New curbing measures send chill in Shanghai property market

Description

Just the other day, on the night of November 28, Shanghai government has stepped up a few new measures to cool down the property market that has despised the previous two rounds of curbing measures in this year.

Basically, the new notice issued by Shanghai government says that

1. families that purchase property in Shanghai for the first time (meaning having no other properties in Shanghai and having no record of mortgage loan in Shanghai) are entitled to obtain a mortgage loan accounting for up to 65% of the property price, and in other words, the down payment for the buying the property is at least 35%;
2. families that already have one property in Shanghai or have records of using mortgage loan in the past, shall pay a down payment of not less than 50% in the case of purchase of an ordinary property, and not less than 70% in the case of a non-ordinary property, resulting in mounted financial pressure on those buyers.
3. the banks shall scrutinize application for loans more strictly and may apply higher interest rate and lower mortgage loan rate in the case of investment, and speculative purchases.

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It shall be noted that the ordinary and non-ordinary properties in Shanghai are decided on the rules issued by Shanghai government back in 2014. Under the old rules, most properties within Shanghai's outer ring road are non-ordinary properties.

The new notice apparently has a chilling effect on the property market that have had a fever from the very beginning of this year. The buyers of two properties entrusted to me for sale by my clients immediately notified me of their inability to go ahead with the deals.

It is obvious that many buyers nowadays in Shanghai property market are investors not really first-time home-buyers, many of which have had used mortgage loans in purchasing properties in the past. The new rules will filter out a great number of buyers who can otherwise purchase properties in Shanghai, taking the heat out of the property market.

However the market is not dead, and there are still deals being made every day. So if you wish to cash in on your properties in Shanghai, you may seriously consider it now.

As for the future, nobody can tell. While most people think the market is now at its peak, the reality may well pull a trick on those people, which happened repeatedly in the past.

Date Created
December 2016
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