Sergei KALEDIN
Sun Digan

Analysis of Present Situation of Residential Real Estate Market in China

Сергей Каледин

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Аннотация

Real estate development as one of the important indicators of the people's living, has also become a key point to investigate the government's ability to govern.

By observing the current situation of the real estate market and its main trends, we can understand the problems existing in the current market. To lay a theoretical foundation for making excellent correction suggestions. In the situation that the gap between the rich and the poor is gradually widening, and the housing supply structure is in violation of the reality, it is very important to clarify the macro-control policies of the government on the housing structure supply, explain the reasons for the undesirable housing supply structure, analyze the importance of the government supervision responsibility and put forward reasonable suggestions.

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An overview of international and china's housing structure

As the housing problem has become worldwide, more and more attentions had put on to it. Governments across the world are also trying to solve this difficult problem. Governments have accumulated a lot of experience by proposing more effective policy measures based on their own realities. They actively advocate the government-led development and construction of public housing and believe that the government's housing market is essential for pre-regulation and regulation. The main representative scholars are Dennis and Richard (1996), who pointed out that government intervention in the housing market can change the unsatisfied role of the market economy and put forward the housing scheme of government intervention. Pasquale studied the relationship between local government and the real estate industry and put forward the necessity of government intervention and regulation on housing supply. It is no exaggeration to say that all countries are striving for the

realization of "home ownership".

For example, Singapore's group housing, adhere to the small-family, low-price principle of France's low-cost housing policy, the Indian government in conjunction with real estate developers for low- and middle-income people to build affordable housing and a series of initiatives. Both are worthy of our reference to seek further development. After many years of adjustment, these countries are becoming more mature housing structure, understand their current situation in government regulation, housing security and so on, we can adjust measures to local conditions and look forward to our future more clearly.

With the deepening of China's urban housing system reform, many scholars have emerged in China to study the housing system and housing supply regulation. Chen Wei (2007) studied the development and regulation of the real estate market and proposed to establish a supply system and solve the housing problem through multiple channels.

Wang Yue (2002) studied the housing supply structure and demand in Jiaxing City. He pointed out that to establish a housing supply system suitable for the operation mechanism of socialist market economy, we must optimize the housing supply structure, so that the scale and structure of housing development and construction can adapt to the housing demand structure. In 2004, the paper studies the market structure of China's housing industry in 2004 economic forum, analyzes the construction of the housing demand and the spatial competition model of the

housing market. It points out that to promote the competition, the government should increase the housing supply to alleviate the situation of short supply and weaken the monopoly power of the developers. Fudan University Housing Research Center (2010) studies the housing policy of Shanghai from the macro and theoretical perspective: Professor Lang Xiaoping pointed out that the housing supply system should match the national conditions. The Chinese government is not an interest group. It should balance the interests of all parties, ensure the healthy development of the real estate industry, stabilize the local land revenue, and make the people live and work in peace and contentment.

By 2006, most cities have issued the "11th Five Year Plan" for housing construction according to the central requirements, which basically tend to position the "70% of the commercial housing with the building area of less than 90 square meters" as the total control rather than the project control. Some scholars pointed out that whether the housing structure adjustment can be solved depends on the executive power of local government. The research group on macro policy trends of the Ministry of economic forecast of the State Information Center believes that how to implement the policy of "90 square meters and 70%" and how to ensure the development of "limited house type and house price" commercial housing, and how to improve the housing security system with economic applicable housing and low rent housing as the main body is still a puzzle in front of the

government.

In the 2010 NPC and CPPCC sessions, some representatives put forward suggestions on reforming the land supply mode, carrying out the second housing reform and establishing the three-system housing system. After the promulgation of the national low rent housing security plan 2009-2011, the affordable housing system is gradually ensuring the basic living conditions of low-income families. The commercial housing system meets the housing needs of high-income families but cannot meet the housing needs of middle-income families. Therefore, the representatives suggested that the state should carry out the second housing reform as soon as possible and establish a third public housing system (including public rental housing system) that can meet the housing needs of middle-income families, that is, an affordable market housing system.

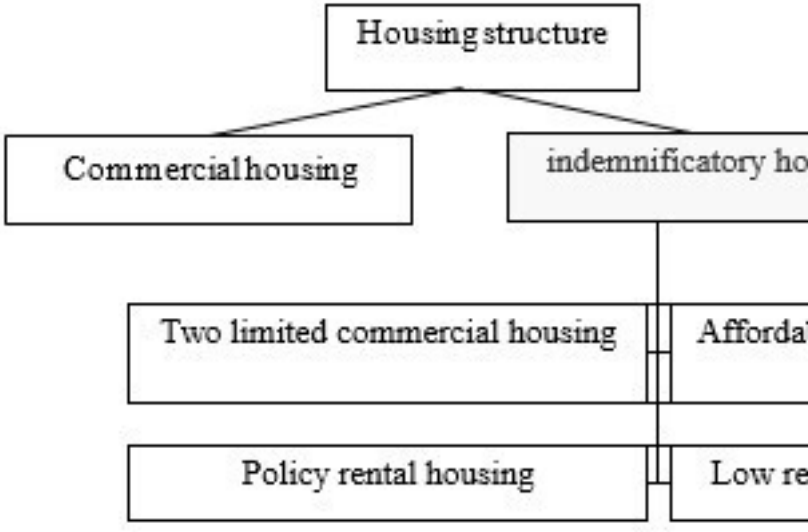
2. Main trends of housing structure in China

Housing problem is no longer a simple social and economic problem, but a political one. Taking China as an example, in recent years, to solve the problem of small housing and difficult to buy, the state has issued many preferential policies. At present, there are low rent housing and affordable housing for low-income people. In the proposal of the two sessions in 2010, more scholars proposed to provide public housing and public rental housing system for middle-income families. Although the government has been formulating various policies in recent years to effectively solve the housing problem and ensure "home ownership", the contradiction of unreasonable housing supply structure is still prominent.

2.1 Overview of the relevant concepts of housing supply structure in China

1. The meaning and difference between commercial housing and indemnificatory housing affordable housing, office building, high-end apartment, commercial business housing, etc. This paper mainly studies the housing supply structure for housing. According to the use of real estate, it mainly includes commercial housing

2. At present, the housing supply structure in China is mainly divided into two categories, one is affordable housing, the other is commercial housing. As shown in Picture 1



Picture 1- Housing structure of P

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Indemnificatory housing refers to the housing with social security nature, which is provided by the government in the process of classified security for low- income families, including limited supply object, construction standard, sales price or rent standard. It includes two limited commercial housing, affordable housing, policy rental housing and low rent housing.

Commercial housing originally refers to the real estate development and operation enterprises, approved for sale in the market and the construction of housing known as commercial housing. Commercial housing can be divided into domestic

commercial housing and export commercial housing.

Commercial housing and indemnificatory housing are different, mainly in the following aspects (policy indemnificatory housing is affordable housing, the following is the main difference between commercial housing and affordable housing):

First, there are different ways to acquire land. The land for the construction of affordable housing is allocated by administration and free of land transfer fee; the

land transfer fee is required for the commercial housing.

Second, leasing policies are different. Affordable housing is only for sale but not for rent, and commercial housing is not restricted. The conditions and objects of purchase are different. Affordable housing can enjoy preferential treatment from the government. Because of the implementation of the application approval system, the objects of purchase are specific, that is, they are only supplied to urban low-income families, while the objects and conditions of commercial housing purchase are not limited.

Third, the price policy is different. The selling price of affordable housing is guided by the government. Developers cannot increase the selling price by themselves, but the selling price of commercial housing is completely determined by the market. The property right of housing is divided into four parts: the right to use, the right to dispose, the right to occupy and the right to gain. The property right of affordable housing purchased by individual residents belongs to individuals, while the right to

gain of commercial housing is different from that of affordable housing. After the commercial housing is sold on the market, all the income belongs to individuals.

3. Classification of residential consumption demand structure

The basic meaning of consumption demand structure of housing market refers to the composition of various levels of housing consumption demand in the total demand of housing market according to people's actual needs and their different ability to pay.

Housing demand structure can be classified from different perspectives. First, according to the housing price structure, it can be divided into high price housing, medium and high price housing, medium and low-price housing, etc. Second, according to the quality structure of the house itself, it can be divided into high- grade house, medium and high-grade house, medium and low-grade house, etc. Third, according to the area structure of each house, it can be divided into large, medium, and small houses. In the quality grade structure of housing, high-end housing is bound to have a high price, while low-end housing is bound to have a low price. In the area structure of housing, the total price of each set of large area is bound to be high, and the total price of each set of small area is relatively low. In the regional structure of housing, due to the difference of land location and land price, the price of housing in the central area is bound to be high, while that in the suburbs is relatively low.

2.2 Current situation of housing structure

1. Housing supply structure and social demand are contradictory

Housing is the most basic survival material, which is related to the basic survival needs of residents and the stability of the whole society. Due to the huge cost of buying or renting houses, it is difficult for low-income people to buy or rent houses at market prices, and some households with housing difficulties or even "homeless" will inevitably appear. The specific performance is as follows:

The housing income affordability of residents refers to the calculation of the actual living area that can be borne by all levels of residents under the given income level and housing price level. Taking the situation of China as an example, according to the statistics of the National Bureau of statistics, in 2019, the operating profit of China's real estate development enterprises reached 1543.935 billion yuan, and in 2020, the added value of China's real estate industry was 7455.25 billion yuan, with a year-on-year increase of 410.77 billion yuan, with a year-on-year growth rate of about 6%.

Table 1 - Disposable income and consumption from 2016 to 2020 (unit: RMB)

Year	Per capita disposable income of residents	Per capita consumption expenditure of residents	Surplus
2020	32189	21210	10979
2019	30733	21559	9174
2018	28228	19853	8375
2017	25974	18322	7652
2016	23821	17111	6710

Table 2 - Housing consumption in total consumptions from 2016 to 2019 (unit: RMB)

Year	Per capita housing consumption expenditure	Per capita consumption expenditure of residents	percentage of housing in total consumption per capital
2019	5055	21559	23.45%
2018	4647	19853	23.41%
2017	4107	18322	22.42%
2016	3746	17111	21.89%

From table 1 and table 2, we can see that the per capita disposable income has shown a positive growth trend in recent five years, which is bound to bring about the improvement of per capita consumption ability. Compared with 2016, the growth rate of per capita disposable income is 35.13%, and the growth rate of per capita consumption expenditure is 23.96%, which makes the per capita surplus increase by 63.62%. Without considering the price fluctuation, it shows the improvement of the quality of life of Chinese residents to a large extent. However,

we have to pay attention to the ratio of housing expenditure in household consumption. From the growth of per capita income, we boldly speculate that people's housing expenditure will increase to a certain extent.

Of course, this is a reasonable assumption based on the premise that other factors in China's real estate industry have little influence. According to table 2, we can verify our conjecture that since 2016, the housing consumption power of Chinese residents has gradually increased. The ratio of housing consumption to total disposable consumption is from 21.89% in 2016, 22.42% in 2017, 23.41% in 2018 to 23.45% in 2019. Although it doesn't seem that there is a big increase, what this data shows is that there is a positive correlation between the consumption ability of Chinese residents and the demand for housing purchase. And it is a growing trend. This is inseparable from the improvement of residents' income, and also shows the accumulation of social wealth from the other side. But even so, we can not ignore the change of the gap between the rich and the poor brought by the development of urbanization. Housing is a big expenditure, which is different from small commodity consumption. Therefore, it is of great significance to study the housing consumption of rural

Table -3 Percentage of rural residents' housing consu

2019 (unit: RMB)

Year	2019	2018
Per capita consumption expenditure of residents	21559	19853
Per capita housing consumption expenditure of rural residents	2871	2661
Percentage	13.32%	13.40%

residents.

From table 3, we can clearly see that the comparative study on per capita disposable income is not representative. From the data from 2016 to 2019, it can be seen that the proportion of rural residents' housing consumption expenditure in China's per capita housing consumption expenditure is less than 14%. The uneven housing consumption of urban and rural residents is caused by the contradiction between housing supply structure and income bearing capacity. At present, there is still a lack of research on a series of issues such as whether the high price housing, medium and high price housing, medium and low price housing are reasonably allocated, whether the housing area structure matches the consumer demand.

2. The proportion of high-end products and low-end products is not harmonious

There are many reasons why it is difficult for the middle and low income people to buy a house. On the surface, the main reason for the rapid rise of house prices is that the false high of house prices is seriously separated from the level of personal income, but the deeper reason is due to the unreasonable supply structure of housing. There has been authoritative research shows that China's housing supply structure and housing consumption structure does not correspond. 70-80% of the commercial houses supplied in the market are high-end houses, and there is a serious oversupply, while the low-end houses are obviously in short supply. Although this phenomenon has been greatly improved by the government's regulation in recent years, the rapid rise of house prices, the shortage of small and medium-sized housing supply and the imperfection of affordable housing supply still make many low-income people sigh. Thus, it can be seen that there is a contradiction between the supply of high-end real estate dominated by large-scale commercial housing and the demand of middle and low-end real estate dominated by small and medium-sized and affordable housing. From the perspective of actual needs, most of China's housing consumers have limited purchasing capacity and low income, and they need low-cost and low price ordinary commercial housing or affordable housing. Many real estate developers blindly pursue the excess profits of high-end commercial housing, lack of due market research and prediction, resulting in some high standard, high return projects overheating, and the supply of high-end commercial housing

The investment intention of the middle and low-grade housing, which is welcomed by ordinary residents, is cold. The real demand of the vast majority of people is the low-end real estate, which is dominated by small and medium-sized houses and affordable housing.

3. Affordable housing is not enough to meet the needs of low-income groups

With the development of global economy, in China's real estate market, the demand structure has shifted, gradually from high-income families to low-income families. There are low-income people can not afford high-end housing, the number of affordable housing is not enough to meet the needs. In addition, the housing area of the middle and high-income groups in China is increasing, and the housing conditions are quite good. Most of the middle and high-income urban residents have more than 100 square meters of housing area, some have more than one house, and some even have more than 200 square meters of villa. However, the per capita housing area of the low-income class in China is far less than 27 square meters, so there is a great demand for purchase in the low-income class. However, despite the purchase demand, the income can not keep up. As a result, a large number of vacant buildings in the real estate industry, most people still do not have their own houses to live in, resulting in the false appearance of over development of real estate. In order to solve this dilemma, the government should issue corresponding policies to ease the high housing prices and

encourage low-income families to buy houses.

4. Contradiction between housing supply structure and harmonious development of society

With economic development and social progress, urbanization is getting closer and closer. With the increase of floating population, the traditional concept of "living and working in peace and contentment" is still recognized by this society. With the employment in other places, the marriage of children and the influx of rural population into cities, housing is regarded as a rigid demand. At present, most of the cities in China have the situation of high housing prices, and high housing prices will inevitably inhibit the growth of housing demand for a certain period of time, which is not conducive to social and economic stability and harmonious development.

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