PROPERTY NEWS

China H1 property investment up

By Cao Qian *Time:2021-7-13*

Real estate investment picked up in Shanghai in the first half of 2021, with greatly improved interest from institutional buyers, according to the latest research from major international property consultancies.

In the first half, 39 en bloc deals worth 29.4 billion yuan (US$4.54 billion) were completed in the city, an increase of 80 percent and 19 percent from the second half of 2020, according to Cushman & Wakefield.

“Shanghai’s property investment market demonstrated great resilience in the first six months of this year, with major deals including Link REIT’s purchase of a 50 percent stake in Shanghai Qibao Vanke Plaza for 3.2 billion yuan,” said Alvin Yip, Cushman & Wakefield’s China president of capital markets.

“Notably, buyers purely looking for investment accounted for 69 percent of the total transaction value, a significant rise from the 26 percent share registered in the second half of 2020.”

Overseas buyers accounted for 38 percent of the total transaction value, Cushman & Wakefield said.

For the three months to end-June, a separate report by Savills showed 15 investment transactions worth 13.4 billion yuan were concluded across the city, a year-on-year drop of 21 percent.

The total value, however, could be close to 42.3 billion yuan if the estimated value of assets from portfolio transactions is included, according to Savills’ research.

“The market is seeing a rise in interest from institutional buyers looking to capitalize on the attractive pricing environment, access to sizable portfolios and the recovery of market fundamentals,” said Elle Xu, senior manager of research at Savills China.

“Several big-ticket portfolio transactions were announced toward the end of June, such as Blackstone’s purchase of 55 percent of SOHO China for 19.5 billion yuan, Brookfield’s purchase of a five-retail property portfolio from Macquarie for 8.9 billion yuan and Ping’an Insurance’s purchase of partial stakes in six Raffles City developments for 33 billion yuan, all of which includes one or more core or core-plus assets in Shanghai.”

Looking forward, end-use buyers will remain active and more investors are likely to tap the rental housing segment.

This sector has received growing support from the government amid robust demand for affordable housing from young professionals — mainly by converting idle or underutilized assets and cashing out of the market by launching real estate investment trusts, according to Savills' forecast.

Property investment stays vibrant

By Cao Qian *Time:2021-7-30*

China's real estate investment market continued to regain its vibrancy in the first half of this year, with Beijing and Shanghai leading the rebound, international property consultancy Cushman & Wakefield said in its latest research report.

In the first six months of 2021, 95 en bloc deals valued at a total of 88 billion yuan (US$13.59 billion) were completed across the country, a decrease of 18 percent from the second half of 2020.

However, Beijing and Shanghai, which are the country's two largest real estate investment markets, registered transactions valued at 30.3 billion yuan and 29.4 billion yuan each, an increase of 22 percent and 19 percent from the previous six-month period.

Notably, Beijing continued to outplay Shanghai. During the second half of 2020, the capital surpassed Shanghai for the first time in terms of transaction value involving en bloc property deals.

"Amid gradually subsiding negative impact from the COVID-19 pandemic, institutional buyers are returning to the real estate investment market on the Chinese mainland as they spent 58.2 billion yuan around the country during the first half, accounting for 66 percent of the total," said Alvin Yip, Cushman & Wakefield's China president of capital markets.

"Shanghai, in particular, remained the most popular among overseas investors."

Between January and June, overseas investors spent about 11.1 billion yuan in purchasing real estate projects in Shanghai, or 52 percent of the total they spent in China, according to Cushman & Wakefield data. By property type, office projects remained the most attractive among investors in the first half, grabbing a 52 percent market share. They were most closely trailed by mixed-use development and retail property, each accounting for 17 percent and 11 percent.

A separate report released earlier by global property consultancy JLL showed that China led the recovery in Asia Pacific's hotel investment market in the first half of 2021, with deal volume rising 54 percent year on year to US$1.3 billion, and themes involving conversion of serviced apartments for strata sale, and sale of older hotels for conversion to alternative use.

Shanghai continued to be the top investment destination, with sales volume accounting for one-third of the country's total, the report added.

Policies hit Shanghai’s homes sales

By Cao Qian Time:2021-8-10

SALES of existing homes fell in Shanghai last month as a slew of measures introduced lately to cool down the market started to dampen buyer sentiment.

About 24,000 pre-owned homes changed hands in July, a month-over-month drop of 15 percent, Shanghai Homelink Real Estate Agency said in its regular monthly report.

By value, existing homes worth a total of 81.9 billion yuan (US$12.6 billion) were sold, a decrease of 13 percent from June.

Existing homes sold for an average 3.43 million yuan, up 2 percent.

“July’s volume was the second lowest this year, outperforming only February which was mainly affected by the Spring Festival holiday,” said Yang Yulei, a senior analyst with Homelink.

“The latest introduction of property-related measures, including verification of pre-owned homes’ list price, has definitely left some impact on home seekers’ expectations for the market.”

The Shanghai Housing Administration Bureau announced on July 9 that the list price of every pre-owned home must be verified by the local industry watchdog. Any listing that failed to pass the check, which is based on the normal range, cannot be made public.

As a result, the list price of existing homes on Homelink outlets fell an average 8 percent from June.

Housing market eases in July as price gains slow

By Xinhua Time:2021-8-17

China’s housing market eased slightly in July, with home price increases slowing in 70 major cities, official data showed yesterday.

New home prices in four first-tier cities — Beijing, Shanghai, Shenzhen and Guangzhou — rose 0.4 percent month on month in July, according to data from the National Bureau of Statistics.

The growth rate has slowed 0.3 percentage points from that seen in June. Prices of second-hand homes in the four cities gained 0.4 percent, down 0.3 percentage points from the growth in June.

Second-tier cities saw a month-on-month increase of 0.4 percent in new home prices, slowing 0.1 percentage points from June.

On a year-on-year basis, new home prices in first-tier cities rose 6 percent in July, down from the 6.1 percent growth in June, while those in second-tier and third-tier cities went up 4.7 percent and 3.3 percent, respectively, data showed.

China avoided applying a deluge of stimulus policies when strengthening its macroeconomic policy adjustment. It has taken a slew of measures to tackle housing problems in big cities to implement the principle that houses are for living, not for speculation.

Housing authorities last month held talks with officials in Yinchuan, Xuzhou, Jinhua, Quanzhou and Huizhou, and urged them to stabilize their property markets as residential housing and land prices in these cities rose too rapidly over the first half of 2021.

Loans to the property sector saw slower expansion by the end of the second quarter, with outstanding property loans up 9.5 percent from last year to 50.78 trillion yuan (US$7.85 trillion) as of the end of June.

A new round of measures such as price management and control for second-hand homes were recently rolled out in several big cities, including Shenzhen.

Shanghai home prices tumble as policies hit

By Cao Qian *Time:2021-9-7*

Shanghai's sales of existing homes plunged in August as recent tightening policies lately discouraged on buyers.

About 18,000 lived-in homes changed hands last month, a drop of 24 percent from July and a year-on-year dive of 40 percent, Shanghai Homelink Real Estate Agency said in its monthly report yesterday.

Homes worth a total of 57.4 billion yuan (US$8.9 billion) were sold, a fall of 30 percent from a month earlier and a plunge of 44 percent from the same period a year ago.

Homes sold for an average 3.18 million yuan, down 7 percent from July.

"Sales fell for the second consecutive month, with volume falling to the average pre-pandemic level, indicating the end of a buying spree that lasted for more than half a year," said Yang Yulei, a senior analyst with Homelink.

"The decrease in transaction volume has proved that rein-in measures to cool down the overheated market are very effective."

In early July, the Shanghai Housing Administration Bureau ordered the list price of every pre-owned home be verified by the local industry watchdog based on the normal range, and those that fail to pass the verification will not be allowed to be publicly listed for sale, a move Yang said would "effectively lower home seekers' expectations on property prices."

Another blow

Less than a month later, the lived-in housing market was hit with another heavy blow when banks were told to approve mortgage loans based on the lowest of three prices: the contract price, the price assessed by the bank, and the price verified by the real estate transaction center – which is often is much lower than the other two prices.

“With this policy in place, home buyers now need to set aside a significantly increased amount of money for downpayment,” Yang said.

“Consequently, many home-seekers were forced to cut their budget and turn to less expensive lived-in units or simply quit their plans to buy property.”

Property viewing trips handled by Homelink fell 5 percent in August, the third consecutive month of weakness amid generally dampened sentiment among home buyers.

Huinan in Pudong New Area, Nanqiao in Fengxian District and Jinshan New Town were the most sought-after locations, with sales of 663, 516 and 452 homes respectively, according to Homelink.

In the first eight months of 2021, about 222,000 existing homes, with a total value of 745.1 billion yuan, were sold, up 31 percent and 36 percent from a year earlier. The average price was 3.36 million yuan, an increase of 4 percent year on year.

Rental housing market taking off

By Cao Qian *Time:2021-9-24*

China’s rental housing market has been growing faster over the past few years with favorable demographics, rising barriers to home ownership, supportive government policies and an influx of capital continuing to boost its development.

By the end of 2020, the total stock of rental housing units operated by the country’s 10 largest players totaled around 730,000, compared with 356,000 at the end of 2018, according to a report released yesterday by global property consultancy JLL.

The report focuses its study on market-based rental apartments with single-ownership and lease periods upwards of six months.

The majority of those “big brand” rental housing projects are in Tier 1 and Tier 1.5 cities, with average occupancy between 89 percent and 95 percent at projects operating for six months and longer, JLL said.
“Compared with three years ago, when the market was set to enter a ‘lift-off phase’ after its introductory phase’ and through most of its ‘growth phase’ it now stands at a critical point as it moves toward the final ‘mature phase,’” said Daniel Yao, head of research at JLL China.

While fresh college graduates and young white-collar workers remain the main tenants, there has been growing demand from other groups including mid-level corporate managers, small private business owners, freelancers and college students, as renting is gaining acceptance among the general public.

Nationwide, Shenzhen led with a total inventory of 133,000 units spanning 395 projects, followed by Shanghai and Beijing, with 71,000 units across 290 projects, and 21,000 units across 121 projects.

In terms of average rents and occupancy, the capital outperformed its two counterparts with rents reaching 189.9 yuan (US$29.40) per square meter per month and occupancy at 97.5 percent.

Shanghai remains the most attractive city for investors mainly due to its robust economy, large migrant population and high barriers to home ownership.

The city is trailed by Beijing and Shenzhen.

ECONOMIC NEWS

PMI slows but expands in extreme July weather

By Xinhua *Time:2021-8-2*

China's manufacturing activity continued to expand in July as its economic recovery sustained momentum, official data showed on Saturday.

The purchasing managers' index for China's manufacturing sector came in at 50.4 in July, edging down from

50.9 in June, data from the National Bureau of Statistics showed.
A reading above 50 indicates expansion, while a reading below reflects contraction.

The growth of China's factory activity slowed in July, but the PMI reading of most industries remained in the expansion zone, NBS senior statistician Zhao Qinghe said, attributing the slowdown to factory equipment maintenance and extreme weather, including high temperatures and floods.

The country has experienced unusual extreme weather in July. Torrential rain in Henan Province and Typhoon In-Fa in the eastern coastal areas have disrupted normal production and transportation, causing damage in the country and triggering emergency responses.

The sub-index for production stood at 51 in July, down 0.9 percentage points from a month earlier, while that for new orders dipped 0.6 percentage points to 50.9, a sign of slowing production and market demand in the manufacturing sector.

The new export order and import sub-indexes decreased to 47.7 and 49.4, respectively.

Saturday's data also showed that the PMI for the non-manufacturing sector came in at 53.3 in July, down from 53.5 in June.

The sub-index for business activities in the services sector stood at 52.5, up from 52.3 in June. The reading reflected a steady recovery in the services sector, fueled by increasing summer consumption and other factors, said Zhao.
The sub-index tracking business activity expectations for the services sector hit 60.1, remaining above 60 for six consecutive months, showing most services enterprises were optimistic about market prospects in the near term.

Affected by adverse weather conditions, the growth of construction activities in the country slowed, with the sub-index for business activities dipping to 57.5 in July from 60.1 a month earlier.

Wen Tao, an analyst with the China Logistics Information Center, said in the second half, domestic demand will be unleashed at a faster pace, which is expected to boost market supply and demand, optimize the industrial structure and create more job opportunities.

Inflation in July steady amid virus, dire floods

By Xinhua *Time:2021-8-10*

China managed to keep prices of staple goods and production materials stable in July despite a resurgence of COVID-19 cases and severe floods that disrupted economic activities, official data showed yesterday.

The consumer price index, a main gauge of inflation, rose 1 percent year on year last month, lower than the

1.1 percent growth recorded in June, National Bureau of Statistics data showed.
The producer price index, which measures costs for goods at the factory gate, expanded 9 percent year on year in July, slightly higher than June's 8.8 percent rise.

"Market demand and supply remained basically steady last month amid government measures to coordinate
COVID-19 control, disaster relief and economic growth," said senior NBS statistician Dong Lijuan.

Extreme weather and a COVID-19 resurgence since July have posed challenges to agricultural production and economic operation in some regions. In the central Henan Province, unprecedented floods ravaged farmland and disrupted normal lives, while a fresh spike in COVID-19 cases caused mainly by the Delta variant added to the pain.

The country's top economic planner has called on all localities to strengthen market price monitoring and early warning, and release reserves when appropriate to ensure the supply of the staple goods and avoid sharp increase in prices.

In July, food prices fell 3.7 percent year on year while non-food prices increased 2.1 percent, NBS data showed.

On a monthly basis, CPI rose 0.3 percent, reversing a decline seen in June. Affected by typhoons and heavy rains in some regions, costs for the production, storage and transportation of vegetables rose, contributing to the price hike, Dong noted.

On the industrial side, sharp price gains in crude oil and coal lifted year-on-year PPI growth in July, but month-on-month data showed that government policies to stabilize commodity prices have taken effect, with mild price declines seen in industries, including steel and non-ferrous metals, Dong noted.

Prices of agricultural production materials rose rapidly in July compared with June, with a relatively fast increase in prices of fertilizers and pesticides.

Economy stays on path of recovery

By Agencies Time:2021-8-17

CHINA'S economy continued to recover in July, but the growth for industrial output and retail sales slowed due to new COVID-19 outbreaks and natural disasters in some regions as well as increased uncertainties from abroad, official data showed yesterday.

The country’s industrial production grew by 6.4 percent in July from a year earlier, slowing from the rise of 8.3 percent in June, according to the National Bureau of Statistics. The figure missed the forecast of 7.8 percent increase by Reuters and 7.9 percent rise by Bloomberg, and saw an average two-year growth of 5.6 percent.

Retail sales of consumer goods rose by 8.5 percent year on year last month, down from the 12.1 percent increase in June. It was below the projection of an 11.5 percent rise by Reuters and 10.9 percent growth by Bloomberg, and saw an average two-year growth of 3.6 percent.

“In July, some major indicators saw slowing growth due to the increase in overseas uncertainties and the impact of domestic floods and COVID-19 cases. But the indicators were still in a reasonable range, and the economy continued to recover,” said NBS spokesman Fu Linghui.

Fixed-asset investment went up by 10.3 percent in the first seven months. The figure was against Bloomberg’s 11.3 percent growth expectation and saw an average two-year growth of 4.3 percent. Investment in the private sector grew by 13.4 percent between January and July, accounting for 60 percent of total investment.

The surveyed jobless rate stood at 5.1 percent in July from 5 percent in June. China has set a target of 5.5 percent for the unemployment rate for the whole year.

The slowdown in major economic indicators resulted from a slew of growth headwinds, including heavy rainfalls and floods in Henan Province and the Yangtze River Delta region, outbreak of the Delta variant of the coronavirus in Nanjing, as well as targeted tightening measures in the property sector, said Lu Ting, chief China economist at Nomura.

Talking about the impact of floods on consumption, Fu said July’s consumption in provinces like Henan, Jiangsu and Hunan fell to varying degrees from June, and sectors like hotels and restaurants also saw slowing growth.

Fu said the slowdown was short-term and consumption recovery will likely continue. With more people vaccinated and new cases under control, as well as the rise in employment and residents’ income, the consumer market is expected to remain stable.

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