Thinking on China Developing Real Estate Industry: Based on the Analysis of Socio-economic Hotspots of 2015

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Abstract. During the whole 2015, there have been many hotspots causing the focus of national concern, such as Paris climate conference, two sessions (National People’s Congress and Chinese People’s Political Consultative Conference), Asian Infrastructure Investment Bank, Internet giants gathered, which have inextricable relations with our economy and life. This paper discusses these hotspots’ impacts on the real estate industry in our country, from three aspects of the Paris climate conference of low-carbon economy, the government work report “Internet plus” and “property 330 New Deal”, and look into the development of real estate economy.

Introduction

Whether from livelihood issues people concern or from the whole country’s economy and related industries, low carbon, the Internet and the government policy being hot topics, many scholars and analysts once discussed the development of real estate economy from a variety of perspectives. Several important events happening in 2015 closely relate to the real estate industry—On the Paris climate conference, the general secretary Xi Jinping published commitments on carbon reduction, while real estate as a high-carbon-consumption industry will be affected; the topic of “Internet plus” being increasing hot, real estate developers cannot await their doom, and just imagine, if the Internet is applied to the real estate industry, what will occur to the property market; property 330 New Deals comes down to the national policy and have direct influence on the property market.

Therefore, for ordinary readers but not scholars in related fields, this paper analyses the real estate economic trends and real estate developers measures from three angles—the low-carbon economy, “Internet plus” and the Property 330 New Deals.

Low-carbon Economy and Real Estate

At Paris climate conference in 2015, General Secretary Xi Jinping delivered a speech, expounding China’s views and opinions on the global climate governance, and promising the carbon dioxide emissions per unit of gross domestic product will drop 60%-65% compared to 2005. This reflects China’s determination to develop low carbon economy.

Recent years, as the energy production and consumption of China has come to “the second”, our carbon dioxide emissions occupy the forefront of the whole world. For this reason our relevant government departments have publicly promise to endeavor to reduce carbon emission set ourselves on a path towards low-carbon economic growth. The real estate industry, nevertheless, as an industry of high carbon emissions, have been developing as a traditional model of “high input, high consumption”. According to incomplete statistics, the energy consumption by the existing housing building in China accounts for forty percent of the total social energy consumption [1].

As the right concept of the economic development recognized by the whole world, low-carbon development concept will contribute to balancing industrial development and ecological environment, and be responsible for future generations. Synoretizing low-carbon economy and real estate economy, that is to say, developing low carbon in real estate industry is indispensable.

Firstly, moving to a low-carbon economy model in real estate industry could drive related industries “green”, “low-carbon” and “circular”. With a long industrial chain and a large amount of associated industries, both manufacturing businesses before housing sale of cement, steel, glass,
hardware, and after-sale ones about housing consumption activities of furniture, home textile, more than twenty industries have connection effect with real estate [1]. Both green manufacturing of upstream industries and green consumption of downstream industries change the traditional development model of “high input, high consumption” in China in a way, which greatly boils down to a low-carbon path of real estate industry.

Secondly, stepping up effort to develop green real estate industry helps put into effect “energy conservation and emission reduction”. During the last few decades, property developers blindly run after high profits while losing sight of the limited resources and soil, which led to much unnecessary waste and pollution. At the perspective of real estate industry, developing “low-carbon” real estate is the route one must take, which will stem global warming, promote conservation ecological and balance ecology and human’s development.

Thirdly, it contributes to optimizing industrial structure and doing spade work to real estate’s going sustainably. On the one hand, there may be changes in some aspects, for example, the policy execution to be further implemented, and the architectural technology to be updated. Consequently, the construction cost will be cut down, housing prices will be lowered and the industrial structure will be optimized [2]. On the other hand, a “low-carbon” and “ecology-protective” industry economy requires that the property developers should attach importance to building materials, guarantee both quality and quantity, and enterprises’ long-range development.

Whether at a macroscopic view of real estate industry or microscopically every property developers, developing low-carbon real estate is the only route one must take.

“Internet plus” and Real Estate

In March 5, 2015, the twelfth session of the third National People’s Congress held in the Great Hall of the opening ceremony. Premier Li Keqiang proposed “Internet plus” action program. Immediately, presented in March and then continued warming, “Internet plus” has become a “hot” phenomenon of our current level.

What is the “Internet plus”? Pony Ma of Tencent, for “Internet plus” strategy he proposed, explained it means through the Internet platform and information communication technology, fully integrating the Internet and various industries, to be creating a brand new ecology in new areas. To put it simply, “Internet plus the traditional industry” reached the effect of 1 + 1 > 2 in deed. In fact, not jump out of nowhere, but the “Internet plus” blended into people’s daily life. And examples being too numerous to enumerate, “Internet plus traditional shopping malls” turns into the popular Taobao, “Internet plus traditional bank” turns into convenient Alipay, “Internet plus traditional traffic” turns into taxi-hailing applications.

Insiders said: “It is now a new problem to the real estate sector, how the old house industry to go with the most cutting-edge Internet technology” [3]. In that way, what wonderful reaction will “Internet plus real estate” appear? What steps the Internet can be applied to the real estate industry, in brief, what position should Internet plus to be most appropriate?

Capital raising and investment

As a capital intensive industry, the real estate industry is inseparable and close with the large amount of money and financial support. And the Internet’s strong financial network provides for developers the fast channel of financing, which accelerates the capital turnover; at the same time, many retail investors through the Internet platform get access to investment channels, that is to say, market scattered money gathering together will be invested in the real estate industry, and retail investors will receive the corresponding return. At present, “Internet plus chips” and “real estate treasure” are successful examples of the Internet application to real estate financing investment.

Marketing methods

The combination of Internet and marketing—online information service and offline trading experience to combine, convenient for online customer to find housing information, offline houses purchase and even online payment, become a new business model. In this regard, Shanghai Huayan
Real Alliance pioneered the O2O mode of China’s real estate marketing - online enterprise sites and Real Union Communication app combined with the offline traditional house sitting, and immediately is. It was perfect combination of national support policy and the “Internet plus marketing” that made Huayan by the blitz, greatly improving the efficiency and convenience of housing purchase [3]. In the words of the industry, it is “a new generation of Internet housing enterprise, forming a ‘house sitting, purchase, payment, decoration’ business closed loop with the Internet technology”.

In addition, the Internet to be used in the decoration and community service is a new trend. “Internet plus home decoration” solves the renovation of personality and mass production, fulfill the interior design and decoration services a key to complete, and make cost and effect diagram clear, which can save not only time and labor but also worry and money [4]. “Internet plus community service”—a good connection of each functional community areas, creates a complete and convenient community ecological chain.

“Internet plus” is bound to plug new wings for the real estate industry and the real estate industry’s full integration of the Internet can be regarded as being in the right place at the right time. Premier Li Keqiang subsumed “Internet plus” included the top-level design of national economic development for the first time and the relevant departments issued a series of support policies for stable and healthy development of the real estate market. Obviously, the real estate industry should also go forward with appliance Internet technology.

**Property 330 New Deals and Real Estate**

On March 30th, the central bank released the three “surprises” with the nature of saving the property markets—Property 330 New Deals: the minimum down payment ratio of two suites loans dropped to 40%; the minimum down payment of the provident fund loans to buy the first suite is 20%, and two suites minimum 30%; second-hand housing sales tax from “full of five years” released to “full of two years”.

For the real estate industry and more than twenty industries that have connection effect with real estate—both manufacturing businesses before housing sale of cement, steel, glass, hardware, and after-sale ones about housing consumption activities of furniture, home textile, the positive impact of the “saving” Property 330 New Deals has been by no means out of the ordinary [5]. As many scholars have said, “developers and buyers are the first to suffer the effects of the new deals. For property developers, the 330 New Deals is not only the new power to escape from murky real estate market, but also boost its development. As for buyers, it is the new deal that helps to escape from losses and accelerate house purchasing”.

The new deals lower the “threshold” of housing accumulation fund whose efficiency increased. On the one hand, the minimum down payment of the provident fund loans to buy the first suite decreases to 20%, and two suites minimum to 30%. On the other hand, in the renovation of housing, rental housing, housing accumulation fund can still solve parts of these expenses. The new deals lowered the “threshold” of housing accumulation fund from two sides of amount and method. From other aspects of the new deals, such as the floating population of housing security and the property buyers’ cost of loans, there are positive impacts on consumers.

The “saving” Property 330 New Deals can save the property markets indeed and promote China’s housing market prices stabilized. With the 330 new deals, favorable policies are being formulated frequently, and the real estate market gets warming around regions where new policies have been implemented such as Belt and Road Initiative, Beijing Tianjin and Hebei Integration, FTA, rail transportation; and at the same time, the property market situation of the first-tier cities and some second-tier cites turns toward healthy twist [6].

Due to the introduction of the 330 new deals and other policies, as well as the relevant policies of the local governments, the market has been “better”. But as the property developers, there being something to follow, be more flexible and in different cities choose different marketing methods to catch the opportunity to develop.
In this year’s government work report, real estate is relatively stable and positive tone—from “repression”, “speculation” and “control” to “stable”, “support” and “promotion”. In this environment, Chinese economy real estate will develop towards the healthy direction. Whether property developers or the whole industry, should meet with the challenge, seize the opportunity, to develop low-carbon, environmental and sustainable “Internet plus Real Estate”.

Conclusions

To make the real estate economy improved gradually, not only should we keep with the tide of historical development and seize the opportunity, but also adjust development mode and diversify market methods.

Reference