

Development Status, Problems and Countermeasure Analyses of Real Estate Industry

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Abstract. As one of the important economic pillars in China, the real estate economy has played an indispensable role in China's economic development, and the development of China's real estate industry is facing an inflection point, and ordinary old hundred. The daily life of the family name is closely related to the healthy development of the national economy. Due to the impact on the macroeconomic aspect of the economy, investors no longer want to invest in real estate and the excessive inventory occupies national resources, which leads to the current situation of the real estate industry getting out of control. This paper describes the current situation of the real estate industry, existing problems and countermeasures one by one, so as to provide help for the stable development of the real estate industry and the healthy development of the economy, so as to promote the sustainable development of China's economy.

Keywords: China's real estate; real estate status; real estate problems.

1. Introduction

In recent years, China's real estate, as an important pillar industry of China's economy, has been widely concerned. The development of the real estate industry is of great significance to the stability of the national economy and the development of society. In the past few decades, China's real estate has experienced a stage of rapid growth and continuous regulation, attracting the attention of consumers and investors from all over the world. Real estate has played a very important role in promoting China's economic development, not only promoting economic development and China's urbanization process, but also promoting consumption growth, labor and employment. However, with the change of national policy orientation and the adjustment of economic structure, the real estate industry is also facing some problems and challenges. Therefore, this study needs to pay attention to the real estate market, analyze the market changes, find the existing problems and give corresponding strategies for the problems.

2. Current Situation

Although China's real estate has not developed for a long time, it has developed relatively rapidly, and its impact on China's economic development cannot be ignored. Real estate commodities belonging to capital goods, similar to other types of financial capital, are highly likely to be used as speculative objects by people [1-2]. In some big cities, especially first-tier cities, due to inflation. Many people will invest in real estate to resist inflation, which accelerates the rise of housing prices (See Fig. 1). In order to increase income, some real estate developers will constantly increase the demand for land and use a lot of sand in development. However, due to the limited amount of sand, they will continue to dig pits, forcibly occupy rural land, and gradually occupy national resources.

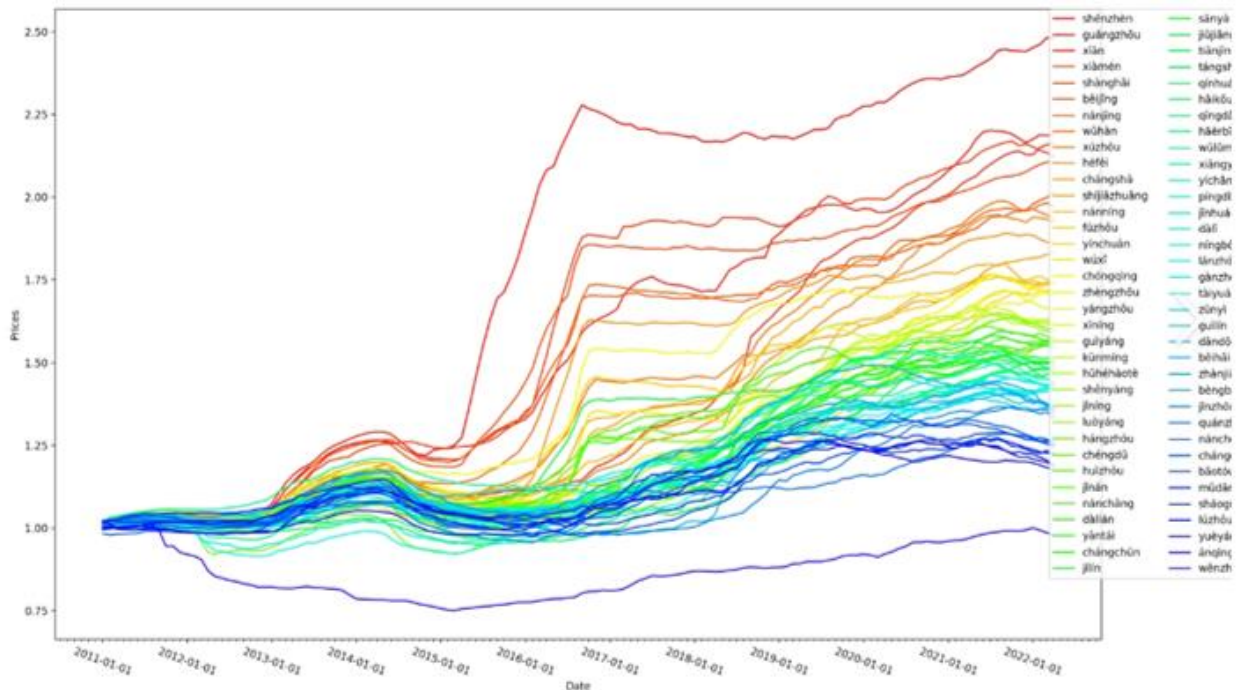


Fig 1. Trend of housing prices by city in China from 2012 to 2022.

3. Current Problems

3.1. Economic Aspect

The real estate market is closely related to the macro economy, as well as to local governments and banks. It is a complex interplay, and if problems arise, it could have adverse effects on the economic situation. In terms of policy, complete deregulation is not possible as real estate is not equivalent to ordinary commodities. Therefore, the timing of price declines depends on the extent of government regulation in response to current economic conditions. The severity of global and domestic economic situations has increased risks in the real estate market. In recent years, global economic growth has slowed down and domestic economic growth has faced pressure, leading to a decline in confidence among homebuyers. People usually purchase homes either with cash or through mortgage loans. However, nowadays housing prices require millions or even tens of millions of currency units, making it more common for ordinary individuals to opt for the latter option. In recent years, with loose monetary policies implemented by the government resulting in an increase in money supply, both property developers and consumers have become heavily reliant on funding. Generally speaking, banks provide sufficient funds to ensure stability in the real estate industry and support its development. However, if there is an oversupply of real estate resources, it can lead to numerous non-performing loans for banks which severely hinder further development in the real estate sector and consequently impact sustainable macroeconomic growth. For example, China Oceanwide Holdings Group defaulted on the payment of \$700 million bond interest due in 2024, resulting in a trading halt for the bonds. The company is expected to incur a loss of RMB 17 billion to RMB 20 billion in the first half of 2023, compared to a loss of RMB 1.087 billion in the same period last year, potentially expanding its losses by 14 to 17 times. Hong Kong media outlet "Caixin" pointed out that if people calculate based on the projected loss of RMB 17 billion for the first half of this year, it would wipe out all profits earned by China Oceanwide Holdings Group between 2017 and 2021.

3.2. Social Dimension and Investor Willingness

Excessive economic expansion of the real estate industry will affect and change the mode and even efficiency of market resource allocation, mislead consumers, cause them to have unclear

understanding of the current economic situation, blindly buy, and finally destroy the balance and stability of the real estate market [3]. Since the 2010s, with the rapid development of China's infrastructure and economy, as well as the large-scale construction of high-speed rail, population flow is very convenient, and big cities are becoming more and more crowded, which accelerates the unbalanced population distribution and leads to the rise of housing prices, which is also one of the ways to screen the population in a disguised way. As a result, people remain cautious about the economic prospects of future housing prices and no longer blindly buy houses, thus reducing sales. With the continuous rise of housing prices before the epidemic period, most buyers will choose to wait and see the trend of housing prices and wait for the decline of housing prices and the relaxation of policies before making purchases, which will lead to the decline in transaction volume and sales volume. High real estate prices and low rent-to-sale ratio are also among the reasons. The cost and benefits of buying a house and renting a house are the same, but if the prices of the two diverge, consumers will arbitrage. For example, if the housing price is too low and the rent is too high, consumers will buy a house; if the housing price is too high and the rent is too low, consumers will rent a house. In December 2022, the National Bureau of Statistics investigated the investment situation of the real estate development industry from January to November 2022, and calculated that the cumulative investment of real estate development enterprises across the country showed a downward trend. In the first 11 months of the year, the total investment of real estate development enterprises in housing construction projects, land development projects, public welfare buildings and land purchase expenses exceeded 1.2 trillion yuan, down 9.8% year on year. Among them, residential investment exceeded 90,000 trillion yuan, also showing a significant downward trend.

3.3. Large Inventory

According to CRIC statistics, in November 2023, the new supply area of commercial housing in 120 key cities across the country was 241.23 million square meters, down 14% year-on-year. Even if December ushered in the "carry-over" market, the annual supply of new homes is expected to shrink to a near five-year low, mainly due to the dual impact of the downturn in the market for new homes and a significant contraction in the local market. From the monthly performance point of view, only in March and September, the monthly supply exceeded 30 million square meters, and most of the remaining months fluctuated around 20 million square meters, and the supply constraints became more significant. In order to ensure urban development and land fiscal revenue, some local governments reserve a large amount of land, resulting in excessive concentration and waste of land resources, failed to centrally use, forming a potential inventory. In order to pursue economic growth and land fiscal revenue, some local governments and real estate developers have over-developed, invested and built a large number of real estate projects, which exceeds the market demand. Moreover, the positioning of some real estate projects is inaccurate, unable to meet the needs of groups of different classes and incomes, so that some houses cannot be sold, resulting in inventory overhang

4. Suggestions

4.1. Financial Policy

We will strengthen government fiscal management measures. The government should increase the capital turnover of real estate companies and the financial management measures for restructuring mergers and acquisitions. Many large real estate enterprises have accumulated non-performing assets, only to solve their own financial debt, legal industry problems, formulate multi-party transaction structure design and tax planning, financing plan design, for real estate projects in difficult times have enough space and time to carry out restructuring, mergers and acquisitions, integration [4]. The central bank can influence the financing cost of buyers through monetary policy, avoid too loose financing and prevent real estate speculation, so as to stabilize the market. For example, on the basis of indirect financing in the credit market, direct financing is conducted through the capital market, and on the basis of direct financing in the primary market, a secondary market is established for

sharing risks. We can solve the problems of mortgage maturity and capital liquidity. From the analysis of the development trend of real estate, macro-control weakens GDP and strengthens the "six stability and six protection", and real estate faces the bottleneck of scale growth; With the flow of population and industry, structural adjustment will be carried out, and the new urbanization will continue to advance, and the real estate market of central cities and urban agglomerations will have a promising prospect. In terms of policy, adhere to the main tone of "housing does not stir", and promote the realization of the "three stability" goals "because of the city's policies". By strengthening supervision, the government can introduce more targeted policies, such as limiting loans, limiting purchases, raising real estate tax and other means to prevent the rapid rise of housing prices [5]. It is necessary to pay close attention to market changes and adjust policies flexibly to ensure the stability of the market. To ensure the long-term development of the real estate industry and meet the needs of consumers, it is necessary to promote the transformation and upgrading of the real estate industry and transition to a new development model [6].

4.2. Information Disclosure and Transparency

Improve buyers' understanding of market conditions, ensure that buyers can obtain accurate and timely information, and strengthen corporate governance, establish incentive measures, such as employee stock option plan (employees can buy company shares at a predetermined price at a certain time in the future that is, the exercise period of the option). In order to improve the corporate management and responsibility system, so as to ensure the transparency and responsibility system of the senior management of the enterprise. In the work of real estate opening and handing over the real estate ring festival, the relevant units need to supervise the planning and execution of the activities to ensure that there will be no price cheating and other problems in the process of real estate activities. Improve the quality of real estate transactions [7]. The government and international cooperation can also be strengthened to win more investors to improve the international competitiveness of the market, so that buyers can be more aware of the fluctuations of housing prices and the clarity of policies. In addition, urban renewal can improve the living quality of old residential areas, increase investment in the construction of affordable housing, meet the housing demand of low-income groups, increase the supply of the rental market, and improve the rent-to-sale ratio to change the poor investment in the market, so as to ensure the stability of the market.

4.3. Optimizing Land Supply

First of all, different land supply policies should be formulated, and the total land supply should be strictly controlled. According to the actual demand of different cities and regions, land resources should be rationally and scientifically allocated to avoid excessive concentration and repetitive construction, and priority should be given to protecting land for housing in need. Local advantages should be combined to promote the development of characteristic real estate such as old-age care and tourism, and enrich the business forms of the real estate industry. Revitalize idle real estate through diversified business forms [8]. And strengthen the supervision and evaluation of land. In addition, to reduce the occurrence of real estate speculation groups, vicious hoarding and other phenomena, the state through active investigation of the number of personal real estate, and on this basis, a series of loan rules are applied to restrict this undesirable phenomenon. In terms of land supply, we should strictly control the total amount of construction land, fully implement the "bidding and auction" of land transfer and have pressure and protection in the structure of development land supply, in an attempt to improve the housing supply structure and stabilize housing prices [9]. Secondly, in terms of finance, the government can reduce the financing cost of developers by lowering the loan interest rate, providing loan guarantees, tax incentives and financial subsidies, and guide long-term investors to participate in the real estate market, such as insurance funds and pension funds. Using these long-term funds to hedge risks in the real estate market can improve the stability of the market. It can also promote the development of the rental market to reduce the demand for housing and ease the inventory pressure. Relevant departments should establish a linkage mechanism between housing and

land, scientifically and reasonably grasp the rhythm and structure of land supply, actively promote the supply-side structural reform of the real estate industry, give play to the important role of price in the allocation of land resources, and gradually reduce the financial dependence on land. Fourth, relevant departments should steadily promote real estate tax legislation and reform, curb speculative demand, and optimize the housing ownership structure [10].

5. Conclusion

To sum up, the development of the real estate market has declined somewhat, and attention should be paid to the important role of real estate in people's livelihood. In order to stabilize the market and improve people's housing conditions, financial means can be used to improve the market to maintain the vitality of the market, avoid stimulating the economy with real estate, and promote the further development of the economy through reasonable planning of land use. In combination with the development of the market, reasonable planning measures are formulated to ensure the stability of the real estate market and the positive development of the real estate economy in all aspects, so as to solve the current problems.

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