

PROPERTY NEWS

More Housing Developers Offer Discounts

By Shanghai Daily Cherry Cao Time: 2011-12-1

MORE residential projects in Shanghai will offer discounts in December, with more than 80 percent sited in the outlying areas. The developers of 190 housing projects, comprising apartments and villas, will provide discounts this month, up from 169 in November, according to latest data released by real estate website Soufun.com. The data showed that 156 projects, or 82 percent of the total, are located beyond the city's Outer Ring Road. By district, Pudong New Area leads with 44 projects. The number of projects offering discounts has grown for two straight months in Shanghai. In December, 21 projects are offering discounts of at least 10 percent, up from 19 projects in October.

Existing Home Sales Fall To 17-Month Low

By Shanghai Daily Cherry Cao Time: 2011-12-7

SALES of existing properties in Shanghai dropped to a 17-month low in November as individual owners were still reluctant to offer significant price cuts. The transaction volume of previously-occupied properties, mainly houses, fell 14.6 percent from October to 6,900 units in the city, the lowest since July 2010, as weakness in sales extended for the fourth consecutive month, said a report released yesterday by Century 21 China Real Estate. The sales fell nearly 50 percent annually, the report said." Compared to real estate developers, price cuts offered by individual owners still seemed unattractive," said Eric Luo, a researcher at Century 21. "The local used property market will probably remain stable in the coming months as the November volume was already at a 'bottom' level." The downtown Jing'an District was the only one where monthly transactions rose. The sales volume in the outlying areas, including Songjiang, Jiading, Chongming, Jinshan, Qingpu and Fengxian, fell over 20 percent from October. The average selling price for existing properties fell 6.2 percent from October to 14,900 yuan (US\$2,350) per square meter, according to the data.

Shanghai's housing index declines in November

By Shanghai Daily Cherry Cao Time: 2011-12-2

SHANGHAI'S existing housing index fell in November for the second month, with prices declining in 75 percent of the areas monitored. The index, which tracks price fluctuations of the city's previously occupied homes, lost 5 points, or 0.2 percent, from October to 2,592, the Shanghai Existing House Index Office said yesterday." Compared to rather significant cuts offered by some real estate developers, individual home owners still seemed pretty firm in their asking prices," said Zhang Shu, an analyst at the index office. He added that "it is still a bit early to see a clear downward trend in prices. "The prices of existing homes in prime sites, including the four downtown districts in Puxi and Lujiazui in Pudong New Area, dipped 0.06 percent on average in November. Across the city, prices in 75 percent of the 128 areas tracked by the office dropped 0.27 percent on average. Only 3 percent of the areas saw an average 0.09 percent gain in prices while the remaining areas posted almost no change in their prices from a month earlier, according to the office. So far most owners have been willing to offer discounts of less than 10 percent and this cut is obviously not enough to spark buying interest, observers said. They said a discount of at least 15 percent would be attractive. Zhang said as individual home owners don't need capital urgently, they can withstand the existing property curbs longer than developers. He doesn't see massive price cuts by individual owners any time soon.

Property Insight

December 2011

Real estate tax may land in more cities

By Shanghai Daily Cao Qian Time: 2011-12-8

CHINA will look into further expanding its property tax initiative to more cities in the country after it has evaluated the trial operations in Shanghai and Chongqing, according to the Ministry of Finance. The tax was implemented on trial in late January and a careful evaluation of its impact on home prices and the overall housing market in both municipalities will be conducted at the end of this year, Jia Kang, head of the ministry's research institute, told a recent exclusive interview with China Securities Journal. The experience gained in these two cities will be very important to future central government decisions and the property tax should always be levied on a case-by-case basis as situations vary from one city to another, Jia said. Jia refuted some observers who said the property tax trials in Shanghai and Chongqing seem to be ineffective in bringing down home prices or in contributing to local tax revenues. He emphasized the tax introduction should be recognized as offering a complementary policy to existing mechanisms rather than to slash home prices immediately or increase local tax revenues rapidly. He also said it would take a longer time for the tax to leave their impact on the market. Jia said the transaction volume of high-end homes in Shanghai and Chongqing has both declined notably over the past few months and their prices have kept stable, which he said is one of the most obvious and positive impacts of the tax trials. Since late January, Shanghai has imposed a residential property tax of either 0.6 percent or 0.4 percent, depending on the home price, on purchases by local families who already have one or more homes. The tax also applies to newly-bought homes by non-local families. Chongqing also started to tax high-end homes at between 0.5 percent and 1.2 percent from around late January.

Shanghai keeping curbs on property market

By Shanghai Daily Cao Qian Time: 2011-12-21

SHANGHAI is to further strengthen efforts to rein in housing speculation next year and continue to enforce home-purchase restrictions, the local government said yesterday. It is the latest in a number of Chinese cities to vow to stick to property tightening measures and extend restrictions on buyers which are due to expire at the end of the year. During last week's annual Central Economic Work Conference, China's top leaders vowed to maintain tightening in the property sector, including home purchase restrictions, curbs on onshore and offshore fundraising options for developers and higher down payments for multiple home buyers. China will stick to property tightening policies, push home prices back to a reasonable level, and speed up construction of ordinary houses to increase supply, the conference concluded as it laid out its 2012 blueprint for the country. "The central government has repeatedly made it very clear over the past weeks that rein-in measures to curb housing speculation should be continuously implemented so the latest announcement by the Shanghai government came as no surprise," said Sky Xue, an analyst with China Real Estate Information Corporation. "In the short term, home prices will for sure continue to go through a downward trend." Major factors that might be counted on to help the residential market regain some strength in the short term would probably include cuts in the reserve requirement ratio or interest rates as the central government is "fine tuning" its monetary policy to sustain economic growth amid expectations of cooler inflation, Xue said. "The anticipated loosening of monetary policies would only likely prevent home prices from further decreases while a major rebound in residential price would be rather impossible until the overall economy is back on track for strong growth," he said. China has intensified property tightening measures this year with limits on mortgages and restrictions on home purchases in about 40 cities. It also has a target of building 10 million affordable housing units. The latest data released by the country's top statistics body showed that the national campaign to combat soaring house prices was now at a critical stage. Last month, 49 out of 70 Chinese cities reported monthly falls in new home prices, compared to 17 in September and 34 in October, the National Bureau of Statistics said. In Shanghai, prices for new homes shed 0.4 percent month-on-month in November, compared to October's dip of 0.3 percent. "The correction has neither reached the government's satisfaction nor the extent seen last time," Hui Jianqiang, research head of property consultancy E-House China, told Reuters recently, referring to a brief but sharp property market downturn during the 2008-2009 global financial crisis.

ECONOMIC NEWS

City's GDP performs better

By Shanghai Daily Wang Yanlin Time: 2011-12-16

SHANGHAI'S economy turned in a better-than-expected performance in November as industrial production rose, the fall in investment narrowed and consumer prices eased. The city's industrial production rose 3.2 percent from a year earlier to 276.5 billion yuan (US\$43.8 billion) last month, the Shanghai Statistics Bureau said yesterday. The rise was better than the gain of 0.9 percent in October. Fixed-asset investment dipped 0.9 percent annually to 435 billion yuan in the first 11 months, narrowing from the drop of 1.9 percent between January and October." Compared with the nation's (economic) performance, Shanghai exhibited resilience and strength in manufacturing and investment," said Wang Zehua, an analyst at the bureau. China's industrial production rose the least in more than two years in November while fixed-asset investment also weakened further in the first 11 months from the pace between January and October, the National Bureau of Statistics said. Shanghai also saw inflationary pressure ease when its Consumer Price Index, the main gauge of inflation, hit an 8-month low of 4.9 percent in November from 5.6 percent in October." A moderating inflation, which goes in tandem with the national trend, allows more room for new policies to lift growth of small and export-oriented firms which are suffering from low external demand," said Li Maoyu, an analyst at Changjiang Securities Co. In November, Shanghai's export growth weakened sharply to 6.7 percent worth US\$18.2 billion from October's 17.4 percent on fewer orders from the European Union. But imports grew strongly by 13.1 percent annually to US\$19.6 billion. Shanghai's economy has been cooling moderately. In the first three quarters, its economy rose 8.3 percent from a year earlier, slower than 8.4 percent in the first half and 9.9 percent in 2010. Top state leaders mapping out the economic direction for 2012 at the Central Economic Work Conference, which ended on Wednesday, said the country will still stick to a prudent monetary policy.

Cut in bank reserves to boost China's economy

By Shanghai Daily Feng Jianmin Time: 2011-12-1

More money is being made available for lending for the first time in three years as China "fine-tunes" its monetary policy to sustain growth amid expectations of cooler inflation. The central bank announced a lowering of reserve requirements for banks by 0.5 percentage points yesterday, the first cut since December 2008, after data showed an outflow of foreign capital in October and easing inflation in three consecutive months from 6.5 percent in July to 5.5 percent in October. The change in the ratio, effective from next Monday, is expected to add between 350 billion and 400 billion yuan (US\$54.8 billion and US\$62.7 billion) liquidity to the banking system. The reserve requirement ratio will be 21 percent for large banks and 17.5 percent for smaller ones. China hasn't raised interest rates since July, the longest pause since increases began in October last year. The last interest-rate cut was also in December 2008, during the global financial crisis. The People's Bank of China joins the central banks of Brazil, Indonesia, Thailand and the eurozone in easing monetary policy, a reflection of growing alarm that the eurozone debt crisis could drag the global economy back into a recession. The decision came a day ahead of the release of China's official purchasing managers' index for November, a main measure of industrial activities, which is widely expected to fall from the previous month. Six of 13 financial institutions surveyed by Reuters expected China's industrial activities to contract in November from the same month of last year due to China's tight monetary policies and sluggish economic growth overseas. China has raised reserve requirements six times and interest rates three times this year to tame inflation, which has led to the country's slowest economic growth since 2009, with gross domestic product increasing 9.1 percent in the third quarter. "The loss of foreign capital in October has resulted in a shortage of money for the banks, and the central bank is aiming to resume liquidity," said Guo Tianyong, a professor with the Central University of Finance and Economics. "But the decrease is not an indication of a change in direction for China's monetary policies." He said he expected monetary policies to remain prudent due to still high inflationary pressure and the needs to control house prices. His view was echoed by Fudan University professor Sun Lijian, who said the decrease in reserve ratios was temporary and warned of a return of inflationary pressure after the US and European governments offer bailouts to ease their debt crises and boost the economy. But Qu Hongbin, a Hong Kong-based economist for HSBC Holdings, said more reserve ratio cuts may follow, while interest rates may remain unchanged until inflation is below 3 percent. "We see this surprise move as the beginning of monetary easing," Qu said. Stephen Green, China economist at Standard Chartered Bank in Hong Kong, told Reuters: "This is a big move - this is easing. It's a clear signal that China is on a loosening mode. The next move will be another reserve requirement ratio cut in January." Premier Wen Jiabao said in October that the government would fine-tune economic policies as needed to sustain growth while pledging to maintain curbs on real estate.

China likely to grow at 8.8% in 2012

Source: Xinhua Time: 2011-12-7

CHINA'S growth is expected to grow 8.8 percent in 2012, according to the latest Asia Economic Monitor report, issued by the Asian Development Bank yesterday. The semi-annual report assessed the 10 ASEAN (Association of Southeast Asian Nations) economies as well as those of the Chinese mainland, Hong Kong, Taiwan and South Korea. The Chinese mainland growth may remain the highest in the region, at 8.8 percent in 2012, 0.3 percentage point lower than the forecast in September. Hong Kong's growth forecast was cut from 4.7 percent to 4 percent in 2012. The economic crisis in the United States and Europe will slow Chinese exports, the report said. Economic growth in emerging east Asia will continue to moderate into 2012 as growing sovereign debt problems in Europe and an anemic US economy raise the specter of a deep global economic downturn, the ADB said. The ADB cut its forecast for the region's growth in 2012 to 7.2 percent from the 7.5 percent forecast in the September Asian Development Outlook 2011 Update. Growth is still forecast at 7.5 percent for this year. In the event that both the eurozone and the US economies contract sharply, the impact on emerging east Asia would be serious yet manageable, the report said. "The turmoil emanating from Europe poses a growing danger to trade and finance within emerging east Asia, so the region's policymakers must be prepared to act promptly, decisively and collectively to counter what could be an extended global economic slowdown," said Iwan J. Azis, head of ADB's Office of Regional Economic Integration, which produced the report.

November PMI signals contraction

By Shanghai Daily Wang Yanlin Time: 2011-12-1

CHINA'S manufacturing activities shrank for the first time in almost three years last month under dismal external demand, rising production costs and tight domestic liquidity for small firms. The official Purchasing Managers' Index, a comprehensive gauge of manufacturing activities across the country, slipped from October's 50.4 to 49 in November, the lowest since March, 2009. A reading below 50 indicates a contraction in industrial activities. The drop was led by declines in new orders and new export orders, both of which scaled back more than 2 points and fell below 50, the China Federation of Logistics and Purchasing, the index compiler, said today in a note. Also, most producers of raw materials and downstream products reported contracting activities, while manufacturers of consumer goods said their operational conditions still improved. "It indicated the influence of rising production costs, which affected producers of lower stream producers more. Also, external demand worsened more than expected," the federation said. Meanwhile, the HSBC China Manufacturing Purchasing Managers' Index, which is slanted towards private and export-oriented firms, dropped to a 32-month low of 47.7 in November, down from 51 in October. The decline was the largest in three years. "The reading points to a sharp deterioration in business conditions across the Chinese manufacturing sector," said Qu Hongbin, chief economist for China at HSBC. "Combined with a faster-than-expected easing in inflation, this implies that growth is set to overtake inflation as China's top policy concern." Last night, the central bank announced its first cut in banks' required reserve ratio in three years, unlocking about 370 billion yuan (US\$58 billion) of liquidity in the banking system. It was treated as a signal of broader policy fine-tuning to sustain China's economic growth, which slowed down to 9.1 percent in the third quarter.

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