

Study on the Countermeasures of Chinese Real Estate Economy under the Background of New Status

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Keywords: real estate economy; new normal status; development strategy

Abstract: In recent years, with the economic transformation, China's economic development has entered the new normal. Under the new normal of the economy, the status of the real estate industry in the entire economy has changed, and the real estate market has undergone major adjustments. The paper first analyzes the opportunities and challenges faced by the real estate market in the context of new economic normal, local government land finance path dependence and debt crisis coexist, the country's destocking pressure is huge and regional house prices rise coexist, and then analyzes the real estate market risk to the economy.

1. Introduction

At present, China's consumer boom has risen. Many scholars believe that the tertiary industry's share of GDP in China in 2020 is likely to reach 60%. Correspondingly, the development of China's real estate market is at a crossroads. For a long time, the real estate industry has always been China's pillar industry. It is closely related to major industries such as construction, finance, service, chemical and chemical industries, and its industrial added value is relatively high. The development of the real estate industry not only satisfies people's rigid demand for housing, but at the same time it is a symbol of wealth rights as an immovable property. Over the past 10 years, the overall price of housing in China has risen sharply. In 2014, compared to the rapid growth in the past few years, the area of commercial housing, residential sales, investment, and new construction started in China all declined. In 2015, under the pressure of destocking, the area of newly-started real estate residential buildings fell by 14.6% compared with the previous year. Abstract: At present, China has entered a new stage of economic development - the "new normal economy". The growth rate of the domestic economy has shifted from high speed to medium and high speed. The economic structure needs continuous improvement and upgrading. The economic development mode has shifted from factors to investment drives to innovation-driven. At the same time, China's real estate market faces various challenges. Under such circumstances, how should China's real estate market develop? This paper believes that the correct methods, the appropriate indicators should be selected to study the regional characteristics and influencing factors of real estate development investment level, and find the differences between them, in order to provide a theoretical reference for the development of China's real estate companies on a macro level.

2. The Main Risks in the Real Estate Market

Local governments' land finance path dependence and debt crisis coexist. The reform of China's tax sharing system in 1994 had a major impact on the general budget revenue and expenditure of China's central and local governments. From the perspective of fiscal revenue, from 1978 to 1994, the central and local fiscal revenue distribution ratio averaged 31% to 69%. The central government revenue was much lower than the local fiscal revenue. The tight year was even 16%/84%. However, after the tax-sharing reform, the situation has fundamentally changed. From 1995 to 2014, the central and local fiscal revenue averaged 51% to 49%. From the perspective of fiscal expenditure, the average financial expenditure of the central government and the local government from 1978 to 1994 was 41% to 59%, and the average from 1995 to 2014 was 25% to 75%. The proportion of central government revenue increased by 20%. While expenditures have decreased by 16%, local

fiscal revenue spending is just the opposite. This positive and negative in and out, local finances are in trouble [1]. According to the data published by the Ministry of Finance, the local fiscal deficit in 2014 was 400 billion yuan, and in 2015 it will reach 500 billion yuan. The general budgetary revenues and expenditures of the central and local governments from 1978 to 2014 are shown in Figure 1. In 1987, Shenzhen proposed the separation of land ownership and use rights, and for the first time traded land use rights as commodities, thus opening up a new phase of land development in China. On the one hand, revenue from land sales directly increases the revenue of local governments and makes up for the insufficiency of local finance. On the other hand, the increase in government revenue is the basis for urban infrastructure construction and economic development. After the economic development and prosperity, it in turn further promotes the value of land. This will increase government land appreciation revenue [2]. The local government under the GDP appraisal system is very willing to promote the integrity of this interest chain. “Land making money” has become an important pillar of local government's financial development. Due to the need of attracting investment, local governments collect a large amount of rural land for the construction of industrial parks. These industrial enterprises lease land for industrial parks at low rents or even rent-free. At the same time, local governments also allocate infrastructure to local governments. Investment companies have launched in order to attract quality companies to settle in. However, most of these government funds come from bank credit. In 2012, under the “steady-growth” economic objective, the scale of urban investment debts showed an explosive growth, and the city’s excessive borrowing behavior posed great risks for future city debt repayment and economic construction [3]. Destocking pressure increased and regional house prices rose. The Central Economic Work Conference held on December 22, 2015 proposed five major tasks for 2016, one of which is to dissolve real estate inventory. Since the reform of the housing system, the development of real estate in China has been rapid and has made great progress. The average residential area of urban residents has exceeded 30 square meters. According to Gao Juhui of the Real Estate Information Office of the National Information Center, at the end of 2014, the urban housing area in China reached 22.4 billion square meters, about 245 million sets, 0.93 units per household, and it is expected that by 2020, China will be able to achieve one set of housing units. aims. Based on the real pressure of the high inventory of the property market, there are local policies that encourage farmers to buy houses in cities to ease the housing surplus in the city. This study is difficult to achieve due to this method. First, the degree of rural housing surplus is much larger than that of urban areas [4]. The per capita housing area of rural households is also much larger than that of urban residents. Second, the process of population urbanization has reached a certain stage, with the cost of living in cities. With the increase in urban air pollution, the city has not made life better, and the “crowd-out effect” of foreign workers brought about by “urban diseases” has become apparent.

In comparison with deposits, the price of deposits in Shanghai, Shenzhen, Beijing and other regions continued to rise, leading the country. According to data from the National Bureau of Statistics, in August 2016, the price of new commercial housing in Shenzhen rose by 37.3% year-on-year, 37.8% in Shanghai and 25.8% in Beijing. The price of second-hand homes in Shenzhen rose by 30.8% year-on-year, 34.4% in Shanghai and 34.8% in Beijing. In August, the number of newly-built commercial housing prices in 70 large and medium-sized cities rose by 64, which was 13 more than that in July [5]. The number of second-hand housing prices rose 57 times year-on-year, an increase of 6 from the previous month. The basic principles of economics tell us that in the case of high stocks, prices will fall to increase sales, and the price increase is generally caused by supply less than demand. However, this economic law does not apply in the real estate market, and there is a phenomenon that the backlog of property market inventory and regional price increases are coexisting. The real estate market has gathered a large amount of funds. When the downward pressure on the economy under the new normal economy increases, the loosening of monetary policy has released a large amount of funds into the real estate market. Excess liquidity plus financial leverage has distorted the market price information, which is undoubtedly added. Bigger risk in the real estate market.

3. Measures for the Real Estate Economy

Accelerate the transformation of economic growth mode and reduce the dependence on real estate investment. In the past, with investment-based economic growth methods, the real estate industry, due to its extensive coverage, industry-related nature, and the unique nature of its own properties, formed a path dependence on real estate investment. In the context of the new normal, the slowdown in economic growth is an inevitable phenomenon, and real estate investment growth will gradually tend to stabilize, real estate investment will change from new sales to stock trading, a rational view of the new normal of real estate. Housing is the most important asset of the residents. It condenses the wealth of most residents for a lifetime. The stable and healthy development of the real estate market is the basis for social stability. The restructuring of the economic structure is a top priority.

2. Actively optimize the taxation system and reduce the demand for land finance. Where the central government concentrates financial power, and local governments have little formal tax autonomy, the local extra-budgetary fiscal, which is mainly based on informal taxes, can easily expand. This is the root cause of local government land transfer behavior after the reform of the “tax-sharing system”. The reason why local governments extract these informal incomes is actually the inevitable behavior under the circumstances where the financial system is centralized and transfer payments are insufficient and they are facing the pressure of various existing performance evaluations. On the one hand, the local governments will transfer industrial land at low prices to attract investment; on the other hand, they will sell residential and commercial land at high prices, obtain funds for infrastructure construction, and complete GDP assessment targets. Local governments' dependence on land finance is based on the fact that the government's premium on public service facilities can easily be capitalized in high housing prices and high land prices, with significant political performance. However, land resources are limited. In the past, a large amount of land transfer was the early release of land demand in the future. This overdraft is not sustainable. At this stage, various channels have been adopted to raise funds for government construction, while at the same time reducing the burden on the people, increasing the income of the people, and making the people rich in possession. This will be the direction of future government reforms and efforts.

3. Pay close attention to real estate related financing and strengthen financial risk prevention. For real estate development activities, increase the proportion of self-owned funds of real estate companies, in particular to take land, increase the share of bidding margin for developers, and reasonably control the land price premium rate. In real estate sales, we verified the implementation of the pre-sale licensing system for commercial housing and resolutely cracked down on private sales that did not meet pre-sale license qualifications. For homebuyers, priority is given to satisfying the demand for first-home small apartment home loans, adopting a differentiated real estate interest-rate credit policy, increasing the holding costs of real estate speculation, and curbing real estate speculation. In terms of bank supervision, the Bank of China has played its supervisory role on various financial institutions and urged banks to pay close attention to changes in the value of assets in real estate mortgages, and to dynamically monitor the value of collateral for lenders.

4. Differentiation policies suppress housing speculation and guide the flow of funds. The primary function of housing is still to live. The corresponding policy should be based on meeting the rigid residential needs of residents and improving demand, and rationally guide housing consumption. Speculation activities in the real estate market are nothing more than arbitrage considerations. Policy design should reduce the possibility of market arbitrage, such as increasing the difficulty of speculators entering the market, increasing the cost of holding their own homes, and reducing the space for trading premiums. Policy design can be limited to purchasing qualifications first. The current “restricted purchase” policy is designed from this perspective, and localities can be more flexible. The second is to increase the holding cost during the holding stage, such as whether the property tax can be considered for collection, and differentiate the tax rate for different housing area and number of units. The third is to reduce the room for profit in the transfer process. Value-added tax may be a good design. Of course, capital is profitable, and reasonable guidance for funds must also be followed up. Increase the residents' investment channels, improve the business environment, make the residents' capital available for investment, and have a stable profitability. This is the most

urgent need for government policies.

4. Conclusion

The real estate market in China cannot be confined to the perspective of the real estate industry. When the real estate problem becomes a macro-political issue once it exceeds the industrial economic issues, the real estate market's own problems will retreat. Social problems and even political issues will become the main problems. issue. However, it is the real estate problem that is so important that the risk of the real estate market needs more attention and prevention. Otherwise, the real estate market risk may trigger more serious systemic risks.

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