

Economy

Rules are tightened for house purchase

By Hu Yuanyuan (China Daily)
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BEIJING - The central government has raised the required downpayment for a family purchasing a second house from the existing 40 percent to 50 percent, as the latest measure to curb soaring property prices and prevent growing financial risks.

The decision was made during a State Council executive meeting presided over by Premier Wen Jiabao on Wednesday evening, showing the government's resolve to cool the sizzling real estate market.

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Property prices in 70 of China's large and medium-sized cities rose 11.7 percent on a yearly basis in March, data from the National Bureau of Statistics (NBS) shows. It was the biggest year-on-year increase for a single month after the NBS expanded its coverage to 70 cities in July 2005.

According to the State Council's decision, the downpayment for a family's first home with an area bigger than 90 square meters should be at least 30 percent. And for the second apartment it should be at least 50 percent, with the mortgage rate 1.1 times the

benchmark interest rate. Moreover, a much higher downpayment and mortgage rate will be adopted for the third home and above.

"Lending policy is the most effective way to curb the excessive property price growth in some cities," said Qin Xiaomei, chief researcher of Jones Lang LaSalle Beijing.

Along with skyrocketing property prices, the concern over an asset bubble and potential financial risks is also growing.

Liu Mingkang, chairman of the China Banking Regulatory Commission, said at the recently concluded Boao Forum for Asia that the banking system has plenty of ways to deal with risks arising from the property sector's downside pressure. He said some banks in Beijing have voluntarily raised downpayment ratios for second or multiple home purchases to 60 percent.

Meanwhile, the government also largely increased the supply of land, low-rent housing and economically affordable homes, aiming to improve the supply and demand imbalances.

The Ministry of Land and Resources announced on Thursday it would allocate 180,000 hectares of land to build residential housing, more than double last year.

"All these measures, if soundly implemented, will effectively prevent property prices in some cities from skyrocketing further. And a soft landing of the real estate market could be expected," said Qi Fan, an analyst with US real estate brokerage firm Century 21.

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