

Chapter 5

Conclusion and Recommendation

5.1 Conclusions

In this thesis we have provided a DSGE framework to analyze the effect of the four policies to real estate market. The results show that:

The property tax policy and monetary policy are good at controlling housing prices, but they will have a negative effect on housing firms. The land policy and affordable housing policy can promote the development of housing firms, but they are weak at diminishing housing prices.

Compared with monetary policy, housing tax policy has less impact on other sectors and has a more persistent effect. So for the effect of controlling housing prices, the property tax policy is the first option. Meanwhile, the effect of affordable housing policy is analogous to that of new land policy with the exception that it has a positive effect on inflation. So it is better using new land policy to support or stabilize the housing market. Moreover, the result suggests that as a mean to adjust the housing prices, we should focus on the demand side. And if the purpose is to stabilize the housing market, working on supply part is better.

5.2 Recommendation

Based on the results mentioned above, the government should use both housing tax policy (or monetary policy) and land policy (or affordable housing policy) to control real estate market at the same time. Because the land policy can offset the negative effect of property tax policy on housing firms, and the effect on housing prices is not impacted. So the government can achieve its goal that declines the housing prices and keeps real estate market stable.

Moreover, land policy is an important source of government expenditure. After diminishing the land cost, the government budget will be impacted. To solve this problem, the government can use property tax income to replace land income. Because compare with giving land cost a positive shock, the housing tax policy can not only provide enough revenues for government, but also can eliminate the housing bubbles by giving both housing prices and housing production a negative effect.

5.3 Future Research

This study suggests some promising avenues for future research. On one hand, the model can be expanded to open economy to analyze the effect of the housing purchase of foreigners and the exchange rate on the real estate market. On the other hand, some features of the domestic market are omitted from our study. A deeper analysis of the effect of reserve requirement ratio and housing restriction policy on property market will be very welcome.