Urbanization Impacts the Soaring Housing Price of Hangzhou During 2018-2022

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Abstract. This paper examines the reasons for the rapid increase in housing prices in Hangzhou between 2018 and 2022. As one of China's fast-growing cities, Hangzhou has experienced significant changes in its real estate market due to continued population growth and accelerated urbanization, especially driven by major events such as the G20 Summit and the Asian Games. Firstly, the improvement and expansion of the city's infrastructure, especially the development of Hangzhou's metro network, has increased the attractiveness and property values of specific areas. Second, the government's talent admission policies and the city's overall attractiveness led to a population surge, further pushing up housing demand. In addition, special events such as the G20 Summit and the Asian Games and the urban renewal programs they bring have stimulated housing prices to a certain extent. In response to these reasons, it is recommended that the government take multifaceted measures to control the excessive rise in housing prices, including strengthening the regulation of the real estate market, rationalizing the planning of urban development, and providing more affordable and rental housing. The Government has optimized its policies to meet the housing needs of different income groups so as to achieve long-term stability and healthy development of the real estate market.

Keywords: Urbanization; housing price; Hangzhou.

1. Introduction

Hangzhou has a population of 12.2 million permanent residents, making it one of the fastest growing cities in China. Additionally, it is Zhejiang Province's newest first-tier city with the most population. Hangzhou has 16596 square kilometers in total, of which 4876 square kilometers are made up of municipal districts [1]. Since Hangzhou City hosted the G20 (Group of Twenty Finance Ministers and Central Bank Governors) meeting in 2016, several talent introduction policies have emerged and been published. The advantages that these gifted people were granted were the catalyst for Hangzhou's urbanization. Because of this, Hangzhou began to attract high-quality demographic groupings and saw an increase in the value of real estate. Over the last half-decade, talks over housing costs in Hangzhou have increased in frequency, and the city's real estate market has grown in popularity. The cost of property in Hangzhou has been rising, and the price range has expanded. Demand for housing is also outpacing availability outside of the city.

The Hangzhou government has implemented several housing regulations, such as home lotteries and restrictions on purchase qualifications, to curb the prices of basic housing demand in response to the ongoing rise in housing costs. Nevertheless, the cost of housing—especially for used homes—continues to rise.

The dwelling is essential in the traditional Chinese notion. Many people in Hangzhou these days are unable to meet the basic housing needs or even own a home, which fundamentally affects their ability to settle into stable employment. It will undoubtedly have a significant effect on Hangzhou's sustainable growth in the end. In light of the aforementioned data, this paper analyzes how urbanization is causing house prices to rise very quickly from 2018 to 2022. The paper shows that Infrastructure, Population and Special Event are the biggest elements that affect the house price.
2. Mechanisms of Influence

2.1. Infrastructure

Urbanization, improvement, and expansion of infrastructure (e.g., transportation, public service facilities, etc.) enhances the attractiveness of cities, thereby increasing the value and demand for properties in these areas. Hangzhou is one of the most influential cities. The rapid development of the Hangzhou Metro, such as the construction of new lines and the extension of existing lines, has made more areas more accessible, increasing the attractiveness and real estate value of these areas. Average home prices within 2 kilometers of a station are between 2.1% and 6.1% higher than outside [2]. Many cities in China use urban rail transit systems as a primary mode of transportation. Subway is more convenient for white-collar workers. The benefits of the subway over the car lie in punctuality and speed. More research shows. The house's worth is directly impacted by how far away the subway station is from it. The farther away from the subway station, the lower the value of the house (See Fig. 1).

![Image](https://example.com/image1.png)

**Fig. 1** The influence of the distance to the subway station on the price of housing in Hangzhou

Because of the greater efficiency of commuting, residential properties near metro stations are thought to benefit greatly from a positive premium [3]. It is evident that city dwellers are prepared to spend more for environmental amenities. House prices fell by 0.229% and 0.052%, respectively, when the distance to West Lake and neighboring parks rose by 1%, but house prices climbed by 0.008% when the park size expanded by 1%. The price of the mansion rises by $6.965 or $78.97 million, respectively, if it is located fewer than 0.5 kilometers from the Qiantang River or less than 1 kilometer from the lake. The value of residences near mountains or rivers climbed by $9.479, or $33.6 million [4].

2.2. Population

The urbanization of Hangzhou has led to an oversupply of houses in Hangzhou. In recent years, with the development of Hangzhou, the population of Hangzhou has been increasing, resulting in excessive demand for housing. According to data, the 2020 bulletin of the Zhejiang Provincial Bureau of Statistics on major population data in Zhejiang Province shows that the resident population of Hangzhou reached 64.68 million in 2020 [5]. The data of the 2021 bulletin on major population data in Zhejiang Province shows that the total resident population of Hangzhou is 65.4 million. Compared
with the previous year, Hangzhou's population increased by 720,000 people in one year. Both policy-related and non-policy factors can be blamed for the population boom.

Policy factors in Hangzhou have a significant impact on population growth. Government strategies and planning largely determine the attractiveness of the city and the sustainability of population growth. Hangzhou's policy supported immigration of talents and other populations causing demand issues in the housing market. Based on information from the "seven Census" [6], Hangzhou's population influx has consistently ranked highest in the Yangtze River Delta area since China's "talent war" in 2017, and the city's fast population increase has been the norm in recent years. One of the primary causes of Hangzhou's population increase is its talent introduction program. The primary targets of the talent introduction policy are foreign talents, Chinese students and researchers studying overseas, full-time doctorate, graduate, and undergraduate students. The policy highlights related to talent introduction are mostly seen in the areas of child enrollment, talent settlement, subsidies, and so on. The most prominent of these preferential programs is the housing purchase subsidy program. Up to $1.164 million in purchase subsidies will be awarded based on the type of talent. Additionally, those with skill will be given preference when buying homes. Many talented people have been drawn to Hangzhou by these favorable measures for ability. In 2019, Hangzhou welcomed 21.2 million undergraduate students under 35, bringing the total number of residents to 55.4 million. 43.6 million students under 35 were admitted to Hangzhou in 2020, and the city's talent inflow rate remained the highest in the nation [1].

Policy factors have high requirements on people. Therefore, in addition to policy factors, non-policy factors are also the important reasons for the rapid growth of Hangzhou's population. "The Economist Intelligence Unit's emerging city rankings identify the greatest growth potential in urban China," claims research from the organization. This year's rankings ranked Hangzhou (Zhejiang) at the top, followed by many major eastern coastal Chinese cities [7]. These cities, which have robust industry and talent bases, will be crucial to China's shift to a development model that is increasingly focused on technology. The research comprehensively assesses over 300 Chinese cities in terms of GDP, population, foreign direct investment, urban space, etc. and focuses on over 60 variables, including economic level, consumer market, logistics and communication, medical education, etc. It then identifies 20 cities with the greatest development potential. Nonetheless, Hangzhou is the top city in Zhejiang Province.

2.3. Special Event

There have been many special events that have led to serious fluctuations in housing prices. For example, the G20, Asian Games and epidemics. The house demolition initiated in 2016 in preparation for the Asian Games also had a great impact on Hangzhou's house prices. The increase in demand is due to factors such as an increase in the residential population, preferential policies, and expansion of land area. With the increase in demand, there was an oversupply of residential land in the city center due to its limited availability, resulting in soaring house prices. Due to the large-scale advancement of urban renewal in preparation for the G20 Summit and the Asian Games, accompanied by a booming real estate market, the scale, speed, and rate of increase in urban renewal and housing prices are among the highest in the country (according to the National Bureau of Statistics monitoring data on the sales prices of commodities and residential housing in 70 large and medium-sized cities, Hangzhou's housing prices increased by 40.5% in 2015~2018, which is the 12th highest among the 70 cities) [8]. China's housing market's primary goal is to supply new homes so that both locals and visitors can live comfortably. This will also help residents to improve their living environment and alleviate housing problems. Second, the government permits housing businesses to sell their homes ahead of schedule and obtain upfront funding to support their construction projects in an effort to stimulate the growth of the housing industry [9]. Many nations have not yet reached a consensus on this clause.

The COVID-19 pandemic has caused irreparable damage to the global economy. The Chinese production used a very polarized approach to the problem. That was the embargo. It was a 'double-
edged”. Although it effectively reduced the probability of the public being infected by the pandemic. But it caused great losses to the whole country’s economy. It had a serious impact on daily life. Nearly all of the city’s economic activities were impacted by the blockade, which required residents to carry out their financial obligations—such as traveling, attending school, and working—from a distance.

To stimulate the economy, central banks in many countries have lowered interest rates and launched massive new quantitative easing programs to curb government borrowing costs, increasing demand for homeownership, which in turn has pushed up home prices [10]. In Hangzhou is no exception. Central banks have lowered the cost of lending. This positive signal boosts consumer and investor confidence, which stimulates demand in the real estate market. For homebuyers, this reduces the total cost of purchasing a property. This makes loans more affordable. In a low interest rate environment, returns on deposits and other fixed income investments are relatively low. This makes real estate more attractive as an investment, as it is seen as an asset that offers higher returns.

The greatest metric for assessing a city’s potential and development is its GDP. People's incomes increase in proportion to GDP, which is measured per capita. More purchasing power translates into more revenue. One important sector in Hangzhou, the city where the well-known Alibaba was created, is the digital economy. In 2020, Hangzhou will attract more talent than any of the other nine major Chinese cities combined. Of this talent, 29.5% will work in the IT, communications, electronics, and Internet sectors, with 10.9% of that talent working on the Internet and e-commerce secondary industries. By 2020, the main industry of Hangzhou’s digital economy is expected to have an added value of 6.24 billion yuan, which represents 26.6% of the province’s GDP [6]. The income of Hangzhou residents will continue to climb due to the city’s growth potential, the influx of many talented individuals, and the growing GDP. The proportion of Hangzhou’s GDP devoted to the housing market increased from 5.6% in 1998 to over 20% in 2009. In 2010, actual property prices in Hangzhou were around RMB 12,000 per square meter, more than five times higher than in 1998 (after inflation). Hangzhou is now among the most expensive cities in China due to the sharp increase in property costs. In particular, Hangzhou's housing market had a 34% increase in prices in 2005 over 2004 [9]. People moved their investments to the real estate sector to expand their assets through capital gains as a result of the gloomy mood in the stock market. At that time, the phrase "real estate speculation" gained popularity. From 2005 to 2009, the average price of a home climbed by about 20% annually; the price only increased by 10.7% in 2008, the year China’s financial crisis occurred. Yet not as dramatically as previously. However, a 10.7% rise is not to be taken lightly. The GDP and household income growth rates during the same time period were barely half as fast as the increase in home values.

3. Conclusion

Hangzhou is a fast-growing new first-tier city in China. Home prices in Hangzhou are rising rapidly between 2018 and 2022. Hangzhou’s urbanization rate has accelerated significantly especially after the G20 summit. The article describes three major factors of urbanization leading to the rise of Hangzhou house prices. Infrastructure is the first factor. Hangzhou has a very well-developed subway. This has helped Hangzhou citizens solve many ground transportation problems. The subway saves a lot of time. In a big city like Hangzhou, time is money. The second major factor is population. Due to Hangzhou as a new first-tier city. Hangzhou's population has skyrocketed. Everyone wants to have a good job in Hangzhou. The government’s adoption of talent introduction strategies coupled with the city’s overall attractiveness led to a population surge, further pushing up housing demand. The last factor is special event. In addition, many special events concerning the country helped urban renewal. This has also stimulated housing prices to some extent. Excessive rise in housing prices may face many problems. For example, the ratio of house prices to rents and the ratio of house prices to average income are not harmonized. This can lead to an out-of-control market. Many people will face serious problems with rent increases. In order to limit these uncontrollable phenomena. The government
should optimize its policies to meet the housing needs of different income groups. And help citizens and real estate prospects to have a better future.

References


