

China's Real Estate Market: Issues and Countermeasures

Mulin Yang *

Nanshan Foreign Language School (Group) Senior High School, Shenzhen, China

* Corresponding Author Email: 101348@yzpc.edu.cn

Abstract. The real estate sector plays a vital role in China's economy and is a crucial engine of economic growth. The massive investment and construction activity has promoted the upgrading of infrastructure and the development of manufacturing, construction, and related services, thus strongly supporting the expansion of the overall economy. However, with the rapid growth of the real estate market, some problems that cannot be ignored have also been exposed, including rising housing prices, intensified real estate "speculation," and the environmental impact of real estate projects. These problems may threaten the financial system's stability and negatively impact social equity and the ecological environment. This article aims to delve into the main issues facing the real estate industry today, explore their causes, and propose practical countermeasures, aiming to promote the development of the real estate industry in a healthier and more sustainable model to promote long-term stable economic growth.

Keywords: Real estate; real estate investment; economic development.

1. Introduction

As an essential part of economic development, real estate significantly influences the world. As a vast industry, real estate directly affects the national economy's total volume and growth rate and profoundly affects people's lifestyles, urban planning, and social stability. The rise and fall of the market are often not only an indicator of economic prosperity but also a reflection of the effectiveness of the government's economic policies and the stability of social confidence. Therefore, the healthy development of the real estate market is not only related to the sustainable growth of the economy but also directly related to the quality of urban development and the long-term stability of society.

China is considered the largest developing country. It has experienced rapid economic growth over the past few decades and is increasingly important in the global economy [1]. As an essential part of economic development, China's real estate market promotes transforming and upgrading the city's financial structure. It faces the challenge of coordinating with other aspects of the economy.

This paper discusses several significant issues in the national real estate industry, namely the continuous rise in housing prices, intensified speculative behavior, and environmental impacts of real estate projects.

2. Issues

2.1. Rising Housing Prices

China's uneven economic development is an essential reason for the rise in housing prices. Tier 1 cities and some Tier 2 cities have attracted a large influx of young people and high-income people due to their rapid economic growth and better employment opportunities [2], and these population groups usually have a very concentrated and urgent need for housing. The concentration of high-income people has led to high housing prices in these cities, and the supply of housing in the market has been unable to meet the demand, further pushing up the housing prices. On the other hand, compared with first-tier cities, third- and fourth-tier cities and rural areas have relatively slow economic growth, sluggish growth in residents' income, and weak ability to buy houses. However, due to the investment attributes of the real estate market and the impact of urbanization, the housing prices in these areas have also been pulled by the rise in housing prices in large cities, resulting in the problem of unbalanced regional economic development.

In addition, the land supply in China's cities is tightly controlled, directly leading to the rapid rise in land costs. The supply of land for urban expansion and new construction projects is limited, and local governments increase their revenues by raising land transfer fees through strict land transfer policies and auction systems. The high cost of land directly increases the cost pressure on property developers, and these costs are ultimately reflected in the price of new homes, further pushing up the level of housing prices in the market. At the same time, land supply constraints also allow investors in the real estate market to increase prices, prompting them to invest more money in the real estate market, pushing up housing prices [3].

2.2. Intensified Speculative Behavior

The problem of "property speculation" is a common and prominent phenomenon in China's real estate market, which affects its stability and residents' living conditions.

Speculation activities have led to significant price fluctuations in China's real estate market, especially in high-end residential and popular areas, and prices may rise or fall rapidly, affecting market expectations and investor confidence. Property speculation is often driven by a speculative nature, with investors entering the market in large quantities to make a quick profit, and this short-term influx of large amounts of capital can lead to rapid fluctuations in house prices. The high frequency of buying and selling makes it difficult for market prices to form a stable balance between supply and demand. Also, it increases market uncertainty, adversely affecting ordinary residents and long-term investors [4].

Property speculation can lead to a bubble in the real estate market, where house prices are much higher than their actual value, and there is a risk that the bubble will burst, triggering market shocks and economic instability. Speculative property purchases have led to rapid increases in housing prices, which exceed the actual use value of the property and the affordability of market demand [5]. Once market expectations or the policy environment change, investors may quickly sell properties, causing market prices to fall rapidly and triggering the risk of a bubble in the real estate market. This situation not only affects the market's healthy development but also has a bearing on the financial system and macroeconomic stability.

Speculation has led to an imbalance between supply and demand in the market, and some properties have been left vacant by speculative purchases, resulting in speculative buyers of housing resources often buying properties not for self-occupation or long-term investment but for short-term speculative gains [6]. These vacant houses cannot effectively meet the actual housing demand, making it difficult for residents in the market who need housing to find suitable living space, especially in the rental market. In the long run, this imbalance between supply and demand will exacerbate market instability and affect the quality of life of urban residents and the overall allocation of resources in society.

China's real estate market has long been overly dependent on the real estate industry, leading to a homogeneous industrial structure and a concentration of economic risks. Over-development of real estate can inhibit the development of other industries, affecting the long-term sustainability and diversification of the economy.

2.3. Environment

The accelerated urbanization in China has led to significant environmental impacts from large-scale real estate development. For example, land development and construction can damage water resources, air quality, and ecosystems, affecting residents' quality of life and health.

Large-scale real estate projects typically require substantial water resources for construction and daily operations, potentially causing groundwater level decline and surrounding water pollution.

In addition, the need for building construction, concrete fabrication, site cleaning, greenery maintenance, and daily operations such as water supply and drainage can put significant pressure on local water resources [7]. Frequent groundwater extractions can lead to a drop in the water table. As the groundwater level declines, water bodies such as rivers, lakes, wetlands, and wells, which

originally relied on groundwater, may be depleted or their flow reduced, affecting the stability of surrounding ecosystems and the livelihoods of residents.

Harmful gases and volatile organic compounds affect the air quality of the surrounding area. Particulate matter and toxic gases from activities such as the operation of construction machinery, land leveling, and the processing of building materials threaten workers' health and cause air pollution and health problems for surrounding residents. Construction sites usually involve mechanical equipment operations and land leveling, such as excavation, mixing, and piling. These activities produce large amounts of particulate matter, including dust and soil particles, suspended in the air and diffusing into the surrounding environment. During the processing and use of building materials, such as cement production, paint coating, and chemical solvents, harmful gases such as volatile organic compounds (VOCs), sulfides, and nitrogen oxides are released [8].

Real estate projects can damage existing ecosystems, such as wetlands, forests, and grasslands, leading to land cover change, vegetation degradation, and loss of habitat for plants and animals. The expansion and alteration of building land will directly affect the local ecological balance, leading to problems such as vegetation degradation, increased soil erosion, and obstruction of wildlife migration paths, resulting in long-term negative impacts on local communities and biodiversity [9].

Large-scale real estate projects often require large tracts of land for residential, commercial, and infrastructure development, which leads to the alteration and destruction of existing natural ecosystems. In the process of land development and construction, a large amount of vegetation is removed, resulting in the reduction of plant species in the ecosystem and even the degradation of vegetation, affecting the soil conservation capacity and the stability of the ecosystem. In addition, land alteration and expansion of real estate projects directly affect wildlife habitat. After the destruction of the original wetlands, forests, and grasslands, many animals and plants have lost their places to live and reproduce. Secondly, large-scale land development and construction will destroy the original soil structure and vegetation cover, increasing the risk of soil erosion. This affects the fertility and sustainable use of the land and can lead to the pollution of nearby waters and the deterioration of the ecosystem. The interactions and balance between various organisms in the ecosystem are threatened, which can lead to the collapse of local ecosystems or the continued loss of biodiversity [10-11].

3. Countermeasures

3.1. Addressing Rising Housing Prices

China should implement regional development strategies to boost economic growth in third- and fourth-tier cities and rural areas through infrastructure improvement and optimized industrial layout. Promoting urban-rural integration and encouraging population movement to surrounding areas and secondary cities can alleviate pressure on first- and second-tier cities, reducing single-source price increases.

The government can ease urban expansion restrictions and increase land supply to lower land transfer fees and reduce developers' cost pressure. Market-driven land transfer mechanisms can improve land use efficiency and avoid price hikes caused by supply constraints. Strengthening macroeconomic regulation and refining differentiated policies based on regional conditions can help stabilize housing prices. Enhanced market regulation to curb speculation and stabilize expectations can reduce rapid price increases.

3.2. Tackling Speculative Behavior

China's real estate market has long been overly dependent on the real estate industry, leading to a homogeneous industrial structure and a concentration of economic risks. To promote the diversification and sustainable development of the economic structure, the development of other industries can be encouraged through policy guidance and financial support. This can not only reduce

overreliance on real estate but also balance the structure of the economy and reduce the risk concentration of the economy.

On the other hand, strengthening market supervision and enforcing laws and regulations is essential to curb property speculation. It is necessary to improve the supervision of the real estate market, to implement relevant laws and rules strictly, and especially to crack down on speculation. This includes intensifying the monitoring of illegal capital inflows, strengthening the openness and transparency of real estate transaction information, and timely disseminating market and housing price trends to curb speculation effectively.

In addition, promoting the balance between supply and demand in the real estate market is also the key to alleviating the problem of property speculation. It is necessary to increase the supply of low- and medium-end housing to meet the multi-level residential demand of the market and reduce the speculation space of high-end housing in the market. The government can encourage real estate developers to increase the construction of low- and medium-priced housing and improve the housing supply capacity of residents through land policies and financial subsidies to stabilize the supply structure of the real estate market and reduce the incentive for speculative purchases.

3.3. Addressing Environmental Issues

First of all, the problem of water consumption and groundwater level decline in real estate development projects can be solved by strengthening water resources management and protection measures. For example, strict water resource utilization and conservation measures should be implemented to promote the rational use and recycling of water resources, reduce excessive extraction of groundwater, and ensure

Secondly, given the impact of dust, harmful gases, and volatile organic compounds released during the construction process on air quality, environmental monitoring and control of the construction site should be strengthened. Adopt advanced environmental protection technology and equipment to reduce particulate matter and harmful gas emissions from construction activities and protect surrounding residents' health and air quality.

In addition, to avoid damage to the original ecosystem caused by real estate projects, ecological and environmental protection should be fully considered in the planning and implementation of the project. Ecological restoration and compensation measures, such as vegetation restoration, wetland protection, and the construction of wildlife migration corridors, should be adopted to reduce negative impacts on biodiversity and ecological balance.

Finally, a comprehensive ecological impact assessment is carried out during the project planning phase, including investigating and analyzing ecosystems such as wetlands, forests, and grasslands. Based on the assessment results, an ecological protection and restoration plan is formulated, and the boundaries between the protected and development areas are clarified. For ecosystems that have been affected, appropriate ecological compensation measures, such as wetland restoration, forest revegetation, etc., should be taken to ensure that the function and stability of the ecosystem are maintained and restored.

4. Conclusion

To sum up, the real estate sector does play a vital role in China's economy, providing a strong impetus for economic growth. However, with the rapid expansion of the industry, problems such as rising housing prices, property speculation, and environmental impacts have become increasingly prominent, and these problems pose potential threats to the stability of the financial system, social equity, and the ecological environment. Therefore, adequate measures must be taken to solve the problem. Through an in-depth study of the current issues in the real estate industry, this paper proposes relevant countermeasures, including strengthening market supervision, improving policy regulation, and promoting green buildings and environmental protection projects to promote the healthy development of the real estate market. Achieving sustainable development in the real estate

sector will help maintain economic stability and promote social equity and environmental protection, laying a solid foundation for the long-term stable growth of China's economy.

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