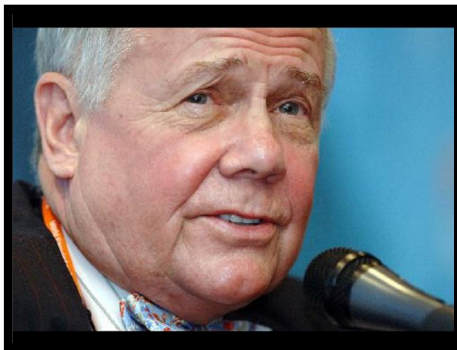




Rogers Says Shanghai, Hong Kong Property in Bubble (Update1)

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By Shiyin Chen and Valarie Tan



Jan. 19 (Bloomberg) -- Shanghai and Hong Kong property prices may fall after being driven higher by speculative demand, said investor **Jim Rogers**, author of "A Bull in China."

Efforts to restrain lending underscore the government's attempt to take "some of the heat out of the economy," he said in an interview in Bloomberg's Singapore bureau today. The rest of the Chinese economy is "hardly in a bubble," he said.

Property prices in 70 cities across China climbed 7.8 percent in December, the fastest pace in 18 months, a government report showed last week. Hong Kong's real estate prices rallied the most

among the world's major housing markets last year, according to property adviser Knight Frank LLP, adding to signs that the city's home values have risen too much.

"Certainly, Shanghai real estate or Hong Kong real estate should decline," said Rogers, 67. "My goodness, if anything's in a bubble in the world, that and U.S. government bonds are certainly very overpriced."

China's property sales jumped 75.5 percent to 4.4 trillion yuan (\$644 billion) last year, led by the eastern cities of Zhejiang and Shanghai, the National Bureau of Statistics said in a statement on its Web site today. **Fred Hu**, Goldman Sachs Group Inc.'s chairman for Greater China, said yesterday real estate prices in China, Hong Kong and Singapore need monitoring for signs of bubbles forming.

Benchmark U.S. 10-year notes yield 3.67 percent, versus the 20-year average of 5.54 percent, according to data compiled by Bloomberg.

Tightening Lending

China raised the share of deposits banks must set aside as reserves starting on Jan. 18, as the government seeks to rein in liquidity from record lending without stalling a recovery.

"The path to continued success in China is there but there are going to be a lot of bumps along the way," **Donald Gimmel**, who helps oversee about \$1.5 billion as a senior managing director at New York-based Carret & Co., said today in a Bloomberg Television interview in Hong Kong. "There's going to be growth but in the course of getting there, you're going to get lots of ups and downs."

The People's Bank of China also guided its benchmark one-year bill yield to the highest level in 14 months, selling them at a rate of 1.9264 percent in **open-market operations**, according to data compiled by Bloomberg. China is targeting 8 percent growth this year, Industry Minister **Li Yizhong** said Dec. 21.

'Slow Things Down'

"China now realizes that they've created too much money, that prices are going up too much and they're trying to slow things down," Rogers said. "These things are designed to take some of the heat out of the economy. Let's hope it works."

New **mortgage** loans approved in Hong Kong dropped 11.1 percent in November after the government voiced concerns over potential asset bubbles and implemented measures to cool surging home prices. Loans fell to HK\$25.8 billion (\$3.3 billion) from HK\$29 billion in October, declining for a fifth consecutive month, the Hong Kong Monetary Authority said last month.

Rogers, who took a "senior consultant" position with China's Dalian Commodity Exchange in October, has

long been a bull on the nation's economic outlook. He also moved his family to Asia in 2007 to tap the region's growth and to allow his children to learn Mandarin.

Investor **Mark Mobius** said Jan. 7 the bubble in China's property market isn't about to burst.

Act Rationally

"The Chinese will act rationally and they're not going to kill the market," Mobius, who oversees \$34 billion of developing-nation assets at Templeton Asset Management Ltd., said in an interview in Singapore. "There's still a lot of savings in China. Prices are high but I don't see a crash."

Rogers, the chairman of Singapore-based Rogers Holdings, also said today that he hasn't sold any of his **Chinese stocks** even after last year's rally. He reiterated that the last time he purchased stocks in the country was between October and November 2008.

Still, the rally in global stock markets means a "consolidation is overdue," Rogers said. Commodities are a "much better place to be" than stocks, he said.

The **Shanghai Composite Index**, tracking the larger of China's two mainland stock exchanges, rallied 80 percent last year, compared with a 27 percent gain in the MSCI World Index. The Chinese benchmark index has slipped 0.9 percent this year amid concern the government will further restrain lending.

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Last Updated: January 19, 2010 03:14 EST

