

China to push low-end homes to lower prices

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SHANGHAI -- China's State Council said Monday it will step up efforts to rein in what it calls an "overly fast" rise in property prices in some cities by boosting the supply of inexpensive public housing and redeveloping slum areas.

The pledge by China's cabinet underlines the top leadership's growing concern about long-term inflationary pressure building as a result of a fast economic recovery spurred by a government-engineered credit boom and massive public spending. Beijing also faces growing public anxiety over an overheated property sector, as well as a potential asset bubble in the stock market, which could eventually threaten social stability.

China's urban property prices grew at their fastest pace in 16 months in November, with residential prices surging 5.7% from a year earlier in 70 large and medium-size cities, according to National Bureau of Statistics data.

November's increase was the sixth in a row and the biggest since July 2008's 7% rise.

Wang Shi, the chairman of China Vanke Co., the country's largest property developer by market value, warned earlier this month that real-estate bubbles in some of China's biggest cities could spread to other parts of the country.

The State Council said a meeting chaired by Premier Wen Jiabao concluded that the country will speed up the construction of public housing, improve supervision of the property market and stabilize market expectations about property prices, according to the central government's Web site.

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China will redevelop slum areas, state-owned factories and mines over a five-year period, it said.

The State Council also said the government will encourage banks to lend for urban redevelopment and waive some taxes for certain projects, while curbing speculative property investments and preventing housing-related credit risks.

Chen Sheng, director of local research firm China Index Academy, said the government's comments on the real-estate market are in line with Beijing's goal of adjusting the economic structure in 2010.

The policy for the property market will focus on encouraging the building and selling of government-subsidized housing, rather than on regular and more expensive residential properties, he said.

Liu Kun, an analyst at Great Wall Securities, said: "In terms of boosting the supply of public housing, it's easier said than done because local governments, especially those in poor inland areas, either lack incentives or don't have the financial resources to do so."

Despite Beijing's repeated calls for boosting the role of cheap public housing in the country's property market, local governments have been reluctant and slow to respond.

Monday's move follows the state council's decision last week that, starting next year, sales of homes by individuals will be exempt from tax only after at least five years of ownership. The government in January had reduced the period to two years to encourage home sales.