



# CHINA – August 2018

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**CHINA MULLS OVER PROPERTY TAX LAW ..... 1**

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## **China mulls over property tax law**

A draft of a Chinese property tax law has taken shape and is currently being revised and improved, media reports said over the weekend.

But the deadline for reporting the draft to higher authorities for review has not yet been decided, the China Times reported, citing a source close to the [Ministry of Finance](#).

The report said that the draft for a new property tax law could be reviewed later in 2018 or over the next few years. The property tax will not be one-size-fits-all, but will hold different rates based on the situations in varying areas, it said.

A spokesperson for the National Bureau of Statistics (NBS) told a press conference in July that China is stepping up efforts to advance the rollout of property tax policies.

Home prices in major Chinese cities largely remained stable in June as local governments stepped up efforts to regulate the sector.

## **China’s second-tier cities set for rapid house price inflation in coming decade, overshadowing Hong Kong, says DBS**

Prices are unlikely to rise meaningfully in the second half, and slower annual growth rates are likely to be the norm for the coming decade in light of an already high price base, said Carol Wu, head of China and Hong Kong research at DBS Bank (Hong Kong) at a media briefing on Wednesday.

“Our prediction of about 5 to 10 per cent price gain this year has already been reached,” said Wu. “Hong Kong’s home price growth will decelerate, rising at no more than 2 per cent a year on average through 2030, a rate similar to the inflation rate, given the growth in GDP per capita does not rise beyond expectations.”

DBS also noted that real estate price growth for top Asian cities, namely Singapore, Hong Kong, Beijing and Shanghai will decelerate by 2030, such that they will fall behind asset appreciation rates in lower-tier mainland cities such as Changsha, Wuhan, Qingdao and Guangzhou. Properties in these cities are expected to triple in value from the current level by 2030.

“For example, Wuhan’s housing price to GDP per capita ratio was only about 10 per cent in 2017,” said Wu. “Hong Kong’s ratio already peaked at 36 per cent last year however.”

## **International Property Tax Institute**

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Hong Kong also placed second behind Shenzhen in DBS's Asia Mega Cities ranking.

In terms of the economy, Tianjin, Nanjing, Wuhan and Hangzhou are expected to narrow the gap, such that by 2030 they will match the current size of Singapore and Hong Kong.

Meanwhile, local property transactions in August is likely to drop by a quarter from July levels, reflecting a one-year low of 6,300 deals for the month, according to Midland Realty.

The forecast follows a downturn in July that saw property transactions in the city ease to 8,448, down 8.7 per cent from June.

Pre-owned homes in the city have rallied for 27 straight months through June, according to data released by the Rating and Valuation Department on Tuesday.

Citibank forecast that new home prices could fall by 7 per cent, as the downtrending stock market erodes market confidence.

Analysts from CGS-CIMB Securities expect annual home prices to rise at gradual rate in the second half, equivalent to the low single-digits.

Separately, Henderson Land Development said it would sell a further batch of 52 flats at its Cetus Square Mile development in Mong Kok on Saturday. Sun Hung Kai Properties is also planning to release 328 units in a weekend sale at Park Yoho Milano in Yuen Long.

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