

# The Impact of Demand-supply Relationship and the Urban Positioning on Real Estate

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## Abstract:

The Global real estate market is about supply, demand, and the role shape of a city. The economy on earth depends greatly on the property market. Old economic models that only look at supply and demand are not enough to explain these differences anymore. This paper claims that a city's role and strategy in the world are the most important variables for its long-term property values and development. Each city has their unique zoning and governance but they all obey the general ideal model. though the iteration of theory will affect the actual data. In long-term, the situation may tend to be similar because population control will be the main topic in the next decades. By researching cities including London, Berlin, Dubai, and Detroit's research shows that a successful strategy attracts talented persons and investment, which produces strong demand and high prices. On the other hand, cities without a defined plan encounter decreasing demand and losing value. The conclusion is that understanding a city's global strategy is as important as studying basic supply and demand

**Keywords:** Integrated need; Multicentral concept; Bid rent theory.

## 1. Introduction

From the perspective of human geography, people and land conflict has become a widely debated question. Because every city has its unique planning and zoning projects. In long term, there will be some issues for both citizens and governance.

Demand and supply bring effect to many dimensions include Human Resources attractiveness, willingness to save or spend money, and local salary conditions. This will definitely be a pivotal factor in choosing real estate. It's a complex question related to spare land and peoples' need. Also, some invisible stuff

will be investigated as well.

The first reason can be interest rate. When the interest rate is high, people prefer to save money rather than spending. So, when interest rate is low, the demand will increase. A city's purpose is to have a special or important position in the international scene. The way a city plans changes the market for its property in two main ways: the enhancement in infrastructures, the local planning.

Take Hong Kong as an example, these years an increasing influx of mainland residents migrated here due to its great potential for seeking a job. For the majority of them, they decided to purchase instead

of house instead of rent a house. This guarantees the sustainable development for themselves. From legco.gov.hk. The price of private property is extremely high. Though the supply is low, but the demand is high, this brings massive profit for the real estate developers. The position of this city can be seen as “high population density” and high competition in housing. The competition index is 74 percent. Generally, a high population density city has large demand but small supply [1]. In short term. Products with low elasticity can be a pivotal industry to support the city. But risks exist in long term. Because government have strict limitations for constructing on those areas. As population gets saturated in the high-density area, the real estate market might become unstable.

House renting can be another vital part. College students is the majority of this group. Because dorm cannot sustain that much students. Due to the migration, house renting will also become a real “battleground” in both luck and financial aspects.

Besides physical restrictions, urban zoning and purchasing power grading can also be significant. The London position as a hub of finance, for example, means that wealthy individuals and businesses always want property there, maintaining high prices. The cost of housing and living decreases exponentially from CBD to the outskirts. In this field, bid-rent theory, which had come up by William Alonso, retailing and commercial takes the dominant economy boost factors, high rent brings high profit. For those cost sensitive firms, like industry or manufacturers, they might move their sites to the outskirts in order to maximize the profit. For residential, it seems to be a compromised option between commute distance and rent. The pattern is that: London has residential area distribution that is typified by polycentric density patterns, which are found in high-density areas that form a ring around the center along the corridors and „urban villages,“ which are close to the center. Inner London has much higher housing and dwelling densities than the outside of the city, and in the last ten years, it has grown in density as a result of this increase. The distribution also varies according to the length of the year, with notable variations in the owner-occupied, privately rented, and social-rented housing that are located throughout the borough.

Through those two cases, we might differentiate the relationship between those three factors: city positioning decides the “competitor” for housing. All of those depend on the development index of the city. If a city has a bright job prospects and prestigious colleges, the young labor or student will flow inward and bring the city with fresh ideas and momentum.

Demand and supply indicate the actual transaction price. If the city is facing population loss, and projected economy recession in long term. In this hypothesis, transaction price should usually lower than the marked price. In con-

trast, if the bidder competes for housing, the last buyer is the one who pays the most. So, the closing price goes up. According to bid rent theory, it is a visualization of ideal model, showing the exact average cost of rent and cost within a city.

## 2. Beyond Theory

As we mentioned earlier, physical distance to commercial area can influence the willingness, but the distance in terms of time can be even more important. Transportation may diminish the effects of physical distance. For example, in Tokyo, the underground rail covers most of the land in the city. So the real commute distance will be shortened by well-constructed infrastructure. Which flatten the bid rent theory curve. Conversely, Jakarta, which is a city in a mid-income country, facing serious traffic issues. In this country, physical barriers can be impossible to overcome. Change over time cannot be ignored [2]. This is also the foundation for polycentric urban model. A fully functional CBD is the absolute Centre of a city in many ways, but USA has the thoughts out of the box. Stanford university have transferred the ideal model into real life. Originally the area was in outer suburbs, but the attraction of prestigious college had built up human resource immigration. As far as I am concerned, college provides a human pipeline. Which guarantees the sustainability. Stanford will keep delivering talented people to market, which can be appealing for other people. As population accumulates, they will be massive need on housing. So polycentric theory brings future possibilities for developers. Real estate increases, so capital agglomeration occurs. Driving a positive cycle so-called capital, technology, and future potential.

We might analysis the cycle. Firstly, Stanford university conveys many people with their absolute outstanding reputation, then attracts people, so the housing market blooms. The demand of entertainment, infrastructure also increases. The sub CBD centered by university has built a unique ecosystem, which will be discussed later. Forming a radiation stripe for high rent zone. As we mentioned before. More competition brings higher closing price and rent. So, the city cannot only fully develop in a short time with commercial, but also the attraction of academic paradise, which can be effectively build another center. This is due to push factor in geographical location outweighs the life people have right now.

## 3. Something Deviates From Ideal Model

COVID-19 reshaped this market in an obvious way. Remote working shows some differences between theory and

real world. During the pandemic, people will abandon the idea of commute distance, instead of focusing on life quality. From all dimensions, those houses with small space will be ignored by consumers. The demand will decrease. People may choose to move away from the city. They can both finish their work and get better experience. The infant companies will face shutdown during this time. So, the zoning of cities will be forgotten by people because they don't need actually be there. The merger of areas will probably a result. The pressure of such industries will face challenges in this case due to less buyers

Considering about any other factors: ventilation, low-density houses. If the preference of consumers alters in this time, the bid rent ability of all kinds of houses can be changed. If people escape from work-oriented housing, then the position will not be the priority when choosing. So, the model is not applicable in such circumstance. The houses in outskirts with gardens will be the best choice. From those people who retired, they may buy a house in that area because they do not need to work. The life cycle of human will be a reason, but in larger scale, the demand is generally stable. So, under such condition, those houses with comfortable experience will outperform worker's cramped dwellings with greater accessibility to their companies.

Resilience of real estate. Due to the deteriorating environment. Those houses in safer position will be more welcomed. The rent can be high. Another reason is the green premium, like carbon neutral commercial building. It has higher technology and lower operating cost, so the developers can earn from the scarcity or maybe sales tactics. This is the foundation for increasing revenue [3].

From city itself, the ability of governance can influence the city positioning. It effects the investment confidence for external investors and local residents. It might be useful in long term, but not capable in special cases.

In long term, gentrification may change the condition of the city greatly. The demand might increase as the circumstance improves. It provides some variables for the fixed bid-rent curve, changing shabby houses to decent personal spaces. This can be a win win strategy for buyer and former owner because they can make money from it, and consumers can buy it without having too much pressure. So for city planning, gentrification can be seen as revolution or the extracted value of the city. It reshaped the real estate market, making the city more globalized and more appealing for migrants.

There can be some side effects too. A theory called endowment effect and bias may be the reason against gentrification. Because the house owner has their own thoughts and evaluations. This makes city positioning and the price level differs from the original one based on theory. This explains why citizens protest the process. It is not the issue of environmental, but also the invisible factors:

precious memories. Subjective opinions are the opposite side of theory, but under human geography research, these variables should be involved [4,5].

## 4. Conclusion

The market will be stable with small fluctuations. but has even more competition as before. Because housing can be a necessity for everyone. One main reason for growing housing demand is that households are getting smaller. In the past, it's typical for many different generations. liked grandmother, parent, and children, to all live together in one huge house. Now, there are much more single-person households. couples without children and single-parent households. The sense of privacy gradually grew. this means that though population stays the same, there's still climbing needs for individual apartments in ideal social condition. The increasing need for housing may goes faster than population growth rate. From this case, in the future. The concept of the position of real estate will be weakened. Cities are projected to be multi centered. To reduce housing problems in crowded downtown areas and meet the different needs of both young and old people, cities will need to develop several smaller centers. By moving companies, jobs, good hospitals, and schools to these new areas, they can create smaller communities where people can both live and work nearby. This will help spread out housing options and make sure everyone can find a place to live that fits their lifestyle, no matter their age. Naturally, the areas of cities will integrate. Physical CBD will become an outdated term.

Mega cities will form a network covers people's need. It's like a magnet, attracting the specific group of immigrants that they are hoping to accept. In conclusion, the relationship between housing demand, urban planning, and the choices of different age groups is not a simple case of cause and effect. Instead, it represents a complex web of life cycle, human, well-bring of ourselves. where pulling one thread—like a new remote work policy—can unexpectedly vibrate across the entire structure, affecting everything from downtown apartment prices to general price stability. These factors are deeply intertwined, constantly influencing and reshaping each other in a changeable and unpredictable world. When looking through, the theory proves its existence and precision.

The relationship can be determined by people's mind and concept. High quality housing in long term may be more welcomed, and the so-called CBD is not absolute business, because of this, different cities have its own goal in development. Proving the authority of theory and flexibility in real life.

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