What Makes It Important? The Role of Real Estate Sector in Economy and Its Determinants

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Scientifically understanding the role of the real estate sector in national economy facilitates reasonable and effective regulation and economic development. Using panel data from a sample of 39 countries through 2000 and 2014, we investigate the role of real estate sector in different countries and its determinants. The empirical study produces three findings. First, real estate sector has strong linkage with financial service sector, construction and wholesale & retail trade. Specifically, China’s real estate sector has higher direct consumption of financial service activities compared to other countries. Second, the input and output of real estate sector shows a transition trend from primary and secondary industries to service-oriented industries. Third, the key determinants of the economic effects of the real estate sector in a country include the economic growth and the current national income level, the financial development, as well as the urbanization level of the country. The 2008 financial crisis has significant impacts on the determinants of the role of the real estate sector. The results indicate that the quality of urbanization matters more than its speed. The contributions of this study lie in three aspects. First, we provide new evidence on the push and pull effects of real estate sector and its change of input and output structure. Second, this study empirically demonstrates the determinants of development through a method-of-moments (GMM) approach. Thirdly, we use a panel dataset with annual data of 39 countries (regions) from 2000 to 2014, which ensures the robustness of conclusions.