Property norms may be eased

China is prepared to take a more flexible approach in vetting property investment by foreign institutions without modifying its existing policy, government and industry sources said.

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This change in approach is part of the government's latest efforts to revitalize property markets. Real estate investment growth in the country slowed to 22.7 percent during the January-November period, down from 24.6 percent in the first 10 months, according to the National Bureau of Statistics.

"So far, we haven't received any instruction to revise the policy on foreign investment in the real estate sector," said an official from the Ministry of Commerce, who preferred to remain anonymous.

"But as the power of examination and approval has been transferred to the local authorities, they can take a more flexible approach on each property project and to speed up the process," he added.

In the past few months, the Chinese government has launched a slew of measures to revitalize the property sector. The sector is one of the biggest drivers of domestic consumption contributing a quarter of fixed-asset investment and employs over 77 million people.

However, none of these measures touched on foreign institutional investment.

"Before the government sees a clear trend of the foreign capital flow, it will not rush into changing its policy," a source with the China Real Estate Association told China Daily.

Ji Gang, head of investment at Savills in Beijing, said there is no obvious fall in the number of foreign investors contacting him, but transaction volume has been plummeting. Savills is an international real estate agent.

"More foreign investors are apparently taking a much more cautious approach now and have adopted a wait-and-see attitude," said Ji. Those who wanted to buy now are finding it "difficult to obtain bank financing because of the global credit crunch".

Statistics from Savills Beijing show that only five large-scale property transactions involving foreign institutional investors were inked in 2008, compared with 14 in 2007.

"But interestingly, more foreign developers, with most of them from the US and Europe, are showing an interest in developing projects in China because they are confident that the Chinese market will recover at a much quicker pace than those in the developed economies," Ji said.

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