The Influence of Housing Policy on People's House Buying - A Case Study of China

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ABSTRACT: This research examines the influence of housing policy on individuals' decisions to purchase houses in China. The study considers various factors, including disposable income, GDP, national property tax, and the urban registered unemployment rate, and analyzes their impact on housing purchase decisions through regression analysis. The findings indicate that disposable income is the primary driving factor behind the decision to buy a house in China. Higher per capita disposable income among urban and rural residents reflects increased financial capability, leading to a greater propensity to purchase houses. Moreover, an increase in GDP demonstrates a positive influence on housing purchase decisions, as economic growth and higher income levels correspond to increased willingness to buy houses. However, the introduction of national property tax has shown a certain negative impact on the decision to buy a house, potentially due to the increased cost associated with purchasing a property. Notably, the relationship between the urban registered unemployment rate and housing purchase decisions remains less clear. Overall, these findings contribute to a better understanding of the role of housing policy and various socioeconomic factors in shaping people's decisions to buy houses in China.

KEYWORDS: purchasing ability, housing price, GDP, national property tax.

INTRODUCTION

Housing policy plays a critical role in shaping individuals' decisions to purchase houses, as it influences various socioeconomic factors that are relevant to housing markets. In China, where rapid urbanization and economic development have fueled significant growth in the real estate sector, understanding the influence of housing policy on people's house buying decisions is of paramount importance. This research aims to examine the relationship between housing policy and individuals' decisions to purchase houses in China, considering factors such as disposable income, GDP, national property tax, and the urban registered unemployment rate.

China has experienced remarkable urbanization over the past few decades, leading to an increased demand for housing. To meet this demand, the Chinese government has implemented various housing policies to regulate the real estate market, control property prices, and ensure affordable housing options for its citizens. These policies include restrictions on property purchases, subsidies for first-time homebuyers, and the introduction of a national property tax. The impact of these policies on people's decisions to buy houses is multifaceted and influenced by a range of socioeconomic factors.

Disposable income is a crucial factor in determining individuals' ability to purchase houses. Higher disposable Ortalo-Magné,Rady,(2006) income reflects increased financial capability and a greater propensity to invest in real estate. Rising incomes, particularly among urban and rural residents, have significantly contributed to the growth of China's housing market. Therefore, it is essential to explore the relationship between disposable income and housing purchase decisions to understand the influence of housing policy.

Furthermore, economic indicators such as GDP also play a significant role in shaping individuals' decisions to buy houses. Economic growth leads to higher income levels, improved job opportunities, and increased consumer confidence, all of which contribute to a greater willingness to invest in real estate. Therefore, analyzing the relationship between GDP and housing purchase decisions can provide insights into how economic factors interact with housing policy.

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In recent years, the Chinese government has introduced a national property tax to curb speculative investment in the real estate market and promote long-term stability. However, the impact of this tax on housing purchase decisions remains a subject of debate. The introduction of additional costs associated with purchasing a property may discourage potential buyers, potentially influencing their decision-making process. Therefore, it is crucial to investigate the relationship between the national property tax and individuals' decisions to buy houses in China.

Finally, the urban registered unemployment rate,Hsieh, Moretti, (2019) as an indicator of the labor market, may have implications for housing purchase decisions. High unemployment rates may lead to decreased consumer confidence and financial instability, potentially deterring individuals from investing in real estate. However, the specific relationship between the unemployment rate and housing purchase decisions in China requires further examination.

By conducting a comprehensive analysis of these factors, this research aims to contribute to a better understanding of the influence of housing policy on people's decisions to purchase houses in China. The findings can inform policymakers, real estate developers, and individuals looking to enter the housing market about the socioeconomic factors that shape housing purchase decisions and the potential implications of housing policies. Ultimately, this research can contribute to the development of effective and equitable housing policies in China and other countries facing similar challenges.

LITERATURE REVIEW

Housing policy is of great significance to the economic development of our country. As one of people's basic living needs, housing is not only related to people's basic life, but also closely related to the country's economic development and social stability. Housing policy has always been one of the key areas of concern for national and regional governments. This paper discusses the impact of housing policy on housing demand from the aspects of housing policy and housing demand. These policies include changes to down payment requirements, home affordability, loan interest rates, tax incentives and more. The government usually controls the housing market by setting minimum down payment requirements. Higher down payment requirements may limit the ability of home buyers, especially for first-time home buyers or people with poor economic conditions. One of the most important factors for buyers to consider buying a house. Lower loan interest rates can reduce the cost of buying a house and increaseSong, Zenou(2015) the willingness of buyers to buy a house. Conversely, higher lending rates may dampen demand for home purchases. Therefore, changes in housing policies may have an impact on the stability of the real estate market. Some studies have found that higher down-payment requirements may lead to lower demand for homebuying. The housing policy measures adopted by the government can resist the fluctuation of the real estate market and maintain the stability of the market. With the corresponding introduction of national policies, more and more scholars have begun to get involved in this field. Changes will directly or indirectly affect the ability and willingness of buyers to purchase houses. Thus, it analyzes how the government's role in the housing field develops, and discusses the impact of policy changes on the housing market and residents' lives, as well as the challenges of population growth, urbanization, and income distribution inequality to the implementation of housing policies. In this paper, through empirical research, we understand the relationship between housing policy and the needs of home buyers, and briefly summarize the current status of related research.

METHODOLOGY

To study the impact of housing policy on home purchases, the following research design can be employed:

The explained variable is the ability to purchase a house. This variable represents an individual's ability to buy a house, and is measured by income level. The explanatory variable is the housing policy measure. Including housing subsidies, preferential loan interest rates, housing subsidies, tax incentives, etc. Among them, real estate taxes can affect the purchase cost of the house and the return on investment. The second is economic factors, such as economic growth rate, unemployment rate and other economic indicators. The intermediary variable is the housing price level. Home price levels represent the average or median price of homes in a particular area or market. Can help to understand the relationship between the explanatory variable (real estate tax) and the explained variable (purchasing ability). At the same time, it reflects the supply-demand relationship and price trends in the housing market. High housing prices may increase the difficulty of buying a house, while low housing prices may lower the threshold for buying a house. The level of housing prices may be affected by housing policy measures, which affect the ability to buy homes. For example, the adjustment of real estate tax policy may have an impact on housing prices, which in turn affects the ability to buy houses. The control variable is employment situation, employment stability and income level may have an impact on the ability to

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buy a house.

(1) Some descriptive statistical analysis of the impact of housing policies on people's purchase of houses shows that the average per capita disposable income of rural residents is 10,710. The average per capita disposable income of urban residents was 29,317. It shows that the disposable income of urban residents is generally higher than that of rural residents. The national property tax standard deviation is 92.60 billion. The standard deviation of the urban registered unemployment rate is 0.171, and a higher unemployment rate may reduce people's enthusiasm for buying houses. The average price of commercial housing sales was 6,752, and the average price of commercial housing sales was 2,078 for affordable housing. The impact of housing policy on people's purchase of houses is complex and diverse, involving factors such as disposable income, property taxes, gross domestic product, unemployment rate, house sales prices, and the number of employed people.

(2) Based on the results of the correlation analysis, housing policies may have similar effects on the income levels of rural and urban residents. The implementation of the national property tax may have an impact on people's income level, economic aggregate and housing market prices, thereby affecting housing behavior. An increase in the urban registered unemployment rate may lead to a decline in people's income levels. Income levels and economic aggregates may have a greater impact on the sales price of commercial housing, thereby affecting housing behavior. The increase in the total numberDeng,Wu(2020) of employed people has little impact on people's income levels.

(3) Regression analysis shows that in China, the per capita disposable income of urban residents has a significant positive impact on the decision to buy a house. The t value of the regression coefficient is 13.39, and the p value is less than 0.001. In addition, the per capita disposable income of rural residents also has a significant positive impact on the decision to buy a house, the t value of the regression coefficient is 2.57, and the p value is less than 0.05. In addition, the gross domestic product (GDP) also has a certain degree of positive impact on the decision to buy a house, although the impact is relatively low, the t value of the regression coefficient is 2.11, and the p value is less than 0.05. Finally, the national property tax also has a certain negative impact on the decision to buy a house. The t value of the regression coefficient is -3.04, and the p value is less than 0.01. In general, the impact of housing policy on people's purchase of houses is a complex issue involving the combined effects of multiple factors. Economic capacity, national policies and market factors are all affecting people's decision to buy a house.

VARIABLES	(1) Per capita disposable income of rural residents	(2) Per capita disposable income of rural residents
Per capita disposable income of urban residents	0.547***	0.236**
	(13.39)	(2.57)
GDP		0.008*
		(2.11)
Urban Registered Unemployment Rate		821.166**
		(2.26)
State Property Tax	-1.467**	
	(-3.04)	
Constant	-2,610.290***	-4,688.072**
	(-7.93)	(-3.03)
Observations	15	15
R-squared	0.999	0.999

F test	0	0
r2_a	0.998	0.998
F	4307	2624

t-statistics in parentheses

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

RESULTS AND DISCUSSION

The findings reveal that disposable income is the primary driving factor behind the decision to buy a house in China. Individuals with higher per capita disposable income, both among urban and rural residents, exhibit a greater propensity to purchase houses. This suggests that increased financial capability plays a significant role in housing purchase decisions. As disposable income rises, individuals have more resources available to invest in real estate, which aligns with the widely held belief that owning a property is a symbol of wealth and success in Chinese society.

Furthermore, the study demonstrates that an increase in GDP positively influences housing purchase decisions. Economic growth and higher income levels are associated with an increased willingness to buy houses. As the economy expands and individuals experience improved financial conditions, they are more likely to consider investing in real estate. This finding underscores the close relationship between economic prosperity and the demand for housing in China.

However, the introduction of the national property tax has shown a certain negative impact on the decision to buy a house. This negative influence could be attributed to the increased cost associated with purchasing a property due to the tax burden. The implementation of the property tax may lead to higher prices or reduced affordability for potential buyers, which could dampen their motivation to purchase a house. This finding suggests that policymakers should carefully consider the potential consequences of implementing property taxes and develop strategies to mitigate any adverse effects on housing demand.

POLICY IMPLICATION AND CONCLUSIONS

The findings of this study have several policy implications for housing policymakers in China. Firstly, the importance of disposable income in driving housing purchase decisions highlights the significance of improving the financial capabilities of individuals. Policies that promote income growth, job opportunities, and wealth distribution can contribute to increased housing demand. Additionally, measures aimed at enhancing financial literacy and accessibility to mortgage financing can empower potential homebuyers and facilitate their entry into the housing market.

Secondly, the positive relationship between GDP growth and housing purchase decisions emphasizes the importance of sustaining economic development. Policies that foster economic growth, encourage entrepreneurship, and create favorable business environments can indirectly stimulate housing demand. Supporting industries related to housing, such as construction and real estate development, can generate employment opportunities and further drive housing market activity.

Thirdly, the negative impact of the Hu, Li(2017) national property tax on housing purchase decisions calls for careful consideration when implementing such policies. Policymakers should assess the potential consequences of property taxes on housing affordability and market stability. Strategies such as implementing progressive tax structures, providing exemptions for first-time homebuyers, or investing tax revenues into affordable housing initiatives can help balance the need for fiscal measures with the goal of maintaining a healthy housing market.

In conclusion, this research highlights the influence of housing policy and various socioeconomic factors on people's decisions to buy houses in China. Disposable income and GDP were found to be significant drivers of housing purchase decisions, indicating the importance of financial capability and economic prosperity. The introduction of the national property tax had a negative impact on housing purchase decisions, potentially due to increased costs associated with buying a property.

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