

China not ready to end support for property, CBRC's Li says

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June 4 (Bloomberg) -- It's not yet time for China to reduce or stop policy support for the nation's real estate industry, said Li Fuan, an official with the China Banking Regulatory Commission.

"Real estate in China is far from being at the end of its development and we are far from the point where we no longer need to support the industry, where we need to reduce or stop support," Li, head of the commission's banking innovation department, said at a forum in Beijing yesterday.

Concerns among investors that China will introduce a property tax and other policies to curb home prices fueled a 30 percent fall this year in an index tracking 34 real estate companies traded in Shanghai. China has already limited loans for third-home purchases and tightened down payment requirements, aiming to cool a market where growth in property prices topped 10 percent for three straight months.

Real estate "will be an important industry that continuously supports China's economic growth for the next 10, 20, 30 and even 40 years," Li said. The real estate industry needs as much as 60 more years of development before living standards nationwide can be brought to a "harmonious" and "well-off" level, he said.

Shanghai's index of property stocks fell 0.12 percent as of the 11:30 a.m. mid-day break today, while China's benchmark Shanghai Composite Index declined 0.2 percent. The benchmark has dropped 22 percent this year.

Property Prices

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Property prices in 70 Chinese cities rose by a record 12.8 percent in April from a year earlier after climbing by 11.7 percent in March and 10.7 percent in February, according to government data. The price gains spurred concerns that a record \$1.4 trillion of loans extended last year to combat the effects of the global financial crisis were causing asset bubbles.

Premier Wen Jiabao, in a speech to the country's annual parliamentary meetings in March, pledged to crack down on property speculation.

China's tax bureau yesterday announced minimum rates for pre-paid land taxes. The minimum rate for eastern China was set at 2 percent, the rate for western China was set at 1 percent and the rate for central and northeastern regions of the country was set at 1.5 percent, according to the State Administration of Taxation.