

The Influence of Major Social Events on House Purchasing Behavior - A Case Study of COVID-19

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Abstract: *CoVID-19, as a social major emergency, has a great impact on house purchasing behavior. In order to build a moderately well-off society in an all-round way and achieve the goal of eco-social development, it is meaningful to analyze the changes of housing consumption and investment behavior. Based on "not speculating on housing" and the attribute of real estate, this paper analyzes the housing purchase behaviors in the outbreak and post-epidemic era respectively with effective and ineffective people as the research objects. The purpose of this study is to provide policy advice, reference for real estate enterprises, and guidance for buyers.*

Keywords: COVID-19, epidemic; Purchase behavior; Effective demand

1. Introduction

The COVID-19 outbreak in early 2020 has become a public health emergency of international concern. In the residential consumption and investment, the situational factors play an important role in the decision of house purchase. The epidemic, as a social event in the context, has affected residents' purchase, consumption and investment behaviors, and has caused a certain degree of impact on China's economy and the operation of the real estate market. Therefore, it is necessary to study whether the consumption demand and investment demand of house purchase are affected by COVID-19 in the early stage of the outbreak and in the future period, what are the influences and the changes that lead to the behavior of house purchase.

Real estate is not only the focus of social consumption market, but also the pillar industry of economic development, and investment in real estate industry as one of the three fields of fixed asset investment accounts for a large proportion. The epidemic has had a huge impact on China's economic development and social stability. Businesses have stopped production, people's expected income has dropped, precautionary savings have become more motivated, and consumption and investment have become more rational. However, according to data in the first half of the year, the total price of real estate suites in cities of all lines is still more than the number of cities falling, rigid demand housing and improved high-end housing transactions did not decline. For that reason, this article, based on the consumption and investment of real estate properties, and the study population is divided into effective demand for purchase crowd (that is, must buy the rigid demand) and ineffective demand people that buy a house, can buy don't buy the selective purchase requirements) two categories, to analyze the epidemic situation of the consumers that buy a house and the investor's expectations of the housing market, and the influence of epidemic on housing decisions and preferences.

2. Literature Survey

As for the impact of COVID-19 epidemic on house buying behavior, Chen Jiangtao (2005) analyzed the consumption situation that affected consumers and believed that social emergencies sometimes had a significant impact on house buying behavior. QiuHongquan (2020) believed that the epidemic had an impact on the real estate consumption psychology and behavior, and empirically-tested the household statistical characteristics, impairment factors, marketization factors, risk factors and defensive factors all had a significant impact on the real estate consumption behavior. Li Liuying (2020) believed that consumers' willingness to consume would decrease due to the impact of the epidemic, and consumption would become more rational. Sheng Songcheng (2020) believed that the real estate industry should be provided with necessary and reasonable support under the positioning of "housing residence instead of vicious speculation". Introduce corresponding policies to support rigid demand and improvement demand; due to the city policy, appropriate increase in market regulation.

To sum up, the epidemic has impacted the real estate market and affected the behavioral decisions of people buying houses to a certain extent. However, people buying houses under different income levels, different purchase purposes and different environments are affected to different degrees and their choices of buying houses are different, so it is necessary to conduct further research and analysis.

3. Analysis of the impact of COVID-19 on home buying behavior

3.1 The purchase behavior of people with effective demand

3.1.1 Based on consumer attributes

First, in the short term, the epidemic will stimulate the rigid consumer demand at the bottom, but buyers will rationally choose to buy houses considering the industry, income and

other conditions.

After the outbreak of coVID-19, both the employment demand and the number of job seekers in the labor market showed a significant decline. In the first quarter, the number of people in need and the number of job seekers decreased by 390,000 and 973,000, 7.3% and 24% compared with the same period last year. The ratio of job vacancies to the number of job seekers (the ratio of job seekers) was about 1.62, up by 0.34 compared with the same period last year. The process of resuming work and production was slow, and the difference of family mobility between different income groups increased. Homebuyers face increased risk of income decline and even unemployment. Consumers, who have been confined to their homes for a long time due to travel restrictions and the impact on the country's economic fundamentals, will behave rationally when they realize the need to reduce previously unnecessary spending and reconsider household income. A rebound in "vindictive" consumption needs to be supported by rising incomes, so it is confined to a few people.

The planned homebuyers will consider such factors as the shutdown of enterprises, layoffs of companies, and uncertainty of their expected income, etc. The precautionary saving motivation of households will be enhanced, and the consumption demand for house purchase will be significantly restrained. Due to the rigid demand for houses and the rational and anxious psychology caused by the epidemic, this group of people will still stick to the plan or reduce the budget to buy houses in the short term.

At the same time, the rigid house buyers shift the focus of decision factors from location, traffic and supporting facilities to residential density, ventilation and lighting and other factors related to safety and health. At the same time, the excellent property of brand real estate enterprises is also an important criterion for purchasing houses. The property of brand real estate enterprises relies on the strength of enterprises to ensure that the needs of residents during the epidemic period can be met to the maximum extent.

Second, in the context of a series of policies such as the effective control of the epidemic in the long term and the interest rate reduction, home buyers will choose to purchase with overdraft income after receiving positive signals, but some people will temporarily give up due to the slow growth of income.

As the coVID-19 epidemic has been effectively brought under control, various regions have taken measures in response to urban conditions, accelerated the resumption of work and production in various industries, and actively promoted marketing by real estate enterprises. At the same time, in order to cope with the impact of the epidemic on the economy, the people's Bank of China reduced the lending rate to a certain extent along with the decline of LPR. Combined with the above factors, it provides a foundation for the consumer market. The home buyers' mood improves, and the previously squeezed consumer

demand is released to a certain extent, which promotes the gradual recovery of the real estate market.

Data shows that in May 2020, the transaction area of commercial residential buildings in 50 representative cities turned positive for the first time in the same year, and in June it was slightly higher than the average level of the same period in recent three years. Under the current situation, the enthusiasm of real estate enterprises will not be reduced, the pace of the second half of the year may be front-loaded, the overlaying of the previous backlog of demand has not been fully released, the real estate market will continue to recover. Real estate enterprises should grasp the sales window period, strengthen the promotion, and innovate the marketing mode, which will also promote the improvement of home buyers' mood. Buyers will choose to overdraw their income and buy houses in advance, which will promote the transaction volume of new and second-hand houses in the real estate market.

According to data from the National Bureau of Statistics in the first quarter of 2020, the epidemic has reduced the income of urban and rural residents by 1,258 yuan and 612 yuan respectively, with the cumulative disposable income of 11,691 yuan and 4,641 yuan. After the resumption of work and production, the unemployment rate and the number of newly created jobs have recovered somewhat, but due to the impact of the epidemic abroad, it still has not recovered to the level of the same period last year. In the late stage of the epidemic, there were still some homebuyers who were unable to stay and travel, and the income growth rate was generally lower than the housing price rise rate. Therefore, some homebuyers would not choose to buy houses or postpone the purchase at this time.

3.1.2 Based on investment attributes

First, real estate investment, as one of the three major areas of fixed asset investment during the epidemic, showed the lowest rate of decline and showed a trend of later recovery. In the short term, the release of improved demand and possible purchase restrictions have prompted buyers to choose multi-family housing in the middle and high-end.

In the context of the accelerated release of improved demand, buyers put forward higher requirements for living space, not only limited to the basic living needs, but also more consider the needs of VIP mansions such as livable and comfortable life. The upgrading of the demand side has promoted the transaction of high-end projects in real estate to a certain extent. Although the central government put forward the "housing residence instead of vicious speculation" and issued a strict policy to control the rise in real estate prices. However, there is still a large room for market improvement demand, and it is expected that the transaction proportion of high-quality mid-high-end projects in different cities will continue to increase in the future. Large family multi-room can not only meet the needs of homebuyers to improve the needs of the need, but also to meet the needs of a special period of one room per person, timely isolation.

In the first half of the year, Vanke, Poly, Zhonghai, Evergrande, Huarun, China resources, Shimao, Greentown, Sunac, Long for, Gemdale, R&F, Agile, Sino-Ocean, New city, Central China, China Merchants Shekou Industrial Zone Holdings Co., Ltd, Beijing Capital Land, KWG, Yuexiu and other brand housing enterprises integrated online and offline marketing channels to increase project promotion and promotion efforts. According to CREIS, in terms of the proportion of residential projects sold in 30 cities, the number of improved products sold in the first half of 2020, covering 120-144 square meters, 144-200 square meters and more than 200 square meters, increased compared with the average year of 2019, with the residential demand continuously upgrading. Influenced by the characteristics of current urban residents, various property groups also prefer large three-bedroom houses, accounting for 44% of the demand. In addition, with the gradual easing of the epidemic and the possible purchase restriction policy in the later period, there is still a large room to release the market demand for house exchange. Some people who buy houses will choose one-step products, and the transaction proportion of middle and high-end projects like luxury homes is expected to continue to rise.

Second, in the late stage of the epidemic, China's proactive policies on traditional infrastructure construction and new infrastructure investment jointly led to a steady recovery of infrastructure construction. The central government, local governments and enterprises combined multiple stimulus policies to stimulate the market and boost investment, which sent a positive signal to real estate investors.

The policy measures adopted by the central and local governments, such as easy credit and regulation and optimization, have achieved remarkable results. Their positive role in promoting the release of demand can basically offset the impact of the epidemic on the real estate industry. The gradual recovery of the economy and the year-on-year increase of real estate investment will drive the improvement of fixed asset investment. In a stable and loose financial environment, the financing cost of real estate enterprises and the housing purchase cost of residents will drop. As the epidemic has been effectively brought under control, the delayed release effect of the demand for preserving the value of house purchase and investment has led to a rebound in demand, and the recovery of sales has supported a rapid recovery of investment in the real estate industry, forming a virtuous circle.

In order to hedge against the impact of the epidemic and stabilize local economies, the RMB exchange rate fluctuated in both directions within a reasonable range, but this was only temporary and there was still pressure on the RMB to depreciate in the long run. Monetary policy has a lagged impact on housing prices and a superimposed expectation effect, and it is expected that broad inflationary pressure including asset prices (especially real estate prices) will rise significantly in the next year.

In the later stage, the favorable marginal effect of policies

such as credit easing and regulation and optimization continued to weaken. Previously, the pent-up demand has also been released rapidly, and the pace of market demand entering the market may slow down. Under the background of the central government's positioning of "no speculation on housing and housing", and it is difficult for residents' income expectations to improve significantly, the demand for housing and investment will partially return to rationality, and the housing price does not have the basis for sustained and comprehensive rise. However, in the later stage, there is still an opportunity to increase the volume of high-quality plots in the land market, and the floor price of land transaction is expected to remain high, and the real estate enterprises push the intraday high prices and increase the proportion of improvement projects. Therefore, it is expected that there is still an upward trend in house prices.

3.2 The purchase behavior of people with ineffective demand

The rent rental market is an important part of the housing security system. In order to solve the housing security problem and truly meet and realize the housing needs of homebuyers, the Ministry of Housing and Urban-rural Development said it would legislate to define "the same right to rent and sell", that is, residents who rent and buy houses enjoy the same treatment.

However, during the quarantine period, a number of cities across the country issued the most strictly prohibited order, for those returning from certain provinces and cities, they are not allowed to return without housing, and will be repatriated without authorization. There is a serious inequality in the power of renting and selling. Without the "passport" of the property ownership certificate, the tenants cannot normally enter and leave the community, and there is a risk of being repatriated. Tenants cannot return to their own homes, which leads to a significant increase in their "homelessness" and "homeless" psychological pressure, and a gradual loss of urban sense of belonging. The epidemic has made people more in need of the security and sense of belonging brought by home ownership, which has strengthened the determination of people who had no plans or short-term plans to buy houses at this time.

4. Suggestion

Taking the COVID-19 epidemic as an example, this paper discusses the impact of major social events among situational factors on the behaviors of people buying houses, and tries to explain the reasons why housing sales increase instead of decreasing under the circumstances of poor housing environment and expected income decline. Among them, for people with effective demand for house purchase, they have rigid demand and investment demand for planned house purchase. As a result of the epidemic, their income has declined, their demand for improvement has increased, and their economic stimulus programs such as currency depreciation and easy credit have led them to stick to their original plans to buy. Some of them even choose to buy

mid-to-high-end houses with multiple families. For people with invalid demand for house purchase, they have no plan to buy house themselves. The control policies during the epidemic and the inconvenient and unreasonable requirements such as the repatriation of undocumented people in various places have made these people firmly determined to buy houses. In order to minimize the negative impact of the epidemic on the purchasing behavior of different groups, as well as the obstacles to the healthy and stable development of the country and the industry. The following Suggestions are given from three levels respectively.

At the macro level, first, we need to stabilize family income expectations. Although the income decline caused by the epidemic has not had a great impact on the purchase behavior, some people still choose to reduce the budget to buy houses or even delay the purchase. Second, we should stabilize real estate prices, adhere to the positioning of "not speculating on real estate housing", stimulate the rigid demand for real estate, improve the demand and curb unreasonable investment demand, and ensure the healthy and orderly development of the real estate industry.

At the middle level, first, due to the city's policies, all regions re-examined the real estate regulation policies against the background of the epidemic, and guided homebuyers to make rational choices and avoid the phenomenon of investment speculation. Second, we need to support the reasonable financing needs of the real estate industry and alleviate the loan repayment pressure and capital chain shock of real estate enterprises affected by the epidemic.

At the micro level, first of all, optimize the structure of household asset allocation, reasonable allocation of household income between consumption, investment and savings, conducive to improving the quality of life, avoid blindly follow the trend of speculation, "10,000 people lottery" "1,000 people lottery" phenomenon. Second, make clear the purpose of purchase and the necessary configuration, and rationally choose more suitable and comfortable houses according to the family situation, so as to meet the living needs of a good family life.

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