

# The COVID-19 Pandemic's Impact on Shenzhen's Real Estate Market: A Case Study of Cities Rotated: Shanghai and Beijing

**Maowen Fang\***

*Sendelta International Academy  
Shenzhen, Shenzhen, 518000, China*

*\*Corresponding author email:  
MWD-DevFanG@outlook.com*

## **Abstract:**

This study explores the effect of pandemic policies on the Shenzhen metropolitan real estate market, with discussions about similar policies in Shanghai and Beijing. The assessment is devoted to the year 2020 and prior and is guided by the data deriving from property prices, transaction volumes, and the turnover of homes through the secondary housing market. Although things were not going well everywhere, the degree of the corresponding changes in the cities was closely related to the specific administrative measures implemented in every city. The research emphasizes the fact that Shenzhen's differentiated market characteristics as well as the pre-emptive usage of policy measures led to important shifts in new construction projects, which will have far-reaching impacts on future urban development policy-making in other mega cities in mainland China.

## **1. Introduction**

### **1.1 Background**

The case of Shenzhen is one of the examples of a fledging but growing economic center, where the real estate market has been affected by different things, such as government interventions and global economic cycles. The COVID-19 pandemic that gripped the globe in late 2019 imposed never-before-seen challenges in every sector, and this translated into unfavorable outcomes for real estate markets. This paper delves into the ramifications of the pandemic and policy measures on the property market, and the need to analyze the role of policy intervention in the insurance of sufficient data to assess dynamicity's.

### **1.2 Purpose of the Study**

The paper will examine the effects of pandemic-related policy measures on the price levels, the volume of transactions, as well as the secondary housing market in the Shenzhen Special Economic Zone. Based on the experience of Shenzhen and its contrast with the answers provided by Shanghai and Beijing, the article aims to learn from the specific responses of the markets to the pandemic and to offer suggestions on the effectiveness of different policy actions.

### **1.3 Research Questions**

1. Did the COVID-19 pandemic have any impact on the prices of properties in Shenzhen, transaction volumes of properties in Shenzhen, and the secondary

housing market?

2. How did the pandemic market policies and their respective interventions change the dynamics of this market?
3. Does Shenzhen's story look highly different when put next to the stories of Shanghai and it's the same about Beijing there?

## 2. Literature Review

### 2.1 Historical Development of Shenzhen's Real Estate Market

Shenzhen's real estate market, which was marked by formative changes from the time the city was selected as the Special Economic Zone in the year 1980, has gradually evolved into an epitome of urbanization in China. In the first place, the market was characterized by rapid urbanization, which was the result of the oversaturation of both China and overseas buyers. Over decades, Shenzhen transformed from the real estate price of China's most expensive market to every other market stepping up as prices remain. However, despite the national economic challenges, the demand is still increasing, and prices continue to rise.

On the other hand, Shanghai and Beijing saw a boom in their property markets; albeit the reasons leading to those developments were diverged. Although the growth of the markets in Beijing was mainly attributed to government policies and the position of the capital city, Shanghai had the advantage of being China's financial heart.

### 2.2 Architecture of Real Estate Markets and Policy Implementation

A considerable body of previous findings shows that policies set by the authorities have been decisive for the property market in both the short and the long run. For instance, The Three Arrows policy was specifically developed to prevent the outbreak of the housing bubble during periods of economic crisis, which it managed to do by calming the real estate markets. By this research, I'm investigating not only the consequences caused by the uniform remedy of the pandemic, but also those in the cities of Shenzhen, Shanghai, and Beijing.

### 2.3 COVID-19 Global Infection Consequences on Real Estate Markets

The pandemic shock has disturbed the global property markets and the impact of the same is reflected in the investments in those countries that proactively respond by taking immediate action. Studies have shown that it is important for the government to implement the required

policy measures right now. There is a work of literature proving that this will help in alleviating the impacts of the pandemic on real estate markets. Previously in China, state-led methods were the usual course of action, and the government approaches such as closing downtown areas and stimulating policies, which had different impacts on the most significant cities.

## 3. Methods

### 3.1 Data Collection

This study employs a multi-faceted approach that combines quantitative analysis of the real estate data with qualitative analysis of those policy documents. Information was gathered by reviewing the government papers, housing transaction data, and market updates from Shanghai, Beijing, and Shenzhen. In addition, the research focuses on the period from the financial year ending in May 2018 to 2020, which started just before the pandemic.

### 3.2 Data Analysis

The analysis involves both quantitative and qualitative methods. Quantitative data on property prices, transaction volumes, and secondary housing market trends were analyzed to identify patterns and correlations with policy interventions—qualitative analysis of policy documents provided insights into the intent and implementation of these measures.

## 4. Results

### 4.1 The Review of Shenzhen's Real Estate Market in 2020

Along with the COVID-19 pandemic, triggered setbacks to almost every other sphere of industry globally; however, Shenzhen's real estate market experienced minor fluctuation, and still, it was stable. On a monthly basis, individuals investing in residential real estate in the city put around 3,782 houses on the market, which is equal to a 20% rise from last year. This latter number represented the highest increase in transactions overall within the last five years. The pre-sales area of new housing now rose by 15.1% to 5,220,860 square meters, while the volume increased by 20.5% to 4,488,634 square meters. The secondary market in Shenzhen once again takes a leading position among other cities, seeing significant growth in the number of sales. In the Year 2020, Shenzhen's secondary housing deals saw 8,192,935 square meters traded, a 28.6% increase over the previous year. This phenomenal

increase may be the result of many factors, including a quite usually high demand, a very low volume of loaning sources, and an efficient policy of government.

### 4.2 Impact of Policy Interventions in Shenzhen

The 715 New Policy (15 July 2020) was the key turning log in the real estate market of Shenzhen. This policy had a purchase limit, more credit policies, and the mission to cool down the overheated market. The policy’s immediate impact was a reduction in speculative activities, as reflected in the cooling of transaction volumes in the months following its implementation. However, despite these restrictions, the overall demand in Shenzhen remained robust, leading to continued growth in prices and transaction volumes.

### 4.3 Comparative Analysis with Shanghai and

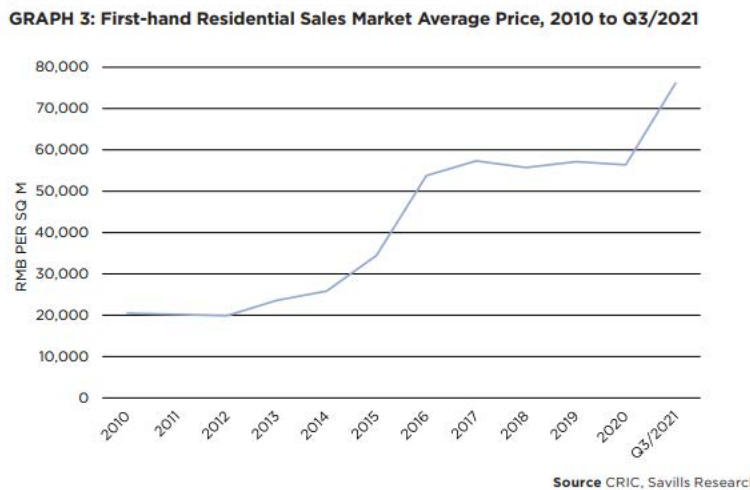
### Beijing

The pandemic as well as policies regarding it tended to differ from that in Shanghai and Beijing. In Shanghai, the market was fairly stable, with not much variance in the transactional volume and prices. This is feasible due to the fact that the market matures, and the barriers of entry are made tougher; hence, there is a decline in speculative activities. While Beijing’s market got stable as well during the same period, it showed a surge in transaction volumes that were supposed to be in hand after the support measures by the government.

### 4.4 Graphical Data Analysis

The following graphs illustrate key trends in Shenzhen’s real estate market, as well as comparisons with other major cities like Shanghai and Beijing:

1. First-hand Residential Sales Market Average Price, 2010 to Q3/2021

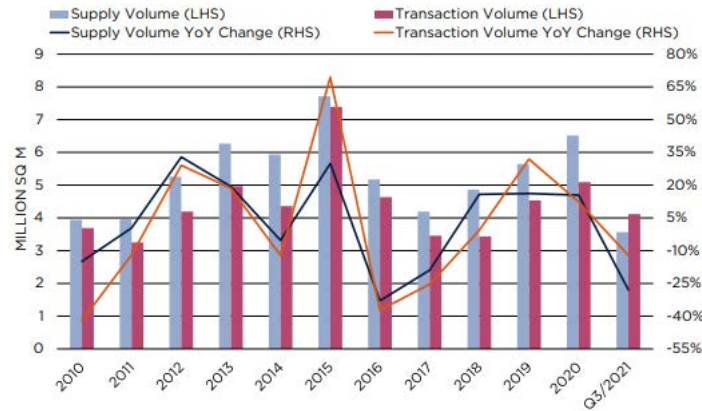


Source: CRIC, Savills Research (2021).

This graph shows a significant increase in average prices in Shenzhen from 2010 to Q3/2021, reflecting the continued demand and price escalation despite the global pandemic.

2. First-hand Residential Sales Market Supply and Transaction Volume, 2010 to Q3/2021

**GRAPH 4: First-hand Residential Sales Market Supply and Transaction Volume, 2010 to Q3/2021**



Source CRIC, Savills Research

Source: CRIC, Savills Research (2021).

Random data provide information on the different variables that changed over the years and are observed to have a sharp decline around 2016-2017, with general improvement in 2020, despite the pandemic challenges.

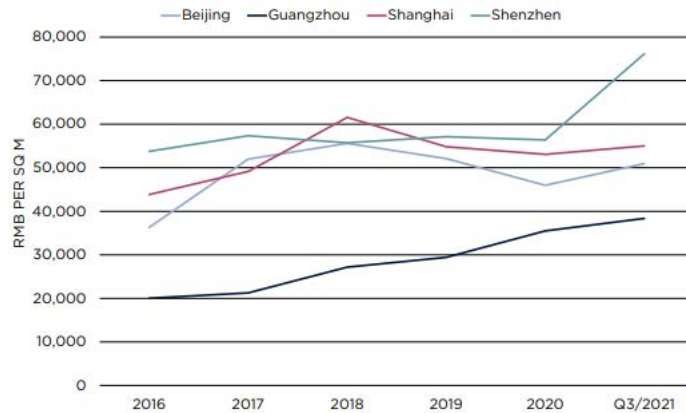
3. First Level City Average Selling Prices (HQ1-2021)

(Source: CRIC, Savills Research, 2021).

This comparison across major cities illustrates how Shenzhen's prices surged ahead of other cities like Beijing and Shanghai, particularly from 2020 onwards.

Source: CRIC, Savills Research (2021).

**GRAPH 5: First-hand Residential Sales Market Average Price in China's First Tier Cities, 2016 to Q3/2021**



Source CRIC, Savills Research

This comparison across major cities illustrates how Shenzhen's prices surged ahead of other cities like Beijing and Shanghai, particularly from 2020 onwards.

**4.5 Comparative Data for Shanghai and Beijing in 2020**

Shanghai:

- In 2020, a total of 299,000 second-hand residential properties were sold in Shanghai, an increase of 25.7% year-on-year and 100% compared to 2017, reaching a four-year high.

- In 2020, the registered transaction area of existing housing (second-hand housing) in the city was 24.9544 million square meters, an increase of 18.9% over the previous year.

- In 2020, the average transaction price of second-hand housing was 40,267 yuan per square meter, up 5.4% from the previous year.

Beijing:

- In 2020, the number of second-hand residential properties signed online in Beijing reached 168,849, an increase of 23,828 units and 16.4% compared with 145,021 units

in 2019, setting a four-year high.

- The average transaction price of second-hand residential properties in Beijing in 2020 was 60,485 yuan per square meter, a slight decrease of 0.5% year-on-year.
- In 2020, the sales area of newly built commercial housing in Beijing was 7.336 million square meters, a year-on-year decrease of 7%.

## 5. Discussion

### 5.1 The market durability and individualizations of Shenzhen's economy

The Shenzhen real estate market confronted these challenges successfully during the outbreak of the pandemic due to the sturdy demand and timely governmental interventions. The application of the 715 Real Estate Policy (715 调控新政) was the driving force behind the behavior of the market, which improved the situation through preventive measures while keeping the general balance. Throughout the global recession, the Shenzhen market remained on the upswing. This is yet another proof of the financial strength behind the city economy and also the efficiency of devised targeted policy measures.

### 5.2 The favorability of Shanghai and Beijing in the promotion of business innovation

Shanghai and Beijing have first-hand experience of the fact that markets tend to be rather sensitive towards shocks that can potentially come from a similar source. Stability in the Shanghai market is due to its future-proof condition of the existing market and the institutional measures taken, which safeguarded investors. The Beijing case of steady growth is one of the reasons it is understood that the city's market is operated in a way to allow buyers to afford houses, while at the same time precluding the formation of bubbles conformed with realistic expectations.

### 5.3 Effective Policies to Address Financial Crisis

The obtained results disclose the necessity of a policy emergency program with predefined market responses when facing financial crises. In Shenzhen, the intended negative effects in the housing sector were avoided by employing strict regulations while, at the same time, prioritizing the implementation of supportive programs to promote market growth. Nevertheless, the contrasting consequences that arose in Shanghai and Beijing imply that the government needs to look into the local conditions in different markets and the particular demands of various

sectors when formulating policy responses.

## 6. Conclusion

Shenzhen's real estate market was hit by the COVID-19 pandemic and the following policy measures, which led to a dramatic rise in both prices and the amount of transactions, namely the secondary housing market. The change in the Shenzhen market was sharper than Shanghai and Beijing regarding the move of its economic and policy tendencies; the difference reflects the situation's dynamic economic environment and the specific nature of policy measures. The paper ends with the conclusion that policy measures had a crucial role in this sector in the form of market changes during the pandemic period, but the historically specific market responses were generally influenced by economic and social factors of their local context. Thus, these observations are a great reminder about market specificity in the policies due to the individual conditions of every market.

## References

- [1] *The Paper. Real Estate Observation|Shenzhen Regulated the Market 9 Times in Half a Year, the Market Will Enter a Stable Period This Year\_Real Estate\_The Paper.* [https://www.thepaper.cn/newsDetail\\_forward\\_11336055](https://www.thepaper.cn/newsDetail_forward_11336055) [Accessed 2024-08-31].
- [2] *Shenzhen Housing and Construction Bureau. Q&A on Real Estate Control Policies - Shenzhen Housing and Construction Bureau Website.* [http://zjj.sz.gov.cn/csml/fdcyc/xxgk/tzgg/content/post\\_7901984.html](http://zjj.sz.gov.cn/csml/fdcyc/xxgk/tzgg/content/post_7901984.html) [Accessed 2024-08-31].
- [3] *Shenzhen Real Estate Information Network. A Ten-Year Trajectory of Shenzhen's Real Estate Regulation, Have You Understood It? - Dongdong Real Estate Headlines - Shenzhen Real Estate Information Network.* <http://news.szhome.com/368274.html> [Accessed 2024-08-31].
- [4] *Shenzhen Real Estate Information Network. Big Data: A Total of 140657 Residential Units Were Sold in Shenzhen in 2020 - Dongdong Real Estate Headlines - Shenzhen Real Estate Information Network.* <http://news.szhome.com/357411.html> [Accessed 2024-08-31].
- [5] *Shenzhen Real Estate Information Network. Shenzhen's 2020 Statistics Released! Real Estate Development Investment Increased by 16.4% - Dongdong Real Estate Headlines - Shenzhen Real Estate Information Network.* <https://news.szhome.com/362300.html> [Accessed 2024-08-31].
- [6] *CRIC Savills Research. Asian Cities - 2H 2021 Shenzhen Residential. Savills plc. 2021.* <https://pdf.savills.asia/asia-pacific-research/asia-pacific-research/shenzhen-residential-2h-2021-asian-cities-report.pdf> [Accessed 2023-09-02].
- [7] *Shenzhen Real Estate Information Network. Exclusive Release: 2020 Annual Report on Shenzhen's Real Estate Market\_*



- Transactions. [https://www.sohu.com/a/444329282\\_120121400](https://www.sohu.com/a/444329282_120121400) [Accessed 2024-08-31].
- [8] Shenzhen Government Online\_Shenzhen Municipal Government Portal. The Housing and Construction Bureau Interprets the Implementation Standards of the “7·15” Real Estate Control Policy - Shenzhen Government Online\_Shenzhen Municipal Government Portal. [http://www.sz.gov.cn/cn/xxgk/zfxxgj/zwdt/content/post\\_8090906.html](http://www.sz.gov.cn/cn/xxgk/zfxxgj/zwdt/content/post_8090906.html) [Accessed 2024-08-31].
- [9] Shenzhen Real Estate Information Network. A Ten-Year Trajectory of Shenzhen’s Real Estate Regulation, Have You Understood It? - Dongdong Real Estate Headlines - Shenzhen Real Estate Information Network. <http://news.szhome.com/368274.html> [Accessed 2024-08-31].
- [10] The Paper. Real Estate Observation|Shenzhen Regulated the Market 9 Times in Half a Year, the Market Will Enter a Stable Period This Year\_Real Estate\_The Paper. [https://www.thepaper.cn/newsDetail\\_forward\\_11336055](https://www.thepaper.cn/newsDetail_forward_11336055) [Accessed 2024-08-31].
- [11] Leju Network. Dai Jia Perspective: 2021 Review and Outlook of Shenzhen’s Real Estate Market - Focus on Real Estate Companies - Shenzhen Leju Network. <https://sz.leju.com/news/2021-12-30/18106882261581523374940.shtml> [Accessed 2024-08-31].
- [12] Jiemian News. 2019 Shenzhen Real Estate Market Annual Report | Jiemian News · JMedia. <https://www.jiemian.com/article/3902472.html> [Accessed 2024-08-31].
- [13] Tencent News. 40 Years of Urbanization in Shenzhen: Mutual Achievements of Urban Development and the Real Estate Industry\_Tencent News. <https://new.qq.com/rain/a/20190822A02QD300> [Accessed 2024-08-31].
- [14] World Union Assessment. Shenzhen Market Annual Report. <https://www.worldunion.cn/Upload/attachment/20220216033139.pdf> [Accessed 2024-08-31].
- [15] Shanghai Real Estate Appraisal Co., Ltd. Stock Market: 2020 Shanghai Residential Transaction Market. [https://pdf.dfcfw.com/pdf/H3\\_AP202102091460368480\\_1.pdf?1612884692000.pdf](https://pdf.dfcfw.com/pdf/H3_AP202102091460368480_1.pdf?1612884692000.pdf) [Accessed 2024-08-31].
- [16] China Real Estate Association Official Website\_Zhongfang Network. [Beike Research Institute] Analysis and Outlook of Beijing’s Second-Hand Housing Market in 2020. <http://m.fangchan.com/data/135/2021-01-11/6754294871244477014.html> [Accessed 2024-08-31].
- [17] Beijing Municipal Bureau of Statistics. Operating Conditions of Beijing’s Real Estate Market in 2020. [http://tjj.beijing.gov.cn/tjsj\\_31433/sjjd\\_31444/202101/t20210120\\_2227621.html](http://tjj.beijing.gov.cn/tjsj_31433/sjjd_31444/202101/t20210120_2227621.html) [Accessed 2024-08-31].
- [18] bjshoujia.com.cn. Analysis Report on Beijing’s Real Estate Market - bjshoujia.com.cn.cn. <http://www.bjshoujia.com.cn/upload/files/2021/1/40f83b9eb8f3c345.pdf> [Accessed 2024-08-31].