

Study on the Effect of Real Estate Investment in Xi'an on Regional Economic Growth

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Abstract: Economic growth is the main pursuit of modern social development. In China, some particularities of economy make the real estate investment obviously stimulate the regional economy. Based on this, this paper takes Xi'an as an example, analyzes the relationship between local real estate investment and regional economic growth as well as reasons, and then discusses the influence boundary of real estate investment in Xi'an on regional economic growth. This paper includes the prospect of making use of real estate investment to stimulate regional economic growth in order to provide a reference for the following economic development in Xi'an.

1. Introduction

Regional economy refers to the distribution of each administrative region of national economy. Its formation is the result of regional division of labor, and its development situation is restricted by many factors. As far as our country is concerned, local economic form has the characteristic of monotonous repetition, emphasizing the single promotion effect of real estate, which leads to the obvious imbalance situation of national economy. Xi'an is no exception, so it can be regarded as a microcosm of national economy. On this basis, this paper analyzes the effect of real estate investment in Xi'an on regional economic growth.

2. Relationship between Real Estate Investment in Xi'an and Regional Economic Growth and Reasons

2.1 Diversification

There are two kinds of relationship between real estate investment in Xi'an and regional economic growth, that is, promotion and single incoordination, among which, the former has positive value and the latter has negative influence. In terms of promotion effect, since the end of 1990s, industrial economy in China has begun to take shape, but the consumption of natural resources in various places is serious, and the subsequent economic development is quite weak. In this context, real estate market is rapidly active, leading to rising housing prices. As a rigid demand and consumption good, the real estate industry has attracted a large amount of social capital, bringing the value of stimulating financial development and realizing the redistribution of social wealth. From 2000 to 2017, the average growth rate of local economy in Xi'an was over 7.4%, among which, the average growth rate of the primary industry, secondary industry and tertiary industry was 2.1%, 8.7% and 25.6% respectively, accounting for 9.2%, 78.4% and 12.4% of the total GDP. The real estate industry accounts for 71.5% of the total output value of the secondary industry, and the regional economic pull index is 0.82, which promotes the development of regional economy in many aspects, such as consumption, production, finance, redistribution of wealth, and so on ^[1].

2.2 Unidirectional Disharmony

The problem of unidirectional disharmony is very obvious in Xi'an. Because the natural conditions of Xi'an are relatively general with not abundant natural resources. Although traffic

conditions are tolerable, the central and western regions cannot form a large commercial area of urban agglomeration. Finally, economic development becomes too dependent on real estate, bringing about a real estate investment fever. A large amount of wealth has entered the real estate industry and become a fixed capital. Therefore, there is not enough hot money in the market, and economic development is in a state of unidirectional disharmony. In recent years, it seems to have become increasingly fierce. Since 2012, the economic development rate of our country has slowed down while real estate investment becomes hotter and hotter. Because of the fluctuations in cash purchasing power caused by the rapid development of economy, capital holders begin to look for more secure ways to invest, or at least preserve the value of their capital. In this context, houses have become a hot spot of attracting money, and a large amount of capital has been continuously injected, which has further led to a “one-side-weight” of regional economic development, and is also the main negative impact of real estate investment. In addition, the problem of hot money shortage in the market also further affects the commercial economy development and brings derivative damage.

3. Influence of Real Estate Investment of Xi'an on Regional Economic Growth

3.1 Consumption Boundary

Real estate investment of Xi'an has influence boundary of many dimensions on regional economic growth. In terms of consumption dimension, the boundary has gradually become obvious, that is, after a large amount of capital has been injected into the real estate industry, local consumption structure has changed obviously. The relationship between the proportion of basic living consumption and the proportion of total consumption presents a typical anomaly. Taking Engel Coefficient as the focus of analysis, we can find changes of consumption in Xi'an in the past five years which are shown in Table 1^[2].

Table 1 Consumption in Xi'an in the Past Five Years

Year	2013	2014	2015	2016	2017
Engel Coefficient	0.22	0.24	0.23	0.24	0.27
Income Growth	+5.3%	+4.8%	+5.1%	+3.9%	+3.7%
Consumption Growth	+7.5%	+6.9%	+7.7%	+8.1%	+8.4%

From data in the table, the average growth of income and consumption level in Xi'an can reach 4% and more than 7%, but the local Engel coefficient has increased obviously from 0.22 in 2013 to 0.27 in 2017. Meanwhile, there was no special change in the real estate investment heat in Xi'an during this period. People always maintained a high enthusiasm for buying houses, and the average growth rate of capital absorption in the industry was 15.8. In other words, as real estate investment heats up, local people were spending more on basic living than on high-quality consumption.

3.2 Financial Boundary

Finance is the main sign of regional economic activity. When a large amount of funds enter the fixed investment field, it is very difficult for local finance to obtain enough funds, which may lead to the malformation of economic development. As far as the Xi'an region is concerned, financial environment itself is relatively fragile. A large number of state-owned enterprises and mixed enterprises (including real estate enterprises) have become the mainstay of local economic development, with little and steady declining foreign investment in recent years. This means that local financial structure is heavily influenced by policy and is highly unpredictable. As far as real estate investment is concerned, its influence on financial boundary is characterized by two aspects: one is the sustained increase of credit scale and the other is the slow growth and small fluctuation of non-housing loan amount. The analysis of the business of 17 local commercial banks in 2013-2017 shows the characteristics of relevant data which are shown in Table 2^[3].

Table 2 Business of 17 Local Commercial Banks in 2013-2017 Year in Xi'an (Unit: Year)

Bank	BOC	BCM	CCB	ICBC	ABC
Credit Growth	+7.7%	+6.9%	+8.6%	+7.6%	+5.2%
Housing Loan Growth	+14.7%	+12.3%	+16.6%	+14.8%	+11.2%
Non-housing Loan Growth	+2.5%	+1.9%	+1.0%	+1.6%	+2.3%

It can be seen that the local financial situation tends to be very good. Annual credit growth rate of five major commercial banks has exceeded 5%. Among them, the growth momentum of housing loans is quite rapid, exceeding 11%, and the growth rate of non-housing loans is less than 2.5% which indicates that, the buoyancy of finance is only a sign that a lot of money is still rapidly flowing into the real estate sector, and the boundaries of its impact are not obvious because of the continuous heat of investment in the real estate market, but it is likely to continue to expand.

3.3 Production Boundary

From the point of view of production, the real estate industry itself belongs to the core part of the secondary industry, and its influence on the production boundary of regional economic growth will be concentrated on two aspects: production mode and production content. That is, industrial production is still the mainstream of regional economic development, and the production content will still be based on the real estate and its surrounding industries. Researchers have collected changes in the category and number of businesses in the local market during 2013-2017, which are shown in Table 3.

Table 3 Changes in the Types and Number of Enterprises in Xi'an During 2013-2017 Year (Unit: 100)

Enterprise	Real Estate Related	Building Materials Related	Decoration Related	Others
Total	8.31	2249.23	652.32	152583.3
Growth Rate	+1.8%	+5.3%	+4.9%	-6.6%
Change	Continuously Increase	Continuously Increase	Continuously Increase	Continuously reduce

Combined with the data, we can find that the number of local enterprises shows a downward trend, but the number of real estate related, building materials and decoration related enterprises is increasing. This indicates that as the real estate investment heat increases or maintains, capital will continue to be injected into this area and surrounding areas. Besides, these two major boundaries of production mode and production content will remain concentrated in the real estate sector.

3.4 Economic Structure Boundary

By analyzing the economic structure of Xi'an region, we have found that the total proportion of the primary and secondary industries does not exceed 25 percent, while the rest belongs to the secondary industries. Meanwhile, the proportion of the real estate related industries in the secondary industries exceeds 70 percent. Given the current hot level of local investment, it may be difficult to change quickly in a short period of time. In other words, the impact of real estate investment on the economic structure of Xi'an may be reflected in the scale of output value of the secondary industry and continuous increase in the number of employees. From researcher' survey, changes in the real estate output and the number of employees in Xi'an during 2013-2017 are shown in Table 4^[4].

Table 4 Changes in the Real Estate Output and the Number of Employees in Xi'an During 2013-2017 Year

Year	2013	2014	2015	2016	2017
Output Value Change	+6.9%	+7.1%	+7.4%	+8.2%	+8.5%
Number of Employee Change	+2.4%	+3.3%	+2.8%	+2.7%	+2.5%
Trend	-	Increase	Increase	Increase	Increase

From the result, both the output value and the number of employees in the local real estate industry are increasing continuously and maintaining a good growth momentum, which confirms the analysis of the impact of real estate investment on its economic structure boundary, that is, the scale of output value of the secondary industry and the number of employees enjoy a sustained increase, and the overall impact on the local regional economic development has the similar characteristics.

4. Prospects of Making Use of Real Estate Investment to Stimulate Regional Economic Growth in Xi'an

4.1 Balance Real Estate Investment Quota

Based on the above analysis results, we try to make use of real estate investment to stimulate the regional economic development in Xi'an. Firstly, we should ensure the controllability of industrial development, balance the real estate investment quota through new policy of real estate, and make the positive value of real estate investment play its full play, which contain the negative effects, such as the implementation of price ladder system, as well as the establishment of satellite city. For commercial housing in city, the first individual purchase is based on the original house price and the second individual purchase is 200% of the original house price. The second family purchase is 150% of the original price, and at the same time, the tax is increased by 20%, so as to curb the behavior of housing hoarding. In order to alleviate the difficulties of buying houses for poor families caused by ladder housing prices, it is feasible to set up satellite cities and build houses in the suburbs, which can be provided to people with monthly incomes of less than 4000 yuan and families with monthly incomes of less than 8000 yuan. In this way, it will be effective to curb the real estate investment heat and balance regional economic development.

4.2 Promote Diversified Economic Growth Plans

The problem that economic development depends on real estate too much exists for a long time in our country. In order to deal with it, we can try to promote the plural economic growth plan. As far as Xi'an is concerned, there are obvious advantages in the local economic development, such as abundant tourism resources. Therefore, it is necessary to make Xianyang and other places into the tourism development plan with Xi'an as the core, establish a tourism economic system guided by the government, cover travel agencies, Food Street, Shopping Street and other commercial elements, strengthen the supervision and management of tourism, and avoid the illegal ticket prices and low service quality. In addition, new media can also be used to increase publicity, so that economic development of Xi'an will be driven by many aspects, and no longer rely solely on real estate investment.

5. Conclusion

To sum up, real estate investment has a great impact on the regional economic growth in Xi'an, including a positive direction as well as the negative aspects, which is affected by the inherent situation, geographical location, resources, industrial and commercial foundation and so on. From the perspective of influence boundary, it can be found that real estate investment affects the consumption, finance, production and economic structure of Xi'an. On this basis, in order to maximize the positive role of real estate investment, we should emphasize economic diversification, try a new housing policy and make economy in Xi'an area enjoy a steady as well as healthy development.

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