Research on the Healthy Development of China’s Real Estate Market under the Background of Macro Regulation and Stock Marketing

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Abstract

Rising production costs, changes in the way of technological progress, the rate of decline in investment income, export-led growth is not sustainable, these factors make the Chinese economy has entered a "new normal." This performance is the new normal economic growth rates, "stagflation" risk appears to reduce the employment pressure, increased proportion of consumption, industrial structure transition from labor-intensive to capital-intensive and knowledge-intensive, as well as increased demand for independent research and development. In the "new normal", China should moderately lower economic growth target, deepening reform, speed up industrial restructuring and independent innovation, the implementation of the policy mix of supply and demand double expansion, demand management, or a small amount of sound monetary tightening, fiscal expansion policy mix. "Destocking" is the main task of the real estate market, due to the effect of crowding out commercial and affordable housing between the stocks is bound to affect the development of affordable housing. Faced with the real estate market structure imbalance, we should supply-side and demand-side two-pronged approach.

Keywords: Macro-control, supply management, crisis theory, destocking, development model, real estate.

Introduction

In recent years, real estate stocks attracted to the center of attention. In a series of central meeting before the end of 2015, held on to the inventory of real estate was mentioned several times with the end of the Central Economic Work Conference at the end of 2015, some local governments have introduced measures to stimulate the development of the real estate market, real estate stocks have gradually to be implemented in the country. Main can be summarized into six categories: taxes take loose fiscal policy, active use of housing provident fund leverage, more initiatives to encourage and support farmers into the city to purchase, promote shed change, commodity repurchase, the implementation of real estate supply-side reforms, to further expand buyers groups and the like.

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Currently, affected by domestic and international economic environment, China's economic growth slowing down and economy is facing a critical moment in the transformation and upgrading and structural adjustment, multi-industry product backlog and overcapacity has become an important factor restricting further growth. For real estate is concerned, a few years ago under the influence of local government land finance large-scale land development, but has failed to effectively digest, leading to the gradual stock market rise significantly hindered the healthy development of the real estate industry.

From real estate to inventory sense, mainly in the following four points: First, because the real estate industry in our economy as a pillar industry, and therefore real estate to stock not only for the healthy development of real estate promoting the role, but also for steady economic growth has importance; secondly, real estate stocks also help to rid the land of local government financial dependence, through the transformation of economic development and innovation drive to develop new sources of revenue; again, the real estate stocks also conducive to the further transformation of the industry; and finally, real estate destocking help guide the real estate return to the "live" function, to improve people's housing problem has a positive meaning.

Since 2010, China's economic growth rate continued to decline in the quarter year on year growth rate dropped from 11.9% in the first quarter of 2010 to 7.5% in the second quarter and 7.4% in the first quarter of 2014. Meanwhile, China's inflation rate was in May 2012 dropped to below 3%, after fluctuations from between 1.7-3.2%. Especially since October 2013, China's CPI rose by a monthly rate is continuing to decline, to April 2014 dropped by 1.8%, reaching the lowest level in 18 months. May and June, consumer prices rose rate of 2.5% and 2.3%, respectively.

Inflation rate and economic growth both recently reached its lowest point this year and sparked concerns about the future of China's macroeconomic situation. In such a case, how to determine the current macroeconomic situation in China has become an important issue currently facing China's macroeconomic research, but also become the basis of macro-economic policy design.
The Proposed Methodology

**National real estate to the inventory policy.** In recent years, real estate stocks attracted to the center of attention in a series of central meeting before the end of 2015, held on to the inventory of real estate was mentioned several times.

Real estate has become the destocking in 2016. The main objective of China’s economic work and the real estate policy and since this year the state issued mortgage down payment ratio, cut a larger real estate transaction taxes and a series of efforts policy perspective, no doubt highlight the central stimulate the property market, real estate stocks resolve determination.

The features discussed housing development necessarily involves the relationship between real estate and national economy. On the relationship, it is easy to assume that the overall economy is a whole, is a local real estate economy, so as to serve the local real estate economy that should be subordinated to the overall national economy, the real estate economy as the main body of the housing market also service, subject to the overall national economy, such methods of analysis simplistic and the simplified analysis method, resulting in distortion of the function of housing development.

If you ask, the real estate economy (industry, market, product) is fundamentally why exist? The answer is, it is to provide physical space for living, business and labor required for human beings exist. For example, housing is to the residents, the plant is to the workers, business owners, offices and the white-collar workers, management, retail, commercial buildings is to the merchants, customers, and so on. In short, the real estate economy is to meet the fundamental human value. Leave to mankind with the fundamental purpose of use value, the real estate economy would lose all meaning of existence.
"New normal" roots. Chinese economy has entered a "new normal." The so-called "new normal", we understand, refers to the new stage of development, the emergence of new opportunities, new conditions, new imbalances, economic development is becoming a longer period of stable characteristics.

In short, after 30 years of rapid development, China's economy is indeed an unprecedented new features, these new features will determine the Chinese economy will be the "new normal." Understand the "new normal" will help to understand the new situation of China's economy, China also contribute to the design of macroeconomic policies.

Rise in the cost factor. Rising costs of the most important is the rise in labor costs. To be clear, the rise in labor costs is labor income rises, that is, living standards rise, so this is the result of China's economic development, but also our achievements. However, the rise in labor costs, but also lead to increased production costs of enterprises under the existing technical conditions, which is the downside for enterprises.

Technological factors. Recently three decades, the main way of technological progress is to learn and imitate. This is called "advantages." Since the beginning of reform and opening up of China's technical level with the world's technological frontier gap it is large, so a lot of room to learn and imitate. Because learning and imitation with low cost, low risk characteristics, which leads to our technological progress relies heavily on learning and imitation, relatively speaking, innovation contribution would be small. In fact, for businesses, the technology required is often not the most advanced technology, but it cost minimization techniques.

With the progress of China's economic development and technology, China's technological level with the distance between the leading edge of world science and technology getting smaller and smaller, study space will become smaller and smaller. In some areas, even in our country a world leader, such as high-speed rail, has almost no learning space exists. Thus, learning and technological progress in our country is rapidly coming to an end. Technological advances will quickly become the low-cost era in the past.

Investment return rate. With China's economic development, the Chinese economy is less and less a good investment opportunity. Reform and opening up, China's economy undone, full of good investment opportunities. With economic development, the first is the best investment opportunity to be spent, then the rate of return that investment opportunities, then there are investment opportunities in lower yields is spent. Then improve profitability through the introduction of foreign advanced technology and new product approach. Now, when learning less and less space, when the rate of return on investment is very difficult to think about improving, companies no longer difficult to find good investment opportunities.

The last 30 years, China has adopted the export-oriented economic growth, exports accounted for the proportion of China's GDP was as high as 35%, which means that China's total output of 35 per cent sold to foreigners, we can imagine China's large dependence on the international market of. With China's economic growth, the total size of China's economy
growing, up to now, the total size of China's economy ranked second in the world, if Chinese exports share of GDP is still as high as 35%, such a large-scale exports, the world market It will be difficult to digest.

**Control systems thinking.** In order to meet the reasonable needs of society for real estate, in order to stabilize the real estate market supply and demand and the basic price, for the healthy development of real estate, real estate in order to coordinate with the national economy, we have learned from the "decade control" lessons, in accordance with the 8-th CPC third plenary session of the spirit of the proposed demand driven by supply to adapt, with the means to ensure that, please first system reform ideas.

The first demand for housing is owner-occupied demand. That buyers to buy houses for their own residence. In general, the purchase of the first set of perhaps a second home, they live are used. In user demand, but also contains requirements for investment. But this additional investment is not the primary purpose.

The second category is the demand for housing demand he lived. That buyers purchase a home to live not for themselves, but purely investment, return on investment leased to others occupied or used, and accessible. Its objective necessity that in the housing market there are always some people do not need or can not buy housing, may only need to lease or just someone to invest in housing to live. He lived such a demand for housing investment to meet and stabilize the market, have a positive effect.

The third category is no demand for housing needs to live. That is neither buyers purchase a home for his own residence, nor to others to live, just waiting for the price to rise to the desired level, get to sell cash currency appreciation.

![Figure 2. Housing demand analysis.](image)

**Regulation ideas.** The first category, demand for owner-occupied housing, the basic idea of the regulation should be encouraged. That is where the Chinese people, with or buy the first set, second homes, the government should be encouraged. Over the years the policy has been
reflected, but not enough, can be more clearly "encouraged" means. This is consistent with the economic development pattern, expanding domestic demand and people's livelihood priority requirements. Encourage means such as finance, taxation, credit coordination we can play to the extreme. But one of the basic needs for improving demand and extravagant needs, but also differ.

The second category for housing demand, the basic idea of the regulation should be allowed. That is to have the first set, second home residents, but also allows them to invest in the third set, the fourth set of even more housing, open to buy, investment for rental.

In recent years, many studies "decade control" people think: the regulation failed to achieve one of the important reasons for the steady performance, it is to reform the real estate market and related to some basic, fundamental system of hesitation, delays taking strides, does not solve the deep-seated contradictions in the housing market, limiting the effectiveness of regulation.

Fundamentally speaking, the macro-control goal is not growth, but to preserve employment. For faster adjustment of industrial structure, to ensure employment, the lower economic growth rate more favorable restructuring.

Conclusion

Rising production costs, changes in the way of technological progress, the rate of decline in investment income, export-led growth is not sustainable, these factors mean the Chinese economy has entered a "new normal." This performance is the new normal economic growth rates, "stagflation" risk appears to reduce the employment pressure, increased proportion of consumption, industrial structure natural transition from labor-intensive to capital-intensive and knowledge-intensive, and the need for independent research and development increase. In the "new normal", China's economic growth target should be reduced, deepen reform, speed up industrial restructuring and independent innovation, the implementation of the policy mix supply and demand management double expansion, demand management, or a small amount of sound monetary tightening, expansionary fiscal policy mix. According to the current economic situation, while net exports to GDP ratio is far lower than the proportion of consumption and investment, on the other hand, the magnitude of improvement in foreign trade will not be great, we believe that this year's economic growth target to achieve in a considerable difficulty, unless the government to take stronger measures to stimulate. That is, the natural trend of economic growth does not meet the requirements of the target. At the same time, China is still faced with the problem of excess production capacity, lower economic growth but from a different perspective to some extent and help the economy by means of the elimination of backward production capacity, to achieve structural optimization. In view of this, we do not recommend taking massive expansionary policy, but recommended to the main supply management,
demand management, supplemented by orientation "micro-stimulus" policy system, in efforts to promote economic growth and protect jobs at the same time that may promote structural adjustment. Supply management reform should be based.

References


