

Thoughts On House Prices

The number of second-hand houses on Lianjia (Linkhouse), a real estate website in Beijing, was 5,800 at the end of March 19 years ago. Currently, it is 8,800 at the beginning of January 20 years later. In these nine months, an additional 4,000 houses were added, almost doubling the number. Therefore, many wealthy people in Beijing are selling houses, which is a fact.

The government seized the land and sold it to real estate developers, who then sold it to the public. After the financial crisis in 08, the country printed a lot of money and injected it into the market to develop real estate and infrastructure. The large amount of money printed behind this, however, diluted everyone's wealth. Today's prosperous China is built on the backs of tens of millions of mortgage slaves for several decades and the wealth of 1.4 billion people being diluted. Of course, many other countries are the same. However, China's economic development is indeed very aggressive. What will be the consequences? We'll see in due time.

When selling a house, people often list it at market price and wait for three to six months to see if they can sell it. If not, they lower the price. Therefore, the trend of house prices is not immediately apparent. With so many people selling houses now, the supply far exceeds demand. We can afford to wait for another year or two. If a house doesn't sell after a year, some people will become anxious and sell at a significant discount.

1. When real estate becomes an economic pillar, the common people have some spare money and buy houses, there is less money available for consuming new emerging products or services, innovative industries face great difficulties, and traditional industries also face intense competition.

A large part of consumption in the city contributes to real estate, and consumption is high in places with high housing prices. In personal daily consumption, a part goes to rent and a part to dining, local services, transportation, etc., and the prices of these items include rent costs. Everyone needs a house to live, either by owning or renting, so they must obtain a well-paying job to make ends meet. Companies or shops need to raise the prices of their products or services to keep afloat, so consumption is high in places with high housing prices.

Every Chinese person has witnessed the fierce rise in housing prices over the past 20 years and subconsciously believes that buying real estate is the most reliable investment, while other investments are not worthwhile. However, some rules are not apparent within 20 years, or even within a single generation, and economic laws have not been disrupted, they just take longer to manifest in China.

The total value of China's real estate is higher than the combined total value of real estate in Europe and the United States. Currently, the average Chinese person needs to repay their mortgage for 30 years, while it takes 10-15 years in the United States.

When people spend their excess money on buying houses, and there is little money left for spending, consumption will shrink. An individual's consumption is another person's income. Everyone is cutting back

on expenses, companies are struggling to make profits and are closing down in droves, unemployment is increasing, some people can no longer afford to buy houses, and some banks have too much debt and have gone bankrupt, leading to an economic crisis.