

COVID-19's Impact on China's Real Estate Industry and Coping Strategies

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Abstract

The outbreak of COVID-19 is a public health emergency that has a major impact on China's economy and society. It has been nearly a year since the outbreak of the epidemic. The real estate industry, as the pillar of the economy, has been greatly impacted by the epidemic, mainly reflected in the decline of investment in real estate development, the forced cessation of production activities and the severe sales situation. This paper analyzes the impact of the epidemic on the real estate industry economy, and discusses the countermeasures.

Keywords

COVID-19; Real Estate; Economic Development.

1. Introduction

Since the reform and opening-up, China's economic development level has been significantly improved, and the urbanization process has been accelerated, which has laid a good foundation for the development of China's real estate industry. The real estate industry plays an indispensable role in promoting China's economic development. The real estate industry itself involves a wide range and has strong relevance. It has made outstanding contributions to the development of the national economy and improved people's living standards. However, there are many problems in the process of China's real estate economic development. It is necessary to analyze its development status and put forward solutions to promote the further development of China's real estate industry.

According to the latest report released by the National Bureau of statistics, the GDP in 2019 will be 99086.5 billion yuan, of which the tertiary industry's GDP will be 53423.3 billion yuan, accounting for 53.9% of the GDP, ranking first among the three industries. The GDP of the real estate industry is 6963.1 billion yuan, accounting for 13.0% of the total output value of the tertiary industry, ranking the fourth in the contribution proportion of GDP after the industry, wholesale and retail industry and financial industry. From 2017 to 2019, the proportion of real estate industry in GDP will rise from 6.49% to 7.03%. The GDP of real estate industry not only ranks the top in the contribution rate of various industries to GDP, but also its proportion is increasing year by year. It can be seen that the real estate industry is the focus and important engine of China's economic growth.

2. Current situation of real estate economy

In the early stage of real estate development, in order to solve people's living needs, the development type is relatively basic, and the real estate economic growth is relatively slow. With the continuous development of China's economy and the improvement of people's life, the traditional economic development mode of real estate has been unable to meet the actual needs of people. People not only put forward the residential demand, but also the supporting demand and product value of Liu Yu's house gradually come into the vision of buyers. The real estate products with high added value and great value have become popular products in the market. Production economy has also been a blowout development. At present, although the real estate market in China has been affected by the epidemic situation to a certain extent, people's investment enthusiasm has been squeezed to a certain extent. But on the whole, the real estate market economy has been on the rise, and people's investment enthusiasm for real estate products is still above a certain level. With the introduction of policies such as "real estate, housing and non-speculation", China's real estate economy is developing in a more

rational and reasonable direction, which effectively drives the overall progress of China's relevant industrial chain and promotes the growth of GDP Made irreplaceable contributions. However, there are still some problems in the development process of China's real estate economy because of its rapid development speed and blindly pursuing economic benefits. We must carry out rational discussion on this, find out the optimal solution, and promote the further development of real estate economy.

From the perspective of real estate economy, real estate projects are characterized by large capital investment, long construction period and high difficulty in management and control. Many traditional real estate projects are forced to recover funds quickly, so the time of market research and preparation before project development is generally short, which leads to the project cost risk can not be effectively controlled. In the new economic form, compared with the traditional financing management and project day management mechanism, the real estate economy has gradually exposed its shortcomings and is facing fierce competition from other industries. Therefore, real estate enterprises urgently need to carry out technical reform in financing strategy and project management, and informatization and digitization are the main reform directions.

3. The impact of COVID-19 on China's real estate economy

Since the outbreak in January 2020, the COVID-19 has become a common epidemic in the world. During this period, in order to prevent the spread of the virus and ensure the safety of people's lives, the state implemented a very strict prevention and control policy. Shopping malls, catering industry, service industry and other non essential places were closed, which undoubtedly brought production and capital turnover difficulties to many enterprises in China. Tsinghua University and Peking University jointly investigated nearly 1000 small and medium-sized enterprises and analyzed and evaluated the epidemic situation. As of early March, 85% of enterprises could only last three months due to the impact of the epidemic. As a pillar of the economy, the development of the real estate market has been affected accordingly.

As the pillar industry of our country, the economic benefits brought by the real estate industry include many aspects, such as the economic effects brought by the use of real estate development and investment activities, the economic benefits brought by the real estate production activities and the economic benefits brought by the real estate sales activities. The impact of COVID-19 on real estate industry is also mainly analyzed from real estate development investment activities, production activities and sales activities.

3.1 Based on human labor, real estate construction and other related production activities are strongly affected

The real estate production activity refers to the real estate housing construction and other production activities. During the epidemic period, the transportation in many parts of the country was in a closed state, and the necessary means of production for housing construction could not be supplied in time, which also hindered the construction of real estate. In addition, during the epidemic period, the state banned migrant workers from returning to work, and the real estate construction activities were stagnant. Therefore, the epidemic led to inadequate supply of emerging real estate construction.

3.2 The willingness of residents to buy real estate construction declined, and the real estate sales decreased significantly

Affected by the epidemic, due to the shortage of funds in some enterprises, there is a risk that workers' wages in the first quarter can not be paid in full or on time. As a result, the disposable income of residents will be reduced, and the funds used to buy houses will also be reduced. Restricted by personal financial situation, residents' willingness to buy housing will decline. Moreover, most of the real estate sales use the on-site sales channels. During the epidemic period, gathering activities are strictly prohibited, and the business activities of the sales offices will not be able to carry out. These two causes the real estate sales business to be in the doldrums, the sales volume drops sharply. According to statistics, in February and March 2020, the sales volume of commercial housing will decrease by 35.9% and 24.7%, which will be a record low compared with the same period last year.

3.3 The amount of real estate development investment decreased significantly

The investment activities of real estate development mainly refer to the investment activities of purchasing land, building houses and related supporting facilities for the development of real estate. The real estate industry has its own capital turnover chain. The real estate development investment is the initial point of the capital chain. It carries out the real estate production activities based on the development investment. When the housing construction is completed, the fund is withdrawn through the real estate sales activities, so as to carry out a new round of development investment. As the real estate sales activities will be hindered and the funds will not be able to return, the real estate development company's investment in the real estate industry will be greatly reduced. The impact of real estate development investment activities on China's economy is mainly reflected in the proportion of development investment in fixed assets investment of the whole society. According to statistics, from January to March 2020, the investment in real estate development will decrease by 7.7% year on year, and the proportion of fixed assets investment will decrease by 18.1%.

3.4 There may be mergers and acquisitions in the real estate industry

Due to strict financing restrictions, the proportion of domestic loans in 2019 was only 14.1%, the lowest in history. The debt level of some real estate enterprises is high. If they can't withdraw the funds, it is likely to lead to the rupture of the capital chain. The merger and acquisition of real estate industry is closely related to the capital chain risk of real estate enterprises. If the epidemic situation leads to the outbreak of capital chain risk of real estate enterprises, a large number of small and medium-sized real estate enterprises may be merged by large real estate enterprises.

4. Analysis on the control strategy of real estate economy in China

4.1 Enhance the risk prevention awareness of real estate enterprises

In the process of formulating the risk prevention and control plan of fund management, real estate enterprises must take the construction of risk prevention and control awareness as the first work, especially according to the various effects of the epidemic situation, to realize the effective innovation of risk prevention and control measures, so as to realize the high-quality construction of risk prevention awareness. Real estate enterprises need to pay more attention to the importance of prevention in advance, especially to study the remedial strategies for capital risk control, so that more businesses related to the operating environment of real estate enterprises in the new era can be optimized in the process of innovation. Real estate enterprises need to study the importance of risk prevention in advance, and the role of risk prevention and control measures in reducing the cost of risk response, so that real estate enterprises can more effectively improve the awareness of risk prevention, and fully adapt to the adverse impact of the epidemic on the real estate industry. Real estate enterprises also need to investigate the actual situation of the capital traders, strengthen the evaluation and analysis of the qualifications of the traders, so that the possible risk factors can be more reasonable. It is necessary to pay more attention to the strictness of asset evaluation, especially to study the value of various measures of capital management in real estate industry, so that the construction of risk prevention awareness can provide favorable support for real estate enterprises to comprehensively avoid capital operation risks. The cultivation of risk prevention awareness also needs to pay more attention to the feasibility of the epidemic response plan, especially to evaluate and analyze the failure of the plan caused by human factors, so that the real estate enterprises can fully grasp the actual needs of all staff of epidemic prevention and control, and provide sufficient guarantee for the high level cultivation of risk prevention awareness.

4.2 Improving the innovation level of financing channels of real estate enterprises

Real estate enterprises need to combine the impact of infectious diseases on the economy and society, formulate innovative management scheme of financing channels, especially the value of innovative financing channels, so as to realize the innovative treatment of financing structure. In the process of exploring new financing channels, real estate enterprises should learn from the experience of external financing industry, especially evaluate and analyze the value of broadening financing channels, so

that the financing channel innovation mechanism to deal with the market crisis and social crisis can be mature, and provide help for the effective response to public crises such as infectious diseases. Real estate enterprises need to analyze the pillar impact of the domestic real estate industry on the national economy, and conduct value research on the amount of funds involved in the relevant financing business, so that the important value of financing channel innovation can be fully revealed, and provide favorable support for the innovation of financing industry resources. Real estate enterprises need to pay more attention to the role of listed financing, especially to develop the important role of the current stock exchange market in the financing work, and effectively strengthen the quality of stock trading, so that the financing channels constructed for the public crisis can achieve high-quality exploration in innovation. We must pay more attention to the characteristics of the stock industry, and study the various functions of fund-raising, so that more measures related to the demand of capital structure control can formulate specific strategies for financing channel innovation under the condition of clear experience in dealing with infectious diseases, so as to improve the financing business of real estate enterprises.

4.3 Improve the maturity of financial supervision mechanism of real estate enterprises

It is necessary to provide more effective early warning measures for the real estate industry, so that the financial value of real estate enterprises can be fully analyzed in the process of development. In the process of constructing the innovation scheme of financial supervision mechanism, real estate enterprises must summarize and analyze the experience in dealing with the epidemic situation of infectious diseases, so that more measures related to the objective needs of real estate enterprises can clarify their own value, and provide favorable guarantee for the maturity of financial supervision mechanism. Professionals of real estate enterprises need to pay more attention to the role of the financial supervision system, especially the role of the people's Bank of China and the China Banking Regulatory Commission in fund management and control, so as to realize the standardized design of the financial supervision mechanism and ensure that the fund security in the background of public crisis can be effectively maintained. Financial regulators of real estate enterprises need to analyze and summarize the characteristics and influence of infectious diseases, so that the financial supervision mechanism can achieve innovative treatment under the protection of sufficient experience.

5. Conclusions

The real estate industry has played a very important role in China's overall economic development. It is a leading force star in the national economy, providing shelter for thousands of families. This paper expounds the supporting role of the real estate industry in China's economy, and combs the impact of the new epidemic on the real estate industry and the development trend of the real estate industry after the epidemic. Although the COVID-19 has a great impact on all industries including the real estate industry, it has hindered the development and investment activities, production and sales activities of the real estate industry in the short term, but the real estate industry has a stable and good development trend. With the promotion of residents' demand and policy assistance, the real estate and its related industries will drive the economic recovery of China. In order to improve the development quality of real estate enterprises under the background of the epidemic situation, it is of great positive significance to realize the research on the current situation of capital risk prevention and control and the design of improvement measures.

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