

The Different Factors that Influence the Price of Realty in Two Classic Areas

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Abstract. In recent years, the average price of real estate has been higher and higher in China. Different factors may cause the price rise, such as the Consumer Price Index, inflation rate, gross domestic product (GDP), housing price index, and so on. Meanwhile, the prices vary enormously in some different cities. In this paper, it will compare Shanghai and Jinhua to analyze the influence of these important factors. The reason is that the main factor that renders the housing price rise may be different. At the same time, there are some similar factors and different factors. The final result shows that the main reasons that render housing prices in Shanghai increase are the high inflation rate and high GDP. The main reason for the increasing housing price of Jinhua is the high consumer price index. Therefore, it can prove that different city that causes high housing price has different main reasons. Meanwhile, this paper will find the same factors and different factors that render the housing price increases and provide the support of some important theories.

Keywords: GDP, population, housing prices, economy development.

1. Introduction

In China, the fast-rising housing price has become the daily topic of most of residents. According to the real estate cyclical research, there are only five cities whose housing price is more than 10000 yuan/square meter in 2000 [1]. However, the number of cities that satisfy this condition has been more than fifty at present. Therefore, fast-rising housing price has caused tremendous pressure on a lot of individuals. People need to learn about the change in housing prices to create the pure maximization of economic benefit.

Shanghai, which is the most developed city in China. The article real estate cycle empirical research indicates that the housing price of Shanghai is close to 60000 yuan/square meter. The housing price is even much higher than the Wuhan, one of the most developed cities in China. Most of the rich people gather in this city [2]. Therefore, the Consumer Price Index of Shanghai is even higher than a lot of cities all over the world. Meanwhile, as the economic center city in China, it has the highest GDP in China. Therefore, it can make an appropriate assumption that both of high GDP and high consumer price index will cause an increase in housing prices. As for another city, Jinhua is a second-tier city in Zhejiang. According to Jinhua City national economic and social development statistical bulletin housing price is 20000 yuan/square meter [3]. The housing price of this city has reached the standard of a first-tier city. However, its GDP is only a little higher than the average level of China. Therefore, it is really strange to explain. The assumption is that the Consumer Price Index of this city is much higher than the cities that has similar GDP.

Therefore, the purpose of this paper is to prove whether Consumer Price Index, inflation rate, gross domestic product (GDP) are the factors of increasing housing price in Shanghai. Moreover, it also needs to research why the housing price of Jinhua is able to reach the standard of first-tier cities.

2. Influencing Factors of Housing Price in Shanghai

Shanghai is the most developed city in China, and has the highest gross domestic product. Because of the advantageous geographical location, there are a lot of people with high incomes. Therefore, the demand for houses is usually higher than in other cities. Meanwhile, Shanghai is also a world-famous

city, which appeals to a lot of foreigners who come to invest. Meanwhile, it gathers some important core technology. Therefore, it also has a high Consumer Price Index. With these favorable factors, more and more individuals are willing to come to Shanghai. With the higher demand for houses, housing prices are also increasing.

2.1. More and More Individuals

According to the national population census in 2020, the population of Shanghai has been more than 24 million. Among this, nearly half of these people are not the native population. According to empirical analysis of correlation factors affecting housing prices, individuals is the dominant factor of rendering housing price increase [4]. Therefore, the migration of people and the increasing number of people with excellent education render the demand of housing enhance. In the article, the analysis of real estate in Shanghai, it forecasts the housing price will be much higher than now if the population increases at this pace [5]. Therefore, the increasing housing price has been the inevitable phenomenon.

2.2. The Scare Land

The number of individuals in Shanghai has become more and more, but the area of land remains unchanged. Therefore, the supply of Shanghai is really limited. The article “the influence mechanism of land supply on housing price” indicates that land supply will result a significant impact on housing price [6]. The reason is that more and more individuals would like to obtain this land for all kinds of purposes, especially for the house. The effective way of solving the limited land resources is to improve the housing price. The situation is that the speed of increasing people in Shanghai beats estimates, which will render the housing price more and more expensive.

2.3. The High Inflation Rate

This situation is particularly serious in China, especially in Shanghai. The price of other goods is much higher than in other cities, and the number of housing prices is scarier. According to the inter-regional lineage of real estate prices and spatial diffusion of bubbles, the average housing price in Shanghai has been more than 50000 yuan/square meter, which is much more expensive than the national average price [7]. The high inflation rate is the main reason. In the article Shanghai real estate market development trend analysis, the price level has increased more than 40 percent compared with the price 5 years ago. More and more individuals would like to purchase a house to obtain the identity of Shanghai. Therefore, the house is high-demand goods. That is why the price of a house becomes expensive extremely.

3. The Policies of the Government

There are a lot of real estate policies in Shanghai, which will also influence the price of Shanghai. For example, the purchase limitation, loan restriction, and increasing the building taxes. According to the study on the effect of urban housing land supply policy on housing price intervention, the local people in Shanghai could only purchase four houses if they were already married. If it is not, they could only buy two houses [8]. As for other people, they could only buy one house. Meanwhile, the amount of loans decreased than before. In the new policies, the proportion of down payment is thirty percent, which has increased by five percent compared with the policies from five years ago. What is more, if they would like to buy another one, this number will increase to fifty percent. It slows down the speed of increasing house to some degree. However, the influence of high demand for houses is much greater than the influence of policies of the government. Therefore, the housing price is still high.

4. The Factors that Influence Jinhua

4.1. The Development of Jinhua

Jinhua is in the center of Zhejiang, whose development is not quicker than some coastal cities in Zhejiang. Although its gross domestic product is higher than the average level of China, it still has a large gap compared with the developed cities. However, its housing price reaches the level of the first-tier city. A county-level city, Yiwu, whose housing prices even exceed some first-tier cities. Meanwhile, the economic development of this city is not balanced. Two county-level cities could be contrasted. The GDP of the most developed city Yiwu is five times as many as the least developed city Panan. Therefore, Jinhua is also a city whose economic development is extremely uneven.

4.2. The Population and Urbanization of Jinhua

In recent years, Jinhua has started to boost the speed of urbanization. According to the development policy analysis of Jinyi New District, the urbanization rate of Jinhua has been more than 70 percents [9]. Compared to 20 years ago, the number is even lower than 45 percents. What is more, it appears a lot of excellent private enterprises in these years, which are also the characteristic development mode of Zhejiang. Therefore, More and more individuals are willing to obtain employment in Jinhua. Meanwhile, the individuals who live in other cities would like to come back to Jinhua. According to urbanization, land supply and real estate prices, there are more than 100 thousand teenagers who come back to Jinhua to obtain employment [10]. What is more, according to national population census, the population of Jinhua increases thirty percents, which is much higher than the average value in Zhejiang, which is 18 percents. With the increase of population, the demand of house also increases. Finally, the speed of increasing price is quick than before.

4.3. The Improvement Of Transportation

Not as same as Shanghai, the transportation of Jinhua has improved in recent years. Individuals construct the metro, which saves the cost of transportation extremely. Meanwhile, the fast development of high-speed rail stations in China improves the lives of individuals. As the center of Zhejiang, the improvement of transportation creates a positive influence on increasing housing prices. For example, the construction of the metro in 2022 renders the housing price around the metro station increase by 20 percent. In the article, *The Impact of Infrastructure Construction on Housing Prices - - taking Jinhua as an example*, the housing price of areas that have convenient transportation usually is higher than the areas that lack access to transportation [11]. Therefore, the improvement of transportation will further increase housing price.

4.4. The Development of All Kinds of Industries

Jinhua even become one of the cities that has the greatest logistics industry. Yiwu, a county-level city in Jinhua, has become the main national express delivery point. Meanwhile, Jinhua is one of the cities that the greatest development in the e-commerce industry. What is more, Yiwu has a special name, which is the center of small commodities. It has developed an advanced manufacturing industry. According to characteristics and influencing factors of industrial transfer in the Yangtze River delta region, a lot of countries will import the small commodities of Yiwu [12]. These factors will appeal to a lot of individuals who are willing to take up an occupation. Therefore, the price of housing has been enhanced.

4.5. The Special Development Mode of Private Enterprises

Zhejiang has a special development mode, which has a lot of private enterprises. Jinhua also has this mode. According to development experience and future trends of Zhejiang's private economy, there is a boss in every five people [13]. Individuals in this city have an excellent business sense and they are willing to create wealth through business. Zhejiang has one of the most developed private economies in the country. In the article, *the practice of developing a private economy in Zhejiang*

province, the private economy of Zhejiang takes up the biggest component [14]. Therefore, the individuals usually have a higher Consumer Price Index than the cities of the same level. With the intensification of inflation in these years, housing prices will increase in these years.

4.6. Education Resources

The distribution of education is not balanced in Jinhua. For example, the top five high schools are distributed in three developed areas. According to investigation and countermeasure research on accelerating the development of education informatization in primary and secondary schools in Jinhua, there are more than 15 key high schools in the core areas, but the number is only 4 in other areas [15]. There are a lot of excellent schools in the core area of Jinhua. Some parents are more willing to purchase school district housing in order to let their children obtain a better education. These houses are usually old and small areas, but the housing price of these houses is even more than 40000 yuan for every square meter. In fact, these parents even purchase these houses just to want their children to go to these schools. When their children graduated from these schools, they could not wait to sell out these houses. Therefore, the price of houses become more and more expensive in this process.

5. The Questions, Challenge

5.1. The Unevenness of Public Resource

There is a serious difference between a city. The core area usually has better resources, such as medical and educational resources. At the same time, the problem has become more and more serious. The housing price in areas that have abundant resources has been more and more expensive. Meanwhile, the areas that are away from the center will face the problem of low demand. This problem in Jinhua is more serious. There are 9 county-level cities, but the GDP of different cities has a huge gap. Take two cities, Yiwu and Panan, as examples. The GDP of Yiwu is eight times higher than Panan. Therefore, the housing price has a difference between these cities. It can prove the uneven distribution of resources will render the difference of housing price.

5.2. The Difficulty of Market Regulation

The demand for houses in Shanghai is really high, it will conclude a lot of different demands for houses. Therefore, some policies could not balance some normal residents and the market. In fact, the house purchase restriction policies could solve the problem of high demand for houses in the short term. However, if it lasts too long, it cannot break the balance between supply and demand.

In Jinhua, although the housing is low relatively, the price of some cities has increased too fast with the improvement of urbanization. The housing price in the core area is really high, but there are a lot of vacant houses in remote areas. What is more, a lot of individuals are willing to come back to get a job, but they do not have the will that live in this city for a long time. Therefore, this problem also exists in Jinhua.

5.3. The Economic Problem

In Shanghai, some individuals could not earn enough money to buy a house whose price is increasing fast. Therefore, they have to face the problem of high living costs. As for Jinhua, the speed of economic development is not identical to the speed of increasing housing prices. Therefore, the speed of rising wages could not catch up with the speed of rising house prices. However, most occupations could not provide them with enough money to buy houses. As for them, they may feel stressful to purchase a house in these two cities.

6. Suggestions

6.1. Optimization of Allocation of Land Resources

In Shanghai, the government should develop a market for renting houses, which will reduce the demand for houses. In Jinhua, the government should lead the real estate companies to develop the land of high demand, which will reduce the waste of resources.

6.2. The Suitable Policy

Although the development between Shanghai and Jinhua has a huge gap, both cities should create suitable policies to make the housing price rise at an appropriate speed. Meanwhile, this paper is able to research in a more classic area all over the world. What is more, it will explore the change in house prices in different periods of economic development.

6.3. Improve the Infrastructure and Resource Distribution

It is really important to improve the infrastructure and resource distribution in the remote areas of Shanghai and in some county-level cities. The main reason is to narrow the gap between these areas. Therefore, by distributing resources properly, these areas would appeal to more individuals, which will render the house price and house market more appropriate.

7. Conclusion

This research has succeeded to find the main reasons that render the housing price rise. The most influential factor is the Consumer Price Index, and the second most influential factor is gross domestic product. Shanghai has the highest consumer price and GDP. Meanwhile, it possesses a lot of geographical advantages. Therefore, the housing price of Shanghai is the highest in China. The individuals in Jinhua are richer than the ones in other second-tier cities. The Consumer Price Index of Jinhua has approached the level of first-tier cities. Therefore, although its level of GDP has a large gap compared with first-tier cities, its high consumer price index renders the housing price of Jinhua rise fast. Meanwhile, other factors, such as transportation and urbanization, play different roles in enhancing the housing price. Moreover, the population is another important factor in fast-rising housing prices. The advance of urbanization and improvement of transportation renders the increase of population in Jinhua. What is more, the developed economy appeals to a lot of individuals. More individuals will cause less land per capita. That is the reason for housing prices. Individuals can learn about and be familiar with these factors that influence the housing price when they need to purchase houses. Therefore, it is helpful for individuals to purchase the most appropriate houses. As for this paper, there is still a lack of mathematical methods to calculate and analyze the trend of housing price. It is really important to combine the theories with practice. Meanwhile, this paper analyses the cities that have high housing prices. However, it lacks examples of areas that have relatively low housing prices. It is also important to find the factors that cause the housing price decrease. Compared with the rising housing price, individuals are more willing to learn about when the housing price will decrease. Therefore, the paper will analyze and explore the important factors that render the housing price decrease in the future. Meanwhile, it will find more detailed factors to analyze the change in housing prices in these years.

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