



The Impacts on Beijing Real Estate: Evidence from Wanliu Academy

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Abstract. The current real estate industry is a hot issue of great concern to the national and even central leadership in recent years. Contemporarily, China's real estate market has developed rapidly, especially in Beijing, Shanghai, Shenzhen, and other first-tier cities. As the population continues to grow, people's demand for real estate does not only stay at the stage of living, real estate more geographic location community resources, etc. are considered, through research to promote the healthy development of such markets. This paper explores the important factors affecting real estate in Beijing through case studies. According to the analysis, this paper discusses the factors that affect the housing price in Beijing. Based on the case analysis of Wanliu Academy, the factors affecting the housing price in Beijing are education, environment, society, capital, and other factors. According to the various measures to promote the healthy development of real estate in Beijing, these results will serve as a reference for other cities as well as shed light on guiding further exploration of Research on the influencing factors, so as to better reduce the crisis, promote the healthy and rational development of the real estate market, and provide assistance for economic construction.

Keywords: Real Estate, Beijing, Influencing Factors.

1 Introduction

The real estate chain is long and involves a wide range. It is a pillar industry of the national economy, accounting for about 7% of GDP. In the past 20 years, the real estate economy has developed rapidly. Represented by cities such as Beijing, Shanghai, Guangzhou and Shenzhen, housing prices have increased rapidly [1]. At present, China's real estate prices have soared, which has brought great pressure to both buyers and sellers and even investors. One side is afraid of high buying, the other side is afraid of low selling, and investors are reluctant to move forward [2]. China's real estate prices in the 21st century after the overall rise rapidly, Beijing as the capital of our country, in terms of rising house prices in the leading position in the country [3]. Since 1998, Beijing house prices have been in a very high position, and is still in the overall stage of rapid rise as shown in Fig. 1 [4].

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The so-called "noble" properties such as the high-end Wanliu Shuyuan in Beijing have entered the public eye through the network rendering. The country's real estate industry is developing at a high rate of return on investment and has gradually evolved into the "meat and potatoes" of social capital investment, with the public's demand for real estate for speculative purposes, and property has far exceeded its residential value.

Southwest University of Finance said in the 2017 China Urban Housing Vacancy Analysis that China's urban housing vacancy rate was 21.4% in 2017, with 6,500 vacant units; the building website shows that the actual vacancy rate will be around 30% in 2021, which is significantly higher than the internationally accepted vacancy danger zone. In 2016, the Central Economic Work Conference first proposed that "houses are for living, not for speculation", and with a series of real estate control policies from the central to local tightening, the prices in some cities have been effectively regulated and started to become relatively stable [5]. However, owing to the obvious differences in the level of economic development and marketization process among different regions of China, the real estate market also presents strong regional characteristics as a result, and the effect of real estate regulation and control in some cities has not reached expectations [6].

Such situations are not only factors such as popular speculation, but also, e.g., geographical factors, environmental factors, policy factors, social factors, natural factors, etc. Different factors have different degrees of influence on property prices. This paper systematically summarizes the important factors affecting Beijing real estate, and considers available resources as one of the important reasons affecting Beijing property prices. This paper compares the different dimensions that affect real estate prices, explains the importance of each dimension, analyzes, and compares real estate prices based on various policies and economic development, and uses the forecast data to provide reference for making relevant policies and home buyers in the Beijing real estate market.

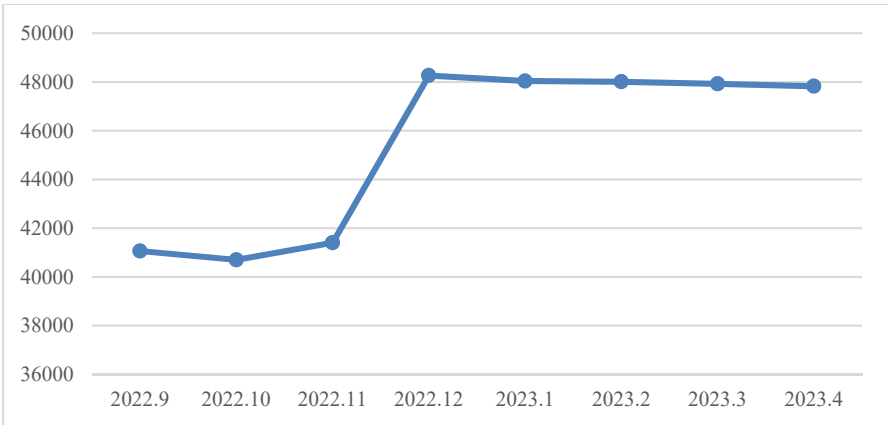


Fig. 1. Changes in total housing prices in Beijing.

2 Case Analysis

Over the years, one can easily find that more and more people are frantically pursuing good resources, so houses are given other values besides living. As a result of these additional values, housing prices have increased in a way that is not in line with social development. The social factors affecting housing prices include population, households, urbanization status, city history, social security, culture, and fashion. Among them, population factors include the number, density, and structure of the population (cultural structure, occupational structure, income level structure, etc.); family factors refer to the number of families, family composition, etc.; culture and fashion mainly refer to the cultural atmosphere, customs and habits, public psychological trends, etc. -Generally speaking, places with high population, high population density, good security, and high urbanization have a high demand for housing and relatively high prices, while some remote areas with low population have lower prices. For the number of families and family composition, due to family planning and the change in people's perception of children, the number of children has decreased, family size has been reduced, and the number of family units has increased, which leads to an increase in demand for housing and an increase in housing prices. Mental expectations also have a great impact on housing prices. When people see a big rise in housing prices, they form a psychological expectation that housing prices will rise, and they will rush into the market to avoid losses, and the more housing prices rise, the more enthusiastic people are in buying, causing the real demand to be exaggerated [1].

The first empirical study of the price effect of property tax using synthetic control method was conducted by Liu et al. It was found that the effect was diametrically opposite for different types of houses, and the property tax levy had a crowding-out effect on large-area housing and gave rise to the phenomenon of high housing prices for small-area housing, a result that produced a huge welfare effect and instead increased the burden on low-income groups [7]. This is especially true in Beijing. In Beijing's hutongs there are the world's most crowded capsule apartments, with a mere five square meters of land with an actual usable area of only 3.5 square meters, amounting to nearly 400,000 square meters (including the land premium). The price of real estate is seriously affected by educational resources, Xicheng District because of the small jurisdiction, high quality elementary school middle and high school dense, the student population is also very flush, mainly from the sons of public officials. The second grade is Haidian, the absolute value of educational resources at the head of Haidian is absolutely the first in Beijing, especially the children of research institutes have a great advantage, but very uneven, because the jurisdiction is vast and extremely uneven development. Therefore, educational resources were scrambled, prices in Haidian (as shown in Fig. 2) and Xicheng (as shown in Fig. 3)

District remained high, little affected by the epidemic, and even some of the top resources were auctioned at sky-high prices. According to Ali foreclosure, Wanliu Shuyuan had auctioned two sets of properties on May 14, 2022, namely 702 properties on the 7th floor of Building 14 of No. 9 North Street and 502 properties on the 5th floor of Unit 2 of Building 4 of No. 9 North Street, with a combined sale price of about 185 million yuan. One of the properties, based on the starting price of 55.03

million yuan, nearly doubled, sold for 109 million yuan, with a unit price of 364,700 yuan per square meter, setting a record for foreclosed properties in Beijing. By investigating the environment and supporting facilities around Wanliu Academy, it is not difficult to find the reason behind it.

Located within Beijing's Fourth Ring Road, the core of the prime area Haidian District, it is just 4 kilometers from Zhongguancun. The subway Bagou Station of Line 10 is at the doorstep of the subdivision, the Wanliu Shopping Center is adjacent to the east, and the Wanliu Golf Club is just across a road. A little further north, it is within 2 kilometers of the Summer Palace, and surrounded by Yuanmingyuan, Kunming Lake, Haidian Park and Bagou Shanshui Garden, the environment is beautiful and pleasant. In addition to the carefully built high-end living community around it, what is perhaps more attractive is the signature of "high luxury school district house". Wanliu Academy is surrounded by one of the best educational resources in Beijing: Zhongguancun Elementary School, NPC Affiliated Elementary School, NPC Affiliated Middle School, Peking University Affiliated Middle School, and other famous schools, even not far from Tsinghua and Peking University. These are high-end real estate resources, which are prone to imbalance between supply and demand.

Moreover, in Beijing, supply and demand are unbalanced. Since Beijing is the political and cultural center of the country, there are many opportunities and choices, and it has more room for development and relatively higher income than second- and third-tier cities, and as a gathering place for elites in various industries, it attracts many talented people and outsiders to settle here. So, it leads to an imbalance between supply and demand, especially the scarcity of high-end real estate homes, which leads to high property prices. During the economic recovery phase, supply exceeds demand, but demand is on the rise, and as long as there is a market, houses don't worry about selling. At the peak, once a house comes on the market, there is a great deal of competition, and over time, the market approaches saturation, demand drops significantly, and the number of housing transactions decreases. The second is the change in housing prices. High housing prices will make some people cannot afford to buy a house, the price is low, the desire to buy will be activated. Third, the amount of investment, there is a large amount of money injected into the real estate industry, which will promote rapid economic development. In the recovery phase, capital is only slowly injected, once the boom phase, capital will keep pouring in, and once the boom subsides, investors

Once the boom subsides, investors will gradually withdraw their investments. Fourth is the rate of return, if the real estate profitability is high, the real estate economy will grow rapidly, once the rate of return is lower, the development of the real estate industry will slow down [2]. In 2010, Beijing 's purchase restriction policy was introduced, and its main purpose was to pass the administrative order directly limits the qualifications of buyers and the number of houses purchased, thus inhibiting the demand for housing investment. According to the research of Zhang, et al., the purchase restriction policy does have a good inhibitory effect on investment demand, and can effectively control real estate prices in the short term. However, in the long run, real estate buyers ' expectations of the policy will change, and real estate developers will make corresponding adjustments to the policy, which will eventually lead to a

gradual weakening of the policy effect. The purchase restriction policy only restricts part of the demand and supply of real estate, and not really effective in solving the imbalance between supply and demand, and also intensified this imbalance, so once the purchase restriction policy is canceled, real estate prices will appear retaliatory rise in the situation [8]. In addition to the absolute house price, the house price to income ratio can more accurately reflect whether the house price is high, according to Shanghai E-House real estate research published in 2020 China's house price to income ratio, the national house price to income ratio in 2020 is 9.2. House price to income ratio is an international common index, usually house price to income ratio between 3 to 6 is considered normal level. Obviously, the house price to income ratio of 9.2 is already a high level. According to the data released by Zhuge House Research Center, the average house price to income ratio of 100 key cities in China is 13.2, which is also far above the international normal level. This shows that Beijing's house prices are deeply affected by the relationship between supply and demand, and the stable development of Beijing's house prices needs to start from the relationship between supply and demand.

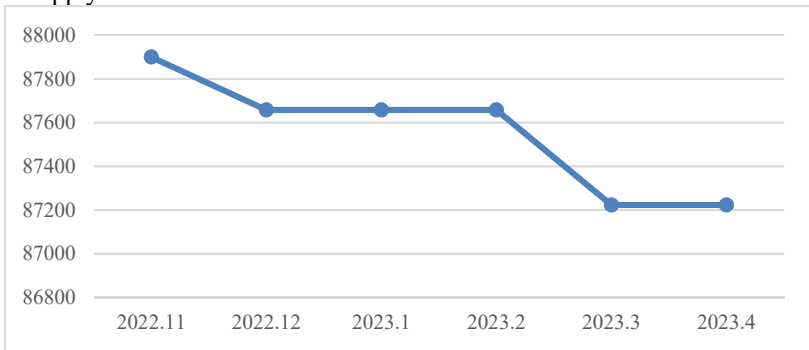


Fig. 2. Haidian District house price changes.

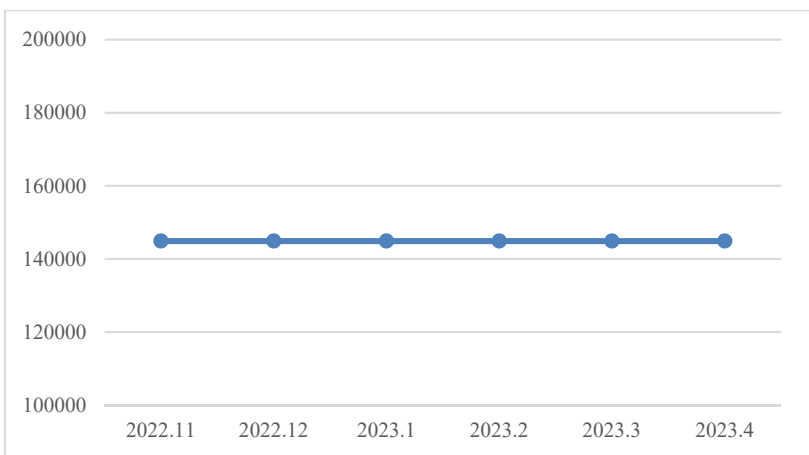


Fig. 3. Changes in housing prices in Xicheng District.

3 Implications & Suggestions

Real estate land prices in Beijing are on an overall upward trend, and along with the yearly decrease in the supply of real estate land in Beijing, the rate of increase in real estate land prices in Beijing will be accelerated; Beijing house prices are also on an overall upward trend, and face the possibility of doubling in the next decade. Nevertheless, compared to the growth rate of real estate land prices in Beijing, the growth rate of housing prices is relatively slow [9]. Therefore, the government should focus on the study of real estate, and for the time being, although China's real estate industry has been developing for decades, the formed a corresponding real estate financial system, but the real estate industry faces a great change in the financial environment in the development process, so it is necessary to continuously improve the real estate industry to study the financial system. Relevant government departments should do a good job in guiding the work, in-depth analysis, and establish a suitable real estate financial system to effectively support the long-term development of the real estate industry [10]. Secondly, the government should pay more attention to the issue of supply and demand. Only when the supply and demand relationship is stable, the real estate market can develop healthily, and only when it is reasonable to promote high-quality economic development. With the expected appreciation of RMB in China, investors have higher expectations of real estate prices, which will easily lead to real estate bubbles and the use of real estate for investment will increase [11]. The government can consider a variety of monetary policies to control the price level and reduce the rate of inflation; control and increase the investment channels for residents; and enhance the awareness of residents that "houses are for living, not for speculation" [12].

4 Conclusion

In summary, this study explores the factors that influence the housing prices in Beijing. By way of case analysis, it finds that the factors that influence the housing prices in Beijing are education, environment, society, and capital. Whereas in the past decade or so, China's housing market in general has become a bit over-proud, and property investment has always been sought after by property market participants, which then has a series of social effects: speculation is prevalent, housing prices are high, the market is in a bubble, and the disparity in housing prices between regions is too great, and the party with the immediate need for housing suffers from it. Nevertheless, this research has some shortcoming, e.g., the research in this paper lacks data support and analysis of more models. For further study, ore different typical models are needed for data and regression line model analysis. Overall, these results offer a guideline for real estate research in Beijing, so as to promote and model the role of China 's real estate economy.

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