

Explore the Password of the Current Real Estate Market

Yang Tao¹, Zhixian Guo², Zhuowen Shan³, Mengkai Ye², Youqing Xu¹

¹School of Accounting, Anhui University of Finance and Economics, Bengbu, China

²School of Finance, Anhui University of Finance and Economics, Bengbu, China

³School of Economics, Anhui University of Finance and Economics, Bengbu, China

Abstract

In recent years, the heat of the real estate market has decreased, and the price of real estate in a few places has declined slightly, mainly due to the effect of the purchase restriction policy and the slowing down of economic growth. Is it difficult to develop the real estate industry in the future? Will the real estate market be depressed for a long time? For example, some people think that the real estate cannot be sold, and the price must be greatly reduced? I believe that the real estate industry will continue to develop. It is only the subjective desire of some people that the long-term price reduction of real estate will not rise. This desire is neither in the interests of the state nor in the interests of society, nor in line with the laws of the socialist market economy. Based on the comprehensive analysis of various factors, China's real estate industry will continue to develop, the real estate market will be more sound, and the real estate price will definitely not fall all the time, and will certainly "rise steadily".

Keywords

Real Estate Market; Real Estate Price; Factors Affecting Real Estate Price.

1. Current Situation of Real Estate

The super first tier cities, such as Beijing, Shanghai, Guangzhou and Shenzhen, have always had a high proportion of young people and strong housing prices due to the super siphon effect. In addition to the low supply in Shenzhen, for example, there is no surplus in real estate. The serious surplus in this article refers to the majority of third, fourth and fifth tier cities and some second tier cities, which do not have enough demand. Shed reform and rural people entering the city can indeed generate some demand, but after so many years of development, This kind of demand has been basically met. I believe many people living in or from the third, fourth and fifth tier cities have the same feeling. They have built a lot of houses, but they have basically bought what they want to buy and what they can buy. Some have even bought several sets. The rest are those who don't want to buy, just want to live in rural areas, and can't afford to give up. There are also some factors that keep urban housing prices high:

First, the space for urban expansion is still large.

By 2021, the national urbanization rate is only about 65%, and there is still a long way to go. In the 14th Five Year Plan, the country put forward new concepts of "urban agglomeration" and "metropolitan area" on the development of urban towns, covering most provinces, municipalities and autonomous regions in the country. In addition, the planning of local areas has provided new huge space for the development of urban towns. At the same time, it also provides good conditions for the continuous development of real estate.

Second, the real estate industry is crucial to economic and social development.

The real estate industry has contributed to the economic and social development since 1998. By 2021, the proportion of the real estate industry in GDP will reach nearly 7%. If the real estate industry is added to its upstream and downstream industries, its contribution will be greater.

Therefore, economic and social development cannot easily lose this important piece of real estate, which will only further standardize and improve the real estate market and promote its more healthy development.

Third, the demand for purchasing commercial housing still exists.

On the one hand, the original demand was largely suppressed due to "purchase restriction", unstable economic income and other factors. On the other hand, the new demand will continue to increase. After the economic recovery, the number of people entering the cities will inevitably increase greatly. It is predicted that there will be nearly 11 million college graduates nationwide in 2022. In addition, the work of some graduates in previous years has not been stable. Most of these graduates will not return to the countryside, but will go to the city to look for jobs, and then settle down. In addition, because the children have entered the city, many parents will also come along, increasing the demand for housing.

Fourth, people's perception of real estate has changed, and the value of real estate has increased. In the past, people's real estate had almost only the value of self habitation, while today's real estate has not only the value of self habitation, but also the value of obtaining a premium for selling a house, the value of collecting rent after renting, the value of preventing cash devaluation, maintaining and increasing the value, and the value of obtaining a loan with a house mortgage. Nowadays, many people do not buy houses for living, but take real estate as an important tool to maintain and increase wealth and make full use of it.

2. Factors Affecting Real Estate

2.1. Population

Without considering the special fertility policy, the number of newborn babies will drop one after another (with a year-on-year fluctuation in the proportion of the corresponding population of all ages). According to the current fertility situation, it is estimated that the proportion of the population aged 0-9 may be lower than 10% for the first time in 2025, which will be the same as the proportion of the population aged 70 or above or hang up for the first time, and then it will quickly enter the next round of decline after a slight rise.

Since the birth control, the real reason why the total population has not decreased or even has a high growth is not that more people live in one generation than another. On the one hand, the reason is that the average life expectancy has increased, 73 males and 79 females, which is a rough average. The population structure has also changed from a dynamic pyramid to a spindle. Another reason is that the birth period of the population wave peak corresponds to the population wave peak of the next cycle. The normal optimal fertility rate is 2.1. 2 Couples have an average of 2.1 children. Considering the 0.1 of abnormal deaths, the total population can remain unchanged. However, the population age structure in China is wavy. When the people at the wave peak have children, their children correspond to the wave peak of the next round of children, At present (2015-2020), the age distribution of the main normal deaths in China corresponds to the youth 60 years ago. The proportion of the population belongs to the trough. The next wave of death is the baby boom after the founding of the People's Republic of China in 1949. Newborn babies are growing explosively. According to the calculation from 1950 to 1955, the current age is 72-77 years old. The current low school-age childbearing and low fertility rate cannot erase the reduction of this population, which will inevitably lead to the reduction of the total population.

2.2. Economic Environment

The 40 years of rapid economic development complement the vast urbanization process.

The current housing price is completely different from the previous housing price expectation. When the economy maintains a high growth rate of more than 10% for a long time, it is

necessary to have a commodity with strong value preservation ability to resist the loss caused by inflation. At that time, people did not have many choices. What ordinary people could access was the house. At this time, the house has a very strong financial attribute, and the earlier the house is, the more downtown it is, The more they have the best urban resources (hospitals, learning, transportation, etc.), their added value further promotes their financial attributes. However, after this round of rapid economic development, the growth rate has gradually slowed down, and people's quality and quality of life have also been qualitatively changed. Now there are more other investment channels. The low inflation expectation caused by low growth rate also reduces the financial anti inflation attribute of houses.

When buying a house, the house price income ratio may not be much lower than it is now. However, due to the rapid economic growth period, people who are brave enough to expect the house price income to soar have become a group of people who enjoy the dividend of the times. The cost of buying a house is fixed at the moment when they bought a house. But from this moment on, the continuous growth of house price makes their house more valuable, their income more and more high, and their loan to income ratio less and less.

2.3. Other Factors

House prices cannot fall suddenly (a sharp drop is impossible, even a sharp drop is impossible). Neither new houses nor second-hand houses can. Real estate is still a pillar industry for a long time. The decline of house prices will seriously affect the credit of people who have just bought houses in the last five years, and will also seriously affect the development and employment of upstream and downstream industries. The supply shortage tide is the trigger for financial systemic risks that the whole society cannot accept.

Since house prices cannot fall, will they not rise? To achieve common prosperity and great rejuvenation, we must not allow the people, the whole society and economic development to be kidnapped by real estate. We must develop sophisticated science and technology and advocate consumption. The houses outside Beijing, Shanghai, Guangzhou and Shenzhen have lost their financial attributes. The increasing high supply, the decreasing low demand, and the changes in the supply relationship have made the houses lose the power to raise prices. The reduction of population expectations has reduced the demand for houses in the whole society. The continued rise in house prices will only further widen the gap between the rich and the poor in society.

The best way to solve the current real estate problem is to strive for a soft landing, maintain the horizontal trend of housing prices, and let social and economic growth slowly eliminate the high foam accumulated in recent decades. Real estate is in demand at any time, that is, just in need and improved houses. Just in need, you can buy them when you have to, and improved houses when you have to. This demand is a drop in the bucket compared with the demand of rapid urbanization.

3. Reasons for the Prosperity of China's Real Estate Market

3.1. Policy Support

In 1994, the state issued the Decision on Deepening the Reform of the Urban Housing System. The main spirit of this decision is in three aspects: First, the welfare housing distribution treatment enjoyed by urban workers for many years has been completely abolished nationwide since 1998. We will simultaneously rent and sell the original urban housing, encourage individuals to purchase housing according to the housing reform policy while increasing the rent, and make it clear that "housing reform" can enter the market. Second, we will comprehensively establish a housing accumulation fund system for urban employees. The individual employee pays the housing fund, and the unit will give the same amount of subsidies.

Employees can not only withdraw the accumulation fund of their own accounts, but also apply for housing loans when purchasing or overhauling houses. The third is to allow the establishment of a real estate market, which allows the free purchase and sale of commercial housing in the market. At the same time of the promulgation of the Decision, a series of corresponding laws and regulations were introduced to establish and improve the commercial housing market. Local governments all over the country have also introduced many policies and measures in combination with local conditions, providing a strong policy basis for the rapid development of the commercial housing market.

3.2. The Continuous Expansion of the City Size

At the end of the 1970s, there were less than 200 cities in China, including about 100 cities above prefecture level, 90 county-level cities and nearly 2200 organic towns. By the end of 2018, there were more than 670 cities in China, including nearly 300 cities above prefecture level, more than 370 county-level cities and nearly 21300 organic towns. Since the early 1980s, the area of urban built-up areas in China has increased from more than 7400 square kilometers to more than 56000 square kilometers, an increase of more than 48000 square kilometers, or more than six times. By the end of 2017, the population with registered residence registration at or above the prefecture level had reached more than 480 million. There are 14 cities with a registered residence population of more than 5 million, 16 cities with a population of 3 million to 5 million, nearly 220 cities with a population of 500 thousand to 3 million, and nearly 50 cities with a population of less than 500000. The expansion of urban scale and the increase of population provide a very broad space for the growth and development of the real estate market.

3.3. Strong Support from the Financial Industry

In the early stage of the formation of the real estate market, the financial sector began to get involved. China Construction Bank and Industrial and Commercial Bank of China first set up a real estate credit section within the bank, which is specifically responsible for real estate loan services. Later, almost all banks joined the ranks of providing real estate loans. At the beginning, the amount and duration of real estate loans were relatively tight. Later, due to the interests and fierce competition, most banks relaxed the conditions, and the amount of loans was increased and the duration was extended. Then came the mortgage loan, which gave more support to the purchase of commercial housing by individuals. Some banks reduced the down payment ratio to 20% for the purchase of commercial housing by individuals for 30 years. The loan can solve the problem that many people are short of funds to buy houses. Almost all house buyers have been supported by the loan.

3.4. Huge Demand for Housing

The formation of demand mainly comes from two aspects: 1. People in the original city can no longer rely on welfare housing distribution. If they want to increase or improve housing, they can only buy commercial housing, which is the largest part of the demand. 2. The new demand brought by the new increase of urban population. From 2000 to 2021, the number of graduates of ordinary colleges and universities across the country will increase every year, from more than 1 million to more than 9 million each year, and the total number will reach 123 million by 2021. In addition, the number of graduates from colleges and universities and migrant workers from rural areas will increase. Although these people will not buy all commercial houses, they will buy them in batches and installments. A large number of renters have also increased the demand for housing. The increasing demand has seriously stimulated the rise of real estate prices.

4. Real Estate Market

4.1. Is the Policy Warming the Desire of Developers or the Retention of the Government?

After the industry experienced pains last year, the major real estate enterprises were short of funds, and the enterprises had no hope to save themselves. In the second half of the year, the second and third centralized land auctions in most first tier and second tier cities were badly off, which probably was unexpected by the transferor, and directly caused the decline of the transferor's financial revenue. Therefore, in order to avoid the occurrence of real estate systematic risk after Evergrande thunderstorm, the policy will rebound from the bottom in September 2021 until now (mid May 2022). From shouting slogans to Songyingen and then to the down-to-earth cancellation of purchase and sales restrictions in cities, the relaxation of various policies also shows the government's attitude towards the real estate industry: to stabilize.

4.2. Where does Dongfeng Owe to the Fact That the Market has not Warmed Up?

At the beginning of the year, my view was that real estate could rebound from the bottom, because the whole policy was very similar to the beginning of 2015. However, the actual situation of the market this year is not satisfactory. The fundamental reason is that the macroeconomic fundamentals have changed. "The economy is poor - low income - no consumption - the economy is worse". Now the economy has almost entered this downward spiral mode. Facts once again show that economic development is the first driving force for people to consume in advance. Since March of the first half of the year, the economic downturn caused by the closure and control of the epidemic situation in various regions combined with the complex international situation has led to the lowering of people's expectations for future income. "Cash is king" has become the choice of most people. And the fear of debt caused by pessimism towards the future has become the biggest resistance to market warming.

4.3. What are the Customers Waiting for When They Don't Close the Deal?

If you lose your job after buying a house, it will become an unbearable burden if you can repay more than half of the loans with the accumulation fund. Now I am in a relatively stable state-owned enterprise real estate industry, but I am still so worried, let alone other private enterprise peers and even people from lower income industries. When talking about the market, the marketer likes to say that the customer has a heavy wait-and-see mood, so the transaction rate is low. The reality is that the customer's wait-and-see mood is not afraid that the market will fall, but that they will not be able to afford to buy. The former can still be relied on by the marketer, while the latter is afraid that the marketing is powerless.

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