

China September Property Prices Rise, Defying Curbs

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China's property prices rose and transactions jumped in September from the previous month, underscoring the need for further government curbs to discourage speculation and prevent asset bubbles in the fastest-growing major economy.

Prices in 70 cities climbed 0.5 percent from August and the value of property sales soared 56 percent, according to data from the statistics bureau today. Prices rebounded for the first time since May on a monthly basis after staying unchanged in the previous two months and declining in June.

The data adds to challenges faced by Premier Wen Jiabao and policymakers who this year tightened down-payment requirements, suspended loans for third-home purchases, and pledged to speed trials of a property tax that may be rolled out nationwide. Nomura Holdings Inc. predicts average residential prices may fall as much as 10 percent by the end of next year as cities including Shanghai follow up with their own curbs.

"The government's true intention is to keep housing prices stable, rather than a substantial decline, which explains why they only use ad hoc and piecemeal tightening measures," said Shen Jianguang, a Hong Kong-based economist at Mizuho Securities Co. "Given the absence of a property tax and interest rates, the government still appears reluctant to use really biting measures that will be the most effective in cooling the property markets."

A property index, which tracks 34 Shanghai-listed property companies, has tumbled 20 percent this year, compared with a 12 percent decline in the benchmark Shanghai Composite Index.

Property Sales

Property sales volume rose 52 percent last month from August, the data show. Property prices gained 9.1 percent from a year earlier, slowing from 9.3 percent in August and beating the median 8.8 percent estimate in a Bloomberg News survey of six economists. The year-on-year price gain has slowed from April's 12.8 percent, a record for the data series, which began in 2005.

"The authorities may not see the property curbs as successful until prices fall by double-digits from a year earlier, so the current restrictions may last into next year," said Zhang Zhiwei, a Hong Kong-based economist at investment bank China International Capital Corp., before today's release. "Cash-rich developers may be able to resist cutting prices for a while."

Beijing, Shenzhen

Property prices rose 0.2 percent in September in Beijing, 1 percent in Shenzhen and 1.9 percent in Lanzhou, in northwest China, from August. Haikou, the capital city of the tropical island province of Hainan, was the only city among the 70 major cities monitored that had a

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drop in property prices.

"The government may not seek blanket cooling measures against the real estate market again, though it is possible that it will draft some selective policies if prices resume rising rapidly in some places in the coming months," said Lian Ping, chief economist at Bank of Communications Co. Ltd.

Prices will stabilize in the coming months and may drop if policies such as a property tax are introduced, Lian said. They are unlikely to decline significantly due to robust demand and the urbanization drive underway, he added in a telephone interview.

Property sales by volume rose 8.2 percent in the first nine months of the year to 632 million square meters (6.8 billion square feet), today's data showed. The value of sales jumped 15.9 percent to 3.19 trillion yuan (\$480 billion). Property sales by volume jumped 16.6 percent in September from a year earlier while sales by value rose 35 percent in the month.

Sales Strength

Today's numbers came in line with private data indicating strength in sales in September. In Shanghai, home transactions rose 82 percent by floor area from August, according to UWin Real Estate Information Services Co.

Shimao Property Holdings Ltd., a developer based in the city, reported a 30 percent increase in sales value from the previous month. Beijing-based developer Soho China Ltd. reported last month that it had already met a full-year sales target.

"Transactions may cool as clearer expectations of a property tax encourage home buyers to hold off on purchases," said CICC's Zhang. "On the other hand, abundant cash flows may enable developers to continue investment, especially in welfare homes, so that the impact of the property curbs on the overall economy remains limited."

Investment in real-estate development rose 35 percent to 515.6 billion yuan in September from a year earlier. That compares with a gain of 34.1 percent in August. For the first nine months, investment jumped 36.4 percent from the same period in 2009.