

# China's booming housing market

Putting it in the right perspective

## 溯本追源——解读中国的房地产市场

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## CHINA'S BOOMING HOUSING MARKET

### Putting it in the right perspective

Since the onset of the global financial crisis in 2008, China has been playing an increasingly important role in the world economy. While all major developed economies were mired in deep recession, China achieved strong GDP growth of 8.7% and became a major growth engine for the global economy.

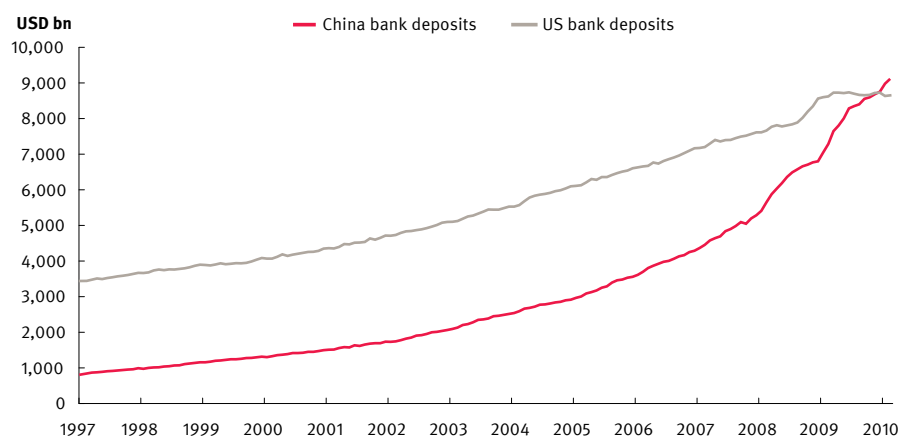
But how large is China's economy and how important is its role in the global arena? Gross domestic product (GDP) is widely used to measure a country's economic muscle and in terms of GDP, China was the world's third largest economy last year after the US and Japan. China's nominal GDP was about 33% that of the US, but in terms of purchasing power parity (PPP), its GDP was about 66% that of the US and ranked second among all economies in 2009.

However, such statistics are not an accurate reflection of China's role in the global economy, as there are limitations when using GDP for inter-country comparison. When calculating GDP, two countries may have very different 'baskets' of goods and services, depending on their statistical systems, and developing countries with ineffective taxation systems have difficulty measuring the outputs of certain emerging industries. The reliability of PPP comparison is also open to criticism, as it requires detailed price surveys of large amounts of items in all countries involved, which are difficult to manage.

We believe total bank deposits are a more straightforward and intuitive indicator of a country's economic prowess. Bank deposits can be readily translated into purchasing power and make for highly transparent statistics. Instead of being compiled by statistical agencies through sampling, bank deposit figures are closely monitored by commercial banks and regularly submitted to regulators for independent auditing. Generally speaking, total bank deposits—the size of which is proportional to trade surplus, net capital inflows and bank credit—provide a good gauge of a country's economic strength.

According to our estimate, China's total bank deposits came close to those in the US by the end of 2009. This was the result of China's continuing economic strength coinciding with the economic decline in the US over the past year. By the end of February 2010, China's bank deposits were estimated to have exceeded those in the US by 5.4% (Chart 1). As an increasing number of Mainland Chinese citizens are digging deep to improve their standard of living, China's overall purchasing power may overtake that of the US much sooner than expected.

Chart 1  
Bank deposits - China vs the US



Source: The People's Bank of China / US Federal Reserve / Knight Frank / Holdways

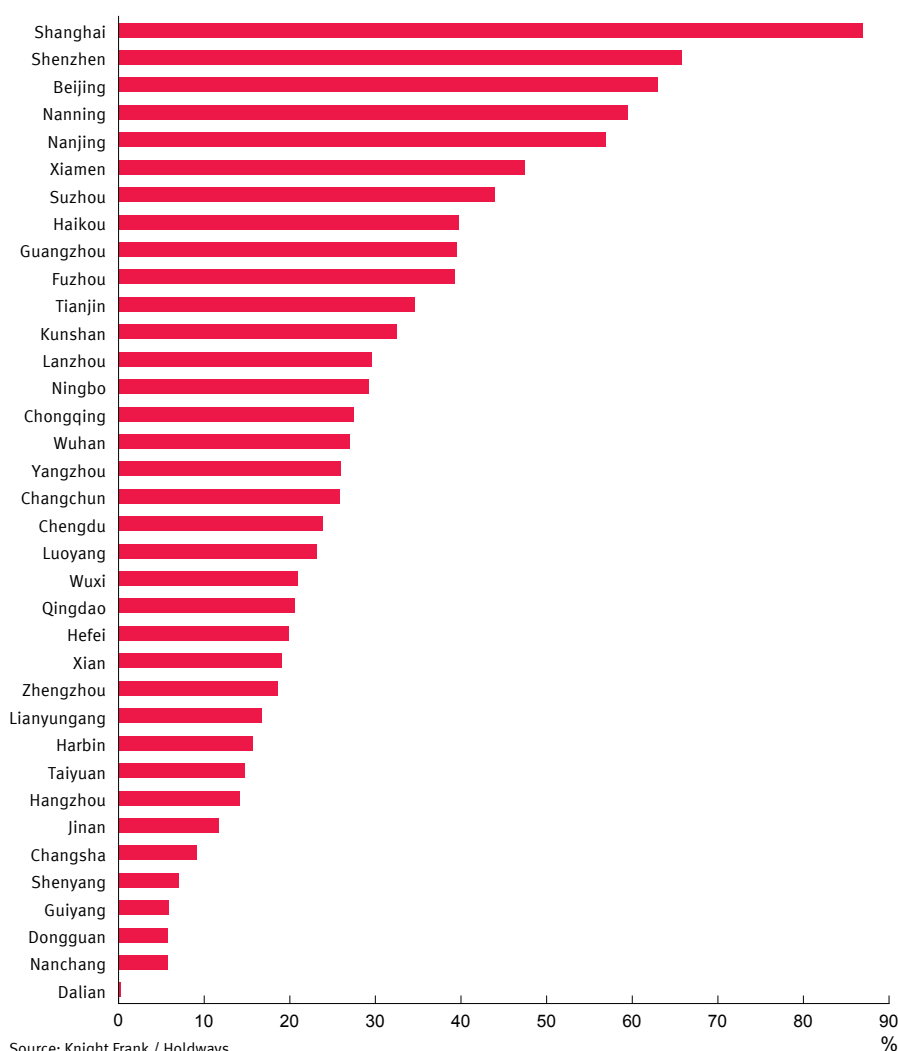
**The rapidly increasing purchasing power of Mainland Chinese is also reflected in housing market statistics. In 2009, about eight million new residential units were sold in China, compared with only about 500,000 in the US.**

**Prices of new homes in urban Shanghai, Beijing and Shenzhen rose 86.9%, 63.0% and 65.7% respectively year on year in the fourth quarter of 2009. Nanjing and Nanning saw new home prices grow 50–60%; Suzhou and Xiamen saw them rise 40–50%; while five other Chinese cities saw new home prices rise 30–40%.**

The relative economic strength of China and the US is clearly reflected by retail and auto sales statistics. In 2009, the value of retail sales shrank 7.0% in the US, but increased 15.5% in China. Last year, China also overtook the US as the largest auto sales market in the world: 13.64 million passenger and commercial cars were sold in China in 2009—25.2% more than in the US.

The rapidly increasing purchasing power of Mainland Chinese is also reflected in housing market statistics. In 2009, about eight million new residential units were sold in China, compared with only about 500,000 in the US. After analysing price statistics collected in 36 Mainland Chinese cities, we found that prices of new homes in urban Shanghai, Beijing and Shenzhen rose 86.9%, 63.0% and 65.7% respectively year on year in the fourth quarter of 2009. Nanjing and Nanning saw new home prices grow 50–60%; Suzhou and Xiamen saw them rise 40–50%; while five other Chinese cities saw new home prices rise 30–40% (Chart 2).

Chart 2  
Average prices of new homes in China's key cities — year-on-year % change (4Q 2009)



The gap between home prices in China's first-tier cities and those in the US has narrowed substantially over the past year. For example, the average price of a new home in the core area of Shanghai (comprising Huangpu, Changning, Luwan and Jingan districts) rose 89% year on year, to about US\$7,500 per sq m in the first quarter of 2010. Meanwhile, the price of an equivalent property in Manhattan, New York dropped about 20% to US\$13,000 per sq m over the same period. The average price per sq m of property in core Shanghai is now about 58% of its equivalent in Manhattan, compared with only 24% a year ago.



**Despite the phenomenal rise in home prices over the past year, China does not face the imminent risk of a home price crash. However, the issue of high home prices squeezing low-income groups out of the market still needs to be addressed.**

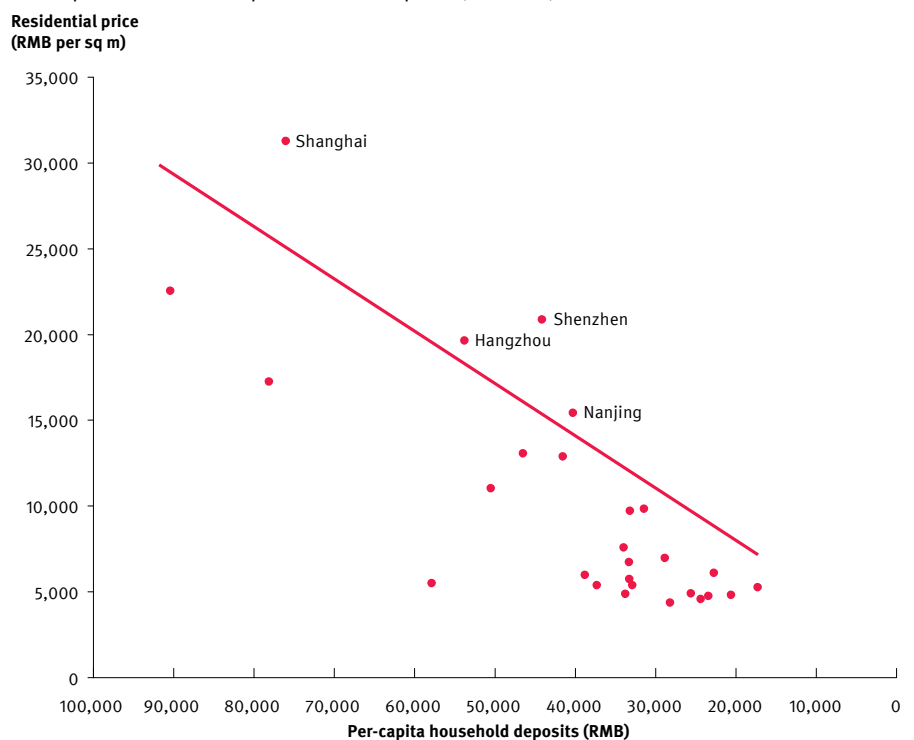
**House prices in Shanghai, Shenzhen, Hangzhou and Nanjing are considered high compared with local purchasing power. These are cities where large numbers of wealthy foreign homebuyers have driven local people out of the city centres.**

The rapid rise in China's home prices has already caused grave concern. Some observers say home prices have now risen to alarming levels, citing that the ratio of home price to average income in China is now higher than that of the US just before the burst of its housing market bubble. However, such direct comparison is over-simplified and misleading, as China's official income figures are often artificially lowered. Some enterprises grant their employees benefits in kind, which are not reported as income, while some mid to high-level employees report large amounts of expenses to offset their nominal wages for tax purposes. Meanwhile, extra income from side businesses is often not captured by official statistics.

Both savings rate and income growth level in China are significantly higher than those in the US, indicating that Mainland Chinese can generally afford homes of higher prices when compared with their income. There are few alternative investment channels in Mainland China, given that outbound investment is restricted and the stock market is notoriously volatile. Many Mainlanders have profited from the property market boom over the past decade and believe investing in bricks and mortar to be a tried-and-tested method of accumulating wealth. All these factors suggest that China's property market boom may last longer than those in many western countries.

Chart 3

Per-capita household deposits vs home price (4Q 2009)



Note: The red line represents one standard deviation above the average ratio of home prices to per-capita deposits.  
Source: Knight Frank / Holdways

Despite the phenomenal rise in home prices over the past year, China does not face the imminent risk of a home price crash. However, the issue of high home prices squeezing low-income groups out of the market still needs to be addressed. In order to identify the Mainland cities in which home prices are becoming unaffordable, we have devised an alternative method where per-capita household deposit figures are used as proxies for per-capita income figures, given that the former is a more accurate statistic, but the two are highly correlated. We divide home prices in each city by its per-capita household deposits, then the ratios for all cities are averaged. If a city scores one standard deviation above the average, its home prices are considered too high against the purchasing power of its average citizen.

The results can be seen in Chart 3, which shows that house prices in Shanghai, Shenzhen, Hangzhou and Nanjing are considered high compared with local purchasing power. These are cities where large numbers of wealthy foreign homebuyers have driven local people out of the city centres.

# 溯本追源—— 解读中国的房地产市场

二零零八年爆发的世界金融海啸令中国在世界经济舞台的角色日益吃重。当欧美各主要已发展国家深陷严重的经济衰退之际，中国经济在二零零九年却录得百分之8.7的强劲增长，并成为世界经济增长的火车头。

到底中国的经济规模有多大？中国在世界经济舞台的角色有多重要？长久以来，国际社会均以国内生产总值来量度一个国家的经济实力。若以国内生产总值计算，中国去年是世界第三大的经济体系，位居美国和日本之后，中国的经济规模约为美国的百分之33。若根据购买力平价计算的国内生产总值，则中国的经济规模约为美国的百分之66，全球排行第二。

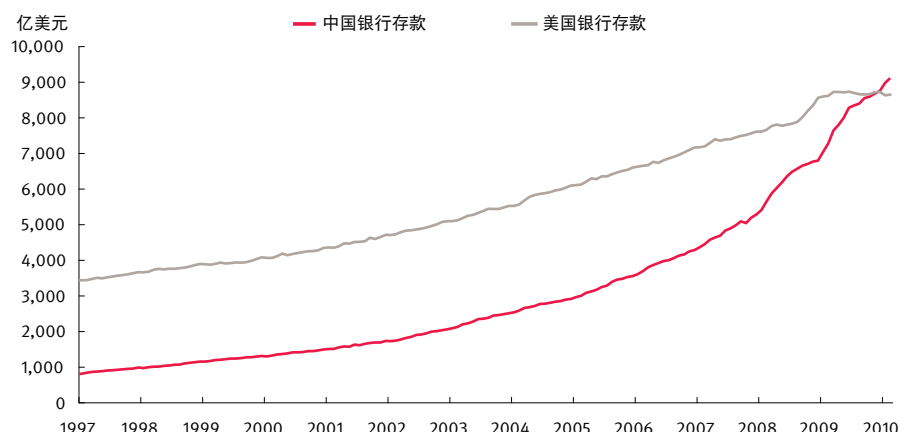
我们认为若要比较中美两国的经济规模和两国人民的购买力，更简单明确的指针是银行存款。

可是，以上数字并不能准确反映中国在全球经济中担当的角色。众所周知，以国内生产总值来比较不同国家的经济规模存在不少局限。例如在计算国内生产总值时，由于统计系统的差异，各国选择的统计项目并不完全相同。许多发展中国家的税收制度不健全，亦令统计某些新兴行业的生产总值变得困难。此外，由于采用购买力平价法比较各国生产总值时需要搜集所有有关国家大量商品项目价格等数据，统计难度很大，故此方法仍备受争议。

我们认为若要比较中美两国的经济规模和两国人民的购买力，更简单明确的指针是银行存款。两国的存款数字并非由中介统计机构抽样调查所得，而是由接受存款机构定期直接将存款数字上报各自的监管机构作独立核算，因此统计数字准确度极高。一般来说，一个国家的总存款会随着外贸盈余、外资净流入及银行信贷的增长而上升，所以是窥探一个国家经济规模的重要指标。

我们发现随着中美两国的经济此消彼长，估计中国的存款总额在二零零九年底已追及美国。截至二零一零年二月底，中国银行体系的存款总额估计已超越美国百分之5.4。中国的银行存款正逐步转化为购买力，其整体的购买力可望更快超越美国（图一）。

图一  
中国与美国银行存款



资料来源：中国人民银行/美国联邦储备局/莱坊/中房驰昊

截至二零一零年二月底，中国银行体系的存款总额估计已超越美国百分之5.4。

中美在消费力上的此消彼长，亦可从两国零售销售及汽车销售等数字中反映。美国去年的零售销售额按年收缩百分之7.0，但中国却上升百分之15.5。中国去年售出1,364万辆家用及商用汽车，高于美国百分之25.2，并首次超越美国成为全球汽车销售最多的国家。

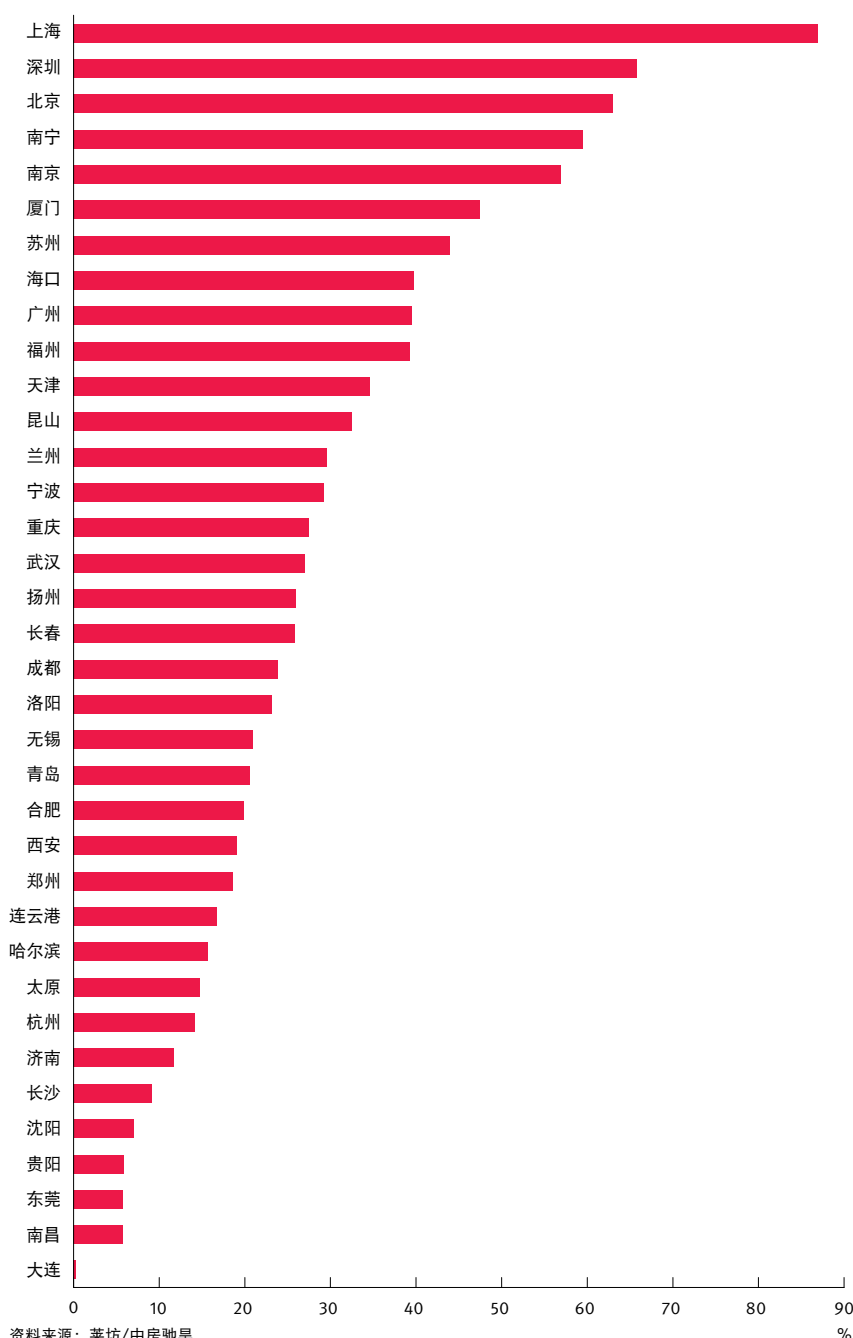
中国人不断升温的消费热情亦可从房屋市场数据中反映。中国去年售出的新建住宅单位约为800万套，而美国只有约50万套。

上海、北京和深圳主城区在二零零九年第四季的新房均价较二零零八年同期分别上升百分之86.9、63.0和65.7；南京及南宁的房价升幅介乎百分之50至60，苏州及厦门的房价升幅介乎百分之40至50，另房价升幅介乎百分之30至40的城市有五个。

中国人不断升温的消费热情亦可从房屋市场数据中反映。中国去年售出的新建住宅单位约为800万套，而美国只有约50万套。我们曾就中国内地三十六个城市主城区的一手住宅均价搜集数据，发现上海、北京和深圳主城区在二零零九年第四季的新房均价较二零零八年同期分别上升百分之86.9、63.0和65.7；南京及南宁的房价升幅介乎百分之50至60，苏州及厦门的房价升幅介乎百分之40至50，另房价升幅介乎百分之30至40的城市有五个(图二)。

事实上，经过去年房价的大幅攀升，中国一线城市的房屋价格与美国主要城市房价的差距已大幅收窄。本年第一季，上海核心区(包括黄浦、长宁、卢湾及静安区)一手商品住宅价格按年大升百分之89，达每平方米7,500美元，但同期纽约曼克顿的一手房价下跌百分之20至每平方米13,000美元，上海核心区一手房均价去年第一季只为纽约曼克顿的百分之24，今年第一季已升至百分之58。

图二  
内地城市主城区新房平均价格增长 —— 二零零九年第四季度与去年同比



虽然过去一年中国房价大升，但没有房价大泻的即时风险。尽管如此，我们仍需要正视现时房价飙升导致低收入阶层购房困难的问题。

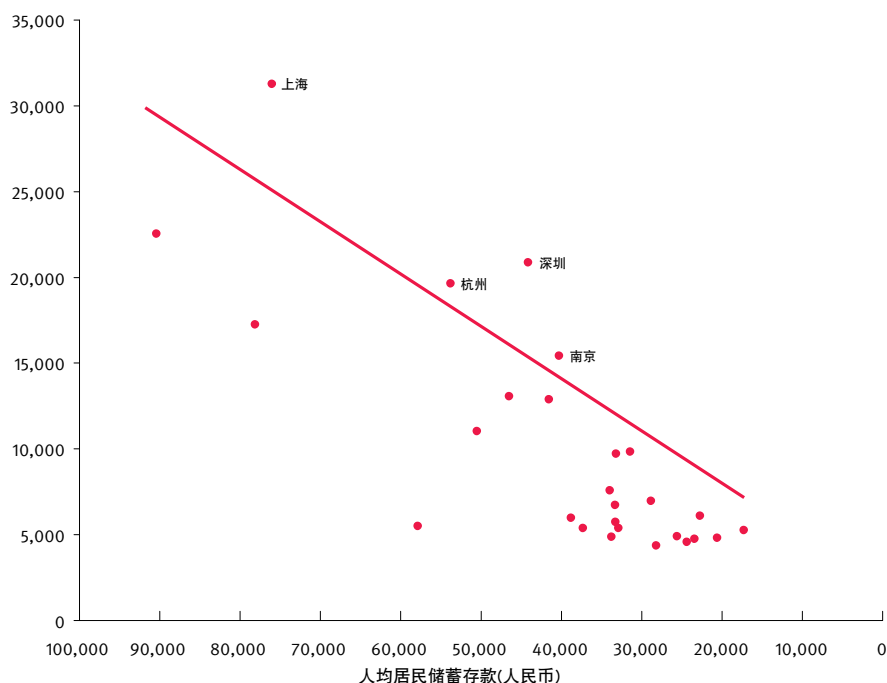
房价相对居民购买能力偏高的城市包括上海、深圳、杭州和南京，这些城市都是富有外地购房者的集中地，他们把许多本地人挤出市中心。

内地房价去年大升，已引起各方对资产泡沫形成的广泛关注。此外，亦有人提出现时内地的房价与人均收入的比例高于美国次按危机爆发前的比例，是危险的讯号。然而，这样的比较过份简化，容易造成误导。由于住户收入常常被人为低报，内地有关住户收入的官方统计低估了实际情况；不少企业仍然分发实物作为员工的福利，但并没有在统计上计算在员工的收入之内；不少中高级雇员亦会报销大量支出，以降低名义工资，从而达到少交税款的目的；不少居民的「外快」收入亦没有纳入官方的正式统计。

中国内地的储蓄率和收入增长远较美国为高，这意味着内地居民可以负担较高的房价对收入比例。内地缺乏投资渠道——对外投资受到限制，而股市的波动则非常大，不少中国人在过去十年的房地产牛市中获利，认定房地产是他们最佳的保值工具。基于以上因素，中国的房地产市场升市可能比不少西方国家为长。

图三  
人均居民储蓄存款与商品住宅均价(二零零九年第四季)

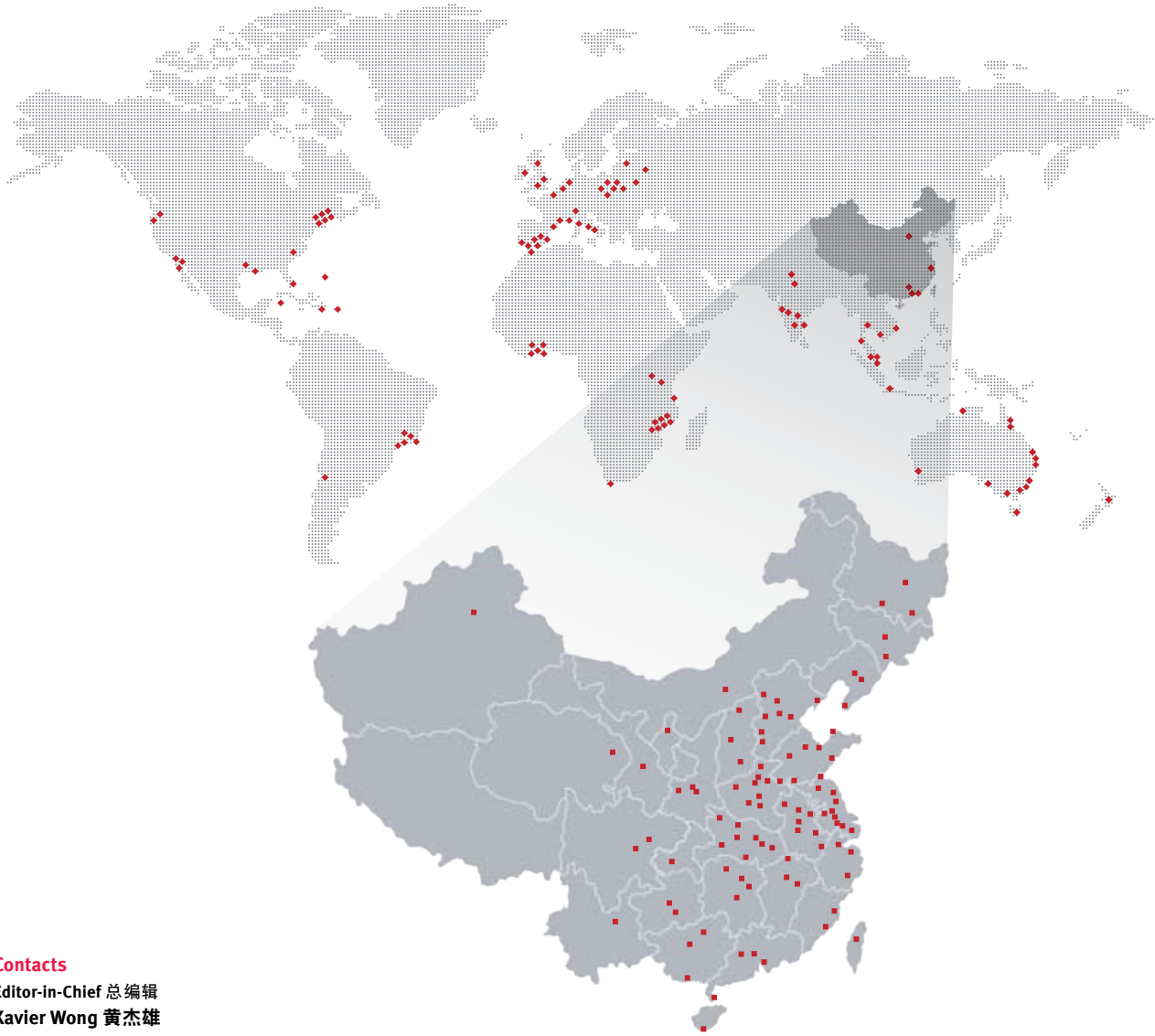
商品住宅均价  
(每平方米人民币)



注：红线代表房价对人均存款比率高于其均值一个标准差。  
资料来源：莱坊/中房驰昊

虽然过去一年中国房价大升，但没有房价大泻的即时风险。尽管如此，我们仍需要正视现时房价飙升导致低收入阶层购房困难的问题。为了辨识房价相对收入较高的内地城市，我们另辟新径，以人均存款数字作为人均收入的参照指标；因为前者较为可靠，而两者相关度高，因此所得结果将更为准确。我们尝试以多个城市去年第四季的房价除以当地人均居民存款，计算各城市的房价对人均存款比率，然后取其平均值。如该城市之房价存款比率高于平均值一个标准差，其房价便算偏高。

从附图三可见，房价相对居民购买能力偏高的城市包括上海、深圳、杭州和南京，这些城市都是富有外地购房者的集中地，他们把许多本地人挤出市中心。



## Contacts

**Editor-in-Chief 总编辑**

**Xavier Wong 黄杰雄**

Director and Head of Research, Greater China,  
Knight Frank 莱坊大中华区研究总监  
+852 2846 4819  
xavier.wong@hk.knightfrank.com

**Assistant Editor-in-Chief 副总编辑**

**Jason Hu 胡智强**

Director, Research Services, Holdways  
中房驰昊研究部门总监  
+86 10 5128 4009 Ext 805  
huzq@holdways.com

**Helen Liu 刘释骏**

Director and General Manager,  
Holdways  
中房驰昊董事总经理  
+86 10 5128 4009 Ext 812  
liusj@holdways.com

**Paul Lin 林文**

Director and Head of Research &  
Consultancy, Beijing, Knight Frank  
莱坊北京研究及咨询部门总监  
+86 10 8518 5758 Ext 617  
paul.lin@cn.knightfrank.com

## Knight Frank office 莱坊办事处

Suite 302, Tower E1, Oriental Plaza, No 1 East Chang An Avenue, Dong Cheng District, Beijing 100738, PRC  
中国北京市东城区东长安街1号东方广场东一办公楼302室100738邮政编码  
T 电话 +86 10 8518 5758 F 传真 +86 10 8518 5755 KnightFrank.com.cn

## Holdways office 中房驰昊总部

Unit 1308, Tower C, Webok Times-Center, 17 South Zhongguancun Street, Haidian District, Beijing 100081, PRC  
中国北京市海淀区中关村南大街17号韦伯时代中心C座1308室100081邮政编码  
T 电话 +86 10 5128 4009 F 传真 +86 10 8857 2885 Holdways.com