

Research on the Status Quo and Development Strategies of County-level Commercial Housing

--Take Ruzhou as an Example

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Abstract

As the smallest administrative unit in China, county-level areas are of great significance to the study of their real estate development. Take Ruzhou City as the research object to carry out a study on the price of commercial housing in county-level units. From 2009 to 2020, Ruzhou's economic scale and real estate scale have greatly expanded, and the population scale has continued to grow. The Ruzhou real estate market is currently in a stage of rapid development. It is foreseeable that with the further advancement of urbanization in the future, the real estate market in Ruzhou will develop further. This study analyzes the impact of economic factors, supply factors, demand factors, location factors and other factors on Ruzhou housing prices. Finally, the countermeasures aimed at changing the land supply system, protecting the rigidly-needed population, and introducing innovative talents to improve the real estate market in Ruzhou.

Keywords

Ruzhou; Housing Prices; Influencing Factors.

1. Introduction

The commercial housing market in my country started late, and the development process was ups and downs(Gupta et al., 2021). Since the State Council issued the "Notice on Further Deepening the Reform of the Housing System and Accelerating Housing Construction" in 1998, China's commercial housing market has entered a period of rapid development. The average annual sales price of commercial housing increased by more than 10% from 2004 to 2005, and as high as 24.05% in 2009. At the same time, Ruzhou has also introduced a policy for masters and doctors to purchase talent apartments at preferential prices. However, because my country's commercial housing industry has a unique demand structure, and investment demand can be transformed into supply, this has brought the complexity of the housing price formation mechanism(Bangura & Lee, 2020).

Housing price changes are a basic issue related to the national economy and people's livelihood. The rise and fall of housing prices are not only related to personal production and life, but also an important factor in national economic development and social harmony and stability. Therefore, both domestic and foreign, research on housing prices has attracted much attention. In the study of residential prices, various factors affecting the fluctuations of residential prices are the focus of analysis, and the factors affecting residential prices are the most important of the analysis(Wong et al., 2019).

In this context, I intend to take the commercial housing in the commercial housing market of Ruzhou City as the research object, analyze the influencing factors of housing prices, and analyze the influence of each factor on the price formation qualitatively and quantitatively, in order to grasp the main factors affecting housing prices , To provide a theoretical basis for the regulation of housing prices in Ruzhou. This will not only help the government to take corresponding measures to regulate

the price of commercial housing, thereby promoting the healthy and stable development of the commercial housing market and making a contribution to ensuring the people's housing.

2. Development status and trends of the commercial housing market in Ruzhou

2.1 Development status of commercial housing in Ruzhou

According to the website of the Bureau of Housing and Urban-Rural Development of Ruzhou City, the area of houses that have been filed and obtained pre-sale permits in 2020 is 13.8693.23 square meters, totaling 65 projects. Compared with 2019, the pre-sale area of 756,464 square meters increased by 50.5%. This increase represents a significant increase in the supply capacity of Ruzhou real estate. In 2020, Ruzhou commercial housing transactions exceeded 10,000 sets, with a total transaction volume of more than 6.5 billion yuan, realizing both housing transaction volume and transaction value. Under the impact of the 2020 epidemic, the real estate market in Ruzhou has maintained a steady progress.

Ruzhou's real estate development in recent years has been affected by national policies, and the real estate industry has played a significant role in supporting the economy of Ruzhou. After 2017, due to the continuous strengthening of the central government's policy constraints, some companies have withdrawn from the market, leading to further optimization and elimination of backward production capacity. This policy also resulted in a very concentrated real estate market in Ruzhou. Among them, one project developed by Ruzhou Cultural Investment Development Co., Ltd. accounts for 6% of all projects on sale in Ruzhou, while the 4 real estates of Ruzhou Xinhesheng Vocational Co., Ltd. account for a total of all the real estates in Ruzhou. 8%. The top 10 companies accounted for more than 60% of the real estate market in Ruzhou, while the remaining less than 40% was divided by other companies.

As a representative of small and medium-sized cities with rapid urbanization this year, Ruzhou has also seen a rise in the real estate bubble brought about by urbanization. Due to the widespread unreasonable price increases in the current real estate market, coupled with the consideration of developers to protect their own interests, problems such as covering land and covering land have arisen, causing real estate prices to continue to run at high levels. This phenomenon is represented by a large-scale real estate company. The unreasonably high housing prices have led to large-scale premiums on surrounding houses. This has caused a huge blow to consumer information and directly contributed to market panic. At the beginning of 2020, due to the epidemic, housing prices have experienced a short-term decline. However, with the positive development of epidemic prevention and control, real estate prices are also rising.

2.2 Trends of residential prices in Ruzhou

Before 1998, there was no real estate market in between because houses were donated or supplied by the nature of the welfare of enterprises and units. After real estate has become a commodity, relevant national policies can effectively affect the real estate market. Due to the instability of the real estate market in the early stage, real estate prices have risen and fallen sharply. This unconventional market has caused many problems, including imbalanced regional housing prices, imbalanced unit ratios, imbalanced regional plot ratios, and excessively high unit prices.

From 2013 to 2018, the sales of commercial housing in Ruzhou's commercial residential development increased by 5.19 times, the sales area increased by 3.35 times, and the price of residential buildings increased significantly. The sales area increased by 300%, which fully shows that the housing supply and demand relationship in Ruzhou has been in a state of dynamic balance in recent years, and the supply and guarantee capacity of commercial housing in Ruzhou has strong flexibility. Similar to the 300% increase in the sales area, the average unit price has also increased by more than 50%, with an average annual increase of 10%. It also shows from the side that the development of the real estate market in Ruzhou is overheated. It needs to be pointed out that the average price rose by more than 16% from 2016 to 2017. This increase will undoubtedly have a huge impact on the market, which will lead to an increase of nearly 8% in the second year.

Ruzhou is relatively close to Zhengzhou and Luoyang, but due to the city of Ruzhou, housing prices are not greatly affected by places such as Zhengzhou and Luoyang. House prices in Ruzhou have always maintained a trend of steady growth. For a long time, the average price has been about 60% of the average price in Henan and about 50% of the average price in China. However, we can clearly observe that Zhengzhou's housing prices have seen a clear upward and downward trend in recent years. This period of time has a great relationship with Zhengzhou's urban development and central policy regulation. Zhengzhou's housing prices experienced a large-scale increase from 2010 to 2016, with the average unit price rising by 60%, reaching a record high in 2016. The trends of Ruzhou and Zhengzhou are obviously different.

The trend of the average house price is very meaningful. Compared with the fluctuations in Zhengzhou, the average house price changes in Henan, Ruzhou and China are very stable. The average price changes in Henan, Ruzhou, and China all rose by about 8% each year. Ruzhou saw the largest increase in housing prices in 2017, with an increase of 17%. In 2016, when there was a general surge, there was a time lag. This may be due to the spillover effect of the real estate industry, which caused some rigid-need people who had difficulty buying real estate in big cities to return to Ruzhou to carry out house purchase activities.

3. Drivers of commodity housing prices in Ruzhou

3.1 Economic factors

Macroeconomic factors are important factors that cause changes in real estate prices. Among them, factors such as GDP, per capita income, money supply, degree of opening to the outside world, and interest rates will all have an impact. Therefore, this study will analyze the influence mechanism of the above factors. First of all, GDP, as the most important macroeconomic indicator, usually represents a country's financial integration that year. This kind of finance includes both physical and non-physical states, and can be subdivided into two types: products and services. As real estate is a national pillar industry, the related industries it brings are the lifeblood of the national economy. This can be clearly seen from the proportion of GDP. Due to the increase in GDP, it can provide residents with greater consumption space. Driven by consumption, residents will choose higher-quality housing, which in turn stimulates real estate companies to develop housing to meet the needs of the people. The rise in GDP will also provide solid guarantees and predictable prospects for the financing, financial and credit services of real estate companies.

The money supply and interest rate factors play similar roles. They both affect real estate companies by adjusting the amount of money in the market. Due to the imperfect financial market in our country, private credit and private credit have many drawbacks, and banks have become the main financing channel for developers. Easier interest rates and monetary policies will increase the difficulty of financing for developers and individuals, which will not only increase the supply of houses, but also increase residents' demand for houses by adjusting the purchasing power of the population. Conversely, if the macroeconomic situation requires the implementation of a tightening monetary policy and a tightening interest rate policy, the real estate market will be compressed from two points: housing supply and residents' purchasing power. As the real estate price of Ruyang is a component of China's real estate, macroeconomic factors will inevitably have an impact on the real estate market.

3.2 Supply factors

Due to the nature of China's land nationalization, real estate supply and land supply have a special relationship. Land finance refers to the behavior of local governments to obtain fiscal revenue by listing land for sale and obtaining land transfer fees. China's land fiscal behavior and housing share area behavior are derived from the Hong Kong Special Administrative Region. Due to the nature of China's land nationalization, there is no difficulty in selling land, and the country has inherent advantages in land acquisition, demolition, and the use of public power. Land finance has become popular in China for a period of time. In many local governments, especially in the development of third- and fourth-tier small cities, due to the lack of local industries that can create taxes, local

financial departments must obtain fiscal revenues other than taxes. The land fiscal revenue of most small cities even once accounted for 40% of the total government revenue, and the land transfer fee accounted for 60% of the government's extra-budgetary revenue.

"There is no money to sell land, but land to sell money" has thus become an important source of income for small cities in the Midwest. Due to the scarcity of land as a natural resource, its supply is not elastic, which means that land supply has nothing to do with price. Therefore, land supply is only related to "demand". This demand is the government's need to expand the scale of the city and the government's demand for land finance. Through land consolidation, land reclamation, and spatial planning, the government has consolidated multiple pieces of scattered land and listed them for sale. While obtaining high land transfer fees, the supply of land has been continuously increased to stimulate developers to carry out business activities. In addition, because the government has a large amount of funds, the sources of funds of regional banks are more secure, and the pool of funds is also larger. These funds entered the real estate market again out of the consideration of profit-seeking and cost-preservation, leading the development of industries such as steel, building materials and construction chemicals, reducing the cost of the construction industry. On the one hand, it is to increase the supply of land and on the other hand to reduce the cost of the construction industry. Both actions increase the supply activities of the construction industry.

The reduction in loan interest rates of local banks and the increase in loan scale have weakened the financing difficulties of local enterprises and promoted loans to local enterprises. Real estate companies can also take this opportunity to expand their business scale. Since most of the land to be sold is located in more remote areas, and the low prices are generally lower, developers can obtain more land at lower prices. More land means more commercial housing supply. More commercial housing, especially suburban housing, will lower housing prices, but it will increase the price of housing in the main urban area and in better locations. The ultimate impact it depends on the mutual effect of both parties.

3.3 Demand factors

Demand factors are manifested in two aspects: demand and demand. In terms of demand factors, the rise in demand brought about by the increase in population size and per capita income is even more challenging. The first is the population size. The expansion of the population size will increase the regional population density and bring more potential consumers. The increase of potential consumers directly leads to an increase in demand and destroys the current supply-demand relationship. Due to the upward shift in the equilibrium point of supply and demand, unit prices have risen, and at the same time the prices of houses sold have risen. However, an increase in population will also bring about economic development, that is, an increase in per capita income. An increase in per capita income will expand residents' demand for housing, which means that the demand curve shifts to the right. The upward shift in the equilibrium point caused by this right-hand movement will also push up unit prices.

The increase in population size will also bring certain side effects. The population size is too large and the per capita service supply of the unit will decrease, which means traffic congestion, shortage of school degrees, and over-service operation of the medical system. The occurrence of this phenomenon will reduce the quality of life in high-density areas, and the living environment and other public services will overflow. When the per capita income reaches a certain threshold, residents value privacy and habitability more. Therefore, some residents will give up the possibility of buying houses in areas with higher population density and switch to real estate objects in suburbs and other areas to meet their own high standards. There is a linear relationship between per capita income and population density. However, due to the diversification and non-linearity of the increase in human demand due to the increase in per capita income, the impact of the final population density on demand is also quite debatable. The population size of Ruzhou is also changing in the near future, especially the impact on the real estate market must also exist.

With the acceleration of my country's urbanization process, the demolition plan is also ongoing. For people who have been demolished and have lost their houses, buying houses has become a rigid demand. Urban expansion caused by spatial planning and endogenous urban development caused by natural population growth are promoting the demand for urban commercial housing. However, due to the scarcity of high-quality plots, the supply of high-quality plots is limited. The increasing demand of residents, especially the demand for high-quality land, will be more obvious, which will directly affect the trend of real estate prices. Relative to demand, high-quality land plots in Ruzhou are also naturally scarce, and changes in demand are bound to affect Ruzhou real estate prices.

3.4 Location factors

Location factor is an important reference factor in real estate estimation. Location refers to the spatial position and distance between real estate and other real estate or things. Similar to the location differences between different regions, the location differences within a city are equally obvious. Chinese cities can be divided into first-tier and second-tier categories according to their economic development. As a county-level city, Ruzhou can be divided into third-tier cities with reference to its prefecture-level city Pingdingshan. It is difficult to quantify the project for other location factors such as the line of defense, orientation, and type of houses. Taking floors as an example, the number of floors is not only related to the actual number of floors, but also related to the total height, the presence or absence of elevators and other factors, so it is difficult to quantify. As far as Ruzhou is concerned, the location factor is mainly reflected in the location of commercial housing from the central city.

3.5 Other factors

The development of pillar industries in a region generally brings two effects. The first is the improvement effect on per capita income. For a region, the development of pillar industries will greatly increase the income of residents in the region, and the increase in income will expand residents' needs and ability to improve their quality of life. Residents who have the purchasing power will purchase more competitive and better quality housing for value preservation and investment. Second, the development of pillar industries will bring about the development of other related industries and related industries. For example, the development of the coal industry will inevitably drive the development of transportation and coal chemical industry, create more jobs, increase residents' income and GDP.

The second utility of the pillar industry is the gathering utility of the population. The development of pillar industries creates more jobs, and higher per capita income will drive the inflow of population from surrounding areas. This part of the influx of the population first has the need to buy houses, and secondly, the tertiary industry that provides services for these influx populations is also constantly developing. The dual channels of population and per capita income affect the demand for housing, and demand will promote supply, and enterprises will develop housing. Considering that Ruzhou is known as the "Baili Coal Sea", similar to other resource-based cities, the prosperity of the coal industry has an important impact on the economic development of Ruzhou. This study believes that coal prices will have an impact on the prices of commercial housing.

4. Research on the development strategy of commercial housing in Ruzhou

4.1 Break the bottleneck of the land supply system

Therefore, we must first improve the land property rights system, especially the collective ownership land property rights system, to provide a legal basis for the transformation of the nature of rural land. Then use market mechanisms to develop innovative governance systems, such as separating land ownership from land use rights, allowing individuals or companies to transfer land use rights under the condition that land ownership does not change, and at the same time cracking down on malicious land speculation and other disturbances Market behavior. Continue to provide a reasonable market supply system for existing land that is under "bid, auction, and listing". Since Ruzhou has been included in the Zhengzhou metropolitan area, it is also an area adjacent to the Luoyang metropolitan area. The concept of future land supply should also change as the status of this city changes.

4.2 Establish a security system for rigid needs

In order to guarantee the housing for the rigid needs, we must first implement the method of "adjusting measures to local conditions and scientific regulation". In Ruzhou, houses located in different regions, different qualities, and different target groups carry out scientific control. The policies issued by the government should have a certain degree of flexibility, and formulate policies with crowd characteristics for different groups of people. The current policy is more of a "one size fits all" policy to avoid price increases for supporting facilities caused by government price restrictions. The basic principle of "mid-to-high-end marketization, and housing for rigid needs is guaranteed" should be practically implemented to protect the supply of people with rigid needs in the region. For the high-end housing market, the selling price can be appropriately increased, especially for high-quality housing located in the core area. Based on the identification of the population of affordable housing, buyers with different housing needs are led to different markets to improve market operation efficiency.

4.3 Improve the strategy of introducing innovative talents

The introduction of innovative talents is the main way of talent growth in a region. China's first- and second-tier cities are generally exploring talent introduction models, and some cities have proposed preferential housing purchase policies. Ruzhou City can take this opportunity to provide preferential house purchase policies for some small-sized apartments and single-person apartments for the introduction of talents. It is also possible to use the method of "retaining the post and not keeping the status" to introduce talents through a flexible introduction strategy, so that the talents do not have to stay in Ruzhou to make suggestions for the development of Ruzhou. Provide more attractive talent introduction strategies for managerial talents, professional skilled talents and professionals with special skills who are in short supply in economic development. For the introduction of masters and doctors from universities at home and abroad, they can be integrated into the national establishment for unified management.

5. Conclusion

This research takes the real estate status of Ruzhou City as the starting point to carry out the research on the price of commercial residential units at the county level. From 2009 to 2020, Ruzhou's economic scale and real estate scale have greatly expanded, and the population scale has continued to grow. The Ruzhou real estate market is currently in a stage of rapid development. It is foreseeable that with the further advancement of urbanization in the future, the real estate market in Ruzhou will develop further. This study analyzes the impact of economic factors, supply factors, demand factors, location factors and other factors on Ruzhou housing prices. Finally, the countermeasures aimed at changing the land supply system, protecting the rigidly-needed population, and introducing innovative talents to improve the real estate market in Ruzhou.

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