Linyi City Real Estate Market Development Problems and Countermeasures

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Abstract: The residence is the basic living material and must consumer goods, the development of the housing market is closely related to people's life and the commodity house is the important component of the residential market. Therefore, the healthy development of the housing market is related to the national economy and social development. This paper will analyze and study the current situation of the commercial housing market in Linyi city, and put forward relevant countermeasures to some problems existing in the development of commercial housing in Linyi city. This topic first from the real estate industry and the related concepts of commodity housing and real estate market operation characteristics, the related concept, and then analysis of Linyi commodity residential market development present situation, summarizes the current Linyi city commodity housing market problems, and puts forward relevant strategy, for the consumer, business and government decision-making to provide reference and experience.

Foreword

As early as 1990-2004, foreign research on real estate industry has been basically mature. In this period, papers published in Journal of real estate finance and economics and real estate economics basically cover all possible problems in real estate field. Here, we list some foreign scholars' research results in the commercial housing market: Aiming at the real estate bubble and housing prices, Bertran Droener investigated the change trend of housing prices in nearly 20 regions in France from 1984 to 1994 to study whether there was deviation in housing prices[1]; Small Garrick, Vail Michael and Akbar are examples of the research on the relationship between the development of real estate market and macro-economy Delwar evaluates the relationship between real estate market behavior and regional economic vitality by establishing evaluation indicators[2]; the research on the impact of income on the demand for commercial housing includes Barot's dynamic demand and investment supply model for commercial housing in Britain and Sweden from 1970 to 1998. It is found that no matter the long-term effect or the short-term effect, the income is the real estate price in Britain and Sweden The main driving force of lattice change[3].

Domestic research on the real estate industry has also produced many achievements in recent years. For example, Yu Xiao analyzed the impact of income factors and changes in national economic policies on real estate prices and came to the conclusion that macro factors can directly or indirectly affect the supply-demand relationship of the real estate market and then affect the real estate prices[4]; in addition, scholars Li Yonghui and Li also agreed that economic policies and economic development conditions and other factors have a great impact on the real estate prices[5]; at land prices The research on the relationship between the price of commodity housing and the price of commodity housing is the conclusion that Lu Ping and Zhou Tao think that the rise of land price will cause the rise of house price[6].

Current Situation of Commercial Housing Market in Linyi

GDP Growth of Linyi

In recent years, the economic development of Linyi is stable, and the total economic volume of Linyi is increasing year by year. And according to the data of Shandong Provincial Bureau of
statistics, Linyi’s GDP in 2016 was 402.67 billion yuan, up 7.6%. In 2017, Linyi’s GDP was 434.53 billion yuan, up 7.9%. There is a close relationship between the development of the real estate industry and the level of national economic development. The type of real estate industry is capital intensive. The real estate development needs to invest a lot of funds and involves many related industries. Therefore, the growth and development of national economy will promote the development and investment of real estate and stimulate the demand for housing consumption[7]. The above data also shows that Linyi’s economy is in a sound development.

Income of Residents in Linyi

The income level of urban and rural residents in Linyi city is constantly improving. The income level is an important factor that affects the housing consumption[8]. With the continuous improvement of the residents’ income, the focus of consumption will also shift from basic consumer goods to more housing consumption[9].

Fixed Investment in Linyi

With the continuous development of the national economy, the level of industrial structure will continue to improve, a large number of labor and resources will shift from the first industry to the second and third industries, promoting the development of the real estate industry[10]. In recent years, the economic development of Linyi city is in good condition, and the proportion of the second and third industries in the regional fixed investment is increasing year by year. Therefore, combined with the fixed investment and the data of the development of the commercial housing industry in Linyi, we can find that the development momentum of the commercial housing market in Linyi is good.

Linyi Commercial Housing Supply

From a macro perspective, housing supply refers to all the supply in the housing market, including reserve supply, potential supply and actual supply. From the micro point of view, housing supply refers to the number of houses that real estate enterprises are willing and able to provide to the market at the possible price level and at a specific time. The factors influencing housing supply include: the improvement of production technology, the expectation of real estate enterprises, the development of housing price and real estate related industries, and national policies[11]. Compared with the previous year, the residential area of Linyi City in 2016, 2017 and 2018 increased by 13.2%, 11.8% and 7.6% respectively. From the trend of residential construction area in Linyi City, we can also find that the development of commercial residential construction in Linyi city is stable, and there is not much fluctuation in the annual growth.

The Problems of Commodity Housing Market in Linyi

Demand Side

At present, the demand of commodity housing market in Linyi city includes investment demand, improvement demand and rigid demand[12]. These three kinds of demand are facing the problem of insufficient power. First, with the reduction of the pace of rising housing prices in Linyi City, the investment demand of urban residents has been restrained, and the phenomenon of investment house purchase has been greatly reduced; second, the improvement demand has also been digested in the market in recent years, coupled with the restrictions on loans, real estate registration network and second set of taxes and other factors, the improvement demand will be difficult to generate new purchases in a short time. Third, according to the survey, many real estate enterprises in Linyi City have newly promoted the sales rate of real estate only around 55%, and some sales rate of real estate even less than 40%, which releases the rigid demand of residents in Linyi city. From these three aspects, we can see that the demand power of Linyi real estate market is insufficient at present.

Higher Land Supply Price
At present, a phenomenon existing in the land market of Linyi city is that the price of land acquired is generally high. Due to the shortage of marketable stock land, the land price will rise all the way, and the corresponding house price will rise all the way. According to the data released by Linyi Municipal Bureau of land and resources, the land price of residential land in the first quarter of 2017 increased by 0.2% on a month on month basis; the land price of residential land in the second quarter of 2017 increased by 1.07% on a month on month basis; the land price of residential land in the third quarter of 2017 increased by 2.73% on a month on month basis and 4.18% on a year-on-year basis; the land price of residential land in the fourth quarter of 2017 increased by 4.44% on a month on month basis and 8.64% on a year basis. The rising land price means that the cost of real estate enterprises is greatly increased, and these factors will be fed back to consumers, which will increase the pressure on consumers to buy houses.

Quality of Real Estate Enterprises

From the development of the construction industry in Linyi from 2013 to 2018, we can see that the number of real estate enterprises in Linyi has increased from 363 to 447 in a few years. However, these construction enterprises engaged in real estate development have different advantages and disadvantages. There are not many enterprises with strong strength, while there are not a few enterprises with low qualification, few technicians and weak capital strength. In Linyi real estate market, there are even leather bag companies without technology and capital. In the process of housing development, these less qualified real estate enterprises always consider the cost saving but ignore the problems of housing quality, which makes consumers’ rights and interests suffer a great loss. In addition, some real estate enterprises do not have the ability to develop large projects but forcibly develop them, which leads to serious shortage of funds and difficult turnover, resulting in a very bad social impact.

Real Estate Investment is Growing too Fast

Combined with the above chart, it can be found that the proportion of real estate investment in Linyi’s fixed investment is increasing, the amount of investment in the real estate industry is also expanding year by year, and the growth rate of house prices in Linyi city is also increasing in recent years. However, the growth rate of Linyi resident’s income has slowed down in recent years. It is clear that people’s income level cannot keep up with the rising speed of house price. Linyi real estate investment is relatively ahead of schedule, and the development of the real estate industry and the income and expenditure of the residents can not form a balance.

Countermeasure Analysis and Suggestions

In view of the problems existing in Linyi commercial housing market, the following suggestions are put forward.

Give Full Play to the Regulatory Role of the Government in the Real Estate Industry

The nature of real estate market is very complex, and the market mechanism alone cannot make it develop healthily. According to the market environment, Linyi Municipal government should introduce economic measures to guide the development of the real estate industry, strengthen the cooperation of relevant departments, and play a good role in commanding the overall situation. The government should also improve the work efficiency, do not moan without illness, and try to eliminate the tedious degree of enterprises and people in handling business. The government work should be concise and efficient, and strive to build a good environment for the healthy development of the real estate industry[13]. The government should actively respond to the macro-control policies issued by the state and combine with the local reality, scientifically adjust the development structure and speed of the local real estate market, and strive to achieve the balance of supply and demand in the dynamic development process.

Strengthen Market Supervision
While supporting the development of the real estate industry, Linyi city should also strive to standardize the market order and constantly increase supervision. The specific measures are as follows: first, establish a credit audit system for a set of enterprises, strictly examine and approve the enterprise qualification, and prohibit the real estate enterprises with low credit rating from entering the market; second, Linyi city should create a fair, fair and open market environment, seriously deal with the illegal phenomena in the housing transaction environment, and strengthen the questions arising from the operation and management of real estate enterprises. In order to ensure the interests of consumers and maintain the orderly operation of the real estate market, we should pay more attention to the punishment of illegal behaviors, such as after-sale charter, false transaction, return of capital sales and so on.

**Reasonably Control Land Supply**

As the land supplier, the government should supply land resources reasonably on the basis of detailed study of housing construction planning. The government needs to reasonably determine the annual supply scale of land according to the market supply and demand, combined with the stock of commercial housing, the total amount of residential land that has not been started and other indicators. The purpose of controlling land price is to reduce the cost of commercial housing development and benefit consumers. Therefore, the control of land should consider two aspects: controlling cost and limiting house price[14]. Therefore, Linyi Municipal government should improve the land supply mechanism and restrain the increase of land price.

**Continue to Reform the Financial Credit System**

Financial credit has a very important influence on the development of housing market. Banks and other financial institutions should give priority to meeting the loan demand of residents for purchasing the first housing, improve the efficiency of loan approval, and shorten the lending cycle[15]. In addition, in order to facilitate the use of housing provident fund loans for urban employees, we need to relax the conditions for housing provident fund extraction. In the aspect of real estate enterprise loans, banks should carefully review the qualification and credit of real estate enterprises, and focus on providing loans to development enterprises with high qualification, good credit reputation and good business performance, so as to support the development of real estate industry.

**References**


