New Land Sales Strategy, Win-win Solution for Government and Developer

As the property market go stable in China, the land market recorded a significant recovery in the past months. In several first-tier · second-tier cities, the developers compete for lands which made the land sale price reach the historical peak. It showed that the developers with good strength were to seize the opportunity for land with good location and also expand their own land bank.

The recovery of land market, especially for some prime location, made the land premium rate higher and higher. Due to such case, the central government has stressed the need to maintain a stable property market. Hence the local governments are facing a dilemma, how to sale the land successfully with a good price but at the same time to reduce the stimulation of high premium to the property market.

Since October this year, Hangzhou government has launch a new policy for land sales: when the premium rate of land sales up to 49%, then the land premium will be fixed and the bidding will start over depend on the supply of indemnificatory housing built in the same location.

At 17th of October, five land lots in Hangzhou have been successful transferred including three residential lands, the premium rate of which reach over 49%. This means the aforesaid new policies have been implemented on such transactions.

Similarly, according to the land transfer consultant meeting recently held by Guangzhou Municipal Land Resources and Housing Administrative Bureau, Guangzhou will soon launched 11 land lots for sale with a total site area of up to 520,000 square meters, five residential land lots of which will be set with a confidential highest price, once the buyers offer up to the highest price through the bidding, the decision will be made based on the offer of indemnificatory housing.

In sum, the new land sale policy launched by the governments is to sell the land successfully and allow the developers to get their favored land while at the same time improve the supply of indemnificatory housing on the market, which is good of a stable development of property market.

However, the market believes that such policies are lack of long-term considerations because the developers will take into account the construction cost of indemnificatory housing and sell the properties with higher price, which would bear by the consumers. Also the construction of indemnificatory housing in the same location of luxury residential development does not follow the market trend.
Policy

New Restriction in Zhuhai would not bring big impact

Recently, there is a new measure launched in Zhuhai City. It is said that the idle lands would be resumed to the government if they are remained vacant for more than 1 year, which is more severe than the regulation set by the Ministry of Land and Resources.

According to this measure which has been officially valid in November, a charge of 20% of the land premium would be imposed on the owner of the idle land for those remained vacant for less than 1 year. Moreover, the government has the right to do the resumption without any compensation if the land is idle for more than 1 year. For this approach, although its 1 year requirement is more severe than the 2 years from the Ministry of Land and Resources, it is believed that its impact would not be very large. Firstly, it is claimed that this approach has already been accepted for a long time. Secondly, the land market of Zhuhai is freezing (only 2, 11, 6 residential lands were transacted in 2010, 2011 and 2012 respectively). Moreover, the “Double-limited” regulation launched at the end of last year has further cooled down the intention of the potential land purchasers.
Real Estate Knowledge

Tenders in Beijing

Recently, 3 lands which located in the district of Daxing, Fengtai and Huairou have entered into the Beijing land market by tendering. As a result, only the land located in Daxing District was fail because of the low bidding, the remaining two parcels of land were success (See table below). However, due to the regulation of tendering, the final result would only come out once the comprehensive evaluation is done.

According to the information, there are numbers of land would be sold in Beijing through tendering in 23rd, 28th and 30th November. Unlike the listing, tendering requires at least one of three bidders to meet the bottom line of the tender price, or otherwise the auction would not start. During the process of tendering, the eligible parties or individual should submit their tender by hard copy and then the governor would do the evaluation not only by considering the bidding price but also the experience and the capability of the applicants in order to avoid the emergence of idle land.

<table>
<thead>
<tr>
<th>District</th>
<th>Type</th>
<th>Bottom line</th>
<th>Result</th>
<th>Reason/special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daxing</td>
<td>Multi-functional</td>
<td>RMB 0.4825 billion</td>
<td>Failed</td>
<td>The bottom line was not reached; Non-residential land located in rural area.</td>
</tr>
<tr>
<td>Fengtai</td>
<td>Multi-functional</td>
<td>RMB 0.8435 billion</td>
<td>Success</td>
<td>All tenders above bottom line</td>
</tr>
<tr>
<td>Huairou</td>
<td>Tourism</td>
<td>RMB 0.3045 billion</td>
<td>Success</td>
<td>All tenders above bottom line; Individual tender existed</td>
</tr>
</tbody>
</table>