

China real estate market: how firm the hell it is?

Description

I cannot help asking this question.

I have been bearish about China property market for long after the fanatic price hike in 2009, but it seems that I am always on the wrong side. But recent development and the common atmosphere felt turn me a bear again. Just now, a piece of news that Younger group (domestic giant garment/suit manufacturer) published an announcement that they would make provision for their loss of deposit of RMB 484.2 millions in relation to its bidding of two parcels of land in Hangzhou city, Zhejiang province China.

Analysis said that this is a token that the fantasy of China's real estate market being a deep gold mine is coming to its end soon. In its announcement, Younger said that it made the decision based on its belief that considerable changes in real estate market policies, market position and supply and demand conditions have taken place.

However, in the meantime, there are still much news saying many developers will continue to pour their money into the market esp the commercial real estate sector which seems to breed new hope for growth. But downside stories about commercial real estate can be easily found online indicating that even the commercial real estate has been saturated already.

With the new leadership in the central government of China installed, the new administration is apparently taking to a new route in managing Chinese economy, departing resolutely from the old methodology which relied heavily on fixed asset investment to keep the economy afloat. The recent credit crunch in Chinese financial market has demonstrated that departure.

With this new thinking in place, the real estate market will be profoundly affected, not on its face but on its root.

Recent online discussion and mentality also indicated that the public's mentality about Chinese real estate market is changing also with less people enthusiastic about continuous price hike in the future.

I personally hold that the market has come to its turning point very soon given the central government maintains its momentum in reforming the economy.

What do you think?

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