

Individual investors move into property

As property developers' profits around the country continue to soar, a group of individual investors have joined forces to buy land on their own.

The Individual Land Bidders Club was founded Wednesday in Shanghai, and it has attracted more than a dozen members, each with an investment of no less than 1 million yuan (\$146,500), said Qian Shenghui, founder of the club and general manager of Shanghai QianShengHui Investment Consulting.

"We want to provide a platform for individual investors to participate in real estate development other than through land or property speculation," Qian said.

The establishment of the club comes on the heels of increasing efforts of individual investors trying to get involved in realty around the country.

In Shanghai last month, an individual investor bid nearly \$25 million for a 31,438-square-meter plot of land in the city's thriving Pudong District. A week earlier, another individual investor placed a bid of \$63 million on a 124,559-square-meter piece of property in Wuhu, Central China's Anhui Province.

Analysts said property developers have gained large profits from land reserves, and individual investors are now trying to follow suit.

About one third of Chinese property developers gain their profits from holding land in reserve rather than from building houses, Pan Shiyi, chairman of SOHO China, a Beijing-based property developer, told CCTV in November.

Property developers often hoard land until it raises in value and then resell it. Officially, companies are only allowed to hold onto undeveloped land for two years, but the rules are only loosely enforced.

PCCW, a Hong Kong telecommunications company, sat on property in Beijing for three and a half years before selling it this summer at almost a 60 percent mark-up.

Bidding on land is much cheaper than buying property, said Yan Wei, a member of the club. "I can get more profit from real estate development than buying property."

"Bidding for land will bring risk to individual investors, as land speculation is not allowed and individuals also lack experience in property development," said Yang Hongxu, director of E-house China R&D Institute.

Qian, the club founder, said they will use the investment to bid on land at reasonable prices and build low- and middle-end residential buildings to meet market demand, which could help ease the surging housing prices in metropolises such as Shanghai and Beijing.

But Yang from E-house is skeptical about the impact a handful of people can make on the market.

Individual investment in property development is still too small to affect housing prices in the short term, he said.

Source: Global Times