
| RESEARCH ARTICLE

A Comparative Study and Analysis of the History and Recent Development of Real Estate in Hong Kong and the Mainland

Jingyi Li

Zhengzhou University, Economics, International College, Zhengzhou 450000, China

Corresponding Author: Jingyi Li, **E-mail:** 3285237379@qq.com

| ABSTRACT

Since the resumption of customs between Hong Kong and the Mainland, exchanges between the two places have become increasingly close. With the stabilisation of connectivity between the two places and the recovery of the Mainland economy, the transaction volume of Hong Kong's real estate market has been rising. This paper compares and analyzes the real estate development in Hong Kong and the mainland, on the one hand, analyzes the real estate development history of the two places, in particular, focuses on the impact of key historical events and policies on Hong Kong's real estate, and on the other hand, compares the development status of real estate in the two places in recent years, so as to understand the characteristics and development trends of the real estate markets in the two places, and provides reference for policy formulation and investment decision-making in the context of the close connection between the real estate in the two places after the reopening of the border. At the same time, it looks forward to the development trend of real estate in Hong Kong and mainland China, predicts possible challenges and opportunities, and puts forward reasonable policy suggestions and coping strategies. The results of the study show that the development of real estate in the Mainland is more affected by the political environment and is different from that of Hong Kong in terms of economy, policy and society; the lack of land supply has become an inevitable trend in both places, and it is necessary to solve the problem in a multi-faceted manner.

| KEYWORDS

Customs clearance, Hong Kong real estate, mainland real estate, development history, recent development.

| ARTICLE INFORMATION

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1. Introduction

1.1 Background and Significance of the Study

With the reopening of borders, Hong Kong's economy is starting to set sail again. After the gradual reopening of customs in Hong Kong, the tens of millions of rigid demands housing market have shown obvious signs of stabilization and recovery. Overall, with the further recovery of the mainland economy, the transaction volume of the Hong Kong real estate market is expected to rise further. According to the statistics of the Hong Kong Rating and Valuation Department, the number and total value of property sale and purchase agreements in Hong Kong recorded 8,386 units or about HK\$74 billion in the fourth quarter of 2022, compared with 15,197 units and about HK\$149.5 billion in the same period of 2021. Zhou (2023) indicated that the change in the customs clearance policy between Hong Kong and the mainland has largely restored the market's expectations for Hong Kong's economic development in 2023, and Hong Kong's residential transactions have stabilized and rebounded slightly in the new year.

As the real estate ties between Hong Kong and the mainland become more and more close, it is of great practical and theoretical significance to compare the development history and recent situation of real estate in Hong Kong and the mainland, which can provide valuable reference and decision-making basis for the government, investors, academia and other parties.

First, you can understand the market differences. There are historical, policy, economic differences between the real estate markets in Hong Kong and the Mainland, and an in-depth understanding of the root causes and impacts of these differences will provide a basis for a better understanding of the characteristics of the two markets. Lessons learned: Hong Kong's property market is relatively mature and has experienced different cycles and challenges. By comparing and learning from Hong Kong's experience and experience, it can provide a reference for the development of the mainland real estate market and avoid repeating mistakes. Second, future trends can be predicted. Understanding the history and recent development of real estate in the two places can help analyze future development trends. Compare and contrast to discover common trends and differences, providing a more comprehensive perspective for predicting market movements. Thirdly, it can be used as a reference for policy making. The government needs to consider the characteristics and development trends of the local market when formulating real estate policies, and comparative research can provide policymakers with references on land supply, housing price regulation, market supervision, etc., so as to formulate more reasonable and effective policies. In particular, for investors, understanding the differences and trends between the two markets can help make more informed investment decisions. Comparative analysis can provide information on return on investment, risk assessment, etc., to help investors formulate more appropriate investment strategies. At the same time, it will help to promote academic research in the field of real estate, deeply explore the laws and characteristics of markets in different regions, and provide materials for theoretical innovation and academic development. Finally, Hong Kong has close economic and social ties with the mainland. Through comparative research, it will help to promote cooperation and exchanges between the two places in the field of real estate, learn from each other, and jointly promote regional development.

1.2 Research Methods

1.2.1 Literature Review Method

In the process of topic selection and research, this paper collects and analyzes a large number of relevant academic literature, research reports, policy documents, etc., by using the historical, inherited, comprehensive, flexible and creative advantages of literature research, and analyzes and studies the historical background of real estate development in the two places. The policy evolution and the main views and findings of existing research, the objective facts of the current situation and its change law of real estate in the two places, and the relevant research results of the different influencing factors are read in an all-round way, so as to lay a solid theoretical and practical foundation for the research of this paper.

1.2.2 Case Study Method

In this paper, we explore and analyze the history and recent development of real estate in Hong Kong and mainland China, and select representative real estate projects and regions in Hong Kong and mainland China for in-depth research, analyze their development history, characteristics and influencing factors, and provide specific examples to support the overall comparison. It can provide rich descriptive information and give readers a more comprehensive and vivid understanding of the research object. At the same time, new questions or research directions may be discovered, which will provide inspiration for further research.

1.2.3 Cross-regional Comparative Approach

This article compares the Hong Kong property market with the mainland property market and analyses the characteristics and development trends of the Hong Kong market from a broader perspective. Break through geographical limitations, reveal the differences and commonalities between the two places, deeply understand the nature and causes of differences, and find solutions suitable for Hong Kong and the Mainland. From a cross-regional perspective, we can grasp the overall trends of the industry, society or economy more comprehensively at a macro level, and provide strong support for the strategic planning of real estate development in Hong Kong and the Mainland.

2. The History of Real Estate Development in Hong Kong

2.1 Development Stage of Real Estate in Hong Kong

In the course of more than 100 years of development since the opening of Hong Kong, the real estate industry has experienced several great changes from its inception to growth, from prosperity to crisis resolution. In the early years of Hong Kong's opening, British businessmen began to develop and utilize Hong Kong. Jardine Matheson was the first to enter Hong Kong to buy land and build warehouses, factories and houses. In 1886, British businessman Chater Matheson cooperated with Jardine Matheson to establish Wharf, building a wharf and warehouse on the Kowloon Peninsula and owning a large area of land on the waterfront of Tsim Sha Tsui. In 1900, the British company Swire & Co. built the Taikoo Dockyard and the Swire Sugar Factory in Quarry Bay, and its subsidiary, the Swire Steamship Company, was the monopoly oligopoly of inland shipping along the coast of China and the Yangtze River. In 1889, the directors of Chater and Jardine Matheson incorporated the Hongkong Land Company, and the main development business was concentrated in the Central area.

In 1947, after the war, Hong Kong's real estate industry experienced its first boom. The real estate developer "Wu Duotai" invented the sales system of strata sales. On the basis of strata sales, "Fok Ying-tung" further invented the method of instalment payment,

and he pioneered the first sales brochure in Hong Kong - the strata sale brochure of the new building on Square Street, Yau Ma Tei, Kowloon. The "tiered sale, installment payment" system was later vividly referred to as the "selling off-the-plan property" method. This innovative approach solves the financial problems of both property developers and home buyers, greatly lowering the barriers to entry for land development and property transactions, triggering the first boom. In the mid-1960s, Hong Kong's real estate industry experienced its first major crisis. Although the method of "selling off-the-plan properties" can lower the threshold for real estate development and residents to buy houses, so that the rapid growth of the population and a large number of housing needs can be met after the war, it also has obvious negative effects, resulting in a large amount of capital pouring into the real estate market. Banks lend to real estate at an unusually high rate, and a run on banks has led to a real estate crisis. In 1965, land prices, property prices, and rents in Hong Kong began to plummet, with land prices falling by as much as 50 to 70 percent. In 1967, land prices generally fell by about 50 percent.

In the 1970s, Hong Kong's real estate industry entered a new stage of prosperity and development. Hongkong Land, Wharf, Swire and other real estate developers have taken advantage of the opportunity of Hong Kong's prosperity and development to carry out huge urban comprehensive property development in Central, Tsim Sha Tsui and Eastern District, and have become comprehensive real estate developers with a long history, huge scale and super strength. Since then, with the continuous operation of a large number of high-quality assets such as commercial, office buildings and hotels in prime locations, and the accumulation of very significant experience advantages in property management and operation, it still has great influence in the comprehensive development and operation of the city. It is worth noting that in the serious real estate crisis in the 1960s, a group of emerging real estate businessmen such as Li Ka-shing, Kwok Tak-sheng, Lee Shau-kee, Cheng Yu-tung, Wong Tak-fai, etc., with their far-sighted strategic vision, were optimistic about the long-term prospects of Hong Kong's overall economy and real estate industry.

In 1997, the Asian financial crisis triggered a crisis in Hong Kong's real estate industry. At that time, the overall economy was contracting, and the financial situation of companies of all sizes generally deteriorated, and some companies that were overly aggressive were forced to liquidate, close down, or significantly reduce their operations. Affected by the financial turmoil, department store retail, restaurants, hotels, tourism, etc. have been seriously affected, and Hong Kong's real estate market has been declining, with many real estate developers announcing the suspension of construction or slowing down the development of their land plots. In May 1998, Hong Kong introduced a series of rescue measures, such as extending the pre-sale period for uncompleted properties, removing four restrictions on resale or speculation, and simplifying the mortgage scheme. However, the property market situation has not improved, and on June 23, it was announced that it would immediately stop selling land for 9 months. In 1998, prices in private housing estates fell by about 50% compared to the peak in the second quarter of 1997. In the case of a sharp drop in land prices and property prices, real estate developers are facing heavy financial pressure, and they have sold buildings at reduced prices or reduced their holdings to cash out funds. Liao (2023) claimed that in the past, Hong Kong's real estate developers had a certain tacit understanding in the sale of new real estate and tried to avoid "collisions", but in the face of the crisis, this rule has been broken, and major real estate developers have rushed to ship, forming a domino effect of shaking each other and falling property prices, which is rare in previous years. From the opening of Hong Kong to the return of Hong Kong, Hong Kong's real estate industry has experienced at least two sharp rises and two sharp declines, and the range of rises and falls far exceeds the range that ordinary wage earners can bear. In the process, a number of real estate upstarts have been created, and a large number of adventurers have gone bankrupt. When real estate skyrocketed, wage earners couldn't bear the abnormally high housing prices, and when real estate plummeted, the hard-earned wealth disappeared overnight.

2.2 The Impact of Key Historical Events and Policies on Hong Kong Real Estate

The impact of key historical events and policies on Hong Kong real estate can be roughly divided into three stages, namely up, down, and again.

In 1984, the implementation of the Sino-British joint declaration, Hong Kong's real estate industry began to enter the stage of recovery, building prices, building rents began to rise, and entered the return to the transition period of the land restriction policy, official land auctions often hit new high prices, the emergence of these land kings means that real estate developers are optimistic about the prospects of Hong Kong's real estate industry, coupled with the structural transformation of Hong Kong's economy to make the rapid development of the financial services industry, the rapid growth of economic output value, labor wages rose sharply, stimulated internal consumption, but also stimulated the demand for real estate. Since the 90s, the Government has changed its public housing policy in favor of a "Long Term Housing Strategy", the main focus of which is to assist people living in rented public housing to switch to their own home ownership (home ownership and other affordable housing), but the implementation of this policy has resulted in a significant reduction in the overall housing supply compared to the 10-year housing program 10 years ago, and has also pushed the demand for housing into the private housing market. 1997 was the end of the whole real estate upward cycle in Hong Kong, in addition to the housing policy in 1994 to add a variety of measures to combat buildings, the Chinese and British rose garden project also signed a memorandum of understanding, the public on Hong Kong's prospects became clearer, the economy began to improve, but also due to the sharp rise in the stock market to create a huge

wealth effect, the luxury housing market took the lead in doing a good job, coupled with the construction of a new airport and Tung Chung New Town and other large-scale projects, has entered the peak stage of the project, the employment rate has hit a new high, into the state of national employment, stimulating the public's desire to improve the living environment, and this rise is mainly driven by the luxury housing market.

After Hong Kong's return to the motherland, the Asian financial turmoil occurred. In August 1997, the Asian financial crisis officially began, and the currencies of Asian countries (regions) were coincidentally pursued by hedge funds, and the panic quickly spread to Hong Kong, when the Hong Kong stock market and Hong Kong real estate market were at historic highs, and the Hong Kong Monetary Authority was forced to raise interest rates as a means to defend the exchange rate. The limit of no more than 50 hectares of new land approved each year has increased the supply of housing. Li (2019) once pointed out that increasing the supply of housing and increasing the supply of land is a kind of moral policy in terms of the policy itself, but it is a pity that the Asian financial crisis and the time lag in construction have exacerbated the downward pressure on real estate prices, which have fallen sharply by 40% in just one year.

In October 2008, when the financial tsunami struck, property prices fell by nearly 15 percent, and property prices fell to an end in April 2009 before resuming an upward wave, as the policy of suspending the construction of HOS flats was still in place at that time, and in view of the decline in property prices, policymakers were deeply afraid of the mistakes made before the heavy wave, fearing that the increase in land supply would cause property prices to enter a downward cycle, which would further hit the economy. However, in view of the signs of red-hot property prices since 2010, the Government enacted timely measures to combat property speculation, including increasing stamp duty on the sale and purchase of buildings, fines during the lock-up period, etc. The implementation of these measures has provided a temporary cooling effect on the property market, but the accumulation of purchasing power in the market, coupled with the implementation of quantitative easing in the United States and the low Hong Kong dollar borrowing rate, have reinvested funds in the property market, causing property prices to rise further. Subsequently, in 2011, the government announced a limited resumption of home ownership, and after 2010, the government adopted a two-pronged approach, on the one hand, to further formulate measures to combat property speculation, and to further increase the supply of land and housing, which effectively cooled the red-hot demand for real estate and slowed down the rise in property prices.

3. The History of Real Estate Development in the Mainland

3.1 The Development Trajectory of the Real Estate Market in the Mainland

The earliest urbanization development in China can be traced back to the Shang Dynasty, the third social division of labor gave birth to a group of people who are not directly engaged in production, only engaged in the exchange of surplus goods, and business became the social occupation of the Shang Dynasty, and the concept of "merchants" has since appeared. Wu (2017) said that with the continuous development of urbanization, the ancient capital is also constantly expanding, since the Qin Dynasty has continued to have the capital city become a political, economic, cultural place, leaving us today is the ancient capital, ancient city, historic sites, they have experienced the vicissitudes of life, still admired by later generations. During the period of the Republic of China, real estate and finance were already linked, and the representatives of the banking circles at that time, the "North Four Banks" (Yanye Bank, Jincheng Bank, Continental Bank, Zhongnan Bank) and the "South Three Banks" (Zhejiang Industrial Bank, Zhejiang Industrial Bank, Shanghai Commercial and Savings Bank) not only provided loans to developers, but also directly participated in development and business activities.

After the founding of the People's Republic of China, the development of the real estate industry in the mainland has gone through three stages: the state-led planning (construction, distribution) model stage before 1978, the pilot stage of commercialization development from 1978 to 1998, and the stage of financialized development from 1998 to the present. From 1949 to 1978, real estate had not yet become an industry, and before 1978, under the highly centralized planned economic system, real estate did not become an industry in the mainland. In several "five-year" plans for the country's economic development, there has never been a development plan or plan for "real estate". At that time, urban housing was built by the state in a unified manner, and after it was built, urban residents were distributed in kind according to different standards, and housing was one of the employee benefits of the workplace, and there was no real estate market. In the rural areas, due to the implementation of the dual management structure of urban and rural areas in the hinterland, including the land system, the household registration system, and the welfare system, the rural peasants' housing is mainly self-built houses on homesteads under collective land ownership. Before 1978, the number of cities in the mainland was 50, and the improvement of the urban appearance and urban environment all depended on state-led urban construction planning, construction, and operation, and there were almost no enterprises or institutions mainly engaged in real estate. Due to the lack of market factors, cities lack sufficient development momentum and vitality. The improvement of the living environment of urban residents also mainly depends on family inheritance and housing allocation, and the living environment is poor and crowded.

From 1978 to 1998, catalyzed by the “market”, the real estate industry in the mainland took shape and developed rapidly. In 1978, the mainland implemented the national development strategy of “reform and opening up”. In 1981, as an important “reform and opening up special zone” cities, Shenzhen and Guangzhou began to carry out pilot projects for the development of commercial housing. In 1982, the central government began to promote the implementation of substantive housing reform, and by 1991, the central government had adopted housing reform plans for 24 provinces, autonomous regions and cities. The marketization of real estate has begun. In 1993, the central government successively promulgated and implemented the housing provident fund system and issued housing bonds, which directly gave birth to the first round of real estate investment bubble for two consecutive years in the context of an overheated macroeconomic environment. This round of bubbles is characterized by the characteristics of the times: excessive supply in the local market of the “special zone”, insufficient consumer demand, and land speculation catalyzing bubbles brought about by imperfect financial systems. Under the central government’s forced suspension of bank loans and land clearance, the bubble in some markets such as Hainan, Beihai, Guangzhou, and Shenzhen was punctured. From 1993 to 1998, the mainland’s per capita GDP was around US\$1,000, ranking outside the top 200 in the world. As a result, the consumption of urban residents in the mainland is still at the level of daily life such as food and clothing, and the market size of the real estate market is limited due to the lack of spending power. During this period, the first batch of real estate development enterprises represented by Vanke were born in the mainland, with a number of about 20,000. However, due to the lack of self-owned funds and the restrictions of financial policies on private capital, the real estate market during this period was mainly dominated by state-owned enterprises.

From 1998 to 2003, real estate development entered a period of accumulation. Around June 1998, under the influence of the Southeast Asian financial crisis, the mainland economy made a hard landing, and the economic growth rate declined for eight consecutive quarters. In order to curb the danger of further declines, the central government is determined to foster new sources of economic growth. The real estate market has entered the field of vision of the decision-makers, and the policy side has begun to change. The central government introduced a series of policies to stimulate real estate development in that year, the most representative of which was the abolition of the policy of welfare housing and mortgage loans, and the lack of housing and housing consumption capacity through the market and personal credit. In 2003, the mainland implemented a unified land management policy of acquisition, storage and transfer, coupled with China’s 1993 fiscal and taxation management system that separated local financial and administrative powers. Under this system, local governments are unrestricted in their pursuit of extra-budgetary fiscal revenues, mainly from land transfers, to make up for the shortfall in fiscal expenditures on local affairs. In addition, urban construction, investment attraction, tax revenue and GDP built on the basis of real estate development are precisely the main indicators for the evaluation of officials under the mainland’s administrative system. In this way, real estate became the main or only engine of local development, and in the following decade, “land finance” intensified, local industry shrank, and real estate gained unprecedented development with the support of local governments. From 2004 to 2013, during the macroeconomic control, the real estate market grew explosively, and various driving forces for the development of the mainland real estate market were firmly established, and the mainland real estate achieved unprecedented speed of development in the following 10 years. Huge investment demand, consumer demand, government drive, and the abolition of price controls have made the real estate industry develop like a wild horse. Major cities in the interior have become “huge construction sites”. From 2004 to 2013, under a series of social pressures, the central government began to implement regulation, mainly through the squeeze of investment demand on the supply side of land supply, housing supply and demand side, and administrative market regulation. However, due to the failure to touch the fundamental driving force of real estate development, the previous regulation and control ended in failure. In 2008, the financial crisis broke out in the United States and the global economic recession, and the mainland introduced a looser monetary policy to stimulate economic development, which directly promoted the rise of real estate prices. On the contrary, due to the interference of the administration in the market, the real estate market has grown explosively again and again, and the price has risen rapidly. At this stage, the mainland real estate market is characterized by uneven development. It is manifested in the imbalance between the coastal and inland markets, the imbalance between urban and rural areas, the imbalance between customer groups, and the imbalance in the quality of real estate products.

3.2 The Shaping of the Policy Environment on the Development of Real Estate in the Mainland

The rapid development of China’s real estate industry has benefited from the support and guidance of national policies and has played an important role in stimulating the development of the national economy. In order to change the needs of economic development mode, change the extensive way of relying on large-scale demolition and construction, relying on high investment to promote economic development, increase the construction of policy-based housing, and at the same time in order to protect people’s livelihood and prevent financial risks, the state’s policy regulation and control of the real estate industry is also becoming more and more in-depth, and the rise and fall of the real estate industry is closely related to policy changes.

In the first 20 years of reform and opening up, Zheng (2022) once claimed that although the economic system and ideology have changed greatly during this stage, and the planned economy is gradually transitioning to a market economy, however, there are many more complex problems in the process of market economy transformation, such as the voice of doubt about the market economy and the idea of conservative retrogression is still widespread. From 1958 to 1977, for a long period of time after the

founding of the People's Republic of China, China implemented a system of distribution in kind of public housing of "unified management, unified distribution, and renting and supporting housing". In 1978, Deng Xiaoping raised the issue of housing reform, which opened the prelude to the commercialization of housing. In September of the same year, the content of his important speech was conveyed at the urban housing construction conference held by the central government and was implemented in relatively developed cities. Since then, some newspapers and periodicals in the society have started to discuss the housing issue. The Circular of the State Council on Further Deepening the Reform of the Urban Housing System and Accelerating Housing Construction, promulgated on 3 July 1998, further defined the goal of deepening the reform of the urban housing system. At the same time, it was decided to stop the distribution of housing in kind from the second half of 1998 and to gradually monetize the distribution of housing. So far, China's housing distribution system, which has been implemented for nearly 40 years, has withdrawn from the historical stage in terms of policy. This notice is known as a milestone in the reform of China's housing system, which announced the end of the welfare housing system and the beginning of a new housing system, and China's real estate industry began to develop rapidly. From 2009 to 2016, in response to the rising housing prices, the state frequently introduced relevant regulatory policies to further strengthen differentiated housing credit policies, strictly control credit policies for non-first homes, and curb investment and speculative housing demand. The National Eight Articles and the New National Five Articles were promulgated, and major cities successively promulgated policies to limit purchases and loans, in an attempt to control the rapid rise in housing prices. Since 2016, when the concept of "housing for living, not speculation" was first proposed, relevant real estate regulation policies have been introduced at the national level and in various provinces and cities to promote the healthy and sustainable development of the real estate market. The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" proposes to adhere to the positioning that houses are for living, not for speculation, and accelerate the establishment of a housing system with multi-subject supply, multi-channel security, and simultaneous rental and purchase, so that all people can have a place to live and work and housing balance. At the same time, in order to prevent systemic risks in the industry and maintain the stable and healthy development of the real estate market, the central government has repeatedly released stability maintenance signals since 2022.

4. Recent Developments in Hong Kong and Mainland Real Estate

4.1 Characteristics of the Current Hong Kong Real Estate Market

4.1.1 Land Supply Has Gone Through Three Stages: "Tightening-Rebounding-Tightening"

Land sales have gone through three stages: "tightening-rebounding-tightening": From 2001 to 2010, the supply of land is relatively tight. The average annual supply was 17,000 square meters, especially in 2003, when the supply fell to a historical low (20,000 square meters); From 2011 to 2016, with the implementation of the policy of stabilizing the real estate market, the real estate market price rebounded, and the land supply also rose steadily, and the land supply reached a historical peak (384,000 square meters) in 2013, with an average annual increase of 34.2%; Since 2017, land supply has slowed down again, with 146,000 square meters of land supply in 2018, 8.0% lower than the long-term average supply.

4.1.2 Housing Transactions are Slowing Down

Since 2001, the number of housing transactions in Hong Kong can be divided into two phases: from 2001 to 2010, the transaction volume continued to heat up, reaching a historical peak of 136,000 units in 2010; Since 2011, the transaction volume has shown a slowing trend, falling to the bottom in 2013 (51,000 units), and from 2014 to 2019, the transaction volume has stabilized, with about 60,000 units per year.

4.1.3 House Prices have been Rising Since 2004

In terms of trends, house price volatility in Hong Kong has increased. According to the fluctuations and increases, Hong Kong's housing prices can be divided into two phases: 2000 to 2003 and 2004 to 2019. The first stage is the stage of falling house prices. Affected by external pressures (Asian financial crisis, SARS epidemic) and the surge in housing supply (the "80,000 and a half housing project"), Hong Kong's housing prices fell sharply, with the private residential price index falling to a low of 59.3 in the third quarter of 2003, down 34.2% from the second quarter of 2000. The second stage is the stage of house price increases. Meng and Guo (2020) once analyzed that since Hong Kong's housing prices bottomed out in 2003, there were only brief small corrections in 2008, 2015-2016 and 2018, with the private residential price index rising 5.5 times in 16 years, with an average annual growth rate of 12.5% and a volatility of 35.9%. During the same period, the median annual household income of Hong Kong residents increased by only 1.8 times. High housing prices have detached from the real purchasing power of residents, resulting in a drop in Hong Kong's home ownership rate from 54.3% in 2004 to 49.2% in 2018, while small-sized homes are more popular, with the share of private housing completions under 40 square metres rising from 8.2% to 46.9%. With the continuous rise in housing prices, the real estate industry has become more prominent in Hong Kong's economy: first, the proportion of real estate and related industries in GDP has gradually increased, especially since 2009, the proportion of real estate industry in GDP has always been greater than 10%, and the proportion of real estate and related industries in GDP has always been greater than 20%, reaching a peak (26.1%) in 2016; Second, the real estate industry is an important source of fiscal revenue for the Hong Kong SAR government, with land sales accounting for more than 10% of fiscal revenue since 2010, peaking at 19.1% in 2016.

4.1.4 The Trend of Rents is Relatively Stable

Compared with house prices, the trend of rents in Hong Kong is relatively stable, and the slope of increase is significantly smaller than the slope of house prices. Similar to the fluctuation of house prices, the watershed of the change in rent trend was also in 2003, with a decline from 2000 to 2003 and an increase since 2004. During the downward phase, the rental index fell to a record low of 71.9 in the third quarter of 2003, down 26.9 per cent from the second quarter of 2000. In the rising stage, rents fluctuated and rose, and due to the impact of the financial crisis, in 2009, it showed a “V” shaped trend of rapid rebound, and it is still at a historical high. In the past 16 years, Hong Kong's rental index has risen by 1.8 times, with an average annual increase of 6.5%, which is significantly lower than the growth rate of housing prices, indicating that there is a lot of speculation in the real estate market.

4.1.5 The Growth Rate of Residential Mortgage Loans Accelerated

At the end of the third quarter of 2019, the median monthly household income in Hong Kong was HK\$28,500, an increase of 90% from the end of the third quarter of 2003, with an average annual growth rate of 4.1%, far lower than the growth rate of housing prices in the same period. At the same time, low interest rates have also stimulated the rapid growth of residential mortgage loans to a certain extent. As of the end of the third quarter of 2019, the balance of residential mortgage loans in Hong Kong exceeded HK\$400 billion, a year-on-year increase of 9.7%; From 2008 to the third quarter of 2019, residential mortgage loans in Hong Kong rose by 153.1%, with an average annual growth rate of 8.0%, an increase of 6.2 percentage points from 2000 to 2007. The rapid rise in residential mortgage loans has led to a significantly high proportion of residential mortgage loans in GDP, which was as high as 142.7% at the end of 2018, which will have a great negative impact on Hong Kong's property market and the overall social economy.

4.2 Current Situation of the Mainland Real Estate Market

4.2.1 Structural Changes in the Real Estate Market

Since the reform of the housing market in the late nineties of the last century, the commercial housing market has become the main channel to meet the growing housing needs of urban residents. At present, the housing ownership rate of mainland residents is about 90 percent, and the per capita housing area is about 40 square meters. However, Zhu and Ge (2022) indicated that a basic judgment is that the effective demand of the mainland commercial housing market has crossed the high point and entered a downward trend. According to estimates by J.P. Morgan's real estate industry research team, demand for new homes in mainland China peaked in 2017, gradually falling from 20.2 million units in 2017 to 16 million units in 2020, and will shrink at an average annualized rate of 4% from 2021 to 2030.

4.2.2 In the Context of “Housing for Living, not Speculation”, Real Estate is no Longer the Main Focus of Counter-cyclical Policy Adjustment

The report of the 19th National Congress of the Communist Party of China pointed out that the main contradiction in Chinese society has been transformed into a contradiction between the people's growing needs for a better life and unbalanced and inadequate development. With the completion of the goal of building a moderately prosperous society in all respects, the mainland's economic development has entered a new stage from high-speed growth to high-quality development, and the policy framework has also changed from a single economic growth target system to a multi-objective system of balanced and high-quality growth. Since the Central Economic Work Conference at the end of 2016 put forward the positioning of “houses are for living, not for speculation”, the underlying logic of real estate policy has changed. Real estate policy is no longer used as a counter-cyclical policy control tool, but serves the long-term goal of economic transformation.

4.2.3 The Adjustment of Local Government Real Estate Policies Tries to Balance Short-term Regulation and Long-term Stability Goals

Since November 2021, in the context of monetary and fiscal macroeconomic policies to stabilize growth, regulatory authorities and local governments have also successively made adjustments to real estate policies, such as raising mortgage interest rates, meeting the reasonable loan needs of developers, encouraging the development of real estate project M&A loans, and adjusting the management of pre-sale funds. However, real estate indicators are still on the downside. In this round of real estate policy regulation, local policies try to balance the dilemma of short-term regulation and long-term stability of sustainable development goals.

5. Analysis of the Reasons Behind the Current Situation

5.1 Economic Factors

In terms of economic development and income level, the difference in economic development level will affect the demand and supply of the real estate market. As an international metropolis, Hong Kong has developed economic development and attracted a large inflow of population and capital. This has led to high demand for real estate, driving up home prices. In contrast, the level of economic development in the mainland varies greatly between regions. Some economically developed cities, such as Beijing,

Shanghai, Shenzhen, etc., have a large real estate market demand, while other regions may be relatively weak. Secondly, the difference in income levels also has an impact on the real estate market. Hong Kong's income level is relatively high, and people have more money to spend on buying a house. This makes Hong Kong's real estate market have high purchasing power and investment demand. However, there are large disparities in income levels between different regions and groups in the mainland. Some high-income people can afford higher housing prices, while low- and middle-income people may face greater pressure to buy a home. In addition, economic development and income levels can also affect investment and speculation in the real estate market. During a boom period, people's willingness to invest in real estate may increase, leading to higher house prices. And when the economy is unstable or income growth slows, the real estate market may face a correction.

In terms of interest rates, the rise in interest rates will increase the burden on home buyers, thereby reducing the demand for home purchases. In Hong Kong, rising mortgage rates and a weaker economic recovery in the Mainland have put pressure on housing demand, while rising inventories mean that the property market will continue to be weak in the near term.

5.2 Policy Factors

Land policy is one of the important reasons for the difference in the status quo of real estate development between Hong Kong and the mainland. First of all, Hong Kong's land supply is relatively tight, and due to geographical constraints, there are limited land resources available for development. This has led to a tight supply-demand relationship in Hong Kong's real estate market, with housing prices remaining high. In contrast, the land supply in the mainland is relatively abundant, especially in some emerging cities and regions. The increase in land supply will help meet the demand in the real estate market and ease the pressure on rising house prices. Second, Hong Kong practices private ownership of land, and land use rights can be freely transferred, bought and sold. This system makes the allocation of land resources more flexible, but it can also lead to land speculation and speculation, driving up housing prices. In the mainland, land is under public ownership, and land use rights are controlled and managed by the government. The government supplies land to developers through land sales and signboard listings to regulate the supply and demand relationship in the real estate market. At the same time, land planning in Hong Kong is relatively strict, with a focus on environmental and ecological protection. This may limit the development and use of land, further exacerbating the tight land supply. Land planning in the Mainland, on the other hand, places greater emphasis on urban development and economic growth. The government promotes the development of the real estate market by planning the layout of the city and promoting the process of urbanization. Finally, the Hong Kong government's regulation of the real estate market is mainly achieved through tax and financial policies, and there is relatively little direct intervention in land policies. The mainland government regulates the real estate market through land policies, such as restricting land supply, adjusting land transfer methods, and strengthening land supervision. These policy measures have had an important impact on the supply and demand relationship of the real estate market and housing prices.

There are differences in the real estate control policies between Hong Kong and the mainland. Hong Kong's property market purchase restriction policy is conditional on household registration to control the demand for housing purchases, thereby limiting housing prices. In addition, the government has also stipulated that non-Hong Kong permanent residents must pay an additional 30% tax on buying a house in Hong Kong, which has successfully deterred most mainland property speculators, and at the same time, for Hong Kong local residents who buy a house for the first time, various taxes and fees for home purchase are reduced. However, the mainland government has made greater efforts to regulate and control real estate, and can stabilize the real estate market through various means. For example, in terms of purchase restriction policies, the extension of the transaction cycle of second-hand housing in China's first-tier cities makes it very likely that housing prices will remain high for a long time, until property speculators cannot afford the risk of loans, and choose to sell, so that housing prices can return to rationality, and there is a theoretical possibility of a sharp decline.

5.3 Social Factors

Culture and values may have an impact on real estate development in Hong Kong and the Mainland. On the one hand, there are differences in the concept of housing: in Hong Kong's culture, homeownership is generally recognized as an important status symbol and a way to accumulate wealth. Many people see buying a home as a long-term investment and a guarantee of a stable life. This perception has led to a higher demand for home purchases and a willingness to bear higher housing prices and mortgage pressures. Some people in the mainland may pay more attention to the residential function of the house than just the investment value. In addition, rental housing is also more common in some areas, and the pursuit of home ownership may be relatively weak. Second, Hong Kong's financial market is relatively developed, and the investment concept is relatively mature. Real estate is seen as a sound investment option and has attracted the attention of many investors. People may be more inclined to put their money into the real estate market in the hope of long-term asset appreciation. On the other hand, Hong Kong's community culture and lifestyle focus on convenience, high-quality living environment, and social circles. When choosing a home, people may pay more attention to factors such as the community's amenities, security and social atmosphere. Perception of community and lifestyle in

the Mainland may vary from region to region. Some people may be more concerned about the comfort and cost-effectiveness of living and have relatively low requirements for the community.

6. Future Development Prospects

6.1 Forecast of the Development Trend of Real Estate in Hong Kong and Mainland China

6.1.1 Hong Kong

Residential rents are expected to rise and house price volatility will decrease. In addition to mainland professionals, Hong Kong residents and expatriates also saw a net inflow. Hong Kong's population is expected to grow modestly as more TTPS applicants and Mainland students arrive in Hong Kong, and the changes in the local population stabilize. On the other hand, the performance of the residential leasing market will continue to diverge. It is expected that new arrivals from overseas and Chinese mainland will usually rent first and wait for them to become more familiar with the local community before making a decision to buy a home. As a result, it is expected that rental levels with greater access to major central business districts or proximity to universities will continue to outperform the overall market. Overall, overall residential rental levels are expected to rise by about 5% in the future. For the sales market, mass-market residential prices are still under pressure, mainly due to the recovery of purchasing power and mortgage repayment capacity.

Overall retail rents are expected to remain stable, with the core area performing well. The arrival of tourists will continue to improve sales and rental affordability in mid- and high-end shopping malls, and the gradual recovery in overall optional consumption may lead to a modest recovery in rents in core shopping areas. At the same time, for non-core shopping areas, rental pressures remain due to the uncertainty of outbound travel trends. Overall rents are expected to remain largely stable, with core shopping area rents growing 6-8% year-on-year in 2024.

6.1.2 Mainland

In terms of the macro environment, economic growth may slow down, and cross-cyclical and counter-cyclical adjustment policies are expected to be further strengthened. Looking ahead, the global economic growth is slowing down, external demand may continue to be sluggish, the "Belt and Road" is expected to continue to play a leading role in China's exports, and the scarring effect brought by the epidemic is still there, the probability of consumption exceeding expectations is low, and the need to stabilize investment is even stronger. At the end of October 2023, the Central Financial Work Conference proposed to "always maintain the soundness of monetary policy, pay more attention to cross-cyclical and counter-cyclical adjustment, and enrich the monetary policy toolbox".

In terms of policy environment, under the tone of "major changes in the relationship between supply and demand", it is expected that all localities will continue to optimize the property market policy, and the supporting measures of the "three major projects" are expected to accelerate the implementation. On July 24, 2023, the meeting of the Political Bureau of the Central Committee proposed to "adapt to the new situation of major changes in the supply and demand relationship of China's real estate market", which set the tone for the real estate market.

6.2 Possible Challenges

6.2.1 Hong Kong

6.2.1.1 Biased Legislation and Decision-making

As Hong Kong property developers control the city's main economic lifeline, some legislators are reluctant to point out the injustices in Hong Kong in the Legislative Council in order to protect their own interests. Poon (2011) said: "Many of the property tycoons and their close business partners, including many from the banking, legal, architectural, engineering and construction industries, hold a significant number of seats on the 800-member Chief Executive Election Committee. The interests of the real estate sector are fully reflected in the Real Estate and Construction sector in FC 1 seats." From some of the laws passed by the Hong Kong Legislative Council in recent years, it is not difficult to see that they are tilting towards real estate developers. However, there are many contradictions among different interest groups in Hong Kong society, and it is difficult to reach consensus in a short period of time. Under the influence of social inflation and other factors, this law has undoubtedly slowed down the development process and increased the cost of construction.

6.2.1.2 The Real Estate Market with Rising Prices

In recent years, many mainland residents have valued Hong Kong's status as an international financial center and have come to Hong Kong to speculate in real estate. Wang (2011) once said: "Mainland buyers who buy houses in Hong Kong with a total price of HK\$10 million account for 20% of the entire home buyers, 30% of mainland buyers buy HK\$20 million houses, 40% of mainland buyers buy HK\$50 million houses, and 70% of mainland buyers who buy top luxury homes of more than HK\$100 million." (Wang, 2011). Under the effect of the "high land price policy", real estate developers buy "sky-high" land from the government. Driven by the idea of "profit maximization", real estate developers build luxury homes in these areas to meet the needs of the wealthy. With

Hong Kong's property market outstripping supply, this situation has fueled rising property prices and allowed property developers to earn high profits.

6.2.1.3 Defective Home Ownership Scheme

The Home Ownership Scheme (HOS) can alleviate the plight of the middle class somewhat. However, "home ownership" does not mean "home full ownership". In addition, HOS flats cannot be sold, let out or otherwise transferred in the open market, but can only be sold in the secondary market of HOS flats, and are only transferable to other households with equal restrictions on ownership. Xu (2018) pointed out that in fact, most of the middle-class families living in subsidized home ownership flats do not pay the land premium, and the government actually still holds part ownership of the HOS flats, and the HOS flats do not have full ownership, so the HOS flats cannot be circulated in the market, so they can only be called "semi-owners" and only obtain the right of abode in the HOS flats (Xu, 2018). The government has not only achieved its goal of preventing speculation, but has also earned the benefits of HOS appreciation. Wang (2015) claimed: "In the 30 years since the HOS was launched, 64,668 units have made up the price difference, and 255379 units have not yet been sold in the open market, and the turnover rate is extremely low, which is entirely due to the pricing method" (Wang, 2015). The HOS policy has virtually trapped the middle class in the cage of the public housing system.

6.2.2 Mainland

6.2.2.1 Depletion of Land Resources in First- and Second-tier Cities

After about two decades of development, the real estate development of China's first-tier cities has reached saturation. These cities are Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin and so on. For example, the average house price in Beijing is 20,000 to 30,000 yuan, and in Shanghai it is even higher. Housing prices in some of these second-tier cities are also catching up with the first-tier ones. For example, in Hangzhou, the house price in Hangzhou is now around 20,000 yuan. High housing prices mean higher land prices, higher costs for real estate developers, and gradually diminishing profits. Xing (2012) once said that in the first-tier and second-tier cities have been expanded to the extreme, the most typical is Beijing, Beijing originally only had Beijing City, and then expanded to the third ring road, now gradually expanded to the fifth ring and sixth ring roads, and the most edge has been extended to the boundary of Hebei. It can be seen that real estate development in first- and second-tier cities has become saturated. The gradual depletion of land resources in first- and second-tier cities has put tremendous pressure on real estate developers. It has also brought great pressure to the lives of ordinary people living in first- and second-tier cities.

6.2.2.2 Various Restrictive Policies of the Government

The government has carried out macroeconomic regulation and control, so that the economy has developed steadily. Restrictions on real estate loans, purchase restrictions in first-tier cities, and restrictions on foreign investment in the real estate industry are measures taken by the government from the perspective of the overall situation of China's economy, and the development of the real estate industry is facing unprecedented challenges.

6.2.2.3 Fierce Competition Among Real Estate Companies

Due to the gradual depletion of resources and various government restrictions, real estate companies are facing huge challenges. Often, in order to get better land, real estate developers do not hesitate to spend a lot of money. In the process of land auction, the competition among various real estate developers is extremely fierce. The land auction is only the first step for real estate developers to invest, and the next step is to carry out construction on the land auction, sell or rent it to achieve the purpose of economic income. And in these processes, the competition is fierce. It is precisely because of the fierce competition of real estate companies that the overall housing prices in China have fallen a little.

6.2.2.4 Traditional Development

The traditional development of real estate is mainly residential development. There are two main characteristics of residential development: First, the residential development requires a large area. Second, infrastructure construction must be perfect. With the rapid development of China's economy and the current situation of China's land depletion, real estate development can no longer only focus on residential development, but also adapt to the trend of the times and carry out a variety of developments.

6.3 Policy Recommendations and Response Strategies

6.3.1 Hong Kong

6.3.1.1 Increase the Supply of Residential Land

In the long run, increasing the supply of residential land is an inevitable choice for the Hong Kong Government. For example, expediting the construction of new development areas in the North East New Territories and the planning process of other new towns such as Ta Kwu Ling. The North East New Territories New Development Area (NDA) was planned in 1998 and put on hold for four years until 2013, with the first population expected to move in in 2022. Opponents of the plan say the Hong Kong

government has misestimated the city's population growth and does not have an urgent need for new land. In addition, there are environmental groups and villagers who need to be relocated from the perspective of environmental protection and culture. However, the anomaly of five years in the public housing waiting period is itself a reflection of the demand for housing in Hong Kong. However, there is still a distinction between environmental protection, culture and other issues and people's livelihood issues. What's more, for the New Territories New Development Area in the Northeast New Territories, the government has carried out repeated research, planning and consultation.

6.3.1.2 Improve the Home Ownership Ladder

At present, the span from HOS flats to private buildings is still relatively large. The incumbent Chief Executive, Carrie Lam, has proposed the concept of "first home listing", which is a supplement to the current home ownership ladder. Increasing the ladder of home ownership can not only alleviate the pressure on public housing, but also provide a buffer for the middle class who have some income capacity but are far from buying a home, reduce the number of long-term loans, and reduce the risk of negative equity.

6.3.1.3 Reduce Cross-district Transportation Costs and Reduce Housing Pressure in Urban Areas

At present, franchised buses in Hong Kong generally adopt a sectional charging system, and long-distance passengers have to pay higher fares. Therefore, for those who work in urban areas but live in relatively remote suburbs, transportation costs become a greater burden. If the implementation of a uniform fee system, or the government's subsidy for public transportation, to reduce the burden on this part of the group, it is expected to spread the housing pressure in the urban area to the suburbs, and at the same time revitalize the development of the suburbs.

6.3.2 Mainland

6.3.2.1 Vigorously Develop Third- and Fourth-tier Cities

Due to the depletion of land resources in the first- and second-tier cities in the mainland, the development of urbanization and the development of the western region, the real estate industry can only achieve real sustainable development by turning to the third- and fourth-tier cities. With the acceleration of urbanization in the mainland, the real estate industry in third- and fourth-tier cities has shown great potential for development.

6.3.2.2 Comply with Government Policies

The government plays the role of macroeconomic manipulator in the economy. Historically, the development of real estate in the Mainland has been closely linked to the measures taken by the government. In 1958, the government abolished the market economy, and as a result, real estate disappeared for the next decade or so. In the late 90s, it was also due to the government's promotion of real estate that the real estate boom was ushered in. It can be seen that the survival of the real estate industry is closely related to government policies. Because of the high pressure on people to buy houses, the government advocates the construction of affordable housing for small households. In order to balance the economy, the western region should be developed on a large scale. All this has brought enlightenment to the real estate industry, the real estate industry is going west, real estate development must face the public, and it is necessary to prevent the emergence of a bubble economy in the real estate industry.

6.3.2.3 Development of the Tertiary Industry Chain

The service industry in the mainland is constantly developing and has occupied a pivotal position in the national economy. The real estate industry should give full play to its advantages and vigorously develop the service industry. For example, if a real estate company develops a project, it can contract the properties of the project, and various services can be involved after the project is formed. This also increases the economic income of the real estate industry.

6.3.2.4 Land Storage in Third- and Fourth-tier Cities

For the real estate industry to continue to move forward and develop steadily, land storage is necessary. Since land resources in first- and second-tier cities have been basically depleted, it is unlikely that land storage will be carried out in first- and second-tier cities. Therefore, the real estate industry should be shifted to third- and fourth-tier cities, but to prevent the emergence of a bubble economy that harms society.

6.3.2.5 Strengthen the Regulatory Role of the Government

Only when the government strengthens supervision and control over the real estate industry can the real estate industry develop well. The government played the role of a big brother in the financial crisis, and adopted a variety of regulatory measures to enable China's economy to maintain an average annual growth rate of 8% under the momentum of the financial crisis. Therefore, the real estate industry should also cooperate more with the government's supervision to make its own benign development and virtuous circle.

6.3.2.6 Give Full Play to the People's Spirit of Ownership

The real estate industry is closely related to people's lives. If illegal operations in the real estate industry are discovered, the people's spirit of ownership should be brought into play and the report should be reported in a timely manner, so that the real estate industry in the mainland will have a good investment environment.

6.4 Implications of Hong Kong's Real Estate Development for Mainland Real Estate

6.4.1 Optimize Land Supply and Achieve a Balance Between Supply and Demand

Drawing on Hong Kong's lease system, the mainland has established a land supply system with land bidding, auction and listing as the core. Although the bidding, auction and listing system is based on the principle of the highest price, although it is open and transparent, it continues to push up land prices, and "land kings" are frequent, and lead to continuous rise in housing prices. In order to fundamentally control high housing prices, the land supply system should be improved from three aspects: First, the new permanent population should be linked to land supply, and the supply of construction land should be increased in areas where the population flows in, and the supply of construction land should be reduced in areas where the population flows out; Improve the cross-regional balance of cultivated land occupation and compensation and link the increase and decrease of urban and rural land, and resolve the imbalance dilemma of the coexistence of land supply in areas with net population inflow and land oversupply in areas with net population outflow; The industrial land and residential land will be supplied to avoid the phenomenon of "sleeping city". The second is to optimize the structure of urban industrial land, residential land and commercial land. In the future, priority should be given to ensuring housing, education, medical care and other people's livelihood and urban infrastructure construction land, and rationally arrange the necessary industrial land. The third is to reform the land bidding, auction and listing system. The history of Hong Kong's real estate market shows that the auction, auction and listing system of the highest bidder is the fundamental factor driving up housing prices. At present, some mainland companies are trying to change the way of bidding, auction and listing. In the future, we should continue to further improve the way of land sales and break the dilemma of high housing prices from the source.

6.4.2 Improve Financial Support Policies to Avoid Systemic Risks

Hong Kong's pre-sale system, down payment for home purchases can be as low as 5%, and mortgage loans are flexible, although this practice has stimulated residents' demand for housing, but the strong demand for housing has not only raised the leverage ratio of residents, but also led to the rising proportion of real estate mortgages in credit assets, which has had a negative impact on financial stability: First, the decline in housing prices has increased the risk of default of borrowers and increased risk exposure. Second, the cycle of real estate value as collateral amplifies the credit cycle supported by real estate and has a pro-cyclical impact on real activity growth. Third, when house prices are higher than income, borrowers will take on a higher debt burden, thus weakening their ability to respond flexibly to future income fluctuations. At present, the internal differentiation of real estate enterprises is becoming more and more obvious, and the difficulty of debt repayment of some small and medium-sized real estate enterprises has increased, and the fluctuation of housing prices may cause the capital chain of small and medium-sized real estate enterprises in counties and cities with large inventories to break, and the financing risks of some small and medium-sized real estate enterprises are gradually exposed. Regulators should track and monitor the operation of the real estate market in high-risk areas in a timely manner, and achieve "early detection, early warning, and early disposal" of financing risks in the real estate sector.

6.4.3 Continue to Improve the Affordable Housing System and Optimize the Housing Supply Structure

After long-term development, Hong Kong has formed a tiered housing supply system of "public housing-HOS-private housing", with the housing problems of poor households and low-income groups mainly solved through the government's affordable housing, and the housing problems of other groups are determined by the market according to the balance between supply and demand. From the perspective of the supply of affordable housing in Hong Kong, affordable housing also has the function of "housing price stabilizer", when housing prices rise, increase land supply, increase the number of affordable housing and stabilize housing prices. Drawing on the experience of Hong Kong, it is clear that the mainland should continue to improve the affordable housing system. Under the premise of strict management of land use, the per capita basic living area standard should be determined in accordance with the land red line and population size, and the regulation and control idea of "guaranteeing the low-end, liberalizing the high-end, and subsidizing the middle-end" should be adopted to further improve the affordable housing system, improve the long-term rental housing policy, effectively increase the supply of affordable housing, improve the income distribution mechanism for land transfer, and explore and support the use of collective construction land to build rental housing in accordance with the plan. Establish the proportion of the low-end population and its housing security area, and according to the demand of "home ownership", the finance will provide housing in the form of leasing in accordance with unified standards, and can only "live", not "have". At the same time, we will intensify the comprehensive transformation of old urban communities, improve their water, electricity and heating pipe networks and other infrastructure, improve public service supporting facilities and their intelligent level, and improve the quality of life of residents.

6.4.4 Steadily Promote the Reform of Real Estate Tax and Build a Long-term Regulation and Control Mechanism

Drawing on the collection method of real estate tax in Hong Kong, we adopt the practice of a wide tax base and low tax rate and formulate a reasonable tax rate according to the city's policies and the local government's financial and real estate conditions. At the initial stage of the levy, the level of affordability and acceptance of residents should be considered first, and the transition from vacant houses and high-end houses to all houses can be gradually made. Second, the introduction of real estate tax, in accordance with the principle of "ability to pay" in line with the market economy tax system, to further reduce the government's dependence on land revenue. Third, the property tax increases the purchase cost of residents' houses, which can be used to regulate real estate. More importantly, the property tax also plays the role of a stabilizer of housing prices, when housing prices rise, the tax amount rises to reduce residents' disposable income, thus crowding out the rise of housing prices; When housing prices fall, the reduction of tax amounts increases residents' real income, which is conducive to alleviating the decline in housing prices.

7. Conclusion

7.1 Findings

This article aims to compare and analyze the real estate development in Hong Kong and the Mainland, explore the reasons for the differentiation, and provide reference for policy formulation and investment decision-making in the context of the close relationship between the real estate of the two places after the resumption of customs. At the same time, it anticipates the challenges and opportunities that may be faced by the real estate development in Hong Kong and the Mainland, so as to put forward reasonable policy recommendations and coping strategies. In summary, the following conclusions are drawn: (1) Reform and opening up is a turning point in the development of real estate in the Mainland, and the real estate in the Mainland has changed from a state to a market-led one, gradually keeping up with the pace of real estate progress in Hong Kong; (2) the mainland's policy environment has a significant impact on the shaping of real estate development, and the mainland's real estate regulation policies are much stronger than those in Hong Kong; (3) different supply and demand relations, different policy control directions and different human environments caused by different economic conditions have led to different real estate development status in Hong Kong and the mainland; (4) Both Hong Kong and the mainland will have a trend of insufficient land supply in the future, and efforts should be made to optimize the supply.

7.2 Limitations of the Study and Recommendations for Future Research

There are still shortcomings in this paper in some aspects. First of all, due to the complexity and diversity of the real estate markets in Hong Kong and mainland China, obtaining comprehensive and accurate data may be challenging. Second, although the comparison between Hong Kong and the mainland has been made, the study has not been extended to other regions on an international scale, and comparisons with the real estate markets of other countries and regions may provide a broader perspective and reference. Recognizing the limitations of these studies helps to maintain caution in interpreting and applying the findings and provides direction for future research. Further research can select data, representing variables such as economic situation and demographic trends, and conduct regression analysis to derive the factors that contribute the most to differentiation, and at the same time, it can provide a more comprehensive and in-depth understanding of the real estate development status of Asian countries such as South Korea and Japan, and even Western countries such as the United States and the United Kingdom.

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