

# The Study of Real Estate Market that under the Macroeconomic in China

Xianjie Wu<sup>+</sup>

College of Economics and Management, China Three Gorges University

**Abstract.** Since the reform and opening up, China's economy has developed with the fast increasing of people's living standard. People increase the requirement of houses based on the rapid development of urbanization. The real estate is one kind of new industry, which places the important position of national economic development. It has been the important part of China's GDP. The real estate development places the important influence such as the industry of cement, steel, and decoration. In recent years, our room rate is keeping high all the time. The country provides serious of policies in order to avoid the bubble economy. The price is lower in some areas, but it is not obvious in the total effect, and the price is still high. Evaluate the policy of the present real estate and find out the correct method is the research hot spot.

**Keywords:** Macroeconomics, Real estate, Market.

## 1. Introduction

Real estate development is connected with people's daily lives. The vigorously development of real estate industry can improve people's housing environment and increase the happiness index. However, we need to take care of the problems that caused by the overheating development of real estate. The example is the occupation of cultivated land, vacancy rate and environment issues.

## 2. The Present Condition and Question of China's Real Estate Market

### 2.1. The Present Condition of the Real Estate Market

With the economic development, the huge profit space in the industry spring up the exploration of enterprises' rapid development. At present, the real estate filed has nearly ten thousand enterprises and the quantity of employment has nearly two million people. Its total value of GDP places 10.2% in China's GDP. Therefore, when we regulate and control the real estate industry, we need to determine the price setback and not let it decline completely. In the following, we will evaluate the details in some aspects.

The investment condition of real estate exploration

Make a general survey of our economic development, since the reform and openness, our economy has been developed rapidly in the last thirty years. Moreover, the investment of real estate increases gradually. The main investment aspect of real estate is the house, villa, high-end flat, affordable housing, commercial building, and business building. From the research, we can find out the house and flat has the most investment that places half of the entire investment. However, the affordable housing does not place in the large proportion of the investment. This means the investment in building construction still has the insufficiency that needs to adjust the investment direction and investment force.

- The sale condition of the real estate

In the 21st century, the price of the commodity house is changing quickly. Especially during the period from 2006 to 2010, the price of commodity house, flat, villa, and office building has doubled. Commodity room rate has the biggest increase. However, the market does not step into the low ebb. On the contrary, the sales performance of the real estate developer increased many times. Some data shows, in the recent five years, the real estate market appears the overheated condition.

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<sup>+</sup> Corresponding author. Tel.: 0086-18608609009.  
E-mail address: xianjiewu123@126.com.

## **2.2. The Existed Question of the Real Estate**

The rapid development of real estate pushes the economic progress and other multiple industries development in our country. At the same time, it provides a buffer for the severe employment pressure. However, with the development of real estate, here come some questions which need the government approach to intervene by administrative means, in order to ensure the real estate industry can follow healthy, stabilized, and ordered development and provide more welfare for the people. The questions mainly appear in:

- The unbalance of market supply and demand

With the increase of cultivate land protection, the country establishes great limitation of land purchase. This can protect the local farmland when providing the open land to the real estate developer. In recent years, the increased university enrollment, improvement of resident population and floating people bring energy to the city. At the same time, the huge number of people increases the housing requirement. This problem stimulates the room rate. On the other hand, the increased price stimulates the idle money flowing to the real estate industry. This condition brings the improvement function to the market.

- The unreasonable of room rate

In the previous four years of the 21st century, the room rate of our country raised 3% in every year. This is in the stable period. In 2005, the price had raised to 4.8%. However, in recent year, the increase range is up to 10% on average. Moreover, in several big and medium-size cities, the price range can up to 50%. This is far from the incremental speed of GDP. The room rate is ten times higher than the residents' income, five times higher than the international standard and places in the unreasonable range.

- The high housing vacancy rate

In general, after delivering the house, it is reasonably to have the 10% housing vacancy rate in the next three years. In the early five years of the 21st century, the housing vacancy rate from the statistical bureau is nearly 15%. Although the rate is in the high level, it is in the controllable scope. The vacant room overstock is not serious. In the five years, the room rate is increasing, lots of money put into the real estate. This brings the high vacancy rate. Beijing is the example. In Beijing, the vacancy rate is high to 20% in the past two years. This is very danger. Especially the commodity house has the higher vacancy rate. Therefore, under the macroeconomic regulation and control, the country should do the monitoring of vacancy rate.

## **3. The Macro-Control Target and Strategy of Real Estate Industry**

### **3.1. The Macro-Control Target of Real Estate Industry**

To satisfy the housing requirement of people, under the government macro-control, guide the real estate to follow the rapid, healthy, stable and continuous development is the target of Chinese macro-control in the real estate industry. The target expresses in the following aspects:

- Optimized structure

From the large aspect, the real estate industry can drive the GDP development and determine the coordination with other industries. Ensure the real estate proportion of the national economy is not too low or too high. From the micro-aspect, we need to keep the inner balance of real estate industry and coordinate the rate among commercial housing, affordable housing, office building, business building, and villa. Moreover, insure the rate between life housing and consumption housing, let the real estate industry and location economy development can match the reasonable integration.

- The supply and demand balance of the gross

The real estate industry services for the regional economy development. The overheating of this industry cannot drive the economy development. On the contrary, it will bring the high room rate and drop off people's living quality. Keep the real estate industry in the relatively stable position. It means the totality output of commercial housing should in the line with the local requirement.

- Welfare protection

Along with the deepening of China's reform and openness, the income difference is growing. The low-income group places huge rate in most of the areas. Facing the increasing room rate, most people cannot

afford the house. It is necessary to follow the government intervene, apply the economy and policy method, help the low-income people to solve the housing question and ensure the society harmonious.

- Refrain speculation

In some countries with high room rate, the great majority reason is the speculation. This behavior will influence the sequence of real estate industry, breaks the reasonable environment of supply and demand. This will provide the industry foam of real estate and brings bear to the local people. Moreover, this will damage the national economy development. Attack the speculation advantageously is the most important point to regulate and control the real estate industry.

### 3.2. Macro-Control Strategy of Real Estate Industry

Aiming at the overheating of real estate industry, in order to avoid the economy foam, this is necessary to conduct the policy intervention. The main strategies are:

- Industry policy

The industry of real estate includes three layers. First, the country should consider from the overall situation. Define the strategy in the economic position, development scale in one period, the supply and demand of the market, and the industry classification. Second, aiming at the inner strategies of this industry to establish the policy of real estate structure rate, land using strategy, housing strategy and exploration strategy. Finally, the detailed strategies include: removing strategy, housing fund regulation, leasing strategy, and housing integration.

- Monetary policy

It means the national bank through the control of issuing currency can reach the balance of supply and demand. The real estate industry has great capital requirement, the country can start with the monetary policy, through the interest rate, reserve fund to control and reach the macro-control. Here we pay attention to the method of credit based on real property. This method means the customer can provide real estate mortgage for getting the loan. The country can use the highest loan amount, the lowest down payment to effectively attack the speculation and avoid the real estate foam.

- Financial policy

The national finance includes income and outcome. The income is using the tax policy. In the whole real estate industry, effectively adopt the tax policy can restrain the overheating. Figure 1 is the transmission mechanism of tax policy.

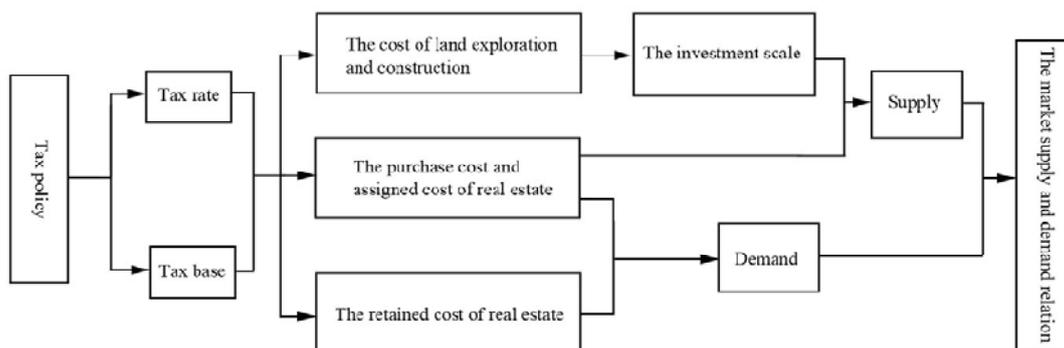


Fig. 1: Transmission mechanism of tax policy

From figure 1, we can collect taxes in the land exploration and construction in order to increase the prophase cost, ensure the housing amount in the whole region then to reduce the vacancy rate. Collect the tax in the housing purchase and assignment. The overmuch taxation can limit the house circulation. On the contrary, if reduce the taxation, it will stimulate the real estate trade. Collect the tax during the assignment can increase the housing retained cost. For the social speculative behavior, this is the necessary protection policy.

- Legal policy

The normally operation of the real estate market is under the effective law management. This can restrain the illegality to reach the macro-control target.

#### **4. The Suggestion of Macro-Control Strategy in the Real Estate Industry**

At the present real estate development, the country should manage the macro-control through providing the new policy and legal method. This can restrain the problems of room rate in some way. This article will provide some suggestions based on the existed policies for the assistant function.

##### **4.1. Insure the Healthy Development Target of Real Estate**

We cannot blindly attack the high room rate. Insure the healthy development of the real estate is the correct way. The real estate industry crush will bring the damage to the national economy. Ensure the balance of supply and demand and effectively reduce the house vacancy rate. Coordinate the development of real estate and economic. Moreover, it will create the bad influence of the economic development whether in the too fast speed or too slow speed. Insure the healthy development is favorable for the people and the country.

##### **4.2. The Room Rates Fluctuate should in the Reasonable Range**

The room rate increasing should match with the people's income. If the price is far away from the income, it will form the economy foam. The subprime crisis in western country has provided us the caution. In recent years, the people' income improvement is about 10%, and it is very common to keep the rate in this controlled range.

##### **4.3. Increase the Establishment of Low-Rent Housing**

The fast step of urbanization creates a great amount of floating population in each country. These people have no settled living places with low income. The low-rent housing is necessary for the floating population.

##### **4.4. Increase the Taxation Power of Real Estate Speculator**

Although we have serious of tax strategies for the housing trade, the real estate information resources cannot effectively share among each area. The speculator will take the advantage. We need to complete the monitor system and make the information clear. Moreover, effectively collect tax from the house renter, update and maintain the registration information can determine the healthy development of real estate industry.

#### **5. Summary**

This article researches the present real estate market that is under the macro-control. First, the article evaluates the market condition and existed question. Second, aiming at the questions, our government provides the policies. Third, the writer suggests the own opinion. For the length limitation and the writer's ability, there still have some disadvantages. Hope the interested reader can do the further modification and perfection.

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