Research on the Main Factors Affecting House Prices

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Abstract: Since the 21st century, driven by the rapid development of China's economy in various fields, the real estate industry and various industries have undergone tremendous changes. From a national perspective, first of all, the number of population, per capita disposable income, land prices and housing prices are positively correlated, while the sales area of residential commercial housing has an inverse relationship with housing prices.All in all, there is no single factor that affects housing prices. In order to prevent the real estate bubble from bursting and satisfy the demands of the common people, the state and government should start from various aspects and seek effective measures to maintain the stability of housing prices.

Keywords: Housing Price, Influencing Factors, OLS Regression

1. The Meaning of the Topic

In economic life, real estate, as a basic element of social and economic activities, runs through every link of social production and reproduction, and the products and services provided have the dual nature of basic living materials and production materials, thus making the real estate industry a basic industry. Characteristics. In the economic activities of all walks of life, the real estate industry must be the first to start, and the real estate industry has become a leading industry. At the same time, because the real estate industry has a long industrial chain and a large degree of industrial correlation, its development can drive the development of a series of related industries and play a pivotal role in promoting the growth of the national economy. Therefore, the real estate industry also has the characteristics of a pillar industry.

Since the 21st century, driven by the rapid development of China's economy in various fields, the real estate industry and various industries have undergone tremendous changes. How the state proposes effective real estate regulation policies to slow down the development of the real estate economy; how to control the real estate prices to meet the basic housing needs of the public and ensure the quality of life of the people has become a key issue in social development. The discussion on real estate prices and real estate economics is also of great significance to how to make real estate prices reasonable.[1]

2. Factors that Affect House Prices

From a national perspective, first of all, the number of population, per capita disposable income, land prices and housing prices are positively correlated, while the sales area of residential commercial housing has an inverse relationship with housing prices.

2.1 Population

From the perspective of housing supply, my country's large population has caused a relative shortage of natural resources. From the perspective of housing demand, my country is the country with the largest population in the world. In addition, urbanization is being vigorously promoted. In total, my country's huge population size has huge demand for housing, including rigid demand and improvement demand, which are unmatched by other countries. Therefore, the demographic factor is an important indicator that cannot be ignored.[2]

2.2 Per Capita Disposable Income

Per capita disposable income is a significant factor affecting house prices. Chinese people have always attached great importance to the concept of "home" since ancient times.Therefore, people's desire to buy a house is constant. The disposable income of residents is the most important factor restricting people's purchase of houses. Under certain other conditions, there is a positive correlation between demand and price, and the increase in per capita disposable income will inevitably lead to an increase in the demand for house purchases, thereby driving up house prices.

2.3 Sales Area of Commercial Housing

The relationship between the sales area of commercial housing and housing prices is inverse, mainly because the size of commercial housing sales area is more dependent on the level of housing prices, that is to say, when housing prices are relatively low, people will have the ability or the ability to choose Buying a house, on the contrary, if the house price is higher, the number of people who buy it will be relatively reduced, and the sales area will also decrease.

2.4 Land Price

The research on the relationship between land price and housing price has the following four viewpoints: The first viewpoint starts from the demand that the rise in housing price leads to the increase of developers' demand for land and thus raises the land price. The second view holds that land prices are the foundation of housing prices, and that rising land prices will push housing prices up. The third view holds that there should be a mutually promoting relationship between housing prices and land prices. The fourth point of view is the theory of the mutual independence of house prices and land prices, which holds that house prices are determined by supply and demand rather than costs.[3]

3. Data

3.1 Sample Selection

This paper selects a total of 30 provincial-level administrative regions across the country as research samples. They are Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia Autonomous Region, Shanghai, Jiangsu, Zhejiang, Shandong, Anhui, Jiangxi, Fujian, Liaoning, Jilin, Heilongjiang, Hubei, Hunan Province, Henan Province, Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province, Shaanxi Province, Gansu Province, Xinjiang Uygur Autonomous Region, Qinghai Province, Ningxia Hui Autonomous Region, Sichuan Province, Chongqing City, Guizhou Province, and Yunnan Province.

3.2 Variable Selection

This paper mainly selects the following four factors in the study of factors affecting housing prices: per capita disposable income of residents, population, average land transaction price, and sales area of residential commercial housing. The data period is from 2013 to 2018, and the data comes from the National Bureau of Statistics of China.

3.3 Model

In this paper, OLS regression model is used for analysis, and T test is used for testing. Taking the average sales price of residential commercial housing y (yuan/square meter) as the explained variable, the explanatory variables are x_1 - per capita disposable income of residents (yuan/person), x_2 - population (10,000 people), x_3 - average Land transaction price (yuan/square meter), x_4 - the sales area of residential commercial housing (10,000 square meters) to establish a regression model.

4. Empirical Results and Analysis

The empirical results show that each factor has different effects on different regions. In North China, East China, Central China, South China, Northeast China, Northwest China, and Southwest China, the impact of per capita disposable income on housing prices is significant, indicating that the increase in

per capita disposable income will stimulate consumer demand for housing, and demand will promote housing prices. . In North China, Northeast China, and Central China, the impact of population on housing prices is more significant. The average land transaction price and house price show a positive correlation, but it is not particularly significant in the northwest and southwest regions. The sales area of residential commercial housing in various regions has a repercussions relationship with housing prices, but the performance in each region is not particularly significant, mainly at the national level.

To sum up, the factors that significantly affect housing prices in East China and South China are: per capita disposable income and average land transaction price; the factors that significantly affect housing prices in North China, Northeast China and Central China are: per capita disposable income, population, and average land transaction prices Price: The factors that significantly affect housing prices in the northwest and southwest regions are: per capita disposable income. The sales area of residential commercial housing is very significant across the country.[4]

5. Conclusions and Policy Recommendations

There are many factors that affect housing prices, and the results also show that different environments in different regions have different degrees of sensitivity to the same influencing factor.

From the national and regional situation, the increase in residents' disposable income is the main reason for the rise in housing prices. Therefore, curbing an overheated economy is an effective means of managing housing prices across the country.[5]

Faced with changes in housing prices caused by demographic factors, taking differentiated real estate land supply measures is the most effective way to control housing prices. For example, for some large cities, the supply of real estate land should be increased, while for small and medium-sized cities with small population inflows and large real estate inventories, the supply of real estate land can be moderately reduced.

From the perspective of supply and demand, the scarcity of land and the lack of elasticity of its supply have contributed to the increase in land prices, resulting in the lack of elasticity of real estate supply and the increase in costs, thus promoting the rise in housing prices. Therefore, the transfer and sale of state-owned land should be regulated, and relevant policies should be improved, so as to achieve the purpose of controlling the housing price market.[6]

All in all, there is no single factor that affects housing prices. In order to prevent the real estate bubble from bursting and satisfy the demands of the common people, the state and government should start from various aspects and seek effective measures to maintain the stability of housing prices.

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