A Brief Analysis on Challenges of Beijing-Tianjin-Hebei Integration to Real Estate Industry

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ABSTRACT

China’s 12th five-year plan in March, 2011 proposed to build the “capital economy circle”. The concept of “Beijing-Tianjin-Hebei integration” and “capital economy circle” has been written into the 12th five-year plan. The implementation of the integration strategy brought opportunities as well as challenges to the real estate industry. This put forward the corresponding countermeasures for the challenges.

CHALLENGES OF BEIJING-TIANJIN-HEBEI INTEGRATION TO REAL ESTATE INDUSTRY

The uneven population distribution of Beijing, Tianjin and Hebei

From 2000 to 2010, the population gravity center of Beijing-Tianjin-Hebei area had been significantly shifted to the northeast and the economic center to the east. Such shiftings are likely due to that Beijing and Tianjin are located in southern and eastern part of the area. Especially for the rise of the new coastal region in Tianjin during the last decade, the economic center has been continuously shifting to the northeast. The population proportion in 2011 shows that the permanent resident in Beijing and Tianjin accounted for 60.82% of the entire population. The number of people in these two cities is far more than the other cities. According to a report from Beijing Municipal Bureau Statistics and Investigation team of National Bureau of Statistics, the permanent resident population of Beijing-Tianjin-Hebei in 2014 was 111 million, accounting for 8.4% of China’s entire population, yet it was highly concentrated in Beijing and Tianjin. The population in either city was over 3 times larger than Hebei, 9 times larger than the nation’s average population (142.1 people/km²). The population density of Beijing and Tianjin were 1,331.1 people/km² and 1,289.8 people/km² respectively, whereas only 393.4 people/km² of Hebei. Megacities were overpopulated whereas the smaller cities underpopulated, forming an inverted pyramid structure of the population size. Despite the uneven distribution of the population, the economic power and economic structure also contrast sharply between big and smaller cities. In fact, the agglomeration of megacities such as Beijing and Tianjin are quite

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powerful whereas the carrying capacity of small and medium-sized cities are insufficient. Such unreasonable urban system may lead to a lacking of supporting power for the area development.

Among the relocation of industry, population and administrative institutions, administration institution relocation is the easiest for all it requires is an order. Population relocation is the most difficult for the transfer of massive number of individuals is hard to control. For Beijing-Tianjin-Hebei integration, forced relocation is impracticable and also forbidden. Therefore, how to balance the demand of central government, local governments and individuals, and how to balance the measures taken by administration, market and society would be great challenges for Beijing. Since the rigid demand of real estate is heavily influenced by population, such challenges exist in real estate industry as well.

The uneven economic development of Beijing, Tianjin and Hebei

A statistic data from Beijing Municipal Bureau Statistics and Investigation team of National Bureau of Statistics shows that in 2014, the total GDP of the three places was 6.64745 trillion RMB, accounting for 10.4% of the whole nation. The local public financial budget was 886.38 billion RMB, accounting for 11.7% of the whole nation. Yet the data shows an uneven economic development between the three places: The per capita GDP of Beijing or Tianjin was over 104,006.4 RMB whereas only 42,252.6 RMB of Hebei, less than half of Tianjin; As for the industrial structure, Beijing’s the tertiary industry held up to 77.9% of its whole industry, and it tended to be high-end, while in Tianjin and Hebei, around half (49.4% for Tianjin and 51.1% for Hebei) of the industry were made up by the secondary industry; The urbanization rates were 86.4% for Beijing, 82.3% for Tianjin and 49.3% for Hebei. In general, Beijing has entered the stage of post-industrialization; Tianjin is at the late stage of industrialization while Hebei is at the middle stage. There is a development gap between the three regions.

THE DEVELOPMENT COUNTERMEASURES OF REAL-ESTATE INDUSTRY IN BEIJING-TIANJIN-HEBEI INTERGRATION

Balance the housing price

A balanced development of real-estate industry requires not only a balance of development scales and product hierarchy structure, but a balance of housing price as well. The proposal of Beijing-Tianjin-Hebei integration strategy brought forward a dramatic increase of housing price as well as the real estate bubble which impacted the local economy and perplexed the life of local people. Government should solve the current problems through corresponding regulations in order to balance the housing price.

Bang the land hoarding

As Beijing-Tianjin-Hebei integration strategy was accounced, all walks of life are optimistic about the economic development of the big economic circle. Many developers rushed to hoard. Therefore, the government should bang the land hoarding and make sure a reasonable time span for the land kept from being applied for real estate construction. Transparent transaction information of real estate market should be established as well.

Curb the property speculation

Beijing-Tianjin-Hebei integration generates huge amount of speculations and investments. The government however should curb the property speculation through tax policies. For example, the income tax rate for property speculations should be determined by the time of holding a property. The shorter the time is, the higher rate the proprietor should pay. Therefore the frantic speculations would be effectively restricted.
Control the number of idle housing

Government should control the excessive number of idle housing and promote its transformation. Strong interference measures such as limiting the ceiling price and forced auction should be imposed on long-time idle properties. To control the speed of real-estate development and avoid generating new overstock, the number of approved projects should be limited. To digest the tough idle housing, the government could purchase them and use them for low-rent housing. To reduce the idle rate, the government could raise the tax to increase the cost of those who hold more than one house, thus force them to lease or sell the idle properties.

Optimize the distribution of investments

To improve land use efficiency for Beijing-Tianjin-Hebei integration strategy, Beijing and Tianjing need to relocate their functional area and realize urban transformation. When planning for the land use, main cities of Hebei province should consider the function positioning of themselves while taking over industries from Beijing and Tianjin. They should optimize the industrial structure and increase the construction land, eliminate blind exploitations. Land use must be according to the well-planned projects. For Tianjin and the some Hebeicities that took over the transferred function from Beijing, their locations and natural resources should be taken into consideration while determine their city functions. The government should make plans for proper distribution of industrial and living areas for investment and optimize the use of land resources, make sure a coordinate development and prevent redundant projects.

Land resources are the foundation of the real estate industry. A properly planned investment distribution would profoundly contribute to the development of the industry.

Dislocation development

Beijing, Tianjin and Hebei should break the rigid thinking of “yi mu san fen di”, which basically means only to care about oneself. They will have to think of problems and development in others’ shoes to build a win-win concept so as to integrate the local development into the area development strategy and make continuously progress. On the other hand, the three places should keep their own specific roles and responsibilities in mind during the integration, make sure not to cross the line while serving for the integration strategy. Thus they could achieve the dislocation development and common progress.

Increase the average income

There is a big gap of average income between Beijing, Tianjin and Hebei. As Beijing and Tianjin are first-tier cities, the average income in these two cities ranks high in the whole nation, whereas Hebei falls far behind. It is, however, because of the high income, the purchase power was able to be pulled of, which benefited the development of the real estate industry of the two cities. In market economy, the housing price must fluctuate within a reasonable range as the economic grows and the income increases. Therefore, the real estate market development in Beijing, Tianjin and Hebei should not be achieved by policy hypes, instead, the government should devote to making up the income differences among the three places and meeting people’s rigid demand for real estate by improving the average income of Hebei citizens.

Integrate human resources

A starting point of the human resource integration of Beijing, Tianjin and Hebei area is to complement each other through proper arrangement to support the local economy and social development in an all-round way, other than to establish three “complete” human resource structure as each place expected respectively. Human resource structures differ a lot among Beijing, Tianjin and Hebei. Each has their particular characteristic: Beijing owns large amount
of highly educated personnel and sufficient research funding as well as patents; Hebei’s biggest advantage is the total number of technicians. The number of the mid-level educated workers in Hebei is also much higher than that in Tianjin. Thus the cities should foster the strengths and circumvent the weakness, to complement rather than compete with each other in human resources. Beijing, Tianjin and Hebei should cooperate in industry through integrating human resources to improve their comprehensive advantages. They should build a development model in which each city’s development is well suited to its specific human resource structures and characteristics. The diversity of human resources should be taken full advantage by sharing instead of competing.

Complement each other’s advantages

The integration of Beijing, Tianjin and Hebei is all about complementing instead of offsetting each other. Each place has their own strength: Beijing is a knowledge and technology oriented city with advantages in education, scientific research, personnel, finance, information and hi-tech industries; Tianjin is a processing city with advantages in non-agricultural raw material processing industries. Hebei is a resource-based area with advantages in raw material industry, heavy industry, and industry of production and processing of agricultural and sideline product. Therefore, Beijing should take advantage of its personnel and focus on the hi-tech researches, and at the meantime, optimize and up grade its industrial structure by improving industries of modern service, finance, trade and tourism etc; Tianjin should take advantages of its geographic location as a port city and put effort to international logistics, aiming to turn itself into an international shipping, trade and logistics center. It can also develop a batch of high-tech manufacturers. Hebei is the heart of the three places with a vast territory and abundant human resources. It should develop industries of manufacture, raw material processing, energy and agricultural products, and focus on applying research results from Beijing into production. It may turn itself into a base of pilot and production. So each place must be aware of its comparative advantage and seek for cooperation to find the best way for the local development. Meanwhile, the improper developing model must be urgently transferred. The three places should together try to build a regional complement and cooperative system. On the other hand, homogenized development and homogenous competition should be avoided to eliminate a messed economy. Only when the local economy was well developed through its own advantage, the real estate industry would have a profound development.

Conclusion

Real estate is a pillar industry of China's economic development. The integration strategy of Beijing, Tianjin and Hebei is also one of the three major strategies of our country. So the development of the real estate market is directly related to whether the urban residents can live and work in peace and contentment. In order to make the real estate benign development in the Beijing Tianjin Hebei integration, therefore, economic development and population difference of three of Tianjin as the research object, starting from the characteristics of the development of Beijing Tianjin Hebei, summarizes the characteristics of the regional development of Beijing Tianjin Hebei real estate market, further illustrates the real estate in the development process of the defects. And make suggestions. The development of the real estate market in Beijing, Tianjin and Hebei is in line with the periodic characteristics of the development process of the real estate market in China, and has obvious regional characteristics. Overall, the healthy development of real estate in Beijing Tianjin Hebei region is conducive to promoting the prosperity and stability of Beijing Tianjin Hebei. The housing price in Beijing Tianjin Hebei region is relatively high, and short prosperity has strengthened the instability of the Beijing Tianjin Hebei real estate market. The economic development level of Beijing Tianjin Hebei three areas has a crucial impact on the development level of the real estate market in the whole region of Beijing Tianjin Hebei. Based on the characteristics and advantages of the three regions
of Beijing Tianjin Hebei, this paper puts forward some suggestions for the Beijing Tianjin Hebei regional real estate industry.

REFERENCES