

Research on the Housing Price Change Trend and Influencing Factors in Taiyuan

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Abstract: With the continuous development of urbanization and the gradual improvement of rail transit routes, the housing price of Taiyuan has been growing rapidly in recent ten years. In recent years, domestic scholars have made a lot of research achievements on this topic. This paper analyzes the past ten years and current situation of housing price in Taiyuan and focuses on the factors affecting the housing price in Taiyuan City. The corresponding analysis, on the effective control of housing prices, put forward personal views.

1. Introduction

1.1 Background and Significance of the Topic

The Second Session of the 13th National People's Congress was held in Beijing on March 5, 2019. At the meeting, Premier Li Keqiang expounded on the government's plan for real estate development in this year's government work report, "to better solve the housing problem of the people, implement the main responsibility of the city, reform and improve the housing market system and guarantee system, and promote the stable and healthy development of the real estate market." And mentioning the need to "sound the local tax system and steadily promote real estate tax legislation." Obviously, housing issues have become a topic of concern to the lives of ordinary people. Many people, especially young people, have a rigid demand for housing, and housing prices are too high, which seriously affects the living standards of residents. The predicament of housing difficulties and inability of house affording caused by high housing prices are not conducive to social stability and harmony. Therefore, the study of housing price fluctuations is crucial.

1.2 Literature review

A large number of studies have been conducted by scholars at home and abroad on the factors affecting housing price fluctuations. Professor Kuang Weida from Renmin University of China and Professor Li Tao from the Central University of Finance and Economics (2012) believe that housing prices are mainly determined by supply and demand, and that controlling the excessive rise in housing prices mainly needs to regulate the relationship between supply and demand of real estate. From the perspective of supply, other scholars believe that land transfer fees and land transfer methods have led to rising house prices. Some scholars have explained the factors affecting housing prices from other aspects. Aizenman and Jinjark (2009) argue that inflation, urban population growth, and real interest rates have an impact on real estate prices. Zheng Shigang and Yan Liang (2016) believe that housing price increases are affected by the money supply.

2. Taiyuan City Real Estate Market Status

2.1 Brief description of real estate in Taiyuan City

Taiyuan City is the provincial capital of Shanxi Province. It is located in the central part of Shanxi Province, at the northern end of the Taiyuan Basin. It belongs to the North China region, the middle part of the Yellow River, and is located at the intersection of the South Tongpu Line, the North Tongpu Line and the Shitai Railway Line. It has jurisdiction over 6 municipal districts, 3 counties, and 1 county-level city. It is one of China's energy and heavy industry bases.



Figure 1. Average selling price of commercial housing in Taiyuan

As the political, economic, cultural, transportation and international exchange center of Shanxi Province, Taiyuan achieved a regional GDP of 388.448 billion yuan in 2018, an increase of 9.2% over the previous year, which was 2.6 percentage points higher than the national average level (6.6%) and was 2.5 percentage points higher than the provincial average level (6.7%). Taiyuan City ranked first in the province's 11 cities. At the same time, the per capita disposable income of residents in Taiyuan City was 31,031 yuan, an increase of 7.2%. In the past ten years, the average selling price of commercial housing in Taiyuan has shown a steady upward trend. As can be seen from Figure 1, before 2017, the average selling price of commercial housing in Taiyuan is less than 1,000 yuan. Since 2017, the price of commercial housing in Taiyuan has exceeded 10,000 yuan. In the past two years, housing prices in Taiyuan City have risen slowly, showing a trend of steady and declining. Since 2019, the average commercial housing price in the six districts of Taiyuan has peaked in February and has been declining since March.

2.2 Average price of commercial housing in the six districts of Taiyuan City

According to the latest data from Sina, as of May 30th, 2019, the average commercial housing price in the six districts of Taiyuan City in May was 12,701 yuan per square meter, down 2.29% from the previous month. The price is 13,861 yuan per square meter, the average price of the real estate for sale in Xinghualing District is 12,252 yuan per square meter, the average price of the real estate for sale in Wan Bailin District is 13,257 yuan per square meter, and the average price of the real estate for sale in Yingze District is 13,125 yuan per square meter. The average price of the real estate for sale in Jiancao Ping District is 10,143 yuan per square meter, and the average price of the real estate for sale in Jinyuan District is 13,570 yuan per square meter.

In the past six months, the average house prices in various districts of Taiyuan City have generally exceeded 10,000 yuan per square meter. Except for the Jiancao Ping District, the prices of other districts are concentrated between 13,000 yuan per square meter and 15,000 yuan per square meter. The Jiancao Ping District is located in the northern suburbs of Taiyuan City, far away

from the central city. Infrastructure, education, medical care and other resources need to be improved. Housing prices in other districts tend to concentrate, with the convenience of public transportation and the operation of subway.

3. Reasons for housing price changes in Taiyuan City

There are many reasons for the impact on housing prices in Taiyuan City, mainly related to the economic development level, real estate policies and relaxed settlement policies.

3.1 The economic development level of Taiyuan City

From 2016 to 2019, the price of housing in Taiyuan increased by more than 60%. According to the data released by the Taiyuan Municipal Bureau of Statistics, the city's GDP reached 388.448 billion yuan in 2018, an increase of 9.2% over the previous year. Among them, the added value of the primary industry was 4.105 billion yuan, an increase of 0.7%; the added value of the secondary industry was 143.913 billion yuan, an increase of 10.3% and the added value of the tertiary industry was 244.430 billion yuan, an increase of 8.8%. The economic development level of Taiyuan City continued to grow steadily, which drove the further development of real estate in Taiyuan City.

In addition, the increase in disposable income of residents has provided the basis for the rising of house prices. In 2018, the per capita disposable income of residents in Taiyuan City was 31,031 yuan, an increase of 7.2%. Among them, the per capita disposable income of urban residents was 33,672 yuan, an increase of 7.0%; the per capita disposable income of rural permanent residents was 16,860 yuan, an increase of 8.1%. In recent years, the economic development of Taiyuan City and the continuous growth of disposable income of residents have inevitably provided an economic basis for the rise of housing prices.

3.2 Taiyuan City's real estate policy

According to the data, from 2009 to 2010, the average selling price of commodity housing in Taiyuan City showed a sharp increase trend, exceeding 7,000 yuan per square meter. Subsequently, the Shanxi Provincial Government issued the "Notice on Promoting the Stable and Healthy Development of the Real Estate Market", which inhibited the investment demand to a certain extent. By 2011, the saleable area of commercial housing in Taiyuan City was 7, 290, 300 square meters, an increase of 92.53% year-on-year, and the inventory of commercial housing sold continued to rise. In 2013, the Taiyuan Municipal Government changed the residential land use right of Taiyuan City from 50 years to 70 years, and introduced a strict restriction on "and nine". The Taiyuan real estate market has become more and more formal and has remained stable. In the next two years, commodity housing stocks were high and housing prices were weak. Until 2014, the Taiyuan Municipal Government cancelled the purchase restriction policy. In 2015, the People's Bank of China cut interest rates five times a year, and various down payment policies, which stimulated people's demand for housing. Many investors poured into the Taiyuan real estate market, and the number and price of the residential market rose together, which greatly enhanced the transaction volume of Taiyuan City and affected the housing prices in Taiyuan.

Until May 2018, Taiyuan City issued the "Real Estate Restriction" policy: "There is no housing in the city's six districts and can provide tax payment certificates (or social insurance contributions) for more than one year in the city (or six months in a row) The non-city urban households in this city are limited to purchase one set of housing in the city's six districts." The introduction of the "real estate purchase restriction" policy also inhibited the overheating of housing prices in Taiyuan.

3.3 Taiyuan City's relaxed settlement policy

In June 2018, Taiyuan City announced the latest policy of talents settlement, and implemented "first settled and then employed" for qualified talents. The undergraduate degree can be settled directly as long as the age is less than 45 years old (including), and the graduates with a master's degree or above are not subject to age restrictions.

The loose settlement policy of Taiyuan City has attracted a large number of migrants to move into Taiyuan City. In addition to the one-time grant of 500,000 yuan to 200,000 yuan research funds for the settled talents, as for the full-time Ph.D. students who graduated within three years, the master degree candidates and undergraduates from the top 200 universities in the world or the top-level university construction universities or the “double-class” construction disciplines announced by the Chinese Ministry of Education, Taiyuan Finance will give monthly living allowances of 5,000 yuan, 3,000 yuan, and 1,500 yuan respectively and the subsidies time is 5 years. When purchasing the first set of houses in Taiyuan, if the five-year service period expires, and 200,000 yuan, 100,000 yuan, and 50,000 yuan of housing subsidies will be given respectively. Taiyuan City's continuous adjustment of household registration policy will inevitably attract a large number of talents into the city. The migrant population settles in Taiyuan City, which naturally stimulates the market demand of housing in Taiyuan City, which will inevitably bring about a rise in housing prices in Taiyuan City.

4. Suggestions

In the past one or two years, housing prices in Taiyuan have shown a certain steady trend, which has greatly contributed to the increase of urban attractiveness in Taiyuan. The following recommendations are made for the real estate market in Taiyuan.

(1). For speculative housing purchasing behavior, the government should make corresponding policies to curb to ensure that the houses are used for living. In the meanwhile, the government should inhibit investment-oriented real estate speculation to regulate the real estate market.

(2). The government must control the land price to a reasonable extent. According to the demand of housing to decide the supply of housing, which makes the supply and demand balance, which makes the real estate market in Taiyuan develop healthily.

(3). It is necessary to optimize the construction of infrastructure and public services in Taiyuan City, to achieve equalization of public services, and to narrow the housing price gap between districts.

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