dealing with. Hundreds of real estate businesses have currently filed for bankruptcy. Large real estate companies can adapt to the epidemic's effects and have space for movement, but they must also deal with the issue of strategic and tactical adjustment.

The epidemic affects three long-term and short-term changes in China's real estate economy [7]. In the volatile epidemic, everyone wants to recognize the results of their development.

First, for a long time, during the epidemic period, most shopping malls closed, and many shopping malls and enterprises also adopted the corresponding rent reduction policy to stand together with merchants to tide over the epidemic truly. At the same time, during the epidemic, new retail methods began to occupy a certain position in people's hearts. When the epidemic is over, the shop-type commercial real estate will inevitably be seriously affected by e-commerce and even enter a long-term downturn stage of development. This may significantly reduce China's commercial recovery momentum in the next two years. Secondly, in the short term, local governments strictly controlled the flow of personnel to most effectively prevent the spread of the epidemic. The offline sales activities of China's real estate industry were stopped, and all sales departments were closed. However, due to the immature online transactions in China's real estate industry, there was a serious risk. Therefore, the epidemic has had a very obvious short-term impact on China's real estate economy, and the whole real estate industry is frozen. However, China's real estate enterprises have great capital pressure, fast turnover, and high leverage, which can easily lead to the operational risk of capital fracture in the real estate industry.

4. Discussion

First of all, at this stage, real estate enterprises are facing the pressure of cash flow due to the epidemic. So, they need to take effective measures to win more customers before officially opening the sales department to ensure they can obtain cash flow in advance. In the face of the extremely developed network technology, real estate enterprises should comprehensively promote ar real estate viewing technology [8] and conduct in-depth research on online real estate sales technology. Although there were some practical applications in the past, the effect is not ideal, and it is often limited by consumers' distrust of online transaction methods. Therefore, the real estate industry should actively strive for consumers' trust and relieve people's worries. It should adopt an online sales department, coupons, and live broadcasts to sell real estate. Different transaction methods should be set according to different situations to eliminate consumers' worries fully. For example, the sales policy of "online purchase + no reason to return" adopted by hengfangtong has won the favor of the public.

Second, there will be some demand for changing houses after the outbreak. The demand for house replacement mainly includes two aspects. One is to replace the small with the large, and the other is to replace the low with the high and replace the near with the far. Why say that? First, during the epidemic, many people were required to stay at home, but because the houses were small, there was no room for activities. The penthouse and the first-floor house that people once abandoned may make some people re-recognize and be willing to buy. Another is that some people are more willing to live in communities with a better environment, better-supporting facilities, higher greening rates, and higher property management quality. This is low for high. As the saying goes, for some people who are older or have a higher income, many people will think that low-density living is the best way to prevent the epidemic after the epidemic. They may seek to live far away from the city center or a little further away from the living place. For example, garden houses and villas in the suburbs may be favored. Moreover, the epidemic has made many people realize the benefits of living in their hometown, especially in the rural areas near the city. It may cause some people to buy homes in places with a good environment and air because of homesickness, a sense of crisis, and the pursuit of safety to meet their holiday leisure and unexpected needs.

Finally, grasp the opportunities of M & A, broaden the cooperation model, and achieve a win-win scale [9]. Crisis and opportunity coexist, and the epidemic significantly impacts small and medium-sized housing enterprises' high debt ratio and capital safety [10]. While there is no return on sales, debt needs to be repaid, financing channels are narrow, and cash flow is needed to resume work. Many businesses and projects will grow through mergers, acquisitions, and joint development. Future market developments include ventures and equity sales. This condition applies to sizable housing businesses that have the resources and capacity to grow. They ought to seize the chance presented by mergers and acquisitions fully if they want to reap the benefits of scale and efficiency twice. In addition to boosting service fee income, brand real estate businesses may also increase the scale of OEM and construction, which will help to further improve scale and brand.

5. Conclusion

In the real estate industry macro-intervention, the government came forward to intervene in the post-real estate bubble period. The introduction of purchase restrictions, real estate registration, and an affordable housing security system has turned house prices from soaring to slowly rising. However, house prices are still high overall, allowing most of the National income to catch up. The rise in house prices is not entirely determined by supply and demand. Real estate companies to get to the construction industry, the cost of materials, public facilities, Green belt construction costs, etc., are the main factors driving up house prices.

Therefore, on the one hand, the government needs to strengthen the construction of indemnification housing, In the implementation of the real estate registration system, the appropriate suppression of real estate investment behavior, strengthen the financial sector real estate business loans to prevent vicious investment from disrupting the market, so that house prices within the appropriate range. On the other hand, controlling the rising real estate cost factors and strengthening the cost of real estate enterprises such as the audit. In addition, regulate the sale price of real estate-related industries, controlling real estate development costs and real property sales prices. At the same time, we must also speed up the construction of the social security system. Driven by China's domestic demand, it will be difficult to achieve the goal by relying on a small number of people who get rich first. The need to increase consumption of the backbone of the encouragement, China's traditional consumption concept, and the current National social security and medical security system is not perfect, as well as the turmoil of the National economy, making most people lack a sense of security. In the non-state-owned and public service unit of the work of the staff, the unemployment will have a deeper understanding of the instability of the economy will make some enterprises face layoffs unemployment phenomenon.

Studying the epidemic's impact on real estate can effectively alleviate the misunderstanding of real estate after the epidemic and understand the relevant ways of purchasing houses—the validity of the depth of the status quo.

References

[1] Su Xuan. CCTV February 28, 2020. 10. 28, https://m.iqiyi.comv_19rxhj8c9c.html.

[2] Xia Shang, Li Jiao, Ni Zhiliang. Financial Regulation, No. 10, 2020, https://wk.baidu.com/view/b7212789b3717fd5360cba1aa8114431b80d8e59.

[3] Zhang Yi. The implementation of coordinated policies will promote the improvement of the employment situation under the impact of the epidemic http://www.stats.gov.cn/tjsj/sjjd/202003/t20200316_1732415.html.

[4] CEIC Column. COVID-19 epidemic's Impact on Chinese Real Estate Market https://info.ceicdata.com/zh-cncovid-19-impact-on-China-real-estate.

[5] Xu Xianchun, Jia Hai, Li Jiao, et al. Research on the Effect of Real Estate Economy on China s National Economic Growth; https://m.ishare.iask.sina.com.cn/f/2hGHdt9CeI1.html.

[6] Wei Xingfu, Chen Zhong. A Preliminary study on the high-quality Development of China's real Estate Industry under the epidemic situation: Based on the inspiration from the diversification of Japanese real estate enterprises [J]. Real Estate Industry, 2021 (08): 88 - 91.

[7] Ba Shusong, Column - China's real estate industry under the impact of epidemic disease: changes and trends https://baijiahao.baidu.com/s?id=1666001488964834532&wfr=spider&for=pc&searchword=] China's real estate industry under the impact of epidemic disease: changes and trends.

[8] Teng Tai, Liu Zhe, Zhang Haibing. Panoramic perspective of the impact of the epidemic on China's economy: total and structural analysis [J]. China real estate industry, 2020000 (006): p.22 - 27.

[9] Liu Ying. The impact of the epidemic on China's real estate economy and the coping strategies of property enterprises. 2020 urban housing (3): 39 - 41.

[10] Zhao Dongmei. Impact of COVID-19 on China's real estate and trend analysis [J]. China Real Estate, 2020, number 677 (12): 31 - 33.