

# Defects of Sustainable Development of Chinese Real Estate Economy

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**Abstract:** China's real estate economy is affected by many factors, such as urban-rural dual structure, high-quality education and pension resources bound to real estate, Chinese cultural background, and industrialization driven by urbanization. In recent years, the real estate industry has made an important contribution to China's economic development. The urbanization rate has reached a record high and the per capita living space has continued to increase. However, the rapid rise in housing prices brings many challenges, including rental returns, rental growth space, vacancy rates, etc. China's real estate market is affected by a variety of factors, such as land finance, the proportion of land auction revenue to GDP, the national general public budget revenue and expenditure, and the debt ratio of local governments. In addition, falling birth rates, an aging population, slowing economic growth, the impact of the pandemic, falling per capita income and rising unemployment are all having an impact on the property market. The sustainable development of Chinese real estate economy faces many challenges and defects.

**Keywords:** Chinese Real Estate; Economy; Urban and Rural Areas

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## 1. China's real estate economic development background

China's real estate economy has been influenced by many factors, including the dual structure of urban and rural areas, the binding of high-quality education and pension resources in real estate, the Chinese cultural background, and urbanization driving industrialization.

First of all, the rapid development of China's economy has resulted in the exacerbation of the dual structure of urban and rural areas. With the advancement of urbanization, more and more people are moving to cities, leading to the cities' advantages in population, economy, and educational resources becoming increasingly prominent. As a result, many people want to live in cities and see buying real estate as a way to achieve this goal.

Secondly, in China, the real estate market is closely linked to high-quality education and pension resources. Many people believe that only by living in a favorable location and having excellent education and pension resources nearby can they ensure the future of themselves and their families. As a result, buying real estate becomes a powerful means of obtaining these resources.

In addition, traditional Chinese culture has also had an impact on the real estate market. In Chinese culture, property is seen as a significant wealth and security guarantee. Therefore, many people see buying real estate as an important investment channel to ensure the future of themselves and their families.

Finally, urbanization has driven industrialization, and this, in turn, has driven the demand for real estate. As industries move from rural areas to cities, the need for housing, office buildings, and commercial facilities in cities increases, driving up the price of real estate.

In conclusion, the development of China's real estate economy is shaped by various factors, including the dual structure of urban and rural areas, the binding of high-quality education and pension resources, the Chinese cultural background, and urbanization driving industrialization. These factors have all contributed to the rapid growth of the real estate market in China.

## **2. Contribution and current situation of China's real estate economy to social development**

The real estate sector has made a significant contribution to China's economic development in recent years, with the urbanization rate at an all-time high and the per capita living area continuing to increase. However, the rapid rise of housing prices has resulted in a number of challenges, including the rental rate of return, the rising space of rent, and the vacancy rate.

Urbanization has played a critical role in driving China's economic growth, with the rate of urbanization in China reaching over 60% at present. This has led to an increase in demand for housing, commercial space, and other real estate-related facilities, which has had a positive impact on the real estate market. Moreover, with the rising per capita living area, people's standard of living has improved, and this has had a significant impact on the overall economic development of the country.

However, the rapid increase in housing prices has also led to a number of challenges. For example, the rental rate of return has decreased, and the rent rising space has become limited, resulting in a slowdown in the real estate market. In addition, the vacancy rate has increased, causing concern among investors and affecting the high-quality development of the real estate sector.

To control the rapid rise of housing prices, local governments have implemented a series of price limit measures, such as restricting real estate investment and purchasing, implementing housing provident funds, and increasing the supply of affordable housing. These measures have helped to stabilize the market and reduce the risk of market overheating.

In conclusion, the real estate sector has made a significant contribution to China's economic development, and the urbanization rate at present is at an all-time high. However, the rapid rise of housing prices has brought about a number of challenges, and local governments have implemented price limit measures to control the market. Despite these challenges, the real estate sector continues to have a great impact on the high-quality development of China's economy, and it will continue to play an important role in the country's future economic growth.

## **3. Factors affecting real estate**

In the past two years, the number of property auctions has increased due to the inability to repay loans, and the ratio of house prices to income has also increased. The bank loan interest rate also plays a role in affecting the real estate market, as it can influence the borrowing behavior of buyers and investors.

The declining birth rate and aging population are also contributing to changes in the real estate market. A falling birth rate means fewer families, and the impact on housing demand is limited. It also means household incomes are likely to increase, which in turn will have a positive impact on the high-end property market.

An aging population has led to an increase in the number of retirees, who have a strong impact on housing demand. They usually want to live in convenient places and have higher requirements for housing facilities. As a result, demand for high-end retirement property is likely to increase as the population ages.

On the other hand, the aging population may also lead to a decline in household income, which will negatively affect the demand for real estate.

Overall, the impact of declining birth rates and an aging population on the housing market is complex and requires consideration of multiple factors. However, as demographics change, so will the real estate market. As the population grows older, demand for healthcare facilities, elderly care homes, and other age-related real estate developments is expected to increase. At the same time, the slowing economic growth and the impact of the epidemic have resulted in a decline in per capita income, which has made it more difficult for people to afford to purchase or rent property.

Finally, the debt ratio of local governments is also a significant factor affecting the real estate market. Local governments often rely on land sales to generate revenue, and when the debt ratio is high, it can put pressure on the market and result in a slowdown in development.

In conclusion, the real estate market in China is influenced by a number of factors, including land finance, the proportion of land auction revenue in GDP, the national general public budget revenue and expenditure, the debt ratio of local governments, the property tax, declining birth rates, an aging population, slowing economic growth, the impact of the epidemic, and the bank loan interest rate. Understanding these factors is important for anyone looking to invest in the Chinese real estate market.

## 4. Summary

The sustainable development of China's real estate economy is facing several challenges and defects. Some of these include:

**Unbalanced development between urban and rural areas:** The dual structure of urban and rural areas in China has resulted in unequal distribution of resources, which has a negative impact on the sustainable development of real estate in rural areas.

**Overreliance on land sales for government revenue:** The dependence of local governments on land sales for revenue has led to overdevelopment in some areas and a lack of development in others, which is not sustainable.

**High housing prices:** The rapid rise in housing prices has made it difficult for many people to afford to purchase or rent property, which could result in a decline in demand for real estate.

**Unaffordable property tax:** The implementation of a nationwide property tax could lead to an increase in the cost of holding property, which could result in a concentrated selling and a decline in the real estate market.

**Growing elderly population:** The aging population in China is expected to increase demand for healthcare facilities, elderly care homes, and other age-related real estate developments. However, this also places a strain on the government to provide these resources in a sustainable manner.

**Declining per capita income:** The decline in per capita income due to factors such as slowing economic growth and the impact of the epidemic has made it more difficult for people to afford to purchase or rent property, which could result in a decline in demand for real estate.

**High debt ratio of local governments:** The high debt ratio of local governments can put pressure on the real estate market and result in a slowdown in development.

These are just a few of the challenges and defects that are affecting the sustainable development of China's real estate economy. Addressing these issues will be critical for ensuring a stable and healthy growth of the real estate market in the future.

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