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## China property bubble: Real or imaginary?

Posted by **Gwen Robinson** on Jan 20 10:39.

It really seems to be a case of who you want to believe.

The highly opinionated investor Jim Rogers [waded into](#) the debate over Hong Kong's sizzling property prices to warn on Tuesday that values in Shanghai and Hong Kong may fall after being driven higher by speculative demand.

Then on Wednesday, Li Ka-shing, one of Asia's richest men — or rather, Li's construction company Cheung Kong — [insisted there was no such bubble](#), even though Hong Kong real estate prices saw the biggest increase among top housing markets last year.

Not only that, but [the latest figures](#), issued Tuesday, show that full-year property sales in China zoomed by 75.5 per cent from a year ago to Rmb4,399.5bn (\$644bn), with residential sales jumping a whopping 80 per cent, according to the National Bureau of Statistics.

Sounds fairly bubbly to us, particularly considering that Chinese home prices rose nearly 8 per cent in December alone, the fastest growth in 18 months, despite new attempts by Beijing to cool speculative zeal.

As the FT [notes](#), developers have repeatedly warned of a real estate bubble, while analysts and officials are now talking about the serious impact on the financial system when prices begin to fall.

But in the view of Cheung Kong's executive director Justin Chiu, there is nothing to get excited about. "I don't really see a bubble," Chiu told Bloomberg. "There shouldn't be too much concern about the governments trying to crush the market."

The territory's luxury home prices may rise as much as 15 per cent this year, and there are no bubbles in the city's and China's property markets, he noted.

But perhaps rather than listen to Cheung Kong's predictions, some investors would prefer to look at developments such as the one highlighted in Bloomberg [report last week](#), on how China's best-performing stock funds are turning bearish on housing shares.

Meanwhile, another heavyweight China hand, Fred Hu, Goldman Sachs' chairman for Greater China [entered the debate](#), warning this week that real estate prices in China, Singapore and Hong Kong need monitoring for signs of bubbles forming amid rapid growth.

And not to be excluded, emerging markets-booster Mark Mobius of Templeton Asset Management put in his renminbi's worth, [insisting earlier this month](#) that China's property market is not about to burst.

"The Chinese will act rationally and they're not going to kill the market," he said.

Well, don't hold a knife over it, Mark...

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[China, asset bubbles and Jim Rogers](#) – TheMessthatGreenspanMade

[Uh-oh, now Jim Rogers is warning about China's property bubble](#) – Clusterstock

[China's liquid real-estate bubble](#) – FT Alphaville

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This entry was posted by [Gwen Robinson](#) on Wednesday, January 20th, 2010 at 10:39 and is filed under [Capital markets](#), [People](#). Tagged with [Cheung Kong](#), [Fred Hu](#), [jim rogers](#), [Li Ka-shing](#), [Mark Mobius](#).

### Comments

Hmmm....loose credit, rocketing prices, lots of hype and hubris from the property developers...sounds all a bit like Dubai / Spain / Russian property markets to me. I remember a certain Russian property tycoon saying he would eat his tie if property prices fell in 2009 - unfortunately for his wardrobe collection prices fell 30%!

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"The Chinese will act rationally and they're not going to kill the market" isn't that rule number one of efficient markets? all investors always act rationally hence there are never any market crashes.

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