

**CHINA'S "NEW DEAL" MEASURES
TO COPE WITH ITS
BUBBLING HOUSING MARKET**

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Executive Summary

1. Since December 2009, China has implemented a series of policy measures dubbed by the media as the “New Deal in Housing Policy” (*fangdichan xinzheng*, 房地产新政), to cool down the housing market.
2. For retail buyers, the New Deal is a combination of mortgage restrictions, purchase quotas, and extended waiting period for resale to curb individual housing purchase for investment or speculative purposes.
3. For institutional players, the New Deal tightens regulations and imposes financial restrictions to discourage or prevent developers or government-linked companies from purchasing land for hoarding or resale.
4. The monetary policy has also been tightened to increase investment cost and the government has pledged to increase the supply of housing, especially low-cost housing.
5. The New Deal was formulated to ease social and economic tensions caused by the steep rise in housing prices, especially in major cities. The emergence of a property bubble has been evident by various gauges.
6. The emerging property bubble has been a threat to macroeconomic stability and financial security. It also frustrates and incenses people (especially the young and newly immigrated urban residents) who aspire but have yet to become home owners.
7. The impact of the New Deal is evident in some cities where housing prices are plateauing. However, the central government has to proceed with caution to ensure that the New Deal will not prick the property bubble abruptly and derail the momentum of national economic growth.

8. Local governments rely heavily on the so-called *tudi caizheng* (土地财政, land-sourced fiscal revenue) for their budget needs. Investors and speculators, including many middle- and upper-class urban residents, fear that the burst of the bubble would reduce the value of their assets.
9. Real estate developers, many of which are state-linked businesses, have also benefited from a booming housing market. Banks consider mortgage loans as their best assets.
10. Implementing the New Deal measures is also not easy. Differentiating between first-time home buyers and multiple-home buyers is an example.
11. Due to the multiple interests and high stakes involved, the government has to proceed with the New Deal cautiously. There are signs that the government may soon fine-tune the New Deal measures to ensure that they will not jeopardize macroeconomic stability.
12. In the long run, policy makers in Beijing will have to answer to the challenge of providing affordable homes to the hundreds of millions of rural migrants who move to work and live in the cities. Fiscal restructuring at the city level is necessary to provide appropriate incentives for local governments to facilitate the development of low-cost housing.

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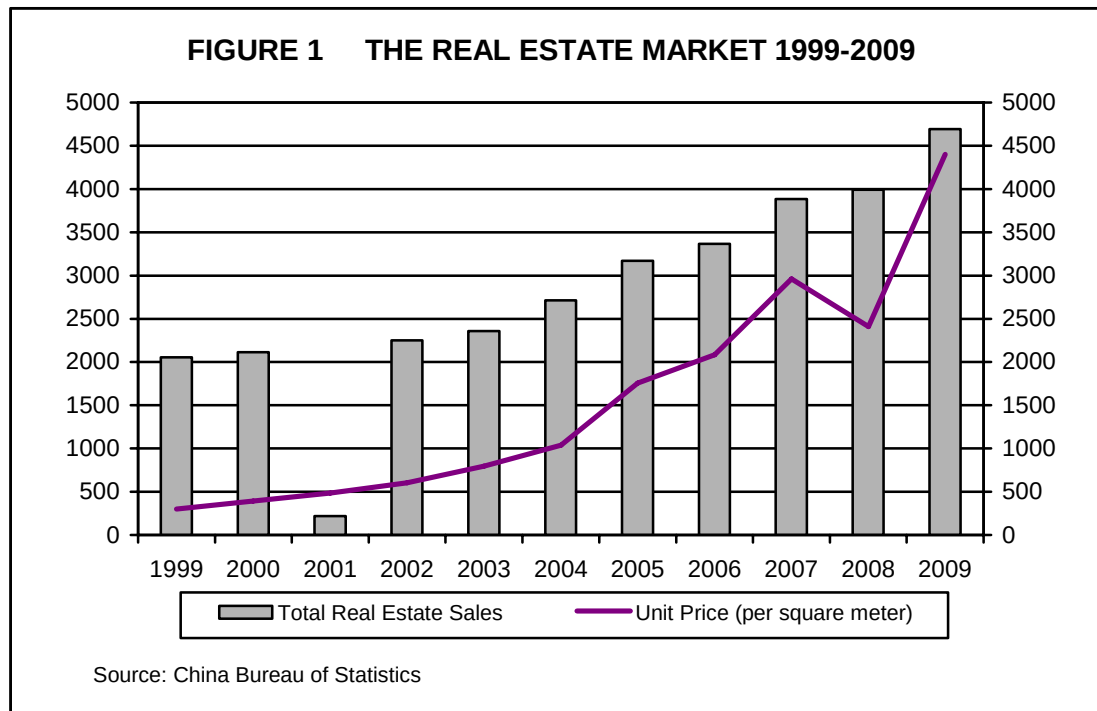
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New Deal in Housing Policy: Highlights

- 1.1 Since December 2009, the Chinese government has implemented a series of policy measures dubbed by the Chinese media as the "New Deal in Housing Policy" (*fangdichan Xinzheng*, 房地产新政). These measures have been initiated to cool down the overheated commodity housing property market since mid 2009.
- 1.2 The New Deal has the following key policy elements (Appendix):
- Banks will implement a combination of mortgage restrictions, purchase quotas, and extended waiting period for resale to curb individual housing purchase for investment or speculative purposes;
 - Various central regulatory authorities are required to tighten regulations and financial restrictions to discourage or prevent developers, government-linked companies, and other institutional players from purchasing land for hoarding or resale;
 - The People's Bank of China will be implementing a monetary policy to increase investment costs.
 - Central and local governments will increase the supply of housing, especially low-cost housing.
- 1.3 The New Deal measures have been triggered by an unexpected rapid rise of housing prices in major Chinese cities since mid-2009. This round of housing market boom continued from an earlier bull run following the successful

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housing reform in the late 1990s (Figure 1). The rally of housing prices and sales was only temporarily interrupted by the 2008-09 global financial crisis.



1.4 The red hot real estate market is attributed to the urban land transfer and redevelopment system managed by the local governments, which have been both a prime benefactor and beneficiary of the housing price boom. The land transfer from local governments to real estate developers has become a significant source of revenue for the local government coffers.¹ Although government revenue from transfer of land has increased significantly, most local governments have made little progress in low-cost housing projects since there is little incentive for them to work on projects that do not generate much revenue.

1.5 With the steep rise in housing price and the under-supply of affordable housing, China's new urban middle class, in particular young urban migrants, find it increasingly difficult to settle in first tier metropolitan centers and even

¹ "How Long Can Local Government Rely on Land Finance?" Xinhua News Agency, Apr 1, 2010

provincial cities. There is a wide and prevailing sense of deprivation of proper housing among the young generation. The New Deal is a policy response to this public anxiety.

- 1.6 Meanwhile, rising housing prices have raised the concern of real estate bubbles. Both demand and supply of the real estate market, including home purchase and land acquisition and development, are mostly financed by loans from the state-dominated banking sector. The central government has every reason to fear that a further rise in the housing price will cause a burst in the property bubble, which in turn will jeopardize the whole economy in general and the banking sector in particular.
- 1.7 The New Deal has yet to meet public expectation. Despite noticeable reduction in the transaction volume in the real estate market, housing price has remained high or even continued to rise in some segments of the market.²

Main Measures of the New Deal

For Retail Buyers

- 2.1 The New Deal aims to curb individual purchase of commodity housing for investment or speculative purposes. The period a property owner has to wait before he or she can sell the property without sales tax has been extended from two years after the purchase to five years after the purchase (Jan 1, 2010).³
- 2.2 Banks were strongly recommended to substantially raise the minimum down payment for housing purchase based on mortgages (Jan 7, 2010; March 10, 2010) and to stop or suspend mortgage loans to households that already own

² A survey of Sohu at the end of May indicates that 89% netizens regard the current performance of the New Deal as lower than expectation. See <http://jn.focus.cn/news/2010-05-28/946834.html>

³ The date in brackets refers to the date of first announcement.

two housing units (April 17, 2010). They were also told to restrict mortgage lending to non-local house buyers (April 17, 2010).

- 2.3 Property buyers are now required to use their real names for the transaction (April 20, 2010) and the number of housing-unit ownership of a household has also been redefined to include all units owned by household members (May 26, 2010).

BOX 1 CATEGORIES OF CHINA'S URBAN HOUSING

- *Shangpin fang* (商品房) = **Commodity housing**, which is developed by profit oriented developers and sold at market prices.
- *Fei-shangpin fang* (非商品房) = **Non-commodity housing**, which further includes:
 - *Fuli zhufang* (福利住房) = **Welfare housing**, which refers to housing units built by state-owned institutions to accommodate their staff before the housing reforms in the 1990s. After the housing reforms, most of these properties have been sold to their occupants at subsidized prices and thus become private properties while some have been traded in the resale housing market as “commodity housing”.
 - *Baozhangxing zhufang* (保障性住房) = **Subsistence housing**,⁴ which has been provided by government-initiated projects since 2007 for lease or sale to lower-than-middle-income households. The construction, rental or resale of such housing units are strictly regulated by the government.

⁴ The term *baozhangxing zhufang* (保障性住房) is sometimes translated as “indemnificatory housing”, referring to housing units provided as compensation for housing acquired for redevelopment. The term is also used interchangeably with Affordable Housing (*jingji shiyong fang*, 经济适用房).

BOX 2 LAND RIGHTS IN CHINA

China's Constitution states that all urban land is state-owned but user right can be transferred. The user right is valid for 70 years in the case of residential use, 40 years for commercial, tourist, and entertainment use, and 50 years for industrial, educational, and all other uses.⁵ China's *Real Right Law* (2007) ensures the sanctity of ownership of properties on land (including realty and chattels).⁶

For Institutional Players

- 2.4 The purchase of land for hoarding or resale has been made more difficult for institutional players (developers, government-linked companies, etc) with the shortening of the time period allowed for developers' instalment payment for land transaction and the increase in first instalment payment threshold (December 17, 2010).
- 2.5 Stricter regulations have also been imposed on the minimum transfer price of land. Bidding deposits were raised and the portion of land transfer price to be paid within one month after signing the contract has also been increased (March 10, 2010).
- 2.6 The State Asset Supervision and Administration Commission has ordered 78 central-government-linked enterprises which are not in the real estate business to wrap up their existing real estate projects and withdraw from the real estate market (May 18, 2010).
- 2.7 Rules have been tightened for developers who are engaged in the pre-sale of housing units they have yet to build (April 20, 2010). The minimum pre-levy rates of Value-Added Tax (VAT) for land on real estate developers have been

⁵ *Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-Owned Land in the Urban Areas.* (Decree No. 55 of the State Council of the People's Republic of China on May 19, 1990).

⁶ *Real Right Law*, <http://www.law-lib.com>

raised; national and local tax authorities have taken measures to enforce the VAT pre-levies (June 3, 2010).⁷

- 2.8 The Ministry of Land and Resources has acted to beef supervision of housing land use, establish an open system of housing information and launch ad hoc inspections for land use projects to crack down on land hoarding and misuses (March 10, 2010).
- 2.9 Measures have been pledged by the Ministry of Housing and Urban-rural Development to increase supply of commodity housing and subsistence (low-cost) housing. Now, no less than 70% of housing land would have to be reserved for subsistence housing and owner-resident small-sized housing units (April 17, 2010).
- 2.10 On its part, the ministry has pledged to build 3 million units of subsistence housing and renovate 2.8 million units of slum-area housing through central government planning and special subsidy funds (April 17, 2010). It has also announced plans and guidelines for developing public leasing housing projects (June 13, 2010).
- 2.11 On the financial front, the central bank has tightened its monetary policy by raising the reserve ratios of banks by three times (by 0.5% each time) (Jan 18, Feb 25, and May 10, 2010). It has also imposed stricter regulation on bank lending and banned the use of liquidity loans for fixed capital investment, portfolio investment, or other production and operation prohibited by the state (Feb 20, 2010)

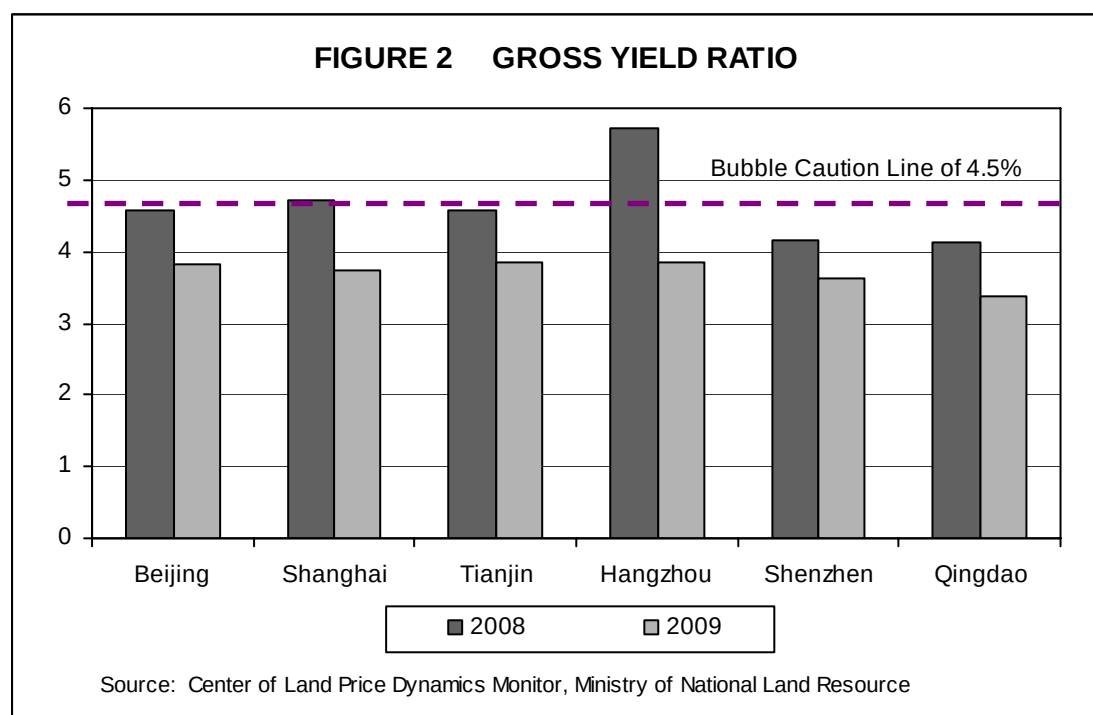
⁷ Value-Added Tax is supposed to be levied on the value gained through resale of the housing property. The government, however, requires a certain amount of VAT to be pre-levied for expected land value gains when a real estate property is purchased from the developer. The minimum pre-levy rates have been raised to 2% for east-coastal provinces, 1.5% for central provinces, and 1% for western provinces since June 2010.

Rationale of the New Deal

- 3.1 The New Deal was formulated to ease the social and economic tensions caused by the steep rise in housing prices, especially in major cities. Prior to the 2008 financial crisis, property prices in China were already in a bull run (Figure 1). This earlier round of housing market boom was triggered by the successful housing reform of the late 1990s, which was launched after years of trials and errors.
- 3.2 In 1998, the State Council issued a landmark guideline for housing reform, which abandoned the four-decade practice of allocating public welfare housing to individuals. From then on, housing benefits for staff at all levels of government and state-owned institutions were “monetized” into salaries while almost all welfare housing estates were “commoditized” (i.e. privatized), giving rise to a new housing property market. Real estate investment had accelerated and sustained several years of continuous double-digit growth after the launch of the reform.
- 3.3 The pre-crisis housing market boom was aided by the government’s decision to *gaohuo* (搞活, invigorate) the property market and stimulate domestic demand by introducing a series of waivers and exemptions of property tax, sales tax, and stamp duties for some categories of housing and business properties in 2001-2002. A further twist was the State Council’s 2003(18) Gazette, which promoted the real estate sector to become one of China’s “pillar industries”. That document signals the government’s strategic plan to make the real estate development a new growth engine for the national economy. On the other hand, partly in concern for the rapid depletion of farmland and partly to fight corruption in land transfer business, in July 2003, the government decided to control land supply and in August 2004 tighten the rules for land transfers.⁸

⁸ Shang, *ibid.*

3.4 Alarmed by the rapid rise in housing prices, from 2005 to 2006, the government announced measures to regulate and cool down the housing market. These measures included imposing restrictions on resale of pre-sold housing units; tightening loan conditions for developers and buyers; and enforcing sales tax and other transaction taxes, etc. Despite these measures, housing prices continued to rise at an accelerating pace (see Figure 1).



3.5 Even prior to the financial crisis, housing prices in major Chinese cities were observed by many to be extraordinarily high. One sign of overheating is the persistent fall of gross yield (rent-to-property-value) ratios. As shown in Figure 2, the yearly rent-to-property-value ratio in the listed major cities was already around the so-called “bubble caution line” of 4.5% in 2008. In 2009, the ratio further fell below 4.0% for all these cities, implying that the rent from newly bought houses could hardly cover the mortgage repayment.

3.6 In the immediate aftermath of the financial crisis, China’s property market was hit and prices were widely expected to fall. That did happen until June 2009 when the market situation sharply rebounded. The apparent cause of the

dramatic turn was the government's massive stimulus package of 4 trillion *yuan* (US\$586 billion or 15% of China's 2007 GDP)⁹ planned for 2009-10. Particularly, the government had made a 180-degree turn of its earlier policy of cooling down the property market: From November 1, 2008, title deed taxes for individuals' purchase of his/her first housing unit smaller than 90 square meters was cut from 3% to 1% and stamp duties were waived for individual sale or purchase of housing property.¹⁰

3.7 On top of the pump priming stimuli and housing market policies was the drastic loosening of monetary policy: From September to December 2008, the People's Bank of China made a series of cuts in basic bank rates and deposit reserve ratios. In particular, interest rates for central provident fund housing loans were cut; bank mortgage rates for individual housing purchase was lowered by 30%; and the first down payment was reduced to 20% of purchase price.¹¹

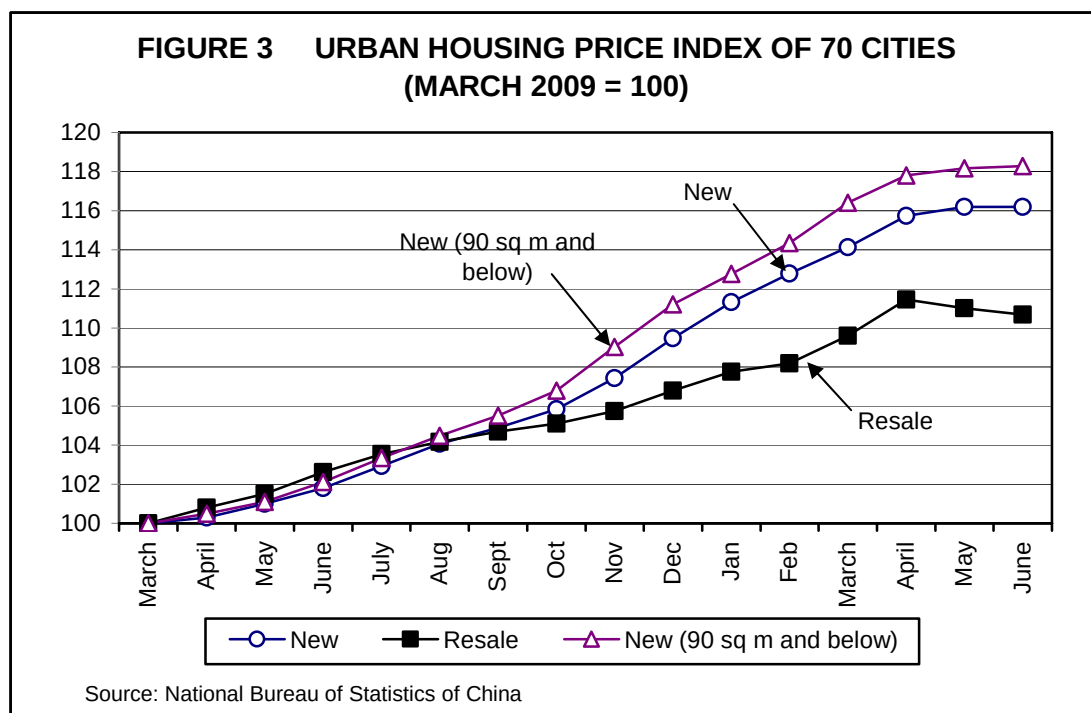
3.8 On the other hand, land supply was further tightened in early 2008 with the imposing of stricter farmland transfer rules and the banning of stock issuance to finance land purchase by the developers.¹² All these policy changes effectively facilitated property market's recovery and by the summer of 2009 it resumed the pre-crisis upward swing (Figures 1 and 3). The prices of new housing units in 70 large cities recovered to pre-crisis levels during the May-June 2009 period and continued to rally through May-June this year.

⁹ Wong, John (2009), "China's Economy 2009 in Review: Rebound first and Rebalance Later", *EAI Background Brief No. 497*.

¹⁰ *PRC Yearbook 2009*, PRC Yearbook Press, Beijing, 2009, pp. 508-09.

¹¹ *PRC Yearbook 2009*, PRC Yearbook Press, Beijing, 2009, pp. 508-09.

¹² *PRC Yearbook 2009*, *ibid.*

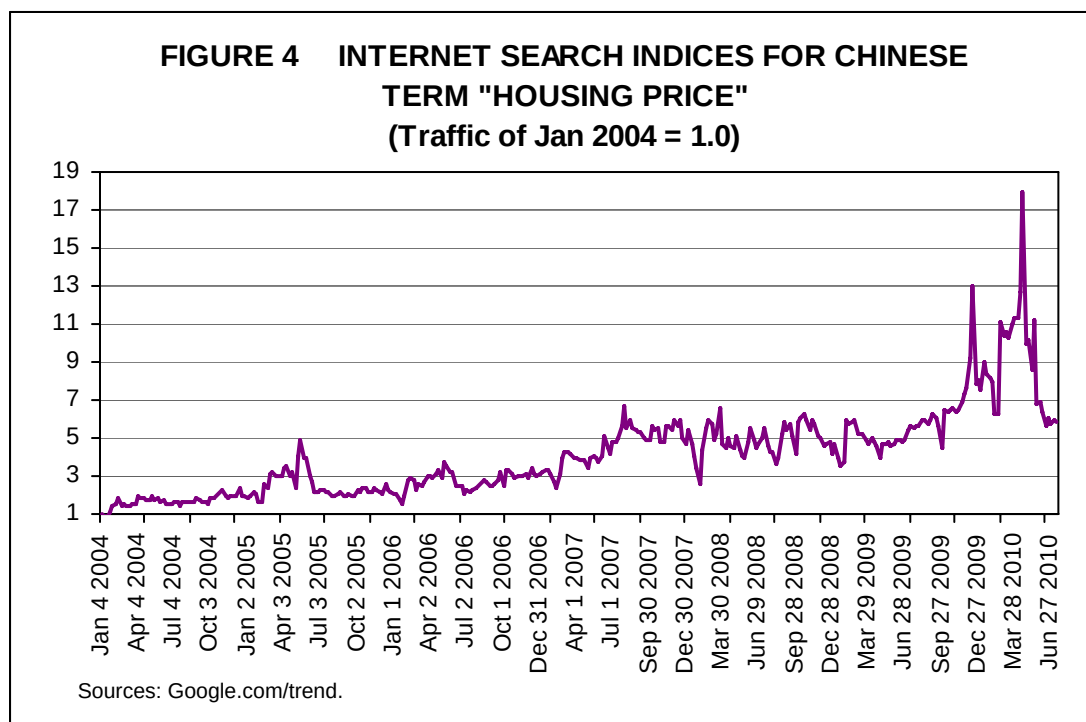


3.9 The unanticipated rapid recovery and rise of housing prices have alarmed the central government and prompted it to take actions for several reasons. Sky-high housing prices have undermined housing affordability and caused great anxiety and resentment among the public who are wary of the conspiracy among “speculators”, developers and government officials in charge of real estate businesses. The looming property bubble also bodes badly for a banking sector that has substantially increased its reliance on housing mortgage business, thus threatening macroeconomic stability.

3.10 A survey by the Chinese Academy of Social Science (CASS) suggests that at the end of 2009, about 85% of urban respondents claimed that they were unable to afford a new flat even with mortgages.¹³ A recent survey by the People’s Bank of China shows that about 72.5% of residents consider the current level of housing prices “too high to be acceptable.”¹⁴ The sharp rise in the online search for the Chinese word “*fangjia* (房价, housing price)” from 2009 also reflects the public’s anxiety (Figure 4).

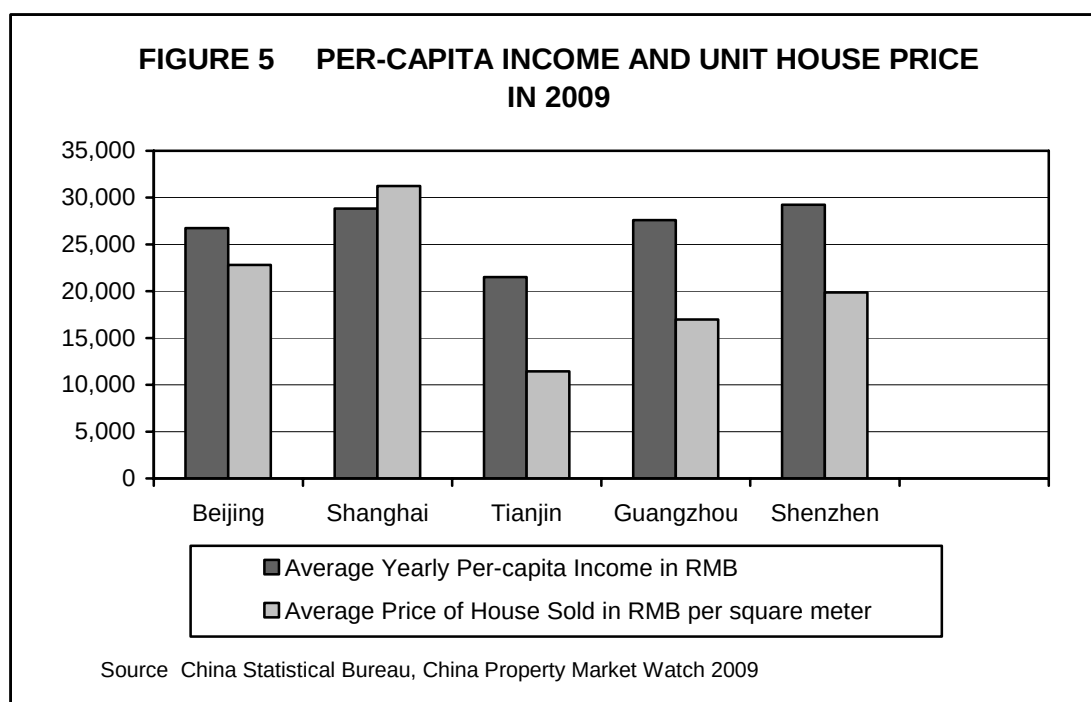
¹³ 2010 China Economic Bluebook, Beijing: Social Science Literature Press, Dec 2009

¹⁴ Wenwei Po (Hong Kong), June 18, 2010.



- 3.11 In the metropolitan centers (Figure 5), housing price per square meter almost invariably amounts to 50%-100% of average annual income. Based on these ratios, to secure a flat of 90 square meters, an average working family in Beijing and Shanghai will have to work for more than 50 years before they could pay for their loan in full as compared to 5-10 years in the developed world. For the young and new urban residents who aspire to attain home ownership, such a situation is frustrating.
- 3.12 Another sign of the real estate bubble is the high housing vacancy rate (ratio of real estate units sold but without occupants for 6 months in all sold units), which reaches 20% in new real estate projects in Guangzhou, and even higher in Shanghai and Beijing.¹⁵

¹⁵ Housing Vacancy Rate May Affect Housing Price, *Nanfang Dushibao*, (Southern Metropolitan Daily), June 9, 2010.



3.13 The property bubble is a threat to macroeconomic stability and financial security. In China's banking sector, housing mortgage is a relatively new business. The low rate of non-performing loans (NPL) and fast expansion of the real estate sector have given banks enough incentives to finance land and property development, which has been booming since 2003.

3.14 By April 2010, total housing mortgage loans already reached 5.7 trillion *yuan*, or over 13.1% of total loans (43.3 trillion *yuan*) held by financial institutions in China. In comparison, in January 2007, "medium and long-term consumption loans" were only 2.3 trillion *yuan*, or 9.8% of total loans (23 trillion *yuan*).¹⁶ Similarly, total loans to finance real estate development reached 7.3 trillion *yuan* at the end of 2009, an increase of 190% from 3.7 trillion *yuan* at the end of 2006.¹⁷ The doubling of mortgage loans within three years reflects the rising dependence of banks on this category of assets. Given

¹⁶ People's Bank of China, "Sources & Uses of Credit Funds of Financial Institutions", PBC Website

¹⁷ People's Bank of China, "China Regional Financial Operation Report", PBC Website

the housing property bubble, the financial risk of holding such assets will inevitably rise.

Limits of the New Deal

- 4.1 The New Deal is showing signs of early success in curbing the rise of housing prices in some cities. As shown in Figure 3, since April 2010, the rising trend of new housing price index of 70 large cities has been stalled while the average resale housing price index has started to fall.
- 4.2 In curbing the rise of housing prices, the central government has proceeded with caution to bring the property market to a soft landing so as not to upset the momentum of national economic growth. This is reflected in the use of “*ezhi fangjia guokai shangshang* (遏制房价过快上涨, curb the **too-fast rise** of housing prices),”¹⁸ in the policy statements of the State Council and other ministries and in the speeches of government officials on the New Deal.
- 4.3 Tremendous economic and political interests have been vested in high property prices. Real estate developers, many of which are state-linked businesses, enjoy huge market power in land acquisition. Some of them have taken advantage of rising property prices and used financial instruments such as instalment payments, collateralized bank loans and cheap liquidity to win land deals from local governments by outbidding their rivals. These winners of land deals are price makers in real estate developments and are therefore dubbed “*diwang* (地王, kingly land acquirers)” by the Chinese media.¹⁹
- 4.4 Banks consider mortgage loans and land-collateralized loans to developers their best assets and would not wish for a collapse in the property market.

¹⁸ For instance, State Council Gazette 2010 (10) “Notice on Resolutely Curbing Fast Rise of Housing Prices in Some Cities”, April 17, 2010; Wen Jiabao’s comments on macroeconomic policy dilemmas, Xinhua News Agency, May 16, 2010.

¹⁹ Diwang Xianxiang, (地王现象, the phenomenon of kingly land acquirers), *Jingji Cankaobao* (Economic Reference Daily), March 19, 2010.

Reports have it that banks in cities like Hangzhou, Beijing and Shanghai are again relaxing their housing loan policies for households which are buying properties beyond the second unit they have purchased and owned.²⁰

- 4.5. Local governments, too, have relied heavily on *tudi caizheng* (土地财政, land-sourced fiscal revenue) for their budget needs ever since a land auction system borrowed from Hong Kong was put in place in 2004 to streamline procedures and maximize receipts of land transfer. The income from land transfer has thus become a chief source of extra-tax revenue to shore up local government budgets which had suffered a loss in revenue in the aftermath of the tax sharing reform of 1994.
- 4.6 Since the property market boom of 2003-2008, local governments are more than happy to drive up land transfer prices which have ridden on surging properties prices to get the much wanted funds for developing urban infrastructure and other GDP maximizing investment projects. In 2009 alone, local governments had received an additional income of 1.5 trillion *yuan* from land transfer, or more than 1/3 of their total revenue.²¹ The increase in land transfer receipts is most noticeable in the five major cities of Hangzhou, Shanghai, Beijing, Tianjin and Guangzhou that also have witnessed the most rapidly rising real estate prices over the last three years.
- 4.7 Meanwhile, investors and speculators, including many middle- and upper-class urban residents, are afraid that a burst in the housing bubble would reduce the value of their assets. They are therefore against any policy that will cause the housing prices to fall. They are more accommodating to policies that curb excessive increase in housing prices.

²⁰ “Third-unit mortgages in Hangzhou, Beijing, and Shanghai”, *China Business News* (第一财经日报), July 13, 2010.

²¹ “Statistics on Nationwide Land Transfer Revenues and Expenses”, Ministry of Finance, April 13, 2010.

- 4.8 There are also technical difficulties in the implementation of some of the New Deal measures. For instance, the differentiation between first-time home buyers and multiple-home buyers is not easy given that people are more mobile these days. Family members of the same household may hold multi-household registrations in different administrative areas. They may also hold multiple accounts in different banks and purchase properties in different cities or provinces.
- 4.9 The New Deal is not intended to cause a drastic slump in the housing market since it is politically and economically undesirable for such a slump to happen from the central government's perspective. Given the reality of the Chinese economy and historical records of the government in past anti-bubble policies, it is unlikely that this round of policy measures will be effective in addressing the structural problems that cause the rapid rise in housing prices.
- 4.10 There are already signs that the government may fine-tune the New Deal measures to moderate their dampening effects on the housing market. For instance, an analytical article recently published in the *People's Daily*, the Communist Party's mouthpiece, warned that these measures might have been too draconian, causing future instability of the housing market and even jeopardizing macroeconomic recovery and growth. It revealed that the experts of Development Research Center of the State Council, the think tank of the central government, have recommended some "fine-tuning" of the New Deal measures to ensure that housing demand for improving living conditions is not suppressed.²²
- 4.11 In the long run, policy makers in Beijing have to meet the challenge of providing affordable homes to hundreds of millions of rural migrants who have moved or are moving to work and live in the cities. As a preliminary response, seven ministries including the Ministry of Housing and Urban-rural Development, Ministry of Finance, National Development and Reform

²² Wang Wei, "The shrinking housing market and the need for fine-tuning of housing policies", *The People's Daily*, 12 July 2010.

Commission have issued the “Joint Guidelines on Developing Public Leasing Housing Projects” on June 13, 2010.

- 4.12 According to the guidelines, public leasing housing projects will be planned and organized by the local government while participated by non-government institutions in a decentralized manner. Public housing units should be no larger than 60 square meters per unit and will be leased only to households with below-middle income levels. The guidelines also state that subsidies and tax credits will soon be worked out and granted to public leasing housing projects for their construction, development, and operation; long-term banking loans to such projects will be encouraged and investors of such projects will become owners of the housing estates.
- 4.13 It remains to be seen whether public and private players at the local level can be conjured to follow these guidelines. There is a need for a revamp of the fiscal structure at provincial and city levels to provide appropriate incentives for local governments to facilitate the development of low-cost housing.

APPENDIX MAIN POLICY MEASURES ON HOUSING MARKET SINCE DECEMBER 2009

Date	Policy and Measure	Document	Agency Involved
Dec 14, 2009	Four measures were proposed to prevent a fast rise in housing prices: • Increase effective supply of commodity housing; • Support residents' purchase of owner-resident houses and upgraded houses while curbing house purchase for investment or speculative purposes; • Strengthen supervision of the housing market; and • Promote large-scale development of subsistence-home projects.	State Council Gazette	State Council
Dec 17, 2009	Tighten regulations on installment payments by developers: • Full payment of land purchase by developers must be made within one year after the purchase. • For special projects, the full payment for land purchase may be made within two years after the purchase. • The first installment payment may not be lower than 50% of purchase price.	Notice on Strengthening Management of Revenue and Expense for Land Right Sale	Ministry of Finance, Ministry of Land and Resources, People's Bank of China, Ministry of Supervision, and National Audit Office
Dec 23, 2009	From 1 Jan 2010, the waiting period for a property owner to sell the property without sales tax would be extended from two years after the purchase to five years after the purchase.	Notice about Sales Tax on Individual House Resale	Ministry of Finance
Jan 7, 2010	Principal policies were proposed to curb a rise in housing prices: • Increase supply of low-priced housing units; and • Tighten bank mortgage loans for households purchasing beyond the first owner-resident unit with a minimum down payment no less than 40% of purchasing price	OFC Gazette 2010(4) Further Strengthening and Improving Housing Market Regulation	Office of State Council
Jan 18, 2010	Increase in reserve ratio for RMB deposits by 0.5%		People's Bank of China (PBC)
Feb 20, 2010	Impose stricter regulation on bank lending and ban use of liquidity loans for fixed capital investment, portfolio investment, or other production and operation prohibited by the state	Interim Measures for Management of Liquidity Funds	State Banking Supervision Commission
Feb 25, 2010	Increase in reserve ratio for RMB deposits by another 0.5%		People's Bank of China (PBC)

March 10, 2010	• Speed up housing land use plans whereby no less than 70% of housing land must be reserved for subsistence housing and owner-resident small-sized housing units; • Impose stricter regulation on minimum sale price of land, raise bidding deposits from 10% to 20% of the minimum sale price, and pay 50% of land transfer price within a month after signing the contract; • Beef up supervision of housing land use; establish open system of housing information; and launch ad hoc inspections for land use projects to crack down on land hoarding and misuses.	MLR Gazette 2010(34)	Ministry of Land and Resources
Mar 18, 2010	Seventy-eight central-government-linked enterprises that do not specialize in real estate business are ordered to wrap up their existing real estate projects and withdraw from the real estate market in 15 days		State Asset Supervision and Administration Commission (SASAC)
Apr 11, 2010	Banks are recommended to avoid granting mortgage to fund housing purchases for investment or speculation purposes and substantially raise down payment ratios and mortgage interest rates.		State Banking Supervision Commission (SBSC)
Apr 17, 2010	• Mortgage down payment for household purchasing first housing unit with area above 90 square meters must be at least 30% of purchasing price; mortgage down payment up from 40% to 50% of purchasing price for households purchasing second housing unit; mortgage interests rate must be at least 110% of the basic rates. • Local banks in areas of overheated housing markets are authorized to stop mortgage loans to households that already own two housing units and restrict lending to non-local house buyers. • Increase housing land supply and enforce rule to reserve no less than 70% of housing land for subsistence housing and owner-resident small-sized housing units. • Pledge to build 3 million units of subsistence housing and renovate 2.8 million units of slum-area housing through central government planning and special subsidy funds.	State Council Gazette 2010 (10) Notice on Resolutely Curbing Fast Rise of Housing Prices in Some Cities	State Council

Apr 20, 2010	- Housing sale must be conducted by using the real name of the purchaser; - Developers without pre-sale permit will not be allowed to collect fees or deposits from buyers; - Presale permit will not be granted for sales below the en bloc level.	MHC Notice about Further Strengthening Real Estate Market Regulation and Perfect Housing Presale Procedure	Ministry of Housing and Urban-rural Development
May 10, 2010	Increase reserve ratio for RMB deposits by another 0.5%		People's Bank of China (PBC)
May 6, 2010	- Allow a maximum purchase of one new commodity housing unit per family; - Suspend mortgages for households that have already owned two housing units; - Suspend mortgages for any applicant who cannot prove to have worked in Beijing for more than one year.		Beijing Municipal Government
May-June 2010	Announce rules and practices to implement State Council Gazette 2010 (10). Shenzhen's rules are similar to those of Beijing. Those of Chongqing and Guangzhou, however, do not suspend or restrict mortgages for households that have purchased and owned two units.		Shenzhen, Xi'an, Chongqing, Zhejiang, Fujian, Guangzhou, etc
May 26, 2010	Mortgage loan decisions will be based on the total number of housing units the applicant's household (including the applicant, the applicant's spouse, and the applicant's juvenile children) has purchased (rather than the previous practice based on the number of mortgage loans the applicant has).	PBC, MHC, and SBSC Joint Announcement	People's Bank of China, Ministry of Housing and Urban-rural Development, and State Banking Supervision Commission
May 27, 2010	Pledge to gradually introduce property tax in 2010	State Council Gazette 2010 (15)	State Council
June 3, 2010	Enforce and raise minimum pre-levy rates of Value-Added Tax (VAT) for land on housing developers (the minimum pre-levy rates are 2% for east-coastal provinces, 1.5% for central provinces, and 1% for western provinces)	STA 2010(53)	State Tax Administration
June 13, 2010	Public leasing housing projects will be planned and organized by the local government while participated by non-government institutions in a decentralized manner	Joint Guidelines on Developing Public Leasing Housing	Seven Ministries, including Ministry of Housing and Urban-

	• Public housing units should be no larger than 60 square meters per unit and will only be leased to households which are below middle income levels • Subsidies and tax credits will be soon worked out and granted to public leasing housing projects for their construction, development, and operation; long-term banking loans to such projects will be encouraged • Investors of such projects will be owners of the housing estates	Projects	rural Development, Ministry of Finance, National Development and Reform Commission
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Source: Compiled from PRC Government Official Portal at <http://www.gov.cn>