PROPERTY NEWS

Weak sentiment again dominates housing market

By Cao Qian *Time:2018-1-3*

NEW home sales stayed above the 100,000-square-meter threshold for the third consecutive week in Shanghai, despite a minor retreat as sluggish momentum extended through the end of 2017, latest market data showed.

The area of new homes sold, excluding government-subsidized affordable housing, dipped 1 percent to 124,000 square meters during the seven-day period ending on Sunday, Shanghai Centaline Property Consultants Co said in a report released yesterday.

Outlying districts continued to outperform their downtown counterparts with medium to low-end houses remaining the most sought-after properties among local buyers.

Qingpu, despite a 16.7 percent drop from the previous week, registered weekly sales of 20,000 square meters. It was closely followed by Jiading, where seven-day new home sales jumped 58.3 percent to 19,000 square meters. Baoshan, which suffered a weekly plunge of 63.3 percent, and Songjiang, which saw growth of 22.2 percent, both recorded sales of around 11,000 square meters, according to Centaline data.

The average cost of new houses rose 8.3 percent from the previous week to 52,213 yuan (US$8,018) per square meter. Eight of the 10 most sought-after projects cost between 30,000 yuan per square meter and 50,000 yuan per square meter.

“Weekly sales of new homes barely managed to stay above 120,000 square meters while the most popular project sold less than 50 units, evidence that weak sentiment continued to dominate the market which often records a major rebound at the end of a month,” said Lu Wenxi, senior manager of research at Shanghai Centaline. “The slack momentum will probably extend further as the beginning of a year is usually a low season for property sales.”

A housing project in Chongming District became the best-selling development after selling 5,502 square meters, or 49 units, for an average 36,295 yuan per square meter.

It was trailed by a Shui On Land project in central Hongkou District which sold 3,358 square meters, or 15 apartments, for an average price of 103,457 yuan per square meter.

Monthly sales

The monthly statistics show new home buying sentiment recovered in Shanghai for the second straight month in December with average cost rising again amid stable performance in the medium-end housing segment.

Around 467,000 square meters of new homes, excluding government-funded affordable housing, were sold across the city in December, a month-over-month increase of 24.9 percent, Shanghai Centaline Property Consultants Co said in a report released yesterday. On an annual term, that represented a drop of 28 percent. The average price of the new homes rose 1.3 percent from November to 49,648 yuan (US$7,624) per square meter, a historic high in the city.

"Out of the 10 most popular projects, eight cost between 30,000 yuan per square meter and 60,000 yuan per square meter, suggesting continuing strong demand from first-time upgraders," said Lu Wenxi, senior manager of research at Shanghai Centaline. "That was also true on the supply side as a majority of the new homes launched last month cost between 30,000 yuan per square meter and 50,000 yuan per square meter."

Some 226,000 square meters of new houses were released for sale locally last month, up 343 percent from November, according to Centaline data.

New home transactions fall 18% last year

By Xinhua *Time:2018-1-8*

NEW home transactions in 50 Chinese cities fell 18 percent year on year in 2017 amid tough government curbs on speculation, a private survey showed.

The annual figure came in after transactions of new homes shed for the 10th consecutive month in December 2017, which was down 13 percent year on year to 27.37 million square meters, according to statistics compiled by E-house China R&D Institute.

New home transactions in Beijing and Shanghai slumped 38 percent and 28 percent in December, respectively, compared with the same period in 2016.

"This has reflected a cooling trend in the market," said Lai Qin, researcher with the institute.

China's property market has cooled as home prices have faltered or posted slower growth in major cities amid government policies to curb speculation.

Real estate investment in China rose 7.5 percent year on year during January-November last year, down from 7.8 percent in the first 10 months, official data showed.

Lai said local governments are set to maintain stable and consistent property policies, which could lead to a further drop in home transactions in January.

Shanghai’s sales of pre-occupied homes fall 57%

By Cao Qian *Time:2018-1-12*

SALES of pre-occupied homes more than halved in Shanghai last year while prices fluctuated moderately as local authorities strictly enforced tightening policies to quell speculation, hitting buyers’ sentiment.

The Shanghai Existing House Index Office said in a report today that stability would be the key word for 2018 as the rein-in policies are expected to be maintained.

Around the city, about 147,700 pre-owned houses changed hands in 2017, a plunge of 56.6 percent from 2016, the office said. In December, around 12,100 units of pre-owned homes were sold, up 5.2 percent from November and a year-on-year drop of 8.5 percent.

The index, which tracks month-over-month price changes in 130 areas, dipped 0.17 percent from November to 3,991 last month. That marked a year-over-year drop of 0.13 percent, according to the office.

“The monthly price index remained generally flat last year with only moderate fluctuations being recorded over the past 12 months,” the office said. “Looking forward, stability would be the key word for 2018 as no major relaxations on rein-in policies should be anticipated soon while the central government is stepping up its efforts to work on a long-term mechanism that aims to guarantee healthy development of the country’s real estate market.”

Meanwhile, pre-owned homes costing between 3 million yuan (US$459,467) and 5 million yuan took up 23.2 percent of the total sold in 2017. Those costing between 5 million yuan and 10 million yuan accounted for 10.1 percent while pre-occupied homes priced at over 10 million yuan grabbed nearly 3 percent, the office’s data showed.

Around 124,529 pre-owned homes were available for sale around the city by the end of December, a month-over-month fall of 6.1 percent and a year-over-year drop of 27.3 percent. By proximity to the city center, some 25,748 units were located within the Inner Ring Road, a fall of 7.5 percent. That compared to 63,400 units between the Inner and Outer Ring roads, down 6.2 percent, and 35,381 units beyond the Outer Ring Road, down 5.1 percent from the same time a year earlier.

“Continuously tight policies coupled with gradually changing expectations amid the government’s reiterated vows to increase rental supply have kept more home seekers on the sideline,” said Lu Wenxi, senior manager of research at Shanghai Centaline Property Consultants Co. “As a result, more individual owners are starting to offer larger discounts to lure buyers if sluggish momentum continues to linger over the local market.”

Currently, buyers of pre-occupied homes could get a 3-to-5 percent discount for medium to low-end houses while a price cut of between 5 and 10 percent is often available for more expensive housing, according to Lu.

ECONOMIC NEWS

Economy set for ‘stable growth’ this year

By Huang Yixuan *Time:2018-1-19*

CHINA’S economy is likely to experience stable growth this year, although continuing deleveraging efforts, regulatory tightening and subsequent liquidity concerns are the key challenges, says investment management services firm Fidelity International.

The stock market recorded one of its longest rising runs as it entered 2018, leading investors to the question whether the momentum can be sustained or whether a decline is due.

“The A-share market (shares listed on the Chinese mainland) hit the bottom in 2016 and since then it has experienced a continuous rebound. I believe the trend is likely to last in 2018, as valuation is still attractive in global content,” said Lynda Zhou, Fidelity’s equity portfolio manager.

She said that China’s ongoing supply-side reform will benefit cyclical sectors such as coal, steel and cement by fostering a more robust market with a better supply-demand balance.

In terms of sectors, a number of domestic brands in the automobile and home appliance industries have grabbed market share from foreign players in recent years. “Domestic automobile brands captured 40 percent of market share in China in 2017, compared to the 20 percent back in 2003,” Zhou said.

Also, high-end manufacturing is a market set to expand, as China is leading the way in surveillance and communication technology industries.

“China is on track to further accelerate innovation over the long term. All of these driving forces will propel the economic growth in 2018 and beyond,” Zhou said.

Corporate earnings are expected to remain strong this year despite an expected slowdown compared with 2017.

The overall valuation for A-shares is still below the global average, which is a chance for investors, while some overpriced stocks with high growth can expect a correction that will lead to additional market volatility.

As for the bond market, Freddy Wong, Fidelity’s fixed income portfolio manager, believes the authorities will step up further on regulatory tightening.

He added that inflation and the expected looming interest rate rise by the central bank can bring additional risks that might also drive the yield curve upward.

“Banking, property, consumer and infrastructure will be the major sectors dominating China’s bond market,” Wong said.

Slower but sustainable growth for Chinese economy in 2018

By Xinhua *Time:2018-1-22*

CHINA'S economic performance beat market expectations in 2017, but will the bullish momentum continue into the new year?

A moderation in GDP growth is the popular view among global investors given a high comparison base, while a more balanced and sustainable economy is expected to take shape faster.

China's economy totaled 82.7 trillion yuan (US$13 trillion) in 2017, expanding 6.9 percent as it picked up pace for the first time in seven years.

Stronger-than-expected growth data may indicate a further tightening of macro-prudential policy, but that does not change Japanese securities trader Nomura's economic view for China this year. It has raised its 2018 GDP growth forecast by 0.1 percentage point to 6.5 percent, with a gradual growth slowdown in coming quarters.

Global investment banks JP Morgan and UBS expect China's economy to expand about 6.7 percent and 6.4 percent this year respectively.

The property sector remains one of the major uncertainties facing China's economic growth in 2018.

No collapse or major loosening of property market management is in sight this year, but government policies including supporting rental housing and a faster-than-expected legislative progress for property tax might complicate market sentiment, according to Zhu Haibin, JP Morgan chief China economist.

UBS China economist Wang Tao estimated that property sales might lose momentum in 2018, while property investment and construction growth stay robust or soften only modestly until late this year.

Meanwhile, as the government's ongoing environmental protection and clean-up efforts kick into full swing through the peak heating season, industrial production and related investment activities should soften more visibly this quarter, Wang pointed out.

Externally, the normalization of monetary policies in developed economies might weigh upon the exchange rate and capital flow balance while more protectionist practices from the United States might dampen China's exports.

China's cross-border capital flows hit a turning point in 2017 as foreign currency reserves stabilized after two years of decline.

Zhu estimated that the basic equilibrium of capital flow will continue in 2018 with a stronger yuan, steady economy and improved market sentiment due to financial risk control efforts and other reforms.

Better manufacturing investment and robust external demand due to the recovering global economy may help to partly offset some upstream sector weakness, according to UBS.

Iris Pang, economist at ING, believes 2018 will be another good year for China, supported by consumption of goods and services and infrastructure investments.

ING expects manufacturing of high-tech products and parts to grow by more than 50 percent this year, cushioning the loss of production from overcapacity cuts in non-ferrous metals, shipbuilding and building materials.

Data from December and fourth quarter point to resilient growth momentum, which Nomura believes was driven by a robust expansion of the services sector, as it continued to benefit from China's economic rebalancing toward consumption and the Internet-led "new economy."

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