Today, July 15, 2020, Shenzhen local municipal government stepped up new measures to curb local frenzy property market that has made many observers drop jaws.
However, in all other first-tiered cities like Beijing and Shanghai, the property markets have been pretty steady without much obvious rise or fall esp in Shanghai where I live and work, making Shenzhen look particularly conspicuous despite the adverse impact caused by the ongoing corona-virus pandemic.
Shenzhen is very special city in China in many aspects: its local economy is primarily driven by private sector in sharp contrast to Beijing and Shanghai, it is a young city with a much younger population, it is a city that most welcomes migrants from within China and grants them household registration status (China hukou system), it is China's real silicon valley home to many thriving IT, e-commerce unicorn businesses. By the way, Huawei and Tencent, the two giant companies are grown out of that part of China land.
Here are the main measures installed by the new regulation:
1. Repress Property Demand
This is the major blow dealt by the new regulation. Now even people with household registration in Shenzhen shall have to have at least three-year records of paying individual income tax or contributing social insurances in order to be qualified to purchase local properties in Shenzhen.
Anecdotally, I personally have transferred my household registration to Shenzhen in March of this year just for the purpose of purchasing a property in Shenzhen, there is no requirement of records of personal income and social insurance payments , but now I am kicked out.
In practice, many families, in order to be qualified for purchasing local properties, conduct fake divorce. Now the new policy specifically addresses this issue by providing that a divorced person who wishes to buy property within three years after the day of divorce, he or she would be deemed not divorced when calculating his or her property holdings. This may be the first rule of its kind throughout China.
2. Limit Availability of Mortgage Loan
Most people buying properties in China take out a bank mortgage loan to finance their purchase. Indeed, much of the property market bubble is blown big by easy access to financing.
The new policy provides:
(1) only those families that don't have any local home and don't have any mortgage loan records can now buy their first home (ordinary or luxury) with up to 70% mortgage loan;
(2) families that have no local property but have record of mortgage loan (referring to one of

the family members having bought properties with bank loan in the past but having sold the property) shall now pay a down payment at least 50% of the ordinary property price and at least 60% of luxury property price;
(3) in case that the family have already one home in Shenzhen, then they shall pay a down payment of at least 70% of the ordinary property price and at least 80% of luxury property price.
This has made it very hard for people to finance their purchase of local properties unless they have a big amount of cash.
3. Adjust Standard of Ordinary Property
Ordinary properties carry with them less taxes and greater portion of mortgage loan as indicated above.
Now Shenzhen government set the standard of ordinary properties as follows: the living compound has a greater plot ratio than 1.0, and the size of the property is less than 144 sqm in regard of gross floor area, and the total value is less than RMB 7.5 million (a bit more than USD 1 million).
There are other points of lesser importance in the new policy.
These new measures surely send chill to local property market and the property prices will witness substantial drop soon.