

The Influence of COVID-19's Epidemic Situation on the Real Estate Industry and its Countermeasures

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Abstract: The outbreak of COVID-19 epidemic in Wuhan, China in December 2019 had a great impact on the national economy, and all major industries in the country were affected to varying degrees, especially in China's real economy, such as real estate, catering, tourism, entertainment and so on. In this paper, we attempt to explore the impact of COVID-19 epidemic on China's real estate industry, analyzes the impact of the epidemic on the real estate industry from three aspects, and put forward some practical and effective countermeasures according to the corresponding impact.

1. Introduction

In December 2019, the pneumonia epidemic of novel coronavirus (2019-nCoV) broke out in Wuhan, Hubei Province. in order to curb the spread of the epidemic, Wuhan implemented urban closure control on January 23rd, and then various cities across the country have carried out different degrees of binding management. Due to the control of personnel movement and transportation, it has a great impact on the economic development of our country. The epidemic affects not only individuals, such as workers facing unemployment, workers facing difficulties in finding jobs, and migrant workers having no source of income, but also most industries, such as the real estate industry, hotels and tourism, and the catering industry. For the real estate industry, due to restrictions on the flow of personnel, the sales center is closed and housing sales face temporary stagnation; due to delays in resuming work, migrant workers cannot rework, construction is suspended, and the progress of development and construction projects is delayed. the construction cycle is lengthened [1-2]. And precisely because the sales of real estate enterprises have been greatly affected, real estate as a highly leveraged industry, there is basically no cash rebate during the epidemic, so the major real estate enterprises will be correspondingly lack of cash flow, and it is difficult for enterprises to survive. During the epidemic, many real estate enterprises have stepped into difficulties, even on the verge of bankruptcy.

2. The Influence of COVID-19's Epidemic Situation on the Real Estate Industry

As one of the pillar industries of China's economy, the real estate industry is greatly affected by the epidemic situation of novel coronavirus. As the real estate industry is between the secondary industry and the tertiary industry in China and is more inclined to the tertiary industry, the tertiary industry, the second and second industry, is the most severely damaged by the epidemic. Among them, the construction industry in the real estate development belongs to the secondary industry [3-4]. Because of the epidemic, the workers cannot rework and the construction will stop. As housing sales are in the tertiary industry, the epidemic has restricted the flow of people and resulted in the direct loss of a large number of cash flow generated by housing sales by the major real estate enterprises. The outbreak has led to more than 100 property companies declaring bankruptcy. In recent years, the real estate industry in China is moving forward steadily, and this outbreak directly leads to a precipice drop in all links related to real estate, so the outbreak has a huge impact on the whole real estate industry.

2.1 The Impact of the Epidemic on the Development and Sales of Real Estate Enterprises

The statistical data of the sales of commercial housing in China from January to February in 2020 (see figure 1) shows that the sales area of commercial housing in China is 84.75 million square meters, a year-on-year decrease of 39.9%. Commercial housing sales totaled 820.3 billion Yuan, down 35.9%. The epidemic caused a precipitous drop in sales in 2020, which greatly affected the housing sales, and the major sales centers were closed, and the sales collection could not be realized. Although in the short term, Evergrande Group is the first to open online house sales become the main channel for sales. But turnover from sequential, or sharp drop, ineffective, network checking in the long term may become a trend, but the customer during the outbreak of short-term funding is limited, there is no source of income, or even face the risk of unemployment, and for the first time open house sales network will bring customers anxious psychology, because for most Chinese, to buy a house is a big thing, house may be short-term have not quite popular.

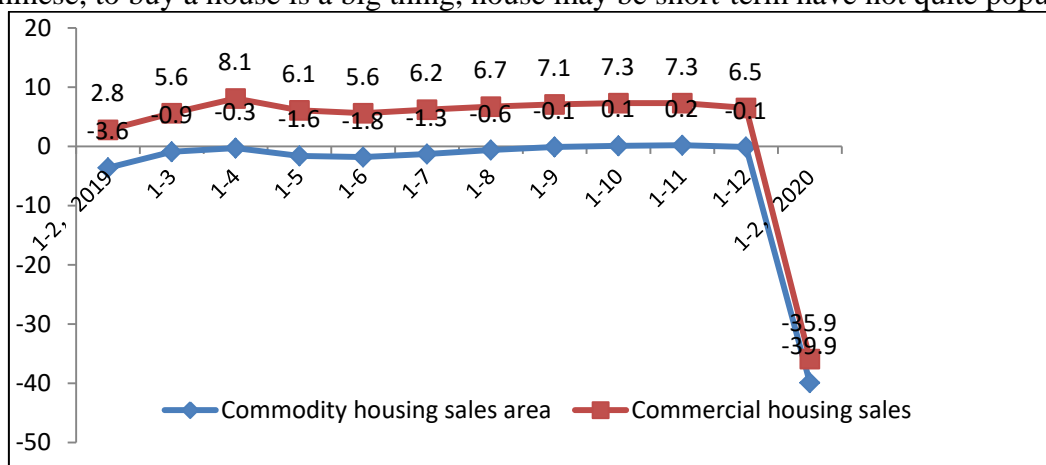


Figure 1 Commercial housing sales and for sale.

Source: National Bureau of Statistics

January and February 2020, the domestic real estate sales situation in the Midwest and northeast east (see table 1) showed that the outbreak affecting housing sales were the most serious areas in central and western regions, because of the central city of Wuhan, is the place where the most serious epidemic, close to the surrounding the central province of Hubei, Henan, Jiangxi, Hunan is also confirmed outbreaks more provinces, and more in Chongqing, Sichuan is also confirmed in the west of the region, is seriously affected by the epidemic area, the commercial housing sales to reduce the proportion of is relatively more.

Table 1 Real Estate Sales in Eastern, Central, Western and Northeast China from January to February 2020.

Region	Commercial housing sales area		Commercial housing sales	
	Absolute amount (10000m ²)	Year-on-year growth (%)	Absolute amount (100 million Yuan)	Year-on-year growth (%)
The national	8475	-39.9	8203	-35.9
East	3537	-34.9	4792	-30.0
Central	2139	-45.2	1425	-46.4
West	2565	-41.3	1778	-40.6
Northeast	234	-41.0	208	-32.1

Source: National Bureau of Statistics

Therefore, it can be seen from table 1 that the severity of the epidemic is closely related to the local housing sales, showing obvious regional characteristics. Affected by the epidemic, housing investment and development has also been greatly affected, construction is stagnant, land

transactions are also reduced. Figure 2 shows the growth rate of real estate development investment in China. It can be seen from the figure that from January to February, the investment in real estate development in China was 1011.5 billion Yuan, down 16.3% year on year. Of this, residential investment was 731.8 billion Yuan, down 16.0%. From January to February, the land transaction price was 44 billion Yuan, down 36.2%.

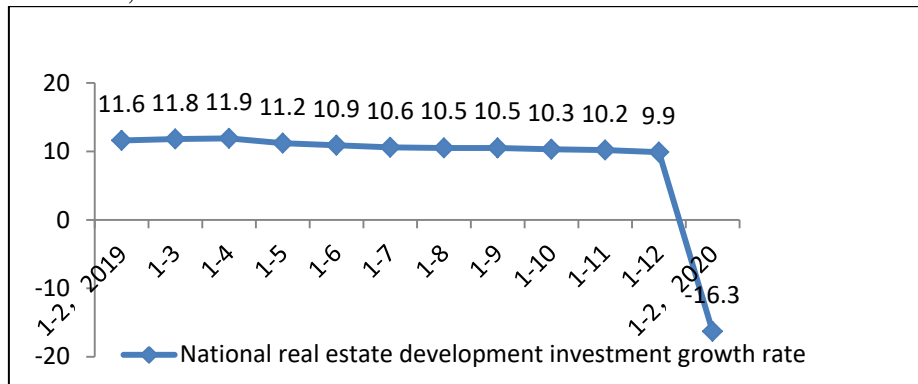


Figure 2 Completion of real estate development investment.

Source: National Bureau of Statistics

Also among the real estate development investments, the central region was the most severely affected by the outbreak, with 173.1 billion Yuan, down 25.9%. Covid-19 has seriously affected the housing development and housing sales in Wuhan and its surrounding cities, which has a huge impact on the whole economy.

In terms of the prevention and control of the domestic epidemic, although the impact of the epidemic on the investment of real estate enterprises is mainly reflected in the first quarter, the epidemic is also sure to affect the investment plan of the whole year, especially on the construction, the return of housing sales funds and other aspects of the more serious impact, which will further reduce the investment of enterprises. However, this outbreak has opened a new era of online house viewing [5-6]. Therefore, in the future, with the development of scientific and technological network, online house viewing will gradually become a trend, and the development prospect of "online shopping" in our life is very considerable. Therefore, in the future, "online house selling" may become a new dominant way of marketing. In addition, in recent years, the state has issued various policies to crack down on "real estate speculation" and insist that "houses are for living, not for speculation", so the housing price will tend to be stable for a long time. The epidemic in the middle 1-5 years, will not affect the sale of commercial housing, but may be due to psychological reasons, after the outbreak of repaying consumption.

2.2 The Influence of Epidemic on Land Market Transaction

The transaction of the land market is closely related to the development and sales of the real estate market. On the one hand, the epidemic situation directly leads to the stagnation of the housing development and sales, and on the other hand directly leads to a 36.2% decrease in the land transaction price in the land market transaction related to the housing development. Land turnover and land transaction price, as well as land supply situation have a significant downward trend.

The data of 300 cities across the country (see Table 2) show that in February this year, the overall supply of 300 cities nationwide declined compared to the previous month. In 2013, 300 cities nationwide launched a total of 1,613 land sites in February, a decrease of 17% from the previous month, and a total of 1,364 transactions were made Land decreased by 10% month-on-month, and the average price of land and floor sales also experienced a cliff-like decline, falling by 16% and 11% respectively.

Table 2 Land Market Situation of 300 Cities in China in February 2020.

Index	Launch area (10000m ²)	Transaction area	Transfer fee (100 million Yuan)	Average floor price (Yuan/m ²)	premium rate
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		(10000m ²)			
Absolute amount	6644	5193	2392	2398	11%
Month-on-month	-3%	-2%	-16%	-11%	-0.4%

Source: CREIS middle finger data, fdc.fang.com

In the short term of the outbreak, the overall trend of land market transaction is in a state of decline. However, from the perspective of the development of different cities, the economic development of each city is different, and the development pace of the city is not consistent, resulting in the land market transaction is also quite different. Table 3 shows the land market transactions of different types of cities in China in February 2020. Table 3 shows that the epidemic situation for the first-tier cities and second-tier cities of the land supply, as well as the transaction area are significantly increased, which is completely contrary to the overall trend, only the third tier cities occurred a large degree of decline.

Table 3 Land Market Transactions of Different Types of Cities in February 2020.

City category	Index	Launch area (10000 m ²)	Transaction area (10000m ²)	Transfer fee (100 million Yuan)	Average floor price (Yuan/m ²)	Premium rate
First-tier cities	Absolute amount	269	228	946	15969	11%
	Month-on-month	55%	48%	86%	16%	2%
Second-tier cities	Absolute amount	2723	1912	809	2120	12%
	Month-on-month	19%	1%	-42%	-38%	2%
Third-tier cities	Absolute amount	3652	3054	637	1144	10%
	Month-on-month	-28%	-5%	-32%	-27%	-5%

Source: CREIS middle finger data, fdc.fang.com

Especially for first-tier cities, the urban economy as a whole in the domestic leading position, affected by the outbreak, the domestic many actually stay in February to the land, resulting in a decline in transaction size overall, so in order to stabilize the market, on the north of widely on behalf of the key cities increase the supply of high value of land, especially Beijing heat concentrated supply more high quality plot driven transactions, and to stimulate the land market, some cities to relax the ground conditions. For second-tier cities, land supply also increased relatively on a month-on-month basis. However, due to the severe impact of the epidemic, for example, Wuhan, Chongqing, Sichuan and other second-tier cities in central China, the land transaction volume only increased slightly. For third-tier cities, their economy is not as good as that of first-tier and second-tier cities, and the transaction price of land in first-tier and second-tier cities is higher than that of third-tier cities, and their premium rate is much higher than that of third-tier cities.

Therefore, in the short term, although the outbreak leads to the downturn of the land market, the government will make adjustments to the supply of land, and the first-tier cities will take the lead in stimulating the land trading market accordingly. However, in the long run, the land transaction will still be in a stable state of progress, and the government will further strengthen the regulation of land supply to stabilize the land price and timely adjust the total land supply. In recent years, China has emphasized that the key of the real estate market is "not speculation in housing" and "stable land price, stable housing price and stable expectation". So overall, the outbreak is only in the short term impact on land turnover.

2.3 The Influence of Epidemic on Property Management

Property management is a kind of subsidiary of real estate comprehensive development, which is the continuation and improvement of real estate development. General property companies and real estate development companies have two kinds of relations. The first is that the real estate developer selects the property company by inviting or organizing the bidding. The second kind is the property management company owned by the developer company itself. At present, most of the domestic

property companies belong to this kind, which is the relationship between the parent company and the subsidiary company. For the second kind of relationship, the property will be monopolized by their own developers, forming a vicious competition in the market, so that property management has not been paid attention to. But no matter what kind of relationship, property management and real estate development and sales in the present and future are indispensable.

In the past, in the residential area property management is an indispensable part, the owner will also pay a certain property costs each year, but most of the property do seem to have been stay in basic services, such as simple rubbish, there is a lot of owners and property disputes, on the one hand, the property of loose processing, on the other hand, the owner is not willing to high property costs, both sides stalemate lead to domestic for the property industry has not been very seriously.

However, in this outbreak, the work of grassroots grid staff just reflects the advantages of property management, but also exposed its shortcomings. With the community as the unit, each community closed treatment, by the community property and the corresponding grid member for the whole community residents of the life of materials to buy, and the entire community sanitation and disinfection work. So at this time the community property is particularly important, if the community property work is progressing well, protective measures are done well, then the risk of infection of the whole community is relatively low, on the contrary, the property company does not handle well, will lead to a higher risk of infection. However, the profitability of the property company itself is not very strong, and the outbreak of the epidemic has increased the operating pressure of many properties. Therefore, although the outbreak of the crisis for property companies, but the crisis is the potential business opportunities.

This epidemic will make the development of property companies more perfect in the future, the market will pay more attention to property companies, let owners realize the importance of property management for the entire community, and let the whole society realize the importance of property management services Work on your own, not perfunctory. In the future, a good property company will become an important reference factor for residents to buy a house, and the development standards of the property company will be gradually improved.

3. Countermeasures for Real Estate Enterprises

This epidemic has caused serious damage to real estate companies, and unlike the SARS period in 2003, after the epidemic, the country vigorously issued policies to promote real estate development. Later, it will not rely on real estate to rescue the market and issue a large number of preferential policies to promote housing companies. Therefore, not only should there be short-term support policies for this epidemic, but also long-term response measures.

3.1 Measures for Real Estate Development and Sales

3.1.1 Decision-making Requires Accurate Planning and Development

Investment in housing companies must be accurately grasped. Investment decision-making is a problem that business leaders must carefully consider. Once a decision is made incorrectly, it will lead to the possibility of bankruptcy. The epidemic led to the stagnation of real estate development, suspension of construction, and the bankruptcy of hundreds of real estate companies, which would result in the existence of a large number of rotten buildings.

Therefore, the epidemic will also make real estate companies more rational for land development. They will make investment in development on the premise of ensuring sufficient cash flow and scientific and reasonable, and will also carry out various risk assessments before development. Quotes, and accurately grasp the needs of customers, and assess their own sales capabilities. Real-time dynamic attention to local real estate regulation and control policies, on the basis of grasping the land transfer rhythm, actively obtain high-quality land resources. In the development process, we must also pay attention to the project progress and project quality in real time, and rationally optimize each stage of the development process

3.1.2 Create Innovative Marketing Methods

The traditional way of looking at and selling houses offline is basically not effective in this epidemic. The major sales centers are closed. Although this is a low-probability event caused by the epidemic, the problem of this force majeure must be considered by major companies, and it cannot be thought that this is an event that occurs with very little probability. Therefore, according to the traditional marketing methods, major enterprises need to improve and create a variety of novel marketing methods.

With the rapid development of digitalization and network, traditional offline house viewing may delay customers' time, so digital marketing is a big trend in the future. During the epidemic, Evergrande Group opens the network to look at the house, and implements the 75 percent discount, provides VR to look at the house, online room selection, online subscription and other one-stop services, covering all the real estate sold in the country. During the epidemic, when major real estate companies were struggling to cash in, Evergrande Group sold 47,540 units in three days, with a total value of more than 58 billion Yuan through the network. Therefore, it is a trend to start digital marketing combined with high-tech network equipment in the future, to build an online sales display platform and drainage platform, and actively communicate and interact with customers online, so as to form a one-stop service platform for viewing, choosing and buying houses. And online sales and offline sales as complementary, a variety of marketing methods in one platform.

3.2 Measures for Land Market Transactions

3.2.1 The Government Should Provide High-quality Land Supply

The epidemic has led to a 36.2% decline in the overall domestic land transaction price. In the short term, the overall land market transaction is in a downturn, but as shown in Table 3 above, especially in first-tier cities, their land supply, land transaction area, and average floor price both have. The main reason for the increase is the government's supply of quality land. The real estate industry is one of the important components in the entire domestic macro economy. Therefore, in order to maintain the stability of the industry, it is also necessary to maintain the stability of land market transactions, that is, to provide high-quality land and stimulate the land trading market to pick up. If the land market is in a downturn, and the land is idle, it is not optimistic for the entire real estate industry, and the increase in the stock of vitality to meet the reasonable demand for project land, so that land supply is expected to be further precise, which is also currently vigorously implemented. In March 2020, the State Council issued a decision on the authority to authorize and entrust land use approval, and policies on rural land reform. The first batch of pilot cities are mainly concentrated in first-tier cities. The pilot period is one year, and the pilot cities have greater autonomy in land use. Therefore, this rural land reform policy will also promote land transaction volume under certain conditions, allowing more idle land to be used reasonably and optimally.

3.2.2 Real Estate Development Enterprises should Make Reasonable Plans for Land Acquisition

For the government to provide high-quality land supply, but also for enterprises must have a reasonable land acquisition plan. For real estate companies, they obtained funds through bank loans in the early stage to obtain land, later part of the sales proceeds to repay the loan, and the rest continued to use land to build houses. Therefore, how to get land scientifically and rationally in the entire transaction process is also a must for enterprises. An enterprise cannot blindly obtain land with a loan. It must scientifically and reasonably estimate the risks of the site, as well as assess the enterprise's own financial situation and operational capabilities.

If an enterprise spends a lot of loans in the early stage to acquire land, but because of the broken capital chain and the shortage of cash flow in the end, which will lead to the late construction construction, there will eventually be a lot of bad-end real estate or wasteland. The loss brought about is not only the bankruptcy of a single real estate company, but also the waste of land and the

idleness of land resources. For the entire land transaction market, it seems to exist like a bad debt, so for enterprises, land development investment must be carried out Careful investment risk assessment. In order to deal with idle land, some cities in China, such as Haikou, proposed to reclaim the idle land for a fee and revitalize the stock land.

3.3 Response Measures for Property Management

3.3.1 Property Management Companies should Improve the Quality of Property Services

High-quality and good property services can greatly enhance the overall image of the property company, and also make the community pay more attention to the property company. Let the work of the property not simply stay on the basic services of maintaining community health, but how to ensure the basic services, enrich value-added services and improve the quality of property services.

The status of the property in this epidemic is particularly prominent. In this epidemic, the property is responsible for the disinfection and cleaning of the community, the purchase and purchase of materials for the residents, and various overall planning work. So although the epidemic has caused offline real estate sales to stagnate, real estate companies with large property companies and good property services can take advantage of the epidemic prevention and control scenarios, such as contactless home delivery during the epidemic. Delivery, preferential group purchases by community owners, and convenience of supermarket operation in the community, these measures not only exist during the epidemic, but if the property seizes this business opportunity in the future, it will also enrich its value-added services [7]. This greatly enhances the property's sense of presence in the owner's mind, and also increases the owner's trust, and the owner's support for the property's work in the future will also increase. This trust and support can play the role of traffic entrance in the later stage. In the future, excellent property services will become an important indicator for customers to buy a house.

3.3.2 Property Management Industry should Improve the Property Management System

Property management is an important part of city management, but the service quality of major property companies in the country varies, the level of property service does not match the needs of urbanization development, and the property charges in development communities across the country are also very different. For the industry, unified supervision should be implemented to improve the service capabilities of property management agencies and improve the property management system.

The administrative department of the property management industry shall coordinate with the local urban management, environmental sanitation and other departments to implement unified management. All regions should implement unified standards for the entire property management system, and build a new property management system of "government responsibility, urban management bureau management, property company implementation, and street community cooperation". The charging standards for property companies should also be "graded and unified". For communities with different plots and areas, property charges should be planned and formulated in a reasonable manner. For communities in the same lot, the standards should be unified and evaluated by a unified regulatory department The property expenses of the plot are not monopolized by the property management company. For the entire property management market, the government should strengthen supervision in the future, attach importance to the position of property management, gradually improve the property management system, and form a mutually beneficial relationship between properties and owners.

4. Conclusion

COVID-19 has brought a fatal blow to the global macro-economy and is considered to be another global economic crisis. In this paper, we study the impact of COVID-19 on the real estate industry. In the short term, it leads to a shortage of cash flow in the whole real estate industry. Housing sales and land transaction volume have decreased significantly, especially in the central

region with Wuhan as the center. And the epidemic makes the society pay more attention to property management, for property management. Business opportunities are also contained in this crisis. If we seize the opportunity in the future, we will create a new type of property services. However, China is already the second largest economy in the world, and unlike during the SARS period, the domestic economy has withstood the pressure in this epidemic. So housing sales and land transaction volume will not decline in the medium term. For example, first-tier cities have also issued corresponding policies to stimulate market recovery, and domestic policies are currently "stabilizing land prices, stabilizing housing prices, and stabilizing expectations." Therefore, in view of the epidemic, real estate enterprises should strengthen the management and control of cash flow, rational use of funds, strengthen property services, precise implementation of policies, combined with current characteristics to create a new way of marketing.

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