《房价将依旧面临压力》

?????????

??????????????????????????????

Housing prices will remain under pressure for the foreseeable future, and the government isn't expected to take any steps to boost the market, industry analysts said.

The average price in 100 cities sampled was 10,978 yuan ($1,770) per square meter in May, a dip of 0.32 percent month-on-month, according to the China Index Academy Ltd, a Beijing-based research institute that's wholly owned by SouFun Holdings Ltd.

That marked the first month-on-month drop since June 2012.

The average price in 10 key cities, including Beijing and Shanghai, was 19,605 yuan per sq m, down 0.18 percent month-on-month but up almost 14 percent year-on-year, the academy said.

The average price in the 100 major cities still rose last month, gaining 7.84 percent year-on-year, although the growth rate was down 1.22 percentage points from the previous month.

May was the fifth consecutive month in which the rate of price growth slowed.

"Increasing supply and falling transactions are weighing on developers, encouraging more of them to offer favorable prices," said Huang Yu, deputy head of the academy.

Many developers launched innovative sales campaigns during the three-day Dragon Boat Festival, which ended on Monday. China Vanke Co Ltd, for example, opened a sports-themed park in Beijing as part of its promotional effort.

Downward pressure on the prices of pre-owned homes has become more evident. Yu Lulu, an agent with property brokerage firm Homelink Real Estate, said the average price in the residential community he's responsible for has fallen more than 10 percent in the past four months.

"After the market adjustment, prices have become more affordable, and there are more bargain-hunters," said Yu.

Analysts said the current correction, unlike earlier ones, isn't being caused by policy tightening.

According to a report by Beijing-based China Business, the Ministry of Housing and Urban-Rural Development has sent some suggestions to the cabinet that are based on recent research. The report, citing an anonymous ministry source, said that the government will pursue a neutral policy in the near term, neither tightening nor stimulating the real estate market.

The underlying demand-supply equation has changed, with ongoing construction exceeding the demand of a growing urban population and upgrading. Meanwhile, investment demand is being eroded by stagnant property prices, the anti-corruption drive and investment alternatives such as wealth management products and overseas assets, according to investment bank UBS AG.

"We do not expect a sudden collapse of property prices or a financial or balance-of-payments crisis, as is often seen in emerging economies," said Wang Tao, China economist with UBS. "However, we think property construction is facing a serious adjustment, and the era of the secular property boom is perhaps behind us."

According to Wang, typical analysis of property downturns focuses on price corrections, but she said that construction volume matters more in the case of China.

A big drop in construction activity—even without a large price correction—would likely have a serious negative impact on the industrial complex and, through that, economic growth and banks' balance sheets.

"Our sensitivity analysis suggests that a 10 percentage point drop in the growth of construction volume would result in a 2.5 percentage point drop in GDP growth, including second-round effects," said Wang.

Apart from property developers, heavy industrial sectors such as metals, construction materials and construction machinery would be affected the most.

The impact on mortgage lending could be limited owing to the low leverage of homebuyers, but the financial sector could still feel pressure from worsening balance sheets of developers, companies and loans secured by property and land.

"As the economy and the financial system digest the property adjustment in the coming years, a slow grind may be good for macro but bad for micro and the equity market," said Wang.