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Property

Expert call takeaways: Ample room to buffer, local pilot rules expected in 1-1.5 months

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China Property Sector

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We hosted an expert call on new industry policies on Sep 1. Our key takeaways are: The expert viewed the Aug-28 policy as a long-term institutional reform rather than regulatory tightening. The policy wording retains full flexibility—it is non-mandatory, with ample buffer room and transitional timeline. Local implementation details/pilot rules are expected to roll out sequentially within 4-6 weeks. The expert also highlighted that strict literal enforcement of the policy is not expected even by regulators themselves, as the resulting consequences would be untenable.

- **Key wordings in policy file flagged by the expert (all pointing to "non-mandatory, well-buffered")**:
  1) Presale channel remains open. Presale rules for projects under presale (not ready-built sales) follow existing policies—presales are not suspended, and ongoing projects may proceed under original terms.
  2) "Prioritize/encourage" ≠ mandate. Ready-built sales are only "prioritized" for newly granted land plots and "encouraged" for licensed projects. A mandatory requirement would explicitly use "shall".
  3) "Filing" is procedural, not approval-based. Ready-built sale plans should be filed with municipal/county housing authorities for record only, not for authorization—a procedural step, not a licensing gate.
  4) No formal deposit system in place. Overseas deposit ratios range 5–10% (Hong Kong: ~10%, held in lawyer escrow accounts). The mainland has no equivalent regime and must build it from scratch.
  5) Conflict with upper-level legislation. "Mortgage disbursement upon completion filing" contradicts the Urban Real Estate Administration Law's mandate that presale proceeds fund construction. Post-completion disbursement would remove the construction earmark. Administrative rules cannot supersede higher-level law; the policy loop is incomplete and needs refinement.
- **Impact if no follow-up details: 1)** Macro: Developers hold back amid unclear detailed rules, weighing on REI (1H26 -18% YoY) and GDP. The key issue is no timeline. **2)** Local governments: Developer caution will be reflected in land auctions (1H26 land auction volume down ~20–30% nationwide); longer delays deepen fiscal stress. **3)** Home prices: The 828 policy pack targets delivery risk, not price control, and should not guide secondary prices. It will micro-differentiate pricing within projects (discounts on low/top floors, premiums on prime floors), amplifying dispersion under unit-specific pricing.
- **Follow-up policies to watch. 1)** City-specific policy boundary: Presale thresholds may vary by city, but completion-filing mortgage disbursement is vertically regulated by financial authorities with no local discretion. **2)** Unified land sale terms: Terms to be jointly agreed upon by MOHURD, NDRC, MoF and banking regulators; original policies apply pre-consensus. **3)** Buffers around completion-filing disbursement: Transition periods, prerequisites, development loans offsetting the gaps, and guarantee financing are under discussion. **4)** Deposit scheme details. **5)** Land premium installments: Precedents set for prime plots (50% due in 1–2 months, balance over 2–3 years); installments will be the core hedge if enforcement tightens and developer land bidding appetite softens. **6)** Recognition criteria: Thresholds for structural topping-out, construction milestones and completion require formal clarification from housing authorities. **7)** Land supply adjustment: Sale logic shifts from "price

maximization" to "developer cash flow affordability"; expect smaller plots, and optimized pace of supply and location mix.

- **Key factors shaping implementation timeline. 1)** The expert expects 4-6 weeks for local authorities to roll out implementation rules: about one week consulting ministries, one week negotiating grant terms with developers, and 1–2 weeks calibrating transition arrangements; **2)** Wait-and-see dynamic between local governments of close cities—Cities risk developer outflow to neighbouring cities if they act first (e.g. tighter Suzhou rules → capital shifts to Nanjing), favoring coordinated release of rules. **3)** Strong incentive for local governments to implement—The absence of rules deepens developer caution, reduces investment and land auction participation, and amplifies fiscal pressure; cost of inaction exceeds cost of action.
- **Outcomes that regulators want to avoid. 1)** Sector-wide cash flow crunch—Full rigid enforcement of ready-built sales rules, no carve-out for existing projects, full implementation of mortgage disbursement upon completion-filing and no land installment to hedge, would immediately cut off developer liquidity, even for high-quality players. **2)** Land & tax revenue slump—A steep land sales decline would drag down the full property transaction tax chain.

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