

# Analysis of the Causes and Countermeasures of the Phenomenon of “Unfinished Buildings”

Yujia Wang \*

One Direction Academy, Hamilton, Canada

\* Corresponding Author Email: mengyu@ldy.edu.rs

**Abstract.** Real estate is very important to the Chinese economy and has driven its rapid development in the past few decades. However, China’s real estate market has experienced fluctuations in recent years, causing numerous attentions from all over the world. With the continuous advancement of the real estate market, the problem of unfinished buildings is also a major hidden danger. The appearance of unfinished buildings not only brings great economic losses to the citizens but also brings huge negative effects to society. This study analyzes the causes of the unfinished buildings from various aspects, such as capital chain break, real estate project engineering problems, real estate lack of self-control, and economic disputes, and puts forward a series of preventive measures according to the causes, finally removing this hidden danger at the root. In order to maintain the balance of the real estate market and protect the good image of the city, new suggestions are provided.

**Keywords:** Real estate; unfinished building; prevention measure.

## 1. Introduction

In this vibrant land of China, rapid economic development is like a strong spring breeze, not only blowing green mountains and rivers, but also profoundly changing the appearance of cities and the lives of citizens. With the rapid development of the economy, the income level of citizens has steadily increased, and the demand for housing has also risen, showing increasingly diverse characteristics.

In the past, people's demand for housing was limited to the basic function of providing shelter from wind and rain. Nowadays, spacious and comfortable living environment, convenient transportation network, complete supporting facilities, and high-quality community culture have become important considerations for citizens when choosing housing. This change not only reflects a significant improvement in the quality of life of citizens, but also reflects their infinite longing and pursuit for a better life.

Faced with the growing housing demand of citizens, the government and enterprises actively respond, constantly innovate housing supply models, and increase housing construction efforts. From the precise supply of affordable housing to the diversified development of the commodity housing market, and to the cultivation and growth of the rental market, a series of policy measures have been implemented to meet the housing requirements of citizens at different levels and needs. At the same time, the application of new technologies such as green buildings and smart homes also provides citizens with a more environmentally friendly, convenient, and comfortable living experience.

In the wave of rapid economic development in China, the increasing demand for housing from citizens is driving the real estate market towards a healthier and more sustainable direction. In the future, with the sustained prosperity of the economy and social progress, the housing conditions of citizens will become better, and their lives will become more beautiful.

However, unfinished buildings often occupy a large amount of land and capital and disrupt the real estate market, even leading to financial risks. According to the "2023 National Unfinished Building Data Report", the unfinished building area in China is about 231 million, and the huge number of unfinished buildings is becoming a stumbling block to the stable development of the Chinese real estate market

"Unfinished buildings" refers to real estate projects that have gone through land use and planning procedures and have been suspended for more than one year after the project starts because the

developer is unable to continue construction investment or participate in debt disputes. Real estate projects that are not completed are usually due to the lack of government audit of the project, which means that the problem of insufficient funds is more likely to occur. In addition, there are disputes over property rights, projects that are stopped for reasons such as unqualified project quality, and they are also counted as "unfinished buildings". In order to maintain social stability and protect the rights and interests of owners, this report will discuss how to prevent the occurrence of unfinished buildings in the city through the study of unfinished buildings and provide risk warning and management strategies.

## **2. Causes Analysis**

### **2.1. Construction Fund**

The main reason for the formation of "unfinished buildings" is the lack of construction funds, and the reasons leading to the break of the fund chain are various, mainly including the following: Developers did not make adequate preparations in the whole project development stage, resulting in the construction project after the middle face a shortage of fund crisis. Because of the prevalence of "real estate speculation", developers at the cost of taking land to expand the development of land, while building the house with the owner's money to compete for another piece of land, after 2017, in addition to the China national policy, real estate loan policy tightening, which means that developers who took the land and did not have funds to break the fund, leaving a unfinished project. Some of the developers moved funds without permission so that the funds could not be received back, resulting in the break of the fund chain, and the project was forced to stop [1-3].

### **2.2. Project**

The formation of "unfinished buildings" is closely related to the problems of the project itself, mainly manifested in the following aspects: First, the market positioning is not accurate. When developers decide to develop a project, they do not go through detailed and thorough market research in the early stage, do not have a clear grasp of the target market or target customer base, emphasize "differentiation" from the land conditions and regions, or follow the trend, lack of innovation, and cause the project to be destroyed due to the obstacles of real estate sales; Second, real estate quality problems. As a kind of high-value product, the quality of real estate products is more valued by consumers. Therefore, once the quality of the real estate problems, improper handling is easy to develop into an unfinished end; third, in project management, the developer has poor operation distribution, such as improper cost control and improper construction schedule [4].

### **2.3. Self-restraint**

A few years ago, "real estate" was once a lucrative industry chased by the outside world, and the high return profit rate of the real estate business was even if the enterprises with capital in various industries and developers competed for real estate and gain profit. Originally, the operation of the real estate industry was uneven, while some laws and regulations are imperfect, there is no effective system and restriction on it, and too many enterprises will cause the market to make ends meet, unclear positioning, oversupply, and sales prospects are at a loss, forcing developers to "reform". Secondly, information asymmetry in some real estate transactions is serious. Unscrupulous developers may conceal defects and the flow of funds so that buyers cannot make accurate judgments and make wrong choices, which will also lead to the rampant phenomenon of "unfinished buildings" [5].

### **2.4. Economic Disputes**

There are many sources of economic disputes among real estate developers, including the economic disputes between developers and households, material suppliers, labor units, other related

enterprises, banks, and so on. Such as contract disputes between buyers and development contract terms are not clear, land use disputes, conflicts, and disputes between the original land users and the government and developers because of compensation standards. At the same time, some laws and regulations are not perfect is also one of the causes of economic disputes, some laws and regulations on the supervision of developers are not strict, so developers and other units have economic disputes, these disputes no matter which link of the problem, if there is no reasonable solution, will lead to the stagnation of the real estate project, complex and difficult to deal with.

### **3. Prevention Countermeasures**

#### **3.1. Strict Financial Supervision**

To avoid a break in the capital chain, developers should establish a transparent and visible financial management system, and regularly inform buyers of the use of funds, making it easier for the government to supervise. At the same time, the government should require developers to deposit funds into professional accounts to ensure that all funds are used for the construction of the project. When the bank approves the loan of the developer, it should also evaluate the credit of the developer and the feasibility of the project, improve the qualification requirements of the developer, ensure that the developer has a good reputation, and prevent the lack of funds and inexperienced developers from entering the market and causing risks in the market. The media and society should also actively supervise developers, expose violations, and help buyers protect their rights after encountering problems.

#### **3.2. Oversight of Real Estate Land Use**

Following the principles of openness, fairness, honesty, high efficiency, and convenience, and on the premise of adhering to the bidding, auction and listing transfer system of state-owned land use rights, Actively explore various forms of transactions such as limited housing prices, competitive land prices, competitive policy housing area, allocation of affordable housing in commercial residential land, online listing, land pre-application, one-time bidding, comprehensive bid evaluation, etc., sum up successful experiences and practices, and establish incentive mechanism areas and punishment mechanisms. For projects or enterprises that comply with the law and give incentives for policy support, and for projects and enterprises that do not comply with the provisions of the implementation of economic penalties, land use rights, rectification, and other measures to wake up penalties. At the same time, it also improves and perfects the system content, and further gives play to the positive role of the system in deepening the reform of the land factor market, strengthening the construction of anti-corruption and advocating integrity in the field of land transfer, and regulating the real estate market [6-8].

#### **3.3. Reasonable Control of Real Estate Development**

Real estate development is a complex activity that requires professionals to work with developers. At the same time, it is necessary to accurately position and appropriately develop according to market supply and demand. The selection of investment opportunities, the analysis of investment decisions, and the preparation of preliminary work lay a good foundation for the reasonable development of real estate projects. Only on this basis, the project construction, sales and leasing, and property management can tend to the normal trend, then the "rotten building" can be effectively controlled. The government can adjust the supply and demand in the market by adjusting the real estate tax and land value-added tax, and can also adjust the quantity of land supply, control the development scale and speed of developers, strictly implement the land use planning, and ensure that the development of real estate is in line with the urban development goals and the ideal spatial layout of the city.

### 3.4. Countermeasures Against Economic Disputes

For the disputes between developers and evicted households, due to the essential difference between development land and government expropriation of land, developers must make full preparations in advance, and reasonable protection for evicted households is the only way to solve the problem, but also to protect the common interests of both sides.

Economic disputes between developers and suppliers, labor units, related enterprises, and banks. First of all, we must sign legal, fair, and effective supply and marketing contracts, labor contracts, loan agreements, and other related contract documents, and strictly implement them, to be honest and trustworthy, accept supervision, and strictly fulfill our obligations.

The economic disputes between developers and buyers are mainly manifested in late delivery, deposit disputes, and house area problems. In response to these possible economic disputes, first of all, in the pre-sale process, developers do not over-advertise marketing, in order to be true. At the same time, ensure the quality of the project, ensure safety, and ensure the delivery on time. Secondly, if there is a dispute, it should be resolved mainly through negotiation, and finally, the details of the house purchase contract should be strictly implemented [9-10].

## 4. Conclusion

Real estate is an important pillar industry of China, and the phenomenon of unfinished real estate has brought infinite troubles and inconveniences to cities and residents. Only through strict supervision of funds, strengthening supervision of real estate land use, qualified control of real estate development, and avoiding economic disputes can the phenomenon of "unfinished real estate" be eradicated, and the prospect of China's real estate industry will be bright.

The shortcoming of this paper is that it does not explain the application of prevention strategies to deal with rotten buildings. Only examples or examples can prove the feasibility and effectiveness of the strategies.

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