

Digital Financial Development, Rising Housing Prices and Non-residential Consumption

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Abstract

In recent years, the real estate market has become less popular, and real estate prices in a few places have declined slightly, mainly due to the effect of purchase restriction policies and the slowdown in economic growth. Will it be difficult for the real estate industry to develop in the future? Will the real estate market slump and remain cold for a long time? As some people believe, real estate will definitely not be sold and prices will have to be significantly reduced? I believe that the real estate industry will continue to develop. The long-term price reduction of real estate will not rebound. This is only the subjective wish of some people. This wish is neither in the national interest nor in the social interest, nor in line with the laws of the socialist market economy. Based on the analysis of various factors, my country's real estate industry will continue to develop, the real estate market will be more sound, and real estate prices will definitely not continue to fall, but will definitely "increase steadily."

Keywords

Real Estate Market; Digital Financial Development; Non-residential Consumption.

1. Current Situation of Real Estate

Super first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen have a strong siphon effect, which means that the proportion of young people in the population is always very high, and housing prices are very strong. Coupled with the low supply in Shenzhen, for example, there is no real estate surplus. The serious surplus in this article refers to It is the vast majority of third-, fourth- and fifth-tier cities, and some second-tier cities. These cities do not have enough demand. Housing reform and rural people moving to the city can indeed generate some demand. However, after so many years of development, this demand has basically been met. For I believe that many people who live in or are originally from third-, fourth- or fifth-tier cities feel the same way. They have indeed built a lot of houses, but they basically bought all they wanted and could buy, and some even bought several units, leaving the rest There are those who don't want to buy and just want to retire in rural areas, and there are also those who really can't afford to give up. There are also the following factors that keep housing prices in cities high:

First, there is still a lot of room for urban expansion.

As of 2021, the national urbanization rate is only about 65%, and there is still a long way to go for urbanization. In the 14th Five-Year Plan, the country put forward the new concepts of "urban agglomerations" and "metropolitan areas" for the development of cities and towns, covering most provinces, municipalities and autonomous regions across the country, plus local

and local plans, all for The growth of urban towns provides new and vast spaces. At the same time, it also provides good conditions for the continued development of real estate.

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

The real estate industry has contributed to economic and social development since 1998. By 2021, the real estate industry will account for nearly 7% of GDP. If real estate is added to its upstream and downstream industries, the contribution will be even greater. Therefore, economic and social development cannot easily lose the important part of real estate. It will only further standardize and improve the real estate market and promote its healthier development.

Third, the demand for purchasing commercial housing still exists.

On the one hand, the original demand has been greatly suppressed due to factors such as "purchase restrictions" and unstable economic income. On the other hand, new demand will continue to increase. After economic recovery, the number of people entering cities will inevitably increase significantly. It is predicted that there will be nearly 11 million college graduates nationwide in 2022, and the jobs of some graduates in previous years have not been stable. Most of these graduates will not return to the countryside, but will only enter the city to find jobs and then settle down. In addition, as children move into the city, many parents will follow them, increasing the demand for housing.

Fourth, people's perception of real estate has changed, and real estate values have seen new growth.

In the past, people's properties almost only had the value of self-living, but now the property not only has the value of self-living, but also has the value of obtaining a premium for selling the house, the value of collecting rent after renting, and the value of preventing cash depreciation, maintaining and increasing value, and The value of the loan obtained as collateral against the house, etc. Nowadays, many people buy houses not to live in them, but to make full use of them as an important tool for wealth preservation and appreciation.

2. Factors Affecting Real Estate

2.1. Population

Without taking into account the special birth policy, the number of newborns will fall in waves (with the corresponding year-on-year fluctuations in the proportion of the population of each age group). According to the current fertility situation, in 2025, 0-9 The proportion of the population aged one year old may be lower than 10% for the first time, and it will be the same as the proportion of the population over 70 years old or invert for the first time. After that, it will rise slightly and then quickly enter the next round of downward cycle.

The real reason why the total population has not decreased since the birth plan and has even increased at an intermediate level is not that more people are born in each generation. On the one hand, the reason is the increase in the average life span, which is 73 for men and 79 for girls. This is a rough average and the population structure It has also changed from the previous vibrant pyramid shape to the current spindle shape. Another reason is that the reproductive period of the population peak corresponds to the population peak of the next cycle. The normal optimal fertility rate is 2.1. Two couples have an average of 2.1 children. Taking into account the 0.1 occupied by abnormal deaths, the total number of children can be maintained. The population remains unchanged, but China's population age structure is distributed in waves. When people at the peak of the wave have children, their children correspond to the peak of the next round of children. China's current (2015-2020) main The age distribution of people who died normally corresponds to the youth of 60 years ago, and the population proportion belongs to the trough. The next peak of the death wave is the baby boom after the founding of

the People's Republic of China in 1949. The number of newborns increased explosively. Calculated from 1950 to 1955, the current People aged 72 to 77 years old. The current low age fertility and low fertility rate cannot offset the decrease in this population and will inevitably lead to a decrease in the total population.

2.2. Economic Environment

The 40 years of rapid economic development are complementary to the advancement of the vast urbanization process.

Today's housing prices are completely different from previous housing price expectations. When the economy maintains a high growth rate of more than 10% for a long time, there must be a product with strong value preservation to resist the losses caused by inflation. At that time, people did not have many choices, what ordinary people have access to is houses. At this time, houses are attached with very strong financial attributes, and the earlier the houses are in the city center, the better urban resources (hospitals, learning, transportation, etc.) they have. The added value further boosts their financial attributes. However, after this round of rapid economic development, the growth rate gradually slowed down, and the people's quality and quality of life also experienced qualitative changes. Now there are more other investment channels, and the low inflation expectations caused by low growth rates have also been reduced. The financial inflation-resistant properties of a house.

When buying a house in the past, the housing price-to-income ratio was not necessarily much lower than it is now. However, due to the period of rapid economic growth, people who were brave enough to anticipate skyrocketing housing prices and incomes have created a group of people who enjoy the dividends of the times. The cost of buying a house has been fixed at the level where it used to be. moment, but from this moment on, the continuous growth in house prices makes your house more and more valuable, your income becomes higher and higher, and your loan to income ratio becomes lower and lower.

2.3. Other Factors

House prices cannot fall suddenly (not plummeting, not falling sharply), neither new houses nor second-hand houses. Real estate will still be a pillar industry for a long time. The fall in house prices will seriously affect the credit of those who have bought houses in the past five years, and will also seriously affect the market. The development and employment of downstream industries and supply cuts are the triggers of financial systemic risks that are unacceptable to the entire society.

Since house prices cannot fall, won't they rise? To achieve common prosperity and great rejuvenation, we must never allow the broad masses of the people, society as a whole, and economic development to be hijacked by real estate. We must develop high-tech and sophisticated technologies and advocate consumption. Houses outside Beijing, Shanghai, Guangzhou and Shenzhen have lost their financial attributes. Increasing high supply, declining low demand, and changes in supply relationships have caused houses to lose the motivation to increase prices. The expected decrease in population has reduced the demand for houses in the whole society. The continued rise in housing 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, keep housing prices sideways, and let social and economic growth slowly eliminate the high bubble that has accumulated in recent decades. There is a demand for real estate at any time, that is, for rigid needs and improved houses. Just-necessary houses are bought when they have to be bought, and improved houses are bought when they have to be bought. This demand is proportional to the demand due to the rapid development of urbanization, it's really a drop in the bucket.

3. Reasons for the Long-term 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 has three aspects: First, starting in 1998, the welfare housing allocation benefits that urban employees have enjoyed for many years will be completely abolished nationwide. Promote both rental and sale of original urban housing. While raising rents, encourage individuals to purchase housing in accordance with housing reform policies, and make it clear that "housing reform housing" can enter the market. The second is to comprehensively establish a housing provident fund system for urban employees. Individual employees pay housing provident fund, and the unit provides the same amount of subsidies. When employees purchase or overhaul a house, they can not only withdraw the provident fund from their own account, but also apply for a housing loan. The third is to allow the establishment of a real estate market, where commercial housing can be freely bought and sold. At the same time as the "Decision" was promulgated, a series of corresponding laws and regulations were also promulgated to establish and improve the commercial housing market. Local governments across the country have also introduced many policies and measures based on local realities, providing a strong policy foundation for the rapid development of the commercial housing market.

3.2. The Continuous Expansion of Urban Scale

In the late 1970s, there were less than 200 cities in the country, including about 100 cities at or above the prefectural level, about 90 county-level cities, and nearly 2,200 incorporated towns. By the end of 2018, there were more than 670 cities across the country, including nearly 300 cities at the prefecture level and above, more than 370 county-level cities, and nearly 21,300 incorporated towns. Calculated since the early 1980s, the urban built-up area nationwide has increased from more than 7,400 square kilometers to more than 56,000 square kilometers, an increase of more than 48,000 square kilometers, an increase of more than six times. By the end of 2017, the registered population at or above the prefecture level nationwide reached more than 480 million. There are 14 cities with a registered population of more than 5 million, 16 cities with a registered population of 3 to 5 million, nearly 220 cities with a registered population of 500,000 to 3 million, and nearly 50 cities with a registered population of less than 500,000. The expansion of urban scale and population have provided 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 stages of the real estate market, the financial sector began to get involved. China Construction Bank and Industrial and Commercial Bank of China first established real estate credit departments within the banks to provide real estate loan services. Later, almost all banks joined the ranks of providing real estate loans. At the beginning, the amount and period of real estate loans were relatively tight. Later, due to interests and fierce competition, most banks relaxed the conditions, and the loan amount increased and the period was extended. Mortgage loans that appeared later gave greater support to individuals purchasing commercial housing. Some banks reduced the down payment ratio for individual housing purchases to 20%, with terms as long as 30 years. The availability of loans solves the problem of insufficient funds for home purchases for many people, and almost all home buyers are supported by home loans.

3.4. Huge Demand for Home Purchases

The formation of demand mainly comes from two aspects: 1. People in the city can no longer rely on welfare housing allocation. If they want to increase or improve their housing, they can only buy commercial housing, which is the part with the largest demand. 2. New demands

brought about by the new increase in urban population. From 2000 to 2021, the number of graduates from ordinary colleges and universities across the country has increased every year, from more than 1 million per year to more than 9 million per year. By 2021, the total will reach 123 million, plus vocational colleges and other schools. There are even more graduates and migrant workers from rural areas. Although this group of people will not buy all commercial housing, they will buy it in batches and installments. The large number of renters also increases the demand for housing. The increasing demand has seriously stimulated the rise in property prices.

4. The Direction of the Real Estate Market

4.1. Is the Policy Warming Due to the developers' prayers Or the Government's Retention?

After the industry went through a period of pain last year, major real estate companies were strapped for funds. With no hope of self-rescue, companies fell into disarray. In the second half of the year, most of the second and third land auctions in first- and second-tier cities were severely unsold. This was probably the beginning of the transfer process. Unexpectedly, it directly caused a decrease in the financial income of the transferor. Therefore, after the Evergrande thunderstorm, in order to avoid the occurrence of systemic real estate risks, the policy began to bottom out in September 2021, and until now (mid-May 2022), the policy has continued to be gradually loosened. From shouting slogans to loosening money to actually lifting purchase and sale restrictions in various cities, the relaxation of various policies also illustrates the government's attitude towards the real estate industry: it must be stable.

4.2. The Market has not Followed up and Improved, So Where Does Dongfeng Owe it?

At the beginning of the year, my view was that real estate could bottom out and rebound because the entire policy landscape was very similar to that of early 2015. However, the actual market situation this year is not satisfactory. According to analysis, the fundamental reason is that the macroeconomic fundamentals have changed. "The economy is poor - income is low - no consumption - the economy is even worse." Now the economy has almost entered this downward spiral mode. Facts have shown once again that economic development is the first driving force for people to consume ahead of schedule. The economic downturn caused by the epidemic lockdowns in various places that began in March in the first half of the year and the complex international situation have led to lower expectations for future income, and "cash is king" has become the choice of most people. The fear of taking on debt caused by pessimism about the future has become the biggest obstacle to market warming.

4.3. If Customers Don'T Close the Deal, what are They Waiting to See?

If you lose your job after buying a house, most of the loan that you could have repaid with your provident fund becomes an unbearable burden. Now that I am in the relatively stable state-owned real estate industry, I am so worried, let alone my colleagues in other private companies and even those in lower-income industries. When talking about the market, marketers like to say that customers are in a wait-and-see mood, so the transaction rate is low. The reality is that customers are now in a wait-and-see mood, not because they are afraid that the market will fall, but because they are afraid that they will not be able to afford the purchase. The former can also rely on marketers. On the other hand, the latter's marketing is probably powerless.

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