

POLICY REVIEW

Steps taken to drop housing stock

Inventory backlog needs to be cleared to ensure stable property market development

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China will keep an open mind on policies to clear the backlog of unsold houses, a signal that led analysts to expect the introduction of new measures and additional funding as part of Beijing's efforts to unleash more demand potential and stabilize the property market.

Addressing the issues related to existing housing stock and land utilization requires both creative initiatives with broadening perspectives, and steady progress in a prudent manner, according to a recent executive meeting of the State Council, the country's Cabinet, in early June.

It was stressed at the meeting that the development of the real estate industry has a direct bearing on the well-being of the people and the overall stability of the economic and financial system.

There was a call at the meeting to accelerate the establishment of new models for real estate development, improve the market-oriented plus government-subsidized housing supply system, and reform fundamental institutional frameworks, so as to promote the steady and sound development of the real estate market.

The meeting's emphasis on inventory clearance, after the adjustments recently made to the down payment ratios for first homes in most cities, indicates the government's recognition of the urgent need to address the existing surplus of housing units, analysts said.

The minimum down payment ratios for mortgages were revised in mid-May, setting them at no less than 15 percent for first-home buyers and 25 percent for second-home buyers, according to a joint notice issued by the People's Bank of China and the National Financial Regulatory Administration.

The country's central bank also further lowered mortgage interest rates, as well as that of the housing provident fund - a long-term housing savings plan made up of compulsory monthly deposits by both employers and employees.

The new policy has slashed the minimum down payment ratio for personal homebuyers to an unprecedented low. Moreover, with mortgage interest rates already at historically low levels, this latest adjustment is set to further refresh the record-breaking lows, said Yan Yuejin, director of Shanghai-based E-house China R&D Institute.

According to data from China Real Estate Information Corp, new home sales in 30 key cities, including Beijing, Shanghai and Tianjin, reached a total of 10.81 million square meters in May. This represents a 4 percent increase over the previous month and a 23 percent growth when compared to the average of the first quarter.

While a combination of policy measures has led to a recovery in certain key cities, the ongoing efforts to clear housing inventory still face significant pressure, Yan said.

In April, the inventory of new residential properties in 100 major cities across China, as shown by a report from E-house China R&D Institute, reached 50.02 million sq m. Concurrently, the average time required to clear this inventory stood at 26.5 months, doubling the reasonable threshold and hitting a historical peak.

The persistence of high inventory levels and prolonged clearance periods indicates that further efforts may be required to achieve a more sustainable market condition, said Guan Rongxue, a senior analyst at Zhuge Real Estate Data Research Center.

This is not the first time that the importance of inventory clearance has been



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emphasized. A tone-setting meeting on April 30 held by the Political Bureau of the Communist Party of China Central Committee, set in motion the fresh wave of efforts to reduce existing housing inventory and promote a more balanced market.

On the heels of the political bureau meeting, the Ministry of Natural Resources issued a notice, specifically addressing cities where the clearance period for residential properties exceeds 36 months, and emphasizing the suspension of new land auctions for residential development.

In cities where the clearance period for residential properties falls between 18 and 36 months, the notice entails dynamically determining the upper limit of newly allocated residential land based on the area of existing inventory that has been cleared within the year.

Various cities are actively exploring approaches to integrate inventory clearance efforts with affordable housing initiatives.

Lin'an district of Hangzhou in Zhejiang province recently announced plans to purchase a batch of commercial properties for use as public rental housing. The district has set specific conditions for the acquisition, including whole-building purchases, a required allocation of parking spaces and the properties being either completed or

expected to be completed within a year.

State-owned enterprises in Suzhou, Jiangsu province, have been encouraged to acquire a portion of the existing inventory of residential properties at fair prices for conversion into affordable housing options for their staff.

The central bank has provided 300 billion yuan (\$42.3 billion) to 21 financial institutions to lend to state-owned enterprises so they can buy unsold apartments that have already been built for affordable housing projects.

The purchase of affordable housing projects by state-owned enterprises is not meant to be a simplistic solution involving large-scale acquisitions. Instead, it serves as a measured response to fill temporary gaps in the market, said Xu Hongcai, deputy director of the China Association of Policy Science's Economic Policy Committee.

By considering local development plans and demand, these enterprises can act as catalysts and aim to supplement and address temporary market shortages, Xu added.

In the current residential property purchasing policies in China, down payment requirements and mortgage interest rates have reached historical lows, providing substantial support to prospective homeowners. Looking ahead, attention will shift

to the fiscal and taxation aspects of the real estate market as part of ongoing efforts to maintain stability, said Zhao Wei, an analyst at Founder Securities.

In this round of measures, the emphasis will be on providing personal income tax rebates to individuals who meet specific conditions when purchasing a home, Zhao said.

However, there have been no significant adjustments to policies regarding tax and fee incentives for homebuyers or the special deduction of personal income tax for housing loans. These areas may be potential components of future measures to stabilize the real estate market, Zhao added.

In addition, in an effort to reduce the financial burden on homebuyers and create a more favorable market environment, a unified reduction at the national level in terms of property transfer tax rates might be a viable option, said Chen Wenjing, director of research at China Index Academy.

But in smaller cities, where housing prices are generally lower and the amounts of property transfer taxes are not substantial, the overall impact of more significant property transfer tax incentives on the real estate market may be weaker, Chen added.

Policy Digest

National-level fund set up for large aircraft development

The Ministry of Industry and Information Technology and the National Natural Science Foundation of China have set up a joint fund for basic research into large aircraft.

The ministry and the foundation signed a cooperation agreement on Friday to set up the fund, the ministry said in a statement.

The fund will focus on the country's major and strategic needs in the sector of large aircraft, and will serve to support basic, prospective and innovative studies to address the sector's needs, including those for safety, reliability, environmental friendliness and intelligence.

Jin Zhuanglong, minister of industry and information technology, encouraged those in the field to pay more attention to collaboration among colleges, research institutes and enterprises, in a bid to streamline the development chain of scientific projects from basic theories, technological validation to production and industrial application. In this manner, China's foundation in large aircraft development will be solidified in the long run, he said.

Dou Xiankang, director of the National Natural Science Foundation of China, said the establishment of the joint fund is an important measure the foundation and the ministry have taken to further promote the development of domestic large aircraft.

The joint fund is aimed to attract and mobilize science and technology resources and innovative talents from all over the society to help the country build a high-level independent innovation system for large aircraft development, according to Dou.

The scale of the fund was not immediately disclosed.

Seized counterfeit goods destroyed in publicity events

A nationwide event was held on Friday to destroy seized counterfeit goods.

More than 200 kinds of counterfeit products worth 330 million yuan (\$45.5 million), including clothes, shoes, food, medicines, makeup, cigarettes and alcohol, were destroyed at the event, the State Administration for Market Regulation said in a statement.

The event was held simultaneously at the main venue in Linfen city, Shanxi province, and sub-venues in 21 provinces, autonomous regions and municipalities.

The counterfeit products were disposed of in an environmentally friendly and harmless way, the administration said.

In recent years, various regions and departments have held numerous events to destroy counterfeit products in an effort to strengthen the protection of intellectual property rights and the rights of consumers, it said.

Notice calls for comprehensive survey of country's coral reefs

The Office of the Ministry of Natural Resources has issued a notice to strengthen the protection of the country's coral reefs.

The notice, released on the ministry's website last week, was issued to relevant authorities, including the natural resources and maritime authorities in the coastal provinces of Zhejiang, Fujian, Guangdong and Hainan, as well as the Guangxi Zhuang autonomous region.

It called for a national survey and assessment to determine the current situation of the country's coral reef ecosystems, as well as an enhanced system to monitor and issue alerts about coral reefs.

The notice put forward a series of requirements for improved protection of coral reefs, including asking relevant authorities to fully implement the "ecological conservation red line" system and strictly conserve the coral reefs that fall within the red lines.

The notice also called on authorities to conduct solid investigations to determine the causes of degradation and the restoration potential of coral reefs, and to take targeted measures accordingly, while focusing on approaches that help coral reefs restore themselves.

WANG QINGYUN

Homebuyers tempted by small, older inner-city properties

By WANG KEJU

Once shunned by the market, small and older homes, typically referring to second-hand properties in core urban areas with a history of over 20 years, are now gaining popularity in China due to improved affordability and favorable financing conditions.

Various regions have been implementing new policies from the central bank, including reduced down payment requirements, the removal of the lower limit on mortgage interest rates, and decreased housing provident fund rates, contributing to a faster turnover of small and older homes in the market.

In mid-May, a property located in an apartment complex in Chengdu's Jinjiang district, Sichuan province, was sold after being listed for just a single day, according to data from Beike, a real estate agent focusing on the secondhand market.

The apartment complex, constructed between 1988 and 2003, saw a remarkable surge in sales during May, with seven properties changing hands. While one property had an extended sales cycle of 254 days, the remaining properties were sold within a month.

There has been a noticeable increase in inquiries and transactions for small and older homes, said Chen Yingjie, an agent at Deyou, a real estate brokerage in Chengdu.

The availability of schools, transportation infrastructure and other supporting facilities in the vicinity contributed to the higher demand for these properties, leading to increased consultation and faster transaction cycles, Chen added.

"We have witnessed an influx of inquiries from individuals residing outside Chengdu who are seeking information about purchasing properties. Among these inquiries, a significant number originate from nearby cities surrounding Chengdu," he said.

Buyers from these neighboring areas are particularly interested in purchasing homes in Chengdu, with budgets ranging from approximately 1 to 1.5 million yuan (\$137,000 to \$206,000), Chen added.

According to monitoring data from Beike Research Institute's Chengdu branch, the proportion of secondhand properties priced below 1 million yuan continued to rise in May, indicating a positive trend in Chengdu's real estate market.

The proportion of properties priced between 1 million and 1.5 million yuan experienced a slight increase, reaching a relatively high level in the past year, suggesting a weak recovery state.

In terms of unit size, compact two-bedroom apartments covering 80 square meters or less and three-bedroom apartments covering 80 to 100 sq m each accounted for approximately 20 percent of the market share.

Besides Chengdu, in various first- and second-tier cities, including Shanghai, Guangzhou, Hangzhou, Dongguan and Kunming, data from Beike revealed a significant rise in transactions for small and older homes.

Notably, alongside the surge in transaction volume, the selling time for these properties has considerably shortened compared to the previously prolonged periods that could span over a hundred or even several hundred days.

Statistics from real estate agency 5i5j showed that the second phase of the Cuiyuan apartment complex in Hangzhou, provincial capital of Zhejiang, saw a record-breaking 16 transactions in May.

Last year, the residential area registered a total of 38 transactions, while as of May this year, the transaction volume has already reached 44 transactions.

Many aging residential communities in Hangzhou have seen a decline in the prices of secondhand homes, reaching levels com-

parable to those seen in 2017. These properties now offer a favorable cost-performance ratio, attracting buyers seeking affordable options in the real estate market, said Li Lin, an agent from real estate broker Lianjia in Hangzhou.

The appeal of small and older homes in core urban areas lies in their potential for value appreciation and proximity to prime locations, said Yan Yuejin, director of the Shanghai-based E-house China R&D Institute.

These properties often have the advantage of being situated in well-established neighborhoods with convenient access to amenities and transportation networks. Furthermore, their affordable prices make them an attractive option for buyers with limited budgets, Yan said.

While the immediate purchase of a small and older home may offer a cost-effective solution for buyers, there is also the prospect of future demolition and redevelopment projects, which could provide opportunities for capital gains. This potential for increased value adds to the allure of these properties for buyers, he added.