

The Price and Distribution of China's Real Estate Industry from the Perspective of Economic Geography

Yumeng Du

School of Resources and Environmental Engineering, Wuhan University of Technology, Wuhan, 430000, China

ABSTRACT. *In the evaluation of real estate value and price, the analysis and grasp of regional factors in economic geography is the key. At present, the regional difference of China's real estate industry is very obvious, which restricts the further development of real estate industry to a large extent. From the perspective of economic geography, this paper makes a systematic study on the current situation of the price and spatial distribution of real estate in China, and makes a brief analysis on the development trend of the real estate industry in China.*

KEYWORDS: *Real estate price, Real estate spatial distribution, Location, Economic geography*

1. Introduction

Any economic activities of human beings need to be carried out in a certain space, and economic geography, which mainly based on the study of the spatial laws of human economic activities, can provide rich theoretical guidance and value support for how to efficiently allocate and utilize the limited construction land resources from the planning scale.

Since the beginning of the 21st century, the real estate industry in China has developed rapidly, which has brought great influence on the economic and social development of our country. Compared with other industries, the most prominent feature of the real estate industry is the unbalanced development of its regional market, which means that there are big differences in the development policies, investment risks and profits of different regional real estate markets^[1], so the choice of the location is a very important link in the real estate development process.

2. The Current Situation of China's Real Estate Industry from the Perspective of Economic Geography

2.1 Price of Real Estate Industry

The real estate industry is a special industry, which is the combination of houses and land. This leads to the price of real estate being greatly affected by the price of land, and land is also the real object of the real estate industry, which has the characteristics of immobility. It also makes huge differences in real estate prices in different regions.

At the same time, location is also the key to real estate price and value evaluation. Location factor generally refers to the sum of natural conditions, social and economic factors in the region. Its advantages and disadvantages are directly proportional to the investment income of real estate. In 1817, Ricardo pointed out the reasons for the existence and growth of land rent in the book 'On the Principles of Political Economy and Taxation': "the use of land to pay for land rent is due to the fact that the quantity of land is not unlimited and the quality is not the same"^[2]. Ricardo's idea also applies to the study of urban land and real estate price: the value corresponding to the location advantage of real estate should be exactly equal to the rent or price charged from real estate users. Therefore, researching and analyzing location advantages is the key to real estate prices.

2.1.1 Location and Price

Generally speaking, the more advantageous the land and housing, the more expensive the price, otherwise the cheaper the price. As China's housing market changes from the seller's market to the buyer's market, the intention of consumers has a more and more important impact on the determination of housing prices, and the geographical location is one of the important considerations for Chinese consumers. From another point of view, because consumers attach great importance to the geographical location of real estate, so the real estate developers should give full consideration to this factor, choose a suitable geographical location for real estate development investment, make full use of the geographical location conditions of the project, so that the results will in good agreement with the needs of consumers, so as to obtain better benefits and ultimately promote the healthy development of the real estate market.

2.1.2 Location Transportation and House Price

Traffic conditions are the main component of location factors. Perfect traffic conditions can promote the development of relevant regions, and is conducive to the appreciation of regions, so as to drive the development of real estate industry in the region, and promote the promotion of real estate value and price. The distance from the city center can be measured by the time required for transportation. Generally speaking, different real estates located on the concentric circle with the same distance radius in the city center has roughly similar price level. The closer the distance to the city center, the more complete the transportation facilities, the higher the residents' comprehensive evaluation of the real estate here^[3], so the value and price of the real estate will increase accordingly.

2.1.3 Location Environment and House Price

In the same city, the environmental quality of different regions is also different. A good location environment can cause the rise of real estate development costs, resulting in the rise of real estate prices. The environmental quality can be analyzed mainly from two aspects: social environment and environmental pollution. The social environment mainly includes social security, social communication, community and various cultural, also the entertainment activities around the real estate. Different groups have different choice about the social environment. In China, most of the residents tend to choose the residential areas close to the municipal government, have high-quality surrounding residents, and have good public security, which leads to the continuous rise of housing prices in these types of residential areas. However, there is a negative correlation between house price and environmental pollution. For a real estate, air, water and even noise pollution will affect the physical and mental health of residents, so as to reduce the quality of life of residents. If there is a lack of relevant treatment of environmental pollution, the price of housing in the region with serious pollution will inevitably continue to decline.

2.1.4 Location Infrastructure and House Price

Infrastructure generally includes water supply, power supply, heat supply, gas supply, drainage and domestic waste disposal capacity. With the increasingly extensive and deepening of people's external contact, the improvement of postal communication facilities has gradually become one of the important factors to attract businesses and residents. In addition, cultural and sports facilities also have a certain impact on housing prices. As China has always attached great importance to children's education, the level of educational facilities near the residential area is also one of the key factors in determining house prices. It can be said that the process of improving infrastructure is the process of real estate appreciation.

2.2 Spatial Distribution Characteristics of Real Estate Industry

The difference in the spatial distribution of China's real estate industry is very obvious, which greatly restricts the further development of China's real estate industry. The specific distribution mode includes regional aggregation distribution, east-west ladder distribution and economic belt distribution.

2.2.1 Regional Aggregation Distribution

The new economic geography model constructed by Krugman discusses the spatial agglomeration mechanism of industry, that is, the agglomeration development of economy will produce positive externalities, the adjacent development of enterprises will increase the spatial spillover effect, thus reducing the cost of transportation and transaction. That is, the highly developed economy in a certain area will have a significant positive effect on the surrounding areas, and promote the rapid economic development of the surrounding areas, but on the other hand, due to the limited space, the industrial agglomeration will become saturated

after a certain degree of development, resulting in negative externalities, thus inhibiting the rapid development of economy^[4]. The investment and development of urban real estate will also show the same characteristics, that is, in areas with similar economic and social development, there will be a trend of spatial aggregation.

The distribution of real estate industry in China has such characteristics. In recent years, most of China's top 100 real estate companies are concentrated in Guangdong Province, Zhejiang Province, Shanghai, Beijing and other regions where the overall economic development is more developed, and there is a large gap in the number of enterprises with other provinces and cities, showing an obvious regional clustering distribution characteristics, that is, the level of economic and social development in these regions, infrastructure improvement and so on are higher than the surrounding areas, which makes the investment of real estate enterprises in the region can obtain more significant economic benefits.

2.2.2 East-West Ladder Distribution

The eastern coastal area of China is the most developed area of regional economy, and the regional competitiveness is also significantly stronger than that of the central and western regions, and the industrial agglomeration is relatively obvious. Although the central and western regions of China are vast and rich in resources, their economic development level is far behind the eastern coastal areas, and the development speed is relatively slow. On the whole, the distribution of real estate industry in China is in line with the trend of decreasing from east to west, which also shows that the spatial distribution of real estate industry in China is consistent with the level of economic and social development. Generally speaking, the East-West ladder distribution of China's real estate industry cannot be separated from the impact of economic development level. Of course, the level of economic development is closely related to China's relevant policies, consumer concepts and other factors^[5].

2.2.3 Economic Belt Distribution

From the perspective of the spatial aggregation structure of real estate industry, the development and investment of urban real estate in China presents a regular band distribution, specifically including four economic belts: First, the coastal economic developed areas, such as the Yangtze River Delta and the Pearl River Delta, which are the core of China's economic development, and their urban real estate investment is basically at the highest level of investment scale all year round, representing the highest level of China's social and economic development, so it is also the key area of China's real estate spatial distribution. The second is the central region represented by Sichuan, Chongqing, Hubei, Hunan, Henan and Jiangxi. The economic and social development level of this region is second only to the eastern region, and the investment scale of its real estate industry is also at the second highest level. The third is the Northwest Economic Zone represented by Xinjiang, Tibet, Qinghai, Gansu and Ningxia. This zone is exactly the opposite of the eastern coastal zone, It is the region with the lowest level of economic and social

development in China, and its real estate investment scale is also at the lowest level. The fourth is the northeast region dominated by Inner Mongolia, Heilongjiang and Jilin, and the southwest region dominated by Guangxi, Yunnan and Guizhou, which constitute the third scale zone with decentralized nature in China.

3. The Development Trend of China's Real Estate Industry from the Perspective of Economic Geography

In recent years, cities in China have increased their investment in the real estate industry, and with the central and local government's institutional measures and the leading role of surrounding cities, more and more cities' real estate industry level has been rapid development, showing a certain concentration advantage in some regions.

Although there are obvious differences in the distribution of real estate investment space in China, it gradually shows the trend of diffusion from big cities to second and third tier cities. Through the analysis of the sales of some representative companies among the top 100 real estate companies in China in 2019, it can be found that the real estate industry in the first tier cities in China is gradually becoming saturated, while there is still a large development space in the second tier and the third tier cities. Mainly due to the spillover of demand brought by the supply restriction of the big cities, which has an impact on the real estate development investment space in the surrounding areas. In addition, the incremental planning of high-level cities will also bring about the siphon effect of real estate development investment, thus affecting the spatial distribution of investment.

In addition, the per capita housing area of cities and towns in China is currently in a period of rapid growth, which has greatly stimulated the activity and development of the real estate market. But at present, the housing problem of the middle and lower income groups still exists, so in the follow-up development, the construction of affordable housing should be expanded, the adjustment of housing structure should be speed up, and the demand for the real estate market should be stimulated. As long as we can give our real estate market a good development space, it will eventually grow into a mature market and go to the world.

4. Summary and Suggestions

Since the beginning of the 21st century, the real estate market in China has developed at an unprecedented high speed. However, as time goes by, it can be found that this kind of development gradually presents the characteristics of serious regional imbalance. Therefore, it has become one of the most important tasks for the national and local governments to promote the sustainable development of economy by restraining the excessive rise of house prices and solving the regional imbalance of the real estate market^[6].

4.1 Optimize the Spatial Layout of China's Real Estate Industry

Paying attention to optimizing the spatial distribution of real estate development investment can achieve the stable and coordinated development of the regional economy. Optimizing its spatial distribution while maintaining an appropriate investment scale can improve investment efficiency and achieve optimal allocation of capital. In addition, optimizing its spatial distribution can also optimize the allocation of existing stock assets and incremental investment in urban space, and guide local governments to gradually change their dependence on real estate development investment, and ensure the stable development of regional economy.

In addition, due to the different geographical locations, socio-economic culture, and development history of different cities, it has led to the emergence of heterogeneity between different cities. The existence of urban spatial heterogeneity means that the supply and demand of real estate in different cities are different, and there may also be differences in investment income and risks that real estate development investment may bring. Therefore, in the optimization of real estate spatial layout, we should give full consideration to the development stage and current situation of the city, abandon the wrong cognition of spatial equalization, and make the most effective layout.

4.2 Improve the Capital Utilization Rate in Central China

The central region is the link between the eastern cities and the western cities in China. It plays an important role in narrowing the gap of regional economic development level, and it can also help to promote the balanced development of the regional economy in China. In recent years, the development level and development speed of real estate in the western region are far behind the developed cities in the eastern region, and the distribution in the geographical space is relatively scattered, which also reduces the economic radiation effect of large cities to a certain extent, resulting in a low utilization rate of resources and capital.

The urban planning department in the central region should have a clear and long-term specific plan for the direction of real estate development and investment, and gradually improve the urban construction in the region, so as to promote the development and improvement of the capital utilization rate of the real estate industry, and gradually narrow the gap with the eastern cities. In addition, it can guide the cities with similar urban functions and economic development level in the central region as a whole, promote the agglomeration development of their industries, so as to form more industrial clusters, improve their urban competitiveness and investment efficiency, and promote the rapid development of cities.

4.3 Effective Use of Economic Geography Theory and Method

The theories and methods of contemporary economic geography play an irreplaceable role in predicting the transfer direction of population, capital and technology, as well as improving the efficiency of resource allocation. If we can

effectively use the cutting-edge scientific achievements and technical methods of economic geography, conform to the basic laws of economic and social development, classify the limited land resources, human and material resources, capital, etc. into different levels, focus on the areas with the most development conditions, realize the most efficient use of resources, and provide the policy conditions for individual units to find the best location freely through further opening the policies of population migration and settlement and cross regional transfer of industry and capital, maybe the state's capital, land, infrastructure and major construction undertakings will have a more balanced layout and safety row in the future.

5. Conclusion

China's real estate industry has been developing together with China's economy for nearly 20 years, and it has gradually risen from an unimportant position to an important pillar of the national economy. From the perspective of long-term development trend, the development of China's real estate industry as a whole is improving. Although various problems may occur, the government's continuous regulatory policies will guide it reasonably. The development of China's real estate industry has gradually entered a mature stage, and the market is also stable as a whole. I believe that China's real estate industry will keep a steady progress under the influence of government regulation and market regulation, and always inject a strong impetus into China's economic development.

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