

Sharp falls in China's once-booming property market

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By Rob Young Business reporter, Hangzhou, Zhejiang province

Ye Jian is looking for two things - love and an apartment.

The 28-year-old medical equipment salesman is trying to find a girlfriend at speed-dating events, but without much luck so far.

Over a pot of tea in a restaurant, he tells me he is having no more success in finding a property that he can afford.

Despite prices falling sharply in Hangzhou, Jian is still struggling to find a place of his own -even with a decent salary.

"I'm keeping a very close eye on the falling prices, and will keep doing that," he says, between slurps of chrysanthemum flower tea.

Prices across China surged in the decade up until the beginning of this year.

The government decided to try to take some heat out of the market, so people like Jian would have a chance of buying.

The policy seems to have worked, but perhaps a little too well.

Property values have recently been falling fast in many Chinese cities, and some say that a property bubble could be bursting.

At one property development here in eastern Hangzhou, the asking price of new apartments has been reduced by 25%, compared to the original sales price in 2011.

"The central government wants to see the falling prices, but at the same time wants it to go slowly"

The show flat is decorated very extravagantly, with a chandelier in the living room and a large walk-in wardrobe as big as a bedroom.

The sales agent, who only gives her name as Miss Wang, shows me around.

She explains it is a "perfect apartment" for a three-person family - a family that can afford \$900,000 (£530,000), that is.

"The banks have tighter cash flow. People think the government might launch something like a property tax. That would make the price go a bit lower so buyers have started to wait and see," she explains.

Developers and builders seem keen to cash in as soon as they can.

"The real estate developer wants to get their investment back. That's why we're giving a better discount," she says.

The risk for developers is that buyers will continue to wait, and so prices will continue to fall.

Yet despite falling prices, it seems as if Hangzhou is ringed by building sites.

In one northern suburb, a dozen apartment blocks are being built. They're going up at quite a speed.

At one, a man in a white hard hat is precariously balanced on the edge of a lower floor, banging in some flooring. A man next to him is leaning down, cigarette in mouth, to grab a saw.

At another building site, a large, bright red sign publicises the fact that the aim is to shift these new flats as quickly as possible.

It offers "zero deposit and 0% interest rates".

A controlled fall?

Two men walk past a row of empty stores Two men walk past a row of empty stores at a recently-built shopping centre in Beijing

For many economists this has all the hallmarks of a property bubble, though they disagree about whether it is bursting or merely deflating.

"Housing construction has some kind of bubble, since there have been many investments in the sector," says Cai Fang, a member of the Standing Committee of the National People's Congress (NPCSC) and an adviser to the government.

Sitting in his central Beijing office, he highlights the balancing act the authorities are trying to pull off.

"The central government wants to see the falling prices, but at the same time wants it to go slowly."

Yet, in Hangzhou, some of the price falls have been fast.

One property developer's office in the city was smashed up by buyers.

They were angry they had paid more for their apartments a year ago than their new neighbours were now paying.

"A lot in China depends on confidence, and it's a matter of trying to get the middle class to think the value of their investment will go up again," says Jonathan Fenby, China director at Trusted Sources.

Political risk

It's not just households' balance sheets which are exposed.

The property market - including construction, furnishing, sales of white goods and so on - is varyingly estimated to make up 15-30% of China's economy.

Jonathan Fenby warns that there's a risk for the Chinese economy and its leaders too.

"If there were a serious property crash, that would be politically a very big danger."

But it could be good news for Ye Jian, the man in Hangzhou searching for an apartment.

"I hope the prices keep going down," he says.

He's carrying on search for a girlfriend, too. He didn't find anyone he liked at the speed-dating event.